

Fiscal Estimate Narratives

DOR 2/16/2018

LRB Number	17-5482/1	Introduction Number	SB-801	Estimate Type	Original
Description creating a resort manufacturer permit authorizing the production and sale of intoxicating liquor, and activities and retail interests of resort manufacturers; creating an Office of Alcohol Beverages Enforcement attached to the Department of Revenue and transferring alcohol beverages regulation and enforcement functions to this office; and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

Office of Alcohol Beverages Enforcement:

The bill creates an Office of Alcohol Beverages Enforcement led by a director appointed by the Governor, subject to senate confirmation, and transfers the Department of Revenue's (DOR) alcohol beverages regulation and enforcement to the new office. The transfer, which occurs on July 1, 2018, includes positions, employees, property, assets, and liabilities as determined by the Department of Administration (DOA).

The bill redirects alcohol permit fee revenues into an appropriation for the new office. The department collected \$668,900 of alcohol permit revenues in FY17 and expects no significant increase in additional revenue to the newly created Office of Alcohol Beverages Enforcement as a result of the bill.

The bill also creates an annual appropriation of \$2.4 million, beginning in FY19 to fund the new office. The bill also reduces the DOR appropriation for administration of liquor tax and alcohol beverages enforcement by \$500,000.

The establishment of this office is not expected to have any impact on state tax and fee revenues. The number of positions, employees, and value of property, assets, and liabilities that will be transferred is indeterminate as the function of certain staff is split between alcoholic beverages, tobacco, and other functions. Under the bill, DOA will determine such transfers.

In addition to the transferred positions, the bill authorizes 1.0 FTE PR director position and 6.0 FTE PR special agent positions.

Resort Manufacturer Permits:

Under current law, no person may sell alcoholic beverages outside of the three-tier distribution system unless a specific exception exists. The bill creates a special resort manufacturer permit for resorts that satisfy specific conditions regarding capacity, facilities, and proximity to certain amenities.

The bill authorizes resort manufacturers to perform the following: 1) the manufacture or rectification of up to 150,000 gallons of intoxicating liquor per year on the resort manufacturer premises; 2) the bottling of intoxicating liquor manufactured or rectified by the resort manufacturer; 3) the possession and storage of alcohol beverages on the resort manufacturer premises; 4) the sale of intoxicating liquor manufactured or rectified by the resort manufacturer to wholesalers; 5) the retail sale on resort manufacturer premises, without a retail license, of intoxicating liquor manufactured or rectified on these premises, for consumption on the premises or off the premises; 6) the retail sale on resort manufacturer premises, without a retail license, of beer and of intoxicating liquor not manufactured or rectified on the premises, for consumption on the premises, if the beer or intoxicating liquor is purchased from a wholesaler; and 7) the sale and delivery of intoxicating liquor manufactured or rectified on the resort manufacturer premises to the retail licensed premises of the resort or of a secondary resort facility.

Under the bill, the Office of Alcohol Beverages would set the resort manufacturer permit fee at an amount of no less than \$10,000 biennially.

The department is only aware of one resort in the State of Wisconsin that meets the qualifications outlined in the bill. The production volume of liquor by any potential resort manufacturer is unknown. Therefore, the

fiscal effect of these provisions is indeterminate. Assuming a resort manufacturer produces the maximum 150,000 gallons of liquor subject to the \$3.25 per gallon tax, and further assuming all sales are within the state, state liquor tax revenues would increase by \$487,500. Administrative fee revenue would increase by \$16,500.

Long-Range Fiscal Implications