

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes  Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



## Virginia Department of Planning and Budget Economic Impact Analysis

---

**3 VAC 5 -30 Tied-House**  
**Department of Alcoholic Beverage Control**  
**Town Hall Action/Stage: 4571 / 7574**  
September 22, 2016

---

### **Summary of the Proposed Amendments to Regulation**

The Alcoholic Beverage Control Board (Board) proposes to specify that any manufacturer, importer, bottler, broker or wholesaler of alcoholic beverages may provide to retail licensees Co2 filters without charge and install such filters in the retailers draft beer lines.

### **Result of Analysis**

The benefits exceed the costs for the proposed change.

### **Estimated Economic Impact**

A Co2 filter is a device placed in the gas line of a beer dispensing system. Its purpose is to filter impurities from Co2 gas so that the impurities do not end up in draft beer. These filters were not prevalent when this regulation was first drafted, and therefore were not included in the items that could be given to retailers. Since the Co2 filters could only be sold to retailers and not given, beer manufacturers/wholesalers became concerned with the integrity of their product as some retailers did not have the same concerns and thus were not willing to purchase the filters.<sup>1</sup>

On February 14, 2006 the Department of Alcoholic Beverage Control (Department) issued a guidance document<sup>2</sup> stating that the Board approved the provision of Co2 filters free of

---

<sup>1</sup> Source: Department of Alcoholic Beverage Control

<sup>2</sup> See Circular Letter 06-01: <http://townhall.virginia.gov/L/ViewGDoc.cfm?gdid=3394>

charge. The Board's proposed amendment to this regulation conforms the regulation to this policy that has been in effect since 2006. Thus the proposal will not affect the Co2 filter rule in practice, but will be beneficial in that it will improve clarity for readers of the regulation who have not also seen the guidance document.

### **Businesses and Entities Affected**

The proposed amendment to the regulation merely clarifies, and does not change, an existing rule. The Co2 filter rule potentially affects manufacturers, importers, bottlers, brokers and wholesalers of alcoholic beverages, as well as retail licensees. According to the Department there are over 9,000 such licensed entities in the Commonwealth, the majority of which qualify as small businesses.

### **Localities Particularly Affected**

The proposed amendment does not disproportionately affect particular localities.

### **Projected Impact on Employment**

The proposed amendment does not significantly affect employment.

### **Effects on the Use and Value of Private Property**

The proposed amendment does not affect the use and value of private property.

### **Real Estate Development Costs**

The proposed amendment does not affect real estate development costs.

### **Small Businesses:**

#### **Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

#### **Costs and Other Effects**

The proposed amendment to the regulation merely clarifies, and does not change, an existing rule. Therefore, it does not significantly affect costs for small businesses.

---

### **Alternative Method that Minimizes Adverse Impact**

The proposed amendment does not adversely affect small businesses.

#### **Adverse Impacts:**

##### **Businesses:**

The proposed amendment does not adversely affect businesses.

##### **Localities:**

The proposed amendment does not adversely affect localities.

##### **Other Entities:**

The proposed amendment does not adversely affect other entities.

#### **Legal Mandates**

**General:** The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

**Adverse impacts:** Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

lsg