

ABC Store Privatization

Background

Alabama is one of 18 states where consumers can purchase packaged spirits such as whiskey and brandy only from Alcohol Beverage Control (ABC) stores operated by the state government, usually referred to as a “Control State.” In 2014, there were approximately 173 retail ABC stores in Alabama.¹ The stores are a significant source of revenue for Alabama’s General Fund, the Education Trust Fund, and the Departments of Human Resources and Mental Health. Since 2003, ABC store sales have generated about \$150 million per year for these programs.²

Because Alabama’s ABC stores are operated by the state government, they are less efficient than those operated by the private sector. During the 2015 legislative session, Senator Arthur Orr sponsored SB 115, which would begin the process of phasing the current retail sale of spirits through ABC stores. If the state’s ABC stores were privatized market forces could take effect leading to lower product prices, better customer service, more jobs, and the state could receive even more revenue from the sale or lease of liquor licenses.³ Alabama has one of the highest excise taxes in the country on beer, wine and spirits.

Opponents to the privatization of ABC stores argue that the public health concerns associated with privatization should outweigh any economic benefits to the state. If the stores are privatized, opponents conclude, potentially lower prices would encourage excessive consumption of spirits and other alcohol, more underage drinking, and a higher number of alcohol-related motor vehicle accidents.⁴ Because spirits have higher alcohol contents than do beer and wine, opponents insist that government has a special obligation to keep a tighter rein on spirits sales. Supposedly, the monopoly system of ABC stores provides government with the ability to keep this rein tight.⁵

ISSUE SNAPSHOT

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Policy Consideration

The biggest deterrent to the sale of Alabama’s ABC stores is the uncertain social effects such a sale would have. There is no doubt that excessive alcohol consumption can lead to a variety of health problems, the most immediate of which include motor vehicle wrecks, falls, drowning, and firearm injuries. Long-term problems associated with excessive drinking include cirrhosis of the liver, pancreatitis, various cancers, alcohol dependence, and fetal alcohol syndrome.⁶

Mac Gibson, Administrator of the Alabama Alcoholic Beverage Control Board, says that any legislation to privatize liquor sales in Alabama would “harm” all of those involved.⁷ Gibson also claims that Alabama is a “national leader” when it comes to taxing alcoholic beverages because the state ranks in the top five for state excise taxes on beer, wine, and spirits.⁸ To opponents of privatization, the high excise tax is helpful in controlling alcohol consumption in the state and the tax revenue benefits the state’s budgets.

GUIDE TO THE ISSUES

Recent research, however, shows that states with privatized liquor stores do not have higher rates of these longer-term problems:

One of the biggest obstacles to the privatization of ABC stores has been concern that increased access to alcohol will lead to more alcohol-related deaths. A 2010 study by the Virginia Institute found that the rate of alcohol-related deaths in states with privatized ABC stores was not significantly different than in those with government control. The same study also found that rates of binge drinking and drunk-driving fatalities—which is more specific than alcohol-related deaths—in states with government control over spirit sales were not significantly different than in those without such control.⁹

A 2009 report by Pennsylvania's Commonwealth Foundation found that states which had recently privatized their liquor industries experienced a significant decline in per-capita alcohol consumption. Moreover, after adjusting for DUI enforcement, states with the highest degree of liquor control exhibited the same rate of alcohol-related driving deaths as did licensing states.¹⁰

Recommendation

The monopoly system of ABC stores in Alabama should be privatized through either an outright sale or lease of the rights of each business to sell spirits. To keep the number of stores from proliferating, no additional stores could be built unless an existing store closes. Stores would be allowed to relocate, however, if they desired to do so.

The state could impose the current restrictions on alcohol sales as a condition of granting a license. To gain additional revenue, the state could auction off the limited number of licenses as they come available through store closures or forfeitures.

Further Reading

Donald J. Boudreaux and Julia Williams, "Impaired Judgment: The Failure of Control States to Reduce Alcohol-Related Problems." Virginia Institute for Public Policy, No. 14, July 2010, p. 1. Available at <http://tinyurl.com/6g2pu6t> Access verified April 13, 2011.

John Pulito and Antony Davies, "Government-Run Liquor Stores: The Social Impact of Privatization." The Commonwealth Foundation, Policy Brief, Vol. 21, No. 3, October 2009. Available at <http://tinyurl.com/5sx6bo8> Access verified April 13, 2011.

¹ Alabama Alcoholic Beverage Control Board, "Annual Report" Available at [http://www.abcboard.state.al.us/\(S\(lvybqc1ghkceizu3cma4yrlz\)\)/annual_report.aspx](http://www.abcboard.state.al.us/(S(lvybqc1ghkceizu3cma4yrlz))/annual_report.aspx) Access verified March 31, 2011.

² *Ibid.*, "Home Page" (website). Available at <http://tinyurl.com/3ma32hp>. Access verified April 11, 2011.

³ John Pulito and Antony Davies, "Government-Run Liquor Stores: The Social Impact of Privatization." The Commonwealth Foundation, Policy Brief, Vol. 21, No. 3, October 2009. Available at <http://tinyurl.com/5sx6bo8>.

⁴ *Ibid.*

⁵ Donald J. Boudreaux and Julia Williams, "Impaired Judgment: The Failure of Control States to Reduce Alcohol-Related Problems." Virginia Institute for Public Policy, No. 14, July 2010, p. 1. Available at <http://tinyurl.com/6g2pu6t>. Access verified April 13, 2011.

⁶ "Alcohol and Public Health," (website). Centers for Disease Control and Prevention, July 20, 2010. Available at <http://tinyurl.com/5fdocy>. Access verified April 13, 2011.

⁷ Mac Gibson, Yellowhammer News, March 22, 2015 available at <http://yellowhammernews.com/business-2/gibson-getting-ala-govt-out-of-liquor-business-would-increase-prices-consumption/>

⁸ Mac Gipson, ABC Board serve state with revenue, regulation, Montgomery Advertiser, Sept. 11, 2014, available at <http://www.montgomeryadvertiser.com/story/opinion/contributors/2014/09/11/abc-board-serves-state-revenue-regulation/15491709/>

⁹ Boudreaux and Williams, "Impaired Judgment: The Failure of Control States to Reduce Alcohol-Related Problems," pp. 2-3.

¹⁰ Pulito and Davies, "Government-Run Liquor Stores: The Social Impact of Privatization," pp. 1-2.