

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3678-01
Bill No.: HB 1408
Subject: Alcohol; Health Care; Health Department; Public Health
Type: Original
Date: March 10, 2008

Bill Summary: This proposal creates the Fund for the Reduction of Alcohol-Related Problems and Underage Drinking.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	(\$10,430,000)	(\$20,870,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$10,430,000)	(\$20,870,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Fund for the Reduction of Alcohol-Related Problems and Underage Drinking*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*** Offsetting revenues and expenditures in fiscal years 2010 and beyond.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections, Office of the State Courts Administrator, Department of Revenue, Department of Health and Senior Services, Office of the Secretary of State** and the **Office of the State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** assume the proposal would have no fiscal impact since it is subject to appropriation. If ATC were to receive appropriation, there would be an impact.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal directs revenues generated by excise taxes on alcohol to the "Fund for the Reduction of Alcohol-Related Problems and Underage Drinking."

There is a wording conflict in the proposal. Section 7 directs all revenues to be deposited to the new fund, where Section 2(1)-(3) creates a phased-in schedule. Furthermore, the phased-in schedule does not begin until FY 10, when, as noted above, some revenues would be deposited in the new fund in FY 10. BAP assumes Section 7 would prevail, and be effective August 28, 2008.

BAP estimates this will reduce general revenues by \$28.8 million in FY09 (10 months of revenues), \$35.6 million in FY10, and \$36.6 million in FY11. Revised estimates of general revenue losses may be available at a later date. This proposal will not impact total state revenues.

Officials from the **Department of Agriculture (AGR)** state the proposal would have a negative impact on the Missouri Wine and Grape Industry. Presently, the .12 cents excise tax for the wine and grape fund supports grape and wine research and advisement programs. AGR assumes a reduction in income of \$1.5 million in FY 2009, \$1.56 million in FY 2010 and \$1.69 million in FY 2011.

Officials from the **Department of Elementary and Secondary Education (DESE)** state they cannot know the extent to which these appropriations will impact their department or the local school districts; however, DESE assumes any impact could be significant.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** state there is the potential that moneys in this fund could be used to assist MoDOT Office of Highway Safety for enforcement of intoxication-related traffic offenses, but any fiscal impact is uncertain.

Officials from the **Department of Mental Health (DMH)** state 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, we are unable to estimate the fiscal impact on the department.

The alcohol tax proceeds totaled;
\$28,306,772 in FY 2005; and
\$29,543,999 in FY 2006; and
\$31,311,056 in FY 2007.

For purposes of the fiscal note, **Oversight** will assume the intent of the proposal is for the graduated schedule outlined in subsection 311.551.2 to be utilized. Therefore, Oversight will not utilize BAP's assumption that subsection 311.551.7 (which states that as of the effective date, all state excise tax revenues generated from the sale of alcohol in this state shall be deposited in the fund for the reduction of alcohol-related problems and underage drinking) will prevail. Therefore, using the reported excise tax collections for alcohol of \$31.3 million in FY 2007, Oversight will assume one-third, or \$10.43 million, will be diverted in FY 2010 and \$20.87 million will be diverted in FY 2011. Oversight assumes all of the diverted revenue from this proposal would be spent by various state agencies, including the Division of Alcohol and Tobacco Control, as outlined in the proposal. The net effect of the proposal (after a three year phase-in period) would be a loss of over \$31.3 million to the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Loss</u> – Graduated loss of liquor excise tax revenue now going to the Reduction of Alcohol-Related Problems and Underage Drinking (1/3 in FY 2010, 2/3 in FY 2011)	<u>\$0</u>	<u>(\$10,430,000)</u>	<u>(\$20,870,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$10,430,000)</u>	<u>(\$20,870,000)</u>
 FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING			
<u>Income</u> – from liquor excise tax revenue incrementally going to this new fund	\$0	\$10,430,000	\$20,870,000
<u>Costs</u> – Various state agencies Program costs (1/2 for prevention and law enforcement)	\$0	(\$5,215,000)	(\$10,435,000)
<u>Costs</u> – Various state agencies Program costs (1/2 for treatment and recovery support)	<u>\$0</u>	<u>(\$5,215,000)</u>	<u>(\$10,435,000)</u>
ESTIMATED NET EFFECT ON FUND FOR THE REDUCTION OF ALCOHOL-RELATED PROBLEMS AND UNDERAGE DRINKING	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

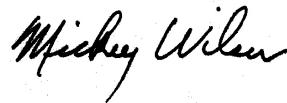
This proposal creates the Fund for the Reduction of Alcohol-Related Problems and Underage Drinking to be administered by the State Treasurer. The fund will receive moneys beginning on the effective date of the bill through appropriation from taxes and fees for selling intoxicating liquor and from private donations. Half of the moneys in the fund will be used for prevention and alcohol-related traffic safety and half for treatment and recovery of alcohol-related problems through statutory programs. Alcohol-related problems are described, along with examples of services and programs. The fund will be implemented over a three-year period.

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

Office of the State Treasurer
Department of Revenue
Department of Health and Senior Services
Department of Mental Health
Department of Transportation
Office of the Secretary of State
Office of Administration - Budget and Planning
Department of Public Safety
Department of Elementary and Secondary Education
Department of Corrections
Office of the State Courts Administrator
Department of Agriculture

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 10, 2008