GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0165 - Revise laws related to agency liquor stores in certain communities (Harvey, Derek J)	
Status:	As Amended in House Committee

☐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 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$6,500,000	$6,500,000	$0	$0
Net Impact-General Fund Balance:	$6,500,000	$6,500,000	$0	$0

Description of fiscal impact: HB 165 clarifies that a community is eligible for additional agency liquor stores if population requirements are met. HB 165 would require the Department of Revenue to conduct competitive bidding opportunities for new agency liquor stores. The bill outlines the minimum bid amount based on the population of the community and establishes the commission rate the new agency liquor stores shall receive for the first three calendar years. The estimated fiscal impact of this bill would be $6.5 million for FY 2024 and FY 2025.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. HB 165 clarifies that a community is eligible for additional agency liquor stores if population requirements are met.
2. The 35-mile distance requirement that must be met for a community to be eligible for new liquor stores would not be applicable in the instances where population requirements are met.
3. The cities of Billings, Missoula, and Bozeman currently meet the population requirements to be eligible for an additional agency liquor store.
4. It is estimated that Belgrade will meet the population requirements to be eligible for an additional agency liquor store in FY 2025.
5. The Department of Revenue would use a competitive bidding process to determine the party that receives the opportunity to operate the agency liquor store.

6. HB 165 sets the minimum bid amount for the competitive bidding process for the new agency liquor stores based on population.
7. Because the populations of the Billings, Missoula, Bozeman, and Belgrade all exceed 10,000, the minimum bid amount would be $3.25 million for each competitive bidding opportunity.
8. It is estimated that the bid received would be the $3.25 million minimum amount for all four communities.
9. It is estimated that there would be two competitive bids received in FY 2024 and two more bids received in FY 2025, which would result in a $6.5 million increase to general fund revenue in FY 2024 and FY 2025.
10. HB 165 also establishes commission rates for new liquor stores based on population that are guaranteed for three years, after which the commission rates are based on the total posted price of liquor purchased in the previous calendar year.
11. Because the populations of Billings, Missoula, Bozeman, and Belgrade all exceed 10,000, the commission rate for the new stores will be 14% for the first three calendar years.
12. The current commission rates for the existing stores in these communities range from 12.15% to 14%, depending on the total price of liquor purchased by each store from the state liquor warehouse.
13. It is estimated that the addition of a new liquor store would have a minimal impact on the total amount of liquor purchased in each community from the state liquor warehouse.
14. It is estimated that the amount of retail business shifted from the existing liquor stores to the new liquor stores would be minimal for the next several years; therefore, the amount of liquor purchased from the state liquor warehouse by these new liquor stores would be minimal.
15. Because the amount of liquor being purchased by these new liquor stores would likely be minimal, the overall difference in the commission rate paid to the new liquor stores would result in a minimal fiscal impact.
16. This bill would create no additional administrative costs to the Department of Revenue.

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Fiscal Impact:				
Expenditures:				
Personal Services	$0	$0	$0	$0
Operating Expenses	$0	$0	$0	$0
TOTAL Expenditures	$0	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$6,500,000	$6,500,000	$0	$0
TOTAL Revenues	$6,500,000	$6,500,000	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$6,500,000	$6,500,000	$0	$0

T.T.H 1-24-23 1-24-23

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