



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

Bill # HB0762

Title: Create pilot program for restaurant all-beverage license

Primary Sponsor: Hamilton, Jim

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

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$117,144	\$40,367	\$40,973	\$41,588
<b>Revenue:</b>				
General Fund	\$637,456	\$714,233	\$605,828	\$497,413
SSR for Pilot or Liquor Warehouse	\$3,125,000	\$0	\$0	\$0
SSR Liquor Enterprise Fund	\$754,600	\$754,600	\$646,800	\$539,000
<b>Net Impact-General Fund Balance:</b>	<u>\$637,456</u>	<u>\$714,233</u>	<u>\$605,828</u>	<u>\$497,413</u>

**Description of fiscal impact:** HB 762 creates a pilot program for all-beverage liquor licenses for restaurants. The license is available in incorporated cities or towns with more than 15,000 inhabitants. Licenses are not subject to renewal fees and the money is deposited in a special revenue account for the purposes of funding future pilot programs or funding toward the state liquor warehouse.


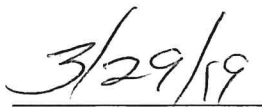
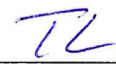
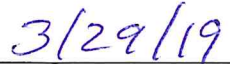
### FISCAL ANALYSIS

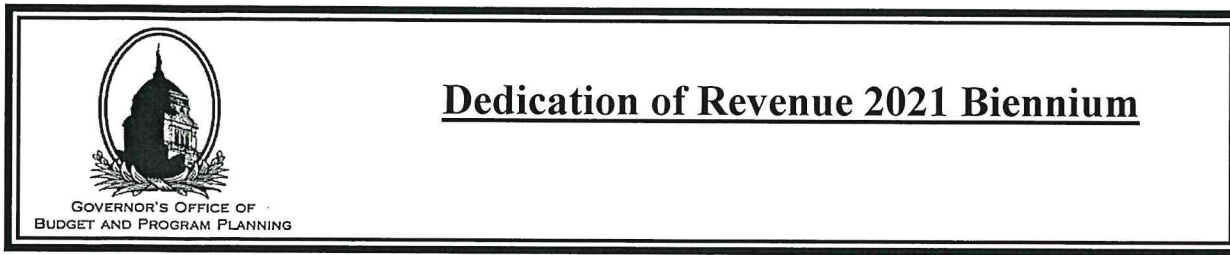
#### Assumptions:

1. There are currently seven incorporated cities or towns with more than 15,000 inhabitants: Butte, Great Falls, Billings, Missoula, Helena, Bozeman, and Kalispell.
2. Each of the seven cities or towns is allocated up to five new permits at a fee of \$75,000 each.
3. It is assumed that there will be no buyers of these new licenses in Butte or Great Falls.
4. Assuming the remaining cities are awarded five licenses, the total revenue generated in FY 2020 is \$1,875,000 to the credit of the state special revenue account provided for in Section 2 of HB 762.

5. There are 50 additional restaurant all-beverage licenses that may be distributed among the cities that meet the 15,000 inhabitant minimum. These licenses are awarded to licensees who currently hold a restaurant beer and wine license for a \$50,000 fee.
6. If a restaurant beer and wine license holder upgrades to this new all-beverage license, the beer and wine license must be returned to the department.
7. Since these all-beverage licenses are non-transferable, the relinquishing of the current restaurant beer and wine license has an additional cost of losing an asset. Not all restaurant beer and wine license holders will opt into this program.
8. Assuming half of the 50 available restaurant all-beverage licenses will be utilized, \$1,250,000 in revenue will be generated to the credit of the state special revenue account provided for in Section 2 of HB 762.
9. These “upgraded” licenses are likely to go to restaurants in Billings, Missoula, Bozeman, Helena, and Kalispell. The restaurant beer and wine licenses that are returned to the department will be auctioned off.
10. The restaurant all-beverage upgrade licenses awarded per city is assumed to be proportional to the amount of restaurant beer and wine licenses in the city currently.
11. There will be 6 additional Missoula licenses, 5 additional Bozeman licenses, 9 additional Billings licenses, 3 additional Helena licenses, and 2 additional Kalispell licenses.
12. Auction price estimates are based on averages of recent sales in each city. The average currently estimated value of a restaurant beer and wine license is \$100,000 in Billings, Missoula, and Bozeman; \$80,000 in Kalispell; and \$75,000 in Helena.
13. Revenue collected from the auctions of these licenses is estimated at \$2,385,000. Revenue generated from the auctions is deposited into the liquor enterprise fund.
14. These licenses would be auctioned off at a rate of one to three per city per year. It is assumed that there will be seven auctions in FY 2020, seven auctions in FY 2021, six auctions in FY 2022, and five auctions in FY 2023.
15. Auction revenue will be approximately \$667,800 in FY 2020, \$667,800 in FY 2021, \$572,400 in FY 2022, and \$477,000 in FY 2023.
16. Additional revenue is generated by an associated initial licensing fee depending on the seating capacity of the restaurant.
17. Assuming one-quarter of the licenses are for 101 persons or more (the maximum percentage allowable in statute) and the other three-quarters are for 61 to 100 persons, licensing fees will result in \$310,000.
18. This revenue will be spread over the fiscal years as follows: \$86,800 in FY 2020, \$86,800 in FY 2021, \$74,400 in FY 2022, and \$62,000 in FY 2023.
19. Total revenues from auctions and licensing fees amounts to \$754,600 in FY 2020, \$754,600 in FY 2021, \$646,800 in FY 2022, and \$539,000 in FY 2023. These revenues are deposited to the liquor enterprise fund.
20. The department will require 1.0 FTE in FY 2020 to process all the new applications and transitions. The need will decrease to 0.5 FTE for FY 2021 forward.
21. Costs associated with developing and implementing new forms is \$41,000.
22. These departmental costs are paid from the liquor enterprise fund. The liquor enterprise fund transfers its end of fiscal year balance to the general fund. The impact to the general fund is additional revenues minus additional expenditures in the liquor enterprise fund.

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	1.00	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Personal Services	\$73,124	\$36,562	\$37,111	\$37,668
Operating Expenses	\$44,020	\$3,805	\$3,862	\$3,920
<b>TOTAL Expenditures</b>	<u>\$117,144</u>	<u>\$40,367</u>	<u>\$40,973</u>	<u>\$41,588</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
SSR for Pilot or Liquor Warehouse	\$0	\$0	\$0	\$0
Liquor Enterprise Fund (02)	\$117,144	\$40,367	\$40,973	\$41,588
<b>TOTAL Funding of Exp.</b>	<u>\$117,144</u>	<u>\$40,367</u>	<u>\$40,973</u>	<u>\$41,588</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$637,456	\$714,233	\$605,828	\$497,413
SSR for Pilot or Liquor Warehouse	\$3,125,000	\$0	\$0	\$0
Liquor Enterprise Fund (02)	\$754,600	\$754,600	\$646,800	\$539,000
<b>TOTAL Revenues</b>	<u>\$4,517,056</u>	<u>\$1,468,833</u>	<u>\$1,252,628</u>	<u>\$1,036,413</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$637,456	\$714,233	\$605,828	\$497,413
SSR for Pilot or Liquor Warehouse (02)	\$3,125,000	\$0	\$0	\$0
Liquor Enterprise Fund (02)	\$637,456	\$714,233	\$605,828	\$497,413

			
_____ Sponsor's Initials	_____ Date	_____ Budget Director's Initials	_____ Date



17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?**  
Yes
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund? This fund structure will result in accounting efficiencies.**
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No**  
No
- d) **Does the need for this state special revenue provision still exist? \_\_\_Yes \_\_\_No**  
Yes
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**  
No
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need?**  
Unknown
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?**  
This fund will be subject to standard accounting and auditing.