Colorado
Legislative
Council
Staff

SB16-053

FINAL FISCAL NOTE

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

Drafting Number:	LLS 16-0387	**Date:**	June 9, 2016
Prime Sponsor(s):	Sen. Hill Rep. Pabon	**Bill Status:**	Postponed Indefinitely
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BILL TOPIC: LIMITED SELF-DISTRIBUTION BY SPIRITS MANUFACTURERS

Fiscal Impact Summary	FY 2015-16	FY 2016-2017	FY 2017-2018
State Revenue	**($21,750)**	**($83,250)**	**($94,800)**
General Fund	(19,000)	(73,000)	(84,000)
Liquor Cash Fund	(2,750)	(10,250)	(10,800)
State Expenditures	Workload decrease.		
TABOR Impact			($94,800)
Appropriation Required: None.			
Future Year Impacts: Ongoing revenue decrease.			

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, spirits manufacturers must have a separate wholesaler's license in order to sell their product to a retailer. The bill allows a spirits manufacturer to annually sell up to 9,000 liters of each spirit of its own manufacture to retailers without a separate wholesaler's license.

Background

Colorado's liquor laws are based on a three-tier system, separating manufacturers, wholesalers, and retailers. From 2012 - 2014, the Liquor Enforcement Division within the Colorado Department of Revenue (DOR) determined that Colorado law provided that wine or spirits manufacturers did not need to obtain a separate wholesaler's license to sell their product directly to retailers. Beginning in 2014, DOR required spirits manufacturers to obtain a wholesale license to self-distribute spirits.

State Revenue

This bill decreases state revenue by $21,750 in FY 2015-16, $83,250 in FY 2016-17, and $94,800 in FY 2017-18. By allowing spirits manufacturers to distribute up to 9,000 liters of each product without a wholesaler's license, fee revenue from wholesale license application and renewal decreases.

General Fund. The bill decreases revenue to the General Fund by $19,000 in FY 2015-16, $73,000 in FY 2016-17, and $84,000 in FY 2017-18. Of the $1,050 license fee charged for new licenses and renewals, $1,000 goes to the General Fund.

Liquor Enforcement Division and State Licensing Authority Cash Fund (Liquor Cash Fund). The bill decreases revenue to this cash fund by $2,750 in FY 2015-16, $10,250 in FY 2016-17, and $10,800 in FY 2017-18. The Liquor Cash Fund receives $50 of the $1,050 license fee charged for new licenses and renewals, as well as the $600 application fee charged for new licenses.

Data and Assumptions. This fiscal note is based on the following data and assumptions:

- 11 new spiritous liquor licenses are issued per year, based on a four year average;
- all new licensees will self-distribute and otherwise would have had to get a wholesale license;
- there are 77 spirit manufacturers in Colorado, as of January, 2016;
- of those, 62 currently have both manufacturer's and wholesaler's licenses and will not renew their wholesaler's license;
- the remaining 15 manufacturers do not need a wholesaler's license or will distribute more than 9,000 liters of a product;
- the bill goes into effect in April 2016; and
- 3 new licenses and 16 renewals (approximately a quarter of the annual licenses/renewals) would have otherwise been processed in April-June 2016.

Fee Impact on Individuals, Families or Business. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies the fee impact of this bill.

Table 1. Fee Impact on Spiritous Liquor Manufacturers under SB16-053

Wholesale Liquor License	Fee	License reduction FY 2015-16		License reduction FY 2016-17		License reduction FY 2017-18	
New	$1,650	3	($4,950)	11	($18,150)	11	($18,150)
Renewal	1,050	16	(16,800)	62	(65,100)	73	(76,650)
General Fund Total			*(19,000)*		*(73,000)*		*(84,000)*
Cash Fund Total			*(2,750)*		*(10,250)*		*(10,800)*
Total Revenue			($21,750)		($83,250)		($94,800)

State Expenditures

The bill decreases the workload for the Department of Revenue by a minimal amount. Assuming 11 new spirits licensees per year do not also have to apply for a wholesale license and approximately 30 minutes of staff time per license, workload decreases by 5.5 hours annually. Assuming 62 current spirits licensees do not have to renew a wholesale license and approximately 10 minutes of staff time per renewal, workload for DOR decreases by approximately 13 hours annually. A total reduction of approximately 19 hours annually does not require a reduction in appropriations.

TABOR Impact

This bill reduces state revenue from liquor licensing fees, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces revenue to the General Fund by a smaller amount than it does refund obligation, the amount of money available in the General Fund for the budget will increase by $10,800 in FY 2017-18. The state is not expected to collect a TABOR surplus in FY 2015-16 or FY 2016-17.

Effective Date

The bill was postponed indefinitely by the Senate Business, Labor, and Technology Committee on January 27, 2016.

State and Local Government Contacts

Municipalities Information Technology Revenue

Research Note Available

An LCS Research Note for SB 16-053 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.