

October 20, 2004

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

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative related to the sale of alcoholic beverages (File No. SA2004RF0029, Amendment 1-S).

Major Provisions

Under current law, business establishments that sell alcoholic beverages for on-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 by ABC and vary by the type of license. Currently, there are about 40,000 businesses licensed to sell alcohol for on-site consumption. Existing law 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.

This measure allows on-site businesses to sell alcoholic beverages for an additional two hours (until 4 A.M.) on certain days—including weekends and some holidays. The proposal would not change local governments' authority to require an earlier closing time.

Fiscal Effect

State and Local Revenue. With businesses serving alcohol open later, the measure 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.

State and Local Government Costs. The measure could result in increased costs for state and local law enforcement agencies. For instance, local police could incur added costs to keep more patrols on duty (such as for drunk driving enforcement) due to the later closure time of bars and clubs. These costs would depend on future local

governments' decisions. In addition, state and local governments could experience increased costs for other alcohol-related activities. For example, increased alcohol consumption could lead to more uncompensated emergency room costs from alcohol-related incidents. These various state and local costs could be in the low millions of dollars annually.

Summary. This measure could result in the following fiscal impact:

- Potential increased state and local costs in the low millions of dollars annually.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Michael C. Genest
Interim Director of Finance