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November 9, 1999

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Diane Calkins  
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative statutory amendment to the California Business and Professions Code (File No. SA 1999 RF 0044). The measure allows specified business establishments to sell alcoholic beverages for an additional two hours. As Section 9005 directs, our review addresses the potential effects of the measure on state and local government costs and revenues.

**Background**

Under current law, business establishments that sell alcoholic beverages (either for on- or off-site consumption) are licensed by the Department of Alcoholic Beverage Control (ABC) in accordance with the Alcoholic Beverage Control Act. License fees are assessed annually and vary with regard to the type of license. Currently, there are about 70,000 businesses licensed under 61 license categories.

Existing law also prohibits the sale of alcoholic beverages between the hours of 2 A.M. and 6 A.M. but allows local governments to require an earlier closing time.

**Proposal**

The measure allows on- and off-site businesses to sell alcoholic beverages for an additional two hours (until 4 A.M.). The proposal would not change local government authority for requiring an earlier closing time.

**Fiscal Effect**

*Regulatory and Enforcement Costs.* The measure could result in increased enforcement and administrative costs for the ABC. These costs could be financed from regulatory fees charged licensed businesses. In addition, other state and local law enforcement agencies could experience an increase in costs as a result of the measure. For instance, local police could incur added costs to keep more patrols on duty until the later closure time of bars and clubs. These costs would depend on the number of businesses that choose to operate for an additional two hours and to some degree the concentration of those businesses in a particular area. These costs could total several millions of dollars annually.

*State and Local Revenue.* The measure also could result in an increase in consumption of alcoholic beverages. If so, it would increase certain state and local revenues—primarily alcoholic beverage tax revenues. These increases, however, probably would not be significant.

*Summary of Fiscal Effect.* This measure could result in increased state and local regulatory and enforcement costs totaling several million dollars annually.

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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B. Timothy Gage  
Director of Finance