Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.75	29.75	31.75	31.75	29.75	31.75	2.00	6.72%
Personal Services	1,667,801	1,805,120	1,841,730	1,842,737	3,472,921	3,684,467	211,546	6.09%
Operating Expenses	593,584	565,096	539,599	532,584	1,158,680	1,072,183	(86,497)	(7.47%)
Equipment & Intangible Assets	99,461	26,700	54,596	30,554	126,161	85,150	(41,011)	(32.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
Total Costs	**$2,360,846**	**$2,396,916**	**$2,467,850**	**$2,437,800**	**$4,757,762**	**$4,905,650**	**$147,888**	**3.11%**
Other	2,360,846	2,396,916	2,467,850	2,437,800	4,757,762	4,905,650	147,888	3.11%
Total Funds	**$2,360,846**	**$2,396,916**	**$2,467,850**	**$2,437,800**	**$4,757,762**	**$4,905,650**	**$147,888**	**3.11%**

Program Description

The Liquor Control Division provides 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

Liquor Control Division
Major Budget Highlights

- The budget recommendation for the Liquor Control Division would be an increase of 3.1% from the 2013 biennium budget, primarily due to:
  - A present law request for two FTE
  - Raises provided in the base year
- All spending from the Liquor Control proprietary fund is an indirect use of general fund

Major LFD Issues

- The Liquor Division budget proposes to use language appropriations for personal service expenses

Program Discussion

The 2015 Liquor Control Division budget would be an increase of $147,888 or 3.1% from the 2013 biennium budget primarily due to an increase in personal services, which includes:

- The provision of raises to 16 staff in FY 2012, or approximately half of the budgeted staff. The increases averaged 7.0% and annualized to about $49,000, not including the associated costs for taxes and insurance
- The executive proposal of an additional 2.00 FTE, which would cost $214,404 in the 2013 biennium
- An experienced vacancy rate based on position usage of 2.1% in FY 2012, compared to the budgeted 4% vacancy savings rate

The budget proposal includes two language appropriations that would cover the costs of temporary staff, overtime, and termination payouts totaling $190,000, which are typical personal service costs. The program also requests a language appropriation for up to $254.0 million for liquor inventories, freight charges, and to transfer profits and taxes to appropriate accounts

LFD COMMENT 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 have an indirect impact on the amount of profits transferred to the state general fund.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Revenue Funding by Source of Authority
2015 Biennium Budget - Liquor Control Division

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	$4,905,650	$0	$0	$4,905,650	100.0%		
06005 Liquor Division	$4,905,650	$0	$0	$4,905,650	100.0%		
Total All Funds	$4,905,650	$0	$0	$4,905,650	100.0%		
Percent - Total All Sources	**100.0%**	**0.0%**	**0.0%**				

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.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category

Budget Item	General Fund Budget Fiscal 2014	General Fund Budget Fiscal 2015	General Fund Biennium Fiscal 14-15	General Fund Percent of Budget	Total Funds Budget Fiscal 2014	Total Funds Budget Fiscal 2015	Total Funds Biennium Fiscal 14-15	Total Funds Percent of Budget
Base Budget	0	0	0	0.00%	2,360,846	2,360,846	4,721,692	96.25%
Statewide PL Adjustments	0	0	0	0.00%	65,219	65,427	130,646	2.66%
Other PL Adjustments	0	0	0	0.00%	41,315	11,057	52,372	1.07%
New Proposals	0	0	0	0.00%	470	470	940	0.02%
Total Budget	**$0**	**$0**	**$0**		**$2,467,850**	**$2,437,800**	**$4,905,650**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2014 FTE	Fiscal 2014 General Fund	Fiscal 2014 State Special	Fiscal 2014 Federal Special	Fiscal 2014 Total Funds	Fiscal 2015 FTE	Fiscal 2015 General Fund	Fiscal 2015 State Special	Fiscal 2015 Federal Special	Fiscal 2015 Total Funds
Personal Services					138,920					140,130
Vacancy Savings					(72,271)					(72,318)
Inflation/Deflation					902					1,799
Fixed Costs					(2,332)					(4,184)
Total Statewide Present Law Adjustments		**$0**	**$0**	**$0**	**$65,219***		**$0**	**$0**	**$0**	**$65,427***
DP 301 - Production Capacity Increase	2.00	0	0	0	143,080*	2.00	0	0	0	112,822*
DP 304 - Adjust for Operating Plan Change	0.00	0	0	0	(101,765)*	0.00	0	0	0	(101,765)*
Total Other Present Law Adjustments	**2.00**	**$0**	**$0**	**$0**	**$41,315***	**2.00**	**$0**	**$0**	**$0**	**$11,057***
Grand Total All Present Law Adjustments	**2.00**	**$0**	**$0**	**$0**	**$106,534***	**2.00**	**$0**	**$0**	**$0**	**$76,484***

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 301 - Production Capacity Increase - The executive requests an increase in proprietary revenue to meet the growing liquor case volume demand. This request would fund the personal service and operating costs of 2.00 permanent FTE. In the base year, FY 2012, temporary employees were used to meet the demand. This request for increased proprietary funding is an indirect cost to the state general fund.

DP 304 - Adjust for Operating Plan Change - The executive requests a reduction of base operating expenses for the 2015 biennium. In the base year, FY 2012, the division moved personal services budget authority into operating expense and equipment budget to pay for expenditures. To maintain the base budget at the appropriated level, this amount would be removed from the base budget.

