



License Consolidation and Fee Restructuring

Industry Stakeholder Meeting
October 14, 2019



Background

- First systematic review of licenses and fee structure
- Initiated by ABC Subcommittee of Senate Committee on Rehabilitation and Social Services
- Stakeholder engagement
- Review of other states' laws

Licensing Structure

- All licenses will be set forth to align with the three-tier system
 - Manufacturing, Wholesale, and Retail
- License Fees will be set forth in a separate section easily located and determined for the license type a user may desire

License Consolidation

- Current license types reduced by more than 50 percent
- No current licensee forfeits any existing privilege
- Similar licenses have been consolidated into a single license (for example: grocery stores, gift shops, delicatessen)
- A license may grant privileges that a licensee may determine not to exercise
- New marketplace license is created and existing “non retail” will merge to this license (for example: day spa, meal assembly kitchen, etc.)
- Ability for ABC to adjust license fees based on the consumer price index (CPI) every 3 years

Transitioning

- Legislation generally effective January 1, 2021
- Initial adoption of regulations necessary to implement the provisions of the legislation shall be exempt from the Administrative Process Act (§2.2-4000 et seq. of the Code of Virginia), except that the Board shall provide an opportunity for public comment on the regulations prior to adoption
- Current licensees holding a “non retail” will apply for and receive a new marketplace license prior to effective date of legislation so no lapse of license

License Fees

- Fees are raised to generate approximately \$2.5 million dollars
- All fee increases go to enhanced, proactive licensee assistance, compliance and enforcement
 - Equates to approximately 26 new law enforcement positions; however, not all positions are sworn officers as follows:
 - 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 ratio of law enforcement personnel from current 239 licensed establishments to each individual agent
 - Creates greater flexibility for sworn officers to focus on law enforcement matters and provide greater proactive compliance assistance with new analyst positions

Current Fee Increase Methodology

- The study team identified a limited number of major license categories within each of the three tiers in their analysis of the “cost” of licensing
- “Cost” includes application review, issuance and compliance
- Categories assigned a percentage of the total 18,226 currently active licenses
- Largest categories are Retail licenses at 57%
- Larger percentages equate to greater volume of effort for “cost per license”
- License fees for all broad categories of licenses are increased by a percentage over the current fee consistent with the percentage of the total licenses represented by that category
- Example—If the retail category represents 57% of all licenses issued (10,413 of 18,226), and the average fee of licenses in that category is currently \$308.00, all licensees in that category are increased by a commensurate percentage to raise 57% of the new revenue (\$2.5 million dollars)