

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 9, 2001

3:20 p.m.

**MEMBERS PRESENT**

Representative Lisa Murkowski, Chair  
Representative Andrew Halcro, Vice Chair  
Representative Kevin Meyer  
Representative Pete Kott  
Representative Norman Rokeberg  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 225

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

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 225

SHORT TITLE:ALCOHOLIC BEVERAGE TAX

SPONSOR(S): REPRESENTATIVE(S)MURKOWSKI

Jrn-Date	Jrn-Page		Action
03/30/01	0789	(H)	READ THE FIRST TIME - REFERRALS
03/30/01	0789	(H)	L&C, FIN
04/03/01	0830	(H)	COSPONSOR(S): HUDSON
04/09/01		(H)	L&C AT 3:15 PM CAPITOL 17

**WITNESS REGISTER**

PAM WATTS, Executive Director  
Governor's Advisory Board on Alcoholism & Drug Abuse  
Department of Health & Social Services  
PO Box 110608

Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 225.

ANNETTE COGGINS, Executive Director  
Aiding Women in Abuse and Rape Emergencies  
PO Box 20809

Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 225.

BUTCH TANGNEY  
ODOM Corporation  
5452 Shaune Drive  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in opposition to HB 225.

ANNE KINTER  
17345 Glacier Highway  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of herself in support of HB 225.

DAVE HEIMBIGNER, Southeast Sales Supervisor  
ODOM Corporation  
PO Box 33102  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 225.

JOHN MANNING, Owner  
Duck Creek Market  
PO Box 34262  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 225.

ELMER LINDSTROM, Special Assistant  
Office of the Commissioner  
Department of Health & Social Services  
PO Box 110601

Juneau, Alaska 99811

POSITION STATEMENT: Testified on HB 225.

HOWARD SCAMAN, Secretary  
Council on Alcohol Abuse & Public Safety  
PO Box 23007

Juneau, Alaska 99802

POSITION STATEMENT: Testified in support of HB 225.

CALEB STEWART

925 Calhoun Avenue  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of himself in support of HB 225.

ELLEN NORTHUP, Site Manager  
Juneau Senior Center  
PO Box 211231

Auke Bay, Alaska 99821

POSITION STATEMENT: Testified on behalf of herself and the Juneau Senior Center in support of HB 225.

LINDA MACAULAY  
15575 Glacier Highway  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of herself in support of HB 225.

TOM RUTECKI  
1513 Ling Court  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of himself in support of HB 225.

GENE MILLER, President  
Juneau Chapter  
Mothers Against Drunk Driving  
211 4th Street  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 225.

CHIP DUGGAN, Owner  
Duggan's Waterfront Pub  
120 West Bunnell  
Homer, Alaska 99603

POSITION STATEMENT: Testified on HB 225.

ANNETTE CRAIG, Operations Manager  
Don Jose's, Inc.  
127 West Pioneer Avenue  
Homer, Alaska 99603

POSITION STATEMENT: Testified on HB 225.

KAREN BERGER, Owner  
Homer Brewing Company  
1562 Homer Spit Road  
Homer, Alaska 99603

POSITION STATEMENT: Testified in opposition to HB 225.

ALEX FLYUM, Co-Chairman  
House Management Committee  
Homer Elks Lodge 2127  
215 West Jenny Lane  
Homer, Alaska 99603

POSITION STATEMENT: Testified in opposition to HB 225.

JULIE SERSTAD, Director  
Public Nursing  
Norton Sound Health Corporation  
Nome, Alaska 99762

POSITION STATEMENT: Testified in support of HB 225.

TONY KRIER  
PO BOX 385  
Nome, Alaska 99762

POSITION STATEMENT: Testified as a business owner on HB 225.

JOHANNA BALES, Revenue Auditor  
Department of Revenue  
550 West 7th Avenue  
Anchorage, Alaska 99501

POSITION STATEMENT: Explained the fiscal note for HB 225.

BRETT FRIED, Economist  
Tax Division  
Department of Revenue  
PO Box 110420  
Juneau, Alaska 99811

POSITION STATEMENT: Explained the revenue increase for HB 225.

ANDY SWANSTEN, Operations Director  
Gastineau Human Services Corporation  
PO Box 210152  
Juneau, Alaska 99821

POSITION STATEMENT: Testified on HB 225.

GREG PEASE, Executive Director  
Gastineau Human Services Corporation  
PO Box 20065  
Juneau, Alaska 99802

POSITION STATEMENT: Testified on HB 225.

KEVIN RITCHIE, Executive Director  
Alaska Municipal League

217 2nd Street  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified in support of HB 225.

CINDY CASHEN  
Mothers Against Drunk Driving  
211 4th Street  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified in support of HB 225.

DOROTHY CUNNINGHAM, President  
Kenai Cabaret Hotel Restaurant & Retailer Association;  
Owner, Vagabond (ph)  
PO Box 1662  
Kenai, Alaska 99611  
POSITION STATEMENT: Testified on HB 225.

GARY SUPERMAN, Owner  
Hunger Hut  
PO Box 7002  
Nikiski, Alaska 99635  
POSITION STATEMENT: Testified on HB 225.

CHRYSTAL SCHOENROCK  
Cabaret Hotel Restaurant & Retailer Association;  
Owner, 4 Lands Bar  
PO Box 8583  
Nikiski, Alaska 99635  
POSITION STATEMENT: Testified on HB 225.

JAMES FITZGERALD, Owner  
The Rendezvous  
PO Box 1880  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified in opposition to HB 225.

ANDY LUNDQUIST, Owner  
Tony's Bar  
PO Box 589  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified in opposition to HB 225.

APRIL SMITH, Manager  
B & B Bar  
PO Box 4042  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified in opposition to HB 225.

ELIZABETH STARK, Bartender  
Mecca Lounge  
314 B Cope  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified in opposition to HB 225.

BILL MARSH, Manager  
Mecca Lounge  
710 Mission Road  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified in opposition to HB 225.

SUSAN PHIPPS  
National Alliance for the Mentally Ill Juneau  
PO Box 32386  
Juneau, Alaska 99803  
POSITION STATEMENT: Testified in support of HB 225.

JANE DEMMERT, Executive Director  
Alaska Commission on Aging  
PO Box 110209  
Juneau, Alaska 99811  
POSITION STATEMENT: Testified in support of HB 225.

MATT FELIX, Director  
National Council on Alcohol and Drug Abuse  
3970 North Douglas Highway  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified on HB 225.

DON SKEWIS, President  
Cabaret Hotel Restaurant & Retailer Association  
1402 Gambel  
Anchorage, Alaska 99501  
POSITION STATEMENT: Testified on HB 225.

TIM SCHRAGE  
944 West 11th  
Anchorage, Alaska 99501  
POSITION STATEMENT: Testified in opposition to HB 225.

JAMES CRARY  
2720 Kempton Hills Drive  
Anchorage, Alaska 99516  
POSITION STATEMENT: Testified on HB 225.

KATHRYN BOGGS-GRAY, Coordinator  
Economic Intervention Project  
Akeela, Inc.  
4111 Minnesota Drive  
Anchorage, Alaska 99503  
POSITION STATEMENT: Testified in support of HB 225.

OBED NELSON  
3030 Pleasant Drive  
Anchorage, Alaska 99502  
POSITION STATEMENT: Testified in support of HB 225.

JEFF BEALLES, Program Director  
Catholic Social Services  
Brother Francis Shelter  
1001 East 3rd  
Anchorage, Alaska 99503  
POSITION STATEMENT: Testified in support of HB 225.

TRICIA LILLIBRIDGE, Emergency Nurse  
Providence Hospital;  
Injury Prevention Educator  
Alaska Injury Prevention Center  
6551 Limestone Circle  
Anchorage, Alaska 99516  
POSITION STATEMENT: Testified in support of HB 225.

DICK ELLSWORTH, Owner  
Ivory Jacks  
2581 Goldstream Road  
Fairbanks, Alaska 99709  
POSITION STATEMENT: Testified in opposition to HB 225.

LARRY HACKENMILLER, Owner  
Club Manchu  
2712 Jessie Street  
Fairbanks, Alaska 99701  
POSITION STATEMENT: Testified in opposition to HB 225.

RANDY KELSCH  
636 28th Avenue  
Fairbanks, Alaska 99701  
POSITION STATEMENT: Testified in opposition to HB 225.

**ACTION NARRATIVE**

TAPE 01-51, SIDE A

Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Members present at the call to order were Representatives Murkowski, Halcro, Crawford, and Hayes. Representatives Meyer, Kott, and Rokeberg joined the meeting as it was in progress.

HB 225-ALCOHOLIC BEVERAGE TAX

CHAIR MURKOWSKI announced that the committee would hear HOUSE BILL NO. 225, "An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates."

Number 0143

CHAIR MURKOWSKI, speaking as the sponsor of HB 225, informed the committee that when she introduced HB 225 there were two components. The first would increase the excise tax on alcohol, something that has not been done since 1983. This solution is a result of the Criminal Justice Assessment Commission's study that came out last summer and analyzed what's going on in Alaska in terms of alcohol abuse, the associated problems, and the expense to the state.

CHAIR MURKOWSKI reported that the study suggested the increase should be 25 cents a drink. However, numerous groups and organizations have suggested that the number be lower. In the bill, therefore, there is a dime-a-drink increase over the existing tax. She remarked that there are those who will argue that there isn't a rational basis for the amount of the increase. She addressed the committee and stated:

We're going to be hearing a lot of statistics today. If you want to be impressed by statistics, I would suggest that you look to the sponsor statement, and all you need to see is that we're number one. We're number one with regard to alcohol in every way, shape, and form. And, unfortunately it's all negative.

CHAIR MURKOWSKI directed the committee to one figure in the sponsor statement that reads, "A National Institute of Health study indicates that the negative impacts associated with alcohol abuse in Alaska cost more than \$500 million per year." She explained that about \$250 million is the direct cost

associated with alcohol use and abuse in Alaska. This \$500 million number is the more indirect cost.

Number 0448

CHAIR MURKOWSKI explained that when she looked into how the state could collect a tax for the municipalities, it was a problematic collection process; it would be a considerable expense to the state. Therefore, that has been deleted from the original HB 225, and language in Section 1 [Version L] eliminates that protective language whereby municipalities are not able to institute an alcohol tax unless there is an existing sales tax in place.

REPRESENTATIVE HALCRO made a motion to adopt the proposed committee substitute (CS), version 22-LS0806\L, Cook, 4/9/01, as a work draft. There being no objection, Version L was before the committee.

Number 0669

PAM WATTS, Executive Director, Governor's Advisory Board on Alcoholism & Drug Abuse, Department of Health & Social Services (DHSS), came forth and stated:

I'm here today on behalf of the board to ask for your strong support for a substantial increase in the alcohol tax to more closely reflect the true cost of alcohol to the state. There's been no increase in this tax, as you heard, since 1983; that tax was not indexed for inflation. Efforts to increase the tax in 1989 failed, due largely to pressure from the alcohol industry. We estimate that since then the state has lost approximately \$41 million in revenues due to that tax not being indexed.

We can no longer afford to subsidize alcohol when the actual cost to Alaskans is estimated at approximately \$250 million per year and climbing. The amount of the proposed increase in this legislation will begin to help ... our ... coffers that are heavily impacted across departments by alcohol-related expenses, although there will continue to be a very significant gap between public resources used and revenues received sales and consumption.

The current tax only covers one dollar of every 20 the state spends on cleaning up the negative consequences. Many other states with lower alcohol taxes have a state sales tax that helps with that burden. Some people fear the loss of profits to the alcohol beverage industry.

Our board has been advised by some citizens after the last tax increase that alcohol prices in some areas were raised in excess of the tax. So, alcohol sales did not appear to decrease. Research shows that the most affected group reacting to increased costs will be underage drinkers, and we believe this is an outcome most people will support. We're all impacted by the negative consequences of alcohol, whether we drink or not.

