Alcoholic Beverage Revenue, Tax, and Consumption:

A Brief for Decision-makers

Prepared at the request of:

Senator Terry C. Burton

The John C. Stennis Institute of Government
Dr. W. Martin Wiseman, Director
Mississippi State University

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This document was generated at the request of Senator Terry C. Burton for the purpose of providing an overview of tax revenue by source in the State of Mississippi. A comprehensive econometric and policy analysis of revenues, expenditures, and the impact of change to these variables is beyond the scope of this report. This report does not make any policy recommendations; it is intended to provide decision-makers with an overview of revenues and expenditures related to alcoholic beverages in the State of Mississippi and to provide a comparative framework in a concise format.

The policy of the State of Mississippi is prohibition by default. The intent of Mississippi Code Annotated §67 is to enforce prohibition, and to require strict regulation of alcohol in the counties and municipalities that vote to remove themselves from prohibition. Under existing state law, the State of Mississippi directly controls the distribution, sale, transportation, possession, and manufacture of distilled spirits and wine. Mississippi operates a state controlled monopoly that acts as the exclusive wholesaler to control the distribution of distilled spirits (liquor) and wine for the sale of alcohol to retail establishments that sell alcohol in the state. The State Tax Commission's Office of Alcoholic Beverage Control is provided the authority under state law to purchase distilled spirits and wine from suppliers, to decide what alcoholic beverages will be sold in the state, to set wholesale prices, to take orders from and deliver beverages to retail establishments, and to warehouse and deliver alcoholic beverages within the state.

In Mississippi as statutory “mark-up” of 27.5 percent is imposed on distilled spirits by The State Tax Commission's Office of Alcoholic Beverage Control (ABC). The Mississippi State Tax Commission's 2007 Annual Report provides the following summary of ABC Revenue:

- $44.1 million -Net proceeds from the sale of alcoholic beverages
- $10.4 million in Excise tax collections
- $17.5 million in Sales tax collections
- $5.4 million in Alcohol Abuse tax collections
- $5.4 million in Permitting and Filing fees

In 2007, ABC realized a $44.1 million Net Profit on Gross Sales of $235 million, exclusive of Excise, Sales, Alcohol Abuse taxes and Permitting and Filing fees.

In addition to excise tax on distilled spirits and wine, the Mississippi Excise tax on Beer was estimated as a separate item at $30 million in 2007.

The Stennis Institute used U.S. Census Bureau data on State Revenues to compare Mississippi's ABC Revenues and Expenditures In 2006 with those of other Control states. The findings of this analysis indicated that Mississippi's ABC expenditures as a percent of revenues was approximately 81.1 percent, this compared to an average of 80 percent for 17 Control states in the U.S.. Some Control states exhibited lower expenditure ratios than Mississippi, for example Ohio and Iowa had expenditure to revenue levels of 63.9 percent and 67.9 percent, respectively; there were eight states that exhibited expenditure to revenue rates that were higher than those of Mississippi.

Estimates of potential revenue increases associated with varying levels of excise tax increases were generated for the three categories of alcoholic beverages (Distilled Spirits, Wine, and Beer). The revenue estimates provided in Table 5 on page 31 are only provided as a guideline; no study was conducted on the elasticity of demand at different price levels, figures were not available from the Mississippi State Tax Commission or from ABC on the different levels of taxation on the packaging mix of alcoholic beverages or the exact units of sales volume (i.e. excise tax levels vary between “kegs” of beer versus bottles of beer; pints versus “fifths”).

Decision-makers should consider a comprehensive, in-depth analysis of Mississippi's policies, regulation, distribution, and taxation of alcoholic beverages beyond the scope of the information provided in this document. It is recommended that the Joint Legislative Committee on Performance Evaluation and Expenditure Review provide oversight for further analysis.

A copy of this study is available on the John C. Stennis Institute of Government's website at: http://www.msgovt.org/ under Publications Policy & Research.

Copies of this report may be obtained by calling 662.325.3329.
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Overview
This report has been generated to provide decision-makers with information on revenues and related taxes on alcoholic beverages. Alcoholic beverages are classified into three categories: 1) distilled spirits (liquor), 2) wine, and 3) beer (malt beverages). Each state maintains a different regulatory and taxation structure for alcoholic beverages, this makes comparisons across states difficult. This report uses different sources and methodologies to provide information on revenues and taxes related to alcoholic beverages to provide a comprehensive perspective on the subject.

Revenue from Alcohol
According to U.S. Census Bureau State Government Revenue data for 2007, tax revenue from the sale of alcoholic beverages in the state of Mississippi was $41,977,000¹ (see Map 1 page 4). Per capita revenue from tax on the sale of alcoholic beverages was $14.38 in 2007, with Mississippi having the 26th highest per capita alcohol tax as compared to other U.S. States.

