



LICENSE AND FEE REFORM - FINAL REPORT

Virginia Alcoholic Beverage Control Authority
November 8, 2019

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CEO Statement

On behalf of the Virginia Alcoholic Beverage Control Authority, I am proud to submit the final report and recommendations for License Consolidation and Fee Reform. ABC law is marked by the complexity of the licensing structure created in the *Code of Virginia*. Over time, new licenses were created with little accounting for how current licenses were administered and whether existing fees were sufficient to support effective regulation. During the last few years, Virginia ABC explored how to streamline the number of licenses administered by the Authority and thought about ways to craft a licensing framework that could more easily accommodate new entrants into the industry without further complicating the licensing structure. Such improvements make it easier for industry participants to run their businesses as well as assist our agents in working with the regulated community. As the alcohol beverage industry continues to grow in Virginia, industry participants in all the various tiers express a willingness to work to improve our licensing system to ease burdens on business, enhance compliance and better serve the taxpayer.

The final report and recommendations are the product of a talented team of Virginia ABC employees combining their extensive experience in the alcohol beverage compliance field with an approach of asking thoughtful questions as to why things are being done a certain way and if there is a better way to do them. Examining these issues over the last few years, Virginia ABC welcomes the partnership with the Virginia General Assembly. Most recently, The Virginia Senate Committee on Rehabilitation and Social Services formed a subcommittee to review certain aspects of Virginia ABC laws. In its actions, the subcommittee 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. This report represents a collaborative effort between the Authority and industry stakeholders over the past twelve months to examine a potential new license structure that works not just for the Authority that manages licensees, but also for the licensees and citizens of the Commonwealth whom the Authority serves. Throughout the Authority's transition from an Agency, we have sought every available opportunity to modernize our operations in order to provide the best service possible to the citizens of the Commonwealth, and this project is consistent with those goals. As we continue to work on replacing our Licensing system, reforming our licensing structure will help to make the Authority a more effective partner to licensees across the Commonwealth. The adage, "if it were easy, someone would have already done it," is an appropriate description for the work represented in this report. Eighty-five years after the current system for licensing and regulating alcohol was created, this report represents the first serious effort at reform with the purpose to streamline and simplify how alcoholic beverages are regulated. A system that is easier to understand and administer is a benefit to businesses and consumers.

Letter from the Virginia Senate subcommittee of the Committee on Rehabilitation and Social Services

December 11, 2018¹

Travis Hill
Chief Executive Officer
Virginia Alcoholic Beverage Control Authority
2901 Hermitage Road
Richmond, Virginia 23220

Dear Mr. Hill:

During the 2018 interim, a subcommittee of the Senate Committee on Rehabilitation and Social Services (the subcommittee) assembled several times to study certain alcoholic beverage control (ABC) issues. This study included discussion and analysis of the Commonwealth's current ABC licenses and fees. Throughout these discussions, the subcommittee identified disparities among numerous licenses regarding the amount of alcohol that such licensees are permitted to serve through samples. Moreover, the subcommittee determined that there may be a need to consolidate and restructure the Commonwealth's ABC licenses in light of the large number of ABC licenses currently available despite many commonalities among such licenses, as well as the low level of participation in many of the license categories. Finally, the subcommittee identified a need to review the fees collected by the Virginia ABC Authority and determine their appropriateness on the basis of the privileges conveyed through such fees.

In an effort to address these concerns, the subcommittee formally adopted a recommendation to send official correspondence requesting that the Virginia ABC Authority study these issues during the 2019 interim and report its findings to the subcommittee. Specifically, the subcommittee requests the Virginia ABC Authority to (i) conduct a comprehensive examination of the Commonwealth's current ABC licenses and permits and develop a proposal to consolidate such licenses and permits in a manner that simplifies licensure and permit categories, accommodates both current and anticipated licensure and permit needs, and confers equal sampling privileges among licensees where appropriate; (ii) explore the creation of a marketplace license that could be used to replace many or all of the current ABC licenses issued to establishments that serve, but do not sell, alcoholic beverages and to accommodate other business models for which such privilege would be appropriate, including retail cigar shops; (iii) analyze all fees, taxes, and other charges currently collected by the Virginia ABC Authority and determine whether such fees, taxes, and charges should be raised, lowered, or restructured to better align with the licenses and privileges extended in exchange for such fees, taxes, and charges, as well as the resources

¹ A signed copy of the Senate Committee on Rehabilitation and Social Services subcommittee letter can be viewed on the Virginia ABC website at <https://www.abc.virginia.gov/library/licenses/pdfs/license-reform/virginia-abc-subcommittee-letter-licensee-reform-project.pdf?la=en>

necessary to administer, monitor, and enforce such licenses and privileges; and (iv) consult with all relevant stakeholders in conducting its examination and creating its recommendations.

The subcommittee requests that the Virginia ABC Authority report in writing to the subcommittee a Conceptual Design of its findings by May 31, 2019, and its final recommendations by November 1, 2019. The subcommittee further reserves the right to request that the Virginia ABC Authority appear before the subcommittee, on dates to be determined, to provide updates on its progress throughout the 2019 interim.

The subcommittee makes the aforementioned request in hopes that a comprehensive study of these topics will identify changes that can be made to improve the Commonwealth's ABC laws by simplifying licensure categories, accommodating modern licensure needs, providing equal treatment among similarly situated licensees, and ensuring that fees, taxes, and charges are proportionate to associated privileges and administrative demands. The subcommittee recognizes and appreciates prior efforts by the Virginia ABC Authority to make improvements in these areas and is confident that its continued work will lead to further benefits for the Commonwealth's ABC industry. Should you have any questions or concerns, please do not hesitate to contact us.

Respectfully,

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Executive Summary

In response to the request made by a subcommittee of the Virginia Senate Committee on Rehabilitation and Social Services, Virginia ABC: 1) conducted a comprehensive examination of the Commonwealth's current structure of ABC licenses and permits, 2) explored the creation of a Marketplace license that could be issued to establishments that serve, but do not sell, alcoholic beverages, and 3) analyzed all fees, taxes, and other charges currently collected by the Virginia ABC Authority.

This study in consultation with industry stakeholders has led Virginia ABC to the following recommendations:

1. Reduce existing licenses by more than 50%. These consolidations will reduce complexity and duplicative processes for both licensees and Virginia ABC, standardize certain privileges for similar businesses, and implement consistent qualification standards for similar businesses.
2. Create a Marketplace license to allow the complimentary service of beer or wine as a secondary gratuity to an ongoing enterprise. This license may be issued in the event an applicant meets certain requisite qualifications and fulfills certain discretionary criteria determined necessary by the Authority to protect public health and safety. There would be a limit on the amount of alcohol provided to each customer per day for on premises consumption. No single complimentary drink shall exceed 12 ounces of beer or five ounces of wine. No more than two total complimentary drinks of alcoholic beverage products may be given to any person per day.
3. Standardize the fees and categories for permits. All permits will have an application fee and most will be required to be renewed annually.
4. Increase license fees to provide enhanced services to licensees.

Implementation of these recommendations will take Virginia ABC approximately 15 months.

Project Approach and Stakeholder Engagement

To conduct the work involved in this study, Virginia ABC designated staff time of a manager and two Research and Planning project managers to manage various aspects of the study and appointed the CEO and four members of executive leadership to serve as a Steering Committee.

- Steering Committee
 - Travis G. Hill, Chief Executive Officer
 - S. Christopher Curtis, Deputy Secretary to the Board
 - John Daniel, Chief Government Affairs Officer
 - Thomas Kirby, Chief, Bureau of Law Enforcement
 - Eddie Wirt, Chief Communications & Research Officer

In early November 2018, Virginia ABC compiled a list of known and potential industry stakeholders to engage and consult with for the duration of the study (See Appendices 1 and 2). These stakeholders were provided with a series of opportunities to provide suggestions and feedback related to the License and Fee Reform Project. These opportunities are discussed in detail below and are outlined in Appendix 3.

During the November 28, 2018 kick-off meeting, stakeholders received information on the scope of the study, a proposed timeline and a series of questions intended to provoke thought and discussion around issues involved in licensing and regulation. At this meeting, Virginia ABC shared a newly created electronic mail address established for the express purpose of allowing stakeholders to share their ideas, concerns, suggestions, and thoughts around License and Fee Reform.

Virginia ABC also created a License Reform webpage (<https://www.abc.virginia.gov/licenses/license-reform>) on the Virginia ABC Authority website. This webpage went live on January 18, 2019, to provide stakeholders with information on the origin and scope of the study; context related to the current licensing structure; stakeholder meeting dates; lists of interested and engaged individuals, businesses, associations, consulting and lobbyist firms; initial content and research reviewed by the Project Team; and presentations made during stakeholder meetings. Additionally, the License Reform webpage identified the License Reform electronic mail box and hosted a survey to provide stakeholders a forum and opportunity to share any thoughts, concerns, proposals or recommendations on the license, permit and fee structure; the Marketplace license concept; whether the Commonwealth or the licensee should bear the cost of issuing, monitoring and enforcing licenses, and if fees should be linked to privileges. The License Reform webpage was created in response to a request made by stakeholders to have a resource they could leverage if they were unable to attend any of the meetings discussing the study.

Virginia ABC identified internal subject matter experts to serve on the License and Fee Reform

Project Team. The Project Team consisted of members representing the following areas of expertise: licensing data, license and permit issuance, compliance, tax management, and administrative processes and hearings.

- Project Team
 - Marc Haalman, Special Agent in Charge
 - Linda Mahowald, Information Admin Specialist
 - Francis Monahan, Special Agent in Charge
 - Pamela Norris, Tax Management Support Analyst
 - Ryan Porter, Deputy Chief
 - Meghan Wallmeyer-Rose, Chief Clerk of Hearings, Appeals & Judicial Services

Current Virginia ABC License Structure

As Virginia ABC began the effort to consolidate and simplify license types and privileges, it was first beneficial for the team to have an understanding of how and why Virginia ABC licenses are structured currently. Through discussions with seasoned Virginia ABC employees and Board members, as well as the review of previous studies on this issue, it was found that today's license structure is largely based on the original three-tier system which was established after Prohibition ended and consists of three distinct groups: producers (manufacturers), distributors (wholesalers), and retailers. However, since the initial establishment of the three-tier system, there has been a steady increase in the number of unique business models that do not necessarily share all of the characteristics of any one of the three major tiers, thereby resulting in the need for and creation of various ABC license carve-outs (classifications) called Specialty licenses. The number of Specialty licenses, each one having its own characteristics and qualifications, has grown exponentially over the last few years and has resulted in over 160 license types that are now available to establishments and the public for purchase in the Commonwealth of Virginia. With different qualifications for each Specialty license comes more complexity, both for the establishment/person making application and the sworn and nonsworn personnel administering and enforcing these licenses.

License Administration

The Virginia ABC Bureau of Law Enforcement (Bureau) is charged with monitoring and assisting in the compliance with the alcoholic beverage control laws and regulations governing the manufacture, distribution, sale and consumption of alcoholic beverages. These activities are managed by both sworn and nonsworn personnel. There are a total of 89 sworn agents. Seven of these sworn agents serve in the Bureau's Compliance Unit which monitors and supports those licensees who are manufacturers, wholesalers, importers, and out-of-state shippers. The remaining agents monitor and support retail licensees.

