

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

## ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$76,124		\$64,398	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$76,124		\$64,398	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 632 amends the Nebraska Liquor Control Act to amend a number of sections of Chapter 53 and adds new language to Chapter 59 to create the Music Licensing Agency Act.

Section 53-103 is amended to define a bottle club and to provide a licensing requirement for the operator of a bottle club.

Section 53-123.01 is amended require that all alcoholic beverages purchased for resale in Nebraska, prior to being resold must physically come into the possession of a licensed wholesaler and then be distributed from that wholesaler's Nebraska warehouse.

This section is also amended to change the number of off-site retail locations that a craft brewery licensee or manufacturer licensee may have an interest in. LB 632 strikes current statutory language that allows such a licensee to operate up to five retail locations. New language in LB 632 provides that after January 1, 2017, such a licensee shall not acquire any interest in additional off-site retail locations but may continue to own an interest in any such site already established. This would prohibit a current licensee who has not already established an off-site retail location from establishing one.

Section 53-123.14 is amended to say that a craft brewery licensed premises may include up to five separate craft brewery or brewpub premises and that a craft brewery is prohibited from owning or selling directly to licensed retailers.

Section 53-123.15 is amended to require a third-party shipper to file an annual report regarding shipments into Nebraska with the Liquor Commission.

Section 53-124.11 is amended to limit the number of special designated licenses issued to any licensee to twelve in a calendar year.

Section 53-134.01 is amended to increase the container size under a limited bottling endorsement from 32 ounces to 64 ounces.

Section 53-164.01 is amended regarding the payment of taxes imposed by Section 53-160 (tax on manufacturer and wholesaler) to provide that the tax on beer sold by a wholesaler to a retailer shall be paid by a wholesaler and that the tax on beer sold by a craft brewer directly to a consumer or retailer shall be paid by the craft brewer.

Section 53-1,100 regarding penalties is amended to say that a second violation of this section occurring within four years after the date of a first violation may result in the licensee being required to suspend sales for up to 48 hours. A third or subsequent violation in the same time period may result in the licensee being required to suspend sales for up to 15 days.

Chapter 59 is amended to create the Music Licensing Agency Act. Provisions of the Act require a "music licensing agency" to register annually with the Secretary of State and file an annual electronic copy of each performing-rights agreement providing for the payment of royalties made available from the music licensing agency to any proprietor in Nebraska. The Secretary of State is also required to inform proprietors of their rights and responsibilities regarding the public performance of copyrighted music.

The Act provides responsibilities for music licensing agencies regarding contracts for royalties; duties regarding their conduct in seeking payment or communicating with a proprietor; and conducting investigations on the use of copyrighted music.

The Act provides for a fine of not less than \$500 or more than \$2,000 for a violation of the Act. Multiple violations on a single day may be considered separate violations.

FISCAL IMPACT:

The fiscal impact of LB 632 that amends Chapter 53 is minimal. There could be some reduction in licensure revenue but we cannot provide an exact amount and believe it would be minimal. Costs to implement the provisions of LB 632 that amend Chapter 53 would also be minimal.

The Liquor Control Commission indicates no fiscal impact or cost.

We agree with the Commission's estimate of fiscal impact and cost.

The Secretary of State estimates the fiscal impact of the portions of LB 632 that amend Chapter 59 to create the Music Licensing Agency Act would include 1.0 FTE for a Program Specialist, with PSL of \$40,000 and \$41,000 for FY17-18 and FY18-19, respectively. In addition, the Secretary of State would require operational costs, including programming, capital outlay, and personnel benefits.

