

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3280-01  
Bill No.: HB 901  
Subject: Taxation and Revenue; Law Enforcement Officers and Agencies  
Type: Original  
Date: January 12, 2004

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                    |            |            |
|---|--------------------|------------|------------|
| FUND AFFECTED   | FY 2005            | FY 2006    | FY 2007    |
| General Revenue   | (\$104,550)        | \$0        | \$0        |
|   |                    |            |            |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>(\$104,550)</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON STATE FUNDS</b>                           |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2005    | FY 2006    | FY 2007    |
| <b>Reduction of<br/>Alcohol-related<br/>Problems Fund</b>            | \$0        | \$0        | \$0        |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>State Funds*</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS                                 |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2005    | FY 2006    | FY 2007    |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| ESTIMATED NET EFFECT ON LOCAL FUNDS |            |            |            |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED                       | FY 2005    | FY 2006    | FY 2007    |
| <b>Local Government</b>             | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of the Attorney General, Office of the State Treasurer, Coordinating Board of Higher Education, Department of Public Safety - Missouri Highway Patrol and Missouri Water Patrol, Department of Corrections, and the State Public Defender** assume this legislation would not fiscally impact their agencies.

**Department of Revenue (DOR)** officials state this legislation establishes a special trust fund known as the "Fund for the Reduction of Alcohol Related Problems". Legislation creates new fees on alcohol, and those additional fees will be deposited into this new fund. Taxation assumes that this will be collected by the Division of Liquor Control (Public Safety) and deposited through DOR-ICMO to the special fund. There should be no impact on the Division of Taxation and Collection, assuming Liquor Control collects the additional taxes.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this bill, subject to voter approval, would increase the following excise taxes by these amounts:

Beer – 18 cents per gallon  
 Liquor – \$2.00 per gallon  
 Wine – 36 cents per gallon

ASSUMPTION (continued)

For estimating the revenue impact, BAP made the following assumptions:

1. Voter approval would come in November 2004, resulting in six months impact in FY05.
2. Growth in collections will be consistent with the growth rates assumed in BAP's general revenue forecast.

|         | <u>Beer</u> | <u>Liquor/Wine</u> |
|---------|-------------|--------------------|
| FY 2004 | 2.2%        | 2.3%               |
| FY 2005 | 2.4%        | 2.3%               |
| FY 2006 | 2.0%        | 2.3%               |
| FY 2007 | 2.0%        | 2.3%               |

3. There will be no decline in consumption of beer, wine, or liquor as a result of the tax increase.

|        | <b>Revenue Impact<br/>(millions)</b> |                |                |
|--------|--------------------------------------|----------------|----------------|
|        | <u>FY 2005</u>                       | <u>FY 2006</u> | <u>FY 2007</u> |
| Beer   | \$12.9                               | \$26.3         | \$26.8         |
| Liquor | \$7.8                                | \$16.0         | \$16.3         |
| Wine   | <u>\$1.2</u>                         | <u>\$2.5</u>   | <u>\$2.6</u>   |
| Total  | \$21.9                               | \$44.8         | \$45.7         |

This proposal would have no impact on BAP.

Officials from the **Department of Elementary and Secondary Education (DES)** state depending on the actions of the General Assembly, there is a potential for any agency to end up administering these funds. Such agency may require additional FTE and expenses to administer the fund.

Officials from the **Department of Social Services (DOS)** assume no fiscal impact to their agency. The Division of Youth Services' programs would presumably qualify for funding under Section 311.551.4.(7). However, there is no guarantee that any funds would be appropriated to DOS. If funds were appropriated to DOS, the revenue would equal the cost of conducting such programs, resulting in a net fiscal impact of zero.

ASSUMPTION (continued)

Officials from the **Department of Public Safety (DPS)** assume the bill establishes the Fund for the Reduction of Alcohol-Related Problems. The fund will receive moneys through appropriation from increased fees for selling intoxicating liquor. Moneys in the fund must be used only for the study of and reduction of alcohol-related problems through statutory programs. The fund will be administered by the State Treasurer.

The fee for selling both 3.2% and 5% beer is increased from 6 cents per gallon to 24 cents per gallon. The fee for selling spirituous liquor is increased from \$2 per gallon to \$4 per gallon. The fee for selling wine is increased from 42 cents per gallon to 78 cents per gallon.

FY 2003 gallonage for alcoholic beverages is used to estimate the annual additional excise taxes as follows:

|         | FY 2003 gallonage |   | Additional Excise<br>Tax Rate |   | Additional Annual<br>Excise Taxes |
|---------|-------------------|---|-------------------------------|---|-----------------------------------|
| Spirits | 7,457,215         | x | \$2.00                        | = | \$14,914,430                      |
| Wine    | 9,057,993         | x | \$ .36                        | = | \$ 3,260,877                      |
| Beer    | 136,906,916       | x | \$ .18                        | = | <u>\$24,643,245</u>               |
|         |                   |   | TOTAL                         |   | \$42,818,552                      |

Expenditures

DPS assumes the expenditures associated with collection of these additional excise taxes can be absorbed in current appropriations.

Officials of the **State Courts Administrator (CTS)** assume this proposed legislation would establish a fund for the reduction of alcohol-related problems. Additional taxes on certain alcoholic beverages are assessed for deposit into the fund. There is a sunset clause, and a referendum clause.

While drug courts are intended recipients of some of the money, CTS has no way of determining how much money might be spent on drug courts since the legislation is not specific as to amounts.

Officials from the **Secretary of State (SOS)** state statewide newspaper publication of state statutes cost approximately \$1,161 per column inch based on an estimate provided by the Missouri Press Service x 3 for multiple printings as required by the constitution and state statute

ASSUMPTION (continued)

= \$3,485 per column inch. SOS estimates the total number of inches for this amendment to be 30 inches, which includes title header and certification paragraph.  $\$3,485 \times 30 \text{ inches} = \$104,550$ . However, these costs are based on 2003 figures and are subject to change.

**Department of Mental Health** officials assume this proposal would raise the taxes on alcohol products and the proceeds would be used to fund various initiatives related to reducing the effects of alcohol abuse within society. Included in those initiatives are programs related to prevention and treatment. The prevention and treatment of alcohol abuse is at the core of the mission of the Division of Alcohol and Drug Abuse within DMH.

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 DMH, DMH is unable to estimate the fiscal impact on the department.

**Oversight**, for purposes of this fiscal note, has reflected the increase in excise tax revenue based upon information provided by BAP. Since this legislation is subject to voter referendum, **Oversight** assumes this proposal would have no state or local fiscal impact without voter approval. The proposal would be on the ballot for the November 2004 election. If approved by voters, **Oversight** assumes this proposal would not be effective until January 1, 2005 to allow for DOR notification to businesses.

**This proposal could result in an increase in Total State Revenues.**

| <u>FISCAL IMPACT - State Government</u>                       | FY 2005<br>(6 Mo.)        | FY 2006           | FY 2007           |
|---|---------------------------|-------------------|-------------------|
| <b>GENERAL REVENUE FUND</b>                                   |                           |                   |                   |
| <u>Cost - Secretary of State</u>                              |                           |                   |                   |
| Publication costs   | <u>\$104,550</u>          | <u>\$0</u>        | <u>\$0</u>        |
| <b>TOTAL ESTIMATED NET EFFECT<br/>ON GENERAL REVENUE FUND</b> | <b><u>(\$104,550)</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |

| <u>FISCAL IMPACT - State Government</u>  | FY 2005<br>(6 Mo.)    | FY 2006               | FY 2007               |
|--|-----------------------|-----------------------|-----------------------|
| <b>REDUCTION OF<br/>ALCOHOL-RELATED PROBLEMS<br/>FUND</b>  |                       |                       |                       |
| <u>Income</u> - Increase in excise tax   | \$21,900,000          | \$44,800,000          | \$45,700,000          |
| <u>Cost</u> - Various state agencies<br>Program costs  | <u>(\$21,900,000)</u> | <u>(\$44,800,000)</u> | <u>(\$45,700,000)</u> |
| <b>TOTAL ESTIMATED NET EFFECT<br/>ON THE REDUCTION OF<br/>ALCOHOL-RELATED PROBLEMS<br/>FUND*</b> | <b><u>\$0</u></b>     | <b><u>\$0</u></b>     | <b><u>\$0</u></b>     |

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

| <u>FISCAL IMPACT - Local Government</u> | FY 2005<br>(6 Mo.) | FY 2006           | FY 2007           |
|---|--------------------|-------------------|-------------------|
|   | <b><u>\$0</u></b>  | <b><u>\$0</u></b> | <b><u>\$0</u></b> |

FISCAL IMPACT - Small Business

Small businesses selling alcohol will see an increase in the tax on their products.

DESCRIPTION

This proposal establishes the Fund for the Reduction of Alcohol-Related Problems. The fund will receive moneys through appropriation from increased fees for selling intoxicating liquor. Moneys in the fund must be used only for the study and reduction of alcohol-related problems through statutory programs. The fund will be administered by the State Treasurer.

DESCRIPTION (continued)

The fee for selling both 3.2% and 5% beer is increased from six cents per gallon to 24 cents per gallon. The fee for selling spirituous liquor is increased from \$2 per gallon to \$4 per gallon. The fee for selling wine is increased from 42 cents per gallon to 78 cents per gallon.

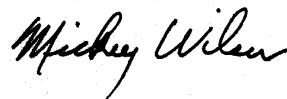
The bill contains a referendum clause which must be submitted to Missouri voters in November 2004 or at a special election called by the Governor.

The provisions of the bill 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 Revenue  
Office of Administration  
    Division of Budget and Planning  
State Treasurer  
Department of Elementary and Secondary Education  
Department of Social Services  
Coordinating Board of Higher Education  
Department of Corrections  
Department of Public Safety  
    Missouri Highway Patrol  
    Missouri Water Patrol  
State Courts Administrator  
Attorney General  
State Public Defender  
Secretary of State  
Department of Mental Health



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