

Alcoholic Beverage Commission Summary of Recommendations - House

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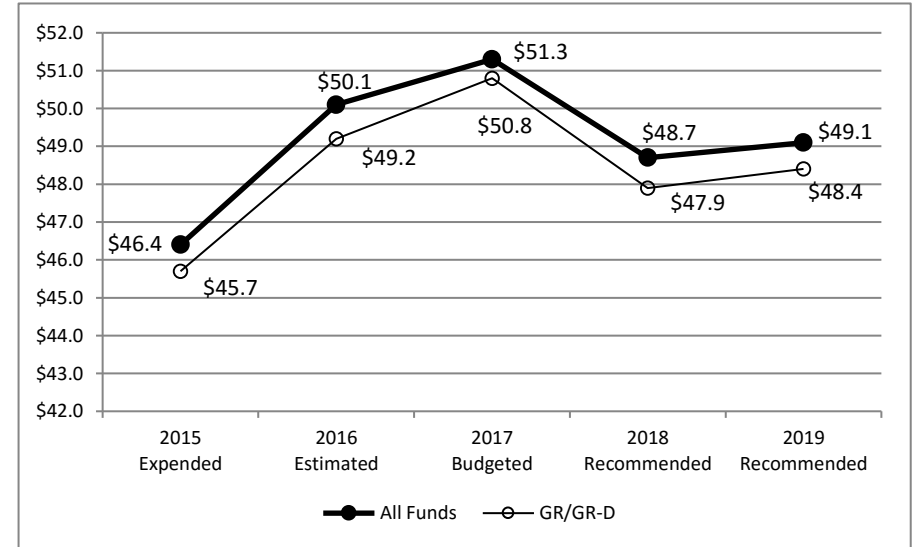
Sherry Cook, Executive Director

Fisher Reynolds, LBB Analyst

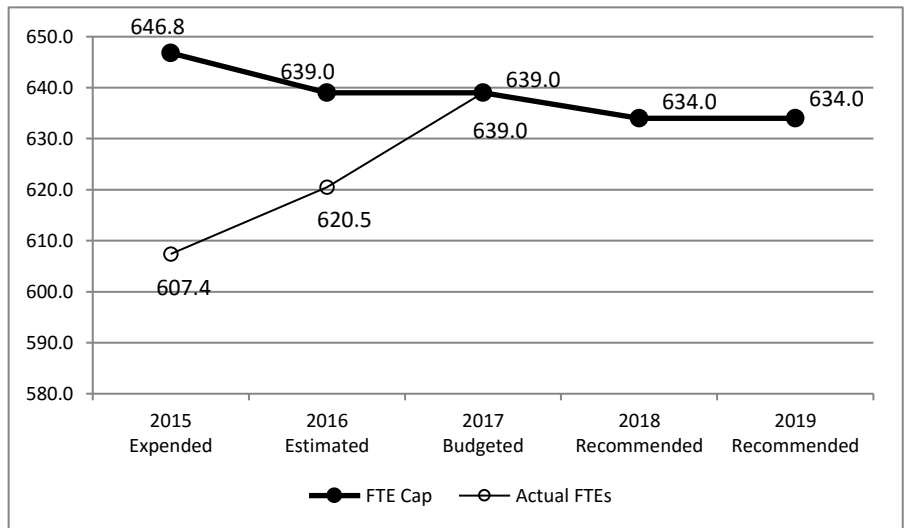
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$100,018,060	\$96,284,590	(\$3,733,470)	(3.7%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$100,018,060</i>	<i>\$96,284,590</i>	<i>(\$3,733,470)</i>	<i>(3.7%)</i>
Federal Funds	\$811,625	\$1,000,000	\$188,375	23.2%
Other	\$556,707	\$505,392	(\$51,315)	(9.2%)
All Funds	\$101,386,392	\$97,789,982	(\$3,596,410)	(3.5%)

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	639.0	634.0	(5.0)	(0.8%)

