

Fiscal Note Request HB252, As Introduced

(continued)

5. Under the proposal, the distribution of the revenue from the liquor excise tax is 97% to the general fund, and 3% to the SSRA that will be used by DPHHS for prevention and treatment of fetal alcohol syndrome.
6. The proposal will increase the HRJ 2 total liquor excise tax collections in FY 2006 to \$9,973,476 (\$9,671,249 X 103.125% = \$9,973,476). The proposal will increase the HJR 2 total liquor excise tax collections in FY 2007 to \$10,342,495 (\$10,029,086 X 103.125% = \$10,342,495).
7. The distribution of the liquor excise taxes based on current law and on the proposal is shown in the following table.

HB 252, Impact to Liquor Excise Tax				
	<u>Current Law Revenue</u>		<u>Proposed Law Revenue</u>	
	FY2006	FY2007	FY2006	FY2007
Tax Rate	16%	16%	16.50%	16.50%
Total Revenue	<u>\$9,671,249</u>	<u>\$10,029,086</u>	<u>\$9,973,476</u>	<u>\$10,342,495</u>
Increase in Total Revenue			<u>\$302,227</u>	<u>\$313,409</u>
Distribution to State General Fund				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	100.00%	100.00%	97.00%	97.00%
General Fund	\$9,671,249	\$10,029,086	\$9,674,272	\$10,032,220
Tribal Distribution ¹	\$0	\$0	\$0	\$0
Net Revenue to GF	<u>\$9,671,249</u>	<u>\$10,029,086</u>	<u>\$9,674,272</u>	<u>\$10,032,220</u>
Difference to Current Law			<u>\$3,022</u>	<u>\$3,134</u>
Distribution to State Special Revenue Accounts (SSRA)				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	0%	0%	0.00%	0.00%
Alcohol treatment, SSRA	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Difference to Current Law			<u>\$0</u>	<u>\$0</u>
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	0.00%	0.00%	3.00%	3.00%
Fetal alcohol SSRA	<u>\$0</u>	<u>\$0</u>	<u>\$299,204</u>	<u>\$310,275</u>

1. The portion of liquor excise tax revenue deposited to the state general fund is combined with liquor license tax revenue deposited to the state general fund to determine the tribal share. The estimated tribal share of these revenues in FY2006 and FY2006 are \$222,000 and \$232,000, respectively. Although the proposal has a net effect on the state general fund, the proposal has no impact on the tribal distribution.

Liquor License Tax

8. Under the proposal, liquor license tax will increase from 10% to 10.5% of the retail price, a 5% increase over current law.
9. Under current law, the distribution of the revenue from the liquor license tax is 34.5% to the general fund and 65.5% to the SSRA used by the DPHHS for the treatment of alcohol related illness.
10. Under current law, in FY 2006 total revenue from the liquor license tax will be \$6,044,531; in FY 2007 total revenue from the liquor license tax will be \$6,268,179 (HJR 2).

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11. Under the proposal, the distribution of the revenue from the liquor license tax is 32.85% to the general fund, 62.4% to the SSRA used by the DPHHS for the treatment of alcohol related illness and 4.75% to the SSRA which will be used by DPHHS for prevention and treatment of fetal alcohol syndrome.
12. The proposal will increase the HJR 2 total liquor license tax collections in FY 2006 to \$6,346,757 (\$6,044,531 X 105% = \$6,346,757). The proposal will increase the HJR 2 total liquor license tax collections in FY 2007 to \$6,581,587 (\$6,268,179 X 105% = \$6,581,587).
13. The distribution of the liquor license taxes based on current law and on the proposal is shown in the following table.