The Mississippi State Tax Commission's 2007 Annual Report provides the following summary of ABC Revenue:

- $44.1 million -Net proceeds from the sale of alcoholic beverages
- $10.4 million in Excise tax collections
- $17.5 million in Sales tax collections
- $5.4 million in Alcohol Abuse tax collections
- $5.4 million in Permitting and Filing fees

¹ Note: Mississippi State Tax Commission Annual Report for Fiscal Year ending June 30, 2007, page 84 reports Wholesale Gross Sales Tax on Beer in amount of $33,529,504 and Wholesale Gross Tax on Distilled Alcoholic Beverages in amount of $17,489,322 for a total Wholesale Gross Tax on both categories in the amount of $51,018,826; with the statement that “total gross collections are overstated by these wholesale amounts since they are included at the point of retail sales.”
Map 1: Alcoholic Beverage Sales Tax Revenue 2007 - U.S. States
2007 Per Capita Sales Tax Revenue from Alcoholic Beverages

Legend

PER CAPITA

ALCOHOLIC BEVERAGE SALES TAX

- $3.71 - $7.07
- $7.08 - $12.55
- $12.56 - $18.20
- $18.21 - $27.17
- $27.18 - $51.27

Data Source: U.S. Census Bureau State & Local Finance

Map 2: 2007 Per Capita Sales Tax Revenue Alcoholic Beverages - U.S. States
Alcoholic Beverage Regulatory Environment

At the end of Prohibition, the 21st Amendment to the U.S. Constitution provided states with broad powers and authority to regulate the sale and distribution of alcohol within each state’s borders. States created individual regulatory environments to control the sale and distribution of alcoholic beverages. In addition to meeting Federal regulations, individuals and businesses within each state must comply with state specific laws and regulations. With the exception of Federal laws that pre-empt State law, state laws regulating the sale and use of alcoholic beverages may be more restrictive than Federal law and regulation. Each state has a unique system for controlling alcoholic beverages. There are two primary classification systems alcoholic beverage control: 1) Licensing, and 2) Control.

Licensing states do not participate in the distribution of alcohol and regulate the sale of alcohol by providing licenses to retailers, distributors, and wholesalers, and by collecting taxes on the sales of alcoholic beverages. Control states directly control the distribution of alcoholic beverages either as wholesalers or by distributing alcoholic beverages.
beverages to consumers at retail through licensing and tax collection. Control states are similar in concept to state owned monopolies, many of these states also impose a price “markup” on alcoholic beverages in addition to an excise tax; because of these differences, direct comparisons between states may not fully reflect the true state-imposed tax burden on alcoholic beverages. There are 18 Control states in the U.S. and 33 Licensing “states” (including the District of Columbia). Among the Control states, some states control only distilled spirits, others control distilled spirits and wine. The methods used to regulate the distribution of alcohol by Control states include:

- controlling alcoholic beverages only at the wholesale level
- control of retail sales by operating state retail stores
- contracting out distribution to private agencies

Among the Control states, 13 states control only distilled spirits but not wine; the states of Maine, Ohio, and Michigan have privatized the distribution of alcohol; and no states could be identified that have changed their regulatory method from Control to Licensing.

**Control States – “Liquor Store” Revenues and Expenditures**

The U.S. Census Bureau defines “Liquor Store” revenues as only the receipts from sales and related services or products owned and controlled by the state (i.e. Alcoholic Beverage Control stores, warehouses, and liquor stores). This category of revenue excludes sales tax and license collections on alcoholic beverages, and receipts of state liquor store profits that are distributed to local governments. Liquor Store revenues includes the sale of goods, markups, and revenues from the sale of alcohol. According to the U.S. Census Bureau, revenues for the state run “Liquor Store” or ABC were $221,057,000 for Mississippi in 2006² (see Table 1, page 8 and Map 4, page 9).

“Liquor Store” expenditures are defined by the U.S. Census Bureau as outlays for the operation of retail liquor stores or wholesale liquor monopolies owned and operated by the state. Expenditures include the purchase of liquor for resale and costs for operations. Expenditures exclude costs related to enforcement and licensing, even if financed by liquor store sales; and exclude state liquor store earnings that are redistributed to local governments or the transfer of surplus or earnings to the parent government (i.e. General Fund transfers). In 2006, Liquor Store

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² 2006 U.S. Census Bureau data was the most recent available as of the writing of this report
expenditures in the State of Mississippi were $179,940,000 (see Table 1 below and Map 5, page 10). In Mississippi, revenue minus expenditure for the operation of ABC was $41.9 million in 2006.

As previously stated, due to variation between states’ alcoholic beverage regulatory and operating methods, it is difficult to make accurate comparisons between states. However, achieving efficiency in operations or reductions in the cost of operations provide decision-makers with an alternative option to increasing levels of taxation. For example, a reduction of 10 percent in Mississippi’s expenditures related to the operation of ABC would result in a potential savings of $17.9 million annually.

