

10 Years Later

THE NEED FOR
STATE ALCOHOL
REGULATORY FUNDING
FIGHTING DEREGULATION BY DEFUNDING

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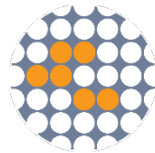
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ABOUT THE CENTER FOR ALCOHOL POLICY

The Center for Alcohol Policy provides a thoughtful and respected voice to the conversation surrounding alcohol, its uniqueness and regulation. From law and policy debates to legal cases and educational programming, the Center promotes appropriate state-based regulation of alcohol and safe and responsible consumption, fights underage drinking and drunk driving, and informs key entities and the public about the effects of alcohol consumption.



ABOUT THE AUTHORS

Pat Gagliardi

Pat Gagliardi is President of Gagliardi Associates, LLC. His extensive background and communication skills have made him a sought-after speaker and contributor to state forums and publications.

Pat has 12 years' experience serving on the Michigan Liquor Control Commission. He was appointed by two Michigan Governors and served as both an administrative commissioner and Chairman. As Chairman of the Michigan Liquor Control Commission from 2019 to 2023 Pat oversaw the unprecedented impact of the world-wide COVID pandemic on the alcohol industry in Michigan. During this time, he recommended and implemented technological updates to licensing systems that accomplished the long overdue streamlining of Michigan liquor licensing. As an administrative commissioner, Pat presided over licensing issues and contested cases brought on appeal before the Commission.

Additionally, Pat served for 16 years in the Michigan House of Representatives. He first served on the Appropriations committee before being elected by his colleagues as floor leader. He held this leadership position for 10 years until his retirement from the legislature in 1998.

Pat is married to his wife Debra and has four daughters and two grandchildren. He is a 1974 graduate of Lake Superior State University. He makes his home between Drummond Island and East Lansing Michigan.

J.T. Griffin

J.T. Griffin has over 20 years of Capitol Hill and government relations experience. For eight years he worked on Capitol Hill for a senior member of the House Appropriations Committee. For over 13 years, he ran the government relations and communications department at Mothers Against Drunk Driving. Here he helped pass laws in over 35 states to improve drunk driving laws and to advance legislation to support drunk driving vehicle technologies.

In the fall of 2020, J.T. formed Griffin Strategies, LLC, a full-service Government Relations firm representing clients before the federal government including the U.S. House of Representatives, U.S. Senate, and various federal agencies. The firm specializes in issues relating to transportation and technology, the federal appropriations process, and advising non-profit organizations on fundraising and best practice management.

J.T. is married to Kristin and has two children. He is a 1999 graduate of Mary Washington College, now the University of Mary Washington, and resides in Virginia.

State Alcohol Regulatory Funding is Needed Now More Than Ever

I. Introduction

“Good regulation should be conducive to business and to consumer protection.”

Jamie Dimon, CEO, JP Morgan Chase

In 2013 the Center for Alcohol Policy published a report written by Pat Gagliardi that expressed concern about the impact of reduced funding for state alcohol regulation.¹ The following update to this 2013 Center for Alcohol Policy report is now being revisited in collaboration with J.T. Griffin, former Chief of Government Affairs for Mothers Against Drunk Driving (MADD).

In the decade-plus timeframe since the above-mentioned 2013 report, the alcohol industry worked through a worldwide pandemic, added tens of thousands of new alcohol related businesses, has seen renewed focus on public health issues in alcohol and has seen the mission of state regulatory agencies expand into areas such as cannabis and lottery regulation.

Effective alcohol regulation protects the public but also ensures product safety and a level playing field for manufacturing, distribution and retail sales. In a national survey on alcohol regulation, **89%** of Americans agreed it is important for the alcohol industry to be regulated.² In supporting alcohol regulation, **82%** of those surveyed recognized that alcohol is different from other products and therefore should be regulated differently.³ One only need take a cursory glance into the history of moonshine, quack medicinal remedies and unregulated spirits to understand the need for safety, regulation and product consistency in alcohol.

