



Control State vs. Open State

# Spirituuous Liquor Sales in North Carolina

North Carolina Alcoholic Beverage Control Commission

Control - Service - Revenue

Since 1935

*[www.ncabc.com](http://www.ncabc.com)*

# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



## Prohibition



On May 26, 1908, by a referendum vote of 62% to 38%, North Carolina became the first southern state to enact statewide prohibition of alcoholic beverages. For the next 25 years North Carolina prohibited alcoholic beverages from being sold.

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## Control vs. Open



## Repeal of Prohibition - 1933



In 1933, the 21st Amendment of the United States Constitution not only repealed prohibition but, coupled with the 10<sup>th</sup> Amendment, granting of powers to the states, gave the states what we thought was complete control over alcohol beverage policy.

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## Toward Alcohol Control- 1933

“Only as the profit motive is eliminated is there any hope of controlling the liquor traffic in the interest of a decent society. To approach the problem from any other angle is only to tinker with it and insure failure. This point cannot be too heavily stressed.”

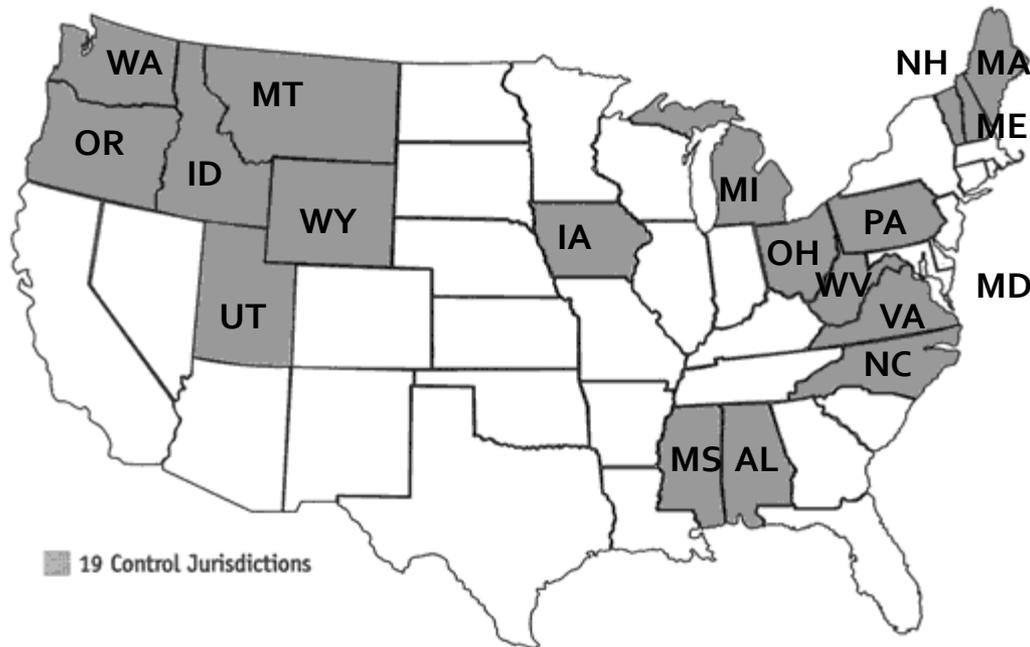
*~John D. Rockefeller, Jr.*

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## Control States



North Carolina is one of 19 “control states” in the United States.

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



## Control vs. Open

### A Comparison

Open State  
(licensed)

Control State

<b>Where the money goes</b> .....	pocket of the owner.....	back to the community
<b>Who owns and operates</b> .....	private citizen.....	state/county/or city
<b>Employees</b> .....	private citizen.....	state/county/or city employees
<b>Price of Spirits</b> .....	set by owner.....	uniform pricing
<b>Spirits Consumption</b> .....	Control states consume 16% less than licensed states	
<b>Revenue</b> .....	Control states generate 115% more revenue than licensed states	

# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



## North Carolina



In 1935 the NC legislature appointed a commission to study control of alcoholic beverages and make recommendations to the 1937 General Assembly. The commission looked at two types of control over the sale of alcohol: the state licensing system and the state monopoly system.

In 1937 The Alcoholic Beverage Control bill, also known as The Control Act, was submitted to the General Assembly creating a State Board of Control, known today as the North Carolina Alcoholic Beverage Control Commission. This Commission is comprised of a Chairman and two associate members appointed by the Governor.

A control plan was also created to allow voters in cities and counties to determine if they want alcoholic beverages sold in their communities. This “local option” is still in effect today.

# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



## North Carolina – First ABC Store

On July 2, 1935, the first ABC store in North Carolina was opened at 311 Nash Street in Wilson. According to the Wilson Daily Times, dated June 22, 1935, the vote was 4,147 in favor of authorizing liquor sales and 428 against.



# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



## North Carolina – Today

Today North Carolina has 159 county and municipal ABC Boards operating 405 ABC stores. These stores offer a modern, customer-friendly shopping experience and over 1,800 of the top liquor brands sold in the country. Patrons can also special order products not carried on the shelves.

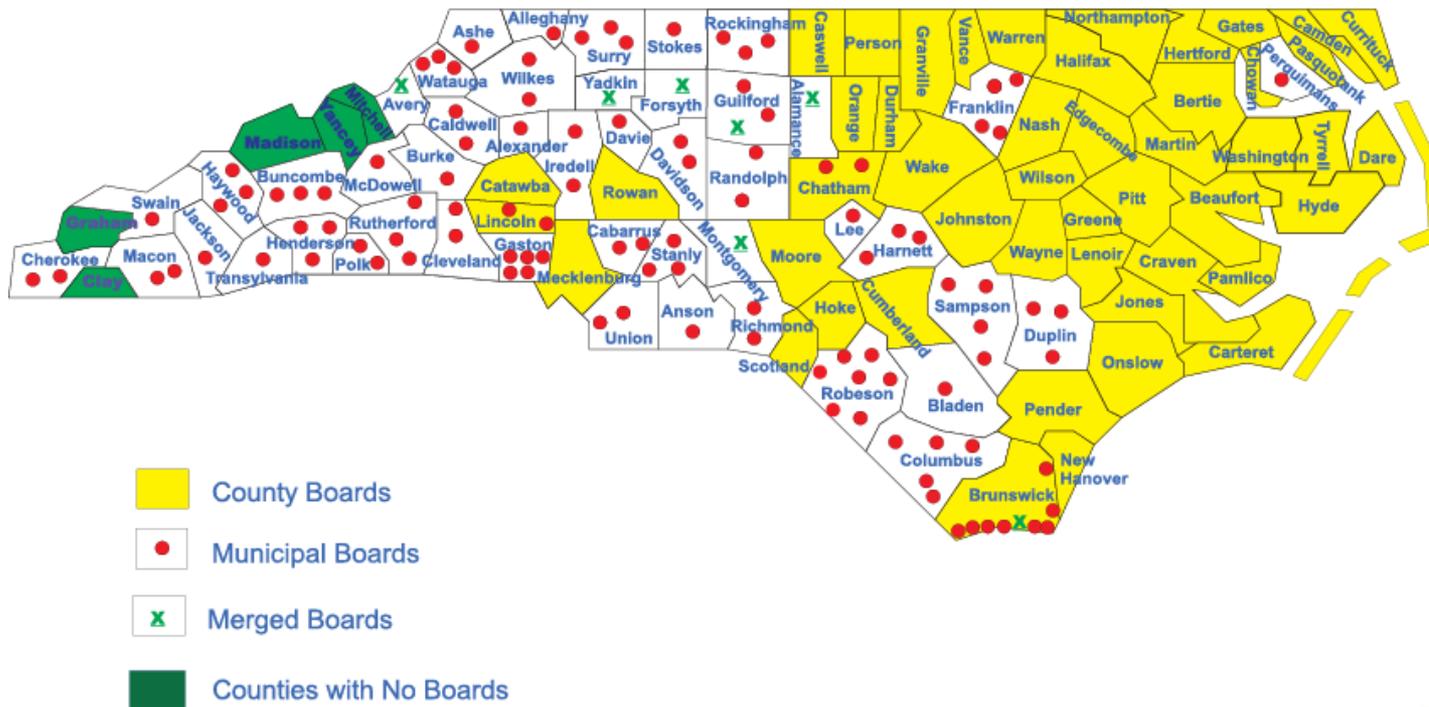


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## Control vs. Open



## North Carolina County and Municipal ABC Boards



March 2008

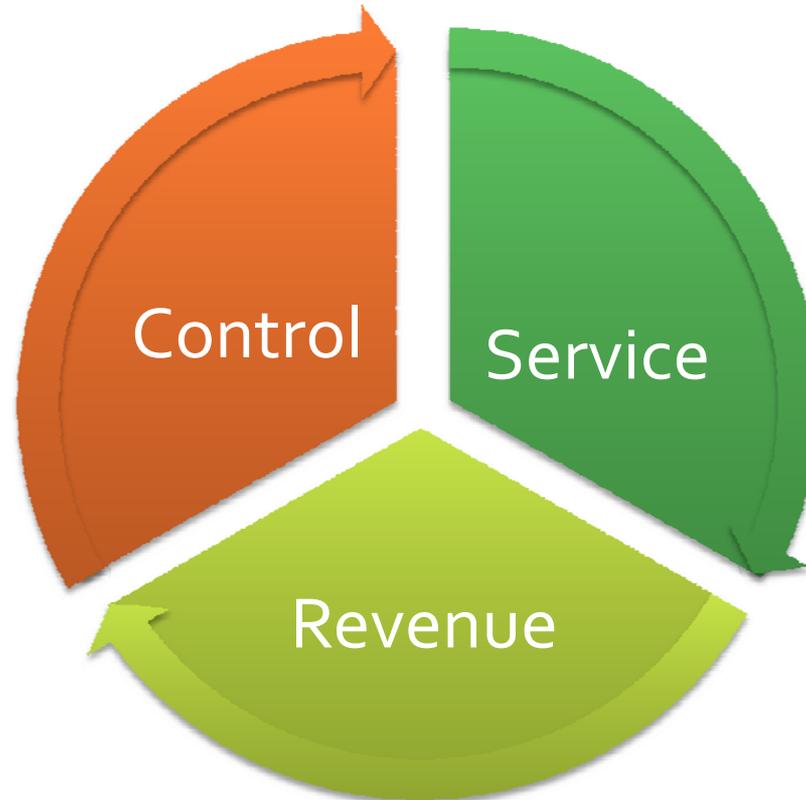


# Spirituuous Liquor Sales in North Carolina

Control vs. Open



## Why should North Carolina protect the current "Control" System?



# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



## Control – Low Consumption – High Revenue

- North Carolina (a control state) ranks 48<sup>th</sup> in per capita consumption of spirits, and 6<sup>th</sup> in revenue for spirits.
- South Carolina (a privatized state) ranks 30<sup>th</sup> in per capita consumption of spirits, and 26<sup>th</sup> in revenue for spirits.

North Carolina

• 1.06

Control States Average

• 1.23

License States Average

• 1.43

North Carolina Rank

• 48<sup>th</sup>

