



New Hampshire Liquor Commission

FY2022/2023 Budget

Senate Finance Committee

April 23, 2021



Introduction

The Liquor Commission is self funded.

The budget is in a separate liquor fund outside of the general fund.

No General Fund appropriations are used to maintain operations.

The Commission operates 69 retail outlets (9 state-owned and 60 leased), they generated over \$617 million in net retail sales in FY20. Product is shipped out of two warehouses; one is state-owned and the other is contracted with DHL.

Liquor revenue is transferred to the general fund after deducting administration costs and transfers to the Alcohol Abuse, Prevention and Treatment Fund and the Granite Advantage Health Care Trust Fund.

Beer tax & permits revenue is transferred in a separate line item to the General Fund.

The budget presented is the level of funding passed by the House and does **not** support the level of funding necessary to accomplish the Commission's legislative duties, under RSA 176:3, to:

- I. Optimize the profitability of the commission.
- II. Maintain proper controls.
- III. Assume responsibility for the effective and efficient operation of the commission.
- IV. Provide service to the customers of the commission-



Revenue Trends & Transfer Language



	FY 2020	FY 2021	FY21 vs FY20		FY 2022	FY22 vs FY21		FY 2023	FY23 vs FY22	
	Expenses	Adj Authorized	\$	%	Estimates	\$	%	Estimates	\$	%
1 Net Revenue	141,806,289	151,619,071	9,812,782	6.9%	151,967,033	347,962	0.2%	152,355,997	388,964	0.3%
2 5% of prior year gross profit transfer to Alcohol abuse prevention & treatment fund	(10,037,800)	(10,328,200)	290,400	2.9%	(10,352,507)	24,307	0.2%	(11,116,491)	763,984	7.4%
3 Additional transfer to Granite Advantage		(8,196,099)	(8,196,099)							
4 REVISED: Liquor Transfer to General	131,768,489	133,094,772	1,326,283	1.0%	141,614,526	8,519,754	6.5%	141,239,506	(375,020)	-0.3%
5 Liquor Transfer to General Fund House HB1		129,000,000			138,000,000			138,000,000		
6 Difference GF transfer est. 3-18-21 to current est.		4,094,772			3,614,526			3,239,506		
7 Beer Tax	13,175,694	13,200,000	24,306	0.2%	13,200,000	-	0.0%	13,200,000	-	0.0%
8 Total Transfer to General Fund	144,944,183	146,294,772	1,350,589	0.9%	154,814,526	8,519,754	5.9%	154,439,506	(375,020)	-0.2%
Expense to Sales Ratio	9.6%	10.1%			10.1%			10.1%		

Transfer language:

Section 176:16 Funds.

III. Five percent of the previous fiscal year gross profits derived by the commission from the sale of liquor shall be deposited into the alcohol abuse prevention and treatment fund established by RSA 176-A:1. For the purpose of this section, gross profit shall be defined as total operating revenue minus the cost of sales and services as presented in the state of New Hampshire comprehensive annual financial report, statement of revenues, expenses, and changes in net position for proprietary funds.

RSA 126-AA:3, The Commissioner of the Department of Health and Human Services, is responsible for determining quarterly whether there is sufficient non-federal funding in the Fund to cover projected program costs for the following 6-month period. If at any time the Commissioner determines that a projected shortfall exists, then the sum necessary to cover such shortfall shall be transferred to the fund from the Liquor Commission Fund established in RSA 176:16.



Major Budget Categories

1. Salary & Benefits decrease in FY22 is a result of position changes & retiree health and FY23 decreases are a result of the House eliminating 20 Law Enforcement positions.
2. Current Expense includes \$2.8M for our advertising contract and other items such as office and cleaning supplies, paper bags and receipt rolls for our outlet locations.
3. Rents & Leases is the funding needed for current rent obligations and expanding square footage for new outlet locations. FY21 budget is underfunded because of outlet changes after the budget which creates a large increase in FY22. FY23 is level funded.
4. Utilities decrease in FY22 and are flat funded in FY23 as a result of more energy efficient outlets.
5. Contracts for operations includes our maintenance contracts such as Electrical, HVAC, security systems, plumbing, signs, floor cleanings, automatic door, forklift repairs, and smart safes and armored car service which was added in Nov. 2018. Funding is based on current contracts and projected needs.
6. Technology Software added in FY23, \$1.1M moved from contracts line for maintenance and support contract for the D365 software platform to support the point-of-sale and back office financial system.
7. DoIT is the funding needed to maintain current POS and back office systems, and additional funds necessary for licenses, cloud services and other annual software requirements to support the new D365 software platform.
8. Equipment includes items such as shelving, checkouts and security cameras for new & updated outlets and rotation plan for replacing existing equipment such as vehicles, floor cleaners and forklifts.
9. In-state travel funding level is to support outlet moves and staffing changes.
10. Other Expenses primary change is from Debt Services which is based on the current bond schedule and estimates for new debt; (Change in timing of projects)

***Note: Indirect cost previously budgeted in AU1023 is allocated to multiple AU's in FY22 & FY23
FY21: From: 1023=\$1.8M; To: FY22/23: 1010=\$527k, 7878=\$32k 1023=\$24k, 1030=\$1.3M



FY2022 – 2023 Budget Request



	FY 2020 Expenses	FY 2021 Adj. Auth.	FY21 vs FY20 \$	FY21 vs FY20 %	FY 2022 Gov. & House	FY22 vs FY21 \$	FY22 vs FY21 %	FY 2023 Gov. Budget	House Changes	House Budget	FY23 vs FY22 \$	FY23 vs FY22 %
1 Salary & Benefit Expenses:												
Personnel Services - Full time	18,316,387	19,920,227	1,603,840	8.8%	19,423,790	(496,437)	-2.5%	20,503,924	(1,508,740)	18,995,184	(428,606)	-2.2%
Benefits	10,008,482	11,266,813	1,258,331	12.6%	11,769,556	502,743	4.5%	12,381,311	(1,044,167)	11,337,144	(432,412)	-3.7%
Other Personnel - Part time	10,609,357	11,513,957	904,600	8.5%	11,298,900	(215,057)	-1.9%	11,576,000		11,576,000	277,100	2.5%
Retiree Pension Benefit Health Ins.	1,561,469	1,921,500	360,031	23.1%	1,399,900	(521,600)	-27.1%	1,572,000		1,572,000	172,100	12.3%
	40,495,695	44,622,497	4,126,802	10.2%	43,892,146	(730,351)	-1.6%	46,033,235	(2,552,907)	43,480,328	(411,818)	-0.9%
% of Total Budget	57.2%	57.4%			55.7%			56.0%				
Current Expenses:												
2 Current Expenses	3,702,085	4,023,108	321,023	8.7%	4,038,373	15,265	0.4%	4,118,623		4,118,623	80,250	2.0%
3 Rents & Leases	9,021,809	8,765,250	(256,559)	-2.8%	10,003,959	1,238,709	14.1%	10,079,768		10,079,768	75,809	0.8%
4 Utilities - Heat, Elec, Water & Telec	2,205,623	2,634,000	428,377	19.4%	2,316,450	(317,550)	-12.1%	2,326,400		2,326,400	9,950	0.4%
5 Contracts for Operational Services	4,930,753	3,479,500	(1,451,253)	-29.4%	4,376,500	897,000	25.8%	5,537,680	(1,140,680)	4,397,000	20,500	0.5%
6 Technology - Software									1,140,680	1,140,680	1,140,680	
	19,860,270	18,901,858	(958,412)		20,735,282	1,833,424	9.7%	22,062,471	-	22,062,471	1,327,189	6.4%
% of Total Budget	28.1%	24.3%			26.3%			26.8%				
7 DoIT - Information Technology	2,441,815	4,241,180	1,799,365	73.7%	4,945,827	704,647	16.6%	4,874,469		4,874,469	(71,358)	-1.4%
% of Total Budget	3.4%	5.5%			6.3%			5.9%				
8 Equipment:	545,272	1,018,506	473,234	86.8%	684,600	(333,906)	-32.8%	761,200		761,200	76,600	11.2%
% of Total Budget	0.8%	1.3%			0.9%			0.9%				
9 Travel Expenses:												
In-State Travel	231,175	124,152	(107,023)	-46.3%	253,241	129,089	104.0%	260,741		260,741	7,500	3.0%
Out-of-State Travel	6,334	20,925	14,591	230.4%	7,460	(13,465)	-64.3%	7,660		7,660	200	2.7%
	237,509	145,077	(92,432)	-38.9%	260,701	115,624	79.7%	268,401	-	268,401	7,700	3.0%
% of Total Budget	0.3%	0.2%			0.3%			0.3%				
10 Other Expenses												
Audit Funds	129,365	132,000	2,635	2.0%	131,000	(1,000)	-0.8%	131,000		131,000	-	0.0%
Debt Services	4,283,675	5,400,000	1,116,325	26.1%	4,866,667	(533,333)	-9.9%	4,764,567		4,764,567	(102,100)	-2.1%
Indirect Costs to Admin Svcs	1,705,605	1,819,149	113,544	6.7%	1,870,828	51,679	2.8%	1,870,828		1,870,828	-	0.0%
EAP & Catastrophic Casualty Ins.	35,964	107,125	71,161	197.9%	93,149	(13,976)	-13.0%	101,836		101,836	8,687	9.3%
Organizational Dues	2,915	3,120	205	7.0%	4,500	1,380	44.2%	4,500		4,500	-	0.0%
Workers & Unempl Comp.	765,864	690,000	(75,864)	-9.9%	640,000	(50,000)	-7.2%	651,250		651,250	11,250	1.8%
	6,923,388	8,151,394	1,228,006	17.7%	7,606,144	(545,250)	-6.7%	7,523,981	-	7,523,981	(82,163)	-1.1%
% of Total Budget	9.8%	10.5%			9.7%			9.2%				
LIQUOR TOTAL:	70,503,949	77,080,512	6,576,563	9.3%	78,124,700	1,044,188	1.4%	81,523,757	(2,552,907)	78,970,850	846,150	1.1%
Grants & Other Funds	281,962	614,552	332,590	118.0%	630,189	15,637	2.5%	649,564		649,564	19,375	3.1%
TOTAL:	70,785,911	77,695,064	6,909,153	9.8%	78,754,889	1,059,825	1.4%	82,173,321	(2,552,907)	79,620,414	865,525	1.1%