Today, tainted alcohol remains a problem in areas where there is little or no regulation:

- 2011 - United Kingdom - Fake Vodka Health Warning in UK⁴
- 2012 - Czech Alcohol Deaths: Britain Issues Warning⁵

¹ Gagliardi, Pat. The Need for State Alcohol Regulatory Funding. The Center for Alcohol Policy. 2013

² The Center for Alcohol Policy 2023 National Alcohol Sentiment Survey

³ Ibid

⁴ <https://www.theguardian.com/society/2011/dec/31/fake-vodka-health-warning>

⁵ <https://news.sky.com/story/czech-alcohol-deaths-britain-issues-warning-10469573>

- 2019 - India - 150 died and 200 plus hospitalized after drinking tainted alcohol⁶
- 2019 - Costa Rica - 25 people died and 29 hospitalized from consumption of toxic levels of methanol in tainted alcohol⁷
- 2020 - Mexico - 100 people died after consuming tainted alcohol⁸
- 2021 - Dominican Republic - 30 people died and others hospitalized after consuming tainted alcohol⁹
- 2022 - India - 31 people died and 20 hospitalized after drinking tainted liquor sold without authorization¹⁰
- 2023 - Iran - 10 people dead after consuming tainted alcohol¹¹

Comprehensive federal and state regulation of alcohol largely keeps such tragedies from happening in the United States. The Center for Alcohol Policy has published several reports on this important issue.^{12,13} It is important to understand the history of alcohol use and regulation to ensure public safety and public trust in alcohol products. It is also important to look ahead to preserve that level of trust and safety.

In revisiting the funding of state alcohol regulation, the following report examines how a robust regulatory landscape is essential to maintaining public safety and promoting competition. Competing interests are always tugging at the purse strings. However, strong alcohol regulation must be maintained. And it boasts a 90-year proven track record of data¹⁴ to back it up.

Safety Sells

“The essence of good government is trust,” Kathleen Sebelius, Former Secretary of Health and Human Services.

Why is safety so important? Alcohol policy is a trust between the public (both those who consume the product and those who abstain), industry, lawmakers, and policy makers. Expansion of products, licenses and sales are only possible when operating in a safe and orderly system. As part of the Center for Alcohol Policy’s bi-annual *National Alcohol Sentiment Survey*, 89% of the public believes the alcohol they consume is safe. 78% of the public agree with the three-tiered

⁶ <https://www.npr.org/2019/02/23/697317095/bootleg-liquor-kills-scores-in-indias-latest-mass-outbreak-of-alcohol-poisoning>

⁷ <https://time.com/5655452/costa-rican-alcohol-poisoning-deaths/>

⁸ <https://www.reuters.com/article/idUSKBN22Q0GH/>

⁹ <https://www.foodsafetynews.com/2021/04/deaths-in-dominican-republic-linked-to-tainted-alcohol/>

¹⁰ <https://www.cbsnews.com/news/india-bad-bootleg-liquor-kills-28/>

¹¹ <https://apnews.com/article/iran-methanol-alcohol-deaths-homemade-97a59babaf6e2fbaf7a9b291fa3e28d6>

¹² <https://www.centerforalcoholpolicy.org/2017/09/26/combating-fake-counterfeit-and-contraband-alcohol-challenges-in-the-united-kingdom-through-the-alcohol-wholesaler-registration-scheme-awrs/>

¹³ <https://www.centerforalcoholpolicy.org/2020/03/04/fake-alcohol-and-interstate-e-commerce/>

¹⁴ <https://uscode.house.gov/view.xhtml?path=/prelim@title27/chapter1&edition=prelim>

alcohol regulatory system when the system is explained.¹⁵ A happy public benefits the industry. Expansion of the industry naturally follows public confidence that the product is safe and its misuse, such as counterfeit and unsafe alcohol, sales to minors, drunk driving and addiction are regulated.

