

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 19, 2013

TO: Honorable Wayne Smith, Chair, House Committee On Licensing & Administrative Procedures

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB421 by Thompson, Senfronia (Relating to the hours of sale for liquor.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB421, As Introduced: a positive impact of \$8,494,045 through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$4,149,300
2015	\$4,344,745
2016	\$4,549,396
2017	\$4,763,686
2018	\$4,988,070

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>All Local Units of Government Mixed Drinks Tax Allocation</i>	Probable Revenue Gain/(Loss) from <i>All Local Units of Government Sales Tax</i>
2014	\$4,149,300	(\$465,362)	\$1,200,141
2015	\$4,344,745	(\$487,234)	\$1,256,548
2016	\$4,549,396	(\$510,134)	\$1,315,606
2017	\$4,763,686	(\$534,110)	\$1,377,439
2018	\$4,988,070	(\$559,214)	\$1,442,179

Fiscal Analysis

The bill would implement a recommendation in the report, "Repeal Sunday Liquor Sales Restriction to Generate Additional Revenue" in the Legislative Budget Board's Government Effectiveness and Efficiency Report submitted to the Eighty-second Texas Legislature, 2011.

The bill would amend Chapter 105 of the Alcoholic Beverage Code to allow a package store to sell, offer for sale, or deliver liquor on Sunday after noon and before 10:00 p.m. and extend the hours for sales on the other six days by one hour in the morning and one hour in the evening. The bill also would allow the holder of a wholesaler's permit or a local distributor's permit to sell, offer for sale, or deliver liquor to a package store on Sunday, and remove the provision prohibiting the retail sale of liquor on the following Monday when Christmas Day or New Year's Day falls on a Sunday.

Methodology

The Comptroller reports that the provisions of the bill will result in no significant fiscal impact. Legislative Budget Board staff analysis finds that repealing the Sunday liquor restriction would result in an estimated net \$8.5 million General Revenue Fund gain in the 2014-15 biennium. This estimate is based on a regression analysis published in the National Tax Journal in 2007 that shows that states similar to Texas (Sunday liquor ban including no grocery store sales of liquor) experienced revenue gains and increased liquor consumption when repealing their ban on Sunday liquor sales. Updated analysis from 2010 found a 2.85 percent increase in volume after the repeal of Sunday sales restrictions. This fiscal impact assumes an increase of 2.85 percent, or 895,628 gallons, from liquor consumption in calendar year 2012. The retail sale of these additional gallons would yield \$2.1 million in liquor excise taxes per year. An additional \$3.8 million in state sales tax would be generated the first year of Sunday liquor sales assuming an average price of \$67 per gallon of distilled spirits for a gain of \$5.9 million per year.

This gain would be reduced by a loss of mixed drink tax revenue. This revenue estimate assumes that 25 percent of the annual revenue gain to package stores from additional liquor sales would be shifted from mixed drink sales, resulting in a \$2.2 million loss in mixed drinks tax collections in 2014. Assuming the statutory maximum allocation of mixed drinks tax revenues to locals, \$465,362 of the mixed drinks tax revenue loss would be to local governments and \$1.8 million would be a loss to the state in 2014. Therefore, the liquor and sales tax revenue gain of \$5.9 million would be reduced by the mixed-drink tax loss of \$1.8 million resulting in a gain of \$4.1 million for 2014, or \$8.5 million for the 2014-2015 biennium. The five-year fiscal impact estimate assumes a 4.7 percent annual growth in liquor excise taxes based on average liquor excise receipts from 2009 to 2012.

This analysis does not assume additional revenue from extended operating hours Monday through Saturday. The Comptroller of Public Accounts reports that Saturday and Sunday are the most active days for Texans importing liquor for their personal use at Texas-Mexico border crossings. It is possible that opening liquor stores on the United States side of the border on Sundays could bring some of the transactions currently occurring in Mexico to Texas, but this gain is not included in the analysis above.

Technology

No impact to technology is anticipated as a result of this recommendation.

Local Government Impact

The Comptroller reports that there will be no significant fiscal impact to units of local government. An estimated net revenue gain of \$1.5 million in the 2014-2015 biennium to local governments is anticipated assuming a biennial revenue gain of \$2.5 million from the 2 percent local option sales tax and mixed drinks tax loss to locals of \$465,362 in fiscal year 2014 and \$487,234 in fiscal year 2015.

Source Agencies: 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission

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