



**STATE OF VERMONT**  
DEPARTMENT OF LIQUOR AND  
LOTTERY TASK FORCE

December 20, 2017

Rep. Helen Head, Chair  
Committee on General, Housing and Military Affairs

Dear Rep. Head:

Pursuant to 2017 Acts and Resolves No. 83, Sec. 167(e), I am sending you a copy of the Report of the Department of Liquor and Lottery Task Force, which includes draft legislation necessary to create the Department of Liquor and Lottery and the Board of Liquor and Lottery. The enclosed report and draft legislation have the unanimous support of the Task Force members and the draft legislation is being introduced in the House by Representative Stevens, the Vice-Chair of the Task Force, and Representative Harrison.

The Task Force respectfully encourages you to take up the draft legislation for consideration. In addition, while the Task Force has completed its work pursuant to Act 83, the members would welcome the opportunity to testify in your Committee regarding the work of the Task Force and the draft legislation.

Sincerely,

*Matt Krauss*

Matthew Krauss, Chair, Department of Liquor and Lottery Task Force

DJL



**Report of the Department of Liquor and Lottery Task Force  
December 2017**

*Matthew Krauss, Chair*

*Senator Alison Clarkson*

*Sabina Haskell, Chair, Lottery Commission*

*Representative Tom Stevens, Vice Chair*

*Brittney Wilson, Secretary of Civil and  
Military Affairs*

*Martin Manahan, Chair, Liquor Control  
Board*

**Table of Contents**

I. Introduction .....1

II. Background .....1

    A. The Department of Liquor Control .....1

    B. The Liquor Control Board .....2

    C. The Vermont Lottery .....2

    D. The Lottery Commission .....3

III. Statutory Authority and Responsibilities of the Task Force .....3

IV. Summary of Task Force Activities .....5

V. Issues Considered by the Task Force .....6

    A. Efficiencies from Combining the Department of Liquor Control with the Lottery .....6

    B. The Combination of the Liquor Control Board and the Lottery Commission .....9

    C. Should the Board of Liquor and Lottery be a Full-Time, Professional Board? .....10

VI. Plan for Creating the Department of Liquor and Lottery .....11

VII. Appendices

    Appendix 1: 2017 Acts and Resolves No. 83, §§ 166 and 167

    Appendix 2: Witness List

    Appendix 3: Draft Legislation

    Appendix 4: Issue and Decision Matrix for Department of Liquor and Lottery Task Force

## **I. Introduction**

During the summer and fall of 2017, the Department of Liquor and Lottery Task Force met six times to develop legislation and a plan necessary to merge the Department of Liquor Control and the Liquor Control Board with the State Lottery and the Lottery Commission, in order to form a new Department of Liquor and Lottery. The Task Force has prepared draft legislation, which is included in Appendix 3 of this report, that it recommends the General Assembly take up for consideration at the commencement of the legislative session in January.

## **II. Background**

### **A. The Department of Liquor Control**

The Department of Liquor Control is an independent department within State government that employs 55 individuals. It is headed by the Commissioner of Liquor Control, who is appointed by the Governor from a group of candidates proposed by the Liquor Control Board.<sup>1</sup>

The Department is responsible for licensing alcoholic beverage retailers, wholesalers, and manufacturers, as well as tobacco retailers. Each year, the Department processes the applications for some 13,000 alcoholic beverage licenses and permits.<sup>2</sup>

In addition, the Department of Liquor Control is responsible for the distribution and retail sale of spirits and fortified wines. The Department operates a 30,000-square-foot warehouse from which products are distributed to the State's 80 agency liquor stores on a weekly or biweekly basis. The spirits and fortified wines sold through the State's agency liquor stores belong to the State until they are sold to customers, which include restaurants and bars that hold a third-class license. In fiscal year 2017, the Department sold roughly 413,000 cases of spirits and fortified wines, a year-over-year increase of 2.5 percent, or roughly 10,000 cases, relative to fiscal year 2016. These sales contributed to gross revenues of \$86,960,798.00<sup>3</sup>, an increase of \$3,390,883.00 over the previous year, and a net contribution of \$25,278,227.00 to the General Fund, which was \$679,358.00 more than the year before. The gross revenue of the Department has grown by \$8,325,340.00 since fiscal year 2014's gross revenue of \$78,635,458.00, an average of roughly 3.35 percent per year.

The Department's Compliance and Enforcement Division employs 14 field investigators, who are certified full-time law enforcement officers that proactively work with licensees to ensure compliance with the State's alcoholic beverage and tobacco laws and regulations. There is roughly one investigator for every 300 licensees. The investigators conduct alcohol and tobacco compliance checks and inspections of licensed premises. In fiscal year 2016, the Department

---

<sup>1</sup> The current Commissioner of Liquor Control was appointed by the Liquor Control Board under a prior version of 7 V.S.A. § 106. That section was amended by Act No. 144 of 2016, Sec. 16 to provide, in pertinent part, that "[w]ith the advice and consent of the Senate, the Governor shall appoint from among no fewer than three candidates proposed by the Liquor Control Board a Commissioner of Liquor Control for a term of four years." 7 V.S.A. § 106(a)(1). Pursuant to Act No. 144 of 2016, Sec. 20, the current Commissioner is serving a four-year term that will end on January 31, 2020.

<sup>2</sup> During the 2016–2017 licensing year (May 1 through April 30), the Department issued or renewed 13,187 licenses and permits.

<sup>3</sup> \$83,699,149.00 of the Department's revenues were directly attributable to alcohol sales, while the remaining \$3,261,649.00 came from other sources such as licensing fees, classroom fees, and fines.

performed 598 alcohol compliance checks and 1,066 tobacco compliance checks, as well as 2,785 inspections of licensed premises.

The Department's educators provide training to individuals who sell alcohol and tobacco products to the public to ensure that they are sold and served in a safe and legal manner. In fiscal year 2016, the Department taught 201 in-person classes attended by 3,190 individuals, while an additional 5,413 individuals utilized the Department's online training program.

### B. The Liquor Control Board

The Liquor Control Board is a five-member, citizen board. The members are appointed by the Governor biennially for staggered five-year terms.<sup>4</sup> Members are limited to serving no more than two consecutive full terms.

The Board is charged with broad responsibilities for Vermont's liquor control system. One of these responsibilities is supervising and managing the sale of spirits and fortified wines through the Department and the State's agency liquor stores, including listing and setting prices for products. The Board also adopts rules necessary to implement Vermont's alcoholic beverage laws, and enforces those laws through its quasi-judicial and licensing functions.<sup>5</sup> In that role, the Board oversees some 13,000 liquor licenses and permits, as well as the State's 80 agency liquor stores. In addition to its duties in relation to alcoholic beverages, the Board has oversight responsibilities with respect to tobacco licensing, compliance, and enforcement.

The Board meets monthly and Board members receive a per diem of \$50.00 per meeting, plus mileage expenses and incidental costs.<sup>6</sup>

Each full-day Board meeting includes enforcement proceedings, an opportunity for the public to address the Board, and a meeting with the Commissioner. The Board spends a significant portion of each meeting conducting hearings and enforcement proceedings. Pursuant to 7 V.S.A. § 211, the Board is permitted to utilize a hearing officer to conduct hearings related to alleged violations, although it has not done so to date.

### C. The Vermont Lottery

The Lottery is overseen by a Director, who is biennially appointed by the Lottery Commission with the approval of the Governor. The Director supervises and administers the Lottery within the rules adopted by the Lottery Commission.<sup>7</sup> The Lottery employs a total of 21 staff, including five field sales representatives.

The Vermont Lottery is a member of the Tri-State Lotto Compact with its sister lotteries in New Hampshire and Maine. The Vermont Lottery serves as the business office for Tri-State Lotto, performing functions such as billing and the payment of prizes. The Vermont Lottery is also a member of the Multi-State Lottery Association (MUSL), which is a non-profit, government-benefit association owned and operated by its member lotteries. The games that the Vermont Lottery operates as part of MUSL include Powerball, Mega Millions, and Lucky for Life.

---

<sup>4</sup> See 7 V.S.A. § 101.

<sup>5</sup> See 7 V.S.A. §§ 101, 104, and 108.

<sup>6</sup> See 32 V.S.A. § 1010.

<sup>7</sup> See 31 V.S.A. § 657.

The Lottery has over 650 agents that sell lottery products throughout Vermont. Lottery products may only be purchased for cash, and Lottery agents use a proprietary point-of-sale system and special ticket stock to ensure security. The Lottery also utilizes 100 vending machines at certain high volume locations, such as supermarkets.

Roughly 75 percent of sales are of instant tickets that are stored and shipped by UPS directly to the agents from the warehouse at the Lottery's headquarters. The remaining ticket sales are from online multi-jurisdictional games such as Megabucks, Mega Millions, and Powerball. The Lottery warehouse holds an average of about 18 million instant tickets and is typically only 70 to 90 percent full, depending on the time of year. The warehouse processes roughly 500 orders per week, for a total of roughly 5,000 books of tickets shipped each week.

Lottery agents can cash winning tickets with prizes valued at up to \$499.00. Winning tickets with prizes valued at between \$500.00 and \$5,000.00 can be cashed at the Lottery's headquarters or at any People's United Bank location in Vermont.<sup>8</sup> All lottery prizes above \$5,000.00 must be cashed at the Lottery's headquarters and are subject to State and federal income tax withholding.<sup>9</sup> Prizes of \$500.00 and above are also subject to recovery of delinquent taxes and unpaid child support.

The Lottery sales have grown from \$100,927,079.00 in fiscal year 2012 to \$122,370,063.00 in fiscal year 2017, an average annual rate of growth of 3.85 percent. During that time, the Lottery's contribution to the Education Fund has increased from \$22,328,096.00 to \$25,501,795.00 in fiscal year 2017, or an average annual growth rate of about 2.66 percent.<sup>10</sup>

#### D. The Lottery Commission

The Lottery Commission is a five-member, citizen board. The members are appointed by the Governor for three-year terms.<sup>11</sup> Members of the Commission are prohibited from having an investment or ownership interest in any Lottery licensee or contract awarded by the Lottery.<sup>12</sup> Members of the Commission and their household members may not purchase Vermont Lottery tickets.<sup>13</sup>

The Commission is responsible for overseeing and adopting rules necessary to establish and operate the State Lottery.<sup>14</sup> Biennially and subject to the approval of the Governor, the Commission appoints the Director of the Lottery.<sup>15</sup>

The Commission meets monthly, and Commission members receive a per diem of \$50.00 per meeting plus reimbursement of mileage expenses and incidental costs.<sup>16</sup> Each of the Commission's meetings is roughly two hours in length.

<sup>8</sup> Lottery prizes above \$500.00 may be subject to the withholding of child support.

<sup>9</sup> The Lottery is required to withhold State and federal income taxes on any prize of \$600.00 or more when the winner does not furnish a correct taxpayer identification number.

<sup>10</sup> In fiscal year 2016, Lottery sales were slightly higher, with sales of about \$124 million and a contribution of roughly \$26.4 million to the Education Fund. This is likely due to a surge in sales driven by the largest jackpot in history, a \$1.586 billion Powerball jackpot that was claimed in January of 2016.

<sup>11</sup> See 31 V.S.A. § 651.

<sup>12</sup> Id.

<sup>13</sup> See 31 V.S.A. § 661(4)

<sup>14</sup> See 31 V.S.A. § 654.

<sup>15</sup> See 31 V.S.A. § 652.

<sup>16</sup> See 32 V.S.A. § 1010. It should be noted that 31 V.S.A. § 653 provides that "[e]ach member of the Commission shall receive \$30.00 a day and necessary expenses for time actually spent in the performance of the duties of his or her office." However, that section is superseded by 32 V.S.A. § 1010(b), which provides in pertinent part that

### **III. Statutory Authority and Responsibilities of the Task Force**

The General Assembly established the Department of Liquor and Lottery Task Force in 2017 to develop a plan and draft legislation necessary to merge the Department of Liquor Control and the Liquor Control Board with the Lottery and Lottery Commission to form a new Department of Liquor and Lottery. Specifically, the Task Force is charged with the following duties:

1. Identify and examine efficiencies that can be realized through the combination of the Department of Liquor Control's and the State Lottery's administrative, licensing, regulatory, and educational functions, as well as in the marketing, warehousing, distribution, sales, and control of alcoholic beverages and lottery products.
2. Identify and examine long-term efficiencies that can be realized by merging the Department of Liquor Control with the State Lottery.
3. Examine the current role, functions, and composition of the Liquor Control Board and the Lottery Commission, and determine:
  - a. how each body's role, functions, or composition will be affected by their combination; and
  - b. the limitations or barriers to combining the two bodies and how those limitations or barriers can be addressed.
4. Examine whether the Board of Liquor and Lottery should be a full-time, professional board.
5. Identify and examine the positive and negative impacts of creating the Department of Liquor and Lottery with respect to the State's ability to control the distribution of alcoholic beverages, tobacco products, and lottery products without diminishing the Department of Liquor Control's and State Lottery's respective contributions to the General Fund and the Education Fund.
6. Develop a plan and draft legislation necessary to accomplish on or before July 1, 2018 the merger of the Department of Liquor Control and the Liquor Control Board with the State Lottery and the Lottery Commission in order to create the Department of Liquor and Lottery and the Board of Liquor and Lottery.

The draft legislation produced by the Task Force is required to include provisions that would:

1. On July 1, 2018:
  - a. Combine the Department of Liquor Control and the State Lottery to create a Department of Liquor and Lottery, which shall include a Division of Liquor Control to administer and carry out the laws relating to alcohol and tobacco set forth in Title 7 and a Division of Lottery to administer and carry out the laws relating to the State Lottery set forth in 31 V.S.A. chapter 14.
  - b. Combine the Liquor Control Board and the Lottery Commission to create a Board of Liquor and Lottery.

---

“[n]otwithstanding any other provision of law, members of professional or occupational licensing boards or commissions, advisory boards or commissions, appeals boards, promotional boards, interstate boards, supervisory boards and councils, or any other boards or commissions that are not listed in subsection (a) of this section but are otherwise entitled by act of the General Assembly to receive per diem compensation, shall receive per diem compensation in the amount of \$50.00 per day for each day devoted to official duties.”

2. Provide that:
  - a. The Board of Liquor and Lottery shall be the successor to and a continuation of the Liquor Control Board and the Lottery Commission.
  - b. The rules of the Liquor Control Board and the Lottery Commission in effect on July 1, 2018 shall become the rules of either the Board of Liquor and Lottery or the Department of Liquor and Lottery until they are amended or repealed.
    - i. The Department of Liquor and Lottery shall be a successor to and a continuation of the Department of Liquor Control and the State Lottery.
    - ii. All positions and appropriations of the Department of Liquor Control and the State Lottery shall be transferred to the Department of Liquor and Lottery.
  - c. The Commissioner of Liquor Control shall become the Commissioner of Liquor and Lottery and shall direct and supervise the Department of Liquor and Lottery subject to the direction of the Board of Liquor and Lottery.
  - d. The Commissioner of Liquor and Lottery shall assume the powers, duties, rights, and responsibilities of the Commissioner of Liquor Control and the Director of the State Lottery.

The Task Force is composed of six members, one member from the House, one member from the Senate, the Chair of the Lottery Commission, the Chair of the Liquor Control Board, and two members appointed by the Governor. Act No. 83, Sec. 167 requires the Task Force to submit a report, on or before January 15, 2018, “to the Governor, the House Committees on General, Housing and Military Affairs and on Government Operations, and the Senate Committees on Economic Development, Housing and General Affairs and on Government Operations with its findings and a plan and draft legislation necessary to create on or before July 1, 2018 the Department of Liquor and Lottery and the Board of Liquor and Lottery.”

#### **IV. Summary of Task Force Activities**

While the General Assembly was adjourned, the Task Force convened six times in 2017 to hear testimony from stakeholders and experts on a number of issues within its jurisdiction.<sup>17</sup> The Committee took testimony on and discussed the following subjects:

- The statutes that create and govern the Department of Liquor Control and the Lottery
- The organization and day-to-day operations of the Department of Liquor Control
- The responsibilities and jurisdiction of the Department of Liquor Control
- Department of Liquor Control revenues and how they are used
- The Liquor Control warehouse and offices
- The duties, role, and functions of the Liquor Control Board
- The organization and day-to-day operations of the Lottery
- The responsibilities and jurisdiction of the Lottery
- Lottery revenues and how they are used
- The Lottery warehouse and offices
- The duties, role, and functions of the Lottery Commission
- The taxes on alcoholic beverages

---

<sup>17</sup> See Appendix 2: Witness List.



- Opportunities and challenges from a merger that creates the Department of Liquor and Lottery
- Opportunities and challenges related to the siting and construction of a combined facility for the Department of Liquor and Lottery, including the need to conduct a feasibility study
- Questions and concerns expressed by employees of the Department of Liquor Control and the Lottery
- Maine's Bureau of Alcoholic Beverages and Lottery Operations, how it operates and its creation
- Idaho's Liquor Division and Lottery, how they operate, similarities and differences to Vermont, and opportunities for savings and efficiencies that could result from a merger of the two
- The differences between State agencies and departments, and whether to structure the combined Department of Liquor Control and Lottery as a Department or an Agency
- Human resources challenges that may be raised by a merger and how those challenges would be addressed
- Whether a combined Department of Liquor and Lottery could serve as a regulatory body for additional controlled substances in the future

## **V. Issues Considered by the Task Force**

### **A. EFFICIENCIES FROM COMBINING THE DEPARTMENT OF LIQUOR CONTROL WITH THE LOTTERY**

During its work, the Task Force focused its consideration on efficiencies that might be achieved through the merger of the Department of Liquor Control with the Vermont Lottery. The Task Force expects that more efficiencies are likely to be identified following a merger, by the management and staff of the Department of Liquor and Lottery as they work to fully integrate the two entities.

