



ADAM JARCHOW

STATE REPRESENTATIVE • 28TH ASSEMBLY DISTRICT

Testimony on **AB 286** – closing hours for retail sales by wineries
Assembly Committee on State Affairs and Government Operations
Wednesday, September 30, 2015 – 1:01 pm

Thank you, Mr. Chairman for holding this hearing on this very important piece of legislation that has the ability to help one of the largest growing industries in this state. It seems that wineries are popping up everywhere. I am sure there is no one in this room that thinks this is a bad thing. As a Wisconsinite, I am thrilled to see entrepreneurs starting up a small business and I am even more excited to see them succeed. That is what is happening. That is what capitalism and the free market system are all about.

When a person thinks of a winery, oftentimes they think about a big piece of land with grape vines and a building where the grapes turn into wine. At the bare bones, that is what a winery is. As these wineries grow, they start to do more things and offer more amenities to their customers. This is not unique to only wineries. Let's take the taxi industry for example. Not too long ago, the only way to get a cab was to walk out in the street and wave your hands until one pulled over or to call the cab company. Now, in the age of smart phones, Uber has become the new norm. The industry has evolved and technology has given way to a different, arguably better way of getting around in a big city. This is called progress as a society. Another example is Rocketlawyer. Rocketlawyer is a website that allows people to sign up, pay a fee and ask lawyers questions, draft documents, and receive other legal services. In my other life, I am an attorney. I do not spend my days trying to destroy Rocketlawyer. What I do is work even harder and make sure that I am competitive with alternative services. I make sure that I am accessible and easy to work with so that my clients see my value and the importance of what I provide them.

The free market allows businesses and industries to be what they want to be and transform them into what consumers demand. It is not the government's job to stand in the way of a growing industry because of prohibition era laws that are still on the books. In the era of growing technology that is constantly changing, wineries are doing their part in keeping up with the times. If their customers want something, they are going to provide it. All they need is for the government to get out of the way.

I can honestly tell each and every person in this room and each and every tavern owner in this state that the last thing I want to do is hurt another business, namely taverns, in the process of passing this legislation. If there is a bill that needs to be written to make changes or deregulate the tavern industry, tell me and I will author the bill. I want to see **ALL** businesses succeed in Wisconsin. We don't need to choose between wineries and taverns. They can both succeed at the same time.

Let's remember that when a winery has an event and brings in people from outside the area, all businesses in that area reap the benefits. Hotels, gas stations and yes, taverns. If wineries are unable to hold weddings, that business will go elsewhere. The business won't go to taverns; it will go to a hotel or event center. In my district, the business will go across the river to Minnesota. When a winery has an event, after midnight, where will those patrons likely go? They will go to a local tavern. When one business succeeds, surrounding businesses succeed as well.

Instead of assuming that this is going to hurt the tavern business, let's look at ways it can help it. I urge you all to stand with small business in this state and support this bill.



State Senator Sheila Harsdorf

Date: September 30, 2015

To: Assembly Committee on State Affairs and Government Operations

Fr: Senator Sheila Harsdorf

Re: Assembly Bill 286—Winery closing hours

Dear Chair Swearingen and Committee Members,

Thank you for holding a public hearing on Assembly Bill 286 (AB 286), which would allow for the extension of operating hours for Wisconsin wineries. While I regret that I am unable to testify in person due to prior commitments, I greatly appreciate you holding a hearing and your consideration of this legislation.

Wineries represent one of our state's fastest growing industries and help drive tourism in our communities. We are seeing wineries in my district and around the state investing heavily as they work on building their businesses and attracting new customers. They provide unique and scenic locations to enjoy locally made wine. AB 286 seeks to modernize our state's alcohol licensing laws in recognition of the growing role of wineries in our local and state economies.

Wisconsin law currently mandates that wineries must close by 9:00 PM. This law applies not only to the general business of the winery but any event that is held at the winery. This law has significant negative impacts on the ability of these small businesses to host community events and private gatherings such as weddings. This legislation would allow wineries to extend their closing hours to midnight as a means to further facilitate their growth and local economic development opportunities. It is important to note that the bill maintains local control by allowing local municipalities to restrict wineries' closing hours by ordinance.

The intent of this legislation is to help wineries grow their businesses and better serve their customers, which results in benefits to local economies and job opportunities. Rep. Jarchow and I have worked closely with the Wisconsin Winery Association and our local wineries to draft this legislation that will further facilitate the growth of wineries in our state.

