

**ALASKA LEGISLATURE**

**2251**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2001 - 2002**

5/2/02

passed 6-4

22-LS0806\O.4  
Kurtz  
5/2/02

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HARRIS

TO: CSHB 225(L&C)

1 Page 2, following line 19:

2 Insert a new bill section to read:

3 **\*\* Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 **TRANSITION PROVISION.** Notwithstanding the rates in sec. 1, the tax imposed in  
6 sec. 1 shall be imposed at the following rates:

7 (1) from the effective date of this Act through December 31, 2003, the tax on

8 (A) malt beverages shall be at the rate of ~~\$.77~~ a gallon or fraction of a  
9 gallon; *.59*

10 (B) cider with at least 0.5 percent alcohol by volume but not more than  
11 7 percent alcohol by volume, shall be at the rate of ~~\$.47~~ a gallon or fraction of a  
12 gallon; *.36*

13 (C) wine or other beverages, other than beverages described in (A) or  
14 (B) of this paragraph, of 21 percent alcohol by volume or less, shall be at the rate of  
15 ~~\$1.77~~ a gallon or fraction of a gallon; and

16 *1.40* (D) other beverages having a content of more than 21 percent alcohol  
17 by volume shall be at the rate of ~~\$9.87~~ a gallon. *8.00*

18 (2) from January 1, 2004, through December 31, 2004, the tax on

19 (A) malt beverages shall be at the rate of ~~\$1.07~~ a gallon or fraction of a  
20 gallon; *.83*

21 (B) cider with at least 0.5 percent alcohol by volume but not more than  
22 7 percent alcohol by volume, shall be at the rate of ~~\$.94~~ a gallon or fraction of a  
23 gallon; *.72*

24 (C) wine or other beverages, other than beverages described in (A) or

1 (B) of this paragraph, of 21 percent alcohol by volume or less, shall be at the rate of  
2 ~~\$2.56~~ a gallon or fraction of a gallon; and  
3 <sup>1.95</sup> (D) other beverages having a content of more than 21 percent alcohol  
4 by volume shall be at the rate of ~~\$14.14~~ a gallon."

10.40

After Dec. 31, 2004      1.07 beer & cider  
   2.50 wine  
   12.80 hard liquor

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HARRIS

TO: CSHB 225(L&C)

1 Page 1, line 5, following "(c)"

2 Insert "and (d)"

3

4 Page 2, line 7:

5 Delete "a new subsection"

6 Insert "new subsections"

7

8 Page 2, following line 19:

9 Insert a new subsection to read:

10 "(d) A winery shall pay a tax at the rate of 85 cents a gallon on sales of the  
11 first 150,000 gallons of wine sold in the state each fiscal year beginning July 1, 2002,  
12 for wine produced in the United States if the producing winery meets the  
13 qualifications of 26 U.S.C. 5041(c). To qualify for the tax rate under this subsection,  
14 the winery must file with the department a copy of a Bureau of Alcohol, Tobacco and  
15 Firearms excise tax return form described in 27 C.F.R. 24.278(f) for the calendar year  
16 in which the fiscal year begins for which the partial exemption is sought. If proof of  
17 eligibility is not received by the department before June 1, the tax rate under this  
18 subsection does not apply until the first day of the second month after the month the  
19 notice is received by the department."

2-6-02

22-LS0806\O.1  
Kurtz  
1/17/02

passed 7-4

AMENDMENT |

OFFERED IN THE HOUSE  
TO: CSHB 225(L&C)

BY REPRESENTATIVE BUNDE

1 Page 1, line 1:

2 Delete "and"

3

4 Page 1, line 2:

5 Following "tax rates":

6 Insert "relating to the levy and collection of a state sales tax, and to the  
7 taxation of income of individuals, estates, trusts, and corporations; and providing for an  
8 effective date"

9

10 Page 1, following line 3:

11 Insert new bill sections to read:

12 "\* Section 1. AS 43.20 is amended by adding a new section to read:

13 Sec. 43.20.009. Tax on individuals, estates, and trusts. (a) There is  
14 imposed for each taxable year an income tax, computed as provided in this section, on  
15 every

16 (1) resident individual; and

17 (2) nonresident and part-year resident individual, estate, and trust, with  
18 income from sources in the state.

19 (b) For a resident individual, the tax under this section is three percent of the  
20 individual's taxable income.

21 (c) For a nonresident or part-year resident individual, or for an estate or a trust,  
22 the tax under this section is three percent of the individual's, estate's, or trust's taxable  
23 income, multiplied by a fraction, the numerator of which is taxable income from  
24 sources in the state and the denominator of which is taxable income from all sources.

1 (d) An individual whose income includes a cost-of-living allowance that is  
 2 exempt from the federal income tax shall determine and include that amount as part of  
 3 the individual's taxable income as if the cost-of-living allowance were not exempt.

4 (e) In this section, "taxable income" means adjusted gross income, as defined  
 5 in 26 U.S.C. 62 (Internal Revenue Code), and includes the income described in (d) of  
 6 this section.

7 \* Sec. 2. AS 43.20.011(e) is amended to read:

8 (e) There is imposed for each taxable year upon the entire taxable income of  
 9 every corporation derived from sources within the state a tax computed as follows:

| 10 If the taxable income is        | Then the tax is:  |
|------------------------------------|---|
| 11 Less than \$10,000              | <u>2</u> [1] percent of the taxable income  |
| 12 \$10,000 but less than \$20,000 | \$100 plus <u>3</u> [2] percent of the taxable income<br>13 over \$10,000         |
| 14 \$20,000 but less than \$30,000 | \$300 plus <u>4</u> [3] percent of the taxable income<br>15 over \$20,000         |
| 16 \$30,000 but less than \$40,000 | \$600 plus <u>5</u> [4] percent of the taxable income<br>17 over \$30,000         |
| 18 \$40,000 but less than \$50,000 | \$1,000 plus <u>6</u> [5] percent of the taxable income<br>19 over \$40,000       |
| 20 \$50,000 but less than \$60,000 | \$1,500 plus <u>7</u> [6] percent of the taxable income<br>21 over \$50,000       |
| 22 \$60,000 but less than \$70,000 | \$2,100 plus <u>8</u> [7] percent of the taxable income<br>23 over \$60,000       |
| 24 \$70,000 but less than \$80,000 | \$2,800 plus <u>9</u> [8] percent of the taxable income<br>25 over \$70,000       |
| 26 \$80,000 but less than \$90,000 | \$3,600 plus <u>10</u> [9] percent of the taxable income<br>27 over \$80,000      |
| 28 \$90,000 or more                | \$4,500 plus <u>10.4</u> [9.4] percent of the taxable<br>29 income over \$90,000. |

30 \* Sec. 3. AS 43.20.03<sup>(1)</sup> is amended to read:

31 (a) Every individual, trust, estate, partnership, and [IF A] corporation

1 subject to tax under this chapter [, OR A PARTNERSHIP THAT HAS A  
 2 CORPORATION AS A PARTNER, IS] required to make a return of income under  
 3 the provisions of the Internal Revenue Code [, IT] shall file with the department,  
 4 within 30 days after the federal return is required to be filed, a return setting out

5 (1) the amount of tax due under this chapter, less allowable credits  
 6 and payments claimed against the tax; and

7 (2) other information that the department requires for the purpose of  
 8 carrying out the provisions of this chapter [THAT THE DEPARTMENT  
 9 REQUIRES].

10 \* Sec. 4. AS 43.20.031(c) is amended to read:

11 (c) In computing the tax under this chapter, a corporation [THE  
 12 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

13 \* Sec. 5. AS 43.20.040 is repealed and reenacted to read:

14 **Sec. 43.20.040. Income from sources in the state.** (a) In this chapter,  
 15 income from sources in the state includes

16 (1) compensation for personal services rendered in the state;

17 (2) working in the state for salary or wages;

18 (3) income from real or tangible personal property located in the state;

19 (4) income from stocks, bonds, notes, bank deposits, and other  
 20 intangible personal property having a taxable or business situs in the state; however,  
 21 the receipt of interest income from intangible property in the state does not alone  
 22 establish a taxable or business situs in the state;

23 (5) rentals and royalties for the use of or for the privilege of using, in  
 24 the state, patents, copyrights, secret processes and formulas, good will, marks, trade  
 25 brands, franchises, and other property having a taxable or business situs in the state;

26 (6) income distributed from a trust established under or governed by  
 27 the laws of the state;

28 (7) income of a trust established under or governed by the laws of the  
 29 state and income of the estate of a decedent who on the date of death was domiciled in  
 30 the state;

31 (8) income, from a source with a taxable or business situs in the state,

1 of

2 (A) a trust not established under or governed by the laws of the  
3 state; or

4 (B) the estate of a decedent who on the date of death was not  
5 domiciled in the state;

6 (9) income of whatever nature from a source with a taxable or business  
7 situs in the state.

8 (b) Except as provided in (a)(4) of this section, in this section, income is from  
9 a source with a taxable or business situs in the state if it is attributed to or derived from

10 (1) business facilities or property in the state;

11 (2) business, farming, or fishing activities in the state;

12 (3) conducting in the state the management or investment function for  
13 intangible property;

14 (4) a partnership, limited liability company, estate, or trust conducting  
15 business activities in the state;

16 (5) a corporation transacting business activities in the state that has  
17 elected to file federal returns under subchapter S of the Internal Revenue Code;

18 (6) any other activity from which income is received, realized, or  
19 derived in the state.

20 (c) If a business, trade, or profession is carried on partly inside and partly  
21 outside the state, other than the rendering of purely personal services by an individual,  
22 the income from sources in the state shall be determined as provided in AS 43.19.

23 \* Sec. 6. AS 43.20 is amended by adding a new section to article 1 to read:

24 **Sec. 43.20.046. Individual, trust, and estate tax credits.** (a) For a resident,  
25 a trust established under or governed by the laws of this state, or the estate of a  
26 decedent who on the date of death was domiciled in this state, the income tax imposed  
27 on that resident, trust, or estate by another state or territory of the United States for the  
28 taxable year, on income derived from sources in that state or territory, is allowed as a  
29 credit against the tax under this chapter.

30 (b) The credit under (a) of this section is determined by multiplying the tax  
31 computed under this chapter by a fraction, the numerator of which is the income

1 derived from sources in the other state or territory and the denominator of which is  
2 income derived from all sources. The credit under (a) of this section may not exceed  
3 the actual tax paid to the other state or territory.

4 (c) An individual, estate, or trust is allowed only the state credits provided in  
5 this section. The total state credit allowed under this section may not exceed the tax  
6 liability for the taxable year for the individual, estate, or trust. A credit may not be  
7 carried, in whole or in part, to a different taxable year.

8 \* Sec. 7. AS 43.20 is amended by adding a new section to read:

9 **Sec. 43.20.171. Tax withholding on wages of individuals.** (a) Every  
10 employer making payment of wages, salaries, or crew shares

11 (1) shall deduct and withhold an amount of tax computed in a manner  
12 to approximate the amount of tax due on those wages, salaries, or crew shares under  
13 this chapter for that taxable year;

14 (2) shall remit the tax withheld to the department accompanied by a  
15 return on a form prescribed by the department at the times required by the department  
16 by regulation;

17 (3) is liable for the payment of the tax required to be deducted and  
18 withheld under this section but is not liable to any individual for the amount of the  
19 payment; and

20 (4) shall furnish to the employee on or before January 31 of the  
21 succeeding year, or within 30 days after a request by the employee after the  
22 employee's termination if the 30-day period ends before January 31, a written  
23 statement on a form prescribed by the department showing

24 (A) the name and taxpayer identification number of the  
25 employer;

26 (B) the name and social security number of the employee;

27 (C) the total amount of wages, salary, or crew shares for the  
28 taxable year; and

29 (D) the total amount deducted and withheld as tax for the  
30 taxable year.

31 (b) The department shall publish the rate of withholding required by this

1 section.

2 (c) In this section,

3 (1) "employee" includes an individual who receives compensation on a  
4 crew share basis in connection with a commercial fishing activity;

5 (2) "employer" includes a person who pays compensation to an  
6 individual on a crew share basis in connection with a commercial fishing activity.

7 \* Sec. 8. AS 43.20.340 is amended by adding new paragraphs to read:

8 (12) "individual" means a natural person, married or unmarried, adult  
9 or minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

10 (13) "nonresident" means an individual who is not a resident or part-  
11 year resident;

12 (14) "resident" means an individual who, for the entire taxable year,  
13 was domiciled in the state or resided in the state.

14 \* Sec. 9. AS 43 is amended by adding a new chapter to read:

15 **Chapter 44. Sales Tax.**

16 **Sec. 43.44.010. Levy of sales tax; tax rate.** (a) A sales tax is levied on the  
17 sale or other transfer for consideration of goods, on rents, and on services performed  
18 for consideration in the state.

19 (b) The rate of the sales tax is three percent of the price of goods sold or  
20 otherwise transferred, rents, and the value of services performed.

21 **Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not  
22 apply to goods sold, rents, or services performed that are

23 (1) explicitly exempted from taxation under another provision of state  
24 law; or

25 (2) exempt from taxation under federal law, including sales to the  
26 federal government, and purchases made with

27 (A) food coupons, food stamps, or other types of certificates  
28 issued under 7 U.S.C. 2011 - 2025 (Food Stamp Act); and

29 (B) food instruments, food vouchers, or other types of  
30 certificates issued under 42 U.S.C. 1786 (special supplemental nutrition  
31 program for women, infants, and children).

1           **Sec. 43.44.030. Collection of sales tax.** (a) A seller shall add the amount of  
2 the sales tax levied by this chapter to the total price of goods, rentals, or services  
3 subject to the tax, and the tax shall be stated separately on any sales receipt, invoice, or  
4 other record of the sale or rental.

5           (b) A seller shall collect the sales tax from the purchaser and remit the tax  
6 collected to the department not later than 30 days following the last day of the month  
7 in which the tax was collected.

8           (c) A seller remitting the sales tax collected under this chapter to the  
9 department within 30 days after the last day of the month in which the tax was  
10 collected may retain one percent of the amount collected to cover expenses associated  
11 with collecting and remitting the tax.

12           **Sec. 43.44.040. Accounting.** The department shall deposit all money  
13 collected under this chapter in the general fund of the state."  
14

15 Renumber the following bill sections accordingly.  
16

17 Page 2, following line 19:

18           Insert new bill sections to read:

19       "\* **Sec. 12.** AS 43.05.085, AS 43.20.012, and 43.20.013 are repealed.

20       \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22           **TRANSITION: REGULATIONS.** The Department of Revenue may proceed to adopt  
23 regulations necessary to implement the provisions of this Act. The regulations take effect  
24 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the  
25 section being added, amended, or repealed to which the regulation relates.

26       \* **Sec. 14.** Section 13 of this Act takes effect immediately under AS 01.10.070(c).

27       \* **Sec. 15.** Sections 1 - 9 and 12 of this Act take effect January 1, 2003."

2-6-02

II

Amendment to HB 225

|                                     |   |
|-------------------------------------|---|
| Introduces a state income tax of 3% | 270 million                             |
| Introduces a state sales tax of 3%  | 300 million or 270 million w/exemptions |

|   |                               |
|---|-------------------------------|
| Increases corporate income tax by 1%                            | 6 million (approx) non-oil    |
| (this is a hard one to pinpoint for o&g especially -changeable) | 26 million (approx) oil & gas |

Rule of thumb from the DOR

|  |                                |
|--|--------------------------------|
| 1% of taxable income = approximately \$90 million per year | (3% = \$270 million)           |
| 1% state sales tax = \$100 million                         | (3% = \$300 million or         |
| 1% = \$70 million excluding food and medical               | 3% = 270 million w/exemptions) |

Where you will find the taxes:

- section 1 3% income tax
- section 2 increase of 1% corporate income tax
- section 9(b) 3% sales tax

# ALASKA STATE LEGISLATURE

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LABOR AND COMMERCE

*Member:*  
MILITARY AND VETERANS AFFAIRS  
COMMUNITY AND REGIONAL AFFAIRS  
LEGISLATIVE COUNCIL  
JOINT ARMED SERVICES



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## SPONSOR STATEMENT

### HB 225

### **“An Act relating to state taxation of alcoholic beverages and increasing the alcoholic beverage state tax rates.”**

I have introduced this bill as a way to help offset the soaring cost of the state's alcohol-related expenses. The current state excise tax collects between 3 to 4 cents per drink on beer, wine or distilled spirits, a rate that has not been adjusted in 18 years. HB 225 would increase that rate by 10 cents per drink, increasing annual state alcohol tax revenue to approximately \$34 million from the current \$12.1 million.

