

HB

221

HFIN

FILE

HOUSE FINANCE COMMITTEE

October 25, 2001

1:19 PM

Anchorage LIO

TAPE HFC 01 - 119, Side A

TAPE HFC 01 - 119, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:19 PM.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Eric Croft

ALSO PRESENT

Senator Kim Elton; Representative Lisa Murkowski;
Representative Gary Stevens; Representative Jim Whitaker;
Representative Andrew Halcro; Judy McDonald, Juneau; Butch
Tangney, Techniques of Alcohol Mangement, Juneau; Cindy
Cashen, Mothers Against Drunk Driving; Jim Cashen, Juneau;
Gary Fournier, Hospitality.

PRESENT VIA TELECONFERENCE

Anchorage: ~~James, A. Crary; Mike Savage, Brown Jug; Ben
Grasse, CHARR; Karen Rogina, CHARR; Kacch
McDowell, CHARR; Elmer Lindstrom, Special
Assistant, Department of Health and Social
Services; Allen M. Bailey, Dimes a Drink; Bob
Klein, Brown Jug; Michael Mc Vittie; John~~

Alaskans for Tax Reform/Americans for Tax Reform

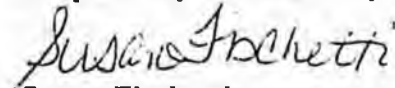
**Opposition Statement to H.B. 225
October 25, 2001**

Proposals to raise alcohol taxes constitute a political statement of social policy, not a serious solution to budget problems. Legislators who suggest that higher alcohol taxes will solve the current spending shortfall are using political rhetoric to hide the fact that they want to discourage alcohol consumption by raising taxes. Raising taxes in this manner *will not* solve either drinking or budget problems.

Solving spending shortfall problems requires fiscal discipline. Legislators should cut spending in response to shortfall projections rather than commit to surplus-era spending promises that cannot be enacted without raising taxes.

Especially during an economic downturn, raising taxes on brewers, distillers, bottlers, retailers, wholesalers, and manufacturers will further depress the ability of these businesses to conduct profitable and productive commercial transactions. Raising alcohol taxes hurts businesses that employ and service Alaskans.

Respectfully submitted by:


Susan Fischetti
Alaskans for Tax Reform
Americans for Tax Reform
242-7909
10336 Stewart Dr
Eagle River AK 99577

Hospitality Industry Position Against HB225

Alaska has a serious and growing fiscal problem. The Department of Revenue projects that by Fiscal Year 2005, the state's budget gap will be more than \$1 billion and the Constitutional Budget Reserve Fund will be depleted. We in the hospitality industry appreciate the need to develop a fiscal plan to solve this growing threat. Alaska's hospitality industry also believes it can play a part in the overall solution, but that arbitrarily singling out individual sectors of the economy for enormous tax increases without addressing the underlying issues necessary to balance the state's budget is unfair and unwarranted.

It is, therefore, the consensus of Alaska's hospitality industry that legislative efforts to increase excise taxes on alcohol products by more than three hundred percent (300%) are discriminatory, unreasonable and will do nothing to cure the state's alcohol problems.

Beverage alcohol is already the most heavily taxed consumer product in the United States and Alaskans currently pay some of the highest beverage alcohol taxes in the nation. The hospitality industry stands ready to discuss our role in supporting a fair and equitable tax policy for our industry, but only under condition that the discussions be part of a comprehensive legislative package designed to solve the state's fiscal problems. While the industry realizes that state revenues cannot be dedicated, the legislature should be prepared to identify which social programs would benefit from these additional revenues and how the effectiveness of the programs and the use of the funds would be evaluated.

We are very concerned that the tax increases in HB 225 will seriously jeopardize the future of many small businesses, which play a vital role in our state's economy. The hospitality industry is already reeling from the current economic slow down and the aftermath of the events of September 11, 2001 as fewer Americans travel, dine out or entertain outside the home. Adding significantly to the cost of doing business at this juncture could cause many of these establishments to fail thus worsening the current economic situation.

Accordingly, Alaska's hospitality industry opposes HB 225 until a comprehensive solution to the state's fiscal problems is adopted by the legislature.

