

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** HB1770E

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

2. **Patron:** Knight

3. **Committee:** House Committee on Appropriations

4. **Title:** Establish distiller commissions and Sunday store hours

5. **Summary:** Requires the Alcoholic Beverage Control Authority (“ABC”) to pay a distiller who operates a government store on the distiller's licensed premises a commission of not less than 12 percent of the retail price of any goods sold. The bill also allows certain government stores, as determined by the ABC Board, to be open on Sundays for the sale of alcoholic beverages after 10:00 a.m.

6. **Budget Amendment Necessary:** No

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	\$243,268	Enterprise (0500)
2021	\$252,999	Enterprise (0500)
2022	\$263,119	Enterprise (0500)
2023	\$273,644	Enterprise (0500)
2024	\$284,590	Enterprise (0500)
2025	\$295,973	Enterprise (0500)

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	\$858,697	Enterprise (0500)
2021	\$895,192	Enterprise (0500)
2022	\$933,238	Enterprise (0500)
2023	\$972,900	Enterprise (0500)
2024	\$1,014,248	Enterprise (0500)
2025	\$1,057,354	Enterprise (0500)

8. **Fiscal Implications:** Currently, there are 45 distillery stores in the Commonwealth. Based on current distillery store agreements, each distillery store is paid a commission calculated at 8 percent of gross monthly sales. In FY2018, ABC paid \$467,824 in distillery store commissions.

The proposed bill would increase distillery store commissions from 8 percent to a minimum of 12 percent. According to ABC, distillery store commissions is expected to grow at a rate of 4 percent per year.

The proposed bill would also permit ABC to open government stores on Sundays after 10 a.m. Currently, ABC opens stores on Sundays beginning at 12 noon. Under the proposed bill, ABC is anticipating opening approximately 253 government stores after 10 a.m. on Sundays. Based upon projections from ABC, FY2020 total gross sales from opening the 253 stores after 10 a.m. would amount to roughly \$3.6 million, which would net approximately \$858,697 in gross profits.

As shown in the following table, the anticipated increase in profits from earlier Sunday hours is sufficient to cover the anticipated increase in expenses due to higher distiller commissions:

Fiscal Year	ABC Store Incremental Profit (Column A)	Increase Distillery Store Commission Expense (Column B)	Additional profit to the Commonwealth (Column A minus Column B)
2020	\$858,697	\$243,268	\$615,429
2021	\$895,192	\$252,999	\$642,193
2022	\$933,238	\$263,119	\$670,119
2023	\$972,900	\$273,644	\$699,256
2024	\$1,014,248	\$284,590	\$729,658
2025	\$1,057,354	\$295,973	\$761,381

Note: The year-to-year profit increase is based on the annual revenue growth rates as reflected in the Governor's Advisory Council on Revenue Estimates (GACRE) forecast.

House amendments to Governor's introduced budget for FY2020 include budget amendments with a net fiscal impact equaling the amount shown in the "Additional profit to the Commonwealth" column of the table shown above.

9. Specific Agency or Political Subdivisions Affected: Virginia Alcoholic Beverage Authority

10. Technical Amendment Necessary: No

11. Other Comments: None