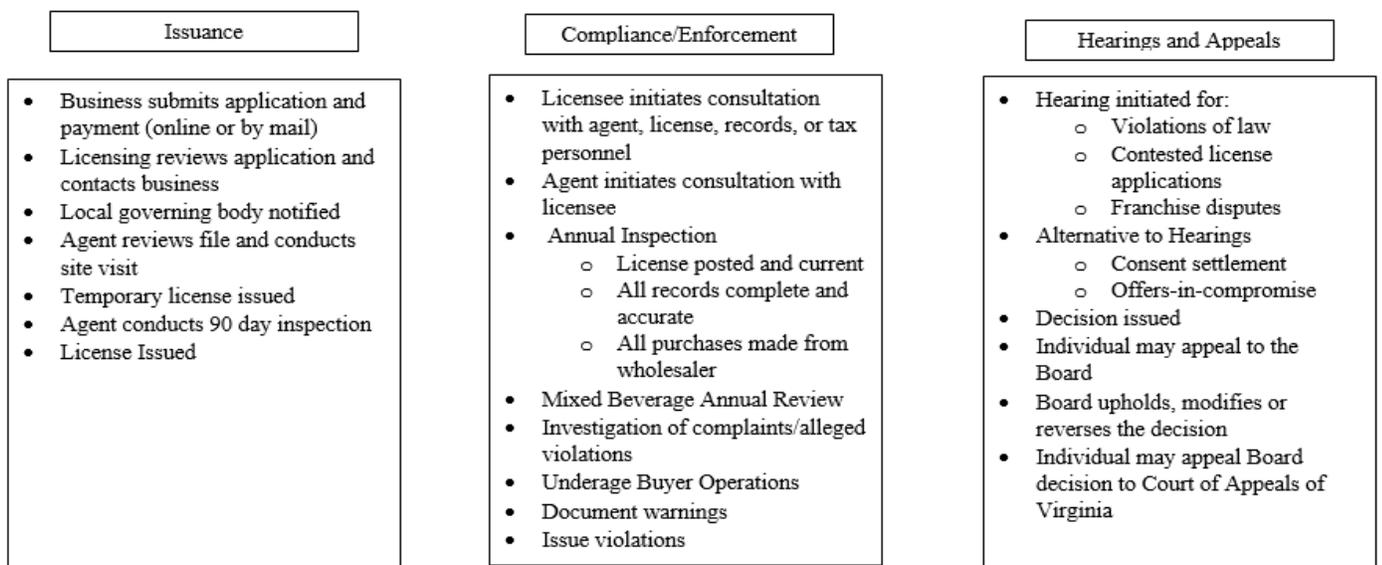
Staff from the Bureau's licensing, compliance, tax, and administrative units serve as liaisons to breweries, distilleries, wineries, importers and distributors; collect Virginia taxes; process invoices and renewals; conduct alcohol-related training about ABC laws; and maintain records for businesses with ABC licenses and individuals seeking licenses related to alcohol sale and consumption at private special events.

License and Records Management (LRM), which consists of 21 employees in two sections—1) Licensing and 2) Records—is part of the Bureau. These sections interact with all aspects of the life of an ABC license from application submission through possible approval, suspension, revocation and surrender. Tax Management is also part of the Bureau. There are 10 employees whose primary responsibilities include administering excise tax collected from beer, wine, and cider manufacturers and wholesalers who distribute alcohol in the Commonwealth of Virginia; administering franchise agreements necessary to distribute products in Virginia; approving the

contents of the individual product labels; and administering various permits such as transportation permits, industrial permits, and sacramental permits.

The Hearings, Appeals and Judicial Services Division conducts hearings and settlement resolution when there is a disciplinary matter involving a licensee, a contested ABC license application or an issue involving contract disputes between beer or wine producers and distributors. The graphic below depicts the administration of a license from submission of an application through the hearings and appeals process.

Administration of Licenses



2008 Special Joint Subcommittee

Recognizing the increasing number of license types, the Special Subcommittees of the House Committee on General Laws and the Senate Committee on Rehabilitation and Social Services made a request in 2008 for Virginia ABC to perform a review of Title 4.1 in the *Code of Virginia* and determine if there was an opportunity to make changes to the license structure. There were several areas of focus at this time for the Subcommittee including: 1) the different food sale requirements between license types, 2) the food-to-alcohol sales ratio, 3) the consideration of a new license category called a "Limited Service License" where the service of alcoholic beverages would be incidental to the main business activity of the licensee, 4) the simplification/unification of the retail license laws to make it easier for licensees to understand and comply with the law, and 5) the consideration of a different type of license classification

system altogether (ex. Class A, B, and C licenses) that would allow greater flexibility in distinguishing between bars and restaurants. Ultimately, none of the recommendations led to any changes being made to Title 4.1 of the *Code of Virginia*.

With the continued economic growth and changing business models in Virginia resulting in increasing numbers of varied and very specific license types, in 2018, Virginia ABC was again asked to attempt to simplify and pare down the list of licenses. The results and recommendations of that effort will be discussed in a subsequent section of this report.

Project Research

The Project Team began meeting weekly in January 2019. Work initially began by reviewing legislative studies conducted by other states and fee structures from other states. There were a number of states whose legislatures had identified committees or task forces to review the work of the agency responsible for the control and/or enforcement of purchasing and serving alcohol within the last 10 years. These reports varied in what the committee or task force reviewed and recommended. The following studies, key points and task force recommendations were reviewed by the Project Team.

*Governor's Task Force on the Study of Kentucky's Alcoholic Beverage Control Laws (2013)*²

In July 2012, Governor Steve Beshear appointed a 22-member task force to address the issue of Kentucky lawmakers enacting legislation governing the sale and licensing of alcoholic beverages which only addressed specific one-time issues. The study identifies this practice resulted in regulations and laws that were duplicative, outdated, and cumbersome to administer. In 2013, the Kentucky legislature enacted comprehensive alcoholic beverage legislation that codified all of the task force recommendations.

- With limited exceptions, all issued licenses shall be valid for a period of no more than one year
- The consolidation process is an opportunity to identify and address abuse in the system
- Eliminate unnecessary licenses:
 - Those licenses that exist but have gone unused for years
 - Two or more licenses that provide similar privileges with similar costs

² *Governor's Task Force on the Study of Kentucky's Alcoholic Beverage Control Laws* <https://docplayer.net/15103403-Governor-s-task-force-on-the-study-of-kentucky-s-alcoholic-beverage-control-laws-recommendations-of-the-licensing-committee.html>

- Use familiar and consistent terminology in the statute, such as removing the term vintner and replacing with winery
- Bundle or merge supplemental licenses into primary license types to reduce the number of license types
- Changes in fees should be distributed equitably across all license types
- When consolidating or merging license types consider evolving business models
- There should be similar fees for similar license types

*Review of Iowa Code Chapter 123 Final Recommendations (2017)*³

August 10, 2016, Governor Terry Branstad tasked several state agencies to work together and perform a review of Iowa’s alcohol laws and identify opportunities to improve commerce, cut red tape, and create regulatory clarity while protecting public health and public safety. The recommendation created greater economic opportunities for local entrepreneurs, made it easier and more efficient to conduct business with state government, made alcohol laws easier to understand and enforce, and resulted in public policy that continued to protect the health and safety of the public.

- Create greater parity among beer, wine, and spirits manufacturers:
 - Review the differential treatment of wine versus beer versus spirits
 - If there is differential treatment what is the impact on the industry as a whole

*Alcoholic Beverages Control Commission of Massachusetts: Task Force Report (2017)*⁴

February 16, 2017, the Honorable Deborah Goldberg, Treasurer and Receiver General of the Commonwealth of Massachusetts, formed a task force to conduct a comprehensive review of the legal and regulatory structures that govern the alcoholic beverage industry in Massachusetts.

- Provide one category of alcohol license; an “all alcohol” license:
 - Applicants can opt for beer only, a wine only, spirits only, or any combination for a lower fee
 - License fees and fines should be raised to reflect inflation and market conditions

³ *Review of Iowa Code Chapter 123 Final Recommendations (2017)* https://abd.iowa.gov/sites/default/files/final_recommendations_-_comprehensive_review_of_chapter_123.pdf

⁴ *Alcoholic Beverages Control Commission of Massachusetts: Task Force Report* https://www.mass.gov/files/documents/2017/12/28/Alcohol%20Task%20Force%20Report_0.pdf

These studies are evidence of states determining there is a need to review the structure of their licensing systems and take action to modernize and properly fund enforcement. All of the above studies resulted in approved legislation that transformed how these states regulate the beverage alcohol industry. Additionally, the studies highlighted topics for discussion and consideration in Virginia ABC's efforts. From January through March, the Project Team developed an initial draft license consolidation structure to foster conversation and actionable stakeholder feedback. Issues and concerns raised by external stakeholders regarding this structure were processed by the Project Team and recommendations were then presented to and discussed with the Steering Committee.

Meetings with Stakeholders

On March 8, 2019, Virginia ABC held a meeting with external stakeholders to review the initial Conceptual Design. The Conceptual Design at that time reduced the number of licenses and permits by approximately 60%. This meeting was the first of two to obtain feedback on the Conceptual Design. External stakeholders were asked to think through what impacts or new challenges they might anticipate as a result of the Conceptual Design. Stakeholders were also asked to identify any content they found confusing or unclear and inform Virginia ABC using the license reform electronic mail box to ensure the follow-up meeting scheduled for March 21, 2019, would be as productive as possible.

On March 21, 2019, a series of content-specific breakout sessions were held throughout the day to allow all external stakeholders the opportunity to hear the questions, concerns, consensus, disagreements, and information related to the specific areas they each represented. The following breakout sessions were held:

- Wholesalers to include shippers, importers etc.
- Restaurants to include hotels, clubs, caterers, spas, gourmet oyster house
- Convenience and grocery stores to include gourmet stores, gift shops etc.
- Manufacturers

The breakout session for restaurants also included a discussion on the Marketplace license. During these sessions, a sign-up sheet with available dates and times was provided to external stakeholders who were interested in meeting individually with the Project Team and staff. Stakeholders were encouraged to take advantage of the opportunity to attend a one-on-one meeting and, if their schedules did not allow, to submit their thoughts, concerns, and recommendations to the license reform electronic mail box.

Throughout the project, members of the Project Team and staff held individual meetings with nine external stakeholders. The majority of these meetings occurred during the month of March.

Throughout March and April, the Project Team continued to evaluate the Conceptual Design and began to work on the fee component of this study. Again, issues and concerns raised by external stakeholders were processed by the Project Team and recommendations were then presented to and discussed with the Steering Committee.

On April 30, 2019, Virginia ABC held a fifth meeting with external stakeholders to communicate additional details about the project timeline; provide an update on the contents of the Conceptual Design, identifying content modified since the March meeting; and present specifics related to the Marketplace license and preliminary information related to the review of license fees. During this meeting, stakeholders were also made aware of Virginia ABC's willingness to attend industry association meetings during the summer months to assist with presenting the proposed Conceptual Design. Virginia Restaurant, Lodging and Travel Association (VRLTA) and the Virginia Craft Brewers Guild both took Virginia ABC up on this offer. On May 30, 2019, representatives from Virginia ABC attended the VRLTA annual meeting and on June 17, 2019, ABC attended the Virginia Craft Brewers Guild meeting and presented the details related to the Conceptual Design.

Throughout the summer months, Virginia ABC continued to monitor the license reform electronic mailbox for stakeholder feedback and inquiries. Virginia ABC received four emails during that time which expressed concerns with the possible impacts to specific stakeholder groups. Emails were exchanged and telephone calls were held to discuss these concerns, and changes were made to the Conceptual Design as appropriate after discussing in detail with the Project Team and Steering Committee.

On October 14, 2019, Travis Hill, CEO of Virginia ABC, made a final presentation to external stakeholders in preparation for the release of the final report.

License Consolidation

This report and analysis represents the best efforts of a significant number of individuals including ABC personnel, stakeholders, third party organizations such as National Alcohol Beverage Control Association (NABCA), and others to provide the best possible responses to the important and timely questions posed by a subcommittee of the Senate Committee on Rehabilitation and Social Services. In short, the subcommittee charge was to conduct a comprehensive examination of licenses and permits issued by Virginia ABC, to propose a consolidation of the number of licenses and permits in an effort to simplify license and permit categories, to explore a “Marketplace” license to authorize the service of alcohol products as a secondary or complimentary service to the primary purpose of a business and finally, to analyze fees, taxes and charges collected by ABC to determine if improvements to the current alignment could or should be improved.

Throughout the license reform process, the Project Team maintained a focus to ensure the proposed changes did not result in diminishing existing privileges, but recognized early on consolidation would necessitate making privileges consistent across similar businesses. This focus was front and center as the Project Team worked with numerous external stakeholders that represented competing interests, striving to ensure that decisions would not create winners and losers, but instead deliver a proposal that meets the needs of the myriad of stakeholders, including Virginia ABC.

Ultimately, based on the many conversations with both internal and external stakeholders, Virginia ABC conceptually structured licenses based on 12 categories across the three tiers, making it easier for all parties to quickly identify licensing needs within the structure. Within this structure, licenses are consolidated together, with the primary intention of simplifying qualifications and/or privileges across common business or license types. This structure and consolidation reduces the number of license types currently in Virginia ABC’s licensing system by more than 50%, excluding one-time banquets and permits.

