Colorado Legislative Council Staff

SB17-253

FINAL FISCAL NOTE

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

Drafting Number:	LLS 17-1108	**Date:**	June 20, 2017
Prime Sponsor(s):	Sen. Marble; Guzman Rep. Garnett; McKean	**Bill Status:**	Postponed Indefinitely
		Fiscal Analyst:	Anna Gerstle (303-866-4375)

BILL TOPIC: ALCOHOL MANUFACTURER CUSTOMER SALES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**$158,763**	**$165,330**
Cash Funds	158,763	165,330
State Expenditures	**$158,763**	**$165,330**
Cash Funds	116,685	116,735
Centrally Appropriated Costs	42,078	48,595
FTE Position Change	2.5 FTE	2.9 FTE
Appropriation Required: $116,685 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing revenue and expenditure increase.		

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

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 also operate up to two temporary sales rooms at any given time. Temporary sales rooms may not operate for more than three consecutive days and authorization 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 authorization for 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, although only one may be issued for any given day. Licensed beer wholesalers currently may operate one permanent sales room on their premises, but cannot operate 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 LED Cash Fund by $158,763 in FY 2017-18 and $165,330 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 LED Cash Fund.

State Expenditures

The bill increases state expenditures in the LED from the LED Cash Fund by $158,763 and 2.5 FTE in FY 2017-18 and $165,330 and 2.9 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	$100,201	$113,885
FTE	2.5 FTE	2.9 FTE
Operating Expenses and Capital Outlay Costs	16,484	2,850
Centrally Appropriated Costs*	42,078	48,595
TOTAL	**$158,763**	**$165,330**

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

Assumptions. The fiscal note assumes that of the 54 wine and spirits manufacturers that currently have permanent sales rooms, 30 percent (16) will obtain an additional permanent sales room, and that 32 additional temporary sales rooms will be authorized. For the licensed beer wholesalers, who currently may not obtain temporary sales rooms, the fiscal note assumes that 1,770 temporary sales rooms will be authorized each year, based on the 177 beer wholesalers that currently have a permanent sales room and the assumption that beer wholesalers will significantly utilize the new temporary sales room option.

The fiscal notes assumes that half of the new permanent sales room authorizations will be approved in FY 2017-18, and the other half in FY 2018-19, and temporary sales rooms will be approved each year beginning in FY 2017-18. As a result, in both FY 2017-18 and FY 2018-19, the fiscal note assumes that 8 new permanent sales rooms and 1,802 temporary sales rooms will be authorized.

Personal services. LED requires 2.2 FTE in FY 2017-18 and 2.6 in FY 2018-19 for an administrative assistant to process new sales room applications, and 0.3 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 and the current rate of investigations and compliance checks, the fiscal note assumes that there will be an additional 182 investigations and compliance checks completed and 18 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)	$19,599	$22,730
Supplemental Employee Retirement Payments	8,979	10,205
Leased Space	13,500	15,660
TOTAL	**$42,078**	**$48,595**

Local Government Impact

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

Effective Date

The bill was lost in the House Business, Affairs and Labor Committee on May 4, 2017.

State Appropriations

The bill includes a provision that no state appropriations are required to implement the bill. However, the fiscal note estimates that for FY 2017-18, the Department of Revenue requires an appropriation of $116,685 and an allocation of 2.5 FTE from the Liquor Enforcement Division Cash Fund in FY 2017-18.

Departmental Difference

DOR estimates that the bill will increase department expenditures by $283,472 and 5.3 FTE FY 2017-18 and $254,714 and 5.3 FTE in FY 2018-19. This estimate assumes that 48 new permanent sales rooms and 3,660 new temporary sales rooms will be authorized in both FY 2017-18 and FY 2018-19 as a result of the bill. The state revenue and expenditure impacts in this fiscal note are based on the assumption that 8 new permanent sales rooms and 1,802 new temporary sales rooms will be authorized in each of FY 2017-18 and FY 2018-19. This lesser amount is based on the assumptions that fewer sales room authorizations will be issued annually, at least initially, and that new permanent sales rooms will not all occur in FY 2017-18.

State and Local Government Contacts

Counties	Information Technology	Judicial
Law	Municipalities	Public Safety
Revenue		