



## COLORADO Department of Revenue

### SB20-086 Alcohol Beverage License and Permit Expiration - YES

**What does the bill do?** The bill gives the State Licensing Authority (SLA) and Liquor Enforcement Division (LED) authority to set a renewal application fee by rule and the ability to allow online renewals and payment of fees. Per statute, all fees must be set at an amount to cover the direct and indirect costs of the LED operations.

**What is the problem we are trying to solve?** LED has a fundamental funding structure problem routed in statute that is getting worse instead of better. Unlike our other enforcement divisions, most liquor license fees are in statute (44-3-501). In addition of the fees set in statute, LED only receives \$50 of each fee to cover the direct and indirect costs of operations. The rest of the fees paid are sent to the state treasurer and distributed 85% to the old age pension fund and 15% to the general fund.

At the same time, statute limits all cash funds to a maximum 16.5% reserve (24-75-402). The new application fee is the only impactful fee the SLA/LED has rulemaking authority over and it is therefore used to achieve this balance.

Extensive changes in the liquor code in the last few years (SB16-197 and SB18-243) have affected the market and it has been challenging to predict the market and new license applications. More importantly, this fee structure has placed the burden of funding the regulatory program that all licensees use and benefit from, on the backs of new applicants. We have changed the new application fee 6 times since 2016. New businesses understandably become frustrated and find this practice unfair and we receive regular complaints.

	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19			FY 2019-20	
Application Fee	\$600	\$600	\$920	\$1,950	\$1,550	\$1,550	\$1,550	\$1,100	\$550	\$550	\$1,550
Annual Revenue	\$2.4M		\$3.2M		\$4.2M		\$4.2M			\$2.9M	

#### **Problem solved? Yes!**

- By allowing LED to set renewal application fees we stabilize the new application fee and spread the cost of licensing across all licensees.
- LED anticipates a \$50 renewal application fee for all licensees and stabilizing the new application fee at \$1300.
- Statute requires renewal by mail. We want to eliminate this language in order to provide flexibility for licensees and adapt to changing technology. For practical purposes right now it will allow us to offer electronic renewal; however, mail will always be an option.