

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-10
Change Request Title:	Increase Liquor Enforcement Division Staff

SELECT ONE (click on box):

- Decision Item FY 2009-10
- Base Reduction Item FY 2009-10
- Supplemental Request FY 2008-09
- Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue, Liquor Enforcement Division is requesting \$118,352 cash funds and 2.0 FTE in FY 2009-10. This amount annualizes to \$106,472 cash funds and 2.0 FTE in FY 2010-11. Both positions will be funded out of the Liquor Enforcement Division and State Licensing Authority Cash Fund. The Department proposes the addition of a 1.0 Criminal Investigator I FTE to the enforcement staff in the Grand Junction field office at a total cost of \$79,489 cash funds in FY 2009-10. The Department also proposes the addition of a 1.0 Administrative Assistant II FTE to the licensing staff in the Division’s main office in Lakewood at a total cost of \$38,863 cash funds in FY 2009-10.

Background and Appropriation History:

Since 1969, the Liquor Enforcement Division (“Division”) has been one of the primary functions of the Department of Revenue. The Division administers and enforces the Colorado Liquor, Beer, and Special Events Codes (Title 12, Articles 46, 47, and 48, C.R.S. (2008)). Division staff issues liquor licenses and monitors compliance of persons or entities engaged in the manufacture, distribution, or sale of alcoholic beverages in Colorado. These functions are administered primarily from the Division’s headquarters in

Lakewood, while enforcement is managed by four different field offices located in Colorado Springs, Grand Junction, Greeley, and Lakewood to conduct enforcement activities in all of Colorado's 64 counties.

The Division became fully cash funded when SB 02-207 was signed into law, which created the Liquor Enforcement Division and State Licensing Authority Cash Fund in Section 24-35-401, C.R.S. (2008). Pursuant to Section 12-47-502 (b), C.R.S. (2008), revenue to the Fund is comprised of \$50.00 from each issued license and the full amount of all application fees. Of all other revenue earned by the functions of this division, 85 percent is deposited in the Old Age Pension Fund and the remainder to the General Fund. As shown on page 5 of this document, the Division's cash fund has adequate revenue to support this change request and the ability to adjust fees as provided in Section 12-47-501 (1.5) and (2), C.R.S. (2008).

Liquor Licensing Section

Despite significant changes in the Division's licensing responsibilities over the last several years, the administrative staffing level in the liquor licensing section has remained at 3.0 FTE. The Colorado General Assembly continues to create new types of liquor licenses available to Colorado businesses (e.g., brewpubs, vintner's restaurants, limited wineries, microbreweries, resort facilities). Each type generates unique requirements that necessitate additional training for the licensing staff. Between FY 2001-02 and FY 2006-07, the total number of licenses issued increased by 17 percent. This equates to an average annual rate of 3 percent. Additionally, retail businesses continue to express frustration at the length of time it takes for the Division to process new and renewal license applications. Many existing businesses have expired licenses because the Division is not able to process renewal applications in a timely fashion. The number of liquor license renewal applications increased by 27 percent between FY 2006-07 and FY 2007-08 alone.

The Division also notes that the error rate by local licensing authorities to approve new retail licenses when there is a significant deficiency in the application remains quite high. In spite of training sessions provided by Division personnel, the average error rate among

local licensing jurisdictions was 67 and 65 percent in FY 2006-07 and FY 2007-08, respectively.

The Division's current staff of three administrative employees performs all licensing functions, which includes processing all license applications, answering telephone inquiries related to liquor licensing, interfacing with applicants and local licensing clerks, ensuring the proper accounting of license fees, and filing a large number of paper documents.

Liquor Enforcement Section

There are two criminal investigators located in Grand Junction to enforce the State's Liquor Codes in 17 counties covering 35,000 square miles. The number of licensees has increased to the point that the current staff is unable to manage the increased workload while maintaining the Division's strategic objectives and public confidence. Each of the Division's other field offices have three criminal investigators and a similar workload. The Greeley office covers 13 counties and 26,601 square miles; the Colorado Springs office covers 20 counties and 32,658 square miles; and the Lakewood office is responsible for 14 counties in the Denver-metro area and along the central and eastern I-70 corridor. This comprises approximately 5,250 of the 10,215 businesses licensed in the State.

On the Western Slope, the average investigation takes almost 50 percent longer than the other field offices; 62 days versus 35 days. In many cases, the investigations cannot be conducted appropriately because of the loss of response time to complaints. It becomes difficult to locate witnesses and to process evidence, thereby decreasing the probability of positive resolution and successful prosecution.

General Description of Request:

Liquor Licensing Section

Utilizing existing revenue from the Liquor Cash Fund, the Department requests the addition of a 1.0 Administrative Assistant II FTE at the main office in Lakewood. The Division strives to approve non-problem applications and issue a license within 10 working days of receipt. Since FY 2006-07, the average number of working days to process a non-problem application for a new license has been 15-20 days. A 'non-

problem' application means that all statutory requirements have been satisfied and there are no deficiencies that prevent issuance of a license. At current staffing levels, the Division is unable to consistently balance the goals of processing applications in a timely manner and assuring productive quality control procedures. The average number of working days to process a renewal application is currently 20-30 days.