#### *Administrative Functions:*

A merger of the Department of Liquor Control and the State Lottery would present an opportunity for a number of administrative functions to be merged initially through the sharing of duties between the two office locations. However, because current facilities will not permit the offices of a combined Department of Liquor and Lottery to have a single central location, some functions may not be able to merge until a new facility is constructed or located. Even after a combined facility is constructed or located, some functions, such as a location to cash winning lottery tickets, will need to remain separate from other combined administrative offices. This could be accomplished through a separate entrance or similar arrangement, at a future combined facility.

The sharing of duties across the combined Department of Liquor and Lottery could potentially result in long-term vacancy savings as positions are eliminated through attrition. Further, a combined Department would permit the consolidation of the two entities' websites.

The Task Force recommends that the merger to form the Department of Liquor and Lottery include the use of Vermont Certified Public Manager (VCPM) consulting teams and of PIVOT Teams and other resources from the Office of Vermont's Chief Performance Officer to maximize any administrative efficiencies resulting from the merger.

*Licensing Functions:*

Most of the 80 State agency liquor stores also hold a license from the Vermont Lottery. Likewise, most, if not all, of the Vermont Lottery agents have some form of an alcohol or tobacco license, or both. Creating a combined Department of Liquor and Lottery could enable the creation of a single portal or location where businesses wishing to sell alcoholic beverages, tobacco, and lottery products could obtain their licenses. While this would likely be more business-friendly than the current licensing process, it would probably not result in efficiencies for the combined Department because of the differences in the terms of licenses. Alcohol and tobacco licenses are issued and renewed on an annual basis, while Lottery licenses are issued only once.

*Regulatory Functions:*

There would likely be few, if any, efficiencies in terms of regulatory functions realized as a result of merging the Department of Liquor Control with the State Lottery. The Liquor Control Board and the Lottery Commission already utilize the same Assistant Attorney General for purposes of rulemaking. Similarly, a combined Board of Liquor and Lottery would still have the same quasi-judicial role with respect to the enforcement of the liquor control laws and regulations, while the adjudication of violations by Lottery agents would continue to be performed by the Commissioner or Deputy Commissioner of the new Department acting in the place of the former Lottery Director.

*Educational Functions:*

The merger of the Department of Liquor Control and the State Lottery would create the potential for improved understanding by Department of Liquor and Lottery employees of best practices related to the sale of controlled products.

Currently, Lottery field representatives perform trainings when they visit agents, but most training of point-of-sale staff is conducted in-house by each agent, and the trainings can vary from one agent to another. In contrast, all persons selling alcohol and tobacco products must complete a Department of Liquor Control training before they are legally permitted to sell the products.

The merger would create an opportunity for the Commissioner and management of the Department of Liquor and Lottery to create a more robust and efficient training system for all licensees.

*Marketing Functions:*

Potential efficiencies in marketing the products sold by the Department of Liquor Control and State Lottery could be realized without any changes to the two entities' existing facilities. These include the creation a combined website and combined outreach programs, as well as the potential at a future date to use a single vendor for the provision of marketing materials and services. In addition, some of the products sold by the two entities may be complementary, which could result in further marketing efficiencies.

In the short term, contractual obligations with different vendors could limit the ability to pursue combined marketing efforts. In addition, the current marketing models for the Department of Liquor Control and the State Lottery are different. While Liquor Control is focused on creating the 802 Spirits brand through print advertising and a social media presence, the Lottery is focused on television, radio, and print advertising. In addition, the State does not manufacture the alcoholic beverages that it distributes and sells, but, with the exception of multi-state games, the Vermont Lottery designs and contracts for the production of the games it sells.

The Task Force recommends that the merged Department of Liquor and Lottery utilize Vermont's Chief Marketing Office as a resource when determining how best to integrate the marketing programs.

#### *Warehouse Functions:*

Potential efficiencies in the warehousing of the alcoholic beverages and lottery products could be realized following a merger, with the construction of a new facility to meet the office and warehousing needs of the Department of Liquor and Lottery. While the warehouse needs of the Department of Liquor Control and the State Lottery are different, a new facility could be designed to specifically meet their current needs while also being built with an eye towards future growth. The existing Liquor Control warehouse is dated and already at capacity, and a new facility would provide significant benefits in terms of room for additional inventory, enhanced warehouse safety, and a modern design that facilitates the picking of orders for State agency liquor stores. Similarly, a new, larger facility for lottery products would allow additional tickets that are currently stored at the printer's warehouse to be available for immediate distribution in Vermont.

In addition to enhanced efficiency and improved potential for future growth, a combined warehouse facility would create opportunities to cross-train warehouse employees and could result in long-term savings not available with the existing facilities.

To date, the Department of Liquor Control has performed an analysis of the need for a new Liquor Control warehouse, and \$75,000.00 has been appropriated for planning and siting options for a new Department of Liquor Control office and warehouse. The Department of Buildings and General Services recommended to the Task Force that additional funding be appropriated to conduct the feasibility analysis necessary for a new Department of Liquor and Lottery office and warehouse.<sup>18</sup>

#### *Distribution Functions:*

While some potential efficiencies could be realized if alcoholic beverages and lottery products were distributed to the 80 agency liquor stores, currently differences between the distribution models for the Department of Liquor Control and the State Lottery would limit further efficiencies.

The Department of Liquor Control distributes spirits and fortified wines to 80 agency liquor stores using trucks owned by the Department and driven by Department employees. In contrast, the State Lottery distributes by UPS 98 percent of the lottery products sent to its more than 650 Lottery agent locations. In addition, liquor agents order products based on their own

---

<sup>18</sup> The Task Force's discussion of this issue focused only on the needs for a Liquor and Lottery office and warehouse, and did not consider any future changes to the responsibilities or jurisdiction of the Department.

sales experience within their market, while Lottery agents are resupplied on the basis of automated notifications sent from the point-of-sale systems to the Lottery.

The Task Force did discuss the potential for exploring additional efficiencies through contracting out certain deliveries, as has been done by other states, or by changing delivery models in the future. The Commissioner and the management of the Department of Liquor and Lottery could identify and implement those efficiencies following the initial merger.

*Sales Functions:*

Numerous challenges exist to combining the point-of-sale (POS) systems for Liquor Control and the Lottery. Currently, lottery products are sold using proprietary POS systems that provide inventory control and oversight, ensure security, and prevent fraud. Liquor Control sales are performed on a separate register because the spirits and fortified wines are owned by the State and thus must be segregated from agents' other products. In addition, lottery products may only be sold for cash, while spirits and fortified wines may be purchased using cash or credit.

The Department of Liquor Control is currently implementing a new POS system for the State's agency liquor stores. Potential efficiencies could be realized through the future development of a combined point-of-sale system for both liquor and lottery products.

*Control of Alcoholic Beverages and Lottery Products and Enforcement of Related Laws:*

The creation of the Department of Liquor and Lottery could potentially achieve limited efficiencies with respect to the enforcement of the laws related to alcoholic beverages and lottery products. At present, the Department of Liquor Control has dedicated law enforcement officers, while the Lottery does not. Thus, combining enforcement functions as part of a merger could produce some benefit with respect to the enforcement of laws related to the Lottery, because of the availability of the Department of Liquor Control's law enforcement officers to assist with those efforts.

*Long-Term Efficiencies:*

In the long term, the Department of Liquor and Lottery could realize several efficiencies relative to the existing Department of Liquor Control and the State Lottery. While potential future savings from attrition and the reduced size of the Board of Liquor and Lottery relative to the current Liquor Control Board and Lottery Commission are the most obvious, a number of organizational efficiencies may prove to be at least as significant, if not more so.

The combined Department of Liquor and Lottery would have more resources available in terms of training, money, and time than either of the existing entities. Both the Department of Liquor Control and the Lottery are relatively small in terms of their staffing numbers. A combination would create an opportunity for cross-training that could result in improved customer service and greater potential to provide backup across the Department when employees are away on vacation or out of work due to illness. Moreover, a combined Department would provide employees with access to a wider variety of technical platforms and greater opportunities for career growth or variety of work within the Department.

The combined Department of Liquor and Lottery would bring together the two State entities that operate as a business, with a combined gross income of more than \$200 million.

Under a single Commissioner, the combination would likely result in better representation of the two entities in the Governor's cabinet and the General Assembly, as well as improved long-term accountability and responsibility. Moreover, to fully accomplish the goal of merging the two, the Task Force believes that it is necessary to commit to a facility that can house both Liquor Control and Lottery, which will also provide a solid foundation for continued long-term growth.

The Commissioner of Human Resources indicated to the Task Force that this merger is relatively simple in comparison to other mergers of State entities that have occurred in the past. However, given the separate offices and warehouses of the two entities, the merger will likely initially be only administrative. Finally, the combination of the two entities could create a structure that could potentially regulate the distribution and sale of other controlled substances that may become legal in Vermont in the future.

#### B. THE COMBINATION OF THE LIQUOR CONTROL BOARD AND THE LOTTERY COMMISSION

##### *Effect of a Merger on the Bodies' Role, Functions, and Composition:*

The draft legislation proposed by the Task Force would combine the five-member Liquor Control Board and the five-member Lottery Commission into a single five-member Board of Liquor and Lottery. The new Board of Liquor and Lottery would retain the roles and functions of the Liquor Control Board and the Lottery Commission. The members would be responsible for all issues within the jurisdiction of the Board.

##### *Limitations and Barriers to Combining the Liquor Control Board and the Lottery Commission:*

A significant barrier to any merger of the Liquor Control Board and the Lottery Commission will be the increased workload experienced by the volunteers serving on the Board of Liquor and Lottery. At present, the Liquor Control Board meets once per month for a full day. A significant portion of each Board meeting is occupied with enforcement proceedings related to alcohol and tobacco licensees. The Lottery Commission also meets once per month, but its meetings last only about two hours. The Lottery Commission does not conduct enforcement proceedings. In addition to the regular meetings, a member of the Lottery Commission serves on the Tri-State Lottery Commission, and the Chair of the Liquor Control Board represents the State with the National Alcoholic Beverage Control Association.

The increased workload of the combined Board of Liquor and Lottery could make it more difficult to find volunteers willing to serve on the Board. Members of both the Liquor Control Board and the Lottery Commission already dedicate a significant amount of time outside the monthly meetings to their duties. Moreover, the members receive the same per diem amount for each meeting, regardless of the length of the meeting or the amount of preparation required. The Task Force believes that the General Assembly should review the present per diem compensation of \$50.00 per day to determine an appropriate rate.

The workload of the combined Board of Liquor and Lottery could be reduced through the use of a hearing officer for enforcement proceedings related to alcohol and tobacco licensees. The use of a hearing officer by the Liquor Control Board is already authorized by 7 V.S.A. § 211, which means that no legislative changes would be necessary to address this issue. In addition, the Task Force believes that the General Assembly may wish to consider amending 7 V.S.A. § 106 so that the Board would no longer be required to review and nominate a slate of candidates for the

Governor to choose from when he or she appoints the Commissioner of Liquor Control every four years.

A second potential barrier to a successful merger of the Liquor Control Board and the Lottery Commission is the possibility that the combined Board of Liquor and Lottery could neglect one entity or the other. This could be addressed by holding separate meetings or setting aside equal time at each meeting to address business related to Liquor Control and the Lottery.

### C. SHOULD THE BOARD OF LIQUOR AND LOTTERY BE A FULL-TIME, PROFESSIONAL BOARD?

The Task Force discussed the possibility of creating a full-time, professional Board of Liquor and Lottery similar to the Public Service Board or the Green Mountain Care Board. The Task Force identified several advantages and disadvantages related to the creation of a full-time, professional Board. At the present time, the Task Force does not believe that it is necessary to make the Board of Liquor and Lottery a full-time, professional Board.

Vermont has a long tradition of employing citizen boards, and both the Liquor Control Board and the Lottery Commission have successfully functioned as citizen boards. The creation of a full-time, professional Board of Liquor and Lottery would be a significant departure from the current model of a citizen board overseeing a department whose day-to-day operations are under the direction and control of an appointed commissioner or director.

The Task Force acknowledges that there may be a need to revisit this question at some point in the future if the Board's workload increases due to the growth of the Department of Liquor and Lottery or if it is given the responsibility for regulating another controlled substance.

## **VI. Plan for Creating the Department of Liquor and Lottery**

The merger should occur in four separate stages as set forth below:

1. A preparation phase, in which the Commissioner of Liquor Control works closely with the Director of the Lottery, the Commissioner of Finance and Management, the Commissioner of Human Resources, and the Secretary of Administration to lay the groundwork necessary to ensure that the Department of Liquor and Lottery will be able to begin functioning as a single entity on day one of the merger. During the preparation phase, the Governor would also select members of the new Board of Liquor and Lottery. The Task Force's draft legislation expressly provides for this preparation phase.
2. The legal merger of the Department of Liquor Control and the Liquor Control Board with the Lottery and the Lottery Commission. During the second phase, the statutory duties and authority of the existing entities would transfer to the new Department of Liquor and Lottery and the Board of Liquor and Lottery. This is accomplished through the Task Force's draft legislation.
3. Merger of the administrative, regulatory, and executive functions of Liquor Control and Lottery. During this phase, the administrative, regulatory, and executive functions of Liquor Control and Lottery would be gradually merged through the integration of duties, cross-training, and the reallocation of responsibilities to address the needs of the merged Department. The Department of Liquor and Lottery could use Vermont Certified Public Manager (VCPM) consulting teams, the PIVOT Teams and other resources from the Office of

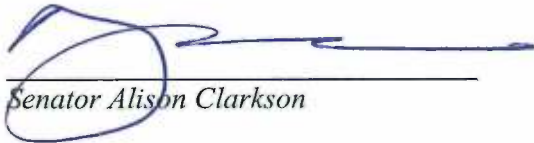
Vermont Chief Performance Officer, and other available State resources during this phase to identify structural changes and maximize efficiencies. While the specific details of actions to be taken during this phase are best left to the Commissioner and the management team of the new Department, the Task Force in its draft legislation has provided for annual progress reports from the Commissioner. In addition, during this third phase, the feasibility and siting analysis for a new facility to house the Department of Liquor and Lottery should be conducted.

4. Physical merger of Liquor Control and Lottery. The Task Force believes that in order to reach optimal efficiency and effectiveness, the final phase of the merger would be the colocation of the Department's offices and warehouses. Providing a single facility is particularly crucial for achieving long-term efficiencies in relation to the warehousing and distribution of alcoholic beverages and lottery products. In addition, it will help to fully integrate the Liquor Control and Lottery staffs and allow for the development of a more cohesive organizational culture.

#### Report of the Department of Liquor and Lottery Task Force

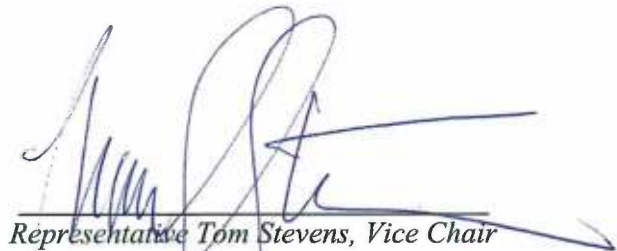


*Matthew Krauss, Chair*

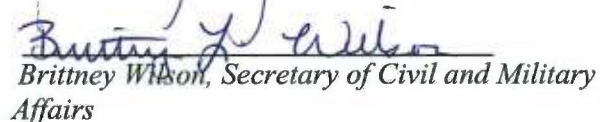


*Senator Alison Clarkson*

*Sabina Haskell, Chair, Lottery Commission*



*Representative Tom Stevens, Vice Chair*



*Brittny Wilson, Secretary of Civil and Military Affairs*

*Martin Manahan, Chair, Liquor Control Board*

Vermont Chief Performance Officer, and other available State resources during this phase to identify structural changes and maximize efficiencies. While the specific details of actions to be taken during this phase are best left to the Commissioner and the management team of the new Department, the Task Force in its draft legislation has provided for annual progress reports from the Commissioner. In addition, during this third phase, the feasibility and siting analysis for a new facility to house the Department of Liquor and Lottery should be conducted.

4. Physical merger of Liquor Control and Lottery. The Task Force believes that in order to reach optimal efficiency and effectiveness, the final phase of the merger would be the colocation of the Department's offices and warehouses. Providing a single facility is particularly crucial for achieving long-term efficiencies in relation to the warehousing and distribution of alcoholic beverages and lottery products. In addition, it will help to fully integrate the Liquor Control and Lottery staffs and allow for the development of a more cohesive organizational culture.

#### **Report of the Department of Liquor and Lottery Task Force**

---

*Matthew Krauss, Chair*

---

*Representative Tom Stevens, Vice Chair*

---

*Senator Alison Clarkson*

---

*Brittney Wilson, Secretary of Civil and Military Affairs*

---

*Sabina Haskell, Chair, Lottery Commission*




---

*Martin Manahan, Chair, Liquor Control Board*



Vermont Chief Performance Officer, and other available State resources during this phase to identify structural changes and maximize efficiencies. While the specific details of actions to be taken during this phase are best left to the Commissioner and the management team of the new Department, the Task Force in its draft legislation has provided for annual progress reports from the Commissioner. In addition, during this third phase, the feasibility and siting analysis for a new facility to house the Department of Liquor and Lottery should be conducted.

4. Physical merger of Liquor Control and Lottery. The Task Force believes that in order to reach optimal efficiency and effectiveness, the final phase of the merger would be the colocation of the Department's offices and warehouses. Providing a single facility is particularly crucial for achieving long-term efficiencies in relation to the warehousing and distribution of alcoholic beverages and lottery products. In addition, it will help to fully integrate the Liquor Control and Lottery staffs and allow for the development of a more cohesive organizational culture.

### **Report of the Department of Liquor and Lottery Task Force**

---

*Matthew Krauss, Chair*

---

*Representative Tom Stevens, Vice Chair*

---

*Senator Alison Clarkson*

---

*Brittney Wilson, Secretary of Civil and Military Affairs*



*Sabina Haskell, Chair, Lottery Commission*

---

*Martin Manahan, Chair, Liquor Control Board*

## Appendix 1: 2017 Acts and Resolves No. 83, Sections 166 and 167

### Sec. 166. FINDINGS AND PURPOSE

#### (a) The General Assembly finds:

(1) The Department of Liquor Control and the State Lottery serve similar roles in Vermont's government by generating significant revenue for the State through the sales of a controlled product.

(2) The Department of Liquor Control is responsible for enforcing Vermont's laws related to alcoholic beverages and tobacco.

(3) The Department is overseen by the Liquor Control Board, which also grants alcohol and tobacco licenses, serves as a quasi-judicial body to adjudicate violations by licensees, and adopts rules necessary to implement the alcoholic beverage and tobacco laws. The Liquor Control Board is composed of five members that are appointed by the Governor for staggered five-year terms. Each member receives per diem compensation for attendance at meetings.

(4) The Lottery Commission oversees and manages the Vermont Lottery and adopts rules necessary to operate it. It is composed of five members that are appointed by the Governor for three-year terms. Each member receives per diem compensation for attendance at meetings.

(5) The respective responsibilities and duties of the Liquor Control Board and Lottery Commission place significant demands on their part-time, volunteer members.

(6) The similarities between the roles and functions of the Department of Liquor Control and the Liquor Control Board, and the State Lottery and the Lottery Commission create the opportunity for the two entities to merge and collaborate in carrying out their respective functions and missions.

#### (b) Accordingly, it is the intent of the General Assembly to:

(1) create a combined Department of Liquor and Lottery that will be a successor to and continuation of the Department of Liquor Control and the State Lottery; and

(2) create a Board of Liquor and Lottery that shall be the successor to and a continuation of the Liquor Control Board and the Lottery Commission.

### Sec. 167. DEPARTMENT OF LIQUOR AND LOTTERY; TASK FORCE; REPORT

(a) Creation. There is created the Department of Liquor and Lottery Task Force to develop a plan and draft legislation necessary to merge the Department of Liquor Control and the State Lottery into the Department of Liquor and Lottery.

#### (b) Membership. The Task Force shall be composed of the following six members:

(1) one current member of the House of Representatives who shall be appointed by the Speaker of the House;

(2) one current member of the Senate who shall be appointed by the Committee on Committees;

(3) the Chair of the Liquor Control Board or designee;

(4) the Chair of the Lottery Commission or designee; and

(5) two members appointed by the Governor.

(c) Powers and duties. The Task Force shall develop a plan and legislation necessary to merge the Department of Liquor Control and the State Lottery and create a new Department of Liquor and Lottery on or before July 1, 2018. In particular, the Task Force shall carry out the following duties:

(1) identify and examine efficiencies that can be realized through the combination of the Department of Liquor Control's and the State Lottery's administrative, licensing, regulatory, and educational functions, as well as in the marketing, warehousing, distribution, sales, and control of alcoholic beverages and lottery products;

(2) identify and examine long-term efficiencies that can be realized by merging the Department of Liquor Control with the State Lottery;

(3) examine the current role, functions, and composition of the Liquor Control Board and the Lottery Commission, and determine:

(A) how each body's role, functions, or composition will be affected by their combination; and

(B) the limitations or barriers to combining the two bodies and how those limitations or barriers can be addressed;

(4) examine whether the Board of Liquor and Lottery should be a full-time, professional board;

(5) identify and examine the positive and negative impacts of creating the Department of Liquor and Lottery with respect to the State's ability to control the distribution of alcoholic beverages, tobacco products, and lottery products without diminishing the Department of Liquor Control's and State Lottery's respective contributions to the General Fund and the Education Fund; and

(6) develop a plan and draft legislation necessary to accomplish on or before July 1, 2018 the merger of the Department of Liquor Control and the Liquor Control Board with the State Lottery and the Lottery Commission in order to create the Department of Liquor and Lottery and the Board of Liquor and Lottery. The draft legislation shall include provisions that would:

(A) On July 1, 2018:

(i) Combine the Department of Liquor Control and the State Lottery to create a Department of Liquor and Lottery, which shall include a Division of Liquor Control to administer and carry out the laws relating to alcohol and tobacco set forth in Title 7 and a Division of Lottery to administer and carry out the laws relating to the State Lottery set forth in 31 V.S.A. chapter 14.

(ii) Combine the Liquor Control Board and the Lottery Commission to create a Board of Liquor and Lottery.

(B) Provide that:

(i) The Board of Liquor and Lottery shall be the successor to and a continuation of the Liquor Control Board and the Lottery Commission.

(ii) The rules of the Liquor Control Board and the Lottery Commission in effect on July 1, 2018 shall become the rules of either the Board of Liquor and Lottery or the Department of Liquor and Lottery until they are amended or repealed.

(iii)(I) The Department of Liquor and Lottery shall be a successor to and a continuation of the Department of Liquor Control and the State Lottery.

(II) All positions and appropriations of the Department of Liquor Control and the State Lottery shall be transferred to the Department of Liquor and Lottery.

(iv)(I) The Commissioner of Liquor Control shall become the Commissioner of Liquor and Lottery, and shall direct and supervise the Department of Liquor and Lottery subject to the direction of the Board of Liquor and Lottery.

(II) The Commissioner of Liquor and Lottery shall assume the powers, duties, rights, and responsibilities of the Commissioner of Liquor Control and the Director of the State Lottery.

(d) Assistance. The Task Force shall have the administrative, technical, and legal assistance of the Office of Legislative Council and the Joint Fiscal Office.

(e) Report. On or before January 15, 2018, the Task Force shall submit a written report to the Governor, the House Committees on General, Housing and Military Affairs and on Government Operations, and the Senate Committees on Economic Development, Housing and General Affairs and on Government Operations with its findings and a plan and draft legislation necessary to create on or before July 1, 2018 the Department of Liquor and Lottery and the Board of Liquor and Lottery. The Task Force's report may take the form of draft legislation.

(f) Meetings.

(1) The members from the House and the Senate shall call the first meeting of the Task Force to occur on or before September 1, 2017.

(2) The Task Force shall select a chair from among its members at the first meeting.

(3) A majority of the membership shall constitute a quorum.

(4) The Task Force shall cease to exist on January 15, 2018.

(g) Reimbursement.

(1) For attendance at meetings during adjournment of the General Assembly, legislative members of the Task Force shall be entitled to per diem compensation and reimbursement of expenses pursuant to 2 V.S.A. § 406 for no more than six meetings.

(2) Other members of the Task Force who are not employees of the State of Vermont and who are not otherwise compensated or reimbursed for their attendance shall be entitled to per diem compensation and reimbursement of expenses pursuant to 32 V.S.A. § 1010 for no more than six meetings.

## **Appendix 2: Witness List**

- Abby Shepard, Tax Policy Analyst, Department of Taxes
- Aimee Pope, Classification Manager, Department of Human Resources
- Beth Fastiggi, Commissioner, Department of Human Resources
- Damien Leonard, Legislative Counsel, Office of Legislative Council
- Danny Rachek, Director, Vermont Lottery
- Ed Flanagan, Member, Vermont Lottery Commission
- Erin Sigrist, Vermont Retail and Grocers Association
- Gary Kessler, Deputy Commissioner, Department of Liquor Control
- Greg Mineo, Director, Maine Bureau of Alcoholic Beverages and Lottery Operations
- Jeff Anderson, Director of the Idaho Liquor Division and the Idaho Lottery
- Jeff Cavender, Director of Sales, Vermont Lottery
- Julian Sbardella, Member, Liquor Control Board
- Karl Fortman, General Manager, Intralot USA
- Mary Cassani, Business Manager, Vermont Lottery
- Mike Ferrant, Director of Security, Vermont Lottery
- Molly Paulger, Classification Director, Department of Human Resources
- Patrick Delaney, Commissioner, Department of Liquor Control
- Sandra Vitzthum, Project Manager II, Department of Buildings & General Services
- Theresa Barrows, Marketing Director, Department of Liquor Control
- Tom Waldman, General Counsel, Department of Human Resources

### Staff for the Task Force

- Damien Leonard, Legislative Counsel
- David Hall, Legislative Counsel
- Liz Raddock, Task Force Assistant
- Peggy Delaney, Task Force Assistant

### Appendix 3: Draft Legislation

Introduced by

Referred to Committee on

Date:

Subject: Alcoholic beverages; Lottery Commission; Department of Liquor Control; lottery

Statement of purpose of bill as introduced: This bill proposes to merge the Department of Liquor and the Liquor Control Board with the Vermont Lottery and the Lottery Commission to create the Department of Liquor and Lottery and the Board of Liquor and Lottery.

An act relating to creating the Department of Liquor and Lottery and the Board of Liquor and Lottery

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 7 V.S.A. § 2 is amended to read:

#### § 2. DEFINITIONS

As used in this title:

\* \* \*

(3) “Board of Liquor and Lottery” means the board of control appointed under the provisions of chapter 5 of this title.

(3)(4) “Boat” means a vessel suitably equipped and operated for the transportation of passengers in interstate commerce.

(4)(5) “Caterer’s license” means a license issued by the ~~Liquor Control Board~~ of Liquor and Lottery authorizing the holder of a first-class license or first- and third-class licenses to serve

alcoholic beverages at a function located on premises other than those occupied by a first-, first- and third-, or second-class licensee to sell alcoholic beverages.

(5)(6) “Certificate of approval” means a license granted by the ~~Liquor Control~~ Board of Liquor and Lottery to a manufacturer or distributor of malt beverages or vinous beverages, or both, that is not licensed under the provisions of this title, that permits the licensee to sell those beverages to holders of a packager’s or wholesale dealer’s license.

(6)(7) “Club” means an unincorporated association or a corporation authorized to do business in this State; that has been in existence for at least two consecutive years prior to the date of application for a license under this title and owns, hires, or leases a building or space in a building that is suitable and adequate for the reasonable and comfortable use and accommodation of its members and their guests and contains suitable and adequate kitchen and dining room space and equipment implements and facilities. A bona fide unincorporated association or corporation whose officers and members consist solely of veterans of the U.S. Armed Forces or a subordinate lodge or local chapter of any national fraternal order; and ~~which~~ that fulfills all requirements of section 229 of this title; except that it has not been in existence for at least two years; shall come within the terms of this definition six months after the completion of its organization.

(7)(8) “Commercial catering license” means a license granted by the ~~Liquor Control~~ Board of Liquor and Lottery permitting a business licensed by the Department of Health as a commercial caterer and having a commercial kitchen facility in the home or place of business to sell alcoholic beverages at a function previously approved by the local control commissioners.

(8)(9) “Commissioner of ~~Liquor Control~~ Liquor and Lottery” means the executive officer of the ~~Liquor Control~~ Board of Liquor and Lottery appointed under the provisions of chapter 5 of this title.

~~(9)~~(10) “Control commissioners” means the commissioners of a municipality appointed under section 166 of this title.

(11) “Department” means the Department of Liquor and Lottery.

~~(40)~~(12) “Destination resort master license” means a license granted by the ~~Liquor Control~~ Board of Liquor and Lottery pursuant to section 242 of this title permitting a destination resort to designate licensed caterers and commercial caterers that will be permitted to cater individual events within the boundaries of the resort without being required to obtain a request-to-cater permit for each individual event. For purposes of a destination resort master license, a “destination resort” is a resort that contains at least 100 acres of land, offers at least 50 units of sleeping accommodations, offers meal and beverage service to the public for consideration, and has related sports and recreational facilities for the convenience or enjoyment of its guests. “Destination resort” does not include the University of Vermont, the Vermont State Colleges, or any other university, college, or postsecondary school.

~~(44)~~(13) “Dining car” means a railroad car on which meals are prepared and served.

(14) “Division” means the Division of Liquor Control in the Department of Liquor and Lottery.

~~(42)~~(15) “Festival permit” means a permit granted by the ~~Department~~ Division of Liquor Control permitting a person to conduct an event at which malt or vinous beverages, or both, are sold by the glass to the public, provided the event is approved by the local control commissioners.

~~(43)~~(16) “First-class license” means a license permitting the licensee to sell malt or vinous beverages to the public for consumption only on the premises for which the license is granted.



~~(14)~~(17) “Fortified wine permit” means a permit granted to a second-class licensee that permits the licensee to export and sell fortified wines to the public for consumption off the licensed premises.

~~(15)~~(18) “Fortified wines” ~~mean~~ means vinous beverages, including those to which spirits have been added during manufacture, containing at least 16 percent alcohol but ~~no~~ not more than 23 percent alcohol by volume at 60 degrees Fahrenheit, and all vermouths containing ~~no~~ not more than 23 percent alcohol by volume at 60 degrees Fahrenheit.

~~(16)~~(19) “Fourth-class license” means a license permitting a licensed manufacturer or rectifier to sell by the unopened container and distribute by the glass, with or without charge, beverages manufactured by the licensee.

~~(17)~~(20) “Home-fermented beverages” means malt or vinous beverages produced at home and not for sale.

~~(18)~~(21) “Hotel” has the same meaning as in 32 V.S.A. § 9202(3) and as determined by the ~~Liquor Control~~ Board of Liquor and Lottery.

~~(19)~~(22) “Industrial alcohol distributor’s license” means a license granted by the ~~Liquor Control~~ Board of Liquor and Lottery that allows holders to sell pure ethyl or grain alcohol of at least 190 proof in quantities of five gallons or more directly to manufacturers, industrial users, hospitals, druggists, and institutions of learning.

~~(20)~~(23) “Keg” means a reusable container capable of holding at least five gallons of malt beverage or at least two-and-one-half gallons of vinous beverage.

~~(21)~~(24) “Legal age” means 21 years of age or older.

~~(22)~~ “Liquor Control Board” means the board of control appointed under the provisions of ~~chapter 5 of this title.~~

~~(23)~~(25) “Malt beverages” means all fermented beverages of any name or description manufactured for sale from malt, wholly or in part, or from any substitute therefor, known as, among other things, beer, ale, or lager, containing not less than one percent nor more than 16 percent of alcohol by volume at 60 degrees Fahrenheit.

~~(24)~~(26) “Manufacturer’s or rectifier’s license” means a license granted by the ~~Liquor Control Board~~ Board of Liquor and Lottery that permits the holder to manufacture or rectify malt beverages, vinous beverages and fortified wines, or spirits and fortified wines.

~~(25)~~(27) “Minor” means an individual who has not attained 21 years of age.

~~(26)~~(28) “Outside consumption permit” means a permit granted by the ~~Department~~ Division of Liquor Control allowing the holder of a first-class, first- and third-class, or fourth-class license to allow for consumption of alcoholic beverages in a delineated outside area.

~~(27)~~(29) “Packager’s license” means a license granted by the ~~Liquor Control Board~~ of Liquor and Lottery permitting a person to bottle or otherwise package alcoholic beverages for sale and to distribute and sell alcoholic beverages at wholesale in this State.

~~(28)~~(30) “Person,” as applied to licensees, means an individual who is a citizen or a lawful permanent resident of the United States; a partnership composed of individuals, a majority of whom are citizens or lawful permanent residents of the United States; a corporation organized under the laws of this State or another state in which a majority of the directors are citizens or lawful permanent residents of the United States; or a limited liability company organized under the laws of this State or another state in which a majority of the members or managers are citizens or lawful permanent residents of the United States.

~~(29)~~(31) “~~Request-to-cater~~ Request-to-cater permit” means a permit granted by the ~~Department~~ Division of Liquor Control authorizing a licensed caterer or commercial caterer to cater individual events.

~~(30)~~(32) “Retail dealer” means any person who sells or furnishes malt or vinous beverages to the public.

~~(31)~~(33) “Retail delivery permit” means a permit granted by the ~~Department~~ Division of Liquor Control that permits a second-class licensee to deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to an individual who is ~~at least~~ 21 years of age or older at a physical address in Vermont.

~~(32)~~(34) “Sampler flight” means a flight, ski, paddle, or any similar device by design or name intended to hold alcoholic beverage samples for the purpose of comparison.

~~(33)~~(35) “Second-class license” means a license permitting the licensee to export malt beverages or vinous beverages and to sell malt beverages or vinous beverages to the public for consumption off the premises for which the license is granted.

~~(34)~~(36) “Special event permit” means a permit granted by the ~~Department~~ Division of Liquor Control permitting a licensed manufacturer or rectifier to sell, by the glass or by the unopened bottle, alcoholic beverages manufactured or rectified by the license holder at an event open to the public that has been approved by the local control commissioners.

~~(35)~~(37) “Special venue serving permit” means a permit granted by the ~~Department~~ Division of Liquor Control permitting an art gallery, bookstore, public library, or museum to conduct an event at which malt or vinous beverages, or both, are served by the glass to the public. As used in this section, “art gallery” means a fixed establishment whose primary purpose is to exhibit or offer for sale works of art; “bookstore” means a fixed establishment whose primary

purpose is to offer books for sale; “public library” has the same meaning as in 22 V.S.A. § 101; and “museum” has the same meaning as in 27 V.S.A. § 1151.

(36)(38) “Specialty beer” means a malt beverage that contains more than eight percent alcohol and not more than 16 percent alcohol by volume at 60 degrees Fahrenheit.

(37)(39) “Spirits” means beverages that contain more than one percent of alcohol obtained by distillation, by chemical synthesis, or through concentration by freezing; vinous beverages containing more than 23 percent of alcohol; and malt beverages containing more than 16 percent of alcohol by volume at 60 degrees Fahrenheit.

(38)(40) “Third-class license” means a license granted by the ~~Liquor Control Board of~~ Liquor and Lottery permitting the licensee to sell spirits and fortified wines for consumption only on the premises for which the license is granted.

(39)(41) “Vinous beverages” means all fermented beverages of any name or description manufactured or obtained for sale from the natural sugar content of fruits or other agricultural product, containing sugar, the alcoholic content of which is not less than one percent nor more than 16 percent by volume at 60 degrees Fahrenheit.

