Department of Planning and Budget
2015 Fiscal Impact Statement

1. **Bill Number:** HB1776

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Albo

3. **Committee:** House Appropriations

4. **Title:** Alcoholic beverage control

5. **Summary:** Eliminates the Alcoholic Beverage Control Board (ABC) and replaces it with the Virginia Alcoholic Beverage Control Authority, created by the bill. The bill provides for the appointment of the Board of Directors of the Authority by the General Assembly, with the concurrence of the Governor, and the appointment by the Board of Directors of a Chief Executive Officer of the Authority and sets eligibility requirements for appointment, including background checks. Among other things, the bill also (i) provides for the transfer of current ABC employees to the Authority, (ii) continues such employees' participation in the state health plan and VRS, and (iii) sets out the powers and duties of the Authority and the Chief Executive Officer. The bill contains numerous technical amendments. The bill has a delayed effective date of July 1, 2018.

6. **Budget Amendment Necessary**: No

7. **Fiscal Impact Estimates:** Indeterminate (see Item #8)

8. **Fiscal Implications:** The bill eliminates the Alcoholic Beverage Control Board (ABC) and creates an "Authority." It also provides that before the "Authority" implements any increase in the markup on distilled spirits or any change to the markup formula for distilled spirits that would result in an increase in the retail price of distilled spirits sold to the public, the Authority must provide at least 45 days' public notice before such a price increase takes effect; provide the opportunity for submission of written comments regarding the proposed price increase; conduct a public meeting for the purpose of receiving verbal comment regarding the proposed price increase; and consider any written or verbal comments before implementing such a price increase.

   Currently, ABC has 1,033 classified full-time employees with approximately 12 percent eligible for retirement today and an additional 12 percent eligible for retirement within the next five years. According to the agency, additional expenses may be incurred due to Workforce Transition Act (WTA) benefits payable to those employees who opt-out of the transfer to the "Authority." It is difficult to quantify the number of classified employees who would opt-out of the transfer, making it difficult to quantify eligible benefits payable to those employees. Benefits paid would be dependent on years of service, Virginia Law Officer Retirement Systems benefits (VALORS), and other variables.

The provisions of the bill will not become effective until July 1, 2018.

Currently, as a state agency, ABC receives technology support from the Virginia Information Technology Agency (VITA). Under the provisions of the bill, the agency would not be required to pay the annual VITA service fee of approximately $8 million in FY 2019; however, the newly created “Authority” would have to contract with an outside vendor for information technology services. VITA estimates the “Authority” will have annual reoccurring costs of $7 million and $8 million, for vendor and/or staff support and other operating expenses. The “Authority” would also incur cost to relocate and house Authority servers and reinstitute a Help Desk. The current annual VITA cost for these services is $3.1 million. VITA estimates that future cost associated with these services could be approximately 25 percent higher with another vendor.

For VITA purposes, the “Authority” would be considered “out of scope” and much of the technology equipment (laptops, phones, servers, etc.) that the agency currently uses would be returned to VITA. The “Authority” would then be responsible for re-acquiring the necessary technology to operate. ABC estimates that the one-time cost to repurchase the laptops and servers would be between $4 million and $5 million, which is in addition to the VITA service fees and annual operating costs noted above. According to ABC, the upfront costs of transferring to an “Authority” will likely reduce the amount of profits transferred to the general fund in FY2017 and FY2018 as the agency transitions to an “Authority.”

The bill provides an exemption of the “Authority” from Virginia Personnel Act and the Virginia Public Procurement Act. As a result of the exemption, the bill may have a small impact on the Department of General Services (DGS).

Currently, ABC is included in the Commonwealth’s integrated real estate portfolio management system managed by the DGS. DGS leverages the Commonwealth’s real estate lease needs by identifying collocation opportunities in order to leverage leased space and drive down cost per square foot. The “Authority” would not be required but would have the option to use DGS services. If the “Authority” opts not to take advantage of such opportunities, there could be a small fiscal impact on DGS, the “Authority” and potentially other state agencies. The integrated system has provided cost savings and avoidance of an estimated $126 Million since the program begun in 2005. ABC’s share of the savings/avoidance was about $923,000 during the same period.

9. **Specific Agency or Political Subdivisions Affected:** All state agencies, local governments

10. **Technical Amendment Necessary:** No

11. **Other Comments:** Similar to SB1032S1

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