



LIQUID ASSETS?

INDUSTRY RAISED THE BAR TO RESIST ALCOHOL TAXES

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NATIONAL INSTITUTE
ON MONEY IN STATE POLITICS

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OVERVIEW

HOW ARE STATES COPING WITH THE BUDGET WOES PREVALENT TODAY? A COMMON SOLUTION has been to raise taxes to help cover the shortfalls. Frequently, some of the first taxes to face a potential increase involve so-called "sin taxes." The current recession is proving to be no exception to this trend -- many states around the country are considering plans to raise taxes on alcohol to help balance their budgets. Businesses in the alcohol trade are responding with familiar "old school" tactics, contributing millions of dollars to state political campaigns all over the country.

An examination of contributions from 2001 through 2007 shows that the alcohol industry gave more than \$34 million to state lawmakers across the country: the very same officials responsible for making tax decisions that affect the alcohol trade. In addition:

From 2001 through 2007 the alcohol industry gave more than \$34 million to state lawmakers across the country

- From 2001-2007, the alcohol industry gave \$62.5 million to political campaigns. Anheuser-Busch and its affiliates led the pack, giving nearly \$10 million. The Associated Beer Distributors of Illinois and Diageo followed, giving \$2.5 million and \$2.2 million, respectively.
- The 10 states that received the most got \$46.8 million, 75 percent of the \$62.5 million contributed nationwide. California led the pack, followed by Illinois and Massachusetts.
- The alcohol industry heavily favored officials in leadership positions in Illinois. Five of the six top recipients were powerful political leaders. Gov. Rod Blagojevich received \$676,000, Senate President Emil Jones, Jr. got \$338,000, House Speaker Michael Madigan got \$246,000, Senate Republican Leader Frank Watson garnered \$200,000 and House Republican Leader Tom Cross received \$178,000.

METHODOLOGY

The National Institute on Money in State Politics examined political contributions made by businesses in the alcohol industry from 2001 through 2007, such as breweries, alcoholic beverage distributors, bars and taverns, distillers and wineries. Contributions to state level political party committees, candidates and ballot committees are analyzed here. Contributions to slate committees in Maryland and New Jersey are included in the totals for contributors and in the totals received by state, but are not included in the examinations of the recipients of alcohol money. Slate committees received \$19,571.

The Institute began collecting ballot committee data on a nationwide basis in 2004, and any contributions to ballot committees concerned with measures before that year are not included in this analysis.

TAXING ALCOHOL SALES DURING TOUGH TIMES

Today's economy continues to decline. Nationwide, states had a four percent decrease in total revenues in the fourth quarter of 2008; compared to a year earlier, 41 states may see revenue decreases of more than 12 percent for the first quarter of 2009.¹ On top of the declining tax revenues, states are confronted by large increases in unemployment filings. Unemployment in the United States has gone up each month in 2009, reaching 8.5 percent nationally for March,² while eight states had unemployment rates of 10 percent or more.³

Exactly how much economic trouble are state budgets in? The answer varies. The Center on Budget and Policy Priorities in Washington, D.C. estimates that budget gaps will reach a total of \$350 billion for the remainder of fiscal 2009 and fiscal 2010 and 2011.⁴ The National Conference of State Legislatures projects deficits totaling \$121 billion through fiscal 2010, while the National Governor's Association expects gaps of \$230 billion through fiscal 2010.⁵

The federal government hasn't raised taxes on alcoholic beverages since 1991, but in tough economic times it is not unusual for states to try to increase revenues from alcohol and other "sin taxes." On average across the nation, sales taxes on alcohol currently account for about 2.2 percent of sales tax revenues,⁶ and up to 30 states have been considering, or will consider, alcohol tax increases this year.⁷ Nationwide in 2007, states raised their alcohol taxes by a

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¹ "Sales Tax Slump: State Revenue Falls 4%," *CNN Money*, April 14, 2009, available from http://money.cnn.com/2009/04/14/news/economy/state_revenue.reut/index.htm?section=money_latest, accessed April 21, 2009.

² "Employment Situation Summary," *United States Department of Labor: Bureau of Labor Statistics*, March 2009, available from <http://www.bls.gov/news.release/empsit.nr0.htm>, accessed April 21, 2009.