<table>
<thead>
<tr>
<th>State</th>
<th>State Liquor Store Revenue</th>
<th>State Liquor Store Expenditure</th>
<th>Revenue less Expenditure</th>
<th>Expenditures as Percent of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>$25,000</td>
<td>$1,000</td>
<td>$24,000</td>
<td>4.0%</td>
</tr>
<tr>
<td>Oregon</td>
<td>$345,004,000</td>
<td>$172,674,000</td>
<td>$172,330,000</td>
<td>50.0%</td>
</tr>
<tr>
<td>Ohio</td>
<td>$653,823,000</td>
<td>$417,537,000</td>
<td>$236,286,000</td>
<td>63.9%</td>
</tr>
<tr>
<td>Iowa</td>
<td>$163,371,000</td>
<td>$110,982,000</td>
<td>$52,389,000</td>
<td>67.9%</td>
</tr>
<tr>
<td>Utah</td>
<td>$171,487,000</td>
<td>$123,301,000</td>
<td>$48,186,000</td>
<td>71.9%</td>
</tr>
<tr>
<td>Michigan</td>
<td>$718,085,000</td>
<td>$525,372,000</td>
<td>$192,713,000</td>
<td>73.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>$96,736,000</td>
<td>$72,613,000</td>
<td>$24,123,000</td>
<td>75.1%</td>
</tr>
<tr>
<td>Washington</td>
<td>$504,917,000</td>
<td>$405,383,000</td>
<td>$99,534,000</td>
<td>80.3%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>$221,057,000(^3)</td>
<td>$179,190,000</td>
<td>$41,867,000</td>
<td>81.1%</td>
</tr>
<tr>
<td>Virginia</td>
<td>$472,506,000</td>
<td>$398,557,000</td>
<td>$73,949,000</td>
<td>84.3%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$417,682,000</td>
<td>$354,254,000</td>
<td>$63,428,000</td>
<td>84.8%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$66,036,000</td>
<td>$56,351,000</td>
<td>$9,685,000</td>
<td>85.3%</td>
</tr>
<tr>
<td>Montana</td>
<td>$58,995,000</td>
<td>$50,417,000</td>
<td>$8,578,000</td>
<td>85.5%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>$64,459,000</td>
<td>$57,722,000</td>
<td>$6,737,000</td>
<td>89.5%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$1,258,250,000</td>
<td>$1,175,661,000</td>
<td>$82,589,000</td>
<td>93.4%</td>
</tr>
<tr>
<td>Vermont</td>
<td>$39,739,000</td>
<td>$39,004,000</td>
<td>$735,000</td>
<td>98.2%</td>
</tr>
<tr>
<td>Alabama</td>
<td>$177,648,000</td>
<td>$199,239,000</td>
<td>-$21,591,000</td>
<td>112.2%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau State Revenues and Expenditures 2006

\(^3\) Note: Mississippi State Tax Commission, Annual Report for Fiscal Year ending June 2006, page 84 reports Distilled Alcoholic Beverage Gross Indicated Sales in amount of $234,725,546
Map 4: Control States "Liquor Store" Revenues 2006

Source: U.S. Census Bureau State & Local Revenue

MISSISSIPPI = $221.1 MILLION

Legend
CONTROL STATES
Revenues 2006
- Licensing States
- $0.01 - $96,736,000.00
- $96,736,000.01 - $345,004,000.00
- $345,004,000.01 - $718,085,000.00
- $718,085,000.01 - $1,258,250,000.00

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Map 5: Control States "Liquor Store" Expenditures 2006

Control States 2006: "Liquor Store" Expenditures

Legend
CONTROL STATES
Gross Expanditures 2006

- Licensing States
- $0.01 - $110,982,000.00
- $110,982,000.01 - $199,239,000.00
- $199,239,000.01 - $525,372,000.00
- $525,372,000.01 - $1,175,661,000.00

MISSISSIPPI = $179.2 MILLION

Source: U.S. Census Bureau State & Local Revenue

Map 5: Control States "Liquor Store" Expenditures 2006

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Source: U.S. Census Bureau State & Local Revenue

Control States 2006: "Liquor Store" Revenues minus Expenditures

MISSISSIPPI = $41.9 MILLION

Legend

CONTROL STATES
Liquor Store Revenues minus Expenditures 2006

- ($21,591,000.00) - ($0.01)
- Licensing State
- $0.01 - $24,123,000.00
- $24,123,000.01 - $63,428,000.00
- $63,428,000.01 - $99,534,000.00
- $99,534,000.01 - $236,286,000.00

Map 6: Control States 2006 "Liquor Store" Revenues minus Expenditures
Alcohol Consumption

Estimates of the “apparent” consumption of alcoholic beverage in this section of the report are based upon shipments of alcoholic beverages (distilled spirits, wine, and beer) to states. Data related to “apparent” consumption based upon shipments is a “leading” longitudinal variable, because actual consumption may take place at a point in time that exceeds the time of shipment. For example, in Mississippi, ABC operates a bailment warehouse (Liquor Distribution Center) in Madison County that stores alcoholic beverages owned by a vendor but stored for subsequent shipment by ABC to retail permittees. Under Mississippi’s bailment warehousing method, ABC inventory is used first, when ABC’s inventory is depleted, the vendor’s inventory is utilized. Vendors own and control the stock that enters the ABC Distribution Center until stock is withdrawn by ABC. Vendors may withdraw their own stock for redistribution to other areas (but not to permittees within Mississippi), if the product is unsalable, or has been delisted by ABC. Therefore, shipments of alcoholic beverages to the state of Mississippi may remain in inventory for extended periods of time or may be shipped out-of-state (with the permission of ABC) by the vendors that maintain inventory at ABC’s bailment warehouse.

In 2007, the apparent consumption of distilled spirits (liquor) in the U.S. was 426.5 million gallons. U.S. Consumption of distilled spirits increased by approximately 3.2 percent from 2006 to 2007, an increase of approximately 13.3 million gallons. In Mississippi apparent consumption of distilled spirits in 2007 was approximately 3.8 million gallons, with an increase of approximately 2.1 percent from 2006 to 2007. As demonstrated in Map 8 and Map 9 on pages 14 and 15, Mississippi’s increase in the number of gallons and per capita consumption of distilled spirits is relatively low when compared to other states.

