



CCBA Spring 2017 Legislative Update

San Diego, CA

May 22, 2017

OUTLINE

- 2015-16 Legislation
- Stakeholders
- Trends
- New Alliances
- 2017-18

2015-16 LEGISLATION

CCBA SPONSORED

- **Social Media**
(AB 780 – D. Williams)
- **Farmers Market Tastings**
(AB 774 – Levine)
- **Non-profit Auctions -- acceptance of beer for off-premise sales/consumption**
(AB 774 -- Levine)

2015-16 LEGISLATION (CONT.)

CCBA SPONSORED

- **Brewery Event permit**
(AB 776 - Cooper)
- **Joint Sponsorship of Non-Profit Events**
(AB 776 - Cooper)
- **Ban on Unauthorized Retail Purchasing**
(AB 776 - Cooper)
- **Beer Label Registration**
(AB 893 - Stone)

2015-16 LEGISLATION

CCBA SUPPORTED

- **Homebrewer Club Mtgs at Licensed Breweries (AB 2172 – B. Jones)**

CCBA OPPOSED

- **Recycled Water and Beer Labeling (AB 2076 – C. Garcia)**
- **Pay-to-Play “Spokesperson” Bill (SB 1426 – Hall)**

WHO ARE THE
DECISION MAKERS
In 2017-18?



Senate Governmental Organization Committee

Members:

[Senator Bill Dodd \(Chair\)](#)

[Senator Tom Berryhill \(Vice Chair\)](#)

[Senator Steven Bradford](#)

[Senator Anthony Cannella](#)

[Senator Ted Gaines](#)

[Senator Cathleen Galgiani](#)

[Senator Steven M. Glazer](#)

[Senator Jerry Hill](#)

[Senator Ben Hueso](#)

[Senator Ricardo Lara](#)

[Senator Tony Mendoza](#)

[Senator Anthony J. Portantino](#)

[Senator Andy Vidak](#)

Senator Bill Dodd

(D) – Napa, Solano, Sonoma
Former County Supervisor
Small Businessman

INTERESTS:

- * Economic Development
- * Environmental Protection
- * Transportation
- * Water



Assembly Governmental Organization Committee

Members:

Adam Gray

Frank Bigelow

Dante Acosta

Cecelia Aguiar-Curry

Raul Bocanegra

Rob Bonta

William Brough

Ken Cooley

Tom Daly

James Gallagher

Todd Gloria

Mike Gipson

Reginald Jones-Sawyer

Kevin Kiley

Marc Levine

Evan Low

Blanca Rubio

Rudy Salas

Marie Waldron

Assemblymember Adam Gray

(D) – Merced
Former legislative
staff

Interests:

- * Agriculture,
- * Water Policy,
- * Gaming,
- * Alcohol,
- * Tribal compacts



POLITICAL HOLDERS



DISTILLED
SPIRITS
COUNCIL



Company
WINE AND SPIRITS

ABI **DIAGEO**



What Motivates State Policymakers?

~~Standard position~~
in the party . . .

AVERAGE COST OF CA ELECTIONS

Source: Maplight 2012 Data

House	# of seats	Avg. cost	Total
Assembly	80	\$708,371	\$56.7M
Senate	40	\$1,041,537	\$41.7M

POLITICAL SPENDING \$\$\$ IN 2015-16

Source: Secretary of State, Political Reform Division

- ABI \$1.56M (\$1.2M PAC + \$360K in lobbying)
- Wine Institute \$1.3M (\$300k PAC + \$1M in lobbying)
- CBBD \$840,000 (\$500k PAC + \$340K in lobbying)
- DIAGEO \$600,000 (\$150k PAC + \$450 in lobbying)
- Miller \$573,000 (\$200k PAC + \$373k in lobbying)
- Southern \$488,000 (\$368K PAC + \$120K in lobbying)
- Young's \$310,000 (\$200k PAC + \$110k in lobbying)
- W&SW \$288,000 in lobbying
- DSCUS \$216,000 in lobbying
- CCBA \$190,000 in lobbying
- Heineken \$90,000 in lobbying

What's Happening in the Industry?

TRENDS

- Global Consolidation;
- Lateral “crafty” acquisition;
- Craft segment growth predicted to slow in 2016-20; and
- Loosening of “Tied House” laws as marketing becomes more fierce.

