

File No. 100865

Committee Item No. 12

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub-Committee: BUDGET AND FINANCE

Date: August 4, 2010

BOARD OF SUPERVISORS MEETING

Date: _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

(Use back side if additional space is needed)

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>The Cost of Alcohol to San Francisco*</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Andrea S. Ausberry

Date Thursday, July 29, 2010

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Establishing an Alcohol Mitigation Fee]

2
3 Ordinance amending the San Francisco Administrative Code Chapter 106, by adding
4 Sections 106 through 106.28 to impose a fee on alcoholic beverage wholesalers and
5 certain other persons who distribute or sell alcoholic beverages in San Francisco to: 1)
6 recover a portion of San Francisco's alcohol-attributable unreimbursed health costs,
7 and; 2) fund administration costs.

8 NOTE: Additions are single-underline italics Times New Roman;
9 deletions are ~~strike-through italics Times New Roman~~.
10 Board amendment additions are double-underlined;
11 Board amendment deletions are ~~strikethrough-normal~~.

12 Be it ordained by the People of the City and County of San Francisco:

13 Section 1. The San Francisco Administrative Code is hereby amended adding a new
14 Chapter 106, Section 106 through 106.28, to read as follows:

15 **SEC. 106. FINDINGS.**

16 1. Illness, disability and premature death can be directly attributed to alcohol use. The
17 Centers for Disease Control and Prevention (CDC) has called excessive alcohol consumption the third
18 leading preventable cause of death, or modifiable behavioral risk factor, in the United States, after
19 tobacco and the combination of poor diet and physical inactivity.

20 2. In a 2010 study published in The Open Epidemiology Journal, researchers found that
21 alcohol use resulted in approximately 10,600 deaths and 72,000 nonfatal hospitalizations in California
22 during 2006 alone.

23 3. In one study, researchers estimated that the annual economic costs of alcohol use in
24 California for 2005 are between \$35.4 billion and \$42.2 billion, including \$5.4 billion in medical and
25 mental health spending, \$25.3 billion in work losses, and \$7.8 billion in criminal justice spending,
property damage, and other public program costs.

1 4. Two-thirds of San Francisco adults are current drinkers, compared with 55% of United
2 States adults. The San Francisco Department of Public Health considers alcohol a major public health
3 problem.

4 5. In San Francisco, alcohol use ranks among the leading causes of premature mortality.
5 Analyzing data from 2004-2007, the Department of Public Health found that alcohol is a leading cause
6 of premature death among men in San Francisco, accounting for approximately 10% of all their years
7 of life lost. The Department of Public Health also found that alcohol use is a notable cause of
8 premature death among women in San Francisco, falling between fifth and fifteenth as the leading
9 cause of premature death for that group, depending on the analytical method used.

10 6. Alcohol also plays a role in a significant number of deaths in San Francisco. In Fiscal
11 Year 2006-2007 – the most recent year for which the San Francisco Medical Examiner published
12 findings – alcohol was the primary cause of death in 7.7% of natural deaths certified by that office.
13 Alcohol also is involved in a significant number of accidental deaths in San Francisco. In FY 2006-
14 2007, 33% percent of all non-vehicular accidental death victims tested by the Medical Examiner had
15 significant levels of alcohol in their blood. In that same year, alcohol was present in 32.7% of all
16 vehicular fatalities in San Francisco. Alcohol also was present in 25% of all suicides tested by the
17 Medical Examiner that year. In addition, 31.8% of all tested homicide victims in San Francisco in FY
18 2006-2007 had positive blood alcohol levels at the time of death.

19 7. The City and County of San Francisco incurs a range of substantial costs that are
20 attributable to alcohol consumption, including but not limited to, the costs of medical care for people
21 with alcohol-related illnesses, treatment and prevention of alcohol misuse, law enforcement for
22 alcohol-related incidents, and emergency response for alcohol-related motor vehicle collisions. In
23 addition, San Francisco incurs costs when individuals experience disability, diminished capacity, and
24 premature death due to alcohol use.

1 8. In 2010, The Lewin Group and Oxford Outcomes, Inc. ("Nexus Study Authors")
2 conducted a nexus study to calculate a portion of the City and County of San Francisco's health costs
3 attributable to Alcoholic Beverages. The report, entitled *The Cost of Alcohol to San Francisco:*
4 *Analyses Supporting an Alcohol Mitigation Fee ("Nexus Study")* is on file with the Clerk of the Board of
5 Supervisors in File No. 100865 and is incorporated herein by reference.

6 9. This Ordinance establishes the Alcohol Mitigation Fee to reimburse the City and County
7 of San Francisco for portion of its otherwise unreimbursed annual costs attributable to alcohol use as
8 identified in the Nexus Study.

9
10 **SEC. 106.1. TITLE AND PURPOSE.**

11 This Ordinance shall be known as the "Alcohol Mitigation Fee Ordinance" and the Fee imposed
12 herein shall be known as the "Alcohol Mitigation Fee" or "Fee." The purpose of this Fee is to at least
13 partly recover the City's unreimbursed 1) health care costs of alcohol-attributable conditions, 2) costs
14 of emergency transport due to alcohol, 3) alcohol prevention and treatment programs administered by
15 the Department of Public Health, and 4) administration costs, including but not limited to collection,
16 investigation, and enforcement costs (Eligible Costs).

17
18 **SEC. 106.4. DEFINITIONS.**

19 (a) "Account" or "San Francisco Alcohol Mitigation Account" means the account the City
20 maintains to receive monies collected under this Chapter.

21 (b) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl, or spirits of wine, from whatever
22 source or by whatever process produced.

23 (c) "Alcoholic Beverage" means Alcohol, Spirits, liquor, Wine, or Beer, and every liquid
24 containing Alcohol, Spirits, Wine, or Beer, which contains one-half of 1 percent or more of Alcohol by
25

1 volume and which is fit for beverage purposes either alone or when diluted, mixed, or combined with
2 other substances.

3 (d) "Beer" means any Alcoholic Beverage obtained by the fermentation of any infusion or
4 decoction of barley, malt, hops, or any other similar product, or any combination thereof in water, and
5 includes ale, porter, brown, stout, lager beer, small beer, and strong beer but does not include sake,
6 known as Japanese rice wine.

7 (e) "City" means the City and County of San Francisco.

8 (f) "Controller" means the Office of the Controller of the City and County of San
9 Francisco.

10 (g) "Eligible Costs" means the City's unreimbursed 1) health care costs of alcohol-
11 attributable conditions, 2) costs of emergency transport due to alcohol, 3) alcohol prevention and
12 treatment programs administered by the Department of Public Health, and 4) administration costs,
13 including but not limited to collection, investigation, and enforcement costs.

14 (h) "Fee" means the Alcohol Mitigation Fee imposed under this Chapter 106 of the San
15 Francisco Administrative Code.

16 (i) "Fee Payer" means a Person responsible for paying the Fee.

17 (j) "Manufacturer" or "Alcoholic Beverage Manufacturer" means any Person engaged in
18 the manufacture of alcoholic beverages.

19 (k) "Person" means any individual, firm, association, copartnership, cooperative
20 association, joint venture, corporation, personal representative, receiver, trustee, assignee, or any
21 entity, public or private in nature, but not the City or other governmental agencies exempted from local
22 fees under State or Federal law.

23 (l) "Retailer" or "Alcoholic Beverage Retailer" means a Person who engages in the sale of
24 Alcoholic Beverages for consumption and not for resale.

1 (m) "Rule" means any rule, regulation, guideline, instruction or prescribed form that the Tax
2 Collector duly issues, promulgates, or adopts to enforce and administer this Alcohol Mitigation Fee
3 Ordinance.

4 (n) "Sell", "Sale", or "To Sell" means any transaction whereby, for any consideration, title
5 to alcoholic beverages is transferred from one person to another, and includes the delivery of alcoholic
6 beverages pursuant to an order placed for the purchase of such beverages and soliciting or receiving
7 an order for such beverages, but does not include the return of alcoholic beverages by a licensee to the
8 licensee from whom such beverages were purchased. For purposes of this definition, "licensee" means
9 any person holding a license, a permit, a certification, or any other authorization issued by the
10 California Department of Alcoholic Beverage Control.

11 (o) "Spirits" means an Alcoholic Beverage obtained by the distillation of fermented
12 agricultural products, and includes but is not limited to, alcohol for beverage use, spirits of wine,
13 whiskey, rum, brandy, vodka, and all dilutions and mixtures thereof.

14 (p) "Tax Collector" means the Office of the Treasurer and Tax Collector of the City and
15 County of San Francisco.

16 (q) "Wholesaler" or "Alcoholic Beverage Wholesaler" means every Person other than a
17 Manufacturer, Winegrower or rectifier, who is engaged in business as a jobber or wholesale merchant,
18 selling Alcoholic Beverages to Retailers for resale.

19 (r) "Wine" means the product obtained from normal alcoholic fermentation of the juice of
20 sound ripe grapes or other agricultural products containing natural or added sugar or any such
21 alcoholic beverage to which is added grape brandy, fruit brandy, or spirits of wine, which is distilled
22 from the particular agricultural product or products of which the wine is made and other rectified wine
23 products and by whatever name and which does not contain more than 15 percent added flavoring,
24 coloring, and blending material and which contains not more than 24 percent of alcohol by volume,
25 and includes vermouth and sake, known as Japanese rice wine.

1 (s) "Winegrower" means any person who has facilities and equipment for the conversion of
2 grapes, berries or other fruit into wine and is engaged in the production of wine.

3
4 **SEC. 106.7. IMPOSITION OF ALCOHOL MITIGATION FEE**

5 (a) The City hereby imposes an Alcohol Mitigation Fee at the rate of \$.076 per ounce of
6 Alcohol sold on (1) Alcoholic Beverage Wholesalers who sell an Alcoholic Beverage to a Retailer for
7 resale within the geographic limits of the City, (2) Alcoholic Beverage Manufacturers, such as brew
8 pubs, breweries, or Winegrowers, that sell within the geographic limits of the City Alcoholic Beverages
9 directly to Persons for consumption and not resale, and (3) Alcoholic Beverage Retailers, or their
10 agents, that purchase outside the geographic boundaries of the City Alcoholic Beverages from Persons
11 for resale within the geographic boundaries of the City. The City may collect the Fee only once for
12 each ounce of alcohol sold within the geographic limits of the City. The Fee shall be subject to
13 adjustment from time to time under Section 106.16.

14 (b) The Fee Payer shall remit the Fee to the Tax Collector each calendar quarter on or
15 before the last day of the month immediately following each respective quarterly period, and in
16 accordance with the Tax Collector's Rules, except that all such amounts shall be due immediately upon
17 the transfer of ownership or cessation of a Fee Payer's business for any reason. The first Fee payment
18 is due January 31, 2011 for Fee Payers doing business during the quarter ending December 31, 2010.

19 (c) The City may expend the proceeds of the Fee only to offset, in whole or in part, the
20 Eligible Costs.

21 (d) The Tax Collector shall deposit all monies collected pursuant to this Alcohol Mitigation
22 Fee Ordinance to the credit of the San Francisco Alcohol Mitigation Fee Account authorized by
23 Section 106.28.

1 **SEC. 106.10. COLLECTION AND ENFORCEMENT.**

2 (a) The Tax Collector shall enforce the provisions of this Alcohol Mitigation Fee
3 Ordinance. The Tax Collector shall collect the Fee, conduct audits, and issue deficiency and jeopardy
4 determinations pursuant to the Business and Tax Regulations Code, Article 6, provided that nothing in
5 this Ordinance or in Article 6 of the Business and Tax Regulations Code shall be construed to mean
6 that the Alcohol Mitigation Fee is a tax rather than a fee. The Tax Collector may issue, and serve,
7 subpoenas to carry out these duties.

8 (b) The Tax Collector shall have the power and duty to promulgate Rules to implement and
9 administer this Ordinance, including but not limited to Rules prescribing methods for Fee collection,
10 payment and verification. A Fee Payer's failure or refusal to comply with any Rule shall be a violation
11 of this Ordinance and may subject the violator to the penalties set forth herein or in Business and Tax
12 Regulations Code, Article 6.

13 (c) Until otherwise specified by Rule, the Tax Collector shall allow any Fee Payer to report
14 Alcoholic Beverage sales based on either its inventory purchase invoices for the reporting period or its
15 Alcoholic Beverage sales records for the reporting period. A Fee Payer shall use the same method for
16 calculating and reporting its Fees each reporting period until otherwise specified by Rule.

17 (d) The Fee is payable, when due, at the office of the Tax Collector, and if not paid the
18 penalties and interest set forth in Business and Tax Regulations Code Sec. 6.17-1 shall apply.

19 (e) The Tax Collector shall have the authority described in Business and Tax Regulations
20 Code Sec. 6.4-1(b) to obtain information pertinent to the collection and enforcement of this Fee.
21 Penalties for noncompliance shall be the same as those authorized under Article 6 of the Business and
22 Tax Regulations Code.

1 **SEC. 106.13. RECORDS FOR ENFORCEMENT ONLY.**

2 (a) Every Fee Payer shall keep and preserve all such records as the Tax Collector may
3 require for the purpose of ascertaining and determining compliance with this Alcohol Mitigation Fee
4 Ordinance, including but not limited to, all local, State and Federal tax returns and all inventory
5 purchase invoices, for a period of four years. The Fee Payer shall submit copies of such records with
6 its periodic Fee returns as the Tax Collector may by Rule require, and shall make its original
7 documents available at its retail location for review, inspection or copying by the Tax Collector upon
8 request during normal business hours.

9 (b) The City shall access and use a Fee Payer's records required to be prepared or provided
10 under this Ordinance and Rules promulgated hereunder, including but not limited to its local, State and
11 Federal tax returns and inventory purchase invoices, solely for the purposes of enforcing this Alcohol
12 Mitigation Fee Ordinance. The City shall adhere to all applicable laws, policies and regulations
13 pertaining to personal information, individual privacy, trade secrets and proprietary information with
14 respect to such records and such records shall not be considered public records.

15
16 **SEC. 106.16. ADJUSTMENT AND REVIEW OF FEES.**

17 (a) Biannual Review. Beginning with fiscal year 2012-2013 and biannually thereafter, the
18 City shall review and, if necessary, adjust the Fee as set forth in this subsection. By March 1, the Tax
19 Collector shall report to the Controller the monies generated by the Fee for the prior fiscal year, and
20 each involved City department shall report to the Controller the prior fiscal year's Eligible Costs, and
21 any other information that the Controller determines appropriate to adjusting the Fee. The Controller
22 shall determine whether the current Fee has produced or is projected to produce funds sufficient to
23 support the Eligible Costs but not funds that are more than the costs of providing the services for which
24 the Fee is assessed. The Controller shall, if necessary, adjust the Fee by increasing or decreasing it for
25 the upcoming fiscal year or years as appropriate to ensure that over time the City recovers no more

1 than the costs for which the City assesses the Fee. The adjusted Fee rate shall become operative on
2 July 1. The Controller shall publish the adjusted Fee rate. Failure to publish the Fee rate shall not
3 affect the rights of the City to collect the adjusted Fee.

4 (b) Five-Year Review. Commencing five years after the effective date of this ordinance, and
5 every five years thereafter, or more often as the Controller may deem necessary, the Controller shall
6 commission a report updating the Nexus Study. The Controller may also recommend new categories of
7 unreimbursed costs attributable to alcohol to be recovered through the Fee. In making such
8 recommendations, and to the extent that new information is available, the report shall update the
9 information and estimates that were used in the Nexus Study to estimate the Fee, and any other
10 information the Controller deems appropriate. The Controller then shall recommend to the Board
11 whether Fee should be increased, decreased, or remain the same. Nothing in this subsection shall
12 prevent the Controller from adjusting the Fee to ensure that the City recovers no more than the costs
13 for which the City assesses the Fee under Section 106.16(a).

14
15 **SEC. 106.19. PREEMPTION.**

16 Nothing in this Chapter shall be interpreted or applied so as to create any power, duty or
17 obligation in conflict with, or preempted by, any Federal or State law.

18
19 **SEC. 106.22. CITY UNDERTAKING LIMITED TO PROMOTION OF GENERAL**
20 **WELFARE.**

21 In undertaking the adoption and enforcement of this Chapter, the City is assuming an
22 undertaking only to promote the general welfare. The City does not intend to impose the type of
23 obligation that would allow a Person to sue for money damages for an injury that the Person claims to
24 suffer as a result of a City officer or employee taking or failing to take an action with respect to any
25 matter covered by this Chapter.

1
2 **SEC. 106.25. SEVERABILITY.**

3 If any of the words, sentences, parts, or provisions of this Chapter or the application thereof to
4 any person or circumstance is held invalid, including any category of costs, the remainder of this
5 Chapter, including the application of such word, sentence, part or provisions to persons or
6 circumstances other than those to which it is held invalid, or the collection of the remaining costs, shall
7 not be affected thereby and shall continue in full force and effect. To this end, the words, sentences,
8 parts, and provisions of this Chapter are severable.

9
10 **SEC. 106.28. SAN FRANCISCO ALCOHOL MITIGATION FEE ACCOUNT.**

11 (a) Establishment of Account. The City shall maintain an San Francisco Alcohol
12 Mitigation Fee Account to receive monies collected under this Chapter.

13 (b) Use of Fee Monies. The Account shall be used solely to recover Eligible Costs.
14 Expenditures and encumbrances from the Account shall be subject to the budget and fiscal provisions
15 of the Charter and the Annual Appropriation Ordinance. The Controller shall allocate funds to
16 Departments based on each Department's share of the combined alcohol-attributable and alcohol fee
17 administration expenditures as determined by the most recent available nexus study and study of
18 administration expenditures.

19 APPROVED AS TO FORM:
20 DENNIS J. HERRERA, City Attorney

21 By:


22 Cecilia T. Mangoba
23 Deputy City Attorney
24
25

LEGISLATIVE DIGEST

[Establishing an Alcohol Mitigation Fee]

Ordinance adding Chapter 106, Sections 106 through 106.28, to the San Francisco Administrative Code to impose a fee on Alcoholic Beverage Wholesalers and certain other persons who distribute or sell Alcoholic Beverages in San Francisco to 1) recover a portion of San Francisco's alcohol-attributable unreimbursed health costs, and 2) fund administration costs.

