



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-1176	Date:	May 2, 2024
Prime Sponsors:	Sen. Rodriguez; Gardner Rep. Snyder; Frizell	Bill Status:	Senate Finance
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Bill Topic: **ALCOHOL BEVERAGE LIQUOR ADVISORY GROUP RECS**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill makes several changes to liquor licensing and regulation. The bill increases state revenue and expenditures and has a minimal workload impact on local governments beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$452,111 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under SB 24-231

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	Cash Funds	\$851,646	\$820,958
	Total Revenue	\$851,646	\$820,958
Expenditures	General Fund	\$452,111	-
	Cash Funds	-	\$418,352
	Centrally Appropriated	\$79,535	\$82,606
	Total Expenditures	\$531,646	\$500,958
	Total FTE	4.2 FTE	4.3 FTE
Transfers		-	-
Other Budget Impacts	TABOR Impact	\$851,646	\$820,958
	General Fund Reserve	\$67,817	-

Summary of Legislation

The bill makes several changes to liquor enforcement and administration.

Licensing changes. Under current law, one liquor license exists for lodging and entertainment facilities. The bill separates this license into two separate license types for each facility.

The bill also creates two new license types: an alcohol beverage shipper license for shippers that sell wine for certain licensed wineries, and a catering license that allows caterers to be permitted to sell and serve alcohol on unlicensed premises at catered events.

Under current law, a winery may have one manufacturing license for two noncontiguous locations provided they are within 10 miles of each other. The bill expands this ability for licensed premises to have two separate locations to include limited wineries, distilleries and breweries.

Feasibility study. The bill requires the Liquor Enforcement Division (LED) in the Department of Revenue (DOR) to undertake a feasibility study for adopting an online portal system which would allow liquor license applications and renewals to be completed online. The study must be completed by January 1, 2028, and report to the legislative finance committees by March 1, 2028.

Local licensing authorities. The bill allows local liquor licensing authorities to delegate their licensing authority to the state when the location of the business is on state-owned property. The bill removes the requirement that a local liquor licensing authority hold a public hearing upon receipt of a license application.

Tastings and classes. Under current law, tastings conducted by liquor licensees may not occur before 11 a.m. The bill changes the time to 10 a.m. Additionally, the bill allows off-premises retailers to conduct tastings, subject to certain requirements, and allows retail liquor stores to hold educational classes so long as they not charge a per-drink fee. These licensees must track participants to ensure they do not allow participants to attend another tasting event on the premises on the same day.

Biennial licenses. Currently, liquor licenses are renewed annually. The bill allows biennial (every two year) renewal. Payments for biennial licenses are divided between two annual payments. The LED may require a business to obtain an annual license if certain rules are violated.

Distillery sales rooms. The bill allows distillers that have a sales room to purchase and use common beverages to combine with their products to produce cocktails for consumption on or off the premises.

Wholesalers. The bill allows wholesalers to obtain an importer's license and to conduct trade show events to allow businesses to sample products.

Transfer of inventory and license. A liquor licensed retail store that is going out of business may sell its inventory to another licensee, provided both the buyer and the seller abide by certain requirements. The seller's license may be transferred to the buyer if certain requirements are met.

Sales from retail liquor stores to other license types. Under current law, certain license types may purchase up to \$2,000 worth of product from a retail liquor store annually. The bill increases this limit to \$7,000 annually and provides the ability for this limit to be adjusted for inflation. The LED must post this limit annually on their website.

Investigation fees. The bill allows the state licensing authority to charge licensee's an investigative fee for certain investigative proceedings. Investigative fees are prohibited for routine compliance checks. Fees will be deposited into the Liquor Enforcement Division and State Licensing Authority Cash Fund.

Christmas Day sales. The bill allows sale of alcoholic beverages on December 25.

Prohibition on marijuana sales. The bill prohibits liquor licensees from selling marijuana products.

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. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior conviction data and assumptions. This bill removes factual bases for various unlawful acts in the Colorado Liquor Code, which are class 2 misdemeanors. From FY 2020-21 to FY 2022-23, zero offenders have been sentenced and convicted for a liquor code-related offense; therefore, the fiscal note assumes that there will continue to be minimal or no additional 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.

State Revenue

The bill is anticipated to increase fee revenue by about \$850,000 in FY 2024-25 and \$820,000 in FY 2025-26 and ongoing. This includes the following:

- an increase in current liquor fees to cover new expenditures, estimated at about \$530,000 in FY 2024-25 and \$500,000 in FY 2026-26 and ongoing (see State Expenditures section) to cover the direct and indirect costs of administering new license types; and
- an increase in investigation fees allowed under the bill, estimated at about \$320,000 per year. These are assumed to be billed to businesses at a rate of \$50 per hour and are estimated to total 6,400 hours annually.

Additionally, the bill allows for licenses to convert from an annual license to a biennial license; however, the billing cycle for these biennial licenses is still annual and is not expected to have an impact on state revenue.

State Expenditures

The bill increases state expenditures in the DOR by about \$532,000 in FY 2024-25 and \$500,000 in FY 2025-26 and ongoing. Costs are paid from the General Fund in FY 2024-25 to allow time to implement the new license types and associated fees. Subsequent year expenditures will be funded from the LED Cash Fund. Costs are shown in Table 2 and explained below.

**Table 2
 Expenditures Under SB 24-231**

	FY 2024-25	FY 2025-26
Department of Revenue		
Personal Services	\$327,775	\$348,138
Operating Expenses	\$5,376	\$5,504
Capital Outlay Costs	\$33,350	-
Contract Enforcement Operatives	\$51,900	\$57,600
Computer Programming	\$15,000	-
Officer Equipment and Vehicle Costs	\$18,710	\$7,110
Centrally Appropriated Costs ¹	\$79,535	\$82,606
Total Cost	\$531,646	\$500,958
Total FTE	4.2 FTE	4.3 FTE

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

Department of Revenue. The LED requires staff, computer programming, and enforcement costs to implement the bill.

- **Staff.** The new catering license and alcohol shippers license will increase expenditures for processing applications, performing compliance checks, writing stipulation agreements, and conducting administrative hearings. Rulemaking efforts will be accomplished within existing resources. In total, 4.3 FTE are required on an ongoing basis, composed of administrator and criminal investigator staff. Costs are prorated to assume a September 2024 start date in FY 2024-25 and standard capital outlay and operating costs are included. New criminal investigators carry certain equipment and require a vehicle. Vehicle costs are \$7,110 per year and include maintenance. Equipment costs are one-time at \$5,800 per investigator.
- **Contract enforcement operatives.** DOR will retain the services of minor operatives to accompany criminal investigators to perform compliance checks. These costs are estimated at \$20 per hour and assume 2,595 hours in FY 2024-25 and 2,880 hours in FY 2025-26 and ongoing.

- **Computer programming.** LED's licensing software will require programming to create two new license types and split the current lodging and entertainment license into separate licenses. Costs are estimated to total \$5,000 in programming expenses per license, resulting in \$15,000 in FY 2024-25 only.

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 March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

Local liquor licensing authorities will have decreased workload due to the removal of the requirement to hold a public hearing whenever a new license application is received. However, complying with the bill's other provisions may result in updating forms and procedures. The net impact of the bill is expected to be neutral for local governments.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$452,111 to the Department of Revenue, and 4.2 FTE.

State and Local Government Contacts

Revenue