

SB

8



Alaska State Legislature

Please enter into the record my testimony to the SCPA /
 committee name
 Committee on Alcohol Excise Tax, dated 3-23-07
 bill # / subject

The folks in Alaska support an alcohol tax at an amount that is sufficient to produce a prevention effect in price sensitive groups (youth and elderly) as well as at a maximum produce enough revenues to alleviate some of the programs by providing funds to eliminate wait lists for both adult and youth treatment (about \$5 million).
 Patrick Gray

Signed: _____
 Testifier

 Representing (optional) Concern citizen/voter

 Address Kenai AK

 Phone number _____

ve-1
2/22/01
1/14

SENATOR KIM ELTON

MEMORANDUM

2/22/2001

To: Senator John Torgerson, Chair
Senate Community and Regional Affairs Committee

From: Senator Kim Elton

Re: Hearing Request for SB 8

I request a hearing for SB 8, raising Alaska's excise tax on alcohol and directing 40 percent of the state's alcohol tax revenues into revenue sharing. I also ask that you provide teleconference opportunities to as much of the state as you think reasonable, at the very least to include Anchorage.

This bill allows Alaska to recoup some of the costs associated with alcohol abuse. The combined state and local public sector costs associated with alcohol in Alaska are seventy-seven cents per drink—about \$280 million per year. The costs to the private sector are even greater in terms of lost productivity, health care expenses, domestic abuse, and broken homes.

The Anchorage Assembly recently voted to put an advisory question on the Anchorage ballot regarding a revenue sharing mechanism if the excise tax on alcohol is raised. This pending question makes a hearing on this bill extremely timely. Please schedule a hearing at your earliest convenience.

Attachments:
Sponsor Statement
Fact Sheet
Position Statements and Resolutions
Editorial

SENATOR KIM ELTON

Senate Bill 8
Increasing alcoholic beverage taxes

Sponsor Statement

This legislation increases the tax on alcoholic beverages by approximately \$.25 per drink. Specifically:

- The tax on malt beverages is increased from \$.35 to \$3.02 per gallon or fraction of a gallon.
- The tax on wine or other beverages of up to 21 percent alcohol by volume is increased from \$.85 to \$7.25 per gallon or fraction of a gallon.
- The tax on beverages having a content of more than 21 percent alcohol by volume is increased from \$5.60 per gallon to \$37.60 per gallon.

These increases are the same as those proposed in the ballot initiative 99ATAX that circulated in 1999.

Alaska has lost significant tax revenue over the years from the failure to increase taxes on alcohol. While the costs associated with alcohol and substance abuse have grown to more than \$475 million per year, inflation has eroded the value of alcohol tax revenue by almost seventy five percent since 1961. Alcohol taxes were last increased 18 years ago.

This proposal is estimated to yield between \$65 and \$85 million annually in new revenue for a total of between \$77 and \$97 million in alcohol taxes. The wide range is because the tax revenue will vary depending on the effect increased prices have on consumption. Under this proposal, forty percent of that revenue is returned to local governments eligible for municipal assistance.

Currently, local governments bear approximately forty percent of public safety costs, or \$190.3 million per year, for fire, police, emergency medical and other services related to alcohol consumption. The state spends \$284.4 million, or 60 percent of total public safety expenditures, for police, prosecution, courts, corrections and other public safety services. Alcohol has proven to be a significant factor leading to these expenditures. Increased alcohol taxes will assist state and local government in meeting those expenses though government costs associated with alcohol will still far exceed government revenues from alcoholic beverages.

STATEWIDE ALCOHOL TAX COALITION
Position Statement on Alcohol Tax Increase
January 9, 2001

Purpose

This position statement establishes a common framework to discuss and review the need for an increase in the excise tax on alcohol. Specifically, the statement outlines the current tax structure, the alcohol-related costs to all Alaskans, and the discrepancy between taxes collected and costs to the state and its residents.

Existing Tax Structure

The State of Alaska collects approximately \$12 million annually in revenues from an excise tax on beer, wine and spirits. This excise tax rate has not changed since 1983. It has not kept pace with inflation or the costs of negative consequences to Alaskans. An inflation adjustment alone would increase revenues by nearly \$6 million.