Existing Law

The City does not charge any fees to recover its alcohol-attributable health costs.

Amendments to Current Law

The Alcohol Mitigation Fee Ordinance ("Ordinance") establishes an Alcohol Mitigation Fee ("Fee") at the rate of \$.076 per ounce of alcohol sold in San Francisco to defray a portion of the alcohol attributable costs that the City incurs each year. Specifically, the Fee would reimburse the City for the following costs: 1) the unreimbursed health care costs of treating alcohol-attributable conditions, 2) the unreimbursed costs of emergency transport due to alcohol, 3) alcohol prevention and treatment programs administered by the Department of Public Health, and 4) administration costs, including but not limited to fee collection, investigation, and enforcement costs.

The Fee is based on the results of a nexus study conducted by The Lewin Group and Oxford Outcomes, Inc. ("Nexus Study Authors") entitled "The Cost of Alcohol to San Francisco: Analyses Supporting an Alcohol Mitigation Fee."

Beginning in Fiscal Year 2012-2013, the Controller may adjust the Fee upward or downward biannually to ensure that the amount collected produces revenue that is sufficient – and that does not exceed – the health costs for which it is assessed. The Fee is not a tax.

Alcoholic beverage wholesalers, and certain other businesses who sell alcohol in San Francisco without wholesalers in the distribution chain, must pay the Fee quarterly to the Office of the Treasurer and Tax Collector. Fee payers are required to keep commercially reasonable records of alcohol sold and must permit the Tax Collector to audit books, papers and records during normal business hours for the purpose of ascertaining and determining compliance with this Ordinance. To enforce the Ordinance, the Tax Collector may issue and enforce deficiency and jeopardy determinations for Fee payments and obligations.

FILE NO.

The first Fee payment for the Fee established by this Ordinance would be due January 31, 2011 for Fee Payers doing business during the quarter ending December 31, 2010.

Item 12 File 10-0865	Departments: Office of the Controller Office of the Treasurer-Tax Collector (TTX) Office of the City Attorney Department of Public Health (DPH) Fire Department (SFFD)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • Ordinance adding Chapter 106, Sections 106 through 106.28 to the City's Administrative Code to impose an Alcohol Mitigation Fee of \$0.076 per fluid ounce of alcohol sold in San Francisco on alcoholic beverage wholesalers, manufacturers, or other persons to (a) recover a portion of San Francisco's alcohol-attributable unreimbursed health costs and (b) fund costs to administer the proposed Fee. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The proposed Fee would be used to pay for (a) unreimbursed alcohol-attributable costs incurred by the Department of Public Health (DPH) and the San Francisco Fire Department (SFFD) and (b) costs incurred by the Officer of the Treasurer-Tax Collector (TTX) to administer the Fee. • The proposed ordinance would impose the proposed Fee once on each ounce of alcohol sold in San Francisco by alcoholic beverage wholesalers, manufacturers, or other persons. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Lewin Group Nexus Study provides a conservative estimate of total first-year costs of \$18,126,484 for the City's unreimbursed alcohol-attributable costs, including (a) \$17,664,152 in unreimbursed alcohol-attributable costs incurred by DPH and the SFFD and (b) \$462,332 in costs incurred by TTX to administer the Fee. • The Budget and Legislative Analyst estimates that the proposed Alcohol Mitigation Fee would generate \$16,264,614 in annual revenues to pay for the first year costs of \$18,126,484 which would be incurred by the City, resulting in a balance of \$1,861,870 in unreimbursed alcohol-attributable costs including administration costs. • TTX advises that the proposed Fee could only be assessed for the final two quarters (the last six months) in FY 2010-2011, from January 1, 2011 through June 30, 2011. Therefore, the Budget and Legislative Analyst estimates total revenues from the proposed Fee in FY 2010-2011 would be approximately \$8,132,307. <p style="text-align: center;">Policy Considerations</p> <ul style="list-style-type: none"> • TTX will (a) rely on self-reporting from businesses paying the proposed Fee and (b) collect the proposed Fee primarily from alcohol wholesalers. • Every two years, the Controller would be required to review and, if necessary, adjust the proposed Fee as appropriate to ensure that over time the City recovers no more than the eligible unreimbursed alcohol-attributable costs for which the City assesses the Fee. Should the City seek in the future to expand the scope of costs reimbursed by the proposed Fee to include additional unreimbursed alcohol-attributable costs that are not included in the proposed ordinance, doing so would require future amendments to the proposed ordinance. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

BACKGROUND

Ms. Michelle Allersma, Citywide Revenue Manager with the Office of the Controller, advises that in February of 2010 the City Attorney's Office solicited proposals from four consultants and selected the Lewin Group to conduct a Nexus Study to analyze the costs to San Francisco of unreimbursed alcohol-attributable costs, in order to determine the amount to be imposed as a potential Alcohol Mitigation Fee. Ms. Allersma advises that the Lewin Group study cost \$122,500, which was paid using General Fund monies. According to Deputy City Controller Monique Zmuda, this \$122,500 included unexpended General Fund monies in the Controller's Office previously appropriated in FY 2008-2009.

According to a Nexus Study entitled "The Cost of Alcohol to San Francisco: Analyses Supporting an Alcohol Mitigation Fee," report, issued on June 30, 2010 by the Lewin Group, the executive summary of which is included as Attachment I to this report, alcohol use has resulted in an estimated \$17,664,152 annually in "unreimbursed alcohol attributable costs borne by the City." As shown in Table 1 below, using information provided in Exhibit 1-1 on page 2 of Attachment I, the Lewin Group estimates that, of the total \$17,664,152 in unreimbursed costs which would be paid by the proposed Alcohol Mitigation Fee, (a) \$13,692,487 are incurred by the Department of Public Health (DPH) and (b) \$3,971,665 are incurred by the Fire Department (SFFD).

Table 1: Summary of Alcohol-Attributable Unreimbursed Costs to the City and County of San Francisco in FY 2009-2010 (from the Lewin Group Nexus Study Exhibit 1-1)

Service	Estimated Cost
DPH – Sobering Center	\$1,030,159
DPH – Mobile Assistance Patrol Van Service 122,942	
DPH – Community Substance Abuse Services – Direct Treatment Costs	7,244,540
DPH – Community Substance Abuse Services – Prevention Services	2,900,351
DPH – SF General Hospital Services	1,814,842
DPH – Jail Health Medical Detoxification	579,653
<i>DPH Subtotal</i>	<i>\$13,692,487</i>
SFFD – Costs for EMS Transports to Destinations other than the Sobering Center	2,927,237
SFFD – Costs for EMS Transports to the Sobering Center	1,044,428
<i>SFFD Subtotal</i>	<i>\$3,971,665</i>
DPH and SFFD COMBINED TOTAL	\$17,664,152

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (a) authorize a new Alcohol Mitigation Fee of \$.076 per fluid ounce of alcohol sold in San Francisco and (b) create a new Alcohol Mitigation Fee Account into which all Fee revenues received by the City would be deposited. Revenues from the proposed Fee would be used to pay for (a) a portion of the annual alcohol-attributable costs incurred by DPH and SFFD, as determined by the Lewin Group Nexus Study; and (b) costs incurred by the Officer of the Treasurer-Tax Collector (TTX) to administer the Fee.

The proposed ordinance would (a) impose a \$.076 per fluid ounce Fee on alcoholic beverage wholesalers, manufacturers, or other persons,¹ and (b) restrict collection of the proposed Fee to a single collection for each ounce of alcohol sold within the geographic limits of the City. The proposed ordinance authorizes the TTX to (a) collect and enforce the proposed Fee, and (b) develop rules to administer the proposed Fee.

In order to reimburse alcohol-attributable expenditures that were identified in the Lewin Group Nexus Study, under the proposed ordinance, the Controller would be required to annually allocate funds from the Alcohol Mitigation Fee Account to DPH, SFFD, and TTX based on the share of (a) alcohol-attributable expenditures incurred by DPH and SFFD and (b) Fee administration expenditures incurred by TTX.

According to the proposed ordinance, every two years the Controller would be responsible for reviewing and, if necessary, adjusting the proposed Fee to increase or decrease the amount of the Fee as appropriate. Such adjustments by the Controller would ensure that over time the City recovers no more than the City's eligible unreimbursed alcohol-attributable costs for which the City assesses the Fee. Further, a new nexus study is required to be conducted every five years after approval of the proposed ordinance.

In the future, should the City seek to expand or reduce the scope of costs reimbursed by the proposed Fee to include additional or fewer unreimbursed alcohol-attributable costs than are included in the proposed ordinance, doing so would require that future amendments to the proposed ordinance be subject to approval of the Board of Supervisors.

¹ The Office of the Sponsor advises that an amendment to the proposed ordinance will be introduced which would remove the current section referring to imposition of the proposed Fee on alcoholic beverage wholesalers, manufacturers, and retailers and replace this section with new language referring to imposition of the proposed Fee on alcoholic beverage wholesalers, manufacturers, and "other persons."

