

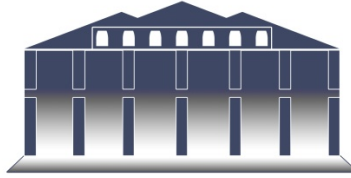
**Implications of Funding Alcohol and Substance
Abuse Treatment or Prevention with Alcohol Tax
Earmark**



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2015-02

February 9, 2015



Program Evaluation Division
North Carolina General Assembly
Legislative Office Building, Suite 100
300 North Salisbury Street
Raleigh, NC 27603-5925
919-301-1404
www.ncleg.net/PED

50 copies of this public document were printed at a cost of \$22.30 or \$0.45 per copy.

A limited number of copies are available for distribution through the Legislative Library:

Rooms 2126, 2226
State Legislative Building
Raleigh, NC 27601
919-733-7778

Room 500
Legislative Office Building
Raleigh, NC 27603
919-733-9390

The report is also available online at www.ncleg.net/PED.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

Kory Goldsmith, Interim Legislative Services Officer

Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-5925
Tel. 919-301-1404 Fax 919-301-1406

John W. Turcotte
Director

February 2, 2015

Senator Fletcher L. Hartsell, Jr., Co-Chair, Joint Legislative Program Evaluation Oversight Committee
Representative Craig Horn, Co-Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
Raleigh, NC 27601

Honorable Co-Chairs:

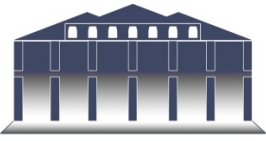
Session Law 2014–100, Section 121.3.(a) directed the Joint Legislative Program Evaluation Oversight Committee to consider examining the benefits and disadvantages of redirecting a portion of alcohol tax revenue from the Department of Health and Human Services (DHHS) to the Alcoholic Beverage Control (ABC) Commission. At its September 17, 2014 meeting, the Committee chose to include this item in the Program Evaluation Division's 2013–15 work plan.

I am pleased to report that DHHS and the ABC Commission cooperated with us fully and were at all times courteous to our evaluators during the evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Turcotte".

John W. Turcotte
Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

February 2015

Report No. 2015-02

Implications of Funding Alcohol and Substance Abuse Treatment or Prevention with Alcohol Tax Earmark

Summary

This report describes how the Department of Health and Human Services (DHHS) uses an alcohol tax earmark to support alcohol and substance abuse treatment and examines the implications of the Alcoholic Beverage Control (ABC) Commission's request to use DHHS's alcohol tax earmark to partially fund an underage drinking prevention program.

DHHS could lose \$2.8 million in funding for substance abuse treatment and prevention if the alcohol earmark is redirected to the ABC Commission. Currently, DHHS uses the \$1.4 million alcohol tax earmark to fund alcohol and substance abuse treatment services for adults and children. Without this funding, an estimated 292 fewer individuals would receive alcohol and substance abuse treatment services each year. Loss of the alcohol tax earmark for substance abuse treatment also would reduce the State's federal Substance Abuse Prevention and Treatment Block Grant by \$1.4 million.

In early 2014, the ABC Commission proposed using the earmark to support an underage drinking prevention program called *Talk It Out*. **During the course of this study, the ABC Commission chose to pursue an increase in bailment surcharges to entirely fund the underage drinking prevention program and therefore the ABC Commission no longer needs the alcohol tax earmark.**

The *Talk It Out* program has the potential to be a valuable addition to existing prevention programs. This program seeks to provide parents of middle and high school students with resources to aid them in discussing with their children the dangers of and methods for avoiding underage alcohol consumption.

Should the General Assembly authorize the *Talk It Out* program to use state funds in the future, it may want to consider:

- directing the ABC Commission to develop quantifiable goals and targets to measure the success of the *Talk It Out* program; and
- improving program oversight and coordination with other state agencies.

Scope

Session Law 2014–100, Section 12I.3.(a) directed the Joint Legislative Program Evaluation Oversight Committee to consider examining the benefits and disadvantages of redirecting a portion of alcohol tax revenue from the Department of Health and Human Services (DHHS) to the Alcoholic Beverage Control (ABC) Commission. At its September 17, 2014 meeting, the Committee chose to include this item in the Program Evaluation Division's 2013–15 work plan.

Specifically, this study directs the Program Evaluation Division to consider the benefits and disadvantages of requiring local Alcoholic Beverage Control boards to cease payments effective July 1, 2015 to the Department of Health and Human Services under G.S. 18B-805(b) (3) for alcoholism or substance abuse research, treatment, or education and redirect these payments to the ABC Commission for an alcohol and substance abuse education and prevention initiative. This report addresses the following questions:

1. How does the Department of Health and Human Services use the alcohol tax earmark?
2. How does the ABC Commission propose to continue funding its underage drinking initiative?
3. How can the General Assembly ensure that the ABC Commission's underage drinking prevention program is successful?

To conduct this review, the Program Evaluation Division collected and analyzed information from

- interviews with staff of the Department of Health and Human Services, the ABC Commission, the private vendors creating the ABC Commission's educational initiative, and other public and private stakeholders;
- data from the Centers for Disease Control and Prevention and the Substance Abuse and Mental Health Services Administration;
- North Carolina General Statutes and Session Laws related to ABC Commission roles and responsibilities, the history of alcohol taxation, underage drinking programs, and support for substance abuse treatment, education, and research; and
- Interviews with and a review of documents pertaining to other states' prevention activities, including Utah's *ParentsEmpowered* program.

Tax earmarks for alcohol and substance abuse treatment, education, and research are distributed to three different entities: local ABC boards, county commissions, and DHHS. An earmark is a legislative provision to direct a portion of tax or receipts to a specific use. During Fiscal Year 2013–14, alcohol and substance abuse earmarks comprised \$14.7 million, or 4.5%, of the \$330 million collected from spirituous liquor taxes. Three entities used these earmarks to support alcohol and substance abuse education, research, or treatment services:

- Local ABC boards received \$10.6 million (3%);
- Boards of County Commissioners received \$2.7 million (1%); and
- DHHS received \$1.4 million (0.5%).

The impetus for this study was a request from the ABC Commission to the General Assembly to redirect the \$1.4 million alcohol tax earmark from DHHS and substance abuse treatment services to the ABC Commission's underage drinking prevention initiative. During the course of this project, the ABC Commission approved an increase in the bailment surcharge, a fee that funds the Commission's operations, to pay for the underage drinking prevention program, and therefore no longer needs the DHHS earmark.

This report first details how DHHS uses the \$1.4 million alcohol tax earmark and the potential consequences of redirecting the funding to the ABC Commission. Next, the report describes the ABC Commission's past and present efforts to create and fund an underage drinking program, called *Talk It Out*. Finally, this report presents actions that the General Assembly could take to ensure the *Talk It Out* program is successful.

Questions and Answers

Question 1. How does the Department of Health and Human Services use the alcohol tax earmark, and what are the consequences of losing these funds?

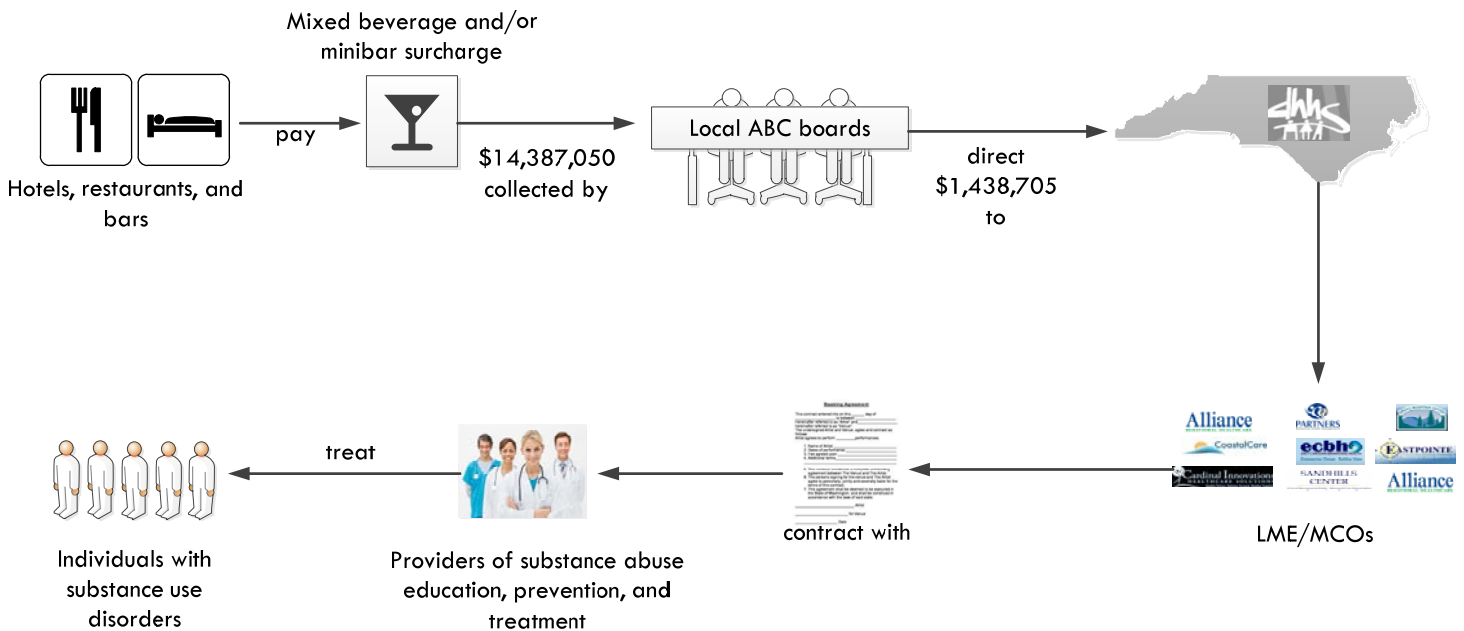
North Carolina G.S. §122C-112.1 authorizes the Department of Health and Human Services (DHHS) to adopt rules to govern the expenditure of all funds for substance abuse programs and services, to increase public awareness and understanding of substance abuse issues, and to promote research and best practices for substance abuse treatment. DHHS delegates this responsibility to the Division of Mental Health, Development Disabilities, and Substance Abuse Services (DMH/DD/SAS), which leads implementation efforts of the public substance abuse treatment, education, and prevention system. DMH/DD/SAS coordinates with other state agencies including the Departments of Public Safety and Public Instruction to provide services in a variety of settings. In addition, DMH/DD/SAS is the single state agency that applies for and administers the federal Substance Abuse Prevention and Treatment (SAPT) Block Grant.

Each year, DHHS receives about \$1.4 million in an alcohol tax earmark from local ABC boards. Local ABC boards send five percent of the mixed beverage surcharge in G.S. 18B-804(b)(8) and the minibar surcharge in G.S. 18B-804(b)(9) to DHHS every month. The funding from this alcohol tax earmark represents a portion of North Carolina's maintenance of effort (MOE) for the federal SAPT Block Grant. Maintenance of effort refers to a requirement placed upon many federally funded grant programs that the State agency receiving the grant demonstrate that the level of state funding remains relatively constant from year to year. Federal law requires states to maintain expenditures for substance abuse prevention and treatment activities at a level that is greater than or equal to the average level of expenditures for the two-year period preceding the year for which the State is applying for the grant.

DHHS distributes the alcohol tax earmark to the nine Local Management Entities/Managed Care Organizations (LME/MCOs) to provide substance abuse treatment services. The LME/MCOs are the entities responsible for the management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. LME/MCOs

contract with area providers to deliver adult and adolescent substance abuse treatment services in a variety of settings and levels of intensity. Examples of services include screening for drug and alcohol dependency, individual and group therapy, and medication management. Exhibit 1 shows how the tax earmark for alcohol and substance abuse education, treatment, and research flows from the local ABC boards to the LME/MCOs.

Exhibit 1: Distribution of North Carolina’s Tax Earmark for Alcohol and Substance Abuse Education Treatment and Research in Fiscal Year 2013–14



Source: Program Evaluation Division based on information from DHHS and General Statutes 18B-804(b)(8) and 18B-804(b)(9).

