

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4552H.011
 Bill No.: HB 3093
 Subject: Alcohol; Licenses - Liquor and Beer; Business and Commerce; Department of Public Safety
 Type: Original
 Date: April 10, 2026

Bill Summary: This proposal modifies provisions relating to the direct shipping of alcoholic beverages.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|------------|------------|------------|
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Alcohol and Tobacco Control Fund (1544) | Could exceed (\$3,307,413) | Could exceed (\$2,445,427) | Could exceed (\$2,488,455) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | Could exceed (\$3,307,413) | Could exceed (\$2,445,427) | Could exceed (\$2,488,455) |

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|---------------|---------------|---------------|
| Alcohol and Tobacco Control Fund (1544) | 18 FTE | 18 FTE | 18 FTE |
| Total Estimated Net Effect on FTE | 18 FTE | 18 FTE | 18 FTE |

- 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 2027 | FY 2028 | FY 2029 |
|-------------------------|------------|------------|------------|
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§311.185 – Direct Shipping of Alcoholic Beverages

Officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** assume §311.185 is revised to allow in-state and out-of-state manufacturers of intoxicating liquor to apply for a license that allows them to ship all kinds of intoxicating liquor directly to Missouri consumers. Currently, there are 1,316 wine manufacturers who are licensed as wine direct shippers in Missouri. If spirit and malt manufacturers are added, ATC anticipate that number to triple, especially since there is no license fee. That means the division will be processing an additional 2,600 new license applications and license renewal applications annually. ATC will need additional staff to be able to manage such an increase in license processing. Unfortunately, with no license fee, there is no revenue source to support the resources needed to manage the current wine direct shipping licensing and enforcement, let alone the addition of direct shipping of spirits and malt liquor.

Subsection 311.185.4 requires manufacturers who are licensed to ship directly to Missouri consumers to annually report their shipments and pay excise tax on those shipments. Annual reporting is problematic as it forces a reactionary discipline rather than proactive monitoring for compliance. Also, there have been a significant number of violations related to wine direct shipping, which is a growing issue across the nation. There are no checks and balances with Missouri's wine direct shipping. ATC relies on the shippers to report their shipments and pay the appropriate amount of excise tax. All other sales of intoxicating liquor in Missouri move through a 3-tier system with checks and balances. Within that 3-tier system all manufacturers must report their sales and all wholesalers must report their invoice receipts from the manufacturer. The ATC reporting system catches any discrepancies, which the staff must then reconcile. Wine direct shippers report their shipments, but there is nothing to compare it to within their reporting system. The alcohol carriers that ship the product to consumers are required to maintain records, but they aren't required to report to the division. Some will provide the records voluntarily, but there are no standardized requirements for recordkeeping, so the information is often lacking and very difficult and time-consuming to reconcile with the wine direct shipper reports since the alcohol carriers don't report within the ATC on-line system.

The division does not have the resources to manage and reconcile direct shipping reports. The reason ATC was able to review 2018 and 2019 reports was due to Covid. Agents were pulled from the field early in 2020 when Covid hit, and ATC utilized the time to have them reconcile the reports and determine violations. ATC does not have the resources to continue reviewing these reports. ATC has utilized their one auditor to continue to review these reports, but this pulls that individual from their primary function, which is to audit manufacturers and wholesalers in Missouri for proper business practices. Even still, ATC lacks the resources to effectively manage the violation caseload for administrative discipline. ATC would need a team to manage direct shipping of spirits and malt liquor along with direct shipping of wine. However, there is no

license fee associated with the direct shipper license or alcohol carrier license to support the resources that are currently given and what will be needed to manage it all.

Further straining the division's ability to effectively regulate direct to consumer shipping is their inability to fine direct shipping licensees. Section 311.680, not included in this bill, provides disciplinary action for violations of Chapter 311 (Missouri manufacturers excluded). The Administrative Hearing Commission (AHC) ruled that ATC lacks authority to issue fines to wine direct shippers. *Bridgeview Vineyards, Inc. v. Supervisor of Alcohol and Tobacco Control, Mo. Admin. 22-2461* (Order dated June 23, 2022) This decision limits ATC to warning, probation, suspension or revocation as it's only means of discipline which has led to an increased number of suspensions and subsequent AHC appeals. If spirits and malt are added to direct shipping, the issue will continue to grow and the AHC will be overwhelmed with appeals. A revision to Section 311.680 could allow the division to assess fines for direct shipping violations in lieu of suspension, which would significantly reduce the number of appeals to the AHC as many of the complainants have requested a fine in lieu of suspension, which the division is not able to allow.

