

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 14, 2010
POSITION: Neutral

BILL NUMBER: SB 1480
AUTHOR: Senate Governmental Organization

BILL SUMMARY: Alcoholic beverages: tied-house restrictions

California’s “tied-house” laws separate the alcoholic beverage industry into three component parts or tiers of manufacturer (including breweries, wineries, and distilleries), wholesalers, and retailers (both on-sale and off-sale). These “tied-house” laws restrict certain ownership structures and business relationships within the alcoholic beverage industry. Multiple exceptions to the established “three-tier” system exist within the Alcoholic Beverage Control Act (the Act).

This bill would remove unnecessary requirements from the Act, allow an applicant for a non-retail license to operate on an interim basis while protest matters are being resolved, and make technical, clarifying changes to the Act.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the March 8, 2010 version would:

- Extend ABC’s authority to issue an interim operating permit to a non-retail license applicant.
- Make minor technical corrections to the ABC Act necessitated by legislation enacted in 2008.

Those amendments are significant, but do not alter our position.

FISCAL SUMMARY

Finance estimates this bill would have no state General Fund impact, and concurs with ABC estimates that interim license fees will offset ABC administrative costs by about \$6,000 per year based on the issuance of an estimated 60 permits.

COMMENTS

Finance notes the following with regard to this bill:

- This bill is the annual Senate Governmental Organization Committee bill that makes technical, clarifying, conforming, and non-controversial changes to the Act.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor’s Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS**A. Programmatic Analysis**

Current law provides as an exception to tied-house restrictions that a winegrower who deals in wine only may hold an ownership interest in any on-sale license, provided that the winegrower has entered into an "undertaking" approved by the Department of Alcoholic Beverage Control (ABC) not to sell or furnish his or her wine to the holder of the license for as long as the winegrower's ownership interest in the license continues, or to enter into any collusive scheme to unfairly sell or promote the wine of another winegrower in his or her retail businesses in return for the same treatment in the retail businesses of the other winegrower.

This bill would retain the requirement that the winegrower, or officer, director, or agent meet the specified conditions regarding the sale or furnishing of wine under the circumstances described above, but would eliminate the requirement that statements describing these conditions be made pursuant to an undertaking approved by ABC.

Current law authorizes ABC to issue an "interim retail permit" allowing an applicant for a retail license to operate the premises during the application process, provided that the application has been protested and ABC has made a determination "that the license should be issued." The fee for an interim retail permit is \$100 and it is issued for 120 day operating periods.

This bill would authorize ABC to issue an "interim operating permit" to an applicant for any license (retail and non-retail), extending this privilege to applicants for a non-retail license.

Current law allows ABC to issue event permit authorizations for sales of alcoholic beverages to on-sale general and on-sale beer and wine licensees on property adjacent to their licensed premises for events held no more frequently than four days per calendar year. The adjacent property must be owned or under the control of the licensee and not visible to the general public.

This bill would delete confusing and ambiguous language to clarify that the holder of an event permit shall not be authorized more than four days total per calendar year.

Current law requires ABC to submit an annual report to the Legislature on or before March 1 of each year on ABC's activities. It also requires ABC to include in the report recommendations for legislation to improve the ability of ABC to expeditiously and effectively administer the ABC Act. We note that Administration-sponsored legislation has a separate approval process from that for legislative reports, and recommendations for legislation should not be advanced by individual departments or included as part of a report to the Legislature. To date, ABC has not included recommendations for legislation in its annual report.

This bill would delete the requirement for ABC to include recommendations for legislation in its annual report to the Legislature.

B. Fiscal Analysis

Finance estimates this bill would have no state General Fund impact, and concurs with ABC estimates that interim license fees will offset minor and absorbable ABC administrative costs by about \$6,000 per year based on the issuance of an estimated 60 permits.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
0001/Major Rev	SO	No		-----	No/Minor Fiscal Impact	-----			0001
2100/Alcohol Bev	SO	No		-----	No/Minor Fiscal Impact	-----			3036

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
3036	Alcohol Beverages Control Fund