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*Michael J. Hogan, Commissioner*

February 20, 2015

Senator Jane Kitchel  
Chair, Senate Appropriations Committee  
Senate Appropriation Committee Members  
The State House  
Montpelier, Vermont 05602

Dear Jane:

The Joint Fiscal Office has asked that all departments presenting testimony on the FY2016 budget submit to your committee a brief summary of key elements and issues for the upcoming fiscal year. I have listed below some of these issues for your review and those of the committee.

- DLC is totally funded from the receipts of alcohol sales- no general fund monies are allocated to support our operations.
- In FY2014, DLC contributed \$22.9 million in tax revenue, fees, violations, and transfers. d.
- Sales for FY14 \$70.2 million. That's a \$2.2 million increase over the previous year. January was excellent in that sales were up 4.87%. We project another record setting year of \$72 + million for FY15 and \$74-75 million for FY16.
- The departmental FY16 budget of \$8,507,808 is a 4.5% increase for the overall budget, but only a 3.73% increase in the Enterprise Fund.
- **Enterprise Resource Planning/Point of Sale (ERP/POS Project) – This is the major piece of our budget.** In FY2014 we budgeted \$600,000 to get the project started. We now have a vendor (STG was selected) and are working our way through the contract. The department has been working with DII and following all the required steps. Over the course of the next two years (FY15-16) the project will cost approximately \$3.4 million or \$1.7 for each year to spread out the costs.
  - **Education, Licensing & Enforcement:** The total budget is an increase of \$264,124. It's made up of annual adjustments to benefits, interdepartmental service charges, and other personal services. There is also monies to support web portal to track break open tickets, warehouse study, and the conversion of a temporary licensing position to full time.
  - **Warehousing:** For FY15 the net budget increase is \$125,775. Net increases to benefits, property maintenance, two new positions, supplies and purchased services.



- **Administration:** The total budget is decreased by -\$23,319. Admin adjustments to meet FY15 rescission targets, net increases to benefits and wages, proposed two positions, and various other decreases in proposed IT contract needs.
- **MSA:** DLC is budgeted for \$218,444 FY16 to conduct tobacco compliance tests and education for licensees and their employees.
- **FDA Contract:** The Department has signed a contract to do tobacco compliance and labeling and advertising tests for the FDA for \$254,841. All of the states are being required to do these tests and the results will satisfy the Federal SYNAR requirement and Vermont's requirements. These expenses will be reimbursed.
- **Education /Licensing:** Server Education is mandatory for both tobacco and alcohol servers and sellers. Alcohol was mandated in FY01 and Tobacco in FY03. All sellers and servers of alcohol and tobacco must receive an educational seminar before they sell or serve and must renew this training every 24 months. In 2014 DLC trained 8,756 sellers and servers of alcohol and tobacco products throughout the state. All these seminars are provided by a 3-member Education team all of whom are fantastic trainers. Our web site (<http://liquorcontrol.vermont.gov/>) lists all seminar dates and locations.
- Testing: January-December 2014: Avg. Post Test- 98%
- Working on Online renewals for licensees.
- Online training for off-premise went live December 2010. On-premise July 2011.
  - Education is making a difference, especially for DLC trained seminar attendees. For those attending DLC seminars, tobacco is at 92% compliance and alcohol 95% compliance.
  - The Act 58 report on our web site gives all the details.
  - Tobacco Compliance for Calendar 2014- 89% Compliance.

**DLC Areas of Involvement:**

- Teenage Liquor Law Awareness in schools, Public Outreach at fairs, Teenage Alcohol Patrol at concerts and major ski and snowboard events. Driver Education programs.
- Working with other law enforcement in START (Stop Teen Alcohol Risk Team).
- Regional and National Recognition for alcohol and tobacco education programs.
- Interagency cooperation with Department of Health on many issues.

