



Economic Impact Analysis Virginia Department of Planning and Budget

3 VAC 5-70 – Other Provisions Alcoholic Beverage Control Board January 4, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Alcoholic Beverage Control Board (board) proposes to: 1) allow the peddling of cider, 2) allow cider orders to be executed on beer order forms, and 3) pursuant to Code of Virginia Section 4.1-111 (subsection B8), require all banquet and special event licensees in charge of public events to report to the board the income and expenses associated with the event when the licensee engages another person to organize, conduct or operate the event on behalf of the licensee, and to attach to their application any contract between the applicant and any person who has been engaged to organize, conduct or operate the event on behalf of the licensee applicant.

Estimated Economic Impact

Under the current regulations, wholesale licensees are prohibited from peddling cider to retail licensees. Peddling entails agreeing on a sale and providing product to the retailer on the

same trip to the retailer' premises. Under the current regulations, a wholesaler must instead reach a sales agreement with the retailer over the phone, through fax, the mail, e-mail, or a previous trip to the retailer' premises, then deliver the product to the retailer on another trip. The board proposes to permit individuals with wholesale wine licenses to peddle cider. Allowing wholesalers to peddle cider to retailers will reduce time and travel costs for wholesalers, while allowing retailers to determine their quantity needs for cider at the time of delivery rather than some previous time. On occasions this could create a significant positive improvement for inventory management if say an unexpectedly large quantity of cider was purchased from the retailer shortly prior to the wholesalers arrival. Since there are no apparent costs to permitting cider peddling by wholesalers to retailers, this proposed amendment will create a net benefit.

The current regulations require that cider orders shall be executed only on wine order forms prescribed by the board. The board proposes to allow cider orders to be executed on either beer or wine forms prescribed by the board. This proposed change may make cider ordering slightly more convenient for some retailers, who order beer and cider but do not order wine. Since there are no apparent costs to permitting the execution of cider orders on beer order forms, this proposed amendment will create a net benefit.

Pursuant to Code of Virginia Section 4.1-111 (subsection B8), the board proposes to require that all banquet and special event licensees in charge of public events report to the board (on a board printed form) the income and expenses associated with the event when the licensee engages another person to organize, conduct or operate the event. Public events are defined as "any event at which alcoholic beverages are sold to the general public and not only to personally invited guests." The public events held by banquet and special event licensees are generally fund-raising events held by or on behalf of nonprofit organizations.¹ ABC estimates that preparing this form would add one to two additional hours to record keeping for the licensee. According to the board, printing costs to provide sufficient copies of the requisite forms would total about \$255 annually. Annual processing costs to receive and record the data would be approximately \$2,000. These costs would be paid from agency non-general funds, and would not require additional appropriation. The board also proposes² that applicants for banquet or

¹ Source: The Alcoholic Beverage Control Board

² This proposal is also pursuant to Code of Virginia Section 4.1-111 (subsection B8).

special event licenses attach to their application any contract between the applicant and any person who has been engaged to organize, conduct or operate the event on behalf of the license applicant.

According to the board, there has been concern that some events promoted as charitable fundraisers have resulted in promoters receiving most of the proceeds with the charity receiving only a relative token amount. Currently, the board does not receive information on the portion of proceeds that the nonprofit organizations receive for public events when reviewing banquet and special event license applications. The additional information provided by these proposed amendments will allow the board to turn down banquet and special event license applicants if it appears that most of the proceeds for a proposed event billed as charitable would not reach the charity. This could be beneficial for the public in that there would be fewer instances where citizens purchase tickets and concessions with the idea of supporting a charity who would not have made these purchases if they knew the charity received a very small percentage of the proceeds. On the other hand, the public might be better off if instead of approving fewer banquet and special event license applications, better disclosure of the nonprofit organization's portion of the proceeds was required. For example, for all banquet and special events where the nonprofit organization receives less than X percent of the proceeds, all advertising for the event would be required to state that the nonprofit organization receives "less than X percent of the proceeds."

Businesses and Entities Affected

The proposed amendments will affect the approximately 5,000³ nonprofit organizations that hold special events at which alcoholic beverages are sold, as well as special event promoters, wholesale licensees, and retail licensees.

Localities Particularly Affected

The proposed changes to the regulations affect localities throughout the Commonwealth.

³ Source: The Alcoholic Beverage Control Board

Projected Impact on Employment

The proposals to allow the peddling of cider and to allow cider orders to be executed on beer order forms are unlikely to significantly affect employment. The proposal to require that all banquet and special event licensees in charge of public events report to the board (on a board printed form) the income and expenses associated with the event and attach a copy of the contract when the licensee engages another person to organize, conduct or operate the event may prompt the board to approve fewer banquet and special event licenses. Thus, there may be a reduction in employment related to the operating of public events.

Effects on the Use and Value of Private Property

Allowing wholesalers to peddle cider to retailers will reduce time and travel costs for wholesalers, and potentially permit retailers to improve their inventory management. Thus, the value of wholesalers and retailers' businesses may increase slightly.

Under these proposed regulations, the cost of complying with required paperwork for banquet and special event license applicants will increase, and the number of banquet and special event license applications disapproved will likely increase. The latter will likely result in fewer public events. The profits and value of public event promotion businesses will decrease and some nonprofit organizations may receive slightly less funding.