



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0760
Prime Sponsors: Rep. Snyder

Date: February 18, 2022
Bill Status: House Business
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Bill Topic: **ALCOHOL BEVERAGES EXTENDED SERVICE HOURS PERMIT**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill allows on-premises liquor licensees to apply for a permit to extend the hours that they can sell alcohol. The bill increases state and local revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$126,130 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 22-1142

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	\$109,003	\$155,718
	Total Revenue	\$109,003	\$155,718
Expenditures	Cash Funds	\$126,130	\$100,803
	Centrally Appropriated	\$19,575	\$15,382
	Total Expenditures	\$145,705	\$116,185
	Total FTE	1.4 FTE	1.1 FTE
Transfers		-	-
Other Budget Impacts	TABOR Refund	\$109,003	\$155,718

Summary of Legislation

Under current law, beer, wine, and spirits for on-premises consumption may only be sold between 7:00 a.m. and 2:00 a.m. and fermented malt beverages may be sold between 8:00 a.m. and midnight. This bill creates an extended service hour permit to allow on-premises liquor licensees to operate between 5:00 a.m. and 2:00 a.m., or between 7:00 a.m. and 4:00 a.m. Licensees must concurrently apply to state and local licensing authorities and designate which window they are applying for. An extended service hour permit must be renewed annually at the same time as the underlying license. The state authority must promulgate rules for the permit and must not issue or renew a permit to a licensee with any disciplinary action related to a license suspension or fine in the past 12 months.

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. This section outlines data on crimes comparable to the offense in this bill and discusses assumptions on future rates of criminal conviction for those offense.

Prior conviction data and assumptions. This bill creates an exception to the existing offense of selling beer, wine, or spirits after hours. From FY 2018-19 to FY 2020-21, zero offenders have been sentenced and convicted for selling malt liquor, wine, or spirits after hours; therefore, the fiscal note assumes that, even with the exception to the current after-hours time period for businesses with an extended service hours permit, there will continue to be minimal or no 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.

Visit leg.colorado.gov/fiscalnotes for more information about criminal justice costs in fiscal notes.

State Revenue

The bill increases state revenue by \$109,003 in FY 2022-23, and by \$155,718 in FY 2023-24. Fee revenue is deposited in the Liquor Enforcement Division Cash Fund in the Department of Revenue and is subject to TABOR.

Fee impact on on-premises liquor licensees. 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, actual fees will be set administratively by the Liquor Enforcement Division based on cash fund balance, estimated program costs, and the estimated number of permits subject to the fee. There are currently 8,651 licensees eligible for an extended hours permit. This analysis assumes that 35 percent of licensees will apply in FY 2022-23, and that an additional 15 percent will apply in FY 2023-24. The table below identifies the fee impact of this bill.

**Table 2
Fee Impact on On-Premises Liquor Licensees**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2022-23	Extended Service Hour Permit Fee	\$36	3,028	\$109,003
FY 2023-24	Extended Service Hour Permit Fee	\$36	4,326	\$155,718

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$145,705 in FY 2022-23, and by \$116,185 in FY 2023-24 from the Liquor Enforcement Division Cash Fund. Expenditures are shown in Table 3 and detailed below.

**Table 3
Expenditures Under HB22-1142**

	FY 2022-23	FY 2023-24
Department of Revenue		
Personal Services	\$73,021	\$59,773
Operating Expenses	\$1,755	\$1,350
Capital Outlay Costs	\$12,400	-
Equipment and Vehicle Costs	\$7,543	\$5,330
Computer Programming	\$5,000	-
Legal Services	\$18,235	\$22,671
Compliance Check Costs	\$8,175	\$11,679
Centrally Appropriated Costs ¹	\$19,575	\$15,382
FTE – Personal Services	1.3 FTE	1.0 FTE
FTE – Legal Services	0.1 FTE	0.1 FTE
Total Cost	\$145,704	\$116,185
Total FTE	1.4 FTE	1.1 FTE

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

Department of Revenue. The department requires 1.3 FTE in FY 2022-23, and 1.0 FTE beginning in FY 2023-24 to process permit applications, handle questions, and conduct enforcement and investigations. Staffing levels are split between an administrative assistant and a criminal investigator. Investigator costs are based on compliance checks at 15 percent of permitted locations, and an assumed 3 percent compliance check failure rate, which is in line with current rates. Standard operating and capital outlay costs are included. The DOR will have additional costs for leased vehicles from the Department of Personnel and Administration, and for standard equipment and computer programming. The department will use legal services from the Department of Law for rulemaking and increased enforcement cases, and vendor services from a compliance check contractor.

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 shown in Table 2.

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 December 2021 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. 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

The bill increases fee revenue and workload for local licensing authorities to accept permit applications and conduct enforcement during the expanded hours. The impact will vary by local jurisdiction, and local jurisdictions may choose to not allow extended service permits.

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 2022-23, the bill requires an appropriation of \$126,130 from the Liquor Enforcement Division Cash Fund to the Department of Revenue, and 1.3 FTE. Of this amount, \$18,235 and an additional 0.1 FTE is reappropriated to the Department of Law for legal services, and \$1,543 is reappropriated to the Department of Personnel and Administration for fleet vehicle management.

State and Local Government Contacts

Counties	Law	Municipalities	Revenue
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