GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0656	**Title:**	Revise liquor store commissions -- special sales to liquor stores
Primary Sponsor:	Stahl, Wayne	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Other (Proprietary)	$30,062	$32,556	$38,308	$40,258
Revenue:				
General Fund (Transfers)	($30,062)	($32,556)	($38,308)	($40,258)
Other	$0	$0	$0	$0
Net Impact-General Fund Balance:	($30,062)	($32,556)	($38,308)	($40,258)

Description of fiscal impact:
The bill will reduce general fund revenue by $30 to $40 thousand per year.

FISCAL ANALYSIS

Assumptions:

1. Under this bill if the department offers special price sales of liquor to agency liquor stores, the department shall provide adequate notice of the sale and allow each agent at least two weeks prior to the week the sale is in effect to purchase at the special price.
2. Under current law the commission rate paid by the state to agency liquor stores operating under a franchise agreement that has an annual sales volume of $500,000 or more for the preceding fiscal year is 0.875%. The commission rate paid by the state to agency liquor stores operating under a franchise agreement that has an annual sales volume of $500,000 or less for the prior fiscal year is 1.5% percent.

3. Under provisions of this bill, the prior year sales volume upon which the commission rate will be determined changes from $500,000 to $560,000, effective July 1, 2009. Therefore, the commission rate paid by the state to agency liquor stores operating under a franchise agreement that has an annual sales volume of $560,000 or more in FY 2009 will be 0.875% in FY 2010. For stores with sales volume in FY 2009 of $560,000 or less the commission rate will be 1.5% percent in FY 2010.
4. By April 1 of each year, the dollar values of sales volumes upon which the commissions depend are to be adjusted by the change in the cost of liquor to agency liquor stores during the prior calendar year. The department shall establish the method by which the level at which the commission rate is determined by rule using a liquor specific base such as the annual change in the cost per case of the 25 items with the highest sales volume for a calendar year or another appropriate method of measuring the change in liquor prices.
5. Based upon FY 2009 year-to-date sales volumes and monthly trends, DOR estimates that FY 2009 sales volume growth will be approximately 3%. For purposes of this fiscal note, the 3% growth rate is applied to both sales volumes and to the sales commission level.
6. The estimated increase in sales commissions paid is $29,839 in FY 2010, $30,734 in FY 2011, $38,023 in FY 2012, and $39,164 in FY 2013. However, these estimates assume the adjustment upon which commissions depend is made at the beginning of the fiscal year, but under provisions of this bill the adjustment is made by April 1st , the beginning of the fourth quarter of the fiscal year. Therefore each fiscal year the sales commission increase is assumed to be based on the average per quarter for three quarters and the average per quarter under another level. The estimated commissions paid in FY 2010 is $30,062 ($29,839 / 4 = $7,460 per quarter; $30,734 / 4 = $7,683 per quarter; and (3 x $7,460 + 1 x $7,683) = $30,062). The increase in sales commission for FY 2011-FY 2013 is estimated to be $32,556, $38,308 and $40,258, respectively.
7. The increase in sales commission decreases revenues that will be transferred to the general fund by the same amount.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Expenditures:				
Operating Expenses	$30,062	$32,556	$38,308	$40,258
Funding of Expenditures:				
Other (Proprietary)	$30,062	$32,556	$38,308	$40,258
Revenues:				
General Fund (Transfers)	($30,062)	($32,556)	($38,308)	($40,258)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (Transfers)	($30,062)	($32,556)	($38,308)	($40,258)
Other (Proprietary)	($30,062)	($32,556)	($38,308)	($40,258)

Long-Term Impacts:

1. Estimated cost to the general fund will continue to grow in the future.

Technical Notes:

1. HB 656 allows agency liquor stores to purchase products at the sale price an additional 2 weeks prior to the actual beginning of the sale period. This change may create conflicts with current practice.

2. The bill states that the department shall adjust the dollar value of sales volume by April 1 of each year. Current law adjusts the sales volume discount on July 1 (the beginning of each new fiscal year). The intent of this bill is unclear as to whether the sales volume is calculated by April 1 and adjusted on July 1.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*