



**Colorado
Legislative
Council
Staff**

HB17-1370

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-1032 **Date:** May 3, 2017
Prime Sponsor(s): Rep. Winter; Liston **Bill Status:** House Finance
 Sen. Neville T.; Kerr **Fiscal Analyst:** Anna Gerstle (303-866-4375)

BILL TOPIC: RETAIL SALES OF ALCOHOL BEVERAGES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	\$48,330	\$4,355
General Fund	4,330	355
Cash Funds	44,000	4,000
State Expenditures	Workload increase.	
TABOR Impact	\$48,330	\$4,355
Appropriation Required: None.		
Future Year Impacts: Ongoing revenue and workload increase.		

Summary of Legislation

Under current law, a licensed retail liquor store or liquor-licensed drugstore that was licensed on or before January 1, 2016, may obtain additional licenses based on a schedule in statute. Additional licensed locations may not be within 1,500 feet of another premises licensed for retail sales, or within 3,000 feet of another licensed retail premises in a municipality with a population of 10,000 or less. The bill makes several changes to current law.

Retail liquor stores. Under the bill, certain retail liquor licensees may obtain additional licenses, as shown in Table 1 and discussed below.

Dates	Under Current Law (licensed on or before Jan. 1, 2016)	Under HB17-1370* (licensed on or before April 1, 2017)
July 1, 2017 – June 30, 2018	2	4
July 1, 2018 – Dec. 31, 2021		no additional retail liquor store licenses may be obtained
Jan. 1, 2022 – Dec. 31, 2026	3	6
Beginning Jan. 1, 2027	4	9

* Licensees must meet certain requirements in order to obtain additional licenses.

From July 1, 2017, to June 30, 2018, retail liquor stores licensed on or before April 1, 2017, may obtain three additional retail liquor store licenses, for a total of four, if the majority of owners have either resided in Colorado for two years or have operated a business in Colorado for at least ten years, and the additional licensed location meets the radius requirements in current law. From July 1, 2018, through December 31, 2021, no additional retail liquor store licenses may be obtained.

Beginning on January 1, 2022, in order to obtain the additional licenses listed in Table 1, retail liquor stores must also apply to transfer ownership of at least two retail liquor stores that were licensed or had applied for a license on or before January 1, 2017, and all retail liquor store licenses within the radius restriction, and merge the licenses into a single retail liquor store license. The retail liquor stores that are merged must be in the same local licensing authority jurisdiction as the applicant's proposed location, unless there are fewer than two licensed retail liquor stores in the jurisdiction. The new licensed location must meet the radius requirement in current law.

Licensees who obtain additional retail liquor store licenses under the bill are ineligible for a temporary operating permit. The bill also allows the state and local licensing authorities to set an application fee for the merger and transfer of retail liquor store licenses; the local application fee may not exceed \$1,000.

Liquor-licensed drugstores. Under the bill, an entity that submitted an application for a new liquor-licensed drugstore license on or before October 1, 2016, or a corporation within a controlled group of corporations may also obtain additional liquor-licensed drugstore licenses, as long as radius and merged license requirements are met. The bill specifies that the entire controlled group of corporations is subject to the limitations on the number of allowable liquor-licensed drugstore licenses.

Under current law, eligible licensees may have an unlimited number of liquor-licensed drugstore licenses beginning January 1, 2037. The bill caps the number of liquor-licensed drugstores licenses that one entity may have at 20, beginning on January 1, 2032, as shown in Table 2.

Table 2. Phase-in Schedule for Additional Liquor-Licensed Drugstore Licenses*		
Dates	Under Current Law	Under HB17-1370
January 1, 2017 – December 31, 2021	5	5
January 1, 2022 – December 31, 2026	8	8
January 1, 2027 – December 31, 2031	13	13
January 1, 2032 – December 31, 2036	20	20
Beginning January 1, 2037	unlimited	

* Licensees must meet certain requirements in order to obtain additional licenses.

Additional provisions - retail liquor stores. The bill prohibits employees of a retail liquor store under the age of 21 from delivering or having any contact with alcohol offered for sale on, or sold and removed from, the licensed premises, and requires that retail liquor store licensees:

- do not allow consumers to purchase alcohol at a self-checkout without assistance from an employee;
- require customers to provide a valid identification card in order to purchase alcohol
- obtain certification as a responsible alcohol vendor; and

- when applying to renew or obtain a new license on or after January 1, 2022, provide evidence that no more than 20 percent of total annual gross revenues come from the sale of nonalcohol products.

Licensed wholesalers must make all deliveries to a retail liquor store through a common carrier, contract carrier, or with a vehicle owned by the wholesaler.

Background and Assumptions

As of April 2017, there are 1,625 retail liquor stores and 13 liquor-licensed drugstores licensed in Colorado.

