

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 274 – HB 499**

May 17, 2010

**SUMMARY OF AMENDMENTS (018542, 017008):** Amendment 018542 deletes the language of the original bill. Defines "limited service restaurant" as a facility with a 40-person seating capacity where the sale of food represents 50 percent or less of the establishment's gross revenue. Authorizes establishments licensed as a "restaurant" to transfer their license to a "limited service restaurant". Authorizes the sale of alcoholic beverages for on-premises consumption at limited service restaurants.

Amendment 017008 authorizes licenses issued for the sale of alcoholic beverages for off-premises consumption to remain valid when a city relinquishes its charter to join the metropolitan government of Davidson County.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue – Not Significant  
Increase State Expenditures – Not Significant

Increase Local Revenue – Less than \$100,000  
Increase Local Expenditures – Not Significant

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Increase State Revenue - \$70,800/ABC Fund/One-Time  
\$265,900/ABC Fund/Recurring  
Exceeds \$100,000/General Fund/Recurring**

**Increase State Expenditures - \$1,000/ABC Fund/One-Time  
\$48,300/ABC Fund/Recurring**

**Increase Local Revenue – Exceeds \$14,000/Recurring  
Increase Local Expenditures – Not Significant/Permissive**

Assumptions applied to amendments:

- Licenses will be issued by the Alcoholic Beverage Commission (ABC) to qualified establishments in jurisdictions where the sale of alcohol for on-premises consumption has been approved.
- According to ABC, 231 current licensees holding a "restaurant" license will transfer their license to a "limited service restaurant" license.
- Based on information provided by ABC, the average license fee for a "restaurant" is \$892 resulting in approximately \$206,052 annual revenue to the State ABC Fund ( $\$892 \times 231$ ).
- The minimum license fee for a limited service license will be \$2,000 resulting in an increase in revenue to the State ABC Fund up to \$255,948 [ $(\$2,000 \times 231) - \$206,052$ ].
- Based on information provided by the Department of Revenue, there will be five new "limited service restaurant" licenses in the state resulting in an increase in revenue to the State ABC Fund of \$10,000 ( $\$2,000 \times 5$ ).
- Each license will require a one-time \$300 application fee resulting in a one-time increase in revenue to the State ABC Fund of \$70,800 ( $236 \times \$300$ ).
- ABC will not require additional agents to regulate or investigate the new licensees.
- ABC will require one new audit position to perform functions necessary for new licensees.
- The increase to recurring state expenditures for the one new audit position is estimated to be \$48,304 per year (\$32,484 salary, \$11,045 benefits, and \$4,775 other). The increase to one-time state expenditures associated with this position is estimated to be \$1,000 (computers, software, etc.)
- Based on information provided by the Department of Revenue, state sales tax revenue generated by each new "limited service restaurant" licensee will exceed \$20,000. Local sales and privilege tax revenue will exceed \$2,800 per licensee resulting in an increase to state revenue that exceeds \$100,000 ( $\$20,000 \times 5$ ) and local revenue that exceeds \$14,000 ( $\$2,800 \times 5$ ).
- There will be a not significant increase to local expenditures to inspect new licensees.
- Allowing establishments currently licensed to sell alcohol for off-premises consumption to retain their license will not result in any change to the number of licensed establishments. There will be a not significant increase to state expenditures to update information for each licensee. There will be a not significant increase to local expenditures to update information for each licensee.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a prominent initial "J" and a distinct "W".

James W. White, Executive Director

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