

AMENDED IN SENATE MARCH 26, 2014

**SENATE BILL**

**No. 1401**

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**Introduced by Senator Block**

February 21, 2014

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*An act to amend Section 23053.5 of the Business and Professions Code, relating to alcoholic beverages.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1401, as amended, Block. Alcoholic beverages.

Existing law, the Alcoholic Beverage Control Act, regulates the application, issuance, and suspension of alcoholic beverage licenses by the Department of Alcoholic Beverage Control. Existing law provides that a person convicted of a violation of the act is guilty of a misdemeanor unless another penalty or punishment is specifically provided law, known as tied-house restrictions, generally prohibits specified holders of alcoholic beverage licenses from having an ownership interest in any on-sale license or giving anything of value to a person operating, owning, or maintaining an on-sale premises where alcoholic beverages are sold. Existing law specifically grants the department the authority to investigate violations of tied-house restrictions.

This bill would state the intent of the Legislature to enact legislation to increase enforcement of the Alcoholic Beverage Control Act specifically grant the Department of Alcoholic Beverage Control the authority to investigate violations relating to beer price posting and marketing regulations and provisions relating to labeling and containers. The bill would direct and authorize the department to hire six, full-time equivalent personnel, additional to the department's current staff, to investigate and prosecute violations of the tied-house

laws. The bill would make a statement of legislative findings and delete obsolete cross-references.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares the following:

2     (a) The investigation and enforcement of violations of the  
3     tied-house laws by the Department of Alcoholic Beverage Control  
4     is vital and necessary to the maintenance of a fair and orderly  
5     market in the manufacture, distribution, and retail sales of  
6     alcoholic beverages. These investigations are often extremely  
7     complex, take considerable time, and require extensive resources.

8     (b) The alcoholic beverage industry members seeking to comply  
9     with the law are placed at a competitive disadvantage by those  
10    few members of the industry that choose to violate the tied-house  
11    laws. Due to the complex nature of these investigations, together  
12    with reductions in staff caused by a general reduction in state  
13    services, the prioritization of the limited enforcement personnel  
14    to direct public safety violations, such as sales of alcohol to minors  
15    and intoxicated patrons, and the tremendous growth in licensed  
16    businesses, the department is regularly unable to investigate these  
17    violations.

18    (c) Although the Legislature has enacted a number of exceptions  
19    to the tied-house laws in response to modern business practices  
20    and for the purpose of promoting economic activity beneficial to  
21    the state and local communities, these exceptions are balanced  
22    against the potential for overly aggressive marketing practices  
23    that can lead to negative effects, including the promotion of  
24    excessive consumption of alcoholic beverages or anticompetitive  
25    behavior. These exceptions are, therefore, intentionally narrow in  
26    scope.

27    (d) The separation between manufacturing interests, wholesale  
28    interests, and retail interests in the production and distribution of  
29    alcoholic beverages in order to prevent any entity from dominating  
30    or controlling local markets, including the coercion of violations  
31    of the Alcoholic Beverage Control Act through vertical or  
32    horizontal integration, and to prevent excessive sales of alcoholic

1 beverages produced by overly aggressive marketing techniques,  
2 remains state policy.

3 (e) In furtherance of these policies, the Legislature highly  
4 encourages the Department of Alcoholic Beverage Control to  
5 devote the necessary resources to adequately and aggressively  
6 enforce the tied-house laws.

7 SEC. 2. Section 23053.5 of the Business and Professions Code  
8 is amended to read:

9 23053.5. The department shall have the function of  
10 investigation of violations of Chapters ~~10, 11~~ 12, 13, and 15 of  
11 this division and rules of the department relating thereto. To the  
12 ~~end~~ ensure that such provisions are more adequately and strictly  
13 enforced, funds for support of this program shall be derived as  
14 follows: In addition to fees otherwise provided for in this division,  
15 the following amounts shall be paid to the department by holders  
16 of the following types of licenses:

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18	(a) Retail package off-sale general license .....	\$24 per year
19	(b) Rectifier’s license .....	\$52 per year
20	(c) Distilled spirits wholesaler’s license .....	\$52 per year
21	(d) Distilled spirits manufacturer’s agent’s license .....	\$52 per year
22	(e) Distilled spirits manufacturer’s license .....	\$52 per year
23	(f) Distilled spirits importer’s general license .....	\$52 per year
24	(g) California winegrower’s agent’s license .....	\$52 per year
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26 Payment of those amounts shall be made upon issuance or  
27 transfer of these types of licenses, and shall be made by the holders  
28 of these types of licenses at the time specified in this division for  
29 payment of annual renewal fees therefor.

30 The provisions of Section 23322 shall apply to the amounts to  
31 be paid under this section. All money collected from the fees  
32 provided for in this section shall be deposited in the Alcohol  
33 Beverage Control Fund as provided in Section 25761.

34 SEC. 3. The Legislature hereby directs and authorizes the  
35 department to hire six, full-time equivalent personnel, additional  
36 to the department’s current staff, to investigate and prosecute  
37 violations of the tied-house laws.

38 ~~SECTION 1. It is the intent of the Legislature to enact~~  
39 ~~legislation to increase enforcement of the Alcoholic Beverage~~  
40 ~~Control Act.~~

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