

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2162S.01I
Bill No.: SB 573
Subject: Alcohol; Business and Commerce; Charities
Type: Original
Date: April 17, 2023

Bill Summary: This proposal modifies provisions relating to intoxicating liquor.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$438,387)	(\$438,387)	(\$438,387)
Total Estimated Net Effect on General Revenue	(\$438,387)	(\$438,387)	(\$438,387)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Division of Alcohol and Tobacco Control Fund (0544)	(\$1,022,906)	(\$1,022,906)	(\$1,022,906)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$1,022,906)	(\$1,022,906)	(\$1,022,906)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	(Unknown, Could exceed \$1,000,000)	(Unknown, Could exceed \$1,000,000)	(Unknown, Could exceed \$1,000,000)

FISCAL ANALYSIS

ASSUMPTION

§§311.070, 311.240, and 311.332 – Intoxicating liquor

Officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** state section 311.070.3 is revised to add a definition of close proximity to be within ten linear miles from any part of the licensed premises. The division has historically interpreted close proximity to be within line of sight or on the same adjoining property or plot of land. This new definition will have an impact on wineries and distilleries that are allowed to have a retail license in close proximity. If they would like to add a retail license outside of close proximity, they are required to add an additional manufacturing license at that retail location. This expanded definition of close proximity would allow some licensees to drop the additional manufacturing licenses that are not needed if the retail license is within 10 linear miles of another licensed manufacturing facility. There are approximately 15 licenses that could be dropped for a loss of \$4,555. Additionally, there may be manufacturers that will want to add multiple retail establishments within the 10-mile radius, but this cannot be quantified because it is not currently permitted unless they are also adding a manufacturer permit at that location. ATC does have a process to evaluate close proximity based on a number of factors but feel strongly that a blanket 10 miles is problematic. ATC is concerned with the proposed opportunity for manufacturers to have an unrestricted number of retail establishments within a 10-mile radius. The current goal of section 311.070, RSMo, is to restrict tied-house operations, or manufacturers' direct influence on the retail market, by limiting their space in the retail industry to vertical integration only. This ensures a fair and stable marketplace for competing retailers.

Section 311.240.1 is revised to remove the requirement for a separate license at each place of business and instead says that any applicant who operates out of multiple premises may add additional premises to their existing license. This means that any business that has multiple locations will only be required to have one license for all locations that are the same license type. This change would cause the division to lose approximately 8,048 licenses for a loss of \$1,280,350 annually. Section 311.730 requires 70% of license fees to be deposited to the Alcohol and Tobacco Control fund and the other 30% to be deposited to General Revenue. This equates to an annual loss of \$896,245 from the Alcohol and Tobacco Control fund and an annual loss of \$384,105 from the General Revenue fund. Additionally, there will be a loss in late fees with the reduction in licenses, which is approximately \$123,472 from the Alcohol and Tobacco Control fund and \$52,916 from the General Revenue fund for a total loss of \$176,388 annually (\$623,500 average annual late fees x 28.29% lost licenses). One piece that has not been calculated and cannot be quantified, is the loss in revenue from businesses that are experiencing growth and add new licenses each year but will no longer be required to have a separate license. With the revenue loss that will be caused by these revised sections, the Alcohol and Tobacco Control Fund will be solvent in FY27, at which time the division will need to begin requesting General Revenue funding.

The division assumes that each entity would have to have at least one primary license per license type (i.e. a RBD, 5BDW and RBDR – all separate license types, so there would have to be at least one license for each business operated under such licensing structure). Additionally, it is assumed that a separate secondary license (i.e. Sunday license) would be required for each primary license type of every business. These calculations do not take into consideration licensees that created separate legal entities for various establishments that may choose to reapply under the same legal entity in order to drop one or more liquor licenses under the proposed change. This includes all of the non-profit clubs (i.e. American Legion, whereas now a majority have a post number associated, they could potentially drop all of them and use a single generic filing).

Pursuant to section 311.220, RSMo, cities can charge one and one-half times the license fee of the state and counties can charge up to the same amount as the state. The loss of licenses and corresponding license fee revenue will have a detrimental impact on cities and counties.

Oversight does not have any information contrary to that provided by ATC. Therefore, Oversight will reflect ATC's estimated impact for fiscal note purposes.

Officials from the **Department of Public Safety – Missouri Gaming Commission**, the **City of Kansas City**, and the **City of Springfield** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes the statements of no impact for the cities of Kansas City and Springfield. However, ATC states cities can charge one and one-half times the license fee of the state and counties can charge up to the same amount as the state. Therefore, Oversight will present an (Unknown, could exceed \$1,000,000) impact to cities and counties for fiscal note purposes.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Loss – ATC (§311.240) Liquor license fees</u>	<u>(\$385,471)</u>	<u>(\$385,471)</u>	<u>(\$385,471)</u>
<u>Loss – ATC (§311.240) Late fees</u>	<u>(\$52,916)</u>	<u>(\$52,916)</u>	<u>(\$52,916)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$438,387)</u>	<u>(\$438,387)</u>	<u>(\$438,387)</u>
ALCOHOL AND TOBACCO CONTROL FUND (0544)			
<u>Loss – ATC (§311.240) Liquor license fees</u>	<u>(\$899,434)</u>	<u>(\$899,434)</u>	<u>(\$899,434)</u>
<u>Loss – ATC (§311.240) Late fees</u>	<u>(\$123,472)</u>	<u>(\$123,472)</u>	<u>(\$123,472)</u>
ESTIMATED NET EFFECT ON THE ALCOHOL AND TOBACCO CONTROL FUND	<u>(\$1,022,906)</u>	<u>(\$1,022,906)</u>	<u>(\$1,022,906)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss – Cities and counties (§311.240) Liquor license fees</u>	<u>(Unknown, Could exceed \$1,000,000)</u>	<u>(Unknown, Could exceed \$1,000,000)</u>	<u>(Unknown, Could exceed \$1,000,000)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown, Could exceed \$1,000,000)</u>	<u>(Unknown, Could exceed \$1,000,000)</u>	<u>(Unknown, Could exceed \$1,000,000)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

INTOXICATING LIQUOR (Sections 311.070 and 311.240)

This act adds a definition of "close proximity" to provisions relating to wine manufacturers selling liquor by the drink at retail for consumption on the premises if such premises are in close proximity to the wine manufacturer's winery.

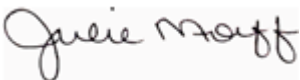
Additionally, this act repeals the provision which required a separate license for each place of business of a licensee and provides that applicants for liquor licenses who operate out of multiple premises may add additional premises to an existing license at no additional fee.

Finally, this act adds that manufacturers and wholesalers are permitted to donate distilled spirits and repeals provisions that auctions have to take place on a retail-licensed premises.

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 – Division of Alcohol and Tobacco Control
City of Kansas City
City of Springfield



Julie Morff
Director
April 17, 2023



Ross Strobe
Assistant Director
April 17, 2023