License Structure

Below is the proposed structure for licenses based upon the three tiers and 12 unique categories:

1. Retail – Mixed Beverage
2. Retail – All Other
3. Industry – Manufacturer – Brewery
4. Industry – Manufacturer – Winery
5. Industry – Manufacturer – Farm Winery
6. Industry – Manufacturer – Distillery

7. Industry – Wholesaler – Beer
8. Industry – Wholesaler – Wine
9. Industry – Shipper
10. Industry – Specialty
11. Specialty
12. Marketplace⁵

In addition to the core benefit of simplification for licensees, other benefits of this recommendation include, but are not limited to: 1) reducing complexity and duplicative processes for both licensees and Virginia ABC, 2) standardization of certain privileges for similar businesses, and 3) implementing consistent qualification standards for similar businesses. Each section that follows will describe the consolidation occurring in each category, as well as any benefits not enumerated in this paragraph, specific to the category of license. The mapping of each license to each of the 12 categories is shown in Appendix 4.

Retail – Mixed Beverage

Retail Mixed Beverage licenses grant the privilege for license holders to serve alcoholic beverages that contain spirits, which must be purchased from Virginia ABC. There is not a consolidation within this category that reduces the number of licenses, as Virginia ABC is satisfied the current license structure meets the needs of both internal and external stakeholders. However, this recommendation does include consolidation of the privileges such licenses grant, as well as a new set of seating capacity tiers.

Currently, Mixed Beverage licensees are required to apply for and maintain a separate license for serving beer and/or wine. This recommendation would eliminate that need. All Mixed Beverage licenses include beer and wine privileges, eliminating the need for new licensees to apply for multiple licenses, and for existing licensees to renew multiple licenses. In order to mitigate concerns raised by stakeholders that infractions related to mixed beverages (i.e. MBAR) could potentially result in suspension of all privileges, a potential solution is to allow

⁵ Marketplace is discussed in detail later in this report, and is not elaborated upon in this section.

for the possibility to solely restrict mixed beverages privileges and allow a licensee to continue utilizing beer and wine privileges where such situations are warranted.

Another privilege consolidation for Mixed Beverage licenses involves the ability to sell beer and wine for off-premises consumption. As part of the current requirement to apply for and maintain a separate license for serving beer and/or wine, licensees often choose whether to sell these products on-premises, off-premises, or on- and off-premises. In order to eliminate the need for an additional license, this recommendation includes both on- and off-premises privileges for the sale of wine and beer for all Mixed Beverage licenses issued to businesses such as restaurants, hotels, etc. While beer and wine may be sold for off-premises consumption, privileges for mixed beverages remain solely for on-premises consumption.

The current structure includes pricing that is differentiated based on seating capacity, with tiers established for seating less than 100 persons, seating between 101 and 150 persons, and seating greater than 150 persons. There was robust feedback provided by multiple stakeholders indicating a need for seating capacity tiers to be differentiated above 150 persons, particularly for hotels with large seating capacity based on ballrooms and meeting space. Based on this feedback, this recommendation includes establishing new seating capacity tiers above 150 persons: 151 to 500 persons, 501 to 1,000 persons, and more than 1,000 persons.

Benefits delivered specific to the Mixed Beverage license with these recommendations include process simplification and resolution of stakeholder concerns related to low capacity tiers.

Retail – All Other

Retail All Other encompasses all other retail licenses that do not include the serving of mixed beverages, taking twenty-three licenses currently in the licensing system and condensing them down to two licenses. Beer and Wine Off-Premises licenses will be for all stores that do not sell any alcoholic beverages for on-premises consumption, and will level the privileges across grocery stores, convenience stores, gift shops, etc. Beer and Wine On- and Off-Premises licenses will be for all stores and/or restaurants, hotels, etc. that will sell beer and wine for both on-premises and off-premises consumption.

Retail All Other is an area where material changes are being recommended: 1) making privileges for both beer and wine consistent, 2) making tasting and sampling privileges

consistent, 3) updating qualifications across different kinds of off-premises businesses to be consistent, and 4) changing how fees for keg registration are handled.

For both the Beer and Wine Off-Premises license and Beer and Wine On- and Off-Premises license, privileges will include both beer and wine, which is not the current situation. Businesses may choose not to sell both products, but making the privileges consistent removes license duplication.

Currently, Virginia ABC regulations require Wine and Beer Off-Premises licensees have a minimum of \$2,000 per month in food sales and \$2,000 in inventory to qualify for the license (except gourmet shops). Additionally, to qualify for an Off-Premises Beer license, the minimum monthly sales and inventory is only \$1,000 per month. To achieve the goal of this recommendation, Virginia ABC will initiate changes to the regulations so it requires only \$1,000 of sales and \$1,000 of inventory to qualify for an Off-Premises license. Qualifications for licensure will be modified in the regulations so the same amount of food sales and inventory applies to both wine and beer.

Presently, tasting and sampling privileges are inconsistent among many of the different license types. Based on both stakeholder feedback and a desire to make sampling and tasting privileges more consistent, this recommendation includes a standardized sample size across licenses granted this privilege. Specifically, this recommendation defines “Tasting” and “Sampling” to be the same and identifies the following requirements related to sampling. No single sample shall exceed four ounces of beer, two ounces of wine or cider, or one-half ounce of spirits, unless served as a mixed beverage, in which case a single sample of spirits may contain up to one and one-half ounces of spirits. No more than four total samples of alcoholic beverage products or, in the case of spirits samples, no more than two samples shall be given or sold to any person per day.

The current keg registration fees are paid at a rate of \$65 annually, regardless of how many kegs a business sells to retail customers. This fee is intended to cover the cost of registration sticker books; however, there are a number of retailers that purchase these books in quantities far exceeding the \$65 fee. This recommendation proposes to change this practice to include keg privileges for all businesses with off-premises privileges, and instead of paying a \$65 annual fee, Virginia ABC would publish the actual cost of keg registration sticker books on an annual basis, and licensees would purchase the books at cost, plus shipping costs if necessary. This change will ensure Virginia ABC’s costs for the books are covered and that licensees solely pay

for the number of books needed. This revised keg privilege process applies to all Off-Premises licenses.

The recommended changes in qualifications and sampling sizes offer a solution to current confusion within the license structure related to off-premises licenses. Currently, the inconsistent qualifications and sampling privileges within different off-premises licenses drives confusion for licensees, as well as dissatisfaction when a nearby competitor of a similar business type has different privileges. These changes are specifically designed to solve these discrepancies and establish consistency for these similar businesses.

Industry – Manufacturer - Brewery

This recommendation has divided Industry licenses into natural groupings, such as manufacturers, wholesalers, etc. Within the manufacturers grouping, the recommendation further breaks the licenses down dependent on the products being manufactured. This recommendation condenses the thirty-two licenses currently in the licensing system down to six licenses, with three designed for standard breweries based on their production levels, and three for limited breweries based on their production levels.

The majority of the changes here involve making privileges for off-premises sales, delivery, and keg sales consistent across Manufacturer Brewery licensees. Instead of one license including delivery, and another not including delivery, all Manufacturer Brewery licenses will include delivery and keg privileges. This simplifies processes for both breweries and Virginia ABC, as well as reduces potential confusion regarding the privileges associated with each license.

Industry – Manufacturer - Winery

This recommendation condenses the six Manufacturer Winery licenses currently in the licensing system down to two licenses based on production levels.

Again consistent with breweries, the majority of the changes for Manufacturer Winery licenses involve making privileges for off-premises sales, delivery, and keg sales consistent across licensees. Instead of one license including delivery, and another not including delivery, all Manufacturer Winery licenses will include delivery and keg privileges. This approach simplifies processes for both wineries and Virginia ABC, as well as reduces potential confusion regarding which licensees have which privileges.

Industry – Manufacturer – Farm Winery

This recommendation condenses the eight Manufacturer Farm Winery licenses currently in the licensing system down to two licenses, differentiating between a Class A Farm Winery and a Class B Farm Winery, and maintaining the differentiation in how farm wineries manage their fruit inputs.

Again consistent with other areas, the majority of the changes for Manufacturer Farm Winery licenses involve making privileges for delivery and keg sales consistent across licensees. Instead of one license including delivery, and another not including delivery, all Manufacturer Farm Winery licenses will include delivery and keg privileges. This approach simplifies processes for both farm wineries and Virginia ABC, as well as reduces potential confusion regarding the privileges associated with each license.

Industry – Manufacturer – Distillery

This recommendation condenses the five Manufacturer Distillery licenses currently in the licensing system down to four licenses, maintaining the three licenses differentiated by production levels, and the limited distillery license, but eliminating the Fruit Distiller's license that predates the other three licenses and is neither in use nor needed.

Industry – Wholesaler - Beer

As noted earlier, this recommendation subdivides the Industry category into groupings, which also includes Wholesalers. Wholesalers are further divided into Beer and Wine, because there are differences in production levels and reporting requirements. This recommendation makes no

changes to Wholesaler Beer licenses, as Virginia ABC is satisfied that the current license structure meets the needs of both internal and external stakeholders.

Industry – Wholesaler - Wine

This recommendation makes no changes to Wholesaler Wine licenses, as Virginia ABC is satisfied the current license structure meets the needs of both internal and external stakeholders.

Industry – Shipper

This recommendation includes a category of Industry specifically for Shippers, and condenses the six Shipper licenses currently in the licensing system down to one. The current structure differentiates between in-state and out-of-state shippers, as well as differentiating between beer and wine shippers. The consolidation removes all differentiation, creating a single shipping license.

The current license structure for in-state and out-of-state businesses is driven by the need for excise taxes to be paid on out-of-state alcoholic beverages brought into the Commonwealth. Alcoholic beverages that an in-state shipping business would be transporting have already had those excise taxes applied, so the out-of-state shippers are being brought into consistency with in-state products. However, while the treatment of in-state and out-of-state shippers is consistent, in view of the June 26, 2019, Supreme Court decision in the matter of Tennessee Wine and Spirits Retail Association v. Russell F. Thomas, Executive Director of The Tennessee Alcoholic Beverage Commission, et al⁶ this report includes combining in-state and out-of-state Shipper licenses in order to avoid the appearance of different treatment of out-of-state shipping companies from a licensing standpoint. Benefits delivered with this recommendation include the elimination of duplicative licensing processes and the elimination of the potential appearance of disparate treatment of out-of-state licensees.

⁶ The United States Supreme Court struck down a Tennessee requirement that individuals/entities applying for a license to operate a retail liquor store have resided in the State for the prior two years. Held that the residency requirement violates the Commerce Clause because it blatantly favors the State's residents and has little relationship to public health and safety, and further held that the Twenty-first Amendment does not save the state law.

Industry – Specialty

The last category of Industry licenses is Specialty, for niche businesses within the alcoholic beverage industry that do not fit into the previous categories, such as importers, bottlers, internet retailers, etc. This recommendation condenses the eighteen licenses currently in the licensing system down to 7 licenses.

There are two forms of consolidation in the proposal for this area: leveling the privileges for delivery and keg for Internet Retailers, and eliminating differentiated licenses for in state and out of state businesses. Internet Retailers have been consolidated consistent with Retail licenses to make privileges consistent to include both delivery and keg. For Importers and Internet Retailers, this proposal eliminates the different licenses that currently exist for in state and out of state businesses, in order to eliminate the perception that these businesses are being treated differently, as discussed in the Shipper licenses section.

Specialty

The last category for discussion in the License Consolidation section is Specialty. These Specialty licenses are for businesses not engaged in the alcoholic beverage industry, but the licensees have unique needs to utilize alcohol products. The unique needs of these businesses make it difficult to consolidate, and this recommendation condenses the twenty-three licenses currently in the licensing system down to fourteen licenses. Six licenses for passenger carriers are being consolidated down to a single license with different pricing dependent upon the method of travel: airplane, train, and boat. Consistent with the consolidation in the Retail license areas, privileges for beer and wine have been made a privilege of a single mixed beverage license.