(40)(42) “Wholesale dealer’s license” means a license granted by the ~~Liquor Control Board of~~ Liquor and Lottery permitting the holder to sell or distribute malt or vinous beverages to first- and second-class licensees, to educational sampling event permit holders, and to agencies of the United States.

Sec. 2. 7 V.S.A. § 5 is amended to read:

§ 5. ~~DEPARTMENT~~ DIVISION OF LIQUOR CONTROL; RAFFLES FOR  
RIGHT TO PURCHASE RARE AND UNUSUAL PRODUCTS

(a) Notwithstanding any provision of 13 V.S.A. chapter 51 to the contrary, the ~~Department~~ Division of Liquor Control may conduct raffles for the right to purchase certain rare and unusual spirits and fortified wines that are acquired by the ~~Liquor Control Board~~ of Liquor and Lottery. A raffle conducted pursuant to this section shall meet the following requirements:

\* \* \*

(4) No Board member or employee of the Department of Liquor and Lottery and no immediate family member of a Board member or employee of the Department shall be permitted to enter the raffle.

\* \* \*

Sec. 3. 7 V.S.A. § 61 is amended to read:

§ 61. RESTRICTIONS; EXCEPTIONS

\* \* \*

(b) Notwithstanding subsection (a) of this section, this chapter shall not apply to:

\* \* \*

(3) the furnishing, purchase, sale, barter, transportation, importation, exportation, delivery, prescription, or possession of alcohol for manufacturing, mechanical, medicinal, and scientific purposes, provided that it is done in accordance with the rules of the ~~Liquor Control Board~~ of Liquor and Lottery and licenses and permits issued by the Board of Liquor and Lottery or ~~Department~~ Division of Liquor Control as provided in this title.

Sec. 4. 7 V.S.A. § 62 is amended to read:

§ 62. HOURS OF SALE

\* \* \*

(c) The ~~Liquor Control~~ Board of Liquor and Lottery may adopt rules controlling hours of consumption and sale under this section and may extend the hours of sale by holders of first- or first- and third-class licenses on New Year's Day.

Sec. 5. 7 V.S.A. § 63 is amended to read:

§ 63. IMPORTATION OR TRANSPORTATION OF ALCOHOL;  
PROHIBITIONS; PERSONAL IMPORT LIMIT; PENALTY

(a)(1) All spirits and fortified wines imported or transported into this State shall be imported or transported by and through the ~~Liquor Control~~ Board of Liquor and Lottery. A person importing or transporting or causing to be imported or transported into this State any spirits or fortified wines, or both, in violation of this section shall be imprisoned not more than one year or fined not more than \$1,000.00, or both.

\* \* \*

(b)(1) Except as provided in sections 277, 278, and 283 of this title, all malt or vinous beverages, or both, imported or transported into this State shall be imported or transported by and through the holder of a wholesale dealer's license issued by the ~~Liquor Control~~ Board of Liquor and Lottery. A person importing or transporting or causing to be imported or transported into this State any malt or vinous beverages, or both, in violation of this section shall be imprisoned not more than one year or fined not more than \$1,000.00, or both.

\* \* \*

Sec. 6. 7 V.S.A. § 64 is amended to read:

§ 64. SALE OF MALT BEVERAGES AND VINOUS BEVERAGES IN  
KEGS

(a) A keg shall be sold by a second-class or fourth-class licensee only under the following conditions:

(1) The keg shall be tagged in a manner and with a label approved by the ~~Liquor Control Board~~ Board of Liquor and Lottery. The label shall be supplied and securely affixed to the keg by the wholesale dealer, or in the case of a second-class license issued for the premises of a licensed manufacturer or a fourth-class licensee, by the manufacturer.

\* \* \*

Sec. 7. 7 V.S.A. § 66 is amended to read:

§ 66. HOME-FERMENTED MALT AND VINOUS BEVERAGES;

TASTING EVENT

\* \* \*

(b) Home-fermented beverages produced pursuant to this section may be transported to and offered for tasting at an organized event, exhibition, or competition held for home-fermented beverages, provided all the following conditions are met:

(1) The sponsor provides written notice of the event to the ~~Department~~ Division not later than 10 days prior to the date of the event. The notice shall include a description of the delineated area in which the tastings will be offered, and in the case of a competition, the names of the judges hired by the sponsor.

\* \* \*

(3) Tastings of home-fermented beverages are offered only within the delineated area specified in the notice to the ~~Department~~ Division.

\* \* \*

Sec. 8. 7 V.S.A. chapter 5 is redesignated to read:

CHAPTER 5. DEPARTMENT OF LIQUOR ~~CONTROL~~ AND LOTTERY

Sec. 9. 7 V.S.A. § 101 is amended to read:

§ 101. COMPOSITION OF DEPARTMENT; COMMISSIONER OF  
LIQUOR ~~CONTROL~~ AND LOTTERY; ~~LIQUOR CONTROL~~  
BOARD OF LIQUOR AND LOTTERY

(a)(1) The Department of Liquor ~~Control~~ and Lottery, created by 3 V.S.A. § 212, shall administer the laws relating to alcoholic beverages, tobacco, and the State Lottery. It shall include the Commissioner of Liquor ~~Control~~ and Lottery and the ~~Liquor Control~~ Board of Liquor and Lottery.

(2) The Board of Liquor and Lottery shall supervise and manage the sales of spirits and fortified wines pursuant to this title and the establishment and management of the State Lottery pursuant to 31 V.S.A. chapter 14.

(3)(A) The Department of Liquor and Lottery shall be under the immediate supervision and direction of the Commissioner of Liquor and Lottery.

(B) The Division of Liquor Control is created within the Department to administer and carry out the laws relating to alcohol and tobacco set forth in this title.

(C) The Division of Lottery is created within the Department to administer and carry out the laws relating to the State Lottery set forth in 31 V.S.A. chapter 14.

(D) The Commissioner, with the approval of the Governor, may appoint a Deputy Commissioner of Liquor Control to supervise and direct the Division of Liquor Control and a Deputy Commissioner of the State Lottery to supervise and direct the Division of Lottery. Both Deputy Commissioners shall be exempt from the classified service and shall serve at the pleasure of the Commissioner.



(b)(1) The ~~Liquor Control~~ Board of Liquor and Lottery shall consist of five persons, ~~not more than three members of which~~ the Chair and four regular members. Not all members of the Board shall belong to the same political party.

(2)(A) With the advice and consent of the Senate, the Governor shall appoint the members of the Board for staggered ~~five-year~~ three-year terms.

\* \* \*

(4) The Governor shall biennially designate a member of the Board to be its Chair. The Chair shall have general charge of the offices and employees of the Board.

(c) No member of the Board shall have a financial interest in any licensee under this title or 31 V.S.A. chapter 14, nor shall any member of the Board have a financial interest in any contract awarded by the Board or the Department of Liquor and Lottery.

(d) The Governor shall annually submit a budget for the Department to the General Assembly.

Sec. 10. 7 V.S.A. § 102 is amended to read:

§ 102. REMOVAL

Notwithstanding any provision of 3 V.S.A. § 2004 to the contrary, after notice and hearing, the Governor may remove a member of the ~~Liquor Control~~ Board of Liquor and Lottery for incompetency, failure to discharge his or her duties, malfeasance, immorality, or other cause inimical to the general good of the State. In case of such removal, the Governor shall appoint a person to fill the unexpired term.

Sec. 11. 7 V.S.A. § 104 is amended to read:

§ 104. DUTIES; AUTHORITY TO RESOLVE ALLEGED VIOLATIONS

The Board shall supervise and manage the sale of spirits and fortified wines within the State in accordance with the provisions of this title, and through the Commissioner of Liquor ~~Control~~ and Lottery shall:

(1)(A) ~~See~~ Ensure that the laws relating to alcohol and alcoholic beverages are enforced, using for that purpose as much of the monies annually available to the ~~Liquor Control~~ Board of Liquor and Lottery as may be necessary.

(B) The ~~Liquor Control~~ Board of Liquor and Lottery and its agents and investigators shall act in this respect in collaboration with sheriffs, deputy sheriffs, constables, law enforcement officers certified as Level II or Level III pursuant to 20 V.S.A. chapter 151, and members of village and city police forces, control commissioners, the Attorney General, State's Attorneys, and town and city grand jurors.

\* \* \*

(12) Review the budget for the Department submitted by the Commissioner and approve or amend it for submission to the Governor.

Sec. 12. 7 V.S.A. § 105 is amended to read:

§ 105. DUTIES OF ATTORNEY GENERAL

The Attorney General shall collaborate with the ~~Liquor Control~~ Board of Liquor and Lottery for the enforcement of the provisions of subdivision 104(1) of ~~section 104~~ of this title.

Sec. 13. 7 V.S.A. § 106 is amended to read:

§ 106. COMMISSIONER OF LIQUOR ~~CONTROL~~ AND LOTTERY;

REPORTS; RECOMMENDATIONS

(a)(1) With the advice and consent of the Senate, the Governor shall appoint from among ~~no~~ not fewer than three candidates proposed by the ~~Liquor Control~~ Board of Liquor and Lottery a Commissioner of ~~Liquor Control~~ and Lottery for a term of four years.

(2) The Board shall review the applicants for the position of Commissioner of ~~Liquor Control~~ and Lottery and by a vote of the majority of the members of the Board shall select candidates to propose to the Governor. The Board shall consider each applicant's administrative expertise and his or her knowledge regarding the business of distributing and selling alcoholic beverages and administering the State Lottery.

(b) The Commissioner shall serve at the pleasure of the Governor until the end of the term for which he or she is appointed or until a successor is appointed.

Sec. 14. 7 V.S.A. § 107 is amended to read:

§ 107. DUTIES OF COMMISSIONER OF LIQUOR ~~CONTROL~~ AND  
LOTTERY

(a) The Commissioner of ~~Liquor Control~~ Liquor and Lottery shall direct and supervise the Department of ~~Liquor Control~~ Liquor and Lottery and, subject to the direction of the Board, shall see that the laws relating to alcohol and tobacco under this title and to the State Lottery under 31 V.S.A. chapter 14 are carried out. The Commissioner shall annually prepare a budget for the Department and submit it to the Board for review pursuant to subdivision 104(12) of this chapter.

(b) ~~The~~ With respect to the laws relating to alcohol, the Commissioner of ~~Liquor Control~~ shall:

(1) In towns that vote to permit the sale of spirits and fortified wines, establish local agencies as the ~~Liquor Control~~ Board of Liquor and Lottery shall determine. However, the Board

shall not be obligated to establish an agency in every town that votes to permit the sale of spirits and fortified wines.

\* \* \*

(4) Supervise the quantities and qualities of spirits and fortified wines to be kept as stock in local agencies and recommend rules subject to approval and adoption by the Board regarding the filling of requisitions for spirits and fortified wines on the Commissioner of ~~Liquor Control~~ and Lottery.

(5) Purchase spirits and fortified wines for and in behalf of the ~~Liquor Control~~ Board of Liquor and Lottery; supervise their storage and distribution to local agencies, third-class licensees, and holders of fortified wine permits; and recommend rules subject to approval and adoption by the Board regarding the sale and delivery from the central liquor warehouse.

\* \* \*

Sec. 15. 7 V.S.A. § 108 is amended to read:

§ 108. ENFORCEMENT BY BOARD; REGULATIONS; FORMS AND  
REPORTS

The ~~Liquor Control~~ Board of Liquor and Lottery shall administer and enforce the provisions of this title; and is authorized and empowered to adopt rules and issue the necessary blanks, forms, and reports, except reports to the Commissioner of Taxes and to the Commissioner of Public Safety, as may be necessary to carry out the provisions of this title.

Sec. 16. 7 V.S.A. § 109 is amended to read:

§ 109. AUDIT OF ACCOUNTS OF ~~LIQUOR CONTROL BOARD OF~~

LIQUOR AND LOTTERY

All accounts of the ~~Liquor Control Board of~~ Liquor and Lottery related to its activities pursuant to this title shall be audited annually by the Auditor of Accounts, and the annual report of the audit shall accompany the annual reports of the ~~Liquor Control Board of~~ Liquor and Lottery.

Sec. 17. 7 V.S.A. § 110 is amended to read:

§ 110. SPECIAL BRANDS; PURCHASE BY COMMISSIONER OF

LIQUOR CONTROL AND LOTTERY

If a person desires to purchase any class, variety, or brand of spirits or fortified wine that a local agency or fortified wine permit holder does not have in stock, the Commissioner of ~~Liquor Control and Lottery~~ shall order the product upon the payment of a reasonable deposit by the purchaser in a proportion of the approximate cost of the order as prescribed by the rules of the ~~Liquor Control Board of~~ Liquor and Lottery.

Sec. 18. 7 V.S.A. § 111 is amended to read:

§ 111. TRANSFER OF LOCAL AGENCY STORE IN CONJUNCTION

WITH SALE OF REAL PROPERTY OR BUSINESS

(a) If a proposed sale of real estate or a business in which a local agency store is located is contingent on the transfer of the agency store's contract with the Board to the buyer, the seller and buyer may, prior to completing the sale, submit to the ~~Department~~ Division a request to approve the transfer of the agency store's contract to the buyer. The request shall be accompanied by any information required by the ~~Department~~ Division.

(b) The ~~Department~~ Division shall review the request and evaluate the buyer based on the standards for evaluating an applicant for a new agency store contract.

(c) Within 30 days after receiving the request and all necessary information, the ~~Department~~ Division shall complete the evaluation of the proposed transfer and notify the parties of whether the agency store's contract may be transferred to the buyer.

(d)(1) If the transfer is approved, the contract shall transfer to the buyer upon completion of the sale.

(2) If the transfer is denied, the seller may continue to operate the agency store pursuant to the existing contract with the ~~Department~~ Board.

Sec. 19. 7 V.S.A. § 112 is amended to read:

#### § 112. LIQUOR CONTROL ENTERPRISE FUND

The Liquor Control Enterprise Fund is established. It shall consist of all receipts from the sale of spirits, fortified wines, and other items by the ~~Liquor Control Board~~ of Liquor and Lottery and ~~Department~~ Division of Liquor Control; fees paid to the ~~Department~~ Division of Liquor Control for the benefit of the ~~Department~~ Division; all other amounts received by the ~~Department~~ Division of Liquor Control for its benefit; and all amounts that are from time to time appropriated to the ~~Department~~ Division of Liquor Control.

Sec. 20. 7 V.S.A. § 113 is added to read:

#### § 113. ADMINISTRATION OF DEPARTMENT; APPORTIONMENT OF

##### COSTS

The administrative and operating costs of the Department of Liquor and Lottery that are not specific to either the Division of Liquor Control or the Division of Lottery and the cost of any functions that are shared in common by the two Divisions shall be allocated to and paid from the

Liquor Control Enterprise Fund and the State Lottery Fund based on generally accepted accounting principles.

Sec. 21. USE OF DEPARTMENTAL ADMINISTRATIVE RESOURCES;

APPORTIONMENT OF COSTS; REPORT

On or before January 15, 2019, the Commissioner of Liquor and Lottery shall submit a written report to the House and Senate Committees on Appropriations regarding the allocation of costs to the Liquor Control Enterprise Fund and the State Lottery Fund pursuant to 7 V.S.A. § 113 and the method used for allocating those costs.

Sec. 22. 7 V.S.A. § 162 is amended to read:

§ 162. REPORT

After any annual town meeting in which a town votes on the questions set forth in section 161 of this title, the town clerk shall report promptly the results of the vote to the ~~Liquor Control~~ Board of Liquor and Lottery, upon forms furnished by the Board.

Sec. 23. 7 V.S.A. § 167 is amended to read:

§ 167. DUTIES OF LOCAL CONTROL COMMISSIONERS

(a) The local control commissioners shall administer the rules furnished to them by the ~~Liquor Control~~ Board of Liquor and Lottery, as necessary to carry out the purposes of this title. Except as provided in subsection (b) of this section, all applications for and forms of licenses and permits, and all rules, shall be prescribed by the ~~Liquor Control~~ Board of Liquor and Lottery, which shall prepare and issue the applications, forms, and rules.

\* \* \*

Sec. 24. 7 V.S.A. § 201 is amended to read:

§ 201. LICENSES CONTINGENT ON TOWN VOTE

Licenses of the first or second class shall not be granted by the control commissioners or the ~~Liquor Control Board~~ Board of Liquor and Lottery to be exercised in any city or town, the voters of which vote “No” on the question of whether to permit the sale of malt beverages and vinous beverages pursuant to section 161 of this title. Licenses of the third class shall not be granted by the ~~Liquor Control Board~~ Board of Liquor and Lottery to be exercised in any city or town, the voters of which vote “No” on the question of whether to sell fortified wines and spirits pursuant to section 161 of this title.

Sec. 25. 7 V.S.A. § 202 is amended to read:

§ 202. LICENSES TO ENFORCEMENT OFFICER OR CONTROL  
COMMISSIONER; EXCEPTIONS

\* \* \*

(b) A member of a local control commission to whom or in behalf of whom a first- or second-class license was issued by that commission shall not participate in any control commission action regarding any first- or second-class license. If a majority of the members of a local control commission is unable to participate in a control commission action regarding any first- or second-class license, that action shall be referred to the ~~Liquor Control Board~~ Board of Liquor and Lottery for investigation and action.

(c) An application for a first- or second-class license by or in behalf of a member of the local control commission or a complaint or disciplinary action regarding a first- or second-class license issued by a commission on which any member is a licensee shall be referred to the ~~Liquor Control Board~~ Board of Liquor and Lottery for investigation and action.



Sec. 26. 7 V.S.A. § 203 is amended to read:

§ 203. RESTRICTIONS; FINANCIAL INTERESTS; EMPLOYEES

(a)(1) Except as provided in section 271 of this title, a packager, manufacturer, or rectifier licensed in Vermont or in another state, a certificate of approval holder, or a wholesale dealer shall not have any financial interest in the business of a first-, second-, or third-class licensee, and a first-, second-, or third-class licensee ~~may~~ shall not have any financial interest in the business of a packager, manufacturer, or rectifier licensed in Vermont or in another state, a certificate of approval holder, or a wholesale dealer.

(2) Notwithstanding subdivision (1) of this subsection and except as otherwise provided in section 271 of this title, a manufacturer of malt beverages may have a financial interest in the business of a first- or second-class license, and a first- or second-class licensee may have a financial interest in the business of a manufacturer of malt beverages, provided the first- or second-class licensee does not purchase, possess, or sell the malt beverages produced by a manufacturer with which there is any financial interest. Any manufacturer of malt beverages that has a financial interest in a first- or second-class licensee and any first- or second-class licensee that has a financial interest in a manufacturer of malt beverages, as permitted under this subdivision, shall provide to the ~~Department~~ Division of Liquor Control and the applicable wholesale dealer written notification of that financial interest and the licensees involved. A wholesale dealer shall not be in violation of this section for delivering malt beverages to a first- or second-class licensee that is prohibited from purchasing, possessing, or selling those malt beverages under this section.

\* \* \*

Sec. 27. 7 V.S.A. § 204 is amended to read:

§ 204. APPLICATION AND RENEWAL FEES FOR LICENSES AND  
PERMITS; DISPOSITION OF FEES

\* \* \*

(b) Except for fees collected for first-, second-, and third-class licenses, the fees collected pursuant to subsection (a) of this section shall be deposited in the Liquor Control Enterprise Fund.

The other fees shall be distributed as follows:

\* \* \*

(2) First- and second-class license fees: At least 50 percent of first-class and second-class license fees shall go to the respective municipalities in which the licensed premises are located, and the remaining percentage of those fees shall go to the Liquor Control Enterprise Fund. A municipality may retain more than 50 percent of the fees that the municipality collected for first- and second-class licenses to the extent that the municipality has assumed responsibility for enforcement of those licenses pursuant to a contract with the ~~Department~~ Division. The ~~Liquor Control Board of Liquor and Lottery~~ shall adopt rules regarding contracts entered into pursuant to this subdivision.

Sec. 28. 7 V.S.A. § 205 is amended to read:

§ 205. TERMS OF PERMITS, LICENSES, AND CERTIFICATES

\* \* \*

(b) A permit, license, or certificate may be renewed as follows:

(1) A first-class or second-class license, and an outside consumption permit associated with a first-class license, may be renewed by:

\* \* \*

(C) approval of the ~~Liquor Control~~ Board of Liquor and Lottery as provided in section 221, 222, or 227 of this title.

(2) All other permits, licenses, and certificates may be renewed by:

(A) payment of the fee provided in section 204 of this title; and

(B) submission to the ~~Liquor Control~~ Board of Liquor and Lottery or the ~~Department~~ Division, as appropriate, of an application demonstrating that the holder satisfies all applicable rules and requirements.

Sec. 29. 7 V.S.A. § 206 is amended to read:

#### § 206. DISPOSAL OF FEES

The control commissioners shall collect all fees for first- and second-class licenses and shall pay the fees to the ~~Department~~ Division and the city and town treasurers of the respective cities and towns where the fees are collected as provided in subsection 204(b) of this chapter. The portion of each fee paid to the city or town may be used as it may direct, less a fee of \$5.00 to be retained by the city or town clerk as a fee for issuing and recording the license. Except as otherwise provided in sections 274 and 275 of this title, fees for all other licenses shall be paid to the ~~Liquor Control~~ Board of Liquor and Lottery.

Sec. 30. 7 V.S.A. § 207 is amended to read:

#### § 207. CHANGE OF LOCATION

If a licensee desires to change the location of its business before the expiration of its license, the licensee may submit an application to the ~~Liquor Control~~ Board of Liquor and Lottery, which may amend the license to cover the new premises without the payment of any additional fee.

Sec. 31. 7 V.S.A. § 209 is amended to read:

#### § 209. BANKRUPTCY, DEATH, AND REVOCATION

\* \* \*

(d)(1) The holder of a manufacturer's or rectifier's license may pledge or mortgage alcoholic beverages manufactured or rectified by the licensee and the pledgee or mortgagee may retain possession of the alcoholic beverages and, if the licensee defaults, may sell and dispose of the alcoholic beverages to persons to whom the licensee might lawfully sell the alcoholic beverages, subject to the same restrictions and regulations as the licensee; and to any further restriction or rules prescribed by the ~~Liquor Control Board~~ Board of Liquor and Lottery with respect to advance notice to it of the sale and determination by it of the persons entitled to buy and the manner of the sale.

(2) Any sale pursuant to a default on a pledge or mortgage shall not be at public auction as required with respect to similar sales of other property, but shall be upon not less than ten days' notice to the pledgor or mortgagor and for the highest amount ~~which~~ that may be offered pursuant to the rules of the ~~Liquor Control Board~~ Board of Liquor and Lottery.

Sec. 32. 7 V.S.A. § 210 is amended to read:

§ 210. SUSPENSION OR REVOCATION OF LICENSE OR PERMIT;

ADMINISTRATIVE PENALTY

(a)(1) The control commissioners or the ~~Liquor Control Board~~ Board of Liquor and Lottery shall have power to suspend or revoke any permit or license granted pursuant to this title in the event the person holding the permit or license shall at any time during the term of the permit or license conduct its business in violation of this title, the conditions pursuant to which the permit or license was granted, or any rule prescribed by the ~~Liquor Control Board~~ Board of Liquor and Lottery.

(2) No revocation shall be made until the permittee or licensee has been notified and given a hearing before the ~~Liquor Control Board~~ Board of Liquor and Lottery, unless the permittee or licensee has been convicted by a court of competent jurisdiction of violating the provisions of this title.

(3) In the case of a suspension, the permittee or licensee shall be notified and given a hearing before the ~~Liquor Control Board~~ of Liquor and Lottery or the local control commissioners, whichever applies.

\* \* \*

(b)(1) As an alternative to and in lieu of the authority to suspend or revoke any permit or license, the ~~Liquor Control Board~~ of Liquor and Lottery shall also have the power to impose an administrative penalty of up to \$2,500.00 per violation against a holder of a wholesale dealer's license or a holder of a first-, second-, or third-class license for a violation of the conditions of the license or of this title or of any rule adopted by the Board.

\* \* \*

(4) For the first violation during a tobacco or alcohol compliance check during any three-year period, a licensee or permittee shall receive a warning and be required to attend a ~~Department~~ Division server training class.

\* \* \*

Sec. 33. 7 V.S.A. § 211 is amended to read:

§ 211. HEARING OFFICER

(a) The Chair of the ~~Liquor Control Board~~ of Liquor and Lottery may appoint a hearing officer to conduct hearings pursuant to section 210 of this title. A hearing officer may be a member of the Board appointed under section 210 of this title.

\* \* \*

Sec. 34. 7 V.S.A. § 212 is amended to read:

§ 212. COMPLAINTS AND PROSECUTIONS

The Commissioner of Liquor ~~Control~~ and Lottery or the local control commissioners shall make complaint to the State's Attorney or town grand juror of any unlawful furnishing, selling, or keeping for sale of alcohol or alcoholic beverages; and provide evidence in support of the complaint to the State's Attorney or town grand juror, who shall prosecute for the alleged violation.

Sec. 35. 7 V.S.A. § 213 is amended to read:

§ 213. LICENSEE EDUCATION

(a) A new first-class, second-class, third-class, fourth-class, or manufacturer's or rectifier's license, or common carrier certificate shall not be granted until the applicant has attended a ~~Department~~ Division of Liquor Control in-person seminar or completed the appropriate ~~Department~~ Division of Liquor Control online training program for the purpose of being informed of the Vermont laws and rules pertaining to the purchase, storage, and sale of alcoholic beverages. A corporation, partnership, or association shall designate a director, partner, or manager who shall comply with the terms of this subsection.

(b)(1) Every holder of a first-class, second-class, third-class, fourth-class, or manufacturer's or rectifier's license, or common carrier certificate shall complete the ~~Department~~ Division of Liquor Control in-person licensee training seminar or the appropriate ~~Department~~ Division of Liquor Control online training program at least once every two years. A corporation, partnership, or association shall designate a director, partner, or manager who shall comply with the terms of this subsection.

(2) A first-class, second-class, third-class, fourth-class, or manufacturer's or rectifier's license shall not be renewed unless the ~~Department's~~ Division's records show that the licensee has complied with the terms of this subsection.

(c)(1) Each licensee, permittee, or common carrier certificate holder shall ensure that every employee who is involved in the delivery, sale, or serving of alcoholic beverages completes a training program approved by the ~~Department~~ Division of Liquor Control before the employee begins serving or selling alcoholic beverages and at least once every 24 months thereafter. Each licensee shall maintain written documentation, signed by each employee trained, of each training program conducted.

(2) A licensee may comply with this requirement by conducting its own training program on its premises, using information and materials furnished or approved by the ~~Department~~ Division of Liquor Control. A licensee who fails to comply with the requirements of this subsection shall be subject to a suspension of the license issued under this title for ~~no~~ not less than one day.

(d) The following fees for ~~Department~~ Division of Liquor Control in-person or online seminars ~~will~~ shall be paid:

\* \* \*

Sec. 36. 7 V.S.A. § 214 is amended to read:

#### § 214. PROOF OF FINANCIAL RESPONSIBILITY

(a) Any first-, second-, or third-class licensee whose license is suspended by the local control commissioners or suspended or revoked by the ~~Liquor Control Board~~ Board of Liquor and Lottery for selling or furnishing alcoholic beverages to a minor, to a person apparently under the influence of alcohol, to a person after legal serving hours, or to a person who it would be reasonable to expect

would be intoxicated as a result of the amount of alcoholic beverages served to that person shall be required to furnish to the Commissioner a certificate of financial responsibility within 60 days of the commencement of the suspension or revocation or at the time of reinstatement of the license, whichever is later. Financial responsibility may be established by any one or a combination of the following: insurance, surety bond, or letter of credit. Coverage shall be maintained at not less than \$25,000.00 per occurrence and \$50,000.00 aggregate per occurrence. Proof of financial responsibility shall be required for license renewal for the three years following the suspension or revocation.

\* \* \*

Sec. 37. 7 V.S.A. § 221 is amended to read:

§ 221. FIRST-CLASS LICENSES

(a)(1) With the approval of the ~~Liquor Control Board~~ Board of Liquor and Lottery, the control commissioners may grant a first-class license to a retail dealer for the premises where the dealer carries on business if the retail dealer submits an application and pays the fee provided in section 204 of this title; and satisfies the Board that the premises:

\* \* \*

(2) The ~~Liquor Control Board~~ Board of Liquor and Lottery may grant a first-class license to a boat or railroad dining car if the person that operates it submits an application and pays the fee provided in section 204 of this title.

(3) The ~~Department~~ Division shall post notice of pending applications on its website.

\* \* \*

(f)(1) A holder of a first-class license may contract with another person to prepare and dispense food on the licensed premises.



(2) The first-class license holder shall provide to the ~~Department~~ Division written notification five business days prior to the start of the contract that includes the following information:

\* \* \*

(3) The holder of the first-class license shall notify the ~~Department~~ Division within five business days of the termination of the contract to prepare and dispense food. The first-class licensee shall be responsible for controlling all conduct on the premises at all times, including in the area in which the food is prepared and stored.

\* \* \*

Sec. 38. 7 V.S.A. § 222 is amended to read:

§ 222. SECOND-CLASS LICENSES

(a)(1) With the approval of the ~~Liquor Control Board~~ of Liquor and Lottery, the control commissioners may grant a second-class license to a retail dealer for the premises where the dealer carries on business if the retail dealer submits an application and pays the fee provided in section 204 of this title and satisfies the Board that the premises:

\* \* \*

(2) The ~~Department~~ Division shall post notice of pending applications on its website.

(b)(1) A second-class license permits the holder to export malt and vinous beverages and to sell malt and vinous beverages to the public from the licensed premises for consumption off the premises.

(2) The ~~Department~~ Division of Liquor Control may grant a second-class licensee a fortified wine permit pursuant to section 225 of this chapter or a retail delivery permit pursuant to section 226 of this chapter.

\* \* \*

Sec. 39. 7 V.S.A. § 223 is amended to read:

§ 223. THIRD-CLASS LICENSES

(a)(1) The ~~Liquor Control~~ Board of Liquor and Lottery may grant to a person who operates a hotel, restaurant, club, boat, or railroad dining car, or who holds a manufacturer's or rectifier's license, a third-class license if the person files an application accompanied by the fee provided in section 204 of this title for the premises in which the business of the hotel, restaurant, or club is carried on or for the boat or railroad dining car.

\* \* \*

(d)(1) Except as otherwise provided in subdivision (2) of this subsection and section 271 of this title, a person who holds a third-class license shall purchase from the ~~Liquor Control~~ Board of Liquor and Lottery all spirits and fortified wines dispensed in accordance with the provisions of the third-class license and this title.

\* \* \*

Sec. 40. 7 V.S.A. § 224 is amended to read:

§ 224. FOURTH-CLASS LICENSES

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant up to a combined total of ten fourth-class licenses to a manufacturer or rectifier that submits an application and the fee provided in section 204 of this title.

\* \* \*

Sec. 41. 7 V.S.A. § 225 is amended to read:

§ 225. FORTIFIED WINE PERMITS

(a)(1) The ~~Department~~ Division of Liquor Control may grant a fortified wine permit to a second-class licensee if the licensee files an application accompanied by the fee provided in section 204 of this title.

(2) The ~~Department~~ Division of Liquor Control shall issue ~~no~~ not more than 150 fortified wine permits in any single year.

(b)(1) A fortified wine permit holder may sell fortified wines to the public from the licensed premises for consumption off the premises.

(2) A fortified wine permit holder shall purchase all fortified wines to be offered for sale to the public pursuant to the permit through the ~~Liquor Control~~ Board of Liquor and Lottery at a price equal to ~~no~~ not more than 75 percent of the current retail price for the fortified wine established by the Commissioner pursuant to subdivision 107(3)(B) of this title.

Sec. 42. 7 V.S.A. § 226 is amended to read:

§ 226. RETAIL DELIVERY PERMITS

(a)(1) The ~~Department~~ Division of Liquor Control may grant a retail delivery permit to a second-class licensee if the licensee files an application accompanied by the fee provided in section 204 of this title.

(2) Notwithstanding subdivision (1) of this subsection, the ~~Department~~ Division of Liquor Control shall not grant a retail delivery permit in relation to a second-class license issued to a licensed manufacturer or rectifier for the manufacturer's or rectifier's premises.

(b) A retail delivery permit holder may deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to an individual who is ~~at least~~ 21 years of age or older subject to the following requirements:

\* \* \*

(4) An employee of a retail delivery permit holder shall not be permitted to make deliveries of malt beverages or vinous beverages pursuant to the permit unless he or she has completed a training program approved by the ~~Department~~ Division pursuant to section 213 of this chapter.

\* \* \*

Sec. 43. 7 V.S.A. § 227 is amended to read:

§ 227. OUTSIDE CONSUMPTION PERMITS; FIRST-, THIRD-, AND

FOURTH-CLASS LICENSEES

Pursuant to the rules of the ~~Liquor Control Board~~ Board of Liquor and Lottery, the ~~Department~~ Division of Liquor Control may grant an outside consumption permit to the holder of a ~~first-~~ first-class, first- and third-class, or fourth-class license for all or part of the outside premises of the license holder if the permit is approved by the local control commissioners and the Board.

Sec. 44. 7 V.S.A. § 229 is amended to read:

§ 229. CLUBS

\* \* \*

(c)(1) Before May 1 of each year, each club shall file with the ~~Liquor Control Board~~ Board of Liquor and Lottery a list of the names and residences of its members and a list of its officers.

\* \* \*

(3)(A) A club may provide for a salary for members, officers, agents, or employees of the club by a vote at annual meetings by the club's members, directors, or other governing body, and shall report the salary set for the members, officers, agents, or employees to the ~~Liquor Control Board~~ Board of Liquor and Lottery.

\* \* \*

Sec. 45. 7 V.S.A. § 241 is amended to read:

§ 241. CATERER'S LICENSE; COMMERCIAL CATERING LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may issue a caterer's license or a commercial catering license to a person who holds a first-class license or first- and third-class licenses.

(b) The ~~Liquor Control~~ Board of Liquor and Lottery shall adopt rules as necessary to effectuate the purposes of this section.

Sec. 46. 7 V.S.A. § 242 is amended to read:

§ 242. DESTINATION RESORT MASTER LICENSES

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant a destination resort master license to a person that operates a destination resort if the applicant files an application with the ~~Liquor Control~~ Board of Liquor and Lottery accompanied by the license fee provided in section 204 of this title. In addition to any information required pursuant to rules adopted by the Board, the application shall:

\* \* \*

(b) A licensee may, upon five days' notice to the ~~Department~~ Division, amend the list of licensed caterers and commercial caterers that are designated in the destination resort master license.

(c) The holder of the destination resort master license shall, at least two days prior to the date of the event, provide the ~~Department~~ Division and local control commissioners with written notice of an event within the resort boundaries that will be catered pursuant to the master license. A licensed caterer or commercial caterer that is designated in the master license shall not be required to obtain a request-to-cater permit to cater an event occurring within the destination

resort boundaries if the master licensee has provided the ~~Department~~ Division and local control commissioners with the required notice pursuant to this subsection.

\* \* \*

Sec. 47. 7 V.S.A. § 243 is amended to read:

§ 243. REQUEST-TO-CATER PERMIT

(a) The ~~Department~~ Division of Liquor Control may issue a request-to-cater permit to the holder of a caterer's license or commercial caterer's license if the licensee:

\* \* \*

Sec. 48. 7 V.S.A. § 251 is amended to read:

§ 251. EDUCATIONAL SAMPLING EVENT PERMIT

(a) The ~~Department~~ Division of Liquor Control may grant an educational sampling event permit to a person if:

(1) the event is also approved by the local control commissioners; and

(2) at least 15 days prior to the event, the applicant submits an application to the

~~Department~~ Division in a form required by the Commissioner that includes a list of the alcoholic beverages to be acquired for sampling at the event and is accompanied by the fee provided in section 204 of this title.

