Liquor Control in Vermont

Should the existing system of state liquor control be changed?

Legislative Council

Vermont General Assembly

January 24, 1994

Montpelier, Vermont

STATE OF VERMONT

VERMONT LEGISLATIVE COUNCIL
STATE HOUSE
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TO: Representative Karen Bittermann Kitzmiller and
Representative Michael Obuchowski

FROM: Benjamin L. Huffman, Policy Analyst

DATE: January 24, 1994

SUBJECT: Report on the Vermont system of state liquor control.

You both have asked whether the existing state liquor control operation in Vermont is reasonably efficient, and whether state revenue gains could be achieved by privatizing part or all of the current state liquor monopoly. This reports on my examination of these questions.

Summary of Conclusions.

A. The existing state operation for bottled liquor sales, managed by the Vermont Department of Liquor Control, appears reasonably efficient when compared to similar state monopoly operations in other states. However, I have not examined the department's actual management of these sales.

B. The question of whether to privatize any part of the existing liquor sales system should be considered in the context of state public health and fiscal policies implicit in the existing system. These policies appear in fact to be conflicting. They aim on the one hand to promote moderation in liquor consumption, while on the other hand to maximize state revenue from liquor sales. From comparing circumstances of the Vermont system of liquor control to those of other states, I have concluded the following:

1. Moderate consumption.

It should not be assumed that liquor consumption is necessarily moderated by the existence of a state monopoly of retail sales. Historically state retail operations did limit access to liquor by consumers, but this condition of state monopolies is very much less so today. And although liquor sales per capita are lower on average in states which have monopolized retail sales than in states with a private retail market, this situation is likely due as much to other social conditions.

However, if the state policy were adopted to seek lower liquor sales in Vermont, various means would be available to the state liquor monopoly to attempt to achieve this objective.

2. Maximize revenues.

a. The existing state wholesale liquor monopoly in Vermont can be expected to realize greater revenues available for use by state government than would a private, market wholesale operation.

b. The existing state retail liquor monopoly in Vermont also appears to yield greater revenues for public use than would be available were retail sales privatized. This is due in large part to the existing use by the state monopoly in Vermont of private retailers as state agents for nearly three-quarters of all liquor sales. The cost to the state of using these agencies appears to be significantly less than would be required in retained earnings by private retailers in a private market.

c. Expenses of the Vermont retail liquor monopoly could be reduced were all existing state liquor stores closed, and all retail sales made through use of private retailers as state agents. This change could lower the total state expense of liquor sales by an estimated seven percent.

3. Prospects for the future.

a. Liquor consumption has declined substantially throughout the United States during the last 15 years. For this reason alone revenues available for government use from liquor sales, whether derived from a state monopoly or a private market system, cannot be expected to be maintained at historic levels.

b. However, of probably greater significance to Vermont is the New Hampshire state liquor monopoly, with liquor sales per capita greater than in any other state in the country. This sales volume has been achieved through an effort of New Hampshire state government to sell the greatest amount of liquor possible to out-of-state consumers. Vermont liquor prices are competitive with those in Massachusetts, New York, and in Canada, but not in New Hampshire.

Vermont might seek to compete directly with New Hampshire for regional liquor sales, although New Hampshire has a superior geographic competitive advantage. Vermont state government would need to begin such a campaign by being prepared to accept less state revenue from liquor sales during at least an initial period. Moreover, a state policy to maximize state liquor sales would need to be considered along with the state policy to moderate liquor consumption.

A Note on Information.

This report relies heavily on information about liquor sales in states other than Vermont, collected through national surveys. Such information is typically flawed because differing circumstances between the states cannot easily be standardized and presented in the form of comparable statistics. The observations in this report about liquor sales in other states need to be qualified accordingly.

A Note on Terminology.

As used in this report, the term "liquor" means the alcohol beverage with a high concentration of alcohol, also known as a "spirit" or "spirituous liquor," and as distinguished from wine and beer. The term "liquor control" is used in this report, as it is in the alcohol beverage industry, to refer to the public regulation by various means of all alcohol beverages, including wine and beer, as well as liquor. When "liquor control" is meant to refer only to liquor, the context should make this clear.

I. Summary of Findings.

A. Liquor control organization.

Under the U.S. Constitution, states have the power to regulate the transportation, possession and use of alcohol beverages, without being subject to the constitutional protection of interstate commerce.

Vermont has established a state monopoly of both the wholesale and retail sale of bottled liquor. Vermont also licenses the private sale of liquor by the drink, and the sale of wine and beer by the bottle and the drink. These operations, plus the enforcement of state alcohol beverage laws, are managed by the Vermont Department of Liquor Control.

The Vermont approach to liquor control is followed in similar form by 17 other states, known collectively as "control states." The remaining states, known as "license states," regulate all aspects of liquor, wine and beer sales through state licensing.

The original rationale of both types of liquor control was to moderate consumption of alcohol beverages, especially liquor. In control states, the state liquor monopolies have also been recognized as ready sources of public revenues, due to the ability of government to keep profits which otherwise would go to private businesses.

B. Alcohol beverage sales.

Liquor sales per capita in the United States increased steadily from the repeal of prohibition in 1933 until the late 1970's. Since then, liquor sales per capita have declined by sizable amounts in both control states and license states. Wine and beer sales per capita have also declined in both groups of states, but by lesser rates than for liquor.

Over the past decade, liquor sales per capita declined in Vermont at a greater rate than the average in both control and license states, greater than in Massachusetts, and the same as in New York. Massachusetts and New York are both license states. Declines in wine and beer sales in the three states follow no particular pattern.

However, the remaining quantities of liquor, wine and beer sold per capita in Vermont are greater than the average in both control and license states, greater than in New York, and greater than in Massachusetts except for slightly higher liquor sales in that state.

In the control state of New Hampshire, liquor sales per capita declined at a lesser rate during the last decade than the average in both control and license states, and less than in Vermont, Massachusetts and New York. Wine and beer sales per capita in New Hampshire declined at rates closer to those in other states.

However, the remaining quantities of liquor, wine and beer sold per capita today in New Hampshire are virtually the highest of any of the other states. Among the 50 states plus the District of Columbia, New Hampshire ranks first in liquor sales per capita, second in beer sales per capita, and fourth in wine sales per capita.

C. Public revenues derived from alcohol beverage sales.

The control states on average receive a greater amount of public revenue from each bottle of an alcohol beverage sold than do the license states. Thus the total state and local revenue raised per capita on sales of all liquor, wine and beer are higher on average in the control states than in the license states.

Total public revenue from alcohol beverage sales in Vermont in 1991 were from 44 percent to 52 percent higher respectively than on average in control and license states, higher than in New York by about the same amount, and 246 percent higher than in Massachusetts.

New Hampshire almost leads the nation in this category as well as in total sales per capita. Total public revenues per capita from liquor, wine and beer sales in New Hampshire are the fifth highest among the fifty states plus the District of Columbia, and in 1991 were 37 percent higher per capita than in Vermont.

D. Prices and sales to out-of-state consumers.

In 1992, retail prices in Vermont were lower for liquor, wine and beer than on average in control and license states, and than in Massachusetts and New York. The retail price of liquor in New Hampshire was significantly lower than in Vermont. Retail prices of wine and beer in New Hampshire were only slightly lower than in Vermont. Vermont liquor prices are also lower than in Canada.

