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MEMORANDUM

TO: Alabama Legislature
FROM: Representative Alan Harper and Senator Paul Sanford, Co-Chairs
SUBJECT: Alabama Alcoholic Beverage Study Commission Report
DATE: February 2, 2015

This memorandum serves as the report for the Alabama Alcoholic Beverage Study Commission.

I. Commission Creation

The Alabama Alcoholic Beverage Study Commission (AABSC) was created by HJR 154.¹ As stated in the Joint Resolution, “The goal of the commission is to examine and determine if Alabama's alcoholic beverage laws related to the manufacture, distribution, and sale of alcoholic beverages are congruent, competitive, and consistent with the alcoholic beverage industry related laws from across the United States.”²

The Joint Resolution directed the AABSC to hold three public hearings “to receive input from the public and from individuals and businesses involved in the manufacturing, distribution, and sale of alcoholic beverage products.” The Joint Resolution also directed the AABSC to “visit two states deemed by the commission to have the most responsible and progressive alcoholic beverage laws in the United States” and to “interview state agencies in those states that are responsible for the enforcement and manufacturing, distribution, and sale of alcoholic beverages in those states.”³

The Co-Chairs of the AABSC are Representative Alan Harper and Senator Paul Sanford. Representative Alan Boothe, Representative Steve Clouse, Representative Anthony Daniels,

¹ Enacted as 2015 Ala. Acts 144.

² 2015 Ala. Acts 144(c).

³ 2015 Ala. Acts 144(d)(1-2).

Senator Tim Melson, Senator Arthur Orr, Senator Bobby Singleton, and William Thigpen, Assistant Administrator, Alabama Alcoholic Beverage Control Board are also members of the AABSC.

At its first meeting, held on May 20, 2015, the AABSC adopted the following mission statement:

The Alabama Alcohol Beverage Study Commission (AABSC) will examine the State of Alabama's Alcohol Beverage laws related to the three tier system and licensing to subsequently provide recommendations for updating the Alabama Code relative to creating fair, consistent, and best practices legislation for Alabama's alcohol industry.

After preliminary research into various states' alcohol regulatory structures, the AABSC decided to visit North Carolina and Colorado to meet with their alcohol regulators.

II. Public Hearings

The AABSC held its first public hearing on July 16, 2015 in Mobile. Co-Chair Representative Alan Harper, Co-Chair Senator Paul Sanford, Representative Alan Boothe, Representative Anthony Daniels, Senator Bobby Singleton, and William Thigpen were present. Thirty-four members of the public attended the hearing. Eighteen members of the public offered verbal comments at the hearing.

The AABSC held its second public hearing on July 28, 2015 in Hoover. Co-Chair Representative Alan Harper, Representative Alan Boothe, Senator Tim Melson, Senator Bobby Singleton, and William Thigpen were present. Forty-one members of the public attended the hearing. Fourteen members of the public offered verbal comments at the hearing.

The AABSC held its third public hearing on July 28, 2015 in Huntsville. Co-Chair Senator Paul Sanford, Representative Alan Boothe, Representative Anthony Daniels, Senator Bobby Singleton, Senator Arthur Orr, Senator Tim Melson, and William Thigpen were present. Twenty-three members of the public attended the hearing. Seventeen members of the public offered verbal comments at the hearing.

In each of the three public hearings commenters represented a diverse group of interests, including brewers, wineries, distillers, retailers, distributors, and concerned members of the public.

The Commission collected numerous submissions from various interested parties. All submissions can be reviewed on the Commission's website at <http://ali.state.al.us/absc.html>.

III. State Visits

Members of the AABSC visited Raleigh, North Carolina on November 3-5, 2015 to meet with alcohol regulators there. Co-Chair Representative Alan Harper, Representative Anthony Daniels, Representative David Faulkner, and William Thigpen made the trip.

Participants from North Carolina included: Representative Jamie Boles, Representative Shelly Willingham, Robert Hamilton (ABC), Renee Cowick (ABC), Chris Saunders (Assembly Staff), Andy Ellen (Retail Merchants Ass'n), Tim Kent (Beer & Wine Wholesalers Ass'n), Kris Gardner (Beer & Wine Wholesalers Ass'n), Margo Knight Metzger (Brewers Guild), Paul Criscuola (Spirits Ass'n), Jeremy Norris (Distiller's Ass'n).

Members of the AABSC visited Denver, Colorado on November 11-13, 2015 to meet with alcohol regulators there. Co-Chair Representative Alan Harper, Representative Alan Boothe, Senator Bobby Singleton, and William Thigpen made the trip.

Participants from Colorado included: Senator Andy Kerr, Representative Joann Windholz, Representative Dan Pabon, Ron Kamerzell (Dept. of Revenue), Patrick Maroney (Dept. of Revenue, Liquor Enforcement), Donia Amick (Dept. of Revenue, Liquor Enforcement), Michelle Stone-Principato (Dept. of Revenue, Liquor Enforcement), Jack Chism (Dept. of Revenue, Liquor Enforcement).

Both visits were informative. North Carolina's system is similar to Alabama's but provides special allowances for small brewers, wineries, and distillers. Colorado's system diverges more from Alabama's. Colorado is not a control state (the state does not distribute or retail alcohol). In addition, Colorado allows manufacturers wider latitude in distributing and retailing their products.

IV. Commission Proposal

The AABSC met on January 12, 2015. Co-Chair Senator Paul Sanford, Representative Alan Boothe, Senator Arthur Orr, Senator Bobby Singleton, and William Thigpen were present. The Co-Chairs recommended, in light of the public comments and information gathered by the AABSC, three pieces of legislation: one each for beer, wine, and spirits.

1) Beer

The Co-Chairs reviewed all of the public comments and submissions to date regarding the beer industry and believe a few of the recommendations are most palatable. Under current law brewers and brewpubs cannot make sales for off-premise consumption. The Co-Chairs propose that all licensed brewers and brewpubs which produce less than 60,000 barrels of beer in a calendar year be allowed to sell up to 288 ounces per consumer per day of draft or package beer for off-premise consumption directly to consumers in a sealed, labeled package (bottles, cans, or growlers). Brewers and brewpubs would also be allowed to deliver up to two donated kegs of beer per charitable or non-profit event. Additionally, language requiring that a brewpub licensee be located in a county where beer was brewed for public consumption prior to

ratification of the 18th Amendment and that a brewpub licensee be located in a historic building or site, or in a registered historic district, or in any economically distressed area would be repealed.

2) Wine

While a number of suggestions have come forward from the wine industry, one option seems more appealing than the others. Under current law, wineries can only retail their wine for on-premise and off-premise consumption at their winery. Some wineries are located in agricultural areas far from consumers. The Co-Chairs propose that wineries also be allowed to establish one ABC-approved off-site location to retail wine produced by the winery.

3) Spirits

Under current law, spirits manufacturers cannot sell any of their product at retail. All sales must go through ABC. The Co-Chairs propose that spirits manufacturers be allowed to sell up to 750 milliliters of their spirits to each consumer per year for off-premise consumption.

Representative Alan Boothe moved that the AABSC approve the Co-Chairs' proposal. Senator Bobby Singleton seconded the motion. The AABSC approved the Co-Chairs' proposal by voice vote.