Alcohol Tax Per Gallon @ 10 Cents Per Drink

	Liquor		% of Highest	% of Avg.
Alaska, Proposed	\$18.40		283.08%	508.29%
Highest in Country	\$6.50	(Florida)	100.00%	179.56%
2nd Highest in Country	\$6.44	(New York)	99.08%	177.90%
Alaska, Current	\$5.60	(5th highest)	86.15%	154.70%
National Average	\$3.62		55.69%	100.00%
Lowest in Country	\$1.50	(Maryland & D.C.)	23.08%	41.44%

	Wine		% of Highest	% of Avg.
Alaska, Proposed	\$3.41		151.56%	460.81%
Highest in Country	\$2.25	(Florida)	100.00%	304.05%
2nd Highest in Country	\$1.75	(Iowa)	77.78%	236.49%
Alaska, Current	\$0.85	(15th Highest)	37.78%	114.86%
National Average	\$0.74		32.89%	100.00%
Lowest in Country	\$0.11	(Louisiana)	4.89%	14.86%

	Beer		% of Highest	% of Avg.
Alaska, Proposed	\$1.42		152.69%	591.67%
Highest in Country	\$0.93	(Hawaii)	100.00%	387.50%
2nd Highest in Country	\$0.77	(South Carolina)	82.80%	320.83%
Alaska, Current	\$0.35	(11th Highest)	37.63%	145.83%
National Average	\$0.24		25.81%	100.00%
Lowest in Country	\$0.02	(Wyoming)	2.15%	8.33%

MEMO/FAX FORM

Intervention Helpline, Inc.
325 East Third Avenue, #200
Anchorage, Alaska 99501
907-272-1174
E-mail: freefrog@alaska.net

DATE: October 25, 2001

TO: Representative Bill Williams
Chairman House Finance Committee

FROM: Bob Young
Executive Director

SUBJECT: HB 225

Representative Williams.

Because of the importance of all the issues surrounding HB 225, I was hoping to be at today's hearing in person; however, scheduling conflicts have prevented this happening.

I am against HB 225. I've been working in the field of substance abuse since 1979. My focus has been in helping individuals who have a problem with beverage alcohol. I'm convinced that increasing alcohol taxes will do nothing to help. The money raised will not be targeted toward treatment, education, prevention or intervention work. Our state constitution will not allow money to be designated in this manner.

I believe this is a feel good campaign designed to target those in the hospitality business as the culprits. I've worked with many in the liquor industry that say they would support a reasonable alcohol tax if it were focused on the solution to the problem. My understanding of HB 225 is that it is not a reasonable tax.

Besides all of the above I do not really believe taxing alcohol is the solution to our statewide problem. As a recovering person myself cost of alcohol played a very little role in my drinking. Maybe it is time that we worked with the hospitality industry and saw more what they are trying to do to curb the alcohol misuse and abuse problem.

I'm aware they spend millions of dollars throughout our state and nation helping to educate the general public on the issue of responsible drinking. Also their industry funds many fine programs. HB 225 is a bill that will further divide us when in fact we need to find more ways to work together.

Once again, I want to go on record as being against HB 225.

Thank you for having this public hearing and I'm sorry I could not be there in person.

Sincerely,


Reverend Robert A. Young
Executive Director



*Representing Alaska's Finest
Lodging Properties and Hospitality Suppliers*

Alaska Hotel & Motel Association

Dear Legislators:

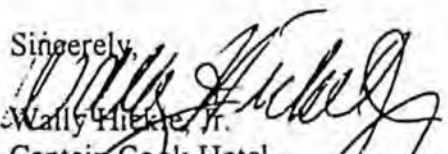
As General Managers of major Hotels in Anchorage, we would like to go on record opposing any increase in the alcohol tax.


The world is different since September 11th and the hospitality world is different in a major negative way since September 11th. Airline travel is down, Hotel bookings are down, several conventions scheduled for Anchorage in September were cancelled, most notably the Council of State Governments which all of you would have attended, tourism bookings for next season are down considerably, people are eating out less in restaurants. We could go on and on with specific examples, but the point is it is hard to find a positive indicator in the hospitality industry at this point in time.

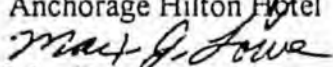
The last thing the hospitality industry needs at this point in time is a tax that will not add any value to the industry! It will be one more negative factor piled onto a slew of other negative factors that we do not need at this time.

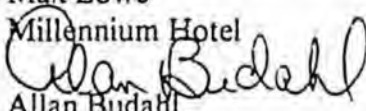
As public policy makers we need your positive help to rebuild the hospitality industry in Alaska. We don't need and we strongly oppose the addition of one more negative factor for our industry at this time. Thank you for your consideration.

