

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL**

**GENERAL FUND**

**FY 2010 General Fund Budget      702,700**

**AGENCY REDUCTION TARGET - GENERAL FUND      \$105,400**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
1	REMOVE 4 FTEs FROM THE GENERAL FUND	\$201,200
2	VEHICLE & TRAVEL REDUCTION	\$65,000
3	OPERATING EXPENSE REDUCTION	\$10,000
4	AGENCY-WIDE CLOSURE ON FRIDAYS (25 DAYS-January 1, 2010-June 30, 2010)	\$165,000
	<b>Issue Total</b>	<b>\$441,200</b>
	<b>Fund Total as a Percentage of General Fund Reduction Target</b>	<b>419%</b>

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL**

**ALL NON-GENERAL FUNDS**

FY 2010 All Non-General Funds Budget (less Federal Funds) **2,959,800**

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) **\$441,200**

Fund	Reductions Amount	Percent Reductions
SURCHARGE K FUND	\$52,700	11.9%
SURCHARGE L FUND	\$52,700	11.9%
<b>Issue Total</b>	<b>\$105,400</b>	

All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target **24%**

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL**

**SURCHARGE FUNDS**

<b>FY 2010 All Non-General Funds Budget (less Federal Funds)</b>	<b>2,959,800</b>
<b>AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)</b>	<b>\$441,200</b>

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
5	Eliminate 1.0 FTE Investigator - Surcharge K	\$52,700
6	Eliminate 1.0 FTE Investigator - Surcharge L	\$52,700
<b>Issue Total</b>		<b>\$105,400</b>
Fund Total as a Percentage of Non-General Fund Reduction Target		24%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title:** Remove Four (4) FTE Positions

**Issue Priority: 1**

**Reduction Amounts:**

General Fund: \$201,200

**Total: \$201,200**

**Issue Description**

The Department of Liquor Licenses and Control (DLLC) was created in order to protect the public and ensure safety. Investigators, who are sworn police officers, conduct routine liquor inspections, perform investigations and engage in compliance checks for sales to underage persons. Often investigations conducted by DLLC officers result in the issuance of citations to licensees, resulting in fines averaging \$1500. However, in order to meet a FY2010 General Fund (GF) reduction of \$441,200, DLLC will be required to eliminate four (4) investigation positions.

**Statement of Effects**

It is important to note that the department is currently operating at minimal capacity with only thirty-five (35) employees and a total budget of \$3,724,185 (inclusive of General Funds and surcharge funds). In fact, DLLC has twenty (20) fewer staff in FY 2010 than it did in FY 2007. The department is at critically low staffing levels with only twelve (12) licensing staff and ten (10) investigation staff is responsible for licensing and regulating more than 11,000 licensees each year.

Because the department is at critically low staffing levels it cannot sustain further budget reductions without impacting its ability to fulfill its mission of protecting the public. By eliminating four (4) investigators, the integrity of the three-tier system will be negatively impacted. The three-tier system was created in order to ensure the health and safety of the public by making certain that alcoholic beverages are distributed and sold in a responsible manner. If there is inadequate regulation of licensees it will be easier for parties (manufacturers, distributors, and retailers) to violate the law because enforcement will not be in place to ensure compliance.

Since FY 2007, twenty (20) FTEs have left DLLC's employment through attrition and layoffs. These employees have not been replaced, which has resulted in significant savings to DLLC. In addition, the department has eliminated expenditures as follows:

1. Returned four (4) vehicles to ADOA which eliminated \$40,000 in vehicle expenses.
2. Closed the Tucson branch office, resulting in \$245,000 in savings. Savings were realized in the following areas: (a) Layoff of three (3) investigators; (b) Layoff of two (2) licensing staff; and (c) the elimination of telephone and other maintenance services.
3. Laid off one (1) investigator who provided services in Flagstaff, resulting in savings of \$70,000.

Further cuts will not only impact DLLC but the liquor industry as a whole since there are currently not enough investigators to enforce the three-tier system statewide by: (a) investigating complaints; (b) imposing violations; (c) investigating allegations of underage drinking; and (d) issuing citations which might result in generating revenue for the state.

