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DEPARTMENT OF
POLICE

CITY OF SACRAMENTO
CALIFORNIA

HALL OF JUSTICE
813 SIXTH STREET
SACRAMENTO, CA
95814-2495

January 26, 1990

916-449-5121

JOHN P. KEARNS
CHIEF OF POLICE

Law and Legislation Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Alcohol Tax Act of 1990

SUMMARY

This report presents for Committee review the Alcohol Tax Act of 1990. The Chief of Police recommends that the Law and Legislation Committee support the measure.

BACKGROUND

The Alcohol Tax Act of 1990 is a constitutional and statutory initiative proposed for inclusion on the November, 1990, state ballot. Petitions are currently being circulated for signatures.

The initiative finds that consumption of alcohol and drugs costs Californians about \$13.6 billion per year through increased health care costs (including emergency and trauma treatment), higher crime rates, lost productivity, automobile accidents, mental illness, mental retardation, child, spousal and elderly abuse, and birth defects. It also notes that 67% of the alcohol is consumed by 11% of the population. The alcohol tax money will be used to alleviate the cost of problems created by alcohol that are now borne by all taxpayers of the state. This tax will shift the burden to those who consume the alcohol.

If approved by voters, the initiative would impose a five-cent tax on each serving of alcohol sold in California. Annual tax proceeds, estimated at \$800 million, will be placed in The Alcohol Surtax Fund, which will be divided into five separate accounts as follows:

1. For programs that deal with the prevention of alcohol and drug problems and treatment and recovery services. Twenty-four percent of tax money will be used for this account.
2. For emergency medical and trauma care treatment, and all related services. Twenty-five percent of tax money will be used for this account.
3. For locally implemented community mental health programs. Fifteen percent of tax money will be used for this account.
4. For infants, children and innocent victims of alcohol and drug related problems. Fifteen percent of tax money will be used for this account.

Of particular interest to the Police Department and the City is the measure's Law Enforcement Account, which will expend 21% of the proceeds for, among other programs, enforcement of laws prohibiting driving under the influence of alcohol or any other drug, and other alcohol/drug crimes, including related criminal justice and penal system costs and services.

Also of interest to this Committee is a provision which would allow certain moneys allocated to the Law Enforcement Account to be expended for Long Term Care Ombudsman services.

The initiative provides that its proceeds shall not replace existing state funding and per capita levels of service shall not be reduced.

FINANCIAL DATA

An undetermined portion of the tax proceeds would fund programs in the City of Sacramento.

POLICY CONSIDERATIONS

None.

MBE/WBE EFFORTS

Not applicable.

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RECOMMENDATION

It is recommended that the Law and Legislation Committee endorse the Alcohol Tax Initiative of 1990.



John P. Kearns
CHIEF OF POLICE

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449-5618

Ref: 1-56

JPK:kf

AMENDMENTS FILED WITH ATT. GEN.
11.15.89

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed initiative:

(Here set forth the title and summary prepared by the Attorney General. This title and summary must also be printed across the top of each page of the petition whereon signatures are to appear).

TO THE HONORABLE SECRETARY OF STATE OF CALIFORNIA

THE ALCOHOL TAX ACT OF 1990

SECTION 1. This measure shall be known and may be cited as the Alcohol Tax Act of 1990.

SECTION 2. The people find and declare as follows:

(a) Alcohol use drains California of approximately \$13.6 billion annually in increased health care costs, higher crime rates, lost productivity, environmental damage, and injuries from alcohol-related accidents and abuse.

(b) Alcohol-related accidents are the leading cause of death among teenagers and the cause of many permanently disabling injuries.

(c) There is a strong correlation between alcohol and other drug use.

(d) Meeting the need and demand for alcohol and other drug treatment and recovery programs is an increasingly expensive burden to all California taxpayers.

(e) The use of alcohol and other drugs is a major cause of hospital emergency room and trauma care treatment, and therefore greatly contributes to the need for emergency medical air-transportation services.

(f) The use of alcohol and other drugs is closely associated with mental illness and contributes enormously to the cost of treating the mentally ill.

