

Virginia ABC License Consolidation and Fee Restructuring

Final Report
November 25, 2019



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Subcommittee Request

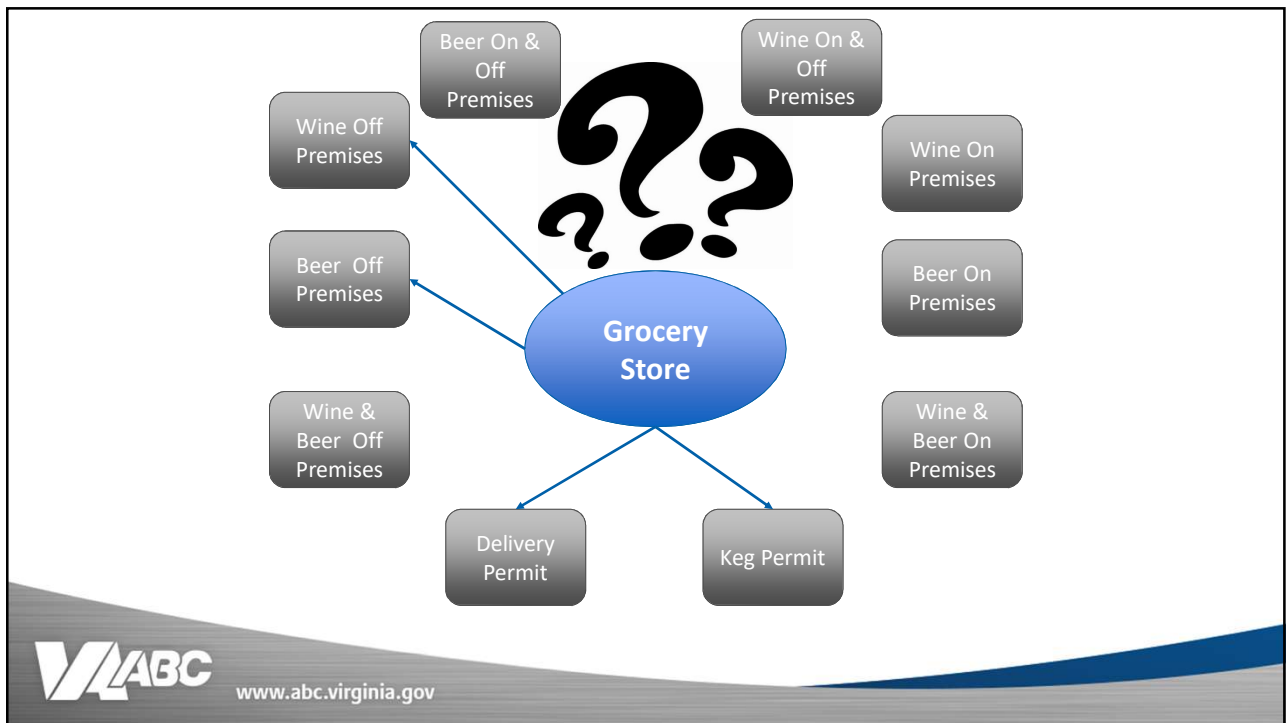
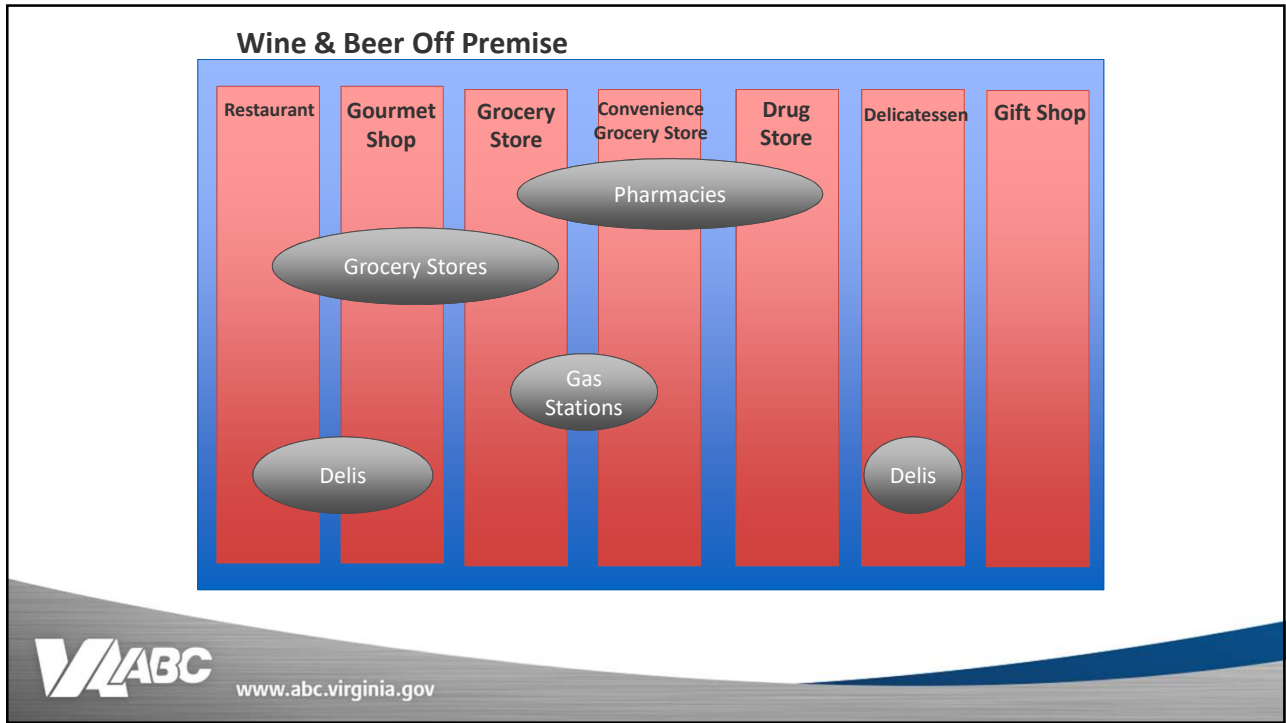
Virginia Senate Rehabilitation and Social Services Subcommittee on ABC Laws made a request in a letter dated December 11, 2018 asking Virginia ABC to:

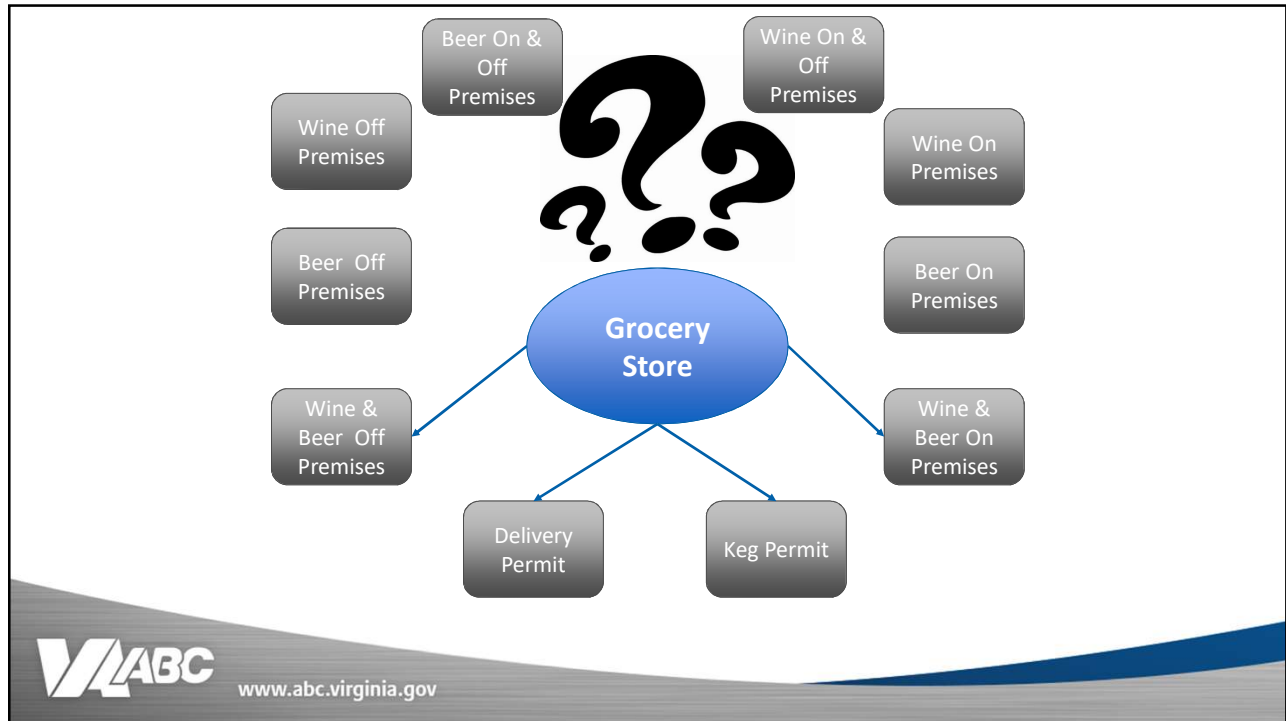
- (i) propose a consolidation of licenses,
- (ii) explore creation of a Marketplace license,
- (iii) analyze licensing fees,
- (iv) include relevant stakeholders in the process, and
- (v) include a review of an Agritourism license*.