³ "Regional and State Employment and Unemployment Summary," *United States Department of Labor: Bureau of Labor Statistics*, March 2009, available from <http://stats.bls.gov/news.release/laus.nr0.htm>, accessed April 21, 2009.

⁴ Iris J. Lav and Elizabeth McNichol, "State Budget Troubles Worsen," *Center on Budget and Policy Priorities*, March 13, 2009, available from <http://www.cbpp.org/cms/?fa=view&id=711>, accessed April 24, 2009.

⁵ Pamela M. Prah, "State Budget Gaps Top \$200 Billion; Fees Tax Hikes in the Works," *Stateline.org*, April 24, 2009, available from <http://www.stateline.org/live/details/story?contentId=394944>, accessed April 24, 2009.

⁶ David Kesmodel, "States Look to Lift Taxes on Alcohol," *Wall Street Journal*, Jan. 17-18, 2009, Sec. A, p. 4.

⁷ "Alcohol Taxes Tempt Lawmakers," *National Association of Convenience Stores*, Jan. 23, 2009, available from <http://www.nacsonline.com/NACS/News/Daily/Pages/ND0123094.aspx>, accessed April 21, 2009.

combined \$3 million,⁸ but this year some states have been considering raising them further. Kentucky, for example, considered a proposal to raise up to \$68 million in increased alcohol taxes to help address their state budget.⁹ The Kentucky proposal drew some very public opposition from distillers, who conveyed their disapproval by pouring bourbon onto the statehouse steps.¹⁰

In addition to public spectacles, the alcohol industry attempts to exercise political influence more traditionally. From 2001 through 2007, the industry gave more than \$62 million to state-level campaigns in all 50 states (See the appendix for a list of total contributions by state.). Anheuser-Busch was the largest contributor by far during this period, giving almost \$10 million. The Associated Beer Distributors of Illinois and Diageo followed, giving \$2.5 million and \$2.2 million, respectively.

TOP 10 ALCOHOL CONTRIBUTORS, 2001-2007

CONTRIBUTOR	TOTAL
Anheuser-Busch*	\$9,968,078
Associated Beer Distributors of Illinois	\$2,481,301
Diageo†	\$2,181,562
SABMiller‡	\$1,981,739
E & J Gallo Winery	\$1,703,858
California Beer & Beverage Distributors	\$1,515,561
Michigan Beer & Wine Wholesalers Association	\$1,456,331
Distilled Spirits Council of the United States	\$1,374,194
Wine Institute California	\$1,372,911
Southern Wine & Spirits of America	\$1,314,364
TOTAL	\$25,349,899

*Anheuser-Busch figures include contributions from divisions of the Anheuser-Busch company, such as Anheuser-Busch Recycling Corp., Anheuser-Busch Packaging Group, Busch Entertainment Corp., Busch Properties and others. Anheuser-Busch figures also include contributions from beer distributors that carry Anheuser-Busch products exclusively, and political action committees specifically representing Anheuser-Busch wholesalers.

†Diageo figures include contributions from Diageo, Diageo North America, Diageo Americas, Diageo Chateau & Estate Wines, and Diageo-Guinness USA.

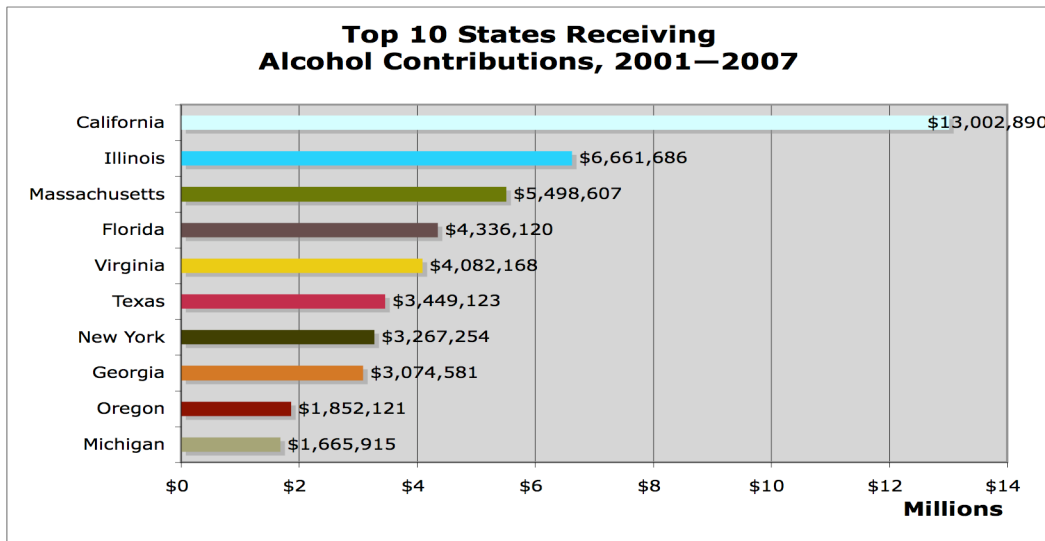
‡SABMiller figures include contributions made from the Miller Brewing Company before it was purchased by South African Breweries in July of 2002.