Distilled Spirit Consumption in Control and Licensing States
In 2007 the total consumption of distilled spirits in the 33 Licensing states (plus the District of Columbia) was approximately 321.7 million gallons as compared to 104.8 million gallons in the 18 Control states; from 2006 to 2007 total consumption increased by approximately 2.98 percent in Licensing states and by 4.05 percent in Control states. In 2007, per capita consumption in Licensing states was approximately 1.43 gallons and 1.28 gallons in Control states; from 2006 to 2007 per capita consumption of distilled spirits increased by 1.93 percent in Licensing States and by 3.26 percent in Control states.

In 2006, Wine consumption in the U.S. was approximately 673 million gallons, an increase of 23 million gallons from 2005 to 2006 or 3.4 percent. In Mississippi, approximately 2.15 million gallons of wine were consumed; this represented an increase of approximately 15,000 gallons from 2005 to 2006.4 Per capita wine consumption in the U.S. is 2.3 gallons per person; in Mississippi per capita wine consumption is .7 gallons (2006). Mississippi and West Virginia have the lowest per capita wine consumption in the U.S.

In 2007, approximately 6.5 billion gallons of beer were consumed in the U.S. with per capita consumption of 30.4 gallons per person (only persons over 21); in Mississippi approximately 74.6 million gallons of beer were consumed in 2007, with per capita consumption of 36.7 gallons per person, this was the 10th highest per capita beer consumption level in the U.S.

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4 Source: Adams Beverage Book, 2006
Map 7: U.S. Distilled Spirits Consumption by State 2007

Legend
Distilled Spirits Apparent Consumption
in Wine Gallons 2007
- 877,271 - 3,000,000
- 3,000,001 - 5,000,000
- 5,000,001 - 10,000,000
- 10,000,001 - 50,024,063
- states

Source: Distilled Spirits Council of the United States
DS Sales Volume 2006, 2007 Preliminary

Wine Gallon = 3.79 litres, same as U.S. Liquid Gallon
U.S. Distilled Spirit Consumption: Percent Change in Gallons Consumed 2006 to 2007

Legend
Distilled Spirit Consumption
Percent Change in Gallons Consumed 06 07
-6.71% - 0.00%
0.01% - 3.83%
3.84% - 7.58%
7.59% - 15.17%

Source: Distilled Spirits Council of the United States
DS Sales Volume 2006, 2007 Preliminary

Map 8: U.S. Distilled Spirits Percent Change in Gallons Consumed 2006 to 2007
### U.S. Distilled Spirits Apparent Consumption: Per Capita Consumption in Gallons 2007

**Legend**

**Distilled Spirits Apparent Consumption**

Per Capita Consumption 2007 in Gallons

- **0.76 - 1.10**
- **1.11 - 1.50**
- **1.51 - 2.00**
- **2.01 - 3.57**

**Source:** Distilled Spirits Council of the United States

DS Sales Volume 2006, 2007 Preliminary

Map 9: U.S. Distilled Spirits Per Capita Consumption in Gallons 2007
Map 10: U.S. Distilled Spirits Percent Change in Per Capita Consumption 2006 to 2007

Legend

Distilled Spirits Apparent Consumption
Percent Change in Per Capita Consumption 2006-2007

-7.34% - 0.00%
0.01% - 2.00%
2.01% - 3.00%
3.01% - 4.00%
> 4.00%

Source: Distilled Spirits Council of the United States
DS Sales Volume 2006, 2007 Preliminary
Map 11: 2006 Wine Shipments in Thousands of Gallons by State

Legend

<table>
<thead>
<tr>
<th>United States</th>
<th>WINE SHIPMENTS 2006 (in thousands of gallons)</th>
</tr>
</thead>
</table>
| Source: Beer Institute

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Map 11: 2006 Wine Shipments in Thousands of Gallons by State
Map 12: 2006 Per Capita Wine Consumption

Legend
United States
WINE CONSUMPTION PER CAPITA 2006 (in gallons)

- 0.7 - 1.2
- 1.3 - 1.8
- 1.9 - 2.8
- 2.9 - 4.0
- 4.1 - 6.3

Source: Beer Institute

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Map 13: 2007 Beer Shipments expressed in 31-gallon Barrels by State

Legend

United States
BEER SHIPMENTS 2007 (in 31 gallon barrels)

- 441,109 - 1,964,918
- 1,964,919 - 3,861,157
- 3,861,158 - 6,528,619
- 6,528,620 - 14,101,303
- 14,101,304 - 22,275,550

Source: Beer Institute
2007 Beer Consumption Per Capita (expressed in gallons)

Legend
United States
BEER CONSUMPTION PER CAPITA IN GALLONS
21.1 - 25.7
25.8 - 30.0
30.1 - 34.0
34.1 - 39.2
39.3 - 45.3

Source: Beer Institute

Map 14: 2007 Per Capita Beer Consumption in Gallons
Tax on Alcohol

Alcohol is taxed at the Federal and the State level. The information in this report is limited to state taxation of alcoholic beverages. The three categories of Alcoholic Beverage taxed by states are: 1) Distilled Spirits (Liquor), 2) Wine, and 3) Beer. Each state has a different regulatory and tax structure for alcoholic beverages, this creates obstacles to making accurate comparison across states. Map 15 on page 22, provides a comparison of the tax on distilled spirits across all states, using a method that calculates implied excise tax rates for Control states to create equivalence to the expressed excise tax rates in Licensing states, with the following exceptions:

- New Hampshire, Vermont, and Wyoming have an excise tax on Distilled Spirits that uses the methodology designed by the Distilled Spirits Council of the United States, these states have an excise tax of virtually zero on Distilled Spirits.
- Kentucky’s excise tax on Distilled Spirits is $1.92 per gallon as shown on Map 1, the state also charges an additional 11 percent wholesale sales tax on alcoholic beverages.
- South Dakota charges a 2 percent wholesale tax on Spirits in addition to the $3.93 per gallon excise tax.

