

SB

347

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

RECEIVED
MAR 15 2002
SENATE FINANCE
COMMITTEE

DATE: 3/6/02

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 15 March 2002

Finance Committee considered

SENATE BILL NO. 347

"An Act relating to taxation."

and recommends:

- be replaced with _____ CS SB 347 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	3/10/02	74.5		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Fred Green</i>			✓	
<i>Alvin Rusterhoff</i>	✓			
<i>[Signature]</i>		✓		
<i>Gregg Miller</i>			✓	
<i>Bruce W. Rowan</i>			✓	
COCHAIR: <i>Don Donley</i>	✓			
COCHAIR:				

REPORTED BY
 MAR 15 2002
 SENATE FINANCE
 COMMITTEE

FISCAL NOTE

STATE OF ALASKA
 2002 LEGISLATIVE SESSION

Fiscal Note Number:
 Bill Version: SB 347
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Alcoholic Beverage Tax BRU Revenue Operations
 Component Tax Division
 Sponsor Senate Finance Committee
 Requester Senate Finance Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	63.0	63.0	63.0	63.0	63.0	63.0
Travel	2.5	2.5	2.5	2.5	2.5	2.5
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	74.5	69.5	69.5	69.5	69.5	69.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES* ()	22,238-23,878	27,873-29,921	27,873-29,921	27,873-29,921	27,873-29,921	27,873-29,921
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	74.5	69.5	69.5	69.5	69.5	69.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	74.5	69.5	69.5	69.5	69.5	69.5

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: *Please see attached bill analysis.*

- * Because we do not know which municipalities, if any, will levy sales taxes on alcoholic beverages as a result of this bill, we have not included any adjustments for municipal sales tax rate changes. We estimated revenue using the following assumptions:
- (1) We assume that the tax is completely passed on to the consumer in the form of higher prices.
 - (2) Price elasticity ranges from 1990 Congressional Budget Office report Federal Taxation of Tobacco, Alcoholic Beverages and Motor Fuels
 - (3) Alcoholic beverage prices are from the 1999 American Chamber of Commerce Research Association survey for Anchorage.
 - (4) We assume that in the first year of implementation, as a result of stockpiling, the revenue increase would be 20 percent less (from our experience with the 1997 cigarette tax rate increase).
 - (5) We assume that the decrease in consumption occurs as one-time effect and then does not change in subsequent years.
 - (6) We assume the tax becomes effective on July 1, 2002.
 - (7) We assume that only Alaska businesses take advantage of the lower tax rate on qualifying breweries.

The operating budget increment is to pay for a revenue auditor for additional enforcement of the state's alcohol tax laws. See Page 2.

Prepared by: Johanna Bales and Brett Fried
 Division: Tax Division
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 907-269-6628 or 465-3682
 Date/Time 03/10/2002 1 p.m.
 Date 03/10/2002 1 p.m.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 347

ANALYSIS CONTINUATION

Section 1 and 2. Allows a municipality to impose a sales tax on alcoholic beverages even if it does not have a sales tax on other goods.

Section 3. Increases the alcoholic beverage state tax rate.

1. The bill creates a new tax rate category for "hard" cider. We recommend that cider be added to the listing of taxable beverages under (a) as well.

2. Based on our experience with the 1997 increase in the tax rate on cigarettes and tobacco products, the department would like to point out the following:

-There is no provision in this bill to tax existing wholesale and retail inventory in the state at the time of the tax increase. When the cigarette and tobacco products tax rates were increased, a significant amount of stockpiling took place within the state. The department estimates that approximately \$7.1 million in revenue was lost during the first six months of the tobacco tax increase due to stockpiling. We believe the same thing could happen if the alcoholic beverage tax rate is increased. If it is the intent of the legislature to tax existing inventory at the new rate, there should be transitional language in the bill requiring a "floor stock tax." A floor stock tax is a one-time tax paid by all retailers and wholesalers in the state on existing alcoholic beverage inventory. However, we believe that there would still be some stockpiling by individuals.

-There is no explicit provision for a person to pay the tax if they import product from outside the state for personal consumption. If it is the intent of the legislature to put the tax burden on the consumer, a provision should be made to make a person primarily liable for the tax if they are the first importer of the product into the state for personal consumption.

Section 4. Reduced rate for small domestic brewers

1. We have lowered the estimated tax revenue increase for this legislation to reflect our best guess of the fiscal impact from the reduced tax rate for small Alaska beer producers. The fiscal note assumes that the in-state brewers are the only beneficiaries of the section.

2. This incorporates provisions of the Internal Revenue Code that are applicable to domestic (U.S.) beer producers. The existing 35 cents per gallon tax rate would be retained for certain brewers on the first 60,000 barrels (31-gallon barrels) sold in Alaska. Because qualification under this provision is dependent on the taxpayer's qualification under the federal rules, and the federal rules are restricted to domestic producers, this provision could violate the United States Constitution. This problem could be resolved if the bill is amended to qualify brewers independent of federal tax status, such that qualification were independent of state or country of origin. One consequence of such change could be increased administrative costs.

3. We are unable to estimate the number of out-of state brewers that could qualify for the reduced tax rate or the number that would qualify if constitutional problems were fully addressed. Neither can we estimate the volume of beer sold in Alaska by these non-Alaska brewers. However, the impact on revenue could be significant. For example, a brewer approaching the 2-million-barrel threshold that sells 60,000 barrels in Alaska would pay \$651,000 compared to an unqualified brewer paying \$2,641,200 on its 60,000 barrels.

4. The document filed by a brewer with the federal Bureau of Alcohol, Tobacco and Firearms claiming the reduced federal tax rate is titled "Brewer's Notice of Intent to Pay Reduced Rate of Tax." If the state is going to rely on this document, the exact title should be referenced.

5. This bill does not address breweries controlled by the same person. As such, an individual who owns two breweries could still qualify as a small brewery under federal rules, but claim the reduced tax rate on over 60,000 barrels produced each year. To correct this problem, the following language should be considered: "The reduced rate of tax applies to the first 60,000 barrels of beer sold in Alaska during a fiscal year by a controlled group of brewers in which the same person holds, directly or indirectly, a 50 percent or more ownership interest." In this subsection, person includes an individual, corporation, partnership, association, joint venture, estate, trust or combination acting as a unit."

6. The tax in current statute is on malt beverages. However, "beer" is used for the reduced rate of tax in this section. "Beer" should be defined in the bill.

Operating budget increment

The department believes there would be an incentive to try to avoid the increased state excise tax. The current tax rate is viewed by many as immaterial, but the higher rate likely would result in an increase in tax avoidance efforts by some individuals. As such, the department estimates it would need one full-time Revenue Auditor III (Range 18) to provide additional enforcement to ensure that the tax is enforced and that the state does not lose revenues.

SENATE FINANCE COMMITTEE
 / / 2002 COMMITTEE ACTION

Bill Number: 347		
Amendment: with #1 and fiscal notes		
Motion: Leman		
<u>Motion by</u>		
<u>Objection by</u> Hoffman		
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u> <u>N</u>
Senator Hoffman		✓
Senator Leman	✓	
Senator Olson	—	—
Senator Ward		
Senator Wilken	✓	
Senator Austerman	✓	
Senator Green	✓	
Co-Chair Donley	✓	
Co-Chair Kelly	—	—
<u>Tally</u>	5	
Yea		
Nay	1	
Absent		
<u>MOTION</u> Passes		

with

Amend #1

22-LS1624C

SENATE BILL NO. 347

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/6/02

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to ~~taxation:~~ *alcoholic beverages*

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 04.21.010(c) is amended to read:

4 (c) A municipality may not impose taxes on alcoholic beverages except a

5 (1) property tax on alcoholic beverage inventories;

6 (2) sales tax on alcoholic beverage sales; a sales tax may be imposed

7 on alcoholic beverages even if other sales are not taxed, or, if other sales are

8 taxed, a sales tax on alcoholic beverages may be equal to, higher than, or lower

9 than a sales tax [IF SALES TAXES ARE] imposed on other sales within the

10 municipality; and

11 (3) [SALES TAX ON ALCOHOLIC BEVERAGE SALES THAT

12 WAS IN EFFECT BEFORE JULY 1, 1985; AND

13 (4)] sales and use tax on alcoholic beverages if the sale of alcoholic

14 beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4),

15 or (5).

1 * Sec. 2. AS 29.45.650(a) is amended to read:

2 (a) Except as provided in [AS 04.21.010(c) AND IN] (f) and (h) of this
3 section, a borough may levy and collect a sales tax on sales, rents, and on services
4 provided in the borough. The sales tax may apply to any or all of these sources.
5 Exemptions may be granted by ordinance.

6 * Sec. 3. AS 43.60.010(a) is amended to read:

7 (a) Except as provided in (c) of this section, every [EVERY] brewer,
8 distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic
9 beverages in the state or who consigns shipments of alcoholic beverages into the state,
10 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured
11 in the state, shall pay on all malt beverages (alcoholic content of one percent or more
12 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

13 (1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction
14 of a gallon;

15 (2) cider with at least 0.5 percent alcohol by volume but not more
16 than 7 percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a
17 gallon;

18 (3) wine or other beverages, other than beverages described in (1) or
19 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$3.41
20 [85 CENTS] a gallon or fraction of a gallon; and

21 (4) [(3)] other beverages having a content of more than 21 percent
22 alcohol by volume at the rate of \$18.40 [\$5.60] a gallon.

23 * Sec. 4. AS 43.60.010 is amended by adding a new subsection to read:

24 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first
25 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2002, for beer
26 produced in the United States if the producing brewery meets the qualifications of 26
27 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
28 file with the department a copy of a Bureau of Alcohol, Tobacco and Firearms
29 acknowledged copy of the brewer's Notice of Brewer to Pay Reduced Rate of Tax
30 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
31 for which the partial exemption is sought. If proof of eligibility is not received by the

SENATE FINANCE COMMITTEE
3/15/2002 COMMITTEE ACTION

~~347~~
Amend #1

Bill Number	347		
Amendment	Change		
Motion	Title		
<u>Motion by</u>	Leman		
<u>Objection by</u>	Hoffman		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	Vote	N
Senator Austerman	✓		
Senator Green	✓		
Senator Hoffman		✓	
Senator Leman	✓		
Senator Olson		—	
Senator Ward	✓		
Senator Wilken	✓		
Co-Chair Donley	✓		
Co-Chair Kelly		—	
<u>Tally</u>			
Yea	6		
Nay	1		
Absent	2		
<u>MOTION</u>			

CS FOR SENATE BILL NO. 347(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to alcoholic beverages."

#1

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6 (2) sales tax on alcoholic beverage sales; a sales tax may be imposed

7 on alcoholic beverages even if other sales are not taxed, or, if other sales are

8 taxed, a sales tax on alcoholic beverages may be equal to, higher than, or lower

9 than a sales tax [IF SALES TAXES ARE] imposed on other sales within the

10 municipality; and

11 (3) [SALES TAX ON ALCOHOLIC BEVERAGE SALES THAT
12 WAS IN EFFECT BEFORE JULY 1, 1985; AND

13 (4)] sales and use tax on alcoholic beverages if the sale of alcoholic
14 beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4),
15 or (5).

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3 section, a borough may levy and collect a sales tax on sales, rents, and on services
4 provided in the borough. The sales tax may apply to any or all of these sources.
5 Exemptions may be granted by ordinance.

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7 (a) Except as provided in (c) of this section, every [EVERY] brewer,
8 distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic
9 beverages in the state or who consigns shipments of alcoholic beverages into the state,
10 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured
11 in the state, shall pay on all malt beverages (alcoholic content of one percent or more
12 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

13 (1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction
14 of a gallon;

15 (2) cider with at least 0.5 percent alcohol by volume but not more
16 than 7 percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a
17 gallon;

18 (3) wine or other beverages, other than beverages described in (1) or
19 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$3.41
20 [85 CENTS] a gallon or fraction of a gallon; and

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22 alcohol by volume at the rate of \$18.40 [\$5.60] a gallon.

23 * Sec. 4. AS 43.60.010 is amended by adding a new subsection to read:

24 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first
25 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2002, for beer
26 produced in the United States if the producing brewery meets the qualifications of 26
27 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
28 file with the department a copy of a Bureau of Alcohol, Tobacco and Firearms
29 acknowledged copy of the brewer's Notice of Brewer to Pay Reduced Rate of Tax
30 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
31 for which the partial exemption is sought. If proof of eligibility is not received by the

1 department before June 1, the tax rate under this subsection does not apply until the
2 first day of the second month after the month the notice is received by the department.
3 For purposes of applying this subsection, a barrel of beer may contain no more than 31
4 gallons.

SENATE FINANCE
COMMITTEE
Amendment Number: #2 22-LS1624F.1
Bill Number: SB 347 Cook
Sponsor: Ward Date: 3/15/02 3/15/02
Logged In By: Mindy

AMENDMENT

O. REFERRED IN THE SENATE

BY SENATOR WARD

TO: CSSB 347(), Draft Version "F"

1 Page 1, line 1, following "beverages":

2 Insert "; and providing for an effective date"

3

4 Page 3, following line 4:

5 Insert new bill sections to read:

6 "* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 CONDITIONAL EFFECT. This Act takes effect only if a version of SJR. 23,
9 proposing amendments to the Constitution of the State of Alaska relating to an appropriation
10 limit and a spending limit, is passed by the legislature and approved by the voters during the
11 2002 general election.

12 * Sec. 6. If this Act takes effect under sec. 5, it takes effect on January 1, 2003."

Amend #2

SENATE FINANCE COMMITTEE
3/15/2002 COMMITTEE ACTION

Bill Number <u>SB 347</u>		
Amendment # <u>2</u>		
Motion <u>sbpt</u>		
<u>Motion by</u> <u>Ward</u>		
<u>Objection by</u> <u>Donley/Wilken</u>		
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u> <u>N</u>
Senator Green	✓	
Senator Hoffman		✓
Senator Leman		✓
Senator Olson		
Senator Ward	✓	
Senator Wilken		✓
Senator Austerman		✓
Co-Chair Donley		✓
Co-Chair Kelly		
<u>Tally</u>		
Yea	<u>2</u>	
Nay	<u>3</u>	
Absent		
<u>MOTION</u> <u>fails</u>		

1

Not adopted

22-LS1624F
Cook
3/13/02

CS FOR SENATE BILL NO. 347()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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7 on alcoholic beverages even if other sales are not taxed, or, if other sales are

8 taxed, a sales tax on alcoholic beverages may be equal to, higher than, or lower

9 than a sales tax [IF SALES TAXES ARE] imposed on other sales within the
10 municipality; and

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12 WAS IN EFFECT BEFORE JULY 1, 1985; AND

13 (4)] sales and use tax on alcoholic beverages if the sale of alcoholic
14 beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4),
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9 beverages in the state or who consigns shipments of alcoholic beverages into the state,
10 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured
11 in the state, shall pay on all malt beverages (alcoholic content of one percent or more
12 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

13 (1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction
14 of a gallon;

15 (2) cider with at least 0.5 percent alcohol by volume but not more
16 than 7 percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a
17 gallon;

18 (3) wine or other beverages, other than beverages described in (1) or
19 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$3.41
20 [85 CENTS] a gallon or fraction of a gallon; and

21 (4) [(3)] other beverages having a content of more than 21 percent
22 alcohol by volume at the rate of \$18.40 [\$5.60] a gallon.

23 * Sec. 4. AS 43.60.010 is amended by adding a new subsection to read:

24 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first
25 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2002, for beer
26 produced in the United States if the producing brewery meets the qualifications of 26
27 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
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30 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
31 for which the partial exemption is sought. If proof of eligibility is not received by the

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2 first day of the second month after the month the notice is received by the department.
3 For purposes of applying this subsection, a barrel of beer may contain no more than 31
4 gallons.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SENATE BILL 347 SPONSOR STATEMENT

Alcohol use and abuse is exacting a serious financial, as well as social, toll on the resources of the Alaska government, both at the state and local levels. Senate Bill 347 addresses this drain on government resources in two ways. It first allows a municipality to impose a sales tax on alcoholic beverages provided the local voters approve that tax. Secondly it raises the excise tax imposed on alcoholic beverages for the first time since 1983.

In May 2000, the Alaska Criminal Justice Assessment Commission issued a report in which the **Alcohol Policy Committee recommended both of these measures** to address the ever-increasing alcohol-related costs to government. The committee believed that these measures would provide funds to put towards rehabilitative treatment programs and services, that in turn, would lead to further savings through decreased recidivism and decreased demand for state services. The ideas have been supported by the Alaska Municipal League, Alaska State Hospital and Nursing Home Association, the Advisory Board on Alcoholism and Drug Abuse and the Alaska Native Health Board.

Local governments should be given the flexibility to find ways to deal with the massive costs created by alcohol abuse. Senate Bill 347 provides an option to do this, but only upon citizen approval. The legislation amends state law to allow—NOT require—municipalities to impose a sales tax on alcoholic beverages regardless of whether there is a tax on other kinds of sales. Additionally, it allows municipalities to impose a sales tax that is equal to, lower than, or higher than the rate set for other sales.

Currently, municipalities may impose a sales tax on alcoholic beverages only if there is a general sales tax or a sales tax imposed on another commodity, such as hotel beds, tobacco, etc. For example, if Anchorage voters wanted to impose a sales tax on alcoholic beverages, rather than choosing the rate to impose, they would be limited to imposing an 8% tax (equal to the current bed tax and car rental tax) or a 15% tax (equal to the tobacco tax). Senate Bill 347 would allow them to impose a rate that they felt was best for the municipality. As stated previously, this tax could be imposed only after approval by a vote of the citizens.

Senate Bill 347 next increases the excise tax imposed on alcoholic beverages. This would be the first time in 20 years that the excise tax was raised. The increase translates into approximately a dime a drink and is anticipated to increase revenues to Alaska government by between \$22 and \$30 million per year. This additional revenue could be used to offset current alcohol-related costs and expanded alcohol abuse programs.

The effects of alcohol on Alaska are staggering. Statistics show that Alaska ranks among the top in per capital alcohol consumption and incidence of Fetal Alcohol Syndrome. Alcohol is implicated in more than 50% of suicide attempts, child abuse investigations, domestic violence reports, sexual assaults, and hospital emergency department visits. It is implicated in more than 40% of fatal automobile crashes, fatal fires and homicides.

Senate Bill 347 provides valuable tools for both local governments and the State. It first provides municipalities with an option that, if approved by the voters, could provide funds for increasing alcohol-related costs. It also provides badly needed revenue to the state to pay for services such as public safety, care for inebriates and alcohol-related social and health problems.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SECTIONAL ANALYSIS SENATE BILL 347

"An Act relating to municipal taxation of alcoholic beverages"

Section 1: Amends AS 04.21.010(c)(2), regarding municipal regulation, to allow municipalities to impose a sales tax on alcoholic beverages regardless of whether they have a sales tax on other sales. Current statute allows a sales tax on alcoholic beverages only if a sales tax exists on other sales. It also allows the municipality to set the sales tax on alcoholic beverages at a rate equal to, higher than or lower than, the sales tax on other sales.

Deletes AS 04.21.010(c)(3), which allows municipalities having sales taxes on alcoholic beverages prior to July 1, 1985, to continue to tax alcoholic beverages sales. This section is no longer needed as all municipalities may impose a sales tax on alcoholic beverages.

Section 2: Amends AS 29.45.650(a), regarding borough sales and use tax, by removing the reference to AS 04.21.010(c) in the exceptions. Because municipalities would no longer be restricted in placing a sales tax on alcoholic beverages, this exception is no longer needed.

Section 3: Amends AS 43.60.010(a), increasing the excise tax on malt beverages from \$.35 to \$1.42 per gallon; adding a tax on cider with .5%-7% alcohol content of \$1.42 per gallon; increasing the excise tax on wine or other beverages of 21% alcohol from \$.85 to \$3.41 per gallon and increasing the excise tax on beverages with more than 21% alcohol content from \$5.60 to \$18.40 per gallon

Section 4: Adds a new section to AS 43.60.010 allowing a brewer producing beer in the United States and qualifying under 26 U.S.C. 505(a)(2) to pay a tax of \$.35 per gallon on the first 60,000 barrels of beer sold

Current Statutes

SB 347

Sec. 04.21.010. Municipal regulation.

(a) A municipality may adopt ordinances governing the importation, barter, sale, and consumption of alcoholic beverages within the municipality and may ban possession of alcoholic beverages under AS 04.11.491(a)(5). An ordinance adopted under this section may not be inconsistent with this title or regulations adopted under this title. In a municipality that has adopted a local option under AS 04.11.491(a)(1), (2), or (3), an ordinance is not inconsistent with this title if it limits

(1) the monthly amounts of alcoholic beverages a person may import into the municipality;
(2) the percent of alcohol by volume that an alcoholic beverage may contain; a limit imposed under this paragraph may not be less than 40 nor more than 76 percent alcohol by volume;
or

(3) the type of alcoholic beverage container that may be possessed in the municipality.

(b) After the adoption of a local option under AS 04.11.491(a), a municipality may adopt an ordinance making the sale, importation, or possession of alcoholic beverages a misdemeanor to the extent prohibited under the local option. The ordinance may not be inconsistent with this title or the regulations adopted under this title.

(c) A municipality may not impose taxes on alcoholic beverages except a

(1) property tax on alcoholic beverage inventories;

(2) sales tax on alcoholic beverage sales if sales taxes are imposed on other sales within the municipality;

(3) sales tax on alcoholic beverage sales that was in effect before July 1, 1985; and

(4) sales and use tax on alcoholic beverages if the sale of alcoholic beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4), or (5).

(d) At least 10 days before the date set for municipal action on an application for the issuance, renewal, relocation, or transfer of ownership of a proposed license, the municipality shall provide written notice of the proposed action and the time and place for a hearing to a community council that

(1) is established by municipal charter or ordinance to advise the municipal governing body;
and

(2) has jurisdiction over the area affected by the proposed action.

Decisions -

Sales tax. - Paragraphs (c)(2) and (c)(3) of this section, when read together, bar a municipality from taxing only the sale of alcoholic beverages and further require that if sales taxes are imposed on other commodities, then the rate of taxation on the sale of alcoholic beverages may not exceed the rate of taxation imposed upon such other commodities sales. *Lagos v. City of Sitka*, 823 P.2d 641 (Alaska 1991).

A Sitka ordinance which taxed the sales of alcoholic beverages at a four percent higher rate than sales made on other commodities within the city and borough of Sitka violated this section. *Lagos v. City of Sitka*, 823 P.2d 641 (Alaska 1991).

Current Statutes
SB 347

Sec. 29.45.650. Sales and use tax.

(a) Except as provided in AS 04.21.010(c) and in (f) and (h) of this section, a borough may levy and collect a sales tax on sales, rents, and on services provided in the borough. The sales tax may apply to any or all of these sources. Exemptions may be granted by ordinance.

(b) A borough levying a sales tax may also by ordinance levy a use tax on the storage, use, or consumption of tangible personal property in the borough. The use tax rate must equal the sales tax rate and the use tax shall be levied only on buyers.

(c) A person who furnishes proof, in the form required by the borough tax collector, that the person has paid a sales tax on the source on which a use tax is levied by the borough is required to pay the use tax only to the extent of the difference between the amount of the sales tax paid and the amount of the use tax levied by the borough. This subsection applies to a sales tax levied in any taxing jurisdiction whether inside or outside the state.

(d) If the assembly charges interest on sales taxes not paid when due, the rate of interest may not exceed 15 percent a year on the delinquent taxes and shall be charged from the due date until paid in full. This subsection applies to home rule and general law municipalities.

(e) A borough may provide for the creation, recording, and notice of a lien on real or personal property to secure the payment of a sales and use tax, and the interest, penalties, and administration costs in the event of delinquency. When recorded, the sales tax lien has priority over all other liens except (1) liens for property taxes and special assessments; (2) liens that were perfected before the recording of the sales tax lien for amounts actually advanced before the recording of the sales tax lien; (3) mechanics' and materialmen's liens for which claims of lien under AS 34.35.070 or notices of right to lien under AS 34.35.064 have been recorded before the recording of the sales tax lien. This subsection applies to home rule and general law municipalities.

(f) A borough may not levy and collect a sales tax on a purchase made with (1) food coupons, food stamps, or other type of certificate issued under 7 U.S.C. 2011 - 2025 (Food Stamp Act); or (2) food instruments, food vouchers, or other type of certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children). This subsection applies to home rule and general law municipalities.

(g) [Repealed, Sec. 2 ch 159 SLA 1990].

(h) A borough may not levy or collect a sales tax on sales, rents, and services, or a use tax on the storage, use, or consumption of personal property on the following activities:

(1) the sale, lease, rental, storage, consumption, or distribution in this state of or the provision of services relating to an orbital space facility, space propulsion system, or space vehicle, satellite, or station of any kind possessing space flight capacity, including the components of them;

(2) the sale, lease, rental, storage, consumption, or use of tangible personal property placed on or used aboard an orbital space facility, space propulsion system, or space vehicle, satellite, or station of any kind, regardless of whether the tangible personal property is returned to this state for subsequent use, storage, or consumption; an exemption under this paragraph is not affected by the failure of a launch to occur, or the destruction of a launch vehicle or a component of a launch vehicle.

Current Statutes
SB 347

Sec. 43.60.010. Alcoholic beverage tax.

(a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic beverages in the state or who consigns shipments of alcoholic beverages into the state, whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

- (1) malt beverages at the rate of 35 cents a gallon or fraction of a gallon;
 - (2) wine or other beverages of 21 percent alcohol by volume or less, at the rate of 85 cents a gallon or fraction of a gallon; and
 - (3) other beverages having a content of more than 21 percent alcohol by volume at the rate of \$5.60 a gallon.
- (b) [Repealed, Sec. 3 ch 235 SLA 1976].

History -

(Sec. 35-4-31 ACLA 1949; am Sec. 1 ch 73 SLA 1957; am Sec. 1 ch 61 SLA 1961; am Sec. 28 ch 70 SLA 1964; am Sec. 1 ch 61 SLA 1971; am Sec. 3 ch 235 SLA 1976; am Sec. 1 ch 46 SLA 1983)

AG Opinions -

The clear wording of this section leaves little room for interpretation. 1960 Op. Att'y Gen., No. 3.

Alaska can tax retail liquor stores and beverage dispensaries located within military reservations if they do not fall within the exemptions set forth in 4 USC 107. 1960 Op. Att'y Gen., No. 16.

The Alcoholic Beverage Control Board may regulate the sale of intoxicating beverages on military reservations by businesses which are not instrumentalities of the federal government, may require such businesses to obtain retail store or beverage dispensary licenses, may inspect them to determine if they are operating in compliance with the liquor laws of Alaska (subject to restrictions for security reasons), and may take any action authorized by Alaska liquor statutes if they are not doing business in compliance with state liquor laws and regulations. 1960 Op. Att'y Gen., No. 16.

Members of the national guard of Alaska enjoy no different status than other civilian residents of Alaska as far as Alaska liquor laws are concerned unless they or their units shall have been called into the active service of the United States. 1960 Op. Att'y Gen., No. 16.

Intoxicating beverages may only be sold or dispensed at a national guard encampment or installation in Alaska by a licensed beverage dispensary or licensed retail liquor store. 1960 Op. Att'y Gen., No. 16.

Civilian clubs are subject to state liquor laws and regulations and are subject to state revenue laws. 1960 Op. Att'y Gen., No. 16.

In determining whether a tax is actually levied upon the United States or its property in violation of the federal government's constitutional immunity, the United States Supreme Court has looked to the substance rather than the form of the particular statute in order to determine whether the incident of the tax was on a federal instrumentality. 1960 Op. Att'y Gen., No. 3.

An analysis of the substance of this section will only reveal that the liquor excise tax is not imposed on any agency or other instrumentality of the federal government. 1960 Op. Att'y Gen., No. 3.

Decisions -

The application of an industrial credit to the malt liquor excise tax was not unconstitutional as being in violation of both the commerce clause of the United States Constitution and the equal protection clause of the 14th amendment of the United States Constitution. *K & L Distrib., Inc. v. Murkowski*, 486 P.2d 351 (Alaska 1971).

Quoted in *Racine v. State, DOT & Pub. Facilities*, 663 P.2d 555 (Alaska 1983).



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Alaska Statute 04.21.010 (c)

When the liquor laws were codified in 1980, AS 04.21.010(c) was enacted to read:

- c) A municipality may not impose taxes on alcohol beverages except
 - (1) property taxes on alcoholic beverage inventories; and
 - (2) *sales taxes on alcoholic beverage sales* (emphasis added)

When the legislature rewrote Title 29 in 1985 (House Bill 42), it also amended various other statutes, one of which was AS 04.21.010(c). The amendment revising AS 04.21.010(c) to read as it does currently was first discussed and adopted by the Senate Finance Committee. It changed the statute to read:

- c) A municipality may not impose taxes on alcohol beverages except
 - (1) property taxes on alcoholic beverage inventories; and
 - (2) sales taxes on alcoholic beverage sales *if sales taxes are imposed on other sales within the municipality; and*
 - (3) *sales taxes on alcoholic beverages sales that were in effect before July 1, 1985.* (emphasis added)

Attached are excerpts taken from the Senate Finance Committee minutes dated May 7 and May 8, 1985, covering the discussion of this amendment.

Discussion Pertaining to 04.21.010(c)
Presented to the Senate Finance Committee on May 7 and May 8, 1985

Senator Eliason moved the amendment relating to sales taxes on alcoholic beverages. He explained that in 1980 the legislature restructured liquor bills (Title IV). Language contained in the proposed amendment was inadvertently dropped from the legislation at that time. Consequently, some communities instituted a sales tax on a single item--alcohol. The state totally regulates liquor, and last year effected a tax increase (in excise taxes?). The ability to tax alcoholic beverage sales should remain with state government. Communities retain the ability to vote on whether or not to go dry, and they may establish bar hours. Imposing a local tax upon a single industry is discriminatory, however, and should be discouraged.

Communities (Craig, Juneau, and Kotzebue) which imposed a local sales tax on alcoholic beverages prior to July 1, 1985, will be grandfathered in and allowed to maintain the tax. The amendment would prohibit other communities from imposing a sales tax on alcoholic beverages alone. The intent is to treat all commodities equally.

Mr. Smith (Acting Commissioner, Dept. of Community & Regional Affairs) understood that the amendment would specify that a community could not set a higher tax for alcohol than for other commodities. Exemptions for prescriptions and other designated goods would not be affected. Co-chairman Faiks advised that the municipality of Anchorage currently has no sales tax. She understood that should the municipality wish to tax alcohol only, it would be prohibited from doing so under the proposed amendment.

TAMARA COOK, Deputy Director, Legal Services, Legislative Affairs Agency, advised that the amendment would not preclude the taxing of alcohol as long as some other commodity was also taxed. Aside from that, there is flexibility in terms of what items are taxed. If a municipality imposed a sales tax on anything other than alcohol, it would be free to include alcohol within its tax structure.

Senator Halford asked if all sales taxes require voter approval. Ms. Cook responded that they do and added that under existing law a municipality is only allowed to place a sales tax question on the ballot once a year. Senator Halford asked if the amendment would limit voters' rights to choose to tax alcoholic beverage sales.

Ms. Cook responded that the amendment would limit voter and municipal ability to impose a sales tax only on the sale of alcoholic beverages.

Senator Eliason requested that Senator Bill Ray testify concerning the background of the amendment, noting that it dates back to the day the alcohol code was revamped.

SENATOR BILL RAY advised that his expertise in the area of alcohol legislation commenced in 1959 when he was appointed to the ABC Board. In 1980 Title IV was recodified. Senator Ray explained that originally there was no property tax on liquor inventory because license fees were returned to the municipality in lieu of property taxes. As time passed and enforcement problems arose, it was determined that license fees should be used strictly for enforcement.

Language which prohibits the limiting of sales taxes to alcohol alone was inadvertently dropped out of previous legislation when finalized in conference committee. It was never the intent of the conference committee to eliminate the language.

Senator Halford inquired about the effect of the proposed amendment. His understanding is that sales taxes cannot be imposed without a vote of the people. He noted that he felt differently about limitations on voters' power as opposed to limitations on municipal power.

Senator Ray believed it is discriminatory to "have an additional tax on anything--in other words select an additional tax on matches because they have a lot of fires in town." Senator Halford said, "We do, for example, allow boats to be taxed differently than houses." Someone living on a \$200,000 boat pays a tonnage fee while someone who lives in a \$200,000 house pays real property taxes at a substantially higher value.

Senator Eliason explained the only limitation being imposed upon local governments by the amendment relates to the fact that they cannot enact "a specific sales tax on a specific industry." The amendment says that if a municipality wants to tax liquor and something else, whatever that might be, that is all right. The intent is to keep municipalities from selecting an industry and taxing it and no one else. A ballot proposition which proposed a 10% tax on liquor and tobacco would not be in violation of amendment provisions. However, if the proposition read, "Shall we impose a 10% tax on tobacco, only," the municipality could not do so under provisions of the proposed amendment.

Senator Ray reiterated previous statements, advising that historically it was considered that additional revenues generated to the state through the sale of alcohol and license fees were sufficient and an inventory tax was not needed. Inherent problems later led to application of an inventory tax, and it was subsequently determined that it was acceptable to also levy a sales tax "if the sales tax was generated from everything else within the community." It is a policy question.

Senator Kerttula asked if the proposed amendment had been offered in the course of previous hearings on the bill before other legislative committees. Senator Ray explained that provisions contained within the amendment should earlier have been included in statute and were inadvertently omitted or perhaps left out of previous legislation by an attorney at Legislative Affairs who was proficient at "making things rhyme out and sound nice, irrespective of what it really did." The language in his mind might have seemed redundant. In response to restatement of Senator Kerttula's question, Senator Ray advised that to his knowledge the language contained within the amendment had not been proposed to other committees.

Senator Kerttula stated his understanding was that under the proposed provision a tax could be imposed by a municipality if two or more things were taxed. One commodity, however, cannot be selected for taxation. Senator Eliason concurred in the foregoing understanding, noting that the amendment attempts to avoid zeroing in on one specific industry for a specific tax.

SCOTT BURGESS, Executive Director, Alaska Municipal League, next came before committee. He voiced opposition to Amendment No. 2 for the following reasons:

1. It reflects a policy issue that had not gone through the processes dealing with the bill.
2. It amends Title 4 rather than Title 29, the subject of the bill.
3. Local options should be maintained.

The issue raised by the amendment should be brought in separate legislation rather than tagged onto the instant bill. In terms of local options, all sales taxes must go before the voters and are imposed only at the will of the majority. Proposed taxes, whether they be on alcohol or anything else, would be voted for by the people.

As background, Mr. Burgess explained that discussion with the Juneau attorney involved on the technical committee for Title 29, indicates that there was a specific request during hearings and rewrite of Title 4 by alcoholism groups "to put that in there."

It appears to have been a conscious effort. In a concluding statement, Mr. Burgess advised that the Municipal League views the amendment as a new issue which is potentially controversial. The League opposes the amendment.

Senator Paul Fischer noted previous veto by the Governor and asked Mr. Burgess if he had talked to the Governor to determine whether Amendment No. 2 posed a critical problem. Mr. Burgess responded negatively, advising that due to the fact that the issue had only recently been raised, he had not had time to undertake a lot of research.

