COLORADO
Department of Revenue
Specialized Business Group—
Liquor & Tobacco

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Liquor Advisory Group

Meeting Minutes

February 2, 2023

Seat	Representative	Attendance
State Licensing Authority	Executive Director Mark Ferrandino *Department of Revenue*	Present
Arts Licensee	Neal Elinoff *Elinoff Gallery*	Absent
Colorado Association of Chiefs of Police	Chief George Dingfelder *Monte Vista Police Department*	Absent
Colorado Counties, Inc.	Vacant	Vacant
Colorado Municipal Clerks Association	Colleen Norton *Littleton Municipal Clerk's Office*	Present
Colorado Municipal League	Tara Olson *Town of Breckenridge Clerk's Office*	Attended by Proxy Molly Steinemann *Colorado Municipal League*
Colorado State Patrol	Colonel Matthew Packard *Colorado State Patrol*	Attended by Proxy Joe Dirnberger *Colorado State Patrol*
County Sheriffs of Colorado	Division Chief Todd Reeves *Jefferson County Sheriff's Department*	Present
Downtown Partnership/Chamber of Commerce	Loren Furman *Colorado Chamber of Commerce*	Present
Hard Cider Industry	Eric Foster *Colorado Cider Guild*	Absent
Brewery (Large)	Bob Hunt *Molson Coors*	Present
Local Brewery (Small)	Paul Kemp *South Park Brewing Company*	Present
Law Enforcement Representative	Chief W.J. Haskins *Glendale Police Department*	Present

MADD	Executive Director Fran Lanzer *Mothers Against Drunk Driving*	Present
Seat	**Representative**	**Attendance**
Off-Premises Retailer (Large)	Kris Staaf *Albertsons Safeway*	Present
Off-Premises Retailer (Large)	Jason Bassett *Kum & Go*	Present
Off-Premises Retailer (Medium)	Jim Shpall *Applejack Wine & Spirits*	Present
Off-Premises Retailer (Medium)	Edward Cooper *Total Wine & More*	Attended by Proxy Mindy Baker *Total Wine & More*
Off-Premises Retailer (Small)	F. Seyoum Tesfaye *Franktown Liquors*	Present
Minority Owned Off-Premises Retailer	Gonzalo Mirich *Jimbo's Liquor*	Present
Minority Owned On-Premises retailer	Veronica Ramos *The Electric Cure*	Absent
Local Spirituous Manufacturer	Stephen Gould *Colorado Distillers Guild*	Present
National Spirituous Manufacturer	Joseph Durso *Pernod Ricard USA*	Present
Restaurant Licensee	Dana Faulk Query *Big Red F Restaurant Group*	Present
Restaurant Licensee	Sarah Morgan *Martinis Bistro*	Absent
Restaurant Licensee	Andrew Palmquist *Number Thirty Eight*	Present
Tavern	Erika Zierke *Englewood Grand*	Present
Tavern/Large Dance Entertainment Venue	Andrew Feinstein *Tracks Denver, ReelWorks Denver, & RiNo Art District*	Absent
Tavern/Large Dance Entertainment Venue	Don Strasburg *AEG Presents*	Attended by Proxy Jake Hiersteiner *AEG Presents*
Local Vinous Manufacturer	Juliann Adams *Vines 79 Wine Barn*	Present

Seat	Representative	Attendance
National Vinous Manufacturer	Anne Huffsmith *Nakedwines.com, Inc.*	Present
Wholesaler (Malt)	Yetta Vorobik *Crooked Stave Artisan Distribution*	Present
Wholesaler (Vinous/Spirituous)	Fuad Jezzini *Maverick Wine Company of Colorado*	Present
National Wholesaler	Andrew Quarm *Republic National Distributing*	Present

I. Opening Remarks, Attendance, and Agenda Review
II. Adoption of Meeting Minutes
    A. Adoption of Minutes from January 5, 2023 Meeting
        1. Joe Durso notes a spelling error on page 6, item (b)(1)(d). Minutes will be amended accordingly.
        2. No further amendments requested.
        3. Joe Durso moves to adopt the minutes. Seconded by Yetta Vorobik.
        4. Minutes are adopted.
III. LAG and Subgroup Process Overview
    A. LAG Member Question: Regarding topics listed under Regulation of Retail Operations [on the agenda], the closing hours issue is one of the most contentious and divisive issues encountered over the last ten years. Wondering if this is the best place for the group to start or if the group should start on an issue on which we might reach an easier conclusion. I defer to the facilitator expertise on this.
    B. LAG Member Question: This group is so heavily stacked with nonmanufacturers that the issues that are pertinent and relevant to manufacturers, especially spirituous manufacturers, seem to be lumped in with groups that have no equity and no knowledge of the manufacturing side of the business. Voicing concern again for the record that manufacturers are going to be "steamrolled" because there are so many people with other interests that don't understand what it takes to run a manufacturing business, especially a spirituous manufacturing business.
        1. Facilitator Response: Reminder that we're just starting out here. One way to look at these issues is to focus on, as a group, what all is entailed. So far we've just been identifying issues; in other words, just naming them. What we hope to achieve is to start the process of analyzing an issue from different sides. Hoping that when we start on this, the group will see how Keystone has thought this through, and we'll see if it works. In response to the previous comment on the closing hours issue, appreciate the view; why don't we start with the marketplace, see how that goes, and then, when we get to retail, see where it is. At the end of the day, as a group we have to reach consensus; we have to work through this. Recognize that an issue could get contentious, but that's just the way it is. Remember that this is not personal; this is about policy and moving forward.

IV. Large Group Discussion

A. Marketplace Structure

1. LAG Member Comment: Often the law is protectionist for no reason except to give cover to businesses to enforce what would otherwise be a business decision and gives them the cover of law to handle the decisions that they're making (e.g., "We can't do this because the law doesn't let us do it."). Instead they need to make decisions that are good for their business and not use the law as a cover. The other problem is that the law has certain inequities in it because people have been restrained; for example, retailers, until 2017, were limited to one store/one license while grocers have been able to open multiple stores, then overnight the law switches to allow grocers to sell beer and wine. That inequity means that retailers are left with one, maybe three stores and are far behind the eight ball. Got to be some kind of vehicle to allow everyone to catch up and be on equal footing.
2. LAG Member Comment: Biggest concern, especially as a spirituous manufacturer, is that overtime, especially in the last several years, we have seen an unleveling of the playing field strongly towards beer and now wine, where distilled spirits, and especially Colorado's spirits industry, which are predominantly small producers, are increasingly losing market share because consumers have significant access to beer and wine in convenient locations that in part make it easier for them to buy those products than for them to buy our products. Further, even in cases where large groceries do have access to be able to sell spirits, because there is limited shelf space, very often the smaller producers don't even get return phone calls from the purchasing people from big grocery stores. The ways the laws have changed in Colorado has taken a distilled spirits industry that, five years ago, was the largest state guild, one of the largest communities of small distillers in the United States, and now is barely top ten. While we're still growing, we've seen some attrition in the marketplace and it's a never ending battle. It seems to be, if you look at the composition of this working group, that we have two people speaking for spirituous manufacturers versus the number of people who are advocating for beer, for wine, or for beer and wine in grocery stores and in convenience stores. Needs to be a leveling of the playing field between spirits, beer, and wine.
    a) Response from Executive Director Ferrandino: When looking at the current law, one of the reasons why we wanted to create this taskforce was that innovation and consumer behavior has changed; innovation is changing the marketplace and consumer behavior is changing what's asked of the marketplace. The laws are not keeping up with that and are hindering the ability to adjust to where the market is moving and where consumers are moving. Trying to figure out how we create more flexibility in the marketplace to allow innovation, to allow the marketplace to adjust to consumer demand, is something that right now is lacking.