I urge your support of this legislation that will encourage additional economic development in Wisconsin's wine industry. Thank you again for your consideration of this proposal.

**Public Hearing
Assembly Committee on
State Affairs and Government Operations
Wednesday, September 30, 2015**

**Written testimony on Assembly Bill 286
Submitted by
Dancing Dragonfly Winery
St. Croix Falls, WI**

Chairman Swearingen and Members of the Committee;

Thank you for the opportunity to provide written testimony on **Assembly Bill 286**, relating to closing hours for retail sales by wineries.

We STRONGLY SUPPORT the change in 125.68(4)(c)3m, extending the closing hours for retail sales by wineries.

There are four major reasons to support this bill:

1. Without a change in the law, wineries are at risk of not being a viable business. The wine industry in Wisconsin is growing, creating new jobs, additional tourism opportunities, and revenue for the state, especially in rural areas of the state. By extending the retail sales hours on winery premises, you are creating more jobs.

Due to other restrictions in the law, most wineries do not sell their wines outside of their premises. By extending the hours a winery is open, you are giving tourists and residents an increased opportunity to purchase our products, increased recognition of our brands, plus creating a tourism brand for our region.

Creating a vineyard and winery is a highly capital-intensive business endeavor, with an unusually long (if ever) period before the investment is repaid. For example, we began our investment in 2009, and have not yet made a profit in any year. We have to keep a vigilant eye on revenues and margins. The ability to extend hours will help make the business viable.

Most wineries in Wisconsin are owned and operated by families. We are small business owners, with a passion for wine and educating our customers on wine. Other businesses that sell wine do not share the panache and tourist draw of the wine experience.

2. Extending hours increases tourism. Wineries provide numerous benefits to our communities. They are a destination, bringing people from all over, especially from the Twin Cities into Wisconsin. By extending the hours, you give tourists more time to enjoy the area. That turns into more revenue for the state of Wisconsin and more jobs in the state, especially in rural areas.

Current laws limit tourist opportunities in the state of Wisconsin. Tourists come to wineries to experience a wine tasting, learn about wine, and see how wine is made. They will often purchase wine after their experience, reminding them of the afternoon they just spent in beautiful Wisconsin. They also find inns, B&Bs, and restaurants to supplement their visits. Often a wedding or similar event is their first introduction to the area.

3. Change will not hinder sales at other Wisconsin wine providers. Wineries do not compete in any significant way with tavern customers. Winery customers come to experience tastings, as a special experience, and sit by the vineyard and sip wine or to attend a wedding. It is about the serene and romantic experience for them. It is not about serious drinking. In fact, we discourage hanging out at our tasting bar, by not having any seating at the bar—our tasting bar is standing customers only.

Tavern customers visit taverns for different reasons. Taverns tend to be visited on a regular basis, more casually, and typically become a destination focused on sitting and drinking. Most taverns could not reasonably be considered a romantic or serene destination, or a place one would go to look at the scenery and slowly sip wine.

If you have not done so before, we invite the committee to visit a Wisconsin winery for a wine tasting, and experience the difference we are talking about.

4. Concerns raised by others in the alcohol industry are not valid.

The purpose of a winery is not limited to producing wine. There is no authority or legislative history that states the purpose of a winery is to solely produce wine. On the contrary-- Wisconsin Statute 125.53 allows not only the manufacturing of wine, but also allows wineries to provide tastings and have retail sales, consistent with their tourism intent. Staying open past 9:00 pm does not change what the law already allows.

Wisconsin wineries do not sell their wine throughout the country in any material way. While it is legal for Wisconsin wineries to sell their wine throughout the country, it is practically impossible for this to occur.¹ Even if wineries were selling wine throughout the country, it is not clear how this is relevant to extending the hours of operation of a winery.

Current laws are already different for wineries, taverns, and beer pubs. The assertion that wineries are asking for a major change in the rules to make the playing field unbalanced is a misleading exaggeration. Wisconsin Statute Chapter 125 is full of exceptions for all tiers in the alcohol business. Assembly Bill 286 is an effort to put wineries on *more* of an equal footing with other businesses.

¹ This would require finding distributors in every state that would be willing to sell the wine. We cannot even find a distributor in one state (Minnesota) to sell our wine, because they don't want to be bothered with small wineries.