(g) The use of alcohol and other drugs contributes significantly to vandalism, litter, and unruly and criminal behavior in California's parks and recreation facilities.

(h) The use of alcohol and other drugs is a major factor in the majority of child and spousal abuse cases, and is also frequently associated with abuse of elderly, mentally-ill and mentally-retarded residents of long-term care facilities.

(i) Alcohol use during pregnancy causes approximately 5,000 children to be born in California each year with

alcohol-related birth defects; and other drug use during pregnancy, especially cocaine, affects thousands of babies born each year.

(j) Drinking and driving, and driving under the influence of other drugs, is the major cause of traffic accidents and fatalities in California each year.

(k) Alcohol and other drug-related crimes are an increasing burden to law enforcement and the criminal justice system in California.

(l) While the staggering cost of alcohol abuse is borne by all Californians, 67 percent of the alcohol is consumed by only 11 percent of the population.

(m) An increase in the excise tax levied on alcoholic beverages equivalent to a five cents (\$.05) per drink is a fair and appropriate way to reduce alcohol's staggering burden on all California taxpayers.

SECTION 3. Section 7 is added to Article XIII A of the Constitution, to read:

SECTION 7. Section 3 does not apply to the Alcohol Tax of 1990.

SECTION 4. Section 13 is added to Article XIII B of the Constitution, to read:

SECTION 13. "Appropriations subject to limitation" of each entity of government shall not include appropriations of revenue from the Alcohol Surtax Fund created by the Alcohol Tax Act of 1990. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 as a result of revenue being deposited in or appropriated from the Alcohol Surtax Fund created by the Alcohol Tax Act of 1990.

SECTION 5. Chapter 5.5 (commencing with Section 32220) is added to Part 14 of Division 2 of the Revenue and Taxation Code, to read:

Chapter 5.5. SURTAX ON BEER, WINE AND DISTILLED SPIRITS.
Article 1. Definitions.

Section 32220. For purposes of this chapter:

(a) "Fund" means the Alcohol Surtax Fund created by Section 32221.

(b) "Unit" means the appropriate measure of any of the following:

- (1) Twelve ounces of beer.
- (2) Five ounces of all wine, except those in subdivision (3).
- (3) Three ounces of fortified wine.
- (4) One ounce of distilled spirits.

(c) "Fortified Wine" means any wine which (i) contains alcohol in an amount equal to or more than 14 percent by volume when bottled or packaged by the manufacturer, (ii) is not both sealed and capped by cork closure, and aged two or more years, (iii) does not contain 14 or more percent of alcohol by volume solely as a result of the natural fermentation process, and (iv) has been produced with the addition of wine spirits, brandy or alcohol.

(d) "Other drugs" means all addictive or controlled substances other than alcoholic beverages, as defined by Section 23004 of the Business and Professions Code, and cigarettes and tobacco products, as defined in Section 30121 of the Revenue and Taxation Code, as both sections read on January 1, 1990.

Article 2. Alcohol Surtax Fund.

Section 32221. The Alcohol Surtax Fund is hereby created in the State Treasury. The fund shall consist of all revenues raised pursuant to the taxes imposed by this chapter, and all interest and penalties imposed thereon pursuant to this part. Earnings derived from investment of monies in the fund shall accrue to the fund. Notwithstanding Section 13340 of the Government Code, moneys in the fund shall be continuously appropriated, without regard to fiscal year, for the purposes of this chapter.

Section 32222. The fund consists of five separate accounts, as follows:

(a) The Prevention, Treatment and Recovery Account, funds from which shall only be expended for the following:

- (1) Prevention of alcohol and other drug problems.
- (2) Treatment and recovery services for alcohol and other drug problems.
- (3) A coordinated statewide and local training, public policy and public awareness program to prevent alcohol and other drug problems, and to inform the public, particularly children and teenagers, of the potential health risks of alcohol and other drug use.

(4) Capital expenditures (including accessibility improvements for the disabled) for housing, treatment and recovery facilities, domestic violence shelters, and homeless and low-income facilities for persons recovering from alcohol- and other drug-related problems.

