

Fentanyl, Crime, and Arizona's Southern Border: August 2022

Summary & Key Findings

Opioid abuse has been a growing national problem; according to the CDC today opioids are a factor in three-quarters of all overdose deaths and since 2020 the crisis has only accelerated. In 2021, over 71,000 Americans were killed in synthetic opioid-related overdoses. Last year, fatal overdoses in Arizona reached the highest level ever reported by DHS, and data suggests the national numbers will be worse this year. Much of the acceleration is driven by increasing consumption of cheap, abundant and dangerous fentanyl, which was caused or exacerbated by the coincident simultaneous occurrence of three separate events: the national and state-level crackdown on prescription access to painkillers beginning in 2016/2017; the breakdown in physical security and surge in migrant encounters along the U.S.-Mexico border after 2020; and the decriminalization or tolerance by authorities of the possession and public use of illegal drugs including synthetic opioids in some jurisdictions. Today, fentanyl is involved in most (57%) Arizona overdoses (versus approximately 4% in 2017, according to DHS), while prescription opioids are involved in only 36% of cases. In summary, this report found that:

- Economic costs of the fentanyl crisis in Arizona increased to \$53 billion last year – a 250% increase since 2010 and up from a \$21.8 billion CDC estimate produced in 2017. This includes the costs of substance abuse treatment, law enforcement, health care, and reduced productivity.
- Law enforcement encounters with fentanyl inside Arizona have surged since 2020, even as seizures of Fentanyl by CBP at the Arizona border have collapsed. DPS is on track to seize 1,800 pounds of fentanyl this year (from 239 pounds in 2020), including 656 pounds in border counties. CBP seizures in Arizona have fallen by 50% since 2020. It is likely much or most of these seizures are drugs intended for distribution throughout the United States that are traveling through Arizona.
- In 2020, when US CBP seized a record 5,500 pounds of illegal drugs (excluding marijuana) in Arizona, migrant flows were about 15% of their current rate. This year CBP is on track to seize fewer than 3,000 pounds, even as other data suggest the actual flow is higher than ever.

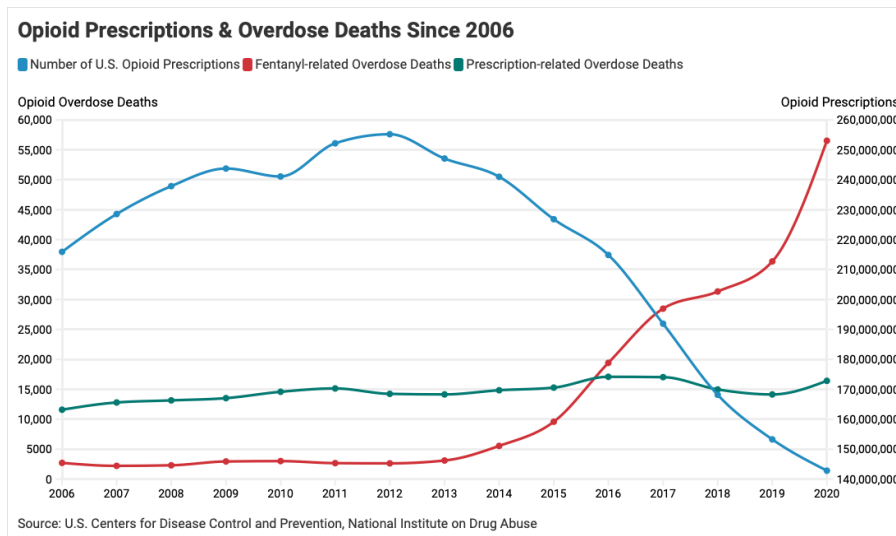
Federal border officials have been forced to reallocate scarce resources to the interdiction and processing of migrants since 2020. Failure to complete physical barriers along the U.S.-Mexico border, combined with a lack of enforcement attention, has enabled sufficient flow of fentanyl into the United States to fill a demand shift created in part by the crackdown on mail-order and prescription drugs.

