

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2372

2005 SENATE FINANCE AND TAXATION

SB 2372

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Conference Committee

Hearing Date **February 8, 2005**

Tape Number	Side A	Side B	Meter #
# 1	X		0.3 - 61.5
		X	0.0 - 20.7
# 2	X		0.0 - 1.5
Committee Clerk Signature <i>Sharon Benjan</i>			

Minutes:

SEN. LINDAAS: Prime sponsor appeared in support of the bill stating what the bill would do is take approximately a penny a serving of beer tax and put it towards a commission, a 5 member commission that the governor would be appointing, that commission will probably be called the Responsible Choices Commission. The reason for putting the tax on the beer that seems to be the initial introduction into destructive behavior.

REP. AARSVOLD: cosponsor of the bill appeared in support with written testimony.

LEE ERICKSON: State Coordinator for SADD appeared in support with written testimony and gave a handout of research statistics and background checks and Impaired Driving Assessment.

KATIE PAULSEN: a senior at Dickinson State University appeared in support with written testimony.

SEN. EVERY: Would you object to using some of the 5 million dollars left of the Tobacco Cessation money towards this? Would it help you?

ANSWER: No, there are many chapters across the state that do tobacco prevention activities, that would fit in with the programs that we use across the state. This senate bill would actually allow a lot more opportunity for us to have a steady income to run the organization and implement the programs that we've seen work in schools across the state.

STEPHANIE NORDGREN: private citizen appeared in support with written testimony.

JORDAN AXTMAN: appeared in support with written testimony mentioning peer pressures.

BROOK JAMISON: appeared in support with written testimony.

SEN. URLACHER: do you think that we are turning the corner and young people the knowledge of the dangers of drug use?

ANSWER: I think we've been past that corner for a really long time, kids are smart. We know the dangers, the education is there, its getting kids to realize that they are not alone that there are other kids in the State that aren't drinking.

DANIELLE RATTERREE: appeared in support with written testimony.

SEN. COOK: asked Mr. Erickson if he could get us any information on the organization of SADD regarding how many chapters within the State.

LEE ERICKSON: there are 70 chapters, funding comes from small grants, Dept. of Transportation, geared towards dressing, impaired driving, seat belt use, traffic safety issues and then we have a temporary grant coming in to fund our reality check program through Div. Of Dept. of Human Services. The funding would add a second coordinator, we use fundraisers, etc.

SEN. EVERY: I've heard the word tobacco used several times this morning, it just seems to me that there is almost 5 million dollars of that cessation money laying out there that hasn't been touched, doesn't that fit into this category and wouldn't that be a win win for everybody?

ANSWER; that was certainly one of the big issues alcohol, tobacco and other drugs and destructive behavior, they all lump together. In the past we've worked with a lot of the local tobacco coordinators who have sought us out because we've got the network of kids that they want. Addresses all things under umbrella rather than individually.

SEN. EVERY: as far as your work with tobacco, are you using any of that money? Are you seeing any of that money at all?

ANSWER: were not seeing any of it, n

SEN. COOK: you seen some hands come up on opposition to this bill, my guess is that they don't have anything against what your doing, they encourage what your doing, they are probably going to speak to the revenue source of this bill. Why 3.6 million, did you put the 25 cents a gallon and that came up with 3.6 million? That's basically what the tax increase would raise and that money is then appropriated to per biennium, why that?

ANSWER; we probably wouldn't need that, that's the one thing in the drafting of the bill that I kinda cringed at because we wouldn't necessarily need all that money. Basically what we need is an appropriation for some ongoing funds to address these destructive decisions and a more flexible way and more predictable way than what is provided by federal grants. Because that just doesn't cut it, band aid solutions. We could get by with much less. At the end of the biennium, we would suggest to just return to the general fund.

SEN. WARDNER: what do you envision a budget that you'd like to see?

ANSWER; this is just a rough sketch of a budget for a statewide program. (handed out a workable budget)

RICK CLAYBURGH, Tax Commissioner appeared in opposition to address a couple of issues, the first being the fiscal note. As you can see the increase does increase the wholesale tax on both bottled beer and keg beer or bulk beer, it takes it up to a flat 25 cents. Our estimate in the tax dept. based on again our original discussion we can tell you the realities, we know we can't make some of the economic assumptions that will occur. Based on current estimates we believe that about 3.6 million dollars will be generated from that tax increase that would go to the Responsible Choice Fund during the 2005-07 biennium. One aspect that the fiscal note did not mention we anticipate approximately 250,000 increase in sales tax associated with the aspect of the bill as well, because it increases the retail costs of beer at the till. The concern I have as Tax Commissioner and a policy perspective is when we start looking at various tax types, certain tax types, and start taking unfair amount of the tax burdens that are brought into the state, does start to concern me. The concern I have is the elasticity of the price we are starting to see that with beer consumption as the retail price increases, either because of taxes or because of industry aspects, we see moderate to minimal drinkers cut or eliminate the consumption while the people who have more of the problem continue to drink because of the issue. We are dealing with a legal product in the state of ND and in the country that is regulated by the states. What is fair to the taxpayers in the State of ND? I don't believe an increase or tax on beer is the right choice

SEN. COOK: the tax collected right now, where do they go?

ANSWER: they are utilized by the general fund, those dollars over and above the current tax base would go to the Responsible Choices Fund and that would be 3.6 million dollars for the 2005-07 biennium.

JANET SEAWORTH: Executive Director of ND Beer Wholesalers Assoc. appeared in opposition of the bill with written testimony.

SEN. WARDNER: would the organization that you represent, would they ever consider taking these revenues that they put into these other programs and putting some of it to SADD?

ANSWER: I suppose they would, one of the problems that we have had over the years is that our wholesalers have the resources and brewers have programs and when we have approached some of these groups, for some reason, they seem to think that they can't take advantage of the programs that are out there because they are from the brewery industry and yet those programs are designed with all the research in mind and the best way to alleviate the abuse of the products and to educate the parents and peer pressure. Those programs are there. Were in the schools to the extent that they will let us.

MR. ERICKSON (answers) National SADD is very strict about not accepting any money from the alcohol industry, so that is not an option that we would be able to consider.

BILL SHALHOOB: ND Hospitality Assoc. appeared in support with written testimony.

SEN. WARDNER: is there a hospitality tax on top of that?

ANSWER: yes there is, it varies by locality. The total taxes on alcohol in the State of ND vary between 9 & 10%, depending on the location you're in. Starts at a 7% base, usually a 1% city tax, probably a 1% bed and booze tax and in some localities there's a 1% for things like a dome or other hospitality things.

SEN. EVERY: so what your saying is you're reluctant to raise those prices unless it benefits the hospitality association?

ANSWER: I don't think there is a benefit, we aren't talking about a benefit or any of those kinds of things, we are saying that that tax increase will come out of our member's pockets. In practicality we cannot raise that price by a penny. I'm just saying this tax will not be paid by the consumers; it will be paid by the hospitality peop

SEN. TOLLEFSON: I can't understand that because eventually the cost will be passed on to the consumer.

ANSWER: Yes, it eventually will. Understanding that when you raise prices you lose volume.

JUDD SONDRREAL, owner of McKinnon Company appeared in opposition with written testimony.

SEN. EVERY: it appears as though ALEC is an expert in the drinking and spending habits of ND and MN, do you have any other information that would back up those studies?

ANSWER: I don't have anymore-concrete evidence other than what I have here.

SEN. BERCIER: You mentioned that you staff certified trainers trains up to 15-20 people, how many servers do you figure that there are in ND?

ANSWER: in my territory alone, there are hundreds of them and we offer this service to all of our retailers.

DOUG RESTEMAYER: President of D-S Beverages appeared in opposition with written testimony.

RANDY KIEFER: President of Dak Sales Company in Grand Forks appeared in opposition with written testimony and gave a handout booklet titled "Funny Talk"

VIVIAN SCHAEFER: parent and grandmother appeared neutral on the bill stating we as adults speak out both sides of our mouths, we encourage kids to talk and give suggestions and then if its

not what we want to hear, we tell them, well no, that's not quite what we had in mind. Adults aren't going to get through to those kids, kids listen to kids and I commend these kids on what they are doing today.

SEN. TOLLEFSON: commented I agree with you 100%, kids listen to kids, peer pressure is what creates the problem perhaps more than any other single issue or part of this situation we're talking about. But how do we reach the peers.

ANSWER: I think that kids if they get strong enough there won't be any peer pressure. If we give them the tools to work with and we need to support them. They love this state, lets keep them here.

SEN. BERCIER: speaking to Mr. Erickson, you mentioned SADD does not take money from the beer industry, yet this is asking for money from the sales of beer.

ANSWER: well its not from the industry itself, it would just be from the consumption of the products.

SEN. WARDNER: speaking to Rick Clayburgh, Janet has this page which comes out of the red book, it says that 2004, the revenue from beer taxes was about 2.7 million, is that correct? And this fiscal note would be 3.6, so we would raise more revenue from just beer sales by this increase than what we receive now, is that correct?

ANSWER: on the bottom of page 93 that shows you for fiscal year 2004 total collections for the liquor and beer tax collections on the wholesale level were 5.9 million dollars, 2.7 approximately came from beer and 3.1 came from liquor.

SEN. WARDNER: the fiscal note is for biennium, the number I'm quoting is annual.

ANSWER: that is correct, our fiscal note is put to the 2-year biennium for the 05-07 biennium.

Closed the hearing

SEN. COOK: The testimony I heard from some of these SADD chapters are doing out there, I guess number one I didn't know to the degree that they were working, there enthusiasm and they certainly have to have a positive impact on our youth and they are certainly in an area that those efforts are worth while and needed, I wouldn't want to do anything to discourage that from happening and would encourage it to happen more. We heard testimony that the bill generates a lot more than what they would even want, I guess what I'm saying, I think we got to get the tax increase out of here on the beer, but pursue some other avenue to maybe help this organization and a thought that comes to my mind is about another bill that is in political subs, it creates another this creates a impression of some sort. This one is in the Dept. of Human Services or the Governor shall appoint 5 members. The other wheel has I think 11 or 9 members, I forget where it is right now, the governors office and its sole purpose is to connect organization you might say like this and there's many other around, not just but police ___ services and stuff like that connecting with grants. There testimony about all these grant dollars that are out there and its just a need to connect people with the grants and maybe write the grant to get the money they need, maybe that's what will help this group.

SEN. EVERY: I would agree that we need to find an avenue for them to get this revenue money somewhere and it seem that we offered several suggestions and they turned them all down and said nope there's only one way. Which is unfortunate because it puts me in a spot. I heard from 4 out 5 of my counties, school districts and their SADD chapters and I also happen to be I also heard from Chuck Jerome who happens to be a good friend of mine from Devils Lake and a beer wholesaler. So I can see from both ways and I think that Anheiser Busch does an excellent job of

promoting responsible drinking and that type of thing and it was disappointing to me that they said that I know that they do, they give out a lot of money and one guy even testified to that and they said they would turn it down. And Dennis even asked isn't this beer money, so I'm in a spot and I want to support the kids and I'm gonna support the kids but I agree whole heartedly, I don't have much confidence that we can count another bill passing. I don't like to do that, but I'm just gonna let you know ahead of time that I'm gonna stick with the kids because that's the majority of them I heard from in my district.

SEN. URLACHER: they did say that they were gonna turn it down and nothing happen would be to probably change their mind.

SEN. EVERY: the other thing is, why 3.6 million dollars? If you have to do it and its not very, if people don't like it which people aren't going to like it, why not do half of that? I mean that 3.6 for the biennium if there spending \$229,000 a year, by the end of 4 years, there gonna have a pretty good war chest. So why not, if your gonna propose something, why not propose half of that. It's disappointing that it wasn't more thought through and I wish that they would have, at least if they would have said, standing at the podium they would have said, ya, that's an option that we would agree to, then at least it would give us some kind of place to go with it. I feel like I'm in a box on this deal.

SEN. TOLLEFSON: going on Sen. Every's idea on tobacco settlement money I think was workable and that could establish a realistic budget and somehow we would access that.

SEN. EVERY: and the reason I brought that up is because we have a forum in Devils Lake with our tobacco coalition people and they said they were this and this and I had just gotten back from budget section meeting. I said, well you know what? Of that 10 million dollars, almost 5 million

of it has never touched and they don't have a plan on how to spend it, you better get a plan how to spend it or their going to use it for something else. It could be used for a lot of health related issue and she said, no, that's not true, we are using it for this and this and this. Well, if that's part of, if tobacco cessation is part of what this group does, do me that fits and for them to say they don't want that money, I would be demanding if I were them. They need to be using that tobacco money for nurses and schools or tobacco cessations in schools or something and its not and this fits perfectly to me.

SEN. TOLLEFSON: that might be restricted funds towards the tobacco cessation, but its 10%

SEN. BERCIER: if you look under Lee Erickson look into his first page legislative proposal, go down to the bottom of his testimony, it talks about media campaigns, work with college campuses for alcohol free social events, etc and research to be conducted by ND Universities to identify and effective strategy.

SEN. WARDNER: I really like what I'm hearing, there is no question that SADD organization has apparently taken off, their getting things done. One of the things I got about our communities are at risk, its drugs and alcohol and meth and these kids are going out and their recruiting these people and bringing them back. Now, I can't support the bill here, however I'm willing to form a coalition here of this committee and see if we can't get it done. I don't know if we can dig into that tobacco money because, I don't know. It's the mechanics of it as well as the opposition, however you would think if we gave them \$200,000 a year, that ought to give, that's \$400,000 for the biennium if we could find that someplace. I'm telling you it has a tremendous impact, now we gotta get, we'd have to get leadership, the governor to go along with that.

SEN. URLACHER: Kids policing themselves and promoting it is the most effective. I agree we have to try and help them and move them forward, give the tools to move forward. I think we can do it, but were gonna have to look a little deeper to do it.

SEN. COOK: the coalition is there, Mikey Hoeven is very involved in this program to some degree and I think the key to what coming here for is money for a director, an assistant coordinator. You look at the budget, there looking for a regular known source of that money so that somebody would pursue those 2 jobs, so there's a source of funds for some time. That's probably what's difficult if you're out pursuing grants to be able to fund that position. The rest of the stuff in that budget is, raise that money. The Kiwanis Club, has the SADD organization ever stepped in as a program, I'm gonna get them there and find out if we have one. There's specific organizations, the state's full of them, people that will help this.

SEN. WARDNER: this group will have a direct effect on the number of youth going into corrections and the number of adults; I just think we got to do something. I'm going to vote against this bill but I'm going to try to do something to find money. Remember its tough getting money out of those appropriations guys. So it's not going to be easy.

SEN. TOLLEFSON: If nothing else, we could probably get it at the end of the session on the omnibus bill, it would work.

SEN. WARDNER: made a **MOTION FOR DO NOT PASS**, seconded by Sen. Cook.

ROLL CALL VOTE: 3-3-0 **MOTION FAILS**

SEN. EVERY: made a **MOTION FOR DO PASS**, seconded by Sen. Bercier.

ROLL CALL VOTE: 3-3-0 **MOTION FAILS**

Page 12

Senate Finance and Taxation Committee

Bill/Resolution Number SB 2372

Hearing Date February 8, 2005

SEN. COOK: made a **MOTION TO SEND OUT SB 2372 WITHOUT**

RECOMMENDATION, seconded by Sen. Every.

ROLL CALL VOTE: 6-0-0 Sen. Every will carry the bill

SEN. TOLLEFSON: rather than let it die, I think its good to have it brought to the floor, I thinks it's a really worthy cause.

General discussion and consensus of the committee that the kids that got up to give testimony did a very good job testifying and it showed

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		19.0-33.6
Committee Clerk Signature <i>Sharon Leysaw</i>			

Minutes:

Chairman Urlacher opened the meeting on SB 2372. All Senators were present with the exception of Senator Bercier.

Senator Cook moved to reconsider actions on SB 2372. Second by Senator Tollefson. A voice vote was taken for reconsideration which passed, 5-0-1.

Senator Cook distributed amendments (50817.0103) to the committee members. The original intent is to have a Responsible Choices Advisory Commission that would be appointed by the governor. Any funding obtained by the commission would be a continual appropriation.

Senator Cook made a Do Pass recommendation on the amendments. Seconded by Senator Wardner.

Discussion-

Senator Every- So what this says is we are not going to provide them any money, but we will give them a resource that may not have even have funds available?

Senator Cook- This is an ongoing process, that ends once a bill is signed by the governor.

Senator Every- How does this fit in with a faith based initiative?

Senator Cook- Your question may be, why do we tie it in to this bill? We wouldn't have to tie it into this bill. The main thing is we are giving them an advisory board. Some other questions may be who is the director of the board supposed to answer to? These are all things that need to be checked in to.

Senator Every- I don't think this bill would change anything from the current system other than putting the board in place.

Senator Cook- This is an organization that would not have a hard time getting money, there are a lot of available grants out there.

The amendments passed with a vote of 4-1-1.

Cook made a motion for a Do Pass as Amended recommendation for SB 2372. Seconded by Senator Tollefson.

The bill as amended passed with a vote of 5-0-1. Senator Cook is the carrier of the bill.

Chairman Urlacher closed the meeting on SB 2372.

FISCAL NOTE
 Requested by Legislative Council
 03/23/2005

Amendment to: Engrossed
 SB 2372

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed SB 2372 with House Amendments authorizes the legislative council to consider studying the issue of drug and alcohol abuse and tobacco use and methods to discourage it. There is no direct fiscal impact.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/23/2005

FISCAL NOTE
 Requested by Legislative Council
 02/17/2005

Amendment to: SB 2372

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed SB 2372 establishes a responsible choice commission.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engrossed SB 2372 does not have any direct impact on revenues.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/23/2005

FISCAL NOTE
Requested by Legislative Council
01/25/2005

Bill/Resolution No.: SB 2372

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$3,640,000		
Expenditures						
Appropriations				\$3,640,000		

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2372 increases the wholesale tax on beer to \$.25 per gallon.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2372 is expected to generate \$3.64 million for the responsible choices fund during the 2005-07 biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Section 3 of SB 2372 appropriates the revenue in the responsible choices fund to the responsible choices commission.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/07/2005

Date: 2-8-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Cook

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier		✓
Sen. Wardner	✓		Sen. Every		✓
Sen. Cook	✓				
Sen. Tollefson		✓			

Total (Yes) 3 No 3

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2-8-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Every Seconded By Bercier

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher		✓	Sen. Bercier	✓	
Sen. Wardner		✓	Sen. Every	✓	
Sen. Cook		✓			
Sen. Tollefson	✓				

Total (Yes) 3 No 3

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2372: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2372 was placed on the Eleventh order on the calendar.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2372

Page 1, line 13, replace ".25" with ".10" and replace ".066" with ".026"

Page 1, line 14, replace ".25" with ".18" and replace ".066" with ".048"

Page 2, line 4, replace "seventeen" with "two"

Page 2, line 5, remove "from nine cents per gallon for"

Renumber accordingly

February 11, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2372

Page 1, line 4, remove "to amend and reenact sections 5-03-07 and 5-03-08 of the North Dakota"

Page 1, line 5, replace "Century Code, relating to the tax on beer at wholesale and allocation of tax revenues;" with "and"

Page 1, line 6, remove "; and to provide an effective date"

Page 1, remove lines 8 through 23

Page 2, remove lines 1 through 6

Page 2, line 15, replace "shall" with "may"

Page 2, line 26, replace "Money in the responsible choice fund" with "The responsible choices commission may accept grants, gifts, equipment, supplies, materials, or services from federal, state, or local government or private sources. The responsible choices commission may request assistance from the office of faith-based and community initiatives in seeking funding to support the mission of the responsible choices commission. Any funding obtained by the responsible choices commission" and replace "choice" with "choices"

Page 2, remove lines 28 and 29

Renumber accordingly

Date: 2-15-05
Roll Call Vote #: 3

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Cook Seconded By Tollefson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier		
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment COOK

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2372: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2372 was placed on the Sixth order on the calendar.

Page 1, line 4, replace "to amend and reenact sections 5-03-07 and 5-03-08 of the North Dakota" with "and"

Page 1, line 5, remove "Century Code, relating to the tax on beer at wholesale and allocation of tax revenues;"

Page 1, line 6, remove "; and to provide an effective date"

Page 1, remove lines 8 through 23

Page 2, remove lines 1 through 6

Page 2, remove the underscore under lines 9 through 14

Page 2, line 15, remove the underscore under "2. The responsible choices commission", replace "shall" with "may", and remove the underscore under "contract with, or grant funds to, entities"

Page 2, remove the underscore under lines 16 through 25

Page 2, line 26, remove the underscore under "3.", replace "Money in the responsible choice fund" with "The responsible choices commission may accept grants, gifts, equipment, supplies, materials, or services from federal, state, or local government or private sources. The responsible choices commission may request assistance from the office of faith-based and community initiatives in seeking funding to support the mission of the responsible choices commission. Any funding obtained by the responsible choices commission", remove the underscore under "is appropriated to the responsible", and replace "choice" with "choices"

Page 2, remove the underscore under line 27

Page 2, remove lines 28 and 29

Renumber accordingly

2005 HOUSE HUMAN SERVICES

SB 2372

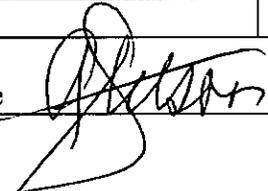
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

House Human Services Committee

Conference Committee

Hearing Date 3-9-05

Tape Number	Side A	Side B	Meter #
1		x	31.7-end
2	x		0
Committee Clerk Signature 			

Minutes:

Chairman Price: Opened the hearing on SB 2372.

Senator Lindaas: Appeared in support of the bill, this bill is about responsible choices. We all have known young people who have been deprived of their adult life due to bad choices by themselves or other people. On a personal note I had a niece and a nephew each killed in two separate incidence when they were 19 years old, not of their own fault, but as a result of being hit by drunk drivers. I see in the Senate, a gentlemen about the age of 58 that was a peer of my nephews, a very good friend of his, it takes me back to my niece and nephew who I compare him too. The main brunt of this bill goes toward a 5 member commission that would be appointed by the Governor, the group that I'm referring to mainly, is SADD (**STUDENTS AGAINST DESTRUCTIVE DECISIONS**), the original bill, offered a tax to go towards this commission, the tax at that time, was 1 cent per serving of beer, I recognize at this point that was a little bit high, the finance and tax committee in the Senate, removed all the money, and I offered an

amendment of the floor of the Senate, that would have put an additional tax on beer at 2 cents per gallon, that amendment failed, the bill as it is now has no money in it, I believe there is an amendment that would provide for some support, these young people can't go it alone on enthusiasm, they need a little seed money to help them carry out their mission.

Representative Aarsvold: Appeared in support of the bill and provided a written statement (See attached testimony).

Representative Damschen: I am supportive of this concept, but we have made some decisions that are contradicting, we are keeping bars opened 1 hour later and keeping them opened on Thanksgiving, does that frustrate you at all or is it just me?

Representative Aarsvold: It certainly does, at this point the public permits that sort of behavior to continue, but on the part of legislators I would hope we would be more responsible in how we feel with substances like alcohol and drugs.

Lee Erickson, State Coordinator, for SADD: Appeared in support of the bill and provided a written statement (See attached testimony).

Rep. Devlin: Can you give us a rough idea of how many Federal dollars come into the SADD organization.

L. Erickson: We are now operating on about \$65,000, the majority of that money is from grants.

Rep. Kaldor: I commend you on your dedication, up to this point, other than the federal funding what are the other areas that you receive funding from?

L. Erickson: Mostly myself, I work about 60-70 hours a week We get supplies from the business that I own. In this budget, there is only so much I can do. If this passes, it will allow a second coordinator. We are in desperate need of representation in SW ND We need to develop our

college program, we have a very good plans. In order to take this to the next level, that is what this appropriation is about..

Rep. Kaldor: Are you a 501c3 organization?

L. Erickson: Yes, we formed a nonprofit agency called Northern Lights Youth services, Inc. That is the governing board for the SADD program.

Rep. Porter: The original appropriations. was set at approx. 3.6 million dollars, the sheet that

Rep. Aarsvold handed out, is about \$700,000.00. You have \$459,600.00 in your proposal, I am wondering about the difference.

L. Erickson: The mandate of the responsible choices commission is very broad. SADD would just be one of the programs that could benefit from this. We need our ad campaign, for both adults and kids.

Chairman Price: Who makes up your board?

L. Erickson: We have 13 students and 8 adults. Advisory: 10-12 state wide college students.

Karen Walton, Director ND H. Ed. Consortium, Substance Abuse Prevention.

See attached testimony.

Rep. Porter: How many dollars have been budgeted for your position and programs that you will be working with in your position.

K. Walton: I was in an intern position for a year to identify job descriptions and to seek funding. The University system has allocated \$75,000 for the next biennium and then substance abuse and mental health division has allocated \$65,000 through a block grant, to hire another position. That would include 2 positions and with space allocations, and seek additional funding.

Rep. Porter: With the higher Ed. leading the charge, with community MADD/SADD groups already in place, is there a reason this couldn't be coordinated through your office on a state wide basis, since you have all the expertise in getting grants etc. Could that coordination come from your office.

K. Walton: I think support could come from that but we have prevention coordinators through the block grant, 8 regional and 4 tribal. Collaboration can happen. I am not sure that it can happen as easily as you believe it can. We are struggling as it is.

Rep. Porter: Who pays now, for the 8 regional coordinators.

K. Walton: That is funded through a Mental Health Block Grant.

Rep. Porter: With the \$65, 000 going to you, what other moneys are we looking at?

K. Walton: We are considered as one of the RFP's funding sources, I would believe they are similar in the amount.

Rep. Nelson: Am I right in understanding that this is a campus/campus campaign?

K. Walton: We have key persons in those areas. With out them, it would be difficult. Most of the incentives would be dropped.

Chairman Price: Are there any other questions?

Hearing closed.

Tape 3:

Chairman Price opened the discussion on SB 2372.

Rep. Uglem: I am all in favor, a check goes out of my account for MADD every year but I don't like the idea of starting another commission, when we already have existing areas that we can draw from. I may be wrong, but that is my first impression.

Rep. Kaldor: I was going to move these amendments for the purposes of discussion.

Chairman Price: I believe Rep. Porter wants to be here for this one also, and I thought about doing 1 cent alcohol tax, I know they asked for a lot more than that.

Rep. Kaldor: One of the things that I got from the testimony, I was disappointed that they didn't have members from the dept. of Health or health care community because the statement was made that there really isn't a entity within these agencies that is actually doing this function.

Chairman Price: If there are 12 coordinators out there, there has to be oversight somewhere, when we worked on the tobacco money, we were told there is over 50 million coming into the state through DHS, DOH, DOC, DOED for drug and tobacco stuff, that didn't include the master settlement. money. So, I think there is something out there. I want to hear exactly how the beer wholesalers and how it will effect them.

Rep. Kaldor: I did visit with one of the wholesalers and they indicated that it would be a \$3.6 million tab and the way that it was explained to me, they feel there is no good way to pass that off is they are to deal with a tax of that nature, I do have a concern about that we just identify just one area of alcohol (beer). These kids aren't just consuming beer, there is a lot of hard liquor being consumed also. I asked Rep. Aarsvold, how the tax on liquor and beer is handled. I think that Sen. Lindaas was a very modest tax and would not have hurt anyone.

Chairman Price: The tax is mentioned, I would like to see something more coordinators, we have others, maybe we should take a look at that. Is there anything else you would like us to look for?

Discussion closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL NO. SB 2372

House Human Services Committee

Conference Committee

Hearing Date March 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		47.8-57.9
1		X	0.3-4.2
Committee Clerk Signature 			

Minutes:

Chairman Price opened the hearing on SB 2372. Asked Rep. Kaldor if he had the amendments back yet.

Rep. Kaldor: I do not have amendments from Senator Lydnes, but I believe the thought I had was not to not do the appropriations of general fund dollars, but to do the one cent per gallon and as I understand that raises about \$350,000. I don't know where this committee is going with this? I support the concept of this bill. I support what they are trying to do. The Health Department really isn't identifying this kind of action. Especially as we reach down trying to reach teens and kids. The help really isn't going in that direction. So this seems to me to be a good plan. They work very hard and they are very effective. I would like to try to find a way to fund it to some level. I don't know about \$700 and some thousand dollars?

Chairman Price:(50.3) Rep. Kaldor are you talking about the original bill that you would go to line 13 you are wanting to raise it to .08 to .09?

Rep. Kaldor: I believe so. Yes that is the area. I asked John Rolfstad to send me the figures on this and he hasn't done that. As I understand it I asked him about timing on these other taxes most of the other alcohol's, wine and per wine gallon. They were increased more recently than beer. Beer hasn't been increased since 1960 something.

Chairman Price: (51.6) The income tax on beer was doubled in 1991. It was increased from \$9 to \$18 per barrel times the loss of 31,000 jobs nation wide. In North Dakota we went from a high of 2.6 million of excess tax collections to 2.1 million the next year. ND loss revenue for the 13 years and did not recover the level excess tax collections until 2004. Taxes now representing 44% of the retail price of beer. Rep. Earl Pomeroy is the prime sponsor of a bill to roll back the 1991 tax hike on beer because of the negative affect it has had the industry and excess tax collection. Got this from the Senate Tax and Finance Committee. Discussed the many tax raises in ND.

Rep. Kaldor: I rescind my idea.

Rep. Porter: (57.2) The Responsible Choice Commission and their objectives I don't have a problem with. My problem lies with that there is grant money out there being used. The higher ed came in and they are getting \$140,000 alone to look at these same things. The eight regional coordinators are running off of grant dollars. So money is not the problem here. If you have someone. An entity such as the state board of higher ed hiring a person and having \$130,000 worth of funds there I just can't see why we need to have another commission that is out there working to coordinate these groups when we already have the location of 90% of our problem

looking at it and doing it. If anything this bill should be hog house to say that the state board of higher ed through their coordinator will function as the coordinating effort in doing this and getting all these groups and individuals together. We have everything in place except someone to step up to the plate and take the lead.

(end of tape 59.7)

Tape 1, Side B

In it's present form I can't see creating another commission when we have 8 regional coordinators and the board of higher ed and four tribal plus one higher ed so that is 13 people already doing this job and going after the same funds that this commission is trying to go after.

Rep. Kaldor:(0.6) I don't disagree with that. I think one of the problems we have is that we don't have a coordination. Maybe the commission doesn't sound like that or look like that, but it seems as though that is what its function should be. Maybe we have to force those regional and tribes and higher ed to get together to form a state wide approach to this but they are not doing it. I would not put this just on higher ed alone. It gets beyond what their responsibilities are.

Chairman Price: (1.2) Could we put together a study to bring all those groups together to come up with a plan.

Rep. Porter: We are lacking overall coordination. Everyone is competing for the same dollars from the same foundations, from the same groups plus they are getting some federal dollars. You have those 13 people off to the side and now you are going to have a Governor's appointed committee going after the same dollars. These things aren't going to go away over here and then you are going to add these to it so then everyone is going to be competing for the same dollars so at some point in time something is going to break.

Rep. Kaldor:(1.9) If read that subparagraph 2 under section 1. The responsible choices commission may contract with or grant funds to entities within the state to discourage impaired driving, alcohol drug abuse and other destructive behavior. The Commission shall work with state agencies, political subdivisions, and higher education institutions to provide a network for the dissemination of informational materials. It seems as though that is their responsibility to be that focal point. I would support a study.

Chairman Price:(2.7) I think we need to bring them all to the table so they have a common mission. How many would like to have us do a study?

Rep. Uglem: We are talking about higher ed etc and it kind of bothers me. If they are going to straightened out they have to start at the 4,5 or 6th grade. Doing something in college isn't going to change anything.

Chairman Price: (3.7) Who would like to ask the legislative counsel for that?

Rep. Kaldor: Will go to the sponsors and contact the legislative counsel.

Hearing closed (4.2)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

House Human Services Committee

Conference Committee

Hearing Date **21 March 2005**

Tape Number	Side A	Side B	Meter #
1	X		2280 - 3070

Committee Clerk Signature *Jan Prindle*

Minutes:

Chairman Price opened discussion of SB 2372.

Rep. Kaldor: I talked to the sponsors of the bill. The prime sponsor would like to have it passed as is but realizes there is probably not support for that. As we discussed last week there is real need for coordination amongst all of them. I thought about this over the weekend. I thought about the areas that we did pass a small appropriation for rehab services or therapy relating to these kinds of things too and they probably all should be looked at together. At any rate this amendment changes the bill from its current form to a study a resolution. This is basically relating to the coordination of all sources of support: federal, state and local government and private efforts to discourage destructive behavior. I did discuss with the prime sponsor the health department initiative that exists and I think it would be good for us to do this because in his discussions the health department really wasn't getting into the same kind of work that for example SADD is doing. They are not really reaching into the schools in the same way

that SADD is. It's probably a good idea that they both be at the table discussing this and helping us formulate policy in the next legislative session. With regret, **I move this amendment.**

Rep. Porter: I second. Is it clear enough by using just the word "state" that we are pulling higher ed with their positions and those regional physicians. I don't know that those regional physicians are connected to any form of local government. I just want to make sure that this is worded correctly that if it's picked as a study that it pulls in that higher ed position and it pulls in the regional coordinators and the tribal coordinators. The other thing we're looking at is I don't know if the federal part of it covers the tribal side or if we need to be specific. I just want to make sure that it is encompassing what we want it to.

Rep. Kreidt: When I proposed this to legislative council for drafting, I didn't mention higher ed. I don't believe I listed in my materials the tribal governments. I'm assuming if we say state we mean higher ed as well. If members want to add, I have no objection to that.

Rep. Porter: I would like it to include specifically higher ed to make sure these regional coordinators are included as specifics and the tribal coordinators also. If we are going to do a study to look at the coordination of efforts, we certainly don't want to leave any of those funded programs out. **I move we take Rep. Kaldor's motion and include higher ed and tribal to it.**

Vice Chair Kreidt: I second.

A voice vote was taken. The amendment passed.

A voice vote was taken. The amendment to include higher ed and tribal passed.

Chairman Price: We now have the amended bill in front of us.

Rep. Kaldor: I move a Do Pass as Amended.

Rep. Nelson: I second

Page 3
House Human Services Committee
Bill/Resolution Number **SB 2372**
Hearing Date **21 Mar 05**

A roll call vote was taken.

Yes: 12 No: 0 Absent: 0

Rep. Kaldor will carry the bill.

Date: 3/21/05

Roll Call Vote #: 1. Reporter - ^{vck} 2nd

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~HB~~ SB 2372

House Human Services Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amd

Motion Made By Rep Kaldor Seconded By Nelson

Representatives	Yes	No	Representatives	Yes	No
Chairman C.S. Price	x		Rep.L. Kaldor	x	
V Chrm.G. Kreidt	x		Rep.L. Potter	x	
Rep. V. Pietsch	x		Rep.S. Sandvig	x	
Rep.J.O. Nelson	x				
Rep.W.R. Devlin	x				
Rep.T. Porter	x				
Rep.G. Uglem	x				
Rep C. Damschen	x				
Rep.R. Weisz	x				

Total () 12 No 0

Absent 0

Floor Assignment Kaldor

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2372, as engrossed: Human Services Committee (Rep. Price, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2372 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study relating to efforts to discourage alcohol and drug abuse and tobacco use.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

LEGISLATIVE COUNCIL COORDINATION OF EFFORTS TO DISCOURAGE DESTRUCTIVE BEHAVIOR STUDY. The legislative council shall consider studying, during the 2005-06 interim, the feasibility and desirability of establishing an organization to support and coordinate federal, tribal, state, including institutions of higher education, and local government and private efforts to discourage destructive behavior, including alcohol and drug abuse and tobacco use. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

2005 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2372

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Conference Committee

Hearing Date **April 6, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		29.9 - 44.2
Committee Clerk Signature <i>Sharon Renshaw</i>			

Minutes:

SEN. WARDNER: I don't think we have a lot of heartburn over this thing, we just want to make sure that its getting done what we want it to get done. On our side, we had young people come in and testify on the SADD organization and the way the bill was to begin with was to fund SADD state wide using a tax from alcohol, beer and it increased it. We had a little problem with doing that for any group, not because we had anything against SADD because I come out of education I understood what was going on and what is going on in that organization and its all good. I want to make sure that whatever we do that we send a message that we support these young people and this organization and the adults that are dealing with it a positive message. That's why I'm a little concerned about a study resolution and we can do something to make sure its more definite. The one thing that the alcohol or the beer industry did say that do give grants and stuff to different programs, however SADD is not a position to accept those and I don't know if it could be laundered through something else if that would make it more acceptable, but

the problem we have with alcohol and drugs in our society, I can't think of a better group than those young people, their out there and their making a difference. That's what concerns me is we want to make sure that this continues on because I think its good. When we look at the big picture, we cannot keep put funding in the prison system, why is that expanding? Drugs, alcohol, dysfunctional families, the children and the families that are a part of that end up in Human Services. We have a solution here, these young people are out there doing it and we need to try to figure out a way to support them. On the Senate version on the 2nd page it does talk about on line 3 the responsible choices commission may request assistance from the office of faith based and community initiative to seek funding to support the mission of the responsible choices commission. If they would take charge and help this group out, maybe we're good to go. Those are my concerns.

SEN. TOLLEFSON: the testimony was so effective and their goals were very definitive and I think that's certainly a plus for ND and the young people and they would be effective if they're supported. How do we support them, of course that's what we're talking about here. Usually what happens to a study such as this, it gets ignored many times, I would like to somehow change the wording of the study at least to include a specific time and place or whatever it would take to make it more definitive and not so general as most studies are.

SEN. WARDNER: House members, any comment or feelings about what you heard in testimony on your side?

REP. J. NELSON: I would agree with you analyze Sen. Wardner, that this is a solution, from the House perspective, I think it came down to a money issue, an appropriation. Its very important that we coordinate the cessation monies that are available and maybe we can more

efficiently use these funding mechanisms to encompass more than just tobacco and the abuse that are currently, I think there's a lot of overlapping of services and if we could bring them under one umbrella I think we could be more efficient in the use and that's where the study could work towards that goal. Certainly the change of wording from shall consider to study, we could be more specific as to the scope that it would be picked up anyway, what the outcomes are I guess that's determined by the committee. I guess as suggestion I guess if we change that wording and maybe work around that subsection 3, I would have no argument with that.

SEN. EVERY; I agree, it was brought up several times in committee that there's money out there for a lot of different things that could fund this and they pretty much told us "no, that they didn't want that type of money". I think that if we're going to say that we're going to study this thing for 2 years, if we're going to money into bringing legislators in the interim for 2 years to study this thing, we just as well give them their for whatever it costs for their director, it'd be cheaper to do that way. I know for a fact that there is tobacco money out there that isn't being used, we could find that money if we had to, it makes no sense to tell our kids that we support you and then we have a bunch of good kids that want to do good things and we can't help them. If we're going to put money into studying this thing we should put money into getting them their director or whatever they need and figure out a way to do it.

REP. UGLEM: the House's main concern besides the money and possibly killing it is that there is already people out there doing quite a few different things, we have 8 people at different colleges that are supposed to be working on destructive behavior, drinking. Now there's a base to start working getting things around the state. The idea is not to kill it in any way but it probably should be better coordinated and it needs to start at the 4th and 5th in school.

SEN. EVERY: I agree with that as well and there are grant writers out there that can find all kinds of money for all kinds of things without a faith based initiative, even having to do with it but for some reason or another they are not doing that. A lot of those grants that they could apply for they can't accept, the budweiser grants or whatever they are, but I agree there's a lot of them out there they could be writing that would get them some of that money.

REP. J. NELSON: Mr. Chairman are you aware of the, would there be any problems with lets say a liquor or beer wholesaler or manufacturer funneling that money through the faith based and community initiative and then onto SADD organizations, was that discussed in your committee that flow through that you talked about earlier?

SEN. WARDNER: I don't know if we really discussed it specifically, went through my mind, I wanted to visit with the governor's chief council because he is supposedly taking care of this faith based thing and maybe need to visit with some of the people here and see if that money could come there. I do know that I sympathize with the director of SADD, its a volunteer job and then their out there writing grants, pretty soon they burn out and so my concern is that we get some money flowing through them, I don't care how. I'll talk to him and Sen. Tollefson could you take a look at some language and we'll come together later and see what's the best.

REP. SANDVIG: I think the Houses concern basically there wasn't any money out there to fund it with and rather than have it die, it was better to have a study.

Meeting adjourned.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2372

Senate Finance and Taxation Committee

Conference Committee

Hearing Date **April 7, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		18.6 - 27.0
Committee Clerk Signature <i>Sharon Jensen</i>			

Minutes: **CONFERENCE COMMITTEE**

SEN. WARDNER: with the faith based legislation that we passed through they will look out for this group, they will try to find monies for them but that's all we can get there. Sen. Tollefson do you have anything you think we could do to tighten this up.

SEN. TOLLEFSON: I would like to put in some terminology that would bring it about in a better manner I think so following along on the study on line 5 after shall and before during, say study rather than consider study. Then on line 6 after organization and between organization and the word two, I would put or ombudsman and I think that's the definition of that word is sort of a neutral party attempting to accomplish bringing two ends together. Line 9 after between its and findings I would say actions and take out and and or recommendations. To me that would give the whole relationship to SADD and to the efforts of those people something quite positive at least if Legislative Council would follow this suggestion I think maybe some things could happen.

REP. J. NELSON; just so I understand the amendment, its actions, findings or recommendation

SEN. TOLLEFSON: that sentence should read, the Legislative Council shall report its actions, findings or recommendations. I would **MOVE THAT THE HOUSE RECEDE FROM THE HOUSE AMENDMENTS AND FURTHER AMEND**, seconded by Rep. J. Nelson.

REP. UGLEM: clarification on the word ombudsman and where it fits in here.

SEN. TOLLEFSON; definition of ombudsman is an individual that would coordinate on a neutral basis and try and bring two ends together for completion of a project, I hope I'm right in that definition.

SEN. WARDNER: committee members I don't have any problems defending this because I think its an important issue and I think we need to.

AARON (intern) - Legislative Council wanted us to mention to you to discourage taking out the consider, but you do as you wish.

ROLL CALL VOTE: 6-0-0 Sen. Tollefson will carry the bill on the Senate and
Rep. J. Nelson will carry the bill on the House.

Adjourned the conference committee.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

11:00 AM
4-6-05

Bill Number) SB 2372 (, as (re)engrossed):

Your Conference Committee

For the Senate:

	4-7-05	4-6-05	Yes	No
Sen. Wardner	✓	✓	✓	
Sen. Tollefson	✓	✓	✓	
Sen. Every	✓	✓	✓	

For the House:

	4-7-05	4-6-05	Yes	No
Rep. J. Nelson	✓	✓	✓	
Rep. Uglem	✓	✓	✓	
Rep. Sandvick	✓	✓	✓	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/H726 S723/H725
the (Senate/House) amendments on (SJ/HJ) page(s) 1117 - _____

and place _____ on the Seventh order.
727

, adopt (further) amendments as follows, and place
_____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: 4 / 7 / 05

CARRIER: Sen Tollefson & Rep. J. Nelson

LC NO. 50817 . 0205 of amendment

LC NO. _____ . _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2372, as engrossed: Your conference committee (Sens. Wardner, Tollefson, Every and Reps. Nelson, Uglem, Sandvig) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 1117, adopt amendments as follows, and place SB 2372 on the Seventh order:

That the House recede from its amendments as printed on page 1117 of the Senate Journal and page 1245 of the House Journal and that Engrossed Senate Bill No. 2372 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with " for an Act to provide for a legislative council study relating to efforts to discourage alcohol and drug abuse and tobacco use.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

LEGISLATIVE COUNCIL COORDINATION OF EFFORTS TO DISCOURAGE DESTRUCTIVE BEHAVIOR STUDY. The legislative council shall study, during the 2005-06 interim, the feasibility and desirability of establishing an organization or ombudsman to support and coordinate federal, tribal, state, including institutions of higher education, and local government and private efforts to discourage destructive behavior, including alcohol and drug abuse and tobacco use. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

Engrossed SB 2372 was placed on the Seventh order of business on the calendar.

2005 TESTIMONY

SB 2372



Representative Ole Aarsvold
District 20
Route 2, Box 12
Blanchard, ND 58009-9513
oaarsvol@state.nd.us

NORTH DAKOTA HOUSE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations

To: Chairman Urlacher
From: Rep. Ole Aarsvold
Re: SB 2372

SB 2372 proposes to:

- 1) Increase tax on beer to a uniform 25 cents per gallon regardless of container type or size.

- 2) Establishes the Responsible Choices Fund that would be a depository for 17 cents/ gallon for keg beer and 9 cents/ gallon for canned and bottled beer from beer tax proceeds.

- 3) Establishes a Responsible Choices commission:
 - a) 5 members appointed by the Governor and staffed by Human Services Department.

 - b) Outlines the intended scope of the Commission's work to assist young people to make good choices regarding alcohol, drugs, tobacco, and other substances.

 - c) Establishes a continuing appropriation for a Commission's activities.

I do applaud the efforts of the few bottlers of alcoholic beverages who do have national campaigns to educate the consumers about using their products responsibly. However, few if any get right down to the local level where the real impact can be made in face-to-face settings, especially with our youth.

Section 5-03-07 of the Code states that a tax is imposed on alcoholic beverage wholesalers "for the privilege of doing business in this state". I would suggest that inherent in that privilege is the obligation to promote the responsible use of their products, especially with young adults who are developing lifestyle habits that will reach into adult years.

I solicit the committee's favorable recommendation for SB 2372.

Testimony from Lee Erickson re: SB 2372

Chairman Urlacher, and members of the Finance and Taxation Committee –

My name is Lee Erickson. I'm from Hillsboro and I currently serve as the state coordinator for North Dakota SADD, Students Against Destructive Decisions. I am here to testify as a private citizen, and my opinions are not necessarily those of the SADD organization.

I am here today to ask you to look favorably upon SB 2372, what we refer to as the "Penny for Prevention" bill.

Alcohol is widely regarded as the #1 drug problem in our country. And there is little doubt that North Dakota, in particular, has a problem with alcohol abuse and underage drinking. According to a survey¹, North Dakota has the highest rates in the nation for:

- binge drinking among youth ages 12-17
- binge drinking among those ages 18-25
- binge drinking among all persons ages 12 and over

Drunk driving fatalities, alcohol poisoning, rapes and other crimes -- as well as it serving as a gateway for harder drug use -- are only the beginning of the problems related to alcohol. Yet, alcohol continues to "fly under the radar screen" of widely-recognized drugs. The federal government spends 25 times more to address illicit drug use than it does on alcohol².

It is interesting that since SB 2372 was introduced, some important studies have been released that help to stress the importance of this bill:

- Feb. 4: University of Stockholm studies put the global impact of alcohol on death and disease (4%) at roughly the same level as tobacco (4.1%) and high blood pressure (4.4%). The study stated that governments need to consider a broader range of measures to limit the damage caused by alcohol. Their primary recommendation – raise taxes on alcohol, especially beer³. A spokesperson for the study said, "A stark discrepancy exists between research findings about the effectiveness of alcohol-control measures and the policy options considered by most governments. In many places, the interests of the alcohol industry have effectively exercised a veto over policies, making sure that the main emphasis is on ineffective strategies."
- Feb 1: The National Institute of Health released a study showing that the area of the brain responsible for inhibiting risky behavior was not fully developed until about the age of 25. In the words of one of the lead researchers, "We'd thought

¹ 2002 National Survey on Drug Use and Health, Substance Abuse and Mental Health Services Admin.

² From the web site of Rep. Tom Osborne, R-NE:

http://www.house.gov/apps/list/speech/ne03_osborne/021604UndageDrinkHrg.html

³ <http://www.jointogether.org/sa/news/summaries/reader/0%2C1854%2C575922%2C00.html>

the highest levels of physical and brain maturity were reached by age 18, maybe earlier -- so this threw us.”⁴

This last research goes hand-in-hand with studies conducted at Duke University and the University of California, San Diego, which show other important brain development continuing to the mid-twenties and the adverse effect alcohol has upon that brain development. MRI's of teen drinkers and non-drinkers brains show significant negative impact of alcohol on thinking tasks and memory, even when the alcohol-using subjects were completely sober. In fact, in some cases the young drinker's brain showed more activity in response to beer ads than it did for thinking tasks.

Clearly, the time has come for us to take this problem seriously. The state of North Dakota currently provides no funding for alcohol prevention. All prevention dollars come from the federal government. The dollars we do get are unpredictable in availability and longevity, are limited to addressing only specific prevention efforts or targeted populations (a Band-Aid approach), or are designed for use by large community coalitions that simply don't exist in North Dakota. These funds do little to address underlying attitudes that contribute to not only alcohol, tobacco and other drug use, but also to other problems such as suicide, teen pregnancy, bullying, eating disorders and other behaviors – all of which have common underlying factors.

SB2372 is a good piece of legislation that makes sense. The National Institute of Alcohol Abuse and Alcoholism says that effectively addressing alcohol problems involves “environmental change.” This bill will create a pool of funds that will be used to impact young people from elementary age through college age as well as reach out to parents and entire communities across the state – all in a coordinated effort that will maximize its effect. We feel we *can* impact the environment surrounding alcohol use.

Best of all, this program would be funded in a way that will not be a burden to anyone who can't afford higher taxes. In fact, it could be considered a “user fee” rather than a tax, and nothing could be more fair than a fee levied only upon consumption of the problem itself. That fee would equal less than one penny per bottle or can of beer – a penny for prevention. Surely this is an extremely small price to pay for saving lives and *changing* lives, and for nurturing and protecting our most precious asset – North Dakota's youth.

I urge you to look favorably upon SB 2372.

Questions?

⁴ <http://www.msnbc.msn.com/id/6891821/>

Legislative Proposal

I am proposing that appropriation be considered in the 2005 legislative session that would fund comprehensive statewide prevention programs, addressing multiple target populations.

Background facts:

- According to the 2002 National Survey on Drug Use and Health conducted by the Substance Abuse and Mental Health Services Administration (SAMHSA), North Dakota has the *highest rates in the nation* for:
 - Binge drinking among all persons age 12 and older: 30%*
 - Binge drinking among those age 18-25: 55.8%*
 - Binge drinking among youth age 12-17: 16.4%*
- North Dakota's current state appropriation for prevention is \$0. All prevention funding in the state comes from Federal dollars, which are:
 1. Unpredictable in availability, amount and scope of services funded
 2. Temporary
 3. Designed just for schools or for large communities and aren't applicable to North Dakota
 4. Not designed for a statewide network in a rural state
 5. Not designed to address the issues we face in North Dakota
 6. Not flexible enough to engage issues as they arise

I feel that the time is right for funding of a statewide youth-centered network that reaches out to parents and communities as well. During the past 6 years, using science-based prevention principles and some of our own methods, North Dakota's SADD program has accomplished:

- Growth from 6 chapters to nearly 70, with a presence at all levels from elementary grades to college
- The development of arguably the strongest and most innovative state SADD organization in the nation
- Building a pool of extremely dedicated and passionate youth who take on issues such as alcohol, tobacco and other drug use, suicide, teen pregnancy, sexually-transmitted disease, eating disorders and much more.

SADD has cooperated with and has become a vehicle for dissemination of programs and information from many entities, such as the Department of Transportation, the Department of Human Services, tobacco prevention coordinators, law enforcement, the First Lady's office, and many other entities seeking motivated youth. As Students Against Destructive Decisions, SADD encompasses all of these and more under its umbrella.

Proposed uses of appropriation:

- Funding of a comprehensive statewide program (whether it be SADD or another group) that addresses impaired driving, alcohol, tobacco and other drug use in addition to other related destructive behaviors. This program would work together with existing state entities, regional prevention coordinators and law enforcement, providing an efficient network for dissemination of information and materials at the local level (*projected annual budget - \$225,000 to \$250,000; includes limited budget for college groups*)

- Money for media campaigns, including those designed to educate or address social norms (*perhaps \$250,000 to \$500,000 annually*)
- Programs at college campuses, both public and private, that promote the no-use policy for students under age 21, including money for alcohol-free social events
- Money allocated at the regional level for local community financial assistance in bringing in programs and speakers who address alcohol, drugs and related problems
- Research to be conducted by North Dakota universities to identify effective strategies

Expected outcomes:

- Over time, dramatic reductions in alcohol and drug use in North Dakota
- An enhanced perception of North Dakota as a great place to raise a family
- Lower alcohol-related health costs
- Greater awareness by parents and communities as a whole, resulting in healthier and safer communities

I feel we have turned a corner in our prevention efforts in North Dakota. The 2003 Youth Risk Behavior Survey results showed a 5% decrease from 2001 in the percentage of high school students who reported drinking in the last 30 days. This shows us that kids are listening, and that they are increasingly willing to adopt a substance-free lifestyle. I believe it is important to take advantage of this momentum and use a justified and well-timed appropriation to leverage the efforts of prevention professionals and caring individuals across the state. It is also important that the groundwork be laid for programming that can be consistent and sustained from year to year.

Potential funding source:

In 2001, the National Highway Traffic Safety Administration (NHTSA) suggested that North Dakota adjust its alcohol tax, noting in particular that beer is being taxed at a much lower rate (considering alcohol content) than distilled spirits, and that keg beer is being taxed at only half the rate of beer in cans or bottles. A copy of the NHTSA recommendations is attached to this proposal.

Background information on alcohol tax:

- North Dakota's per capita alcohol-related healthcare cost is \$144.14, whereas alcohol tax revenue collected per capita is \$7.62.¹
- North Dakota's alcohol tax rate has not been raised since 1967.
- The current beer tax of 16 cents per gallon has deflated to about 3 cents per gallon when compared to 1967 levels.²
- Conversely, if the 16 cent per gallon rate was adjusted for inflation, it should now equal more than 85 cents per gallon.
- A 1988 Surgeon General's report recommended equalizing alcoholic beverage taxes based on alcohol content. North Dakota's tax on beer and other lower-alcohol content beverages is much lower than the rate on distilled spirits.³
- Surveys conducted by the American Medical Association and other groups have indicated overwhelming public support across the nation for increases in beer taxes,

¹ *Factbook on State Beer Taxes, 2004*, Center for Science in the Public Interest

² *Factbook on State Beer Taxes, 2004*, Center for Science in the Public Interest

³ *Impaired Driving Assessment, 2001*, National Highway Traffic Safety Administration Technical Assistance Team.

providing the revenue is earmarked for prevention and law enforcement.

Although recent trends have favored reducing taxes or holding them steady, people are also well aware of the problems associated with alcohol, particularly when it comes to the subjects of impaired driving and underage usage. We feel that it would be politically, fiscally and tactically prudent to address problems surrounding the use of alcohol and other drugs, the funding of which is based upon the consumption of the problem itself.

Raising the alcohol taxes as proposed in the 2001 Impaired Driving Assessment (see attachments) would put North Dakota's tax about equal with that of South Dakota. While Red River Valley communities may cry foul, saying Minnesota beverage outlets would have an advantage over those in North Dakota (Minnesota's beer tax is \$.15 per gallon), the net increase in wholesale cost would only be about 25 cents per case of beer. With today's gas prices, no reasonable person will drive across the border to save a quarter on a case of beer. Plans are also in place to introduce Minnesota legislation that would increase the alcohol tax by a *dime* a drink. In fact, if the purpose of the tax increase is made well known, most people will be more than willing to pay the small extra cost of "a penny for prevention."

Probable impact of alcohol tax equalization:

According to projections made public in the 2001 Impaired Driving Assessment, equalizing the alcohol tax based upon alcohol content would result in about \$1.8 million dollars per year, based upon current assumptions. Simply adjusting the alcohol tax to \$.25 per gallon would likely generate in the vicinity of \$1.7 million annually.

Thank you for your consideration of this proposal, which I feel is timely, prudent, and based on proven principles. North Dakota has never had a viable youth network like we do right now, so we should take advantage of the opportunity to make a lasting difference.

Lee Erickson

STATE OF NORTH DAKOTA

IMPAIRED DRIVING ASSESSMENT

June 25 - 29, 2001

National Highway Traffic
Safety Administration
Technical Assistance Team

K. Craig Allred
Linda L. Chezem, J.D.
Robert P. Lillis
Robert L. Thompson
Fred E. Zwonechek

North Dakota's alcohol beverage control policies are characterized by minimal state level provisions with substantial local control. N.D.C.C. Title 5, Chapter 5-01, contains definitions and provisions. On- and off-premise sales establishments must be licensed by the attorney general, but approval of licenses is in the purview of local government. There are 1,415 licensed outlets or approximately one for every 375 legal purchasers of alcohol. Sales are prohibited between 1 a.m. and 12 noon on Sundays, and between 1 a.m. and 8 a.m. all other days. No one under 21 years old may purchase or consume alcohol and may not be in any establishment where alcohol is being sold except a restaurant if the restaurant is separated from the room where alcoholic beverages are opened or mixed.

North Dakota requires beer keg registration for any container of more than 22.71 gallons. Registration does not apply to beer balls which have a capacity of about 15 gallons.

N.D.C.C. section 5-01-06.1 provides for claim for relief for fault resulting from intoxication in which an individual injured by any obviously intoxicated person can recover damages from any person who knowingly provided alcohol to a person under 21, an "incompetent, or an obviously intoxicated person."

There are no restrictions on Happy Hours or other promotions.

Server training is not required. Several localities and individual licensees participate in server training such as Training for Intervention Procedures (TIPS), and at least one distributor offers a guide to recognizing valid licenses.

North Dakota has no state agency responsible for enforcement of alcohol beverage control laws and regulations. Local law enforcement and NDHP enforce underage sales and conduct periodic compliance checks and sting operations. Local law enforcement and NDHP also enforce other regulations primarily in response to complaints.

Current state tax rates per gallon of beverage are shown below.

	Current Tax Per Gallon
Beer in Bulk Containers	\$0.08
Beer in Bottles/Cans	\$0.16
Wine <17% alcohol	\$0.50
Wine 17%-24% alcohol	\$0.60
Sparkling Wine	\$1.00
Distilled Spirits	\$2.50
Alcohol	\$4.05

These rates give an extremely favorable price situation to beer compared to wine or distilled spirits. The 1988 Surgeon General's Report recommended equalizing alcohol beverage tax rates based on the ethanol (alcohol) content. Table 2-d-2 shows the current tax rate and collections, and the projected tax collections if the rate for all beverages was set to the current rate for the ethanol content in distilled spirits. The net increase in tax collections, assuming constant sales, would be over \$1.8 million annually. The resulting impact on the consumer would be one cent on a serving of beer, two cents on a serving of wine with an alcohol content <17 percent, and four cents on a serving of wine >17 percent alcohol. The price of a serving of sparkling wine would decrease by one cent and distilled spirits would not change.

Table 2-d-2

**North Dakota
Estimated Tax Collection
Equalized to the Ethanol in
Distilled spirits**

	Current Tax Per Gallon	Beverage Gallons*	Tax Collected	Ethanol Gallons	Ethanol Tax Rate	Equalized Tax**	Cost Per Serving
Beer in Bulk Containers	\$0.08	1,944,609	\$155,569	77,784	\$2.00	\$486,152	\$0.01
Beer in Bottles/Cans	\$0.16	15,104,623	\$2,416,740	604,185	\$4.00	\$3,776,156	\$0.01
Wine <17% alcohol	\$0.50	530,947	\$265,474	69,023	\$3.85	\$431,395	\$0.02
Wine 17%-24% alcohol	\$0.60	22,408	\$13,445	4,706	\$2.86	\$29,410	\$0.04
Sparkling Wine	\$1.00	39,740	\$39,740	5,166	\$7.69	\$32,289	(\$0.01)
Distilled Spirits	\$2.50	1,008,268	\$2,520,671	403,307	\$6.25	\$2,520,671	\$0.00
Alcohol	\$4.05	2,985	\$12,091	1,343	\$9.00	\$8,397	(\$0.01)
Total		18,653,580	\$5,423,729	1,165,515		\$7,284,469	

*Calculated from tax collections

** Based on rate for Distilled Spirits

Recommendations

- ◆ Keg registration should be extended to all bulk containers including beer balls.
- ◆ **Happy Hours and other sales promotions should be prohibited.**
- ◆ **The state alcohol tax should be based on ethanol (alcohol) content with the rate set to the equivalent rate for ethanol in distilled spirits.**
- ◆ Some portion of gained revenue should be dedicated to impaired driving prevention and substance abuse prevention and treatment.

Chairman Urlacher, and members of the Finance & Taxation Committee:

I am Katie Paulson, a senior at Dickinson State University.

I am here today to testify on my own behalf as a private citizen in favor of Senate Bill 2372, and my opinions may or may not reflect those of the SADD organization.

I joined the SADD chapter in Hillsboro at age 13 and have been a part of the organization ever since. It is a very meaningful organization to be involved with, and I became very passionate about SADD and how it influenced my life. My involvement with SADD eventually lead me to become the National Student of the Year in 2000-2001. Serving the organization on a state and national level gave me many opportunities to work with many prevention programs that target youth and adults. I personally believe that supporting programs that prevent people from making dangerous decisions that affect themselves as well as the people around them are very important. These programs need support.

North Dakota SADD is an example of the type of statewide youth network that can benefit from SB 2372. SADD continues to devote a good deal of effort to address impaired driving and other traffic safety-related issues similar to the days when we were known as Students Against Driving Drunk. Under the expanded "destructive decisions" theme, however, we also address alcohol, tobacco, and other drug use and other destructive behaviors by focusing much of our attention upon the "whole person" and not just the issues themselves.

North Dakota SADD has developed programs unlike any other state SADD organization. Our **Get REAL Campaign** uses social marketing concepts to show students that there are others that are NOT drinking, using drugs, or engaging in other negative behaviors. Our new "**believe**" program helps to establish SADD as a way of life and as a belief system that our members can be proud to uphold. Finally, our pride and joy is our **Reality Check Program**. This program uses high school mentors to enter into the classrooms of 4th, 5th, and 6th graders and lead interactive lessons. Reality Check addresses common problem issues identified by North Dakota high school students, lessons written by North Dakota adult advisors, and uses a scientific evaluation procedure developed by NDSU. Last year, our first year of widespread implementation, resulted in statistically significant increases in students' intentions to refrain from alcohol, tobacco and other drug use.

We know we can make a difference. In my senior year of high school at Hillsboro, where we have had a strong SADD chapter since 1994, Youth Risk Behavior Survey results showed that Hillsboro students were about *20% less likely* than other students in the state to binge drink, use tobacco, drive after drinking, or ride with a drunk driver.

The programs and outreach that North Dakota SADD practices has seen success. We know that what we are doing is meaningful to youth across the state. We have the potential to reach a larger number of at-risk youth in our state. I am in favor of SB 2372 because I want North Dakota to make an investment in their people by addressing some issues that are preventable and may save some lives. Passing SB 2372 will allow prevention groups to change lives and ultimately save the lives of our citizens.

Questions?

Preliminary SADD annual budget breakdown

Salaries	\$84,000	(\$48,000 Coordinator, \$36,000 Asst. Coordinator, located both east & west ND. No health insurance provided)
Admin./Overhead	21,000	(25% of above, for employment taxes, liability, etc.)
Office expense	8,400	(\$700 per month for two equipped offices, telephone costs)
Travel	12,000	(In-state plus 2 national coordinator meetings yearly)
Supplies	2,400	
Incentives	1,500	(promotional handouts for beginning chapters)
Video	2,500	(production of presentation video for promo & recruiting)
Web page	500	(upkeep of www.ndsadd.com web site)
SAB expense	3,000	(advisory board materials, meeting expenses – HS & college)
SAB scholarships	14,000	(trip to national conference for high school SAB and reward trip for Advisor of the Year)
Printing	6,000	
Community Coord.	24,000	(Part-time contract salary for community coordinators in Fargo, Bismarck, Minot, and Grand Forks - \$500 / mo.)
Admin /Overhead	3,600	(15% of above)
Postage	1,500	
Regional Expense	4,000	(Expenses for regional high school & jr. high students)
College SADD	21,000	(\$2,000 / yr. for 4-year schools, \$1,000 / yr. for 2-year schools)
Reality Check	<u>20,400</u>	(materials, evaluation, training conferences)
Total:	\$229,800	

Don G. Holman

Chairman Urlacher, and members of the Finance & Taxation Committee:

I am here today to testify as a private citizen in favor of Senate Bill 2372, and my opinions may or may not reflect those of the SADD organization.

I would like to make a few comments regarding raising the beer tax:

- According to the Center for Science in the Public Interest, North Dakota's per capita alcohol-related healthcare cost is \$144.14, whereas per capita alcohol tax revenue collected is \$7.62.
- North Dakota's alcohol tax rate has not been raised since 1967.
- The current beer tax of 16 cents per gallon has deflated to about 3 cents a gallon when compared to 1967.
- Looking at it another way, if the 16 cent per gallon tax rate was adjusted for inflation, it should now equal more than 85 cents per gallon.
- The tax rate on beer in kegs is only half the rate as the tax on beer in bottles or cans, which makes no sense.
- A 1988 Surgeon General's report recommended that alcohol taxes be equalized based on alcohol content, and North Dakota's beer tax is very low when compared against the tax on distilled spirits.

What's more, surveys conducted by the American Medical Association and other groups have indicated overwhelming public support across the nation for raising alcohol taxes if the tax revenue was earmarked for prevention and law-enforcement.

I think that North Dakota is in an opportunistic position right now. Never before has there been so much evidence pointing to the harm caused by alcohol, tobacco and other drugs. North Dakota has never had a strong youth-oriented prevention network like what exists now in the form of SADD. Alcohol taxes are overdue for an adjustment.

Danielle Rafferece

Mr/Madam Chairperson + Committee members + guests

Good Morning, Brooke Jamison - senior at Kindred High School. I'm here today to ask you to support bill # 2372.

One of my main concerns as a teenager is the safety of my friends. I worry sometimes of the consequences that can happen when my peers make poor choices. Because of this concern for my friends and peers I started a SADD Chapter in the Kindred High School in the spring of 2003. I didn't start the chapter for myself because I had already made my decision to be substance free and so had many of my friends. I felt that we needed ^{a way} to support each other and also those that were struggling with the pressures ^{that} teens face today. When we started our chapter we had a core group of kids that were committed to the lifestyle that SADD promotes. By last year we had 80 kids in our high school that had signed a contract and that number continues to grow. This year we have averaged 45 students at every event ^{meeting} we have had. I believe kids in our school and across our state are wanting to make good choices for themselves and need a place to belong where they can do just that. For example, last Saturday night our chapter sponsored a movie night after a basketball game. I also know there was a party where alcohol was involved. There were 51 people that attended the SADD party. Frankly I was surprised that some of the students had chosen to over the other option. I was again reminded that kids are looking for an alternative if given the opportunity.

* It is vitally important to the youth of our state that you support this bill.

I have 3 close friends I'd like to tell you about and how our organization has changed them.

It's very rewarding to see that our efforts have possibly made a difference in someone else's life, large or small.

Adults have done alot in the area of prevention of underage drinking + drug use and yet we still have alongway to go. I believe that organizations like SADD enable us to take the problems of our ^{own} generation into our own hands. My peers and I need to take responsibility for our own problems and issues and we are capable ^{+ willing} to ^{do that} ^{to meet} that. ^(please)
But we need your help.*

* ^{Chairman} My mother always says that nothing happens for kids unless adults make it happen. I am beginning to understand that what she means by that is this: AS we grow and mature, as we learn to be tomorrow's leaders, we need adults to encourage us, to advise us, to discipline us, and to financially support us. ^{We} cannot possibly fundraise the amount of money we need to provide the programming that this bill will support. We can't sell that many pizzas or candy bars. ^{We need adults to} We are however up for the challenge and we are ^{financial support} already in position ^{to continue against} ^{the fight} we just need your help. ^{us} please support us and all the youth in our state ^{to bill 2217.}

2372

Chairman Urblacher + members of
finance + taxation committee, I am here to testify in
favor of SB 2372

[Done is: here as printed it]

We all have many voices in our life telling us what to do, what to say, what to think. If all comes down to which one to listen to; I have chosen to listen to the voice of truth. When I was young, I always hoped to have the kind of strength to stand before a giant and yell at him, but the giant's calling out my name and he laughs at me reminding me of all the times I've tried before and failed. The giant keeps on telling me time and time again, "Boy, You'll never win!" But I have shouted at him, and said you cannot and will not have me

Since life first took shape, there has been peer pressure. Whether it was what to eat or to take a pill, or that one drink. Peer pressure can come in many shapes and forms. Whether it be from friends, family, or the media. It can influence the way we act around others, whether we take that can of beer, ~~or to give in and conform to a group bent on ridding our public of the Lord,~~ it can even drive some people to tragically take their own life.

Under age drinking has become a plague in North Dakota that infects our youth. ~~I am proud to stand before you today and say I have never drunk, smoked, or taken any form of illegal drug. Now some may say great, others ask why? To them I answer with this question, why do you question my unwillingness to give in to temptation that can kill me and hurt all those I love?~~

As a member of the State Advisory Board for Students Against Destructive Decisions, I believe that we must take a stand to those who ask the question with an obvious answer. I believe we should be asking the questions, and not hang our heads in embarrassment when asked why. I believe we must take a stand, and it has to start with you. It doesn't matter if you're a parent, student, or even a neighbor.

In a recent survey North Dakota youth were asked the question why do you drink? Their reply, "what else is there to do here?" There cannot be a more pathetic answer than this one. North Dakota is one of the lowest in population, but highest in under age drinking. I believe our youth say this because they don't have an answer. They seem to realize that there really is no logical and acceptable answer.

Peer pressure can also have very harmful and negative affects in others areas as well.

Teenage suicide has also risen in past years, the 1999 ND Youth Risk Behavior Survey indicated some statistics in regards to adolescent suicide behaviors of North Dakota 9th -- 12th graders. 18% or more than 7800 teens seriously considered attempting and of that 8% or more than 2800 teens actually attempted suicide one or more times in the past 12 months, and with that fact 3% or more than 1300 teens made a suicide attempt that had to be treated by a doctor or nurse.

Combine these statistics with suicide fatality data from the National Center for Disease Control showing North Dakota having one of the highest youth suicide rates in the country over a ten year average from 1987-1996, we rank 2nd highest in suicide fatalities in the ages of 10-14. Even worse we still remain in the top ten at number 6 for suicide fatalities in the age range of 15-19.

Jordan Artman

Despite these statistics, suicide continues to be a topic rarely talked about. Many still believe that suicide is not preventable and are unaware that this is the #2 cause of death among our youth.

With this information in hand, can we now say that this could be linked to bullying? I do, over 40% of North Dakota students K-12 in the year 2002 reported some form of bullying in the last year. Bullying can be contributed to peer pressure in the sense that one theory of the cause for bullies is social acceptance from their peers.

Now with that fact still fresh in our mind let me tell you this story. There was once a boy named Will, and Will was a typical boy, meaning he played basketball, watched football on Sundays, had a girlfriend, and hung out with his friends at the skate park. Most people never thought twice about him, never thought something was wrong. Until one day he hung himself in his house, unable to cope with his life any longer. At his funeral the whole town came out, and most signed his guest book with sayings such as "Best friends forever", and "I'll be missing you buddy." Now when it was my turn to sign the book, I saw this, and said to myself, then why did you trip him last week, or why did this person call him that. The fact is that Will was made fun of and constantly teased by his friends and peers. They would hit him and call him names. Now they say that they love him and will miss him.

We all know someone like Will, but why don't we ever tell them these things, hey man nice jeans. Why can't we say that kind of stuff in the halls at school, instead of saying it to a casket in a church? This could make such a difference in one's life just to know there is someone who doesn't see you as the way you feel the world perceives you.

Our youth have to understand that there's more to this life than living and dying or trying to make it through the day. They have to realize they touch more people and can make more of a difference around them if they just listen to that voice of truth. They have to realize that their choices affect more people than just themselves.

When I started to attend Trinity Youth camp as a 5th grader and Search as a Sophomore, I realized that someone loves me. I realized that I've stumbled and fallen, but still He's calling. Now I believe that our youth need to also know that they can stumble and fall, but yet He calls.

I had the chance to be a counselor at Trinity Youth Camp, and talked to some young men about similar issues, and said to them I'm glad that I found you here, because in between the tears and the pain, something in your eyes shows hope and I stand before you as one who knows about coming to Him open and broken. You will rise and you will fall, but he sees you through it all, you are called and he will be waiting with arms open.

Now you may be asking yourself what does this have to do with peer pressure, well everything. These days teens are so confused about everything. Who am I, how should I act, do my friends really like me for me? So they turn to parties, alcohol, and premarital sex. We as caring people must sit and talk with them as I did to those boys. I

~~may have saved one of their lives and not even realized it. All it took was 10 minutes with them. Teenagers aren't as rude as they are perceived to be, most teens would love to reach out to someone, but they don't know whom.~~

We live in a society where showing weakness is considered cowardly, and inappropriate. We live in a society where parents constantly divorce, and live in one-parent homes. Latch key kids are so common now days that it seems unusual to come home after school to a home with someone there and everywhere we see signs such as pimp and kids talking of being a gangster.

When 9/11 happened, everyone asked where is God, how could he let this happen? Well I too ask that when I attend school, sporting events, or watch television. Our society is so bent on making everything anti-religious that even this speech is risky. We want to take his name off our money, and out of our pledge, which will lead to taking him out of our lives. We always ask God to do stuff for us but what do we do for him? We lie, kill, and cheat on our spouses, gamble, and commit suicide. Our world has become the devil's playground, heck we call Las Vegas sin city and they market that.

As I have said before I have listened to the voice of truth, and he is my god. I find my strength in him, and so to can our youth and you. So I urge you all to talk to anyone you know of who is a candidate for drinking, smoking, or even suicide. You could save a life and not ever realize it.

Omigod's

<http://www.ac.wvu.edu/~hayden/spsp/states/NORTH%20DAKOTA.html>
<http://www.ext.nodak.edu/extpubs/yf/famsci/fs570w.htm>

Steph:

Chairman Urlacher, and members of the Finance & Taxation Committee:

~~(Introduce yourself)~~ My name is [unclear]

I am here today to testify as a private citizen in favor of Senate Bill 2372, and my opinions may or may not reflect those of the SADD organization.

North Dakota SADD is an example of a statewide youth network that has taken itself out of the schools and into the community as a whole. My SADD chapter in Hazen is an example of a community-based chapter. ~~(Go on to explain a little bit)~~

North Dakota SADD's model is working. In only 6 years' time, we have grown from 6 to nearly 70 chapters. At the request of many of our high school SADD graduates, we have been developing College SADD Initiative (CSI) chapters at colleges across the state. We work with entities such as the North Dakota Department of Transportation and the Department of Human Services, and with First Lady Mikey Hoeven, regional prevention coordinators, and tobacco coordinators across the state. SADD provides an ever-growing pool of motivated youth and a statewide system that ~~can disseminate programming from all of these entities and more, reaching~~ not only schools but entire communities.

We feel we are making a difference. According to the Youth Risk Behavior Survey, the percentage of ND high school students who reported drinking in the last 30 days dropped by roughly 8.5% between 2001 and 2003. Naturally, this is only a beginning for us. We feel we are just getting good at what we do, and the need out there is much greater than what our current resources can provide. Our programs also need to be sustained from year to year.

A program such as SADD is only a part of what can be provided by this bill. Our work can be helped by other efforts this bill could make possible, such as a comprehensive media campaign targeting not only youth but parents and entire communities, funding for individual communities and schools to address destructive behaviors, alcohol-free social events on college campuses, and studies conducted by North Dakota colleges to do research and identify programs that will work in North Dakota.

~~(End with any personal testimony you may have on how alcohol has influenced you, family, or friends, and with another plea for the committee to look favorably upon SB 2372.)~~

Any questions?

Members of the Senate Finance and Tax Committee:

My name is Doug Restemayer. I am a resident of Fargo and I am President of D-S Beverages which is an Anheuser-Busch Distributorship serving 3 counties in North Dakota including Fargo and Moorhead and 4 counties in Minnesota.

I appreciate the opportunity to address the committee and to offer my perspective on Senate Bill 2372.

Underage drinking, impaired driving, alcohol abuse, irresponsible choices-- beer wholesalers like myself have been funding programs for many years to address these societal ills. Last year alone I spent \$22,000 for programs to educate students on responsible behavior, to increase awareness of the dangers of drinking and driving, and to educate parents on how to talk to their children about alcohol and drugs. I freely spend money on preventive programs because I believe it can help and it is the right thing to do. Like so many in this room today, I am a parent -- and I am very concerned about the problems created at young ages particularly by drugs and alcohol. I am particularly alarmed by the social norming that seemingly has made reckless over consumption of hard liquor trendy -- and I refer not just on one's 21st birthday, but nightly in bars with widely consumed shots of hard liquor. I am also terribly alarmed by the exploding distribution and use of the drug meth.

I am 100% for instilling the responsible choices message into our young adults. However, I am opposed to the idea of forming a "responsible choice Commission" simply because I question the effectiveness of setting up a bureaucracy to solve a problem. So much of the resources get eaten up by the bureaucracy itself.

However, even if the Commission were deemed to have merit, I am very much opposed to the idea of using only BEER taxes to fund such a bureaucracy. This is simply unfair and bad policy. The vast majority of beer consumers are making responsible choices when they consume our product. As proposed, the working men and women with modest incomes would be the ones disproportionately paying for this program. Why should beer consumers be burdened with the funding 100% of a commission designed to address issues emanating from many other sources?

I would also like to address the potential impact to cities on the border such as Fargo. The proposed tax equates to \$.20 a case. That may not sound like much, but with standard markups in the distribution chain the cost to the consumer would increase around \$.30 to \$.40 a case. That also may not sound like much, but in the highly competitive world of retail that difference would drive considerable business into Minnesota -- which is already enjoying enhanced business with the 2:00am closing. It would be impossible to project the exact revenue loss, but today we see many consumers willing to drive across the river to save \$.25 a case.

In closing, I would urge you to first consider if this Commission would be effective in helping to solve these problems. And secondly, if deemed so, I would ask that the funding source NOT be targeted at America's beverage -- Beer.

Date: February 7, 2005

Testimony

Senate Bill 2372

Senate Finance and Tax Committee

Tuesday, February 8, 2005

North Dakota Beer Wholesaler Association McKinnon Company, Inc. Grand Forks

Mr. Chairman, members of the Committee, my name is Judd Sondreal. I am the owner of the McKinnon Company, Inc., a malt beverage wholesaler in Grand Forks, North Dakota. I am testifying in opposition to Senate Bill 2372.

Beer taxes are already too high. In 1991 the federal beer tax was doubled and increased from \$9 to \$18 per barrel. Since excise taxes are handled as a cost of the product, most consumers are not aware they are paying them. In North Dakota, ^{TAXERS} beer drinkers pay 40% of the cost of every beer in taxes. \$4.18 of every \$10.00 case of beer sold in the State is tax!

Beer taxes are regressive. They fall most heavily on the shoulders of hard working men and women of modest incomes.

North Dakota may actually lose tax revenue if taxes are raised. At \$.16 per gallon of beer, North Dakota's tax is already higher than Minnesota's and Montana's taxes of \$.15 and \$.14, respectively. If the beer tax is raised, North Dakota can expect to lose tax revenue to "cross-border activity", the focus of a study by Price Waterhouse for the American Legislative Exchange Council (ALEC), when our residents decide to drive to Moorehead or to East Grand Forks to buy less expensive beer.

As a distributor operating on the Minnesota / North Dakota border I am already forced to price my products to meet competition across the border at parity. An increase of the North Dakota beer tax will be passed directly to the consumer and will leave my ND retailers at a price disadvantage to their MN competitors.

As a wholesaler of Miller and Coors Brewing Company brands we are required, under our own franchises, to have in place a Responsible Consumption Plan. We allocate, on average, \$10,000 annually towards this plan:

The McKinnon Co. makes MBCO's 'Lets Talk' booklet available to consumers at all retail outlets and are distributed to the GF Public Schools PTO Boards throughout the year.

The McKinnon Co. sends MBCO's 'Lets Talk' booklet and press release to local media.

The McKinnon Co. makes available MBCO's 'Special Event Planning Kit' to organizations that sponsor events during the year. The 'Special Event Planning

Kit' is a comprehensive guide helping event planners create environments encouraging the responsible consumption of alcohol.

The McKinnon Co. distributes the National Drivers License booklet, which is endorsed by the Fraternal Order of Police, to all our licensed accounts and special event organizers in our trade territory. They are also distributed to local law enforcement agencies. The booklet and point-of-sale materials help servers examine the authenticity of a driver's license while verifying proper drinking age.

The McKinnon Co. has, on staff, it's own certified tips trainer. Our trainer holds quarterly sessions with an average attendance of 15 – 20. The program trains servers of alcohol to identify risks involved with the misuse of alcohol before they become problems.

The McKinnon Co. makes available to any retailer or organization wristbands designed for use at event entry gates. Wristbanding immediately verifies patrons of legal drinking age or identifies designated drivers. We've also made available, to purchase, a computer ID scanner that will work on any driver license with a magnetic strip or bar code. This scanner will identify false ID's and help prevent underage drinking.

The McKinnon Co. has implemented a "Safe Ride Home" program with the Ralph Engelstad Arena on the campus of the University of North Dakota. We pay 100% of the cab fares home for patrons who need a sober and "Safe Ride Home."

As communicated to our Sales and Marketing personnel and retailers, McKinnon Company will not promote our products through events and activities that involve "competitive consumption," (i.e., "Chugging Contests," "Speed Drinking Competitions," "Most Beers Consumed per Hour," "Drink 'til You Drop Nite," etc.).

McKinnon Co. supports the responsible consumption efforts of the NBWA (National Beer Wholesalers Association) and will utilize the NBWA's holiday responsibility messages during peak beer-selling holidays.

The McKinnon Co. General Manager sits on Grand Forks Alcohol, Tobacco & Other Drugs Committee, as well as Grand Forks Safe Communities Board. As President of the McKinnon Co. I sit on the board of the Grand Forks Public Schools Drug & Alcohol Advisory Board.

In closing, thank you for your time and for the opportunity to share our concerns as a business owner and to share with you our efforts as a responsible wholesaler of beer.

ND Hospitality Assn. Testimony
SB 2372
Senate Finance and Tax Committee

Mr. Chairman and members of the committee, my name is Bill Shalhoob and I represent the ND Hospitality Assn. We are opposed to SB 2372.

Our association and members have acted to promote responsible consumption of alcohol through educational efforts and designated driver programs and will continue to do so whenever we can. However, we cannot support any excise tax and particularly an excise tax on alcohol or beer at any time. Unlike other items subject to a sales tax our members cannot pass a tax increase on to our customers. Beer and liquor by the drink are priced including taxes to our patrons and increases are absorbed by bar owners until a price increase of an even amount (ten cents and in most cases twenty-five cents) can be taken. In most cases this means a tax increase like the one proposed in SB 2372 will come directly out of our members pockets. I would remind the committee that the state sales tax on liquor is at 7%, two percent over almost every other item. We believe we are paying more than our fair share of taxes on the products we sell.

We would urge a do not pass on SB 2372. Thank you for your consideration and I would be happy to answer any questions.

**Testimony of Janet Demarais Seaworth
North Dakota Beer Wholesaler Association
Senate Finance and Tax Committee
SB 2372
February 8, 2005**

Mr. Chairman, members of the committee, my name is Janet Seaworth. I'm the Executive Director of the North Dakota Beer Wholesalers Association. We have 18 family owned and operated beer wholesalers in North Dakota, some are now in their third generation of ownership. We oppose SB 2372, which seeks to establish a "responsible choice" commission and fund it by tripling the tax on draught beer and nearly doubling the tax on packaged beer. We want legislators to understand the negative effect such a tax increase would have.

Beer taxes are high enough. The federal tax on beer was doubled in 1991. That increase, from \$9 to \$18 per barrel, caused the loss of 31,000 jobs nationwide. Industry sales fell approximately 3.0% off trend. In North Dakota, we went from a high of \$2.6 million in excise tax collections to \$2.1 the next year. North Dakota lost revenue for the following 13 years - and did not recover the level of excise tax collections until 2004. Taxes now represent 44% of the retail price of beer. *The Tax Burden on the Brewing Industry*, Standard and Poor's DRI (2001). Representative Earl Pomeroy is the prime sponsor of legislation in Congress to rollback the 1991 tax hike on beer because of the negative effect it has had on the industry and on excise tax collections

North Dakota can expect to lose tax revenue to cross-border activity if taxes are raised. North Dakota's sales tax on alcoholic beverages was raised in 1969, 1983, 1986, 1987 and 1989 and now our sales tax on alcoholic beverages is higher than South Dakota, Montana and Minnesota (3.2 beer); and North Dakota's \$.16 tax per gallon excise tax on beer is already higher than Minnesota and Montana, \$.15 and \$.14 respectively. If the beer tax is raised, North Dakota can expect to lose significant tax revenue and retail activity when North Dakota residents decide to drive to Moorhead and East Grand Forks to buy less expensive beer. This is known as "cross-border activity" and is the focus of a study by Price Waterhouse for the American Legislative Exchange Council (ALEC).

Beer taxes are hidden and inefficient. The proposed tax increase would be substantial because the tax is levied at the wholesale level. It is part of the cost of doing business for wholesalers and licensed retailers. Like all costs of doing business, taxes are marked up at every level of the distribution chain. As a result, consumers pay \$2 for every \$1 the government gets in revenue from a beer excise tax.

"Equivalency" is Contrary to Long-Standing Public Policy. SB 2372 seeks to "equalize" the tax on beer with that of hard liquor. For over 140 years, beer and hard liquor have been taxed and regulated differently by the federal government and every state. This is a recognition of the fundamental differences in the products. For example, in control states, where the state is the wholesaler and retailer, one may only obtain distilled spirits at government ABC shops. Yet beer is uniformly available from private sector retailers. We would urge you not to reverse the long standing public policy of taxing and regulating beer and distilled spirits differently. To review a national survey conducted by the Center for Government Reform that found most Americans dispute the concept of "equivalency" among beer, wine and liquor. The Center's survey polled 500 Americans over the age of 18 in late October 2004. You can view the survey at www.retiresafe.org/CenterForGovernmentReform/AlcoholEquivalencySurvey.html.

Government Spending in North Dakota on alcohol and drug abuse related activities already exceed \$23 million dollars. No one can assess the merits of establishing a "responsible choices" commission without looking at what's already being done. According to Fiscal Planning Services Inc., *State, Federal, and Private Foundation Expenditures for Alcohol-Related Activities*, spending on alcohol related activities in North Dakota such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; program evaluation; and public safety totaled \$23.1 million. That includes \$17.3 million in federal grants for alcohol-related activities - and \$5.6 million North Dakota taxpayers spent. Private foundations also awarded grants to organizations in North Dakota.

The beer industry contributes hundreds of thousands of dollars each year to underwrite education programs. Wholesalers are responsible for thousands of community awareness programs, education programs, safety programs and drunk driving prevention programs, locally and nationally. North Dakota wholesalers, for example, are members of the Red River Valley Safe Communities Coalition's Alcohol Committee, they facilitate mandatory server training courses, they provide drivers license ID booklets, they contribute thousands of dollars for safe senior graduation parties, they support keg registration programs, they provide education programs directed to parents, such as Miller's Let's Talk booklet, which is provided to the Cass County Extension office for parenting classes. They support BACCHUS at various universities for peer student counseling, they spend tens of thousands of dollars to bring speakers to high schools to talk about responsible behavior. One wholesaler alone reaches 2,500 students every year with this program and spends \$21,000.00 per year to address the issue - and that's just one wholesaler. Existing programs are working - and indicators of alcohol abuse are down.

North Dakota wholesalers are committed to promoting responsible choices regarding the use of their products. But they cannot support a bill that proposes a tax hike that reverses long-standing public policy and makes no fiscal sense.

We urge you to vote no on SB 2372.

For more information, contact NDBWA, PO Box 7401, Bismarck, ND 58507; (701) 258-8098.

LIQUOR AND BEER TAXES

CURRENT LAW

Imposition and Administration

The tax on liquor and beer is a privilege tax imposed on all alcoholic beverage wholesalers doing business in North Dakota. In addition, a microbrew pub pays the tax on beer made on its premises and sold directly to consumers. The pub may not engage in any wholesaling activities.

The State Treasurer administers the tax and licenses wholesalers and microbrew pubs. The tax is collected on a monthly basis.

Exceptions

If the alcohol is used for non-beverage purposes, it is exempt from the tax. These exemptions include:

- Denatured alcohol
- Patent, proprietary, medical, pharmaceutical, antiseptic and toilet preparations
- Flavoring extracts
- Syrups and food products
- Scientific chemical and industrial products
- Wines delivered to priests, rabbis and ministers for sacramental use

Reference: N.D.C.C. § 5-01-02

Rates

The amount of the tax is determined by the type of beverage and the gallonage sold by a wholesaler. The tax rate schedule is as follows:

	<u>Per Wine Gallon</u>
Beer in bulk containers	\$.08
Beer in bottles and cans	\$.16
Wine (less than 17% alcohol)	\$.50
Wine (17% to 24% alcohol)	\$.60
Sparkling wine	\$ 1.00
Distilled Spirits	\$ 2.50
Alcohol	\$ 4.05

Distribution of Revenue

Revenue from the liquor and beer tax is deposited in the State General Fund.

Reference: N.D.C.C. ch. 5-03 and
N.D.C.C. § 5-01-02.

HISTORICAL OVERVIEW

Significant Changes in Law

1967 Session. The alcoholic beverage tax law was rewritten and the tax rates were restructured.

1991 Session. Microbrew pubs became subject to the liquor and beer tax.

1995 Session. Bonding repealed.

1995 Session. Microbrew pubs became subject to new licensing requirements.

1999 Session. Establish penalties for the shipping of out-of-state sales of alcoholic beverages from an out-of-state location directly to a person in North Dakota who is not a wholesaler.

Liquor and Beer Taxes Collections

<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Beer</u>	<u>Liquor</u>
1990	5,476,747	2,466,264	3,010,483
1991	6,074,086	2,681,053	3,393,033
1992	4,905,156	2,167,278	2,737,878
1993	5,245,880	2,357,113	2,888,767
1994	5,196,200	2,353,878	2,842,321
1995	5,174,280	2,392,007	2,782,273
1996	5,175,220	2,420,748	2,754,401
1997	5,162,187	2,433,513	2,728,674
1998	5,269,318	2,497,087	2,772,231
1999	5,267,588	2,527,312	2,740,276
2000	5,420,486	2,578,923	2,841,563

LIQUOR AND BEER TAXES

CURRENT LAW

Imposition and Administration

The tax on liquor and beer is a privilege tax imposed on all alcoholic beverage wholesalers doing business in North Dakota. In addition, microbrew pubs and domestic wineries pay the taxes on alcoholic beverages made by those facilities and sold directly to consumers. The pub or wineries may not engage in any wholesaling activities.

The State Tax Commissioner administers the tax and licenses wholesalers, microbrew pubs, and domestic wineries. The tax is collected on a monthly basis.

Exemptions

If the alcohol is used for non-beverage purposes, it is exempt from the tax. These exemptions include:

- Denatured alcohol
- Patent, proprietary, medical, pharmaceutical, antiseptic and toilet preparations
- Flavoring extracts
- Syrups and food products
- Specific chemical and industrial products
- Delivered to priests, rabbis and ministers for sacramental use

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1995 Session. Microbrew pubs became subject to new licensing requirements.

1999 Session. Establish penalties for the shipping of out-of-state sales of alcoholic beverages from an out-of-state location directly to a person in North Dakota who is not a wholesaler.

2001 Session. The wholesale alcoholic beverage administration was transferred from the state treasurer to the state tax commissioner effective July 1, 2001. Effective August 1, 2001, direct shippers of alcoholic beverages and farm wineries are required to obtain annual licenses and pay the wholesaler and applicable retailer taxes to the state tax commissioner.

2003 Session. The alcoholic beverages law was amended to replace "farm winery" with "domestic winery."

Liquor and Beer Taxes Collections

<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Beer</u>	<u>Liquor</u>
1994	5,196,200	2,353,878	2,842,321
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1999	5,267,588	2,527,312	2,740,276
2000	5,420,486	2,578,923	2,841,563
2001	5,455,921	2,568,513	2,887,408
2002	5,493,783	2,603,197	2,890,586
2003	5,662,052	2,640,908	3,021,144
2004	5,910,349	2,727,660	3,182,689

SOURCE: Office of State Tax Commissioner.

Ms. Janet Seaworth

August 18, 1992

Page 2

Sales tax rates on alcohol can run from 7% to 9%, or from 40% to 80% more than sales tax on virtually all other taxable items. The state sales tax is 7% on alcohol. Some cities charge an additional 1% city sales tax. According to Tax Department officials, Bismarck also adds an additional 1% sales tax for food, lodging and alcohol for a total of 9% sales tax on alcohol.

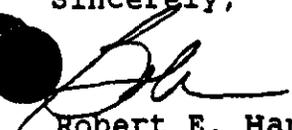
I think the statistics enclosed show we have reached the price saturation point in North Dakota. Increasing state excise taxes would, in my estimation, have a negative impact on our state's general fund and would not result in the lessening of abuse of alcohol.

Additional tax increases in this area have the potential to seriously hurt several related industries in this state such as tourism and hospitality.

In conclusion, I have no intention of supporting or drafting any legislation increasing, or dedicating, the taxes on alcohol.

If you have any questions, please contact me.

Sincerely,



Robert E. Hanson
State Treasurer

jf
Enclosure

ROBERT E. HANSON
STATE TREASURER



701-224-2643

STATE OF NORTH DAKOTA
OFFICE OF THE STATE TREASURER
STATE CAPITOL
BISMARCK, NORTH DAKOTA 58605
April 29, 1991



Ms. Janet Seaworth
ND Beer Wholesalers Association
Pearce & Durick
P.O. Box 400
Bismarck, ND 58502

Dear Janet:

I have often stated increasing the alcohol beverage tax at the federal level could result in a direct loss for states from this revenue source. It appears this is coming true in our state.

I have enclosed two documents comparing alcohol beverage taxes and gallonage for March and April of different years which might be of interest to you. One is comparing March and April of 1990 with March and April of 1991. The other compares March and April of 1989 with 1990.

I had my office compile this data for 1990 vs 1991 to see what impact, if any, the recent federal excise tax increase had on our state. I selected March and April because those two months should be when the retail buying would be back to normal following the pre-tax increase. I compiled the same information for 1989 vs 1990 as a benchmark. I realize two months is a very small slice in time, however, it is extremely revealing.

I emphasize there is absolutely nothing scientific about how this was done.

It appears to me the federal excise tax increase is responsible for most, if not all, of the loss of revenue to our state's coffers.

If there is a corresponding decline in alcohol abuse then these figures could be viewed in a somewhat positive light. However, if alcohol abuse has not diminished, I can only state this is another case of the feds taking money from the states' legitimate revenue source without returning it to the states.

Hope these figures were of interest to you. If you have questions, please call me.

Sincerely,

Robert E. Hanson
State Treasurer

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STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
 600 E. BOULEVARD AVE. STATE CAPITOL BISMARCK, NORTH DAKOTA 58505-0800 701-224-2643

ROBERT E. HANSON
 STATE TREASURER

COMPARISON
 March & April
 FY1990 vs FY1991
 Alcohol Beverage Taxes & Gallonage

	<u>FY1990</u>	<u>FY1991</u>	<u>DIFFERENCE</u>
<u>TAXES</u>			
Beer	\$367,899	\$336,465	-\$ 31,434 (-8.5%)
Liquor	<u>\$451,611</u>	<u>\$381,821</u>	<u>-\$ 69,790 (-15.5%)</u>
TOTAL	\$819,510	\$718,286	-\$101,224 (-12.4%)
<u>GALLONAGE</u>			
Beer	2,404,650	2,211,175	- 193,475 (-8.0%)
Spirits & Alcohol	160,199	134,668	- 25,531 (-15.9%)
Wine:			
Champagne	5,256	5,073	- 183 (-3.5%)
+17%	7,655	6,500	- 1,155 (-15.1%)
-17%	<u>81,914</u>	<u>71,127</u>	<u>- 10,787 (-13.2%)</u>
ALL WINES	94,825	82,700	- 12,125 (-12.8%)
TOTAL ALL ALCOHOL	2,659,674	2,428,543	- 231,131 (- 8.7%)



STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER

600 E. BOULEVARD AVE. STATE CAPITOL BISMARCK, NORTH DAKOTA 58505-0600 701-224-2643

ROBERT E. HANSON
STATE TREASURER

COMPARISON
March & April
FY1989 vs FY1990
Alcohol Beverage Taxes & Gallonage

	<u>FY1989</u>	<u>FY1990</u>	<u>DIFFERENCE</u>
<u>TAXES</u>			
Beer	\$358,627	\$367,899	+\$9,272 (+ 2.6%)
Liquor	<u>454,857</u>	<u>451,611</u>	<u>-3,246 (- 0.7%)</u>
TOTAL	\$813,484	\$819,510	+\$6,026 (+ 0.7%)
<u>GALLONAGE</u>			
Beer	2,344,450	2,404,650	+60,200 (+ 2.6%)
Spirits & Alcohol	160,554	160,199	- 355 (- 0.2%)
Wine:			
Champagne	6,091	5,256	- 835 (-13.7%)
+17%	8,031	7,655	- 376 (- 4.7%)
-17%	<u>83,388</u>	<u>81,914</u>	<u>- 1,474 (- 1.8%)</u>
ALL WINES	97,510	94,825	- 2,685 (- 1.8%)
TOTAL ALL ALCOHOL	2,602,514	2,659,674	+57,160 +2.2%

The Tax Burden on the Brewing Industry

**PREPARED BY
STANDARD & POOR'S DRI**

JANUARY 17, 2001

THE TAX BURDEN ON THE BREWING INDUSTRY

Study Goals and Scope

Tax burdens include:

- taxes paid at all stages of production, distribution, and sales;
- taxes related to sales, income, profits, and payroll;
- taxes paid to Federal, state, or local governments;

A standard procedure was adopted to obtain reliable, consistent results for these three industries: malt beverages, baked goods, and boats valued over \$100,000.

- The data sources for the calculations are public, published information primarily from the Department of Commerce and the Internal Revenue Service, allowing confirmation of the conclusions by any interested parties.
- Economic value-added components and taxes are presented in both absolute magnitudes (billions of U.S. dollars) and proportions (shares of value added and effective average tax rates.)
- 1997 was the most recent year for which all necessary data was available, thus this is the reference year for all computations.

Summary of Findings

The tax burden borne by beer consumers is far higher than average for the U.S. economy.

- Taxes represent 44% of the retail price of beer. In comparison, total Federal, state, and local taxes equal 31.7% of final sales of all products (GNP) in the U.S., approximately 20% at the Federal level and 12% at the state-local level depending on the year.
- In the reference year (1997), taxes on beer raised just under \$25 billion. The income generated by beer industry manufacturers and related sales and distribution partners added \$10.7 billion in Federal personal income, profit, and payroll revenues and \$3.6 in similar state-local revenue. Sales and excise taxes on the beer value-added chain added a further \$10.7 billion to government coffers.
- In contrast, bakery products are found to be a typical good in terms of U.S. tax burden, with a 33% effective rate. Boats are more highly taxed, with a 36% burden. On the other hand, services and capital goods face lower tax burdens because they tend not to be subject to sales or excise taxes of any type.

Comparison of State Tax Rates - Beer

January 1, 2004

State	State Rate on Beer (\$ per gallon)	Sales Taxes Applied	Other Taxes
Alabama	\$0.53	Yes	\$0.52/gallon local tax
Alaska	0.35	n.a.	
Arizona	0.16	Yes	
Arkansas	0.23	Yes	under 3.2% - \$0.16/gallon; \$0.008/gallon and 3% off- and 10% on-premise tax
California	0.20	Yes	
Colorado	0.08	Yes	
Connecticut	0.19	Yes	
Delaware	0.16	n.a.	
Florida	0.48	Yes	\$2.67/12 ounces on-premise retail tax
Georgia	0.48	Yes	\$0.53/gallon local tax
Hawaii	0.92	Yes	\$0.53/gallon draft beer
Idaho	0.15	Yes	over 4% - \$0.45/gallon
Illinois	0.185	Yes	\$0.16/gallon in Chicago and \$0.06/gallon in Cook County
Indiana	0.115	Yes	
Iowa	0.19	Yes	
Kansas	0.18	--	over 3.2% - (8% off- and 10% on-premise), under 3.2% - 4.25% sales tax
Kentucky	0.08	Yes	* 9% wholesale tax
Louisiana	0.32	Yes	\$0.048/gallon local tax
Maine	0.35	Yes	additional 5% on-premise tax
Maryland	0.09	Yes	\$0.2333/gallon in Garrett County
Massachusetts	0.11	Yes	* 0.57% on private club sales
Michigan	0.20	Yes	
Minnesota	0.15	--	under 3.2% - \$0.077/gallon. 8.5% sales tax
Mississippi	0.43	Yes	
Missouri	0.06	Yes	
Montana	0.14	n.a.	
Nebraska	0.31	Yes	
Nevada	0.16	Yes	
New Hampshire	0.30	n.a.	
New Jersey	0.12	Yes	
New Mexico	0.41	Yes	
New York ⁽¹⁾	0.11	Yes	\$0.12/gallon in New York City
North Carolina	0.53	Yes	\$0.48/gallon bulk beer
NORTH DAKOTA	0.16	--	7% state sales tax, bulk beer \$0.08/gallon
Ohio	0.18	Yes	
Oklahoma	0.40	Yes	under 3.2% - \$0.36/gallon; 13.5% on-premise
Oregon	0.08	n.a.	
Pennsylvania	0.08	Yes	
Rhode Island	0.10	Yes	\$0.04/case wholesale tax
South Carolina	0.77	Yes	
South Dakota	0.27	Yes	
Tennessee	0.14	Yes	17% wholesale tax
Texas	0.19	Yes	over 4% - \$0.198/gallon, 14% on-premise and \$0.05/drink on airline sales
Utah	0.41	Yes	over 3.2% - sold through state store
Vermont	0.265	No	6% to 8% alcohol - \$0.55; 10% on-premise sales tax
Virginia	0.26	Yes	
Washington	0.261	Yes	
West Virginia	0.18	Yes	
Wisconsin	0.06	Yes	
Wyoming	0.02	Yes	
District of Columbia	0.09	Yes	8% off- and 9% on-premise sales tax
U.S. (median)	\$0.188		

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

SOURCE: Federation of Tax Administrators, February 2004.

Comparison of State Sales Tax Rates Tax Rates in Effect September 2004

States	General State Rate	Highest Local Rate	Grocery Foods	Alcohol	Farm Machinery	Electricity (non-mfg. use)	Natural Gas (non-mfg. use)	Water (Utilities)	(13) Taxable Services of 164	DIRECT MANUFACTURING USE			
										Consumables	Natural Gas	Electricity	Machinery
Alabama	4.0%	5.0%	4.0%	4.0%	1.5%	4.0% (6)	4.0% (6)	4.0% (6)	32	4.0%	4% (21)	4% (21)	1.5%
Alaska*	N/A	7.0%	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A	N/A	N/A	N/A
Arizona ⁽¹⁾	5.6%	3.0%		5.6%		5.6%	5.6%	5.6%	57	5.6%	5.6%	5.6%	
Arkansas	6.0%	3.5%	6.0%		6.0%	6.0%	6.0%	6.0%	65				
California	6.25%	1.5%		6.25%					18	6.25%			6.25%
Colorado	2.9%	4.5%		2.9%		2.9% (7)	2.9% (7)		14	2.9%			2.9%
Connecticut	6.0%			6.0%	(5)	6.0% (7) (8)	6.0% (7) (8)	(17)	87	6.0% (2) (16)	(24) (16)	(24)	(2) (24)
District of Columbia	5.75%			9%/10.0% (14)					63	5.75%			5.75%
Delaware*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	142	N/A	N/A	N/A	N/A
Florida	6.0%	1.5%		6.0%	2.5%	7.0% (20)	6.0% (7)		64	6.0%			6.0% (15)
Georgia	4.0%	4.0%		4.0%		4.0%	4.0%		34	4.0%	4.0% (31)	4.0%	
Hawaii	4.0%		4.0%	4.0%	4.0%	(1)		(1)	157	4.0%	4.0%	4.0%	4.0%
Idaho	6.0%	3.0%	6.0%	6.0%	(5)				29				
Illinois	6.25%	2.75%	1.0%	6.25%		(6)	(6)		17				
Indiana	6.0%			6.0%		6.0%	6.0%	6.0%	22				
Iowa	5.0%	1.0%		5.0%		2.0% (34)	2.0% (34)	5.0%	94				
Kansas	5.3%	2.8%	5.3%			5.3% (7) (8)	5.3% (7) (8)	5.3% (7) (8)	76				
Kentucky	6.0%			6.0%		6%	6.0%	6.0%	26		6.0%	6.0%	
Louisiana	4.0%	5.5%		4.0%	4% (52)	(37)	(37)	(7)	60	4.0%	3.8%	3.8%	4.0% (42)
Maine	5.0%			5.0% (43)	(5)	5.0% (44)	5.0% (7)	5.0% (7)	27		(18)		
Maryland	5.0%			5.0%		5% (7) (7)	5% (7) (7)	5% (7) (7)	39				
Massachusetts	5.0%					5.0% (7) (23) (45)	5.0% (7) (23) (45)	5.0% (7) (23) (45)	20		(7) (23) (45)	(7) (23) (45)	
Michigan	6.0%			6.0%	(5)	6.0%	6.0%	6.0%	29	(19)			(11)
Minnesota	6.5%	1.0%		6.5%	99(26)	(7) (8)	6.5% (7) (8)	6.5% (7) (8)	61				(15)
Mississippi	7.0%	0.25%	7.0%	7.0%	(27)	7.0% (7)	7.0% (7)	7.0% (7)	70				
Missouri	4.225%	4.5%	1.225%	4.225%	(29)	(7) (12)	(7) (12)	(7) (12)	28	4.225%	4.225%	4.225%	(25) (15)
Montana*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19	N/A	N/A	N/A	N/A
Nebraska	5.5%	1.5%		5.5%		5.5%	5.5%	5.5%	59	5.5%	5.5%	5.5%	5.5%
Nevada	2.0%	5.5%		2.0%	2.0%		2.0% (7) (17)	2% (7) (17)	11	2.0%	2.0%	2.0%	2.0%
New Hampshire*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A	N/A	N/A	N/A
New Jersey	6.0%	9.0% (32)		6.0%		6.0%	6.0%		50	6.0%	6.0%	6.0%	
New Mexico	5.0%	2.75%	5.0%	5.0%	(46)	5.0%	5.0%	5.0%	152	5.0%	5.0%	5.0%	5.0%
New York	4.25%	4.3%		4.0%		4.25%	4.25%	(7)	74				
North Carolina	4.5%	3.0%	2.0%	6.0%		3%			28	1.0%	2.83%	2.83%	1% (28)
NORTH DAKOTA	5.0%	2.5%		7.0%		3.0%	2.0%		25	5.0%	2.0%		(15)
Ohio	6.0%	2.0%		5.0%	5.0%	(5)	5.0%	(30)	52				
Oklahoma	4.5%	5.0%	4.5%	4.5%		4.5%	4.5%	(7)	32				
Oregon*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A	N/A
Pennsylvania	6.0%	1.0%		6.0%	(8)	6%	6%	(7)	61	6%	6%	6%	
Rhode Island	7.0%			7.0%	(5)	7%	7%	(7)	28	7%	7%	7%	
South Carolina	5.0%	2.0%	5.0%	5.0%		5%	5%	(7)	32				
South Dakota	4.0%	2.0%	4.0%	4.0%	3.0%	4.0%	4%	(8)	141	4.0%	4.0%	4.0%	4.0%
Tennessee	7.0%	2.75%	6.0%	7.0%		Varies (10)	Varies (10)	7.0%	71		1.5%	1.5%	
Texas	6.25%	2.0%		6.25%		6.25%	6.25%	(7)	78				
Utah	4.75%	3.25% (38)	4.75%	4.75%	(50)	2.0%	2.0%	(49)	54	4.75%			
Vermont	6.0%	1.0%				5%	5.0%	(7) (8)	23				
Virginia	4.0%	1.0%	3.0%	4.0%		(40)		(40)	18				
Washington	6.5%	2.4%		6.5%	3.5%	(41)		(41)	154	6.5%			
West Virginia	6.0%		6.0%	6.0%					109	6.0%			
Wisconsin	5.0%	0.6%		5.0%	(5)	5.0%	5.0%	(7) (8)	69	5.0%	5.0%	5.0%	5.0%
Wyoming	4.0%	2.0%	4.0%	4.0%		4.0%	4.0%	(8)	64	4.0%			(51)

* This state does not impose a sales tax.



The State Factor

July, 1990

THE TAX INCENTIVES AND ECONOMIC CONSEQUENCES OF CROSS-BORDER ACTIVITY

Executive Summary

State legislators are under increasing pressure to raise taxes in order to balance their budgets. Although raising taxes is an obvious tactic to combat revenue shortfalls, state governments need to be aware that higher taxes may bring about undesirable and unintended consequences. For example, high taxes may deter businesses from moving to a state, and thus hinder economic growth. Similarly, relatively high sales and excise taxes may cause the price of goods in a particular state to rise above levels existing in neighboring states. If the price differentials are significant, residents may travel out-of-state to purchase certain consumer items. This phenomenon, known as "cross-border activity," is the focus of this report.

Cross-border activity is often motivated by tax differentials on alcoholic beverages, tobacco products, and gasoline -- three goods commonly subject to state excise taxes. When a state's residents travel across-the-border to purchase goods, the state loses retail sales, retail employment, and tax revenue to neighboring states. At the same time, a state that maintains competitive or low excise and sales taxes can increase its tax revenue base by attracting consumers from bordering states. The revenue gains achieved by a state with low taxes necessarily come at the expense of states with higher taxes.

To determine the effects of state sales and excise tax rates on cross-border activity, ALEC commissioned the independent accounting and consulting firm of Price Waterhouse to examine tax differentials on motor fuels, tobacco products, and alcoholic beverages in order to:

- 1) Examine the conditions and incentives necessary for cross-border activity to occur between neighboring states.
- 2) Estimate the economic gains due to cross-border activity that accrue to states with low consumer excise tax structures, and the economic losses experienced by neighboring, higher tax states.
- 3) Consider the implications of cross-border activity on states' tax policies.

This edition of *The State Factor* is a summary version of the Price Waterhouse study: *An Examination of the Tax Incentives and Economic Consequences of Cross-Border Activity* (July, 1990). This edition includes the analyses for the states of New Hampshire - Massachusetts and Indiana - Illinois.

Summary of State Benefits and Losses

New Hampshire and Massachusetts

New Hampshire

The results of our analysis suggest that New Hampshire benefits significantly at the expense of Massachusetts from cross-border sales of cigarettes, wine, and distilled spirits. On average, during the period 1975-88, it is estimated that 41.7 percent of New Hampshire cigarette sales and 29.3 percent of wine and distilled spirits sales were to Massachusetts residents. The average annual economic benefits of this cross-border activity were:

- * \$22.6 million in additional excise tax revenue
- * \$104.2 million in additional retail sales revenue
- * 796 additional jobs with \$8.6 million in compensation

Massachusetts

While New Hampshire gained from cross-border sales, Massachusetts lost. This analysis estimates that the state lost 13.0 percent of annual cigarette sales and 7.2 percent of annual wine and distilled spirit sales due to residents purchasing these goods in New Hampshire. The average annual economic losses of this cross-border activity were:

- * \$27.4 million in lost excise tax revenue
- * \$132.6 million in foregone retail sales revenue
- * 1,546 lost jobs totaling \$14.7 million in compensation

Indiana and Illinois

Indiana

Overall, it is estimated that Indiana realized a net economic benefit from cross-border activity with Illinois during 1975-1988. The state received favorable cross-border trade in tobacco products and motor fuels, yet lost sales in wine and distilled spirits. On average, an estimated 14.8 percent of Indiana motor fuel sales and 9.4 percent of Indiana tobacco sales were to Illinois residents. However, the state lost an estimated 44.9 percent of wine and distilled spirits sales to Illinois. The net average annual economic benefits of this cross-border activity were:

- * \$58.8 million in additional sales and excise tax revenue
- * \$311.6 million in additional retail sales
- * 1,996 additional jobs with \$22.5 million in compensation

Illinois

It is estimated that Illinois was a net loser to Indiana in terms of cross-border activity in motor fuels, tobacco products, and wine and distilled spirits sales. The state gained in wine and distilled spirit sales, yet lost on tobacco products and motor fuels sales. Our analysis estimates that Illinois lost 9.1 percent of annual motor fuels sales and 5.2 percent of annual tobacco sales due to residents purchasing these goods in Indiana. At the same time, Illinois gained 12.9 percent in wine and distilled spirits sales from favorable cross-border trade. The net average annual economic losses of the cross-border activity were:

- * \$69.7 million in lost sales and excise tax revenue
- * \$376.8 million in foregone retail sales
- * 2,949 in lost jobs totaling \$31.0 million in compensation

Main Implication: State Legislators Should Not Ignore Cross-Border Issue

The main conclusion of this study is that state legislators need to take cross-border effects seriously when formulating tax policy. The following points summarize the link between tax policy and cross-border sales:

- 1) A state with high sales and excise taxes relative to surrounding states can lose significant amounts of tax revenue and retail activity when residents purchase goods out-of-state.
- 2) A small state can dramatically increase its effective tax base by having competitive sales and excise taxes. In fact, any state where a relatively large number of another state's residents live close-by has the potential to gain substantially from cross-border sales.
- 3) Competition for cross-border sales exists on a commodity by commodity bases. A state which enjoys favorable cross-border trade in one commodity should realize that it may be losing sales in other commodities due to unfavorable price and tax differentials.



January 13, 2005

By: Dennis Vacco

Outside View: Just say 'No' to equivalency

"Tastes great ... less filling," was a slogan used in a vintage beer advertising campaign. The ads suggested that drinkers were torn between the taste of the beer and its lower caloric content. Today another campaign being promoted by the alcoholic beverage industry, "equivalency," isn't nearly as catchy.

It is very deceptive and dangerous.

According to The National Institute of Alcohol Abuse and Alcoholism, college students suffer more than 1,400 alcohol-related deaths each year. With binge drinking on campuses viewed as a right of passage for young college students, the alcohol industry owes these children something more than a misleading slogan.

The equivalency theme simply claims that a drink, is a drink, is a drink. The equivalency logic is designed to convince regulators, parents and -- most appalling -- young drinkers that a can of beer or a glass of zinfandel is the same as a slug of whiskey. This logic is not only absurd, but dangerous as well. A survey conducted by Widmeyer Research and Polling for the Center for Government Reform found that most people in the United States are initially inclined to accept the equivalency argument. Seventy-eight percent of those surveyed initially said the equivalency argument made sense to them. This overwhelming willingness to accept equivalency is what makes it so dangerous, since it is flatly wrong and purposefully misleading.

While no one disputes that any beverage containing alcohol can pose a danger to health and safety when imbibed carelessly or to excess, it is a simple fact that hard liquor, often over-poured in a mixed drink, or hidden behind the sweet flavor of an alcopop, can often be ingested to dangerous or even fatal levels much more quickly and easily than, say, light beer. One can of beer contains exactly the same alcohol level as the next, whereas mixed drinks vary wildly and often contain multiple shots of a variety of liquors.

Unfortunately, many of the recent tragedies of alcohol poisonings have involved drinking large quantities of liquor directly from the bottle.

Simply put, a drink is not a drink, and it is time to pour the equivalency argument down

the drain.

The argument has gained momentum. The hard liquor industry has had some success selling it as part of a campaign to prevent drunken driving, going so far as to convince Mothers Against Drunk Drivers to buy into it.

The inherent risks of drinking any alcohol beverage, including wine or beer are well known, but it is a disservice to lump them together in the same risk category as hard liquor. Just as society morally and legally distinguishes cigarettes from marijuana, we have long distinguished beer and wine from hard liquor.

For instance, there is a long-standing ban on advertising hard liquor on broadcast television. Additionally, in many states you can buy wine or beer in supermarkets; yet need to go to a specially licensed store to buy liquor. Perhaps the most important distinction is actual alcoholic content. Here again, the Center for Government Reform survey reveals that 54 percent of those surveyed don't know what a standard size drink is. A typical beer contains roughly 4-5 percent alcohol while wine contains about 12-14 percent alcohol.

Hard liquor contains as much as 50 percent alcohol, up to 10 times the concentration in beer.

Certainly there is no equivalency in these percentages and the disparity grows even more dramatically when you consider the impact of these alcohol contents on the capacity of the consumer to drink large quantities of alcohol and reach dangerous -- even fatal -- blood alcohol content levels.

Equivalency's stated purpose is to prevent alcohol abuse by young people and the personal tragedy often associated with it. Ironically it sends the wrong message. While zero tolerance means to consume no alcohol, regardless of its type, equivalency means it doesn't matter what you drink. It does matter.

A 120-pound college freshman who consumes just four shots in an hour will have a BAC of .135 percent. Add two more shots in that same hour and the student's BAC soars to .21 percent, more than double the legal limit in every state. But who's counting shots? Inexperienced young drinkers, used to gulping super sized soft drinks, often drink right from the bottle.

Obviously, the equivalency campaign doesn't take into account alcohol concentration and potency.

What is truly sad about all of this is that equivalency is really designed to grow market share. If hard liquor were regulated like wine and beer, enormous marketing opportunities would open up allowing the liquor industry to target the very age group they are claiming to protect. The equivalency argument is to liquor what Joe Camel was to tobacco, a slick ploy to attract young consumers. The consequences of this strategy will be as detrimental

to the health and safety of young consumers as Joe Camel was. Actually the adverse consequences of alcohol abuse can be more immediate than the negative impact of cigarettes.

No one has died overnight from smoking too many cigarettes at a fraternity party, but young children die routinely from binge drinking of hard liquor or behind the wheel of a car. The Center for Government Reform survey found that 88 percent of parents surveyed agreed it is a bad idea to tell children a drink is a drink. It is difficult enough for young people to make the correct life choices without the alcohol industry misleading them.

While children might not know better, regulators and groups like MADD should know better than to be fooled by the hard liquor industry's equivalency campaign.

Dennis C. Vacco is a former attorney general of the state of New York.

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**EXPENDITURES FOR
ALCOHOL-RELATED ACTIVITIES**
State, Federal, and Private Foundation

2000

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**State, Federal, and Private Foundation Expenditures
for Alcohol - Related Activities**

Total Alcohol - Related Expenditures by Source

	2000 <i>dollars in thousands</i>
STATE	\$2,666,497
FEDERAL	\$5,332,693
PRIVATE FOUNDATION	\$68,216
TOTAL	\$8,067,406*

** In the U.S., some portion of \$8.1 billion was spent by state and federal government agencies and private foundations in fiscal year 2000 on alcohol-related activities, such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; program evaluation; and public safety. The overall expenditure level reflects funds spent on activities related to alcohol as well as other activities, particularly drug abuse. Expenditures for alcohol and drug abuse are closely linked and usually not separately identifiable.*

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ABOUT THE REPORT

State, Federal, and Private Foundation Expenditures for Alcohol - Related Activities

INTRODUCTION

The purpose of the report is to quantify in a single source the amount of spending devoted to alcohol-related activities in each of the fifty states and the District of Columbia in the year 2000 by state and federal government agencies and private foundations. To do so necessarily requires reporting on expenditures for drug-related activities as well since, for all practical purposes, the expenditure data on alcohol and other drugs is inseparable. As such, the report quantifies funds committed to alcohol *and* other drug programs while emphasizing expenditures specific to alcohol. The alcohol-related expenditure data presented in the report encompasses one or more of the following activities: prevention, treatment, recovery, education, research, training, program evaluation, and public safety (such as enforcement, compliance, and regulation activities). In general, the spending data is based on published documents from state and federal agencies and private foundations. State and federal agency expenditure data is based on fiscal year 2000; private foundation expenditure data is based on calendar year 2000. More specifically, expenditures by state agencies are based on budget and agency documents. The data reflects the expenditures made by the leading agencies in the state that are responsible for managing alcohol-related programs. In some cases, the data reflects appropriated funds rather than actual outlays. Federal expenditures represent grant awards made by federal agencies responsible for administering alcohol-related grant programs. A profile of each federal program included in the report can be found in Appendix A. Data on federal grant awards are drawn from databases compiled by the U.S. Bureau of the Census, U.S. Department of Health and Human Services, U.S. Department of Justice, and U.S. Department of Education. Private foundation expenditures represent alcohol-related grant awards made in 2000. Grant award information is drawn from annual or other financial reports published by private foundations. Of the approximately 600 private foundations that award grants related to substance abuse, only the largest foundations, that is those with assets averaging \$500 million or more, as well as selected foundations that focus on alcohol-related activities specifically, were included in the report. A list of qualifying foundations can be found in Appendix B.

November 12, 2001

SUMMARY TABLE

State, Federal, and Private Foundation Expenditures for Alcohol - Related Activities

2000

dollars in thousands

State	State Expenditures	Federal Expenditures	Foundation Expenditures ^{/a}	Total
Alabama	\$12,336	\$79,064	\$40	\$91,440
Alaska	21,287	34,984	734	57,005
Arizona	52,649	90,329	30	143,008
Arkansas	8,531	51,029	0	59,560
California	241,878	556,486	10,619	808,983
Colorado	17,719	81,310	308	99,337
Connecticut	92,569	67,930	815	161,314
Delaware	14,880	22,551	0	37,431
District of Columbia	29,811	97,759	1,069	128,639
Florida	141,162	303,763	416	445,341
Georgia	54,043	125,379	897	180,319
Hawaii	6,073	23,989	0	30,062
Idaho	15,210	22,423	0	37,633
Illinois	154,647	228,604	4,111	387,362
Indiana	27,600	106,963	23	134,586
Iowa	33,230	50,792	0	84,022
Kansas	10,162	41,191	0	51,353
Kentucky	29,691	76,965	150	106,806
Louisiana	27,112	88,504	818	116,434
Maine	10,568	24,619	0	35,187
Maryland	88,445	150,812	5,493	244,750
Massachusetts	53,437	140,840	10,116	204,393
Michigan	92,005	163,198	463	255,666
Minnesota	22,934	86,141	1,703	110,778
Mississippi	6,387	60,847	40	67,274
Missouri	49,723	97,084	1,930	148,737
Montana	3,181	28,352	40	31,573
Nebraska	9,655	35,501	42	45,198
Nevada	3,202	28,017	1	31,220
New Hampshire	5,263	25,991	0	31,254
New Jersey	84,822	137,151	4,548	226,521
New Mexico	17,702	56,073	132	73,907
New York	394,143	442,898	11,192	848,233
North Carolina	60,999	174,033	2,673	237,705
North Dakota	5,625	17,250	250	23,125
Ohio	118,425	189,837	1,001	309,263
Oklahoma	17,683	70,969	70	88,722
Oregon	30,574	70,109	2,547	103,230
Pennsylvania	124,331	200,321	1,450	326,102
Rhode Island	14,641	27,737	243	42,621
South Carolina	21,177	77,198	0	98,375
South Dakota	4,701	22,389	0	27,090
Tennessee	15,142	88,338	40	103,520
Texas	175,120	339,407	2,864	517,391
Utah	14,512	50,874	0	65,386
Vermont	5,700	17,813	0	23,513
Virginia	53,780	118,483	1,101	173,364
Washington	84,942	105,922	247	191,111
West Virginia	8,682	32,413	0	41,095
Wisconsin	70,845	87,937	0	158,782
Wyoming	7,561	14,124	0	21,685
Total	\$2,666,497	\$5,332,683	\$68,216	\$8,067,406

^{/a} Based on the 45 largest foundations providing grants in the area of substance abuse.

NORTH DAKOTA

State, Federal, and Private Foundation Expenditures for Alcohol - Related Activities

Total Alcohol - Related Expenditures by Source

	2000 <i>dollars in thousands</i>
STATE	\$5,625
FEDERAL	\$17,250
PRIVATE FOUNDATION	\$250
TOTAL	\$23,125*

** In the State of North Dakota, some portion of \$23.1 million was spent by state and federal government agencies and private foundations in fiscal year 2000 on alcohol-related activities, such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; program evaluation; and public safety. The overall expenditure level reflects funds spent on activities related to alcohol as well as other activities, particularly drug abuse. Expenditures for alcohol and drug abuse are closely linked and usually not separately identifiable.*



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NORTH DAKOTA

State Expenditures for Alcohol - Related Activities

	2000
STATE TOTAL	\$5,624,800

** In the State of North Dakota, some portion of \$5.6 million was spent by state government agencies in fiscal year 2000 on alcohol-related activities, such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; program evaluation; and public safety. The overall expenditure level reflects funds spent on activities related to alcohol as well as other activities, particularly drug abuse. State expenditures for alcohol and drug abuse are closely linked and usually not separately identifiable.*

State Agencies Administering Alcohol - Related Activities

Mental Health and Substance Abuse Services Division, Department of Human Services	\$5,224,800
Department of Corrections and Rehabilitation /a	400,000
Total	\$5,624,800

/a Estimated by Fiscal Planning Services, Inc. from agency budget documents.

NORTH DAKOTA

State Expenditures for Alcohol - Related Activities

Mental Health and Substance Abuse Services Division, Department of Human Services

<i>Expenditures by Category</i>	
Chemical Dependency Services in State Hospitals	\$2,800,000
Substance Abuse Services	2,300,000
Administration	124,800
Total	\$5,224,800

The Mental Health and Substance Abuse Services Division is responsible for the administration and management of the substance abuse service delivery system including the following: the provision of technical assistance and consultation; the development of conferences/training/continuing education opportunities; the provision of treatment center licensure including the regional human services centers as assigned by the Department of Human Services' Executive Office, child and adolescent residential treatment centers, and public and private alcohol and drug treatment services; system planning and alignment for substance abuse services; disseminating access to funding; prevention services; coordination as team leaders of the identified systems of care; administration of non-competitive grants and their implementation in the field; facilitating a systems approach via work with the Extended Care coordinators, Residential Treatment Center directors, Alcohol and Drug Abuse Services supervisors, Clinical Services Forum representatives, Partnerships coordinators, regional directors and the State Hospital superintendent, representatives of the child welfare system; and spearheading efforts to strengthen collaboration and integration for substance abuse services with other major systems such as criminal justice, education, health, and housing. Substance abuse services are delivered through eight regional Human Service Centers and the North Dakota State Hospital in Jamestown.

Department of Corrections and Rehabilitation

Drug and Alcohol Programming /a	\$400,000
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For assessments and treatment for inmates with addiction problems and treatment services for youth at the Youth Correctional Center.

/a Estimated by Fiscal Planning Services, Inc. from agency budget documents.

NORTH DAKOTA

Federal Grants for Alcohol - Related Activities

2000
dollars in thousands

FEDERAL TOTAL

\$17,250*

** Some portion of \$17.3 million in grants were awarded by federal agencies to entities residing in the State of North Dakota in fiscal year 2000 for alcohol-related activities, such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; outreach; and public safety. The total amount of the grant awards reflects funds available for alcohol-related activities as well as other activities, particularly drug abuse. Federal grants for alcohol and drug abuse are closely linked and usually not separately identifiable.*

Federal Agencies Awarding Alcohol - Related Grants to Entities within the State of North Dakota

Department of Health and Human Services	\$8,156
Department of Justice	4,909
Department of Education	2,143
Department of Transportation	1,297
Corporation for National and Community Service	745
Total	\$17,250

NORTH DAKOTA

Federal Grants for Alcohol - Related Activities

	2000 <i>dollars in thousands</i>
STATE TOTAL	\$17,250
<hr/>	
Alcohol Research Programs	
University of North Dakota	359
<hr/>	
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	
North Dakota Highway Department	269
<hr/>	
Block Grants for the Prevention and Treatment of Substance Abuse	
North Dakota Department of Human Services	3,817
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Byrne Formula Grant Program	
North Dakota Office of the Attorney General	2,235
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Consolidated Knowledge Development and Application (KD&A) Program	
Jamestown College	137
North Dakota Federation of Families for Children's Mental Health	60
Spirit Lake Sioux Tribe (ONAP)	172
Program Total	369
<hr/>	
Drug-Free Communities Support Program Grants	
Grand Forks Public School District #1	100
<hr/>	
Enforcing Underage Drinking Laws Program	
North Dakota Department of Human Services	360
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Health Center Grants for Homeless Populations	
Family Health Care Center	304
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Injury Prevention and Control Research and State and Community Based Programs	
North Dakota Department of Health	75
<hr/>	
Maternal and Child Health Services Block Grant to the States	
North Dakota Department of Health	1,980

NORTH DAKOTA

Federal Grants for Alcohol - Related Activities

2000
dollars in thousands

Preventive Health and Health Services Block Grant

North Dakota Department of Health	449
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Projects for Assistance in Transition from Homelessness (PATH)

North Dakota Department of Human Services	300
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Public Safety Partnership and Community Policing Grants

Bismark Police Department	225
Cavalier County Sheriff's Department	18
County of Cass	75
County of Mountrail	1
Grand Forks Police Department	85
Spirit Lake Sioux Tribe	473
Turtle Mountain Band of Chippewa Indians	594

Program Total	1,471
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Retired and Senior Volunteer Program

Devils Lake Public Schools	221
Mandan Golden Age Club	67
Minot Commission on Aging	122
Northeastern Human Service Center RSVP	80
Northeastern Human Service Center RSVP	161
Stark County Council on Aging	35
Village Family Service Center	59

Program Total	745
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Runaway and Homeless Youth

Mountain Plains Network for Youth	171
Mountain Plains Youth Services	332

Program Total	503
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Safe and Drug-Free Schools and Communities -- State Grants

North Dakota Department of Public Instruction	2,143
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State and Community Highway Safety

North Dakota Highway Department	1,028
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NORTH DAKOTA
Federal Grants for Alcohol - Related Activities

	2000 <i>dollars in thousands</i>
Tribal Youth Program	
Standing Rock Sioux Tribe	250
Turtle Mountain Band of Chippewa Indians	493
Program Total	743

NORTH DAKOTA

Private Foundation Grants for Alcohol - Related Activities

	2000
FOUNDATION TOTAL	\$250,000*

** Some portion of \$250,000 in grants were awarded by private foundations to organizations residing in the State of North Dakota in 2000 for alcohol-related activities, such as alcohol abuse treatment, prevention, and recovery services; drunk driving prevention; underage drinking prevention; education; research; training; program evaluation; and public safety. The total amount of the grant awards reflects funds available for alcohol-related activities as well as other activities, particularly drug abuse. Foundation grants for alcohol and drug abuse are closely linked and usually not separately identifiable.*

Private Foundations Awarding Alcohol - Related Grants to Entities within the State of North Dakota

Bush Foundation	\$250,000
Total	\$250,000

NORTH DAKOTA
Private Foundation Grants for Alcohol - Related Activities

2000

STATE TOTAL

\$250,000

DEI Ø UNEDØBI ØØ

Prairie Learning Center

145,000

150,000

For a residence for families of adolescents in an alcohol treatment program.

Underage Drinking is Declining

Thanks to the efforts of parents, teachers, community leaders and industry responsibility programs, underage drinking is declining.

- A 2002 study sponsored by UCLA and the American Council on Education reveals that beer drinking among college freshmen is 37 percent lower in 2001 than it was in 1982.
- A 2002 University of Michigan report, sponsored by the National Institute on Drug Abuse, reveals a 30 percent decline in the number of high school students who reported having a drink in the last 30 days when compared to the 1982 statistics.
- According to the 2003 PRIDE Survey, the percentage of students in grades 6-12 who reported drinking alcohol in the past year is at the lowest level since the PRIDE Survey began 16 years ago. The survey also reveals that 81 percent of 6-12th graders, 90 percent of 6-8th graders, 72 percent of 9-12th graders and 63 percent of high school seniors have not consumed beer in the past month.
- According to government data, the 2002 National Survey on Drug Use and Health reveals that 83 percent of adolescents (ages 12-17) do not drink.
- According to government data, the 2002 National Survey on Drug Use and Health reveals that the majority of 12-20 year-olds do not drink. More than 26 million minors abstain from illegal underage drinking, 94 percent of 12-20 year-olds are not heavy drinkers and 81 percent do not drink 5 five or more drinks on the same occasion.
- The 2003 Roper Youth Report reveals that adolescents (69 percent of 13-17 year-olds; 73 percent of 8-17 year-olds) cite their parents as the primary influence in their decisions about whether they drink alcohol or not.
- According to the 2002 Partnership Attitude Tracking Study (PATs), underage drinking has declined significantly since 1998.

1



NORTH DAKOTA HOUSE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations

Representative Ole Aarsvold
District 20
Route 2, Box 12
Blanchard, ND 58009-9513
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**To: House Human Services Committee
Rep. Clara Sue Price, Chair**

From: Rep. Ole Aarsvold, District 20

Re: SB 2372

North Dakotans are proud of a number of "firsts" which we enjoy nationally. We lead the country in production of a wide variety of agricultural products. We stand number one in the percentage of students who complete high school and go on to higher education. Several grade levels put up the top scores on standardized tests.

There are some other categories in which we perform well, but not so proudly. Teenage alcohol consumption is frequent. Binge drinking is prevalent among our young people. DUI violations lead to an inordinately high incidence of vehicle accidents, injury, and death. Illicit drug addiction is a frightening problem. Tobacco use, especially among young girls and women, is higher than national averages.

It is vital that we take prompt action to address these issues before they get totally out of hand. SB 2372 outlines one strategy that has had a history of successes in dealing with youthful destructive behavior.

The bill before you establishes a Responsible Choices Commission. It consists of five members appointed by the Governor to staggered terms. The Human Services Department would staff the Commission. It would be the Commission's task to assist young people in making good choices about alcohol, drugs, tobacco, and other potential destructive substances or behaviors. Others will provide details on the Commission's role.

When introduced, 2372 contained a modest tax on beer to fund the Commission's activities. Industry opposition was intense, and the Senate removed the tax revenue source. There was, however, a remaining enthusiasm for maintaining the Commission, allowing them to function but finding revenues in gifts and grants, public and private.

Rather than rely on such unpredictable revenues, I have prepared an amendment requesting \$700,000 in general funds to initiate the Commission's responsibilities. Without such seed money, the Commission's work would be delayed far into the future, and valuable time would be lost in dealing with damaging behaviors.

I request that the committee attach the amendment and re-refer the bill to the Appropriations Committee for their consideration.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2372

Page 1, line 4, after the semicolon insert "to provide an appropriation;"

Page 2, after line 7, insert:

"SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$700,000, or so much of the sum as may be necessary, to the responsible choices commission for the purpose of discouraging impaired driving, alcohol and drug abuse, tobacco use, and other destructive behavior as provided in section 1 of this Act, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Renumber accordingly

#2

Testimony from Lee Erickson re: SB 2372

Chairman Price, and members of the Human Services Committee –

My name is Lee Erickson. I'm from Hillsboro and I currently serve as the state coordinator for North Dakota SADD, Students Against Destructive Decisions. I am here to testify as a private citizen, and my opinions are not necessarily those of the SADD organization.

I am here today to ask you to look favorably upon SB 2372.

SADD is an example of the type of statewide program that can benefit from this bill. Formerly known as Students Against Driving Drunk, SADD addresses a wide range of issues such as traffic safety and impaired driving, tobacco, drug use, suicide, teen pregnancy, and more. Naturally, our #1 target is underage drinking and alcohol abuse.

According to a survey¹, North Dakota has the dubious honor of having the highest rates in the nation for binge drinking among all age groups, including those age 12-17, and we are also #1 in the percentage of our citizens who are alcohol dependent.

North Dakota is paying the price for this. According to the Center for Science in the Public Interest, North Dakota's per capita alcohol-related healthcare cost is \$144.14, whereas per capita alcohol tax revenue collected is \$7.62. Keep in mind that this is just the cost of healthcare, not to mention legal costs, loss of productivity and the human toll.

It is interesting that since SB 2372 was introduced, some important studies have been released that help to stress the importance of this bill:

- Feb. 4: University of Stockholm studies put the global impact of alcohol on death and disease (4%) at roughly the same level as tobacco (4.1%) and high blood pressure (4.4%). The study stated that governments need to consider a broader range of measures to limit the damage caused by alcohol. A spokesperson for the study said, "A stark discrepancy exists between research findings about the effectiveness of alcohol-control measures and the policy options considered by most governments. In many places, the interests of the alcohol industry have effectively exercised a veto over policies, making sure that the main emphasis is on ineffective strategies."
- Feb 1: The National Institute of Health released a study showing that the area of the brain responsible for inhibiting risky behavior was not fully developed until about the age of 25. In the words of one of the lead researchers, "We'd thought the highest levels of physical and brain maturity were reached by age 18, maybe earlier -- so this threw us."²

This last research goes hand-in-hand with studies conducted at Duke University and the University of California, San Diego, which show other important brain development continuing to the mid-twenties and the adverse effect alcohol has upon that brain

¹ 2002 National Survey on Drug Use and Health, Substance Abuse and Mental Health Services Admin.

² <http://www.msnbc.msn.com/id/6891821/>

development. MRI's of teen drinkers and non-drinkers brains show significant negative impact of alcohol on thinking tasks and memory, even when the alcohol-using subjects were completely sober. In fact, in some cases the young drinker's brain showed more activity in response to beer ads than it did for thinking tasks.

Clearly, the time has come for us to take this problem seriously. I am asking you to approve an amended version of this bill that includes an appropriation for the Responsible Choices Commission to provide at least basic funding for the networks and efforts mandated by SB 2372. The state of North Dakota currently provides no funding for alcohol prevention. All prevention dollars come from the federal government. The dollars we do get are unpredictable in availability and longevity, are limited to addressing only specific prevention efforts or targeted populations (a Band-Aid approach), require matching non-Federal funding sources, or are designed for use by large community coalitions that simply don't exist in North Dakota. These funds do little to address underlying attitudes that contribute to not only alcohol, tobacco and other drug use, but also to other problems such as suicide, teen pregnancy, bullying, eating disorders and other behaviors – all of which have common underlying factors.

SADD is an example of an organization that *does* address the underlying attitudes, and North Dakota SADD, in particular, is doing it very effectively. We are making a difference:

- We have grown from 6 to nearly 70 chapters in only 6 years' time
- Our upcoming state conference will have about 650 participants
- The percentage of ND high school students in 2003 who reported drinking in the last 30 days dropped about 8.5% from 2001 levels.³
- Schools with active, established SADD chapters have been shown to have considerably lower percentages of drinkers and binge drinkers.
- We are implementing social marketing programs that have been called "cutting edge technology" by prevention professionals.
- Working in connection with NDSU, we developed our Reality Check program, which puts high school SADD students in elementary grades 4, 5, and 6 to facilitate programs which are showing statistically significant results.

In fact, North Dakota SADD is widely regarded as the most innovative and strongest SADD program in the nation. And although we feel we are getting good at what we do, we obviously have a long way to go. Yet, we have no reliable source of predictable income to support the program as it currently exists, let alone take our efforts to the next level, which we are prepared to do.

SADD has the statewide network and highly-motivated youth that other entities covet. The Department of Transportation, Department of Human Services, Department of Public Instruction and law enforcement agencies are in full support of what we do and we work closely with them. Local tobacco prevention coordinators seek SADD chapters or want to help form chapters because they know that addressing tobacco is much more effective when it is addressed within the context of the "whole person" the way SADD does.

³ Youth Risk Behavior Survey, Center for Disease Control

Upcoming discussions with the state tobacco prevention coordinator and the UND Medical School's Center for Health Promotion promise strong long-term working relationships and the use of SADD's statewide network for dissemination of their programs. The medical school will also be using our state advisory board students as a panel of student experts to provide their input regarding media strategies.

To summarize, North Dakota has a huge, yet addressable, problem with alcohol and other destructive behaviors, and we need to take immediate action. Money invested to address these issues now can undoubtedly be multiplied many times over in future savings. We can leverage our ability to utilize Federal dollars more effectively by assuring the existence of a coordinated statewide network to deliver the programming. North Dakota is in a position in which it has never found itself before – with the existence of a strong youth-centered statewide network consisting of motivated young people who want to create change. State-funded agencies are contacting SADD in hopes of working with us – something we are thrilled to be able to do – yet there is no state funding to help assure that that network can even sustain itself, let alone grow to meet the state's needs.

SB2372 is a good piece of legislation that makes sense. But it needs funding to make it a viable effort. We need your help.

I urge you to look favorably upon SB 2372 with the necessary appropriation.

Questions?

Preliminary SADD annual budget breakdown

Salaries	\$84,000	(\$48,000 Coordinator, \$36,000 Asst. Coordinator, located both east & west ND. No health insurance provided)
Admin./Overhead	21,000	(25% of above, for employment taxes, liability, etc.)
Office expense	8,400	(\$700 per month for two equipped offices, telephone costs)
Travel	12,000	(In-state plus 2 national coordinator meetings yearly)
Supplies	2,400	
Incentives	1,500	(promotional handouts for beginning chapters)
Video	2,500	(production of presentation video for promo & recruiting)
Web page	500	(upkeep of www.ndsadd.com web site)
SAB expense	3,000	(advisory board materials, meeting expenses – HS & college)
SAB scholarships	14,000	(trip to national conference for high school SAB and reward trip for Advisor of the Year)
Printing	6,000	
Community Coord.	24,000	(Part-time contract salary for community coordinators in Fargo, Bismarck, Minot, and Grand Forks - \$500 / mo.)
Admin /Overhead	3,600	(15% of above)
Postage	1,500	
Regional Expense	4,000	(Expenses for regional high school & jr. high students)
College SADD	21,000	(\$2,000 / yr. for 4-year schools, \$1,000 / yr. for 2-year schools)
Reality Check	<u>20,400</u>	(materials, evaluation, training conferences)
Total:	\$229,800	

#3 **North Dakota University System**

TESTIMONY TO HOUSE HUMAN SERVICES

on SB-2372

Karin Walton, Director

ND Higher Education Consortium for Substance Abuse Prevention

MARCH 9, 2005

Ms. Chairman and members of the Committee,

I am Karin Walton, Director of the North Dakota Higher Education Consortium for Substance Abuse Prevention. The consortium seeks campus communities where student safety and success is not hindered by the use of alcohol or other substances and advocates for stronger prevention policies, participation in campus-community partnerships, and the development of assessment-based prevention programs.

The North Dakota Consortium for Substance Abuse Prevention in Higher Education is taking a position in support for Senate Bill No. 2372: The establishment of a responsible choice commission and a comprehensive program to address impaired driving, alcohol and drug abuse, and other destructive behavior; and to provide a continuing appropriation.

Concern over drinking practices among college students has grown recently, in part because of well-publicized, alcohol-related tragedies that have occurred on campuses in the last few years. Because of this publicity, many people ask, "What has happened to our college campuses?" In fact, the primary change may not be drinking levels or patterns among college students but rather society's increased awareness of the role alcohol plays in many problems, both on campus and off. Colleges and universities are now struggling to identify effective strategies to address college drinking in an attempt to reduce alcohol-related problems among this population. A parallel search for effective strategies to reduce alcohol-related problems is occurring in communities and states throughout the nation.

A recurring discussion revolves around the types of approaches that are most effective in reducing alcohol use and its related problems. Traditional approaches have focused on individuals—providing interventions or treatment to individuals who are at highest risk of alcohol-related problems, educating youth to resist peer pressure, or fining and arresting those who break the law. These individually based approaches may be complemented by changing the broader environment, therefore, increasing the likelihood of long-term reductions in alcohol use and related problems (Bangert-Drowns, 1988; Moskowitz, 1989; Perry and Kelder, 1992; Rundall and Bruvold, 1988; Tobler, 1992). Individual drinking behavior is influenced by a myriad of environmental factors, such as messages in the media, community norms and attitudes, public and institutional policies and practices and economic factors (Wagenaar and Perry, 1994). Reductions in alcohol use and related problems may be achieved by changing such environmental factors (Edwards, 1994; National Institute on Alcohol Abuse and Alcoholism, 1997; Toomey et al., 1993).

The development of a responsible choice commission with an associated comprehensive program will assist in developing and carrying out alcohol and other drug prevention programs.

These programs foster students' academic and social development and promote campus and community safety. A central feature of the North Dakota Consortium for Substance Abuse Prevention in Higher Education's work is the promotion of prevention strategies that affect the campus environment as a whole and can, thereby, have a large-scale impact on the entire community. This comprehensive approach represents and supports a shift in thinking about prevention. It suggests new leadership roles for state administrators, faculty, campus officials, and students as they attempt to reduce problems associated with alcohol use and to promote academic achievement.

The proposed commission will offer an integrated array of services to help implement the following prevention strategies in North Dakota: social norms and expectancies, policies and procedures, availability of alcohol and other drugs, enforcement of regulations and laws, and availability of alcohol-free social and recreational options.

The passing of this bill will directly help to address a troubling societal issue which exists in North Dakota and by providing a state-wide comprehensive approach to substance abuse prevention.

That completes my testimony. Thank you for your time. I would be pleased to attempt to answer any questions the committee might have.

Source: Task Force of the National Advisory Council on Alcohol Abuse and Alcoholism, National Institute on Alcohol Abuse and Alcoholism. (2002). *A call to action: Changing the culture of drinking at U.S. colleges* (NIH Publication No. 02-5010). Washington, D.C.: U.S. Department of Health and Human Services.