

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5963-01  
Bill No.: HB 2032  
Subject: Alcohol  
Type: Original  
Date: April 30, 2014

---

Bill Summary: This proposal modifies provisions relating to licenses to sell liquor.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$714,725)	(\$714,725)	(\$714,725)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$714,725)</b>	<b>(\$714,725)</b>	<b>(\$714,725)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>(\$957,063)</b>	<b>(\$957,063)</b>	<b>(\$957,063)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state the bill makes revisions to the following sections:

- Section 311.052 creates a new section that shifts the collection of retail license fees, currently being done by ATC, to cities and counties. It reduces the retail types of licenses down to three types of retail licenses; 1. original package not for consumption on the premises; 2. poured liquor on the premises where sold; and 3. special event licenses. All primary licenses will be \$300 and the special events licenses will be \$50. Licenses can be issued for a period of one year or ten years. Cities and counties may charge license fees in addition to state fees. Allows licensees to sell intoxicating liquor twenty-four hours a day, seven days a week. Allows ten year licenses to be transferable. Requires ATC to inspect licensees twice during the ten year license period.
- Section 311.055 allows for home brewed beer for personal or family use to be used for contests, tastings or judging at licensees who hold a picnic license. It removed the provisions for allowing the use on catered events, or tax exempt organizations licensed premises.
- Section 311.060 changes wording "the Division of Liquor Control" to "the Division of Alcohol and Tobacco Control"
- Section 311.070 allows Distillers and Winemakers to obtain a retail license in close proximity to their manufacturing premises to sell by the drink. The changes remove all provisions relating to hours of operation enabling them to be open 24 hours, 7 days a week. The same applies for the Missouri Wine by Drink license which is issued to licensees whose sales must be composed of 75% or more Missouri-produced wines received from Domestic Wineries.
- Section 311.080 removes reference to licenses being issued by the supervisor of alcohol and tobacco control.
- Section 311.099 relates to Resort licenses and removes provisions relating to by the drink and exchanges with "poured liquor". Removes reference to licenses being issued by the supervisor of alcohol and tobacco control. Removes provisions for the 90 day temporary license that have been issued to Resort licensees in order for them to prove they will be able to meet food sales to qualify for a Resort license.

ASSUMPTION (continued)

- Section 311.100 removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Section 311.101 removes current restaurant-bar definition and replaces it with 311.096 requiring fifty percent of the gross income of which is derived from the sale of prepared meals or food consumed on such premises. Removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Sections 311.150, 311.160, and 311.170 remove provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Section 311.180 deletes reference to retailers being required to obtain liquor license from the State.
- Section 311.181 changes wording from "liquor control" to "alcohol and tobacco control".
- Section 311.190 removes hours of operations provisions for wine manufacturers.
- Sections 311.191 and 311.193 change the wording from "liquor control" to "alcohol and tobacco control".
- Section 311.195 remove provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor", and deletes the requirement for a microbrewery to obtain liquor license from the State.
- Section 311.200 removes all retail license types, beer, wine and spirits, original package and by drink and the reference to license types. Removes all hours of operation references. Removes references to paying the director of revenue, and the fees associated with each individual license type. Removes provision that licenses cannot be issued until the license fee has been paid.
- Section 311.205 removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Section 311.211 rewords the prohibition of Alcohol and Tobacco Control from denying, suspending or revoking a license of retailers who sell tickets in fishing contests wherein skill is part of the contest.

ASSUMPTION (continued)

- Section 311.212 removes references to the Division being able to deny or refuse to grant a license as a result of a violation that occurred more than three years ago.
- Section 311.220 removes the provisions that allow the city and counties to charge license fees to retailers. This provision is now in new Section 311.052.
- Section 311.230 requires manufacturers to apply for license to the supervisor of alcohol and tobacco control.
- Section 311.240 removes provisions for how long a license is in effect, what the expiration dates are, renewal dates, and late renewal fees. This will result in approximately \$331,900 less general revenue annually.
- Section 311.260 removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Section 311.265 replaces the "supervisor of liquor control" with the "city or county" in reference to delinquent retailer notification. Cities and counties will be required to not issue or withhold renewal licenses if a retailer is indebted to wholesaler.
- Section 311.270 replaces the "supervisor of liquor control" with the city or county in reference to licensees who are in possession of intoxicating liquor other than malt liquor cannot be licensed to sell malt liquor only.
- Section 311.294 relates to original package tasting licenses, and simply removes references to current original package statutes 311.200 and current hours of operations 311.293 as it relates to a tasting license. Removes language relating to when the fee of \$25 is payable.
- Section 311.297 removes statute references that are being removed which allow for tasting at temporary picnic licensees or a tax exempt licensed premises. Removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".
- Section 311.299 changes the wording from "liquor control" to "alcohol and tobacco control".
- Section 311.330 Removes provisions relating to "sale by the drink" and exchanges with "the sale of poured liquor".