Background History of Opioid Use & Abuse

Synthetic opioid abuse – including of Fentanyl – was first recorded in the mid-1970's, originally in the medical community. A rise in the availability of various prescription alternatives to morphine for control and management of chronic pain, and novel delivery mechanism from pills to patches to candy, led to an increasing volume of legally prescribed opioid availability in the United States beginning in the early-1990's. These novel synthetic drugs were believed to be safer and less addictive than morphineⁱ. According to the Centers for Disease Control (CDC), by 1999 there were 116 million active opioid prescriptions in the United States – a 53% increase over the past decade and making opioids the most prescribed class of medication in the countryⁱⁱ.

By 2006, opioid prescriptions in the United States had increased to 215 million, or 72.4 prescriptions per 100 Americansⁱⁱⁱ. Legal availability of the drugs – now widely acknowledged to be addictive, harmful, and to have high potential for abuse – peaked in 2012 when 255 million prescriptions were dispensed. In

response, a crackdown at the state and federal levels by various agencies on the importation and distribution of prescription painkillers began. In 2016 the CDC issued new guidelines on when and how to appropriately prescribe opioid painkillers, and Massachusetts became the first state to restrict initial opioid prescription painkiller supplies (Arizona followed with its own restrictions in October 2016, and today 35 states have policy limits)^{iv}. In response, insurance companies, hospital systems, and other non-public oversight bodies in the healthcare system began pressuring physicians to reduce opioid prescriptions to avoid attracting the attention of federal and state regulators. The pressure worked: a late 2016 survey of Sermo member physicians found over half had reduced opioid prescriptions, and 1 in 10 had stopped prescribing opioids altogether^v. By 2020, the number of dispensed opioid prescriptions had fallen to 143 million – nearly half the peak per capita rate.



Unfortunately, at the same time, a shift in federal border policy resulted in law enforcement being forced to reallocate towards the flow of migrants rather than focus on drug enforcement. This caused a surge of illicit alternatives available on the street and often laced with fentanyl – a cheap and relatively easily manufactured form of synthetic opioid that is particularly dangerous to users and today abundantly available from grey market Chinese chemical manufacturers^{vi}. In 2013 the U.S. Customs and Border Patrol (CBP) seized

approximately two pounds of fentanyl; by 2018 it was seizing over 2,000 pounds^{vii}. For context, if all reported seizures were pure fentanyl, this would be enough to give the entire U.S. population a fatal overdose. Between 2015 and 2019, the overdose death rate from abuse of prescription opioids fell about 15% while the rate from abuse of synthetic street opioids rose almost 400%^{viii}.

According to the U.S. Drug Enforcement Administration (DEA), China is the primary source of fentanyl trafficked into the United States^{ix}. Increasingly, it appears the drug is entering the country via Mexico.

Fentanyl is Far More Lethal Than Other Schedule II Drugs

According to the National Center for Drug Abuse Statistics, fentanyl is the world’s deadliest opioid, being a causing factor of almost half of the worlds overdose deaths. The United States Department of Justice states that fentanyl is 80-100 times more powerful than morphine and 50 times more potent than heroin. Fentanyl is lethal at a dose of just 0.002 grams – versus 0.2 grams for morphine and between 0.5 and 1.0 grams for codeine^x.

According to the Arizona Department of Health Services (DHS)^{xi}, fentanyl was involved in 4.4% of reported non-fatal opioid overdose events in 2017, while prescription opioid medications were involved in more than 92% of events. That same year 613 Arizonans died in opioid-related overdose events. On January 26, 2018 the Arizona legislature unanimously passed the [Arizona Opioid Epidemic Act](#) – which limited first fill opioid prescriptions and increased reporting requirements for prescribing physicians.

