

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 607 (Delegate Marriott, *et al.*)
 Ways and Means

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 (ADAA). This distribution is to be made for fiscal 2004 through 2008 only.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Special fund revenue increase of approximately \$24.3 million in FY 2004. Future year revenues are expected to increase by 1% annually. Corresponding increase in special fund expenditures.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$0	\$24.3	\$24.5	\$24.8	\$25.0
SF Expenditure	0	24.3	24.5	24.8	25.0
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: 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 served 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 fiscal 2002 appropriation for addiction treatment services was \$112.6 million. The Governor's proposed fiscal 2003 budget includes \$127.8 million in general, special, federal, and reimbursable funds for ADAA's addiction treatment services.

State Revenues: As a result of the alcoholic beverage tax increases, general fund revenues would increase by approximately \$24.3 million in fiscal 2004 based on the following facts and assumptions:

- An estimated 103.2 million gallons of beer are projected to be purchased in Maryland in fiscal 2004. Due to the tax increase, sales could decrease by .38% in fiscal 2004 and remain constant in future years.
- Approximately 10.6 million gallons of wine are projected to be purchased in Maryland in fiscal 2004. Due to the tax increase, sales could decrease by .81% in fiscal 2004 and remain constant in future years.
- Approximately 7.8 million gallons of distilled spirits are projected to be purchased in Maryland in fiscal 2004. Due to the tax increase, sales could decrease by 3.6% in fiscal 2004.

Future year revenues are expected to increase by approximately 1% 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 2004. Since the bill does not specify for what purposes the additional revenues would be used beyond fiscal 2008, it is assumed that the revenues would be subject to the normal budgetary process beginning in fiscal 2009.

Additional Information

Prior Introductions: This bill was introduced as SB 464 and HB 657 in the 2001 session. SB 464 was withdrawn. HB 657 received an unfavorable report from the House Ways and Means Committee. A similar bill was introduced as HB 919 in the 1996 session. No action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - March 6, 2002
lsc/jr

Analysis by: Michael Sanelli

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510