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# THE ECONOMIC COST OF ALCOHOL AND OTHER DRUG ABUSE IN ALASKA

MYRA M. MUNSON, COMMISSIONER, DHSS

MATT FELIX, COORDINATOR



STATE OFFICE OF ALCOHOLISM AND DRUG ABUSE  
BOX 805F, JUNEAU, ALASKA 99811-0607  
AK/DHSS/SCADA/89-1

Vol. 1 of 2

# STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF ALCOHOLISM AND DRUG ABUSE

STEVE COWPER, GOVERNOR

P.O. BOX H-35F  
JUNEAU, ALASKA 99811-0607  
PHONE: (907) 586-6201

## FORWARD

In 1985 SOADA completed a study documenting the costs of alcohol abuse and alcoholism to the state. At that time the state incurred \$12.61 in costs for every dollar collected in alcohol excise tax. The enclosed update of this study now shows expenditures of \$13.42 for every dollar collected. Part of the difference can be attributed to the state collecting less alcohol tax dollars (\$14,042,000 in 1984; \$11,862,000 in 1989). Nevertheless, the costs associated with alcohol abuse in Alaska can only be categorized as a fiscal crisis. The increasing costs of alcohol abuse in 1988 were directly due to the increasing number of problems, despite a declining population.

The second report documents the tremendous tragedy alcohol and drug abuse in Alaska. This impact study attempts to show the pervasiveness of substance abuse in our state. The list of statistical indicators is not inclusive, but a conservative attempt to show some obvious areas where the impact could be measured.

The SOADA remains committed to the goal of reducing per capita consumption of alcoholic beverages. This goal singularly offers the best hope for a healthier, less violent state. The savings to government and industry can only be measured in the millions of dollars as well. The staff at SOADA are available to discuss these studies in detail.



Matthew C. Felix  
State Coordinator  
Office of Alcoholism and Drug Abuse

## INTRODUCTION

This document updates estimates of the cost of alcoholism and drug abuse published in 1986 by the State Office of Alcoholism and Drug Abuse for fiscal year 1984. The data in this report covers the most recent year for which a majority of the statistical information could be gathered which is fiscal year 1985. Further updating of this report will be considered as new data becomes available.

The summary figures were calculated using a variety of sources to estimate the percent of each outlay of funds which was related to alcohol or drug abuse. Sources are listed under each table.

The following list describes what types of costs have been included in each cost category:

**Assistance Payments:** Includes AFDC, Aid to the Disabled, Food Stamps and Medicaid;

**Social Services:** Includes Youth Services, Foster Care, Day Care, Institutional Care for Children, Homemakers Services, Protective Services, and Substance Abuse Treatment;

**Criminal Justice System:** Includes Prosecution, Courts, Law Enforcement, and Corrections;

**Department of Public Safety:** Includes the Highway Safety Planning Agency and the Council on Domestic Violence and Sexual Assault, but not the State Troopers, who are counted with Law Enforcement;

**Medical Care:** Costs include API, Mental Health and State Insured Treatment Expenses.

Not all potential costs are included in this report due to scarcity of data in some areas. Some categories excluded are the cost of: health care and social services for Fetal Alcohol Syndrome children; insurance claims for non-state workers; increased insurance premiums due to injuries, property loss and illness; accidents on the job; most ambulance calls; private security; and out of state treatment.

TABLE 1

AID TO FAMILIES WITH DEPENDENT CHILDREN--ASSISTANCE PAYMENTS  
FY 85

Average # of AFDC Cases per Month	Percent Estimated Alcohol- Related	of Alcohol- Related Cases per Month	Average Cost per Case per Month	Cost of all Alcohol-Related Cases	
				Per Month	Per Year
6,373*	15%**	956	\$ 571.92*	\$ 546,756	\$ 6,561,072

Source: \*Div. of Public Assistance, DHSS, Caseload & Benefit Issuance Summary FY84-90; \*\*Vol. I, The Economic Impact of Alcohol and Alcoholism in Alaska

TABLE 2

AID TO THE DISABLED--ASSISTANCE PAYMENTS  
FY 85

Average # of Aid to Disabled Per Month	Percent Estimated Alcohol- Related	of Alcohol- Related Cases per Month	Average Cost per Case per Month	Cost of all Alcohol-Related Cases	
				Per Month	Per Year
2,366*	20%**	473	\$ 224.24*	\$ 106,066	\$ 1,272,786

Source: \*Div. of Public Assistance, DHSS, Caseload & Benefit Issuance Summary FY84-90; \*\*Vol. I, The Economic Impact of Alcohol and Alcoholism in Alaska

TABLE 3

FOOD STAMP PROGRAM  
FY 85

Average # Food Stamp Cases Per Month	Percent Estimated Alcohol- Related	of Alcohol- Related Cases per Month	Average Cost per Case per Month	Cost of all Alcohol-Related Cases	
				Per Month	Per Year
7,208*	5.3%**	382	\$ 272.29*	\$ 104,015	\$ 1,248,180

Source: \*Div. of Public Assistance, DHSS, Caseload & Benefit Issuance Summary FY84-90; \*\*Research Triangle Institute, 1984

TABLE 6  
ESTIMATED ALCOHOL/DRUG RELATED COSTS  
FOR SELECTED SOCIAL SERVICE PROGRAMS, FY '85

Homemaker Services	Day Care	Residential Child Care	Protective Services	Foster Care
\$303,700	\$437,100	\$10,824,900	\$2,259,500	\$6,076,700
Total State Cost: \$ 19,901,900				

Percent Attributable to Alcohol/Drug Problems:

10%*	44%	44%	44%	44%
------	-----	-----	-----	-----

Estimated Alcohol/Drug Related Service Costs:

\$30,370	\$192,324	\$4,762,956	\$994,180	\$2,673,748
Total State Cost: \$ 8,653,578				

The percent attributable to alcohol/drug related problems is based upon a weighted average, determined by a prior survey of actual cases reported by social workers which showed child neglect to be 47% alcohol-related and child abuse to be 32% alcohol related. The resultant is 44%.

**YOUTH SERVICES:**

An estimated 48 % of all Youth Services (both detention and probation) are alcohol/drug related. Youth Service Costs for FY 85 were \$ 13,217,600; \$ 6,344,448 alcohol/drug related.

(\* supplied by The Drug Abuse Report, Vol. 3, No. 18)

Source: Division of Family and Youth Service, DHSS

TABLE 7  
ECONOMIC COST OF SOCIAL SERVICES AND TRANSFER PAYMENTS  
ATTRIBUTABLE TO ALCOHOLISM AND ALCOHOL AND DRUG ABUSE  
ALASKA, FY 85

Category:	Economic Cost:
Social Services	\$ 8,653,578
Youth Services	\$ 6,344,448
<b>Total Social Services</b>	<b>\$14,998,026</b>

TABLE 10  
COST OF ALCOHOL RELATED FIRE LOSS, FY 85

Number of Fire Deaths	29	
Alcohol/Drug Related Fire Deaths	13	45 %
Number of Fires in Alaska	3,469	
Number of Fire Injuries*	116	
Estimated No. Alc/Drug Fire Injuries	52	45 %
Property Loss by Fire	\$ 38,755,796	
Est. Alc/Drug Property Loss	\$ 17,440,108	45 %
Est. Alc/Drug Death Expense**	\$ 50,050	
<b>Total Estimate of Costs</b>	<b>\$ 17,490,158</b>	

\* Service & civilian injuries

\*\* Funeral expenses & burial estimated at \$3,500;  
ambulance \$200; emergency room & physician \$150

Note: Alaska leads the nation in deaths by fire per Capita

Source: Div. of Fire Prevention, Dept. of Public Safety

TABLE 11  
COST ESTIMATION OF LOST INCOME  
DUE TO ALCOHOL/DRUG ABUSE, 1985

CAUSE OF TIME LOSS:	ESTIMATED LOSS
Incarceration:	
DWI Incarceration	\$ 2,732,123
Other Incarceration	22,615,390
Parole/Probation	474,050
Premature Death	6,853,716
Related Injuries	2,342,623
Alcohol/Drug Treatment	5,318,752
Mental Health Treatment	
API (14.1% of pat. days)	458,143
CMHC (4717 hours)	10,083
<b>TOTAL</b>	<b>\$ 40,804,880</b>

Note:

Income estimate: \$18,726 - Dept. of Labor; time loss figured from estimates from the Mental Health Annual Report, Annual Corrections Report, SOADA M.I.S. Annual Report, Vital Statistics Annual Report, and Occupational Health Annual Reports

TABLE 13  
ESTIMATED COST  
OF ALCOHOL/DRUG RELATED ENFORCEMENT, FY 85

COMPONENT	ESTIMATED TOTAL FY 85	ESTIMATED % ALC/DRUG RELATED	EST. TOT. ALC/DRUG REL. COST
Enforcement:			
State Troopers	\$ 33,786,800	45.4%	\$15,339,207
Narcotics Unit	2,557,200	100.0%	2,557,200
Municipal Police	60,017,975	45.4%	27,248,160
VPSO Program	6,505,600	45.4%	2,953,542
TOTAL	\$102,867,575	46.8%	\$48,098,109

TABLE 14-A  
ESTIMATION OF COST OF ALCOHOL/DRUG RELATED  
CASES IN CRIMINAL JUSTICE SYSTEM, FY 85

Prosecution	\$ 10,421,400	35.0%	\$ 3,647,490
Pre-Trial			
Diversion	866,500	72.3%	626,480
Judicial*			
Appellate Court	3,907,770	31.5%	1,230,948
Trial Courts	34,792,330	12.9%	4,488,211
Public Defender	5,320,500	60.0%	\$ 3,192,300
TOTAL	\$ 55,308,500	23.8%	\$13,185,429

Contract Jails      \$ 3,324,100      72.3%      \$ 2,403,324

\*Includes \$ 4,524,700 in Administration & Support Costs

Sources: Kelso Report, Vol.1; Alaska Judicial Council;  
Alaska Court System Annual Report; Fiscal Year 1987  
Operating and Capital Budget - Dept. of Law, Ak Court Sys

TABLE 15-A  
COST OF VIOLENT CRIME COMPENSATION  
TO INNOCENT VICTIMS, 1985

DWI ACCIDENT VICTIMS:
-----------------------

Claim No.	Injury/ Fatality	Age of Victim	Amount of Compensation
84-162	Fatality	17	\$ 4,746.00
84-200	Injury	37	\$ 5,000.00
84-213	Injury	29	\$ 15,000.00
85-003	(same as 84-162)		\$ 500.00
85-032	Injury	32	\$ 285.75
85-037	Injury	21	\$ 834.61
85-068	Injury	31	\$ 1,000.00
85-069	Injury	28	\$ 11,500.00
85-076	Injury	24	\$ 25,000.00
85-083	Injury	33	\$ 4,488.00
85-092	(same as 85-032)		\$ 500.00
85-143	Injury	21	\$ 25,000.00
85-183	Injury	27	\$ 25,000.00
85-191	Injury	10	\$ 850.20
85-262	Injury	35	\$ 2,164.20
85-268	Injury	30	\$ 1,500.00
85-282	Injury	minor	\$ 15,000.00
TOTAL AMOUNT OF COMPENSATION:			\$ 138,368.76

VICTIMS OF OTHER VIOLENT CRIMES:
----------------------------------

TOTAL AMOUNT OF ALL OTHER INNOCENT VICTIM AWARDS:		
	\$ 612,882.09	
AMOUNT ESTIMATED RELATED TO ALCOHOL/DRUG ABUSE:		
	(71.8%) \$ 440,049.34	
TOTAL AMOUNT OF ALL INNOCENT VICTIM AWARDS ESTIMATED RELATED TO ALCOHOL/DRUG ABUSE (77%):		\$ 578,418.10
ADMINISTRATION:		
	(77 % OF TOTAL)	\$ 129,745.00
GRAND TOTAL:		\$ 708,163.10

Total victim compensation by the Violent Crimes Compensation Board for FY 1985 was \$ 751,250.85. DWI related injuries and fatalities are included as compensable. DWI's cost 18.4 % of the total amount given out. Other violent crimes estimated to be 71.8 % (source: Ak. Judicial Council Reports). Total administration costs were \$ 168,500. The DWI compensated cases represent only a small number of DWI injuries that were not compensated from another source, such as insurance.  
Data Source: Violent Crime Comp. Board, Annual Report, 1985

TABLE 15-C  
 COST OF ALCOEOL/DRUG RELATED INCARCERATION OTHER THAN DWI

The average number of persons incarcerated in 1985 was 1,997; 90 % were incarcerated for a felony and 10 % for misdemeanors. 61 % of inmates were incarcerated for violent crimes, 15 % for property crimes, 9 % for substance abuse, and 15 % for other crimes. Estimated percentages of alcohol/drug relatedness are from the Alaska Judicial Council Reports, Dec., 1983, and are shown on page 11 of Alaska Substance Abuse Indicators, 1988. In Nov., 85, a study of inmate sentencing shows that 79.5 % were serving a sentence of over 1 year, 3.3 % were serving an average of 5 months each, and 17.2 % were serving DWI or other unknown time.

