

License Reform Project

First Draft of License Consolidation Proposal

April 30, 2019

Prepared By: Research & Planning and License Reform Working Group

We have made significant progress, both internally and externally

The draft consolidation is now moving towards being a more formal proposal

- The in-depth conversations yielded valuable feedback that has been shared internally within the working group to make the proposal stronger
- The working group has reviewed stakeholder and steering committee feedback to ensure that the consolidation is operationally feasible and efficient
- With the “conceptual design” deadline just over four weeks away, we’re seeking one last formal review of the proposal before finalizing and sending this draft to the Senate Committee on Rehabilitation and Social Services

We will begin writing the final report in June

With the “conceptual design” behind us, there will be multiple tracks of efforts

- May will focus on the “conceptual design” report out
- After that, the working team will begin drafting the final report for the November deadline, as well as working on implementation items necessary to finalize
- The timeline was designed so that trade associations could review with their membership during the summer months
 - Our intention is to create a PowerPoint with the “conceptual design” that the associations can use for those reviews
 - What else can we do to support those efforts?

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

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

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
Beer/Wine On Premises	3	3+	Wholesale beer/wine purchase volume (TBD)	Hotels, Restaurants, Clubs, Hospitals, Historic Cinemas	660
Beer/Wine On/Off Premises	11	3+	Wholesale beer/wine purchase volume (TBD)	Hotels, Restaurants, Clubs, Gourmet Oyster Houses; all would include Delivery and Keg	2,468
Beer/Wine Off Premises	8	3+	Wholesale beer/wine purchase volume (TBD)	Minimum \$1,000 sale threshold; Grocery, Convenience, Gas, Gift Shop, Gourmet Shop; all would include Delivery and Keg,	7,090
Mixed Bev On Premises	12	3+	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



We have started making progress on tiers, but more work to be done

We haven't yet received any data from Wholesaler partners, and are working on a template for use

- Virginia ABC envisions volume tiers using a “proof gallon” or “standard drinks” sort of measure, in order to homogenize the different alcohol types being served/sold by Retail licensees
- Virginia ABC is continuing to work with stakeholders to receive data from Wholesale partners, and the ball is in our court to put forth a template that could be used by both wine and beer wholesalers
- Additionally, we've started looking at backup options internally, in case volumes are not feasible

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
Breweries	35	3	Based on brew volume, no change to current volumes	Limited Brewery a qualification; all would include Off Premise, Delivery, Shipping, and Keg	338
Wineries	15	4	Based on wine volume, no change to volumes or Farm Winery requirements	Farm Winery a qualification; all would include Off Premise, Delivery, Shipping, and Keg	574
Distilleries	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
Shipper	3	3	Varies, no changes	In-State and Out-of-State	1,233

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

	Current # Licenses	New # Licenses	License Class Parameters	Qualification & Privilege Changes	Current # Licensees
Beer/Wine On Premises	9	1	TBD	See detail on slide 8	270
Mixed Bev On Premises	5	1	TBD	See detail on slide 8	143

Recommend Marketplace be defined in code as a specialty business

There are additional requirements being recommended to manage this unique license

Recommended Definition

A business which 1) provides goods and/or services in a one-on-one personalized experience for a minimum two hour duration per customer, 2) is staffed with personnel with expertise in the goods and/or services provided, and 3) the goods and/or services offered must fall into a single category or classification and be complementary products. The business or establishment does not otherwise qualify for any other existing license (ex. Wawa).

Recommended Requirements

- Minimum 2 years in business unless otherwise patently qualified
- All employees have participated in required RSVP/MART or ABC-approved training
- ABC manager is on premises at all times
- Purchases of alcohol are only made through a licensed wholesaler or ABC (wholesalers may require licenses to pick up orders)
- Limit on amount provided to each customer: two 5-ounce glasses of wine or two 12-ounce glasses of beer allowed for each customer, excluding Bed and Breakfasts
- A maximum number of spirits inventory that can be on hand at any one time (excludes wine and beer)
- License Fee minimum costs: \$1,500 for beer and wine, \$2,000 for mixed beverages (which would include wine and beer)
- Purchase records to be kept pursuant to Virginia Code and Regulation for the purposes of this type of permit
- This license would not be granted to businesses providing automobile services

Draft proposal reduces Specialty licenses from 28 to 8

Working group kept number of critical licenses intact and stand alone, particularly for mixed beverages

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

**Note that the following Specialty licenses remain unchanged: Annual Amphitheater (1), Confectionery (7), For Profit Club, Tasting (112)*

We have revisited shifts between licenses and permits

Shifted Back to Permits (wine & beer)

Carrier
COOP
One Time Sale (Trustee)

Shifted Back to Permits (spirits)

Grain
Industrial
Personal Import
Sacramental
Culinary
Transporter
Tour & Sightseeing
Still

A new license category is being proposed: “Patron Provided”

This license is designed specifically for current situations where people can bring previously purchased beverages onto the property of the licensee

- This license type would include wine/beer/spirits
- Current license types that would qualify for this type of license would include:
 - Museum
 - Equine sporting event
 - Banquet facility (fire/rescue)
 - Commercial Lifestyle

We are nearing completion of the license costing study

This view excludes costs for Hearings and Appeals, in order to separate “bad actor” costs

License Type	Virginia ABC Costs ¹	Current License Fee ²	Cost Recovery %
Retail On Premises and On/Off Premises	\$1,161	\$692	60%
Retail Off Premises	\$1,129	\$232	21%
Manufacturer Brewery	\$1,646	\$1,089	66%
Manufacturer Farm Winery	\$2,394	\$308	13%
Manufacturer Winery	\$2,125	\$787	37%
Manufacturer Distillery	\$1,522	\$1,037	68%
Wholesale Beer	\$1,170	\$1,202	103%
Wholesale Wine	\$1,452	\$310	21%
Marketplace	\$1,129	\$90	8%

1: Costs included for licenses includes application, issuance, administration, compliance, enforcement, and tax management.

Costs related to hearings and appeals are excluded (average cost \$1,525)

2: The current license fee is calculated as the average fee for all licenses included in the category, based on the number of licenses issued of each type (average fee \$617)



Contact

To share your ideas or to be included in our stakeholder database please email your suggestions or contact information to LicenseReform@abc.Virginia.gov.