

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3652 HSTA HB 30 - HB 34 528

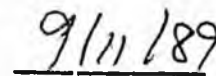


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

HB

50

COMMITTEE REPORT

2/20

HOUSE

(7)

1/14/85

FURTHER: Finance

Date: 2/12/85

The Committee on State Affairs has had HB 30

"An Act relating to payment for purchases by the state; and providing for an effective date."

under consideration and recommends:

[] do pass [] do not pass

[] do pass with attached amendments(s)

[x] replace with CS for HB 30 45A7 [x] same title [] new title

and recommends it do pass

[] AND attaches a "Letter of Intent" [x] New Fiscal Note [] Zero Fiscal Note Attached

[] reports it back without recommendation

[] referred to the _____ Committee

MEMBERS SIGNING DO PASS

Handwritten signatures of members who support the bill, including names like W.C. Frank.

MEMBERS HAVING OTHER RECOMMENDATIONS:

Blank lines for members with other recommendations.

Handwritten signature of the Chairman, with the title CHAIRMAN printed below.

Original sponsor: Shultz

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 30 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payment for purchases by the
7 state; and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for
11 purchases of goods or services provided a state agency must be made on
12 a required payment date that is

13 (1) the date on which payment is due under the terms of a
14 contract; or

15 (2) 30 days after receipt of a proper invoice for the
16 amount of the payment due, if a specific date on which payment is due
17 is not established by contract and if the invoice contains or is
18 accompanied by documents required by the contract or purchase order.

19 (b) If a seller offers a discount from the amount otherwise due
20 for property or services in exchange for payment within a specified
21 period of time, the state agency may make payment in an amount equal
22 to the discounted price only if payment is made within the specified
23 period of time.

24 (c) If payment for goods or services purchased by the state is
25 not made within 30 days of a required payment date under (a)(1) of
26 this section or on the required payment date specified in (a)(2) of
27 this section, the state shall pay interest on the unpaid balance from
28 the date of receipt of the proper invoice for the goods or services at
29 the rate provided by AS 45.45.010(a) unless an agreement exists

1 between the seller and the state that precludes the charging of inter-
2 est.

3 (d) This section does not apply

4 (1) if the cost of the goods or services purchased exceeds
5 \$500,000;

6 (2) to payment for specific goods or services in dispute
7 after a seller of goods or services receives notice from the state
8 official responsible for authorizing payment for goods and services
9 that the amount of the invoice or quality of specific goods or ser-
10 vices is in dispute and stating the reasons for the dispute; the state
11 agency shall pay for the specific goods or services in dispute within
12 30 days after resolution of the dispute; or

13 (3) to a contract covered by AS 36.90.001.

14 (e) Interest paid under (c) of this section shall be charged to
15 the budget of the state agency that purchased the goods or services.

16 (f) In this section

17 (1) "dispute" means a determination by the state official
18 responsible for authorizing the payments for the purchase of goods or
19 services that the performance or price charged is not in compliance
20 with the terms of the contract or purchase order;

21 (2) payment is considered made on the date when the payment
22 is personally delivered to the seller or agent of the seller or on the
23 date the payment is mailed;

24 (3) "state agency" has the meaning given in AS 37.05.400
25 and also includes the legislative and judicial branches.

26 * Sec. 2. This Act does not apply to contracts entered into before the
27 effective date of this Act.

28 * Sec. 3. This Act takes effect October 1, 1985.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: CS HB30

Title: Relating to Payment for Purchases by the State

Sponsor: Schultz

Requestor: House State Affairs

Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: A11

Program Category Affected: A11

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
FEDERAL FUNDS						
OTHER						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KES*

Division: Finance

Phone: 465-2240

Date: February 15, 1985

Approved by Commissioner: Lisa Rudd *A. Stamm*

Agency: Department of Administration *for*

Date: 2-18-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note AnalysisCS HB 30

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as possible. This proposal will cause the State to have to choose between verifying invoiced charges to avoid questionable payments, and short-cutting review procedures to avoid penalty interest payments.

Currently, the average payment time for the State is 25 days from the vendors' invoicing date to the paying warrant date. Generally, those agencies which show payment time in excess of 30 days are:

1. Military Affairs
2. Fish and Game
3. Corrections
4. Alaska Court System

These four agencies have a wide network of field locations, causing delays in verification and transmission of invoices.

To decrease the penalties under this legislation, State agencies will incur costs for increased staff to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such as that \$1,997.2 million of a \$4.7 billion dollar budget is for vendor payments and that 5% will fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$1.7 million ($\$1,997.2 \text{ million} \times .05 \times 10.5\%/12 \text{ mos.} \times 2 \text{ mos.}$) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million.

It would be difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system is targeted for July 1, 1985 implementation. This system will improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system will speed up turnaround and reflect status changes on an overnight basis. These features will allow agencies to be more responsive to their creditors.

All costs of this legislation would be 100% State funds. The U.S. Office of Management and Budget has advised us that the Prompt Payment Act (P.L. 970177) prohibits use of Federal grant funds for payment of interest penalties and disallows the use of any non-Federal funds expended for such interest penalty toward any matching requirement applicable to any Federal grant.

Additional Fiscal Note Analysis - CS HB 30

It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

Fiscal Note Analysis - CS HB-30
Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,691,603,187.</u>
Less 2. Permanent Fund Dividends	(2,409,200.)
3. Grants & Claims	(469,850,200.)
4. University of Alaska Payments	(272,468,600.)
5. State Salaries	(844,676,700.)
6. Loans	(146,125,000.)
7. Debt Service	(270,089,474.)
8. Capital	(306,971,179.)
9. Energy Program	<u>(381,800,000.)</u>
	<u>\$1,997,212,834.</u>

1,997,212,334 x .05 x 10.5%/12 mos. x 2 = 1,747,560 or 1.7 million

From FY 85 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 7, CH 122, page 13, line 10
3. FCC page I, Objects of Expenditure Grants, Claims
4. FCC page 41, CH 122, page 80, line 10
5. FCC page I, Objects of Expenditure, Personal Services line, CC column
6. Lead page - Loans & Grants line, Enacted (less Governor's Vetos) Total Column
7. FCC Lead page, Debt Service line, Enacted less Governor's Vetoes
8. Lead page enacted less Governor's Vetoes
9. Lead page enacted less Governor's Vetoes

ANALYSIS OF HB NO. 30

"An Act relating to payment for purchase by the State; and providing for an effective date".

Section 1 (a) Requires the agency to pay on a required payment date as defined under terms of a contract or 30 days after receipt of proper invoice.

Subsection (b) Provides for the State to take advantage of any discounts offered by a vendor and if invoice is paid on time, the State agency will deduct the amount of the discount offered from the total amount of the invoice.

Subsection (c) Establishes the rate of interest at 1.5% per month that must be paid by the State for past due balance -- also provides for the exclusion of interest in the event the seller and the State have mutual agreement.

Subsection (d) 1. Exempts purchases of more than \$500,000 from the provisions of the bill.

Subsection (d) 2. Provides for an exemption in the event the State notifies the vendor or seller of a dispute in the invoice.

Subsection (e) Provides that any interest incurred by lack of prompt payment will be charged to the budget of the department involved.

Subsection (f) 1. Defines dispute as non-compliance, in performance or price, with the terms of the contract, as determined by administering State Officer.

Subsection (f) 2. Defines when payment is made.

Subsection (f) 3. Defines a state agency

Section 2. Exempts and contracts entered into before the effective date from this Act's provisions.

Section 3. Provides an effective date of July 31, 1983.

BACKGROUND ON HB NO. 30

This bill has been requested by numerous vendors that do business with the State of Alaska. The State has become notorious for late payment of invoices, forcing many private vendors to borrow money to supplement their cash flow. This reduces their profit, and in some cases even eliminates it as the profit on articles is very marginal.

The bill is patterned after a federal law entitled "The Prompt Payment Act--Public Law 97-177". The Prompt Payment Act became effective October 1, 1982 and when it was introduced in Congress, it carried 133 sponsors.

The U. S. Army Comptroller in Fort Greely, Mr. Leonard Lemon, advised the Prompt Payment Act has improved their payment schedule and payment of invoices has become routing and very prompt.

In a poll conducted by the National Federation of Independent Business, 3312 businesses in Alaska were in favor of this bill.

In the past the State has placed a very high fiscal note on this bill and the State Administration claims it will have to completely reorganize it's accounting system in order to fulfill the requirements set forth in this bill. If this is so, then it should be done as this is an indicator our State's method of handling accounts payable is inefficient and needs modifying.

Businessmen in Alaska need this bill--they have requested it. Their request is not unreasonable and should be supported by elected representatives of their community.

those who do business with the Federal Government and State governments, and for those governments themselves.

Kenton Pattie, whose indefatigable efforts as leader of the Slow Pay Coalition—a coalition consisting primarily of small business groups—contributed much toward the enactment of the Prompt Payment Act, recently wrote me to tell me that similar coalition efforts at the State level are producing similar statutes in our Nation's States.

A total of 35 States now have prompt payment laws.

Mr. President, in order that additional information on State prompt payment laws be available for review by my colleagues and others, I ask that Mr. Pattie's letter to me, along with excerpts from an accompanying report, be printed in the Record at the conclusion of my remarks.

This report of success on prompt pay laws at the State level follows another encouraging report earlier this year from the Office of Management and Budget (OMB). The OMB reported that, following the first full year of implementation of Public Law 97-177, the Federal Government was paying its bills promptly 99 percent of the time. This compares favorably to a 60 percent prompt payment rate reported in a 1978 study by the U.S. General Accounting Office. The latter rate represented a sorry state of affairs, especially when one considered that the majority of the late payments involved small businesses.

Unlike large corporations, small businesses have neither the administrative personnel available nor the cash flow capability required to carry overdue accounts for long periods of time. I should note here, to emphasize this point, that even though the Federal Government now has a 99-percent "on time" rate in paying its bills, the remaining 1 percent represents 180,000 overdue bills. Most of these are owed small businesses.

When the financial practices of the Federal Government affect small businesses so directly, I have a special concern: I serve on both the Governmental Affairs Committee, which oversees Federal financial management practices, and the Small Business Committee, which focuses its attention on the special concerns of this country's small businesses and entrepreneurs.

It is in this context that the objective of the prompt payment standard was, and remains, two-fold: First, to make certain that those businesses which provide goods and services to Government receive payment in a reasonable period of time; and second, through the prospect of interest charges, to encourage Government agencies to develop and maintain efficient financial management practices.

The improvement from 1978 to 1984 in the rate at which Federal agencies pay their bills on time—from 60 percent to 99 percent—as well as the determined efforts of small businesses in

coalition to encourage the enactment of prompt payment legislation by State governments shows that there is substantial progress toward meeting this objective. If such progress continues, I feel confident that the initiative of 1981 will soon become a standard for all levels of government. I welcome such a standard.

The material follows:

NAVA, THE INTERNATIONAL
COMMUNICATIONS INDUSTRIES
ASSOCIATION

Fairfax, Va., June 1, 1984.

Hon. JIM SASSER,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: It has been a while since I wrote you about prompt pay laws. A lot has happened:

10 states passed prompt pay laws last year.

8 states passed prompt pay this spring.

Prompt pay is currently pending in 17 state legislatures.

A total of 35 states now have prompt pay laws. By the end of the year, I hope we can report to you on several more.

Meanwhile, in April we published "Prompt Pay Laws Are Succeeding" which documents the fact that prompt pay laws are working. The Prompt Pay Act of 1982, which requires Federal agencies to pay interest penalties when late in paying companies, has been particularly successful.

Of course, there are some problems. Companies still have problems getting paid by the U.S. Navy although Congressman Siskis is trying to solve the problem. (For more details, call Diane Worthington (225-6385)). Meanwhile, some states with prompt pay laws are passing amendments to tighten up language, raise interest penalties, and strike loopholes.

If you, your staff, or supporters back home need more information about the prompt pay issue, please feel free to contact me. We appreciate your support and encouragement and look forward to continuing to work with you in the months and years ahead.

Sincerely,

KENTON PATTIE,
Senior Staff Vice President

STATES WITH PROMPT PAY STATUTES
Adopted prior to 1981

1. (1) Florida.
2. (2) Hawaii (strengthened by Senate Bill 366 in 1983).
3. (3) Illinois.
4. (4) Massachusetts (limited).
5. (5) Oregon.
6. (6) Arkansas (limited).
7. (7) Michigan (limited).
8. (8) North Carolina (limited).
9. (9) Indiana.

Adopted in 1981

1. (10) South Carolina.
2. (11) Washington.
3. (12) North Dakota (strengthened by Senate Bill 2056 in 1983).

Adopted in 1982

1. (13) Alaska (limited).
2. (14) Arizona.
3. (15) California.
4. (16) Louisiana.
5. (17) Pennsylvania.
6. South Carolina.

Adopted in 1983

1. California.
2. (18) Colorado.
3. (19) Delaware.

PROMPT PAYMENTS BECOMING
AN INTERGOVERNMENTAL
STANDARD

● Mr. SASSER. Mr. President, paying one's bills on time was such a universal business standard that it hardly deserved to be considered the innovation it was when I called for making it a statutory requirement for Federal agencies through the introduction of S. 30, the Late Payments Act of 1981, on the first day of the 97th Congress. The purpose and content of this legislation is clear and unequivocal: Government ought to pay its bills on time, within 30 days, or face up to interest charges.