Agritourism

During the 2019 Virginia Legislative session, Senator Bryce Reeves was patron to Senate Bill 1245, which would amend the *Code of Virginia* to create an Agritourism Resort alcoholic beverage license. This bill described an Agritourism Resort as any establishment having no more than 13 overnight guest rooms in a building that has at least 20,000 square feet of indoor floor space, located on a farm in the Commonwealth with at least 1,000 acres of land zoned agricultural, equipped with a full-service kitchen, and offering to the public, for compensation, at least one meal per day, lodging, and recreational and educational activities related to farming, livestock, and other rural activities. The license that would be available to qualified Agritourism Resorts would have been a combined special event and caterer's license. During the course of the legislative session, this bill was stricken, and added to the legislative request that resulted in this report.

The Conceptual Design does not include the Agritourism Resort license, driven by the combination of stakeholder feedback and inconsistency with the goals of license consolidation. The majority of stakeholder feedback was not supportive of creating an additional “niche” license such as this, both in terms of creating a license that would be used by a very limited number of businesses in the Commonwealth, as well as defining an Agritourism Resort in the manner described above. Aside from inclusion in Title 4.1 of the *Code of Virginia*, there was concern from the agribusiness community that the definition above could set a precedent and be used in other sections of the *Code of Virginia*, thereby benefitting one type of agribusiness operation to the detriment of other types of agribusiness operations. Additionally, it is notable that the specific businesses referenced in stakeholder feedback as seeking this Agritourism Resort license already qualify for and/or have already obtained catering licenses, which allow them to serve alcoholic beverages.

Marketplace License

In a number of states, including Virginia, it is illegal for a business or an individual to give away alcohol in public without possessing a license or permit. In Virginia it is a Class 4 misdemeanor for an individual to take a drink of an alcoholic beverage or offer a drink of an alcoholic beverage to another, whether accepted or not, at or in any public place without a license.⁷ Virginia ABC was asked to “explore the creation of a Marketplace license that could be used to replace many or all of the current ABC licenses issued to establishments that serve, but do not sell alcoholic beverages and to accommodate other business models for which such privileges would be appropriate, including retail cigar shops.” Such a license type would eliminate future requests for niche licenses and would standardize the criteria for these business models.

Marketplace License Survey

At the request of the Project Team and stakeholders, Virginia ABC reached out to several organizations to determine if a Marketplace license exists in other states. If a Marketplace license did exist in other states, Virginia ABC could potentially leverage or at least consider what other state(s) had designed and any subsequent lessons learned resulting from those designs. In order to solicit this information, Virginia ABC created a survey for members of the following organizations: National Alcohol Beverage Control Association (NABCA), National Liquor Law Enforcement Association (NLLEA), Southern Legislative Conference of the Council of State Governments (SLC), and the National Conference of State Liquor Administrators (NCSLA).

Virginia ABC received information from 18 states and one local ordinance, and the feedback was varied, but every state conceptually fell into one of the following 5 categories:

1. States that allow the giving away of alcohol under the privileges of another (non-marketplace type) license such as retail, sampling, single or multi-day permit or banquet license. $n = 7$
 - o Delaware
 - o Iowa
 - o Idaho⁸
 - o Hawaii
 - o Kentucky
 - o Georgia
 - o Vermont

⁷ § 4.1-308 of the *Code of Virginia*

⁸ Idaho currently issues event permits allowing alcohol to be given away. Idaho intends to introduce language in their next legislative session proposing a marketplace license.

2. States that have a “limited marketplace” type of license that includes the privilege to allow a specific list (barber shops, beauty salons, limousine operators) of categories of businesses to give away alcohol. n = 2
 - Mississippi
 - California
3. States that have a “marketplace” type of license that includes the privilege to allow various types of businesses to give away alcohol. n = 1 state and 1 local ordinance
 - Oklahoma
 - Brookhaven, Georgia (by local ordinance)
4. States that do not require a license to give away alcohol conditioned, on the fact the provision of alcohol is truly free (money cannot be charged to attend or participate in an event, no purchase required) and/or occurs at a private event. n = 7
 - Pennsylvania
 - Connecticut
 - Missouri
 - North Carolina
 - Alabama
 - Oregon
 - Nebraska
5. States that do not allow the giving away of alcohol. n = 5
 - Wyoming
 - Washington
 - Michigan
 - Illinois
 - Arkansas

Through this survey, each state was asked to indicate whether or not it currently had this type of license, and if so, what delimiters or parameters were associated with the license. Of the states that completed the survey, the only state indicating the issuance of a marketplace license was Oklahoma. Unfortunately, Oklahoma’s new Marketplace license just became effective on July 1, 2019, so not enough time has passed for any relevant data to be collected and/or learnings to be leveraged by Virginia ABC. Those states that do permit the giving away of alcohol do so under a standard license type or require no license.

Initial Considerations

With no other states’ experiences or lessons to draw from, Virginia ABC began working internally to define what a feasible, manageable, and enforceable design might be for this type of license. The Project Team began with defining this type of license and determining some qualifications that would be required for a business to meet in order to be considered qualified for the license. Early discussions around qualifications for the Marketplace license included requiring a minimum annual or monthly profit from applicants, but due to the large variance in

types of businesses and related profits expected, Virginia ABC decided this approach was not an equitable way to determine a minimum across all business models. Some stakeholders advocated for a limit on the annual quantity of alcohol that could be purchased by the licensee in order to support this license. However, due to the large variance in the amount of traffic coming into each establishment depending on the type of business being conducted, there would not be an equitable way to determine the appropriate limit. There was also a suggestion Virginia ABC ask any business wanting to apply for the Marketplace license to provide their projected increase in revenues based on the premise of giving away alcohol to justify how a Marketplace license would benefit their business financially, but this requirement was deemed too subjective to be feasible.

Virginia ABC's Management of Existing Licenses that Could Become a Marketplace License

While working to determine specific guidelines appropriate for this new license type, stakeholders and the Project Team thought it would be helpful to look at the number and types of issues documented for an existing Virginia ABC license type (e.g. day spas) that is most similar to the proposed Marketplace license. Looking more deeply into day spas not only assisted with creating an appropriate list of criteria to require for the Marketplace license, it also helped Virginia ABC to better understand the potential impacts on personnel (from an enforcement and regulatory perspective) that extending the accessibility of such a license might present (Day Spas make up 74% of what would be considered Marketplace licenses).

Some of the more consistent issues recorded from 2005 to 2018 at day spas included written warnings for:

- Designated Manager Not Posted (29)
- Designated Manager Not On Duty (19)
- Failed To Keep Records (General) and Make Available For Inspection (18) and
- License Not Posted (15)

Day spa issues that resulted in (14) administrative charges included:

- Kept or Allowed to Be Kept Unauthorized Alcoholic Beverage
- Police Record/Record as a Licensee - Officer, Director, Manager, or 10% Shareholder
- Failed to Comply with Alcoholic Beverage Control Laws and Regulations (e.g. refused to comply with the conditions or restrictions on the license, permitted beer dispensed for on-premises consumption to be removed from the premises, failed to comply with the rules and requirements of a day spa etc.)
- Violating or Violated Provision of the Alcoholic Beverage Control Act While Application Pending (Sold/Selling Alcoholic Beverages)
- Violating or Violated Provision of the Alcoholic Beverage Control Act While Application Pending (Keeping Alcoholic Beverages)

- Board Not Authorized, and Empowered to Issue License (e.g. business does not qualify for license)

Based on these findings, it is apparent there is an enforcement burden created by these license types beyond mere issuance which must be accounted for in workforce and fee planning.

Stakeholder Feedback Related to the Creation of a Marketplace License

Virginia ABC gathered stakeholder feedback regarding a Marketplace license throughout this study. Key concerns captured from stakeholders about this proposed license include: 1) The concern over how Marketplace licensees would be monitored for compliance, 2) How Virginia ABC would be able to account for the approval of certain types of businesses qualifying for the license, but not others, 3) Perceived lesser consequences for violations than other types of licensees, and 4) Concern that Marketplace licensees would be allowed to operate outside the rules of the three-tier system.

Noting the concerns above, some stakeholders expressed a willingness to consider a Marketplace license if the following criteria were included: 1) Restriction on the amount of alcohol poured/provided by the glass, 2) Restriction on the total quantity of alcohol a business can purchase, and 3) Requirement that the purchase of alcohol to be given away must be made from a wholesaler.

All stakeholder feedback was discussed at length with the Project Team, and subsequent recommendations to accommodate concerns where appropriate were made to the Steering Committee for consideration. All recommendations were discussed and for those which were approved, modifications were made to the Marketplace license criteria.

Marketplace License Description and Criteria

Considering all of the stakeholder feedback and guidance received from Virginia ABC's administrative and compliance personnel, Virginia ABC took a great deal of time crafting the description for this type of license. In an effort to accommodate the need identified by the Senate subcommittee, the Steering Committee included appropriate limitations that would keep excessive proliferation from occurring by entities/establishments that were not intended to fit into this category. Virginia ABC's proposed description would be included in the *Code of Virginia* and would include, but not be limited to the following elements.

A business which:

1. Is eligible to provide up to two complimentary drinks to a customer 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.).

Regarding the determination of potential criteria to be considered by Virginia ABC in the issuance of this license, the Project Team approached the creation of this list with the same cautiousness used in crafting the description. Virginia ABC's goal was to enable the intended type of establishment(s) to be considered for and be able to operate under the license, while ensuring the Authority's Bureau is able to appropriately monitor and assist with the compliance of the business. While evaluating a business that has applied for the Marketplace license, Virginia ABC will consider but not limit its evaluation to the following: 1) The standard duration the customer spends in the establishment based upon the primary service being provided – this consideration is critical for public safety to ensure customers are not walking in and out of multiple Marketplace licensed businesses and consuming excess alcohol while only visiting briefly, 2) The hours of operation –Virginia ABC does not want to extend a Marketplace license to an establishment that serves alcohol in the late hours of the night/early hours of the morning based upon the additional challenges that come with serving alcohol at these times, 3) A minimum of two years as an established business, unless otherwise patently qualified – helping support the idea that the business has a viable and sustainable model that is not reliant upon the ability to give away alcohol, 4) All employees have participated in required RSVP/MART or Virginia ABC-approved seller/server training, 5) The establishment's ABC manager is on premises at all times, 6) The purchases of alcohol would only be made through a licensed wholesaler or Virginia ABC (wholesalers may require licensees to pick up orders), 7) There would be a limit on the amount of alcohol provided to each customer per day for on premises consumption. No single complimentary drink shall exceed 12 ounces of beer or 5 ounces of wine. No more than 2 total complimentary drinks of alcoholic beverage products may be given to any person per day, 8) The license fee paid by the establishment is \$2,000 per year and it only allows for the serving of beer and wine, 9) Purchase records would be kept pursuant to the *Code of Virginia* and the *Virginia Administrative Code*, and 10) The establishment would abide by posting and publishing requirements as required for all license holders.

The Steering Committee recommends including a notation that the license: 1) shall not be granted to businesses providing vehicle-related services, and 2) may be summarily suspended or revoked for violations of the *Code of Virginia* or the *Virginia Administrative Code*.

Examples of current license types that may transition to this new type of license include but are not limited to: Art Instruction Studio, (§§ 4.1-206 (14), 4.1-231. A (1) (m), 4.1-233. A (1) (l) of the *Code of Virginia*); Day Spa (§§ 4.1-206 (9), 4.1-231. A (1) (h), 4.1-233. A (1) (g) of the *Code of Virginia*); Meal Assembly Kitchen (§§ 4.1-206. A, (4), 4.1-231. A (1) (c) of the *Code of Virginia*); Canal Boat operator (§§ 4.1-206 A (12), 4.1-231 A (1) (k) 4.1-233 A(1) (j) of the *Code of Virginia*); Co-working Establishment, (§§ 4.1-206 (18) 4.1-231 A (1) (q), 4.1-233 (A) (1) (p) of the *Code of Virginia*) and Bespoke Clothier, (§§ 4.1-206 (19) 4.1-231 A (1) (r) § 4.1-233 (A) (1) (q) of the *Code of Virginia*).

After careful consideration, it was decided the ability to give away spirits would remain limited to Bed and Breakfast licensees and the Bed and Breakfast license should remain a stand-alone Specialty license and not fall under the Marketplace license category to prevent removing an existing privilege associated with this license. All other license types that would be included under the Marketplace license category would only be authorized to serve beer and wine. Cigar shops were included in this discussion and would also qualify for a Marketplace license, but the license criteria falls short of approving the request to serve spirits.

