

Department of Legislative Services
Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE

Senate Bill 21 (Senator Muse)
Budget and Taxation

Alcoholic Beverages Surcharge - Maryland Children's Health Program

This bill establishes the Maryland Children's Health Program Fund within the Department of Health and Mental Hygiene (DHMH). The fund can only be used to provide additional funding for the Maryland Children's Health Program. Fund revenue would be generated by a 5% surcharge on the sale of alcoholic beverages.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Special fund revenues could increase by \$12.0 million in FY 2008 and \$120.0 million annually beginning in FY 2009. Special fund expenditures for the Maryland Children's Health Program would increase by a commensurate amount. General fund excise tax revenues could decrease to the extent the surcharge reduces alcoholic beverage sales. Future years reflect annualized collections.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	-	-	-	-	-
SF Revenue	12.0	120.0	120.0	120.0	120.0
SF Expenditure	12.0	120.0	120.0	120.0	120.0
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: Potential meaningful.

Analysis

State Fiscal Effect: Special fund revenues could increase by \$120.0 million annually beginning in fiscal 2009. Due to the bill's June 1, 2008 effective date, revenues would only increase by \$12.0 million in fiscal 2008. The estimate is based on the following facts and assumptions:

- estimated excise tax revenues for distilled spirits, wine, and beer are expected to be \$14.6 million, \$5.3 million, and \$9.4 million, respectively, in fiscal 2008;
- the average price for a bottle of distilled spirits is \$15.00; the average price for a bottle of wine is \$12.00; and the average price for a six-pack of beer is \$5.00.

It is important to note that this estimate does not include any decrease in demand that could result from the imposition of the surcharge. To the extent there is a decrease in demand, the actual revenues generated by the surcharge would be lower than estimated. For example, a 5% reduction in sales would decrease surcharge revenues by \$6.0 million. In addition, a decrease in demand would also result in a reduction of general fund excise tax revenues due to reduced sales. However, the actual reduction in sales of alcoholic beverages resulting from the surcharge cannot be reliably estimated at this time.

State Expenditures: Special fund expenditures for the Maryland Children's Health Program could increase by \$12.0 million in fiscal 2008 and \$120.0 million annually beginning in fiscal 2009. Monies expended from the special fund is supplemental to and cannot supplant existing funding for the Maryland Children's Health Program.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - November 2, 2007
ncs/hlb

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