Adding spirits and malt to an already ineffective system will not only overwhelm the division's very limited resources, but it will also open the door to many illegal shipments, which will inevitably have a negative impact on Missouri's excise tax revenue and Missouri businesses. Without the proper resources, it will be impossible for the division to reconcile the vast number of direct-to-consumer shipments that will occur if spirits and malt are added to direct shipping, especially since direct shipper reports are only submitted annually and the statute does not require alcohol carrier licensees to report their shipments at all. A required monthly or quarterly report by direct shippers and alcohol carriers would make the reconciliation process more manageable, along with additional resources, supported by the introduction of license fees. Of the 43 states that have direct-to-consumer licenses, only 2 states (Missouri being 1) do not have a license fee. Of the 41 states that do have a license fee, the fees range from \$25 to \$938.

Following is the specific breakdown of the additional staff that will be needed:

Special Agent – 8 – Special Agents will be the key contact person for licensees to contact with questions and application problems. Agents will review all license applications, investigate violations, assist auditors in obtaining documentation from licensees, and enforce all statutes and regulations of the liquor control law. Three agents will be located in the Jefferson City office, 2 in the Springfield and Kansas City offices, and 1 in the St. Louis office.

Auditor Supervisor –1 – The Auditor Supervisor will supervise the audit team and review all direct shipping violation reports.

Senior Auditor – 1 – The Senior Auditor will be the lead auditor and will request and review alcohol carrier reports for illegal shipments into Missouri. They will be located in the Jefferson City central office.

Auditor – 4 – The Auditors will be responsible for auditing licensee records to ascertain that the licensee is reporting accurately to the division and paying the proper excise taxes. All auditors will be located in the Jefferson City office.

Administrative Support Professional – 2 – One Administrative Support Professional will be working with the licensing and compliance section to perform data entry, excise tax reporting and collection, track statistics, and facilitate the composition of the reports required by law. One Administrative Support Professional will be working with the administrative disciplinary section to schedule and manage all disciplinary conferences and actions. They will also assist with license processing and data entry. All Administrative Support Professionals will be located in the Jefferson City central office.

Deputy Chief of Investigations – 1 – The Deputy Chief of Investigations will assist in the review of license applications, review violation reports and be involved in the administrative disciplinary process. They will be located in the Jefferson City central office.

Legal Counsel (Disciplinary) – 1 – The Legal Counsel will be responsible for interpreting the statutes and assisting with the promulgation of rules to regulate this revised section, as well as ongoing legal counsel regarding the administrative disciplinary process. They will be located in the Jefferson City central office.

Equipment and Expense – Total equipment and expense is \$1,732,620 for the first year with \$1,167,985 being one-time costs - Includes basic office equipment and law enforcement equipment, which includes firearms, ammunition, ballistic vest, vehicles, travel expenses, etc.

ATC will need to increase the space to accommodate 9 additional staff in the Jefferson City office.

Jefferson City Office (Expansion) - ATC is requesting an additional 2,250 square feet of office space for 9 FTE. (250 square feet for each FTE).

Rental Rate - \$40,500 (\$18 per square feet X 2,250 square feet) and Janitorial \$5,557.50 (\$2.47 per square feet X 2,250) and Utility Rates \$6,300 (\$2.80 per square feet X 2,250) - \$11,857.50 (\$5.27 per square feet X 2,250)

Total = \$52,357.50

ATC is also requesting an additional \$150,000 for renovation costs that are not covered in the above figures for a total cost of \$202,357.50.

ATC is currently building an online licensing system for liquor licensing with an outside vendor. They will have to incorporate the new direct shipping license and reporting into the same system, which is not supported by ITSD. It is estimated that this addition will cost approximately \$200,000.

Equipment

Computer Equipment – \$28,386

Motorized Equipment – \$648,439

Office Equipment – \$183,385

Other Equipment – \$94,500

Expense

Travel – \$22,500

Supplies – \$60,843

Professional Development – \$12,000

Communication Services and Supply – \$65,808

Professional Services – \$200,000

Maintenance & Repair – \$220,878

Miscellaneous – \$2,250

Leasing Expense - \$43,631

Capital Improvement Expense - \$150,000

As far as a revenue impact, ATC does not anticipate an increase in excise tax revenue because consumers will likely shift some of their buying from in-state purchases to out-of-state purchases versus buying more intoxicating liquor. However, there is a possibility of a loss in excise tax revenue.

