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Final Fiscal Note

Drafting Number: LLS 21-0333 Date: June 15, 2021
Prime Sponsors: Sen. Bridges; Lundeen Bill Status: Postponed Indefinitely
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Bill Topic: RETAIL LIQUOR STORES ADDITIONAL LICENSES

- Summary of Fiscal Impact:
[X] State Revenue [ ] TABOR Refund
[X] State Expenditure [X] Local Government
[ ] State Transfer [ ] Statutory Public Entity

This bill would have allowed retail liquor stores to obtain additional locations. The bill would have increased state and local revenue and workload on an ongoing basis.

Appropriation Summary: No appropriation would have been required.

Fiscal Note Status: This fiscal note reflects the introduced bill, as amended by the Senate Business, Labor, and Technology Committee. The bill was not enacted into law; therefore, the impacts identified in this fiscal note do not take effect.

Table 1
State Fiscal Impacts Under SB21-134

Table with 4 columns: Category, Description, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue (\$5,193), Expenditures (-), Transfers (-), and TABOR Refund (-).

## Summary of Legislation

Under current law, retail liquor stores licensed prior to January 1, 2016, and owned by a Colorado resident may obtain additional locations based on a schedule set in statute. The additional locations may not be within 1,500 feet of another retail liquor store or liquor-licensed drugstore, or within 3,000 feet in a municipality with a population under 10,000 that is not contiguous to Denver.

The bill removes the requirement that owners of eligible retail liquor stores licensees be Colorado residents, and modifies the schedule in statute to align it with the allowable number of liquor-licensed drugstore locations, as listed in Table 2.

**Table 2**  
**Maximum Retail Liquor Store Locations**  
*Under Current Law & SB 21-134*

	<b>Current Law</b>	<b>SB21-134</b>
Ongoing	-	2*
Until Dec. 31, 2021	2	5**
Jan. 1, 2022 – Dec.31, 2026	3	8
Jan. 1, 2027 – Dec. 31, 2031	4	13
Jan. 1, 2032 – Dec. 31, 2036	4	20
Beginning Jan. 1, 2037	4	unlimited

\* To obtain a second location, retail liquor stores do not need to merge and transfer existing licenses.

\*\* Beginning on the effective date of the bill

The bill continues current law that allows a retail liquor to obtain a second location without merging or transferring existing licenses. To obtain additional locations beyond that, retail liquor stores must meet the following requirements:

- abide by radius requirements in current law for additional retail liquor stores; and
- merge at least two existing retail liquor store licenses that were licensed prior to May 1, 2016, or all licenses within the radius requirements, and transfer them into the new retail liquor store license.

Instead of meeting those requirements, a retail liquor store under 10,000 square feet may alternatively obtain an additional location by:

- transferring ownership of an existing retail liquor store license that was licensed before January 1, 2021 and is smaller than 10,000 square feet; and
- not increasing the square footage or changing the location of the store that is being transferred for at least five years. Radius restrictions do not apply to the store that is being transferred.

The bill allows the state licensing authority to establish a fee for the merger and transfer of existing retail liquor store licenses, and caps the merger and transfer fee for local licensing authority at \$1,000.

The bill allows local licensing authorities to consider community needs and desires in approving transfer applications; prohibits a retail liquor store from allowing customers to use a self-checkout without assistance from an employee; and requires that retail liquor stores maintain certification as a responsible alcohol vendor. It also makes certain liquor stores eligible for grants and loans through the small business COVID relief program established in Senate Bill 20B-001.

## **Background and Assumptions**

The fiscal note assumes that large liquor stores over 10,000 square feet that merge and transfer at least two existing licenses will result in the new retail liquor store license, as discussed below. A small liquor store obtaining ownership of another small store does not change the overall number of liquor stores.

As of March 1, 2021, there are 1,661 licensed retail liquor stores in Colorado. Based on the number of licensees, and the growth in liquor-licensed drugstores after the requirements for additional licenses were put in place in 2017, this fiscal note assumes that there will be five new retail liquor store licenses in FY 2021-22 and FY 2022-23. Assuming these new licensees each merge and transfer two existing licenses, there is a net decrease of five retail liquor store licenses in FY 2021-22 and no net change in FY 2021-22.

