

- **Board Meetings:** I have a concern regarding this proposed merger in that the Lottery managers and vendors will not get the level of attention they currently receive at the board level. I fear that the judicial issues facing a potential combined Liquor & Lottery Board will overshadow the operational issues that the board should be made aware of and weigh in on. I firmly believe that having managers and vendors at the lottery meetings has allowed lottery board members to hear and understand the work the staff is doing and the barriers they face. I also believe that this level of understanding/interaction has helped lottery board members appreciate the effectiveness of the strategies for improvement and invites more open dialogue and ideas to be brought to the table than would occur if only the Director were in the room. This concern mainly stems from the observation that the liquor board minutes show the attendees generally to be the board members, attorneys, Commissioner, Deputy Commissioner, Director of Enforcement, and administrative staff (presumably taking minutes). I hope that should this merger go forward there will be separate meetings with the board for liquor and lottery, as Maine conducts, so that the work of the lottery does not get lost in the muck and taken for granted.
- **Combining POS systems:** I understand the desire for a combined POS system that will benefit consumers so that their transactions, regardless of what they purchase at retailer locations, would be seamless. The Department of Liquor Control requires that liquor agents use a DLC cash register that records the liquor sales and tracks liquor inventory separately. The Lottery does not require agents to use a cash register to track their individual ticket sales, nor are they required to keep their Lottery cash separate from their other product sales. The scratch ticket product is paid for by the "book" or "pack", (not individually) on consignment, i.e. after the pack is sold or at least mostly sold. The Lottery Photon terminals across Vermont are much more than cash registers. They print tickets for draw games (that requires a closed system of operation), manages instant ticket inventory statuses, validates winning tickets, tracks sales, commissions, prizes paid, and promotions. The Photon terminals are also used to deliver important messages to Agents, including Amber Alerts, as well as weekly invoices and other reports that Lottery Agents use to manage their instant scratch ticket inventory. The Lottery Instant Scratch product is paid for by Lottery Agents on consignment, as noted above, rather than upon delivery for the simple fact that Agents, as a part of their licensing agreement, are also required to pay prizes up to \$499 per ticket upon demand. It is unreasonable for the Lottery to expect retailers to pay up front for scratch ticket inventory in addition to paying prizes out of pocket on behalf the Lottery Commission. The Lottery is also strictly a cash business per statute. Such is not the case with the Department of Liquor Control.

Presently the Department of Liquor Control operates with a very antiquated POS/warehousing system according to their own testimony. It seems to me that the obvious solution to resolve DLC's POS issue is for the Department to operate as a wholesaler rather than a retailer, like the State of Maine does. The Liquor Agents would take possession and ownership of the product upon delivery. It is my understanding that in Maine, the Agents pay for their liquor shipments three days after receipt of delivery. If Vermont Liquor Agencies own the liquor products in their stores, the stores regular cash register could be used to make the sales to consumers. It also

wouldn't matter how the consumer pays for the Liquor products, cash or credit. The Agency store would be required to manage their own inventory and place their own orders. The DLC would not need to keep track of the liquor inventories at the store level, only what is in its warehouse. A DLC inventory/sales system would still be required to track shipments, issue invoices, and record payments for Liquor Agencies, but a DLC Retail POS system would not be necessary.

- **Warehouse:** The facilities currently utilized by the DLC for warehousing and administrative purposes is inadequate and frankly seems unsafe. In the current fiscal climate, the prospect of the State of Vermont spending millions of taxpayer dollars to build a new warehouse facility for housing liquor that the State does not own does not make sense to me. The idea that the state would somehow "chargeback" the cost onto distributors seems unrealistic since that cost would simply be charged right back to DLC by the distributors! Taxpayers are going to pay for any new warehouse in the end. If private businesses currently have existing warehouse space that can be utilized to accommodate Vermont's warehousing needs, privatization like Maine should seriously be considered. A private distribution company would also likely have a modern, inventory/sales system already in place.
- **Training and Enforcement:** There are efficiencies to be gained in these areas that could benefit both the DLC and Lottery, however the efficiencies could be achieved through Memorandum of Understanding (MOU) agreements between Liquor and Lottery. A merger is not required to implement these efficiencies.

1. Is it anticipated that any positions will be eliminated once the merger takes place?
2. How does this merger effect seniority within departments once we merge?
3. Will any common departments be merged into one? Administration, Finance, Accounting, etc?
4. Will the Enforcement Division and Investigators from Liquor take on Lottery Agent Compliance Program?
5. It has been spoke of that if Liquor Control was to merge with another division, that the Liquor Control Investigators would then become employees of Public Safety. Is this any vision that the task force sees?

It has been stated numerous times that no one is going to lose their jobs. But in the scheme of streamlining and saving money, it seems impossible for certain levels and departments within the two agencies' not to become one and no longer need all of the current employees within that department.