

ALASKA LEGISLATURE

2421

HOUSE and SENATE FINANCE COMMITTEE FILES,

2001 - 2002

SB 345-SCHOOL SERVICES FOR DISABLED STUDENTS
SENATE FINANCE COMMITTEE

SIGN - IN

NAME: Gary Maloney Subject/Bill No: SB 345
Co./Dept./Title: Dept. of Education & Early Dev. Phone: 465-2972
Address: Gallblat Building Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SITE: ANCHORAGE LIO

COMMITTEE: SFIN

DATE: 3-26-02

SUBJECT OF MEETING:

UPDATE #:



P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT
TO TESTIFY?
Y or N

Larry Wiget		Anch School Dist	Y-SB 345
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			

SB

347

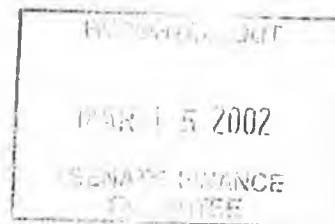
SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/6/02

FURTHER:



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

DATE TURNED IN TO OFFICE: 15 March 2002

Finance Committee considered

SENATE BILL NO. 347

"An Act relating to taxation."

and recommends:

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

Senate Bill:

- same title
- new title

House Bill:

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

NEW FISCAL NOTE(S):

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

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

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

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

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

ANALYSIS: *Please see attached bill analysis.*

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

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

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

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

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 347

ANALYSIS CONTINUATION

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

Section 3. Increases the alcoholic beverage state tax rate.

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

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

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

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

Section 4. Reduced rate for small domestic brewers

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

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

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

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

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

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

Operating budget increment

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

SENATE FINANCE COMMITTEE
 / / 2002 COMMITTEE ACTION

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

with

Amend #1

22-LS1624C

SENATE BILL NO. 347

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/6/02

Referred: Finance

A BILL

FOR AN ACT ENTITLED

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

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

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

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

5 (1) property tax on alcoholic beverage inventories;

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

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

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

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

10 municipality; and

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

12 WAS IN EFFECT BEFORE JULY 1, 1985; AND

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

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

15 or (5).

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

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

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

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

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

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

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

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

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

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

SENATE FINANCE COMMITTEE
3/15/2002 COMMITTEE ACTION

~~347~~
Amend #1

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

CS FOR SENATE BILL NO. 347(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to alcoholic beverages."

#1

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

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

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

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

10 municipality; and

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

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

L

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

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

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

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

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

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

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

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

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

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

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

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

AMENDMENT

O. REFERRED IN THE SENATE

BY SENATOR WARD

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

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

2 Insert "; and providing for an effective date"

3

4 Page 3, following line 4:

5 Insert new bill sections to read:

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

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

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

Amend #2

SENATE FINANCE COMMITTEE
3/15/2002 COMMITTEE ACTION

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

1

Not adopted

22-LS1624F
Cook
3/13/02

CS FOR SENATE BILL NO. 347()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to alcoholic beverages."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SENATE BILL 347 SPONSOR STATEMENT

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

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

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

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

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

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

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



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SECTIONAL ANALYSIS SENATE BILL 347

"An Act relating to municipal taxation of alcoholic beverages"

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

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

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

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

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

Current Statutes

SB 347

Sec. 04.21.010. Municipal regulation.

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

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

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

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

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

(1) property tax on alcoholic beverage inventories;
(2) sales tax on alcoholic beverage sales if sales taxes are imposed on other sales within the municipality;
(3) sales tax on alcoholic beverage sales that was in effect before July 1, 1985; and
(4) sales and use tax on alcoholic beverages if the sale of alcoholic beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4), or (5).

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

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

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

Decisions -

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

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

Current Statutes
SB 347

Sec. 29.45.650. Sales and use tax.

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

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

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

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

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

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

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

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

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

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

Current Statutes
SB 347

Sec. 43.60.010. Alcoholic beverage tax.