\* \* \*

Sec. 49. 7 V.S.A. § 252 is amended to read:

§ 252. SPECIAL EVENT PERMITS

(a)(1) The ~~Department~~ Division of Liquor Control may issue a special event permit if the application is submitted to the ~~Department~~ Division of Liquor Control with the fee provided in section 204 of this title at least five days prior to the date of the event.

\* \* \*

Sec. 50. 7 V.S.A. § 253 is amended to read:

§ 253. FESTIVAL PERMITS

(a) The ~~Department~~ Division of Liquor Control may grant a festival permit if the applicant has:

(1) received approval from the local control commissioners;

(2) submitted a request for a festival permit to the ~~Department~~ Division in a form required by the Commissioner at least 15 days prior to the festival; and

\* \* \*

Sec. 51. 7 V.S.A. § 254 is amended to read:

§ 254. SPECIAL VENUE SERVING PERMITS

(a) The ~~Department~~ Division of Liquor Control may grant an art gallery, bookstore, public library, or museum a special venue serving permit if the applicant has:

(1) received approval from the local control commissioners;

(2) submitted a request for a permit to the ~~Department~~ Division in a form required by the Commissioner at least five days prior to the event; and

\* \* \*

Sec. 52. 7 V.S.A. § 255 is amended to read:

§ 255. RETAIL ALCOHOLIC BEVERAGE TASTING PERMITS

(a) The ~~Department~~ Division of Liquor Control may grant a licensee a permit to conduct an alcoholic beverage tasting event as provided in subsection (b) of this section if:

\* \* \*

(b) The ~~Department~~ Division may grant the following alcoholic beverage tasting permits to the following types of licensees:

\* \* \*

Sec. 53. 7 V.S.A. § 256 is amended to read:

§ 256. PROMOTIONAL TASTINGS FOR LICENSEES

(a)(1) At the request of a first- or second-class licensee, a holder of a manufacturer's, rectifier's, or wholesale dealer's license may distribute without charge to the first- or second-class licensee's management and staff, provided they are of legal age and are off duty for the rest of the day, two ounces per person of vinous or malt beverages for the purpose of promoting the beverage.

\* \* \*

(3) No permit is required for a tasting pursuant to this subsection, but written notice of the event shall be provided to the ~~Department~~ Division of Liquor Control at least two days prior to the date of the tasting.

(b)(1) At the request of a holder of a wholesale dealer's license, a first-class licensee may dispense malt or vinous beverages for promotional purposes without charge to invited management and staff of first-, second-, or third-class licensees, provided they are of legal age.

\* \* \*

(4) No permit is required for a tasting pursuant to this subsection, but the wholesale dealer shall provide written notice of the event to the ~~Department~~ Division of Liquor Control at least 10 days prior to the date of the tasting.

(c)(1) Upon receipt of a first- or second-class application by the ~~Department~~ Division, a holder of a wholesale dealer's license may dispense malt or vinous beverages for promotional purposes



without charge to invited management and staff of the business that has applied for a first- or second-class license, provided they are of legal age.

\* \* \*

(5) No permit is required under this subdivision, but the wholesale dealer shall provide written notice of the event to the ~~Department~~ Division at least five days prior to the date of the tasting.

Sec. 54. 7 V.S.A. § 258 is amended to read:

§ 258. PROMOTIONAL RAILROAD TASTING PERMIT

The ~~Department~~ Division of Liquor Control may grant to a person that operates a railroad a tasting permit that permits the holder to conduct tastings of alcoholic beverages in the dining car if the person files with the ~~Department~~ Division an application along with the fee provided in section 204 of this title.

Sec. 55. 7 V.S.A. § 259 is amended to read:

§ 259. TASTING EVENTS; AGE AND TRAINING OF SERVERS

No individual who is under 18 years of age or who has not received training as required by the ~~Department~~ Division may serve alcoholic beverages at a tasting event under this subchapter.

Sec. 56. 7 V.S.A. § 271 is amended to read:

§ 271. MANUFACTURER'S OR RECTIFIER'S LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant a manufacturer's or rectifier's license upon application and payment of the fee provided in section 204 of this title that permits the license holder to manufacture or rectify:

\* \* \*

(b) Except as otherwise provided in section 224 of this title and subsections (d)-(f) of this section:

(1) spirits and fortified wine may be manufactured for sale to the ~~Liquor Control Board~~ Board of Liquor and Lottery or for export, or both; and

\* \* \*

(d)(1) The ~~Liquor Control Board~~ Board of Liquor and Lottery may grant to a licensed manufacturer or rectifier a first-class license or a first- and a third-class license permitting the licensee to sell alcoholic beverages to the public at an establishment located at the manufacturer's premises, provided the manufacturer or rectifier owns or has direct control over that establishment.

\* \* \*

(e) The ~~Liquor Control Board~~ Board of Liquor and Lottery may grant a licensed manufacturer of malt beverages a second-class license permitting the licensee to sell alcoholic beverages to the public anywhere on the manufacturer's premises.

(f)(1) A licensed manufacturer or rectifier may serve alcoholic beverages with or without charge at an event held on the premises of the licensee or at a location on the contiguous real estate of the licensee, provided the licensee at least five days before the event gives the ~~Department~~ Division written notice of the event, including details required by the ~~Department~~ Division.

(2) Any beverages not manufactured by the licensee ~~and that are~~ served at the event shall be purchased on invoice from a licensed manufacturer or wholesale dealer or the ~~Liquor Control Board~~ Board of Liquor and Lottery.

Sec. 57. 7 V.S.A. § 272 is amended to read:

§ 272. PACKAGER'S LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant a packager's license to a person if the person:

\* \* \*

(3) satisfies the Commissioner of Liquor ~~Control~~ and Lottery as to its compliance with the rules of the Board relating to the cleanliness of the applicant's facilities for storage and bottling of alcoholic beverages.

\* \* \*

Sec. 58. 7 V.S.A. § 273 is amended to read:

§ 273. WHOLESALE DEALER'S LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant a wholesale dealer's license to a person if the person:

\* \* \*

Sec. 59. 7 V.S.A. § 274 is amended to read:

§ 274. CERTIFICATE OF APPROVAL FOR DISTRIBUTION OF MALT  
OR VINOUS BEVERAGES

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant to a manufacturer or distributor of malt or vinous beverages that is not licensed under the provisions of this title a certificate of approval if the manufacturer or distributor does all of the following:

\* \* \*

(3) Pays the fee provided in section 204 of this title to the ~~Department~~ Division of Liquor Control by a certified check payable to the State of Vermont or another form of payment approved by the ~~Liquor Control~~ Board of Liquor and Lottery. If the Board does not grant the application, the certified check or payment shall be returned to the applicant.

\* \* \*

(d)(1) The ~~Liquor Control~~ Board of Liquor and Lottery may suspend or revoke a certificate of approval if the holder fails to comply with the rules of the Board or to submit reports to the Commissioner of Taxes in accordance with all applicable laws and rules.

\* \* \*

Sec. 60. 7 V.S.A. § 275 is amended to read:

§ 275. SOLICITOR'S LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant an individual a solicitor's license if he or she does all of the following:

(1) Submits an application to the ~~Liquor Control~~ Board of Liquor and Lottery on a form prescribed by the Board. The application shall include, at a minimum, the name, residence, and business address of the applicant, the name and address of the vendor or employer to be represented by the applicant, and an agreement by the applicant to comply with the rules of the Board.

\* \* \*

(3) Pays the fee provided in section 204 of this title to the ~~Department~~ Division of Liquor Control by certified check made payable to the State of Vermont. The certified check shall be returned to the applicant if the Board does not grant him or her a license under this section.

\* \* \*

(c) The ~~Liquor Control~~ Board of Liquor and Lottery may suspend or revoke a solicitor's license for failure to comply with any rule of the Board or for other cause. A solicitor's license shall not be revoked until the license holder has had an opportunity for a hearing following reasonable notice.

\* \* \*

Sec. 61. 7 V.S.A. § 276 is amended to read:

§ 276. INDUSTRIAL ALCOHOL DISTRIBUTOR'S LICENSE

(a) The ~~Liquor Control~~ Board of Liquor and Lottery may grant an industrial alcohol distributor's license upon application and payment of the fee provided in section 204 of this title.

\* \* \*

Sec. 62. 7 V.S.A. § 277 is amended to read:

§ 277. MALT AND VINOUS BEVERAGE CONSUMER SHIPPING  
LICENSE

(a)(1) A manufacturer or rectifier of malt or vinous beverages licensed in Vermont may be granted an in-state consumer shipping license by filing with the ~~Department~~ Division of Liquor Control an application in a form required by the Commissioner accompanied by a copy of the applicant's current Vermont manufacturer's license and the fee provided in section 204 of this title.

(2) An in-state consumer shipping license may be renewed annually by submitting to the ~~Department~~ Division the fee provided in section 204 of this title accompanied by a copy of the licensee's current Vermont manufacturer's license.

(b)(1) A manufacturer or rectifier of malt or vinous beverages licensed in another state that operates a brewery or winery in the United States and holds valid state and federal permits and licenses may be granted an out-of-state consumer shipping license by filing with the ~~Department~~ Division of Liquor Control an application in a form required by the Commissioner accompanied by copies of the applicant's current out-of-state manufacturer's license and the fee provided in section 204 of this title.

(2) An out-of-state consumer shipping license may be renewed annually by submitting to the ~~Department~~ Division the fee provided in section 204 of this title accompanied by the licensee's current out-of-state manufacturer's license.

\* \* \*

(c)(1) A consumer shipping license granted pursuant to this section shall permit the licensee to ship malt or vinous beverages produced by the licensee to private residents for personal use and not for resale.

\* \* \*

(3) The beverages shall be shipped by common carrier certified by the ~~Department~~ Division pursuant to section 280 of this subchapter. The common carrier shall comply with all the following:

\* \* \*

Sec. 63. 7 V.S.A. § 278 is amended to read:

§ 278. VINOUS BEVERAGE RETAIL SHIPPING LICENSE

(a) A manufacturer or rectifier of vinous beverages that is licensed in state or out of state and holds valid state and federal permits and operates a winery in the United States may apply for a retail shipping license by filing with the ~~Department~~ Division of Liquor Control an application in a form required by the Commissioner accompanied by a copy of its in-state or out-of-state license and the fee provided in section 204 of this title.

(b) The retail shipping license may be renewed annually by submitting to the ~~Department~~ Division the fee provided in section 204 of this title accompanied by the licensee's current in-state or out-of-state manufacturer's license.

\* \* \*

(d) The retail shipping license holder shall provide to the ~~Department~~ Division documentation of the annual and monthly number of gallons sold.

\* \* \*

Sec. 64. 7 V.S.A. § 279 is amended to read:

§ 279. CONSUMER AND RETAIL SHIPPING LICENSES; GENERAL  
REQUIREMENTS

A holder of a shipping license granted pursuant to section 277 or 278 of this subchapter shall comply with all of the following:

\* \* \*

(2) Not ship to any address in a municipality that the ~~Department~~ Division of Liquor Control identifies as having voted to be “dry.”

\* \* \*

(4) Report at least twice per year to the ~~Department~~ Division if a holder of a consumer shipping license and once per year if a holder of a retail shipping license in a manner and form required by the Commissioner all the following information:

\* \* \*

(6) Permit the State Treasurer, the ~~Department~~ Division of Liquor Control, and the Department of Taxes, separately or jointly, upon request, to perform an audit of its records.

(7) If an out-of-state license holder, be deemed to have consented to the jurisdiction of the ~~Liquor Control Board~~ of Liquor and Lottery, ~~Department~~ Division of Liquor Control, or any other State agency and the Vermont State courts concerning enforcement of this or other applicable laws and rules.

\* \* \*

(9) Comply with all applicable laws and ~~Liquor Control Board~~ of Liquor and Lottery rules.

\* \* \*

Sec. 65. 7 V.S.A. § 280 is amended to read:

§ 280. COMMON CARRIERS; REQUIREMENTS

(a) A common carrier shall not deliver malt or vinous beverages pursuant to this chapter until it has complied with the training provisions in section 213 of this title and been certified by the ~~Department~~ Division of Liquor Control.

\* \* \*

Sec. 66. 7 V.S.A. § 281 is amended to read:

§ 281. PROHIBITIONS

\* \* \*

(c) For any violation of sections 277-280 of this subchapter, the ~~Liquor Control Board~~ of Liquor and Lottery may suspend or revoke a license issued under section 277 or 278 of this subchapter, in addition to any other remedies available to the Board.

Sec. 67. 7 V.S.A. § 282 is amended to read:

§ 282. RULEMAKING

The ~~Liquor Control Board~~ of Liquor and Lottery and the Commissioner of Taxes may adopt rules and forms necessary to implement sections 277-281 of this subchapter.

Sec. 68. 7 V.S.A. § 283 is amended to read:

§ 283. VINOUS BEVERAGE STORAGE AND SHIPPING LICENSE

(a) The ~~Liquor Control Board~~ of Liquor and Lottery may, pursuant to rules adopted by the Board, grant a vinous beverage storage and shipping license to a person that submits an application and pays the fee provided in section 204 of this title.



\* \* \*

Sec. 69. 7 V.S.A. § 422 is amended to read:

§ 422. TAX ON SPIRITS AND FORTIFIED WINES

(a) A tax is assessed on the gross revenue from the sale of spirits and fortified wines in the State of Vermont by the ~~Liquor Control Board~~ of Liquor and Lottery or the retail sale of spirits and fortified wines in Vermont by a manufacturer or rectifier of spirits or fortified wines, in accordance with the provisions of this title. The tax shall be at the following rates based on the gross revenue of the retail sales by the seller in the current year:

\* \* \*

Sec. 70. 7 V.S.A. § 423 is amended to read:

§ 423. RULES

(a) The ~~Liquor Control Board~~ of Liquor and Lottery shall adopt rules as it deems necessary for the proper administration and collection of the tax imposed under section 422 of this title.

\* \* \*

Sec. 71. 7 V.S.A. § 424 is amended to read:

§ 424. COLLECTION

The ~~Liquor Control Board~~ of Liquor and Lottery shall collect the tax imposed under section 422 of this title. The taxes collected on sales by the ~~Liquor Control Board~~ of Liquor and Lottery shall be paid weekly to the State Treasurer, and the taxes collected on sales by a manufacturer or rectifier shall be paid quarterly to the State Treasurer.

Sec. 72. 7 V.S.A. § 503 is amended to read:

§ 503. SATISFACTION OF JUDGMENT; REVOCATION OF LICENSE

If a licensee fails to satisfy a judgment entered under section 501 of this title for 30 days after the judgment is entered, the local control commissioners or the ~~Liquor Control~~ Board of Liquor and Lottery shall revoke its license. A license shall not be granted to a person against whom a judgment has been recovered until the judgment is satisfied.

Sec. 73. 7 V.S.A. § 561 is amended to read:

§ 561. AUTHORITY OF LIQUOR CONTROL INVESTIGATORS;

ARREST FOR UNLAWFULLY MANUFACTURING,  
POSSESSING, OR TRANSPORTING ALCOHOLIC BEVERAGES;  
SEIZURE OF PROPERTY

(a) The Director of ~~the Enforcement Division of~~ for the Department Division of Liquor Control and investigators employed by the ~~Liquor Control~~ Board of Liquor and Lottery or by the ~~Department~~ Division of Liquor Control shall be certified as Level III law enforcement officers by the Vermont Criminal Justice Training Council and shall have the same powers and immunities as those conferred on the State Police by 20 V.S.A. § 1914.

(b) The Commissioner of ~~Liquor Control~~ and Lottery, the Director of ~~the Enforcement Division of~~ for the Department Division of Liquor Control, an investigator employed by the ~~Liquor Control~~ Board of Liquor and Lottery or by the ~~Department~~ Division of Liquor Control, or any other law enforcement officer may arrest or take into custody pursuant to the Vermont Rules of Criminal Procedure a person whom he or she finds in the act of manufacturing alcohol or possessing a still or other apparatus for the manufacture of alcohol; unlawfully selling, bartering, possessing, furnishing, or transporting alcohol; or unlawfully selling, furnishing, or transporting

alcoholic beverages, and shall seize the alcohol, vessels, and implements of sale and the stills or other apparatus for the manufacture of alcohol in the possession of the person. He or she may also seize and take into custody any property described in this section.

Sec. 74. 7 V.S.A. § 562 is amended to read:

§ 562. SEARCH WARRANTS

(a) If a State's Attorney, the Commissioner of Liquor ~~Control~~ and Lottery, an investigator duly acting for the ~~Liquor Control~~ Board of Liquor and Lottery, a control commissioner, or a town grand juror makes a complaint under oath or affirmation to a judge of the Criminal Division of the Superior Court that he or she or they have reason to believe that alcoholic beverages or alcohol ~~are~~ is kept or deposited for sale or distribution contrary to law, or that alcohol is manufactured or possessed contrary to law, in any kind of vehicle, ~~air or water craft~~ aircraft, watercraft, or other conveyance, or a dwelling house, railway car, ~~or~~ building, or place in the county, the judge shall issue a warrant to search the premises described in the complaint.

\* \* \*

Sec. 75. 7 V.S.A. § 567 is amended to read:

§ 567. FORFEITURE OF SEIZED PROPERTY

\* \* \*

(b) Alcoholic beverages, alcohol, or other property that is adjudged forfeited and condemned under this section shall be turned over to the Commissioner of Liquor ~~Control~~ and Lottery for the benefit of the State.

Sec. 76. 7 V.S.A. § 588 is amended to read:

§ 588. FEES OF SHERIFF, CONSTABLE, OR POLICE OFFICER

When a sheriff, constable, or police officer makes a search under this title pursuant to a warrant, he or she shall receive a fee for the search, reimbursement for mileage at the rate set pursuant to 32 V.S.A. § 1267, and the sum that he or she actually paid out for necessary assistance, if:

(1) the Commissioner of Liquor ~~Control~~ and Lottery deems the amount to be reasonable;

and

(2) the officer declares under oath that the money was expended as claimed, and, if applicable, states the name of his or her assistant and the amount paid for the assistance.

Sec. 77. 7 V.S.A. § 590 is amended to read:

§ 590. ~~LIQUOR CONTROL BOARD~~ OF LIQUOR AND LOTTERY;

RULES

The ~~Liquor Control~~ Board of Liquor and Lottery shall adopt rules as necessary to effectuate the purposes of section 589 of this title.

Sec. 78. 7 V.S.A. § 659 is amended to read:

§ 659. REFUSAL OR NEGLECT OF OFFICERS TO PERFORM DUTIES

(a) The county sheriffs, sheriff's deputies, constables, officers or members of the village or city police, State Police, and investigators of the ~~Liquor Control~~ Board of Liquor and Lottery shall have the authority and duty to ~~see~~ ensure that the provisions of this title and the rules adopted by the ~~Liquor Control~~ Board of Liquor and Lottery pursuant to this title are enforced within their respective jurisdictions. Any officer who willfully refuses or neglects to perform the duties

imposed upon him or her by this section shall be fined not more than \$500.00 or imprisoned not more than 90 days, or both.

\* \* \*

Sec. 79. 7 V.S.A. § 661 is amended to read:

§ 661. VIOLATIONS OF TITLE

(a)(1) A person that furnishes, sells, or keeps with intent to sell, or bottles or prepares for sale any alcoholic beverages, except as authorized by this title, or sells, barter, transports, imports, exports, delivers, prescribes, furnishes, or possesses alcohol, except as authorized by the ~~Liquor Control~~ Board of Liquor and Lottery, or that unlawfully manufactures alcohol or possesses a still or other apparatus for the manufacture of alcohol shall be imprisoned not more than 12 months nor less than three months or fined not more than \$1,000.00 nor less than \$100.00, or both.

\* \* \*

(b) A person that willfully violates a provision of this title for which no other penalty is prescribed or that willfully violates a rule of the ~~Liquor Control~~ Board of Liquor and Lottery shall be imprisoned not more than three months nor less than one month or fined not more than \$200.00 nor less than \$50.00, or both.

\* \* \*

Sec. 80. 7 V.S.A. § 701 is amended to read:

§ 701. DEFINITIONS

As used in this chapter:

(1) "Certificate of approval" means an authorization by the ~~Liquor Control~~ Board of Liquor and Lottery pursuant to section 274 of this title to a manufacturer or distributor of malt beverages or vinous beverages, or both, not licensed under the provisions of this title, to sell those beverages

to holders of a packager's or wholesale dealer's license issued by the Board pursuant to section 272 or 273 of this title.

\* \* \*

Sec. 81. 7 V.S.A. § 1001 is amended to read:

§ 1001. DEFINITIONS

As used in this chapter:

- (1) "Board" means the ~~Liquor Control~~ Board of Liquor and Lottery.
- (2) "Commissioner" means the Commissioner of Liquor ~~Control~~ and Lottery.

\* \* \*

(5) "Tobacco license" means a license issued by the ~~Department~~ Division of Liquor Control under this chapter permitting the licensee to engage in the retail sale of tobacco products or locate a vending machine on the premises identified in the license.

\* \* \*

Sec. 82. 7 V.S.A. § 1002 is amended to read:

§ 1002. LICENSE REQUIRED; APPLICATION; FEE; ISSUANCE

(a)(1) No person shall engage in the retail sale of tobacco products, tobacco substitutes, or tobacco paraphernalia in his or her place of business without a tobacco license obtained from the ~~Department~~ Division of Liquor Control.

(2) No person shall engage in the retail sale of tobacco substitutes without also obtaining a tobacco substitute endorsement from the ~~Department~~ Division of Liquor Control.

\* \* \*

(d)(1) For a license or endorsement required under this section, a person shall apply to the legislative body of the municipality and shall pay the following fees:

(A) to the ~~Department~~ Division of Liquor Control, the applicable liquor license fee provided in section 204 of this title for a liquor license and a tobacco license;

(B) to the legislative body of the municipality, a fee of \$110.00 for a tobacco license or renewal; and

(C) to the legislative body of the municipality, a fee of \$50.00 for a tobacco substitute endorsement as provided in subdivision (a)(2) of this section.

(2) The municipal clerk shall forward the application to the ~~Department~~ Division, and the ~~Department~~ Division shall issue the tobacco license and the tobacco substitute endorsement, as applicable, and shall forward all fees to the Commissioner for deposit in the Liquor Control Enterprise Fund.

\* \* \*

Sec. 83. 7 V.S.A. § 1002a is amended to read:

§ 1002a. LICENSEE EDUCATION

(a) An applicant for a tobacco license that does not hold a liquor license issued under this title shall be granted a tobacco license pursuant to section 1002 of this title only after the applicant has attended a ~~Department~~ Division of Liquor Control in-person seminar or completed the appropriate ~~Department~~ Division of Liquor Control online training program for the purpose of being informed about the Vermont tobacco laws pertaining to the purchase, storage, and sale of tobacco products. A corporation, partnership, or association shall designate a director, partner, or manager to comply with the requirements of this subsection.

(b) The holder of a tobacco license that does not also hold a liquor license issued pursuant to this title for the same premises shall:

(1) Complete the ~~Department's~~ Division's in-person or online enforcement seminar at least once every two years. A corporation, partnership, or association shall designate a director, partner, or manager to comply with this subdivision.

(2) Ensure that every employee involved in the sale of tobacco products completes a ~~Department~~ Division of Liquor Control in-person or online training program or other training programs approved by the ~~Department~~ Division before the employee begins selling or providing tobacco products, and at least once every 24 months thereafter. A licensee may comply with this subdivision by conducting its own training program on its premises using information and materials furnished by the ~~Department~~ Division of Liquor Control. A licensee that fails to comply with the requirements of this subsection shall be subject to suspension of its tobacco license for ~~no~~ not less than one day.

(3) Fees for ~~Department~~ Division of Liquor Control in-person and online seminars for tobacco only shall be \$10.00 per person.

Sec. 84. 7 V.S.A. § 1007 is amended to read:

§ 1007. FURNISHING TOBACCO TO PERSONS UNDER 18 YEARS OF  
AGE; REPORT

\* \* \*

(b)(1) The ~~Department~~ Division of Liquor Control shall conduct or contract for compliance tests of tobacco licensees as frequently and as comprehensively as necessary to ensure consistent statewide compliance with the prohibition on sales to persons under 18 years of age of at least 90 percent for buyers who are 16 or 17 years of age. An individual under 18 years of age participating in a compliance test shall not be in violation of section 1005 of this title.

\* \* \*



(3) The ~~Department~~ Division shall report to the House Committee on General, Housing and Military Affairs, the Senate Committee on Economic Development, Housing and General Affairs, and the Tobacco Evaluation and Review Board annually, on or before January 15, the methodology and results of compliance tests conducted during the previous year. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the required report to be made under this ~~subsection~~ subdivision.

Sec. 85. 7 V.S.A. § 1008 is amended to read:

§ 1008. RULEMAKING

The ~~Liquor Control~~ Board of Liquor and Lottery shall adopt rules for the administration and enforcement of this chapter.

Sec. 86. 7 V.S.A. § 1011 is amended to read:

§ 1011. COMMERCIAL CIGARETTE ROLLING MACHINES

\* \* \*

(b) A person who knowingly violates subsection (a) of this section shall be subject to the following civil penalties:

\* \* \*

(2) A civil penalty of up to \$50,000.00 in any action brought by the Department of Taxes, the ~~Department~~ Division of Liquor Control, or the Attorney General.

\* \* \*

Sec. 87. 29 V.S.A. § 902 is amended to read:

§ 902. DUTIES OF COMMISSIONER OF BUILDINGS AND GENERAL SERVICES

\* \* \*

(f) The Commissioner of Buildings and General Services may also:

\* \* \*

(4) receive, warehouse, manage, and distribute all State property and commodities, except alcoholic beverages purchased by the ~~Liquor Control Board~~ Board of Liquor and Lottery; and all surplus federal property and commodities;

\* \* \*

(i) Notwithstanding subsection (a) of this section, all alcoholic beverages sold by the ~~Liquor Control Board~~ Board of Liquor and Lottery shall be purchased by the Board as set forth in 7 V.S.A. §§ 104 and 107.

Sec. 88. REPEALS

31 V.S.A. §§ 651 (State Lottery Commission), 652 (organization), and 653 (compensation) are repealed.

Sec. 89. 31 V.S.A. § 654 is redesignated and amended to read:

§ ~~654~~ 651. POWERS AND DUTIES OF BOARD OF LIQUOR AND LOTTERY

The ~~Commission~~ Board of Liquor and Lottery shall adopt rules pursuant to 3 V.S.A. chapter 25, governing the establishment and operation of the State Lottery. The rules may include the following:

\* \* \*

(7) Lottery product sales locations, which may include State agency liquor stores; private business establishments, except establishments holding first- or first- and third-class licenses pursuant to Title 7; fraternal, religious, and volunteer organizations; town clerks' offices; and State fairs, race tracks, and other sporting arenas.

\* \* \*

(11) Apportionment of total revenues, within limits hereinafter specified, accruing to the State Lottery Fund among:

(A) the payment of prizes to winning ticket holders;

(B) the payment of all costs incurred in the creation, operation, and administration of the ~~lottery~~ State Lottery, including compensation of the ~~Commission Board, Director~~ Commissioner of Liquor and Lottery, employees of the Department of Liquor and Lottery, consultants, and contractors, and other necessary expenses;

(C) the repayment of monies advanced to the State Lottery Fund for initial funding of the ~~lottery~~ State Lottery;

\* \* \*

Sec. 90. 31 V.S.A. § 654a is redesignated and amended to read:

§ ~~654a~~ 652. MULTIJURISDICTIONAL LOTTERY GAME GAMES

(a) In addition to the Tri-State Lotto Compact provided for in subchapter 2 of this chapter, and the other authority to operate lotteries contained in this chapter, the ~~Commission Board of Liquor and Lottery~~ Board of Liquor and Lottery is authorized to negotiate and contract with ~~up to~~ not more than four multijurisdictional lotteries to offer and provide multijurisdictional lottery games. The ~~Commission Board~~ Board may join any multijurisdictional lottery that provides indemnification for its standing committee members, officers, directors, employees, and agents. The ~~Commission Board~~ Board shall adopt rules under 3 V.S.A. chapter 25 to govern the establishment and operation of any multijurisdictional lottery game authorized by this section.

\* \* \*

(c) The provisions of subdivisions 674L.1.1A through 674L.1.1I of this title shall apply to the payment of prizes to a person other than a winner for prizes awarded under any multijurisdictional lottery authorized by this section, except that the ~~Vermont Lottery Commission~~ Board of Liquor and Lottery shall be responsible for implementing ~~such~~ the provisions under this section, rather than the Tri-State Lotto Commission.

Sec. 91. 31 V.S.A. § 655 is redesignated and amended to read:

§ ~~655~~ 653. LICENSE FEES

A license fee shall be charged for each sales license granted to a person for the purpose of selling lottery tickets at the time the person is first granted a license. The fee shall be fixed by the ~~Commission~~ Board of Liquor and Lottery, but no license fee in excess of \$50.00 may be charged.

Sec. 92. 31 V.S.A. § 656 is redesignated and amended to read:

§ ~~656~~ 654. INTERSTATE LOTTERY; CONSULTANT; MANAGEMENT

(a) The ~~Commission~~ Board of Liquor and Lottery may develop and operate a lottery or the State may enter into a contractual agreement with another state or states to provide for the operation of the ~~lottery~~ Lottery. Approval of the Joint Fiscal Committee and the Governor shall be required for such contractual agreements with other states.

(b) If no interstate contract is entered into, the ~~Commission~~ Board shall obtain the service of an experienced lottery design and implementation consultant. The fee for the consultant may be fixed or may be based upon a percentage of gross receipts realized from the ~~lottery~~ Lottery.

(c) The ~~Commission~~ Board may enter into a facilities management type of agreement for operation of the ~~lottery~~ Lottery by a third party.

Sec. 93. 31 V.S.A. § 657 is redesignated and amended to read:

§ ~~657~~ 655. ~~DIRECTOR AND DUTIES OF THE COMMISSIONER~~

(a) The State Lottery shall be under the immediate supervision and direction of a ~~Lottery Director~~ the Commissioner of Liquor and Lottery. ~~The Director shall devote his or her entire time and attention to the duties of his or her office and shall not be engaged in any other profession or occupation. The Office of Director of the State Lottery is an executive position and shall not be included in the plan of classification of State employees, notwithstanding 3 V.S.A. § 310(a).~~

(b) The ~~Director~~ Commissioner shall:

(1) ~~supervise~~ Supervise and administer the operation of the ~~lottery~~ Lottery within the rules adopted by the ~~Commission;~~ Board of Liquor and Lottery.

(2) ~~subject~~ Subject to the approval of the ~~Commission~~ Board, enter into ~~such~~ contracts as ~~may be required~~ necessary for the proper creation, administration, operation, modification, and promotion of the ~~lottery~~ State Lottery or any part ~~thereof~~ of the Lottery. These contracts shall not be assignable;.

(3) ~~license~~ License sales agents and suspend or revoke any license in accordance with the provisions of this chapter and the rules of the ~~Commission;~~ Board.

(4) ~~act~~ Act as Secretary to the ~~Commission~~ Board, but as a nonvoting member of the ~~Commission;~~ Board.

(5) ~~employ such~~ Employ professional and secretarial staff as ~~may be required~~ necessary to carry out the functions of the ~~Commission~~ Division of the Lottery. 3 V.S.A. chapter 13 shall apply to employees of the ~~Commission;~~ and Division.

(6) ~~annually~~ Anually prepare a budget and submit it to the ~~Commission~~ Board.

Sec. 94. 31 V.S.A. § 658 is redesignated and amended to read:

§ ~~658~~ 656. STATE LOTTERY FUND

(a) There is hereby created in the State Treasury a separate fund to be known as the State Lottery Fund. ~~This fund~~ The Fund shall consist of all revenues received from the Treasurer for initial funding, from sale of lottery tickets, from license fees, and from all other money credited or transferred from any other fund or source pursuant to law. The monies in the State Lottery Fund shall be disbursed pursuant to subdivision ~~654(11)~~ 651(11) of this title, and shall be disbursed by the Treasurer on warrants issued by the Commissioner of Finance and Management, when authorized by the Commissioner of Liquor and Lottery ~~Director~~ and approved by the Commissioner of Finance and Management.

(b) Expenditures for administrative and overhead expenses of the operation of the ~~lottery~~ State Lottery, except agent and bank commissions, shall be paid from ~~lottery~~ Lottery receipts from an appropriation authorized for that purpose. Agent commissions shall be set by the ~~Lottery~~ Commission Board of Liquor and Lottery and ~~may shall~~ not exceed 6.25 percent of gross receipts and bank commissions ~~may shall~~ not exceed 1 percent of gross receipts. Once the draw game results become official, the payment of any commission on any draw game ticket that wins at least \$10,000.00 shall be made through the normal course of processing payments to Lottery agents, regardless of whether the winning ticket is claimed.

(c) ~~No~~ Not less than 50 percent of gross receipts shall be paid out as prizes.

(d) Annuities for lottery winners shall be purchased by the State Treasurer. The State Treasurer shall make all investments of State Lottery Fund monies.

Sec. 95. 31 V.S.A. § 659 is redesignated and amended to read:

§ ~~659~~ 657. REPORT OF THE COMMISSION BOARD

The ~~Commission~~ Board of Liquor and Lottery shall make an annual report to the Governor and to the General Assembly on or before the 10th day of January in each year, ~~including therein~~. The report shall include an account of its the Board's actions, and the receipts derived under the provisions of this chapter, the practical effects of the application thereof of the proceeds of the Lottery, and any recommendation for legislation which that the Commission Board deems advisable.

Sec. 96. 31 V.S.A. § 660 is redesignated and amended to read:

§ ~~660~~ 658. ~~POST-AUDITS~~ POSTAUDITS

All ~~lottery~~ State Lottery accounts and transactions of the ~~Lottery Commission~~ Board of Liquor and Lottery shall be subject to annual ~~post-audits~~ postaudits conducted by independent auditors retained by the ~~Commission~~ Board for this purpose. The ~~Commission~~ Board may order ~~such~~ other audits as it deems necessary and desirable.

Sec. 97. 31 V.S.A. § 661 is redesignated and amended to read:

§ ~~661~~ 659. SALES AND PURCHASE OF LOTTERY TICKETS

The following acts relating to the purchase and sale of lottery tickets are prohibited:

\* \* \*

(4) No member of the ~~Commission~~ Board of Liquor and Lottery or employee of the ~~Commission~~ Department of Liquor and Lottery, or ~~members~~ member of ~~their~~ his or her immediate household, may claim or receive prize money ~~hereunder~~ under this chapter.

Sec. 98. 31 V.S.A. § 662 is redesignated to read:

§ ~~662~~ 660. UNCLAIMED PRIZE MONEY

Sec. 99. 31 V.S.A. § 663 is redesignated to read:

§ ~~663~~ 661. STATE GAMING LAWS INAPPLICABLE AS TO LOTTERY

Sec. 100. 31 V.S.A. § 665 is redesignated to read:

§ ~~665~~ 662. PENALTIES

Sec. 101. 31 V.S.A. § 666 is redesignated to read:

§ ~~666~~ 663. PUBLICATION OF ODDS

Sec. 102. 31 V.S.A. § 667 is redesignated and amended to read:

§ ~~667~~ 664. FISCAL COMMITTEE REVIEW

\* \* \*

(b) This section shall not apply in the event the ~~Commission~~ Board of Liquor and Lottery enters into a facilities management agreement pursuant to the provisions of subsection ~~656(e)~~ 654(c) of this title.

