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Virginia ABC stores register record profits

By Amelia Heymann and Jessica Samuels, Capital News Service May 3, 2017 Updated May 3, 2017



Photo by April Grant

RICHMOND – It's Saturday night, and it's busy at the Oxbridge Square ABC store on Hull Street Road. Alone and in groups, shoppers are picking up libations for the evening.

For some customers, this is a once-in-a-blue-moon trip; for others, it's a regular occurrence. N

Goldman says she goes about once a month, while Nicole Booth says she goes every weekend herself and others.

“My purpose is to party and to get ripped,” Booth said.

Thanks to customers like her, Virginia’s state-owned liquor stores rang up record profits in 2016 according to the Department of Alcoholic Beverage Control.

Last year, the 359 ABC stores across the commonwealth had gross sales of about \$895 million, or \$106 for every resident of Virginia. The stores sold 11.4 million gallons of alcoholic beverages, or 1.4 gallons per capita.

For Virginia officials, what counts most is how much money the stores produce in net profit and taxes. In 2016, the total was \$315 million. That represents a profit margin of more than 35 percent of gross sales.

The amount that the ABC stores funneled into the state treasury has increased by more than one-third over the past five years. (In 2011, the stores’ net profits plus state taxes totaled \$235 million.)

Valerie Hubbard, a public relations specialist for the ABC, said an increase in stores might have boosted sales during fiscal year 2016, which ended on June 30.

During the fiscal year, the ABC opened eight new locations across the commonwealth, including in Floyd County, which had been dry until 2014. In addition, the agency remodeled eight stores and relocated 10 others.

ABC sales may see another increase this year. Since July, stores across the commonwealth have been opening at noon on Sundays rather than 1 p.m. Longer hours, of course, mean more opportunities to make a profit.

Which stores sold the most in 2016?

The ABC stores in Fairfax County sold the most alcohol beverages – nearly 1.3 million gallons. Next came Virginia Beach with about 830,000 gallons. But that is to be expected: Fairfax County has

ABC stores and a population of about 1.1 million people; Virginia Beach has 14 stores and more than 450,000 residents.

In terms of sales per capita, the top locality was Lexington. The city's lone ABC store sold a million 43,340 gallons of alcoholic beverages – but that represented 6.2 gallons for each of Lexington's 7,045 residents. (Caveat: Lexington is surrounded by Rockbridge County, which doesn't have an ABC store. Many Rockbridge County residents no doubt buy liquor from the Lexington store, inflating the per-capita statistic.)

Emporia, in Southside Virginia, and Norton, in the state's southwest corner, had ABC sales of more than 5 gallons per capita. Then came the cities of Williamsburg and Franklin, at about 4 gallons per capita, followed by Charlottesville at 3.8 gallons per capita.

Astute observers may detect a pattern: Lexington is home to the Virginia Military Institute and Washington and Lee University; Williamsburg, to the College of William and Mary; and Charlottesville, to the University of Virginia.

The 10 ABC stores with the highest gross sales last year included one near U.Va. and another in Virginia Tech:

- 1612 Laskin Road, Virginia Beach – \$9,202,992 in gross sales
- 405 30th St., Virginia Beach – \$8,399,650
- 3333 Virginia Beach Blvd., Virginia Beach – \$7,699,741
- 8413 Old Courthouse Road, Fairfax County – \$7,621,199
- 4312 Wheeler Ave., Alexandria – \$7,133,652
- 10 N. Thompson St., Richmond – \$6,979,359
- 1902 Emmet St., Charlottesville – \$6,617,752
- 2400 Cunningham Drive, Hampton – \$6,442,135
- 1332 S. Main St., Blacksburg – \$6,428,867
- 4320 S. Laburnum Ave., Henrico County – \$6,126,451

Virginia has 360 ABC stores. State officials say 92 percent of Virginia's population lives within 10 minutes of an ABC store.

Fourteen localities in Virginia don't have an ABC store; several of them are dry, meaning they prohibit the retail sale of distilled spirits. However, such "wet" localities as Rockbridge County (population 22,000) and Manassas Park (population 16,000) don't have an ABC location.

How does state-controlled liquor affect prices?

According to the Tax Foundation, a nonprofit think tank, in 2015 Virginia had the third-highest distilled spirits tax in the United States. The Virginia tax averaged \$19.18 per gallon of spirits. That was higher only in the states of Washington (\$35.22 per gallon) and Oregon (\$22.72).

All of Virginia's border states have lower spirit taxes. North Carolina's tax is \$12.30 per gallon; other neighboring states tax spirits at less than \$5 a gallon – and just \$1.89 in West Virginia.

In Virginia, revenues from liquor sales go into the state government's general fund, which supports schools, law enforcement and other public services. In 2016, the ABC transferred over \$24 million more revenue into the general fund than during the previous year.

Money made by ABC stores also goes toward the agency's education and training programs to prevent alcohol abuse and underage drinking.

As lucrative as ABC operations have been for Virginia, some Republican officials have wanted to privatize the sale of alcohol. Virginia is one of only nine states where the government controls liquor stores.

In 2012, then-Gov. Bob McDonnell proposed that the state sell off the ABC stores. The attempt failed because many legislators weren't willing to lose the revenue that the liquor monopoly generated for the government.

In contrast, Gov. Terry McAuliffe has used his tenure to increase ABC revenues. During his administration, the ABC has opened 19 new stores. Moreover, McAuliffe signed legislation allowing ABC stores to sell 151-proof alcohol such as Everclear. (The existing limit is 101-proof.) The law takes effect July 1.

The ABC projects that during the 2017 fiscal year, alcohol sales will rise more than 4 percent.

Convenient store locations, such as the Hull Street Road shopping center, make liquor shopping easy for Nicole Booth and her friends.

"I actually shop at the closest one to me at the time," Booth said. "Oxbridge Square is the closest"

my house. I buy Hennessy, or Grey Goose vodka.”