

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3512-12
Bill No.: Truly Agreed to and Finally Passed HS for HCS for SCS for SB 834
Subject: Aircraft and Airports; Alcohol; Licenses - Liquor and Beer.
Type: Original
Date: May 28, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$44,766	\$53,400	\$53,400
Total Estimated Net Effect on <u>All</u> State Funds	\$44,766	\$53,400	\$53,400

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$5,988	\$6,625	\$6,625

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

3:00 A.M. LICENSES AT THE LAKE OF THE OZARKS (Section 311.178);

Officials from the **Department of Public Safety - Liquor Control (DLS)** state sections 311.178.2 and 3 allows qualified licensed resorts in Camden, Miller and Morgan counties to remain open each day of the week until 3:00 a.m. of the morning of the following day. The resort's previous year annual gross sales must be \$100,000 or more. A resort is defined as any establishment having at least 75 rooms for transient guests, having at least 3,000 square feet of meeting space and having a restaurant on the premises. Applicants granted this permit must pay a \$300 license fee.

DLS assumes that 6 establishments would seek a special permit as outlined in Section 311.178.2 and 3. The estimated increase in license fees would be approximately \$1,800 (6 x \$300) per year. DLS states that Section 311.220, RSMo, allows cities to charge one and one-half the state liquor license fee amounts and counties to charge an amount equal to the state liquor license fee amount. DLS assumes that seventy-five percent of the licensees that will obtain an extended hours license are located within a municipality. Therefore, the cities will collect additional revenues of \$2,025 ($\$1,800 \times 1.5 \times 75\%$). The counties' additional revenue collection will equal the state revenue increase of \$1,800.

DLS assumes that one additional agent (at \$36,012) will be needed in the Lake of the Ozarks area for the additional work load associated with monitoring the sales of alcoholic beverages until 3:00 a.m. at the resorts. DLS assumes the total cost, including fringe benefits and expense and equipment, for the additional agent would be roughly \$62,000 per year.

Oversight assumes DLS will be able to assume any additional responsibilities resulting from this proposal with current resources and will not require the additional agent.

Officials from the **Department of Public Safety - State Water Patrol (DWS)** state this bill will not fiscally impact their agency since the consumers are limited to overnight guests of the resorts.

In response to similar legislation from this year, officials from **Camden County** stated the additional tax revenue is unknown at this time. Camden County also stated that more water patrol may be needed.

In response to similar legislation from this year, officials from **Miller County** assumed this proposal would result in an additional \$200 in liquor license fee as well as \$13,000 in sales tax revenue increase.

ASSUMPTION (continued)

In response to similar legislation from this year, officials from the **Office of the State Public Defender** and the **Office of the State Courts Administrator** each assumed this proposal would not fiscally impact their agency.

Officials from **Morgan County** did not respond to our request for fiscal impact.

INTERNATIONAL AIRPORTS (Section 311.481);

Officials from the **Department of Public Safety - Division of Liquor Control (DLS)** state this proposal would allow their agency to issue a license for Sunday liquor by the drink at establishments within an international airport. The license fee for this would be \$200 annually.

DLS estimates that eight Sunday licenses will be issued as a result of this proposal. Therefore, DLS estimates that \$1,600 ($\200×8) will be generated annually by the bill. DLS also assumes any cost associated with this proposal can be absorbed through existing appropriations.

DLS states that Section 311.220 RSMo allows cities to charge one and one half of the state liquor license fee amount, and the county to charge an equal amount of the state liquor license fee amount. Therefore, DLS estimates the Kansas City International Airport, estimated to have 4 licenses, would generate \$1,200 ($4 \text{ licenses} \times 1.5 \text{ times} \times \200) in annual revenue for the City of Kansas City, and \$800 ($4 \text{ licenses} \times \200) in annual revenue for Platte County. DLS also estimates the St. Louis International Airport, estimated to have 4 licenses, would generate \$800 for St. Louis County, and \$0 city revenue since the St. Louis International Airport is not located within a city.

In response to similar legislation from this year, officials from the **City of Kansas City (CKC)** assumed this proposal would allow airlines, such as American Airlines and Delta Air Lines, to sell liquor by the drink in airline clubs (also called first class lounges) in Missouri's international airports (Kansas City and St. Louis). CKC assumes this proposal would result in annual city revenues of under \$1,000 from sales of licenses to businesses at the airport and for the employees who serve liquor. CKC also assumes the cost of issuance of the licenses will approximate the revenue generated, resulting in no net fiscal impact for the city.

Oversight assumes the city and county officials could issue the necessary liquor licenses with existing resources.

ASSUMPTION (continued)

In response to similar legislation from this year, officials from **Platte County** stated this proposal would bring in an additional \$309 per year for their county.

Officials from the **City of St. Louis** and **St. Louis County** did not respond to our request for fiscal impact.

Oversight assumes, with the emergency clause, a full year of income would be collected in FY 2003.

