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FISCAL IMPACT REPORT

ORIGINAL DATE 2/01/18

SPONSOR Sweetser LAST UPDATED _____ HB 261

SHORT TITLE Alcohol, Private Celebrations & Winegrowers SB _____

ANALYST Amacher

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	Undetermined	Undetermined	Recurring	See Fiscal Impact

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 204

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation & Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 261 amends and enacts new material of the Liquor Control Act to allow for wine and beer sales at private celebrations; defines private and public celebrations for; and allows winegrower Sunday sales to begin at 11 am. If enacted, the effective date of this bill is May 16, 2019.

FISCAL IMPLICATIONS

As proposed in this bill, there will be a fee of \$10 dollars for each private celebration permit issued to a winegrower or small brewer. It is difficult to determine how many private celebrations may be held in any given year. The RLD notes that it may result in a small reduction in revenue generated from the Special Dispenser Permits. These permits are issued to dispenser type license holders for a fee of \$25 dollars.

SIGNIFICANT ISSUES

House Bill 261 allows for New Mexico winegrowers and New Mexico brewers to sell and serve New Mexico wine and New Mexico beer at private celebrations that are off of the licensed premises.

As proposed, the term “private celebrations” may be held on or off the winegrower’s or the brewer’s premises after the applicable fees have been paid and the appropriate permit has been issued. Additionally, winegrowers (not brewers) may sell on their premises between the hours of 11 a.m. (instead of 12:00 noon) and midnight on Sundays; depending upon what the local option district decision by the voters.

DUPLICATION

HB 261 duplicates SB 204.

TECHNICAL ISSUES

There are existing laws incongruent with the proposed amendments in HB 261. RLD points out that under current law (Chapter 60-6A-12(12) NMSA 1978) *beer sales* by winegrowers at public celebrations are *not allowed*. However, wine sales by small brewers at public celebrations *are allowed* (Chapter 60-6A-26.1(7)).

OTHER SUBSTANTIVE ISSUES

RLD indicates that currently these types of small manufacturers (brewers and winegrowers) are limited to sale and service at public celebrations as defined in the Liquor Control Act. And only dispenser type license holders may sell or serve at private catered events. Also, sales by the drink begin at 11:00 a.m. for dispenser type license holders while package sales begin at noon in those local option districts that have voted to allow Sunday sales either by the drink, by the package or both.

RLD notes that by allowing winegrowers and small brewers to begin sale and service by the drink on Sundays at 11:00 a.m. in the same manner that dispenser type licensees do, the unintended consequence may be that winegrowers and small brewers would also be allowed to begin Sunday package liquor sales, in any local option district, at 11:00 a.m. while all other Sunday package sales within the state begin at noon.

The dispenser liquor license is a type of quota liquor license. It is commonly referred to as a full liquor license since it allows for the sale and service of beer, wine, and sprits both by: 1) the drink for consumption on the licensed premises, and 2) and by package for consumption off the licensed premises. In 2016, there were 1,411 quota liquor licenses statewide. Of those, there

were 383 inter local dispenser licenses – licenses that have lost their package rights and only retain the rights that allow for on premise sales. Under current law, a dispenser license holder may lease the liquor license but only to one lessor. And only the single lessor may operate and directly profit from the operation of the license. The lessor will usually exercise the right to either sell and serve alcohol on the licensed premises or sell alcohol for consumption off of the licensed premises. Dispenser licenses are leased to entities whose business models require the service of beer, wine and spirits for on premise consumption (ex: chain restaurants.) Alternatively, dispenser licenses are also leased to entities wishing to use the package rights of the license to sell liquor for consumption off of the licensed premises (ex: grocery stores.) RLD has noted in previous analyses that of all the quota licenses, the full dispenser license type is the most valuable.

JMA/sb