In addition to distributing funds, DHHS implements performance management measures for alcohol and substance abuse treatment services provided by the LME/MCOs. A recent report by the Program Evaluation Division noted LME/MCOs may have gaps in the types of substance abuse services they provide and that data to track long-term outcomes are lacking.¹

DHHS does not use the funds for research or educational activities for two reasons. First, when DHHS was initially deciding how to use the earmark in 1977, local boards were already spending their own distributions primarily on prevention, information, and referral. Second, the State also was funding alcohol research at that time with an appropriation from the General Assembly to the North Carolina Alcoholism Research Authority. With these resources for education and research in place, DHHS determined substance abuse treatment was the most appropriate use for the alcohol tax earmark.

DHHS could lose \$2.8 million in funding for substance abuse treatment and prevention if the alcohol earmark is redirected to the ABC Commission. First, if the General Assembly redirects the alcohol tax earmark to the ABC Commission, funding for substance abuse treatment

¹ Program Evaluation Division (2014, November). DHHS Should Integrate State Substance Abuse Treatment Facilities into the Community-based System and Improve Performance Management. Report to the Joint Legislative Program Evaluation Oversight Committee. Raleigh, NC: General Assembly.

services would be reduced by \$1.4 million. DHHS estimates that losing the alcohol tax earmark could result in approximately 292 fewer people receiving substance abuse treatment services. Second, loss of the alcohol tax earmark for substance abuse treatment would mean that DHHS could not meet the MOE for the federal SAPT Block Grant, reducing the State's federal \$37.5 million Substance Abuse Prevention and Treatment (SAPT) Block Grant by \$1.4 million.

Exhibit 2 depicts the estimated number of clients losing services for each Local Management Entity/Managed Care Organization (LME/MCO) and the amount of SAPT Block Grant funding that would be lost.

Exhibit 2:

Loss of State Earmark Would Decrease the Number of Clients Treated and the Amount of Federal Substance Abuse Prevention and Treatment Block Grant Funds Received by LME/MCOs

| Local Management Entity/Managed Care Organization | Estimated Funding Reduction | Estimated Number of Clients Losing Treatment Services |
|---|-----------------------------|---|
| Cardinal Innovations Healthcare Solutions | \$ 344,400 | 72 |
| Alliance Behavioral Healthcare | 252,000 | 52 |
| Sandhills Center | 152,600 | 32 |
| Smoky Mountain Center | 151,200 | 32 |
| Partners Behavioral Health Management | 128,800 | 27 |
| Eastpointe | 116,200 | 24 |
| CoastalCare | 92,400 | 19 |
| East Carolina Behavioral Health | 85,400 | 18 |
| CenterPoint Human Services | \$77,000 | 16 |
| Estimated Statewide Reduction | \$1,400,000 | 292 |
| Estimated SAPT Block Grant Reduction | \$1,400,000 | |
| Total DHHS Reduction | \$2,800,000 | |

Notes: The funding reduction estimate for each LME/MCO was based on the proportion of total state population served by the agency. The estimated reduction in clients receiving treatment services assumes an average cost per client of \$4,800 for treatment services. Source: Program Evaluation Division based on estimates from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

DHHS cannot maintain the federally required MOE without the alcohol tax earmark because the agency does not have any other unallocated state expenditures. Expenditures by the ABC Commission for a substance abuse prevention program would not count towards the State's MOE for the SAPT Block Grant because the MOE must be spent by DHHS as the single state agency designated to receive the grant. To maintain North Carolina's MOE, the General Assembly would need to appropriate \$1.4 million to replace the alcohol tax earmark funding.

DHHS believes alcohol and substance abuse treatment service is the best use for the alcohol tax earmark. The Department has continued to use the alcohol tax earmark for alcohol and substance abuse treatment because federal funding for alcohol and substance treatment has declined more than funding for research and prevention activities.

- **Federal support for substance abuse services has declined in the last decade while North Carolina's population has grown.** In Federal Fiscal Year 2013-14, the State received \$37.5 million in federal support for substance abuse treatment services. This amount was approximately 3.5% less than the amount the State received in Federal Fiscal Year 2004–05 (\$38.9 million). During that time period, North Carolina's population has grown by more than a million people. Additional federal funding for prevention and treatment activities was awarded in discretionary grant projects, as described in the second bullet below.
- **The State continues to support research, and federal support for prevention activities has grown.** The North Carolina Alcoholism Research Authority is now called the Bowles Center for Alcohol Studies and received \$537,455 from the fees charged for license plates in State Fiscal Year 2013–14. Meanwhile, the federal SAPT Block Grant, established in 1993, requires North Carolina to spend 20% of its award, roughly \$7.8 million in Federal Fiscal Year 2013–14, on prevention activities. Non-profits, educational institutions, and other entities in North Carolina received an additional \$3.6 million in discretionary federal prevention grants in FFY 2013-14, more than double the amount they received in FFY 2004-05.

State agencies have developed substance abuse prevention programs and curriculum standards to better educate youth about the dangers of alcohol and substance use. DHHS manages four different state-level prevention programs that target alcohol use to complement the regional prevention and education efforts funded with the SAPT block grant. These programs are summarized in Appendix A and have a total annual budget of \$1.1 million. In addition to these programs, the State's public school system has developed Healthful Living Essential Standards that include alcohol and substance abuse education. Between 1978 and 1988, the Department of Public Instruction (DPI), along with local education agencies, developed comprehensive health education programs for students in grades K-9 that included alcohol and substance abuse topics. Contemporary Healthful Living Essential Standards define the appropriate content for each grade level to provide a uniform learning experience for all children in public schools in North Carolina.

In summary, if the General Assembly redirects the \$1.4 million alcohol tax earmark to the ABC Commission for an underage drinking prevention program, approximately 292 fewer people would receive substance abuse treatment services. Furthermore, DHHS would not meet the MOE for the federal SAPT Block Grant, resulting in a funding reduction of an additional \$1.4 million. DHHS wants to maintain the alcohol tax earmark to support treatment services because federal support for treatment has declined since 2004. More federal and state resources are devoted to prevention activities than in the past, and North Carolina's public school Healthful Living Essential Standards now require schools to teach students about alcohol and substance abuse.

Question 2. How does the Alcoholic Beverage Control Commission propose to continue funding its underage drinking prevention program?

