



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0275 Signed by Governor on May 19, 2017
Author: Bennett
Subject: Breweries
Requestor: Senate
RFA Analyst(s): Kokolis
Impact Date: June 2, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Local Expenditure	\$0	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds, as the Department of Revenue (DOR) and the Department of Health and Environmental Control (DHEC) expect to manage additional permitting changes and applications without significant additional expenditure. The revenue impact is undetermined due to the unknown demand for licenses and permits.

Explanation of Fiscal Impact

Signed by Governor on May 19, 2017

State Expenditure

This bill allows a brewery with a DHEC licensed food establishment to apply for a permit to sell alcoholic liquor by the drink for on-premise consumption in a section physically partitioned from the brewing operation and designated for the primary purpose of engaging in the preparation and serving of meals. This bill also allows a permitted brewpub to convert to a brewery and obtain the permits and licenses allowed breweries. Brewpubs converting to breweries are required to surrender their existing brewpub and liquor by the drink permits contemporaneously with obtaining the new permits. The bill also clarifies that brewpubs are retail establishments; therefore, subject to regulation as a third tier operation.

Department of Revenue. The department indicates this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds, as changes to the agency’s business rules and systems to allow for the permits can be accomplished without additional expenditures.

Department of Health and Environmental Control. The department currently inspects and issues permits for restaurants. Any change in the number of applications for permits and inspections is expected to be managed in the ordinary course of the agency's business. However, an increase in the number of facilities requiring inspections may negatively affect the frequency with which restaurants are inspected. There is a \$60 initial inspection fee to obtain a retail food establishment license, which provides funding for the retail food establishment inspection program at the agency.

State Revenue

DOR indicates the licensing options allowed under this bill would result in an increase in license and permit fees from \$1,000 biennially to \$2,700 for breweries with an on-premise beer and wine permit that add liquor by the drink. The fees for brewpubs with a liquor by the drink permit would remain unchanged at \$3,900 biennially. As a result of the difference in fees, existing brewpubs and new businesses may seek licensure as a brewery rather than a brewpub. Consequently, this bill would add \$2,700 in General Fund revenue for each existing brewpub that elects to obtain a license as a brewery with an on-premise beer and wine permit and a liquor by the drink permit, if the brewery licenses and permits are obtained before the brewpub permits expire. If the brewpub obtains brewery licenses and permits as its brewpub licenses are expiring, this bill would result in the business paying \$2,700 instead of \$3,900, a reduction in General Fund revenue of \$1,200 per licensee. DOR would also collect filing fees for permit applications of \$200 to \$300 an application, depending on the particular permit. There are approximately twelve brewpubs and thirty-two breweries licensed in South Carolina.

As the amount of revenue that may be generated from licenses and permits issued by DOR depends upon the business strategies of existing brewpubs and breweries and the number of new businesses obtaining the various licenses and permits, this bill's revenue impact on the General Fund is undetermined.

DHEC receives \$60 as an initial license fee for establishments obtaining a retail food establishment license. DHEC retains the fee and uses it to support the agency's retail food establishment inspection program. As the demand for licenses is unknown, this bill's revenue impact on Other Funds is undetermined.

Local Expenditure

Local governments may experience an increase in applications for local licenses and permits, but local governments are expected to manage any increased activity with existing resources and in the ordinary course of business.

Local Revenue

Considering local governments will have an unknown demand for local licenses and permits, the local revenue generated from license fees is undetermined.



Frank A. Rainwater, Executive Director