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5 For example, in Mississippi there is a statutory “mark-up” of .275 percent on distilled spirits that is not technically an “excise” tax plus an Alcohol Abuse Tax in addition to an Excise tax. The tax rates expressed in Map 15 integrate these taxes and mark-ups into the “Excise” tax shown on the map.
Distilled Spirits (Liquor): State Distilled Spirits Excise Rates (as of January 1, 2008)

Legend

TAX ON ALCOHOLIC BEVERAGES 2008
Distilled Spirits Tax 2008
- $0.00 - $2.00
- $2.01 - $4.50
- $4.51 - $7.56
- $7.57 - $12.80
- $12.81 - $19.43

U.S. Median Distilled Spirits Excise Rate 2008:
For Licensing States - $3.75
For Control States - $8.85

Source: Federal of Tax Administrators

Map 15: 2008 Tax on Distilled Spirits per Gallon - U.S. States
<table>
<thead>
<tr>
<th>State</th>
<th>Table Wine Tax 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$0.20</td>
</tr>
<tr>
<td>Nevada</td>
<td>$0.70</td>
</tr>
<tr>
<td>Oregon</td>
<td>$0.67</td>
</tr>
<tr>
<td>Washington</td>
<td>$0.87</td>
</tr>
<tr>
<td>Montana</td>
<td>$1.06</td>
</tr>
<tr>
<td>Colorado</td>
<td>$0.32</td>
</tr>
<tr>
<td>Arizona</td>
<td>$0.84</td>
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<td>New Mexico</td>
<td>$1.70</td>
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<tr>
<td>South Dakota</td>
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<td>Nebraska</td>
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<td>Wyoming</td>
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<tr>
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<td>Iowa</td>
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<td>Missouri</td>
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<tr>
<td>Illinois</td>
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<td>Indiana</td>
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<td>Kentucky</td>
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<tr>
<td>Tennessee</td>
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</tr>
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<td>Alabama</td>
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<td>$0.73</td>
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<td>Arkansas</td>
<td>$0.77</td>
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<tr>
<td>Louisiana</td>
<td>$0.20</td>
</tr>
<tr>
<td>Texas</td>
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</tr>
<tr>
<td>Louisiana</td>
<td>$0.11</td>
</tr>
<tr>
<td>Florida</td>
<td>$2.25</td>
</tr>
</tbody>
</table>

**U.S. Median Wine Excise Rate 2008:** $0.69

Source: Federal of Tax Administrators

Map 17: 2008 Tax on Table Wine per Gallon – U.S. States
Estimate of Wine Excise Tax Revenues 2007
based on shipments to state

MISSISSIPPI ESTIMATE = $ 919,754
Note: Most recent available data is 2006

Legend

United States
Estimate of Wine Excise Tax based on Shipments 2006

- $0.00 - $3,366,720.00
- $3,366,720.01 - $8,935,850.00
- $8,935,850.01 - $16,967,610.00
- $16,967,610.01 - $37,786,700.00
- $37,786,700.01 - $125,640,000.00

Source: Stennis Institute compiled using shipment data and excise tax data

Map 18: Estimate of Wine Excise Tax Revenues 2007

J. Phillips 662.325.3329
phillips@sig.msstate.edu
Beer: State Beer Excise Rates
(as of January 1, 2008)

Legend
TAX ON ALCOHOLIC BEVERAGES 2008
Beer Tax 2008
$0.02 - $0.12
$0.13 - $0.23
$0.24 - $0.35
$0.36 - $0.53
$0.54 - $1.07

U.S. Median Beer Excise Rate 2008: $0.269
Per gallon for “Packaged” Beer

Source: Federal of Tax Administrators

Map 19: 2008 Beer Tax per Gallon - U.S. States
MISSISSIPPI ESTIMATE = $ 31.8 MILLION


Source: Stennis Institute compiled using shipment data and excise tax data
The John C. Stennis Institute of Government

Estimate of Total Revenue from Excise Tax on All Alcohol (Distilled Spirits, Wine, and Beer) 2007 based on shipments to state

MISSISSIPPI ESTIMATE = $ 56.8 MILLION

Legend

TOTAL ESTIMATED REVENUE ALL ALCOHOL EXCISE TAX

United States

$270,578.00 - $33,383,447.00
$33,383,447.01 - $73,266,161.00
$73,266,161.01 - $175,970,459.00
$175,970,459.01 - $327,523,018.00
$327,523,018.01 - $557,134,146.00

Source: Stennis Institute compiled using shipment data and excise tax data

Map 21: Estimate of Total Revenue from Excise Tax on all Alcoholic Beverages 2007
Alcoholic Beverages in Mississippi

Mississippi is a Control state that controls the sale of alcoholic beverages at the wholesale level. Mississippi Code, §67-4-1 re-announced prohibition as the policy of the state in 1966, but allowed individual counties, judicial districts, and certain municipalities to engage in the legal sale of liquor and wine. MISS. CODE ANN. §67-19 provides the Mississippi State Tax Commission with the sole authority to administer Title 67 and § 67-1-5 (i) created the Alcoholic Beverage Control Division of the State Tax Commission.

