

Date of Hearing: July 5, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

SB 582 (Bradford) – As Introduced February 17, 2017

SENATE VOTE: 39-0

SUBJECT: Alcoholic beverages: tied-house restrictions: advertising

SUMMARY: Would extend an existing exception in the Alcoholic Beverage Control Act (Act) pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include a stadium with a fixed seating capacity of at least 70,000 seats (The Los Angeles Stadium at Hollywood Park) and a performance venue with a seating capacity of at least 5,000 seats adjacent to the stadium located in the City of Inglewood. Specifically, **this bill:**

- 1) Allows beer manufacturers, winegrowers, distilled spirits rectifiers, distilled spirits manufacturers, or distilled spirits manufacturer's agents to purchase advertising space and time from, or on behalf of, on-sale retail licensees at a specified stadium and venue located in the City of Inglewood.
- 2) Makes legislative findings and declarations as to the necessity of a special statute for the City of Inglewood.

EXISTING LAW:

- 1) Establishes the Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the 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.
- 2) Existing law, known as the "Tied-house" law or "three-tier" system, separates the alcoholic beverage industry into three component parts of manufacturer (the first tier), wholesaler (the second tier), and retailer (the third tier). The original policy rationale for this body of law was to prohibit the vertical integration of the alcohol industry and to protect the public from predatory marketing practices.
- 3) Prohibits, in general, a manufacturer, winegrower, manufacturer's agent, rectifier, distiller, bottler, importer, or wholesaler, or any officer, director or agent of any such person from owning, directly or indirectly, any interest in any on-sale license.
- 4) Prohibits, in general, a manufacturer, winegrower, distiller, bottler, or wholesaler, among other licensees, or agents of these licensees, from paying a retailer for advertising.
- 5) Provides a variety of exceptions from the advertising prohibition, including permitting specified licensees to purchase advertising space and time from, or on behalf of, an on-sale retail licensee that is an owner, manager, or major tenant of certain stadiums, parks, entertainment complexes, and arenas, subject to specified conditions.

FISCAL EFFECT: Unknown

COMMENTS:

Background

Tied-house laws: Tied-house laws generally prohibit suppliers and retailers from sharing common owners and legally restrict alcohol beverage suppliers' ability to gain control over retailers through indirect means. The original policy rationale for this body of law was to: (1) promote the state's interest in an orderly market; (2) prohibit the vertical integration and dominance by a single producer in the marketplace; (3) prohibit commercial bribery and to protect the public from predatory marketing practices; and (4) discourage and/or prevent the intemperate use of alcoholic beverages.

These provisions prohibit a manufacturer from paying for advertising space at a stadium or sports arena where the facility is licensed to sell alcoholic beverages at events held at the stadium or arena.

Over the years numerous exceptions to this prohibition have been added to the ABC Act e.g. Levi's Stadium in Santa Clara, Oakland Coliseum in Oakland, Arrowhead Pond Arena in Anaheim, Kern County Arena in Bakersfield, the National Orange Show Events Center in San Bernardino, Auto Club Speedway, (formerly California Speedway) in Fontana, Grizzly Stadium in Fresno, Raley Field in West Sacramento, HP Pavilion in San Jose, StubHub Center (formerly the Home Depot Center) in Carson, and numerous other venues.

The Los Angeles Stadium at Hollywood Park. In February of 2015, the Inglewood City Council voted unanimously to approve an 80,000-seat stadium at the site of the old Hollywood Park Racetrack. Construction of the facility is currently underway. The stadium will serve as the home for the Los Angeles Rams and the Los Angeles Chargers of the National Football League. The stadium is scheduled to be available for the 2019 football season and plans are underway for the stadium to host Super Bowl LV in 2021.

The stadium will be surrounded by a development that also includes a 5,000-seat music venue directly adjacent to the football stadium, more than 1.5 million square feet of retail and office space, approximately 3,000 residential units, a 300-room hotel, as well as 25 acres of parks and open space. The development is projected to provide 30,000 jobs for the region during the construction phase and up to 10,000 permanent jobs.

The Los Angeles Stadium and Entertainment District at Hollywood Park is set to encompass nearly 300 acres in Inglewood, and is located just east of the Los Angeles International Airport and southwest of downtown Los Angeles.

Purpose of the bill: The author's office states out that existing law precludes any signage paid for by an alcoholic beverage manufacturer at a stadium unless such an exception is created. This bill amends ABC tied-house provisions to include the Los Angeles Stadium at Hollywood Park in Inglewood on the list of exceptions in the law. This bill would put the Los Angeles Stadium on an even playing field with other arenas and stadiums in California.