GLOBAL CONSOLIDATION

Bloomberg the Company & Its Products | Bloomberg Anywhere Remote Login | Bloomberg Terminal Demo Request



Bloomberg
Markets

Markets

Tech

Pursuits

Politics

Opinion

Businessweek

AB InBev Buys SABMiller for \$107 Billion as U.S. Deal Agreed

announces completion

by Press Release



by Paul Jarvis Thomas Buckley
tg Buckley



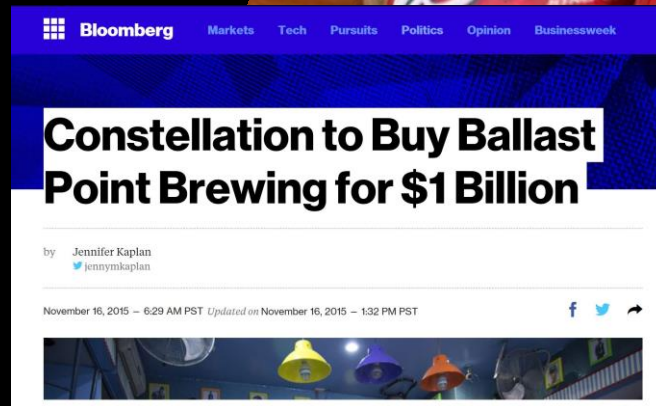
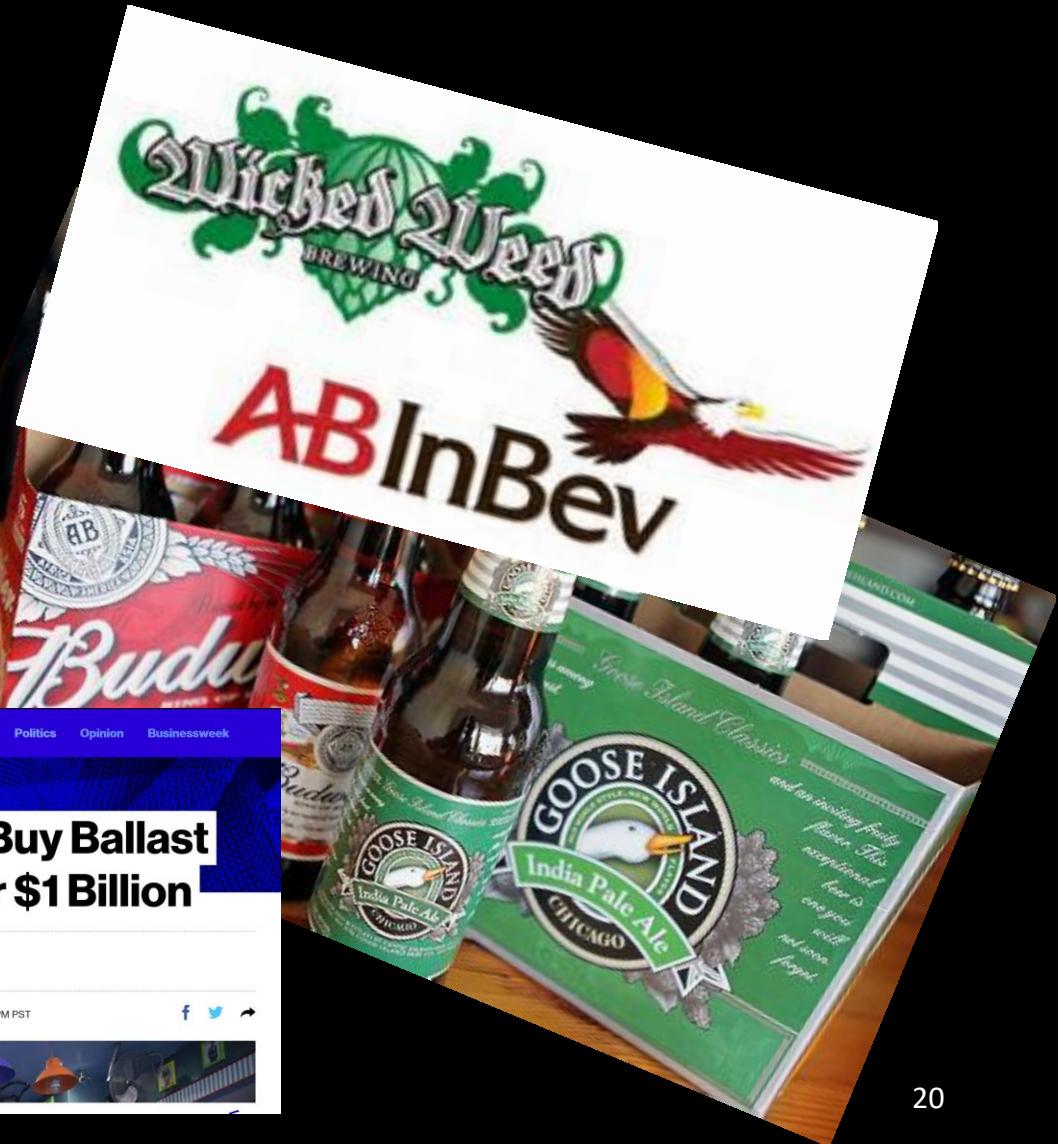
GLOBAL CONSOLIDATION

