



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0941 Date: May 3, 2022
Prime Sponsors: Rep. Roberts; Larson Bill Status: House Business
Fiscal Analyst: Anna Gerstle | 303-866-4375
Anna.Gerstle@state.co.us

Bill Topic: ALCOHOL BEVERAGES TASK FORCE & RETAILER LICENSES

- Summary of Fiscal Impact:
[X] State Revenue [X] TABOR Refund
[X] State Expenditure [X] Local Government
[] State Transfer [] Statutory Public Entity

The bill makes changes to state law related the sale of alcohol at retail liquor stores and grocery stores for off-premises consumption, including license types, number of locations, and delivery. It also creates an alcohol beverage regulation task force. The bill increases state and local revenue and workload on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 22-1417

Table with 5 columns: Category, Sub-category, Budget Year FY 2022-23, Out Year FY 2023-24, Out Year FY 2024-25. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill makes changes to state law related the sale of alcohol at retail liquor stores and grocery stores for off-premises consumption, including license types, number of locations, and delivery. It also creates the Alcohol Beverage Regulation Task Force.

Alcohol Beverage Regulation Task Force. The bill creates the alcohol beverage regulation task force in the Department of Revenue (DOR), and specifies the composition of the 26 members. Members serve without compensation or expense reimbursement. The DOR may hire an outside facilitator to support the task force. The task force must make recommendations to the General Assembly on how to modernize, clarify, and harmonize the Colorado Liquor Code, Beer Code, and other statutes regulating alcohol beverages, in alignment with guiding principles specified in the bill. The task force must report to relevant legislative committees by December 1, 2023, including recommendations and a summary of dissenting votes for any recommendation that is not unanimous.

Licensing. The bill makes changes to liquor licensing, shown below in chronological order:

- **Delivery.** The bill repeals current delivery provisions for retail liquor stores and liquor-licensed drugstores on January 1, 2024. On or after that date, these stores—and beer-and-wine licensed grocery stores as of 2026—may deliver alcohol if:
 - the person making deliveries is authorized by the licensee and has obtained a permit from the state licensing authority;
 - the person receiving the delivery is not at a liquor-licensed location; and
 - the person making the delivery is at least 21 years of age and is authorized by the licensee and the state licensing authority.

The DOR must establish the requirements for a delivery permit in rule by January 1, 2024, including a criminal history record check, responsible vendor certification, and permit fees. Retail liquor stores, liquor-licensed drugstores, and beer-and-wine licensed grocery stores may not make more than 50 percent of its gross annual revenue from the sale of delivered alcohol.

- **Liquor-licensed drugstores.** Under the bill, state and local licensing authorities may not issue a new liquor-licensed drugstore license as of the effective date of the bill. On January 1, 2026, all liquor-licensed drugstore licenses automatically convert to a beer-and-wine licensed grocery store license, which allows the store to sell beer and wine for off-premises consumption. A liquor-licensed drugstore licensed before January 1, 2022 may continue to operate as a liquor-licensed drugstore if they notify the state licensing authority by April 1, 2026.

The bill also repeals the existing schedule of additional liquor-licensed drugstore locations, distance requirements, and the requirement that a liquor-licensed drugstore purchase and convert at least two retail liquor store licenses to obtain an additional licensed location.

- **Beer-and-wine licensed grocery store.** Beginning January 1, 2026, the newly created beer-and-wine licensed grocery store license allows the store to sell beer and wine for off-premises consumption. Liquor-licensed drugstores may be automatically converted to this license type, as discussed above. Licenses must not be issued for a location within 1,500 feet of a retail liquor store, may conduct tastings, and must provide evidence that at least 20 percent of their gross annual income is from food items. Licensees may have multiple licensed locations, as follows:
 - 8 licensed locations, in calendar year 2026;
 - 13 licensed locations, from January 1, 2027 to December 31, 2031;
 - 20 licensed locations, from January 1, 2032 to December 31, 2036;
 - unlimited number of licensed locations, beginning January 1, 2037.

The bill sets fees for the new license, and aligns license requirements with similar other off-premises retailers, including requiring each location to have a permitted manager.

- **Retail liquor stores.** The bill modifies the existing schedule of the number of allowed retail liquor store locations so that stores are allowed a maximum of 4 locations in 2027 through 2031, 6 total locations beginning January 1, 2032. An unlimited number of licensed locations are allowed if the licenses are obtained through a transfer of ownership. The bill expands the distance requirement between a new and existing retail liquor store from 1,500 to 3,000 feet.