**PER CAPITA  
CONSUMPTION/  
GALLON - SPIRITS**

# Spirituous Liquor Sales in North Carolina

Control vs. Open



**Control** — Less per capita consumption

**Control States: 1.58 gallons**

**Licensed States: 1.89 gallons**

**CONTROL STATES CONSUME 16% LESS DISTILLED SPIRITS THAN LICENSE STATES**

*"...monopoly systems limit alcohol consumption and alcohol-related problems..."*

Thomas Babor et al, *Alcohol: No Ordinary Commodity*  
*Research and Public Policy*, 2003

# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



**Control** – Reduces number of outlets, hours of sale and removes profit motive

- Under the control system, the profit incentive is removed thus reducing the chance of overzealous clerks or owners selling alcohol to underage persons.
- Elimination of private profit helps to facilitate the enforcement of laws against selling to minors or intoxicated persons.
- When sales to youth are reduced, drunk driving crashes are also reduced for 15-20 year olds.
- In control systems, alcohol advertising is more restrictive thus reducing the exposure of alcoholic beverage products to youth.

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



## Costs Associated With Underage Drinking and Alcohol Abuse

*“Tragic health, social and economic problems result from alcohol use by youth. Underage drinking is a casual factor in a host of serious problems including homicide, suicide, traumatic injury, drowning, burns, violent and property crime, high risk sex, fetal alcohol syndrome, alcohol poisoning and need for alcohol use and dependence.”*