Still, the merger of the world's two largest brewers could have a domino effect. "If the deal gets through regulators during 2016, it will mean that one brewer accounts for almost a third of all beers sold," says Jonny Forsyth, global drinks analyst for Mintel. "This is likely to stimulate further mergers and acquisitions as global competitors both seek to play catch-up and compete for brands and businesses that the new global mega-brewer is being forced to offload."

--Jessica Jacobsen, editor of Beverage Industry

LATERAL “CRAFTY” ACQUISITIONS

- Wicked Weed
- Golden Road
- Elysian
- Goose Island
- Ten Barrel



CRAFT GROWTH SLOWING

“Craft continues to gain share within total beer and now makes up 21.7 percent dollar share within total U.S. supermarkets, based on the 52 weeks ending Sept. 4, 2016,” explains Dan Wandel, principal of beverage alcohol client insights at Information Resources Inc. (IRI), Chicago.

“However, craft’s growth has slowed significantly with regards to dollar sales percent change versus [a] year ago. **After 10 straight years of double-digit dollar sales percent increases dating back to 2005, craft is experiencing its lowest dollar sales percent increase versus [a] year ago at 9.7 percent in the latest 52-week period.**

The current four- and 13-week periods are reporting lower increases.”

Global brands want to market in CA like they do elsewhere

But our domestic Tied-House laws prevent this from happening.

How do you change the laws?

Two places to change
Tied-House laws . . .

LOOSENING OF TIED-HOUSE LAWS

-- IN STATE AND FEDERAL COURTS

- Retail Digital Network Decision published on January 7, 2016

FOR PUBLICATION

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

RETAIL DIGITAL NETWORK, LLC, <i>Plaintiff-Appellant,</i>	No. 13-56069
v.	D.C. No. 2:11-cv-09065- CBM-PJW
JACOB APPELSMITH, as Director of the Alcoholic Beverage Control Board, <i>Defendant-Appellee.</i>	OPINION

Appeal from the United States District Court
for the Central District of California
Consuelo B. Marshall, Senior District Judge, Presiding

Argued and Submitted
June 3, 2015—Pasadena, California

Filed January 7, 2016

Before: Sidney R. Thomas, Chief Judge, Consuelo M.
Callahan, Circuit Judge and Edward R. Korman, Senior
District Judge.

Opinion by Judge Callahan

integration is real in the circumstances of this case. Here, advertising payments to retailers are made by a third party, not directly by a manufacturer or wholesaler of alcoholic beverages. There may be additional reasons to doubt the State's concern about advertising payments actually leading to vertical or horizontal integration in these circumstances.

The district court must also consider whether the State has shown that section 25503(f)–(h) materially advances the State's goals of preventing vertical and horizontal integration and promoting temperance. We note that the increasing number of statutory exceptions to section 25503(f)–(h) call

26 RETAIL DIGITAL NETWORK V. APPELSMITH

into doubt whether the statute materially advances these aims. Cal. Bus. & Prof. Code §§ 25503.1–25503.57; *see Coors Brewing Co.*, 514 U.S. at 489 (finding “little chance” that a law “can directly and materially advance its aim, while other provisions of the same Act directly undermine and counteract its effects”). Additionally, the record before us does not demonstrate that a prohibition on paid point-of-sale

LOOSENING OF TIED-HOUSE LAWS *--IN STATE CAPITOL*

- DIAGEO, Wine Institute and ABI ALL push for “Pay-to-Play” bill.
- SB 1426 is introduced on February 19th after the RDN decision is published.
- Author is Senator Isadore Hall, Chairman of the Senate GO Cmte.

