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States Putting Hopes in ‘Bottoms Up’ to Help the Bottom Line

By [KIM SEVERSON](#)

ATLANTA — Drink up, America. The government needs the money.

With cities across the country facing their fifth straight year of declining revenues and states cutting services and laying off workers, raising money from people who enjoy a cocktail is becoming an increasingly attractive option.

Since the recession started in earnest in 2008, dozens of states and cities have tinkered with laws that regulate alcohol sales as a way to build up their budgets.

Twelve states have raised taxes on alcohol or changed alcohol laws to increase revenue, including Maryland, which in July pushed the sales tax on alcohol to 9 percent, from 6 percent — the first such increase in 38 years and one that is expected to bring in \$85 million a year.

In November, voters in Atlanta and elsewhere in Georgia will decide whether to repeal colonial-era laws that ban alcohol sales on Sunday.

People touring the [Jack Daniel’s distillery](#) in Lynchburg, Tenn., may finally be able to have a sip now that the state has loosened laws to allow tastings as part of a package of changes intended to attract more alcohol-related business to the state.

Even universities are hoping alcohol will raise revenue. Fans of the [Louisiana State University Tigers](#) will soon be drinking Bandit Blonde, a beer whose name refers to a famous 1950s football defense. Made by a local brewery under a special licensing agreement, it puts money into the university coffers with every swig.

The beer will be sold on tap and in gold-and-purple cans at bars, restaurants and stores around Louisiana. The university will get royalties of between 6 and 8 percent, said Charles D’Agostino, executive director of the university’s [Louisiana Business and Technology Center](#).

Although some drinkers and government budget writers might like the changes, not everyone is happy.

“Lawmakers are taking a very short-sided view,” said David Jernigan, director of the [Center on Alcohol Marketing and Youth](#) at the Johns Hopkins Bloomberg School of Public Health. “What they gain in short-term tax revenue they are losing in long-term police costs, emergency room costs and work-force readiness

costs in terms of the Monday morning effect.”

Like many public health officials, Mr. Jernigan does not support government efforts that increase the availability of alcohol, but he does support raising sales tax as a way to make people drink less.

Taxes do not always slow things down at happy hour, however. Because there is not a good substitute for alcohol, state officials are banking on the fact that people will simply pay more or drink cheaper brands.

“These are kind of antitax times, so it’s tough to raise any kind of tax, but this is one they might have more success with,” said Mark Stehr, an associate professor of economics at Drexel University in Philadelphia who has studied the effects of taxes and other regulations on cigarettes and alcohol.

“Legislators can say it’s to protect health and reduce drunk driving, and that’s what can draw support, but the real motivation is revenue,” he said.

The nation’s states and local governments take in \$17 billion year from alcohol taxes. And although the number has been rising steadily, the recession has slowed that growth, said David Ozgo, chief economist at the [Distilled Spirits Council of the United States](#).

Still, states keep adding them. Illinois raised alcohol taxes in 2009 specifically for roads, schools and other projects, adding about \$100 million a year to the capital fund. In 2010, Washington State installed a temporary excise tax on certain beers that adds about 28 cents a six-pack. In three years, it should bring in about \$180 million.

Although a study from the distilled spirits council predicts that Sunday sales in Georgia could generate as much as \$4.8 million, analysts are less certain that allowing them will bring in much new money because drinkers are likely simply to shift the days they buy alcohol.

Georgia is one of only three states left (Connecticut and Indiana are the others) that prohibit selling any kind of alcohol on Sunday. Although a thirsty patron could buy a drink at a restaurant or a ballgame in some communities, stores cannot sell it.

The roots of the ban are religious, and the law was defended for years by Gov. Sonny Perdue, who vowed to veto any legislation that tried to change it. When Gov. Nathan Deal took office this year, lawmakers overrode opposition by religious groups and some rural legislators and wrote a law allowing local governments to put the question of Sunday sales to a vote.

On Nov. 8, nearly 100 Georgia cities and counties will hold referendums on the issue. For Atlanta, expanding liquor laws is about economic stimulation and modernity, said Kwanza Hall, a member of the City Council who is also trying to get the hours one can pour drinks extended to 4 a.m.

“It’s kind of neat to get with the program down here,” he said.

In smaller communities like Snellville, a town of about 20,000 people in a stretch of busy suburbs outside

of Atlanta, allowing Sunday sales should keep grocery stores from leaving for neighboring communities, supporters of the change say.

“We’re not doing it to raise taxes,” said Jerry Oberholtzer, the mayor. “We’re just doing it be competitive.”

Still, more sales will mean more revenue, and every little bit helps in a town that went from more a million dollars in revenue from development in 2003 to about \$100,000 this year.

Plus, the mayor said, there’s simply the anachronistic nature of the law: “The younger generation just thinks it’s kind of dumb.”

Although opposition has traditionally been on religious grounds, people here who plan to fight the Sunday sales initiatives will argue that it is an issue of local control and safety for smaller communities.

“God knows — and I say that reverently — you can’t prove anything with religion anymore,” said Jerry Luquire, president of the [Georgia Christian Coalition](#). “So we’re saying, ‘Please vote no to save a life.’ You can live without alcohol on Sunday, but you may not be able to live with it.”

In Tennessee, changes to the alcohol laws were intended as economic stimulus, but of a different sort. In an effort to attract a large out-of-state brewer and as a way to help local makers of craft-style beers, the state now allows high-alcohol beers like stouts and barley wines to be produced under certain circumstances.

The new law also made it legal for microbreweries and stores that sell alcohol to offer samples. That is good news for fans of Jack Daniel’s, who now might be able to actually taste the state’s famous whiskey when they tour the plant, which is located in a dry county.

Tennessee is the eighth state to pass legislation allowing liquor tastings since 2009.

The theory is that customers who sample new wines or a new cocktail are likely to buy more, said Bard Quillman, a former banker who a decade ago opened [Red Dog Wine and Spirits](#) near Nashville.

“If we are doing a mixed-drink promotion, we are trying to sell the mixer as an add-on,” he said. “Say that’s a \$20 dollar ring. At 9 percent, the state just picked up a couple bucks on top of whatever the customer was going to buy anyway.”

Robbie Brown contributed reporting.



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