Revenues generated from the sales of distilled spirits and wines include:
- Profit from the wholesale price of wine and spirits. The Division of Alcohol Beverage Control(ABC) imposes a statutory mark-up of 27.5 percent on all alcohol products\(^6\)
- Excise Tax, distributed to the General Fund
- Alcohol Abuse Tax, distributed to a fund for the Department of Mental Health
- Permitting & License Fees, disbursed pro rata to municipalities and counties – balance to General Fund
- Interest Earned
- Sales Tax collected on the sale of products at a rate of seven (7%), distributed to the State Tax Commission and diversions to municipal and county governments.

Alcoholic beverage tax revenues reported by the Office of Alcoholic Beverage Control in the Annual Reports of the Mississippi State Tax Commission are reported in Table 2 and Table 3 on page 30. Due to a lag between shipments, stock held in inventory, actual consumption, and reporting periods for excise and other tax collections on alcoholic beverages, there are differences between the actual collection and reporting of taxes by the Mississippi State Tax Commission and the revenue estimates generated by the Stennis Institute using total shipments to the state and excise tax rates reported by the Federation of Tax Administrators that are provided in Map 16 on page 23 and Map 18 on page 24. For example, 2007 estimates generated by the Stennis Institute using Federation of Tax Administrators’ rates based on shipments were $24.1 million for distilled spirits and $919,754 in excise tax on wine; as compared to $10.2 million in Excise Tax, $5.1 million in Alcohol Abuse Tax, and $4.6 million in permitting and filing fees reported by ABC (see Table 2, page 30).

\(^6\) Mississippi Code Annotated §27-71-11 states that the Commission shall add to the cost of alcoholic beverages a mark-up of 27 ½ percent, inclusive of the three (3%) percent mark-up imposed in §27-71-7 (2)
Table 2: Mississippi Office of Alcoholic Beverage Control Collections for Fiscal Years 2000 to 2007

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Proceeds from Sales ABC</td>
<td>$30,899,501</td>
<td>$32,219,412</td>
<td>$33,495,664</td>
<td>$35,012,545</td>
<td>$36,073,189</td>
<td>$38,297,220</td>
<td>$41,870,269</td>
<td>$44,105,211</td>
</tr>
<tr>
<td>Excise tax collected</td>
<td>$9,053,704</td>
<td>$8,925,690</td>
<td>$9,052,179</td>
<td>$9,330,042</td>
<td>$9,596,379</td>
<td>$9,812,682</td>
<td>$10,242,680</td>
<td>$10,418,795</td>
</tr>
<tr>
<td>Sales tax collected</td>
<td>$12,342,673</td>
<td>$12,643,686</td>
<td>$13,178,532</td>
<td>$13,420,033</td>
<td>$14,420,033</td>
<td>$16,411,442</td>
<td>$16,411,442</td>
<td>$17,411,442</td>
</tr>
<tr>
<td>Alcohol abuse tax</td>
<td>$3,884,495</td>
<td>$4,042,894</td>
<td>$4,038,797</td>
<td>$4,308,763</td>
<td>$4,521,670</td>
<td>$4,707,201</td>
<td>$5,130,086</td>
<td>$5,440,523</td>
</tr>
<tr>
<td>Permitting fees and filing fees</td>
<td>$3,996,505</td>
<td>$4,246,400</td>
<td>$4,272,785</td>
<td>$4,326,205</td>
<td>$4,580,100</td>
<td>$4,731,015</td>
<td>$4,622,354</td>
<td>$5,351,390</td>
</tr>
<tr>
<td>Interest earned</td>
<td>$2</td>
<td>$2</td>
<td>$88</td>
<td>$3</td>
<td>$48</td>
<td>$365</td>
<td>$531</td>
<td>$1,684</td>
</tr>
<tr>
<td>Total Collections</td>
<td>$60,176,880</td>
<td>$62,078,084</td>
<td>$64,038,045</td>
<td>$66,740,536</td>
<td>$69,191,419</td>
<td>$72,626,526</td>
<td>$78,307,364</td>
<td>$82,790,739</td>
</tr>
<tr>
<td>Percent Change from Prior Year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Proceeds from Sales (ABC)</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>3.0%</td>
<td>6.2%</td>
<td>9.3%</td>
<td>5.3%</td>
<td></td>
</tr>
<tr>
<td>Excise tax collected</td>
<td>-1.4%</td>
<td>1.4%</td>
<td>3.1%</td>
<td>2.9%</td>
<td>2.3%</td>
<td>4.4%</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Sales tax collected</td>
<td>2.4%</td>
<td>4.2%</td>
<td>4.4%</td>
<td>4.8%</td>
<td>4.6%</td>
<td>9.0%</td>
<td>6.3%</td>
<td></td>
</tr>
<tr>
<td>Alcohol abuse tax</td>
<td>4.1%</td>
<td>-0.1%</td>
<td>6.7%</td>
<td>4.9%</td>
<td>4.1%</td>
<td>9.0%</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>Permitting fees and filing fees</td>
<td>6.3%</td>
<td>0.6%</td>
<td>1.3%</td>
<td>5.9%</td>
<td>3.3%</td>
<td>-2.3%</td>
<td>15.8%</td>
<td></td>
</tr>
<tr>
<td>Total Collections</td>
<td>3.2%</td>
<td>3.2%</td>
<td>4.2%</td>
<td>3.7%</td>
<td>5.0%</td>
<td>7.8%</td>
<td>5.7%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mississippi State Tax Commission Annual Reports