The combined wholesale and retail markup of liquor prices in the control states follow these differences in price. In 1990, the markup averaged 66 percent for all control states, compared to 64 percent in Vermont and 40 percent in New Hampshire in the same year.

The state of New Hampshire has sought to maximize public revenues from state liquor sales by appealing to out-of-state consumers, which are estimated to make up 60 percent of total New Hampshire liquor sales. New Hampshire thus has a very high volume of sales, at a comparatively low net income per bottle sold, but which in total produces substantial public revenues, most of which are said to be paid by nonresidents.

No estimate is available of Vermont liquor sales to out-of-state consumers, but such sales are assumed to be significant and to account for the higher volume of sales per capita in Vermont compared to most other states. Vermont liquor control officials also assume that Vermont liquor sales have been lost to New Hampshire, among both out-of-state consumers and Vermont residents near the Vermont-New Hampshire border.

E. Vermont revenue from alcohol beverage sales.

Public revenue in Vermont from state liquor sales are obtained from a state tax of 25 percent of the gross value of sales. In fiscal year 1993, $9.6 million was deposited in the state general fund from this tax, plus part of the fees for licenses issued for all private alcohol beverage sales. An additional $4.5 million was raised from state taxes on wine and beer sales.

These public revenues have remained fairly constant over the last decade in current dollar values, unadjusted for inflation. However, when adjusted for inflation, the public revenues from liquor, wine and beer have all declined substantially over the last decade.

F. Vermont liquor sales operating expenses.

The total expense of the Vermont state liquor sales operation in fiscal year 1993 was equal to 12.6 percent of the gross value of sales, and has been at this level since at least fiscal year 1989. This measure of operating expenses is one-third lower than the average for all of the control states which, like Vermont, monopolize both the wholesale and retail functions.

In New Hampshire, total operating expenses as a share of the gross value of liquor sales are one-quarter lower than in Vermont. However, the quantity of liquor sales in New Hampshire is 450 percent greater than in Vermont, which could be expected to result in a lower operating expenses as a share of the gross value of sales.

G. Vermont retail liquor sales.

State retail liquor sales in Vermont are made through nine state stores, which account for 28 percent of all sales, plus 60 private stores which, as agents of the Department of Liquor Control, sell liquor on a commission basis.

The total cost to the state of using the agency stores is estimated to be roughly half the retail markup that would be required in a private market in retail liquor sales. Liquor sales made by the Vermont state stores are 30 percent more expensive than the sales by agency stores.

Were all state liquor stores in Vermont closed, with liquor sales made entirely through agency stores under the present terms of operation, an estimated annual savings of $300,000 could, after the first year, be realized in the expense of state liquor sales.

H. Should Vermont privatize its liquor sales operation?

This study reviewed an in depth analysis of privatizing the state wholesale and retail liquor monopoly in the state of Virginia, and the experience of the state of Iowa in actually privatizing retail sales in that state while retaining its state monopoly of the wholesale function.

If an objective under the privatization of liquor sales in Vermont were to maintain public revenues from these sales at levels comparable to those realized by the state monopoly, the following can be concluded from the Virginia and Iowa experiences:

- Privatizing the wholesale function of liquor sales would not be reasonable.

- Privatizing retail liquor sales, while retaining a state monopoly of the wholesale function, does appear reasonable for the states of Virginia and Iowa, but not for Vermont. This conclusion is reached because of the more favorable financial condition now experienced by the Vermont liquor monopoly compared to the existing Virginia operation, or to the Iowa operation which existed before the privatization of retail sales.

In addition, liquor sales in Vermont are different from both Virginia and Iowa in several respects, with the most important being the major significance of cross-border sales between Vermont and its surrounding states, and the corresponding importance in Vermont of liquor prices that are competitive with surround states. Retail prices are projected to increase under retail privatization in Virginia, and have increased under actual privatization in Iowa. The Virginia analysis suggests that the "price elasticity of demand" for liquor in that state is such that, for each increase in the price of a bottle of liquor of 1.0 percent, demand by consumers would decline by 0.5 percent. It could be anticipated that for any given retail price increase in Vermont, without increases in prices in the surround states, might result in a greater decline in demand than estimated in Virginia.

Finally, the Vermont state liquor operation may have already taken the most economical step available to it by its use of private agency stores for most of its liquor sales. An Iowa liquor control official interviewed during this study offered the observation that Iowa might have gained more benefits from adopting the agency store approach, than from its actual privatization of retail sales.

II. Forms of state liquor control.

A. "Control states" and "license states"./1

The 21st amendment to the U.S. Constitution repealed prohibition in 1933. This amendment also granted states the power to control the transportation, possession and use of "intoxicating liquors," and thereby relieved the states from limitations of the commerce clause on interstate commerce in alcohol beverages.

The Vermont system of liquor control follows one of two general approaches taken by the states since the repeal of prohibition. Vermont and 17 other states today are considered "control states," while the rest are referred to as "license states." Aspects of the alcohol beverage industry are dealt with according to the two approaches as follows:

- None of the control or license states monopolizes the manufacture of any alcohol beverage.

- All control states monopolize sales of liquor at the wholesale level, with some control states including wine in their wholesale monopoly.

- Most control states monopolize the retail sale of bottled liquor, with some including retail bottled wine sales in their retail monopoly.

- None of the control or license states monopolizes the sale of beer, at either the wholesale or retail level.

- All control states license the private wholesale and retail sale of bottled beer, and of bottled wine if it is not monopolized.

- All control states also license the private sale by the drink of all liquor, wine and beer.

- The license states control all aspects of liquor, wine and beer sales through various forms of state regulation and licensing of private businesses. This includes wholesale and retail sales by the bottle and by the drink.

B. Vermont liquor control.

The Vermont liquor control system monopolizes the sale of bottled liquor at both the wholesale and retail level, with retail prices set by the state Liquor Control Board and applied uniformly throughout the state. Retail liquor sales are currently made through nine state operated stores, which have 28 percent of all sales, and 60 private "contract agencies." The latter are all private retail outlets of other products (such as groceries) which contract with the state to sell liquor on a commission basis. The state also regulates and licenses the private sale of liquor by the drink, and the wholesale and retail sale of wine and beer by the bottle and by the drink. All of these activities, plus the enforcement of state alcohol beverage laws, are administered by the Vermont Department of Liquor Control.

The state general fund receives over 90 percent of the net proceeds from state liquor sales, and over 70 percent of fees collected from the liquor, wine and beer licenses. The general fund monies from liquor sales are obtained through a 25 percent tax on gross retail sales./2 The proportion of license fees deposited in the general fund is set annually by the legislature./3 The remaining monies from liquor sales and fees pay for the enforcement of state alcohol beverage laws, plus a share of state alcohol abuse prevention and treatment programs./4 In fiscal year 1993, $9.6 million was deposited in the general fund from the liquor sales tax and licenses fees. In addition, the Vermont Department of Taxes collects state taxes on wine and beer sales, which in fiscal year 1993 raised $4.5 million./5

C. The rational of state liquor control.

1. Moderate consumption of alcohol.

After the repeal of prohibition in 1933, the states generally sought to limit consumption of all forms of alcoholic beverages. Liquor became a focus of the effort. This was due to the prominence liquor gained during prohibition, as the most concentrated form of alcohol and thus the alcohol beverage most easily concealed and transported illegally.