For a merger and transfer of existing licenses, liquor-licensed drugstores pay the licensing fee in statute, and the application fee set by the Department of Revenue for the merger and transfer of existing licenses, which is currently set at \$1,300. The same fee structure will apply to retail liquor stores.

## **State Revenue**

The bill increases state revenue by \$5,193 in FY 2021-22 and \$6,500 in FY 2022-23. Revenue is from state and local liquor licensing fees and is split between the Liquor Enforcement Division Cash Fund, the General Fund, and the Old Age Pension Fund, as shown in Table 3. Fee revenue is subject to TABOR.

**Fee impact on retail liquor stores.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, a portion of these fees will be set administratively by the Liquor Enforcement Division based on cash fund balance, estimated program costs, and the licenses subject to the fee, and a portion are set in statute.

**Table 3  
Fee Impact on Retail Liquor Stores**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>State Fee Revenue<sup>1</sup></b>	<b>Number Affected</b>	<b>Total Fee Impact<sup>2</sup></b>
<b>FY 2021-22</b>	New Retail Liquor Store License – City	\$1,527.50	3	\$4,583
	New Retail Liquor Store – County	\$1,612.50	2	\$3,225
	Renewal Retail Liquor Store License – City	\$227.50	(6)	(\$1,365)
	Renewal Retail Liquor Store License – County	\$312.50	(4)	(\$1,250)
	<b>FY 2021-22 Total</b>			<b>\$5,193</b>
		<i>General Fund</i>		(\$250)
		<i>Old Age Pension Fund</i>		(\$808)
		<i>LED Cash Fund</i>		\$6,250
<b>FY 2022-23</b>	New Retail Liquor Store License – City	\$1,527.50	3	\$4,583
	New Retail Liquor Store – County	\$1,612.50	2	\$3,225
	Renewal Retail Liquor Store License – City <sup>3</sup>	\$227.50	(3)	(\$683)
	Renewal Retail Liquor Store License – County <sup>3</sup>	\$312.50	(2)	(\$625)
	<b>FY 2022-23 Total</b>			<b>\$6,500</b>
		<i>General Fund</i>		\$0
		<i>Old Age Pension Fund</i>		\$0
		<i>LED Cash Fund</i>		\$6,500

<sup>1</sup> Includes \$1,300 application fee, \$100 license fee, and a portion of the local licensing fee.

<sup>2</sup> Totals may not add up due to rounding

<sup>3</sup> Includes the increase from new licenses and the decrease in merged licenses.

## State Expenditures

The bill increases workload for the Liquor Enforcement Division in the Department of Revenue to conduct rulemaking, modify forms, and process applications for new retail liquor stores. Some of the workload will be offset on an ongoing basis by a decrease in the number of retail liquor store licenses, as at least two must be merged into each new license. The change in workload is expected to be minimal and no change in appropriations is required.

**TABOR refunds.** The bill increases state revenue subject to TABOR. For FY 2022-23, the March 2021 LCS forecast projects revenue to fall short of the TABOR limit by \$28.6 million, or 0.2 percent of the limit. If actual revenue exceeds the limit, the bill will increase the amount required to be refunded to taxpayers from the General Fund in FY 2023-24.

## Local Government

The bill impacts workload and revenue for local licensing authorities that receive applications for new retail liquor store licenses. Local licensing authorities are authorized to set a fee of up to \$1,000 for the merger and transfer of existing licenses into new retail liquor licenses, and receive 15 percent of the local licensing fees (\$22.50 for a city, \$37.50 for a county). The increase is expected to be minimal and will vary by jurisdiction.

**Effective Date**

The bill was postponed indefinitely by the Senate Appropriations Committee on April 1, 2021.

**State and Local Government Contacts**

Counties	Law	Municipalities
Public Safety	Revenue	