SUPERVISOR OF LIQUOR CONTROL ALLOWED TO ASSESS CIVIL PENALTIES (Section 311.680);

Officials from the **Department of Public Safety - Liquor Control (DLS)** assume this part of the proposal would not generate any revenue for the state. DLS states however, that the civil penalties imposed pursuant to Section 311.680 are to be distributed pursuant to the provisions of Section 7 of Article IX of the Missouri Constitution (School Districts). DLS estimates it will impose \$50,000 annually in civil penalties against licensees.

DLS assumes the cost of implementing this proposal could be absorbed with existing resources.

Oversight assumes the fiscal impact to the local school districts would be a wash, with the increased collection of fines generated by the Supervisor of Liquor Control and the resulting reduction of the school foundation formula distribution from the state.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Public Safety's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 20 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 30 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$1,230, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at

ASSUMPTION (continued)

substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Administrative Hearing Commission** assume this proposal would not fiscally impact their agency.

Oversight assumes the sunset of Section 311.178.4 (requirement of \$300 license fee for 3:00 a.m. licensees) on January 1, 2007 will fiscally impact the state, counties and municipalities starting in FY 2007. However, this is beyond the scope of the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 months)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Income</u> - Fees for Sunday by-the-drink liquor licenses at international airports	\$1,600	\$1,600	\$1,600
<u>Income</u> - 3:00 a.m. liquor license fees at resorts	\$1,500	\$1,800	\$1,800
<u>Savings</u> - Reduced Foundation Formula Distributions	<u>\$41,666</u>	<u>\$50,000</u>	<u>\$50,000</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$44,766</u>	<u>\$53,400</u>	<u>\$53,400</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 months)	FY 2004	FY 2005
COUNTIES AND CITY			
<u>Income</u> - Fees for Sunday by-the-drink liquor licenses at international airports	\$2,800	\$2,800	\$2,800
<u>Income</u> - 3:00 a.m. liquor license fees at resorts	<u>\$3,188</u>	<u>\$3,825</u>	<u>\$3,825</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 months)	FY 2004	FY 2005
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ESTIMATED NET EFFECT TO COUNTIES AND CITIES	<u>\$5,988</u>	<u>\$6,625</u>	<u>\$6,625</u>
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LOCAL SCHOOL DISTRICTS

<u>Income</u> - Civil Penalties	\$41,666	\$50,000	\$50,000
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<u>Loss</u> - Reduced Foundation Formula Distributions	<u>(\$41,666)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
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ESTIMATED NET EFFECT TO LOCAL SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal may impact small businesses that sell liquor by the drink.

DESCRIPTION

This proposal allows the Supervisor of Liquor Control to issue a retail license to sell intoxicating liquor between the hours of 11:00 a.m. and midnight on Sunday to any establishment located in an international airport and owned or leased and operated by an airline. This license will cost \$200 in addition to all other fees required by law. City and county regulations and fees will also apply to the license.

DESCRIPTION (continued)

This proposal also permits qualified licensed resorts in Camden, Miller, and Morgan counties to remain open each day of the week until 3:00 a.m. The time of opening on Sunday may be 11:00 a.m. The resort's previous year's annual gross sales must be \$100,000 or more. A resort is defined as any establishment having at least 75 rooms for transient guests, at least 3,000 square feet of meeting space, and a restaurant on the premises.

The licensee is only allowed to sell intoxicating liquor to guests with overnight accommodations at the resort during this extended time period.

RS:LR:OD (12/01)

This proposal allows a wholesaler to give a retailer credit for intoxicating liquor with an alcohol content of less than 5% or 3.2% beer in a container with a capacity of four gallons or more that was delivered for a special event, if the wholesaler removes the product within seven days of the initial delivery.

The proposal also creates new penalties for violations of liquor control laws. The proposal allows the Supervisor of Liquor Control to assess the following in lieu of suspension or revocation of a liquor license:

- (1) A civil penalty of not less than \$100 or more than \$5,000 against any solicitor licensed to sell liquor when in violation of any liquor laws;
- (2) A civil penalty of not less than \$50 or more than \$1,000 against any retailer with less than 5,000 occupant capacity when in violation of any liquor laws; and
- (3) A civil penalty of not less than \$50 or more than \$5,000 against any retailer with 5,000 or more occupant capacity when in violation of any liquor laws.

The supervisor must establish rules to identify which violations are eligible for civil penalty, the maximum amounts of the penalty, and conditions for which the penalties may be reduced.

The proposal also requires the supervisor (or his or her designee) to meet with a licensee prior to issuing any order of warning, probation, revocation, suspension, or fine in order to bring early resolution of disputes. The supervisor must provide the licensee a written description of the specific conduct for which discipline is sought and all documents related to the violation.

This proposal has an emergency clause for section 311.481 regarding international airports.

DESCRIPTION (continued)

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 Liquor Control
Missouri Water Patrol
City of Kansas City
Camden County

Miller County
Office of the State Public Defender
Office of the State Courts Administrator
Platte County
Office of the Secretary of State
Office of Administration
Administrative Hearing Commission

NOT RESPONDING: **City of St. Louis, St. Louis County, Morgan County**

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

Mickey Wilson, CPA
Acting Director
May 28, 2002