The control states sought to limit liquor consumption by removing the profit motive from its distribution and sale, and thus from its commercial promotion. The state liquor monopolies were intended to make liquor accessible, but only under limited conditions and in moderation. One of the statutory duties of the Vermont Commissioner of Liquor Control is to "devise methods" for "eradicating intemperance."/6 This aim in control states originally took various forms contrary to ordinary practices of private retail businesses, including limits on advertising. Vermont statute, for example, prohibits billboard advertising of liquor, wine or beer./7

The licensing of all forms of alcohol beverage sales by both control and license states was also originally motivated by the same control objective.

2. Raise state revenues.

In the control states, state liquor monopolies became acknowledged as ready sources of state revenue. State government could keep liquor sales profits which otherwise would have been retained by private businesses. In recent decades state liquor monopolies have modernized their retail operations and copied some private retail practices, in an effort to maintain or increase their yields in state revenues.

III. Sales and revenues, Vermont compared to other states.

A. Current sales and revenues.

Table One indicates sales per capita in 1991 of liquor, wine and beer in the United States as a whole and in selected states. The table also indicates total state and local revenues per capita from all alcohol beverage sales.

On average, less liquor, wine and beer is sold per capita in the control states than in the license states, but the control states realize greater public revenues from these sales per capita than do license states. Accordingly, control states on average typically receive a higher amount of public revenue per gallon of alcohol beverage sold than do license states./8

Table One also indicates sales in Vermont and its three bordering states. These figures indicate liquor, wine and beer sales per capita in Vermont are greater on average than in both control and license states. Vermont sales of liquor, wine and beer per capita are also greater than in two of its border states, the license states of Massachusetts and New York, except for liquor sales in Massachusetts.

TABLE ONE — Total Alcohol Beverage Sales Per Capita -- 1991
United States and Selected States

	Sales: Wine Gallons Per Capita			Total State and Local Revenue, From All Alcohol Beverage Sales
	Liquor	Wine	Beer	Dollars Per Capita
All Control States	1.20	1.44	22.74	$37.21
All License States	1.44	2.03	23.30	35.09
Total, All States	1.37	1.86	23.14	35.69
Control States:				
Vermont	1.60	2.87	25.02	$53.47
New Hampshire	3.82	3.01	32.94	73.10
License States:				
Massachusetts	1.73	2.72	21.86	15.44
New York	1.35	2.31	19.63	39.54
Rank Among The States:				
Control States:				
Vermont	17	6	14	9
New Hampshire	1	4	2	5
License States:				
Massachusetts	7	7	34	50
New York	30	14	48	18

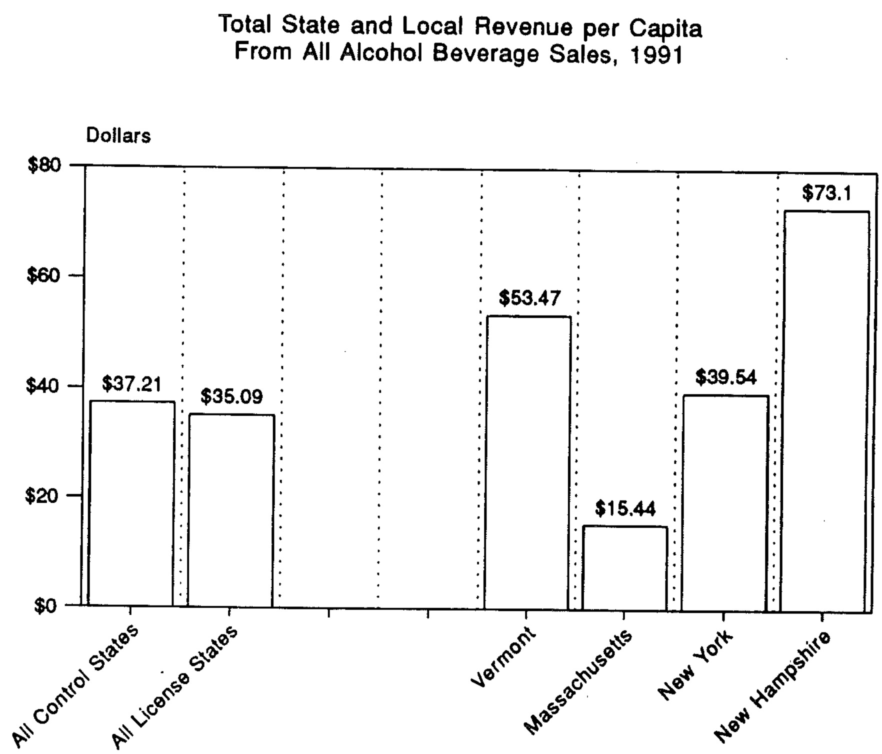
Source: The Distilled Spirits Council of the United States, Inc. (SUM10)

Still more significant is that public revenues per capita from these sales are substantially greater in Vermont than on average in both control and license states, as well as in Massachusetts and New York. These comparisons are indicated in Table One, and are graphed in Figure One.

The control state of New Hampshire, Vermont's third border state, has sales per capita of liquor, wine and beer that are greater, or nearly so, than in all the other 49 states and the District of Columbia. This sales volume reflects the effort by that state to maximize sales, particularly of liquor, to out-of-state consumers.

However, while New Hampshire sales of liquor per capita were 139 percent greater than those in Vermont, and were also greater by a smaller margin for wine and beer sales, New Hampshire receives proportionally much less public revenues from each sale than does Vermont. Accordingly, total revenue from sales of all three types of alcohol beverage per capita in New Hampshire was 36 percent greater than in Vermont. This comparison of sales volume and revenues reflects the pricing practices of New Hampshire and Vermont, as discussed below.

FIGURE ONE



B. Trends in sales.

From 1933 on for the next five decades, total liquor sales per capita in the United States increased steadily, but since the end of the 1970's have declined./9 Figure Two and Figure Three graph the decline in liquor sales per capita from 1982 through 1992 in the United States and in selected states. Table Two indicates the percentage decline in annual sales per capita of liquor, wine and beer, between 1982 and 1992, in the United States as a whole and in selected states.

On a national level, annual liquor sales per capita declined over the decade of 1982 through 1992 by 25 percent on average in the control states, and 28 percent in the license states. The decline in liquor sales per capita in Vermont was even greater, at 37 percent, which was a greater rate of decline than in Massachusetts, but slightly lower than in New York. In contrast, liquor sales per capita in New Hampshire declined by only 17 percent, presumably reflecting the success of this state in exporting liquor sales.

