

LIQUOR LICENSING IN IDAHO – 2025

Idaho Policy Institute

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INTRODUCTION

Spacebar Arcade partnered with Idaho Policy Institute (IPI) to examine the economic, social, and community impacts of liquor license quota systems on the restaurant and bar industry, market dynamics, and community well-being. This report draws on academic research, national case studies, and local data to explore how the systems regulating the number of available licenses affect entrepreneurship, economic development, and public health.

The analysis highlights best practices and offers recommendations tailored to Idaho's unique landscape and will provide policymakers, business owners, and community leaders with evidence-based insights to guide decision-making and potential reforms.

SYSTEMS NATIONWIDE

In the United States, states are either considered to be alcohol control or alcohol open states, though each state varies in the specific regulations on the sale and distribution of alcohol. States may choose to either be open or controlled based on different factors, including public health outcomes and economic impact of liquor sales.¹

In alcohol open states, sometimes referred to as license or private-market states, the state government does not directly regulate the sale of alcohol and instead provides a liquor license to any private business that applies.² The licensing systems in these states can vary from state to state based on their specific needs but allow the government to collect liquor taxes and licensing fees as revenue.³

In alcohol control states, the state government oversees the distribution and sale of alcohol. These states regulate the sale of alcohol and give the state government increased authority in who to issue private licenses to. The licenses available to private businesses can be limited, most often based on population or limited by region of the state. This system creates greater oversight for the state to ensure compliance with state liquor laws.⁴

There are two general categories for licensing systems in the United States, commonly referred to as quota-based and local control systems. Local licensing systems give authority for issuing licenses to local governments rather than the state government. Rules regarding licensing types and regulations can vary between municipalities but allow individual communities to tailor issued licenses to their specific needs. Quota-based licensing systems limit the number of available licenses for private businesses most commonly based on population or region of a state. Licensing systems, whether quota-based or under local discretion, are used as a tool to manage and regulate behaviors related to alcohol, whether that behavior belongs to private business owners or consumers of alcohol.⁵

IDAHO'S CONTEXT

The State of Idaho is a controlled alcohol state, with the government regulating the issuance of liquor licenses and sale of alcohol. The Idaho State Liquor Division was established in 1935 and in 1959, the quota system that is still in use today was established and codified into law.^{6,7} Although this quota system limited the number of licenses that were available to businesses, the licenses were able to be sold, leased, or transferred as a commodity between private business owners. This system in Idaho utilizes a population-based quota system, issuing only two licenses per city plus one license for every 1,500 residents.⁸ Senate Bill 1120, introduced during the 2023 Legislative Session, is the first bill proposed to change the existing liquor license laws in Idaho and aimed to eliminate that secondary market by banning the sale, lease, and transferability of existing licenses.⁹ This bill was signed into law and took effect on July 1, 2023 and is still in effect today. In the following 2024 Legislative Session, Senate Bill 1381 was proposed, creating additional changes to the Idaho law for exceptions to the number of licenses made available in resort cities which experience significant seasonal population changes.¹⁰

ECONOMIC IMPACTS

Current licensees are motivated to preserve the quota system to prevent competition from entering the market and maintain a political presence to do so. In this way, the quota system promotes the interests of licensees and prevents free market competition.¹¹ The insulation of licensees through the quota system is beneficial to those in business but could be a hindrance to those who wish to enter the market and to the consumer, who cannot benefit from competition to the same degree as in systems which have no quota.¹² Further, the quota system, and its hindrance of free market economics may be detrimental to the growth and economic development of communities in Idaho.¹³ This system places an additional barrier in front of newcomers who want to bring business to developing areas.¹⁴

The Idaho legislature has taken steps to alleviate some of the benefits to licensees that may result from the quota system. One sizable step to reduce the effects of the quota system on the market was the passing of Idaho Senate Bill 1120 (S1120).¹⁵ This legislation was put in place to reduce the power of the secondary market for the sale of Liquor Licenses. Within this secondary market, licenses that were originally issued for \$750 would, in some cases, skyrocket to a \$350,000 value.¹⁶ The combination of a limited supply of licenses and an increasing demand inflated license values. This was not only untenable for small businesses, but also created a situation in which speculators could buy licenses to profit off the license itself, which in turn reduced the amount of usable and state-priced liquor licenses for those seeking to bring new business to Idaho communities. S1120 addressed this

secondary market by ensuring that licenses issued after July 1, 2023, could not be sold, leased, or transferred. Any licenses issued before July 1, 2023, could only be sold or transferred once (§1120).¹⁷ Enforcement of this policy will be crucial to ensure fairness in the licensing process moving forward.

SOCIAL AND COMMUNITY IMPACTS

After Prohibition was repealed, states gained control over alcohol regulation, and many states, including Idaho, implemented quota systems mainly to prevent overconsumption, reduce crime, and protect community welfare.¹⁸ Quota systems can influence community equity, public health and safety, and the accessibility of dining and entertainment.