Beyond safety concerns, a properly funded alcohol regulation system is also critical for the economy and for competition. The alcohol industry provides nearly 4 million jobs and is responsible for nearly 1.7% of the U.S. economy based on total GDP.^{16, 17} The entry of illegal players and hazardous products could decimate the value of these businesses. Moreover, the need for trained regulators to act as referees to “blow the whistle” on improper business conduct has only been increased by factors such as the United State Supreme Court’s 2019 opinion in *Tennessee Wine Retailers Association v. Thomas*.¹⁸

II. State Alcohol Regulation

“If we want our regulators to do better, we have to embrace a simple idea: regulation isn't an obstacle to thriving free markets; it's a vital part of them.” James Surowiecki, staff writer for the New Yorker.



Alcohol is a unique product, which experience has taught us causes unique problems. Underage drinking, drinking and driving, assault and other crimes are just a few problems associated with alcohol misuse. To help ensure responsible consumption of alcohol, it is critical that alcohol laws and regulation are effectively enforced.

While the promotion of responsible drinking is a shared responsibility across all alcohol industry participants, the enforcement of alcohol regulation is charged primarily to the state and is

¹⁵ The Center for Alcohol Policy 2023 National Alcohol Sentiment Survey

¹⁶ Overproof. March 20, 2023. <https://overproof.com/2023/03/20/jobs-in-the-alcohol-industry/>

¹⁷ <https://ablusa.org/americas-beer-wine-spirits-retailers-create-2-03-million-jobs-122-63-billion-in-direct-economic-impact/>

¹⁸ 139 S. Ct. 2449 (2019)

accomplished using a variety of methods. Law enforcement, revenue reporting and collection, health and safety regulations and public ad campaigns work together to complete the regulatory tapestry of alcohol control. And states are increasingly trying to do more with less.¹⁹

In 2003, the National Highway Traffic Safety Administration (NHTSA) concluded based on its research²⁰ of the role of alcohol beverage control agencies in the enforcement and adjudication of alcohol laws over three decades:

1. Alcohol Beverage Control Agencies (ABCs) do not have enough agents to monitor activities of the licensees effectively; and
2. In at least some states, ABC agents do not have sufficient authority to carry out their duties.²¹

These statistics reveal that the ratio of agents to population has decreased. Over time, states have struggled to keep pace with both a growing industry and population.

A 2013 report compared enforcement agents by state in 2003 and 2012 and found that the number of enforcement agents declined overall. This reduced enforcement occurred despite population growth, more product and increased sales outlets. On review, this decline in enforcement over time is concerning.

While the 2023 numbers show an increase in the number of enforcement agents in many states relative to 2012, this increase is diluted by population growth, increased enforcement responsibilities (i.e. cannabis, lottery, tobacco in some states) and industry growth. In fact, the number of enforcement agents has remained relatively static over the last few decades while the population has grown:

- **2003 - 1 enforcement agent for every 126,410 people**
- **2012 - 1 enforcement agent for every 175,400 people**
- **2023 - 1 enforcement agent for every 155,400 people**

These statistics demonstrate that states are struggling to keep up with the demands for the enforcement of alcohol policy. In 2003 the NHTSA study concluded there were not sufficient

¹⁹ Gagliardi, Pat. The Need for State Alcohol Regulatory Funding. The Center for Alcohol Policy. 2013
²⁰

https://www.nhtsa.gov/sites/nhtsa.gov/files/documents/role_abc_agencies_enforcement_and_adjudication_of_alcohol_laws-809877.pdf

²¹ The Role of Alcohol Beverage Control Agencies in the Enforcement and Adjudication of Alcohol Laws, 2003 NHTSA publication, www.nhtsa.gov/people/injury/.../abcroleweb/...ABCFinal.pdf.

enforcement agents across the country to effectively enforce alcohol policy. The same issues faced in 2003 persist today. The following chart shows the number of full-time enforcement agents (FTE) by state over the last two decades.