Assumptions. The fiscal note assumes that there will be 20 additional retail liquor store applications in FY 2017-18, of which 15 will be issued in the jurisdiction of a city and 5 in a county. No new additional retail liquor store licenses may be issued in FY 2018-19 or FY 2020-21. Beginning in January 2022 (FY 2021-22), the fiscal note assumes that there will be an increase in applications for additional retail liquor stores, resulting in a net minimal decrease in the number of retail liquor stores, as there is a net decrease of one retail liquor store for every retail liquor store licensee who buys two others and converts them into a single new license.

In addition, the fiscal note assumes that the bill results in two applications for additional liquor-licensed drugstore licenses in both FY 2017-18 and FY 2018-19.

State Revenue

The bill increases state revenue by \$48,330 in FY 2017-18 and \$4,355 in FY 2018-19. Of those amounts, \$44,000 in FY 2017-18 and \$4,000 in FY 2018-19 goes to the Liquor Enforcement Division (LED) Cash Fund in the Department of Revenue (DOR), and \$4,330 in FY 2017-18 and \$355 in FY 2018-19 goes to the General Fund.

Fee impact on retail liquor licensees. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The bill increases fee revenue from retail liquor store or liquor-licensed drugstore licensees who obtain additional licenses. The state application fee is \$1,950, and the state portion of licensing fees for a retail liquor store license or liquor-licensed drugstore license is \$227.50 in a city and \$312.50 in a county. Of the state portion of licensing fees, \$50 is deposited in the LED Cash Fund, and the remainder (\$177.50 in a city, \$262.50 in a county) is deposited in the General Fund. Table 3 lists the fee revenue as a result of the bill.

Table 3. Fee Impact on Retail Liquor Stores Under HB17-1370.				
Fiscal Year	License Type	Fee	Number Affected	Total Fee Impact
FY 2017-18	Liquor License Application Fee	\$1,950	22	\$42,900
	Retail Liquor Store (city) - Licensing Fee	227.50	15	3,413
	Retail Liquor Store (county) - Licensing Fee	312.50	5	1,563
	Liquor-licensed Drugstore (city) - Licensing Fee	227.50	2	455
FY 2017-18 Total				\$48,330
<i>General Fund</i>				<i>\$4,330</i>
<i>Cash Fund</i>				<i>\$44,000</i>
FY 2018-19	Liquor License Application Fee	\$1,950	2	\$3,900
	Retail Liquor Store (city) - Licensing Fee	227.50	0	0
	Retail Liquor Store (county) - Licensing Fee	312.50	0	0
	Liquor-licensed Drugstore (city) - Licensing Fee	227.50	2	455
FY 2018-19 Total				\$4,355
<i>General Fund</i>				<i>\$355</i>
<i>Cash Fund</i>				<i>\$4,000</i>

Future impacts. The bill authorizes the LED to set an application fee for the merger and transfer of retail liquor store licenses, beginning in FY 2021-22. The increased revenue from that fee has not been estimated.

TABOR Impact

This bill increases state revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. In years when the state collects revenue above the TABOR limit, the increase in General Fund revenue has no net impact on the amount of money available in the General Fund for the budget, as both revenue to the General Fund and the refund obligation increase by equal amounts. However, the increase in cash fund revenue increases the TABOR refund obligation, decreasing the amount of money available in the General Fund for the budget on a dollar-for-dollar basis. In future years when the state does not collect revenue above the TABOR limit, the bill's impact on General Fund revenue will increase money available for the General Fund budget.

State Expenditures

Beginning in FY 2017-18, the bill increases the workload for the LED in the DOR to conduct rulemaking, process new retail liquor store and liquor-licensed drugstore licenses, and update computer systems and materials. Legal services for rulemaking are provided by the Department of Law and can be accomplished within DOR's annual allocation of legal services. The fiscal note assumes that the workload increase can be accomplished within existing appropriations.

Future impacts. Beginning in FY 2021-22, the bill increases the workload for LED to establish merger and transfer processes for retail liquor stores, provide training, process additional applications, and conduct additional enforcement. The resources required for this change will be addressed through the annual budget process.

Local Government Impact

Revenue. Beginning in FY 2017-18, the bill increases revenue to local licensing authorities from new retail liquor store applications. The amount of the increase will vary among local licensing authorities. Beginning in FY 2021-22, the bill authorizes a local application fee of up to \$1,000 for the merger and transfer of retail liquor store licenses, which will increase revenue; however, the number of retail liquor stores paying annual license renewal fees is expected to decrease by a minimal amount.

Expenditures. Beginning in FY 2017-18, the bill increases the workload for local licensing authorities to process additional applications and adjust enforcement procedures to accommodate new requirements for all licensed retail liquor stores. Beginning in FY 2021-22, the bill increases the workload for local licensing authorities to transfer and merge retail liquor store licenses in the short term; however, the overall number of retail liquor store licenses is expected to decrease by a minimal amount in the long term.

Effective Date

The bill takes effect July 1, 2017.

State and Local Government Contacts

Counties	Judicial	Law
Municipalities	Public Safety	Revenue