DLLC is responsible for regulating the liquor industry for the entire state. Without proper enforcement of regulations, liquor licensed establishments may become a vehicle for criminal activities.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title: Vehicle & Travel Reduction**

**Issue Priority: 2**

**Reduction Amounts:**

General Fund: \$65,000

**Total: \$65,000**

**Issue Description**

A reduction in vehicle and travel expenses will be facilitated by: (a) returning six (6) vehicles to ADOA Fleet Management, thereby eliminating vehicles from the department's fleet; and (b) eliminating all statewide travel.

**Statement of Effects**

DLLC is responsible for regulating the liquor industry for the entire state. Without properly working vehicles and adequate travel resources the department's investigations, compliance and auditing staff will not be able to adequately enforce regulations, examine liquor licensed establishments, or conduct investigations and audits of licensed establishments. This may result in an increase in criminal activities and civil violations. In essence, the elimination of statewide travel will further impede investigative and auditing staff from enforcing Title 4 statewide.

It is important to note that the department has eliminated vehicle expenditures in the past. For example, since FY 2007, four (4) vehicles have been returned to ADOA Fleet Management, resulting in a savings of \$105,000 in vehicle expenses.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title:** Operating Expense Reduction

**Issue Priority:** 3

**Reduction Amounts:**

General Fund: \$10,000

**Total:** \$10,000

**Issue Description**

A reduction in operating expense will occur by further reducing the department's operating expenses including purchasing fewer supplies (e.g., pens, pencils, copying paper, printer cartridges, reducing mailing expenses).

**Statement of Effects**

Since FY 2007, the department has realized savings of \$20,000 by: (a) renegotiating service contracts on its equipment; (b) eliminating cell phone usage; (c) terminating the services of its lobbyist; and (d) terminating the services of a court reporter.

Further reducing operating expenses may result in the department not having the necessary supplies that it needs to conduct its business. Further, it is anticipated that: (a) documents will be e-mailed to licensees with greater frequency; and (b) documents will be posted on the department's website.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title:** Agency-wide Closure on Fridays

**Issue Priority: 4**

**Reduction Amounts:**

General Fund: \$165,000

**Total: \$165,000**

**Issue Description**

This reduction will require an agency-wide office closure every Friday beginning January 1, 2010 and continuing through the end of the fiscal year, and possibly beyond. In essence, all DLLC staff will be reduced from a forty (40) hour work-week to part time status, working thirty-two (32) hours. This represents an across-the-board ten percent (10%) pay cut.

This option was selected because the department cannot sustain further reductions in the number of staff without impacting its ability to fulfill its mission of protecting the public. The department is currently operating at minimal capacity with only thirty-five (35) employees and a total budget of \$3,724,185 (inclusive of General Funds and surcharge funds). The department is at critically low staffing levels with just twelve (12) licensing staff and ten (10) police officers who are responsible for licensing and regulating more than 11,000 licensees statewide.

It is important to note that since FY 2007, twenty (20) FTEs have left DLLC's employment through attrition and they have not been replaced. In addition, the department has eliminated other expenditures as follows:

1. Returned four (4) vehicles to ADOA which eliminated \$40,000 in expenses.
2. Closed the Tucson branch office, resulting in \$245,000 in savings. Savings were realized in the following areas: (a) Layoff of three (3) investigators; (b) Layoff of two (2) licensing staff; and (c) the elimination of telephone and other maintenance services.
3. Laid off one (1) investigator who provided services in Flagstaff, resulting in savings of \$70,000.

