

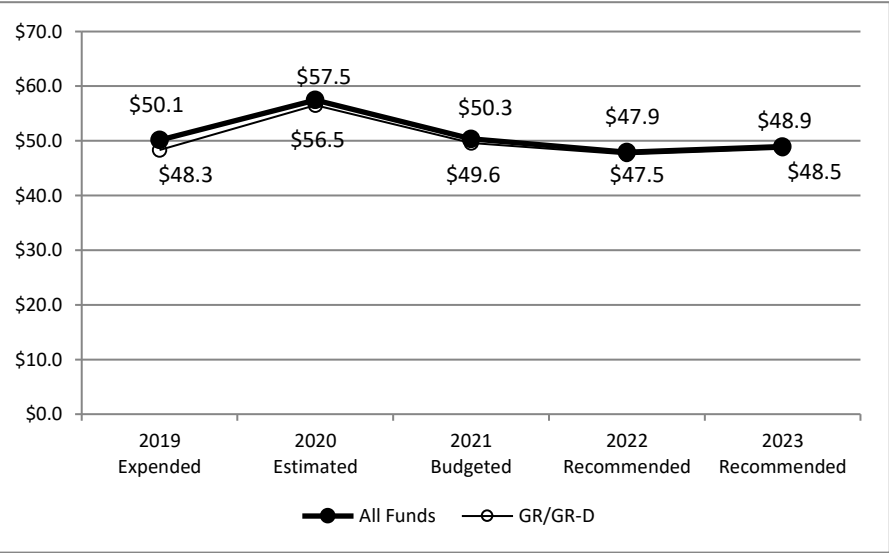
Alcoholic Beverage Commission **Summary of Budget Recommendations - House**

Page V-1
 Bentley Nettles, Executive Director
 Daniel Knapp, LBB Analyst

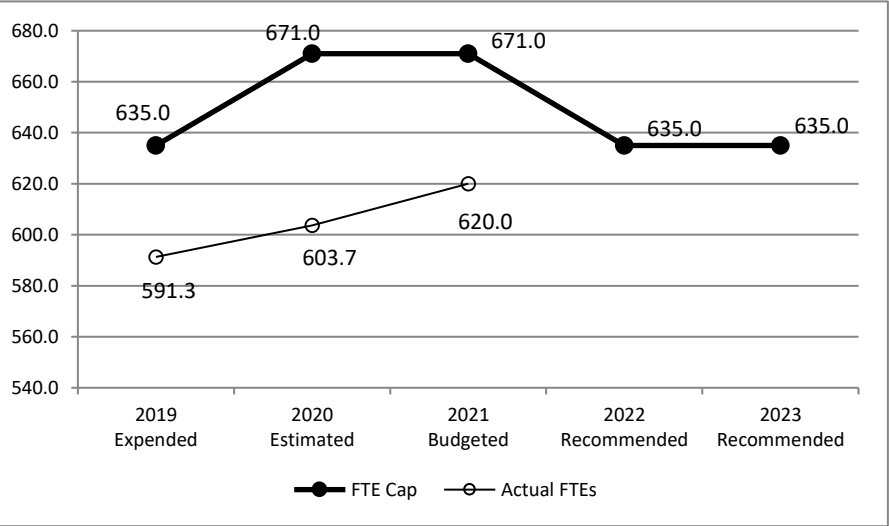
Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$106,135,167	\$96,059,596	(\$10,075,571)	(9.5%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$106,135,167</i>	<i>\$96,059,596</i>	<i>(\$10,075,571)</i>	<i>(9.5%)</i>
Federal Funds	\$1,230,861	\$600,000	(\$630,861)	(51.3%)
Other	\$442,635	\$200,000	(\$242,635)	(54.8%)
All Funds	\$107,808,663	\$96,859,596	(\$10,949,067)	(10.2%)

	FY 2021 Budgeted	FY 2023 Recommended	Biennial Change	Percent Change
FTEs	620.0	635.0	15.0	2.4%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2022-23 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2022-23 biennium.