Liquor Enforcement Section

The Department requests a Criminal Investigator I FTE to be funded with the existing Liquor Cash Fund. The addition will improve the response time to complaints regarding public safety; increase public contacts; increase availability of training classes to local licensing authorities; and increase field assistance to local law enforcement, liquor licensees, and local liquor licensing authorities.

The Division strives to investigate and resolve any liquor-related complaints, most notably public-safety related complaints, within 60 days of receipt. Between January 1, 2006 and January 1, 2008, the investigators in the Grand Junction office were only resolving 57 percent of such complaints within 60 days. The Division has attempted to address this problem by assigning some of Grand Junction's 17 counties to the other enforcement offices. However, this has only served to increase variable vehicle costs for the division and to increase the average number of days for complaint resolution in those offices. Failure to investigate these violations in a timely manner presents safety concerns for local citizens. Given the increasing demands placed on local law enforcement, communities on the Western Slope will expect the Division to provide an enforcement response on liquor-related issues.

Consequences if Not Funded:

Liquor Licensing Section

As both the number of total license applications and the complexity of administering this program continue to increase each year, the average number of working days for the Liquor Licensing Section to deliver liquor licenses and related services also increases. Failure to add additional administrative staff will affect industry satisfaction and have an adverse economic impact on businesses seeking liquor licenses.

Liquor Enforcement Section

With the current level of enforcement staff, the Division is not able to enforce liquor-related statutes out of the Grand Junction field office to the same degree as other parts of the State. This results in an inequitable enforcement program among liquor licensees and subjects citizens in that part of the state to legitimate safety concerns as relates to the sale and consumption of alcoholic beverages.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$118,352	\$0	\$118,352	\$0	\$0	2.0
Personal Services	\$96,128	\$0	\$96,128	\$0	\$0	2.0
Operating	\$9,680	\$0	\$9,680	\$0	\$0	0.0
Vehicle Lease	\$2,683	\$0	\$2,683	\$0	\$0	0.0
Variable Vehicle	\$2,951	\$0	\$2,951	\$0	\$0	0.0
Capital Outlay	\$6,910	\$0	\$6,910	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$106,472	\$0	\$106,472	\$0	\$0	2.0
Personal Services	\$96,128	\$0	\$96,128	\$0	\$0	2.0
Operating	\$4,710	\$0	\$4,710	\$0	\$0	0.0
Vehicle Lease	\$2,683	\$0	\$2,683	\$0	\$0	0.0
Variable Vehicle	\$2,951	\$0	\$2,951	\$0	\$0	0.0

OSPB Common Policy for FTE Requests						
FTE and Operating Costs					GRAND TOTAL	
Fiscal Year(s) of Request	FY 09-10	FY 10-11	FY 09-10	FY 10-11	FY 09-10	FY 10-11
PERSONAL SERVICES	Admin. Asst. II		Criminal Investigator I			
Number of PERSONS / class title	1	1	1	1		
Number of months working in FY 09-10 and FY 10-11	12	12	12	12		
Number months paid in FY 09-10 and FY 10-11	12	12	12	12		
Calculated FTE per classification	1.0	1.0	1.0	1.0	2.0	2.0
Salary	\$30,876	\$30,876	\$55,260	\$55,260	\$86,136	\$86,136
PERA (10.15%)	\$3,134	\$3,134	\$5,609	\$5,609	\$8,743	\$8,743
Medicare (1.45%)	\$448	\$448	\$801	\$801	\$1,249	\$1,249
Subtotal Personal Services at Division Level	\$34,458	\$34,458	\$61,670	\$61,670	\$96,128	\$96,128
OPERATING EXPENSES						
Supplies @ \$500/\$500	\$500	\$500	\$500	\$500	\$1,000	\$1,000
Computer @ \$900/\$0	\$900	\$0	\$900	\$0	\$1,800	\$0
Office Suite Software @ \$330/\$0	\$330	\$0	\$330	\$0	\$660	\$0
Office Equipment @ \$3,998/\$0 (includes cubicle and chair)	\$2,225	\$0	\$2,225	\$0	\$4,450	\$0
Telephone Base @ \$450/\$450	\$450	\$450	\$450	\$450	\$900	\$900
Other – Blackberry, Radios, Travel and Undercover Expenses	\$0	\$0	\$5,911	\$2,567	\$5,911	\$2,567
Other – Weapon, Ammunition, Vest, and Related	\$0	\$0	\$1,869	\$243	\$1,869	\$243
Other – Fixed and Variable Vehicle Costs	\$0	\$0	\$5,634	\$5,634	\$5,634	\$5,634
Subtotal Operating Expenses	\$4,405	\$950	\$17,819	\$9,394	\$22,224	\$10,344
GRAND TOTAL ALL COSTS	\$38,863	\$35,408	\$79,489	\$71,064	\$118,352	\$106,472

Cash Funds Balance Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Balance	FY 2008-09 End of Year Estimate	FY 2009-10 End of Year Estimate	FY 2010-11 End of Year Estimate
Liquor Enforcement Division and State Licensing Authority	236	\$2,093,461	\$770,726	\$225,808	\$242,407	\$306,000

Assumptions for Calculations:

Liquor Licensing Section

Sources for these calculations are based on statistics generated by the Department of Revenue's Tax Analysis Section and the Liquor Enforcement Division's Licensing Section. The Colorado Hotel and Restaurant Association, confirms that a delay in the issuance of a liquor license postpones the opening of an eating and drinking establishment. In FY 2006-07, there were 10,475 retail businesses classified as 'Food and Drinking Services' that filed sales tax returns with the Colorado Department of Revenue. Those locations reported approximately \$7.7 billion in retail sales. Using those numbers, average sales for each business in FY 2006-07 was \$735,084.

