

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0979-03  
Bill No.: SCS for HB 279  
Subject: Alcohol; Licenses - Liquor and Beer; Public Safety Department  
Type: Original  
Date: May 1, 2015

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Bill Summary: This proposal modifies provisions relating to liquor licenses and creates the Division of Alcohol and Tobacco Control Fund for the enforcement of liquor and tobacco control laws and directs fees from liquor licenses and permits to the fund. This proposal also allows any person to apply for a liquor license to sell intoxicating liquor on a boat carrying 30 passengers or more.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$2,686,055)	(\$3,225,096)	(\$3,225,096)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$2,686,055)</b>	<b>(\$3,225,096)</b>	<b>(\$3,225,096)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Division of Alcohol and Tobacco Control	\$2,738,955	\$3,286,746	\$3,286,746
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$2,738,955</b>	<b>\$3,286,746</b>	<b>\$3,286,746</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$113,750</b>	<b>\$135,625</b>	<b>\$135,625</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §311.067 - Advertising:

In response to the previous version of this proposal, officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** assumed the proposal would not have a direct fiscal impact on their agency.

#### §311.091 - liquor licenses for boats:

Officials from the **ATC** state the bill makes the following changes:

- Section 311.091.1 provides for a boat liquor license as long as the boat is licensed by the US Coast Guard to carry thirty or more passengers.
- Section 311.091.2 related to a boat license for boats that could carry forty-five to ninety-nine passengers. This is being deleted because the changes in Subsection 1 will include these boats.

Based on a projected number of licenses issued of 180 times the \$300 boat license fee, ATC estimates an annual increase in license fees of \$54,000 (180 x \$300). In FY 2016, the licenses aren't issued until August 28, 2015; therefore the license would be prorated for ten months generating \$45,000 (\$54,000 / 12 months x 10 months).

Cities may charge 150% of state liquor license fees (Section 311.220). Based on a projected number of licenses issued of 180 times the \$450 boat license fee, we estimate license fees of \$81,000. In FY 2016, the licenses aren't issued until August 28, 2015; therefore the license would be prorated for ten months generating \$67,500. This number may be inflated for the cities because if the boats are moored in unincorporated areas they would not need a city liquor license.

Counties may charge the same liquor license fees as the State (Section 311.220). Based on a projected number of licenses issued of 180 times the \$300 boat license fee, we estimate license fees of \$54,000. In FY 2016, the licenses aren't issued until August 28, 2015; therefore the license would be prorated for ten months generating \$45,000.

The estimate of 180 new licenses is different from ATC's estimate of 50 new licenses for last year's bill (HB 1615). ATC stated they received additional information regarding the number of potential licensees and adjusted their estimate accordingly.

ASSUMPTION (continued)

§311.201 - Sale of draft beer;

Officials from the **ATC** assume this part of the proposal would not have a direct fiscal impact on their agency.

§§311.730 & 311.735 - Division of Alcohol and Tobacco Control Fund;

Officials from the **Office of Administration - Budget & Planning (B&P)** state based on estimates provided by the Division of Alcohol and Tobacco Control, in FY14 the division collected \$4,695,352. Additionally, for the fiscal years 2010 to 2014, fee collections went up by an average of approximately 1.1%. Budget and Planning assumes fee collections will maintain at least that level of increase for the next three fiscal years. See worksheet for details. The FY16 estimate is based on an August 28, 2015 implementation date. The proposal would decrease GR and increase the ATC Trust Fund by an estimated \$3.4 million annually.

The Division of Alcohol and Tobacco Control may respond with a specific estimate on the impact to General Revenue related to the expected increase in new licenses and permits.

Officials from the **ATC** state they collected \$4,695,352 in licensing fees in FY 2014. ATC expects FY 2015 will result in similar collections. Seventy percent of this amount is 3,286,746. Since the law will not go into effect until August 28, 2015, ATC will collect for 10 months of the 12 month fiscal year, or \$2,738,955 ( $\$4,695,352 \times 70\% \times 10/12$ ).

In FY 2017 and ongoing, ATC will collect 70% for the full year or \$3,286,746. ATC assumes this would be a loss to the General Revenue Fund and a gain to the new ATC Fund.

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

**Oversight** notes that the core appropriation for the Division of Alcohol and Tobacco Control operations is \$1,149,403 (\$839,384 General Revenue, \$165,005 Federal, and \$145,014 from the Healthy Families Trust Fund) for FY 2015.

ASSUMPTION (continued)

§§311.910 - Brew on Premise and Out-of-State Manufacturer Festival Licenses;

Officials from the ATC expects to license 10 brew on premises (BOP) annually at a \$50 initial license fee, with future renewals being \$25. In the first year, this will generate \$500, with future years being \$250.

