



DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

BUSINESS, ECONOMIC DEVELOPMENT & LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: PATRICK LEE

BUDGET BRIEF

SUMMARY

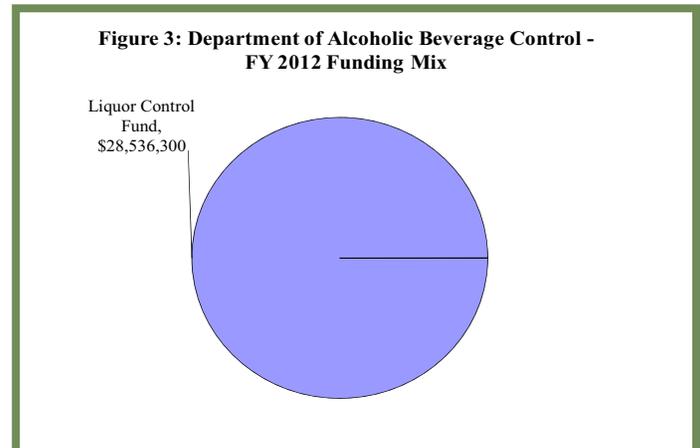
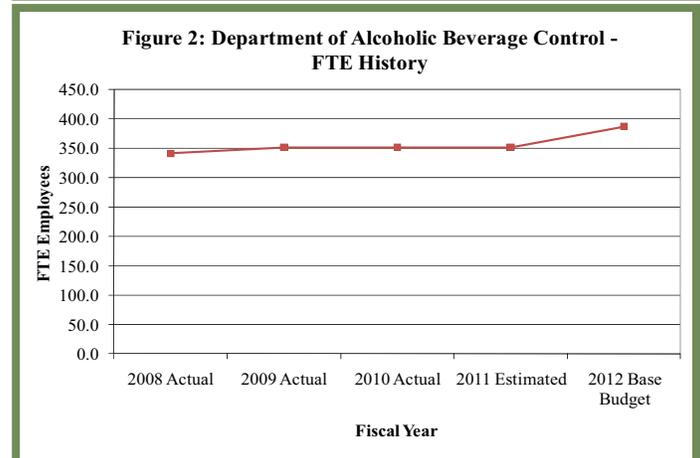
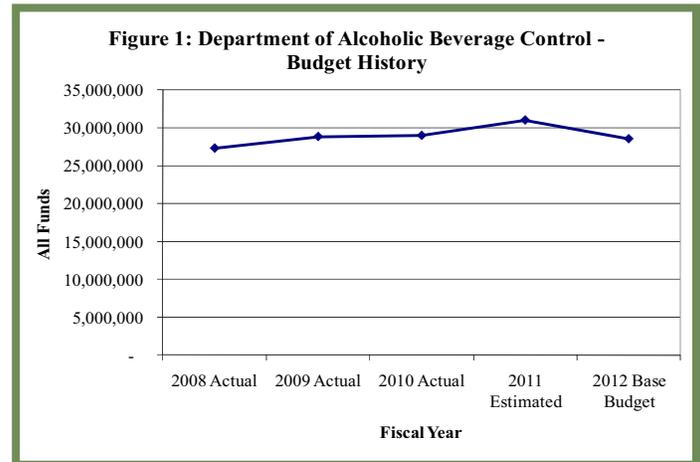
Utah is one of 18 liquor control states and one of two totally state-run systems. The Department of Alcoholic Beverage Control (DABC) currently operates 44 stores and approximately 100 package agencies. These state stores and package agencies are the exclusive retailers of liquor, wine and heavy beer (more than 3.2% alcohol by volume) in Utah. The department administers liquor laws and licenses on-premise businesses, temporary event permits, manufacturers, beer wholesalers, warehouses and liquor representatives.

BACKGROUND AND ANALYSIS

Without promoting the sale or consumption of alcoholic beverages, DABC operates as a public business using sound management principles and practices to generate revenue for state and local government programs. The department licenses and regulates the sale of alcoholic beverages, as directed by statute, at prices that reasonably satisfy the public demand while also protecting the public interest.

The overall budget for DABC has remained relatively steady from FY 2008 Actual Budget to the FY 2012 base. From FY 2008 through the FY 2012 base budget, the agency has had a mix of reductions and some initial increases during the 2009 General Session for FY 2010 (\$637,000 for new stores; \$1,140,000 for additional staff; and \$151,600 for package agency increases). However, the DABC also received a FY 2010 supplemental reduction of \$2,049,500 to their operating budget in the 2010 General Session. This reduction was approximately 7% of their original appropriation for FY 2010.

