

HOUSE BILL NO. 618

INTRODUCED BY C. POPE

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A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING A STUDY OF POSSIBLE REFORMS FOR STATE LIQUOR LICENSING LAWS; PROVIDING FOR PARTICIPATION BY INTERESTED PARTIES; PROVIDING AN APPROPRIATION; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

WHEREAS, the three-tier system of manufacture, distribution, and sale of liquor, beer, and wine has experienced significant market growth; and

WHEREAS, primary stakeholders in the state liquor industry collectively seek solutions to challenges and opportunities in the market while protecting business interests, public safety, and a well-functioning and transparent system administration; and

WHEREAS, individuals and companies in each of the three tiers have invested and built successful business models that rely on equitable application of the control jurisdiction; and

WHEREAS, those same historic business models of production, distribution, and retail are at times challenged by expanding demand, new product introduction, business technology innovation, cross-sector collaboration, and more efficient commerce between the three sectors; and

WHEREAS, a comprehensive interim study would potentially allow stakeholders to identify legislative solutions that promote a more modern, efficient, profitable, safe, and consumer-oriented marketplace for Montana liquor products and services.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Study to reform state liquor licensing.** (1) The economic affairs interim committee provided for in 5-5-223 shall coordinate a study of state liquor laws with stakeholders and interested parties aimed at generally determining:

(a) whether the existing laws governing the manufacture, distribution, and sale of liquor products continue to meet policy goals related to protecting the welfare, health, peace, morals, and safety of the people of this state, as described in 16-1-101;

(b) whether the policies outlined in 16-1-101, including promotion of temperance, creation of orderly



- 1 markets, and collection of taxes, continue as viable core values underlying Montana's alcohol code;
- 2 (c) whether lessons may be learned from other states that have revised and modernized their liquor laws;
- 3 and
- 4 (d) whether other forms of innovation and industry organization can help improve business opportunity,
- 5 public health and safety, and consumer satisfaction.
- 6 (2) The study must address but is not limited to the following topics relating to Montana's liquor statutes:
- 7 (a) whether problems and benefits associated with the quota system can be identified and whether,
- 8 specifically, the state should eliminate the quota system and, if so, ensure that license owners are recompensed
- 9 for the real market value of their license assets and over what time period;
- 10 (b) whether the market value of an all-beverages liquor license should be transferred to a gambling
- 11 license if the quota system is changed as provided in subsection (2)(a);
- 12 (c) whether the state should modify or eliminate the existing franchise agreement statutes related to
- 13 liquor laws and, if so, estimate the likely impacts on producers, retailers, and distributors;
- 14 (d) whether brewer barrel production limits should be increased to prevent production limits from
- 15 becoming a barrier to business expansion;
- 16 (e) whether current policies for beer and liquor sampling rooms meet public policy;
- 17 (f) whether new licensing options, including a brewpub license, are appropriate for the state, how these
- 18 new licensing options fit into the current quota system, and whether changes are necessary to implement new
- 19 licenses without inflating existing license valuations;
- 20 (g) whether a mathematical equation or other calculation is an appropriate substitute for the current
- 21 regulated margins on retail store sales to taverns and bars, which would require a review of whether the current
- 22 margins are fair and balanced; and
- 23 (h) whether a standing state-run liquor advisory council would help identify future issues and
- 24 opportunities and would better coordinate regulated sectors of the industry and state government.
- 25 (3) The economic affairs interim committee shall address the issues in subsections (1) and (2) by
- 26 conducting a study formed by a stakeholder group comprising representatives from the legislature, the executive
- 27 branch, alcohol manufacturers of all types, distributors, and retailers who have licenses under Title 16, in addition
- 28 to representatives of the gaming industry and the owners of coin-operated machines used in the gaming industry,
- 29 as well as representatives of the restaurant and hotel trades, financial institutions, public health agencies, law
- 30 enforcement, and local governments.

1 (4) As part of the study, the economic affairs interim committee shall review the existing alcoholic  
2 beverage laws and rules, including the existing quota and licensing structure, for consistency, simplicity, fairness,  
3 and effectiveness.

4 (5) After initial meetings and during or after development of draft recommendations, the economic affairs  
5 interim committee shall use a portion of the appropriated study money to hold facilitated public meetings in three  
6 geographically separate parts of the state to take public comment and suggestions for changes in current laws.  
7 Legislators representing those three geographic areas must be invited to the presentations.

8 (6) The economic affairs interim committee shall prepare a final report of the study's findings and any  
9 recommendations and deliver that report by September 15, 2016, as provided in 5-11-210.

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11 **NEW SECTION. Section 2. Appropriation.** (1) There is appropriated from the state general fund to  
12 the legislative branch for use by the economic affairs interim committee, as provided in subsection (2), \$100,000  
13 for the biennium beginning July 1, 2015.

14 (2) The appropriation must be used to pay for the costs of the study described in [section 1].

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16 **NEW SECTION. Section 3. Effective date.** [This act] is effective on passage and approval.

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18 **NEW SECTION. Section 4. Termination.** [This act] terminates December 31, 2016, or upon completion  
19 of the study and presentations provided for in [section 1], whichever occurs first.

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