3. LAG Member Comment: To echo previous points made by LAG members and Executive Director Ferrandino, direct-to-consumer shipping is something that is a hot button in the industry, but it's something that we really need to start to consider, especially for small craft distillers - gives more access to a broader market. Unfortunately, we're up against beer and wine that have a much larger distribution network, especially when it comes to larger brands. Smaller brands are definitely held hostage here. It's really not reasonable at a time when you can buy a house, a car, virtually anything you want online, that you can't buy any spirits online (e.g., you can't have a bottle of bourbon shipped to your house). That's not reasonable. To Executive Director Ferrandino's point, it doesn't keep up with technology, it doesn't keep up with the market, it doesn't keep up with consumer preference. Virtually everyone in the spirits industry, big or small, will tell you that they have been at a distillery where someone has asked if the product can be sent to them - the answer universally has to be no. That's a real problem when it comes to consumer choice. Not to mention the fact that it limits access to the market for smaller firms that will never be able to break in if they don't have that kind of consumer access. That, coupled with the tax issue - tax parity is something that we really need to start focusing on. The very skewed tax rates that favor beer and wine put spirits at a significant disadvantage and it's equivalent to picking winners and losers. If you average out the taxes and you let consumers decide, that's a much fairer way to do it.
4. LAG Member Comment: Agree with a lot of the points on the tax parity and the lack of consumer choice, especially from a small brewer standpoint. Looking at it from a smaller brewer standpoint, lots of small breweries have lack of access to the market by current franchise laws. We are the only ones who have to have a contract and it's pretty stuck on what those things are, along with it being very difficult to get out of. A lot of smaller breweries can't start getting into the game because if something goes awry the cost of exit is too high. Know that, for a lot of other breweries, this makes it very difficult for them to get to market. For larger breweries, it's probably easier; just think that's one of the main pieces about the current law.
5. LAG Member Comment: Any changes to the law, we need to be very cautious about how business has been conducted and how many jobs that creates for small businesses. Any time we change a law, all of these small mom and pop shops are losing business when it goes to groceries; small distributors have a hard time getting into the bigger grocery stores, so just consider that any time we change a law - the impacts that causes.
6. LAG Member Comment: Want to comment on the tax parity. Think it's very important for everyone to realize that beer and liquor are very different products. The US tax code has reflected these differences, and most recently, the citizens of Colorado recognized that when they voted in the ballot not to have spirits in grocery stores. Beer, spirits, and wine are totally different and history as well as public policy has demonstrated this time and time again. Think that legislation has been supported and overwhelming majorities in both chambers of Congress

that beer and liquor are fundamentally different and the US tax code appropriately reflects those differences.

7. LAG Member Comment: To correct the previous comment, spirits in grocery stores was not on the ballot and Colorado voters did not vote against them, just to be incredibly clear. We're seeing a move nationally that alcohol is alcohol is alcohol. The perception that spirits are a sin product that need to be penalized for being a sin product kind of went out with Hamilton and Jefferson in the early 1800s. We keep hearing beer [manufacturers] say that, and I don't want this to be a beer versus spirits fight.
8. LAG Member Comment: Not very popular here as the large retailer, but want to throw it out there: maybe it's worth a discussion on the three tier system in modification to allow direct purchasing from manufacturers by the retail tier. Also, the COD rules for the liquor-licensed drugstore license is different than…our payment system is two different ways and we have a handful (three or four) of liquor-licensed drugstore licenses and then we've got our beer (now beer and wine) license, and the payment system is different for those [license types]. This makes it challenging on the accounting side.
9. LAG Member Comment: Rhetorical question, why do we still, in 2023, consider beer, wine, and spirits so differently? See consumers day in, day out buying across all three products. Buying spirits doesn't make them a better or worse person. Understand, by talking today, this was really bad, but nowadays what is the big difference? Honestly, I don't even know it.
10. LAG Member Comment: This might be a little bit random, but has been an obstacle personally encountered with the three tier system. At present, we have a campaign we're doing with Anheuser-Busch and Uber to encourage people to plan ahead, make safe choices as they're going out. As it was explained, you could show up to a bar and hand out an Uber promo card that was by Anheuser-Busch, but Anheuser-Busch may not give that card to the bar because that would be an unallowed benefit under our current system. Understand that there are probably needs to have those divisions in the three tier system; when it comes to public safety, it would be nice to have more flexibility there. Pretty small compared to the other issues that have been brought up, but that's one thing from a MADD perspective that has stood out.
11. LAG Member Comment: Better access to merchandise for retailers. Want to make sure, because the big companies here are having to buy a lot and the smaller businesses, like the mom and pop shops mentioned earlier, don't have the free access and they struggle when their stock is being diminished. Don't want the restrictions that we have right now, like some distributor has some product, and a retailer cannot [purchase?]
12. LAG Member Comment: Working in fourteen states, alcohol is really not alcohol. Numerous states, municipalities have different restrictions for liquor as opposed to beer and wine. As we would like to be able to sell everything and sell it responsibly, there are inherent differences between potency and things like that. What is boils down to, responding to a previous comment about the current laws and the protections and how liquor stores have been behind the eight ball with one license and now being able to expand, think we have the opportunity to do something meaningful and measured that can really serve as a model to other

states that are struggling with these very same issues. Would like to see a way to expand licenses; right now, we get one license and we can only have one license because we didn't get our license by a certain date. Don't know what the difference is between that and someone who had a license before us. Think that if we're measured and cooperative we can come up with something that addresses a lot of the issues and serves as a model for the rest of the nation.

