



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated February 23, 2021)

Drafting Number:	LLS 21-0275	Date:	March 10, 2021
Prime Sponsors:	Rep. Hooton; Larson Sen. Bridges	Bill Status:	House Finance
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Bill Topic: WINERY LICENSE INCLUDE NONCONTIGUOUS AREAS

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input 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 a winery premises to include up to two noncontiguous locations within a ten-mile radius. The bill increases state revenue and expenditures and local government workload on an ongoing basis.

Appropriation Summary: In FY 2021-22, the bill requires an appropriation of \$13,247 to the Department of Revenue.

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

**Table 1
State Fiscal Impacts Under HB 21-1044**

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	Cash Funds	\$12,375	\$26,400
	Total Revenue	\$12,375	\$26,400
Expenditures	Cash Funds	\$13,247	\$15,556
	Centrally Appropriated	\$2,791	\$4,408
	Total Expenditures	\$16,038	\$19,964
	Total FTE	0.2 FTE	0.3 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

This bill allows the licensed location of winery or limited winery to include up to two noncontiguous locations within a ten-mile radius. The Department of Revenue must approve an application for the use of a noncontiguous location if the federal Alcohol and Tobacco Tax and Trade Bureau approves the proposed premises.

Only one of the noncontiguous locations may be used as a sales room. Any additional sales rooms on a noncontiguous location may be approved through the current sales room application process. In addition, any noncontiguous locations outside the boundaries of an entertainment district or common consumption area are excluded from the district or area.

The bill also allows the Department of Revenue to establish application and renewal fees for the additional locations, which cannot exceed \$500.

Background and Assumptions

There are currently 8 wineries and 157 limited wineries in Colorado. If each were to obtain two additional locations, there would be up to 330 new locations. The fiscal note assumes that 30 percent (99) of the allowable noncontiguous locations will be utilized in the first year and an additional 40 percent (132) in FY 2022-23.

Currently, wineries may operate one sales room on their licensed premises and one sales room at an additional location. Limited wineries may operate one sales room on their licensed premises and up to five additional sales rooms. The fiscal note assumes that there will be no change in the total number of sales rooms that a winery is allowed.

State Revenue

The bill increases state fee revenue to the Liquor Enforcement Division Cash Fund by \$12,375 in FY 2021-22 and \$26,400 in FY 2022-23. Fee revenue is subject to TABOR.

Fee impact on wineries. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, based on estimated costs and the current fee for a modification of licensed premises or change of location. Actual fees will be set administratively by the Department of Revenue based on cash fund balance, estimated program costs, and the estimated number of licensees subject to the fee. The table below identifies the fee impact of this bill.

**Table 2
Fee Impact on Wineries**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2021-22	Noncontiguous Location Permit	\$125	99	\$12,375
	FY 2021-22 Total			\$12,375
FY 2022-23	Noncontiguous Location Permit	\$125	132	\$16,500
	Noncontiguous Location Permit Renewal	\$100	99	\$9,900
FY 2022-23 Total			\$26,400	

State Expenditures

The bill increases state expenditures for the Department of Revenue by \$16,038 in FY 2021-22 and \$19,964 in FY 2022-23 and future years. Expenditures are from the Liquor Enforcement Division Cash Fund and are listed in Table 3 and discussed below.

**Table 3
Expenditures Under HB 21-1044**

	FY 2021-22	FY 2022-23
Department of Revenue		
Personal Services	\$8,747	\$15,556
Computer Programming	\$4,500	-
Centrally Appropriated Costs ¹	\$2,791	\$4,408
Total Cost	\$16,038	\$19,964
Total FTE	0.2 FTE	0.3 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Revenue. The Liquor Enforcement Division requires 0.2 FTE in FY 2021-22 and 0.3 FTE in FY 2022-23 and future years to process applications from wineries for additional noncontiguous locations and complete required inspections and compliance checks. The fiscal note estimates that there will be about 100 applications in the first year and 132 new applications beginning in the second year, each requiring 90 minutes of staff time to process the application and an hour for a pre-application inspection of the new location. In addition, compliance checks will be completed at 30 percent of the noncontiguous locations.

The fiscal note assumes that wineries are not allowed to have more sales rooms than is allowed under current law. To the extent that wineries obtain sales room authorizations that they would not have pursued under current law, workload for the department will increase. Should additional resources be required, they will be requested through the annual budget process.

Computer programming. The department's MyLo licensing system must be modified to allow for noncontiguous location applications, at a one-time cost of \$4,500.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$2,791 in FY 2021-22 and \$4,408 in FY 2022-23.

TABOR refunds. Under the December 2020 Legislative Council Staff Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2021-22 or FY 2022-23, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Local Government

To the extent that wineries obtain sales room authorizations that they would not have pursued under current law, workload for local licensing authorities will increase. In addition, workload may increase to approve new winery locations, as wineries are required to submit proof of compliance with local zoning, building, fire, and occupancy, and other local codes for any new location.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

In FY 2021-22, the bill requires an appropriation of \$13,247 from the Liquor Enforcement Division Cash Fund to the Department of Revenue, and 0.2 FTE.

State and Local Government Contacts

Counties	Law	Municipalities	Revenue
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