The Alcoholic Beverage Control (ABC) Commission, an agency housed in the Department of Public Safety, controls product distribution and provides oversight to local ABC boards. In addition, the ABC Commission controls permitting for the consumption and sale of beer, wine, and mixed beverages. The ABC Commission is a receipt-supported agency that receives no General Fund appropriations because its budget is funded from a bailment surcharge added to the cost of liquor sold to ABC stores. The ABC Commission sets bailment charges and surcharges and imposes them on each case of liquor shipped from the ABC warehouse.²

The impetus for this study was an ABC Commission request to redirect the alcohol tax earmark from the Department of Health and Human Services to the ABC Commission's underage drinking prevention program, *Talk It Out*. The ABC Commission developed the *Talk It Out* program with existing cash balances.³ However, the ABC Commission estimates an additional \$3 million is needed each year to fully fund the program. Initially, the ABC Commission sought to use the alcohol tax earmark DHHS receives to fund a portion of the program's cost.

During the course of this project, the ABC Commission decided to increase the bailment surcharge to pay for the underage drinking prevention program. N.C. Gen. Stat. § 18B-203(a)(14) authorizes the ABC Commission to fix the amount of bailment charges and bailment surcharges to be assessed on liquor, and N.C. Gen. Stat. § 18B-208(b) directs the ABC Commission to fix the level of the bailment surcharge at an amount calculated to cover operating expenses of the Commission. At its December 10, 2014 meeting, the ABC Commission voted to increase the bailment surcharge from \$0.80 to \$1.40 per case effective May 1, 2015. The ABC Commission estimates this bailment surcharge increase will generate \$3 million annually, sufficient revenue to cover the full cost of the underage drinking prevention program.

The *Talk It Out* program is part of an effort by the Governor to address underage drinking. In May 2014, Governor McCrory issued Executive Order 52 establishing the Governor's Substance Abuse and Underage Drinking Prevention and Treatment Task Force.⁴ This task force is a 20-member group with a requirement to report to the General Assembly by October 1, 2015, on a comprehensive approach for the State to address the underage purchase and use of alcohol and drugs, risky behaviors and substance abuse among college students, and the provision of treatment and recovery services for individuals with substance use disorders.⁵ As part of

² Bailment charges and surcharges are imposed on each case of liquor shipped from the ABC warehouse. The bailment charge is a fee that is part of the mark-up formula paid by consumers for the freight and storage of products at the warehouse. The bailment surcharge is a fee charged by the Commission to fund its operations.

³ During Fiscal Year 2013–14, the program's expenditures totaled \$422,746. To date, most program expenditures paid for services by contracted media firms (\$671,483 or 62%) and the salaries and benefits of ABC Commission employees working on the program (\$384,499 or 36%).

⁴ N.C. Executive Order 52, May 13, 2014.

⁵ Members of the task force include, among others, representatives from various state government agencies, the University of North Carolina, and student representatives. The ABC Commission is the coordinating state agency for the task force.

this initiative, the ABC Commission must report to the task force on its prevention efforts and the resources necessary to address underage drinking and substance abuse by August 1, 2015.⁶

To establish the need for this underage drinking prevention program, the Commission evaluated several sources of data. The first source of data, from the U.S. Centers for Disease Control and Prevention, is a validated⁷, multi-state survey that has been conducted for more than two decades. The next two sources, ABC Commission surveys and focus groups, measure North Carolina citizens' opinions about underage drinking.

- **U.S. Centers for Disease Control and Prevention (CDC) survey data of public school students.** The 2013 Youth Risk Behavior Survey (YRBS) conducted by the CDC showed 32.2% of North Carolina high school students and 4.7% of middle school students had consumed at least one alcoholic drink within the last 30 days. Since 2009, consumption of alcoholic beverages in the last 30 days has decreased by 2.8% for high school students and has decreased 1.9% for middle school students.⁸ Although these rates are declining, the ABC Commission believes underage drinking is a persistent problem and that these rates could be falling faster.
- **ABC Commission surveys of middle and high school students and their parents.** In July 2014, a polling company hired by the ABC Commission conducted telephone surveys of North Carolina parents and middle and high school students on their perceptions of alcohol use among youth. The surveys show that while a majority of parents have discussed underage drinking with their middle and high school-age children (92%), most parents (72%) have not done any research on underage drinking or ways to talk to their children about underage drinking. A majority of middle and high school students (58%) believe alcohol use by children their age is a big problem.
- **Focus groups of stakeholders conducted by the ABC Commission.** Focus groups of underage drinking stakeholders (local law enforcement, ABC officials, community advocates, etc.) convened by the ABC Commission in the latter half of 2013 identified four strategies to reduce underage drinking: changing community norms regarding underage drinking, decreasing underage access to alcohol, developing and promoting activities that reduce underage drinking, and creating a stable source of state funding for initiative that seek to reduce underage drinking.

The ABC Commission noted that current state-level underage drinking prevention programs do not have a wide-scale media component.⁹ With the insights provided by these data, the ABC Commission developed its *Talk It Out* program and launched it in December 2014. The *Talk It Out* program

⁶ As of January 2015, the task force had not convened for a meeting.

⁷ A validated survey is one that has been tested to make sure the questions obtain the information researchers intended to measure.

⁸ Underage consumption of alcohol in the last 30 days by North Carolina high school students has decreased by 6% since 2001 (from 38.2%). Nationally, underage drinking in the last 30 days among high school students has decreased 12.2% since 2001.

⁹ A summary of state-level underage drinking programs is provided in Appendix A. In addition, \$7.8 million is distributed to the regional LME/MCOs for prevention programs and local ABC boards support some prevention programs.

intends to provide an additional level of awareness by reaching more people through television, radio, and non-traditional media outlets such as Internet banners. The program is the first large-scale underage drinking initiative undertaken by the ABC Commission and is similar to a program operated by the Utah Department of Alcoholic Beverage Control called *ParentsEmpowered*. A detailed description of Utah's program is presented in Appendix B.

As shown in Exhibit 3, the ABC Commission developed a logic model to guide its work. Logic models describe methods to accomplish goals by outlining the resources used, activities performed, and outcomes used to measure the success of an organization's efforts toward achieving its goal. In this case, the ABC Commission's program seeks to increase awareness of the dangers of underage drinking and to encourage parents to discuss the subject with their children. Although not specifically outlined in the logic model, the program primarily uses television commercials, community media (advertisements in convenience stores, etc.), digital radio (Pandora), and Internet advertisements (website banners, email lists, etc.) that were developed by the media marketing firm Eckel & Vaughan to reach children and parents.

Exhibit 3: The North Carolina ABC Commission’s Logic Model for its *Talk It Out* Program

| Program Goal | | | |
|---|---|---|--|
| <i>Respond to Executive Order No. 52 by building awareness among parents of middle and high school children about underage drinking and equipping them with tools to help solve the problem.</i> | | | |
| Inputs <i>Resources to operate program</i> | Activities <i>How goals are achieved</i> | Outputs <i>Direct products of activities</i> | Outcomes <i>Direct program benefits</i> |
| <ol style="list-style-type: none"> 1. Initiative planning (media marketing firms) 2. Primary research (parent and student surveys and focus groups) 3. Secondary research (SAMHSA, NC DHHS, NC PIRE, etc.) 4. State funding | <ol style="list-style-type: none"> 1. Conduct statewide telephone surveys of middle and high school parents 2. Conduct stakeholder focus groups 3. Hold prevention and industry meetings 4. Conduct extensive secondary research 5. Create an awareness campaign with initiative logo, brand, and identity | <ol style="list-style-type: none"> 1. \$1.5 million statewide media campaign to build parental awareness 2. Creative materials to support the multi-media campaign 3. Interactive website to provide and connect resources for parents 4. Goals and metrics to track campaign success | <p style="text-align: center;">Short-Term:</p> <ol style="list-style-type: none"> 1. Increased awareness of the seriousness of issue 2. Increased number of parents accessing helpful tools to talk about the issue 3. Increased number of parents and children talking about the issue <p style="text-align: center;">Long-Term:</p> <ol style="list-style-type: none"> 4. Decreased number of annual crimes, pregnancies, and deaths attributed to underage drinking 5. Decreased number of annual costs associated with underage drinking 6. Decreased underage drinking infractions on NC college campuses |

Source: North Carolina Alcoholic Beverage Control Commission.

At present, the *Talk It Out* program primarily utilizes media advertisements to focus on promoting awareness of the dangers of underage drinking. As the logic model shows, the desired outcomes of the *Talk It Out* program can be divided into two groups: short-term outcomes and long-term outcomes. As part of its initial efforts, ABC Commission officials state they seek to promote awareness about the issue of underage drinking. To measure the success of its awareness efforts, the ABC Commission utilizes three short-term outcome measures which are based on the information gathered by a private polling company during the planning stages of the *Talk It Out* program. For example, the ABC Commission seeks to increase the number of parents who believe underage drinking is a serious problem using survey data collected in 2014 as a baseline. The ABC Commission plans to conduct additional surveys in the future to measure the short-term effects of the program.

Neither the logic model nor the ABC Commission's plan for measuring the program's performance include specific goals and targets to measure progress on these short-term outcomes. First, none of the short-term outcomes have well-designed goals, which specify measurable targets and dates by which the goals should be achieved. Well-designed goals guide the efforts of an organization and include mechanisms to measure the success of those efforts. Without well-designed goals, the ABC Commission's plan for measuring outcomes lacks accountability. The plan only demonstrates desired directional changes (i.e. increase or decrease) for several short-term outcomes and does not specify numerical indicators (i.e. 10% increase or 10% decrease) of success.¹⁰ Second, the ABC Commission's measurement plan lacks targets demonstrating progress toward achieving these short-term outcomes. Targets in performance management systems provide milestones towards reaching an overall goal and a feedback mechanism on progress. This feedback may result in modification of processes and activities to ensure the goal will be achieved.¹¹ Establishing these two components—numerical goals and targets—in plans for measuring performance would quantify the program's progress on these short-term outcomes and allow ABC Commission administrators to modify processes to ensure programmatic success.

The ABC Commission anticipates changing its focus on raising awareness about underage drinking to a focus on long-term outcomes relating to the issue, but these long-term outcomes also lack specific goals and targets. Although not the current focus of the *Talk It Out* program, the ABC Commission's logic model and other documents include long-term measures of the program's success, such as decreased crime and costs related to underage drinking. After initially focusing on promoting awareness of the dangers of underage drinking, the ABC Commission plans to modify its efforts to focus on these long-term outcomes. However, like the short-term outcome measures, none of these long-term measures of success include quantifiable goals or targets. Thus, as the ABC Commission transitions from a focus on awareness to a focus on long-term outcomes

¹⁰ An example of a measurable goal for one of the ABC Commission's short term outcomes: The percentage of North Carolina parents agreeing that underage drinking is a serious problem will be 80% by December 1, 2016.

¹¹ An example of a target using one of the ABC Commission's short-term outcomes: By December 1, 2015, the number of parents believing underage drinking is a serious problem is 15% higher than it was in September 2014, as measured by a statewide survey.

relating to underage drinking, the inclusion of these mechanisms would provide valuable information to the ABC Commission and the General Assembly.

One notable long-term outcome measure that is missing from the program's documents for measuring performance is the number of middle and high school students consuming alcohol. In the future, ABC Commission administrators state they plan to transition from a program focusing on awareness of underage drinking to a program focusing on reducing underage drinking in the coming years. When the ABC Commission begins to focus on these long-term outcomes, it would be beneficial for them to revise the logic model to include the number of middle and high school students consuming alcohol as a key measure of the program's success. The inclusion of this sample measure with defined goals and targets would provide ABC administrators with more useful information to make decisions and modify efforts accordingly to ensure underage drinking is reduced.

In summary, the ABC Commission originally requested that the DHHS alcohol tax earmark be redirected to fund \$1.4 million of the anticipated \$3 million cost of the underage drinking prevention program. However, the ABC Commission recently approved an increase in the bailment surcharge that will fully fund *Talk It Out*. The program's current focus is on increasing awareness of the dangers of underage drinking. After initially focusing on increasing awareness, the ABC Commission plans to modify its efforts to focus on addressing the long-term outcomes related to underage drinking. However, the program's existing performance measures have no quantifiable goals or targets by which to measure outcomes, which limits their usefulness in measuring the program's impact.

Question 3: How can the General Assembly ensure that the ABC Commission's underage drinking prevention program is successful?