Permits

Virginia ABC administers 17 different types of permits for businesses and individuals (See the proposed Permit Fee table on page 31.). Many of these permits extend privileges to an existing Retail or Industry license but there are some permits that are standalone, meaning the permit provides rights and privileges without having to coexist with a license.

The majority of the permits issued by Virginia ABC are processed at no charge to the business or individual and have no renewal requirement. Absent the requirement to renew, the Bureau's License and Records Management section must periodically call permit holders to determine if all statutory and regulatory requirements continue to be met. Virginia ABC recommends the following changes be made regarding permits:

- A permit application fee of \$50 be charged
- All permits be classified into the following two levels and the associated annual issuance fees be charged
 - Level I permits - \$50
 - Level II permits - \$350
- All permits be 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 be waived for active duty military who provide documentation of their transfer orders
- There be distinguishing definitions and two separate permits for inactive and active stills

Proposed Permit Fee Chart

Permit Type/Level	Current Fee	Revenue	Proposed Fee	Renewable Y=Yes N=No	Application Fee
Level I					
COOP	\$0.00	\$0.00	\$50.00	N	\$50.00
Culinary	\$0.00	\$0.00	\$50.00	Y	\$50.00
Grain Alcohol	\$0.00	\$0.00	\$50.00	Y	\$50.00
Import Personal / Waive for Military Service Members	\$0.00	\$0.00	\$50.00	N	\$50.00
Industrial Purchase and Transport < 110 gallons	\$5.00	\$0.00	\$50.00	Y	\$50.00
Industrial Purchase and Transport > 110 gallons	\$10.00	\$2,200.00	\$50.00	Y	\$50.00
One Time Sales Trustee	\$0.00	\$0.00	\$50.00	N	\$50.00
Sacramental	\$0.00	\$0.00	\$50.00	Y	\$50.00
Still - Inactive	\$0.00	\$0.00	\$50.00	Y	\$50.00
Level II					
Commercial Transportation	\$0.00	\$0.00	\$350.00	Y	\$50.00
Common Carrier- UPS/FedX	\$0.00	\$0.00	\$350.00	Y	\$50.00
Delivery Out-of-State	\$120.00	\$120.00	\$350.00	Y	\$50.00
Alcoholic Beverage Warehousing (Out of Bond)	\$260.00	\$16,120.00	\$350.00	Y	\$50.00
Solicitor Salesman Wine and Beer	\$165.00	\$82,005.00	\$350.00	Y	\$50.00
Solicitor Salesman Spirits	\$390.00	\$153,270.00	\$350.00	Y	\$50.00
Solicitor Tasting	\$50.00	\$2,550.00	\$350.00	Y	\$50.00
Still - Active	\$0.00	\$0.00	\$350.00	Y	\$50.00
Tour Sight Seeing	\$0.00	\$0.00	\$350.00	Y	\$50.00

NOTE: Keg and Delivery Permits will now be included as privileges of the Retail Off-Premises licenses.

License Fee Reform

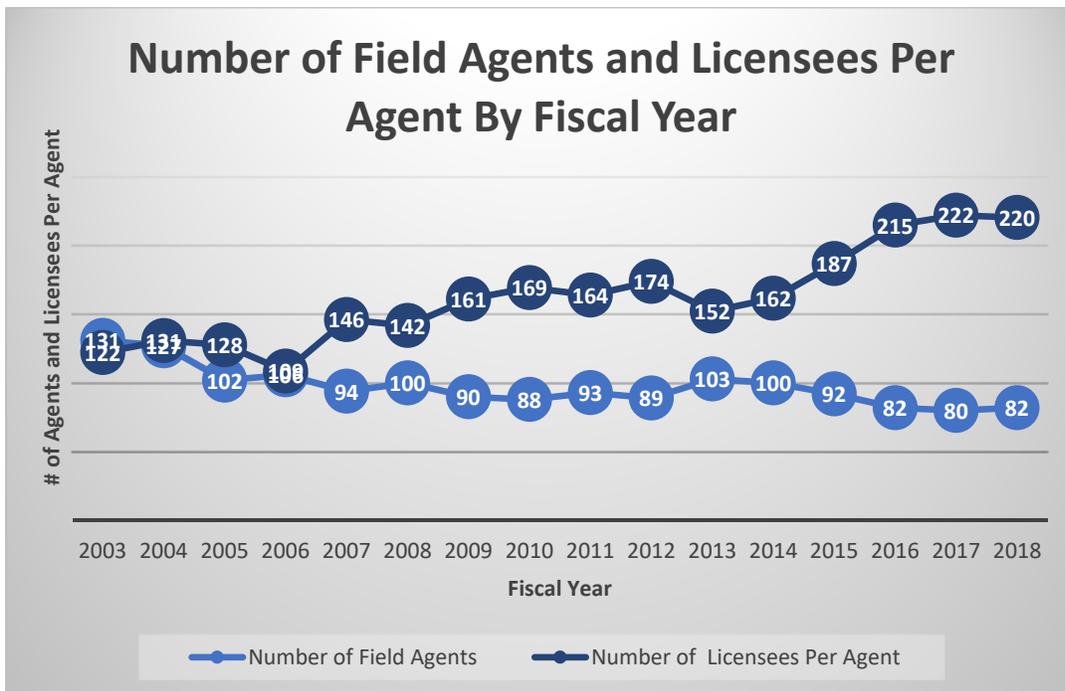
This report is a first ever, comprehensive review of Virginia ABC licenses and privileges, and the costs associated with the application, issuance and compliance monitoring of a license. While the most obvious costs begin with application processing and issuance or denial of a license, there are additional, substantial costs incurred over the life of a license. With the issuance of each license or granting of any privilege comes the subsequent and continuing obligation on the part of Virginia ABC to monitor and ensure ongoing compliance on the part of the entity that holds the license, permit or privilege. All of these activities combine to create the workload required to be responsive to an ever-growing industry and to ensure the safety of Virginians.

Determining those “compliance” activities that should or could be incorporated in the “cost” of licensing is easier said than done. General agreement can likely be found that the inclusion of costs for licensing associated with ongoing, periodic and routine inspections by law enforcement is appropriate. A more difficult question is, are costs for administrative and judicial activities such as hearings and appeals to be included in the cost of licensing? Virginia ABC determined that costs associated with hearings and appeals are the result of non-compliance by a single licensee and should not be spread across the full spectrum of licensees in any given category.

As previously mentioned, this report provides a systemic approach to consolidating licenses and privileges considered for issuance by Virginia ABC to 12 broad categories within the three tiers, including a new “marketplace” category. This report considers an analysis of the costs of issuance and compliance for the 12 categories including the hours expended to process an application and maintain licensee compliance for important purposes such as the prevention of underage sales and assurance that food and beverage ratios are achieved.

The cost analysis of license issuance and compliance fell predominantly to Virginia ABC’s Enforcement Bureau, Steering Committee and members Project Team. The Project Team identified each step required in license application, issuance and monitoring. Using field agent and supervisor input, the team attempted to determine the length of time and subsequent cost for each step in the process and then assign a cost for each of Virginia ABC’s more than 150 licenses and permits. Ultimately, while there are standardized steps within the application process, there are vast differences in the overall issuance and compliance monitoring processes across the Commonwealth. The inability to determine an accurate statewide cost for each and every license type is due to a multitude of reasons to include geographic differences in the number of licensees per agent; incomplete application submissions requiring varying levels of follow-up to complete the application; and exception processing by agents due to unique circumstances represented by the applicant, (e.g. significant expansion of area designated for on-premises consumption).

However, the team’s detailed analysis revealed a concerning statewide trend of increasing workloads for agents from year to year. Specifically, agents are required to monitor an increasing number of licensees and in 2018, each agent had responsibility for an average of 220 licensed establishments. For comparison, in 2003 that ratio was one law enforcement agent per 122 licensed establishments. The chart below illustrates the consistent growth in licensed establishments while the number of ABC field agents has declined or remained steady over the same time period.



Consequently, the data and analysis of hours expended and the dollar costs associated with the time expended for issuance and compliance necessitates a closer examination of the adequacy in numbers of law enforcement personnel to properly and effectively undertake the responsibilities of issuance and compliance monitoring for a significantly growing number of licensees. It is important to note that when discussing the potential need for additional law enforcement personnel, any increase in numbers of law enforcement personnel should include a discussion of utilizing non-sworn law enforcement personnel in addition to sworn personnel.

A reasonable goal for determining the appropriate ratio between licensees and personnel to adequately respond to license applications and perform the necessary, and in some cases, mandatory compliance, would be to attempt to restore the approximated ratio existing more than 15 years ago of one law enforcement personnel for 122 licensed establishments—rather than the current responsibility of 220 establishments. However, due to reorganization in the Bureau coupled with significantly improved efficiencies, the law enforcement division believes the

appropriate goal of personnel to licensed establishments would be approximately one law enforcement personnel for 150 licensed establishments.

Based on the extensive effort and work performed to identify the cost of license application and compliance effort necessary to ensure the continued performance of licensees in concert with a granted license or privilege, the previously referenced table (page 33) indicates the evaluated need for additional law enforcement personnel. These positions should be divided appropriately between sworn and non-sworn personnel and the increased costs can be supported by the proposed new categories of licensees. Additional revenue is necessary to process new applications for the proposed new categories of licenses and to achieve satisfactory compliance by the licensee community. This additional revenue will be used to provide enhanced services described in the next section of the report.

For detailed information regarding the proposed fee for a particular license see Appendix 4.

Enhanced Services

The Virginia ABC Bureau proposes utilizing an increase in license fees to support additional resources that will provide enhanced services to licensees. The proposed additional revenue will provide enhanced guidance and response to the licensed community. The Bureau will examine and develop roles to implement an increase of non-sworn staff to assist special agents. This approach has had great success in other law enforcement agencies with the most notable being the Federal Bureau of Investigation (FBI).

The special agents of the Bureau are currently responsible for an average of 220 licensed locations per agent. In densely populated licensed areas the number is more than 240. The special agents are also tasked with a significant amount of work that could be handled by a non-sworn employee.

Research Need

During 2020, the Bureau will evaluate the tasks of the special agents with a focus on identifying more efficient functions that can be handled by a non-sworn resource. An example of these types of tasks would be the review and investigation of every retail license which could be accomplished with a civilian resource. The Bureau would use a contract business systems analyst (BSA) or company to gather the job tasks and the Bureau would work to identify those tasks that could be moved to a non-sworn position without compromising the excellent level of service provided currently. From this research, the Investigative Analyst role would be developed. The Bureau would also have a need to develop a training curriculum for this role, including initial and ongoing training.

Goal

To accomplish the goal of providing enhanced services, the Bureau is proposing to establish an Investigative Analyst role to assist sworn agents. Based on current information, the Bureau is proposing a phased implementation of 16 Investigative Analysts that will be located within regional offices throughout the Commonwealth. Due to the complex financial investigations that could develop especially around the Mixed Beverage Annual Review, the Bureau is requesting to institute two Financial Investigative Analysts that would assist special agents and regular Investigative Analysts with financial investigations. Finally, the Bureau is requesting to establish eight additional special agent positions in areas densely populated with alcohol licensed establishments. This addition would move the agent to licensee ratio to approximately 1 agent for every 180 licensees.

Costs

- Position Cost, Special Agent: 8 Positions = \$800,000.00 (Salary, Benefits, and Equipment)
- Position Cost, Investigative Analyst: 16 Positions = \$1,600,000.00 (Salary, Benefits, and Equipment)
- Position Cost, Financial Investigative Analyst: 2 Positions = \$200,000.00 (Salary, Benefits, and Equipment)

Implementation

The Project Team held a series of internal discussions with subject matter experts from each of Virginia ABC's divisions to understand what would be required to implement the recommendations in this report. Through those conversations, it was determined there would be substantial efforts required across multiple divisions. The most substantial effort would be updating the licensing system. Virginia ABC anticipates these changes would require significant development work from the IT division and could take up to 15 months to develop, test and release new code.

