



# STATE OF THE STATE ADDRESS LIQUOR LICENSE MODERNIZATION PROPOSAL

## GOVERNOR MURPHY'S STATEWIDE PLAN FOR LIQUOR LICENSE EXPANSION

Governor Phil Murphy proposes a comprehensive statewide strategy to modernize New Jersey's consumption liquor license laws. Written in the immediate aftermath of Prohibition, these antiquated laws no longer make sense for the 21st century. This initiative builds upon the Murphy Administration's ongoing efforts to create a whole-of-government approach to promote a stronger and fairer economy.

## EXISTING LIQUOR LICENSE SYSTEM & CURRENT BARRIERS TO ECONOMIC GROWTH

Currently, local governments are allowed to issue one consumption liquor license for every 3,000 residents. This cap limits the supply of available licenses, and thereby drives up the price of these licenses significantly. As a result, prospective buyers are forced to either purchase licenses from existing holders on a secondary market or pay a high price to a municipality through an auction, preventing many potential mom and pop entrepreneurs from entering the market.

Secondary markets and supply scarcity have driven up costs to the point where liquor licenses in New Jersey can draw prices in the seven figures. This current licensing system prevents equitable access for small businesses and those in underserved communities. Consequently, these financial barriers limit the number of new restaurants that can start and prevent otherwise vibrant restaurants in our downtowns from succeeding or expanding into greater economic opportunities. These new opportunities are especially important to our Main Street pandemic response and recovery, given the food and hospitality industry was among the hardest hit during the pandemic.

## ESTIMATED ECONOMIC IMPACT

Expanding consumption liquor licenses in New Jersey has the potential to increase sales for both existing restaurants and new restaurants that open due to the increased availability of licenses. The New Jersey Economic Development Authority estimates that reforming New Jersey's liquor license system could **generate up to \$10 billion in new economic activity over 10 years** and create **upwards of 10,000 jobs annually**. Additionally, the expansion of liquor licenses under this framework has the potential to generate **significant new state and local revenue that could be reinvested into new economic development efforts**.

## GOVERNOR MURPHY'S NEW PROPOSAL

Governor Murphy is recommending a gradual increase in Plenary Retail Consumption Licenses over five years to set the state on the path to a fairer and more efficient licensing system that will create equitable access for small businesses and those in underserved communities.

- *Phase out the population cap:* Reduce the existing population cap each year by 10% for five years. This phase-out would increase the number of new licenses available in municipalities over time, and after the phase-out, licenses would be uncapped and issued as needed. At the end of the phase out period no resale of these licenses will be permitted.
- *Local review:* New licenses would follow the same local review process that they do today. New licenses would be issued by the local authority with supervision by the State Division of Alcohol Beverage Control ("ABC") upon municipal application and approval.
- *Establish administrative prices and fees for new licenses:* New licenses would be issued at progressive prices and associated fees based upon business size. These prices should be set and reviewed by ABC annually. In addition, municipalities would be granted the right to assess local fees upon the issuance of a new license under this proposal.
- *Address breweries, distilleries, and wineries:* This proposal would also expand the rights of holders of brewery, distillery, and winery licenses, many of which are restricted from serving food and non-alcoholic beverages, limits on events, and tour requirements. It would establish a new consumption license for these categories with expanded privileges that would not be capped or restricted. Existing license holders could convert their current limited license into this new class of license for a fee.
- *Provide a mechanism to support existing license holders:* The State would establish a means-tested tax credit for current license holders impacted by the expanded supply of licenses.