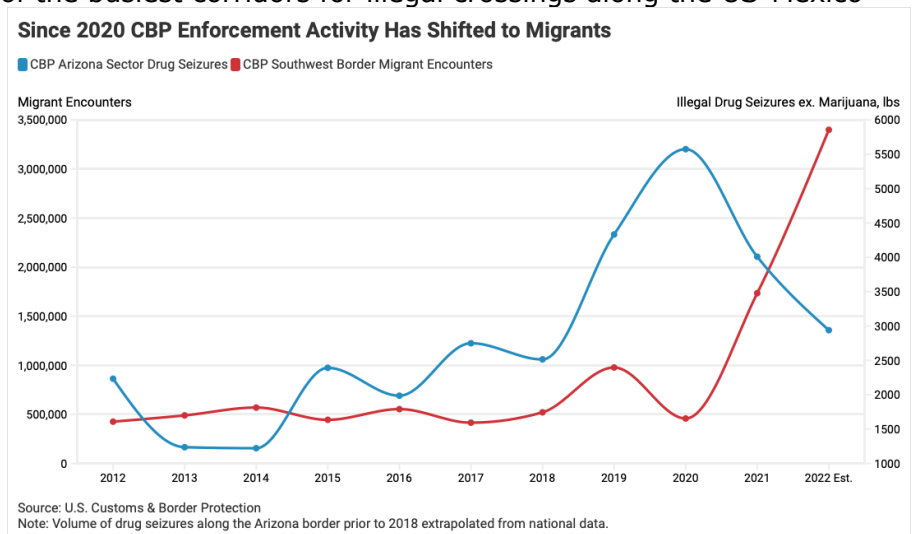
Today, fentanyl is involved in a majority (57%) of overdose events while other prescription opioids are now found in only 36% of cases; fatal opioid overdoses increased to 2,006 during 2021^{xii}.

Federal Drug Enforcement on the Arizona-Mexico Border Has Collapsed

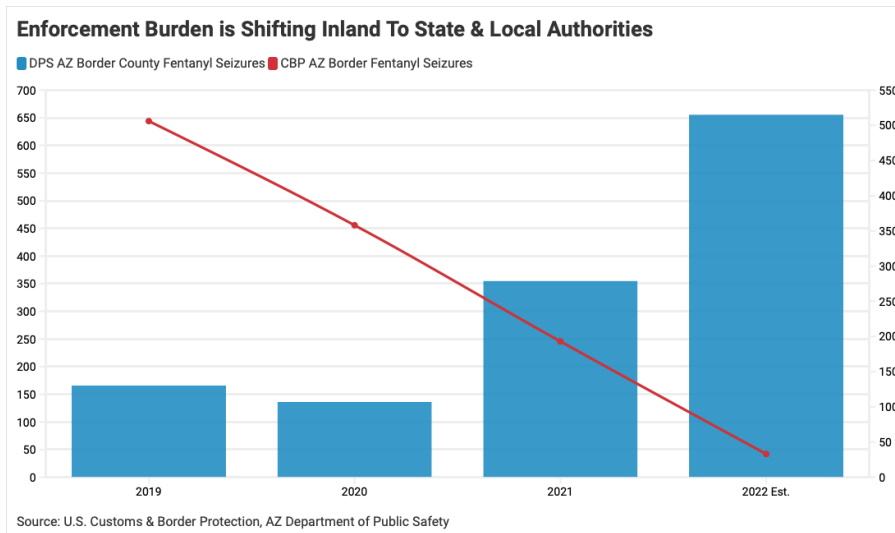
The rise of the Chinese industrial pharmaceutical manufacturing industry – the second largest in the world behind the United States – has enabled the bulk production of cheap and potent generic forms of the chemical additives found in various drugs, including opioids. According to some reports, over 90 percent of the world’s supply of fentanyl is produced in China^{xiii}. And relative to western peers, Chinese pharmaceutical companies historically operated in a loosely regulated domestic grey market – since their fentanyl production is almost entirely intended for export, according to some sources Chinese domestic authorities paid little attention to the illicit trade of fentanyl^{xiv}. After 2019, the Chinese government announced a series of restrictions on the production and export of domestic fentanyl, but those moves may exacerbate the trend by Chinese manufacturers to producing chemical precursors for transit to black-market labs elsewhere, where final-form fentanyl is assembled and smuggled into the United States^{xv}. Seemingly corroborating this possibility, while direct shipments of fentanyl to the United States from China appear to have dramatically declined since 2019, the fentanyl epidemic has worsened and encounters with the drug along the US-Mexico border spiked. According to data provided to CSI by it, the DEA seized approximately 282 pounds of fentanyl in Arizona in 2021 – a 110% increase over 2019 – while Arizona’s Department of Public Safety (DPS), based on data through May, is on track to seize as much as 1,828 pounds of the drug this year – up from less than 234 pounds in 2019.

