

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 2913 (Committee on Governmental Organization) – As Introduced March 17, 2016

SUBJECT: Alcoholic beverages: licensees

SUMMARY: The bill provides technical clean up to the Alcohol Beverage Control Act (ABC Act) by permitting a licensee to sponsor or otherwise participate in an event conducted by, and for the benefit of, a nonprofit corporation in which retail and nonretail licensees are involved as sponsors or participants.

EXISTING LAW:

- 1) Establishes Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the ABC Act in accordance with laws enacted by the Legislature. This involves licensing individuals and businesses associated with the manufacture, importation and sale of alcoholic beverages in this state and the collection of license fees or occupation taxes for this purpose.
- 2) Authorizes licensees, as specified, to sponsor or otherwise participate in an event conducted by, and for the benefit of, a nonprofit organization in which retail and nonretail licensees are involved as sponsors or participants, subject to specified conditions.
- 3) Authorizes a nonretail licensee to advertise or communicate sponsorship or participation in the event and provides that advertising or communication may include, but is not limited to, initiating, sharing, reposting, or otherwise forwarding a social media post by a permanent retail licensee or a nonretail licensee, as specified.
- 4) Prohibits a retail licensee from receiving any advertising, sale, or promotional benefit from any permanent retail licensee in connection with the sponsorship or participation.
- 5) Separates the alcoholic beverage industry into three component parts, or tiers (referred to as the "tied-house" law or "three-tier" system), of manufacturer (including breweries, wineries and distilleries), wholesaler, and retailer (both on-sale and off-sale). The original policy rationale for this body of law was to: a) promote the state's interest in an orderly market; b) prohibit the vertical integration and dominance by a single producer in the market place; c) prohibit commercial bribery and to protect the public from predatory marketing practices; and, d) discourage and/or prevent the intemperate use of alcoholic beverages. Generally, other than exceptions granted by the Legislature, the holder of one type of license is not permitted to do business as another type of licensee within the "three-tier" system.

FISCAL EFFECT: Unknown

COMMENTS: This bill represents the annual Assembly Governmental Organization Committee clean-up bill that makes clarifying, technical and non-controversial changes to existing statute.

AB 2913 corrects a drafting error in AB 776 (Cooper), Chapter 519, Statutes of 2015. Among various provisions, the bill authorized licensed alcoholic beverage manufacturers and retailers to participate together in sponsoring and promoting events conducted by, and for the benefit of, nonprofit organizations, subject to certain conditions. Specifically, the bill prohibited a “retail” licensee from receiving any advertising, sale or promotional benefit from any permanent retail licensee in connection with the sponsorship or participation. This bill instead would prohibit a “*nonretail*” licensee from receiving that advertising, sale, or promotional benefit. In addition, the bill makes a clarifying change to the manner upon which a nonretail licensee may advertise or communicate sponsorship or participation in the event.

Prior legislation: AB 776 (Cooper), Chapter 519, Statutes of 2015. Among various provisions, allowed licensed alcoholic beverage manufacturers and retailers to sponsor or otherwise participate in an event conducted by, and for the benefit of, a nonprofit organization that has acquired a specified alcoholic beverages license, subject to specified conditions, including that a nonretail or retail licensee may choose to participate in any level of sponsorship, as specified. The bill allowed for communication of sponsorship or participation in these events through social media.

AB 774 (Levine), Chapter 107, Statutes of 2015. Allows a licensed beer manufacturer that holds a certified farmers’ market beer sales permit to provide limited instructional tastings for consumers at a certified farmers’ market, under specified conditions.

AB 2488 (Levine, Chapter 98, Statutes of 2014). Expanded an existing privilege in the ABC Act relating to the sale of wine by a licensed winegrower at certified farmers’ markets to also allow a licensed winegrower the privilege of conducting limited wine tastings for consumers at farmers’ markets under certain circumstances.

AB 605 (Portantino) Chapter 230, Statutes of 2010. Authorized ABC to issue to the holder of an “off-sale” retail license an “instructional tasting license” for the purpose of furnishing tastings of alcoholic beverages to consumers, subject to certain limitations.

AB 2293 (De Leon) Chapter 638, Statutes of 2008. Permits distilled spirits manufacturers and winegrowers to provide their product offerings directly to consumers (free of charge) during invitation-only events on premises for which a caterer’s permit authorization has been issued.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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