FISCAL ANALYSIS**Unreimbursed Alcohol-Attributable Expenditures and
Budget and Legislative Analyst's estimate of the Fee revenues**

As shown on page 2 of Attachment I, using information provided to the Lewin Group by DPH and SFFD personnel, the Lewin Group Nexus Study estimates total first-year costs of \$18,126,484, which would be \$18,082,484 annually thereafter (net of \$44,000 in first-year one-time administrative expenditures), that could be recovered through the proposed Alcohol Mitigation Fee, including (a) \$17,664,152 in unreimbursed alcohol-attributable costs incurred by the DPH and SFFD and (b) \$462,332 in costs incurred by TTX to administer the Fee. Attachment II is a summary from the Nexus Study of the total of \$17,664,152 in unreimbursed alcohol-attributable costs that would be incurred by DPH and SFFD which would be eligible for reimbursement by the proposed Fee. According to Ms. Allersma, the unreimbursed alcohol-attributable costs which would be paid from the proposed Fee are currently paid from the City's General Fund. Ms. Allersma further advises that revenues from the proposed Fee could not be used to reimburse alcohol-attributable costs that are presently reimbursed from non-General Fund sources.

Attachment III, from the Lewin Group Nexus Study, provides background on the conservative approach that the Lewin Group used in estimating the City's unreimbursed alcohol-attributable costs that could be paid by the proposed Fee. As stated in Attachment III, the Lewin Group Nexus Study excluded the following costs from the list of unreimbursed alcohol-attributable costs: (a) "non-health care costs of alcohol use such as alcohol-related costs of criminal justice, child protection, and policing and law enforcement" (b) "costs of alcohol-related homelessness;" and, (c) "costs when alcohol and drugs jointly contributed to problems borne by the City." Further, "only primary diagnoses were used to identify alcohol-related health care services provided by SF General Hospital and Fire Department EMS."

In order to fully recover the first year costs estimated to total \$18,126,484 in annual unreimbursed alcohol-attributable and Fee administration costs, the Lewin Group Nexus Study concluded that the City would need to levy a fee of \$.0847 per fluid ounce of alcohol sold in San Francisco. However, as noted above, the proposed ordinance would only authorize a Fee of \$.076 per fluid ounce of alcohol sold in San Francisco, which is \$.0087 or 10.3 percent less than the \$.0847 per fluid ounce of alcohol fee recommended by the Lewin Group Nexus Study. According to the Office of the Sponsor, the subject ordinance proposes to assess a lower Fee of \$.076 per fluid ounce of alcohol sold in San Francisco in order to ensure that proceeds from the proposed Fee do not exceed the City's unreimbursed alcohol-attributable costs.

The Budget and Legislative Analyst calculates that the proposed Fee of \$.076 per fluid ounce of alcohol sold in San Francisco would result in an estimated \$16,264,614 in revenues that would accrue annually to the City, which would recover approximately 89.7 percent of the total estimated first-year costs of \$18,126,484 in unreimbursed alcohol-attributable costs and Fee administration costs, resulting in a balance of \$1,861,870 in unreimbursed alcohol-attributable

costs incurred by the City as well as its related Fee administration costs which would be paid from the City's General Fund monies.

As shown in Attachment IV, provided by Ms. Tajel Shah, Director of Budget and Operations for TTX, TTX's estimated \$462,332 in annual and one-time costs to administer the proposed Fee includes (a) \$348,618 annually for personnel expenditures, (b) \$55,674 annually in overhead, and (c) \$58,040 for non-personnel expenditures, which includes \$44,000 in one-time expenses and \$14,040 annually for mailing expenditures. The \$348,618 in annual personnel expenditures to administer the proposed Fee includes five new positions (2.75 full-time equivalent (FTE) positions), including (a) one 1823 Senior Administrative Analyst, (b) one 4335 Investigator, (c) 0.25 FTE 1632 Senior Account Clerk, (d) 0.25 FTE 4308 Senior Collections Officer, and (e) 0.25 FTE 4222 Senior Personal Property Auditor.

In Table 2 below, the Budget and Legislative Analyst has recalculated the anticipated personnel costs, including salary and mandatory fringe benefit costs attributed to administration of the proposed Fee, using FY 2010-2011 salary and related fringe benefit costs:

Table 2: Recalculated Administrative Costs of the Proposed Alcohol Mitigation Fee

Amount	Item	TTX Estimate	Budget and Legislative Analyst Estimate	Decrease / (Increase) from TTX Estimate
1.0 FTE	1823 Senior Administrative Analyst	\$95,654	\$91,338	\$4,316
0.25 FTE	1632 Senior Account Clerk	\$14,751	\$14,014	\$737
0.25 FTE	4308 Senior Collections Officer	\$16,454	\$15,646	\$808
0.25 FTE	4222 Senior Personal Property Officer	\$23,293	\$22,490	\$803
1.0 FTE	4335 Investigator	\$93,170	\$78,468	\$14,702
	Subtotal Permanent Salaries	\$243,322	\$221,956	\$21,366
	Permanent Salaries Fringe Benefits	\$80,296 (33% rate)	\$90,690 (40.68% rate)	(\$10,394)
	Temporary Salaries	\$25,000	\$25,000	\$0
	Temporary Salaries Fringe Benefits	\$0	\$1,975 (7.9% rate)	(\$1,975)
	Total (Permanent and Temporary)	\$348,618	\$339,621	\$8,997

As shown in Table 2 above, the Budget and Legislative Analyst's calculation for anticipated salary and mandatory fringe benefit costs for administration of the proposed Fee is \$8,997 less than the estimate provided by TTX. While this revised estimate of salary and mandatory fringe benefit costs would reduce total anticipated expenditures by \$8,997 in the first year to be reimbursed by the proposed Fee from \$18,126,484 to \$18,117,487, since the proposed Fee would result in estimated revenues of \$16,264,614, this recalculation of salary and mandatory fringe benefit administrative costs incurred by TTX would not impact the proposed Fee amount.

Implementation Date and Projected FY 2010-2011 Revenues

According to Ms. Shah, TTX must provide a minimum 30-day notice to all potential Fee payers. Therefore, in order to begin assessing the proposed Fee in the second quarter of FY 2010-2011, which begins on October 1, 2010, Ms. Shah advises that the proposed ordinance would have needed to have been approved by August 1, 2010, in order to provide TTX with the necessary time to notify potential Fee payers by September 1, 2010. Ms. Shah further advises that to begin assessing the proposed Fee in the third quarter of FY 2010-2011, which begins on January 1, 2011, the proposed ordinance would require approval by November 1, 2010.

Given this timing, the proposed Fee could only be assessed for two quarters (the last six months) in FY 2010-2011, from January 1, 2011 through June 30, 2011. Therefore, the Budget and Legislative Analyst estimates that, should the Board of Supervisors approve the proposed ordinance prior to November 1, 2010, total revenues from the proposed Fee in FY 2010-2011 would be approximately \$8,132,307, or one-half of the annual estimated total revenues from the proposed Fee of \$16,264,614.

POLICY CONSIDERATIONS

Treasurer-Tax Collector Methods of Collection

Ms. Shah advises that the calculation of Fee administration expenditures as provided by TTX assumes that TTX will (a) rely on self-reporting from those businesses required to pay the proposed Fee and (b) primarily collect the proposed Fee from alcohol wholesalers who sell alcohol in San Francisco, since the proposed ordinance permits the assessment of the Fee at only one time on each ounce of alcohol sold in San Francisco, and assessment of the Fee at the wholesaler level will involve the lowest enforcement and investigation costs to be incurred by TTX for administration of the proposed Fee. Ms. Shah advises that the proposed Fee would be collected quarterly by the TTX based on businesses responses to questions to be incorporated into the City's standard Business Tax forms. According to Ms. Shah, should significant collections efforts and follow up be required between the TTX and alcohol wholesalers, manufacturers or other persons, then the TTX may need to increase expenditures for administration of the proposed Fee.

Fee per alcoholic beverage

The proposed Fee would be \$0.076 per fluid ounce of alcohol sold in San Francisco. However, because different types of alcoholic beverages contain different amounts of alcohol, the actual proposed Fee per type of alcoholic beverage would vary based on the average amount of alcohol contained in different types of alcoholic beverages. For example, because a 12-ounce bottle of beer contains approximately 0.6 fluid ounces of alcohol, the actual Fee for a single 12-ounce bottle of beer would be approximately \$0.05 (\$0.076 proposed Fee per fluid ounce of alcohol x 0.6 fluid ounces) under the proposed ordinance.

The Lewin Group Nexus Study provided estimates of the actual Fees that could be imposed for many types of alcoholic beverages, based on the Lewin Group’s calculated estimated Fee of \$.0847 per fluid ounce of alcohol sold in San Francisco. Using the estimates provided in the Lewin Group Nexus Study, the Budget and Legislative Analyst recalculated the actual Fees for several major types of alcoholic beverages in Table 3 below using the proposed Fee of \$.076 per fluid ounce of alcohol that is included in the proposed ordinance.

