Department of Planning and Budget
2017 Fiscal Impact Statement

1. Bill Number: HB2359H1

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

2. Patron: Albo

3. Committee: House Committee on General Laws

4. Title: Virginia Alcoholic Beverage Control (ABC) Authority.

5. Summary: Changes the effective date for the creation of the ABC Authority from July 1, 2018, to January 15, 2018. The bill creates a transition period from January 15, 2018, until December 31, 2018, during which time the current Department will coexist with the ABC Authority to facilitate an orderly and efficient transition and to ensure the continuation of operations during the transition. The bill provides that during the transition period the current ABC Board will be the Board of Directors of the ABC Authority. The bill authorizes the ABC Authority to implement and maintain independent payroll and nonpayroll disbursement systems, which are subject to review and approval by the State Comptroller and which include travel reimbursements, revenue refunds, disbursements for vendor payments, petty cash, and interagency payments. The bill also (i) streamlines the suspension and revocation process to encourage settlement of cases before reaching the appeal level to the Board of Directors, (ii) exempts the Authority from mandatory procurement provisions, and (iii) authorizes the Board of Directors to delegate or assign to any officer or employee of the Authority any duties or tasks required to be performed by the Authority, but provides that the Board remains responsible for the performance of any such duties or tasks. The bill also establishes guidelines for the imposition of civil penalties as appropriate. However, in no event shall the Board impose a civil penalty exceeding $2,000 for the first violation occurring within five years immediately preceding the date of the violation or $5,000 for the second violation occurring within five years immediately preceding the date of the second violation. However, if the violation involved selling alcoholic beverages to a person prohibited from purchasing alcoholic beverages or allowing consumption of alcoholic beverages by underage, intoxicated, or interdicted persons, the Board may impose a civil penalty not to exceed $3,000 for the first violation occurring within five years immediately preceding the date of the violation and $6,000 for a second violation occurring within five years immediately preceding the date of the second violation in lieu of such suspension or any portion thereof, or both. Upon making a finding that aggravating circumstances exist, the Board may also impose a requirement that the licensee pay for the cost incurred by the Board not exceeding $10,000 in investigating the licensee and in holding the proceeding resulting in the violation in addition to any suspension or civil penalty incurred. The bill contains numerous technical amendments.

6. Budget Amendment Necessary: No

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

8. **Fiscal Implications:** According to the Department of Alcoholic Beverage Control (ABC), the fiscal impact of the proposed bill cannot be determined. There will be a nominal cost for moving up the effective date of the ABC Authority Board from its current date of July 1, 2018, to the proposed date of January 15, 2018. The nominal cost is related to the composition of the ABC Authority Board which includes the appointment of two new citizen Board members. The estimated fiscal impact of bringing on two Board members 6 months early is expected to be $18,000.

   The proposed language provides that any eligibility for such severance benefits shall be contingent on the continued employment through an employee's Transition Date. Based upon available information provided by ABC related to the transitional severance benefits under Title 2.2, Chapter 32 of the Code of Virginia, the Workforce Transition Act, the estimated payout is expected to be an average of $37,251 per person for employees eligible for full retirement, and an average of $32,251 per person for employees eligible for partial retirement. Currently, there are 1,098 classified full-time employees with 173 employees eligible for full retirement and 243 employees eligible for partial retirement.

   According to ABC records, there are 92 employees who are still under the Traditional Sick leave plan. There will be a cost of paying out this benefit regardless of whether the employees elect to transition to the Authority or choose to retire. The maximum payout for this benefit is $5,000 per employee.

   According to the Department of General Services (DGS) and the Department of Accounts (DOA), the proposed bill is not expected to have a material fiscal impact on their respective agencies. The bill exempts ABC from DGS capital outlay procurement policies and procedures but does not provide an exemption from DGS building code review or eVA requirements.

9. **Specific Agency or Political Subdivisions Affected:** ABC, VITA, DOA and DGS.

10. **Technical Amendment Necessary:** No

11. **Other Comments:** According to the Virginia Information Technologies Agency (VITA), if ABC opts out of all VITA services effective October 1, 2019, ABC's VITA charges are estimated to decrease by $6.4 million. VITA charges include the costs of direct service (PC's, servers, printers, storage costs and Northrop Grumman provided telecommunications services) received as well as a portion of the various fixed fees contained in the Northrop Grumman (NG) contract. VITA charges also include a proportionate share of VITA's administrative costs. VITA estimates that of the $6.4 million decrease in ABC's VITA charges, $3.6 million represents actual savings to the Commonwealth. The remaining $2.8 million is ABC's share of fixed fees and VITA administrative costs. The Commonwealth would remain responsible for $2.8 million cost which would be re-distributed and paid by all

remaining customers. Of this $2.8 million, it is estimated that approximately 38 percent would be paid by the general fund, which equates to a little over $1.0 million.