The Division has discovered from reviewing the last several fiscal years that there are a vast number of violations from out-of-state wineries shipping into Missouri under the current wine direct shipping law. Some of the most common violations ATC repeatedly sees are shipping over the volume limit, failing to file the required annual report, which includes failing to pay the requisite excise tax, and shipping without a Missouri license. From the review of 2018 and 2019 wine direct shipping, ATC sent out 99 cease and desists for those violations that had exceeded their statute of limitations, and there were 163 violation reports submitted, some containing multiple violations. The violations of the wine direct shipper provisions are a constant issue because the division does not have adequate resources to manage this. Continued efforts resulted in 204 violations in FY 2021, 13 violations in FY 2022 (no auditor on staff to work the direct shipping reports), and 401 violations in FY 2023. The division lacked resources to continue these efforts, but was able to do a study that showed a large number of illegal/unreported shipments that entered the state each year with no taxes paid on these shipments. The estimated loss in FY 2021 was \$100,440.

The lack of mandatory reporting for alcohol carriers will continue to allow law breakers to evade paying taxes, which creates an unfair market for law abiding licensees and reduces Missouri's tax-generating revenue. ATC expects to see the same issues, at a greater scale, if spirits and malt are added to direct shipping.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates for 18 FTE as provided by the ATC.

Oversight notes ATC states there is a possibility of a loss in excise tax revenue. It is unknown whether any tax revenue will actually be lost therefore Oversight will range the potential loss from \$0 to (Unknown) to the Alcohol and Tobacco Control Fund. It is assumed that a loss in excise tax could exceed \$250,000 annually.

Oversight notes the Alcohol and Tobacco Control Fund (1544) had a balance of \$5,010,553 as of March 31, 2026.

Officials from the **Department of Revenue** and **Office of Administration - Budget and Planning** defer to the ATC for the potential fiscal impact of this proposal.

Officials from the **Missouri Department of Agriculture** 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 this agency.

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| ALCOHOL AND TOBACCO CONTROL FUND (1544) | | | |
| <u>Revenue Loss – DPS-ACT (§311.185) Reduction in excise taxes collected p.6</u> | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| <u>Cost – DPS-ATC (§311.185) p.4-5</u> | | | |
| Personal Service | (\$948,333) | (\$1,160,760) | (\$1,183,975) |
| Fringe Benefits | (\$626,460) | (\$760,906) | (\$770,243) |
| Expense and Equipment | (\$1,338,989) | (\$470,356) | (\$479,764) |
| <u>Total Costs – DPS-ATC</u> | <u>(\$2,913,782)</u> | <u>(\$2,392,022)</u> | <u>(\$2,433,982)</u> |
| FTE Change – DPS-ATC | 18 FTE | 18 FTE | 18 FTE |
| <u>Cost – DPS-ATC (§311.185) Leasing/capital improvements p.6</u> | (\$193,631) | (\$53,405) | (\$54,473) |
| <u>Cost – DPS-ATC (§311.185) Software programming p.5</u> | (\$200,000) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON THE ALCOHOL AND TOBACCO CONTROL FUND | Could exceed (\$3,307,413) | Could exceed (\$2,445,427) | Could exceed (\$2,488,455) |

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|--|---------------------|---------|---------|
| Estimated Net FTE Change on the Alcohol and Tobacco Control Fund | 18 FTE | 18 FTE | 18 FTE |

| <u>FISCAL IMPACT – Local Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|---------------------|------------|------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |

FISCAL IMPACT – Small Business

This proposal could potentially have a negative impact on small businesses in Missouri. Consumers could shift their buying from in-state retailers to out of state direct shippers, which would cause in-state retailers to lose revenue.

FISCAL DESCRIPTION

Currently, a licensed wine manufacturer may ship up to two cases of wine per month directly to Missouri residents, under certain circumstances.

This bill states that any person or establishment licensed as a manufacturer, as that term is defined in the bill, may apply for a direct shipper license of alcoholic beverages, as that term is defined in the bill. An alcohol beverage direct shipper license will allow a manufacturer to ship all types of alcoholic beverages that the licensee is authorized to sell. Such licensee is authorized to ship directly to Missouri residents who are at least 21 years of age with certain aggregate limits, as follows:

- (1) Distilled alcohol, in quantities not to exceed nine liters per consumer per month; and
- (2) Undistilled alcohol, in quantities not to exceed 18 liters or two cases, containing a maximum of nine liters per case, per consumer per month.

Before sending shipments to Missouri residents, the manufacturer must first obtain an alcoholic beverage direct shipper license, as described in the bill. An alcoholic beverage direct shipper licensee will only ship alcoholic beverages in certain quantities and under certain circumstances, as described in the bill.

This bill adds new definitions for "alcoholic beverage", "distilled alcohol", "manufacturer", "undistilled alcohol", "beer", "malt beverages", "malt liquor", and "wine".

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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

Office of Administration - Budget and Planning

Department of Revenue

Missouri Department of Agriculture



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April 10, 2026



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