



DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: ANDREA WILKO

BUDGET BRIEF

SUMMARY

Utah is one of seventeen liquor control states and one of two totally state run systems. The Department of Alcoholic Beverage Control (DABC) operates 44 State stores and approximately 100 package agencies. These state stores and package agencies are the exclusive retailers of liquor, wine and heavy beer (more than 4 percent alcohol by volume) in the Utah. The Department administers liquor laws and licenses on-premise businesses, temporary event permits, manufacturers, beer wholesalers, warehouses, and liquor representatives.

ISSUES AND RECOMMENDATIONS

The subcommittee should consider the following items in its deliberations:

Base Budget Adoption

For the Utah Department of Alcoholic Beverage Control budget, the Fiscal Analyst recommends an FY 2014 budget of \$38,663,700 as shown in the budget detail on page 3.

Adoption of Fees

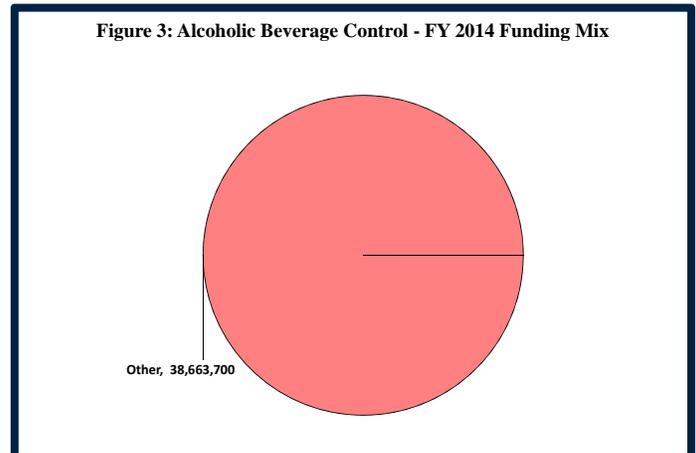
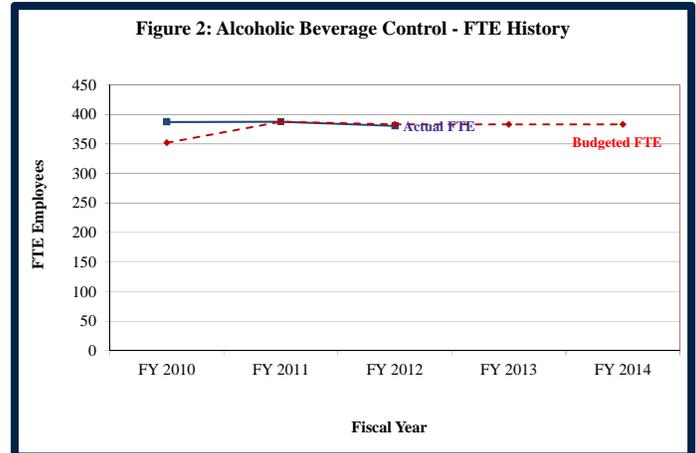
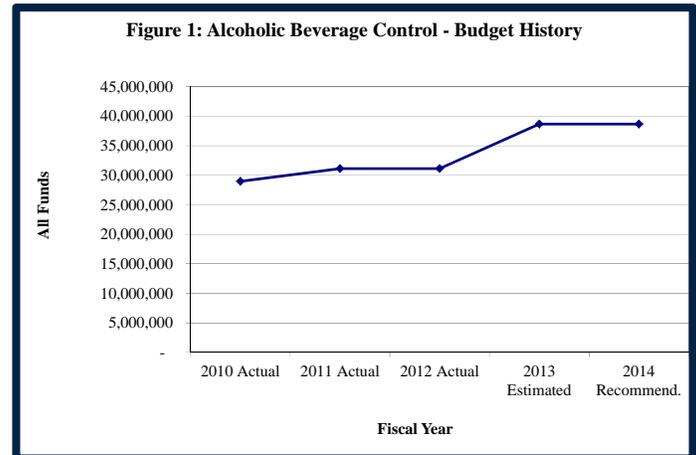
For the FY 2014 fee schedule for the Department of Alcoholic Beverage Control, please refer to the issue brief, *Department of Alcoholic Beverage Control: FY 2014 Fee Schedule*.

