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FISCAL IMPACT REPORT

SPONSOR: Hurt DATE TYPED: 2/03/03 HB _____

SHORT TITLE: Increase Liquor Excise Tax SB 155

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$707.0)	(\$771.0)	Recurring	General Fund
	(\$369.0)	(404.0)	Recurring	DWI Grant Fund
	\$35,432.0	\$38,653.0	Recurring	Alcohol Remediation Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Health (DOH)
 Health Policy Commission (HPC)
 State Highway Department

SUMMARY

Synopsis of Bill

Senate Bill 155 proposes to increase the liquor excise tax on selected categories of alcohol in order to generate funds for a variety of specified health programs that address the negative health impacts of alcohol. Section 1 proposes to amend Section 7-1-6.40, NMSA 1978, entitled "Distribution – Local DWI Grant Fund" to create the "Alcohol Use Remediation Fund" and to set a new percentage, sixteen and seventy seven hundredths percent (16 and 77/100%), for the Local DWI Grant Fund In addition, SB 155 proposes to distribute fifty-one and one-half percent

(51.5%) of the net receipts attributable to the liquor excise tax to the Alcohol Use Remediation Fund.

Section 2 proposes to amend Section 7-17-5, NMSA 1978 to increase taxes on spirituous liquors, beer, and wine. It also equalizes the tax between spirituous liquors and beer/wine. The new tax is two dollars twenty-five cents (\$2.25) per liter on spirituous liquors; one dollar seven cents (\$1.07) per gallon on beer; and 67 cents (\$.67) per liter on wine.

Section 3 identifies the proposed purposes of the 51.5% of the alcohol excise tax proceeds going into the Alcohol Use Remediation Fund. It is proposed that the Department of Health would receive the entire recurring distribution and would develop regulations for its administration to carry out the specified provisions identified below. Money in the Alcohol Use Remediation Fund would not revert at the end of the fiscal year. The specified purposes for FY-2004 and subsequent years (except where otherwise designated) are:

- thirty seven percent (37%) to designated trauma centers to offset the cost of providing unreimbursed indigent;
- eight percent (8%) for brain injury Medicaid waiver program to provide long term care;
- ten percent (10%) to contract for evidence-based prevention services to reduce alcohol use among children youth;
- one percent (1%) for public sector and faith community partnerships for alcohol prevention activities and services;
- one percent (1%) to contract for alcohol prevention activities and services for students at post-secondary educational institutions;
- one percent (1%) for youth development activities;
- twenty-six percent (26%) to be transferred to the Human Services Department for the medical assistance program;
- sixteen percent (16%), for fiscal year 2004 only, to be transferred to the Office of the Medical Investigator for improvements to the anatomy laboratory;
- nine percent (9%), for fiscal year 2005 and subsequently, would be transferred to the UNM School of Medicine to expand the physician assistant program; and,
- seven percent (7%), for fiscal year 2005 and subsequently, would be transferred to the to the Commission on Higher Education to expand nursing education programs at public post-secondary educational institutions.

Section 4 proposes to make the effective date for the provisions of Section 1 of SB155 for August 1, 2003. The effective date for the provisions of Section 2 of SB155 would be July 1, 2003.

FISCAL IMPLICATIONS

TRD notes the following details regarding the fiscal impact:

FISCAL IMPACT CALCULATION (Volumes & Dollars in thousands)

	Beer (gallons)	Spirit (liters)	Wine (liters)	Totals
FY 04 taxable volumes with no tax increase	49,358	7,821	10,209	
FY 04 liquor revenue with no tax increase	\$20,237	\$12,513	\$4,594	\$37,344
Percentage change in price due to tax increase	8.66%	4.13%	3.27%	
Price elasticity of demand	-0.4	-0.7	-0.4	
Expected taxable demand change due to tax increase	-3.46%	-2.89%	-1.31%	
FY 04 taxable volumes with tax increase	47,649	7,594	10,075	
FY 04 liquor revenue with tax increase	\$50,984	\$17,087	\$6,750	\$74,822
Increase in revenue due to tax increase	\$30,747	\$4,574	\$2,157	*\$37,478

*The Alcohol Remediation Fund impact of \$38,653 minus the impacts to the General Fund of \$771 and the DWI Grant Fund of \$404 = \$37,478.

EFFECTIVE DATE: The effective date of Section 1 (distributions) is August 1, 2003; the effective date of Section 2 (increased tax rates) is July 1, 2003. No effective date is included for Section 3; assume 90 days after adjournment: June 20, 2003.

If Applicable

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

OTHER SUBSTANTIVE ISSUES

The Health Policy Commission notes the following:

- New Mexico residents have alcohol problems that require costly intervention and treatment.
- An estimated 91% of Albuquerque adult residents have used alcohol.
- In NM as many as 64% of those who died from exposure tested positive for alcohol.
- Alcohol was detected in 54% of unintentional deaths related to drug or chemical exposure in NM in 1996.
- In NM, more than 25% of all pedestrian crashes, and 65-70% of fatalities, involved alcohol in either the driver or the pedestrian.
- In a recent study of occupational death in NM, 14% of decedents had alcohol present at some level in their blood.
- In NM 44% of all suicide deaths involve alcohol.

Senate Bill 155 -- Page 4

- It is estimated that every New Mexican citizen pays \$575 per year for higher insurance rates, extended hospital stays, and lost work time associated with alcohol abuse.
- Long-term abuse of alcohol will damage internal organs and may result in long-term health care.
- Current data provided from the 2002 Annual County Indigent Fund Report reports that expenditures for indigent health care for 27 reporting counties is approximately \$28.9 million with approximately \$6.5 million claims for provided services denied by the counties. Costs from claims denied by the counties may have to be absorbed by health care providers. This includes associated with alcohol abuse.
- Sources: New Mexico Health Policy Commission 2002 County Indigent Fund Report; United Way of Central New Mexico, New Mexico Statistics.

SN/yr