

**Department of Planning and Budget**  
**2008 Special Session II**  
**Fiscal Impact Statement**

**1. Bill Number:** HB6036

House of Origin      X     Introduced                 Substitute                 Engrossed  
Second House                In Committee             Substitute                 Enrolled

**2. Patron:**        Marshall, R.G.

**3. Committee:** Rules

**4. Title:**        **Alcoholic beverage control (ABC); privatization of ABC stores.**

**5. Summary:** Provides for the issuance of a “package store” license to authorize the retail sale of alcoholic beverages for off-premises consumption. The bill also requires the ABC Board to sell at auction all real estate used as ABC stores, and to terminate leased property upon which the ABC Board has operated a government store. The bill requires the ABC Board to complete an implementation study by December 31, 2008, on how it will privatize government stores. The bill has a delayed effective date of January 1, 2009, to achieve full retail privatization of government stores. The bill provides that any monetary savings realized by the ABC Board from the implementation of this bill shall be applied to the Transportation Trust Fund.

**6. Fiscal Impact Estimates:** Indeterminate. See item 8.

**7. Budget Amendment Necessary:** Yes.

**8. Fiscal Implications:** The fiscal implications of this bill cannot be determined at this time. Given this, it is uncertain whether this legislation would result in any additional funding for the Transportation Fund.

While ABC would reduce its expenditures by approximately \$80 million annually by eliminating retail store operations, these reductions would be offset by a corresponding decrease in revenues from the elimination of the retail mark-up. In FY 2008, the Department of ABC is currently forecasting \$100 million in profits and \$107 million in distilled spirit excise taxes. Once the state retail network is eliminated, state revenues become dependent on the private retailers ability to generate sufficient tax revenues to offset the lost ABC profits. Because the \$100 million in profits benefit the general fund, any revenue shortfall from this privatization effort would hurt programs supported by the general fund.

The bill establishes a \$2,500 license fee for private package stores and caps the number of licenses to one per 20,000 people. Based on current population, this would increase the number of package stores by almost 20 percent (400) and generate approximately \$1,000,000 in license fees. Because the cap is based on the population of each locality, urban areas would experience the largest increase in liquor stores. Additional resources for ABC law

enforcement would be required to allow for proper regulation and monitoring of the private distribution system.

While the bill requires preferential hiring for the displaced workers, most ABC employees are located outside the seat of government where most state positions are located. With the elimination of the retail store network, over 600 classified and 1,500 wage positions would likely be eliminated, creating approximately \$13 million in severance and unemployment expenditures (not including accumulated leave balances).

The bill is not clear how excise taxes would be calculated and collected. Because the excise tax is a function of ABC's mark-up, the conversion to a wholesale mark-up automatically reduces the amount of tax revenue generated. Preliminary estimates are a loss of \$20 million annually without an adjustment to the excise tax rate.

**9. Specific Agency or Political Subdivisions Affected:** The Department of Alcoholic Beverage Control

**10. Technical Amendments Necessary:** None.

**11. Other Comments:** This bill contains an emergency clause that makes certain provisions of this act effective immediately, with another enactment making implementation effective on January 1, 2009. The bill also requires the ABC Board to complete an implementation study by December 31, 2008. The short time period allowed for this study may not be sufficient to adequately address the requirements of this legislation.

**Date:** 7/9/2008 ltc/dpb

**Document:** G:\ABC\2008.doc