



Please Support Fair, Safe and Common Sense Liquor Laws
House Bill 1279, sponsored by Rep. McFadyen and Sen. Williams

This year, a new, common sense bill is being proposed that would allow some neighborhood grocery stores to sell beer, wine and spirits by purchasing a retail liquor license and the business from an existing liquor store. Individual liquor store owners will have the freedom to continue to operate their stores or to negotiate with grocery stores to sell their business. The proposal makes liquor licenses more valuable to those who have them and provides reasonable protection against competition for retail liquor store owners.

House Bill 1279 will bring a free-market approach to the retail sale of liquor. Interested retail liquor stores and grocery stores will have the option of negotiating the sale of a liquor license. Negotiations between liquor stores and grocery stores will determine the fair value of a liquor license while local governments will maintain their authority to approve the transfer of any license.

The legislation includes reasonable protections for liquor store owners to prevent grocery stores from competing with nearby "on the property" retail liquor stores. Grocery stores would not be able to purchase a liquor license within the licensing jurisdiction if:

- An existing retail liquor store that is within 1,000 feet of the grocery store opts not to sell its license.
- The retail liquor store is in a different licensing jurisdiction than the grocery store.
- The local licensing authority denies the transfer and conversion.
- No existing retail liquor store in the jurisdiction agrees to transfer a license.
- The liquor license holder is not an existing "bricks and mortar" retail liquor store.

State and local government would remain involved with the liquor license approval and enforcement process in the same manner as today. The transfer would be subject to a new transfer and application fee (\$3,000 to the state and \$3,000 to the local authority) to the state and local jurisdiction granting approval. These fees will create new revenue for state and local government for either the administration and enforcement costs or other designated program/fund.

Unlike other proposed changes to liquor license laws, this compromise does not put anyone at a disadvantage. It is a no-lose solution.

- This is a new proposal, different from legislation in past years that pitted existing liquor license holders against grocery stores.
- Colorado craft brewers and local wineries will be able to continue to offer and even expand their product lines in grocery stores.
- This legislation creates no new liquor licenses. It is also a phased-in approach because it may take considerable time and capital to negotiate the sale of the liquor store businesses.
- Shoppers will see increased convenience as a result of this legislation. They will benefit from convenience and competitive prices and will continue to enjoy a broad selection of beer, wine and spirits at their choice of liquor retailers.
- This proposal puts the needs of customers at the forefront, while offering a fair approach for liquor store owners and local grocery stores.

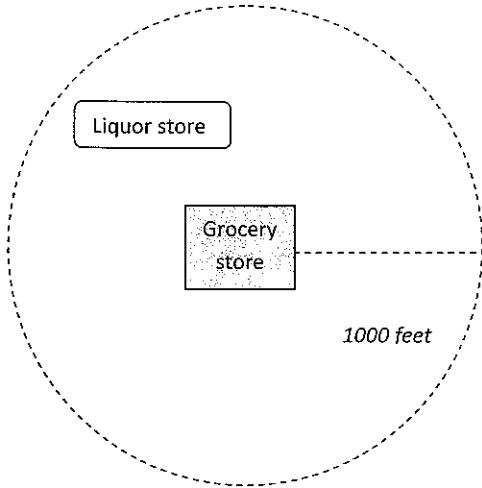
HB 10-1279 is sponsored by Representative McFadyen and Senator Williams. Representatives Balmer, Casso and Pommer are co-sponsors. Thank you for your support.

