Lessons from Alcohol: A Blueprint for Cannabis Regulation

Stephen L. Schmidt, Senior VP of Communications and Public Policy
NABCA
- Established in 1938
- Represent "Control Systems" jurisdictions with direct role in sale cycle (wholesale and/or retail)
- Not an advocacy or lobbying organization
- Not a beverage alcohol industry organization
European Immigrants brought heavy drinking culture (and their products) with them.

Alcohol was considered “healthy” and consumption was very high, nearly twice the consumption rates of today, according to some historians.

Workers often had breaks at 11 am and 4 pm for alcohol (usually some form of hard liquor).

Alcohol was often a necessary incentive to get elected. Even George Washington supposedly lost an election because he failed to provide alcohol to prospective voters.
ALCOHOL WAS AN IMPORTANT COMMODITY FOR THE ECONOMY

It quickly became patriotic to switch from drinking rum (an import) to whiskey!

1750

Corn Surplus
In the early days, areas west of the Appalachians had a surplus of corn.

No Transportation
No methods to transport agricultural products...no good roads, no railroads, no water transportation.

Solution - Whiskey
Corn was turned into whiskey and easily transported to the heavy drinking populations in the East.

Early 1800
Lack Of Regulation Fostered The Saloon System

1800s-1900s
German immigrants arrived with their taste for beer and brewing skills. Beer became drink of choice and alcohol was sold primarily in saloons.

Tied Houses
Most saloons were "Tied Houses" which meant they were owned by a brewer who required exclusive sales of their beer brand.

Social evils were attributed to "an inadequately regulated and overstimulated retail sale."

Intense Competition
Saloons were hyper-competitive and used inducements such as gambling, prostitution and other methods to maximize sales.
States struggle to find an answer to the "alcohol problem"

1910: Conflicts between "wets" and "drys" dominated the political scene.
1914: World War I began and many Americans stopped accepting money from German brewers.
1917: United States entered World War I.
1919: The 18th Amendment is passed and then ratified in January 1919.
1933: Prohibition ends after 13 years.
States had little expertise in alcohol regulation

Relied on a large study financed by John D. Rockefeller called "Toward Liquor Control"

Researchers interviewed over 400 leaders from all walks of American life
RESEARCH RESULTS

1. A belief that moderate use of alcohol could be part of civilized living.

2. People believed that any version of the “saloon system” must never return.

3. That system was characterized by aggressive, over-stimulated sales, and political corruption.

4. A control system was recommended over a license system to remove profit motive.
CONTROL SYSTEMS IN THE UNITED STATES

- Alabama
- Iowa
- Idaho
- Maine
- Maryland (Montgomery County)
- Michigan
- Mississippi
- Montana
- New Hampshire
- North Carolina
- Pennsylvania
- Ohio
- Oregon
- Utah
- Vermont
- Virginia
- West Virginia
- Wyoming
CONTROL SYSTEMS IN NORTH AMERICA

Other countries that currently use a control model, either by jurisdiction or as a whole, include:

- Sweden
- Norway
- Finland
- Iceland
- Denmark
- India
Two forms of alcohol regulation in the U.S.

**CONTROL SYSTEM**

State owns part of the alcohol business; usually the wholesale or retail operation

**LICENSE SYSTEM**

Private owners sell alcohol at both retail and wholesale levels
## Similarities Between Control and License Systems

### 3-Tier Regulatory System

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<thead>
<tr>
<th>Role</th>
<th>Description</th>
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<tbody>
<tr>
<td>Producer/Manufacturers</td>
<td>License everyone who sells alcohol</td>
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<tr>
<td>Distributors/Wholesalers</td>
<td>Enforce laws to reduce underage and excessive drinking</td>
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<tr>
<td>Retailers</td>
<td>Regulate days/hours of sale, location of premises, and density of outlets</td>
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<td></td>
<td>Require products to flow through a closed, 3-tier system</td>
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<td>SHARED PRINCIPLES OF BOTH SYSTEMS</td>
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<td>Help to curtail problems to keep an orderly alcohol market</td>
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<th>LICENSING</th>
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<td>Background checks and other license requirements help keep the criminal element from the business</td>
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<th>THREE-TIER SYSTEM</th>
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<td>A closed system of product sale with licensing in each tier prevents return of the Tied House and other monopolistic methods, such as price drops and aggressive sales tactics to dominate local markets. The system also requires wholesalers to collect excise taxes and track products for safety purposes</td>
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<th>ENFORCEMENT</th>
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<td>Prevents sales to minors and curtails the kind of excessive drinking that happened before prohibition</td>
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<th>LIMITED AVAILABILITY</th>
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<td>Before prohibition, local communities were saturated with outlets and there was little or no regulation of location, product, or hours/days of sale</td>
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PILLARS OF ALCOHOL REGULATION