⁸ David Kesmodel, "States Look to Lift Taxes on Alcohol," *Wall Street Journal*, Jan. 17-18, Sec. A, p. 4.

⁹ "Alcohol Taxes Tempt Lawmakers," *National Association of Convenience Stores*, Jan. 23, 2009, available from <http://www.nacsonline.com/NACS/News/Daily/Pages/ND0123094.aspx>, accessed April 21, 2009.

¹⁰ Brock Vergakis, "States Look to Booze for Shots to Economy," *USA Today*, Feb. 15, 2009, available from http://www.usatoday.com/news/nation/2009-02-15-states-liquorlaws_N.htm, accessed Feb. 17, 2009.

The alcohol industry made political contributions in all 50 states. The top 10 states received \$46.8 million, 75 percent of the \$62.5 million contributed nationwide. California led the pack, followed by Illinois and Massachusetts.



The alcohol industry gave California campaigns slightly more than \$13 million over the seven-year period, twice as much money than in Illinois, the next-highest state. Four donors each gave more than a million dollars in California: Anheuser-Busch (\$2.3 million), E & J Gallo Winery (\$1.6 million), California Beer & Beverage Distributors (\$1.5 million) and Wine Institute of California (\$1.4 million).

One-third of the money given in California went to a variety of ballot committees. In particular, alcohol gave \$3 million to a ballot committee called "Californians Against Higher Taxes, No on 56," which amounted to about a third of the total raised by the committee from all sources. This committee was formed to oppose a 2004 ballot measure that would have reduced the required consensus necessary to pass a budget bill from two-thirds to 55 percent. This measure, ironically, failed by a two-thirds vote: 66 percent to 34 percent. In addition to ballot measure committees, alcohol interests gave the California Democratic Party \$1 million, the second largest amount of funding in California from alcohol interests during the 2001–2007 period. The California Republican Party was third, with about \$942,000 over that time span. No other California recipient reached the half-million dollar mark.