For more information, please visit www.FairMarketsColorado.org
 or contact Larry Hudson at 303-249-4234, Chris Howes at 303-246-5753,
 or Steve Balcerovich at 720-351-2007



House Bill 1279 Protects Liquor Stores and Promotes Competition

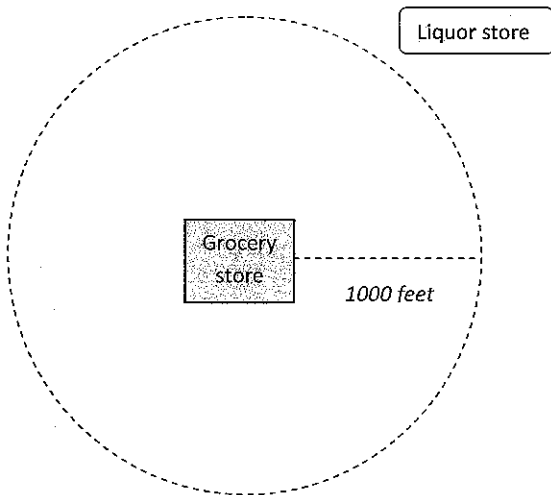
Scenario A – One liquor store within 1,000 feet of neighborhood grocery store



Under House Bill 1279:

- The liquor store owner may choose to sell his/her license and business to the grocery store
- If the liquor store owner opts not to sell, that grocery store cannot buy any other liquor license (status quo maintained)

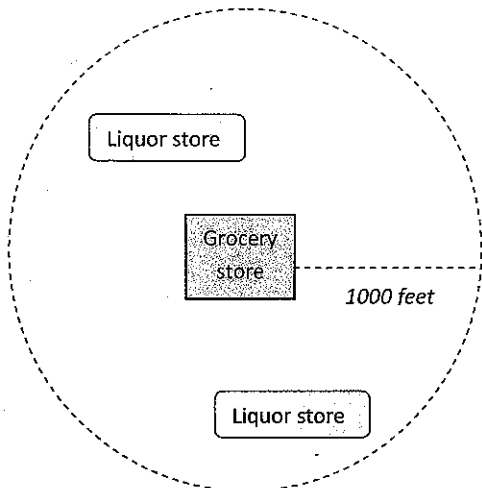
Scenario B – No liquor store within 1,000 feet of neighborhood grocery store



Under House Bill 1279:

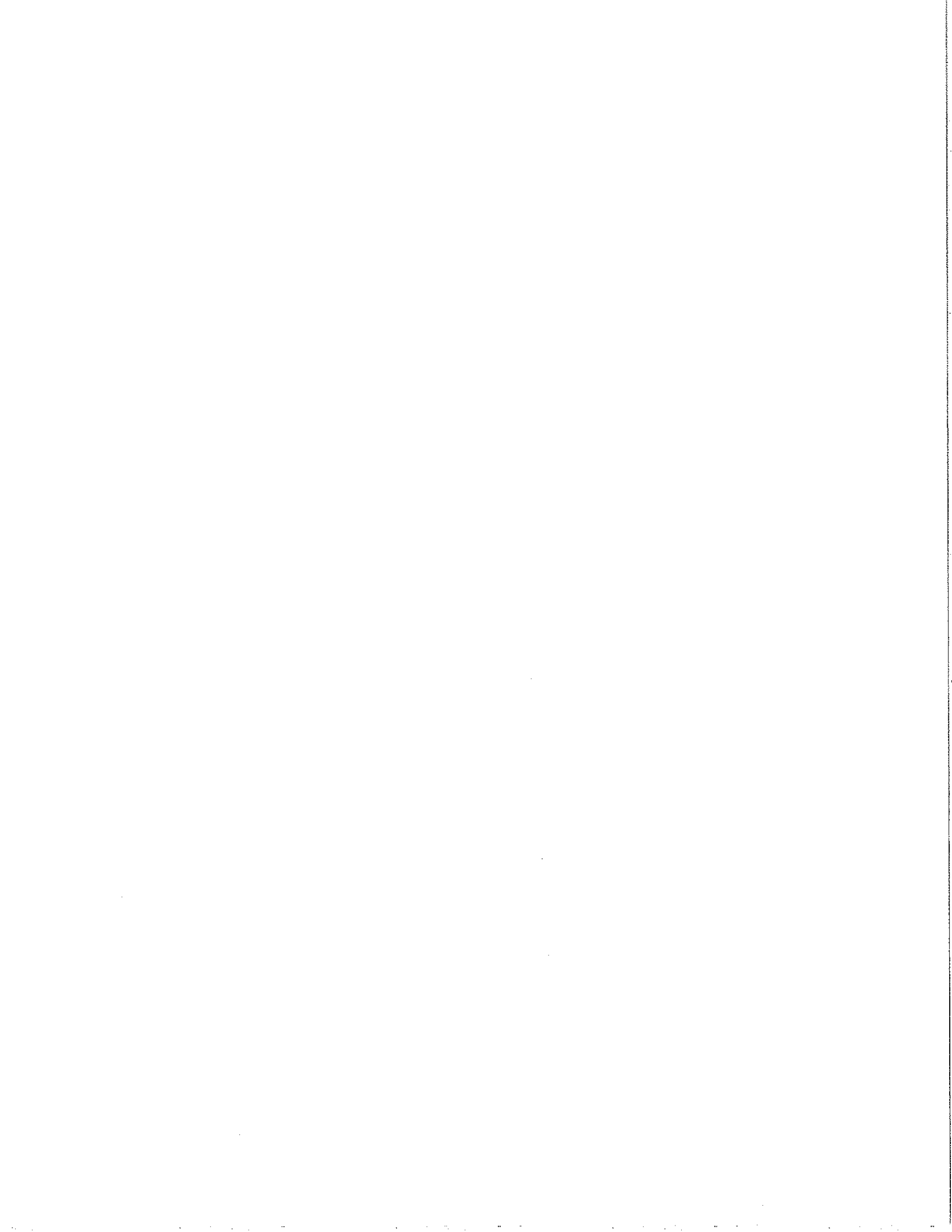
- Any single liquor store owner within the licensing area (typically the municipal boundaries) can sell his/her license and business to this grocery store