**Collaborative Efforts with other state agencies and organizations:**

- Working with Department of Labor/Public Safety on inspections of bars and restaurants for fire alarms, exits, over- crowding, and alcohol related issues.
- Continuing joint initiatives with Public Safety to deal with drunk- driving issues related to over-serving patrons in licensed establishments.
- Teaching alcohol beverage law at the Police Academy.
- Grape and Wine Council- In- State manufacturers of spirits.
- Vermont Chamber of Commerce

## Performance Measure Pilot

**Objective: To provide education and training in order to increase compliance rates and reduce law violations.**

Questions asked:

1. How much did we do?
2. How well did we do it?
3. Is anyone better off?

- **Performance Measure#1 -Decrease the amount of Administrative tickets written:**

- **How much did we do?**

- The % amount of administrative tickets issues in a calendar year.
- 2016 Target 2% less
- 2015 Target 2% less or 199
- 2014 203 admin tickets
- 2013 186 admin tickets
- 2012 178 admin tickets

- **How well did we do it?**

- In most cases if the numbers are decreasing, then the education of the licensees, compliance testing, and periodic inspections is making a difference.
- GR#13 Failure to ask ID was up 26% 2014 over 2013 (67 vs 53 violations)
- GR#17 Sales to Intoxicated Person was up 9% 2014 over 2013 (36 vs 33 violations)
- The remaining violations are not public safety issues.
- Looking at the whole picture of licensed establishments: DLC issued over 10,700 licenses and permits. 203 tickets are less than 2% of the total premises licensed.

- **Is anyone better off?**

- Asking for ID needs to improve. Education helps and using the tools DLC provides to card.
- Sales to minors are down GR#12. The YRBS confirms the work DLC is doing. Most alcohol comes to youth from other social sources than stores/restaurants. The small increase in sales to intoxicated individuals GR#17 can be for a number of reasons. Shortage of staff, crowded establishments and not paying attention to your patrons and how much they consume. If there are fewer violations in establishments, then the public is safer.

- **Performance Measure#2 -Maintain or improve tobacco compliance rates.**

- **How much did we do?**

- 2016 Target 90% Compliance
- 2015 Target 90% Compliance
- 2014 Actual 89% Compliance
- 2013 Actual 91% Compliance

- 2012 Actual 90% Compliance
- **How well did we do it?**
- If the numbers are increasing, then the education of the licensees, the materials provided by the department, and the penalty structure is working.
- We are using 17 year old minors which some states don't use.
- Those trained by DLC have higher compliance rates: 2013 93%, 2012 93%.
- **Is anyone better off?**
- The tobacco compliance numbers are stable. If there are fewer violations in establishments, then access for minors is decreasing. YRBS 2014: Fewer high school kids are smoking than the previous year. They are getting the majority of their tobacco from other social sources.
- **Performance Measure#3 -Maintain or improve post test results after LC training.**
- **How much did we do?**
- 2016 Target 98%
- 2015 Target 98%
- 2014 8,756- 98%.
- 2013 8,487 tested- 98.06%
- 2012 8,324 tested- 97.84%
- **How well did we do it?**
- If the numbers are increasing, then the education of the licensees, compliance testing, and periodic inspections are making a difference.
- Training occurs every two years with new laws and regulations updated.
- Retention of new laws and regulations are good. Necessary for every two year training as people forget approximately 7% of the content for each year away from the materials.
- **Is anyone better off?**
- Yes. The licensees and their employees and the public they serve.

**Summary Performance Measures:**

- **All three measures are linked. Fewer administrative tickets issued, higher compliance rates, and higher test scores are the results of a very effective education and enforcement program that covers all the essential areas for alcohol and tobacco licensees to be safe and successful members of the business community.**

In summary, the Department needs to be financially healthy to carry out its mission of promoting responsible moderation in the consumption of alcohol and the enhancement of state and local revenues. This budget will also help us continue our efforts in reducing youth access to alcohol and tobacco products. Finally, it will bolster Liquor Control's education efforts to the retail community and the public.

Sincerely,



Commissioner of Liquor Control