

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** SB1709S1

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

**2. Patron:** Peake

**3. Committee:** Senate Committee on Rehabilitation and Social Services

**4. Title:** Distiller licensee commissions and fees

**5. Summary:** The proposed bill would require the Virginia Alcoholic Beverage Control Authority Board ("Board") to pay a distiller making sales as an agent of the Board a commission of not less than 20 percent of the retail price of the spirits sold. This bill provides revenue transfers from the distiller to the Board can be made by electronic transfer or other methods approved by the Board in the amount due the Board in applicable taxes and markups.

The bill also stipulates that any case fees charged to the licensed distiller by the Board for moving spirits from the production and bailment area to the tasting area of a government store shall be waived, if such spirits are moved by employees of the licensed distiller.

**6. Budget Amendment Necessary:** Yes, Front Page, Appropriation Act;  
§ 3.1.01 Interfund Transfers, A.2.a.

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

**8. Fiscal Implications:** The proposed bill would increase expenditures for the Alcoholic Beverage Control Authority ("Authority") and reduce Authority profit transfers to the general fund.

**Expenditures would increase (profits would decrease):**

Currently, there are 45 distillery stores in the Commonwealth. Based on current distillery store agreements, each distillery store is paid a commission calculated at a flat rate of 8 percent of gross monthly sales which resulted in the Authority paying \$467,824 in distillery store commissions in FY2018. Going forward, the Authority projects distillery store commissions will continue to grow at a rate of 4 percent per year.

Under the proposed bill, the Authority would pay distillery store commissions at a minimum rate of 20 percent (or 2.5 times larger than the current commission rate of 8 percent). The following table illustrates the potential increase in commission expenditures (ABC net profit decrease) the Authority could incur under the provisions of the proposed bill:

<i>Column A</i>	<i>Column B</i>	<i>Column C</i>	<i>Column D</i>
<b>Fiscal Year</b>	<b>Commission Expense</b> (using current 8 percent flat rate, growing by 4 percent each year)	<b>Projected Commission Expense</b> (using 20 percent flat rate, growing by 4 percent each year)	<b>Projected Commission Expenditure Increase</b> (profit decrease)
FY2020 (Projected)	\$486,537	\$1,216,342	\$729,805
FY2021 (Projected)	\$505,998	\$1,264,995	\$758,997
FY2022 (Projected)	\$526,238	\$1,315,595	\$789,357
FY2023 (Projected)	\$547,287	\$1,368,218	\$820,931
FY2024 (Projected)	\$569,179	\$1,422,947	\$853,768

Column A – Fiscal Year

Column B – Expected annual commission expenditure under the current flat rate of 8 percent

Column C – Projected annual commission expenditure under the provisions of the bill

Column D – Net projected increase in commission expenditure over the current projection

Every one dollar increase in commission expense equates to a one dollar decrease in Authority net profit.

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

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None