



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

SB 19-011

FINAL FISCAL NOTE

Drafting Number: LLS 19-0286
Prime Sponsors: Sen. Williams A.; Tate
 Rep. Garnett; McKean
Date: May 28, 2019
Bill Status: Signed into Law
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Bill Topic: FERMENTED MALT BEVERAGE & MALT LIQUOR LICENSE

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input 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 enacted 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		-	-	-

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; however under the March 2019 Legislative Council Staff forecast, a TABOR surplus is not expected in FY 2019-20 or FY 2020-21.

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.

Effective Date

The bill was signed into law by the Governor and took effect on January 31, 2019.

State and Local Government Contacts

Counties	Judicial	Law
Municipalities	Public Safety	Revenue