Senator Ferguson called for a vote on the question of adoption of AMENDMENT NO. 2.

Senator Kerttula advised of his understanding that the League seeks to "retain every option for a vote of the people on decisions like this." Mr. Burgess replied affirmatively.

The concern is that a prohibition on introduction of sales tax on liquor specifically is something that was addressed in revisions to Title 4. The power of municipalities to issue sales tax is granted in Title 29. The issue of alcohol is dealt with in Title 4. The concern here is whether municipalities should have the right to have a tax on sales. The issue before committee through Amendment No. 2 is whether that sales tax should be limited. The major concern is the new policy.

Co-chairman Faiks reminded Mr. Burgess and others attending the meeting that "there is over ninety years of legislative experience sitting at this table." It would be impossible for the committee not to look very closely at every bill before it.

JEFF SMITH, Acting Commissioner, Dept. of Community & Regional Affairs, next came before committee. He advised that following review of and staff discussion of the amendment, the department supports it.

Co-chairman Faiks called for a show of hands on adoption of Amendment No. 2. The vote showed Co-chairmen Faiks and Sackett and Senators Ferguson, Eliason, and Kerttula in favor. No objection having been raised, AMENDMENT NO. 2 was ADOPTED.



Alaska State Senate

Senate Finance Committee

Official Business

Senate Bill 347
3-12-02

Mail Stop 3100
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Municipalities Imposing a Tax on Alcoholic Beverages

- Bethel: 5% alcohol tax (same % as Fish, MVRT, & gaming; also has 3% bed tax)
- Craig: 6% liquor tax (same % as raw fish tax)
- Dillingham: 10% liquor tax (same % as bed and draw fish; also has 5% gaming tax)
- Fairbanks: 5% alcohol tax (also has 8% bed and tobacco tax)
- Juneau: 3% liquor tax (also has 7% bed tax and 6% alcohol tax)
- Kotzebue: 6% alcohol tax (same as bed tax) not a sales tax; paid on importation
- Unalakleet: 5% alcohol tax (same as bed tax)

Municipalities Prohibited from Imposing a Sales Tax on Alcoholic Beverages because they have no other sales taxes:

- | | | | |
|---------------------|-----------------------|-------------|--------------|
| Akhiok | Anvik | Chuathbaluk | Coffman Cove |
| Delta Junction | Eagle | Ekwok | Houston |
| Kachemak | Kaltag | Kasaan | Koyukuk |
| Kupreanof | McGrath | Metlakatla | New Stuyahok |
| North Slope Borough | Northwest Arctic Bor. | Nulato | Old Harbor |
| Port Heiden | Port Lions | Ruby | St. George |
| Tanana | White Mountain | | |

Municipalities Limited in What Sales Tax Could be Imposed on Alcoholic Beverages (Maximum Amounts listed in parentheses)

- | | | | |
|--------------------------|---------------------|-----------------------------|--------------------|
| Akutan (1%) | Aleknagik (5%) | Aleutians East Borough (2%) | Anchorage (15%) |
| Anderson (8%) | Aniak (2) | Atka (10%) | Bettles (2%) |
| Bristol Bay Borough (6%) | Chignik (2%) | Clarks Point (5%) | Cold Bay (8%) |
| Cordova (6%) | Denali Borough (7%) | Egegik (1%) | Fbks Bor (8%) |
| False Pass (2%) | Fort Yukon (3%) | Galena (3%)Haines (4%) | Haines Bor (5%) |
| Homer (3.5%) | Hoonah (5%) | Hydaburg (4%) | Kake (5%) |
| Kenai (3%) | Kenai Borough (2%) | Ketchikan (6%) | Ketchikan Bor (4%) |
| King Cove (3%) | Klawock (6%) | Kodiak (6%) | Kodiak Bor (5%) |
| Lake & Pen Bor (6%) | Larsen Bay (3%) | Mat-Su Borough (5%) | Nenana (3%) |
| Newhalen (2%) | Nome (4%) | Ouzinkie (3%) | Palmer (3%) |
| Pelican (6%) | Petersburg (6%) | Pilot Point (3%) | St. Paul (3%) |
| Sand Point (7%) | Saxman (3.5%) | Seldovia (4.5%) | Seward (4%) |
| Sitka (6%) | Skagway (8%) | Soldotna (3%) | Tenakee Spr (6%) |
| Thorne Bay (3%) | Unalaska (5%) | Valdez (6%) | Wasilla (2%) |
| Whittier (3%) | Wrangell (7%) | Yakutat (4%) | |



Alaska State Senate

Senate Finance Committee

Official Business

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SENATE BILL 347

12-Mar-02

Impact on Individual Consumers of the Implementation of the Increased Excise Tax
and a 5 percent Municipal Tax on the Sale of Alcoholic Beverages

Bar/Restaurant	Can of Budweiser	Can of Heineken	Glass of Wine	Long Island Ice Tea
Cost	\$3.00	\$3.50	\$3.25	\$7.00
Excise Tax	\$0.10	\$0.10	\$0.10	\$0.10
5% Sales Tax	\$0.15	\$0.18	\$0.16	\$0.35
Total	\$3.25	\$3.78	\$3.51	\$7.45
<i>Difference in cost to consumer</i>				
<i>one drink</i>	<i>\$0.25</i>	<i>\$0.28</i>	<i>\$0.26</i>	<i>\$0.45</i>
<i>four drinks</i>	<i>\$1.00</i>	<i>\$1.10</i>	<i>\$1.05</i>	<i>\$1.80</i>
<i>ten drinks</i>	<i>\$2.50</i>	<i>\$2.75</i>	<i>\$2.63</i>	<i>\$4.50</i>

Liquor Store	6-Pack of Budweiser	Case of Budweiser	1.5 mL of Wine	5th of Jack Daniels
Cost	\$5.50	\$17.00	\$12.00	\$19.83
Excise Tax Increase	\$0.60	\$2.41	\$1.01	\$2.56
5% Sales Tax	\$0.28	\$0.85	\$0.60	\$0.99
Total	\$6.38	\$20.26	\$13.61	\$23.38
<i>Difference in cost to consumer</i>				
	<i>\$0.88</i>	<i>\$3.26</i>	<i>\$1.61</i>	<i>\$3.55</i>

Assumptions on Excises Tax Increase for Liquor Store Consumers

The excise tax on gallons of alcohol purchased by liquor stores would be proportionately applied to the individual items sold. For example:

The excise tax increase on a gallon beer is \$1.07 (\$1.42 - .35)
a 6-pack of beer is 72 ounces or .563 gallon
\$1.07 times .563 equals .60

SB 347

March 12, 2002

Excerpts from

Alaska Criminal Justice

Assessment Commission

Final Report

May 2000

Executive Summary

The Alaska Criminal Justice Assessment Commission (CJAC) was created in 1997 when the National Institute of Corrections selected the State of Alaska to participate in the federally-funded Criminal Justice System Project. The Governor's Criminal Justice Cabinet¹ sought participation in the project to study the problem of prison overcrowding. Its goal was to bring together representatives from across the criminal justice system spectrum and members of the public to participate in the review and to collectively develop recommendations to alleviate the problem. Once Alaska was accepted into the project, Governor Tony Knowles, Chief Justice Warren Matthews, Senate President Mike Miller, and House Speaker Gail Phillips appointed the members of the Criminal Justice Assessment Commission. All three branches of government were represented on the Commission along with a number of other groups and individuals with interests in criminal justice issues.

The Commission began meeting in July of 1997. Participants included representatives from: Alaska's Supreme, Superior and District Courts; the Alaska Court System administration; the Criminal Justice Cabinet; the Public Defender Agency; the Office of Public Advocacy; the Alaska State Legislature; the Alaska Judicial Council; Victims for Justice; the Alaska Native Justice Center; and the substance abuse treatment community. The Commission used a consensus model to carry out its work and develop recommendations.

The Commission created five committees to carry out its work:

- Alcohol Policy Committee;
- Decriminalizing the Mentally Ill Committee;
- Pretrial Practices and Procedures Committee;
- Probation and Parole Committee; and
- Sentencing Committee.

Committee membership included representatives of state and local agencies, treatment providers, and other interested organizations and individuals. Each committee held regular meetings to study issues and generate recommendations and proposals to present to the Commission. The recommendations adopted by the Commission are summarized below.

¹ In 1995, Governor Knowles directed that a group of his cabinet members meet on a regular basis for the purpose of coordinating efforts in the area of criminal justice planning. This group, consisting of the Attorney General and the Commissioners of the Departments of Public Safety, Corrections, and Health and Social Services, is referred to as the Criminal Justice Cabinet.

Summary of Commission's Recommendations

The Commission addressed a broad spectrum of criminal justice issues and adopted recommendations emphasizing the following areas:

- Increase funds available to state and local governments for substance abuse programs through increased taxes on alcohol sales;
- Develop measures to reduce substance abuse related crime;
- Explore all available means to reduce the disproportionate numbers of Alaska Natives and other minorities throughout the justice system;
- Take steps to address the well over one-third of the state's prison population that suffers from mental disabilities;
- Encourage the provision of adequate treatment beds, out-patient programs and follow-up care for offenders with substance abuse, mental health, sex offender and other treatment needs;
- Develop new programs and expand the use of existing programs that divert various types of offenders from the justice system through use of alternative sanctions such as community work service and restitution, and through use of treatment alternatives;
- Make needed statutory and policy changes to streamline criminal justice processes such as through statewide standardization of various procedures;
- Find better ways to assure that misdemeanor offenders comply with court orders and conditions to better protect the public and to aid rehabilitation;
- Find ways to more effectively serve communities statewide, emphasizing the need for cooperation with local governments and other organizations, especially in rural and Bush areas;
- Improve interagency communication and policy-making procedures;
- Encourage agencies and local governments to incorporate principles of restorative justice - holding offenders accountable to the victim and community - into programs and policies throughout the criminal justice system to the extent appropriate and feasible.

to explore further the principles of restorative justice and continue to implement programs and policies that support these principles.

Action Needed: May require agency policy changes or action but no immediate need for funding.

Implementing Agencies: All criminal justice system agencies.

5. **Appropriate organizations should explore all available means to reduce the disproportionate number of Alaska Natives and other minority offenders and victims in the justice system. These efforts should include increased reliance on local justice initiatives and treatment programs.**

Goals: Reduce the disproportionate number of Alaska Natives and other minority offenders and victims in the justice system.

Commentary: The Commission, like many groups before it, is concerned about the disproportionate number of Alaska Natives and other minority offenders and victims in the justice system. It believes that state and local agencies and organizations should work together to reduce their disproportionate representation. Many of the recommendations in this report, such as the expansion of treatment programs, particularly in rural and Bush areas, better enforcement of alcohol distribution laws, and the consideration of cultural relevance in treatment programs, are intended to address this problem in some measure. Local communities and organizations should participate in identifying other means of reducing the disproportions and in implementing those means.

Action Needed: May require agency policy changes or action but no immediate need for funding.

Implementing Agencies: All criminal justice system agencies, local communities and organizations.

B. Alcohol Policy Committee Recommendations

1. **The Commission supports an increase in the statewide excise tax on alcoholic beverages by measures such as Initiative 99ATAX.**

Goals: To reduce crime and child abuse, to increase public safety, and to reduce costs of criminal justice system agencies.

Commentary: The Commission believes the excise tax on alcoholic beverages should be increased. Studies show that when the price of alcohol is increased, the amount of alcohol consumed by every type of drinker decreases. A decrease in consumption reduces the number of alcohol-associated problems - violent crime, child abuse, sexual assault, suicide, motor vehicle fatalities, and drunk-driving - all of which result in immense costs to the state. According to a 1989 estimate by the State Office of Alcoholism and Drug Abuse, the state spends \$184,829,417 annually in costs associated with substance abuse. In 1999 dollars, that cost is now \$245,823,125. A tax increase would cost nothing to implement. Yet, it could potentially realize great savings through a reduction in costs associated with alcohol abuse.

Taxes on alcoholic beverages have fallen by almost 75 percent since 1961. In 1961, the tax on the average alcoholic drink was equivalent to \$0.47 in 1997 dollars. In 1997, the average tax on an alcoholic drink in Alaska was only \$0.13. The legislature has not increased alcohol taxes in Alaska since 1983.

The \$.25 per drink tax increase proposed in Initiative 99ATAX would generate \$70 million dollars each year in new tax income. A portion of this, used within the constitutional limits for state spending, could fund rehabilitative treatment programs and services that, in turn, would lead to further savings through decreased recidivism and decreased demand for state services.

Action Needed: Requires substantive legislation but no new funding.

Implementing Agencies: The legislature and the Department of Revenue.

2. **The Commission support: legislation allowing municipalities to tax alcoholic beverages at a rate independent of the rates used for other sales.**

Goals: To reduce crime and child abuse, to increase public safety, and to reduce costs of criminal justice system agencies.

Commentary: Under present Alaska law, cities may not impose a sales tax on alcohol that is higher than the tax imposed on the sale of any other item. See AS 4.21.010(c). Permitting cities to exercise their discretion to tax alcoholic beverages at a rate determined by the community, independent of the taxes assessed on other sales, would produce many of the same benefits described in the commentary to Recommendation B-1 above.

Action Needed: Requires substantive legislation but no new funding.

Implementing Agencies: The legislature and local communities.

3. The legislature should remove the statutory cap and increase wholesale license fees to fund increased enforcement of Title 4 statutes.

Goal: To provide better enforcement of laws regarding sales and distribution of alcohol.

Commentary: Enforcement of Title 4 laws regarding the sale and distribution of alcohol needs to be more aggressive. More aggressive enforcement requires additional funding for more enforcement personnel. Increasing the revenue generated through license fees, which are already earmarked for local enforcement of Title 4, is an appropriate and reasonable means to generate additional revenue.

Under existing law, liquor wholesalers pay a licensing fee calculated on the amount of sales that they complete, up to a statutory cap of \$10,000 (the maximum license fee charged to a wholesaler who distributes more than \$1,000,000 of alcoholic beverages.) The legislature should remove the cap on those fees. A wholesaler who sells \$2,000,000 worth of alcoholic beverages should be expected to pay a higher licensing fee than someone selling half that amount. Increasing the wholesale liquor license fees would generate approximately \$350,000 to \$500,000 in new revenue.

Action Needed: Requires substantive legislation but no funding.

Implementing Agencies: The legislature, the Department of Revenue, and local communities.

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 08, 2001

Senator Dave Donley
Capitol Building, Room 508
Juneau, AK 99801-1182

Dear Senator Donley:

Welcome back to Juneau! I am looking forward to working with you in the upcoming session as you deal with the budget and issues at hand.

We from the Alaska State Hospital and Nursing Home Association (ASHNHA) will be visiting with you in the near future regarding issues that are important to the healthcare industry in Alaska. Many of our issues have been around for some time and we will be soliciting support for those as well as a couple new ones this year.

Finance continues to be of concern to our hospitals. Medicaid is a big part of the budget and is always under scrutiny in times of budget cuts. We will be providing you with information to indicate the necessity for the entire amount. The addition of the Children's Health Improvement Program (CHIP) and pregnant women at the 200% of poverty level to the list of those available for services has been of great benefit to additional numbers of Alaskans who were without proper healthcare.

Allowing municipalities to vote on taxation of alcohol in their communities is a major concern. Public inebriates continue to be a real problem for our hospitals...municipalities should be allowed to ask the people if they want to address the problem in their areas by taxing themselves. I believe communities should have that right! The legislation has passed the House in the last session but did not pass the Senate. In times of decreasing revenue to communities, they need to have tools available to help them address problems in their areas.

ASHNHA will be holding a Board Meeting the first of February in Juneau. In conjunction with that, we will be hosting a breakfast at the Baranof on February 1 for legislators and members. We will have two short presentations on items that are crucial for the healthcare industry. You will be receiving a formal invitation, but I just wanted to let you know it is coming. Please come and meet your hospital administrator.

Again, welcome to Juneau and I look forward to seeing you soon. If I can be of assistance to you as you address any of these issues, please let me know.

Sincerely yours,



Laraine L. Derr
President/CEO

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.

Finding the Answers to Tough Questions about Substance Abuse in Alaska



1999 ANNUAL REPORT

STATE OF ALASKA

ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE



An Alcohol Index for Alaska

Alaska has the second highest per capita alcohol consumption in the U.S.

Annual per capita alcohol consumption for ages 14 and over was 3.48 gallon in FY85.

The most recent annual rates are 2.64 gallons for FY97 and 2.51 gallons for FY98.

98 Alaska communities have voted to ban sale, importation or possession of alcohol.

Alaska has the highest alcohol related death rate – 11.2% compared to 5% nationally.

Alcohol is implicated in 65% of suicide attempts.

Alcohol is implicated in 83% of child abuse investigations.

Alcohol is implicated in 60% of domestic violence reports.

Alcohol is implicated in 63% of sexual assaults.

Alcohol is implicated in 42% of fatal automobile crashes.

Alcohol is implicated in 45% of fatal fires.

Alcohol is implicated in 48% of homicides.

Alcohol is implicated in 50% of hospital Emergency Department visits.

A National Institutes of Health study indicates that the negative impacts associated with alcohol abuse in Alaska cost more than \$500 million per year.

Fetal Alcohol Syndrome (FAS) is the only 100% preventable birth defect.

Alaska has the highest incidence of FAS in the nation: 4 times the national average.

The life-time cost of care for one FAS infant is about \$1.4 million.

The last increase in the state excise tax on alcohol occurred in 1983.

Current law prohibits communities from taxing alcohol sales at a higher rate than local sales tax.

40% of Alaskans do not drink alcohol.

Two-thirds of Alaskans who were required to complete the Alcohol Safety Action Program did not reoffend in the three years following program completion.

Rural Alaska alcohol-related deaths are 7 times the national average.

The adult suicide rate in rural Alaska is 4 times the national average.

The suicide rate among rural Alaska children is 9 times the national average.

Up to 77% of the seriously mentally ill inmates in the Department of Corrections have co-occurring substance abuse disorders.

The majority of all arrestees in Alaska may need treatment for chemical dependency.

The number of women reporting alcohol consumption during pregnancy has been cut in half since 1991.

Alcohol is the overwhelming drug of choice for Alaskans.

Statewide 12.6% of adults are estimated to be in need of treatment for alcohol dependency or abuse.

About 0.5% of adults are estimated to be in need of treatment for drug dependency.

An additional 1.2% are in need of treatment for both alcohol and other drug dependency.

Sources: See p. 28.



ALASKA'S GREATEST HIDDEN TAX:

The Negative Consequences of Alcohol & Other Drug Abuse and Dependence

**State of Alaska
Advisory Board on Alcoholism and Drug Abuse
ANNUAL REPORT - February 2001**

ALASKA'S ALCOHOL INDEX Year 2000

Enough alcohol was sold in Alaska in FY99 to add up to 514 drinks for every man, woman and child. That's based on an Alaska population of 627,000 and 323,689,076 drinks of beer, wine or spirits.
State of Alaska, Departments of Labor and Revenue.

Approximately 30% of Alaskan adults don't drink.

The negative consequences of alcohol abuse generate costs to the taxpayer at about 77 cents a drink. In Alaska, that means just over \$249 million in FY99.
NIAAA - "The Economic Cost of Alcohol and Drug Abuse in the U.S."

The current Alaska excise tax on alcohol has not been changed since 1983, even for inflation. Alaskans who drink pay a little over three cents tax on a beer or a glass of wine, and a little over four cents on a shot of hard liquor. This raised about \$12 million in state revenue in FY99.
State of Alaska, Department of Revenue

You can do the math: \$249 million - \$12 million = a gap of \$237 million.

Alaska ranks first among all states in alcohol mortality.
How Does Alaska Stack Up?

Alaska's arrest rate for driving under the influence (DUI) and Alaska's rate of alcohol-related vehicle fatalities are among the highest in the nation.
How Does Alaska Stack Up?

Substance Abuse among elders is a much bigger problem than most people realize. Up to 17% of the older population abuse alcohol, prescription and non-prescription drugs.
NCOA/SAMHSA

Fifteen to 25 percent of people over 65 have significant symptoms of mental illness. Depression is frequently part of the problem. Alcohol is a depressant that can easily make matters worse.
NCOA/SAMHSA

As many as *half* of people with serious mental illnesses develop alcohol or other drug problems at some point in their lives.
Mental Health: A Report of the Surgeon General

In many Alaskan communities beer is cheaper than milk, fruit juice or brand name soft drinks.

Nearly 60,000 Alaskans misuse, abuse or are addicted to alcohol. About 14,000 seek alcohol prevention or treatment services in programs that receive state funds.
State of Alaska, Division of Alcoholism and Drug Abuse

The prevalence of alcohol dependence and alcohol abuse in Alaska is just about twice the national average. About 7% nationally, and nearly 14% for Alaska.

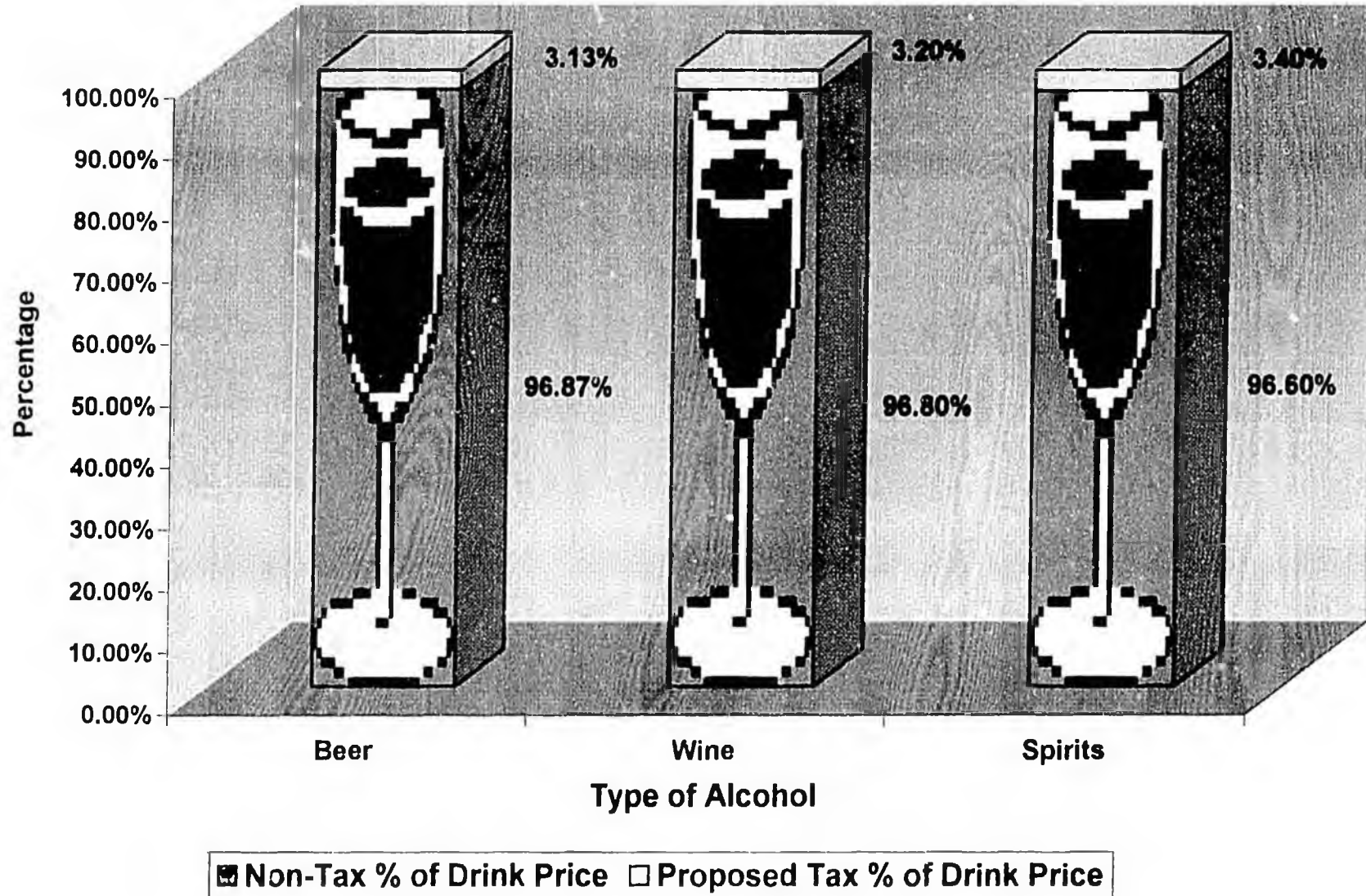
Alaska has the highest incidence of Fetal Alcohol Syndrome (FAS) in the world. FAS is totally preventable. Lifetime costs for an FAS birth are at least \$1.4 million.
State of Alaska, Department of Health and Social Services

Reprint from the 2000 Annual Report

Advisory Board on Alcoholism and Drug Abuse - (907) 465-8920

Source: "Alaska's Greatest Hidden Tax: The Negative Consequences of Alcohol & Other Drug Abuse and Dependence," 2000 Annual Report, State of Alaska, Advisory Board on Alcoholism and Drug Abuse.

% Proposed Tax of Total \$4.25 Drink Price



Distributed by Senator Donlay

**ECONOMIC COSTS OF ALCOHOL
AND OTHER DRUG ABUSE IN ALASKA,
PHASE TWO**

PREPARED FOR:

**THE ADVISORY BOARD ON
ALCOHOLISM AND DRUG ABUSE
DEPARTMENT OF HEALTH & SOCIAL SERVICES**

**P.O. BOX 110608
JUNEAU, ALASKA 99811-0608**



Research-Based Consulting

Juneau
Anchorage

NOVEMBER 13, 2001

State of Alaska / Department of Health and Social Services

ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE

240 MAIN STREET, SUITE 101 - JUNEAU, ALASKA 99801

PO BOX 110608 - JUNEAU, ALASKA 99811-0608

(907) 465-8920 - 1-888-464-8920 - FAX (907) 465-4410

November 25, 2001

Fellow Alaskans:

For more than ten years we have had to rely on national norm estimates when we try to identify the economic costs of alcohol and other drug abuse in Alaska. With a small grant from the Alaska Mental Health Trust Authority, the Advisory Board has been able to contract for a significant update of the last Alaskan attempt at this effort, which occurred in 1989.

The accompanying study has been carefully prepared by the McDowell Group, a research-based consulting firm in Juneau and Anchorage. Their findings bring us the closest estimates we've ever had on just how expensive this problem is to our state and its residents.

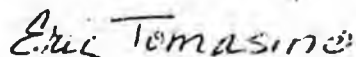
Data collection is not easy when the problems and costs are spread across many parts of state government. The research team found many areas where Alaska specific data is not gathered. They did find the framework for this project in a major national study released by the National Institute on Alcohol Abuse and Alcoholism in 1998. It gave them a broad range of national norms from which to work.

The economic consultants were able to make reasonable estimates using national norms when Alaska specific data was not available. They were able to make corrections for inflation and for Alaska's significantly higher health care costs. They remind us that Alaska's alcohol dependent and alcohol abusing population is twice the national average. National norms do not fully reflect costs in Alaska, and we need to be mindful of that as we look at the total cost.

Now that the work is done, the study reveals that the economic costs of alcohol and other drug abuse in Alaska are \$614 million annually. About 45 percent is in direct costs to the state. About 55 percent is in negative impacts on Alaska's economy due to productivity losses and traffic crashes. This is a remarkable threat to economic stability and healthy Alaskans and their communities.

We invite your careful review of the study. If you have questions, please direct them to our Juneau office, 465-8920 or 1-888-464-8920. Additional copies of the Executive Summary or the complete study are available upon request.

Sincerely,



Eric Tomasino, Chair
Advisory Board on Alcoholism and Drug Abuse

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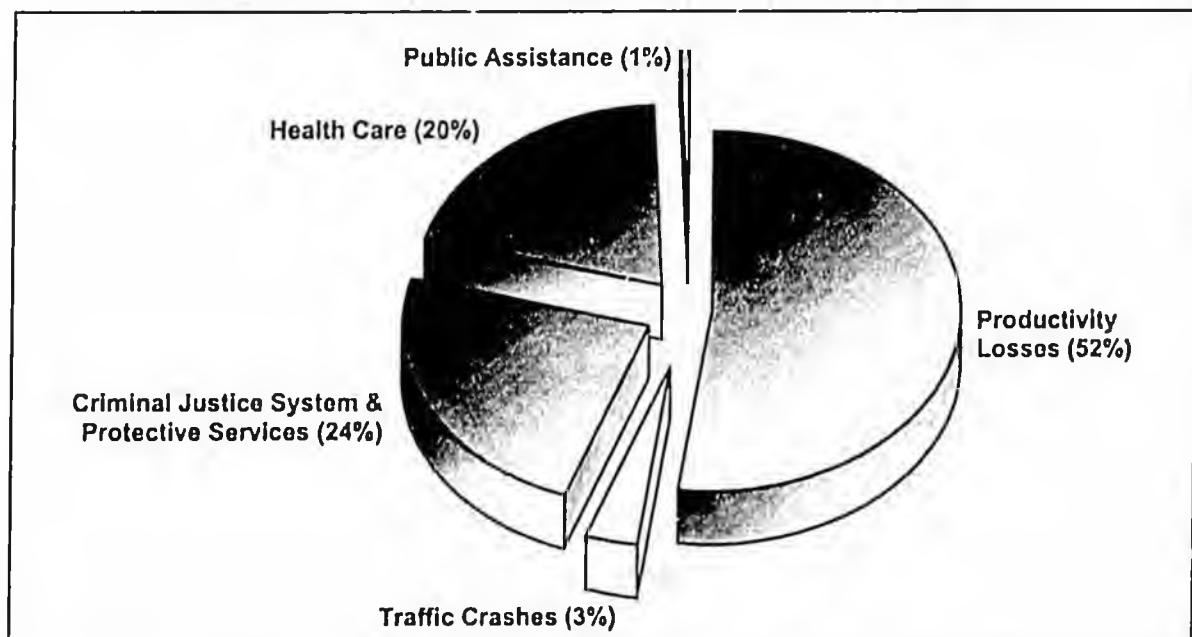
EXECUTIVE SUMMARY

The Advisory Board on Alcoholism and Drug Abuse, through the Alaska Department of Health and Social Services, contracted with McDowell Group in April 2001 to conduct a two-phase study on the economic costs of alcohol and other drug abuse in Alaska. Phase One of this study identified potential data sets needed to estimate the economic cost of alcohol and other drug abuse in Alaska. Phase Two estimates the economic costs of alcohol and other drug abuse in Alaska. This report is the second phase of the two-phase study.

Alcohol and other drug abuse impacts the economy in many ways. Public safety, health care, and public assistance are among the areas impacted by alcohol and other drug abuse. The extent of these impacts is evident in the level of alcohol and other drug dependency and its associated cost on the Alaska economy. According to a 1998 study, 9.7 percent of Alaska's population is alcohol dependent (41,000 residents), while 1.5 percent is other drug dependent (5,000 residents). The cost of this dependence to the Alaska economy is estimated to be \$614 million during 1999. Alcohol abuse costs accounted for \$453 million (74%). Other drug abuse costs were estimated at \$161 million (26%). Costs by category include:

- \$319 million from productivity losses.
- \$146 million from criminal justice and protective services.
- \$123 million from health care.
- \$21 million from traffic crashes.
- \$4 million from public assistance.

**Percentage of Costs by Category
Related to Alcohol and Other Drug Abuse in Alaska, 1999**



More detailed study results for each cost category are presented below. Some of the economic benefits related to the manufacturing and sale of alcohol are also included.

Productivity Losses

Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and inpatient treatment or hospitalization. The reduced efficiency of employees, or premature death of Alaska residents, results in less production of goods and services, and is thus a cost to society.

Alcohol and other drug abuse in Alaska cost an estimated \$319 million in lost productivity during 1999. Components of productivity losses and associated costs include:

- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated \$172 million in lost productivity in 1999. The annual average number of deaths from alcohol and other drug abuse between 1994 and 1998 was 224.
- Workers impaired by alcohol and other drug abuse had an estimated reduced productivity in Alaska of \$110 million during 1999. This includes \$100 million in alcohol-related impairment and \$10 million in other drug-related impairment.
- Alaska costs from alcohol and other drug-related incarcerations totaled an estimated \$29 million in lost productivity during 1999. During that period, 985 inmate incarcerations were directly related to alcohol and other drug abuse.
- Lost productivity from Alaska residents receiving inpatient treatment for alcohol and other drug abuse cost an estimated \$8 million in 1999.

Traffic Crashes

Alcohol and other drug abuse are a major cause of traffic crashes in Alaska. There were 1,058 traffic crashes in Alaska attributed to alcohol and other drug abuse during 1999. Of these crashes, 31 were fatal, 83 were major injury crashes, 388 were minor injury crashes, and 556 had property damage only. The estimated costs from these crashes were more than \$21 million. Costs included:

- \$8 million for legal costs.
- \$9 million for insurance administration costs.
- \$4 million for property damage costs.
- \$1 million for workplace costs.

Costs by traffic accident category in 1999 were more than \$21 million. These included:

- \$12 million from major injuries.
- \$4 million from fatalities.
- \$4 million from minor injuries.
- \$1 million from property damage only.

Criminal Justice

Alcohol and other drug abuse contribute to crime and child abuse. In 1999, an estimated 17,100 arrests were attributed to alcohol and other drug abuse. During this same period, 32,360 Alaska residents were victims of alcohol and other drug abuse-related crimes. Costs attributed to crime-related alcohol and other drug abuse in the state were nearly \$102 million during this period. Crime costs in 1999 included:

- \$61 million for law enforcement.
- \$29 million for corrections.
- \$11 million for legal costs and court adjudication.
- \$1 million for property damage.

Adult and child protective services attributed to alcohol and other drug abuse cost an estimated \$44 million in Alaska during 1999. These costs include foster care services, adoption care services, residential care services, and social worker services.

Health Care

Health care costs attributed to alcohol and other drug abuse result from illnesses or injuries. Alcohol and other drug abuse can result in cirrhosis of the liver, hypertension, diabetes, or stomach cancer, to name just a few. Health care costs related to alcohol and other drug abuse totaled an estimated \$123 million in 1999. Health care costs included:

- Hospital costs from illnesses and injuries were estimated at \$53 million. Alcohol abuse-related health care costs accounted for \$48 million, while other drug abuse-related costs were \$5 million.
- Alcohol and other drug residential and outpatient treatment costs were approximately \$15 million.
- Total medical outpatient costs from illnesses and injuries totaled an estimated \$15 million.
- Pharmaceutical costs were estimated at \$9 million, while nursing home costs were \$400,000.
- Total health care costs for FAS births ranged from an estimated \$21 million based on an incidence rate of 1.4 for every 1,000 live births to \$42 million for an incidence rate of 2.8 for every 1,000 live births. Using these incidence rates, Alaska had an estimated range of FAS births of 14 to 28 in 1999.
- Medical care totaled \$4 million for patients with other drug-related HIV and HIV with AIDS. Approximately 93 HIV and HIV with AIDS cases were attributed to intravenous drug abuse.
- Costs for medical treatment of hepatitis B and C caused by intravenous drug abuse was \$5 million. Intravenous drug abuse contributed to 433 hepatitis B and C cases in Alaska in 1999.