TABLE TWO

Change In Total Alcohol Beverage Sales
Per Capita -- 1982-1992
United States and Selected States

	Annual Sales — Percent Change Per Capita 1982 - 1992		
	Liquor	Wine	Beer
All Control States	-24.5	-10.9	-3.1
All License States	-27.9	-16.4	-7.9
Total, All States	-27.0	-14.9	-6.6
Control States:			
Vermont	-36.7	-11.2	-8.3
New Hampshire	-16.7	-11.4	-4.9
License States:			
Massachusetts	-30.3	-7.6	-19.3
New York	-37.9	-21.9	-16.4

Source: The Distilled Spirits Council of the United States, Inc.
SUM30

FIGURE TWO Liquor Sales per Capita
U.S. and Vermont, 1982-1992

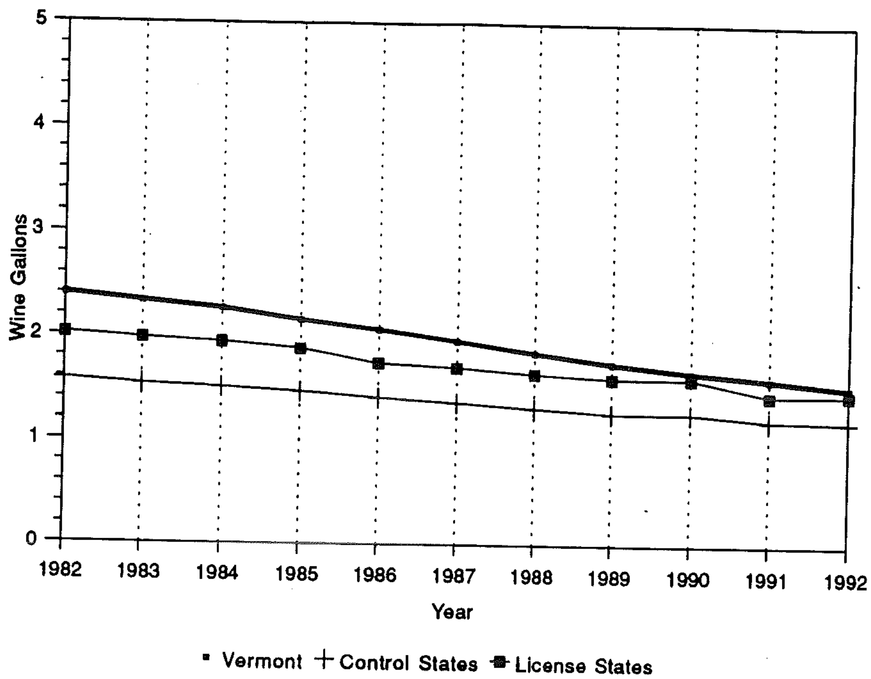
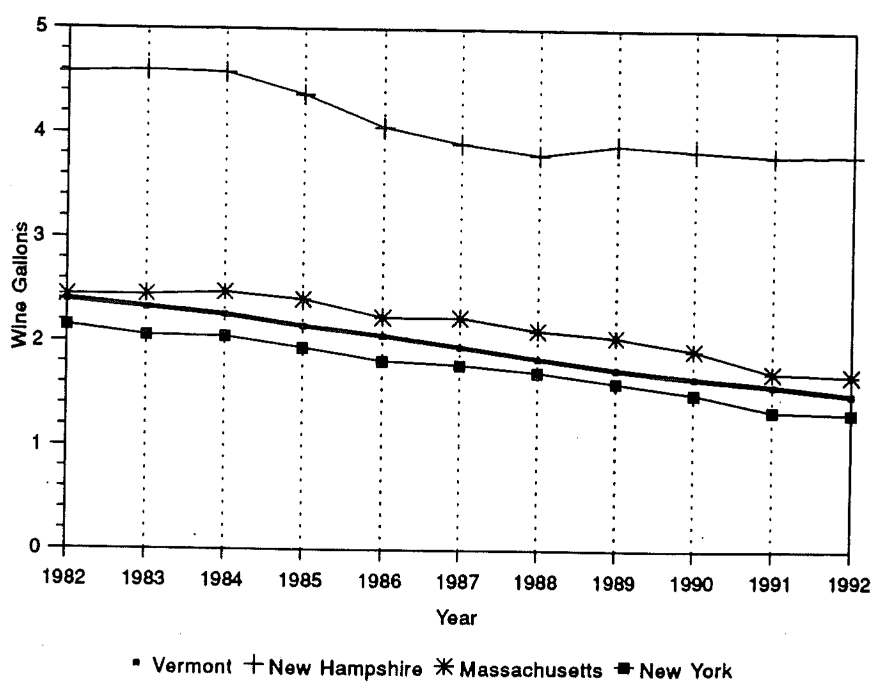


FIGURE THREE Liquor Sales per Capita
Vermont and Border States, 1982-1992



In the United States as a whole, annual wine and beer sales per capita also declined during the decade, but by lesser rates than for liquor sales. These declines in wine and beer sales were greater in the license states than in control states, which follows the same pattern as for the decline in liquor sales.

The decline in wine sales per capita was the same in both Vermont and New Hampshire, at 11 percent. This rate was greater than in Massachusetts, but much less than in New York. Beer sales per capita in Vermont declined at a slightly greater rate than in New Hampshire, but at a lesser rate than in both Massachusetts and New York.

C. Prices and sales to out-of-state consumers.

Table Three indicates typical retail prices in 1992 for liquor, wine and beer in the United States as a whole, and in selected states.

Prices in 1992 for liquor were lower on average in control states than in license states. Average prices for wine and beer were about the same in both control and license states.

Prices for liquor and wine were lower in Vermont and New Hampshire than on a national average for both control and license states, and lower than in Massachusetts and New York. Beer prices in Vermont were about the same as

TABLE THREE — Typical Retail Prices — 1992
Alcohol Beverage Sales
United States and Selected States

Dollars Per Standard Individual Container

	Liquor	Wine	Beer
	25.4 fluid ounce bottle	25.4 fluid ounce bottle	72 fluid ounce 6-pack
All Control States	$8.89	$3.59	$4.46
All License States	9.62	3.62	4.39
Total, All States	9.44	3.61	4.41
Control States:			
Vermont	8.25	2.93	4.43
New Hampshire	6.90	2.80	4.12
License States:			
Massachusetts	8.84	3.31	4.87
New York	11.41	4.05	4.89

Source: The Distilled Spirits Council of the United States, Inc.
LCPR10

the national average, while beer prices in New Hampshire were a little lower than the national average. Vermont and New Hampshire beer prices were lower than in Massachusetts and New York.

In New Hampshire, the low price of liquor sold through the state monopoly reflects a effort to maximize sales to consumers from other states where prices are higher. The New Hampshire Liquor Commission estimated in 1991 that over 60 percent of its total liquor sales were to out-of-state consumers./10

No estimate of current or past Vermont sales to out-of-state consumers is available. Such sales can be assumed to be significant, since Vermont liquor prices are competitive with those in Massachusetts and New York, as well as in Canada. Vermont liquor sales can also be assumed to have been lost to New Hampshire among out-of-state consumers, and among Vermont residents along the Vermont-New Hampshire border.

The pricing policy of the Vermont liquor monopoly is to set prices as low as possible, to attract out-of-state sales and retain sales to Vermont residents, while assuring that total revenues will be sufficient to cover operating costs after the statutory state tax on liquor sales has been subtracted.

From the several comparisons above between liquor sales, public revenues, and prices, it is clear that the New Hampshire monopoly has pursued a strategy of selling a large volume of liquor by offering a low retail price, thereby operating on a lower margin of net income per sale, but realizing a larger total return in state revenue, with the majority of it paid by out-of-state residents. New Hampshire has the natural comparative advantage of a geographic location in close proximity to the Boston area as well as on the routes north taken by tourists to the Maine coast and to Vermont. The New Hampshire state liquor monopoly has exploited its geographic location emphasizing assess by out-of-state consumers to state stores, including placing stores on interstate highways.

