



January 19, 2024

Honorable Nancy Skinner, Chair  
Joint Legislative Budget Committee  
Senate Budget and Fiscal Review Committee

Honorable Jesse Gabriel, Chair  
Assembly Budget Committee

Honorable Anthony Portantino, Chair  
Senate Appropriations Committee

Honorable Chris R. Holden, Chair  
Assembly Appropriations Committee

### General Fund Transfer to the Alcohol Beverage Control Fund

Pursuant to Provision 1 of Item 2100-011-0001, 2023 Budget Act, the following report is respectfully submitted.

The Department of Finance has received a request from the Department of Alcoholic Beverage Control (ABC) to transfer \$20.5 million General Fund to the ABC Fund to maintain fund solvency. Provision 1 of Item 2100-011-0001, 2023 Budget Act, authorizes Finance to transfer up to \$20.5 million if revenues to support the ABC Fund are insufficient to support its expenditures. Based on estimated revenues and expenditures, the fund is expected to be insolvent by the end of fiscal year 2023-24 with a negative fund balance of over \$1 million and over \$10 million in 2024-25. The revenue estimate assumes a growth in licensees of one percent and full utilization of ABC's statutory authority to increase fees consistent with the Consumer Price Index. The estimated expenditures include employee compensation increases related to recent collective bargaining agreements and assume full utilization of the ABC Fund's expenditure authority.

Finance concurs with the necessity of this request and will be approving the transfer no sooner than 30 days from the above date. This transfer will accomplish the intended purpose of replenishing the fund for revenue lost due to the COVID-19 Pandemic, and prevent licensees from experiencing a large statutory increase in license fees.

If you have any questions or need additional information regarding this matter, please call Charlene Manning, Principal Program Budget Analyst, at (916) 445-8913.

JOE STEPHENSHAW  
Director

By:

ERIKA LI  
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
Honorable Vince Fong, Vice Chair, Assembly Budget Committee  
Honorable Sharon Quirk-Silva, Chair, Assembly Budget Subcommittee No. 5  
Honorable Steve Padilla, Chair, Senate Budget and Fiscal Review Subcommittee No. 4  
Gabriel Petek, Legislative Analyst (3)  
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee  
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office  
Christopher W. Woods, Senate President pro Tempore's Office (2)  
Christian Griffith, Chief Consultant, Assembly Budget Committee  
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy  
and Budget  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office  
Jason Sisney, Assembly Speaker's Office (2)  
Mark McKenzie, Staff Director, Senate Appropriations Committee  
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee  
Sam Miller, Deputy Legislative Secretary and Chief of Legislative Operations, Office  
of the Governor  
Melinda Grant, Undersecretary, Business, Consumer Services and Housing Agency  
Brian Skewis, Budget Manager, Business, Consumer Services and Housing Agency  
Joseph McCullough, Director, Department of Alcoholic Beverage Control  
Randall Deems, Division Chief of Administration, Department of Alcoholic Beverage  
Control

**Alcohol Beverage Control Fund (3036) Fund Condition Without General Fund Transfer**

	<b>2022-23</b>	<b>2023-24<sup>4</sup></b>	<b>2024-25</b>
<b>BEGINNING BALANCE</b>	\$11,699	\$8,587	(\$1,035)
Prior Year Adjustments	\$1,507	-	-
Adjusted Beginning Balance	\$13,206	\$8,587	(\$1,035)
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
4125400 Liquor License Fees <sup>1</sup>	79,953	97,722	103,979
4131500 Felony Conviction Penalties	5	-	-
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	577	250	250
4172500 Miscellaneous Revenue	42	50	50
Total Revenues, Transfers, and Other Adjustments	80,577	98,022	104,279
Total Resources	\$93,783	\$106,609	\$103,244
<b>EXPENDITURE AND EXPENDITURE ADJUSTMENTS</b>			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	286	391	348
2100 Department of Alcoholic Beverage Control (State Operations) <sup>2</sup>	92,498	101,253	104,172
2024-25 Employee Compensation Increases <sup>3</sup>	-	-	1,817
2100 Department of Alcoholic Beverage Control (Local Assistance)	1,305	3,000	3,000
9892 Supplemental Pension Payments (State Operations)	2,277	3,000	4,033
<b>Less funding provided by General Fund (State Operations)</b>	<b>-11,170</b>	<b>-</b>	<b>-</b>
Total Expenditures and Expenditure Adjustments	\$85,196	\$107,644	\$113,370
<b>FUND BALANCE</b>	\$8,587	(\$1,035)	(\$10,126)
Reserve for economic uncertainties	\$8,587	(\$1,035)	(\$10,126)
3 month reserve watermark	\$ 21,299	\$ 26,911	\$ 28,343
Days of reserve	37	(4)	(33)

