

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4319

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JULY 6, 2020

SUMMARY

- Synopsis:** Establishes certain temporary and permanent privileges for certain alcoholic beverage licensees; authorizes certain activities, events, and festivals in which certain alcoholic beverage licensees may participate.
- Type of Impact:** Annual State and Local Expenditure and Revenue Increases.
- Agencies Affected:** Department of Law and Public Safety; Department of the Treasury; Municipal Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Expenditure Increase		Indeterminate	
State Revenue Increase		Indeterminate	
Local Expenditure Increase		Indeterminate	
Local Revenue Increase		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 the potential revenue collected from the sale of the total number of expanded licenses, applications fees, permits, and sales tax on products sold. It is unknown if there will be additional revenues from penalty collections which would be offset by expenditures for increased regulation and enforcement and additional costs for the Division of Alcoholic Beverage Control (ABC) in the Department of Law and Public Safety, and municipalities' increased workload.
- The bill may increase the division's workload depending on the number of applications received from the expanded licenses and permits. Depending on the division's resource allocation policies, the added workload may or may not augment State administrative expenditures.

- The bill may increase the municipal revenue from the expanded permits and licenses and any annual renewal fees charged. These fees may offset the indeterminate increased costs to municipalities to administer, regulate, and enforce the expanded permits and licenses.

BILL DESCRIPTION

The bill establishes certain temporary and permanent privileges for certain alcoholic beverage licensees and authorizes certain activities, events, and festivals in which certain alcoholic beverage licensees may participate.

The bill allows holders of plenary retail consumption licenses and concessionaire permits to sell and deliver alcoholic beverages in closed and sealed containers to continue to the use of equipment to sell malt alcoholic beverages in crowlers or growlers following the expiration of P.L.2020, c.33.

This bill allows the holder of a winery, limited brewery, craft distillery, or cidery and meadery license to hold a certain number of activities and events both on and off the licensed premises. A licensee is to submit to the ABC a \$250 filing fee with the appropriate notification required pursuant to this bill for either activities and events, both on and off the licensed premises. A municipality may, by ordinance or resolution, as appropriate, limit the types of on-premises activities that the licensee may hold on the licensed premises.

The bill establishes guidelines for beer, wine, and distilled spirits festivals. Under the bill, the holder of a valid winery license, limited brewery license, craft distillery license, or cidery and meadery license, retail consumption license, concessionaire permit, or a social affairs permit may hold a festival that showcases beer, wine, and distilled spirits or a combination thereof. The bill requires the festival host to provide notice to the Director of ABC at least 45 days prior to a festival. The licensee also would be required to submit an application to hold a festival to the municipal clerk, who would notify the governing body of the municipality and chief law enforcement officer with jurisdiction over the municipality. An application for a festival must be approved by the governing body of the municipality. The bill also establishes certain requirements and a fee schedule for holding a festival:

- (1) \$300 for an expected attendance of less than 1,000 people;
- (2) \$1,000 for an expected attendance of between 1,001 and 5,000 people;
- (3) \$2,000 for an expected attendance of between 5,001 and 10,000 people;
- (4) \$3,000 for an expected attendance of more than 10,000 people;
- (5) \$150 per day for a non-profit festival which does not involve a third-party promoter;
- (6) \$2,500 per day for a non-profit festival with an expected attendance of less than 5,000 people; and
- (7) \$5,000 per day for a non-profit festival with an expected attendance of 5,000 or more people.

In addition, the bill increases production limits placed on craft distillery licensees from 20,000 gallons to 100,000 gallons. The bill establishes a graduated fee schedule that would be based on the amount of spirits annually distilled by the craft distillery license: to manufacture more than 80,000 gallons, but not in excess of 100,000 gallons per annum, \$4,690; to manufacture more than 60,000 gallons, but not in excess of 80,000 gallons per annum, \$3,752; to manufacture more than 40,000 gallons, but not in excess of 60,000 gallons per annum, \$2,814; to manufacture more than 20,000 gallons, but not in excess of 40,000 gallons per annum, \$1,876; to manufacture 20,000 gallons or less per annum, \$938.

The holder of a limited brewery, craft distillery, or cidery and meadery license also would be permitted to deliver its product to a consumer's home; sell non-alcoholic beverages, whether or

not manufactured by the license holder; coordinate with a restaurant, food vendor, or food truck to provide food on the licensed premises; and provide menus to consumers. These licensees would continue to be prohibited from operating a restaurant on the licensed premises as required by current law.

The bill requires holders of Class A licenses (manufacturing) and Class C licenses (retailing) who hosts an off-premises event or festival temporarily to obtain liability insurance. The bill requires the licensee to submit a copy of the insurance policy to the Director of the ABC and the clerk of the municipality in which the premises are located.

This bill allows a municipality to enact an ordinance prior to the bill's expiration permitting the holder of plenary retail consumption licenses, hotel or motel licenses, seasonal retail consumption licenses, or concessionaire permits, generally issued to bars and restaurants, to sell and deliver alcoholic beverages in original containers or in closed and sealed containers and mixed cocktails in closed and sealed containers for consumption off the licensed premises.

In addition, the bill allows a municipality to enact an ordinance prior to the bill's expiration permitting craft distillery licensees to sell for consumption off the licensed premises distilled alcoholic beverages that are manufactured on the licensed premises and mixed or blended with other alcoholic or nonalcoholic beverages and sold in closed and sealed containers. This bill makes permanent provisions of P.L.2020, c.33, which temporarily granted retail licensees and craft distillery licensees certain privileges.

Finally, the bill allows the holder of a plenary retail consumption license to hold up to 12 "open bar" events that allow for the unlimited availability of alcoholic beverages for consumption on the licensed premises for a set price or cover charge. Under the New Jersey administrative code, these events are prohibited unless the "open bar" is for a private party, an event for which tickets are sold by a non-profit organization that is not advertised to the general public, or held on New Year's Eve.

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 the potential revenue collected from the sale of the total number of expanded licenses, applications fees, and permits and sales tax on products sold.

It is unknown if there will be additional revenues from penalty collections which would be offset by expenditures for increased regulation and enforcement and additional costs for the ABC in the Department of Law and Public Safety, and municipalities' increased workload.

State Revenue Impacts: The OLS anticipates that alcoholic beverage sales through the expanded licenses, applications fees, and permits may increase with additional locations to sell their products, thus increasing the amount of State sales tax collected on the sale of alcoholic beverages.

State Expenditure Impacts: The bill may increase the division's workload depending on the number of applications received to authorize the sale of the various licenses and permits. In

addition, liability insurance by holders of Class A licenses (manufacturing) and Class C licenses (retailing) who sell alcoholic beverages for consumption on the licensed premises is required. Depending on the board's resource allocation policies, the added workload may or may not augment State administrative expenditures.

The OLS anticipates that any increased sales of alcoholic beverages may affect the workload of the Division of Taxation.

Municipal Revenue Impacts: The bill would increase the municipal revenue from the expanded sale of the various permits and any annual renewal fees charged. The OLS cannot determine the number of permits or licenses that would be sold.

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

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.).