



April 21, 2023

Governor Gavin Newsom  
1021 O St., Suite 9000  
Sacramento, CA 95814

Dear Honorable Gov. Newsom,

Alcohol Justice is an alcohol and other drug harm prevention institution, located in San Rafael, CA. We advocate for evidence-based policies that support public health and public safety.

We are writing out of serious concern regarding two issues confronting California: the state's estimated \$22.5 billion budget deficit (Walters, 2023), and the nearly 20,000 annual deaths from alcohol-related causes estimated by the state's Department of Public Health (CADPH; Jimenez, Demeter & Pinsker, 2023). As a policy shop with an emphasis on the alcohol industry, we strongly urge you to consider raising the state's alcohol excise taxes in the May Budget Revision – *a potential win/win that would raise revenue and curb mortality.*

Alcohol excise taxes in California have not changed since the early 1990s, and are a set figure—meaning they lose value with time. With the steady march of inflation, the current CA excise tax rate returns 48 cents on the dollars compared to its original value. A simple adjustment to return the excise tax rate to its intended level would give the state \$4.66 billion in revenue over 10 years. And this would be a small—for consumers, literally imperceptible—cost increase. After resetting the excise rate, a mere 5 cent per drink increase to beer, wine, and spirits would generate an additional \$8.81 billion over 10 years.

The current alcohol-related mortality figure identified by CADPH represents a 140% increase in deaths in a mere 5 years (Esser et al., 2020). The increase is seen across all causes, including accident-related motor vehicle crashes, chronic conditions such as liver disease and cancers, and poisonings. In fact, alcohol potentiates the effect of opioids, lowering the lethal amount a person must ingest, and is a significant driver of the opioid overdose crisis. This morbidity and mortality has a price tag as well. The CDC estimates that alcohol-related harms cost the state \$14.47 billion annually. Currently, California alcohol taxes only recoup 16% of those costs. (Blanchette, Chaloupka & Naimi, 2019)

But price changes have effects beyond simply offsetting the financial impact of harm. An effective tax affects the highest consumers first. According to Daley and colleagues (2012), a 25 cent-per-drink tax would be paid by highest-risk drinkers, compared to lower-risk drinkers, at a 4.7 to 1 ratio. That study estimated an 11.4% decrease in heavy drinking; a systematic review of alcohol tax studies found a significant relationship between tax policy and alcohol-related disease and injury outcomes, violence, crime and other destructive behavior, and other drug use. (Wagenaar, Tobler & Komro, 2010)

The dissuasive effect can be multiplied by using the revenue to fund existing or new preventive services, such as youth resources, recovery, housing, and access to care. Taxes on hazardous products that simultaneously fund services and lessen the impact of those products are broadly popular. Previous polling found that the nickel-a-drink tax hike was approved by around 80% of California residents. (Public Policy Institute, 2009) Looking at similar taxes, these taxes become widely popular as long as the public has a perception that it will be spent on health and healthcare. For instance, a study on consumer attitudes in New York showed that 60% of *smokers* approve of their taxes being raised so long as the money is used to offset harm, compared to 83% of nonsmokers. (Farley et al., 2013). And the recent soda taxes in California—again, allocated to programs that offset the impacts of heavy consumption of high-sugar beverages—passed overwhelmingly, with 61% of the vote in Oakland, 62% in San Francisco, and 76% in Berkeley.

An alcohol tax, especially one tied to health and social services spending, would hit all the right notes: it raises desperately needed funds at a time when important services risk being cut; it provides cost “nudges” to the individuals most likely to suffer catastrophic consequences from their alcohol consumption; it does not overly burden the industry, being no more severe than it was in 1992; and it follows in the footsteps of past, widely popular tax policies.

We understand that California is severely burdened by the current budgetary shortfall. We also want to emphasize how much of that burden comes from tragic deaths through alcohol overconsumption. The May Budget Revision presents the perfect opportunity for the Governor to take an action that is both bold and straightforward. Please consider this sensible reform of the alcohol excise tax rates. California remembers those who save lives even more fondly than those who **raise dollars**.

Respectfully,



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