

Oppose Privatization of the ABC System for Liquor

The NC Association of ABC Boards opposes privatization of the ABC system for liquor. Many other organizations “support keeping the control system for the sale of liquor in place and believe that privatization of liquor will lead to many adverse effects” (see list on reverse side).

House Bill 971 (Modern Licensure Model for Alcohol Control) was filed on April 25, 2019 and this bill privatizes the retail sale and wholesale distribution of liquor, allows a minimum of 1,500 permits to be issued to any business that sells food (grocery stores, convenience stores, pharmacies, variety stores, etc.) or to any “retail business”, with additional numbers of permits available for issuance based on population growth, with retail liquor sales authorized between the hours of 7 a.m. and 2 a.m., and with those businesses allowed to ship liquor directly to individuals in or out of the State.

The 168 local ABC boards operate 433 stores statewide and employ over 2,870 people. NC is unique among other control states in that ABC boards are established by local elections and liquor profits are distributed to local government units, thereby reducing the need to increase local property taxes. The State does not own any liquor. Privatization would not result in any downsizing of State government. **No State funds are spent to distribute or sell liquor.** ABC boards are local independent subdivisions of this State. ABC boards either own or lease all ABC store locations.

PED Report: The Program Evaluation Division (PED) released its report on ABC on February 11, 2019. The PED did not recommend privatization. PED found that among the southeastern states, NC collects the most revenue per gallon, has the lowest outlet density and has the second lowest per capita consumption; this finding validates the current system if the objective is **public health, safety and welfare**. PED analyzed several types of ABC systems: agency store, private retail privatization, and licensure (retail and wholesale privatization). PED expects retail liquor **consumption to increase by 20%** with privatization. PED notes that retail prices would increase 15.7% under licensure. PED conducted two polls on public support for closing ABC stores: 52% (Elon Univ.); 47% (High Point Univ.).

PED 2008 Report: In 2008, PED examined privatization, but it did not recommend privatization, noting that control states receive more revenue than license or open states. **PED compared NC's system to 12 license or open states** that limit sales of spirits to privately owned package stores and found that NC had the fewest retail outlets (except for Delaware), received the most public revenue per gallon sold, and had the lowest per capita consumption.

For FYE 2018, **local ABC boards distributed \$430,635,861**: County-City Distributions \$80 million; State General Fund \$323 million; Local Alcohol Education/Treatment \$13 million; Local Law Enforcement \$8.8 million; Rehabilitation Services \$5 million; Operation of ABC Commission/Warehouse \$17.7 million.

Of the 50 states, 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. Our system accomplishes both revenue and public health objectives. Private sellers of liquor want decreased taxation on their products and more consumption, all of which is contrary to the public's health, safety and welfare.

----- **SEE REVERSE SIDE** -----

Privatization will result in a marked increase in the number of outlets, longer hours of sale, greater advertising and more promotion and significantly more consumption. A Centers for Disease Control task force concluded the control model protects public health and that privatization results in increased consumption, a well-established proxy for excessive consumption. **Privatization would benefit heavy drinkers the most.**

DHHS' website notes that **excessive alcohol use costs NC more than \$7 Billion** in 2010, that excessive alcohol use is the third leading preventable cause of death in NC, and that according to CDC's Community Guide on Excessive Alcohol Use strategies to reduce excessive drinking include maintaining state control of alcohol sales and continuing to limit the number of outlets selling and distributing alcohol.

It is a core function of government to protect the public's health, safety and welfare. Given the unique nature of liquor, as well as its potential to do harm, state and local governments are in the best position to balance access and convenience with control. Almost half of the states have at least some form of law that regulates liquor off-premises more strictly than other forms of alcohol.

The last three states that have implemented privatization (Washington in 2011, Iowa in 1987 and West Virginia in 1991) have all seen **higher consumer prices, less choice, and less revenue** for government. In Washington State, the number of retail outlets increased from 328 to over 1400 and hours of sale/week increased from 73 to 140 hours. Washington State received only \$30.75 million from auctioning off the rights to apply for retail spirits permits at 167 stores

In 2012, Professor Nicolas Didow (Kenan-Flagler Business School at UNC-CH) conducted a customer service survey of ABC store customers. The customers gave higher grades to the ABC stores where they shop than they gave to their local drug store, discount store, bank or grocery store.

While Chairman of the ABC Commission, **former NC Lieutenant Governor Jim Gardner** wrote a letter to the editor (Fayetteville Observer, July 7, 2015) in which he stated: *"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 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, **there is no going back.**

The following organizations "support keeping the control system for the sale of liquor in place and believe that privatization of liquor will lead to many adverse effects" --- Christian Action League; NC Family Policy Council; NC Association of Chiefs of Police; NC Police Benevolent Association; North Carolina State Lodge, Fraternal Order of Police; Mothers Against Drunk Driving (MADD); NC Association of Local Health Directors; NC Public Health Association; National Association of Social Workers North Carolina Chapter; NC Society for Clinical Social Work; North Carolina Association of Campus Law Enforcement Administrators; NC Substance Abuse Prevention Providers Association; NC Substance Use Disorder Federation; Addiction Professionals of NC; NC Alcohol Policy Alliance; Alcohol/Drug Council of NC; Recovery Communities of North Carolina; NC Association of ABC Boards and NC ABC Law Enforcement Officers Association.

Jon Carr, lobbyist, NC Association of ABC Boards; jcarr@jordanprice.com; 919-831-4473