

HOUSE FINANCE COMMITTEE
May 01, 2001
2:11 P.M.

TAPE HFC 01 - 109, Side A
TAPE HFC 01 - 109, Side B
TAPE HFC 01 - 110, Side A
TAPE HFC 01 - 110, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:11 P.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Carl Moses
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

ALSO PRESENT

Representative Lisa Murkowski; Judy McDonald, Juneau; Butch Tangney, Odom Co., Juneau; Syd Abrams, Wine Institute, Juneau; Pete Thibodeau, Thibodeau's Inc., Juneau; Caleb Stewart, Juneau; Pam Watts, Advisory Board on Alcoholism & Drug Abuse, Juneau; Nelson Page, Alaska Mental Health Trust Authority, Anchorage; Geoffrey Larson, Brewers Guild, Juneau; Matt Felix, National Council on Drug and Alcohol Abuse (NCDAA), Juneau; Cindy Cashen, Mothers Against Drunk Driving (MADD), Juneau; Karen Perdue, Commissioner, Department of Health and Social Services; Howard Scamal, CAAPS, Juneau; Jack Manning, Juneau; Jane Demmert, Director, Alaska Commission on Aging, Juneau; Brett Fried, Economist, Department of Revenue.

PRESENT VIA TELECONFERENCE

James Elkins, Elkins Liquor, Ketchikan; George Tipton, Ketchikan Entertainment Center, Ketchikan; Crystal Schoenrock, 4-Lands Bar, Kenai; Gary Superman, Hunger Hut Bar, Motel & Liquor Store, Kenai; Patti Mackey, Ketchikan Visitors Bureau, Ketchikan; Torie Fouts, Fairbanks Native Association (FNA), Fairbanks; Jeff Carter, K&L Distributors, Fairbanks; Glenn Brandy, Silver Gulch Brewers, Fairbanks; Jim Fredette, Speedway Inn, Fairbanks; Annette Freiburger,

Fairbanks; Ken Lindley, Turtle Club, Fairbanks; Rick Mensik, El Sombrero, Fairbanks; John Cruikshank, Fairbanks; Sandy Barker, Salty Dawg, Homer; Nelton Palma, El Pescador, Homer; Leonard Wells, Karacters, Homer; Karen Berger, Homer Brewing Co., Homer; Stanley Sobocienski, Nome; Norman Stiles, Nome; Obed Nelson, Council on Alcohol Abuse and Public Safety (CAAPS), Anchorage; Frank Dahl, CHARR, Anchorage; Vicki Otte, Anchorage; Tim Schrage, Anchorage; Mary Rosenzweig, Anchorage; Karen Rogina, Alaska Hospitality Association (AHA), Anchorage; Steve Bye, CITC, Anchorage; Terry Latham, Hotel Association, Anchorage; John Pattee, Anchorage; Joel Kadarauch, Odom Co., Anchorage; Molly Merritt-Duren, Anchorage; David McMullen, Anchorage; Kace McDowell, Alaska Cabaret Hotel & Restaurant Retail Association (CHARR), Anchorage; Joan Dimond, Anchorage; Jim Crary, Anchorage; Kirsten Holzshu, Humpy's, Anchorage; Steve Bye, Anchorage; John Pattee, Anchorage; Mike Gaddis, Fairbanks; Joel Kadarauch, Anchorage; Kevin Murphey, Ketchikan; Andy Lundquist, Kodiak; Phyllis Tucker, Kodiak; Lovine Shutes, Village Bar, Kodiak; Jan Wrentmore, Red Onion Saloon, Skagway; Randy Koelsch, Fairbanks; Don Grasse, Anchorage; Carol Jackson, K&L Distributors, Anchorage; Mike Gaddis, Fairbanks.

SUMMARY

HB 225 An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

HB 225 was HELD in Committee for further consideration.

HOUSE BILL NO. 225

An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

REPRESENTATIVE LISA MURKOWSKI advised that HB 225 was designed to help offset the soaring cost of the State's alcohol-related expenses. The current State excise tax collects between 3 to 4 cents per drink on beer, wine or distilled spirits. That rate has not been adjusted in 18 years. HB 225 would increase the rate by 10 cents per drink, increasing the annual State alcohol tax revenue to approximately \$34 million dollars from the current \$12.1 million dollars.

