

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Thursday, March 10, 2022
TIME: 8:00 A.M.
PLACE: Room WW55
MEMBERS PRESENT: Chairwoman Lodge, Vice Chairman Guthrie, Senators Winder, Anthon, Harris, Lee, Heider, and Burgoyne
ABSENT/ EXCUSED: Senator Stennett
NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
CONVENED: **Vice Chair Guthrie** called the meeting of the Senate State Affairs Committee (Committee) to order at 8:06 a.m.
S 1383 **RELATING TO ALCOHOL to provide for retail sale of liquor by the drink and to provide certain restrictions on the sale of liquor. This hearing is for study purposes and Committee recommendations will be made during the Friday morning meeting.**
PRESENTATION: **Chairman Lodge** gave a brief history and overview of the Idaho liquor laws. She noted current policies did not allow for new businesses to obtain a liquor license.

Luke Malek, Attorney and former Idaho Representative, outlined the items in the bill. He indicated when he was in the Legislature, he worked with former Governor Otter, the Alcohol Beverage Control Board (ABC), and with restaurateurs on this issue. He stated the system was unjust and discriminated against vast rural areas. Each person who was qualified and wanted to operate a business that served liquor by the drink should have equal access, even if that access was stringent. He noted instead, a market unrelated to the State issuance of this privilege had grown, and businesses were left scouring the expensive private market seeking a license which could cost over \$400,000 from a private citizen who had no intention of operating a business that sold liquor by the drink. **Mr. Malek** stated many people had been on a waiting list for over 30 years and it was unclear when a permit would be issued. The regulations were preventing business owners from creating more jobs and contributing to the local economy.

Mr. Malek reported the legislation created a balance that would protect the value the current license holders had in their State-issued licenses, but a new tier of licenses would be created for restaurants that wanted to sell liquor by the drink. Counties and cities would have authority over licenses moving forward and he listed the qualifications to serve liquor under this law.

Mr. Malek indicated current business owners who held a State liquor license would continue to see the value in their investment under this legislation. While restaurants operating under a new municipal license would have to meet certain requirements, follow strict guidelines, and pay \$6,000 to receive a license the first year with an annual renewal fee of up to \$5,250; state license holders would not be subject to these same rules. State licenses would license bars and restaurants. A fund would also be created to reimburse current license holders if their license was sold for less than what they paid.

Mr. Malek noted this legislation would have an increased fiscal impact on both the State and local level. Increased sales tax revenues and economic development in cities and counties would be positive. The impact depended on how many municipal licenses were issued.

DISCUSSION: **Senator Burgoyne** and **Mr. Malek** discussed the impact of this legislation on bars and restaurants.

PRESENTATION: **Chip Schwarze**, President and Chief Executive Officer, Idaho Falls Chamber of Commerce and Chairman of the Chamber Alliance, reported the current State liquor license had created a monopoly by the State of Idaho that was controlling the market. The monopoly created scarcity as a result of higher demand and cost. Licenses were not property but a privilege. Because of the longer wait to remedy the situation this had caused an increase in costs. Barriers had impacted communities with tourism and other instances. This bill would allow counties and cities to regulate the number of licenses with local control where voters had an impact.

DISCUSSION: **Senator Burgoyne** queried how would the legislation address the issuance of current liquor licenses. **Mr. Schwarze** indicated the legislation was set up for compensation as the licenses were not property, but a privilege and not considered as property.

In response to questions posed by Senators Harris and Heider, **Mr. Schwarze** remarked the only real concern was the protection of the investment with a concern businesses would not be able to sell their current license. No other business class in the State had investment protection forever. He said there was a sentence in the bill that protected younger people and in order to purchase or partake of liquor a person must be 21 years of age.

TESTIMONY: **Caroline Merritt**, Idaho Chamber Alliance, testified in support of the bill. She said the current law was unfair for existing license holders. The solution in this legislation was not perfect but it was helpful.

Dave Krick, Bearcreek, Managing Partner and Board President, Fair Idaho, testified remotely in opposition to the bill. He noted stakeholders needed time to respond and he asked that an interim committee be formed to study the ramifications of these changes.

Matt Hunter, President and Chief Executive Officer, Chubbuck Chamber of Commerce, testified in support of the bill. He stated the bill provided some value for State licenses, many of which had been used by their owners for a number of years. For many communities, this was an issue of economic development.

Whitney Hruza, One Shot Charlie's, testified remotely in opposition to the bill. She said she felt the bill needed more study.

Shawn Evans, Meridian Chamber of Commerce, testified in support of the bill. He noted since there had been tremendous growth in Meridian, restaurants could not keep up with the demand and with the challenge in finding a liquor license that was affordable.

Jake Schaefer, The Frosty Gator, Idaho Falls, testified remotely in opposition to the bill. He stated no stakeholders were involved in giving input for this bill.

August Christensen, Mayor, City of Driggs, testified remotely in support of the bill. He said business owners wanted to have the option of selling drinks with meals.

Ted Challenger, Challenger Hospitality Group, testified in opposition to the bill. He

stated he purchased a liquor license for \$175,000 plus a transfer fee of \$40,000 imposed by the ABC. He was given 90 days to put the license in place. He was concerned about the value of his license moving forward.

Lisa McGeachin, The Celt Pub, Idaho Falls, testified remotely in opposition to the bill. She stated this bill did not meet the needs of the current licensees. She did not like the five-year deadline to sell her liquor license as the value would result in a loss of equity for those businesses.

Ryan Haworth, Teton Thai, Inc., Driggs, testified in support of the bill. He reported he had not been able to obtain a liquor license for a decade. He stated this was not the perfect bill, but it was a good place to start. He cited examples of other states that made these changes and the licenses did not lose value.

Ralph Mossman, representing himself, Driggs, testified remotely in support of the bill. He noted the issue of liquor licenses was a big problem that needed to be changed.

Jeremy Pisca, Hagadone Corporation, testified in opposition to the bill and asked the Committee to hold the bill. He outlined the history of the liquor laws in Idaho. He noted laws that were in place came about from the idea that America had a serious drinking problem. Overconsumption contributed to societal problems. Idaho chose to enact laws to control the sale of alcohol through the State Liquor Division by trying to control the density of outlets through the quota system.

Brody Aston, representing the Idaho License Beverage Association, testified in opposition to the bill. He urged all stakeholders come to the table to find a solution.

Jefferson Jenkins, Huck-N-Finns Sports Bar, testified in opposition to the bill. He noted this bill did not account for investing into local communities.

Written testimony in support of the bill was received from: Brian McDermott, Executive Director, Teton Regional Economic Coalition. Written testimony in opposition to the bill was received from Russell Westerberg, Westerberg & Associates.

DISCUSSION: **Chairman Lodge** remarked this bill was brought forward not to hurt anyone, but to help. She stated input had been received from others throughout the State. There should be equal access to these licenses. She said there were severe penalties for serving alcohol to those who were underage. She remarked this bill was not perfect but a start. There was a problem and there was a need to fix it.

Vice Chair Guthrie stated there would not be a motion or a vote at this meeting.

ADJOURNED: There being no further business at this time, **Vice Chair Guthrie** adjourned the meeting at 9:17 a.m.

Senator Lodge
Chair

Twyla Melton
Secretary

Linda Kambeitz, Asst. Secretary