

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3609
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JULY 2, 2018

SUMMARY

Synopsis: Requires seasonal retail consumption alcoholic beverage license holder to exchange license for full-year consumption license.

Type of Impact: Annual State and Local Revenue and Expenditure Increase.

Agencies Affected: Department of Law and Public Safety; Municipal Government.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Annual State and Local Cost Increase		Indeterminate	
Annual State and 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 total number of licenses annually, the future license fees, 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 during the additional six-month period in which the licensee could sell alcoholic beverages and additional costs for the division’s and municipalities’ increased workload.
- The bill authorizes the Division of Alcoholic Beverage Control, in the Department of Law and Public Safety, to exchange existing seasonal retail consumption licenses, which have an annual renewal fee of \$150, for a plenary retail consumption license which has an annual renewal fee of \$200 – an increase of \$50 annually. The bill may increase or decrease the division’s workload depending on the number of seasonal retail consumption licenses exchanged for plenary retail consumption licenses. Depending on the board’s resource allocation policies, the added workload may or may not augment State administrative expenditures.
- The bill may increase the municipal revenue from the increased annual municipal renewal or transfer fees resulting from the exchange of seasonal retail consumption licenses for plenary



retail consumption licenses. These fees may offset the indeterminate increased costs to municipalities to administer, regulate, and enforce the year-round licenses.

BILL DESCRIPTION

This bill requires the Director of the Division of Alcoholic Beverage Control to cease issuing seasonal retail consumption licenses. Under the bill, the holder of a seasonal retail consumption license would have five years during which the licensee may exchange the license for a plenary retail consumption license, which would permit the licensee to sell alcoholic beverages for consumption on the licensed premises throughout the entire year. After five years, the issuing authorities would be required to exchange all seasonal retail consumption licenses for plenary retail consumption licenses.

A person required to exchange a seasonal retail consumption license would have the same privileges and be entitled to sell alcoholic beverages during the same times and days as other plenary retail consumption license holders in the same municipality. In addition, a person who exchanges a license would be required to pay the same fees as a plenary retail consumption license holder.

The bill allows a person who exchanges the seasonal license to then transfer the new plenary retail consumption license, but prohibits the person from profiting from this transfer for profit for five years following the date of the exchange. After five years, the plenary retail consumption license may be transferred for profit provided that 15 percent of the profit is donated to a nonprofit or charitable organization dedicated to preventing alcohol abuse or encouraging safe driving. A person who transfers the license is prohibited from being employed by or having a financial interest in the nonprofit or charitable organization which receives the donation.

A seasonal retail consumption license allows for the sale of alcoholic beverages for on-site consumption for a limited time during the summer or winter season. A license issued during the summer season allows the licensee to serve alcoholic beverages from May 1 through November 14. The holder of a winter seasonal license may sell alcoholic beverages from November 15 to April 30.

A seasonal license is subject to the same population restrictions as a plenary retail consumption license, and is included in the total number of consumption licenses that a municipality may issue. A municipality may issue one of these licenses -both seasonal and plenary retail consumption- for each 3,000 persons residing in the municipality. Therefore, the bill does not allow for the issuance of new licenses, but rather would allow current seasonal licensees to sell alcoholic beverages during the entire year.

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 total number of licenses annually, the future license fees, 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 during the additional six-month period in which the licensee could sell alcoholic beverages and additional costs for the division's and municipalities' increased workload.

State Revenue Impacts: The bill will increase annual State revenue collections after the transfer of the seasonal retail consumption license to the plenary retail consumption license as the fee for this seasonal retail consumption license is 75 percent of the fee established for the plenary retail consumption license. As of 2015 the annual renewal fee for a plenary retail consumption license was \$200. As of May 2015, it was reported that there were seven establishments holding seasonal retail consumption licenses. Although the statute also authorizes a winter season license from November 15 to April 30, no such license has been issued in the State. If the same number of licenses were transferred to year-round plenary retail consumption licenses, it would mean an estimated annual revenue increase of \$350. Additionally, if the license were sold, the State may realize revenue from the transfer fee (\$200 per transfer).

The OLS anticipates that sales by plenary retail consumption licensees may increase with an additional six-months to sell their products, thus potentially increasing the amount of State sales tax collected.

State Expenditure Impacts: The bill may increase or decrease the division's workload depending on the number of licenses issued.

Municipal Revenue Impacts: The bill may increase the municipal revenue from the increased annual municipal renewal or transfer fees resulting from the exchange of seasonal retail consumption licenses for plenary retail consumption licenses.

Pursuant to N.J.S.A. 33:1-12, 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. Currently the seasonal retail consumption license annual renewal fee is 75 percent of the plenary retail consumption license.

As noted above, the licensee is prohibited from transferring the license for profit for five years following the date of the exchange. If a plenary retail consumption license is transferred for profit, 15 percent of the profit is to be donated to a nonprofit or charitable organization. Additionally, the municipality would realize increased revenue from the sale resulting from a transfer fee of 10 to 20 percent of the annual license fee, depending on whether the transfer is place-to-place or a combination of place-to-place and person-to-person.

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

Additionally, it appears that the establishments holding seasonal retail consumption licenses are located in shore towns. The OLS notes that many of these municipalities may employ additional seasonal law enforcement. The transfer of seasonal licenses to year-round licenses may increase the cost of public safety as there may be increased need for enforcement of alcoholic beverage statutes and ordinances.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

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