She stressed that it is important to understand the startling State numbers:

- Alaska has the highest alcohol related death rate- 11.2% compared to 5% nationally;
- Alaska has the highest incidence of Fetal Alcohol Syndrome (FAS) in the nation, four times the national average;
- Alaska has the 2nd highest per capita alcohol consumption in the United States;
- In Alaska, alcohol is implicated in 83% of child abuse investigations, 63% of sexual assaults and 60% of domestic violence reports;
- Alaska Advisory Board on Alcoholism and Drug Abuse study indicates that the negative impacts associated with alcohol abuse in Alaska cost more than \$250 million dollars per year;
- Rural Alaska alcohol-related deaths are seven times the national average; and
- The prevalence of alcohol dependence and alcohol abuse is nearly 14% of Alaska's population, compared to 7% nationally.

Representative Murkowski stressed that HB 225 is an important part of the effort to address the problem of alcohol and alcohol abuse in Alaska. The passage of the legislation would help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs and other initiatives now under consideration in the Legislature. She urged the Committee's support of the legislation.

Vice-Chair Bunde commented that similar legislation has made some people rich. He commented that using the tax with the intent to reduce consumption would be a prohibition. He suggested that the legislation would only reduce the usage of the casual user. He asked if there was data that showed the tax would reduce usage in the hard-core drinkers, especially in rural Alaska.

Representative Murkowski responded that increasing the cost of alcohol would not remedy the situation. For the chronic abuser, the tax would not curtail the drinking habits of that individual. The incentive not to drink would be recognized more with younger people, who currently do not drink. If the tax can keep the kids from drinking alcohol at an early age, then it would be successful. She commented that the legislation presents the possibility that if there is going to be expenses associated with drinking, the State must determine a way to pay for it.

Co-Chair Williams commented that "taking care of the younger kids" had been attempted with the tobacco tax. He stressed that it did not work. Co-Chair Williams questioned if the proposed legislation would be effective.

JAMES ELKINS, (TESTIFIED VIA TELECONFERENCE), ELKINS LIQUOR, KETCHIKAN, spoke in opposition to the proposed legislation.

GEORGE TIPTON, (TESTIFIED VIA TELECONFERENCE), KETCHIKAN ENTERTAINMENT CENTER, KETCHIKAN, spoke in opposition to the legislation. He stated that the proposed amount would be an unreasonable increase. He requested that the bill be delayed for further consideration and revised. He stressed that the tax would be unfair to the responsible drinkers, which represent 90% of the industry. He reiterated that the proposed legislation was unreasonable. Mr. Tipton surmised that most people in the industry do their job responsibly. Mr. Tipton concluded that the problem exists with the repeat offenders.

STANLEY SOBOCIENSKI, (TESTIFIED VIA TELECONFERENCE), NOME, spoke in opposition to the proposed legislation. He recommended holding the legislation in order to determine a fair tax.

NORMAN STILES, (TESTIFIED VIA TELECONFERENCE), CABARET HOTEL AND RESTAURANT RETAIL ASSOCIATION (CHARR), NOME, commented that the proposed increase was too high. He commented that the economy in Nome is not good and that the tax would be a further burden. He recommended holding the bill to determine a more fair tax.

Representative Davies inquired the CHARR number recommended. Mr. Stiles understood that number to be an approximate 50% increase.

SANDY BARKER, (TESTIFIED VIA TELECONFERENCE), SALTY DAWG SALOON, HOMER, recommended that the bill be postponed so that the industry could have more time to consider something that would benefit both sides.

NELTON PALMA, (TESTIFIED VIA TELECONFERENCE), EL PESCADOR, HOMER, reiterated that the bill be held for further consideration to determine a more workable solution.

CRYSTAL SCHOENROCK, (TESTIFIED VIA TELECONFERENCE), 4-LANDS BAR, NIKISKI, suggested that the bill be postponed for further consideration of a tax that would be more fair. She advocated a smaller tax and that the responsibility be spread throughout the State.

GARY SUPERMAN, (TESTIFIED VIA TELECONFERENCE), HUNGER HUT BAR, MOTEL & LIQUOR STORE, CHARR, NIKISKI, spoke in opposition to the legislation and voiced his resentment. He agreed that individuals should be accountable for their actions. He stated that it is preposterous that the idea that the funds raised from this tax would help alleviate alcohol problems. He emphasized that the proposed tax would

put the smaller merchants out of business. Mr. Superman stressed that people will drink. He stated that he was not opposed to taxation but that the proposed bill was prohibitive. Mr. Superman proposed that consideration be given to a civil retribution bill.