*The request to review an Agritourism license was made during the 2019 Session of the Virginia General Assembly.



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Project Approach and Stakeholder Engagement

Approach

- Allocated project team to drive the study and conduct research
- Identified subject matter experts (SMEs) to discuss options for reform, review research findings and make recommendations
- Steering Committee established to review, discuss, and decision recommendations resulting from internal and external stakeholders

Engagement

- Created
 - License Reform webpage
 - License Reform electronic mailbox
 - Stakeholder distribution list
 - Stakeholder survey
- Meetings
 - SMEs met weekly
 - Steering Committee met monthly
 - Six large group meetings held with external stakeholders (including industry specific sessions)
 - Nine individual meetings held with external stakeholders
 - Two Industry Association meetings held

Guiding Principles

- No licensee loses privileges currently held
- Recommendations will maintain policies based upon three-tier model
- Reduce complexity of the licensing structure
- Fee amounts guided by objective analysis of workload created by license or permit category
- Fee revenue only to be used to support regulatory services to licensees
- Regular cadence to examine fee amounts



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High Level Recommendations

- Restructure current licenses and privileges to reduce complexity and duplicative processes
 - Standardize certain privileges
 - Implement consistent qualification standards.
 - Organize based on Three-Tiers
- Create a Marketplace license to allow the complimentary service of beer or wine as a secondary gratuity to an ongoing enterprise.
- Standardize the fees and renewal requirements for permits.
- Increase license fees to provide enhanced services to licensees.



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License Consolidating, Restructuring and Standardizing

- Consolidating
 - Reduced the number of licenses by more than 50%
- Standardizing Privileges
 - Most Mixed Beverages licenses now include wine and beer on-and off-premises (formally just on-premises)
 - Excludes caterers licenses and one day and annual special events licenses
 - No longer just an on-premise beer license; license includes both wine and beer
 - Consistent sample/tasting serving sizes
 - Keg, delivery, and tasting* privileges included for all Retail Off-premises licenses
- Restructuring
 - Expanded seating capacity tiers
 - Previous Retail On-premises licenses now include On-and Off-premises (off-premises applies to wine and beer)
 - * Tasting privileges are included for all Beer and Wine Off-Premises licensees except the Gourmet Brewing Shop and Confectionary license.



