

Overview of the Department of Alcoholic Beverage Control



Jacob Appelsmith, Director



Pre-Prohibition

- **Mid-to-late 1800's**
 - Set the political stage
 - Saloons proliferated
 - Tied Houses a particular problem
 - Prohibition groups formed





Prohibition

- The “Noble Experiment”
- 18th Amendment – 1919
- 1920-1933 – Alcohol was prohibited
- Rationale for adopting Prohibition:
 - Reduce crime
 - Decrease poverty
 - Decrease death rate associated with alcoholic beverage use.
 - Increase quality of life
- Positive effects: primarily health
- Negative: proliferation of crime



Repeal of Prohibition

- Same groups who supported Prohibition spoke out most for Repeal.
- Rationale for initiating Repeal (same as rationale for initiating Prohibition):
 - Reduce crime.
 - Decrease poverty.
 - Decrease death rate associated with alcoholic beverage use.
 - Increase quality of life.
- **21st Amendment – 1933**
- **Granted States Constitutional Authority to Regulate**

BOE the original regulator

**1955: California Constitution
created the ABC**



ABC's Operations

- **Approximately \$76.4 million budget for 2018-2019**
- **100% special fund**
- **Authorized Positions- 459**
 - 225 Sworn Agents
 - 160 Licensing Staff
- **24 Field Offices statewide**



District/Branch Offices



Economic Impact

Restaurant and entertainment venues generate over \$50 billion in consumer spending each year in California

California wine and grape growing industry contributes \$57.6 billion annually to State's economy

Alcoholic beverage industry provides over 2 million jobs in California







California's Alcohol Landscape

■ Alcoholic Beverage Licenses:

- Total licenses: 92,000
- Retail Licenses
 - Restaurants- 45,000
 - Bars and Clubs - 12,000
 - Number of Markets - 28,000
- Non-Retail Licenses
 - Wineries – 5,888
 - Breweries - 1,004
 - Distilleries - 166
 - Wholesalers/Distributors – 4,166





Licensing

- Approximately 13,000 applications filed each year
- License application processing = 45-60 days (if no complications)
- Common sources of delays and challenged (i.e., the complications):
 - Local permitting
 - Protest (citizens, police, etc.)
 - Holds for tax compliance
 - Applicant qualification

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL
PUBLIC NOTICE OF APPLICATION TO SELL ALCOHOLIC BEVERAGES

APPLICANT **MONKISH BREWING CO. LLC**
TYPE OF LICENSE **Small Beer Manufacturer**
BUSINESS NAME **Monkish Brewing Co**
ADDRESS OF PREMISES **20311 S. Western Ave Torrance**
APPLICANT HAS FILED FOR: **NEW LICENSE**

IF A VERIFIED PROTEST IS TO BE MADE AGAINST THIS APPLICATION, IT MUST BE RECEIVED BY ANY OFFICE OF THE DEPARTMENT OR DEPARTMENTAL HEADQUARTERS, 3927 LENOX AVENUE, SACRAMENTO 95834, WITHIN 30 DAYS OF DATE POSTED. PROTESTS MUST BE VERIFIED. FOR APPLICATION AND VERIFICATION FORMS MAY BE OBTAINED AT:

8/4/20/11
LAKELWOOD A.B.C. DIST. OFFICE
3850 PARAMOUNT BLVD., STE 250
LAKEWOOD, CA 90712

PREMISES ARE (NOT NOW) **MONKISH BREWING CO. LLC** LICENSED TO SELL ALCOHOLIC BEVERAGES.

WARNING
Every person who knowingly delivers, sells, transfers, transports, or distributes alcoholic beverages to any person who is under the age of 21 years from the date of sale is guilty of a crime under the provisions of the Alcoholic Beverage Control Act, Section 23062.

Licensing and Enforcement Regulatory Philosophy

- **Practical**
 - Solutions are not found in rules
 - Solutions are figuring out what makes sense, and only then dealing with the rules



Who Enforces the ACT?