ANDY LUNDQUIST, (TESTIFIED VIA TELECONFERENCE), KODIAK, echoed the sentiments expressed by Mr. Superman and testified in opposition to the proposed legislation. He reiterated that a 300% increase was prohibitive. Mr. Lundquist suggested how it would affect the tourist industry. He added that the alcohol industry was open to a reasonable increase in taxes.

PHYLLIS TUCKER, (TESTIFIED VIA TELECONFERENCE), KODIAK, requested that the bill be postponed so that a compromise could be discussed.

TORIE FOOTE, (TESTIFIED VIA TELECONFERENCE), FAIRBANKS NATIVE ASSOCIATION (FNA), FAIRBANKS, spoke in support of the legislation. She discussed the damages that alcohol does to our State, communities and families. Ms. Foote stressed that damage continues to increase. She pointed out that there has not been a tax raise to alcohol since 1983. Ms. Foote added that drinkers tend not to self regulate their drinking.

JEFF CARTER, (TESTIFIED VIA TELECONFERENCE), K & L DISTRIBUTORS, FAIRBANKS, stated that the tax is "outrageous". He pointed out that the tax is higher than any other state in the country. He recommended there should be further studies to understand the impact of the tax. He pointed out that the responsible drinkers would be the ones most adversely affected.

OBED NELSON, (TESTIFIED VIA TELECONFERENCE), COUNCIL ON ALCOHOL ABUSE AND PUBLIC SAFETY (CAAPS), ANCHORAGE, testified in support of the legislation. He urged that the Committee make a decision that would benefit the people of Alaska. He stressed that the tax would only cost an additional ten cents per drink. He voiced concern with the alcohol related deaths, suicides and the problem in the State with Fetal Alcohol Syndrome (FAS). The proposal would be a user tax, those that drink the most, would pay the most. He stressed those those that drink the most, cost the State the most. Mr. Nelson stressed that the tax was reasonable.

FRANK DAHL, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE CHARR, ANCHORAGE, asked that consideration of the bill be delayed for further discussion on a more reasonable taxation. He emphasized that there should be no more taxes in the State, which he claimed would be more punishment. He claimed that

raising taxes on alcohol would have "no" affect on young people's drinking.

Representative Davies questioned what would be a more correct approach to pay for alcohol education and treatment programs throughout the State. Mr. Dahl suggested that be a community approach. He recommended approaching it like other crimes.

Representative Davies noted that the State is short on revenue to balance the budget and asked Mr. Dahl what sort of revenues he would use to support the proposed budget. Mr. Dahl proposed a reasonable tax, including taxation to the other industries.

Representative Hudson questioned who would end up paying the tax. Mr. Dahl acknowledged that the costs would be passed on to the consumer.

JUDY MCDONALD, JUNEAU, agreed that the State is due for a tax increase. She recommended that it be done over a slower period of time and in smaller increments. Ms. McDonald noted that the industry could handle the 35% increase as proposed by CHARR. She stressed that the increase in tax would not decrease the problem drinker. The system needs to be reevaluated and provide a different way to approach dealing with the abuser. Most of the drunk driving arrests tends to be repeat offenders. Ms. McDonald voiced support for confiscating license plates as proposed by Representative Rokeberg. She echoed concern that more discussion is needed on the bill.

BUTCH TANGNEY, ODOM CORPORATION, JUNEAU, claimed that alcohol abuse is not the source of the State's problems. He discussed drunk driving, suggesting that taxation is not a solution to that concern. Mr. Tangney echoed concerns regarding those people who are repeat offenders. He commented that it is the very intoxicated person who is responsible for deaths on the road. He claimed that drinking is a socio-economic problem.

PATTI MACKEY, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, KETCHIKAN VISITORS BUREAU, KETCHIKAN, spoke in opposition to the proposed legislation.

TAPE HFC 01 - 109, Side B

Ms. Mackey requested that the bill be held for further consideration. She commented that the bill would not be a deterrent for any person's drinking condition.