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Alcoholic Beverage Commission
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Recommendations include a reduction of \$3,960,832 in General Revenue Funds in the agency's enforcement, licensing, compliance, ports of entry, central administration, information resources, and other support service functions, pursuant to the 4 percent reduction.	(\$3,960,832)	\$0	\$0	\$0	(\$3,960,832)	A.1.1., B.1.1., C.1.1., C.2.1., D.1.1., D.1.2., D.1.3.
B)	CAPPS Reduction: TABC was appropriated \$238,244 for 1.0 FTE and implementation costs for CAPPS by the Eighty-fourth Legislature, 2015. Recommendations eliminate this one-time funding and the associated FTE in the 2018–19 biennium.	(\$238,244)	\$0	\$0	\$0	(\$238,244)	D.1.1.
C)	Data Center Services: Recommendations increase General Revenue by \$601,128 to reflect current data center services estimates for the 2018-19 biennium.	\$601,128	\$0	\$0	\$0	\$601,128	D.1.2.
D)	PC Replacement: Recommendations reduce funding for PC Replacement by \$156,200.	(\$156,200)	\$0	\$0	\$0	(\$156,200)	A.1.1., B.1.1., C.1.1., C.2.1., D.1.1., D.1.2., D.1.3.
E)	Recommendations increase salaries for certain Schedule C state employees by \$20,678.	\$20,678	\$0	\$0	\$0	\$20,678	A.1.1.
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
F)	Federal Funds: Recommendations anticipate a \$188,375 increase in Federal Funds for the National Priority Safety Programs for the 2018–19 biennium.	\$0	\$0	\$188,375	\$0	\$188,375	A.1.1.
G)	Appropriated Receipts: Recommendations anticipate a \$51,315 decrease in Appropriated Receipts for the 2018–19 biennium.	\$0	\$0	\$0	(\$51,315)	(\$51,315)	A.1.1., B.1.1., D.1.1.
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$3,733,470)	\$0	\$188,375	(\$51,315)	(\$3,596,410)	All Strategies
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$621,806	\$0	\$0	\$0	\$621,806	A.1.1., D.1.2.
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$4,355,276)	\$0	\$0	\$0	(\$4,355,276)	All Strategies

NOTE: Totals may not sum due to rounding.

**Alcoholic Beverage Commission
Selected Fiscal and Policy Issues - House**

1. **Agency Budget Reduction:** Recommendations reduce agency appropriations from 2016–17 levels by \$4.0 million in General Revenue Funds and 4.0 full time equivalent (FTE) positions, pursuant to the 4 percent reduction. Reductions were made across five strategies: enforcement, licensing, central administration, information resources, and other support services.
2. **Border Security Funding:** The Eighty-fourth Legislature, 2015, appropriated \$1.2 million in General Revenue Funds and 6.0 FTEs in fiscal years 2016–17 as part of the Border Security Initiative. This funding added FTEs within the agency's Enforcement Division to conduct special investigations at TABC licensed establishments in border counties. Recommendations retain this funding for the 2018–19 biennium, which will fully cover all costs for these FTEs.
3. **CAPPS:** TABC was appropriated \$0.2 million in General Revenue Funds for 1.0 FTE and implementation costs for CAPPS by the Eighty-fourth Legislature, 2015. Recommendations eliminate funds for this item in the 2018–19 biennium as it was a one-time expenditure.
4. **PC Replacement:** Recommendations reduce \$0.2 million in General Revenue Funds from the agency's personal computer replacement capital item. Funding for the 2018–19 biennium totals \$0.5 million. TABC uses a leasing function for desktops and tablets with the following replacement schedule: Desktops every four years and tablets every three years.
5. **Data Center Services:** Recommendations increase General Revenue Funds by \$0.6 million to maintain existing obligations only for fiscal years 2018–19.
6. **Schedule C Salaries:** Recommendations include an increase of \$0.02 million for Schedule C-03 salaries for employees with 20 years or more of service.
7. **2.5 Percent Salary Reduction:** Recommendations reduce \$0.2 million in General Revenue in 2018–19 as the result of updated Comptroller of Public Accounts estimates for the 2.5 percent salary increase provided by the Eighty-fourth Legislature, 2015. Appropriations in 2016–17 were reduced by an equal amount to reflect the Comptroller's most recent estimates.

**Alcoholic Beverage Commission
Rider Highlights - House**

Modification of Existing Riders

7. Appropriations Limited to Revenues Collections (ALRC) and Other Direct and Indirect Costs (ODIC): Recommendations amend existing ALRC and ODIC riders for all affected agencies to update text and to remove non-ALRC information.

New Riders

13. Judgments and Settlements: Recommendations include a new rider requiring payments including attorney's fees and court costs resulting from actions or claims challenging the Texas Alcoholic Beverage Code and defended by the Office of the Attorney General or outside counsel to be paid from funds appropriated for that purpose and not from other appropriations to the Texas Alcoholic Beverage Commission.

Deleted Riders

None.