Public Assistance and Social Services

A portion of public assistance expenditures can be attributed to alcohol and other drug abuse. Alcohol and other drug-dependent persons may qualify for public assistance because of reduced income, inability to hold a job, or disability caused by substance abuse. Costs attributed to abuse (program administration costs only) were an estimated \$4 million in 1999.

Employment Impacts of Alcohol Sales

Although the focus of this study is centered on the cost of alcohol and other drug abuse, there are some economic benefits associated with the sale of alcoholic beverages. These economic benefits include employment, income and tax revenues. In 1999, there were approximately 3,000 jobs in alcohol related industries in Alaska, with earnings of approximately \$50 million. State excise tax revenue on alcoholic beverages, collected at the wholesale level, was approximately \$12 million.

Actual Costs

It is critical the reader recognize that the alcohol and other drug-related costs presented in this study are estimates only. Actual costs could be 25 percent higher or lower than the total presented in this report. Very little underlying data exists regarding the monetary impact of alcohol and other drug abuse in Alaska. There is a clear need for more comprehensive research.

For this report, the McDowell Group study team used national data to estimate Alaska's alcohol and other drug abuse costs and then adjusted these costs for Alaska's higher cost of living. The study team relied heavily on a 1998 publication from the National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism (NIDA/NIAAA), and a 1999 study for the Washington State Department of Social and Health Services, Division of Alcohol and Substance Abuse. As exhaustive and thorough as these studies are they do not address Alaska's higher alcohol rates or its higher cost of providing services. Alaska's alcohol-dependent population is double the national average, according to results of the Alaska Adult Household Telephone Survey conducted by the Gallup Organization. In addition, cost-of-living indicators published by American Chamber of Commerce Researchers Association (ACCRA) show Anchorage health care costs were 65 percent higher than the national average during 1999.

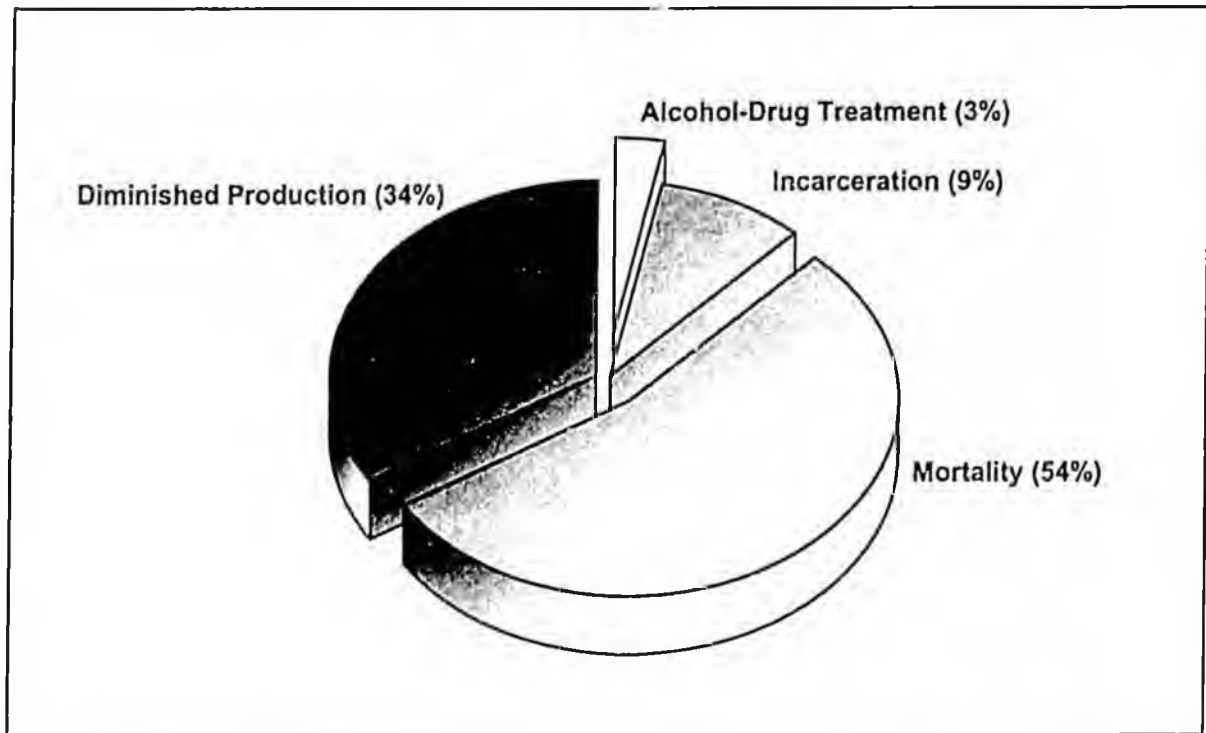
In nearly all cases, Alaska specific data were not available on the amount of crime, health and medical costs, lost production, and public assistance that can be attributed to alcohol and other drug abuse. Estimates rely on national norms based on tested methodologies. National norms are based on a lower prevalence of alcohol abuse and dependence than is the case in Alaska. Comprehensive development of Alaska specific data is recommended.

PRODUCTIVITY LOSSES

Summary

Alcohol and other drug abuse cost Alaska an estimated \$319 million in lost productivity during 1999. Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and residents requiring inpatient treatment or hospitalization. Overall, the reduced efficiency of employees or premature death of Alaska residents results in less production of goods and services, and thus is a cost to society. Figure 1 illustrates the sources of lost productivity in the Alaska economy.

Figure 1
Percent of Lost Productivity for Alaska from
Alcohol and Other Drug Abuse in 1999



- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated \$172 million in lost productivity in 1999. Males accounted for \$143 million in estimated losses and females, \$29 million. An average of 224 deaths annually can be attributed to alcohol and other drug abuse between 1994 and 1998. Total number of deaths from all causes in Alaska in 1998 was 2,579.

- Alcohol and other drug abuse can impair worker performance resulting in lost productivity. An estimated 41,000 Alaska residents are alcohol dependent, resulting in reduced productivity of \$100 million in 1999. Another 5,000 residents were other drug dependent resulting in \$10 million in diminished productivity. The male population accounted for the largest portion of lost productivity at \$92 million, while estimates for productivity losses for females were \$18 million.
- Of the 3,428 Alaska residents incarcerated for criminal acts, an estimated 985 incarcerations can be attributed to alcohol and other drug abuse in 1999. Lost productivity was estimated at \$29 million from incarceration of alcohol and other drug dependent inmates.
- Time spent by Alaska residents while receiving inpatient treatment for alcohol and other drug abuse resulted in \$8 million in lost productivity in 1999. These figures do not measure actual cost of treatment.

Lost Production Due to Mortality

The largest cost to Alaska residents from alcohol and other drug abuse stems from productivity losses due to premature death. Death from alcohol and other drug abuse can result from suicide, motor vehicle crashes, homicide, cirrhosis, diabetes, or other medical causes. From an economic point of view, an Alaska resident provides two types of production benefits. The first is in the form of employment. By being employed, the resident is contributing to the overall benefit of Alaska society by producing goods and services. The second production benefit is from household services. An individual spends time caring for children, cleaning and maintaining a household like any wage and salary job, though that service is generally not compensated. Combined, these production losses contribute to the largest cost from alcohol and other drug abuse in Alaska.

Methodology

To estimate productivity losses from premature death, McDowell Group relied on the same methodology used in the "The Economic Costs of Alcohol and Drug Abuse in the United States - 1992" for the National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism (NIDA/NIAAA) published in 1998. The research team first applied attribution factors by diagnosis supplied in the 1998 NIDA/NIAAA study to annual deaths by diagnosis reported by Alaska Vital Statistics from 1994 to 1998. Second, 1998 estimates of the present value of life earnings by age and gender were obtained from University of California Professor Dorothy Rice. These values are a combination of earnings data and estimated value of household services, which originate from U.S. Bureau of Census data. Finally, the number of deaths by age and gender attributed to alcohol and other drug abuse were multiplied by the appropriate present value of life earnings. Final estimates were adjusted by 5.4 percent to reflect the change in annual personal income from 1994 to 1998 reported by the Bureau of Economic Analysis.

In summary, the value of an average person's lifetime productivity is estimated and, depending on their age at the time of premature death, lost productivity is measured.

It is important to note that this measure is not an estimate of "out-of-pocket" losses. Rather, it is a theoretical construct intended to reflect the fact that humans have the potential to be productive, and if life is cut short, society has suffered a loss of production potential.

Results

On average between 1994 and 1998, there were 224 deaths in Alaska due to alcohol and other drug abuse. Based on 1998 data, alcohol and other drug abuse accounted for approximately 9 percent of all the deaths in the state (in 1998 there were 2,579 deaths from all causes).

A breakdown of deaths by age and gender is presented in Table 1. Of these deaths, 63 were females and 162 were males. From 1994 to 1998 the largest number of deaths was between ages 40 to 44 for females (seven alcohol and other drug-related deaths) and ages 45 to 49 for males (18 alcohol and other drug-related deaths). Table 2 shows the number of alcohol and other drug-related deaths by diagnosis during this period. Suicide (36 deaths) and non-traffic crashes (35 deaths) were the major causes of premature death from alcohol and other drug abuse between 1994 and 1998.

Table 1
Average Annual Number of Deaths Attributed to Alcohol and Other Drug Abuse by Age and Gender, 1994-1998

Age	Males	Females
00-04	0.2	0.2
05-09	0	0
10-14	0.2	0
15-19	12.0	2.5
20-24	13.4	2.7
25-29	13.6	3.2
30-34	14.2	5.4
35-39	16.2	5.5
40-44	18.1	6.7
45-49	18.1	5.3
50-54	9.7	3.7
55-59	10.7	3.7
60-64	8.8	3.8
65-69	8.7	4.6
70-74	7.1	3.8
75-79	4.4	3.4
80-84	3.6	3.1
85+	2.7	5.2
Total	161.6	62.6

Source: Alaska Department of Vital Statistics.

Table 2
Average Annual Number of Deaths Attributed to Alcohol and
Other Drug Abuse by Diagnoses or Accident, 1994-1998

Illness or Accident	Average Deaths
Suicide and self-inflicted injury	36.3
Motor vehicle traffic and non-traffic crashes	34.9
Alcohol dependence syndrome	26.4
Homicide and injury purposely inflicted by other persons	21.1
Malignant neoplasm of esophagus	11.3
Cerebrovascular disease	9.5
Nondependent abuse of alcohol	8.6
Accidental drowning and submersion	8.0
Accidental falls	7.2
Accidents caused by fires and flames	6.8
Other injuries and adverse effects	6.0
Malignant neoplasm of lip, oral cavity and pharynx	5.2
Cirrhosis of liver without mention of alcohol	4.9
Air and space transport accidents	4.7
Water transport accidents	4.5
Malignant neoplasm of stomach	4.0
Nondependent abuse of other drugs	4.0
Alcoholic cardiomyopathy	3.8
Accidental poisoning by alcohol	3.6
Diabetes mellitus	3.0
Alcoholic psychoses	2.2
Pneumonia and influenza	2.2
Acute pancreatitis	1.8
Diseases of esophagus, stomach and duodenum	1.7
Alcoholic gastritis	0.6
Narcotics or hallucinogens affecting fetus or newborn	0.4
Respiratory tuberculosis	0.3
Essential hypertension	0.3
Chronic pancreatitis	0.2
Pedal cycle and other road vehicle accidents	0.1
Other chronic nonalcoholic liver damage	0.1
Total	223.8

Source: Alaska Vital Statistics.

Total economic loss from premature death of Alaska residents was \$172 million during 1998. Table 3 presents estimated loss of productivity by age and gender. Males accounted for \$143 million in lost productivity. Females accounted for \$29 million. Males age 35 to 39 accounted for \$20 million in lost productivity, and females age 30 to 34 accounted for \$5 million.

Table 3
Mortality Costs Attributed to Alcohol and Other Drug Abuse by
Age and Gender, 1998

Age	Males (thousands of dollars)	Females (thousands of dollars)
1-4	\$205	\$156
5-9	0	0
10-14	247	0
15-19	16,193	2,572
20-24	19,178	2,900
25-29	19,334	3,217
30-34	19,046	5,049
35-39	19,755	4,496
40-44	19,023	4,559
45-49	15,621	2,872
50-54	6,294	1,434
55-59	4,444	906
60-64	2,014	496
65-69	1,048	271
70-79	423	104
75-79	103	45
80-84	34	18
85 & over	8	7
Total	\$142,970	\$29,102

Source: Alaska Vital Statistics and interview with Dr. Dorothy Rice, University of California.

Lost Production Due to Diminished Productivity

Alcohol and other drug abuse by Alaska residents results in reduced productivity. This loss can come in the form of high absenteeism, reduced efficiency from diminished physical and mental abilities, or limited work history because of the individual's inability to hold a job. Abuses of alcohol and other drugs may also impact a person's ability to be productive in non-employment related activities like household or parenting services. In extremely severe cases, abusers of alcohol and other drugs can be hospitalized or even institutionalized, in essence removing the individual from productive society entirely. These productivity losses from alcohol and other drug abuse have a significant cost burden to the residents of Alaska.

Methodology

The primary method for estimating economic costs from diminished productivity was to measure lost earnings. The research team relied on estimates presented in the 1998 NIDA/NIAAA study that determined the percent of lost earnings from alcohol and other drug dependence. In the study, the authors estimated the loss of earnings from alcohol-dependent males at 9.4 percent of average earnings and lost earnings from other drug dependent males at 7.7 percent of average earnings. Estimates on lost earnings for the female alcohol and other drug-dependent population came from the 1990 Rice study on the economic impacts of alcohol and other drug abuse. These estimates were used because the authors of the 1998 NIDA/NIAAA study found no impacts to female earnings from alcohol or other drug dependence. The 1990 study reports a reduction in earnings from alcohol dependence of 6.9 percent and 5.4 percent from other drug dependence.

To measure diminished productivity, the research team collected data from the Alaska Department of Labor and Workforce Development (ADOL) on earnings for males and females during 1999. Alaska males earned an average of \$30,066 in 1999, while females earned \$20,079. The research team then estimated the annual loss in earnings by multiplying the percent decline in earnings for alcohol or other drug dependence for each gender by the appropriate annual Alaska earnings for 1999. The loss in annual estimated earnings was then applied to the Alaska adult population.

Estimates on the population of Alaska who are alcohol and other drug dependent came from the Advisory Board on Alcoholism and Drug Abuse 1999 Annual Report. In the report, The Gallup Organization estimated the alcohol-dependent population was 9.7 percent for alcohol and 1.1 percent for other drugs.

Total costs from diminished productivity for male and females were calculated by multiplying lost earnings by the number of Alaskans who were alcohol and other drug dependent in 1999.

Results

In 1999, Alaska had approximately 41,000 alcohol-dependent and 5,000 other drug-dependent adult residents. Of those alcohol-dependent residents, 29,000 were males and 12,000 were females. The other drug-dependent population consists of 4,000 adult males and 1,000 adult females. Table 4 presents computation figures for estimating diminished productivity from alcohol and other drug abuse.

Table 4
Productivity Losses from Alcohol and
Other Drug Abuse by Gender, 1999

	Alcohol		Other Drugs	
	Males	Females	Males	Females
Alaska population that is alcohol and other drug dependent	29,378	12,042	3,812	1,020
Annual average earnings for Alaska in 1999	\$30,066	\$20,079	\$30,066	\$20,079
Loss in productivity from alcohol and other drug dependence	9.4%	6.9%	7.7%	5.4%
Annual lost earnings from alcohol and other drug abuse	\$2,826	\$1,385	\$2,315	\$1,084
Estimated productivity loss from alcohol and other drug abuse	\$83 million	\$17 million	\$9 million	\$1 million

Sources: Alaska Department of Labor; 1999 Annual Report to State of Alaska Advisory Board on Alcoholism and Drug Abuse; and *The Economic Costs of Alcohol and Drug Abuse in the United States-1992* (NIDA/NIAAA).

Based on the 1998 NIDA/NIAAA study, the typical Alaska male alcohol abuser cost society \$2,826 annual in diminished productivity for alcohol. The typical male drug abuser cost society \$1,385 in 1999. During that same period, the average female alcohol abuser cost society \$2,315 in lost production, while the typical female drug abuser cost society \$1,084. Total diminished productivity for Alaska from alcohol and other drug-dependent residents was an estimated \$110 million. Of those adults with alcohol dependency, the largest portion was from the state's male population. An estimated \$83 million in diminished productivity was from males and another \$17 million was from females. Diminished productivity from other drug dependence was estimated to cost the state economy \$10 million, \$9 million from males and \$1 million from females.

Lost Production Due to Incarceration

Another source of lost productivity for Alaska is from residents incarcerated because of alcohol and other drugs. Residents can be incarcerated for committing an alcohol or other drug related crime or from committing a crime while under the influence of alcohol or other drugs. An example of an alcohol or other drug-related crime would be distributing alcohol without a license or selling illegal drugs. Sexual assault is an example of a crime committed under the influence, where alcohol or other drug use was a contributing factor. Without alcohol or other drugs, incarcerated Alaskans could be productive members of society producing goods and services. While incarcerated, these individuals are generally not employed and thus are not productive members of society. This loss in productivity can be measured by estimating lost earnings.

Methodology

Estimates for lost productivity from incarcerations involved two steps. The first was to determine the number of Alaska residents incarcerated due to alcohol or other drug-related crimes. The research team relied on national attribution rates published in the 1998 NIDA/NIAAA study. These rates are presented in Table 5. These national attribution rates are thought to be lower than incarceration rates for Alaska from alcohol and other drug abuse. However, no Alaska-specific research has been completed to verify this premise. Currently, only anecdotal information is available. It is speculated that alcohol and other drug abuse plays a role in 85 percent to 95 percent of all incarcerations in Alaska.¹

Table 5
Attribution Rates for Alcohol and Other Drug-Related Incarcerations

	Alcohol	Other Drug
Homicide	30.0%	15.8%
Assault	30.0	5.1
Sexual assault	22.5	5.1
Robbery	3.4	27.2
Burglary	3.6	30.0
Larceny/theft	2.8	29.6
Auto theft	3.5	6.8
Drug laws	0.0	100.0
Driving under the influence	100.0	0.0
Liquor laws	100.0	0.0
Prostitution	0.0	12.8

Source: *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).

The second step was to estimate potential loss of earnings from incarceration. The research team assumed that persons incarcerated because of alcohol and other drug abuse could be as productive as the general population. As shown above, ADOL indicates Alaska males earned \$30,066 in 1999 and females earned \$20,079. The earnings estimates were then applied to the alcohol and other drug-related incarcerated population for Alaska in 1999.

¹ Based on discussions with Sarah Williams, Coordinator of Substance Abuse Program, and Teri Carns, Staff Director for the Alaska Criminal Justice Assessment Commission.

Results

There were 3,428 Alaska incarcerations for crimes of all types in 1999. Of these, 985 incarcerations were attributed to alcohol and other drugs. Males accounted for most of the incarcerations from alcohol and other drugs at 919 in 1999, while females accounted for 66 incarcerations.

Table 6 presents Alaska incarcerations from alcohol abuse in 1999 by offense and gender. Sexual assault, assault, and homicide were the primary offenses committed. Based on attribution rates shown in Table 5, an estimated 133 sexual assaults, 130 assaults, and 120 homicides were attributed to alcohol abuse. Drug law violations were the primary offense associated with other drug abuse at 164 incarcerations.

Table 6
Alcohol and Other Drug-related Incarcerations in
Alaska by Offense and Gender, 1999

Offense	Alcohol		Other Drug	
	Females	Males	Females	Males
Homicide	8	112	4	59
Assault	3	127	1	22
Sexual assault	1	132	0	30
Robbery	0	7	3	53
Burglary	0	4	0	35
Larceny/theft	0	2	5	22
Auto theft	0	1	0	3
Drug laws	0	0	13	151
Driving under the influence	14	78	0	0
Liquor laws	13	81	0	0
Prostitution	0	0	0	0
Total	40	544	26	375

Source: McDowell Group based on Alaska Department of Corrections data and attribution from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).

Total lost productivity from incarcerations from alcohol and other drug abuse in Alaska was \$29 million in 1999. Incarcerated males accounted for \$28 million; females, \$1 million.

Lost Production Due to Alcohol/Other Drug Treatment

The final source of lost productivity included in this study is from Alaska residents receiving inpatient alcohol and other drug treatment. Treatment includes long-term residential treatment, short-term hospitalization, and detoxification. While receiving treatment for alcohol and other drug abuse, patients are not productive residents in the Alaska economy, so society loses the benefit of their production of goods and services. This loss in productivity can be measured by estimating lost earnings.

Methodology

Total bed days for residential and detoxification treatment centers were used to estimate lost productivity in 1999 from time spent while undergoing alcohol and other drug treatment.² Total bed days were then converted to work years. Work years were multiplied by average 1999 earnings of \$33,512 for all Alaskans, as reported by ADOL.

Results

There were 91,111 total bed days for alcohol and other drug abuse. These total bed days was equivalent to 250 work years. Overall, total lost production from inpatient treatment for alcohol and other drug abuse in 1999 was estimated at \$8 million. This figure does not include lost productivity from residents receiving substance abuse treatment outside the state. Although the exact number of these individuals is unknown, it is estimated that much of the private residential treatment received by Alaskans occurs outside of the state.³

² Source: Alaska Department of Health and Social Services.

³ Source: Finding the Answers to Tough Questions About Substance Abuse in Alaska, 1999 Annual Report, State of Alaska Advisory Board on Alcoholism and Drug Abuse.

TRAFFIC CRASHES

Alcohol use is a major cause of traffic crashes in Alaska. In 1999, 1,058 traffic crashes were attributed to alcohol, costing an estimated \$21 million. Of these crashes, 31 were fatal injury crashes, 83 were major injury crashes, 388 were minor injury crashes, and 556 crashes had property damage only. According to the Alaska Department of Transportation and Public Facilities (ADOTPF), a traffic crash is alcohol-related under the following conditions:

- If the blood alcohol test given to the driver, pedestrian, pedal cyclists, or recreational vehicle operator was positive.
- If a police investigation indicated that alcohol consumption was a contributing factor.
- If a citation was issued for driving while under the influence of alcohol, driving with an open container of alcohol, or public drunkenness.

This chapter estimates of the economic cost to Alaska from alcohol-related traffic crashes during 1999.

Methodology

To measure the cost of traffic crashes, the research team used two sources: State of Alaska 1999 alcohol-related traffic crash statistics from ADOTPF, and cost-per-accident data from the National Highway Traffic Safety Administration (NHTSA).⁴ Crash data was divided into four categories: property damage only, minor injury, major injury, and deaths. These categories were matched to the national data, which shows unit costs from motor vehicle crashes in eight categories. McDowell Group matched minor injuries reported by ADOTPF with Maximum Abbreviated Injury Scale (MAIS) Level 2, classified as minimum injuries in the NHTSA report. Major injuries were matched to MAIS Level 5, classified as critical injuries by NHTSA. No extrapolation is needed for the remaining categories, property damage only and fatalities, which are in each study. Unit costs related to traffic crashes from the NHTSA report are presented in Table 7.

Table 7. Unit Costs of Traffic Crashes in the U.S., 1994

Type of Cost	Fatal	Major Injury (MAIS 5)	Minor Injury (MAIS 2)	Property Damage Only
Insurance administration	\$28,646	\$49,576	\$3,481	\$103
Workplace cost	7,489	7,049	217	44
Legal cost	60,766	45,919	136	0
Property damage	9,138	8,018	3,263	1,320
Total	\$106,039	\$110,562	\$7,097	\$1,467

Source: *The Economic Cost of Motor Vehicle Crashes, 1994*, NHTSA.

⁴ *The Economic Cost of Motor Vehicle Crashes, 1994*, published by the National Highway Traffic Safety Administration (NHTSA).

Other than knowing that other drugs are a contributing factor in traffic crashes, little is known about their significance, because only alcohol-related data is collected. In the NHTSA study, costs from traffic crashes are divided into separate expense categories. This includes medical costs, loss in productivity from mortality and morbidity, insurance administration costs, workplace costs, legal costs, and property damage costs. To avoid double counting, the research team estimated insurance administration costs, workplace, legal and property costs. Losses in productivity and medical costs are accounted for in other sections of the report.

Cost estimates for alcohol-related traffic crashes were adjusted to reflect changes in the Alaska cost-of-living and in U.S. prices from 1994 to 1999. Inflation was estimated using the U.S. consumer price index from the Bureau of Labor Statistics (BLS). U.S. inflation over this period was approximately 19 percent. The source for the cost-of-living data was the American Chamber of Commerce Researchers Association (ACCRA). During 1999, Anchorage's cost-of-living was approximately 22 percent higher than the average participating city in the American Chamber of Commerce.

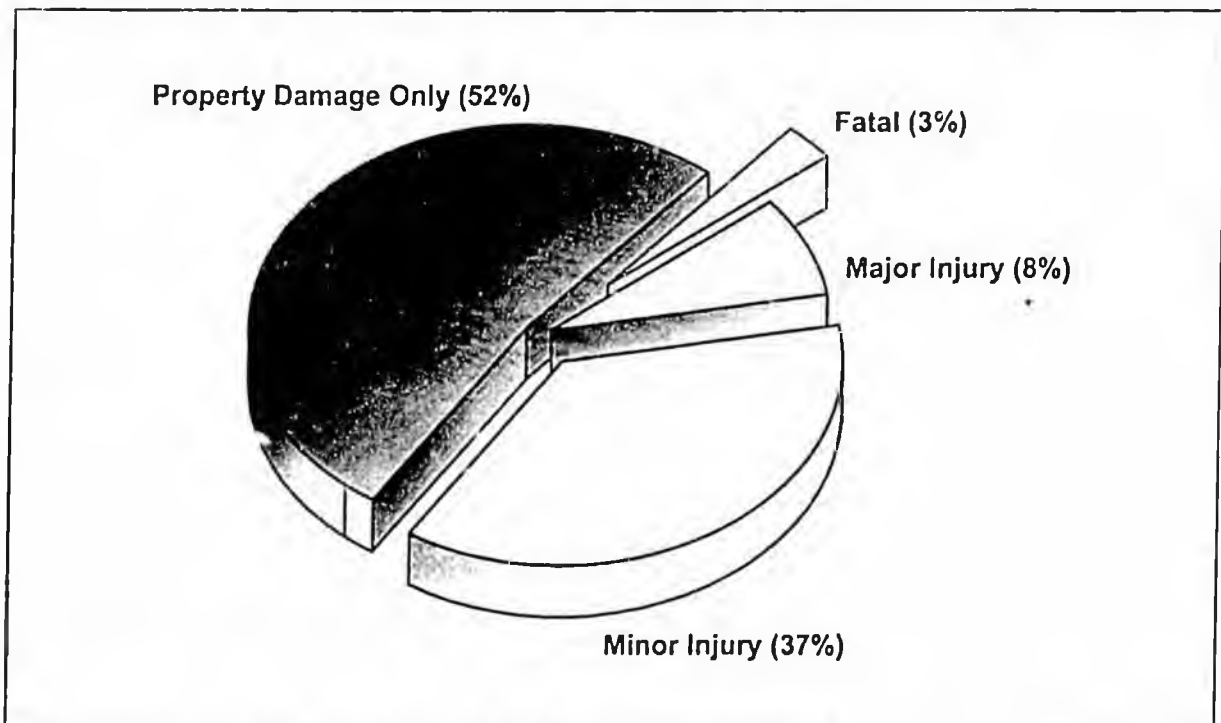
Traffic accident statistics include ATV and snowmobile crashes on roadways, but DOTPF does not collect ATV and snowmobile crashes off roadways, such as rivers, lakes, and in the backcountry. Lost productivity and health care costs associated with alcohol-related ATV and snowmobile deaths or injuries are included in the cost estimates. Property damage is not included.

Results

In 1999, 1,058 traffic crashes in Alaska were alcohol-related, about 7 percent of traffic crashes from all causes (14,691). However, the percentage of traffic fatalities caused by alcohol is much greater. About half of all U.S. fatal traffic crashes are caused by alcohol use (NHTSA, 1994). In Alaska, 44 percent of the 71 deaths from traffic crashes were attributed to alcohol in 1999. Figure 2 shows the number of alcohol-related crashes by category.

Alcohol related-traffic crashes in Alaska cost \$21 million in 1999. Table 8 shows the cost of alcohol-related traffic crashes by severity and expense. Legal costs of \$8 million were the largest expense, followed by insurance administration costs at \$9 million. By crash category, major injuries accounted for the largest costs at \$12 million. Lost productivity associated with fatal crashes are not included in this estimate. (See chapter on Lost Productivity.) If these costs were included, the costs of alcohol-related traffic deaths would be far higher than other traffic crash categories.

Figure 2
Percent of Alcohol-Related Traffic Crashes by Type in Alaska, 1999



Source: Alaska Department of Transportation and Public Facilities.

Table 8
Number of Traffic Crashes and
Total Cost of Alcohol-Related Crashes in Alaska, 1999

Number of Traffic Crashes and Cost Type	Fatal	Major Injury	Minor Injury	Property Damage Only	Total Costs
Number of traffic crashes	31	83	388	556	--
Insurance administration cost (thousands of dollars)	\$1,189	\$5,511	\$1,809	\$77	\$8,585
Workplace cost (thousands of dollars)	\$311	\$784	\$113	\$33	\$1,240
Legal cost (thousands of dollars)	\$2,523	\$5,104	\$71	\$0	\$7,699
Property damage cost (thousands of dollars)	\$379	\$891	\$1,695	\$983	\$3,949
Total Costs (thousands of dollars)	\$4,402	\$12,289	\$3,688	\$1,092	\$21,476

Source: McDowell Group, based on Alaska Department of Transportation and Public Facilities data; and *The Economic Cost of Motor Vehicle Crashes, 1994*, NHTSA, adjusted for inflation and cost-of-living in Alaska.

CRIMINAL JUSTICE AND PROTECTIVE SERVICES

Alcohol and other drug abuse contribute to a majority of the criminal justice and protective services costs in Alaska. Combined, these costs totaled \$146 million during 1999. Criminal justice costs accounted for \$102 million in Alaska during 1999. These costs include police protection, legal and court services, and incarceration services. Child and adult protective services totaled \$44 million in Alaska during 1999. Child protective services, the largest share of protective services, includes foster care, adoption care, residential care, and social worker services.

Criminal Justice

Like all states in the U.S., Alaska suffers from alcohol and other drug abuse-related crime. Nationwide, 49 percent of 14,000 inmates surveyed reported they were under the influence of alcohol and other drugs at the time of the offense (NIDA/NIAAA, 1998). In another study, it was reported that 2.5 million arrests were made in the U.S. for alcohol offenses, while another 1.5 million arrests were for other drug offenses (Schneider Institute for Health Policy, 2001).

In Alaska there were an estimated 17,104 arrests in 1999 that were attributed to alcohol and other drug abuse. During the same period, 32,360 Alaska residents were victims of alcohol and other drug abuse-related crimes. All combined, costs attributed to crime-related alcohol and other drug abuse in Alaska was \$102 million during this period.

The focus of this section is to provide estimates on the economic costs of crime-related alcohol and other drug abuse for Alaska during 1999.

Methodology

To estimate the economic costs of alcohol and other drug abuse-related crime, the research team relied on a methodology similar to NIDA/NIAAA (1998) estimates. Five cost measurements were used: law enforcement, legal and adjudication, correction, victim property damage, and victim medical expenses. Within each category, crime-related attribution rates for alcohol and other drug abuse (NIDA/NIAAA, 1998) were applied to Alaska crime data. For enforcement and legal costs, arrest data from the Alaska Department of Public Safety was used. Inmate population by offense was used for correction cost estimates. Alaska population data from ADOL and victimization rates from the Bureau of Justice Statistics were used to measure victim property damage and medical costs. In each case, Alaska-specific data by offense was multiplied by its associated attribute rate for alcohol and other drug abuse. Attribution rates, arrests, and incarcerations related to alcohol and other drug abuse are presented in Tables 9 and 10. Victimization rates, victim numbers, and attribution rates related to alcohol and other drug abuse are shown in Table 11.

Table 9
Arrests Attributed to Alcohol and Other Drug Abuse in Alaska, 1999

Type of Offense	Alaska Arrests	Percent Alcohol Related	Percent Other Drug Related	Arrests Attributed to Alcohol Abuse	Arrests Attributed to Other Drug Abuse	Total Substance Related Arrests
Homicide	65	30.0%	15.8%	20	10	30
Aggravated assault	11,204	30.0%	5.1%	3,361	571	3,933
Sexual assault	529	22.5%	2.4%	119	13	132
Robbery	536	3.4%	27.2%	18	146	164
Burglary	3,633	3.6%	30.0%	131	1,090	1,221
Larceny/theft	15,703	2.8%	29.6%	440	4,648	5,088
Auto theft	2,676	3.5%	6.8%	94	182	276
Driving under influence	4,560	100.0%	0.0%	4,560	0	4,560
Liquor laws	1,295	100.0%	0.0%	1,295	0	1,295
Stolen property	21	0.0%	15.1%	0	3	3
Prostitution	244	0.0%	12.8%	0	31	31
Drug laws	372	0.0%	100.0%	0	372	372
Total	40,838			10,037	7,067	17,104

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); and arrest data from Alaska Department of Public Safety.

Table 10
Incarcerations Attributed to Alcohol and Other Drug Abuse in Alaska, 1999

Type of Offense	Alaska Inmates in 1999	Percent Alcohol Related	Percent Other Drug Related	Incarcerations Attributed to Alcohol Abuse	Incarcerations Attributed to Other Drug Abuse	Total Incarcerations Related Alcohol and Other Drug Abuse
Homicide	398	30.0%	15.8%	119	63	182
Aggravated assault	435	30.0%	5.1%	131	22	153
Sexual assault	592	22.5%	2.4%	133	30	163
Robbery	207	3.4%	27.2%	7	56	63
Burglary	119	3.6%	30.0%	4	36	40
Larceny/theft	90	2.8%	29.6%	3	27	29
Auto theft	44	3.5%	6.8%	2	3	5
Driving under influence	92	100.0%	0.0%	92	0	92
Liquor laws	94	100.0%	0.0%	94	0	94
Prostitution	0	0.0%	12.8%	0	0	0
Drug laws	164	0.0%	100.0%	0	164	164
Total	2,235			584	401	985

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); and incarceration data from Alaska Department of Corrections.

Table 11
Victimizations Attributed to Alcohol and Other Drug Abuse in Alaska, 1999

Type of Crime	Victimizations per 1,000 persons age 12 or older	Number of Victims	Percent Alcohol Related	Percent Other Drug Related	Number of Victims Attributed to Alcohol Abuse	Number of Victims Attributed to Other Drug Abuse	Total Number of Victims Attributed to Substance Abuse
Robbery	3.6	1,386	3.4%	27.2%	47	377	424
Assault	27	10,549	30.0%	5.1%	3,165	538	3,703
Personal larceny	15.4	59,059	2.8%	29.6%	1,654	17,481	19,135
Burglary	34.1	13,129	3.6%	30.0%	473	3,939	4,411
Motor vehicle theft	10	3,850	3.5%	6.8%	135	262	397
Total		87,973			5,473	22,597	28,070

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); population data from Alaska Department of Labor, and victimization rates from Bureau of Justice Statistics.

