

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3527-02  
Bill No.: HB 1162  
Subject: Alcohol; Taxation and Revenue – General  
Type: Original  
Date: January 31, 2006

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$131,400)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$131,400)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Fund for the Reduction of Alcohol-Related Problems and Underage Drinking*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized. Offsetting revenues and expenditures of approximately \$44,000,000 per fiscal year.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of the State Treasurer** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Health and Senior Services (DHSS)** state that the direct fiscal impact cannot be determined because the legislation does not assign any program responsibility to DHSS. Implementation of any new or enlarged program by the department would require staff and expenses, and most likely contractual/program dollars (program distributions). Because of existing programs, it is assumed that the Department of Mental Health would implement the program. However many of the issues noted in the legislation are related to injury and violence prevention and some interventions may be appropriate for DHSS. DHSS assumes the cost of the programs would exceed \$100,000 annually.

Officials from the **Department of Mental Health (DMH)** state that no specific programs are stipulated to receive the revenue generated by this proposed legislation. Instead, the revenue deposited in the "Fund for the Reduction of Alcohol-Related Problems" would be subject to appropriation by the legislature. Because the legislation is not specific as to how much funding is to go to prevention and treatment of alcohol abuse programs within the DMH, they are unable to estimate the fiscal impact on the Department.

ASSUMPTION (continued)

Officials from the **Department of Transportation (DHT)** state that if approved by voters, this legislation would establish the “Fund for Reduction of Alcohol-Related Problems and Underage Drinking.” Numerous programs that are currently funded with federal highway safety grant monies would be eligible to receive financial support from such a fund, therefore releasing some Highway Safety dollars to support other programs. There is the potential that moneys in this fund could be used to assist MoDOT’s Office of Highway Safety for enforcement of intoxication-related traffic offenses, but any fiscal impact is uncertain. DHT assumes a \$0 to Unknown fiscal impact to the Highway Safety Fund.

Officials from the **Department of Revenue - Division of Taxation** assume these additional fees will be collected by the Department of Public Safety - Division of Alcohol and Tobacco Control and deposited through DOR-ICMO to the special fund. DOR states there should be no impact to its agency.

Officials from the **Office of Secretary of State (SOS)** assume statewide newspaper publication of state statutes cost approximately \$1,752 per column inch based on an estimate provided by the Missouri Press Service x 3 for multiple printing as required by the constitution and state statute, resulting in \$5,256 per column inch. SOS estimates the total number of inches for this amendment to be 25, which includes title header and certification paragraph. Therefore, SOS estimates the total cost of publication to be \$131,400 (\$5,256 x 25 inches) to be incurred in FY 2007.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the bill, subject to voter approval, would increase the following excise taxes by these amounts:

Beer - 18 cents per gallon  
Liquor - \$2.00 per gallon  
Wine - 36 cents per gallon

The following assumptions apply:

1. Voter approval would occur in November 2006. The tax would likely be effective January 1, 2007, resulting in six months impact in FY 2007.
2. Growth in collections will be consistent with the growth rates assumed in the consensus general revenue forecast for FY 2006. The rate for future years is 1.2% for beer, 2.1% for liquor.

ASSUMPTION (continued)

3. There will be no decline in consumption of beer, wine, or liquor as a result of the tax increase.

	Revenue Impact (millions)		
	FY 2007	FY 2008	FY 2009
Beer	\$12.9	\$26.1	\$26.4
Liquor	\$8.5	\$17.3	\$17.7
Wine	<u>\$1.5</u>	<u>\$3.1</u>	<u>\$3.2</u>
Total	\$22.9	\$46.5	\$47.3

This proposal would have no impact on BAP and would not impact General Revenue or Total State Revenues.

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** stated the bill will increase taxes, however, pursuant to Section B of the act, the legislation is subject to approval or rejection of the qualified voters of Missouri. Therefore, the bill will not impact the revenue limit of Missouri.

ATC states the bill establishes the Fund for the Reduction of Alcohol-Related Problems. The fund will receive moneys through appropriation from increased fees for selling intoxicating liquor. Moneys in the fund must be used only for the study of and reduction of alcohol-related problems through statutory programs. The fund will be administered by the State Treasurer.

