



Building Better Local-State Relations on Alcohol Policy January 10, 2023

Participants represented a combination of representatives of national associations involved in alcohol policy, including National Alcohol Beverage Control Association (NABCA) and National Liquor Law Enforcement Association (NLLEA), the beverage alcohol industry—American Beverage Licensees (ABL), as well as city-level practitioners and researchers involved in alcohol policy compliance.

TRENDS AND CHALLENGES

LOCAL ALCOHOL LICENSING PROCESSES

Participants agreed that cities should have a local alcohol licensing process in addition to the state system due to its numerous benefits.

BENEFITS OF LOCAL INVOLVEMENT IN THE ALCOHOL LICENSING PROCESS:

- Creates a feedback loop where local municipalities can provide feedback to the state legislature
- Ensures the business engages in a robust local public engagement process
- Greater flexibility to reflect community priorities
- Facilitates a more nimble, honest process that reflects local market demand
- Cities can identify high-risk settings and initiate a response in a timely manner

MONTGOMERY COUNTY, MD

Montgomery County has 5 distinct municipalities with 25 liquor boards for 25 different jurisdictions. The interconnectedness of municipalities has lent itself to the county regulation model; licensing would be far more complicated if each municipality could make its own rules. The county goes to the state to request licensing changes. The experience in Montgomery County, MD, is that local regulators, state licensing authorities, and licensees work hand in hand.

CALIFORNIA

The approach in California is for a combination of state control for licensing and local control to ensure public participation in the licensing process. Cities have authority through land use to regulate the use of properties to protect the health and safety of local communities.

CANADA

In Canada, municipalities regulate the density and type of alcohol sales, but with provincial oversight.

In Edmonton, police officers inspect venues with Alberta Gaming Liquor and Cannabis (AGLC). Edmonton Police Service has the authority to enforce the Liquor Control Act.

CHALLENGES WITH POPULATION-BASED CAPS ON ALCOHOL LICENSES

Alcohol license caps based on population can be problematic due to the following reasons:

- Difficulty changing an alcohol license to reflect a modified business model more accurately
- Drives up the cost of alcohol licenses already in circulation, creating a secondary market of licenses as investments
- Creates a barrier to entry to new entrepreneurs from entering the market
- Existing businesses are forced to meet qualifications of a license type that doesn't reflect their actual business model

SAN FRANCISCO, CA

In San Francisco, the city has double the alcohol licenses authorized based on the population. That means the state will never allow a new alcohol license, which drives up the cost of existing licenses to \$250,000. This has resulted in live music venues having to “contort” their business model to qualify as a restaurant with a kitchen, despite this not being the venue’s primary purpose. Besides, food at live music venues is notorious for poor quality due to the lack of prioritization of food over music operations. To address this issue, San Francisco worked with the state of California to create a new music venue license for neighborhoods with live music venues (modeled after Boston, MA).

CHALLENGES WITH TOO MANY LICENSE TYPES

There is a desire among progressive alcohol regulators to remain nimble to respond to new trends and market demands. There is, therefore a desire to create new alcohol licenses.

However, a drawback with creating multiple different license types based on new trends and business models is that it can result in many different types of alcohol licenses, which may become confusing. In San Francisco, there are 90+ different types of alcohol licenses. There’s an opportunity for a more holistic review to streamline licensing.

In Montgomery County, there was an effort to have a “one size fits all” approach to licensing with add-ons, but then this too became confusing. There are currently 36 different types of alcohol licenses. However, the desire to stay nimble and creative in alcohol licensing helped give rise to the farm brewery movement. This is a major tourism attraction and has helped infuse the farm industry with new revenue.

CHALLENGES FACED BY ALCOHOL REGULATION AND ENFORCEMENT AGENCIES

Alcohol regulation agencies are generally not well-resourced. There is a perception among enforcement agencies that lawmakers do not currently authorize sufficient funds for regulators to conduct proactive education and intervention.

NEBRASKA

For example, the state of Nebraska has only 6 inspectors for 5,800 alcohol licenses. This means 1 inspector for every 1,600 licensees. Proactive interventions are thus not possible. As a result, a complaint-based system is used to identify at-risk businesses.

MONTGOMERY COUNTY, MD

In contrast, Montgomery County, Maryland's Alcohol Beverage Services Division is among the most resourced agencies with staff and financial resources. This enables them to prioritize proactive outreach and compliance checks as follows:

- First-year intervention to check in the business
- Four times a year check in with existing businesses to see if the business needs to adapt their license if they need to go before the Liquor Licensing Board, etc. (Written in law, this is a mandatory practice).

There is an understanding that the most critical time to ensure public safety is when someone is applying for an alcohol license (i.e. before they go to the Board for Licensees). Education and relationship-building is critical at that stage.

INNOVATIVE PROGRAMS BY CONTROL STATES

Michigan's Liquor Control Commission gives back part of its application fees to the municipal police departments to enforce alcohol laws due to the recognition that the state can't enforce alcohol laws statewide.

In Vermont, state ABC officers teach at the police academy about how to educate local police on how to make a winning case for alcohol licensees.