As reported under Productivity Losses, crime rates attributed to alcohol and other drug abuse are thought to be higher in Alaska than the rest of the nation. Attribution rates from the NIDA/NIAAA (1998) study were used to estimate Alaska crime rates related to substance abuse, because no Alaska-specific data is currently available to support this premise.

To measure criminal costs attributed to alcohol and other drug abuse, the research team used NIDA/NIAAA (1998) data. After adjusting for inflation and cost-of-living, law enforcement costs per arrest were \$3,576, while legal costs were \$912 per arrest. Incarcerations per inmate were \$29,593. Legal costs, which are an average of driving under the influence, liquor laws, and public drunkenness, were \$55 per arrest. Property damage and medical costs per victim by crime type are presented in Table 12. The final step was to multiply the number of arrests, incarcerations, and number of victims related to alcohol and other drug abuse by their associated unit cost.

Table 12
Property Damage and Medical Expenses per Victim, 1999

Type of Crime	Property Damage Expenses per Victim	Medical Expenses per Victim
Robbery	\$24	\$6
Assault	41	294
Rape	-	39
Personal larceny	32	-
Burglary	52	-
Motor vehicle theft	145	-

Source: Bureau of Justice Statistics

As noted above, costs were adjusted to reflect changes in U.S. prices from 1992 to 1999 and cost-of-living in Alaska. Using U.S. consumer price index from BLS, costs were inflated approximately 19 percent. Cost estimates were also adjusted by 22 percent to reflect Alaska's higher cost-of-living. To adjust for Alaska's high medical costs, medical expenses for victims were increased by 65 percent. Source for the cost-of-living data was ACCRA.

Additional costs from lost productivity due to incarceration are presented in the Productivity Losses chapter to avoid double counting. Inmates are generally not employed while incarcerated, so society loses the benefit of their production of goods and services.

Drug traffic control costs were not included in this report. The U.S. budget in 1999 for drug traffic control was \$17 billion. Some portion of this money was spent in Alaska for drug interdiction, international intelligence, research, and a number of other drug-related activities. However, specific information on Alaska's portion of this budget is not available.

Results

In Alaska 17,104 arrests and 985 incarcerations were attributed to alcohol and other drug abuse in 1999. Of the 17,104 arrests, 10,037 crimes were related to alcohol abuse, while other drug abuse accounted for 7,067 crimes. Among incarcerations, 584 were alcohol-related and 401 were other drug-related.

Alaska also had an estimated 32,360 residents who were victims of alcohol or other drug abuse-related crimes. The number of victims who had property damage was 28,070, while those requiring medical help were 4,290.

Figure 3 shows the distribution of alcohol and other drug-related crime by cost. Total costs for Alaska substance abuse-related crime were \$102 million in 1999. The largest expense was law enforcement at \$61 million, followed by correction costs at \$29 million and legal costs at \$11 million. Property damage and medical costs to victims each totaled \$1 million. Medical costs were reported in this chapter for reference, but were not added to total crime-related costs to avoid double counting. Medical costs are included in the Health Care chapter.

Table 13 presents law enforcement costs from alcohol and other drug-related crime for Alaska during 1999. Larceny and theft accounted for the largest expense at \$18 million. Driving under the influence accounted for \$16 million and assault for \$14 million.

Legal costs from alcohol and other drug-related crimes for Alaska during 1999 are presented in Table 14. Larceny and theft were the largest expense at \$5 million dollars. Assault was \$4 million.

Among Alaska incarceration costs in 1999, costs for homicide and drug law offenders are highest at \$5 million total for each category. Assault and sexual assault, each at \$4 million, were third and fourth, respectively. Table 15 presents incarceration costs for Alaska during 1999 by offense.

Figure 3
Distribution of Criminal Justice Costs Attributed to
Alcohol and Other Drug Abuse in Alaska, 1999

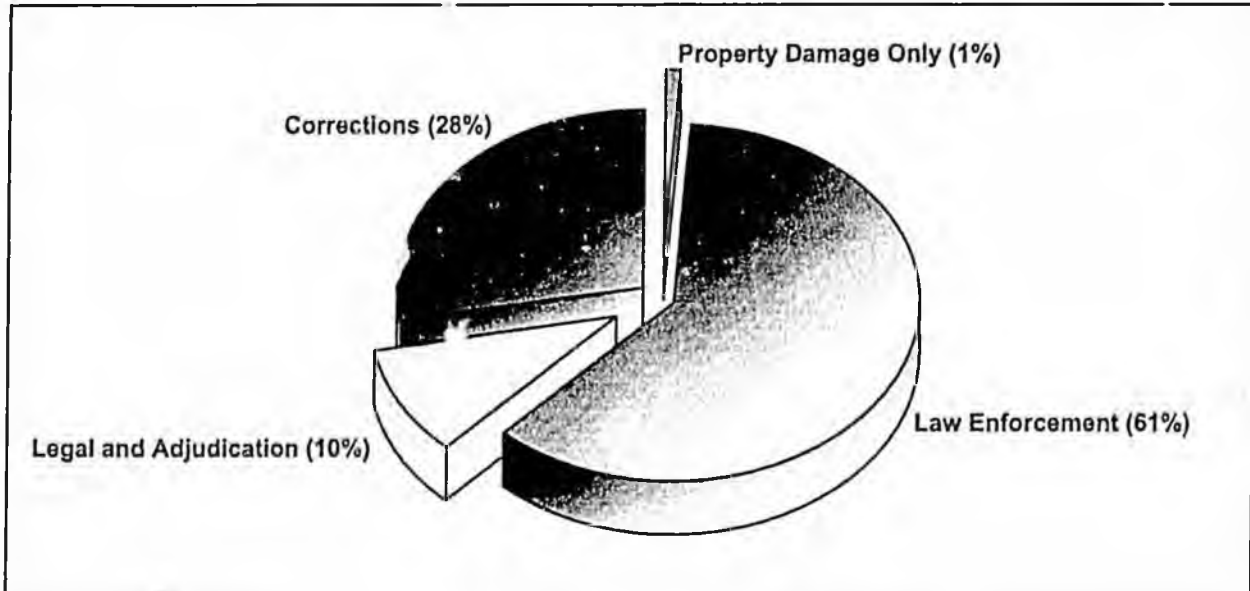


Table 13
Law Enforcement Costs Attributed to
Alcohol and Other Drug Abuse by Offense in Alaska, 1999
 (thousands of dollars)

Type of Offense	Alcohol-Related	Other Drug-Related	Total
Homicide	\$70	\$37	\$106
Aggravated assault	12,021	2,044	14,064
Sexual assault	426	45	471
Robbery	65	521	587
Burglary	468	3,898	4,366
Larceny/theft	1,572	16,623	18,196
Auto theft	335	651	986
Driving under influence	16,308	0	16,308
Liquor laws	4,631	0	4,631
Stolen property	0	11	11
Prostitution	0	112	112
Drug laws	0	1,330	1,330
Total	\$35,896	\$25,273	\$61,169

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); and arrest data from Alaska Department of Public Safety.

Table 14
Legal and Adjudication Costs Attributed to
Alcohol and Other Drug Abuse by Offense in Alaska, 1999
(thousands of dollars)

Type of Offense	Alcohol-Related	Other Drug-Related	Total
Homicide	\$18	\$9	\$27
Aggravated assault	3,064	521	3,585
Sexual assault	109	12	120
Robbery	17	133	150
Burglary	119	994	1,113
Larceny/theft	401	4,237	4,638
Auto theft	85	166	251
Driving under influence	249	0	249
Liquor laws	71	0	71
Stolen property	0	3	3
Prostitution	0	28	28
Drug laws	0	339	339
Total	\$4,133	\$6,442	\$10,575

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); and arrest data from Alaska Department of Public Safety.

Table 15
Incarceration Costs Attributed to
Alcohol and Other Drug Abuse by Offense in Alaska, 1999
(thousands of dollars)

Type of Offense	Alcohol-Related	Other Drug-Related	Total
Homicide	\$3,533	\$1,861	\$5,394
Aggravated assault	3,862	657	4,518
Sexual assault	3,942	420	4,362
Robbery	208	1,666	1,874
Burglary	127	1,056	1,183
Larceny/theft	75	788	863
Auto theft	46	89	134
Driving under influence	2,723	0	2,723
Liquor laws	2,782	0	2,782
Prostitution	0	0	0
Drug laws	0	4,853	4,853
Total	\$17,296	\$11,391	\$28,687

Source: McDowell Group, based on attribution rates from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA); and incarceration data from Alaska Department of Corrections.

Protective Services

Alcohol and other drug abuse is a primary contributor to child abuse and neglect cases in Alaska. In a study completed by the National Center on Addiction and Substance Abuse at Columbia University in 1999, it was found that parents were three times more likely to abuse their children and four times more likely to neglect their children if the parents were substance abusers. In that same study, approximately seven out of ten abused or neglected children nationwide are linked to parents who abuse alcohol and other drugs. In a study completed by the Alaska, Department of Health and Social Services, Division of Alcohol and Drug Abuse (DADA), approximately 81 percent of all Division of Family and Youth Services (DFYS) reports of child abuse involved alcohol and drug abuse.⁵

Methodology

Currently, there is no accurate measure of the cost to Alaska from child abuse and neglect caused by alcohol and other drug abuse. To overcome this shortfall, the research team relied on the DADA child abuse estimate and assumed that 81 percent of child protective services were attributed to alcohol and other drug abuse. These services include DFYS foster care, adoption care, residential care, and social work care. In addition, the Office of Public Advocacy (OPA) provides child protective services. Their total FY2001 budget was \$9.7 million. Unfortunately, OPA was not able to provide the portion of their budget that is attributed to child protective services.

Adult protective service costs during 1999 were provided by Division of Senior Services, Department of Administration.

Results

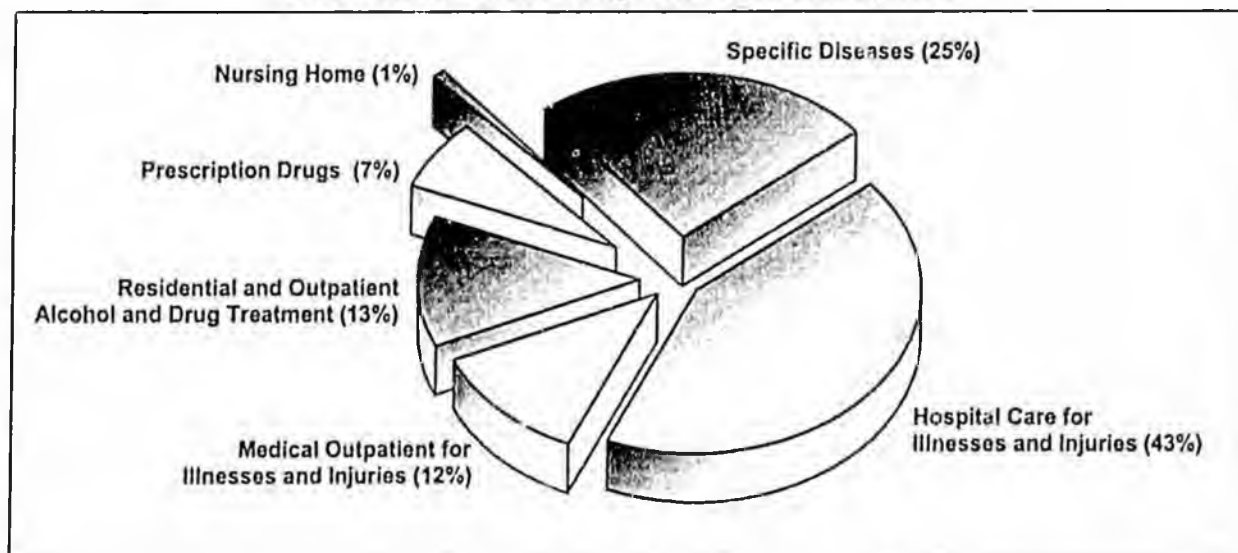
Total costs for child protective services in Alaska during 1999 were \$44 million. Social work accounted for the largest expense at \$16 million. Other expenses include \$12 million for foster care services, \$10 million for residential services, and \$6 million for adoption services. Adult protective care services were estimated at \$103,000 during 1999.

⁵ *Final Report of the Alaska Criminal Justice Assessment Commission, May 2000, published by the Alaska Judicial Council.*

Illness and injuries stemming from alcohol and other drug abuse have significant health costs. In Alaska, health care costs related to alcohol and other drug abuse are estimated at \$123 million. Alcohol and other drug-related illnesses or injuries range from acute to chronic. Acute illness includes alcohol poisoning, while chronic illness could be cirrhosis of the liver. In addition, prolonged alcohol and other drug abuse could increase the chance of other illnesses such as hypertension, diabetes, or stomach cancer.

This chapter estimates health care costs related to alcohol and other drug abuse in Alaska during 1999. Health care costs are presented for the following categories: hospital, outpatient, prescription drugs, nursing home services, fetal alcohol syndrome (FAS), HIV, and hepatitis B and C.

Figure 4
Distribution of Health Care Costs Related to Alcohol and Other Drug Abuse in Alaska, 1999



- Hospital costs from alcohol and other drug abuse-related injuries and illnesses in Alaska are estimated at \$53 million in 1999. Alcohol abuse-related hospital care for medical illnesses and injuries costs accounted for \$48 million, while other drug abuse-related costs were \$5 million.
- Alcohol and other drug in resident and outpatient treatment costs from state sources were approximately \$15 million.
- Total medical outpatient visits from alcohol and other drug abuse-related illness or injuries are estimated at 49,360 for a total cost of \$15 million in 1999.
- Pharmaceutical and nursing home care costs from alcohol abuse is estimated at \$9 million and \$403,000, respectively.

- Estimated health care costs for FAS births ranged from \$21 million based on an incidence rate of 1.4 FAS births for every 1,000 live births, to \$42 million for an incidence rate of 2.8 for every 1,000 live births. Using these incidence rates, Alaska had an estimated range of 14 to 28 FAS births in 1999.
- Approximately 93 HIV and HIV with AIDS cases were attributed to intravenous drug use during 1999. Total medical costs for treating these patients were \$4 million.
- Intravenous drug abuse contributed to 433 hepatitis B and C cases in Alaska during 1999, with medical care costs of \$5 million.

Hospital Costs

Hospital costs from illness and injuries are a significant portion of alcohol and other drug-related health care costs. In 1999, hospital costs from illness and injuries accounted for 43 percent of total health care costs related to alcohol and other drug abuse. Hospital costs are composed of three sources:

- Illness or injuries directly related to alcohol and other drug abuse, which might include alcohol cirrhosis or gastritis.
- Illness indirectly related to alcohol and other drug abuse, which could include cancer of the esophagus, burns, or poisoning.
- Treatment or injuries complicated by alcohol and other drug abuse resulting in lengthy hospital stays.

Methodology

To estimate injury and illness-related hospital costs from alcohol and other drug abuse, the research team relied on results of two studies: *Finding the Answers to Tough Questions About Substance Abuse in Alaska, 1999*, by the Alaska Advisory Board on Alcoholism and Drug Abuse, and *The Economic Costs of Alcohol and Drug Abuse in the United States-1992*, NIDA/NIAAA, 1998.

The Alaska report showed that 9.7 percent of Alaska's population over age 18 was alcohol dependent in 1999, while the U.S. national average was 4.4 percent. Alaska's portion of the U.S. alcohol-dependent population was 0.47 percent in 1999.

According to the 1998 national study, non-federal and veteran hospital-care days^a for illnesses and injuries related to alcohol and other drug abuse in the U.S. was 5.7 million in 1992. Alcohol abuse accounted for 5.3 million hospital care days, while other drug abuse contributed to 500,000 hospital care days. Since no Alaska-specific data exists on the number of hospital inpatient days, the research team estimated the portion of U.S. hospital care days attributed to Alaska by multiplying Alaska's share of alcohol and other drug dependent population (0.47 percent) by the U.S. hospital care days for alcohol and other drug-related treatment. The NIDA/NIAAA study also reported inpatient care costs for alcohol and other drug-related hospital and outside physician services. Cost estimates were adjusted to reflect U.S. price changes

^a A 24-hour stay in the hospital as an inpatient is one hospital care day.

from 1992 to 1999 and Alaska health care costs. Inflation was estimated using U.S. consumer price index from the BLS. U.S. inflation over this period was approximately 19 percent. ACCRA was the source used for the Alaska health care cost data. During 1999, health care costs in Anchorage were approximately 64.7 percent higher than the average participating ACCRA city. After adjusting for inflation and Alaska health care costs, estimated average cost per day for hospital care in 1999 was \$1,497. The daily cost for outside physicians averaged \$360.

Total Alaska non-federal hospital costs from illness and injury-related substance abuse were estimated by applying daily hospital costs to the estimated number of hospital care days related to alcohol and other drug abuse. Hospital costs were divided into three categories for alcohol: alcohol-specific illness, alcohol-related illness, and additional costs from co-occurring alcohol disorders. Other drug categories include other drug-specific illness, other drug-related illness, and additional days from other drug disorders.

Substance abuse-related hospital stay costs for illnesses and injuries in a veterans' or federal facility were estimated using the methodology from the 1998 NIDA/NIAAA study. In that study, veterans' and federal hospital revenues accounted for 9.5 percent of total U.S. hospital revenues. Applying this proportion to non-federal hospital costs for substance abuse, the research team estimated hospital costs for the federal facilities for Alaska during 1999.

Results

The estimated total number of hospital care days related to alcohol and other drug abuse illnesses and injuries were 27,095 in Alaska during 1999. Alcohol abuse accounted for an estimated 24,666 care days, while 2,429 were from other drug abuse. Among alcohol abusers, total hospital care days were estimated as follows: specific illnesses at 1,916, related illnesses at 18,669, and co-occurring alcohol disorders at 4,081. Estimated number of hospital care days for other drug abuse-specific illnesses was 30. Hospital care days for other drug abuse-related illnesses are not included in hospital costs to avoid double counting. These costs are presented later in this chapter. Additional days from other drug disorders were estimated at 2,394 hospital care days. Table 16 presents results on the number of care days by category for Alaska in 1999.

**Table 16
Hospital Costs for Illness and Injuries
Related to Substance Abuse in Alaska, 1999**

	Total Care Days	Non-Federal Hospital Costs (\$000)	Veteran and Federal Hospital Costs (\$000)	Total Hospital Costs (\$000)
Alcohol-specific illness	1,916	\$3,434	\$303	\$3,736
Alcohol-related illness	18,669	33,455	2,950	36,405
Additional days from co-occurring alcohol disorders	4,081	7,312	645	7,957
Subtotal, alcohol abuse	24,666	44,201	3,897	48,098
Other Drug abuse-specific illness	30	53	5	58
Other Drug abuse-related illness
Additional days from other drug disorders	2,394	4,290	378	4,668
Subtotal, other drug abuse	2,429	\$4,343	\$383	\$4,726
Total alcohol and other drug abuse	27,095	\$48,544	\$4,280	\$52,824

Source: McDowell Group, based on alcohol and drug dependent population estimates from *Finding the Answers to Tough Questions About Substance Abuse in Alaska*, 1999 Annual Report, State of Alaska Advisory Board on Alcoholism and Drug Abuse; and U.S. hospital care days and costs per day related to alcohol and other drug abuse from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).

*These costs include HIV, and Hepatitis A and B, which are presented later in the chapter.

Alaska hospital costs from alcohol and other drug abuse-related medical injuries and illness in 1999 were estimated at \$53 million (Table 16). Non-federal hospitals accounted for \$49 million, while veterans and federal hospitals were \$4 million. Estimated hospital costs injuries and illness related to alcohol and other drug abuse were \$48 million and \$5 million, respectively. Alcohol-related illnesses resulted in the highest hospital costs at \$36 million.

Residential and Outpatient Alcohol and Other Drug Treatment Costs

Alcohol and other drug abuse in resident and outpatient treatment costs was approximately \$15 million for Alaska during 1999. The Alaska Department of Health and Social Services, Division of Alcohol and Drug Abuse, provided alcohol and other drug treatment costs, so no estimate procedures were needed.

Alcohol and other drug treatment costs provide outpatient and residential services for youth, adults and women with children. The treatment services also included assistance for incarcerated men and women. Specific services include rehabilitation, counseling, case management, and other types of treatment services for individuals and families.

The estimated treatment costs do not account for residents receiving substance abuse treatment outside the state. Although the exact number of these individuals is unknown, it is estimated that much of the private residential treatment received by Alaskans occurs outside of the state.⁷

⁷ Source: *Finding the Answers to Tough Questions About Substance Abuse in Alaska*, 1999 Annual Report, State of Alaska Advisory Board on Alcoholism and Drug Abuse.

Medical Outpatient Costs

Another health expense related to alcohol and other drug abuse is outpatient medical treatment for a specific disorder or illness related to alcohol and other drug abuse. Specific disorders might include alcohol gastritis or cirrhosis, while a related illness might be chronic pancreatitis, or cancer of the esophagus.

Methodology

Like hospital costs, specific data on alcohol and other drug abuse-related medical outpatient visits was not available for Alaska. To estimate these costs, the research team applied Alaska prevalence figures to U.S. estimates for alcohol abuse-related medical outpatient visits reported in the 1998 NIDA/NIAAA study. The NIDA/NIAAA did not report any medical outpatient visits for other drug abuse-specific disorders because of the lack of data and causal relationships needed to estimate the medical outpatient visits. Other drug abuse medical outpatient visits related to HIV and Hepatitis B and C are presented later in the chapter.

Estimated medical outpatient visits were multiplied by the average medical outpatient cost for alcohol and other drug abuse-related illnesses and injuries. Cost estimates were adjusted to reflect changes in U.S. prices from 1992 to 1999, and Alaska health care costs. Inflation was estimated at 19 percent using U.S. consumer price index from the U.S. Census Bureau. Alaska health care cost data came from ACCRA. During 1999, health care costs in Anchorage were approximately 64.7 percent higher than the average participating city. After adjusting for inflation and cost-of-health care in Alaska, the estimated average cost for an alcohol and other drug abuse-related medical outpatient visit was \$305.

Results

Alcohol abuse-related medical outpatient visits in Alaska during 1999 were estimated at 49,360. Alcohol-related disorders accounted for 42,871 estimated visits, while alcohol-specific illnesses had an estimated 6,489 visits. Table 17 presents estimated medical outpatient visits and costs for alcohol abuse-related disorders.

Alcohol abuse-related medical outpatient costs for Alaska during 1999 was estimated at \$15 million. Alcohol abuse-related illnesses were estimated at \$13 million, while alcohol abuse-specific disorders were \$2 million.

Table 17
Medical Outpatient Visits and Costs Related to
Alcohol Abuse in Alaska, 1999

	Outpatient Visits	Outpatient Costs (thousands of dollars)
Alcohol-specific	6,489	\$1,979
Alcohol-related	42,871	\$13,076
Total, Alcohol Abuse	49,360	\$15,055

Source: McDowell Group, based on alcohol and other drug-dependent population estimates from *Finding the Answers to Tough Questions About Substance Abuse in Alaska*, 1999 Annual Report, State of Alaska Advisory Board on Alcoholism and Drug Abuse; and U.S. medical outpatient and costs related to alcohol abuse from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).

Prescription Drugs and Nursing Home Care Costs

Although not as high as hospital and medical outpatient costs, alcohol and other drug abuse also have prescription drug and nursing home costs. Prescription drugs are prescribed for alcohol abuse-specific illnesses such as cirrhosis or alcohol-related cancer. Nursing home costs are only those from residents who have a primary alcohol abuse-specific diagnosis.

Methodology

Alcohol-related prescription drug costs were estimated using Alaska prevalence data on substance abuse. Prevalence estimates were applied to the total U.S. prescription drug costs related to alcohol abuse, as published in the 1998 NIDA/NIAAA study. In the study, 2.2 percent of U.S. prescription drug costs for all illnesses were attributed to alcohol abuse. Prescription drug costs related to other drug abuse were not estimated due to the lack of national data.

Nursing home costs related to alcohol abuse were estimated using data from the Alaska State Hospital Nursing Home Association and the NIDA/NIAAA study. Total home nursing care visits during 1999 were 147,907, while cost per day of care was \$268.65. The cost of Alaska nursing home care for all illnesses and injuries during 1999 was approximately \$40 million. Based on estimates published in the NIDA/NIAAA study, approximately 1 percent of the nation's nursing home care costs can be attributed to alcohol abuse-specific illnesses. The research team applied 1 percent to total nursing home care costs in Alaska during 1999.

Results

Estimated pharmaceutical costs related to alcohol abuse in Alaska during 1999 were approximately \$9 million. Alcohol abuse-related nursing home care days totaled 1,479 in Alaska during 1999. Costs from these visits amounted to approximately \$400,000.

Fetal Alcohol Syndrome

Fetal alcohol syndrome (FAS) can occur when a fetus is exposed to alcohol. Symptoms of FAS can include both physical and mental impairment. The cost of caring for a person with FAS can be significant. These costs may include neonatal care for low birth weight to special speech therapy, behavioral management, or residential care for adult FAS patients.

Methodology

To estimate the economic costs from FAS, the research team first determined the number of live births with FAS in Alaska. The Alaska Department of Health and Social Services reported the incidence rate of FAS ranged from one to 1.4 per 1,000

live births.⁸ Based on these results, an incidence rate of 1.4 per 1,000 live births was used to measure FAS costs.

Incidence rates for FAS vary considerably. For example, the NIDA/NIAAA reported an incidence rate of two per 1,000 live births. A Washington State study of alcohol and other drug abuse showed an incidence rate of 1.3 per 1,000 live births. As reported above, approximately 9.7 percent of Alaska's population is alcohol dependent, while only 4.38 percent of the nation's population is alcohol dependent. Based on these estimates, the 1.4 FAS births per 1,000 live births for Alaska could be a conservative estimate. Because there currently are no established standards for diagnosing FAS, incidence rates can and do vary to some degree.

To estimate FAS costs in Alaska, the research team relied on data published in Health Professions Education Partnership Act of 1998 (Senate Bill 1754). The cost of treating an FAS patient over his or her lifetime was estimated to be at least \$1.4 million in 1995. These costs could include neonatal intensive care, medical and surgical services (not related to neonatal care), special speech therapy, behavioral management, and residential care. Medical and surgical service might include rectifying or monitoring hearing loss or cleft palate surgery. Residential services include special education, home care, speech therapy or institutional care. After adjusting for inflation between 1995 and 1999 (9 percent), total lifetime costs for treating FAS patients is estimated at \$1.5 million.

The total cost for FAS patients in Alaska during 1999 was estimated by multiplying the lifetime costs by the number of FAS births during that period.

Results

Table 18 presents estimated costs for FAS births in Alaska during 1999. During that period, Alaska had about 14 FAS births. Total economic costs from these FAS patients totaled approximately \$21 million.

Assuming the incidence rate for FAS births for Alaska is similar to the dependence rate for alcohol abuse (approximately double the nation's dependence rate), an incidence rate of 2.8 was used to present an alternative health care cost for persons with FAS. Using this incidence rate, Alaska had an estimated 28 FAS births. Costs for treating Alaskans with FAS were approximately \$42 million.

Table 18
Costs of FAS Medical and
Residential Services in Alaska, 1999

	1.4 Incidence Rate	2.8 Incidence Rate
Alaska births in 1999	9,956	9,956
FAS incidence per 1,000 live births	1.4	2.8
FAS births	14	28
Total FAS cost	\$21 million	\$42 million

Source: McDowell Group, based on FAS data from Alaska Department of Health and Social Services; and Health Professions Education Partnership Act of 1998, S. 1754, 108d Congress (1998).

⁸ 1999 Status Update: Alaska's Responses to Fetal Alcohol Syndrome, Alaska Department of Health and Social Services, November 1999.

AIDS and HIV Costs

Intravenous drug abuse among individuals who share unhygienic needles is a significant cause of AIDS and HIV. Although AIDS and HIV no longer require extensive inpatient medical care, both result in high medical expenses worth measuring separately from the hospital and outpatient costs presented above (NIDA/NIAAA, 1998).

Methodology

Two steps were used to calculate other drug-related AIDS and HIV medical costs. First, AIDS and HIV costs were estimated by applying annual medical expenses from the NIDA/NIAAA study to the number of Alaska AIDS and HIV patients treated in 1999. Cost data was adjusted for inflation and cost-of-health care in Alaska using the same sources and methods previously reported. Annual medical expenses for each Alaska HIV patient were estimated at \$21,794, while medical expenses for each AIDS patient were \$60,849. According to the Alaska Division of Public Health, there were 781 HIV and HIV with AIDS cases in Alaska, with 237 from HIV and 544 from HIV with AIDS. Multiplying by the appropriate yearly medical expenses, HIV accounted for more than \$5 million. Medical expenses for all AIDS patients statewide totaled \$33 million during 1999.

The second step was to determine the percent of AIDS and HIV medical expenses that can be attributed to other drug abuse. Public Health reported that approximately 12 percent of AIDS and HIV cases were attributed to intravenous drug abuse. This attribution rate was then applied to medical costs for AIDS and HIV patients.

Although these costs are limited only to those caused by intravenous drug abuse, alcohol abuse is a risk factor in contracting AIDS and HIV from unprotected sex.

Results

Intravenous drug abuse resulted in approximately 93 HIV and HIV with AIDS cases in Alaska during 1999. Medical costs for treating these patients were approximately \$4 million. Table 19 presents the number HIV and HIV with AIDS cases and annual medical expenses for these cases.

Table 19
Annual Medical Expenses per AIDS and HIV Case
Due to Other Drug Abuse in Alaska, 1999

	Annual Medical Expenses per Patient	Number of AIDS and HIV Patients	Total Costs due to Drug Abuse
HIV Positive	\$21,800	28	\$0.6 million
AIDS	\$60,800	65	\$4.0 million
Total	n/a	93	\$4.6 million

Source: McDowell Group, based on AIDS and HIV case numbers from Alaska Department of Health and Social Services, Division of Public Health; and annual medical expense data from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).

Hepatitis B and C Costs

Intravenous drug abuse and sharing unhygienic needles are leading contributors to hepatitis B and C in Alaska. In fact, intravenous drug use is the largest contributor to hepatitis C. Hepatitis B and C have been linked to cirrhosis and primary hepatic cancer.

Methodology

Approximately 12 percent of hepatitis B cases and 36 percent of hepatitis C cases can be attributed to intravenous drug abuse (NIDA/NIAAA). According to the Alaska Division of Public Health, there were 18 cases of hepatitis B and 1,196 cases of hepatitis C in the state in 1999. Due to limited data on the disease stage⁹ and how many patients were cured, the research team measured the cost of treating only those cases reported by the Alaska Division of Public Health in 1999.

Medical expenses for hepatitis B and C were presented in the 1998 NIDA/NIAAA study by stage. Since data is limited for hepatitis B and C in Alaska, medical expenses from the NIDA/NIAAA study were averaged. Adjusting for inflation and Alaska health costs, the annual average medical expense for treating hepatitis B is \$2,400 and \$10,600 for hepatitis C. These costs were applied to all other drug abuse-related hepatitis B and C cases reported in 1999 by the Division of Public Health. However, it should be pointed out that most hepatitis B and C cases required only monitoring of the disease, which is relatively inexpensive. A small percentage of these cases do require extensive medical care in order to treat acute fulminate hepatitis, chronic active hepatitis, and primary hepatic cancer. By using an average of medical costs for treating all stages of the disease, the study provides an approximate cost of treating new hepatitis B and C cases during 1999.

In addition, alcohol abuse is also considered a risk factor for contracting hepatitis B and C due to sharing of needles while under the influence of alcohol.

Results

In Alaska, intravenous drug abuse attributed to two hepatitis B cases and 431 hepatitis C cases during 1999. Total annual medical costs for intravenous drug abuse-related hepatitis B were \$5,000. Hepatitis C annual medical expenses attributed to intravenous drug abuse totaled \$5 million. Table 20 presents total medical costs and number of cases for hepatitis C in Alaska during 1999.

Table 20
Annual Medical Expenses per Hepatitis C Case
Due to Other Drug Abuse in Alaska, 1999

	Annual Medical Expenses per Patient	Number of Hepatitis C Patients	Total Costs due to Drug Abuse
Hepatitis C	\$10,600	431	\$4.6 million

Source: McDowell Group, based on hepatitis B and C case numbers from the Alaska Department of Health and Social Services; and annual medical expense data from *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992* (NIDA/NIAAA).
Hepatitis B costs were not included in the table because costs were insignificant compared to Hepatitis C (\$4,800).

⁹ Incubation, acute, and persistent are the three stages of hepatitis.

PUBLIC ASSISTANCE AND SOCIAL SERVICES

Needy Alaskans who qualify for public assistance receive cash and food stamps and other social services from the state. A portion of the public assistance expenditures can be attributed to alcohol and other drug abuse. As noted earlier in the report, alcohol and other drug dependence can result in reduced income, trouble finding and holding a job, or even a disability, all of which may qualify the individual for public assistance. This chapter looks briefly at the economic costs of alcohol and other drug abuse-related public assistance.

Methodology

To estimate the cost of alcohol and other drug abuse-related public assistance, the research team applied Alaska's portion of the U.S. alcohol and other drug dependent population, 0.47 percent, to the nation's public assistance expenditures related to alcohol and other drug abuse, as published in the 1998 NIDA/NIAAA study. Since public assistance payments are a redistribution of income and not a cost to society, the report only includes the administration costs.

There are two sources of public assistance costs. The first is former Supplemental Security Income (SSI) and Old Age, Survivors, and Disability Insurance (OASDI) recipients. In 1996, P.L. 104-121 amended the Social Security Act to change the definition of disability. As a result, individuals receiving Social Security disability benefits based on alcoholism and/or other drug abuse had their benefits terminated effective January 1, 1997. However, approximately two thirds of these individuals subsequently appealed the termination of their disability benefits and were found to be disabled for other reasons. The second is Alaska Temporary Assistance Program and food stamp program. Note, Aid to Families with Dependent Children program was replaced by the Alaska Temporary Assistance Program on July 1, 1997.

In each category, costs related to alcohol and other drug abuse were estimated based on the actual determination that public benefits given to an individual were attributed to substance abuse. For former SSI and OASDI recipients, 1.7 percent of the cases were related to alcohol and other drug abuse, while 4.1 percent of Alaska Temporary Assistance Program and food stamp cases were related. Compared to Alaska's dependency rates for alcohol and other drug abuse, attribution rates published in the NIDA/NIAAA study are likely a conservative estimate of Alaska's true administration costs from public assistance. However, the lack of Alaska attribution rates for alcohol and other drug abuse-related public assistance necessitates the use of these national attribution rates published in the 1998 NIDA/NIAAA study.

Results

Administration costs from alcohol and other drug abuse-related public assistance was approximately \$4 million in Alaska during 1999. The largest contributor was administration of payments for Alaska Temporary Assistance Program and food stamps at \$3 million, while administrative costs from former OASDI and SSI recipients totaled \$484,000.

EMPLOYMENT AND TAX IMPACTS OF ALCOHOL SALES

Although this report concentrates on quantifying the costs of alcohol and other drug abuse, there are some measurable economic benefits associated with the sale of alcohol. The most obvious benefit is employment. Jobs related to alcohol sales include manufacturing, wholesale trade and retail trade. Alcohol excise tax revenues go into Alaska's unrestricted general-fund budget. Other benefits, including indirect employment impacts from alcohol manufacturing and sales, are more difficult to measure and beyond the scope of this study. Earnings from these jobs help employ other residents who are not directly linked to alcohol industry.

