



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated May 7, 2024)

Drafting Number:	LLS 24-1176	Date:	May 7, 2024
Prime Sponsors:	Sen. Rodriguez; Gardner Rep. Snyder; Frizell	Bill Status:	House Second Reading
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Bill Topic: ALCOHOL BEVERAGE LIQUOR ADVISORY GROUP RECOMMENDATIONS

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

The bill makes several changes to liquor licensing and regulation. The bill increases state revenue and expenditures and has a minimal workload impact on local governments beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires and includes an appropriation of \$5,000 to the Department of Revenue.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill, as amended by the House Finance and Appropriations Committees.

**Table 1
State Fiscal Impacts Under SB 24-231**

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	Cash Funds	\$320,000	\$320,000
Expenditures	Cash Funds	\$5,000	-
Transfers		-	-
Other Budget Impacts	TABOR Refunds	\$320,000	\$320,000

Summary of Legislation

The bill makes several changes to liquor enforcement and administration.

Licensing changes. Under current law, one liquor license exists for lodging and entertainment facilities. The bill separates this license into two separate license types for each facility.

The bill also creates two new license types: an alcohol beverage shipper license for shippers that sell wine for certain licensed wineries, and a catering license that allows caterers to be permitted to sell and serve alcohol on unlicensed premises at catered events. These new license types do not take effect until the Liquor Enforcement Division (LED) in the Department of Revenue (DOR) has sufficient legally available funding, no earlier than January 1, 2026.

Under current law, a winery may have one manufacturing license for two noncontiguous locations provided they are within 10 miles of each other. The bill expands this ability for licensed premises to have two separate locations to include limited wineries, distilleries and breweries.

Feasibility study. The bill requires the LED to undertake a feasibility study for adopting an online portal system which would allow liquor license applications and renewals to be completed online. The study must be completed by January 1, 2028, and report to the legislative finance committees by March 1, 2028.

Local licensing authorities. The bill allows local liquor licensing authorities to delegate their licensing authority to the state when the location of the business is on state-owned property. The bill removes the requirement that a local liquor licensing authority hold a public hearing upon receipt of a license application.

Tastings and classes. Under current law, tastings conducted by liquor licensees may not occur before 11 a.m. The bill changes the time to 10 a.m. Additionally, the bill allows off-premises retailers to conduct tastings, subject to certain requirements, and allows retail liquor stores to hold educational classes so long as they not charge a per-drink fee. These licensees must track participants to ensure they do not allow participants to attend another tasting event on the premises on the same day.

Biennial licenses. Currently, liquor licenses are renewed annually. The bill allows biennial (every two year) renewal. Payments for biennial licenses are divided between two annual payments. The LED may require a business to obtain an annual license if certain rules are violated.

Distillery sales rooms. The bill allows distillers that have a sales room to purchase and use common beverages to combine with their products to produce cocktails for consumption on or off the premises.

Wholesalers. The bill allows wholesalers to obtain an importer's license and to conduct trade show events to allow businesses to sample products.

Transfer of inventory and license. A liquor licensed retail store that is going out of business may sell its inventory to another licensee, provided both the buyer and the seller abide by certain requirements. The seller's license may be transferred to the buyer if certain requirements are met.

Sales from retail liquor stores to other license types. Under current law, certain license types may purchase up to \$2,000 worth of product from a retail liquor store annually. The bill increases this limit to \$7,000 annually and provides the ability for this limit to be adjusted for inflation. The LED must post this limit annually on their website.

Investigation fees. The bill allows the state licensing authority to charge licensee's an investigative fee for certain investigative proceedings. Investigative fees are prohibited for routine compliance checks. Fees will be deposited into the Liquor Enforcement Division and State Licensing Authority Cash Fund.

Christmas Day sales. The bill allows sale of alcoholic beverages on December 25.

Prohibition on marijuana sales. The bill prohibits liquor licensees from selling marijuana products.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior conviction data and assumptions. This bill removes factual bases for various unlawful acts in the Colorado Liquor Code, which are class 2 misdemeanors. From FY 2020-21 to FY 2022-23, zero offenders have been sentenced and convicted for a liquor code-related offense; therefore, the fiscal note assumes that there will continue to be minimal or no additional criminal case filings or convictions for this offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice-related revenue or expenditures at the state or local levels, these potential impacts are not discussed further in this fiscal note.

State Revenue

The bill is anticipated to increase fee revenue by about \$320,000 per year, beginning in FY 2024-25, deposited in the Liquor Enforcement Division Cash Fund. The bill allows the DOR to charge fees for certain complex investigations to cover costs. These are assumed to be billed to businesses at a rate of \$50 per hour and are estimated to total 6,400 hours annually, based on current investigations undertaken by LED. Fee revenue is subject to TABOR.

In addition, the bill allows licenses to convert from an annual license to a biennial license; however, the billing cycle for these biennial licenses is still annual and is not expected to have an impact on state revenue.

State Expenditures

The bill increases state expenditures in the DOR by \$5,000 in FY 2024-25, paid from the LED Cash Fund. LED's licensing software will require programming to split the current lodging and entertainment license into separate licenses. The bill also increases workload for DOR to conduct

rulemaking and modify enforcement procedures and materials, although no change in appropriations is required for this workload

The new catering and winery shipping licenses will require additional criminal investigators and administration to process new applications and enforce regulations for these license holders; however, their implementation is contingent upon available funding. The fiscal note assumes that funding is not available and that these new license types will not be available to caterers and winery shippers until a funding source is identified. For informational purposes, the administrative cost associated with administering these two licenses is estimated at \$526,646, which includes the cost of 4.2 FTE, contract enforcement operatives, and compliance investigator equipment and vehicle costs.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

Local liquor licensing authorities will have decreased workload due to the removal of the requirement to hold a public hearing whenever a new license application is received. However, complying with the bill's other provisions may result in updating forms and procedures. The net impact of the bill is expected to be neutral for local governments.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that the sections of the bill create the new catering and winery shipping licenses take effect once the Department of Revenue has identified funding for that purpose.

State Appropriations

For FY 2024-25, the bill requires and includes a \$5,000 appropriation to the Department of Revenue from the Liquor Enforcement Division and State Licensing Authority Cash Fund.

State and Local Government Contacts

Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).