

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

| | | |
|--|--|--------------------------|
| LRB Number 17-4072/1 | Introduction Number SB-418 | |
| Description creating a distillpub permit authorizing the manufacture, rectification, and sale of distilled spirits; retail interests relating to distillpubs and brewpubs; quotas for retail intoxicating liquor licenses; location and production limits on brewpubs; retail sales of intoxicating liquor by brewers; retail licenses held by wineries and closing hours for retail sales by wineries; small winery cooperative wholesalers; minimum customer requirements for alcohol beverage wholesalers; and granting rule-making authority | | |
| Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs | | |
| Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | | |
| Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS | | |
| Agency/Prepared By DOR/ Mike Miller (608) 266-8133 | Authorized Signature Robert Schmidt (608) 266-5773 | Date 9/25/2017 |

Fiscal Estimate Narratives

DOR 9/25/2017

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|--|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 17-4072/1 | Introduction Number | SB-418 | Estimate Type | Original |
| Description creating a distillpub permit authorizing the manufacture, rectification, and sale of distilled spirits; retail interests relating to distillpubs and brewpubs; quotas for retail intoxicating liquor licenses; location and production limits on brewpubs; retail sales of intoxicating liquor by brewers; retail licenses held by wineries and closing hours for retail sales by wineries; small winery cooperative wholesalers; minimum customer requirements for alcohol beverage wholesalers; and granting rule-making authority | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

DISTILLPUBS

The bill creates a distillpub permit that authorizes the sale and manufacture of liquor other than wine and allows a distillpub to sell and distribute its spirits, subject to various limitations.

The provision is not expected to have a significant impact on state tax and fee revenues. The department estimates one-time administrative costs of \$21,360 for training, development, and modifications to the state's tax processing system.

Administration of the bill would also require additional supplies and one additional permanent employee to regulate and enforce the proposed permit at an annual cost of \$112,930.

BREWERIES

Under current law, a brewer may only make retail sales of intoxicating liquor if the brewer held a retail intoxicating liquor license on June 1, 2011. The bill permits breweries to make retail sales of intoxicating liquor for on-premise consumption at the brewery and at one off-site retail location. Given the parameters and requirements of a brewery permit under current law, taverns and brewpubs may apply for a brewery permit in place of a "Class B" license issued by a municipality, resulting in a decrease in local liquor license revenue.

BREW PUBS

The bill doubles the annual amount of beer that a brewpub can manufacture, from 10,000 barrels to 20,000 barrels. In addition, the bill doubles the number of manufacturing locations a person is permitted to have under current law, from six to 12.

These changes may lead to an increase in the number of brewpubs in the state. The fiscal effect of these provisions is expected to be minimal.

WINERIES

The bill doubles the annual amount of wine production that defines a small winery, from 25,000 gallons to 50,000 gallons; allowing additional wineries to be members of small winery cooperative wholesalers. During FY16, only one winery produced between 25,000 and 50,000 gallons of wine and only two wineries produced between 20,000 and 25,000 gallons of wine.

The bill also allows wineries operating with a "Class B" license to remain open until 2:00 am instead of 9:00 pm, though municipalities may impose more restrictive closing hours. In addition, wineries may hold a Class "B" (beer) license for the premise authorized to sell wine that holds a "Class B" license.

The fiscal effect of these provisions is expected to be minimal.

ALCOHOL BEVERAGE WHOLESALERS

The bill removes current law requirements that beer wholesalers sell and deliver beer to at least 25 separate

retail licensees or permittees. The bill also removes a restriction that liquor wholesalers sell and deliver to at least 10 separate licensees or permittees.

These provisions could lead to the establishment of additional wholesalers, causing a minor increase in wholesaler permit fee revenues. Currently, 104 wholesalers are registered with the department.

"CLASS B" LICENSE QUOTA

The bill increases the number of "Class B" liquor licenses that municipalities may issue by 10 percent. This change is expected to increase license fee revenue for local governments that elect to issue additional licenses. This provision may result in additional local expenditures for enforcement and administration.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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Description
 creating a distillpub permit authorizing the manufacture, rectification, and sale of distilled spirits; retail interests relating to distillpubs and brewpubs; quotas for retail intoxicating liquor licenses; location and production limits on brewpubs; retail sales of intoxicating liquor by brewers; retail licenses held by wineries and closing hours for retail sales by wineries; small winery cooperative wholesalers; minimum customer requirements for alcohol beverage wholesalers; and granting rule-making authority

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

 The department estimates one-time costs of \$21,360 for training, development, and modifications to the state's tax processing system.

| | | |
|------------------------------|--|-----------------|
| II. Annualized Costs: | Annualized Fiscal Impact on funds from: | |
| | Increased Costs | Decreased Costs |

A. State Costs by Category

| | Increased Costs | Decreased Costs |
|---|------------------|-----------------|
| State Operations - Salaries and Fringes | \$99,530 | \$ |
| (FTE Position Changes) | (1.0 FTE) | |
| State Operations - Other Costs | 13,400 | |
| Local Assistance | | |
| Aids to Individuals or Organizations | | |
| TOTAL State Costs by Category | \$112,930 | \$ |

B. State Costs by Source of Funds

| | Increased Costs | Decreased Costs |
|-----------|-----------------|-----------------|
| GPR | | |
| FED | | |
| PRO/PRS | 101,870 | |
| SEG/SEG-S | 11,060 | |

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

| | Increased Rev | Decreased Rev |
|-----------------------------|---------------|---------------|
| GPR Taxes | \$ | \$ |
| GPR Earned | | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S | | |
| TOTAL State Revenues | \$ | \$ |

| NET ANNUALIZED FISCAL IMPACT | | |
|------------------------------|-----------|------------|
| | State | Local |
| NET CHANGE IN COSTS | \$112,930 | \$ |
| NET CHANGE IN REVENUE | \$ | \$see text |

| | | |
|---------------------------------|-------------------------------|-------------|
| Agency/Prepared By | Authorized Signature | Date |
| DOR/ Mike Miller (608) 266-8133 | Robert Schmidt (608) 266-5773 | 9/25/2017 |