Scenario C – Two liquor stores within 1,000 feet of neighborhood grocery store



Under House Bill 1279:

- In order to protect the second liquor store, this grocery store cannot buy either liquor license (status quo maintained)





Grocery stores impose strict rules to prevent the sale of alcohol to minors

Liquor Stores Commit Higher Rates of Sale-to-Minor Violations

Colorado's grocers are committed to providing safe and secure access to beer, wine and spirits to preserve their business, protect the interests of their customers over the age of 21 and, most importantly, protect the safety of Colorado's youth. Because grocery stores in Colorado currently sell 3.2 beer to customers over the age of 21, they are experienced in preventing the sale of alcohol to minors.

Some of the measures that are already in place in grocery stores to prevent the sale of alcohol to minors include:

- ✓ Numerous in-store video cameras
- ✓ Security guards and law-enforcement officers on the premises
- ✓ Limited hours for the sale of alcohol
- ✓ Monthly training for checkers who approve alcohol purchases
- ✓ Routine scans of grocery carts and other locations where alcohol could be concealed
- ✓ Computer-verified ID checks for all alcohol purchases

Compliance checks conducted by Colorado's Liquor Enforcement Division in 2009 indicated that retail liquor stores have a significantly higher rate of sale-to-minor violations than grocery and convenience stores. The results of these sale-to-minor compliance checks are listed below. The Division conducts compliance checks on an unbiased basis. Each group of licensees (retail liquor, 3.2 beer, etc.) undergoes a similar number of compliance checks relative to the total number of licenses in that category.

Liquor Enforcement Division 2009 sale-to-minor compliance checks*

	Total number of violations (failures)	Total number of checks conducted	Total number of licenses	Violation rate
3.2 beer convenience and grocery stores	5	132	1,634	3.8%
Retail liquor stores	17	139	1,616	12.2%

Similar results can be found by analyzing the Liquor Enforcement Division's 2009 Annual Report of Enforcement Actions provided to the Colorado Legislature. This report details the results of all of the annual violation hearings conducted statewide by the Liquor Enforcement Division and by local licensing authorities. While this report does not show how many of these violations resulted from "Sale to Minor Compliance Checks" or how many compliance checks were conducted for each license class, it does show strikingly similar results. **The bottom line is that grocery and convenience stores have a better record of compliance when it comes to preventing sales of alcohol to minors.**

Sale-to-minor violation hearings, 2009*

	Total number of violations	Percent of total violations statewide	Total number of licenses	Percent of licensed stores with a violation
3.2 beer convenience and grocery stores	45	12	1,634	2.8
Retail liquor stores	120	31.9	1,616	7.4

*Source: Analysis of Colorado Liquor Enforcement Division "Report of Enforcement Actions" provided annually to the Colorado Legislature pursuant to CRS 12-47-601(8) and the Liquor Enforcement Division's posting of its 2009 compliance check results on its web page.

