Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 744
Author: Michelle Rodriguez (D)
Amended: 8/12/26 in Senate
Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 6/23/26
AYES: Rubio, Valladares, Archuleta, Ashby, Blakespear, Cervantes, Dahle, Hurtado, Ochoa Bogh, Padilla, Richardson, Smallwood-Cuevas, Wahab, Weber Pierson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 69-0, 5/8/25 (Consent) - See last page for vote

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SUBJECT: Alcoholic beverage control: tied-house restrictions: exceptions: off-sale retail services

SOURCE: Author

DIGEST: This bill expands a current exception in law to instead limit the current exception to beer and brands of distilled spirits or wine in containers not exceeding 500 milliliters of volume, as specified. Under current law, licensees are authorized to perform certain services for off-sale licensees, including rotating and rearranging brands of distilled spirits and wine in single-serve containers owned or sold by the licensee. For these purposes, current law defines "single-serve containers" to mean containers of distilled spirits and wine that have a standard fill of a maximum of 355 milliliters, or approximately 12 fluid ounces.

Senate Floor Amendments of 8/12/26 are technical and non-substantive.

ANALYSIS:

Existing law:

1) Establishes the Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the ABC 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 and the collection of license fees for this purpose.

2) Separates the alcoholic beverage industry into three component parts, or tiers, of the manufacturer (including breweries, wineries, and distilleries), wholesaler, and retailer (both on-sale and off-sale). This is referred to as the "tied-house" law or "three-tier" system. Generally, other than exceptions 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.

3) Creates various exceptions to tied-house restrictions, including permitting a licensee to perform services for off-sale licensees by rotating the brand or brands that are owned or sold by the licensee performing the service on shelves and in refrigerated boxes, as specified.

4) Creates a tied-house restriction exception which permits a licensee to perform specified services for off-sale licenses including, among other things, rotating or rearranging the brands owned or sold by the licensee, as specified. This exception is limited to beer, and brands of distilled spirits in single serve containers, and wine in single-serve containers. For these purposes, current law defines "single-serve containers" to mean containers that have a standard fill, as defined by federal law, of between 50 and 355 milliliters (approximately 12 fluid ounces) for distilled spirits and between 187 and 355 milliliters for wine.

5) Creates the beer and wine wholesaler license, which allows the licensee to acquire beer and wine from suppliers and sell to other wholesalers and to retailers.

This bill expands a current exception in law to instead limit the exception to beer and to brands of distilled spirits or wine in containers not exceeding 500 milliliters in volume, whether sold individually or in multiple container packages, that are intended to be consumed without mixing with any other substance.

Background

Author Statement. According to the author's office, "California's alcohol beverage marketplace has evolved significantly in recent years, with consumers increasingly purchasing wine in alternative package formats designed for individual consumption. However, California law continues to define 'single-serve' wine and spirits containers as one containing between 187 milliliters and 355 milliliters, a standard that no longer reflects many products available in today's market. As a result, wine and spirits products packaged in containers larger than 355 milliliters but intended for single-person consumption and that are ready to drink products are excluded from existing merchandising exceptions available under California's tied-house laws. This creates unnecessary operational challenges for retailers and suppliers and treats substantially similar products differently based solely on package size."

Tied-house Laws. State and federal law prohibit certain relations between those engaged in the production, distribution, and retail sale of alcoholic beverages. The term "tied-house" is derived from a common practice in England whereby a bar or public house was "tied" - by ownership, contractual obligations, or other influences - to a specific manufacturer. In some instances, that model encouraged intemperance in alcohol consumption, as retailers would offer generous favors to manufacturers, such as expensive business meals and gifts, which added costs that needed be recouped through aggressive product promotion. Tied houses were also subject to undue influence from manufacturers, who sometimes used their influence to force tied houses to sell their products and exclude other manufacturers' products.

As a result, after the repeal of prohibition in 1933, California's current "three-tier" system was introduced. The original policy rationale for this body of law was to: a) promote the state's interest in an orderly market; b) prohibit the vertical integration and dominance by a single producer in the market place; c) prohibit commercial bribery and to protect the public from predatory marketing practices; and, d) discourage and/or prevent the intemperate use of alcoholic beverages.

Current Exception. Existing law generally prohibits manufacturers, winegrowers, and distributors from providing anything of value, including services to retail licensees. However, current law does allow a licensee to perform services for off-sale licensees by rotating the brand or brands that are owned or sold by the licensee performing the service on shelves and in refrigerated boxes, as specified.

In addition, existing law creates a tied-house exception for rearranging brands, including on floor displays, among other actions with the licensee's permission. In

2021, AB 1149 (Villapudua, Chapter 271, Statutes of 2021) was signed into law which expanded upon this exception to also apply to brands of distilled spirits and wine in single-serve containers for the purpose of stocking, rotating, displaying, and merchandising the product by specified distributor licensees at off-sale retail outlets. The bill defined "single-serve containers" to mean containers that have a standard fill, as defined by federal law, of between 50 and 355 milliliters of distilled spirits and between 187 and 355 milliliters for wine.

Related/Prior Legislation

AB 1149 (Villapudua, Chapter 271, Statutes of 2021) extends a tied-house exception to limitations provided for beer, to also apply to brands of distilled spirits and wine in single-serve containers for the purpose of stocking, rotating, displaying, and merchandising the product by specified distributor licensees at off-sale retail outlets.

AB 1445 (Plescia, 2008) would have expanded the permitted services relating to the rotating, restocking, and rearranging of alcoholic beverages within licensed premises of the off-sale retail licensee. (Never heard in the Assembly Governmental Organization Committee)

AB 1407 (Wesson, Chapter 699, Statutes of 1999) modified existing provisions in the ABC Act relating to wine auction sales, event permits, and the manner by which a manufacturer or distributor may stock or rotate their products at off-sale establishments.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/11/26)

Anheuser-Busch
California Beer and Beverage Distributors
California Family Beer Distributors
Distilled Spirits Council of the United States

OPPOSITION: (Verified 8/11/26)

None received

ARGUMENTS IN SUPPORT: According to the California Family Beer Distributors, "California retailers today sell a growing variety of ready-to-drink wine and spirits products packaged in cans, cartons, and other innovative formats.

Many of these products are packaged and marketed in formats comparable to products already covered under current law but fall outside the existing statutory threshold solely because of container size. As a result, suppliers may merchandise a qualifying 355 mL product but are prohibited from providing the same service for comparable products packaged in 375 mL or 500 mL containers (sizes that are authorized by state and federal law). This inconsistency creates unnecessary operational challenges for retailers and wholesalers without advancing any policy objective."

ASSEMBLY FLOOR: 69-0, 5/8/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Bonta, Bryan, Calderon, Caloza, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Boerner, Carrillo, Flora, Gallagher, Jeff Gonzalez, Irwin, Celeste Rodriguez, Sanchez, Wallis

Prepared by: Felipe Lopez / G.O. / (916) 651-1530
8/17/26 10:37:57

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