



Brewer's Brief: Multi-Year Plan Proposed to Modernize the Department of Alcoholic Beverage Control (ABC)

GOVERNOR NEWSOM PROPOSED BUDGET CALLS FOR IMPROVED SERVICES, INCREASED STAFFING AND ADJUSTED FEES BEGINNING NEXT YEAR

THE BRIEF:

The California Department of Alcoholic Beverage Control (ABC) has been operating under an annual budget deficit of more than 10 million dollars. Governor Gavin Newsom's first budget proposal outlines his vision for a stronger, modernized and fully-funded ABC. The principle elements of the plan include improving department services, increasing department staffing, and increasing licensee fees to tackle the budget deficit and the costs associated with the improvements.

HOW THE PROPOSAL IMPACTS CRAFT BREWERS:

REGULATORY ENFORCEMENT

The ABC's role in enforcement of tied-house laws has been key to the success of craft beer in California. In order to maintain and extend enforcement actions, the ABC needs a steady stream of resources to regulate an increasingly complex market. In early 2019, ABC Director, Jacob Appelsmith, showcased his keen recognition of the industry when testifying before a panel of state senators in early 2019. Director Appelsmith noted that tied-house regulations were **the principle protections** that allowed California's craft beer industry to grow at its unprecedented pace. In the absence of revenue and modernized systems, enforcement could suffer.

EFFICIENT SERVICES

In addition to increased enforcement of tied-house laws, the new revenue will be used to increase staffing, streamline licensing procedures, and most importantly for CCBA members, fund important internal modernization for the ABC including streamlining services you use every day such as online price posting.



LICENSING IMPROVEMENTS

Dedicated licensing division. The ABC has identified licensing issues as one area that needs more attention and modernization. By creating a division dedicated exclusively to licensing brewers can expect the department to be more responsive on licensing Issues:

- 1) **Increased Capacity:** An exclusive division for licensing, adding additional staff members, the ABC says it can aggressively tackle licensing backlogs.
- 2) **Prioritized Processing:** Modernization means turning around license applications expeditiously, offering expert advice/opinions and enhancing the approval process so California brewers can spend less time gaining approval and more time growing their business.
- 3) **Service Modernization:** The ABC is committed to moving to a streamlined digital system where several important services can be hosted including online price posting, licensing requests, regulatory guidance.

INCREASING STAFFING AT THE DEPARTMENT

In 1955 the ABC had 455 total employees who oversaw an industry of about 44,925 licensees. Today the number of licensees has doubled yet staffing levels at the ABC have only increased by a total of 14 positions.

The governor's proposal calls for a multiyear personnel expansion. The hiring will be split in to two phases and completed over a period of three years:

- 1) Phase One: 40 additional staffers by the end of 2020
- 2) Phase Two: 17 more additions by the end of 2023

The multiyear hiring plan represents a 15 percent increase to ABC personnel. These additional hires coupled with the modernization and streamlining of certain department services will result in a more efficient department.

TWO PART FEE ADJUSTMENTS: NEW LICENSE APPLICATIONS & LICENSE RENEWALS

The ABC licensing fee schedule has seen no increase in price since 1983. The proposed budget calls for an adjusted fee schedule for both new licenses and for those renewing their licenses.

The increased licensing fees will address the existing annual operating deficit (\$10.5 million in 2018-19) and provide the department additional revenue required to support the proposed program performance improvements.



Proposed License Application Fees (NEW Licenses)

The application fee is increasing from a maximum of \$300 to \$905 for **NEW** permanent licenses (e.g., beer manufacturers, winegrowers, off-sale and on-sale beer and wine retailers) (Types 1, 2, 20, 23, 41)

- 1) No change to on-sale or off-sale general licenses or to licenses typically held by licensees for the purpose of adding related privileges to their existing license.

Proposed License Renewal Fees (Existing Licenses)

For CCBA members, the most important licensing changes will be increases to Type 01 and Type 23 **renewal** fees:

- 1) Renewal fees for Small Beer Manufacturer (Type 23) will increase by \$196 annually. **Type 23 licensees can expect the renewal fee to be \$380 beginning in 2020.**
- 2) Renewal fees for Large Beer Manufacturer's (Type 01) will increase by \$319 annually. **Type 01 licensees can expect the renewal fee to be \$1,850 beginning in 2020.**