

**Class A, Class B, and Class C Proposal for On Premises Mixed
Beverage Restaurant Licenses:
Supplement to Draft #1**

Overview

Based on discussions and testimony before the House and Senate ABC subcommittees any changes to the current licensing requirements for on-premises restaurant licensees must balance issues of fairness, simplicity, and public safety. With regard to public safety, the main concern in developing a new class of license is controlling the proliferation of these establishments, which for purposes of the following outline, will be referred to as "bars". The proposal outlined below represents one potential path for the subcommittees; however, at the end of this outline are policy questions that will need to be answered to build on the framework presented.

The Proposed On-Premises Mixed Beverage Restaurant Licenses

Under the proposed system, on-premises mixed beverage restaurant licenses would be divided into three basic licenses to deal with the restaurant/bar distinction. For purposes of this outline here are the names of the new licenses:

- Restaurant Class A (Current Mixed Beverage Restaurant)
- Restaurant Class B (Current Limited Mixed Beverage Restaurant)
- Restaurant Class C (Bar)

Restaurant Class A: Nothing changes from the current requirements for mixed beverage restaurant licenses. Calculated on a monthly basis, the revenue from the sale of food plus non-alcoholic beverages exceeds 45% of the total revenue from the sale of food, non-alcoholic beverages, wine, beer, and mixed beverages. Licensees would also retain the current minimum monthly food sale requirement of \$4,000 of which at least \$2,000 shall be in the form of meals with entrees.

Restaurant Class B: Nothing changes from the current requirements for limited mixed beverage restaurant licenses. The sale of liqueur-based drinks shall not exceed 10 % of the total annual gross sales. There is currently no minimum monthly food sale requirement.

Restaurant Class C: No food ratio requirement, but licensee would have to maintain minimum food sale requirements. Food must be available at all times alcohol is served. There will be some form of limit on the number of licenses issued and the license fee and annual tax would be significantly higher than any current license.

Important Policy Questions

1. Without a food/alcohol ratio, how do we limit the proliferation of Class C licenses (bars)? Here are some measures other states have implemented:
 - Require a certain number of seats
 - Require a certain number of tables
 - Require a minimum square footage
 - Give authority to localities to limit proliferation
 - Limit the number of licenses granted (quota)
 - by population, but what about influx of tourists?
 - by area...such as proximity limits?
 - who gets the licenses...lottery, first come,?
 - what about grandfathering established businesses?
 - how are licenses transferred...do we tax the transfer?
 - Require bond to be posted and automatic forfeiture for a violation
 - High application fee
 - Increased penalties and enforcement...mandatory revocation of license for certain violations?
 - Dram shop liability
2. What type of food should all three licensees be required to serve?
 - Should all classes be required to serve meals?
 - Have a full kitchen?
 - Prepare all food on-premises?
3. Should all licensees have the same minimum food sale requirements?

Quick review of new licenses and corresponding privileges and restrictions

	Class A Wine/Beer/MB (currently restaurants)	Class B Wine/Beer/MB (currently limited restaurants)	Class C Wine/Beer/ MB
Beer	Yes	No	Yes
Wine	Yes	Dessert Wines	Yes
Mixed Beverages	Yes	six varieties of liqueurs combined with coffee or other nonalcoholic beverages	Yes
Minimum Dollar Food Sales	\$4k	None	\$4k
Ratio Requirements	food and nonalcoholic beverages amount to at least 45% of the gross receipts from the sale of MB and food	liqueur not to exceed 10% of gross sales	None
Full Food Service	Yes	Yes	Yes
License Fee	Current	Current	High
Arbitrary Limit on # of Licenses Issued	No	No	Yes