IV. Vermont liquor control.

A. Sales and tax revenues.

Table Four shows annual liquor sales in Vermont for the decade of fiscal years 1984 through 1993. Total cases sold declined in each of the years. The average price of a case was increased regularly during the period, from $75.74 in 1984 to $105.26 in 1993. The price increases helped to maintain annual total sales dollars, which in current dollar values (that is, unadjusted for inflation) declined from $38 million in fiscal 1984 to $37 million in fiscal 1993. However, when adjusted for inflation, prices are seen to have been kept fairly constant, while annual total sales dollars declined by 30 percent from $53 million in fiscal 1984 to $37 million in fiscal 1993.

Table Five indicates the state tax revenues collected from liquor sales during the same period, compared to tax revenues collected from wine and beer sales. Taxes receipts from all three alcohol beverages followed the same pattern of change. But whereas the decline in liquor tax revenues is due to a decline in sales, the decline in tax revenues of wine and beer is also due to the absence of a change in tax rates during the period.

TABLE FOUR Liquor Sales -- Vermont -- FY 1984-1993
Vermont Department of Liquor Control

		Current Dollar Value		Constant 1993 Dollar Value (adjusted for inflation)	
Fiscal Year	Cases Sold	Average Case Price	Total Sales Dollars	Average Case Price	Total Sales Dollars
1984	506,344	75.74	38,348,663	104.28	52,797,195
1985	482,522	77.96	37,618,444	102.33	49,377,807
1986	465,783	84.14	39,190,399	106.36	49,538,107
1987	451,067	87.09	39,283,287	106.60	48,082,163
1988	432,331	89.33	38,621,544	104.95	45,376,079
1989	415,883	92.61	38,515,952	104.38	43,410,326
1990	395,464	95.32	37,699,429	103.52	40,940,664
1991	380,823	98.81	37,628,726	103.18	39,294,187
1992	364,643	103.47	37,730,454	105.77	38,567,831
1993	351,344	105.26	36,983,222	105.26	36,983,222

Source: Vermont Department of Liquor Control.
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TABLE FIVE Revenue from State Tax on Sales of Liquor, Wine and Beer
Vermont -- Fiscal Years 1984-1993

Fiscal Year	Current Dollar Value			Constant 1993 Dollar Value (adjusted for inflation)		
	Liquor (a)	Wine (b)	Beer (c)	Liquor (a)	Wine (b)	Beer (c)
1984	9,587,166	849,387	3,846,738	13,199,299	1,169,408	5,296,064
1985	9,404,611	885,614	3,755,078	12,344,452	1,162,453	4,928,899
1986	9,797,600	976,562	3,973,206	12,384,527	1,234,410	5,022,279
1987	9,820,822	1,057,634	3,993,998	12,020,541	1,294,528	4,888,595
1988	9,655,386	1,035,500	4,071,428	11,344,020	1,216,599	4,783,481
1989	9,628,988	984,950	3,976,715	10,852,582	1,110,111	4,482,052
1990	9,424,857	881,362	3,800,897	10,235,166	957,138	4,127,682
1991	9,407,182	882,214	3,866,526	9,823,547	921,261	4,037,660
1992	9,432,614	851,409	3,743,065	9,641,958	870,305	3,826,137
1993	9,245,806	805,846	3,706,124	9,245,806	805,846	3,706,124
Percent Change 1984-1993:	-3.6	-5.1	-3.7	-30.0	-31.1	-30.0

Source: Vermont Department of Liquor Control; Vermont Department of Taxes.

(a) Tax rate on liquor: 25 percent of gross value of sales.
(b) Tax rate on wine: $.55 per gallon.
(c) Tax rate on beer: $.265 per gallon.
TAX10

B. Current flow of funds.

Table Six outlines the flow of funds of the Department of Liquor Control for fiscal year 1993.

Under the heading "liquor sales operation," the table indicates that the department received a total income from liquor sales and related sources during the year of $37,671,852. Total expenses of the liquor sales operation were $27,445,090 (including the cost of goods sold of $22,776,430, and the cost of operation of 4,667,261). This left a net income from the liquor sales operation of $10,226,762.

Under the heading "enforcement operation," Table Six indicates that the department received an additional income of $516,405 in license fees (for sales by the bottle of wine and beer, and by the drink of liquor, wine and beer). One purpose of these fees is to help pay for enforcing state laws related to liquor, wine and beer. The expense of this enforcement was $916,861, which exceeded the fee income. Moreover, of the total fee income,

TABLE SIX Flow of Funds, Vermont Department of Liquor Control, Fiscal Year 1993

I. LIQOUR SALES OPERATION

1. Income		
	Gross sales	36,983,222
	Other	688,630
	Total	37,671,852
2. Expenses		
	Cost of goods sold	22,776,430
	Operating	4,667,261
	Other	1,399
	Total	27,445,090
3. Net income		10,226,762

II. ENFORCEMENT OPERATION

1. Income		
	License Fees	516,405
2. Expenses		
	Enforcement Division	916,861
3. Income used for expenses		148,387
4. Operating shortfall		(768,474)
5. Net income		368,018

Source: Vermont Department of Liquor Control.

LCSUM10

III. FINANCIAL BALANCE

1. Net income		
	Liquor sales	10,226,762
	License Fees	368,018
	Total	10,594,780
2. Uses of net income		
a. General fund deposits		
	Liquor tax	9,236,597
	License Fees	368,018
	Sub-total	9,604,615
b. OADAP transfer		433,017
	Sub-total	10,037,632
c. Enforcement Division short fall		768,474
	Total	10,806,106
3. Balance in net income		(211,326)

IV. VALUE OF REAL PROPERTY

1. Montpelier property		
	Building	1,700,000
	Site	140,000
	Total	1,840,000
2. Montpelier property tax foregone		
	Estimate for 1993	44,116

only $148,387 was available for use for enforcement, because $368,018 was set aside for deposit in the general fund. This left a deficit in the enforcement operation of $768,474.

Under the heading "financial balance," the table shows a total net income of $10,594,780, made up of the net income from liquor sales and the fee set-aside. This net income was used as follows: $9,604,615 was deposited in the general fund (as required in statute concerning both liquor sales and license fees), $433,017 was transferred to the Agency of Human Services for alcohol and drug abuse programs, and $768,474 designated for the enforcement operation deficit. This left an overall shortage of funds available to the department for all its activities of $211,326, which was covered in fact by the current cash flow of the department.

Table Six also indicates that an estimated $44,116 in property taxes to the City of Montpelier was foregone in 1993 on the state-owned property occupied by the department's central operation. This could be added to the total expense of the state liquor operation shown above.

C. Operating expenses.

Table Seven shows the expense of the Vermont liquor sales operation as a percentage of the dollar value of gross and net liquor sales. In fiscal year 1993, the total state liquor sales operating expense, including wholesale and retail functions, was $4,667,261. This expense represented 12.6 percent of the gross value of liquor sales in fiscal year 1993. This operating expense indicator for Vermont liquor sales was virtually the same in each of the five fiscal years ending in 1993.

Table Seven also shows these indicators on average for all the control states which monopolize both wholesale and retail sales, and for New Hampshire, in 1990./11. The Vermont operating expense as a percentage of the gross value of liquor sales, was one-third lower than on average for the control states.