Table 3: Proposed Fee per Type of Alcoholic Beverage

Alcoholic Beverages	Proposed Fee per item
12 ounce bottle of beer	\$0.05
12-pack of 12-ounce bottles of beer	\$0.54
Keg of beer (1/2 barrel, 15.5 gallons)	\$7.54
750 mL bottle of wine (standard size)	\$0.23
Case of 12 – 750 mL bottles of wine	\$2.80
1.75 L bottle of distilled spirits	\$1.79
750 mL bottle of distilled spirits	\$0.77

Nexus Study as Fee Basis

As previously stated, the proposed Fee is based on the Lewin Group Nexus Study, and the proposed Fee would be adjusted by the Controller every two years based on the calculation of unreimbursed alcohol-attributable costs included in this Nexus Study or future nexus studies which would be conducted every five years after approval of the proposed ordinance. If, for instance, the Controller determined that any of the City’s expenditures for which the proposed Fee provides reimbursement had changed, then the Controller would be able to adjust the proposed Fee accordingly to ensure that these expenditures were appropriately reimbursed to the City. Under the proposed ordinance, such an increase or decrease in the Fee, as determined by the Controller, would not be subject to further approval by the Board of Supervisors.

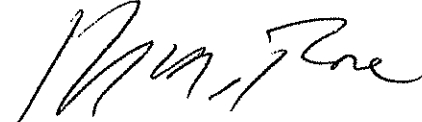
However, expanding or reducing the scope of costs reimbursed by the proposed Fee beyond that which is included in the current Lewin Group Nexus Study, and therefore including additional costs or less costs, would require future amendments to the proposed ordinance which would be subject to approval of the Board of Supervisors.

Comment

As noted on page 1 of Attachment I, “Each year the City and County of San Francisco incurs costs resulting from alcohol use. These include the costs of providing medical care for people with alcohol-related illness, treatment and prevention costs, costs to the law enforcement system, costs resulting from alcohol-related motor vehicle crashes and other injuries, and the indirect costs associated with disability and diminished capacity.” While imposition of this proposed Fee is not intended to reduce alcohol consumption, it would provide a stream of funding to pay for a portion of the alcohol-attributable unreimbursed costs incurred by the City.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Elsbernd
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

I. Executive Summary

Each year, the City and County of San Francisco incurs costs resulting from alcohol use. These include the costs of providing medical care for people with alcohol-related illness, treatment and prevention costs, costs to the law enforcement system, costs resulting from alcohol-related motor vehicle crashes and other injuries, and the indirect costs associated with disability and diminished capacity.

The purpose of this study is to estimate a portion of the health-related economic costs of the measureable, direct effects of alcohol consumption to the City and County of San Francisco. These estimates will be used by the City¹ to assess the public health impact of alcohol and inform policy surrounding an alcohol mitigation fee. There are two major components of this study:

- **Cost Analysis:** Using data collected from City, State and national data sources, we compute the costs of alcohol use to the City, including costs of City-funded alcohol treatment facilities, direct medical costs at City-operated health care facilities, and City-paid fire and ambulance response to alcohol-related medical emergencies.
- **Fee Calculation:** Using alcohol consumption data from the National Institute on Alcohol Abuse and Alcoholism (NIAAA) and population estimates from the U.S. Census Bureau, we estimate the aggregate number of alcoholic drinks consumed in the City. We use this estimate to calculate a maximum fee per alcoholic drink (and an equivalent fee per fluid ounce of alcohol) which recovers a portion of the City's total alcohol-attributable costs.

Analyses are supported by a literature review and environmental scan, included as Appendix C.

Working closely with experts from various government agencies, we (1) identified sources for alcohol-related costs within City boundaries, (2) gathered multiple years' worth of administrative data, and (3) conducted comprehensive cost analyses to estimate alcohol-attributed costs borne by the City in Fiscal Year (FY) 2009-10. Data from FY2007 to FY2010 were used to estimate the current costs and validate the stability of costs over time. Several potential cost categories were not included at this time.

Final estimates are based on either FY2008-09 actual or FY2009-10 budgeted cost. We inflated FY2008-09 cost to FY2009-10 dollars using the same Consumer Price Index (CPI) the City used for the FY2009-10 budget. For direct medical costs, we used the Medical Care CPI for San Francisco reported by the CA Department of Finance Economic Research Unit, which was 3.1% between FY2008-09 and FY2009-10.²

We found that alcohol use created an economic burden to the City. Specifically, we identified \$17.7 million in unreimbursed alcohol attributable costs borne by the City. As presented in Exhibit I-1, the costs are categorized into programmatic and overhead costs. All of the programmatic cost items have a strong connection with alcohol use and high data accuracy, meaning that alcohol-

¹ "City" refers in this report to the City and County of San Francisco.

² California Department of Finance, Consumer Price Index Forecast April 2010. Available at: http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Forecasts.htm. Accessed April 2010.

related incidence was accurately identified and attributed. These costs were not reimbursed or mitigated by any party and were ultimately paid by the City.

Costs are likely to be under-estimated since we used conservative assumptions throughout the study. For example, only primary diagnoses were used to identify alcohol-related health care services provided by the San Francisco General Hospital and Emergency Medical Services, while cases only indicated by secondary diagnoses were excluded at this time. In addition, non-health care costs – such as alcohol-related costs of criminal justice, child protection, and policing and law enforcement – were not included.

Exhibit I-1. Summary of Alcohol-Attributable Unreimbursed Costs to the City and County of San Francisco in FY 2009-10

Service	Programmatic Costs	Program Overhead Costs	All Costs Combined
Sobering Center	\$943,628	\$86,531	\$1,030,159
Mobile Assistance Patrol (MAP) Van Service	\$111,938	\$11,004	\$122,942
Community Substance Abuse Services (CSAS) - Direct Treatment Costs	\$6,596,111	\$648,429	\$7,244,540
Community Substance Abuse Services (CSAS) - Prevention Services	\$2,640,752	\$259,599	\$2,900,351
SF General Hospital Services	\$1,814,842	NA ^a	\$1,814,842
Jail Health Medical Detoxification	\$534,193	\$45,460	\$579,653
Costs for EMS Transports to Destinations Other Than the Sobering Center	\$2,927,237	NA ^a	\$2,927,237
Costs for EMS Transports to the Sobering Center	\$1,044,428	NA ^a	\$1,044,428
TOTAL	\$16,613,129	\$1,051,023	\$17,664,152

^a For the SF General Hospital and Fire Department, overhead costs included in the programmatic cost estimates.

Our study concludes that the City may annually recover alcohol-attributable costs up to \$18,126,494: \$17,664,162 in unreimbursed annual costs that are attributable to alcohol consumption plus an additional estimated \$462,332 in annual administrative costs. We divided this cost by the estimated number of drinks consumed in the City in 2009. We first estimated the number of alcoholic drinks consumed annually in the state of California on a per capita basis using per capita alcohol consumption data from the National Institute on Alcohol Abuse and Alcoholism (NIAAA). The NIAAA's AEDS estimates per capita alcohol consumption for the state of California to be 2.34 gallons in 2007, with 1.07 gallons being consumed in the form of beer, 0.55 in wine, and 0.72 in distilled spirits. Assuming that a standard drink contains a 0.6 fl oz serving size of alcohol, a reference amount corresponding to standard serving sizes of 12 fl oz for beer, 5 fl oz for wine and 1.5 fl oz for distilled spirits, we estimated per capita consumption among the drinking age population residing in the state of California in 2007 to be approximately 499 drinks (or roughly 228 beers, 117 wines and 154 distilled spirits).

Using data from the U.S. Census Bureau, we estimated the size of the target population residing in the City in 2009 to be 714,818 (87.7% of the total population). We multiplied this figure by the

estimated number of drinks consumed annually by each drinking-aged person in the state of California. This yielded an estimate of 356,837,146 alcoholic drinks consumed in the City in 2009. Using this estimate, we calculated that the City's total alcohol-attributable costs could be recovered through a maximum permissible fee of \$0.0508 per alcoholic drink, or equivalently, a maximum permissible fee of \$0.0847 per fluid ounce of alcohol.

