



State of Vermont
Department of Liquor Control
13 Green Mountain Drive
Montpelier, VT 05602
liquorcontrol.vermont.gov

[phone] 802-828-2339
[fax] 802-828-1031

James Giffin, Interim Commissioner

October 20, 2015

Dear Senator Baruth, Representative Stevens and Members of the Vermont Liquor Control System Modernization Study Committee:

The Board thanks the Committee for considering the modernization of the Department of Liquor Control. This is an opportunity for us to work together, collaboratively, to look at the future of our business. As the Committee develops its findings and report to the Legislature and, because some Board members are regrettably unable to attend Wednesday's meeting, we wish to outline a number of items critical to making the sale of liquor even more efficient, effective and profitable for the Vermont economy while protecting the public's health and safety.

1. We Recommend That Vermont Remain A Control State.

We are proud to be a Control State, with the dual benefit of generating significant alcohol-related revenue while at the same time enjoying a reduction in alcohol-related social harm. According to the National Alcohol Beverage Control Association, Vermont leads its bordering states, even New Hampshire, in spirits revenue per ethanol gallon. In terms of spirits revenue per capita, Vermont leads Maine, Massachusetts and New York trailing only New Hampshire (whose statistics are largely skewed by out of state customers). Control states, including Vermont, generate, on average over 50% more revenue per capita than in non-Control States. See Charts, based on data contained in State Alcohol Tax Rates, Attachment A.

Control States are associated with a lower per capita rate of alcohol-related crime. For example, the Community Preventive Services Task Force of the CDC, considered a very high standard of policy and science review on such issues, looked at privatization from a public health perspective and have recommended states not move in this direction. See <http://www.thecommunityguide.org/alcohol/privatization.html>. A report on underage drunk driving fatalities shows lower incidence of drunken driving fatalities among the underage in Control States, Attachment B.

We have watched other jurisdictions, like Washington, switch from a control model which resulted in increased prices for consumers and increased alcohol-related crime. See *Public Health Law Research, Robert Wood Johnson Foundation Alcohol Policies Webinar (November 20, 2014)*, Attachment C.

We have the benefit of utilizing data from NABCA and learning from other Control States and control jurisdictions in other countries, including Canada, and working collaboratively with their representatives, which allow us to be proactive in the face of a dynamic industry. A Control State model is for the benefit of all Vermonters.



Liquor Control Board:

Stephanie M. O'Brien, Chair, John P. Cassarino, Julian Sbardella, Melissa Mazza-Paquette, Thomas Lauzon, Members

2. We Recommend That The Board Retain The Power To Appoint The Commissioner Collaboratively With The Governor And/Or Legislature.

We have been operating with an Interim Commissioner since June and employed an industry leading consultant, David Jackson, to make recommendations for modernizing DLC. We have been implementing a variety of recommendations pertaining to the physical structure of the warehouse and DLC operations. We are currently engaged in a search for Commissioner and Deputy Commissioner (a newly-authorized position). In order to maintain the \$80 million (and growing) business and its operations we are looking within Vermont and beyond for the most qualified candidates, preferably with an expertise in the spirits industry and the requisite talent and leadership skills. This would require a commensurate compensation package.

We are aware that the Committee may recommend that the Board's appointment power be eliminated. In order to attract the talent required for this position, we are concerned that losing the power to appoint the Commissioner in favor of a position that serves as the pleasure of the Governor will be detrimental to the business in a number of ways:

- Liquor Control is not a dynamic, policy driven position. Its goals are unlikely to change, based on administration.
- Vermont has become a world-class destination for our beer and distilled spirits. We are building a brand for our Agency Stores, 802 Spirits, and it is important in doing so to have a level of continuity of service between our agents and DLC. Changing a CEO every two years or sooner is counterproductive.
- The Supreme Court confirmed that the Board is the paramount authority in the administration of our liquor laws and regulations. We create policy thorough rule making and an ever growing body of case law. Without the power to oversee the person charged with implementing these policies undermines that critical Board function.
- The Legislature recently affirmed the Board's significance, expanding the Board from three to five members in 2012.
- The Board is Governor-appointed, politically balanced, and from diverse communities across the state serving staggered terms. Our Board plays a pivotal role in setting the policies that govern Vermont's liquor control system. We offer a non-partisan view that has the citizens of our State in the forefront. Each member contributes by asking questions, listening and learning. We debate each point and are very thorough in making sure that the policies we create are beneficial to all.

Working with the Governor and Legislature, the Board should retain appointment power over the Commissioner.

3. We Seek The Committee's Support In Continued Investment In DLC's Business.

Budgetary constraints also have the ability to restrict us from making some business decisions that we might otherwise make, which would allow us to grow and modernize at a much faster pace. We would like to see the Board/Department have the ability to reinvest some of the funds

it generates into the growth and modernization of the Department and our agencies. DLC staffing is lean. There are no redundancies. Each position is critical to the successful operation of the Department. We need their skills and knowledge to operate a business within a government framework. As the Committee knows, we are engaged in a comprehensive overhaul of our point-of-sale technology. We still approve over 10,000 licensee applications (with 50 different license types) per year manually. We need to move on to automate these approvals in a manner similar to what Vermonters do with fishing & hunting licenses and motor vehicle registrations. Next, we need to provide our Agents and customers the ability to check inventory and place special orders online. We will outgrow our warehouse in three to five years. We must begin planning now for a more modern, efficient and, above all, safer warehouse. With the ability to reinvest our earnings in the business, we can accomplish our goals.

4. Vermont Would Benefit From A Professionalized Board.

Our Board should be professionalized and made into, at least, a part-time position. One significant challenge we face is our limited meeting schedule. Each member contributes a significant amount of their own time, some working a 40-hour week or using vacation time, while putting their own full-time career on hold. At a \$50.00 stipend per public meeting, this is a huge sacrifice and a large benefit for the State and the Department. This becomes imperative should the Legislature ultimately determine that our Board would have oversight over the sale of marijuana.

5. We Request That The Committee Support DLC In An Effective Review Process Of Agents.

We want to ensure that our Agency stores are delivering the highest in customer service and providing an optimal shopping experience. We have recently expanded the number of Agencies to 80 over the past few months. We would like the number of Agents and locations to remain a business decision for the Board. We seek uniformity within our Agencies, providing Vermonters with a pleasant and educational shopping experience. We have started this process with our new branding of 802 Spirits. We need to implement higher standards and expectations in our contracts; these contracts do not come with a lifetime guarantee.

For being a citizens' Board, meeting on a very limited basis, we have made solid progress in carrying out DLC's mission. We are hopeful that the Modernization Study Committee can see that we are all dedicated in what we do and we look forward to working together.

Respectfully submitted,



Stephanie M. O'Brien, Chair
Vermont Liquor Control Board