ASSUMPTION (continued)

- Sections 311.333, 311.370, 311.380, 311.390, 311.410, 311.430, and 311.440 change the wording from "liquor control" to "alcohol and tobacco control".
- Section 311.480 removes the current ATC licensing procedures, normal hours of operation, eliminates the consumption of liquor license for establishments who provide a premises for food, beverages and entertainment to be sold that allow persons to permit drinking on their premises. It also appears to remove the provision allowing incorporated cities with a population of more than twenty thousand to make and enforce ordinances regulating hours of consumption, or that licenses can only be issued to persons of good moral character, and a qualified legal voter and taxpaying citizen.
- Section 311.482 relates to the current picnic license which eliminates language requiring them to obtain license from ATC.
- Deletes section 311.085 that requires retail liquor by the drink license to be obtained from ATC.
- Deletes section 311.086 which relates to entertainment districts such as the Kansas City Power & Light District allowing patrons to carry alcohol between premises.
- Deletes section 311.088 that allows primary retail by drink licensees in Kansas City to qualify for a license to remain open past the normal hours of operation under certain circumstances for up to six times annually.
- Deletes section 311.089 provisions allowing licensees to sell intoxicating liquor by the drink between the hours of 9:00 a.m. and midnight on Sunday for \$600 annually if they are located in St. Louis City and Kansas City in an area designated as a convention trade area.
- Deletes section 311.090 that qualify certain businesses to qualify for retail liquor by the drink (poured liquor) licenses in cities that meet certain requirements. It prevents other licenses from being issued in smaller cities unless the city has enacted ordinances to allow it. Also allows charitable organizations to include in their premises two or more buildings under the same license.
- Deletes sections 311.091 and 311.092 which include the provisions that allow for licensing of boats which is an exception to the building requirements in 11 CSR 70-2.010(10).

ASSUMPTION (continued)

- Deletes section 311.095 that allows licensee to qualify for a license to sell all intoxicating liquor (including spirits, wine and beer) by the drink for consumption on the premises in unincorporated areas that do not allow by the drink sales.
- Deletes section 311.096 that allows for a license to sell intoxicating liquor by the drink at retail not for consumption on the premises where sold, but for consumption in a common eating and drinking area within a building or group of buildings which do not provide areas within their premises for consumption of food and liquor, where the annual gross income from the sale of prepared meals or food consumed in such common eating and drinking area is, or is projected to be, at least \$275,000.
- Deletes section 311.174, 311.176, 311.178 and 311.179 that allow for primary retail by drink licensees to qualify for licenses to remain open past the normal hours of operation.
- Deletes section 311.210 which removes the licensing process from Alcohol and Tobacco Control.
- Deletes section 311.218 which allows for a permit for the sale of wine and malt liquor for consumption on the premises and is issued to churches, schools, civic, service, fraternal, veteran, political, or charitable clubs or organizations to sale at any picnic, bazaar, fair, festival or similar gathering or event held to commemorate the annual anniversary of the signing of the Declaration of Independence of the United States issued only for events from June 15 to July 15 and only for the day or days named therein.
- Deletes section 311.290 deletes hours of operations for liquor establishments and allows for twenty-four hour, seven day a week sales of alcoholic products.
- Deletes section 311.293 that relates to licenses to sell on Sundays.
- Deletes section 311.298 that contain the Sundays that licensees could sell alcohol on without obtaining a separate Sunday license.
- Deletes section 311.483 which allows for a temporary festival permit for large musical festival type events that attract five thousand or more people and allows these licensees to obtain cooling and storage equipment from wholesalers. Law was passed in 2013.