Type of Offense	Estimated Time Served FY85 (yrs)*	Estimated % Alcohol/ Drug Rel.**	Jail Time Alcohol/ Drug Rel.
Violence	1,208.7 yrs	72.3 %	873.9 yrs
Drug	179.1	100.0 %	179.1
Property	298.7	51.8 %	154.7
Other	unknown	33.3 %	-----
<b>TOTAL</b>	<b>1,686.5 yrs</b>		<b>1,207.7 yrs</b>

\* Adjusted for % serving less than 1 yr, & % unknown  
 \* Adjusted for 90 % Felony, 10 % Misdemeanor

Based on 1,984 institutional beds and 280 CRC beds:  
 Total alcohol/drug related jail days: 440,810.5  
 Regular alc/drug jail days (87.8 %): 387,031.6  
     Cost @ \$82.49/day = \$ 31,926,236.68  
 CRC alc/drug jail days (12.2 %): 53,778.9  
     Cost @ \$46.16/day = \$ 2,482,434.02

Expense of alcohol and drug related jail time:	\$34,408,670.70
Admin. Support (53.3 %):	\$ 9,466,453.10
<b>TOTAL EXPENSE</b>	<b>\$43,875,123.80</b>

Alcohol/Drug related jail days in 1985 = 1,207.7yrs.  
 Lost wages at per capita annual income of \$18,726  
 are equal to \$ 22,615,390.20.

Sources: Ak. Dept. of Corrections Annual Report, 1985  
 Department of Labor, Research & Analysis

TABLE 16-A  
DEPARTMENT OF PUBLIC SAFETY ALCOHOL/DRUG RELATED  
COST ESTIMATES FOR PROGRAMS AND PREVENTION, 1985

COMPONENT:	AMOUNT:
HIGHWAY SAFETY PLANNING AGENCY:	
408 Alcohol Program Coordination	\$ 10,000
Alcohol Education & Prevention	103,000
Alcohol Safety Action Program*	1,255,700
Alcohol Prosecution	90,000
Chemical People	40,000
Administrative Revocation	26,698
Public Info. & Ed. (1/3 of \$74,000)	24,642
Field Sobriety Tests	12,000
Planning and Administration: ((\$337,400 x 20.1 %)	\$ 67,817
TOTAL HIGHWAY SAFETY PLANNING AGENCY:	\$1,629,827
VIOLENT CRIMES COMPENSATION: (Table 14-A)	708,163
COUNCIL ON DOMESTIC VIOLENCE	
ANNUAL ABUSE (CDVSA): (Table 16)	2,265,350
Grand Total	\$4,603,340
*The ASAP program was transferred to SOADA in 1986 Note: Troopers are not included in this table. Source: 1985 Highway Safety Plan	

TABLE 16-B  
COSTS OF ALCOHOL/DRUG RELATED DOMESTIC VIOLENCE  
AND CHILD ABUSE

COMPONENT:	TOTAL AMOUNT:	ALCOHOL/DRUG RELATED PERCENT:**	AMOUNT:
Council on Domestic Violence/Sexual Abuse	\$ 4,530,700	50 %	\$ 2,265,350
**The percent was from Prevention Forum, Jan., 1989 page 19; Amount of component from Operating and Capital Budget, 1987			

TABLE 18

## EXCESS DEATHS ATTRIBUTABLE TO ALCOHOLISM AND ALCOHOL ABUSE

Age Group	1 Total Deaths By Age	2 Percent Excess Deaths	3 Excess Deaths By Age	4 Years of Productive Life Lost
0-4	175	5.1 %	9	567
5-9	20	40.0 %	8	464
10-14	22	40.9 %	9	477
15-19	53	41.5 %	22	1,056
20-24	93	58.1 %	54	2,322
25-29	116	53.4 %	62	2,356
30-34	107	51.4 %	55	1,815
35-39	104	36.5 %	38	1,064
40-44	105	38.1 %	40	920
45-49	99	25.3 %	25	450
50-54	138	20.3 %	28	364
55-59	159	14.5 %	23	184
60-64	157	10.8 %	17	51
65-69	172	13.4 %	23	0
70+/Unk	560	4.3 %	24	0
TOTAL	2,080	21.0 %	437	12,090

## Sources:

Column 1. Ak. Bureau of Vital Statistics, Annual Report, 1985

Column 2. Column 3 divided by column 1

Column 3. Table 17 applied to Vital Stats. Annual Report, 1985

Column 4. YPLL = mid range of age subtracted from age 65, then multiplied by Column 3

LOST WAGES DUE TO PREMATURE DEATH RELATED TO ALCOHOL/DRUGS:

\$ 18,726/year X 12,090 years = \$ 226,397,340

TABLE 19-B

## ESTIMATED STATE INSURANCE COSTS

Total Amount estimated costs to the State of Alaska through Insurance expenditures due to Alcohol and Other Drug Abuse Treatment in FY 85:

Total Claims Paid for Fy 85	\$ 32,223,711
Estimated Total Inpatient Cost: (41% of total claims)	\$ 13,211,722
Estimated Alcohol/Drug Related Inpatient Costs (6 %):	\$ 792,703
Estimated Total Outpatient Cost: (40% of total claims)	\$ 12,889,484
Estimated Alcohol/Drug Related Outpatient Costs (5 %):	\$ 644,474
Estimated Total Alcohol/Drug Related State Medical Insurance Costs:	\$ 1,437,177

This estimate is only for treatment costs and does not include costs for injuries or diseases caused by alcohol or drug abuse.

Source: Aetna insurance report: "State of Alaska Task Force on Employee Healthcare Benefits Meeting " October 13, 1988, Juneau, Alaska

TABLE 21-A  
ESTIMATED INSTITUTIONAL COSTS OF HEALTH AND MEDICAL  
CARE ATTRIBUTABLE TO ALCOHOLISM AND DRUG ABUSE\*

Type of Facility:	Low Estimate	High Estimate	Average
Acute Care Hospitals:			
Non-Native Private	2,364,553	3,715,807	3,040,180
Public Health Service	1,411,715	2,270,228	1,840,972
Military Hospitals	437,939	700,131	569,035
SUB-TOTAL	4,214,207	6,686,166	5,450,187
Physician's Services			
Non-Native/ Military	5,341,125	15,435,000	10,388,063
Public Health Service	116,600	856,069	486,335
SUB-TOTAL	5,457,725	16,291,069	10,874,397
Other Costs			
Drug & Drug Sundries	546,840	614,960	580,900
Nursing Services	1,782,198	1,782,198	1,782,198
TOTAL	12,000,970	25,374,393	18,687,682

TOTAL LESS STATE PORTION: \$18,687,682 - \$2,119,884=\$16,567,798

\*Update of previous estimate completed by Dennis Kelso, Ph. D., "The Economic Impact of Alcoholism and Alcohol Abuse in Alaska", 1975 Volume 1. pp. 63-99. It is estimated that this 1984 update is approximately the same as the 1985 figures would be.

TABLE 21-B  
ESTIMATED STATE INSTITUTIONAL COSTS FOR HEALTH AND MEDICAL  
CARE ATTRIBUTABLE TO ALCOHOLISM AND DRUG ABUSE\*

API	\$ 1,928,965
Community Mental Health	476,348
State Insured Medical*	1,437,177
Total State Med.	\$ 3,842,490
SOADA FUNDS:	\$15,109,700

\* From Table 19-B

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TABLE 1  
 RATES AND PERCENTAGES OF THE 15 LEADING CAUSES OF DEATH  
 IN ALASKA FOR 1985 WITH U.S. COMPARISONS.

15 LEADING CAUSES OF DEATH IN RANK ORDER OF U.S. RATES	ALASKA				U.S.	
	Rank	Deaths	Rate	%	Rate	%
Diseases of Heart	2	419	77.7	20.1	325.0	7.1
Cancer	3	401	74.3	19.3	191.7	21.9
Cerebrovascular Diseases	5	88	16.3	4.2	64.0	7.3
Unintentional Injuries	1	431	79.9	20.7	38.6	4.4
Chronic Obstructive Pulmonary Disease	6	63	11.7	3.0	31.3	3.7
Pneumonia & Influenza	8	46	8.5	2.2	27.9	3.2
Diabetes Mellitis	13	25	4.6	1.2	16.2	1.9
Suicide	4	118	21.9	5.7	12.0	1.4
Chronic Liver Disease & Cirrhosis	9	39	7.2	1.9	11.2	1.3
Atherosclerosis	14	19	3.5	0.9	9.9	1.1
Nephritis, Nephrotic Syndrome	16	5	0.9	0.2	9.4	1.1
Homicide & Legal Intervention	7	60	11.1	2.9	8.1	0.9
Perinatal Conditions	10	36	6.7	1.7	7.6	0.9
Septicemia	15	8	1.5	0.4	7.1	0.8
Congenital Anomalies	11	29	5.4	1.4	5.1	0.6
Alcoholism *	12	28	5.2	1.3	-	-
All Other Causes		265	49.1	12.7	103.9	12.6
Total		2,080	385.5	100%	869.0	100%

Note: Rates are based on deaths per 100,000 persons

\* Alcoholism is not in the top 15 U.S. causes of death

Source: Division of Public Health, Department of Health and Social Services, 1985 Population, Dept. of Labor, 539,600

TABLE 2-A

ESTIMATED NUMBER OF ALASKANS WITH  
ALCOHOL RELATED PROBLEMS, 1980-87  
(Estimated Using Mardin's Formula)

YEAR	MALE	FEMALE	TOTAL
1980	25,671	5,207	30,878
1981	27,207	5,767	32,974
1982	29,881	6,337	36,218
1983	31,229	6,945	38,174
1984	30,917	7,462	38,379
1985	32,939	7,898	40,837
1986	33,166	8,164	41,330
1987	32,074	8,317	40,391

Data Source: Department of Labor, Population Projections,  
1985; Industry-Occupation Outlook, 1981-1987

TABLE 2-B

ESTIMATED NUMBER OF ALCOHOLICS  
IN ALASKA, 1970 - 1986  
(Using Jellinek's Formula)

YEAR	NO. OF CIRROSIOS DEATHS		EST. NO. OF ALCOHOLICS IN AK.		
	MALE	FEMALE	MALE	FEMALE	TOTAL
1970	23	10	11,031	1,650	12,681
1971	25	17	11,990	2,804	14,794
1972	27	16	12,949	2,639	15,588
1973	13	14	6,235	2,309	8,544
1974	18	17	8,633	2,804	11,437
1975	25	24	11,990	3,959	15,949
1976	33	18	15,827	2,969	18,796
1977	22	19	10,551	3,134	13,685
1978	24	14	11,510	2,309	13,819
1979	24	18	11,510	2,969	14,479
1980	24	12	11,510	1,979	13,489
1981	20	18	9,592	2,969	12,561
1982	27	24	12,949	3,959	16,908
1983	27	13	12,949	2,144	15,093
1984	19	22	9,112	3,629	12,741
1985	23	16	11,031	2,639	13,670
1986	19	14	9,112	2,309	11,422

Data Sources: Vital Statistics Reports, 1970, 71, 73-86; NIAAA U.S.  
Epidemiological Data Reference Manual, 1985; Keiso Report, Vol. IV

TABLE 3-C  
 PER CAPITA SALES, TOTAL SALES AND SALES BY BEVERAGE CLASS, FOR  
 BEVERAGE ALCOHOL AND ABSOLUTE ALCOHOL, FOR PERSONS 14 YEARS OF  
 AGE AND OLDER, ALASKA, 1975, 1980, AND 1983 - 1987.

POPULATION (Age 14 & Older- Drinking age Population)	YEAR	BEVERAGE CLASS	GALLONS PER CAPITA	
			Per Class Of Bev.	Absolute Alcohol
403,041	1987	Dist. Spirits	2.93	1.21
		Wine	3.89	.50
		Beer	33.17	1.49
		TOTAL	-	3.21
408,998	1986	Dist. Spirits	3.04	1.26
		Wine	3.88	.50
		Beer	33.89	1.53
		TOTAL	-	3.28
401,903	1985	Dist. Spirits	3.35	1.39
		Wine	4.09	.53
		Beer	34.59	1.56
		TOTAL	-	3.47
388,632	1984	Dist. Spirits	3.61	1.49
		Wine	3.91	.50
		Beer	35.92	1.62
		TOTAL	-	3.61
370,393	1983	Dist. Spirits	3.66	1.51
		Wine	3.77	.49
		Beer	35.67	1.60
		TOTAL	-	3.60
300,539	1980	Dist. Spirits	3.76	1.54
		Wine	3.46	.45
		Beer	32.74	1.47
		TOTAL	-	3.46
275,665	1975	Dist. Spirits	4.49	1.93
		Wine	2.91	.42
		Beer	30.66	1.38
		TOTAL	-	3.73

Source: Alcohol Sales - Department of Revenue. (Excludes military non-taxable gallons.) Population - Department of Labor. Calculated Using: Spirits: 0.43/1975; 0.411/1980-84; 0.414/1985-87; Wine: 0.14/1975; 0.129/1980-87; Beer: 0.045

CRIMINAL JUSTICE SYSTEM

INDICATORS

TABLE 5-C  
 SELECTED ALCOHOL AND OTHER DRUG RELATED ARRESTS,  
 BY TYPE AND BY RACE/ETHNICITY,  
 NUMBER AND PERCENT DISTRIBUTION FOR ALASKA, 1987.

