



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 19-0286	Date:	January 7, 2019
Prime Sponsors:	Sen. Williams A.; Tate Rep. Garnett	Bill Status:	Senate Business
		Fiscal Analyst:	Anna Gerstle 303-866-4375 Anna.Gerstle@state.co.us

Bill Topic: FERMENTED MALT BEVERAGE AND MALT LIQUOR LICENSE

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure (<i>minimal</i>)	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill converts existing fermented malt beverage manufacturer, wholesaler, and importer licenses into the corresponding malt liquor license and makes conforming changes to the Colorado Beer and Liquor Codes. The bill decreases revenue in the Department of Revenue beginning in the current FY 2018-19.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 19-011

		FY 2018-19 <i>(current year)</i>	FY 2019-20	FY 2020-21
Revenue	General Fund	(\$5,500)	(\$13,300)	(\$13,330)
	Cash Funds	(\$2,750)	(\$6,650)	(\$6,650)
	Total	(\$8,250)	(\$19,950)	(\$19,950)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund	General Fund	(\$8,250)	(\$19,950)	-

Summary of Legislation

Under current law, a person who manufactures, sells at wholesale, or imports both fermented malt beverages (FMB, formerly "3.2 beer") and malt liquor must obtain a separate license for each product. Licenses for FMB are issued under the Colorado Beer Code and licenses for malt liquor are issued under the Colorado Liquor Code. Upon taking effect, the bill removes the dual licensing requirement by:

- converting existing FMB manufacturer, wholesalers, and importers licenses into malt liquor manufacturers, wholesalers, and importers licenses, respectively; and
- removing FMB manufacturing, wholesaling, and importing licenses from the Colorado Beer Code. FMB retail licenses remain in the Colorado Beer Code.

The bill also clarifies that FMB retailers may purchase their product from an entity licensed to sell malt liquor at wholesale, and may sell up to \$2,000 worth of their product to certain on-premises retail establishments licensed to sell malt liquor.

Background and Data

Elimination of 3.2 beer. Prior to January 1, 2019, FMB were known as 3.2 beer and defined as beer or similar products with no more than 3.2 percent alcohol by weight. Malt liquor was known as full-strength beer, and defined as beer or similar products with at least 3.2 percent alcohol by weight. Beginning January 1, 2019, FMB and malt liquor are both defined as beer with at least 0.5 percent alcohol by volume.

Current licensees. As of December 2018, there are 49 licensed FMB manufacturers (resident and non-resident), 61 licensed FMB wholesalers, and 23 licensed FMB importers. Nearly all these licensees hold a second license allowing them to manufacture, sell at wholesale, or import malt liquor. Under the bill, these current licensees will maintain their malt liquor license and no longer be required to annually renew their FMB license. The state's Liquor Enforcement Division in the Department of Revenue issues these licenses.

State Revenue

The bill decreases state fee revenue by \$8,250 in the current FY 2018-19 and \$19,950 annually beginning in FY 2019-20. The decrease is split between the General Fund and the Liquor Enforcement Division Cash Fund. This revenue is subject to TABOR.

Fee impact on FMB manufacturers, wholesalers, and importers. The license fee for an FMB manufacturer, wholesaler, or importer license is set in statute at \$150 annually. Under the bill, these FMB licenses will no longer be required to maintain their FMB license and, thus, will no longer pay the \$150 annual fee. In FY 2018-19, the impact has been prorated to assume a February 1, 2019, effective date. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on FMB Manufacturers, Wholesalers, and Importers

Fiscal Year	Type of Fee	Fee Change	Number Affected	Total Fee Impact
FY 2018-19	FMB Manufacturers License	(\$150)	20	(\$3,000)
	FMB Wholesalers License	(\$150)	25	(\$3,750)
	FMB Importers License	(\$150)	10	(\$1,500)
			FY 2018-19 Total	(\$8,250)
			<i>General Fund</i>	<i>(\$5,500)</i>
			<i>LED Cash Fund</i>	<i>(\$2,750)</i>
FY 2019-20	FMB Manufacturers License	(\$150)	49	(\$7,350)
	FMB Wholesalers License	(\$150)	61	(\$9,150)
	FMB Importers License	(\$150)	23	(\$3,450)
			FY 2019-20 Total	(\$19,950)
			<i>General Fund</i>	<i>(\$13,300)</i>
			<i>LED Cash Fund</i>	<i>(\$6,650)</i>
FY 2020-21	FMB Manufacturers License	(\$150)	49	(\$7,350)
	FMB Wholesalers License	(\$150)	61	(\$9,150)
	FMB Importers License	(\$150)	23	(\$3,450)
			FY 2020-21 Total	(\$19,950)
			<i>General Fund</i>	<i>(\$13,300)</i>
			<i>Cash Fund</i>	<i>(\$6,650)</i>

State Expenditures

In the current FY 2018-19, the bill increases the workload for the Department of Revenue to convert current FMB manufacturer, wholesaler, or importer licenses to malt liquor licenses, update related forms and materials, and conduct any associated rulemaking. Legal services for rulemaking are provided by the Department of Law. In future years, workload for the Department of Revenue will decrease by a minimal amount as a result of longer processing renewal applications for FMB manufacturer, wholesaler, or importer licenses. No impact on enforcement is anticipated and no changes in appropriations are required.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$8,250 in the current FY 2018-19 and \$19,950 in FY 2019-20. Under current law and the December 2018 forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds on income tax returns for tax years 2019 and 2020. The state is not expected to collect a TABOR surplus in FY 2020-21.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties	Judicial	Law
Municipalities	Public Safety	Revenue