ASSUMPTION (continued)

- Deletes section 311.487 that provides for licenses to persons holding a concessionaire's contract, issued by the Missouri State Fair, which authorizes the sale of malt liquor and Missouri-produced wines, for consumption on the premises where sold, on the Missouri state fairgrounds and, in the case of Missouri-produced wines, in the original package, on each day of the week within any period which has been approved by the director of the fair and during the hours at which such malt liquor or wine may lawfully be sold or served upon licensed premises to sell malt liquor or wine for on-premises consumption in the city in which the Missouri State Fair is located.
- Deletes section 311.489 which is already expired since 08/28/2009.

ATC assumes the proposal will reduce state revenues in future fiscal years by \$382,825 as a result of licenses (license fees) for Sundays and extended hours being eliminated. In addition, this language removes late penalty fees for late renewal of licenses which will result in an annual decrease of \$331,900 for a total negative impact of \$714,725 in state revenues. ATC explains the loss in license fee in the following table:

License Description	Count	Annual Fee	Current Fees	HB 2032	Difference
Original Pkg 5% beer	338	\$50	\$16,900	\$101,400	\$84,500
Original Pkg tasting	667	\$25	\$16,675	\$0	(\$16,675)
Original Pkg Liquor	4,482	\$100	\$448,200	\$1,344,600	\$896,400
Section 311.052.1 (1) provides for one license type for sales in the original package which will replace the above licenses (Intoxicating Liquor in the Original Package Not for Consumption on the Premises).					
5% beer by drink wine	773	\$50	\$38,650	\$231,900	\$193,250
5% by drink	600	\$50	\$30,000	\$180,000	\$150,000
State Fair 5% by drink	2	\$300	\$600	\$600	\$0
State Fair 5% beer	12	\$100	\$1,200	\$3,600	\$2,400
Retail liquor - resort	808	\$300	\$242,400	\$242,400	\$0
Retail liquor - ent. dist	2	\$300	\$600	\$600	\$0
Retail liquor - exempt	311	\$300	\$93,300	\$93,300	\$0
Retail liquor by drink	4,190	\$300	\$1,257,000	\$1,257,000	\$0
Missouri wine - drink	4	\$300	\$1,200	\$1,200	\$0
Section 311.052.1 (2) provides for one license type that would cover all by the drink sales for \$300 replacing the above license types (Poured Liquor for Consumption on the Premises)					



ASSUMPTION (continued)

License Description	Count	Annual Fee	Current Fees	HB 2032	Difference
5% Sunday drink wine	302	\$200	\$60,400	\$0	(\$60,400)
Sunday original pkg	4,035	\$200	\$807,000	\$0	(\$807,000)
Sunday by drink conv.	68	\$600	\$40,800	\$0	(\$40,800)
Sunday by drink	3,522	\$200	\$704,400	\$0	(\$704,400)
extended hours	259	\$300	\$77,700	\$0	(\$77,700)
extended hours - hist.	1	\$300	\$300	\$0	(\$300)
retail by drink - boat	6	\$300	\$1,800	\$0	(\$1,800)
railroad	3	\$100	\$300	\$0	(\$300)
The proposed legislation eliminates the above types of licenses that ATC now issues relating to Sunday liquor sales and extended operating hours, and railroad and boat sales					
Microbrewery	26	\$38	\$988	\$988	\$0
5% wholesale solicitor	47	\$60	\$2,820	\$2,820	\$0
5% solicitor	2	\$100	\$200	\$200	\$0
22% wholesale solic.	83	\$200	\$16,600	\$16,600	\$0
22% solicitor	556	\$100	\$55,600	\$55,600	\$0
22% manuf. solicitor	72	\$200	\$14,400	\$14,400	\$0
liquor whole. solicitor	80	\$500	\$40,000	\$40,000	\$0
liquor solicitor	224	\$250	\$56,000	\$56,000	\$0
liquor manuf. solicitor	12	\$450	\$5,400	\$5,400	\$0
domestic winery	86	\$127	\$10,922	\$10,922	\$0
wine direct shipper	868	\$0	\$0	\$0	\$0
vintage wine solicitor	1	\$500	\$500	\$500	\$0
transportation	3	\$10	\$30	\$30	\$0
alcohol carrier	5	\$0	\$0	\$0	\$0
<b>Licensing Revenue Effects</b>	<b>22,522</b>		<b>\$4,081,585</b>	<b>\$3,698,760</b>	<b>(\$382,825)</b>
Section 311.240 eliminates late license renewal penalties					(\$331,900)
<b>Total State Revenue Effect from HB 2032</b>					<b>(\$714,725)</b>

ATC states cities may charge 150% of state liquor license fees (Section 311.052). Based on the attached schedule showing the net state effect of licenses that would be eliminated and/or license fees that would increase, it appears that city fees would decrease by \$574,238 (\$382,825 x 150%) for FY'2015 and on.

