



April 1, 2013

The Honorable Ralph Ostmeyer, Chairperson
 Senate Committee on Federal and State Affairs
 Statehouse, Room 136-E
 Topeka, Kansas 66612

Dear Senator Ostmeyer:

SUBJECT: Fiscal Note for SB 243 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 243 is respectfully submitted to your committee.

SB 243 would allow club and drinking establishments, public venues, and caterers to purchase spirits and wine from a licensed distributor. Current law requires they be purchased from a licensed retailer.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	--	(\$14,800,00)
Expenditure	--	--	--	\$4,900
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 243 would decrease State General Fund liquor enforcement tax revenues by \$14.8 million in FY 2014. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	--	2,385,000
Corporate	360,000	--	360,000

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Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	--	1,952,000
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	(14,800)	84,800
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	\$ (14,800)	\$ 5,540,700
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$ 5,464,300	\$ (14,800)	\$ 5,449,500

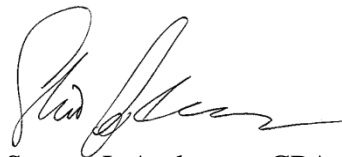
The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	(\$15,100,000)	(\$15,400,000)	(\$15,700,000)	(\$16,000,000)

To formulate these estimates, the Department of Revenue reviewed data on liquor enforcement tax revenues; liquor store prices versus distributor prices; and sales by liquor stores to drinking establishments. The Department estimates that purchasing liquor at wholesale would produce a 15.0 percent savings for drinking establishments. The Department indicates that sales by liquor stores to drinking establishments consist of 15.0 percent of all sales.

This bill would require modifications to the automated tax system at a cost of \$4,900 in FY 2014. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with enactment of SB 243 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue