Budget Brief – Alcoholic Beverage Control

PURPOSE

The Department regulates the manufacture, sale and use of alcoholic beverages in Utah. It administers liquor laws and licenses on-premise businesses, manufacturers, wholesalers, warehouses, importers, and liquor representatives. Utah is one of eighteen liquor control states and one of two totally state run systems.

ISSUES

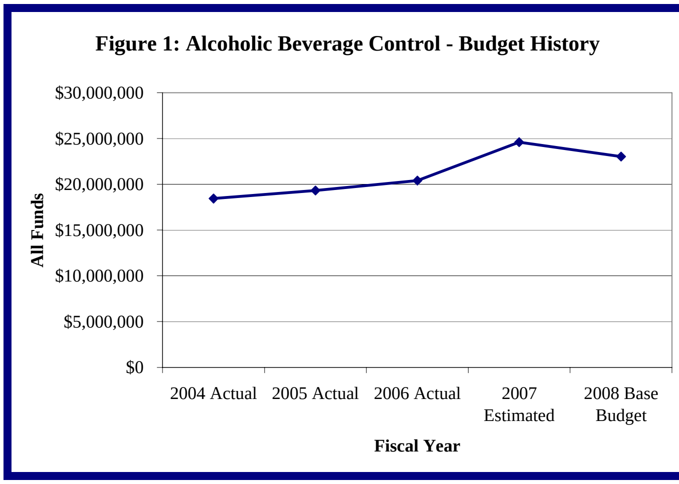
This document deals with the base budget. The following issues are not included in the base but are presented for consideration as additions to the budget.

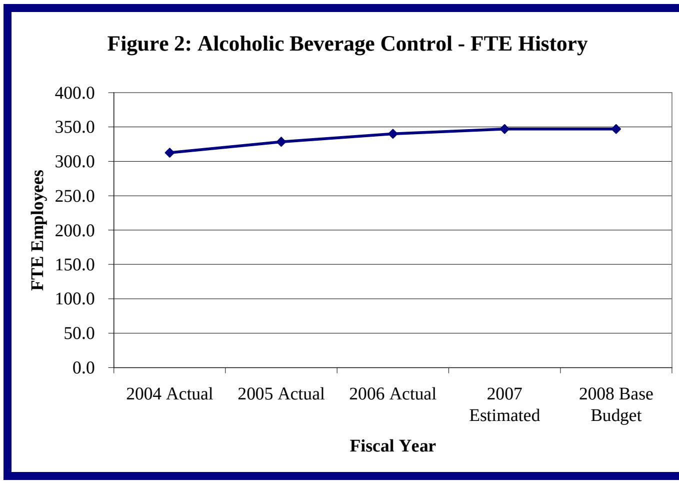
Permanent Funding for the EASY (Eliminate Alcohol Sales to Youth) Program. S.B. 58s1 (2006 General Session), Alcoholic Beverage Amendments – Eliminating Alcohol Sales to Youth by Senator Knudson provided the department of Alcoholic Beverage Control $1,600,000 in one-time General Fund for a TV, radio, and print media campaign designed to reduce underage drinking. The Department implemented the campaign on September 28th. Part of the Campaign was a 12 page insert in the Deseret News and the Salt Lake Tribune that had a circulation of 225,000 with an additional 200,000 distributed to schools for use in Red Ribbon Week Activities. The ParentsEmpowered.org website was created to support the media campaign. The contract was awarded to R&R Partners. Analysis and evaluation will be done by Applied Analysis with specific accountability measures (accountability measures are not yet available). The Analyst recommends $1,600,000 from the ongoing Liquor Control Fund to keep this program.

The Consequences of New Buildings. The process of getting a new building goes through the State Building Board to the Governor and Legislature. Within the Legislature the process starts in another committee, Capital Facilities and Government Operations. There they have two lists, "State Funded" and "Other Funded". Those on the "State Funded" list must go through a stringent prioritization process while those on the "Other Funded" list are considered separately. The Department of Alcoholic Beverage Control is on the second list, with funds coming from revenue bonds. Once approval is given by the Capital Facilities and Government Operations Committee, a letter is sent to our committee chairs to see if there is any objection. The following year Commerce and Workforce Services faces the mandate of appropriating funds to pay for the revenue bond, employees to staff the new store, and operations and maintenance for the buildings.

Bond Payments: The Department must pay for previously approved bonding projects as mentioned above. Cost is $640,000 from the Liquor Control Fund. Since the state has entered into agreements these should be considered mandated costs.

BUDGET AT A GLANCE





Employees: Once the buildings are built it falls to the Commerce and Workforce Services Appropriations Subcommittee to determine and fund the necessary workers. The Analyst recommends **12 Full Time Equivalent (FTE) employees to staff three new stores** (St. George, southwest Salt Lake County, and downtown Salt Lake wine store). This is in line with the staffing model used by the Department to staff other similar stores. Cost is $448,700 from the Liquor Control Fund.

Once the buildings become operational their **Operating & Maintenance** costs is assessed by the Division of Facilities Construction and Management. The Analyst recommends funding assessed costs of $229,900 from the Liquor Control Fund. These increases are for FY 06, FY 07 and FY 08.

Package Agency Increase: Package agencies are operated by private individuals or corporate entities under contract with the state for the purpose of selling packaged liquor, wine and beer to the general public for off premise consumption. Package agencies are located in communities too small to warrant the establishment of a state store and in resorts and hotels where the outlets exist primarily for the benefit of the guests. Type 3 package agencies are under a contract that pays on a sliding scale based on the cases of liquor sold. Nine of the 30 agencies increased sales enough to move them into a new category of compensation. The Analyst recommends $146,500 from Liquor Control Funds to pay for these costs.

Cost Of Living Increase for Package Agencies: In the past, these agencies have had COLA increases equal to state employees. This amount is somewhat in flux because the Legislature hasn't yet set the increase for state employees. A one percent increase costs $16,300. The Analyst recommends funding by multiplying this number by the COLA number set by the Legislature.

SUPPLEMENTALS

Replace Two Computer Servers. This is to fund the routine replacement of 2 IBM servers. One is the main production computer in Salt Lake and the other is the backup server in the Richfield Data Center. Cost is $295,000 from the Liquor Control Fund. This is a one-time appropriation that will be added to last session's appropriation to FY 07.

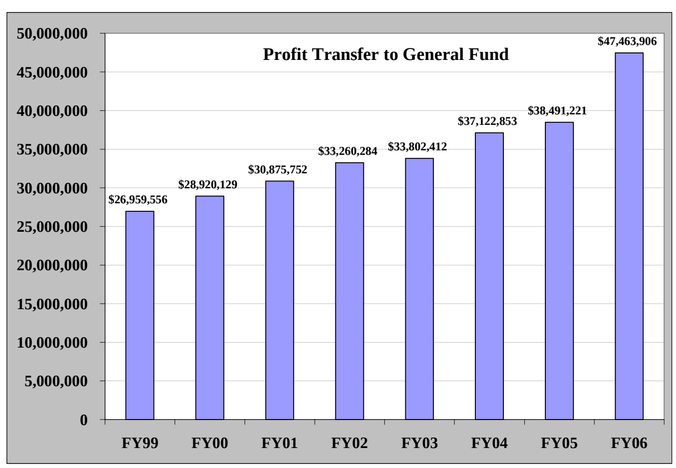
Two Vehicle Intent Language:

> *The Legislature authorizes the purchase of up to two vehicles from existing funds for state motor pool use.*

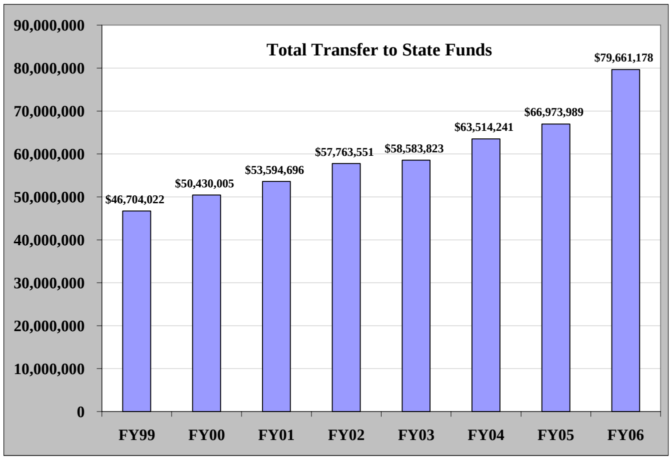
The vehicles would be used by regional managers, audit staff, and compliance staff.

