

AMENDED IN SENATE APRIL 24, 1995

SENATE BILL

No. 632

Introduced by Senator Thompson

February 22, 1995

An act to amend ~~Section~~ *Sections 24040 and 25503.28* of the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

SB 632, as amended, M. Thompson. Alcoholic beverages licenses: tied-house restrictions.

The Alcoholic Beverage Control Act provides that each license shall be issued to a specific person, and except licenses authorizing the sale of alcoholic beverages on trains, boats, or airplanes, for a specific location.

This bill would prohibit any person who holds a beer manufacturer's license for a specific location from holding an on-sale license for the same or contiguous premises, unless the licenses for the contiguous premises were issued prior to January 1, 1996, and the licensed contiguous premises have been in continuous operation since the issuance of the licenses.

Existing provisions of the Alcoholic Beverage Control Act known as "tied-house" restrictions generally prohibit an on-sale alcoholic beverage licensee from having an ownership interest in an alcoholic beverage manufacturer. Existing law allows as an exception to those provisions a holder of no more than 6 on-sale licenses to own a microbrewery, as specified. *Existing law limits the licensee to purchasing alcoholic*

beverages for sale from a wholesale or winegrower licensee, except for any alcoholic beverages manufactured by the licensee at a single location contiguous or adjacent to the licensee's premises.

This bill would ~~instead make that exception applicable to the holder of no more than 4 on-sale licenses~~, instead, limit the on-sale licensee to purchasing alcoholic beverages from a wholesale or winegrower licensee, except for licensees who hold on-sale and beer manufacturer's licenses for contiguous premises that were issued prior to January 1, 1996, and the licensed contiguous premises have been in continuous operation since the issuance of the licenses. The bill would also prohibit an on-sale licensee who also has an ownership interest in a licensed beer manufacturer from operating the on-sale licensed premises and the beer manufacturing premises as contiguous premises, unless the licenses for the contiguous premises were issued prior to January 1, 1996, and the contiguous premises have been in continuous operation since the issuance of the licenses.

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

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

1 ~~SECTION 1.—Section 25503.28 of the Business and~~
 2 *SECTION 1. Section 24040 of the Business and*
 3 *Professions Code is amended to read:*
 4 24040. (a) Each license shall be issued to a specific
 5 person and, except in the case of licenses authorizing the
 6 sale of alcoholic beverages on trains or boats, or the
 7 service of alcoholic beverages on airplanes, shall be issued
 8 for a specific location, the principal address of which shall
 9 be indicated on the license. Except as provided in Section
 10 24044, any license issued for a specific location shall be
 11 placed in use at that location within 30 days of the date of
 12 issuance.
 13 (b) *Notwithstanding any other provision of this*
 14 *division, any person who holds a beer manufacturer's*
 15 *license for a specific location shall not also hold an on-sale*
 16 *license for the same or contiguous premises, unless the*



1 *licenses for contiguous premises were issued prior to*
2 *January 1, 1996, and the licensed contiguous premises*
3 *have been in continuous operation since the issuance of*
4 *the licenses.*

5 *SEC. 2. Section 25503.28 of the Business and*
6 *Professions Code, as amended by Section 9 of Chapter*
7 *1028 of the Statutes of 1994, is amended to read:*

8 25503.28. (a) Notwithstanding any other provision of
9 this division, the holder of no more than six on-sale
10 licenses, or any officer, director, employee, or agent of
11 that licensee, or the holder of no more than one on-sale
12 license and one off-sale general license in a county of the
13 39th class only, or any officer, director, employee, or
14 agent of that licensee, may own a licensed beer
15 manufacturer holding a license pursuant to paragraph
16 (a) of subdivision (1) of Section 23320, and may serve on
17 the board of directors and as an officer or employee of a
18 licensed beer manufacturer.

19 (b) An on-sale licensee specified in subdivision (a)
20 shall purchase no alcoholic beverages for sale in this state
21 other than from a wholesale or winegrower licensee,
22 ~~except for any alcoholic beverages manufactured by the~~
23 ~~licensed beer manufacturer at a single location~~
24 ~~contiguous or adjacent to the premises of the on-sale~~
25 ~~licensee licenses who hold on-sale and beer~~
26 ~~manufacturer's licenses for contiguous premises that~~
27 ~~were issued prior to January 1, 1996, and the licensed~~
28 ~~contiguous premises have been in continuous operation~~
29 ~~since the issuance of the licenses.~~

30 (c) Notwithstanding any other provision of this
31 division, the holder of an on-sale license who also has an
32 ownership interest in a licensed beer manufacturer
33 pursuant to subdivision (a) shall not operate the on-sale
34 licensed premises and the beer manufacturing premises
35 as contiguous premises, unless the licenses for the
36 contiguous premises were issued prior to January 1, 1996,
37 and the licensed contiguous premises have been in
38 continuous operation since the issuance of the licenses.