Compared to New Hampshire, the Vermont operating expense as a percent of the gross value of sales was 25 percent higher. This difference between Vermont and New Hampshire may be the result of the much higher sales volume in New Hampshire, which was 4,265,000 wine gallons of liquor in 1990, compared to 936,000 wine gallons of liquor sold in Vermont that year. Thus, with a sales volume in New Hampshire 450 percent greater than in Vermont, it might be assumed that operating costs in New Hampshire would also be lower than in Vermont, when figuring the operating expense as a percentage of the value of gross sales.

When these measures of operating expenses are viewed as indicators of the efficiency of state liquor sales operations, then the Vermont operation compares very favorably with other control states on average. The Vermont operation can also be considered as performing well in comparison to the New Hampshire operation, when taking into account the much higher New Hampshire sales volume.

TABLE SEVEN — Operating Expenses and Price Markup
Vermont and Other State Liquor Monopolies

Fiscal Year	Operating Expense As A Percentage of The Gross Value of Liquor Sales	Combined Wholesale/ Retail Price Markup
2. Vermont		
1989	11.6	64.20
1990	12.0	64.20
1991	12.3	63.70
1992	12.3	61.80
1993	12.6	62.00
2. Average for 15 Control States (a)		
1990	16.0	66.2
3. New Hampshire		
1990	9.6	39.8

Source: Vermont Department of Liquor Control; New Hampshire Liquor Commission.

(a) Excluded are the states of Iowa, Mississippi and Wyoming, which have state monopolies for wholesale liquor sales, but not retail sales. The other 15 control states monopolize both wholesale and retail sales.

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D. Retail sales operation.

The Vermont Department of Liquor Control maintains one warehouse to receive and store liquor for sale in the state. The department offices are at the warehouse site. The warehouse and offices are state-owned property. The department sells liquor through nine state operated retail stores, plus 60 private "contract agencies." The building space occupied by state stores is leased from private owners. Each contract agency is a private retail business which sells goods other than liquor.

Retail liquor prices are set by the state Liquor Control Board, with administrative support from the department. Prices are uniform throughout the state for the same item. The private agencies receive a commission from the department, at the average rate of 6.5 percent of the gross value of retail sales. The department pays for liquor stocks and their distribution to each agency. The department also pays for agency supplies related to liquor sales, such as bags, stickers, forms, and cash registers which are connected by telephone lines to the department offices where sales are recorded.

Department officials argue that the agency commission is less than it costs a retail store to sell liquor. The private retail liquor markup in license states is typically about 25 percent./12 The total cost to the department of its support of agency stores is an estimated 4.5 percent of the gross value of the sales made by the agency stores. This amount, plus the 6.5 percent commission to agency stores, would be roughly equivalent to a 12.4 percent retail price markup.

Private retailers are said by department officials to want to be state liquor agents for two reasons. First, the department follows a practice of selecting an agent to serve a community only after demand has been demonstrated, and will not establish an agency that would undercut the business of another agency. This situation offers an agency the assurance of a retail market not afforded in the private marketplace. Second, the ability of an agency to offer liquor for sale is considered a customer "draw" to the individual store, or even to a group of retail stores in the same area. The additional sales of other goods to customers who come to buy liquor is considered the pay-back to an agency store for the cost of selling liquor for the state.

Table Eight summarizes the expenses of the state liquor sales operation. The figures in this and the next table are for fiscal year 1992, instead of 1993, because certain detailed information discussed below is more readily available for 1992. The dollar differences between the two years are very small, enabling the 1992 figures to represent accurately the current liquor sales operation.

The department allocates the costs of departmental administration and warehouse operation to both state stores and contract agencies based on their proportion of the gross value of total sales. The costs of operation, state personnel who operate the state stores, and the agency sales commissions, are each the actual outlays associated with either the state stores or the contract agencies.

The cost of operating the state stores in fiscal year 1992 was equal to 34 percent of the total expense of the liquor sales operation that year. The value of liquor sales by state stores was a lesser 28 percent of the value of total liquor sales. In contrast, the cost of operating the agency stores was equal to 66 percent of the total expense of the liquor sales operation, while the value of sales by agency stores was a greater 77 percent of the value of total sales.

TABLE EIGHT

State Liquor Sales Operation -- Vermont
Fiscal Year 1992
Total Expenses

Dollars; Percentage

	9 Existing State Stores	60 Existing Agency Stores	Total
1. Liquor Sales Operation:			
Total Expenses:			
a. Operations	$ 293,395	$ 230,917	$ 524,312
b. Administration	279,199	717,940	997,139
c. Warehouse	132,224	340,006	472,230
d. Personnel	846,740		846,740
e. Sales commission		1,783,361	1,783,361
Total	$1,551,558	$3,072,224	$4,623,782
2. Percentage of Total Expenses	33.6%	66.4%	100.0%
3. Percentage of Total Sales	27.8%	72.2%	100.0%

Source: Vermont Department of Liquor Control.

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When applying the efficiency measure used above, of operating costs as a percentage of gross sales value, the cost of operating the state stores was equal to 14.7 percent of the value of sales made by the state stores. In contrast, the cost of operating the agency stores was equal to 11.2 percent of the value of sales made by the agency stores. From this perspective, sales made by the state stores were 30 percent more expensive than sales by agency stores.

E. <u>Potential savings of closing state stores</u>.

Table Nine details the projected savings of converting all of the existing state liquor stores to new private agency stores. This comparison is based on an individual analysis of each of the nine state store operations made by department officials using fiscal year 1992 data. The comparison also assumes that the current average of 6.5 percent commission would be paid to the new agencies, and that all other income and expense factors would remain the same.

The comparison shows that using new agency stores in place of the existing state stores would, in fiscal 1992, have yielded a savings of

TABLE NINE

State Liquor Sales Operation -- Vermont

Hypothetical Comparative Cost of The Same Retail Sales, Using State Stores Versus Agency Stores*

Dollars; based on fiscal year 1992 income and expenses.

Retail Expenses	9 Existing State Stores	New Agency Stores Used In Place of Existing State Stores	Savings and New Costs
1. Projected Annual Savings:			
a. Retail sales	10,484,017		
b. State Tax	(2,617,859)		
c. Net sales	7,866,158		
d. Cost of goods	(6,491,921)		
e. Net operating income	1,374,237	1,374,237	
f. Operations/administration/ warehouse	(704,818)	(467,398)	
g. Personal services	(846,740)		
h. Sales commission		(666,055)	
i. Net profit or loss	(177,321)	240,784	418,105
j. Manufacturer discount	97,737	97,737	
k. Balance	(79,584)	338,521	418,105
2. Projected New Annual Cost:			
a. Warehouse/distribution		61,657	
b. Field supervisor		49,656	
		111,313	(111,313)
3. Projected Net Annual Savings:			306,792
4. Projected One Time Cost of Closing State Stores: State employee compensation, accrued time			(331,182)

Source: Vermont Department of Liquor Control. (RETAIL20)

* Assumptions:

a. The current rate of compensating agency stores does not change.

b. All other income and expense factors remains the same, including total sales, liquor prices, and departmental expenses.

$418,105. (This would occur both before or after accounting for manufacturers' discounts on the cost of goods.) However, the department estimates new costs of switching to all agency stores. One cost would be for increased warehouse and distribution activity, because state stores now act as as mini-warehouses for covering occasional stock shortages at agency stores. In addition, one more field supervisor would be needed (bringing the total to four) to assist agency stores in lieu of such assistance now received by state store personnel. These activities would cost an estimated $111,313 annually, thereby lowering the expected annual net savings to $306,792. This net savings in fiscal 1992 would have been equal to 6.6 percent of total liquor sales expenses.

An additional one-time expense of closing the state stores, estimated at $331,182, would be required to compensate existing state employees working in the stores for their accrued time. Thus, the annual net savings would not be realized until this expense was paid.

Finally, all state stores are located in leased space, with current lease terms for various periods of time. If a state stores were closed before a lease had expired, buying out the lease would be another one-time expense. Alternatively, the closing of a state store could be deferred until its lease expired, which would also defer the savings from closing the store until that time.

V. Privatization.

Would Vermonters be better off if the state liquor sales operation was turned over, in whole or in part, to the private sector? A private market for the distribution and sale of a commodity is most appropriate if market competition is considered desirable, as a way of assuring that a commodity is available, and at the most reasonable price, to consumers who value the commodity the most. However, public liquor control policy as developed in Vermont and several other states is generally contrary to these objectives. In addition to having a wide range of types of liquors available to the public, the underlying objective of these states is to limit the conditions under which liquor is available, and to maximize the monetary returns to state government from liquor sales.

From the comparisons made above between control states and license states, it appears evident that the state monopolies of the control states produce greater public revenues. Thus, even though the control states on average have fewer sales per capita, and lower liquor prices than the license states, the state monopolies in the control states produce more revenue for use by government per unit of liquor sold, as well as more revenue in total dollars per capita, than is available for government use in the license states. This situation is due to the retention by state monopolies of all profits for government use, plus the consolidation in nearly all control states of both wholesale and retail functions into a single entity. In contrast, the private sale of liquor requires a retained profit, and such a profit is required separately at both the wholesale and the retail levels.

These considerations have been examined in depth regarding liquor sales in the control state of Virginia. In addition, the control state of Iowa recently privatized its former state run retail liquor sales operation, while retaining a state monopoly of wholesale liquor sales.

Both the Virginia and Iowa situations are reviewed below. However, before doing so it should be noted that the monopoly character of liquor sales in the control states is substantially qualified by the so-called "cross-border" retail liquor trade. This trade obliges state monopolies to assume a competitive point of view to the extent cross-border trade is significant. For Vermont, with its small population, its presumed reliance on out-of-state consumers for a significant share of liquor sales, and its physical location next to New Hampshire, cross-border competition is very important. Neither Virginia nor Iowa experience a similar cross-border situation. The relevance of the Virginia study and the Iowa privatization experience to Vermont is lessened accordingly.

A. Virginia.

The Governor of Virginia in 1992 directed that a study be undertaken of the possible privatization of liquor sales in Virginia. The study was conducted by the consulting firm of Price Waterhouse, covering every aspect of the Virginia system, with comparative analysis of other control as well as license states./13

The existing Virginia sales operation for bottled liquor is similar to the Vermont operation. The state monopolizes both the wholesale and retail functions. However, a significant difference is that retail sales in Virginia are made entirely by state operated stores, in contrast to use in Vermont of private stores as state agents for nearly three-quarters of its liquor sales. In addition, bars and restaurants in Virginia may sell liquor for off-premise consumption, although bars and restaurants must buy their bottled liquor from a state store.

In 1991, total per capita liquor sales in Virginia were 1.15 wine gallons, compared to 1.60 in Vermont. Sales per capita of wine and beer in Virginia were also lower than in Vermont by similar margins. The combined state and local revenue per capita from liquor, wine and beer sales in Virginia in 1991 was $39.76, compared to $53.47 in Vermont./14 The current expense of the state liquor sales operation in Virginia is an estimated 17.8 percent of the gross value of total liquor sales, compared to 12.6 percent in Vermont in fiscal year 1993./15 Virginia residents near the state border with the District of Columbia are thought to purchase a significant amount of liquor in the district, although such cross-border trade is thought to be moderate for the state as a whole.

The Price Waterhouse study evaluated two privatization approaches. One is partial privatization, which would establish a private market in retail sales but retain the state monopoly of the wholesale function. The second approach is full privatization, which would establish a private market in both wholesale and retail sales. These evaluations sought to specify the effects of partial and of full privatization, while at the same time retaining the level of revenues available for government use that exists under the current state monopoly of both wholesale and retail functions. The retention of the same level of public revenue is known as "revenue neutrality."

Key considerations regarding the privatization of liquor sales are the price markups required, the change in consumer demand for liquor in response to a given change in retail price (known as the "price elasticity of demand"), the changes in the value of total liquor sales and of public revenues resulting from changes in prices and in sales.

1. Partial privatization.

Under partial privatization, the Price Waterhouse evaluation concluded that revenue neutrality could be maintained under the following conditions:

- A reduction in the state monopoly wholesale markup from the existing 51 percent to 36 percent (to allow for an assumed 25 percent private retail markup), with retention of the existing 20 percent state excise tax on liquor. These conditions would result in a 13 percent increase in retail prices, or an average increase per bottle from $8.49 to $9.59 (compared to $8.25 in Vermont, and $6.90 in New Hampshire).

- The volume of sales would decline by six percent (assuming consumption would decline by 0.5 percent for each 1.0 percent increase in price, and assuming only modest cross-border activity).

- The cost to the state of liquor sales control would be reduced to 41 percent of the existing cost.

The study authors conclude that the assumed wholesale price markup and excise tax rate would be similar to other partially privatized states. And with the moderate price increases assumed, revenue neutrality could be maintained. However, to the extent price increases result in significant cross-border trade, ". . . maintaining revenue neutrality could be more difficult."/16

2. Full privatization.

Under full privatization, the Price Waterhouse evaluation concluded that to attempt to achieve revenue neutrality would require the following conditions:

- With no state wholesale monopoly, institute a new state excise tax on liquor equal to 53 percent of its wholesale price (which is more than 300 percent higher than the average excise tax in license states, or 165 percent higher than the current Virginia excise tax). This new excise tax, along with a 25 percent wholesale markup plus a 25 percent retail markup, would result in a 32 percent increase in retail prices.

- The volume of sales would decline by 16 percent (assuming, as above, that sales would decline by 0.5 percent for each 1.0 percent increase in price, and assuming only modest cross-border activity).

- The cost to the state of liquor sales control would be reduced to 33 percent of the existing cost.

The study authors are not certain that revenue neutrality could be maintained under a fully privatized system. That is, less public revenue would likely result, due to the very high excise tax required for revenue neutrality, and the resulting large increase in prices and predicted reduction in sales. Cross-border trade could increase more than anticipated, reducing sales still further, initiating another round of price increases to attempt to achieve revenue neutrality.

B. Iowa.

In 1986, the Iowa legislature adopted a bill to privatize the retail sales portion of the state monopoly of bottled liquor sales. The measure took effect March 1, 1987. The state agency responsible for liquor control in Iowa has recently issued a report on its privatization of retail sales./17 In addition, a telephone interview was held with a knowledgeable official of the Iowa liquor control agency.

The Iowa liquor sales operation that existed before privatization was very similar to the Virginia operation, with the same major difference from the Vermont operation. In Iowa the state monopolized both the wholesale and retail functions. Before privatization, retail sales in Iowa were made entirely by state operated stores, in contrast to partial use in Vermont of private stores as state agents.

