

N.C. GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

Fiscal Research
733-4910

Prepared By: Crotts, Moore, Nelson	Date Prepared: 4-18-89	Bill No.: HB 523	Edition: First
Approved By: Tom Covington TOMC	4/24/89		Sponsor: Rep. Gerald Anderson
Short Title: ABC Permit Tax, New ALE Agents			

TYPE OF FISCAL IMPACT	COUNTY		FUNDS AFFECTED:		
	State Gov't	Local Gov't	(X) General	() Highway	() Other: Local
			State Fiscal Impact	FY 89-90	FY 90-91
No Fiscal Impact	()	()	State Total Req'ments	\$2,124,526	1,701,935
			Receipts/Revenues	-0-	\$2,451,200
Increase Expenditure	(X)	()	Net State Rev.	\$2,124,526	\$ 749,265
			No. of Positions	37	37
Decrease Expenditure	()	()			
			Local Fiscal Impact	FY 89-90	FY 90-91
Increase Revenue	(X)	()	Local Total Req'ments	-0-	-0-
			Receipts/Revenues	-0-	-0-
Decrease Revenue	()	()	Net Local Expend./Rev.	-0-	-0-
			No. of Positions	-0-	-0-
Yo Estimate Avail.	()	()			

+Prepared-----+
Description of Legislation
1. Summary of Legislation

Increases the annual tax on State licenses required for holders of retail ABC permits and appropriates funds to the Department of Crime Control and Public Safety for thirty-six new Alcohol Law Enforcement Agents, provides an annual raise as provided to other State law enforcement officers, and provides a clothing allowance as provided to other State law enforcement officers. Amends G.S. 105-113.75 to raise annual tax on retail beer and wine permits from \$20 to \$100. Amends G.S. 18B-500(a) to provide \$400 clothing allowance for alcohol law enforcement agents and to provide a raise equal to the increments between steps within the salary range set for class to which agents' position is assigned by State Personnel Commission. Appropriates from the General Fund to the Department of Crime Control and Public Safety (1) \$1,952,321 for 1989-90 and \$1,270,163 for 1990-91 for thirty-six new alcohol law enforcement agents and one secretary; (2)

\$130,612 for 1989-90 and \$291,940 for 1990-91 for raises; and (3) \$55,200 in each year of 1989-91 biennium for clothing allowance.

FOOTNOTES

1This includes \$1,913,540 to support 36 new agents and 1 secretary; \$170,186 to support annual raises for the 102 existing agents; and, \$40,800 to support clothing allowances for existing agents.

2This includes \$1,267,888 to support new agents and a secretary, and the clothing allowance for agents; \$393,247 to support annual raises for existing and new agents; and, \$40,800 to support the clothing allowance for existing agents.

2. Effective Date:

July 1, 1989

3. Fund or Tax Affected:

General Fund

4. Principal Department/Program Affected:

Alcohol Law Enforcement Division/Department of Crime Control and Public Safety

Cost or Revenue Impact on State

	FY 89-90	FY 90-91
REVENUE		
1. Non-Recurring Revenues	-0-	-0-
2. Recurring Revenues	-0-	\$2,451,200
3. Revenue Assumptions		

See Fiscal Report prepared by Dave Crofts in Fiscal Research Division on April 13, 1989 (Attachment 1). The additional revenue, however, will not become available until FY 90-91, if the increases in the alcohol beverage license taxes are not implemented until May 1, 1990 as suggested by the Department of Revenue

(Attachment 2).

	FY 89-90	FY 90-91
COST		
1. Non-Recurring Costs	-0-	-0-
2. Recurring Costs	\$2,124,526	\$1,701,935

House Bill 523 appropriates funding for three items - new Alcohol Law Enforcement personnel (Section 3), an annual raise for ALE agents (Section 4), and a clothing allowance for agents (Section 5).

