

**Program Budget Comparison**

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	31.75	31.75	31.75	31.75	31.75	31.75	0.00	0.00 %
Personal Services	1,917,061	1,962,006	2,252,410	2,196,183	3,879,067	4,448,593	569,526	14.68 %
Operating Expenses	423,346	532,114	425,039	420,426	955,460	845,465	(109,995)	(11.51)%
Equipment & Intangible Assets	190,214	30,554	190,214	190,214	220,768	380,428	159,660	72.32 %
Transfers	0	0	0	0	0	0	0	0.00 %
Debt Service	36,177	31,925	31,479	31,479	68,102	62,958	(5,144)	(7.55)%
<b>Total Costs</b>	<b>\$2,566,798</b>	<b>\$2,556,599</b>	<b>\$2,899,142</b>	<b>\$2,838,302</b>	<b>\$5,123,397</b>	<b>\$5,737,444</b>	<b>\$614,047</b>	<b>11.99 %</b>
Proprietary Funds	2,566,798	2,556,599	2,899,142	2,838,302	5,123,397	5,737,444	614,047	11.99 %
<b>Total Funds</b>	<b>\$2,566,798</b>	<b>\$2,556,599</b>	<b>\$2,899,142</b>	<b>\$2,838,302</b>	<b>\$5,123,397</b>	<b>\$5,737,444</b>	<b>\$614,047</b>	<b>11.99 %</b>

**Program Description**

The Liquor Control Division provides effective and efficient administration of the Montana alcoholic beverage code with an emphasis on customer service and public safety. This is accomplished by applying uniform and fair regulations while ensuring an orderly system for the convenient distribution and responsible consumption of alcoholic beverages. The division consists of the Liquor Distribution Bureau, which maintains a regulated channel of distribution to fulfill the public demand for distilled spirits and fortified wine through agency liquor stores; and the Liquor Licensing Bureau, which protects the welfare and safety of the public by regulating liquor licensing laws in a uniform and fair manner.

**Program Highlights**

<b>Liquor Control Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 Liquor Control Division budget would increase from the 2015 biennium budget primarily due to an increase in the following:                             <ul style="list-style-type: none"> <li>◦ Personal services would increase due primarily to statewide present law adjustments</li> <li>◦ Increases in equipment and intangible assets are due to the department transferring authority from the operating budget to the equipment budget in FY 2014 to purchase additional shelving, pallet jacks, and a forklift. Their current request is based on the FY 2014 base budget. They are requesting to decrease their operating costs budget in the next biennium while increasing their equipment budget as they anticipate future “operational needs”</li> </ul> </li> </ul>

**Program Discussion -**

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Revenue Liquor Control Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Difference Between Exec. and Leg.	Total Executive Implementation
Personal Services	\$1,962,006	\$0	\$1,962,006
Operating Expenses	532,114	0	532,114
Equipment and Intangible Assets	30,554	0	30,554
Debt Service	<u>31,925</u>	<u>0</u>	<u>31,925</u>
<b>Total Costs</b>	<b><u>\$2,556,599</u></b>	<b><u>\$0</u></b>	<b><u>\$2,556,599</u></b>

*Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations*

Actual FY 2014 expenditures of \$2,566,798 are \$10,199 above the FY 2015 Legislative appropriation of \$2,556,599.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Department of Revenue, 03-Liquor Control Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
06005 Liquor Division	5,737,444	0	0	5,737,444	100.00 %
<b>Proprietary Total</b>	<b>\$5,737,444</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,737,444</b>	<b>100.00 %</b>
<b>Total All Funds</b>	<b>\$5,737,444</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,737,444</b>	

The division is funded with a direct appropriation of Liquor Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund.

*Executive Request*

The budget proposal includes a language appropriation for up to \$283 million for liquor inventories, freight charges, and to transfer profits and taxes to appropriate accounts.

<b>LFD COMMENT</b>	The liquor division account, which provides funding for the Liquor Control Division and other related functions throughout the Department of Revenue (DOR), is a budgeted enterprise fund. The fund receives collections of the revenues from state liquor operations throughout the state and funds the purchases of liquor and operational costs of the division. Any remaining funds (profits) are transferred to the state general fund. Consequently, any changes in costs from the fund has an impact on the amount of profits transferred to the state general fund.
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**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	2,556,599	2,556,599	5,113,198	0.00 %	
PL Adjustments	0	0	0	0.00 %	342,543	281,703	624,246	0.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,899,142</b>	<b>\$2,838,302</b>	<b>\$5,737,444</b>		

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary	Total Funds
State Share Health Insurance	30.75	-	-	-	\$14,945	\$14,945
Executive Implementation of 2015 Pay Increase		-	-	-	34,172	34,172
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	36,159	36,159
Other	1.00	-	-	-	205,129	205,129
<b>Personal Services Present Law Adjustments</b>	<b>31.75</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$290,404</b>	<b>\$290,404</b>
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary	Total Funds
State Share Health Insurance	30.75	-	-	-	\$14,945	\$14,945
Executive Implementation of 2015 Pay Increase		-	-	-	34,172	34,172
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	36,159	36,159
Other	1.00	-	-	-	148,902	148,902
<b>Personal Services Present Law Adjustments</b>	<b>31.75</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$234,177</b>	<b>\$234,177</b>

The executive proposes to increase support to personal services adjustments by 14.8% in FY 2016 and 11.9% in FY 2017 in comparison to the FY 2015 legislative budget. As shown in the table, about 30% of the increases are due to health insurance increases, HB 13 pay increases, and the reinstatement of vacancy savings. The other line item is composed of costs associated with termination and overtime pay along with the addition of one compliance specialist. The remaining adjustments are primarily due to longevity and the reclassification of positions.

#### DP 99 - LEG. Present Law -

The LGPL adjustments are entirely due to anticipated future operational needs in equipment and intangible assets.

#### **Language and Statutory Authority -**

The Governor proposes the following language for inclusion in HB 2.

"Liquor Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in the amounts not to exceed \$138 million in fiscal year 2016 and \$145 million in fiscal year 2017."