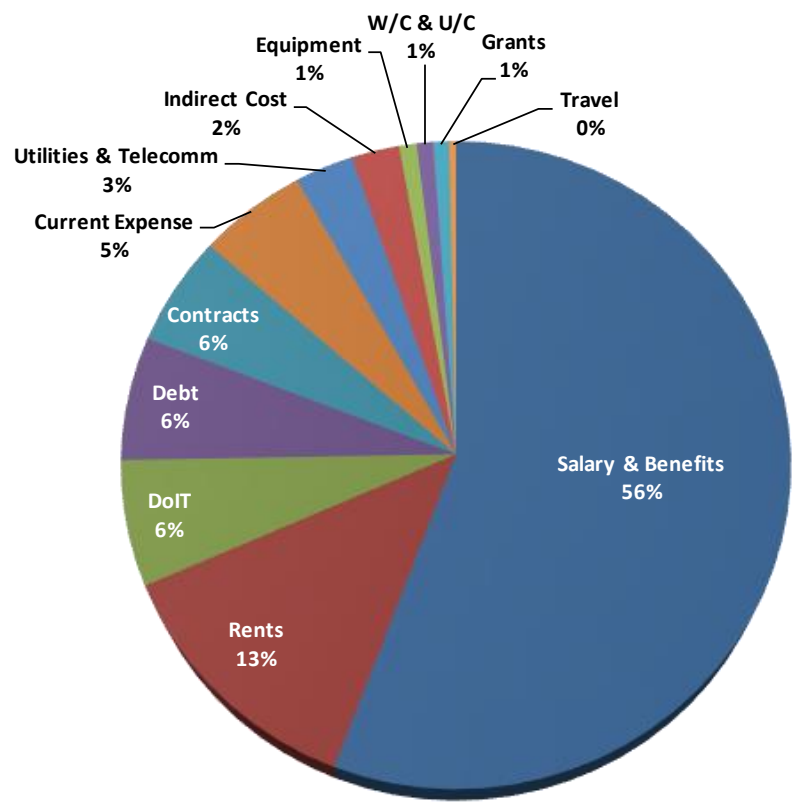


FY2022 Budget Breakdown

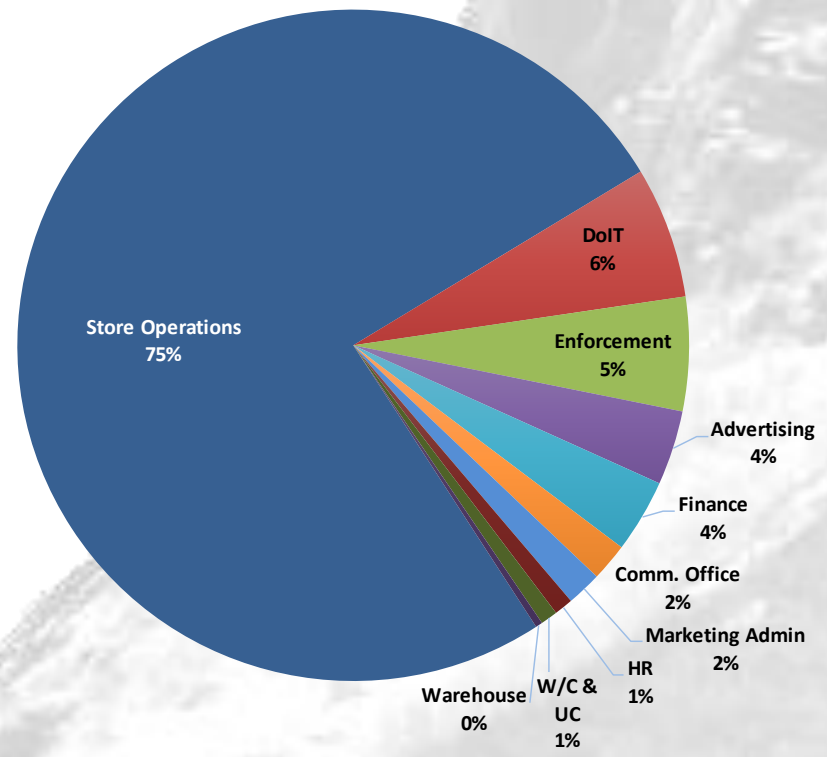
FY22 budget is \$1.1M or 1.4% more than FY21 adjusted authorized budget

A number of class categories decreased such as salary & benefits, utilities, equipment and debt, and a number of class categories increased such as rents, contracts and DoIT. This is a result of FY21 adjusted authorized budget versus actual expense changes with FY22 based on current trends and needs.

