



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-114: SPIRITUOUS LIQUOR MFR SALES ROOMS & OTHER ALCOHOL

Prime Sponsors:

Sen. Marchman; Bright
Rep. Titone; Soper

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill allows spirits manufacturers to operate up to two other sales rooms, and creates a new permit which allows them to serve and sell alcoholic beverages acquired from wholesalers at sales rooms.

Types of impacts. The bill is projected to affect the following areas beginning in FY 2026-27:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. For FY 2026-27, the bill requires an appropriation of \$34,400 to the Department of Revenue.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$43,135	\$43,179
State Expenditures	\$43,135	\$43,179
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$43,135	\$43,179
Change in State FTE	0.4 FTE	0.4 FTE

Fund sources for these impacts are identified in the tables below.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$43,135	\$43,179
Total Revenue	\$43,135	\$43,179

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$34,400	\$34,444
Federal Funds	\$0	\$0
Centrally Appropriated	\$8,735	\$8,735
Total Expenditures	\$43,135	\$43,179
Total FTE	0.4 FTE	0.4 FTE

Summary of Legislation

Under current law, spirits manufacturers may operate a sales room on their licensed premises and one other location to sell spirits that they manufactured. The bill allows spirits manufacturers to operate up to two other sales rooms, and creates a new permit which allows them to serve and sell alcoholic beverages acquired from wholesalers at sales rooms.

These new permit holders may not derive more than 50 percent of their gross revenue from sales of alcoholic beverages from beverages that they do not manufacture, and must serve sandwiches and light snacks at the sales rooms. Copies of the permit application must be posted in the location under consideration for 30 days and published in a local newspaper before the state licensing authority decides whether to issue the permit for the new sales room. If approved, the permit must be displayed with the manufacturer's license.

Local licensing authorities may file responses within 45 days of a permit application submitted to the state. The Liquor Enforcement Division (LED) must consider a local response in determining whether to approve the permit, and may only grant a permit if the applicant affirms that they will comply with local zoning restrictions.

Current law allows spirits manufacturers to use modifiers to produce cocktails in the sales room on the licensed premises. The bill specifies that this allowance applies to manufacturers who do have a permit to purchase from wholesalers.

Assumptions

The fiscal note assumes that half of the 100 existing spirits manufacturers will operate an additional sales room.

State Revenue

The bill will increase state revenue from liquor license application fees and renewals by about \$43,000 per year beginning in FY 2026-27. The LED in the Department of Revenue is expected to adjust its fee structures to cover the increased expenditures to implement the bill, as outlined in the State Expenditures section. License fees are subject to TABOR. Additional revenue will be credited to the Liquor Enforcement Division Cash Fund.

State Expenditures

The bill increases state expenditures in the Department of Revenue by about \$43,000 per year beginning in FY 2026-27. These costs, paid from the Liquor Enforcement Division Cash Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$31,556	\$31,556
Minor Operatives	\$2,332	\$2,376
Centrally Appropriated Costs	\$8,735	\$8,735
Total Costs	\$43,135	\$43,179
Total FTE	0.4 FTE	0.4 FTE

Department of Revenue

DOR requires staff and minor operatives to enforce rules regarding the sales limits and current regulations for an increased number of sales rooms.

Staff

LED requires 0.4 FTE Criminal Investigator in FY 2026-27 to conduct enforcement activities at additional sales rooms, including verification of the gross sales requirements, conducting background checks, and performing inspections. These impacts reduce to 0.3 FTE Criminal Investigator in FY 2027-28 and ongoing once initial inspections and application reviews are complete. Additionally, the DOR requires 0.1 FTE Administrator III to process the additional applications and renewals for permits and new sales rooms, and to correspond with local licensing authorities that file answers to the request for a new sales room permit. Costs are prorated to assume a September 2026 start date in FY 2026-27.

Minor Operatives

DOR requires 102 hours in FY 2026-27 and 106 hours in FY 2027-28 and ongoing for minor operatives, at a cost of \$22 per hour, to assist with compliance checks for the new sales rooms to ensure alcohol is not being sold to minors.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by about \$43,000 per year. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Local Government

Local licensing authorities may have increased workload to file responses to permit applications for additional sales rooms. This additional workload will vary by jurisdiction depending on whether or not responses to sales room permit applications are filed.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$34,400 from the Liquor Enforcement Division Cash Fund to the Department of Revenue, and 0.4 FTE.

Departmental Difference

The Department of Revenue estimates that the bill requires revenue and expenditures of \$97,264 in FY 2026-27 and \$69,556 in FY 2027-28 and ongoing. This estimate assumes that 80 percent of current spirits manufacturers will open an additional sales room under the bill. Under this assumption, the department estimates the bill requires 160 hours of legal services in FY 2026-27 and 120 hours in FY 2027-28 and ongoing to resolve disputes.

The fiscal note differs from this estimate by assuming that 50 percent of spirits manufacturers will open an additional sales room, which reduces staff costs. Correspondingly, legal services costs are also reduced to an absorbable threshold (under 100 hours).

State and Local Government Contacts

Counties

Revenue

Municipalities

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 the [General Assembly website](#).