Taxable Alcohol	Beer	Wine	Spirits	Total Revenue Collected - 1998
Gallons sold in 1998	13,770,475	1,321,855	1,036,869	
Tax per gallon	\$.35	\$.85	\$5.60	
Drinks per gallon	10.667	25.6	128	
1998 revenue/category	\$4,819,666	\$1,123,577	\$5,806,466	\$11,749,709
Source: Alaska Department of Revenue				

Real Cost of Alcohol Misuse and Abuse

Although putting a price tag on the negative consequences of alcohol is difficult, by extrapolating from national figures, a conservative estimate puts the **cost to government alone at \$250 million a year in Alaska**. The gap between \$12 million in revenue at the current excise tax rate and the \$250 million cost to the state and communities is way too wide. The bottom line is bright red.

What are the Contributory Factors in This Dilemma?

- Nearly 14 percent of adult Alaskans are alcohol dependent or alcohol abusers, compared with a national rate of about 7 percent.
- Alaska has the 5th highest rate of alcohol-related problems, but ranks 32nd for treatment services provided per capita

We know that in Alaska, alcohol is implicated in:

- 50 percent of hospital emergency room visits
- 65 percent of suicide attempts
- 83 percent of child abuse investigations
- 60 percent of domestic violence reports
- 63 percent of sexual assaults
- 42 percent of fatal automobile crashes
- 45 percent of fatal fires

- 26 percent of murders
- 100 percent of Fetal Alcohol Syndrome (FAS) birth defects. Alaska has one of the highest documented rates of FAS in the nation. Recent federal funding to battle FAS/Alcohol Related Birth Defects in Alaska will support trained diagnostic teams to travel statewide to train health care professionals in the diagnosis of FAS/ARBD. It is expected that statistics will be available within 5 years to document more accurately the actual incidence of these disorders in our state. The cost of lifetime care for one FAS child is approximately 1.2 million dollars.

What Can Alaskans Do About It?

Join our effort to close the great gap between revenue generated by alcohol sales and the cost to all Alaskans. The table below gives you an idea of the amount of revenue generated by a variety of changes. Increasing the tax by two cents a drink would merely course correct for inflation. Increasing the tax five cents a drink would double existing revenue. Even higher rates would not meet all of the services needs.

This table is based on current purchasing patterns. It is likely that those would change, especially in the areas of most substantial increase.

Increase in the Excise Tax Rate	Beer	Wine	Spirits	Revenue Generated by Increase
Increase 2 cents/drink	\$7,755,774	\$1,800,261	\$8,460,851	\$18,016,886
Increase 5 cents/drink	\$11,751,173	\$2,707,159	\$11,944,731	\$26,403,062
Increase 10 cents/drink	\$19,506,946	\$4,507,420	\$19,078,390	\$43,092,756
Increase 25 cents/drink	\$41,540,395	\$9,583,343	\$38,992,910	\$90,116,648

Note: These are mathematical calculations that do not reflect the price sensitive decreases in consumption that could occur in various consumer categories.

Who is involved in the Statewide Alcohol Coalition?

The Statewide Alcohol Coalition is comprised of advocates, health professionals, social service providers, criminal justice professionals, child protection workers, and citizens concerned with the discrepancy between the cost of alcohol-related problems to the state, and revenues realized from the current alcohol tax structure. Our goal is to enlist as many statewide and community organizations as possible in our effort to raise the excise tax on alcohol for the first time since 1983. Everybody pays for the negative consequences of alcohol misuse and abuse. Together, we can make a substantial difference for Alaskan families and communities.

Questions?

Please contact Pam Watts, Co-Chair Statewide Alcohol Tax Coalition. Pam may be reached at Pam_Watts@health.state.ak.us, or by phone at (907) 465-8920. The fax number is (907) 465-4410.

ALASKA CLOSE UP

2001

State Capitol
Juneau, AK 99801

Dear Senator Kim Elton,
Thank you for meeting with us, the Alaska Close-up students. We greatly appreciate your support. Also we would like you to know that we passed the alcohol tax bill in our mock legislature, it passed twenty-seven to twelve! Thank you again for all of your hard work we appreciate it.