A significant amount of our taxes and state revenues go toward cleaning up the problems caused by alcohol to the tune of \$250 million ... per year: public safety, courts, corrections, emergency medical services, lost productivity, child protection and foster care service, public assistance, special educational and other services for FAS [Fetal Alcohol Syndrome] children that average \$1.4 million per ... child in a lifetime. ...

Yet our revenues from the alcohol tax are only a fraction of the amount spent on cleaning wreckage. The state legislature has unanimously gone on record for the last six years endorsing the merits of sobriety awareness by supporting resolutions of that title. An element of such resolutions is aimed at reducing the burden on government by not having to exhaust its resources to pay for the pervasive problems caused by alcohol.

Raising the excise tax on alcohol could assist government with the burden by people paying essentially for what they use. Persons who don't imbibe don't pay; those who drink moderately pay moderately; those who drink heavily pay more. For this state, that may be the only way that it's reimbursed by some citizens for the costs of their alcohol use to the state. The Advisory Board on Alcoholism and Drug Abuse strongly encourages your

support of this legislation to raise the excise tax at least by one dime a drink.

Number 0887

ANNETTE COGGINS, Executive Director, Aiding Women in Abuse and Rape Emergencies (AWARE Inc.), came forth and stated that she has worked with both victims and offenders of domestic violence and sexual assault since the mid-1970s. Although domestic violence and sexual assault are not caused by alcohol, there is a high correlation between people who abuse alcohol and people who batter and rape. She stated:

One of the things we see with perpetrators of domestic violence is that there's increased injury to the victim when batterers use alcohol. ... [Batterers] that begin physically abusing their victim, when their hand starts hurting, they usually stop that behavior. But when they are under the influence of alcohol and their hand is numb, they tend to beat their victim more severely and we see increased injuries. With victims, often the batterer encourages the victim to drink along with them, or many victims turn to alcohol to cope with the abuse they're living with.

Some of our highest costs [are due to] women who become alcoholics who are victims of domestic violence and eventually lose custody of their kids to state custody. It's a huge cost to the state, and those women need treatment and specialized services, both for their alcohol abuse and for the domestic violence they've suffered.

Another thing that we see with sex offenders is that oftentimes sex offenders will get their victims to drink in order to lower their inhibitions. ... When they're drunk or passed out is when they rape them. Often those victims are the ones that don't come forward to report the crime, particularly high [school students] and young adults. When we go in, doing prevention programs in the school, we hear over and over of young victims who are partying, they're in date-rape situations, and they're reluctant to report those crimes because they feel responsible somehow because they were drinking at the time of their rape. The other thing with this is that if those victims do come forward, often the system doesn't see them as

credible witnesses and is not able to hold that perpetrator accountable for those crimes.

Number 1065

BUTCH TANGNEY, ODOM Corporation, came forth and stated:

Two-thirds of the American population chooses to consume alcohol, while only one-third does not. And it is very simplistic to look at all of these social problems and point the finger at alcohol without recognizing that these same people also have the highest statistic of household violence and child abuse and drug abuse and a number of other problems that are not associated with alcohol. In fact, the primary prevention of alcohol and alcoholism study by Dr. David Joshua Pittman (ph) points out that any primary prevention program for alcoholism or other alcohol-related damage in the United States must start from the fundamental premise that the overwhelming majority of Americans who drink have no problems associated with their drinking.

Thus, any federal program for the prevention of alcoholism or alcohol-related damage will be cost-ineffective if it targets the efforts toward the total population, especially if that policy attempts to penalize all consumers of beverage alcohol by price increases or through increased taxation of other devices which make the product more difficult to obtain. And it has been proven that these do not affect the hardcore drinker.

In terms of the National Transportation Safety Board, their current study shows 12 points they would like governors and legislative leaders to consider in the prevention of alcohol-related traffic deaths, none of which include alcohol-related tax increases. All of these go after, however, the hardcore drinker, who is a person who consumes alcohol in a large quantity and over a very high drug/alcohol blood concentration. These people are responsible for over 80 percent of the traffic accidents where a driver has a fatality and that driver goes over the current legal limit of intoxication.

While the rest of traffic accidents have gradually increased, alcohol-related traffic accidents have drastically decreased over the last 15 years. Studies indicate that although we're counting every single person with any BAC [blood alcohol concentration] as being ... alcohol-related, ... the greatest majority of those people are over the current legal limit. ...

To impose a solution that would be detrimental to all the consumers in our state would not address this problem, and in fact would penalize a small portion of our [businesses]. ... I'll leave another member of the industry to deal with the deceptive nature of a 10-cents-a-drink categorization of that tax as well.

Number 1250

ANNE KINTER came forth and told members she was speaking as a concerned grandmother, widow, and mother who has personally seen the damage and heartbreak that alcohol abuse can cause to the drinker, the family, and the public. She urged passage of the bill "with the increase."

JUDY McDONALD, Co-Owner, Lucky Lady, Inc., came forth and stated:

While I'll go along with an increase because it has been so long, 10 cents a drink is not really logical as far as staying in business. At this point, many people I know who are just new in the business will never be able to make it. They're going to lose employees, first thing. It's not an easy business right now to begin with; however, it's there. ... Juneau is unlike Anchorage or any place else because we do pay an additional sales tax here on alcohol only, plus the excise tax. And the way I figure it, when it comes to the end of this, this is not just a 10-cent-per-drink increase; it's a 300 percent total increase in taxes that will be paid. ...

So, what I would like to do [is] not to increase it this much, but also to do a little different training [for] the abuser. When they're picked up three times for ... drunk driving ... and they go to jail and they have to do six weeks of school, ... there has got to be some other kind of treatment ... to make them not to abuse it again. Like I've heard before, there are

many people that drink alcohol that do not abuse it, and I just think that there should be other solutions, other than more money going into the same programs and the same people going through them over and over again.

Number 1403

CHAIR MURKOWSKI informed Ms. McDonald that legislation was passed out of the House that would set up therapeutic courts. She said it's somewhat experimental, but the results so far have been promising. She asked Ms. McDonald, as a business owner, what increase she thinks is logical.

MS. McDONALD responded that she thinks there should be a 10 to 12 percent gradual increase. She noted that if this passes, something she sells for \$4.00 a drink will be \$6.50 to \$7.00, and her customers are not going to go for that.

REPRESENTATIVE HALCRO asked Ms. McDonald whether she has a drink menu in her establishment with prices.

MS. McDONALD answered no.

Number 1519

DAVE HEIMBIGNER, Southeast Sales Supervisor, ODOM Corporation, came forth and said he would try to put things into perspective, regarding both the retail cost of goods and how the consumer is going to pay for them. He stated:

On this tax, the tax is not just 10 cents a drink. We, from the wholesale perspective, ... actually pay the wholesale tax on this excise tax, and it could potentially - by the time you factor everything in - be roughly ... \$1.42 a gallon [for malt beverages], \$3.41 on wines, and up to \$18.40 a gallon on distilled spirits.

When these taxes get posed and we have to pay them, we base our prices on an "FOB" program like you'll see out of Seattle. That tax actually goes into our costs of goods, and we put our percentage markup on it. The retailers will put their percentage of markup on it as well. So, you could potentially see a tax on beer, for instance, go up actually ... to \$6.40, and we

would be up to \$1.36 a bottle, and taxes on a single bottle of distilled spirits would go up to \$7.30.

I think everyone agrees that there has to be something done with the chronic abuser of alcohol. And they are the ones that are generating probably 80 percent of the problems; it's not the two-thirds of the people that choose to consume it responsibly. I guess my question back to you is, we realize that there's a problem, but [with] the taxation dollars that [are] going to be generated by any type of additional tax, we're not guaranteed that they're ... actually going to ... solve the problems.

REPRESENTATIVE HALCRO asked Mr. Heimbigner whether a majority of the hard alcohol and spirits are imported from other countries.

MR. HEIMBIGNER stated that there is a large amount that does get imported. On the beer side, the domestics are the majority that are sold, and the largest percentages of wine are probably domestic.

Number 1711

JOHN MANNING, Owner, Duck Creek Market, came forth and stated:

As a store owner, this might not have as much of an effect on me personally as it would on my customers. When it gets down to it, ... alcohol competes with other beverages also. So when you start making alcohol very expensive, people look for other options out there. ... Also, I'm a consumer of alcohol; I'm not an abuser of alcohol. ...

I know there are expenses to the state out there, but I think there are other tools the legislature may have to deal directly with. ... And I think some of those are maybe directly after the person who's causing these problems. As a consumer of alcohol, I don't really feel it's fair for me to have to pay more to buy my beer or wine or whatever, to pick up the tab for some abusers.

Number 1803

ELMER LINDSTROM, Special Assistant, Office of the Commissioner, Department of Health & Social Services (DHSS), came forth in support of HB 225. He stated:

Hospital emergency room visits, suicide attempts, child abuse, domestic violence, sexual assault, on and on and on. Many of those problems come to roost in my department. ... I'm willing to use two examples, but I think they're important examples because they were issues that the legislature worked on extensively. And I think both the executive and the legislature would regard them as successes, and yet here I am today to tell you that these two items are now bumping up against the alcohol issue - and it wouldn't have necessarily been expected when we were all working in these areas. And they are, first and foremost, welfare reform activities that we have worked on together in the last few years.

... We've seen caseloads decline in the state by, I believe, close to 50 percent, if not slightly over 50 percent. Well, guess what? We are now coming toward the point in time where the statutory time limits are going to be impacting folks who've been on the caseload for a long period of time. And guess who those people are who are going to fall off the cliff? There is a large percentage ... of them who are unable to go to work, [and] who are unable to care for their families because they have significant alcohol abuse issues in their family.

Now, that wasn't something we talked about a lot when we were all working on the welfare reform bill, but it is something that we are acutely aware of today. And those very, very difficult-to-serve folks are people we have to keep in mind here in the next year or two as we approach the time limit, and you are going to hear time after time how alcohol abuse is a key element in our inability to get folk to get into the workforce and support themselves.

The other area ... was the reform of the child protection system. Major legislation passed ... three years ago, ... and one of the key elements of that reform was, "We don't want to see kids lingering in foster care for years and years and years. We think kids ought to have a stable, permanent home." And so,

as part of the reform of that system, you, in the law, put very strict time limits, where families are expected to get their act together in a relatively short period of time. And if they are unable to do so, then we need to look for another type of permanent placement for the children.

And guess what's happening again? Who are the families who we are having a hard time getting to straighten out and reassume responsibility for their own children? They are families where there is substance abuse in those families. And those people are not able to come to grips with that problem, oftentimes, in a timely fashion, to some extent because [they] don't have sufficient treatment resources available to get them into treatment where they ought to be getting treatment - but, once again, an area where we all did a lot and should be proud of our efforts. But lo and behold, what is cropping up as a major impediment to making further progress? Alcohol abuse.

REPRESENTATIVE HALCRO asked what the department's guess is of how much alcohol cost [Alaska] last year.

Number 2011

MR. LINDSTROM answered that he doesn't have a good number to give to the committee; however, it is tremendous. In response to a further question, he said in nominal dollars [it increases year after year]. He stated that he couldn't say whether alcohol abuse is more of a problem this year than last year.

REPRESENTATIVE KOTT referred to the welfare issue and asked Mr. Lindstrom how he tracks parents who are substance abusers or addicted to alcohol.

MR. LINDSTROM responded that as the caseloads have declined dramatically, [DHSS] has been able to track the length of time people are part of the caseload. As it approaches the time when they may be subject to being removed from the caseload, [DHSS] engages in case management of the difficult-to-serve families. Therefore, [DHSS] is getting assessments of these families' specific problems. Through evidence gathered, [DHSS] knows that alcohol is a significant key factor in their inability to get into the workforce and stay in the workforce.

REPRESENTATIVE KOTT asked Mr. Lindstrom whether [DHSS] starts tracking the families during their fourth year [of benefits].

Number 2174

MR. LINDSTROM replied that he thinks this is the fourth year since the welfare reform bill passed; therefore, he doesn't have any information prior to the welfare reform. He remarked that as people stay on the caseload, [DHSS] begins to focus on those difficult-to-serve people to determine what can be done to get them employed before they run out of benefits.

REPRESENTATIVE KOTT asked whether a determination could be made that substance abuse problems are a consequence of being on welfare.

MR. LINDSTROM responded that he wouldn't know how to answer that.

Number 2261

HOWARD SCAMAN, Secretary, Council on Alcohol Abuse & Public Safety (CAAPS), came forth stated:

We're essentially the same old clergy group that was here 18 years ago when the last tax increase was passed in 1983. First of all, I would like to thank the committee, and Chairman Murkowski specifically, for honoring the request of CJAC [Criminal Justice Assessment Commission] and all of the other groups. You're considering the 20-cent increase, which is what we all asked for. I think it's very wise of you to consider it in two 10-cent increments also. We would also like to go on public record that it's no secret that an attempt was made with the various components of the liquor industry and our groups to see if ... some sort of consensus could be reached.

As we all know, there is no single liquor industry anymore. It's divided into a group of different components. ... [He referred to a case of beer.] This is a 12-pack of beer that was purchased here in Juneau, Alaska, a few months ago for \$4.49. ... We went into the same store, into the retail portion, and purchased 12 cans of Coca-Cola for \$5.99. I don't want to hear that a \$1.20 increase of this price is going to bankrupt the liquor industry; it isn't. ...

Excise tax has gotten cheaper and cheaper and cheaper every year because of inflation. If you keep the tax rate identical, inflation goes up [and] the cost comes down, and that's what's happened here.

If you compare the retail prices, what will happen with this is that cheap beer, cheap wine, and cheap vodka is going to go up in price significantly, I think probably 25 to 28 percent. Premium brands will go from ... \$13.00; if you add another \$1.20 on, it will go up 9 percent. At the retail bar level, ... if there was a 10-cent increase in your PC (pouring cost), ... how much are you going to mark up this \$4.00 beer? I would mark it up at least a quarter, and blame me and these other prohibitionists. In our estimation - and yes, there will be markup at the wholesale level, and yes, the retailer will mark it - that is the idea, that is what we all attempting to accomplish: to get cheap beer up in price sufficiently so it is at least as expensive as Coca-Cola. ... What happened last time was, everybody sold a little bit less liquor and the local retailers made a little bit more money. That's what will happen with this one also.

Number 2421

MR. SCAMAN concluded by saying:

What we'd urge you to do is pass this bill out with the state percentages as you have them right now. We are not authorized to support a state sales tax. We will support an excise tax if you authorize municipalities to do that.

REPRESENTATIVE HALCRO stated that the committee heard earlier testimony that in some instances a \$4.00 or \$4.50 drink, after this tax is passed, would suddenly be \$6.75 or \$7.00. He asked Mr. Scaman to comment on that.

MR. SCAMAN responded that he can't see how that could be. He said a bottle of beer, when it comes in, may cost \$1.80. Right now there is 3.3 cents' worth of state tax with what the retailer pays for the beer. [With this bill] an additional 10 cents will go into the PC.

TAPE 01-51, SIDE B

Number 2477

REPRESENTATIVE KOTT, in response to Representative Halcro's question, said he thinks an owner can mark it up whatever he or she wants to, in order to say to the consumer, "The legislature passed this on to you." He asked whether Mr. Scaman thinks there is any correlation between the increase in cost of a 12-pack of beer and those marketers of Pepsi or Coca-Cola who will raise their prices because of the competition.

MR. SCAMAN responded that [there conceivably could be]; however, Coca-Cola, Pepsi, milk, and lemonade do not cause alcohol abuse. That's the issue, he said. About 35 or 40 percent of the people in the state do not drink; 20 percent of the rest drink 80 percent of the [alcohol]. He stated that what happens with an excise tax is that [the 80 percent] is becoming more responsible for paying their share of the costs.

Number 2367

CALEB STEWART came forth on behalf of himself in support of HB 225. He stated that he doesn't drink, and yet he is paying for the problem. He remarked that the legislature might support a new private prison in Kenai, which is going to try to do something about the problems that the prison population has with the use of alcohol; that is going to be done for \$30 per prisoner a day less than the state does today. This bill might help bring in the revenue that allows that type of effort to succeed.

CHAIR MURKOWSKI remarked that those who don't drink are also shouldering the burden for the expenses associated with alcohol.

REPRESENTATIVE KOTT stated that Alaskans don't pay any income tax or sales tax, and asked Mr. Stewart how he is paying for part of the problem by not drinking.

MR. STEWART responded that he subscribes to the [concept of former governor] Walter Hickel of an owner-state and being a shareholder. Indirectly, Mr. Stewart said, the general fund is his.

REPRESENTATIVE KOTT stated that he drinks very little, and asked why he should pay for some of the costs when he is not part of the problem.

MR. STEWART responded that it will be paid for, one way or another, through the general fund. He said he is willing, as a citizen, to put money in and support society.

REPRESENTATIVE KOTT asked Mr. Stewart whether he would put in \$400 of his permanent dividend fund to take care of this problem.

MR. STEWART answered that he would.

Number 2084

REPRESENTATIVE HALCRO asked Mr. Stewart:

If you embrace the argument that we're taxing responsible drinkers to pay for the irresponsible drinkers, would it be safe to say that the responsible drinkers already ... are involved in this? ... They are in the cars that are hit by drunk drivers. They're certainly involved in the property damage that's caused by those that abuse alcohol.

MR. STEWART agreed.

Number 1992

ELLEN NORTHUP, Site Manager, Juneau Senior Center, came forth on behalf of herself and the Juneau Senior Center. She stated:

I have had a unique experience with alcohol abuse when I ran the Glory Hole for eight and a half years, the homeless shelter [and] soup kitchen in Juneau. I didn't know what the letters FAS stood for when I went to work there. But after eight years I knew ... too well what it stood for, and I had personally helped several women who were pregnant stay sober while they were pregnant so they wouldn't give birth to a person with half a brain. One of the things I heard again and again and again from people coming in to cook at the Glory Hole in the evenings - church members, Rotarians, all sort of folk - was, "What's that guy doing here? He looks perfectly capable of holding a job; he looks like he's in good shape. Why am I feeding this person?" And I would say, "Go have a conversation with him and then come back and tell me if you would hire him for anything."

When your mother drinks alcohol when she's pregnant, she causes, at different times in the fetus's development, for the brain to not develop. So you see a perfectly beautiful person - and I'm thinking of one particular lady right now who is pregnant and who is FAS, who is just gorgeous, and who speaks fairly well - and you would think this person had all their brains intact until you try to do something logically with them and you find that they don't have that part of our brain that helps them to follow the train of thought and go to a logical conclusion with anything. And now this poor lady is trying to get through being pregnant, and her support group is trying to help her and they don't even know what to do, because there's been no real treatment plans for how [to] handle a pregnant person who's only half up here [she pointed to her head]. And it's her constitutional right to have that child, and she's chosen to do that.

... I'll have a glass of wine from time to time - I used to be a heavy drinker. I used to tell them at the Glory Hole I used to be a drunk ... 'til one day I said, "Oh, my God, I don't want to live this way," and I quit. But I can tell you right now that putting a tax on it will not make me not have a glass of wine when I go to the Broiler and have a steak. ... It will not stop a moderate drinker from having a glass of wine when they go to have drink. ... Everybody I've ever known that drinks is just like all the people that smoke and who still smoke even though the darn cigarettes are costing so much you can't even believe it. ... So we may as well have the cotton-picking money off of it to help pay for some of this stuff and to try to come up with some educational things to help people like the pregnant FAS lady.

MS. NORTHUP concluded by saying:

I feel like maybe the previous gentleman was pretty much on it, as far as all of us being owners of this state and owners of this money. And I'm really tired of seeing everybody trying to figure out where to find education money, and trying to figure out where to find money to fix roads and to fix health and villages ... when all this money's being blown because of alcohol abuse and misuse.

Number 1687

LINDA MACAULAY came forth on behalf of herself in support of HB 225. She stated:

I am a victim of a drunk driver. [She referred to a picture and stated] the man on my right was my husband of 39 years. His name was Ladd Macaulay, and he was killed on the Seward Highway 355 days ago. On Wednesday, April 19th, at approximately 4:09 in the afternoon, he and his boss, Martin Richards [who was] the director of the Alaska Division of Investments with the Department of Community & Economic Development - they worked together and they were traveling with another business associate, Steve McGee - they were returning home from a one-night business trip.

Like I said, it was 4:00 in the afternoon - one would think it was safe - when they were hit head-on by a drunk driver with a BAC of .258. That drunk driver's blood was not taken from his body for two and a half hours after the crash; I can't imagine what it must have been at the time of the crash.

Because a man chose to drive while extremely intoxicated, two wonderful men lost their lives. There are no words that can describe what this loss has meant to so many - not just myself, but to others: we have four grown children, we now have eight grandchildren - we had seven when Ladd was killed - and countless others. My husband was a very special man. He was a Christian in the truest sense of the word, and he touched everyone who ever met him. He was my life, and after nearly a year, I still have no idea how to continue without living with him. I try to take one day at a time; often I'm taking five minutes at a time.

It's my belief that an alcohol tax can make a difference. Perhaps the man who killed my husband couldn't have afforded the beer and whiskey that he drank while driving that day. After drinking on the plane while coming off of a two-week stint from the Slope, he continued to drink in a bar, the airport, with friends; he'd had a rough two weeks. While he was already intoxicated, he stopped and purchased this

beer and whiskey. Most of the whiskey was gone when he hit the car head-on. He had \$7.03 left on his person.

It's also my belief that many lives will be saved by the passing of the alcohol tax bill. But more importantly, if just one person's life is saved, it would be well worthwhile. Perhaps that life saved would be your own, or someone that you loved very much. If you knew this in advance, would it change the way you vote? I suspect it might make a difference. My life and that of my family's will never again be the same. Our joy - the joy is gone, but perhaps the passage of an alcohol tax will save the same devastation from happening to someone else. From the bottom of my heart, I sincerely hope so.

Number 1453

TOM RUTECKI came forth on behalf of himself in support of HB 225. He stated:

I'm a supporter of increasing this tax, first of all as a person that was directly impacted by a drunk driver. My officemate of 16-plus years, [who] was also a mentor and a dear friend, was killed last July by a drunk driver. His name was Richard Carlson (ph). And he was honored by the legislature for his accomplishments to his profession - fishery biology - and to the community. And I think many of your names are on that proclamation that's hanging at the Auke Bay lab. Similar to what happened to Ladd Macaulay, the man that killed Dick Carlson was intoxicated, and he stopped at a local tavern and he became more intoxicated. During the trial it was proven that people said he appeared to be intoxicated, and was given more alcohol. And shortly after he left the bar, he struck Dr. Carlson, killing one of our great people of our community and a good friend of mine.

I think if we had some of this money, maybe we could use it to enforce rules, or maybe people who owned the establishments would be more weary of serving a drunk person if they knew there was enforcement out there to check on it. Maybe it wouldn't, but it can't hurt. And also, from another standpoint as a citizen, there was a fellow in town here that [is] a member of the

majority party [and] lives in the Lake Clark region, and he thinks we need to get some more revenue in the state before we can touch the permanent fund. And I think he knows a little bit about that stuff. One of the taxes he said that I think would be painless to collect would be this excise tax on alcohol.

