

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0358-01
Bill No.: HB 322
Subject: Alcohol; Public Safety Department
Type: Original
Date: March 15, 2011

Bill Summary: This proposal allows certain organizations who sell intoxicating liquor by the drink on the premises to obtain a special permit to remain open until 3:00 a.m. each day and to open Sundays at 9:00 a.m.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$74,500	\$89,400	\$89,400
Total Estimated Net Effect on General Revenue Fund	\$74,500	\$89,400	\$89,400

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$186,250	\$223,500	\$223,500

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state this bill allows a later closing time for tax exempt organizations who qualify for the intoxicating liquor by the drink for consumption on the premises license.

- Section 311.090 currently provides for a license type for tax exempt organizations to obtain an intoxicating liquor by the drink at retail for consumption on the premises license for liquor sales Monday through Saturday, and also a separate license for opening on Sundays.
- Section 4 was added and provides for an additional license type to allow tax exempt organizations to apply for a license to remain open and sell intoxicating liquor by the drink at retail till 3:00 a.m. each day, including Sunday .
- Section 5 sets out the \$300 license fee for this type of license.

It is believed there will be approximately 298 licenses that apply and qualify for this type of license. Each license will be open an additional 10.5 hours per week for 52 weeks. In terms of hours of operation, that means that by drink establishments will be open an additional 162,708 hours (10.5 x 52 x 298) annually. With later closing times typically resulting in more overconsumption related problems and closing time violations, it will require increased manpower to assure that liquor laws are observed.

History has shown that more problems result the later an establishment is open, thus to adequately regulate the premises that will remain open during the early morning hours, it will require additional manpower to assure that these licensees are following the liquor control laws. One of the most frequent problems ATC has with licensees who open on Sunday and have later closing times is violations relating to closing time. The failure to close at the proper time causes overconsumption of alcohol by many patrons, which is a public safety problem on the roadways. This would require an expansion of the enforcement staff to ensure that licensees follow the laws in place.

ATC has requested 3 Agents to absorb the additional duties involved in the regulation of these establishments to assure that licensees are following the liquor control laws and especially that they are not violating the closing time provisions. Laws are in place to provide for a closing time for alcohol establishments because it decreases problems relating to overconsumption, i.e., fights, rowdy behaviors, violent crimes, vandalism and sexual assaults, etc. In order for ATC to monitor

ASSUMPTION (continued)

these establishments, it will require 3 Agents with expense and equipment. ATC assumes a total cost of the three agents to be \$224,000 in FY 2012, and roughly \$195,000 in fiscal years 2012 and 2013.

State revenues will increase by the amount of license fees generated from businesses that obtain a license to stay open till 3:00 a.m. There are 445 locations currently licensed with RBDE (retail by drink, exempt) licenses. Based on the number of current licenses issued that are eligible for the tax exempt, 445 licensees could apply for a Sunday license. We estimate that 50% of those or 223 would obtain a 3 a.m. license. We believe at least 75 new licensees will also obtain a license under this section to take advantage of the provision that will allow tax exempt licensees to be open until 3:00 a.m. Therefore, 298 new licenses issued at \$300 each would be \$89,400 additional revenue. In FY 2012, the licenses aren't issued until August 28, 2011; therefore the licenses would be prorated for ten months generating \$74,500.

However costs associated would bring the net impact to (\$134,666) in the first year, and (\$103,476) the second year and on.

Oversight assumes the local enforcement of the liquor laws of the state has in effect been placed with the local police and sheriff departments. Therefore, Oversight will assume ATC will be able to administer the provisions of this proposal with existing resources. Oversight assumes the ATC would be able to submit a future budget requests if local enforcement is reacquired or if other duties such as licensing, regulatory compliance or incident follow-ups exceeds current resources. Oversight will utilize ATC's estimate for revenue generated from issuing these new licenses.

This proposal could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Income - Alcohol and Tobacco Control</u>			
New license to remain open until 3:00 a.m. for certain organizations	<u>\$74,500</u>	<u>\$89,400</u>	<u>\$89,400</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$74,500</u>	<u>\$89,400</u>	<u>\$89,400</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL POLITICAL SUBDIVISIONS			
<u>Counties</u> - New license to remain open until 3:00 a.m. for certain organizations (100% of amount the state charges)	\$74,500	\$89,400	\$89,400
<u>Cities</u> - New license to remain open until 3:00 a.m. for certain organizations (150% of amount the state charges)	<u>\$111,750</u>	<u>\$134,100</u>	<u>\$134,100</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$186,250</u>	<u>\$223,500</u>	<u>\$223,500</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill allows any charitable, fraternal, religious, service, or veterans' organization that is exempt from federal income taxes and has or is qualified to have a license to sell intoxicating liquor by the drink on its premises to obtain from the Supervisor of Liquor Control within the Department of Public Safety a special permit for \$300 per year to remain open until 3:00 a.m. each day and to open on Sundays at 9:00 a.m.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Public Safety
Alcohol and Tobacco Control

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Director
March 15, 2011