



New Hampshire Liquor Commission

FY2024/2025 Budget

Governor's Budget Hearing

November 28, 2022



Introduction

**The Liquor Commission is self funded.
In a separate liquor fund outside of the general fund.
No General Fund appropriations are used to maintain operations.**

The Commission generated over \$771.1 million in net sales in FY22 through the operation of 67 retail outlets (9 state-owned and 58 leased), with product shipped through two warehouses; one is state-owned and the other contracted with DHL.

Liquor revenue is transferred to the New Hampshire General Fund and Other Funds in support of state programs. The amount transferred to the General Fund is net of 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 accomplish the Commission's legislative duties, under RSA 176:3, which is to:

- I. Optimize the profitability of the commission.
- II. Maintain proper controls.
- III. Assume responsibility for the effective and efficient operation of the commission. And
- IV. Provide service to the customers of the commission.



Revenue Trends & Transfer Language



Cash Basis (in Millions)	A	B	C		D	E		F		G	H		I	J
	FY 2022 Expenses	FY 2023 Adj Auth.	FY23 vs FY22 \$	FY23 vs FY22 %	FY 2024 Estimates	FY24 vs FY23 \$	FY24 vs FY23 %	FY 2025 Estimates	FY25 vs FY24 \$	FY25 vs FY24 %	FY 2025 Estimates	FY25 vs FY24 \$	FY25 vs FY24 %	
1 Net Revenue	\$ 155.1	\$ 148.6	\$ (6.5)	-4.2%	\$ 150.6	\$ 2.0	1.3%	\$ 150.9	\$ 0.3	0.2%				
2 5% of prior year gross profit transfer to Alcohol abuse prevention & treatment fund	(10.7)	(11.5)	0.9	8.0%	(11.1)	0.5	-4.0%	(10.8)	(0.3)	-2.4%				
3 General Fund Transfer	144.4	137.1	(7.4)	-5.1%	139.5	2.4	1.8%	140.1	0.6	0.4%				
4 Revenue Plan	132.8	137.2	4.4	3.3%	139.5	2.3	1.7%	140.1	0.6	0.4%				
5 Additional transfer to Granite Advantage	(8.7)	(7.2)	1.5		-			-						
6 REVISED: Liquor Transfer to General Fun	144.4	129.8	(14.6)	-10.1%	139.5	9.7	7.4%	140.1	0.6	0.4%				
7 Beer Tax	13.2	13.2	0.0	0.2%	13.2	-	0.0%	13.2	-	0.0%				
8 Total Transfer to General Fund	\$ 157.6	\$ 143.0	(14.6)	-9.2%	\$ 152.7	9.7	6.8%	\$ 153.3	0.6	0.4%				

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 decreasing in FY24 in spite of 28 new positions because of reduction in overtime, and part-time budgets and changes in positions as a result of turn over; FY25 increases are a result of salary steps and benefit increases.
2. Current Expense includes \$3.0M for our advertising contract. The FY24 increase is a result of adding consultant funding to support systems and price increases for 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.
4. Utilities increases in FY24 & FY25 are based on current trends and projected increases.
5. Contracts for operations includes our maintenance contracts such as Electrical, HVAC, security systems, plumbing, signs, floor cleanings, automatic door, forklift repairs, smart safes and armored car service. Funding is based on current contracts and projected needs.
6. Technology Hardware & Software FY24 & FY25 increases are to support the NextGen system new point-of-sale and back office financial system. The additional prioritized needs is the funding necessary for subscriptions, cloud services and existing support and maintenance contracts.
7. DoIT is the funding needed to maintain current POS and back office systems with additional funds to support the new D365 software platform such as licenses, cloud services and other annual software requirements. The Additional prioritized needs are related to NextGen system for two new positions, hosting services, handheld devices, and additional licenses.
8. Equipment includes the increased cost for items such as shelving, checkouts and security cameras for new & updated outlets and a rotation plan for replacing existing equipment such as vehicles, floor cleaners and forklifts.
9. Travel funding level is primarily to support outlet moves and shifting staffing in retail outlets.
10. Other Expenses primary change is from Debt Services which is based on the current bond schedule and estimates for new debt; and funding Workers' Compensation based on historical trends.



FY2024 – 2025 Budget Requests



	A	B	C	D	E	F	G	H	I	J	K	L
	FY 2022	FY 2023	FY 2024	FY 2024	FY 2024	FY24 vs FY23		FY 2025	FY 2025	FY 2025	FY25 vs FY24	
	Expenses	Adj Auth.	Efficiency	APN	Budget	\$	%	Efficiency	APN	Budget	\$	%
Salary & Benefit Expenses:												
Personnel Services - Full time	17,717,300	20,934,530	20,634,963	-	20,634,963	(299,567)	-1.4%	21,107,783	-	21,107,783	472,820	2.3%
Benefits	10,360,394	12,505,865	12,906,826	-	12,906,826	400,961	3.2%	13,574,196	-	13,574,196	667,370	5.2%
Other Personnel - Part time	9,429,222	11,820,666	10,611,000	-	10,611,000	(1,209,666)	-10.2%	11,226,500	-	11,226,500	615,500	5.8%
Retiree Pension Benefit Health Ins.	1,078,295	1,572,000	1,334,700	-	1,334,700	(237,300)	-15.1%	1,494,116	148,860	1,642,976	308,276	23.1%
1 Total Salary & Benefits	38,585,211	46,833,061	45,487,489	-	45,487,489	(1,345,572)	-2.9%	47,402,595	148,860	47,551,455	2,063,966	4.5%
% of Total Budget	50.8%	56.4%	54.8%	0.0%	54.8%			57.1%	0.2%	57.3%		
Current Expenses:												
2 Current Expenses	4,394,890	4,275,459	4,737,857	200,000	4,937,857	662,398	15.5%	4,847,717	200,000	5,047,717	109,860	2.2%
3 Rents & Leases	9,932,304	10,079,768	10,635,050	-	10,635,050	559,282	5.5%	10,961,250	-	10,961,250	326,200	3.1%
4 Utilities - Heat, Elec, Water & Telecc	2,511,350	2,326,400	2,936,070	-	2,936,070	609,670	26.2%	3,087,725	-	3,087,725	151,655	5.2%
5 Contracts for Operational Services	4,898,225	4,346,500	5,123,100	-	5,123,100	776,600	17.9%	5,422,000	-	5,422,000	298,900	5.8%
6 Technology - Hardware & Software	1,724,239	1,140,680	1,008,400	1,984,054	2,992,454	1,851,774	162.3%	1,103,200	1,531,054	2,634,254	(358,200)	-12.0%
	23,461,008	22,168,807	24,440,477	2,184,054	26,624,531	4,455,724	20.1%	25,421,892	1,731,054	27,152,946	528,415	2.0%
% of Total Budget	30.9%	26.7%	29.4%	2.6%	32.1%			30.6%	2.1%	32.7%		
7 DoIT - Information Technology	3,194,266	4,927,973	4,764,197	1,147,871	5,912,068	984,095	20.0%	4,837,176	1,145,369	5,982,545	70,477	1.2%
% of Total Budget	4.2%	5.9%	5.7%	1.4%	7.1%			5.8%	1.4%	7.2%		
8 Equipment:	1,949,209	761,200	1,036,700	-	1,036,700	275,500	36.2%	1,237,700	-	1,237,700	201,000	19.4%
% of Total Budget	2.6%	0.9%	1.2%	0.0%	1.2%			1.5%	0.0%	1.5%		
9 Travel Expenses:	200,762	268,401	236,710	-	236,710	(31,691)	-11.8%	251,210	-	251,210	14,500	6.1%
% of Total Budget	0.2%	0.3%	0.3%	0.0%	0.3%			0.3%	0.0%	0.3%		
10 Other Expenses												
Audit Funds	121,897	131,000	131,000	-	131,000	-	0.0%	131,000	-	131,000	-	0.0%
Debt Services	4,972,807	4,764,567	5,500,000	-	5,500,000	735,433	15.4%	5,700,000	-	5,700,000	200,000	3.6%
Indirect Costs to Admin Svcs	1,889,562	1,870,828	2,048,060	-	2,048,060	177,232	9.5%	2,048,060	-	2,048,060	-	0.0%
Workers & Unempl Comp.	1,259,180	651,250	1,190,335	-	1,190,335	539,085	82.8%	1,246,191	-	1,246,191	55,856	4.7%
	8,243,446	7,417,645	8,869,395	-	8,869,395	1,451,750	19.6%	9,125,251	-	9,125,251	255,856	2.9%
% of Total Budget	10.8%	8.9%	10.7%	0.0%	10.7%			11.0%	0.0%	11.0%		
LIQUOR TOTAL:	75,633,902	82,377,087	84,834,968	3,331,925	88,166,893	5,789,806	7.0%	88,275,824	3,025,283	91,301,107	3,134,214	3.6%
Grants & Other Funds	371,851	649,564	610,546	-	610,546	(39,018)	-6.0%	609,072	-	609,072	(1,474)	-0.2%
TOTAL:	76,005,753	83,026,651	85,445,514	3,331,925	88,777,439	5,750,788	6.9%	88,884,896	3,025,283	91,910,179	3,132,740	3.5%
% Increase over prior year			2.8%		6.9%			3.9%		3.5%		

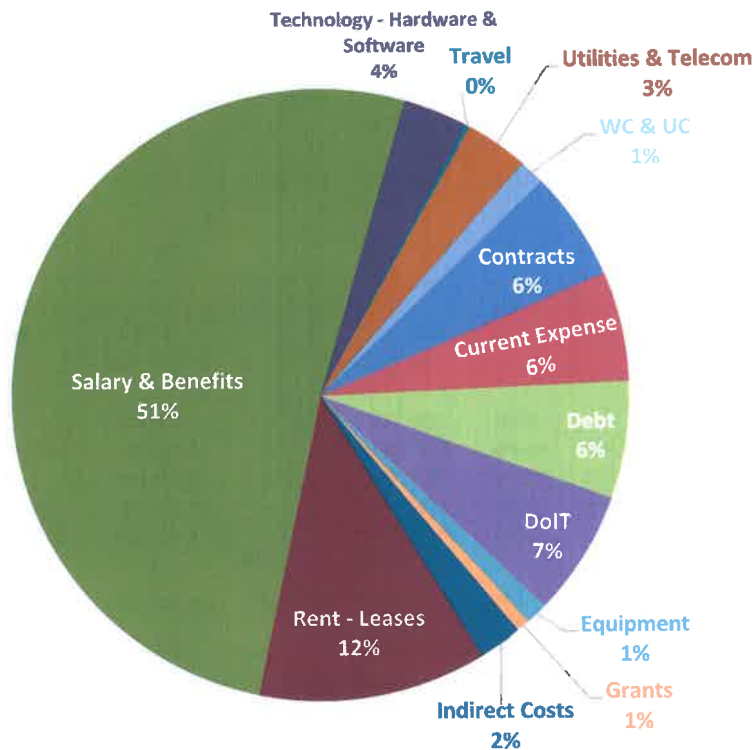


FY2024 Budget Breakdown

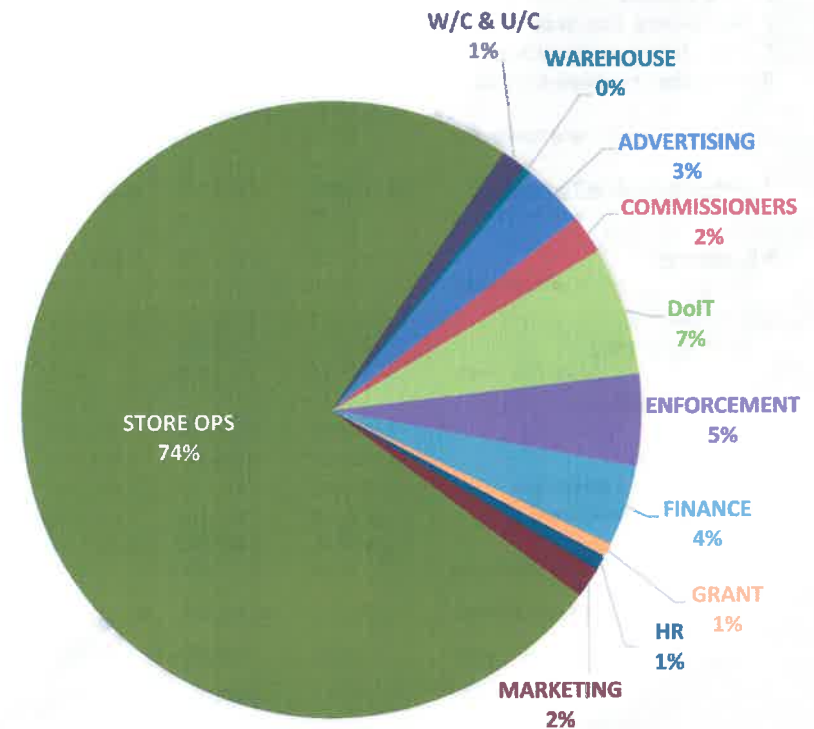
FY24 Efficiency budget is \$2.4M or 2.8% more than FY23 adjusted authorized budget with a \$3.3M increase for Additional Prioritized Needs for a total increase of \$5.7M or 6.9%.

Salary & benefits and travel decreased while all other categories increased due to the cost of inflation and projected needs such as utilities, equipment, debt, rents, contracts and the increase for the NextGen D365 software platform under DoIT and technology – hardware & software.

By Class



By Accounting Unit



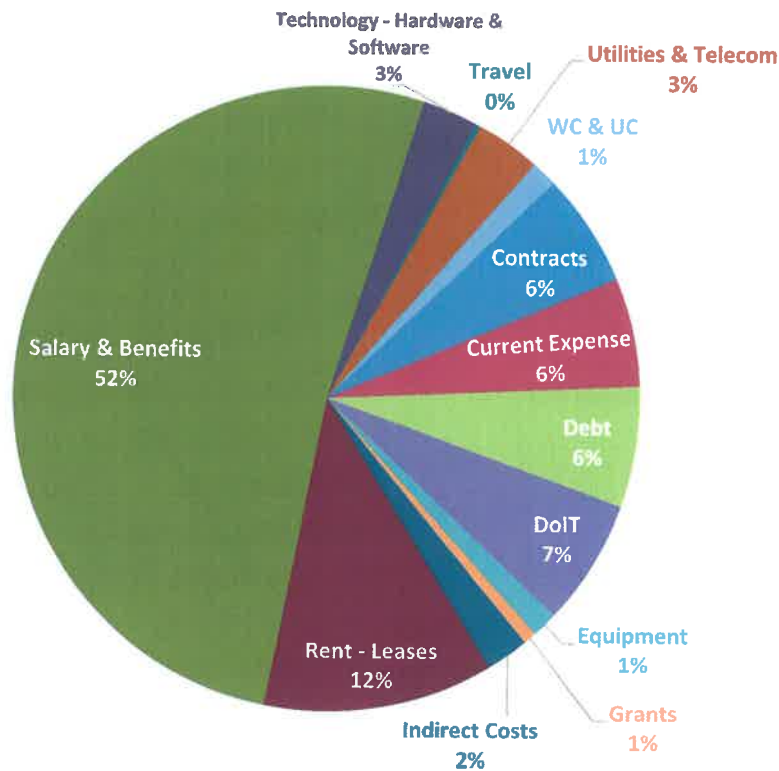


FY2025 Budget Breakdown

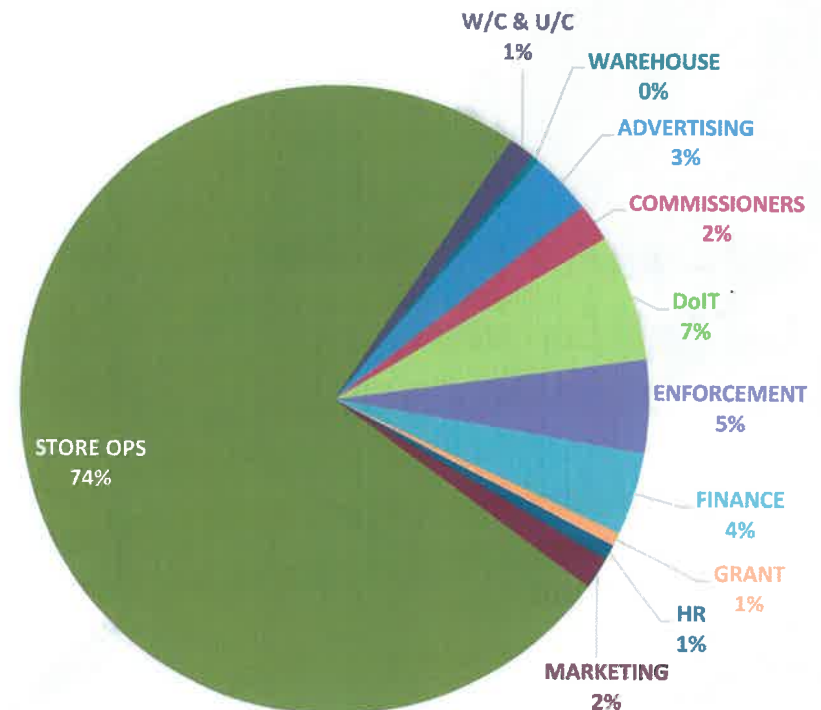
FY25 Total budget is \$3.1M or a 3.5% increase over FY24 Total budget

Salary & Benefits are increasing as a result of step increases and benefits, continuing operations increases in contracts, rents, utilities, and equipment. Also included are the additional prioritized needs in technology - hardware and software and DoIT primarily to support the NextGen D365 software platform for cloud storage, licenses, new positions and maintenance and support contracts.

By Class



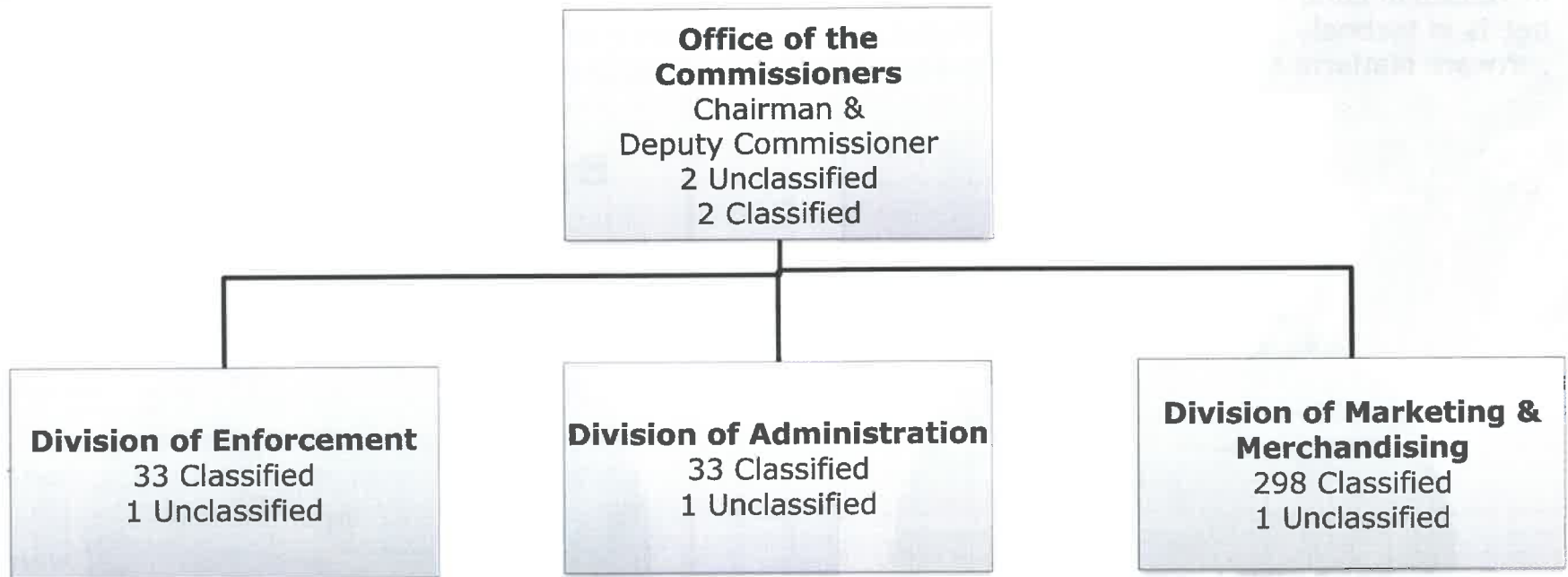
By Accounting Unit





Organizational Structure

The Commission is made up of 3 Division that report to the Chairman and Deputy Commissioner
Below are the divisions with the area of responsibilities listed and the number of unclassified and classified positions assigned to each.



Enforcement
Licensing
Education
Grants

Finance
Human Resources
Audit / Inventory Control
- 2 New Positions
Information Technology
Legal

Marketing - 2 New Positions
Outlet/Store Operations
- 24 New Positions
Advertising
Warehousing

*Important to note in spite of adding 28 new positions salary & benefits are decreasing in FY24 as a result of reductions in part-time and overtime budgets.



Office of the Commissioners



FY2024 & 2025 Budget

Office of the Commissioners
(770012 – Budget Book Page 9-23)

FY24 increase 21% or \$307k

FY25 increase 1% or \$23k

Summary of Changes:

Salaries & Benefits:

\$22k decrease in FY24

\$9k increase in FY25

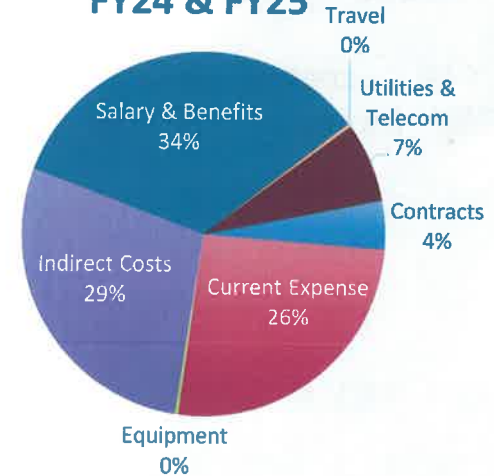
Operating:

\$307k increase in FY24 to add consultant line to support DoIT with NextGen system

\$13k increase in FY25 increase to cover rising costs in contracts and utilities

Budget Breakdown from Liquor Funds

FY24 & FY25



Authorized Full-Time Positions:

2 Unclassified

2 Classified



Division of Enforcement



FY2024 & 2025 Budget

Enforcement, Licensing, & Education
(770512 – Budget Book Page 24-44)

FY24 decrease -6.6% or -\$304k
FY25 increase 3.4% or \$144k

Summary of Changes:

Salaries & Benefits:

FY24 -\$368k decrease from positions changes
FY25 \$117k increase for salary steps and benefits

Operating:

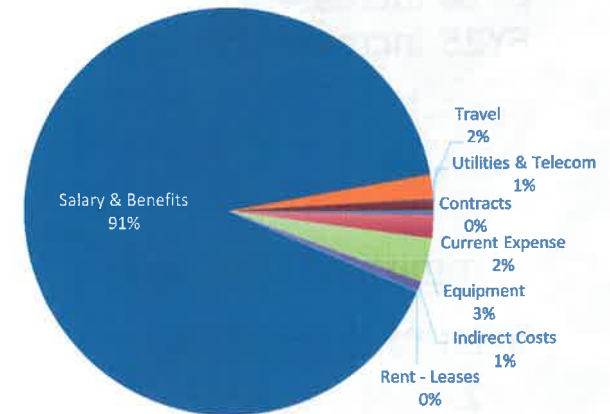
FY24 \$64k increase to cover rising costs
FY25 \$26k increase to cover rising costs

Grants:

\$134k decrease in FY24
\$1k decrease in FY25

Budget Breakdown from Liquor Funds

FY24 & FY25



Authorized Full-Time Positions:

1 Unclassified
20 Sworn
13 Civilian



Division of Administration



FY2024 & 2025 Budget

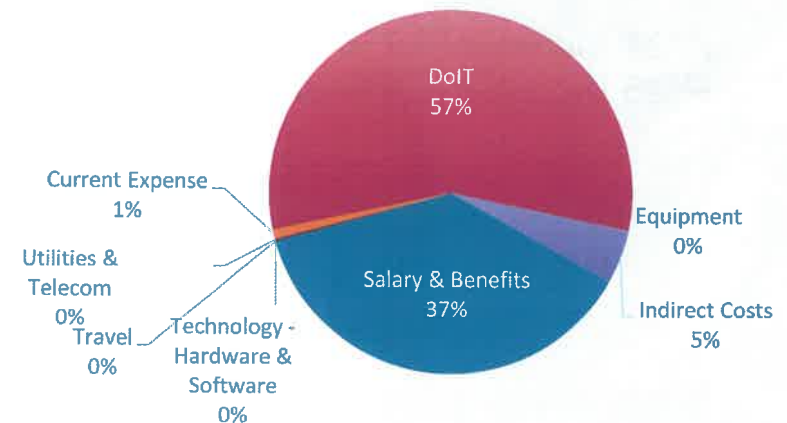
Financial Management Div., DoIT, and Human Resources
(771012 – Budget Book Page 45-65)

FY24 increase 20.1% or \$1.7M

FY25 increase 1.8% or \$188k

Budget Breakdown from Liquor Funds

FY24 & FY25



Salaries & Benefits:

FY24 \$278k increase; 2 new positions and positions changes

FY25 \$119k increase for salary steps and benefits

Operating:

\$472k increase in FY24 to fund indirect cost allocation

\$1k decrease in FY25

DoIT:

\$984k increase in FY24 from APN for NextGen system

\$70k increase in FY25

Authorized Full-Time Positions:

1 Unclassified

15 Finance

7 Human Resources

5 Outlet Auditors

3 Inventory Control

3 Legal

DoIT – Class 27



Division of Marketing & Merchandising



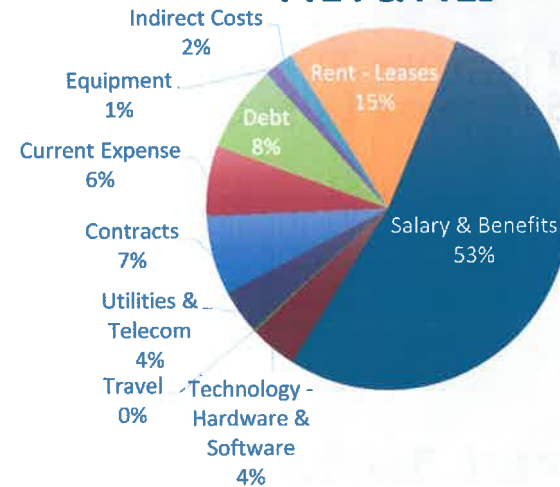
FY2024 & 2025 Budget

Marketing & Merchandising, Store Ops, Advertising and Warehouse
(771512 – Budget Book Page 66-92)

FY24 increase 5.2% or \$3.5M
FY25 increase 3.9% or \$2.7M

Budget Breakdown from Liquor Funds

FY24 & FY25



Summary of Changes:

Salaries & Benefits:

FY24 -\$1.2M decrease from position changes and reduction in PT & OT
FY25 \$1.8M increase for increments and 27th pay period

Authorized Full-Time Positions:

- 1 Unclassified
- 14 Marketing & Merchandising
- 281 Outlet/Store Operations
- 3 Warehouse

Operating:

\$4.7M increase in FY24 \$1.8M additional prioritized needs, continuing operations for contracts, debt, rent, equipment, supplies and utilities

\$900k increase in FY25 for continuing operations for contracts, debt, rent, equipment supplies and utilities



Workers & Unemployment Comp.



FY2024 & 2025 Budget

Workers Compensation

(772012 – Budget Book Page 93-95)

FY24 increase 70% or 440k provided by Risk Management and based on historical trends

FY25 increase 5% or \$54k

FY2024 & 2025 Budget

Unemployment Compensation

(772512 – Budget Book Page 96-98)

FY24 & FY25 Budgets are level funded



HB 2 Liquor Commission Request



Establish Funding for Retail Employee Incentive Program

PURPOSE: The Liquor Commission requests the language below to be included in HB 2 for the 2023 legislative session to establish authorization to transfer money from the liquor fund to other accounts to pay employees who qualify for payments under the rules established for the retail employee incentive program.

SCOPE OF THE PROBLEM: Over the past few years the Liquor Commission has witnessed a steady decline in the number of applicants for positions in our retail outlets. Combined with the Covid 19 pandemic and a vastly smaller workforce, businesses raised their pay scales to attract people to vacant positions. The loss of part time personnel has certainly had an impact on the Liquor Commission retail operations as we struggle to compete for, and retain, employees to staff our retail operations.

On October 20, 2022, the Joint Legislative Committee on Administrative Rules adopted the Liq 800 rules, which allows the New Hampshire Liquor Commission to start the process of implementing the Employee Incentive Program (EIP).

For background, the EIP program was authorized by HB 2, 2011, 224:91, which established that the Commission may develop and implement an employee incentive program, but required the Commission to implement the program via rules adopted through RSA 541:1.1 The Chapter law also requires the Commission to issue a report to the General Court each quarter.

Since the Liq. 800 rules were adopted, Human Resources has worked with the Department of Administrative Services to provide a report through NHFIRST to categorize/determine eligibility—as noted in the rules, full time employees must work 40 hours and part time employees must work at least 21 hours a week per quarter. The EIP is schedule for implementation in January 2023.

Money paid to eligible employees are not considered wages; therefore, the Commission would not pay eligible employees from the current class of funds for salary and benefits.



HB 2 Liquor Commission Request



REMEDY: The Liquor Commission requests that the General Court provide the Commission with flexibility to transfer funds, as needed, from accounts within the Commission's budget to separate budget classifications from which to make payments to eligible personnel qualifying for incentive payments as established in the Laws of 2011, Chapter, 224:91, HB2 and established in Liq. Rule Series 800.

Authorization to transfer funds to pay eligible employees will enable the Commission to implement procedures to move funding as needed and establish distinguishable records for the program.

Purpose - Amend RSA 176:16 by inserting new paragraphs VI to allow the Liquor Commission to transfer money from the liquor fund to other accounts to pay employees who qualify for payments under the rules established for the retail employee incentive program.

DRAFT STATUTORY LANGUAGE:

New language is bold and italicized.

176:16 Funds.

VI. The Commission shall be authorized to transfer funds for its employee incentive program from the liquor commission fund to such accounts as required to compensate qualifying employees as provided in the Liq 800 rules.

Note: The HB 2 request for authority to pay retail employees amends RSA 176:16 by adding new sections VI and VII. If that effort is unsuccessful, this separate proposal to amend RSA 176:16 to allow the transfer of funds would add the amended language and the new section would be VI. If both are successful, then this amendment would be VIII.



HB 2 Liquor Commission Request



Establish Independent Retail Outlet Employee Pay Scale

PURPOSE: The Liquor Commission request the language below to be included in HB 2 for the 2023 legislative session to establish an independent pay scale for all retail outlet employees.

SCOPE OF THE PROBLEM: Over the past few years the Liquor Commission has witnessed a steady decline in the number of applicants for positions in our retail outlets. Combined with the Covid 19 pandemic and a vastly smaller workforce, businesses raised their pay scales to attract people to vacant positions. The loss of part time personnel has certainly had an impact on the Liquor Commission retail operations as we struggle to compete for, and retain, employees to staff our retail operations.

The Liquor Commission has experienced a significant shortage of employees to work in our retail outlets. Because of the shortage, our Director of Store Operations routinely solicits Commission employees who do not work on the retail side to take shifts to ensure retail outlets can operate to service customers.

According to ziprecruiter.com as of Aug 24, 2022, the average annual pay for a part time employees in New Hampshire is \$31,292 a year or approximately \$15.04 an hour. Also in August 2022 a survey of retail businesses in New Hampshire provides additional information on the challenges the Commission faces in competing for workforce talent for both full time and part time employees retail employees. The average rate of pay for cashiers and stock personnel for the 15 stores surveyed show a rate of pay of between \$15.17 and \$16.17 per hour.

Currently, the Liquor Commission offers an entry level part time retail store clerk and hourly wage of \$12.83. A part time laborer has an entry level hourly rate of \$12.46. Both store clerks and laborers are entitled to move to step #2 salary after working 2,080 hours. The Commission offers part time employees a significant number of hours per week, but our part time retail outlet employees, by their choice, are averaging only 15 work hours per week or less.

The pay disparity also exists at the managerial levels.



HB 2 Liquor Commission Request



A comparison of the hourly rate of a Commission store manager to other retail managers finds a wide gap in the rates of pay. Depending on the labor grade that a manager might hold, a Commission store manager may hold an hourly rate of \$17.13 per hour or as high as \$25.53 per hour depending on experience. By contrast, comparable private store managers in three area stores have an average hourly rate of \$26.72. The Commission is at a distinct disadvantage when competing for, and retaining, employees at both the employee and managerial levels.

The Commission is competing with every other retail operation in New Hampshire for employees, and with the current pay scale, we are not competitive or attracting the workforce needed to fulfill our mission. Additionally, the lack of part time employees has forced the Liquor Commission to reduce the hours of operations in a number of retail outlets, thereby, losing sales which effects the revenue the Commission provides to the general fund.

DATA IN SUPPORT OF THE REQUEST:

A review of the Commission’s employee retention and loss statistics for calendar years 2018 through August 2022 reflects a steady increase in the percentage of retail outlet employees who leave state employment. While we do not assert all of the employees who terminated their employment with the state did so because of the lower pay, but we are certain a large percentage terminate their employment because they can achieve higher wages in the private sector. The chart below shows the percentage of terminations for the past five years of full time and part time employees.

Calendar Year	Number of Terminations	Percentage of Workforce Lost
2018	237	16%
2019	316	20%
2020	413	26%
2021	424	29%
2022 (through 8/22)	352	30%

(Please note the word termination is used to describe employees that are removed from the payroll system and not to an employee who may be fired for cause).



HB 2 Liquor Commission Request



The loss of employees has had a direct bearing on the number of hours Commission employees work, which has had a direct bearing on the revenues produced by the Commission. An analysis of the total number of hours worked by part time retail outlet employees shows a dramatic decline.

A comparison of the total number of hours worked by part time employees over a 9 month period between January and September 2021 and 2022 demonstrates a startling statistic. In 2021, part time employees worked a total of 497,569 hours. By comparison in the same 9 month period of 2022, the total number of hours worked was 424,474. The difference of 73,095 hours not worked clearly translates into a revenue loss for the Commission.

A review of sales during the same 9 month period between January and September 2021 and 2022 reveals sales in our retail outlets were down \$39 million or 8.6% comparing all sales conducted in the retail outlets for the period January through September FY23 vs FY22. While we do not suggest the drop in revenue is solely caused by the lack of employee hours worked, we feel quite certain the figures would be different if our employees were able to work more of the available hours.

REMEDY: The Liquor Commission requests the General Court provide the Liquor Commission with the flexibility to adjust wages for retail employees and align ourselves with what other retailers are paying. By doing so, we can restore our hours of operation and provide increased revenues associated with increased sales. Our proposed legislative amendment follows below.



HB 2 Liquor Commission Request



Purpose - Amend RSA 176:16 by inserting new paragraphs VI and VII that allows the liquor commission to established independent pay scales for retail outlet employees.

DRAFT STATUTORY LANGUAGE:

New language is bold and italicized.

176:16 Funds.

VI. Notwithstanding any other provision of law, the liquor commission shall be exempt from utilizing the existing and future pay scales of the classification system established by the department of administrative services. The liquor commission shall establish an independent pay scale for all retail employees. The commission shall be authorized to expend additional funds for the proper funding of benefits for commission retail employees.

VII. The Commission shall be authorized to transfer funds to establish and maintain an independent pay scale for all retail employees from the liquor commission fund.

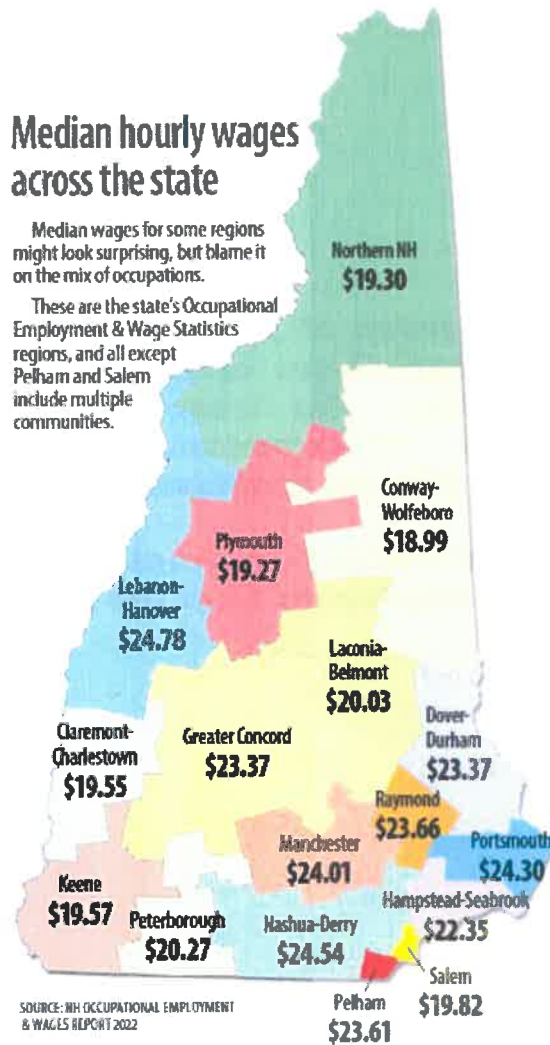


NH Median Hourly Wage

Median hourly wages across the state

Median wages for some regions might look surprising, but blame it on the mix of occupations.

These are the state's Occupational Employment & Wage Statistics regions, and all except Pelham and Salem include multiple communities.



SOURCE: NH OCCUPATIONAL EMPLOYMENT & WAGES REPORT 2022

Source: NH Sunday News 11-20-22