

**Senate Bill 16-197 Working Group
Legislative Report Recommendation Form**

1. Work Group Sponsor (s): **Safeway (Kris Staaf, Director of Public Affairs)**
2. Describe the Recommendation:

Safeway recommends that no action be taken by the SB16-197 Working Group in connection with the “conversion” of malt liquor (full-strength beer) into the Fermented Malt Beverage statute as established by SB16-197.

3. Which portion or portions of Senate Bill 16-197 does this recommendation address (underline all those that apply)?
 - a. Develop an implementation process for grocery and convenience stores to apply for a license to sell malt liquor and fermented malt beverages containing at least one-half percent alcohol by volume starting January 1, 2019.
 - b. Analyze the impact that removing the alcohol content limit on fermented malt beverages will have on the alcohol beverage industry as a whole, as well as on current retail licensees.
 - c. Legislative, regulatory, or administrative changes necessary to promote the three-tiered distribution system in Colorado.
 - d. Laws governing tastings conducted on retail premises licensed under article 47 of this title and the ability of retail liquor stores licensed under section 12-47-407 to sell growlers containing malt liquors.
4. Please summarize the rationale for the recommendation – why is it important?

Safeway believes that the intent of SB16-197, as well as the clear letter of the bill/statute, allow for traditional Fermented Malt Beverages (FMB) licensees to sell “full-strength” beer , as defined in the CO Liquor Code, beginning 1/1/2019. While SB16-197 directs the Working Group to consider a new license for this purpose, it is not necessary to develop a new license when the law clearly allows for the sale of malt liquor under an FMB license. There would be no safety concerns under the new law since Safeway employees would continue to undergo extensive alcohol sales training and be subject to the same swift and severe penalties for selling “full-strength” beer to minors or visibly intoxicated persons. Moreover, upon renewal of an FMB license, should a local licensing authority have reasonable cause for concern due to prior violations of certain state or

local retail alcohol sales laws or ordinances, they may require a hearing in order to authorize, deny or restrict sales of “full strength” beer at that location, without the need of a new licensing scheme.

5. What issue or issues does your recommendation resolve? Please identify the issues.
Safeway’s recommendation resolves the need to create another new license where it is not needed. It relieves a burden on local licensing authorities to not be required to create, hold hearings and issue a new license for a product that is already being safely and responsibly sold to consumers albeit a slightly increased alcohol content.
6. What stakeholders would be positively or negatively impacted by this recommendation, and how would they be impacted? **All FMB licensees, beer distributors, manufacturers, and consumers would be positively impacted by this recommendation. Some liquor stores may be negatively impacted but their trade associations agreed to the law that supports this recommendation and have been aware of the change in “full strength” beer sales since June 2016.**
7. Which of the following does the recommendation impact (underline those that apply):
 - a. **Statute (legislation)**
 - b. Policy
 - c. **Rules and Regulations**
 - d. Other: *(please describe)*
8. Who owns implementation of the recommendation (underline those that apply):
 - a. State Legislature
 - b. **Department of Revenue**
 - c. **Local Government**
 - d. Other: *(please describe)*
9. Is there a dissenting voice on the working group concerning this recommendation? If yes, please provide a summary of the minority opinion about this recommendation.

The liquor store associations are opposed to this recommendation even though it was agreed to by these same organizations during the negotiation and ultimate passage of SB16-197. They believe the Working Group must develop an implementation process for a new license to sell malt liquor. Safeway believes the law is clear that the Working Group only need to discuss an implementation process for a license to sell malt liquor.

10. Are you aware of any statutory authority or regulation that supports the basis of this recommendation? If yes, please include it here.

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11. Is the implementation of your recommendation dependent on another decision or action? If yes, specifically what actions or decisions are required before this recommendation can be implemented? **No.**

12. Will the recommendation have a cost to implement? If yes, please explain the reason for the cost and provide an estimate.

Safeway understands that there would be little to no cost to the state or local licensing jurisdictions if our recommendation is accepted by the Working Group. There is, however, a cost to Safeway and likely all other traditional FMB licensees to prepare for the “conversion” to take place on 1/1/2019. Safeway has already begun to incur costs such as re-designing refrigerated departments within the stores. Significant planning is underway for building out space to accommodate the new products, negotiations with suppliers/distributors, continued safety training to existing and new employees, and marketing/notification to customers around the change in the law. Due to state and federal laws protecting the disclosure of trade secrets and proprietary information, Safeway will not provide an estimate of costs for the implementation of our recommendation to the Working Group.

13. Provide an estimate of how long it would take to implement the recommendation.

There is no estimated time frame on the implementation of the recommendation. The law specifically allows for the sale of malt liquor under an FMB license beginning 1/1/2019 and Safeway recommends no change to that date.