A. New Alcohol Law Enforcement Staff - Section 3.

Adjustments have been made to the costs identified in the bill for each fiscal year to employ thirty-six (36) new agents and one (1) secretary:

1. The annual salary for the Secretary IV, Grade 59 has been changed from \$16,968 (Step 3-D) to \$16,272 (Step 2-D). According to Office of State Personnel, departments have been advised that an entry level salary of \$16,272 (Grade 59, Step 2-D) is appropriate for Secretary IV positions employed in Raleigh or one of the more urban cities in the State. Salaries in these areas are more competitive. Social Security and retirement costs have also been reduced to agree with the adjusted annual salary for the secretarial position.
2. Further adjustments have been made to reduce a) the State's contribution for agents' retirement for both fiscal years, b) medical services in FY 89-90, c) parts and labor for vehicle maintenance in FY 89-90, and d) other expenses in FY 89-90. Funds were increased to purchase vehicles in FY 89-90 as the amount included in the \$1,952,321 was not accurate.

B. Annual Raise or Incremental Allowance - Section 4

Considering all State law enforcement personnel, teachers, and other State employees, only the Highway Patrol receives an annual raise (incremental allowance) per G.S. 20-187.3 (Attachment 3). If an annual raise is also authorized for the 102 existing ALE agents the cost would be \$170,186 in FY 89-90 and \$348,642 in FY 90-91. The cost is based upon a one-step increase of 4.8%, law enforcement retirement of 11.19% plus 5% for the 401(k) contribution,

and Social Security (7.58% in FY 89-90 and 7.65% in FY 90-91) each year.

If the thirty-six (36) new agents are authorized, annual raises would begin after a year of employment in FY 90-91 at a cost of \$44,605. This would result in a total cost in FY 90-91 for new and existing agents (138 agents) of \$393,247. The cost of annual raises will increase each fiscal year. For example in the next biennium the total cost would be \$627,015 (\$545,664 - existing agents and \$91,351 - new agents) in FY 91-92 and \$872,004 (\$731,663 - existing agents and \$140,341 - new agents) in FY 92-93. The cost projections for the 91-93 biennium assume the same rate of Social Security (7.65%) as designated for FY 90-91 and reflects no authorized salary increase. If the General Assembly authorizes salary increases annual raises will also increase.

C. Annual Clothing Allowance for Agents - Section 5

- 1) With the exception of the State Bureau of Investigation (SBI), state law enforcement officers wear uniforms that are furnished at State expense. An SBI agent, however, is eligible for a clothing allowance of \$400 per year after a year of employment. A deduction of \$14,400, which is the annual clothing allowance for new agents, has been made from the FY 89-90 budget. The \$14,400 is included in the budget for the thirty-six (36) new agents beginning in FY 90-91.

The clothing allowance for existing ALE agents will add \$40,800 (102 x \$400) each year to the continuation budget.

- 2) As a point of clarification, the \$55,200 identified in Section 5 of the bill includes the \$14,400 for annual clothing allowances for new agents that is already in the total budget for each year in Section 1.

3. Cost Assumptions

With revenue not anticipated until FY 90-91 there would be additional expense to the General Fund if new Alcohol Law Enforcement positions, the annual raise and clothing allowance are authorized to begin in FY 89-90. Certainly an option is to delay implementation of the increases outlined in Sections 3, 4 and 5 of the bill until FY 90-91 when additional revenue will be available to offset costs.

If implementation is delayed the following would occur in FY 90-91:

State Total Requirements	\$2,124,526
Receipts/Revenues	2,451,200
Net State Revenue/Cost	326,674

This indicates that even with the increases the bill would be revenue positive.

Again, if there is a salary increase the expenditure whether delayed or implemented in FY 89-90 may not result in additional revenue or even neutralize the cost.

Cost/Revenue Impact on County or Local Government

	FY 89-90	FY 90-91
1. Non-Recurring Costs/Revenues	-0-	-0-
2. Recurring Costs/Revenues	-0-	-0-
3. Fiscal/Revenue Assumptions	-0-	-0-

Sources of Data for Fiscal Note

Department of Revenue, Department of Crime Control and Public Safety,
General Statutes

Technical Considerations/Comments

An additional consideration is to appropriate funds for an annual clothing allowance of \$200 per ALE agent. A lesser amount for ALE agents is suggested on the basis of the casual clothing worn by agents in the line of duty. For thirty-six (36) agents this would require half of the amount requested or \$7,200 in FY 90-91. For existing agents this would result in an appropriation of \$20,400 each year of the 89-91 biennium. The requirement on page 1 would, therefore, be adjusted to \$2,104,126 for FY 89-90 and \$1,674,335 for FY 90-91.