Sincerely yours,

Samantha Bernhill

Samantha Bernhill

POSTAGE PAID

ALASKA SYNOD ASSEMBLY RESOLUTION

TITLE: ALCOHOL USER ("EXCISE") TAX

Whereas, alcohol abuse is rampant in the State of Alaska, and

Whereas, the social and economic costs of alcohol abuse exact a heavy price on the social fabric and in the economic wellbeing of Alaskan families and institutions, and

Whereas, the state excise tax on alcohol remains low and has not been raised since 1983, thereby making alcohol more readily available, particularly to young people, and

Whereas, there is a direct correlation between consumption rates and the price of alcohol, and

Whereas a small proportion of alcohol users in Alaska consume the major proportion of alcohol in Alaska and are therefore responsible for the majority of problems associated with alcohol abuse, and

Whereas, the State of Alaska finds itself increasingly in a situation where more revenue is needed to pay for economic and social costs of alcohol abuse,

Be it therefore resolved that the Alaska Synod of the Evangelical Lutheran Church in America, meeting in statewide assembly on June 10, 2000, urge members of the 2001 Alaska Legislature to give strong consideration to legislation which would substantially increase the user fees (excise tax) on alcohol.

Submitted by Pastor Obed Nelson

Passed unanimously by the Alaska Synod—Evangelical Lutheran Church in America in Petersburg, Alaska, June 10, 2000.



Alaska Restaurant & Beverage Association
330 E. 4th Avenue, Suite 201 • Anchorage, Alaska 99501 • Phone (907) 929-4242 • Fax (907) 222-2995

ARBA Legislative Issues Position Paper 2001

Oppose \$.25 Per Drink Liquor Excise Tax Increases

The Alaska Restaurant & Beverage Association opposes liquor excise tax increase which, at \$.25 per drink, would effectively mean an *increase to consumers* of over \$6 per bottle of spirits or case of beer and over \$15 per case of wine, a 600% tax increase! Comparatively, if passed, Alaska's alcohol tax would be over 400% greater than *any other state*. Alaska's beverage industry already contributes over \$350 million to Alaska's overall economy each year. This will serve only to negatively impact sales to responsible Alaskan consumers, resulting in a loss of 1,100 jobs, increased prices and an annual reduction in wages for Alaskan workers of \$25 million.

Oppose Minimum Wage Increase and Support Tip Credit Legislation

ARBA supports tip credit legislation which would allow employers the option to forgo minimum wage increases, for tipped employees, where the amount of tips received far exceeds minimum wage requirements.

Support legislation related to DUI issues reform including a graduated penalty for .08 offenders, tougher restrictions on vehicle registration, introducing a DUI court option to promote reform and other issues.

Support an Opportunity Work Credit

Given that we are the number-one employer of entry level workers in the state, the cost of assimilating new workers into the workplace coupled with costs related to turnover represent a significant portion of our payroll. We support a state funded payroll credit for new-hire employee training.

Other Issues of Interest To Our Industry

- ✓ ***Support the efforts of the Alaska Department of Environmental Conservation (DEC) to promote food safety and provide high quality service to the industry.***



POINTCOUNTERPOINT *Should the state raise the alcohol tax?*

Evidence shows action is reasonable, overdue

JIM CRARY, Anchorage attorney

Nationally, Alaska ranks near the top in alcohol consumption, underage drinking and alcohol abuse. Alcohol abuse costs Alaska about \$250 million, yet alcohol contributes only a little more than \$12 million to help defray these costs. By not making alcohol users pay for more of the costs that alcohol abuse causes, the state is subsidizing the cost of alcohol and thereby encouraging its consumption. That is wrong.

The Alaska Criminal Justice Assessment Commission's Alcohol Policy Committee's No. 1 recommendation was to increase the state's alcohol excise tax by 25 cents a drink. The reason is that, overwhelmingly, the evidence shows the most effective method to reduce crime and child abuse, increase public safety and reduce the costs of the criminal justice system agencies is to increase the alcohol excise tax.

A majority of the recent DWI Task Force in Anchorage also voted in favor of increasing the excise tax on alcohol. So did Gov. Wally Hickel's 1994 Criminal Justice Working Group, which said:

"The liquor industry has stated in legislative hearings that an increase in tax will de-

crease use of alcohol. Studies elsewhere have shown this to be true, and that use will decline most in younger people who find it harder to afford. This, the work group believes, is the best argument that can be made for raising alcohol taxes."

Alaska's excise tax on alcohol is only 3.3 cents on a bottle of beer, 3.5 cents on 5 ounces of wine, and 4.4 cents on an ounce of hard liquor. Twenty cents, by itself, will not buy much, but because of the tremendous volume of alcohol consumed in Alaska, 20 cents per drink will bring in \$66 million of additional revenue.

This increase will have no impact on non-drinkers and negligible impact on light or moderate drinkers. However, the people who cause most of the problems, the 15 percent to 20 percent of drinkers who consume 75 percent to 80 percent of the alcohol, will be heavily affected. That is eminently reasonable and fair.