Number 1338

GENE MILLER, President, Juneau Chapter, Mothers Against Drunk Driving (MADD), came forth and stated:

I am a father who fears for the lives and safety of children. I cannot control the behaviors of drunk drivers and their potential to take the lives of my children or seriously injure them. Others will testify to numbers; however, as best we can determine by oblique measurements, a record of drunk driving and alcohol-related social problems in Alaska rank close to the top of all the states. We believe cost and increasing public awareness [are] powerful means to [lowering] the risk to our children. Sometimes a tax versus a user fee blurs, such as we know persons who drink alcohol in Alaska pay only a small portion of the total cost of alcohol-related problems.

We believe people who drink should bear a larger share of the true cost of alcohol consumption in Alaska. Some in the industry fear loss of livelihood; however, some countries of the industrialized nations promulgate strict laws such as zero tolerance for drunk driving with no harmful loss of jobs in the alcohol industry. Persons adjust their behaviors such as automatically designating a nondrinking driver when attending a party or taking public transportation.

We also know that underage drinkers are sensitive to price and that increasing the price of alcohol in Alaska can lead in a reduction in underage drinking. I urge legislators to support an increase in the alcohol excise tax. It's good public policy and will take courageous leadership. I urge the alcohol industry to support this effort as well. It's the responsible thing to do, and will, I believe, in the long run preserve jobs.

Number 1182

CHIP DUGGAN, Owner, Duggan's Waterfront Pub, testified via teleconference. He stated that he agrees that drunk driving is out of hand; however, it is repeat offenders. He said he doesn't think this tax is going to take care of that problem, and will put a lot of people out of business.

REPRESENTATIVE HALCRO asked Mr. Duggan whether he has a drink price menu.

MR. DUGGAN answered no.

ANNETTE CRAIG, Operations Manager, Don Jose's, Inc., testified via teleconference. She stated:

My concern with this is that I don't believe that at this time we can legislate conscientious drinking. I also don't think you can legislate community awareness. According to the statute, you cannot specify which tax will be used [or] that this tax will be specifically for alcohol reformation.

I believe that the taxation will put a burden on the buyers and the business owners, not the alcoholic. And additionally, the potential exists that small-business owners will be required to reduce staff in order to meet the increased cost, and perhaps go out of business altogether. I also do not believe that the legislators have been unable to [enact] adequate statutes that keep the alcoholic off the road or out of the bar or the liquor store.

A 10-cents-per-drink [tax] is deceptive and does not reflect the true cost to the supplier, the bar owner, or the liquor storeowner. The government does not have the right to the conscience of the public. We've seen the failings of this way too often.

I also find that this tax is too broad, that there's nothing that specifically states how this tax is going to be used in order to meet ... the specific topics that have been raised today - and specifically citing Section 1(c)[(2)], presently [in] the Kenai Peninsula Borough we pay a 5.5 percent tax on all sales. And what I can see from the way that this House bill is written ... this appears to be a double taxation. I

also don't see that this would prohibit our borough from increasing the tax on our alcohol.

Number 0978

CHAIR MURKOWSKI remarked, in response to Ms. Craig's concern with Section 1, that right now the statutes are such that if there is no existing sales tax within a municipality, the municipality is not free to impose an alcohol tax. Section 1 eliminates that prohibition; therefore, that tax is already in place on the Kenai Peninsula.

REPRESENTATIVE HALCRO asked Ms. Craig whether his bar has a drink price menu.

MS. CRAIG answered yes.

KAREN BERGER, Owner, Homer Brewing Company, testified via teleconference in opposition to HB 225. She stated:

The proposed increase hits Alaska beer taxation nearly 53 percent higher than any other state. And I don't feel this is a fair tax increase, and it lends itself more toward prohibitionism. Educating consumers and the training of servers, something that this industry is proactively doing now, will have a greater impact [on] the problem at hand, rather than a tax that cannot be designated by the state.

A fair and equitable tax increase is acceptable if, in fact, the revenues would go toward programs related to the problem. As a manufacturer in-state, I pay much higher production costs competing "pricewise" with Outside breweries who challenge enough. Consumers will now see such a significant price increase, their decision will be based on a lesser Outside product, rather than supporting our local manufacturers here in the state.

REPRESENTATIVE CRAWFORD asked Ms. Berger whether she thinks enough is being done today in alcohol treatment, education, and prevention programs.

MS. BERGER responded that she doesn't know how to answer that because it is not something she deals with on a daily basis.

Number 0812

ALEX FLYUM, Chairman, House Management Committee, Homer Elks Lodge 2127, testified via teleconference. He stated that he thinks the tax being asked for is unfair. He remarked that he doesn't think there have been enough studies done on this, and there should be more input from the general people who have [liquor] licenses and are managers. He said he doesn't see a problem [at the Elks Lodge]; also, he noted, there is a price menu, as well as a cab that takes people home if they have drunk too much.

REPRESENTATIVE CRAWFORD asked Mr. Flyum whom he thinks this tax will be unfair to.

MR. FLYUM responded that he thinks it will be unfair to the entities that have the licenses and to the people who want to enjoy having a glass of wine or bottle of beer. He added that he thinks the 10 cents a drink is deceiving to people who don't know what this is all about.

REPRESENTATIVE CRAWFORD asked Mr. Flyum how it will be deceiving, and how it will cost more than 10 cents a drink. In addition, he asked Mr. Flyum whether he thinks enough is being done today for alcohol treatment and prevention and for education relating to alcohol abuse.

MR. FLYUM responded that the legislature should say that the taxes would be raised up to \$13 a case, rather than trying to say it's only ten cents a drink.

REPRESENTATIVE CRAWFORD remarked that he was under the impression that it would be \$2.40 per case, not \$13. He asked Mr. Flyum whether he could explain that.

Number 0527

MR. FLYUM referred to a chart he had and responded that a 10-cents-a-drink increase would be \$5.60 [for a case of liquor]. The proposed tax increase would raise it up \$12.80, which would raise the price of liquor up to \$18.40 a gallon.

CHAIR MURKOWSKI remarked that the proposed statute is very clear in suggesting [increases of] beer from 35 cents a gallon to \$1.42 a gallon, wine from 85 cents to \$3.41, and spirits from \$4.60 to \$18.40. This, she said, is all in gallons, which most people don't relate to; therefore, [the committee] is putting it

in terms the average consumer can relate to by using the dime-a-drink reference.

REPRESENTATIVE ROKEBERG commented that he objects to Chair Murkowski's reason for characterizing [the increase] as a dime a drink, because it is a marketing tool.

REPRESENTATIVE HALCRO asked Mr. Flyum whether he thinks the alcohol tax should be raised at all.

MR. FLYUM responded that he could see a nominal raise.

REPRESENTATIVE HALCRO asked Mr. Flyum what he thinks "nominal" would be.

MR. FLYUM replied, "Right now, we're being overtaxed. President Bush is trying to give us back some of our money and then we turn around up here and [you are] going to take more money." He remarked that he doesn't think [the tax] should be raised by 228 percent. He indicated he didn't think there would be much of a problem with the industry's going along with a 10 or 15 percent raise.

Number 0199

JULIE SERSTAD, Director, Public Nursing, Norton Sound Health Corporation, testified via teleconference. She stated:

I urge all of you to support the bill, for several reasons. As you are aware, Alaska has the highest alcohol-related death rate in the country - in fact, twice the national rate. We also have the highest instance of fetal alcohol syndrome - four times the national average.

As a public health nurse and as the director of the program for Norton Sound, we deal mostly in our practice with children, and almost on a daily basis have dealt with kids with fetal alcohol syndrome. We know, too, in a survey that we did last year of our prenatal mothers [that] 25 percent of those admitted to using alcohol during their pregnancy, which is a frightening amount. Alcohol is not an isolated public health issue. It contributes to child abuse, as people have testified, domestic violence, the spread of sexually transmitted diseases, the spread of TB [tuberculosis] - and we have one of the highest

incidences of TB in the state of Alaska - and other medical diseases.

As you can see from the facts that Representative Murkowski has put together, we in the Bush ... are number one for alcohol dependence. It is not a figure that we're proud of, and it's one that we would like to change. This tax could help provide important revenue for the treatment of alcoholism, which has the potential to affect several areas of the public's health. We urge you to support House Bill 225 and make a commitment toward the protection of your youth and the public's health.

Last year ... for public health week ... [we] asked the youth in our community to write an essay about taking care of the community. ... One of the issues that they pointed out was the fact that we have in our community, on Front Street, [a] high proportion of inebriated folks along the street. One of the tasks that they asked that public health address was cleaning up Front Street.

Tape 01-52, SIDE A  
Number 0047

TONY KRIER testified via teleconference as a business owner. He said he knows there is a problem with liquor; however, kids think nothing of paying \$40 for an 18-pack of beer - money is of no consequence to them. He suggested there needs to be some way to keep the kids from buying it.

REPRESENTATIVE HALCRO asked Mr. Krier whether he has been in the bar business for nine months.

MR. KRIER answered yes, and said he has lived in Nome for 35 years and has been in the state since 1943. He noted that liquor has not caused any problems to his family, but he still thinks it is too lax regarding how a package [of alcohol] can get into the front seat of a car after the person has been drinking.

REPRESENTATIVE HALCRO asked Mr. Krier whether he would be in favor of additional resources for enforcement.

MR. KRIER responded yes.

REPRESENTATIVE HALCRO said studies show the best way to attack underage drinking is through price sensitivity measures, meaning raising the tax. He asked Mr. Krier whether he would support that.

MR. KRIER answered yes.

REPRESENTATIVE ROKEBERG remarked that if kids will pay up to \$40 for a case of beer and if a bottle of vodka goes for \$80 in the Yukon-Kuskokwim delta, then there is no elasticity for the price of liquor.

Number 0403

JOHANNA BALES, Revenue Auditor, Department of Revenue, came forth and explained the preparation of the fiscal note. She stated that the increase in the tax would cause the need for additional enforcement of the tax, and [the Department of Revenue] is requesting an additional revenue auditor to handle that.

CHAIR MURKOWSKI asked whether the excise tax would be imposed on 29 wholesalers in the state.

MS. BALES responded that right now there are about 25 taxpayers in the state.

CHAIR MURKOWSKI asked Ms. Bales why there would need to be increased enforcement.

MS. BALES answered that when the cigarette tax increased there were complaints of bootlegging and additional cigarettes coming in from other states that had other state tax stamps. She said [the Department of Revenue] has spent an additional amount of follow up time educating the public and checking invoices.

Number 0577

BRETT FRIED, Economist, Tax Division, Department of Revenue, came forth and addressed the contents of the fiscal note in terms of revenue. He stated that for fiscal year (FY) 2002, [the Department of Revenue] is estimating that the revenue increase will be from \$22.5 million to \$24.2 million. In FY 2003 through FY 2007 [the increase] will be from about \$28.2 million to \$30.2 million per year.

CHAIR MURKOWSKI stated that the previous estimates were \$33 million to \$34 million. She asked Mr. Fried whether he could explain the difference.

MR. FRIED responded that if the gallons for FY 2001 were multiplied by the increase in the tax rate, the result would be about \$33 million. [The Department of Revenue] used so-called elasticity measures, the percent change in quantity with the percent change in price. Essentially, consumption responds to a price increase. That was taken from a report that was prepared for the congressional budget office. He stated that it resulted in beer consumption dropping from 3 percent to 8 percent, wine [consumption] dropping from 11 percent to 15 percent, and liquor consumption dropping from 7 percent to 11 percent.

Number 0759

REPRESENTATIVE HALCRO asked Mr. Fried what currently is taken in through the alcohol tax.

MR. FRIED answered that from FY 1988 through 1998 it was about \$12 million a year, and then in FY 2000 it was \$12.7 million. The department believes FY 2001 will bring in \$12.3 million.

REPRESENTATIVE ROKEBERG asked what the decrease would be attributed to.

MR. FRIED remarked that the decrease occurs mostly in beer, and [the increase in FY 2000] may have been that because of the millennium, since there was a higher consumption of beer. In response to a further question, he said the first year of the revenue increase is lower because [the department] assumed the stockpiling effect of about 20 percent of the increase. For cigarettes, he noted, approximately 200 million cigarettes were stockpiled, which was about \$10 million in total revenue.

REPRESENTATIVE CRAWFORD asked Mr. Fried what the total amount of alcohol sold in the state is.

MR. FRIED responded that he doesn't have a dollar figure.

ANDY SWANSTEN, Operations Director, Gastineau Human Services Corporation, came forth and stated that he is in correction and rehabilitation by trade and is also a consumer of alcoholic beverages. Passing a tax, he said, is not going to stop drunk driving or cause domestic violence to disappear. Alcohol is part of the social fabric of this state and of this country.

There needs to be additional funding for enforcement, prevention, and treatment, which is what this is really about.

MR. SWANSTEN shared that Ladd Macaulay was a co-worker of his wife's and that Martin Richard was his wife's supervisor. Mr. Carlson, he said, was a professional colleague of his father, and the individual who killed Mr. Carlson ended up in one of the [Gastineau Human Services] programs pending his trial. He commented that this is truly a user fee and added, "If you don't want to pay the tax, don't buy the alcohol."

Number 1120

GREG PEASE, Executive Director, Gastineau Human Services Corporation, came forth and stated that on a national level many organizations are now referring to [alcohol] as "alcohol and other drugs" so that people do not misconstrue the idea that alcohol is not a drug. After many research studies in prisons across the country, it has been shown that much of the violent behavior by violent offenders was committed while on alcohol alone. He stated:

Gastineau Human Services was the first "alcohol and other drug" treatment program in the state of Alaska, founded in 1965 during the Egan Administration. We also started the first community residential center for the Department of Corrections in 1983.

I serve on a number of national and international committees and boards for a number of organizations, three in Alaska: the Alaska Coalition on Housing and Homelessness, the Alaska Substance Abuse Director's Association, and I served on the Alaska Criminal Justice Assessment Commission or the CJAC - the alcohol committee and the "decriminalization of the mentally ill" subcommittees. This commission was made up of private members, public members, private business people, attorneys, judges, commissioners, victims, members of the legislature - both sides of the aisle, both chambers. The recommendations in the final report to this body were researched and rationally debated, and the message is clear, very clear: alcohol is a primary or contributing factor in 80 to 95 percent of all criminal offenses committed in Alaska. And the percentages are even higher among Alaskan Natives: 97 percent.

Almost every state departmental budget is affected by the abuse of alcohol. The cost of this abuse - the majority borne by non-abusing Alaskans who pay increased insurance, medical costs, alcohol-related accidents - it's close to \$250 million, as we heard today. Every year private businesses, like the ones who sell the product, are among those affected as well, in lost employee time at work and employee turnover.

Since little of the cost of alcohol abuse is offset through the collection of the alcohol-related revenues, [which] we just heard were around \$12.3 million, the first recommendation of the CJAC report was to increase the statewide excise tax on alcohol. The second was to allow municipalities to do the same. The cost of incarceration, we all know, is horrendous.

The recent Newsweek article on addictions pointed out that we, as a state, will never be able to incarcerate our way out of the problem of addiction. The movement nationwide is prevention and treatment. [Proposition] 36 in California [and] a number of propositions in Washington State, among other states, are now coming forward for treatment over incarceration. I applaud the therapeutic court bill, although the research has been around for over a decade that drug courts do work. They should be implemented right now in every community in the state.

Treatment works and has reduced the cost of alcohol abuse significantly. For example, one year after treatment, recidivism or rearrest had decreased at the following rates: in Ohio, 90 percent; Minnesota, 90 percent; Hawaii, 87 percent; Florida, 82 percent; Colorado, 80 percent; Texas, 80 percent; Maine, 79 percent; California 60 percent. [There were] savings in the criminal justice system, safer communities - on which most of you probably ran in your campaigns - and ... few victims of crime and aberrant behavior. Oregon saved \$83.1 million in reduced cost over three years. Minnesota saved \$28 million and recovered 67 percent of its investment in treatment. And after only six months, Iowa saved \$87 million from reduction in criminal behavior.

You are the stewards of our money, as it's been pointed out, so it's really [a] "pay now or pay later" proposition, and the economic facts speak for themselves - cost savings. As a treatment professional and criminologist, I'm here to remind you that the outcome measurements and research are in. The empirical data is irrefutable.

Raising taxes reduces consumption and thus those problems associated with over-consumption and abuse. Everyone saves not only money but also families and friends. Ladd Macaulay was my friend as well. ... It's about better business. It's about better public business.

For 15 years I have seen firsthand the ravages of alcohol abuse. And like many other states, our state spends 4 cents out of every dollar on prevention and treatment, and the remaining 96 cents on mopping up the mess. It's time to move forward with as many resource options as possible, this being one. I'll end my testimony with a quote by an Alaska state trooper during the CJAC meetings, who described to me the problem of alcohol in rural Alaska as "the river of death." It does not get any more serious than that.

Number 1477

REPRESENTATIVE ROKEBERG asked Mr. Pease whether he supports mandatory treatment for incarcerated people.

MR. PEASE answered yes, and stated that it has been proven that mandatory treatment is just as effective as voluntary treatment.

REPRESENTATIVE ROKEBERG asked what the costs would be.

MR. PEASE responded that the cost at Lemon Creek Correctional Center is \$48,000 a year for the treatment program.

REPRESENTATIVE ROKEBERG asked how many people are in the program.

MR. PEASE answered that right now there are more than 60.

REPRESENTATIVE ROKEBERG related his understanding that the ASAP (Alcohol Safety Action Program) program is underfunded right

now. He asked whether there is a problem in Juneau with the reimbursement from the Department of Corrections.

MR. PEASE responded that the contracts have changed significantly. The [counselor] is not paid for time off and can only work so many hours. He said the program should really have two counselors.

Number 1574

REPRESENTATIVE ROKEBERG asked how long the program lasts and whether it varies with the individual.

MR. PEASE replied that it varies in the individual's assessment. It should work, he said, where someone who is six months short comes out through a community residential center and the treatment follows right along. He remarked that the "bootleg" programs are only effective when they have a treatment component combined. Most of that treatment occurs after the person has left the "bootleg" and is in the community.

REPRESENTATIVE ROKEBERG asked whether six months is the minimum target length.

MR. PEASE answered yes.

REPRESENTATIVE ROKEBERG expressed interest in seeing additional information on claims from other states about their savings.

Number 1650

KEVIN RITCHIE, Executive Director, Alaska Municipal League, came forth and stated that very often in municipal government, and in tax issues in general, a relationship between the tax and the service provider is created. Certainly, he said, in the area of alcohol abuse there is a direct relationship between the sale of alcohol and the requirement of government services.

MR. RITCHIE explained that on a local level, the bill allows municipalities to increase local sales tax on alcohol by a vote; right now, that is the only commodity for which that special restriction is in place. For example, hotel rooms commonly have a higher rate of sales tax than the general sales tax, which is done through a vote of the people. He pointed out that a section of state law currently precludes that from being done at a local level and prevents local voters from voting on a higher sales tax for alcohol or imposition of a sales tax at all, if

none is available in the local community. This bill would remove that restriction and allow local voters to decide for their community whether to raise the property tax or the alcohol tax, or to use some combination to pay for required services.

REPRESENTATIVE ROKEBERG asked whether Fairbanks and Anchorage are the only communities that don't have a sales tax.

MR. RITCHIE responded that 98 communities have sales tax, or 161 cities and boroughs together. Of the larger communities, [Fairbanks and Anchorage] are the two that don't.

REPRESENTATIVE ROKEBERG asked Mr. Ritchie whether, according to [Version L], there could be a sales tax over and above the normal sales tax.

MR. RITCHIE answered yes.

REPRESENTATIVE ROKEBERG asked Mr. Ritchie whether he is aware that the Municipality of Anchorage voted to reject an alcohol sales tax.

MR. RITCHIE responded that the municipality has rejected several sales tax issues.

Number 1795

CINDY CASHEN, Mothers Against Drunk Driving (MADD), came forth and stated that she is a victim of drunk driving. She said:

MADD strongly supports House Bill 225. Without a decent excise tax increase, more Alaskans will be killed. When programs go unfunded, treatment centers have a waiting list so long they ... quit taking names, laws on the books are not enforced, and alcohol abuse education is not taught in our schools. ... We will have more Alaskans killed by drunk driving and underage drinking. It's that simple. When we don't put money where it's needed, then the problem grows. MADD is concerned over the fact [that] Alaska does not have enough ABC [Alcohol Beverage Control] officers to enforce the laws passed concerning selling to minors and inebriated persons. Five officers covering the state of Alaska are not enough.

The person who killed my father bought from a liquor store while obviously intoxicated, according to

witnesses. Had there been enough ABC officers in the state, that store would probably had not felt as comfortable selling to someone who staggered in reeking of alcohol. MADD is concerned over the fact [that] Alaska does not have enough state troopers. The person who killed my father felt comfortable becoming impaired, buying more alcohol, and drinking it for almost two hours on the Seward Highway. Had there been a sufficient number of state troopers, the drunk driver might not have felt as confident doing this, or might have been apprehended before he took the lives of my father and Martin Richards.

Alaskans need this source of income to protect our loved ones. Yes, it's a tax, and not everyone believes in taxing, but alcohol is different. Alcohol comes with a price tag. It's the real world. Where there's alcohol, there's abuse. We can't expect the offender to pay for all the thousands of dollars it costs the state, because usually the offender doesn't have that kind of money. Offenders don't just grow out of trees. They don't wake up one day and decide they will become alcoholics and drink and drive. These people were once little kids; they were once teenagers; they were once at an age where consistent alcohol abuse education could have made a difference in their lives.

When a child does not know the dangers of [a] drug, what is to prevent that child from taking it? We don't have education programs in our schools concerning alcohol abuse and the dangers of underage drinking. And we owe it to our children to provide what we already know: that underage drinking and drinking and driving kills. They don't know this, but they need to, before our children of today become the drunk drivers of tomorrow. The man who killed my father could have used that education when he was a little boy, but it's too late for him now. It's too late for his family now, and it's too late for me and my family. MADD encourages this committee to support this bill.

REPRESENTATIVE KOTT asked Ms. Cashen whether it is the position of the national MADD organization to support an alcohol tax increase.

MS. CASHEN answered that it certainly is.

Number 1968

DOROTHY CUNNINGHAM, President, Kenai Cabaret Hotel Restaurant & Retailer Association (CHARR); Owner, Vagabond (ph), testified via teleconference. She referred to Section 3, which states, "(1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction of a gallon". She asked whether a fraction of a gallon will cost \$1.42 or a fraction of \$1.42.

CHAIR MURKOWSKI stated her understanding that it would cost a fraction of \$1.42.

MS. CUNNINGHAM asked where the fees for an alcohol license are being spent. In addition, she stated:

We all know that there's a problem with underage drinking. We also know that it's being policed and enforced in the Kenai area quite heavily. One thing about ... having more taxes on our product ... [is] it's also going to lead to theft, simply because if [minors] can't afford it, they're going to steal it. It's happened time and time again. ...

I feel this particular tax is highly out of the ordinary. I don't mind paying a tax. I don't mind giving a portion of my product money or my profits to combat alcohol abuse. But I think this will put me out of business. And in doing that ... it puts all of my help on the welfare line.

CHAIR MURKOWSKI noted that someone will be able to answer some of the questions Ms. Cunningham had raised.

