

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4265

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JANUARY 11, 2024

SUMMARY

- Synopsis:**

Makes various revisions to alcoholic beverage manufacturing and retailing license laws.
- Type of Impact:**

Annual State and municipal revenue and expenditure increases.
- Agencies Affected:**

Department of Law and Public Safety; Department of the Treasury; Municipalities; State, County, and Municipal Law Enforcement.

Office of Legislative Services Estimate

Fiscal Impact	
Annual State and Local Expenditure Increases	Indeterminate
Annual State and Local Revenue Increases	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill will result in indeterminate increases in annual State and municipal revenues and expenditures. The OLS, however, cannot assess the direction of the net effect of the increases given the absence of information on workload increases for the Division of Alcoholic Beverage Control and municipalities as well as the potential revenue collected from the total number of licenses issued annually, the future license fees, sales tax on products sold, and any penalty collections.
- This bill may increase State revenue from the expansion of the number of gallons produced and sold by the holder of a restricted brewery license, the sale of farm-brewery licenses, the sale of products in new businesses which obtain inactive plenary retail consumption licenses, and the sale of special licenses in municipalities with shopping malls, as well as the products sold within these businesses. These fees may to some extent offset the indeterminate increased costs to the State to administer, regulate, and enforce the licenses.
- The bill may increase the municipal revenue from the transfer of inactive plenary retail consumption licenses, from the transfer fee of the license to another municipality, and any annual renewal fees charged. These fees may to some extent offset the indeterminate increased costs to municipalities to administer, regulate, and enforce the licenses.



BILL DESCRIPTION

This bill makes various revisions to the law governing the manufacture and sale of alcoholic beverages in this State. The bill expands the number of events held by craft alcoholic beverage manufacturers; establishes a farm-brewery license; permits the transfer of certain inactive plenary retail consumption licenses to contiguous municipalities; and establishes special licenses in municipalities with shopping malls.

Craft Alcoholic Beverage Manufacturers: Under the bill, certain craft alcoholic beverage manufacturers would be entitled to hold events. Specifically, the bill allows these craft alcoholic beverage manufacturers to hold not more than 25 off-premises special events, an unlimited number of on-premises special events and private parties and not more than 25 social affair events hosted by the holder of a social affair permit.

The bill also increases from 10,000 to 300,000 the number of barrels that the holder of a restricted brewery license may manufacture per year. Under current law, a restricted brewery license is only issued to a person who also holds a Class C consumption license, which is generally issued to bars and restaurants. The restricted brewery license allows the licensee to brew the beer, while the Class C license allows the licensee to sell that beer directly to restaurant patrons. This bill allows the holder of restricted brewery license to manufacture more beer per year. These license holders also would be entitled to directly sell and distribute to retailers 50 percent of the beer that is produced on premises in each year.

Farm-Brewery License: The bill establishes a farm-brewery license that would permit the licensee to produce malt alcoholic beverages for retail sale to consumers for consumption off the licensed premises. A graduated license based on volume would range in cost from \$100 to \$300 a year. A single individual or entity would be permitted to hold only one farm brewery license.

Transfer of Inactive Plenary Retail Consumption Licenses: This bill establishes procedures for the transfer and sale of certain inactive Class C licenses, which allow for the retail sales of alcoholic beverages. Under current law, an inactive Class C license is a license to sell alcoholic beverages to the public that is not being used at an open and operating licensed premises. A licensee is required to place the license on “inactive status” when the licensed business ceases operation and the license continues to be held by the licensee of record. The bill requires that these inactive licenses be used by the license holder, transferred to another person who intends to use the license in a private transaction for fair market value, or transferred from a sending municipality to a contiguous receiving municipality for use in a redevelopment, improvement, or revitalization area.

Issuance of Special Licenses in Municipalities with Shopping Malls: The bill authorizes the issuance of special licenses to a person or other legal entity for use in connection with a food and beverage establishment located within a shopping mall. The license authorizes the sale of alcoholic beverages for immediate consumption on the operator's premises. Under the bill, an eligible municipality may, by ordinance or resolution, issue not more than two of these special licenses for use in connection with a shopping mall that has a gross square footage of not less than 750,000. A mall with a gross square footage of 1,500,000 or more would be entitled to receive four special licenses. This bill exempts strip-mall locations.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in indeterminate increases in annual State and municipal revenues and expenditures. The OLS, however, cannot assess the direction of the net effect of the increases given the absence of information on workload increases for the Division of Alcoholic Beverage Control and municipalities as well as the potential revenue collected from the total number of licenses issued annually, the future license fees, sales tax on products sold, and any penalty collections.

State Revenue Impacts: This bill may increase State revenue from the expansion of the number of gallons produced and sold by restricted brewery licenses holders, the sale of farm-brewery licenses, the sale of products in new businesses which obtain the inactive plenary retail consumption licenses, and the sale of special licenses in municipalities with shopping malls and the products sold within these businesses.

The OLS anticipates that expansion of licenses and transfer and sale of the inactive plenary retail consumption licenses may increase the overall sale of alcohol beverage products, thus increasing the amount of State sales tax collected by the Division of Taxation in the Department of the Treasury.

State Expenditure Impacts: The bill may increase the Division of Alcoholic Beverage Control's workload depending on the number of farm-brewery licenses sold, plenary retail consumption licenses transferred, and the number of special licenses issued in municipalities with shopping malls. Depending on the division's resource allocation policies, the added workload may or may not augment State administrative expenditures.

The OLS anticipates that any increased sales by the transfer and sale of the plenary retail consumption licenses may affect the workload of the Division of Taxation.

Municipal Revenue Impacts: The bill would increase the municipal revenue from the transfer and sale of the inactive plenary retail consumption license, from the transfer fee of the license to another receiving municipality, and any annual renewal fees charged. The OLS cannot determine the average price of alcoholic beverage licenses Statewide. Pursuant to State law, municipalities may charge an annual fee, established by ordinance, of no less \$250, but no more than \$2,500 for the renewal of a plenary retail consumption license.

Additionally, the bill requires the fee for the initial issuance of the sale of special licenses in municipalities with shopping malls to be at least \$250,000. The municipality would be entitled to establish an annual fee that would not exceed the annual fee charged for the plenary retail consumption licenses within the municipality.

Municipal Expenditure Impacts: The bill may increase costs to municipalities associated with the administration, regulation, and enforcement of the transfer and sale of licenses.

The OLS notes that these municipalities may employ additional law enforcement due to the increased cost of public safety, as there may be an increased need for enforcement of alcoholic beverage statutes and ordinances.

Section: Law and Public Safety

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).