Exhibit III-1. Summary of Alcohol-Attributable Costs Borne by San Francisco City Government, FY2009-10

Service	Programmatic Costs	Program Overhead Costs	Total Attributed	Methods / Limitation
Sobering Center served 1,639 clients in FY 2008-09	\$943,628	\$86,531	\$1,030,159	The Sobering Center's total budget was \$1,688,093 in FY2008-2009. From this we subtracted \$744,465 covered by Federal funding (Housing and Urban Health (HUH) managed Chronic Alcoholic Grant). The remainder is 100% attributed to alcohol.
Mobile Assistance Patrol (MAP) van service. MAP Van provided 17,132 transports in FY2008-09	\$111,938	\$11,004	\$122,942	The total contracted budget for MAP was \$781,466. The destination of 14.3% of transports was the Sobering Center, and 100% of transports to the Sobering Center are attributed to alcohol. Thus, 14.3% of the total MAP service costs are attributed to alcohol.
Community Substance Abuse Services (CSAS) - SA treatment costs - general fund contracts provided SA treatment for 5,342 Clients in FY 2008-09.	\$6,596,111	\$648,429	\$7,244,540	Clients in the CSAS system can be treated for drugs, alcohol, or both. Based on analyses of all treatment episodes in FY2007-08, FY2008-09, and the first six months during FY 2009-10, we estimated that 35% of direct treatment costs are related to alcohol. Thus, we used an Alcohol Attributable Fraction (AAF) of 35% for these costs. This cost category includes only costs for direct treatment. Prevention costs for the general fund contract budget are listed as a separate item.
Community Substance Abuse Services (CSAS) - other intervention costs - This includes early prevention, prevention and other ancillary services	\$2,640,752	\$259,599	\$2,900,351	We applied the same AAF (35%) calculated above. The itemized budget for FY2009-10 and the budget for previous years come from the Financial Accounting & Management Information System.
Unreimbursed SF General Hospital ER, psych ER, inpatient, and outpatient FY2008-09 costs for accounts with alcohol-attributable diagnoses listed as the primary diagnosis.	\$1,814,842	NA ^a	\$1,814,842	AAFs allocated to specific diagnoses by a CDC scientific workgroup were used to estimate the share of unreimbursed costs attributable to alcohol. Episodes of care (ED visits, inpatient days and outpatient visits) with primary diagnoses included in the list of alcohol-attributable diagnoses in Appendix A were selected and the total cost, and total received payments were summed across episodes for each diagnosis. The unpaid amount was derived by the difference between cost (estimated based on Medicaid cost reports) and reimbursed amounts (including payments from private or public insurance, including capitation, individuals, State fund realignment funding, and Healthy SF Employer Fees). The AAF for the specific primary diagnosis was then applied to the unpaid amount to derive the unpaid cost covered by the City.

Service	Programmatic Costs	Program Overhead Costs	Total Attributed	Methods / Limitation
Jail Health provides medical triage and detoxification checks for 7,395 inmates brought to detox cells	\$534,193	\$45,460	\$579,653	Cost estimates were based on work performed by RNs at current step 5 wage/fringe rates plus medication costs. Overhead and nurse manager wage were not included. Cost is specific to inmates put in alcohol detox cells for alcohol-related problems. To be conservative we attributed 95% of costs to alcohol.
San Francisco Probation				
Unreimbursed costs for EMS transports for clients with alcohol-attributable primary diagnoses. In FY2008-09, there were 2,303 alcohol-related transports.	\$2,927,237	NA ^a	\$2,927,237	Staff in the billing company studied the ICD-9 codes on patient care records (PCR) for FY2008-09 and identified all encounters in which alcohol or alcohol-related conditions were the primary diagnosis. Injuries were also identified but the cause of injury was unknown. Unpaid amount was derived by excluding the collected amount from the total charges. The Fire Department EMS division only provides about 80% of the ambulance service to the City; the other 20% are provided by private providers (contractors). The unpaid charges experienced by them are not included in this estimate.
Unreimbursed Costs for EMS Transports to Sobering Center in FY2008-09 totaled \$1,051, with total charges of \$1.3 million.	\$1,044,428	NA ^a	\$1,044,428	100% is attributed to alcohol. Only 6% of \$1.3 million in total charges was reimbursed by clients.
TOTAL	\$16,613,129	\$1,051,023	\$17,664,152	

^a Overhead costs are included in the programmatic cost estimates.

separately because while there is strong justification for including overhead, the allocation of fixed overhead to particular activities by its very nature is imprecise. City-wide overhead cost is not included in this study.

E. Cost Estimates are Conservative

We have taken a conservative approach to cost estimation. Several costs which have a strong conceptual link to alcohol use have been excluded from this study at this time, largely due to the fact that we could not confidently and accurately measure these categories of costs. Our methodology also uses conservative estimates of alcohol attribution factors, which leads to lower cost estimates.

First, non-health care costs of alcohol use such as alcohol-related costs of criminal justice, child protection, and policing and law enforcement are currently outside the scope of this study. These costs have been included in other studies that address the societal costs of alcohol use.¹⁴

Second, we excluded the costs of alcohol-related homelessness from our study at this time. Several studies found that alcohol and drug use collectively increase the risk of returning to homelessness after housing placement by up to 32%.¹⁵ Many studies have shown a relationship between alcoholism and homelessness both as a contributing cause to homelessness and an effect of homelessness. In addition, many studies have shown that there are considerable local healthcare costs that directly result from serving homeless people with alcohol disorders. But given the multi-factorial causes of homelessness, it is difficult to separate the specific fraction of overall alcohol attributable homelessness costs for local government. Hence, we did not attribute homeless outreach program costs to alcohol at this time, even though homelessness is a recognized and costly public health concern and there is general agreement among professionals that homelessness is linked to alcohol use. Through further investigation and consolidation of various studies, the City may estimate these costs in the future.

Third, we exclude costs when alcohol and drugs jointly contributed to problems borne by City and we currently lack data that would allow us to apportion the costs. This resulted in the exclusion of costs to the Sheriff's Department related to processing, monitoring and managing inmates suffering from drug and alcohol problems. We also excluded costs borne by the City to support chronic inebriates housed in Crestwood Stevenson. Crestwood is a locked facility that provides care for individuals with alcohol-related disorders. In FY2009-10 the City paid a total of \$60,000 to support individuals in this facility. However, while the individuals supported by the City had alcohol-related conditions, most also suffered from conditions that were not necessarily alcohol related and we lacked both the data and a reliable methodology to allocate costs to alcohol alone. All Crestwood Stevenson costs were excluded from this study at this time.

¹⁴ Rosen SM, Miller TR, Simon M. (2008). The cost of alcohol in California. *Alcohol Clin Exp Res.* 32 (11): 925-1936
Harwood H, Fountain D, Livermore G (1998) *The Economic Costs of Alcohol and Drug Abuse in the United States*, 1992. NIH Publication No. 98-4327. Department of Human Health Services, Rockville, MD.

Miller TR, Levy DT, Cohen MA, Cox KLC (2006a) Costs of alcohol and drug-involved crime *Prev Sci* 7:333-342.

¹⁵ Foldfinger SM., Shutt RK, Tolomiczenko GS., Seidman L., Turer W., and Caplan B. (1999). Housing placement and subsequent days homeless among formerly homeless adults with mental illness. *Psych. Svc.* 50(5): 674-9.

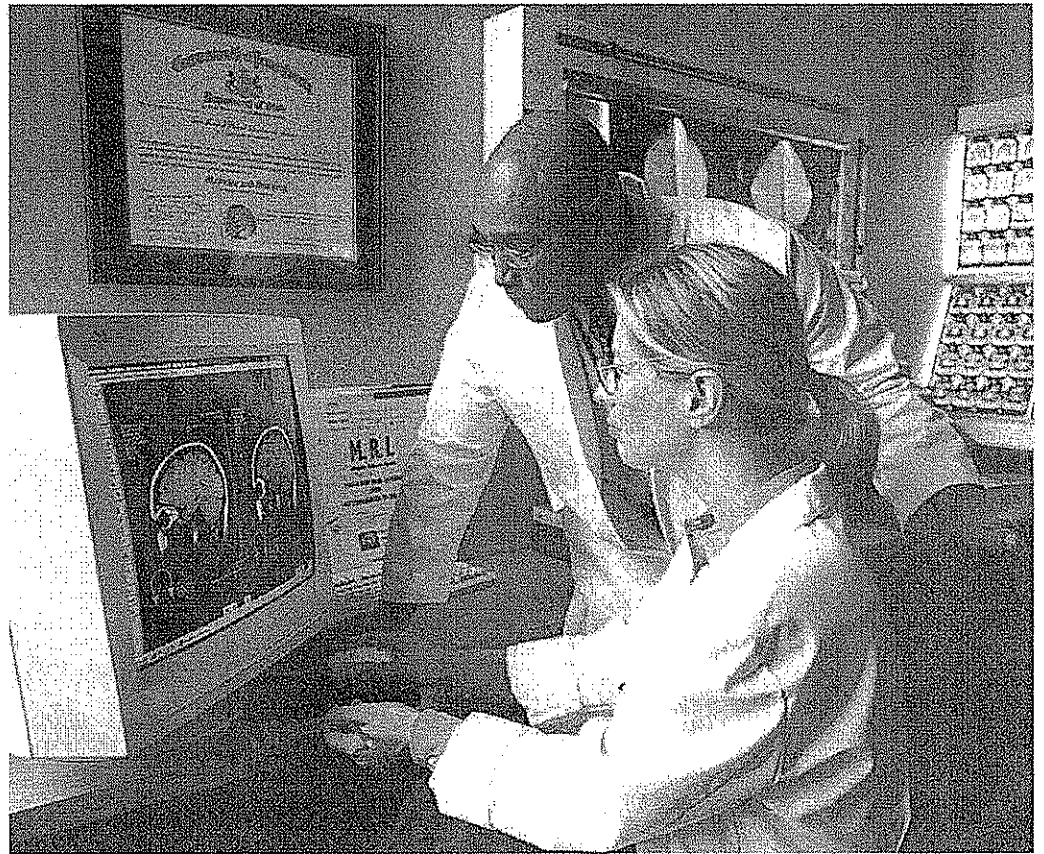
Fourth, there is evidence that the AAFs that are calculated in the CDC ARDI system, and used in this study, are conservative. In 2006, the CDC's Behavioral Risk Factor Surveillance Survey state estimate of per capita alcohol consumption in California was only 31% of consumption based on state alcohol sales data.¹⁶ The effect of not adjusting for survey underreporting of alcohol consumption can be quite large, potentially resulting in estimates of alcohol burden that are low, i.e., only one-third to one-half of what would be found if such adjustments were made.¹⁷ What this means is that the AAFs used in ARDI, and as they were utilized in this report, are highly likely to produce estimates of alcohol-related burdens of disease that are quite conservative.

