



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0525

**Title:** Generally revise laws related to alcohol concession agreements

**Primary Sponsor:** Buttrey, Edward

**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 2022<br/>Difference</u> | <u>FY 2023<br/>Difference</u> | <u>FY 2024<br/>Difference</u> | <u>FY 2025<br/>Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures:</b>                    |                               |                               |                               |                               |
| General Fund                            | \$12,700                      | \$0                           | \$0                           | \$0                           |
| State Special Revenue                   | \$2,500                       | \$3,000                       | \$3,500                       | \$4,000                       |
| Federal Special Revenue                 | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Revenue:</b>                         |                               |                               |                               |                               |
| General Fund                            | \$2,500                       | \$3,000                       | \$3,500                       | \$4,000                       |
| State Special Revenue                   | \$2,500                       | \$3,000                       | \$3,500                       | \$4,000                       |
| Federal Special Revenue                 | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Net Impact-General Fund Balance:</b> | <u>(\$10,200)</u>             | <u>\$3,000</u>                | <u>\$3,500</u>                | <u>\$4,000</u>                |

**Description of fiscal impact:** HB 525 expands on the criteria necessary for alcoholic beverage licensees to engage in concession agreements with unlicensed entities. The bill prohibits any new all-beverage fraternal or veteran licensees from entering into concession agreements and caps the number of concession agreements per license at three. It sets forth application and renewal fees and a grandfathering clause for existing concession agreements.

### FISCAL ANALYSIS

#### Assumptions:

1. The Department of Revenue (DOR) currently has approximately 140 concession agreements on file.
2. These concession agreements are not subject to renewal fees or other considerations of HB 525 unless they change the terms of their agreement or the alcoholic beverage license is transferred to another owner.
3. The DOR expects five new concession agreement applications per year with renewal of these applications in all subsequent years.
4. The new applications yield \$2,500 per year.
5. The renewal of applications yields \$500 in FY 2023, \$1,000 in FY 2024, and \$1,500 in FY 2025.

6. Revenue from applications is expected to be deposited into the Liquor Enterprise Fund. As fund balance in the Liquor Enterprise Fund is transferred to the general fund at the end of each fiscal year, the revenue will directly increase general fund collections.
7. The department has one-time costs of \$12,700 for form development and programming into the integrated tax software system.

|   | <u>FY 2022</u><br><u>Difference</u> | <u>FY 2023</u><br><u>Difference</u> | <u>FY 2024</u><br><u>Difference</u> | <u>FY 2025</u><br><u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>Fiscal Impact:</u></b>  |                                     |                                     |                                     |                                     |
| <b><u>Expenditures:</u></b>   |                                     |                                     |                                     |                                     |
| Operating Expenses  | \$12,700                            | \$0                                 | \$0                                 | \$0                                 |
| Transfers to General Fund   | \$2,500                             | \$3,000                             | \$3,500                             | \$4,000                             |
| <b>TOTAL Expenditures</b>   | <u>\$15,200</u>                     | <u>\$3,000</u>                      | <u>\$3,500</u>                      | <u>\$4,000</u>                      |
| <b><u>Funding of Expenditures:</u></b>  |                                     |                                     |                                     |                                     |
| General Fund (01)   | \$12,700                            | \$0                                 | \$0                                 | \$0                                 |
| Liquor Enterprise Fund  | \$2,500                             | \$3,000                             | \$3,500                             | \$4,000                             |
| <b>TOTAL Funding of Exp.</b>  | <u>\$15,200</u>                     | <u>\$3,000</u>                      | <u>\$3,500</u>                      | <u>\$4,000</u>                      |
| <b><u>Revenues:</u></b>   |                                     |                                     |                                     |                                     |
| General Fund (01)   | \$2,500                             | \$3,000                             | \$3,500                             | \$4,000                             |
| Liquor Enterprise Fund  | \$2,500                             | \$3,000                             | \$3,500                             | \$4,000                             |
| <b>TOTAL Revenues</b>   | <u>\$5,000</u>                      | <u>\$6,000</u>                      | <u>\$7,000</u>                      | <u>\$8,000</u>                      |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b> |                                     |                                     |                                     |                                     |
| General Fund (01)   | (\$10,200)                          | \$3,000                             | \$3,500                             | \$4,000                             |
| State Special Revenue (02)  | \$0                                 | \$0                                 | \$0                                 | \$0                                 |

**Technical Notes:**

1. This bill prohibits new all-beverage fraternal or veteran licensee from entering into concession agreements but doesn't prohibit a retail beer fraternal or veteran licensee from entering into concession agreements. 16-4-105 (1)(e), MCA, should be included if the prohibition was meant to extend to those beer licensees.
2. The department prohibits leasing of alcoholic beverage licenses. There is concern that the broad language surrounding compensation agreements of 16-4-418(6), MCA, may allow for this practice.
3. It is unclear if modification of an existing concessionaire agreement necessitates a \$500 application fee.
4. The agreement between one licensee and one concessionaire should not be able to extend to a 3<sup>rd</sup> party. If one of the original parties change, there should be a new agreement between the two parties with terms they agree on.
5. The effective date of passage and approval does not provide the department sufficient time to develop the standardized concessionaire application or implement necessary changes to the integrated tax system for tracking and payment of fees.
6. 16-4-418 (10)(b), MCA, allows the contiguous area to contain common areas. These areas are not under the control of licensees.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

3/1/21

Budget Director's Initials

KA

Date

2/24/21