

Date of Hearing: June 30, 2016

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

SB 683 (Wolk) – As Amended June 21, 2016

**SENATE VOTE:** 34-0

**SUBJECT:** Alcoholic beverage licenses: nonprofit sales license

**SUMMARY:** Authorizes the Department of Alcoholic Beverage Control (ABC) to issue a special non-profit sales license to a non-profit mutual benefit corporation that is associated with the Department of Viticulture and Enology at UC Davis. The designated licensee would be authorized to accept the transfer of, and take title to, up to 20,000 gallons of wine per year produced by the public university and sell transferred, donated, and bequeathed wine to consumers and licensees, as specified. Specifically, **this bill:**

- 1) Provides ABC may issue a special nonprofit sales license to a nonprofit mutual benefit corporation, as described, that has a board membership composed of the Dean of the College of Agricultural and Environmental Sciences, or his or her designee, the Chair of the Department of Viticulture and Enology, or his or her designee, and the Chair of the Department of Food Science and Technology, or his or her designee, of the public university located within the county of the 28th class that includes courses in viticulture and enology in its curriculum.
- 2) Provides a special nonprofit sales license authorizes the licensee to do all of the following:
  - a) Accept the transfer of, and take title to, up to 20,000 gallons of wine per year produced by the public university, as described, even though that the public university does not hold a license. For purposes of this bill, “produced” includes wine donated to, or purchased by, the public university for educational or experimental purposes and that are thereafter treated or processed by the public university.
  - b) Sell wine to consumers for consumption off the licensed premises or to other licensees authorized to sell wine.
  - c) Give licensees samples of the wine it sells, subject to specified limitations and any ABC regulations.
- 3) Provides the special nonprofit sales license does not authorize the licensee to purchase or otherwise obtain wine from a licensee or other manufacturer or seller of wine, except as specified.
- 4) Provides a public university, as described, may transfer wine produced by the public university to a special nonprofit sales licensee.
- 5) Imposes an original fee for the special nonprofit sales license shall be five hundred dollars (\$500) and the annual renewal fee shall be one hundred dollars (\$100), as specified.

**EXISTING LAW:**

- 1) The enactment of the 21st Amendment to the U.S. Constitution in 1933 repealed the 18th Amendment and ended the era of Prohibition. Accordingly, states were granted the authority to establish alcoholic beverage laws and administrative structures to regulate the sale and distribution of alcoholic beverages.
- 2) Establishes ABC and grants it exclusive authority to administer the provisions of the Alcoholic Beverage Control Act (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 for this purpose.
- 3) Existing law, known as the “tied-house” law, separates the alcoholic beverage industry into three component parts of manufacturer, wholesaler, and retailer. 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. Generally, other than exemptions 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) Prohibits, in general, an alcohol manufacturer, wholesaler, or any officer, director, or agent of any such person from owning, directly, or indirectly, any interest in any on-sale license, or from providing anything of value to retailers, be it free goods, services, or advertising.
- 5) Allows wineries, breweries, distilled spirits manufacturers, and importers to donate their product(s) to certain nonprofit organizations (e.g., fraternal orders, social organizations, civic leagues, veterans' organizations, religious groups, horticultural organizations) for the purpose of assisting in fund-raising efforts.
- 6) Generally prohibits the sale or consumption of alcoholic beverages at a public schoolhouse or any grounds thereof. Existing law provides that this prohibition does not apply if the alcoholic beverage is possessed, consumed, or used during an event at a community center owned by a community services district, as provided.
- 7) Allows students between the ages of 18 to 21, enrolled in winemaking and brewery science programs at the University of California, the California State University, and the California Community Colleges, to receive an exemption from current state age restrictions in order to fully participate in bona fide classes and programs where tasting of wine or beer is a necessary aspect of the class or program
- 8) Allows nonprofit organizations that either promote home brewing or home winemaking, or that are primarily composed of home brewers or home winemakers, to sell beer or wine at fundraising events subject to specified conditions, including requiring an educational component to the event and limiting the nonprofit organization to "2 events" that sell wine or beer pursuant to this authorization per year.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

Background: California is a global leader in wine production — accounting for more than 90% of all U.S. wine produced. California is also the fourth largest producer in the world after

France, Italy and Spain. When it comes to brewing, California is equally fortunate to have a robust array of beer makers – both large and small. In both instances, many of these products are made with the help of California college and university graduates who, in many cases, diligently complete the bulk of their career training in beer or wine production prior to reaching the age of 21.