KEVIN MURPHEY, (TESTIFIED VIA TELECONFERENCE), DEPUTY DIRECTOR, HUMAN SERVICES, KETCHIKAN, spoke in favor of the legislation. He stressed that the State of Alaska definitely does have alcohol problems. Putting passage of the bill off for another year would not solve the problems. He pointed out that the proposed tax would be a user tax. He agreed that the State needs to work with the industry to address treatment. Mr. Murphey reiterated that there is a tremendous cost to the State of Alaska associated with alcohol use. There are large criminal justice costs associated with the problems. The bill is a compromise. The Criminal Justice Assessment Division recommended 25 cents a drink increase. He concluded that the bill as written at 10 cents a drink is a compromise.

LEONARD WELLS, (TESTIFIED VIA TELECONFERENCE), KARACTERS BAR, HOMER, recommended that the bill be considered next year after a compromise with the sponsor and the industry had been reached. He recommended a sales tax be added to everything and not just alcohol. He agreed that all people should be held responsible for their actions and that alcohol is a public problem.

KAREN BERGER, (TESTIFIED VIA TELECONFERENCE), HOMER BREWING COMPANY, HOMER, spoke in opposition to the proposed tax. She stressed that the proposed amount was not a fair increase. She commented that the industry is currently proactive in educating consumers. She believed that the tax could not be designated.

LOUISE SHUTES, (TESTIFIED VIA TELECONFERENCE), VILLAGE BAR, KODIAK, testified in opposition to the legislation in order that the industry and Legislature could arrive at a compromise over the summer.

JAN WRENTMORE, (TESTIFIED VIA TELECONFERENCE), RED ONION SALOON, SKAGWAY, stated that the legislation was excessive and punitive. She commented that it is not fair to attack fiscal problems by going after one industry. Ms. Wrentmore recommended adding a seasonal income tax or sales tax.

GLENN BRADY, (TESTIFIED VIA TELECONFERENCE), SILVER GULCH BREWERS, FAIRBANKS, testified against the tax proposal. He advised that currently, this industry is taxed very high. He claimed that alcohol has been a meaningful part of society for thousands of years. He suggested that treatment programs tend to be more substance abuse related. He advised that the alcohol market is an "easy target". He acknowledged that the industry supports a reasonable increase.

JIM FREDETTE, (TESTIFIED VIA TELECONFERENCE), SPEEDWAY INN, NORTH POLE, reiterated that the proposed tax is excessive.

He asked that the tax be reconsidered next year following discussion with the industry.

ANNETTE FREIBURGER, (TESTIFIED VIA TELECONFERENCE), FAIRBANKS NATIVE ASSOCIATION (FNA), FAIRBANKS, spoke in support of the legislation. She stressed that alcohol problems make Alaskan people struggle and suffer daily. She pointed out that it is difficult to meet the requirements asked by the State Division of Alcohol and Drug Abuse and that there has been flat funding for over 10 years. It is difficult to provide the services that are needed. She supported the idea of the "happy" medium.

RICK MENSİK, (TESTIFIED VIA TELECONFERENCE), EL SOMBRERO, FAIRBANKS, spoke in opposition to the legislation. He reiterated that social problems are associated more with the use of illegal drugs. Mr. Mensik stated that the alcohol industry suffers the brunt of accusations for many people's social problems. He asked for more time to determine a fair tax.

VICKI OTTE, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, spoke movingly about the problems of alcohol in Rural Alaska. She stressed that alcohol has been devastating to Bush Alaska. She recommended that the tax be more. She advised that the Alaska Federation of Natives supports a 25 cents a drink tax increase. Ms. Otte pointed out that the State of Alaska spends more than \$250 million a year dealing with alcohol caused crime and public health problems. That is not enough funding to support the efforts in Rural Alaska. Tragedies can be avoided. She urged the Committee's support of the legislation.

TIM SCHRAGE, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, spoke in opposition to HB 225. He commented that the legislation would do nothing to solve the problem of the multi offenders and people with Driving-While-Intoxicated (DWI) problems. He added that the bill would only hurt the small business owners and punish the average Alaskan who drinks in a responsible manner. Per capita, alcohol consumption has decreased over the years. He advised that the beverage industry is heavily taxed in Alaska.