Sincerely,



Wally Hickey, Jr.
Captain Cook Hotel


Lee Chipman
Anchorage Hilton Hotel


Max Lowe
Millennium Hotel


Allan Budahl
Downtown Marriott Hotel

Bill Dugdale
Westmark Anchorage


Susan Dimaggio
Sheraton Anchorage

18 REASONS TO INCREASE ALASKA'S EXCISE TAX ON ALCOHOL BY
15 CENTS PER DRINK

1. Alcohol is a drug and a depressant and its consumption affects people's judgment, coordination and memory.
2. Too often when people's judgment, coordination and memory are affected by alcohol innocent Alaskans suffer grievous bodily injury and death (just read the AND Alaska Section everyday).
3. Alcohol use is the sole cause of the only fully preventable birth defect, fetal alcohol syndrome.
4. Alaska ranks near the very top of the nation in alcohol consumption, underage drinking and alcohol abuse.
5. An analysis of 29,408 reported cases of domestic violence cases in Anchorage between 1989 and 1988 showed that in 48% of the cases alcohol was a factor.
6. The present state excise tax on alcohol, is only 3.3 cents on 12 ounces of beer; 3.5 cents on a 5 ounce glass of wine; and 4.4 cents on 1 ounce of distilled spirits.
7. The excise tax is the only Alaska tax on most of the alcohol sold in Alaska as most of the alcohol sold in Alaska is not subject to a sales tax.
8. Alaska's excise tax on alcohol has not been increased since 1983.
9. Alcohol abuse presently causes the State of Alaska to spend more than \$250,000,000 from the General Fund.
10. The existing alcohol excise tax contributes only a little over \$12,000,000 to the General Fund (So for every \$1 in alcohol taxes the State spends \$21 to deal with the effects of alcohol abuse).
11. Alaska is facing an impending budget deficit of \$600 million in 3 or 4 years when the Constitutional Budget Reserve will have been drained.
12. A 15 cent per drink increase in the state excise tax on alcohol will bring in approximately \$50,000,000 in additional revenue to the state and a 20 cent per drink increase in the state excise tax on alcohol would bring in approximately \$66,000,000 in additional revenue to the state.
13. An increase in the State alcohol excise tax would start bringing additional revenue into State coffers immediately and would not require any additional state employees to collect because the tax is already being collected.
14. A statewide income tax or sales tax were instituted it would take a long time to start receiving any revenue and a whole new State bureaucracy would be required to collect it.
15. The American Medical Association defines a "moderate drinker" as a woman who drinks no more than one drink a day or a man who drinks no more than two drinks per day.
16. An increase in the alcohol excise tax will have zero impact on non-drinkers and moderate drinkers will be only lightly impacted.
17. The people who will be heavily impacted are the 15-20 % of drinkers who consume 75-80% of the alcohol.
18. The overwhelming preponderance of evidence shows that the single most effective method to reduce crime, domestic violence, child abuse, increase public safety, and reduce the costs of the criminal justice system agencies is to increase the alcohol excise tax;

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email: craryja@gei.net

(Published: October 4, 2001)

Prosecutor gets three days in jail

DWI Assistant state attorney general pleads guilty in August incident.

The prosecutor in a high-profile drunken driving case has pleaded guilty to his own DWI charge and been sentenced to three days in jail.

Herren was stopped Aug. 17 in Girdwood for speeding and was arrested for driving while intoxicated.

The fine and the suspended time were actually slightly more than usual because Herren's blood alcohol was measured at .151, more than half again the legal limit at the time, Roberts said.

Teen arrested after high-speed chase on Glenn Highway

CHARGES Troopers say youth kicked officer in face after crashing stolen car.

An Anchorage teenager was arrested early Tuesday morning in Palmer after allegedly forcing an Alaska State Trooper patrol car off the Glenn Highway, leading troopers on a high-speed chase and kicking an officer in the face.

Robert Norris, 18, was driving a stolen 1990 Lincoln Continental northbound on the Glenn Highway just north of the Parks Highway intersection at 2:17 a.m., troopers spokesman Greg Wilkinson said. Norris pulled into the southbound lane, forcing Trooper Eric Spitzen to swerve off the road to avoid a collision.

Spitzen pulled around and gave chase. Norris drove north past the Alaska State Fairgrounds when he crashed the Lincoln into a highway sign and then into a stand of trees on the east side of the highway, Wilkinson said. The Lincoln was totaled.

Norris and a juvenile passenger ran, but Spitzen cornered them against a chain-link fence. The two suspects punched the trooper in an attempt to escape, but he wrestled them to the ground, Wilkinson said. Two more troopers arrived, and the suspects were handcuffed and taken into custody. Both tested positive for alcohol above the legal limit for driving, Wilkinson said.

Norris was charged with felony eluding, driving while intoxicated, driving with a license revoked, resisting arrest, fourth-degree assault on a police officer, first-degree vehicle theft and two counts of third-degree assault, one for endangering his juvenile passenger during the car chase.

"He was in a situation where he was in control of the car, he was under the influence of alcohol and he put his passenger in a position where he was in fear of his life," Wilkinson said.

FAIRBANKS

Adult men arrested for having sex with 14-year-old runaway

Charges have been filed against two men accused of sexually abusing a 14-year-old girl who was the alleged victim in another abuse case filed last month.

Police were tipped to the case and found the intoxicated girl on a couch in the apartment. The complaint states the girl had a blood-alcohol level of 0.30, more than three times the adult legal limit of 0.08.