Finally, only primary diagnoses were used to identify alcohol-related health care services provided by SF General Hospital and Fire Department EMS. Cases only indicated by secondary alcohol diagnoses were excluded at this time.

¹⁶ Nelson DE, Naimi TS, Brewer RD, et al. U.S. state alcohol state alcohol sales compared to survey data, 1993-2006. *Addiction*. (in press).

¹⁷ Rey G, Boniol M, Jouglia E. Estimating the number of alcohol-attributable deaths: methodological issues and illustration with French data for 2006. *Addiction*. 2010; 105:1018-1029.

Treasurer/Tax Collector		Administrative Expenses for the Alcohol Mitigation Fee		FY 2010-2011			
YEAR ONE	Personnel Cost	Class	Job Title	FTE	Salaries	Total Cost	Explanation
			Based on 7400 accounts				
		1823	Senior Admin Analyst	1.00	95,654		Management of hearings, initial Set up of entire process, which will require two forms - Distributors and Non-Distributors, Project Management of web development and information development for customers and training of staff
		1632	Senior Account Clerk	0.25	14,751		Account reconciliation of all payments
		4308	Senior Collections Officer	0.25	16,454		Collections on delinquent accounts
		4222	Senior Personal Property Auditor	0.25	23,293		Reviews appeals, conducts audits
		4335	Investigator	1.00	93,170		Business reviews of procurement to ensure that sole mechanism is distributor as well as review to ensure that purchases outside of county borders are reflected
			Subtotal Permanent Salaries			\$ 243,322	
			Fringe Benefits (33% of perm salaries)			\$ 80,296	
			Temp salaries			\$ 25,000	Support initial round of inquiry for first year of roll out of the fee; Managing all exemption processing and data mapping issues; cleaning out data if Distributors exempt out of selling in SF.
			Total Personnel Cost			\$ 348,618	
		020	Overhead @ 15.97% of Salaries & Fringes			\$ 55,674	
			Non-Personnel Cost				
		027	Professional Services - one time		30,000		
		049	Online Form Setup - one time		14,000		
		040	Mailing		14,040		
			Total Non-Personnel Cost			58,040	
						\$ 462,332	TOTAL



The Cost of Alcohol to San Francisco: Analyses Supporting an Alcohol Mitigation Fee

Prepared for: City and County of San Francisco

Submitted by: The Lewin Group, Inc.

June 30, 2010

* To view full document
Request file # 100865

**The Cost of Alcohol to
San Francisco:
Analyses Supporting an Alcohol
Mitigation Fee**

Prepared for:
City and County of San Francisco

Submitted by:
The Lewin Group, Inc.

June 30, 2010

Acknowledgements

This Report benefitted from the comments and suggestions of the following experts and reviewers (listed alphabetically). We are grateful for the time and input they provided.

- Joshua Bamberger, MD, MPH; Medical Director, Housing and Urban Health; San Francisco Department of Public Health
- David E. Nelson MD, MPH, Director, Cancer Prevention Fellowship Program National Cancer Institute, National Institutes of Health
- Karl Sporer, MD; San Francisco Fire Department EMS Medical Director
- Roland Sturm, PhD; Senior Economist, RAND Corporation
- June M. Weintraub, ScD; Senior Epidemiologist, Environmental Health Section City and County of San Francisco Department of Public Health

About the authors

Carol J. Simon, PhD, MS is Managing Director, Health and Human Services Consulting at The Lewin Group. Dr. Simon has over 25 years experience in the design and evaluation of health care policies. She has recently directed major projects for CMS, AHRQ, CDC, DHHS and State governments focusing on measuring efficiency and effectiveness in health care delivery, rationalizing regulation and payment policy, evaluating barriers to patient access, and assessing the burden of illness. She has published widely on these topics, with her work appearing in *Health Affairs*, *Health Services Research*, *The Journal of Health Economics*, *The Rand Journal*, *American Economic Review*, and has been cited in the *Wall Street Journal* and *New York Times*. Prior to joining the Lewin Group Dr. Simon was Associate Professor and Director of the Health Economics Program at Boston University, and held faculty appointments at the University of Chicago, UCLA and the University of Illinois. Dr. Simon holds a PhD in Economics from the University of Chicago, Graduate School of Business and a M.S. in Finance from M.I.T.

Yiduo Zhang, PhD, a Senior Consultant at The Lewin Group, Dr. Zhang has broad content knowledge and experience in the areas of population health measurements, modeling chronic diseases, and biostatistics. He has extensive experience in designing and implementing economic and evaluation studies in modeling health promotion interventions, such as health-related behaviors (e.g., obesity, smoking and binge drinking), diabetes and cardiovascular risks reduction, and disease management. He recently authored several papers in *American Journal of Health Promotion* quantifying the economic cost of obesity, smoking and alcohol misuse among beneficiaries covered by the Military Health System. Other recent work is published in *Health Affairs*, *Diabetes Care*, *American Journal of Managed Care*, *Medical Care*, and the *Population Health Management*. Dr. Zhang received a Doctor of Philosophy in Public Health/Demography and a Master in Health Science in Biostatistics from Johns Hopkins Bloomberg School of Public Health.

John E. Schneider, PhD is Director of Health Economics at Oxford Outcomes, Inc. in Morristown, NJ. He is adjunct faculty in the Department of Economics at Drew University and a Faculty Affiliate at the Nicolas Petris Center on Health Care Markets and Consumer Welfare at the University of California Berkeley. He is also a Faculty Affiliate of the Sloan Industry Studies Program and an Industry Leader in the Gerson Lehrman Group Health Care Council. Past positions include Assistant Professor in the Department of Health Management and Policy and the Department of Economics at the University of Iowa; Director of Research at the California Association of Health Plans (Sacramento, CA); and Research Analyst at the Center for Health Economics Research (Waltham, MA). Some of his research has been published in *Health Affairs*, *Inquiry*, *Health Services Research*, *Medical Care Research and Review*, *International Journal of Health Care Finance and Economics*, *Prevention Science*, and *Health Care Financing Review*. He is co-author of a recently published book, *The Business of Health* (AEI Press, 2006), and co-author of a chapter in the 15th edition of *Public Health and Preventive Medicine* (McGraw Hill, 2008).

Alexis Doyle is a research assistant to the U.S. Health Economics Division of Oxford Outcomes, Inc. She also works as a research assistant to the Chair of Drew University's Department of Economics and Business Studies. She previously worked as a research assistant for the Health Economics Consulting Group, where she contributed to various cost analyses, including an analysis of the costs of tobacco litter in San Francisco. She is a recent graduate of Drew University, where she received her degree in Economics, summa cum laude, and was the recipient of the 2009-2010 John D. Bosworth Scholarship and the 2010 Prize in Economics. She will be entering the doctoral program in Economics at the University of Massachusetts Amherst.

Table of Contents

Acknowledgements	i
About the authors	ii
I. Executive Summary	1
II. Introduction.....	4
III. Cost Estimates.....	7
A. Overview of Approach.....	7
B. Department of Public Health Costs.....	11
1. Sobering Center.....	11
2. Mobile Assistance Patrol Van	11
3. Community Substance Abuse Treatment Services (CSAS).....	12
4. CSAS General Fund Contract Other Intervention Services.....	14
5. San Francisco General Hospital.....	14
6. Jail Health.....	20
C. Fire Department Emergency Medical Services (EMS).....	20
D. Overhead Costs Attributed to Alcohol.....	23
E. Cost Estimates are Conservative.....	24
IV. Fee Calculation	26
A. Per capita alcohol consumption.....	26
B. Alcohol Mitigation Fee	27
Appendix A. Alcohol-Attributable Diagnoses.....	1
Appendix B. San Francisco First Homeless Outreach Team.....	1
Appendix C. Literature Review.....	1
A. Chronic and Acute Health Conditions Attributable to Alcohol	2
B. Specialty Treatment for Alcohol Disorders.....	4
C. Emergency Medical Services Costs Attributable to Alcohol	10
D. Homeless Outreach Services Costs Attributable to Alcohol.....	12
E. Attribution by Type of Beverage and Point of Sale.....	17

