



# Illinois Healthy Youth and Families Initiative

## *Raising Taxes on Alcohol:*

***Good for the Budget, Good for Public Health, Good for Business***

**Alcohol addiction and abuse cost the State of Illinois millions of dollars each year in medical expenses, crime and violence, and lost business profitability and worker productivity.**

### Decreased Business Profitability and Worker Productivity *(George Washington University Medical School, 2002).*

- ◆ **Alcohol costs American businesses an estimated \$134 billion a year in productivity losses.**
- ◆ **85 percent of heavy drinkers are employed;** alcohol reduces productivity, impairs job performance, increases health care costs, & can threaten public safety.

### Alcohol Use by Youth is a Major Public Health Problem *(CDC, 2008)*

- ◆ **People aged 12-21 years consume 11 percent of all alcohol in the U.S.;** more than 90 percent is consumed in the form of binge drinks making alcohol the most commonly used and abused drug among youth in the U.S.
- ◆ Youth who drink are more likely to experience school problems (poor performance, higher absences), social problems, legal problems (arrests for drunk driving, violence), physical problems, high-risk sexual activities, higher risk of suicide or homicide, death from alcohol problems, and long-term physiological effects.

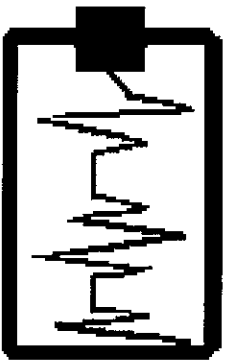
### Increased Medical Costs, Emergency Department Visits, Fatalities, Child Abuse & Related Injuries *(CDC, 2008)*

- ◆ **Alcohol is involved in 2 out of 3 reported incidents of intimate partner violence and is the leading factor in child maltreatment and neglect.**
- ◆ In 2005, the CDC found 1.6 million people were hospitalized with alcohol-related health problems and more than 4 million emergency department visits attributable to alcohol use.
- ◆ Alcohol increases the incidences of risky sexual behavior, including unprotected sex, sex with multiple partners, and risk of sexual assault resulting in greater likelihood of sexually transmitted diseases.

### **The Solution: Increase the alcohol tax to bring tax rates in line with inflation, improve public health and business profitability, and raise revenue for Illinois.**

- ◆ An increase of 5 cents / drink would generate ~ **\$254 million in new revenue for Illinois.**
- ◆ Illinois' alcohol taxes have not been increased since 1999; before that the last increase was 1969.
- ◆ Alcohol tax rates have not kept pace with inflation.
- ◆ Research has shown that higher prices on alcohol significantly decrease consumption, and increase public health and business productivity.





# Illinois' Healthcare System in Critical Condition: Thousands in Need of Addiction Prevention, Treatment and Recovery Services

- ❖ Illinois spends 12% of its budget, **nearly \$3 billion**, dealing with the consequences of substance abuse: increased crime, domestic violence, foster care placement, hospital emergency department expenditures, lost worker productivity, etc.
- ❖ Less than **one-tenth of 1%** of all state spending is dedicated to addiction healthcare services.
- ❖ Without adequate treatment funds, the justice system often has no option but to release non-violent addicted offenders to the community, hold them indefinitely in already-overcrowded jails, or send them to prison (~\$32,400/person), at greater costs to Illinois than supervised treatment (~\$4,425/person).
- ❖ **Over 7,500** Illinois citizens need addiction treatment services statewide and cannot be treated because of a lack of funding. (*Source University of Illinois-Chicago, April 2008*)
- ❖ Rising costs have forced many providers to put people who need treatment on **waiting lists**.
- ❖ Historically, as unemployment grows and the economy weakens, demands for critical healthcare services, including addiction prevention and treatment, increase dramatically.
- ❖ A March 2009 Civic Enterprises report indicated that non-profits are facing high levels of demand from individuals and families struggling with the economic downturn; yet, they are unable to accommodate these increased requests for assistance as federal, state and local resources are on the decline.
- ❖ For every percent increase in unemployment, the number of people on Medicaid increases by one million, according to a recent Kaiser Family Foundation analysis.
- ❖ With no corresponding increase in funding, the system has been over-burdened with **state and federal mandates**, increased professional requirements, new accreditation requirements, an **explosion of dual-diagnosed clients**, medication demands, additional licensure, and **enhanced technological systems**.
- ❖ Over the past ten years, with the advent of new treatment innovations, the **Illinois addiction healthcare system has become increasingly sophisticated, yet is still being supported at 1980's funding levels**.
- ❖ Research has proven that an adequately funded addiction healthcare system saves lives and ultimately saves the State money.