RACE/ ETHNICITY	DRIVING UNDER THE INFLUENCE		LIQUOR LAW VIOLATIONS		DRUG ARRESTS		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Caucasian	2,924	74.6	1,337	46.8	731	75.9	4,992	64.5
Black	107	2.7	15	.5	77	8.0	199	2.6
Native	850	21.6	1,491	52.2	147	15.3	2,488	32.1
Other	41	1.0	13	.5	8	.8	62	.8
TOTAL	3,922	100%	2,855	100%	963	100%	7,741	100%

TABLE 5-D  
 TOTAL DRUG ARRESTS, BY RACE AND AGE, 1984 - 1987

RACE	1984		1985		1986		1987	
	No.	%	No.	%	No.	%	No.	%
Under 18 Years								
White	265	86.3	249	85.3	188	80.7	138	81.2
Black	11	3.7	7	2.4	6	2.6	2	1.2
Native	29	9.4	35	12.0	38	16.3	29	17.1
Other	2	.6	1	.3	1	.4	1	.5
TOTAL	307	100%	292	100%	233	100%	170	100%
18 Yrs & Over:								
White	304	70.8	329	63.6	315	66.3	593	74.9
Black	21	5.0	59	11.4	64	13.5	75	9.5
Native	103	24.0	121	23.5	93	19.6	118	14.9
Other	1	.2	8	1.5	3	.6	7	.8
TOTAL	429	100%	517	100%	475	100%	793	100%

Sources: Department of Public Safety, Crime in Alaska Reports

TABLE 6  
NON-CRIMINAL BOOKINGS FOR CALENDAR YEARS 87 & 88  
(Protective Custody)

Institution	1987	Jan/July 1988
Anchorage/Sixth Avenue	1,580	677
Bethel/Yukon-Kuskokwim	1,302	803
Dillingham Jail	195	298
Fairbanks C.C.	383	184
Juneau/Lemon Creek	233	137
Kenai/Wildwood Pre Trial	15	19
Ketchikan C.C.	140	179
Nome/Anivil Mountain	173	154
Palmer/Mat-Su Pre Trial	85	51
<b>TOTAL</b>	<b>4,106</b>	<b>2,502</b>

Source: Department of Corrections, 1988, Dillingham P.D.

According to a study published in 1983 by the Alaska Judicial Council, "there is a direct relationship between alcohol abuse and a pattern of continuing criminal conduct. 86.6 % of misdemeanor defendants with a history of alcohol problems also had a record of prior convictions." Although percentages varied by community, the average statewide for use of drugs or alcohol at the time of offense was 73.2 % for misdemeanor defendants.

TABLE 7  
Estimates of Alcohol and/or Drug Use at Offense FY 87  
For Persons Sentenced for Misdemeanors and Felonys

Type of Offense	Total No. Felonys	Est. Alc/Drug Use/at Offense		Total No. Misdemeanors	Est. Alc/Drug Use At Offense	
		%	Number		%	Number
Traffic/DWI				11,609	87.8	10,193***
Violence	953	71.8*	751	3,158	77.1	2,435***
Drugs/Alc**	473	100.0	473	2,260	100.0	2,260***
Property	790	51.4	406	5,788	55.9	3,235***
Fraud/Forgery	192	25.0	48 (vice)	193	55.9	108***
Other	253	33.3	84	2,111	N/A	0
<b>Totals</b>	<b>2,661</b>	<b>66.2</b>	<b>1,762</b>	<b>25,119</b>	<b>72.6</b>	<b>18,231***</b>

Sources: Ak. Judicial Council Reports, Ak. Court System

\*100 % of the Murder & Kidnapping Felony perpetrators were under the influence of alcohol and/or drugs at the time of offense in the base year studied.

\*\*All offenders are counted in this category. All felonies under this category are drug related.

\*\*\*Includes some offenders with a history of alc/drug problems that were not under the influence when the offense occurred.

TABLE 8

ALCOHOL INVOLVEMENT, BY AGE, AMONG DRIVERS INVOLVED  
IN FATAL ACCIDENTS/FATALITIES 1984-1987

	Driver Age Group	Percent Drivers By Age Group	Driver Age Group Alc Related Fatal Acc.		Driver Age Group Alc Related Injury Acc.	
			No.	%	No.	%
1984	0-20	6.9%	14	20.0%	192	18.1%
	21-29	29.2	33	47.1	459	43.3
	30-39	32.2	13	18.6	210	19.8
	40-49	16.8	4	5.7	85	8.0
	50-59	9.1	2	2.9	31	2.9
	60 +	5.9	0	.0	11	1.1
	Unknown	0	4	5.7	72	6.8
	Total		70	32.3%*	1,060	11.6%*
1985	0-20	7.1	6	12.0	96	12.4
	21-29	28.7	27	54.0	343	44.1
	31-40	32.4	10	20.0	205	26.4
	41-50	17.0	6	12.0	80	10.3
	51-60	9.0	1	2.0	26	3.3
	61 +	5.8	0	0.0	7	.9
	Unknown	0	0	0.0	20	2.6
	Total		50	29.9%*	777	11.1%*
1986	0-20	6.7	6	14.6	93	14.1
	21-29	26.8	19	46.3	300	45.4
	31-40	32.7	11	26.8	178	26.9
	41-50	18.1	4	9.8	44	6.7
	51-60	9.4	0	0.0	15	2.3
	61 +	6.3	0	0.0	11	1.7
	Unknown	0	1	2.4	20	3.0
	Total		41	29.4%*	661	10.8%*
1987	0-20	6.8	7	20.6	90	13.4
	21-29	24.7	17	50.0	299	44.4
	31-40	32.3	8	23.5	168	25.0
	41-50	19.4	2	5.9	69	10.3
	51-60	9.8	0	0.0	24	3.6
	61 +	7.0	0	0.0	8	0.6
	Unknown	0	0	0.0	15	2.2
	Total		34	33.3%*	673	12.2%*
4 YEAR TOTAL			195	31.2%*	3,171	11.4%*

\* Percent of all accidents in which drivers were drinking

HEALTH SYSTEM INDICATORS  
OF ALCOHOL AND OTHER DRUG  
ABUSE MORBIDITY/MORTALITY

TABLE 11-A  
PRESENTING PROBLEM AT ADMISSION,  
COMMUNITY MENTAL HEALTH CENTERS,  
ALASKA, FY 84 TO FY 87

Principal Diagnosis At Admission	Number Of Admissions							
	FY 84		FY 85		FY 86		FY 87	
	No.	%	No.	%	No.	%	No.	%
Alcohol Related	15	.23	14	.22	17	.26	18	.29
Alcohol Abuse	370	5.70	332	5.31	310	4.98	263	4.27
Drug Abuse	81	1.25	86	1.37	93	1.40	97	1.57
Total Alc./Drug	466	7.18	432	6.91	420	6.64	378	6.14
TOTAL ADMITS	6490		6255		6620		6161	

TABLE 11-B  
PROVISIONAL DIAGNOSIS AT ADMISSION  
ALASKA PSYCHIATRIC INSTITUTE  
FY 84 TO FY 87

Provisional Diagnosis	Number of API Admissions							
	FY 84		FY 85		FY 86		FY 87	
	No.	%	No.	%	No.	%	No.	%
Alcohol Related	50	4.73	55	4.82	51	4.48	58	5.49
Alcohol Abuse	71	6.72	66	5.78	98	8.61	72	6.82
Drug Abuse	35	3.31	40	3.51	42	3.69	21	1.99
Total Alc./Drug	156	14.77	161	14.11	191	16.78	151	14.30
TOTAL ADMITS	1056	100%	1141	100%	1138	100%	1056	100%

Source: Annual Reports, 1984-87, Division of Mental Health, DHSS

TABLE 13  
NUMBER OF DISCHARGES AND PATIENT DAYS  
FOR ALCOHOL AND OTHER DRUG ABUSE  
FOR ACUTE CARE HOSPITALS, 1982\*

HOSPITAL/REGION	DISCHARGES		INPATIENT DAYS	
	ALCOHOL	DRUG	ALCOHOL	DRUG
<b>SOUTHEAST REGION:</b>				
BARTLETT	48	7	169	22
KETCHIKAN	-	-	-	-
MT. EDGECUMBE	144	2	3,812	12
PETERSBURG	11	0	24	0
SITKA COMMUNITY	30	6	117	12
WRANGELL	24	2	53	4
<b>TOTAL SOUTHEAST:</b>	<b>257</b>	<b>15</b>	<b>4,175</b>	<b>50</b>
<b>SOUTH CENTRAL REGION:</b>				
ANMC/PHS	20	0	244	0
BEA/PHS	-	-	-	-
CENT. PENINSULA	-	-	-	-
CORDOVA	56	0	-	-
ELMENDORF	104	20	832	71
FAITH HOSPITAL	10	1	22	0
HUMANA HOSPITAL	-	-	-	-
KODIAK	89	14	263	35
NAVAL ADAK	10	0	27	0
NORTON SOUND	-	-	-	-
PROVIDENCE	71	9	479	57
SEWARD GENERAL	60	0	290	0
SO. PENINSULA	-	-	-	-
USCG KODIAK	-	-	-	-
VALDEZ COMMUNITY	12	1	39	3
VALLEY HOSPITAL	8	0	53	0
YUKON-KUSKOKWIM	35	0	71	0
<b>TOTAL SOUTH CENTRAL:</b>	<b>464</b>	<b>43</b>	<b>2,285</b>	<b>163</b>
<b>NORTHERN REGION:</b>				
FAIRBANKS MEM.	131	32	657	106
BARROW PHS	31	2	84	3
KOTZEBUE PHS	48	0	215	0
TANANA PHS	-	-	-	-
BASSET ARMY	-	-	-	-
<b>TOTAL NORTHERN:</b>	<b>210</b>	<b>34</b>	<b>956</b>	<b>109</b>
<b>TOTAL STATEWIDE:</b>	<b>756</b>	<b>83</b>	<b>7,416</b>	<b>322</b>

Data is for the last year that an annual hospital report was completed (1983 using 1982 data) ICD-9 diagnostic codes used.

TABLE 14-A  
SOADA ADMISSIONS BY REGION AND POPULATION, FY 1988

Region	1987 * Population	%	FY 88 Admissions	%
Southeast	63,998	11.9	2,469	23.5
Southcentral	374,308	69.6	5,777	54.7
Northern	99,493	18.5	2,258	21.5
TOTAL	537,800	100	10,504	100

Source: Department of Labor News Release, Mar. 1, 1988;  
percentages used are from 1985 DOL Ak. Population Overview

TABLE 14-B  
TOTAL CLIENTS BY SEX, FY 88

Region	Male	%	Female	%
1. Statewide	7,697	73.3	2,807	26.7
2. Southeast	1,830	74.1	639	25.9
3. Southcentral	4,284	74.2	1,493	25.8
4. Northern	1,583	70.1	675	29.9

TABLE 14-C  
TOTAL ADMISSIONS BY RACE/ETHNICITY, FY 88

Region	Caucasian	Alaska Native	Black	Other	Total
Statewide	4,972 47%	5,005 48%	285 3%	242 2%	10,504
Southeast	1,172 47%	1,223 50%	15 1%	59 2%	2,469
S. Central	3,034 53%	2,363 41%	227 4%	153 3%	5,777
Northern	766 34%	1,419 62%	43 2%	30 1%	2,258

TABLE 16  
STATEWIDE ADMISSIONS BY SEVERITY OF ABUSE  
FY 1983-FY 1988 .

Year	Non-Dependent	Dependent	Episodic	Dys-functional	Other Unknown	Total
1983	1,172	3,647	4,059	672	927	10,477
PERCENT:	11.2 %	35 %	39 %	6.4 %	8.8 %	100 %
1984	1,262	5,505	3,456	587	1,686	12,498
PERCENT:	10.1 %	44 %	28 %	4.7 %	13.5 %	100 %
1985	1,427	6,492	2,485	414	1,689	12,501
PERCENT:	11.4 %	52 %	20 %	3.3 %	13.5 %	100 %
1986	1,160	6,941	2,544	465	1,432	12,542
PERCENT:	9.2 %	56 %	20 %	3.7 %	11.4 %	100 %
1987	942	6,727	2,146	530	1,051	11,396
PERCENT:	8.3 %	59 %	19 %	4.7 %	9.2 %	100 %
1988	843	6,559	1,747	410	836	10,395
PERCENT:	8.1 %	63 %	17 %	3.9 %	8.0 %	100 %

Problem Severity Descriptions:

1. Non-Dependent: Experimental or infrequent user who is experiencing trouble when drinking/using drugs; little or no prior history of problem drinking/drug use; may be a younger person.
2. Dependent: User who is progressively experiencing more problems with drugs/alcohol; has indications of psychological or physical dependence, has demonstrated impairment in ability to function and/or has caused interference in normal life functions.
3. Episodic: "Binge" usage causing legal, medical, family or social problems, but has 3 or more month abstinence periods between binges.
4. Dysfunctional: User is alienated from most normal life functions; exhibits considerable dependence, less than productive life characterized by chronic alcoholism or severe addiction.
5. Unknown: Unable to accurately determine severity of problem.

Source of information for this page: SCADA MIS report no. 2310

TABLE 18  
INCIDENCE OF CRIMINAL CONVICTIONS  
AMONG CLIENT ADMISSIONS

TYPE OF CONVICTION:	Number of Clients by Fiscal Year			
	1985	1986	1987	1988
<b>VIOLENCE:</b>				
Criminal Homicide	22	38	27	32
Forcible Rape	34	23	35	30
Aggravated Assault	157	210	198	201
Negligent Homicide	14	39	34	47
Other Assault	359	402	428	438
Weapons	177	180	165	168
Sexual Offense	110	140	119	163
Family Offense	78	89	74	85
ROBBERY	255	370	349	342
CMV/DUI	1027	1778	1500	1288
<b>DRUG SALES:</b>				
Marijuana	51	52	33	66
Opiates/Cocaine	74	86	69	88
Synthetic Drugs	14	17	27	29
Non-Narcotic Drugs	29	25	21	29
<b>DRUG POSSESSION:</b>				
Marijuana	148	144	135	167
Opiates/Cocaine	63	89	76	100
Synthetic Drugs	26	32	40	45
Non-Narcotic Drugs	32	37	28	46
OTHER OFFENSES	839	287	300	281
<b>TOTAL</b>	<b>3,497</b>	<b>4,000</b>	<b>3,653</b>	<b>3,613</b>

Source: SOADA MIS Report Number 2365, FY 1985-1988

TABLE 19-B  
 NO. OF CLIENTS HAVING EITHER A PRIMARY, SECONDARY, OR TERTIARY SUBSTANCE  
 PROBLEM, BY SUBSTANCE & PROGRAM FOR FY 88 (JULY 1, 1987 TO JUNE 30, 1988).