HB 252, Impact to Liquor License Tax				
	<u>Current Law Revenue</u>		<u>Proposed Law Revenue</u>	
	FY2006	FY2007	FY2006	FY2007
Tax Rate	10%	10%	10.50%	10.50%
Total Revenue	<u>\$6,044,531</u>	<u>\$6,268,179</u>	<u>\$6,346,757</u>	<u>\$6,581,587</u>
Increase in Total Revenue			<u>\$302,227</u>	<u>\$313,409</u>
Distribution to State General Fund				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	34.50%	34.50%	32.85%	32.85%
General Fund	\$2,085,363	\$2,162,522	\$2,084,910	\$2,162,051
Tribal Distribution ¹	\$0	\$0	\$0	\$0
Net Revenue to GF	<u>\$2,085,363</u>	<u>\$2,162,522</u>	<u>\$2,084,910</u>	<u>\$2,162,051</u>
Difference to Current Law			<u>(\$453)</u>	<u>(\$470)</u>
Distribution to State Special Revenue Accounts (SSRA)				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	65%	65%	62.40%	62.40%
Alcohol treatment, SSRA	<u>\$3,959,168</u>	<u>\$4,105,657</u>	<u>\$3,960,377</u>	<u>\$4,106,911</u>
Difference to Current Law			<u>\$1,209</u>	<u>\$1,254</u>
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	0.00%	0.00%	4.75%	4.75%
Fetal alcohol SSRA	<u>\$0</u>	<u>\$0</u>	<u>\$301,471</u>	<u>\$312,625</u>
<p>1. The portion of liquor license tax revenue deposited to the state general fund is combined with liquor excise tax revenue deposited to the state general fund to determine the tribal share. The estimated tribal share of these revenues in FY2006 and FY2007 are \$222,000 and \$232,000, respectively. Although the proposal has a net effect on the state general fund, the proposal has no impact on the tribal distribution.</p>				

Beer Tax

14. Under the proposal, the tax per barrel of beer will increase. Under current law, the effective tax rate per barrel of beer is \$4.2771/barrel. Under the proposal the effective tax per barrel of beer will increase to \$4.296, an average increase of 0.435%.
15. Under current law, the distribution of the revenue from the beer tax is 76.74% to the general fund and 23.26% to the SSRA used by the DPHHS for the treatment of alcohol related illness.

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16. Under the proposal, the distribution of the revenue from the beer tax is 76.35% to the general fund, 23.15% to the SSRA used by the DPHHS for the treatment of alcohol related illness and 0.5% to the SSRA used by DPHHS for prevention and treatment of fetal alcohol syndrome.
17. The proposal will increase the HJR 2 total beer tax collections in FY 2006 to \$3,984,752 (\$3,967,494 X 1.00435 = \$3,984,752). The proposal will increase the HJR 2 total beer tax collections in FY 2007 to \$4,056,409 (\$4,038,840 X 1.00435 = \$4,056,409).
18. The distribution of the beer taxes based on current law and on the proposal is shown in the following table.

HB 252, Impact to Beer Tax				
	<u>Current Law Revenue</u>		<u>Proposed Law Revenue</u>	
	FY2006	FY2007	FY2006	FY2007
Effective Tax Rate	4.2771	4.2771	4.2957	4.2957
Total Revenue	<u>\$3,967,494</u>	<u>\$4,038,840</u>	<u>\$3,984,752</u>	<u>\$4,056,409</u>
Increase in Total Revenue			<u>17,259</u>	<u>17,569</u>
Distribution to State General Fund				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	76.74%	76.74%	76.35%	76.35%
General Fund	\$3,044,655	\$3,099,406	\$3,042,358	\$3,097,068
Tribal Distribution	\$58,000	\$60,000	\$58,000	\$60,000
Net Revenue to GF	<u>\$2,986,655</u>	<u>\$3,039,406</u>	<u>\$2,984,358</u>	<u>\$3,037,068</u>
Difference to Current Law			<u>(\$2,296)</u>	<u>(\$2,338)</u>
Distribution to State Special Revenue Accounts (SSRA)				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	23.26%	23.26%	23.15%	23.15%
Alcohol treatment, SSRA	<u>\$922,839</u>	<u>\$939,434</u>	<u>\$922,470</u>	<u>\$939,059</u>
Difference to Current Law			<u>(\$369)</u>	<u>(\$376)</u>
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	0.00%	0.00%	0.50%	0.50%
Fetal alcohol SSRA	<u>\$0</u>	<u>\$0</u>	<u>\$19,924</u>	<u>\$20,282</u>

Wine Tax

19. Under the proposal, the tax per liter of wine will increase. Under current law, the tax rate per liter of wine is \$0.27/liter. Under the proposal the tax per liter of wine will increase to \$0.2715, an increase of 0.556%.
20. Under current law, the distribution of the revenue from the wine tax is 69% to the general fund and 31% to the SSRA used by the DPHHS for the treatment of alcohol related illness.
21. Under the proposal, the distribution of the revenue from the wine tax is 68.62% to the general fund, 30.85% to the SSRA used by the DPHHS for the treatment of alcohol related illness and 1.11% to the SSRA used by DPHHS for prevention and treatment of fetal alcohol syndrome. See technical note.

