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## FISCAL IMPACT REPORT

SPONSOR: Madalena DATE TYPED: 2/23/03 HB 627

SHORT TITLE: Increase Liquor Excise Tax SB \_\_\_\_\_

ANALYST: Neel

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	(\$16,000.0)			Recurring	Statewide Trauma System Fund
	\$16,000.0			Recurring	State Medicaid

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$7,249.0	\$7,908.0	Recurring	General Fund
	\$1,331.0	\$1,452.0	Recurring	DWI Grant Fund
	\$23,167.0	\$25,273.0	Recurring	Statewide Trauma System Fund
		Indeterminate	Recurring	Federal Medicaid

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to:

SB 155, Increase Liquor Excise Tax

HB 432, Liquor Excise Tax Revenue to DWI Grant Fund

## SOURCES OF INFORMATION

LFC files

### Responses Received From:

Taxation and Revenue Department (TRD)

Department of Health (DOH)

Health Policy Commission (HPC)

## SUMMARY

### Synopsis of Bill

House Bill 627 amends statute to increase the liquor excise tax, create the Statewide Trauma System Fund, and change liquor excise tax distribution rates. There is also an annual appropriation for \$16 million from the Statewide Trauma System Fund to the Human Services Department. The specific changes in HB 627 are:

- Reduces the distribution to the Local DWI Grant Fund from 34.57% to 20% of the net receipts attributed to the Liquor Excise Tax.
- Provides for a distribution to the Statewide Trauma Systems Fund of 35% of the net receipts attributed to the Liquor Excise Tax.
- Increases the Liquor Excise Tax to the following amounts:
  - Spirituous liquors – from \$1.60 to \$3.20 per liter
  - Beer – from \$.41 to \$.82 per gallon
  - Wine – from \$.45 to \$0.90 per liter
  - Fortified wine – from \$1.50 to \$3.00 per liter
  - Microbrew beer – from \$.08 to \$.16 per gallon
  - Small winer or winegrower wine – from \$.10 to \$.20 per liter on the first 80,000 liters sold , and from \$.20 to \$.40 per liter on all liters sold over 80,000 but less than 560,000 liters
  - Cider – from \$.41 to \$.82 per gallon

Product:	Present law tax rate	Proposed Tax Rate
Beer	\$0.41 per gallon	\$.82 per gallon
Spirituous liquors	\$1.60 per liter	\$3.20 per liter
Wine	\$0.45 per liter	\$0.90 per liter
Fortified wine	\$1.50 per liter	\$3.00 per liter
Microbrewer beer	\$.08 per gallon	\$.16 per gallon
Small winer	\$.10 per liter	\$.20 per liter
Cider	\$.41 per gallon	\$.82 per gallon

- The effective date to increase the Liquor Excise Taxes is July 1, 2003, while the effectivity of other material in HB 627 is August 1, 2003.

Significant Issues

Pursuant to House Joint Memorial 93, the LFC audited the Local DWI Grant Fund Program administered by the Department of Finance, Local Government Division (DFA/LGD). The primary purpose of the audit was to determine:

- The number of people the program served;
- The success of the Program in limiting alcohol abuse and DWI curtailment; and
- The existence of, and effectiveness of, follow-up programs and aftercare for participants.

The audit's findings showed alcohol involved motor vehicle crashes in New Mexico have declined approximately 34 percent from calendar year 1994 to 2001. Crashes with injuries and fatalities have declined 34 and 11 percent, respectively.

**FISCAL IMPLICATIONS**

HB 627 creates a Statewide Trauma System Fund in the State Treasury to provide funding for health related services and programs. DOH shall develop a Statewide Trauma System that includes financial support to designated trauma center hospitals and providers. The fund is to cover the currently uncompensated care to people whose injuries are related to alcohol consumption, for other alcohol abuse prevention programs and for related trauma system services. Any unexpended or unencumbered funds shall not revert to the Statewide Trauma System Fund.

