



Bill information:	
HB0894 - Generally revise alcohol laws (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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$2,400,000	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$2,400,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 894 revises several sections to alcoholic beverage laws regarding: the number and location of agency liquor stores allowed, locations where all-beverage licensees or resort all-beverage licensees may sell alcohol, licensed retailers’ premises and storage areas, licenses for veteran or fraternal organizations, exceptions to having liquor in kitchens of licensed premises, appraisal values of resort areas, lapse of resort area designations, fees for additional resort all-beverage licenses, the consideration of aggravating circumstances, and compensation for concessionaires of licensees. One-time fees from one resort area obtaining six new resort all-beverages licenses would increase general fund revenue by \$2.4 million.

FISCAL ANALYSIS

Assumptions:

1. HB 894 clarifies that the 35-mile distance requirement for the location of new agency liquor stores is not applicable when a community has met the population requirements in 16-2-109 (1), MCA.
2. The bill allows all-beverage licensees and resort all-beverage licensees to sell alcoholic beverages from the primary indoor lodging quarters of a hotel or other short-term lodging facility; from an additional permanent structure if the premises has a swimming pool area that is separate from the main licensed premises; and from up to two additional permanent structures if the premises includes a ski hill.

3. The bill allows these licensees to lease the kitchen or another specified area to another business to operate with the premises without a concession agreement if the other business does not serve or deliver food.
4. The bill allows on-premises consumption beer and wine licensees located on a resort to store alcoholic beverages in alternate alcoholic beverage storage facilities within the boundaries of the resort area.
5. The bill allows for up to three alternate alcoholic beverage storage facilities to be located in a resort area.
6. The bill removes the requirement that local officials inspect premises alterations if the alteration did not require a building permit.
7. The bill allows retailers to have up to three noncontiguous storage areas so long as they are located within 10 miles of the premises.
8. The bill allows retailers to store kegs and run beer lines in other areas of the building that may not be part of the licensed premises if adequate controls are in place to prevent public access, including on the premises of a licensed off-premises retailer.
9. The bill requires a veteran or fraternal organization to operate a business for five years prior to being able to apply for an on-premises consumption beer license. This does not apply to fraternal or veteran organizations that had a license in the past 10 years.
10. The bill allows on-premises consumption beer licensees and restaurant beer and wine licensees to have liquor on their premises for the sole purpose of food preparation.
11. The bill allows the property valuation of a resort area to be determined by an independent appraiser or the Department of Revenue's property tax appraisal process.
12. The bill requires a resort area designation to lapse if no resort retail all-beverage licenses are issued within five years of the approval of the resort area designation.
13. The bill allows a resort area located within the boundaries of an incorporated city's quota to have six additional resort retail all-beverage licenses for a one-time fee of \$400,000 per license regardless of the number of accommodation units on site.
14. The Department of Revenue estimates that one resort area would apply for all six licenses entitled to them under this bill.
15. The fees for these additional licenses would increase liquor profits transferred to the general fund by \$2.4 million in FY 2024.
16. The bill allows certain resort retail all-beverage licenses to be applied for without a premises as long as the premises is approved by January 1, 2029.
17. The bill prohibits the Department of Revenue from considering aggravating circumstance when violations of the alcoholic beverage code occur unless the licensee has three or more violations in the past three years from separate occurrences.
18. The bill allows the compensation between a licensee and concessionaire to be based on a percentage of gross alcoholic beverage revenue less cost of goods.
19. This bill is effective on passage and approval.
20. This bill would not create any additional costs to the Department of Revenue.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$2,400,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$2,400,000	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$2,400,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

- Local official approval is currently required regardless of if a building permit was required for alterations, etc., to ensure the welfare and safety of the public that go to licensed establishments. It is during these inspections that officials sometimes determine a permit was required and not obtained.
- Some of the statutes amended in this bill were already amended with the passage of bills earlier this session; an updated draft version may be necessary.
- It is recommended that a fee be included for licensees to use additional buildings (at swimming pools or on ski hills, for example) for serving alcoholic beverages to be consistent with the additional buildings at golf courses.
- The language that allows a kitchen or other specified area to be located within a licensed premises without a concession agreement should probably be expanded on. As is, the other business cannot serve or deliver alcohol. It is recommended that this be expanded to not allow any activity that includes alcoholic beverages (taking orders or pouring/creating drinks, for example). This could eliminate the need for concession agreements.
- Allowing a retailer to have three noncontiguous storage areas in addition to their licensed premises decreases their ability to have control over the alcohol.
- The ability to store kegs and have beer lines located within the premises of another licensee (off-premises consumption retailer) is problematic: Simply segregating inventory in the same area would not allow for adequate control of the inventory by each licensee.
- Aggravating circumstances can still be considered but only if the licensee fails three or more violations in three years at different occasions. Because aggravating circumstances can still be considered in those instances, it doesn't make sense to remove the examples in Section 7 of the bill.
- Page 2, lines 27-28 and page 3, lines 1-7 - it is unclear what type of license is needed to be allowed service structures under (4)(b) and (c).
- Page 7, line 18 should be amended to read "A lodge of a fraternal order or post..."

 _____ Sponsor's Initials	<u>3-29-23</u> _____ Date	 _____ Budget Director's Initials	<u>3-29-23</u> _____ Date
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