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Frequently Asked Questions About House Bill 1279

1. Why does this proposal protect liquor stores within 1,000 feet of a neighborhood grocery store?

The legislation includes restrictions on the transfers of liquor licenses to prevent a neighborhood grocery store from competing with an existing nearby liquor store. If there is a liquor store within 1,000 feet of a neighborhood grocery store, that grocery store may only negotiate to purchase the license and business of that liquor store. If that liquor store opts not to sell its license, then the grocery store is prohibited from negotiating with any other liquor store beyond that 1,000 foot boundary. This restriction is in place in order to protect the “on the property” liquor store from having to compete with the added convenience of a grocery store that can sell beer, wine and spirits. If there is no liquor store within 1,000 feet, the grocery store may negotiate with any liquor store within the same municipality.

2. Will liquor stores further than 1,000 feet of a neighborhood grocery store see any benefit from this proposal?

Yes. Grocery stores that are not within 1,000 feet of a liquor store are able to negotiate for the purchase of a liquor license from any liquor store within the same licensing jurisdiction, which usually coincides with the municipal boundaries.

Additionally, existing grocery stores are likely to only designate a few aisles to beer, wine and spirits, so liquor stores across the state will still have a competitive advantage in terms of the broad selection they are able to offer.

3. If the liquor store within 1,000 feet opts not to sell its license, can the grocery store approach a different liquor store owner?

No. House Bill 1279 is designed to protect the “on the property” liquor stores that are located in the same shopping area so that they don’t have to compete with a grocery store in the same parking lot. If the liquor store within 1,000 feet opts not to sell its license, then both the liquor store and the grocery store will continue to operate under the status quo.

4. What if there are two liquor stores within 1,000 feet of the neighborhood grocery store?

That grocery store would be unable to buy either business and would not be able to sell alcohol.

5. What protections are included in the proposal to avoid the sale of alcohol to minors?

House Bill 1279 simply allows some liquor stores to sell their business and license to a neighborhood grocery store, and that grocery store would then be subject to the same liquor laws as any other liquor licensed drugstore. Because they currently sell 3.2 beer to customers over the age of 21, most grocery stores have significant security protocols already in place. Some of these include numerous in-store video cameras, security guards and police officers, all of which would help prevent the sale of alcohol to minors.

6. How do Colorado’s liquor laws compare to other states?

Colorado’s antiquated liquor laws date back to the days of prohibition and are more outdated than 80 percent of the country. Forty other states allow grocery stores to sell full-strength beer, 37 states

have grocery stores that carry beer and wine, and 18 states permit grocery stores to sell beer, wine and spirits. Colorado's neighbors to the north and south – Wyoming and New Mexico – have laws similar to what is being proposed in House Bill 1279. And grocery stores there are not dominating the market.

7. What will be the impact of this proposal on Colorado's economy?

Grocery stores estimate that they will have to hire 3-5 new employees for each store that purchases a liquor license. Those new jobs will be unionized and have benefits including health insurance. Additionally, the transfer of liquor licenses will also result in real estate transactions when a liquor store's business is sold, as well as the collection by the state and local governments of application and transfer fees.

8. Why are the transfer and application fees for local and state governments set at \$3,000 a piece?

The drafters of House Bill 1279 met with representatives from the state's Liquor Enforcement Division. They felt that the \$3,000 fees for state and local governments would be a sufficient and reasonable amount to cover the costs of reviewing, processing and enforcing the transfer of a liquor license.