List of Exhibits

Exhibit I-1. Summary of Alcohol-Attributable Unreimbursed Costs to the City and County of San Francisco in FY 2009-10	2
Exhibit III-1. Summary of Alcohol-Attributable Costs Borne by San Francisco City Government, FY2009-10.....	9
Exhibit III-2. Operating Costs for the City Sobering Center (Based on FY2009-10 Budget).....	11
Exhibit III-3. Distribution of CSAS Episodes by Primary and Secondary Diagnoses, FY2009-10.....	12
Exhibit III-4. Sensitivity Analysis of Episode AAF on Implied AAF for Total Treatment Costs	13
Exhibit III-5. Community Substance Abuse Contract Budget and Alcohol Attribution (Based on FY2009-10 Budget).....	14
Exhibit III-6. Alcohol-Attributable Uncompensated Costs for Treating Chronic Non-Fatal Conditions with Diagnosis Codes and AAFs During FY2008-09 (not inflated).....	17
Exhibit III-7. City Jail Health Services (Dept of Public Health): Sobering Treatment Expenditures .	20
Exhibit III-8. Alcohol-Related EMS Encounters in Past Three Years (not inflated)	21
Exhibit III-9. Unreimbursed EMS Encounters Attributed to Alcohol (Based on FY2008-09 Encounters).....	22
Exhibit III-10. Alcohol-Attributable Overhead Costs to the City in FY2009-10	23
Exhibit IV-1. Per Capita Ethanol Consumption and Mitigation Fee	28
Exhibit IV-2. Mitigation Fee Schedule for Standard Alcoholic Beverage Packaging Formats.....	29
Exhibit A-1. Alcohol-Attributable Chronic Fatal and Non-Fatal Conditions with Diagnosis Codes and AAFs, 2006	A-2
Exhibit A-2. Alcohol-Attributable Acute Fatal and Non-Fatal Conditions with Diagnosis Codes and AAFs, 2006	A-4
Exhibit A-3. Economic Costs of Alcohol Use in the US, 1992 (millions of dollars).....	A-7
Exhibit A-4. Alcohol-Attributable Cost for Treating Injuries in the Emergency Department at the SF General Hospital and AAFs During FY2008-09 (not inflated)	A-8
Exhibit C-1. Prevention and Research Costs, 2006 (in millions of \$)	C-4
Exhibit C-2. Top Relevant Articles for Costs Attributable to Specialty Treatments for Alcohol.....	C-6
Exhibit C-3. Top Relevant Articles for Emergency Response System Costs Attributable to Alcohol	C-11
Exhibit C-4. Top Relevant Articles Homeless Outreach Services Costs Attributable to Alcohol....	C-13
Exhibit C-5. Top Relevant Articles Attribution by Type of Beverage and Point of Sale.....	C-18

Acronym	Definition
AAF	Alcohol Attributable Fractions
ARDI	Alcohol-Related Disease Impact System
CDC	Centers for Disease Control
CSAS	Community Substance Abuse Treatment Services
CPI	Consumer Price Index
ED	Emergency Department
EMS	Emergency Medical Services
FTE	Full-time Equivalent
HUH	Housing and Urban Health
HUD	U.S. Department of Housing and Urban Development
ICD-9	International Statistical Classification of Diseases and Related Health Problems 9th edition
MAP	Mobile Assistance Patrol
NIAAA	National Institute on Alcohol Abuse and Alcoholism
SA	Substance Abuse
SAMHSA	Substance Abuse and Mental Health Services Administration
WHO	World Health Organization

I. Executive Summary

Each year, the City and County of San Francisco incurs costs resulting from alcohol use. These include the costs of providing medical care for people with alcohol-related illness, treatment and prevention costs, costs to the law enforcement system, costs resulting from alcohol-related motor vehicle crashes and other injuries, and the indirect costs associated with disability and diminished capacity.

The purpose of this study is to estimate a portion of the health-related economic costs of the measureable, direct effects of alcohol consumption to the City and County of San Francisco. These estimates will be used by the City¹ to assess the public health impact of alcohol and inform policy surrounding an alcohol mitigation fee. There are two major components of this study:

- **Cost Analysis:** Using data collected from City, State and national data sources, we compute the costs of alcohol use to the City, including costs of City-funded alcohol treatment facilities, direct medical costs at City-operated health care facilities, and City-paid fire and ambulance response to alcohol-related medical emergencies.
- **Fee Calculation:** Using alcohol consumption data from the National Institute on Alcohol Abuse and Alcoholism (NIAAA) and population estimates from the U.S. Census Bureau, we estimate the aggregate number of alcoholic drinks consumed in the City. We use this estimate to calculate a maximum fee per alcoholic drink (and an equivalent fee per fluid ounce of alcohol) which recovers a portion of the City's total alcohol-attributable costs.

Analyses are supported by a literature review and environmental scan, included as Appendix C.

Working closely with experts from various government agencies, we (1) identified sources for alcohol-related costs within City boundaries, (2) gathered multiple years' worth of administrative data, and (3) conducted comprehensive cost analyses to estimate alcohol-attributed costs borne by the City in Fiscal Year (FY) 2009-10. Data from FY2007 to FY2010 were used to estimate the current costs and validate the stability of costs over time. Several potential cost categories were not included at this time.

Final estimates are based on either FY2008-09 actual or FY2009-10 budgeted cost. We inflated FY2008-09 cost to FY2009-10 dollars using the same Consumer Price Index (CPI) the City used for the FY2009-10 budget. For direct medical costs, we used the Medical Care CPI for San Francisco reported by the CA Department of Finance Economic Research Unit, which was 3.1% between FY2008-09 and FY2009-10.²

We found that alcohol use created an economic burden to the City. Specifically, we identified \$17.7 million in unreimbursed alcohol attributable costs borne by the City. As presented in Exhibit I-1, the costs are categorized into programmatic and overhead costs. All of the programmatic cost items have a strong connection with alcohol use and high data accuracy, meaning that alcohol-

¹ "City" refers in this report to the City and County of San Francisco.

² California Department of Finance. Consumer Price Index Forecast April 2010. Available at: http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Forecasts.htm. Accessed April 2010.

related incidence was accurately identified and attributed. These costs were not reimbursed or mitigated by any party and were ultimately paid by the City.

Costs are likely to be under-estimated since we used conservative assumptions throughout the study. For example, only primary diagnoses were used to identify alcohol-related health care services provided by the San Francisco General Hospital and Emergency Medical Services, while cases only indicated by secondary diagnoses were excluded at this time. In addition, non-health care costs – such as alcohol-related costs of criminal justice, child protection, and policing and law enforcement – were not included.

Exhibit I-1. Summary of Alcohol-Attributable Unreimbursed Costs to the City and County of San Francisco in FY 2009-10

Service	Programmatic Costs	Program Overhead Costs	All Costs Combined
San Francisco Department of Public Health			
Sobering Center	\$943,628	\$86,531	\$1,030,159
Mobile Assistance Patrol (MAP) Van Service	\$111,938	\$11,004	\$122,942
Community Substance Abuse Services (CSAS) - Direct Treatment Costs	\$6,596,111	\$648,429	\$7,244,540
Community Substance Abuse Services (CSAS) - Prevention Services	\$2,640,752	\$259,599	\$2,900,351
SF General Hospital Services	\$1,814,842	NA ^a	\$1,814,842
Jail Health Medical Detoxification	\$534,193	\$45,460	\$579,653
San Francisco Fire Department			
Costs for EMS Transports to Destinations Other Than the Sobering Center	\$2,927,237	NA ^a	\$2,927,237
Costs for EMS Transports to the Sobering Center	\$1,044,428	NA ^a	\$1,044,428
TOTAL	\$16,613,129	\$1,051,023	\$17,664,152

^a For the SF General Hospital and Fire Department, overhead costs included in the programmatic cost estimates.

Our study concludes that the City may annually recover alcohol-attributable costs up to \$18,126,494: \$17,664,162 in unreimbursed annual costs that are attributable to alcohol consumption plus an additional estimated \$462,332 in annual administrative costs. We divided this cost by the estimated number of drinks consumed in the City in 2009. We first estimated the number of alcoholic drinks consumed annually in the state of California on a per capita basis using per capita alcohol consumption data from the National Institute on Alcohol Abuse and Alcoholism (NIAAA). The NIAAA's AEDS estimates per capita alcohol consumption for the state of California to be 2.34 gallons in 2007, with 1.07 gallons being consumed in the form of beer, 0.55 in wine, and 0.72 in distilled spirits. Assuming that a standard drink contains a 0.6 fl oz serving size of alcohol, a reference amount corresponding to standard serving sizes of 12 fl oz for beer, 5 fl oz for wine and 1.5 fl oz for distilled spirits, we estimated per capita consumption among the drinking age population residing in the state of California in 2007 to be approximately 499 drinks (or roughly 228 beers, 117 wines and 154 distilled spirits).

Using data from the U.S. Census Bureau, we estimated the size of the target population residing in the City in 2009 to be 714,818 (87.7% of the total population). We multiplied this figure by the

estimated number of drinks consumed annually by each drinking-aged person in the state of California. This yielded an estimate of 356,837,146 alcoholic drinks consumed in the City in 2009. Using this estimate, we calculated that the City's total alcohol-attributable costs could be recovered through a maximum permissible fee of \$0.0508 per alcoholic drink, or equivalently, a maximum permissible fee of \$0.0847 per fluid ounce of alcohol.