This chapter looks briefly at the direct employment benefits from the alcohol industry and discusses the excise tax collected from the sale of alcohol beverages.

Methodology

To measure the employment and earnings related to manufacturing and sales of alcohol, the research team relied on data published in the 1999 *Employment and Earnings Report* by Alaska Department of Labor and Workforce Development, Research and Analysis Division. Employment and earnings data was collected for the following industries:

- Manufacturing of malt beverages (SIC 2082).
- Wholesale trade for beer, wine, and distilled beverages (SIC 5182).
- Liquor stores (SIC 5921).
- Drinking places (SIC 5813).

Total excise tax revenue collected from the sale of alcohol beverages was published in the *Revenue Source Book, Fall 1999*, by the Alaska Department of Revenue.

Results

Table 21 presents employment and earnings for alcohol related commerce and manufacturing industries in Alaska during 1999. Total employment related to the sale of alcoholic beverages in Alaska was approximately 3,000 jobs with earnings of \$50 million. Drinking establishments accounted for the most employment at approximately 2,000 jobs with \$26 million in payroll.

Total excise tax revenue collected from the sale of alcohol beverages in Alaska was approximately \$12 million during 1999.

Table 21
Employment and Earnings for
Alcohol-Related Industries in Alaska, 1999

Industry	Employment	Earnings (thousands of dollars)
Manufacturing	88	\$2,542
Wholesale trade	300	12,016
Retail trade: Liquor stores	586	9,681
Retail trade: Drinking places	1,983	26,037
Total	2,957	\$50,276

Source: 1999 *Employment and Earnings Report*, Alaska Department of Labor and Workforce Development, Research and Analysis Division.

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STATE TAX RATES ON BEER
(January 1, 2002)

	EXCISE TAX RATES (\$ per gallon)	SALES TAXES APPLIED	OTHER TAXES
Alabama	\$0.53	Yes	\$0.52/gallon local tax
Alaska	0.35	n.a.	
Arizona	0.16	Yes	
Arkansas	0.23	Yes	under 3.2% - \$0.16/gallon; \$0.008/gallon and 3% off- 10% on-premise tax
<i>California</i>	<i>0.20</i>	<i>Yes</i>	
Colorado	0.08	Yes	
Connecticut	0.19	Yes	
Delaware	0.16	n.a.	
Florida	0.48	Yes	2.67¢/12 ounces on-premise retail tax
Georgia	0.48	Yes	\$0.53/gallon local tax
Hawaii	0.92	Yes	\$0.53/gallon draft beer
Idaho	0.15	Yes	over 4% - \$0.45/gallon
Illinois	0.185	Yes	\$0.16/gallon in Chicago and \$0.06/gallon in Cook County
Indiana	0.12	Yes	
Iowa	0.19	Yes	
Kansas	0.18	--	over 3.2% - {8% off- and 10% on-premise}, under 3.2% - 4.25% sales tax.
Kentucky	0.08	Yes*	9% wholesale tax
Louisiana	0.32	Yes	\$0.048/gallon local tax
Maine	0.35	Yes	additional 5% on-premise tax
Maryland	0.09	Yes	\$0.2333/gallon in Garrett County
Massachusetts	0.11	Yes*	0.57% on private club sales
Michigan	0.20	Yes	
Minnesota	0.15	--	under 3.2% - \$0.077/gallon. 8.5% sales tax
Mississippi	0.43	Yes	
Missouri	0.06	Yes	
Montana	0.14	n.a.	
Nebraska	0.23	Yes	
Nevada	0.09	Yes	
New Hampshire	0.30	n.a.	
New Jersey	0.12	Yes	
New Mexico	0.41	Yes	
New York (1)	0.125	Yes	\$0.12/gallon in New York City
North Carolina	0.53	Yes	\$0.48/gallon bulk beer
North Dakota	0.16	--	7% state sales tax, bulk beer \$0.08/gal.
Ohio	0.18	Yes	
Oklahoma	0.40	Yes	under 3.2% - \$0.36/gallon; \$1.00/case on-premise and 12% on-premise
Oregon	0.08	n.a.	
Pennsylvania	0.08	Yes	
Rhode Island	0.10	Yes	\$0.04/case wholesale tax
South Carolina	0.77	Yes	
South Dakota	0.27	Yes	
Tennessee	0.13	Yes	17% wholesale tax
Texas	0.19	Yes	over 4% - \$0.198/gallon, 14% on-premise and \$0.05/drink on airline sales
Utah	0.35	Yes	over 3.2% - sold through state store
Vermont	0.265	no	6% to 8% alcohol - \$0.55; 10% on-premise sales tax
Virginia	0.26	Yes	
Washington	0.261	Yes	
West Virginia	0.18	Yes	
Wisconsin	0.06	Yes	
Wyoming	0.02	Yes	
Dist. of Columbia	0.09	Yes	8% off- and 9% on-premise sales tax
U.S. Median	\$0.188		

SOURCE: Compiled by FTA from various sources.
 * Sales tax is applied to on-premise sales only.
 (1) Tax rate scheduled to decrease to 11.0 cents per gallon 9/1/03.

STATE TAX RATES ON WINE
(January 1, 2002)

STATE	EXCISE TAX RATES (\$ per gallon)	SALES TAXES APPLIED	OTHER TAXES
Alabama	\$1.70	Yes	over 14% - sold through state store
Alaska	0.85	n.a.	
Arizona	0.84	Yes	
Arkansas	0.75	Yes	under 5% - \$0.25/gallon; \$0.05/case; and 3% off- and 10% on-premise sparkling wine - \$0.30/gallon
California	0.20	Yes	
Colorado	0.32	Yes	
Connecticut	0.60	Yes	over 21% and sparkling wine - \$1.50/gallon
Delaware	0.97	n.a.	
Florida	2.25	Yes	over 17.25% - \$3.00/gallon, sparkling wine \$3.50/gallon 6.67¢/4 ounces on-premise retail tax
Georgia	1.51	Yes	over 14% - \$2.54/gallon; \$0.83/gallon local tax
Hawaii	1.36	Yes	Sparkling wine - \$2.09/gallon and wine coolers - \$0.84/gallon
Idaho	0.45	Yes	
Illinois	0.73	Yes	over 20% - \$4.50/gallon; \$0.15/gallon in Chicago and (\$0.16-\$0.30)/gallon in Cook County
Indiana	0.47	Yes	over 21% - \$2.68/gallon
Iowa	1.75	Yes	under 5% - \$0.19/gallon
Kansas	0.30	no	over 14% - \$0.75/gallon; 8% off- and 10% on-premise
Kentucky	0.50	Yes*	9% wholesale
Louisiana	0.11	Yes	14% to 24% - \$0.23/gallon, over 24% and sparkling wine - \$1.59/gallon
Maine	0.60	Yes	over 15.5% - sold through state stores, sparkling wine - \$1.25/gallon; additional 5% on-premise sales tax
Maryland	0.40	Yes	
Massachusetts	0.55	Yes*	sparkling wine - \$0.70/gallon;
Michigan	0.51	Yes	over 16% - \$0.76/gallon
Minnesota	0.30	--	14% to 21% - \$0.95/gallon, under 24% and sparkling wine - \$1.82/gallon; \$0.01/bottle (except miniatures) and 8.5% sales tax
Mississippi	0.35	Yes	over 14% and sparkling wine - sold through the state
Missouri	0.30	Yes	
Montana	1.06	n.a.	over 16% - sold through state stores; 7% surtax
Nebraska	0.75	Yes	over 14% - \$1.35/gallon
Nevada	0.40	Yes	14% to 22% - \$0.75/gallon, over 22% - \$2.05/gallon
New Hampshire	see footnote (1)	n.a.	
New Jersey	0.70	Yes	
New Mexico	1.70	Yes	over 14% - \$6.06/gallon
New York	0.19	Yes	
North Carolina	0.79	Yes	over 17% - \$0.91/gallon
North Dakota	0.50	--	over 17% - \$0.60/gallon, Sparkling wine - \$1.00/gallon; 7% state sales tax
Ohio	0.30	Yes	over 14% - \$0.98/gallon, vermouth - \$1.08/gallon and sparkling wine - \$1.48/gallon
Oklahoma	0.72	Yes	over 14% - \$1.40/gallon, sparkling wine - \$2.08/gallon; \$1.00/bottle on-premise and 12% on-premise
Oregon	0.67	n.a.	over 14% - \$0.77/gallon
Pennsylvania	see footnote (1)	Yes	
Rhode Island	0.60	Yes	sparkling wine - \$0.75/gallon
South Carolina	0.90	Yes	\$0.18/gallon additional tax
South Dakota	0.93	Yes	14% to 20% - \$1.45/gallon, over 21% and sparkling wine - \$2.07/gallon; 2% wholesale tax
Tennessee	1.10	Yes	\$0.15/case and 15% on-premise; under 7% - \$1.10/gallon.
Texas	0.20	Yes	over 14% - \$0.408/gallon and sparkling wine - \$0.516/gallon; 14% on-premise and \$0.05/drink on airline sales
Utah	see footnote (1)	Yes	
Vermont	0.55	Yes	over 16% - sold through state store, 10% on-premise sales tax
Virginia	1.51	Yes	under 4% - \$0.2565/gallon and over 14% - sold through state store
Washington	0.78	Yes	over 14% - \$1.72/gal.; add'l \$0.89 bottled or packaged by manufacturer, \$0.04 all others
West Virginia	1.00	Yes	5% local tax
Wisconsin	0.25	Yes	over 14% - \$0.45/gallon
Wyoming	see footnote (1)	Yes	
Dist. of Columbia	0.30	Yes	8% off- and 9% on-premise sales tax, over 14% - \$0.40/gallon and Sparkling - \$0.45/gallon.
U.S. Median	0.60		

Source: Compiled by FTA from various sources.

* Sales tax is applied to on-premise sales only.

(1) All wine sales are through state stores. Revenue in these states is generated from various taxes, fees and net profits.

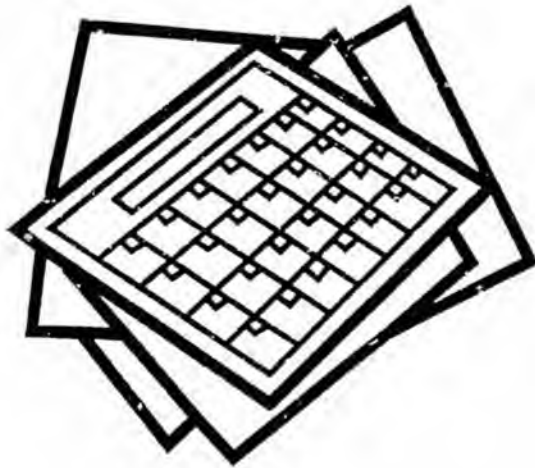
STATE TAX RATES ON DISTILLED SPIRITS
(January 1, 2002)

STATE	EXCISE TAX RATES (\$ per gallon)	SALES TAXES APPLIED	OTHER TAXES
Alabama	see footnote (1)	Yes	
Alaska	\$5.60	n.a.	under 21% - \$0.85/gallon
Arizona	3.00	Yes	
Arkansas	2.50	Yes	under 5% - \$0.50/gallon, under 21% - \$1.00/gallon; \$0.20/case and 3% off- 14% on-premise retail taxes over 50% - \$6.60/gallon
California	3.30	Yes	
Colorado	2.28	Yes	
Connecticut	4.50	Yes	under 7% - \$2.05/gallon +
Delaware	3.75	n.a.	under 25% - \$2.50/gallon
Florida	6.50	Yes	under 17.25% - \$2.25/gallon, over 55.78% - \$9.53/gallon 6.6¢/ounce on-premise retail tax \$0.83/gallon local tax
Georgia	3.79	Yes	
Hawaii	5.92	Yes	
Idaho	see footnote (1)	Yes	
Illinois	4.50	Yes	under 20% - \$0.73/gallon; \$0.50/gallon in Chicago and \$2.00/gallon in Cook County under 15% - \$0.47/gallon
Indiana	2.68	Yes	
Iowa	see footnote (1)	Yes	
Kansas	2.50	no	8% off- and 10% on-premise retail tax
Kentucky	1.92	Yes*	under 6% - \$0.25/gallon; \$0.05/case and 9% wholesale tax
Louisiana	2.50	Yes	under 6% - \$0.32/gallon
Maine	see footnote (1)	Yes	
Maryland	1.50	Yes	
Massachusetts	4.05	Yes*	under 15% - \$1.10/gallon, over 50% alcohol - \$4.05/proof gallon; 0.57% on private club sales
Michigan	see footnote (1)	Yes	
Minnesota	5.03	--	\$0.01/bottle (except miniatures) and 8.5% sales tax
Mississippi	see footnote (1)	Yes	
Missouri	2.00	Yes	
Montana	see footnote (1)	n.a.	
Nebraska	3.00	Yes	
Nevada	2.05	Yes	under 14% - \$0.40/gallon and under 21% - \$0.75/gallon.
New Hampshire	see footnote (1)	n.a.	
New Jersey	4.40	Yes	
New Mexico	6.06	Yes	
New York	6.44	Yes	under 24% - \$2.54/gallon; \$1.00/gallon New York City
North Carolina	see footnote (1)	Yes*	
North Dakota	2.50	--	7% state sales tax
Ohio	see footnote (1)	Yes	
Oklahoma	5.56	Yes	\$1.00/bottle on-premise and 12% on-premise
Oregon	see footnote (1)	n.a.	
Pennsylvania	see footnote (1)	Yes	
Rhode Island	3.75	Yes	
South Carolina	2.72	Yes	\$5.36/case and 9% surtax
South Dakota	3.93	Yes	under 14% - \$0.93/gallon, 2% wholesale tax
Tennessee	4.00	Yes	\$0.15/case and 15% on-premise; under 7% - \$1.10/gallon. 14% on-premise and \$0.05/drink on airline sales
Texas	2.40	Yes	
Utah	see footnote (1)	Yes	
Vermont	see footnote (1)	no	10% on-premise sales tax
Virginia	see footnote (1)	Yes	
Washington	see footnote (1)	Yes*	
West Virginia	see footnote (1)	Yes	
Wisconsin	3.25	Yes	
Wyoming	see footnote (1)	Yes	
Dist. of Columbia	1.50	Yes	8% off- and 9% on-premise sales tax
U.S. Median	\$3.30		

Source: Compiled by FTA from various sources.

* Sales tax is applied to on-premise sales only.

(1) In 18 states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees and net liquor profits.



Waiting in Line for Treatment

EXECUTIVE SUMMARY

According to a recent survey taken by C&S Management for the Division of Alcoholism and Drug Abuse, Alaskans are waiting in line for much-needed treatment of their substance abuse disorders.

BACKGROUND INFORMATION

Between October 15 and December 1, 2001, C&S Management collected data from treatment programs in eight Alaska communities (Anchorage, Fairbanks, Juneau, Wasilla, Sitka, Dillingham, Bethel, Ketchikan). The purpose of the survey was to determine statistical information about people in those communities who were on the waiting list for treatment for alcoholism or other substance abuse disorders.

C&S Management used a standard instrument called a "waiting list data collection form" to collect detailed information about every person on the waiting list on the October 15, 2001 start date, and every person added to the waiting list between that date and December 1, 2001. Treatment center staff compiled the data using information provided by those on the waiting list. Participation in the survey was voluntary and confidential.

In addition to demographic data (to profile those seeking treatment), the survey collected information about the type of treatment service sought, and type of referral source that sent the person to the treatment provider. Information about whether the person was currently incarcerated, receiving mental health services, or an IV drug user was also requested. If the person on the waiting list was female, data was requested about whether the woman was pregnant or had children, whether the family was the subject of an open

case at the Division of Family and Youth Services, and whether the children were in out-of-home placement.

C&S Management compiled the data. The Department of Health and Social Services analyzed the results. This report provides a highlighted summary of key results.

ALASKANS ARE STANDING IN LINE FOR TREATMENT

The C&S Management survey showed that on any given day, an average of 302 people who wanted treatment for alcoholism or other substance abuse were on a waiting list for services in the communities surveyed. These Alaskans include women with children, men awaiting release from jail for crimes committed "under the influence" of their addictions, and teenagers who may develop into chronic alcoholics if the course of their lives is not altered.

The percentage of people waiting for treatment in a region (as a percentage of the total number of people waiting for treatment) varied across regions over time, but generally more people are on the waiting list for treatment in larger population areas.

Table 1: Percentage of People on the Waiting list, by Region

REGION	DATE			
	Oct 15	Nov 1	Nov 15	Dec 1
Anchorage	46%	38%	34%	34%
Interior	10%	13%	13%	10%
Yukon-Kuskokwim	31%	27%	26%	26%
Southeast	4%	11%	15%	21%
All others	9%	11%	13%	8%

WAITING LISTS UNDERREPRESENT THE TOTAL NEED

The waiting list is a critical indicator of treatment need, but it is only the most visible and measurable portion of people in need of treatment. It is an accepted fact that the waiting list underrepresents the number of people who need and would accept treatment if services were immediately available. Many people who need treatment never recognize or acknowledge the fact. But of those who do recognize that they need treatment, and who seek it out, many are discouraged when they find out that treatment is not immediately available. Too often, they do not sign up for the waiting list.

A second reason the waiting lists underrepresents real need is that it is only possible to establish a waiting list for a substance abuse treatment program that exists. For example, if there is no youth treatment program in a given community, there will be no waiting list for youth treatment in that community. This is true even though there may be any number of youths who need and would enter this type of treatment program if it were offered. If there is no treatment program (or program of a certain type) in a community, there will be no waiting list for that program in that community. This is because the treatment programs themselves establish the waiting lists.

For these reasons, the number of people on the waiting lists is less than the total number of people in these communities who need treatment and would accept it if it were immediately available. The number of people on the waiting list on any given day represents people who:

- Live in (or are willing to travel to) communities where the specific type of treatment they seek is offered, and
- Are so motivated to receive treatment that they are willing to sign up for it even though they know that treatment is not immediately available.

WOMEN AND CHILDREN ARE WAITING FOR CARE

Of those on the treatment waiting list during the study period, 60% were male, and 40% were female. Men linger on the waiting lists slightly longer than women do (an average of 51 days for women, 66 days for men).

Almost 3 out of 4 women on the waiting list have children (see table 2). Since alcoholism and drug abuse affect families as well as individuals, these children are effectively on the waiting list for treatment, too. More than 213 children had mothers on the waiting list during the survey period. Family life is difficult for those awaiting treatment. Almost half of the women waiting for treatment had children in out-of-home placement (foster care or other living situations).

Table 2: Situation of Women on the Waiting List

	DATE				Average
	Oct 15	Nov 1	Nov 15	Dec 1	
Total number of women on list	116	131	133	108	122 women
Women with Children	87	98	100	80	75%
Open DFYS Case	41	51	52	38	37%

Out of Home Placement	55	59	63	53	47%
-----------------------	----	----	----	----	-----

The C&S Management survey showed that almost half the women on the waiting list were waiting for specific programs that treat women, or women with children. For mothers, the latter type of service is especially critical. Many must make the difficult choice between keeping their children with them as they go through treatment and breaking up the family. Some mothers forego treatment rather than give up their children, even temporarily.

Women who sign up for a treatment program that serves women and children generally wait longer than those who sign up for services that won't allow their children to stay with them. Such women wait an average of 107 days to enter treatment, while those who sign up for women-only programs wait 46 days.

This data shows that there are Alaskan women with children who know they have a substance abuse problem who are motivated to resolve their problems through treatment, and who wait more than 3 months for that treatment once they sign up to receive it.

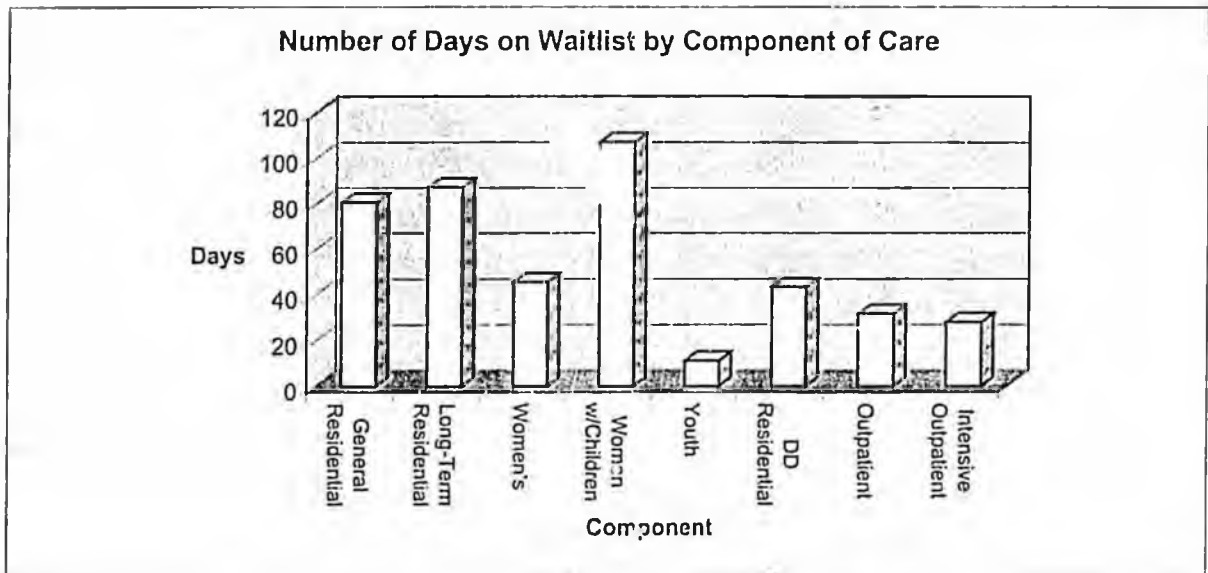
“Because we don't have enough service capacity in programs that treat women with children, some women face a painful choice: to wait months for treatment, or to break up the family.”

– Jay Livey, Commissioner
Department of Health and Social Services

ALASKANS NEED SPECIFIC TYPES OF TREATMENT

The survey sought information about the type of treatment each person on the waiting list needed. On average, 46% of the women were waiting for programs that serve women, or women with children. The rest sought other types of treatment, including residential services, youth programs, or outpatient treatment. By contrast, 34% of the men were seeking long-term co-ed residential treatment, an additional 16% sought outpatient treatment, and the rest sought other types of services.

For each type of service offered, the number of days people tend to linger on the waiting list is different. The chart below depicts these differences. Women who are waiting for treatment in a program that accepts women and children wait the longest (an average of 107 days). People who sign up to receive general or long-term residential care also tend to wait longer than average (81 and 87 days, respectively). Those waiting for women-only programs wait an average of 45 days, and those waiting for dual diagnosis residential care wait an average of 43 days (see chart on following page).



The C&S Management survey showed a need for expanded capacity in programs serving people who have both substance abuse disorders and mental health issues. These “co-occurring disorders” are treated through “dual diagnosis” programs. Of the 302 people typically on the waiting list, an average of 47 (about 1 in 5) acknowledged that they were currently receiving mental health care of some type, including about 1 in 4 women.

An average of 17 people were on the waiting list for dual diagnosis treatment at any one time. Most of these people were adults ages 21-49 years, but an average of 3 people on the waiting list for dual diagnosis treatment were youths under 18 years old. A disproportionate number of people on the waiting list for dual diagnosis treatment are Alaska Natives. People on this waiting list wait an average of 43 days to enter treatment.

This survey data shows that there is particular need for treatment programs for women, women with children, and dual diagnosis treatment services capable of responding to the needs of those who face both substance abuse disorders and mental health issues.

MORE TREATMENT SERVICES ARE NEEDED

Governor Tony Knowles has requested additional treatment funds in the fiscal year 2003 state operating budget. These incremental requests are structured to serve key populations whose need for increased services is evident in this study (particularly women with children, and those dually diagnosed with both substance abuse and mental health

disorders). An additional \$750,000 is requested in the Governor's capital budget for substance abuse treatment facilities for women and children.

For fiscal year 2003, these are the requested increments (in thousands of dollars):

AMOUNT	ITEM REQUESTED
\$1,442.6	Statewide dual diagnosis treatment
\$1,062.0	Outpatient treatment (minimum funding for small communities)
\$471.8	Adult residential treatment
\$470.0	Restore Alcohol Safety Action Programs
\$867.7	Rural substance abuse counselors
\$550.0	Transitional housing for substance abusers (includes \$300,000 from Mental Health Trust Authority receipts)
\$131.0	Enforcement and interdiction
\$718.0	Juvenile alcohol treatment
\$121.1	Juvenile Alcohol Safety Action Programs
\$1,241.0	Treatment for women with children
\$500.0	Treatment for dual diagnosed criminal offenders with children (includes \$28,000 from other funding sources)
\$7,575.20	TOTAL REQUESTS

These increment requests are sensible compared to what is known about the level of need for treatment from studies such as this. For example, the money requested for treatment for women with children will purchase an additional 14 to 20 treatment beds (in two programs serving seven to ten women each). As about 75% of the women on the waiting list have children, this increment request is well-targeted to meet the documented need.

CONCLUSION

At any one time, 302 people are signed up and waiting to receive treatment for alcoholism and substance abuse disorders in Anchorage, Fairbanks, Juneau, Wasilla, Sitka, Dillingham, Bethel and Ketchikan. They generally wait about two months to enter treatment. In the meantime, some drop off the list because their circumstances change, they spiral downward and lose motivation to enter treatment, the program loses contact with them, or for unknown reasons. Opportunities to make critical, constructive changes are lost daily – perpetuating and often increasing the destructive results of addictions.

Improving treatment services by reducing the waiting list can save State general fund dollars, reduce crime rates, prevent fetal alcohol syndrome and alcohol-related birth defects, and reunify families torn apart by the toll of substance abuse.

What are Economic Interventions?

The effective management of alcohol availability is a community problem. The more available alcohol is in the environment, the more likely it is that the community will have a higher alcohol consumption rate—and the increased problems associated with it such as violence, traffic injuries and consumption by minors.



Economic Interventions—increased taxes on alcohol products—is one tool which has proven effective in an environmental approach to preventing alcohol abuse ...particularly among price-sensitive youth!

Reduce the number of underage drinkers who drink frequently by 32%

A beer tax policy that offsets the effects of inflation and raises the tax on beer to equal the tax on distilled spirits would ...

Reduce the number of underage drinkers who drink fairly frequently by 24%

* Alaska Youth Risk Behavior Survey, 1999

* Effects of Alcohol Price Policy on Youth, Journal of Research on Adolescence, 1994

Goals...

The primary goal of economic interventions as a prevention approach is to raise the price of alcohol products through increased taxes and thereby:

Prevent youth from starting to drink

Delay the age at which they might begin

► Decrease the level of consumption by youth



Funded by
Division of Alcoholism and
Drug Abuse, DHSS, State of
Alaska



4111 Minnesota Drive
Anchorage, Alaska 99503
907-565-1200
Economic Interventions
Project
907-565-1242

80.2% of **Alaska's**
high school
students report
using alcohol

Alcohol use is a major
contributing factor in
homicides, suicides and
motor vehicle crashes—the
leading causes of death and
disability among young
people*

46.9% report
using alcohol in
the past 30 days

Heavy drinking is linked
to physical fights,
destroyed property, job
problems, school failure,
delinquency, unwanted
pregnancies and
transmission of sexually
transmitted diseases*

34.4% report
binge drinking in
the past 30 days



Small Change Big Difference

THE CASE FOR AN ADJUSTMENT
IN ALASKA'S ALCOHOL EXCISE TAX
BY AT LEAST A DIME A DRINK

PROTECT OUR CHILDREN. RAISE REVENUE



Need More Info?

- Alaska Prevention Partnership: - www.alaskaprevention.org
- Akeela, Inc. - www.akeela.com
- The Center for Science in the Public Interest Booze News - www.cspinet.org
- Join Together Online - www.jointogether.org
- FACE: Truth & Clarity on Alcohol - www.faceproject.org
- National Council on Alcoholism and Drug Dependence www.ncadd.org
- Prevlene: Prevention on Line - www.health.org
- National Institute on Alcohol Abuse and Alcoholism - www.niaaa.nih.gov

State and Local Publications that support an Alcohol Tax Increase to
Reduce Alcohol related Problems/Costs in Alaska

1. Economic Costs of Alcohol and Other Drug Abuse in Alaska (Phase Two), McDowell Group, Research-Based Consulting, November, 2001
2. In Step-The Plan. Comprehensive Integrated Mental Health Plan (for Alaskans), October 2001, pg. 13-17.
3. Final Report of the Alaska Criminal Justice Assessment Commission, May, 2000, Alaska Judicial Council, pg. 54 B.1
4. Underage drinking in Alaska. Needs Assessment, December 2000, C & S Management Associates, Juneau, Alaska, pg.105, "best practices".
5. Final Report of the DUI Prevention Task Force, October 2000, pg. 28-29 (committee report).
6. Results Within our Reach. Alaska State Plan for Alcohol and Drug Abuse Services, 1999-2003, pg. 23 (legal and regulatory initiatives)
7. Alaska Injury Prevention Plan. Alcohol related injuries, State Injury Prevention Coalition, December 1994, pg. 74.
8. Mayor's Community Action Plan on Crime, Alcohol Philosophy Task Force Report, August 1996, pg. 9.
9. Finding the Answers to Tough Questions about Substance Abuse in Alaska, Advisory Board on Alcohol and Drug Abuse, 1999, pg. 18
10. Healthy Alaskans 2000. Charting the Course of Public Health for the Decade. Intentional Injuries, 1994, pg.91.

This list of publications was developed by Joan Diamond, MOA, Department of Health and Human Service, 343-6553. (November, 2001)

STATEWIDE POLITICAL OPINION SURVEY

IVAN MOORE RESEARCH

TEL: 278-4600

Hello, my name is _____ and I'm calling for Ivan Moore Research, an Alaska public opinion research firm. We're conducting a public opinion survey that should take just a few minutes. Your opinions are important to us, and we'd appreciate your participation if that's OK with you, and of course your responses will be completely confidential.

S1. Is this a residential telephone?

IF "YES", CONTINUE...

IF "NO", TERMINATE...

S2. Are you registered to vote in the State of Alaska?

IF "YES", CONTINUE...

IF "NO", ASK FOR OTHER VOTER...

1. What is your registered party affiliation?

REGISTERED PARTY AFFILIATION:		
	Count	%
Democrat	39	14.6%
Republican	63	25.6%
Other party	159	59.7%

2. When it comes to politics, do you consider yourself to be a conservative, a moderate or a progressive?

POLITICAL IDEOLOGY:		
	Count	%
Conservative	112	42.0%
Moderate	108	40.4%
Progressive	47	17.5%

3A. Do you strongly favor, mildly favor, mildly oppose or strongly oppose an increase in the state excise tax on alcohol?

FAVOR OR OPPOSE INCREASE IN STATE EXCISE TAX ON ALCOHOL:		
	Count	%
Strongly Favor	77	28.9%
Mildly Favor	72	26.9%
Neutral	10	3.6%
Mildly Oppose	39	14.7%
Strongly Oppose	56	21.0%
Don't know	13	4.9%

Mean=2.294

6. GENDER...

	GENDER OF RESPONDENT:	
	Count	%
Male	133	49.8%
Female	134	50.2%

That completes the survey. I have a telephone number for Ivan Moore Research that you can call with any comments, compliments or complaints. Would you like the number? (278-4600)

Thank you very much for your help. Goodbye.

The following variables have been computed from the gathered data:

MARITAL STATUS BY GENDER:

	MARITAL STATUS BY GENDER:	
	Count	%
Married males	93	34.8%
Married females	93	34.2%
Single males	40	15.0%
Single females	41	15.4%

AREAS OF ALASKA:

	AREAS OF ALASKA:	
	Count	%
Southeast	42	15.7%
Rural Alaska	24	9.0%
MatSu-Kenai-Valdez	34	20.2%
Anchorage	111	41.7%
Fairbank	36	13.3%

	FAVOR OR OPPOSE INCREASE IN STATE EXCISE TAX ON ALCOHOL:				Total
	Favor	Oppose	Neutral	Don't know	Col %
	Col %	Col %	Col %	Col %	
GENDER OF RESPONDENT:					
Male	43.2%	60.6%	45.3%	25.0%	49.8%
Female	34.8%	39.4%	53.7%	74.0%	50.2%
MARITAL STATUS BY GENDER:					
Married male	32.1%	40.4%	46.3%	16.8%	34.8%
Married females	41.2%	23.7%	38.0%	24.6%	34.8%
Single males	13.2%	20.2%		9.2%	15.0%
Single females	13.5%	13.7%	15.8%	49.5%	15.4%
AREAS OF ALASKA:					
Southeast	17.2%	12.8%	7.6%	28.4%	15.7%
Rural Alaska	8.1%	6.3%	25.1	27.5%	9.0%
MatSu-Kenai-Valdez	16.4%	24.6%	38.0	18.4%	20.2%
Anchorage	46.5%	38.5%	23.1%	19.4%	41.7%
Fairbanks	11.8%	17.7%		8.2%	13.3%
Total	55.9%	35.7%	3.6%	4.9%	100.0%

	FAVOR OR OPPOSE INCREASE IN STATE EXCISE TAX ON ALCOHOL:				Total
	Favor	Oppose	Neutral	Don't know	Col %
	Row %	Row %	Row %	Row %	
GENDER OF RESPONDENT:					
Male	50.7%	42.4%	3.3%	2.6%	45.8%
Female	50.9%	28.0%	3.8%	7.3%	50.2%
MARITAL STATUS BY GENDER:					
Married males	31.4%	41.4%	4.8%	2.4%	34.8%
Married females	56.2%	26.4%	3.3%	3.5%	34.8%
Single males	48.9%	48.0%		3.0%	15.0%
Single females	48.9%	31.6%	3.7%	15.8%	15.4%
AREAS OF ALASKA:					
Southeast	61.0%	29.0%	1.7%	6.3%	15.7%
Rural Alaska	50.0%	25.0%	10.0%	15.0%	9.0%
MatSu-Kenai-Valdez	45.4%	43.4%	6.7%	4.5%	20.2%
Anchorage	62.2%	33.0%	2.5%	2.3%	41.7%
Fairbanks	48.5%	47.5%		3.0%	13.3%
Total	55.8%	35.7%	3.6%	4.9%	100.0%

For those of you who've not seen this...

The Juneau Empire - October 29, 2001

POLL SHOWS SUPPORT FOR LARGER ALCOHOL TAX

JUNEAU - By a 3 to 1 margin, registered voters in Alaska support an increase in the alcohol tax, according to a poll conducted for the Republican majority in the state House of Representatives by Hellenthal and Associates of Anchorage.

The poll, conducted October 9-17, found 76.8 percent generally in favor of a tax increase, with 23.2 opposed. The margin of error is plus or minus 4.98 percent.

The pollsters first identified alcohol abuse and underage drinking as "serious and costly problems in Alaska," and then said a proposed increase of 10 cents per drink would raise an additional \$33 million for the state "to keep pace with inflation." The tax was last raised in 1983.

More than half of poll respondents, 51.7 percent, said they favored a 25 cents per drink increase in the tax. The numbers increased to 68.6 percent for 10 cents a drink and 71.9 percent for 5 cents a drink.

