

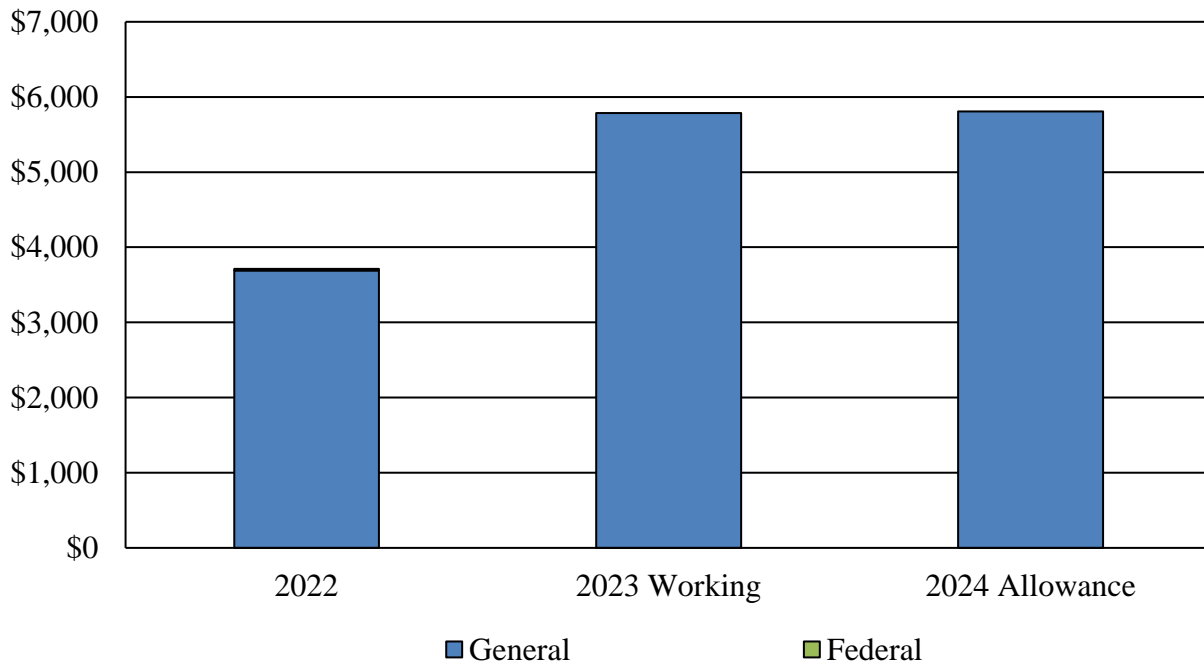
E17 Alcohol and Tobacco Commission

Program Description

The Alcohol and Tobacco Commission (ATC) was established by Chapter 12 of 2019 and is responsible for regulating the State's alcohol and tobacco industries. ATC is led by an executive director and a five-member commission appointed by the Governor for terms of five years.

Operating Budget Summary

Fiscal 2024 Budget Increases \$21,100, or 0.4%, to \$5.8 Million (\$ in Thousands)



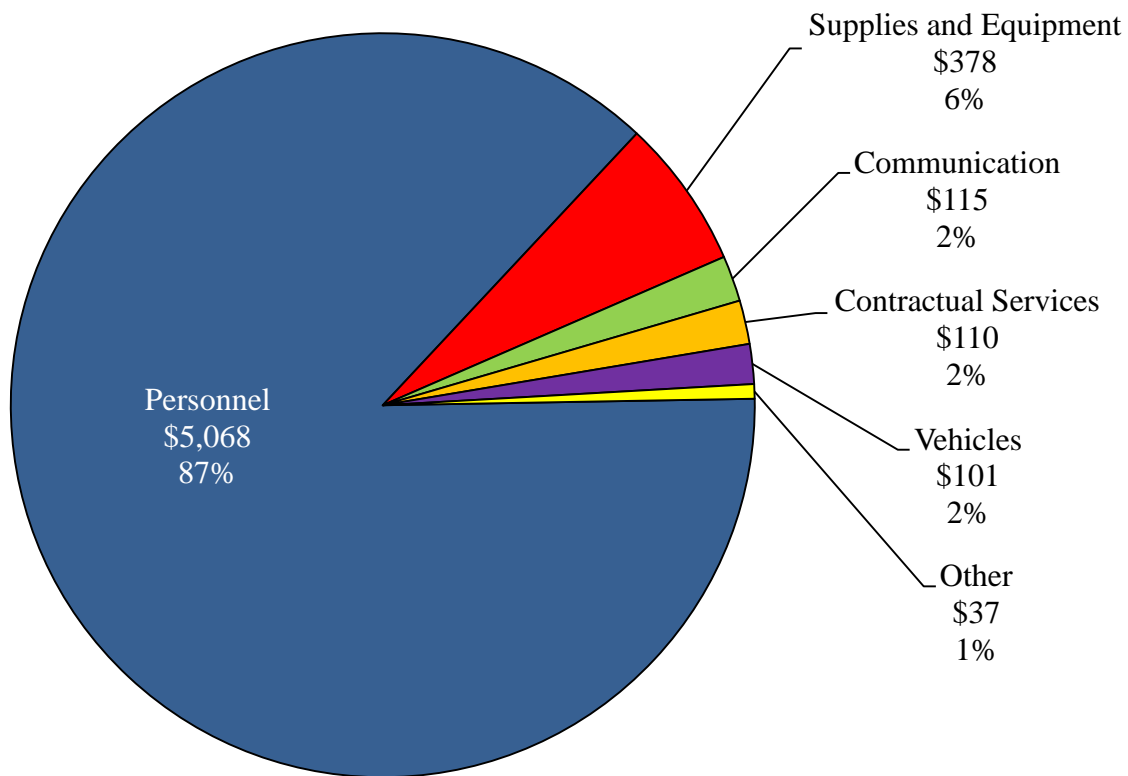
Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

- Although typically solely supported with general funds, the fiscal 2022 budget included \$24,131 in federal funds from the American Rescue Plan Act, which were used for regular earnings for full-time personnel. These funds were directed to agents working in the field during the COVID-19 state of emergency.

Fiscal 2024 Overview of Agency Spending

The fiscal 2024 allowance for ATC totals \$5.8 million. **Exhibit 1** outlines the use of the allowance across ATC. Most of the funding (87%) is used for the 38 regular personnel and 1 contractual full-time equivalent. Of the 39 personnel, 19 work within the Field Enforcement Division, while the other 20 are primarily involved with the administrative side of the agency. The remainder of the fiscal 2024 allowance supports administrative expenses.

Exhibit 1
Overview of Agency Spending
Fiscal 2024 Allowance
(\$ in Thousands)



Note: The fiscal 2024 allowance does not reflect funding for salary enhancements that are budgeted within the Statewide Account in the Department of Budget and Management.

Source: Governor's Fiscal 2024 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2024 allowance increases by \$21,100 in general funds, or 0.4%, from the fiscal 2023 working appropriation after accounting for deficiency appropriations. The largest change in the fiscal 2024 allowance is a decrease of \$283,290, reflecting one-time vehicle purchase costs and title transfers in fiscal 2023. This decrease is more than offset by growth in other areas, primarily personnel. Overall, personnel costs increase by \$286,880 in fiscal 2024, which includes \$53,888 for the annualization of the November 2022 4.5% cost-of-living adjustment as well as \$157,220 for employee and retiree health insurance.

Exhibit 2 Proposed Budget Alcohol and Tobacco Commission (\$ in Thousands)

How Much It Grows:	General <u>Fund</u>	Federal <u>Fund</u>	<u>Total</u>
Fiscal 2022 Actual	\$3,689	\$24	\$3,713
Fiscal 2023 Working Appropriation	5,788	0	5,788
Fiscal 2024 Allowance	<u>5,809</u>	<u>0</u>	<u>5,809</u>
Fiscal 2023-2024 Amount Change	\$21	\$0	\$21
Fiscal 2023-2024 Percent Change	0.4%		0.4%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Employee and retiree health insurance	\$157
Salary and wage adjustments	59
Annualization of the November 2022 4.5% COLA	54
Social Security contributions	10
Other	5
Employees' retirement system and law enforcement pensions	2
Other Changes	
Motor vehicle gas and oil expenses due to increased number of vehicles	6
Operating costs for the 700 MHz Radio System utilized by law enforcement officers	5
Special payments payroll due to statewide salary actions	4
Contractual services cost allocation, including the costs of contraband tobacco and alcohol product destruction	2

E17 – Alcohol and Tobacco Commission

Where It Goes:	<u>Change</u>
End of one-time purchase costs for nine enforcement vehicles	-\$283
Other expenses	-1
Total	\$21

COLA: cost-of-living adjustment
MHz: megahertz

Note: Numbers may not sum to total due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</u> <u>Change</u>
Regular Positions	30.00	38.00	38.00	0.00
Contractual FTEs	<u>0.02</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	30.02	39.00	39.00	0.00

Vacancy Data: Regular Position

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/22	n/a	n/a
Vacancies Above Turnover	n/a	

- ATC's personnel remain consistent from the fiscal 2023 working appropriation and had no vacant positions as of December 2022.

Key Observations

1. Transfer of Natalie M. LaPrade Medical Cannabis Commission to ATC

Chapter 26 of 2022 expressed the intent of the General Assembly to transfer the Natalie M. LaPrade Medical Cannabis Commission (MMCC) to ATC if Chapter 45 of 2022, a constitutional amendment legalizing adult use and possession of recreational cannabis, was approved by the voters in the 2022 general election. Chapter 26 also required that MMCC and ATC make a recommendation to the General Assembly about how to transfer the personnel to ensure costs of the transfer are minimized; employees maintain their rate of pay, working conditions, benefits, rights, and/or status; and ensure personnel can retain merit and retirement statuses from MMCC at the time of the transfer.

ATC and MMCC submitted the required recommendations in a report on October 11, 2022, which included:

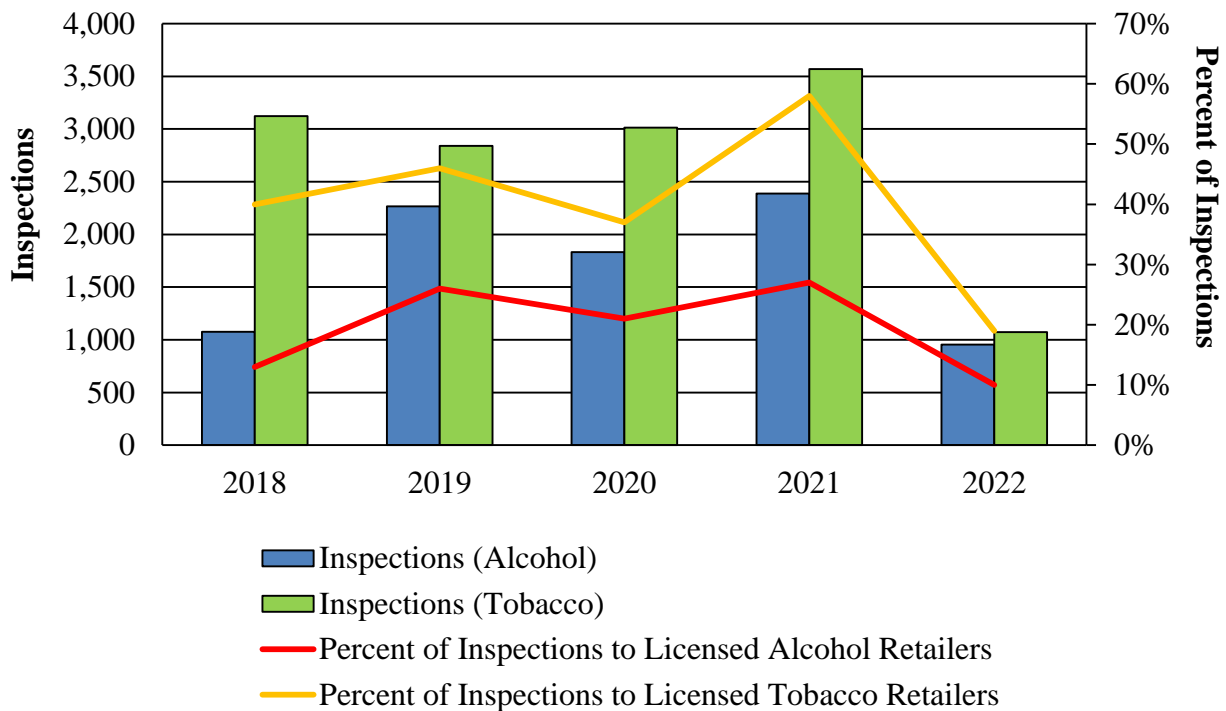
- MMCC personnel will either transfer to a newly established Cannabis Regulatory and Enforcement Division or merge into existing shared administrative space under the Office of the Executive Director of the Alcohol and Tobacco Commission on or after July 1, 2023;
- all MMCC personnel will transfer without loss of pay, working conditions, benefits, rights, or status, and will retain any merit or retirement status they may have on the date of transfer;
- effective July 1, 2023, ATC and MMCC will merge common administrative and operational functions, including communications, human resources, budget and finance, procurement, legal and legislative, and research and education;
- ATC and MMCC will retain existing office space and study the need for additional space and secure storage; and
- paper materials and other documents reflecting the renaming of MMCC to be the Office of the Executive Director of ATC may not be used until all paper materials and other documents already in print and reflecting the name or logo of MMCC have been used.

The Department of Legislative Services (DLS) notes that the fiscal 2024 budget does not reflect a transfer of funding from MMCC to ATC in anticipation of the consolidation of the commission. **ATC should comment on the process for the transfer of MMCC’s budget to ATC and an estimated date for the funding consolidation.**

2. Amount of Retail Inspection Goals Met, Inspection Totals Decline

ATC has been enforcing alcohol and tobacco laws since 2021, after the transfer of the Field Enforcement Division from the Comptroller to ATC. It is the goal of ATC to deter the possession, sales, and transportation of illegal tobacco and alcohol products through inspections. They also aim to conduct inspections equivalent to 15% and 9% of the total number of licensed tobacco and alcohol product retailers, respectively. As shown in **Exhibit 3**, in fiscal 2022, ATC inspected 1,072, or 19%, of all tobacco retail establishments and 953, or 10%, of all alcohol retail establishments. While these rates of inspection exceed their stated goals, it is far below the rates of inspection from fiscal 2021 (3,569, or 58%, of tobacco retail establishments and 2,388, or 27%, of alcohol retail establishments). ATC indicates that the decrease in inspection activity was impacted by the transition of staff from the Comptroller to ATC, as the number of staff performing inspections was reduced.

Exhibit 3
Inspection Goals
Fiscal 2018-2022



Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2022 Joint Chairmen’s Report Responses from Agency

The 2022 *Joint Chairmen’s Report* (JCR) requested that ATC prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Alcohol Tax Report:*** This report has not yet been submitted, as the agency requested an extension to March 1, 2023. An extension was granted on December 20, 2022.

Appendix 2
Object/Fund Difference Report
Alcohol and Tobacco Commission

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	30.00	38.00	38.00	0.00	0%
02 Contractual	0.02	1.00	1.00	0.00	0%
Total Positions	30.02	39.00	39.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 3,084,886	\$ 4,615,766	\$ 5,010,423	\$ 394,657	8.6%
02 Technical and Special Fees	600	53,259	57,566	4,307	8.1%
03 Communication	36,950	110,165	115,416	5,251	4.8%
04 Travel	240	14,500	15,700	1,200	8.3%
06 Fuel and Utilities	0	20,000	20,000	0	0%
07 Motor Vehicles	259,311	383,836	100,546	-283,290	-73.8%
08 Contractual Services	33,552	105,926	110,251	4,325	4.1%
09 Supplies and Materials	188,656	252,196	255,975	3,779	1.5%
10 Equipment – Replacement	66,344	28,000	28,000	0	0%
11 Equipment – Additional	42,644	94,246	94,246	0	0%
13 Fixed Charges	0	925	925	0	0%
Total Objects	\$ 3,713,183	\$ 5,678,819	\$ 5,809,048	\$ 130,229	2.3%
Funds					
01 General Fund	\$ 3,689,052	\$ 5,678,819	\$ 5,809,048	\$ 130,229	2.3%
05 Federal Fund	24,131	0	0	0	0.0%
Total Funds	\$ 3,713,183	\$ 5,678,819	\$ 5,809,048	\$ 130,229	2.3%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not statewide salary adjustments included in the Statewide Account within the Department of Budget and Management.