

For Policy and Finance Discussion:

The NC Association of ABC Boards requests that the NCALHD take a position to either oppose privatization of our State control system for the sale of liquor, or to support our current control system. Specifically, and at a minimum, we request that the NCALHD authorize the use of its name, to be listed along with other organizations, on a website that the NC Association of ABC Boards has developed to oppose privatization and to retain our current system of control for the retail sale of spirits. The website is not live at this time but is likely going to be needed in 2019. NCALHD would be listed under a statement that currently reads as follows:

“Community Support for Our System - Elected leaders, law enforcement, ministers and other civic and social organizations agree that having a controlled liquor sales system is best for our state. Like us, they support keeping the current system in place, and believe that privatization will lead to many adverse effects.”

Privatization is very likely to be a real issue in 2019. Rep. Chuck McGrady has publicly stated in writing that he is committed to ending the “monopoly”. Rep. McGrady is a House Appropriations Chair, a co-Chair of the House ABC Committee and has in recent years become more and more involved with alcohol issues. Rep. McGrady is a part of House leadership and is expected to be re-elected. The Program Evaluation Division of the NC General Assembly is currently studying other state’s forms of ABC systems, specifically including Washington State which privatized its control system, and whether those systems are appropriate for North Carolina. PED’s report is expected to be released prior to the 2019 Session.

In addition to listing NCALHD on the website, NCALHD is also requested to authorize the NC Association of ABC Boards to use its name and its position on the issue in other communications.

While NCALHD’s “support” for the issue is requested, we are not asking that NCALHD take the lead on this issue, so it may be more appropriate to request NCALHD’s “Endorsement.”

Description:

North Carolina (NC) is one of 17 states that “control” the sale of liquor. NC directly engages in the sale of liquor at the local, retail level. NC is unique in that local voters decide whether to have liquor sales and ABC stores and profits are distributed locally.

The Centers for Disease Control’s (CDC) Community Preventive Services Task Force published *Preventing Excessive Alcohol Consumption: Privatization of Retail Alcohol Sales*. The Task Force reviewed numerous published studies on the issue of privatization and recommends against privatization of retail alcohol sales based on strong evidence that privatization results in increased consumption, which is a well-established proxy for excessive consumption. The Task

Force notes that there was a median 44.4% increase in per capita sales of privatized alcoholic beverages after privatization.

The government-control model is aligned with the scientific evidence on best practice for preventing harmful alcohol consumption (e.g. binge drinking, underage drinking) and its related harms, including acute harms, such as alcohol poisonings, impaired driving and chronic diseases, such as cancer. (Community Preventive Services Task Force. (2012) *Recommendations on privatization of alcohol retail sales and prevention of excessive alcohol consumption and related harms*. American Journal of Preventive Medicine. 42(4):428-9).

Alcohol is the most harmful drug, according to *The Lancet* (November 6, 2010) which is the preeminent medical journal for Great Britain. Liquor is not an ordinary commodity but requires attention and regulation by government in the interest of the public's health, safety and welfare.

Alcohol has addictive properties and potentially harmful health and social effects on those who consume it and others, so its sale should be regulated in a control system. Privatization increases the number of places where liquor is sold, which makes liquor more readily available to those predisposed to heavy drinking. As a result, the amount of liquor sold will increase. Increasing the number of alcohol outlets and alcohol sold will increase alcohol-related health problems.

North Carolina ranks 44th lowest in consumption per capita and 7th highest in revenue per capita. By comparison, South Carolina, a license state, ranks 27th in consumption and 38th in revenue. This demonstrates that North Carolina's control system for the sale and distribution of spirits is working well to accomplish important public health objectives and revenue objectives.

Private sellers of distilled spirits naturally desire decreased taxation on their products and to substantially increase their sales, all of which is contrary to the interests of a control system and contrary to the public's health, safety and welfare.

ABC stores have fixed, uniform prices statewide, while private sellers have the ability to set their own prices and to discount products as "loss leaders" to draw customers into the store and to encourage the sale of its products. ABC stores are limited in the days and hours of sale, but private sellers may be allowed to sell liquor outside of the 9 am to 9 pm current hours of operation and on Sundays and holidays. Alcohol is not an ordinary commodity and liquor is different from beer and wine. Almost half of the states have at least some form of law that regulates spirits off-premises availability more strictly than other forms of alcohol

Among the benefits of our control system are that alcoholics and other problem drinkers are not exposed to the lure of an addictive product every time they visit a grocery store for milk, a pharmacy for prescription drugs, or a convenience store for a slushie, and that minors do not

see liquor next to beer and wine where they shop with their parents and come to believe that liquor is the same as beer and wine.

