

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 5-40 Requirements for Product Approval**  
**Department of Alcoholic Beverage Control**  
**Town Hall Action/Stage: 4513/7440**  
March 14, 2016

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

The Alcoholic Beverage Control Board (Board) proposes to no longer require sellers of spirits to submit a copy of the federal certificate of label approval before a spirit can be sold in Department of Alcoholic Beverage Control (ABC) stores. The Board proposes to instead insert permissive language for the Board to request a copy of the certificate.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

### **Estimated Economic Impact**

Under the current regulation sellers of spirits must submit a copy of the federal certificate of label approval before a spirit can be sold in ABC stores. The Board proposes to remove this requirement, and instead provide permissive language for the Board to request a copy of the certificate. The purpose of this requirement is to make certain that federal labeling requirements have been met and the product is approved by the appropriate federal agency.

According to ABC, when this requirement was initially implemented there was no electronic database to verify such information; but this information is currently available electronically. Consequently, the Board does not now require a copy of the federal certificate.

Thus, the proposed change will conform to the current practice. As a result no significant economic effect is expected other than improving the clarity of the regulation.

### **Businesses and Entities Affected**

The proposed regulation applies to sellers of spirits sold in ABC stores. While ABC does not have information on the number of individual sellers, it estimates that there are approximately 10,000 products that are subject to the certificate requirement.

### **Localities Particularly Affected**

The proposed changes apply statewide.

### **Projected Impact on Employment**

No impact on employment is expected upon promulgation of this regulation.

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

No impact on the use and value of private property is expected upon promulgation of this regulation.

### **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**

Approximately, 40 percent of the affected entities are estimated to be small businesses. The cost and other effects on small businesses are the same as discussed above.

#### **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 will not affect other entities.

**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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