The House Finance Committee held a hearing in Anchorage on Thursday on the "dime a drink" proposal by Anchorage Rep. Lisa Murkowski, a Republican. Murkowski's bill generated a lot of discussion in the 2000 session, but was blocked by Committee Co-Chairman Bill Williams, a Saxman Republican, after intense industry lobbying campaign.

Murkowski said last week that a hoped-for consensus among liquor industry representatives failed to materialize. Rep. Bill Hudson, a Juneau Republican, said the lobbyists admit privately that some increase in the tax is likely.

Senate Finance Co-Chair Dave Donley, an Anchorage Republican, says he's willing to raise it, although he is opposed to most new taxes that are being proposed for the long-range fiscal plan.

#

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Checked by AVG anti-virus system (www.grisoft.com <<http://www.grisoft.com>>).

Version: 5.0.286 / Virus Database: 152 - Release Date: 10/9/01

Hellenthal

AREAS OF ALASKA AMONG REGISTERED VOTERS
BY
POLITICAL AND GENERAL DEMOGRAPHICS, BEHAVIORS AND PERCEPTIONS

COLUMN PERCENTS

OCTOBER 9TH THROUGH 17TH, 2001
SAMPLE SIZE = 387; MARGIN OF ERROR = ± OR = 4.95%

	AREAS OF ALASKA:					TOTAL OCL %
	South- east	Valdez- Kenai- MatSu	Anchor- age	Fair- banks Arco	Rural Alaska	
SUPPORT A LONG RANGE FISCAL PLAN FOR THE STATE?						
Extremely likely.....	21.5%	15.3%	20.3%	18.8%	31.1%	21.0%
Very likely.....	24.3%	20.3%	22.4%	28.8%	18.3%	22.5%
Somewhat likely.....	31.4%	26.9%	33.6%	27.7%	32.3%	31.2%
Not very likely.....	13.9%	13.3%	6.5%	3.1%	2.2%	7.6%
Not at all likely.....	9.0%	20.6%	11.6%	18.5%	11.0%	13.6%
Don't know.....		3.5%	5.5%	3.1%	5.1%	4.1%
INCREASE IN THE ALCOHOL TAX:						
Favor.....	75.1%	69.3%	75.6%	87.3%	81.5%	76.8%
Oppose.....	24.9%	30.7%	24.4%	12.7%	18.5%	23.2%
SUPPORT A 25 CENT PER DRINK INCREASE IN ALCOHOL TAX:						
Yes.....	52.7%	42.5%	49.9%	58.5%	60.6%	51.7%
Favor an increase but less than 25 cents.....	22.3%	25.7%	24.7%	25.7%	18.8%	23.8%
Oppose an increase/Don't know.....	24.9%	30.7%	24.4%	12.7%	18.5%	23.2%
Don't know.....		1.1%	1.1%	3.2%	2.2%	1.3%
SUPPORT A 10 CENT PER DRINK INCREASE IN ALCOHOL TAX:						
Yes.....	65.2%	67.0%	67.5%	76.8%	69.8%	68.6%
Favor an increase but less than 10 cents.....	9.9%	1.2%	6.5%	7.3%	9.5%	6.6%
Oppose an increase/Don't know.....	24.9%	30.7%	24.4%	12.7%	18.5%	23.2%
Don't know.....		1.1%	1.7%	3.2%	2.2%	1.6%
SUPPORT A 5 CENT PER DRINK INCREASE IN ALCOHOL TAX:						
Yes.....	70.4%	68.3%	71.9%	77.0%	73.7%	71.9%
Favor an increase but less than 5 cents.....	4.7%	2.7%	2.7%	7.1%	5.7%	3.5%
Oppose an increase/Don't know.....	24.9%	30.7%	24.4%	12.7%	18.5%	23.2%
Don't know.....		1.1%	1.1%	3.2%	2.2%	1.3%
SUPPORT INCREASE IN TAX IF PART OF LONG RANGE PLAN?						
Yes.....	69.0%	68.1%	69.9%	73.8%	78.9%	71.3%
No.....	28.7%	30.6%	24.9%	22.8%	18.9%	25.3%
Don't know.....	2.3%	1.2%	5.2%	3.3%	2.2%	3.4%
INCREASING THE MINIMUM WAGE TO \$7.15 PER HOUR?						
Favor.....	74.2%	82.1%	72.8%	72.2%	79.4%	75.5%
Oppose.....	18.8%	15.4%	25.1%	23.9%	17.7%	21.2%
Don't know.....	7.1%	2.5%	2.1%	4.9%	2.9%	3.3%
THERE AFTER ADJUSTING MINIMUM WAGE TO MATCH INFLATION?						
Favor.....	78.4%	84.1%	76.4%	79.1%	69.5%	77.4%
Oppose.....	19.2%	12.3%	21.6%	19.4%	23.8%	19.6%
Don't know.....	2.4%	3.6%	2.2%	1.3%	6.4%	3.0%
TOTAL ROW PERCENT.....	13.4%	17.5%	41.7%	12.4%	15.0%	100.0%

government is using savings to pay for state services and balance the budget instead of increasing revenues. Other people say that it is not a problem. Do you think the problem is extremely serious, very serious, somewhat serious, not very serious, not at all serious, or are you not sure?

SERIOUSNESS OF FISCAL GAP	FREQUENCY	PERCENT
Extremely serious.....	36.....	9.3%
Very serious.....	53.....	13.7%
Somewhat serious.....	178.....	45.9%
Not very serious.....	41.....	10.7%
Not at all serious.....	26.....	6.2%
Don't know.....	53.....	13.7%

9. If a long range fiscal plan for the State of Alaska is enacted, it may involve several revenue-raising proposals, among them an income tax, sales tax, use of Permanent Fund earnings, and other taxes like an alcohol or gas tax. Generally speaking, without considering the details, how likely is it that you would be supportive of efforts to enact a long range fiscal plan for the State of Alaska? Are you extremely likely, very likely, somewhat likely, not very likely, or not at all likely to support a long range fiscal plan?

SUPPORT LONG RANGE FISCAL PLAN	FREQUENCY	PERCENT
Extremely likely.....	81.....	21.0%
Very likely.....	87.....	22.5%
Somewhat likely.....	121.....	31.2%
Not very likely.....	30.....	7.6%
Not at all likely.....	53.....	13.6%
Don't know.....	16.....	4.1%

ALCOHOL TAX

McClintock 10/9 - 10/17

Alcohol abuse and underage drinking are serious and costly problems in Alaska. Alaska's current alcohol tax has remained at the same rate as it was in 1983 and brings into the state about \$15 million a year. If we were to increase the tax by 10 cents per drink to keep pace with inflation, it could mean \$33 million in additional revenue to the state.

10A. Do you favor or oppose an increase in the alcohol tax?

FAVOR OR OPPOSE ALCOHOL TAX	FREQUENCY	PERCENT
Favor.....	298.....	76.8%
Oppose.....	90.....	23.2%
Don't know.....	0.....	0.0%

10B. Do you support a 25 cent per drink increase in the alcohol tax?

25 CENT PER DRINK INCREASE	FREQUENCY	PERCENT
Oppose an increase/Don't know.....	90.....	23.2%
Yes.....	200.....	51.7%
Favor an increase but less than 25 cents.	92.....	23.8%
Don't know.....	5.....	1.3%

10C. Do you support a 10 cent per drink increase in the alcohol tax?

10 CENT PER DRINK INCREASE	FREQUENCY	PERCENT
Oppose an increase/Don't know.....	90.....	23.2%
Yes.....	266.....	68.6%
Favor an increase but less than 25 cents.	25.....	6.6%
Don't know.....	6.....	1.6%

10D. Do you support a 5 cent per drink increase in the alcohol tax?

5 CENT PER DRINK INCREASE	FREQUENCY	PERCENT
Oppose an increase/Don't know.....	90.....	23.2%
Yes.....	279.....	71.9%
Favor an increase but less than 25 cents.	14.....	3.5%
Don't know.....	5.....	1.3%

11. Would you be more favorable to an increase to the alcohol tax if it was part of a long-range fiscal plan?

INCREASE IF PART OF PLAN	FREQUENCY	PERCENT
Yes.....	276.....	71.3%
No.....	98.....	25.3%
Don't know.....	13.....	3.4%

MINIMUM WAGE

There is an initiative that would raise the minimum wage from the current \$5.65 per hour to \$6.50 per hour, then to \$6.75 per hour one year later, then one year after that to \$7.15 per hour, and then to adjust the minimum wage annually to match inflation.

12. Do you favor or oppose increasing the minimum wage to \$7.15 per hour?

INCREASING MINIMUM WAGE	FREQUENCY	PERCENT
Favor.....	293.....	75.5%
Oppose.....	82.....	21.2%
Don't know.....	13.....	3.3%

13. Do you favor or oppose there after adjusting the minimum wage annually

Alcohol Taxes: The Impact on Youth

The Relationship between increased alcohol excise taxes and alcohol consumption by youth:

Youth and young adults reduce their drinking in response to price increases more than adults in general. This is especially important given that youth experience a disproportionate share of alcohol-related problems (Chaloupka et al. 2000)

Using national data from 1982, evidence shows that a tax policy that offsets the effect of inflation and raises the tax on beer to equal the tax on distilled spirits would lower the number of :

Underage drinkers who drink frequently (four to seven drinking occasions per week) by 32%,

Underage drinkers who drink fairly frequently (one to three times per week) by 24% (Grossman et al. 1994).

A recently released study of youth drinking patterns suggests that the estimated effect of the beer excise tax on drinking prevalence among young people is statistically significant and quite important: a dollar increase per case of beer reduces drinking prevalence by over 2% (Cook and Moore 2000).

Studies indicate that for every 10% increase in the price of beer, beer consumption would drop by 3%, while wine consumption would decrease 10% per 10% price increase and spirits consumption would drop 15% for every 10% increase in price. These price increases would substantially reduce both the frequency of alcohol consumption among youth (aged 16-21) and heavy drinking among young people (Chaloupka 1993).

A 1998 study which analyzed the relationship between the demand for alcohol and marijuana by youths and young adults found that higher beer prices significantly reduce the demand for both alcohol and marijuana (Pacula 1998).

Among underage female college students, high local beer prices are associated with lower drinking rates (Chaloupka and Weschler 1996).

Research results from a 1998 study of alcohol price elasticities support the implication that alcohol demand responds more to price in the long run than it does in the short run, which clearly suggests that raising alcohol prices would be an effective policy to reduce alcohol consumption by youths (Grossman et al. 1998).

The Relationship between increased alcohol excise taxes and overall alcohol consumption:

The majority of research finds that increasing the price of alcohol results in a decrease in:

- drinking and heavy drinking;
- drinking and driving and motor vehicle crashes;
- violence and other crime;
- alcohol related health problems such as cirrhosis (Chaloupka 1998)

Although light to moderate drinkers respond differently than heavy drinkers, the demand for alcohol is responsive to price. A 1995 study found that:

- The number of days that people drink five or more drinks (binge drink) decreases as taxes increase.
- An increase in alcohol excise taxes cuts consumption by light and moderate drinkers much more than heavy drinkers. A 10% increase in the alcohol tax would result in:
 - o a 5.5% decrease in light drinkers' consumption
 - o an 11.9% decrease in moderate drinker's consumption
 - o a 1.2% increase in heavy drinker's consumption

This research indicates that raising alcohol taxes may not reduce heavy drinkers' consumption at desirable levels, at the same time, light and moderate drinkers account for nearly half of all alcohol-related unintentional injuries and thus tax increases would result in a substantial reduction of such injuries (Manning et al. 1995).

A 1981 study examined consumption rates in 39 states that had raised taxes between 1960 and 1975. Of 39 states, half had their consumption rates drop 16% for every 10% increase in liquor tax (Cook 1981).

A 1993 study indicates that increasing the beer tax per case by 10% would decrease alcohol consumption by 0.48% per capita (Cook and Moore 1993).

There is evidence that raising taxes on alcohol reduces youth's access to alcohol and thus their involvement in injuries and other harm.

Raising the price of beer by 10% would have a dramatic impact on college students' violent behavior, including a:

- 4.5% drop in the rate at which students get into trouble with the police, residence hall or other college authorities
- 5.5% drop in the rate at which students damage property
- 3.4% drop in the rate at which students get into arguments or fight
- 3.6% drop in the rate that students take advantage of another person sexually or are taken advantage of sexually (Grossman and Markowitz 1998).

A 1999 study indicates that with a 10% increase in the excise tax on beer, severe violence aimed at children could be reduced by 2.3 and overall violence toward children reduced by 1.2% (Markowitz, 1999).

Raising the beer tax to its 1951 level in real dollars would have decreased traffic fatalities by 32% per year among 18-20-year-olds between 1982 and 1988. Imposing a slightly higher tax would have decreased motor vehicle crash deaths involving this age group by 42% (Grossman 1994).

For every 10% increase in tax on spirits, there would be a 7% decrease in motor vehicle deaths (Cook 1981).

A study detailed in the Journal of the American Medical Association suggests that higher alcohol taxes are associated with lower incidence of sexually transmitted diseases and that most beer tax increases are followed by a relative proportionate decrease in gonorrhea rates among young adults. A twenty-cent per six-pack increase in the beer tax could reduce overall gonorrhea rates by 8.9% (Harrison 2000).

Alaska Youth Risk Behavior Survey 1999. Alaska Department of Health and Social Services and the Alaska Department of Education & Early Development.

Chaloupka, Frank J. and H. Weschler *Binge drinking in college: the impact of price, availability, and alcohol control policies* Contemporary Economic Policy 14(4):112-124.1996.

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Grossman, Michael J.; Frank J. Chaloupka; Harry Saffer; and Adit Laixuthai. *Effects of Alcohol Policy on Youth: A Summary of Economic Research*, Journal of Research on Adolescence 4(2):347-364.1994.

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Manning, Willard G.; Linda Blumberg; and Lawrence H. Moulton *The Demand for Alcohol: The Differential Response to Price* Journal of Health Economics 14:123-148.1995.

Markowitz, Sara and Michael Grossman *Alcohol regulation and domestic violence toward children* National Bureau of Economic Research Working Paper Number 6359, 1999.

Pacula, R.L. *Adolescent alcohol and marijuana consumption: Is there really a gateway effect?* National Bureau of Economic Research, Working Paper 6348, 1998.

Governor Knowles' budget proposal receives limited support (28%)...

Question:

"Governor Tony Knowles recently proposed a plan to help close the state's budget gap by beginning a state personal income tax, increasing alcohol taxes, and starting a new tax on tourists. Do you support or oppose this plan?"

28% Support
44% Oppose
(*Ask follow-up) 24% Support some/Oppose others
4% Unsure

...and it may be lower – nearly three out of four (72%) of those supporting some parts and opposing others oppose the personal income tax recommendation...

(*Follow up question)

...are there specific parts of the plan you oppose?

72%	{	56%	Income tax
		13%	Income & tourist tax
		3%	Income & alcohol tax
		10%	Tourist tax
		5%	Alcohol tax
		2%	Alcohol & tourist tax
		12%	Unsure

Survey area:	Anchorage/Eagle River
Sample size:	n=258
Sample error:	3 – 5%
Dates:	January 22-24, 2002

DITTMAN RESEARCH CORPORATION
THE ALASKA POLI.

Demographics	Unsure	Income Tax	Alcohol Tax	Tourist Tax	Income & Tourist	Income & Alcohol	Alcohol & Tourist	Base
TOTAL.....	12%	56%	5%	10%	13%	3%	2%	100.0%
GENDER								
Male.....	0%	66%	7%	14%	7%	2%	4%	50.4%
Female.....	23%	45%	3%	6%	18%	5%	0%	49.6%
AGE								
18-29 years	0%	57%	0%	19%	14%	10%	0%	9.5%
30-44 years	16%	64%	0%	4%	9%	7%	0%	31.7%
45-59 years	8%	55%	6%	10%	17%	0%	4%	50.4%
60+ years	28%	28%	22%	22%	0%	0%	0%	8.3%
REGISTERED AS								
Democrat	13%	74%	0%	0%	6%	6%	0%	14.8%
Republican	0%	65%	0%	0%	19%	16%	0%	14.6%
Non-partisan	12%	50%	9%	15%	12%	0%	3%	58.1%
Other	0%	76%	0%	0%	24%	0%	0%	6.8%
Not Registered	50%	25%	0%	25%	0%	0%	0%	5.7%
EMPLOYER								
Federal	8%	65%	0%	0%	26%	0%	0%	11.4%
State	0%	100%	0%	0%	0%	0%	0%	1.4%
Local	0%	60%	20%	20%	0%	0%	0%	6.8%
Private Co.	14%	53%	6%	8%	11%	5%	3%	64.1%
Not in workforce	8%	55%	0%	20%	17%	0%	0%	16.3%
OPINION TAX PLAN								
Unsure	79%	21%	0%	0%	0%	0%	0%	11.1%
Some of Both	3%	60%	6%	11%	14%	4%	2%	88.9%

Governor Knowles recently proposed to help close the State's budget gap by beginning a state personal income tax, increasing alcohol taxes and starting a new tax for tourists. Do you support or oppose this plan?

Demographics	Unsure	Support	Oppose	Some of Both	Base
TOTAL.....	3%	28%	44%	24%	100%
GENDER					
Male.....	0%	26%	46%	28%	48.8%
Female.....	6%	31%	43%	21%	51.2%
AGE					
18-29 years	3%	21%	51%	25%	9.2%
30-44 years	4%	31%	42%	22%	33.1%
45-59 years	2%	26%	41%	31%	42.7%
60+ years	4%	32%	53%	11%	14.9%
REGISTERED AS					
Democrat	5%	41%	34%	20%	16.3%
Republican	0%	24%	59%	17%	24.0%
Non-partisan	3%	26%	42%	29%	50.0%
Other	0%	43%	25%	32%	5.8%
Not Registered	20%	10%	50%	20%	3.9%
EMPLOYER					
Federal	4%	32%	25%	39%	7.3%
State	0%	63%	29%	8%	4.8%
Local	0%	36%	28%	36%	5.2%
Private Co.	4%	21%	49%	25%	59.3%
Not in workforce	1%	37%	44%	18%	23.4%

Small Change, Big Difference



The purpose of this packet is to provide information about the impact and benefits of an adjustment to Alaska's alcohol excise tax. In addition to the cover sheet and the statement of purpose, it includes:

- Dime a Drink Coalition Statement
- Alcohol Tax Resolution
- Why Increase Alaska's Excise Tax on Alcohol?
- Alcohol Taxes: The Impact on Youth
- Organizations Supporting Increased Alcohol Excise Taxes
- Alcohol Tax Websites
- Alcohol Tax Support Polls
Ivan Moore Research
Hellenthal & Associates
Dittman Research Corp.
- Economic Costs of Alcohol and Other Drug Abuse in Alaska, Phase Two –
McDowell Group: Executive Summary
- State & Local Publications supporting the Alcohol Excise Tax
- Akeela ExciseTax Brochure

Please feel free to duplicate and distribute these materials as necessary.

While these views represent the foundation of the coalition, they are but a synopsis of the most pertinent information and are in no way meant to represent the entire opinion or position of the coalition or its individual members.

If you have questions concerning the coalition or these materials or would like to offer your support to the efforts of the coalition, please contact (in Anchorage)

Bill Herman at 269-7962, william_herman@mhta.revenue.state.ak.us

Or, Delisa Culpepper at 269-7965,
delisa_culpepper@mhta.revenue.state.ak.us

Thank you. Together we can make a difference.

DIME A DRINK COALITION STATEMENT

The Dime a Drink Coalition is a group of individuals and organizations statewide, which strongly support, and are advocating for, a significant adjustment to the state alcohol excise taxes, of at least 10 cents per drink.

A list of coalition member organizations is included in this packet. If you would like additional information, please contact (in Anchorage) Bill Herman at 269-7962, william_herman@mhta.revenue.state.ak.us Or, Delisa Culpepper at 269-7965, delisa_culpepper@mhta.revenue.state.ak.us or write dimeadrink@hotmail.com.

The Issue: Do the Math!

The State of Alaska is facing a budget deficit of \$906 million in FY02 and over \$1 billion in FY03. At the same time, in year 2000, there was a cost of \$453 million to Alaskans, to address alcohol use and abuse.ⁱ

The current rate of tax on alcohol in Alaska is:

Can of Beer (12 oz.)	3.3 cents
Glass of Wine (5 oz.)	3.5 cents
Shot of spirits (1 oz.)	4.4 cents

In 2000, 338,284,324 drinks were consumed in Alaska and resulted in \$12,655,546 dollars collected in tax revenues.ⁱⁱ This means that for every dollar (\$1.00) in alcohol taxes that is taken in, Alaska spends \$35.79 to deal with alcohol abuse.

The annual cost of alcohol abuse:	\$453,000,000
Excise taxes collected under the current tax rate:	- \$12,655,546
Divided by the number of drinks consumed annually:	338,284,324

The State of Alaska subsidizes the alcohol industry at the rate of \$1.30 per drink!!

The alcohol industry needs to be a part of the solution, not the problem. The last adjustment to the alcohol excise tax was in 1983 – over 18 years ago. Alcohol is a discretionary item, not a necessity, and adjusting the alcohol excise tax is more equitable than imposing or increasing taxes on gasoline, phone services and or general sales taxes.

The Answer: Raise Revenue, Protect Our Children

In addressing alcohol problems, our legislators have largely ignored a policy measure that could help reduce alcohol problems and provide revenues to offset some of the costs associated with alcohol use and abuse: ADJUST THE ALCOHOL EXCISE TAX.

Alaskans can no longer afford to subsidize the alcohol industry. The citizens of this state strongly support an adjustment in alcohol taxes – a recent statewide poll showed that 76% favored an increase and 68% favored an increase of \$.10 per drink. ⁱⁱⁱ

The time is now for an adjustment to the tax on alcohol. Under proposed legislation, a 10 cent per drink adjustment in the excise tax will bring in approximately \$33.3 million to state confers.

And that's not all!! Numerous studies indicate that increasing alcohol taxes is one of the most effective means of saving young lives. Not only do these studies associate increased taxes with a decrease in alcohol related traffic deaths and injuries, but increased alcohol taxes have been shown to reduce the incidence of child abuse, domestic violence, violence and property crimes – while improving high school success and college graduation. ^{iv}

The Impact: Who drinks? Who pays?

While it is unclear to what degree, almost all analysts agree that a price increase will reduce alcohol beverage sales. What is clear however is that an adjustment in Alaska's alcohol excise tax will have:

Zero impact on non-drinkers (about 30% of the adult population):

Minimal impact on moderate drinkers that consume between one and two drinks per day;

Maximum impact on 15 – 20% of the population that consume 75 – 80% of the alcohol sold in Alaska, and whose alcohol use and abuse has the greatest impact on health care, criminal justice and emergency services.

The alcohol beverage industry claims that higher taxes deter drinking by moderate consumers, but fail to discourage drinking by those that abuse alcohol. However, research shows a link between increased alcohol taxes and reductions in liver cirrhosis and drinking and driving crashes – indicating that heavier drinkers will be impacted as well. ^v

Young people will be impacted the most. Younger people are generally more price sensitive, so higher prices will help delay and reduce drinking within this group. A study by the National Bureau of Economic Research found that even a modest tax increase on beer would decrease drinking among young people as much as raising the legal drinking age by one year. ^{vi}

The Opposition: Sensationalism and Smokescreens

Despite powerful arguments in favor of adjusting alcohol excise taxes, the alcohol beverage industry has been successful in using sensationalism, smokescreens and lots of money to thwart these efforts.

The alcohol industry claims: Increasing alcohol excise taxes will destroy jobs throughout the economy.

The truth: Industry estimates of job losses are wildly exaggerated. Bureau of labor statistics data indicate that between 1990 and 1992, the years before and after the last federal beer tax increase, the number of jobs in malt-beverage manufacturing and wholesaling actually rose by 1,400 net positions. While retailing jobs went down by 400, research suggests that these jobs shift to other sectors of the economy since money not spent on alcohol shifts to other consumer purchases.^{vii}

The alcohol industry claims: The revenue raised by an increase in alcohol excise taxes will be spent to increase the state's budget and can not be designated to treatment programs.

The truth: Like many states, Alaska's alcohol excise taxes can not be earmarked specifically for alcohol treatment programs. However, the funds generated through this adjustment will be used to ease the burden of alcohol related costs associated with law enforcement, emergency medical services and healthcare, among others. And, the citizens of Alaska can let their voices be heard and influence where these funds are spent!

The alcohol industry claims: Increased alcohol taxes unfairly target one segment of the population and alcohol taxes are already too high.

The truth: Unlike food, clothing, housing, gasoline and fuel oil and other essentials, Alcohol is a discretionary item, not a necessity. The relative cost of alcoholic beverages and state taxes have dramatically declined in the past 50 years. Even with a federal increase in 1991, the average price of beer and wine has fallen by more than 25% relative to the consumer price index. The influence of the alcohol industry creates an environment that does not allow for steady increases over time to keep pace with inflation and as a result, state taxes have declined dramatically in terms of real dollars, costing states millions of dollars each year in potential revenue.

ⁱ Economic Costs of Alcohol and Other Drug Abuse in Alaska, Phase Two, McDowell Group, November 13, 2001.

ⁱⁱ Alaska Department of Revenue

ⁱⁱⁱ Hellenthal & Associates, 10/9 - 10/17/01 Statewide Poll.

^{iv} For a comprehensive bibliography of alcohol tax research, please contact the Dime a Drink Coalition.

Chaloupka, Frank J. and H. Weschler *Binge drinking in college: the impact of price, availability, and alcohol control policies* Contemporary Economic Policy 14(4):112-124, 1996.

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Manning, Willard G.; Linda Blumberg; and Lawrence H. Moulton *The Demand for Alcohol: The Differential Response to Price* Journal of Health Economics 14:123-148, 1995.

^v *See iv.

^{vi} Cook, Phillip J. and Michael J. Moore *Environment and Persistence in Youthful Drinking Patterns* NBER Research, 2000: To be published: Risky behavior among youths: An economic analysis, Jonathon Gruber, Editor, The University of Chicago Press.

^{vii} The Center for Science in the Public Interest, Strategizer #37.

ECONOMIC COSTS OF ALCOHOL AND OTHER DRUG ABUSE IN ALASKA, PHASE TWO

PREPARED FOR:

*THE ADVISORY BOARD ON
ALCOHOLISM AND DRUG ABUSE
DEPARTMENT OF HEALTH & SOCIAL SERVICES*

*P.O. Box 110608
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Research-Based Consulting

Juneau
Anchorage

NOVEMBER 13, 2001

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DEPARTMENT OF HEALTH & SOCIAL SERVICES*

*P.O. Box 110608
JUNEAU, ALASKA 99811-0608*

PREPARED BY:



JUNEAU • ANCHORAGE

NOVEMBER 13, 2001

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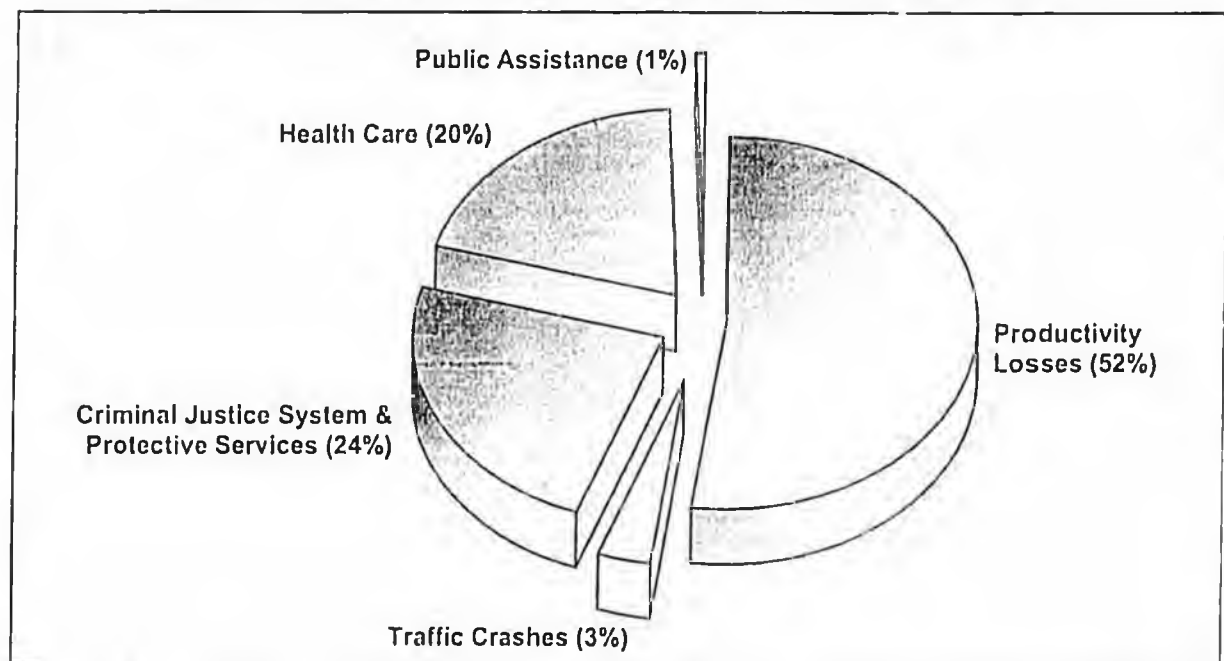
EXECUTIVE SUMMARY

The Advisory Board on Alcoholism and Drug Abuse, through the Alaska Department of Health and Social Services, contracted with McDowell Group in April 2001 to conduct a two-phase study on the economic costs of alcohol and other drug abuse in Alaska. Phase One of this study identified potential data sets needed to estimate the economic cost of alcohol and other drug abuse in Alaska. Phase Two estimates the economic costs of alcohol and other drug abuse in Alaska. This report is the second phase of the two-phase study.

Alcohol and other drug abuse impacts the economy in many ways. Public safety, health care, and public assistance are among the areas impacted by alcohol and other drug abuse. The extent of these impacts is evident in the level of alcohol and other drug dependency and its associated cost on the Alaska economy. According to a 1998 study, 9.7 percent of Alaska's population is alcohol dependent (41,000 residents), while 1.5 percent is other drug dependent (5,000 residents). The cost of this dependence to the Alaska economy is estimated to be \$614 million during 1999. Alcohol abuse costs accounted for \$453 million (74%). Other drug abuse costs were estimated at \$161 million (26%). Costs by category include:

- \$319 million from productivity losses.
- \$146 million from criminal justice and protective services.
- \$123 million from health care.
- \$21 million from traffic crashes.
- \$4 million from public assistance.

**Percentage of Costs by Category
Related to Alcohol and Other Drug Abuse in Alaska, 1999**



More detailed study results for each cost category are presented below. Some of the economic benefits related to the manufacturing and sale of alcohol are also included.

Productivity Losses

Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and inpatient treatment or hospitalization. The reduced efficiency of employees, or premature death of Alaska residents, results in less production of goods and services, and is thus a cost to society.

Alcohol and other drug abuse in Alaska cost an estimated \$319 million in lost productivity during 1999. Components of productivity losses and associated costs include:

- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated \$172 million in lost productivity in 1999. The annual average number of deaths from alcohol and other drug abuse between 1994 and 1998 was 224.
- Workers impaired by alcohol and other drug abuse had an estimated reduced productivity in Alaska of \$110 million during 1999. This includes \$100 million in alcohol-related impairment and \$10 million in other drug-related impairment.
- Alaska costs from alcohol and other drug-related incarcerations totaled an estimated \$29 million in lost productivity during 1999. During that period, 985 inmate incarcerations were directly related to alcohol and other drug abuse.
- Lost productivity from Alaska residents receiving inpatient treatment for alcohol and other drug abuse cost an estimated \$8 million in 1999.

Traffic Crashes

Alcohol and other drug abuse are a major cause of traffic crashes in Alaska. There were 1,058 traffic crashes in Alaska attributed to alcohol and other drug abuse during 1999. Of these crashes, 31 were fatal, 83 were major injury crashes, 388 were minor injury crashes, and 556 had property damage only. The estimated costs from these crashes were more than \$21 million. Costs included:

- \$8 million for legal costs.
- \$9 million for insurance administration costs.
- \$4 million for property damage costs.
- \$1 million for workplace costs.

Costs by traffic accident category in 1999 were more than \$21 million. These included:

- \$12 million from major injuries.
- \$4 million from fatalities.
- \$4 million from minor injuries.
- \$1 million from property damage only.

Criminal Justice

Alcohol and other drug abuse contribute to crime and child abuse. In 1999, an estimated 17,100 arrests were attributed to alcohol and other drug abuse. During this same period, 32,360 Alaska residents were victims of alcohol and other drug abuse-related crimes. Costs attributed to crime-related alcohol and other drug abuse in the state were nearly \$102 million during this period. Crime costs in 1999 included:

- \$61 million for law enforcement.
- \$29 million for corrections.
- \$11 million for legal costs and court adjudication.
- \$1 million for property damage.

Adult and child protective services attributed to alcohol and other drug abuse cost an estimated \$44 million in Alaska during 1999. These costs include foster care services, adoption care services, residential care services, and social worker services.

Health Care

Health care costs attributed to alcohol and other drug abuse result from illnesses or injuries. Alcohol and other drug abuse can result in cirrhosis of the liver, hypertension, diabetes, or stomach cancer, to name just a few. Health care costs related to alcohol and other drug abuse totaled an estimated \$123 million in 1999. Health care costs included:

- Hospital costs from illnesses and injuries were estimated at \$53 million. Alcohol abuse-related health care costs accounted for \$48 million, while other drug abuse-related costs were \$5 million.
- Alcohol and other drug residential and outpatient treatment costs were approximately \$15 million.
- Total medical outpatient costs from illnesses and injuries totaled an estimated \$15 million.
- Pharmaceutical costs were estimated at \$9 million, while nursing home costs were \$400,000.
- Total health care costs for FAS births ranged from an estimated \$21 million based on an incidence rate of 1.4 for every 1,000 live births to \$42 million for an incidence rate of 2.8 for every 1,000 live births. Using these incidence rates, Alaska had an estimated range of FAS births of 14 to 28 in 1999.
- Medical care totaled \$4 million for patients with other drug-related HIV and HIV with AIDS. Approximately 93 HIV and HIV with AIDS cases were attributed to intravenous drug abuse.
- Costs for medical treatment of hepatitis B and C caused by intravenous drug abuse was \$5 million. Intravenous drug abuse contributed to 433 hepatitis B and C cases in Alaska in 1999.

Public Assistance and Social Services

A portion of public assistance expenditures can be attributed to alcohol and other drug abuse. Alcohol and other drug-dependent persons may qualify for public assistance because of reduced income, inability to hold a job, or disability caused by substance abuse. Costs attributed to abuse (program administration costs only) were an estimated \$4 million in 1999.

Employment Impacts of Alcohol Sales

Although the focus of this study is centered on the cost of alcohol and other drug abuse, there are some economic benefits associated with the sale of alcoholic beverages. These economic benefits include employment, income and tax revenues. In 1999, there were approximately 3,000 jobs in alcohol related industries in Alaska, with earnings of approximately \$50 million. State excise tax revenue on alcoholic beverages, collected at the wholesale level, was approximately \$12 million.

