

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: SB1269

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Deeds

3. Committee: Senate Committee on Rehabilitation and Social Services

4. Title: Alcoholic beverage control; privileges of holders of certain multiple licenses; distiller's license.

5. Summary: Provides that a licensed distiller who is an agent of the ABC Board shall earn a 30 percent commission on all sales of spirits in closed containers sold on such agent's licensed premises. The bill also allows a person holding multiple licenses for the manufacture of wine, beer, spirits, or cider to provide samples of any alcoholic beverage produced on the licensed premises to persons under certain conditions. The bill creates a new Virginia distiller's remote license, which authorizes the owners, employees, or authorized representatives of licensed distillers whose premises are wholly contained within Virginia to sell or give samples of alcoholic beverages of the type specified in the license at licensed events held by the licensee or at a festival or event already authorized by a banquet, banquet special event, or manufacturer multi-day event license. The bill sets other privileges and limitations on this new license and sets the state and local license taxes. The bill also eliminates the volume limits on samples at distillery stores (agents of the ABC Board) or government stores and allows samples to be given so long as the person consuming the alcoholic beverage is not under age or intoxicated.

6. Budget Amendment Necessary: No

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

8. Fiscal Implications: Currently, the Department of Alcoholic Beverage Control (ABC) pays a 15 percent commission on the first \$100,000 in sales; 10 percent commission on sales of \$100,001 to \$250,000; and a 7 percent commission on sales above \$250,000. In FY2014, nearly \$230,000 in commissions was paid to the five distillery stores operating in the Commonwealth.

Since August 2014, the number of distillery stores has increased from 5 to 10. The proposed legislation would increase the commission payment rate to these distillery stores from 15 percent to 30 percent. ABC estimates that with the number of distillery stores rapidly expanding in this emerging part of the industry, the cost to the agency could quickly approach \$800,000 to \$1 million annually in commission payouts.

As part of its cost savings strategy included in the Governor's introduced budget, ABC proposed to eliminate distillery store commissions thus creating expenditure savings and increasing revenue.

According to ABC, the provisions of the proposed legislation would likely decrease revenues by requiring the agency to sell to distilleries at wholesale for their events. It would also likely have a moderate impact on agency enforcement operations as it relates to issuing and monitoring remote licenses.

9. Specific Agency or Political Subdivisions Affected: ABC

10. Technical Amendment Necessary: No

11. Other Comments: None

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