While these trends are coincident with the crackdown on the direct importation of fentanyl from China, they also correlate with a dramatic change in US southern border posture following the 2020 presidential election. In February 2021, President Biden signed an executive order restoring the practice of allowing undocumented migrants to remain in the United States while awaiting immigration proceedings^{xvi}. The president’s FY 2023 budget proposal for Immigrations & Customs Enforcement reduces overall funding by 8%, while increasing by 700% funding for “processing and care” – effectively providing legal and material assistance to undocumented migrants. According to OMB Director Shalanda Young, \$1.9 billion in DHS funds previously appropriated for construction of physical barriers along the US-Mexico border was redirected to “environmental restoration” and “community consultation”. The abrupt halt of physical barrier construction activities in January 2021 following the change in administration left four wide gaps in an area near Yuma, which made it one of the busiest corridors for illegal crossings along the US-Mexico border; only after eighteen months of bipartisan public outcry did DHS reverse course and announce plans to fill the gaps^{xvii}.

These policy changes resulted in a surge in illegal border crossings, and a shift in the volume of resources federal border agencies were forced to dedicate to processing and handling crossing migrants. Any decision to reallocate resources or agency priorities comes with a trade-off; the increase in illegal US-Mexico border crossings from an average



500,000 per year to an expected 3.4 million in 2022, coincident with the termination of programs and policies enabling CBP to timely return encountered migrants to their countries of origin, has required a substantial reallocation of personnel and resources away from other activities, including drug enforcement. For example, in 2021 the agency closed three Arizona highway checkpoints – “severely hampering authorities’ anti-trafficking efforts” - to instead use those personnel to deal with the influx of migrants at the border^{xviii}. The timing of these changes was particularly catastrophic given it occurred coincident with the changing incentives created by state and federal policy pushing users out of the prescription and mail-order opioid markets and into the street-level illegal fentanyl markets satisfied by smuggling through Mexico. Further coincidentally and unintentionally, all of this occurred as experimentation in Colorado^{xix}, California^{xx}, Oregon^{xxi} and elsewhere with outright decriminalization or passive enforcement deference of open drug use reached a nadir. Together these circumstances appear to have created a ‘perfect storm’ of motive and opportunity to funnel large quantities of deadly fentanyl across Arizona’s southern border and into the United States, helping fuel the nation’s largest drug and drug-related crime crisis in a generation. Tellingly, seizures of illegal drugs (excluding marijuana) by CBP along the Arizona border are expected (by CSI) to fall to 2,900 pounds this year – down 50% from 2020 even as the flow of black-market fentanyl across that border is likely at or near all-time highs.



The federal government has broad legal responsibility to prevent the unlawful smuggling of goods and services into the United States from foreign countries, and the U.S. Border Patrol self-describes as “the primary drug-interdicting organization along the Southwest border”^{xxii}. State governments lack the resources and – in many cases – the legal authority to act in proxy as enforcers of immigration and smuggling law. For example, the budget for the United States Customs & Border Patrol is \$16.3 billion; the budget for Arizona’s DPS totals only about \$400 million, of

which roughly \$30 million annually is earmarked specifically for enforcement activities along Arizona’s 370-mile international border (an increase from a \$10 million annual earmark initially sought by Gov. Doug Ducey in 2015).

Regardless of these resource and mission differentials, Arizona state and local law enforcement authorities are increasingly expected to intercept the fentanyl flowing across the U.S. southern border after it crosses the international boundary but while still within the traditional CBP mission area. Seizures of fentanyl by DPS in the states’ four border counties have increased 380% since 2020, even as expected CBP seizures have collapsed. Though Arizona’s border counties have less than a quarter of the states population, over 36% of statewide fentanyl seizures to-date in 2022 have occurred in them. In response, state policymakers and agencies are devoting an increasing share of their resources to security and law enforcement efforts along the Arizona border, to the detriment of other traditionally local priorities. The FY 2023 Arizona State budget allocates more than \$560 million to dedicated border security efforts^{xxiii}.

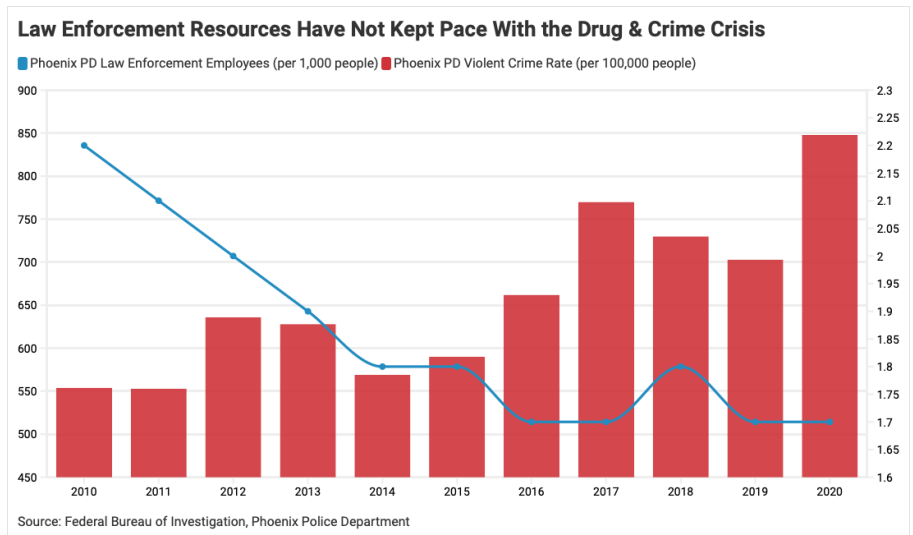
According to the Department of Public Safety, an additional but unquantifiable amount of its regular ongoing resources are being consumed by fentanyl enforcement efforts.

The Flow of Fentanyl is Fueling a Drug & Crime Crisis

Since peaking in 1991, the United States experienced a 25-year period of virtually uninterrupted declining violent crime rates. That trend appears to have reversed after 2014, and though national data is not yet available after 2020 (when U.S. violent crime rates were back at 2004 levels), local-level data suggests the trend has continued or even accelerated through 2022 to-date^{xxiv}. A controversial but well-cited study by the economist Steven Levitt identified four dominant factors in the phenomenon of previously falling crime rates (and so can help us understand why trends may have reversed): rising incarceration rates, an increase in the number of police officers, the end of the crack-cocaine epidemic, and general legal access to abortion^{xxv}. While significant controversy surrounds the latter claim, most acknowledge the link between illicit drug use and violent crime. A seminal work in this space by Paul Goldstein in 1985 posited three causal mechanisms: the ‘psychopharmacological model’, or reduced inhibitions in users; the ‘economic compulsive model’, or the need for users to maintain the economic means to fund their drug habits; and the ‘systemic violence model’, or the inherent crime and violence associated with the illegal production and distribution networks for illegal drugs^{xxvi}. Though assessments vary widely, an estimate of 25-50% of all violent crimes being drug-related is common^{xxvii xxviii xxix}. It is reasonable to assume, then, that the current fentanyl epidemic has contributed to already-rising violent crime rates and will continue to contribute until and unless it is brought under control. It is further reasonable to assume that crime rate increases will be concentrated in jurisdictions that have contributory factors: high rates of drug and opioid abuse^{xxx}; fewer police officers and changes in policing^{xxxi}; or significant conduits along the national fentanyl distribution chain^{xxxii}. Phoenix has recently struggled with all three.