NEW DOMESTIC ALLIANCE IS FORMED IN CA TO PROTECT STATE'S "TIED HOUSE" OR "EQUAL ACCESS TO MARKET" LAWS

- New alliances forged (CBBB and CCBA) in response to coordinated assault on CA's "tied-house" laws.



NEW DOMESTIC ALLIANCE GOES TO WORK IN COURTS AND CAPITOL

- CCBA and CBBB legal teams and lobbyists work together to educate Brown Administration to the effects of RDN if left unaddressed.
- CCBA and CBBB legal teams file amicae with the federal appeals court seeking an en banc review of appellate decision.

NEW DOMESTIC ALLIANCE GOES TO WORK IN COURTS AND CAPITOL

- CCBA and CBBD lobbyists engage in joint effort to stop SB 1426 (Hall).
- June gets very scrappy in the Capitol.

CCBA TEAM WORKS BOTH INSIDE AND OUTSIDE THE CAPITOL

- CCBA membership grassroots effort kicks-in and tide changes in the Capitol.

SAMPLE LETTER TO SEND YOUR LEGISLATOR

ADD COMPANY LOGO HERE

June 14, 2016

The Honorable (NAME OF LEGISLATOR)
California State Capitol
1315 10th Street
Sacramento, CA 95814

RE: SB 1426

Dear Assembly Member (NAME),

As a craft brewery owner in your district I urge you to protect the rights of beer manufacturers in California by voting no on SB 1426 (Hall), an act to add and repeal Section 25513 of the Business and Professions Code, relating to alcoholic beverages.

SB 1426 will create an exception to our state's tied house laws for a celebrity spokesperson with ownership interest in licensed retail establishments. The ban on payments from alcohol manufacturers to retail licensees is a central component of tied house laws in California. In current form, the bill would erode these laws, giving birth to

CCBA GRASSROOTS WORKS!



- *“Chris, we just got a call from ___ and we want you to know our office is with you 100%!” “We won’t hurt craft.”*
- What about a deal?

CCBA GRASSROOTS WORKS!

- CCBA says: *“No deal on retailers receiving fees from manufacturers for product promotion while simultaneously carrying those products.”*
- Bill dies in August.
- DIAGEO vows to return in 2017-18.

WHAT TO EXPECT IN CA IN 2017-18

- More brand consolidation;
- Increased competition for diminished growth in craft segment;
- Global brands wanting to erode “tied-house” in state legislatures to market like they do in other countries;
- Domestic alliances strengthen to defend tied house laws.

“Tied-House” is NOT:

- Well understood;
- An appropriate term;
- Antiquated.

“Tied-House” is:

- A good economic regulation;
- The body of law that allows “Equal Access to Market;”
- Responsible for craft beer existence and growth in CA;
- More important NOW than ever before!

Current 2017 Legislation

- SB 56 (Mendoza) – Stadium Bill
- AB 479 (Gonzalez-Fletcher, Garcia) – Alcohol tax
- AB 5 (Gonzalez-Fletcher) – employment
- AB 711 (Low) – free ride program

Assembly Select Committee on Craft Brewing & Distilling

- Marc Levine (Chair) - Marin
- Cecilia Aguiar-Curry -- Yolo
- Catharine Baker – Walnut Creek
- Jim Cooper – Elk Grove
- Brian Dahle -- Redding
- Todd Gloria – San Diego
- Ash Kalra – San Jose
- Kevin Kiley – El Dorado Hills
- Adrin Nazarian – Sherman Oaks
- Freddie Rodriguez -- Pomona
- Blanca Rubio – West Covina

CCBA MEMBERSHIP IS KEY TO SUCCESS IN SACRAMENTO IN 2017-18

- Unity
- Responsiveness
- Engaging consumers





WALKER
STRATEGIES