

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB1498

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Louderback

3. Committee General Laws

4. Title ABC stores; retail franchising.

5. Summary/Purpose: Provides for the granting of retail franchises by the ABC Board for the sale of spirits, vermouth, and mixers by retail franchisees. Mixed beverage licensees may purchase alcoholic beverages from the retail franchisees. The bill provides that no new government stores may be owned or operated by the ABC Board on or after July 1, 2005. Instead, the ABC Board shall enter into franchise agreements for the ownership and operation of retail franchised establishments in such counties, cities, and towns considered advisable by the Board, subject to the provisions of any local referendum. The bill provides that the Retail Franchising Act shall not apply to retail franchises granted by the ABC Board. The bill also creates the Retail Franchise Fund, using proceeds from franchisees to fund local school construction and maintenance. The bill contains an emergency clause.

6. Fiscal Impact Estimates are: Preliminary. See line 8

7. Budget amendment necessary: Yes; Section 3-1.01.A.1

8. Fiscal implications:

The fiscal implications from this proposal are difficult to determine. Until the Department of Alcoholic Beverage Control (ABC) develops procedures for retail franchising and negotiates actual franchise contracts, it is uncertain how much funding could be generated for the state through the retail franchise approach. At a minimum, the state would continue to receive the 20 percent excise tax on retail sales and the \$1,500 per retail franchise license fee authorized by this legislation.

The legislation creates a new special fund called the Retail Franchise Fund. All moneys received from the new ABC retail franchise agreements are to be paid into this fund. The moneys in this fund are to be used solely for local school construction and renovation, major school maintenance, capital outlay, and debt service of any public school.

Included in ABC's revenue forecast for the 2004-2006 biennium is the opening of 34 additional ABC stores. The 34 additional stores, upon maturity, are expected to generate annual taxes and profits of \$21 million. The taxes and profits from the additional stores are included in the general fund revenues available for the 2004-2006 biennium. This legislation

would prohibit ABC from opening any additional stores beginning July 1, 2005. Therefore, this legislation could have a negative impact on the general fund. Even if the franchise agreements approved by ABC are able to generate an equal amount of money for the state, all of those funds are to be deposited to the newly created Retail Franchise Fund to fund local school construction and maintenance. Currently, ABC profits go to the general fund to reimburse the state for mental health and substance abuse programs and for distribution to localities for general use.

9. Specific agency or political subdivisions affected: Department of Alcoholic Beverage Control

10. Technical amendment necessary: No

11. Other comments: This bill contains an emergency clause.

Date: 01/31/05 / mdm

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cc: Secretary of Public Safety