Yet, this standard was an initiative. And this initiative, which grew ultimately to be the Prompt Payment Act of 1982 (Public Law 97-177), is yielding more and more results and benefits for

2/7/85 handout from
NFIB

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: HB30
Title: Relating to Payment for
Purchases by the State

Sponsor: Schultz
Requestor: State Affairs & Finance
Date of Request: _____

FISCAL DETAIL

Agency Affected: A11
Program Category Affected: A11

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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FEDERAL FUNDS						
OTHER						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KEB A*
Division: Finance

Phone: 465-2240
Date: February 7, 1985

Approved by Commissioner: Lisa Rudd *LJR*
Agency: Department of Administration

Date: 2/8/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note Analysis

HB 30

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Fiscal Note Analysis - HB-30
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Less 2. Permanent Fund Dividends	(2,409,200.)
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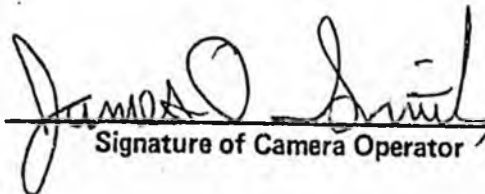
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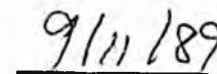


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

H B

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ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/21/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)							
Beginning FY Balance	Appro- priations	Dedicated		Inflation Adjusted		Net Income	Distributions			Reserves		Total Assets	
		State Revenues ¹	Inflation Proofing	Ending Balance	Proofing Shortfall		Ending Balance	Inflation Proofing	General Fund	Trans. Adj.**	Add (Delete)		Balance
78		54.4		54.4		54.4	1.8			1.3	.5		55.0
79	54.4	84.1		138.5		138.5	8.0			6.6	1.4		140.5
80	138.5	344.4	.3	483.2		483.2	32.4	11.3	.3	11.8	8.5		502.9
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	58.7	1,874.6
82	1,768.5	800.0		2,969.0		2,969.0	368.4	71.1		71.1	41.1	185.1	3,301.7
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	4,593.0
84	4,021.2	300.0	150.9	4,838.3		4,838.3	529.5	175.0	150.9			203.6	5,530.8
85	4,838.3	300.0	358.1	5,727.2		5,727.2	618.6	213.8	230.8			174.0	6,572.4
86	5,727.2		719.7	6,833.7		6,833.7	613.7	390.2	386.8			(163.3)	7,792.0
87	833.7		690.7	7,975.9		7,975.9	697.2	439.5	451.5			(193.8)	8,789.7
88	1,975.9		684.6	9,180.1		9,180.1	792.3	496.2	519.6			(223.5)	9,817.1
89	9,180.1		675.5	10,339.3	107.6	10,446.9	870.2	537.3	483.7			(150.8)	10,876.6
90	10,339.3		650.7	11,361.3	288.1	11,649.4	959.3	588.5	371.3				11,949.8
91	11,361.3		625.3	12,383.3	322.5	12,705.8	1,050.7	654.0	396.7				13,037.3
92	12,383.3		626.5	13,431.6	358.8	13,790.4	1,142.7	720.9	421.8				14,152.5
93	13,431.6		621.0	14,500.4	395.4	14,895.8	1,235.8	789.0	447.8				15,289.4
94	14,500.4		584.4	15,557.9	432.0	15,989.9	1,331.3	858.2	473.1				16,416.1
95	15,557.9		576.8	16,532.7	470.1	17,102.8	1,426.2	923.2	498.0				17,560.9
96	16,532.7		542.9	17,698.2	507.9	18,206.1	1,521.4	998.8	522.6				18,697.0
97	17,698.2		512.2	18,756.6	546.4	19,303.0	1,615.9	1,069.7	546.2				19,826.3
98	18,756.6		495.4	19,821.6	585.5	20,407.1	1,710.4	1,140.8	569.6				20,962.4
99	19,821.6		466.5	20,881.2	624.2	21,505.4	1,804.9	1,211.8	593.1				22,093.0
00	20,881.2		441.8	21,939.4	663.0	22,592.4	1,899.2	1,282.8	616.4				23,222.2

* Source: Alaska Department of Revenue

** Chapter 31, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

-
- 50% Contribution Rate
- 4.20% Inflation FY85
- 10.81% Return FY85
- 5% Average Inflation FY86-FY00
- 8% Average Return FY86-FY00
- 75% Dividend Rate FY86-FY00

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/17/95

-----PRINCIPAL: ACTUAL & PROJECTED----- (in billions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)									
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	Ending Balance	Inflation Adjusted Proofing Shortfall	Ending Balance	Net Income	Distributions			Reserves		Total Assets	FY	
								Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)	Balance			
78		54.4		54.4		54.4	1.8			1.3	.5			55.0	78
79	54.4	84.1		138.5		138.5	8.0			6.7	1.4			140.5	79
80	138.5	344.4	.3	483.2		483.2	32.4	11.3	.3	11.8	8.5			502.9	80
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		2,969.0	368.4	71.1		71.1	41.1	185.1	243.3	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5	(37.5)	110.0	353.3	4,593.0	83
84	4,021.2	300.0	150.9	4,838.3		4,838.3	529.5	175.0	150.9			203.6	557.4	5,530.3	84
85	4,838.3	300.0	230.8	5,727.2		5,727.2	618.6	213.8	230.8			174.0	731.4	6,672.4	85
86	5,727.2	359.9	365.2	6,452.3		6,452.3	597.5	258.5	365.2			(26.2)	705.2	7,415.0	86
87	6,452.3	345.3	407.9	7,205.5		7,205.5	659.7	287.6	407.9			(35.3)	669.4	8,152.5	87
88	7,205.5	356.6	453.7	8,015.8		8,015.8	724.3	313.0	453.7			(41.9)	627.5	8,956.3	88
89	8,015.8	361.7	502.7	8,880.2		8,880.2	794.2	339.5	502.7			(48.0)	579.5	9,799.2	89
90	8,880.2	353.8	554.0	9,788.0		9,788.0	867.3	364.4	554.0			(51.1)	528.4	10,680.8	90
91	9,788.0	342.5	607.3	10,738.4		10,738.4	943.9	399.0	607.2			(62.9)	465.5	11,502.9	91
92	10,738.4	342.8	664.9	11,746.1		11,746.1	1,023.2	435.4	664.9			(76.5)	389.0	12,570.5	92
93	11,746.1	338.9	725.1	12,810.1		12,810.1	1,107.4	473.7	725.1			(91.4)	297.6	13,581.4	93
94	12,810.1	319.6	787.8	13,917.5		13,917.5	1,194.1	513.7	787.8			(107.4)	190.2	14,521.4	94
95	13,917.5	324.1	854.5	15,096.1		15,096.1	1,284.3	555.4	854.5			(125.5)	64.6	15,716.1	95
96	15,096.1	306.8	844.1	16,247.1	80.1	16,327.2	1,378.3	598.8	844.1			(64.5)		16,315.9	96
97	16,247.1	290.2	831.4	17,368.7	160.8	17,529.5	1,475.3	643.9	831.4					18,012.6	97
98	17,368.7	282.2	885.1	18,536.0	174.0	18,710.0	1,575.9	690.8	885.1					19,226.3	98
99	18,536.0	265.3	940.3	19,742.6	187.3	19,929.9	1,660.2	739.4	940.8					20,482.0	99
0	19,742.6	253.2	999.4	20,994.2	201.4	21,195.6	1,748.2	789.8	998.4					21,784.0	0

* Source: Alaska Department of Revenue

** Chapter 31, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 10% CASE FORECAST - 2nd Qtr FY95

-
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY95
- 10.31% Return FY95
- 6% Average Inflation FY96-FY00
- 9% Average Return FY96-FY00

Introduced: 1/14/85
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY MARROU

2

HOUSE BILL NO. 32

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the permanent fund; and providing
7 for an effective date."

7

8

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

9

* Section 1. AS 37.13.010(a) is amended to read:

10

(a) Under art. IX, sec. 15 of the state constitution, there is
11 established as a separate fund the Alaska permanent fund. The Alaska
12 permanent fund consists of

12

13

(1) 50 [25] percent of all mineral lease rentals, roy-
14 alties, royalty sale proceeds, net profit shares under AS 38.05.180(f)
15 and (g), and federal mineral revenue sharing payments received by the
16 state from mineral leases issued on or before December 1, 1979, and 50
17 [25] percent of all bonuses received by the state from mineral leases
18 issued on or before February 15, 1980;

18

19

(2) 50 percent of all mineral lease rentals, royalties,
20 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
21 (g), and federal mineral revenue sharing payments received by the
22 state from mineral leases issued after December 1, 1979, and 50 per-
23 cent of all bonuses received by the state from mineral leases issued
24 after February 15, 1980;

24

25

(3) any other money appropriated to or otherwise allocated
26 by law to the Alaska permanent fund.

26

27

* Sec. 2. AS 43.23.045(b) is amended to read:

28

(b) Notwithstanding any contrary provision of law, each year the
29 commissioner shall transfer to the dividend fund 75 [50] percent of

29

1 the income of the Alaska permanent fund earned during the fiscal year
2 ending on June 30 of the current year and available for distribution.

3 * Sec. 3. This Act takes effect July 1, 1985.

INTRODUCTION OF BILLS, (cont'd)

HB 30, (cont'd)

goods or services. Act would not apply to contracts entered into before the effective date of this law. Takes effect October 1, 1985.

Introduced January 14 and referred to State Affairs, then Finance.

Lawful Hunting,
Fishing or
Trapping
(obstruction/
hindrance)

HOUSE BILL NO. 31, by Reps. Shultz and Marrou. Adds a new section to the Fish and Game Code that makes it a misdemeanor for a person to intentionally obstruct or hinder a person who is lawfully engaged in hunting, fishing or trapping. Allows a peace officer who has probable cause to believe that a person is obstructing or hindering to order the person to desist. The officer may cite or arrest the person if the person refuses to stop. States that it is an affirmative defense in a prosecution if the person had a right to obstruct or hinder or if the person reasonably believed that he had a right to obstruct or hinder.

A person violating the hindrance/obstruction provisions is guilty of a misdemeanor or punishable by a fine of not more than \$500 or imprisonment for not more than 30 days or both. Allows a person who was hindered/obstructed in his attempt to hunt, fish, or trap to petition the Superior Court for civil damages to enjoin the person hindering or obstructing. Also entitles the aggrieved person to recover general and special damages which include license and permit fees, travel costs, guide fees, costs for special equipment and supplies, and other related expenses. Also allows the court to award punitive damages in civil actions, in addition to general and special damages listed.

Does not provide for an effective date (becomes law 90 days after Governor signs bill).

Introduced January 14 and referred to Judiciary, then Resources.

Permanent Fund
& Dividend
Program
(increasing
amounts)

HOUSE BILL NO. 32 by Rep. Marrou. Would increase the amounts to be deposited in the Permanent Fund as well as the amounts to be deposited in the Permanent Fund dividend fund. Currently the Permanent fund consists of 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares and federal mineral revenue sharing payments received by the state from mineral leases issued on or before 12/1/79 and 25 percent of all bonuses received from mineral leases issued on or before 2/15/1980. Those amounts increase to 50 percent for leases and bonuses issued after those dates. Rep. Marrou's bill would increase the amounts for leases issued before 12/1/79 and for bonuses received before 1/15/80 to 50 percent. Note: amends AS 37.13.010(a), Public Finance. Alaska Permanent Fund.

Currently the Commissioner of Revenue is required to transfer 50 percent of the income of the Alaska Permanent Fund each fiscal year into the dividend fund to be paid as dividends to each resident of the state. Rep. Marrou would require 75 percent of the earnings of the Permanent Fund be transferred to the dividend fund for distribution to state residents. Note: amends AS 43.23.045,

INTRODUCTION OF BILLS, (cont'd)

HB 32, (cont'd)

Revenue and Taxation. Permanent Fund Dividends. Dividend Fund.

Note: also see HB 9 and SB 24, similar. HB 28 also relates to the Permanent Fund. Provides Act takes effect July 1, 1985.

Introduced January 14 and referred to State Affairs, then Finance.

Agricultural
Rights to
State Land
(limitations/
conditions)

HOUSE BILL NO. 33, by Rep. Shultz. Prohibits a person from buying more than one parcel of land that is part of an agricultural development project during any eight year period. Also restricts the use of land sold or disposed of as agricultural. The Commissioner of Natural Resources is required to convey a fee simple conditional title to the surface estate subject on a condition that the land be used only for agricultural purposes (current law transfers only rights for agricultural purposes and all other interests in the land remain with the state). Allows the state to take back the land if notice is given that the land is being used for other purposes. An opportunity must also be given for a hearing. The reversion of the title to the state does not affect the validity of a prior lien or security interest on the land.

A person who leases state agricultural land shall receive a lease-hold interest in the surface estate subject to the condition that the land be used only for agricultural purposes. As a condition to issuance of a lease or contract of sale of state agricultural land, a farm development agreement and conservation plan may be required. Title may not be conveyed unless the buyer has complied with the farm development agreement and conservation plan.

Repeals AS 38.05.321(a), Alaska Land Act. Classification of Land. Restriction on Sale, Lease or other Disposal of Agricultural Land. Subsection (a) states: "The sale, lease or other disposal of state land classified as agricultural land transfers only rights for agricultural purposes, and all other interest in the land remain with the state unless otherwise required by law." Does not provide for an effective date (becomes law 90 days after Governor signs bill).

Introduced January 14 and referred to Resources, then Finance.

On January 16 the Resources referral was waived. The bill was referred to State Affairs, then Finance.

Liquor
Licenses
(limiting
cert. types)

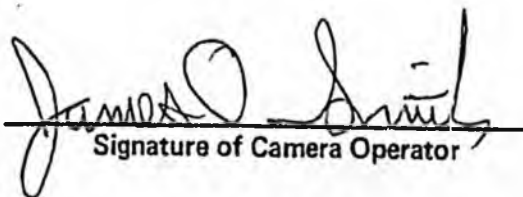
HOUSE BILL NO. 34, by Rep. M. M. Miller. Would repeal AS 04.11.400(j), Alcoholic Beverages. Licensing. Denial of Licenses or Permit Renewal. subsection (j) states: "The board may issue a new license in a municipality notwithstanding the provisions of (a) of this section if the board finds that issuance of the license is necessary for the public convenience." (subsection (a), referred to, limits issuance of liquor licenses by population). Makes further technical changes to statutes to reflect repeal.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

HB

34

HOUSE STATE AFFAIRS COMMITTEE

Bill Number 34 Title liquor licenses Date Rec'd 1/15/85
re: Administration of

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd	Note	Paper

CONTACTS

BACKUP LIST

Mullen (yuno) sponsor
 PAT SHARROCK exec. dir ABC Bd.
 Matt Felix
 Lisa Nelson x 3428

C&RA F-note ✓
 ABC F-note ✓
 memo from LEGAL 1/25/85
 memo from ZACHRY 2/14/85 P&ES
 memo from LEGAL 2/15/85
 CS DRAFT 2/12/85 EDWARDS
 MARK BROS LETTER 1/31/85

HEARING INFORMATION

Felix will supp CSRB 34(SA) & speak for Admin.

NOTES:

2/21/85 called C&RA & Revenue for new fiscal notes for CSRB 34(SA)
 2/23/85 sent H. Tod backup file

FINAL ACTION

PASSED out CSRB 34(SA) ← CSRB 34(SA) combines
 2/20/84 HB 150 & HB 34

COMMITTEE REPORT
HOUSE

2/25

Judiciary

FURTHER: Finance

(9)

1/14/85

Date: 2-20-85

The Committee on State Affairs has had HR 34
"An Act relating to the limitation of certain types of liquor licenses."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 34 (2) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

MILLER [Signature]

BOUCHER [Signature]

HURLEY Katie Hurley with amendments

TENKINS [Signature]

CATO [Signature]

Katie Hurley
CHAIRMAN

Liquor
Licenses
(limiting
cert. types)

HOUSE BILL NO. 34, by Rep. M. M. Miller. Would repeal AS 04.11.400(j), Alcoholic Beverages, Licensing, Denial of Licenses or Permit Renewal. subsection (j) states: "The board may issue a new license in a municipality notwithstanding the provisions of (a) of this section if the board finds that issuance of the license is necessary for the public convenience." (subsection (a), referred to, limits issuance of liquor licenses by population). Makes further technical changes to statutes to reflect repeal.

The bill also changes population requirements for issuance of a new beverage dispensary or package store license or for relocation of that license. Currently a license may not be issued or transferred to a new location outside an incorporated city, a unified municipality, or an established village in a radius of five miles of the licensed premises or location of premises sought to be licensed if after issuance or transfer there would be more than one license for each 1,500 population. Rep. Miller's bill would prohibit issuance or relocation of the license outside those boundaries if there would be more than one license for each 3,000 population. The same increase in population limits would apply to licenses inside an established village, incorporated cities or unified municipalities if after the issuance or relocation, there would be more than one license for each 3,000 population inside the boundaries of the village, city or municipality (currently 1,500).

Introduced January 14 and referred to State Affairs, Judiciary, then Finance.

Fireworks
(rewriting
state law)

HOUSE BILL NO. 35, by Rep. Pourchot. Rewrites state law regulating the sale of fireworks. Would no longer allow sale of roman candles, skyrocket, helicopter type rockets, mines and shells, firecrackers with soft casings, and novelties consisting of two or more of the listed devices. The section of law defining the various types of fireworks is rewritten to more specifically describe those devices, and a new section is added to the law stating that the law does not apply to the sale and use in emergency situations of pyrotechnic devices and distress signals, the retail use of explosives, and certain types of novelty items that do not contain chemicals used in making fireworks. The law also does not apply to ammunition and blank cartridges.

Violation section is changed stating that a person who knowingly fails to comply with the law or fireworks regulations is guilty of a misdemeanor (currently a person who knowingly or wilfully fails to comply is guilty of a misdemeanor). Takes effect immediately.

Introduced January 14 and referred to State Affairs, then to Judiciary.

Appropriation
(special)
(Willow Creek
road access)

HOUSE BILL NO. 36, by Reps. Larson and Hurley. Makes a special appropriation in the amount of \$2,600,000 for payment as a grant to the Matanuska-Susitna Borough to provide road access to Willow Creek, and to provide parking, camping, and boat launch facilities. Requires appropriation to be disburse in accordance with law governing grants to municipalities. Takes effect immediately.

Introduced January 14 and referred to Community & Regional Affairs, then Finance.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: H B 34
 Title: "An Act Relating to the
 limitation...of liquor licenses."
 Sponsor: Rep. M.M. Miller
 Requestor: Rep. Hurley
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Community & Regional Affairs
 Program Category Affected: _____
Community Development
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
900 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-		
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

The Department is only remotely affected by this bill due to the impact it may have on the State's local governments and the connection with population determination made by C & RA. Therefore, the fiscal impact of the Bill on this Department is negligible.

Prepared By: Doug Griffin Deputy Director
 Division: Municipal and Regional Assistance

Phone: 465-4750
 Date: 1-21-85

Approved by Commissioner: Muriel
 Agency: Community & Regional Affairs

Date: 1-21-85

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 34
 Title: Limitations of certain types of liquor licenses
 Sponsor: Rep. M. M. Miller
 Requestor: House State Affairs Comm.
 Date of Request: January 16, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Public protection
 BRU, Program or Subprogram(s) Affected: Alcoholic Beverage Control Board

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Patrick L. Sharrock Phone: 277-8638
 Division: Alcoholic Beverage Control Board Date: 1/18/85
 Approved by Commissioner: Macdonald Nordlie Date: 1/21/85
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 21, 1985

SUBJECT: Liquor licenses; HB 34
TO: Representative Katie Hurley
FROM: George Edwards *GE*
Legislative Counsel

This is in response to your request for a sectional analysis of HB 34.

Section 1 AS 04.11.330(a) is amended by adding the term "former" on page 2, line 4 preceding the term "AS 04.11.400(j)" to reflect the repeal of that section in Section 7 of the bill.

Section 2 AS 04.11.340 is amended by substituting the term "relocation" for the term "transfer". The change eliminates possible confusion caused by the current usage of "transfer." That term currently applies both to the sale of an existing liquor license and to the relocation of licensed premises. Since there is a critical distinction between the two acts, this section substitutes the term "relocation" for "transfer" with reference to the relocation of licensed premises. The term "transfer" remains applicable to sales of licenses. It is also amended to add the term "former" preceding the term "AS 04.11.400(j)" to note the repeal of that section.

Section 3 AS 04.11.360 is amended to substitute sex-neutral language and to add the term "former" preceding the term "AS 04.11.400(j)" to note the repeal of that section.

Section 4 AS 04.11.400(a) is amended to increase the population requirement for each license issued or relocated from 1500 to 3000. It also adds the modifier "beverage dispensary or package store" as a modifier to term license as used in this section and substitutes the term "relocation" for the term "transfer".

Representative Katie Hurley
January 21, 1985
Page 2

Section 5 AS 04.11.400(g) is amended to increase the number of rooms required to qualify for a hotel, motel or similar business from 10 to 50. It also substitutes the term "relocation" for the term "transfer".

Section 6 AS 04.11.504(a) is amended to substitute the term "relocation" for the term "transfer".

Section 7 Repeals AS 04.11.400(j). That section provided that the board may issue a new license in a municipality notwithstanding the population limits in (a) of that section if the board finds that issuance of the license is necessary for the public convenience.

GWE:ojb
J11/020

File

A PERFORMANCE REPORT ON THE
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD

January 30, 1984

Commissioner, Department
of Revenue

Robert D. Heath

Deputy Commissioners,
Department of Revenue:

Taxation
Treasury

Bruce M. Botelho
Milton B. Barker

Members of the
Alcoholic Beverage Control Board

Chairman
Member
Member
Member
Member

William K. Smith
Wesley D. Wallace
Donald J. House
E. L. Holloway
Jane C. Perkins

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

January 30, 1984

Members of the
Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A PERFORMANCE REPORT ON THE
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD

January 30, 1984



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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PURPOSE OF THE REPORT

In accordance with the provisions of Alaska Statutes 24.20.271(1) and 44.60.050 (Sunset legislation) an examination of the Alcoholic Beverage Control Board was conducted to determine if the Board has been operating in an efficient and effective manner and if the Board should be reestablished.

As required by legislative intent, this report should be considered during the legislative oversight function in determining if the Alcoholic Beverage Control Board should be reestablished. Per the 1983 amendment to AS 44.66.010(A)(1), the Board is scheduled to terminate on June 30, 1984.

ORGANIZATION AND FUNCTION

The Alcoholic Beverage Control Board (hereinafter referred to as the ABC Board or the Board) was established in 1959 by Title 4 of the Alaska Statutes as a regulatory, quasi-judicial agency. The Board is vested with the powers, duties, and responsibilities for the control of alcoholic beverages, including the power to propose and adopt regulations, and to hear appeals.

Members are appointed for three-year terms by the Governor and serve at his pleasure subject to confirmation by the Legislature. Membership is limited by statute to five persons (two liquor industry representatives, three non-industry representatives). A director, also appointed by the Governor, serves as executive officer and is responsible for enforcement of Title 4 liquor laws and regulations developed by the Board. Although he is not a member of the Board, the director may cast a tie-breaking vote. Under the direction of the Board, the director may issue, renew, transfer, revoke or suspend licenses or permits.

Title 4 prescribes the type of licenses, fees, and specific activities allowed under each license classification (see schedule of license types and fees in Appendix C). Fees are payable at the time of application. To renew an already existing liquor license, the application must be filed (and the corresponding fees paid) on or before February 28. On January 1, 1984 the Board adopted emergency regulations to set a moratorium on the issuance of certain new license within the State. The primary purpose of the moratorium is to avail time to the Board to reevaluate its current criteria for license application approvals. This moratorium will be in effect until April 30, 1984.

The staff of the ABC Board is divided into three major functions: administration, licensing, and enforcement. A brief description of the services provided by those functions follows.

Administration. The director of the ABC Board provides all administrative support needed by the Board including overseeing all staff functions, preparing budget documents, and directing the preparation and implementation of administrative and public hearings, and directing special enforcement investigations.

Licensing. The licensing staff currently consists of three full-time employees responsible for issuing and receiving application forms, maintaining records and files for all licenses, collecting fees, issuing all licenses and permits authorized by the Board, and answering inquiries from the general public on routine licensing matters.

Enforcement. The ABC Board currently employs five investigators - three operating from the Anchorage central office, one operating from the Fairbanks field office, and one operating from the Juneau field office. One Anchorage Investigator position is vacant. Services provided include (1) surveillance and inspections of licensed premises, (2) investigations to obtain information to be used in criminal and civil proceedings and investigations into suspected licensing violations, (3) public appearances relating to ABC laws and regulations, and (4) assisting the licensing staff in handling inquiries from the general public.

REPORT CONCLUSION

Policy Issues

This review contains policy issues raised as a result of our evaluation of various Board practices. The final policy decisions affecting those practices are not within the scope of this review but require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and recommendations presented in this report, so that the potential impact of the policy changes can be evaluated.

Report Conclusions

Title 4 of the Alaska Statutes established the ABC Board to control the manufacture, barter, possession and sale of alcoholic beverages in the State in order to protect the public's health, safety, and welfare. We believe that there is a demonstrated need for this control to continue to exist. In order to operate in a more efficient and effective manner the following recommendations should be implemented:

1. The ABC Board should improve documentation of its enforcement efforts.
2. The ABC Board should strengthen communications with law enforcement officers.
3. The ABC Board should establish procedures to monitor license fee refunds.
4. The ABC Board should improve its activity reporting system.
5. The Department of Revenue should review the ABC Board's transmittal of receipt procedures and establish procedures to transmit funds more efficiently.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The ABC Board should improve documentation of its enforcement efforts.

The ABC Board is mandated by statute to control the manufacture, barter, possession, and sale of alcoholic beverages in the State. When a violation is observed or reported, the ABC Board staff would issue a notice of violation, initiate an investigation, or file a criminal complaint. An enforcement file is maintained by the ABC Board to document actions taken. Our review of these files disclosed weaknesses in the following areas:

Investigations

Upon completion of an investigation by the enforcement staff a written report is prepared. The report is reviewed by the enforcement supervisor and submitted to the Director and/or Board for final action. Our review disclosed that adequate documentation is not maintained on enforcement activity. For instance, 16 of 25 enforcement files reviewed did not contain documentation of final action resulting from the Director and/or Board review. In addition, a review of 25 administrative files maintained by the Director showed that 17 files did not contain documentation of the informal conference held with the licensee and final resolutions made.

In order to improve the efficiency and effectiveness of operations, the ABC Board should implement procedures to ensure files are complete. Enforcement files should contain documentation of enforcement activity from inception to final resolution.

Notice of Violation (NOV)

The ABC Board utilizes an NOV to communicate to licensees that a violation allegedly occurred. NOVs of an by themselves carry no penalty, and present regulations do not require the licensee to respond to the NOV. Our review of 25 NOVs showed only 9 responses were received from licensees.

An NOV or an accumulation of NOVs could lead to the filing of an accusation or could initiate an investigation. In addition, NOVs may be reviewed by the Board in considering whether to suspend, revoke, or renew a license.

To provide for fair and balanced consideration by the Board, Director or enforcement officers, all licensees should be required to provide a written response to an NOV. The response should become a part of the decision on whether or

not additional action is warranted. Consideration should also be given to the assessment of a penalty to the licensee when no response is received after the issuance of an NOV.

Recommendation No. 2

The ABC Board should strengthen communications with law enforcement officers.

Our review of the ABC Board's law enforcement activities showed that the staff relies primarily on the services of local law enforcement officers to aid in enforcing liquor laws. To promote local enforcement, annual license fees, excluding wholesale fees, collected from licenses issued within a municipality are refunded semi-annually to the municipality.

Total license fees refunded to 40 municipalities in Fiscal Year 1983 was \$809,980. According to the ABC Board staff, they are unsure of what services are provided by several municipalities. No reports have been submitted by 20 of the 40 municipalities.

Alaska Statute 04.11.610(b) states that if the officers of a municipality fail to actively enforce local ordinances, laws of the United States and the State, and the regulations relating to the manufacture and sale of alcoholic beverages, the Commissioner of Revenue may deny the refund, until the Board finds the enforcement of the ordinances, laws and regulations is resumed. Alaska Statute 04.11.610(c) also provides for the recovery of any amount erroneously refunded.

As of January 1984, the ABC Board implemented procedures to monitor the number of reports received from law enforcement officers. We encourage the Board to continue this effort. In addition, the Board should review its enforcement requirements and inform all municipalities of the types of reports and/or services expected from each to ensure liquor law enforcement.

Recommendation No. 3

The ABC Board should establish procedures to monitor license fee refunds.

If an application for an alcoholic beverage license or permit is denied by the ABC Board, the applicant is required by Board procedures to submit a claim for a refund of the license fee paid. Upon receipt, the claim is reviewed and endorsed by the ABC Board's staff. The claim is then forwarded to the Department of Revenue for processing.

Recommendation No. 5

The Department of Revenue should review the ABC Board's transmittal of receipt procedures and establish procedures to transmit funds more efficiently.

Revenues collected by the ABC Board consisting of application and license fees are deposited approximately once a week in a non-interest bearing bank account. Due to staff limitations and time allotted for bank verification, a check for the amount deposited is not prepared until several days later and forwarded to the Division of Treasury.

A review of the ABC Board's bank statements showed that the average monthly balance for Fiscal Year 1983 was \$87,828. Interest income is lost as a result of transmittal delays by the ABC Board. The Department of Revenue should establish procedures to have funds wire transferred to the Division of Treasury upon deposit or authorize the establishment of an interest bearing depository account to be maintained by the ABC Board.

ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analysis indicates both positive and negative attainments of the ABC Board and how its activities relate to the public need factors defined by AS 44.66.050. This analysis is not intended to be comprehensive in nature.

I. The extent to which the board, commission or program has operated in the public interest.

Public protection gained through licensing to control the manufacture, possession and sale of alcoholic beverages has been adequately provided by the ABC Board. However, operational efficiency and effectiveness should be improved. See Recommendations 1 through 5 of this report.

II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personal matter.

The 1980 revisions to Title 4 have, for the most part, been beneficial to the operation of the ABC Board. However, those sections which deal with suspension and revocation of licenses and permits place severe restrictions upon the ability of ABC to suspend and revoke licenses for the illegal act of licensee employees.

The Board is also restricted in meeting its statutory responsibilities in protecting the public health, safety and welfare by the size of the enforcement staff which consists of one agent in Juneau, one in Fairbanks and three, including a supervisory agent in Anchorage. Including the supervisory agent, there are only five agents with inspection and enforcement responsibilities for 1,513 licensed premises. However, one other Anchorage Investigator position is vacant.

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.

The last major revisions to Title 4 of the Alaska Statutes were the result of action by the 1980 session of the Legislature. The ABC Board participated in the process of developing those revisions.

- IV. The extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

The ABC Board has met an average of ten times during 1982 and 1983. During each year they have met at least once in each of the four judicial districts. Each meeting has been adequately advertised and open to all interested persons. Staff of the ABC Board are located in Anchorage, Juneau and Fairbanks and are available to answer inquiries of the general public during all normal business hours. We believe this has provided an adequate forum for allowing public input on Board regulations and decisions.

- V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

As noted in IV above, the Board has provided an adequate forum for obtaining input from the public.

- VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of the ombudsman have been processed and resolved.

As noted in past reviews the number of formal hearings continue to be few in number. However, the ABC Board has the authority to hold its own hearings on protests which it exercises as a part of its regularly scheduled meetings. Hearings in this manner have been accomplished in a timely manner since the Board meets at least ten times each year.

- VII. The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.

Our review of licensing activity of the ABC Board to determine whether all statutory qualifications of licensees were being met revealed no exceptions. The Board has therefore, presented qualified applicants to serve the public.

VIII. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

No discrepancies were noted during our review of the ABC Board affirmative action program.

IV. The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to I and II above and to the previous section, Findings and Recommendations.

APPENDIXES

APPENDIX A

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
REVENUE COMPARED WITH EXPENDITURES
Fiscal Years 1981, 1982 and 1983
(UNAUDITED)
(Note 1)

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Revenue (See Schedule 1)	\$1,494,489	\$1,548,393	\$1,592,957
Expenditures	<u>(556,589)</u>	<u>(562,178)</u>	<u>(605,131)</u>
<u>Excess of Revenue</u> <u>Over Expenditures</u>	<u>\$ 937.900</u>	<u>\$ 986.215</u>	<u>\$ 987.826</u>

Schedule 1
Revenue Collected

<u>Types of License</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Liquor License Application	\$ 83,250	\$ 86,350	\$ 86,950
Pub	100	400	400
Beverage Dispensary	771,050	773,200	799,050
Club	39,500	39,300	41,200
Common Carrier	25,800	29,050	30,500
Restaurant	60,750	69,600	73,550
Roadhouse	-0-	-0-	-0-
Retail Store	330,700	335,400	341,500
Wholesale General	138,500	156,000	146,700
Wholesale Malt Beverage	13,200	21,600	27,900
Miscellaneous (Note 2)	<u>31,639</u>	<u>37,493</u>	<u>45,207</u>
<u>Total</u>	<u>\$1,494,489</u>	<u>\$1,548,393</u>	<u>\$1,592,957</u>

Note 1

This revenue/expenditure comparison was prepared from available records and discussions with ABC Board personnel. The records were not audited by us and accordingly we do not express an opinion on the ABC Board Revenue Compared with Expenditures, nor the Schedule of Revenue Collected.

Note 2

Includes recreational-site licenses, caterer's special events and conditional contractor's permits.

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
NUMBER OF LICENSES BY TYPE
Fiscal Years 1981, 1982, and 1983

<u>Types of License</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Pub	1	1	1
Beverage Dispensary	620	634	645
Club	63	65	65
Common Carrier	72	88	94
Restaurant	182	215	223
Roadhouse	-0-	-0-	-0-
Retail Store	438	445	448
Wholesale General	15	16	16
Wholesale Malt Beverage	7	7	8
Miscellaneous (Note 1)	<u>9</u>	<u>12</u>	<u>13</u>
<u>Total</u>	<u>1407</u>	<u>1483</u>	<u>1513</u>

Note 1

Includes recreational-site licenses, caterer's special events and conditional contractor's permits.

APPENDIX C

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
DESCRIPTION OF LICENSE TYPES AND FEES

<u>Source</u>	<u>Description</u>	<u>Annual Fee</u>
Application Fee	For each license application.	\$ 50
Beverage Dispensary	To sell or serve on the licensed premises alcoholic beverages for consumption on the licensed premises only.	1,250
Restaurant or Eating Place	To sell beer and wine for consumption only on the licensed premises.	300
Club	To sell alcoholic beverages for consumption only on the licensed premises.	600
Bottling Works	To operate a bottling works where beer and wine may be bottled and sold.	250
Brewery	To operate a brewery where beer is manufactured and bottled or barreled for sale.	500
Winery	To operate a winery where wine is manufactured and bottled or barreled for sale.	250
Package Store	To sell alcoholic beverages to a person in response to a verbal solicitation for purchase received from the person present on the licensed premises or in response to a written solicitation made by a person known to the license for a purchase to be received by the person making the solicitation.	750
Retail Stock	To sell the remaining stock of a package liquor store when the owner wishes to close or terminate business. Sale may only be to licensed persons.	100

<u>Source</u>	<u>Description</u>	<u>Annual Fee</u>
General Wholesale	To sell alcoholic beverages in the original package, and wine in bulk, in quantities of not less than five gallons to holders of licenses.	\$1,000 First \$100,000 of sales plus \$500 - 10,000 on additional sales
Wholesale Malt Beverage and Wine	To sell malt beverages and wine in the original packages in quantities of not less than five wine gallons to holders of licenses.	200 First \$20,000 of sales plus \$300 - 10,000 based on additional sales
Distillery	To operate a distillery where alcoholic beverages are distilled and bottled or barreled for sale.	500
Community Liquor	Authorizes a municipality to operate a beverage dispensary or a package store or both subject to the same conditions and fees applicable to beverage dispensary or package liquor store licenses.	1,250 Beverage Dispensary 750 Package Store
Common Carrier Dispensary	To sell alcoholic beverages for consumption aboard a vehicle, boat, aircraft, or railroad buffet car licensed by the State or federal agency for passenger travel.	350 Per vehicle, boat, aircraft or railroad car
Recreational Site	To sell beer and wine at a recreational site during and one hour before and after a recreational event which is not a school event, for consumption on designated areas at the site.	400
Pub	To sell beer and wine for consumption only at designated premises located on the campus of an accredited college or university.	400
Caterer	Authorizes the holder of a beverage dispensary license to sell or dispense alcoholic beverages at conventions, picnics, social gatherings,	50

<u>Source</u>	<u>Description</u>	<u>Annual Fee</u>
	sporting events or similar affairs held off the holder's licensed premises.	
Special Events	To sell or dispense beer or wine for consumption at designated premises for a specific occasion and limited period of time. Only a nonprofit organization may acquire the permit.	\$50 Per day
Conditional Contractor	To sell beer or wine for consumption only on designated premises for one year from the date of issuance of the permit at construction sites which are located outside a city and inside the boundaries of a military or naval reservation.	600

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

February 24, 1984

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

RECEIVED
FEB 28 1984
LEGISLATIVE
STAFF

Dear Mr. Wilkerson:

This letter is in response to recommendations contained in your Performance Report of the Alcoholic Beverage Control Board dated January 30, 1984.

Recommendation No. 1 - The A.B.C. Board should improve documentation of its enforcement efforts.

We agree. Conclusions for and final actions from investigations, informal conferences and administrative hearings will be more precisely documented and recorded in pertinent files.

Recommendation No. 2 - The A.B.C. Board should strengthen communications with law enforcement officers.

We agree. This is an ongoing task for the board and its staff. We hope the monitoring procedures implemented recently will produce improved communications with other agencies.

Recommendation No. 3 - The A.B.C. Board should establish procedures to monitor license fee refunds.

We agree. Procedures to process and assess disposition of denied applications and related refund of license fees will be established.

Recommendation No. 4 - The A.B.C. Board should improve its activity reporting system.

We agree.

Item A. A man-hour reporting system for investigators is in place.

Item B. The discrepancy for total investigations reported resulted from "information only" notations by investigators on their daily reports erroneously recorded by clerical staff as "completed" investigations. Improved communication and control within the enforcement staff has begun to prevent this kind of error from reoccurring.

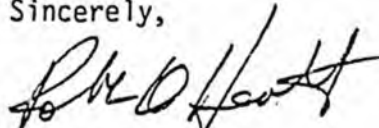
Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
February 24, 1984
Page 2

Recommendation No. 5 - The Department of Revenue should review the A.B.C. Board's transmittal of receipt procedures and establish procedures to transmit funds more efficiently.

We agree. The department is vigorously reviewing cash receipt management in all departments at the present time.

On behalf of the A.B.C. Board and its staff we commend your staff who performed this audit for their professionalism and conduct. Thank you for your constructive and appropriate recommendations.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH:PLS:m11

cc: Patrick L. Sharrock, Director
A.B.C Board
A.B.C Board Members



SIX HUNDRED TWENTY SEVEN
WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE 278-2133 or 277-MARX

JAN 13 1985

January 31, 1985

Hon. Katherine T. Hurlley
Alaska State Representative
Pouch Z
Juneau, Ak. 99801

Re: Title 4, Alcoholic
Beverages - license
Quotas

Dear Representative Hurlley,

There has been much public debate concerning the issuance of liquor licenses in order to deal with various problems caused by alcohol abuse. One way of dealing with the problem which many are advocating is to reduce the number of available licenses. This has already been taken place to some extent due to an interpretation by the ABC board which excluded military and prison populations from the computation of the quota of licenses.

Other proposals have been put forward in the form of new legislation that would further decrease the number of licenses per population. The problem with Sec. 04.11.400 which mandates the population quota is that it is applied uniformly to all license types, so that even though reducing the number of bars may be desirable, the number of licenses available to restaurants is also reduced. Due to the recent change in the population figures, Anchorage has reached its limit of beer-wine licenses. This means that a person who wants to open a small restaurant must purchase one from another license holder for a price that is now upwards of \$25,000. Is this really what is desired? We should be encouraging, not discouraging the service of alcohol with meals as an alternative to bars. In addition, a beer and wine license is an economic necessity to the survival of the small, independently owned restaurant. Since our state encourages and depends on tourist dollars to a great extent, it makes no sense to pass laws which would restrict the restaurant trade unnecessarily. What we will have in the urban areas of our state if we pursue the present course is nothing but chain type restaurants owned and run by large corporations.

We propose that the population limitations be separated by license type, since we certainly don't need the same number of wholesale licenses as restaurant licenses for a given population. As a starting point for debate, we encourage the legislature to adopt a quota of 1 beer-wine license for every 750 people, or no quota at all. In small places like Homer, the population limitation has been a definite discouragement to anyone opening up a new restaurant.



SIX HUNDRED TWENTY SEVEN
WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE 278-2133 or 277-MARX

As an indirect effect, the population limitations have created a situation of many equally-qualified applicants applying for a few available licenses when the population increases, forcing the board to come up with criteria to select one business over another. Their current proposals to do this are vague and arbitrary. One of these proposals would limit beer and wine licenses to establishments that have a minimum of 70 seats in populous areas, and a 50 seat minimum in small towns. There is no defensible rationale for this that we can see. This regulation, if adopted will eventually eliminate the small, independently owned restaurant. There are many, many restaurants in the Anchorage area that would never have opened had this regulation been previously in effect. Small gourmet restaurants and wine bars, most pizza parlors, many Chinese, Mexican and other ethnic restaurants also would not meet the criteria.

There are alternatives to the over-simplistic and short-sighted proposals which have been made to date. Let's not ruin an important facet of our cultural life in our zeal to stop problems with drunk drivers. Please don't further restrict the restaurant trade in your effort to reduce the number of bars. Effort would be much better spent on stricter sanctions against drunk drivers, public education, and some sort of safe driving incentives. (Flat fare tokens which patrons could use to take cabs, and some means of allowing people to leave their car parked in an urban area without fear of being towed away should be considered). This is a complex and far-reaching issue, please give it the thorough consideration it deserves before reaching your conclusions.

Thank You,

Van Hale, Jack Amon, and Ken Brown
Owners, Marx Bros Cafe

627 West Third Avenue
Anchorage, Ak. 99501
278-2133, 277-6279

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

JAN 25 1985

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
707 465 3800

M E M O R A N D U M

January 25, 1985

SUBJECT: Liquor licenses; HB 34
TO: Representative M. Mike Miller
FROM: George W. Edwards *GWE*
Legislative Counsel

This is in response to your request for a sectional analysis of the redone committee substitute for HB 34 (Judiciary).

Section 1 AS 04.11.320(a) is amended by adding a reference in numbered paragraph (9) to the new subsection (k) added to AS 04.11.400.

Section 2 AS 04.11.340 is amended by substituting the term "relocation" for the term "transfer." The change eliminates possible confusion caused by the current usage of "transfer." That term currently applies both to the sale of an existing liquor license and to the relocation of licensed premises. Since there is a critical distinction between the two acts, this section substitutes the term "relocation" for "transfer" with reference to the relocation of licensed premises. The term "transfer" remains applicable to sales of licenses. It is further amended in numbered paragraph (2) with a reference to the new subsection (k) added to AS 04.11.400.

Section 3 AS 04.11.400(a) is amended by adding a reference to the newly proposed subsection (k).

Section 4 AS 04.11.400(g) is amended by deleting language that authorizes the board to approve relocation of licenses issued under this subsection. It is also amended to increase the number of hotel type rooms needed to qualify for a license under this section from 10 to 50.

Representative M. Mike Miller
January 25, 1985
Page 2

Section 5 AS 04.11.400(j) is amended by adding the term "restaurant or eating place" as a limiter on the type of licenses that may be issued under this section.

Section 6 AS 04.11.400 is amended by adding a new subsection (k) that creates an exception to AS 04.11.400(a) and (b) by requiring a population of at least 3000 persons per license before a new beverage dispensary or package store license may be issued.

Section 7 AS 04.11.504(a) is amended to substitute the term "relocation" for the term "transfer," and to refer to the new subsection (k).

Section 8 An immediate effective date is added as noted in the bill title.

GWE:csh
c2/195

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF ALCOHOLISM AND DRUG ABUSE

BILL SHEFFIELD, GOVERNOR

POUCH H 05F
JUNEAU, ALASKA 99811
PHONE:

586-6201

January 25, 1985

The Honorable Katie Hurley
Chairperson
House State Affairs Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Re: HB 34

Dear Representative Hurley:

As requested by you I have enclosed the study cited in my testimony on HB 34. Please feel free to call on me at any time.

Sincerely,



Matthew Felix
Coordinator

Enclosure

cc: Representative Mike Miller

128/10

patients should be allowed to regulate
so. There is no reason to maintain
of the process of narcotic with-
nt settings.

EDGMENT

Institute on Drug Abuse, Grant H81-DA0187

ICES

P., *Psychopathology in Drug Abusers*. Paper
ence on Drug Abuse, New Orleans, 1975.

Effect of knowledge of dosage, *Int. J.*

ns, W. H., Control of methadone dosage by
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asets, 1975.

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911 (1975).

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Rec. 23:209-214 (1973).

R., Simultaneous detection of commonly
am using thin-layer identification techniques.

**The Effect of Alcohol Beverage
Restrictions on Consumption: A 25-Year
Longitudinal Analysis***

JOHN F. HOADLEY, PhD

*Department of Political Science
Duke University
Durham, North Carolina 27706*

BETH C. FUCHS, PhD

*Office of Representative Mike Lowry
U.S. House of Representatives
Washington, D.C. 20515*

HAROLD D. HOLDER, PhD

*The Human Ecology Institute
Chapel Hill, North Carolina 27514*

ABSTRACT

This project analyzed the impact of state regulation and control measures on per capita apparent distilled spirits consumption using a 25-year period, 1955-1980. The project was an effort to determine if statistically significant associations between regulation of spirits and per capita consumption could be found for the 48 states

*The views expressed in this report are those of the authors. Neither Representative Lowry nor the U.S. House of Representatives has in any way endorsed these findings, nor should they be held responsible for them.

of the continental United States. A series of regression models was employed to obtain estimates of the effects of a set of independent variables, including (1) alcoholic beverage control laws, (2) price and price-related variables, and (3) social/cultural control variables on apparent distilled spirits consumption. Most previous studies of the relationship of restrictions on spirits availability have led to a belief that control efforts have little or no impact on per capita consumption. This study was undertaken with the expectation of similar findings. What was found instead was that certain laws and regulations do seem to play a significant role in holding down distilled spirits consumption. The regression models developed predict a decrease of about two drinks per month per person if the state was to shift its regulatory laws (including the price of liquor, which is not always subject to regulation) from being relatively loose to being relatively strict. This decrease in drinking would cut down the level of consumption in the median state by nearly one-fourth.

With the passage of the 18th Amendment and the end of Prohibition, individual states began to introduce their own controls on the sale and consumption of alcoholic beverages. The desire to place such restrictions on the availability of alcohol stemmed primarily from a legacy of Prohibition attitudes regarding the evils of drinking [1]. But while Prohibition demonstrated that overall consumption of alcoholic beverages could be reduced through radical legal measures, it also revealed that absolute temperance and abolition were almost impossible to achieve, even given the most stringent enforcement. Laws with such widespread unpopularity tended to be violated frequently and had the additional effect of promoting "widespread disregard for the law by otherwise lawabiding citizens" [2].

Since Prohibition, much of the original zeal for state control of the sale and consumption of alcoholic beverages has eroded in the face of increasingly liberal public attitudes about drinking. Most post-Prohibition laws and regulations have been enacted to raise public revenues and to ensure an orderly commercial marketplace. Nevertheless, the production, sale, and consumption of alcohol remain among the most heavily regulated commercial activities in the United States. Although restrictions have been eased and total consumption has risen significantly, much of the regulatory structure remains in place. There are signs, too, of renewed interest in using legal controls as a way to curb the ill effects of drinking, as indicated by the movement of many states to higher legal drinking ages.

The effectiveness of state alcoholic beverage controls in holding down consumption is largely unproven. It is an issue that has received extensive yet inconclusive and contradictory treatment in the literature. Indeed, this research suggests a major paradox, for while some studies of alcohol beverage control (ABC) laws conclude that such laws and regulations have no impact on per

of regression models was employed of independent variables, including price and price-related variables, and (3) distilled spirits consumption. Most restrictions on spirits availability have led to no impact on per capita consumption. The expectation of similar findings. Laws and regulations do seem to play a role in spirits consumption. The regression showed that two drinks per month per person (including the price of liquor, which is being relatively loose to being relatively strict) tend to bring down the level of consumption in the

and the end of Prohibition, in their own controls on the sale and consumption. The desire to place such restrictions on the sale of alcohol is primarily from a legacy of Prohibition attitudes. While Prohibition demonstrated that alcohol consumption could be reduced through radical measures, absolute temperance and abolition were not the most stringent enforcement. The law tended to be violated frequently, noting "widespread disregard for the law"

original zeal for state control of the sale of alcohol has eroded in the face of increasingly liberalized laws. Most post-Prohibition laws and regulations are designed to ensure an orderly commercial production, sale, and consumption of alcohol. Many regulated commercial activities in the alcohol industry have been eased and total consumption is high. The regulatory structure remains in place. There is a strong reliance on legal controls as a way to curb the consumption. The movement of many states to higher

alcohol beverage controls in holding down consumption is an issue that has received extensive yet inconsistent attention in the literature. Indeed, this research and other studies of alcohol beverage control laws and regulations have no impact on per

capita consumption, an equally persuasive set of research concludes that a positive relationship exists between specific ABC laws and regulations and certain alcohol-related problems. Generally ignored or underemphasized in all of the literature is the intervening question of what is the effect of ABC laws and regulations on per capita consumption? This paradox is readily revealed in a brief review of the literature.

One set of studies concludes that state ABC laws and regulations are of little or no effect in holding down per capita consumption and alcohol-related problems. (For detailed summaries, see DeLuca [3] and Popham *et al.* [4].) For example, Bacon [5] has concluded that availability has little association with consumption. Smart [6], while seeing some positive association between his nine-factor availability score (comprised of ABC restrictions) and consumption, has found it to be essentially spurious after introducing controls for urbanization and income. Watts and Rabow [7] have further argued that an important portion of the positive association between availability and consumption is a function of interstate tourism, particularly for such states as Nevada, Vermont, and New Hampshire, as well as the District of Columbia. These results are affected, however, by the use of a 1977 national survey and 1972 state consumption data, a period during which 29 states changed their minimum drinking age. Elsewhere, Colon *et al.* [8] have found significant association between consumption and two types of composite measures of availability while controlling for tourism and urban conditions. Finally, Rabow and Watts [9] have discovered some connection between availability and alcohol-related problems, but the links with sociocultural factors are generally stronger.

From findings such as these, one might easily conclude that restrictions on alcoholic beverage sales have little if any effect on consumption and that consumption is more a function of disposable income and urbanization, relative price to other goods and services, and other sociocultural factors which explain various state and regional differences found over time. Most of these studies, however, have utilized only 1 year to study such associations and have not examined the differential effect of types of controls over a long period of time, say 20 years or more.

Moreover, the findings of this body of research are troubling in that they are inconsistent with common sense explanations of the rise in per capita consumption over the last several decades, a period of time simultaneous with an increased liberalization of restrictions on sales. Such findings are also inconsistent with the experience of other countries [10, 11]. Evaluating data from a number of nations, DeLint [12] has pointed out the relationship of consumption and laws which limit availability. This apparent connection between consumption

and increasing availability has led Beauchamp [13] and Moore and Gerstein [14] to argue against further relaxation of restrictions on alcoholic beverages.

It is also true that a number of studies, while hardly consistent in conclusions, have found differences in consumption patterns and/or significant changes in consumption related to differences or changes in specific restrictions on sales. For example, the findings on days and hours of sale suggest little or no effect on sales, but there seems to be a threshold factor involved; that is, if days and hours of sale are severely curtailed or radically altered, sales and adverse effects of consumption go up or down accordingly [3, 15, 16]. The effects of minimum drinking age seem to vary across jurisdictions (as well as nations) and seem especially sensitive to short-term influences of sales and consumption. Studies reporting significant correlations between minimum drinking age and sales include Schmidt [17], Schmidt and Kornaczewski [18-20], Smart and Schmidt [21], Douglass *et al.* [22], Whitehead *et al.* [23], and Maisto and Rachal [24]. Barsby and Marshall [25] however, have found that changes in minimum purchasing age have had no effect on apparent consumption of spirits.

The research on the effects of the number, type, and density of outlets is not consistent [9, 26-31]. Advertising effects are similarly confusing. Methodologically difficult to handle, advertising seems to have, at the least, a reinforcing effect on consumption. But the literature is replete with evidence that advertising both does [32-34] and does not [35, 36] affect per capita consumption.

Although price has not been utilized explicitly as a device for control of consumption, a broad consensus exists within the economic literature on consumption that price has an impact on the demand for distilled spirits. The literature on the relationship between price and demand for distilled spirits is extensive, but with vastly different estimates of the specific elasticity of price. (See, for example, Niskansen [37], Cook [38, 39], Lau [40], Johnson and Oksanen [41], and Hogarty and Elzinga [42].) A more thorough discussion of this literature and the issue of price elasticity more generally can be found in a publication of The Human Ecology Institute [43].

Faced with such an assortment of conclusions, it is impossible to explain with certainty why per capita alcoholic beverage consumption patterns have changed over time. Those factors which have been found to be significant in determining consumption, such as a population's demographic and cultural characteristics, cast a shadow on states' efforts to control alcoholic beverage consumption through legal and regulatory instruments. Nevertheless, it is difficult to conclude that regulation of the availability of spirits has no effect when, at the same time, studies show that specific regulations and controls do have an effect. Perhaps there is a cumulative impact of regulation-

champ [13] and Moore and Gerstein [14] of restrictions on alcoholic beverages. These studies, while hardly consistent in conclusions, suggest patterns and/or significant changes in consumption in response to specific restrictions on sales. For example, the effect of a 10% increase in the price of sale suggest little or no effect on sales, but the effect of a 10% increase in the number of outlets involved; that is, if days and hours of sale are controlled. The effects of minimum drinking age seem to be especially sensitive to short-term changes in sales. Studies reporting significant correlations between minimum purchasing age and sales include Schmidt [17], Schmidt [18], Schmidt [21], Douglass *et al.* [22], Rachal [24]. Barsby and Marshall [25]. Minimum purchasing age have had no effect on sales.

The number, type, and density of outlets is an important variable. The effects are similarly confusing. Methodology seems to have, at the least, a reinforcing effect. The literature is replete with evidence that advertising [26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36] affect per capita consumption. Advertising is explicitly as a device for control of consumption. The economic literature on consumption and demand for distilled spirits. The literature on supply and demand for distilled spirits is replete with evidence that the elasticity of price. (See [38, 39], Lau [40], Johnson and [41], and [42].) A more thorough discussion of the elasticity more generally can be found in [43].

In conclusion, it is impossible to explain consumption patterns have been found to be significant in a population's demographic and cultural response to policy manipulation. Contrary to states' efforts to control alcoholic beverages by regulatory instruments. Nevertheless, the availability of spirits has no effect on sales. The specific regulations and the cumulative impact of regulations

such that one restriction alone may not have a statistically significant effect but, taken together with other restrictions, may have an important effect.

DATA AND METHODOLOGY

This project is an effort to determine if statistically significant associations between regulation and control of distilled spirits and per capita consumption of spirits could be found over a 25-year period (1955-1980). Specifically, the project analyzed the impact of state regulation and control measures on per capita apparent spirit consumption for 5-year intervals starting in 1955 and ending in 1980 (six individual years in total). We would have preferred to look at every year spanning this period but data collection for 25 years was too costly and, in some cases, data for some of the variables simply were not available for all states for every year. Our choice of 5-year intervals permitted us to examine change across a wide period of time. ABC laws and regulations generally experience slow change, and a year-to-year examination would not have picked up much greater variation.

In the tradition of earlier studies, our units of analysis were the 48 states of the continental United States. Alaska, Hawaii, and the District of Columbia were not included in the analysis because of missing data.

THE DEPENDENT VARIABLE

Actual alcoholic beverage consumption data, by state for every year, are not available. Some surveys of drinking behavior exist for some state populations for some years, but there is no source of data on distilled spirit consumption that covers all states across a consistent period of time. State spirit sales data are traditionally used as an indicator of apparent consumption. However, gallons sold are not identical to gallons consumed, and sales figures are generally calculated using state tax receipts, a good but not perfect measure of actual gallons purchased in a state. In addition, sales figures cannot account for unconsumed beverages due to waste and storage. Moreover, they do not discriminate between spirits purchased by residents of a state and those purchased by tourists and nonresidents who cross state borders to purchase distilled spirits at a lower price. This is especially true of such jurisdictions as New Hampshire, Vermont, the District of Columbia, and Nevada, with figures for the first three being inflated by purchases of consumers from neighboring states, and the latter being inflated by a substantial tourist industry. A final limitation of sales data is that they do

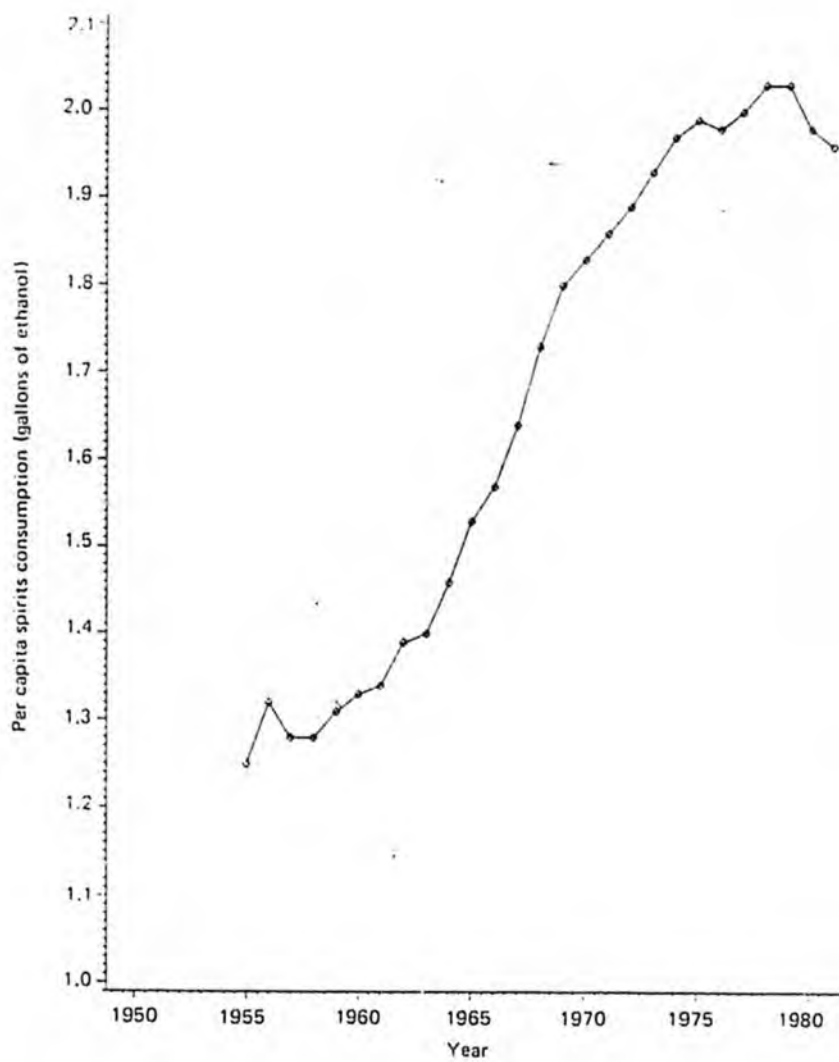


Fig. 1. Trend in spirits consumption.

not account for illicit alcohol sales or consumption. "Moonshine" sales have apparently decreased in recent years but they were certainly a factor in the 1950s and 1960s, especially in such states as Kentucky, Tennessee, Mississippi, and Alabama. The consumption of moonshine in these states suggests the limitation of sales figures, for these are the very states consistently reporting relatively low levels of per capita consumption. (A rough idea of the moonshine problem can be obtained from Distilled Spirits Council of the United States (hereafter abbreviated as DISCUS) publications such as its annual *Fact Book* [46]. For example, the *Fact Book* for 1979 (p. 15) reports that moonshine still seizures by federal agents decreased from 361 in 1977-1978 to 40 for 1978-1979. Brinkman [47] reports that moonshining has apparently begun to diminish in the wake of more stringent law enforcement and stiffer penalties. Illicit alcohol remains, however, a major concern, not only because of tax revenues lost through such activities, but because of the major health risks presented those who consume it.)

The dependent variable is in actuality a measurement of gallons of ethanol, rather than the more conventional measure of gallons of spirits. Ethanol measurement is necessary because its content in distilled spirits has not remained constant over time. According to Keller and Gurioli [44] and reports of the National Institute on Alcohol Abuse and Alcoholism (NIAAA) [45], on the average, the ethanol content of distilled spirits for the period 1950 to 1971 was 45%. From 1972 through 1975 it was 43%; then in 1977 it dropped to 41.1%. Consequently, although distilled spirits sales have been increasing, the ethanol content in spirits has been decreasing. Thus, when we examine total gallonage sold from 1955-1980, spirits consumption increased quite steadily from 1955 to 1975 and then leveled off as of 1980. But when gallonage is converted to ethanol content, apparent per capita consumption of ethanol actually decreased between 1975 and 1980 (see Fig. 1). Thus the dependent variable (DRINKS) is defined as per capita consumption of distilled spirits in gallons of ethanol for a state during a given year. (For 1955-1970, apparent consumption = total gallons sold in state i * .45. For 1975, apparent consumption = total gallons sold in state i * .43. For 1980, apparent consumption = total gallons sold in state i * .411. The sources for the values for DRINKS were the *Annual Statistical Reviews* [48] for the years 1955-1980.)

INDEPENDENT VARIABLES

A large number and variety of independent variables were selected for this study. They are grouped as (1) alcoholic beverage control laws and regulations



on distilled spirits, (2) price and price-related variables for distilled spirits, and (3) social/cultural control variables. In each case the variable name is in parentheses. It should be noted that a variety of other variables were tested and rejected in preliminary research.

Laws and Regulatory Variables

1. Minimum legal age for purchase of spirits (AGES)
2. Weekday closing hours for on-premise sale of spirits (HOURONS)
3. Sale of spirits for on-premise consumption on Sundays (SUNONS)
4. Whether or not purchase of "liquor-by-the-drink" is prohibited (PLACEONS)
5. Type of retail outlet where spirits may be purchased for off-premise consumption ("by the bottle") (PLACEOFS)
6. Percent of the total population living in counties which are "dry" for spirits (LOCOPTS)
7. Total density of outlets for purchase of spirits in number of licenses per 1,000 population (DENSETS)
8. Whether the state uses a monopoly or license system of control for sale of spirits (MONOP)
9. Whether or not billboard advertising of spirits is prohibited in the state (ADBILS)
10. Restrictions on exterior signs advertising spirits (ADSIGNS)
11. Restrictions on price advertising of any kind, in any form of advertising (ADPRICES)

Price Variables

1. Real price of spirits sold for off-premise consumption ("by the bottle") (PXOFS)
2. Consumer price index adjusted price of spirits sold for off-premise consumption (COSTS)

related variables for distilled spirits, and in each case the variable name is in a variety of other variables were tested

3. Ratio of the off-premise price of spirits in the neighboring state with the least expensive spirits to the off-premise price of spirits in the home state, controlled for size (in square miles) of the home state (CHEAP)

Social/Cultural Control Variables

of spirits (AGES)

on-premise sale of spirits (HOURONS)

consumption on Sundays (SUNONS)

"carry-by-the-drink" is prohibited

which may be purchased for off-premise consumption (LACEOFS)

dry counties in counties which are "dry" for

number of licenses per

type of license system of control for sale

of spirits is prohibited in the state

advertising spirits (ADSIGNS)

of any kind, in any form of advertising

on-premise consumption ("by the bottle")

number of spirits sold for off-premise con-

1. Per capita personal income in current dollars (INCOME)
2. Per capita personal income in constant dollars (CINCOME)
3. Percent of the state population which is Baptist plus the percent of the state population which is Mormon (RELIG)
4. Tourist activity in a state as measured by the number of people on payrolls for tourist establishments (hotels and other lodging places), for March of a given year, divided by population of the state (TOURPC)

In analyzing the determinants of alcoholic beverage consumption, we first considered these legal and regulatory instruments thought to have *direct* impact. The most obvious of these was whether or not the state has a monopoly over the distribution and sale of distilled spirits. Other regulatory variables of potential importance included controls on the hours, days, and locales of sales; restrictions on the drinking-age population; and state and locally imposed limitations on the advertising of distilled spirits.

In addition, a full specification of the determinants of spirits consumption must include a number of other nonregulatory variables. Economic prosperity was presumed to be related to levels of consumption; thus, we included a measure of income for the states. And, because of traditional biases against drinking, we added a measure of religion. Finally, in order to deal with the problems of measuring consumption of alcohol with sales data, variables were included to incorporate the possible effects of prices in neighboring states and the presence of a large tourist trade. For most of these variables, our interest was to insure a complete model—and our analysis of these variables was limited accordingly. (Certain other variables, including urban population and climate, were included in preliminary analyses but were rejected from final models for various reasons. Most operationalizations of the legal variables were patterned after those in the study of ABC laws by Matlin *et al.* [2]. Some control variables, including CHEAP and TOURISM, were influenced by Ornstein and Hanssens' [51] study of demand for alcoholic beverages.)

Table 1. Classification of States by Control vs License as of July 1, 1979 (Ref. 48, p. 44; Ref. 45, p. iv)

Control states	License states
Alabama	Alaska
Idaho	Arizona
Iowa	Arkansas
Maine	California
Michigan	Colorado
Mississippi—operates only at wholesale level	Connecticut
Montana	Delaware
New Hampshire	District of Columbia
North Carolina	Florida
Ohio	Georgia
Oregon	Hawaii
Pennsylvania	Illinois
Utah	Indiana
Vermont	Kansas
Virginia	Kentucky
Washington	Louisiana
West Virginia	Maryland
Wyoming—operates only at wholesale level	Massachusetts
	Minnesota
	Missouri
	Nebraska
	Nevada
	New Jersey
	New Mexico
	New York
	North Dakota
	Oklahoma
	Rhode Island
	South Carolina
	South Dakota
	Tennessee
	Texas
	Wisconsin

license as of July 1, 1979 (Ref. 48, p. 44;

STAGE I ANALYSIS: SIMPLE RELATIONSHIPS

Control of alcoholic beverage sales is primarily a state matter, and there are substantial variations across states in terms of specific rules and regulations governing availability. The most significant variation is between states which operate their own liquor stores (control or monopoly states) and those which license private sector outlets to sell alcoholic beverages (license states). In control states, state alcoholic beverage agencies buy the controlled beverages directly from the supplier and normally sell to the consumer for off-premise consumption through their own stores. In license states, differences exist in the types of outlets permitted to sell beer, wine, and spirits. Usually, alcoholic beverages are available from either outlets licensed to sell beer and unfortified wines, or outlets licensed to sell all alcoholic beverages [49]. There are 18 control states and 32 license states (see Table 1).

Consumption studies frequently point out that per capita consumption is generally lower in control than in license states [50, 51]. A simple comparison of per capita consumption levels of all beverages across the 51 jurisdictions indicated that control approaches may indeed have a different impact on consumption behavior than license approaches, i.e., that license states as a group have consistently higher per capita consumption of alcohol. One can see this relationship for each year in the 25-year period in Fig. 2. In this figure the mean apparent consumption levels of monopoly control states are represented by the letter "M" and the mean apparent consumption levels of the license states are represented by the letter "L."

While this simple relationship suggests that state regulation can make a difference in consumption, it does nothing to rule out the possibility that these apparent differences result from other regulatory differences that coincide with the license/monopoly control distinction. Or, it may be that license and monopoly control states simply differ considerably in social and cultural terms, making the difference spurious on this basis. To test these possibilities, it was necessary to turn to a multivariate analysis.

STAGE II ANALYSIS: MULTIVARIATE RESEARCH DESIGN

The primary research question of the study was to determine if differences in the amount of restriction on spirits availability were significantly associated with differences in the annual apparent consumption in states over the past 25

License states

Alaska
 Arizona
 Arkansas
 California
 Colorado
 Connecticut
 Delaware
 District of Columbia
 Florida
 Georgia
 Hawaii
 Illinois
 Indiana
 Kansas
 Kentucky
 Louisiana
 Maryland
 Massachusetts
 Minnesota
 Missouri
 Nebraska
 Nevada
 New Jersey
 New Mexico
 New York
 North Dakota
 Oklahoma
 Rhode Island
 South Carolina
 South Dakota
 Tennessee
 Texas
 Wisconsin

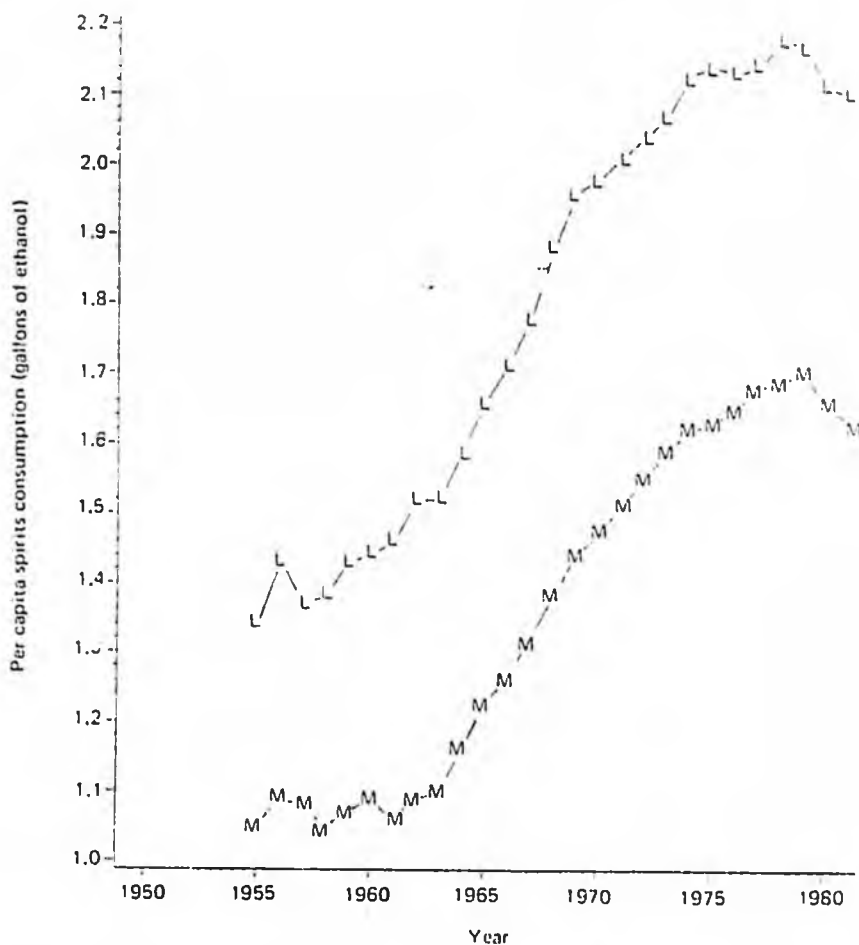
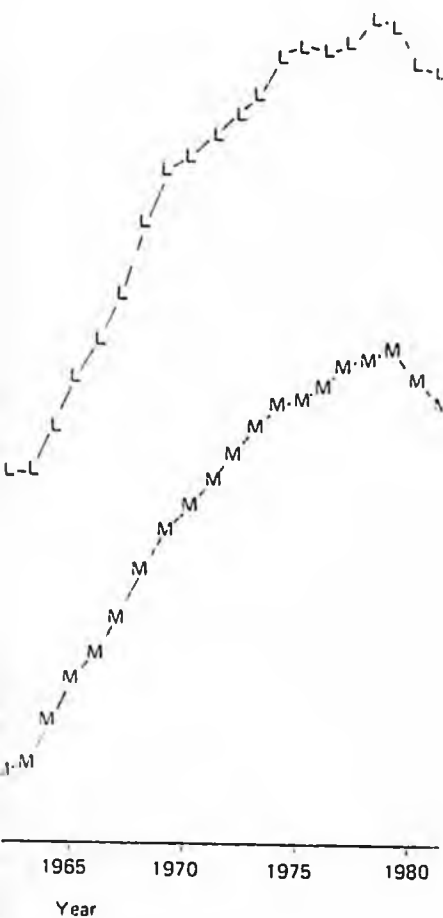


Fig. 2. Trend in spirits consumption. L = License states. M = Monopoly states.

years. In short, not only was the study concerned with association but also the stability (if any) of the association over the time period.

Given the inherent limitations in the state data which were available for such a national longitudinal study and the difficulties of establishing stable relationships with the large number of independent variables, we elected to utilize a multiphase research design. The approach provided estimates of regression coefficients under a variety of conditions and enabled a determination of the stability of these coefficient values.

First, ordinary least-squares regression was employed to determine the effect of



license states. M = Monopoly states.

concerned with association but also the time period. state data which were available for such difficulties of establishing stable relationship variables, we elected to utilize a multiphas estimates of regression coefficients unde determination of the stability of these co- was employed to determine the effect of

the independent variables on DRINKS for each of the six years. Second, a pooled model was analyzed; that is, a model in which the observations for all years are analyzed together. Our objective in both approaches was to obtain a set of reliable coefficients. In total, four different models were analyzed; these are described below.

Model 1. The first regression model was designed to be the most complete model possible, after eliminating variables for which insufficient data were available or for which preliminary research showed no semblance of impact on the dependent variable. The reduction helped to preserve a reasonable number of degrees of freedom, so that accurate estimates could be obtained. The other important characteristic of both Models 1 and 2 is that separate regressions were run for each of the six years, thus allowing a look at differences over time. (Additional testing was performed with the major outliers (Nevada and New Hampshire) excluded. These cases had very high values for DRINKS as a result of tourism and sales to nonresidents. Results were not, however, remarkably different.)

Model 2. A revision of Model 1 was developed in which the highest inter-correlated legal variables were combined into an additive index called: LAWINDEX = AGES + HOURONS + SUNONS + PLACEONS. This was deemed necessary because of concerns that the effects of these legal variables were obscured in Model 1 due to intercorrelations and the possibility of joint effects. For example, restrictions on Sunday sales may be insufficient to have any impact but when joined with other types of regulations, consumption might be affected.

Model 3. Linear regressions for individual years, as employed in Models 1 and 2, have a limited number of degrees of freedom (48 cases with as many as 21 variables) with which to obtain stable, dependable estimates of the effects of various factors. As a result, some variables may appear to have insignificant effects when their contribution is worthy of note, and/or the degree of explanation of the entire model may be overstated. In addition, idiosyncrasies in the data for a particular year may also have an exaggerated impact on the analysis. The pooled regression model was therefore based on analyzing all cases for all years to create 284 cases (48 states X 6 years, less 4 cases of totally dry states). (It is recognized that data from a particular state in one year are not independent of the same state in another year, although the pooled regression makes this assumption. The 5-year interval between data points should make this violation of the assumption less problematic. New Hampshire was excluded for 1970, 1975, and 1980 because it is an extreme outlier.)

Model 4. A pooled model with dummy variables for regional and time differences was employed to take into account variations not otherwise built into the model by allowing for a uniform shift (upward or downward) for any particular region or year. Four regions were considered—South, Midwest, Northeast, and West—and the six years. (South = Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia. Midwest = Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin. Northeast = Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia. West = Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.) The Northeast region and the year 1955 were arbitrarily selected as the base points for comparison.

STAGE II RESULTS: MODELS 1 AND 2

Model 1 was developed from theoretical expectations together with the results of some preliminary analysis where certain variables consistently failed to meet even liberal tests of significance. The resulting reduced model includes 11 regulatory variables (MONOP, ACES, HOURONS, SUNONS, PLACEONS, PLACEOFS, LOCOPTS, DENSETS, ADBILS, ADSIGNS, ADPRICES) plus a price variable (PXOFS) and four control variables (INCOME, TOURPC, RELIG, and CHEAP). Results are shown in Table 2.

The explanatory capacity of Model 1 was relatively high for social science data in that it accounts for a very high proportion of the variance in the consumption of liquor. The adjusted R^2 s (coefficients of determination) ranged from .63 for 1970 to .82 for 1955. (Adjusted R^2 is useful where the number of degrees of freedom is relatively small. The formula used to calculate adjusted R^2 is

$$\text{Adjusted } R^2 = R^2 - \left(\frac{K - 1}{N - K} \right) (1 - R^2)$$

where K is the number of independent variables in the equation, N is the number of cases, and R^2 to the right of the equal sign is the unadjusted R^2 . (See Nie *et al.* [52], p. 358 fn.)

The coefficients yielded by Model 1 pointed to factors other than ABC laws and regulations as the major influences on the apparent consumption of distilled spirits. Only ADBILS and PLACEONS among the regulatory variables maintained

my variables for regional and time different variations not otherwise built into (upward or downward) for any were considered—South, Midwest, North = Alabama, Arkansas, Florida, Georgia, Carolina, Oklahoma, South Carolina, Illinois, Indiana, Iowa, Kansas, Michigan, akota, Ohio, South Dakota, Wisconsin. ine, Maryland, Massachusetts, New nsylvania, Rhode Island, Vermont, West orado, Idaho, Montana, Nevada, New ming.) The Northeast region and the e base points for comparison.

MODELS 1 AND 2

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was relatively high for social science proportion of the variance in the con- coefficients of determination) ranged djusted R^2 is useful where the number . The formula used to calculate

R^2)

variables in the equation, N is the the equal sign is the unadjusted R^2 .

pointed to factors other than ABC laws on the apparent consumption of distilled among the regulatory variables maintained

Table 2. Model 1 Analysis^a

Variable	Year											
	1955		1960		1965		1970		1975		1980	
	b	p	b	p	b	p	b	p	b	p	b	p
MONOP	.171	(.04)	.132	(.18)	.136	(.21)	.119	(.40)	.068	(.59)	.075	(.47)
AGES	-.090	(.56)	.195	(.17)	.096	(.63)	.075	(.78)	.0587	(.63)	.132	(.29)
HOURONS	-.142	(.18)	-.186	(.13)	-.251	(.11)	-.182	(.44)	-.104	(.66)	.050	(.76)
SUNONS	.017	(.70)	-.022	(.68)	.086	(.27)	.140	(.16)	.149	(.31)	.023	(.79)
PLACEONS	.159	(.03)	.275	(.004)	.246	(.03)	.315	(.09)	.331	(.09)	.380	(.19)
PLACEOFS	-.130	(.23)	-.085	(.49)	-.0664	(.65)	-.00530	(.98)	-.060	(.82)	-.00629	(.97)
LOCOPTS	-.0003	(.78)	-.00129	(.33)	-.00126	(.45)	-.00273	(.52)	.000644	(.90)	.000510	(.91)
DENSETS	.006	(.82)	.00415	(.91)	-.0583	(.25)	-.0647	(.46)	-.0749	(.42)	-.0313	(.70)
PXOPFS	-.161	(.03)	-.141	(.10)	-.105	(.26)	-.0692	(.54)	-.149	(.06)	-.148	(.04)
ADBILS	-.109	(.05)	.157	(.02)	.124	(.10)	-.279	(.03)	-.277	(.02)	-.186	(.16)
ADSIGNS	.179	(.05)	.191	(.09)	.0664	(.65)	-.041	(.85)	.0395	(.83)	.0146	(.89)
ADPRICES	.040	(.25)	.063	(.19)	.0941	(.09)	.0338	(.66)	.0866	(.33)	-.020	(.84)
INCOME	.000339	(.00011)	.000265	(.001)	.000284	(.001)	.000243	(.08)	.0000709	(.47)	.0000488	(.29)
TOURPC	17.451	(.01)	24.430	(.14)	29.079	(.001)	30.614	(.0001)	36.66	(.0006)	27.395	(.0001)
RELIG	-.00173	(.26)	.0000613	(.97)	-.00161	(.48)	-.00402	(.58)	-.0120	(.12)	-.00701	(.05)
CHEAP	14.898	(.91)	33.831	(.83)	154.577	(.54)	290.738	(.41)	566.638	(.09)	223.344	(.43)
R^2	.88		.76		.82		.75		.82		.77	
Adjusted R^2	.82		.64		.73		.63		.74		.66	

^ab = unstandardized regression estimate; p = significance level.

Table 3. Model 2--Analysis Using LAWINDEX^a

Variable	Year											
	1955		1960		1965		1970		1975		1980	
	b	p	b	p	b	p	b	p	b	p	b	p
MONOP	.1490	(.06)	.1354	(.15)	.165	(.07)	.125	(.33)	.037	(.76)	.0383	(.69)
LAWINDEX	.0653	(.47)	.1582	(.21)	.2105	(.14)	.493	(.03)	.457	(.03)	.318	(.18)
PLACEOFS	-.0710	(.45)	-.0809	(.52)	-.056	(.68)	.07	(.76)	-.00172	(.99)	.0439	(.80)
LOCOPTS	-.000188	(.85)	-.00113	(.44)	-.00125	(.45)	-.00296	(.38)	-.000597	(.89)	.00240	(.57)
DENSETS	.0142	(.63)	.0250	(.56)	-.048	(.34)	-.077	(.34)	-.066	(.37)	.000586	(.99)
PXOFS	-.1805	(.01)	-.176	(.05)	-.168	(.04)	-.095	(.36)	-.137	(.06)	-.107	(.10)
ADBILS	0.0935	(.08)	-.122	(.06)	-.109	(.13)	-.2712	(.02)	-.255	(.03)	-.267	(.10)
ADSIGNS	.1078	(.20)	.123	(.28)	-.045	(.71)	-.196	(.27)	.00632	(.97)	.0181	(.85)
ADPRICES	.0269	(.45)	-.076	(.14)	.085	(.11)	.0365	(.61)	.109	(.19)	0.0456	(.63)
INCOME	.0003008	(.0001)	.000259	(.0023)	.000239	(.0038)	.000163	(.16)	.0000902	(.24)	.0000487	(.28)
TOURPC	23.0775	(.0006)	31.423	(.07)	33.9614	(.0001)	37.213	(.0001)	36.028	(.0001)	27.156	(.0001)
RELIG	-.002166	(.18)	-.000258	(.90)	-.00192	(.40)	-.00514	(.17)	-.00700	(.08)	-.00713	(.04)
CHEAP	99.87	(.46)	102.0188	(.56)	350.1995	(.12)	537.660	(.07)	681.189	(.03)	285.023	(.29)
R ²	.86		.67		.79		.73		.80		.76	
Adjusted R ²	.80		.55		.72		.64		.73		.68	

^ab = unstandardized regression estimate; p = significance level.

PXOF'S	-.1805	(.01)	-.176	(.05)	-.168	(.04)	-.095	(.36)	-.137	(.06)	-.107	(.10)
ADBILS	0.0935	(.08)	-.122	(.06)	-.109	(.13)	-.2712	(.02)	-.255	(.03)	-.207	(.10)
ADSIGNS	.1078	(.20)	.123	(.28)	-.045	(.71)	-.196	(.27)	.00632	(.97)	.0181	(.85)
ADPRICES	.0269	(.45)	-.076	(.14)	.085	(.11)	.0365	(.61)	.109	(.19)	0.0456	(.63)
INCOME	.0003008	(.0001)	.000259	(.0023)	.000239	(.0038)	.000163	(.16)	.0000902	(.24)	.0000487	(.28)
TOURPC	23.0775	(.0006)	31.423	(.07)	33.9614	(.0001)	33.213	(.0001)	36.028	(.0001)	27.156	(.0001)
RELIG	-.002166	(.18)	-.000258	(.90)	-.00192	(.40)	-.00514	(.17)	-.00700	(.08)	-.00713	(.04)
CHEAP	99.87	(.46)	102.0188	(.56)	350.1995	(.12)	537.660	(.07)	681.189	(.03)	285.023	(.29)
R ²	.86		.67		.79		.73		.80		.76	
Adjusted R ²	.80		.55		.72		.64		.73		.68	

^ab = unstandardized regression estimate; p = significance level.

significant values for most years. (The normal use of tests of statistical significance is to determine the extent to which findings from a probability sample can be generalized to the population from which it is drawn. In such a case, it is assumed that the source of randomness is in the sampling process. In our analysis, we are *not* working with a sample, but with a population: all states in the United States. Thus, we cannot interpret significance tests as though they are measuring random sampling errors. But they can be used as an indication of whether results are in any sense due to "chance" factors. See Henkel [53] for further discussion of significance tests.) For PLACEONS, availability of "liquor-by-the-drink," it was not surprising that the inability to buy a drink in a restaurant or bar has a deterrent effect on overall consumption. Less obvious, however, was the explanation for ADBILS: it seemed that the prohibition of billboard advertising of liquor actually increased consumption, according to our model. Other legal variables that common sense suggested should be influential (AGES, PLACEOFS, DENSETS, SUNONS, and LOCOPTS) failed to meet even the most liberal definitions of statistical significance. MONOP, HOURONS, ADSIGNS, and ADPRICES were borderline cases in certain years. In addition, higher average prices appeared to deter consumption, but this deterrent effect was neither consistently high nor statistically significant. Finally, among the control variables, income and tourism were important predictors of alcohol consumption, with high levels of each increasing consumption.

At this point we turned from Model 1 to Model 2, where the only change was combining four of the regulatory variables into a new LAWINDEX. This was done to cut down on the potentially harmful correlation among these variables as well as to try to specify their effects more precisely. Once again, the coefficients for all variables varied sizably across years, as seen in Table 3.

The amount of variance explained is again relatively high, with adjusted R^2 ranging from .55 (1960) to .80 (1955). However, the inclusion of LAWINDEX produced a few interesting differences in the values of specific coefficients. Most of the legal variables that were not significant in Model 1 were also insignificant in Model 2. PLACEOFS, LOCOPTS, DENSETS, ADSIGNS, and ADPRICES all washed out. MONOP was marginally significant for some years. ADSIGNS, which had some life in Model 1, failed to show any significance in this model. ADBILS repeated its performance, never getting worse than .13 significance and retaining its negative sign. PXOFS began to show more stability, particularly across the years 1955, 1960, 1970, and 1975. The variable LAWINDEX behaved very erratically. It showed up strongest for 1970 and 1975 and weakest for 1955. The coefficients were such that it was impossible to accept or reject a null hypothesis that legal variables, when considered as a

Table 4. Comparison of Regression Results

Variable	Regression estimates (b)			
	Model 1		Pooled Model 3	Pooled Model 4
	Lowest	Highest		
MONOP	.068	.171*	.090**	.091**
AGES	-.090	.195	.062	.032
HOURONS	-.251	.050	-.082*	.065*
SUNONS	-.022	.149	.034	-.010
PLACEONS	.159*	.380	.130**	.128**
PLACEOFS	-.130	-.005	-.023	.017
LOCOPTS	-.00273	.00064	-.00096	-.00137*
DENSETS	-.0749	.0060	.00062	.0270*
COSTS/PXOFS	-.161*	-.069	-.021*	-.113**
ADHLS	.279*	.109*	.120**	.099**
ADSIGNS	-.041	.191*	-.005	-.017
ADPRICES	-.063	.094*	.030	.005
INCOME/CINCOME	.000049	.000339**	.000125**	.000208**
TOURPC	17.45*	36.66**	30.575**	28.217**
RELIG	-.0120	.00006	-.00395**	-.00334**
CHEAP	14.898	566.638*	312.366**	44.250
MIDWEST	-	-	-	-.172**
WEST	-	-	-	-.085**
1965	-	-	-	-.055*
1975	-	-	-	-.250**
1980	-	-	-	-.369**
R ²	.75	.88	.82	.89
Adjusted R ²	.63	.82	.81	.88

* = "significance" less than .01.

** = "significance" between .01 and .10.

set of restraints on apparent consumption, had no impact on DRINKS. As was the case for Model 1, the major explanatory variables were INCOME and TOURPC. Again, demographics and nonresident sales seemed to be the most important influences on apparent spirit consumption.

STAGE II RESULTS: POOLED MODELS 3 AND 4

The regression results for individual years were a concern for at least two

Regression estimates (b)

Highest	Pooled Model 3	Pooled Model 4
.171*	.090**	.091**
.195	.062	.032
.050	-.082*	-.065*
.149	.034	-.010
.380	.130**	.128**
-.005	-.023	.017
.00064	-.00096	-.00137*
.0060	.00062	.0270*
-.069	-.021*	-.113**
-.109*	-.120**	-.099**
.191*	-.005	-.017
.094*	.030	.005
.000339**	.000125**	.000208**
36.66**	30.575**	28.217**
.00006	-.00395**	-.00334**
566.638*	312.366**	44.250
-	-	-.172**
-	-	-.085**
-	-	-.055*
-	-	-.250**
-	-	-.369**
.88	.82	.89
.82	.81	.88

reasons. For one, there were suggestions of the deterrent effect of regulatory measures, but in general there appeared to be little consistent effect on the consumption of alcohol from state regulation. Second, regression coefficients were quite inconsistent across years and across specifications of the model. The overall fit of the model appeared good, but the individual effects were not clearly identified. For these reasons, it was vital to turn to another approach, that of pooling observations across years. As noted earlier, this allowed more degrees of freedom at the expense of assuming that data from a state in two different years were independently produced. The risk of violating this assumption was justified by the desire to obtain more stable and dependable estimates of the effects of individual variables.

The pooled model revealed results generally similar to the analysis for individual years (see Table 4). All five of the variables which were indicated to have an effect for most years, taken individually, were also significant in the pooled model. But, as anticipated, the additional degrees of freedom made it possible to identify "significant" effects for several other independent variables. Overall, the pooled model explained 82.4% of the variance (adjusted $R^2 = .81$) in consumption of spirits, a figure in line with the separate models.

Looking at the cumulative effect of all 12 legal and regulatory variables in the model, one can conclude that they do have an effect. Considering a move of one midspread on each variable toward *greater* restriction, we would predict a decrease of .160 gallons of ethanol per capita (about one drink per month). (A "midspread" is the width of the middle half of the range on a given variable; that is, the distance from the 25th percentile to the 75th percentile. Use of this measure of spread avoids the effect of outliers, which tend to distort more traditional measures such as the standard deviation, while still making adjustments for differences of scale among the several variables.) This amount is roughly one-half of the midspread for the DRINKS variable, or enough to conclude that regulation does have a potential impact. To show the potential impact in a more exaggerated form, a shift from the minimum to the maximum value for each of the 12 regulatory variables would lead to a predicted change of .262 gallons of ethanol.

The final model, a pooled regression with dummy variable, had an adjusted R^2 of .88 compared to .81 in the pooled model discussed above (see Table 4). This reasonably large gain in predictive accuracy was made by including dummy variables for Midwest and West and 1965, 1975, and 1980.

The reasons for these differences were not immediately obvious, particularly given the large set of variables appearing in the complete model. There were a few changes in the coefficients for these other variables, most noticeably for COSTS, CHEAP, DENSETS, and LOCOPTS. The coefficient for COSTS.

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POOLED MODELS 3 AND 4

l years were a concern for at least two

the price of a fifth of liquor, was between five and six times larger than in the first pooled model. This change brought the effect more into line with the effects shown in the analysis for separate years. The gradual decline in inflation-adjusted prices apparently obscured the relatively strong relationship between price and consumption, while the addition of control variables in this model brought out the expected effect. Similarly, the control variables revealed the spuriousness of the significant coefficient for the CHEAP variable. While this variable was designed to show the effects of cheaper prices in neighboring states, the operationalization which was taken from Ornstein and Hanssens [51] apparently is too heavily influenced by the physical size of the state (used in the definition). Thus, the addition of regional control variables (smaller states being concentrated in the Northeast) had dramatically reduced both the size of the coefficient for CHEAP and its significance level. Finally, lesser changes were observed for DENSETS (density of outlets) and LOCOPTS (percentage "dry"). In each case coefficients became larger and the significance level moved into the .01-.05 range. These larger effects appeared reasonable, although there was no absolute proof that they were more accurate than earlier estimates.

Looking at this revised pooled model as a whole and considering a shift of one midspread for each regulatory variable in the direction of greater restriction, the model predicted a decline of about two drinks per month per person (.324 gallons of ethanol). This was roughly twice the predicted decline in the simpler pooled model, with the biggest factor in the change being the larger effect due to the cost of liquor. In fact, cost and liquor-by-the-drink laws alone provided this much predicted change, with the other variables canceling out each other's effects.

OVERALL CONCLUSIONS

The final model discussed (Model 4) would appear to be the best available representation of the relationship between state regulations and consumption of spirits for several reasons. This model had the best statistical fit of those tested (adjusted $R^2 = .88$), it provided the most realistic set of coefficients for individual variables, and it was probably the least vulnerable to violations of key methodological assumptions. There is, of course, no way to insure that we have achieved the "correct" model of alcohol consumption, but there seems to be a solid basis for confidence. (Given the inherent methodological difficulties with a model which pools cross-sectional and time-series data, there was some incentive to proceed with a generalized least-squares analysis or other specialized procedure. Such procedures, however, made heavier demands on the data than

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CONCLUSIONS

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ordinary least-squares, and this raised difficulties for the current analysis. Additionally, there was evidence that, at least in some cases, OLS estimates were not all that different from estimates derived in other procedures. See Pindyck and Rubinfeld [54], Johnson and Oksanen [41], Chatterjee and Price [55], Hannan and Young [56], and Gill and Maddala [57] for discussions and examples of the problems with using such pooled models.) In drawing some final conclusions about the impact of alcohol beverage control laws on the consumption of alcohol, all of the models tested were consulted. The summary of results in Table 4 helps to show the similarities among the various models.

Three nonregulatory variables were helpful in predicting levels of alcohol consumption, before taking into account the regulatory variables. Average income, level of tourism, and religious makeup all had fairly strong effects on the drinking habits of a state. Given the traditional objections to alcohol by the Southern Baptist and Mormon religions, it was hardly surprising that states with high populations of these faiths had lower levels of drinking. Nor was the relationship with tourism unexpected, keeping in mind the fact that alcohol consumption had been measured by sales figures. Residents of a state like Nevada got credit for the drinks sold to tourists visiting the Las Vegas casinos. Thus, tourism is an essential corrective for measurement problems, not a finding of great substantive interest.

The very strong relationship between income and consumption of alcohol tends to support the idea that purchase of spirits is primarily a discretionary matter: thus, where the population is wealthier, there is a greater ability to make purchases. There may, of course, be other factors at work here as well. To the extent that a richer state tends to have a more cosmopolitan population with the "sophisticated" lifestyle that seems to be accompanied by more "social drinking," then the correlation between income and spirits consumption may in fact represent a range of lifestyle variables, not only disposable income.

Impact of regulatory variables. Based on the regression analyses, one can conclude that regulation of alcoholic beverages *does* make a difference. As indicated earlier, the final model predicted a decrease of about two drinks per person per month if a state were to shift its regulatory laws (including the price of liquor, which is not always subject to regulation) from being relatively loose (ranking 12th among the 48 states) to being relatively strict (ranking 36th). This decrease in drinking would cut back the level of consumption in the typical (median) state by nearly one-fourth. Even if the impact of price were excluded from this calculation, there would still be a predicted decrease of nearly one drink per person per month, or a 20% drop for the median state.

State control of alcohol. A state may control alcohol consumption totally by imposing bans on sales of liquor by the bottle or by the drink. While these total bans have nearly disappeared for a variety of reasons, our analyses have shown that bans on liquor by the drink as well as the existence of entirely "dry" areas in a state were deterrents to alcohol consumption. In the end, while these may be effective controls, the experience with national prohibition together with ongoing problems of political pressure and enforcement difficulties make these relatively impractical means of controlling alcohol.

More practical in the modern era may be efforts to limit the means and location for alcohol sales. Anyone who has resided in or visited different states has seen the contrast between the state-controlled sale of liquor and the licensing system. One is inclined to expect that availability of liquor in the local supermarket or corner liquor store makes purchases easier than the need to visit a state ABC store. The results from Stage I provided support for this observation, and this finding ultimately held up in the multivariate analysis of Models 3 and 4. The impact of state monopolies on liquor is apparently not a spurious one, even though the presence of this system is correlated with other regulatory differences. Curiously, however, among the license states it seems to make little or no difference whether licenses are limited to liquor stores or whether liquor can be sold in grocery or drug stores. It is probably not practical for a state to revert to monopoly control after years of licensing liquor sales, but this finding might be of interest to states (such as Pennsylvania) which have considered abandoning their monopoly on liquor.

Hours and days of sales. While one might expect early closing hours for bars and restrictions of Sunday sales to have a small deterrent effect on consumption, it is apparent from the analysis that this was not the case. Early closing hours had no discernible effect. While earlier closing hours in bars seemed to be associated with *higher* sales. Data were not available to permit analysis of closing hours or Sunday hours for off-premise sales, so conclusions must be limited accordingly. But this does not seem to be a fruitful area for regulators interested in deterring the consumption of alcohol.

Advertising restrictions. A variety of restrictions exists in the states on the use of advertising for alcoholic beverages. But as a whole, they have been almost totally ineffective as a deterrent on alcohol consumption. Restrictions on mass media advertising, on novelty items, and on exterior signs were found to have no discernible effect on consumption, while limits on the use of prices in advertisements seemed to have a small (if any) effect. The most anomalous result comes

may control alcohol consumption totally by the bottle or by the drink. While these are a variety of reasons, our analyses have shown as well as the existence of entirely new means to alcohol consumption. In the end, the experience with national prohibition and the political pressure and enforcement difficulties of controlling alcohol.

may be efforts to limit the means and to have resided in or visited different states to control the sale of liquor and the licensing and availability of liquor in the local super-markets easier than the need to visit a large city provided support for this observation. The multivariate analysis of Models 3 and 4 shows that the price of liquor is apparently not a spurious one, and that it is correlated with other regulatory differences. In license states it seems to make little or no difference to liquor stores or whether liquor can be sold. It is probably not practical for a state to revert to a system of licensing liquor sales, but this finding might be particularly important for states (such as Pennsylvania) which have considered abandoning

might expect early closing hours for bars to have a small deterrent effect on consumption, but this was not the case. Laws on Sunday sales and on closing hours in bars seemed to be associated with an increase in alcohol consumption. So conclusions must be limited accordingly. This is an area for regulators interested in deterring

of restrictions exists in the states on the one hand. But as a whole, they have been almost ineffective on alcohol consumption. Restrictions on mass advertising on exterior signs were found to have no effect. The most anomalous result comes

with restrictions on billboard advertising, where results showed a consistent and fairly large effect in the wrong direction. The presence of such billboard advertising restrictions was apparently associated with *higher* consumption. No explanation is available for this finding, other than possible spuriousness. In any case, these findings tend to discount local restrictions on advertising as a means of influencing spirit consumption levels.

Density of outlets. As discussed earlier in this report, the density of on-premise and off-premise outlets for liquor is not subject to legal regulation in all states, but it is at least a potential area for regulation. Our analysis did show a small impact on consumption, in that the presence of more stores and bars was associated with higher consumption levels. One must be wary of spurious relationships and interrelationships among the various regulatory variables, since density did not show up as "significant" until the addition of regional controls into the equation. But logic suggests that this is a realistic result.

Drinking age. The legal drinking age is probably the most commonly manipulated regulatory variable in recent years; nevertheless, research has tended to be inconclusive on its effect on consumption. Our analysis was similarly inconclusive on this particular variable, with statistical significance achieved in some years and in some specifications of the model. But in our final specification, the significance level falls off to .33, and the substantive impact becomes quite small. One can argue that consumption within the 18 to 21 age group is affected by changes in the drinking age, but that such a shift is lost in an analysis which looks at total alcohol sales. The coefficients were almost always in the correct direction for this variable, but it remains difficult to conclude that the effect of drinking age was not an artifact of statistical errors. More dependable conclusions on drinking age will require alternative research designs.

Price of liquor. Throughout the analysis, the price of liquor had a negative effect on liquor sales, in the sense that higher prices meant lower sales. Still, the size of this effect varied considerably according to the specification of the model, as has been discussed throughout the analysis. In the final specification, price is by far the most effective of the regulatory variables. This is not a surprising result, for it has been long recognized that a relationship of this sort exists. Admittedly, price is not always a regulatory variable, for in some jurisdictions price cannot be regulated by the state. Nevertheless, any discussion of influencing the consumption of alcohol would be ill-advised to ignore the potential effect of regulating prices (or at least influencing them through taxation).

FINAL THOUGHTS

Although previous studies have correctly documented the importance of social and economic factors which are outside the direct influence of alcohol beverage regulatory efforts, they have often overlooked the significance of direct regulation. Methodological difficulties, as well as a desire to account for most of distilled spirits consumption with a few variables, may have obscured or understated the role of regulation. Variables such as income, urbanization, tourism, and religion are important, but the effects of regulation identified in this study are important and contribute to our further understanding of the role of regulation in spirits consumption.

As with any commodity, however, the purchase of spirits is influenced by personal disposable income, the attractiveness (utility) of the commodity, and other social variables. Distilled spirits differ from most commodities in that availability of the product is regulated to some degree in every state; it nevertheless remains unrealistic to expect regulation to be more important than general social and economic factors.

In sum, this study was undertaken with the expectation (based on the literature) that state regulation and control efforts would have little impact on the per capita consumption of alcohol. What was found, instead, is that certain regulatory instruments do seem to play a significant role in holding down the consumption of distilled spirits. Still, it is clear that the complexities of these relationships are difficult to untangle, even with a relatively sophisticated research design. Nevertheless, this study provides sufficient evidence of the importance of specific regulatory variables to encourage additional efforts to sort out these relationships. Moreover, this study points with greater confidence to the deterrent effect of regulatory variables than much of the existing literature.

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