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

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

History -

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

AG Opinions -

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

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

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

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

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

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

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

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

Decisions -

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

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



Official Business

Alaska State Senate

Senate Finance Committee

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Alaska Statute 04.21.010 (c)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Alaska State Senate

Senate Finance Committee

Official Business

Senate Bill 347
3-12-02

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Municipalities Imposing a Tax on Alcoholic Beverages

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

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

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

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

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



Alaska State Senate

Senate Finance Committee

Official Business

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SENATE BILL 347

12-Mar-02

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

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

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

Assumptions on Excises Tax Increase for Liquor Store Consumers

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

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

SB 347

March 12, 2002

Excerpts from

Alaska Criminal Justice

Assessment Commission

Final Report

May 2000

Executive Summary

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

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

The Commission created five committees to carry out its work:

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

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

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

Summary of Commission's Recommendations

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

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

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

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

Implementing Agencies: All criminal justice system agencies.

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

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

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

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

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

B. Alcohol Policy Committee Recommendations

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

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

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

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

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

Action Needed: Requires substantive legislation but no new funding.

Implementing Agencies: The legislature and the Department of Revenue.

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

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

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

Action Needed: Requires substantive legislation but no new funding.

Implementing Agencies: The legislature and local communities.

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

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

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

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

Action Needed: Requires substantive legislation but no funding.

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

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 08, 2001

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

Dear Senator Donley:

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

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

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

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

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

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

Sincerely yours,



Laraine L. Derr
President/CEO

ALASKA SYNOD ASSEMBLY RESOLUTION

TITLE: ALCOHOL USER ("EXCISE") TAX

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

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

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

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

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

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

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

Submitted by Pastor Obed Nelson

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

Finding the Answers to Tough Questions about Substance Abuse in Alaska



1999 ANNUAL REPORT

STATE OF ALASKA

ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE



An Alcohol Index for Alaska

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

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

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

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

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

Alcohol is implicated in 65% of suicide attempts.

Alcohol is implicated in 83% of child abuse investigations.

Alcohol is implicated in 60% of domestic violence reports.

Alcohol is implicated in 63% of sexual assaults.

Alcohol is implicated in 42% of fatal automobile crashes.

Alcohol is implicated in 45% of fatal fires.

Alcohol is implicated in 48% of homicides.

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

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

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

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

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

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

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

40% of Alaskans do not drink alcohol.

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

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

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

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

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

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

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

Alcohol is the overwhelming drug of choice for Alaskans.

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

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

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

Sources: See p. 28.



ALASKA'S GREATEST HIDDEN TAX:

The Negative Consequences of Alcohol & Other Drug Abuse and Dependence

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

ALASKA'S ALCOHOL INDEX

Year 2000

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

Approximately 30% of Alaskan adults don't drink.

