



Ohio Legislative Service Commission

Bill Analysis

Jeff Grim

H.B. 174

130th General Assembly
(As Introduced)

Reps. Buchy and Gerberry, Duffey, Stinziano

BILL SUMMARY

- Prohibits a beer manufacturer from taking certain actions regarding the awarding or acquiring of beer distribution franchises or beer distribution territories prior to July 30, 2013.
 - Declares an emergency.
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CONTENT AND OPERATION

Introduction

The General Assembly recently enacted Sub. S.B. 48 (130th General Assembly). It is scheduled to take effect on July 30, 2013. Generally, the bill prohibits a manufacturer of alcoholic beverages from doing either of the following:

(1) Awarding a distribution franchise or territory to itself, a subsidiary, or another entity in which it has any financial interest, if that franchise, territory, or portion of that territory has been previously awarded to a distributor; or

(2) Acquiring a distribution franchise or territory if that franchise, territory, or portion of that territory has been previously awarded to a distributor.

Notwithstanding those prohibitions, Sub. S.B. 48 generally authorizes a manufacturer of alcoholic beverages or a subsidiary of that manufacturer that operated a distribution franchise prior to July 30, 2013, to continue the operation of that distribution franchise.

Beer distribution and franchises

The bill, with regard to beer manufacturers, accelerates the operation of the above prohibitions through the declaration of an emergency and by prohibiting, prior to July 30, 2013, any beer manufacturer from doing either of the following:

(1) Awarding a beer distribution franchise or territory to itself, to a subsidiary, or to another entity in which it has any financial interest, directly or indirectly, by stock ownership, or through interlocking directors in a corporation, or otherwise, if that franchise, territory, or portion of that territory has been previously awarded, sold, assigned, or transferred to a beer distributor; or

(2) Acquiring a beer distribution franchise or territory if that franchise, territory, or portion of that territory has been previously awarded, sold, assigned, or transferred to a beer distributor (see **COMMENT**).¹

By reference to the Liquor Control Law, the bill defines "beer," "distributor," and "manufacturer" as follows:

(1) "Beer" includes all beverages brewed or fermented wholly or in part from malt products and containing one-half of one per cent or more, but not more than twelve per cent, of alcohol by volume;

(2) "Distributor" means a person engaged in the business of selling to retail (beer and intoxicating liquor) dealers for purposes of resale; and

(3) "Manufacturer" means any person engaged in the business of manufacturing beer or intoxicating liquor.²

COMMENT

As stated in the Introduction, Sub. S.B. 48 of the 130th General Assembly provides that after July 30, 2013, manufacturers of alcoholic beverages generally are prohibited from operating a distribution franchise. However, Sub. S.B. 48 allows a manufacturer of alcoholic beverages or a subsidiary of that manufacturer to continue the operation of a distribution franchise that the manufacturer or its subsidiary operated prior to July 30, 2013. Regarding beer manufacturers, the bill accelerates the Sub. S.B. 48 prohibitions against operating a distribution franchise. However, the bill does not include an exemption for distribution franchises owned or operated by a beer

¹ Sections 1(A) and (2).

² R.C. 4301.01(B)(2), (9), and (10).



manufacturer prior to the bill's effective date. Thus, it is unclear how the bill would impact distribution franchises owned or operated by a beer manufacturer prior to the bill's effective date.

HISTORY

ACTION	DATE
Introduced	05-22-13

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