

The Washington Post

washingtonpost.com > Metro > Virginia Politics Blog

Virginia Politics

News and Notes on Politics in Richmond and Northern Virginia

About this Blog | [On Twitter](#) | [Follow us on Facebook](#) | [XML](#) [RSS Feed](#)

THE BLOGGERS

Other states did not make money on ABC privatization



As we [reported over the weekend](#), Virginia probably should not expect either a financial windfall or a level of income that matches what state-run liquor stores currently add to Richmond's bottom line, according to a *Washington Post* analysis of other states that have privatized at least part of their alcohol sales.

Gov. Bob McDonnell (R) said he expects to make \$500 million upfront while retaining nearly \$250 million in taxes and profits to the state each year by doing what no control state has done -- privatizing the wholesale, distribution and retail. He will announce his proposal Wednesday.

Iowa and West Virginia, the only two states that have fully privatized their retail stores in the last two decades, each made less than \$20 million upfront when they privatized. Officials there say the change helped them become more efficient and saved overhead costs, but never produced the anticipated windfall.

In West Virginia, during fiscal year 1990, the last full year before privatization, \$9.7 million was sent to the state after expenses, according to Kimberly Osborne, a spokeswoman for West Virginia Department of Revenue relying on prior year's records. In fiscal year 1992, the first full year after privatization, \$6.6 million was sent to the state after expenses, according to Osborne.

Maine, which leased out its wholesale operation to help close a \$1 billion shortfall in the \$5 billion budget, received \$125 million upfront, but continues to collect less money each year than it would have had it stayed in the business.

The state receives about \$6 million a year, officials said. It was receiving \$28 million to \$30 million each year before privatization.

See [a full list of 18 control states and what systems they use now](#).

In Iowa, Senate Republican Leader Mike Gronstal, who helped push privatization through the Senate, said legislators constantly touted the possibility of a massive windfall.

"If you wanted to sell off everything, there was a potential for millions," he said. "But there was some real fear about losing the annual money."

Sixteen years went by before Iowa's tax and fee receipts from liquor sales -- which fund substance abuse treatment and prevention, aid to localities and the state's general fund -- [reached the level that alcohol had brought in when Iowa](#) ran its own stores, according to the state's Alcoholic Beverages Division.

Iowa chose not to privatize the wholesale portion of the liquor pipeline because the state stood to lose \$60 million to \$70 million each year if it did, said former House Speaker Don Avenson, a Democrat who strongly supported the bill. Instead, Iowa privatized only its retail operation, and now has about 800 private stores selling liquor.

The first year the state saved \$3.7 million dollars and took in an additional \$9-million -- primarily from selling off its liquor inventory -- though it had expected \$17-million, according to interviews and news reports.

During the last fiscal year, Iowa made nearly \$3.7 million in license fees -- a figure that has gradually increased since 1987, state figures show. Each license costs \$750 to \$7,500.

But the money from liquor sales to the state for the general fund, substance abuse treatment and prevention, marketing and aid to localities dropped considerably after privatization.

In fiscal year 1986, the last full year before privatization, \$71.6 million was sent to the state after expenses, according to Tonya Dusold, a spokeswoman for the Iowa Alcoholic Beverages Division relying on prior year's records. In fiscal year 1988, the first full year after privatization, \$46.3 million was sent to the state, according to Dusold. It took Iowa until 2004 to reach pre-privatization levels.

By Anita Kumar | September 7, 2010; 1:50 PM ET

Categories: [Anita Kumar](#) , [Liquor privatization](#) , [Robert F. McDonnell](#)

http://voices.washingtonpost.com/virginiapolitics/2010/09/as_we_reported_this_weekend.html
