



New Hampshire Liquor Commission

FY2022/2023 Budget

**House Finance Committee
Division I**

March 10, 2021



Introduction

The Liquor Commission is self funded.

The budget is in a separate liquor fund outside of the general fund.

No General Funds are used to maintain operations.

The Commission operates 69 retail outlets (9 state-owned and 60 leased), they generated over \$617 million in net retail sales in FY20. Product is shipped out of two warehouses; one is state-owned and the other is contracted with DHL.

Liquor revenue is transferred to the general fund after deducting administration costs and transfers to the Alcohol Abuse, Prevention and Treatment Fund and the Granite Advantage Health Care Trust Fund.

Beer tax & permits revenue is transferred in a separate line item to the General Fund

The Budget presented is the level of funding necessary to support our revenue estimates and our mission to optimize revenues for the State of New Hampshire.



Revenue Trends & Transfer Language



	FY 2020	FY 2021	FY21 vs FY20		FY 2022	FY22 vs FY21		FY 2023	FY23 vs FY22	
1 Net Revenue	141,806,289	146,995,432	5,189,142	3.7%	148,679,315	1,683,884	1.1%	149,310,688	631,373	0.4%
2 5% of prior year gross profit transfer to the Alcohol abuse prevention & treatment fund	(10,037,800)	(10,024,299)	(13,501)	-0.1%	(10,352,507)	328,208	3.3%	(10,922,899)	570,392	5.5%
3 General Fund Transfer	131,768,489	136,971,132	5,202,643	3.9%	138,326,808	1,355,676	1.0%	138,387,789	60,981	0.0%
4 Revenue Plan - Governor Recommended	132,800,000	133,800,000			136,680,000			136,250,000		
5 Original Plan vs. Current Estimates	(1,031,511)	3,171,132			1,646,808			2,137,789		
6 Additional transfer to Granite Advantage		(8,500,000)	(8,500,000)							
7 Liquor Transfer to General Fund	131,768,489	128,471,132	(3,297,357)	-2.5%	138,326,808	7,834,781	6.0%	138,387,789	60,981	0.0%
8 Beer Tax	13,175,694	13,100,000	(75,694)	-0.6%	13,100,000	100,000	0.8%	13,100,000	-	0.0%
9 Total Transfer to General Fund	144,944,183	141,571,132	(3,373,051)	-2.3%	151,426,808	7,934,781	5.5%	151,487,789	60,981	0.0%
Expense to Net Sales Ratio	10%	10%			10%			10%		

Transfer language:

Section 176:16 Funds.

III. Five percent of the previous fiscal year gross profits derived by the commission from the sale of liquor shall be deposited into the alcohol abuse prevention and treatment fund established by RSA 176-A:1. For the purpose of this section, gross profit shall be defined as total operating revenue minus the cost of sales and services as presented in the state of New Hampshire comprehensive annual financial report, statement of revenues, expenses, and changes in net position for proprietary funds.

RSA 126-AA:3. The Commissioner of the Department of Health and Human Services, is responsible for determining quarterly whether there is sufficient non-federal funding in the Fund to cover projected program costs for the following 6-month period. If at any time the Commissioner determines that a projected shortfall exists, then the sum necessary to cover such shortfall shall be transferred to the fund from the Liquor Commission Fund established in RSA 176:16.



Major Budget Categories

1. Salary & Benefits decrease in FY22 is a result of position changes and FY23 increases are to fund the 27th pay period.
2. Current Expense includes \$2.8M for our advertising contract and other items such as office and cleaning supplies, paper bags and receipt rolls for our outlet locations.
3. Rents & Leases is the funding needed for current rent obligations and expanding square footage for new outlet locations. FY21 budget is underfunded because of outlet changes after the budget which creates a large increase in FY22. FY23 is level funded.
4. Utilities decrease in FY22 and are flat funded in FY23 as a result of more energy efficient outlets.
5. Contracts for operations includes contract such as Electrical, HVAC, security systems, plumbing, signs, floor cleanings, automatic door, forklift repairs, smart safes and armored car service. FY22 funding is based on current contracts and projected needs. FY23 increase is a result of the \$1M maintenance and support contract for the D365 software platform to support the point-of-sale and back office financial system.
6. DoIT is the funding needed to maintain current POS and back office systems, and additional funds necessary for licenses, cloud services and other annual software requirements to support the new D365 software platform.
7. Equipment includes items such as shelving, checkouts and security cameras for new & updated outlets and rotation plan for replacing existing equipment such as vehicles, floor cleaners and forklifts.
8. In-state travel funding level is to support outlet moves and staffing changes.
9. Other Expenses primary change is from Debt Services which is based on the current bond schedule and estimates for new debt;

Note: Indirect cost previously budgeted in AU1023 is allocated to multiple AU's in FY22 & FY23
FY21: From: 1023=\$1.8M; To: FY22/23: 1010=\$527k, 7878=\$32k 1023=\$24k, 1030=\$1.3M



FY2022 – 2023 Budget Request



	FY 2020 Expenses	FY 2021 Adj Auth.	FY21 vs FY20		FY 2022 Budget	FY22 vs FY21		FY 2023 Budget	FY23 vs FY22	
			\$	%		\$	%		\$	%
1 Salary & Benefit Expenses:										
Personnel Services - Full time	18,316,387	19,920,227	1,603,840	8.8%	19,423,790	(496,437)	-2.5%	20,503,924	1,080,134	5.6%
Benefits	10,008,482	11,266,813	1,258,331	12.6%	11,769,556	502,743	4.5%	12,381,311	611,755	5.2%
Other Personnel - Part time	10,609,357	11,513,957	904,600	8.5%	11,298,900	(215,057)	-1.9%	11,576,000	277,100	2.5%
Retiree Pension Benefit Health Ins.	1,561,469	1,921,500	360,031	23.1%	1,399,900	(521,600)	-27.1%	1,572,000	172,100	12.3%
	<u>40,495,695</u>	<u>44,622,497</u>	<u>4,126,802</u>	<u>10.2%</u>	<u>43,892,146</u>	<u>(730,351)</u>	<u>-1.6%</u>	<u>46,033,235</u>	<u>2,141,089</u>	<u>4.9%</u>
% of Total Budget	57.2%	57.4%			55.7%			56.0%		
Current Expenses:										
2 Current Expenses	3,702,085	4,023,108	321,023	8.7%	4,038,373	15,265	0.4%	4,118,623	80,250	2.0%
3 Rents & Leases	9,021,809	8,765,250	(256,559)	-2.8%	10,003,959	1,238,709	14.1%	10,079,768	75,809	0.8%
4 Utilities - Heat, Elec, Water & Telec	2,205,623	2,634,000	428,377	19.4%	2,316,450	(317,550)	-12.1%	2,326,400	9,950	0.4%
5 Contracts for Operational Services	4,930,753	3,479,500	(1,451,253)	-29.4%	4,376,500	897,000	25.8%	5,537,680	1,161,180	26.5%
	<u>19,860,270</u>	<u>18,901,858</u>	<u>(958,412)</u>		<u>20,735,282</u>	<u>1,833,424</u>	<u>9.7%</u>	<u>22,062,471</u>	<u>1,327,189</u>	
% of Total Budget	28.1%	24.3%			26.3%			26.8%		
6 DoIT - Information Technology										
	2,441,815	4,241,180	1,799,365	73.7%	4,945,827	704,647	16.6%	4,874,469	(71,358)	-1.4%
% of Total Budget	3.4%	5.5%			6.3%			5.9%		
7 Equipment:										
	545,272	1,018,506	473,234	86.8%	684,600	(333,906)	-32.8%	761,200	76,600	11.2%
% of Total Budget	0.8%	1.3%			0.9%			0.9%		
8 Travel Expenses:										
In-State Travel	231,175	124,152	(107,023)	-46.3%	253,241	129,089	104.0%	260,741	7,500	3.0%
Out-of-State Travel	6,334	20,925	14,591	230.4%	7,460	(13,465)	-64.3%	7,660	200	2.7%
	<u>237,509</u>	<u>145,077</u>	<u>(92,432)</u>	<u>-38.9%</u>	<u>260,701</u>	<u>115,624</u>	<u>79.7%</u>	<u>268,401</u>	<u>7,700</u>	<u>3.0%</u>
% of Total Budget	0.3%	0.2%			0.3%			0.3%		
9 Other Expenses										
Audit Funds	129,365	132,000	2,635	2.0%	131,000	(1,000)	-0.8%	131,000	-	0.0%
Debt Services	4,283,675	5,400,000	1,116,325	26.1%	4,866,667	(533,333)	-9.9%	4,764,567	(102,100)	-2.1%
Indirect Costs to Admin Svcs	1,705,605	1,819,149	113,544	6.7%	1,870,828	51,679	2.8%	1,870,828	-	0.0%
EAP & Catastrophic Casualty Ins.	35,964	107,125	71,161	197.9%	93,149	(13,976)	-13.0%	101,836	8,687	9.3%
Organizational Dues	2,915	3,120	205	7.0%	4,500	1,380	44.2%	4,500	-	0.0%
Workers & Unempl Comp.	765,864	690,000	(75,864)	-9.9%	640,000	(50,000)	-7.2%	651,250	11,250	1.8%
	<u>6,923,388</u>	<u>8,151,394</u>	<u>1,228,006</u>	<u>17.7%</u>	<u>7,606,144</u>	<u>(545,250)</u>	<u>-6.7%</u>	<u>7,523,981</u>	<u>(82,163)</u>	<u>-1.1%</u>
% of Total Budget	9.8%	10.5%			9.7%			9.2%		
LIQUOR TOTAL:	<u>70,503,949</u>	<u>77,080,512</u>	<u>6,576,563</u>	<u>9.3%</u>	<u>78,124,700</u>	<u>1,044,188</u>	<u>1.4%</u>	<u>81,523,757</u>	<u>3,399,057</u>	<u>4.4%</u>
Grants & Other Funds	<u>281,962</u>	<u>614,552</u>	<u>332,590</u>	<u>118.0%</u>	<u>630,189</u>	<u>15,637</u>	<u>2.5%</u>	<u>649,564</u>	<u>19,375</u>	<u>3.1%</u>
TOTAL:	<u>70,785,911</u>	<u>77,695,064</u>	<u>6,909,153</u>	<u>9.8%</u>	<u>78,754,889</u>	<u>1,059,825</u>	<u>1.4%</u>	<u>82,173,321</u>	<u>3,418,432</u>	<u>4.3%</u>

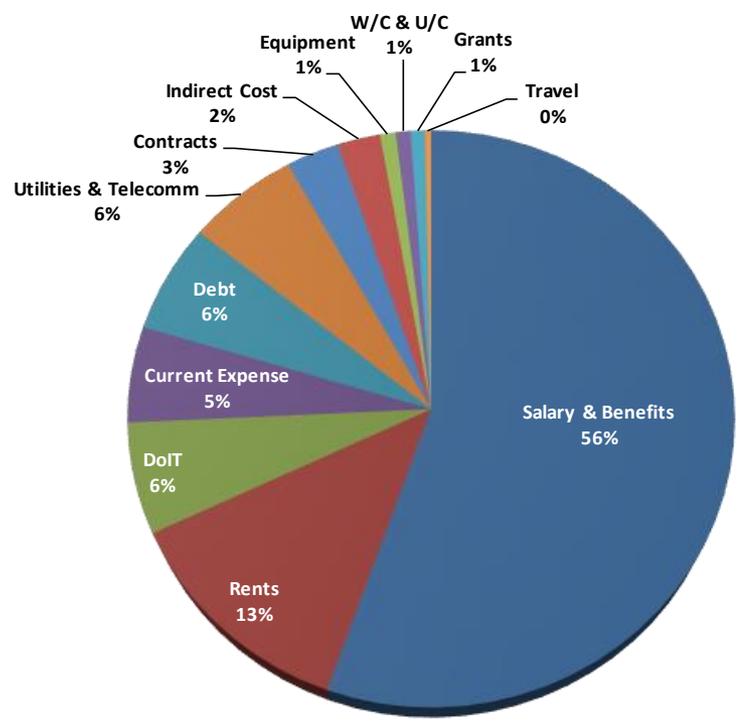


FY2022 Budget Breakdown

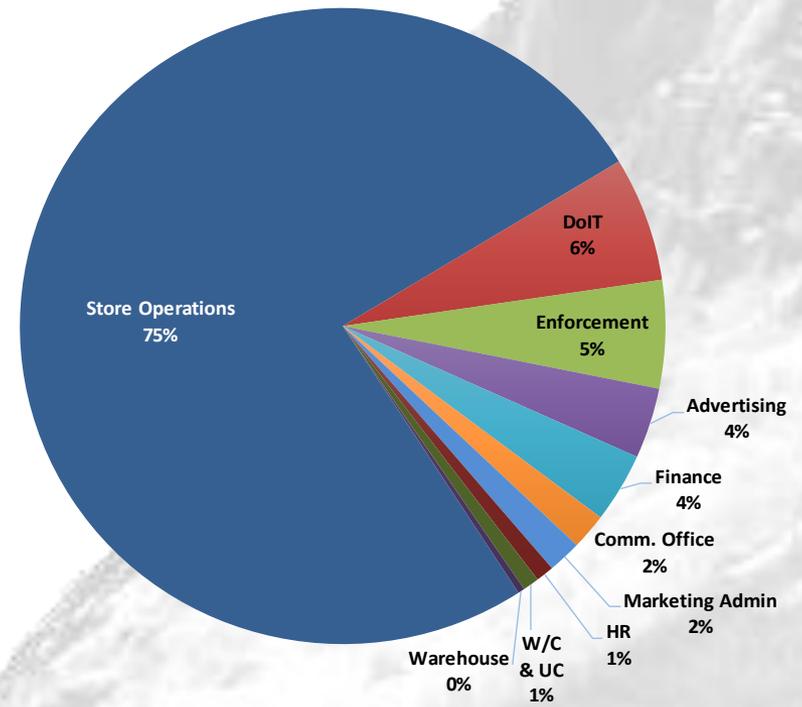
FY22 requested budget is \$1.1M or 1.4% more than FY21 adjusted authorized budget

A number of class categories decreased such as salary & benefits, utilities, equipment and debt, and a number of class categories increased such as rents, contracts and DoIT. This is a result of FY21 adjusted authorized budget versus actual expense changes with FY22 based on current trends and needs.

By Class



By Accounting Unit





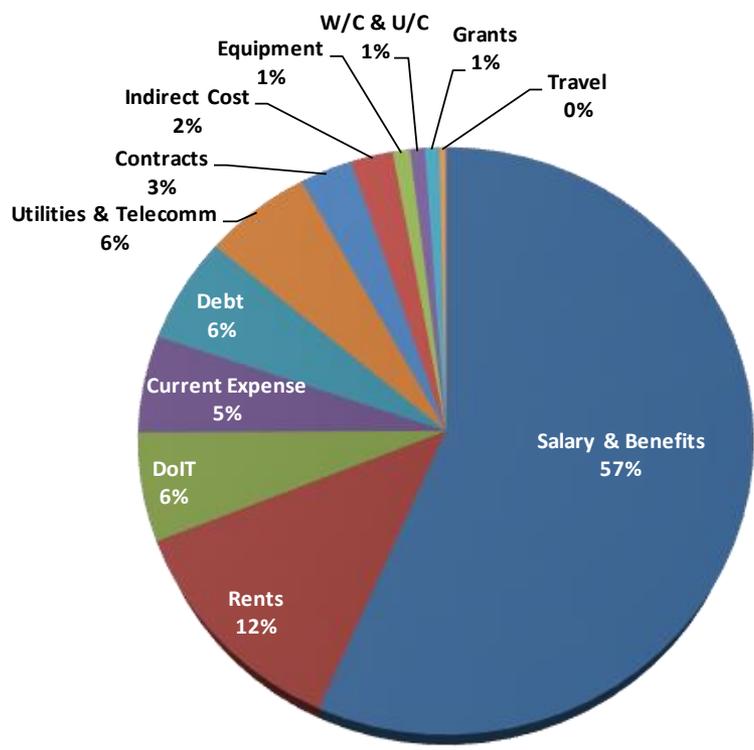
FY2023 Budget Breakdown

FY23 requested budget is \$3.4M or a 4.3% increase over FY22

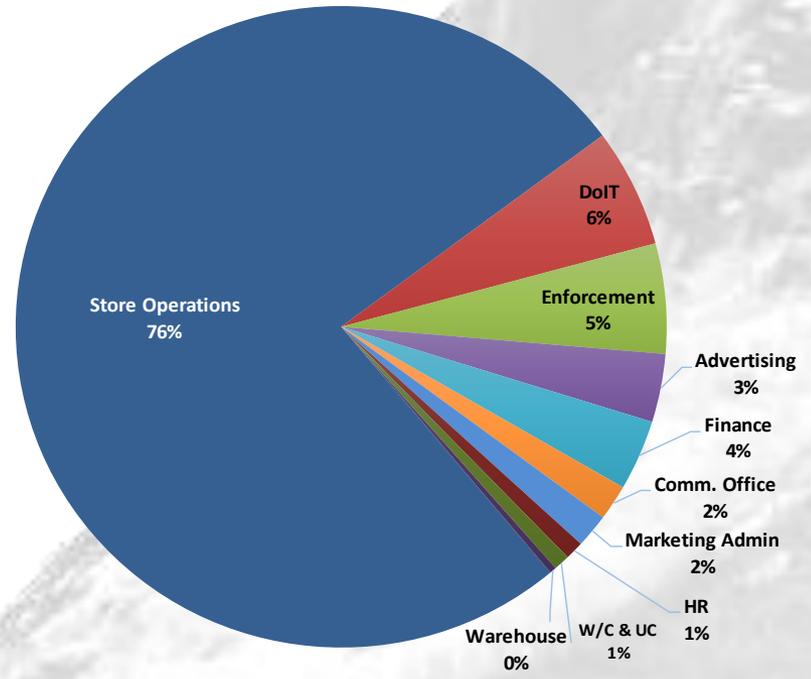
The two main reasons for the budget increase is \$2.1M in Salary & Benefits for the 27th pay period and an increase of \$1.0M in Contracts for operations for the D365 software platform, maintenance and support contract after the warranty period.

In Appendix – Technical Corrections, we are requesting a technical correction to move the funds for the D365 software platform, maintenance and support contract, from class 103 Contracts for Operations to class 038 Software – Technology.

By Class



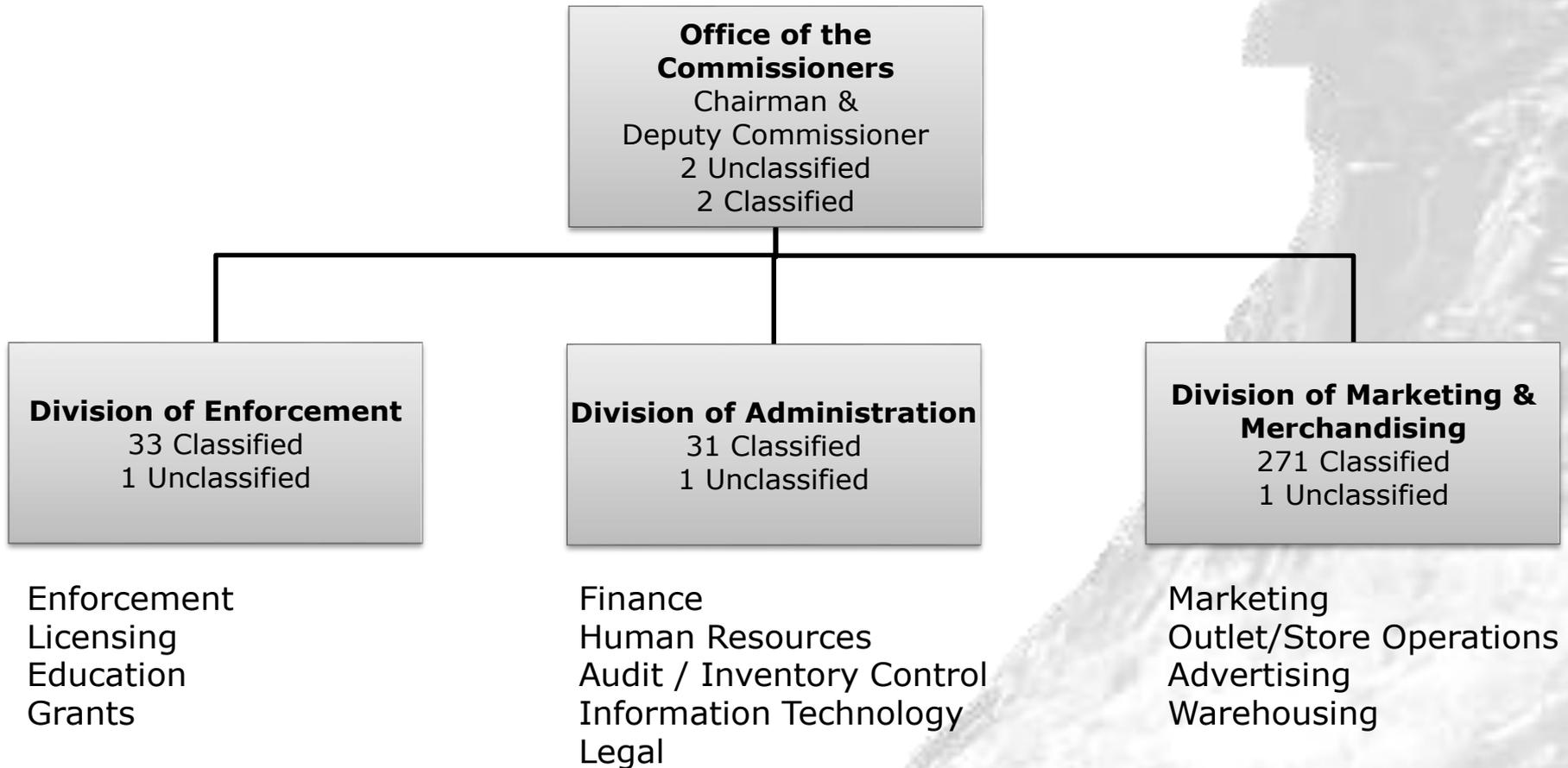
By Accounting Unit





Organizational Structure

The Commission is made up of 3 Division that report to the Chairman and Deputy Commissioner





Office of the Commissioners



FY2022 & 2023 Budget

Office of the Commissioners
(770512 – HB1 Page 340)

FY22 Budget increase 62% or \$545k (\$527k indirect costs)
FY23 Budget increase 2% or \$31k (27th pay period)

Summary of Changes:

Salaries:

FY22 \$12k decrease from positions change
FY23 \$20k increase for increments and 27th pay period

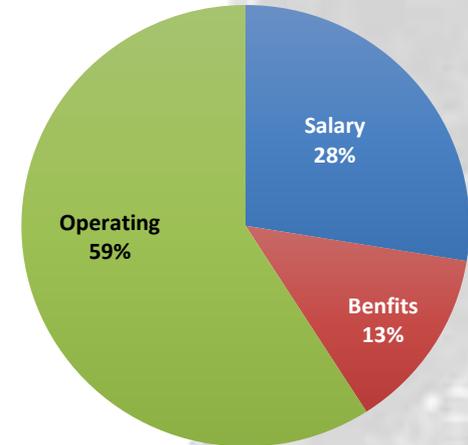
Benefits:

\$32k increase in FY22
\$10k increase in FY23

Operating:

\$526k increase in FY22 (\$527K allocation of indirect costs)
\$1k increase in FY23

Budget Breakdown from
Liquor Funds



Authorized Full-Time Positions:

2 Unclassified
2 Classified



Division of Enforcement



FY2022 & 2023 Budget

Enforcement, Licensing, & Education
(770512 – HB1 Page 341-348)

FY22 Budget increase 1% or \$36k (\$32k indirect cost)
FY23 Budget increase 5% or \$232k (27th pay period)

Summary of Changes:

Salaries:

FY22 \$82k decrease from positions changes
FY23 \$135k increase for increments and 27th pay period

Benefits:

\$118k increase in FY22
\$81k increase in FY23

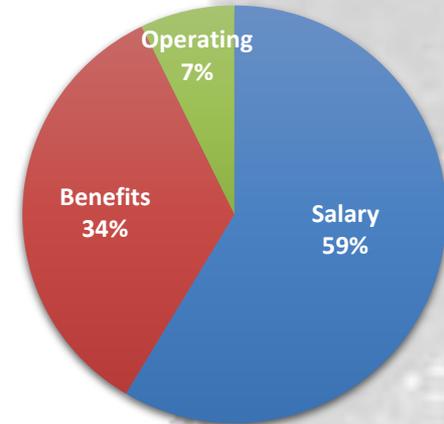
Operating:

Level funded in FY22 (\$32k allocation of indirect costs)
\$16k increase in FY23

Grants:

\$630k in FY22
\$650k in FY23

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

- 1 Unclassified
- 21 Sworn
- 12 Civilian

Provide for over 5,700 Licensees
and
Collecting over \$18M in revenue
in FY20



Division of Administration



FY2022 & 2023 Budget Financial Management Div. (771012 – HB1 page 348-351)

FY22 Budget decrease 11% or \$1.0M (-\$1.8M indirect cost)
FY23 Budget increase 1.4% or \$114k (27th pay period)

Summary of Changes:

Salaries:

FY22 \$50k increase from positions changes
FY23 \$121k increase for increments and 27th pay period

Benefits:

\$9k decrease in FY22
\$57k increase in FY23

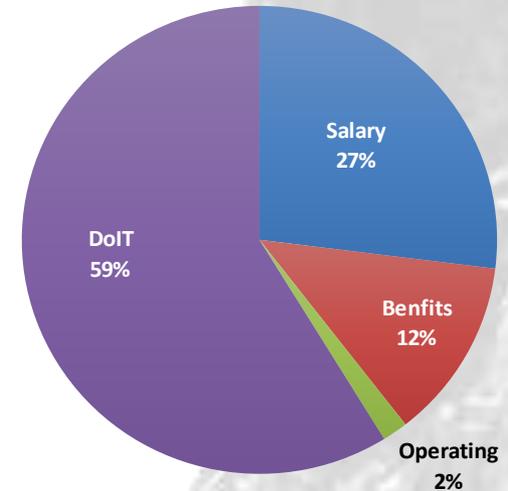
Operating:

\$1.8M decrease in FY22 (moving indirect costs)
\$7k increase in FY23

DoIT:

\$700k increase in FY22
\$71k decrease in FY23

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

- 1 Unclassified
- 15 Finance
- 7 Human Resources
- 4 Outlet Auditors
- 2 Inventory Control
- 3 Legal



Division of Marketing & Merchandising



FY2022 & 2023 Budget Marketing and Merchandising (771512 – HB1 Page 351-355)

FY22 Budget increase 2.5% or \$1.6M (\$1.3M indirect costs)
FY23 Budget increase 4.8% or \$3.0M (27th pay period)

Summary of Changes:

Salaries:

FY22 \$667k decrease from positions changes
FY23 \$1.1M increase for increments and 27th pay period

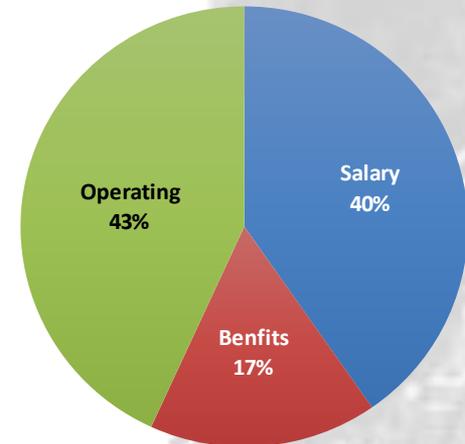
Benefits:

\$159k decrease in FY22
\$635k increase in FY23

Operating:

\$2.4M increase in FY22 (\$1.3M allocation of indirect costs)
\$1.3M increase in FY23 (\$1.0M maint.&support for the D365 software platform)

Budget Breakdown from Liquor Funds



Authorized Full-Time Positions:

- 1 Unclassified
- 13 Marketing & Merchandising
- 258 Outlet/Store Operations
- 2 Warehouse



Workers & Unemployment Comp.

FY2022 & 2023 Budget

Workers Compensation

(772012 – HB1 Page 355)

FY22 Budget level funded

FY23 Budget increase 1% or \$6k

FY2022 & 2023 Budget

Unemployment Compensation

(772512 – HB1 Page 356)

FY22 Budget decrease 77% or \$50k

FY23 Budget increase 33% or \$5k



Appendix – Technical Correction

The Liquor Commission requests a technical correction within the Division of Marketing and Merchandising (MAM771512); Accounting unit 1030 - Store Operations.

The continuing support and maintenance contract for the Microsoft D365 software platform to support the point-of-sale and back office financial system was budgeted in Class 103 for FY23. However the funding for the contract was approved through Governor and Council in Class 038 – Technology - Software.

Summary of Change

Activity	Acct Unit	Class	FY23 Gov Recommend
MAM771512-MARKETING AND MERCHANDISING	10300000-STORE OPERATIONS	103-Contracts for Op Services	5,409,430.00
		Amount requested to move to class 038	(1,140,680.00)
	New Class Total	103-Contracts for Op Services	<u>4,268,750.00</u>
MAM771512-MARKETING AND MERCHANDISING	10300000-STORE OPERATIONS	038-Technology - Software	1,140,680.00



Appendix – Technical Correction

Blue Horseshoe Solution contract approved by Governor and Executive Council June 24, 2020
Item #94A

94A m.c.



New Hampshire Liquor Commission

50 Storrs Street, P.O. Box 503
Concord, N.H. 03302-0503
(603) 230-7015

Joseph W. Molica
Chairman

Nicole Brassard Jordan
Deputy Commissioner

Christopher T. Sununu
Governor

June 8, 2020

His Excellency, Governor Christopher T. Sununu,
and the Honorable Council
State House
Concord NH 03301

REQUESTED ACTION

Authorize the New Hampshire Liquor Commission (NHLC) to enter into a contract with Blue Horseshoe Solutions, Inc. (Vendor # TBD), Carmel, Indiana, for professional implementation services to complete the development and deployment of the NHLC's Microsoft Dynamics 365 Enterprise Resource Planning solution (the "NextGen" or "D365" project), and for post-implementation support and maintenance services in an amount not to exceed \$12,842,239.00. This contract shall be effective upon Governor and Council approval through June 30, 2033. Post-implementation support and maintenance may be extended for two additional terms of up to two years each. Funding: 100% Liquor Funds.

Funding is available in capital and operating budgets as follows, contingent upon the availability and continued appropriations of funds in future operating budgets, with the authority to adjust between fiscal years through the Budget Office if needed and justified.

State Fiscal Year	Co.-Activity-Acctg. Unit-Class Code	Class Title	Amount
2021	030-770012-79570000-034	Capital Projects	\$380,000.00
2021	030-770012-13140000-034	Capital Projects	\$2,000,000.00
2021	030-770012-17110000-034	Capital Projects	\$1,222,550.00
2021	012-771512-10300000-038	Technology - Software	\$139,250.00
2022	030-770012-17110000-034	Capital Projects	\$1,200,845.00
2023	012-771512-10300000-038	Technology - Software	\$1,140,680.00
2024	012-771512-10300000-038	Technology - Software	\$644,110.00
2025	012-771512-10300000-038	Technology - Software	\$644,110.00
2026	012-771512-10300000-038	Technology - Software	\$644,110.00
2027	012-771512-10300000-038	Technology - Software	\$689,512.00
2028	012-771512-10300000-038	Technology - Software	\$689,512.00