Aside from system modifications, changes to licenses, permits and fees would require revisions to the *Virginia Administrative Code* to support the legislative changes. To date, Virginia ABC has identified approximately 59 impacted regulations. Virginia ABC would request language be included in the proposed legislation to permit an expedited process for the regulations. If an expedited process was not granted; drafting, executive review, public outreach and continued stakeholder interactions regarding the impacted regulations could take up to 15 months.

Based on all of the activities required to implement the proposed changes, including modifications to regulations and internal activities to develop an effective licensing program, Virginia ABC would seek a delayed effective date of July 2021 if adopted during the 2020 session of the Virginia General Assembly.

Accomplishments

- Consolidating and restructuring of licenses
- Standardizing tasting and sampling sizes
- Standardizing off-premises requirements
- Consolidating permit privileges
 - Annual renewals and consistent fees for permits
 - Exemption for military personnel
- Creating a Marketplace license – Beer and Wine
- Establishing fee increases and related resource allocation

Acknowledgements

Virginia ABC thanks the individuals, associations, and licensees who attended the discussion forums and provided feedback. Their time and expertise given to this initiative is greatly appreciated. Additionally, the Authority thanks those Virginia ABC employees who provided their subject matter expertise and made time in their schedules to make this effort a success.

Appendices

Appendix 1 --- Virginia ABC Industry Stakeholder List	
Amy Ciarametaro	Daniel "Bud" Oakey
Anne Leigh Kerr	Daniel Fabian
Ashley Allen	David Albo
Betty Arnold	David King
Bill Cavendar	Dwight Fuller
Bob Kovalcheck	Emma Beall
Brad Beck	Eric Terry
Brett Vassey	Frank Brunetto
Brittany Zamborsky	Frederick P. Helm
Busch, Stephen D	Gareth H. Moore
Cal Whitehead	Gary Cohen
Carrington Williams	Hunter Smith
Charles Washington	James Turpin
Chris Barker	Jerry Cable
Chris Crunkleton	Jodi Roth
Christine Linker	Joe Wertz
Christopher Konschak	John Jones
Chuck Duvall	John S. West
Curtis Coleburn	John-Garret Kemper
Dana Schrad	Julia Ciarlo Hammond

Virginia ABC Industry Stakeholder List Continued

Kate Baker	Nicole Riley
Katie Hellebush	Nidhi Kumar
Kenneth G. Hutcheson	Stan Joynes
Kevin McNally	Patrick Cushing
Kimberly Siomkos	Michael Lafayette
Kurt Erickson	Philip H. Boykin
Kyle Shreve	Preston Page
Laurie Aldrich	Richard K. Grossman
Lillian Macartney	Robert B. Melvin
Linda C Hancock	Robert T. Bohannon
M Louria	Ross Grogg
M. David Skiles	Shannon Conway
Mark Shuford	Shawn Walker
Mark T. Bowles	Stan Tretiak
Marybeth Williams	Terri Beirne
Matthew Simmons	Thomas A. Lisk
Michael Byrne	Tripp Perrin
Michael Lafayette	Theodore F. Adams, III
Mike O'Connor	Walter Marston
Morgan Guthridge	William McCormack
Myles Louria	
Neal Insley	

Appendix 2 --- Associations Invited to Stakeholder Meetings

Black Heath Meadery
Breakthru Beverage VA
Capital Ale House
Cigar Association of Virginia
Cozen O'Connor
Downtown Business Associates
Drizly
Free Run Wine Merchants
GAR (Great American Restaurants)
Growlers to Go
Hefty Wiley & Gore, P.C.
Helle Bush Consulting, LLC
Kemper Consulting
Lafayette Ayers Whitlock
Marston & McNally, P.C.
McCormack's Big Whiskey Grill
McGuire Woods, LLP
Mothers Against Drunk Driving
NFIB (Small Business Association) National Federation of Independent Business
Publix
Republic National Distributing Company
Richmond Restaurant Group Inc.
Rueger Restaurant Group/Lunch & Supper
Sheriff's Association

Associations Invited to Stakeholder Meetings Continued

Substance Abuse Prevention Coalition of Alexandria
--

Tobacco Company

Total Wine & More

Troutman Sanders

VA Distillers Association

VA Wineries Association

Valley Road Vineyards

VBWA (Virginia Beer Wholesalers Association)
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VCBG (Virginia Craft Brewers Guild)

Vectre Corporation

Virginia Agribusiness Council

Virginia Distillers Association

Virginia Manufacturers Association

Virginia Retail Federation

VPCGA (Virginia Petroleum, Convenience and Grocery Association)

VRLTA (Virginia Restaurant, Lodging & Travel Association)

VRMA

VVWA (VA Wine Wholesalers Association)
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Wine Institute

Appendix 3: VA ABC Communications Channels for Stakeholders

<u>Communications Sent</u>	<u>Date Sent</u>	<u>Audience</u>
Email with the details about the effort and upcoming meeting 11/28	11/16/18	Industry Stakeholder List
Invite with message about mailbox being set up and 12/17 meeting (including a note that it may be postponed if we do not receive any proposals)	11/30/19	Industry Stakeholder List
Email about 3/8 mtg, deep dives (3/18), reminder of webpage, survey, and mailbox	2/8/19	Industry Stakeholder List
Email to postpone the 12/17 meeting due to no feedback received in the mailbox from stakeholders	12/12/18	Industry Stakeholder List
Email to disclose the web page being up along with a survey on that page - included link to web page as well as survey and reference to next meeting to be held 3/8/19 (after Session is over)	1/18/19	Industry Stakeholder List
Invite to the 3/8 Stakeholder Meeting	2/8/19	Industry Stakeholder List
Invite to the 3/18 in-depth discussions	2/8/19	Industry Stakeholder List
Email to change the 3/18 discussions to 3/21	2/25/19	Industry Stakeholder List
Invite to 3/21 in-depth discussions	2/25/19	Industry Stakeholder List
Email to recap the 3/8 meeting notes, change to 3/21 group discussion approach, and including the agenda and time/slots for 3/21 (and reminder of email box)	3/15/19	Industry Stakeholder List
Email about the 4/30 meeting with reminders about mailbox, web page, and survey	4/8/19	Industry Stakeholder List
Invite for 4/30 Stakeholder Meeting with remainders for feedback channels	4/8/19	Industry Stakeholder List
Email for 10/14 meeting	10/1/19	Industry Stakeholder List
Invite for 10/14 Stakeholder Meeting	10/3/19	Industry Stakeholder List
<u>Stakeholder Meetings</u>	<u>Date and Time Held</u>	<u>Purpose</u>
Group Stakeholder Meeting	Nov. 28, 2018 - 10:00 a.m. – 11:00 a.m.	Review the Subcommittee request for the study and proposed approach and timelines
Group Stakeholder Meeting	March 8, 2019 - 10:00 a.m. – 11:00 a.m.	Review the draft license reform option that VABC is in the process of developing
Stakeholder In-depth Group Discussions	March 21, 2019 - 9:00 a.m. – 12:00 p.m.	Provide an opportunity to discuss and understand the proposed new license groupings and hear the feedback from the impacted licensees

Group Stakeholder Meeting	April 30, 2019 - 10:00a.m. - 12:00 p.m.	Review the changes made to the draft proposal based on feedback received and ABC working group recommendations
Group Stakeholder Meeting	October 14, 2019 1:30 p.m. - 3:00 p.m.	Review the draft legislation with stakeholders
<u>Individual Stakeholder Meetings</u>	<u>Date Held</u>	
Brett Vassey	3/29/19	
Dwight Fuller	3/20/19	
Eric Terry and Tom Lisk	3/20/19	
Kevin McNally	1/31/19	
Patrick Cushing	3/25/19	
Terri Beirne and Cal Whitehead	3/20/19	
Tom Lisk	2/7/19	
Mike Byrne	1/21/19	
Mac McCormack	1/11/19	
<u>Stakeholder Association Meetings</u>	<u>Date Held</u>	
VRLTA Virginia Restaurant Lodging and Travel Association	5/30/19	
Virginia Craft Brewers Guild	6/17/19	
<u>Stakeholder Webpage Content</u>		
License revenue (current # and type of licenses and associated fees)		
Conceptual Design		
Upcoming meeting dates		
Mapping from existing license types to proposed future types		
Research completed on other states		
Link to stakeholder survey		
Request to complete the study from the Subcommittee		
License Reform mailbox address		
Stakeholder Meeting documents		
Final Report		

Appendix 4: License Mapping

Retail - Mixed Beverage					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Mixed Beverage Restaurant/Mixed Beverage Caterer Combined with B/W On/Off-Premises License - Seating capacity at tables <100	Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License-- Seating capacity at tables for up to 100	4.1-231.5.a.(i)	4.1-210 A.18	\$ 2,420	\$ 3,040
Mixed Beverage Restaurant/Mixed Beverage Caterer Combined with B/W On/Off-Premises License - Seating capacity at tables 101 - 150	Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License -- Seating capacity at tables for over 100 but not more 150	4.1-231.5.a.(ii)	4.1-210 A.18	\$ 2,835	\$ 3,485
Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License-- Seating capacity at tables 151-500	Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 3,290	\$ 3,890
Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License-- Seating capacity at tables 501-1000	Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 3,290	\$ 4,490
Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License-- Seating capacity at tables 1001 seats and up	Mixed Beverage Restaurant/Mixed Beverage Caterer Combined License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 3,290	\$ 5,090
Mixed Beverage Restaurant (Seating Capacity - 1 to 100 seats) (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Mixed Beverage License -- Seating capacity at tables for up to 100	4.1-231.5.a.(i)	4.1-210 A.1	\$ 560	\$ 1,050
Mixed Beverage Restaurant (Seating Capacity - 101 to 150 seats) (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Mixed Beverage License -- Seating capacity at tables for over 100 but not more 150	4.1-231.5.a.(ii)	4.1-210 A.1	\$ 975	\$ 1,495
Mixed Beverage Restaurant (Seating Capacity - 151 to 500 seats) (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Mixed Beverage License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 1,430	\$ 1,980
Mixed Beverage Restaurant (Seating Capacity - 501 to 1000 seats) (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Mixed Beverage License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 1,430	\$ 2,500
Mixed Beverage Restaurant (Seating Capacity 1001 seats and up) (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Mixed Beverage License -- Seating capacity at tables for more than 150	4.1-231.5.a.(iii)	4.1-210 A.18	\$ 1,430	\$ 3,100
Retail - Limited Mixed Beverage B/W On/Off-Premises <100 Seating (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Limited Mixed Beverage Restaurant License -- Tables for 1-100 persons (limited only can carry 5 liquors/liquers)	4.1-231.5.l.(i)	4.1-210 A.12	\$ 460	\$ 945
Retail - Limited Mixed Beverage B/W On/Off-Premises 100-150 Seating (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Limited Mixed Beverage Restaurant License -- Tables for 101 to 150 persons (limited only can carry 5 liquors/liquers)	4.1-231.5.l.(ii)	4.1-210 A.12	\$ 875	\$ 1,385

Appendix 4: License Mapping (continued)

