

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB2703

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

2. Patron: Freitas

3. Committee: House Committee on General Laws

4. Title: Alcoholic beverage control; distiller licensees; commissions and fees.

5. Summary: The proposed bill requires the Virginia Alcoholic Beverage Control Authority Board ("Board") to pay a licensed distiller a minimum commission of 25 percent of the retail price of any spirits sold by the distiller at a government store on his licensed premises.

The bill provides that monthly revenue transfers resulting from such sales (i) may be submitted electronically and through other methods approved by the Board and (ii) shall be limited to the amount due to the Board in applicable taxes and markups.

The bill prohibits the Board from (a) imposing a markup on spirits sold during an organized tasting event, provided that such spirits are manufactured on the licensed premises or on contiguous premises of the licensed distillery conducting such tasting event, or (b) charging a case fee for moving spirits to the tasting area of a government store established on the premises of a licensed distillery when such spirits are moved by employees of the licensed distiller.

6. Budget Amendment Necessary: Yes, Front Page, Appropriation Act;
§ 3-1.01 Interfund Transfers, Appropriation Act

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	\$994,126	Enterprise Fund
2021	\$1,033,891	Enterprise Fund
2022	\$1,075,247	Enterprise Fund
2023	\$1,118,257	Enterprise Fund
2024	\$1,162,987	Enterprise Fund

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 25 percent. According to ABC, distillery store commissions are expected to grow at a rate of 4 percent per year.

Each one dollar increase in commission expense equates to a one dollar decrease in ABC net profits.

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

10. Technical Amendment Necessary: No

11. Other Comments: None