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

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

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

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

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

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

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

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

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

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

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

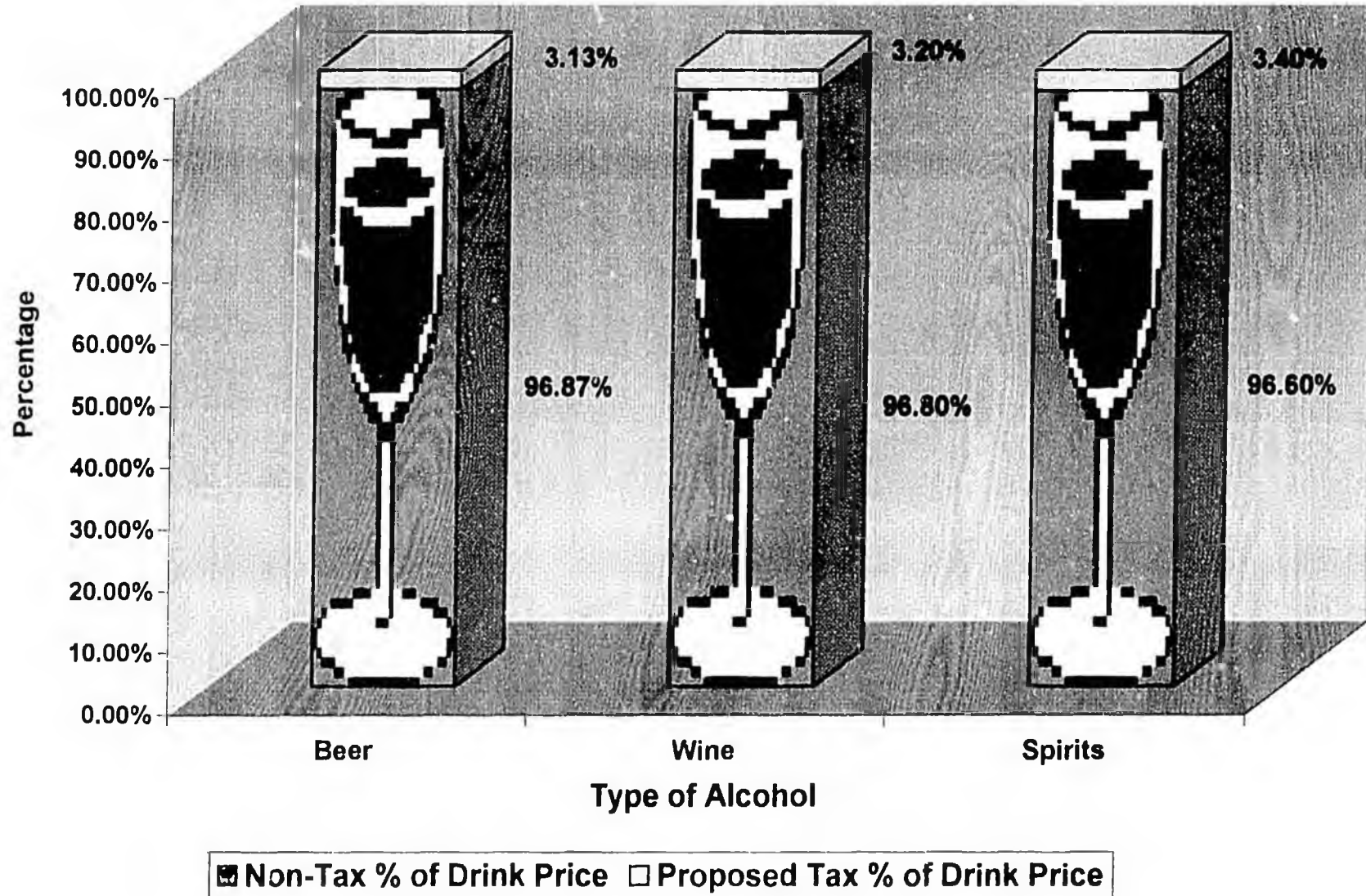
Alaska has the highest incidence of Fetal Alcohol Syndrome (FAS) in the world. FAS is totally preventable. Lifetime costs for an FAS birth are at least \$1.4 million.
State of Alaska, Department of Health and Social Services

Reprint from the 2000 Annual Report

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

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

% Proposed Tax of Total \$4.25 Drink Price



Distributed by Senator Donlay

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

PREPARED FOR:

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

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



Research-Based Consulting

Juneau
Anchorage

NOVEMBER 13, 2001

CORRECTION

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Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

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NOVEMBER 13, 2001

State of Alaska / Department of Health and Social Services

ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE

240 MAIN STREET, SUITE 101 - JUNEAU, ALASKA 99801

PO BOX 110608 - JUNEAU, ALASKA 99811-0608

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

November 25, 2001

Fellow Alaskans:

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

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

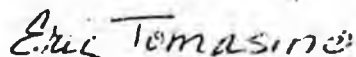
Data collection is not easy when the problems and costs are spread across many parts of state government. The research team found many areas where Alaska specific data is not gathered. They did find the framework for this project in a major national study released by the National Institute on Alcohol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

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

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

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

Sincerely,



Eric Tomasino, Chair
Advisory Board on Alcoholism and Drug Abuse

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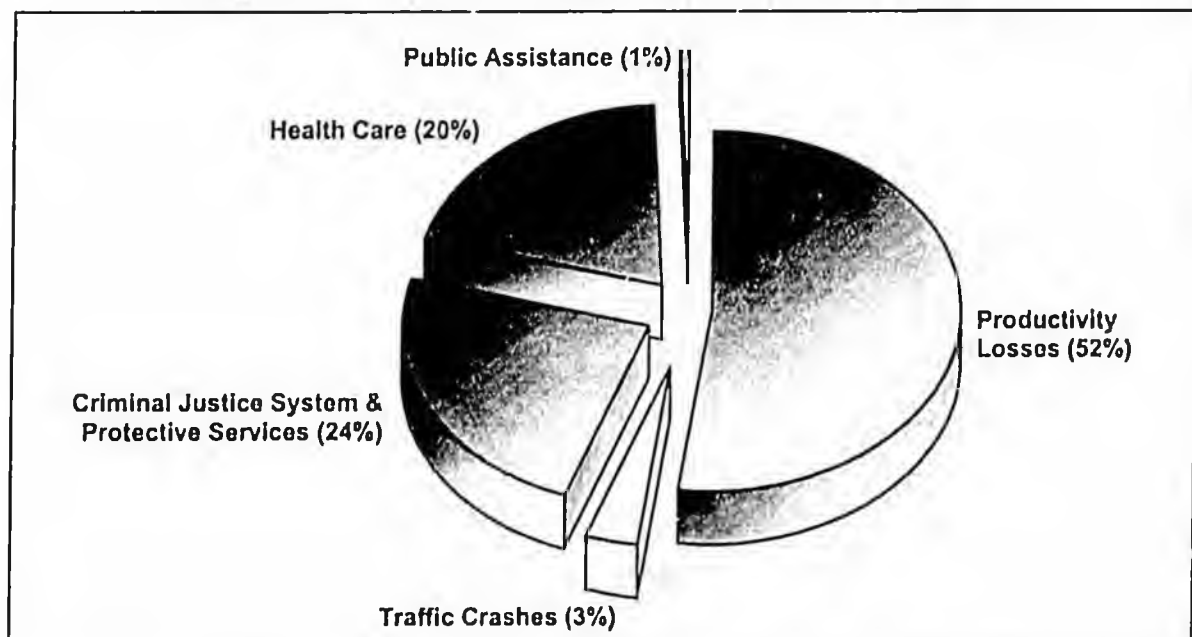
EXECUTIVE SUMMARY

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

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

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

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



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

Productivity Losses

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

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

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

Traffic Crashes

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

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

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

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

Criminal Justice

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

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

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

Health Care

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

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

Public Assistance and Social Services

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

Employment Impacts of Alcohol Sales

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

Actual Costs

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

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

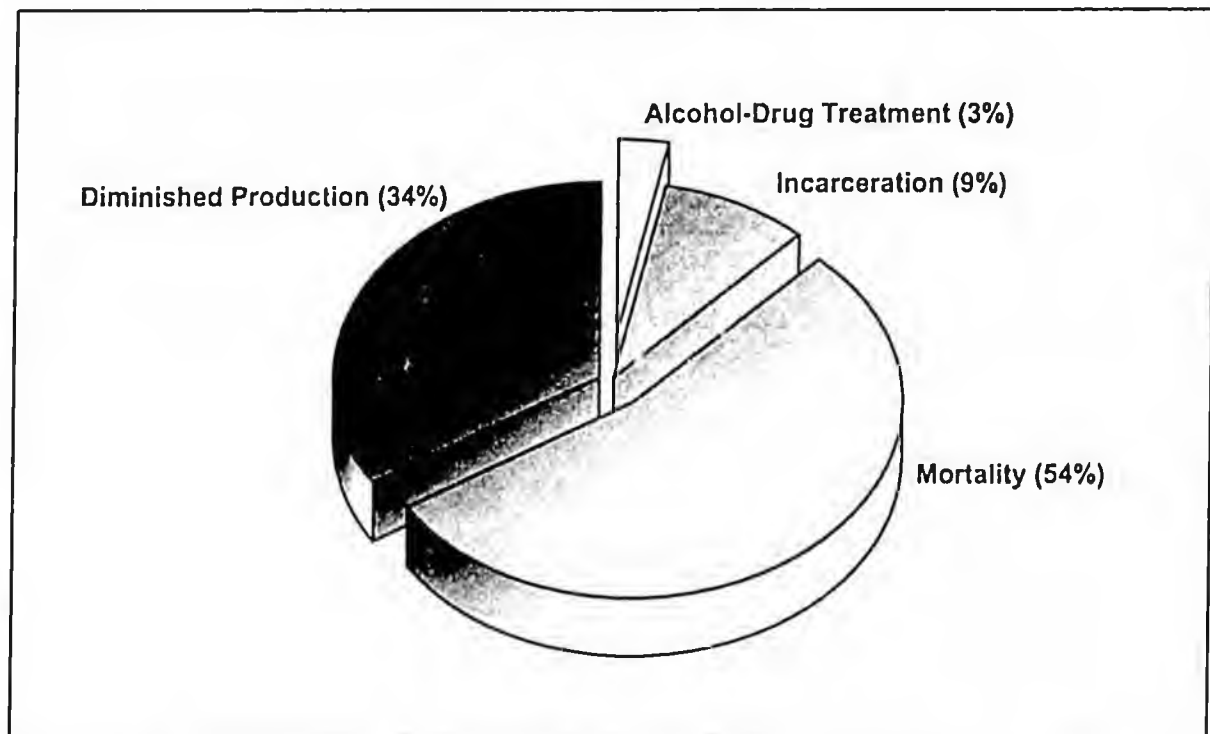
In nearly all cases, Alaska specific data were not available on the amount of crime, health and medical costs, lost production, and public assistance that can be attributed to alcohol and other drug abuse. Estimates rely on national norms based on tested methodologies. National norms are based on a lower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

