Client Alert: State Auditor's Report on Liquor Licensing Reform

By Adam Barnosky on November 3, 2026



On October 13, 2026, the Office of the State Auditor released License to Pour: Access and Equity in Massachusetts Liquor Licensing, a comprehensive examination of the Commonwealth's liquor licensing system. The report identifies certain disparities in license availability and recommends eliminating the state's population-based quota for on-premises licenses in favor of greater municipal control. It also supports restrictions on the transferability of newly issued licenses. The report serves as a policy study and does not change existing law.

Although the report identifies substantial barriers to obtaining liquor licenses, it does not meaningfully examine the potential financial and operational consequences of reform for existing license holders. In municipalities where transferable licenses command substantial market values, changes to availability and transferability could affect existing investments, financing arrangements, and business transactions. These considerations do not diminish the case for reform, but they warrant careful examination and appropriate transitional protections to avoid unintended consequences for established operators.

Expanding access could reduce barriers to opening new establishments, but changes to license availability and transferability may also affect existing investments, restaurant financing and the way businesses are bought and sold. This alert examines the Auditor's findings and recommendations, along with several practical considerations for operators, lenders and the Legislature as reform moves forward.

Background

Issued under G.L. c. 11, § 6B, which directs the Division of Local Mandates to examine how state law affects cities and towns, the report is a 181-page study of how the quota in G.L. c. 138, § 17 works in practice. It draws on ABCC license data, municipal wealth indicators, a survey of 260 respondents (190 municipal officials, 67 business owners, and 3 state officials), and interviews with license holders, municipal officials, and legislators. It arrives while local-control language is pending in the Legislature, and it describes itself as the evidence base for that debate.

Report Findings

The license quota does not track demand. Sixty-four municipalities, home to about 2.5 million residents, have used at least 80% of their allocated licenses, yet they hold only 7.1% of the remaining available quota licenses statewide (263 of 3,729). Where demand is thin, licenses go unissued. Local control does not mandate more licenses

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Two tiers (local control and state control). The 26 municipalities that obtained local control in the 1978 to 1984 window, including Cambridge and Worcester, issue roughly twice as many on-premises licenses per resident (median of 21.5 per 10,000 residents versus 10.9). The other 302 remain under the quota. The report notes that the 26 are disproportionately resort and tourism communities, so the comparison shows an association, not that local control alone explains the gap. Where licenses are available, the report found prices near the licensing fee rather than a six-figure premium.

Relief is slow and opaque. Quota municipalities that want more licenses must file home rule petitions. At least 227 special acts passed since 1978 authorize licenses still active in 101 municipalities, and the report found no centralized record of petitions or their outcomes. A formula built on population alone does not account for tourism, a reviving downtown, or a new transit corridor. Further, special legislation license petitions have no statutory deadline and, the report found, no central record. A local public process is faster and more predictable.

Wealth tracks access. The highest-wealth quartile of municipalities issues 58% more licenses per resident than the lowest. A statewide data platform, published local criteria, and a public registry of licenses available for transfer would improve diligence for operators, buyers, lenders, and counsel.

Scarcity creates a private market. Business owners reported paying $230,000 to $600,000 for Boston licenses, versus roughly $2,500 to $2,600 in the local-control municipalities of Cambridge and Haverhill. These price figures rest on 13 survey responses.

Auditor's Recommendations & Pending Legislation Status

The report concludes with the following recommendations:

1. Eliminate the quota for on-premises licenses and establish local control, so each city or town sets its own number.
2. Alternatively, open recurring windows for municipalities to opt out of the quota, with the first window no later than December 31, 2027.
3. Alternatively, create a criteria-based, non-legislative pathway through the ABCC for quota municipalities to obtain additional licenses.
4. Improve transparency: a statewide licensing data platform, published local licensing processes and a public home rule process.
5. Address the secondary market. The report quotes Senate language making qualifying new licenses non-transferable and concludes: "The evidence in this study supports the enactment of nontransferability provisions."

The report ties Recommendation 1 to pending bills in the House and Senate. Recommendations 2 and 3 are presented as fallback options. Most recently, the House non-concurred on the Senate amendment on July 30, 2026, and a conference committee was appointed. Both bills provide that a city or town "shall determine the number" of on-premises licenses. The current proposed language from the Senate's bill provides that new licenses issued under the municipal-plan framework in response to applications filed on or after January 1, 2027 are non-transferable, and that a license must be returned to the licensing authority if it is canceled, revoked, or no longer in use, or if the holder "closes or terminates the license holder's business or sells or transfers the license holder's business."

Important Considerations for Existing Licensed Operators

While the report has well-supported findings, it does not substantively address impact on existing license holders if the licensing quota system is reformed. Important considerations

include how a license is valued and pledged, what happens to a loan when its collateral changes in value, how a sale closes when the buyer must obtain a new license, and whether existing licenses stay transferable. The specifics are important, and reform meant to expand access can have unintended consequences for operators who have already invested, borrowed, and planned transactions under the existing system. The considerations below are those details.

Many businesses, including small businesses in Massachusetts, paid substantial sums, borrowed against the license, and built succession plans on the understanding that a license could eventually be transferred with the business. Section 23 explicitly permits a license to be pledged for a loan with local and ABCC approval. Those existing commitments deserve consideration as the Legislature decides how reform would be implemented. The report records that some municipal officials believe state control "protects existing investment," but it does not examine that concern further.

License Values

The report compares licenses to Boston taxi medallions, which traded for as much as $700,000 in 2013 and about $20,000 by 2023 after ride-hailing entered without a cap. It observes that "the price of a capped license reflects the regulatory limit" and "the value substantially dissipates when the limit does." The two markets are not identical, but the medallion experience illustrates how a change in a regulatory cap can substantially affect the value of a transferable license. It raises a legitimate question about the effect of expanded liquor license availability, particularly in high-value markets such as Boston.