Related legislation: SB 664 (Dodd) of 2017. Would extend an existing Tied-house exception in the Act pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include an outdoor stadium (AT&T Park - San Francisco Giants) and an indoor arena (Chase Center - Golden State Warriors) with specified seating capacities located in the City and County of San Francisco. (Pending Action in the Assembly G.O. Committee)

Prior legislation: SB 1105 (Mendoza of 2016). Would have authorized ABC to issue a general on-sale license for a sports entertainment facility bona fide public eating-place that would allow the licensee to sell beer, wine, and distilled spirits at retail for consumption on the premises in a sports entertainment facility, as defined. (Never heard in the Assembly Governmental Organization Committee)

AB 1971 (Cooper of 2016). Would have created a stand-alone Tied-house exception in the ABC Act to allow holders of manufacturer licenses, as specified, to purchase advertising from retail licensees at outdoor stadiums and indoor arenas, subject to specified conditions. (Placed on the Senate Inactive File)

AB 866 (E. Garcia of 2016). Would have extended an existing Tied-house exception in the Act pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include an outdoor stadium with a fixed seating capacity of at least 43,000 seats located in the City of San Diego (Petco Park – home of the San Diego Padres Major League Baseball team). (Placed on the Senate Inactive File)

AB 527 (Dodd), Chapter 517, Statutes of 2015. Created a new Tied-house exception in the Act that authorizes certain alcoholic beverage licensees to sponsor a limited number of events promoted by or to purchase advertising space and time from, or on behalf of, a live entertainment marketing company that conducts live artistic, musical, sports, food, beverage, culinary, or other cultural entertainment events at venues located solely in the County of Napa, under specified conditions.

SB 557 (Hall), Chapter 420, Statutes of 2015. Extended an existing Tied-house exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include a fairgrounds with a horse racetrack and equestrian and sports facilities located in San Diego County.

SB 462 (Wolk, Chapter 315, Statutes of 2015). Among other things, extended an existing Tied-house exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include a specified entertainment complex, known as the Green Music Center, located on the campus of Sonoma State University.

SB 600 (Bonta), Chapter 139, Statutes of 2014. Extends an existing “Tied-house” exception in the ABC Act pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include an outdoor stadium with a fixed seating capacity of at least 68,000 seats located in the City of Santa Clara (Levi’s Stadium – San Francisco 49ers new stadium).

SB 324 (Wright), Chapter 164, Statutes of 2013. Provided a "Tied-house" exception to the ABC Act pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees and the Los Angeles Forum in the City of Inglewood.

AB 776 (Aghazarian) Chapter 221, Statutes of 2007. Created a new "Tied-house" exception by authorizing a beer manufacturer to sponsor or purchase advertising space and time from, or on behalf of, an off-sale retail licensee that is an owner or co-owner of a professional sports team (California Cougars indoor soccer team) that plays its home games, in an arena with a fixed seating capacity of 10,000 seats (Stockton Arena) located in San Joaquin County.

AB 663 (Galgiani) Chapter 745, Statutes of 2007. Extended an existing "Tied-house" exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to include an outdoor professional sports facility with a fixed seating capacity of at least 4,200 (Banner Island Ballpark) located in San Joaquin County.

AB 1442 (Horton) Chapter 617, Statutes of 2005. Extended an existing "Tied-house" exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licensees to the Home Depot Center, a sports and athletic complex within the City of Carson in Los Angeles and the Nokia Theater, located within the Los Angeles Sports and Entertainment District, adjacent to Staples Center.

AB 3085 (Governmental Organization Committee), Chapter 437, Statutes of 2004. Provided the Los Angeles County Fair with an exemption from Tied-house laws so that so that alcohol manufacturers may purchase advertising from, or on behalf of, the on-sale licensees at this venue.

SB 1647 (Perata) Chapter 275, Statutes of 2004. Extended an existing "Tied-house" exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licenses to the Oakland Coliseum in Alameda County.

SB 1189 (Costa) Chapter 47, Statutes of 2002. Extended an existing "Tied-house" exception pertaining to the general prohibition against advertising arrangements between retail, wholesale and manufacturer licenses to the Visalia Oaks Stadium in Visalia and the California Speedway in Fontana.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

Alcohol Justice

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