

Fiscal Estimate Narratives

DOR 4/14/2014

LRB Number	13-4230/1	Introduction Number	AB-0814	Estimate Type	Original
Description Municipal quotas for retail intoxicating liquor licenses					

Assumptions Used in Arriving at Fiscal Estimate

Current law prohibits a person from selling alcohol beverages unless the seller possesses a license or permit authorizing the sale. A "Class B" license authorizes the retail sale of intoxicating liquor for consumption on the licensed premises and, subject to a municipal ordinance and certain limitations, for consumption off the licensed premises.

Current law imposes a quota on the number of "Class B" licenses that a municipality may issue which is determined by a formula based on the number of licenses already issued and the municipality's population. Current law provides quota exceptions for a full-service restaurant with a seating capacity of 300 or more persons. Current law also provides an exemption for a hotel with 50 or more rooms with a restaurant or banquet room meeting certain criteria. A "Class B" license quota exemption is also provided for certain opera houses and theaters and is limited to consumption of alcohol beverages on the premises and only in connection with ticketed performances.

This bill effectively replaces the full-service restaurant exception based on seating capacity with an exception based on the composition of sales by the restaurant. The bill defines a "full-service restaurant" as an establishment, regardless of seating capacity, where meals are prepared, served, and sold for consumption on the premises and in which the sale of alcohol beverages accounts for 50 percent or less of the establishment's gross receipts. A "Class B" license issued under this exception authorizes the sale of intoxicating liquor only for consumption on the premises. Moreover, the bill prohibits the holder of a "Class B" license, other than one issued under this exception, from surrendering the license and applying for a new license under this exception.

The proposed quota exception would generate additional revenues and costs to local governments. Under current law, the annual fee for a "Class B" license may not exceed \$500 and must be the same for all licenses. The department does not have information to determine the magnitude costs attributed to the issuance of these licenses but anticipates that these costs will vary by municipality and will be relatively minor.

According to the US Census Bureau, there were 4,763 full-service restaurants in Wisconsin in 2011. Based on data from the Department of Health Services and the Department of Revenue (DOR) liquor license data, approximately 56% of full-service restaurants in Wisconsin hold a "Class B" license. Assuming that the remaining 44% of full-service restaurants qualify for the proposed exception, the number of restaurants holding a "Class B" license would increase by approximately 2,100. Assuming all eligible full-service restaurants receive licenses, local government license revenue would increase by \$1.05 million (\$500 x 2,100 restaurants) on an annual basis.

This bill will not have any significant effect on DOR's administrative costs.

Long-Range Fiscal Implications