OFFICE OF FISCAL ANALYSIS

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sSB-905
AN ACT CONCERNING ALCOHOLIC LIQUOR AND TOBACCO BARS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Department of Revenue Services	GF - Revenue Loss	1.8 million	1.9 million
Department of Revenue Services	Various - Revenue Gain	Potential	Potential
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 24 $	FY 25 $
Various Municipalities	Cost	Potential	Potential

Explanation

The bill makes various changes to the Liquor Control Act resulting in the revenue and cost impacts described below.

Section 2 creates a temporary auction permit for a fee of $175 per day resulting in a potential revenue gain to the General Fund (GF) to the extent these permits are applied for.

Section 2 also results in a revenue gain to the state's sales tax by allowing the temporary auction permit to allow the sale of alcohol at auctions. The actual revenue gain in a given fiscal year will be dependent upon the number of auctions permitted and the total value of sales for that fiscal year.

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Reviewer: RP

Section 3 creates an outdoor open-air permit for an annual fee of $4,000 resulting in a potential revenue gain to the GF to the extent these permits are applied for.

Section 3 also results in a potential revenue gain to the state's sales and alcoholic beverage taxes by allowing the retail sale and consumption of alcohol in open spaces operating under a year-round open-space permit. The actual revenue gain in a given fiscal year would be dependent upon the number of open-air permits approved that would not have otherwise qualified for the seasonal outdoor open-air permit.

Sections 7 & 10 results in potential revenue gain up to $15,000 annually in the state's sales and alcoholic beverage taxes by allowing manufacturer permittees for spirits and beer to sell their products at farmers markets. Any revenue gain in taxes would be only to the extent that there is an increase in alcohol sales rather than a shift from currently allowed transactions for alcohol.

Sections 8 & 20-21 results in a potential revenue gain to the state by allowing additional "tobacco bars," so long as the retailer holds an alcoholic liquor permit and meets the criteria outlined in the bill. The actual revenue gain in a given fiscal year will be dependent upon the number of tobacco bars permitted and the total volume of annual sales allowed under this bill from those establishments.

For illustrative purposes, if ten tobacco bars are permitted to sell alcoholic beverages under the bill and on average those sales are 20% of the businesses' gross revenue, the revenue gain to the state would be $140,000 in sales and alcoholic beverage taxes.

Currently, there is one cigar lounge licensed by the state to sell alcoholic beverages.

Section 11 allows for-profit entities to apply for a festival permit for a fee of $275 resulting in a potential revenue gain to the GF to the extent these permits are applied for.

Section 11 also results in a potential revenue gain to the state's sales and alcoholic beverage taxes by allowing for-profit entities to sponsor a permitted festival. The actual revenue gain in a given fiscal year will be dependent upon the number of permits approved and only to the extent that there is an increase in alcohol sales rather than a shift from currently allowed transactions for alcohol.

Section 17 requires annual fire inspections of all premises in municipalities that operate under a permit that allows for on-premises alcohol consumption. To the extent additional personnel are necessary to meet these requirements, there may be a potential cost to municipalities beginning in FY 24.

Sections 18 & 19 establish a new alcoholic beverages tax rate for certain liquor coolers, which results in a General Fund revenue loss of approximately $1.8 million in FY 24 and $1.9 million in FY 25.

Section 22 requires the Liquor Control Commission to study the impact of requiring people applying or renewing their permit to attest that they obtained liquor liability insurance resulting in no fiscal impact to the state because the Commission has the expertise to meet the requirements of the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of permits applied for, growth in the liquor cooler market, and inflation.