

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2021-22</b>		<b>FY 2022-23</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		\$29,622		\$68,427
CASH FUNDS		(\$115,250)		(\$100,500)
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		<b>(\$85,628)</b>		<b>(\$32,073)</b>

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

LB 80 seeks to amend provisions of the Nebraska Liquor Control Act. Under LB 80, the shipping license fees for manufacture direct sales and retail direct sales would both be reduced from \$500 to \$250. Revenue collected from direct shipper licensee fees are remitted to the State Treasurer for credit to the Winery and Grape Producers Promotional Fund under the Grape and Wine Board. Excise tax revenue collected on the sale of alcoholic liquor is directed towards the General Fund.

Annual fees for direct shipping licenses have averaged \$270,000 per year for the past 5 years, with growth averaging 10%. In 2020, the revenue collected for direct shipping licenses equaled \$329,000. Under LB 80, the revenue collected on each license would be halved. With a lower fee, however, the Liquor Control Commission (NLCC) estimates a 20% increase in license applications in addition to the expected 10% growth, offsetting some of the revenue loss. NLCC estimates a growth of 197 additional licenses in FY22 and 256 in FY23. Compared to 2020, the revenue loss from reducing the licensing fee in FY22 and FY23 would be \$115,250 and \$100,500, respectively. Due to the 20% increase in licenses, NLCC estimates a corresponding 20% increase in the gallons shipped to consumers in Nebraska, in addition to the projected 11% growth from historical trends. NLCC expects a revenue gain of \$29,622 and \$68,427 in FY22 and FY23, respectively.

The assumptions made by the NLCC appear reasonable. As such, there is no basis to disagree with the estimates made by the NLCC.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
<b>LB: 80</b>	<b>AM:</b>	<b>AGENCY/POLT. SUB: Nebraska Liquor Control Commission (35)</b>
REVIEWED BY: Joe Wilcox	DATE: 01/15/2021	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Nebraska Liquor Control Commission (NLCC) estimate of overall General Fund and Other Revenue impact to the State from LB 80.		

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2021

LB<sup>(1)</sup> 80

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> LeAnna Prange Date Prepared: <sup>(4)</sup> 1/13/21 Phone: <sup>(5)</sup> 402-471-4892

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u>\$29,622</u>	<u>0</u>	<u>\$68,427</u>
CASH FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FEDERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FUNDS	<u>0</u>	<u>-\$115,250</u>	<u>0</u>	<u>-100,500</u>
TOTAL FUNDS	<u>0</u>	<u>-\$85,628</u>	<u>0</u>	<u>-32,073</u>

Explanation of Estimate:

	Gallons	Revenue	License Fees Collected	# of licenses
2016	70,550	\$65,652	\$205,500	411
2017	83,564	\$77,537	\$249,000	498
2018	88,851	\$82,035	\$264,500	529
2019	100,950	\$95,555	\$305,000	610
2020	Not Reported	Not Reported	\$329,000	658

Direct Shipper Licensee fees are collected by Liquor Control Commission and deposited into Business Unit 351101765 which is controlled by Dept of Agriculture for use by the Grape & Wine Board for the Nebraska Farm Winery industry. Total license fees collected during 2020 was \$329,000. Therefore, the total number of Direct to Consumer licenses issued in 2020 was 658. If LB 80 is passed, the license fee revenue collected would reduce by 50%. However, there is an average growth in the number of licenses being issued over the last 4 years of 10%. Additionally, NLCC believes a lower rate of the license will encourage a 20% greater number of entities to obtain licenses for a total growth of 30%. 658 licenses X 30% increase would result in 197 additional licenses in 2021-2022 and 256 in 2022-2023.

Therefore, the total license fee revenue would be as follows:

2021-2022: 855 x \$250=\$213,750, a decrease of \$115,250 compared to 2020

2022-2023: 914 x \$250=\$228,500, a decrease of \$100,500 compared to 2020

Revenue for calendar year 2020 has not been reported by licensees. The reporting deadline is January 25<sup>th</sup> for the preceding calendar year. This revenue is deposited into the General Fund.

In 2019 Assuming a 20% increase in number of licenses, NLCC is projecting a 20% increase in gallons of alcoholic liquor (wine, beer or spirits) shipped to consumers in Nebraska. Additionally, from 2016-2019, there has been annually 15%, 6% and 12% increase in gallons reported. NLCC determines this to be due to the accessibility and preference of online ordering. Therefore, using an average of 11% increase in gallons would be projected for 2021-2022 and 2022-2023. These increases combined would provide a total increase of 31%.

2021-2022: \$95,555 X 31% increase=\$125,177, an increase of revenue of \$29,622 compared to 2019

2022-2023: \$125,177 X 31% increase=\$163,982, an increase of revenue of \$68,427 compared to 2019

NLCC highlights the need for modernization in this area of reporting and compliance.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			0	0
Operating.....			0	0
Travel.....			0	0
Capital outlay.....			0	0
Aid.....			0	0
Capital improvements.....			0	0
<b>TOTAL.....</b>			<b>0</b>	<b>0</b>

NLCC already has systems and processes in place to collect license fees and excise revenue and does not anticipate any additional costs to implement LB 80.

However, in the area of reporting and compliance, NLCC highlights the need for modernization. NLCC has submitted an I.T. Project Proposal in their 2021-2023 Biennium Budget that would encompass this area of reporting and modernization. It is for this reason, no expenditure is added.