Funding Changes for Parents Empowered

SB 258 - Underage Drinking Prevention Campaign changed the funding mechanism for the Parents empowered from Liquor Control Fund appropriation to an earmark of .6 percent of gross liquor sales from the prior two years. As a result of the change an adjustment of \$158,500 will be diverted into the program unless the legislature changes the statute.

Debit and Credit Card Fees and Shipping Costs

HB 354 -Alcoholic Beverage Amendments brought \$6.4 million in unappropriated operating expenses onto the books of DABC. The appropriation included shipping costs and credit and debit card fees. Natural growth in these transactions has led to increased costs for the Department. As a result DABC is asking for \$581,000 in additional funding which will be offset by the increased revenue from sales.



BACKGROUND AND ANALYSIS

Without promoting the sale or consumption of alcoholic beverages, DABC operates as a public business 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.

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 and an additional 1% is used by the Department of Public Safety for alcohol related law enforcement officers.

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 main DABC line item is comprised of the programs listed below with the corresponding FY 2014 proposed base budgets:

Executive Director	\$2,222,100
Administration	\$735,300
Operation	\$2,031,900
Warehouse and Distribution	\$4,353,700
Stores and Agencies	\$27,547,400

The Executive Director program also houses the compliance section of 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.

During the 2012 General Session two bills passed, changing the funding and oversight of the main line item of Department of Alcoholic Beverage Control. SB 66 - Alcoholic Beverage Control Related Amendments changed the structure and oversight of DABC by creating an internal audit structure, clarifying the commission's policy authority, and enhancing oversight of package agencies. HB 354 - Alcoholic Beverage Amendments adjusted the funding mechanism for the Department and established a process for tracking the effects of alcohol abuse. HB 354 added approximately \$6.4 million to the DABC budget to pay for operating expenses previously paid for outside of the legislative process.

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 2013 is \$1,773,300. The funding mechanism for the Parents Empowered program changed in the 2012 General Session from a straight appropriation to an earmark and appropriation of .6 percent of the total gross revenue from the sale of liquor. Funding was shifted from the Liquor Control Fund to the newly created Underage Drinking

Prevention Media and Education Campaign Restricted Account. The change in funding resulted in a \$299,600 increase in funding for the program in FY 2013. The increase estimated from FY 2013 to FY 2014 is \$158,500, for a total potential FY 2014 budget of \$1,931,800.

BUDGET DETAIL

The following tables show the budget history for the Department of Alcoholic Beverage Control line items in addition to a statewide summary.

BUDGET DETAIL TABLES

Alcoholic Beverage Control						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
Liquor Control Fund	31,418,600	30,512,600	0	30,512,600	0	30,512,600
Liquor Control Fund - Markup	0	6,377,800	0	6,377,800	0	6,377,800
GFR - Underage Drinking Prevent	0	1,773,300	0	1,773,300	0	1,773,300
Lapsing Balance	(299,900)	0	0	0	0	0
Total	\$31,118,700	\$38,663,700	\$0	\$38,663,700	\$0	\$38,663,700
Line Items						
Alcoholic Beverage Control	29,728,300	36,890,400	0	36,890,400	0	36,890,400
Parents Empowered	1,390,400	1,773,300	0	1,773,300	0	1,773,300
Total	\$31,118,700	\$38,663,700	\$0	\$38,663,700	\$0	\$38,663,700
Categories of Expenditure						
Personnel Services	15,124,600	20,521,200	(4,649,100)	15,872,100	(500)	15,871,600
In-state Travel	26,900	5,500	21,400	26,900	0	26,900
Out-of-state Travel	355,700	(3,800)	321,400	317,600	(317,100)	500
Current Expense	13,637,400	17,800,700	(3,246,400)	14,554,300	308,800	14,863,100
DP Current Expense	1,649,300	22,100	1,927,200	1,949,300	8,300	1,957,600
DP Capital Outlay	315,000	87,900	(87,900)	0	0	0
Capital Outlay	9,800	230,100	(220,300)	9,800	0	9,800
Other Charges/Pass Thru	0	0	3,200	3,200	500	3,700
Cost of Goods Sold	0	0	5,930,500	5,930,500	0	5,930,500
Total	\$31,118,700	\$38,663,700	\$0	\$38,663,700	\$0	\$38,663,700
Other Data						
Budgeted FTE	383	353	30	383	0	383
Actual FTE	381	0	0	0	0	0
Vehicles	20	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.