MARY ROSENZWEIG, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, SUBSTANCE ABUSE PROGRAM, ANCHORAGE, voiced support for the legislation. She advised that the proposed tax would shift the burden to those that use alcohol for programs associated with alcohol. She stressed that the tax would be a good investment for the entire State. She urged that the Committee support the legislation.

KAREN ROGINA, (TESTIFIED VIA TELECONFERENCE), ALASKA HOSPITALITY ALLIANCE (AHA), ANCHORAGE, spoke in opposition to any increase in the alcohol excise tax. She pointed out

that Alaska is the highest taxed in the United States for that industry. Ms. Rogina stated that the increase was unfair and punitive in nature. She stated that it was unfair to target a specific industry for community related problems. Increasing the costs will not decrease the problems, and that increasing the costs would only punish the business owners. The costs should not be targeted on one industry. She noted that the legislation should be held during the summer so that people could be appropriately educated regarding the concern.

SYD ABRAMS, WINE INSTITUTE, JUNEAU, voiced opposition to the proposed tax. He claimed that the higher excise tax would only affect the responsible drinkers. He outlined the increases which have occurred in other states. He noted that Alaska spends 9% of the State's fiscal budget on alcohol abuse problems. Mr. Abrams claimed that taxes have little to do with prohibiting the use of alcohol.

PETE THIBODEAU, THIBIDEAU INC., JUNEAU, testified in opposition to the legislation. He noted that his business could not survive with a 300% tax increase. He noted that he would agree to a smaller tax increase.

CALEB STEWART, JUNEAU, spoke in support of the legislation. He pointed out that 11% of this years budget is going to be spent on alcohol related problems. He stressed that he does not want to see his tax money being used that way. He urged that alcohol users pay. He predicted that the State's alcohol problem is going to get worse. He voiced his support for HB 225 in its current form.

PAM WATTS, EXECUTIVE DIRECTOR, ADVISORY BOARD ON ALCOHOL AND DRUG ABUSE, JUNEAU, voiced strong support for the legislation. The Board's current State plan outlines strategies to help Alaskans achieve the desired results. Research shows the strategies that work. Ms. Watts spoke to therapeutic approaches. She stressed that additional financial resources are needed to help treat alcohol abuse problems. Ms. Watts stated that intervening early helps greater expenditures later. Research clearly shows that for every dollar spent on treatment, \$7 dollars is saved on Courts, prisons, child protection and foster care services.

Ms. Watts stressed that HB 225 calls for a fair tax increase. She stated that there is no evidence that jobs will cease or that businesses will close with the implementation of the legislation. The Board urges the Legislature's support for the proposed legislation.

RANDY KOELSCH, (TESTIFIED VIA TELECONFERENCE), FAIRBANKS, voiced opposition to the proposed tax. He added that he was opposed to any taxation or imposition on his self-independence.

LARRY HACKENMILLER, (TESTIFIED VIA TELECONFERENCE), CLUB MANCHU, CHARR, FAIRBANKS, noted that the proposed tax was unfair. He stressed that the tax was strictly punitive. He stated that the tax would be taking something of value from those that use something that is legal. He referenced the sponsor statement and the implication that alcohol was the reason for all crime in the State. He urged that the bill be "killed" in Committee.

TAPE HFC 01 - 110, Side A

MIKE GADDIS, (TESTIFIED VIA TELECONFERENCE), JERRY'S LIQUOR STORE, FAIRBANKS, commented that passage of the legislation would hurt his business. He voiced opposition to the legislation.

STEVE BYE, (TESTIFIED VIA TELECONFERENCE), COOK INLET TRAVEL COUNCIL (CITC), ANCHORAGE, spoke in support of HB 225. He identified the problems associated with alcohol use. He spoke to the need for creative ways of addressing those that are still on the welfare caseload. Mr. Bye noted that many clients are limited to Medicaid and that more affordable treatment is needed. He claimed that next session would be too late.

KAREN PERDUE, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, observed that alcohol is a big problem in the State of Alaska. She maintained that the State is already paying an alcohol tax through the cost of abuse. She stressed that the public wants the abuse side of alcohol taken care of, which costs money. The costs associated with alcohol are huge for enforcement, courts and treatment.

Commissioner Perdue advised that the 1984 revenue the State received from alcohol was \$14 million dollars. Last year, that amount was \$12 million dollars. The capital consumption of alcohol has gone down, but the actual amount being paid for alcohol tax is less than in it was in 1984. The cost of taking care of the problem has risen dramatically.

