

Department of Liquor Licenses and Control

JLBC: Kevin Bates
 OSPB: Bill Greeney

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	42.2	47.2	47.2	47.2
Personal Services	1,498,000	1,690,900	1,690,900	1,690,900
Employee Related Expenditures	524,800	696,600	686,800	686,800
Professional and Outside Services	49,400	14,600	14,600	14,600
Travel - In State	231,700	165,700	165,700	165,700
Travel - Out of State	7,600	1,500	1,500	1,500
Other Operating Expenditures	1,728,600	2,095,700	836,500	836,500
Equipment	133,800	148,100	138,100	138,100
AGENCY TOTAL	4,173,900	4,813,100	3,534,100	3,534,100

FUND SOURCES				
General Fund	4,173,900	4,813,100	3,534,100	3,534,100
SUBTOTAL - Appropriated Funds	4,173,900	4,813,100	3,534,100	3,534,100
Other Non-Appropriated Funds	765,600	1,069,700	1,069,700	1,069,700
Federal Funds	682,200	340,700	340,700	340,700
TOTAL - ALL SOURCES	5,621,700	6,223,500	4,944,500	4,944,500

	<u>FY 2007 to FY 2008 JLBC</u>		<u>FY 2007 to FY 2009 JLBC</u>	
	\$ Change	% Change	\$ Change	% Change
General Fund	(1,279,000)	(26.6%)	(1,279,000)	(26.6%)
Total Appropriated Funds	(1,279,000)	(26.6%)	(1,279,000)	(26.6%)
Non Appropriated Funds	0	0.0%	0	0.0%
Total - All Sources	(1,279,000)	(20.6%)	(1,279,000)	(20.6%)

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
PERFORMANCE MEASURES				
• Investigations and routine liquor inspections completed	2,760	3,309	3,761	3,750
• Average calendar days to complete an investigation	31	31	33	33
• % of customers who responded to the survey reporting "very good" or "excellent" service	79	NA	85	86

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$3,534,100 and 47.2 FTE Positions from the General Fund for the operating budget in FY 2008 and FY 2009. This amount would fund the following adjustments:

	<u>FY 2008</u>	<u>FY 2009</u>
One-Time AZNet Appropriation	GF \$(5,300)	\$(5,300)

The JLBC includes a decrease of \$(5,300) from the General Fund in FY 2008 and FY 2009 to reflect the one-time appropriation for AZNet telecommunications charges.

Rebase Retirement

Rates GF (13,700) (13,700)

The JLBC includes a decrease of \$(13,700) from the General Fund in FY 2008 and FY 2009 for rebasing Public Safety Personnel Retirement System retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the actual rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

One-Time Funding for

Data Processing GF (1,250,000) (1,250,000)

The JLBC includes a decrease of \$(1,250,000) from the General Fund in FY 2008 and FY 2009 for one-time equipment and services needed to improve the department's data processing systems.

Laws 2005, Chapter 284 appropriated \$1,250,000 from increased liquor license revenues that were expected in FY 2006 and FY 2007. These revenues were anticipated as a result of the issuance of additional liquor licenses each year through FY 2010.

According to a formula based on county population, the department estimated it would issue additional licenses, which would increase licensing revenues by about \$6,300,000. As of November 14, 2006, the department had issued 62 licenses and collected approximately \$5,404,000. A statutory sharing formula outlined how much of this amount was to be distributed to the department, to counties, and to the state.

One-Time Funding for Equipment

Reduction GF (10,000) (10,000)

The JLBC includes a decrease of \$(10,000) from the General Fund in FY 2008 and FY 2009 for one-time equipment monies related to the addition of 3 investigators and 2 auditors in FY 2007 hired to address an increase in workload.

Laws 2006, Chapter 383 appropriated \$450,000 to hire these additional 5 FTE Positions, which were included in the agency's FY 2007 appropriation. Chapter 383 allows a limited number of restaurant licensees who otherwise would not have met the definition of a restaurant to continue operating if the department gives them permission. A restaurant is defined as an establishment that derives at least 40% of its gross revenue from the sale of food, including sales of food for consumption off the licensed premises if the amount of these off-site sales does not exceed 15% of all gross revenue of the restaurant. Prior to Chapter 383, if an audit revealed that the licensee did not meet the definition of a restaurant, the department would revoke the license. However, in practice the establishment may attempt to secure a spirituous liquor license, which does not have the food sale requirement a restaurant license has.

Under Chapter 383, up to 15 restaurant licensees annually through FY 2008 may be granted permission to continue to operate if the department has determined, either through audit or consent agreement, that the establishment's food sales to total sales are at least 30% but less than 40%. In addition, should a licensee request to continue to operate after this determination is made, they must request the continuation from the department as well as meet additional criteria at the time of the request to be eligible. Those receiving approval may continue to operate beyond FY 2008 should the establishment continue to meet the criteria established by this chapter.

Chapter 383 is estimated to increase General Fund revenues as a result of an additional one-time license fee, set by the department at \$30,000. This new fee, which is to be deposited into the General Fund, is in addition to the \$500 charged annually to those holding a restaurant license. In FY 2007, revenues from the new license fee are estimated to total \$450,000, offsetting the cost of Chapter 383.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	37,500	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	121,400	165,700
Year-End Fund Balance	195,900	180,200
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$10 surcharge on hotel and restaurant liquor licenses and \$25 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	229,200	384,500
Year-End Fund Balance	299,200	229,700
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$25 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	279,200	421,200
Year-End Fund Balance	354,500	288,300
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	682,200	340,700
Year-End Fund Balance	280,900	260,000
Liquor License Lottery Fund (LLA3015/A.R.S. § 4-206.01)		Non-Appropriated
Source of Revenue: A \$100 application fee and fair market value fee on new licensees.		
Purpose of Fund: To conduct a random selection process to determine the recipients of new liquor licenses. After costs of random selection process are recovered, monies are transferred to the General Fund.		
Funds Expended	98,300	98,300
Year-End Fund Balance	0	0