PERFORMANCE MEASURES

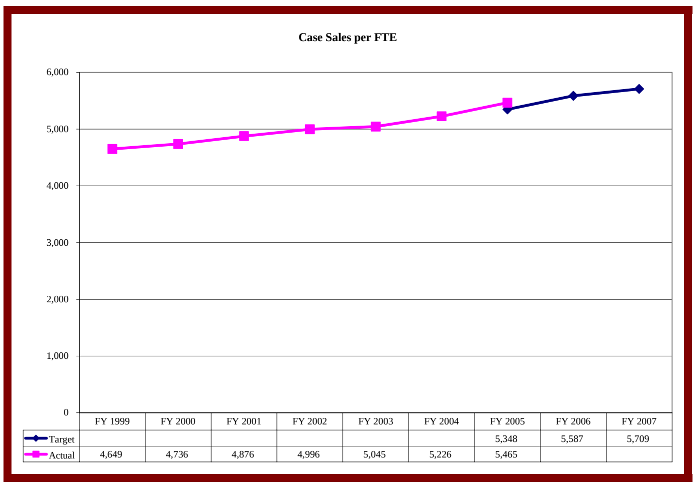
The mandate is to serve public demand in an efficient, business-like fashion. Liquor sales provide a significant source of income to the state. A special tax on liquor provides substantial funding for the school lunch program.



This graph adds to the profits shown in the first graph the amount of revenue coming from taxes on sales, giving a total transfer to state funds.



Case sales per FTE is the best measure of efficiency for DABC.



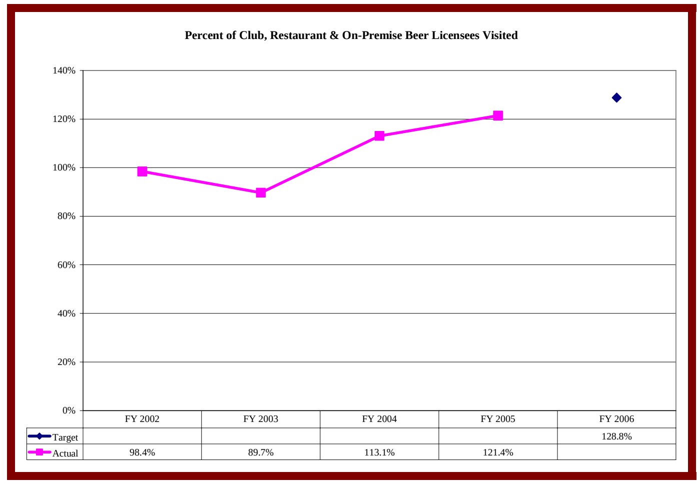
Measure: This efficiency measure shows that average case sales per FTE are increasing annually.

Goal: Alcoholic Beverage Control is a difficult area to measure because the goal is not to maximize or minimize sales. The emphasis is not on dollar sales (which can be affected by inflation) but on employee productivity. The number should be increasing.

Methodology: The number comes from dividing the total number of cases sold by the total department FTE.

Measure Type: Efficiency.

This shows the number of clubs, restaurants and on-premise beer licensees visited. The visits are done to ensure compliance. The number is over 100% because they visit some establishments more than once.



Measure: Percent of Club, Restaurant, & On-Premise Beer Licensees Visited.

Goal: Insure that liquor is sold according to the laws of Utah and rules of the Department.

Methodology: This chart shows the percentage of liquor vendors visited annually.

Measure Type: Output.

RECOMMENDED BASE BUDGET

The Analyst recommends the base budget shown below of $23,022,300 from the Liquor Control Fund.

Alcoholic Beverage Control

Sources of Finance	FY 2006 Actual	FY 2007 Appropriated	Changes	FY 2007 Revised	Changes	FY 2008* Base Budget
General Fund, One-time	0	1,631,300	0	1,631,300	(1,631,300)	0
Liquor Control Fund	20,498,400	22,968,700	100	22,968,800	53,500	23,022,300
Lapsing Balance	(90,200)	0	0	0	0	0
Total	$20,408,200	$24,600,000	$100	$24,600,100	($1,577,800)	$23,022,300
Line Items						
Alcoholic Beverage Control	20,408,200	24,600,000	100	24,600,100	(1,577,800)	23,022,300
Total	$20,408,200	$24,600,000	$100	$24,600,100	($1,577,800)	$23,022,300
Categories of Expenditure						
Personal Services	12,425,200	14,372,900	68,600	14,441,500	65,500	14,507,000
In-State Travel	25,200	28,500	(2,300)	26,200	0	26,200
Out of State Travel	13,800	12,700	4,500	17,200	0	17,200
Current Expense	6,887,900	9,385,300	(13,100)	9,372,200	(1,643,300)	7,728,900
DP Current Expense	680,000	760,600	(217,600)	543,000	0	543,000
DP Capital Outlay	187,300	0	0	0	0	0
Capital Outlay	188,800	40,000	160,000	200,000	0	200,000
Total	$20,408,200	$24,600,000	$100	$24,600,100	($1,577,800)	$23,022,300
Other Data						
Budgeted FTE	340.0	347.0	0.0	347.0	0.0	347.0
Vehicles	41	41	0	41	(20)	21

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.