39 (d) The Legislature finds that it is necessary and
40 proper to require a separation between manufacturing



1 interests, wholesale interests, and retail interests in the
2 production and distribution of alcoholic beverages in
3 order to prevent suppliers from dominating local markets
4 through vertical integration and to prevent excessive
5 sales of alcoholic beverages produced by overly
6 aggressive marketing techniques. The Legislature
7 further finds that the exception established by this section
8 to the general prohibition against tied interests must be
9 limited to its expressed terms so as not to undermine the
10 general prohibition, and intends that this section be
11 construed accordingly.

12 ~~(d)~~—

13 (e) This section shall remain in effect only until
14 January 1, 1998, and as of that date is repealed.

15 *SEC. 3. Section 25503.28 of the Business and*
16 *Professions Code, as amended by Section 10 of Chapter*
17 *1028 of the Statutes of 1994, is amended to read:*

18 25503.28. (a) Notwithstanding any other provision of
19 this division, the holder of no more than six on-sale
20 licenses, or any officer, director, employee, or agent of
21 that licensee, may own a licensed beer manufacturer
22 holding a license pursuant to paragraph (a) of subdivision
23 (1) of Section 23320, and may serve on the board of
24 directors and as an officer or employee of a licensed beer
25 manufacturer.

26 (b) An on-sale licensee specified in subdivision (a)
27 shall purchase no alcoholic beverages for sale in this state
28 other than from a wholesale or winegrower licensee,
29 except for ~~any alcoholic beverages manufactured by the~~
30 ~~licensed beer manufacturer at a single location~~
31 ~~contiguous or adjacent to the premises of the on-sale~~
32 ~~licensee~~ *licensees who hold on-sale and beer*
33 *manufacturer's licenses for contiguous premises that*
34 *were issued prior to January 1, 1996, and the licensed*
35 *contiguous premises have been in continuous operation*
36 *since the issuance of the licenses.*

37 (c) *Notwithstanding any other provision of this*
38 *division, the holder of an on-sale license who has an*
39 *ownership interest in a licensed beer manufacturer*
40 *pursuant to subdivision (a) shall not operate the on-sale*



1 *licensed premises and the beer manufacturing premises*
2 *as contiguous premises, unless the licenses for the*
3 *contiguous premises were issued prior to January 1, 1996,*
4 *and the licensed contiguous premises have been in*
5 *continuous operation since the issuance of the licenses.*

6 (d) The Legislature finds that it is necessary and
7 proper to require a separation between manufacturing
8 interests, wholesale interests, and retail interests in the
9 production and distribution of alcoholic beverages in
10 order to prevent suppliers from dominating local markets
11 through vertical integration and to prevent excessive
12 sales of alcoholic beverages produced by overly
13 aggressive marketing techniques. The Legislature
14 further finds that the exception established by this section
15 to the general prohibition against tied interests must be
16 limited to its expressed terms so as not to undermine the
17 general prohibition, and intends that this section be
18 construed accordingly.

19 ~~(d)~~

20 (e) This section shall become operative on January 1,
21 1998. Professions Code is amended to read:

22 ~~25503.28. (a) Notwithstanding any other provision of~~
23 ~~this division, the holder of no more than four on-sale~~
24 ~~licenses, or any officer, director, employee, or agent of~~
25 ~~that licensee, or the holder of no more than one on-sale~~
26 ~~license and one off-sale general license in a county of the~~
27 ~~39th class only, or any officer, director, employee, or~~
28 ~~agent of that licensee, may own a licensed beer~~
29 ~~manufacturer holding a license pursuant to paragraph~~
30 ~~(a) of subdivision (1) of Section 23320, and may serve on~~
31 ~~the board of directors and as an officer or employee of a~~
32 ~~licensed beer manufacturer.~~

33 ~~(b) An on-sale licensee specified in subdivision (a)~~
34 ~~shall purchase no alcoholic beverages for sale in this state~~
35 ~~other than from a wholesale or winegrower licensee,~~
36 ~~except for any alcoholic beverages manufactured by the~~
37 ~~licensed beer manufacturer at a single location~~
38 ~~contiguous or adjacent to the premises of the on-sale~~
39 ~~licensee.~~



1 ~~(c) The Legislature finds that it is necessary and~~
2 ~~proper to require a separation between manufacturing~~
3 ~~interests, wholesale interests, and retail interests in the~~
4 ~~production and distribution of alcoholic beverages in~~
5 ~~order to prevent suppliers from dominating local markets~~
6 ~~through vertical integration and to prevent excessive~~
7 ~~sales of alcoholic beverages produced by overly~~
8 ~~aggressive marketing techniques. The Legislature~~
9 ~~further finds that the exception established by this section~~
10 ~~to the general prohibition against tied interests must be~~
11 ~~limited to its expressed terms so as not to undermine the~~
12 ~~general prohibition, and intends that this section be~~
13 ~~construed accordingly.~~
14 ~~(d) This section shall remain in effect only until~~
15 ~~January 1, 1998, and as of that date is repealed.~~