9. If House Bill 1279 passes, will grocery stores carry local craft brews?

Yes. In the many locations where grocery stores are able to sell full-strength alcoholic beverages, they carry dozens of brands of local craft brews. Safeway's store in Littleton, CO that sells beer, wine and spirits under current law permitting one store in a chain to do so is a good model of what Colorado grocery stores could look like if House Bill 1279 were to pass. That store carries more than 30 Colorado craft brews and 18 Colorado wines, responding to the needs of customers.

Currently, most Colorado grocery stores are only able to sell beer that contains 3.2% alcohol by weight, which most local craft breweries do not offer. So this proposal would allow grocery stores to carry the local beers that their customers want, and it would allow Colorado craft brewers and local wineries to expand their product lines into grocery stores without affecting their access to liquor stores.

10. Will grocery stores sell alcohol 24 hours a day?

No. Under Colorado state law, grocery stores' liquor departments will only be allowed to operate during the same hours as any other liquor store. Legal sales hours are 8 a.m. to midnight, Monday through Sunday, and Christmas day sales are prohibited.

11. Why is this proposal limited to grocery stores with a drugstore license where 51% of sales come from food?

House Bill 1279 is limited to drugstore grocers, which are defined as stores that hold a drugstore license and where at least 51% of revenue comes from food sales. This restriction is in place because grocery stores have a proven track record of safely selling alcoholic beverages. And any drugstore in Colorado requires a specific pharmaceutical license, application and registration, as well as oversight by the state. Turning a drugstore license into a liquor license will be a relatively easy process, minimizing administrative and legal needs. Other retailers have said that they are not interested in selling alcohol. Additionally, Colorado legislators in the past have rejected broader proposals, so House Bill 1279 is narrower in scope in order to address those concerns.

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12. If House Bill 1279 passes, can chain grocery stores buy liquor in bulk for all of their locations in the state?

No. Under House Bill 1279, grocery stores would be subject to the same restrictions in federal and state law as any other liquor store. Each retail liquor license in Colorado is treated as a stand-alone license for alcohol beverage product ordering and delivery purposes. As such, all deliveries of alcohol beverage products can only be made to the retailers licensed premises. Deliveries to a retailer's centralized warehouse for redistribution are prohibited under Colorado law. Therefore a grocery chain couldn't order a large volume of alcohol beverage products at a volume discount price, have them delivered to its centralized warehouse and then redeliver the products to the stores in its chain.

Under Colorado law, wholesalers price their product sales based on volume discounts that are based on deliveries to a specific retail licensed location. An alcohol beverage wholesaler or manufacturer is prohibited from giving a retailer any rebates or kickbacks based on the volume of alcohol beverage products sold during a time period.

13. Why does House Bill 1279 restrict grocery stores that carry alcohol from doing tastings?

If this bill passes, grocery stores will still only be a small part of the liquor store market in Colorado. The bill sponsors and drafters felt that it would be best to leave alcohol tastings to the liquor stores that specialize in that type of activity. Representatives from the state's Liquor Enforcement Division agreed.

14. Does Fair Markets Colorado have a position on House Bill 1186?

No. We are focused exclusively on House Bill 1279, which we believe is a fair and common-sense proposal.

15. If this proposal fails this year, will the coalition support the ballot initiative to allow grocery stores to carry alcoholic beverages?