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22. The proposal will increase the HJR 2 total wine tax collections in FY 2006 to \$2,209,029 (\$2,196,815 X 1.00556 = \$2,209,029). The proposal will increase the HJR 2 total wine tax collections in FY 2007 to \$2,284,675 (\$2,272,043 X 1.00556 = \$2,284,675).
23. The distribution of the wine taxes based on current law and on the proposal is shown in the following table. See technical note.

HB 252, Impact to Wine Tax				
	<u>Current Law Revenue</u>		<u>Proposed Law Revenue</u>	
	FY2006	FY2007	FY2006	FY2007
Effective Tax Rate	\$0.27	\$0.27	\$0.2715	\$0.2715
Total Revenue	<u>\$2,196,815</u>	<u>\$2,272,043</u>	<u>\$2,209,029</u>	<u>\$2,284,675</u>
Increase in Total Revenue			<u>12,214</u>	<u>12,633</u>
Distribution to State General Fund				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	69.00%	69.00%	68.62%	68.62%
General Fund	\$1,515,802	\$1,567,709	\$1,515,836	\$1,567,744
Tribal Distribution	\$29,000	\$30,000	\$29,000	\$30,000
Net Revenue to GF	<u>\$1,486,802</u>	<u>\$1,537,709</u>	<u>\$1,486,836</u>	<u>\$1,537,744</u>
Difference to Current Law			<u>\$34</u>	<u>\$35</u>
Distribution to State Special Revenue Accounts (SSRA)				
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	31.00%	31.00%	30.85%	30.85%
Alcohol treatment, SSRA	\$681,013	\$704,333	\$681,486	\$704,822
Difference to Current Law			<u>\$473</u>	<u>\$489</u>
	<u>Current Law Distribution</u>		<u>Proposed Law Distribution</u>	
	0.00%	0.00%	1.11%	1.11%
Fetal alcohol SSRA	<u>\$0</u>	<u>\$0</u>	<u>\$24,520</u>	<u>\$25,360</u>

24. Under the proposal, the total revenue distributed to the general fund in FY 2006 is \$16,317,376, an increase of \$306 over current law revenue estimates. In FY 2007, the general fund will receive \$16,859,083, an increase of \$361 over current law revenue estimates. These general fund estimates are prior to the distribution of revenue according to the state-tribal revenue sharing agreements.
25. The payments distributed under the tribal revenue sharing agreements are based on deposits to the state general fund and are not impacted by the proposal.
26. Under the proposal, in FY 2006 the SSRA account used for alcohol treatment programs will receive \$5,564,332, an increase of \$1,313 over current revenue estimates. In FY 2007, the SSRA program will receive \$5,750,792, an increase of \$1,367 over current estimates.
27. Under the proposal, the new SSRA for treatment of fetal alcohol syndrome will receive \$645,119 in FY 2006 and \$668,542 in FY 2007.
28. This proposal is effective on July 1, 2005.

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ASSUMPTIONS:

Department of Public Health and Human Services:

- 29. This bill allocates revenue generated from taxation on certain alcoholic beverages to the Department of Public Health and Human Services (DPHHS) for the prevention and treatment of effects related to fetal alcohol syndrome (FAS).
- 30. Infants born with fetal alcohol syndrome will be eligible for the developmentally disabled waiver.
- 31. The Department of Revenue estimates state special revenues available to DPHHS as a result of this bill to be \$645,119 in FY 2006 and \$668,542 in FY 2007.
- 32. The revenue received by DPHHS will be allocated with 25 percent, or \$161,280 in FY 2006 and \$167,135 in FY 2007, for the prevention of fetal alcohol syndrome administered by the Public Health and Safety Division (PHSD), and 75 percent, or \$583,839 in FY 2006 and \$501,407 in FY 2007, for the treatment for fetal alcohol effects administered by the Disability Services Division (DSD).
 - a. PHSD
 - i. FY 2006 $\$645,119 \times 0.25 = \$161,280$
 - ii. FY 2007 $\$668,542 \times 0.25 = \$167,135$
 - b. DSD
 - i. FY 2006 $\$645,119 \times 0.75 = \$483,839$
 - ii. FY 2007 $\$668,542 \times 0.75 = \$501,407$