Background

More information on current law related to the sale of alcohol for off-premises consumption — including delivery — by retail liquor stores, liquor-licensed drugstores, and fermented malt beverage (beer) off-premises retailers can be found in LCS' Off-Premises Retail Liquor Licensing Issue Brief:

http://leg.colorado.gov/sites/default/files/r22-424_issue_brief_on_off_premises_liquor_retailers.pdf.

As of April 5, 2022, there were 1,563 retail liquor stores, 30 liquor-licensed drugstores, and 1,825 fermented malt beverage off-premises retailers licensed in Colorado.

Comparable Crime

The bill aligns the new beer-and-wine grocery store license with many current license requirements, including the crime of unlawful sale of alcohol. The fiscal note assumes that the bill does not change the basis of those crimes, nor does it change the population that may be subject to those crimes. As a result, no comparable crime analysis is included in the fiscal note.

State Revenue

The bill is anticipated to increase state cash fund revenue by at least \$51,744 in FY 2023-24 (half-year impact) and at least \$91,091 in FY 2024-25 and ongoing to the Liquor Enforcement Division Cash Fund. Revenue may also increase to the Colorado Bureau of Investigation Identification Unit Cash Fund.

Department of Revenue. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Fees for the bill’s delivery permit are expected to cover at least the costs for the Liquor Enforcement Division to ensure licensee compliance, as discussed in the State Expenditures section. As such, the bill will increase fee revenue on permittees by at least \$51,744 in FY 2023-24 (half-year impact) and at least \$91,091 in FY 2024-25 and ongoing. These fee amounts are estimates only, actual fees will be set administratively by the Liquor Enforcement Division based on rulemaking outcomes, cash fund balance, estimated program costs, and the estimated number of permits. For informational purposes, a takeout and delivery permit for restaurants is \$11.

Department of Public Safety. Beginning in FY 2023-24, the bill may increase revenue to the Colorado Bureau of Investigation Identification Unit Cash Fund if there is a change in the number of criminal history record checks resulting from delivery permit applicants. The fee for a check is \$39.50 per check, of which \$28.25 per check is subject to TABOR. The revenue impact is expected to be minimal.

State Expenditures

The bill increases state cash fund expenditures in the DOR by at least \$51,744 in FY 2023-24 (half-year impact) and at least \$91,091 in FY 2024-25 from the Liquor Enforcement Division Cash Fund. The bill may increase workload for DPS. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 22-1417**

	FY 2022-23	FY 2023-24	FY 2025-26
Department of Revenue			
Personal Services	-	\$35,538	\$71,077
Operating Expenses	-	\$810	\$1,620
Capital Outlay Costs	-	\$6,200	
Centrally Appropriated Costs ¹	-	\$9,196	\$18,394
Total Cost	-	\$51,744	\$91,091
Total FTE	-	0.6 FTE	1.2 FTE

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

Department of Revenue. The Liquor Enforcement Division will have workload impacts beginning in FY 2022-23 and expenditure impacts beginning in FY 2023-24, as detailed below.

- **Task force.** The bill increases workload for the to support the working group and report to the legislature in FY 2022-23. The fiscal note assumes that the department will not require an appropriation for this work.

- **Delivery permit.** Beginning January 1, 2024, the LED requires 1.2 FTE Compliance Investigator to enforce the delivery permit, prorated for a half-year impact in FY 2023-24. Workload will also increase for the LED to perform rulemaking and issue additional delivery permits. Should additional resources be required, costs will be paid for via a delivery permit fee increase and additional spending authority will be requested through the annual budget process.
- **Licensing changes.** The bill will increase workload to implement changes related to distance requirements, process automatic license conversions for liquor-licensed drugstores, and handle new or conversion applications for additional licensed locations. The cost of adding the new beer-and-wine grocery store license to the licensing system is \$5,000 in FY 2026-27. Any change in appropriations will be addressed through the annual budget process.

Department of Public Safety. The bill may increase workload and costs for the DPS to complete additional background checks for delivery permit applicants, beginning in FY 2023-24. The increase is expected to be minimal.

Local Government

Similar to the state impact, the bill will modify workload for local licensing authorities to modify licensing procedures to align with the bill's changes.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Revenue