



October 2022 Newsletter

The Cost of Loosening Alcohol Regulations

By Pamela Erickson

Changing alcohol regulation has a financial aspect that should be fully analyzed to determine costs and benefits. That is how you strike the right balance for public health and business needs. Unfortunately, we are seeing policy makers rushing to permanently change alcohol regulations without understanding the costs involved.

Policy-makers wanted to do something for businesses that suffered major losses during COVID. Bars, restaurants, and liquor stores were closed, had curtailed hours or other restrictions in many states during the pandemic. It is natural to want to help local businesses that suffered losses. However, the method of help may end up costing states. Alcohol regulations were created for public health reasons and it is dangerous to remove them for economic reasons. The COVID pandemic inflicted this pain on these businesses, not alcohol laws. Often, there is no provision for additional funding to cover increased costs caused by deregulation. And, the method may only help a few licensees rather than most in that category.

So, what are the actual and potential costs? And how do we calculate or estimate them? To illustrate, let's take the example of measures enacted due to COVID to make direct delivery of alcohol to residences permanent. This is designed to provide an additional method of sales for local restaurants, bars, grocery and liquor stores and sometimes includes local craft (and larger) manufacturers.

First, there are costs to the regulators to change their regulations, licenses, processes and forms. Usually this involves creating a new license for home delivery of alcohol. This is not a simple matter as states have discovered, due to experience with illegal shipments. The license needs to have requirements for marking packages which contain alcohol, measures to ensure a sale is not made to underage or intoxicated consumers, reporting and tax payments, and sometimes training the delivery person. Local taxes need to be collected. Given that this is a relatively new method of sale, regulations have changed to deal with problems encountered. So, this is an evolving policy area.

Second, there is the cost of enforcement. This is also an evolving issue. As states have found a lot of illegal shipments, there is a greater concern for how to enforce the laws. (See article about Michigan's experience in the Sources section.) States increasingly understand that there must be ways to ensure that taxes are paid and alcohol is not sold to an underage or intoxicated individual. Again, this is not a simple matter. Enforcement professionals do not have the same rights to inspect a home delivery as they do for a sale from a licensed premise. A licensed retailer provides a central point of enforcement, as opposed to the almost unlimited number of doorways where deliveries could be made. Many states have found it necessary to train the delivery person which means creating and conducting a new training program and diverting resources from other duties. Other states have relied on reviewing and auditing required reports. For

example, the state of Texas announced the intent to audit over 1,600 out-of- state winery licenses. That represents a substantial cost.

Third, with greater availability and increased sales, alcohol-related problems are likely to increase. Alcohol has long been associated with problems involving violence, crime, disease, mental health problems and deaths. Any change to regulations that increases sales is likely to increase these problems. Public health officials are doing a lot to help drinkers be moderate in their consumption of alcohol. But, there are still considerable problems of excessive drinking. And there is an indication that consumption increased during the pandemic.

“In sum, alcohol use in the U.S. is a public health problem that appears to have worsened since the onset of COVID-19.”

“Alcohol Consumption during the COVID-19 Pandemic: A Cross-Sectional Survey of US Adults”, Elyse R. Grossman, Sara E. Benjamin-Neelon, and Susan Sonnenschein, December 2020

Resources such as the CDC should be checked regularly as we learn more about the impact of changing alcohol regulations. They have readable [Fact Sheets](#) that contain data on alcohol problems as well as indicating what policies work. (Another resource is the book “Alcohol, No Ordinary Commodity.” Chapter 16 is entitled, “Alcohol policies: a Consumer’s Guide.” That chapter contains a comprehensive list of strategies including their effectiveness based on credible research and their cost-effectiveness.

Sources:

[DCT Shipping 101: A survival guide for the beverage alcohol industry](#), Avalara.com

[Spirits Direct-to-Consumer Shipping Rules](#), SOVOS Ship Compliant

[Excessive Alcohol Use](#), factsheet from the Centers For Disease Control and Prevention

[Nearly 160,000 bottles of wine illegally shipped into Michigan, a steep decline after AG crackdown - mlive.com](#)

[State Continues Crackdown on Illegal Alcohol Shippers \(michigan.gov\)](#)

[Preventing Excessive Alcohol Use | CDC](#)

[Alcohol Consumption during the COVID-19 Pandemic: A Cross-Sectional Survey of US Adults](#),

Elyse R. Grossman, Sara E. Benjamin-Neelon, and Susan Sonnenschein *Int J Environ Res Public Health*. 2020 Dec; 17(24): 9189. Published online 2020 Dec 9.

[State Reports on Underage Drinking Prevention and Enforcement](#), 2020, Substance Abuse and Mental Health Services Administration (SAMHSA)