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The Cost of Imbalance

By Pamela S. Erickson

Alcohol regulation is designed to balance public safety and business needs. But, how do you know whether a change will upset the balance if you don't ask constituents to evaluate it? Certainly, you would want to query law enforcement on a major change to ensure they are not adversely impacted. This is crucial [today](#) as there is a shortage of law enforcement officers due to the high number of resignations and retirements. In a [recent survey](#) by the Police Executive Research Forum, they found that resignations increased by 18% and retirements by 45%. While new hires only decreased by 5%, it takes a long time to replace a veteran. Not only is the hiring process lengthy and careful, but there is extensive training and experience needed before one becomes fully fledged officer.

Let's take the example of California which is again considering the extension of closing hours for bars from 2 am to 4 am. The sponsors of the bill see it as a way to continue a "vibrant night life" in cities selected to pilot such a plan. Those cities are: San Francisco, Oakland, West Hollywood, Fresno, Palm Springs, Cathedral City and Coachella. In statements by the sponsors, there was no mention of the costs from additional intoxication of people who get two more hours to drink. There was also no mention of law enforcement opinions. When the UK decided to eliminate closing hours, police had to completely overhaul their staffing structure. They found it overwhelmingly difficult to manage unruly intoxicated patrons who were leaving bars at all hours of the night.

You also would want to know if the stated purpose of "building a vibrant night life" is achievable by these means. In this case, the proponents want to compensate licensees for revenue lost due to COVID closures. That is a tall order that is unlikely to materialize in this instance. For an extra 2 hours, the premise would have to acquire a late-night license at a non-refundable annual cost of \$2,500. Furthermore, given the staff shortage bars and restaurants are currently experiencing, how many employees want to work until 4 am serving alcohol?

Another important constituency is public health. They know about costs of policy changes. In the California example, Alcohol Justice estimated the social costs of the 5-year pilot project as \$342.4 million. This photo displays the costs to implement the pilot project in their testimony in the city of Fresno. The city opposed the idea.



CITY	ON-SALE LICENSES (2019)	PARTICIPATING LICENSES (5% AT 4 A.M.)	ANNUAL NET SOCIAL COST (millions)	5 YEAR TRIAL NET SOCIAL COST (millions)
Cathedral City	77	4	\$1.2	\$6.0
Coachella	28	1	\$0.4	\$2.2
Fresno	496	25	\$8.0	\$40.6
Oakland	604	30	\$9.0	\$46.0
Palm Springs	185	9	\$2.8	\$14.1
San Francisco	2773	139	\$43.2	\$220.0
West Hollywood	175	9	\$2.6	\$13.1
Total	4338	217	\$67.2	\$342.0

Photo of Alcohol Justice presentation used with permission.

Representatives of public health were present at the Los Angeles City Council which voted to disapprove of the bill. Although the City itself wasn't included in the pilot, council members figured that residents would drive to West Hollywood for the late hours and drive home impaired to L.A.

“Citing concerns over a potential increase in drunk driving and alcohol-related deaths, the Los Angeles City Council voted [Friday](#) to oppose a bill in the state Legislature that would allow bars in seven cities — including West Hollywood — to stay open until 4 a.m.”

More and more, public health is documenting the costs that alcohol causes for society. A recent study of Minnesota's costs revealed that “excessive drinking” cost the state almost \$8 billion in 2019. And who gets to pay for that? Essentially, all citizens get to share the cost with the excessive drinker and their family through higher taxes, insurance and other means.

Who Pays the Cost of Excessive Drinking in Minnesota?

- 41.1% Government
- 40.4% Excessive Drinker & Family
- 9.9% Others in Society
- 7.7% Private Insurance

Source: [Minnesota Department of Health](#)

Most of the cost comes from “lost productivity” which tends to be overlooked, but I can tell you from personal experience that it is a real thing. When I ran a regulatory agency, one of my employees checked out a state car, stopped at a liquor store and drank from the bottle to intoxication. I don’t know why he chose to do what he did, but I had no choice but to fire him. I was saddened by the experience because he had always been a good employee and replacing him would take at least six months. Lost productivity is realized in other ways as well, such as Alcohol Use Disorder-related illness, missing or skipping work, and injury to name a few.

In conclusion, the main take away is that major changes to alcohol regulations can be costly and throw alcohol regulation out of balance. Therefore, it is very important to consult with critical constituencies such as law enforcement and public health. Efforts should be made to estimate the social costs as well as determining if the measure will achieve the stated purpose.

Sources:

[Bars could stay open till 4am in these California cities](#), KRON4 TV, June 6, 2022
[Cop crisis: Thousands of police officers that quit over the last year](#), Axios, June 25, 2021
[Survey on Police Workforce Trends](#), Police Executive Research Forum, June 2021
["America's drunkest city?", Fresno Leaders say 4 a.m. last call could solidify stigma](#), Fresno Bee, August 9, 2022
[Los Angeles City Council opposed 4 a.m. bar bill, citing safety concerns](#), KESQ, News Channel 3
[Cost of Excessive Alcohol Use in Minnesota](#), Minnesota Department of Health
[Senate Fails California, Passes Last-Call Bill](#), Alcohol Justice
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