



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 116

Fiscal Summary

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LCS TITLE: SALES AND DELIVERY OF ALCOHOL BEVERAGES

Fiscal Summary of Initiative 116

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State revenue. The measure creates a new delivery service permit, which will increase fee revenue to the Department of Revenue. Applicants for permits must pay initial and renewal fees. Exact revenue to the state will depend on the number of applicants and the fee schedule set by the department, and is preliminarily estimated to be about \$100,000 to cover the department's administrative and enforcement costs.

By increasing the minimum wage for workers who sell or deliver alcohol, the measure may increase state income tax revenue if the number of employees eligible for the increased minimum wage stays at least constant, and those employees pay additional income tax as a result of the measure. To the extent that retailers raise prices to offset higher wages, state sales tax collections may also increase.

State expenditures. The measure's modifications to state laws regarding alcohol sales and delivery will increase costs by at least \$100,000 per year in the Department Revenue to process additional applications and conduct enforcement.

Additionally, the initiative will require additional staffing at the Department of Labor and Employment to update rules and guidelines, and to accept and process claims for unpaid wages under the new minimum wage requirements. This is expected to cost approximately \$125,000 in the first year and \$150,000 in the second year of implementation.

Local government impact. Similar to the state impact, local liquor licensing authorities will have an increase in workload to process additional applications, and an increase in fee revenue from local application and permit fees. The impact will depend on the number of applications in any individual jurisdiction. To the extent that retailers raise prices to offset higher wages, local sales tax collections may also increase.

Economic impacts. Raising the minimum wage will increase incomes for certain employees, allowing them to spend more and increasing overall economic activity. At the same time, higher wages will decrease the amount that certain businesses may spend elsewhere, reducing their capital investments, spending on other employees, or retained profits. The net impact of higher wages will depend on how increased economic activity from spending by workers is offset by reduced business activity.

In addition, while Initiative 116 may shift the location of some alcohol sales and the type of products purchased, the overall volume of alcohol sales is not expected to change significantly. The measure may shift income and employment opportunities across different retailers, and could lead to some business income from larger retailers leaving the state. It will also increase income to third-party delivery businesses. To the extent that consumers increase spending on delivery fees, spending in other areas of the economy may be reduced.