



**CORRECTED
FISCAL MEMORANDUM**

HB 867 - SB 993

March 13, 2023

SUMMARY OF BILL AS AMENDED (004944): Authorizes the sale and consumption of alcoholic beverages on certain commercial passenger buses.

ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

After further review and consideration, this fiscal memorandum is being corrected to more accurately reflect the fiscal impact.

(CORRECTED)

Increase State Expenditures - \$348,000/FY23-24/ABC Fund

Increase State Revenue –

\$77,500/FY23-24/ABC Fund

\$62,500/FY24-25 and Subsequent Years/ABC Fund

\$236,900/FY23-24 and Subsequent Years /General Fund

Increase Local Revenue – \$170,500/FY23-24 and Subsequent Years

Other Fiscal Impact – The ABC may incur additional increases in expenditures as more entities apply and the regulatory needs expand across the state. All increases in expenditures incurred by the ABC will be accommodated through current fee revenue.

Assumptions for the bill as amended:

Revenue:

- The proposed legislation defines a commercial passenger bus company as a company that offers commercial passenger bus service in this state using a passenger bus that, among other things: is designed and used for regularly scheduled intercity transportation of passengers for compensation; is 45 feet in length; has enough seating to accommodate 16 to 36 persons; has an elevated passenger deck over a baggage compartment; has a separate gallery area with a sink, refrigerator, and adequate counterspace to prepare food; and has an attendant who sells or gives away prepared food to its customers.
- The proposed legislation allows alcoholic beverages to be sold and consumed on a commercial passenger bus while the bus is moving, on trips over 100 miles one-way.

HB 867 - SB 993 (CORRECTED)

- The proposed legislation prohibits consuming alcoholic beverages on the bus in the boundaries of a local government that has not yet approved the sale of alcoholic beverages.
- Based on information provided by the Department of Revenue, it can be reasonably assumed that 50 entities will initially apply and receive a license following passage of the proposed legislation.
- Pursuant to Tenn. Code Ann. § 55-4-301(b)(1), all applicants for on-premises consumption licenses are required to pay an application fee of \$300.
- The proposed legislation establishes the annual fee for commercial passenger buses with an on-premises consumption license at \$1,250.
The estimated increase in state revenue to ABC is \$77,500 $[(\$300 \times 50) + (\$1,250 \times 50)]$ in FY23-24 and \$62,500 $(\$1,250 \times 50)$ in FY24-25 and subsequent years.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the commercial passenger buses will begin selling alcohol in FY23-24.
- The recurring increase in sales is estimated to be \$33,250 per commercial passenger bus per year.
- The recurring increase in state revenue to the General Fund per commercial passenger bus in FY23-24 and subsequent years is estimated to be \$4,737 $[(\$33,250 \times 7.0\%) - (\$33,250 \times 7.0\% \times 3.617\%) + (\$33,250 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue per commercial passenger bus in FY23-24 and subsequent years is estimated to be \$3,409 $[(\$33,250 \times 2.5\%) + (\$33,250 \times 7.0\% \times 3.617\%) + (\$33,250 \times 15.0\% \times 50.0\%)]$.
- The estimated increase in state revenue to the General Fund is \$236,850 $(\$4,737 \times 50)$ in FY23-24 and subsequent years.
- The estimated increase in local revenue is \$170,450 $(\$3,409 \times 50)$ in FY23-24 and subsequent years.

Expenditures:

- Based on information provided by the ABC, the commission will need to purchase and outfit law enforcement type vehicles for each district office to enforce regulations and properly monitor the commercial passenger buses.
- It is assumed the ABC will need at least one vehicle per district office, or at least four vehicles. As licensure and regulatory needs increase as the industry grows, there will be additional costs incurred by the ABC.
- Based on costs incurred by the Department of Safety and Homeland Security, the one-time increase in expenditures for these vehicles is estimated to be \$348,000 $(\$87,000 \times 1 \text{ vehicle} \times 4 \text{ district offices})$ in FY23-24.

- The ABC does not receive state funds but rather is supported from fees and minimal federal funds. The one-time increase in expenditures can be accommodated through current fee revenue.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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