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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/12
 SPONSOR SFC LAST UPDATED 03/01/12 HB _____
 SHORT TITLE Local Liquor Tax Proceed Uses & Rates SB 397/SFCS/aHGIC
 ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
\$0.0	\$0.0	\$170.0	\$158.0	\$153.0	Recurring	County Alcohol & Drug Abuse Programs
\$0.0	\$0.0	\$9.0	\$8.0	\$8.0	Recurring	TRD Operating Fund
\$0.0	\$0.0	\$179.0	\$166.0	\$161.0	Recurring	Total

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Health (DOH)

SUMMARY

Synopsis of HGIC amendment

The amendment clarifies that the unit in Gallup is to receive priority in funding.

Synopsis of Original Bill

Senate Finance Committee substitute for Senate Bill 397 increases the local liquor excise tax from five percent to six percent. The bill expands the use of revenue from the local liquor excise tax to include social detoxification as a form of treatment. The bill also specifies what is to be included in a joint powers agreement when it comes to using revenue for social detoxification.

Effective Date: July 1, 2013

FISCAL IMPLICATIONS

McKinley County is the only entity currently qualified.

TRD notes that imposition of a local tax prior to 2014 would be unlikely under the requirements for public meetings and voter approval.

This estimate assumes that McKinley County would elect to impose the maximum tax rate of six percent. The revenue impact illustrates the potential full-year impact beginning in FY 2015.

The loss to other drug abuse programs is a deemed response to an increase in prices. Estimated price elasticity of alcohol from research literatures was used to calculate the decreased consumption due to the increase of tax rate. Historic data of local liquor excise tax and growth rate was used to estimate the fiscal impact.

SIGNIFICANT ISSUES

DOH notes that, by many measures, New Mexico's alcohol-related problems are among the worst in the nation. New Mexico had the highest alcohol-related death rate in the nation from 1997 through 2007 (the most recent year for which other state rates are available). In 2009, New Mexico's alcohol-related death rate was 1.8 times the U.S. rate. A recent report on alcohol-related costs in New Mexico estimated the total cost of alcohol-related problems in New Mexico in 2007 to be \$2.8 billion, or more than \$1,400 per person, with the majority of these costs resulting from lost productivity due to alcohol-related premature death and disability. According to the best available estimate, 18 percent of these costs accrued to state and local government. Large disparities in the burden of alcohol-related problems exist in New Mexico. In 2007-2011, average annual alcohol-related death rates in Rio Arriba and McKinley counties were more than twice the high New Mexico rate, and roughly four times the U.S. rate. McKinley County's very high rate is driven by the very high alcohol-related death rate among the American Indian population.

New Mexico's tax rates on alcoholic beverages are currently among the highest in the nation, ranking:

- 4th highest on wine;
- 11th highest on beer; and
- 22th highest on spirits.

TECHNICAL ISSUES

TRD notes that on page 5, lines 9-11, "the funding necessary to provide social detoxification of alcohol and drug treatment for adults" needs to be clarified. This bill may need to define what the necessary funds are in this paragraph.

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

SS/blm