COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2485-05
Bill No.: Perfected SS for SCS for SB 616
Subject: Alcohol; Business and Commerce; Public Safety Department
Type: Original
Date: April 17, 2007

Bill Summary: This proposal changes laws relating to liquor regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	$56,838	$86,171	($4,874)
Total Estimated Net Effect on General Revenue Fund	**$56,838**	**$86,171**	**($4,874)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**3 FTE**	**3 FTE**	**3 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	**$187,500**	**$225,000**	**$225,000**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** assume the proposal would have the following fiscal impact:

Section 311.070 revises trade practice limits set years ago between manufacturers and wholesalers towards retailers and provides limits that more match today's market. It also clearly defines what manufacturers and wholesalers may give to retail business associations, and provides rules on licensees nonalcoholic product sales. ATC assumes no fiscal impact from this part of the proposal.

Section 311.489 would allow for a new license type for promotional associations within a festival district. The festival district must include three or more alcohol licensed businesses and a common area and must be closed to traffic. The promotional association would be required to submit a plan to the city with details about the event, and would upon approval be permitted to sell liquor for consumption within the district common including on Sunday. Customers would be permitted to leave the licensed establishment with an alcoholic beverage and consume it within the festival district. Minors allowed at the event must be easily distinguished from persons of legal age. The Division would need an additional Agent in each of the three Districts Statewide to conduct party patrols and walk-throughs during festival events to assure that alcohol is not being provided to underage patrons outside the licensed establishments in the festival district, and that sales are not made to intoxicated persons. Any new type of license that increases the availability of alcohol would require additional enforcement staff.

There would be less safeguards in place to prevent sales to persons less than twenty-one years of age or intoxicated person in a festival district as opposed to a licensed establishment. Three additional Agents would be needed to monitor festival events across the State to assure that sales are made in compliance with liquor control laws.

ATC states cities may charge 150% of state liquor license fees (Section 311.220). ATC estimates there will be approximately 300 licenses of this type issued across the State. Therefore, 300 licenses issued at $450 ($300 state license fee X 150%) will generate $135,000 annually. In FY'08, the licenses aren't issued until August 28, 2007; therefore the licenses would be prorated for ten months generating $112,500.

ATC states counties may charge a fee equal to state liquor license fees (Section 311.220). Therefore, 300 licenses issued at $300 will generate $90,000 annually. In FY'08, the licenses aren't issued until August 28, 2007; therefore the licenses would be prorated for ten months generating $75,000.

ASSUMPTION (continued)

Section 311.240.5 would allow the Division to collect penalties from licensees who habitually renew late each year. There is currently no provisions for penalties to licensees who annually renew their liquor license late.

Using FY 2006 as a basis the following estimate of revenue can be assumed:

- $193,700 collections from late fees for the 1st year. This is an estimate based on the FY 2006 late renewals in June (for May) of 1,937 @ $100 each.

- $176,850 collections from late fees for the 2nd year. This is an estimate based on July late renewals of 400 X $200 and half of the previous year estimate. It is estimated that the second year, the late renewals will drop by half.

- $ 91,226 collections from late fees for the 3rd year. This includes July late renewals of half of the initial year, and a third of the initial year for June late renewals.

In response to a similar proposal from this year (HB 530), officials from the ATC assumed Section 311.178 would not fiscally impact their agency. ATC stated the revenue generated from the $300 per resort fee for the ability to stay open from 1:30 a.m. to 3:00 a.m. is deposited into the General Revenue Fund. ATC also stated there was just one such resort license issued in fiscal year 2006.

Without this proposal the General Revenue Fund would receive $300 less in revenue annually; however, **Oversight** assumes $300 in revenue to the General Revenue Fund is immaterial, and therefore will not reflect this additional income in the fiscal note.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

This proposal could increase Total State Revenues.

FISCAL IMPACT - State Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
Income - Alcohol & Tobacco Control Late fees allowed in Section 311.240.5	$193,700	$176,850	$91,226
Income - Alcohol & Tobacco Control Liquor license revenue from festival district permits (Section 311.489)	$75,000	$90,000	$90,000
Costs - ATC - Section 311.489			
Personal Service	($87,262)	($107,855)	($111,091)
Fringe Benefits	($39,495)	($48,815)	($50,280)
Expense and Equipment	($85,105)	($24,009)	($24,729)
Total Costs - ATC	($211,862)	($180,679)	($186,100)
FTE Change ATC	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$56,838**	**$86,171**	**($4,874)**
Estimated Net FTE Change for General Revenue Fund	3 FTE	3 FTE	3 FTE

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL POLITICAL SUBDIVISIONS			
Cities - Increase liquor license revenue from festival district permits (311.489)	$112,500	$135,000	$135,000
Counties - Increase liquor license revenue from festival district permits (311.489)	$75,000	$90,000	$90,000
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**$187,500**	**$225,000**	**$225,000**

FISCAL IMPACT - Small Business

Small liquor-by-the-drink businesses could be fiscally impacted as a result of this proposal.

FISCAL DESCRIPTION

This proposal allows a festival district promotional association to obtain a license to sell intoxicating liquor and nonintoxicating beer for consumption at the businesses and common areas within the festival district.

The proposal also allows the Division of Alcohol and Tobacco Control to add a late charge for renewal fees.

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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