Retail - Mixed Beverage					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Retail - Limited Mixed Beverage B/W On/Off-Premises >150 Seating (Includes privileges for Beer/Wine on and Off-Premises, kegs, and delivery)	Limited Mixed Beverage Restaurant License -- Tables for over 150 (limited only can carry 5 liquors/liquers)	4.1-231.5.l.(iii)	4.1-210 A.12	\$ 1,330	\$ 1,875
Retail - Mixed Beverage - Limited Caterer's License	Mixed Beverage Limited Caterer's License (limited to 12 per year)	4.1-231.5.d.	4.1-210 A3	\$ 500	\$ 550
Retail Mixed Beverage - Private non-profit - <200 Members - B/W - On/Off-Premises	Mixed Beverage License -- Private Non-Profit Club not more than 200 members	4.1-231.5.b.(i)	4.1-210 A.1	\$ 750	\$ 1,250
Retail Mixed Beverage - Private non-profit - 201-500 Members - B/W - On/Off-Premises	Mixed Beverage License -- Private Non-Profit Club 201 to 500 members	4.1-231.5.b.(ii)	4.1-210 A.1	\$ 1,860	\$ 2,440
Retail Mixed Beverage - Private non-profit - >500 Members - B/W - On/Off-Premises	Mixed Beverage License -- Private Non-Profit Club 501 members and up	4.1-231.5.b.(iii)	4.1-210 A.1	\$ 2,765	\$ 3,410
Specialty - Mixed Beverage License - Restaurant on Government Property (no seating capacity)	Mixed Beverage License -- Restaurant on Government property (state/locality - airport)			\$ 500	\$ 1,050
Retail - All Other					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Retail - B/W Off-Premises (Includes privileges for kegs and delivery)					\$ 300
	Gift Shop	4.1-231.4.d.	4.1-209 A.7	\$ 230	\$ 300
	Gift Shop + delivery permit	4.1-231.4.d.	4.1-209 A.7	\$ 230	\$ 300
	Retail off premises Beer License	4.1-231 3.f.	4.1-208.7	\$ 120	\$ 300
	Retail Off Premises Beer License + keg	4.1-231 3.f.	4.1-208.7	\$ 185	\$ 300
	Retail off-premises Wine and Beer License for Gift Shop, Gourmet Shop, and Convenience Store	4.1-231.4.c.	4.1-209 A.3 & 4.1-209 A.4 & 4.1-209 A.7	\$ 230	\$ 300
	Retail off-premises Wine and Beer License for Gift Shop, Gourmet Shop, and Convenience Store + Delivery	4.1-231.4.c.	4.1-209 A.3 & 4.1-209 A.4 & 4.1-209 A.7	\$ 230	\$ 300
	Retail off-premises Wine and Beer License for Gift Shop, Gourmet Shop, and Convenience Store + Keg	4.1-231.4.c.	4.1-209 A.3 & 4.1-209 A.4 & 4.1-209 A.7	\$ 295	\$ 300
	Retail off-premises Wine and Beer License for Gift Shop, Gourmet Shop, and Convenience Store + Keg + Delivery	4.1-231.4.c.	4.1-209 A.3 & 4.1-209 A.4 & 4.1-209 A.7	\$ 295	\$ 300
	Gourmet Oyster House License	4.1-231.4.k.	4.1-209 A.12	\$ 230	\$ 300
	Gourmet Oyster House License + keg permit	4.1-231.4.k.	4.1-209 A.12	\$ 295	\$ 300
Retail - B/W On/Off-Premises (Includes privileges for kegs and delivery)					\$ 450
	Historic Cinema House	4.1-231.4.C.	4.1-209 A.1j	\$ 200	\$ 450
	Hospital	4.1-231.4.b.	4.1-209 A.1e	\$ 145	\$ 450
	Coliseum, stadia, and racetrack			\$ 190	\$ 450
	Performing arts food concession			\$ 190	\$ 450
	Exhibition hall food concession			\$ 190	\$ 450
	Concert and dinner-theater			\$ 190	\$ 450
	Retail On and Off Premises Wine and Beer	4.1-231.4.e.		\$ 600	\$ 450
	Retail On and Off Premises Wine and Beer + Delivery	4.1-231.4.e.		\$ 600	\$ 450
	Retail On and Off Premises Wine and Beer + delivery + keg	4.1-231.4.e.		\$ 665	\$ 450
	Retail On and Off Premises Wine and Beer + Keg	4.1-231.4.e.		\$ 665	\$ 450
	Retail on premises Beer License -- Hotel, Restaurant, Club	4.1-231 3.e.	4.1-208.6a	\$ 145	\$ 450
	Retail on-and-off premises Beer License -- Hotel, Restaurant, Club	4.1-231.4.d.	4.1-208.6a & 4.1-208.9	\$ 300	\$ 450
	Retail on-and-off premises Beer License -- Hotel, Restaurant, Club + Delivery	4.1-231.4.d.	4.1-208.6a & 4.1-208.9	\$ 300	\$ 450
	Retail on-and-off premises Beer License -- Hotel, Restaurant, Club + Delivery + Keg	4.1-231.4.d.	4.1-208.6a & 4.1-208.9	\$ 365	\$ 450
	Retail on-and-off premises Beer License -- Hotel, Restaurant, Club + Keg	4.1-231.4.d.	4.1-208.6a & 4.1-208.9	\$ 365	\$ 450
	Retail on-and-off premises Beer License -- Hotel, Restaurant, Club, Grocery Store located in rural area outside corporate limits of any city or town	4.1-231 3.g.	4.1-208.6d & 4.1-208.9	\$ 300	\$ 450
	Retail on-premises Wine and Beer License to Hotel, Restaurant, Club, or Other Person; Except Passengers by Train, Boat, or Airplane	4.1-231.4.a.	4.1-209 A.1a	\$ 300	\$ 450

Appendix 4: License Mapping (continued)

Industry - Manufacturer - Brewery					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Brewery <500 barrels (Includes privileges for Off-Premises, kegs, and delivery)					\$ 380
	Brewery License; 500 barrels or less + delivery permit	4.1-231 3.a.	4.1-208.1	\$ 350	\$ 380
	Brewery License; 500 barrels or less + delivery permit + keg permit	4.1-231 3.a.	4.1-208.1	\$ 415	\$ 380
	Brewery License; 500 barrels or less + keg permit	4.1-231 3.a.	4.1-208.1	\$ 415	\$ 380
Industry - Brewery 501-10K barrels (Includes privileges for Off-Premises, kegs, and delivery)	Brewery License; 500 barrels or less in year license granted	4.1-231 3.a.	4.1-208.1	\$ 350	\$ 380
					\$ 2,350
	Brewery License; 501 -- 10,000 barrels + delivery permit	4.1-231 3.a.	4.1-208.1	\$ 2,150	\$ 2,350
	Brewery License; 501 -- 10,000 barrels + delivery permit + keg permit	4.1-231 3.a.	4.1-208.1	\$ 2,215	\$ 2,350
Industry - Brewery >10k barrels (Includes privileges for Off-Premises, kegs, and delivery)	Brewery License; 501 -- 10,000 barrels + keg permit	4.1-231 3.a.	4.1-208.1	\$ 2,215	\$ 2,350
	Brewery License; 501 -- 10,000 barrels in year license granted	4.1-231 3.a.	4.1-208.1	\$ 2,150	\$ 2,350
					\$ 4,690
	Brewery License, more than 10,000 barrels	4.1-231 3.a.	4.1-208.1	\$ 4,300	\$ 4,690
Industry - Limited Brewery <500 barrels (Includes privileges for Off-Premises, kegs, and delivery)	Brewery License, more than 10,000 barrels + delivery + keg permit	4.1-231 3.a.	4.1-208.1	\$ 4,365	\$ 4,690
	Brewery License, more than 10,000 barrels + delivery permit	4.1-231 3.a.	4.1-208.1	\$ 4,300	\$ 4,690
	Brewery License, more than 10,000 barrels + keg permit	4.1-231 3.a.	4.1-208.1	\$ 4,365	\$ 4,690
					\$ 380
Industry - Limited Brewery 501-10K barrels (Includes privileges for Off-Premises, kegs, and delivery)	Limited Brewery License; 500 barrels or less	4.1-231 3.a.	4.1-208.2	\$ 350	\$ 380
	Limited Brewery License; 500 barrels or less + delivery permit	4.1-231 3.a.	4.1-208.2	\$ 350	\$ 380
	Limited Brewery License; 500 barrels or less + delivery permit + keg permit	4.1-231 3.a.	4.1-208.2	\$ 415	\$ 380
	Limited Brewery License; 500 barrels or less + keg permit	4.1-231 3.a.	4.1-208.2	\$ 415	\$ 380
Industry - Limited Brewery >10k barrels (Includes privileges for Off-Premises, kegs, and delivery)					\$ 2,350
	Limited Brewery License; 501 -- 10,000 barrels + delivery permit	4.1-231 3.a.	4.1-208.2	\$ 2,150	\$ 2,350
	Limited Brewery License; 501 -- 10,000 barrels + delivery permit + keg permit	4.1-231 3.a.	4.1-208.2	\$ 2,215	\$ 2,350
	Limited Brewery License; 501 -- 10,000 barrels + keg permit	4.1-231 3.a.	4.1-208.2	\$ 2,215	\$ 2,350
License eliminated - now a privilege of all brewery licenses	Limited Brewery License; 501 -- 10,000 barrels in year license granted	4.1-231 3.a.	4.1-208.2	\$ 2,150	\$ 2,350
					\$ 4,690
	Limited Brewery License, more than 10,000 barrels	4.1-231 3.a.	4.1-208.2	\$ 4,300	\$ 4,690
	Limited Brewery License, more than 10,000 barrels + delivery + keg permit	4.1-231 3.a.	4.1-208.2	\$ 4,365	\$ 4,690
Retail Off premises Brewery License (to sell other people's beer, not theirs)	Limited Brewery License, more than 10,000 barrels + delivery permit	4.1-231 3.a.	4.1-208.2	\$ 4,300	\$ 4,690
	Limited Brewery License, more than 10,000 barrels + delivery permit	4.1-231 3.a.	4.1-208.2	\$ 4,300	\$ 4,690
	Limited Brewery License, more than 10,000 barrels + keg permit	4.1-231 3.a.	4.1-208.2	\$ 4,365	\$ 4,690
	Retail Off premises Brewery License + delivery + keg permit	4.1-231 3.i.	4.1-208.8	\$ 120	
	Retail Off premises Brewery License + delivery permit	4.1-231 3.i.	4.1-208.8	\$ 185	
	Retail Off premises Brewery License + keg permit	4.1-231 3.i.	4.1-208.8	\$ 120	
	Retail Off premises Limited Brewery License	4.1-231 3.i.	4.1-208.8	\$ 120	
	Retail Off premises Limited Brewery License + delivery + keg permit	4.1-231 3.i.	4.1-208.8	\$ 185	
Retail Off premises Limited Brewery License + delivery permit	4.1-231 3.i.	4.1-208.8	\$ 120		
Retail Off premises Limited Brewery License + keg permit	4.1-231 3.i.	4.1-208.8	\$ 185		

Appendix 4: License Mapping (continued)

Industry - Manufacturer - Distillery					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Distillery not more than 5K	Distiller's License, not more than 5,000 gallons of alcohol or spirits	4.1-231 A.1.a.	4.1-206 A.1	\$ 450	\$ 490
Industry - Distillery more than 5K up to 36k	Distiller's License, more than 5,000 gallons - 36,000 gallons of alcohol or spirits	4.1-231 A.1.a.	4.1-206 A.1	\$ 2,500	\$ 2,725
Industry - Distillery >36k	Distiller's License, if more than 36,000 gallons of alcohol or spirits	4.1-231 A.1.a	4.1-206 A.1	\$ 3,725	\$ 4,060
Industry - Limited Distillery	Limited Distiller's License	4.1-231 A.1.a.	4.1-206 A.2	\$ 450	\$ 490
License Eliminated - privileges exist in existing distillery licenses	Fruit Distiller's License	4.1-231 A.1.b	4.1-206 A.3	\$ 3,725	
Industry - Manufacturer - Farm Winery					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Farm Winery Class A (Includes privileges for Off-Premises, kegs, and delivery)					\$ 245
	Farm Winery License, Class A	4.1-231 2.e	4.1-207 5; 4.1-219 A; 4.1-219 C	\$ 190	\$ 245
	Farm Winery License, Class A + delivery + keg permit	4.1-231 2.e	4.1-207 5; 4.1-219 A; 4.1-219 C	\$ 255	\$ 245
	Farm Winery License, Class A + delivery permit	4.1-231 2.e	4.1-207 5; 4.1-219 A; 4.1-219 C	\$ 190	\$ 245
	Farm Winery License, Class A + keg permit	4.1-231 2.e	4.1-207 5; 4.1-219 A; 4.1-219 C	\$ 255	\$ 245
Industry - Farm Winery Class B (Includes privileges for Off-Premises, kegs, and delivery)					\$ 4,730
	Farm Winery License, Class B	4.1-231 2.e	4.1-207 5; 4.1-219 B; 4.1-219 C	\$ 3,725	\$ 4,730
	Farm Winery License, Class B + delivery permit	4.1-231 2.e	4.1-207 5; 4.1-219 B; 4.1-219 C	\$ 3,725	\$ 4,730
	Farm Winery License, Class B + delivery permit + keg permit	4.1-231 2.e	4.1-207 5; 4.1-219 B; 4.1-219 C	\$ 3,790	\$ 4,730
	Farm Winery License, Class B + keg permit	4.1-231 2.e	4.1-207 5; 4.1-219 B; 4.1-219 C	\$ 3,790	\$ 4,730
Industry - Manufacturer - Winery					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Winery - up to 5k gallons (Includes privileges for Off-Premises, kegs, and delivery)	Winery - Limited License, not more than 5,000 gallons in year granted	4.1-235 A.2.a	4.1-207 1	\$ 189	\$ 215
Industry - Winery - >5k gallons (Includes privileges for Off-Premises, kegs, and delivery)	Winery License, more than 5,000 gallons in year granted	4.1-231 A.2.a	4.1-207 1	\$ 3,725	\$ 4,210
License eliminated - now a privilege of all winery licenses	Retail off-premises winery license	4.1-231 2.d	4.1-207 4	\$ 145	
	Retail off-premises winery license + delivery + keg permit	4.1-231 2.d	4.1-207 4	\$ 210	
	Retail off-premises winery license + delivery permit	4.1-231 2.d	4.1-207 4	\$ 145	
	Retail off-premises winery license + keg permit	4.1-231 2.d	4.1-207 4	\$ 210	
Industry - Shipper					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Shipper - B/W					\$ 230
	Wine and Beer Shipper's License - in-state	4.1-231.4.g.	4.1-209.1 A	\$ 230	\$ 230
	Wine Shipper's License -- in-state	4.1-231 2.f.	4.1-209.1 A	\$ 230	\$ 230
	Beer Shipper's License - in-state	4.1-231 3.h.	4.1-209.1 A	\$ 230	\$ 230
	Wine Shipper's License -- out-of-state	4.1-231 2.f.	4.1-209.1 A	\$ 230	\$ 230
	Beer Shipper's License out-of-state	4.1-231 3.h.	4.1-209.1 A	\$ 230	\$ 230
	Wine and Beer Shipper's License - out-of-state	4.1-231.4.g.	4.1-209.1 A	\$ 230	\$ 230

