

## Legislative Program Review & Investigations Committee STATE LIQUOR PERMITS (2004)

### *Permit Structure*

The primary purpose of liquor control laws is to prevent underage drinking and sales of alcoholic beverages to intoxicated persons. The state's liquor permit system is intended to promote this goal by ensuring sales are carried out in compliance with relevant laws and regulations.

A model permit system should be simple to administer and enforce, and result in consistent treatment of similar entities. Connecticut's current structure is complex, complicating policy making and enforcement.

New permit categories proliferate, out-dated categories are rarely eliminated, many distinctions are unrelated to alcohol regulation, and revisions require legislative action. Policy changes have been adopted that differentially impact similar kinds of permitted operations and sometimes result in unintended consequences.

- 1. The existing state liquor permit structure should be repealed effective January 1, 2008, and replaced with a system that groups like business activities and uses, focuses regulatory resources on liquor control goals, and incorporates a fee system based on business volume (see following recommendation).**

**The new system should retain the three main regulatory tiers: manufacture; wholesale; and retail, and within retail, the distinction between sales for on- and off-premises consumption of alcoholic beverages. The system should also continue to allow for provisional licenses issued at the department's discretion.**

**Three new categories should be established to cover all on-premises consumption retail establishments: 1) *primarily drinking* with food service optional; 2) *primarily dining* with full food service required; and 3) *other primary activity*. The on-premises consumption permit categories should further include distinctions for sales by nonprofit establishments and temporary sales periods.**

**Two new categories should be established to cover all off-premises consumption retail establishments: *primarily alcohol*; and *primarily grocery*.**

**The new system should allow the DCP commissioner to issue endorsements to permits to cover any special requirements, such as limiting the type of alcohol sold, the number of permits that may be held, or particular restrictions on a permittee's operations or physical plant.**

## *Permit Fees*

Connecticut's liquor permit fees are inconsistent, outdated, and the current structure fails to meet most goals of government fee system models. Fee amounts do not take into account business size, which produces inequities within and among permit classes. In addition, fee amounts are not related to administrative or enforcement costs and most at levels unlikely to impact permittee compliance.

One of the best ways to achieve a fair system is to base fees for commercial establishments on a measure of business volume, such as annual liquor sales.

### **2. Current liquor permit fees should be repealed and replaced with a fee structure based on volume of business by January 1, 2008.**

**The new fee structure should include a minimum fee for all annual commercial permits that is related to the average cost of initial permitting functions (e.g., process the application, conduct a routine inspection). Every commercial permit holder should pay the minimum fee or a volume-based fee, whichever is greater**

**The DCP commissioner also should be authorized to establish reasonable fees for temporary permits and for permits issued to noncommercial (e.g., charitable and nonprofit) organizations.**

**A task force composed of personnel from the revenue services and consumer protection departments, appointed by the commissioners of those agencies, should be established to develop the details of a proposed volume-based liquor permit fee structure for the legislature's consideration. Specifically, the task force should study and report on:**

- **the most accurate, comprehensive, and accessible source of information on volume of business for liquor permittees;**
- **an appropriate permit fee rate (e.g., percentage of annual liquor sales) that is related to regulatory costs and will generate total revenues at least equal to current state liquor permit fees; and**
- **any statutory changes required for implementation.**

## *Local Concerns*

Municipalities have significant control over the sale and consumption of alcoholic beverage through the state local option provision, municipal zoning authority, and other local ordinances.

There is also considerable opportunity for local input regarding permitted establishments under a statutory remonstrance process, the state public nuisance abatement law, and municipal official sign-off on certain liquor permit applications.

Several administrative and statutory changes, however, would better inform the public about the state's liquor permit remonstrance process and improve opportunities for expressing local concerns about state liquor permits.

- 3. Information about the right to remonstrate regarding renewals as well as initial permits should be included in the public notices required for new permit applications (e.g., published legal notices and on-site signs/placards).**
- 4. A plain language description of the remonstrance process should be prepared by the Department of Consumer Protection, posted on its website, and made available in written form for interested parties upon request.**
- 5. The Department of Consumer Protection should collect and analyze descriptive and outcome information on remonstrance cases, compile all remonstrance hearing decisions, and each year prepare a report summarizing remonstrance activities for inclusion on the agency website.**
- 6. The statutes should be amended to change the timeframe for filing a remonstrance petition for new applications to within 21 days of the end of the public notification period (rather than 21 days after the application filing date).**
- 7. The statutes should be amended to make permits for grocery stores selling beer subject to the remonstrance process.**

### *Management Information System*

The foundation of any effective regulatory program is accurate, comprehensive, and accessible management information. At present, automated records related to the state liquor permit system are incomplete and inaccurate. Summary information on permit activities and outcomes is not readily available or easily compiled for management purposes; department accounting functions and financial data related to permits are also lacking.

The consumer protection department is in the process of addressing its information system deficiencies but there is no formal plan guiding this effort or any internal staff structure dedicated to its implementation.

- 8. The Department of Consumer Protection should make improving its automated information systems a priority. It should establish a formal management team charged**
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with: 1) identifying the management information needs of the all agency divisions; and 2) developing a plan and timetable for correcting, expanding, and integrating its current systems by July 1, 2005.

The integrated system should be capable of generating routine and customized reports on licensing, compliance, and enforcement activities and outcomes for use by liquor division managers, the agency's top management, and policymakers.

On January 1, 2006, January 1, 2007, and January 1, 2008, DCP shall submit to the legislative committee of cognizance a report summarizing key liquor division licensing, compliance, and enforcement activities for the preceding year. The report should include but not be limited to data on: applications received, reviewed, withdrawn, approved and denied; the fees associated with issued permits; remonstrance petitions received and case outcomes; complaints received, investigations conducted, and administrative actions taken; and informal and formal hearings held and their outcomes (e.g., permits suspended, revoked, voluntarily revoked, and fines or other penalties imposed).