



**Colorado  
Legislative  
Council  
Staff**

**SB16-143**

**FISCAL NOTE**

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

**Drafting Number:** LLS 16-1053  
**Prime Sponsor(s):** Sen. Hill  
Rep. Pabon

**Date:** March 9, 2016  
**Bill Status:** Senate Business, Labor & Technology  
**Fiscal Analyst:** Anna Gerstle (303-866-4375)

**BILL TOPIC:** REDUCE DISTILLER WHOLESALER LIQUOR LICENSING FEES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
<b>State Revenue</b>	<b>(\$111,500)</b>	<b>(\$170,500)</b>
General Fund	(\$111,500)	(\$170,500)
<b>State Expenditures</b>	Workload increase.	
<b>TABOR Impact</b>	(\$111,500)	(\$170,500)
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> Ongoing revenue decrease.		

**Summary of Legislation**

Under current law, the annual license fee for a distillery or rectifier (spirits) manufacturer's license and for wholesaler's liquor (wine and spirits) license is \$1,050. The bill reduces the fee for a spirits manufacturer's license to \$300 and a wholesaler's liquor license to \$550.

**Background**

**Liquor Enforcement Division (LED).** Colorado's Liquor Code is based on a three-tiered system, requiring separate licenses for manufacturers, wholesalers, and retailers. The Liquor Enforcement Division (LED), within the Department of Revenue (DOR), administers the state licensing system. For spirits manufacturer's and wholesaler's liquor licenses, \$50 of each \$1,050 license fee goes into the LED's State Licensing Authority Cash Fund.

**Recent changes in licensing.** In 2012, the LED 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. In 2014, the LED changed its policy to require that spirits manufacturers obtain a wholesaler's liquor license to distribute spirits, including through retail sales and donation.

**Current licensees.** The spirits manufacturing industry has seen significant growth in recent years, particularly in Colorado. From FY 2010-11 to FY 2014-15, the number of licensed spirits manufacturers grew from 22 to 69 and the number of licensed wine and spirits wholesalers grew

from 109 to 138. Currently, there are 80 licensed spirits manufacturers and 155 licensed wine and spirits wholesaler's. Of the currently licensed spirits manufacturer's, 43 also have a wine and spirits wholesaler's license.

**State Revenue**

***The bill decreases General Fund fee revenue by approximately \$111,500 in FY 2016-17 and \$170,500 in FY 2017-18.***

**Assumptions.** The fiscal note assumes:

- the fee decrease will begin October 1, 2016, based on the bill's effective date and the assumption that DOR needs a month to update materials;
- the bill does not change the amount designated for the cash fund, so \$250 of the new \$300 manufacturer's license fee and \$500 of the new \$550 wholesaler's license fee will go to the General Fund;
- a 7 percent annual growth rate for those exclusively with a wholesaler's liquor license, based on the growth in the number of licensed wine and spirits wholesalers over the last five years;
- 50 percent of new spirits manufacturers will also purchase a wholesaler's liquor license in order to distribute spirits; and
- a 20 percent annual growth rate for licensed spirits manufacturers, based on an average of the 30 percent growth rate in the number of licensed spirits manufacturers over the last five years and the 11 percent growth rate in the industry nationally. The national growth rate is included due to the recent growth in the industry and the assumption that the industry is unlikely to continue growing at such a fast pace.

**Fee impact on individuals and business.** State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 identifies the fee impact of lowering the General Fund portion of the spirits manufacturer's license fee from \$1,000 to \$250, and the General Fund portion of wholesaler's liquor license from \$1,000 to \$500. The fee impact for FY 2016-17 is prorated for the assumed October 1, 2016 fee reduction.

<b>Table 1. Fee Impact on Individuals, Families or Business Under SB16-143</b>							
<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Current Fee to GF</b>	<b>Proposed Fee to GF</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Fee Impact</b>	<b>Total</b>
2016-17	Spirits Manufacturer's License	\$1,000	\$250	(\$750)	66	(\$49,500)	<b>(\$111,500)</b>
	Wholesaler's Liquor License	\$1,000	\$500	(\$500)	124	(\$62,000)	

<b>Table 1. Fee Impact on Individuals, Families or Business Under SB16-143 (Cont)</b>							
<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Current Fee to GF</b>	<b>Proposed Fee to GF</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Fee Impact</b>	<b>Total</b>
2017-18	Spirits Manufacturer's License	\$1,000	\$250	(\$750)	106	(\$79,500)	<b>(\$170,500)</b>
	Wholesaler's Liquor License	\$1,000	\$500	(\$500)	182	(\$91,000)	

**TABOR Impact**

This bill reduces state General Fund revenue from 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 both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

**State Expenditures**

The bill increases workload in the DOR to update materials with the new fee amounts and information, including forms, the website, and the DOR's licensing system in FY 2016-17 only. This workload increase can be addressed within existing appropriations.

**Effective Date**

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

**State and Local Government Contacts**

Information Technology      Municipalities      Revenue

**Research Note Available**

An LCS Research Note for SB 16-143 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.

---

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: [www.colorado.gov/fiscalnotes](http://www.colorado.gov/fiscalnotes).