**Alcoholic Beverage Commission
Items Not Included in Recommendations - House**

Section 5

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Public Safety Positions - 41.0 FTEs including 2.0 Captains, 6.0 Sergeants, and 33.0 Agents within the Enforcement Division to conduct inspections.	\$7,783,207	\$7,783,207	41.0	Yes	No	\$6,890,826
2)	Case Management to replace and consolidate existing systems.	\$2,274,364	\$2,274,364	0.0	Yes	Yes	\$768,036
3)	Central Administration - CAPPs reduction in the agency's Central Administration strategy.	\$238,244	\$238,244	1.0	Yes	No	\$238,244
4)	Licensing services- 5.0 FTEs to process renewal and original license applications.	\$446,258	\$446,258	5.0	Yes	No	\$436,238
5)	Centralized Accounting and Payroll/Personnel System (CAPPs) HR - Salaries and wages and other personnel costs for 1.0 FTE for CAPPs HR.	\$144,730	\$144,730	1.0	Yes	No	\$144,730
6)	Vehicles - Funding and capital authority to purchase 30 additional vehicles over the agency's 2018-19 recommended funding for vehicles.	\$840,000	\$840,000	0.0	No	No	\$840,000
7)	Cybersecurity - Increased costs for cybersecurity infrastructure.	\$489,000	\$489,000	0.0	Yes	Yes	\$100,000
8)	Executive Director Compensation - The Presiding Officer of TABC is requesting that TABC be added to the list of agencies in Article IX, Section 3.04, which provides authority to increase the Executive Director's salary within the Classification Group with approval from the Governor and the Legislative Budget Board. The Presiding Officer is also requesting an increase in authority only for the agency's Executive Director Exempt Position from \$153,503 to \$166,399 per fiscal year with no change in the Classification Group.	\$0	\$0	0.0	No	No	\$0

TOTAL Items Not Included in Recommendations	\$12,215,803	\$12,215,803	48.0				\$9,418,074
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**Alcoholic Beverage Commission
Appendices - House**

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* Appendix is not included - no significant information to report

Alcoholic Beverage Commission
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
ENFORCEMENT A.1.1	\$54,854,332	\$51,049,440	(\$3,804,892)	(6.9%)	
Total, Goal A, ENFORCEMENT	\$54,854,332	\$51,049,440	(\$3,804,892)	(6.9%)	Recommendations include a reduction of \$3.8 million in All Funds: <ul style="list-style-type: none">• A \$780,268 increase in General Revenue for personnel costs, salaries, and utility costs. This increase is offset by a reduction of \$4,556,725 in General Revenue as a result of the 4 percent reduction, legal costs, and capital projects.• A decrease of \$76,382 in General Revenue for PC replacement.• An increase of \$20,678 in General Revenue for Schedule C salaries.• An anticipated increase of \$188,375 in Federal Funds for the National Priority Safety Programs (CFDA 20.616.000).• A \$161,106 reduction for a one-time Unexpended Balance from the 2016-17 biennium.
LICENSING B.1.1	\$10,159,734	\$10,179,563	\$19,829	0.2%	
Total, Goal B, LICENSING	\$10,159,734	\$10,179,563	\$19,829	0.2%	Recommendations include the following changes: <ul style="list-style-type: none">• A reduction of \$317,815 in General Revenue as a result of the 4 percent General Revenue reduction and legal costs.• An increase of \$193,112 in General Revenue to pay for fuel costs, building rent increases, and salaries.• A decrease of \$19,884 in General Revenue for PC replacement.• An anticipated increase of \$164,416 in Appropriated Receipts (Other Funds).
COMPLIANCE MONITORING C.1.1	\$13,174,717	\$13,337,527	\$162,810	1.2%	Recommendations include the following changes: <ul style="list-style-type: none">• A decrease of \$347,730 in General Revenue as a result of the 4 percent reduction which is offset by a \$532,704 increase to pay for fuel costs, building rent increases, and salaries.• A decrease of \$22,164 in General Revenue for PC replacement.

Alcoholic Beverage Commission
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
PORTS OF ENTRY C.2.1	\$10,892,242	\$11,145,935	\$253,693	2.3%	Recommendations include the following changes: <ul style="list-style-type: none">• A decrease of \$228,303 in General Revenue as a result of the 4 percent reduction which is offset by a \$505,786 increase in General Revenue for fuel, utility, machine rent, building rent, personnel, operating costs, and salaries.• A decrease of \$23,790 in General Revenue for PC replacement.
Total, Goal C, COMPLIANCE AND TAX COLLECTION	\$24,066,959	\$24,483,462	\$416,503	1.7%	
CENTRAL ADMINISTRATION D.1.1	\$5,866,825	\$5,333,812	(\$533,013)	(9.1%)	Recommendations include the following changes: <ul style="list-style-type: none">• A \$296,318 decrease in General Revenue as a result of the 4 percent reduction which is offset by an increase of \$63,046 for personnel, rent, and fuel costs, and salaries.• A \$238,244 decrease in General Revenue and 1.0 FTE for CAPPS as a one-time appropriation by the Eighty-fourth Legislature, 2015.• A decrease of \$6,872 in General Revenue for PC replacement.• A \$54,625 reduction for a one-time Unexpended Balance from the 2016-17 biennium.
INFORMATION RESOURCES D.1.2	\$5,354,395	\$5,723,997	\$369,602	6.9%	Recommendations include the following changes: <ul style="list-style-type: none">• A \$301,157 decrease in General Revenue as a result of the 4 percent reduction offset by a \$73,989 increase in General Revenue for rent increases, personnel costs, and salaries.• A \$601,128 increase in General Revenue to fund current data center service estimates.• A decrease of \$4,358 in General Revenue for PC replacement.
OTHER SUPPORT SERVICES D.1.3	\$1,084,147	\$1,019,708	(\$64,439)	(5.9%)	Recommendations include the following changes:

Alcoholic Beverage Commission					
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
					<ul style="list-style-type: none">• A decrease of \$79,582 in General Revenue as a result of the 4 percent reduction as well as the loss of 1.0 FTE that was transferred to Central Administration. This reduction is offset by an increase of \$17,893 for fuel, utility, rent, and other operating increases.• A decrease of \$2,750 in General Revenue for PC replacement.
Total, Goal D, INDIRECT ADMINISTRATION	\$12,305,367	\$12,077,517	(\$227,850)	(1.9%)	
Grand Total, All Strategies	\$101,386,392	\$97,789,982	(\$3,596,410)	(3.5%)	

**Alcoholic Beverage Commission
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	646.8	639.0	639.0	634.0	634.0
Actual/Budgeted	607.4	620.5	639.0	N/A	N/A

Schedule of Exempt Positions (Cap)

Executive Director, Group 5	\$135,000	\$153,503	\$153,503	\$153,503	\$153,503
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Notes:

a) State Auditor's Office is the source for the FY 2015 and FY 2016 annual average (actual) FTE levels.

b) The State Auditor released a report (Report No. 16-706 August, 2016) which indicates a market average salary of \$178,711 for the Administrator position at the Texas Alcoholic Beverage Commission. The agency requested to increase the Executive Director's salary to \$166,399 for the 2018-19 biennium. Recommendations maintain the Executive Director's salary at the 2016-17 level.

**Alcoholic Beverage Commission
Performance Measure Highlights - House**

Appendix D

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
• <i>Number of Inspections Conducted by Enforcement Agents</i>	81,149	77,465	81,144	79,162	79,162
<i>Measure Explanation: Measures the number of inspections conducted on businesses that serve alcohol each fiscal year.</i>					
• <i>Number of Multi-Agency/Joint Operations for Organized Criminal Activity on the Border or along the Gulf Intercoastal Waterway</i>	535	466	360	342	342
<i>Measure Explanation: The number of joint operations that target organized criminal activities or trafficking conducted within a specified time period in TABC's Border Region and involving TABC and at least one other agency.</i>					
• <i>Average Cost per Enforcement Inspection</i>	\$ 300.43	\$ 330.81	\$ 328.12	\$ 314.93	\$ 319.67
<i>Measure Explanation: The average cost for Enforcement Agents to conduct an inspection at a licensed establishment.</i>					
• <i>Number of Licenses/Permits Issued</i>	61,665	82,386	61,080	75,175	62,400
<i>Measure Explanation: Measures the number of licenses or permits issued to businesses that sell or distribute alcoholic beverages.</i>					
• <i>Number of Audits Conducted</i>	1,466	1,699	1,585	1,541	1,541
<i>Measure Explanation: The number of audits and other analyses conducted by Field Auditors each fiscal year.</i>					

Alcoholic Beverage Commission
Summary of Ten Percent Biennial Base Reduction Options Recommendations - House

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs			
1)	5% Reduction of Staff and Office Closures	The commission would enact a 5 percent reduction in its appropriation totaling \$2.4 million in general revenue across four strategies for each of the fiscal years 2018 and 2019. This reduction would eliminate 43 FTE positions including commissioned peace officers, field auditors, application processing staff, legal and support, and ports of entry staff. Also, expected at this level of funding are 10 office closings.	\$4,752,999	\$4,752,999	43.0	\$0	N/A	No
2)	5% Reduction of Staff and Office Closures	TABC would enact a second 5 percent reduction in its appropriation totaling \$2.4 million in general revenue across four strategies for each of the fiscal years 2018 and 2019. This reduction would eliminate 47 additional FTE positions including commissioned peace officers, field auditors, application processing staff, ports of entry staff, training, education and prevention, legal staff and the office of the professional responsibility.	\$4,752,998	\$4,752,998	47.0	\$0	N/A	No
TOTAL, 10% Reduction Options			\$9,505,997	\$9,505,997	90.0	\$0		