Public Health and Safety Division:

- 33. It is estimated that \$120,960 for FY 2006 and \$125,351 for FY 2007 would be used to support home visiting services for women potentially at-risk as well as parenting families with infants and young children who may also be at-risk, if not yet diagnosed, with fetal alcohol syndrome.
- 34. It is estimated that \$19,410 for FY 2006 and \$20,142 for FY 2007 would be used for statewide and community specific campaigns to educate the public regarding FAS prevention and to educate primary care providers about state-of-the-art screening techniques and referral potential.
- 35. It is estimated that \$19,410 for FY 2006 and \$20,142 for FY 2007 would be used to help diagnose children who were exposed to prenatal alcohol through contract diagnostic services using a multi-disciplinary team.
- 36. It is estimated that program operating costs will be \$1,500 in FY 2006 and \$1,500 in FY 2007.

Disability Services Division:

- 37. It is assumed that these funds will be used to serve existing clients currently in the Developmental Disabilities Program (DDP) that can be diagnosed as having FAS. These clients are currently served under the Medicaid waiver using general fund and federal Medicaid funding at the Federal Medical Assistance Percentage (FMAP) rate.
- 38. The DDP will use any general funds that the state special funds replace to match with federal Medicaid funds and serve additional clients who are on the waiting list. The Medicaid waiver requires that any state funding that is replaced must be utilized to serve additional clients.
- 39. The FMAP rate is 70.88 percent in FY 2006 and 70.14 in FY 2007.
- 40. The increase in federal funds is estimated to be \$1,177,696 in FY 2006 and \$1,177,786 in FY 2007.
 - a. FY 2006 $\$483,839 / 0.2912 = \$1,661,535 \times 0.7088 = \$1,177,696$
 - b. FY 2007 $\$501,407 / 0.2986 = \$1,679,193 \times 0.7014 = \$1,177,786$
- 41. The total increase of funding to treat the effects of FAS is estimated to be \$1,66,535 in FY 2006 and \$1,679,193 in FY 2007.
 - a. FY 2006 $\$483,839 + \$1,177,696 = \$1,661,535$
 - b. FY 2007 $\$501,407 + \$1,177,786 = \$1,679,193$

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FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Department of Revenue		
<u>Revenues:</u>		
General Fund (01)	\$306	\$361
State Special Revenue-Alcohol treatment	\$1,313	\$1,367
State Special Revenue – Fetal Alcohol	<u>\$645,119</u>	<u>\$668,542</u>
Total	\$646,738	\$670,270

Department of Public Health and Human ServicesExpenditures:

Operating Expenses	\$161,280	\$167,135
Benefits	<u>\$1,661,535</u>	<u>\$1,679,193</u>
TOTAL	\$1,822,815	\$1,846,328

Funding of Expenditures:

State Special Revenue (02)	\$645,119	\$668,542
Federal Special Revenue (03)	<u>\$1,177,696</u>	<u>\$1,177,786</u>
TOTAL	\$1,822,815	\$1,846,328

Revenues:

Federal Special Revenue (03)	\$1,177,696	\$1,177,786
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$306	\$361
State Special Revenue – Alcohol treatment	\$1,313	\$1,367
State Special Revenue – Fetal Alcohol	\$0	\$0
Federal Special Revenue (03)	\$0	\$0

TECHNICAL NOTES:

1. From assumption number 21, the total percentage of distribution of the wine tax equals 100.58%. The fiscal note has been prepared using the proposed percentages but the distribution of the revenue from the wine tax will change once the percentage error is corrected.
2. The Developmental Disabilities Program (DDP) does not diagnose the cause of all symptoms, therefore not all individuals with FAS will be identified as having FAS. The language in this bill may be too restrictive in its direction to use the state special revenue funds specifically for treatment of the effects of FAS.