HB 627 appropriates \$16.0 million to the Human Services Department in FY04 and subsequent fiscal years for Medicaid Services. It is likely this increase in state Medicaid funds will also result in an increase in federal Medicaid dollars.

This bill increases the revenue, as shown in the Revenue Table, to the general fund and DWI Grant Fund, as well as providing revenue to the new Statewide Trauma Systems Fund.

**ADMINISTRATIVE IMPLICATIONS**

TRD notes that little time is dedicated to enforcement of the liquor excise tax. The proposal would significantly increase liquor excise tax liabilities. To ensure that these liabilities are actually collected, TRD would need additional personnel time for the audit and compliance function. A minimum of one FTE would be needed at an added cost of \$50,000 per year. Collections may suffer if adequate resources are not included.

According to DOH, HB 627 would require new regulations be adopted by the Department of Health. The new regulations would direct the administration of the Alcohol Use Remediation Fund. About 3 additional FTE positions would be required to implement this program, and execute and oversee the specified contracts and services.

**OTHER SUBSTANTIVE ISSUES**

The Health Policy Commission make the comments:

**NM Alcohol Consumption, Injuries and Death**

- According to the New Mexico Council on Alcoholism and Drug Dependence: ([www.uwcnm.org/information/alcohol.htm](http://www.uwcnm.org/information/alcohol.htm))
  - New Mexico residents have alcohol problems that require costly intervention and treatment.
  - An estimated 91% of Albuquerque adult residents have used alcohol
  - In NM in 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.
  - 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.

**Trauma Care Issues**

- The Department of Health currently manages an Emergency Medical Service Bureau that manages and integrates statewide trauma care services. While there are 34 acute care hospitals in the state that can provide emergency care, only three are designated staffed trauma centers: University Hospital, St. Vincent's Hospital and San Juan Regional Medical Center.
- New Mexico and Texas have an agreement that provides trauma injury care services at Texas facilities for persons in the border region who have need of trauma care.
- New Mexico's rural nature, high-speed interstate traffic and narrow rural highways contribute to severity of accidents. Long travel times for first responders and possibly longer travel times for trauma care can reduce the chances for survival.
- Increased funding for a Statewide Trauma System can provide more life saving services to areas in New Mexico that have long travel distances to trauma centers.
- New Mexico has a high incidence of injury related death capita. Unintentional or "accidental" injury makes up about two-thirds of all injury deaths in New Mexico. The leading causes are motor vehicle crashes, poisoning, and falls, accounting for 81%. For each unintentional injury death, an estimated 670 non-fatal injuries require medical care.
- New Mexico had 50,230 auto crashes in 2001, with 464 fatalities and 27,536 injuries. Traffic fatalities were 25.2 per 100,000 versus 14.8 per 100,000 in the US for the same time period. (<http://www.unm.edu/~dgrint/annual/annrept01.pdf>)
- The "golden hour" is essential for life saving care for critically injured people. Advanced trauma treatment during this first hour can reduce the fatal stresses of shock on the body.

(<http://health.discovery.com/convergence/criticalhour/articles/goldenhour.html>)

### **Uncompensated care and other issues**

- Uncompensated hospital trauma care in New Mexico can impact the financial viability and ability of some hospitals to operate. Besides those that qualify for Medicaid, hospitals receive funds from counties through the locally-funded County Indigent Funds.
- Thirty of the New Mexico's thirty-three counties provided over \$29 million dollars for those who qualify as medically indigent in FY02. While this is a considerable amount, counties typically negotiate a rate that covers only a portion of costs for indigent care. (County Indigent Fund Report, HPC, 2002).
- Medicaid costs for services have risen beyond the State's ability to cover the double digit increases in costs (averaging annual increase of 16.7%, benefits only: 1990-2001). Additional funding for the Human Services Department will provide the State with an opportunity to receive matching dollars from the federal government at a 3:1 match level. (2003 Quick Facts, HPC).

SN/yr