

October 14, 2015

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative to lower the legal age to purchase and consume alcohol (A.G. File No. 15-0054).

Background

Enforcement of Legal Drinking Age. Currently, the legal age for purchasing and, in most cases, consuming alcohol in California is 21 years of age. The Department of Alcoholic Beverage Control enforces the state's minimum drinking age laws. Additionally, state and local governments incarcerate, supervise in the community, and assess fines on some persons convicted of drunk driving and other alcohol-related offenses.

Federal Highway Funds. Under current federal law, the Federal Highway Administration withholds 8 percent of federal highway funds from states that set their minimum drinking age below 21 years of age. In recent years, California has received over \$2.5 billion in federal highway funds annually.

Taxes Associated With Alcohol Sales. The state collects an alcoholic beverage tax on alcohol sold in California. The tax is a per-gallon excise tax with a rate that varies by the type of alcohol, from \$0.20 per gallon for beer and wine to as much as \$6.60 per gallon for some distilled spirits. In 2013-14, the state collected about \$360 million in alcoholic beverage taxes. State and local governments also impose sales taxes on the retail sale of a variety of goods, including alcoholic beverages.

Proposal

The measure lowers the legal age for purchasing and consuming alcohol from 21 to 18 years of age.

Fiscal Effects

Reduced Federal Highway Funds. This measure would result in a reduction of federal highway funds received by the state by 8 percent—roughly \$200 million annually.

Additional Tax Revenue from Alcohol Sales. The measure would make it legal for 18 to 20 year-olds to purchase alcohol, likely increasing the amount sold in the state. The alcoholic beverage taxes associated with increased alcohol sales could total in the low millions of dollars annually, but would depend on the amount and type of additional alcohol sold. Additionally, the measure could increase state and local sales tax revenue, possibly by a few million dollars annually.

Effects on Criminal Justice System. The measure could result in increases in some types of crimes that have been linked to alcohol, such as driving under the influence. This could affect state and local criminal justice costs—for example, those related to courts, probation, and incarceration. However, the measure could also result in some reductions in the number of crimes associated with underage drinking. Overall, the costs to the criminal justice system are likely to outweigh the savings, potentially resulting in costs totaling several million dollars annually. In addition, state and local governments could receive additional fine and fee revenues associated with these crimes, possibly totaling several million dollars annually.

Effects on Health System. The measure could lead to some increases in certain behaviors, such as driving under the influence, that can lead to emergency room visits and other health care services. This could potentially result in some increases in health care provided by state-funded health programs, such as Medi-Cal. However, the costs to state and local governments related to additional health care are uncertain.

Summary of Fiscal Effects. This measure would likely have the following major fiscal effects:

- Reduction in federal highway funds totaling roughly \$200 million dollars annually.
- Increased state and local tax revenues associated with the sale of alcoholic beverages totaling possibly several million dollars annually.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance