



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

## FISCAL NOTE

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<b>Drafting Number:</b>	LLS 19-0398	<b>Date:</b>	January 8, 2019
<b>Prime Sponsors:</b>	Sen. Holbert Rep. McKean	<b>Bill Status:</b>	Senate Business
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**Bill Topic:** ALLOW ON & OFF PREMISES BEER LICENSES RURAL AREAS

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**Summary of  
Fiscal Impact:**  State Revenue (*minimal*)  TABOR Refund (*minimal*)  
 State Expenditure (*minimal*)  Local Government (*minimal*)  
 State Transfer  Statutory Public Entity

This bill allows state and local licensing authorities to issue fermented malt beverage on/off premises licenses in certain areas. The bill increases state and local government workload beginning in FY 2018-19.

**Appropriation  
Summary:** No appropriation is required.

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

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### Summary of Legislation

Under current law, state and local liquor licensing authorities may not issue or renew a license to sell fermented malt beverages (FMB) for consumption on and off the licensed premises (on/off premises licensees). Current FMB on/off premises licensees must apply to convert their license to either an on-premises retail license or off-premises retail license when their current license is up for renewal. FMB on/off premises licenses are repealed from statute beginning July 1, 2019. These changes were made in Senate Bill 18-243.

This bill removes the repeal date for FMB on/off premises licenses and allows licensing authorities to issue those licenses if the licensed premises is located in a county with a population of less than 35,000, or in an underserved area. An underserved area is defined as an area that is within a county with a population of more than 35,000, but lies outside the municipal boundaries, or a city with a population of less than 7,500.

For FMB on/off premises licensees located in the designated areas who have already applied to convert their license, state and local licensing authorities must allow the application to be resubmitted as an application to renew, or convert back to, an FMB on/off premises license at no additional cost to the licensee.

## **Background**

**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. Beginning January 1, 2019, FMB is defined as beer with at least 0.5 percent alcohol by volume, or full-strength beer.

**Current licensees.** There are currently 45 FMB on/off premises licensees and approximately 28 licenses that have already been converted from an FMB on/off premises license to another license type. Of these 73 total licensees, approximately 35 are located in the rural or underserved areas designated by the bill.

## **State Revenue**

The bill may increase state General Fund and cash fund revenue by a minimal amount beginning in the current FY 2018-19. To the extent that the bill results in new applications for FMB on/off premises licenses, fee revenue will increase. State revenue from new applications is split between the General Fund and Liquor Enforcement Division Cash Fund and varies based on whether a potential licensee is located in a city or county. Any increase is expected to be minimal.

## **State Expenditures**

The bill increases workload in the Department of Revenue beginning in the current FY 2018-19. The department must reissue up to 35 FMB on/off premises licenses and process any applications for new licenses, adjust forms and materials, conduct rulemaking and staff training, and work with local licensing authorities to implement the changes. Legal services for rulemaking are provided by the Department of Law. No change in appropriations is required.

To the extent that the bill increases state revenue from new license applications, the bill will increase state General Fund obligations for TABOR refunds by in FY 2018-19 and 2019-20. Any increase is expected to be minimal.

## **Local Government**

Beginning in FY 2018-19, the bill increases workload and costs for local licensing authorities to reissue FMB on/off premise licenses, process any new applications, and adjust processes and materials. No fees may be charged for the reissuance of FMB on/off premises licenses. The increase in workload will vary among licensing authorities based on the jurisdiction's location and the number of eligible FMB on/off premises retail licensees in each jurisdiction.

## **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to license applications filed on or after June 4, 2018.

**State and Local Government Contacts**

Counties	Judicial	Law
Municipalities	Revenue	