GROUP C	Heroin & Synthetic Opiates	Cocaine	Marijuana/ Hashish	Alcohol	Other Drugs	Total Number Of Clients
North Slope SATS	0	32	76	123	3	126
PATC-Bethel	2	9	114	313	4	315
Bristol Bay Area	1	28	86	404	1	321
Maniilaq	0	6	60	150	6	154
Norton Sound	0	7	55	117	1	121
SEARHC-Rural	2	5	34	109	1	114
SEARHC-ATS	2	17	54	140	7	143
Yukon-Kuskokwim HC	0	0	22	91	0	92
<b>SUB-TOTAL</b>	<b>7</b>	<b>104</b>	<b>501</b>	<b>1,447</b>	<b>23</b>	<b>1,386</b>
<b>GROUP D</b>						
North Slope Inmate	0	9	17	26	0	
Bethel Inmate	0	0	7	13	0	14
FNA Corrections	7	30	60	149	8	168
Kenai Inmate	14	54	128	174	24	191
Ketchikan Inmate	3	15	19	32	2	33
Mat-Su Inmate	19	99	143	238	45	272
Norton Sd. NLRC Cor.	0	2	17	29	1	30
S.Cent. Corrections	15	106	133	159	41	195
<b>SUB-TOTAL</b>	<b>58</b>	<b>315</b>	<b>524</b>	<b>820</b>	<b>121</b>	<b>903</b>
<b>GRAND TOTAL</b>	<b>482</b>	<b>1,954</b>	<b>3,291</b>	<b>9,993</b>	<b>613</b>	<b>10,450</b>

Note: Each Client may have up to 3 problems listed, and therefore may be counted up to 3 times in this data.

TABLE 21  
 ASAP STATISTICS COMPARED TO COURT CASES  
 NUMBER OF MISDEMEANORS & COMPLIANCE  
 1982-1987

YEAR	Total No. of New Cases	No. Cases of Non-compliance	No. of Cases Screened	Total No. Misdemeanor Dispositions
1982	5,920	1,123	4,361	21,457
1983	7,043	1,091	5,259	24,844
1984	8,799	1,840	6,264	23,892
1985	8,944	1,305	6,817	23,899
1986	8,305	1,643	5,983	23,181
1987	7,336	1,251	5,320	23,492

COMPOSITION OF ASAP MISDEMEANOR CASES  
 CHARGE AT TIME OF ASAP REFERRAL

CHARGE AT TIME OF REFERRAL:	1984	1985	1986	1987
Traffic Related:				
DWI/or Reduced from	2,633	2,477	2,113	1,648
Reckless Driving	37	38	47	44
Careless Driving	14	6	7	7
Drunk on Roadway	3	4	1	0
Drinking in Public	2	0	1	0
Theft (shoplifting)	22	47	51	32
Trespass	40	28	30	18
Assault	104	132	180	178
Destruction/Property	22	31	31	22
Disorderly Conduct	33	37	23	18
Other	162	182	199	193
No Charge	0	4	0	0

Sources: ASAP Annual Reports, 1982-1987  
 1983 & 1987 Annual Court Reports

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 14, 1993

FURTHER REFERRALS:

State Affairs  
Judiciary  
Finance

Date of Committee Action: 2-18-93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 52

HOUSE BILL NO. 52 RELATING TO TAX ON ALCOHOLIC BEVERAGES

"An Act relating to municipal taxation of alcoholic beverages; and providing for an effective date."

RECOMMENDATIONS:  the same title  
 be replaced with \_\_\_\_\_  a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note LAW

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>John N. Davis</i>	✓	<i>John Sanders</i>	✓		
<i>W.F. Williams</i>	✓	<i>Don Blund</i>	✓		
		<i>Ed Willes</i>		✓	
		<i>Harley Ellberg</i>		✓	

*Harley Ellberg*  
 CHAIRMAN'S SIGNATURE

# House Bill 52 Municipal Taxation of Alcoholic Beverages

Representative Kay Brown

## Sponsor Statement

### Current Law

Alaska Statute 04.21.010(c) prohibits municipalities from enacting an alcoholic beverage sales tax unless sales taxes are imposed on other sales within the municipality. A 1991 ruling by the Alaska Supreme Court interprets the same law as restricting the *rate* of taxation on permitted alcohol sales taxes to the same rate as other commodities.

So, under present law, unless a municipality had an alcohol sales tax before July 1, 1985, the municipality may not enact such a tax unless they have other sales taxes. Further, the municipality cannot enact an alcohol sales tax that exceeds other sales tax rates.

Clearly, this is an extreme limitation on the rights of local communities to determine the types of revenue measures most appropriate to their needs.

### Public Support

*Both national and local public opinion surveys indicate broad support among voters for alcohol sales taxes.*

On the national level, two-thirds of those surveyed support the imposition of an alcohol sales tax. In 1989, over 82% of Anchorage voters surveyed supported an alcohol sales tax. Last year, 68% of Anchorage property owners surveyed said they would support an alcohol sales tax.\*

### Local Revenue Needs

*Alaska municipalities need the flexibility to meet their revenue needs.*

The need to control state spending will inevitably lead to a greater demand on local revenue resources. Local communities should have the freedom to decide what kinds of legitimate taxation they may wish to impose. Why should the state restrict municipalities' ability to spread the taxation burden

among different groups? Why should only property owners and general consumers be contributors to the local treasury?

The High Cost of Alcohol Abuse

*The abuse of alcohol costs millions in community health, public safety and social services.*

The imposition of a local alcohol sales tax is a way for communities to help pay for the high cost of alcohol abuse. Those who do not use alcohol will pay nothing. Light and moderate drinkers will pay less than heavy drinkers and abusers. Increasing the cost of alcoholic beverages may even discourage abuse.

HB 52

Once enacted, this legislation will free municipalities from the restrictions of state law regarding local alcoholic beverage sales taxes. Municipalities in Alaska will be free to decide whether to impose such taxes and at what rates. Local governments will have greater flexibility to develop additional revenue sources.

\* Partnership for a Healthy Community, Anchorage, Alaska.

House Bill 52  
Municipal Taxation of Alcoholic Beverages

Representative Kay Brown

Sectional Analysis

- Section 1. Amends Alaska Statute 04.21.010(c) to allow municipalities to impose a sales tax on alcoholic beverage sales. The tax may be equal to, higher than or lower than other sales taxes, if any.
- Deletes provisions in current law that restrict municipal alcoholic beverage taxes to municipalities that have other sales taxes, to rates equal to other sales taxes or to municipalities that had alcoholic beverage sales taxes before July 1, 1985.
- Section 2. Effective date, July 1, 1993.

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. HB 52

Revision Date: January 20, 1993  
Title: "An Act relating to municipal taxation of alcoholic beverages..."  
Sponsor: Representative Brown  
Requestor: Representative Brown

Department Affected: Department of Law  
BRU: Legal Services  
Component: Operations  
COMPONENT SERIAL NO. 0093

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

This bill would allow a municipality to impose a sales tax on alcoholic beverages equal to, higher, or lower than a sales tax, if any, imposed on other sales in the municipality. The bill has the effect of overruling Lagos v. City and Borough of Sitka. The bill will not have a fiscal impact for the Department of Law, because it deals with local taxing authority and does not otherwise involve the state.

Prepared by: Richard I. Peques, Director Phone: 465-3672  
Division: Administrative Services Division Date: January 20, 1993  
Approved by Commissioner: Charles E. Cole, Attorney General  
Agency: Department of Law Date: January 20, 1993

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For further details, contact the Department of Law, 330

**A REPORT TO THE  
EIGHTEENTH STATE LEGISLATURE**

**Examining Court Decisions  
and Opinions of the Attorney General  
Construing Alaska Statutes**

Prepared by the  
Division of Legal Services  
Legislative Affairs Agency  
130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

November, 1992

AS 04.21.010(c)

**MUNICIPALITIES MAY NOT TAX ALCOHOLIC BEVERAGES AT A RATE DIFFERENT THAN THAT IMPOSED ON OTHER SALES WITHIN THE MUNICIPALITY.**

The Alaska Supreme Court ruled that municipalities may not impose a sales tax on alcoholic beverages, unless the tax is at the same rate as imposed on other sales made on other commodities. Under AS 04.21.010(c), municipalities are prohibited from imposing taxes on alcoholic beverages except for a sales tax when other commodities are also subject to the sales tax. The court recognized that the statute was ambiguous in the sense that it failed to clearly indicate if a different rate of taxation could be imposed on alcoholic beverages, than on other commodities. After examining the text of the statute and relevant legislative history, the court concluded that the statute required a uniform rate of taxation.

Lagos v. City and Borough of Sitka, 823 P.2d 641 (Alaska 1991).

The court's interpretation of the statute rests on marginal evidence of legislative intent. If the legislature wishes to allow a different rate of sales tax for alcoholic beverages, legislative review is recommended.

AS 04.21.020  
AS 09.17.060

**COMPARATIVE NEGLIGENCE IS NOT APPLICABLE IN A TORT ACTION FOR INJURIES CAUSED BY UNLAWFUL PURCHASE OF LIQUOR FROM A LIQUOR LICENSEE.**

The Supreme Court of Alaska ruled that in an action for injuries caused by a minor's use of liquor illegally purchased from a liquor licensee, comparative negligence cannot be used as a defense to reduce the damages awarded to the claimant. Justices Moore and Mathews dissented, pointing out that there is no evidence of any legislative intent that this type of case is an exception that precludes application of comparative negligence principles.

Loeb v. Rasmussen, 822 P.2d 914 (Alaska 1991)

As the court pointed out, there is considerable division of opinion among other states on this issue. Both the court's decision and the dissent make public policy arguments that are probably best decided by the legislature. Therefore legislative review is recommended.

**Alcoholic Beverages**  
**(municipal taxation of)**

HOUSE BILL NO. 52, by Reps. BROWN, B. Davis, Davies (Note: also see SB 42, this report, same subject). Changes language in state law relating to municipal taxation of alcoholic beverages [AS 04.21.010(c), Alcoholic Beverages. General Provisions. Municipal Taxation] to read: "...(c) A municipality may not impose taxes on alcoholic beverages except a ... (2) sales tax on alcoholic beverage sales; a sales tax imposed on alcoholic beverage sales may be equal to, higher, or lower than a sales tax, if any, imposed on other sales within the municipality."

Note: the law currently provides: "...(c) A municipality may not impose taxes on alcoholic beverages except a ... (2) sales tax on alcoholic beverage sales imposed on other sales within the municipality; (3) sales tax on alcoholic beverage sales that was in effect before July 1, 1985; and ..."

If enacted, the bill becomes law July 1, 1993.

Introduced January 14, 1993 and referred to the Community and Regional Affairs Committee, the Judiciary Committee, and the Finance Committee.



**Anne Marie Holen**  
11241 Latta Circle  
Anchorage, Alaska 99516  
907/346-2789

February 10, 1993

Harley Oldberg, Chair  
Committee on Community and Regional Affairs  
Alaska House of Representatives  
State Capitol  
Juneau, Alaska 99801-1182

Dear Mr. Oldberg:

I am writing to ask for your support of House Bills 52 and 53, both addressing the need for higher alcohol taxes in Alaska.

I know that the State of Alaska spends more than \$300 million a year on problems associated with alcohol abuse. The Municipality of Anchorage spends at least \$17 million a year to address alcohol-related problems. Higher taxes will help cover these costs while also discouraging consumption.

I feel strongly that alcohol taxes should pay for all the costs associated with alcohol abuse; otherwise, the state and municipal governments are in effect subsidizing the alcohol industry and alcohol consumption. Certainly this does not make sense either from an economic or a public health perspective.

Sincerely,

Anne Marie Holen



Tom Fink,  
Mayor

# Municipality of Anchorage



## Department of Health and Human Services

825 "L" Street

P.O. Box 196650 Anchorage, Alaska 99519-6650

### ALCOHOL: THE COMMON THREAD

The economic and social costs of alcohol, predominantly, and other drug abuse are staggering. Using 1985 data, a conservative estimate of the economic cost to the State of Alaska and its residents is \$278,932,932.00 or \$516.97/year for every Alaskan. The state spends \$13.42 in Service/Costs for each \$1.00 of taxes collected on alcoholic beverages.

Below is a list of significant health and social problems in Alaska. The percentages indicate how frequently alcohol is involved in each problem.

