

Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number:** HB2450

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

2. **Patron:** Saxman

3. **Committee:** Passed both Houses

4. **Title:** Alcoholic beverage control; nonresident winery distributor

5. **Summary/Purpose:** The bill requires the Commissioner of Agriculture and Consumer Services to establish and operate a nonprofit, nonstock corporation that will provide wholesale wine distribution services for wineries and farm wineries. The bill specifies the composition of the board of directors for such an organization. The bill further specifies that the corporation can only provide distribution services for 3,000 cases of wine produced by each Virginia winery in one fiscal year. Finally, the bill provides that a wholesale wine or beer license can be applicable to two or more premises, given that the cost of the license is appropriate to the number of premises.

6. **Fiscal impact estimates are:** Final. See item 8.

6a. Expenditure Impact: Department of Agriculture and Consumer Services

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08	280,252	2.00	General
2008-09	\$240,258	2.00	General
2009-10	\$240,258	2.00	General
2010-11	\$240,258	2.00	General
2011-12	\$240,258	2.00	General
2012-13	\$240,258	2.00	General

Expenditure Impact: Department of Alcoholic Beverage Control

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08	\$149,957	2.00	Nongeneral
2008-09	\$149,957	2.00	Nongeneral
2009-10	\$149,957	2.00	Nongeneral
2010-11	\$149,957	2.00	Nongeneral
2011-12	\$149,957	2.00	Nongeneral
2012-13	\$149,957	2.00	Nongeneral

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08	\$23,125	n/a	Nongeneral
2008-09	\$24,050	n/a	Nongeneral
2009-10	\$24,975	n/a	Nongeneral
2010-11	\$25,900	n/a	Nongeneral
2011-12	\$27,010	n/a	Nongeneral
2012-13	\$27,010	n/a	Nongeneral

- 7. Budget amendment necessary:** No, the budget as passed by the General Assembly includes \$280,000 and two positions in general fund support and \$23,125 in nongeneral fund appropriation for Department of Agriculture and Consumer Services in Item 90 (Agricultural Industry Marketing, Development, Promotion, and Improvement). The nongeneral fund appropriation for the Department of Alcoholic Beverage Control in Item 379 (Crime Detection, Investigation, and Apprehension) may be adjusted administratively if needed.

8. Fiscal implications:Department of Agriculture and Consumer Services

According to the Department of Agriculture and Consumer Services, establishing and administering the nonprofit corporation will require two positions to: procure licenses from the Department of Alcoholic Beverage Control and issue licenses to the wineries; manage and track inventory to ensure that no more than 3,000 cases of wine from a winery is in the system in any given year; work with legal representatives to ensure that leases are in place and are correct; manage income from licensees; maintain required records at the licensed premises; enforce the operating agreement between distributors and licensees; monitor the bank accounts; managing procurement paperwork between the Department of Alcohol Beverage Control, the department, and the retailer in accordance with recordkeeping requirements; and ensure that the appropriate taxes are submitted. The annual cost of the positions is estimated at \$160,758. In addition, the department anticipates expenses for communications, legal services, information technology, and travel of \$119,500 in the first year and \$79,500 thereafter.

Department of Alcoholic Beverage Control

The Department of Alcoholic Beverage Control estimates that two positions in the Enforcement Division would be needed for the increased workload associated with licensure, compliance, audit, regulation, monthly tax collection and inspections. The positions include one senior special agent and one tax examiner.

Revenue

Currently there are 125 winery/farm winery licensees that could pursue wine distribution services through the nonprofit, nonstock corporation operated by the Department of Agriculture and Consumer Services as provided for in the bill. Assuming 125 wineries participate, the annual tax revenue is estimated at \$20,350 (125 separate locations covered by the license multiplied by the \$185 tax per location). The revenue table above assumes a 4 percent growth in the number of wineries per year, as estimated by the Department of Agriculture and Consumer Services.

9. Specific agency or political subdivisions affected: Department of Agriculture and Consumer Services, Department of Alcoholic Beverage Control.

10. Technical amendment necessary: No.

11. Other comments: The bill includes enactment clauses which state that: an emergency exists and the bill is in force from passage; the Commissioner of Agriculture shall implement the provisions of the bill consistent with an opinion of the Attorney General dated April 18, 2006, within 90 days of approval by the Governor; and that the Department of Alcoholic Beverage Control shall enable the formation and operation of the corporation.

Date: 2/26/07 kbs

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cc: Secretary of Agriculture and Forestry
Secretary of Public Safety