By Class



By Accounting Unit





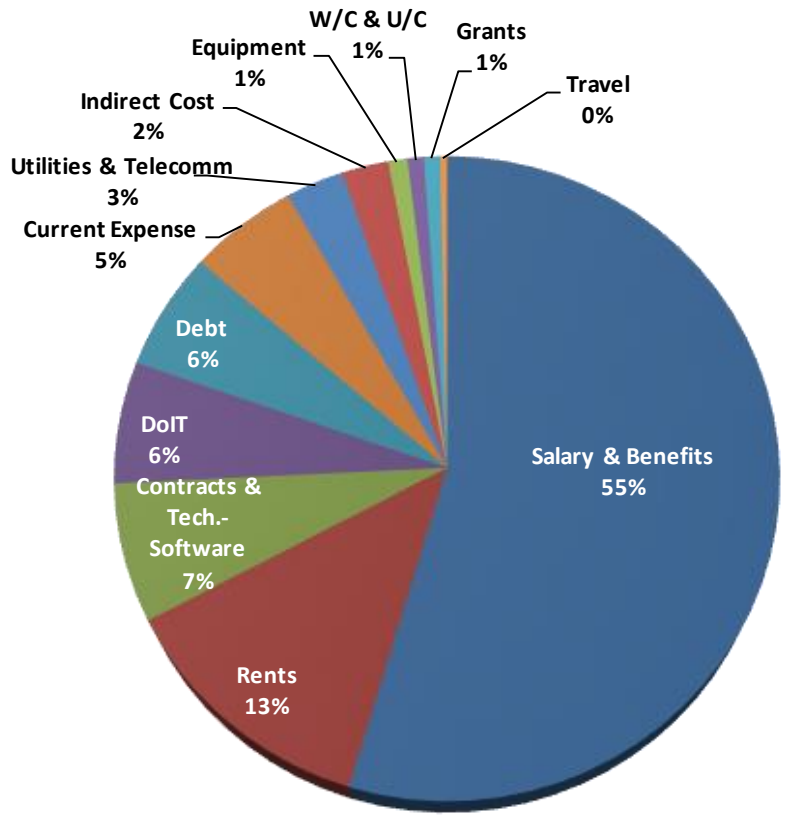
FY2023 Budget Breakdown

FY23 budget is \$866k or a 1.1% increase over FY22

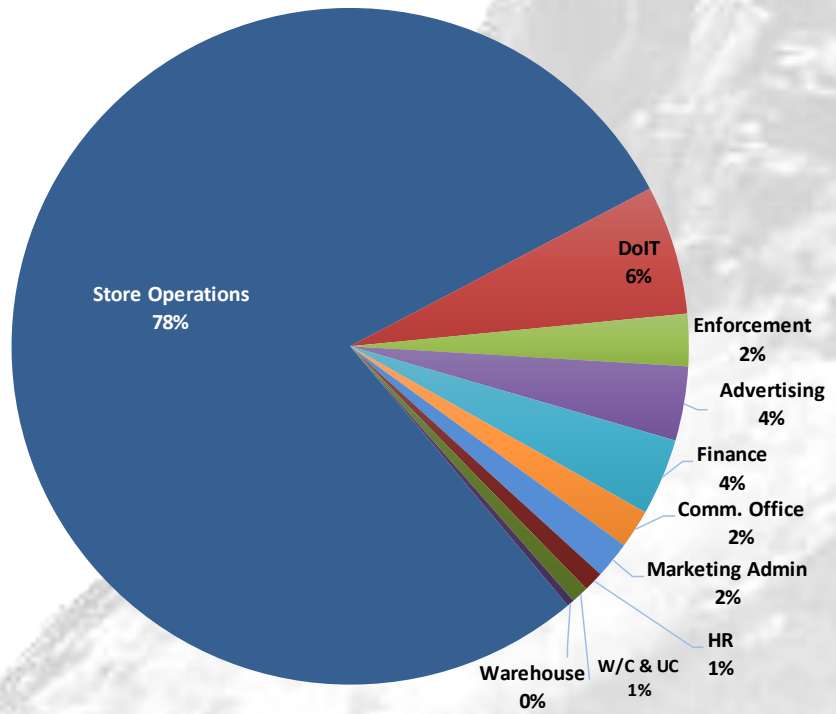
Salary & Benefits are decreasing as a result the House eliminating 20 law enforcement positions effective December 31, 2021 and Contracts & Technology Software is increasing to fund the D365 software platform, maintenance and support contract.

For the same reasons Enforcement's percentage of total budget is decreasing and Store Operation is increasing.

By Class



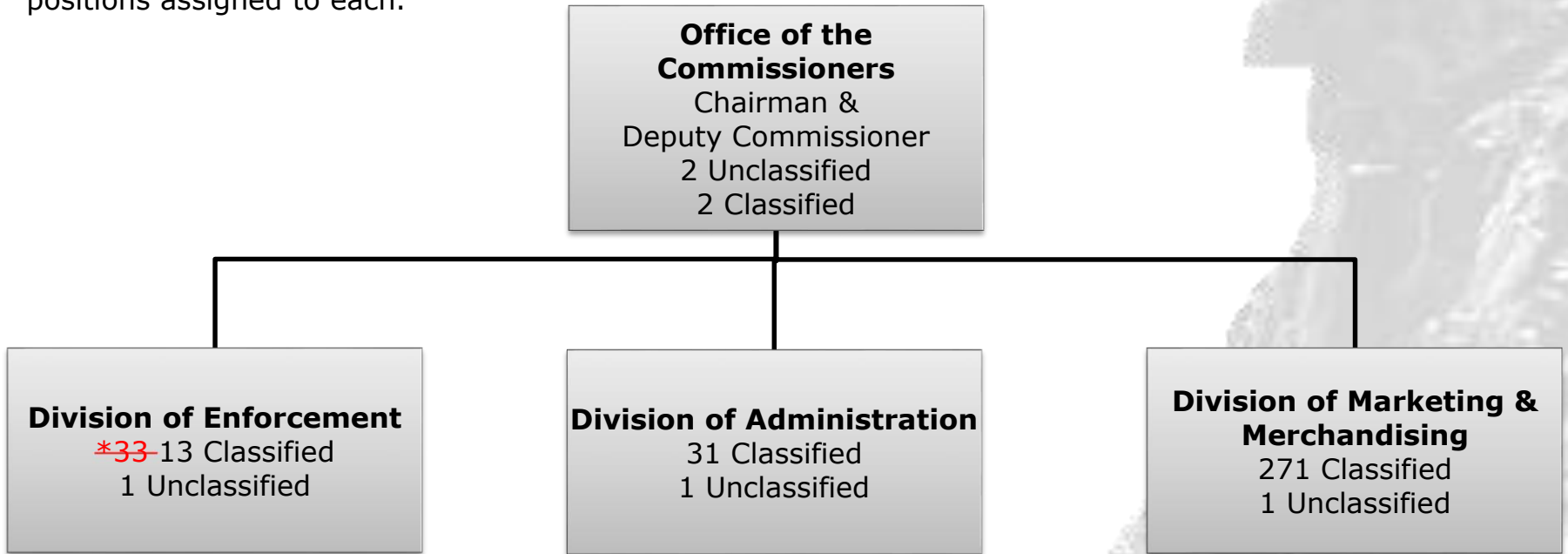
By Accounting Unit





Organizational Structure

The Commission is made up of 3 Division that report to the Chairman and Deputy Commissioner
Below are the divisions with the area of responsibilities listed and the number of unclassified and classified positions assigned to each.



*Enforcement

Licensing
Education
Grants

Finance
Human Resources
Audit / Inventory Control
Information Technology
Legal

Marketing
Outlet/Store Operations
Advertising
Warehousing

*The items struck out in red are from the removal of the 20 sworn positions in enforcement



Office of the Commissioners



FY2022 & 2023 Budget

Office of the Commissioners

(770012 – HB1 Compare Report Page 385)

FY22 increase 62% or \$545k (\$527k indirect costs)

FY23 increase 2% or \$31k (27th pay period)

Summary of Changes:

Salaries:

FY22 \$12k decrease from positions change

FY23 \$20k increase for increments and 27th pay period

Benefits:

\$32k increase in FY22

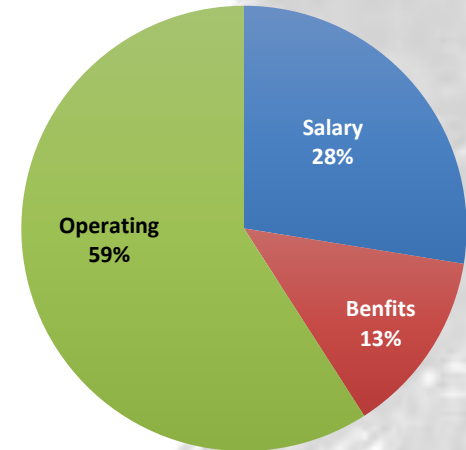
\$10k increase in FY23

Operating:

\$526k increase in FY22 (\$527K allocation of indirect costs)

\$1k increase in FY23

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

2 Unclassified

2 Classified



Division of Administration



FY2022 & 2023 Budget

Financial Management Div.

(771012 – HB1 Compare Report Page 394-397)

FY22 decrease 11% or \$1.0M (-\$1.8M indirect cost)

FY23 increase 1.4% or \$114k (27th pay period)

Summary of Changes:

Salaries:

FY22 \$50k increase from positions changes

FY23 \$121k increase for increments and 27th pay period

Benefits:

\$9k decrease in FY22

\$57k increase in FY23

Operating:

\$1.8M decrease in FY22 (moving indirect costs)

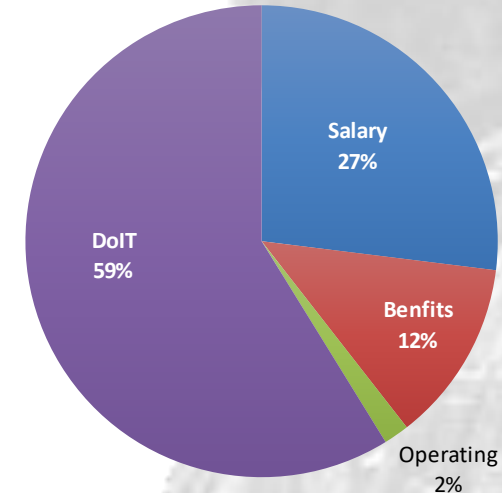
\$7k increase in FY23

DoIT:

\$700k increase in FY22

\$71k decrease in FY23

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

- 1 Unclassified
- 15 Finance
- 7 Human Resources
- 4 Outlet Auditors
- 2 Inventory Control
- 3 Legal