Motor Vehicle Crashes, deaths (1)	58%
Fires (2)	52%
Drownings (3)	68%
Suicide (4)	59%
Violent crime (incl. homicide) (5)	72%
STD's/AIDS (6)	65%
Domestic Violence (7)	77%
Sexual Abuse (8)	79%
Unplanned Pregnancy (9)	60%
Incest (10)	63%
Fetal Alcohol Syndrome (11)	100%
Felonies (12)	73%

#### Sources:

- 1 State Traffic Analysis, 1988
2. Annual report of the Legislature, 1988, State Office of Alcoholism and Drug Abuse
3. Ak. Bureau of Vital Statistics
4. Position Paper on the Proposed tax, Anchorage Health & Human Service Commission, on retail alcohol sales taken from "Working papers: Descriptive Analysis of the Impact of Alcoholism and Alcohol Abuse in Alaska, Volume 1 and the Anchorage Police Report.
5. Center for Disease Control, Atlanta Georgia
6. Annual report to the Legislature, 1988 State Office of Alcoholism and Drug Abuse
7. Annual Report to the legislature, 1988 State Office of Alcoholism and Drug Abuse
8. Position Paper on the Proposed tax on retail alcohol sales taken from "Working papers: Descriptive Analysis of the Impact of Alcoholism and Alcohol Abuse in Alaska, Volume 1 " and the Anchorage Police Department
9. NIDA workshop on "Women and Aids "Promoting Healthy Behaviors"
10. See #6.
- 11-12. Annual report to the Legislature, 1988 State Office of Alcoholism and Drug Abuse

The above estimates are considered conservative. These injuries are No accident! Injuries are predictable when alcohol is involved.

OVER

## Community Response to the Outcomes of Alcohol

### AT HOME,

1. Consider making family parties non-alcoholic.
2. When serving alcohol at parties, make half non-alcoholic.
3. Bring non-alcoholic drinks to a party.
4. Never drink and drive any car, boat or motorcycle.
5. "Belt up" in every car, wear a helmet on every bike ride and a life jacket in every boat.
6. Be a designated driver who returns his friends home safe and sober.
7. Be vocal about your right to a safe neighborhood to your local Assembly.

### AT WORK,

1. Employers, private and public, can develop model policies to overcome the social acceptability of drinking alcohol.
2. Establish a non-alcoholic policy for business meetings, employee picnics, and celebrations, especially when driving is required.
3. Quantify injuries on and off the job when alcohol is involved.

### IN THE COMMUNITY,

1. **Support higher alcohol taxes.** (Research evidence shows that an increase in the alcohol tax could have the largest long-term effect on alcohol consumption of youth, including driving while impaired.)
2. Report irresponsible sales by alcohol outlets to the Alcohol Beverage Control Board and demand enforcement and accountability.
3. Legislate for "checkpoints" for sobriety.
4. Record blood alcohol concentrations for all patients of appropriate age admitted to ERs for treatment of acute injury.
5. Adopt Administrative Revocation of Licenses for DWI offenses.
6. Support license plate or car confiscation for recidivists convicted of driving under the influence.
7. Demand Responsible Servers Training to all alcohol licensees, managers and employees.
8. Promote enactment for primary enforcement of seatbelt laws.
9. Support local MADD and SADD groups.
10. Support mandated health education in grades K-12.

For more information call, Joan Diamond, Municipality of Anchorage, DHHS, Community Health Education, 343-4603.



MUNICIPALITY OF ANCHORAGE  
ASSEMBLY MEMORANDUM

NO. AIM 180-92

Meeting Date: September 29, 1992

From: Assemblyman Wood  
Subject: MUNICIPAL BUDGET PRIORITIES SURVEY

During April, 1992, a survey of Municipal budget priorities was developed by Assemblymembers and staff, and reviewed by the Administration. On May 22, 1992, 78,185 surveys were inserted and mailed with property tax bills and 8,800 were placed on all in-service transit buses. Copies of the survey were available in the Municipal Clerk, Ombudsman and Assembly Budget Analyst Offices. We received 8,322 surveys from property owners and 239 from those placed on the buses.

When asked whether they would support higher taxes to pay for new or expanded services, 22% of the property owners said they would support an increase.

In order to maintain areawide services, 23% wanted to increase taxes, and 60% wanted to maintain taxes and reduce services. Seventeen percent (17%) were unsure.

Relative to the Anchorage School District budget, 26% wanted to increase taxes in order to maintain service, 58% wanted to maintain taxes and reduce services, and 16% were unsure.

A copy of the complete survey results is attached to this AIM.

Respectfully submitted,

John Wood  
Assemblyman

EGJ:egj  
DOCE/AM02

## MUNICIPAL BUDGET PRIORITIES SURVEY

### INTRODUCTION

The purpose of this survey was to solicit public opinion to determine the relative importance of Municipal programs and services. Its results are intended to serve as a guide during the 1993 budget process. Survey participants were asked to identify which services they would like increased, decreased, or maintained and whether they were willing to pay new or increased taxes to maintain the current level of service. Participants were also given an opportunity to comment on other services they desired to reduce or increase.

On May 22, 1992, 78,185 surveys were inserted and mailed with property tax bills and 8,800 were placed on all in-service transit buses. Copies of the survey were also available in the Municipal Clerk, Ombudsman and Assembly Budget Analyst Offices. The response from property owners was greater than anticipated; 8,322. Of the surveys placed on buses, 239 were returned. It should be noted that there were at least 400 duplicate surveys received from respondents who own multiple properties which statistics are included in the survey results. The overall response rate was 10%.

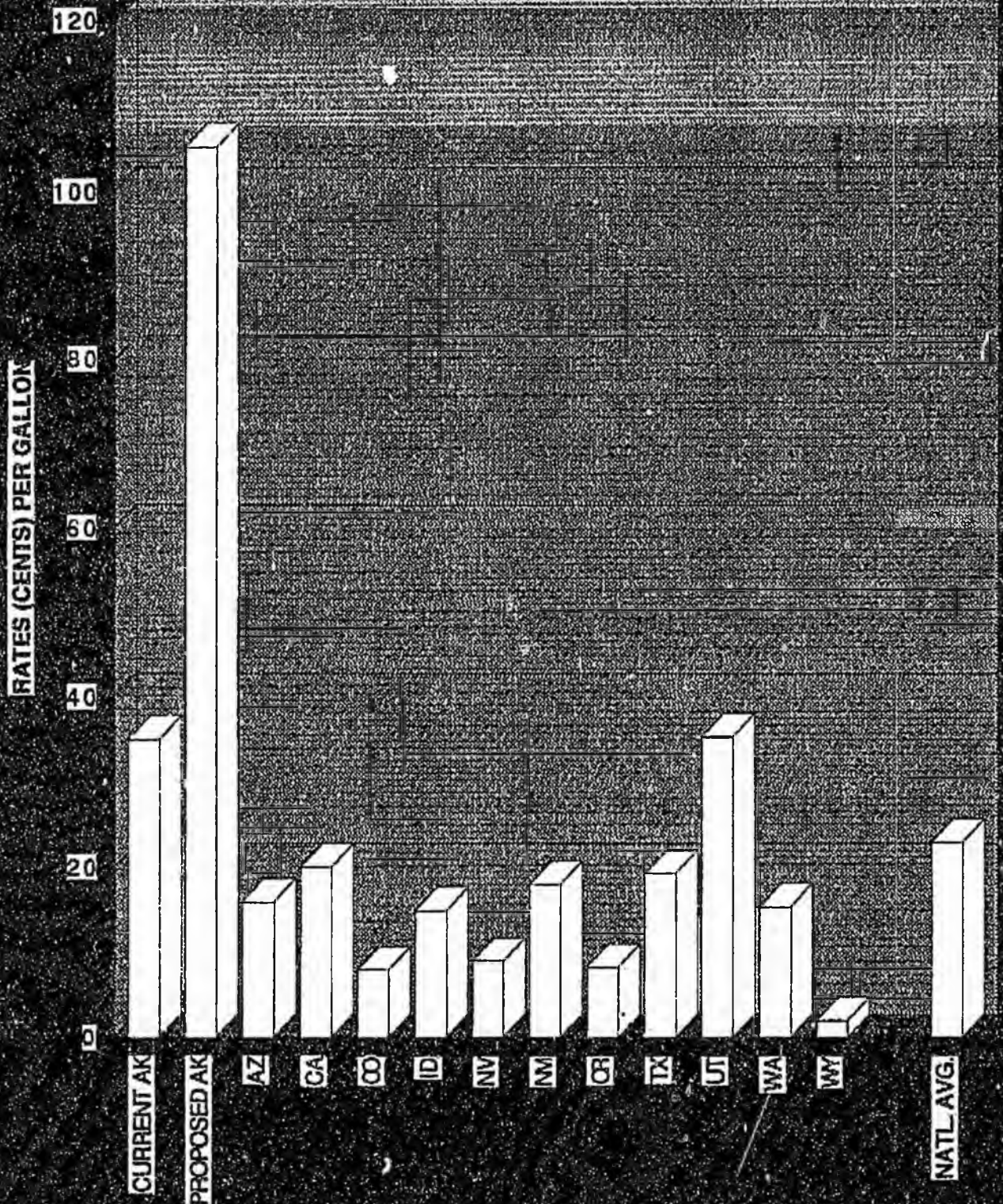
### OVERVIEW

When asked "Would you support higher taxes to pay for new or expanded services?" - 44% of the transit users and 22% of the property owners responded that they would support an increase.

Property owners viewed additional taxes more conservatively than transit users as can be seen by their support of new or increased taxes when compared to transit users. The percentages below are reflective of only those respondents supporting new or increased taxes (See pages 27-30, Detailed Summary of Survey Results). The question asked was "What new taxes would you support?"

NEW OR INCREASED TAXES	PROPERTY OWNERS	TRANSIT USERS
Hotel-Motel Tax	57%	65%
Property Tax	10%	26%
Sales Tax	34%	36%
Alcohol Tax <i>5,629 people</i>	68%	78%
Fuel Tax	39%	45%

### PACKAGED BEER: State Excise Tax Rate Comparison



AUG 24 1992



INFORMATION ALERT  
AUGUST 15, 1992

Issue: Reintroducing the Advantages of a Federal Alcohol Tax Hike to the Public During an Election Year

Co-Directors  
Michael Penschuk  
David Cohen  
Kathleen D. Sheekey

Board of Directors  
Patricia Bauman  
Helene Brown  
Roger Craver  
Peter Kovier  
Terry Lierman  
Richard Paisner  
Leroy Richie  
Jack Sheehan  
Linda Tarr-Whelan  
Dr. Reed V. Tuckson  
Melanne Verveer  
Fred Wertneimer  
Arthur White  
Kenneth Young

Summary

In this election year the issue of the budget deficit has a higher degree of resonance with voters than usual. Although the two remaining presidential candidates won't mention them, higher taxes are likely on the way. Increasing the federal excise tax on alcohol should be part of any slated tax hike.

Alcohol excise taxes represent more than just an important source of revenue in a time of scarcity; they are an effective prevention tool as well. Researchers have found that higher taxes on alcohol help reduce consumption among many drinkers – especially teenagers and even heavy drinkers who are price sensitive. Raising taxes on alcohol will save thousands of lives and millions of dollars in alcohol-related health care costs each year. When polled, Americans consistently express support for higher taxes on booze, particularly if the money is earmarked for law enforcement and public health programs that combat alcohol abuse.

Objectives

1. To alert readers to an upcoming media opportunity to make the case for increasing alcohol excise taxes.
2. To provide a draft opinion piece for use by advocates.

Suggested Action

1. Send the attached article to local newspapers for publication. Feel free to modify the article by adding a local spin to it or; submit it over your own byline or on behalf of your local organization or coalition.

## FOR A CHANGE, TAX ALCOHOL FAIRLY

In the minds of many voters, the federal budget deficit has grown alarmingly large. One sure way presidential candidates Clinton and Bush could attack this snowballing economic menace is to raise taxes on alcohol. Ex-candidate Ross Perot even considered doing it. In a June 29 conversation with Peter Jennings of ABC News, Perot included them as part of a "fruit salad mix" of new federal revenues. This idea deserves a close look. Hiking alcohol excise taxes would promote public health, generate significant revenues, and inject fairness into the tax system.

Higher taxes will squeeze alcohol consumption among heavy drinkers. Studies show that reduced consumption means fewer deaths from alcohol-related illnesses and crashes. For example, econometric research at the National Bureau of Economic Research demonstrates that updating federal excise taxes on beer for inflation over the last three decades would annually save the lives of 1,000 18-20 year olds killed in alcohol-related car crashes.

This and other research confirms that raising alcohol taxes is the single most effective means of reducing traffic crash fatalities, particularly among the high-risk, 15-24 year-old population, for whom alcohol-related crashes are the number one cause of death. By pricing some youths out of the market, higher taxes help deter teens from drinking, reducing current and future alcohol problems.

Alcohol strains the resources of trauma centers, police departments, and prisons and contributes to reduced workplace productivity and high rates of absenteeism and illness. Alcohol use escalates the cost of life and health insurance

premiums for all citizens, drinkers and non-drinkers alike.

Alcohol's direct and indirect costs to society, some \$80 to \$100 billion annually, dwarf spending for all other health problems. Many of the social problems, like alcohol-related spousal abuse, date rape and academic failures, defy easy economic measurement.

As these costs exploded, Congress permitted inflation to erode the value of alcohol excise taxes. By 1990, federal excise taxes were only about 20 percent of their 1950 value. During this period, the federal government lost over \$100 billion in revenues. For example, had the tax on beer kept pace with inflation since 1951, the tax today would be 78 cents a six-pack instead of 33 cents. This neglect has resulted in artificially low alcohol prices that spur excessive rates of consumption.