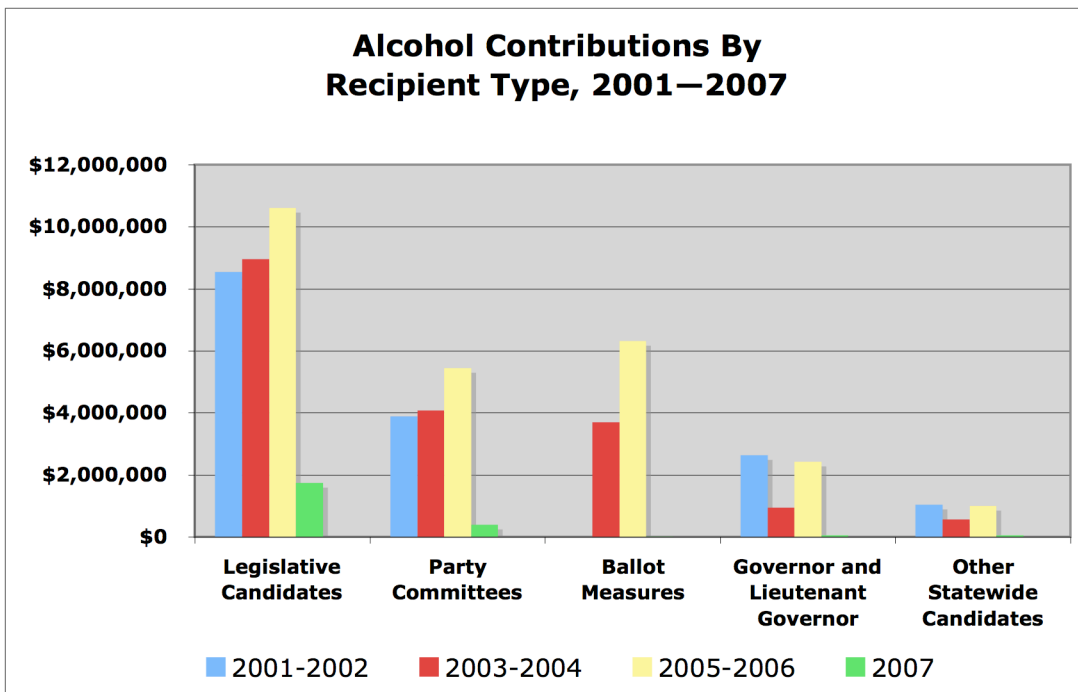
The alcohol industry heavily favored those in a leadership position in Illinois. Then-Gov. Rod Blagojevich received more funding from the alcohol industry than anyone else, totaling around \$676,000. Next, then-State Senator Emil Jones Jr., president of the Senate from 2003–2007, came in second with about \$338,000. House speaker Michael Madigan was next with about \$246,000. Senate Republican Leader Frank Watson was fourth on the list with almost \$200,000. The Illinois Democratic Party followed with \$199,000. House Republican Leader Tom Cross also received a substantial sum from alcohol interests, about \$178,000, and placed sixth.

Campaigns and parties in Massachusetts received more than \$5.5 million over the 2001–2007 span, \$5.3 million of which was given to oppose a 2006 measure that would have allowed retail

food stores to obtain licenses to sell wine, which currently is available only from package stores. The measure, Question 1, generated a total of \$13.4 million from all sources on both sides, easily eclipsing the previous state record for a ballot measure.¹¹ The Vote No on One ballot committee was the single largest recipient of money from the alcohol industry nationwide during the 2004–2007 period, garnering more than half of the \$10.1 million the industry gave to ballot committees around the country.

More than half of the alcohol money given in Florida from 2001 through 2007 went to the Florida Republican Party, at \$2.4 million. Florida's second-largest recipient was the state's Democratic Party, which got \$488,595.

As a group, legislative candidates received nearly \$30 million from the alcohol industry. The \$13.8 million to party committees and \$10.1 to ballot committees came in second and third. High court candidates received less than \$100,000.



¹¹ Bruce Mohl, "Ballot Fight Over Wine Sales Sets Spending Record," *Boston Globe*, Nov. 7, 2006, available from http://www.boston.com/news/local/politics/candidates/articles/2006/11/07/ballotfight_over_wine_sales_sets_spending_record/. Accessed April 20, 2009.

Alcohol businesses gave 17 percent of their total contributions to ballot committees. The vast majority, \$9.6 million, was spent on 15 measures in five states.

**TOP 10 BALLOT COMMITTEE RECIPIENTS
OF ALCOHOL MONEY, 2004-2007**

COMMITTEE	STATE	YEAR	POSITION	BALLOT MEASURE OUTCOME	TOTAL
Californians Against Higher Taxes, No On 56	California	2004	Oppose Proposition 56	Failed	\$3,022,356
Governor Schwarzenegger's California Recovery Team	California	2005	Support Proposition 74	Failed	\$409,400
Californians For A Balanced Budget, Yes on 57 & 58	California	2004	Support Proposition 57 & 58	Passed	\$150,000
Taxpayers For Fair Elections	California	2006	Oppose Proposition 89	Failed	\$131,500
Rebuilding California, Yes On Propositions 1A, 1B, 1C, 1D, AND 1E	California	2006	Support Propositions 1A, 1B, 1C, 1D, & 1E	Passed	\$126,000
Yes On 64, Californians To Stop Shakedown Lawsuits	California	2004	Support Proposition 64	Passed	\$125,000
				CALIFORNIA SUBTOTAL	\$3,964,256
Vote No On One Committee	Massachusetts	2006	Oppose Question 1	Failed	\$5,273,032
Derail The Bullet Train (DEBT)	Florida	2004	Support Amendment 6	Passed	\$250,000
Smoke Free Coalition	Nevada	2006	Support Question 4	Failed	\$72,100
Yes On 203 (formerly First Things First For Arizona's Children)	Arizona	2006	Support Proposition 203	Passed	\$57,500
				TOTAL	\$9,616,888

The alcohol industry gave political party committees \$13.8 million. The Florida Republican Party and the California Democratic Party were the only two to receive seven-figure contributions, although the California Republican Party came close with \$942,400. Nationwide, the alcohol industry gave \$8.3 million to Republican Party committees, 51 percent more than the \$5.5 million given to Democratic Party committees.

**TOP 10 PARTY RECIPIENTS
OF ALCOHOL MONEY, 2001-2007**

RECIPIENT	TOTAL
Florida Republican Party	\$2,375,704
California Democratic Party	\$1,018,616
California Republican Party	\$942,401
Missouri Republican Party	\$512,100
Georgia Republican Party	\$501,379
Florida Democratic Party	\$488,595
Democratic Assembly Campaign Committee of New York	\$450,693
Senate Republican Campaign Committee of New York	\$420,592
Texas Republican Party	\$339,100
Georgia Democratic Party	\$276,340
	TOTAL \$7,325,520

Although the alcohol industry gave more to Republican Party committees, when looking at candidates, Republicans and Democrats received roughly equal amounts: Republicans \$19.4 million and Democrats \$19 million. Democratic governors Rod Blagojevich (IL.) and Gray Davis (CA.) topped the list. Republican California Gov. Arnold Schwarzenegger was a close third, with about \$472,000. Gov. George Pataki of New York also received a substantial amount: \$224,000.

**TOP 10 CANDIDATE RECIPIENTS
OF ALCOHOL MONEY, 2001-2007**

CANDIDATE	STATE	PARTY	OFFICE	TOTAL
Rod Blagojevich	Illinois	Democratic	Governor	\$676,291
Gray Davis	California	Democratic	Governor	\$476,521
Arnold Schwarzenegger	California	Republican	Governor	\$472,196
Bill Lockyer	California	Democratic	Attorney General/Treasurer	\$367,066
Emil Jones Jr.	Illinois	Democratic	Senate President	\$337,885
Jerry Kilgore	Virginia	Republican	Attorney General/Governor	\$292,612
Michael Madigan	Illinois	Democratic	House Speaker	\$245,550
George Pataki	New York	Republican	Governor	\$224,253
William Howell	Virginia	Republican	House Speaker	\$222,750
Herb Wesson Jr.	California	Democratic	Assembly Speaker	\$198,429
TOTAL				\$3,513,553

Appendix: Alcohol Contributions By State, 2001–2007

STATE	TOTAL
Alabama	\$497,005
Alaska	\$1,350
Arizona	\$181,418
Arkansas	\$252,861
California	\$13,002,890
Colorado	\$283,621
Connecticut	\$159,689
Delaware	\$264,923
Florida	\$4,336,120
Georgia	\$3,074,581
Hawaii	\$163,652
Idaho	\$183,595
Illinois	\$6,611,686
Indiana	\$1,586,328
Iowa	\$144,206
Kansas	\$460,181
Kentucky	\$174,494
Louisiana	\$852,322
Maine	\$198,724
Maryland	\$586,785
Massachusetts	\$5,498,607
Michigan	\$1,665,915
Minnesota	\$87,612
Mississippi	\$272,570
Missouri	\$1,600,510
Montana	\$33,940

STATE	TOTAL
Nebraska	\$107,900
Nevada	\$610,042
New Hampshire	\$57,639
New Jersey	\$1,549,832
New Mexico	\$474,010
New York	\$3,267,254
North Carolina	\$310,920
North Dakota	\$15,845
Ohio	\$1,299,925
Oklahoma	\$79,925
Oregon	\$1,852,121
Pennsylvania	\$405,409
Rhode Island	\$150
South Carolina	\$871,864
South Dakota	\$59,985
Tennessee	\$573,218
Texas	\$3,449,123
Utah	\$223,381
Vermont	\$59,100
Virginia	\$4,082,168
Washington	\$717,260
West Virginia	\$57,012
Wisconsin	\$219,661
Wyoming	\$60
TOTAL	\$62,519,389