13. LAG Member Comment: Don't know the whole context of this, so if this is an extremely controversial thing to propose, I apologize. From a tavern perspective, it would be really nice if we could allow manufacturers to contract with more than one wholesaler in a given territory so that, instead of having a product monopoly with each distributor, we could choose who we work with based on the service they provide. Think that would increase competition and ease some burdens on the tavern side. Also, allow wholesalers/manufacturers to provide things to a bar (e.g., umbrellas or festival tents); perhaps we can do up to a certain dollar amount per year.
14. LAG Member Comment: Want to emphatically agree with previous comments; from a restaurant perspective, we need more competition in the free market and the monopoly really hamstrings restaurants. Also have a limit of two-thousand dollars a year that we can spend purchasing alcohol from a liquor store and not from a distributor. Those two things combined really tie our hands. When we run out of product, it really impacts our business (e.g., telling customers there are certain things on the menu that we cannot provide). Process is archaic. Other thing I wanted to bring up - there's something on the [agenda] list about blacklisting clients and accounts if they are over Net 15; know it was mentioned before that it does happen in one or two other cities in the country - that would be extremely problematic for restaurants, especially when you're talking about looking out for small business. Net 15 sometimes…with accounting, we don't have huge accounting teams…that would be a huge problem for restaurants, and after the last meeting, heard from many people in the restaurant industry that this was the biggest concern that came out.
15. Facilitator Comment: Some themes coming through the discussion; predominant themes are how liquor, beer, and wine get to point of sale, whether that's a retail store, a tavern, or a direct consumer, and the market there; and discussion about the historic differences between spirits, beer, and wine, and how does that play out in the distribution chain, the tax chain, and the public safety chain. Will keep those two main themes as we keep moving forward.
16. LAG Member Comment: To an earlier point about historic differences, as we go through this, we all need to go back and look at why there are these historic differences, to understand not just how it relates to wine, beer, and spirits, but why liquor stores were only allowed one license and now only three. Also need to understand, to another earlier point, why there is a COD for liquor-licensed drugstores and not for the wine in grocery stores under the fermented malt beverage portion of their access to the system.
17. LAG Member Comment: Thanks for the clarification regarding spirituous liquor. Have worked over many, many states and I have had this issue pop up in other places where those outcomes had taken place. Appreciate the clarification; did misspeak on it. Know that we've had a lot of issues in the state, a lot of different ballot initiatives, not only in Colorado but also in other places, so thanks for the clarification.
18. LAG Member Comment: Regarding previous comment on free goods, under Colorado's current liquor rules, manufacturers can provide restaurants with free

goods up to a certain, very limited dollar limit. Reason for the limit is that it prevents larger manufacturers, of any ilk, from buying menu placements by giving away free goods. The last thing we want to see as a craft producer is a bigger producer of any category of alcohol being able to walk in with free glassware or umbrellas or tables and say, "We're going to give you this if you carry our spirits." The reality is, that happens every day, in every state in the country, whether it's the manufacturer or the wholesaler that they work with; it's a continuing problem that hurts the smaller players in the industry that just cannot economically compete. It is currently against Colorado law and we would be very resistant to changing that.

19. Facilitator Comment: One of the issues being raised here goes back to the previous comment about protectionism; what is the responsibility of the government there, versus the market? Maybe this discussion feeds into another theme: what is the governmental purpose of a regulation or a law?
20. LAG Member Comment: Any product that goes out of code that we have to go pick up, if there are multiple distributors in a territory, that creates issues. Also, to correct my previous comment about blacklisting: everything would go to all distributors if it was after the thirty days.
21. LAG Member Comment: Mirror previous comments as well. Want to clarify the previous point: allow direct purchasing *from* the manufacturer, not *by* the manufacturer. Also, what does a discussion on the three tier system look like and where could it go?
22. Facilitator Comment: Let's take a minute to say what's good about the current system; what's good about the three tier structure? What would be some things to preserve moving forward on the three tier structure?
23. LAG Member Comment: Think we need to recognize, especially as a small producer, a lot of people beat up the three tier system, especially the small producers; the reality is, for most of us, the second tier is hugely essential because we don't have the resources to be able to build our own sales team and facilitate our own deliveries. Even the major producers will begrudgingly admit that most of them don't have the resources nationwide to be able to do that. Having said that, we export; we're in Europe where the three tier system doesn't exist - rather, isn't codified, but still exists. You get the second tier and others fighting tooth and nail to legally mandate the three tier system, when in reality, the three tier system functionally important whether it's legally mandated or not, it's needed by the industry. The wholesalers need to exist to facilitate the logistical functions of taking from importer or manufacturer to retailer and ultimately to consumer. We spend a lot of time and effort, especially here in Colorado, arguing over legal requirements in the three tier system that feel are largely unnecessary; wholesalers aren't going anywhere because the manufacturers can't live without them.
24. LAG Member Comment: As far as the three tier system, obviously with the business I represent as a wholesaler, it's critically important to us. Agree with an earlier point; there's a reason the tier system has existed so long in this country and is a vital part in every state. Think there probably needs to be a little more education on what the wholesaler really does, as far as ensuring that licensed retailers/restaurateurs have the correct permits and filed paperwork with the state. Obviously, an access thing, which is important from a safety perspective. Also, the concept of a monopoly - want to debunk that. There are very few states that can have a manufacturer's product available to multiple wholesalers and there's a reason for that. In Colorado especially, which is a very free market state, a

producer can change from one wholesaler to another without state involvement or notice for any reason. There is no such thing as a monopoly with wine and spirits, not speaking to the beer side. Brands come and go at their own will. As far as access, Colorado has the highest access of products available to our consumers than most states in the country. If you go to retail stores, especially the big ones, the amount of available products in stores in Colorado is dramatically bigger than most states in the country. As far as pricing, happy to discuss in smaller groups. Pricing is also very flexible, based on access to everybody; it is up to a wholesaler and up through their manufacturing partner on how pricing is presented to the market. Caution everyone to not use the word "monopoly" because it's not the case. Overall, summarizing the things seen here, I thought the purpose of the group was to look at where there are issues around public access/public safety; do not see any validity to product access or pricing or anything like that. If you poll the consumers, no one is going to say this is something they see as an issue. In short, obviously a slanted point of view, but the three tiered system from a wholesaler's point of view is critical, from an access point of view, from a service point of view, and we remind customers that if you order from us at six o'clock, you're going to get your order the next day, and that does not happen without the three tier system in the middle.

25. LAG Member Comment: Great point about the three tier system. Distributors wind up helping out the small manufacturers because they can't do the things that a distributor does and deliver to all the accounts that a distributor does in the state. Definitely helps smaller manufacturers. Most of this stuff doesn't happen logistically without the distributor. Delivering to all the restaurants in the state, delivering three bottles at a time, whatever the customer's needs are, we do that. Would ask manufacturers, in talking about whether they would like products to be available from more than one wholesale distributor - what a nightmare that would be for a manufacturer to say, "I've got my product at RNDC, at Southern, and at this other distributor." That would be a big hurdle to the whole system. Think the way it is now is much more sane, and anybody can leave in Colorado. We're not a franchise state, so anybody can leave for whatever reason. No one is restricting anybody.
26. LAG Member Comment: Seeing that the "beneficial/good about the current law" is a little lacking, I want to identify that the three tier system is something in Colorado that's really great, both what's in the statute and what's in the reg[ulations]. The pricing, especially what we saw in the wake of 192 and 243, is a great thing about what happens in Colorado; even though we are a "large" retailer, we are not as big as others and the pricing structure in Colorado allows us to compete. Also, 243, 192, the value of labor regulations that came out are also important for retailers that aren't the biggest. Also, one complaint that I failed to mention before is the restrictions on Christmas Day sales; understand why that is, but think it's something we can look to address.
27. LAG Member Comment: Want to mention that the three tier system in Colorado that we have; I really like the way it is. However, what I have an issue with is distributors having one manufacturer assigned. Regarding products for small businesses, do not have access to products because of pricing issues. Small businesses are having issues getting the products they need because they have to buy all at once. If you don't buy in volume, then the pricing becomes more expensive. Keep in mind that small businesses, mom and pop, are falling behind; how do we adjust the system to make sure they [small businesses] are getting fair distribution?

28. LAG Member Comment: Coming back to a previous point, the distribution part is so important for small retailers; imagine, right now, with the supply problems, imagine that to get some product I would have to shop on every single distributor to find one bottle of this, a case of that - it would be a nightmare. Who has the best price(s) today versus tomorrow…it's impossible. You really have to have one purchasing agent who is monitoring who has what at what price; that would be pretty much impossible.
29. LAG Member Comment: Wanted to comment because I feel we're hurtling towards a bit of a misunderstanding here. The three tier system is important and I think all of us would recognize the importance of the three tier system overall. Think part of the reason we're here is that change is hard and the three tier system isn't perfect. We're still working within a system that was created during Prohibition. While, yes, there are certainly lots of legislators across the country that have endorsed the three tier system, there are also certainly lots of legislators in state legislature who recognize, as the state legislators tend to be a better younger, a little bit more modernized, that the three tier system has to change to adapt to current consumers' preferences and to the current market. We're not talking about eliminating the three tier system; would argue that's far from anybody's position, especially on the manufacturer side. Think it's more about optionality, more about fairness, more about equity, more about access, and taking advantage of the way the world is now. One-hundred and twenty years ago when we started talking about this stuff, we didn't have UPS and FedEx who'd be coming to a business and help distribute their product across the world. So there's a lot of different aspects to this, outside of just sticking to the good old way that it's always been done because that's not going to work anymore.
30. LAG Member Comment: Applaud everybody; think there's a lot of unanimity in terms of supporting the three tier system. It's been a time-tested system that delivers high product quality, customer service, consumer choice, and on top of that, an orderly marketplace where we have efficient tax collection, we have transparency, and it really helps the state regulate the industry. Alcohol, as I think everybody knows, is the unique area - it's only referenced twice in the US Constitution; no other product is, and I think in Colorado, we have such a great open system and a proof point. You look at the craft brewing industry and how it is really the envy of other states around the country, and as the folks in the craft distilled spirits, they're following that same legacy of really a great market that's all being developed on the back of a really great three tier system.
31. LAG Member Comment: Everyone has some things they love and hate about the tier system. There are parts of it that level out the playing field and some parts of it that are protectionist. So, to speak of it as a whole is a bit of a misnomer. The protectionist aspects of it can be discussed and refined. The failures of it with respect to distribution can be discussed and refined. Some people mentioned that restaurants and bars buy from retailers if the supplier is unable to fulfill an order - that makes sense. It also makes sense to let consumers bring in wine to restaurants and be charged a corkage fee. These are things where the government is going in and protecting certain aspects of a business that they may not need to do. And so, we need to look at it not as a whole but as to what parts of the three tier system work and where they fail, and then we can make it so it works to address everything.
32. Facilitator Comment: This last comment sums up the first task for the working group. Thanks to everyone for participating in this conversation. The first task for

the Marketplace Structure Working Group will be to discuss what modifications within the three tier system are needed.

33. Summary of Discussion

B. Regulation of Retail Operations

1. LAG Member Comment: This seems to be a big issue; wonder what, for businesses that stay open until four o'clock in the morning, would the benefit be for that? What kind of revenue benefit? Can only imagine what must be gained for that. Conversely, since public safety is an overriding thing that we should look at - what would be the cost both financially and societally to businesses staying open to those hours?
2. LAG Member Comment: Speaking from a local government perspective, there are many different things to consider when you look at changing closing hours to four a.m. There's community buy-in, there's public safety considerations, and so, if the law were to change to four a.m., we would certainly want this to be something that local governments could opt into and we definitely want there to be a pretty high level of local control, so that communities could make the right decision for themselves and they could decide if this is a good option for them, rather than there being a statewide approach to closing hours.
3. LAG Member Comment: In Argentina, no closing hours. I owned a bar in Aspen before I bought my liquor store; closing time of two in the morning really makes sense - you can have the bar atmosphere and see people drink every day of the week if they want and then still show up at their place of work. Also, to kick people out at two in the morning, it's not easy, but to kick people out at four a.m. is going to be even harder since they've been drinking for two more hours. Don't really see what the benefit would be. Really see the problem from a public safety perspective, from how the small businesses would be able to enforce that, and the overall cost to the local and the state's economy. One place kicks someone out at two in the morning; they sleep for four hours, wake up somewhat drunk and then by eleven a.m. they're "productive"; others kick people out at four a.m., they crawl to work, don't do anything and get fired. Probably had a different personal perspective on this when I was twenty-seven and owned my bar; now, I don't see the real benefit.
4. LAG Member Comment: In terms of what is beneficial about the current law, having a statewide cutoff time at two a.m. does allow law enforcement to coordinate their efforts around that hour. That's a big advantage. We also do know from looking at research from states like New York or Florida where closing times are county by county, they do see increased drunk driving from counties where bars might close earlier to places that are going to be staying open until four a.m. or five a.m., so there is a legitimate concern about drunk driving increasing. Another thing we have to look at, in terms of when alcohol-impaired driving crashes happen on Friday, Saturday, and Sunday, they're going to be heaviest from eleven p.m. up until 3:59 a.m.. If the closing time were to shift until four a.m., the question is what would happen then, in terms of when crashes happen? Are we going to see crashes shift from the aforementioned time frame to more crashes between four a.m. and six a.m.? Can tell you, our law enforcement and first responders are not built to handle that; also, we have many more people on the roads, like ski traffic on a Saturday morning is going to start as early as five a.m.. A lot more people on the roads at that time, so there's a lot to think through in terms of the public safety side. Would also suggest there's a lot to think through on the business side; in talking with bar and restaurant owners - there are some who support this and some who are very much against it, and

they're worried, essentially, that they may extend hours and then have more staffing costs because customers shift the time of their consumption. Instead of being in a bar from ten p.m. to four a.m., they may come out from midnight to four a.m. Bar doesn't get any additional revenue, but does get a lot of staff costs that end up being in that loss. As we're talking about this, public safety is obviously the main lens, but I have also talked to a lot of business owners who are very concerned about this as well. Really need to look at impacts to businesses and the impacts to our state economy as well.

