Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (<u>www.nmlegis.gov</u>) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR	Montoya	ORIGINAL DATE LAST UPDATED	2/23/19 HB	603
SHORT TITL	E Small Liquor Prod	all Liquor Producer Reciprocity		
			ANALYST	Gaussoin

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total				Indeterminate but Minimal	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB413, SB306, and HB489.

SOURCES OF INFORMATION

LFC Files

<u>Responses Received From</u> Regulation and Licensing Department (RLD) Attorney General (NMAG) Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Bill 603 broadens the reciprocity among licensed manufacturers of craft alcohol. Under current law, any licensed small brewer may sell and serve its own products and the products of any other licensed small brewer and winegrower. Similarly, any licensed winegrower may sell and serve its own products and the products of any other licensed winegrower and small brewer. HB603 would expand that reciprocity to licensed craft distillers, providing the right for all three to sell the products of the other two as part of their liquor licenses.

The effective date is July 1, 2019.

House Bill 603 – Page 2

FISCAL IMPLICATIONS

RLD reports the Alcohol and Gaming Commission might see an increase in applications for liquor licenses for small alcohol manufacturers – small brewers, winegrowers, and craft distillers – that could result in an increase in dollars generated by the division for the general fund.

SIGNIFICANT ISSUES

RLD raises the concern the market value of dispenser licenses may decrease with the increase in those who can retail spirituous liquors, currently reserved for those with dispenser licenses. However, the agency notes, small liquor manufacturers would be limited to selling only those liquors made in New Mexico.

NMAG points out winegrowers and small brewers are limited in the amount of the other's products they can sell. Gross receipts for the other's products cannot exceed 30 percent of the total. HB603 maintains that cap.

The national Brewers Association reports New Mexico had 67 craft breweries in 2017, ranking it 27th in the nation for number of breweries and 12th for craft breweries per capita. That number is double the count from 2013. The association estimates the industry contributes \$333 million to the New Mexico economy per year.

New Mexico Wine, a statewide organization representing more than 50 wineries, reported in 2018 the industry was responsible for almost 8,000 jobs and more than \$260 thousand in wages.

Craft distillers are relatively new to the local small liquor industry but are working on raising public awareness, according to Frank Holloway, owner of Hollow Spirits and coordinator of the second annual New Mexico Distillers Guild Spirits Festival in 2018.

ADMINISTRATIVE IMPLICATIONS

RLD says the bill would create little additional administrative burden and that could be absorbed by existing staff.

RELATIONSHIP

SB413 and its duplicate, HB489, among other provisions, create a craft distiller tax and craft distiller private celebration permit.

SB306 creates a private celebration permit for winegrowers and small brewers.

TECHNICAL ISSUES

NMAG notes the following:

Page 4, line 11; page 8, line 112; page 12, lines 17-18: only applies the proposed 30 percent rule to sales pursuant to this "subparagraph"; should read "section" to also incorporate sales from off-site locations.

HFG/al