

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (07-06)**

Subject

Initiative petition from Michael Mikkelsen regarding a proposed statutory amendment to RSMo Chapter 311, relating to liquor control law. (Received April 18, 2007)

Date

May 3, 2007

Description

This initiative petition would amend RSMo Chapter 311 to change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years and changes the age for minors used in investigations from 18 or 19 to 15 or 16.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office, Department of Agriculture, the Department of Economic Development, the Department of Elementary and Secondary Education, the Department of Higher Education, the Department of Health and Senior Services, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Mental Health, the Department of Natural Resources, the Department of Corrections, the Department of Labor and Industrial Relations, the Department of Revenue, the Department of Public Safety, the Department of Social Services, the Governor's Office/Office of Administration, the Department of Conservation, the Office of State Courts Administrator, the Department of Transportation, the Office of the State Public Defender, Cole County, St. Louis County, Greene County, St. Charles County, City of Columbia, City of Jefferson, and the City of Kansas City.**

Assumptions

Officials from the **Department of Agriculture** indicated the initiative petition would have no fiscal impact on their agency.

Officials from the **Department of Corrections** indicated the initiative petition would have no impact on their agency.

The **Department of Conservation** indicated the proposed amendment would change the legal age for the sale, purchase, and possession of alcohol from 21 to 18 years. Were the proposed amendment enacted, it is reasonable to assume that alcohol sales would increase and, as a consequence, sales tax revenue would increase. As the Department's funding is derived, in part, from the one-eighth of one percent sales tax provided in

Article IV, Section 43(a) of the Missouri Constitution, it is reasonable to assume that the proposed amendment would result in additional funds to the Department.

Officials from the **Department of Economic Development** indicated the initiative petition would have no administrative or fiscal impact on their agency.

Officials from the **Department of Health and Senior Services** indicated the initiative petition would have no impact on their agency.

Officials from the **Department of Higher Education** indicated this initiative would have no foreseeable fiscal impact on the agency. It may have some fiscal impact on Missouri's colleges and universities, but that impact is likely to be different for different institutions and is difficult to predict.

Officials from the **Department of Elementary and Secondary Education** indicated that there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

The **Department of Insurance, Financial Institutions and Professional Registration** anticipates this initiative petition will result in no costs or savings to the department.

Officials from the **Governor's Office/Office of Administration** indicated this proposal changes the legal drinking in age in Missouri from 21 to 18 years of age.

This proposal will increase general and total state revenues. Please note that Budget and Planning (B&P) recognizes that the current amount of any illegal sales to persons under age 21 will reduce the estimates provided above.

Excise Tax

In FY 2006, \$29.54 million in excise taxes were collected on liquor and beer sales. According to the US Census Bureau, in 2000, there were 3.92 million people in Missouri age 21 and over, and 4.17 million people age 18 and over. Therefore, an additional 250,000 people would be of legal drinking age, an increase of 6.3%. Using the figures above, the per capita alcohol tax collected under current law is \$7.54. Multiplying this by 250,000 people, excise tax revenues would increase by \$1.89 million annually.

Sales Tax

According to the US Bureau of Economic Analysis Personal Consumption Expenditures data, in 2005, \$144.2 billion was spent nationally on alcohol consumption. Assuming Missouri's expenditures were 1.8% (Missouri's share of national personal income) of this figure, Missouri's alcohol expenditures were \$2.6 billion.

Using the 6.3% increase from above, under this proposal, increased alcohol expenditures would be \$163.8 million.

Therefore, sales tax revenues would increase at the following rates:

General Revenues (3%) -- \$4.91 million

Proposition C (1%) -- \$1.64 million

Conservation (0.125%) -- \$0.20 million

Parks & Soils (0.1%) -- \$0.16 million

Local Taxes (2.5%) -- \$4.10 million

(B&P stated 2.5% is the average local sales tax rate used by their office for legislative fiscal note purposes).

B&P defers to other state departments for the potential loss of federal funds and costs to their respective agencies.

The **Department of Revenue** indicated minimal impact on the agency as a result of this proposal. If enacted, form and procedure changes will be required.

The **Department of Transportation** indicated this initiative petition would result in a cost of \$50,000,000 in federal transportation funds for Missouri. The National Minimum Drinking Age Act of 1984 (Title 23 U.S.C. §158) was passed on July 17, 1984 by the United States Congress as a mechanism whereby all states would become thereafter required to legislate and enforce the age of 21 years as a minimum age for purchasing or public possession of alcoholic beverages. In addition to the significant loss of funding to non-compliant states, the numbers of drivers 15- to 20-years-old who were intoxicated dropped by 49 percent between 1987 and 1998. This is often attributed, in large part, to the restoration of the 21-year-old minimum drinking age laws in the 1980's. (Source: Roeper, P.J., Boas, R.B., Underage drivers are separating drinking from driving. American Journal of Public Health, May 1999; 89: 755-757) Under the Federal Aid Highway Act, a state not enforcing the minimum age would be subjected to a ten percent decrease in its annual federal highway apportionment: “§ 158. National minimum drinking age (a) WITHHOLDING OF FUNDS FOR NONCOMPLIANCE.—(1) IN GENERAL.—The Secretary shall withhold 10 per centum of the amount required to be apportioned to any State under each of sections 104(b)(1), 104(b)(3), and 104(b)(4) of this title on the first day of each fiscal year after the second fiscal year beginning after September 30, 1985, in which the purchase or public possession in such State of any alcoholic beverage by a person who is less than twenty-one years of age is lawful.”

The Department indicated such a reduction in federal transportation funds could result in a reduction of available state matching funds for local governmental transportation projects.

Officials from the **Office of the State Public Defender** indicated no significant impact as a result of this initiative petition.

Officials from the **Office of the State Courts Administrator** indicated no fiscal impact on the judiciary as a result of this initiative petition.

Officials from the **Attorney General's Office** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact as a result of this initiative petition.

Officials from the **Department of Mental Health** indicated this initiative petition would have an unknown impact to the Department. This proposal could increase the waiting list of those that present for treatment and could also increase the need for prevention services within the middle and high schools.

The **Department of Public Safety** indicated the fiscal impact is unknown for the Director's Office. The Alcohol and Tobacco Control Division indicated no fiscal impact as a result of this initiative petition.

The **City of Kansas City** indicated no fiscal impact on the city as a result of this initiative petition.

The **City of Jefferson** indicated they would be required to amend all ordinances that mirror current state statutes modified by this petition. The 1984 National Drinking Age Act required that a portion of all federal highway funds be withheld from any state which did not prohibit purchasing or publicly possessing alcohol by persons less than 21 years of age. However, the National Drinking Age Act did not apply to municipalities. The city receives very little direct federal funding. Most of the direct federal funding received by the city is for bussing. The city receives most federal funds indirectly through the state. That is to say that the state receives funds that are then passed through to the city. The state would most certainly lose a portion of its federal highway funds and thus it seems likely the city would lose some state funds as a result, however, the city would not lose any direct federal funds. The impact to the city would depend on the impact to the state. The city would also lose revenue from Municipal Court fines although the amount lost would be negligible.

The State Auditor's Office did not receive a response from the **Department of Natural Resources**, the **Department of Social Services**, **Cole County**, **Greene County**, **St. Charles County**, **St. Louis County**, or the **City of Columbia**.

Fiscal Note Summary

This proposal would cost state and local governmental entities an estimated \$50 million in federal transportation funds, and generate an estimated \$6.91 million in state sales taxes, \$1.89 million in state excise taxes, and \$4.10 million in local sales taxes.