June 25, 2026

The Honorable Abigail Spanberger
Governor of Virginia
Patrick Henry Building
Richmond, Virginia
RE: Budget Language on ABC-CCA MOU
Delivered Via Email ONLY

Dear Governor Spanberger:

On behalf of Virginia's alcoholic beverage industry, we congratulate the Governor and the General Assembly on reaching an agreement on a budget that will benefit all Virginians. We particularly appreciate the hard work of members and staff in crafting a retail cannabis regulatory system for the Commonwealth.

However, we wish to express our concern that the contributions demanded of the Virginia Alcoholic Beverage Control Authority (ABC) to create an enforcement system within the Cannabis Control Authority (CCA) may seriously diminish ABC's ability to oversee the existing well-ordered and well-regulated alcoholic beverage marketplace. Specifically, we are concerned that the Memorandum of Understanding (MOU) between the Secretary of Public Safety and ABC, proposed in enactment clause #19, provides that ABC shall "temporarily" assign its special agents to the CCA "as requested." This is in addition to the new duties ABC will be taking on for the first time to regulate nicotine, following the passage of HB360 (Hope) and SB620 (Ebbin). Given that lending ABC agents to CCA under an MOU was never openly discussed or debated during the session, we are concerned about ABC's ability to do more with less.

We would ask that any initial staffing of CCA not be done at the expense of ABC agents. ABC should be a resource for the new agency, offering expertise and knowledge with a shared goal of public safety and enforcement. But removal of alcohol agents from ABC puts the safety of all alcohol consuming Virginians at risk.

The MOU language is ambiguous, potentially adversely impacting public safety and putting the alcohol market at risk. Currently, enforcement of alcoholic beverage laws is largely self-sustaining. ABC's special agents are funded by its licensees through fees and assessed penalties. Nicotine will be the same way once fully implemented. That did not happen by accident. A coalition of alcohol stakeholder groups worked with the Northam Administration to modernize alcohol licensing, including a broad increase in licensing fees. Industry members supported ABC reform in the 2020 Session (HB390 - Knight and SB389 - McPike) that increased licensing fees to strengthen enforcement in the marketplace. As a result, based on the latest numbers provided from ABC's website, operating costs for the agency's combined law enforcement, compliance, and hearings activities are roughly $22.6 million, with over $20.3

million coming from licensing fees and penalties. That means that alcohol licensees are covering 90% of regulating the alcohol market.

That investment, paid for by the alcohol industry, has resulted in a better-staffed, more efficient, more responsive ABC Bureau of Law Enforcement. Taking agents away from ABC and placing them at CCA risks hard-fought gains in public safety. Since it is our money paying for these agents, we ask that our voices be heard when decisions are made that diminish the return on our investment in ABC.

The MOU makes no mention of how many ABC special agents will be reassigned or for how long. There is no indication of how or by whom these special agents are to be paid while reassigned to CCA. Nor is it clear whether or how these special agents are to be replaced at ABC to cover the more than 30,000 active alcoholic beverage licenses, two-thirds of which are issued to the beverage industry. By removing ABC agents to CCA, the workload increases for those agents remaining at ABC, and the clear oversight and authority of those agents reassigned to CCA are diminished.

We recognize that there is still much work to do to ensure that the market for this new adult-use product is orderly and protects public safety, and we hope to be part of that conversation moving forward. A well-regulated market for adult-use products is something that we know well, as there has been such a market for alcoholic beverages for many decades. We also understand that the success of this regulatory scheme will rely significantly on the experience and resources developed and shared by ABC. This is how it should be.

To be clear, the alcoholic beverage industry strongly supports a well-regulated market for cannabis. Our concern is that, given the open-ended descriptions of the MOU provided, the cannabis market will be established at the direct expense of the existing alcoholic beverage system. We support a well-regulated cannabis marketplace; we only wish that it were not done at the expense of alcohol’s success.

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