Tax fairness dictates that drinkers and alcohol producers should pay more. They don't pay their way now. According to a 1989 study in the *Journal of the American Medical Association*, for every ounce of alcohol consumed, drinkers paid 23 cents in taxes, but imposed 48 cents in costs to society. It's like drinks "on the house" called by the bartender without our consent. An anti-drug public seems in the mood to end this free ride. Eighty-three percent in a spring 1990 Wall Street Journal/NBC poll voiced their support for increasing booze levies.

Alcoholic beverage producers will howl that their taxes just went up in 1991. But that increase did them little harm because the excise tax on alcohol had remained virtually stagnant since 1951 (the excise tax on liquor was raised in 1985), while inflation soared 489 percent.

Industry mouthpieces, like the Anheuser-Busch-dominated Beer Institute, also allege that the little guy, "Joe Six Pack," will bear the brunt of an increase in alcohol taxes. "Joe Six Pack" as common man is one great myth. The truth is that over eighty percent of Americans 18 or over consume either no beer at all or at most three beers per week.

The six percent of drinkers who purchase over 50 percent of the alcohol would pay the lion's share of the tax increase. Few taxpayers would notice the extra pennies out of pocket. Despite industry rhetoric, poor people, in the aggregate, who drink less than their upper income counterparts, would not be disproportionately affected.

Lawmakers could follow one of three scenarios: raise the tax rate on alcohol in beer and wine (now taxed at half the rate of hard liquor) to equal that on spirits; adjust all alcohol taxes for inflation, and index them to prevent further revenue erosion, or; equalize rates and adjust for inflation.

Equalization alone would generate an estimated \$4.3 billion in new revenues. Adjusting all rates for inflation since 1971 and equalizing beer and wine taxes at the liquor rate could bring in as much as \$16.6 billion in new revenues and deliver \$11.7 billion in cost savings to society.

Perot's short-lived bid for the Presidency this year brought a number of new ideas to the political scene. His suggestion that it's time to look at alcohol taxes is one subject not to be ignored during the remainder of the campaign. With a single step, we can improve the health of the nation, fight the war on drugs, and make the tax system more equitable. You follow me?



# ALASKA STATE MEDICAL ASSOCIATION

4107 Laurel Street • Anchorage, Alaska 99508-5334 • (907) 562-2862

February 18, 1993

Representative Kay Brown  
Alaska House of Representatives  
State Capitol, Room 517  
Juneau, Alaska 99801-1182

Re: House Bill 53

Dear Representative Brown:

The Legislative Affairs Committee of the Alaska State Medical Association recently reviewed your HB 53 that would raise the tax rate on alcoholic beverages. This bill has our strong support. We believe that increasing the tax rate on alcoholic beverage will decrease in some small way the abuse of these substances. If we can assist you in any way on this bill, please feel free to contact me.

Sincerely yours,

Donald R. Lehmann, M.D., A.B.F.P.  
Chairman, Legislative Affairs Committee  
Alaska State Medical Association

DRL:bj

cc: Byron Mallot

**ALASKA STATE MEDICAL ASSOCIATION**

4107 Laurel Street • Anchorage, Alaska 99508-5334 • (907) 562-2662

February 18, 1993

Representative Kay Brown  
Alaska House of Representatives  
State Capitol, Room 517  
Juneau, Alaska 99801-1182

Re: House Bill 52

Dear Representative Brown:

Thank you for sponsoring HB 52. The Legislative Affairs Committee of the Alaska State Medical Association recently reviewed this bill. As a medical association, we continue to be supportive of legislation that raises taxes on alcoholic beverage sales. To that end, we support this bill. We do not support that taxes on alcoholic beverage sales be lower than general sales tax rates and would urge you to amend this portion from the bill.

As a resident of Sitka, I am also grateful for this bill. As you know, we had considerable difficulty in this community regarding a sales tax on alcohol that was higher than the general rate. While this did generate a considerable amount of money for good causes in Sitka, it was challenged in the courts and struck down. Your bill would clearly correct this problem.

If I can be of further assistance to you, please feel free to contact me. Good luck with this bill.

Sincerely yours,

Donald R. Lehmann, M.D., A.B.F.P.  
Chairman, Legislative Affairs Committee  
Alaska State Medical Association

DRL:bj

cc: Byron Mallot

# Alaska State Legislature

Legislative Research Agency




130 Seward Street, Suite 218  
Juneau, Alaska 99801-2196

Phone: (907) 465-3991  
Fax: (907) 463-3351

January 11, 1993

## MEMORANDUM

TO: Representative Kay Brown

FROM: Gordon S. Harrison, Director 

RE: **State Tax Revenue from Alcohol Sales**  
Research Request 93.072

You asked for comparative state data on alcohol tax revenue. The accompanying table shows the total collections in each state in fiscal year 1991 (FY 91), the per capita collections in each state, and the ranking of the states on the basis of per capita collections. Alaska collected a total of approximately \$12.2 million in FY 91, or about \$21.34 per capita, ranking it 10th among the states for per capita collections (Florida had the highest per capita alcohol tax revenue, \$40.82 and Wyoming the lowest, \$2.31).

The comparative data on total state collections was obtained from the authoritative publication, *State Government Finances, 1991*, published by the U.S. Bureau of the Census. Per capita revenue was calculated using 1991 population figures.

I hope this is the information you were looking for. If not, please call.

Attachment

**1991 Alcohol Tax Revenue, by State  
Total and Per Capita Collections**

State	Total Collections (\$000s)	Per Capita Collections (\$s)	Rank Per Capita
Alabama	109,409	26.76	5
Alaska	12,164	21.34	10
Arizona	39,809	10.62	30
Arkansas	24,453	10.31	32
California	128,729	4.24	48
Colorado	19,627	5.81	42
Connecticut	46,439	14.11	15
Delaware	8,896	13.08	20
Florida	542,002	40.82	1
Georgia	115,043	17.37	13
Hawaii	40,795	35.94	2
Idaho	12,567	12.10	25
Illinois	63,625	5.51	43
Indiana	33,257	5.93	41
Iowa	12,707	4.55	46
Kansas	52,164	20.91	11
Kentucky	52,402	14.11	16
Louisiana	41,899	9.85	35
Maine	34,933	23.29	4
Maryland	26,325	5.42	44
Massachusetts	67,718	11.29	23
Michigan	124,108	13.25	19
Minnesota	55,573	12.54	24
Mississippi	33,711	13.01	22
Missouri	23,443	4.54	47
Montana	13,812	17.09	14
Nebraska	15,935	10.00	33
Nevada	12,670	9.87	34
New Hampshire	12,794	11.58	27
New Jersey	81,006	10.44	31
New Mexico	17,249	11.14	29
New York	236,146	13.08	21
North Carolina	152,973	22.71	8
North Dakota	6,082	9.58	36
Ohio	65,557	5.99	40
Oklahoma	55,514	17.48	12
Oregon	10,471	3.58	49
Pennsylvania	142,907	11.95	26
Rhode Island	9,449	9.41	37
South Carolina	114,187	32.08	3
South Dakota	9,464	13.46	18
Tennessee	63,162	12.75	23
Texas	377,750	21.77	9
Utah	16,219	9.16	38
Vermont	13,975	24.65	6
Virginia	85,121	13.54	17
Washington	116,747	23.27	7
West Virginia	8,563	4.75	45
Wisconsin	39,787	8.03	39
Wyoming	1,064	2.31	50

Source of Total Collections: U.S. Bureau of Census, *State Government Finances, 1991*,  
Table 6

Prepared by the Legislative Research Agency, January 1993 (93.072).

Price Sensitivity of Alcohol Consumption and Related Measures:  
Evidence from Published Literature

Price Elasticity of Alcohol Consumption in Aggregate Data

Definition: Percentage change in consumption caused by one percent change in price.

Beer: -.1 to -.6

Wine: -1.3 to -1.6

Distilled Spirits: -.1 to -1.8

Price Sensitivity of Youth Beer Consumption in NHANES I and II

Grossman, Coate, and Arluck (1987) and Grossman and Coate (1988) find fractions of youths aged 16-21 who consume beer fairly frequently (1-3 times a week) or frequently (4-7 times a week) fall more in absolute or percentage terms than fraction of infrequent drinkers when price rises. Same comment holds for price responsiveness of fractions of fairly heavy (3-5 cans on a typical drinking day) and heavy (6 or more cans on a typical drinking day) compared to fraction of light drinkers. These findings pertain to the first and second National Health and Nutrition Examination Surveys conducted from 1971 through 1974 and from 1976 through 1980, respectively. They are particularly important because beer is the drink of choice among youths who consume alcoholic beverages. Moreover, frequent, fairly frequent, heavy, and fairly heavy drinkers are likely to be responsible for a large percentage of youth motor vehicle accidents and deaths.

References

- Grossman, Michael; Coate, Douglas; and Arluck, Gregory M. "Price Sensitivity of Alcoholic Beverages in the United States." In Control Issues in Alcohol Abuse Prevention: Strategies for States and Communities, edited by Harold D. Holder. Greenwich, Connecticut: JAI Press, Inc., 1987, 169-198.
- Coate, Douglas, and Grossman, Michael. "Effects of Alcoholic Beverage Prices and Legal Drinking Ages on Youth Alcohol Use." Journal of Law and Economics, 31, No. 1 (April 1988), 145-171.

Results from Current Research at National Bureau of Economic  
Research

Effects of Price on Cirrhosis Mortality

Grossman, Chaloupka, Becker and Murphy use a time series of all states for the period 1961-1984 to examine the price sensitivity of cirrhosis mortality. This research, which is funded by NIAAA, uses more data than that employed by Cook and Tauchen and employs a different theoretical and econometric framework. Preliminary results are summarized in the following table.

**Predicted Effects of Alternative Increases in Distilled Spirits Price  
on Cirrhosis Mortality of Persons 30 Years of Age and Older, 1961-1984<sup>a</sup>**

Percentage Increase in Federal Tax and Implied Percentage Increase in Price	Absolute Reduction in Deaths per Year	Percentage Reduction in Deaths per Year
20% increase in tax, 5% increase in price	974	3.27
40% increase in tax, 10% increase in price	1,947	6.53
60% increase in tax, 15% increase in price	2,921	9.80
80% increase in tax, <sup>b</sup> 20% increase in price	3,905	13.10

<sup>a</sup>Reduction in deaths pertains to a typical year in the period 1961-1984. Federal tax was \$10.50 per proof gallon during this period. Cirrhosis mortality rate was 26.7 deaths per 100,000 persons aged 30 and over. The results are part of work in progress under the "Alcohol, Addiction, and Price" grant from the National Institute on Alcohol Abuse and Alcoholism to the National Bureau of Economic Research. The investigators are Michael Grossman, Frank Chaloupka, Gary Becker, and Kevin Murphy.

<sup>b</sup>Policy approximates one in which Federal excise tax is indexed to the rate of inflation.

### Cirrhosis Mortality

Cook and Tauchen (1982) find that a \$1 increase in state excise tax rate on distilled spirits lowers the cirrhosis death rate by almost the same percentage as it lowers per capita consumption of distilled spirits. This is based on a time series of license states for the period 1962-1977.

### Motor Vehicle Accident Mortality

Cook (1981): 10 percent increase in price of spirits lowers death rate of persons of all ages by 7 percent based on a time series of states for the period 1960-1974.

( Saffer and Grossman (1987): 10 percent increase in price of beer lowers death rate of 18 to 20 year olds by 10.3 percent based on a time series of states for the period 1975-1981.

### References

Cook, Philip J., and Tauchen, George. "The Effect of Liquor Taxes on Heavy Drinking." Bell Journal of Economics, 13, No. 2 (Autumn 1982), 379-390.

Cook, Philip J. "The Effect of Liquor Taxes on Drinking, Cirrhosis, and Auto Accidents." In Alcohol and Public Policy: Beyond the Shadow of Prohibition, edited by Mark H. Moore and Dean R. Gerstein. Washington, D.C.: National Academy Press, 1981.

Saffer, Henry, and Grossman, Michael. "Beer Taxes, the Legal Drinking Age, and Youth Motor Vehicle Fatalities." Journal of Legal Studies, 16, No. 2 (June 1987), 351-374.

Effects of Price on Alcohol Use in 1989 National High School  
Senior Survey

Chaloupka and Grossman use data from the 1989 survey of high school seniors conducted by the University of Michigan's Institute for Social Research as part of the Monitoring the Future Project. The research is funded by a grant from NIAAA. Preliminary results are summarized in the following table.

### Youth Alcohol Use and Beer Excise Taxes<sup>a</sup>

	Actual Distribution	Doubling Beer Tax <sup>b</sup>	Inflation Tax Policy <sup>c</sup>
<b>Panel A: Drinking in Past Year</b>			
Abstainers (no drinking occasions)	16.8%	+8.4	+33.7
Light Drinkers (1-9 drinking occasions)	42.2%	+1.7	+5.1
Moderate Drinkers (10-39 drinking occasions)	26.3%	-3.4	-13.5
Heavy Drinkers (40 or more drinking occasions)	14.7%	-8.3	-28.7
<b>Panel B: Drinking in Past Month</b>			
Abstainers (no drinking occasions)	39.5%	+3.3	+12.6
Light Drinkers (1-9 drinking occasions)	49.1%	-1.4	-5.6
Moderate Drinkers (10-39 drinking occasions)	9.6%	-5.3	-19.0
Heavy Drinkers (40 or more drinking occasions)	1.7%	-8.6	-27.9
<b>Panel C: Heavy Drinking in Past Two Weeks (one or more episodes of consumption of at least five drinks in a row)</b>			
No Heavy Drinking Episodes	66.9%	+1.8	+6.7
At Least One Heavy Drinking Episode	33.1%	-3.9	-14.4

<sup>a</sup> These estimates are based on data from the 1989 survey of high school seniors conducted by the University of Michigan's Institute for Social Research as part of the Monitoring the Future project. The results are part of work in progress under the "Alcohol, Addiction, and Price" grant from the National Institute on Alcohol Abuse and Alcoholism to the National Bureau of Economic Research. The investigators are Frank Chaloupka and Michael Grossman.