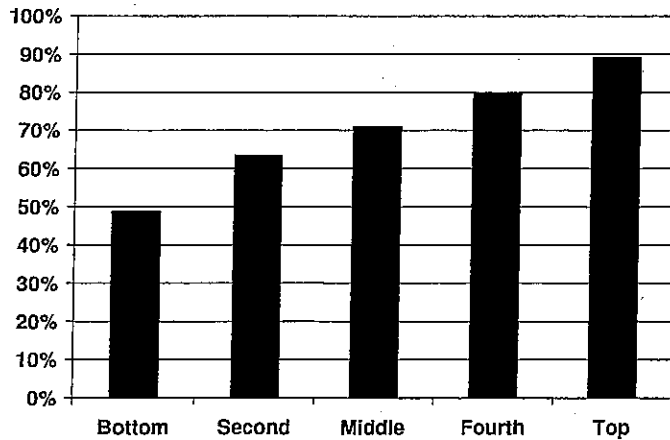
# FACT SHEET

## Do higher alcohol taxes really hurt lower-income people?

Much has been made of the alleged regressivity of alcohol taxes: that they hurt the poor most. In fact, several factors related to alcohol consumption and expenditures for alcohol across income classes demonstrate that the impact on lower-income people, overall, would be negligible.

Compared to upper-income consumers, lower-income families are far less likely to even purchase or consume alcoholic beverages.

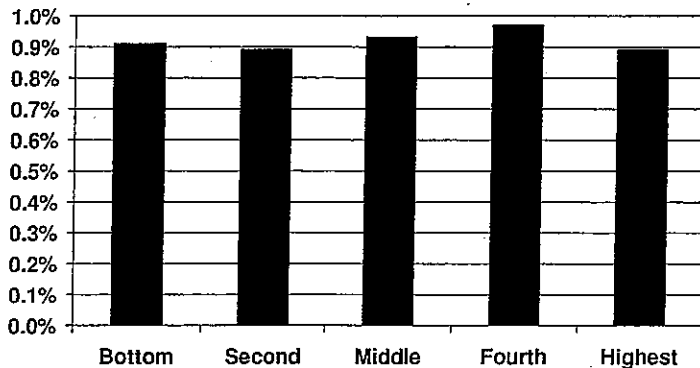
**Percentage of Families with Expenditures on Alcoholic Beverages, by Income Quintile**



Source: Federal Taxation of Tobacco, Alcoholic Beverages, and Motor Fuels, Congressional Budget Office, August 1990.

Americans' spending on alcohol is small and proportional to their income—less than one percent of their total expenditures—regardless of income.

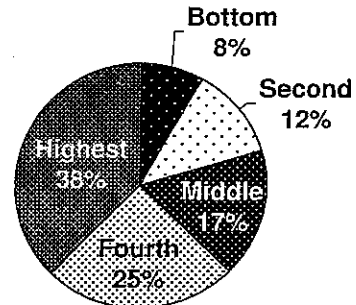
**Expenditures on Alcoholic Beverages as a Percentage of Total Expenditures, by Income Quintile (All Families)**



Source: U.S. Bureau of Labor Statistics, Consumer Expenditures Survey, 2005.

By far, most of the alcohol is bought by people in the upper-income brackets. People in the bottom quintile consume only about eight percent of alcoholic beverages.

**Share of Total Expenditures on Alcohol by Income Quintile (All Families)**



Source: U.S. Bureau of Labor Statistics, Consumer Expenditures Survey, 2005.