5. Comment from Executive Director Ferrandino: I have been on this conversation probably since I was in the legislature; think that was the first time this came up. Governor and I are very much on the same page on this one; to me, there is no compelling state interest in being in this and that it should be a local decision on when closing hours are for those localities. There's a positive aspect to businesses spreading out the closing times; spreads out traffic to not have everyone leave a bar at two a.m. Some people may stay until four a.m. but a lot of people will leave at two a.m. Spreads out the ability for businesses to "ramp down" over time; think the locals should have conversations about whether this is seven days a week or only Fridays and Saturdays. That's the better conversation for the local government, not the state.
6. LAG Member Comment: Know the law has passed to make it [closing time] two a.m.; it would have been wiser if it were twelve a.m. Reason is, we have to be responsible; we need to have a productive economy where people get up, go to work sober. We have to protect schools, protect families; you can't just stay in the bar until four a.m., go to sleep for four hours, and then get kids to school, get to work. It's not creating a productive family, and also from the law enforcement, it does not give them the chance to cover all those hours, for them to be watching and covering all those people, all those accidents. Don't think it's a good idea to just open up until four; just keep it at two.
7. LAG Member Comment: To echo a previous comment, coming from the restaurant industry and being a restaurant owner, there's a lot of different people on both sides; hard to say where the restaurant community is and how they're split. Sure there are some bar owners who open as late as they can, as it is. There's a smaller sector that would stay open past two. As far as what the staffing issues are, there would need to be a lot more research and discussions with restaurant owners in real life to determine what those challenges would really be. Feel it should be regulated only by the state, not municipalities. If locals could regulate hours, for instance in metro areas, you could have restaurants literally across the street from each other with different standards and regulating that - and also, the restaurants maybe not even knowing that they're breaking the law with staying open because their partner across the street doesn't, just think that's a slippery slope and the state should be the only entity to regulate alcohol.
8. LAG Member Comment: Spent a huge portion of my life working in restaurants - as a bartender, as a cook, et cetera - mostly in Nevada, which is a twenty-four-seven legal economy. Addressing a previous comment, to start with, if you go to four a.m., no one is forcing businesses to stay open until four a.m. This is not a mandate; this is an option. To give a great example, my tasting room is in Golden, Colorado; we legally can stay open until two a.m., the bars down the street stay open until two a.m. many nights; most nights, I close at ten p.m. on the weekdays. On the weekends, I close at twelve p.m. We like it this way. I don't want the late night traffic. As a business owner, that's my decision. The business owner down the street wants the late night traffic and stays open until two.

There's pretty much no traffic at that time because it's Golden. Keep in mind that just because people are advocating going until four, doesn't mean that every bar is going to be open until four. It's only going to be the bars where it makes business sense for them to be open until four, in areas where there is traffic later at night. Really doubt anyone, if four a.m. was the limit, in Golden, Colorado would ever be opened after two. Having said that, I do think it should be a decision that businesses should be allowed to make with the approval of the local licensing authority. Agree with the [Executive] Director and Governor; it's not the state's business. Push it down to the local municipalities and say, "Look, it's your city; you need to run it."

9. LAG Member Comment: Big concern is public safety; if one of our goals is public safety, don't think we're doing any favors by moving the operating hours to four o'clock. Don't know how effective and how cost-effective it would be to stay open another two hours; between staffing, product, electricity these days - would it really be worth it? Main concern is the public safety if people are still drinking at four o'clock in the morning and then getting into cars, especially in small municipalities that have small law enforcement staff. Here in Palisade, we have less than 2,700 people in town and have a small police staff; there's a late shift that they don't have an active law enforcement officer on duty - we rely on the Mesa County Sheriff. Having the bars open in Palisade until four o'clock would put real strain on local law enforcement, so that's additional funding that they have to come up with, to have an officer on duty. Think the small municipalities would be really affected by increasing this for another two hours.
10. LAG Member Comment: Don't have strong feelings about this either way; as a tavern owner, the tavern league does support this concept. Personal reservations are what has already been shared, that being with public safety. Wanted to share an alternative perspective: there are some safety concerns with a very strict last call. In some of the places that may choose to stay open later, right now they're pushing people out at two a.m.; it's still very crowded, people are taking shots and then they're getting their drinks ripped away from them and pushed out into the streets all at once, so then they're a little bit agitated already. They can't find Lyfts, or Ubers, because there's not enough drivers. It just leads to some big problems that happen out on the street when you're shoving everyone out at the same time. One idea might be the concept of a gentle last call, where all of the transactions have to be finished by two a.m., but people are allowed to remain on site and finish whatever beverages they have purchased until, maybe, four a.m. That's one compromise idea, maybe. Another thing I wanted to touch on is this concept of local control; typically a huge proponent of local control; however, with regard to last call hours, to echo what was said earlier, we saw this a little bit with COVID where different municipalities or counties had different restrictions based on their caseload or rate. So, people might be in one county where last call was a certain time and they would have another hour, so they would get in their cars to drive to the county to get more drinks after they've already been drinking. Think having a patchwork approach to last call could have some safety concerns as well.
11. LAG Member Comment: Looking at having local control from the different municipalities, I can see all sides. Do see a concern of people trying to jump from one county to the next because they know that last call is going to be later; at the same time, I think allowing the counties to decide might be a better benefit.
12. LAG Member Comment: Wanted to throw in another aspect with local control for the group to consider; it's just really not a clean local control issue. If Denver

decided to have bars open until four a.m. and DPD is going to help enforce that on drunk driving - the only people who are there drinking are people who live in Denver, and maybe the only place they're going to drive to, if they drive, is to somewhere in Denver - then it's a local control issue. But I used to live on the west side of Denver, within a ten minute drive to Edgewater, Lakewood, Arvada, Wheatridge; so, if Denver changed, those towns are all going to experience an increase in drunk driving. Likewise, if one of those towns changed, my neighborhood probably would have experienced it. So, it's not a clean local control issue. On a lot of issues in Colorado, we prefer local control; this is one area where having the state coordinate among counties and municipalities is important. Want to make sure we consider that piece of it.

13. LAG Member Comment: Only comment I want to make is that I am a proponent of local control. In a previous life, I served as a mayor and city commissioner, so we used to love it when the state came and told us what we could and couldn't do. Think there's something we're not talking about in this conversation, which is the general public. If you live in a community where the public overwhelmingly does not want the bars to stay open, I can tell you that they are going to make that very well known. Certainly had my share of those conversations when I was in office. The other key point I want to make is that, as was previously said, this is a choice. The cost of doing business, the cost of staff, the cost of product is irrelevant, because if the business doesn't think it's viable, they're not going to do it - just the same as a lot of businesses when they notice a drop-off after ten p.m. or midnight when they stay open until two. Whether or not it's a good idea, we can debate that extensively, but at the end of the day, having the ability for local control, it will be influenced by the public, it'll certainly have a lot of law enforcement; if a police chief ever came to me and said, "This isn't a good idea," that would certainly weigh heavily on my decision to enforce the rule. And ultimately, it makes economic sense that if a business can afford to do it and it's profitable, that it makes more sense.
14. LAG Member Comment: To reinforce what was said, that it would exacerbate drunk driving, we saw pretty clearly during COVID, when the mayor of Denver said, "We are going to close dispensaries starting tomorrow," not only dispensaries getting cramped, but also people were going to other cities like Aurora, so it's not some hypothetical - we've seen it already three years ago. People have cars and they are free to move to where the offer is available.
15. LAG Member Comment: Touching on the public safety issue, I think that actually reinforces why this should be a local issue. Law enforcement's ability to respond to drunk driving is one of the considerations that local governments would have top of mind, one of the key considerations they would have, when looking to approve later closing hours, so I think that just reinforces why this should be primarily a local decision rather than a statewide standard.
16. LAG Member Comment: Not really clear why it's a local issue instead of the state. Can someone reference why it has to be a local, because to me, it's consistency, like uniformity. If the state decides, then that's what we abide by - the state. It's going to cause crowding in one city with different closing hours; people will travel to that, for sure. Don't think we are helping the public that way; we're talking about public safety, but at the same time we are having people drive to wherever is open late. To me, it has to be a state issue unless there is some statute that says it can't be, that it's a local issue.
17. Facilitator Comment: It seems there's more conversation to be taken to the workgroup, in terms of what the pros and cons are of local versus state control,

and what all the considerations are. There's a lot of questions around what the impacts might be, maybe look at other areas that have later closing times, and what the impacts are on drunk driving. Also have some interesting suggestions on how to maybe ease this, like the soft close instead of kicking everyone out at two a.m. The first task for the Regulation of Retail Structure Working Group will be to discuss the pros and cons of local versus state regulation.

