

To: House General Committee
From: Wendy Knight, Commissioner
Date: February 24, 2022
Re: Financial Analysis of RTD and Fortified Wine Exclusion

In developing our FY23 Budget Request, the Department of Liquor and Lottery calculated the projected loss in the Department's profit margin/mark up if the ready-to-drink (RTD) and fortified wine exclusion from the Division of Liquor Control were to pass.

Ready-to-Drink Analysis (Based on 12% ABV)

State Fiscal Year 21 (Used to build projections)

Total Sales of RTDs	\$1,259,745*
Cost of Goods of RTDs	\$719,169
Profit Margin on RTDs	\$540,576
Profit Margin on RTD Category	75%

State Fiscal Year 23 Projections

Projected Total Sales of All RTD (8% above FY21)	\$1,360,525
Projected Cost of Goods Sold	\$776,703
Total Profit of RTD	\$582,527
Number of Products Identified for Distribution Model	85 of 168 (50.6%)
Amount of Profit from Identified Products (50.6%)	\$294,759

Fortified Wine Analysis

State Fiscal Year 21

SFY21 Fortified Wines sales	1,167,905.00
Cost of Goods of Fortified Wines	656,373.00
Profit on Fortified Wines Sales	511,928.00
Profit Margin	78%

Board of Liquor and Lottery:

Martin Manahan, Chair; Megan Cicio, Edward Flanagan, Sam Guy, Thom Lauzon – Members

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State Fiscal Year 23 Projections

SFY23 Projected COGS (8% above SFY21)	708,882.84
Profit on Projected Sales	552,928.62
Eliminating 100% of Product Revenue Reduction Amount	552,928.62

*The FY21 sales revenue of \$1,259,745 includes the 5% excise tax, which is \$62,987.

The potential loss in the profit margin/markup is \$294,759 for RTD exclusion, and \$552,928 for fortified wine exclusion, totaling \$847,687. We assume that expanding the market from 80 stores to potentially 900 will increase sales and excise tax sufficiently to cover that mark-up loss, as well as any projected loss in a change in tax rate.

We will provide Joint Fiscal Office with all necessary and available sales and financial data to assist with their estimate of the tax implications of RTDs moving from 5 cent excise tax to 55 cents per gallon excise tax.