Colorado Legislative Council Staff

SB17-253

FISCAL NOTE

FISCAL IMPACT: ☒ State ☒ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-1108	**Date:**	April 10, 2017
Prime Sponsor(s):	Sen. Marble; Guzman Rep. Garnett; McKean	**Bill Status:**	Senate Business
		Fiscal Analyst:	Anna Gerstle (303-866-4375)

BILL TOPIC: ALCOHOL MANUFACTURER CUSTOMER SALES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	$55,506	$59,832
Cash Funds	55,506	59,832
State Expenditures	$55,506	$59,832
Cash Funds	40,465	42,837
Centrally Appropriated Costs	15,041	16,995
TABOR Impact	$55,506	$59,832
FTE Position Change	0.9 FTE	1.0 FTE
Appropriation Required: $40,465 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing revenue and expenditure increase.		

Summary of Legislation

Under current law, a licensed wine or spirits manufacturer may operate a sales room at the licensed manufacturing location and one other location at no additional cost. The bill allows these licensees to operate up to two sales room at locations other than the manufacturing location, for a total of three sales rooms.

Under current law, a licensed beer wholesaler may operate one on-site sales room and may not operate any temporary sales rooms. Under the bill, a licensee may operate two additional sales room, for a total of three, including temporary sales rooms. Sales room authorizations may be obtained via the initial license application or via supplemental application, at no additional cost.

In addition, under current law, a local licensing authority may submit a response to the state licensing authority regarding an application to operate a temporary sales room by a wine or spirits manufacturer within a time frame specified by the state licensing authority by rule. The bill extends this requirement to applications to operate a temporary sales room by a beer wholesaler.

Background

Under current law, the ability to obtain sales rooms is tied to wine and spirits manufacturing and beer wholesaler licenses. Licensed wine and spirits manufacturers may use their two allowable sales rooms for permanent locations, or may have one permanent location on their premises and use the other sales room to conduct sales at temporary events (e.g. farmers markets, festivals, or other events lasting no more than three days). The one used for temporary events may be made up of multiple temporary sales rooms permits throughout the year. Licensed beer wholesalers currently may operate one permanent sales room on their premises, but cannot operate temporary sales rooms. Under the bill, beer wholesalers may use any of the two additional sales rooms for temporary sales rooms.

As of March, 2017, there are 89 licensed wine or spirits manufacturers in the state operating 54 permanent sales rooms and 287 licensed beer wholesalers operating 177 permanent sales rooms. Applications for sales rooms must be submitted to and approved by the Liquor Enforcement Division (LED) in the Department of Revenue (DOR), which serves as the state licensing authority.

State Revenue

The bill increases state revenue to the Liquor Enforcement Division Cash Fund by $55,506 in FY 2017-18 and $59,832 in FY 2018-19. Under current law for wine and spirits manufacturer and under the bill for beer wholesalers, no additional fees may be charged for an application for a sales room. However, the fiscal note assumes that state application fees for all new liquor licensees will increase in order to cover expenditures incurred as a result of the bills. Fees will be set administratively by DOR based on cash fund balance, estimated program costs, and the estimated number of licenses subject to the fee. Currently, the one-time application fee is $1,950 for a new liquor license, deposited in the Liquor Enforcement Division Cash Fund.

TABOR Impact

This bill increases state revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

The bill increases state expenditures in the Liquor Enforcement Division from the LED Cash Fund by $55,506 and 0.9 FTE in FY 2017-18 and $76,827 and 1.0 FTE in FY 2018-19, as listed in Table 1 and discussed below.

Table 1. Expenditures Under SB17-253		
Cost Components	**FY 2017-18**	**FY 2018-19**
Personal Services	$34,907	$41,887
FTE	0.9 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,558	950
Centrally Appropriated Costs*	15,041	16,995
TOTAL	**$55,506**	**$59,832**

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

Assumptions. The fiscal note assumes that of the 54 wine and spirits manufacturers with permanent sales rooms, 30 percent (16) will obtain an additional permanent sales room, and that 32 additional temporary sales rooms will be authorized. Of the 177 licensed beer wholesalers with permanent sales rooms, 50 percent (89) will obtain one additional sales room, 10 will obtain a second new sales room, and 445 new temporary sales room will be authorized. In each of FY 2017-18 and FY 2018-19, the fiscal note assumes that half the new permanent sales rooms (58) and all temporary sales rooms (477) will be authorized.

Personal services. LED requires 0.7 FTE in FY 2017-18 and 0.8 in FY 2018-19 for an administrative assistant to process new sales room applications, and 0.2 FTE for a criminal investigator to conduct investigations and compliance checks, and assist with any administrative actions. Based on the assumed new sales room applications, the fiscal note assumes that there will be an additional 59 investigations and compliance checks completed and 6 new administrative actions taken. The FTE in FY 2017-18 is prorated to reflect a September 1, 2017 start date.

Legal services. LED requires one-time rulemaking in FY 2017-18, provided by the Department of Law. The increase can be accomplished within DOR's existing rulemaking allotment; no change in appropriations is required.

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. Leased space is included to show the incremental impact of the additional FTE, and calculated at DOR's rate of 200 square feet per FTE at a rate of $27 per square foot. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB17-253		
Cost Components	**FY 2017-18**	**FY 2018-19**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$7,053	$7,842
Supplemental Employee Retirement Payments	3,128	3,753
Leased Space	4,860	5,400
TOTAL	**$15,041**	**$16,995**

Local Government Impact

The bill may increase the workload of local licensing authorities to submit responses to applications for temporary sales rooms to the LED within the timeframe specified by rule. Any change in workload is assumed to be minimal.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

In FY 2017-18, the Department of Revenue requires an appropriation of $40,465 and an allocation of 0.9 FTE from the Liquor Enforcement Division Cash Fund.

Departmental Difference

DOR estimates that the bill will increase department expenditures by $171,938 and 2.3 FTE FY 2017-18 and $153,797 and 2.3 FTE in FY 2018-19. This estimate assumes that 208 new permanent sales rooms and 860 new temporary sales rooms will be authorized in both FY 2017-18 and FY 2018-19 as a result of the bill. However, the state revenue and expenditure impacts in this fiscal note are based on the assumption that 58 new permanent sales rooms and 477 new temporary sales rooms will be authorized in both FY 2017-18 and FY 2018-19.

State and Local Government Contacts

Counties	Information Technology	Judicial
Law	Municipalities	Public Safety
Revenue		