18. Summary of Discussion

C. Licensing

1. LAG Member Comment: The first one that comes up is, when you are about to embark on a new venture, among all the things you need to do, you need to decipher which license most applies to the concept you have and then the difference ends up being like, "This guy has peanuts and this guy doesn't have peanuts and this guy has a full menu." Think it's so many of the same things and the differences are so insignificant, so you end up adding a lawyer to help you and decipher which license most applies to you. I feel this is completely unnecessary.
2. LAG Member Comment: To a previous point, there is some discrepancy and confusion to license holders. I have two businesses in Littleton that operate and, on the surface, look exactly the same; one holds a tavern license and one holds an H&R [hotel & restaurant], and that was by design when we opened because of the food thresholds and things like that. However, it does cause confusion for other on-premises licensees - let's say someone who has a beer & wine or an L&E [lodging & entertainment] or something like that - that there are consistent guidelines and rules, so when we, as a local entity in the city clerk's office, start speaking with potential applications, when we come in and we start speaking with them about what the business model looks like because we really want to be able to recommend the license that closest fits their need, often times what they think the business model is and what it ends up being is not the same, and now they've gone down the road where they're applying for a license type that doesn't necessarily fit, and they're saying because they thought they're on-premise it should be the same as everything else. And, so, I think there's just a lot of discrepancy; I know these licenses were born out of necessity during different times in the evolution of LED, but now that we're at the point where we have - lost count of how many [license types], apologize for that - and the differences in them seem to be becoming much more narrow, so from a licensee standpoint, specifically, having a narrower field to choose from would be beneficial from the business standpoint, and then also from a licensing standpoint, as a municipality, to be able to more clearly work with our applicants and licensees and to be able to offer some clear argument as to why this license type isn't held to the same standard as a different license type. The way I see it, we have on-premise, we have off-premise, and we have some that are on and off, but to have the number of license types we have for businesses that essentially operate in the same way just seems to be adding a level of confusion and redundancy.
3. LAG Member Comment: Admittedly, I don't know a ton of the details between all of the different licenses; got that handout at the initial meeting, read it, and it's definitely confusing. Suggestion would be that someone who's really knowledgeable in all the different licenses that are out there today create a grid that shows the differences - sort of like when you go to the Apple website, you're going to buy an iPhone, and you click the "Compare" button and it shows you the different things. Feel that we need something like that so this group can intelligently look at the differences and also suggest which ones get wiped out,

which ones get combined, so that it's nice and clean when this group is done and we can take it to the legislators.

a) Facilitator Response: This is a great suggestion. Does a grid like this exist? Does anyone have a grid like this to use when you're helping people make decisions?

4. LAG Member Comment: We do not, as a locality, have a grid like this; as far as I know, the only matrix that exists has to do with distances between different license types. Have not seen a matrix that says "this is a tavern license," "this is an H&R," "this is an L&E," and these are the different requirements and aspects allowed. Think that would be extremely helpful; what we end up doing is basing our conversations off of like-businesses in town; we read the code, read the rules, and try and find - based on just a lot of verbiage that is not always clear and written in plain English. Often you're having to reference back to other sections of the code or the rules. Love the suggestion of having some kind of comparison chart; think what would happen is that we would see then, line by line, what the commonalities are and what the differences are, and if those differences are enough to really justify having a separate license type.
5. Comment from LED Director Stone-Principato: We don't have a matrix like that; we have our prohibited interests matrix, which is where, in the law, we prohibit certain license types from having another license type to try to help with. I do believe, especially with all the titles and all the articles in title 44, that there are pieces that are throughout, rather than having it be contained in the one statute that you're referring to. Sometimes I think that is the piece that makes it very confusing, because if you go and look for hotel & restaurant and you're wanting to see all that's contained there, there may be other pieces in other areas of the statute, so it might be helpful to condense those and put them all in one spot. Also agree that having a matrix to look at and consolidating the licenses - because we do have about thirty-three retail license types that have varying degrees of privileges - that condensing those into a clearer format that wouldn't cause confusion would be helpful.
6. Facilitator Response: To an earlier point, is there a way to consolidate what some of the requirements are? Not necessarily consolidating license types but organizing the code to make it clearer would be a thought. Not ruling out the consolidating, but at the minimum, make things clearer.
7. LAG Member Comment: Would agree with what everyone has said; think it's a really good idea to make that matrix. For purposes of the discussion, I have two different licenses; one is a tavern, one is a hotel and restaurant. They're almost the same except for the food requirement. So, that's the main difference. For purposes of discussion, I looked at all the license types and thought it might make sense to consolidate it into just five different ones: off-premise, on-premise, manufacturer and importer, wholesaler and packager, and festival or special event. Obviously that would be a long conversation about what each of those would entail. Think that when we do have that matrix made, if that's something that can be created, looking at eliminating the food requirement might be very helpful in streamlining some of those on-premise license types. Right now, I think it's important to have some sort of snacks or food available but don't necessarily think that each establishment needs to provide their own food especially in densely populated areas. If you're sandwiched between two restaurants and you allow people to bring in food from the restaurants next to you…know there's some allowances for that in the current law, but I think it's

enforced very erratically; if we could look at that while streamlining in the license types, it might help.

8. LAG Member Comment: Strongly support consolidating these. Don't know what all the different levels are, but we are a large format music venue that had to apply for a restaurant and hotel to serve wine and food; in the grand scheme of things, we are a bar. Thing we need to consider is, when you apply for a license, that you're meeting the needs and desires of the neighborhood; going to apply for a tavern license gets a very different perception than applying for a restaurant and hotel even though the businesses look identical. Think public understanding of those differences really drives public perception of support here, like license versus consolidating down to on-premise - "I know what you're doing; you're serving alcohol with or without food" - would be helpful just from an ease of conversation with community members.
9. LAG Member Comment: Love the idea of making five [license types] instead of thirty. Question is, why, if you are on-premises, you can have as many as you like; if you are off-premises, you can have one, now up to three, but you cannot have an on-premise and off-premise license. That makes no sense; I think that something there should be looked at.
10. LAG Member Comment: Right now, I have to get a delivery license, a separate warehouse license, and a retail location license, and I have to make sure they're renewed on time, and there's different times for each one. I'm constantly in the process of renewing licenses. I would like to figure out ways to consolidate and simplify; one of the things I would say is, license renewals - can they be automatic, unless there's a problem with the licensee that would cause the license to come under question? Right now, I have to handle forms for each store at different times of the year, and if I miss the deadlines, I risk that my establishment will be closed down. I will say that the Liquor Enforcement Division has really worked hard to make it less punitive; but those are the things I would like to be addressed.
11. LAG Member Comment: Other group members all have some great suggestions, but the thing that occurs to me - seems to be that food is the tipping point for the license type, and it doesn't really make a difference if you're serving food or not. I represent wineries, a limited winery, but if I serve food I become a vintner's restaurant and then I lose all the privileges I had with the limited winery. That's the issue, that vintner's restaurant license and why it changes the winery. Second point is that, during COVID, in order for businesses to be open, we were all required to serve food, but I didn't lose any of my privileges. We all stayed within our licenses but were still serving food - bringing in food trucks or serving some pre-made stuff - but it didn't change our license, so why should food be that tipping point of the license type? Why does the food have to be such a big point of what license type they have?
12. LAG Member Comment: To echo an earlier point, I'm interested to know what some of the challenges are from the Liquor Enforcement Division side. As we've been looking at a number of issues over the last few years, a lot of times the point that we come to is, the law looks fine, the regulation looks fine, and does Liquor Enforcement actually have resources to monitor this and ensure compliance? That's a huge question for us. Also, having been a part of a number of working groups looking at regulations, I think a general philosophy that's helpful has been, if people are trying to do the right thing, can we make it easy for them to do the right thing? Not an expert in all the different license types; sounds like there are things that we could do to try and make it easier for people who want to do

