

Vermont Department of Liquor Control Overview

A BRIEF HISTORY OF BEVERAGE ALCOHOL IN THE UNITED STATES

PRIOR TO PROHIBITION

Alcohol misuse and abuse were rampant

The production and availability of alcohol was widespread

The social costs of misuse and abuse were national issues and widespread.

Opposition to alcohol consumption by business and religious organization and temperance leagues was widespread

DURING PROHIBITION

Vermont historically has had two periods of prohibition 1885-1900 and 1920-1933

Crime and corruption during prohibition was rampant and unacceptable.

Prohibition coincided with the great depression and provided many law abiding citizens with compelling reasons to break the law.

Loss of tax revenue from the manufacturing and retailing of alcohol created a tax burden for governments

NATIONAL PROHIBITION ENDED IN 1933

The regulation of alcohol reverted to the individual states.

Seventeen states and some municipalities at that time adopted a control model

The common denominator with control states is that they assume ownership at some point in the business cycle

Control states and jurisdictions represent 25% of the nation's population

Control states account for roughly 22% of distilled spirit sales in the U.S.

There are still a significant number of counties and cities that remain "dry"

Control jurisdictions are the alternative to license states where wholesale and retail are in private hands.

Less equals more

Statistical data evidence over the years shows that **distilled spirit consumption in control markets is 13.85 less** per capita than license states.

- There are fewer off premise points of distribution

- Fewer hours of operation

- Retail pricing is controlled

Statistical data evidence over the years shows that distilled spirit **revenue in control markets is 104% more** per capita than license states.

Modernization of control state systems

As time has passed the control state model in many jurisdictions has changed.

- Some states only wholesale product

- Some states only sell distilled spirits

- Some states only sell product in state owned stores

- Some states sell wine and beer as well as spirits

- Sale prices, customer service and operating policies differ

What control jurisdictions consistently offer to their citizens

- Policies and operating procedures that encourage moderate consumption

- Tax Revenue to state and local governments

- Consumer service and operational goals

- Enhanced public safety through the sales of safe and unadulterated products

- Uniform enforcement of applicable laws

- Removal of financial incentives to violate the law

- Promoting alcohol awareness and education to mitigate the negative impacts for alcohol consumption

The U.S. is not alone in having alcohol control jurisdictions

- 33 other countries are fully or partially control jurisdictions.

WHY DO WE EXIST

As a department within State government the DLC serves two primary functions.

The first function is to provide a sufficient level of control over the retailing of distilled spirits to minimize the negative effects of consuming distillates. Beverage alcohol in all its many forms is a controlled substance federally and at the state and community level. Distilled spirits are a concentrated form of beverage alcohol that has been treated as a unique and unusual commodity for thousands of years.

Due to its high levels of alcohol content it has been the most highly controlled version of beverage alcohol historically. It tends to be heavily controlled at the internationally, federal, state level, and the community level.

This enhanced level of control is due to the reality that it is an addictive substance and is prone to misuse and abuse. The social costs can be very high in the absence of an effective control model particularly with individuals that have a genetic predisposition to the disease of alcoholism.

There are two primary approaches to controlling access to Distillates. One model is the control state model and the other is the licensing model.

The control state model is one where State government is actively involved in one or more levels of the three- tier system. This practice created three distinct tiers in the manufacture, distribution and retail of beverage alcohol within a market. It was implemented by the states after the repeal of prohibition to eliminate monopolies through vertical integration and to provide a consistent and fair vehicle to collect tax revenues. The three- tier system remains the standard for the industry to this day.

The alternative control feature for access to beverage alcohol is the licensing system. The licensing system is also used in control states to manage points of distribution. **However, in “open markets” where state government has chosen to de-regulate it is the only means to control points of distribution.**

The DLC utilizes the following tools to effectively manage the sale and distribution of distilled spirits:

New product listing

The Department attempts to strike the proper balance of product listings and sizes to reflect current consumer consumption trends and to provide consumers with a range of product choices to meet demand.

Managing retail price points

The DLC has a formula based mark up on products. The ability to set pricing for the market protects citizens from profit driven discounted pricing which increases sales and consumption.

Price control contributes to a steady, predictable revenue stream for state government

Authorizing points of distribution

Control over retail locations is desirable to ensure that product is available to purchase throughout the state to service demand.

Manages the density of retail locations throughout the State. High density retailing of distilled spirits correlates with many law enforcement issues such as theft, loitering, panhandling and violent crime.

Determining hours of retail operation

The Department's ability to set operational hours raises the safety standards in communities where stores exist and minimizes law enforcement issues.

Employing a compliance and enforcement division

Our enforcement division insures a higher level of interaction with both retailers and licensees to proactively encourage **compliance** with state laws and regulations that are intended to encourage socially responsible consumption of beverage alcohol and tobacco products.

Our enforcement division also insures that licensees are held to an acceptable standard of compliance with the law. They are all certified police officers and can investigate infractions and issue citations to **enforce** state laws. This policing activity has important tangible and intangible effects on decision making to encourage responsible behavior.

WHO WE ARE

The Vermont Department of Liquor Control is:

We are a business entity within state government.

A team comprised of 55 individuals.

Divisions include: Purchasing
 Warehousing and Distribution
 Licensing

Education
Administration
Information Technology
Marketing
Retail
Business management

WHAT WE DO

We are a distribution and retail business model

We are a self-funded entity

We distribute distilled spirits to 80 contract retailers throughout the state

We retailed 413,000 cases of product-an increase of 2.5%-or 10,000 cases

We had \$86,960,000 in gross revenue in fiscal 2017-an increase of \$3,365,000

The DLC contributed \$25,278,000 net revenue in fiscal 2017 to the general fund -an increase of \$679,000.

WHY ARE WE RELEVANT

Since 2000 the DLC has contributed over \$275,000,000 to the State's general fund.

In 2016 the DLC issued and renewed 13,187 licenses and permits.

In 2016 the compliance and enforcement division completed 598 alcohol compliance checks.

In 2016 the compliance and enforcement division completed 1,066 tobacco compliance checks.

In 2016 the education division provided training seminars for 8,603 alcohol and tobacco gate keepers.

The Information Technology division has virtualized all data bases to the Cloud, installed EMV compliant credit card readers in all 80 retail outlets.

We support Vermont based businesses and facilitate economic development.

We actively market to support local businesses and are involved in educating Vermont consumers to make good buying decisions that support state government.

