

Date of Hearing: April 18, 2018

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 1986 (Cunningham) – As Amended April 11, 2018

**SUBJECT:** Craft distillers: alcoholic beverage licensees: donations

**SUMMARY:** Expands an existing Tied-house exception within the Alcoholic Beverage Control Act (Act) to allow licensed craft distillers to give or sell distilled spirits to specified non-profit organizations for the purpose of assisting in fund-raising efforts. Specifically, **this bill:**

- 1) Allows craft distillers to give or sell distilled spirits to certain non-profit organizations, as specified, at prices other than those contained in schedules filed with the Department of Alcoholic Beverage Control (ABC).
- 2) Provides a nonprofit corporation, organization, or association that is authorized to purchase or accept donations of alcoholic beverages pursuant to this section, and that also holds a permanent retail license issued pursuant to this division, shall not use any alcoholic beverage so purchased or donated in the exercise of any privileges or business under its permanent retail license.
- 3) Provides a licensee authorized to donate or sell alcoholic beverages to a non-profit corporation, organization, or association pursuant to this section may also provide services to and otherwise assist the corporation, organization, or association in connection with an event conducted under a temporary license issued by ABC.

**EXISTING LAW:**

- 1) Establishes ABC and grants it the exclusive authority to administer the provisions of the Act in accordance with laws enacted by the Legislature.
- 2) Provides for various annual fees for the issuance of alcoholic beverage licenses that vary depending upon the type of license issued.
- 3) 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 marketplace; c) prohibit commercial bribery and 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.
- 4) Provides that nothing in that law prohibits specified licensees from giving or selling beer, wine, or distilled spirits, as applicable, to certain nonprofit organizations, as specified, at prices other than those contained in schedules filed with ABC.
- 5) Creates a "craft distiller's license" in the Act with specified privileges and limited to persons who manufacture less than 100,000 gallons of distilled spirits annually, exclusive of brandy

production. A licensed craft distiller is authorized to sell to a consumer participating in a distilled spirits tasting, on the distiller's licensed premises, up to the equivalent of 2.25 liters of distilled spirits in any combination of prepackaged containers per day.

6) Defines an "on-sale" license as authorizing the sale of all types of alcoholic beverages: namely, beer, wine and distilled spirits, for consumption on the premises (such as at a restaurant or bar). An "off-sale" license authorizes the sale of all types of alcoholic beverages for consumption off the premises in original, sealed containers.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

Purpose of the bill. According to the author's office, this bill is intended to provide greater licensing equity between small craft distilled spirits manufacturers and beer and wine producers.

The author's office notes that current law does not allow holders of a "craft distillers" license (Type 74) to give or sell distilled spirits products to non-profit organizations to assist them in fund-raising efforts. However, current law permits a licensed distilled spirits manufacturer, rectifier, or a distilled spirits manufacturer's agent to give or sell distilled spirits to certain non-profit organizations, as specified.

As an example, the author's office points to a local licensed craft distiller, which cannot donate a gift basket containing a bottle of distilled spirits to a local charity for its silent auction. Yet, the importer of Il Convento Limoncello, produced in Italy, can be donated (by the importer) to the same charitable event.

According to the author's office, this bill is intended to allow licensed rectifiers to support charities in the same manner as the State's wineries, breweries, and distilled spirits manufacturers and importers.

The bill would also clarify that a licensee authorized to donate or sell alcoholic beverages may provide services or otherwise assist a nonprofit organization in connection with an event conducted under a temporary license issued by ABC.

Prior legislation. AB 1295 (Levine), Chapter 640, Statutes of 2015. Created a new "craft distiller's license" in the Act with specified privileges and limited to persons who manufacture less than 100,000 gallons of distilled spirits annually, exclusive of brandy production. This bill also modifies an existing provision of law that currently allows distillers to offer six, one-quarter ounce tastings, per individual/per day, to instead permit distillers to combine the current limitation into one single 1.5 ounce tasting that may also include a non-alcoholic mixer.

SB 1022 (Strickland), Chapter 281, Statutes of 2010. Granted a Tied-house exception within the Act to allow rectifiers to give or sell beer to specific non-profit organizations.

SB 108 (Wiggins) Chapter 246, Statutes of 2007. Modified an existing provision of law that allows wine orders to be taken at wine tasting events held by specified non-profit organizations to include three additional types of non-profit organizations - civic leagues, social organizations and voluntary employees' beneficiary associations.

AB 323 (Evans) Chapter 131, Statutes of 2007. Made modifications to the Act to enable custom crush wine producers (boutique wineries) to donate and pour their wine at winetasting events conducted by non-profit organizations.

SB 88 (Chesbro) Chapter 588, Statutes of 2003. Created a new ABC wine sales event permit to allow a winegrowers to sell bottled wine at charity events.

AB 1505 (Wiggins) Chapter 270, Statutes of 2003. Provided that wine may not be sold or orders solicited, when a wine tasting is held off the winegrower's premises at an event sponsored by a private nonprofit organization, as defined, except that the winegrower would be permitted to accept orders for the sale of wine when the sales transaction is completed at the winegrower's premises.

AB 2520 (Thomson) Chapter 384, Statutes of 2000. Authorized the ABC to issue a certified farmers market permit to allow winegrowers to sell wine produced and bottled by the winegrower entirely from grapes grown by the winegrower at such venues.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file

**Opposition**

California Teamsters

**Analysis Prepared by:** Eric Johnson / G.O. / (916) 319-2531