Number 2117

REPRESENTATIVE HALCRO asked whether her bar is stand-alone or is attached to a hotel.

MS. CUNNINGHAM responded that it is a stand-alone bar with a liquor store.

REPRESENTATIVE HALCRO asked whether there is a price list.

MS. CUNNINGHAM answered that there is.

REPRESENTATIVE ROKEBERG, in response to a question raised by Ms. Cunningham, stated that almost all of the fees go into the general fund.

MS. CUNNINGHAM asked whether those fees are figured into the \$12 million that comes from alcohol revenues.

REPRESENTATIVE ROKEBERG answered no.

Number 2160

GARY SUPERMAN, Owner, Hunger Hut, testified via teleconference. He stated:

I plan ... [on] coming up with a group that can get together and rationally fight what I view as an irrational proposal. First of all, this is a 300 percent increase on us, the owner-operators of this section of the industry. Our business is not a large business; I have a little walk-in liquor store. I was going through the books this morning, going through some of the spreadsheets and trying to tie it in with some of the increases that are being proposed here, and it's going to make it really tough on us. ... My wife and I have pretty much put our savings -- I'm 50 years old. We inherited the place from my mother-in-law. I put several hundred thousand dollars into the business, built a new motel, and we're just starting now to climb out of that debt. This is really going to be put some kind of damper on the plans that we have for any kind of new expansion. ... I have never heard of an increase to any industry of this magnitude. ...

I think most of the rational people in the industry are not opposed to some type of increase in the taxation. ... But there is so much pretense that is wrapped up in this bill that I don't know how you, as responsible legislators, can actually be forwarding this. The idea that we are going to somehow legislate righteousness into society is something that we tried for a long, long time, and it's not going to happen. It never has happened, and it never will happen.

People drink [and] there are abusing people. What can we do about it? I have my own ideas, ... civil restitution. You people probably aren't aware of

that; you think that we should all be responsible somehow for everybody. I don't mind being responsible for some people. And believe me, as a bar owner, I am responsible.

Number 2278

MR. SUPERMAN continued:

When people walk into my place, I'm totally responsible for them, because the state says I am. ... We're responsible because we've been stuck with third-party liability, which has put our insurance rates unbelievably high. We cannot serve, legally, anybody over the BAC of .10. ... By lowering [the] BAC, I don't know what that going to do, other than put the onus back on us as the small operators. ...

I also see this bill ... as a revenue-collection device. ... And it really kind of bothers me, when I look at the makeup of this committee, which is pretty much an Anchorage crew, and then I see this piggyback thing for the municipalities to be able to enable themselves to go ahead and institute a special tax for alcohol in their own municipality. ... I'm really reluctant to become a revenue collector for the state.

There are so many ... propaganda mistakes in the sponsor statement that I think you've done a disservice to a lot of the people who have come to the committee hearing today. One of the things that really sticks out [for] me here is ... in the sponsor statement we don't include the tourists that come. What has happened to them, with all of these figures that everybody has been touting today? ... We've got 1.4 million visitors. ... We're not factoring those people in there; that's twice the population we have in this state. Of course, you do have some qualifier at the end here of your sponsor statement sheet that states that we don't have any really good figures on the tourists coming up here. ... However, you use their numbers to skew the numbers. As a responsible business owner, I would go along with a tax increase, but this is totally irrational, and the impact on small business owners is going to be extremely detrimental.

Number 2425

CRYSTAL SCHOENROCK, Cabaret Hotel Restaurant & Retailer Association (CHARR); Owner, 4 Lands Bar, testified via teleconference. She stated that she is shocked [with the increase], and thinks it is too much. She said this would put her out of business. As far as a private prison, she said [people in Nikiski] are not for that. She added that teenagers are going to get [alcohol] regardless [of the price].

TAPE 01-52, SIDE B

JAMES FITZGERALD, Owner, The Rendezvous, testified via teleconference in opposition to HB 225. He stated:

I think this tax is totally unfair. You trying to tax us to ... put money into special-interest groups, and the money will have to go into individual funds. If those people need to get more money, they need to go to Juneau and lobby to get more money. You want to increase our taxes so high as to put us out of business. Our business here in Kodiak is down already. This industry isn't too good, and the logging is gone. We are not the root of all evil. We are combating the kids that try to buy alcohol. We take care of the people who come into our establishment. We're not the cause of kids in foster homes. We're not the cause of people that have problems with prisons. ... We're trying to do the best that we can. ... You're trying to set morality, and that's not the way it works.

REPRESENTATIVE HALCRO stated that this committee isn't trying to legislate morality, but trying to come up with a way to pay for \$250 million in costs that are incurred by the sale of alcohol, which is a legal product. He asked Mr. Fitzgerald, if [the legislature] does not tax alcohol to pay for the problems that alcohol causes in the society, who should pay for it.

MR. FITZGERALD answered, "Everyone in the state."

Number 2357

ANDY LUNDQUIST, Owner, Tony's Bar, testified via teleconference that he is opposed to this legislation in four different areas. He stated that he thinks the bill is deceptive and unreasonable.

APRIL SMITH, Manager, B & B Bar, testified via teleconference. She stated:

I am a manager of a small bar here in town, and we primarily cater to the fisherman, which everybody knows the fish industry is not doing very [well]. Our bar's already feeling the weight of the environment coming down, and I do not believe that this increase in taxes is going to help stop some of the crimes that are going on because of them. I do not believe that welfare will go down because you tax us more. I do not believe that drunk driving will go down because you tax us more. I do not believe that men will stop beating their wives because you tax us more. I do believe that there needs to be taxes to pay for these things, but I also believe that all of us need to participate in those taxes and not ... target certain areas.

Number 2231

ELIZABETH STARK, Bartender, Mecca Bar, testified via teleconference. She stated:

I accept responsibility for my own actions. If I have a cocktail, I accept the responsibility for making sure I don't drive home. I do not feel that it is my responsibility to pay and be penalized for the irresponsibility of others. Until our representatives can appropriate the monies they already have available in a way that actually has a positive effect in combating the abuse of alcohol, it (indisc.) that the person who acts responsibly and (indisc) should be forced to pay more taxes. As for not having a hardship with the increase, I'm glad that Representative Murkowski doesn't; however, my landlord, the electric company, and [the] gas company are going to have hardships when I can't afford to pay them due to my future unemployment status.

It's a shame that our representatives can't have more compassion for the majority of the people that they represent, since most of them are employees with service industry, and service is including alcohol. Since we are rated number one and number two, depending on which report you read, as the industries in Alaska serving tourists and locals, I really feel

it's hurting your constituency more than just the hardcore alcoholics. Besides, the bill ... isn't about ... taking the money to put toward rehabilitation. I think it's more a prohibition of alcohol. If you can take the money and tell us exactly what you're going to do with it, how are you going to use it to better people in our communities and our communities in general? You'd probably get a lot of more support than just taking it and sticking it toward the general fund.

Number 2147

BILL MARSH, Manager, Mecca Lounge, testified via teleconference in opposition to HB 225. He stated:

I believe there has been some research done prior to the writing of this bill, and a lot of that research was based on statistical information provided by different organizations within the state. I believe, as individuals, if we sat down and we dissected all the information that was provided to you, we could, ourselves, find problems within the information that you are now standing with, such as alcohol abuse. In the criminal justice system there is a lot of record keeping concerning alcohol abuse, and not just the intoxication level, but as to whether or not an individual had consumed any amount of alcohol. It could have been ... half a glass of beer. If he had been contacted by a public safety official, he would have been listed as been somewhat intoxicated. They don't list the level of intoxication; they don't view a BAC investigative report on any of the individuals that they contact.

So, in essence, we're saying that an individual at home who's involved in a domestic violence situation - drinks a half of beer - if an officer is called to his house, and he is contacted, you can arrest [him and] he is taken to jail; then the report reflects that alcohol was involved in that situation, when in actuality the alcohol may not have ... created that situation whatsoever.

So I think that if we dissected any of those informational reports that you are basing some of your decisions on, we could find a lot of problems in those

areas. We do have a foundation within the state of Alaska to assist and provide care to people that do have problems. I think we do a very good job in the state of Alaska in providing that care. I think our downfall is in our public safety enforcement areas. We need more cops on the street. We need more enforcement abilities, and that comes through funding. I think the tax ... is going to put a lot of people out of business. ... I am not opposed to a tax; I am opposed to this bill as it stands right now.

REPRESENTATIVE ROKEBERG asked Mr. Marsh what kind of a tax increase he thinks would be reasonable.

MR. MARSH responded that he thinks the tax should be directed at the state as a whole; this is a public problem.

Number 1944

SUSAN PHIPPS, National Alliance for the Mentally Ill (NAMI) Juneau, came forth and stated:

I'd like to thank you for keeping your eyes and your mind and your heart focused on the 10 percent tax in House Bill 225. Your decision and recommendation is important to the everyday people in Alaska. I believe that the revenue generated from a tax like this ... could increase Alaska's recovery from some of the effects from alcohol consumption. How? We need more prevention programs. Susan Alsey (ph), who's a Ph.D. with University of Alaska, the Department of Pediatrics and Epidemiology, was the opening speaker at this year's Southeast Alaska drug and alcohol conference in Juneau. She stated that it costs 30 times as much for a lifetime of care for a person with FAS [or] FAE [fetal alcohol effects] when compared to the costs of the education of birth mother. How can we spend this money? We need more treatment ... centers.

NCADD [National Council on Alcoholism and Drug Dependence] ... statistics show that 300-plus persons are on the waitlist to get into the rehabs in Alaska. Why only 300-plus? Because that's the cutoff number; they don't keep any more. ... And I believe that we all realize the value of recovery. How, I ask? ... More funding to enforce laws that are already on the

books, like highway safety patrols and preventing sales to minors and to inebriated persons. And I believe one component is to divert people who suffer from addiction from prison into treatment.

Finally, I ask you to keep the tax high. It hasn't been raised for many years, since 1983. Now's a good time to fund the repairs, to pay for the damage, and to begin to build a healthier, more informed way of thinking about alcohol. ... As Alaskans here, ... we are making a statement about our commitment as a state toward healthy choices, and about our responsibility to care for one another.

Number 1808

JANE DEMMERT, Executive Director, Alaska Commission on Aging, came forth in support of HB 225. She stated that the first resolution that was passed by the commission this year was in support of an increase in the excise tax for alcohol. She said:

One of the interesting aspects that I have come to appreciate by the commission, with which I've been associated for six years, is that while it's made up of people who are 60 and older, they truly do have a concern about all generations. And as we all know, through personal experience, we all are aging, and we're aging at the same rate. What we understand, and what the commission has been very concerned about, is the profound impact of extreme uses of alcohol in Alaska. This testimony today has discussed and very dramatically described how profound that impact is.

Of particular significance, I think, is what's happening to unborn children from the use by their mothers. There's a lot of research also on the impact on unborn children by the use by their fathers. We have had family experience in raising kids who it would appear have been affected by that kind of use by their mother, and it is indeed something that all Alaskans share as an impact. The social costs of our current situation are very high and very profound.

The second point that I would like to make is that in looking at this kind of an action, I think the key factor for our commission is action must happen. We have so much ground to make up, and we hope that you

will be a part of that solution. And we will support you in every way we can.

Number 1701

MATT FELIX, Director, National Council on Alcohol and Drug Abuse, came forth and stated:

In a previous life, I was state director of alcoholism and drug abuse services in the '80s, and I want to clear some things up from my past experiences. ... The committee has heard that the costs to the state are around \$250 million. This figure was cited because it was included in an annual state plan in 1989. And the figure ... only includes state department costs: Medicaid, Medicare, DFYS [Division of Family and Youth Services], health and social services costs, and Department of Corrections costs, primarily. It does not include any private-industry costs; it does not include any healthcare costs. It does include the treatment of alcoholism and drug abuse funded by grants. The figure is 12 years old. At that time, we estimated the costs conservatively were 15 percent of the budget. So, if you use that same 15 percent, ... the 15 percent of \$2.4 million budget this year, ... it would probably be somewhere well over \$300 million. ...

