

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1892-01
Bill No.: SB 412
Subject: Alcohol; Licenses - Liquor and Beer
Type: Original
Date: February 16, 2007

Bill Summary: This proposal provides for on and off the premises tasting of liquor and ensures the samples for tasting are free of charge.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$70,620)	(\$60,281)	(\$62,243)
Total Estimated Net Effect on General Revenue Fund	(\$70,620)	(\$60,281)	(\$62,243)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state Section 311.297 is a new section that permits licensees, who are allowed to conduct samplings, have the winery, distiller, manufacturer, wholesaler, or brewer or designated employee provide services to the retailer that previously were not allowed. They may provide, furnish or pour alcoholic beverages at the retail licensed premises for consumer tasting purposes and may provide solicitations for later sales. In addition, wineries, distillers, manufacturers, wholesalers, or brewers may also provide and pour alcoholic beverage samples off a licensed retail premises for tasting purposes and provide solicitation for later sales.

The ATC states the bill opens up alcohol beverage tastings in the State of Missouri. There will be a large proliferation of samplings occurring in the approximately 7,200 licensed locations that will be eligible to have tastings on their premises. The ATC will need one Agent to oversee that tastings are conducted in accordance with the regulations and one Senior Auditor to work on the trade practice issues as a result of wineries, distillers, brewers, manufacturers and wholesalers being allowed to furnish services to retailers. This bill allows retailers with an original package tasting license, domestic wineries and sales by-the-drink establishments to have samplings, where the winery, distiller, manufacturer, wholesaler, or brewer may provide, furnish or pour alcoholic beverages on a retail licensed premise. In order to ascertain that retailers are being provided only what is allowed in this bill, and not being provided direct or indirect financial interest as disallowed in Section 311.070, RSMo, the Division will need to routinely inspect and investigate these events. Trade practice issues, which have increasingly become problematic in the State, have the potential to become worse with the top two tiers of the liquor industry (manufacturers and wholesalers) being able to provide services and possible financial incentives to the third tier (retailers). To properly oversee enforcement, the Division will need an Agent (at \$33,888 annually) and a Senior Auditor (at \$37,896 annually).

In summary, the ATC assumes a cost to the general revenue fund of \$146,238 in FY 2008, \$126,738 in FY 2009 and \$130,848 in FY 2010, which includes two vehicles.

Oversight assumes the ATC will not require the Senior Auditor FTE, and have removed the expense associated with this FTE from ATC's estimate.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Costs - Alcohol and Tobacco Control</u>			
Personal Service	(\$29,087)	(\$35,952)	(\$37,030)
Fringe Benefits	(\$13,165)	(\$16,272)	(\$16,760)
Expense and Equipment	<u>(\$28,368)</u>	<u>(\$8,057)</u>	<u>(\$8,453)</u>
<u>Total Costs - ATC</u>	(\$70,620)	(\$60,281)	(\$62,243)
FTE Change - ATC	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 <u>(\$70,620)</u>	 <u>(\$60,281)</u>	 <u>(\$62,243)</u>
 Estimated Net FTE Change for General Revenue Fund	 1 FTE	 1 FTE	 1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business liquor establishments could be fiscally impacted as a result of this proposal.

FISCAL DESCRIPTION

This proposal allows wineries, distillers, manufacturers, wholesalers, or brewers to provide samples for customer tasting purposes at retail licensed premises that have a special permit or a by-the-drink-for-consumption-on-the-premises-where-sold retail license. The winery, distiller, manufacturer, wholesaler, or brewer cannot give money or anything of value to the retailer for the opportunity to conduct the tasting. Tastings may be conducted off of a retail licensed premise if no sales transactions take place; however, solicitations for later sales via promotional materials are allowed.

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



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Director
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