State	2003 Enforcement FTE	2012 Enforcement FTE	2023 Enforcement FTE	Change
Alabama	94	131	78	▼
Alaska	4	4	8	▲
Arkansas			21	
Arizona	19	15	20	▲
California	247	213	215	▲
Colorado	16	21	r	▲
Connecticut	21	28	6	▼
Delaware	14	16	13	▼
District of Columbia	10	16	23	▲
Florida	152	156	186.75	▲
Georgia	35	35	43	▲
Hawaii-Combined	15	7	44.5	▲
Idaho	1	2	12	▲
Illinois	30	30	29	▼
Indiana	64	63	70	▲
Iowa	395	0	19	▲
Kansas	19	20	21	▲
Kentucky	43	29	40	▲
Louisiana				N/A
Maine	14	6	7	▲
Maryland	18	21	22	▲
Massachusetts	7	12	25	▲
Michigan	38	46	66	▲
Minnesota	3	2	7	▲
Mississippi	28	20	36	▲
Missouri	56	6	15	▲
Montana	16	21	2	▼
Nebraska	12	12	8	▲
New Hampshire	23	21	28	▲
New Jersey			10	N/A
New Mexico	23	23		N/A
New York				N/A
North Carolina	72	110	99	▼
North Dakota			0	N/A
Ohio	119	73	134	▲
Oklahoma	3	26	24	▼

Oregon	40	45	41	▼
Pennsylvania	117 police, 164 civ	117 police, 164 civ	173	Same
Rhode Island	n/a	n/a		Same
South Carolina	35	varies	32	▼
South Dakota	0	0	0.5	▲
Tennessee	35	35	46	▲
Texas	225	250	269	▲
Utah	12	21	19	▼
Vermont	18	16	13	▼
Virginia	151	111	95	▼
Washington	86	55	83	▲
West Virginia		27	23	▼
Wisconsin	9	8	9	▲
Wyoming	1	3	4	▲
Total	2223	1756	2129.75	
U.S. Population	281 Million (2000)	308 Million (2010)	331 Million (2020)	

While the good news is that 29 states have increased the number of regulatory enforcement staff, a sizable number of states have decreased staffing. However, as mentioned above, a growing population and number of licensees alongside changing and expanded job descriptions dilutes efficacy, even in states where staff increases have occurred. Further, while the number of enforcement agents is a useful indicator in gauging state response to alcohol over time, it is merely one variable. Responsible alcohol policy requires a state to dedicate adequate resources to enforcement and education in addition to working to develop fair and safe industry standards (trade practices). Inadequate resources translate to a potentially unsafe marketplace via an un- or under-regulated marketplace.

State Budgets

The state commitment to enforce alcohol policy starts with the dollars committed toward alcohol policy and regulation. In 2013 it was reported that state alcohol budgets remained relatively stagnant or declined.²² New findings for recent years demonstrate this trend continues. While many states have dedicated increased resources to alcohol regulation and enforcement, the net result is a failure to keep pace with growing population, expansion of new products, the growth in the number of licensees, increased hours of sale, etc. It is important to note that state alcohol budgets vary wildly.²³ In addition to alcohol sales, state agencies may combine budgets

²² Gagliardi, Pat. The Need for State Alcohol Regulatory Funding. The Center for Alcohol Policy. 2013

²³ Statistics that break out alcohol regulation are not available for all states.

for the regulation of lottery, cannabis and tobacco sales. Additionally, some “control state”²⁴ budgets may include the cost and maintenance of brick and mortar facilities.

Due to the various state structures used to regulate alcohol, as well as the difficulty in finding the appropriate budget columns within the 50 state budgets, the data below is at times incomplete but at the same time captures a consistent story across the nation. The following chart shows the recent budget activities for all available states:

State Name	Budget (in millions)						
	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24
Alabama						\$ 120.00	\$ 134.00
Alaska					\$ 5.60		
Arkansas							\$ 5.70
Arizona						\$ 7.10	\$ 9.90
California					\$ 97.30	\$ 104.50	
Colorado							\$ 5.78
Connecticut							
Delaware							\$ 0.68
D.C.							
Florida						\$ 22.80	
Georgia							
Hawaii- Combined	\$ 3.28	\$ 4.40	\$ 4.48				
Idaho				\$ 2.90	\$ 3.30		
Illinois			\$ 6.77	\$ 8.04			
Indiana					\$ 13.70	\$ 18.12	\$ 18.41
Iowa							\$ 134.60
Kansas						\$ 5.06	\$ 3.70
Kentucky							
Maine							
Maryland							
Massachusetts					\$ 4.90	\$ 5.07	\$ 5.80
Michigan							
Minnesota			\$ 0.16		\$ 0.16	\$ 0.13	
Mississippi							
Missouri							
Montana					\$ 3.50	\$ 2.70	

²⁴ States that have state monopoly over the wholesaling or retailing of some or all categories of alcoholic beverages, such as beer, wine, and distilled spirits.