**Statement of Effects**

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DLLC is responsible for regulating the liquor industry for the entire state. There will be a significant impact on the department if every employee is required to work part time. Some of the likely effects of implementing this budget reduction priority include:

1. **Inadequate enforcement of regulations.** By reducing all staff to part time there will be a twenty percent (20%) reduction in the amount of time spent on enforcement activities (e.g., investigating, licensing, auditing, and compliance).
2. **Potential for public endangerment.** Liquor licensed establishments may become a vehicle for criminal activities due to less frequent enforcement activities.
3. **Increase in time delays.** Licensees will experience significant time delays in processing their license applications and renewals-which total more than 11,000 per year.
4. **Decrease in customer service.** A reduction in quality customer service (e.g., longer response time, increased use of voice mail).
5. **Reduction of revenue.** Revenue generated from investigations, audit and compliance staff will be stymied because there will be fewer: (a) citations issued to licensees; and (b) hours devoted to processing investigative and audit reports.
6. **Increase in underage consumption and over-service.** Without routine enforcement it is likely that licensees will: (a) increase service to underage persons; and (b) fail to adequately supervise their wait-staff which may result in over-service. The overconsumption of alcohol often leads to driving under the influence. Ultimately, this may create an endangerment to the public.

Finally, it is significant that the department does not present a drain on the General Fund. To the contrary, the department collects more funds than it expends. In FY 2007, the department received revenue totaling \$11,498,195; in FY 2008 that number rose to \$13,287,911; and in FY 2009 the department collected \$9,428,848. Despite the fact that DLLC produces more revenue than it expends, the department has sustained cuts of 5%, 7% and 15% over the past three fiscal years.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title:** Eliminate 1.0 FTE Investigator

**Issue Priority:** 5

**Reduction Amounts:**

Surcharge K Fund: \$52,700

**Total:** \$52,700

**Issue Description**

Pursuant to Arizona Revised Statutes, §4-209 (K) the director of the Department of Liquor Licenses and Control (DLLC) shall assess a surcharge on all licenses to be used for: (1) the exclusive cost of an enforcement program to investigate licensees who have been the subject of multiple complaints to the department; and (2) responding to complaints against licensees by neighborhood associations, neighborhood civic groups and from municipal and county governments.

**Statement of Effects**

Reducing \$52,700 from this fund will result in the elimination of one (1) DLLC investigator who is also a sworn police officer. Currently DLLC has ten (10) investigative staff that is responsible for investigating potentially 11,204 Arizona licensees.

By eliminating one (1) investigator the integrity of the three-tier system will be negatively impacted. The three-tier system was created in order to ensure the health and safety of the public by making certain that alcoholic beverages are distributed and sold in a responsible manner.

If there is not adequate supervision of licensees it will be easier for parties (manufacturers, distributors, and retailers) to violate the law because adequate enforcement will not be in place to ensure compliance.

Since FY 2007, DLLC has lost fifteen (15) investigators in order to comply with consistent budget cuts. It is important to note that the surcharge funds were created specifically to cover the costs associated with hiring and retaining investigations staff

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that can effectively regulate the three-tier system in Arizona. Further cuts will not only impact DLLC but the liquor industry as a whole.

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**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Liquor Licenses and Control**

**Issue Title:** Eliminate 1.0 FTE Investigator

**Issue Priority:** 6

**Reduction Amounts:**

Surcharge L Fund: \$52,700

**Total:** \$52,700

**Issue Description**

Pursuant to Arizona Revised Statutes, §4-209 (L) the director of the Department of Liquor Licenses and Control (DLLC) shall assess a surcharge on all licenses to be used for: (1) liquor enforcement management; and (2) the costs of neighborhood association interaction.

**Statement of Effects**

Reducing \$52,700 from this fund will result in the elimination of one (1) DLLC investigator/sworn police officer. Currently DLLC has ten (10) investigative staff that is responsible for investigating potentially 11,204 Arizona licensees.

By eliminating one (1) investigator the integrity of the three-tier system will be negatively impacted. The three-tier system was created in order to ensure the health and safety of the public by making certain that alcoholic beverages are distributed and sold in a responsible manner.

If there is not adequate supervision of licensees it will be easier for parties (manufacturers, distributors, and retailers) to violate the law because adequate enforcement will not be in place to ensure compliance.

Since FY 2007, DLLC has eliminated fifteen (15) investigators in order to comply with consistent budget cuts. It is important to note that the surcharge funds were created specifically to cover the costs associated with hiring and retaining investigations staff that can effectively regulate the three-tier system in Arizona. Further cuts will not only impact DLLC but the liquor industry as a whole.

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