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Revised Fiscal Note

(replaces fiscal note dated April 29, 2024)

Drafting Number: LLS 24-0652 Date: May 1, 2024
Prime Sponsors: Sen. Priola; Hansen Bill Status: House Finance
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Bill Topic: ALCOHOL IMPACT & RECOVERY ENTERPRISE

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

The bill creates the Alcohol Impact and Recovery Enterprise and several grant programs within the enterprise. The bill increases state expenditures and revenue on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill includes an appropriation of \$98,583 to the Department of Revenue and the Department of Law.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under SB 24-181

Table with 5 columns: Category, Sub-category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27, Audit Years FY 2030-31. Rows include Revenue, Expenditures, Transfers, and Other Budget.

Summary of Legislation

The bill creates the Alcohol Impact and Recovery Enterprise under the Behavioral Health Administration (BHA). The enterprise board will consist of various department representatives and stakeholders and will report to the General Assembly annually. The enterprise will be audited in FY 2030-31 and every 4 years thereafter or as frequently as necessary as determined by the State Auditor.

The bill creates the following grant programs under the enterprise, all of which will be implemented by January 1, 2026:

- the Colorado Alcohol Treatment and Recovery Affordability Grant Program to award grants to Behavioral Health Administrative Services Organizations (BHASOs) to provide substance use disorder (SUD) treatment and recovery services on a sliding fee scale;
- the Colorado Alcohol Use Prevention and Early Intervention Grant Program to award grants to entities dedicated to SUD prevention;
- the Colorado Alcohol-Related Impaired Driving Prevention and Deterrence Grant Program to award grants to entities that provide harm reduction services and deter alcohol-related impaired driving; and
- The Colorado Tribal Alcohol Impact Grant Program to award grants to tribal governments.

The DOR may retain revenue from the fee to cover the administrative costs of collecting the fee. The bill specifies that the remainder will be credited to the Colorado Alcohol Impact Fund as follows (see Technical Note):

- 80 percent for the treatment and recovery grant program;
- 15 percent for the prevention grant program;
- 10 percent for the impaired driving grant program; and
- 2 percent for the tribal grants.

The enterprise is authorized to collect fees from self-distributing manufacturers and wholesale distributors of alcohol who manufacture or distribute at least 100,000 proof gallons of spirits, 130,000 gallons of wine, or 186 million gallons of beer. The fee revenue is deposited into the newly created Colorado Alcohol Impact Enterprise fund which is continuously appropriated to the enterprise. The bill sets the fee as follows:

- 4.09¢ per gallon of malt liquor, apple wine, and hard cider;
- 3.67¢ per liter of wine; and
- 30.60¢ per liter of spirituous liquor.

Background

Enterprises. TABOR defines an enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under ten percent of annual revenue in grants from all Colorado state and local governments combined." Because the share of revenue that an enterprise may receive from government sources is capped, enterprises are largely financially independent of core government agencies. Additionally, enterprises cannot levy taxes. TABOR

limits the amount of money that can be spent or saved by the state government and all local governments within the state. However, revenue collected by enterprises is not subject to these constraints.

State Revenue

The bill increases revenue to the new enterprise by approximately \$20 million per year beginning FY 2025-26. Over the first five years, the enterprise is estimated to collect about \$82 million, as the enterprise does not collect revenue in the first year.

Fee revenue is estimated based on the amount of liquor that has been subject to the current liquor taxes in recent years, consistent with the March 2024 LCS forecast. The imposition of fees at the level in the bill is not expected to decrease consumption relative to the levels expected under current law. For revenue estimates beyond the March 2024 forecast period, consumption is expected to increase at a rate of 2.5 percent per year, consistent with the historical trend. Additionally, the fiscal note assumes that the fee will not change from the amount specified in the bill. This estimate assumes that 65 percent of all alcohol sales are made by manufacturers and distributors that are subject to the fee. Fees paid to the state enterprise are estimated below and are exempt from TABOR.

**Table 2
 Fee Revenue Under SB 24-181**

Fee	FY 2025-26	FY 2026-27	FY 2030-31
Units			
Malt Liquor, Apple Wine, and Hard Cider (gallons)	87,471,410	89,658,195	98,965,872
Wine (liters)	50,041,211	51,292,241	56,617,037
Spirituos Liquor (liters)	47,092,627	48,269,943	53,280,985
Revenue Impact			
Malt Liquor, Apple Wine, and Hard Cider	\$3,577,581	\$3,667,020	\$4,047,704
Wine	\$1,836,512	\$1,882,425	\$2,077,845
Spirituos Liquor	\$14,410,344	\$14,770,602	\$16,303,981
Total Revenue	\$19,824,437	\$20,320,047	\$22,429,530

Gifts grants and donations. The bill potentially increases state revenue to the Colorado Alcohol Impact Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

Revenue bonds. The enterprise also has the authority to issue revenue bonds. If the enterprise chooses to issue revenue bonds, revenue will increase by more than what is shown above. This revenue is not subject to TABOR.

State Transfers

The bill requires a one-time transfer of \$650,000 from the General Fund to the Colorado Alcohol Impact Enterprise Fund in FY 2024-25. The transfer is a loan to the enterprise, and must be repaid with interest to the General Fund by July 1, 2027. The fiscal note assumes that the loan will be repaid in equal installments in FY 2025-26 and FY 2026-27 with an interest rate of approximately 4.5 percent. The loan repayment is expected to be approximately \$369,000 per year.