Nebraska				\$ 1.90	\$ 2.02	\$ 2.09	
New Hampshire	\$57.20	\$65.40	\$ 67.70	\$ 55.00	\$ 60.40		
New Jersey					\$ 10.82	\$ 9.86	
New Mexico			\$ 2.20	\$ 1.10	\$ 1.00		
New York						\$ 83.20	
Nevada							
North Carolina							
North Dakota*							
Ohio		\$ 0.77	\$ 0.82	\$ 1.00	\$ 1.05	\$ 1.23	
Oklahoma			\$ 2.90	\$ 2.75			
Oregon			\$349.00	\$349.00	\$ 367.00	\$ 367.00	
Pennsylvania							
Rhode Island							
South Carolina							
South Dakota					\$ 5.90		
Texas					\$ 51.80	\$ 63.80	
Tennessee		\$ 8.30	\$ 10.50	\$11.90	\$ 11.10	\$ 12.40	
Utah			\$ 55.70	\$ 61.10			
Vermont					\$ 13.90	\$ 14.60	
Virginia				\$263.10	\$ 270.80		
Washington					\$ 50.10		
West Virginia						\$ 9.70	
Wisconsin						\$ 1.64	
Wyoming						\$ 286.90	
Total	\$ 3.28	\$61.60	\$85.87	\$499.75	\$872.56	\$1,131.36	\$1,170.99

***North Dakota does not allocate funds to enforcement, solely to licensing**

The differences in state budgets and enforcement suggests there is no single formula for alcohol regulation. What was clear 12 years ago is even more evident today: the ever-changing alcohol regulatory landscape has become more complex with many states combining alcohol regulation with cannabis and/or lottery, gaming and tobacco. Additionally, it remains difficult to compare the efficacy of state programs because states dedicate alcohol revenue streams differently. For instance, in the last decade the state of Ohio has dedicated much of its alcohol revenue to economic development.

Today, state budgets are accessible online. It is difficult, however, to compare states alcohol policies solely on a budgetary basis. That is because it is far easier to find revenue from alcohol sales than the amount of money dedicated to alcohol regulation and enforcement. To be fair, this is because many states organize regulatory functions differently and/or combine enforcement

duties. Despite these differences, an analysis of the enforcement efforts among the states can be useful in determining a recommended path forward.

One indicator that enforcement is lagging behind the industry and population growth is the size of the area enforcement agents are expected to cover. In 2012, it was reported that out of the 17 states reviewed, enforcement agents were expected to cover anywhere from 1 agent for every 320 square miles in Ohio to 0 designated state agents for 77,000 square miles in South Dakota. An updated look at these 17 states in 2023 shows that 9 out of the 17 show agents are covering the same size territory, or a larger area.

The enormity of a regulator's job is demonstrated by a breakdown of population per state agent in the 17 states reviewed.

STATE	2023 POPULATION	POPULATION PER AGENT
Alabama	5,040,000	64,615
California	39,240,000	182,511
Colorado	5,812,000	161,444
Indiana	6,806,000	97,228
Iowa	3,193,000	168,052
Kansas	2,935,000	139,761
Michigan	10,050,000	152,272
Minnesota	5,707,000	815,285
Nebraska	1,964,000	245,500
New Hampshire	1,389,000	49,607
Ohio	11,780,000	87,910
Oregon	4,246,000	103,560
Tennessee	6,975,000	151,652
Texas	29,530,000	109,776
Utah	3,338,000	175,684
Wisconsin	5,910,000	656,666
Wyoming	584,057	83,436