Actual Costs

It is critical the reader recognize that the alcohol and other drug-related costs presented in this study are estimates only. Actual costs could be 25 percent higher or lower than the total presented in this report. Very little underlying data exists regarding the monetary impact of alcohol and other drug abuse in Alaska. There is a clear need for more comprehensive research.

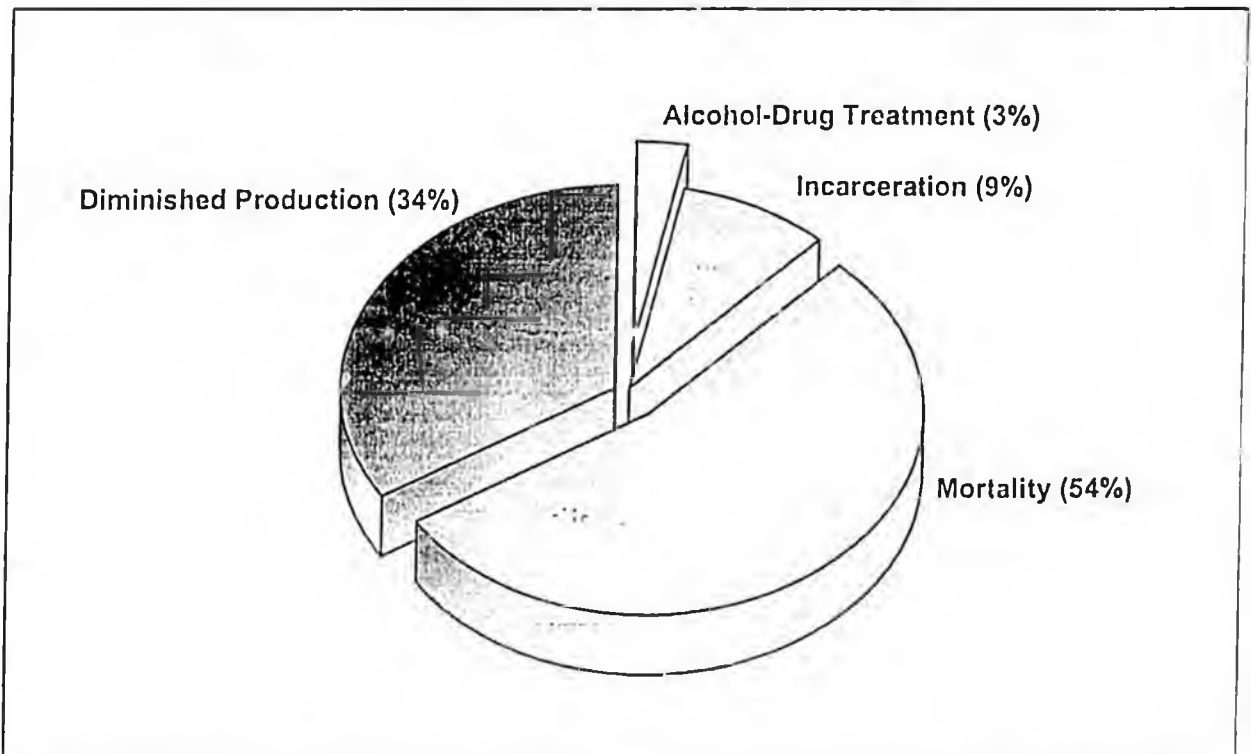
For this report, the McDowell Group study team used national data to estimate Alaska's alcohol and other drug abuse costs and then adjusted these costs for Alaska's higher cost of living. The study team relied heavily on a 1998 publication from the National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism (NIDA/NIAAA), and a 1999 study for the Washington State Department of Social and Health Services, Division of Alcohol and Substance Abuse. As exhaustive and thorough as these studies are they do not address Alaska's higher alcohol rates or its higher cost of providing services. Alaska's alcohol-dependent population is double the national average, according to results of the Alaska Adult Household Telephone Survey conducted by the Gallup Organization. In addition, cost-of-living indicators published by American Chamber of Commerce Researchers Association (ACCRA) show Anchorage health care costs were 65 percent higher than the national average during 1999.

In nearly all cases, Alaska specific data were not available on the amount of crime, health and medical costs, lost production, and public assistance that can be attributed to alcohol and other drug abuse. Estimates rely on national norms based on tested methodologies. National norms are based on a lower prevalence of alcohol abuse and dependence than is the case in Alaska. Comprehensive development of Alaska specific data is recommended.

Summary

Alcohol and other drug abuse cost Alaska an estimated \$319 million in lost productivity during 1999. Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and residents requiring inpatient treatment or hospitalization. Overall, the reduced efficiency of employees or premature death of Alaska residents results in less production of goods and services, and thus is a cost to society. Figure 1 illustrates the sources of lost productivity in the Alaska economy.

Figure 1
Percent of Lost Productivity for Alaska from
Alcohol and Other Drug Abuse in 1999



- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated \$172 million in lost productivity in 1999. Males accounted for \$143 million in estimated losses and females, \$29 million. An average of 224 deaths annually can be attributed to alcohol and other drug abuse between 1994 and 1998. Total number of deaths from all causes in Alaska in 1998 was 2,579.

- Alcohol and other drug abuse can impair worker performance resulting in lost productivity. An estimated 41,000 Alaska residents are alcohol dependent, resulting in reduced productivity of \$100 million in 1999. Another 5,000 residents were other drug dependent resulting in \$10 million in diminished productivity. The male population accounted for the largest portion of lost productivity at \$92 million, while estimates for productivity losses for females were \$18 million.
- Of the 3,428 Alaska residents incarcerated for criminal acts, an estimated 985 incarcerations can be attributed to alcohol and other drug abuse in 1999. Lost productivity was estimated at \$29 million from incarceration of alcohol and other drug dependent inmates.
- Time spent by Alaska residents while receiving inpatient treatment for alcohol and other drug abuse resulted in \$8 million in lost productivity in 1999. These figures do not measure actual cost of treatment.

WHY INCREASE ALASKA'S EXCISE TAX ON ALCOHOL?

1. Approximately 70% of Alaskan adults consume alcohol, most with no health, legal or social adversities. Yet too often, when people's judgment, coordination and memory are affected by alcohol, innocent Alaskans suffer grievous bodily injury and death (just read the *Anchorage Daily News Alaska* Section).
2. Alaska ranks near the very top of the nation in alcohol consumption, underage drinking and alcohol abuse. The prevalence of alcohol dependence and alcohol abuse in Alaska is about twice the national average - 7% nationally and nearly 14% for Alaska (Gallup Corporation Telephone Survey for the State of Alaska Division of Alcoholism and Drug Abuse).
3. Alcohol use is the sole cause of the only fully preventable birth defect, fetal alcohol syndrome (FAS). FAS is the leading known cause of mental retardation. Alaska ranks highest in incidence of FAS. Between 15 and 30 Alaska children are born each year with this syndrome and approximately another 126 are born with serious alcohol-related birth defects (State of Alaska, Department of Health & Social Services, Office of Fetal Alcohol Syndrome, <http://health.hss.state.ak.us/fas/resources>).
4. An analysis of 29,408 reported cases of domestic violence cases in Anchorage between 1989 and 1998 showed that in 48% of the cases alcohol was identified as a factor (Municipality of Anchorage Domestic Violence 10 Year Study 1989-1998, <http://www.muni.org/iccimages/Health1/Dvreport.pdf>).
5. An estimated 23.9% of Alaskan adults were reported as binge drinkers, engaged in acute drinking - compared to a national average of 14.3% (Municipality of Anchorage, Healthy Anchorage Indicators Project 1997, <http://www.muni.org/iccimages/Health1/report97.pdf>).
6. Children in alcohol-abusing families were nearly 4 times more likely to be maltreated. They were 5 times almost 5 times more likely to be physically neglected and 10 times more likely to be emotionally neglected than children in non-alcohol abusing families (1997 National Clearinghouse on Child Abuse and Neglect, *In Fact...Answers to Frequently Asked Questions on Child Abuse and Neglect*, May 1997).
7. In Alaska, a 1997 special audit of DFYS child abuse cases found 83% of these cases with at least 6 reports within 2 years, were alcohol-related (1997, State of Alaska, Division of Youth & Family Services [Special Audit of Repeat Cases]).

8. 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. Alaska's excise tax on alcohol has not been increased since 1983. In fact, there has been only one increase in the tax on alcohol in Alaska in the last 41 years; 1960 being the previous time it was raised (State of Alaska, Department of Revenue, Tax Division, <http://www.tax.state.ak.us>).
9. Alcohol abuse presently costs the State of Alaska as a whole \$453,000,000 annually. Yet the existing alcohol excise tax contributes only a little over \$12,000,000 to the General Fund. The people of the State of Alaska are subsidizing the alcohol industry at the rate of \$1.30 per drink (Economic Costs of alcohol and Other Drug Abuse in Alaska, Phase Two, McDowell Group, November 2001).
10. Alaska is facing an impending budget deficit of \$.06 million in FY02. A 10 cent per drink increase in the state excise tax on alcohol will bring in approximately \$34,000,000 in additional revenue to the state; A 15 cent per drink increase will bring in approximately \$50,000,000 in additional revenue; and a 20 cent per drink would bring in approximately \$66,000,000 in additional revenue to the state (State of Alaska, Department of Revenue, . <http://www.tax.state.ak.us>).

These Alaska organizations support an adjustment in the alcohol excise tax by at least a dime a drink, and the list is growing!

Advisory Board on Alcoholism & Drug Abuse
AK Commission on Aging
AK Inter-tribal Council
AK Medical Association
AK Mental Health Association
AK Mental Health Board
AK Mental Health Trust
AK Mother's Against Drunk Driving
AK Nurses Association
AK Parent Teachers Association
AK Psychiatric Institute Medical Staff
AK Public Health Association
Akeela Inc.
Alaska Native Brotherhood
Alaska Native Sisterhood
ARC of Anchorage Board of Directors
Atmautluak Traditional Council
Avenues/Wrangell Council on Alcoholism
Bristol Bay Area Mental Health Center
Community-based Action for a Safer Society
Concerned Clergy Coalition
Connecting Ties, Inc. of Valdez
Council on Alcohol Abuse & Public Safety
Fairbanks Native Association
Gastineau Human Services, Inc
Georgetown Tribal Council
Governor's Council on Disabilities and Special Education
Juneau Medical Society
League of Women Voters of AK
Lime Village Traditional Council
National Association of Social Workers (NASW) Alaska Chapter
National Council on Alcoholism and Drug Dependence/Juneau Affiliate
Native Village of Mekoryuk
Native Village of Upper Kalsag Traditional Council
Newtok Traditional Council
Norton Sound Health Corporation
Organized Village of Kwethluk
Parents, Inc.
Scammon Bay Traditional Council
Seaview Community Services of Seward
Sleetmute Traditional Council
Southeast AK Regional Health Consortium
State of Alaska, Office of the Governor

Stebbins Community Association
Substance Abuse Directors Association of AK
Tanana Chiefs Conference
Valdez Counseling Center

Alcohol Tax Resolution

Whereas: The people of Alaska face an ever increasing shortfall of revenue and that revenue from alcohol excise tax is limited at the 1983 flat fixed rate. And, that the **total revenue** from this source is only **\$12.5 million annually**, and that the **direct** costs of alcohol abuse are in excess of **\$140.0 million annually**;

Whereas: An alcohol excise tax adjustment is the most successful, effective and proven method to delay the age of first use and reduce alcohol consumption by youth, thereby reducing the motor vehicle crashes, teen pregnancy, school failure and violence resulting from underage drinking;

Whereas: Alaskans who do not drink will experience no financial impact from the excise tax adjustment; Alaskans who drink moderately will experience limited financial impact and Alaskans who drink heavily will more equitably bear the heavy financial impact of alcohol-related costs borne by all Alaskans;

NOW THEREFORE BE IT RESOLVED:

THAT, _____

Respectfully requests that the Alaska legislature honor the overwhelming voter support for a substantial adjustment in the alcohol excise tax and enact legislation that will increase the alcohol excise tax by at least 10 Cents a drink.

Resolved: this _____ day of _____ 2002.

Officer: _____

Address: _____

City: _____, Alaska zip _____

Email address: _____

Please endorse and return to:

DIME A DRINK COALITION
P.O. Box 91825
Anchorage, Alaska 99509

[Please copy and circulate to any interested party]

SB 347

**Public
Testimony**

Support

SOUTHWEST ALASKA
MUNICIPAL
CONFERENCE

Alaska Peninsula ♦ Aleutian Chain ♦ Bristol Bay ♦ Kodiak Island ♦ Pribilof Islands

March 14, 2002

Senator Dave Donley, Chair
Senate Finance Committee
State Capitol
Juneau, AK 99811

Dear Senator Donley:

Thank you for the opportunity to comment on SB 347 to increase the wholesale tax on alcohol and allow voters to increase local sales tax on alcohol. We support your efforts to provide a way to raise revenue in order to combat the many negative effects of alcohol in Alaska. We also believe that local voters should have the option to allow higher alcohol taxes in their communities to help offset alcohol related expenses.

The Southwest Alaska Municipal Conference 2002 Policy Statement states, in part, as follows:

Revenue and Finance:

State Alcohol Beverage Wholesale Tax: The Conference supports a shared revenue allocation for the existing and any future increase in the wholesale tax on alcohol for the mitigation of the impacts of alcohol consumption based on the proportion of local vs. state expenditures for public safety and alcohol treatment.

Tax-Levying Authority: The Conference supports legislation to allow local voters to approve a special tax on alcohol.

We appreciate your willingness to tackle tough issues facing our state. While introducing new taxes is never popular, the alternative of spending the entire savings account will be even worse for our residents. If we can assist you further, please let me know.

Sincerely,

Mark Earnest
Executive Director

The Southwest Alaska Municipal Conference is a regional membership organization that advances the collective interests of Southwest Alaska people, business and communities.

Southwest Alaska Municipal Conference (SWAMC)♦ 3300 Arctic Boulevard, Suite 203 ♦ Anchorage, AK 99503 ♦
(ph) 907-562-7380 ♦ (tx) 907-562-0438 ♦ www.swamc.org

Subject: [Fwd: SB 347 - "An Act relating to taxation"]

Date: Thu, 14 Mar 2002 08:55:33 -0900

From: Senator Dave Donley <Senator_Dave_Donley@legis.state.ak.us>

Organization: Alaska State Legislature

To: Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

Subject: SB 347 - "An Act relating to taxation"

Date: Wed, 13 Mar 2002 21:52:03 -0900

From: "Michele Czajkowski" <michelec@gci.net>

To: <Senator_Dave_Donley@legis.state.ak.us>, <Senator_Pete_Kelly@legis.state.ak.us>, <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Lyda_Green@legis.state.ak.us>, <Senator_Gary_Wilken@legis.state.ak.us>, "Senator Lyman Hoffman" <Senator_Lyman_Hoffman@legis.state.ak.us>, "Senator Donny Olson" <Senator_Donny_Olson@legis.state.ak.us>, "Senator Jerry Ward" <Senator_Jerry_Ward@legis.state.ak.us>, "Senator Alan Austerman" <Senator_Alان_Austerman@legis.state.ak.us>

Dear Mr. Chairmen and Members of the Senate Finance Committee,

I am writing to ask you to support SB 347, "an act relating to taxation." SB 347 recommends a very modest increase to an alcohol tax that has not seen one penny of an increase since 1983. The level of taxation recommended in SB 347 is reasonable: hard liquor to be taxed at \$18.40 per gallon, wine to be taxed at \$3.41 per gallon, and beer to be taxed at \$1.42 per gallon. This is the same level of taxation that was recommended in HB 225, the "dime-a-drink" tax that was introduced during the last legislative session.

We all pay the costs of alcohol abuse: in Anchorage alone, 55% of all motor vehicle crash fatalities, 100% of fire fatalities, 60% of fire injuries, 50% of assaults, 59% of all domestic violence, 55% of sexual assaults, and 48% of all homicides are alcohol-related (ref. MOA's Healthy Anchorage Indicators Report, 1998). Statewide, the annual cost of alcohol abuse in Alaska is \$246 million yet a mere \$12.7 million is collected under Alaska's current state alcohol tax.

It is time for the alcohol industry to share some of the burden. As I mentioned, there has been no increase in the alcohol tax since 1983. I wish I could say that about my taxes!

Thank you for introducing this very important piece of legislation and for providing an opportunity for the public to comment.

Respectfully,
Michele Czajkowski
3930 East 66th Avenue
Anchorage, AK 99507
phone: 907-522-3479

CAAPS *Council on Alcohol Abuse and Public Safety-Alaska*
Box 23007 - Juneau, Alaska 99802 - (907) 586-3032 - caaps@alaska.com

ADVISORY SB 347

We recommend:

That coalition participants fully support and encourage passage of the 10 cent per drink add-on to the current flat fixed 1983 alcohol excise tax rates which is the principal component of this bill. It matches the rate currently being considered by the House.

That coalition participants express appreciation and thanks to the Senate Finance committee for their bi partisan support for that 10-cent add-on component.

Those participants fully support the concept of allowing municipalities the discretionary authority to raise local revenue by taxing alcoholic beverage consumption. We suggest however that this sales tax issue is much more complex. And the component which authorizes a differential sales tax, would face what we believe would be insurmountable (and perhaps justifiable) opposition from local Alaskan licensees.

It is our belief that tying the two very different issues together in the same legislation greatly reduces the current opportunity for long overdue passage of a substantial, long overdue, badly needed, effective and popular adjustment to the state alcohol excise tax rate.

That participants encourage the Senate Finance Committee to put the issue of local municipal authorization into a separate piece of legislation which may be examined and debated on it's own and unique merits.

That participants encourage the Senate and House to consider the somewhat unusual but very efficient option of authorizing municipalities to collect revenue through the state of Alaska excise tax system which causes no economic hardship to local Alaskan licensees, rather than a differential sales tax.

We suggest that participants reiterate thanks and support for both components of the bill That you encourage the Senate to separate the state alcohol excise tax rate adjustment, and the much more complex, politically sensitive, and controversial authorization for a differential sales tax for municipalities component, into two separate and distinct bills. And, consider in depth the advantages of allowing the municipalities to use the very effective and efficient alcohol excise tax system. This is a very simple and effective solution but it is an unusual method of revenue generation, which is only applicable in a very limited number of situations.

CAAPS has detailed and extensive information on the excise tax authorization method of local revenue generation and would be happy to share that information with any interested parties. (Alaska utilizes a similar system of collection of local taxes by the state, for municipalities right now.)

Thank you!

Moderating alcohol abuse and violence through public policy information



Subject: [Fwd: SB 347]

Date: Thu, 14 Mar 2002 08:43:30 -0900

From: Senator Dave Donley <Senator_Dave_Donley@legis.state.ak.us>

Organization: Alaska State Legislature

To: Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

Mindy~

Can you make these part of the SFC Record?

Thanks,

Sara

Subject: SB 347

Date: Thu, 14 Mar 2002 02:39:24

From: "Agnes Sweetsir" <amsweetsir@hotmail.com>

To: Senator_Dave_Donley@legis.state.ak.us, Senator_Pete_Kelley@legis.state.ak.us

CC: Senator_Georgianna_Lincoln@legis.state.ak.us

Dear Senators and the Senate Finance Committee:

I understand you are having hearing on SB347. I am sorry that I will be unable to participate telephonically. I want to take this opportunity to ask you to support SB347 at a dime a drink increase. I worked for almost two decades in child protection in this state. I can tell you heartbreaking stories of the devastating effects alcohol abuse has on children and families and even more heartbreaking stories of parents wanting help and being unable to get it. We need more treatment and aftercare. We are experiencing a frightening trend Statewide - children (younger than teens!) are drinking - not experimenting, drinking! We know from research that raising cost decreases demand, especially in youth. I have talked to hundreds of people about this issue and have run across no one that is unwilling to pay an extra dime a drink to deal with this issue. I appreciate and realize the daunting task you have to balance the budget. I encourage you not to do that on the backs of the most vulnerable. When I first became employed, I was proud to pay my School and State Income Tax. I am willing to do that again; in fact, believe it should have never ceased. People I talk to are willing to pay.

With this, thank you sincerely for your service.

Sincerely,

Agnes Sweetsir

PO Box 8

Galena, AK 99741

Chat with friends online, try MSN Messenger: <http://messenger.msn.com>



CHANGING TIDES COUNSELING SERVICES

201 North Nordic, Suites 204, 205

P.O. BOX 1350, Petersburg, Alaska 99833

Phone: (907) 772-3552, Fax: (907) 772-3580

e-mail: changing@mitkof.net home page: <http://www.mitkof.net/~changing>

Senate Finance Committee

Senator Dave Donley - Co-Chair, Senator Pete Kelly - Co-Chair, Senator Jerry Ward,
Senator Alan Austerman, Senator Lyda Green, Senator Loren Leman,
Senator Gary Wilken, Senator Lyman Hoffman, Senator Donny Olsen.

RE: SB 347

This is a letter to express my support for SB 347. I am the Director of an outpatient substance abuse treatment program in the small community of Petersburg. SB 347 would assist our community by allowing the municipality the opportunity to adjust the tax on alcohol to reflect the community's wishes. The City of Petersburg supports our program with City monies. This bill would allow the municipality to make a "choice" as to the amount of tax on alcohol, be it higher, lower, or equal to, other taxes in the community.

This concept has been discussed in Juneau for a few years. I have spoken to our city officials concerning this concept over the last couple of years and they have expressed the opinion that any bill that gives them greater control over taxation can only benefit this city. Please consider that southeast Alaska is facing great economic upheaval at this time. Logging monies are nonexistent, and fishing profits are lower every year. Our local communities are losing citizens and local governments are losing fish taxes as well as property taxes as people move from the region. This bill would allow them a "choice" in setting the tax level on alcohol in their community. Choice is a good thing, and would allow them to adjust taxation to reflect community needs and wishes.

I am sorry I cannot attend the meeting in person or by telephone. I can be reached at the above numbers if you have any questions about Petersburg or my support of this bill. Thank you for the opportunity to provide input on this issue.

Sincerely,

Larry King, CAC II, NCAC I, CCS
Program Director



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907) 463-5480

March 13, 2002

Senator Dave Donley, Chair
Senate Finance Committee
State Capitol
Juneau, AK 99811

Dear Senator Donley:

Thank you for the opportunity to comment on SB 347 to increase the wholesale tax on alcohol and allow voters to increase local sales tax on alcohol. We support your efforts to provide a way to raise revenue in order to combat the many negative effects of alcohol in Alaska. We also believe that local voters should have the option to allow higher alcohol taxes in their communities to help offset alcohol related expenses.

The Alaska Municipal League and the Alaska Conference of Mayors 2002 Policy Statement adopted by the full membership in November 2001 states:

Part I Revenue and Finance:

State Alcoholic Beverage Wholesale Tax: The League's position is that if the state increases the wholesale tax on alcohol, the increase shall be shared equitably with municipalities for programs that mitigate the impacts of alcohol consumption based on the proportion of local vs. state expenditures for public safety and alcohol treatment.

Tax Levying Authority: ... The League supports legislation to remove the prohibition in AS 4.21.010. c. that prevents local voters from approving a special tax on alcohol.

Part III. Local Government and Public Services:

Alcohol Issues: The League supports an increase in the alcohol tax at the wholesale level to help fund the inherent cost to the public of alcohol abuse, and the League supports that the resulting tax increase be returned to communities.

We appreciate your willingness to tackle the tough issues facing our state. While introducing new taxes is always difficult, the alternative of spending the entire savings account will be even worse for our citizens. If we can assist you further, please let me know.

Sincerely,


Kevin Ritchie

Executive Director

re: SB347 - thank you!

Subject: re: SB347 - thank you!

Date: Wed, 13 Mar 2002 21:54:56 -0900

From: "Michele Czajkowski" <michelec@gci.net>

To: <Senator_Dave_Donley@legis.state.ak.us>

Dear Senator Donley,

Thank you for sponsoring SB347. I will be unable to testify during tomorrow's hearing, but I did e-mail my comments to you and the other members of the Senate Finance Committee.

Respectfully,

Michele Czajkowski

March 14, 2002

TO: All members of Senate Finance Committee
RE: **Senate Bill 347**

PLEASE SUPPORT THIS BILL. THIS IS A FAIR, STRAIGHT-FORWARD TAX.
DRUG ABUSE IS OUR NUMBER 1 SOCIAL PROBLEM. LET THE USERS
CONTRIBUTE TOWARD REDUCING IT.

Dixie Landenburger
Box 274
Seward, AK 99664

Note Re: Municipal options for Alcohol Tax.

SB 347

The City of Galena is a progressive community that wants to get things done.

They are known for finding ways to solve problems locally if possible.

In 1996, there was no local police department here. There were two troopers who covered so much territory that they were seldom in town and had no patrol time.

The City Council decided to hire a secretary for them in the hopes that they would then find some time to patrol locally. We paid for the position for one year but still did not get any local patrolling done by the Troopers.

So we hired our own policeman. Finding the funds is difficult. This is particularly true since over the past ten years our share of State revenues has decreased dramatically.

We still have an Ordinance on our Books to charge additional sales taxes for the sale of Alcohol. But we can not enforce it. We are not asking for the State to "give us a grant" for police services. Or to place more Troopers here. We are only asking that we be allowed to determine locally what is a fair tax on the sale of this commodity.

We don't expect the state to 'fix' our problem. We hope you won't prevent us from finding our own solution.

Marvin Yoder

Subject: alcohol tax - municipal prohibition

Date: Fri, 15 Mar 2002 17:10:47 +0000

From: "tom morphet" <tommorphet@hotmail.com>

To: Senator_Dave_Donley@legis.state.ak.us

Sen. Donley:

I was excited and surprised to hear on the news today that your version of the state alcohol tax includes removing the prohibition on municipal alcohol taxes.

In Haines, where I've lived for 15 years, we pay a 1 percent general SALES TAX to provide ambulance service, although many, if not most, ambulance calls are for alcohol-related incidents. I was looking into getting this tax shifted onto alcohol in Haines last year when I ran into the state's prohibition on municipal alcohol taxes.

I was further disappointed to find out that Rep. Murkowski's House bill originally included allowing municipal alcohol taxes, but that this section was dropped from her bill early on. (I think it was during her bill's first committee hearing.)

Obviously, cities should be able to impose their own taxes on alcohol, especially in rural Alaska where alcohol is a big portion of retail sales and also a huge cost, economically and socially, to communities.

Also, at a time when municipalities are crying for money, it's important that the Legislature not handcuff them from raising money to pay for their needs, at they see fit. The prohibition on municipal liquor taxes was bad policy, bad leadership and bad law, and it should be exposed as such.

I would gladly testify on this matter as a concerned citizen. I might be able to recruit the former City of Haines Mayor, who is a retired state trooper, to testify on it as well.

Thank you for time.

Sincerely,

Tom Morphet
(907)463-1256

Get your FREE download of MSN Explorer at <http://explorer.msn.com/intl.asp>.

Subject: Fw: SB 347

Date: Thu, 14 Mar 2002 10:52:27 -0900

From: "Leigh Carrigan" <carrigan@pci.net>

To: <Senator_Dave_Donley@legis.state.ak.us>

3/14/02

To: Senator Donley and the Finance Committee,

Please vote for SB 347. Its the right thing to do. I know the money goes into the general fund. We need new renewable sources of revenue to go into the general fund. We have depended on the oil industry far too long to carry the load. They just announced they are no longer contributing to political campaigns. They are talking about pulling out of Alaska. The state makes it difficult to do business here, they have other fields producing at higher margins in a less restrictive business atmosphere.

On the other hand the alcohol industry is marginally taxed on the resource they use, which is our people. They make a huge profit selling their product, cause an incredible amount of destruction, take their profits outside, do not reinvest in the community, nor do they mitigate the damages. The tax payers are paying for the damages and I for one am tired of it.

In Anchorage 68% of our property taxes go for public safety. Fire, Police and emergency responders. Last time I checked with Walt Monegan 78% of police calls are alcohol related. You all are talking about cutting money from budget of departments that contribute to our quality of life. When I hear that the park service is projecting closing parks and the city of Anchorage couldn't afford to pay a life guard for Jewel Lake last summer I get upset. Not to mention Denali Kid Care and Mental Health reductions. Now we are talking about the health and safety and our children.

It is morally wrong to allow an industry to profit off the residents in our state and not expect them to contribute. We elected you to make decisions for us on our behalf. **You are the finance guys, compute this:** Compare Phillips or BP with the largest wholesalers. Where are the legislators demanding compensation for the alcohol industry's use of the resource? Where is the 6 million dollar corporate funding program that supports the non-profits who treat the addicted, comfort the grieving DUI survivors, support the mentally ill and provide services for our FAS and FAE babies? That doesn't even foot the bill. Lifetime services for an FAS child costs the state 1.3 million dollars. Forty five women could go through the most expensive treatment program for that cost. Where are the industry watchdogs that police the industry so the resource does not get destroyed? The Exxon Oil Spill (alcohol related) cost how much to clean up? Yet we are experiencing in our state a disaster far greater than the oil spill. The highest rates of FAS/FAE and suicide in the nation, just to mention a few. BP, Phillips, taxpayers, everyone else is stepping up to the plate to address these problems caused by an industry that just takes the cash and runs for the border. Can we get some equity here? I get the feeling income tax is around the corner. I am ok with that....as long as everyone and every industry pays their fair share.

Alcohol is legal. People are going to drink it. Its a renewable source of income for the state of Alaska. Its irres- sible to ignore that. We are watching you. Are you the strong leaders we need to guide us into the future? People do what you expect them too. We need you to expect the alcohol industry to be good corporate citizens. With the oil industry packing their bags we cannot afford to let them slide any longer. Please pass the alcohol tax, SB347, its time.

Leigh Carrigan
Mother of six children
registered voter
25 year resident of Alaska
PO Box 220684
Anchorage, Alaska 99502
277-4771

Subject: SB347

Date: Thu, 14 Mar 2002 16:00:15 -0900

From: "Allen Bailey" <allen@lawofficeamb.com>

To: <Senator_Dave_Donley@legis.state.ak.us>

CC: "Howard Fletcher Scaman" <catalyst@alaska.com>

Dear Dave,

As a former prosecutor who is quite aware of the cost to our community of alcohol abuse, I strongly support the enactment of SB347, providing for significant increases in taxation of alcoholic beverages on both state and local levels. As you may already know, I am working with the Coalition on Alcohol Abuse and Public Safety (CAAPS) and the Dimes a Drink Coalition on this issue.

One suggestion I have, however, is that your committee change the means of taxation from a sales tax to an excise tax. That would, on both state and local levels, permit the tax to be indexed to beverage price increases and would be a more efficient means of collecting the tax. It would also avoid the difficulties a sales tax would present to the Alaska business people who are licensed to sell alcoholic beverages.

Allen M. Bailey
310 K Street, Ste. 400
Anchorage.

CAAPS *Council on Alcohol Abuse and Public Safety-Alaska*
Box 23007 - Juneau, Alaska 99802 - (907) 586-3032 - caaps@alaska.net

ADVISORY SB 347

We recommend:

That coalition participants fully support and encourage passage of the 10 cent per drink add-on to the current flat fixed 1983 alcohol excise tax rates which is the principal component of this bill. It matches the rate currently being considered by the House.

That coalition participants express appreciation and thanks to the Senate Finance committee for their bipartisan support for that 10-cent add-on component.

Those participants fully support the concept of allowing municipalities the discretionary authority to raise local revenue by taxing alcoholic beverage consumption. We suggest however that this sales tax issue is much more complex. And the component which authorizes a differential sales tax, would face what we believe would be insurmountable (and perhaps justifiable) opposition from local Alaskan licensees.

It is our belief that tying the two very different issues together in the same legislation greatly reduces the current opportunity for long overdue passage of a substantial, long overdue, badly needed, effective and popular adjustment to the state alcohol excise tax rate.

That participants encourage the Senate Finance Committee to put the issue of local municipal authorization into a **separate piece of legislation** which may be examined and debated on it's own and unique merits.

That participants encourage the Senate and House to consider the somewhat unusual but very efficient option of authorizing municipalities to collect revenue through the state of Alaska excise tax system which causes no economic hardship to local Alaskan licensees, rather than a differential sales tax.

We suggest that participants reiterate thanks and support for both components of the bill That you encourage the Senate to separate the state alcohol excise tax rate adjustment, and the much more complex, politically sensitive, and controversial authorization for a differential sales tax for municipalities component, into two separate and distinct bills. And, consider in depth the advantages of allowing the municipalities to use the very effective and efficient alcohol excise tax system. This is a very simple and effective solution but it is an unusual method of revenue generation, which is only applicable in a very limited number of situations.

CAAPS has detailed and extensive information on the excise tax authorization method of local revenue generation and would be happy to share that information with any interested parties. (Alaska utilizes a similar system of collection of local taxes by the state, for municipalities right now.)

Thank you!

Moderating alcohol abuse and violence through public policy information





Alaska CHARR 1111 East 8th Ave., #3 Anchorage, AK 99518

March 14, 2002

Senator Dave Donley
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Re: SB 347 – Alcohol Tax

Dear Senator Donley:

As the chairman of Alaska CHARR (Cabaret, Hotel, Restaurant & Retailers Association), I convey our trade organization's opposition to Senate Bill 346, currently before the Senate Finance Committee.

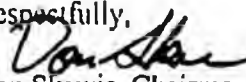
The hospitality industry has shown its solidarity in requesting a comprehensive fiscal plan to be formulated prior to any targeted taxation on specific industries within the state. Since Alaskans already pay one of the highest taxes for alcohol in the nation, and our state constitution prohibits placing tax revenues into a designated fund, an alcohol tax on our industry will burden responsible consumers and have little affect or impact, if any, on curbing alcohol abuse in the state.

I'm sure you are aware of the enormous size of the hospitality industry in Alaska, with over 3,000 employees and revenues exceeding \$50 million. The state annually collects \$12 million in revenue from the existing excise tax on alcohol beverages and another \$25 million is generated from other local, state and federal fees and taxes on alcohol.

To now suggest that this tax is fair and ripe for installment because of our looming \$1.1 billion deficit in the state budget is short-sighted. On the contrary, it is the antithesis to a pro-business mentality and will no doubt cause a conflagration of chip-away taxation that will not address the problem in its entirety. Furthermore, the budget benefit of a targeted tax is outweighed by inequity and unfairness to our industry and responsible patrons.

Alaska CHARR implores you to delay passage of this bill and amalgamate the intent into a broader, comprehensive fiscal plan that covers all industries and services uniformly. Ultimately, Alaskans desire efficient government at a reasonable cost. SB 347 will not accomplish this end.

Respectfully,


Don Skewis, Chairman
Alaska CHARR

17345 Glacier Hwy
Juneau, AK 99801
March 14, 2002

To: Members of the Senate Finance Committee

Re: SB347/long range fiscal plan

I urge you to pass this bill at no less than 10 cents/drink. It will be one more Arrow in the quiver for use in reducing the cost to the state of the problems Caused by excessive use of alcohol. It will not be a burden to moderate drinkers. An increase in cost is a deterrent to many underage drinkers and even to certain overage Drinkers.

Furthermore, I encourage you to come up with a viable long range fiscal plan so That we do not have these emergency periods every year leading to ill considered Cuts, uncertainty of personnel and difficulties in retention of skilled workers. I am well aware that your job is a tough one-but here is my two cents.