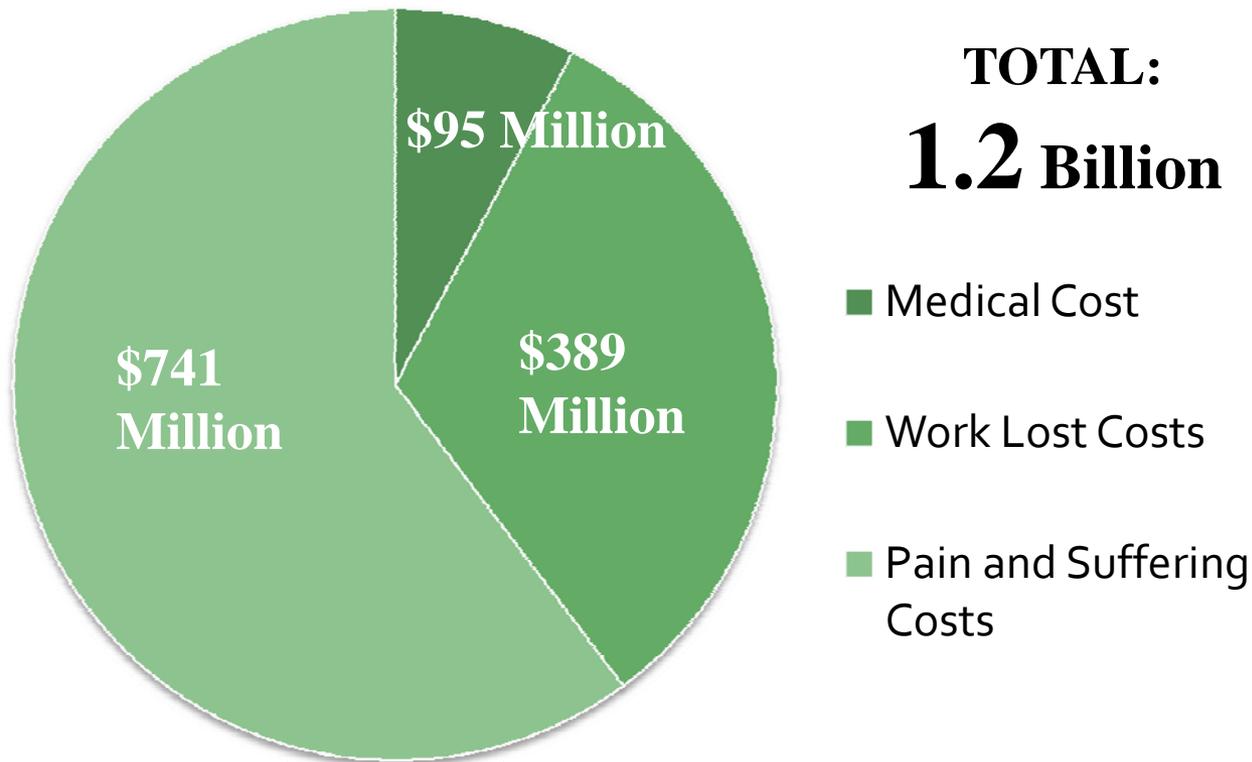
Pacific Institute for Research and Evaluation (PIRE) October 2006

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



## Costs of Underage Drinking in North Carolina 2005



Pacific Institute for Research and Evaluation (PIRE) October 2006

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## Alcohol Consumption by Youth in North Carolina

“Underage drinking is widespread in North Carolina. Approximately 350,000 youth in North Carolina drink each year. In 2005, according to self reports by North Carolina students in grades 9-12:

- 69% had a least one drink of alcohol on one or more days in their life
- 21% had their first drink of alcohol, other than a few sips, before age 13
- 42% had at least one drink of alcohol on one or more occasion in the past 30 days
- 23% had at least 5 or more drinks in a row (i.e., binge drinking) in the last 30 days”

*North Carolina Preventing Underage Drinking Initiative citing the Pacific Institute for Research and Evaluation (PIRE) October 2006*

# Spirituuous Liquor Sales in North Carolina

## Control vs. Open



**Service** – Current system already provides the highest level of customer service in the industry

- 405 customer-friendly stores
- Clean, modern, well lighted shopping environment
- 1800 products offered for sale
- Cash, gift cards and credit cards accepted
- Friendly staff



# Spirituuous Liquor Sales in North Carolina

Control vs. Open



Revenue \$\$\$\$\$

*“Local ABC Boards in North Carolina are established and operated with no State funds. However, through the sale of spirituous liquor in ABC Stores, North Carolina is generating revenue of over \$233 million annually for the benefit of the State’s General Fund and for the cities and counties where alcohol sales are allowed”.*



**Douglas A. Fox**

Chairman of the North Carolina Alcoholic Beverage Control Commission

Chairman of the National Alcoholic Beverage Control Association

(NABCA) 2007

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



**Revenue** — More per gallon revenue

**Control States: \$22.18 per gallon**

**Licensed States: \$10.53 per gallon**

**CONTROL STATES GENERATE 102% MORE REVENUE THAN LICENSE STATES**

***"As well as promoting public health, state alcohol monopolies can be an efficient means of raising government revenue...monopolies generate more state revenue than license systems."***

*Retail Alcohol Monopolies: Preserving the Public Interest, CAMH, 1993*

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



**Revenue** – Elimination of the control system will also eliminate the millions of dollars currently turned over to local communities by local ABC Boards.

