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FISCAL IMPACT REPORT

ORIGINAL DATE 03/02/11

SPONSOR Maestas LAST UPDATED _____ HB 582

SHORT TITLE Liquor Licensee Mandatory Liability Insurance SB _____

ANALYST Sanchez, C.

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$1.0+	\$1.0+	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$1.0+	\$1.0+	\$2.0+	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

HB 582 adds new material to the Liquor Control Act requiring that, as a condition of issuance or renewal, club, dispenser's, public service, restaurant, retailer's, small brewer's and winegrower's license holders submit proof that they carry one million dollars in liability insurance covering the

use of the license. Failure to show the proper proof will result in the liquor license being suspended, revoked or fined. The bill also defines liability insurance.

FISCAL IMPLICATIONS

The bill indicates that failure to provide the required proof constitutes grounds for suspension or revocation or a fine against the license pursuant to Section 60-6C-1. Hearings are required to be held to suspend, revoke or fine a licensee. The State will incur costs as the Liquor Control Act requires hearings to be held in the county in which the license is located. The amount of fiscal impact is unknown as the number of hearings would vary.

SIGNIFICANT ISSUES

According to the Alcohol and Gaming Division (AGD) some small businesses may not be able to afford the cost to obtain liquor liability insurance and will close.

PERFORMANCE IMPLICATIONS

The Alcohol and Gaming Division would need to require proof of insurance at renewal time and prior to the issuance or transfer of a license. Review of this documentation would require additional staff time during the renewal and licensing process. Hearings prior to the suspension or imposition of fines will be required, incurring costs for postage, hearing officers, travel, and prosecutors.

ADMINISTRATIVE IMPLICATIONS

According to the Regulation and Licensing Department (RLD) as written, prior to imposing a suspension, revocation or fine, the licensee would be entitled to a hearing that would take place in the county where the license is situated. Hearings can take several months to prepare and to be heard. Before such sanctions are imposed, a licensee would be entitled to due process and would be able to operate without insurance until a hearing could be held. Changing the language of the bill to make submission of proof of insurance a condition of renewal or issuance or transfer of a license may address this issue.

OTHER SUBSTANTIVE ISSUES

AGD recommends changing the language to require that as a condition of renewal or issuance of a new license or a license transfer, proof of insurance be provided.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

CS/bym