



Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 10-0565
Prime Sponsor(s): Rep. Liston

Date: February 3, 2010
Bill Status: House Business Affairs and Labor
Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING CONDITIONS ON THE AUTHORITY TO SELL ALCOHOL BEVERAGES IN ESTABLISHMENTS OF LESS THAN FIVE THOUSAND SQUARE FEET.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
General Fund	\$155,601	\$171,161
Cash Funds		
Liquor Enforcement Division and State Licensing Authority Cash Fund	1,158,250	115,825
State Expenditures		
Cash Funds		
Liquor Enforcement Division and State Licensing Authority Cash Fund	\$1,460	\$146
FTE Position Change		
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: See the State Appropriations section.		
Local Government Impact: See the Local Government Impact section.		

Summary of Legislation

Currently, there is a separate license category for establishments that sell beer with an alcohol content of 3.2 percent. This bill permits the sale of full strength beer in convenience stores. These stores are defined as retail businesses of less than 5,000 square feet that offer quick purchases of food, beverages, or gasoline, and that do not have a pharmacy or employ pharmacists. The bill establishes annual local license fees of \$150 for a convenience store located within municipal boundaries, and \$250 for a convenience store located in an unincorporated area of a county. Eighty-five percent of the fee will be credited to the state's Old Age Pension Fund. Retail liquor stores of less than 5,000 square feet are authorized to sell nonperishable food items.

The Department of Revenue is required to commence a study of the effects of the new licensing program on or before July 1, 2015, and report its findings to the General Assembly by July 1, 2016.

State and Local Revenue

License Fee Revenue. As shown in Table 1, the bill is expected to generate total state license fee revenue of \$1,341,310 in FY 2010-11, and \$317,191 in FY 2011-12. Local revenue of \$27,459 in FY 2010-11 and \$30,205 in FY 2011-12 from the local government's share of the local license fee is also anticipated.

Table 1. Total State and Local Application Fee Revenue Projected from HB10-1186

	FY 2010-11	FY 2011-12
Number of New Applicants	1,130	113
Number of Renewals	<u>n/a</u>	<u>1,130</u>
Total Number of Applications	1,130	1,243
Type of Fee		
One-Time State Application Fee (\$1,025)	\$1,158,250	\$115,825
Annual Municipal License Fee (\$150 for 88% of applicants)	149,160	164,076
Annual County License Fee (\$250 for 12% of applicants)	<u>33,900</u>	<u>37,290</u>
Total Revenue	\$1,341,310	\$317,191
State Revenue		
General Fund	\$155,601	\$171,161
Liquor Enforcement Division CF	<u>1,158,250</u>	<u>115,825</u>
State Subtotal	\$1,313,851	\$286,986
Local Revenue		
Municipal Revenue	\$22,374	\$24,611
County Revenue	<u>5,085</u>	<u>5,594</u>
Total Local Revenue	\$27,459	\$30,205
Total Revenue	\$1,341,310	\$317,191

Liquor Enforcement Division records indicate that there are 1,130 licensed 3.2 percent beer establishments in Colorado. It is assumed that all of these establishments will apply for the new full-strength beer license during FY 2010-11, and that 113 others will open for business in FY 2011-12.

State Fee Revenue. In addition to the annual fees, each new applicant will be required to pay a one-time application fee to the Liquor Enforcement Division of \$1,025. This fee revenue is credited to the Liquor Enforcement Division and State Licensing Authority Cash Fund. Eighty-five percent of local license fee revenue will be credited to the state's Old Age Pension Fund, and pass through to the General Fund.

Impact on Beer Sales. The bill's impact on beer sales has not been estimated as part of this fiscal note. It is clear that sales of 3.2 percent beer will all but be eliminated except for limited 3.2 percent beer sales that continue in grocery stores. The combined sale of full-strength beer from liquor stores and convenience stores may be greater than current sales of full-strength beer due to increased availability. The impact on sales of craft beers versus large production beers is debatable, and the outcome is less certain. A cost-benefit study will be completed by the Department of Revenue by July 1, 2016, and will provide additional data regarding the bill's impact on beer sales.

State Expenditures

The Liquor Enforcement Division requires \$1,460 in FY 2010-11, and \$146 in FY 2011-12 for postage and mailing expenses. An estimated 105 hours of personal services time will be necessary to process applications. This workload will be split among existing division personnel and will be absorbed within the division's budget.

The bill requires the Department of Revenue to study the costs and benefits of the creation of the full-strength beer license. Public hearings and study groups may be used to compile information relevant to the study. The study will be presented to committees of the General Assembly on or before July 1, 2016. This analysis does not estimate the cost for the study.

Local Government Impact

A full-strength beer license of \$150 in municipalities and \$250 in unincorporated areas is required by the bill. Of that amount, 15 percent is retained by the local government and 85 percent is remitted to the state. For each convenience store within municipal boundaries, \$22.50 will remain with the municipality. Similarly, \$37.50 will remain with the county for convenience stores in unincorporated areas. Sales tax data from the Department of Revenue indicates that 88 percent of all convenience stores are located within municipal boundaries and 12 percent are in unincorporated areas of the state. Municipalities and counties will retain \$27,459 in fee revenue in FY 2010-11, and \$30,205 in FY 2011-12. In addition, local governments are authorized to impose a one-time application fee, for which all of the fee revenue is retained locally.

State Appropriations

For FY 2010-11, the fiscal note implies the need for an appropriation of \$1,460 from the Liquor Enforcement Division and State Licensing Authority Cash Fund to the Department of Revenue.

Departments Contacted

Revenue Local Affairs