

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes  Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



## Virginia Department of Planning and Budget **Economic Impact Analysis**

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**3 VAC 5-70 Other Provisions**  
**Department of Alcoholic Beverage Control**  
**Town Hall Action/Stage: 4481/7395**  
March 15, 2016

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### **Summary of the Proposed Amendments to Regulation**

Pursuant to Chapter 404 of the 2015 Acts of General Assembly, the Board of Alcoholic Beverage Control proposes to allow certain alcoholic beverage licensees to give alcoholic beverages as gifts subject to limitations for on-premises consumption.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

### **Estimated Economic Impact**

Chapter 404 of the 2015 Acts of General Assembly amended Virginia Code section 4.1-111(B)(16) to permit retail on-premises licensees to provide a gift of one alcoholic beverage to a patron, or one bottle of wine to a group of two or more patrons, to whom such alcoholic beverages may be sold. No subsequent gift shall be provided to the same patrons within 24 hours. Thus, the proposed regulation will allow in general more flexibility to the licensees in the promotion of their businesses.

The proposed regulation is identical in substance to the statute and therefore no significant effect is expected upon promulgation of these changes as the affected licensees are already allowed to give such gifts to their customers under the statute. Thus, while more flexibility in promoting their businesses could be reasonably expected to benefit the affected

licensees, no significant economic impact is likely for them or on public consumption upon promulgation of this regulation, other than improving clarity through consistency between the regulation and the Code of Virginia.

### **Businesses and Entities Affected**

The proposed regulation applies to approximately 5,000 retail licensees authorized to sell for on-premises consumption.

### **Localities Particularly Affected**

The proposed changes apply statewide.

### **Projected Impact on Employment**

The proposed amendments could be expected to slightly increase consumption of alcoholic beverages and slightly increase the demand for labor employed to meet the increase in consumption. However, the statute has been in effect and any such impact is probably already realized. Thus, no significant impact on employment is expected upon promulgation of this regulation.

### **Effects on the Use and Value of Private Property**

Allowing the licensees to give alcoholic beverages as gifts to their customers is unlikely to have an impact on the use and value of private property. To the extent such gifts promote sales and increase revenues, a small positive impact on their asset values may be expected.

### **Real Estate Development Costs**

No impact on real estate development costs is expected.

### **Small Businesses:**

#### **Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

### **Costs and Other Effects**

The majority of the 5,000 affected retail licensees are estimated to be small businesses. The proposed regulation does not impose costs on them. The proposed regulation simply conforms to the statute which may have had a positive impact on sales.

### **Alternative Method that Minimizes Adverse Impact**

No adverse impact on small businesses is expected.

### **Adverse Impacts:**

#### **Businesses:**

The proposed regulation does not have an adverse impact on non-small businesses.

#### **Localities:**

The proposed regulation will not adversely affect localities.

#### **Other Entities:**

The proposed regulation simply conforms to the statute allowing retailers to give their consumers alcoholic beverages as gifts for on-premises consumption.

### **Legal Mandates**

**General:** The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

**Adverse impacts:** Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a

proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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