(b) The Emergency and Trauma Care Account, funds from which shall only be expended for the following:

- (1) Emergency medical and trauma care treatment and all related services.
- (2) Emergency medical and trauma care services, up to the time the patient is stabilized, provided by physicians in general acute care hospitals that provide basic or comprehensive emergency services.

(c) The Mental Health Account, funds from which shall only be expended for locally-implemented community mental health programs.

(d) The Infants, Children and Innocent Victims Account, funds from which shall only be expended for the following:

- (1) Prevention, treatment and care regarding the health needs of infants, children and women due to perinatal alcohol and other drug use.
- (2) Prevention, treatment and care regarding child abuse and child abuse victims.
- (3) Shelter, support services and prevention programs

whose primary purpose is to serve battered women and their children.

(4) Training, education, public policy, research and related support services for persons with disabilities.

(e) The Law Enforcement Account, funds from which shall only be expended for the following:

(1) Enforcement of laws prohibiting driving under the influence of an alcoholic beverage or any other drug, or the combined influence of an alcoholic beverage and any other drug, and related criminal justice and penal system costs and services.

(2) Enforcement of alcohol- and other drug-related laws, and related criminal justice and penal system costs and services.

(3) Recreation and park programs and projects that address alcohol and other drug impacts on public parks and facilities, including impacts on public safety, litter, vandalism, youth-at-risk, and other prevention and diversion activities.

(4) Operation and administration of a statewide emergency medical air-transportation network.

(5) Enforcement, education and training relative to laws prohibiting driving under the influence of an alcoholic beverage or any other drug, or the combined influence of an alcoholic beverage and any other drug.

Article 3. Imposition of the Surtax on Beer, Wine and Distilled Spirits.

Section 32225. A surtax at the rate of five cents (\$0.05) per unit, and at a proportionate rate for any other quantity, is imposed upon every unit of beer and wine sold in this state or sold pursuant to Section 23384 of the Business and Professions Code, by a manufacturer, wine grower, or importer, or seller of beer or wine selling beer or wine with respect to which no tax has been paid within areas over which the United States Government exercises jurisdiction.

Section 32226. A surtax at the rate of five cents (\$0.05) per unit, and at a proportionate rate for any other quantity, is imposed upon every unit of distilled spirits sold in this state or sold pursuant to Section 23384 of the Business and Professions Code, by a manufacturer, distilled spirits manufacturer's agent, brandy manufacturer, rectifier, and wholesaler, or seller of distilled spirits selling distilled spirits with respect to which no tax has been paid within areas over which the United States Government exercises jurisdiction.

Section 32227. Except with respect to beer and wine in the internal revenue bonded premises of a beer manufacturer or wine grower, and except with respect to those distilled spirits in possession or control of a distilled spirits taxpayer as defined by Section 23010 of the Business and Professions Code, upon which the taxes imposed by Section 32226 have not been paid, a floor stock tax of five cents

(\$0.05) is hereby imposed on every unit of beer, wine and distilled spirits in the possession or under the control of every person licensed under Division 9 (commencing with Section 23000) of the Business and Professions Code on or after 2:01 a.m. on January 1, 1991, pursuant to rules and regulations promulgated by the State Board of Equalization. This floor stock tax shall be due and payable on February 15, 1991.

Section 32228. The taxes imposed by this article shall be imposed in addition to any other tax imposed upon beer, wine or distilled spirits by this part, and shall be in addition to any other tax imposed upon beer, wine or distilled spirits by the voters at the November 6, 1990, election.

Section 32229. All the provisions of this part, with the exception of those contained in Chapter 10 (commencing with Section 32501), relating to excise taxes, are applicable also to the taxes imposed by this Article, to the extent that they are not inconsistent with this Article.

Article 4. Disposition of the Alcohol Surtax Fund

Section 32230. (a) With the exception of payments of refunds made pursuant to Chapter 8 (commencing with Section 32401), and, as determined by the Department of Finance, reimbursement of the State Board of Equalization for expenses incurred in the administration, enforcement and collection of the taxes imposed by Article 3 (commencing with Section 32225), pursuant to its powers vested by this part, and reimbursement of the Controller for expenses incurred in the administration of the fund, all moneys in the fund shall be allocated as provided in subdivision (b).

(b) Moneys in the fund shall be allocated according to the following formula:

(1) Twenty-four percent shall be deposited in the Prevention, Treatment and Recovery Account, which is to be further allocated for the purposes specified in subdivision (a) of Section 32222 as follows:

- (A) Four percent for the purposes of paragraph (1).
- (B) Thirteen percent for the purposes of paragraph

(2).

- (C) Two percent for the purposes of paragraph (3).
- (D) Five percent for the purposes of paragraph (4).

(2) Twenty-five percent shall be deposited in the Emergency and Trauma Care Account, which is to be further allocated for the purposes specified in subdivision (b) of Section 32222 as follows:

- (A) Seventeen percent for the purposes of paragraph

(1).

- (B) Eight percent for the purposes of paragraph (2).

(3) Fifteen percent shall be deposited in the Mental Health Account, which is to be allocated for purposes specified in subdivision (c) of Section 32222.

- (4) Fifteen percent shall be deposited in the Infants,

Children and Innocent Victims Account, which is to be further allocated for the purposes specified in subdivision (d) of Section 32222 as follows:

- (A) Six percent for the purposes of paragraph (1).
- (B) Four percent for the purposes of paragraph (2).
- (C) Three percent for the purposes of paragraph (3).
- (D) Two percent for the purposes of paragraph (4).
- (5) Twenty-one percent shall be deposited in the Law

Enforcement Account, which is to be further allocated for the purposes specified in subdivision (e) of Section 32222 as follows:

- (A) Two percent for the purposes of paragraph (1).
- (B) Fourteen percent for the purposes of paragraph (2).
- (C) Two percent for the purposes of paragraph (3).
- (D) Two percent for the purposes of paragraph (4).
- (E) One percent the purposes of paragraph (5).

(c) Any amount allocated from any account specified in subdivision (b) which is not expended within one year shall revert to the account from which it was appropriated.

(d) The percentages stated in subdivision (b) are stated as a percentage of the moneys deposited in the fund and not as a percentage of the moneys deposited in each account.

Section 32231. (a) Moneys appropriated pursuant to Section 32221 and allocated pursuant to Section 32230 shall be allocated for expenditure for the purposes specified in Section 32222 as follows:

(1) For all the purposes specified in paragraphs (1), (2) and (4) of subdivision (a); subdivision (b); and paragraphs (1), (2) and (3) of subdivision (d) of Section 32222; collectively, to counties pursuant to the following formula:

(i) One hundred and fifty thousand dollars (\$150,000) to each county annually.

(ii) The remaining funds apportioned based on each county's proportionate share of population.

(2) For purposes specified in paragraph (3) of subdivision (a) of Section 32222, to the Department of Health Services.

(3) For purposes specified in paragraph (4) of subdivision (d) of Section 32222, to the Department of Rehabilitation.

(4) For purposes specified in paragraphs (1) and (2) of subdivision (e) of Section 32222, 50 percent to counties based on each county's proportionate share of population and 50 percent to cities based on each city's proportionate share of the population.

(5) For purposes specified in paragraph (3) of subdivision (e) of Section 32222, to cities, counties and districts as defined in the Community Parklands Act of 1986 (Chapter 3.7 (commencing with Section 5700) of Division 5 of the Public Resources Code) pursuant to the distribution formula specified in Section 5720 of the Public Resources Code, except there shall not be the minimum allocations

specified in subdivision (b) and paragraph (1) of subdivision (c) of that section.

(6) For purposes specified in paragraphs (4) and (5) of subdivision (e) of Section 32222, to the California Highway Patrol.

(b) Moneys allocated pursuant to subdivision (a) shall be disbursed as follows:

(1) Paragraph (1), monthly.

(2) Paragraphs (2), (3), (4) and (6), quarterly.

(3) Paragraph (5), annually on the first day of each fiscal year.

(c) Moneys allocated in subdivision (a) based on population shall be allocated based on the most recent Department of Finance population estimates.

Section 32232. (a) Funds allocated for the purposes specified in paragraphs (1), (2) and (4) of subdivision (a) of Section 32222 shall be expended by counties pursuant to each county's final approval of separate alcohol and other drug program plans prepared in accordance with the provisions of Section 11810.5 and paragraphs (1) to (4), inclusive, of subdivision (a) of Section 11810.6 of, and paragraphs (1) to (4), inclusive, of subdivision (a) of Section 11983.2 of the Health and Safety Code, and any other provisions as determined by each county. Each county's final approved plans shall be submitted to the Department of Alcohol and Drug Programs for information purposes only.

(b) Funds allocated for the purposes specified in paragraphs (1) and (2) of subdivision (a) of Section 32222 shall be expended 70 percent for purposes related to alcohol and 30 percent for purposes related to other drugs.

(c) Funds allocated for the purposes specified in paragraph (2) of subdivision (a) of, and subdivisions (b), (c) and (d) of Section 32222 shall only be expended for payment of services to persons who cannot afford to pay for the services, and for whom payment for the services will not be made through private coverage or by any program funded in whole or in part by the federal government.

(d) Of the funds allocated for the purposes specified in paragraph (3) of subdivision (a) of Section 32222, at least 50 percent shall be expended for a mass media program that both informs the public of the potential health risks of alcohol use and counteracts alcoholic beverage marketing messages.

(e) Funds allocated for the purposes specified in paragraph (1) of subdivision (b) of Section 32222 shall be expended by counties for the provision of emergency (as defined by Section 1797.70 of the Health and Safety Code) and trauma care (as defined by Section 100240 of Title 22 of the California Code of Regulations) and all related services pursuant to Sections 17000, 17001 and 17003 of the Welfare and Institutions Code.

(f) Funds allocated for the purposes specified in paragraph (2) of subdivision (b) of Section 32222 shall be disbursed by counties to physicians, as defined in Section

1797.98a of the Health and Safety Code as that section read on January 1, 1990, for emergency and trauma care services rendered, and shall be in addition to and shall not supplant levels of funding provided by Articles 3 (commencing with Section 16950) and 3.5 (commencing with Section 16951) of Chapter 5 of Part 4.7 of Division 9 of the Welfare and Institutions Code and the Emergency Medical Services Fund (Chapter 2.5 (commencing with Section 1797.98a) of Division 2.5 of the Health and Safety Code) for the 1989-90 fiscal year. Funds shall be disbursed at least quarterly on an equitable basis.

(g) Funds allocated for the purposes specified in subdivision (c) of Section 32222 shall be expended pursuant to mental health programs contained in Chapters 5 (commencing with Section 5450), 6 (commencing with Section 5475), and 6.8 (commencing with Section 5565.10) of Part 1, Part 2 (commencing with Section 5600) and Part 3 (commencing with Section 5800) of Division 5 of the Welfare and Institutions Code, as follows:

- (1) Fifty percent for seriously mentally-ill adults.
- (2) Thirty percent for emotionally-disturbed children and adolescents.
- (3) Twenty percent for mentally-ill older adults.

The Department of Mental Health shall annually prepare recommendations to the Legislature on the expenditure of these funds upon review of local Short-Doyle plans or negotiated net amount contracts, as defined in Section 5705.2 of the Welfare and Institutions Code. These funds shall be used exclusively to reform and improve the support and treatment systems for the seriously mentally ill in all counties.

(h) Funds allocated for the purposes specified in paragraph (1) of subdivision (d) of Section 32222 shall be expended by counties pursuant to the authority specified in subdivisions (d) and (i) of Section 1276 of Title 17 of the California Code of Regulations.

(i) Funds allocated for the purposes specified in paragraph (2) of subdivision (d) of Section 32222 shall be expended by counties for programs described in Article 5 (commencing with Section 18965) of Chapter 11 of Part 6 of Division 9 of the Welfare and Institutions Code.

(j) Funds allocated for the purposes specified in paragraph (3) of subdivision (d) of Section 32222 shall be expended by counties for programs described in The Domestic Violence Centers Act (Chapter 5 (commencing with Section 18290) of Part 6 of Division 9 of the Welfare and Institutions Code).

(k) Funds allocated for the purposes specified in paragraph (4) of subdivision (d) of Section 32222 shall be expended by independent living centers as defined in Section 19801 of the Welfare and Institutions Code.

(l) Funds allocated for the purposes specified in paragraph (2) of subdivision (e) Section 32222 may be expended by counties and cities for Long Term Care Ombudsman services,

as defined in Article 3 (commencing with Section 9720) of Chapter 9 of Division 8.5 of Part 1 of the Welfare and Institutions Code, in long term care facilities, as defined in subdivision (a) of Section 9701 Welfare and Institutions Code.

(m) Funds allocated for the purposes specified in paragraph (4) of subdivision (e) of Section 32222 shall be expended for an emergency medical air-transportation system crewed by personnel of the California Highway Patrol, as defined in subdivision (a) of Section 830.2 of the Penal Code.

Article 5. General Provisions

Section 32240. Expenditures pursuant to this chapter shall be used only for the purposes specified in this chapter, shall supplement 1989-90 state funding and per capita levels of service, and shall not replace existing state funding nor fund future state expenditures for increases in the cost of providing existing per-capita levels of service. Existing state funding and per capita levels of service for purposes specified in this chapter shall not be reduced.

Section 32241. This chapter shall take effect on January 1, 1991.

Section 32242. This chapter shall be amended only by the four-fifths vote of the membership of both houses of the Legislature. All amendments to this chapter must be consistent with its purposes.

SECTION 6. If any section of this measure, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected, but shall remain in full force and effect.

ALCOHOL TAX INITIATIVE COMMITTEE

(916) 448-5735

RECEIVED

DEC 13 1989

CITY ATTORNEYS OFFICE

THE ALCOHOL TAX ACT OF 1990

DIGEST

This measure, if approved by the voters at the November 6, 1990 election, would enact the Alcohol Tax Act of 1990, which would impose an excise tax surcharge equivalent to a "nickel-a-drink" on producers and wholesalers of alcoholic beverages sold in California.

Specifically, the measure, which would become effective on January 1, 1991, enacts the Alcohol Tax Act of 1990, which:

- 1) States findings and declarations relating to the problems caused by alcohol and drug abuse and the fairest method of reducing for all taxpayers the economic costs resulting from these problems.
- 2) Exempts the Alcohol Tax Act of 1990 from Article XIII A (Proposition 13) of the California Constitution and amends Article XIII B (the Gann Initiative) of the California Constitution by exempting from governmental spending limits appropriations of revenues from the Alcohol Surtax Fund.
- 3) Provides the following definitions for terms used in the act:
 - a) "Fund" -- The Alcohol Surtax Fund created by this act.
 - b) "Unit" -- The following amounts of the following beverages:
 - i) Twelve ounces of beer.
 - ii) Five ounces of any wine, other than fortified wine.
 - iii) Three ounces of fortified wine.
 - iv) One ounce of distilled spirits.

- c) "Fortified Wine" -- Any wine that (i) contains 14% or more of alcohol by volume when bottled or packaged by the manufacturer, (ii) is not sealed and capped by a cork and aged two or more years, (iii) does not contain 14% or more of alcohol by volume solely as a result of natural fermentation, and (iv) has been produced with the addition of wine spirits, brandy or alcohol.
- 4) Establishes a surtax of five cents per unit on sales of beer, wine and distilled spirits.
- 5) With specified exemptions, establishes a floor stock tax of five cents on every unit of beer, wine and distilled spirits in the possession or control of persons licensed under the Alcoholic Beverage Control Act. This floor stock tax would be due on February 15, 1991.
- 6) Creates in the State Treasury the Alcohol Surtax Fund into which shall be deposited all revenues and interest from the newly-created taxes on beer, wine and distilled spirits and all penalties imposed pursuant to this act. There is an exception created for payment of refunds due to tax overpayments and for reimbursement of the costs incurred by the Board of Equalization and the State Controller in administering the newly-created taxes.
- 7) Requires that revenues from the newly-created taxes be divided among five separate accounts in the fund, according to the following percentages and to be used for the following purposes:
- a) 24% -- Prevention, Treatment and Recovery Account for the purposes of:
- i) Prevention of alcohol and other drug problems. Funding in the amount of 4% of the Alcohol Surtax Fund would be allocated to counties for prevention programs. Funding would be split on a 70/30 ratio between programs that address alcohol problems and programs that address drug-related problems.
- ii) Treatment and recovery services for alcohol and other drug problems. Funding in the amount of 13% of the Alcohol Surtax Fund would be allocated to counties for treatment and recovery services for the medically indigent who suffer from alcohol or drug problems. Expenditures must be split on a 70/30 ratio between programs that address alcohol problems and programs that address drug-related problems.

- iii) A statewide and local training, public policy and public awareness program. Funding in the amount of 2% of the Alcohol Surtax Fund would be allocated to the State Department of Health Services for a statewide and local training, public policy and public awareness program, including the use of mass media to prevent alcohol and other drug problems, to inform the public of the potential health risks of alcohol and other drug use and to counteract alcoholic beverage advertising. A minimum of one-half of the funds must be spent on the mass media component of the program.
 - iv) Capital expenditures. Funding in the amount of 5% of the Alcohol Surtax Fund would be allocated to counties to be used for housing, treatment and recovery facilities, domestic violence shelters, and facilities for poor persons recovering from alcohol and other drug-related problems. Funding in the amount of 5% of the Alcohol Surtax Fund would be allocated to counties for these purposes.
- b) 25% -- Emergency and Trauma Care Account -- for the purposes of providing the following services to the medically indigent:
- i) Emergency and trauma care treatment. Funding in the amount of 17% of the Alcohol Surtax Fund would be allocated to counties to reimburse providers for emergency and trauma care services.
 - ii) Emergency medical services by hospital physicians. Funding in the amount of 8% of the Alcohol Surtax Fund would be allocated to counties to reimburse physicians for basic and comprehensive emergency medical services provided in general acute care hospitals.
- c) 15% -- Mental Health Account -- for locally-implemented community mental health programs. Funding in the amount of 15% of the Alcohol Surtax Fund would be spent according to the Short-Doyle Act and specified existing mental health programs, as follows: 50% for seriously mentally-ill adults, 30% for emotionally-disturbed children and adolescents, and 20% for mentally ill older adults. These funds would be available only for payment of services to the medically indigent and must be used exclusively to reform and improve the support and treatment systems for the seriously mentally ill in all counties.

- d) 15% -- Infants, Children and Innocent Victims Account -- for the purposes of:
- i) Perinatal alcohol/drug abuse programs. Funding in the amount of 6% of the Alcohol Surtax Fund would be allocated to counties for programs to prevent, treat and care for the health problems of women, infants, and children relating to perinatal alcohol/drug use.
 - ii) Child abuse prevention and treatment programs. Funding in the amount of 4% of the Alcohol Surtax Fund would be allocated to counties for programs to prevent and treat child abuse.
 - iii) Battered women programs. Funding in the amount of 3% of the Alcohol Surtax Fund would be allocated to counties for shelter, support services and prevention programs serving battered women and their children.
 - iv) Services to the disabled. Funding in the amount of 2% of the Alcohol Surtax Fund would be allocated to the State Department of Rehabilitation for programs for the disabled and their families. Monies would be provided through the Independent Living Centers Program.
- e) 21% -- Law Enforcement Account -- for the purposes of:
- i) Drunk driving laws. Funding in the amount of 2% of the Alcohol Surtax Fund would be allocated to counties and cities on a 50/50 basis for the enforcement and administration of laws relating to driving under the influence of alcohol and/or drugs (DUI).
 - ii) Alcohol/drug laws. Funding in the amount of 14% of the Alcohol Surtax Fund would be allocated to counties and cities on a 50/50 basis for the purpose of enforcing and administering alcohol- and other drug-related laws.
- The act also specifically provides that these funds may be used for the long-term care ombudsman services provided for in current law.
- iii) Parks and recreation. Funding in the amount of 2% of the Alcohol Surtax Fund would be allocated to cities, counties and districts for the operation and administration of park and recreation programs that address the detrimental impact of alcohol and other drug use on public parks and facilities.

