



GOVERNOR MURPHY'S STATEWIDE PLAN FOR LIQUOR LICENSE EXPANSION

2023

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 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 LEGISLATIVE 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:** Starting January 1, 2024, this legislation will reduce the existing population cap for plenary retail consumption licenses and seasonal retail consumption licenses each year by 10% for five years. The existing population cap will be completely removed by January 1, 2029. This phase-out will gradually increase the number of new licenses available in municipalities over time – which will grow the market but not overwhelm it. After the phase-out, licenses will be issued as needed and without a cap, subject to local control.
- **Local review:** New licenses would continue to follow the same local review process that they do today, allowing communities to maintain control over what their town looks like. 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. Each local authority will be able to determine and regulate the number and type of licenses to be issued upon reduction and removal of the existing population cap.

- ***Establish administrative prices and fees for new licenses:*** New licenses would be issued at progressive prices and associated fees based upon business size, which will be measured by number of employees. These prices will be reviewed and set by ABC annually. In addition, municipalities would maintain the right to assess local fees upon the issuance of a new license with a cap on the annual renewal fee – not to exceed \$2,500 – in order to maintain affordability.
- ***Address breweries, distilleries, and wineries:*** This proposal would also expand the rights of holders of certain brewery, cidery and meadery, distillery, and winery licenses, many of which are restricted from serving food and non-alcoholic beverages, limited from participating in events, and required to host tours. Under the proposed legislation, these restrictions would be lifted, allowing for coordination with food vendors; attendance at unlimited off-premises events; and the hosting of unlimited events on premises. Restricted brewery licensees may convert to a limited brewery license, and receive these new benefits, upon payment of a fee to be established by the ABC.
- ***Repatriation of inactive licenses to boost availability:*** Under the proposal, licenses that have been purchased but not in use for more than two years can no longer be held in perpetuity by the license owner. Additionally, existing licenses that have not been active for five years preceding enactment of this legislation will go to the municipality for reissuance at public sale. Any future issues with inactive licenses will be handled by the municipality, rather than the ABC.
- ***Provide a mechanism to support existing license holders:*** The proposed legislation would authorize the State to establish a means-tested tax credit for current plenary retail consumption license holders impacted by the expanded supply of licenses. The tax credit to be issued to the license holder will be determined based on the taxable sales within the preceding three calendar years.

