

**126th MAINE LEGISLATURE****LD 1555****LR 2154(04)****An Act To Strengthen Maine's Hospitals and To Provide for a New Spirits Contract****Fiscal Note for Bill as Engrossed with:****C "A" (S-269)****Committee: Appropriations and Financial Affairs****Fiscal Note**

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	\$0	(\$1,210,462)	(\$966,776)	(\$973,279)
Appropriations/Allocations				
Federal Expenditures Fund	\$306,700,000	\$0	\$0	\$0
Other Special Revenue Funds	\$183,570,000	\$2,627,400	\$5,716,800	\$7,000,000
State Alcoholic Beverage Fund	\$0	\$11,744,262	\$12,890,576	\$12,625,179
State Lottery Fund	\$0	(\$210,462)	(\$216,776)	(\$223,279)
Revenue				
General Fund	\$0	\$1,210,462	\$966,776	\$973,279
Other Special Revenue Funds	\$183,570,000	\$2,627,400	\$5,716,800	\$7,000,000

Fiscal Detail and Notes

This bill implements the transition of the process for liquor sales and operations when the current lease arrangement ends at the close of fiscal year 2013-14. Under the revised contracting process, the net revenue from liquor sales and operations is projected to increase by roughly \$25 million in fiscal year 2014-15 over current budgeted net revenue and continue increasing by additional amounts each fiscal year over the 10-year contract period for the operation and management of liquor sales in the State. The net change in revenue includes the effect of changes in agent discounts, pricing strategies to increase and recover sales from New Hampshire and the elimination of the administration of the sale of fortified wines by the State. The amount of the projected increase in revenue will depend on the effectiveness of the competitive bidding process for the contracts for the various aspects of liquor sales and marketing and enforcement strategies to recover sales.

The bill also authorizes the Maine Municipal Bond Bank with the approval of the Governor to issue liquor operation revenue bonds up to \$183,500,000 plus financing costs. The net proceeds from these revenue bonds will be used for the State share of the payments to health care providers for services provided prior to December 1, 2012 and will be transferred from the bond bank to the Health Care Liability Retirement Fund, an Other Special Revenue Funds account within the Department of Health and Human Services. The estimated total amount of the payments, both State and federal, to health care providers for services provided prior to December 1, 2012 is approximately \$490,200,000.

If the full amount of the \$183,500,000 is not required due to the timing of the sale of the bonds and the availability of the proceeds, either the full authorization will not be issued and annual debt service will be lower or the proceeds in excess of the amounts required for the state share of the payments to health care providers will be transferred to the bond bank to cover debt service costs.

All net revenue from liquor sales is deposited in the Liquor Operations Revenue Fund at the Maine Municipal Bond Bank to first cover annual debt service costs of the revenue bonds, approximately \$25 million per year. Total net borrowing costs above the \$183,500,000 are projected to be \$40,807,900, based on the full authorization being utilized.

Excess revenue above debt service requirements will be transferred first to the General Fund through fiscal year 2016-17 to cover current budgeted revenue estimates from liquor sales and operations and to provide an offset for an intended increase in the General Fund enforcement costs of \$1,000,000 during the 2014-2015 biennium. Additional revenue transferred from the bond bank above the General Fund amounts will be credited to the Other Special Revenue Funds accounts for drinking water and wastewater projects up to the amounts needed to match available federal funds or up to \$7,000,000 per year. The amounts not required to match available federal funds for the water programs will be transferred to the Department of Transportation for highway and bridge improvements. The projected amounts that are allocated to the water programs in fiscal year 2014-15 total \$2,627,400.

After fiscal year 2016-17 and until the revenue bonds are retired, up to \$7,000,000 will be transferred to the water programs and the Department of Transportation with no General Fund revenue from liquor revenue during this period. Excess revenue from liquor operations after the debt service costs and the \$7,000,000 annually will be retained by the bond bank until the revenue bonds are retired. At that time, the bond bank will transfer the excess reserve to the Maine Budget Stabilization Fund. In fiscal year 2023-24, the projected transfer to the Maine Budget Stabilization Fund will be roughly \$138,000,000.

The deallocations from the State Lottery Fund reflecting the reallocation of the costs of certain positions to the State Alcoholic Beverage Fund will increase General Fund revenue from the State Lottery Fund by \$210,462 in fiscal year 2014-15.