The report establishes the rationale for broader access but does not attempt to quantify the effect on the resale value of licenses already in circulation, and it reports no resale prices for wine-and-malt licenses. That effect will depend on the pace of new issuance, geographic restrictions and the terms of local plans. Boston's 2024 expansion and Milton's 2026 special act confined new licenses to zones and made them non-transferable, which may moderate the effect on established licenses without necessarily insulating their value. Plans that issue new licenses broadly would lack the zone limit, although the Senate language would still make those licenses non-transferable.

Restaurant Financing & Pledge of License

Liquor licenses can play an important role in restaurant financing, a subject that falls largely outside the report's principal focus. The report mentions lending only in passing. Section 23 expressly permits a license to be pledged for a loan. A decline in license value could affect collateral coverage, applicable loan covenants, and refinancing options, depending on the terms of the loan documents. A lender also cannot realistically rely on a non-transferable license as collateral because it cannot be conveyed to a successor operator. As policymakers consider changes to availability and transferability, it would be useful to examine how those changes could affect outstanding loans, collateral arrangements, and existing businesses' ability to refinance or raise capital. Consider the following example:

A Boston restaurant operator acquires a liquor license for $600,000, financing $450,000 of the purchase through a bank loan secured primarily by the license and personally guaranteed by the owner. At closing, the bank's loan-to-value ratio is 75%, providing a substantial collateral cushion.

Several years later, Massachusetts eliminates its population-based licensing quota, and an influx of newly available licenses reduces the secondary-market value of the operator's existing license to $25,000. Assuming the outstanding loan balance remains $450,000, the loan-to-value ratio has increased to 1,800%. The restaurant, however, has not failed. It remains open, profitable,

employs its staff, and continues making its monthly loan payments.

Nevertheless, if the financing agreement requires the borrower to maintain a specified collateral value or loan-to-value ratio, the reduction could constitute a default. The bank might demand additional collateral or a substantial principal payment that the operator cannot provide. If the default remains uncured, the lender could potentially accelerate the loan and, depending on the terms of the personal guaranty, pursue the owner individually for the unpaid balance.

The result is a particularly difficult form of financial exposure: an otherwise successful restaurant owner could face personal liability, not because the business deteriorated or payments were missed, but because a change in state licensing policy substantially reduced the value of the collateral securing the debt.

Purchase and Sale of a Restaurant

Non-transferability raises a separate set of questions when an operating restaurant is sold. The report notes that transfers occur when a buyer acquires an operating business and its existing license. Recommendation 5 does not address how sales of operating restaurants would work.

In constrained markets, a transferable license can be a significant component of a sale price. Under the Senate proposal, a qualifying new license would have to be returned rather than conveyed to the buyer, so the buyer would need to obtain a new license through the local and ABCC process. A non-transferable license may have no independently realizable resale value, although the restaurant's goodwill, equipment, lease and other assets would remain.

The practical issue is closing certainty: whether a buyer can obtain authorization to operate with enough confidence to close, finance the acquisition and continue operating without interruption. That can affect price, closing conditions, and acquisition financing. One workable approach is for legislation to authorize a local licensing authority to approve a successor's license in advance, with issuance conditioned on surrender of the predecessor's license and any required ABCC approval. That would preserve the non-transferability principle while allowing an orderly sale.

Maintaining Protections for Existing Licenses & Transition Assistance

The Senate language quoted in the report applies prospectively, to qualifying licenses issued on applications filed on or after January 1, 2027 under the municipal-plan framework. As quoted, it does not impose the same requirement on the existing stock of licenses, and that distinction matters. The report's premise, that a regulatory privilege has come to function as a private asset, could be applied more broadly, although the report does not recommend that. As the legislation develops, operators should watch whether the Legislature maintains the distinction and how any future restrictions interact with existing license rights, contracts, and established transfer practices.

Transition Assistance

The report does not propose a transition for existing businesses. Massachusetts law expressly limits a license holder's property rights, and municipalities and existing licensees should not assume that a reduction in secondary-market value would give rise to a right to compensation. If the Legislature wants to provide assistance during the transition, it would likely need to create it as a matter of policy.

One approach is targeted assistance, such as loan guarantees or refinancing help for

operators whose outstanding financing is materially affected by a change in license value, along the lines of New York City's medallion relief program. That would not require compensating every license holder at full market value. The report's illustrative estimate of new meals-tax revenue, which it states is not a forecast, might suggest one possible source of funding, as would a fund created from license activation and renewals from any new licenses issued under the new program.

Further Stakeholder Perspectives

The Auditor's research draws on licensing data, a survey of 260 respondents, and interviews, which provides a substantial foundation for the policy discussion. The report states that the survey was distributed through open channels, that respondents self-selected, and that no response rate was recorded. The interview recruitment list named 29 people (11 license holders, 16 municipal officials, and 2 legislators), and interviewees also included survey respondents who volunteered; the report does not state how many interviews were completed. The published methodology does not identify whether lenders, borrowers, trade associations, or transactional counsel participated. The analysis understandably focuses more on access to licensing than on the financing and acquisition issues that arise after a business obtains its license.

As the Legislature considers next steps, there may be value in supplementing this work with input from hospitality lenders, buyers and sellers of restaurants, transactional counsel and others involved in financing and transferring operating businesses.

Sources

- **License to Pour: Access and Equity in Massachusetts Liquor Licensing** (Office of the State Auditor, Division of Local Mandates), Recommendations 1 and 5
- **H.437, An Act returning liquor license control to municipalities**
- **S.3228, Senate amendment to H.5576** and **H.5576**
- **G.L. c. 138, § 23**

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