Those who oppose HB 225 argue that it would place Alaska as #1 in the nation for the highest state alcohol tax. While this is true, it is important to look at the other statistics that Alaska currently holds as leader:

- Alaska has the highest alcohol related death rate – 11.2% compared to 5% nationally
- Alaska has the highest incidence of Fetal Alcohol Syndrome (FAS) in the nation, 4 times the national average
- Alaska has the 2<sup>nd</sup> highest per capita alcohol consumption in the U.S.
- In Alaska, alcohol is implicated in 83% of child abuse investigations, 63% of sexual assaults and 60% of domestic violence reports
- Alaska Advisory Board on Alcoholism and Drug Abuse study indicates that the negative impacts associated with alcohol abuse in Alaska cost more than \$250 million per year
- Rural Alaska alcohol-related deaths are 7 times the national average
- The prevalence of alcohol dependence and alcohol abuse is nearly 14% of Alaska's population, compared to 7% nationally

This legislation is an important part of the effort to address the problem of alcohol and alcohol abuse in Alaska, and would help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs and other initiatives now under consideration in the Legislature. I urge your support of HB 225.

It seems like Alaska is at the top or bottom of a lot of statistical listings. Take the largest state with the youngest, smallest, population; throw in a few million tourists and some very isolated communities, and you've got some factors that tend to skew most any statistics about our state. The Proponents of HB 225 have given a lot of statistics about alcohol in Alaska. They might not mention that Alaska already spends more per capita on alcohol treatment than any other state. I'm sure there are a lot of factors that influence that ranking. Whether you believe that alcohol is the cause of all criminal, social, and health problems in the state; or that there may be a number of influencing factors, HB 225 is not about Social and Health issues. It's about the State budget.

To isolate one section of Alaska's business community and burden it with a 300% tax increase is certainly inappropriate and un-fair, probably destructive and devastating to the hospitality industry. As many communities have been forced to move from resource-based business to tourist-based business, the hospitality industry has become a strong factor in the states economy. With the competitive and seasonal market, this tax blow may force some business to close, and cause lay-offs in others.

The events of September 11<sup>th</sup> have also added a crushing blow to the hospitality industry.

Cancellations in airline travel and visitor and convention activity threaten many hospitality business with lay-offs and closure. What the future holds is still uncertain.

It is certain that this unprecedented tax will make it difficult.

The hospitality industry recognizes the need for a sound fiscal policy, and remains committed to the contribution they would make to a broad based revenue program. To target this section of the economy with such a tax would certainly have many negative results.

## 300% of what?

### A look at the proposed alcohol tax increase of 10 cents a drink.

The strong opinions shared by many Alaskans as HB 225 is debated often focus on the amount of the increase in the existing tax. Almost all parties agree that alcohol abuse and alcoholism are serious problems. Most parties agree that "a reasonable" tax increase is probably due after 17 years. Many hospitality industry and alcohol beverage wholesalers say they support "a reasonable tax." Many hospitality industry people are fearful that the 10 cents/drink increase will eliminate jobs and actually "put people out of business." Some in opposition equate the substantive tax increase with legislating morality or a return to prohibition. It's important to keep this all in the following perspective: the public health problem is so great, and the resources so limited a "user tax" must be the first piece of a concerted effort to effect change.

There's been a recurring "statement theme" among those testifying on behalf of the hospitality industry that the ten-cents-a-drink increase is deceptive. The implication appears to be that those favoring a substantive tax increase are trying to pull one over on the public. Actually, a dime is a dime. People now pay a little over three cents in state tax on a 12 ounce can of beer or a 5 ounce glass of wine. They pay a little over 4 cents in state tax on a one-ounce drink of distilled spirits. If you increase the state tax by ten cents on any one of those drinks the consumer will be paying a little over 13 cents in state tax on wine or beer and a little over 14 cents state tax on distilled spirits.

State excise tax is assessed on wholesalers who import alcoholic beverages into the state. While Alaska microbreweries have been growing in the past several decades, the vast majority of alcoholic beverages consumed by Alaskans are imported through the wholesalers. Wholesalers are assessed by the gallon of alcoholic beverage. There are differing numbers of "drinks" in a gallon of each of the three beverage categories: beer, wine and distilled spirits. Here's how many:

Beer: There are 10.667 twelve-ounce beers in a gallon of beer.

Wine: There are 25.6 five-ounce servings of wine in a gallon of wine.

Spirits: There are 128 one-ounce servings of spirits in a gallon of spirits.

The math is straightforward. The current tax on beer is \$0.35 per gallon. There are 10.667 beers in a gallon.  $\$.035$  divided by 10.667 equals \$0.0328 in tax on each beer.

If you raise the state tax on each beer by a dime, to \$.1328 a beer, there are still 10.667 beers in a gallon. The new tax on a gallon of beer would be \$.1328 times 10.667, or \$1.42. That's the amount of tax per gallon recommended in HB 225.

What's easier for the consumer to understand? \$1.42 a gallon, or 10 cents a beer? Few consumers buy beer by the gallon. Is one number true and the other false?

By the time Alaska's kids leave middle school they've been heavily exposed to these kinds of "story problems." This is a story problem in real life:

1. (a) If you raise the state tax on a beer by ten cents, how much will the increased tax be?
- (b) What percentage of the cost of that beer is tax now? What percentage will it be tax when the increase occurs?

The state tax now is \$ .0328 (about 3 ¼ cents). Let's say in a restaurant, the beer now costs \$3.00. It's a 12 ounce beer.

Answers:

1. (a) The increased tax will be \$.1328. Add the current tax and the amount of increase.  
(b) The current tax of .0328 cents is 1% of the price of the \$3.00 beer. The increased tax of .1328 cents is 3% of the price of the \$3.00 beer. If the beer's price were raised to \$3.25 by the restaurant, it would be 4% of the cost of the beer.

If you and a couple of pals each drank two beers at \$3.00 each, you'd have a bar bill of \$18.00 plus any local tax, plus your tip. Call it \$22 for six beers. The state tax on your bar bill is now \$.20. That's a little more than 1% of your bar bill. With this proposed ten cent increase, the state tax in the bar bill for six 12-ounce beers would be \$.80. Let's say the bar owner raises the price of a beer to \$3.25. Your bar bill goes up \$19.50 plus tax and tip. Let's call it \$24 for six beers. Your state tax on these six beers is \$.80, or 3% of your bill. That's a couple of cell phone calls.

If you look at the answers to the story problem you see that the state tax component in the price of this beer has gone from 1% of its cost to 3% of its cost. Not a lot. If there is a dime a drink increase and a modest price increase, you're still paying less than 4% of your bar bill in state tax.

Let's say you take a six pack of beer on your picnic. Right now, you're paying \$.0328 in state tax for each of those six beers: it adds up to \$.20 (twenty cents). With the increase in HB225, you'd be paying \$.60 (sixty) more in state tax on a six pack. That's about three and a half cents a year for every year since the last tax increase in 1984. The average cost of one beer, even with the tax increase, is frequently less than a comparable amount of soda, milk or fruit juice.

So what does a 300% increase really mean?

- Moving from a little over 3 cents to a little over 13 cents a drink.
- Making a 3 to 4% real difference in the price of a beer in a bar.
- Making package store beer at least as expensive as nonalcoholic beverages

Will Rogers said figures lie and liars figure. We've got to get beyond witty sayings on this issue. "A 300% increase" is not the whole story. If we expect our kids to master basic math skills in order to make good personal financial decisions, be self sufficient and be productive employees, we need to apply the same standard to our analysis of what HB 225 really means.

If the Advisory Board on Alcoholism and Drug Abuse can provide help in clarifying the issue or its particulars, no matter what your current view of HB 225, we're here for the asking.

Contact: Anne Schultz, Research Analyst  
(907) 465-8920  
1-888-464-4920

Analysis of Alcohol Tax Increases

| Basis for calculations   | Beer          | Wine          | Spirits       | All           |
|--|---------------|---------------|---------------|---------------|
| Gallons sold in Alaska in FY99                                 | 13,979,490    | 1,380,535     | 1,087,720     |               |
| Alaska tax per gallon since 1983                               | \$ 0.35       | \$ 0.85       | \$ 5.60       |               |
| Standard drink amount  | 12 ounces     | 5 ounces      | 1 ounce       |               |
| Drinks per gallon  | 10.667        | 25.6          | 128           |               |
| Current Alaska tax per drink                                   | \$ 0.0328     | \$ 0.0332     | \$ 0.0438     |               |
| FY99 drinks in this category                                   | 149,119,220   | 35,341,696    | 139,228,160   | 323,689,076   |
| Actual FY99 Revenue  | \$ 4,892,770  | \$ 1,173,088  | \$ 6,091,190  | \$ 12,157,048 |
| <b>Calculations of various increases</b>                       |               |               |               |               |
|  | Beer          | Wine          | Spirits       | All           |
| <b>Add to current tax level:</b>                               | Revenue       | Revenue       | Revenue       | Revenue       |
| Revenue @ 5 cent increase                                      | \$ 12,347,071 | \$ 2,940,429  | \$ 13,059,601 | \$ 28,347,101 |
| Revenue @ 10 cent increase                                     | \$ 19,803,032 | \$ 4,707,514  | \$ 20,021,009 | \$ 44,531,555 |
| Revenue @ 15 cent increase                                     | \$ 27,258,993 | \$ 6,474,599  | \$ 26,982,417 | \$ 60,716,009 |
| Revenue @ 20 cent increase                                     | \$ 34,714,954 | \$ 8,241,684  | \$ 33,943,825 | \$ 76,900,463 |
| Revenue @ 25 cent increase                                     | \$ 42,170,915 | \$ 10,008,768 | \$ 40,905,233 | \$ 93,084,916 |
| Data Source: Alaska Department of Revenue                      |               |               |               |               |
| Data Calculations: Advisory Board on Alcoholism and Drug Abuse |               |               |               |               |
|  | Beer          | Wine          | Spirits       | All           |
| <b>Using FY99 gallons sold:</b>                                |               |               |               |               |
| Actual FY99 Revenue  | \$ 4,892,770  | \$ 1,173,088  | \$ 6,091,190  | \$ 12,157,048 |
| <b>Additional revenue tax increase scenarios:</b>              |               |               |               |               |
| (before consumption decline related to price increase)         | Beer          | Wine          | Spirits       | All           |
| Increase of 5 cents per drink                                  | \$ 7,455,961  | \$ 1,767,085  | \$ 6,961,408  | \$ 16,184,454 |
| Increase of 10 cents per drink                                 | \$ 14,911,922 | \$ 3,534,170  | \$ 13,922,816 | \$ 32,368,908 |
| Increase of 15 cents per drink                                 | \$ 22,367,883 | \$ 5,301,254  | \$ 20,884,224 | \$ 48,553,361 |
| Increase of 20 cents per drink                                 | \$ 29,823,844 | \$ 7,068,339  | \$ 27,845,632 | \$ 64,737,815 |
| Increase of 25 cents per drink                                 | \$ 37,279,805 | \$ 8,835,424  | \$ 34,807,040 | \$ 80,922,269 |



## Will you help stop some of Alaska's financial meltdown?

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Let your legislator know you support an increase in the excise tax on alcoholic beverages.

### WHY IS THIS SO IMPORTANT?

No change in tax since 1983.

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The economic COSTS to Alaskans are more than 20 times higher than the \$12 million/year in revenue now collected.

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Even kids can do the math:  
\$250 million - \$12 million =  
\$238 million.

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While Alaska's Consumer Price Index went up, the excise tax on alcohol stayed the same.

Result: a meltdown in buying power for the state's General Fund.

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Turn the page to see what a difference a few cents per drink can make.

**HINT:** More than 324 MILLION drinks were sold in Alaska last year.

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### Simple ways to make your views known:

1. Send a Public Opinion Message (POM).
2. Send a fax.
3. Call your legislator.
4. Talk to legislative staff.
5. Send a letter.
6. Send an e.mail.
7. Show up in person!
8. Better, yet, bring a friend.

**Wonder what to say? It's simple!**

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**IT'S TIME TO RAISE THE TAX  
ON ALCOHOLIC BEVERAGES.**

**Need Addresses?**

<http://www.legis.state.ak.us>

Call your local  
Legislative Information Office (LIO)

Call 1-888-464-8920

**Closing the Gap Between Alcohol Tax Revenue  
and the Costs of Negative Consequences:  
A few cents a drink on nearly 1/3 of a BILLION drinks.**

| Basis for calculations                   | Beer          | Wine         | Spirits       | All           |
|--|---------------|--------------|---------------|---------------|
| Gallons sold in Alaska in FY99           | 13,979,490    | 1,380,535    | 1,087,720     |               |
| Alaska tax per gallon since 1983         | \$ 0.35       | \$ 0.85      | \$ 5.60       |               |
| Standard drink amount                    | 12 ounces     | 5 ounces     | 1 ounce       |               |
| Drinks per gallon                        | 10.667        | 25.6         | 128           |               |
| Current Alaska tax per drink             | \$ 0.0328     | \$ 0.0332    | \$ 0.0438     |               |
| FY99 drinks in this category             | 149,119,220   | 35,341,696   | 139,228,160   | 323,689,076   |
| Actual FY99 Revenue                      | \$ 4,892,770  | \$ 1,173,088 | \$ 6,091,190  | \$ 12,157,048 |
| <b>Calculations of various increases</b> |               |              |               |               |
| (in millions based on FY99 sales)        | Beer          | Wine         | Spirits       | All           |
|  | Tax Revenue   | Tax Revenue  | Tax Revenue   | Tax Revenue   |
| Revenue @ 5 cent increase a drink        | \$ 12,347,071 | \$ 2,940,429 | \$ 13,059,601 | \$ 28,347,101 |
| Revenue @ 10 cent increase a drink       | \$ 19,803,032 | \$ 4,707,514 | \$ 20,021,009 | \$ 44,531,555 |
| Revenue @ 15 cent increase a drink       | \$ 27,258,993 | \$ 6,474,599 | \$ 26,982,417 | \$ 60,716,009 |
| Revenue @ 20 cent increase a drink       | \$ 34,714,954 | \$ 8,241,684 | \$ 33,943,825 | \$ 76,900,463 |

Sources: Alaska Department of Revenue and Advisory Board on Alcoholism and Drug Abuse

Note: Revenue projections do not reflect the probable decrease in consumption based on price increase.

**Alcoholic Beverages Tax Revenue -  
with and without Consumer Price Index adjustment**

| FY   | Revenue        | CPI   | Revenue<br>with CPI | Difference    |
|------|----------------|-------|---------------------|---------------|
| 1984 | \$ 14,042,369  |       | \$ 14,042,369       | \$ -          |
| 1985 | \$ 13,808,198  | 2.40% | \$ 14,139,594       | \$ 331,396    |
| 1986 | \$ 13,161,742  | 1.90% | \$ 13,733,699       | \$ 571,957    |
| 1987 | \$ 12,623,044  | 0.40% | \$ 13,224,278       | \$ 601,234    |
| 1988 | \$ 11,862,337  | 0.40% | \$ 12,477,047       | \$ 614,710    |
| 1989 | \$ 11,609,067  | 2.90% | \$ 12,564,761       | \$ 955,694    |
| 1990 | \$ 12,439,104  | 6.20% | \$ 14,297,845       | \$ 1,858,741  |
| 1991 | \$ 12,133,800  | 4.50% | \$ 14,588,478       | \$ 2,454,678  |
| 1992 | \$ 12,088,139  | 3.40% | \$ 15,027,721       | \$ 2,939,582  |
| 1993 | \$ 11,897,280  | 3.10% | \$ 15,248,953       | \$ 3,351,673  |
| 1994 | \$ 11,995,612  | 2.10% | \$ 15,645,517       | \$ 3,649,905  |
| 1995 | \$ 11,967,193  | 2.90% | \$ 16,114,831       | \$ 4,147,638  |
| 1996 | \$ 11,986,770  | 2.70% | \$ 16,577,006       | \$ 4,590,236  |
| 1997 | \$ 11,551,755  | 1.50% | \$ 16,215,036       | \$ 4,663,281  |
| 1998 | \$ 11,749,709  | 1.50% | \$ 16,740,295       | \$ 4,990,586  |
| 1999 | \$ 12,157,508  | 1.00% | \$ 17,494,516       | \$ 5,337,008  |
|      | \$ 197,033,627 |       | \$ 238,131,946      | \$ 41,098,319 |

Sources: Alaska Department of Revenue and Advisory Board on Alcoholism and Drug Abuse

Note: Revenue projections do not reflect the probable decrease in consumption based on price increase.

**Note:** The current tax rate went into effect on July 8, 1983 (FY84). Data for FY90-FY99 is from Department of Revenue annual reports. Prior data is from computer files. CPI data is from the Bureau of Labor Statistics, Anchorage, Alaska CPI-U. Annual revenue amounts might differ from those calculated from gallons because of penalties, interest adjustments or timing issues. The table assumes that the tax rates on alcoholic beverages increased with the CPI index after the change in tax rates in FY84. No adjustment was made for change in consumption as a result of higher prices. No adjustment was made for timing differences between fiscal data in gallons and CPI calendar years.

