



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**FISCAL NOTE**

<b>Drafting Number:</b> LLS 20-0833	<b>Date:</b> January 22, 2020
<b>Prime Sponsors:</b> Sen. Williams A.; Holbert Rep. Snyder	<b>Bill Status:</b> Senate Business
	<b>Fiscal Analyst:</b> Anna Gerstle   303-866-4375 Anna.Gerstle@state.co.us

**Bill Topic:** PENALTIES FOR LIQUOR LAW VIOLATIONS

**Summary of Fiscal Impact:**

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

The bill allows liquor licensing authorities additional flexibility to assess fines, and raises the range of fines. The bill increases state and local revenue and expenditures on an ongoing basis.

**Appropriation Summary:** In FY 2020-21, the bill requires an appropriation of \$45,838 to the Department of Revenue.

**Fiscal Note Status:** This fiscal note reflects the introduced bill.

**Table 1  
State Fiscal Impacts Under SB 20-110**

		FY 2020-21	FY 2021-22
<b>Revenue</b>	General Fund	\$163,000	\$163,000
<b>Expenditures</b>	Cash Funds	\$45,838	\$137,514
	Total FTE	0.2 FTE	0.7 FTE
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	\$163,000	\$163,000

## Summary of Legislation

Under current law, the state or a local licensing authority may suspend or revoke any liquor license or permit for violations of the Liquor Code or other regulations set by the licensing authority. Rather than have their license suspended or revoked, licensees may petition to instead pay a fine, which must be equivalent to 20 percent of a licensee's estimated gross revenues from alcohol. The fines must range from \$200 to \$5,000.

The bill allows state and local licensing authorities to assess a fine for a violation, regardless of whether the licensee has petitioned for a fine instead of a suspension. The bill also changes the range of potential fines to between \$500 and \$100,000. In addition, the state licensing authority may determine the form of any fine payments.

## State Revenue

The bill increases the state revenue from fines by approximately \$163,000 per year beginning in FY 2020-21. Fine revenue is deposited in the General Fund. Between FY 2016-17 and FY 2018-19, the most recent data available, there were an average of 213 license violations per year, and an average of \$244,689 in fine revenue collected. Table 2 includes the additional fine revenue that LED estimates would have been collected if there was not a \$5,000 cap on fines, which would average about \$163,000 per year. The additional fine revenue reflects a 66 percent increase over fines collected under current law.

**Table 2**  
**Fine Revenue Collected by LED**

<b>Fiscal Year</b>	<b>Violations</b>	<b>Fine Revenue Collected</b>	<b>Additional Fine Revenue if no cap</b>
FY 2016-17	291	\$323,574	\$215,178
FY 2017-18	196	\$224,674	\$149,409
FY 2018-19 (partial year)	152	\$185,819	\$123,571
<b>Three-Year Average</b>	<b>213</b>	<b>\$244,689</b>	<b>\$162,719</b>

## State Expenditures

The bill increases state expenditures by \$45,838 in FY 2020-21 and \$137,514 in FY 2021-22 for the LED in the Department of Revenue. Expenditures are paid from the LED Cash Fund and reappropriated to the Department of Law (DOL). Costs are discussed below.

**Legal services.** Under current law, LED settles most violation cases with licensees without referring them to DOL. It is expected that the higher fine range will result in additional cases being referred to DOL. In FY 2020-21, LED will require 430 hours of legal services, or 0.2 FTE, to handle a portion of one large and one medium case. In FY 2021-22, LED will require 1,290 hours, or 0.7 FTE, to handle the remainder of those cases, plus one large and three medium cases. On an ongoing basis, about 860 hours or 0.5 FTE will be required per year. Legal services are provided by the DOL at a rate of \$106.60 per hour.

**Workload.** The increased fine range may increase the workload for the Hearing Division in the Department of Revenue. The initial increase is expected to be accomplished within current resources. Should additional resources be required, it will be requested through the annual budget process. Workload will also increase by a minimal amount for LED to modify any procedures related to assessing fines, and to determine the form of fine payments.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds by \$163,000 in FY 2020-21 and FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

### **Local Government**

The bill increases revenue to local licensing authorities that may assess higher and additional fines as a result of the bill. Specific revenue increases will vary by local jurisdiction and are likely to fluctuate by year, if and when any \$100,000 fines are assessed. In addition, workload will increase for local licensing authorities to modify any procedures related to assessing fines, and to handle any additional hearings as a result of the bill.

### **Effective Date**

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed, and applies to conduct occurring on or after that date.

### **State Appropriations**

For FY 2020-21, the bill requires an appropriation of \$45,838 from the Liquor Enforcement Division Cash Fund to the Department of Revenue. This amount is reappropriated to the Department of Law, with 0.2 FTE.

### **State and Local Government Contacts**

Counties                      Law                      Municipalities                      Revenue