

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

Page V-1

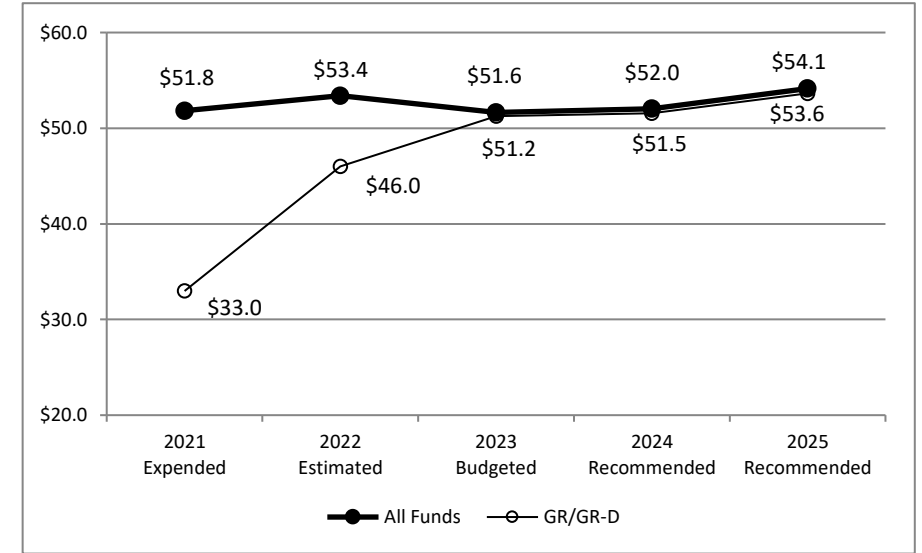
Thomas Graham, Executive Director

Darren Albrecht, LBB Analyst

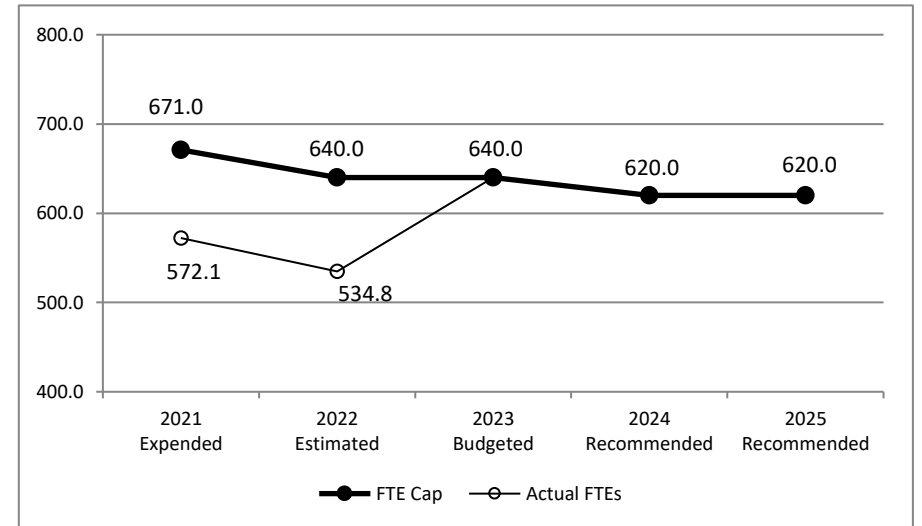
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$97,258,003	\$105,183,814	\$7,925,811	8.1%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$97,258,003</i>	<i>\$105,183,814</i>	<i>\$7,925,811</i>	<i>8.1%</i>
Federal Funds	\$7,576,915	\$800,000	(\$6,776,915)	(89.4%)
Other	\$200,000	\$200,000	\$0	0.0%
All Funds	\$105,034,918	\$106,183,814	\$1,148,896	1.1%

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	640.0	620.0	(20.0)	(3.1%)

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

**Alcoholic Beverage Commission
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 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) Decrease in General Revenue Funds related to one-time funding appropriated for Phase II of the agency's Alcohol Industry Management System (see Item 1, Selected Fiscal and Policy Issues).	(\$3.5)	\$0.0	\$0.0	\$0.0	(\$3.5)	D.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) General Revenue and Coronavirus Relief Funds method of finance swap.	\$6.4	\$0.0	(\$6.4)	\$0.0	\$0.0	A.1.1
C) Increase in General Revenue Funds for staff salary adjustments.	\$6.4	\$0.0	\$0.0	\$0.0	\$6.4	D.1.1, E.1.1
D) Decrease in General Revenue Funds for vehicles not included.	(\$1.4)	\$0.0	\$0.0	\$0.0	(\$1.4)	A.1.1
E) Decrease in Federal Funds from various federal programs reflecting the agency's anticipated grant award projections.	\$0.0	\$0.0	(\$0.4)	\$0.0	(\$0.4)	A.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	\$7.9	\$0.0	(\$6.8)	\$0.0	\$1.1	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$12.8	\$0.0	\$0.0	\$0.0	\$12.8	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	(\$4.9)	\$0.0	(\$6.8)	\$0.0	(\$11.7)	As Listed

NOTE: Totals may not sum due to rounding.

Alcoholic Beverage Commission Selected Fiscal and Policy Issues - House

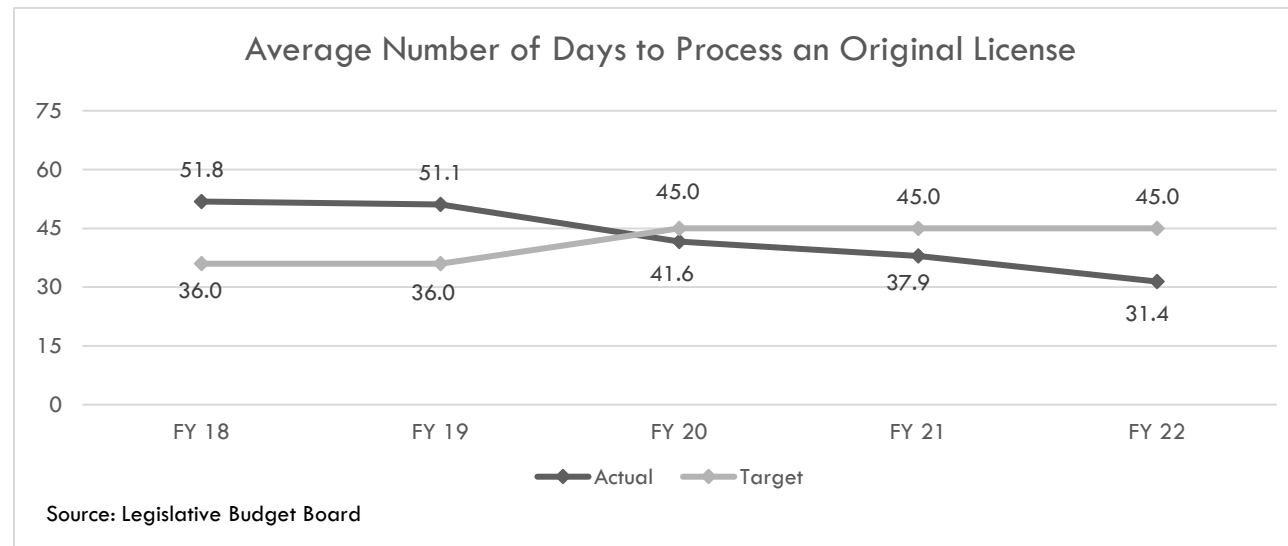
- Alcohol Industry Management Information Technology System (AIMS).** House Bill 1545, Eighty-sixth Legislature, Regular Session, 2019, restructured the alcoholic beverage licensing and permit matrix to reduce the number of licenses and permits from 75 to 36. As a result, the Eighty-sixth Legislature appropriated \$7.4 million in General Revenue and 5.0 FTEs to the agency in the 2020-21 biennium for Phase I of a three-phase project to replace various outdated licensing technology systems with a centralized, cloud-based system to facilitate and streamline the required statutory changes.

The agency contracted with a third-party vendor to develop Phase I of what is now referred to as the Alcohol Industry Management System or AIMS. According to the agency, Phase I was completed and implemented in fiscal year 2021 allowing public users to apply, renew, and pay for licenses online, submit excise tax reports, and register products digitally.

House Bill 2, Eighty-seventh Legislature, Regular Session, 2021, appropriated an additional \$4.3 million in General Revenue and 5.0 FTEs for Phase II to expand the system’s functionality to allow businesses to digitally file required annual self-inspection reports, process and pay taxes and fees from a mobile device, and pay for multiple applications at once using a single payment method. According to the agency, components of Phase II will be completed and launched by the end of fiscal year 2023.

When implemented, the project will replace 18 outdated and independent technology systems. From fiscal years 2018 to 2022, the average time to process a new license application has decreased from 51.8 days to 31.4 days, or 39.4 percent.

The Legislature removed \$7.4 million and \$3.5 million and 5.0 FTEs as one-time costs from the agency’s base budget in the Eighty-sixth and Eighty-seventh Legislative sessions, respectively. Recommendations in 2024-25 include \$0.7 million and 5.0 FTEs for ongoing maintenance and support costs.



Recommendations do not include two related Exceptional Item requests:

- \$10.0 million in General Revenue for Phase III to complete the development of the system. The final phase would include an automated reconciliation process for monthly tax reporting and create an external facing integration with industry and local governments (see Item 3, Agency Exceptional Items Not Included), and

- \$2.4 million in General Revenue for ongoing costs for user subscriptions, maintenance, and system support (see Item 4, Agency Exceptional Items Not Included).

**Alcoholic Beverage Commission
Rider Highlights - House**

Deleted Riders

16. **Appropriation for Law Enforcement Officer Salary Increase.** Recommendations remove salary increase informational rider from the 2022-23 biennium.
17. **Additional Reductions to Appropriations.** Recommendations remove informational budget reduction rider from the 2022-23 biennium.

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

	2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Commissioned Peace Officer Restoration: General Revenue Funds to fill 30.0 existing Commissioned Peace Officer vacant positions in the Enforcement Division.	\$6,234,076	\$6,234,076	0.0	No	No	\$5,029,926
2)	Recruit and Retain a Qualified Workforce: General Revenue Funds for salary increases for certain Licensing, Audit, and Border Importation Operations staff positions.	\$3,994,320	\$3,994,320	0.0	No	No	\$3,994,320
3)	Information Technology Initiative: General Revenue Funds for Phase III of the development and implementation of the agency's Alcohol Industry Management System (AIMS) to complete migration from legacy systems, build an automated reconciliation process for monthly tax reporting, and create external facing integrations with industry and local governments.	\$9,975,000	\$9,975,000	0.0	Yes	Yes	\$304,000
4)	AIMS Licensing and Support: General Revenue Funds for ongoing costs for AIMS user subscriptions, system maintenance, and support costs.	\$2,400,000	\$2,400,000	0.0	Yes	Yes	\$2,400,000
5)	Cybersecurity: General Revenue Funds to enhance cybersecurity to protect sensitive and confidential data collected and stored by the agency.	\$600,520	\$600,520	0.0	Yes	Yes	\$600,520
6)	Delete Rider: Request to delete Rider 13, Limit on Travel and Activities, which restricts the agency from expending funds for travel outside of the state, unless for documented law enforcement activities or investigations, and from accepting any form of payment from trade, professional, or industry organizations.	\$0	\$0	0.0	No	No	\$0
7)	New Rider: Request to add a rider granting the agency unexpended balance appropriation authority within the biennium over unexpended General Revenue Funds appropriated to the agency.	\$0	\$0	0.0	No	No	\$0

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

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
8)	New Rider: Request to add a rider exempting the agency from Article IX capital budget rider limitations when gifts, grants, inter-local funds, and federal funds are received in excess of the amount identified in the agency's capital budget rider.	\$0	\$0	0.0	No	No	\$0
9)	Exempt Position: Request to move the Executive Director exempt position authority from Group 6 to Group 7, or between \$162,000 and \$261,068 annually (see Appendix C, FTE Highlights).	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$23,203,916	\$23,203,916	0.0			\$12,328,766

**Alcoholic Beverage Commission
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	8
B	Summary of Federal Funds	*
C	FTE Highlights	10

* Appendix is not included - no significant information to report.

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
ENFORCEMENT A.1.1	\$57,821,618	\$54,499,582	(\$3,322,036)	(5.7%)	Recommendations include an All Funds decrease reflecting the following: a) a decrease in General Revenue Funds of \$1.4 million for vehicles not included; b) a decrease in General Revenue Funds of \$0.9 million transferred to Strategy C.2.1 to reimburse for eligible salaries paid with Coronavirus Relief Funds in Strategy A.1.1; c) a decrease in General Revenue Funds of \$0.6 million transferred to Strategy B.1.1 to fund vacant positions; and d) a decrease in Federal Funds of \$0.4 million from the Human Trafficking Grant from the U.S. Department of Justice. Recommendations also include an increase in General Revenue Funds of \$6.4 million offset by a corresponding decrease of \$6.4 million in Coronavirus Relief Funds.
Total, Goal A, ENFORCEMENT	\$57,821,618	\$54,499,582	(\$3,322,036)	(5.7%)	
LICENSING B.1.1	\$9,287,384	\$10,097,930	\$810,546	8.7%	Recommendations include a General Revenue Funds increase of \$0.6 million from Strategy A.1.1 to fund vacant positions and \$0.2 million from Strategy C.1.1 to transfer 3.0 FTE positions.
Total, Goal B, LICENSING	\$9,287,384	\$10,097,930	\$810,546	8.7%	
COMPLIANCE MONITORING C.1.1	\$13,251,279	\$13,018,316	(\$232,963)	(1.8%)	Recommendations include a General Revenue Funds decrease of \$0.2 million to transfer 3.0 FTE positions to Strategy B.1.1.
PORTS OF ENTRY C.2.1	\$8,984,804	\$9,924,066	\$939,262	10.5%	Recommendations include a General Revenue Funds increase of \$0.9 million transferred from Strategy A.1.1 to reimburse for eligible salaries paid with Coronavirus Relief Funds in Strategy A.1.1.
Total, Goal C, COMPLIANCE AND TAX COLLECTION	\$22,236,083	\$22,942,382	\$706,299	3.2%	
CENTRAL ADMINISTRATION D.1.1	\$4,816,285	\$5,571,549	\$755,264	15.7%	Recommendations include a General Revenue Funds increase of \$0.7 million and 1.0 FTE position transferred from Strategy D.1.2 to cover allocated expenditures and to provide the Executive Director Exempt Position an additional \$3,743 each fiscal year.

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
INFORMATION RESOURCES D.1.2	\$10,001,974	\$5,855,203	(\$4,146,771)	(41.5%)	Recommendations include a General Revenue Funds decrease of \$3.4 million in onetime costs appropriated in House Bill 2, Eighty-seventh Legislature, Regular Session, 2021, for Phase II of the Alcohol Industry Management System (AIMS) and \$0.7 million transferred to Strategy D.1.1 to cover allocated expenditures.
OTHER SUPPORT SERVICES D.1.3	\$871,574	\$863,958	(\$7,616)	(0.9%)	Recommendations include a General Revenue Funds decrease of \$7,616 to reflect a reduction in anticipated lease expenditures.
Total, Goal D, INDIRECT ADMINISTRATION	\$15,689,833	\$12,290,710	(\$3,399,123)	(21.7%)	
SALARY ADJUSTMENTS E.1.1	\$0	\$6,353,210	\$6,353,210	100.0%	Recommendations include a General Revenue Funds increase of \$6.4 million to provide salary adjustments for agency staff.
Total, Goal E, SALARY ADJUSTMENTS	\$0	\$6,353,210	\$6,353,210	100.0%	
Grand Total, All Strategies	\$105,034,918	\$106,183,814	\$1,148,896	1.1%	

**Alcoholic Beverage Commission
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	671.0	640.0	640.0	620.0	620.0
Actual/Budgeted	572.1	534.8	640.0	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 6	\$200,000	\$200,000	\$200,000	\$203,743	\$203,743

Notes:

a) State Auditor's Office is the source for the fiscal year 2021 and 2022 annual average (actual) FTE level.

b) Recommendations increase the Executive Director exempt position salary from \$200,000 to \$203,743 per fiscal year to match the market average for the administrator position at the Texas Alcoholic Beverage Commission (TABC) recommended in the State Auditor's Office Executive Compensation at State Agencies Report (No. 22-706 August 2022). TABC Commissioners are requesting the Executive Director exempt position authority be moved from Group 6 to Group 7, or between \$162,000 and \$261,068 annually (see Item 9, Agency Exceptional Items Not Included).