Sec. 103. 31 V.S.A. § 674 is amended to read:

§ 674. PROCEDURES AND CONDITIONS GOVERNING THE  
TRI-STATE LOTTERY-ARTICLE II

\* \* \*

Q. The Vermont Board of Liquor and Lottery ~~Commission~~ shall be immune from:

\* \* \*

Sec. 104. 3 V.S.A. § 212 is amended to read:

§ 212. DEPARTMENTS CREATED

The following administrative departments are hereby created, through the instrumentality of which the Governor, under the Constitution, shall exercise such functions as are by law assigned to each department respectively:

\* \* \*

(14) The Department of Liquor ~~Control~~ and Lottery



\* \* \*

Sec. 105. 32 V.S.A. § 1010 is amended to read:

§ 1010. MEMBERS OF CERTAIN BOARDS

(a) Except for those members serving ex officio or otherwise regularly employed by the State, the compensation of the members of the following Boards shall be \$50.00 per diem:

\* \* \*

(7) ~~Liquor Control Board~~ Board of Liquor and Lottery

\* \* \*

Sec. 106. BOARD OF LIQUOR AND LOTTERY; DEPARTMENT OF  
LIQUOR AND LOTTERY; POWERS AND DUTIES

On July 1, 2018:

(1)(A) The Board of Liquor and Lottery shall assume all the powers, duties, rights, and responsibilities of the Liquor Control Board and the Lottery Commission.

(B) The rules of the Liquor Control Board and the Lottery Commission in effect on July 1, 2018 shall be the rules of the Board of Liquor and Lottery until they are amended or repealed.

(2)(A) The Department of Liquor and Lottery shall assume all the powers, duties, rights, and responsibilities of the Department of Liquor Control and the State Lottery.

(B) All positions and appropriations of the Department of Liquor Control and the State Lottery shall be transferred to the Department of Liquor and Lottery.

(3)(A) The Commissioner of Liquor Control shall become the Commissioner of Liquor and Lottery.

(B) The Commissioner of Liquor and Lottery shall assume all the powers, duties, rights, and responsibilities of the Commissioner of Liquor Control and the Director of the State Lottery.

Sec. 107. LEGISLATIVE COUNCIL; PREPARATION OF A DRAFT BILL

On or before January 15, 2019, the Office of Legislative Council shall prepare and submit a draft bill to the House Committees on General, Housing and Military Affairs and on Government Operations and the Senate Committees on Economic Development, Housing and General Affairs and on Government Operations that makes statutory amendments of a technical nature and identifies all statutory sections that the General Assembly may need to amend substantively to effect the intent of this act.

Sec. 108. COMMISSIONER OF LIQUOR AND LOTTERY; CURRENT  
TERM; APPOINTMENT OF SUCCESSOR

The Commissioner of Liquor and Lottery in office on July 1, 2018 shall be deemed to have commenced a four-year term pursuant to 7 V.S.A. § 106(a)(1) on February 1, 2016. The Commissioner shall serve until the end of the four-year term or until a successor is appointed as provided pursuant to 7 V.S.A. § 106. Notwithstanding any provision of 3 V.S.A. § 2004 or 7 V.S.A. § 106(b) to the contrary, during this current term, the Governor may remove the Commissioner for cause after notice and a hearing.

Sec. 109. REPEAL

2016 Acts and Resolves No. 144, Sec. 20 is repealed.

Sec. 110. DEPARTMENT OF LIQUOR AND LOTTERY; ANNUAL  
REPORTS

The Commissioner of Liquor and Lottery and the Board of Liquor and Lottery shall report annually on or before January 15 of 2019, 2020, and 2021 to the House Committees on Corrections and Institutions, on Government Operations, and on General, Housing and Military Affairs and the Senate Committees on Economic Development, Housing and General Affairs, on

Government Operations, and on Institutions regarding the Department of Liquor and Lottery's success in carrying out the functions of the former Department of Liquor Control and the State Lottery. The report shall specifically identify any improvements in efficiency and customer service levels, as well as any savings or additional costs, that have resulted from the merger of the two entities. The report shall also provide detailed information regarding the Department's progress with respect to securing a facility that will meet its office and warehouse needs. In addition, the report shall include any recommendations for legislative action that may be necessary to effect the intent of this act.

Sec. 111. TRANSITION

(a)(1) The Commissioner of Liquor and Lottery, in consultation with the Secretary of Administration, the Commissioner of Finance and Management, the Commissioner of Human Resources, the Director of the Lottery, the Liquor Control Board, and the Lottery Commission, shall take any action necessary to enable the merger of the Department of Liquor Control and the Liquor Control Board with the State Lottery and the Lottery Commission to form the Department of Liquor and Lottery and the Board of Liquor and Lottery on July 1, 2018.

(2) The Secretary of Administration, the Commissioner of Finance and Management, the Commissioner of Human Resources, the Director of the Lottery, the Liquor Control Board, and the Lottery Commission shall cooperate with the Commissioner and provide any necessary assistance to enable the merger of the Department of Liquor Control and the Liquor Control Board with the State Lottery and the Lottery Commission on July 1, 2018.

(b)(1) The Governor shall appoint, with the advice and consent of the Senate, five members from the Liquor Control Board and the Lottery Commission to form the Board of Liquor and Lottery on July 1, 2018.

(2) The Governor shall not appoint more than three members from either the Liquor Control Board or the Lottery Commission to serve on the Board of Liquor and Lottery.

(3) The Governor shall designate one of the appointees to serve as the Chair of the Board.

(4) Notwithstanding 7 V.S.A. § 101, the Governor shall designate two members of the Board whose terms shall expire on January 31, 2021 and three members whose terms shall expire on January 31, 2023.

Sec. 112. EFFECTIVE DATES

(a) This section and Secs. 106 and 111 shall take effect on passage.

(b) The remaining sections of this act shall take effect on July 1, 2018.

#### **Appendix 4: Issue and Decision Matrix for Department of Liquor and Lottery Task Force**

*Please note that the Issue and Decision Matrix was a working document prepared by staff based on notes taken during the Task Force meetings. As such, it is not necessarily reflective of the position or opinions of the Task Force or its members.*

**Issue and Decision Matrix for Department of Liquor and Lottery Task Force**

Pursuant to Act 83 (H.238), the Task Force is required to develop a plan and legislation to create the Department of Liquor and Lottery and the Board of Liquor and Lottery. Act 83 includes a number of areas of inquiry and decision points that the Task Force must address, which are summarized below.

**Areas of Inquiry and Issues to Examine:**

Issue to examine	Potential Efficiencies or Savings Identified	Positive Impacts or Advantages	Concerns	Comments
<p><b>Identify and examine potential long-term efficiencies from merger of Department of Liquor Control and Lottery</b></p>	<ul style="list-style-type: none"> <li>• One board rather than two.</li> <li>• More resources available in terms of training, money, and time.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• May create enough critical mass to support investment in a new combined facility that will support long-term growth.</li> <li>• More growth potential for employees, and opportunities for more variety in the work.</li> <li>• More backup for employees.</li> <li>• Opportunities for more technical platforms that employees can work with.</li> <li>• Improved representation through a Commissioner representing both entities in the cabinet and before the Legislature.</li> <li>• Increased long-term accountability and responsibility.</li> <li>• Could create a structure that could potentially manage other controlled substances.</li> <li>• Improved customer service.</li> <li>• Better cross-trained staff.</li> <li>• Improved communication to the combined Department and within the Department.</li> <li>• Combining two entities that operate as a business.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential decrease in positions.</li> <li>• Multiple units in one workplace can reduce familiarity with fellow workers.</li> <li>• May be differences in organizational cultures.</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative merger can begin sooner than facilities merger.</li> <li>• To fully merge, will need to commit to new facility that can house both entities.</li> <li>• This is a relatively simple merger compared to some of the others that the State has done in the past.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of administrative functions</b></p>	<ul style="list-style-type: none"> <li>• Potential for long-term vacancy savings with some positions.</li> <li>• Potential for one combined website.</li> </ul>	<ul style="list-style-type: none"> <li>• Can share duties across two locations.</li> <li>• A number of functions can be merged initially.</li> </ul>	<ul style="list-style-type: none"> <li>• Merger of some office functions may not be possible with current facilities.</li> <li>• Lottery’s walk-up window for cashing tickets would need to be centrally located and may need a separate entrance or location.</li> </ul>	<ul style="list-style-type: none"> <li>• Can do some initial merger of administrative functions but would ultimately need to bring them together in the long-term.</li> <li>• A number of administrative functions could likely be merged immediately.</li> <li>• Physical siting of warehouse and office together in the future would be advantageous.</li> <li>• Could utilize VCPM project teams to enhance efficiency in combining administrative functions. Can be a recommendation in report.</li> <li>• Can also utilize Agency of Administration lean teams.</li> </ul>

<p><b>Identify and examine potential efficiencies from combination of licensing functions</b></p>	<ul style="list-style-type: none"> <li>• Having one place to acquire alcohol, tobacco, and lottery licenses would be more business friendly.</li> <li>• Likely no efficiencies as a result of merger because of differences in license terms.</li> </ul>			<ul style="list-style-type: none"> <li>• All 80 liquor agents are lottery agents as well.</li> <li>• Most or all lottery agents have some form of a liquor/tobacco license.</li> <li>• Liquor Control processes 12,000+ license/permit applications per year. Is in the process of developing a new system to manage licensing functions and paring down the types of licenses.</li> <li>• Lottery licenses are processed once in most cases.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of regulatory functions</b></p>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>			<ul style="list-style-type: none"> <li>• Liquor Control Board and Lottery Commission use the same Assistant AG for rulemaking purposes.</li> <li>• Lottery enforcement is through the director pursuant to rules adopted by the Commission establishing specific grounds for the suspension or revocation of a license.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of educational functions</b></p>	<ul style="list-style-type: none"> <li>• Expanded understanding by combined Department of the sale of controlled products.</li> <li>•</li> </ul>			<ul style="list-style-type: none"> <li>• Lottery reps do training when they are at the stores, but the primary source of training is through the stores themselves.</li> <li>• Salespeople for alcohol and tobacco must pass DLC trainings before they are legally permitted to sell the product.</li> <li>• DLC and Liquor Control Board are discussing a server's license that could be tied to training and avoiding violations of the law.</li> <li>• DLC is currently looking at additional ways to enhance quality of training.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of marketing functions</b></p>	<ul style="list-style-type: none"> <li>• Potential for one combined website and combined outreach.</li> <li>• May be some potential to use a single vendor to provide marketing materials.</li> <li>• Products may be complimentary.</li> <li>• Potential efficiencies could be realized with existing facilities.</li> <li>• Potential contractual issues that may limit marketing potential.</li> <li>• Marketing models for the two departments are different.</li> <li>• Lottery focuses on television, radio, and print advertising.</li> <li>• Lottery designs its tickets in-house and then uses a specialized printer to make tickets.</li> <li>• Liquor Control is focused on brand image with limited print advertising and a social media presence. Liquor Control also does some targeted email advertising related to special product raffles. Liquor Control does some advertising in media in adjoining markets like NY and QC.</li> </ul>			<ul style="list-style-type: none"> <li>• Chief marketing officer for the State could be a resource to enhance integrated marketing of the Liquor and Lottery brands.</li> </ul>

<p><b>Identify and examine potential efficiencies from combination of warehousing functions</b></p>	<ul style="list-style-type: none"> <li>• A new combined warehouse would provide a significant benefit to Liquor Control in terms of improved efficiency and increased capacity.</li> <li>• The new building could be designed to meet the needs of the two operations.</li> <li>• Combining the warehousing functions creates potential for cross-training of warehouse employees.</li> </ul>	<ul style="list-style-type: none"> <li>• A new combined facility would also be safer than the existing Liquor Control warehouse.</li> <li>• A combined facility offers the possibility of saving money in the long run.</li> <li>• Increased storage space for the Lottery could allow additional tickets that are currently stored in the printer's warehouse to be available for immediate sale in Vermont.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• The Liquor and Lottery warehouses have different needs, so a new facility would still need to have separate spaces for each function.</li> <li>• A discussion of a new facility needs to contemplate the ability to grow and expand to accommodate additional controlled substances in the future.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of distribution functions</b></p>	<ul style="list-style-type: none"> <li>• Potential for savings if some deliveries of alcoholic beverages and lottery products to liquor agencies can be combined.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Liquor is distributed by the Department of Liquor Control while about 98% of lottery products are sent to agents via UPS.</li> <li>• Alcoholic beverages and lottery tickets are very different products in terms of size and distribution requirements.</li> <li>• Potential to explore additional efficiencies in the future through contracting out certain deliveries or adjusting delivery models.</li> <li>• Liquor agents order the products they sell based on their own sales experience within their market.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of sales functions</b></p>	<ul style="list-style-type: none"> <li>• Possibility of developing a single POS system in the long-term could present efficiencies for agents and a combined department.</li> <li>• Possibility for enhancing sales through the overlap in the markets for alcoholic beverages and Lottery games.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Combination of POS systems presents challenges.</li> <li>• Proprietary equipment and the specialized needs of each sales program will prevent merger of POS systems in the near term.</li> </ul>	<ul style="list-style-type: none"> <li>• Liquor sales are essentially a store within a store because the spirits and fortified wines are State owned, which is why the sales are segregated from the agents other sales.</li> </ul>
<p><b>Identify and examine potential efficiencies from combination of control/enforcement functions</b></p>	<ul style="list-style-type: none"> <li>• Investigators could combine some enforcement functions.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential efficiencies could be realized with existing facilities.</li> <li>• Lottery could see some benefits from the dedicated law enforcement officers.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Lottery does not have law enforcement officers, while Liquor Control does.</li> </ul>
<p><b>Examine role, functions, and composition of Liquor Control Board</b></p>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Board is comprised of five members appointed by the Governor.</li> <li>• In addition to overseeing the Department of Liquor Control, the Board serves as a quasi-judicial body that enforces Vermont's liquor and tobacco laws.</li> <li>• Workload could potentially be reduced through the use of a hearing officer.</li> <li>• Meet once per month for a full day.</li> </ul>
<p><b>Examine role, functions, and composition of Lottery Commission</b></p>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Commission is comprised of five members</li> <li>• Commission establishes rules governing the Lottery and oversees the operation of</li> </ul>



				the Lottery.
How will role, functions, and composition of Liquor Control Board be affected by merger?	<ul style="list-style-type: none"> <li>• Could reduce 2 boards with 5 members each to one combined board with 5 members.</li> </ul>	•	•	<ul style="list-style-type: none"> <li>• Meet once per month for about 2 hours.</li> <li>• Workload could potentially be reduced through the use of a hearing officer.</li> <li>• Workload will increase.</li> </ul>
How will role, functions, and composition of Lottery Commission be affected by merger?	<ul style="list-style-type: none"> <li>• Could reduce 2 boards with 5 members each to one combined board with 5 members.</li> </ul>	•	•	<ul style="list-style-type: none"> <li>• Workload will increase.</li> </ul>
What are the limitations and barriers to combining the Liquor Control Board and the Lottery Commission?	•	•	•	<ul style="list-style-type: none"> <li>• Could be challenges in finding volunteers because of the increased workload for the Board.</li> <li>• Need to ensure that the Board provides dedicated time to both Liquor Control and Lottery so that the attention that either one receives does not suffer.</li> </ul>
Examine whether the Board of Liquor and Lottery should be a full-time professional board.	•	<ul style="list-style-type: none"> <li>• Having a professional Board of subject matter experts could better support the business and could be better positioned to address the addition of any other controlled substances in the future.</li> <li>• Professional Board members could devote their full time to the business of the combined Department.</li> </ul>	<ul style="list-style-type: none"> <li>• Vermont has a long tradition of citizen boards and both the Liquor Control Board and Lottery Commission have functioned as a citizen board up until this point.</li> <li>• Having a professional Board would change the current model of a citizen Board overseeing departments whose day-to-day business is under the direction and control of an appointed commissioner and director (Commissioner and deputy commissioners under the merged Department).</li> </ul>	<ul style="list-style-type: none"> <li>• Two options are to stay with a five-member volunteer Board or to create a full-time professional Board</li> <li>• Add acknowledge in report that there may be a need in the future to examine changing the Board to a full-time professional board if the workload increases due to the addition of another controlled substance under the jurisdiction of the Department.</li> </ul>
Identify and examine the potential positive impacts of creating the Department of Liquor and Lottery	•	•	•	•
Identify and examine the potential negative impacts of creating the Department of Liquor and Lottery	•	•	•	•

**Decision Points for Task Force:**

The Task Force is responsible for developing draft legislation and a corresponding plan necessary to accomplish the creation of the Department of Liquor and Lottery. In doing so the Task Force must decide a number of items related to how to carry out the merger of Vermont’s Liquor and Lottery operations, as well as how to structure the Department of Liquor and Lottery and the Board of Liquor and Lottery. Details related to how to accomplish some items determined by the Task Force will be left up to management and staff if the legislation is enacted. Additional room is provided for decision points that are not listed in the legislative charge, but are identified by the Task Force during its deliberations.

Decision Points	Do as Part of Merger/ Do After Merger/ Do Not Do	Concerns	Resources	Advantages/savings	Other
Combine administrative functions?					
Combine licensing functions?					
Combine regulatory functions?					
Combine educational functions?					
Combine marketing functions?					
Combine warehousing functions?					
Combine distribution functions?					
Combine sales functions?					
Combine control/enforcement functions?					
Full-time, professional Board of Liquor and Lottery?					
Composition of Board?					
Provide training to assist with merger	Go	None	WD unit.		

Possible three phases two merger: Merge, merge administrative/executive functions, merge into one physical space.

**Additional Items Task Force Members Would Like to Address if Possible or Would Like to See Addressed in Future:**

- 
- 
- 
- 
-