The above 17 states represent 41% of the country’s population. Once again, the overall population when divided by the number of state agents demonstrates the large scale and seriousness of a state regulator’s job. The common refrain, that the government needs to do more with less, ignores the fact that dedicated state regulatory agents have been doing so for the past few decades. As Roger B. Johnson, former Wisconsin regulator, once stated: “*Government wants employees to do more with less and pretty soon they are going to ask them to do all for nothing.*”

The statistics and anecdotal stories from regulators throughout the country suggest that effective regulation protects the public and industry alike. To maintain the quality and safety of product and fair distribution, it is clear that regulatory resources must expand to ensure state agents are not overwhelmed. A collaborative combination of technology and boots on the ground are critical to managing risk and meeting the expectations of the public regarding the sale and consumption of alcohol. States need to keep pace with technological changes and employee training. This will require increased revenue and strategic planning.

III. The Need for Adequate Funding



“Laws without enforcement are just good advice.” Abraham Lincoln

Since *The Need for State Alcohol Regulatory Funding* was published in 2013, there has not been a noticeable increase in funding for alcohol regulation. This is especially true when evaluating population growth in addition to a growth in scope of the mission of alcohol regulatory agencies.

Alcohol is a unique product that has unique enforcement needs. Enforcement of alcohol laws and regulations is critical for public safety and for a successful alcohol industry. The alcohol industry, consumers and the public are united in their demand for a safe system. When regulations fail, black markets can increase spurring production of counterfeit and illicit alcohol sales as mentioned in the previous report.²⁵

From a regulatory perspective, state alcohol control agencies are dealing with more issues than ever before as state legislatures continue adding regulatory issues to their oversight purview. All of these issues require new resources for enforcement, training and a regulatory framework to ensure consumer and public safety.

In the U.S., it is rare to hear stories of alcohol manufactured that is “bad” in so far as the product itself causes injury or death. Robert Tobiassen wrote that “Incidents of ‘fake alcohol’ products being distributed in the United States are reported much less frequently than in many other countries.”²⁶ This is due to a well-regulated system and is not the case in the rest of the world. Euromonitor estimates that in 2018, illicit alcohol represented 1 in 4 alcohol bottles, or 25% of all global consumption.²⁷ The World Health Organization has identified “unrecorded” alcohol as being outside the legal channels and says 25% of worldwide alcohol consumption is unrecorded. This type of alcohol includes that which exists outside the usual system of governmental control, such as home or informally produced alcohol -legal or illegal, smuggled alcohol, surrogate alcohol which is alcohol not intended for human consumption or alcohol obtained through cross-border shopping, which is recorded in a different jurisdiction.²⁸ The best approach to end unrecorded alcohol is effective alcohol regulation.

As the world changes, the way we buy and consume alcohol changes along with it. Market trends in types of alcoholic beverages sold have changed the need for regulatory oversight. For example, hard seltzers can be considered spirits, which changes the nature of sales, taxation, and even consumption. These new drinks can have a higher alcohol content and have exploded in popularity. In 2010, Four Loko was banned in several states as it was a mix of high alcohol content and caffeine causing blackouts and other harmful effects. Beverage trends change and evolve, and regulators need adequate funding to monitor trends that may be harmful to consumers and to help ensure public safety.

Funding is critical for law enforcement to maintain public safety. When enjoyed responsibly, alcohol is a safe product. When abused, overindulgence can result in underage drunk driving,

²⁵ Gagliardi, Pat. The Need for State Alcohol Regulatory Funding. The Center for Alcohol Policy. 2013

²⁶ Tobiassen, Robert M. The “Fake Alcohol” Situation in the United States: The Impact of Culture, Market Economics, and the Current Regulatory Systems. 2014.

²⁷ International Alliance to Combat Illicit Trade. www.tracit.org

²⁸ <https://www.who.int/publications/i/item/9789240044463>

sexual assaults, and disorderly conduct.²⁹ It is critical that law enforcement have needed resources to enforce alcohol laws and regulations and protect the public.