In addition, ATC expects to license 200 out-of-state manufacturers (OM) who will each bring 200 gallons of beer in annually. Thus 200 licenses at \$25 each will be \$5,000 in license fees plus 40,000 gallons of beer at \$.06 per gallon for \$2,400 in excise fees.

First year - Excise Taxes \$2,400, plus BOP licenses \$500 plus OM licenses of \$5,000 = \$7,900  
Second and ongoing years - Excise Taxes \$2,400, plus BOP licenses \$250 plus OM licenses of \$5,000 = \$7,650

ATC estimates these costs based on brewers because at the current time ATC is aware of these festivals being organized by only brewers. In the future, you could see this type of event expand to liquor and wines.

ATC estimates additional revenue to cities (1.5 times state rate) and counties (1.0 times state rate) of \$1,250 in FY 2016, and \$625 per year thereafter for the BOP licenses.

In response to a similar proposal from this year (HB 121), officials from the **Office of the Secretary of State (SOS)** stated 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Income</u> - Alcohol and Tobacco Control			
Section 311.091 - liquor license for boats carrying 30 passengers or more	\$45,000	\$54,000	\$54,000
<u>Income</u> - Alcohol and Tobacco Control			
Section 311.910 - license revenue for brew-on-premises and out of state manufacturers.	\$7,900	\$7,650	\$7,650
<u>Loss</u> - Alcohol and Tobacco Control			
Section 311.735 - Creation of new Alcohol and Tobacco Control Trust Fund and the direction of unspecified fees to be deposited into the fund instead of the General Revenue Fund	<u>(\$2,738,955)</u>	<u>(\$3,286,746)</u>	<u>(\$3,286,746)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$2,686,055)</u></b>	<b><u>(\$3,225,096)</u></b>	<b><u>(\$3,225,096)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>ALCOHOL AND TOBACCO CONTROL TRUST FUND</b>			
<u>Gain</u> - Alcohol and Tobacco Control Section 311.735 - Creation of new Alcohol and Tobacco Control Trust Fund and the direction of unspecified fees to be deposited into the fund instead of the General Revenue Fund	<u>\$2,738,955</u>	<u>\$3,286,746</u>	<u>\$3,286,746</u>
<b>ESTIMATED NET EFFECT TO THE ALCOHOL AND TOBACCO CONTROL TRUST FUND</b>	<u><b>\$2,738,955</b></u>	<u><b>\$3,286,746</b></u>	<u><b>\$3,286,746</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
 <b>LOCAL POLITICAL SUBDIVISIONS</b>			
 <u>Income - Cities</u>			
liquor license for boats carrying 30 passengers or more (§311.091)	\$67,500	\$81,000	\$81,000
 <u>Income - Counties</u>			
liquor license for boats carrying 30 passengers or more (§311.091)	\$45,000	\$54,000	\$54,000
 <u>Income - Counties - License revenue for brew-on-premises that provide brewing supplies and facilities to the public (§311.910)</u>			
	\$500	\$250	\$250
 <u>Income - Cities - License revenue for brew-on-premises that provide brewing supplies and facilities to the public (§311.910)</u>			
	<u>\$750</u>	<u>\$375</u>	<u>\$375</u>
 <b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	 <b><u>\$113,750</u></b>	 <b><u>\$135,625</u></b>	 <b><u>\$135,625</u></b>

FISCAL IMPACT - Small Business

Small businesses that sell intoxicating liquor could be impacted by this proposal.



### FISCAL DESCRIPTION

§311.091 reduces the number of passengers necessary to apply for a boat liquor license under Section 311.091, RSMo, from 100 to 30 passengers. The same application process currently used for passenger boats with 100 or more persons will now apply to smaller passenger boats.

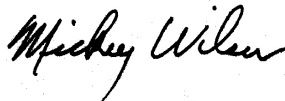
§§311.730 & 311.735 create the Division of Alcohol and Tobacco Control Fund. Under this act, 70 percent of the fees collected for liquor licenses and permits are directed to the fund. Money in the fund may only be used by the Division of Alcohol and Tobacco Control for the administration and enforcement of the liquor control laws and laws prohibiting the sale of tobacco to minors.

§311.910 requires a brew-on-premises facility to obtain a license from the Division of Alcohol and Tobacco Control within the Department of Public Safety. The license application must be accompanied by an initial fee of \$50 or the annual renewal fee of \$25. Licensing will be subject to federal regulation.

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 Public Safety - Alcohol and Tobacco Control  
Office of the State Treasurer  
Office of Administration - Budget and Planning  
Office of the Secretary of State  
Joint Committee on Administrative Rules



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May 1, 2015

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