



**Colorado
Legislative
Council
Staff**

HB17-1084

FISCAL NOTE

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

Drafting Number: LLS 17-0245
Prime Sponsor(s): Rep. Melton

Date: February 6, 2017
Bill Status: House Business
Fiscal Analyst: Anna Gerstle (303-866-4375)

BILL TOPIC: HOTEL WINE ALCOHOL SALES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$8,300</u>	<u>\$15,025</u>
General Fund	2,075	4,275
Cash Funds	6,225	10,750
State Expenditures	<u>\$21,500</u>	Workload increase.
Cash Funds	21,500	
TABOR Impact	\$8,300	\$15,025
Appropriation Required: \$21,500 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing revenue and workload increase.		

Summary of Legislation

The bill creates a wine-expanded permit that allows a hotel with a valid hotel-restaurant liquor license to sell sealed containers of wine in the hotel's restaurant for consumption on or off the licensed premises. Permitted hotels must follow the same hour restrictions as other licensed retailers and may sell up to four 750 milliliter sealed containers per customer.

Wine-expanded permits may not be issued to hotels that have had a liquor license suspended or been subject to discipline in the last three years. The bill makes it unlawful for anyone with an interest in a restaurant within a permitted hotel to have an interest in more than four other permitted hotels with a wine-expanded permit.

The bill sets the state and local permit fees at \$75 each per year, and allows the Liquor Enforcement Division (LED) in the Department of Revenue (DOR) to set the application fee.

Background and Assumptions

Hotel-restaurant licenses are issued to hotels that sell alcohol beverages to customers in hotel rooms or in areas where meals are regularly served and that meet other specific requirements. Revenue from food and drink can make up no more than 25 percent of the hotel's annual revenue.

There are currently 5,114 hotel and restaurant licensees, approximately 332 of which are hotels and will be eligible for the wine-expanded permit. Of the eligible hotels, the fiscal note assumes that 166 will apply for a permit, of which 83 will apply in FY 2017-18 and 83 in FY 2018-19. Based on the number of new hotel-restaurant licenses issued per year, the fiscal note also assumes that 5 new hotels will apply for a permit in FY 2018-19. As a result, it is expected that 83 permits will be issued in FY 2017-18, and 88 will be issued and 83 renewed in FY 2018-19.

Comparable Crime

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or changes an element of the existing crime that creates a new factual basis for the offense. The bill creates a class 2 petty offense for entities with an interest in a restaurant in a permitted hotel that have an interest in more than four other hotels. Under current law, it is a class 2 petty offense for a hotel-restaurant licensee to have an interest in certain manufacturing or wholesale licenses. In the last three years, there have been no convictions under that offense. As a result, the fiscal note assumes any increase in cases will be negligible and there will be no tangible impact to the court system.

State Revenue

The bill increases state revenue from fees by \$8,300 in FY 2017-18 and \$15,025 in FY 2018-19. In FY 2017-18, \$6,225 will be deposited into the LED Cash Fund and \$2,075 into the General Fund. In FY 2018-19, \$10,750 will be deposited into the LED Fund and \$4,275 into the General Fund. The bill also may increase cash fund revenue from criminal fines and fees, as discussed below.

Fee impact on hotels. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of the creation of a wine-expanded permit for licensed hotels. The bill sets the state licensing fee at \$75 per permit. Of that, \$50 goes to the LED Cash Fund and \$25 is credited to the General Fund. The fiscal note estimates a \$25 application fee for new applications, credited to the LED Cash Fund; however, that fee is an estimate only and will be set administratively by DOR.

Table 1. Fee Impact on Hotels Under HB17-1452				
Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2017-18	Wine-expanded Permit Fee	\$75	83	\$6,225
	Wine-expanded Permit Application Fee	25	83	2,075
	Total			\$8,300
			<i>General Fund</i>	<i>2,075</i>
			<i>Cash Fund</i>	<i>6,225</i>
FY 2018-19	Wine-expanded Permit Fee	\$75	88	\$6,600
	Wine-expanded Permit Application Fee	25	88	2,200
	Wine-expanded Permit Fee - renewal	75	83	6,225
	Total			\$15,025
			<i>General Fund</i>	<i>4,275</i>
			<i>Cash Fund</i>	<i>10,750</i>

TABOR Impact

This bill increases state cash fund and General Fund revenue from fees and fines, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. In years when the state collects money above the TABOR limit, the increase in General Fund revenue has no net impact on the amount of money available in the General Fund for the budget, as both revenue to the General Fund and the refund obligation increase by equal amounts. In years when the state does not collect money above the TABOR limit, the increase in General Fund revenue will increase the money available for the General Fund. The increase in cash fund revenue increases the TABOR refund obligation without a corresponding change in General Fund revenue, reducing the amount of money available in the General Fund by an identical amount.

State Expenditures

In FY 2017-18 only, the bill increases state cash fund expenditures in the DOR by \$22,150, paid from the LED Cash Fund. The bill also increases the workload for DOR and the Judicial Department beginning in FY 2017-18.

Liquor Enforcement Division — DOR. The LED requires \$22,150 for computer programming costs to make the changes to the MyLicense Office licensing system. This estimate is based on information from the vendor to accommodate the new permit type.

The bill also increases the workload in the LED to issue conduct rulemaking, update materials, issue wine-expanded permits to eligible hotels, and conduct inspections to ensure that permitted hotels are selling from restaurants on-premises. It is expected that it will take approximately 15 minutes to review a wine-expanded permit application and that an additional 30 minutes per inspection of a licensed hotel will be required. This workload can be accomplished within existing appropriations.

Judicial Department. The bill increases the workload for the trial courts in the Judicial Department to accommodate additional cases as a result of the new class 2 petty offense. Any increase is expected to be minimal and can be accomplished within existing appropriations.

Local Government Impact

The bill increases workload and revenue for local licensing authorities that issue wine-expanded permits. The local fee for a permit is \$75 annually. The amount of the revenue and workload increase depends on the number of permit applications each local licensing authority receives.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed. The bill applies to permit applications made on or after that date.

State Appropriations

For FY 2017-18, the bill requires a cash fund appropriation of \$22,150 from the Liquor Enforcement Division Cash Fund to the Department of Revenue.

State and Local Government Contacts

Counties
Law

Information Technology
Municipalities

Judicial
Revenue