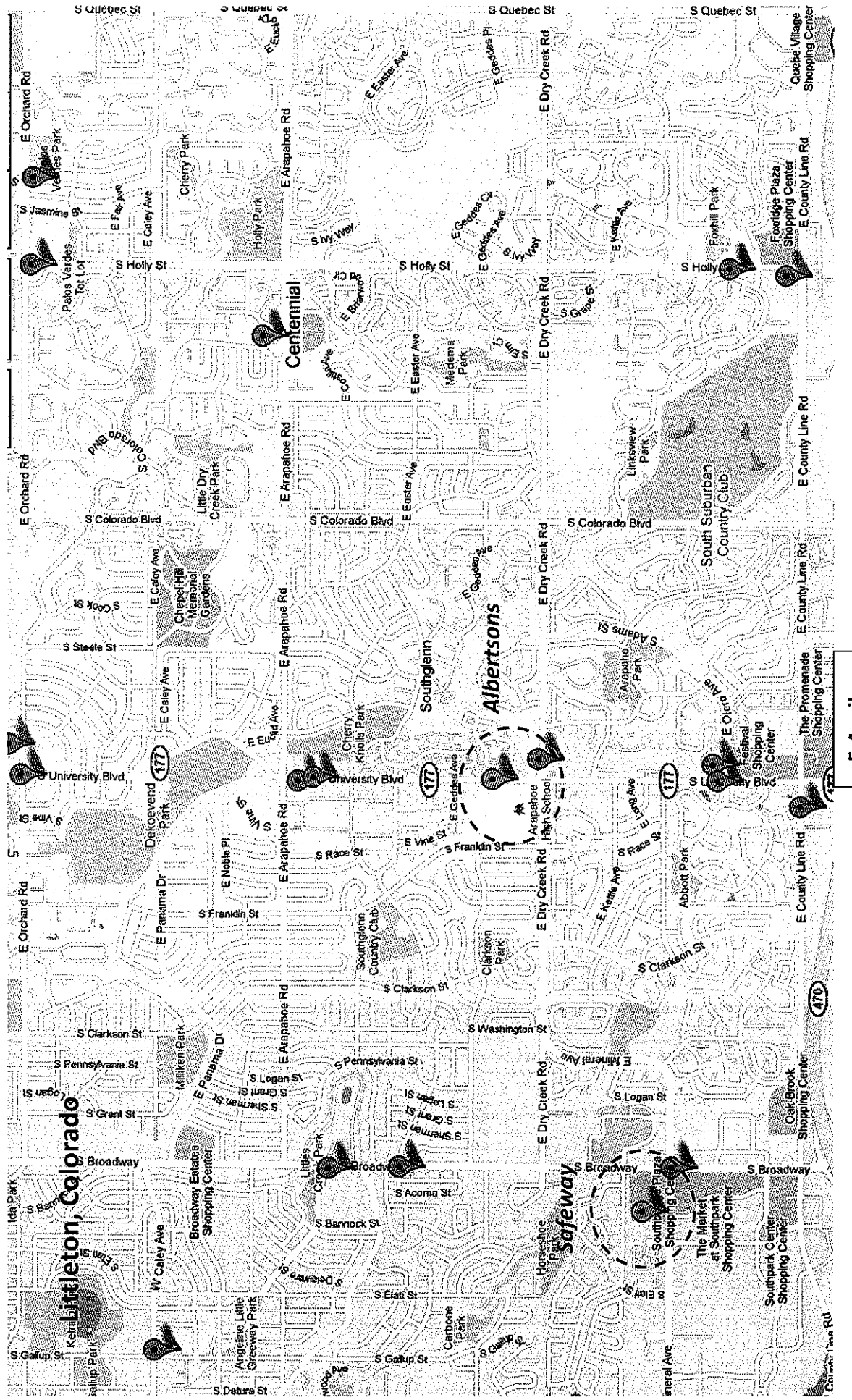
The Fair Markets Colorado coalition convened solely to focus on House Bill 1279. We believe that it is the best and fairest proposal, and we are optimistic that the Colorado State Legislature will agree. But we also think that this is not an issue that is going away. Grocery store managers repeatedly hear from their customers that they want the convenience of being able to buy beer, wine and spirits in the same place where they buy bread and milk.

16. If House Bill 1279 passes, how quickly will grocery stores in Colorado be carrying beer, wine and spirits?

The bill would take effect on January 1, 2011, but there certainly will not be beer and wine in grocery stores overnight. This proposal is a phased-in approach because it may take considerable time and capital to negotiate the sale of the liquor store businesses. And many grocery stores will not carry beer, wine and spirits if the liquor store within 1,000 feet opts not to sell its license.