In that same year, there were 1,232 applications filed with the Division for new liquor licenses or to transfer existing licenses. Of that, 413 were non-problem applications for new licenses that should have been issued within 10 working days. As noted above, the average number of working days for a non-problem application is currently 15-20 working days, which is 5-10 days longer than the Division's internal processing objective. If 5 percent – or 21 applications – of non-problem applications filed in FY 2006-07 were delayed an average of 7.5 days, the lost business revenue would have been \$317,194.

Liquor Enforcement Section

Data for these calculations are provided by the Mesa County Sheriff's Office and the Grand Junction Police Department. For purposes of this cost/benefit calculation, it is assumed that the skills of a senior law enforcement officer are commensurate with a Criminal Investigator I. It is further assumed that wages earned in these agencies are the highest on the Western Slope and the most appropriate measure by which to demonstrate the maximum benefit of the Division's request.

The Criminal Investigator position includes variable vehicle costs of \$2,951 (12,297 miles @ \$0.24/mile) and vehicle lease costs of \$2,683 (\$223.58/per month).

Impact on Other Government Agencies: Not Applicable

Cost Benefit Analysis:

Benefits	Costs
<p>The delayed opening of a restaurant or other drinking establishment by an average of 7.5 days will result in measurable economic losses to Colorado businesses. Such delays are the result of a non-problem liquor license not being issued within ten business days. The avoidance of this economic loss is a benefit to both the business and the State. If 5 percent of non-problem applications are delayed by 7.5 days, the average loss in retail sales to a business is \$317,194. The calculation for this amount is \$7.7 billion/365 days/10,475 businesses = \$2,013.93 average retail sales per day x 7.5 days = \$15,104.48 in lost retail sales for processing delay. If \$15,104.48 is multiplied by 21 applications, then the total loss to the restaurant/tavern industry is \$317,194.</p>	<p>Total requested for 1.0 Administrative Assistant II FTE is \$38,863 in FY 2009-10 and \$35,408 in out-years.</p> <p>Benefit/Cost Ratio in FY 2009-10 is: $\\$317,194/\\$38,863 = 8.16$ Benefit/Cost Ratio in out-years is: $\\$317,194/\\$35,408 = 8.96$</p>
<p>Benefits reflect value to a local community when the need for law enforcement resources (city and county) for local liquor violations becomes unnecessary with the adoption of this alternative. The average salary for a Grand Junction police officer and a Mesa County sheriff's deputy possessing skills commensurate with Division investigators is \$65,055 and \$72,960, respectively. Since both agencies are obligated to respond to complaints, costs for both must be considered in the total savings ($\\$65,055 + \\$72,960 = \\$138,015$).</p>	<p>Total requested for 1.0 Criminal Investigator I FTE is \$79,489 in FY 2009-10 and \$71,064 in out-years</p> <p>Benefit/Cost Ratio in FY 2009-10 is: $\\$138,015/79,489=1.74$ Benefit/Cost Ratio in out-years is: $\\$138,015/71,064=1.94$</p>

Implementation Schedule:

Task	Month/Year
FTE Hired	09/2009

Statutory and Federal Authority:

12-47-201 (1), C.R.S. (2008) For the purpose of regulating and controlling the licensing of the manufacture, distribution, and sale of alcohol beverages in this state, there is hereby created the state licensing authority, which shall be the executive director of the department of revenue or the deputy director of the department of revenue if the executive director so designates.

12-47-201 (2), C.R.S. (2008) The executive director of the department of revenue shall be the chief administrative officer of the state licensing authority and may employ, pursuant to section 13 of article XII of the state constitution, such clerks and inspectors as may be determined to be necessary.

Performance Measures:

Regulation, Enforcement, and Education

The Department of Revenue protects Colorado's citizens through the fair enforcement of laws and regulations related to industries that include limited stakes gaming, auto dealers, liquor and tobacco retailers, and motor carriers. The Department seeks to deliver this oversight effectively by completing duties within statutory timeframes and adherence to departmental or federal requirements. It actively identifies methods to achieve its goals by enhancing productivity and educating both providers and consumers in affected industries.

Liquor Enforcement: A critical performance measure of the Liquor Enforcement Division is resolving 75 percent of liquor-related complaints within 60 days of receipt. Between January 1, 2006 and January 1, 2008, the Grand Junction field office's resolution rate was 57 percent.