

Department of Planning and Budget

2004 Fiscal Impact Statement

1. Bill Number: HB1230

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Landes

3. Committee: General Laws

4. Title: The Virginia Wine Board

5. Summary/Purpose: The bill establishes the Virginia Wine Board and the Virginia Wine Promotion Fund. The Board is composed of the Commissioner of Agriculture and Consumer Services and nine gubernatorial-appointed citizens who represent grape growers and owners or operators of wineries or farm wineries. Among its powers and duties, the Board can contract for research services to improve viticultural and enological practices in Virginia, enter into contracts with private and public entities to market, advertise and promote the industry, and engage in revenue-producing activities. The activities of the Board are exempted from the Virginia Public Procurement Act. The Fund consists of general fund appropriations, six percent of the moneys generated annually from the wine liter tax, fees from services rendered, and payments received for products, equipment or goods supplied. The bill repeals the Virginia Winegrowers Advisory Board and the Winegrowers Productivity Fund and transfers any moneys remaining in the Winegrowers Productivity Fund to the new Virginia Wine Promotion Fund.

6. Fiscal impact: See item 8.

7. Budget amendment necessary: Yes. Adjustments to House Bill 30, the Budget Bill, are necessary to revise the revenue estimates. The general fund resources available should be decreased by \$660,000 and the nongeneral fund revenue should be increased by \$660,000. In addition, a nongeneral fund appropriation of \$660,000 for the Virginia Wine Board must be established to permit the board to expend funds transferred from the wine liter tax. Adjustments to the initial appropriation for funding from donations, fees, and payments may be made administratively as needed. A general fund appropriation may be included also, if the General Assembly decides to provide general fund support for the board.

Section 3-1.01 of House Bill 30, the Budget Bill, includes an interfund transfer of \$490,697 in each year from Alcoholic Beverage Control gross profits for expenses incurred by the Virginia Winegrowers Advisory Board. The transfer, and the associated appropriation of the transferred funds (in Item 99), should be deleted, if the Winegrowers Advisory Board is eliminated.

8. Fiscal implications: The bill creates the Virginia Wine Promotion Fund and dedicates six percent of the revenue generated annually from the wine liter tax to the fund. As provided in § 4.1-235, Code of Virginia, 44 percent of the wine liter tax currently is distributed to

localities and 12 percent to the Alcoholic Beverage Control Board (for distribution in accordance with § 4.1-117, Code of Virginia), with the balance remaining in the general fund.

The bill diverts six percent of the wine liter tax to the Virginia Wine Promotion Fund, in effect reducing the revenue available for general fund use.

The Department of Alcoholic Beverage Control estimates FY 2005 and FY 2006 wine liter tax revenue of \$11 million each year. Therefore, the six percent transfer to the Virginia Wine Promotion Fund would be \$660,000 annually, and general fund revenue would be reduced by \$660,000 each year.

In addition, the bill establishes the Virginia Wine Board as a “supervisory board in the executive branch.” The bill provides for the Virginia Wine Board to report at least annually to the Secretary of Commerce and Trade regarding receipt and expenditure of funds, and it requires the Secretary to “ensure that funds made available to the board from the fund are expended only for purposes of this chapter.” It is unclear if the intent of the bill is to establish the board as an individual state agency, such as the Tobacco Indemnification and Community Revitalization Commission. If this is the case, then the Virginia Wine Board will be subject to overhead and administrative costs, including workers compensation, liability insurance, telecommunications, and information technology. The current funding for the Virginia Winegrowers Advisory Board is exempted from these costs because the costs are absorbed in the Department of Agriculture and Consumer Services’ general fund administrative budget. Also, as a nongeneral fund agency, the Virginia Wine Board will be subject to statewide indirect cost recoveries assessed by the Department of Accounts. These costs will affect the amount of funding available for Wine Board programs.

9. Specific agency or political subdivisions affected: Winegrowers Advisory Board, Department of Agriculture and Consumer Services.

10. Technical amendment necessary: No.

11. Other comments: The bill is a companion to Senate Bill 310.

Date: 1/30/04 kbs

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cc: Secretary of Commerce and Trade