Community equity focuses on the fair allocation of resources, opportunities, and services across different neighborhoods. Quota systems can intensify economic disenfranchisement leading to clusters of restaurants and bars in wealthier neighborhoods.¹⁹ This happens because of the limited supply of liquor licenses through quota systems. Since these liquor licenses are limited they become valuable and expensive.²⁰ The market pushes licenses to wealthy areas since investors/entrepreneurs prefer to open bars/restaurants in already successful/high traffic areas so that they can maximize profits.²¹ For example, in Boise, downtown Boise has about 89 restaurants, while the neighborhood with the next highest number of restaurants is the Boise Bench, with 52 restaurants.²² This disparity leaves specific neighborhoods, often those with lower economic status, from participating in the potential for economic growth.²³ It also limits their accessibility to dining and entertainment options, which are vital to economic success in an area.²⁴ When liquor licenses are difficult to obtain, it can be difficult for these businesses to survive, as alcohol sales often play a large role in their revenue.²⁵

However, it's important to note that when there's increased clusters of bars/restaurants/alcohol outlets in a neighborhood, there can be potential impacts on public health. Research shows areas with a high density of alcohol outlets have increased crime (violent and nonviolent), overconsumption, motor vehicle accidents, and negative health outcomes.²⁶ Quota systems limit the number of liquor licenses, limiting the number of alcohol outlets. When there are fewer outlets like restaurants, bars, and liquor stores, there is less alcohol-related harm due to the increased cost of transportation to purchase liquor.²⁷

RECOMMENDATIONS

The issue of the liquor licensing system in Idaho has come up for examination in recent years, primarily beginning in 2023 with the proposal of Senate Bill 1120, which sparked significant public testimony. When Senate Bill 1120 was presented in the Senate State Affairs and House State Affairs Committees in March of 2023, many local business owners acknowledged that change was

needed to the system in Idaho but that the best solutions would only be reached if all stakeholders were given a seat at the decision table.²⁸ In addition to the testimony, some local stakeholders have proactively drafted proposed bills aimed at addressing the diverse needs of affected parties, which would provide a valuable foundation for crafting comprehensive solutions. Given the support for continued research into the liquor licensing systems and its economic impacts, business owners from across the state could benefit from an interim legislative committee. This type of committee could be dedicated to researching the needs of local businesses and the impacts of the current licensing system as a means of creating updated legislation that addresses the needs of legacy license holders and new business owners alike.

Idaho communities might benefit from a localized approach to the liquor license system. In a localized model, each county could have the opportunity to change their quota system if they so choose. Counties that wish to maintain the quota system or put in place a more stringent policy may do so and counties that wish to raise the maximum quota or remove it may do so as well. This could potentially allow areas to reduce barriers for new restaurants and bars. If a community does choose to open its quota system, they should consider the economic effects of that decision. Expanding ongoing efforts to track liquor revenue in Idaho would be beneficial as a means of determining the effect of any altered policy. This system of county choice followed by responsible tracking of impact will aid in an incremental approach to change in the quota system and stem the prevalence of unintended consequences.

Whether quotas are expanded or eliminated, there are other ways for states to alleviate public safety concerns. Oregon provides a useful example of a state that has no quota system and still promotes public safety through other means. Mandatory alcohol server training is one way that Oregon tries to keep its residents safe.²⁹ The training consists of education on alcohol laws in the state, ways to recognize intoxicated individuals, proper ID verification, liability, compliance, and other safety measures to promote public safety.³⁰ Today in Idaho, Boise and Meridian are the only two cities that require this training.

As Idaho's population and economy continue to grow, it could be helpful to look at other states that have recently reformed their liquor licensing laws. States like New Mexico and New Jersey have recently updated their liquor licensing laws to increase access to licenses and balance economic growth while maintaining public health and safety goals. Looking at these states can help offer different approaches to licensing reform. While Idaho's context is unique, these case studies can provide ideas or considerations to examine in future policy discussions.

New Mexico enacted House Bill 255 in 2021 to make liquor licenses more accessible, increase economic development while still considering public health and safety. The key changes that were made were a new class of restaurant liquor licenses that allowed restaurants to sell beer, wine, and spirits as long as 60% of their revenue came from food purchases.³¹ The bill also made liquor licenses more affordable and offered tax deductions and fee waivers to protect the investments of existing liquor license holders.³² The House bill also made delivering alcohol legal, lifted bans on selling alcohol before 11 am on Sundays, and banned the sale of miniature alcohol bottles (50ml or less) for off-premise consumption to prevent litter and public intoxication.³³

New Jersey has recently made changes to their liquor licensing laws, with Governor Murphy signing legislation S-4265/A-5912 into law in January of 2024. This law targets inactive/pocket licenses and introduces a new retail consumption liquor license class. Inactive licenses are tied to specific locations but are not in use, while pocket licenses are not tied to a specific location.³⁴ Under the reform, license holders must either activate or sell licenses that have been unused for two years. If not, the license can be transferred to a neighboring municipality. Municipalities can also reclaim licenses that have lapsed for eight years and resell them locally. This could reintroduce up to 1,356 licenses into the market.³⁵ The new class of retail consumption liquor licenses is intended for malls; two new liquor licenses will be introduced to malls with over 750,000 square feet, and four new liquor licenses to malls with over 1.5 million square feet. This could introduce 100 new licenses under this provision.³⁶

CONCLUSION

Through researching Idaho's quota system and other liquor license systems across the country, this paper identified the various impacts of liquor license policy and developed a list of pragmatic approaches that may be considered by Idaho policy makers in the future. Quota systems may be effective in their ability to reduce the adverse effects of widely available alcohol by limiting the density of alcohol outlets. While they may be beneficial to public health in their capacity to limit businesses that serve alcohol, licensing quotas may also be to the detriment of the free market, as the quota system insulates licensees from competition. Quotas may also produce inequities between different communities by clustering businesses in wealthier areas.

To address these concerns, an interim legislative committee would be beneficial to properly assess the needs of businesses and Idaho communities. Different Idaho communities may need bespoke approaches to liquor licensing, and a localized approach to the quota system may be useful, allowing communities to decide how they would like to approach the liquor licensing process. Additionally, looking towards other states which have

recently changed their licensing system may prove helpful in determining best practices, ways to promote public safety, and opportunities to encourage economic vitality. Idaho's unique context will require a distinct approach to liquor licensing; a continued process of information gathering and policy evaluation will be prudent to prevent unintended consequences arising from new policy.

ENDNOTES

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