While violent crime in Arizona has increased 22% since 2014, Phoenix saw a dramatic spike in crime in 2020 and though rates appear to be leveling off, the city remains 42% above its 2014 levels. For context, Colorado saw a nearly 70% increase over the same period. Phoenix now surpasses Tucson as the most dangerous city in the state and Maricopa County is the region with the largest number of reported fentanyl- and opioid-related events. According to the DEA, Arizona generally and the Phoenix metro area specifically are a gateway for fentanyl and other illegal drugs to enter the entire United States. Half of the DEA’s nationwide seizures of fentanyl pills occur in Arizona^{xxxiii}, and in cooperation with Scottsdale PD the Agency in December 2021 arrested a courier for the Sinaloa Cartel suspected of transporting drugs from Mexico not to final destinations in the city but further into the United States and final destinations elsewhere^{xxxiv}.

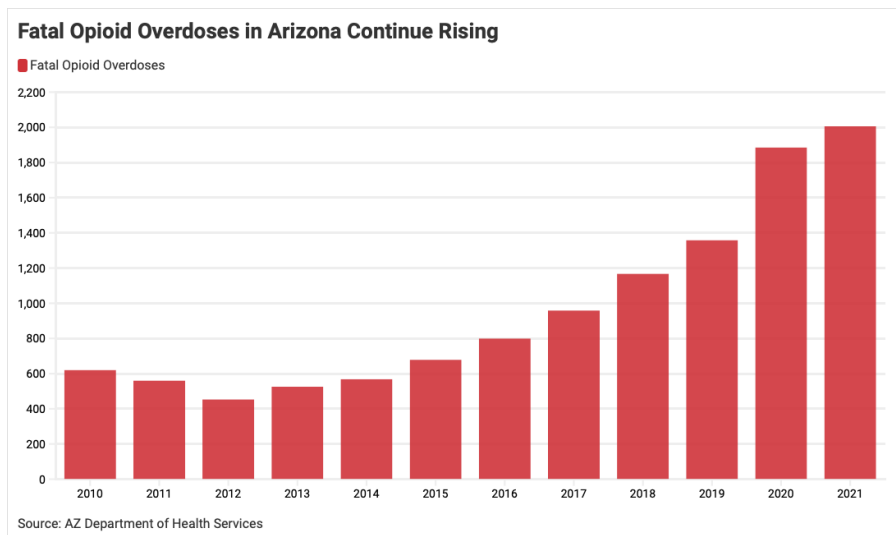
Even as drug smuggling and abuse and violent crime rates have surged, state and local law enforcement resources have failed to keep pace, with per capita police employment in the Phoenix area falling 23% between



2010 and 2020^{xxxv}. According to some law enforcement organizations, since 2020 even nominal employment at Departments both in Arizona and around the country may have fallen. At the same time, law enforcement agencies are having to devote an increasing volume of their resources to dealing with open drug use, drug smuggling, and other non-violent offenses attributable to the opioid epidemic.

The free flow of low-cost fentanyl from China, through Mexico, and into the United States since 2020 has likely contributed to a collapse in the street price of the drug, which exacerbates the potential for user abuse by lowering the costs of addiction. According to source inside the Arizona Attorney General’s office, the street price of a fentanyl-laced pill has fallen from about \$20/pill to \$5-\$10/pill between 2021 and today^{xxxvi}.