Density of outlets is a key factor in public health issues. The average number of outlets for control states is 817 (but note that Michigan has 7374 outlets) and the average of outlets for license/open jurisdictions is 2,069. NC currently has around 430 ABC stores.

A study by Gruenewald and others, published in 1993 in *Alcoholism: Clinical and Experimental Research*, looked at liquor sales and outlet densities in 36 states over an eight-year period. The study found that increases in the number of alcohol outlets in a state resulted in increased sales. "Study after study shows that having high outlet density leads to a variety of alcohol-related problems, especially for youth". Prevention Research Center, Pacific Institute for Research and Evaluation, *Journal of Adolescent Health*, May 2009.

According to a report published in 2010, excessive alcohol use causes more than 79,000 US deaths annually and contributes to health and social problems, and policies that increase hours of sale by as little as two hours contribute to excessive drinking, driving after drinking and alcohol related assault and injury. (Effectiveness of Policies Restricting Hours of Alcohol Sales in Preventing Excessive Consumption and Related Harms, *American Journal of Preventative Medicine*, Vol. 39, Issue 6, pages 590-604, December 2010).

Numerous studies show that privatization would result in a marked increase in the number of outlets (currently there are thousands of outlets for off-premises sales of beer and wine), longer hours of sale, greater advertising and promotion, and significantly more consumption. Significantly increased consumption will result in greater harm and greater costs to society. The NC ABC Commission, in its current campaign to reduce underage drinking, reports that underage drinking alone costs the State about \$1.5 billion annually. In 2006, alcohol abuse and addiction cost the nation \$220 billion, more than cancer (\$196 billion) or obesity (\$133 billion).

2010 National and State Costs of Alcohol Consumption (Jeffrey J. Sacks, MD, MPD, et al) concluded that excessive drinking cost the nation almost \$250 billion in 2010, that two of every \$5 of the total cost was paid by Government, that three quarters of the costs were due to binge drinking, and that limiting alcohol outlet density is an evidence-based strategy to reduce excessive drinking and related harms.

Washington State converted from a state control system to a private system in 2012 and the Washington State experience is informative. Access to liquor has increased with the number of retail outlets increasing from 328 to over 1400 and with an increase from 73 to 140 hours of potential alcohol sales per week. The Robert Wood Johnson Foundation reviewed the impact of privatization in Washington State and found that there were statistically significant increases in alcohol-related emergency room visits, translating to thousands of extra visits. From *Impact of Washington State Initiative 1183* (2015 presentation by Mary Segawa, Washington State Liquor and Cannabis Board, and others): For a two-year period following the effective date of

privatization, adult alcohol re-admission treatment significantly increased, and overall youth treatment for alcohol as the primary substance increased 5-6%.

ABC boards distribute profits back to their communities and provide significant funds locally for alcohol and substance abuse education and rehabilitation, and law enforcement. For FYE 2017, ABC boards distributed: \$74,503,732 to cities and counties, \$12,171,893 for alcohol and substance abuse education and rehabilitation, and \$8,360,935 for local law enforcement.

From ABC Commission Chairman (and former NC Lieutenant Governor) Jim Gardner's letter to editor (Fayetteville Observer, July 7, 2015): *"Privatization does not make fiscal sense, nor does it make public health sense. In the end, it comes down to a philosophical question: Should the government be in the business of selling liquor? There is no stauncher Republican than I am. There is no one more pro-business than myself. And there is no one more convinced than myself that continuing the Alcohol Beverage Control system in North Carolina is the right thing for this state and particularly for the children of this state."*

Privatization does not make sense for North Carolina from a public health, public safety or economic standpoint. If the State privatizes either its wholesale or its retail function, in whole or in part, that control is lost forever.

We are not seeking funding from NCALHD or from the NC General Assembly. Privatization would reduce revenue to the State and to its local governments, thereby impacting the availability of services at the state and local level.

Submitted by:

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