The *Talk It Out* program has the potential to be a valuable addition to existing prevention programs. The program uses radio, television, and social media advertisements to capture the public's attention and raise awareness of the problems that result from underage drinking. Unlike lower-budget public service announcements, these messages are broadcast frequently and in places where they can be seen and heard by many people. Staff from the Department of Health and Human Services (DHHS) are enthusiastic about the *Talk It Out* program because the initiative joins existing prevention programs, adding another layer of prevention messages in the community. In addition, by funding the *Talk It Out* program, the Alcoholic Beverage Control (ABC) Commission has more than tripled the amount of state funding used for alcohol and substance abuse prevention.

Although the ABC Commission originally sought the alcohol tax earmark as a source of funding for the *Talk It Out* program, the ABC Commission no longer needs this funding after increasing the bailment surcharge. However, the ABC Commission still needs the approval of the General Assembly to expend the funds generated by the increased bailment surcharge for its underage drinking prevention program. In 2014,

the General Assembly modified N.C. Gen. Stat. § 18B-208(b) to require that moneys in the ABC Commission Fund shall only be expended upon an appropriation by an act of the General Assembly. During the 2015 Session, the ABC Commission must request that the General Assembly approve using the increased revenue from the bailment surcharge for the underage drinking prevention program.

If the General Assembly authorizes the ABC Commission to use its receipts for an underage drinking prevention program, it should consider directing the program to improve its methods of measuring program success and strengthening state oversight and coordination with other state agencies.

The General Assembly may want to consider requiring the ABC Commission to develop quantifiable goals and targets to measure the success of the *Talk It Out* program. None of the *Talk It Out* program's measures of success include quantitative targets or goals. Thus, it is unclear how the ABC Commission will measure outcomes of the awareness campaign and report on them to the General Assembly. Further, before the ABC Commission's focus shifts from an awareness campaign to one that targets reducing the rate of underage drinking, the General Assembly may consider requiring the key outcome indicator of underage drinking rates be a component of the program's performance management plan. The inclusion of robust goals, targets, and additional ultimate outcome measures would provide ABC Commission administrators and the General Assembly with more useful information to make decisions and modify efforts accordingly.

To ensure the *Talk It Out* program is successful, the General Assembly may want to consider strengthening program oversight and coordination mechanisms. External oversight of the *Talk It Out* program is limited. North Carolina's ABC Commission oversees all aspects of the *Talk It Out* program. In contrast, Utah's *ParentsEmpowered* program has an interagency work group to oversee programming and spending decisions.¹² Utah officials state this coordinated oversight helps agencies avoid working in silos as well as duplication of effort. Although the ABC Commission will be reporting on the project to the Governor's Substance Abuse and Underage Drinking Prevention and Treatment Task Force, the task force does not have any authority over the program's budget or programmatic content, and is not charged with evaluating the program's performance or coordination with existing state prevention programs. Additional interagency oversight may enhance the success of the *Talk It Out* program.

The ABC Commission has engaged in initial outreach efforts with other local and state agencies to provide them with information about the purpose of the *Talk It Out* program, to explore areas of commonality, and to learn about other groups' prevention activities.¹³ However, there is no formal requirement for the ABC Commission to coordinate activities or

¹² Like North Carolina's program, Utah's program also is funded through alcohol-related receipts. See Appendix B for a more detailed description of the *ParentsEmpowered* Program.

¹³ Meetings have been held with local ABC Boards, the Attorney General, the Department of Public Instruction, the Department of Health and Human Services, and with sections within the Department of Public Safety: Alcohol Law Enforcement, the Center for Safer Schools, the Governor's Highway Safety Program, and the Department of Juvenile Justice.

communicate with other state prevention programs. Formal coordination with other state agencies would leverage the State's existing expertise in alcohol and substance abuse prevention. For example, the ABC Commission could collaborate with the Department of Health and Human Services and the Department of Public Instruction to use existing survey instruments to measure middle and high school student behaviors relating to underage drinking or parental attitudes about underage drinking. This collaboration may reduce the need to use commercial public opinion surveys.

During the course of preparing this report, the Program Evaluation Division suggested that the ABC Commission and the DHHS consider developing a voluntary memorandum of understanding (MOU). Such an agreement would delineate how the agencies will collaborate on alcohol and substance abuse prevention issues in the future and may address issues such as strategic planning, communication, use of resources, and outcome measurement.

Appendixes:

Appendix A: State-Level Underage Drinking and Substance Abuse Prevention Programs Administered by DHHS in Fiscal Year 2013–14

Appendix B: Description of Utah's *ParentsEmpowered* Program

Agency Response:

A draft of this report was submitted to the North Carolina Department of Health and Human Services and the North Carolina Alcoholic Beverage Control Commission for review and response. Their responses are provided following the appendixes.

PED Contact and Staff Acknowledgments:

For more information on this report, please contact the lead evaluator, Sara Nienow, at sara.nienow@ncleg.net.

Staff members who made key contributions to this report include Brent Lucas and Carol Shaw. John W. Turcotte is the director of the Program Evaluation Division.

Appendix A: Additional Underage Drinking and Substance Abuse Prevention Programs Administered by DHHS in Fiscal Year 2013–14

| Program Name | Year Established | Program Mission | State Funding | Federal Funding | Private Funding | Total Funding |
|---|------------------|---|------------------|------------------|-----------------|--------------------|
| North Carolina Preventing Underage Drinking Initiative (PUDI) | 1998 | To support efforts of community collaboratives to prevent underage alcohol use and to provide technical assistance and education to increase the skills and knowledge base of NC citizens in their efforts to prevent underage drinking | \$ 0 | \$207,020 | \$27,440 | \$234,460 |
| North Carolina Coalition Initiative (NCCI) | 2008 | To reduce substance abuse in communities by building the capacity of community coalitions to implement evidence-based, population-level prevention strategies | 400,000 | 138,685 | 0 | 538,685 |
| Parent Resource Center (PRC) | 2004 | To engage and support parents, schools, public and private agencies, organizations, institutions, and communities in their effort to reduce substance abuse through parent engagement and involvement | 0 | 37,500 | 0 | 37,500 |
| The North Carolina High School Athletic Association Coach Mentoring Program | 1991 | To strengthen positive behaviors such as school attendance, athletic participation, and leadership skills among youth in an effort to reduce or eliminate risk taking behaviors | 322,413 | 0 | 0 | 322,413 |
| Total | | | \$722,413 | \$383,205 | \$27,440 | \$1,133,058 |

Source: Program Evaluation Division based on data from the Department of Health and Human Services.

