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Wendy Knight, Commissioner

To: Matt Birong, Chair House Government Operations and Military Affairs Committee
Lisa Hango, Vice Chair House Government Operations and Military Affairs Committee
From: Wendy Knight, Commissioner Liquor and Lottery
Date: April 24, 2026
Re: DLL Testimony on S. 198, Tobacco Reform Bill

I appreciated the opportunity to testify on S. 198 in House Government Operations and Military Affairs Committee yesterday. I am submitting written testimony that summarizes my verbal testimony. It also includes answers to Rep Coffin's question on penalties.

Current Regulatory Environment

Wholesaler licensure: The Department of Liquor and Lottery (DLL) licenses tobacco retailers, while the Department of Taxes (Tax) licenses tobacco wholesalers. Wholesaler licensure information is critical to enforcement but under the current structure that licensure data becomes "privileged tax information," stymying DLL's ability to enforce compliance across the supply chain.

Tobacco license / substitute endorsement: Tobacco retailers must hold a tobacco license (\$110) as well as a tobacco substitute endorsement (\$50) to sell tobacco substitutes, such as vapes, pouches, et cetera. There are currently approximately 780 tobacco licensees, of which 520 also hold tobacco substitute endorsements. Current statute directs DLL to *not* assess an application fee for a tobacco license when the applicant is also applying for a liquor license or is a current holder of a liquor license.

Compliance checks and administrative penalties: DLL is directed by statute to conduct compliance tests of tobacco licensees to ensure statewide compliance with the prohibition on sales to persons under 21 years of age. In 2025, OCE conducted 679 compliance checks, with 59 failures identified, or approximately an 8.6% failure rate. In 2025, approximately \$4,400 in administrative penalties were paid by tobacco licensees or substitute tobacco holders' endorsements for violations of tobacco regulations.

The Board of Liquor and Lottery has the authority to issue administrative penalties and take administrative action for violations of tobacco laws, including license suspensions or revocations where appropriate. These penalties are applied to *the holder of the license*. This is distinct from the penalty outlined in 7 VSA §1007(a), which outlines the *civil penalty assessed to an individual* who sells or furnishes tobacco products, substitutes, or paraphernalia to a minor. Those penalties are assessed in the same manner as traffic violations and are referred to the judicial bureau. When a civil penalty is assessed to an individual for sale to a minor, an administrative penalty is *also* assessed to the holder of the license.





Online Compliance and Enforcement: Online compliance checks are done as follows: an investigator goes online, googles “buy tobacco online” or something similar, finds a website, and walks through the ordering process. In 75% of cases, when that investigator selects ‘Vermont’ as the delivery destination, the site refuses to complete the order. The remaining 25% of cases are referred to the Attorney General’s Office. In 2025, this equated to 119 online tobacco compliance checks, resulting in 29 violations, roughly a 24% non-compliance rate. So far in 2026, OCE has completed 66 online compliance checks with 5 referred to the AGO, or a 7.5% non-compliance rate.

Key Bill Provisions

Wholesale licensure: DLL and Tax agree that aligning wholesaler licensing authority will create a clearer chain of accountability, improve operational responsiveness, and ensure greater regulatory consistency across the supply chain. Tax does not assess a fee, and the license is in perpetuity. DLL will assess an annual fee that is on par with our liquor wholesaler license (\$1,245).

Deceptive Devices: Devices designed to look like everyday consumer products, including those specifically targeted at children, make it nearly impossible for parents, retailers, and regulators to identify. We strongly support the prohibition on these deceptive devices.

Codifying Administrative Penalties: The outlining of minimum administrative penalties and mandatory license suspensions for subsequent violations of tobacco regulations in 7 VSA §1007(b)(2) aligns with the Department’s mission to maintain a regulatory framework that supports responsible sale and consumption of tobacco products, while maintaining the Board of Liquor and Lottery’s discretion to set administrative fine amounts.

Increases in fees: We appreciate the commonsense deliberation that resulted in a reasonable adjustment of the tobacco license and tobacco substitute endorsement fees from \$110 to \$150 and \$50 to \$75, respectively. The Vermont Retail Grocers Association has also testified that this inflation-adjusted amount is acceptable. Also, S. 198 as amended by House Commerce fully separates the tobacco and liquor licensing and application fee processes, so that *all* tobacco licensees, regardless of liquor license status, will be assessed the tobacco license application fee, now proposed to be set at \$150.

Additional investigator position: DLL has communicated since the Fall of 2025 that the inclusion of an additional DLL investigator position in the bill is a non-starter. We do not support the inclusion of a DLL investigator position in the bill for the following reasons:

- It was not included in DLL’s FY27 budget request, the Governor’s recommended FY27 budget, nor the AGO’s FY27 budget request.
- We do not conduct our compliance and enforcement work in a silo assigning investigators to work on only a certain type of compliance investigations.
- Funding a position through penalties creates a perverse incentive structure.
- We are not certain the AGO has the existing resources to handle more referrals from DLL.
- We heard testimony in House Human Services that most tobacco users purchased their products at retail stores, not online: 23% of users purchasing their products online, while 43% purchased from a vape or tobacco shop, and 34% purchased from a gas station or convenience store.





- As the Appointing Authority for overseeing operations and managing budgets for DLL, I determine with the team what resources should be included in our budget. It is not proper for another agency, like the AGO, to dictate what positions are in my budget.

DLL has recommended that the AGO include a non-law enforcement position in their FY28 budget request to accommodate online tobacco compliance work. We respectfully ask the Committee that an additional DLL investigator position *not* be added back into the bill. This will allow the AGO to more time wholly consider their staffing needs in this new regulatory environment.

Summary

S. 198 significantly strengthens tobacco enforcement structures, including through the transfer of wholesale licensure to DLL, the codification of minimum administrative penalties, the inclusion of consecutive license suspensions and eventual revocation, and the ban on deceptive devices. DLL is committed to our mission of creating and maintaining a regulatory framework of licensing, compliance, enforcement, and education to support the responsible sale and consumption of tobacco products. Our goal is to regulate these markets in a way that protects public health, supports responsible businesses, and keeps Vermont affordable and accountable. We look forward to continuing to support the advancement of this bill so that we can pass it this session and the Governor can sign.