The girl was taken to Fairbanks Memorial Hospital, where she told police she had been picked up by two men she thought she knew from Anchorage. She said she didn't consent to having sex with the men and didn't remember having sex with them. She said they had been drinking and she blacked out. Police found a nearly empty vodka container in the apartment, the complaint states.

Ward and McElrath were interviewed at the Fairbanks Police station, where they admitted having sex with the girl.

10/25/01

Wine Industry Retail Sales Testimony

I would like to thank you for this opportunity to testify.

My name is Michael Mc Vittie and I have been employed within the wine industry for twenty plus years this I believe gives me a vantage point, which others might not have as I deal directly with consumer's every day.

As they say death and taxes are a fact of life. A tax increase in and of it's self is no: a challenge but to be singled out of all Alaskan businesses with a proposed increase of 300% is shocking.

The current administration in Washington is working to decrease taxes and promote confidence in the American consumer. The Federal Reserve Bank has lowered interest rates in an effort to promote American business. This proposed tax increase seems completely contrary to the efforts of our nation's leaders.

The terrorism of last month has caused a slow down in the economy. Immediately following the events retail customer counts plummeted and bookings at Hotels and Restaurants were completely abandoned. That business is gone and those numbers are not going to be replaced.

The magnitude of this increase will significantly change price points and make our products some of the highest in the nation. Unruly taxation only changes buying habits moving people to shop elsewhere, such as the Internet where there are no revenues or gallonage reports generated. Canada and Great Britain are all ready struggling with over taxed tobacco and beverage alcohol. Britain's regularly shop in France and Guinness recently built a plant to handle the load of Brits coming over. In Canada citizens living in Windsor daily drive to Detroit to purchase less expensive and lower taxed goods.

I earn my living from the wine industry and am successfully raising a family. Please reinstall my confidence in our system of local government with a more rational and comprehensive approach to our fiscal and social challenges.

Thank you

Good afternoon. My name is Lowell Shinn. I am President of Brown Jug, an Anchorage area retailer of wine, liquor and beer. Brown Jug employs 130 people and deals with over 600 vendors, large and small.

I am here to speak against the proposed increase of alcohol taxes. I think it is grossly unfair to single out one industry for tax increases, but more important is the current economic situation in the nation and Alaska.

Prior to the terrorist attack our business followed the trend of jobs in the Anchorage area.

Employment in the Anchorage area was up about 2% and our business followed that increase in jobs. Since mid September the direction of our business has changed from increasing to decreasing. I think this is due to the devastation that has hit the travel industry and consumer psychology.

Airlines are laying off people. People with out a job are less likely to spend money in stores, restaurants and make investments in homes. This causes more job losses. It was reported this morning existing home sales fell 11.7% in September, the biggest monthly drop since 1995. Jobless claims increased to 504,000, the second highest level in a decade.

We are also affected by the lack of visitors and loss of convention business in Anchorage. Conventioneers not spending money in stores and restaurants results in less jobs, which again affects many businesses including ours.

No one is sure how long current situation will last.

Now, is not the time to increase taxes. Please vote against this tax increase.

October 25, 2001

To: Hearing

Re: HB225

Good afternoon, I'm Ed O'Neill from Brown Jug Anchorage. Our family has been in the business since 1936 and I've been Professionally dispensing what we refer to as "Friendly Spirits" for over 40 years along with our valued employees.

The industry continues to be good to us, both our families and the state, these many years despite many struggles. While our tax is among the highest in the nation, I can remember advance prepayments to the state to help balance Alaska's fiscal budget. It's called working together for the good of all concerned. Quite the opposite of this ill-conceived 300% increase in sector taxation.

I STRONGLY URGE YOUR VOTE AGAINST THIS BLATANT OUT- OF- SINC APPROACH TO TAXATION.

Thank you for your actions in this matter.

A handwritten signature in black ink, appearing to be "Ed O'Neill", written in a cursive style.

Ed O'Neill



Mothers Against Drunk Driving • Juneau Chapter

211 Fourth St. Suite 102 • Juneau, AK 99801

October 25, 2001

TO: House Finance Committee
Representative Williams Co-Chair
Representative Mulder Co-Chair

Thank you for allowing me to speak today regarding House Bill 225.

My name is Cindy Cashen.

I am a volunteer with Mothers Against Drunk Driving.

I am a victim of Drunk Driving.

I am hear today on behalf of the MADD

Juneau Chapter's board of Directors in support of

increasing the excise tax on alcoholic

beverages by at least ten cents per drink.

Gene Miller, President

Chanda Kulm, Vice-President

Marcy Pilcher, Secretary

Matt Felix, Treasurer

Dawn Miller, Special Events

Heather Bingaman, Co-Chair fundraising

Teresa Young, Co-Chair fundraising