

**ANNUAL REPORT ON THE  
ACTIVITIES OF THE VIRGINIA  
SPIRITS BOARD AND THE USE OF  
MONEYS IN THE VIRGINIA  
SPIRITS PROMOTION FUND**

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Annual Report on the Activities of the Virginia Spirits Board and the Use of Moneys in the Virginia Spirits Promotion Fund

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**Legislative Mandate**

Section 3.2-3011 of the Code of Virginia

**EXECUTIVE SUMMARY**

During the fiscal year ending June 30, 2023, the Virginia Spirits Board (Board) met four times, with a focus on establishing both the Virginia Spirits Board Marketing Office and the inaugural research and education grant program. The Virginia Spirits Board Marketing Office was created in February 2023, and the Board approved research and education grants, totaling \$228,095.66, in May 2023. The 2022 Appropriation Act included an appropriation from the general fund in the amount of \$952,375 for use during fiscal year 2023.

## **BACKGROUND**

The Virginia Spirits Board (Board) and the Virginia Spirits Promotion Fund (Fund) were established by the enactment of Chapters 85 and 410 of the 2020 Acts of Assembly. The Board and Fund were created to provide resources for promotion of the Virginia spirits industry by a number of means approved by an administrative board appointed by the Governor. The purpose of the Board is to foster the development of the Virginia spirits industry by expanding spirits research, increasing education, and promoting the production of ingredients necessary for alcohol distillation and the production of spirits in the Commonwealth.

During the 2021 Session of the General Assembly, legislation was introduced in an effort to fund the Fund by requiring licensed distillers to collect an assessment for each liter of spirits sold that would subsequently be deposited into the Fund. The bill was ultimately left in the Senate Committee on Finance and Appropriations at the request of the patron due to a lack of widespread industry support. Following the 2021 legislative session, considerable work was done by the Board and the industry to find an acceptable funding mechanism.

As a result of this work, legislation was passed during the 2022 Session of the General Assembly establishing a revenue source for the Fund. Chapters 84 and 85 of the 2022 Acts of Assembly require that 20 percent of the 20 percent tax levied on alcoholic beverages sold by the Board of Directors of the Virginia Alcoholic Beverage Control Authority (VA ABC) that is attributable to the sale of spirits produced by a distiller licensee be deposited in the Fund. Chapters 84 and 85 also require the Board to submit an annual report to the Governor and General Assembly by October 1 of each year regarding the Board's activities and use of moneys in the Fund, including statistics regarding the extent to which use of moneys in the Fund has impacted spirits sales in the Commonwealth.

The Board consists of 11 members as follows: the Commissioner of Agriculture and Consumer Services (Commissioner) and the Chief Executive Officer of the VA ABC, both of whom shall serve ex officio without voting privileges, or their designees; and nine voting non-legislative citizen members who are appointed by the Governor, three of whom must be coopers or maltsters and six of whom must be owners or operators of a distillery in the Commonwealth.

The Board is required to meet at least four times each year. The meetings of the Board are held at the call of the chairman or whenever a majority of the members so request. The Program Manager manages and conducts the activities required for the Board to carry out its mission and provides the Board with administrative support.

The Board has the power and duty to (i) receive and dispense funds or donations from the Fund; (ii) enter into contracts for the purpose of developing new or improved markets or marketing methods for spirits products; (iii) contract for research services to improve farming practices related to the growing of ingredients necessary for alcohol distillation in Virginia; (iv) enter into agreements with any local, state, or national organization or agency engaged in education for the purpose of disseminating information on spirits projects; (v) enter into contracts with private or public entities for the purpose of developing marketing, advertising, and other promotional programs designed to promote the orderly growth of Virginia's spirits industry; (vi) rent or purchase office and laboratory space, land, equipment, and supplies as necessary to carry out its duties; (vii) employ such personnel as may be required to carry out those duties conferred by law; (viii) acquire any licenses or permits necessary for the performance of the powers and duties of

the Board; (ix) cooperate with other state, regional, national, and international organizations in research, education, and promotion of the growing of ingredients necessary for alcohol production and the production of spirits in the Commonwealth and expend moneys from the Fund for such purposes; (x) adopt a general statement of policy and procedures; (xi) receive from the chairman of the Board an annual report, including a statement of total receipts and disbursements for the year, and file a copy of such report with the Commissioner; and (xii) submit an annual report to the Governor and General Assembly by October 1 of each year regarding the Board's activities and use of moneys in the Fund.

## **ACTIVITIES OF THE VIRGINIA SPIRITS BOARD**

The Virginia Spirits Board met four times during fiscal year (FY) 2023. Two of the four meetings were conducted electronically in compliance with the Board's electronic meeting policy, which was adopted on November 7, 2022.

Following the enactment of Chapters 84 and 85, the Board began working with the Virginia Department of Agriculture and Consumer Service Office of Procurement to draft a Statement of Needs document for the promotion of the spirits industry in order to begin the Request for Proposals (RFP) process. An RFP for marketing efforts was released on November 2, 2022, and the Virginia Spirits Board Marketing Office was created on February 3, 2023.

The Board announced its inaugural Spirits Board Research and Education Grant Program, receiving six proposals by the March 31, 2023, deadline. The Board awarded \$228,095.66 to the following entities: Virginia Tech, Virginia Commonwealth University, Campbell Field Farm, Virginia Agriculture in the Classroom, and Virginia FFA.

## **USE OF MONEYS IN THE VIRGINIA SPIRITS PROMOTION FUND**

When the Fund was created in 2020, the legislation did not specify a funding mechanism and the creation of such was left to the Board. The funding mechanism was not successfully established until the 2022 Session of the General Assembly, during which a budget appropriation of \$952,375 from the General Fund was also approved effective July 1, 2022, for use during FY 2023.

Beginning in FY 2024, VA ABC will report and annually certify to the Comptroller the number of cases of Virginia spirits sold in the Commonwealth. For each of those cases, the 20 percent excise tax will be distributed with 16 percent remaining in the general fund and four percent allocated to the Fund.