ALASKA STATE

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# HOSPITAL & NURSING HOME

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ASSOCIATION

April 9, 2001

Representative Lisa Murkowski  
Alaska State Legislature  
State Capitol Building, Room 406  
Juneau, AK 99801-1182

Dear Representative Murkowski:

I am writing in regard to HB 225, Municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

The Alaska State Hospital and Nursing Home Association is very interested in the passage of this bill. Public inebriates continue to be a real problem for our hospitals...when someone is picked up by the police, they are escorted to the hospital. While one might question that inebriates be taken to the hospital, we must follow the law. The problem comes in with the ability of the municipality to put additional tax on alcohol. Currently, municipalities (with the exception of Juneau which was grandfathered at the time of law) are not allowed to put separate taxes on alcohol. HB 225 would give communities this ability.

If you have questions regarding our position on the bill, please don't hesitate to call.

Sincerely yours,



Laraine L. Derr  
President/CEO



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)483-5480

April 9, 2001

Representative Lisa Murkowski  
State Capitol  
Juneau, AK 99811

Dear Representative Murkowski,

The League Policy Statement supports HB 225 to increase the wholesale tax on alcohol and allow local voters to increase local sales tax on alcohol. Local voters should have an option to allow higher alcohol taxes to provide some level of local tax relief for alcohol related local expenses.

While we do not have a good estimate of direct local expenses for direct alcohol treatment, the costs associated with public safety services are well documented by the State DCED at approximately \$190 million in FY 98 (see calculations below). A very large portion of the public safety workload is directly related to alcohol abuse.

The Alaska Municipal League and the Alaska Conference of Mayors Policy Statement adopted by the full membership in November 2000 states:

Part III Public Safety, Health, and Welfare:

**3. 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.

Part I Revenue and Finance:

**a. 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.

**1. 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.

Regarding a local vote, Title 29 (AS 29.45.670) states, "A new sales and use tax or an increase in the rate of levy of a sales tax approved by ordinance does not take effect until ratified by a majority of the voters at an election."

**Estimate of the Percentage of State vs Municipal Direct Public Safety Expenditures  
based on FY 98 figures**

**Municipal Public Safety Expenditures FY 98**

➤ Municipal fire, police, EMS, "other public safety" = **\$190.3 million**  
(FY97 was \$178 million: estimated growth rate is 7.04%) Source: DCED-MRAD from  
annual municipal financial reports for latest year recorded - FY 98.

**State Public Safety Expenditures FY 98**

|                                   |                        |
|-----------------------------------|------------------------|
| ➤ Dept of Corrections             | \$130.3                |
| ➤ Dept of Law - Criminal Division | \$14.1                 |
| ➤ Dept of Public Safety           | \$90.5                 |
| ➤ Courts                          | \$49.5                 |
| ➤ <b>TOTAL</b>                    | <b>\$284.4 million</b> |

Source: FY 99 OMB budget report

**Ratio of State to Municipal Public Safety Expenditures**

|                       |                           |       |
|-----------------------|---------------------------|-------|
| Total State+Municipal | = \$474.7                 |       |
| State to Total        | = \$284.4/\$474.7 million | = 60% |
| Municipal to Total    | = \$190.3/\$474.7 million | = 40% |

**Discussion:**

Public Safety is the major category of public service most directly impacted by alcohol abuse. While there are many other public service impacts of alcohol abuse, the highest correlation is in public safety category. (direct alcohol treatment expenditures is a relatively small category and is not listed separately in the MRAD reports. We are working developing these numbers. Per the Dept of Health and Social Services the state awarded \$17.8 million in state and federal funds for alcohol treatment to municipal and non-profit agencies)

Sincerely,



Kevin Ritchie  
Executive Director

22 January 2001

Dear Representative Murkowski,

I will apologize up front for the length of this letter but I know full well that you will be harrassed by the alcohol lobby and I wanted to give you all the facts that will help you answer their arguments rationally and intelligently, so this will be more than a 30 second sound bite.

Most people seem to forget that alcohol is a drug. The alcohol people certainly don't market it as a drug but that is what it is (ask any pathologist). Alcohol is a depressant and its consumption affects people's judgment, coordination and memory. When those things are affected, too often innocent people suffer<sup>1</sup>. Drug use can cause birth defects and alcohol is the sole cause of the only fully preventable birth defect, fetal alcohol syndrome.

Alaska ranks near the very top of the nation in alcohol consumption, underage drinking and alcohol abuse. The overwhelming preponderance of evidence shows that the single most effective method to reduce crime, domestic violence<sup>2</sup> child abuse, increase public safety, and reduce the costs of the criminal justice system agencies is to increase the alcohol excise tax. 20 cents per drink is less than most people spend for a one minute cell phone call but that 20 cents per drink could help prevent someone from being killed by a drunk driver, raped, murdered, assaulted or born with fetal alcohol syndrome. If one less child is born without FAS, one less woman is sexually abused or if one less person is killed by a drunk driver; any of those outcomes alone would be worth another 20 cents per drink.

Alcohol abuse presently causes the State of Alaska to incur about \$250,000,000 in direct costs (e.g., trooper time dealing with alcohol crimes, the D.A.'s office time spent prosecuting the crimes, court costs, the costs of incarceration, the cost of caring for fetal alcohol syndrome children and the other health and human services costs). Presently alcohol contributes only a little over \$12,000,000 to help defray these alcohol abuse costs. By not making alcohol pay for more of the costs alcohol abuse causes Alaska to incur, the State is subsidizing the cost of alcohol (and thereby encouraging its consumption). I think that is wrong because Alaska would be a much better place to live if less alcohol were consumed, rather than more.

Alcohol abuse and what it costs our State in the way of destroyed lives and dollars has been studied to death. The most recent study was published in May 2000. That report, by

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<sup>1</sup> In Sunday's ADN there was an article about a man and his 3-month-old son being shot to death in the small Yukon River village of Koyukuk. Both the man who was shot and the 19 year older shooter were intoxicated.

<sup>2</sup> An analysis of 29,408 reported cases of domestic violence cases in Anchorage between 1989 and 1988 showed that in 48% of the cases alcohol was a factor. The report also found that serious injury was more likely to occur when alcohol was involved.

the Alaska Criminal Justice Assessment Commission ("CJAC"), was co-chaired by Attorney General, Bruce Bothelo, and Arthur Snowden, Retired Director of the Alaska Court System<sup>3</sup>. The CJAC report was published after more than a year of exhaustive study and investigation<sup>4</sup>. In that final report the **CJAC Alcohol Policy Committee's number one recommendation for dealing with Alaska's alcohol abuse problems was to increase the State's excise tax on alcohol by 25 cents per drink.** The reason for this No. 1 ranking was because, overwhelmingly, the evidence shows that **the single most effective method to reduce crime, child abuse, increase public safety, and reduce the costs of the criminal justice system agencies is to increase the alcohol excise tax.**

In 1994 another group of distinguished Alaskans who served in the Criminal Justice Working Group in the Hickel administration summed up their four years of work as follows:

It was the unanimous observation by all the members of the work group that what "drives" the system is alcohol, and that real progress cannot be made in cost reduction--or in the reduction of a wide range of social problems--unless the legislative and executive branches are serious about controlling alcohol.... **The work group unanimously agrees that alcohol is far and away the number one cause of crime in Alaska and that reducing alcohol by even a small amount would reduce crime and the resulting pressure on criminal justice agencies.** The group's strongest recommendation, therefore, is that the executive and legislative branches take meaningful steps to curb the use of alcohol. The first recommendation of the 1994 group was to increase the state tax on alcohol. The 1994 group said:

The liquor industry has stated in legislative hearings that an increase in tax will decrease use of alcohol. Studies elsewhere have shown this to be true, and that use will decline most in younger people who find it harder to afford. This, the workgroup believes, is the best argument that can be made for raising alcohol taxes.

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<sup>3</sup> Mr. Snowden would be an excellent person to talk to if you have any doubts about how much court time is spent dealing with alcohol abuse related crimes

<sup>4</sup> Copies of the Final CJAC report is available by calling the Alaska Judicial Council at (907) 279-2526

A 20 cent per drink increase in the state excise tax on alcohol will bring in approximately \$66,000,000 in additional revenue to the state. If that money were used to hire more troopers for the Bush maybe no more 3 month old children will have to be shot by drunk neighbors.

The alcohol industry will say that a 20 cent per drink increase is an unjustified 700% increase in the excise tax. The alcohol industry will also say that such an increase will make Alaska's alcohol excise tax way above every other state's excise tax rate. Alaska's tax on alcohol is far from the highest in the nation because, unlike most other states, most of the alcohol sold in Alaska is not subject to a sales tax. It is easy to understand why the alcohol industry does not want to pay any more taxes (because it will cut into their profits) but it is equally hard to justify why is it fair for the majority of Alaskans to continue to pay for the devastating results of alcohol abuse.

The liquor industry is looking only at its bottom line when it opposes a 20 cent per drink increase in the alcohol excise tax. They will also claim that people will lose their jobs if the excise tax is increased by 20 cents per drink but they have absolutely no economic research to back up that claim. In fact, Scott Goldsmith, a UAA economist, came to the opposite conclusion.

While it is true that the excise tax increase will be about 700% such an increase is definitely justified and long overdue. In spite of the fact that polls consistently show voters overwhelmingly approve of user taxes on alcohol, the tax on alcohol has not been increased since 1983. Public support will be even stronger if the Legislature uses the new revenue raised by a 20 cents per drink increase in the excise tax to prevent and/or deal with alcohol abuse in Alaska.

The answer to the 700% increase argument is that yes, it might be a 700% increase in the present tax rate but we are not talking about percentages here we are talking about 20 cents per drink and the impact that will have on Alaska's horrendous alcohol abuse problem. How many 3 months old are we prepared to have shot to death by drunk neighbors? How many 12 and 14 year olds driving with their grandparents need to be killed by drunk drivers before the State finally says, "No more"?

Also, any time you have something that is abysmally low, like the present state excise tax on alcohol, (the present excise tax 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) and you want to bring it up to a level that is more in line with reason then "statistically" the increase may look huge when, in reality, it is minimal (not too many people are going to say that 20 cents extra will stop them from having a beer or two). Putting some non-statistical perspective on a 20 cent per drink increase will help. 20 cents is 1/10,000<sup>th</sup> of a \$2,000 PFD; most people pay at least 20 cents per minute for their cell phones and that does not stop them from using their cell phone; 20 cents will no longer even pay for a pay phone call, a candy bar, a can of soda or much else. But, because of the huge volume of alcohol consumed in Alaska, this small increase per drink will bring in \$66,000,000 in additional revenue.

Regarding the argument that Alaska will rank highest nationally in alcohol excise tax rates; I would consider that a positive statement. Most states in the lower 48 are worried that if they raise their alcohol taxes too high people on the oorder will drive to another state for their alcohol. That may be true in the lower 48 but it is not a problem in Alaska. Also, most of the alcohol sold in Alaska is not subject to a sales tax (unlike most alcohol sales in other states) so alcohol in Alaska would definitely not overtaxed even with a 20 cent per drink increase in Alaska's excise tax. Finally, who will be impacted the most by another 20 cents per drink? Such an increase will have zero impact on non-drinkers and light or moderate drinkers will be lightly impacted<sup>5</sup>. **The people who will be heavily impacted are the 15-20 % of drinkers who consume 75-80% of the alcohol and young people, who do not have the disposable income.** But these are the people who cause most of the problems so it is eminently reasonable and fair that they should pay most of the tax.

Adding 20 cents per drink to the existing alcohol excise tax will not come close to covering all of the costs the state incurs in dealing with alcohol abuse but it will at least partially offset a greater portion of the hundreds of millions of dollars that the State spends on problems created by alcohol abuse. Also, if the additional money is earmarked to deal with alcohol abuse this money will directly contribute more to the success of support for children and families and the creation of safe, healthy communities than any other effort.

20 cents per drink increase in Alaska's alcohol excise tax will cause less alcohol to be consumed and if less alcohol is consumed there would be less alcohol abuse and the costs to Alaska of dealing with alcohol abuse would also decrease. So with this tax, money would be both generated and saved. "Two-fer" tax.

Please know that this increase in the alcohol excise tax will save and improve many lives (especially if the legislature uses the increased revenue to help prevent alcohol abuse and its to often tragic consequences).

If you have any questions please, send me an email or give me a call.

Thank you.

Cordially,  
James A. Crary  
2720 Kempton Hills Drive  
345-4008email  
craryja@gci.net

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<sup>5</sup> A "moderate drinker" is defined by the medical profession as a woman who drinks no more than one drink a day or a man who drinks no more than two drinks per day.

### Other Alcohol Excise Tax Facts

1. Research consistently shows that increasing the alcohol excise tax will save lives and avert alcohol related suffering because less alcohol will be purchased and consumed (which is exactly why the alcohol industry does not want an increase in the excise tax). Less alcohol abuse will mean that the State will be able to spend less to deal with alcohol abuse caused problems.
2. An increase in the State alcohol excise tax would start bringing additional revenue into State coffers immediately and would not require any additional state employees to collect because the tax is already being collected. If a statewide income tax or sales tax were instituted it would take a long time to start receiving any revenue and a whole new State bureaucracy would be required to collect it.
3. While many worthwhile state and local programs are being cut the State is subsidizing the cost of alcohol to the tune of several hundred million dollars.
4. Both the Lutheran Church at its statewide convention in June 2000 and the AFN at its 1999 convention endorsed the alcohol excise tax increase

INTERNET ADDRESS:  
acoa@admin.state.ak.us



P.O. BOX 110209  
JUNEAU, AK 99811-0209  
(907) 465-3250  
FAX: 465-4716

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## Alaska Commission on Aging

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### Resolution 2001-01

#### *In support of an increased alcohol excise tax*

Whereas alcohol addiction and excessive use is Alaska's number one social and health problem; and

Whereas nearly 14% of Alaskan adults are dependent on or abuse alcohol, in comparison to a national rate of 7%; and

Whereas the U.S. Substance Abuse and Mental Health Services Administration estimates the rate of alcohol abuse and dependency at up to 17% for older adults; and

Whereas in 1999 the costs associated with substance abuse in Alaska totaled at least \$245,800,000, the majority of which was borne by non-substance-abusing Alaskans including those who were victims of crime and other alcohol related impacts; and

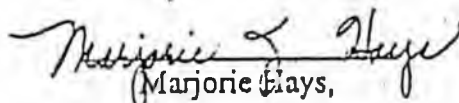
Whereas these costs were absorbed in increased public safety and criminal justice services, private health and life insurance costs, and medical and property expenses; and

Whereas only \$13,500,000 was generated in 1998 by alcohol tax license fees, permit fees and application fees; and

Whereas with a reasonable increase in such fees those who drink can more equitably pay to meet the social costs associated with alcohol dependency and abuse;

Now therefore be it resolved that the Alaska Commission on Aging wholeheartedly supports legislative action to significantly increase the excise tax on alcoholic beverages in Alaska.

Adopted this 14<sup>th</sup> day of February, 2001.

  
Marjorie E. Hayes,  
Chair

STATEWIDE ALCOHOL TAX RESOLUTION ADOPTED BY ALASKA ORGANIZATIONS

WHEREAS, alcohol is Alaska's number one social and health problem;

WHEREAS, nearly 14% of adult Alaskans are dependent on or abuse alcohol, compared to a national rate of about 7%;

WHEREAS, Alaska has the 5<sup>th</sup> highest rate of alcohol-related problems, but ranks 32<sup>nd</sup> for treatment services provided per capita;

WHEREAS, research shows that children who start drinking before age 15 are four times more likely to develop alcohol dependency than those who wait until the legal drinking age of 21;

WHEREAS, in Alaska, alcohol is implicated in 50% of hospital emergency room visits, 65% of suicide attempts, 83% of a child abuse investigations, 60% of domestic violence reports; 63% of sexual assaults; 42% of fatal automobile crashes, 45% of fatal fires and 46% of homicides;

WHEREAS, statewide, alcohol dependence and abuse rates are twice as high among men as among women, and about 50% higher among Alaska Natives and Native Americans as among Non-Natives;

WHEREAS, public comment statewide reveals the serious level of alcohol abuse among older Alaskans and/or as victims of others who abuse alcohol;

WHEREAS, fetal alcohol syndrome and other alcohol-related birth defects are the only 100% preventable birth defects;

WHEREAS, a 1998 survey of Alaska households revealed that 40% of Alaskans who wanted alcohol treatment but had not received it in the previous year were women of childbearing age;

WHEREAS, a 1998 study of recently arrested inmates in four Alaska jails found that 60% met the criteria for a diagnosis of substance abuse or dependence;

WHEREAS, as many as 60% of people with serious mental illnesses develop alcohol or other drug abuse problems at some point in their lives;

WHEREAS, the 1999 cost to Alaskans associated with substance abuse is at least \$245.8 million, the majority of which is borne by non-alcohol abusing citizens who pay for increased public safety and criminal justice services, increase private health and life insurance costs, medical and property expenses as victims of crime and other alcohol related negative consequences;

WHEREAS, alcoholic beverage taxes combined with alcohol related tax license fees, permit fees and application fees generated only \$13.5 million in FY98;

WHEREAS, a twenty-five cent per drink increase in the alcohol excise tax could generate about \$90 million, a twenty cent per drink increase could generate about \$70 million, and a ten cent a drink increase could generate about \$43 million;

WHEREAS, the first among 18 alcohol-related recommendations adopted by the Alaska Criminal Justice Assessment Commission, including the State of Alaska Commissioners of Public Safety, Corrections, and Health and Social Services, and the Attorney General, was to increase the tax on alcohol in order to reduce crime, child abuse and other negative consequences;

WHEREAS, as increase in alcohol taxes has been demonstrated to reduce drinking overall, especially among young people;

WHEREAS, Alaskans who do not drink will experience no financial impact from such an excise tax increase;

WHEREAS, Alaskans who drink moderately will experience limited financial impact from such an excise tax increase;

WHEREAS, 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 \_\_\_\_\_  
(name of organization)  
wholeheartedly supports current legislative efforts to increase the excise tax on alcoholic beverages in Alaska.

#### WHAT IS THE STATEWIDE ALCOHOL TAX COALITION?

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

#### Contact Information:

Pam Watts  
1-888-464-8920  
1-907-465-8920

Organizations that Support the Alcohol Tax Increase, as of April 1, 2001

- ARC of Anchorage Board of Directors
- Advisory Board on Alcoholism and Drug Abuse
- Alaska Commission on Aging
- Alaska Federation of Natives
- Alaska Mental Health Board
- Alaska Mental Health Trust
- Alaska Mental Health Association
- Alaska Native Sisterhood
- Alaska Native Brotherhood
- Alaska Nursing Association
- Alaska Psychiatric Institute Medical Staff
- Alaska State Medical Association
- Atmautluak Traditional Council
- American Cancer Society/Alaska
- Avenues/Wrangell Council on Alcoholism
- Boys and Girls Clubs of Alaska
- Bristol Bay Area (BBAHC) Mental Health Center
- Connecting Ties, Inc. of Valdez
- Fairbanks Native Association
- Georgetown Tribal Council
- Governor's Council on Disabilities and Special Education
- League of Women Voters of Alaska
- Lime Village Traditional Council
- MADD - Mothers Against Drunk Driving/Juneau Chapter
- National Council on Alcoholism and Drug Dependence/Juneau Affiliate
- Native Village of Mekoryuk
- Native Village of Upper Kalskag Traditional Council
- Newtok Traditional Council
- Norton Sound Health Corporation
- Organized Village of Kwethluk
- Scammon Bay Traditional Council
- Seaview Community Services of Seward
- Sleetmute Traditional Council
- Southeast Alaska Regional Health Consortium
- Stebbins Community Association
- Substance Abuse Directors Association
- Tanana Chiefs Conference
- Valdez Counseling Center

Some of the National Organizations Supporting Alcohol Tax Increase

American Academy of Family Physicians \* American Academy of Pediatrics  
American Association of Retired Persons (AARP) \* American College of Physicians  
American College of Preventive Medicine \* American Medical Association  
American Nurses Association \* American Public Health Association  
American Society on Addiction Medicine \* Center for Science in the Public Interest  
National Council on Alcoholism and Drug Dependence  
National Congress of Parents and Teachers (PTA)

FAIRBANKS

## Daily News - Mirror

"Independent in All Things... Neutral in None"  
Established in 1903

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Publisher

BRIAN O'DONOGHUE  
Editorial Page Editor

### Taxing drinkers

Alaskans, more than most, are familiar with the terrible costs attached to alcohol consumption.

From explosive incidents of domestic violence to lifelong impairments arising from Fetal Alcohol Syndrome, drinking to excess is at the root of many of Alaska's worst social problems.

One study conservatively pegged the cost to government of alcohol-related expenditures in Alaska at \$250 million annually. Contrast that whopping burden on taxpayers with the paltry \$12 million this state collects each year through an excise tax on booze wholesalers.

Lawmakers are considering several proposals to raise the state's alcohol tax.

Senate Bill 8, sponsored by Sen. Kim Elton, would boost the state's wholesale alcohol tax to the equivalent of 25-cents per drink. "That doesn't amount to much in a period of time I'm spending \$3 for a latte," Elton says.

The Juneau Democrat is no stranger to the issue, having introduced a similar bill in the last Legislature. To those who argue that additional alcohol tax dollars, like other revenues, will simply fuel growth in unrelated government programs, Elton responds that taxes of this nature carry an implied "moral commitment" for use, as intended, in state alcohol enforcement and treatment programs.

"The Legislature can't dedicate a tax, but we've never wavered in our use of ASMI (seafood marketing) assessments, or aquaculture assessments," he said. "Assuming there's a commitment made up front, I don't see why an alcohol tax would be any different."

(This state has freely used Tobacco Settlement dollars and cigarette tax revenues for unrelated programs and projects—but that's another editorial.)

House Bill 225, sponsored by Rep. Lisa Murkowski, calls for a more modest combination of taxes, adding the equivalent of 10-cents per drink to the state's alcohol tax. As presently written, Murkowski's bill would return a portion of a state alcohol sales tax to municipalities, but the legal complexities of that approach have her leaning toward simply raising the state's wholesale alcohol tax.

"There are people who just don't want any taxes. Others recognize that we haven't raised the state's alcohol tax in 18 years," Murkowski said. She believes she has the support of key GOP colleagues in the House Majority to raise fees collected from an industry from about \$12 million to \$33 million.

As for the state alcohol tax now on the books, discussing the issue on a revenue panel Wednesday, former Gov. Jay Hammond observed, "You know if you haven't raised a tax since 1983 in effect, actually that tax has gone down."

Alaska presently collects the equivalent of 32 cents per drink on beer, 33 cents per drink on wine and 43 cents per drink on hard liquor.

Keep those pennies in mind if and when the alcohol sales industry starts howling in opposition to Murkowski's "300 percent" increase in state alcohol taxes.

We'll raise a glass—and that's no joke—to the success of the campaign to collect more reasonable compensation from an industry whose profits, though lawful, often come at terrible cost to society. It's reasonable that Alaskans who choose to imbibe should pay. In the form of costs passed down by retailers, a rising share of alcohol's mounting tab.

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### It's time to increase alcohol tax to offset the high cost of abuse

Rep. Lisa Murkowski's alcohol tax bill, HB 225, recommends a very modest increase to an alcohol tax that has not seen an increase since 1983. As expected, the liquor industry is attacking the bill, saying it is unreasonable. To the contrary, it results in a modest increase in an alcohol tax that was pitifully small to begin with.

Here is what HB 225 will amount to in real dollars: Hard liquor will be taxed at \$18.40 a gallon, wine at \$3.41 a gallon and beer at \$1.42 a gallon. This is fair and reasonable.

What is not reasonable is to continue to ignore the cost of alcohol to this community and other communities statewide. Because the cost is severe. In Anchorage alone, 55 percent of motor vehicle crash fatalities, 59 percent of domestic violence cases, 55 percent of sexual assaults, and 48 percent of homicides are alcohol-related (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 alcohol tax.

The liquor industry will fight this bill because its primary concern is its own bottom line. Call your legislators and urge them to support HB 225. Thank you, Rep. Murkowski, for doing the right thing.

— Michele Czajkowski  
Anchorage

### Liquor industry's flimsy argument against alcohol tax is chicken talk

Rep. Lisa Murkowski's proposed dime-a-drink increase in the alcohol excise tax is a very courageous step in the right direction ("Liquor bill calls for severe taxes," April 1).

For the liquor industry to run around like Chicken Little shouting that the sky will fall if the Legislature has the temerity to reduce alcohol's quarter-billion-dollar subsidy is really sad.

The alcohol industry also says that a dime-a-drink increase is not reasonable and is unjustified. I will tell you what is not reasonable and is unjustified: every fetal alcohol syndrome child; 12- and 14-year-old kids getting killed by a drunken driver and a 3-month-old boy being shot to death by his 19-year-old intoxicated neighbor. Those children were all worth a lot more than a dime. But a dime a drink is what the Chicken Little liquor industry is saying economically will bring it to its knees.

It has been 18 years since the tax has been increased. This modest increase will cause Alaska to rank highest nationally in alcohol excise tax rates, but that is where Alaska should rank because it is also tops in alcohol consumption, underage drinking and alcohol abuse.

If you are tired of subsidizing alcohol, contact your state representative and senator and tell them to help Rep. Murkowski increase the alcohol excise tax by a dime a drink.

— James A. Crary  
Anchorage

# Alcohol tax

## *Rep. Murkowski launches an encouraging proposal*

The battle to boost the state's alcohol tax, unchanged since 1983, is now engaged. Rep. Lisa Murkowski, R-Anchorage, a member of the House majority, has introduced a bill that would raise the tax 10 cents a drink and give municipalities the option of adding their own 10-cent-a-drink tax.

Rep. Murkowski's entry into the fray improves the odds that a long-overdue increase of some sort will pass this year. State Sen. Kim Elton, D-Juneau, introduced a 25-cent a drink tax early in the session, but he is in the Senate minority, so his bill has gone nowhere. Rep. Murkowski's bill, by contrast, has its first hearing Monday.

Right now, the state spends a quarter-billion dollars to cope with the fallout from alcohol abuse, from treatment

*The current state alcohol tax brings in a paltry \$12 million — barely 5 percent of the cost alcohol inflicts on the state treasury.*

*To completely eliminate the state subsidy for alcohol, the tax would have to rise 2,000 percent.*

programs to police for dealing with alcohol-related crime to medical care for alcohol-related violence and injury. The current state alcohol tax brings in a paltry \$12 million — barely 5 percent of the cost alcohol inflicts on the state treasury. To completely eliminate the state subsidy for alcohol, the tax would have to rise 2,000 percent. By contrast, the increases proposed by Rep. Murkowski and Sen. Elton would cover only one-tenth to one-fifth of that amount.

Some in the alcohol industry have signaled they are willing to accept a

slight tax increase. The raise would be just large enough to cover the cost of new control measures the Legislature might pass, such as better treatment programs and stiffer DWI enforcement. Such an increase would be a token one, just a couple of cents per drink. It's not enough.

Another faction of the alcohol industry vows to fight any increase to the death. And why not? With today's trivial 4 to 5 cent a drink tax, they make a tidy profit and barely pay anything to cover the costs all Alaskans bear from alcohol abuse.

Increasing the state alcohol tax is not a prohibitionist measure. Many who support the tax are responsible drinkers. They simply realize that being responsible means that alcohol users should pay more of the state's costs for cleaning up after it.

ADN 4/6/01



# Anchorage

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## OUR VIEW

# Upping the alcohol tax

*Big increase is long overdue to repay costs of abuse*

**D**own in Juneau, it sounds more and more likely that the Legislature will pass some kind of increase in the state alcohol tax. The question seems to be how much. Will it be a token increase accepted by some people in the industry to avoid a bigger one? Or will it be a larger increase intended to cover a bigger share of the state's costs for cleaning up after alcohol abuse?

The 20-cent-a-drink increase proposed by alcohol control advocates is the better way to go. Alcohol abuse costs the state treasury an annual amount between \$245 million (Alaska Criminal Justice Commission estimate) and \$500 million (National Institutes of Health estimate). The current state alcohol tax produces about \$12 million a year. In other words, the state subsidizes alcohol use and abuse by hundreds of millions of dollars.

*Forty-six percent of homicides, 42 percent of fatal auto crashes and 45 percent of fatal fires involve alcohol.*

*Of all suicide attempts, 65 percent involve alcohol. Of domestic violence cases, 60 percent involve alcohol. Of sexual assault reports, 63 percent involve alcohol. In more than four of every five child abuse investigations, alcohol is a factor.*

With the litany of woes linked to alcohol, it's no wonder the subsidy is astronomical. Alcohol is implicated in one of every nine deaths here — twice the national average. Alaska's rate of fetal alcohol syndrome, which sentences children to a life of mental and physical impairment, is four times the national

Forty-six percent of homicides, 42 percent of fatal auto crashes and 45 percent of fatal fires involve alcohol. Of all suicide attempts, 65 percent involve alcohol. Of domestic violence cases, 60 percent involve alcohol. Of sexual assault reports, 63 percent involve alcohol. In more than four of every five child abuse investigations, alcohol is a factor.

The current state alcohol tax is barely a hiccup. For a beer, it's a tad more than 3 cents a drink. For a 6-ounce glass of wine, it's 4 cents. For hard liquor, the tax on a 1.5-ounce shot is not even 7 cents. This tax has not changed since 1983. (Conveniently for the industry, the tax is not a percentage of the sale price; it is a flat rate per ounce of product.)

Even with a 20-cent-a-drink increase, the tax would fall far short of historic levels. If the alcohol tax had kept pace with inflation since 1961, the average tax per drink in Alaska would be 47 cents.

The Legislature is considering several costly new alcohol control measures. Lowering the drunken driving limit to the 0.080 percent blood alcohol level, tougher penalties for repeat offenders, and more alcohol treatment all will boost the costs of the state's alcohol control efforts. The 20-cent-a-drink tax could fund those new initiatives — and repay a bigger share of the costs alcohol now imposes on the state.

## Chapter 1

# Introduction

In 1984, the National Transportation Safety Board (Safety Board) published a safety study titled *Deficiencies in Enforcement, Judicial, and Treatment Programs Related to Repeat Offender Drunk Drivers* (NTSB/SS-84/04) (the *Repeat Offender Study*). That study was based on Safety Board investigations of more than 50 alcohol-related crashes in which the driver had prior arrests for driving while impaired (DWI).<sup>1</sup> The *Repeat Offender Study* identified repeat offender drinking drivers (included in this report under the category of "hard core drinking drivers") as a serious traffic safety problem. By studying the circumstances of these crashes, the Safety Board was able to identify the problems, loopholes, and deficiencies in the States' systems for detecting, arresting, and adjudicating drinking drivers. The study examined why the systems already in place in the States were unable to prevent the drivers in the investigated crashes from continuing to drive after drinking. Based on its analysis of those cases, the Safety Board issued 14 recommendations, including 10 to the States, 2 to the National Highway Traffic Safety Administration (NHTSA), 1 to the Veterans Administration, and 1 to legal associations and judicial organizations.<sup>2</sup>

In the more than 15 years that have passed since the recommendations were issued, efforts have been made by all States to address the alcohol-related highway safety problem, and considerable progress has been made in detecting, arresting, and adjudicating drinking drivers. Efforts by public and private entities<sup>3</sup> have contributed to substantial reductions between 1983 and 1999 in the number (23,646 to 15,794)<sup>4</sup> and proportion (56 percent to 38 percent) of alcohol-related fatalities. However, the measures taken and the degree of implementation of the Safety Board's 1984 recommendations by States and localities have not been uniform, and alcohol-related crashes continue to claim too many lives on the Nation's roads and highways. The 15,794 people killed in such crashes in 1999 far exceed the target of no more than 11,000 alcohol-related driving fatalities by 2005 that was set by the Secretary of Transportation in 1995.<sup>5</sup>

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<sup>1</sup> In this report, the term "driving while impaired" and its acronym "DWI" are used to refer to the act of driving with a blood alcohol concentration that exceeds the State's standard. States use different terms, such as "driving under the influence (DUI)," "operating under the influence (OUI)," "driving while alcohol impaired (DWAI)," and other terms to describe essentially the same offense.

<sup>2</sup> A description of the recommendations and their current status are fully discussed in Appendix A.

<sup>3</sup> These include the National Highway Traffic Safety Administration, the States, Mothers Against Drunk Driving (MADD), and others.

<sup>4</sup> Preliminary estimate by the National Highway Traffic Safety Administration in a press release dated 3 Apr. 2000, entitled "U.S. Transportation Secretary Slater Says Nation's Traffic Death Rates Reach Historic Low in 1999." The final 1999 fatality report, pending completion of data collection and quality control verification, will be available in August 2000. Data for 1998 are the most recent complete data available and are used throughout this report except as noted.

In light of the thousands of deaths still resulting from these crashes, the National Transportation Safety Board is again focusing efforts on the groups it categorizes as "hard core drinking drivers." For purposes of this report, the term includes the following two groups:

- repeat offender drinking drivers (that is, offenders who have prior convictions or arrests for DWI offenses within the past 10 years) and
- offenders with a blood alcohol concentration (BAC) of 0.15 percent or greater (simply called "high BAC").<sup>6</sup>

These two groups are involved in almost 40 percent of the alcohol-related fatalities and present traffic safety challenges that States can address by implementing the laws, policies, and strategies described in this report.<sup>7</sup>

Six accident investigations for which the Safety Board obtained information were used in preparing this report (see appendix F for briefs of the investigations). These six investigations illustrate some types of crashes in which repeat offenders and high-BAC drivers are involved. While the Board's 1984 study investigated over 50 crashes, this safety report is based on the extensive crash analysis and research currently available that was not available for the 1984 study. These data, despite the limitations of NHTSA's Fatal Accident Reporting System (FARS) and the General Estimates System (GES), provide sufficient information to determine that the involvement of hard core drinking drivers in alcohol-related crashes and fatalities is substantial.<sup>8</sup> The bulk of available data and research on the hard core drinking driver problem made the study of large numbers of Safety Board investigations unnecessary, as no new information would likely be gained regarding the nature or cause of these crashes.

This report examines alcohol-related fatality crash trends in the United States; identifies repeat offenders and high-BAC drinking drivers as highway safety problems; summarizes research on countermeasures; and proposes actions to decrease fatalities caused by hard core drinking drivers. This report also discusses steps taken by the United States Congress to address the problem by enacting certain provisions in the

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<sup>5</sup> National Highway Traffic Safety Administration, *Partners in Progress: Impaired Driving Goals and Strategies for 2005 Summary of Proceedings*, DOT HS 808 246 (Washington: National Highway Traffic Safety Administration, 1995) 5.

<sup>6</sup> The amount of alcohol consumption necessary to reach a BAC of 0.15 percent is substantial. Various BAC estimators have been developed, including the "Blood Alcohol Educator," which was used to develop the following estimates. These estimates assume that the person has not eaten, and drinks quickly. For a 180-pound male, six drinks (each drink equals 12 ounces of beer, a 1-ounce shot of 80 proof distilled liquor, or 5 ounces of wine) in 1 hour will result in a BAC of approximately 0.15 percent. For a 130-pound female, four drinks in 1 hour will result in an estimated BAC of 0.15 percent. Conditions that affect blood alcohol concentration include gender, weight, food intake, alcohol content of the drink, rate of consumption (sipping, drinking, or "chugging" or "slamming"), and time elapsed since consumption. University of Illinois and The Century Council, *Blood Alcohol Educator*, CD-ROM (Urbana-Champaign: University of Illinois and The Century Council, 1999).

<sup>7</sup> A more detailed description of each group and case illustrations are provided in the next chapter.

Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21),<sup>9</sup> and suggests ways to make this legislation more effective.

## Trends

### *Exposure and Probability-of-Arrest Data*

Marked decreases have occurred both in hard core drinking driving exposure and in the probability of hard core drinking drivers' arrest, according to NHTSA. The agency's 1997 survey of driver behavior revealed that there were an estimated 968 million drinking and driving trips in 1997 (based on this self-reported data).<sup>10</sup> This was a decrease from an estimated 1.3 billion trips (also self-reported) in 1993.<sup>11</sup> Also, in 1997, the FBI reported 1.477 million DWI arrests.<sup>12</sup> NHTSA's 1984 review of alcohol-impaired driving in the United States indicated that the risk of DWI arrest is low: it was estimated to be 1 in 300 in a heavily patrolled area and 1 in 2,000 in other areas.<sup>13</sup> NHTSA further reported that "on average, a driver can drive [impaired] 5,000 miles before being arrested for a DUI offense."<sup>14</sup>

NHTSA's *Drinking and Driving in the United States: The 1996 National Roadside Survey* further indicates that on Friday and Saturday nights between the hours of 10 p.m. and 3 a.m., 19.6 percent of 6,400 drivers surveyed had been drinking, 3.2 percent had an illegal BAC of 0.10 percent or greater, and 0.8 percent had a BAC of 0.15 percent or greater. Based on those results, on Friday and Saturday nights in 1996 approximately 1 in 5 cars was driven by a driver who had been drinking, approximately 1 in 31 cars was

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<sup>8</sup> These two systems are crash databases that provide statistics on traffic crashes of all severities. NHTSA states that "care should be taken when comparing nonfatal crash and injury statistics from one year to the next. Since the statistics derived from General Estimates System (GES) data are estimates, year-to-year differences may be the result of the sampling process, not the result of an actual trend. The variability or sampling errors associated with the estimates must be considered when making any year-to-year comparisons using GES data." National Highway Traffic Safety Administration, *Traffic Safety Facts 1998: A Compilation of Motor Vehicle Crash Data from the Fatality Analysis Reporting System and the General Estimates System* DOT HS 808 983 (Washington: National Highway Traffic Safety Administration, 1999) 13. One shortcoming of FARS involves the lack of information involving the role that alcohol impairment plays in the causation of highway crashes. Currently, FARS does not allow an analyst to determine with confidence whether an individual driver's alcohol impairment was a determining factor in causing a crash. While it is clear that degraded driver performance caused by alcohol impairment is a leading cause of death and serious injury, statistical summaries of alcohol-related injuries or fatalities may lead to a tendency to overstate the relationship between alcohol and highway crashes. This happens because all injuries caused by crashes involving at least one drinking driver are labeled "alcohol-related"; this practice leads to the mistaken assumption that alcohol impairment is causal in every crash where alcohol is present.

<sup>9</sup> Pub. L. 105-178, 9 Jun. 1998, Stat. 112,107.

<sup>10</sup> Dawn Balmforth, *National Survey of Drinking and Driving Attitudes and Behavior: 1997* (Washington: National Highway Traffic Safety Administration, 1998) 81.

<sup>11</sup> Balmforth 81.

<sup>12</sup> Federal Bureau of Investigation, *Crime in the United States* (Washington: Federal Bureau of Investigation, 1997) 222.

driven by a legally impaired driver, and approximately 1 in 119 cars was driven by a hard core drinking driver.<sup>15</sup>

### ***Alcohol-Related Crash Fatalities in the United States***

NHTSA defines a fatal traffic crash as alcohol-involved or alcohol-related if either a driver or pedestrian/bicyclist had a blood alcohol concentration (BAC) of .01 g/dl (.01 percent) or greater.<sup>16</sup> In 1983, of the 42,589 people who died in traffic crashes, 23,646 (nearly 56 percent) died in alcohol-related crashes.<sup>17</sup> In 1999, an estimated 41,345 people died in all motor vehicle crashes; 15,794 (38 percent) of the deaths resulted from alcohol-related crashes.<sup>18</sup> This percentage represents the lowest proportion of alcohol-related fatalities in the history of reliable national statistics; it also represents a 33.2-percent reduction in alcohol-related fatalities reported since 1983 (see figure 1).

Reductions in alcohol-related crash fatalities have occurred among *all* drinking drivers, including those whom the Safety Board defines as hard core. For example, in those States with good BAC testing rates (greater than 80 percent) of fatally injured drivers, the proportion of these drivers with a BAC of 0.15 percent or greater declined from 29 percent in 1983 to 20 percent in 1997.<sup>19</sup>

Safety Board staff analyzed FARS data for the same time period as that of NHTSA's Roadside Survey (Friday and Saturday nights, 10 p.m. to 3 a.m., 1996). This analysis determined that 5,203 drivers were involved in fatal crashes during those hours, of which 1,421 were hard core drinking drivers, using the Safety Board's definition. While hard core drinking drivers constituted only 0.8 percent (1 of 119) of all drivers on the road in the National Roadside Survey, they constituted 27 percent of drivers in fatal crashes during the same time period in 1996. These data clearly suggest that hard core drinking drivers are overrepresented in fatal crashes.

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<sup>13</sup> National Highway Traffic Safety Administration, *Alcohol and Highway Safety 1984: A Review of the State of the Knowledge* (Washington: National Highway Traffic Safety Administration, n.d.) 56.

<sup>14</sup> National Highway Traffic Safety Administration, *Alcohol and Highway Safety 1984*, 56.

<sup>15</sup> Robert B. Voas, et al., *Drinking and Driving in the United States: The 1996 National Roadside Survey*, DOT HS 809 019. (Washington: National Highway Traffic Safety Administration, 2000) 8, B-26-30.

<sup>16</sup> Since BAC tests are not given to all active participants in fatal crashes (i.e., drivers, pedestrians or bicyclists), an estimation procedure using discriminant function analysis is used in NHTSA's Fatal Accident Reporting System (FARS) to determine these percentages (Terry M. Klein, *A Method for Estimating Posterior BAC Distributions for Persons Involved in Fatal Traffic Accidents*, DOT HS 807 094 [Washington: U.S. Department of Transportation, 1986]). Unless otherwise noted, statistics used in this report were provided by NHTSA.

<sup>17</sup> National Highway Traffic Safety Administration, DOT HS 808 983, 32.

<sup>18</sup> National Highway Traffic Safety Administration, "U.S. Transportation Secretary Slater Says Nation's Traffic Death Rates Reach Historic Low in 1999," 1. In 1998, 15, 935 people died in all alcohol-related crashes combined.

<sup>19</sup> These states include CA, CO, DE, HI, IL, MD, MN, NV, NJ, NM, OR, SD, WA, WI, and WY. Personal communication with Allan Williams, Insurance Institute for Highway Safety, Mar. 2000.

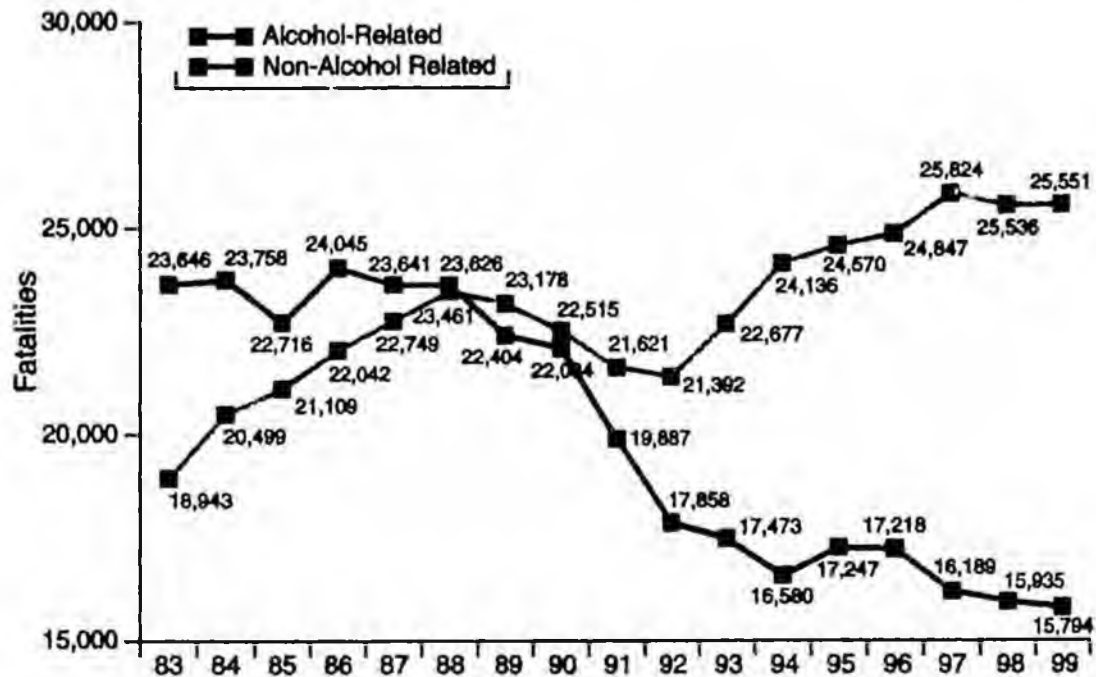


Figure 1. Alcohol-related fatalities in the United States, 1983–1999

### ***Alcohol-Related Crash Injuries in the United States***

The proportion of injuries involving all drinking drivers is difficult to estimate because driver blood alcohol concentration is not routinely taken on surviving drivers and thus is not available for inclusion in NHTSA's General Estimates System. However, according to NHTSA's *Traffic Safety Facts 1998: A Compilation of Motor Vehicle Crash Data from the Fatality Analysis Reporting System and the General Estimates System*,<sup>20</sup> an estimated 305,000 persons were injured in alcohol-related crashes in 1998 alone, a decline from an estimated 340,000 persons in 1992.<sup>21</sup> NHTSA's data also indicate that 99,812 people were injured in fatal crashes involving hard core drinking drivers (as defined by the Safety Board) between 1983 and 1998. The number of injuries resulting from all crashes (both fatal and non-fatal) involving hard core drinking drivers was probably far greater than 100,000 over 16 years.<sup>22</sup>

<sup>20</sup> See footnote 9, page 13.

<sup>21</sup> See footnote 9, page 13.

<sup>22</sup> See footnote 9, page 13.

## Chapter 2

# The Hard Core Drinking Driver

This chapter describes the drivers that the Safety Board defines as hard core, who present particular challenges that can be addressed through proven, effective measures. Following are descriptions and justifications for inclusion of these two groups in the Board's definition of this term.<sup>23</sup> Also included in this chapter are the details of two cases illustrating typical fatal crashes involving repeat DWI offender drivers and high-BAC drivers. Information concerning these and four additional cases are provided in appendix F.

### The Hard Core Drinking Driver

- Repeat offender drinking drivers (DWI Arrest or conviction in past 10 years)
- Drivers having high BAC (0.15 percent or greater)

## Groups Included in The NTSB Definition

### Repeat Offender Drinking Drivers

Repeat offenders, as the term is used in this report, are individuals who are convicted of or arrested for a DWI offense within 10 years of a prior DWI conviction or arrest. In 1995, NHTSA identified this group as high-risk, problem drinking drivers.<sup>24</sup> The agency recognizes that "the relative risk of crashes leading to death—both their own and other people's—is greater for drivers with prior DWI [convictions]."<sup>25</sup> NHTSA reports that 17 percent of fatally injured drivers in 1998 with a positive BAC had a previous DWI conviction, and that fatally injured drivers with BAC levels of 0.10 percent or greater were six times as likely to have a prior DWI conviction compared to fatally injured sober drivers.<sup>26</sup> A North Carolina study also found that 26.2 percent of case drivers who died in alcohol-related motor vehicle crashes had prior DWI arrests while only 3.1 percent of those who died in non-alcohol-related crashes (control group) had one or more DWI arrest

<sup>23</sup> Definitions used by other agencies and organizations are provided in appendix C.

<sup>24</sup> National Highway Traffic Safety Administration, "Repeat DWI Offenders in the United States," *Traffic Tech* 85 (Feb. 1995) 1.

<sup>25</sup> James C. Fell, "Persistent Killers," *Recovery*, 7:3 (Fall 1996) 2 <<http://www.icbc.com/oldrecover/volume7/number3/persistentkillers>>.

<sup>26</sup> National Highway Traffic Safety Administration, *Traffic Safety Facts 1998: Alcohol*, DOT HS 808 950 (Washington: National Highway Traffic Safety Administration, 1998) 3.

in the preceding 5 years. The same study found that the risk of death increases dramatically in relation to the number of prior DWI arrests.<sup>27</sup>

In March 2000, NHTSA published a summary of the attributes of repeat offenders. The report characterizes the typical repeat offender as follows:

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|                    |  |
|--------------------|--|
| Mean Age           | 35   |
| Education          | High school or less                              |
| Occupation         | Non-white collar                                 |
| Income             | Low  |
| Preferred Beverage | Beer, some distilled liquor                      |
| Other Offenses     | Traffic and Criminal                             |
| Gender             | Male (over 90 percent)                           |
| Race               | White  |
| Marital Status     | Unmarried  |
| BAC                | >0.18 percent at arrest; higher in fatal crashes |
| Prior DWIs         | 2-3  |
| Alcohol Problems   | Alcohol dependency common*                       |

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\* John H. Lacey and Ralph K. Jones, *State of Knowledge of Alcohol-Impaired Driving Research on Repeat Offenders* (Washington: National Highway Traffic Safety Administration, 2000) 19.

In analyzing the extent of the problem, NHTSA reviewed repeat offense drinking driver data provided by 12 States (CA, CO, IA, LA, MN, NC, NE, NM, OH, SD, TX, and WI) and reported that approximately one-third of all drivers convicted or arrested for DWI each year are repeat DWI offenders. Eight of these States indicated proportions between 21 and 47 percent for repeat offenders previously convicted of DWI. Repeat offense drinking driver data from the four other States, which measure repeat offense in terms of arrests rather than convictions, were similar; that is, re-arrests ranged between 24 and 46 percent of total DWI arrests.<sup>28</sup> In addition, NHTSA reported that repeat offenders account for 10 to 20 percent of all drinking drivers in fatal crashes, and one out of eight drinking drivers in fatal crashes have had a prior DWI conviction within the past 3 years.<sup>29</sup> The following case<sup>30</sup> is an example of a recent fatal crash involving a repeat offender.

**Case 1.**—On October 7, 1999, at 4:32 p.m., a pickup truck traveling on the shoulder of the road in excess of 50 mph in a 35 mph zone in Bristol Township, Pennsylvania, struck two pedestrians standing behind a truck parked on the shoulder. The impact threw one pedestrian into a nearby yard, causing him serious injury. The second pedestrian was killed when he was pinned between the two trucks.

At the time of this crash, the pickup truck driver, a 42-year-old female, was driving despite the fact that her license had been suspended until 2003 for DUI-related offenses.

<sup>27</sup> Robert D. Brewer, et. al., "The Risk of Dying in Alcohol-Related Automobile Crashes Among Habitual Drunk Drivers," *New England Journal of Medicine* 331:8 (25 Aug. 1994) 513-17.

<sup>28</sup> National Highway Traffic Safety Administration, "Repeat DWI Offenders in the United States" 2.

<sup>29</sup> National Highway Traffic Safety Administration, "Repeat DWI Offenders in the United States" 1.

<sup>30</sup> Both cases included in this chapter, along with additional illustrative cases, are provided in appendix F.

A blood test taken 1 hour after the crash revealed her BAC to be 0.079 percent.<sup>31</sup> Her driver's record indicated that she had been sentenced to a diversion program known as DUI Accelerated Rehabilitation Disposition<sup>32</sup> (a DWI-offender diversion program designed for first-time offenders) in 1985. Although she had not been arrested for another drinking and driving offense for 13 years, she had been re-arrested in both July and August of 1998 for DUI. Following these two arrests in 1998, she received two separate sentences in 1999 of 2 to 364 days in county jail. She served only the minimum 2 days on each count before she was released on probation.<sup>33</sup>

### **High-BAC Offenders**

The precise definition of what constitutes a "high-BAC" offender is subject to debate.<sup>34</sup> In the 15 States that have established laws imposing increased penalties against drivers with a high BAC, the definition of the term differs: four States define high BAC as 0.15 percent; three States, as 0.16 percent; three States, as 0.18 percent, and five States, as 0.20 percent (see appendix B).<sup>35</sup> The National Commission Against Drunk Driving, the Century Council, and Mothers Against Drunk Driving have all developed policies or programs to deal with hard core drinking and driving; all include high-BAC drivers as a part of the problem. These groups all define the term as either 0.15 or 0.16 percent (see appendix C).

The Safety Board selected 0.15 percent or greater in defining high BAC for the following reasons: At this level, offenders are from 1 1/2 to nearly 2 times above the legal BAC limit established in any of the 50 States. Drivers who reach this high level of BAC have consumed large amounts of alcohol, much more than is considered to be social or responsible drinking.<sup>36</sup> Moreover, research has found that drivers with a high BAC are at a substantially greater risk of being involved in a fatal crash: using NHTSA Fatality Analysis Reporting System (FARS) data, the Insurance Institute for Highway Safety estimated the relative fatality risk for drivers in single-vehicle crashes with a high BAC (0.15 percent or greater) to be 385 times that of a zero-BAC driver (see figure 2).<sup>37</sup> Similarly, The Traffic Injury Research Foundation (TIRF), also using FARS data,

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<sup>31</sup> The driver also tested positive for cocaine and benzoylecgonine, a cocaine metabolite.

<sup>32</sup> Under the Pennsylvania DUI Accelerated Rehabilitation Disposition, a violator loses his or her driver's license for 1 year and serves 1 year of probation. If the violator successfully completes probation, the violator may request to have his or her record expunged after 7 years.

<sup>33</sup> National Transportation Safety Board Accident No.: HWY-00-IH-20

<sup>34</sup> The Safety Board specifically notes, as it did in its 1990 Safety Study NTSB/SS-90-01, *Fatigue, Alcohol, Other Drugs, and Medical Factors in Fatal-to-the-Driver Heavy Truck Crashes*, that any BAC may be impairing and that the only safe BAC is zero.

<sup>35</sup> Indiana, Louisiana, Maine, and Washington use 0.15 percent. Connecticut, New Hampshire, and New Mexico use 0.16 percent. Arizona, Arkansas, and Kentucky use 0.18 percent. Colorado, Florida, Idaho, Minnesota, and Tennessee use 0.20 percent.

<sup>36</sup> The American Psychiatric Association accepts a single DWI conviction as evidence of alcohol abuse. DWI convictions can be obtained at 0.08 percent BAC or greater in 18 States and the District of Columbia and at 0.10 percent BAC or greater in 33 States. In addition, the U.S. Department of Health and Human Services in the National Household Survey on Drug Abuse defines "binge drinking" as drinking 5 or more drinks on the same occasion. American Psychiatric Association, *Diagnostic and Statistical Manual of Mental Disorders, 4th Edition* (Washington: American Psychiatric Association, 1994) 196.

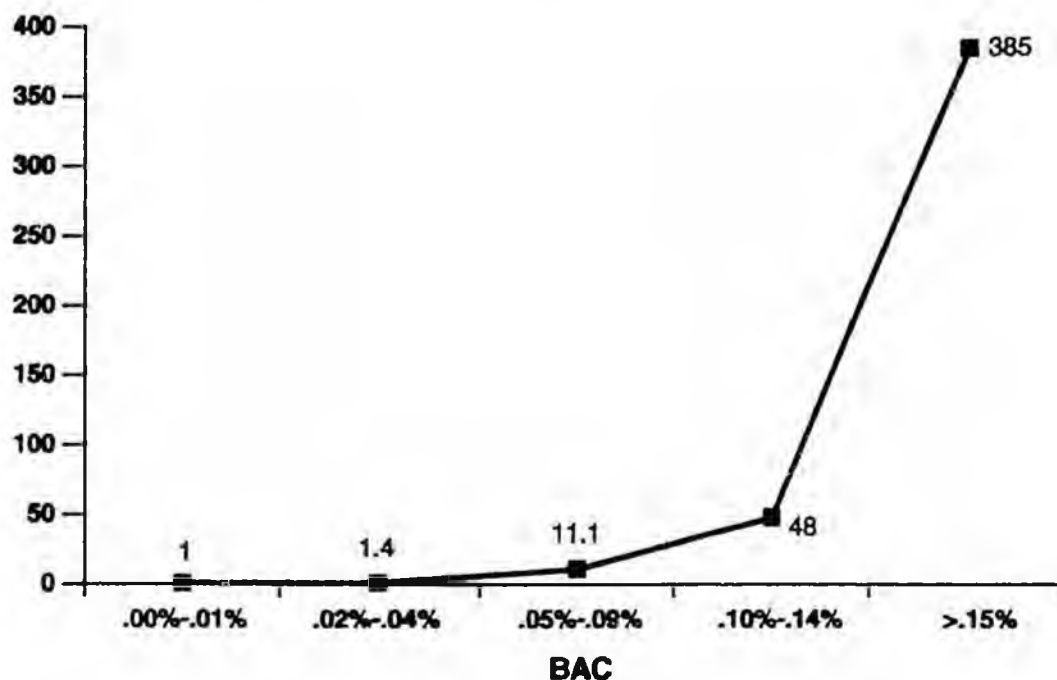


Figure 2. Relative single vehicle crash risk at a high-BAC level

estimated that high-BAC drivers (0.15 percent or greater) are more than 200 times more likely to be involved in a fatal crash than a non-drinking driver.<sup>38</sup> TIRF also indicated that on weekend nights, less than 1 percent of all drivers on the road have a BAC of 0.15 or greater, but they “represent nearly half of all the fatal crashes at that time.”<sup>39</sup>

In 1998, NHTSA sponsored a critical literature review of the alcohol highway safety problem and concluded that “recent research adds little new knowledge about the role of high BAC in alcohol-related crashes, but reinforces the findings of prior studies indicating that a high BAC is strongly related to both high alcohol-crash incidence and high alcohol-crash risk.”<sup>40</sup> One study by Simpson and Mayhew,<sup>41</sup> included in the 1998 literature review, showed that 80 percent of all fatally injured drivers with measurable BAC had a level in excess of 0.10 percent, 64 percent had a level in excess of 0.15 percent, and about 40 percent had a level of 0.20 percent or greater.<sup>42</sup> The Simpson and Mayhew study also showed that, among drivers who had a BAC above 0.10 percent,

<sup>37</sup> Paul Zador, “Alcohol-related Relative Risk of Fatal Driver Injuries in Relation to Driver Age and Sex,” *Journal of Studies on Alcohol* 52 (1991) 302-310.

<sup>38</sup> Herbert M. Simpson, Daniel R. Mayhew, and Douglas J. Beirness, *Dealing with the Hard Core Drinking Driver* (Ottawa: The Traffic Injury Research Foundation of Canada, 1996) 40.

<sup>39</sup> Simpson, Mayhew, and Beirness, *Dealing with the Hard Core Drinking Driver* 21.

<sup>40</sup> Ralph K. Jones and John H. Lacey, *Alcohol Highway Safety: Problem Update*, DOT HS 808 743 (Washington: National Highway Traffic Safety Administration, 1998) 34.

<sup>41</sup> Herbert M. Simpson and Douglas R. Mayhew, *The Hard Core Drinking Driver Update* (Ottawa: The Traffic Injury Research Foundation of Canada, 1992) 3.

<sup>42</sup> Jones and Lacey DOT HS 808 743, 13

First of all I'd like to thank you for the opportunity to put my two cents worth into this, or should I say, two minutes worth. During the Labor and Commerce hearing committee meeting, I went over the five minute limit and was promptly reminded of it at the end of my testimony. Funny, all those in favor of this bill who went over, and there were many, were welcome to go over the time without any comments from Ms. Murkowski.

I guess as an independent I have no allegiance to either the Democrats or the Republicans, but I have to say that I've never seen this level of demagoguery coming out of the legislature in my 28 years as an Alaskan.

Alcohol usage is one of the easiest targets there is today for pinning the blame for societal ills. It's a piece of cake to tie those of us in the industry to the whipping post. In the short time allowed here I can only make a couple of points that stand out in my mind in regards to this taxation scheme.

1.) I absolutely resent the implication that we foster and cater to the criminal element in our society. It is illegal for us to serve an intoxicated individual. In our establishment, the rule is if you can't handle yourself while partaking, don't come in. We have an \$6 list. In other words, if you can't control your behavior there's a penalty. Perhaps we as a people have moved too far away from that long established moral and ethical standard that we as individuals should be accountable for our own actions. This is what held societies together for centuries. The idea that we are going to tax ourselves to righteousness is ludicrous. The idea that the funds raised from this 300% tax increase are going to go into programs that subsidize and mediate the "alcohol problem" is an even greater abuse of political power. You as legislators know none of these dollars can be allocated as such. Where has the tobacco tax increase gone?

2.) Ms. Murkowski's backup propaganda, (excuse me, literature-Alaska's Alcohol Index) are unfairly skewed with the 1.4 million annual visitors to this state. It surprises me that they left one important qualifying statement in the paper, "There is no current analysis of how much of Alaska's alcohol consumption is related to the 1.4 million visitors to the state in 1999."

3.) Whether you believe it or not, this will put the smaller merchants out of business thereby requiring longer driving distances to consolidated larger retailers. Is this the effect desired? People will drink.

4.) I am not opposed to fair taxation; I'm not opposed to public safety. Some years back I proposed the idea of instituting a borough Sheriff in Nikiski, to offset the trouper load and to deal with the growing community of Nikiski's problems. I was promptly tarred and feathered. Be that as it may, I am not entirely opposed to an increase that is more logically tied to an inflation and cost of living index. We can sustain that, and I believe the state can too. I am willing to pay a fair share of taxes but I am not willing to submit to this prohibitive revenue collection bill and the undisclosed agenda it serves.

5.) Lastly, I think it's high time someone pick up on the idea of a real civil restitution bill, whereby we once again hold those accountable for their misdeeds and actions and associated costs incurred by the state and society by placing liens and garnishment in such the same fashion as CSED.



# Public Opinion Message

Contact your nearest Legislative Information Office to send your POM

This form must be completely filled out. You may phone, fax, or deliver your POM to any LIO.

**From:** Please PRINT the information below. This form must be signed by the sender.

|  |                            |                  |                                    |  |
|--|----------------------------|------------------|------------------------------------|--|
| Mr./Ms. <input checked="" type="checkbox"/> Mrs.   | First name<br><i>Helen</i> | M.I.<br><i>C</i> | Last name<br><i>Tracy</i>          | Dr./Mr./Ms.                                  |
| Group affiliation (if applicable)<br><i>Community Connections - Children's Mental Health</i> |                            |                  |                                    | Daytime telephone number <i>907 772-2836</i> |
| Mailing address<br><i>PO Box 712 Petersburg AK</i>   |                            |                  |                                    | Zip code<br><i>99833</i>                     |
| Residence (street) address if different from mailing address<br><i>13 2nd St</i>             |                            |                  |                                    | Zip code<br><i>99833</i>                     |
| E-mail address   |                            |                  | Signature<br><i>Helen C. Tracy</i> | Date<br><i>5/1/01</i>                        |

**To:** Put a  in the appropriate box(es).

| Committees  | House members                                       | Senate members                            |
|---|---|---|
| <input checked="" type="checkbox"/> <b>HERS</b>         | <input type="checkbox"/> Barkowitz (ber)            | <input type="checkbox"/> Austerlitz (aus) |
| <input type="checkbox"/> Community & Regional Affairs   | <input checked="" type="checkbox"/> Bunde (bun)     | <input type="checkbox"/> Cowdery (coy)    |
| <input checked="" type="checkbox"/> Finance (fin)       | <input type="checkbox"/> Chensault (che)            | <input type="checkbox"/> Davis (dab)      |
| <input type="checkbox"/> Health, Ed., & Social Services | <input type="checkbox"/> Cisna (cis)                | <input type="checkbox"/> Donley (don)     |
| <input type="checkbox"/> Judiciary (jud)                | <input type="checkbox"/> Coghill (cog)              | <input type="checkbox"/> Ellis (ell)      |
| <input type="checkbox"/> Labor & Commerce (l&c)         | <input type="checkbox"/> Crawford (crf)             | <input type="checkbox"/> Elton (elt)      |
| <input type="checkbox"/> Resources (res)                | <input checked="" type="checkbox"/> Croft (cro)     | <input type="checkbox"/> Green (gre)      |
| <input type="checkbox"/> Rules (ris)                    | <input checked="" type="checkbox"/> Davies (dav)    | <input type="checkbox"/> Halford (hal)    |
| <input type="checkbox"/> State Affairs (sta)            | <input type="checkbox"/> Dyson (dys)                | <input type="checkbox"/> Hoffman (hof)    |
| <input type="checkbox"/> Transportation (tra)           | <input type="checkbox"/> Fate (fnt)                 | <input type="checkbox"/> Kelly (kep)      |
| <input type="checkbox"/> Other:                         | <input type="checkbox"/> Foster (foe)               | <input type="checkbox"/> Leman (lem)      |
| <input type="checkbox"/> Other:                         | <input type="checkbox"/> Green (gm)                 | <input type="checkbox"/> Lincoln (lin)    |
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|   | <input type="checkbox"/> Halcro (hec)               | <input type="checkbox"/> Pearce (pee)     |
| <b>CAUCUSES</b>   | <input checked="" type="checkbox"/> Harris (har)    | <input type="checkbox"/> Phillips (phi)   |
| <input type="checkbox"/> Anchorage (age)                | <input type="checkbox"/> Hayes (hay)                | <input type="checkbox"/> Taylor (tay)     |
| <input type="checkbox"/> Bush (bus)                     | <input checked="" type="checkbox"/> Hudson (hud)    | <input type="checkbox"/> Theriault (thr)  |
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| <input type="checkbox"/> Majority (mjr)                 | <input type="checkbox"/> Kapener (kap)              | <input type="checkbox"/> Wilken (wik)     |
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|   | <input type="checkbox"/> McGuire (mog)              |   |
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|   | <input type="checkbox"/> Ogan (oga)                 |   |
|   | <input type="checkbox"/> Porter (por)               |   |
|   | <input type="checkbox"/> Rokberg (rok)              |   |
|   | <input type="checkbox"/> Scatzi (scz)               |   |
|   | <input type="checkbox"/> Stevens (stv)              |   |
|   | <input checked="" type="checkbox"/> Whitaker (whl)  |   |
|   | <input checked="" type="checkbox"/> Williams (wll)  |   |
|   | <input type="checkbox"/> Wilson (wls)               |   |

**Subject** Fill out the boxes below/ **OR** enter a Subject.

|                       |                           |                |   |                                 |                                |  |
|-----------------------|---------------------------|----------------|---|---------------------------------|--------------------------------|--|
| HB or SB<br><i>HB</i> | Bill number<br><i>225</i> | and check one: | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Oppose | <input type="checkbox"/> Amend | <b>OR</b> enter a general Subject<br>(LIO staff may modify): |
|-----------------------|---------------------------|----------------|---|---------------------------------|--------------------------------|--|

**Message** Your PRINTED message cannot exceed 50 words or contain any vulgar language.

|   |    |
|---|----|
| <i>Prevention &amp; Treat of substance abuse</i>  | 5  |
| <i>is essential. The "war on drugs" has not</i>   | 10 |
| <i>been successful. We have to treat the</i>      | 15 |
| <i>people who are addicted &amp; prevent more</i> | 20 |
| <i>from becoming addicted. The suppliers will</i> | 25 |
| <i>always be there. - we need to focus on the</i> | 30 |
| <i>consumer if we are to make a dent in this</i>  | 35 |
| <i>problem.</i>                                   | 40 |
|   | 45 |
|   | 50 |





# Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE COMMITTEE  
committee name

Committee on HA-225 Alcoholic Beverage Tax dated 5/1/01  
bill # sub. sec.

