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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/13

SPONSOR Gonzales LAST UPDATED _____ HB 534

SHORT TITLE Gift Shop Beer and Wine Licenses SB _____

ANALYST Martinez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	\$300.0	\$300.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$13.5	\$54.0	\$54.0	\$121.5	Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Bill (HB 534) creates a new type of liquor license for gift shops and amends other sections of the Liquor Control Act. HB 534 creates a new section allowing shipment of beer and wine by gift shop licensees via common carrier to those jurisdictions in the United States that permit such shipments. The limitations on the use of this new license include the following:

- The new license limits sales to New Mexico beer and wines for off-premise consumption, but also allows for shipment of New Mexico made beer and wines out of state via common carrier by gift shop licensees. The bill requires that local option districts approve gift shop licenses by holding an election on the question.

- Gift shop licenses would have the following restrictions:
 - the person granted the license shall not serve food or beverages except as permitted by the bill;
 - shall not own, lease or manage another liquor license;
 - shall not sell gasoline or other fuel used to power motorized vehicles from the premises;
 - the premises cannot be licensed under another license;
 - shall submit annual reports of total gross receipts and gross receipts from beer and wine sales, including separate reporting of sales of beer and wine shipped by common carrier;
 - sell only beer and wine, in unbroken packages, produced in New Mexico by a licensed winegrower or small brewer for consumption off the licensed premises;
 - the license would not be transferrable from person to person or from location to location and would expire each June 30;
 - the amount of liquor sold to one person in a twenty-four hour period would be limited to the equivalent of no more than four six packs of twelve-ounce containers or twelve 750 milliliter bottles of wine;
- The total annual gross receipts must be reported annually and the sales of beer and wine shall not exceed twenty percent of the total gross receipts, however the gross receipts from beer and wine shipped by common carrier are not included in the calculation of the twenty percent. If the twenty percent annual limit is exceeded, the license shall be revoked and the licensee may not reapply for a gift shop license for twenty-four months.
- The beer and wine sold on the premises shall be held at an appropriate temperature for storage but not chilled to discourage immediate consumption. Beer and wine shall not be available for consumption on the licensed premises.
- The gift shop license would not be subject to the quota limitation.
- Gift shop licensee employees must be 21 years of age or older to sell beer and wine on the premises and shall comply with alcohol server certification requirements.
- The initial application fee for a gift shop license is \$200 with a license fee and annual renewal fee of \$1,300.

FISCAL IMPLICATIONS

The RLD estimates because HB 534 includes an application fee for a gift shop license of \$200, with a license fee/annual renewal fee of \$1,300, at an estimated 200 licenses at \$200 plus \$1,300 each for FY 13 and FY 14 would generate \$300,000.

As the bill contains language regarding annual reporting, the Alcohol and Gaming Division within the RLD estimates that it would need at least one FTE auditor to audit the reports and conduct on-site audits of the business records to ensure reporting compliance. Estimated salary and benefits for the FTE is approximately \$54,000, plus mileage and per diem for traveling throughout the state for audits.

SIGNIFICANT ISSUES

HB 534 would allow shipment of New Mexico produced beer and wine by gift shop licensees via common carrier. This new type of license will likely benefit the tourism industry and benefit New Mexico winegrowers and microbrewers, both of which are ever-growing industries in New Mexico. The New Mexico Association of Small Brewers states that local brewers generate over \$1 million in estimated tax revenue for the state.

RM/blm