Alcoholic Beverage Commission
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 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)	Remove onetime funding from agency base.	(\$10.1)	\$0.0	\$0.0	\$0.0	(\$10.1)	All strategies except 2.1.1 and 4.1.2
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
B)	Reduce federal funds estimate due to an expected decrease in grants as a result of the COVID-19 pandemic.	\$0.0	\$0.0	(\$0.6)	\$0.0	(\$0.6)	1.1.1
C)	Estimate Appropriated Receipts funding consistent with previous recommended amounts.	\$0.0	\$0.0	\$0.0	(\$0.2)	(\$0.2)	1.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$10.1)	\$0.0	(\$0.6)	(\$0.2)	(\$10.9)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

Alcoholic Beverage Commission
Selected Fiscal and Policy Issues

1. **Onetime General Revenue Funding:** Recommendations reduce the agency’s General Revenue funding level by \$10.1 million, which was included in the agency’s 2022-23 General Revenue limit and base request and was used to offset the five percent budget reduction of \$5.6 million. Project-specific reductions correspond with the agency’s reallocation and are shown in figure 1. Funding for CAPPS Support, Public Safety and Technology Replacement, and Licensing and Tax Technology Replacement are being requested by the agency as exceptional items for the 2022-23 biennium, totaling \$8.2 million (see items 4, 5, and 7 in Section 5).

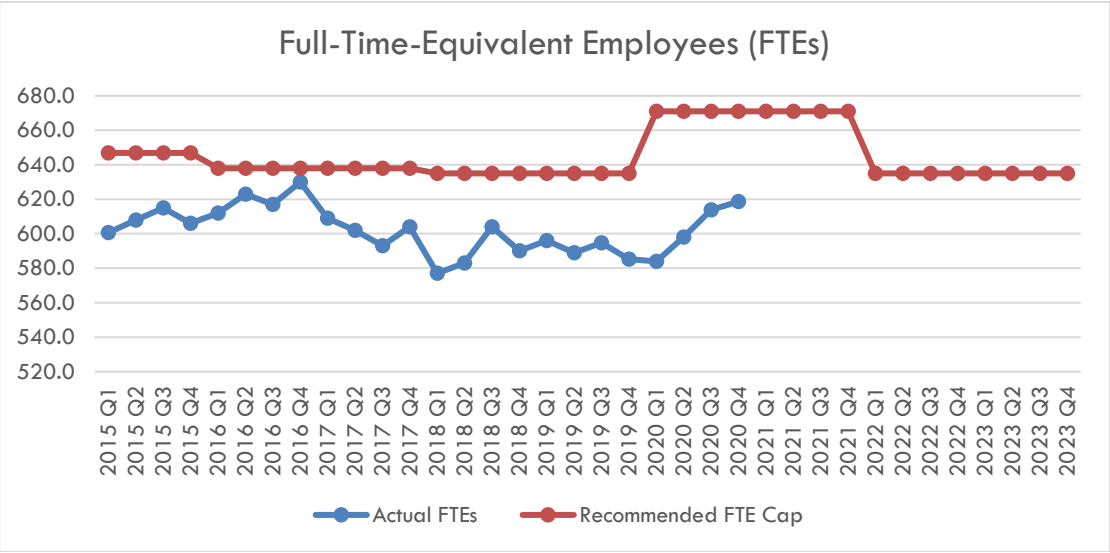
Figure 1

Project	Amount	Appropriated in 2020-21	Reallocated and Reduced in 22-23 Base Request
Licensing and Tax Technology Replacement	\$7.4 million	D.1.2 Information Resources, primarily Capital Expenditures	A.1.1 Enforcement, Salaries and Wages and Travel C.1.1 Compliance Monitoring, Salaries and Wages C.2.1 Ports of Entry, Salaries and Wages D.1.1 Central Administration, Salaries and Wages D.1.3 Other Support Services, Salaries and Wages
Public Safety Technology Replacement	\$2.2 million	D.1.2 Information Resources, primarily Capital Expenditures	A.1.1 Enforcement, Salaries and Wages
COVID Spending	\$0.3 million	A.1.1 Enforcement, primarily Other Operating Expenses	A.1.1 Enforcement, primarily Other Operating Expenses
CAPPS	\$0.2 million	D.1.1 Central Administration, primarily Salaries and Wages	D.1.1 Central Administration, primarily Salaries and Wages

The majority of the funding removed was from Salaries and Wages (\$9.4 million) which will align salary spending more closely with historical spending on this item. \$2.9 million of the salary funding reallocated from the onetime funding was to be used to restore FTEs and hourly workers that were cut as part of the five percent budget reduction.

2. **Full Time Equivalent Employee Cap:** Recommendations reduce the agency’s full time equivalent (FTE) employee cap by 36.0 from the 2020-21 limit and by 28.0 from the agency’s base request for 2022-23, returning it to the 2018-19 cap. According to SAO historical reports the Alcoholic Beverage Commission has consistently had significant FTE lapses (shown in figure 2) and has not exceeded 635.0 filled positions since 2010. The reduction takes into account the fluctuation of staffing levels during the fiscal year due to turnover and the timing of the annual Certified Peace Officer Training academy. The vacant positions are removed from the enforcement strategy and the criminal investigations program.

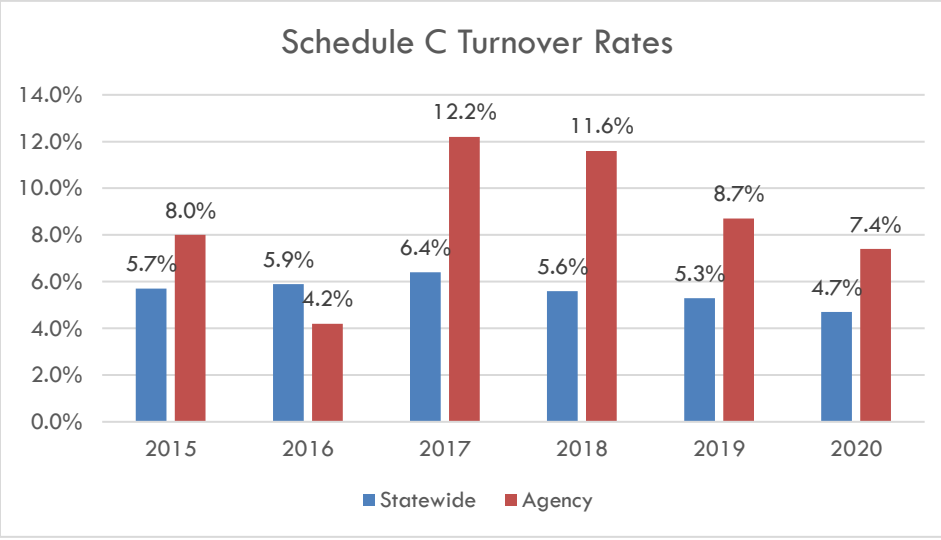
The agency’s first exceptional item requests the FTE cap be restored to 663.0. This is an increase of 28.0 FTEs as well as \$6.7 million in related funding for the 2022-23 biennium.



3. **Employee Retention:** In the current biennium, FTE lapses did not result in corresponding lapses in General Revenue as those funds were used to provide merit-based salary increases or were used to meet the mandated five percent reduction. The agency indicates that the merit-based salary increases are an attempt to address high levels of employee turnover by providing more competitive salaries, as the agency’s exit surveys found that the top reason for employee separation was related to pay and benefits. In fiscal year 2020, the Alcoholic Beverage Commission had a turnover rate of 9.1 percent compared to the statewide employee turnover rate of 19.9 percent and Article V turnover rate of 23.1 percent (includes interagency transfers).

The agency has had consistently higher than statewide average turnover for Schedule C employees (figure 3). The agency attributes this to lower pay for Schedule C employees at the Alcoholic Beverage Commission than employees with similar investigative duties at other agencies. Schedule C employees at TABC earn less on average than their counterparts at other agencies; SAO data indicates that over the last five years Schedule C employees at TABC earn \$2,227 less per year than the statewide Schedule C average. Data also indicate that TABC has employees with less state experience. Recommendations do not include the agency’s fifth exceptional item for \$4.0 million in salary increases for Schedule C employees.

In report 21-704, SAO recommended the creation of the Senior Agent position for the Alcoholic Beverage Commission. This new position resulted in a decrease of funds requested by the agency for schedule C reallocation.



4. **Human Trafficking Prevention Funding.** The Eighty-sixth Legislature appropriated \$6.1 million in General Revenue and 29.0 FTEs in fiscal years 2020-21 for human trafficking prevention. Of the 29.0 FTE human trafficking investigation enforcement agents, 23.0 are part of the agency's Special Investigations Unit (SIU). These enforcement agents investigate and conduct undercover operations at TABC-licensed locations that are suspected of committing human trafficking related offenses. TABC is requesting \$5.3 million in General Revenue and 26.0 additional FTEs as an exceptional item to increase their efforts to prevent human trafficking. Recommendations in 2022-23 include \$5.1 million in the Human Trafficking - Investigations program, and do not include the agency's exceptional item request.

**Alcoholic Beverage Commission
Rider Highlights - House**

Modification of Existing Riders

6. **Purchase of Evidence Authorized.** Recommendations revise maximum amount allowed in the cash fund for the purchase of evidence and/or information and surveillance expenses from \$50,000 to \$150,000.
11. **Clothing Provisions.** Recommendations revise text to allow commissioned peace officers at all ranks to receive a \$500 cleaning allowance.

Deleted Riders

15. **Human Trafficking Enforcement.** Remove human trafficking allocation rider from the 2020-21 biennium.
16. **Sunset Contingency.** Remove sunset rider from the 2020-21 biennium as the agency is not undergoing sunset review again.

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

Section 5

		2022-23 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2024-25
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items Not Included (in agency priority order)							
1)	Restore FTEs: 28.0 FTEs and resources allocated to the enforcement strategy to return agency FTE cap to initial request.	\$6,764,904	\$6,764,904	28.0	Yes	No	\$5,675,536
2)	Human Trafficking Investigations: 26.0 FTEs and resources to detect and deter human trafficking in licensed establishments. See Item 4 in Section 3.	\$5,286,516	\$5,286,516	26.0	Yes	No	\$4,300,518
3)	Public Safety Technology: 3.0 FTEs to maintain and develop Alcohol Industry Management System (AIMS) to allow for the system to include compliance audits, self inspections, and violation identification.	\$3,675,382	\$3,675,382	3.0	Yes	Yes	\$1,900,000
4)	Licensing & Tax Collection Technology: 5.0 FTEs to maintain and develop the Alcohol Industry Management System.	\$4,347,730	\$4,347,730	5.0	Yes	Yes	\$2,600,000
5)	Schedule C Reallocation: Salary funding to increase employee retention. See Item 3 in Section 3.	\$4,046,306	\$4,046,306	0.0	No	No	\$4,046,306
6)	Cybersecurity Program: Professional fees and services to secure confidential data and to cover the cost of cyber security software updates.	\$777,320	\$777,320	0.0	Yes	Yes	\$777,320
7)	CAPPS Support: 1.0 FTE to support agency CAPPS reporting requirement.	\$186,438	\$186,438	1.0	Yes	No	\$186,438
8)	Unexpended Balances Within the Biennium: Creation of a rider that would allow the agency to transfer funds between fiscal years within the biennium.	\$0	\$0	0.0	No	No	\$0
9)	Capital Budget Expenditures from Federal Awards: Exemption for grants and federal funds from the capital budget rider limitation in Article IX.	\$0	\$0	0.0	No	No	\$0
10)	Hardship Station Rider: Addition of a rider that would allow the executive director to use existing funds to a create financial incentive to fill excessive vacancies in hard to hire areas.	\$0	\$0	0.0	No	No	\$0
11)	Out-of-State Travel Ban: Remove rider 13 which bans out of state travel.	\$0	\$0	0.0	No	No	\$0
12)	Exempt Salary: Include TABC in Article IX 3.04 to allow the governing board to set the salary of the TABC Executive Director within Group 6.	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$25,084,596	\$25,084,596	63.0	\$19,486,118		

**Alcoholic Beverage Commission
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	9
B	Summary of Federal Funds	*
C	FTE Highlights	11

* Appendix is not included - no significant information to report

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

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments
ENFORCEMENT A.1.1	\$53,156,737	\$52,128,380	(\$1,028,357)	(1.9%)	Recommendations reflect a \$1.1 million increase in General Revenue funded Salaries and Wages and various rental costs offset by a \$1.4 million reduction in General Revenue funded Personnel Costs, Professional Fees, Other Operating Expenses, and Capital Expenditures.
					Recommendations reflect a \$0.6 million decrease in estimated Federally funded Personnel Costs, Professional Fees, Other Operating Expenses, and Capital Expenditures.
					Recommendations reflect \$0.2 million decrease in Appropriated Receipts funded Personnel Costs, Professional Fees, Other Operating Expenses, and Capital Expenditures.
Total, Goal A, ENFORCEMENT	\$53,156,737	\$52,128,380	(\$1,028,357)	(1.9%)	
LICENSING B.1.1	\$10,182,036	\$10,111,395	(\$70,641)	(0.7%)	Recommendations reflect a \$0.2 million decrease in General Revenue funded personnel costs, professional fees, and travel, offset by a \$0.1 million increase in building and machine rent and the addition of 1.0 FTE.
Total, Goal B, LICENSING	\$10,182,036	\$10,111,395	(\$70,641)	(0.7%)	
COMPLIANCE MONITORING C.1.1	\$13,570,313	\$13,076,001	(\$494,312)	(3.6%)	Recommendations reflect a \$0.6 million decrease in General Revenue funded Personnel Costs, Professional Fees, Supplies, Travel, and Other Operating Expenses offset by a \$0.1 million increase in General Revenue funded Rent-related Expenses.
PORTS OF ENTRY C.2.1	\$9,864,688	\$9,791,847	(\$72,841)	(0.7%)	Recommendations reflect a \$0.1 million decrease in General Revenue funded Personnel Costs, Supplies, Travel, Capital Expenditures and Other Operating Expenses
Total, Goal C, COMPLIANCE AND TAX COLLECTION	\$23,435,001	\$22,867,848	(\$567,153)	(2.4%)	
CENTRAL ADMINISTRATION D.1.1	\$5,145,615	\$5,011,159	(\$134,456)	(2.6%)	Recommendations reflect a \$0.2 million reduction in General Revenue funding for salaries and wages, and other personnel costs offset by a \$0.1 million increase in consumable supplies, utilities, travel, and rent-related expenses.

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

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments
INFORMATION RESOURCES D.1.2	\$15,024,859	\$5,860,452	(\$9,164,407)	(61.0%)	Recommendations reflect a \$9.2 million reduction in General Revenue funding for capital projects (Licensing and Tax Technology project, and Public Safety Technology project) and 7.0 associated FTEs.
OTHER SUPPORT SERVICES D.1.3	\$864,415	\$880,362	\$15,947	1.8%	
Total, Goal D, INDIRECT ADMINISTRATION	\$21,034,889	\$11,751,973	(\$9,282,916)	(44.1%)	
Grand Total, All Strategies	\$107,808,663	\$96,859,596	(\$10,949,067)	(10.2%)	

**Alcoholic Beverage Commission
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2019	Estimated 2020	Budgeted 2021	Recommended 2022	Recommended 2023
Cap	635.0	671.0	671.0	635.0	635.0
Actual/Budgeted	591.3	603.7	620.0	NA	NA

Schedule of Exempt Positions (Cap)

Executive Director, Group 6	\$153,503	\$200,000	\$200,000	\$200,000	\$200,000
-----------------------------	-----------	-----------	-----------	-----------	-----------

Notes:

- a) State Auditor's Office is the source for the FY 2019 and FY 2020 annual average (actual) FTE levels. The agency's FTE cap was reduced by 36 from the 2020-21 limit due to consistently lapsing vacant positions.
- b) The Executive Director exempt position was moved from group 5 to group 6 in the Eighty Sixth session.
- c) The State Auditor's Office report entitled Executive Compensation at State Agencies (Report No. 20-706, August 2020) indicates a market average salary of \$187,394 for the administrator position at the Texas Alcoholic Beverage Commission. TABC Commissioners are requesting inclusion in Article IX Section 3.04 so that the governing board can set the salary of the TABC Executive Director within Group 6, between \$140,900 and \$227,038 annually.