ABC Agents

- Agents are sworn peace officers with general police powers
- Full, warrantless inspection powers of licensed premises
- Undercover operations
- Minor Decoy operations
- Educational and community relations efforts

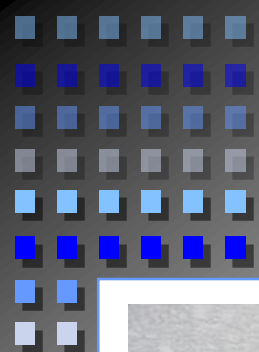




Common ABC Investigations

- Sales to minors
- Sales to obviously intoxicated persons.
- Condition violations
- Disorderly premises
- Narcotics
- Gambling
- Lewd conduct/prostitution
- Restricted hours
- Receiving/Buying stolen property
- Tied-house laws/free goods
- All crimes committed by licensees and/or at licensed location





2018 Highlights



- ✓ **3,241 Total ABC Arrests**
- ✓ **1,872 Total ABC Arrests for Minors**
- ✓ **2,442 Complaint Investigations**
- ✓ **38,436 Compliance Visits**



Enforcement and Prevention Programs



- APP
- TRACE
- Minor Decoy
- Inspections
- Responsible Beverage Service



*Public Safety, Education
and Prevention.*



APP

Alcohol Policing Partnership Program

- Created in 1995
- Mission is to work with local law enforcement agencies to increase safety.
- Over \$46 million awarded to local communities since 1995 (currently \$3 million annually)



TRACE Investigations



Hearings and Appeals

- Applicants and licensees have the right to a hearing before an administrative law judge to appeal any denial of a license application or discipline of a licensee (e.g., suspension or revocation of a license)
- The public has a right to a hearing on any protest the Department has overruled
- The Department employs its own prosecutors and judges
- The Director makes the final decision, which is appealable to the Alcoholic Beverage Control Appeals Board

Strong Public Support for Regulation

- 2017 poll by the Center for Alcohol Policy found among Americans:
 - 63% think the amount of regulation of alcohol is about right
 - 15% think it is too restrictive
 - 9% think it is not restrictive enough

Poll (cont.)

The public believes the most important considerations for lawmakers in crafting alcohol regulations are:

- 77% Reducing drunk driving
- 70% Protecting health and public safety
- 62% Reducing underage drinking
- 52% Encouraging moderation
- 48% Creating more jobs
- 42% Increasing economic development
- 28% Giving consumers more choices
- 22% Lowering prices
- 19% Allowing more businesses to produce and sell alcoholic products

Generally there is Strong Industry Support for Regulation:

Why?

- It protects the industry from attack:
 - Undue regulation
 - Taxation
 - Unfair competition



Tied House Laws

The Three Tier System

- **Manufacturers**



- **Wholesalers (Distributors)**



- **Retailers (Stores, Bars, and Restaurants)**





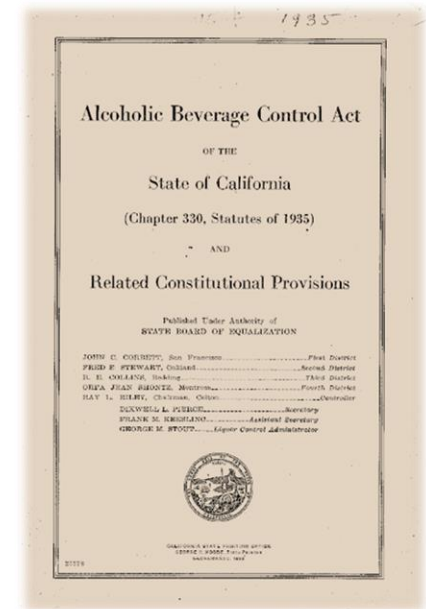
Pre-Prohibition Origins

- **Late 1800's, early 1900s**
 - Saloons proliferated
 - Many tied to large breweries
 - Fierce, unscrupulous competition: free lunches, prostitution, gambling



Approaches to Legalization

- Prohibition went too far
- A balanced approach needed
- Some states chose to be the retailer and the wholesaler
- California and many others:
 - (1) Close regulation, and
 - (2) Strict tied-house prohibitions



Advantages of the Tied-House System

- Promotes the creation and growth of California's small businesses
- Furthers local interests in balancing economic development with public health and safety
- Deters unfair competition



Common Tied-House Violations

- Bribery and extortion in many forms
- Illegal incentive or inducement
- Equipment or goods
- Advertising, promotional events, and social media
- Credit extension, illegal returns, exchanges, etc.



Tied House Frustrations

- Numerous, narrow exceptions have been enacted, creating confusion and complexity
- Counterintuitive to many entrepreneurs
- Some question if tied house laws are obsolete:

The answer depends on (1) your views on how intoxicants should be regulated, and (2) what part of the industry your interests lie



Unfair Competition Trends

- Uninformed retailers
- Giant retailers
- Non-licensees
- Increasing intentional, improper activity of large, sophisticated suppliers, wholesalers, and retailers

