

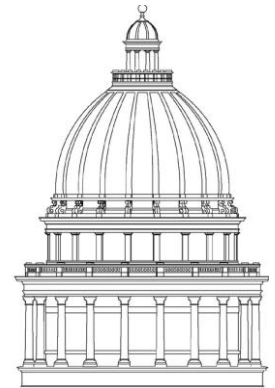
Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

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A Limited Review of Revenues and Costs of the DABC

Our office completed a limited review of the costs and revenues generated by the Department of Alcoholic Beverage Control (DABC). This review shows that both revenues generated and overall costs incurred for the last five years have significantly increased. The total revenue generated by the DABC has increased about 49 percent since fiscal year 2005. In that same time period, operating expenses increased about 41 percent while the amount of long-term debt increased approximately 140 percent. The number of full-time employees has increased about 15 percent since fiscal year 2005. The information contained in this review was primarily derived from DABC's own financial reporting.

The DABC is responsible for the distribution and sale of all alcoholic beverages in the state, with the exception of lower-alcohol-content beer (3.2 percent). Utah is one of 18 control states across the nation. Through its control system (warehouse and distribution), the DABC manages the flow of alcohol. The point of sale for alcoholic products is managed by the DABC through its operation of 44 state liquor stores and control of over 100 package agencies or contract stores. In fiscal year 2009, the DABC generated over \$267 million in sales with over \$100 million of those sales being contributed to the general fund, the school lunch program, and sales tax. The remaining



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\$167 million from sales covered operational and product expenses for the DABC.

DABC Revenues Have Significantly Increased

The DABC generates significant revenues for the state through their liquor sales. Figure 1 shows the sales and revenues generated by the DABC for the last five years.

Figure 1 The DABC Has Generated Significant Revenues for the State. Total revenue generated by the DABC has increased every year.

Operating Revenue	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total Sales	\$ 179,757	\$ 203,732	\$ 229,583	\$ 256,646	\$ 267,123
Cost of Goods Sold	94,406	105,638	118,795	133,065	139,960
Total Other Income	1,741	1,932	3,552	2,294	2,184
Total Revenue	\$ 87,091	\$ 100,026	\$ 114,340	\$ 125,875	\$ 129,347

Values shown are rounded in thousands of dollars.

Cost of goods sold is subtracted from total sales and then total other income (primarily generated from permits, licenses, and fees) is added to get total revenue. Total revenue generated by the DABC has increased about 49 percent from fiscal year 2005 to fiscal year 2009.

Net profit, school lunch transfer, and sales tax revenue are all government revenues. Figure 2 shows how these revenues have also grown over the past five years.

Total revenue generated by the DABC has increased about 49 percent since fiscal year 2005.

Figure 2 A Significant Amount of Revenue Generated by the DABC Is Returned To State and Local Governments. In fiscal year 2009, over \$100 million was generated for state and local governments from DABC sales.

State Revenues	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Net Profit	\$ 38,067	\$ 47,291	\$ 53,182	\$ 59,049	\$ 59,675
School Lunch	18,125	20,613	23,002	25,645	26,769
Sales Tax	10,358	11,660	13,150	12,973	13,995
Net Operating Income	\$ 66,550	\$ 79,564	\$ 89,334	\$ 97,667	\$ 100,439

Values shown are rounded in thousands of dollars.

Net profit is the amount of DABC revenues that are returned to the state's general fund. School lunch transfer is statutorily set at 10 percent of liquor sales that is deposited in the school lunch program. Sales tax revenue is the governmental taxes that are assessed against liquor sales. These three added together become the DABC's net operating income or income that is returned to state and local governments and programs. The net operating income of the DABC has increased about 51 percent since fiscal year 2005.

The net operating income or income returned to state and local governments has increased about 51 percent since 2005.

DABC Costs Have Significantly Increased

The total operating costs of the DABC have significantly increased since fiscal year 2005. Figure 3 shows the total operating expenses for the DABC since fiscal year 2005.

Figure 3 The Total Operating Expenses of the DABC Have Increased Since Fiscal Year 2005. Total expenses cover everything from salary and wages to travel expenses for the DABC.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total Expenses	\$ 20,541	\$ 20,462	\$ 25,006	\$ 28,208	\$ 28,908

Values shown are rounded in thousands of dollars.

Total operating expenses of the DABC have increased about 41 percent from fiscal year 2005 to fiscal year 2009. Because the DABC pays for new store construction, expansion, and remodeling

DABC operating expenses have increased about 41 percent over the last five years.

through revenue bonds, they are not reflected in the operating expenses of the DABC.

Revenue bonds are bonds that pay for the construction, expansion, and remodel of DABC properties. These bonds are then paid back through revenue generated by the DABC. The total amount of these bonds has increased since fiscal year 2005. Figure 4 shows the total debt incurred from these bonds since fiscal year 2005.

Figure 4 The Total Debt of Bonds for the DABC Has Increased Significantly Since Fiscal Year 2005. These bonds are revenue bonds that are paid back from revenues generated by the DABC.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Bonds	\$ 29,256	\$ 36,252	\$ 34,623	\$ 46,693	\$ 70,337

Values shown are rounded in thousands of dollars.

The amount of debt incurred by the DABC through revenue bonds has increased by over \$41 million or approximately 140 percent since fiscal year 2005.

With the construction of new stores and the expansion of existing stores, the DABC has added employees to staff those stores. Figure 5 shows the changes in full and part-time employees since fiscal year 2005. These employee numbers are reported by the DABC in terms of positions filled at the end of each fiscal year.

Figure 5 The Number of DABC Employees Has Increased Since Fiscal Year 2005. In fiscal year 2009, the DABC employed 33 more people than they did in fiscal year 2005.

Personnel	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Administration*	48	47	36	37	42
Warehouse*	27	29	32	33	31
Stores: Full-Time*	153	148	172	193	190
Stores: Part-Time	299	316	315	357	297
Total Employees	527	540	555	620	560

* Full-time employees.

In fiscal year 2009, the DABC employed 263 full-time employees and 297 part-time employees compared to fiscal year 2005 when they

Long-term debt of the DABC has increased 140 percent since fiscal year 2005.

employed 228 full-time and 299 part-time employees. From fiscal year 2005 to fiscal year 2009 that is an increase of 35 full-time employees or approximately 15 percent. While the number of full-time employees increased, the number of part-time employees decreased by two in that same time period.

The operating costs, long-term debt, and number of employees of the DABC have all significantly increased over the last five years as has the revenue generated from liquor sales. In terms of legislative oversight, the DABC reports to the Business and Labor Interim Committee and the Commerce and Workforce Services Appropriations Subcommittee.

The number of DABC full-time employees has increased 15 percent since fiscal year 2005.