Appendix B: Description of Utah's *ParentsEmpowered* Program

The Utah Department of Alcoholic Beverage Control's (DABC) *ParentsEmpowered* program began in 2006 with the goal of eliminating underage drinking in Utah. Similar to North Carolina's *Talk It Out* program, Utah's *ParentsEmpowered* program primarily uses a website, social media outlets, television commercials, and other media formats to educate parents on the effects of underage drinking and methods to discuss underage drinking with their children.¹⁴ Utah's program is part of a well-coordinated approach involving stakeholders from various state agencies which have authority over programmatic decisions. This section discusses the organizational structure and resources for the program and its success thus far.

Organization and Resources. The *ParentsEmpowered* program is a component of a well-coordinated strategy created by a group of state entities brought together to address many facets of alcohol and substance abuse problems in Utah. Through the governor's office, the Utah Substance Abuse Advisory Council (USAAV) holds statutory authority to coordinate and facilitate substance abuse education, prevention, and treatment among several Utah state agencies.¹⁵ The council approves programming and expenditures for the program and receives an annual report on the use of funds, program impact, and other results. Utah's Department of Alcoholic Beverage Control (DABC) handles the day-to-day activities of the program and performs strategic planning in conjunction with Utah's Underage Drinking Prevention Workgroup. According to DABC officials, expenditures for the program have generally increased by approximately \$150,000 each year, with expenditures totaling \$1.74 million in Fiscal Year 2012–13. Current Utah law¹⁶ earmarks 0.6% of DABC revenues to a special fund to be used only for underage drinking prevention media and education, and thus *ParentsEmpowered* is authorized to spend \$2.1 million in Fiscal Year 2014–15.

Measures of Success. Because Utah's *ParentsEmpowered* program focuses on media outreach efforts, impression measures demonstrate one component of the effectiveness of the media campaign. An example of an impression would be the number of parents who saw or heard the particular piece of media. In its most recent survey asking parents to recall encountering messaging or advertising on underage drinking, 70% say they recall encountering it on television, followed by 61% on radio commercials, 60% on outdoor billboards, and 34% on vehicles.

Utah DABC officials also seek to measure progress toward their goal of eliminating underage drinking. These officials claim *ParentsEmpowered* has reduced underage consumption of alcohol in their state, yet there is not conclusive evidence to support this claim.¹⁷ In 2007, 26.9% of Utah students in the grades surveyed reported having ever consumed alcohol, a total that decreased to 20% in 2013.¹⁸ Further, the percentage of students consuming alcohol in the last 30 days has decreased by 4% from 2007 to 2013, from 11.3% to 7.0%. Although underage consumption of alcohol in Utah has declined, DBAC officials acknowledge the difficulty of demonstrating that this change is due to the *ParentsEmpowered* program. Utah officials acknowledge the state has the lowest underage drinking rate in the country, nearly half the national average. However, DBAC officials contend their program has been successful in providing additional information and resources to Utah parents on the dangers of underage drinking and providing them with ways to talk to their children about this issue.

¹⁴ These are the primary activities performed by DBAC for *ParentsEmpowered* messaging. Other activities, among others, include billboard advertisement, placement of newspaper inserts, and commercial vehicle advertisements. The program also encourages the use of locally-based media, such as advertisements at local events.

¹⁵ Utah Code, 65M-7-303.

¹⁶ Utah Code, 32B-3-306.

¹⁷ Utah conducts a survey every two years to explore trends in substance use and behaviors of students in grades 6, 8, 10, and 12. Two measures on the student survey could be used to point to the program having the desired effect of eliminating underage drinking: the percentage of students consuming alcohol in the last 30 days and the percentage of students having ever consumed alcohol.

¹⁸ The students counted in these percentages are from all grade levels and represent a statewide average. The rates for specific grade levels range significantly for those in middle and high school.



North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Flo Stein
Deputy Director, Community Policy Management

January 21, 2015

Mr. John Turcotte
North Carolina General Assembly
Legislative Services Office
Program Evaluation Division
300 N. Salisbury
Raleigh, NC 27603-5925

Dear Mr. Turcotte:

This letter serves as the North Carolina Department of Health and Human Services formal response to the Program Evaluation Division Report No. 2015-03 titled Implications of Funding Alcohol and Substance Abuse Treatment or Prevention with Alcohol Tax Earmark.

The Department extends our expression of gratitude to the General Assembly for their important study of potential funding for preventing underage drinking efforts. In particular, we would like to thank the Program Evaluation Division researchers for their thorough analysis of an intricate prevention and treatment system, their professionalism throughout the process, and their candor and patience as they evaluated an abundance of information. DHHS looks forward to collaborating with the Governor, the General Assembly, and the ABC Commission to ensure the success of the *Talk It Out* underage drinking prevention campaign. The study provided a platform for important conversations and additional opportunities for collaboration between the Department and the ABC Commission.

First of all, DHHS wants to underscore the importance of receiving funding from the alcohol tax earmark which helps support crucial alcohol and substance abuse treatment services for adults and children. The Department is pleased to learn that alternative funding can be made available to fund the ABC Commission *Talk It Out* media program.

As stated in the preliminary report, DHHS has responsibility for the development and management of substance abuse services and the state resources devoted to these purposes. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) is an active leader and partner in alcohol, tobacco and other drug prevention statewide. Partnerships with schools, juvenile justice, child welfare, military (active, guard, veterans) families and children, and community based organizations maximize the reach of prevention and treatment services. We welcome the new *Talk It Out* program to supplement the existing array of efforts targeting underage drinking. Alcohol is more accessible than many other substances, and preventing underage drinking demands that all stakeholders work in unison to present a unified message.