According to CDC data, DUI deaths increased from 10,196 in 2019 to 13,384 in 2021.³⁰ Estimates for 2022 continue to show DUI deaths at high levels although final numbers have not been issued as of the publishing of this report. Regardless, it is clear that drunk driving has risen to levels not seen since 2006. Adequate law enforcement resources are critical to fighting drunk driving.

A 2021 Center for Alcohol Policy report, *Open Container Laws and Alcohol-to-Go*, found police retirements up 45 percent, an 18 percent increase in resignations, and a 5 percent decrease in the hiring rate.³¹ Adequate state funding is critical for law enforcement efforts to ensure safe use of alcohol.

Combatting underage drinking is another critical issue requiring funding from an alcohol regulatory system. According to the National Institute on Alcohol Abuse and Alcoholism (NIAAA), alcohol is the most widely used substance among America's youth and can cause them enormous health and safety risks.³²

According to the NIAAA:

- Alcohol is a significant factor in deaths of young people under 21, including deaths from motor vehicles, homicides, overdoses, falls, burns, drowning, and suicides.
- In 2011, 188,000 emergency room visits from alcohol-related injuries involved people under 21.
- Alcohol increases the risk of physical and sexual assault.

The Monitoring the Future (MTF) study paints a true picture of the current status of underage drinking in the U.S.³³ For 48 years, the study has surveyed 12th graders on drinking behaviors and drug use. Some good news in terms of 12th graders drinking: annual consumption of alcohol among high school seniors has declined 16% proportionally from 62% in 2013 to 52% in 2022.

²⁹ Centers for Disease Control and Prevention. Alcohol and Public Health.

<https://www.cdc.gov/alcohol/fact-sheets/alcohol-use.htm>

³⁰ National Highway Traffic Safety Administration Fatality Analysis Reporting System

³¹ Griffin, J.T. Open Container Laws and Alcohol to Go. 2021 Center for Alcohol Policy.

³² National Institute on Alcohol Abuse and Alcoholism (NIAA). Get the Facts About Underage Drinking.

<https://www.niaaa.nih.gov/publications/brochures-and-fact-sheets/underage-drinking>

³³ Miech, R. A., Johnston, L. D., Patrick, M.E., O'Malley, P. M., Bachman, J. G., & Schulenberg, J. E., (2023). Monitoring the Future national survey results on drug use, 1975–2022: Secondary school students. Monitoring the Future Monograph Series. Ann Arbor, MI: Institute for Social Research, University of Michigan. Available at <https://monitoringthefuture.org/results/publications/monographs/>

MTF also shows that the trend in prevalence of use of alcohol has dropped since 1991. That year, 80.1% of grades 8th, 10th, and 12th graders combined reported using alcohol and 46.3% reported being drunk. Compare that to 2023 when 35.7% had used alcohol and 18.7% had been drunk, and we see that underage drinking is decreasing.³⁴

MTF provides a clear, national picture of underage drinking in the U.S. As the NIAAA and MTF both show, underage drinking can have profoundly negative impacts on our nation's young people. It is encouraging that underage drinking is on the decline, but there is still much work to do. A well-funded alcohol regulatory system is critical to the enforcement of underage drinking laws by providing age verification, law enforcement and education to keep young people safe.

Tax collections from alcohol and tobacco sales actually decreased since the 2013 report. According to the Alcohol and Tobacco Tax and Trade Bureau (TTB), total alcohol sales tax collections in 2013 were \$26.3 billion while only \$23.9 billion in 2023.³⁵ The main reason for this drop in revenue was the cutting in half of alcohol taxes by Congress in 2020. However the number of entities regulated by the TTB has increased to over 122,000 businesses.