Division of Marketing & Merchandising



FY2022 & 2023 Budget

Marketing and Merchandising

(771512 – HB1 Compare Report Page 398-403)

FY22 increase 2.5% or \$1.6M (\$1.3M indirect costs)

FY23 increase 4.8% or \$3.0M (27th pay period)

Summary of Changes:

Salaries:

FY22 \$667k decrease from positions changes

FY23 \$1.1M increase for increments and 27th pay period

Benefits:

\$159k decrease in FY22

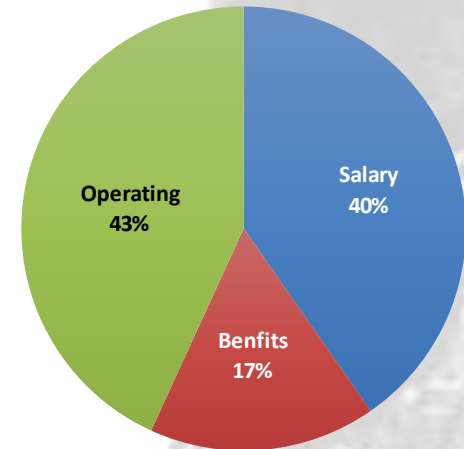
\$635k increase in FY23

Operating:

\$2.4M increase in FY22 (\$1.3M allocation of indirect costs)

\$1.3M increase in FY23 (\$1.0M maint.&support for the D365 software platform)

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

1 Unclassified

13 Marketing & Merchandising

258 Outlet/Store Operations

2 Warehouse



Workers & Unemployment Comp.

FY2022 & 2023 Budget

Workers Compensation

(772012 – HB1 Compare Report Page 404)

FY22 Budget level funded

FY23 Budget increase 1% or \$6k

FY2022 & 2023 Budget

Unemployment Compensation

(772512 – HB1 Compare Report Page 405)

FY22 Budget decrease 77% or \$50k

FY23 Budget increase 33% or \$5k



Division of Enforcement

FY2022 & 2023 Budget

Enforcement, Licensing, & Education

(770512 – HB1 Compare Report Page 386-393)

FY22 increase 1% or \$36k (\$32k indirect cost)

FY23 decrease 55% or \$2.3M

(eliminate 20 law enforcement positions)

Summary of Changes:

Salaries:

FY22 \$82k decrease from positions changes

FY23 \$1.4M decrease

Benefits:

\$118k increase in FY22

\$963k decrease in FY23

Operating:

Level funded in FY22 (\$32k allocation of indirect costs)

\$16k increase in FY23

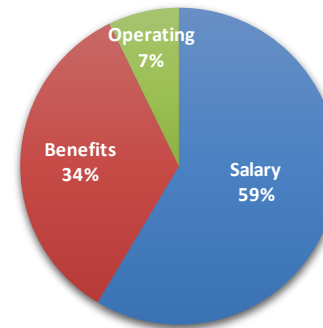
Grants:

\$630k in FY22

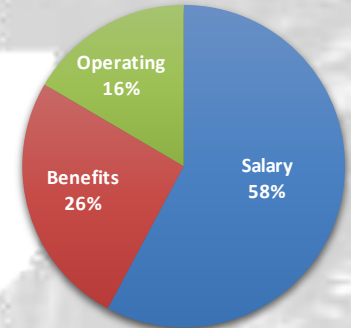
\$650k in FY23

Budget Breakdown from Liquor Funds

FY22



FY23



Authorized Full-Time Positions:

1 Unclassified

~~20 Sworn~~

13 Civilian

Provide for over 5,800 Licensees
Collecting over \$18M in revenue
in FY20



Division of Enforcement

HB-2 Sections 314, Pg 152, Line 1 through Section 329, Pg 155, Line 10 Below are the assumptions provided in our HB2 fiscal worksheet

- The language in this section changes the liquor commission's mission by eliminating all law enforcement positions, changing the name of the division to reflect the elimination of the enforcement mission and eliminates the word "Investigator" from all relevant sections of Title XIII.
- Given that HB 2 has not provided any guidance on how to operate in the absence of these 20 position we would require the 22 new positions to fulfill our financial responsibilities and serve our industry partners and your constituents (see attached organizational chart)
- The legislature has chosen to adopt a comprehensive, statewide approach, to the licensing and regulation of alcohol. This provision of HB 2 seeking to eliminate the 20 enforcement positions within the liquor commission is the first step in dismantling this system.
- The majority of the 20 positions are assigned to the field and provide timely customer service to existing businesses and new businesses. The elimination of these positions would leave no personnel in field assignments thereby diminishing the ability of the commission to service the 4,524 businesses holding licenses within the State and the 1,348 licensed direct shipper licensees.
- The savings of approximately \$2,500,000 will not be recognized as new positions would need to be established for the commission to ensure the revenues of the commission are not disrupted.
- **Without comprehensive statewide regulation, opponents of the current system will eventually seek to remove other controls and challenge the existing system. This erosion will place the alcohol beverage revenues at risk creating an unpredictable situation that could be very costly to the State.**



Division of Enforcement

HB-2 Sections 314, Pg 152, Line 1 through Section 329, Pg 155, Line 10 Below are the assumptions provided in our HB2 fiscal worksheet (cont'd.)