In order to ensure the success of the *Talk It Out* Program, DHHS and the ABC Commission are entering into a memorandum of understanding that will formalize the collaboration between the two agencies into a written agreement. It is our hope that

www.ncdhhs.gov • www.ncdhhs.gov/mhddsas/
Tel 919-733-7011 • Fax 919-508-0951

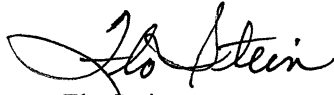
Location: 325 N. Salisbury St. • Albemarle Building • Raleigh, NC 27603
Mailing Address: 3001 Mail Service Center • Raleigh, NC 27699-3001
An Equal Opportunity / Affirmative Action Employer



this partnership will enable the ABC Commission to utilize our expertise in substance use prevention and treatment as they work to raise awareness of the dangers of underage alcohol consumption. Finally, the Department supports the recommendation that would require the ABC Commission to develop additional performance measures that focus on longer-term outcomes and include targets for these other measures used by the program.

The Department looks forward to assisting with the *Talk It Out* program and continuing to leverage its partnerships as the state of North Carolina continues to pursue the important goal of preventing underage alcohol use.

Sincerely,

A handwritten signature in black ink, appearing to read "Flo Stein". The signature is fluid and cursive, with a large initial "F" and "S".

Flo Stein

Deputy Director, Community Policy Management

Division of Mental Health, Developmental Disabilities, and Substance
Abuse Services



State of North Carolina
ALCOHOLIC BEVERAGE CONTROL COMMISSION

JAMES C. GARDNER
CHAIRMAN

4307 MAIL SERVICE CENTER
RALEIGH, NC 27699-4307

COMMISSION MEMBERS:

JOEL L. KEITH
WAKE FOREST

KEVIN M. GREEN
GREENSBORO

ROBERT A. HAMILTON
ADMINISTRATOR

(919) 779-0700
FAX (919) 661-6165

January 22, 2015

Mr. John W. Turcotte
Program Evaluation Division
North Carolina General Assembly
300 N. Salisbury St, Suite 100
Raleigh, NC 27603-5925

Dear Mr. Turcotte,

I have reviewed the most recent draft report prepared by your staff and am pleased to have the opportunity to respond to the findings.

First, the need for the Initiative to Reduce Underage Drinking is substantial: children are drinking and an average of two people are dying every week due to underage drinking in our state. And as our state population grows, the need for the Initiative will continue to grow.

Second, the strategy the ABC Commission is implementing to address underage drinking starts with the statewide *Talk It Out* program. This work does not duplicate work being done by other state agencies. As the PED report notes in its Summary, "*The Talk it Out* program has the potential to be a valuable addition to existing prevention programs."

Lastly, the "Talk It Out" program is designed to begin the process of changing the culture of underage drinking in North Carolina. Meaningful culture change requires time and commitment to create any measurable success, no matter the issue. The "Talk it Out" program does exactly that. Anyone familiar with designing and implementing a change management strategy understands that to change a culture, you must change behaviors. Before you can change behaviors, you must first change beliefs. In other words, culture change begins with the belief that a problem exists. Only then can actions be taken to change behaviors to correct the problem, ultimately resulting in lasting culture change.

Authors and PhD's James Prochoska and John Norcross in their book, *Changing for Good*, spell out a more detailed model of change management in their six-step "Cycle of Change." The steps are: Pre-Contemplation, Contemplation, Preparation, Action, Maintenance, and Relapse.

When we conducted our statewide quantitative study, we determined that a majority of parents do not believe that underage drinking is as big of an issue as their middle and high school aged children do. In fact, only 37% of North Carolina parents believe that underage drinking is a big problem, while 58% of youth believe that it is. Our study suggests that a majority of parents in North Carolina – 53% - find themselves in “Pre-Contemplation” mode, unaware that a serious problem exists and not yet willing to take action – perhaps because they don’t think the problem is serious enough.

Our first order of business with the Talk It Out program is to convince parents that underage drinking is a serious problem. We do that by provoking awareness using provocative and shocking advertising in media placements where such messages are normally unexpected. Fortunately, the results of our efforts are already paying off as demonstrated by the successful results of our online platforms. In the first six weeks of the Initiative’s *Talk It Out* program, the reach already has been impressive:

- 32 million readers, listeners, viewers of news coverage
- 34,000 visits to the talkitoutnc.org web site
- 40,000 web page views
- Over 8,300 likes (and growing) on Talk It Out’s facebook.com page

Our second order of business is to model the behavior we want parents to replicate so that they can see the behavior necessary for culture change in action. Our creative and media strategy will evolve this year to do just that. Before we adopt the campaign, we will go back into the field with another quantitative study to determine how successful we were in this first phase of the Talk It Out program. As declared in our logic model, in the short term, we will measure success by showing an increase in the following:

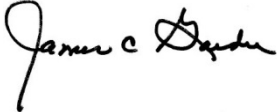
- Increased awareness among middle and high school parents of the seriousness of the underage drinking issue (>37%)
- Increased number of parents accessing helpful tools to talk about the issue with their middle and high school children
- Currently, the vast majority (72%) of parents have never researched how to talk with their children about the issue
- An increase in the number of parents and children talking about the dangers of underage drinking
 - Currently, the majority of North Carolina youth (58%) say parents only talk to them sometimes about drinking alcohol, and another 18% report their parents never speak to them about alcohol
 - While 92% of parents say they have talked to their children about alcohol abuse, 48% only talk “sometimes” about the issue with their children

Over time, we assert the increased awareness of the problem and greater communication between parents and children will lead to a decrease in:

- The number of annual crimes, pregnancies and deaths attributed to underage drinking in NC
- The annual costs associated with underage drinking
- Underage drinking infractions on NC college campuses by North Carolina youth

The Initiative's launch has been paid for appropriately by funds held in reserve at the ABC Commission. In order to be effective in driving long-term behavioral change, the funding must be sustained. The ABC Commission is a receipt-supported agency and approved funding in December 2014 that will pay for the Initiative going forward. The approved funding will not have any negative impact on other state agencies' funding or operations. We believe fully funding the Initiative will help cut the multi-million dollar expense underage drinking costs our state, hence it will provide a good return on investment. It is appropriate that the General Assembly authorize the Commission to fund this vital underage drinking prevention program.

Respectfully,

A handwritten signature in black ink that reads "James C. Gardner". The signature is written in a cursive style with a large initial "J" and "G".

James C. Gardner
Chairman