I/WR ASK THIS COMMITTEE TO ALLOW THIS BILL TO  
DIE FOR THE FOLLOWING REASONS:

- 1) THE TRUE COST TO THE STATE IS UNKNOWN (EXPENSES BEING LOWLY EST.)
- 2) THE COST ESTIMATE (PER RESIDENT) DOES NOT INCLUDE THE  
1.5 MILLION TOURISTS THAT VISIT EACH YEAR.
- 3) THE TAX WILL BE THE HIGHEST IN THE NATION
- 4) LIKE THE TOBACCO TAX THIS WILL GO INTO THE GENERAL FUND  
AND A HUGE FUND UP WHERE IT'S WASTED (TRAINING & RECREATION)

Thank You  
*[Signature]*

Signed: GILLES A. TISDALE  
Testifier

DECASTRAD IAN (KASIMIR, AK)  
Representing (optional)

P.O. BOX 703 SOLIDINA, AK 99668  
Address

262-2692  
Phone number



**HB**

**228**

HFIN

FILE



# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CS HB 228 (FIN)  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
 Title: Relating enforcement of tobacco laws BRU: State Health Services  
 Component: Community Health/EMS Services  
 Sponsor: Rep. Harris  
 Requester: House (FIN) Component Number: 2078

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2002      | FY 2003      | FY 2004      | FY 2005      | FY 2006      | FY 2007      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services      | 72.1         | 77.1         | 82.1         | 87.1         | 92.1         | 97.9         |
| Travel                 | 60.9         | 60.9         | 60.9         | 60.9         | 60.9         | 60.9         |
| Contractual            | 344.4        | 344.4        | 344.4        | 344.4        | 344.4        | 344.4        |
| Supplies               | 2.0          | 2.0          | 2.0          | 2.0          | 2.0          | 2.0          |
| Equipment              | 8.5          |              |              |              |              |              |
| Land & Structures      |              |              |              |              |              |              |
| Grants & Claims        |              |              |              |              |              |              |
| Miscellaneous          |              |              |              |              |              |              |
| <b>TOTAL OPERATING</b> | <b>487.9</b> | <b>484.4</b> | <b>489.4</b> | <b>494.4</b> | <b>499.4</b> | <b>505.2</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                                       |              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts                 |              |              |              |              |              |              |
| 1003 GF Match                         |              |              |              |              |              |              |
| 1004 GF                               |              |              |              |              |              |              |
| 1005 GF/Program Receipts              |              |              |              |              |              |              |
| 1119 Tobac Sett                       | 487.9        | 384.4        | 389.4        | 394.4        | 399.4        | 405.2        |
| Other (Statutorily Designated Rcpts.) |              | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        |
| <b>TOTAL</b>                          | <b>487.9</b> | <b>484.4</b> | <b>489.4</b> | <b>494.4</b> | <b>499.4</b> | <b>505.2</b> |

Estimate of any current year (FY2001) cost: 230.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

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

**ANALYSIS:** (Attach a separate page if necessary)

Alaska's statewide tobacco-sales-to-minors enforcement efforts were funded for that past three years on a grant from the Food and Drug Administration (FDA). In March 2000 this funding ended abruptly when the US Supreme Court ruled that the FDA had no regulatory authority over tobacco. Since that time, funding has been diverted from community-based tobacco prevention and control efforts, as well as alcohol and drug abuse prevention and treatment, to continue enforcement activities. Currently, federal substance and alcohol abuse treatment funds are threatened to be reduced because of high tobacco sales to youth noncompliance rates.

An effective enforcement program includes community-based enforcement, year-round enforcement checks, accountability of sales staff and vendors, and vendor education and training. This bill would enable such a program. It also would provide revenues to offset part of the program costs. Program costs would include the following:

Prepared by: Karen Pearson, M.S. Phone (907) 465-3090  
 Division: Public Health Date/Time: \_\_\_\_\_  
 Approved by: Elmer A. Lindstrom, Special Assistant Date 4/25/01 4:25 PM  
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

## ANALYSIS: (continued)

\$72,095 for personnel costs include a full-time project coordinator, responsible for: (1) facilitating an inter-departmental working group with the Division of Public Health, the Division of Alcohol and Drug Abuse, the Civil and Criminal Divisions of the Department of Law, the Department of Public Safety, and the Division of Occupational Licensing; (2) developing an interagency working agreement; (3) developing vendor education; (4) coordinating enforcement efforts; (5) administering contracts with local police departments; and (6) facilitating community education and community development. This line also includes 10% of the existing tobacco prevention and control program manager who is responsible for coordinating the overall tobacco prevention and control program, as well as 25% of an existing part-time administrative clerk II. The expenditure line is projected to increase over the next 5 years to cover annual meritorious increases.

\$60,860 for travel costs include: (1) 18 coordination trips for project and program coordinators to meet with community-based partners and the Alaska Tobacco Control Alliance (ATCA); (2) transporting enforcement staff and youth to communities where investigations will occur; and (3) project coordinator attendance at the annual Synar conference.

\$344,400 in contractual services costs include: (1) contracts with local police departments and officers to conduct the enforcement checks (approximately 1,000 checks will occur each year); (2) contracts to design, print, and distribute vendor educational materials to assist vendors in meeting state law; (3) training of vendors in the use of these materials; (4) RSAs with the Departments of Law and Commerce and Economic Development for adjudicating noncompliance cases; and (5) other administrative costs.

\$2,000 is included for office supplies and program materials.

\$8,500 is included for computer equipment and a workstation in the FY02.

# FISCAL NOTE

**STATE OF ALASKA  
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 228(L&C)  
 (H) Publish Date: 4/20/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Sale of Tobacco Products BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Harris  
 Requester: House Labor and Commerce Committee Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2002    | FY 2003    | FY 2004    | FY 2005    | FY 2006    | FY 2007    |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services      |            |            |            |            |            |            |
| Travel                 |            |            |            |            |            |            |
| Contractual            |            |            |            |            |            |            |
| Supplies               |            |            |            |            |            |            |
| Equipment              |            |            |            |            |            |            |
| Land & Structures      |            |            |            |            |            |            |
| Grants & Claims        |            |            |            |            |            |            |
| Miscellaneous          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                          |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts    |            |            |            |            |            |            |
| 1003 GF Match            |            |            |            |            |            |            |
| 1004 GF                  |            |            |            |            |            |            |
| 1005 GF/Program Receipts |            |            |            |            |            |            |
| 1037 GF/Mental Health    |            |            |            |            |            |            |
| Other (Specify Type)     |            |            |            |            |            |            |
| <b>TOTAL</b>             | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

See attached

Prepared by: Johanna Bales Phone 269-6628  
 Division: Tax Division Date/Time April 13, 2001, 10 a.m.  
 Approved by: Larry Parsily, Deputy Commissioner Date 4/13/01  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

## **Department of Revenue Bill Analysis**

### **HB 228 – Tobacco Enforcement - April 13, 2001 - FN#1**

The Department of Revenue supports HB 228, which would increase the penalties for selling cigarettes to individuals under the age of 19 and give the Department of Revenue new tools to enforce the nationwide Master Settlement Agreement (MSA) signed by the major cigarette producers and states.

Under the provisions of the MSA, entered into and subsequently adopted by the State of Alaska under AS 45.53, cigarette manufacturers that did not sign the MSA (nonparticipating manufacturers) must establish and fund escrow accounts for the benefit of the State of Alaska. If the state fails to enforce this provision of the MSA, the state can be sued by manufacturers that signed the MSA (participating manufacturers) and could potentially lose some or all of its payments under the agreement.

Alaska expects to receive approximately \$28 million each year from the MSA, provided the payments are not reduced for failing to enforce the provisions of the agreement.

The following sections of HB 228 would enhance the Department of Revenue's ability to protect the state's revenue from the MSA:

#### **Section 3. Disclosure of information for compliance with the tobacco product Master Settlement Agreement.**

The Department of Revenue is responsible for determining the amount of escrow payments that must be made by each nonparticipating manufacturer each year. The information used to determine the amount of the escrow payments comes from cigarette tax and tobacco product tax returns filed with the Department of Revenue. The Department of Law is responsible for suing those nonparticipating manufacturers that fail to make escrow payments. Although the Department of Revenue may provide information to the Department of Law at the time an official investigation begins, it is precluded from sharing this information with other states and entities that may aid the Department of Revenue in enforcing the MSA. We believe this section of the bill is needed to allow for increased sharing of information with the Department of Law and other entities, such as the National Association of Attorneys General and the Federation of Tax Administrators. Both of these agencies are heavily involved with aiding states in enforcing the provisions of the MSA.

**Section 4. Notification of noncompliance; confiscation of noncomplying cigarettes.**

The MSA was recognized and adopted by the State of Alaska effective June 3, 1999. For the period June 3, 1999, through December 31, 1999, the Department of Revenue identified 23 nonparticipating manufacturers that sold cigarettes into Alaska. Of these 23 nonparticipating manufacturers, only three have established and funded escrow accounts as required in AS 45.53. Section 4 of this bill would prohibit the state's cigarette and tobacco products licensees from importing and selling cigarettes made by nonparticipating manufacturers that have failed to comply with AS 45.53. This provision is needed to aid in the enforcement of the MSA and protect Alaska's current and future payments under the MSA.

# FISCAL NOTE

**STATE OF ALASKA  
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 228(L&C)  
 (H) Publish Date: 4/20/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Law  
 Title "An Act relating to the offense of selling or BRU Civil Division  
giving tobacco to a minor, ..." Component Fair Business Practices  
 Sponsor Representative Harris  
 Requester House Labor and Commerce Committ Component No. 2206

**Expenditures/Revenues (Thousands of Dollars)**

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

| OPERATING EXPENDITURES | FY 2002     | FY 2003     | FY 2004     | FY 2005     | FY 2006     | FY 2007     |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Personal Services      | 60.6        | 60.6        | 60.6        | 60.6        | 60.6        | 60.6        |
| Travel                 | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         |
| Contractual            | 9.4         | 9.4         | 9.4         | 9.4         | 9.4         | 9.4         |
| Supplies               | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         |
| Equipment              | 6.5         |             |             |             |             |             |
| Land & Structures      |             |             |             |             |             |             |
| Grants & Claims        |             |             |             |             |             |             |
| Miscellaneous          |             |             |             |             |             |             |
| <b>TOTAL OPERATING</b> | <b>77.4</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE (Thousands of Dollars)**

|                           |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts     |             |             |             |             |             |             |
| 1003 GF Match             |             |             |             |             |             |             |
| 1004 GF                   |             |             |             |             |             |             |
| 1005 GF/Program Receipts  |             |             |             |             |             |             |
| 1037 GF/Mental Health     |             |             |             |             |             |             |
| 1007 Interagency Receipts | 77.4        | 70.9        | 70.9        | 70.9        | 70.9        | 70.9        |
| <b>TOTAL</b>              | <b>77.4</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> | <b>70.9</b> |

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

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

**ANALYSIS: (Attach a separate page if necessary)**

HB 228 provides additional tools to prohibit the sale of tobacco to minors.

Several changes are made to the current requirement that a person selling tobacco products must have a tobacco endorsement attached to their state business license. The fee for a two-year tobacco endorsement would be increased from \$25 to \$100. The bill would require a tobacco endorsement for each location and outlet where the business sells tobacco products. Current law requires only one, no matter how many store locations or outlets a business uses to sell tobacco products. This change will make it easier to track locations or outlets where tobacco products are sold to be sure the tobacco tax and other law are being uniformly followed. This change, as well as the increased endorsement fee, would help offset the increasing cost of the administration and enforcement of endorsement requirements. The bill establishes civil penalties in the form of significant fines for those who sell tobacco without an endorsement, for sale of gray market cigarettes, and failure to post required warning signs. It would

Prepared by: Joan M. Kasson Phone 465-5370  
 Division Attorney General's Office Date/Time 4/12/01 2:57 PM  
 Approved by: Kathryn Daughhetee for Bruce M. Botelho, Attorney General Date 4/12/01  
 Agency Department of Law

For distribution information, call the Governor's Legislative Office

## FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

BILL NO. HB 228 - FN#2

### ANALYSIS CONTINUATION

establish a streamlined administrative process for suspending the endorsements of those businesses who violate the state's laws on selling tobacco products to minors. It would also allow for the revocation of endorsements or an increase in the suspension period if the person continues the conduct which led to an endorsement during a suspension period.

A recent survey initiated by the Department of Health and Social Services indicated that nearly two-thirds of tobacco vendors in rural Alaska sold tobacco products to children, and more than one-third of the vendors in urban Alaska did. Federal law requires no more than a 20 percent noncompliance rate. In order to improve Alaska's noncompliance rate, DH&SS anticipates approximately 1,500 enforcement checks each year will be performed if this bill is enacted.

The Department of Law estimates the services of one-half of a full-time equivalent attorney position will be necessary to provide the necessary legal services associated with the compliance checks and the administrative process resulting from any noncompliance. This position will be funded by interagency receipts from the Department of Health and Social Services, and will be assigned to the Fair Business Practices section in the Anchorage office of the Civil Division.

This estimate is based on our prior experience with tobacco compliance checks and endorsement proceedings under current law. The few cases undertaken in FY99 took an average of 27 hours of attorney time each to complete. With the streamlined process intended by this bill, cases should move faster. However, none of the cases pursued in FY99 went to administrative hearing, which by requiring additional time, may offset the gains from the streamlined procedure to some extent.

Using the department's FY02 standard attorney cost schedule, the fiscal impact from this legislation for the Civil Division's Fair Business Practices section would be \$70,888. This cost includes clerical support, communications, space, supplies, data processing, and other normal overhead expenses. The standard cost does not include one-time new equipment purchases, and \$6,500 is added in FY02 for this purpose.

Change to TOBACCO Settlement Funds  
**FISCAL NOTE**

STATE OF ALASKA  
 2001 LEGISLATIVE SESSION

Fiscal Note Number: 3  
 Bill Version: CSHB 228(L&C)  
 (H ) Publish Date: 4/20/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
 Title: Relating to tobacco sales to minors and BRU: State Health Services  
license endorsements for tobacco sales Component: Community Health/EMS Services  
 Sponsor: Rep. Harris  
 Requester: House (L&C) Component Number: 2078

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2002      | FY 2003      | FY 2004      | FY 2005      | FY 2006      | FY 2007      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services      | 72.1         | 77.1         | 82.1         | 87.1         | 92.1         | 97.9         |
| Travel                 | 60.9         | 60.9         | 60.9         | 60.9         | 60.9         | 60.9         |
| Contractual            | 344.4        | 344.4        | 344.4        | 344.4        | 344.4        | 344.4        |
| Supplies               | 2.0          | 2.0          | 2.0          | 2.0          | 2.0          | 2.0          |
| Equipment              | 8.5          |              |              |              |              |              |
| Land & Structures      |              |              |              |              |              |              |
| Grants & Claims        |              |              |              |              |              |              |
| Miscellaneous          |              |              |              |              |              |              |
| <b>TOTAL OPERATING</b> | <b>487.9</b> | <b>484.4</b> | <b>489.4</b> | <b>494.4</b> | <b>499.4</b> | <b>505.2</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                                       |              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts                 |              |              |              |              |              |              |
| 1003 GF Match                         |              |              |              |              |              |              |
| 1004 GF                               | 487.9        | 384.4        | 389.4        | 394.4        | 399.4        | 405.2        |
| 1005 GF/Program Receipts              |              |              |              |              |              |              |
| 1037 GF/Mental Health                 |              |              |              |              |              |              |
| Other (Statutorily Designated Rcpts.) |              | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        |
| <b>TOTAL</b>                          | <b>487.9</b> | <b>484.4</b> | <b>489.4</b> | <b>494.4</b> | <b>499.4</b> | <b>505.2</b> |

Estimate of any current year (FY2001) cost: 230.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

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

**ANALYSIS:** (Attach a separate page if necessary)

Alaska's statewide tobacco-sales-to-minors enforcement efforts were funded for that past three years on a grant from the Food and Drug Administration (FDA). In March 2000 this funding ended abruptly when the US Supreme Court ruled that the FDA had no regulatory authority over tobacco. Since that time, funding has been diverted from community-based tobacco prevention and control efforts, as well as alcohol and drug abuse prevention and treatment, to continue enforcement activities. Currently, federal substance and alcohol abuse treatment funds are threatened to be reduced because of high tobacco sales to youth noncompliance rates.