With the passage of House Bill 5, 1st Substitute in the current general session, the FY 2012 base budget for DABC will be \$28,536,300. This represents a reduction of \$2,481,400 to DABC's FY 2011 ongoing base. The \$2,481,400 will be reverted as additional revenue to the General Fund to be prioritized for use along with other revenues. Net profits generated through liquor sales are deposited into the General Fund and used to support state government operations. State law also requires a transfer of 10% of gross sales to support the school lunch program. A portion of the tax on beer also goes to local governments to help cover their costs of liquor law enforcement.



PROGRAM BUDGET DETAILS

The Department of Alcoholic Beverage Control is made up of two line items: Alcoholic Beverage Control main line item and the Parents Empowered line item. The second line item was created and instituted in FY 2011, however, funding was in place prior to that time.

The Parents Empowered Program "is a media and education campaign funded by the Utah Legislature and designed to prevent and reduce underage drinking in Utah by providing parents and guardians with information about the harmful effects of alcohol on the developing teen brain, along with proven skills for preventing underage alcohol use." Further information can be found at the Parents Empowered website: <http://www.parentsempowered.org/>.

The Parents Empowered Program is specifically designed to help minimize or eliminate the problem of underage drinking in Utah. Research largely shows that parental disapproval of their children drinking is the number one deterrent against youth consumption of alcohol. Thus, the program is designed and funded to help educate parents to better help their children. Funding for the line item in FY 2012 is \$1,473,700. There were no reductions to the program for FY 2012.

The main DABC line item is comprised of the following programs with corresponding FY 2012 budgets:

Executive Director – \$1,795,300

Administration - \$1,096,500

Operations - \$1,518,900

Warehouse and Distribution – \$1,517,900

Stores and Agencies - \$21,134,000

The Executive Director program line also houses the compliance section of the DABC. The compliance officers at DABC work with educating potential and current licensees, reviewing applications for licenses to be recommended and presented to the DABC Commission, investigating violations of licensing regulations, and communicating with liquor enforcement officers at the local level to ensure proper controls throughout the state.

BUDGET DETAIL TABLE

The following table shows the budget history for the Department of Alcoholic Beverage Control. Changes were made to the table in the *FY 2012 Base Budget* column from the original 93% of FY 2011 ongoing appropriations across the board. These changes reflect action approved by the Business, Economic Development and Labor Appropriations Subcommittee and passed in House Bill 5, 1st Substitute. The total reduction for DABC to their FY 2012 base budget was \$2,481,400, as reflected in the second *Changes* column. This reduction is approximately 8.0% of the agency's FY 2012 ongoing base.

Department of Alcoholic Beverage Control						
Sources of Finance	FY 2010 Actual	FY 2011 Appropriated	Changes	FY 2011 Revised	Changes	FY 2012* Base Budget
Liquor Control Fund	28,878,300	31,017,700	0	31,017,700	(2,481,400)	28,536,300
Transfers	100,000	0	0	0	0	0
Lapsing Balance	(9,100)	0	0	0	0	0
Total	\$28,969,200	\$31,017,700	\$0	\$31,017,700	(\$2,481,400)	\$28,536,300
Line Items						
Alcoholic Beverage Control	27,925,800	29,544,000	0	29,544,000	(2,481,400)	27,062,600
Parents Empowered	1,043,400	1,473,700	0	1,473,700	0	1,473,700
Total	\$28,969,200	\$31,017,700	\$0	\$31,017,700	(\$2,481,400)	\$28,536,300
Categories of Expenditure						
Personnel Services	15,894,900	15,771,500	(327,100)	15,444,400	(1,245,500)	14,198,900
In-state Travel	48,600	46,200	2,400	48,600	(3,700)	44,900
Out-of-state Travel	7,100	20,600	(13,500)	7,100	0	7,100
Current Expense	11,317,100	13,238,800	618,100	13,856,900	(1,192,600)	12,664,300
DP Current Expense	1,515,000	1,867,400	(352,400)	1,515,000	6,100	1,521,100
DP Capital Outlay	45,700	0	45,700	45,700	(45,700)	0
Capital Outlay	140,800	73,200	26,800	100,000	0	100,000
Total	\$28,969,200	\$31,017,700	\$0	\$31,017,700	(\$2,481,400)	\$28,536,300
Other Data						
Budgeted FTE	352.0	352.0	0.0	352.0	0.5	352.5
Actual FTE	387.0	0.0	0.0	0.0	0.0	0.0
Vehicles	22	20	0	20	0	20

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

LEGISLATIVE ACTION

The Analyst recommends the Legislature:

1. Prioritize DABC FY 2012 reductions and any possible add-backs along with other subcommittee priorities to be recommended to the Executive Appropriations Committee.