New Hampshire Liquor Commission

Agency Budget Request
FISCAL YEAR 2022-2023

November 19, 2020

FY2022 – 2023 Budget Request

#			A	B	C	D	E	F	G	H	I	J	K	L	M	N
		FY 2019 Expenses	FY 2020 Expenses	FY 2021 Adj Authorized	FY21 vs FY20 $	%	FY 2022 Efficiency	FY 2022 APN	FY 2022 Total Request	FY22 vs FY21 Adj Auth. $	%	FY 2023 Efficiency	FY 2023 APN	FY23 Total Total Request	FY23 vs FY22 Eff. $	%
1	**Salary & Benefit Expenses:**															
2	Personnel Services - Full time	17,769,109	18,316,388	19,920,227	1,603,839	8.8%	19,423,792	-	19,423,792	(496,435)	-2.5%	20,503,925	-	20,503,925	1,080,133	5.6%
3	Benefits	9,899,557	10,008,482	11,266,813	1,258,331	12.6%	11,876,157	-	11,876,157	609,344	5.4%	12,500,799	-	12,500,799	624,642	5.3%
4	Other Personnel - Part time	9,898,647	10,609,357	11,513,957	904,600	8.5%	11,298,900	-	11,298,900	(215,057)	-1.9%	11,576,000	-	11,576,000	277,100	2.5%
5	Retiree Pension Benefit Health Ins.	1,555,837	1,561,469	1,921,500	360,031	23.1%	1,434,200	-	1,434,200	(487,300)	-25.4%	1,598,500	-	1,598,500	164,300	11.5%
6		39,123,150	40,495,696	44,622,497	4,126,801	10.2%	44,033,049	-	44,033,049	(589,448)	-1.3%	46,179,224	-	46,179,224	2,146,175	4.9%
7	% of Total Budget		57.27%	57.43%			56.87%		55.77%	-46.59%		57.86%		56.07%	63.02%	
8	**Current Expenses:**															
9	Current Expenses	4,583,305	3,678,475	4,023,108	344,633	9.4%	4,038,373	-	4,038,373	15,265	0.4%	4,118,623	-	4,118,623	80,250	2.0%
10	Rents & Leases	8,159,633	9,021,809	8,765,250	(256,559)	-2.8%	10,003,959	-	10,003,959	1,238,709	14.1%	10,079,768	-	10,079,768	75,809	0.8%
11	Utilities - Heat, Elec, Water	1,740,750	1,607,149	2,029,900	422,751	26.3%	1,655,100	-	1,655,100	(374,800)	-18.5%	1,714,300	-	1,714,300	59,200	3.6%
12	Telecommunications	583,671	598,474	604,100	5,626	0.9%	661,350	-	661,350	57,250	9.5%	612,100	-	612,100	(49,250)	-7.4%
13	Contracts for Operational Services	1,957,561	4,930,753	3,479,500	(1,451,253)	-29.4%	4,376,500	-	4,376,500	897,000	25.8%	4,428,250	1,109,430	5,537,680	1,161,180	26.5%
14		17,024,920	19,836,660	18,901,858	(934,802)	-4.7%	20,735,282	-	20,735,282	1,833,424	9.7%	20,953,041	1,109,430	22,062,471	1,327,189	
15	% of Total Budget		28.05%	24.33%			26.78%		26.26%	144.90%		26.26%		26.79%	38.97%	
16	**DoIT - Information Technology**	2,862,236	2,441,815	4,241,180	1,799,365	73.7%	3,477,576	1,533,718	5,011,294	770,114	18.2%	3,470,817	1,451,001	4,921,818	(89,476)	-1.8%
17	% of Total Budget		3.45%	5.46%			4.49%		6.35%	60.86%		4.35%		5.98%	-2.63%	
18	**Equipment:**	708,786	545,272	1,018,506	473,234	86.8%	684,600	-	684,600	(333,906)	-32.8%	761,200	-	761,200	76,600	11.2%
19	% of Total Budget		0.77%	1.31%	0	70.0%	0.88%		0.87%	-26.39%		0.95%		0.92%	2.25%	
20	**Travel Expenses:**															
21	In-State Travel	178,916	231,175	124,152	(107,023)	-46.3%	253,241	-	253,241	129,089	104.0%	260,741	-	260,741	7,500	3.0%
22	Out-of-State Travel	10,421	6,334	20,925	14,591	230.4%	7,460	-	7,460	(13,465)	-64.3%	7,660	-	7,660	200	2.7%
23		189,337	237,509	145,077	(92,432)	-38.9%	260,701	-	260,701	115,624	79.7%	268,401	-	268,401	7,700	3.0%
24	% of Total Budget		0.34%	0.19%			0.34%		0.33%	9.14%		0.34%		0.33%	0.23%	
25	**Other Expenses**															
26	Audit Funds	125,086	129,365	132,000	2,635	2.0%	131,000	-	131,000	(1,000)	-0.8%	131,000	-	131,000	-	0.0%
27	Debt Services	3,260,618	4,283,675	5,400,000	1,116,325	26.1%	4,866,667		4,866,667	(533,333)	-9.9%	4,764,567		4,764,567	(102,100)	-2.1%
28	Indirect Costs to Admin Svcs	1,714,722	1,705,605	1,819,149	113,544	6.7%	1,870,828	-	1,870,828	51,679	2.8%	1,870,828	-	1,870,828	-	0.0%
29	EAP & Catastophic Casualty Ins.	9,209	35,964	107,125	71,161	197.9%	91,959	-	91,959	(15,166)	-14.2%	100,526	-	100,526	8,567	9.3%
30	Organizational Dues	1,130	2,915	3,120	205	7.0%	4,500	-	4,500	1,380	44.2%	4,500	-	4,500	-	0.0%
31	Workers & Unempl Comp.	469,406	765,864	690,000	(75,864)	-9.9%	640,000	-	640,000	(50,000)	-7.2%	651,250	-	651,250	11,250	1.8%
32		5,580,171	6,923,388	8,151,394	1,228,006	17.7%	7,604,954	-	7,604,954	(546,440)	-6.7%	7,522,671	-	7,522,671	(82,283)	-1.1%
33	% of Total Budget		9.79%	10.49%			9.82%		9.63%	-43.19%		9.43%		9.13%	-2.42%	
34	**LIQUOR TOTAL:**	65,488,599	70,480,340	77,080,512	6,600,172	9.4%	76,796,162	1,533,718	78,329,880	1,249,368	1.6%	79,155,354	2,560,431	81,715,785	3,385,905	4.3%
35	**Grants & Other Funds**	310,355	230,358	614,552	384,194	166.8%	630,473		630,473	15,921	2.6%	649,887		649,887	19,414	3.1%
36	**TOTAL:**	65,798,954	70,710,698	77,695,064	6,984,366	9.9%	77,426,635	1,533,718	78,960,353	1,265,289	1.6%	79,805,241	2,560,431	82,365,672	3,405,319	4.3%
	Difference from prior year base budget						(268,429)					844,888				
							-0.35%					1.09%				

Overview of annual budget increases

FY21 Liquor funded Adjusted authorized is $6.6M or 9.4% more than FY20 actual.

The main factors for the increase are fully funding positions in FY21 versus vacant positions in FY20 and an increase in DoIT for infrastructure enhancements to support the new POS and Back-office system referred to as the D365 platform.

FY22 requested budget is $1.2M or 1.6% more than FY21 adjusted authorized budget

The efficiency budget is decreasing by $268,000, based on maintaining current operations and core fundamentals.

However, there is an additional prioritized needs increase of $1.5M, the funding needed for licenses, cloud services and other software requirements to support the new D365 platform.

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

The main reasons for the efficiency budget requested increase is for Salary & Benefits to fund the additional paycheck; 27 pay period versus the usual 26 pay periods

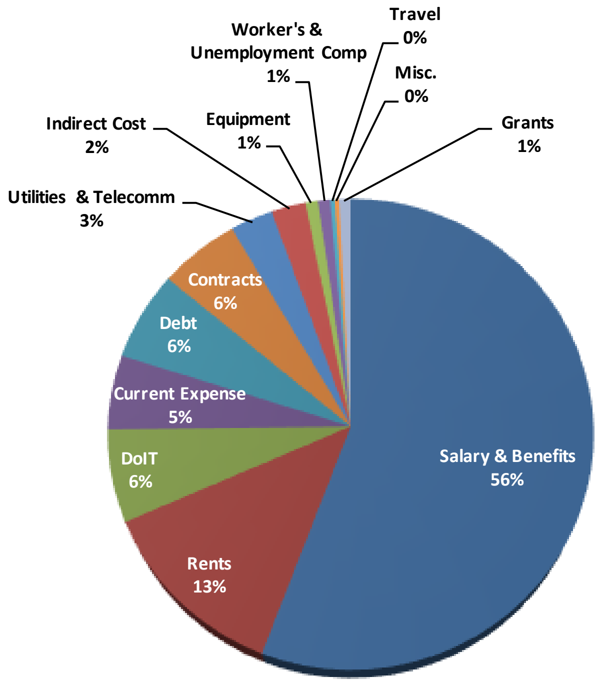
There are two additional prioritized needs requests the increase in DoIT for the software and an increase in Contracts for operations of $1.2M for the D365 maintenance and support contract after the warranty period.

Primary Budget Request Changes

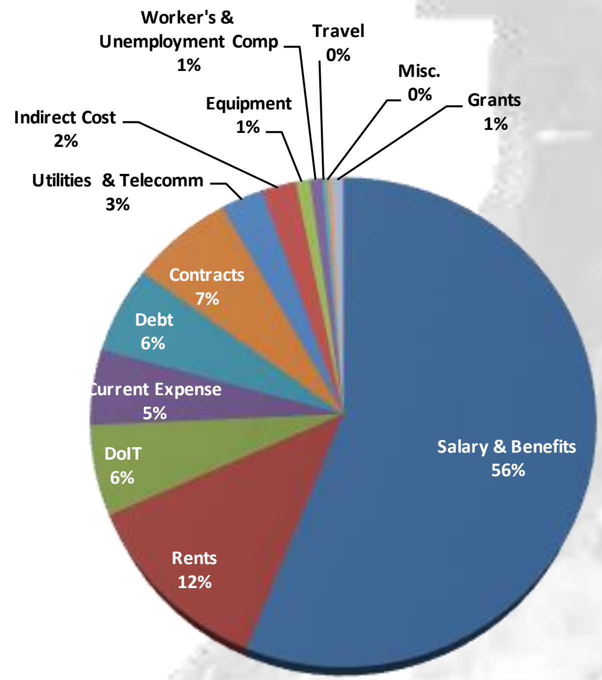
1. Salaries decrease in FY22 as a result of position changes and FY23 increase to fund the extra paycheck.
2. Benefits are funded based on current plans and rates.
3. Part-time salaries are based on current trends and staffing needs.
4. Retiree Pension Benefit Health Insurance is based on estimates provided by DAS.
5. Rents & Leases increase is to fund current rent obligations and expanding square footage for new outlet locations.
6. Utilities are decreased in FY22 and flat funded in FY23 as a result of reduced locations and more energy efficient stores.
7. Contracts for operations includes contract such as Electrical, HVAC, video surveillance and security systems, plumbing, signs, floor cleanings, automatic door, forklift repairs, smart safes and armored car service.
8. DoIT FY22 efficiency budget is the funding needed to maintain current POS and back office systems, and the additional prioritized needs is the amount necessary for licenses, cloud services and other annual software requirements that support the new D365 platform.
9. Equipment is based on current spend pattern and future needs for shelving and checkouts, and rotation plan for replacing existing equipment such as vehicle and forklifts.
10. In-state travel funding level is to support store operation needs for store moves and staffing changes.
11. Debt Services is based on current bond schedule and estimate for new debt.

Expense Breakdown

FY2022



FY2023



Income Statements FY2019 – FY2023

			A	B	C	D	E	F	G	H	I	J
							Fiscal Year 2022			Fiscal Year 2023		
		FY 2019 Expenses	FY 2020 Expenses	FY 2021 Adj Authorized	FY21 vs FY20 $	%	Total Request	Diff FY22 vs FY21 $	%	Total Request	Diff FY23 vs FY22 $	%
1	Total Sales	729,135,749	765,633,479	789,429,562	23,796,083	3.1%	797,152,406	7,722,844	1.0%	809,324,282	12,171,876	1.5%
2	Discounts, CC Fees, Etc	(23,058,452)	(26,042,365)	(15,910,299)	(10,132,066)	-38.9%	(16,164,058)	253,759	1.6%	(16,422,721)	258,663	1.6%
3	Net Sales	706,077,297	739,591,113	773,519,262	33,928,149	4.6%	780,988,348	7,469,085	1.0%	792,901,561	11,913,213	1.5%
4	Total Goods For Resale	(505,591,309)	(532,540,974)	(555,061,275)	22,520,301	4.2%	(561,525,229)	6,463,954	1.2%	(570,113,650)	8,588,422	1.5%
5	Gross Profit from Sales	200,485,988	207,050,139	218,457,988	11,407,849	5.5%	219,463,119	1,005,131	0.5%	222,787,910	3,324,792	1.5%
6	Gross Profit %	28.4%	28.0%	28.2%			28.1%			28.1%		
7	Other Revenue	6,191,426	5,781,542	6,118,806	337,264	5.8%	6,525,915	407,109	6.7%	6,754,699	228,785	3.5%
8	Expenses	(65,798,954)	(70,838,157)	(77,695,064)	6,856,907	9.7%	(78,960,353)	1,265,289	1.6%	(82,365,672)	3,405,319	4.3%
9	**Net Liquor Profit**	**140,878,459**	**141,993,524**	**146,881,730**	**4,888,206**	**3.4%**	**147,028,681**	**146,951**	**0.1%**	**147,176,938**	**148,257**	**0.1%**
10	Net Profit %	20.0%	19.2%	19.0%			18.8%			18.6%		
11	Transfer to Granite Advantage @ 5% of Prior year GP	(8,412,850)	(10,041,792)	(10,024,299)	(17,492)	-0.2%	(10,352,507)	328,208	3.3%	(10,922,899)	570,392	5.5%
12	General Fund Transfer after 5% of GP to Granite Advantage	132,465,609	131,951,733	136,857,431	4,905,698	3.7%	136,676,174	(181,257)	-0.1%	136,254,039	(422,135)	-0.3%
13	Revenue Plan		132,800,000	133,800,000			135,085,825			136,401,412		
14	Original Plan vs. Current Plan		(848,267)	3,057,431			1,590,349			(147,373)		
15	Additional transfer to Granite Advantage			(8,500,000)	(8,500,000)							
16	**Liquor Transfer to General Fund**	**132,465,610**	**131,951,733**	**128,357,431**	**(3,594,302)**	-2.7%	136,676,174	6,184,146	4.7%	136,254,039	(422,135)	-0.3%
17	Beer Tax	12,840,196	12,892,190	13,100,000	207,810	1.6%	13,100,000	100,000	0.8%	13,100,000	-	0.0%
18	Total Transfer to General Fund	145,305,806	144,843,923	141,457,431	(3,386,493)	-2.3%	149,776,174	6,284,146	4.4%	149,354,039	(422,135)	-0.3%
19	Expense to Net Sales Ratio	9%	10%	10%			10%			10%		
	Difference transfer to General fund versus Plan			(5,442,569)								

Notes to Income Statement

1. Sales Impact

FY21 sales growth is remarkably strong at 3% or $23.8M a result of the current environment; consumers are buying more premium products and secondary homeowners that are usually more seasonal have been staying in state.

FY22 & 23 projections are less aggressive at 1% and 1.4% respectively, but on current sales levels is still growth of $8 to $12M annually.

2. Gross Profit:

FY21 gross profit increase is a result of not running promotional card programs (spend $150 get $25 a promo card)

FY22 and FY23 projections are in-line with normal historical growth with gross profit percentage at 28%.

3. Net Liquor Profit:

FY21 net profit increase is abnormally high at $4.9M or 3.4% due to the gross profit increase noted above.

FY22 & FY23 projections are flat because of the increase for initial expenses to support the new D365 system.

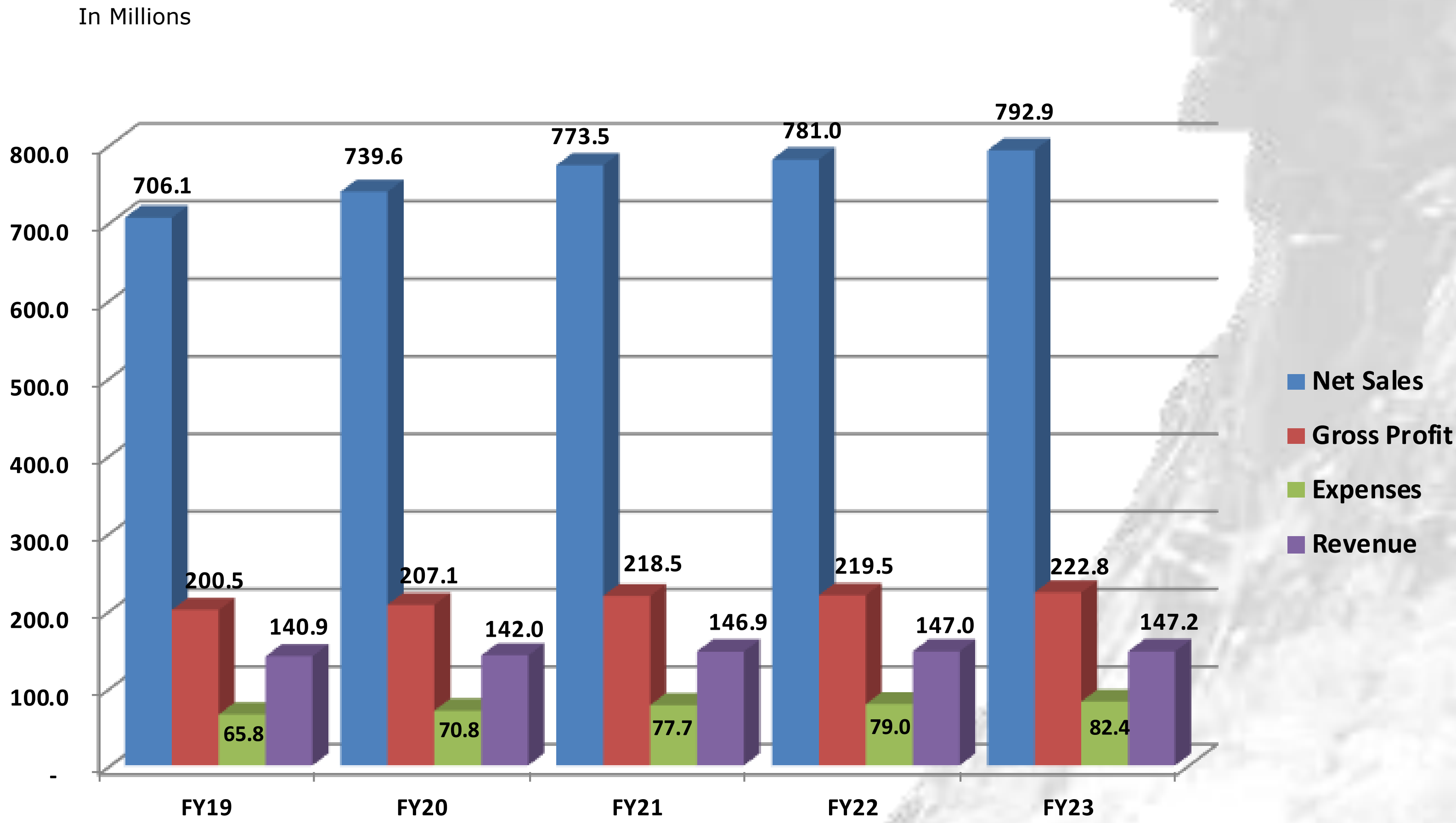
4. Transfer to the General Fund Factors:

FY21 Plan included the Transfer to Granite advantage based on RSA 176:16, III requires that 5% 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 to benefit the New Hampshire granite advantage health care trust fund, which equates to approximately $10.0M.

FY21 transfer estimates factor in RSA 126-AA:3, VI which allows for an additional transfer from the Liquor Fund in the event of a shortfall in the granite advantage health care trust fund. HHS is currently estimating the need for an additional $8.5M

FY21 current revenue estimates versus plan would have resulted in and additional $3.1M transfer to the General Fund. However, with the additional transfer to Granite Advantage, the transfer to the General Fund will be $5.4M less than originally planned.

Sales, Gross Profit, Expense and Revenue



FY19 – FY20 Actuals
FY21 - FY23 Estimates

Year-to-date Revenue

FY 2021 Year-to-date as of October 31, 2021

Liquor Revenue Plan:				$42.2 M
Liquor Transfer to General Fund:				$46.6 M
Actual Liquor revenue versus revenue plan	10.4%	⇧	or	$4.4 M

Revenue Breakdown versus prior year	over last year			
Total Revenue from Liquor Operations	18.3%	⇧	$9.0	$58.1 M
Transfer to Granite Advantage	360.0%	⇧	$9.0	($11.5) M
Transfer to General Fund:	0.0%		$0.0	$46.6 M

FY 2020 Year-to-date as of October 31, 2020

Prior Year Revenue from Liquor Operations	$49.1 M
Transfer to Alcohol Abuse Prevention Fund	($2.5) M
Prior Year Total Revenue Transfer to the General Fund:	$46.6 M

Year-to-date Sales

Year to Date through November 15, 2020:

		(Over Prior Year)			
Total Sales over last year	2.9%	↑	or	$9.0 M	
Breakdown by Category:					% of Total Business
Retail (Outlet Sales)	3.7%	↑	or	$8.8 M	76.9%
On-Premise (Restaurants)	-19.0%	↓	or	-$6.0 M	8.0%
Off-Premise (Grocery Stores)	13.2%	↑	or	$5.4 M	14.6%
Miscellaneous (Accessories in our outlets)	68.2%	↑	or	$0.7 M	0.6%

Most Recent Store Renovations/Relocations

Most Recent Store Renovation/Relocations:

As of November 15, 2020

Store	Date Opened	FY21 YTD Sales	Increase $	Increase %
Tilton (New 12,000 sq.ft.) Consolidated Belmont & Franklin	May-20	$3.0 M	$0.4 M	15.8%
West Lebanon (7,754 to 19,053 sq.ft.)	September-19	$7.4 M	$1.5 M	25.3%
Tri-City (10,600 to 20,000 sq.ft.) Consolidated Dover & Somersworth	April-19	$5.3 M	$0.9 M	20.9%
Lancaster (9,000 to 6,500 sq.ft.)	October-18	$1.2 M	$0.4 M	47.9%
Portsmouth (12,000 to 22,000 sq.ft.)	October-18	$14.1 M	$2.1 M	17.1%
Colebrook (5,000 to 6,200 sq.ft.)	April-18	$1.0 M	$0.1 M	16.1%
Rochester (10,869 to 20,000 sq.ft) Consolidate Rochester & Farmington	March-18	$5.4 M	$1.0 M	22.7%