A 20 cent-a-drink increase is not only justified, it's long overdue. Though polls consistently show voters overwhelmingly approve of user taxes on alcohol, the alcohol excise tax has not been increased since 1983. That fact is a testimonial to the power of the liquor industry.



An increase would be fundamentally unfair

KAREN ROGINA, Alaska Hospitality Alliance

The latest alcohol tax increase proposed by Sen. Kim Elton is misleading and unfair, and no matter what Jim Crary says, it cannot be dedicated to a specific purpose.

Alcohol is already the most heavily taxed consumer product in the United States. Alaskans pay some of the highest alcohol taxes in the nation. Despite that, the size of the tax increase of this proposal is enormous. It would increase the tax on beer by more than \$6 a case, \$1.37 on a bottle of wine and \$6.35 on a bottle of spirits. This proposal would make Alaskans pay 10 times the national average tax on wine and 12 times the national average tax on beer.

There is also something fundamentally unfair about taxing one segment of the public so heavily. The vast majority of individuals who drink are healthy, responsible social drinkers. They have a glass of wine with dinner or a beer or two watching a game. They don't cause societal ills and are among our best citizens. Why target them?

It's not just social drinkers who will pay. Hundreds of employees of hotels, taverns, restaurants, brew pubs and retail outlets will end up paying for this excessive increase,

mainly with their jobs, because, as proponents and I agree, this tax will mean that people will drink less. But the people who are likely to drink less are the responsible drinkers. Problem drinkers will buy alcohol no matter how much it is taxed.

Our state constitution dictates that these additional revenues cannot be dedicated for a specific purpose. That means higher alcohol taxes will go into the general fund, where they can be and will likely be spent on something completely different.

No doubt the proponents will argue this tax will cure social problems and cut down on alcohol-related auto accidents. In fact, both national and local studies already show that the industry's efforts to reduce community-related alcohol problems are working. It is small-business owners, the people I represent, who are working hardest to combat abuse. They are training waiters not to serve intoxicated people, promoting industry and enforcement partnerships and sponsoring anti-drunken driving messages aimed at the public. We must continue to tackle the problem with real-life solutions, not by trying to tax alcohol out of existence.

Passed Tuesday night 2/13

Submitted by: Assemblymember TESCHE
Prepared by: Assembly Office
For reading: JANUARY 30, 2001

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49

ANCHORAGE, ALASKA
AO NO. 2001-37

AN ORDINANCE PLACING A BALLOT PROPOSITION BEFORE THE VOTERS AT THE REGULAR MUNICIPAL ELECTION ON APRIL 3, 2001 AND PROVIDING FOR AN ADVISORY VOTE ON THE QUESTION OF WHETHER THE PROCEEDS OF ANY ADDITIONAL TAX ON ALCOHOL THAT THE ALASKA LEGISLATURE MAY ENACT SHOULD BE DISTRIBUTED TO MUNICIPALITIES WHICH PROVIDE LAW ENFORCEMENT AND HEALTH AND ALCOHOL REHABILITATION SERVICES FOR THEIR RESIDENTS.

WHEREAS, the Alaska State Legislature is considering measures to increase State taxes on alcohol; and

WHEREAS, in recent years, State financial assistance to municipalities through State programs such as Municipal Revenue Sharing and Safe Cities has declined despite increasing local needs; and

WHEREAS, municipalities continue to pay a significant portion of the costs of law enforcement, health, and alcohol rehabilitation services necessitated by the use and abuse of alcohol.

NOW, THEREFORE, THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1: A ballot proposition setting forth an advisory proposition shall be placed before the voters at the regular municipal election on April 3, 2001 to read as follows:

PROPOSITION _____

ADVISORY VOTE ON THE DISTRIBUTION OF PROCEEDS OF ADDITIONAL STATE TAXES ON ALCOHOL

If the Alaska State Legislature enacts additional State taxes on alcohol, should the proceeds from those taxes be distributed to municipalities which provide law enforcement, health, and alcohol rehabilitation services to their residents?

Yes [] No []

Section 2: That this ordinance shall become effective immediately upon passage and approval by the Assembly.

Post-it® Fax Note	7671	Date	2/22	# of Pages	1
To	Maru	From	Jesse		
Co./Dept.	1	Co.			
Phone #	rc: 588	Phone #			
Fax #	4279	Fax #			