The Economic Cost of the Opioid Crisis

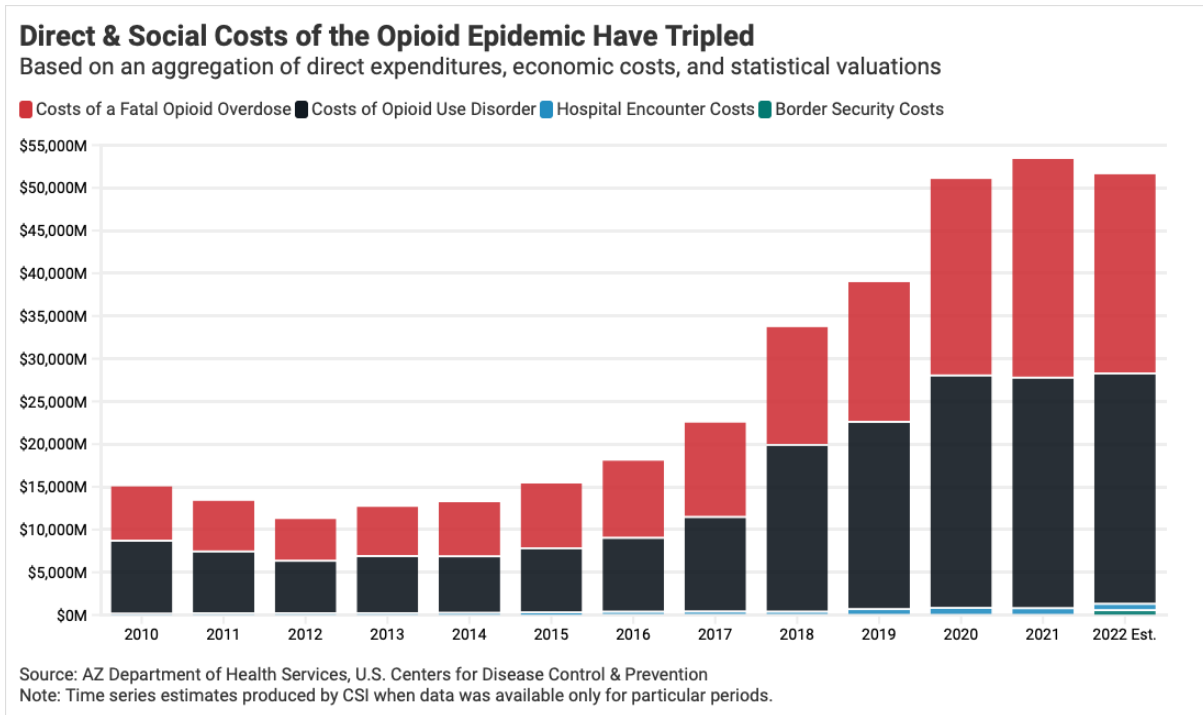


In 2017, the CDC published a state-by-state estimate of the economic costs imposed by opioid misuse and fatal opioid overdose^{xxxvii}. The agency was able to estimate state-level case counts of opioid use disorder through analysis of the 2016-17 National Survey on Drug Use and Health (NSDUH) restricted use microdata, which asks respondents to self-identify as dependent on or abusers of synthetic opioids or heroin. State-level cost estimates were derived from another academic study (“The economic burden of opioid use disorder and fatal opioid overdose in

the United States”) and US Department of Health Services guidelines for valuing human life. At the time, the CDC estimated that approximately 50,000 opioid dependent Arizonans imposed \$11.1 billion in social and economic costs on the state, and fatal overdoses imposed another \$10.7 billion in present value costs.

Accounting for inflation and dividing by the estimated number of opioid dependent Arizonans and fatal overdoses, CSI was able to produce annual per case costs of both fatal overdoses and opioid misuse for all years 2010-2022. For reference, we estimate Arizona’s social cost of opioid use disorder in 2022 to be \$102,143, and the social cost of a fatal overdose to be \$264,106. CSI additionally estimates the number of Arizonans misusing opioids for the covered years by assuming the 2017 relationship between NSDUH-estimated users and DHS-reported overdoses is consistent over time. Separately, DHS provides a report which tracks both opioid-related hospital encounters and aggregate encounter costs of Arizona hospital systems for 2008-2019^{xxxviii}. Though more current data could not be located, CSI was able to estimate both encounters and encounter costs for recent periods by exploiting historical relationships between encounters, total costs, and total reported overdoses. Combining all of this with amounts specifically line-itemed in the State of Arizona’s annual budgets for border security and enforcement enables CSI to produce an estimate of combined costs to the state of the opioid epidemic, and more recently of the free flow of fentanyl from Mexico into Arizona, over time.

CSI estimates that the opioid crisis will impose an economic cost on Arizonans of (combined) \$53.4 billion in 2021– a 250% increase since 2010. This is the sum of both annual costs, and present value lifetime costs of chronic drug dependence or fatal overdose.



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ⁱ [“Timeline of Selected FDA Activities and Significant Events Addressing Opioid Misuse and Abuse”](#). U.S Food & Drug Administration. June 28, 2022.

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