HB 523

Fiscal Report
Fiscal Research Division
April 13, 1989

Explanation of Revenue Portion of Bill:

(1) Increases state alcoholic beverage license taxes as follows:

	Present	Proposed
Retail malt beverage	\$20	\$100
Retail wine-on premises	25	100
Retail wine-off premises	20	100

Effective Date:

July 1, 1989

Fiscal Effect:

Will generate additional annual General Fund nontax revenue of \$2,451,200.

§ 20-187.3. Quotas prohibited.

(a) The Secretary of Crime Control and Public Safety shall not make or permit to be made any order, rule, or regulation requiring the issuance of any minimum number of traffic citations, or ticket quotas, by any member or members of the State Highway Patrol. Pay and promotions of members of the Highway Patrol shall be based on their overall job performance and not on the basis of the volume of citations issued or arrests made. The provisions of G.S. 126-7 shall not apply to members of the State Highway Patrol. Members of the Highway Patrol shall, however, be subject to salary classes, ranges and longevity pay for service as are applicable to other State employees generally. Beginning July 1, 1985, and annually thereafter, each member of the Highway Patrol shall be granted a salary increase in an amount corresponding to the increments between steps within the salary range established for the class to which the member's position is assigned by the State Personnel Commission, not to exceed the maximum of each applicable salary range.

(b) The Secretary of Crime Control and Public Safety, subject to the availability of funds as authorized by the Director of the Budget, may place a member of the State Highway Patrol in any step in the salary range for the class to which the member is assigned based on the member's rank so that no member is in a step lower than others of the same rank who have held that rank for less time than that member. (1981, c. 429; 1983 (Reg. Sess., 1984), c. 1034, ss. 106, 107; c. 1116, s. 89.)

March 21, 1989

I CERTIFY THAT THIS IS AN EXACT COPY OF A MEMORANDUM TO: HON. JOHN HASTY,
FROM: MYRON C. BANKS DATED MARCH 21, 1989

MEMORANDUM

TO: Honorable John C. Hasty
Chairman, House Commerce Committee

FROM: Myron C. Banks, Deputy Secretary
North Carolina Department of Revenue

RE: HOUSE BILL 523 - AN ACT TO INCREASE THE ANNUAL TAX ON STATE LICENSES
REQUIRED FOR HOLDERS OF RETAIL ABC PERMITS AND TO APPROPRIATE FUNDS
TO THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY FOR THIRTY-SIX
NEW ALCOHOL LAW ENFORCEMENT AGENTS, TO PROVIDE FOR AN ANNUAL RAISE
AS PROVIDED TO OTHER STATE LAW ENFORCEMENT OFFICERS, AND TO PROVIDE
A CLOTHING ALLOWANCE AS PROVIDED TO OTHER STATE LAW ENFORCEMENT
OFFICERS.

This bill proposes in Section 1 to amend G.S. 105-113.75 of the
Alcoholic Beverage Taxes Schedule, increasing the annual State license tax
rate for the retail malt beverage license from \$20.00 to \$100.00, the
retail wine-on premises license (covering both on and off premises sales)
from \$25.00 to \$100.00, and the retail wine-off premises license from
\$20.00 to \$100.00. Other sections of this bill provide for the
appropriation of funds to the Department of Crime Control and Public Safety
for thirty-six new alcohol law enforcement agents and to fund annual raises
and clothing allowance for alcohol law enforcement agents.

The effective date of this bill is July 1, 1989. However, since the
malt beverage and wine retail licenses provided for under the Alcoholic
Beverage Taxes Schedule are annual licenses issued for the period May 1 -
April 30, the following rewrite of Section 6 of this bill is recommended:

"Sec. 6. Section 1 of this act shall become effective
May 1, 1990; the remainder of this act is effective
July 1, 1989."

Based upon net collections for fiscal year 1987-88, revenue increase

under Section 1 of this bill with an effective date of May 1, 1990, would be approximately \$2,451,200 (Retail malt beverage license tax - \$1,371,500; retail wine-on premise license tax - \$353,200; and retail wine-off premise license tax - \$726,500).



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