On April 15, 1880, the California Legislature mandated the Regents of the University of California to establish a program providing for instruction and research in viticulture and enology. The current Department of Viticulture and Enology was established on the Davis campus in 1935 following the repeal of Prohibition. Today the department is unique in combining the sciences of viticulture and enology in a single research and teaching unit that encompasses all of the scientific disciplines that impact grape growing and winemaking. Marketplace interest in wine has further increased due to recent department research that point to various components in wine that may have beneficial human health effects.

Purpose of the bill: According to the author, this bill would allow ABC to offer a special non-profit sales license that will benefit the environment and the Department of Viticulture and Enology at UC Davis. UC Davis, through their College of Agricultural and Environmental Sciences, offers undergraduate and graduate degrees in the areas of grape growing and wine making. Currently, any product produced through the program is disposed of, essentially tossed down the drain. The dumping of wine creates unnecessary and avoidable waste and pollution in the form of high biological oxygen demand.

The author's office states that the creation of a specific non-profit entity, separate from the university, would allow wine to be marketed, with the proceeds to be remitted to the university departments that created the product to support its mission of teaching, research and extension.

In Support: The Wine Group states the UC Davis Department of Viticulture and Enology has played a vital role in providing the California wine industry and grape growers with the knowledge and techniques to continuously improve winemaking and farming methods. Their research has enabled California grape growers and winemakers to produce some of the best wines in the world. Allowing the university to recoup some of its operational costs would result in more funds for research to the benefit of the entire wine industry in California.

The Wine Institute states the current disposing of wine products is unsustainable from an environmental point-of-view. This bill makes fiscal sense. Selling the wine, predominantly in bulk, would enable the department to recover some of the costs it incurs while producing it. The department will then be able to use the revenue to support teaching, research, and extension.

Prior legislation: AB 1989 (Chesbro), Chapter 162, Statutes of 2014. Allows students between the ages of 18 to 21, enrolled in winemaking and brewery science programs at the University of California, the California State University, and the California Community Colleges, to receive an exemption from current state age restrictions in order to fully participate in bona fide classes and programs where tasting of wine or beer is a necessary aspect of the class or program.

AB 2609 (Nestande), Chapter 239, Statutes of 2014. Added a provision to the Act that allows nonprofit organizations established for the purpose of promoting home brewing to serve beer at fundraising events subject to specified conditions; and provides that home brewed beer or wine may only be provided or served within a clearly identified area.

SB 1531 (Wolk), Chapter 334, Statutes of 2012. Provides a narrow tied-house exception that allows the Napa Valley Opera House to accept wine and monetary donations from wineries located within the Counties of Napa, Sonoma, Lake, and Mendocino. This exemption sunsets on January 1, 2018.

SB 339 (Wolk), Chapter 702, Statutes of 2011. Added a new provision to the Act relating to the establishment of cooking schools as bona fide eating-places for the purpose of obtaining a license to sell beer and wine. The bill authorized the sale and consumption of alcoholic beverages at a city-owned community center, as specified.

AB 1643 (Smyth), Chapter 79, Statutes of 2010. Removes the prohibition against serving alcohol at a public kindergarten K-12 school housed on the campus of a college, as long as the event is held at a time when children are not present. In addition, the only allowable events at which alcohol can be served in this instance are fundraisers held to benefit a nonprofit corporation.

AB 172 (Smyth), Chapter 398, Statutes of 2009. Allows public colleges to serve alcoholic beverages during fundraisers in college facilities that are used to support school K-12 students, if the event is held at a time when students are not present at the facility.

AB 1598 (Price), Chapter 149, Statutes of 2007. Creates a new exception to the existing prohibition against the sale or consumption of alcoholic beverages on the grounds of a public school to enable culinary arts programs at a campus of a California Community College to buy, use, sell or consume wine or beer only in connection with a sponsored dinner, course of instruction, or meal demonstration.

SB 220 (Chesbro), Chapter 203, Statutes of 2005. Exempts from the prohibition wine produced by a bonded winery owned or operated as part of an instructional program in viticulture and enology.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Association of Winegrape Growers  
Family Winemakers of California  
Germain-Robin Distillery  
Heitz Wine Cellars  
Ironstone Winery  
Long Meadow Ranch & Affiliates  
Moulds Family Vineyard  
Napa Valley Grapegrowers  
Napa Valley Vintners  
Paul Hobbs Winery  
Ramey Wine Cellars  
St. George Spirits, Inc.  
The Wine Group  
Treasury Wine Estates  
Wente Family Estates

Wine Institute

**Opposition**

Alcohol Justice  
California Alcohol Policy Alliance

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