Alcoholic Beverage Control						
	FY 2012	FY 2013		FY 2013		FY 2014*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Recommended
Liquor Control Fund	29,944,900	30,512,600	0	30,512,600	0	30,512,600
Liquor Control Fund - Markup Hold	0	6,377,800	0	6,377,800	0	6,377,800
Lapsing Balance	(216,600)	0	0	0	0	0
Total	\$29,728,300	\$36,890,400	\$0	\$36,890,400	\$0	\$36,890,400
Programs						
Executive Director	1,590,700	1,598,500	623,600	2,222,100	0	2,222,100
Administration	853,600	1,209,000	(473,700)	735,300	0	735,300
Operations	2,002,800	2,142,500	(110,600)	2,031,900	0	2,031,900
Warehouse and Distribution	1,788,900	5,827,100	(1,473,400)	4,353,700	0	4,353,700
Stores and Agencies	23,492,300	26,113,300	1,434,100	27,547,400	0	27,547,400
Total	\$29,728,300	\$36,890,400	\$0	\$36,890,400	\$0	\$36,890,400
Categories of Expenditure						
Personnel Services	15,124,600	20,521,200	(4,649,100)	15,872,100	(500)	15,871,600
In-state Travel	26,900	5,500	21,400	26,900	0	26,900
Out-of-state Travel	355,700	(3,800)	321,400	317,600	(317,100)	500
Current Expense	12,247,000	16,027,400	(3,246,400)	12,781,000	308,800	13,089,800
DP Current Expense	1,649,300	22,100	1,927,200	1,949,300	8,300	1,957,600
DP Capital Outlay	315,000	87,900	(87,900)	0	0	0
Capital Outlay	9,800	230,100	(220,300)	9,800	0	9,800
Other Charges/Pass Thru	0	0	3,200	3,200	500	3,700
Cost of Goods Sold	0	0	5,930,500	5,930,500	0	5,930,500
Total	\$29,728,300	\$36,890,400	\$0	\$36,890,400	\$0	\$36,890,400
Other Data						
Budgeted FTE	383	353	30	383	0	383
Actual FTE	381	0	0	0	0	0
Vehicles	20	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.

Alcoholic Beverage Control - Parents Empowered						
	FY 2012	FY 2013		FY 2013		FY 2014*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Recommended
Liquor Control Fund	1,473,700	0	0	0	0	0
GFR - Underage Drinking Prevention	0	1,773,300	0	1,773,300	0	1,773,300
Lapsing Balance	(83,300)	0	0	0	0	0
Total	\$1,390,400	\$1,773,300	\$0	\$1,773,300	\$0	\$1,773,300
Programs						
Parents Empowered	1,390,400	1,773,300	0	1,773,300	0	1,773,300
Total	\$1,390,400	\$1,773,300	\$0	\$1,773,300	\$0	\$1,773,300
Categories of Expenditure						
Current Expense	1,390,400	1,773,300	0	1,773,300	0	1,773,300
Total	\$1,390,400	\$1,773,300	\$0	\$1,773,300	\$0	\$1,773,300

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