State Expenditures

The bill increases expenditures by \$240,000 in FY 2024-25 paid from the General Fund and the Colorado Alcohol Impact Fund and, in future years, by around \$20 million per year paid from the Colorado Alcohol Impact Fund. Costs will shift in years when a required audit is scheduled. These costs are summarized in Table 3 and discussed below.

**Table 3
 Expenditures Under SB 24-181**

	Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27	Audit Years FY 2030-31
Behavioral Health Administration				
Personal Services	\$98,267	\$378,159	\$378,159	\$378,159
Operating Expenses	\$1,280	\$5,120	\$5,120	\$5,120
Capital Outlay Costs	\$6,670	\$20,010	-	-
Legal Services	\$57,609	\$19,203	\$19,203	\$19,203
Meeting Costs	\$10,852	\$10,852	\$10,852	\$10,852
Treatment and Recovery Grant Program	-	\$14,156,312	\$14,541,822	\$16,077,137
Prevention Grant Program	-	\$2,654,308	\$2,726,591	\$3,014,463
Impaired Driving Grant Program	-	\$1,769,539	\$1,817,728	\$2,009,642
Tribal Alcohol Impact Grant	-	\$353,908	\$363,546	\$401,928
Centrally Appropriated Costs ¹	\$20,524	\$80,698	\$80,698	\$80,698
FTE – Personal Services	1.0 FTE	4.0 FTE	4.0 FTE	4.0 FTE
FTE – Legal Services	0.3 FTE	0.1 FTE	0.1 FTE	0.1 FTE
BHA Subtotal	\$195,202	\$19,448,109	\$19,943,719	\$21,997,202

**Table 3
 Expenditures Under SB 24-181 (Cont.)**

	Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27	Audit Years FY 2030-31
Department of Revenue				
Computer Programing and Testing	\$33,582	-	-	-
Data Reporting	\$7,392	\$7,328	\$7,328	\$7,328
DOR Subtotal	\$40,974	\$7,328	\$7,328	\$7,328
Office of the State Auditor				
Enterprise Audit	-	-	-	\$425,000
FTE – State Auditor	-	-	-	3.7 FTE
Dept. Subtotal	-	-	-	\$425,000
Total Cost	\$236,176	\$19,455,437	\$19,951,047	\$22,429,530
Total FTE	1.3 FTE	4.1 FTE	4.1 FTE	7.8 FTE

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

Behavioral Health Administration. The bill increases expenditures to set up the enterprise and within the new enterprise to operate the new grant programs. Costs associated with these efforts are detailed below.

- **Staffing.** Once fully implemented, the BHA requires 4.0 FTE. This includes:
 - 1.0 FTE program manager to lead the enterprise, develop the programs, and supervise enterprise employees;
 - 1.0 FTE to administer the grant programs; and
 - 2.0 FTE to manage the revenue collections in line with the bill and current law requirements, maintain the necessary documentation for the state auditor, and to perform other accounting and budget functions for the enterprise.

Of the staff identified above, the program manager is assumed to start on July 1, 2024, to help establish the enterprise, and the remaining staff are assumed to start on July 1, 2025.

- **Meeting costs.** The BHA requires funds to host the board and compensate its members. It is assumed that board will meet once a quarter Administrative and support costs for the workgroup are estimated to be \$2,713 per meeting. Member compensation is estimated at \$2,123 per meeting, assuming that members not associated with a state agency will be eligible for compensation. Other costs include venue and catering.
- **Legal services.** The BHA requires 450 hours of legal services in FY 2024-25 and 150 hours in future years to assist with rulemaking so that revenue collection aligns with existing law. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.

- **Grant programs.** Once the above costs are accounted for the remainder of the Colorado Alcohol Impact Fund will be distributed to three grant programs. Because the amounts prescribed by the bill equal over 100 percent (see Technical Note), the fiscal note assumes remaining funds will be allocated as follows: 75 percent to the Treatment and Recovery Grant Program; 14 percent to the Prevention Grant Program; 9 percent to the Impaired Driving Grant Program; and 2 percent to the Tribal Alcohol Impact Grant Program.

Department of Revenue. The bill increases expenditures in the DOR to administer the new fee.

- **Computer programming and testing.** This bill requires one-time expenditures of \$33,582 in FY 2024-25 to program, test, and update database fields in the DOR's GenTax. Programming costs are \$21,785, representing 94 hours of contract programming in GenTax at a rate of \$232 per hour. Costs for testing at the department include \$8,085 for 231 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$3,712 for 116 hours of user acceptance testing at a rate of \$32 per hour.
- **Data reporting.** The Office of Research and Analysis must make changes in the related tax reports so that the department can access and document statistics related to the new fee. These costs are estimated at 231 hours for data management and reporting at \$32 per hour, with ongoing costs of 229 hours thereafter.

State Auditor. The state auditor requires 3.7 FTE and \$425,000 starting in FY 2030-31 and every four years thereafter, assuming the state auditor does not exercise authority to change the frequency. This will be appropriated to the DOR and reappropriated to the state auditor.

Governor's Office. Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointment under the bill. This work can be accomplished within existing appropriations.

Technical Note

The allocations to various grant programs specified in the bill sum to over 100 percent of the Colorado Alcohol Impact Fund. Since the enterprise has the ability to adjust the allocations, the fiscal note assumes that it will do so to remain within 100 percent of the fund and maintain the relative amounts between the grant programs.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$40,974 to the Department of Revenue. Additionally, \$57,609 is reappropriated from the Colorado Alcohol Impact Enterprise Fund to the Department of Law with an additional 0.3 FTE.

State and Local Government Contacts

Behavioral Health Administration

Law

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](#).