Alcohol purchases among those consumers in the lowest income quintile are highly concentrated in a relatively small percentage of families.

**Percent of Expenditures on Alcoholic Beverages Made by Families with the Highest Expenditures, by Income Quintile**

	Top 10 %	Top 20%
Bottom	59.4	82.8
Second	52.3	74.6
Middle	45.4	67.5
Fourth	38.6	59.3
Top	34.7	54.3

Source: Federal Taxation of Tobacco, Alcoholic Beverages, and Motor Fuels, Congressional Budget Office, August 1990.

Among consumers in the bottom quintile, the 20 percent who consume the most account for 83 percent of the alcohol purchased. Because fewer than half of consumers in that income bracket have expenditures for alcohol, that means that 10 percent of the lowest-income consumers buy more than 80 percent of the alcohol. Those heavy drinkers, not lower-income people generally, pay the lion's share of taxes today and would bear the burden of any tax increase.

**Even among beer drinkers, most of the taxes are paid by people in the upper-income brackets.** Despite popular belief, beer drinkers tend to be wealthier than average: 50.4% of beer consumers earn \$60,000 or more annually, while only 44.3% of the general population earns that much.

### Income Distribution of Beer Consumers

	\$75,000 and over	\$60,000-\$74,999	\$50,000-\$59,999	\$40,000-\$49,999	\$30,000-\$39,999	\$20,000-\$29,999	Under \$20,000	Total
Percent of beer drinkers	38.2	12.2	8.8	9.2	10.4	9.8	11.4	100.0
Percent of U.S. Adult Population	32.8	11.5	9.1	9.6	10.9	10.8	15.3	100.0

Source: Adams Beer Handbook 2006

**Higher-income consumers are much more likely to drink beer than people with low incomes.** Over half (54.1%) of adults earning \$75,000 or more are beer drinkers, whereas only 34.6 percent of individuals earning less than \$20,000 are beer drinkers.

### Percentage of Persons Who Drink Beer by Income Level

Category	\$75,000 and over	\$60,000-\$74,999	\$50,000-\$59,999	\$40,000-\$49,999	\$30,000-\$39,999	\$20,000-\$29,999	Under \$20,000
Percent of beer drinkers	54.1	49.2	45.2	44.4	44.1	42.0	34.6
Total Population (millions)	65.9	23.2	18.3	19.3	21.9	21.8	30.7

Source: Adams Beer Handbook 2006

**Bottom line on alcohol taxes and lower-income consumers:** Low-income people, overall, drink less than upper-income consumers. The percentage of low-income families that buy alcoholic beverages is significantly less than the share of upper-income consumers who do. Fewer than half of families in the bottom quintile spend any money on alcoholic beverages.

Even though low-income consumers have far less income, the percentage of their total expenditures devoted to alcoholic beverages is not much different from what upper-income consumers spend.

And, among alcohol consumers, heavy expenditures for alcohol are far more concentrated within a small percentage of low-income families than they are among wealthier consumers. Thus, only a very small minority of lower-income consumers feels the brunt of alcohol taxes today or would be affected by alcohol-tax increases.

**Projected Average Cost per Resident of Illinois State  
Institutions serving People with Developmental  
Disabilities during FY 2009**

Facility	Number of Residents as of February 1, 2009	Average Annual cost per Resident
Mabley, Dixon	86	\$140,566
Kiley, Waukegan	214	\$149,635
Fox, Dwight	132	\$159,391
Jacksonville	213	\$150,313
Choate, Anna*	259	\$155,670
Murray, Centralia	305	128,058
Howe, Tinley Park	297	\$176,996
Ludeman, Park Forest	370	\$126,047
Shapiro, Kankakee	540	139,014
<b>TOTAL</b>	<b>2416</b>	<b>\$145,246</b>

\*172 of whom have a diagnosis of developmental disabilities.

NOTE: Average DHS payments to private providers serving persons with moderate to severe disabilities living in a CILA group home are from \$46,361 to \$54,828 per resident. The average cost of serving these individuals is approximately \$75,000. This would still be about half the cost of serving them in a state institution.

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