This tax is a very mild tax. As you've heard, it hasn't been raised since 1983; I was part of that movement as well. The tax is really not a tax in the sense that it is a specific product tax. It's more or less a user fee. ... Of course, abstainers will not pay this tax at all, and a moderate drinker probably will not feel it. ... Three hundred percent is still ten pennies. ... Nobody's not going to take a drink over ten pennies. As a matter of fact, you go to any town in Alaska and order the same beer in three different bars you're going to get three different prices. It's an extremely elastic ... price ratio that bars use.

Number 1492

DON SKEWIS, President, Cabaret Hotel Restaurant & Retailer Association (CHARR), testified via teleconference. He stated:

Our industry is the largest private employer in the state. One out of four of our children start out with their first job being in our industry. ... CHARR was the organization that actually voluntarily put up an alcohol tax. We taxed ourselves in the old days. ... In 1982, the state was bringing in around \$15 million in alcohol taxes; as of now, we're bringing in about \$12 million. That's with about 60,000 more people living in Alaska. That would tell me, if we're consuming less, then something's working. Now this doesn't include the tourist factor that people are talking about. ... Also, ... in Anchorage there [are] 30 percent less licenses than there were in those days when we first instituted that alcohol tax.

I know you're under a lot of pressure from the knee-jerk reaction from that terrible accident. ... The people that cause these accidents have six DWIs [driving while intoxicated] and have no driver's licenses. Raising the alcohol tax is not going to keep people like that off the road. ...

Fifteen years ago, this industry proposed something to put mandatory insurance on vehicles, which means if you didn't have a driver's license, you couldn't possibly insure it. If you ... dropped your insurance, ... they come and get the license plates off your car, and it costs you a lot to get them back on. ... If you let somebody else drive your car without a driver's license, you could lose your vehicle after a second offense on that. So, we have thought about this ... in this industry for a long time. ...

We've got quite a week coming at us. We have shorter-hour bills at us. They want to make us the police by trying to check every person for an ID [identification]. ... On top of all that, they want a 300 percent or a 600 percent tax - all this because of those accidents, not to mention that this industry has just got a big raise in the workman's [compensation] and they are trying to raise our unemployment taxes.

A lot of us are very small operators. ... I've been in the business for 30 years, and I have never had a violation of any kind. I've had my own business for almost 25 years. I've been going down to Juneau for

almost 25 years and fighting these different things and talking about different situations. But 90 percent ... of our operators operate responsibly; ... 90 percent of our consumers consume alcohol responsibly, but yet we're going to pass a law to tax the responsible drinkers. ...

This last election in Anchorage was really disgusting - 19 percent voter turnout. ... There was an advisory vote on ... [an] alcohol tax. 75 percent of the people in this town wanted that - that's amazing. Let's look how many voted for the 2 percent sales tax. Now, 80 percent of the people in Anchorage, especially because we have no sales tax and because of permanent fund dividends, pay no taxes whatsoever. Yet our population that's over 65 nationally, they're not going to pay for a sales tax, because they pay no property taxes at all.

Number 1178

TIM SCHRAGE testified via teleconference in opposition to HB 225. He stated:

As a lifelong Alaskan, a former Department of Health & Human Services counselor, and a business owner with four package liquor licenses, I understand the author's intent. But it will do nothing to solve the problem of hardcore [drinkers], multiple DWI offenders, repeat domestic violence offenders, or public inebriates. What this type of bill will do is punish the average Alaskan who chooses to drink in a responsible manner. I should suggest that before you make a decision on this issue, you read further the history of the current excise tax. The amount Alaska has received annually has not gone up significantly since 1984. The proponents of this bill would like you to believe it's because taxes haven't increased. The reality is, per capita, alcohol consumption in Alaska has gone down dramatically despite the population increasing by nearly 100,000 residents and over one million tourists a year coming to visit our state.

Alaska has one of the most heavily taxed beverage industries in the nation. I fear that a few of our representatives ... want to change our great state

from being known as the Last Frontier to the "land of excessive taxes." Adding an additional \$31 to an average case of spirits is excessive. Alcohol excise taxes have not increased in 17 years, yet Alaska maintains the fifth-highest liquor tax in the nation.

If you believe that all taxes need to be increased, it should be a reasonable amount that's part of a comprehensive fiscal plan. People are telling you, day in and day out, "We've got a fiscal gap; let's solve it, but let's have a plan for it." [Increasing] taxes by over 300 percent, targeting specific industries, and allowing municipalities to individually tax alcohol is not responsible or reasonable government.

There is no need to impose further taxes on the average Alaskan until current alcohol programs are quantitatively evaluated, based on their fiscal note and, of course, most importantly, on their effectiveness. We're funding programs today that in many cases don't work. Before we increase taxes to fund new ones, let's weed out the programs that aren't measuring up to the tax.

And I'd like to leave you with one little quote ... from the National Institute on Alcohol Abuse and Alcoholism, the government's leading agency on alcohol issues, [which] reported in the October 1996 issue of Alcohol Alert that research suggests that the heaviest drinking 5 percent of drinkers do not reduce their consumption considerably in response to price increases, unlike drinkers who consume on a lot lower level. This type of legislation will not solve the problem you're trying to get out.

Number 0990

REPRESENTATIVE ROKEBERG asked Mr. Schrage about the \$31 per case of spirits he mentioned.

MR. SCHRAGE responded that it is what the tax would be increased to.

REPRESENTATIVE ROKEBERG asked whether that is for a [case] of 12 bottles of fifths.

MR. SCHRAGE answered yes.

Number 0943

JAMES CRARY testified via teleconference in support of HB 225.  
He stated:

I was a prosecutor for the Municipality of Anchorage in 1983 and '84. Eighty-five percent of what I did was alcohol-related. We're talking about DWIs, domestic violence, assaults, disorderly conducts. And I can tell you that we have about 1,500 DWIs in this town every year, and they are not chronic alcoholics. I remember one case in particular, it was an engineer, he had a good job, he drank too much, and he almost killed a kid on the curb. ... Alcohol is a drug, and of course the alcohol industry does not market it as a drug, but that's exactly what it is. It affects your coordination, it affects your memory, and it affects your judgment. The more you consume, the less judgment you have. Unfortunately, when people consume too much alcohol, too often the results are [that] innocent people suffer.

I monitor the daily news and just see what kind of alcohol effects are happening. And in the last year there has been the 12- and 13-year-old boys that got killed by the drunk driver down by Portage; there was a three-month-old child in a village that got shot in his father's arms by an intoxicated neighbor. Those kids were nothing but innocent, and they got killed by someone's abuse of alcohol. I talked to Sergeant Bill Richardson of the Anchorage Police Department today. He's been on the force for 20 years. ... He said 85 percent of what he does is alcohol-related. ... I started by pushing for [a] 25-cents-a-drink increase. I went down to 20 cents, and now it's down to an additional dime. I urge you strongly, please, do not go any lower than an additional dime. Don't raise it to a dime; raise it by a dime. ...

The medical community defines a "moderate drinker." ... For a woman, it's one drink per day; for a man, it's two drinks per day. So this tax would mean an additional \$73 per year for a man, and an additional \$36.50 for a woman.

Let's put some perspective on this. ... We're here today for one reason, and that's because if you increase the price, you're going to decrease consumption. If you decrease consumption, we're going to benefit because you're going to also decrease alcohol abuse. But if you decrease consumption, that means the alcohol industry is going to sell less alcohol [and] their profits are going to be impacted.

You heard from Mr. Fried, the economist, and he was saying that the elasticity was, I think, from 3 to 11 percent. That surprised me; I didn't think it would be that high. But even if it were 1 or 2 percent, we're talking millions of dollars, and that's why the alcohol people are here - it's their bottom line.

I'm here because I am sick and tired of alcohol abuse ruining Alaska. I would like to hear someone come and testify today, or anytime, and tell me how Alaska will be a better place if less alcohol is consumed. No one has ever testified. None of the alcohol people have ever said that, because they can't.

Let's put some more perspective on this. We're talking a 300 percent increase. We're also talking right now 3 and 1/3 cents on a bottle of beer, 3.5 cents on a five-ounce glass of wine, and 4.4 cents on a shot of whiskey. That's a testimony to the effectiveness of the alcohol industry, that they've managed for 18 years to keep the legislature from increasing that tax.

When you have something so abysmally low, you can "play" statistics. Statistics are a wonderful thing sometimes, but they can be abused, just like alcohol. And this is abusive, when you say it's [a] 300 percent increase. If alcohol kept going up the way it was in 1961, the tax would be about 47 cents a drink. We're asking for 10 cents. We have a quarter billion dollars in the state going to deal with alcohol abuse. If you wanted to wipe that out entirely, we'd be talking 80 cents a drink. Ten cents is imminently reasonable.

Finally, these people are all talking, "Everyone's going to lose their jobs." ... The only economic study I know was done by Scott Goldman (ph). And he

said ... you wouldn't lose any jobs. And that's true, because if you lose 1 or 2 percent of your sales, you're still going to have to have the same sales force. And as far as people stopping drinking, like I said, moderate drinkers, this is going to have zero impact. If you don't drink, you're not going to pay.

Number 0514

REPRESENTATIVE ROKEBERG asked Mr. Crary what his margin of loss was in 1995.

MR. CRARY responded that it was about 1 percent. He stated:

The first year we did that, the alcohol industry was kind of caught flat-footed; the second year they were not. ... Anheuser-Busch, Coors, they all brought in thousands of dollars. They were all from the Outside, and they were all able to buy enough 30-second ads that they were able to beat us. We did not have the wherewithal to combat their publicity, but we certainly had the public support. And I think that's evident when you can get (indisc.) 15 to 1 and still pull 49 percent.

REPRESENTATIVE ROKEBERG asked whether, subsequent to those elections, the Municipality of Anchorage had voted to increase to a super majority, at 60 percent, [the requirement] for the adoption of any future sales taxes.

MR. CRARY affirmed that. He remarked that the people behind that initiative were the "alcohol people" as well as merchants who had sold higher-priced goods.

Number 0360

KATHRYN BOGGS-GRAY, Coordinator, Economic Intervention Project, Akeela, Inc, testified via teleconference. She stated:

The primary mission of this project is to evaluate the available research on the impact that an alcohol tax can have toward reducing and delaying drinking by Alaska's youth, and providing education and information to the public about these findings. With over 75 percent of Alaska's students reporting the use of alcohol, our need to address this issue is urgent.

According to the Centers [for] Disease Control [and Prevention], alcohol is a factor in three leading causes of death among young people: accidents, homicides, and suicides. And unlike tobacco, which kills its users in middle age and later, alcohol is a drug that actually kills thousands of young people a year, more than all illicit drugs combined.

Today, numerous studies have been and are being conducted to evaluate the impact of tax increases on reducing alcohol use by young people. The vast majority of these findings make it clear that youth and young adults reduce their drinking in response to price increases more than adults in general, which is especially important given that youth experience [a] disproportionate share of alcohol-related problems.

In a study, for example, in 1984 called "The Effects of Alcohol Price Policy on Youth," researchers found that a beer tax that offsets the effects of inflation [and] raises the tax on beer equal to the tax on distilled spirits would reduce the number of underage drinkers who drink frequently by 32 percent, and reduce the number of underage drinkers who [drink] fairly frequently by 24 percent. The result of this study also indicates that raising the taxes to make alcohol more expensive can be more effective in deterring youthful drinking than raising the minimum drinking age.