<sup>b</sup> The doubling of the Federal excise tax on beer represents the increase from 16 cents per six pack to 32 cents as part of the 1990 deficit reduction agreement. Figures represent the percentage change in the number of youths in each category.

<sup>c</sup> Indexing the Federal beer excise tax to inflation since 1951 implies a tax of approximately 76 cents per six pack in 1989. Figures represent the percentage change in the number of youths in each category.

Alcohol Control Policies and Motor Vehicle Fatalities

Chaloupka, Saffer, and Grossman use a time series of states for the period 1982-1988 to examine the effects of beer taxes, legal drinking ages, and a variety of policies to deter drunk driving on motor vehicle fatalities of persons of all ages and youths. This research was funded by a grant from NIAAA, and a paper based on it will appear in the Journal of Legal Studies. Results are summarized in the following two tables.

Reference

Chaloupka, Frank J.; Saffer, Henry; and Grossman, Michael.  
"Alcohol Control Policies and Motor Vehicle Fatalities."  
Journal of Legal Studies, forthcoming.

## Motor Vehicle Accident Mortality Simulations, All Ages\*

Simulation	Total Fatalities	Nighttime Driver Fatalities	Alcohol Involved Driver Fatalities
Real Beer Tax Maintains 1951 value - increase nominal tax with CPI (71.6¢ per 6-pack in 1988)	-5,174 -11.5%	-1,285 -23.5%	-3,885 -26.9%
Tax on Alcohol in Beer Equalized with Tax on Alcohol in Spirits (78.4¢ per 6-pack in 1988)	-5,771 -12.8%	-1,420 -26.0%	-4,280 -29.7%
Deficit Reduction Tax Increase - Doubling of the beer tax to 32¢ per six-pack	-1,744 -3.9%	-456 -8.4%	-1,400 -9.7%
21 year old minimum legal purchase age in all states	+50 +0.1%	-75 -1.4%	-625 -4.3%
18 year old minimum legal purchase age in all states	-147 -0.3%	+218 +4.0%	+1,822 +12.6%
preliminary breath test law in all states	-1,512 -3.4%	-223 -4.1%	-1,348 -9.3%
no plea bargaining law in all states	+282 +0.6%	-429 -7.9%	-398 -2.8%
dram shop law in all states	-852 -1.9%	-137 -2.5%	-530 -3.7%
mandatory minimum nominal fine in all states of \$500 upon conviction for DUI	-1,463 -3.3%	-649 -11.9%	-2,738 -19.0%
mandatory minimum administrative per se penalty of 1 year license action	-4,202 -9.4%	-151 -2.8%	-565 -3.9%
mandatory minimum license action of 1 year upon conviction for DUI	+177 +0.4%	-250 -4.6%	-867 -6.0%

Source: Frank J. Chaloupka, Henry Saffer, and Michael Grossman, "Alcohol Control Policies and Motor Vehicle Fatalities," *Journal of Legal Studies*, forthcoming.

\*Each cell contains estimates of the absolute change in fatalities per year, on average, of the simulated policy (first row) and the percentage change in the fatality rate resulting from the policy simulation (second row).

**Motor Vehicle Accident Mortality Simulations, 18 to 20 Year Olds\***

Simulation	Total Fatalities	Nighttime Driver Fatalities	Alcohol Involved Driver Fatalities
Real Beer Tax Maintains 1951 value - increase nominal tax with CPI (71.6¢ per 6-pack in 1988)	-1,660 -32.1%	-379 -39.1%	-739 -40.3%
Tax on Alcohol in Beer Equalized with Tax on Alcohol in Spirits (78.4¢ per 6-pack in 1988)	-1,822 -35.2%	-413 -42.6%	-804 -43.9%
Deficit Reduction Tax Increase - Doubling of the beer tax to 32¢ per six-pack	-611 -11.8%	-145 -14.9%	-285 -15.6%
21 year old minimum legal purchase age in all states	-166 -3.2%	-42 -4.4%	-138 -7.5%
18 year old minimum legal purchase age in all states	+498 +9.6%	+118 +12.1%	+389 +21.3%
preliminary breath test law in all states	-299 -5.8%	-35 -3.6%	-179 -9.8%
no plea bargaining law in all states	-51 -1.0%	-70 -7.2%	-65 -3.5%
dram shop law in all states	-66 -1.3%	-18 -1.8%	-37 -2.0%
mandatory minimum nominal fine in all states of \$500 upon conviction for DUI	+94 +1.8%	-109 -11.2%	-334 -18.2%
mandatory minimum administrative per se penalty of 1 year license action	-815 -15.7%	-145 -15.0%	-347 -19.0%
mandatory minimum license action of 1 year upon conviction for DUI	+41 +0.8%	-21 -2.2%	-10 -0.5%

\* See notes to previous table.

#### Other Current Research

Durbin (1992): A 10 percent increase in per capita alcohol consumption (total ethanol in beer, wine, and spirits) raises the number of industrial accidents per employee by 2 to 4 percent. This is based on a time series of states for the period 1964-1984.

Ohsfeldt, Morrissey, and Henderlita (1991): A 12 cent increase in the beer tax in 1989 would have resulted in 130,000 fewer industrial injury cases among full-time employed workers and 1.5 million fewer work-loss days due to industrial injuries in that year. This is based on a time series of states for the period 1975-1985.

Kenkel (forthcoming): A 10 percent increase in price would have resulted in a 6 percent reduction in drunk driving in 1985. This finding is based on number of times in the past year that respondents to the 1985 National Health Interview Survey drove after drinking too much.

#### References

Durbin, David L. "Alcohol Consumption and Workplace Accidents: An Examination of Workers' Compensation Claims Rates." Ph.D. dissertation, City University of New York Graduate School, 1992.

Ohsfeldt, Robert L.; Morrissey, Michael A.; and Henderlita, Stephen. "Alcohol Taxes and Industrial Injury." Working Paper, School of Public Health, University of Alabama at Birmingham, November 1991.

Kenkel, Donald S. "Drinking, Driving, and Deterrence: The Social Costs of Alternative Policies." Journal of Law and Economics, forthcoming.

### Conclusions

1. The research that I have summarized suggests that, if reductions in excessive alcohol consumption and alcohol-related injuries and deaths are desired, an increase in federal excise tax rates on alcoholic beverages is an effective policy to accomplish this goal.
2. But I have not provided enough evidence to justify an excise tax hike of a particular magnitude. To do so, one must consider
  - a. the welfare costs imposed on all segments of the population by excise tax hikes
  - b. the costs and benefits of excise tax hikes compared to alternative policies such as those that increase the probability of punishment for drunken driving and the fine for this offense.

*Significant Features  
of Fiscal Federalism*

*Volume 1*

*Budget Processes  
and Tax Systems*

1992



Advisory Commission  
on Intergovernmental Relations  
February 1992 M-180

Table 36  
State Alcoholic Beverage Excise Taxes: Rates, License States, November 1991

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
Alaska	\$.35/gal	\$.85/gal	\$5.60/gal	0%-8% local sales
Arizona	\$.16/gal	\$.84/gal 24% or less \$.25/8 oz over 24%	\$3.00/gal	5% state sales tax 0%-4% local sales tax
Arkansas	\$.10/gal 3.2% or less \$.23/gal over 3.2% \$.20/gal malt liquor	\$.75/gal over 5% \$.25/gal coolers	\$2.50/gal over 21% \$1.00/gal over 5% but less than 21% \$.50/gal less than 5%	4% state sales tax 0%-2% local sales tax
California	\$.20/gal	\$.20/gal still wines, hard cider \$.30/gal champagne, sparkling wine	\$3.30/gal proof strength or less \$6.60/gal excess of proof strength	4.75% state sales tax 1.25%-2.25% local sales tax
Colorado	\$.08/gal	\$.27/gal	\$2.19/gal	3% state sales tax 1%-4% local sales tax \$.036/gal surcharge on all wines \$.11/gal additional surcharge on native wines
Connecticut	\$.19/gal	\$.60/gal 21% or less \$1.50/gal over 21% and sparkling	\$4.50/gal \$2.05/gal coolers not over 7%	8% sales tax
Delaware	\$.16/gal	\$.97/gal	\$3.64/gal 25% or less \$5.46/gal over 25%	
District of Columbia	\$.09/gal	\$.30/gal 14% or less \$.40/gal over 14% \$.45/gal sparkling	\$1.50/gal	6% sales tax for off-premise consumption
Florida	\$.48/gal	\$2.25/gal under 17.259% and coolers \$3.00/gal 17.259% and over \$3.50/gal natural sparkling	\$2.25/gal over 0.5% but less than 17.259% \$6.50/gal 17.259-55.78% \$9.53/gal over 55.78%	6% state sales tax 0%-1% local sales tax
Georgia	\$.032/gal bulk \$.48/gal 12 oz. contain- ers	\$.40/gal native table wines \$1.05/gal non-native table wines \$.98/gal native dessert wines \$1.45/gal non-native dessert wines	\$1.82/gal native \$2.55/gal non-native	4% state sales tax 0%-3% local sales tax
Hawaii	\$.50/gal draft \$.89/gal other than draft	\$.81/gal cooler \$1.30/gal still \$2.00/gal sparkling	\$5.75/gal	0.5% wholesalers' tax 4% retailers' tax
Illinois	\$.07/gal	\$.23/gal 14% or less \$.60/gal over 14%	\$.23/gal not over 14% \$2.00/gal over 14%	6.25% state sales tax 0%-1% local sales tax
Indiana	\$.115/gal	\$.47/gal less than 21% \$2.68/gal 21% or more	\$.47/gal less than 21% \$2.68/gal 21% or more	3% gross income tax (assessed on wholesale and retail sales)

Table 36 (cont.)  
State Alcoholic Beverage Excise Taxes: Rates, License States, November 1991

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
Kansas	\$.18/gal	\$.30/gal 14% or less \$.75/gal over 14% \$.15/gal native wine	\$2.50/gal	Beer under 3.2% subject to sales tax rather than enforcement tax 4.25% state sales tax 0%-2% local sales tax
Kentucky	\$.08/gal	\$.50/gal	\$1.92/gal over 6% \$.25/gal 6% or less	6% state sales tax .5% local sales tax
Louisiana	\$.32/gal	\$.11/gal 14% or less \$.23 over 14% to 24% \$1.59/gal over 24% and sparkling \$.32/gal coolers under 6%	\$2.50/gal	4% state sales tax 0%-5% local sales tax
Maryland	\$.09/gal	\$.40/gal	\$1.50/gal	5% sales tax
Massachusetts	\$.11/gal	\$.03/gal 3% to 6% cider \$.55/gal 3% to 6% still \$.70/gal sparkling	\$1.10/gal 15% or less \$4.05/gal over 15%	Additional gross receipts tax on sales of packaged and on-premise liquor of 0.57% 5% sales tax (on-premise only)
Minnesota	\$.08/gal not over 3.2% \$.15/gal over 3.2%	\$.30/gal under 14% \$.95/gal over 14% to 21% \$1.82/gal over 21% to 24% \$3.59/gal over 24% \$1.82/gal sparkling	\$5.03/gal	8.5% special alcohol sales tax in lieu of general sales tax 0%-1% local sales tax
Missouri	\$.06/gal	\$.30/gal	\$2.00/gal	4.225% state sales tax 0%-2% local sales tax \$.06/gal additional tax on wines (effective through 9/30/2001)
Nebraska	\$.23/gal	\$.75/gal 14% or less \$1.35/gal over 14% \$.05/gal produced in farm wineries	\$3.00/gal	0%-1.5% local sales tax
Nevada	\$.09/gal	\$.40/gal 14% or less \$.75/gal over 14% to 22% \$2.05/gal over 22%	\$.40/gal 14% or less \$.75/gal 14% to 22% \$2.05/gal over 22%	5.75% state sales tax 2.25%-2.5% local sales tax
New Jersey	\$.10/gal	\$.50/gal	\$4.20/gal	7% state sales tax 2.9% wholesale tax (eliminated 7/1/92) (9% Atlantic City sales tax)
New Mexico	\$.18/gal	\$.95/gal	\$3.94/gal	5% state sales tax 0%-1.75% local sales tax
New York	\$.21/gal	\$.18/gal still \$.94/gal sparkling \$.56/gal artificially carbonated \$.04/gal cider over 3.2%	\$.04/gal not over 2%	4% state sales tax 0%-4.25% local sales tax (\$.12/gal on beer in New York City)
North Dakota	\$.08/gal bulk \$.16/gal bottles/cans	\$.50/gal less than 17% \$.60/gal 17% to 24% \$1.00/gal sparkling	\$2.50/gal (distilled) \$4.05/gal alcohol	7% state alcohol tax in lieu of general sales 0%-1% local sales tax

Table 36 (cont.)  
State Alcoholic Beverage Excise Taxes: Rates, License States, November 1991

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
Oklahoma	\$.40/gal \$.36/gal under 3.2%	\$.72/gal 14% or less \$1.40/gal over 14% \$2.08/gal sparkling	\$.56/gal	4.5% state sales tax 0%-6% local sales tax
Rhode Island				7% state sales tax
South Carolina	\$.77/gal	\$.90/gal non-native \$.05/gal 14% or less native \$.45/gal 14% to 21% native	\$2.72/gal \$.25/bottle on miniatures \$1.81/case wholesale tax \$.18/gal additional \$2.99/case retail tax \$.56/case additional tax	5% state sales tax 9% surtax
South Dakota	\$.27/gal	\$.93/gal 14% or less \$1.45/gal over 14% to 20% \$2.07/gal over 20% and sparkling	\$.93/gal 14% or less \$1.45/gal 14% to 20% \$2.07/gal 21% to .4% \$3.93/gal over 24%	4% state sales tax 0%-3% local sales tax
Tennessee	\$.125/gal	\$1.10/gal	\$1.10/gal less than 7% \$4.00/gal over 7%	Additional taxes include: Enforcement tax of \$.15/case on spirits and wine 15% (on-premise) on spirits and wine Beer wholesalers' tax of 17%
Texas	\$.19/gal 4% and less \$.20/gal over 4%	\$.20/gal	\$2.40/gal	6.25% off-premise or 14% on-premise state sales tax 1%-2% local sales tax
Wisconsin	\$.06/gal	\$.25/gal 14% or less \$.45/gal over 14% to 21%	\$3.25/gal	5% state sales tax 0.5% local sales tax Additional tax of \$.03/gal on liquor containing 21% or more alcohol

Notes: In *license* states, the wholesale and retail distribution and sale of distilled spirits are private sector activities. In *control* states, in general, the state has a monopoly on the wholesale distribution of distilled spirits. In some control jurisdictions, the state also monopolizes retail sales. In bailment control states, the retail sales are left to the private sector and/or a combination of private and public sellers.

