

# License Reform Project

*First Draft of License Consolidation – For Discussion Only*

March 8, 2019

# We have developed a starting point to drive conversations forward

This draft is solely designed to begin a more fruitful conversation with stakeholders

- In order to drive conversations on license consolidation forward, we have developed a draft consolidation
- This draft is a working document solely designed to drive conversation, it should not be considered a formal proposal or official position of Virginia ABC
- This draft should be considered a starting place in order to begin moving towards achieving a proposal by the end of May

# Draft proposal reduces number of licenses and permits by 60%

We have established a framework of Retail, Industry, Marketplace, Specialty, and Banquet

- Retail licenses represent most of the final tier in alcohol distribution: restaurants, hotels, clubs, grocery stores, gas stations, caterers, etc.
- Industry licenses represent the Commonwealth's alcohol manufacturers, wholesalers, importers, shippers, etc.
- Marketplace licenses represent those businesses wishing to serve alcohol on a complimentary basis in limited quantities to customers of their existing business, such as spas, jewelry stores, tailors, etc.
- Specialty licenses focus on nuanced license applications requiring specific code or regulatory needs, such as passenger carriers, amphitheaters, annual banquets, commercial lifestyle centers, culinary, etc.
- Banquets refers to single or multiple day licenses

# Draft proposal reduces number of Retail licenses from 34 to 12+

Licenses linked to wholesale purchasing volumes, mixed beverage includes On Premise beer and wine

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
<b>Beer/Wine On Premise</b>	3	3+	Based on wholesale beer/wine purchase volume (TBD)	Hotels, Restaurants, Clubs, Hospitals, Historic Cinemas	660
<b>Beer/Wine On/Off Premise</b>	11	3+	Based on wholesale beer/wine purchase volume (TBD)	Hotels, Restaurants, Clubs, Gourmet Oyster Houses; all would include Delivery and Keg	2,468
<b>Beer/Wine Off Premise</b>	8	3+	Based on wholesale beer/wine purchase volume (TBD)	Grocery, Convenience, Gas, Gift Shop, Gourmet Shop; all would include Delivery and Keg	7,090
<b>Mixed Bev On Premise</b>	12	3+	Based on wholesale beer/wine/spirits purchase volume (TBD)	Restaurants, Hotels, Clubs, Caterers; all would include On Premise Beer and Wine	5,666

*Note: Recommend shifting Keg Registration from \$65 permit fee to actual cost of books ordered*





# Draft proposal reduces number of Manufacturer Industry licenses from 54 to 10

Simplification includes Off Premise and Shipping privilege expansion for all breweries/wineries

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
<b>Breweries</b>	35	3	Based on brew volume, no change to current volumes	Limited Brewery a qualification, and includes Off Premise Farm Winery via Wholesale tier; all would include Off Premise, Delivery, Shipping, and Keg	338
<b>Wineries</b>	15	4	Based on wine volume, no change to volumes or Farm Winery requirements	Farm Winery now includes Off Premise Limited Brewery via Wholesale tier; all would include Off Premise, Delivery, Shipping, and Keg	574
<b>Distilleries</b>	4	3	Based on distill volume, no change to current volumes	No changes, Fruit Distillers license eliminated	72

*Note: Recommend shifting Keg Registration from \$65 permit fee to actual cost of books ordered*



# Draft proposal reduces number of other Industry licenses from 27 to 22

There are no substantive changes to these classes of licenses

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
Wholesale	7	7	Based on wholesale beer/wine sales volume	No changes	501
Specialty	13	8	Varies, no changes	Gourmet Brewing, Marketing Portal, Bottler, Internet Retailers, Out of Bond, Fulfilment Warehouse	94
Importer	4	4	Varies, no changes	No changes	603
Out of State Shipper	3	3	Varies, no changes	No changes	1,233

# Marketplace draft proposal reduces non-sales licenses from 14 to 2

Proliferation concerns result in recommendation for additional evaluation between now and May 31

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
<b>Beer/Wine On Premise</b>	9	1	TBD	Recommend evaluating volume caps, volume classes, higher license fee, wholesaler purchase requirements, sunset provision, and regulatory management of qualifications rather than code	270
<b>Mixed Bev On Premise</b>	5	1	TBD	Recommend evaluating volume caps, volume classes, higher license fee, wholesaler purchase requirements, sunset provision, and regulatory management of qualifications rather than code	143

# Draft proposal reduces Specialty licenses from 28 to 18

Working group kept a number of critical specialty licenses intact and stand alone

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
<b>Annual Banquet</b>	7	1	None	Includes Special Events and Performing Arts, may require code or regulatory management	101
<b>Motor Sports Facility</b>	3	1	None	May require code or regulatory management to avoid proliferation to small tracks	5
<b>Passenger Carrier</b>	3	1	None	Fee structure will require discussion and feedback	38

*\*Note that the following Specialty licenses remain unchanged or were previously permits: Amphitheater (1), Confectioner (7), COOP, Commercial Lifestyle Center (4), Culinary, For Profit Club, Grain, Industrial, Personal Import, Sacrament, Still, Tasting (112), Transport, Trustee/One Time, Tour/Sightseeing*



# Draft proposal reduces number of non-annual Banquet licenses from 13 to 7

Current process flows were instrumental in this determination

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
<b>Beer/Wine Banquet</b>	4	1	None	Only remaining license is for beer and wine manufacturers, all others combined into MB licenses	462
<b>Mixed Bev Banquet</b>	9	6	None	Licenses now condensed down to Special Events, Multi Day, Including Off Premise of Beer/Wine, Club, and Manufacturer Distilled Spirits; all would now include beer and wine	20,278

# The fee portion of this process is now shifting into high gear

Activity based costing study is underway, looking at the true costs to Virginia ABC for licenses

- We are in the process of mapping out Virginia ABC processes for issuing, administering, monitoring, and enforcing licenses
- This mapping process will determine the true internal cost for licenses, identifying any true gap between license fees and the costs they drive
- We plan to share additional fee context with stakeholders in April, and include fee proposals in the May 31 proposal that will be submitted the Legislature

# Next steps (March – May 2019)

## Internally Focused

- Continue to look for out of the box improvements regarding license reform
- Continue activity cost study and begin building out revised fee structure
- Assess stakeholder feedback received and incorporate ideas as appropriate

## Externally Focused

- Continue seeking feedback and talking with stakeholders
- Present updated draft proposal to stakeholders for final feedback
- Present final proposal to Senate Subcommittee
- Present final proposal to stakeholders for socialization with constituents/associations