Commissioner Perdue commented that enforcement laws have put more demand on treatment programs. There are long waiting lists for treatment. The monitoring of drunk drivers has been decreased which is not good for public safety. The tax has not generated sufficient funds to keep up with the cost of treatment.

JOHN PATTEE, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, testified in opposition to the legislation. He stressed that there is no other substance with a 300% tax. He

pointed out that there are many people who depend on this industry.

JOEL KADARAUCH, (TESTIFIED VIA TELECONFERENCE), ODOM CO., ANCHORAGE, testified in opposition to HB 225. He maintained that the majority of people that consume alcohol do so responsibly. He asserted that the legislation punishes responsible drinkers. The high tax amount would do little to solve problems. He urged that the bill be held until a more reasonable compromise could be reached.

JOAN DIMOND, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, testified in support of the legislation. She noted that she was willing to pay for something better for her family. Ms. Dimond indicated that she is a responsible drinker. She observed that the opposition voiced was only from those people that sell alcohol. She hoped that the tax could help delay drinking by young people throughout the State.

JAMES CRARY, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, ANCHORAGE, voiced support for HB 225. He noted that as a district attorney, 85% of the prosecutions were alcohol related. He maintained that alcohol is involved in most domestic violence cases. He noted that the 300% increase is a response to the success in and by the industry in keeping taxes low in the last eighteen years. He maintained that the tax would amount to an additional 3 cents on a drink and that it would not stop responsible drinkers. Mr. Crary claimed that alcohol is a drug that affects people's judgment, memory and coordination. He emphasized that the death of children from alcohol related incidents are unjustified and are the issue.

DON GRASSE, (TESTIFIED VIA TELECONFERENCE), GENERAL MANAGER, K & L DISTRIBUTORS, ANCHORAGE, spoke in opposition to HB 225. He discussed the statistics in Alaska regarding drunk driving. He advised that the industry has done a lot to help decrease the statistics. Mr. Grasse noted that the bill has no support from the industry in its current form.

CAROL JACKSON, (TESTIFIED VIA TELECONFERENCE), CREDIT MANAGER, K & L DISTRIBUTORS, ANCHORAGE, warned of how the tax would affect her Cost-on-Delivery (COD) accounts and clients. The tax could force small businesses to close their doors. She noted that many small accounts have been in the business for many decades. Ms. Jackson claimed that the tax increase would affect more than those that consume alcohol.

NELSON PAGE, ALASKA MENTAL HEALTH TRUST AUTHORITY (AMHTA), JUNEAU, testified that the legislation should be supported in the State of Alaska. He responded to previous testimony. He stressed that Alaska has one of the highest per capita

alcohol abuse problems in the Nation. Alaska spends the lowest per capita on treatment.

Mr. Page advised that the proposed tax would provide one of the few opportunities to target a revenue source to those that use a particular activity. The fact is that the more people drink, the more tax they would pay. The rest of society does pay on alcohol abuse concerns. Mr. Page stated that the tax would raise a small amount needed to be used in the treatment of alcohol abuse.

Mr. Page stipulated that the tax would only be 10 cents per drink, per night. He suggested that on a heavy night of drinking, the extra charge would be approximately 50 cents. The tax would provide an opportunity to fund programs that are desperately needed to address alcohol problems. Mr. Page addressed the Suicide Prevention Council and alcohol related concerns. He claimed that one of the solutions to the suicide problem in the State is dealing with the alcohol problem.

GEOFFREY LARSON, PRESIDENT, ALASKA BREWING COMPANY, JUNEAU, testified that the tax would hurt the hospitality business in the State. He quoted a letter written by the Guild and how the tax would adversely affect that business. He claimed that the excise rate is currently high. He stated that the intent would hurt the drinkers of Alaska.

He added that Alaska does pay the highest tax for distribution at this time, pointing out that Alaska pays the 10th highest in the Nation. The State is not being under-taxed. He claimed that the State is paying a reasonable tax and that the industry is paying a part of the cost. When consumed responsibly, the consumer should have a reasonable cost for their product. Beer has been a part of society for centuries. Responsible consumption should be required and proactivity in educating the youth. He voiced opposition to the legislation.