Special tax rates for native alcoholic beverages are not always included. Does not include state and local license fees. Many states levy tax rates based on barrels or liters. These have been converted to rates per gallon.

+ Local taxes additional.

<sup>1</sup> All taxes on spirits are levied for a "proof gallon," defined as a gallon of liquor containing 50% ethyl alcohol. Taxes on liquor containing more or less than 50% alcohol are prorated accordingly.

<sup>2</sup> Sales of liquor, wine, and beer are generally subject to the sales tax. Only Vermont ex-

empts all liquor. Special taxes in lieu of sales tax are used in Kansas and North Carolina. Virginia exempts liquor sales through state stores. New Jersey places a 7.3% rate on liquor at the wholesale level only. Kentucky exempts off-premise sales, but applies an extra wholesale tax.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter* (Chicago, November 1991); and Distilled Spirits Council of the United States, Inc., *Tax Briefs, 1991* (Washington, DC, 1991).

*Table 37*  
**State Alcoholic Beverage Excise Taxes:  
 Rates and/or Markup, and Method of Control<sup>1</sup>, Control States, November 1991**

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
Alabama	\$1.05/gal (includes \$.52/gal local tax)	State stores: 30% off-premise markup or 35.27% on-premise markup 56% liquor tax Private outlets: \$1.64/gal non-native table \$.18/gal native	30% off-premise markup or 21.75% on-premise markup 56% liquor tax	4% state sales tax 2% special sales tax on state store sales 0%-4% local sales tax	Monopoly on spirits at wholesale State also owns 152 retail stores Wine less than 14% is sold both by the state, wholesale and retail, and private wholesalers and retailers Beer sold by private retailers and wholesalers
Idaho	\$.15/gal 4% or less \$.45/gal over 4%	State stores: 45% markup Private outlets: \$.45/gal table	45% markup  15% surtax	5% state sales tax bottle tax—\$.20/50ml, \$.35/500ml, \$.40/750ml, \$.60/liter, \$.75/1.75 liter on wine and spirits	State-owned retail stores sell spirits and wine 14% and over Licensed retailers may sell wine and beer under 14%
Iowa	\$.19/gal	\$1.75/gal \$.19/gal coolers under 5%	50% markup \$.19/gal coolers under 5%	4% state sales tax 0%-1% local sales tax \$.50/case withdrawal charge on spirits \$.20/bottle split case charge on spirits (applies to liquor sold in quantities of less than one case)	Licensed retailers may sell beer, wine, and liquor No state-owned stores as of June 1987 State warehouse sells at wholesale only
Maine	\$.35/gal	State stores: 2% ad valorem excise 75% markup \$.75/gal \$1.25/proof gal premium tax Private outlets: \$.60/gal table \$1.24/gal sparkling	2% ad valorem excise 75% markup 10% ad valorem excise \$1.25/proof gal premium tax	6% sales tax off-premise 10% sales tax on-premise	State-owned retail stores and privately owned agency stores sell all spirits and spiritous wine over 15.5%
Michigan	\$.20/gal	State stores: 51% markup 12% excise tax 1.85% alcoholism tax (off-premise only) Private outlets: \$.51/gal 16% or less non-native \$.04/gal 16% or less native \$.76/gal over 16%	State stores: 51% markup 12% excise tax 1.85% alcoholism tax (off-premise only) Private outlets: \$1.75/gal mixed beverages not over 10%	4% state sales tax	State-owned stores serve as wholesale outlets to licensed retailers Licensed retailers sell wine and beer, or beer, wine, spirits, and mixed spirit beverages Licensees may have combinations of different types of licenses

Table 37 (cont.)  
 State Alcoholic Beverage Excise Taxes:  
 Rates and/or Markup, and Method of Control<sup>1</sup>, Control States, November 1991

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
Ohio	\$ .11/gal \$16.00/gal for bottles or cans 12 ozs or less \$2.56/gal on each 6 ozs or fractional part for bottles or cans having in excess of 12 ozs	\$ .26/gal 14% or less \$ .62/gal over 14% to 21% \$1.27/gal sparkling, carbonated, champagne \$ .77/gal vermouth \$ .80/gal mixed (between 7% to 21% alcohol)	State stores: 47.86% markup \$2.25/gal over 21% Private outlets: \$ .80/gal 5% to 21% (mixed beverages)	5% state sales tax 0%-1.5% local sales tax 0%-1% local transit tax rate Additional local taxes in Cuyahoga County \$1.49/case handling charge on spirits 12.35% operating cost charge on spirits	State-owned retail or agency stores sell alcoholic beverages over 21% Licensed retailers sell wine under 21% and beer
Oregon	\$.08/gal	State stores: 99% markup Private outlets: \$.67/gal not over 14% \$.77/gal 14% to 21%	99% markup (only \$10.50 of FET subject to markup)	\$1.10/case upcharge on wine and spirits	Retail liquor stores operated by agents contracted with Oregon Liquor Control Commission Stores sell distilled spirits
Pennsylvania	\$.08/gal	35% markup 18% excise tax	35% markup 18% excise tax	6% state sales tax 0-3.25 mils local sales tax \$.54/bottle handling charge on wine and spirits \$1.92/gal handling charge on wine and spirits	State-owned retail store sell spirits and wine Licensed retailers sell beer
Utah	\$.35/gal	61% markup	61% markup	5% state sales tax 0%-2.25% local sales tax 13% school lunch tax on wine and spirits	State monopoly of sales of alcoholic beverages Licensed retailers may sell beer under 4%
Vermont	\$.27/gal	State stores: 40% markup over 16% 25% excise tax Private outlets: \$.55/gal not over 16%	State stores: 39% markup 25% excise tax	10% sales tax on-premise only \$.05/bottle handling charge on wine and spirits	State-owned retail stores sell spirits, wine over 16%, and beer over 6% Licensed retailers may sell wine 16% or less and beer 6% or less
Virginia	\$.26/gal	State stores: 50% markup \$1.45/gal 4% excise tax Private outlets: \$1.45/gal not over 14% \$.26/gal 4% or less (coolers)	20% excise tax 46.5% markup	4.5% sales tax on-premise only \$1.00/case warehouse handling charge on spirits \$.02/bottle not over 7 ozs on beer \$.0265/bottle 7 to 12 ozs on beer \$.00222/bottle over 12 ozs on beer	State-owned retail stores sell spirits, vermouth, and Virginia-made wines Licensed retailers may sell wine and beer

*Table 37 (cont.)*  
**State Alcoholic Beverage Excise Taxes:  
 Rates and/or Markup, and Method of Control<sup>1</sup>, Control States, November 1991**

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
Washington	State stores: 70% markup Private outlets: \$.15/gal 8% or less	State stores: 50% markup \$.75/gal \$.85/gal 14% or more until 1/1/95 \$.04/gal until 1/1/95 Private outlets: \$.75/gal \$.85/gal 14% or more until 1/1/95 \$.04/gal until 1/1/95	\$11.51/gal \$.25/gal additional tax until 1/1/95 17.1% liquor tax off-premise 11.4% liquor tax on-premise 39.2% markup (15% discount to on-premise licenses)	6.5% state sales tax 0%-1.812% local sales tax	Private retailers may sell only wine and beer State may sell all beverages
West Virginia	\$.18/gal	State stores: 75% markup (25% markup if sold to retailer) Private outlets: \$1.00/gal	81% markup (supplier price and \$10.50 FET only) 25% if sold to private retailer 30% markup on decanters 65% markup on cordials	6% state sales tax 5% local sales tax \$.7590/case on wine and spirits Bottle tax \$.15/100 ml to 1 liter, \$.25/1.5 liter, \$.30/3 to 4 liters on wine and spirits	West Virginia is in the process of privatizing state retail stores
Wyoming	\$.02/gal	17.6% markup \$.28/gal	17.6% markup (only \$6 of FET subject) \$.91/gal	3% state sales tax 0%-2% local sales tax \$.17/case handling charge on wine and spirits \$2.75/case freight on wine and spirits	State monopoly at wholesale level

Note: In *control* states, in general, the state has a monopoly on the wholesale distribution of distilled spirits. In some control jurisdictions, the state also monopolizes retail sales. In bailment control states, the retail sales are left to the private sector and/or a combination of private and public sellers. In *license* states, the wholesale and retail distribution and sale of distilled spirits are private sector activities.

<sup>1</sup> In 18 control states, retail or wholesale sales of spirits are made mainly by state-owned outlets. In 12 of these states, off-premise retail sales are made by state-owned stores or agencies. In four states—Iowa, Mississippi, West Virginia, and Wyoming—wholesale

sales are a state monopoly, with retail sales conducted by private outlets. Revenues in control states are derived from markups that yield profits for state governments. In addition to state profits, excise, sales, and other taxes also contribute revenues.

Source: Distilled Spirits Council of the United States, *Tax Briefs 1991* (Washington, DC, 1991); Commerce Clearing House, *State Tax Guide* (Chicago, November 1991).

Table 37 (cont.)  
**State Alcoholic Beverage Excise Taxes:  
 Rates and/or Markup, and Method of Control<sup>1</sup>, Control States, November 1991**

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
Mississippi	\$ .43/gal	State warehouse (sells wholesale only): 24.5% markup \$.35/gal except sparkling \$1.00/gal sparkling  Private: \$.35/gal table \$.43/gal under 4% \$.05/gal native	24.5% markup \$2.50/gal	6% state sales tax \$1.50/case freight on wine and spirits at state stores 3% alcoholism tax on wine and spirits	State monopoly of wholesale sales of alcoholic beverages over 4% by weight
Montana	\$ .14/gal	State stores: 40% markup on wine under \$18/case 60% markup on wine over \$18/case \$1.02/gal (except fortified) 26% excise (fortified)  Private outlets: \$1.02/gal table	40% markup 26% excise tax (22.4% for distillers of less than 200,000 proof gallons)	\$1.20/case	State-operated retail stores and agencies sell spirits and wine Licensed retailers may sell table wine and beer
New Hampshire	\$ .35/gal	State stores: 66% table 63% dessert and vermouth 61% sparkling (10% on-premise discount from retail price at central warehouse. 15% discount for off-premise table wine from liquor stores)  Private outlets: \$.35/gal not over 6%	State stores: 47% cordials and cocktails 46.5% whiskey 46% rum, tequilla, brandy, gin, vodka (10% on-premise discount from retail price at central warehouse)  Private outlets: \$.35/gal not over 6%	8% on-premise meals and rooms tax 10% on-premise discount from retail price at central warehouse on rum, tequilla, brandy, gin, vodka, and sparkling wines 15% discount for off-premise table wine from liquor stores	State-owned retail stores sell alcoholic beverages Licensed retailers may sell wine under 14% and beer
North Carolina	\$.53/gal containers of 7.75 gal or less \$.48/gal containers of 7.75 gal or more	State stores: No specific markup formula used  Private outlets: \$.80/gal 17% or less non-native \$.91/gal over 17% non-native \$.07/gal 17% or less native \$.18/gal over 17% native	75.3684% markup \$13.64/gal on-premise tax	4% state sales tax 0%-2% local sales tax \$.85/case bailment on spirits \$.60 bailment surcharge on spirits \$.10/bottle on spirits	County and city-operated liquor stores in counties allowing sale Licensed retailers may sell wine and beer



HOUSE COMMUNITY AND REGIONAL AFFAIRS

SUBJECT OF MEETING:

HB 52 + 53

DATE: 2-18-93

PLACE: RM 124

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Rick Urión		Alaska Wine & Spirit Wholesale Ass'n				(Y) N	HB 52 53
Rick Lamber		ANHEUSER-BUSCH Co INC				(Y) N	" "
Dennie Gorsuch		Miller Brewing Co				(Y) N	" "
Paul Dick		Revenue				Y N	HB 53
Kent Swisher	AML	217 2nd St Juneau	99801		586-1325	(Y) N	HB 52
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	