

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 464 (Senator Hoffman)
 Budget and Taxation

Alcoholic Beverage Tax - Special Fund for Addiction Treatment and Prevention Services

This bill increases the State tax rates for alcoholic beverages from \$1.50 to \$3 per gallon for distilled spirits (from 39.63 cents to 79.26 cents for each liter), from 40 cents to 80 cents per gallon for wine (from 10.57 cents to 21.14 cents for each liter), and from 9 cents to 18 cents per gallon for beer (from 2.3778 cents to 4.7556 cents for each liter). The Comptroller is required to distribute 100% of the additional alcoholic beverage tax revenues to a special fund for the purpose of providing additional funding for the Addiction Treatment and Prevention Services Program within the Alcohol and Drug Abuse Administration. This distribution is to be made for fiscal 2003 through 2007 only.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Special fund revenue increase of approximately \$26.3 million in FY 2003, which includes a one-time beer tax prepayment of \$2.0 million. Future year revenues are expected to increase by 1.2% annually. Corresponding increase in special fund expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$0	\$26,260,000	\$24,545,000	\$24,836,000	\$25,129,000
SF Expenditure	0	26,260,000	24,545,000	24,836,000	25,129,000
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: State tax rates for alcoholic beverages in Maryland are \$1.50 per gallon for distilled spirits, 40 cents per gallon for wine, and 9 cents per gallon for beer.

Background: The Alcohol and Drug Abuse Administration (ADAA) is at the center of Maryland's drug treatment system because it funds treatment for clients of most agencies. ADAA distributes almost all its treatment funding to local health departments. In turn, local health departments contract with private providers or provide services themselves. Individuals can obtain services by going directly to a local health department, contracting with a private treatment provider, or getting a referral from another State agency. The most common referrals are from the Division of Parole and Probation, the Department of Human Resources, and the Department of Juvenile Justice. In fiscal 2001, ADAA will serve about 50,000 individuals.

ADAA provides the full continuum of services from outpatient to residential care. Outpatient services include detoxification, medication-assisted therapy, regular outpatient, and intensive outpatient. Inpatient services include detoxification, intermediate care, halfway houses, and long-term therapeutic communities. ADAA has some limited funding for wraparound services such as transitional housing, transportation, and job placement. There are shortages of some services, particularly medication-assisted therapy, detoxification, and residential services, and not all services are available in every jurisdiction.

ADAA's treatment budget has grown significantly over the past three years, from \$60 million in fiscal 1999 to almost \$95 million in fiscal 2001. The 55% increase is primarily the result of a general fund increase in fiscal 2000 to support programs for specific populations, such as postpartum women and co-occurring disorders, as well as an \$18.5 million increase from the Cigarette Restitution Fund to help alleviate shortages in detoxification and residential treatment. The Governor's proposed fiscal 2002 budget includes \$121.9 million in general, special, and federal funds for ADAA.

State Revenues: As a result of the alcoholic beverage tax increases, general fund revenues would increase by approximately \$26.3 million in fiscal 2003 based on the following facts and assumptions:

- An estimated 98.6 million gallons of beer are projected to be purchased in Maryland in fiscal 2003. Due to the tax increase, sales could decrease by .38% in fiscal 2003 and remain constant in future years. The increased beer tax would also lead to a one-time \$2 million prepayment of tax by out-of-State suppliers in fiscal 2003.
- Approximately 11.3 million gallons of wine are projected to be purchased in Maryland in fiscal 2003. Due to the tax increase, sales could decrease by .8% in fiscal 2003 and remain constant in future years.
- Approximately 7.9 million gallons of distilled spirits are projected to be purchased in Maryland in fiscal 2003. Due to the tax increase, sales could decrease by 3.7% in fiscal 2003.

Future year revenues are expected to increase by 1.2% annually.

State Expenditures: The bill requires 100% of the revenues generated from the alcoholic beverage tax increase to be distributed to a special fund and used only for the purpose of providing additional funding for the Addiction Treatment and Prevention Services Program beginning in fiscal 2003. Since the bill does not specify for what purposes the additional revenues would be used beyond fiscal 2007, it is assumed that the revenues would be subject to the normal budgetary process beginning in fiscal 2008.

Additional Information

Prior Introductions: A similar bill was introduced as HB 919 in the 1996 session. No action was taken.

Cross File: HB 657 (Delegate Marriott, *et al.*) - Ways and Means.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Health and Mental Hygiene (Alcohol and Drug Abuse Administration), Department of Legislative Services

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