An effective enforcement program includes community-based enforcement, year-round enforcement checks, accountability of sales staff and vendors, and vendor education and training. This bill would enable such a program. It also would provide revenues to offset part of the program costs. Program costs would include the following:

Prepared by: Karen Pearson, M.S. Phone (907) 465-3090  
 Division: Public Health Date/Time: \_\_\_\_\_  
 Approved by: Elmer A. Lindstrom, Special Assistant Date 4/10/01 11:53 AM  
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

\$72,095 for personnel costs include a full-time project coordinator, responsible for: (1) facilitating an inter-departmental working group with the Division of Public Health, the Division of Alcohol and Drug Abuse, the Civil and Criminal Divisions of the Department of Law, the Department of Public Safety, and the Division of Occupational Licensing; (2) developing an interagency working agreement; (3) developing vendor education; (4) coordinating enforcement efforts; (5) administering contracts with local police departments; and (6) facilitating community education and community development. This line also includes 10% of the existing tobacco prevention and control program manager who is responsible for coordinating the overall tobacco prevention and control program, as well as 25% of an existing part-time administrative clerk II. The expenditure line is projected to increase over the next 5 years to cover annual meritorious increases.

\$60,860 for travel costs include: (1) 18 coordination trips for project and program coordinators to meet with community-based partners and the Alaska Tobacco Control Alliance (ATCA); (2) transporting enforcement staff and youth to communities where investigations will occur; and (3) project coordinator attendance at the annual Synar conference.

\$344,400 in contractual services costs include: (1) contracts with local police departments and officers to conduct the enforcement checks (approximately 1,000 checks will occur each year); (2) contracts to design, print, and distribute vendor educational materials to assist vendors in meeting state law; (3) training of vendors in the use of these materials; (4) RSAs with the Departments of Law and Commerce and Economic Development for adjudicating noncompliance cases; and (5) other administrative costs.

\$2,000 is included for office supplies and program materials.

\$8,500 is included for computer equipment and a workstation in the FY02.

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSHB 228(L&C)  
 (H) Publish Date: 4/20/01

Revision Date/Time (Note if correction): 04/11/2001 11:37a.m. Dept. Affected: DCED  
 Title: An Act relating to the offense of selling or giving BRU: Occupational Licensing  
tobacco to a minor..... Component: Occupational Licensing  
 Sponsor: Representative Harris  
 Requester: House Labor and Commerce Component Number: 2360

**Expenditures/Revenues (Thousands of Dollars)**

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

| OPERATING EXPENDITURES | FY 2002      | FY 2003      | FY 2004      | FY 2005      | FY 2006      | FY 2007      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services      | 100.5        | 100.5        | 100.5        | 100.5        | 100.5        | 100.5        |
| Travel                 | 10.0         | 10.0         | 10.0         | 10.0         | 10.0         | 10.0         |
| Contractual            | 19.6         | 19.6         | 19.6         | 19.6         | 19.6         | 19.6         |
| Supplies               | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| Equipment              | 4.0          |              |              |              |              |              |
| Land & Structures      |              |              |              |              |              |              |
| Grants & Claims        |              |              |              |              |              |              |
| Miscellaneous          |              |              |              |              |              |              |
| <b>TOTAL OPERATING</b> | <b>139.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                                      |              |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>CHANGE IN REVENUES (1156 RSS)</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|

**FUND SOURCE (Thousands of Dollars)**

|                                    |              |              |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts              |              |              |              |              |              |              |
| 1003 GF Match                      |              |              |              |              |              |              |
| 1004 GF                            |              |              |              |              |              |              |
| 1005 GF/Program Receipts           |              |              |              |              |              |              |
| 1037 GF/Mental Health              |              |              |              |              |              |              |
| Other - 1007 Inter-Agency Receipts | 139.1        | 135.1        | 135.1        | 135.1        | 135.1        | 135.1        |
| <b>TOTAL</b>                       | <b>139.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> | <b>135.1</b> |

Estimate of any current year (FY2001) cost:

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 2 | 2 | 2 | 2 | 2 | 2 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

**ANALYSIS: (Attach a separate page if necessary)**

Provisions of the bill that affect AS 43.70 require a tobacco endorsement for each location or outlet in a location where a business offers tobacco products for sale; authorize tobacco enforcement to act upon adjudication of violating the law; and simplify suspension action of business license tobacco endorsements. A detailed explanation of the expenditures and revenue shown above is attached.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
 Division: Occupational Licensing Date/Time 04/11/2001 11:37a.m.  
 Approved by: Commissioner Deborah B. Sedwick Date 4/11/2001  
 Agency: Department of Community and Economic Development

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

HB 228: An Act relating to the offense of selling or giving tobacco to a minor....

Page 2 of 2 - FN#4

The expenditures provide the following in support of changes to AS 43.70, business license tobacco endorsements -

1 - Administrative Clerk II, Range 10, GGJ, 12 months to process tobacco endorsement applications from each location and outlets in a location, to disseminate information regarding the tobacco endorsement requirement, and to promote the proactive enforcement program by administratively doing compliance checks of businesses required to hold tobacco endorsements; \$38.8

1 - Investigator III, Range 18, GGJ, 12 months to prepare and coordinate cases, issue suspension notices, and present cases to the hearing officer if a hearing is requested; \$61.7

PERSONAL SERVICES: \$100.5

TRAVEL for the Investigator and/or Hearing Officer should it become necessary. \$10.0

Contract Hearing Officer time based on approximately 3 days per case at \$975/case, and assuming at least 15 cases will go to hearing in the fiscal year; \$14.6

Printing forms, endorsements, and communications costs; \$5.0

CONTRACTUAL SERVICES: \$19.6

SUPPLIES for daily operations relating to tobacco endorsements; \$5.0

EQUIPMENT (one-time costs) for support staff; \$4.0

TOTAL Fiscal Note Request: \$139.1

#### REVENUE

Assumes the endorsement fee changes to \$100 and endorsements are purchased by 1,000 locations and outlets. 1,000 x \$100 fee = \$100.0

Adopted

22-LS0797J.1

Ford

4/25/01

AMENDMENT 1

OFFERED IN THE HOUSE

TO: CSHB 228(JUD)

1 Page 3, line 20, following "11.76.107":

2 Insert "and is not otherwise subject to the sanctions described in (2) - (4) of this  
3 subsection"

4

5 Page 4, lines 25 - 26:

6 Delete "holds the business license issued under AS 43.70.020 is the retailer and is"

7 Insert "the person who owns the premises where the vending machine is located are  
8 both"

9

10 Page 4, line 27, following "section.":

11 Insert "If the endorsement of the person owning the vending machine is suspended or  
12 revoked, the person may not sell cigarettes, cigars, or other products containing tobacco  
13 during the period of suspension or revocation through the use of vending machines at the  
14 location or outlet where the violation occurred. During the period of suspension or  
15 revocation, the person owning that vending machine may not use that machine to sell tobacco  
16 products at another location or outlet."



ALASKA STATE LEGISLATURE  
REPRESENTATIVE JOHN HARRIS  
STATE CAPITOL 513, JUNEAU, ALASKA 99801-1182 (907) 465-4859

## Sponsor Statement HB 228 - Tobacco Sales Enforcement

Alaska has a huge problem with the sale of tobacco products to kids. In a recent survey of tobacco retailers initiated by the Department of Health and Social Services, it was determined that nearly 2/3 of vendors in rural Alaska sold tobacco products to children, while more than 1/3 of those in urban Alaska did.

This will take a toll on these young people if they continue to use tobacco products into their adult years, in terms of unnecessary illness and early death. It also continues to place a heavy burden on health care providers whose duty it is to help those who are battling tobacco related disease. The cost to the public will continue to spiral upward. Additionally, the state is liable, under the federal Synar amendment, for a penalty of \$1.5 million (to be deducted from its drug and alcohol abuse block grant) because the rate of sales to minors is above the 20 percent federal limit. If increased state enforcement effort of at least \$481,687.00 is approved through the fiscal notes for this bill, the Synar penalty will be lifted.

HB 228 seeks to derail some of the ever-growing problem of tobacco sales to minors – and the consequences down the road – by beefing up enforcement of state laws prohibiting the sale of tobacco products to minors, and it does so in several areas.

First, the bill proposes fining a business that sells tobacco to minors from \$1,000 on a first offense to \$5,000 on a third offense. It also provides for mandatory suspensions and possible revocation of the endorsement to sell tobacco products if multiple violations take place over a two-year period. The bill also gives the Department of Health and Social Services the authority to issue citations for certain tobacco offenses.

The bill would increase revenues from tobacco vendors to pay for enforcement efforts by raising the fee for a tobacco endorsement on a business license from \$25 to \$100. It would also require a separate endorsement for each location at which a retailer sells tobacco products. Current law requires only one, regardless of how many locations or outlets a business has in which it sells tobacco.

In sections unrelated to the problem of tobacco sales to minors, HB 228 also adds language to allow the Department of Revenue to keep better track of compliance with the tobacco settlement.

# **The Human Toll From Tobacco Use**



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Cigarette smoking is the single most preventable cause of premature death in the United States.

More than 430,000 Americans die each year from smoking related illness.

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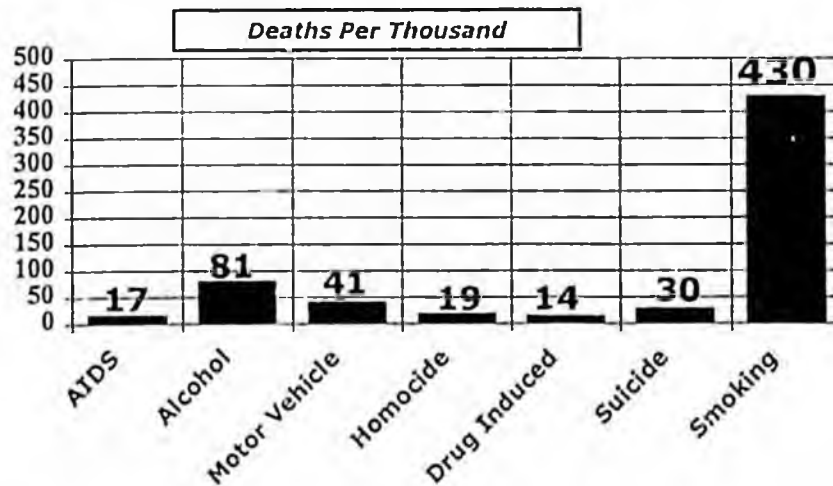
One in every five U.S. deaths is smoking related.

Exposure to secondhand smoke causes 3,000 deaths from lung cancer each year.

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3

### Comparative Causes of Annual Deaths in the United States



Source: CDC, Actual Causes of Death, United States, 1999-4

## **U.S. Economic Impact of Tobacco Use**

Tobacco use costs the U.S. approximately \$50 to \$73 billion in medical expenses each year

5

- 
- **\$26.9 billion** in hospital stays
  - **\$15.5 billion** for physician expenditures
  - **\$4.9 billion** for nursing home expenditures
  - **\$1.8 billion** for prescription drugs
  - **\$900 million** for home health care
- 

Sources: *Investing in Tobacco Control: A Guide for State Decision makers*

6

# What Does Tobacco Cost Alaska



7

Total annual health care expenditures in  
Alaska directly related to  
smoking.....

---

**\$154 MILLION**

8

Total annual state Medical payments  
directly related to smoking.....

---

**\$23 MILLION**

9

Additional expenditures in Alaska for  
health and developmental problems of  
infants caused by their mothers'  
smoking or being exposed to  
secondhand smoke during  
pregnancy.....

---

**\$8 MILLION**

*Source: State of Alaska*

10

# Adult Smoking in Alaska



- 40% of Natives smoke as compared to 24% non-Native

- 28% of men smoke compared to 24% female; but female smoking is on the rise

- 
- Nationally the average adult smoker began smoking at 14.5 years old.
  - In Alaska, 84% of adult smokers report having started between the ages of 10 and 20.
- 

13

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Between 1988 and 1996,  
the percentage of  
teenagers taking up the  
habit jumped **73%**.

---

14

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Each day, **6,000**  
people younger than  
18 try their first  
cigarette with **3,000**  
of them becoming  
daily smokers.

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15

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Over one-third of U.S.  
and Alaskan high school  
students have smoked in  
the past 30 days.

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*Sources: Investing In Tobacco Control: A Guide for State  
Decision makers / Youth Risk Behavior Survey*

16

## **Early Smoking leads to Long- Term Addiction**



**Addiction occurs from smoking  
1 or 2 cigarettes a day for  
3 weeks.**

17

Tobacco is considered  
a gateway drug for  
teens. Teens who  
smoke are far more  
likely to use other  
drugs.

18

Almost 14,000 Alaskans  
under the age of 18 today  
will eventually die from  
tobacco-caused illness  
unless current trends are  
reversed.

Source: CDC

19

## ***BEST PRACTICES***

Established by the CDC  
&  
The Office of Smoking and Health

20

The CDC – Office of Smoking and Health has identified the necessary components for a successful tobacco control program based on research of successful states who have reduced smoking related deaths.

21

- 
- Community tobacco prevention programs
  - Chronic Disease programs
  - School prevention programs

22

- Enforcement of tobacco control policies
- Counter-marketing
- Statewide programs

23

- Smoking cessation programs
- A surveillance and evaluation system
- A strong administrative and managerial system

---

24

# What is SYNAR



25

Provisions of the Federal Synar Amendment require :

---

- Enforcement of State-level minors' access laws to decrease sales to persons under the age of 18 to less than 20%.
- 

26

- 
- Conduct annual statewide inspection surveys that accurately measure the effectiveness of their enforcement efforts.
- 

27

- 
- Report annually to the U.S. Secretary of Health and Human Services.
- 

28

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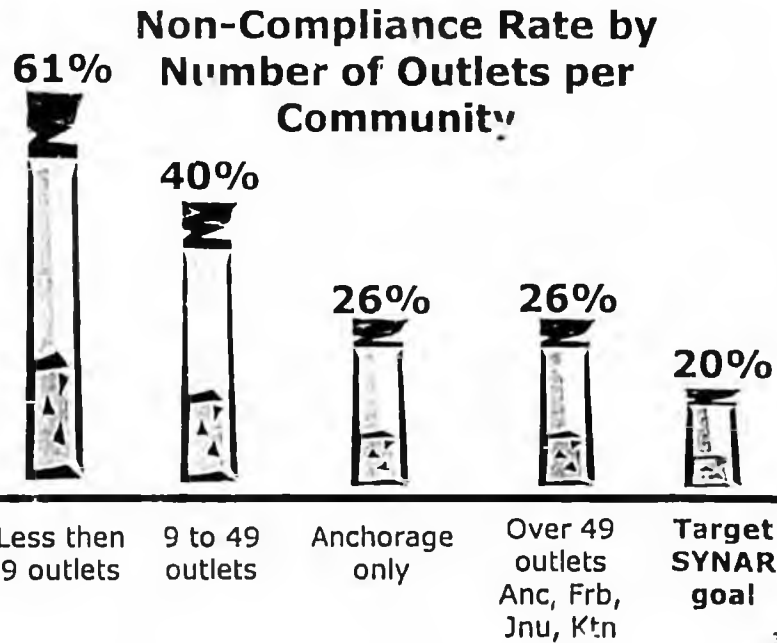
# Alaska Tobacco Survey Results

## Non-Compliance rates for Surveys Collected

August & September, 2000

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29



**Failure of Alaska to achieve performance targets will result in a significant loss of Federal block grant dollars.**



31

**The penalty for non-compliance is the loss of up to \$1.5 MILLION in substance abuse prevention and treatment funds from Alaska's Federal Substance Abuse Prevention and Treatment Block Grant**



32