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FISCAL IMPACT REPORT

ORIGINAL DATE 02/12/13

SPONSOR Griego LAST UPDATED _____ HB _____

SHORT TITLE Hotel Liquor Licenses SB 329

ANALYST Weber

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|---------|---------|---------------------------------|------------------|
| FY13 | FY14 | FY15 | | |
| | \$750.0 | \$500.0 | Non-Recurring | General Fund |
| | | \$19.5 | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

Senate Bill 329 adds a new section to the Liquor Control Act that creates the Hotel License.

In a local option district that has voted to approve the sale of alcoholic beverages, a license can be issued to an applicant that is qualified under the provisions of the Liquor Control Act subject to the following requirements and restrictions: A). a hotel licensee shall be allowed to sell beer, wine and spirituous liquors in opened containers for on-premises consumption as well as at wet bars as provided for in Section 60-7B-13 NMSA 1978; B). a hotel licensee shall be allowed to sell beer, wine and spirituous liquors in the entire hotel facility; C). the hotel licensee shall have a valid food establishment permit and a commercial kitchen, dining room and the employees necessary to prepare and serve meals, not just fast foods, for consumption on the premises; D). a hotel license shall not be transferred from person to person or from one location to another; E). a hotel license shall expire annually and be subject to renewal upon application to the director by the licensee pursuant to Section 60-6B-5 NMSA 1978; F). sale, service and consumption of alcoholic beverages authorized in this section shall be permitted during the hours set forth in Section 60-7A-1 NMSA 1978; and G). the provisions of Section 60-6A-18 NMSA 1978 shall not

apply to hotel licenses."

In License Fees, section 60-6A-15 NMSA 1978, the initial hotel license fee is set at \$50,000 and annual renewal \$1,300.

FISCAL IMPLICATIONS

The exact revenue generate is unknown but RLD speculates the demand would not be great due to the requirement of a full kitchen offering meal service. In addition, RLD notes that statute defines a hotel as having more than 25 rooms. The New Mexico Lodging Association reports 47 hotel members that have a restaurant operation. Non-Lodging Association members are not included in the total and it is not certain how many of the 47 already have a liquor license. But using this as a base it seems improbable that there would be more than about 50 potential buyers. If half of the 50 became hotel licensees the approximate revenue associated with the new type of license would be initial fees of \$1.25 million and annual recurring revenue of \$32,000. These are estimates only with 15 new licensees the first year and an additional 10 the second.

RLD estimates current staff is adequate to handle the administration of the new license.

DPS notes it would create additional demand on enforcement provided by the Special Investigations Division and potential future expenditure requirements to provide adequate service.

SIGNIFICANT ISSUES

The new hotel license is exempt from Section 60-6A-18 NMSA 1978 that provides quotas for the number of licenses in a particular location.

RLD speculates that a hotel license would encourage hotel patrons to stay on-site and consume alcohol which decreases the likelihood of that patron committing a DUI.

DPS offers an alternate view, though, anticipating that significant negative issues could arise with the hotel license allowing consumption and open containers throughout the hotel premises. It would seem that potential for violations of over-serving, open containers leaving the premises, etc. could be high if the licensee did not take appropriate precautions.

MW/blm