

**SENATE COMMITTEE ON
REHABILITATION AND SOCIAL SERVICES**

ABC SUBCOMMITTEE - 2018 INTERIM

SEPTEMBER 18, 2018 – 10:00 A.M.
CAPITOL, SENATE ROOM 3
RICHMOND, VIRGINIA

BRYCE REEVES, COMMITTEE CHAIR

BILL DESTEPH, SUBCOMMITTEE CHAIR

I. Call to Order and Opening Remarks

Senator DeSteph called to order the fourth meeting of the special subcommittee (the subcommittee) of the Senate Committee on Rehabilitation and Social Services studying certain Alcoholic Beverage Control (ABC) laws.¹

II. Update Regarding Proposals Related to Licensure Consolidation and Food-to-Beverage Ratio - Travis Hill, Chief Executive Officer, Virginia Alcoholic Beverage Control Authority; David May, Attorney, Division of Legislative Services

At the subcommittee's request, Mr. Hill presented alternatives to the Commonwealth's current food-to-beverage ratio imposed on mixed beverage restaurant licensees and a proposal related to the restructuring and consolidation of all ABC licenses and fees.² Mr. Hill explained that prior to the subcommittee's fourth meeting, the Virginia ABC Authority (the Authority) held a meeting at which industry stakeholders were invited to express their opinions on the potential options for modifying the food-to-beverage ratio and for restructuring the Commonwealth's ABC licenses and fees.

Like prior meetings, the stakeholders were unable to come to an agreement regarding the need or method for modifying the food-to-beverage ratio. Of the stakeholders who did seek modification of the ratio, there was gravitation toward considering the volume of spirits sold by licensees instead of the price charged for such spirits. Stakeholders also discussed the possibility of creating a craft cocktail license that could be used to modify the food-to-beverage ratio for licensees specializing in the sale of high-priced spirits. Additionally, stakeholders discussed the creation of an exemption from the food-to-beverage ratio for restaurants selling more than \$500,000 of food per year.

Regarding the restructuring of ABC licenses and fees, Mr. Hill explained that stakeholders agreed that the Authority should conduct a full-scale review of the

¹ The following subcommittee members were present: Senator Bill DeSteph (chairman), Senator Bryce Reeves, Senator Monty Mason, Senator Ryan McDougle, Senator Jeremy McPike, and Senator Lionel Spruill.

² Mr. Hill's PowerPoint presentation may be viewed here:
http://dls.virginia.gov/interim_studies_abcrs.html.

Commonwealth's current licenses and fees. Stakeholders commented that many ABC licenses could arguably be consolidated and that license fees could be restructured in a way that better accounts for the size and scale of licensed establishments, as well as the amount of time and resources used by the Authority to regulate such licensees. Ultimately, stakeholders agreed that such restructuring should be studied by the Authority, with the help of workgroups including members of the industry, during the 2019 interim.

III. Public Comment

Steve Gooch, a restaurant owner and operator, stated that it will be very difficult for industry stakeholders to agree on a solution to the food-to-beverage ratio because the dynamics of each restaurant vary to a wide degree and a modification of the ratio would affect various restaurants differently. Mr. Gooch further commented that regardless of the type of restaurant a licensee operates, regulations imposed to enforce the food-to-beverage ratio entail onerous recordkeeping requirements that should be lessened.

Mike Byrnes, a restaurant operator and former brewery owner, again testified that the current food-to-beverage is not a problem for "legit" restaurants. Mr. Byrnes stated that any substantive problems that may have been associated with the ratio were resolved when wine and beer were removed from the formula. Mr. Byrnes claimed that in seeking to modify the ratio, the subcommittee's efforts are aimed at a very small percentage of licensees. Finally, Mr. Byrnes opined that a volume-based formula would not solve any alleged problems with the current ratio.

William McCormack, a restaurant owner and operator, stated that the current food-to-beverage ratio poses problems for restaurants like his that specialize in the sale of high-end spirits. Mr. McCormack claimed that the best solution for remedying these problems would not be to change the ratio for every licensee, but instead to provide a different ratio for establishments selling high-end drinks.

IV. Discussion

The subcommittee members decided to postpone voting on any recommendations and hold a fifth meeting in November in which the subcommittee would finalize its proposals for the 2019 Session.

V. Adjournment

There being no further business before the subcommittee, the meeting was adjourned by Chairman DeSteph with the intention of holding a final meeting in November 2018.