

Assembly Oversight, Reform and Federal Relations Committee
Liquor License Reforms
June 2, 2022

When New Jersey legalized cannabis in November 2020, it made it clear that the State was ready to move into the future with progressive regulatory reform. The State's decision to legalize cannabis, endorsed by a majority of the residents of New Jersey, shed light on New Jersey's antiquated liquor license laws, as well as the different approaches to licensing and regulation, between the two regulated industries.

At the end of Prohibition, New Jersey crafted legislation that established a mechanism for the issuance of retail alcoholic beverage licenses that delegated the authority for acting on license issuance to the municipalities. Initially, *Title 33, Intoxicating Liquors*, empowered municipalities to issue retail alcoholic beverage licenses in the exercise of their sound discretion. This licensing authority remained unchanged until 1947, when the Legislature amended *Title 33* to provide a population cap on the issuance of licenses. This change limited the number of retail liquor licenses available in a community to the greater of the number of such licenses in effect in 1947 or one retail consumption license for each 3,000 residents. At that time New Jersey towns were dominated by taverns and it was long before strip malls appeared on state highways and roads. Over the years, municipalities, especially those with highways, saw their liquor license establishments move away from their downtown to strip malls.

The population limits on the issuance of licenses have remained unchanged for 75 years. While not only has society's general attitudes toward alcoholic beverages changed over this time, so has New Jersey's landscape. We are now seeing a change in shopping habits with e-commerce. Consumers are moving away from shopping malls to main streets, downtowns. Residents are attracted to services, experiences, and restaurants in a walkable business district. But across the state, such downtown revitalization has been hindered by the lack of full service consumption liquor licenses.

New Jersey is a state of 9.2 million residents serviced by, as of April 18, 2022, according to the Division of Alcoholic Beverage Control data, 5,867 retail consumption liquor licenses. In 75 years we have learned that the need for such licensing is not a simple analysis of population. Municipalities are in the best position to understand local sentiment towards alcoholic beverage sales and consumption, as well as the role licensed restaurants, pubs, and similar retail consumption licensees can have in advancing municipal main street development. The existing population controls have created an artificial limitation on licensing that has created inequity in connection with license affordability and has limited municipal economic development strategies. In fact, the structure for cannabis legislation reflects such a sentiment.

Economic development and revitalization, especially, in downtown areas, has been a priority of municipalities all over New Jersey, but because of New Jersey's liquor license policies, current economic framework, and high cost of doing business, there are limited opportunities available for New Jersey residents, businesses, and business prospects to

compete with neighboring states who have a more flexible statutory framework that favors economic development.

In addition, we need to address the unintended consequence of population caps, which has contributed to limited availability of licenses and in high demand in some municipalities while other municipalities have more liquor licenses available with limited demand. Also, the number of available inactive (pocket) licenses must be addressed.

Liquor license reform would include the following elements: New full consumption or distribution liquor licenses issued in municipalities must be limited to businesses located in designated business districts; issuance of such licenses must be subject to local control; and municipalities must be free to exercise the discretion initially conferred upon them by the Legislature in 1933.

Revisions to the population cap for liquor licenses is long overdue. More full service restaurants will generate additional foot traffic supporting all the businesses in our downtowns, extend business days well through the dinner hours, and provide small businesses owners with opportunities that may not currently be available to them.