In a very recent study released regarding youth drinking patterns, researchers again found that the effects of a beer excise tax [are] highly significant, and that a mere dollar increase per case of beer would reduce youth drinking prevalence by 2 percent. Despite earlier research to the contrary, new studies also show that doubling the tax on beer would reduce the probability of young people using alcohol by 3.2 percent, and reduce their probability of using marijuana by 11.4 percent. There is also clear evidence that there [are] direct correlations between increased alcohol taxes and decreased rates of sexually transmitted diseases among young people, teenage pregnancies, ... school dropout rates, and suicide rates.

In providing this information [through] the community council, PTAs [Parent Teacher Associations], and other service groups throughout the state, it's clear that the people of Alaska take our biggest youth drug problem seriously, and they're prepared to support tax measures aimed at addressing it.

TAPE 01-53, SIDE A  
Number 0058

OBED NELSON testified via teleconference in support of HB 225. He remarked that there has been testimony from around the state on the part of the Industry. He said these people are scared this will have some adverse effects on their businesses; the same kind of "the sky is falling" rhetoric was heard when the bar hours were going to be shortened in Anchorage. However, businesses were able to cut down on overhead expenses.

MR. NELSON said he believes the reality is that the local retailers will pass on the increases to their customers and will not be hurt, although with the elasticity factored in, the Seattle wholesalers will take a hit. He added that his purpose for supporting this tax is to reduce consumption. He stated:

When you can buy alcohol cheaper than a gallon of milk and ... bottled water, something is wrong with our public policy. We all know that alcohol is the number one economic drain to the State of Alaska in terms of problems. I don't have any problem with you as a committee advocating for us to be the number one state in the nation in terms of the collection of this user fee on alcohol.

Number 0329

JEFF BEALLES, Program Director, Catholic Social Services, Brother Francis Shelter, testified via teleconference in support of HB 225. He stated:

I'm immersed daily in the devastating impact that alcohol has on our community. Folks who reach absolutely rock bottom inevitably come to the doors of the shelter that I operate. A lot of the things ... have already been talked about, as far as the devastating impacts of alcohol. The only thing that I would add to that is organic brain damage for a lot of our folks that have been drinking for years.

On another thing, we talked about price influencing consumption, and I just want to offer a real example of that being that case. We had, until quite recently, a situation where there was ... irresponsible - bordering on predatory - pricing of alcohol in this community. The local big grocery store chains that own the liquor stores would advertise their bottom-of-the-barrel vodka for \$4.69 for a fifth of vodka. And we were experiencing peaks ... in public inebriate traffic, in folks passing out or succumbing to alcohol poisoning or folks in really tough shape, [and an] increase in calls to community service patrol and APD [Anchorage Police Department]. We'd notice at varying times of the month this phenomenon was happening. And then we finally caught on and realized that it had to do with when these sales would come on.

When the \$4.69 bottles of ... vodka would go on sale, we had to increase our staff, we were calling police to the shelter left and right, [and] we had to use community service patrol. It was only ... recently when the actions of a community council in town, along with some social providers, finally got to these people and they stopped doing that, and we've seen a little bit of stabilization.

REPRESENTATIVE HALCRO asked Mr. Bealles whether he was referring to the North Star Community Council and the liquor store that used to be located on A Street.

MR. BEALLES answered yes, [the North Star Community Council] was instrumental in getting the store to change the prices on certain beverages.

Number 0573

TRICIA LILLIBRIDGE, Emergency Nurse, Providence Hospital; Injury Prevention Educator, Alaska Injury Prevention Center, testified via teleconference. She stated:

I am here to address several issues that have already been spoken about, but primarily to talk about the impacts of what we are seeing in our community as a result of alcohol behavior. First of all, the problem is not restricted to hardcore drinkers. ... The data

that I can share with you right now comes from our Alaska (indisc.) registry. 25 percent of the people hospitalized with injuries have suspected or verified alcohol impairments. And this is not restricted to the problem drinker; these can be individuals who have gone out, partied, [and] had some kind of an injury event on the way home. They are hospitalized because of those injuries, [and] they have disabilities, probably .. at least short-term, if not long-term. Thirty-one percent of those who had injuries that were hospitalized were billed to Medicaid or they were uninsured; therefore, someone is paying the bill for their medical care.

In Anchorage one in five ambulance runs are alcohol-related. And patients are admitted anywhere from 0 percent alcohol intoxication to over .4 percent. Who's coming in with 0 percent? The victims of the people who are driving drunk. Now, when I talk about victims, I want you to understand that you or your family or the people you care about are at risk of becoming a patient in my emergency room because of someone else's responsible or irresponsible behavior. The issue is that you don't have to have a whole lot of alcohol to have a car crash. Drivers, many times, are first-offense DWIs. They're shocked that they've caused a crash, because they think they're able to drive home.

Number 0699

MS. LILLIBRIDGE continued, stating:

The other issue is that my supervisor, or any other hospital supervisor, may call you or any other Alaskan to inform you that your daughter, your son, your husband, or your wife is critically injured or dead ... because of an alcohol-related event. The families are shattered. ...

I would also like to correct the data that the gentleman gave you who was the third speaker on this hearing. He told you that alcohol crashes were decreasing in Alaska. The Alaska Traffic Accident Report in 1999 states that 44 percent of the traffic fatalities in Alaska were alcohol-related. United States data from the National Highway Traffic Safety

Administration states that crashes in the United States are down from 50 percent to 38 percent in 1998. Ours are up, 44 percent just last year.

What does this mean to you? It means that we've got a big problem. We've talked about the problem; we need to start somewhere. Alcoholism is a disease. It's treatable. It requires dollars; that's your job, as a legislature, to find us those dollars.

In concluding, I would like to also mention the problem with teen drinking. I strongly urge you to listen to what Kathy Boggs-Gray had to say about the teen drinking. We have, in the 1999 behavior-risk surveillance survey, almost 60 percent of the kids reported drinking in the past month. These kids are ... four times more likely to cause a fetal crash while driving under the influence. ... The problem I see is that we have a situation where the teens are getting drunk [and] many of them are doing it in a risk situation. And [in] the school system here in Anchorage you are expelled after your second offense. But now what we have are 12- to 16-year-old kids on the streets because they're out of school. The programs that we have, the few that we have that are excellent, cannot possibly meet the needs of this impact. What I would like to suggest you do is take a look at what's happening on our streets with our kids, put a face on it; that's what it's about. ...

In concluding, I'd just like to say that the DWI taskforce from Anchorage did make recommendations on the drunk driving problem in our state, and did ask for an alcohol tax user-fee increase. Ten cents a drink doesn't seem to me, as an emergency nurse, to be that much money.

Number 0902

REPRESENTATIVE ROKEBERG asked Ms. Lillibridge if she had testified on HB 4.

MS. LILLIBRIDGE answered that she had not.

REPRESENTATIVE ROKEBERG stated that HB 4 is the omnibus drunk driving bill, and that her testimony was perfect for that bill.

Number 0964

DICK ELLSWORTH, Owner, Ivory Jacks, testified via teleconference in opposition to HB 225. In response to Representative Halcro's concern he stated that he does have a drink list. He said:

Obviously, I'm against this bill. I think it's nothing short of a prohibition. I don't know where all these figures come from. ... I went through the list of 109 liquor licenses in the Fairbanks North Star Borough, and I figured 72 of them were very questionable to hang on out of the 109. ... Obviously, the ones that are going to hang on are the big chain hotels, which do employ some people locally, but the profits go Outside.

I think it will also encourage crime. Bootlegging, I'm sure, will make a lot of people rich. And the state and municipality had had a history of ... shortening the bar hours, ... so they encourage after-hours places, and you rarely hear of an after-hours place being busted. And, of course, people that have liquor licenses can't afford to start an after-hours place because they're risking their liquor license, but the people who don't have a liquor license ... are just risking a slap on the wrist and confiscation of that night's liquor supply.

... I don't think this bill is going to be a source of income if a lot of the liquor licenses that you're trying to get it from aren't around to give it to. Who's going to take care of those employees that are out on the streets? I have 16 in my little roadhouse. We've had the place since 1980, and my wife and I have helped out hundreds of charities since then. ... I hope some of the money can take care of the people that the bars have been supporting. ... The bar owners and restaurant owners have tried to get a bill through for 13 years, which would have been video gambling; it's a source of income, and that's been turned down every year. That would have taken care of the municipalities (indisc.) and the charities.

Number 1311

LARRY HACKENMILLER, Owner, Club Manchu, testified via teleconference. He stated that he doesn't have a price list but

everyone knows that his drinks are the cheapest. He said his clientele consists of lawyers, truck drivers, Teamsters, operators, plumbers, pipefitters, and [other] union people. If the tax is increased, those people will probably ask their employers to help make up their cost-of-living increase, which will apply to the CPI [consumer price index] in Anchorage.

MR. HACKENMILLER stated that he would support this bill regarding the removal of the statute that allows the cities and boroughs to tax [at] any rate; he thinks this restriction is necessary to prevent hysteria and propped-up costs to recover budget shortfalls. This would be a discriminating tax, he said, and borders on being a penalty on persons who have not been found guilty of any crime and who have not been given due process.

MR. HACKENMILLER said he appreciates that the \$500 million figure was brought down to \$250 million, but he even questions that. He referred to the language "negative consequences" and said it applies to driving a car and hunting as well. He also said he thinks the extent of the costs from 1983 are the only mathematically correct numbers in "this whole bag of statistics."

MR. HACKENMILLER told members that if this is to be used to get an alcohol tax, then the same formula should be applied to the annual budget spending. He suggested that the legislation first get its spending in order; then, if alcohol abuse is a state problem, all state citizens should pay the costs. He remarked:

I like this idea, though, about these user fees; that's a great concept. ... Well, I don't have any kids going to public school right now, and my borough requires me to pay \$9.5 million. The state law says they have to collect \$4 million in my urban area. ... I know you're probably going to do this, now that you've got this user-fee attitude. You're going to come out with a bill that basically says ... if you do have kids going to public school, you get to pay all those costs. ...

Another thing too: We got some numbers today about how everything works great Outside when they increase the price of alcohol. Well, maybe we should be sending our people out there, because if we're still spending \$250 million a year after we close the bar hours [and] have increased drunk driving arrests, ...

it's not working. ... We need to either audit that or take a look at that from a better point of view. ... If this is a statewide problem, then it should be statewide tax. And I don't think we have to have a tax if we're spending \$500 million more a year than what were taking in.

Number 1590

REPRESENTATIVE ROKEBERG mentioned discussion in the legislature about bringing together both sides of this issue and having some bargaining negotiations. He asked Mr. Hackenmiller whether he was aware of that.

MR. HACKENMILLER responded that the state CHARR had a board meeting in Juneau and discussed the possibility of an increase in the excise tax. The board came to a consensus that they would readily accept an increase in alcohol taxes, but would not support 300 percent or more.

REPRESENTATIVE ROKEBERG asked Mr. Hackenmiller whether he supports the provision that allows the municipalities to make additional taxes.

MR. HACKENMILLER responded that Fairbanks has a 5 percent alcohol tax, and the borough recently talked about having a 2 percent or 5 percent tax. However, the borough has no alcohol-related costs or expenses.

Number 1747

RANDY KELSCH testified via teleconference in opposition to HB 225. He stated that he is in the food and beverage business, and employs about 70 people; he doesn't think that putting a tax on the business is going to shut him down. He remarked that he thinks people employed in this business are already on the lower tier of income and rely on menial hourly wage and tips. Putting an additional expense on an already expensive item is therefore going to impact the workforce. He added that he believes society is responsible for its "weak links" and should not penalize anybody who is associated with alcohol. He asked whether a guarantee can be made that if [the legislature] revises this taxation of alcohol, it will reduce alcohol-related problems. He added that probably less than 1 percent of people who come to his establishment are problem drinkers.

[HB 225 was held over.]

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 7:05 p.m.