- The bill changes and removes all criminal powers from the Divisions personnel and leaves the remaining personnel with only regulatory authority to enforce the provisions of Title XIII. The bill also limits the regulatory investigative mission to business hours only limiting the ability of the unit to look into violations of Title XIII.
- The bill removes criminal powers from the liquor commission and leaves an administrative structure to address violations of state law. A number of provisions of Title XIII carry criminal penalties for violations of these laws and it remains unclear whether local and state law enforcement agencies will step in and enforce these statutory provisions having historically relied upon the liquor commission's division of enforcement to perform these specialized functions.
- The commission, in our conversations with local and state law enforcement, is of the understanding that local and state law enforcement will not want to engage in the enforcement of Title XIII statutes until and unless there is funding to train their officers and money to fund these activities.
- The commission and the New Hampshire alcohol beverage industry believes the termination of a uniform state enforcement mission will bring about inconsistent interpretation and enforcement of Title XIII laws across the state as cities and towns attempt to apply Title XIII laws with no experience or expertise.
- The Division is also the primary enforcement responsibility for Chapter 126-K Youth Access to and Use of Tobacco Products. Law Enforcement authority is essential to regulating youth access to tobacco products.
- Investigators conduct complex investigations regarding the distribution of tobacco products to minors. Law enforcement authority is essential to the proper prosecution of people selling tobacco products to minors.



Division of Enforcement

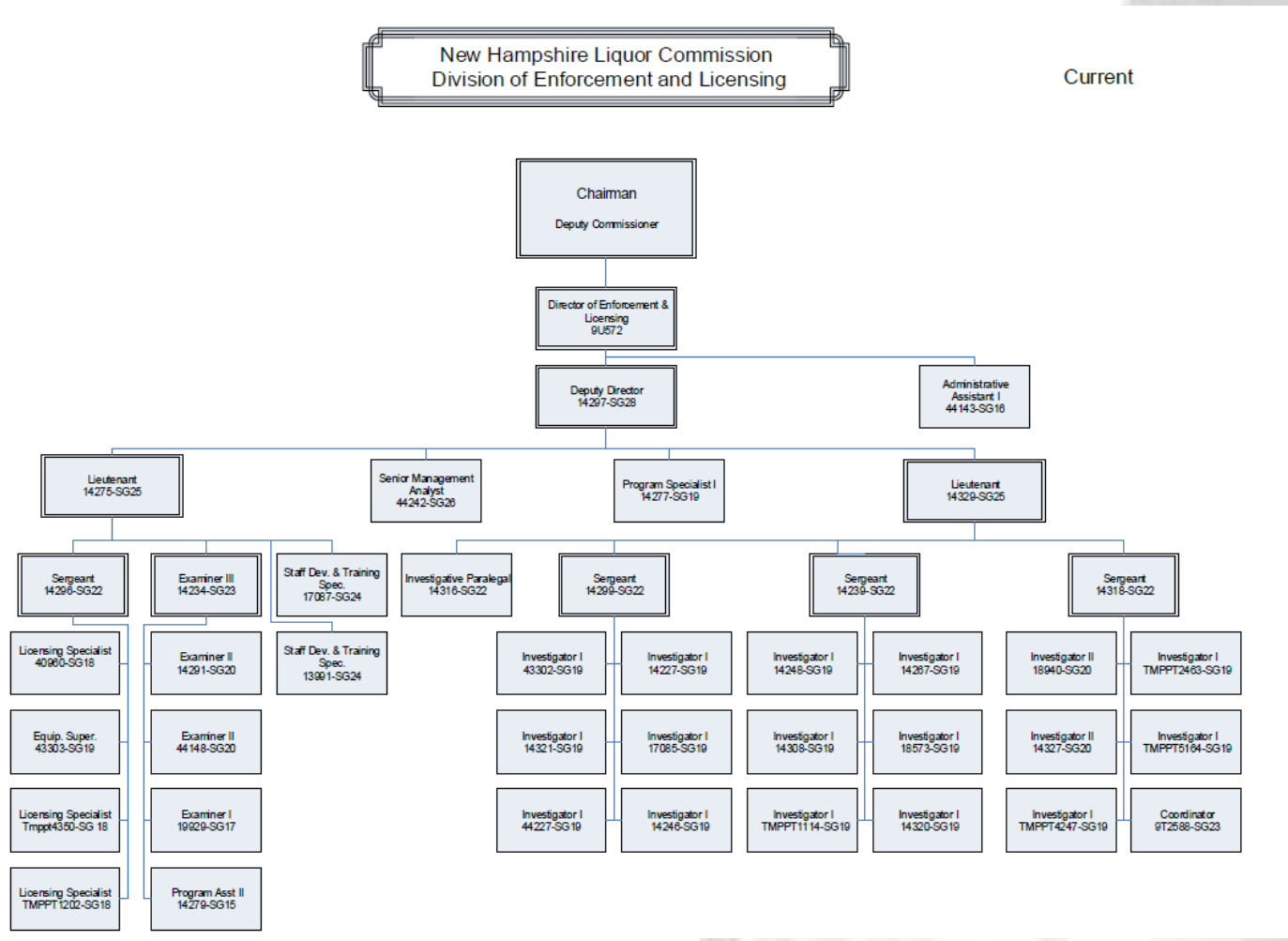
HB-2 Sections 314, Pg 152, Line 1 through Section 329, Pg 155, Line 10 Below are the assumptions provided in our HB2 fiscal worksheet (cont'd.)