New Proposals

New Proposals Program	Fiscal 2014 FTE	Fiscal 2014 General Fund	Fiscal 2014 State Special	Fiscal 2014 Federal Special	Fiscal 2014 Total Funds	Fiscal 2015 FTE	Fiscal 2015 General Fund	Fiscal 2015 State Special	Fiscal 2015 Federal Special	Fiscal 2015 Total Funds
DP 6101 - Professional Development Center Fee Allocation										
03	0.00	0	0	0	470*	0.00	0	0	0	470*
Total	**0.00**	**$0**	**$0**	**$0**	**$470***	**0.00**	**$0**	**$0**	**$0**	**$470***

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Language and Statutory Authority

The Governor proposes the following language for inclusion in HB 2

"Upon a termination that requires a payout of accrued leave balances, Liquor Control Division proprietary funds are appropriated from the enterprise fund (06005) to the department in the amount equal to the payout, not to exceed $60,000 for the 2015 biennium."

"The Department of Revenue, Liquor Control Division is appropriated $130,000 in proprietary funds for the 2015 biennium to meet the required statutory service levels for liquor."

"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 $124 million in fiscal year 2014 and $130 million in fiscal year 2015."

LFD ISSUE

Language Appropriations or Regular HB 2 Appropriations

Language appropriations, like those included in the DOR Liquor Division budget, allow revenues and/or necessary costs that cannot be predicted to be adequately addressed in appropriations. However, those costs do not appear in the base and are not included in the total budgetary costs calculated for HB 2. For the 2015 biennium, the executive budget has proposed three language appropriations to:

- Pay for termination payouts
- Pay overtime and hire temporary staff to meet demand
- Maintain inventories and transfer profits and taxes

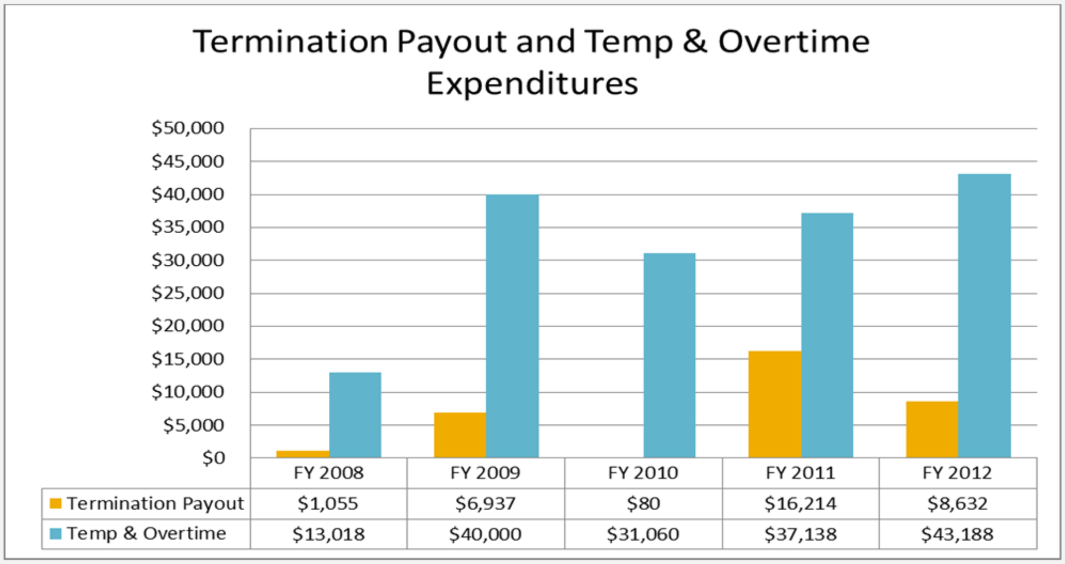
There is a distinction to be made between the three language appropriation requests. The requests for termination payouts and temporary and overtime staff are personal service costs faced by all agencies, as well as other divisions within the DOR. These costs are typical personal service costs. Not including these costs in HB 2 appropriations would understate the total costs of state government. The request associated with liquor inventories and transfers of profits and taxes are costs associated with the retail business functions. Including these costs in HB 2 appropriations would likewise skew the total costs of state government by overstating state government costs.

In the past, the DOR has made similar requests for language appropriations, but in the past two biennia the requested language for overtime and temporary staff and termination payouts has been rejected by the legislature and provided as explicit HB 2 restricted appropriations.

Furthermore, a review of historical spending patterns for these functions reveals that these costs have consistently occurred and have fallen within a narrow range of expenditure. As seen in the figure below, expenditures for termination payouts have occurred in each year since FY 2008 in varying amounts not exceeding $16,214.

LFD ISSUE CONT.

Expenditures for temporary staff and overtime have also occurred each year and since FY 2009 have been relatively consistent, averaging $37,847 between FY 2009 and FY 2012.



Because functions for which the requested termination payouts and temporary staff and overtime language appropriations are sought have historically shown predictable expenditure patterns, the legislature may want to appropriate funding for these purposes as regular HB 2 appropriations instead of as language appropriations. In appropriating the funding for these purposes, the legislature may want to consider past expenditure patterns and set the level of the appropriations at levels supported by such expenditures.