Taverns believe wineries are their competitors, due to the fact that customers drink alcohol at both businesses. Wineries believe large hotels and convention centers are actually our competition (in our case, in Minnesota), due to space for weddings and special events. Does it really matter who the competition is? Almost every business in the United States has competition. It makes us better in what we do. Current law unfairly discriminates against wineries regarding how late in the day a winery can serve, and what can be served, when compared to large hotels, event centers, and convention centers. We are simply asking to be put on equal footing with others in the industry.

IN SUMMARY

Revenue to the state of Wisconsin, jobs to the Wisconsin citizens, and the viability of a growing tourist attractions will continue to be lost if AB 286 does not become law.

We are aware of the opposition presented by the taverns' lobbyists. Despite their fear about this, we are not the taverns' competition. Our competition is actually large hotels and event centers, not the taverns. The majority of wineries are actually in areas where large hotels do not exist, where the winery is the only option for special event, such as a wedding. Our winery, for example, is in a prime rural location to draw away higher-end wedding business from Minnesota's Twin Cities.

For most wineries, the extension in hours is NOT to keep our Tasting Room open into the night. Our biggest business opportunity is weddings and other special events. Our intent is not to be a bar, open late every night. However, to have the flexibility to stay open when the occasion warrants would be a valuable asset, for us, for the state of Wisconsin, and for Wisconsin's citizens.

Thank you for your consideration of these issues. We, along with wineries in Wisconsin, have made a large investment, both monetarily and emotionally, to create our winery and events. We hope you support wineries to be viable businesses.

Bill and Christine Bluhm, Owners
Dancing Dragonfly Winery, St. Croix Falls, WI
715-483-9463

My name is Shannon Zimmerman. I live in River Falls, WI. If not for a business trip to Europe, I would be speaking before you today, so my apologies for having to send an impersonal letter. That said, please do not dismiss the importance of the subject before you for consideration and the implications to Wisconsin. I will be as brief as I can to respect your time.

First, let me share a very short amount of information about both me and my business experience in Wisconsin. My wife and I founded a company in River Falls, WI nearly 20 years ago. This entrepreneurial endeavor has resulted in over 100 professional jobs in Wisconsin. Our company has been recognized the past two years in the top five fastest growing public companies in the Business Services category in Wisconsin. Within our industry, we've risen to number 8 in North America and have every expectation to reach number 1. We led all industry competitors in 2014 in growth.

This is shared for two reasons. It is meant to convey that we understand business. We know how to solve a problem or fulfill a need. While we have offices in Europe and Asia, Wisconsin is our Corporate Headquarters. We are deeply vested in Wisconsin and care about its future. About five years ago, after long investigation into the rise of wineries, we opted to invest again into Wisconsin. With our two adult sons, we started a winery in River Falls, WI. This winery is located in the Western portion of the state and is within 20 minutes of a large population in Minneapolis-St Paul.

Wineries are rapidly rising. The reason is clear. Wineries represent a unique and different experience than a traditional tavern. It is a blend of recreation drink and agriculture. They are more connected to ag-tourism and generally draw an affluent, liberal spending customer. The western portion of Wisconsin is ideal for this. Vineyard success is strong and the natural landscape is ideal to create the picturesque setting these customers want. We opened our retail winery in May of 2015. Since opening, the following data points are worth noting:

1. Measuring customer growth in two week increments, we have maintained a nearly 50% increase in customers for each period since May
2. The composition of these customers, as derived from our Point-Of-Sale system Square, tells us that over 75% have annual household incomes of \$80K or greater
3. Further, 70% of these customers are Minnesota residents spending money in Wisconsin
4. Nearly 20 jobs have been created as a result of this business
5. By comparison, (wine) wineries are the fastest growing category of alcohol sales in the upper Midwest

The world is changing. Both Wisconsin residents and adjacent state consumers want a unique experience. A wine experience. Wineries are presently heavily restricted. To further bind these emerging businesses will only serve to block tax revenue that helps us all. Wineries are not taking from the same pool of consumer, but rather adding to it. They represent what could be a new identity for certain regions of Wisconsin over the coming years. Expanded operating hours help wineries serve their specific customers. These are not the same customers visiting a local bar or tavern. Wineries should not be restricted because they are in addition to and not in competition with the other great businesses of Wisconsin.

Please support expanding all forms of winery business activities.

Thank you for your consideration.

Shannon Zimmerman