**\$\$\$\$\$ 2007 - \$51,322,449**

- Millions of dollars are turned over to the general fund each year from the sale of spirits
- Millions of dollars are turned over to local city and county governments from the sale of spirits
- Millions of dollars are provided for rehabilitation, education and law enforcement each year

# Spirituous Liquor Sales in North Carolina

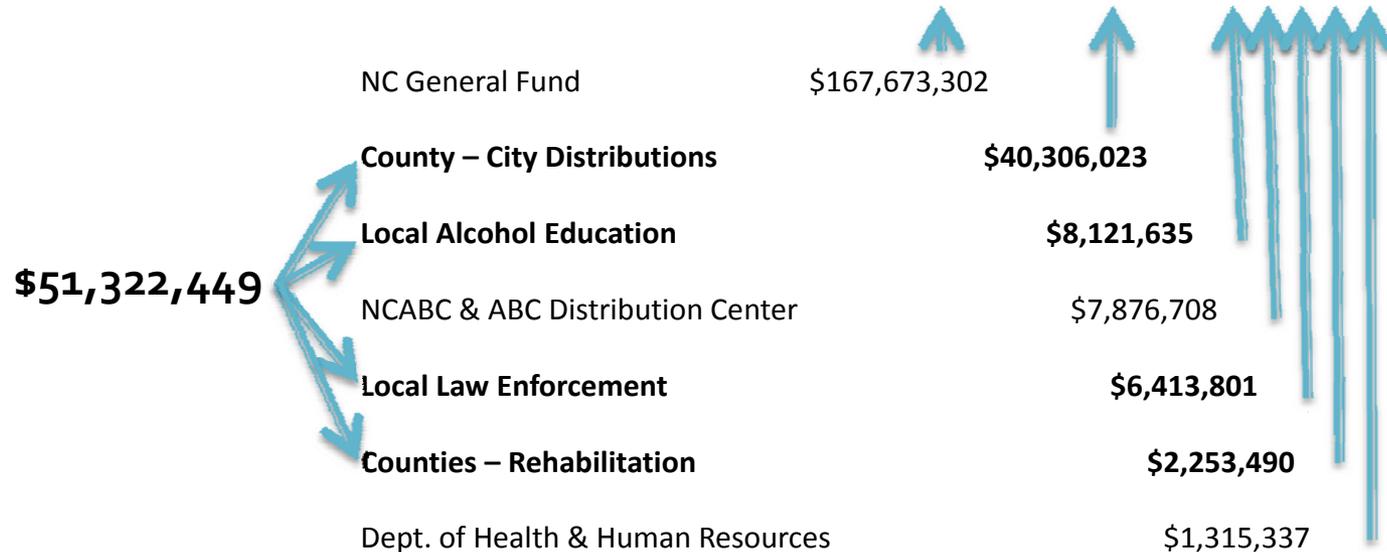
Control vs. Open



## Distribution of Funds in North Carolina

**\$228,187,796**

**FY 2007**



# Spirituuous Liquor Sales in North Carolina

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## ALCOHOL: No Ordinary Commodity

*Alcohol is a unique commodity. When abused, it can have a strong social and economic impact on society.*

*Therefore, in an effort to address the harms of alcohol it has become, and should remain, a matter of public policy.*

NABCA

# Spirituuous Liquor Sales in North Carolina

Control vs. Open



## ALCOHOL:

### No Ordinary Commodity

*“Public policy issues are created by the special characteristics of liquor as a consumer product. The potential misuse of alcohol and its associated problems lends support to those who call for public regulation and control. A major responsibility of government is to protect the interest of the general public against the abuse of alcohol and its costs imposed by a minority.”*

Greg Flanagan, *Sobering Result: The Alberta Liquor Retailing Industry Ten Years After Privatization*, 2003

# Spirituous Liquor Sales in North Carolina

Control vs. Open



## ALCOHOL:

### No Ordinary Commodity

*“...if privatization of a limited set of beverages increases total alcohol consumption by 5 percent (the amount of increase measured when Iowa privatized the sale of spirits and when Maine and Montana privatized the sale of wine) the societal cost per resident would rise by about \$25 per year. This equates to about \$125 million per year for a state with 5 million residents.”*

*The Effects of Privatization of Alcohol Control Systems, Pacific Institute for Research & Evaluation (PIRE)*



**73 YEARS of  
Control, Service and Revenue  
Since 1935**