Table 3: Office of Alcoholic Beverage Control: Statement of Operations 2000 through 2007

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Alcoholic Beverages</td>
<td>$164,760,729</td>
<td>$168,855,328</td>
<td>$176,024,911</td>
<td>$184,321,626</td>
<td>$193,518,058</td>
<td>$203,004,616</td>
<td>$221,057,392</td>
<td>$234,990,408</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$130,099,255</td>
<td>$132,121,338</td>
<td>$137,639,761</td>
<td>$143,905,159</td>
<td>$151,192,244</td>
<td>$157,336,544</td>
<td>$171,170,176</td>
<td>$181,300,782</td>
</tr>
<tr>
<td>Gross Profit from Sales</td>
<td>$34,661,474</td>
<td>$36,733,990</td>
<td>$38,385,150</td>
<td>$40,416,467</td>
<td>$42,325,814</td>
<td>$45,668,072</td>
<td>$49,887,216</td>
<td>$53,689,626</td>
</tr>
<tr>
<td>Expenditures - Freight out</td>
<td>$3,762,848</td>
<td>$4,519,844</td>
<td>$4,892,122</td>
<td>$5,425,489</td>
<td>$6,258,107</td>
<td>$7,371,353</td>
<td>$8,020,348</td>
<td>$9,584,415</td>
</tr>
<tr>
<td>Net Profit from Sales</td>
<td>$30,898,626</td>
<td>$32,214,146</td>
<td>$33,493,028</td>
<td>$34,990,978</td>
<td>$36,067,706</td>
<td>$38,296,710</td>
<td>$41,866,869</td>
<td>$44,105,211</td>
</tr>
<tr>
<td>Net Profit as % of Gross Profit</td>
<td>89.1%</td>
<td>87.7%</td>
<td>87.3%</td>
<td>86.6%</td>
<td>85.2%</td>
<td>83.9%</td>
<td>83.9%</td>
<td>82.1%</td>
</tr>
<tr>
<td>Expenditures as % Gross Profit</td>
<td>10.9%</td>
<td>12.3%</td>
<td>12.7%</td>
<td>13.4%</td>
<td>14.8%</td>
<td>16.1%</td>
<td>16.1%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Percent Change from Prior Year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of Alcoholic Beverages</td>
<td>2.5%</td>
<td>4.2%</td>
<td>4.7%</td>
<td>5.0%</td>
<td>4.9%</td>
<td>8.9%</td>
<td>6.3%</td>
<td></td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>1.6%</td>
<td>4.2%</td>
<td>4.6%</td>
<td>5.1%</td>
<td>4.1%</td>
<td>8.8%</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td>Gross Profits from Sales</td>
<td>6.0%</td>
<td>4.5%</td>
<td>5.3%</td>
<td>4.7%</td>
<td>7.9%</td>
<td>9.2%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>20.1%</td>
<td>8.2%</td>
<td>10.9%</td>
<td>15.3%</td>
<td>17.8%</td>
<td>8.8%</td>
<td>19.5%</td>
<td></td>
</tr>
<tr>
<td>Net Profits from Sales</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>3.1%</td>
<td>6.2%</td>
<td>9.3%</td>
<td>5.3%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mississippi State Tax Commission Annual Reports
Table 4: Average Cost Breakdown for a 750 Ml Bottle of Distilled Spirits for Selected Years 2001 to 2007

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollar Amount</td>
<td>Percent of Total</td>
<td>Dollar Amount</td>
<td>Percent of Total</td>
</tr>
<tr>
<td>Distillers Cost</td>
<td>$13.35</td>
<td>70.7%</td>
<td>$12.63</td>
<td>70.7%</td>
</tr>
<tr>
<td>Mark Up</td>
<td>$3.27</td>
<td>17.3%</td>
<td>$3.09</td>
<td>17.3%</td>
</tr>
<tr>
<td>State Sales Tax</td>
<td>$1.23</td>
<td>6.5%</td>
<td>$1.17</td>
<td>6.5%</td>
</tr>
<tr>
<td>MS Excise Tax</td>
<td>$0.42</td>
<td>2.2%</td>
<td>$0.40</td>
<td>2.2%</td>
</tr>
<tr>
<td>Alcohol Abuse Tax</td>
<td>$0.40</td>
<td>2.1%</td>
<td>$0.38</td>
<td>2.1%</td>
</tr>
<tr>
<td>Freight Charges</td>
<td>$0.20</td>
<td>1.1%</td>
<td>$0.20</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td>$18.87</td>
<td>100.0%</td>
<td>$17.87</td>
<td>100.0%</td>
</tr>
</tbody>
</table>