RAS:LR:OD

ASSUMPTION (continued)

ATC also states counties may charge a fee equal to state liquor license fees (Section 311.052). Based on the attached schedule showing the net state effect of licenses that would be eliminated and/or license fees that would increase, it appears that county fees would decrease by \$382,825 for FY'2015 and on.

ATC states they will utilize five Agents that now spend a major portion of their time on licensing to implement two required inspections of licensed premises during the ten year license period (Section 311.052.9). Each Agent will be required to inspect 560 liquor licensees annually. Agents will not be involved in licensing or regulatory compliance. District offices would be closed because Agents will be stationed in the field with much of their time spent driving to cover the 14,000 liquor licensees located throughout the state.

Officials from the **Department of Public Safety - Missouri Highway Patrol** and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Loss</u> - ATC - in liquor license fees and late renewal penalties	<u>(\$714,725)</u>	<u>(\$714,725)</u>	<u>(\$714,725)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<u><b>(\$714,725)</b></u>	<u><b>(\$714,725)</b></u>	<u><b>(\$714,725)</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss</u> - Cities - liquor license fees	(\$574,238)	(\$574,238)	(\$574,238)
<u>Loss</u> - Counties - liquor license fees	(\$382,825)	(\$382,825)	(\$382,825)
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$957,063)</u></b>	<b><u>(\$957,063)</u></b>	<b><u>(\$957,063)</u></b>

FISCAL IMPACT - Small Business

Small businesses that sell liquor would be impacted by this proposal.

FISCAL DESCRIPTION

This proposal simplifies the retail liquor licensing laws. In its main provisions, the bill:

- (1) Establishes only two types of retail liquor licenses: intoxicating liquor in the original package not for consumption on the premises where sold; and poured liquor for consumption on the premises where sold;
- (2) Establishes three durations for the new types of liquor licenses: 10 years; one year; and special event not to exceed 14 days;
- (3) Sets the cost of a 10 year license at \$3,000, a one year license at \$300, and a special event license at \$50;
- (4) Authorizes counties to charge a county license fee in an amount not to exceed the state license fee and municipalities to charge a municipal license fee up to 1.5 times the state license fee;
- (5) Requires a county to collect the county and state license fees, to issue separate county and state licenses, and to remit the state fee to the Division of Alcohol and Tobacco Control within the Department of Public Safety if the premises to be licensed is not located within a municipality;

RAS:LR:OD

FISCAL DESCRIPTION (continued)

(6) Requires a municipality to collect the municipal, county, and state license fees, to issue separate municipal, county, and state licenses, to remit the county fee to the county governing body, and to remit the state fee to the division if the premises to be licensed is located within a municipality;

(7) Specifies that all licenses will be valid for every day of the week and for all hours of the day that the licensed premises is authorized by law to remain open;

(8) Requires a criminal background check on all license applicants prior to issuance of the license;

(9) Specifies that a 10 year license will be transferable by a licensee from one business location to another for the remaining duration of the license without requiring a new background check;

(10) Specifies that a 10 year license will be transferable from a licensee to another person for the remaining duration of the license if the other person meets all licensing requirements including a new background check;

(11) Requires the division supervisor or the supervisor's designee, during the duration of a 10 year license, to conduct at least two inspections of the licensed premises that are not less than six months apart; and

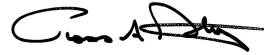
(12) Makes changes to terms used in current law to be consistent with the new retail license terminology, repeals retail licensing provisions in current law, and repeals intersectional references to laws repealed in the bill.

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  
    Alcohol and Tobacco Control  
    Missouri Highway Patrol  
Department of Revenue

Mickey Wilson, CPA  
Director  
April 30, 2014

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Ross Strope  
Assistant Director  
April 30, 2014