A final challenge for state alcohol regulators is to keep the alcohol industry regulated. The alcohol industry is very competitive and thousands of new businesses enter it every year at the supplier, wholesaler or retailer tier. However, the various alcohol industry laws that promote competition continuously need new state agents to replace the experienced agents that leave. Additional training is required for more nuanced regulations such as illegal trade practices and prohibited interest restrictions. This challenge takes on an even larger need after the 2019 Supreme Court decision in *Tennessee Wine Retailers*, which discusses the need to have evidence to defend their state alcohol laws against attack. Having new agents well-educated on the issues and enforcing laws is an important component of that role of states. The skill set for a state alcohol regulator employee to check for fake identification is different from those of a state regulator agent investigating trade practice or prohibited interest violations. Further, there are needs for agencies to hire accountants as well as sworn peace officers to ensure trade practice regulations are adequately enforced.³⁶

Alcohol truly is a unique product. The 2013 report provides several options to increase funding for state alcohol control agencies. Ultimately it is up to states to decide how to best fund alcohol

³⁴ Monitoring the Future. 1975-2023 Data for In-School Surveys of 8th, 10th, and 12th Grade Students. <https://monitoringthefuture.org/results/data-access/tables-and-figures/>

³⁵ Alcohol and Tobacco and Trade Bureau. Tax Collections. Tax Collection Activities by Fiscal Year. <https://www.ttb.gov/tax-audit/tax-collections>

³⁶ Beyond the scope of this paper is the challenge for states to confront efforts to deregulate state alcohol laws via litigation. In some cases, the burden of proof is attempting to be placed on state agencies to prove their laws work, which is a frustrating burden on states particularly when financial resources to disprove the challenge are lacking.

regulations. As mentioned in this report, enforcement and agency priorities are widely varied, making an apples-to-apples comparison on efficacy difficult.

One thing is clear; the issues facing the nation also face each state. Earlier we mentioned the importance of safety in the alcohol control system. Alcohol beverages change over time as does the public's demand and interest in these products. Drunk driving deaths have risen significantly over the past few years. Underage drinking, while declining, is an ever-present danger. And law enforcement faces reductions in force, recruiting challenges, and waves of retirements. These challenges prove the need for adequately funded state alcohol agencies.

IV. Conclusion: Effective Regulation Works

“The very foundation of a stable America is having a government that functions well. Many countries have dysfunctional governments, because they don't have a good government workforce.” -Ken Salazar (former American Lawyer, Ambassador to Mexico, Secretary of the Interior)

A strong, well-funded alcohol regulatory system benefits everyone. Manufacturers, distributors, restaurants and retail, consumers, and the public all benefit when effective regulations are in place and well-enforced. This can only be accomplished with critical and sufficient funding for state alcohol beverage control regulatory agencies.

As stated above, each year, states are under more pressure to do “more with less.” More licenses, more products and different products increase pressure on an already overburdened system. Emerging issues like alcohol-to-go and internet sale of alcohol introduce new challenges that, without additional funding, states are ill-equipped to manage.

This report has provided a much-needed update to the 2013 report on *The Need for State Alcohol Regulatory Funding*. Comparisons have been made to the number of enforcement agents in 2003, 2012 and 2023 and found that enforcement agents have decreased over the last two decades while our nation's population has simultaneously increased. Enforcement is a critical component of a safe alcohol system.

Additionally this report provides updated state budgetary numbers from 2013. These numbers are difficult to find and compare as every state budgets for alcohol regulations differently. Many states are focused on alcohol sales, some like Virginia oversee brick and mortar sales, while others divide responsibilities among various state agencies.

Overall, there is a noticeable trend of less funding dedicated to state alcohol regulation. When inflation and population growth are considered, it is clear that funding has not kept pace with current needs.

Complexities to the state regulatory system are increasing. Several states have legalized cannabis in some form and some have put the regulatory functions into the state alcohol regulator's office. Federal laws are still in conflict with states making enforcement and oversight more opaque and difficult. It is uncertain if this will change in the near future.

It is clear that a robust, well-funded alcohol regulatory system is a critical state function. Safety sells. In the U.S., alcohol is relatively safe thanks to a robust regulatory system. State regulation of cannabis would do well to look to alcohol to build public trust and ensure safe products. Adequate funding and enforcement are critical for this success. Now is not the time to be satisfied with a stagnant alcohol regulatory policy. Technology is changing at warp speed. Communication and retail sale practices are changing as well. Smart government will embrace these changes to maintain a strong and effective regulatory workforce, but it must be properly funded to achieve its important missions of protecting public health, protecting safety, supporting fair competition and encouraging innovation.



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