Table 5: Estimates of Alternative Excise Tax Increases and Related Revenues

<table>
<thead>
<tr>
<th></th>
<th>Gallons Shipped 2007</th>
<th>Increase Excise Tax by:</th>
<th>Potential Revenue Increase:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>.05 per gallon</td>
<td>.10 per gallon</td>
</tr>
<tr>
<td>Distilled Spirits</td>
<td>3,799,602</td>
<td>$189,980.10</td>
<td>$379,960.20</td>
</tr>
<tr>
<td>Wine (20067)</td>
<td>2,155,000</td>
<td>$107,750.00</td>
<td>$215,500.00</td>
</tr>
<tr>
<td>Beer</td>
<td>74,601,996</td>
<td>$3,730,099.80</td>
<td>$7,460,199.60</td>
</tr>
</tbody>
</table>

7 Estimates of Wine Shipments to Mississippi were only available for 2006
Mississippi Alcohol Revenues by Source 2000 to 2007
Source: Mississippi State Tax Commission Annual Reports

Figure 1: Mississippi Alcohol Related Revenue by Source 2000 to 2007
Mississippi Alcohol Related Revenues 2000 to 2007 percent growth from Prior Year

Source: Mississippi State Tax Commission, Annual Reports

Figure 2: Mississippi Alcohol Related Revenues Percent Growth from Prior Year 2000 to 2007
Map 23: Retail Cost of Alcohol Sold by County 2007

Source: Mississippi State Tax Commission

2007 Retail Cost of Alcohol Sold by County by County

Legend

Mississippi Alcohol Beverage Control

Dry or Not Voted County

Total Retail Cost 2007: $250,846,577

Map 23: Retail Cost of Alcohol Sold by County 2007
Map 24: Sales Tax Collection on Alcohol Sales by County 2007

Legend

Mississippi Alcohol Beverage Control 7 Percent State Sales Tax Collections

$414.00 - $126,634.00
$126,634.01 - $305,641.00
$305,641.01 - $677,195.00
$677,195.01 - $1,072,624.00
$1,072,624.01 - $3,049,798.00

Dry or Not Voted County

Total Sales Tax on Alcohol Sales 2007: $17,473,136
Map 25: State Excise Tax on Alcohol Sales by County 2007

Mississippi Alcohol Beverage Control

Legend

Dry or Not Voted County

$395.00 - $80,385.00
$80,385.01 - $186,705.00
$186,705.01 - $403,348.00
$403,348.01 - $632,375.00
$632,375.01 - $1,642,424.00

Total Excise Tax on Alcohol Sold 2007:
$10,415,646

Source: Mississippi State Tax Commission

2007 State Excise Tax on County Alcohol Sales
Map 27: Alcohol Sales by County 2007

Source: Mississippi State Tax Commission

Dry or Not Voted County

Legend

Mississippi Alcohol Beverage Control

Total Alcohol Sales 2007:
$234,990,408

2007 Alcohol Sales by County
Map 28: Total Alcohol Sales & Collections by County 2007

Legend

Mississippi Alcohol Beverage Control

Source: Mississippi State Tax Commission

2007 Total Alcohol Sales & Collections by County

- $6,331.00 - $2,019,985.00
- $2,019,985.01 - $4,837,969.00
- $4,837,969.01 - $10,386,938.00
- $10,386,938.01 - $16,395,377.00
- $16,395,377.01 - $46,706,417.00

Dry or Not Voted County

Total Sales & Collections 2007:
$6,945,283
(includes $3,149 for State Excise Tax on Common Carrier and Native Wineries)

Maps 34-36:
Mississippi Alcohol Beverage Control

Total Alcohol Sales & Collections 2007:
$3,102,617

The John C. Stennis School of Government

40
Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) studies of Alcoholic Beverage Control


PEER did not include such discussion in the analysis of the feasibility of privatization. PEER reviewed several state programs and services to determine the feasibility of privatization but did not include a discussion of whether a function is inherently governmental and should be performed by government. PEER did not consider whether the state should control alcoholic beverage distribution or whether franchising or contracting out both fall under the delegation category. PEER did not consider divestment, as a matter of policy, where a state should control alcoholic beverage control and the legislature continues to be paramount in the current policy environment.

PEER developed the criteria for the feasibility of privatization to reflect the current policy of privatization in the state. PEER did not consider whether the state policy of privatization by default and strict regulation of alcoholic beverages is allowed.

PEER did not consider the need for privatization of alcoholic beverage control or the feasibility of privatization. PEER did not consider the need for privatization of alcoholic beverage control or the feasibility of privatization. PEER did not consider whether the state policy of privatization by default and strict regulation of alcoholic beverages is allowed.

PEER defined privatization of the alcoholic beverage control system as "a further delegation of control of alcoholic beverage control, considering the state's policy of privatization by default and strict regulation of alcoholic beverages, to another entity."

PEER analyzed the criteria for the feasibility of privatization to reflect the current policy of the state regarding alcoholic beverage control and the budgetary concerns paramount in the current policy environment. PEER did not consider whether, as a matter of policy, the state should control alcoholic beverage distribution or privatize. Many debates about privatization include philosophical discussions of whether a function is inherently governmental and should be performed by government. PEER did not include such discussion in the analysis of the feasibility of privatization, but looked at whether it was feasible under the current policy environment.

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