the right thing. In terms of a public safety link, something that's come up in some of the conversations with bar owners is that, a lot of times, the problems happening on the streets at two a.m. begin as problems in bars. A lot of times, those bars have reputations; they're likely operating outside of their license type. So, looking at this issue and trying to help people do the right thing and figure out if people aren't in compliance - how are we going to handle that? Making sure we have a system set up for that would be important.

13. LAG Member Comment: Echoing earlier comments, for retailers that are in good standing, that have multiple licenses, to sync those renewals dates would be ideal. I have a hundred different renewal dates, all with training requirements specific to different municipalities, so streamlining that with a start date that syncs up would be ideal.
14. LAG Member Comment: Echoing some of what has been said already, I would like to make two points. First, there is the issue of workload and resourcing for Liquor Enforcement. To use my business as an example, as a manufacturer, when we went into business, we were allowed two tasting rooms and we were allowed to sell to distributors. We required one license. Today, to do the exact same thing, we require four licenses: a manufacturer license, both salesrooms need a separate license, and we need a wholesalers license. I don't sell to distribute, but I have to have a wholesalers license to donate a single bottle to a charitable event - which is fine; no problem with that. But now I have four licenses that I need to maintain, all with different fees and with different dates that I need to file them. And yet, the way that LED is resourced, because they only get money from new license applications, they've got at least four times the workload without any additional resources to support that, "which harms us, it harms them, doesn't serve public safety, doesn't serve the industry." It's one bureaucracy that I don't think is deliberate, certainly don't think it's deliberate on the part of LED, but it's something I think we need to take a step back and look at and right-side. The second point is, there are probably other licenses we should look at; everyone has heard me talk about a courier's license to facilitate legal delivery and hold all the FedExs and UPSs that are shipping wine into Colorado accountable for legal and responsible delivery. That's a new and different license type, maybe that's not consolidated but it's something I think would benefit all of us and would benefit public safety. The third thing, to put it out there again, I think this group needs to seriously take a look at the way that LED is resourced, because license fees for new licenses are LED's only budgetary source. And yet, with the growing number of licenses, of all types, in the state of Colorado, the workload has increased exponentially and taxes associated with those do not go to LED; they go elsewhere.
15. Comment from Executive Director Ferrandino: Really appreciate the conversation. There seems to be a lot of consensus that we have too many license types and we need to consolidate. I completely agree with that. Creating all of these speciality license types is partly why we wanted to bring this all together - to find out if we could figure out a simpler way? If we can get down to five, that would be amazing - to have five license types - and then we could think about maybe delivery or others being add-ons to the license type. Also, completely agree on the question of how we can deal with timing and sync up timing on renewals for people in good standing. I think that would be a huge improvement. I will say, as the group talks about resources, we do have an ask in front of the joint technology committee for ten million dollars for a new licensing system for all of our licensing side. Part of our issue is significant technology capabilities, or

lack thereof right now with our current licensing software, so that would go a long way in allowing us to have more flexibility in how we're doing things.

16. Comment from LED Director Stone-Principato: Really appreciate everyone's conversations today; it's really helpful for us to kind of move forward and make some changes - some positive changes. The one thing I would like to put out there as an idea is, right now we have our retail tier filing applications through the local licensing authority and then the local licensing authority forwarding those on to us; in that going on, there's a lot of exchanging of paperwork, sometimes things get lost, there's checks being sent…wondering how the locals would feel if we had the licensee file with both the state and local. That way we would both have the documents and move forward with that. Definitely the state would not issue a license until we get the sign-off from the local licensing authority, but would then create where the licensee knows who they have to file with, and we both get the application, we would both be reviewing it, and get that customer service of getting that license issued in a timely manner. Just curious about thoughts on that and maybe a suggestion for looking at that to save time and resources, both at the local level and the state level.
17. Response from LAG Member: Just wants to be clear, what Director Stone-Principato is recommending would act similar to a concurrent review for a new license. Is that the thought?
18. Response from LED Director Stone-Principato: Think it would be nice; it goes to exceptional customer service and it saves time for everyone. I'm really not into the concurrent reviews; will say that I like the idea of being renewed, if you have multiple licenses, at the same time, but also understanding staffing levels at the division, I would not want everyone to pick January 1st, because we wouldn't be able to meet the demand of thirteen-thousand licensees. So, it would definitely have to be something that we ebb and flow to figure out a way that we could meet the demand.
19. LAG Member Comment: Just want to put this out there - not really much of a comment, but more in response to other comments I've heard made; historically, renewals for locals have been an opportunity for locals to ensure that the licensed premise is in compliance with everything that we want to see the licensed premise in compliance with. So, when we talk about things like auto renewals or uniform renewal dates, we want to achieve a standard of good compliance or a good actor standard ahead of these things. I would want to see a good threshold for these types of things achieved before we just uniformly put them across the board because the renewals have been an opportunity to make sure that compliance is being achieved, historically.
20. Facilitator Comment: Again, we've had super good discussion from a lot of interests. We've covered a lot of ground with a lot of viewpoints. In the marketplace, there was consensus, or at least general consensus, around the fact that the three tier structure has a lot of value and that there are changes within the system which might serve some of the outcome needs in terms of consumer, point of sale, parity between liquor, wine, and beer. With regard to the retail regulations, where does it lie for communities to determine closing times, and how is that best done from a public safety standpoint? On the last issue of consolidating licenses, we had some specific proposals that would go towards a starting point for the workgroup on how to consolidate, as well as get down to the administrative aspects of what it would take to get that accomplished in a way that saves time for everybody and still serves a regulatory need of making sure licensees are in compliance.