- Moreover no changes have been made to Chapter 126-K; so essentially the commission is still the primary enforcement agency but has no authority to enforce these laws.
- There are 234 municipalities in NH with law enforcement agencies. By eliminating law enforcement personnel from the commission it has the potential to bring about an indeterminable number of approaches to the enforcement of Title XIII.
- The impact would include inconsistent interpretation and application of Title XIII laws. This would bring about a divisive uncertainty as the alcohol industry relies upon a uniform and consistent application of the laws. This inconsistency will create problems for businesses in this highly regulated industry.
- Law enforcement personnel at the liquor commission primarily rely upon the administrative process to prosecute violations of Title XIII. We envision traditional law enforcement will use criminal prosecution to resolve Title XIII violations as opposed to the commission's balanced approach using administrative and criminal process to resolve violations.
- The potential absence of a uniform enforcement approach in local communities caused by the elimination of the commission's law enforcement mission will bring about a significant increase in criminal cases brought before the courts. This may create an increased fiscal and operational burden on the court system as they handle an increase in alcohol related cases.
- Because Title XIII offenses include violations, misdemeanors and felonies we believe the County Attorney's will see increased activities as cases that might have previously be handled administratively are now brought for criminal prosecution.



Division of Enforcement

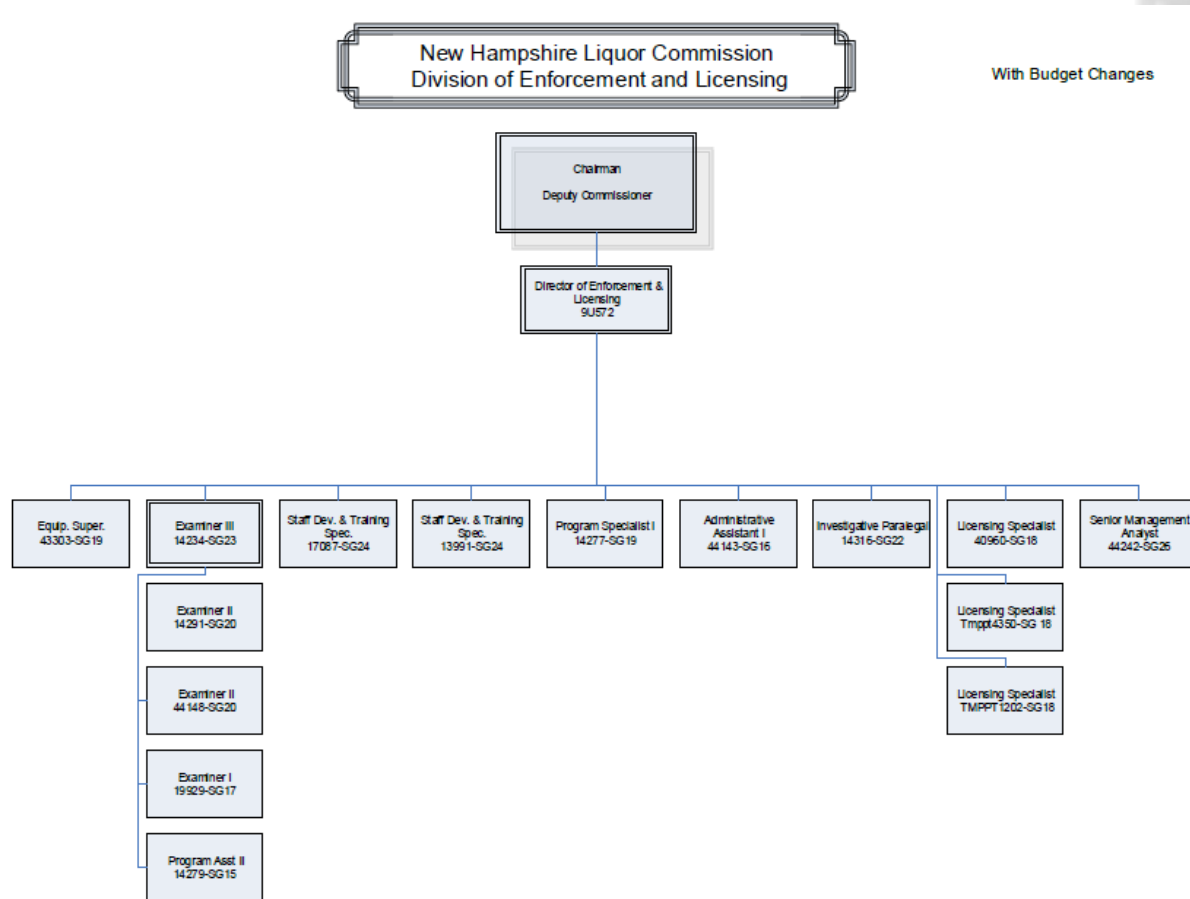
Current Organizational Chart





Division of Enforcement

House Proposed Organizational Chart





Division of Enforcement

Alternate Organizational Chart

