

Date of Hearing: August 14, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
SB 58 (Wiener) – As Amended March 25, 2019

Policy Committee: Governmental Organization Vote: 11 - 5

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill allows, between January 1, 2022, and January 2, 2027, certain on-sale licensees in qualifying cities to sell, give or purchase alcoholic beverages on licensed premises between the hours of 2:00 a.m. and 4:00 a.m, if certain conditions occur. In summary, this bill:

- 1) Allows the Department of Alcoholic Beverage Control (ABC) to issue a non-transferable “additional hours license” for an individual on-sale licensed premise as part of a pilot program available to Cathedral City, Coachella, Fresno, Long Beach, Los Angeles, Oakland, Palm Springs, Sacramento, San Francisco and West Hollywood.
- 2) Allows for additional hours licenses in qualifying cities only after: (a) the participating city’s local governing board designates a task force that develops a local plan with required elements, (b) the local governing board adopts an ordinance that satisfies the elements of the local plan, and (c) ABC reviews the ordinance to ensure it meets specified requirements.
- 3) Authorizes ABC to collect a \$2,500 application fee and a \$2,500 annual license fee for the additional hours license and authorizes a local governing body to collect additional fees from licensees to fund local law enforcement.
- 4) Requires, by January 1, 2026, the California Highway Patrol (CHP) to submit a report with specified information on the regional impact of the additional hours service areas and requires a participating city to provide the Legislature with a report on similar topics within one year of the first license being issued in that city and each year thereafter.

FISCAL EFFECT:

- 1) One-time costs of \$600,000 (Alcohol Beverage Control Fund) in 2020-21 for ABC to develop the pilot program, including the adoption of regulations, and ongoing annual costs in excess of \$2 million beginning in 2021-22 for continued program development, licensing and enforcement. Direct costs will likely be covered by the application fee and annual licensing fee.
- 2) Ongoing costs to the Department of Justice (DOJ) of about \$4,000 (Legal Services Revolving Fund, General Fund) starting in 2021-22 for enforcement.
- 3) Significant one-time costs, likely in the hundreds of thousands of dollars (Motor Vehicles Account), for CHP to participate in local task forces and to complete the required report.

COMMENTS:

- 1) **Background.** California ABC has the exclusive authority to license and regulate the manufacturing, distribution and sale of alcoholic beverages within the state. Currently, approximately 50,000 on-sale licensees exist in the state. Over the years, local governments have requested to have increased authority to directly regulate establishments that sell alcohol in respective communities, especially concerning zoning laws and conditional use permits. Since 1935, California alcohol licensed businesses have been prohibited from selling, serving or allowing open containers of beverage alcohol to remain in the public portion of the business from 2:00 a.m. to 6:00 a.m.
- 2) **Purpose.** According to the author, SB 58 aligns California with other states and international cities where local jurisdictions have the authority to decide alcoholic beverage service hours. The author notes that social and nightlife venues are an economic driver in many communities, and SB 58's proposed pilot program provides participating cities an optional tool for local control over nightlife.
- 3) **Recent legislation.** SB 905 (Wiener), of the 2017-18 Legislative Session, which was nearly identical to this bill, was vetoed by Governor Brown, whose veto message stated:

Without question, these two extra hours will result in more drinking. The businesses and cities in support of this bill see that as a good source of revenue. The California Highway Patrol, however, strongly believes that this increased drinking will lead to more drunk driving. California's laws regulating late night drinking have been on the books since 1913. I believe we have enough mischief from midnight to 2 without adding two more hours of mayhem.

- 4) **Fresno.** As noted above, this bill is similar to last year's SB 905. One notable difference in the inclusion of Fresno in the list of possible participating cities.
- 5) **Expanding alcohol and ABC workload.** Each year this committee sees a wide array of bills that expand access to a specific type of alcoholic beverage license. Generally, these proposals are narrow in scope (such as applying to a single county or a specific type of license) and represent a minor increase in the overall number of licenses statewide. However, while each of these bills may not generate new workload for ABC, taken together they can lead to significant new costs and future budget requests.

Moreover, a number of bills pending in this committee are much more expansive proposals that will lead to a sizable increase in the number of licenses ABC must oversee. In addition to this bill, SB 264 (Glazer) allows winegrowers a second supPLICATE license, and ABC estimates this will lead to at least 1,000 new licenses. SB 352 (Dodd) allows counties that have reached the cap on on-sale license to receive 10 new licenses each year the cap is reached. ABC estimates this will lead to at least 1,250 new licenses over the next five years.

The above proposals will generate considerable new workload for ABC. These bills will generate some upfront revenue through license fees, but typically license revenues will be high in initial years and subside significantly in later years, even as enforcement costs remain.