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FISCAL IMPACT REPORT

ORIGINAL DATE 2/25/15

SPONSOR Martinez LAST UPDATED HB

SHORT TITLE Small Brewer & Winegrower Reciprocity SB 440

ANALYST Elkins

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|----------|----------|---------------------------------|------------------|
| FY15 | FY16 | FY17 | | |
| | See Text | See Text | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

Relates to HB339

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 440 will allow winegrowers and small brewers to obtain wine or beer directly from a winegrower or small brewer without going through a licensed New Mexico wholesaler. The bill will allow winegrowers to sell beer produced by New Mexico small brewers without manufacturing beer or having the licenses and permits to manufacture beer, and will allow small brewers to sell wine produced by New Mexico winegrowers without manufacturing wine or having the licenses and permits to manufacture wine. SB440 also increases the number of off-premises locations allowable for small brewers from two to three.

FISCAL IMPLICATIONS

License fees for a small brewer license are \$750 annually and between \$25 and \$100 annually for a winegrower license. License fees for an off-premises location are \$200 annually. There will be some lost revenue by allowing a brewer to sell wines and winegrowers to sell beers without obtaining a license to manufacture each type of alcoholic beverage.

There are currently 57 small brewers with 17 off-premises locations. The Alcohol and Gaming Division would anticipate that the majority of them would serve both beer and wine if allowed to. Thus, the max loss in revenue would be \$42.8 thousand, due to lower license fees. However, there could be an increase in revenue from allowing small brewers to have three, instead of two, off-premises locations.

SIGNIFICANT ISSUES

RLD offers the following commentary:

Currently, if a small brewer wishes to serve wines, the small brewer must obtain a winegrower license and produce wine at their facilities. They must have all required federal licenses and permits. The wines must be transferred to the small brewer by a licensed wholesaler as New Mexico is a three-tier state (manufacturer to wholesaler to retailer for distribution to the public). A winegrower wishing to serve beers must go through the same process.

Senate Bill 440 eliminates the manufacturing requirement for one type of alcoholic beverage under these craft manufacturing licenses. It also eliminates one tier of the three-tier system by allowing a winegrower or small brewer to purchase directly from the manufacturer.

According to EDD, allowing wine and beer producers to sell one another's products may increase revenue by doubling wine and beer producers market and sales potential.

CE/aml