The fee for selling both 3.2% and 5% beer is increased from 6 cents per gallon to 24 cents per gallon. The fee for selling spiritous liquor is increased from \$2 per gallon to \$4 per gallon. The fee for selling wine is increased from 42 cents per gallon to 78 cents per gallon.

ATC used the FY 2004 gallonage for alcoholic beverages to estimate the annual additional excise taxes as follows;

	FY 2004 gallonage		Additional Excise <u>Tax Rate</u>		Additional Annual <u>Excise Tax</u>
Spirits	8,079,961	x	\$2.00	=	\$16,159,922
Wine	9,469,747	x	\$0.36	=	\$ 3,409,109
Beer	136,196,817	x	\$0.18	=	<u>\$24,515,427</u>
	TOTAL				\$44,084,458

ASSUMPTION (continued)

ATC assume six months of fiscal impact, \$22,042,229 (\$44,084,458 x 6 /12), in the first year if the proposal is approved by voters.

Officials from the **Department of Elementary and Secondary Education** state they cannot know the extent to which the appropriations of these additional funds will impact their department or local school districts, however, they assume any impact could be significant.

Officials from the **Department of Corrections (DOC)** assume this bill, if passed, would tax alcohol and increase the funding available for alcohol-related treatment. DOC assumes that funding may be available in the future for new programs for alcohol-treatment, but it is unknown exactly when it would be available and what the dollar amount may be. Therefore, the fiscal impact for DOC is unknown, but assumed to be positive.

For purposes of the fiscal note, **Oversight** has reflected the increase in excise tax revenue based upon information provided by ATC. Oversight assumes the proposal would be passed by voters in November 2006 and become effective January 1, 2007. Therefore, Oversight assumes six months of fiscal impact from the proposal in FY 2007, and the first full year of fiscal impact in FY 2008. Oversight assumes all of the additional revenue generated by this proposal would be spent by various state agencies as outlined in the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE</b>			
<u>Cost</u> – Publication costs for the Office of the Secretary of State	<u>(\$131,400)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$131,400)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
 <b>FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING</b>			
<u>Income</u> – from additional excise tax on beer, liquor, and wine	\$22,042,229	\$44,084,458	\$44,084,458
<u>Costs</u> – Various state agencies			
Program costs	<u>(\$22,042,229)</u>	<u>(\$44,084,458)</u>	<u>(\$44,084,458)</u>
 <b>ESTIMATED NET EFFECT ON FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING*</b>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses selling alcohol will see an increase in the tax on their products.

## DESCRIPTION

This proposal creates the Fund for the Reduction of Alcohol-Related Problems and Underage Drinking to be administered by the State Treasurer. The fund will receive moneys through appropriation from increased fees for selling intoxicating liquor. Half of the moneys in the fund will be used for prevention and law enforcement and half for treatment and recovery of alcohol-related problems through statutory programs. "Alcohol-related problems" are defined and described, along with examples of services and programs.

The fee for selling both 3.2% and 5% beer is increased from six cents per gallon to 24 cents per gallon; spirituous liquor is increased from \$2 per gallon to \$4 per gallon; and wine is increased from 42 cents per gallon to 78 cents per gallon. Beginning in Fiscal Year 2012, and every fifth year thereafter, the fees collected for intoxicating beverages and the inspection fee for nonintoxicating beer will be adjusted, based on the federal Consumer Price Index.

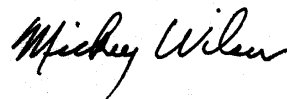
The bill contains a referendum clause which must be submitted to Missouri voters in November 2006 or at a special election called by the Governor.

The provisions of the bill will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Mental Health  
Department of Revenue  
Department of Health and Senior Services  
Department of Public Safety  
Department of Transportation  
Office of the Secretary of State  
Office of the State Treasurer  
Office of Administration  
Department of Corrections  
Department of Elementary and Secondary Education



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Mickey Wilson, CPA  
Director  
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