Sincerely,

Anne E.. Kinter

Cc: Reps. Hudson, Kerttula, Murkowski, Rokeburg, Sen..Elton

PK
Anne Kinter

Purposive changes in alcohol policy do **not** only affect moderate or non-dependent drinkers:

alcohol policy changes often especially affect problematic drinkers

Some examples of differential effects of dramatic alcohol policy changes:

Country, date, policy change	change in total consumption in next year	change in alcohol problem indicators	
		indicator	change in next year
<u>Denmark. 1917:</u> huge increase in spirits taxes, some increase in beer taxes	-76%	cases of DTs (Delirium Tremens)	-93%
		chronic alcoholism deaths	-83%
<u>Sweden. 1955:</u> abolition of <i>motbok</i> (alcohol rationing)	25%	cases of DTs	438%
<u>Finland. 1969:</u> beer into grocery stores	46%	deaths from alcohol-specific causes	58%
<u>Russia. 1985-88:</u> less availability in anti-alcohol campaign	-34%*	deaths from alcohol-specific causes	-54%*

*comparison 1987 vs. 1984. Change in total consumption includes estimated change in unrecorded consumption.

Sources: Denmark: Bruun et al., 1975
 Sweden: Norström, 1987
 Finland: Österberg, 1979; Tryggvesson et al., forthcoming
 Russia: Shkolnikov & Nemtsov, 1997; Leon et al., 1997

Delia Culpepper culpepperd@gci.net

SB 347

**Public
Testimony**

Oppose

Testimony SB347/ HB225

To: Senate Finance Committee
CC: Sara Wright, secretary
From: Ed O'Neill / Brown Jug, Inc.
Date: 03/15/02
Re: WORKING TOGETHER

Brief summary of an Alaskan small business

Started in the Alaska alcohol industry in 1937 as a family business.

Awarded national retailer of the year 1967, beverage retails category; with community involvement, a key point.

Brought the beverage-training course (TAM) to Alaska, pushed it along until it became state law.

Shared and implemented original law limiting beverage alcohol to the bush.

Created a way of empowering all Anchorage licensees to assess a \$ 1,000 civil penalty on minors entering a beverage alcohol establishment; now state law.

Spearheaded ARBRA Group "Anchorage Responsible Beverage Retailers Association" which funds \$ 6,000+ each year of beverage related trash pick-up, managed by Brown Jug. Please note attached memo dated 12/19/01.

Points for consideration after noting Tax Free "Beverage of Choice" mentioned in ARBRA memo. (Lots of physical evidence and photo's to prove horrific severity of issue)

- 1) Cost of social problems and management of wishful solutions is way up.
- 2) Consumption of "Legal" alcohol beverage use has leveled in comparison.
- 3) Wanting to share with beverage industry solutions or potential solutions to manage problem is rare if ever.
- 4) The industry is and will always be generous with material as well as management skill; and solutions that include accountability for all concerned. (Charging for CSP pick-ups etc. etc.).
- 5) Working together for a constructive plan comes first. This tax issue as concocted now is a waste of valuable time.
- 6) People are close to death or dying with empty mouthwash bottles all around them and nothing is being done to control access to a product that has a higher alcohol proof than wine and beer. With all the money being spent on administrative expenses, why aren't some of these administrators going out on the street and doing one on one intervention. Then we might actually see some good being done with the money that is spent.

I have been blunt, with may offend some, but I am tired of the second class treatment this industry receives after putting forth a lot of effort.

The problem is purely social one we should all be working on together.

Singling out one industry is a lazy excuse; gather then constructive creative dialog we must all share for intelligent responsible ideas and solutions.

SINCERELY 

3/15/02 (2)

ARBRA

ANCHORAGE RESPONSIBLE BEVERAGE RETAILERS ASSOCIATION

Ed - just got a chance to read this. Good news! And thank you for all your efforts! ME 2/12/02

Members

Lowell Shinn

Ed O'Neill

Bob Klein

Brown Jug, Inc.
511-2015 x225

Tim Schrage

C & D Liquor
277-2214

Clean Peterson

Joyce Huccland

CARRS / Safeway
555-7100

Mika Howitt

Jack Mullenkamp

Fred Meyer
279-1700

Eriget Thompson

Spirit of Alaska
212-0430

Mike Darcy

Tosoro 2 Go
533-2711

Carroll Finney

Aleena Finney

Mary Finney

Martin Pault

Value Liquor
244-6253

Daryl Davis

Williams Express
273-3310

Memorandum

Date: 12/19/01

To: ARBRA Members and Associates

From: Ed O'Neill

RE: **Community Council ARBRA Presentations.** (display the ARBRA Carr's vests)
(presenter - do not forget the timely "good neighbor" soft drinks and cookies !!)

• **Tonnage Clean-up** (thanks to Bean's cafe' for the casual labor at \$7.00 per hour)

An aggressive "ARBRA" effort is and continues to be made policing clean-up after the street people / panhandling / inebriate problem city wide. Approximately four tons of trash(all types) has been picked-up and hauled to the dump this season by ARBRA crews.

• **Mouthwash** (becoming the beverage of choice; no law or tax to deal with this issue)

Our efforts to limit & / or cutoff sales to those we feel are abusing the product by their behavior has resulted in 40% (160 units) of alcohol related trash being mouthwash this past season. Primary source are Mid-Town big box stores with minimal control on it's sale. Please note the average alcohol proof is 20° for Wine, 12° for Ico Beer, 80° for Liquor and 54° proof for Mouthwash at \$2.17 a 1.5 Liter plastic btl. (cheapest, deadliest affect) .

• **Underbrush** (thanks to state, city and private owners for clearing permission)

Drinking camps have proven to be a serious danger to the inebriates and the surrounding neighborhood due to behavior and unsightly conditions. The removal of underbrush has been effective. We've addressed New Seward and Northern Lts., 10th and E Street alley, North Star School, Naturo Trail, Barrow at 27th, North of Carr's Huffman, North of Value Liquor on Dimond and Centennial Park off Muldoon. Underbrush removal was completed across from Aurora Village Center in late May. Underbrush removal will be a major focus in Spring north of Fireweed on the east side of A Street with wood chipping & follow-up clean-up wherever needed on the above.

Associates

• **Panhandlers** (thanks to St. Francis House and the "tokens for food donation boxes")

John McManis

Calaf's Company, Inc.

Before the panhandling begins on any given day; they're being well fed and clothed in this more than generous City and State. When the panhandling starts; they'll receive an abundance of cash in a very short time to fulfill their alcohol needs from store customers with good intentions, ending in a devastating result (share photo's). In order to discourage money for panhandlers, St. Francis food tokens are available at the members cash-out counter donation box. It's also encouraged to supplement the token with a snack food item when panhandlers are in the area. The main focus is a public awamess of not giving cash to inebriates. Food pick-up, 3710 East 20th Ave. (bus route #45) . Open Mon.-Thru. 1-4pm.

Race Jones

Can AD

Shirlean Ernauf

Cuffay & Associates

• **HOT LINE** addressing the above problems and solutions: Ed @ 563-3815 x225.

Sireen Dorcharding

Gold Cache Dingo

Sincere thanks to all members and associates for covering the above costs; and especially Muni's Fred Fulgencio Community Work Service Programs guidance and his able-bodied crew.

John Jaworski

Northwind Refrigeration

Team Spirit, For A Safer, Friendlier, Appealing City!

Leo von Schibun

USKH

Ed O'Neill Brown Jug, Inc.



Alaska State Chamber of Commerce

Position 2002 - 4

Opposing an Increase in Alaska's Alcohol Excise Tax

The Alaska State Chamber of Commerce opposes an increase in the Alaska Alcohol Excise Tax until a comprehensive solution to the State's fiscal problems is adopted by the legislature.

Rationale:

The Alaska State Chamber has always advocated for responsible fiscal policy at the state level. At the same time, our state continues to have a serious and growing fiscal problem. All businesses and economic sectors can play a part in the overall solution, but arbitrarily singling out individual sectors of the economy for tax increases without first addressing the underlying issues necessary to balance the state's budget is poor public policy.

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. Current legislative efforts to increase excise taxes on alcohol products by more than three hundred percent (300%) are unreasonable and will do nothing to cure the state's alcohol problems. While Alaska's alcohol problems deserve attention, it is an issue best addressed in a comprehensive manner, not just through tax increases.

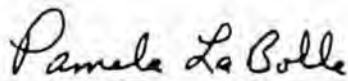
Alaska's constitution prohibits revenues from being dedicated for a specific purpose. That means that higher alcohol taxes will go into the general fund where they can be spent on unrelated items. One has only to look at how the state is spending the tobacco settlement money to know that it is going for government operations, not smoking prevention, as intended.

The Alaska State Chamber is concerned that tax increase proposals will seriously jeopardize the future of many small businesses, which play a vital role in our state's economy. Both nationally and locally, the hospitality industry is reeling from the current economic slow down as fewer Americans travel, dine out or entertain outside the home.

ADOPTED

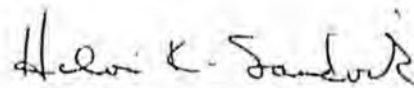
November 1, 2001

BY



Pamela La Bolle
President

BY



Helvi Sandvik
Chair

Butch Tarantay / Tarantay
 Health Technology
 Cent. Tech, Inc. - OJOM Corporation
 Ten cents in tax increase IS NOT ten cents for the consumer!

The label "10 cents per drink" is a deception by proponents of an alcohol tax increase, because it implies the cost of a drink for the consumer's purchase would only increase by a dime. This ignores the sales process that takes place between the imposition of the alcohol tax upon entering the state and the product's final destination to an Alaska Consumer. Such unrealistic logic would imply that a ten dollar increase in the cost of a ton of iron ore would only raise the cost of a new car by ten or twenty dollars.

Like the many business costs that impact the price of a car, from raw ore to the showroom floor, there are many costs that determine the price of a drink.

The state controls the sale of alcohol beverages to the public in two legal modes, off premise (retail liquor stores) and on premise (restaurants, bars, and clubs). These businesses operate from the profits produced in the "mark-up" of beverage alcohol that they purchase and sell. The distributors that would first see the alcohol tax also operate on a mark-up. As a general marketing principal, all business operates this way. Government is the only business that is not required to generate a profit in order to continue its existence. Various mark-up percentages are involved by each different business that buys or sells the newly taxed alcohol. Before the consumer has a sip!!

Twenty percent pour cost

State law requires that a "drink" be sold for consumption in licensed, on premise business. How does the new tax increase affect the cost to consumers in bars and restaurants? After the distributor bumps that dime up ten or fifteen percent, the on premise business must try to average a twenty percent pour cost. This means they must charge five times the cost of the alcohol in establishing the sale price of the drink. "A HUGE MARK", you cry? What business are you in? Retail furniture has higher mark-ups. What do you suppose the mark-up is on those crafts and trinkets that the tourists buy? What does it take to keep your business profitable? The bar business is very expensive to get into, very labor intensive to operate, and requires large space and promotion cost. To support all this cost and expense, the owner relies only on the drink sales dollar.

Drink Sales Dollar

- 15% fixed cost
- 20% alcohol cost
- 35% labor cost
- 15% non alcohol
- 15% gross profit



From the 15% gross profit, the bar owner must pay other operating expenses like taxes and insurance, advertising and promotions, improvements and replacements, and debt service. A successful business might return 2%-5% net profit from 20% average pour cost on alcohol beverage sales.

If all alcohol beverages could be purchased at the same cost and marketed with the same 20% pour cost at sale, the "ten cent drink tax" would be fifty or sixty cents added to the bar customers drink. Unfortunately, the many types and prices of alcohol beverages further complicate the sales price. In order to average 20% and maintain competitive and marketable products; the bar must put a much lower mark-up on expensive, "top shelf" items, in order make them sell.

The less expensive "well drinks", draft beer and other items must have a higher mark-up to provide the profit percentage that will bring average pour cost in at around 20%. The "ten cent drink tax" will raise the cost of these items to the bar owner by the highest percentage, because it is set by volume. The sixty dollar case of generic vodka now costs the bar ninety dollars. A fifty percent increase in the cost of the most high volume, high profit item the bar sells. A thirty dollar increased cost in the four hundred dollar case of scotch doesn't impact quite as greatly.

When the on premise business owner examines his sale dynamics after the "ten cent drink tax" takes effect, he will find that he must raise his drink prices \$1.00 to \$1.50 to keep his business profitable. How will this 25%-30% consumer cost increase affect sales in a business that has seen steady declines for ten years? When our summer visitors come, how will our prices compare to their hometown down south? This tax will have drastic impacts on our tourist and hospitality markets.

Subject: [Fwd: Objection to Alcohol Tax Bill]

Date: Thu, 14 Mar 2002 08:54:54 -0900

From: Senator Dave Donley <Senator_Dave_Donley@legis.state.ak.us>

Organization: Alaska State Legislature

To: Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

Subject: Objection to Alcohol Tax Bill

Date: Wed, 13 Mar 2002 15:48:58 -0900

From: "Lowell Shinn" <lshinn@brownjug.alaska.net>

To: "Alan Austerman (E-mail)" <Senator_Alان_Austerman@legis.state.ak.us>,
"Dave Donley (E-mail)" <Senator_Dave_Donley@legis.state.ak.us>,
"Donny Olson (E-mail)" <Senator_Donny_Olson@legis.state.ak.us>,
"Gary Wilken (E-mail)" <Senator_Gary_Wilken@legis.state.ak.us>,
"Jerry Ward (E-mail)" <Senator_Jerry_Ward@legis.state.ak.us>,
"Loren Leman (E-mail)" <Senator_Loren_Leman@legis.state.ak.us>,
"Lyda Green (E-mail)" <Senator_Lyda_Green@legis.state.ak.us>,
"Lyman Hoffman (E-mail)" <Senator_Lyman_Hoffman@legis.state.ak.us>,
"Pete Kelly (E-mail)" <Senator_Pete_Kelly@legis.state.ak.us>

Dear Senator,

I object to the proposed excise tax increase and the additional SB 347 provision authorizing product specific sales taxation by municipalities.

A 300% increase in any tax is not fair or reasonable. Could any of your businesses stand this?

Increasing beer taxes to 591% of the national average, wine taxes to 460% of the national average and liquor taxes to 508% of the national average, is not reasonable.

Why should Alaskans have to pay five to six times more in alcohol tax than the rest of the country?

On top of the state taxes, the SB 347 opens the flood gate to more municipal taxes on a already heavily taxed product. If you are going to allow product specific sales taxes on alcohol, then why not fat foods too? Where does the government stop trying to legislate morality?

Please vote against SB 347.

Lowell Shinn
President
Brown Jug, Inc.

Subject: [Fwd: SB 447]
Date: Thu, 14 Mar 2002 08:54:20 -0900
From: Senator Dave Donley <Senator_Dave_Donley@legis.state.ak.us>
Organization: Alaska State Legislature
To: Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

I imagine there will be a couple more of these.

Thanks,

Sara

Subject: SB 447
Date: Wed, 13 Mar 2002 18:19:42 -0800
From: Joel Kadarauach <jkadarauach@Odomcorp.com>
To: "Senator_Dave_Donley@legis.state.ak.us" <Senator_Dave_Donley@legis.state.ak.us>

Dear Senator Donley,

I appreciate the complexity and difficulty of the fiscal dilemma currently facing the Alaska legislature. A 300% excise tax increase and accompanying provision to allow unlimited municipal sales taxes on alcoholic beverages as provided in SB 347 however is, in my opinion, beyond a reasonable component of any solution.

I truly believe that the Hospitality industry feels the need to be constructively involved in a comprehensive fiscal solution. Every Alaskan should. However, the incremental revenue produced by this bill would; 1) provide next to nothing in relation to the overall billion dollar gap, 2) do nothing to directly address the societal problems associated with the abuse of alcohol, and, 3) most surely produce disastrous effects felt by all businesses and people within this industry.

Further, from my point of view of an "average" consumer, the \$13.99 case of Miller Lite beer bought at Safeway has the distinct likelihood of becoming a \$25 purchase. Similarly resulting increases on wine and spirits are even more "dramatic", and paint a far different picture than the seemingly innocuous "10 cents a drink" sound-byte with which we've all been conditioned.

Alaska's fiscal predicament needs a solution which although perhaps painful to all, is equitable to all, as well. A three-fold tax increase on a single and already highly-taxed industry would certainly be onerous, even if constructive. And the fact is that it promises absolutely no solution at all.

Sincerely,

Joel Kadarauach
Odom Company &
Coca Cola of Alaska

Joel Kadarauach
jkadarauach@odومcorp.com

Bob Bailey
From: Senator Dave Donley [Senator_Dave_Donley@legis.state.ak.us]
Sent: Thursday, March 14, 2002 8:52 AM
To: Bob Bailey
Subject: Re: HB347 Testimony

From: Mr. Bailey~

It is our office policy not to open attachments from unknown users. You are welcome to fax the document to the Senate Finance Committee Secretary's Office at (907) 465-2187, if you would like your written testimony noted.

Thank you,

Sara Wight, Staff
Senator Dave Donley

Bob Bailey wrote:

Good morning. I hope to testify before the Finance Committee this morning on SB347. I have attached two documents that I will be referring to. I would appreciate it if you would print them so you will have them to refer to.

Just in case I don't have the opportunity to testify, there are three major concerns I have with this legislation.

1. It is a targeted tax on one industry that does very little to help the State's fiscal gap but would be very detrimental to many small business throughout the state.
2. The amount of the increase (300%+) is unreasonable. It would put Alaska up to 591% of the national average and up to 283% of the current highest tax in the nation.
3. In addition to adding an unreasonable amount of tax at the state level, it opens the door for local municipalities to tax the same product with no limits.

Our industry is more than willing to participate in a solution to our current budget crisis, but only if it is at a reasonable level and only if we are part of a comprehensive fiscal plan.

I look forward to testifying today and discussing this issue with you personally any time you wish.

Bob Bailey
Operations Manager
Alaska Distributors Co.
(907)279-3511

<<10 Cent State Comparison.xls>> <<Gallon Case Battle.xls>>

Name: 10 Cent State Comparison.xls
Type: Microsoft Excel Worksheet (application/vnd.ms-excel)
10 Cent State Comparison.xls Encoding: base64
Description: 10 Cent State Comparison.xls

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%	164.70%
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%

Ten Cents Per Drink
\$.10 per Drink Increase

Tax per Gal.	Liquor	Wine	Beer
Current	\$5.60	\$0.85	\$0.35
\$.10 per Drink	\$12.80	\$2.56	\$1.07
Total	\$18.40	\$3.41	\$1.42
% Increase	228.6%	301.2%	305.7%

Tax per Case	Liquor	Wine	Beer
Size (oz)	25.4	25.4	12
Current	\$13.31	\$2.02	\$0.79
\$.10 per Drink	\$30.41	\$6.08	\$2.43
Total	\$43.72	\$8.10	\$3.22

Tax per Bottle	Liquor	Wine	Beer
Size (oz)	25.4	25.4	12
Current	\$1.11	\$0.17	\$0.03
\$.10 per Drink	\$2.53	\$0.51	\$0.10
Total	\$3.64	\$0.68	\$0.13

907-258-7546

facsimile transmittal

To: Senate Finance Committee D. Donley Fax: 907-465-6595

From: Dotty Selman Date: 3/14/02

Re: Alcohol tax increase Pages: 2 including cover

Urgent For Review Please Comment Please Reply Please Recycle

Note: It seems that the Legislative Body has no regard for this wonderful state of Alaska. Your committee holds the hospitality industry's future in your hands. Tourism is a very large and important part of Alaska's economy, second only to our oil industry. The legislators seem bent on not only closing down many legal establishments, (bars, breweries and restaurants), but other legal businesses who rely heavily on tourism for their living.

Alaska should be able to attract MORE tourists, not frighten them away with our outrageous laws (no smoking, extremely expensive cocktails and food) plus travel and hotel expense.

Do you realize that if this tax passes wholesale prices would put many small legal establishments OUT OF BUSINESS? Also, adding those owners and their staff to our already high number of unemployed who will need help from the state to survive?

With this proposed tax increase please think about the following information carefully:
1 case of beer tax now \$.79 cents will skyrocket to \$3.20! Or 591% of the national average!

.....

1 bottle of wine tax now \$.17 cents goes to \$.68 cents per bottle. Or 460% of the national average!

1 bottle of beverage alcohol tax now \$1.11 will rise to \$3.64 per bottle. Or 508% of the national average!

At this time, BEFORE you even discuss the issue at hand, ALASKA has the HIGHEST LIQUOR AND CIGARETTE TAX IN THIS UNITED STATES. And you STILL have a shortfall? What is wrong with this picture? Is OUR industry guilty? I don't think so!

(I/we miss Charlie's wisdom. I'm certain you all know what he would say about this problem!).

We are legal small business people who have earned the right to "The American Dream", to own our businesses and make a living with out further taxation and governmental interference.

Statistics show the majority of Alaskan consumers of our products are responsible, rational people who control their consumption. Should we all, businesses and consumers, be punished because of the small 5-6% of major problem drinkers and underage, un-chaperoned students?

Both local and national studies show that hospitality industry efforts to reduce community related alcohol problems are working. Our small business owners are the hardest workers because this is their only means of income. They are faithful to TAM, training their wait staffs to not serve intoxicated persons, supporting industry and enforcement partnerships, donating to local as well as national worthy causes (Jerry's Kids, MS, STAR, AFD, APD fund raisers, etc). They also fund drinking and driving messages, work with the Wellness Court and other related programs. They support the C.H. Selman Scholarship Fund annual Golf Tournament. Money raised by the fund is used for aspiring college hospitality industry students. Upon graduation the industry then helps the graduate locate a position, the better to serve you, our customers

Thank you!

907-258-7546

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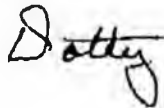
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Thank you!



Subject: SB 347

Date: Thu, 14 Mar 2002 22:44:11 EST

From: NL7G@aol.com

To: Senator_Dave_Donley@legis.state.ak.us, Senator_Pete_Kelly@legis.state.ak.us,
Senator_Jerry_Ward@legis.state.ak.us, Senator_Alán_Austerman@legis.state.ak.us,
Senator_Lyda_Green@legis.state.ak.us, Senator_Loren_Leman@legis.state.ak.us,
Senator_Gary_Wilken@legis.state.ak.us, Senator_Lyman_Hoffman@legis.state.ak.us,
Senator_Danny_Olson@legis.state.ak.us

Dear Honorable Senators:

I am not one to subscribe to form letters. I am a owner of a small business in the Anchorage Area. (The Hideaway Club Bar).

I realize one voice in any issue is often ignored, but I will try anyway. This bill before your committee, if passed, will be another selective way to raise taxes.

Everyone knows there is a budget shortfall, and something needs to be done. The problem with taxes such as this, is that does not affect the population and the business community as a whole. It singles out one sector of the community. The service industry.

I have lived in Alaska for over thirty years, and like many of you, have seen many changes. I remember a time when no-one locked there doors. Not to there homes in Anchorage, nor in there cabins they might have in the woods. I remember when no-one, not one person would go by a car in distress (winter time or not) without asking if they needed a ride, or tried to help. I also remember the "I don't care how they do it outside" attitude, and I totally concur to this day of that attitude. I remember when there was a school tax, a income tax. The only oil money was the ninety million dollars the state got that no-one could figure out how it was spent.

The bottom line is. Everyone knows there will be a budget shortfall in the future. A time when the reserves will not balance out the budget. It is wrong to single out single industries to correct this problem. The correct way is by reviewing state spending, re-instating the state income tax if necessary, and I don't care what anyone says. The permanent fund was created for the future. A future when the oil resources declined. The dividend program was set up to guard against another 90 million (where did it go) scenario.

By the way, if this tax goes through, I have a few ideas on other selective tax schemes that might work.

I encourage you to not let this bill out of committee.

With Regards

Mike Baker Anchorage

Subject: SB 347 - Comments regarding today's testimony

Date: Thu, 14 Mar 2002 15:29:38 -0800

From: "Bob Bailey" <BobBailey@ADCO-WWB.com>

To: "Senator_Dave_Donley@legis.state.ak.us" <'Senator_Dave_Donley@legis.state.ak.us'>,
"Senator_Pete_Kelly@legis.state.ak.us" <'Senator_Pete_Kelly@legis.state.ak.us'>,
"Senator_Jerry_Ward@legis.state.ak.us" <'Senator_Jerry_Ward@legis.state.ak.us'>,
"Senator_Alán_Austerman@legis.state.ak.us" <'Senator_Alán_Austerman@legis.state.ak.us'>,
"Senator_Lyda_Green@legis.state.ak.us" <'Senator_Lyda_Green@legis.state.ak.us'>,
"Senator_Loren_Leman@legis.state.ak.us" <'Senator_Loren_Leman@legis.state.ak.us'>,
"Senator_Gary_Wilken@legis.state.ak.us" <'Senator_Gary_Wilken@legis.state.ak.us'>,
"Senator_Lyman_Hoffman@legis.state.ak.us" <'Senator_Lyman_Hoffman@legis.state.ak.us'>,
"Senator_Donny_Olson@legis.state.ak.us" <'Senator_Donny_Olson@legis.state.ak.us'>

Thank you for allowing me to testify today before your committee on SB347. It is my understanding that you have held this bill over until tomorrow to get wording from Revenue on how to tax direct shipments of alcohol. I'm glad to see that Revenue has finally admitted that this is a problem. The industry has tried to make this an issue for quite some time. We think a substantial amount of product is being directly shipped into this state now and it will greatly increase if the tax is increased 300%. We do not believe taxing this product is going far enough, however. We think a ban on direct shipments should be put in place.

Not only are we losing tax dollars, but more importantly, direct shipments do not give the State of Alaska any control over product being ordered by minors or product being shipped into dry communities. These are two areas that everyone, regardless of what side of the tax issue they are on, should agree should be addressed. Several states in the country have now banned direct shipments as there has recently been federal legislation put in place that allows states to use Federal Courts to enforce direct shipment bans.

I encourage you to consider this important issue as you further consider SB347.

Also, when I testified, I told you I would provide you with some information regarding the methodology used to obtain the numbers portrayed in the study commissioned by the Governor's Advisory Board on Alcoholism and Drug Abuse and often quoted by the Dept. of Health and Social Services. I have attached a document that discusses these points. For those of you who don't wish to open e-mail attachments, I am also faxing this document to Sen. Donley's office so a printed copy will be available for you.

Once again, thank you for taking the time to hear my testimony. I am always willing to answer any questions you may have.

Bob Bailey
Operations Manager
Alaska Distributors Co.
(907)279-3511

<<StudyResponse.doc>>

The study on the economic costs of alcohol abuse just released from the Department of Health and Social Services is so flawed and biased that its value as objective information has been virtually eliminated. The obvious purpose of the report was to make the economic impact of alcohol abuse seem so great that lawmakers would have no choice but to increase taxes on the hospitality industry. Indeed, one of the Department's stated budget goals is to get Alaskans to drink less through tax increases on alcohol. But by issuing a report that claims unrealistic impacts, they have only shown the report to be the propaganda piece it was intended to be.

First, the state insists on lumping together two disparate activities and claiming they are the same, namely alcohol consumption and drug use. They are not. Alcohol consumption by adults is a perfectly legal activity. Drug use is not. Every time the report makes a conclusion that combines these activities, the data becomes meaningless.

Secondly, most of the economic impacts the study purports to find are in "lost productivity" due to early death and reduced efficiency of workers. For example, premature death from substance abuse was specifically cited as costing society \$172 million in "lost productivity" during 1999, based upon 224 deaths. Since the rationale for the study was to provide reasons to increase taxes on alcohol, one can only assume the proper conclusion is that society should be compensated for this economic loss. By the same rationale, the state should charge a fee to the estates of the 550 Alaskans that died of heart disease in 1999 because most heart disease can be traced to life choices. Aren't these unfortunate Alaskans, using the Department's reasoning, costing the state more than \$422 million in lost productivity? Of course not. This type of bureaucratic bean counting clearly makes no sense.

Worse than absurd, however, are the inconsistencies that the report contains. As an example, under the heading of criminal justice, the report estimates that 17,100 arrests were attributable to alcohol and drug abuse. According to the report, these arrests cost \$61 million in law enforcement, \$11 million in adjudication and \$29 million in correctional costs. Yet the total amount of reported property damage for these 17,100 arrests was only \$1 million. Previously in the report, however, there is a claim of \$5 million in property damage attributable to drunk driving alone. One is left with the impression that the Department was so anxious to issue an inflated report that they didn't have time to see that the figures added up.

Finally, by their own admission, the figures cited in the report cannot be verified by an independent researcher because they are just estimates. The report's authors took a national study and added on for higher cost of living in Alaska and a higher proportion of abusers among the population. Last year, the department claimed the economic impact of all combined substance abuse in Alaska was \$250 million. Today –*using the very same national study* – the report now claims the impact is \$614 million each year. That's quite an adjustment, particularly when one considers that the combined operating budgets of the Departments of Law, Corrections, and Public Safety, along with the Court System, is just \$379 million each year.

Nobody disputes that there is a cost to society from alcohol abuse. Families are hurt, innocent people are injured and occasionally there is a fatality. As a society we ought to know what these impacts are, but not by wildly inflating unsubstantiated estimates. Instead, the Department should commission a meaningful study that includes original research that captures reliable information about Alaska and doesn't try to lump drinking and taking drugs together as a single activity. If we want to make the right choices, we ought to start with the facts.



Alaska State Legislature

Please enter into the record my testimony to the

SENATE FINANCE
committee name

Committee on

SB 347

bill # / subject

, dated

3-15-02

IS THE GOAL, YOU WILL HAVE APPROACHED IT,
IF THIS IS REPUBLICAN LEADERSHIP + FISCAL RESPONSIBILITY,
THEN WE NEED A CHANGE.

I IMPLORE YOU TO LOOK FOR FAIRNESS IN THIS
BILL + AN EQUITABLE SPREAD OF TAXATION THROUGHOUT ALASKA'S
CITIZENRY. DO YOU HONESTLY THINK A 300% TO 600% TAX
INCREASE ON A SINGLE SEGMENT IS FAIR + EQUITABLE?

WHAT ARE YOU TRADING OFF HERE DONLEY?

Signed:

Gary Superman (GARY SUPERMAN)

Testifier

Representing (optional)

Address

Phone number

THE SHAFTED

Box 8425 NIKISKI

776-8448

SB 347-ALCOHOLIC BEVERAGE TAX
SENATE FINANCE COMMITTEE

SIGN-IN

✓ NAME: Butch Tangney Subject/Bill No: SB 347
Co./Dept./Title: Juneau T.A.M. Instructor Phone: 790-2446
Address: 8173 Thunder St Zip: 99801
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Larry Persiky Subject/Bill No: SB 347
Co./Dept./Title: Deputy Commissioner Phone: 465-5469
Address: Department of Revenue Zip: _____
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Howard Samant Subject/Bill No: SB 347
Co./Dept./Title: COUNCIL ON ALCOHOL ABUSE Phone: (907) 586-347
DONILL AFFAIR
Address: Box 23007 JUNEAU Zip: 99802
Do you wish to testify? Yes No Respond To Questions

✓ NAME: MATT FELIX Subject/Bill No: 347
Co./Dept./Title: NCADD Phone: 3643755
Address: 211 4TH ST JUNEAU AK Zip: 99801
Do you wish to testify? Yes No Respond To Questions

SB347

NAME: Elmer Lindstrom Subject/Bill No: SB 347

Co./Dept./Title: DHSS / Deputy Commissioner Phone: 465-1613

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Pam Watts Subject/Bill No: SB347

Co./Dept./Title: Advisory Board on Alcoholism & Drug Abuse Phone: 465-4667

Address: PO Box 110608 - Juneau Zip: 99811

Do you wish to testify? Yes No Respond To Questions

NAME: Cindy Carhen Subject/Bill No: SB347

Co./Dept./Title: MADD Phone: 463-2567

Address: 211 4th St Ste 102 SW Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Julie Kraft Subject/Bill No: SB 347

Co./Dept./Title: Dir of Labor Services - Alaska Municipal League Phone: 586 1325

Address: Juneau Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Pam LaBolle Subject/Bill No: SB 347

Co./Dept./Title: State Chamber Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SITE: ANCHORAGE LIO

COMMITTEE: SFIN

DATE: 3-14-02

SUBJECT OF MEETING:

SB 347

UPDATE #:



DO YOU WANT

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

✓ Jeff Jessee		Trust	Y-SB 347
Email address:			
✓ Delisa Culpepper		Dime a Drink Coalition	Y-SB 347
Email address:			
✓ Pat Senner		AK-News Assoc Nurses	Y-SB 347
Email address:			
✓ Shawn Dixon		Hilton/AKHAC	Y-SB 347
Email address:			
✓ Joan Diamond			Y-SB 347
Email address:			
✓ Chris Anderson		Brew House/Orso	Y-SB 347
Email address:			
✓ Kathy Boggs-Gray		Akeela-Dime a Drink	Y-SB 347
Email address:			

ANCHORAGE PARTS LIST PAGE 2

SUBJECT: SB 347

<u>P R I N T</u> YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
✓ Lowell Shinn Email address:		Brown Jug	Y-SB 347
✓ Bob Bailey Email address:		Ak Distributors	Y-SB 347
✓ Joel Kadarauch Email address:		Odom Co.	Y-SB 347
✓ Karen Rogina Email address:		AK Hospital Alliance Hospitality	Y-SB 347
✓ John A. Pattee Email address:			Y-SB 347
✓ Don Grasse Email address:		K&L Distributors	Y-SB 347
✓ Carol Jackson Email address:		K&L Distributors	Y-SB 347

ANCHORAGE PARTS LIST PAGE 3

SUBJECT:

P R I N T YOUR NAME ADDRESS (MAILING & ZIP) REPRESENTING DO YOU WANT TO TESTIFY? Y or N

✓ Todd Richardson		K&L	Y-SB 347
Email address:			
✓ Bill Adint		K&L	Y-SB 347
Email address:			
✓ Jeff Carter		K&L	Y-SB 347
Email address:			
✓ Bren Cau		K&L	Y-SB 347
Email address:			
✓ David Scott		K&L	Y-SB 347
Email address:			
Email address:			
Email address:			

SITE: FAIRBANKS LIO

COMMITTEE:

Senate Finance

DATE: 3/14/2002

SUBJECT OF MEETING:

SB 347

UPDATE #: 1



PLEASE SIGN IN

P R I N T YOUR NAME

DO YOU WANT

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

Joni Ellsworth			Y
Email address:			
Larry Hackenmiller		CHARR	Y
Email address:			
Dick Ellsworth			Y
Email address:			
Thomas Bartels		Odom Corp	Y
Email address:			
Email address:			
Email address:			

SITE: HOMER LIO
 COMMITTEE: SFIN
 DATE: 03-14-02

SUBJECT OF MEETING: SB291, SB347,
 SB180
 UPDATE #:



P R I N T YOUR NAME ADDRESS (MAILING & ZIP) REPRESENTING DO YOU WANT TO TESTIFY? Y or N

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
✓ Leonard Wells			Y SB347
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			

SITE: KETCHIKAN LIO

COMMITTEE: SFIN

DATE: 3.14.02

SUBJECT OF MEETING:

SB 291, SB 347, SB 180

UPDATE #:1

PLEASE SIGN IN

DO YOU WANT

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	TO TESTIFY? Y or N
✓ George Tipton		State CHARR	Y
Email address:			
Email address:			
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