21. Summary of Discussion

V. Subgroup Breakouts

A. Marketplace Structure

1. Recording Link
2. First Meeting: February 16, 2:30 p.m. - 5:00 p.m.

B. Regulation of Retail Operations

1. Recording Link
2. First Meeting: February 16, 11:00 a.m. - 1:00 p.m.

C. Licensing

1. Recording Link
2. First Meeting: Thursday, February 23, 1:00 p.m. - 3:00 p.m.

VI. Public Comment

A. Public Comment: Wanted to comment on the discussion that happened at the earlier part of this meeting, related to the supposed inherent difference between beer, wine, and spirits. To that earlier point, it is important that we use data and focus on the science here, which is well documented both on the state and federal guidelines; specifically, the CDC states that it is the amount that is consumed that matters, not the type, and that even the Colorado Driver's Manual also says it makes no difference between beer, wine, and spirits. When you consume it, it is specifically the standard amount of drinks. Wanted to make that clear; this is particularly important to clarify given the increase in the high ABVP beers in the marketplace, so implying that one alcohol beverage is safer to drink than others can be really dangerous for consumers; there is no beverage of moderation, it is simply the act of moderation. There were also some comments related to laws in other states related to this; from the national perspective, we track all of these and there has been a lot of movement across a lot of states to readdress these outdated laws. A lot of our laws have changed in the last hundred years so bringing these laws up to date is really important. Twenty-five states already have lower tax rates for lower ABVP spirits products and a lot of them allow these products to be sold where beer and wine are sold.

B. Public Comment: Wanted to provide comment on things that were said earlier, just as a point of clarification; there's a lot of talk about the three tier system and the necessity of it, and that's obvious based on what everyone said about how the current system works. Want to make sure that there is clarification that the three tier system does not equate to franchise laws. There was some confusion as to if we are a franchise state; franchise is applicable to beer but not to wine and spirits in Colorado. This is just a clarification that I want to make sure everyone is aware of. Two other quick comments: on the renewals component, when the group was talking about licensing and renewals, I think it's great to hear that the Department of Revenue is asking to provide new funding to streamline renewals; been seeing a lot of issues with breweries where things have fallen through the cracks. Know that the department is short-staffed, recognize that, and so I appreciate that; if there is anything that we can do or provide to help with that, I would love to be part of that conversation. The guild has some ideas about how that could be streamlined for the renewals process while still keeping public safety and compliance in mind. The final comment is, in terms of public comment and providing feedback, a lot of the brewery members would love to be able to provide feedback and comment, but they aren't able to always attend these three hour meetings or be able to hear what's in all of them. If people do provide public comment through the form online, how will that be seen by members of this working group, or is it just going to members of the department and the facilitators (the Keystone group)?

1. Response from LED Director Stone-Principato: Just like in working groups, the

public comment will be included in the written meeting minutes; everyone will be able to see those. The public can also go to the banner on our website, the Liquor Advisory Group banner, and we have all the recordings, meeting minutes, and documents there for anyone that wants to review them at a later date and time. Written comments can be sent in to dor_led@state.co.us; we are monitoring those and making sure those get into the record.

C. Public Comment: Have had the privilege of doing this job for over twenty years and during this twenty years, I've been able to attend meetings with my counterparts from across the country, two or three times a year, and one thing I've consistently heard over the years is how folks are envious of Colorado's industry - specifically speaking from the beer side. We have had a successful industry in the association's view and I would like to urge that we not throw the baby out with the bathwater. We have a good system here; obviously there's room for adjustment and room for improvement over the years as well. Would just like to remember that. Also, remember the consumers; this has been a very good system for consumers here in the state where we have access to market product for selection and prices for consumers, so just remember that as the group considers these issues.

D. Public Comment: It's been really good to get into these meetings; would agree that there's a lot of things that the group can look at to change, to make it better for the consumers, better for the marketplace. Two things I would like to make sure of: first, we cannot forget the fact that 140,000 people last year in this country died of excessive alcohol abuse. That's why we have regulations on alcohol, because alcohol is a leading cause of major illnesses and deaths, so it has to be taken seriously, and we can at the same time as we are doing some of these changes. Don't forget that statistic. The second thing is a majority, ninety-plus percent of these laws have a reason; there's a reason why the laws are the way they are. Are some of those reasons now antiquated? Yes; some of them aren't, though. Some of them are good. It would also behoove us to look at why the laws are the way they are right now - how did we get here? As former Director of LED, I had discussions over the years about why we do things the way we do them; once the history is revealed, a lot of times the response is, "Okay, I can understand that." That doesn't mean it shouldn't be changed, but understanding the history of some of these laws is very important because we got here for a certain reason; these laws weren't just baked up overnight to make somebody happy, they're there for reasons. Third, to echo a previous comment, when I was director of Liquor Enforcement, the contingency of the state of Alabama chose two states in the country to visit, to look at their laws because they wanted to change, to become better. They picked North Carolina and Colorado; they spent a couple days in Colorado to find out why we are so successful. They shared laws and systems, and I believe Alabama changed some of their laws to mirror ours, to some degree. As was said, Colorado has a really good structure of laws; it makes the marketplace very vibrant. You go into any grocery store, you'll see hundreds, more than hundreds, of different craft root beers there. Why? Because the laws are the way they are today. Can they be tweaked to make them better? Absolutely. But the mainstay of what we do here in Colorado is strong, it's consumer friendly, and it's history friendly. I have heard so many say how Colorado is a lot easier to work with than other states. Appreciate the advisory group's work.

VII. Public Email Comments:

A. Wendy Turk, *FinTech*

1. In response to the invitation for industry stakeholders to submit proposals for topics of consideration/discussion by the Liquor Advisory Group, I would like to request that the group discuss the inequity of payment terms for retailers.

a) Liquor Rules
    (1) 47-323. Lawful Extension of Credit - Effectively says that wholesalers are allowed to extend up to 30 days of credit for sales to retailers EXCEPT for LLDS retailers licensed after January 1, 2017.
    (2) 47-407. Liquor-Licensed Drugstore - Effectively says that LLDS retailers shall not purchase alcohol on credit.
b) Liquor Code
    (1) 44-3-308. Unlawful financial assistance - Allows wholesalers to extend 30-day credit terms to retailers.
    (2) 44-3-410. Liquor-licensed drugstore license - multiple licenses permitted - requirements - rules. - Effectively requires COD payments from LLDS retailers (licensed after January 1, 2017), as they must "effect payment upon delivery of the alcohol beverages".

2. As they are written, the Liquor Code and Liquor Rules create:
    a) an unlevel playing field and credit discrimination based on retail class/vertical.
    b) creates a definite hardship for distributors and LLDS retailers who engage in electronic payments.
3. In order for an electronic payment to be "effected upon delivery" the wholesaler must upload invoices for payment before their trucks even leave the warehouse. This is a logistical challenge, and it initiates an electronic debit to the retailer's bank account for alcoholic products that may not even be delivered to the retailer on the same day (weather disruptions on the route, traffic disruptions on the route, mechanical problems with the delivery truck, product missing on the truck, the wrong product on the truck, broken product on the truck, retailer not present to accept delivery, etc). In every instance, it is always better for the wholesalers to upload invoices for payment AFTER the delivery is made and corrections are made to the original invoice.
4. In resolving the discriminatory and logistical challenges that exist in the Liquor Code and the Liquor Rules today, as they relate to credit terms, I would like to see the LLDS credit terms changed to something greater than COD (perhaps 7 days, 10 days, etc). This would benefit both the wholesale tier and the retail tier.

VIII. Action Items

A. The Liquor Advisory Group members will meet in their assigned workgroups on the selected dates. During that time, they will further discuss relevant topics and select their recurring meeting dates moving forward.
B. Next meeting: March 2, 2023: 9:00 a.m. - 12:00 p.m.