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Grocery Store Licensee Options

Example –Food Lion (i.e. grocery store without restaurant or bar)

Current State – Retail

- Wine Off-Premises
- Beer Off-Premises
- Beer and Wine Off-Premises
- Gourmet Shop
- Delivery Permit
- Keg Permit

Future State – Retail All Other

- Beer and Wine Off-Premises
 - This license includes Delivery and Keg privileges.
 - Includes Tasting privilege*

*Tasting privileges are included for all Beer and Wine Off-Premises licensees except the Gourmet Brewing Shop and Confectionary license.



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Proposed Marketplace License Research

Surveys Sent to:

- National Alcohol Beverage Control Association
- National Liquor Law Enforcement Association
- Southern Legislative Conference of the Council of State Governments
- National Conference of State Liquor Administrators

Survey Results:

- States that have a “marketplace” type of license that includes the privilege to allow various types of businesses to give away alcohol.
 - Oklahoma (Law effective July 2019)
 - Brookhaven, Georgia (by local ordinance)



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Proposed Marketplace License Description

A business which:

- 1) Is eligible to provide a customer up to two complimentary drinks per day, with a drink defined as 12 ounces of beer or 5 ounces of wine to be served in accordance with the code and/or regulations,
- 2) Provides goods and/or services in a personalized experience for a bona fide customer,
- 3) Is staffed with personnel with expertise in the goods and/or services provided,
- 4) The goods and/or services offered must fall into a single category or classification, and
- 5) The business or establishment does not otherwise qualify for any other license type (e.g. restaurant, convenience store etc.).



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Proposed Marketplace License Criteria

Criteria to be Considered for Approval

- Duration customers spend at establishment, based on primary product or services offered
- Hours of operation of the establishment
- All employees have participated in required RSVP/MART or ABC-approved training
- ABC manager is on premises at all times
- Alcohol purchases are only made through a licensed wholesaler or Virginia ABC
- License Fee \$2,000 per year and only allows for the serving of beer and wine
- Other requirements deemed necessary by the Board to protect health, safety or welfare



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Proposed Permit Structure

- Seventeen types of permits administered by Virginia ABC. Currently only 7 have a fee associated with the permit.
- Application fee of \$50 to be charged
- All permits classified into the following two levels and the associated annual issuance fees be charged
 - Level I permits - \$50
 - Level II permits - \$350
- All permits required to be renewed annually, except those that are for a specific act or time period (i.e. Import Personal Alcohol Permit, Continuity of Operations (COOP))
- The application and issuance fees for the Import Personal permit waived for active duty military who provide documentation of their transfer orders
- Distinguishing definitions and two separate permits for inactive and active stills



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License Fee Reform

- License Fees reviewed in a comprehensive manner.
- Proposed fee increases would go to enhanced, proactive licensee assistance and compliance and enforcement:
 - New position of investigative analyst are requested—16 new positions allocated across the Commonwealth
 - Two additional forensic or financial analysts requested
 - Eight new special agent positions created
- Rationale: Reduce the sworn law enforcement agent to licensee ratio
- Creates greater flexibility for sworn officers to focus on law enforcement matters and provide greater proactive compliance assistance with new analyst positions



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Implementation Considerations

- Currently developing a new licensing system
- Transitioning existing qualifying licensees (e.g. day spas, co-working etc.) to the Marketplace license
- Extensive amendments to regulations in the *Virginia Administrative Code*
- Continuing to educate and communicate changes to licensees



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Questions & Information



- License Reform Webpage
<https://www.abc.virginia.gov/licenses/license-reform>
- License Reform Electronic Mailbox
LicenseReform@abc.virginia.gov
- Virginia Legislative Information System (Check for Introduced Bill)
<https://lis.virginia.gov/>



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