- iv) Emergency medical transportation. Funding in the amount of 2% of the Alcohol Surtax Fund would be allocated to the California Highway Patrol to operate and administer a statewide emergency medical air transportation network.
 - v) DUI Education. Funding in the amount of 1% of the Alcohol Surtax Fund would be allocated to the California Highway Patrol for enforcement, education and training relating to DUI laws.
- 8) With the exception of funds provided for recreation and park programs, specifies that allocations to counties made by the Controller from the Alcohol Surtax Fund, as described above, shall be based on each county's share of the total state population, except that each county shall receive, at a minimum, a total of \$150,000. Allocations made to cities shall also be determined on the basis of population.
 - 9) For recreation and park programs within the Law Enforcement Account, requires the State Controller to allocate monies in the fund to cities, counties and special districts according to the distribution formula provided for in the Community Parklands Act of 1986, except that there would be no minimum distributions as provided for in the Community Parklands Act of 1986.
 - 10) Prohibits revenues from the newly-created taxes from being used for any purposes other than those above and requires that the revenues be used to supplement 1989-90 state funding and per capita levels of service. Revenues could not be used to replace existing state funding or to fund future state increases in the cost of providing existing per-capita levels of service.
 - 11) Specifies that (a) interest earned by monies in the Alcohol Surtax Fund will accrue to the separate accounts proportionately, (b) monies in the fund are continuously appropriated without regard to fiscal year, and (c) monies in the fund must be allocated by the Controller on a monthly, quarterly or annual basis, as specified in the act.
 - 12) Specifies that this act may be amended only by a four-fifths vote of the Legislature.
 - 13) Contains a severability clause.

FISCAL EFFECT

It is anticipated that the newly-created taxes on beer, wine and distilled spirits would result in annual revenues of approximately \$800 million to the newly-created Alcohol Surtax Fund. There would also be an unknown annual revenue increase to the fund from interest accruing on the collected but unspent tax revenues.

These revenues would be allocated to the state, cities, counties and local districts as specified in the measure. The annual revenue increase to each would be over \$664 million to counties; over \$64 million to cities; \$56 million to various state departments; and an unknown amount to local park districts.

The administrative costs of the State Board of Equalization and the State Controller to administer the new tax program would be reimbursed from the tax revenues. The remaining balance would be deposited in the Alcohol Surtax Fund, as specified in the measure.

The measure specifically exempts revenues from the newly-imposed taxes from the revenue limits contained in Proposition 13 (Article XIII A of the California Constitution) and exempts expenditure of these revenues from the governmental spending limitations contained in the Gann Initiative (Article XIII B of the California Constitution).

ALCOHOL TAX INITIATIVE COMMITTEE

(916) 448-5735

ALLOCATION OF REVENUES IN ALCOHOL SURTAX FUND

(dollar amounts in millions)

<u>Account</u>	<u>Total %</u>	<u>Total \$</u>	<u>Counties</u>		<u>Cities</u>		<u>State</u>	
			<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
Prev., Treatment & Rec.	(24)	(192)						
Prevention	4	32	4	32				
Treatment	13	104	13	104				
Public Education	2	16					2	16
Capital Expenditures	5	40	5	40				
Emerg. & Trauma Care	(25)	(200)						
EMS & Trauma	17		17	136				
EMS Physicians	8		8	64				
Mental Health	(15)	(120)	15	120				
Inf., Child., & Victims	(15)	(120)						
Prevention/Treatment	6	48	6	48				
Child Abuse Prev.	4	32	4	32				
Battered Women	3	24	3	24				
Disabled	2	16					2	16
Law Enforcement	(21)	(168)						
DUI Enforcement	2	16	1	8	1	8		
Other Enforcement	14	112	7	56	7	56		
Parks & Rec.	2	16	*	*	*	*		
Emerg. Air Transport	2	16					2	16
Enf., Educ., & Train.	1	8					1	8
Totals	100%	(\$800)	*83%	*\$664	*8%	*\$64	7%	\$56

*Does not include the amount allocated from the Law Enforcement Account for park and recreation programs, which is divided between counties, cities and districts based upon their populations.