

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3527-06
Bill No.: HCS for HB 1162
Subject: Alcohol; Taxation and Revenue – General
Type: Original
Date: March 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	(\$9,057,551)	(\$18,115,103)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$9,057,551)	(\$18,115,103)

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

* **Offsetting revenues and expenditures in fiscal years 2008 and beyond.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

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

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer** and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

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 currently 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 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 assumed a \$0 to Unknown fiscal impact to the Highway Safety Fund.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the bill should not result in additional costs or savings to their agency. BAP states that if the deposits to the dedicated funds are phased in over a three year period, losses to General Revenue and gains to the dedicated fund will be as follows;

	FY 2008	FY 2009	FY 2010
General Revenue Losses	(\$9,057,551)	(\$18,115,103)	(\$27,172,654)
Gain to Dedicated Fund	\$9,057,551	\$18,115,103	\$27,172,654

BAP states this proposal does not impact Total State Revenues. It creates a dedicated fund, thus reducing General Revenue.

Officials from the **Office of Administration - Division of Accounting** assume the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state the bill establishes the "Fund for the Reduction of Alcohol-Related Problems and Underage Drinking". The fund will receive moneys from all state tax revenues generated from the sale of alcohol in this state. Money must be used for the study of and reduction of alcohol related problems through statutory programs. The fund will be administered by the State Treasurer.

The ATC feels that in order to make an impact on sale of alcoholic beverage to persons under the age of twenty-one, pursuant to Chapters 311 and 312, as this legislation calls for, the enforcement staff must be increased by twenty and the clerical staff by five. The Division anticipates a significant increase in number of arrests of minors and of clerks who sell to minors. By way of comparison, last year the ATC made over 1,700 liquor arrests of minors. Last year the ATC also took administrative action in 459 cases against liquor retailers for various violations, mostly sales to minors. The ATC expects these numbers to more than double with increased staff devoted to enforcement. This is largely due to the fact the ATC will increase the alcohol controlled buy operations.

There will be a significant amount of work associated with the violation reports. The ATC must track each controlled buy, arrest, violation, and indeed all enforcement work, on our computer system; which will involve a tremendous amount of daily data entry. The ATC must report monthly under the Uniform Crime Reporting system to the Highway Patrol with respect to arrests. The Division will also keep a hard file for every retail establishment that we cite, for administrative disciplinary action purposes.

The five tobacco clerks will be absolutely essential for the tasks summarized above under alcohol enforcement, including the data entry for the database, arrests and violation reports; tracking of server training; file maintenance; clerical support for the Chief of Enforcement and District Supervisors; and Uniform Crime Reporting to the Highway Patrol. We have requested five clerks. Although we will apportion work among the five, we anticipate needing one full-time clerk to handle the increased docket; one full-time clerk for clerical support of the Chief of Enforcement and other central office management; and one full-time clerk for file management and the other clerical tasks as summarized above. Each of the two District offices will need additional clerical support for the enforcement staff associated with the increased enforcement program consisting of additional work involved additional violations expected with the implementation of this program.

In summary, ATC assumes the need for an additional 25 FTE from the proceeds of this fund, at a cost of \$1.9 million in FY 2008 and \$1.6 million in FY 2009.

ASSUMPTION (continued)

ATC states the FY 2005 gallonage for alcoholic beverages was used to estimate the annual excise taxes as follows

	FY 2005 gallonage		Excise <u>Tax Rate</u>	=	Annual <u>Excise Tax</u>
Spirits	8,079,961	x	\$2.00	=	\$16,159,922
Wine	9,469,747	x	\$0.30	=	\$ 2,840,923
Beer	136,196,817	x	\$0.06	=	\$ 8,171,809
TOTAL FY 2005 Collections					\$27,172,654

FY 2008 collections dedicated to the new fund would be 1/3 of \$27,172,654, or \$9,957,551. FY 2009 collections dedicated to the new fund would be 2/3 of \$27,172,654, or \$18,115,103.

Officials from the **Department of Elementary and Secondary Education (DESE)** state appropriation of these funds by the general assembly will be guided by many considerations including, school-based prevention and remediation; support for programs and services pursuant to the drug-free schools act; demonstrated need for resources to address the reduction of alcohol-related problems in institutions of elementary and secondary education; as well as support for programs provided in schools pursuant to section 589.310. DESE states they cannot know the extent to which these appropriations will impact their agency or the local school districts, but 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 incrementally diverted excise tax revenue into the new fund and out of the General Revenue Fund based upon information provided by ATC. Oversight assumes all of the diverted revenue from this proposal would be spent by various state agencies, including the Division of Alcohol and Tobacco Control, as outlined in the proposal. The net effect of the proposal (after a three year phase-in period) would be a loss of over \$27.1 million to the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
 GENERAL REVENUE			
<u>Loss</u> – Graduated loss of liquor excise tax revenue now going to the Reduction of Alcohol-Related Problems and Underage Drinking (1/3 in FY 2008, 2/3 in FY 2009)	<u>\$0</u>	<u>(\$9,057,551)</u>	<u>(\$18,115,103)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$9,057,551)</u>	<u>(\$18,115,103)</u>
 FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING			
<u>Income</u> – from liquor excise tax revenue incrementally going to this new fund	\$0	\$9,057,551	\$18,115,103
<u>Costs</u> – Various state agencies Program costs (1/2 for prevention and law enforcement)	\$0	(\$4,528,775)	(\$9,057,551)
<u>Costs</u> – Various state agencies Program costs (1/2 for treatment and recovery support)	<u>\$0</u>	<u>(\$4,528,776)</u>	<u>(\$9,057,552)</u>
ESTIMATED NET EFFECT ON FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This substitute 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 by the General Assembly, private donations, and excise tax revenues from the sale of alcohol. The funds will be implemented over a three-year period, beginning in Fiscal Year 2008 with one-third of the amount received to be deposited into the fund. For Fiscal Year 2009, two-thirds will be deposited into the fund; and for Fiscal Year 2010, all moneys received will be deposited into the fund.

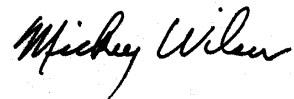
Half of the moneys in the fund will be used for prevention and law enforcement and half for treatment and recovery of alcohol-related problems through statutory programs. "Alcohol-related problems" are defined and described, along with examples of services and programs.

The provisions of the substitute 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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