Liquor sales per capita in Iowa have traditionally been among the lowest of all the states. In 1991, total per capita liquor sales in Iowa were 0.92 wine gallons, compared to 1.60 in Vermont. Iowa sales per capita that year were the next lowest of the 50 states plus the District of Columbia./18 Sales per capita of wine in Iowa are much lower than in Vermont, while beer sales are only slightly lower in Iowa. The combined state and local revenue per capita from liquor, wine and beer sales in Iowa in 1991 was $29.46, compared to $53.47 in Vermont FN./19 The expense of the Iowa state liquor sales operation in the year before privatization was an estimated 16.9 percent of the gross value of liquor sales, compared to 12.6 percent in Vermont in fiscal year 1993./20 Cross-border liquor trade is said to be of minor significance in Iowa, for both liquor purchases by Iowa residents in other states, and for out-of-state consumers purchasing liquor in Iowa.

The low liquor sales in Iowa are said to be due to the "conservative" nature of its population, a substantial decline in its resident population during the decade of the 1980's, a resulting aged population, and very little out-of-state tourism in Iowa. The primary political reason for privatizing retail liquor sales is said to have been the "philosophical" view that the state simply should not be in the liquor business, regardless of the effects of privatization on state revenues.

There had also been governmental concern about the expense of the state sales operation prior to privatization. While liquor sales were declining, the expense of the state sales operation was increasing. Privatizing the retail sales operation was viewed as a way for state government to rid itself of part of the growing expense of state liquor sales.

The approach taken to privatization, in addition to closing the state stores, was to lower the 76 percent state wholesale/retail markup on liquor, to a wholesale markup of 50 percent. This reduction was to allow for a markup by private stores without an excessive rise in retail prices. The dollar amount of the decrease in state revenue expected to result from the decreased state markup, was intended to equal the amount of estimated state savings from closing the state stores.

Initially, private stores did not increase retail prices, in order not to discourage sales. By 1991, private retailers had increased their markup to 25 percent of wholesale, with a resulting average retail liquor price today of $10.45 for a 25.4 fluid ounce bottle (compared to $8.25 in Vermont, and $6.90 in New Hampshire). The Iowa state liquor control agency estimates that by 1991, prices had ". . . increased to 7.4 percent above what they would have been if the state had retained its stores."/21

Even though sales have continued to decline, the state liquor control agency estimates that state revenues collected under the new system, including new fees for retail sales license, have been more than 50 percent greater than what they would have been had the state kept its old system of retail sales. However, this estimate is due in considerable part to the projection after 1986 of a major decline under the old system in net state revenues, and to a substantial improvement said to have been made in the efficiency of the remaining state wholesale and other liquor control functions.

C. Vermont.

What do the Virginia analysis and the Iowa experience suggest for the Vermont state liquor sales operation?

If it is desired in Vermont to maintain revenue neutrality, full privatization as analyzed in Virginia, concerning both wholesale and retail functions, would appear unreasonable.

Partial privatization, of maintaining a state wholesale monopoly, but converting to a private market in retail sales, appears reasonable for both Virginia and Iowa. However, privatization of the Vermont retail liquor operation may not be as reasonable.

Several differences in the liquor industry in Vermont compared to both Virginia and Iowa have been indicated above. Compared to both of these other states, Vermont now has higher liquor, wine and beer sales per capita, receives more public revenue per capita from these sales, and offers a lower retail price per bottle of liquor than after privatization in both Virginia and Iowa. Moreover, the out-of-state tourism in Vermont, and Vermont's location next to New Hampshire, cause cross-border liquor trade to be substantially more significant in Vermont than in either Virginia or Iowa. This situation underscores the importance in Vermont of maintaining a retail liquor price as competitive as possible with prices in surrounding states. It could be expected that for a given increase in retail price in Vermont, without an increase in prices in the surrounding states, demand for Vermont liquor might well decrease by a greater amount than estimated in Virginia.

In addition, the state liquor sales operation in Vermont appears to be more cost effective than the existing state monopoly operation in Virginia, or than the state monopoly operation which existed in Iowa before its privatization of the retail function. The use in Vermont of private stores, acting as state agents paid on a commission basis, may be a more cost effective approach than privatizing retail sales could be in Vermont. The

Iowa state liquor control official interviewed for this report offered the observation that Iowa might have benefited more from adopting the agency store approach used in Vermont, than the privatization actually adopted.

As discussed above, the Vermont liquor sales operation could realize savings by eliminating its remaining state liquor stores, and using agency stores entirely for retail sales.

Notes

1 An informative review of the history and current practices of state liquor control in the United States is contained in: The Role of Alcohol Monopolies, Report from a conference at Skarpo, Sweden in January, 1987 (printed by Systembolaget, Stockholm, 1988).

2 Authorized by 7 V.S.A., Section 422.

3 The decision is made in the general appropriations act; see for example, Sec. 277 of Act No. 60 of 1993.

4 The allocation for alcohol abuse programs is made through an interdepartmental transfer authorized in the annual general appropriations act; see for example, Sec. 122 of Act No. 60 of 1993.

5 Authorized by 7 V.S.A. Section 421.

6 Established by 7 V.S.A. Section 107(8).

7 Required by 7 V.S.A. Section 666.

8 Other statistics collected for all the states indicate that public revenue from alcohol beverage sales are also more important to the control states, in that this revenue as a percentage of all state tax revenue is greater on average by about one-third in the control states than in license states. However, the state-by-state figures on "all state tax revenue" used in this calculation may not be strictly comparable. Public Revenues from Alcohol Beverages, 1991, compiled and prepared by the Distilled Spirits Council of the United States, Table 20.

9 1992 Statistical Information for The U.S. Liquor Industry, Distilled Spirits Council of the U.S., Inc., October 6, 1993, Table One.

10 State Control vs Privatization, State of New Hampshire Liquor Commission, September 25, 1991, p. 4. Also useful for an understanding of the New Hampshire operation is, The Tax Incentives and Economic Consequences of Cross-Border Activity, American Legislative Exchange Council, Volume 16, Number 11, Washington, D.C., July 1990.

11 Absent are Iowa, Mississippi and Wyoming, which all monopolize liquor at the wholesale level, but not the retail level.

12 A Study of Virginia's Existing Liquor Distribution System, A Report of Price Waterhouse Consulting To The Governor and The General Assembly of Virginia, Senate Document No. 35, Commonwealth of Virginia, Richmond, 1993, p. II-8.

13 Ibid.

14 Public Revenues from Alcohol Beverages, 1991, op. cit., Table 18 and Table 19, plus a special tabulation for this study by the Distilled Spirits Council of the U.S., Inc.

15 A Study of Virginia's Existing Liquor Distribution System, op. cit., Exhibit ES-2, and balance sheet prepared by the Vermont Department of Liquor Control.

16 Public Revenues from Alcohol Beverages, 1991, Ibid. p. ES-3.

17 Privatization of Retail Liquor Sales in Iowa, prepared by Dennis Mitcham, Bureau Chief, Alcoholic Beverages Division, Iowa Department of Commerce, January 11, 1993, revised October 8, 1993.

18 Public Revenues from Alcohol Beverages, 1991, op. cit., Table 18, plus a special tabulation for this study by the Distilled Spirits Council of the U.S., Inc.

19 Public Revenues from Alcohol Beverages, 1991, op. cit., Table 19.

20 From telephone interview of Iowa state liquor control official, and balance sheet of the Vermont Department of Liquor Control.

21 Privatization of Retail Liquor Sales in Iowa, op. cit. p. 2.

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