



**Colorado
Legislative
Council
Staff**

HB17-1337

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 17-1060
Prime Sponsor(s): Rep. Hamner
Sen. Moreno

Date: June 13, 2017
Bill Status: Postponed Indefinitely
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BILL TOPIC: LIQUOR LICENSE RENEWAL APPLICATION FEES

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|--|--------------------|------------------|
| State Revenue | (\$123,625) | \$138,875 |
| Cash Funds | (123,625) | 138,875 |
| State Expenditures | Workload increase. | |
| Appropriation Required: None. | | |
| Future Year Impacts: No net revenue change. | | |

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill, *recommended by the Joint Budget Committee*, allows the Department of Revenue (DOR) to establish a renewal fee for each liquor license renewal issued by the state.

Background

Currently, when an applicant applies for a new liquor license, he or she typically pays the application fee, which is set by DOR, and a licensing fee, which is set in statute and varies based on license type. Other administrative fees may apply in certain situations. When a license is renewed annually, the licensee only pays the licensing fee that is set in statute.

DOR has the authority to set certain fees administratively, including the application fee for new liquor licenses, in order to cover direct and indirect costs of the Liquor Enforcement Division (LED). Revenue from administratively set fees is deposited into the LED Cash Fund. In FY 2015-16, revenue from the application fee covered approximately 50 percent of LED's costs. In FY 2016-17, there is a projected 24 percent decrease in the number of new liquor license applications. Due to this decrease, the application fee was increased from \$925 to \$1,950 in January 2016 in order to cover LED's costs. LED also implemented some mitigation efforts to lower their costs.

State Revenue

The bill decreases state revenue to the LED Cash Fund by \$123,625 in FY 2017-18, and increases revenue to the LED Cash Fund by \$138,875 in FY 2018-19. Creating a liquor license renewal fee increases revenue by approximately \$2.2 million in FY 2017-18 and \$2.4 million in FY 2018-19; however, to offset that new revenue, it is anticipated that the DOR will lower the application fee for new licenses, decreasing revenue by approximately \$2.3 million in both FY 2017-18 and FY 2018-19. Over a two year period, the net revenue is expected to be neutral.

Assumptions. The fiscal note assumes that the fee changes will go into effect beginning in FY 2017-18. In addition, it is estimated that:

- the renewal fee will be set at \$175 for 12,365 liquor license renewals in FY 2017-18 and 13,865 liquor licenses renewals in FY 2018-19; and
- the application fee will decrease from \$1,950 to \$425 for 1,500 new liquor license applications in FY 2017-18, and 1,500 new liquor license applications in FY 2018-19.

Fee impact on liquor licensees. 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, actual fee calculations will be set administratively by DOR based on cash fund balance, estimated program costs, and the estimated number of licenses subject to the fee. The fee impact is identified in Table 1.

| Table 1. Fee Impact on Liquor Licensees | | | | | | |
|--|-------------------------|--------------------|---------------------|-------------------|------------------------|-------------------------|
| Fiscal Year | Type of Fee | Current Fee | Proposed Fee | Fee Change | Number Affected | Total Fee Impact |
| FY 2017-18 | Application Fee | \$1,950 | \$425 | (\$1,525) | 1,500 | (\$2,287,500) |
| | Renewal Fee | - | 175 | 175 | 12,365 | 2,163,875 |
| | FY 2017-18 TOTAL | | | | | (\$123,625) |
| FY 2018-19 | Application Fee | \$1,950 | \$425 | (\$1,525) | 1,500 | (\$2,287,500) |
| | Renewal Fee | - | 175 | 175 | 13,865 | 2,426,375 |
| | FY 2018-19 TOTAL | | | | | \$138,875 |

TABOR Impact

In FY 2017-18, this bill reduces state cash fund revenue from liquor license 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 the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will increase by an identical amount.

In FY 2018-19, this bill increases state cash fund revenue from liquor license fees, which will increase the amount of money required to be refunded under TABOR. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

In FY 2017-18 only, the bill increases the workload for DOR by a minimal amount to conduct rulemaking to establish the new renewal fee. Legal services are provided by the Department of Law. The one-time rulemaking is expected to be accomplished with DOR's current allotment of legal services; no change in appropriations is required.

Effective Date

The bill was postponed indefinitely by the Senate Finance Committee on May 2, 2017.

State and Local Government Contacts

Law Revenue