1. Alcohol is not an ordinary commodity
2. The important role of science in informing and enforcing alcohol regulations
3. Finding the balance between public safety & commercial interests
OBJECTIVES OF ALCOHOL REGULATION

- Protect public health & safety
- Ensure efficient tax/revenue collections
- Eliminate unfair or illegal marketing practices
- Balance interests
THE COMMUNITY GUIDE
Guide to Community Preventive Services
What Works to Promote Health

EXPERT PANEL
6-12 person panel of prevention and public health experts with coordinating support from CDC

SYSTEMATIC REVIEW
Review of scientific studies, identify relevant studies, assess quality, summarize findings

EFFECTIVENESS
Identify implementation barriers, gaps in science and conduct economic evaluation

RECOMMENDATIONS
Based on the strength of the evidence of effectiveness in changing outcomes
Regulate alcohol outlet density through licensing and zoning processes.

Enhance enforcement of laws prohibiting sales to minors

Increase alcohol taxes

Adopt of dram shop liability laws

Maintain limits on hours and days of sale

Against privatization of retail alcohol sales

Source: The Community Preventive Services Task Force is an independent, non-federal panel of public health experts and is staffed by CDC
Alcohol Regulatory Authority
A complex, multi-tiered division of power and policies
FEDERAL OVERSIGHT OF ALCOHOL

Multiple federal agencies have a role in regulating alcohol

**Tax and Trade Bureau (Taxes)**
TTB has primary responsibility for enforcing federal alcohol laws, including alcohol portions of the Internal Revenue Code and the Federal Alcohol Administration Act, (production, importation, wholesale distribution, labeling and advertising)

**FTC (Consumer Protection)**
FTC addresses concerns about the effects of alcohol marketing on youth by conducting law enforcement investigations, promoting effective industry self-regulation, educating consumers about teens and drinking, promoting effective label disclosures, and coordinating with other federal agencies. (release reports on status of alcohol industry's compliance with its own self-regulatory standards)

**FDA (Food Safety)**
FDA is responsible for enforcing the federal food and drug law: the Food, Drug, and Cosmetic Act. It may weigh in on additives and whether the product meets its G.R.A.S. (Generally Recognized As Safe) standard.

**FCC (Communication)**
FCC is responsible for communications. Unlike tobacco, Congress has not enacted any law prohibiting broadcast advertising of alcoholic beverage, and the FCC does not have a policy regulating these advertisements.
STATE OVERSIGHT OF ALCOHOL

Multiple state agencies have role in regulating the alcohol environment

1. Alcohol Regulatory Authority
2. Department of Revenue
3. State Enforcement
4. Attorney General
5. State Health Authority
6. Highway Safety
LOCAL OVERSIGHT OF ALCOHOL REGULATION

Multiple agencies have role in regulating the alcohol environment locally

- Fire Code
- Business License/Permit
- Zoning/Land Use
- Local Police/Sheriff
- Health Department
- Community Groups
Working Together

Examples where federal, state, local authority regulate alcohol

Trade Practices
Both the TTB and State regulatory authorities monitor trade practice violations

Enforcement
State and local police along with state liquor inspectors work in coordination to ensure compliance among liquor holders

Retail
State and local governments often work together in regulating alcohol outlets with their respective powers (licensing and zoning)
Cannabis Regulation: Lessons From Alcohol

There is no one perfect system: every state system is different—as was envisioned by the 21st Amendment.

Laws and policies will be most effective if they reflect the will of the people; states must be given discretion to develop their own rules and regulations accordingly.

States have the power to create innovative, individualized systems based on what will be most effective for their jurisdiction.

A successful system is one that equally balances public health concerns with commercial interests.
NABCA strives to be a resource for its partners.
Final Takeaways

**Consider NABCA a Resource**
We provide support to many states in their efforts to shape their alcohol policy environment.

**Technical Assistance**
Alcohol regulation is nuanced and complicated, we can help.

**Moving Forward**
Continue to track trends and policy environments in alcohol and exploring role in cannabis regulation.
Thank You

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