We disagree slightly with the Secretary of State's estimate of cost. Because the bill would not become operative until sometime in September, the salary and benefits amount for personnel can be reduced. PSL cost for FY17-18 would be \$30,000.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
<b>LB: 632</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska Secretary of State (09)</b>
REVIEWED BY: Joe Wilcox		DATE: 1/31/2017      PHONE: <a href="tel:4024714178">(402) 471-4178</a>
COMMENTS: No basis to dispute the Nebraska Secretary of State estimate of potential Fiscal Impact to the Agency from LB 632.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
<b>LB: 632</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska Liquor Control Commission (35)</b>
REVIEWED BY: Joe Wilcox		DATE: 1/24/2017      PHONE: <a href="tel:4024714178">(402) 471-4178</a>
COMMENTS: No basis to dispute the Nebraska Liquor Control Commission estimate of No Fiscal Impact to the Agency from LB 632.		

State Agency Name: Department of Revenue		Date Due LFA: 2/9/2017	
Approved by: Tony Fulton		Date Prepared: 2/8/2017	
		Phone: 471-5896	
	<b><u>FY 2017-2018</u></b>	<b><u>FY 2018-2019</u></b>	<b><u>FY 2019-2020</u></b>
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>
			<u>Revenue</u>
General Funds		\$ 0	
Cash Funds			\$ 0
Federal Funds			
Other Funds			
Total Funds		\$ 0	\$ 0

It is estimated that there will be no cost to the Department to implement this bill.

Major Objects of Expenditure							
<u>Class Code</u>	<u>Classification Title</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
<b>Total.....</b>							

Please complete ALL (5) blanks in the first three lines.

**2017**

**LB<sup>(1)</sup> 632**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Liquor Control Commission

Prepared by: <sup>(3)</sup> LeAnna Prange Date Prepared: <sup>(4)</sup> 1/25/17 Phone: <sup>(5)</sup> 402-471-4892

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Benefits.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Operating.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Travel.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Capital outlay.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Aid.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
Capital improvements.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>
TOTAL.....	<u></u>	<u></u>	<u>0</u>	<u>0</u>

Please complete ALL (5) blanks in the first three lines.

2017

LB<sup>(1)</sup> 632

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Secretary of State's Office

Prepared by: <sup>(3)</sup> Joyce Woofter Date Prepared: <sup>(4)</sup> 1/30/17 Phone: <sup>(5)</sup> 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>89,624</u>	<u></u>	<u>64,398</u>	<u></u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>89,624</u>	<u></u>	<u>64,398</u>	<u></u>

Explanation of Estimate:

LB 632 requires any "music licensing agency" to register and file annually with the Secretary of State's office an electronic copy of each performing-rights agreement providing for the payment of royalties made available from the music licensing agency to any proprietor within the state. It further requires the Secretary of State's office to inform proprietors of their rights and responsibilities regarding the public performance of copyrighted music as part of the business licensing service. Currently, we receive the annual tax payment only, so we have no dedicated staff in this area.

We would need a Program Specialist (\$40,000 annually) to manage this program. In addition we would need programming to add this license type to our existing licensing OnBase solution which will manage all the agreements we would receive annually. We would meet the need to inform proprietors by an initial mailing of a printed brochure and by providing a new page on our website with relevant information. We estimate 4,500 proprietors would be impacted by this legislation.

Initial one-time costs would include a computer (\$585), two monitors (\$532), a phone (\$154), office furniture (\$1,500), OnBase programming (\$25,000), website update (\$500), and printing and postage costs for brochures (\$5,875).

On-going costs would be the salary and benefits of the Program Specialist (\$54,000), software licensing and phone line charges (\$1,428), supplies (\$50). In the second fiscal year there would be website update costs (\$120), and maintenance costs for the licensing solution (\$5,000). As new proprietors' agreements are received, additional postage costs would be needed (\$400).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program Specialist	<u>1</u>	<u>1</u>	<u>40,000</u>	<u>41,000</u>
Benefits.....			<u>14,000</u>	<u>16,400</u>
Operating.....			<u>35,039</u>	<u>6,998</u>
Travel.....				
Capital outlay.....			<u>585</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>89,624</u>	<u>64,398</u>