Appendix 4: License Mapping (continued)

Industry - Specialty					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Beer Importer's License - Out of State					\$ 460
	Beer Importer's License -out-of-state	4.1-231 3.d.	4.1-208.5	\$ 370	\$ 460
	Beer Importer's License - in-state	4.1-231 3.d.	4.1-208.5	\$ 370	\$ 460
Industry - Importer - Wine - In state					\$ 460
	Wine importer's license - in-state	4.1-231 2.c	4.1-207 3	\$ 370	\$ 460
	Wine importer's license -out of state	4.1-231 2.c	4.1-207 3	\$ 370	\$ 460
Industry - Specialty - Bottler's License	Bottler's License	4.1-231 3.b.	4.1-208.3	\$ 1,430	\$ 1,500
Industry - Specialty - Fulfillment Warehouse License	Fulfillment Warehouse License	4.1-231 4.i.	4.1-209 A.10	\$ 120	\$ 210
Industry - Specialty - Gourmet Brewing Shop License	Gourmet Brewing Shop License	4.1-231 4.f.	4.1-209 A.8	\$ 230	\$ 320
Industry - Specialty - Internet B/W (Includes privileges for kegs and delivery)					\$ 240
	Internet Beer Retailer - In State	4.1-231 3.j.	4.1-208.10	\$ 150	\$ 240
	Internet Beer Retailer - in state + delivery	4.1-231 3.j.	4.1-208.10	\$ 150	\$ 240
	Internet Beer Retailer - in state + delivery + keg	4.1-231 3.j.	4.1-208.10	\$ 215	\$ 240
	Internet Wine Retailer License - In State	4.1-231 2.g.	4.1-207 6	\$ 150	\$ 240
	Internet Wine Retailer License - In State + Delivery	4.1-231 2.g.	4.1-207 6	\$ 150	\$ 240
	Internet Beer Retailer - Out of State	4.1-231 3.j.	4.1-208.10	\$ 150	\$ 240
	Internet Beer Retailer - Out of State + delivery permit	4.1-231 3.j.	4.1-208.10	\$ 150	\$ 240
	Internet Beer Retailer - Out of State + delivery permit + keg permit	4.1-231 3.j.	4.1-208.10	\$ 215	\$ 240
	Internet Beer Retailer - Out of State + Keg permit	4.1-231 3.j.	4.1-208.10	\$ 215	\$ 240
	Internet Wine Retailer License - Out of State	4.1-231 2.g.	4.1-207 6	\$ 150	\$ 240
Industry - Specialty - Marketing Portal License	Marketing Portal License	4.1-231 4.j.	4.1-209 A.11	\$ 150	\$ 285
Industry - Wholesaler - Beer					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Wholesaler - Beer <300k gallons	Wholesale Beer License, 300,000 cases of beer a year or less	4.1-231 3.c.(1)	4.1-208.4	\$ 930	\$ 1,005
Industry - Wholesaler - Beer 300 - 600k gallons	Wholesale Beer License, 300,000 cases of beer a year to 600,000	4.1-231 3.c.(1)	4.1-208.4	\$ 1,430	\$ 1,545
Industry - Wholesaler - Beer >600k gallons	Wholesale Beer License, more than 600,000 cases of beer per year	4.1-231 3.c.(1)	4.1-208.4	\$ 1,860	\$ 2,010
Industry - Wholesaler - Wine					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Industry - Wholesaler - Wine <30k gallons	Wholesale wine license, selling 30,000 gallons of wine or less	4.1-231 2.b(1)	4.1-207 2	\$ 185	\$ 240
Industry - Wholesaler - Wine 30k - 150k gallons	Wholesale wine license, selling 30,000 gallons but not more than 150,000 gallons of wine per year	4.1-231 2.b(1)	4.1-207 2	\$ 930	\$ 1,200
Industry - Wholesaler - Wine 150k - 300k gallons	Wholesale wine license, selling 150,000 gallons but not more than 300,000 gallons per year	4.1-231 2.b(1)	4.1-207 2	\$ 1,430	\$ 1,845
Industry - Wholesaler - Wine >300k gallons	Wholesale wine license, selling more than 300,000 gallons per year	4.1-231 2.b(1)	4.1-207 2	\$ 1,860	\$ 2,400
Restricted wholesale wine license ≤ 3,000 cases/year	Wholesale wine license, selling 30,000 gallons of wine or less		4.1-207.1	\$ 185	\$ 240
Marketplace					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Marketplace					\$ 2,000
	Art Instruction Studio License	4.1-231 A.1.m	4.1-206 A.13	\$ 100	\$ 2,000
	Canal Boat Operator License	4.1-231 A.1.k	4.1-206 A.11	\$ 100	\$ 2,000
	Day Spa License	4.1-231 A.1.h	4.1-206 A.9	\$ 100	\$ 2,000
	Meal-Assembly Kitchen License	4.1-231 A.1.j	4.1-206 A.11	\$ 100	\$ 2,000
	Coworking Establishment License	4.1-231 A.1.q	4.1-206 (18)	\$ 500	\$ 2,000
	Bespoke Clothier Establishment License	4.1-231 A.1.r	4.1-206 (19)	\$ 100	\$ 2,000

Appendix 4: License Mapping (continued)

Banquet					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Banquet	Banquet License, per license granted by Board (daily)	4.1-231.4.e.	209A6	\$ 40	\$ 40
Club Event (Pricing dependent on whether applicant has an existing license)					35-75
	Banquet/Mixed Beverage Club Event (Per Day)	4.1-231.5.f.		\$ 75	\$ 75
	Mixed Beverage Club Events Licenses (daily)	4.1-231.5.f.		\$ 35	\$ 35
Manuf Event	Listed below				\$ 100
	Banquet Special Event (Manufacturer Multi Day)			\$ 100	
	Manufacturer's Beer/Wine Event			\$ 100	\$ 100
	Manufacturer's Distilled Spirits Event			\$ 100	
Special Event (Pricing dependent on whether applicant has an existing license)					40-85
	Banquet Mixed Beverage Special Event	4.1-231.5.f.		\$ 85	\$ 85
	Banquet Special Event (Allowing wine off premises sales)	4.1-231.5.e.		\$ 40	\$ 40
	Banquet/Mixed Beverage Special Event (allowing wine off premises sales)	4.1-231.5.f.		\$ 85	\$ 85
	Mixed Beverage Special Events License (daily)	4.1-231.5.e.		\$ 45	\$ 45
Tasting Event	Tasting License	4.1-231 A.1.e		\$ 40	\$ 40
Specialty					
New License Name	Current License Name	Fee Code	Privilege Code	Current Fee	Proposed Fee
Annual MB License					\$ 630
	Annual Mixed Beverage Amphitheater License	4.1-231.5.i.	4.1-210 A.8	\$ 560	\$ 630
	Annual Mixed Beverage Banquet License	4.1-231.5.k.		\$ 500	\$ 630
	Annual Mixed Beverage Performing Arts Facility License	4.1-231.5.n.	4.1-210 A.14 thru 4.1-210 A.17	\$ 560	\$ 630
	Annual Mixed Beverage Special Event (Museum Only)	4.1-231.5.g.	4.1-210 A.5	\$ 560	\$ 630
	Annual Mixed Beverage Special Events License	4.1-231.5.g.	4.1-210 A.5	\$ 560	\$ 630
Specialty - Annual Banquet License	Annual Banquet License	4.1-231. A.4.i	4.1-209 A.9	\$ 150	\$ 300
Specialty - Annual MB Motor Sports Facility License	Annual Mixed Beverage Motor Sports Facility License	4.1-231.5.m.	4.1-210 A.13	\$ 560	\$ 630
Specialty - Annual MB Motor Sports Race Track License	Annual Mixed Beverage Motor Sports Race Track License	4.1-231.5.j.	4.1-210 A.10	\$ 560	\$ 630
Specialty - Banquet Facility	Banquet Facility License	4.1-231 A.1.c	4.1-206 A.4	\$ 190	\$ 260
Specialty - Bed and Breakfast	Bed and Breakfast License	4.1-231 A.1.d	4.1-206 A.5	\$ 35	\$ 100
Specialty - Commercial Lifestyle Center	Commercial Lifestyle Center	4.1-231 A.1.n	4.1-206 A.14	\$ 300	\$ 300
Specialty - Confectionery (Off-Premises)	Confectionery (Off Premises)	4.1-231 A.1.o	4.1-206 A.15	\$ 100	\$ 170
Specialty - Equine Sporting Event License	Equine Sporting Event License	4.1-231 A.1.f	4.1-206 A.8	\$ 130	\$ 300
Specialty - MB Caterer's License	Mixed Beverage Caterer's License (Different than restaurant) - mb/w/b	4.1-231.5.c.	4.1-210 A.2	\$ 1,860	\$ 1,990
Specialty - Motor Car Sporting Event Facility License - B/W On-Premises	Motor Car Sporting Event Facility License (wine and beer only)	4.1-231 A.1.g	4.1-206 A.10	\$ 130	\$ 300
Specialty - Museum	Museum License	4.1-231 A.1.c	4.1-206 A.7	\$ 190	\$ 260
Specialty - Passenger Carrier - Airplane (Includes privileges for both Mixed Beverages and Beer/Wine)					520 - 2360
	Mixed Beverage Carrier License -- Airplane passengers	4.1-231.5.h.(iii)	4.1-209 A.6	\$ 1,475	\$ 2,360
	Retail on-premises Wine and Beer License for Airplane passengers	4.1-231.4.a.	4.1-209 A.1d	\$ 750	\$ 2,360
	Mixed Beverage Carrier License -- Boat passengers	4.1-231.5.h.(ii)	4.1-209 A.6	\$ 560	\$ 910
	Retail on-premises Wine and Beer License for Boat per annum for average # of boats	4.1-231.4.a.	4.1-208.6c & 4.1-209 A.1c	\$ 300	\$ 910
	Mixed Beverage Carrier License -- average # dining cars, club cars Train (Number of trains =)	4.1-231.5.h.(i)	4.1-209 A.6	\$ 190	\$ 520
	Retail on-premises Wine and Beer License for Train per annum for average # of dining cars, buffet cars, or club cars operated in Virginia	4.1-231.4.a.	4.1-208.6b & 4.1-209 A.1b	\$ 300	\$ 520
Annual Arts Event	Annual Arts Venue Event License	4.1-231 A.1.l	4.1-206 A.12	\$ 100	\$ 300