



Virginia Department of Planning and Budget **Economic Impact Analysis**

3 VAC 5-20 Advertising
Virginia Alcoholic Beverage Control Authority
Town Hall Action/Stage: 5855 / 9446
November 30, 2021

The Department of Planning and Budget (DPB) 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 14 (as amended, July 16, 2018). The analysis presented below represents DPB’s best estimate of these economic impacts.¹

Summary of the Proposed Amendments to Regulation

The Virginia Alcoholic Beverage Control Board of Directors (Board) proposes to broaden the methods of redemption for coupons that can be offered by manufacturers and importers and used by consumers to purchase alcoholic beverages.

Background

Currently, the regulation allows manufacturers and importers of spirits, wine, and beer to use only consumer “mailed in” coupons. According to the Virginia Alcoholic Beverage Control Authority (Authority), advancements in technology now allow various methods by which a coupon may be redeemed (i.e., email, mobile devices, websites). The proposed amendments would substitute the words “mail in” and “mailed” with the word “submitted,” which would effectively allow additional types of redemption methods. However, the proposed revision maintains the prohibition against instantly redeemable discounts.

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis 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.

Estimated Benefits and Costs

Allowance of additional coupon redemption methods (i.e., email, mobile devices, websites) in addition to mail is expected to provide consumers with more flexibility as to how coupons may be redeemed. Electronic redemption methods that would be allowed under the proposed regulation also appear to be more convenient for consumers in terms of the speed of redemption and avoidance of standard mail costs (e.g., envelopes, postage stamps, trip to the mailbox). Because of such advantages, manufacturers and importers would likely have incentives to utilize coupons that can be electronically redeemed over the coupons that require mailing-in. Thus, some substitution between the types of coupons used may be expected in favor of electronically redeemable coupons.

In theory, increased use of electronically redeemable coupons would lead to an increase in aggregate alcoholic beverage sales and consumption in the Commonwealth to some extent. So, it is reasonable to expect some benefits from this action (i.e., monetary savings by consumers, improved profits for suppliers). Although excessive drinking is usually associated with societal costs, there are many rules geared toward addressing a variety of aspects of excessive drinking that may mitigate any such risks. Additionally, whether the expected increase in aggregate sales/consumption would be significant or not is impossible to accurately assess from the information available.

Businesses and Other Entities Affected

This revision will impact manufacturers and importers of alcoholic beverages and consumers. Currently, there are 889 manufacturers and 658 importers licensed by the Authority. None of the affected entities appear to be disproportionately affected.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.² An adverse impact is indicated if there is any increase in net cost or reduction in net revenue for any entity, even if the benefits exceed the costs for all entities combined. As noted above, the proposed changes would provide more flexibility to the

² Pursuant to Code § 2.2-4007.04(D): 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. Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation.

manufacturers and importers as well as consumers of alcoholic beverages. Given the rules to prevent excessive drinking, an adverse impact does not appear to be indicated.

Small Businesses³ Affected:⁴

The proposed amendments do not appear to adversely affect any businesses including small businesses.

Localities⁵ Affected⁶

The proposed amendments do not directly affect localities.

Projected Impact on Employment

Expected increase in sales/consumption of alcoholic beverages indicates a positive effect on business activity and thus may positively affect total employment.

Effects on the Use and Value of Private Property

To the extent electronic redemption methods add to the manufacturer or importer sales, a positive effect on their asset values may be expected. The proposed amendments do not appear to affect real estate development costs.

³ 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.”

⁴ 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.

⁵ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁶ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.