



Economic Impact Analysis Virginia Department of Planning and Budget

**3 VAC 5-30 – Tied House
Alcoholic Beverage Control Board
January 10, 2013**

Summary of the Proposed Amendments to Regulation

The Alcoholic Beverage Control Board (ABC) proposes to amend its tied house regulations to rearrange existing provisions of regulation to improve clarity, allow manufacturers, importers, bottlers, brokers and wholesalers to all offer sales inducements and rotate and exchange alcoholic beverage stock at and to allow employment of manufacturers, wholesalers or bottlers by retail licensees so long as the employed individuals do not sell directly or indirectly to the employing retailer.

Result of Analysis

Benefits likely outweigh costs for implementing these proposed changes.

Estimated Economic Impact

With this regulatory action, ABC proposes to change or move several sections of regulation so that regulatory requirements are clearer and easier to find. For example, ABC proposes to move language that defines what dispensing accessories and tapping equipment are so that they are together and easier to locate. No affected entity is likely to incur costs on account of regulatory changes such as these because no new requirements are being added. Affected entities will benefit from the additional clarity these changes bring to the regulation.

Current regulations allow manufacturers, bottlers and wholesalers to offer sales inducements to retailers. Wholesalers are currently allowed to rotate and exchange stock at retail establishments. ABC proposes to amend these regulations so that manufacturers, importers, bottlers, brokers and wholesalers can all both offer inducements to retailers and rotate and exchange stock at retail establishments. All these regulated entities will likely benefit from the

added flexibility to take part in marketing and stocking activities that these regulatory changes will afford them. As all these activities are allowed, but not required, no entity will likely incur an costs on account of these proposed changes.

Current regulations prohibit retailers from employing manufacturers, wholesalers or bottlers licensed by ABC. ABC now proposes to amend these regulations to allow such employment so long as the employed individuals do not sell directly or indirectly to the employing retailer. This regulatory change will benefit all affected entities by allowing them greater flexibility to make business and employment decisions.

Businesses and Entities Affected

ABC reports that 15,000 businesses would be potentially affected by this proposed regulatory change; 70% of these entities would meet the Commonwealth's definition of small business.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

This proposed regulatory action is unlikely to have any effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

No small business is likely to incur any costs on account of this regulatory action.

Small Businesses: Alternative Method that Minimizes Adverse Impact

No small business is likely to incur any costs on account of this regulatory action.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the Board the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.