PRODUCTIVITY LOSSES

Summary

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

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



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

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

Lost Production Due to Mortality

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

Methodology

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

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

CORRECTION

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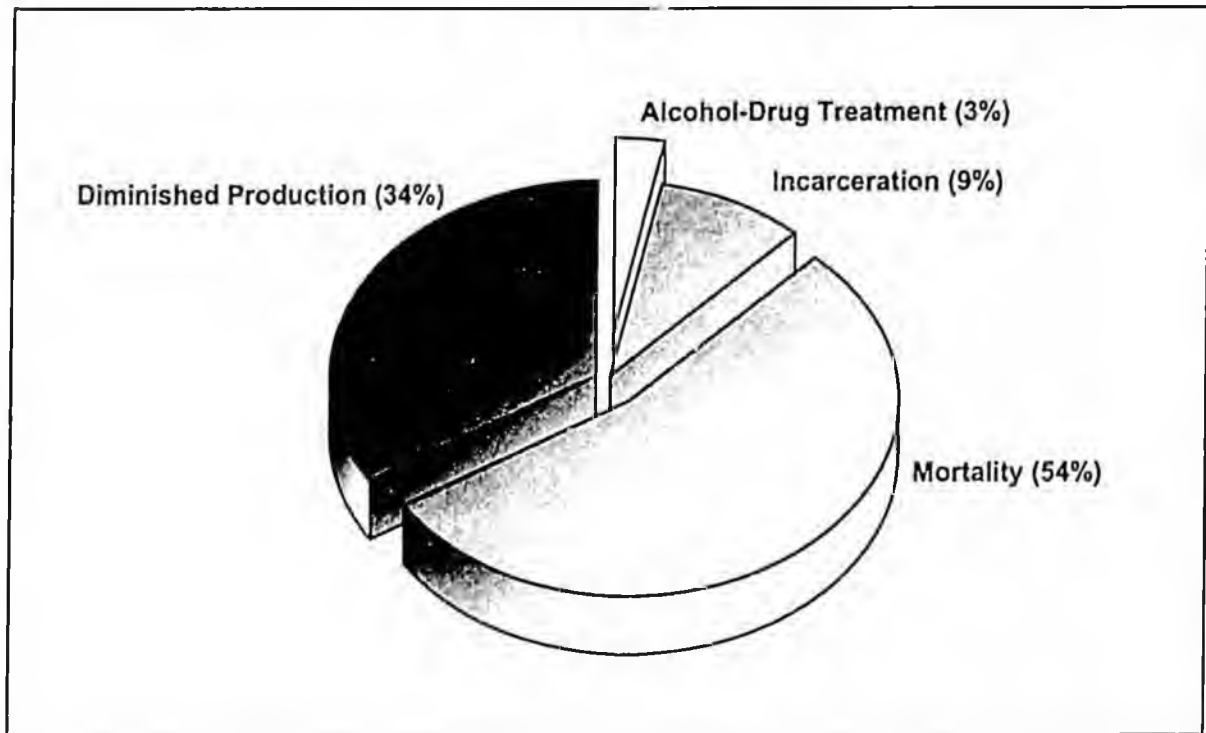
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In summary, the value of an average person's lifetime productivity is estimated and, depending on their age at the time of premature death, lost productivity is measured.

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

Results

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

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

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

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

Source: Alaska Department of Vital Statistics.

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

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

Source: Alaska Vital Statistics.

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

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

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

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

Lost Production Due to Diminished Productivity

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

Methodology

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

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

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

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

Results

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

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

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

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

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

Lost Production Due to Incarceration

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

Methodology

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

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

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

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

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

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

Results

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

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

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

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

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

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

Lost Production Due to Alcohol/Other Drug Treatment

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

Methodology

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

Results

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

² Source: Alaska Department of Health and Social Services.

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

TRAFFIC CRASHES

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

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

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

Methodology

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

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

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

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

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

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

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

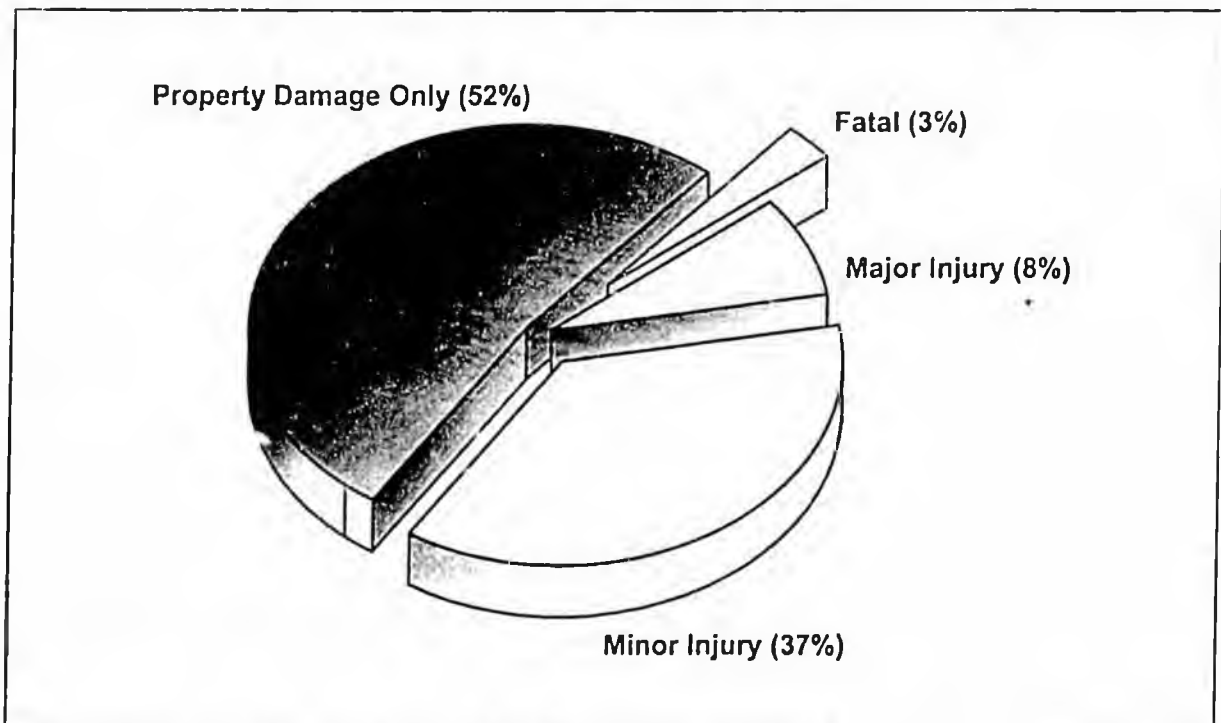
Traffic accident statistics include ATV and snowmobile crashes on roadways, but DOTPF does not collect ATV and snowmobile crashes off roadways, such as rivers, lakes, and in the backcountry. Lost productivity and health care costs associated with alcohol-related ATV and snowmobile deaths or injuries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

Results

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

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

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



Source: Alaska Department of Transportation and Public Facilities.

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

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

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

CRIMINAL JUSTICE AND PROTECTIVE SERVICES

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

Criminal Justice

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

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

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

Methodology

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

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

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

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

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

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

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

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

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

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

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

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

Table 12
Property Damage and Medical Expenses per Victim, 1999

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

Source: Bureau of Justice Statistics

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

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

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

Results

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

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

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

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

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

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

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

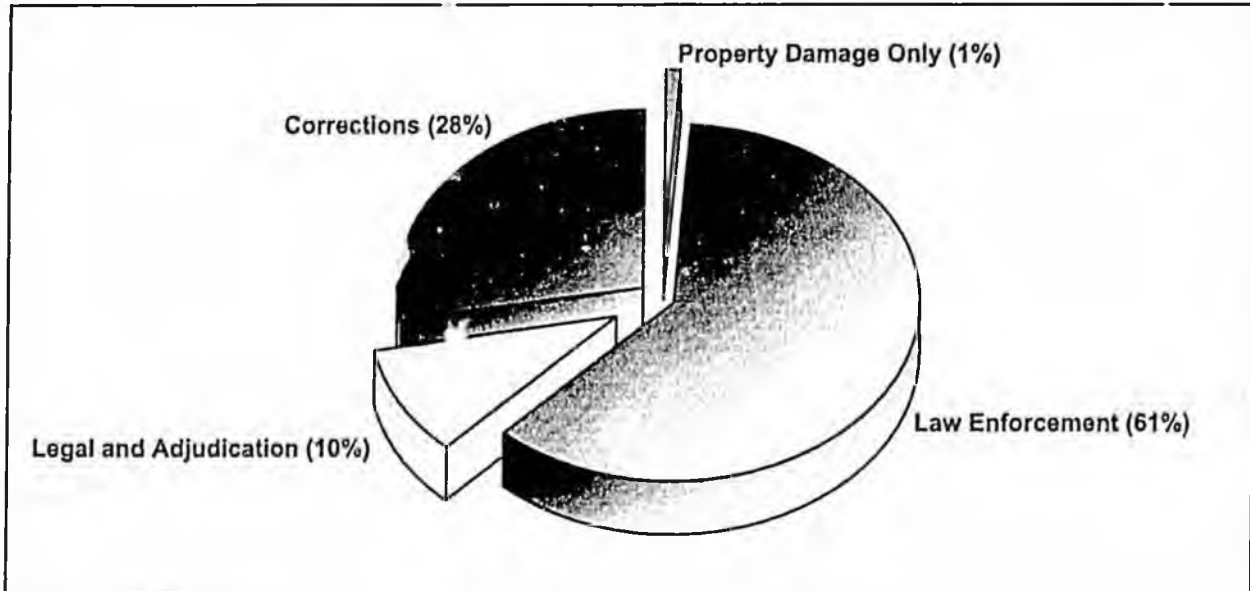


Table 13
Law Enforcement Costs Attributed to
Alcohol and Other Drug Abuse by Offense in Alaska, 1999
 (thousands of dollars)

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

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

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

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

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

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

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

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

Protective Services

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

Methodology

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

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

Results

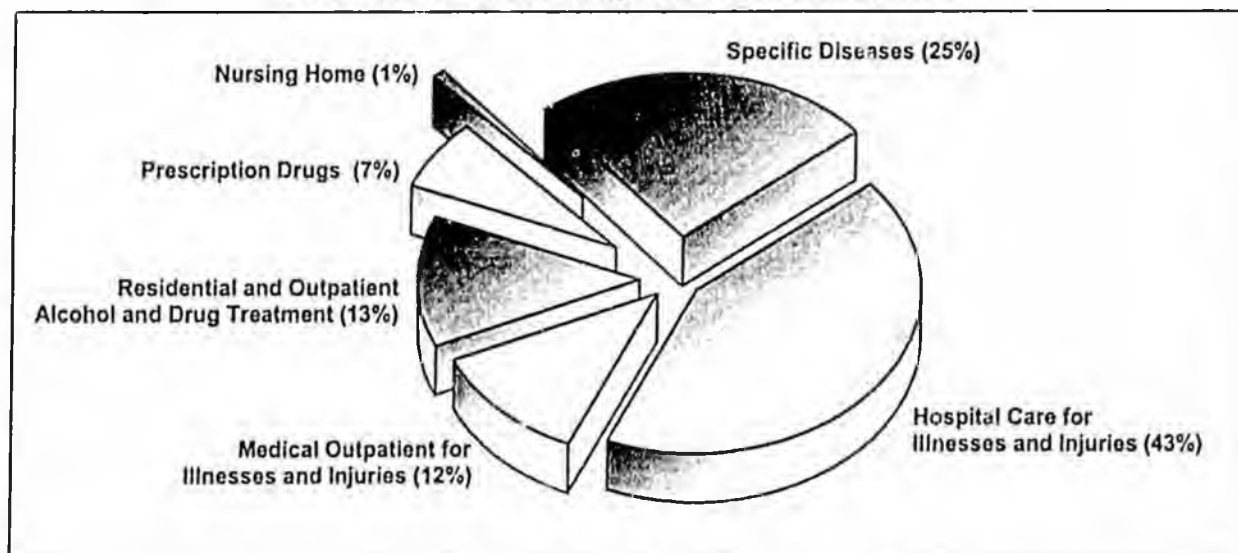
Total costs for child protective services in Alaska during 1999 were \$44 million. Social work accounted for the largest expense at \$16 million. Other expenses include \$12 million for foster care services, \$10 million for residential services, and \$6 million for adoption services. Adult protective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

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

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

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

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



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

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

Hospital Costs

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

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

Methodology

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

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

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

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

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

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

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

Results

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

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

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

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

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

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

Residential and Outpatient Alcohol and Other Drug Treatment Costs

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

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

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

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

Medical Outpatient Costs

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

Methodology

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

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

Results

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

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

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

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

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

Prescription Drugs and Nursing Home Care Costs

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

Methodology

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

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

Results

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

Fetal Alcohol Syndrome

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

Methodology

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

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

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

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

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

Results

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

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

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

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

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

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

AIDS and HIV Costs

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

Methodology

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

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

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

Results

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

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

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

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

Hepatitis B and C Costs

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

Methodology

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

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

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

Results

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

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

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

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

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