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Navigating the Evolving Landscape of Alcoholic Beverage Licensing: Key Trends and Regulatory Shifts

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National operators face continuing challenges with alcoholic beverage licensing and compliance, predominantly due to the inherent complexity of adhering to a diverse array of liquor control regulations across the United States. Each state, and often municipalities within them, have their own rules for obtaining and maintaining licenses, covering everything from hours of sale to employee training and the percentage of food-to-alcohol sales.

Multi-state licensees are often trying to determine how to best streamline licensing across jurisdictions, adapt centralized compliance to changing regulations, implement new technologies and automation, manage risk and license violations, and coordinate with multiple federal, state, and local agencies.

The **National Association of Licensing and Compliance Professionals (NALCP)**, a trade association comprised of member companies involved in the sale and service of alcoholic beverages, recently held its annual conference in Fort Worth, Texas. The four-day conference included several panels with industry experts, interactive sessions with state alcoholic beverage regulators, and numerous social events, bringing together national retailers, restaurant groups, hotels, live entertainment companies, and other multi-state business operators, along with professionals, legal specialists, and service providers in the alcoholic beverage industry.

Adam Barnosky, Chair of RIW's **Restaurant & Hospitality Law Practice** and NALCP Associate Member, attended the conference on behalf of the firm and provided the following takeaways regarding national trends in state liquor licensing laws:

1. **State Legislators Move Towards Stakeholder Collaboration & Adaptive Regulation.** State legislatures continue to explore ways to modernize liquor licensing laws to keep pace with consumer trends, technological updates, and economic realities. The past year has seen a notable trend toward regulatory flexibility, economic growth, and consumer protection. Colorado, for example, recently created a liquor advisory group consisting of state regulators and industry stakeholders to shape policy initiatives. Over 20 recommendations made by the group were adopted by state lawmakers, with changes set into law, including renewal efficiencies, updated catering and delivery options, and expanded educational tastings for retailers. This collaborative model has been seen in other states over the past decade, including Massachusetts' Alcohol Task Force in 2017, and gradually becoming a best practice for balancing regulatory needs with industry viability at the state level.
2. **Integration of Biometric Technology for Age Verification.** As retailers continue to find new ways to improve age verification and avoid underage sales, biometric technologies

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are being authorized and implemented by liquor licensing authorities, most recently in California. Biometric systems simplify the age verification process by quickly matching a buyer's biometric data to stored identification data using fingerprint and palm scanning, facial recognition, and iris scanning. In California, Senate Bill 1371 showcases the growing integration of this technology, which aims to reduce human error and identity fraud risks and increase licensing compliance. While there remain concerns about privacy and security risks currently inherent in this technology, as POS and consumer protection systems evolve, an industry-wide mandate for biometrics is expected to be adopted by more regulatory authorities throughout the country.

3. **Entertainment Zones and Easing of Open-Container Laws.** More states and municipalities are authorizing so-called "Entertainment Zones," where customers can carry alcoholic beverages within a defined area outside the licensed premises. Currently, most businesses are required to have any alcohol sold on-premises to remain within the building or partitioned patio area. Designation of Entertainment Zones, like the one created in Downtown San Francisco, allows cities to drive tourism and entertainment spending in concentrated areas. The arrangement creates more flexibility for consumers by enabling them to experience events and public spaces with fewer restrictions on alcohol. Still, it may also complicate permitting and enforcement for some regulatory authorities. That said, this approach is gaining traction, with increasing proposals and pilot programs for Entertainment Zones across the country as an approachable method to offer flexibility while also protecting public safety.
4. **Managerial Flexibility for Licenses: Multiple Managers of Record.** Some states are advancing managerial flexibility, allowing up to five "managers of record" on a single liquor license. This operator-friendly change enables establishments, particularly larger businesses, to operate with more flexibility and accountability, simplifying compliance and ensuring continuity during manager transitions. This change is beneficial in the restaurant industry, where management changes occur with some frequency. Authorizing multiple managers benefits public safety and operations, as it increases the likelihood of an approved manager of record onsite at all times.
5. **Drink Safety: Consumer Protections and Onsite Tamper Testing.** Other states are focused on consumer safety, with emerging regulations requiring certain venues to offer drink covers, onsite drug testing for drinks, and expanded training for employees to recognize drink tampering. For example, in California, on-premise liquor license holders will be required to offer drug testing kits as part of new legislation to stop drink tampering and spiking. Onsite testing kits can quickly detect whether a beverage contains drugs like ketamine or GHB.
6. **Cocktails-To-Go and Off-Premises Sales.** The popularity implementation of cocktails-to-go has increased over the past five years, first gaining traction during the COVID-19 pandemic. Over thirty states have now enacted legislation to make it permanent. This policy offers flexibility for consumers and an added revenue stream for bars and restaurants. States continue to develop specific requirements around sealing and labeling to maintain compliance and safety, with further expansion expected.
7. **Expanding Licensing Categories and Economic Development Initiatives.** State governments increasingly treat liquor licensing as a tool for economic development. In addition to increasing the total number of alcoholic beverage licenses (where many are capped by a specific number or tied to population quotas), some states are expanding licensing categories and offering economic incentives to promote new business models and community investment. New Jersey, for example, introduced sweeping reforms in 2024, adding over 1,300 new liquor licenses, creating new types specifically for large shopping malls, and reducing certain restrictions on breweries and distilleries. The Massachusetts legislature passed a bill **authorizing the City of Boston to issue 225 new liquor licenses over the next three years**.
8. **Streamlining Communication with Regulators.** In an industry that often lags in technology adoption, jurisdictions – most recently Indiana – are adopting electronic communications as a primary channel for interaction with licensing regulators. This

update allows for quicker responses, streamlined renewals, and a more accessible system for inquiries and compliance reporting, in addition to an alignment with broader government trends towards cost-cutting, efficiency, and digital record keeping.

9. **Updates to Tied House Laws.** The "tied house" law refers to regulations that prevent alcohol manufacturers, wholesalers, and retailers from having direct financial interests in one another. This legal framework was initially created to promote fair competition and ensure no single entity dominates the alcoholic beverage market. That said, with many restrictions unnecessarily hampering certain facets of the industry, tied-house reforms have become more popular in recent years. Updates have included loosened restrictions to allow more direct relationships between craft breweries and retailers, enabling breweries to implement direct-to-consumer sales and shipping, enabling restaurants to have exclusive contracts with specific brewers, and allowing more promotional events and collaborations between manufacturers and retailers.

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