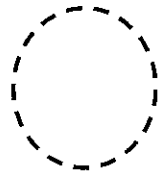


Map of Retail Liquor Stores Operating In the Neighborhood of Liquor Licensed Grocery Stores



3.2 miles

5.4 miles

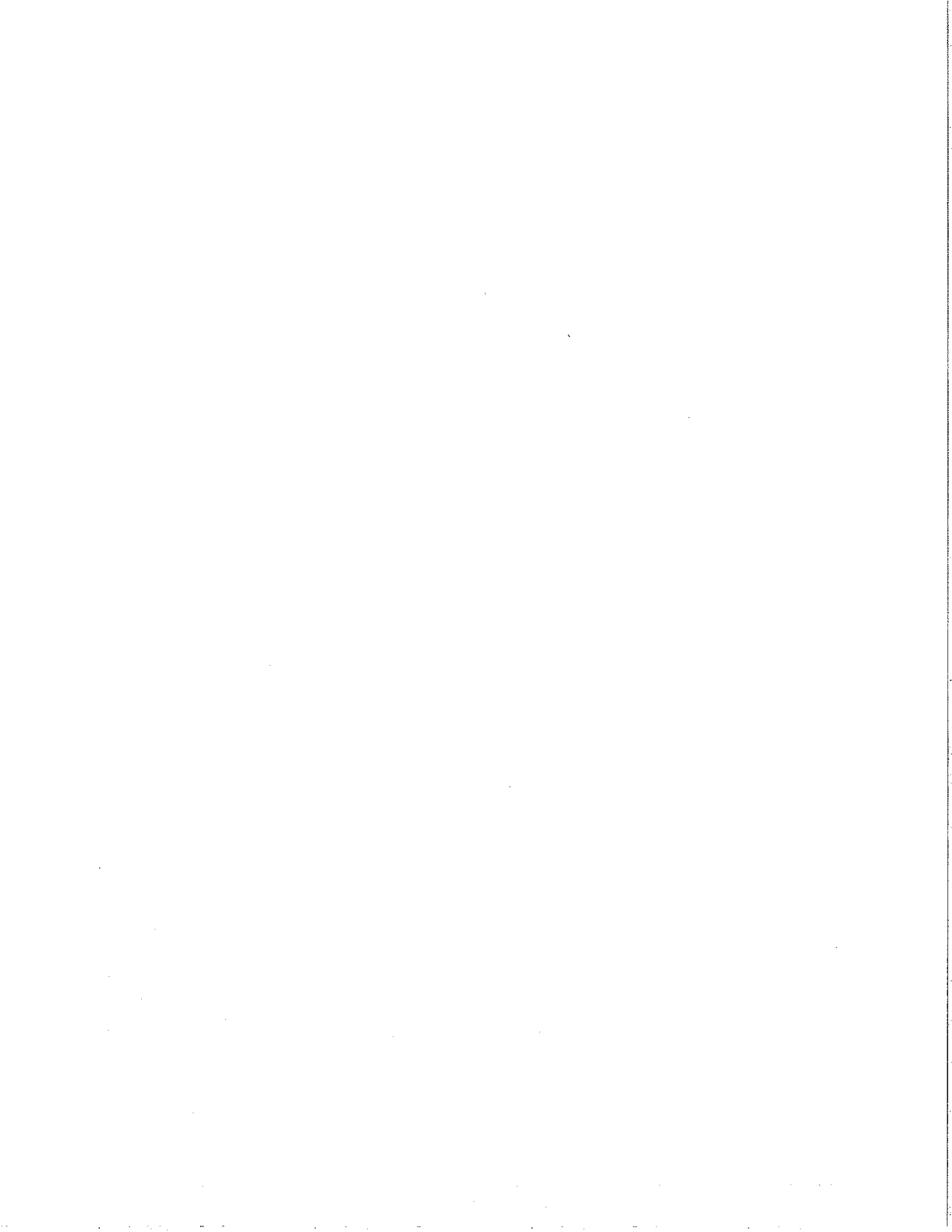


1,000 foot radius

Grocery store that currently carries full-strength beer, wine and liquor

Retail liquor store





Grocery Stores Across the Country Pride Themselves in Carrying a Large Selection of Local Craft Brews