MATT FELIX, DIRECTOR, NATIONAL COUNCIL ON DRUG AND ALCOHOL ABUSE (NCDAA), JUNEAU, spoke in support to the proposed legislation. He commented on the amount of State budget, which is spent, on alcohol abuse throughout the State. He acknowledged that the tax would not affect the problem in the State and that the 10 cents per drink will not make a difference in the consumption. He argued that the extra charge would not deter anyone from drinking any amount. Mr. Felix stressed that the current tax base is so low that 300% really means nothing. At present time, a person can walk into five different bars and each would have five different costs for the same beer. He stressed that 10 cents is not going to matter.

In reference to previous testimony, Mr. Felix advised that in 1470, over 100,000 people died from alcohol abuse. There was no alcohol tax at that time. That was when the first tax was implemented on alcohol, which did help control the problem at that time. He stressed that taxation is a valid way to raise revenue and encouraged the passage of HB 225.

Vice-Chair Bunde asked if there were any other states that had a comparable change in their tax amount. Mr. Felix stated that in Juneau in the late '80's, the tax was raised 3% and there was no reduction in per capita consumption. Including the 5% sales tax, it totaled an 8% increase with no effect.

TAPE HFC 01 - 110, Side B

Representative Moses pointed out that a 10% increase translates to a 50-cent increase to the consumer. He added that some taxes in the State have not been increased since statehood. Mr. Felix agreed and recommended taxing industries which cost the State the most. He reiterated that alcohol concerns cost the State substantial money.

CINDY CASHEN, MOTHERS AGAINST DRUNK DRIVING (MADD), JUNEAU, stated that MADD strongly supports HB 225. She noted that when programs go unfunded, when laws in the books are not enforced and education is not taught in the schools, there will be more Alaskans killed by drunk driving and underage drinking. When money is not put where it is needed, then the problem grows.

Ms. Cashen stressed that the statistics on drunk driving in Alaska being presented are incorrect. Alaska now ranks #2 in drunk driving fatalities. Alaska has always been in the top #5 and currently is now behind only Washington D.C. She offered to provide those statistics to Committee members.

Ms. Cashen stressed that MADD is concerned that Alaska does not have enough State Troopers. Alaskans needs the income generated from this tax source for income to protect our loved ones. She claimed that where there is alcohol, there is abuse. The State cannot expect the offenders to pay for the abuse. She pointed out that most offenders come from consistent alcohol abusing families. There are no alcohol education programs in the schools. Ms. Cashen stressed that before the children of today become drunk drivers of tomorrow, education programs need to be placed into the schools. She encouraged the Committee to support the bill. Ms. Cashen noted the delay tactic being encouraged by other testifiers.

HOWARD SCAMAL, COUNCIL ON ALCOHOL ABUSE AND PUBLIC SAFETY, JUNEAU, spoke in support of the legislation. He commented that the extra 10% would not affect the purchase of alcohol. He noted that the State sells 320 million drinks in Alaska. The proposed tax is a proposed increase of 300% to the tax, not the cost of the product. Mr. Scamal claimed, "Every drink costs the State 70 cents". He stressed that alcohol is a dangerous product.

JACK MANNING, DUCK CREEK MARKET, JUNEAU, commented on the effect of the tax on his business. He thought that the tax would be difficult for his small independent business store. He feared his business could survive with a 10% tax increase to alcohol; however, a 300% increase would be prohibitive. He commented that it is unfair to tax only this particular industry. He recommended that there are other tools available to generate money for the general fund.

JANE DEMMERT, EXECUTIVE DIRECTOR, ALASKAN COMMISSION ON AGING, JUNEAU, noted that the Commission on Aging supports the increase to the alcohol excises tax. Most families in Alaska are severely affected by the impacts of excessive use of alcohol and treatment by addiction. She noted that alcohol addiction does affect older people. Ms. Demmert underlined that the concern which affects on all Alaskans.

Ms. Demmert questioned how the State could come to a more effective approach regarding the alcohol problem. She agreed that the tax is a beginning solution and that it is fair for people to pay for the costs associated on a drink-by-drink basis.

BRETT FRIED, ECONOMIST, DEPARTMENT OF REVENUE, offered to answer any questions on the fiscal note. Co-Chair Williams advised that testimony would be restricted to public comment only.

HB 225 was HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 4:45 P.M.