

The “Charge for Harm” Fee

*Alcohol mitigation funding
for prevention services and
health care impacts*

Presented to APHA
San Francisco, CA 10-30-2012

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alcoholjustice.org

Bruce Lee Livingston

The following personal financial relationships with commercial interests relevant to this presentation existed during the past 12 months:

No relationships to disclose.

Alcohol Justice

- Formerly The Marin Institute (1987-2011)
- Expose the alcohol industry's harmful **products, practices, and promotions**
- Frame the issues from an evidence-based, **public health** perspective
- **Organize** diverse communities and **coalitions**
- We challenge corporate alcohol harm and change policy

alcoholjustice.org

Our Current Projects

- Charge for Harm –
Raising Taxes and Prices
Revenue Mitigates Harm

Charge for Harm!
TELL BIG ALCOHOL TO PAY ITS FAIR SHARE

- Stop Alcopops & Other Youth-Oriented Products
Create Alcopop-Free Zones
- Restrict Alcohol Advertising -- Out-of-Home,
New Media, TV, Film -- end self-regulation
- Support State Control and Three Tier System
- Free Our Sports Youth Film Festival
freeoursports.org

Alcopop-Free Zones



- Youth/communities take action
- Retailers asked to pull alcopops
- Local government can support it by resolution, ordinance, zoning and licensing
- The cheapest alcohol is in alcopops, and the most youth-attractive

AlcopopFreeZone.US

Alcopops Cheaper than Energy Drinks: 7-Eleven Gambles with Children's Lives



A Report by Alcohol Justice

Free Our Sports™ *Youth Film Festival Video Contest 2013*

- Building a digital constituency
- Kids create norms against ads and consumption -- and take action
- Drive a wedge between alcohol and sports
- Pressure Diageo, MillerCoors and Anheuser-Busch InBev
- Stop ads, product placement, sports celebrity sponsorships and promotions



freeoursports.org

Charge for Harm!

TELL BIG ALCOHOL TO PAY ITS FAIR SHARE



Pass AB 1019—The Alcohol-Related Services Act

I Support AB 1019 – The Alcohol-Related Services Act

It's time for Big Alcohol to pay its fair share of California's annual \$38.4 billion in alcohol-related trauma care, hospitalization, treatment, prevention, and criminal justice costs.

Name

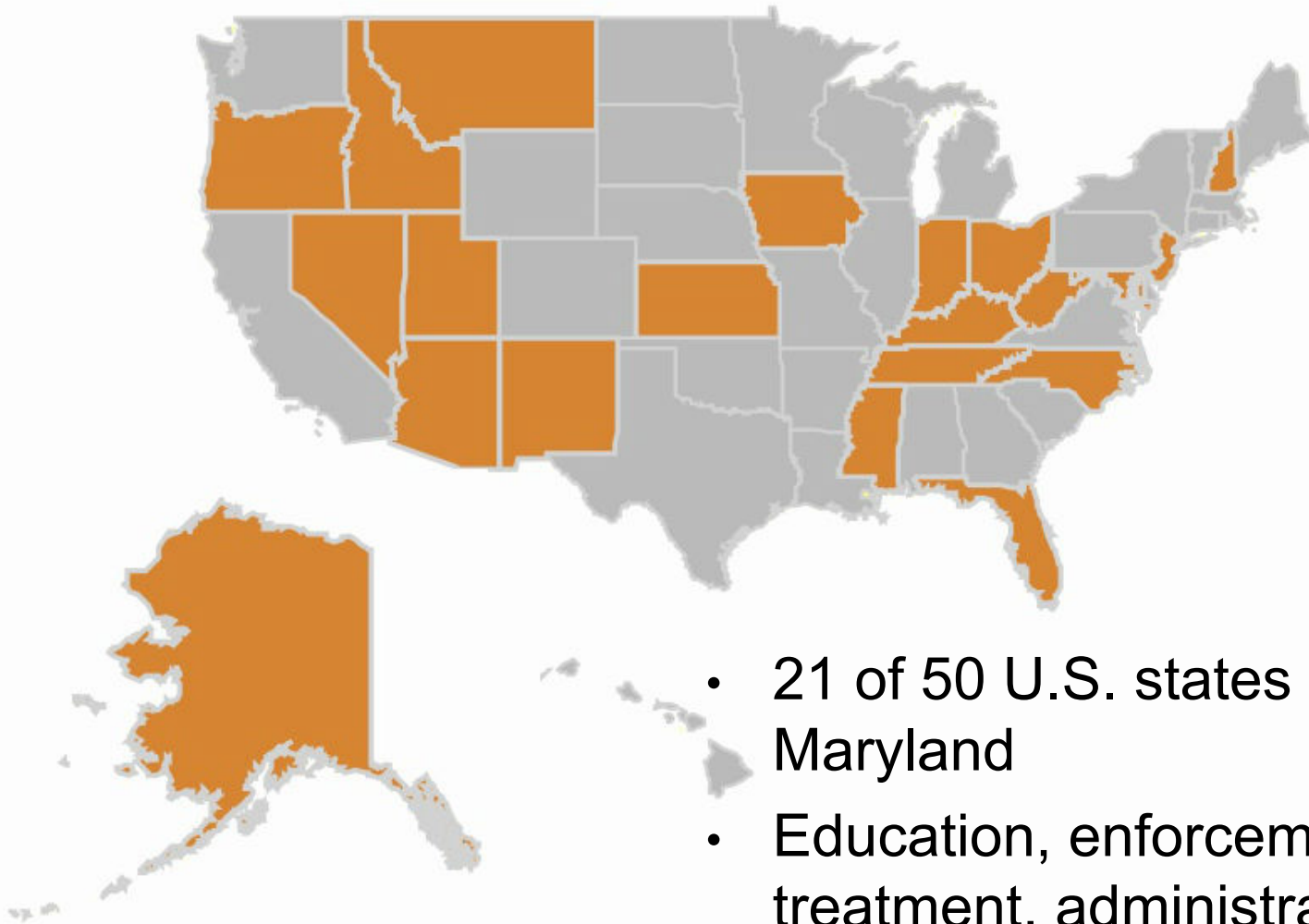
Email

Address

City State Zip

- Charge for the costs to government
- Reduce consumption through pricing signals
- Use funds for prevention and all other harms
- Internalize the externalities
- Don't let corporations waste the public's money

States that Charge for Harm



- 21 of 50 U.S. states including Maryland
- Education, enforcement, treatment, administration and rehabilitation

Annual Catastrophe of Alcohol in California Report 2008

Illness



Crime



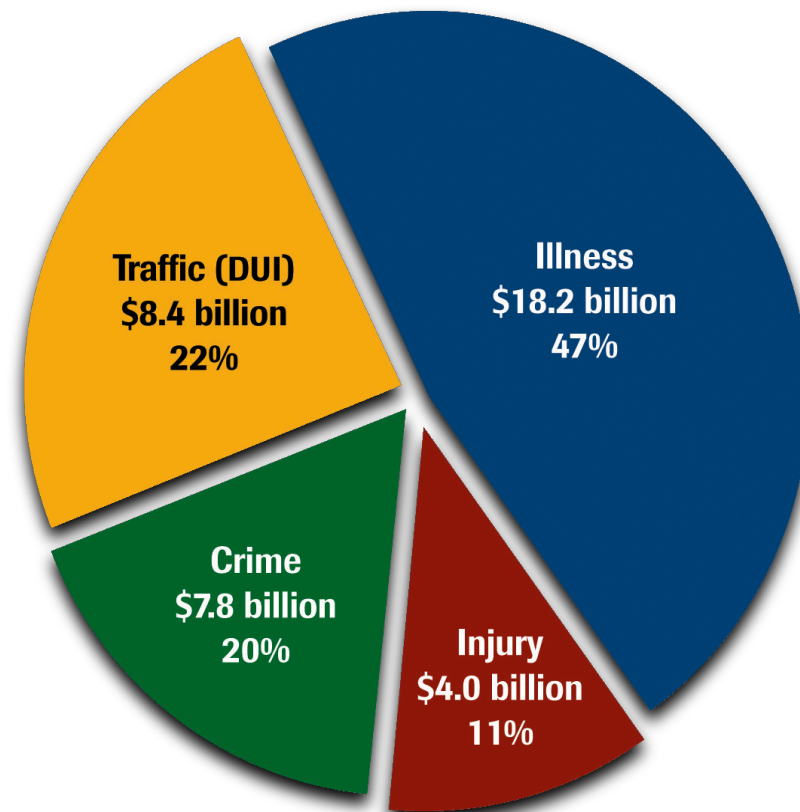
Injury

Traffic

The Cost of Alcohol in California: \$38 Billion Annually

- Roughly **\$1,000 per California resident** or \$3,000 per family
- A cost of **\$2.80** per drink consumed
- Current taxes are only **8 cents** per drink

[Additionally, \$48 billion in quality of life costs.]

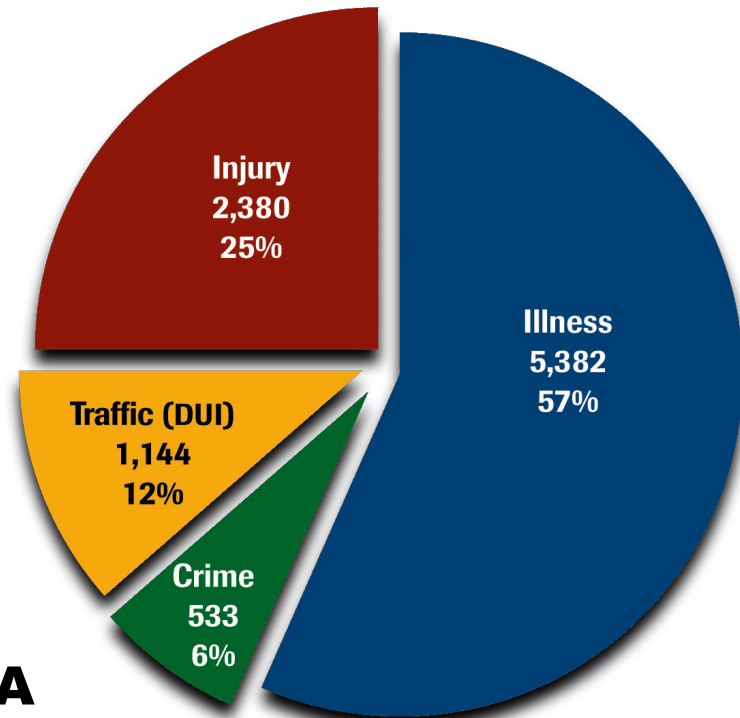


Total: \$38.4 billion

Alcohol Harm in California

Deaths caused by:

- Illness: 5,382
- Injury: 2,371
- Traffic Collision: 1,144
- Violent Crime: 533



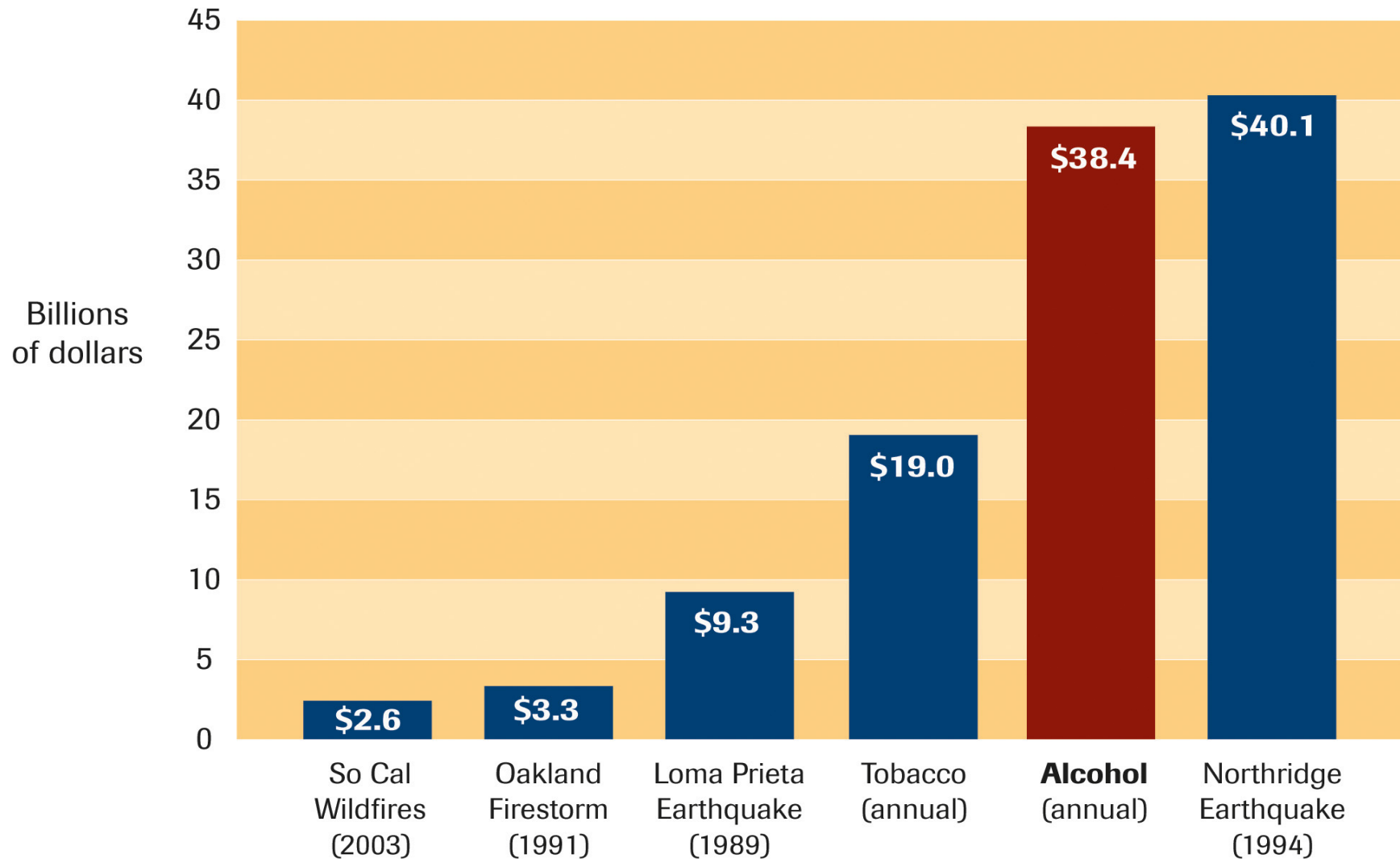
Total: 9,439

One person dies every hour in CA due to alcohol use

Alcohol-related Deaths: 9,439

(Figures for 2005)

Comparing alcohol costs with California natural disasters and tobacco



National Harm

2006 -- Bouchery study:

- 79,000 deaths
- \$223 B
- Underage drinking \$27 B
- \$73 B crime
- \$746 per person harm
- \$5 B drinking during pregnancy
- \$94 B cost to government

Taxes Lag Behind Harm

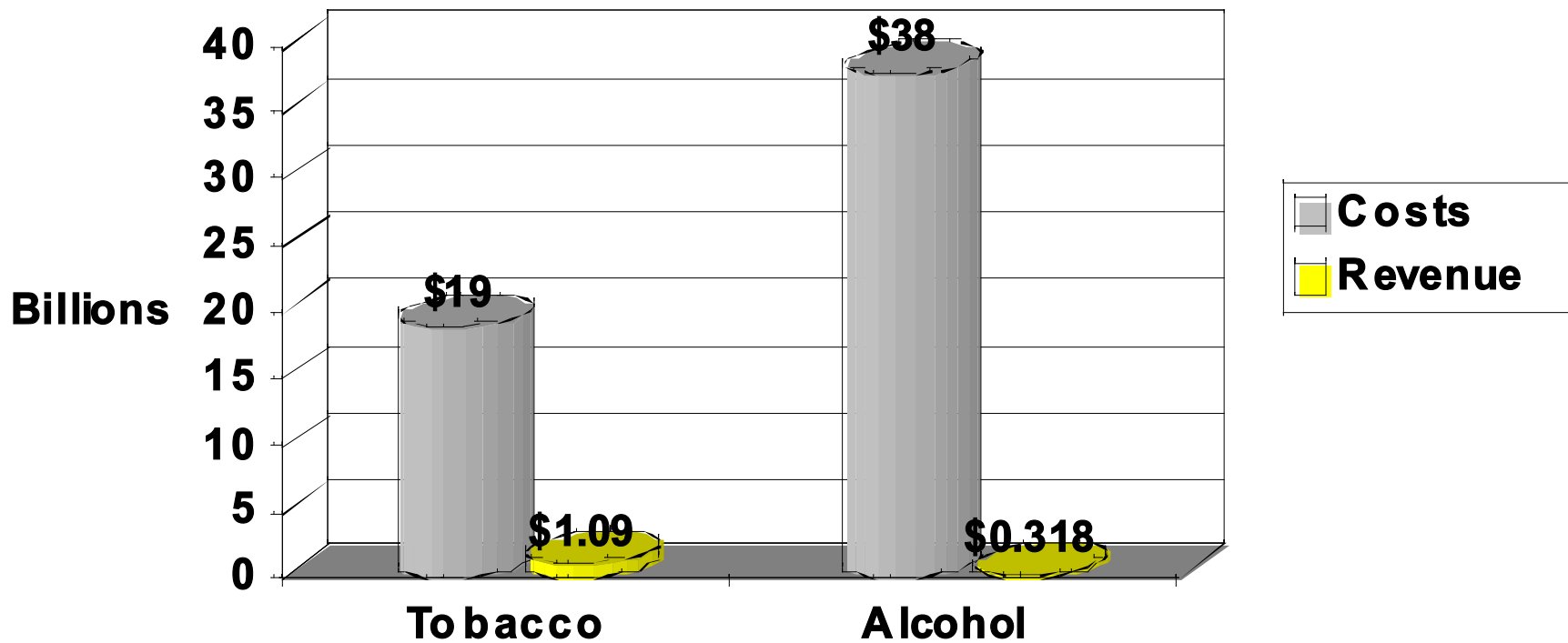
California alcohol excise taxes are far behind tobacco revenues:

- Tobacco tax revenue = \$1.09 billion
- Tobacco costs = \$19 billion
- Alcohol tax revenue = \$318 million
- Alcohol costs = \$38 billion

Tobacco taxes are 6.5 times as effective as alcohol excise taxes in internalizing harm

(Figures for 2005/06)

Alcohol vs. Tobacco Tax Revenue in California



(2005-06)

Why Increase Alcohol Taxes?

- 50% price increase reduces underage drinking 32.5%, youth traffic fatalities 15.5%
- 10% price increase reduces all traffic crashes 5 - 10%
- 25 cent tax decreases heavy drinking 11.4%



Impact of Higher Taxes

Doubling federal alcohol tax would reduce:

- Alcohol-related mortality 35%
- Traffic crash deaths 11%
- STDs 6%
- Violence 2%
- Crime 1.4%

Beer Tax as Percent of Price

| Country | Excise and Sales Taxes as % of Beer Price |
|---------|---|
| USA | 5% |
| France | 9% |
| Italy | 11% |
| Mexico | 25% |
| Sweden | 26% |
| Finland | 36% |
| Japan | 47% |

In the U.S., state and federal excise taxes comprise only 5% of drink prices

Impact of Taxes on Consumers

1/3 of population does NOT DRINK

For DRINKERS:

- Average is 3 drinks per week
- 50% drink 95% of total volume
- 10% drink 55% of total volume

Source: Paying the Tab, by Philip Cook

*Impacts of taxes felt hardly at all by most,
while reducing harm from over-consumption.*

Who Will Pay for Higher Taxes?

- Industry passes on more than 100% of every tax increase (from 1.6 to 2.1 times the tax!)
- 1/3 of public does not drink
- People with higher incomes drink more and pay more for their drinks
- Youth and heavy drinkers are the most price sensitive -- decreases in underage drinking
- Heavy drinkers will pay the most

Joe Six Pack Would Not Be Hurt by a Reasonable Beer Tax

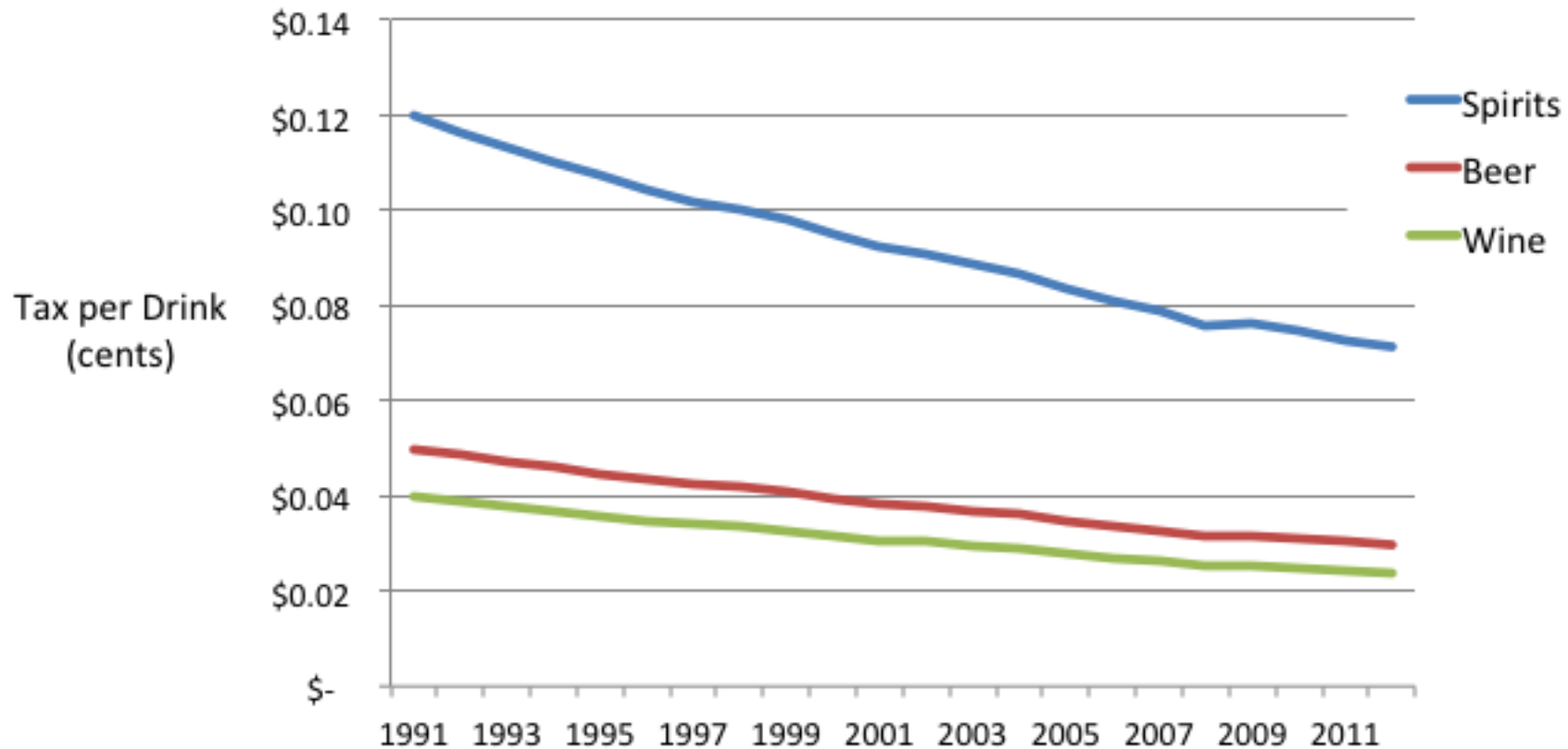


In fact, he might be a little healthier...

Federal Tax Increase Overdue

- One increase in 59 years
- 1991 to balance budget
- 42 percent decline in excise tax value since 1991
- Loss of over 25 billion in revenue for not adjusting for inflation

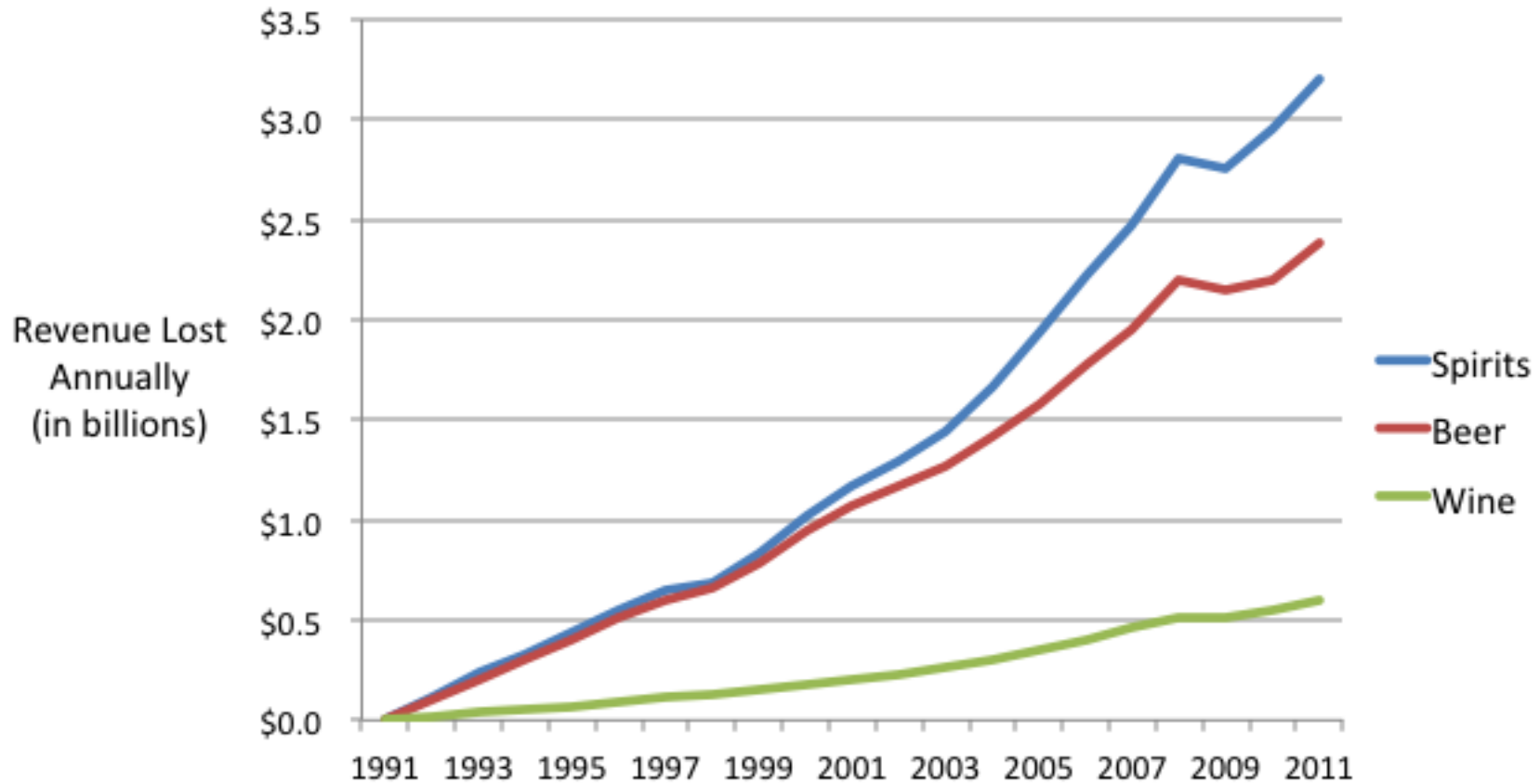
Alcohol Tax Rate Depreciation



*In 2012 Dollars

Source: BLS, TTB

Annual Revenue Lost in U.S. 1991-2011



*In 2011 Dollars

Source: BLS, TTB

Annual Revenue from Federal Alcohol Tax Increases

- 25 cents per drink: \$27.6 billion
- 10 cents per drink: \$11.7 billion
- 5 cents per drink: \$6.0 billion
- 25 cents per BEER: \$15.2 billion

Source:

alcoholjustice.org Alcohol Tax Calculator

alcoholjustice.org

Alcohol Tax Calculator

Step 3: Select a unit of measurement.

Beer

Tax Increase \$

- 12 oz. Drink.
- Liter
- Gallon
- 31 Gallon Barrel

Wine

Tax Increase \$

- 5 oz. Drink.
- Liter
- Gallon
- 31 Gallon Barrel

Spirits

Tax Increase \$

- 1.5 oz. Drink.
- Liter
- Gallon
- 31 Gallon Barrel

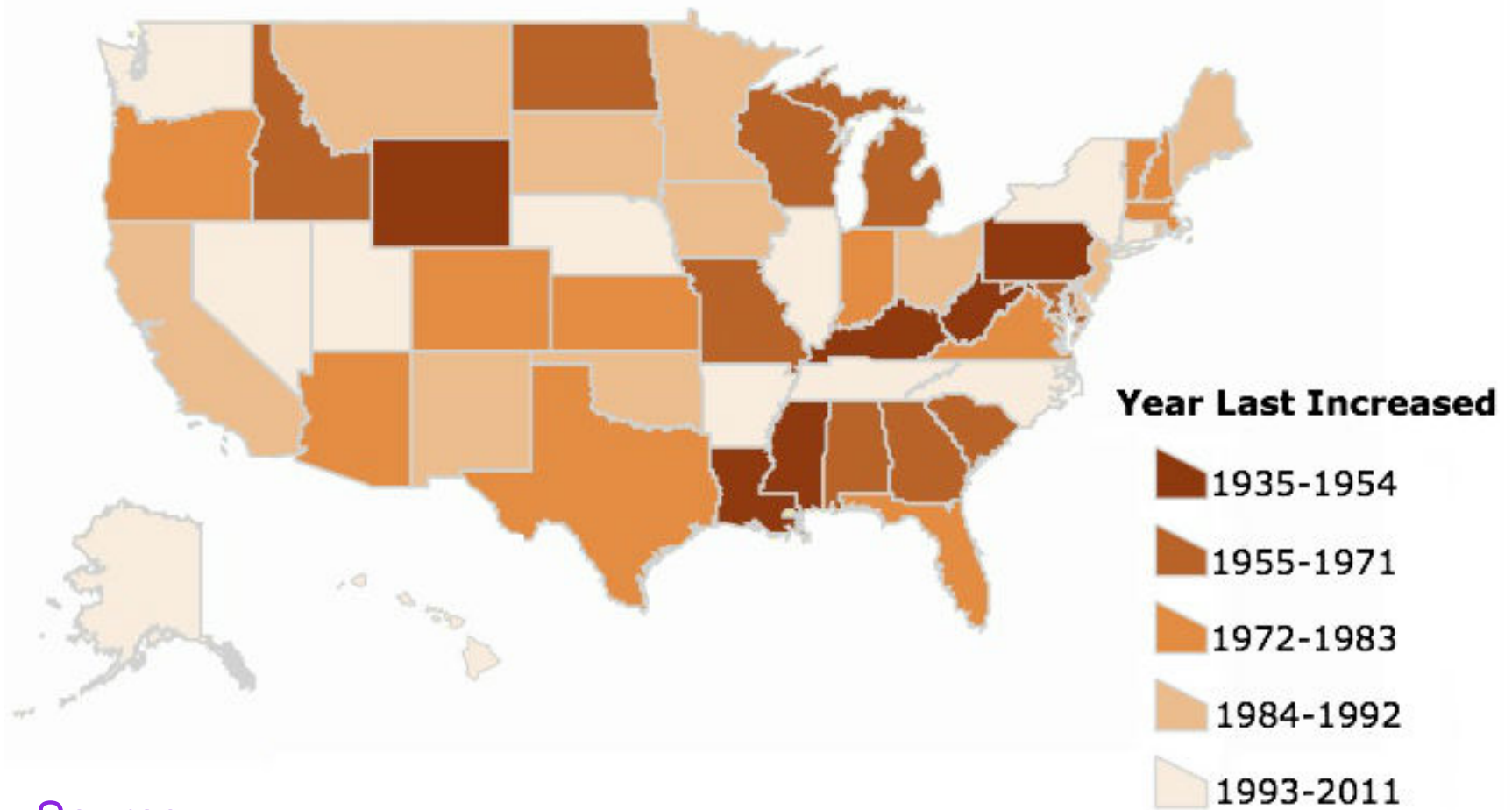
Step 4: Click the Calculate button!

Calculate!

Estimated Revenue

| | Beer | Wine | Spirits | Total |
|-----------------------------|-------------------------|------------|------------|-------------------------|
| Excise Tax Revenue Increase | \$15,000,000,000 | \$0 | \$0 | \$15,000,000,000 |
| Total | \$15,000,000,000 | \$0 | \$0 | \$15,000,000,000 |

Neglected and Outdated Beer Taxes



Source:

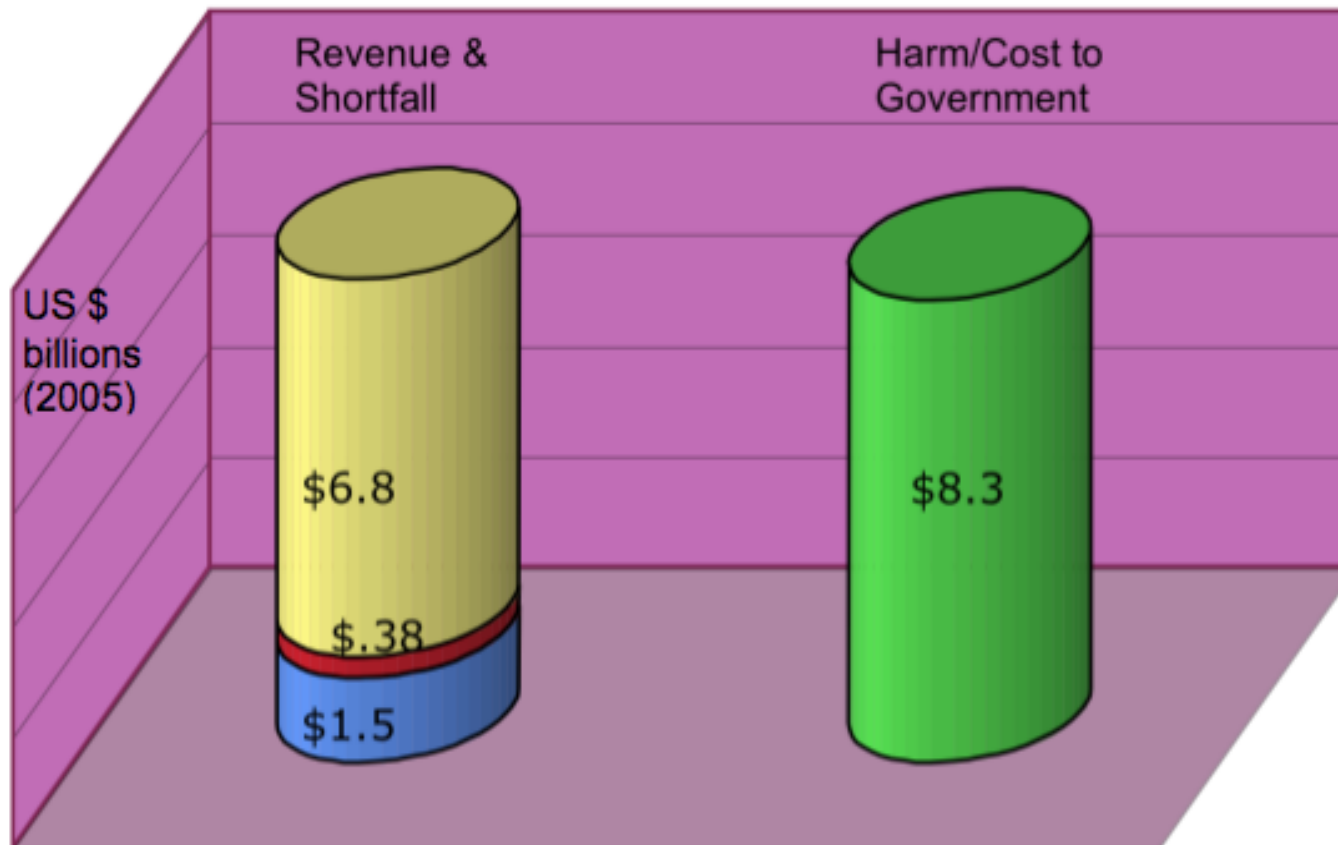
alcoholjustice.org Beer Tax Map

Optimal Alcohol Tax Rate?

Two estimates using the Charge for Harm method:

- 80 cents per drink federal tax increase to recoup \$94.2 B cost to state and local government (Bouchery study)
- 56 cents per drink for California cost recovery (Alcohol Justice study)

Alcohol Revenue & Government Harm/Cost



■ CA Share of Fed. Excise ■ CA Excise & Licensing
■ SHORTFALL ■ Harm/Cost to CA Govt.

Polling -- Charge for Harm California Strong Public Support for Nickel a Drink

Public Policy Institute of California 2008 poll finds:

- 85% of California residents support a nickel a drink tax
- 80% of Republicans support tax
- People more likely to support increases when they know the money will be directed to alcohol-related programs (1990)



Charge for Harm California Fee Legislation

- Assembly Member Jim Beall (D-San Jose) introduced legislation placing a 5-10 cent fee on alcohol at the state level
- AB 1019 (2009) and AB 1694 (2010) promised additional revenue for California of \$ \$1.4 billion.

Charge for Harm!

TELL BIG ALCOHOL TO PAY ITS FAIR SHARE

Charge for Harm CA

Legislative Design

- Emergency room and trauma care
- Medi-Cal coverage for illness, injury
- Mental health and alcohol treatment
- Dedicated alcohol prevention programs
- Alcohol ad monitoring and counter-ads
- Policing of liquor stores, crime prevention
- Traffic safety, injury prevention



State Capitol Rally and Press Conference -- 2010

Campaign Tactics

California Charge for Harm Alliance

- 3 State Assembly bills in two years -- model legislation
- Statewide coalition grew to include over 100 organizations
- Numerous lobbying days
- Press conferences/rallies at capital -- busloads/ food
- Local actions -- petitions, county/city resolutions
- Opposing to Prop 26 brought health and environmentalists together
- Backed up by research on racial/ethnic/gender demographics of alcohol-related harm

Who Joined the CA CFH Alliance?



- A diverse membership: traditional and non-traditional partners affected by alcohol
- Agencies with differences in staff capacity and resources
- Hospitals, medical associations, LGBT organizations, prevention & treatment providers, school boards, seniors and labor to name a few

San Francisco Alcohol Mitigation Fee

AKA “Alcohol Cost Recovery Fee” or “SF Charge for Harm Fee”

- Reimburses SF for alcohol harm costs
- Imposes 3-5 cents a drink on alcohol wholesalers and a few others selling directly to consumers
- Fee may only be used for city-funded, un-reimbursed alcohol-related costs and administrative costs
- 40 organization coalition: labor, faith, treatment, prevention, public health, enforcement, fire, Native American, LGBT, HIV/AIDs
- Supervisors pass 7-3. Mayor Gavin Newsom vetoes it. Now would take a 2/3 popular vote.

Charge for Harm CA

Prop 26 – Fees Become Taxes (2010)

- Sponsored by Wine Institute & Chevron
- Paid for by Alcohol, Tobacco, Polluters
- Requires a 2/3 vote for all fees
- Redefined fees as taxes
- Local alcohol fees or adjustments hard
- Passed with 52% of the vote
- Industry outspent 10-1
- Nothing left for advocates but TAXES

Grape Dog Democrats

Politicians in the pocket of or actually part of the alcohol industry



- Won the press battle, lost the war
- Mayor Newsom owned a wine distributorship and two wineries

Influence of Alcohol Industry

- Industry spent \$30 million to defeat 1990 tax initiative
- Several legislative attempts failed since the penny-per-drink increase in 1991
- Big Alcohol donated \$3.5 million to CA politicians in 2006 and spent additional \$3 million on lobbying
- Big Alcohol mobilizes Chamber of Commerce, Committee on Jobs, Big Tobacco/Big Oil allies, small business groups, wholesalers, retailers, advertising industry, and the restaurant and hotel industry

Maryland's 2011 Alcohol Tax

- Restores services for people with developmental disabilities
- Shores up school budgets and supports school maintenance and repairs

In future years, the funds could support

- Expanded access to health care
- Services for people with developmental disabilities or mental health needs
- Alcohol, tobacco and other drug-use prevention and treatment; and health-care worker training

Final Charge for Harm Lessons



Final Charge for Harm Lessons

- Convert alcohol harm to revenue streams
- Model exists for local/state legislation
- Build coalitions and new allies
- Talk about: fees/revenue/harm not taxes
- Big Alcohol runs with Tobacco and Oil -- and probably Big Cookie
- It's a long term struggle

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Alcohol mitigation funding for prevention services and health care impacts

Oct. 30, 2012

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