

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version:	CSSB 9(FIN)
Fiscal Note Number:	8
(S) Publish Date:	2/4/2022

Identifier: SB009CS(JUD)-DCCED-AMCO-01-14-22
Title: ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG
Sponsor: MICCICHE
Requester: (S) FINANCE

Department: Department of Commerce, Community and Economic Development
Appropriation: Alcohol and Marijuana Control Office
Allocation: Alcohol and Marijuana Control Office
OMB Component Number: 3119

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services	158.1		267.3	190.4	190.4	190.4	190.4
Travel	8.8		18.8	15.6	15.6	15.6	15.6
Services	58.0		99.0	30.0	30.0	30.0	30.0
Commodities	20.0		10.0				
Capital Outlay			25.0				
Grants & Benefits							
Miscellaneous							
Total Operating	244.9	0.0	420.1	236.0	236.0	236.0	236.0

Fund Source (Operating Only)

1005 GF/Prgm (DGF)	244.9		420.1	236.0	236.0	236.0	236.0
Total	244.9	0.0	420.1	236.0	236.0	236.0	236.0

Positions

Full-time	1.0		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary	1.0		1.0				

Change in Revenues

1004 Gen Fund (UGF)			479.2	395.4	395.4	395.4	395.4
Total	0.0	0.0	479.2	395.4	395.4	395.4	395.4

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) cost: 750.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/24

Why this fiscal note differs from previous version/comments:

Updated with FY23 personal services costs.

Prepared By: Glen Klinkhart, Director
Division: Alcohol and Marijuana Control Office
Approved By: Micaela Fowler, DCCED Administrative Services Director
Agency: Office of Management and Budget

Phone: (907)269-0350
Date: 01/05/2022 10:00 AM
Date: 01/14/22

REPORTED OUT OF
SFC 02/03/2022

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

Analysis

This bill is a result of recommendations from a seven-year process initiated by the Alcoholic Beverage Control (ABC) Board to improve the structure, organization, specific policies, and associated implementation issues in alcohol regulation. <u>EXPENDITURES (in thousands)</u> The liquor licensing functions of the Alcohol and Marijuana Control Office (AMCO) are fully funded by program receipts from licensing fees. The agency anticipates that additional receipt authority is needed to accomplish the requirements of this legislation. Passage of this legislation will give AMCO and the ABC Board a year and half for to prepare for full implementation. The capacity of the current staff is not sufficient to manage the transition. A long-term non-perm Project Assistant (range 16) for two years will be needed to successfully prepare the board, the office, and the licensees for the transition. A new Occupational Licensing Examiner (range 14) is also needed to assist with license transitions and to ensure that normal application review (unrelated to the transition) is not slowed, as that would negatively affect applicants and licensees. Improved enforcement is a stated goal of this legislation. The addition of a Special Investigator I position (range 19) starting in FY2024 will enable the ABC Board to better fulfill its responsibilities, including limiting youth access to alcohol and reducing the harms of overconsumption. The investigator position will have travel costs and need a vehicle (to be purchased in FY2024). As a result of this bill, regulations across 3 AAC 304 will need to be rewritten by the ABC Board and adopted by the effective date of: January 1, 2024. AMCO’s regulations specialist will coordinate the regulations updates. The ABC Board will add four full days of meetings in the first two years, likely appended to existing planned meetings, to review, propose, and adopt regulations under the Administrative Procedure Act. SB 9 adds educational outreach responsibility to the ABC Board, which will serve as the lead agency and provide written and web-based publications to various stakeholders across the state. AMCO’s existing Local Government Specialist III will coordinate this program, and additional expenditure authority will be needed to produce materials and travel to engage with industry, the public, municipalities, rural governments, and other stakeholders. The aged alcohol licensing database needs to be replaced with licensing workflow/database software to comply with data collection, research, new endorsements, and reporting requirements. The new database is estimated to cost \$750.0 for initial development, implementation, and support and maintenance. A capital appropriation for the Alcohol and Marijuana Control Office Licensing and Enforcement Solutions Project will allow AMCO to develop an alcohol licensing system that will serve as a comprehensive solution for licensing. In addition to being a fully-functioning licensing software, the alcohol system will interface with or replace the written order database for mail-order alcohol purchases; may interface with the existing marijuana licensing system to provide a comprehensive view of AMCO's licensees; and may interface with or provide for tracking of complaints and enforcement actions related to licensees. The project may be developed in-house or via contract. The capital appropriation is anticipated to be funded by \$375.0 general funds and \$375.0 alcohol licensing receipts, which will be collected from annual revenue collections as they are available and unused.
--

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

BILL NO. CSSB 9(JUD)