1 - Assumes one percent growth in licensees (\$1.05 million in 2024-25) and includes CPI fee increases of 7.49 percent effective January 1, 2024 (\$3.27 million in 2023-24 and \$6.74 million in 2024-25) and 3.65 percent effective January 1, 2025 (\$1.78 million in 2024-25 and \$3.60 million in 2025-26).

2 - Includes employee compensation increases related to recent collective bargaining agreements effective in 2023-24, which is \$5.31 million in 2023-24 and \$5.98 million in 2024-25. Includes 2024-25 Governor's Budget BCP of \$2.28 million for IT maintenance and operations and file conversion.

3- Estimate of employee compensation increases effective in 2024-25 related to existing collective bargaining agreements.

4- 2023-24 actual state operations expenditures are \$47.60 million and actual revenues are \$45.95 million for liquor license fees as of 12/31/2023.

## Alcohol Beverage Control Fund (3036) Fund Condition With General Fund Transfer

	2022-23	2023-24 <sup>4</sup>	2024-25
<b>BEGINNING BALANCE</b>	\$11,699	\$8,587	\$19,465
Prior Year Adjustments	\$1,507	-	-
Adjusted Beginning Balance	\$13,206	\$8,587	\$19,465
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
4125400 Liquor License Fees <sup>1</sup>	79,953	97,722	103,979
4131500 Felony Conviction Penalties	5	-	-
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	577	250	250
4172500 Miscellaneous Revenue	42	50	50
Total Revenues, Transfers, and Other Adjustments	80,577	98,022	104,279
Total Resources	\$93,783	\$106,609	\$123,744
<b>EXPENDITURE AND EXPENDITURE ADJUSTMENTS</b>			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	286	391	348
2100 Department of Alcoholic Beverage Control (State Operations) <sup>2</sup>	92,498	101,253	104,172
2024-25 Employee Compensation Increases <sup>3</sup>	-	-	1,817
2100 Department of Alcoholic Beverage Control (Local Assistance)	1,305	3,000	3,000
9892 Supplemental Pension Payments (State Operations)	2,277	3,000	4,033
Less funding provided by General Fund (State Operations)	-11,170	-20,500	-
Total Expenditures and Expenditure Adjustments	\$85,196	\$87,144	\$113,370
<b>FUND BALANCE</b>	\$8,587	\$19,465	\$10,374
Reserve for economic uncertainties	\$8,587	\$19,465	\$10,374
3 month reserve watermark	\$ 21,299	\$ 21,786	\$ 28,343
Days of reserve	37	82	33

1 - Assumes one percent growth in licensees (\$1.05 million in 2024-25) and includes CPI fee increases of 7.49 percent effective January 1, 2024 (\$3.27 million in 2023-24 and \$6.74 million in 2024-25) and 3.65 percent effective January 1, 2025 (\$1.78 million in 2024-25 and \$3.60 million in 2025-26).

2 - Includes employee compensation increases related to recent collective bargaining agreements effective in 2023-24, which is \$5.31 million in 2023-24 and \$5.98 million in 2024-25). Includes 2024-25 Governor's Budget BCP of \$2.28 million for IT maintenance and operations and file conversion.

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4- 2023-24 actual state operations expenditures are \$47.60 million and actual revenues are \$45.95 million for liquor license fees as of 12/31/2023.