

Legislative Testimony – Appropriations 2/5/16

Some of the more significant changes in the past seven months

Administrative

- Created State email accounts for the board members so they did not have to use their personal accounts for meetings and DLC board information.
- Clarified what clothing we would purchase for employees (safety)
- Ensured State vehicles were used for only for state business
- Identified issues (and working on solutions with the Tax Department and VIC for correction) on Break open ticket reporting
- Expanded the annual report reflect all the activity of the Department, not just selling of spirits

Agent Stores

- Created Email list of Agents to communicate issues timely.
- Created monthly Agent 'monthly news'
- Ensured Agents had contracts and the contracts complied with Administrative Bulletins.
- Had the first meeting of our Agents and Board in over ten years. Over 50 of our 80 Agents participated.
- Created an interim non dial-up solution for POS. Rolling this out to our stores to comply with the requirements over chip card technology.
- Stopped pending regulations allowing licensees to use credit cards - would have cost State over \$300,000
- Moving toward a standard sign design for stores
- Exploring use of Hand held device for inventory

Warehouse

- Worksafe review by DOL staff of the warehouse and implemented findings
- Warehouse study completed – working with BGS on implementing the recommendations
- Removed 2,000 cases of product no longer sold from the warehouse
- Planning for the future – working on planning funds for FY17 budget for warehouse replacement.

Licensing and Enforcement

- Evened out Investigator workloads and territories
- Stopped paying investigators to watch destruction of beer/wine
- Created a matrix and posted on our website explaining the 50 various permits and conditions.
- Implemented Fortified Wine regulations for 2nd class licensees (on DLC website) Issued 20 permits to date.
- Added to permit application questions about the purchase of alcohol to address tax and compliance issues.

Annual Report

- Staffing – Have the same number of staff as was appropriated for FY16.
- IT – Point Of Sale system – update – 2 prong approach (page 10)
- Trained over 9,000 people through in person and on line classes (page 11) -
- Issued over 12,000 licenses and permits. (page 12)
 - 50 types of licenses and permits
 - Posted the licensing matrix to our web site to help applicants.
- Perform over 4,000 inspections/investigations (page 13) –
- Breakout ticket Reporting – still working on (page 14)
 - Between 80 to 100 million tickets sold in VT.
- Selling of Sprints through our warehouse and 80 retail stores continues to grow (pages 15-25)
 - Evaluate our deliveries (34 of our 80 stores do not get weekly deliveries)
 - Challenged staff to find ways to correctly notify Agents on ‘ Out of Stocks’
- Where do liquor revenues go (page 18) Sales grow on average 2% a year.
- Agent Stores and sales (pages 20-21)
- History of Taxes (page 26)
- Interesting Vermont information Dry towns (page 27)

Modernization report

The Legislative summer modernization study occupied much time this summer as Senator Baruth knows who participated.

Key items coming from the report

- Recommendations for Statutory changes primarily pertaining to the hiring and of length of service of the Commissioner – (Appendix C) (S.251)(H.526)
- Variety of Recommendations for the committees of jurisdiction on the

- Department (page 5)
- Board and whether it should have term limits (page 7-8)
- Commissioner – Governor and Board approval and term limit (page 9)
- Planning for Warehouse replacement (page 11)
- Marketing and cross boarder sales (page 12)
- Clarify much of the language in Title 7 (page 13)
- Examine issues with Agent stores: number, standards, renewal, product line (page 16)

What is on the horizon:

Immediate

- Continue to find solutions for our POS system
 - Meet with DII and will be moving forward with two separate RFP's. One just for the register's and POS and one for the back end replacement of our legacy IT system that we use for inventory and reporting.
 - Goal would be to get the registers out within a year. The cash registers would be COTS, but the replacement of the management software would be unique to VT.

Longer Term

- Start planning for the warehouse replacement
- Looking at the Secretary of State's Office RFP and Agency of Natural Resources licensing software on how to move forward automating our licenses.
- Evaluate our products selection and sales. Patrick skills will certainly be a major asset here,
- Work with the Board, Administration, legislature, and Agents on the buying experience in our stores. (Measurable Standards, Expectations, Number of Stores)

Budget – ups/downs

We have requested an across the board 9% increase in training fees (rounded to the closest \$5) in in the fee bill. This represents a 3% per year estimate on the increased cost of salary, fringe and operating expenses. We have also proposed treating in-person training and on-line training the same.

DLC will contribute approximately \$3.5M in sales tax to the General Fund and an additional \$19M in liquor excise tax. On Commissioner Pallito's balance sheet we also are slated to contribute \$880,000 from the Enterprise Fund to the General Fund through a direct application.

One policy item in the ups and downs. That is \$100,000 to begin the work with BGS on planning for a warehouse replacement.

How well are we doing?

Sales continue to increase about 2% a year. Could we do better – yes. We need to work on elevating and improving the sales experience and product knowledge in our stores. I think with clearer expectations, measuring and implementing the expectations, we could have some increases in sales.

Licensees have good results overall with compliance with tobacco and alcohol laws and regulations. Need to continue to keep this high standard.

How will we know if we get there?

Sales growth, reduced complaints on out of stocks, minimize breakage, improve customer experience.

Reduced law enforcement incidents with licensees, only appropriate sales to adults, reduced infractions

Effectively manage increased sales

Is anyone better off?

Overall the towns, villages and cities are better off if we insure the availability of tobacco and alcohol only to people of age

Licensees do not over serve consumers,

Minimize DUI stops that come from licensees.

Vermont and Out of State consumer have a good buying experience in our contracted stores.

Performance Indicators