Analysis

<u>1000 Personal Services</u> • Long-term non-permanent Project Assistant range 16 to manage implementation: \$76.9/year for the first two years starting in FY2023 • Occupational Licensing Examiner range 14 for licensing transitions: \$81.2/year starting in FY2023 • Special Investigator I range 19: \$109.2/year starting in FY2024 <u>2000 Travel</u> • Board travel costs for four additional days of meetings: \$3.2/year for the first two years (\$1.6/meeting day) • Local Government Specialist travel for one two-day trip to each of the four judicial districts per year: \$5.6/year (\$1.4/two-day trip) • Travel for new Special Investigator I position: \$10.0/year beginning in FY2024 <u>3000 Services</u> • Attorney review of regulations: \$12.0/year in each of the first two years (75 hours/year) • Printing, design, and publication costs for education materials: \$10.0/year in FY2023 and \$34.0/year in FY2024 • Public notice advertisements: \$5.0/year for the first two years • Postage: \$1.0/year in FY2023 and \$3.0/year in FY2024 • Statewide core services and allocated costs: \$15.0/year per position <u>4000 Supplies:</u> • Start-up costs for new employees (computer, cubicle): \$10.0 per position (one-time cost) <u>Capital Outlay:</u> • Vehicle for new Special Investigator: \$25.0 in FY2024 <u>Capital Project:</u> • Alcohol and Marijuana Control Office Licensing & Enforcement Solutions Project: \$750.0 (\$375.0 UGF / \$375.0 GFPR) The Department of Public Safety will provide access to the TRACS mobile citation system at no cost, which will allow enforcement to issue, manage, and transmit citations to defendants and the Alaska Court System. <u>FEE CHANGES (in whole dollars)</u> Revenues are anticipated to increase due to a re-evaluation of the fee structure by the Steering Committee along with increased expectations and requirements for administration, education, and enforcement. Certain <u>biennial</u> license fees have been increased: • Brewery and distillery manufacturing licenses have been increased to \$1,250 (up from \$1,000); winery manufacturing licenses have been increased to \$1,250 (up from \$500) • Retail on-site service at manufacturing facilities is made a new license type with a \$1,250 license fee for brewery and distillery retail licenses and \$1,000 for winery retail licenses • Destination Resort, and Outdoor Recreation Lodge licenses have been standardized at \$2,500 (up from \$1,250) • Club licenses have been increased to \$1,500 (up from \$600-\$1,200) • All retail licenses that serve only beer and wine are standardized at \$1,250 (up from \$400-\$800)
--

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

BILL NO. CSSB 9(JUD)

Analysis

Certain <u>biennial</u> license fees have been decreased: • Wholesaler base license fee is unchanged but annual transaction fees are reduced for smaller businesses • Duplicate Beverage Dispensary Licenses are changed to endorsements, reducing the fee from a biennial \$2,500 fee to an one-time endorsement fee of \$1,250 and a biennial fee of \$200 A new license for direct shipment of wine from wineries in other states to Alaskan consumers is proposed at AS 04.09.360 (Section 10). The biennial fee for this license is \$200. Other states with this license type have issued 600+ licenses. This fiscal note estimates a very conservative number—200—as no data exists upon which to base an estimate. Endorsements are a new concept in Title 4, created as add-ons to licenses to address specific needs or situations. Each endorsement has a biennial fee of \$200 (the multiple fixed-counter endorsement, which replaces the BDL Duplicate license, also has a one-time issuance fee of \$1,250). This fiscal note assumes a majority of licenses will have one endorsement; in reality, some licenses will have multiple endorsements and some licenses will have no endorsements. Permit fees are clarified to be a per-day fee of \$50 rather than a per-event fee. The negligible increase resulting from this change is not shown in this fiscal note. <u>REVENUE SUFFICIENCY (in thousands)</u> Significant expenditures are necessary to prepare for implementing changes made by this bill. While revenues are anticipated to increase, these expenses will occur prior to AMCO seeing a change in revenue collections. Based on historical revenue collections, receipt collections for alcohol are anticipated to be sufficient to support increased expenditures. However, in FY2021 AMCO saw a slight decrease in revenue due to the impact of the COVID-19 pandemic on alcohol businesses. Thus far in FY2022, AMCO has continued to see a decreased number of permit applications and further impacts on revenue may occur that impact sufficiency. AMCO has carryforward language that could be used, if needed, to support the additional expenditures. Based on historical revenue collections, revenue is anticipated to be sufficient for the following reasons: 1) Alcohol revenue consistently exceeds alcohol expenditures. 2) The ABC Board approved a regulations project that increases the application fees for new, transfer, and renewal applications which became effective for FY2019. The increase in fees generated approximately \$185.0 in additional revenue beginning in FY2019. 3) The FY2022 budget included language to carryforward alcohol revenue received in excess of expenditures from FY2021 to FY2022. Except for the one-time capital appropriation that will require some general funds in FY2023, AMCO anticipates sufficient alcohol receipts to support the expenditures should SB009 be enacted.
--