

# The Economic Effects of the New Hampshire Liquor Commission and Policy Implications



## Research Question and Strategy

- What is the net effect of the revenues and consumption costs of New Hampshire's alcohol policies on the state's economy?
- What would be the economic effect of potential liquor policies?
- Method: Use price elasticities and cross-border estimates to analyze the current policies and make predictions

## New Hampshire Liquor Commission

- New Hampshire is an alcoholic beverage control state
- Appointed on June 15, 1934 following the repeal of Prohibition six months prior
- Maintains control over the manufacture, warehousing, transportation, sale, service and consumption of liquor and alcoholic beverages

**Abstract:** Estimated price elasticities of alcoholic beverages and the effects of cross-border shopping for the state of New Hampshire indicate that raising the sale price of alcoholic beverages in New Hampshire would not substantially reduce the annual revenue to the state from the New Hampshire Liquor Commission. An analysis of the costs of excessive consumption of alcohol on the New Hampshire economy suggests that while these costs are substantial, they can be partially mitigated by increasing the effective tax and/or fees on alcoholic beverages in the state, a policy which would likely have a positive impact on the state economy in proportion to its magnitude.

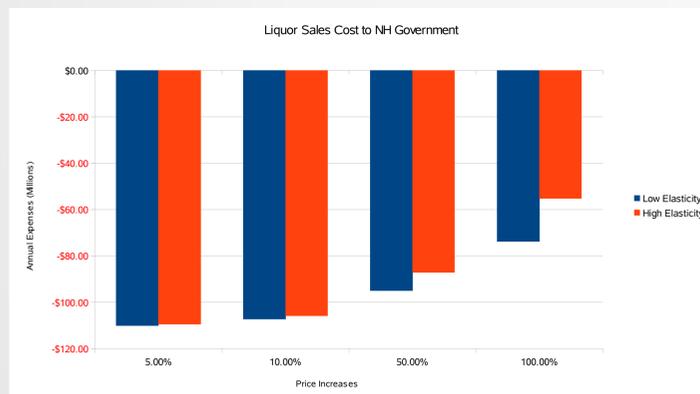
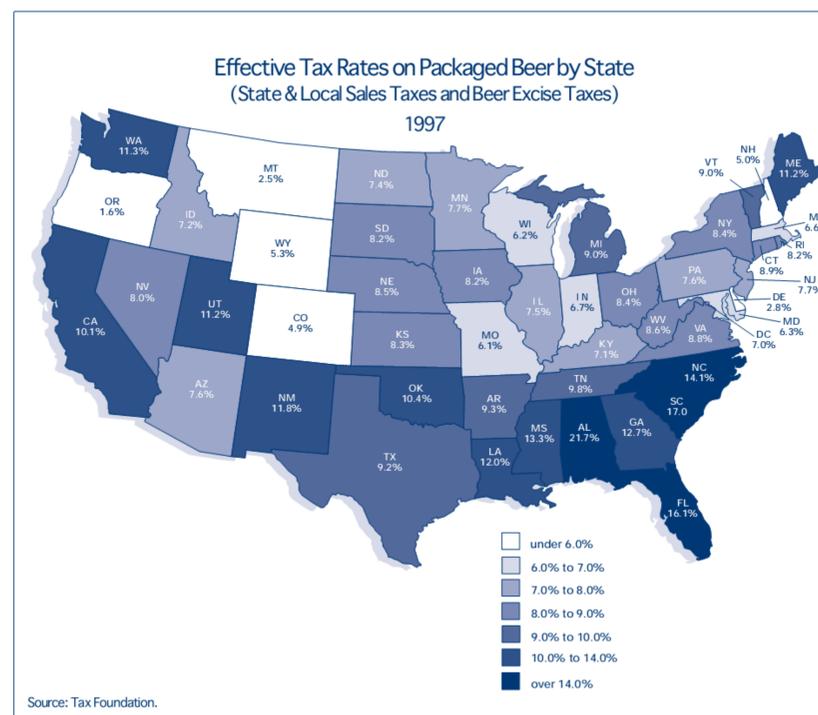
## Data – NH Liquor Commission and Polecon Research

REVENUE/ EXPENSE ITEM	FY 2010-11* (In Millions \$)	FY 2009-10 (In Millions \$)	% INCREASE (DECREASE)
Gross Sales <sup>1</sup>	543.8	520.9	4.4%
Discounts	3.6	4.5	-20.0%
Total Sales	540.2	516.4	4.6%
Fees (Bank, Credit Card, etc)	5.6	5.0	12.0%
Net Sales	534.6	511.4	4.5%
Cost of Goods Sold	374.5	357.7	4.7%
Gross Revenue - Liquor	160.1	153.7	4.2%
Operating Expenses <sup>2</sup>	40.9	39.5	3.5%
Miscellaneous Revenue	6.1	6.1	0.0%
Net Income (Not including taxes and grants) <sup>3</sup>	125.3	120.3	4.2%
Specific Liquor Taxes	13.0	13.1	-0.8%
Net Grants	-0.1	-0.1	0.0%
Total Net Revenue	138.1	133.3	3.6%

OTHER MERCHANDISING STATISTICS	FY 2010-11	FY 2009-10	% INCREASE (DECREASE)
Number of Cases Sold	4,817,847	4,678,926	3.0%
Average Price Per Case	111.35	111.32	0.0%
Items Available (brands and sizes)	15,734	15,213	3.4%
Number of Bottles Sold	45,329,073	43,524,464	4.1%
Average Price Per Bottle	11.49	10.75	6.9%

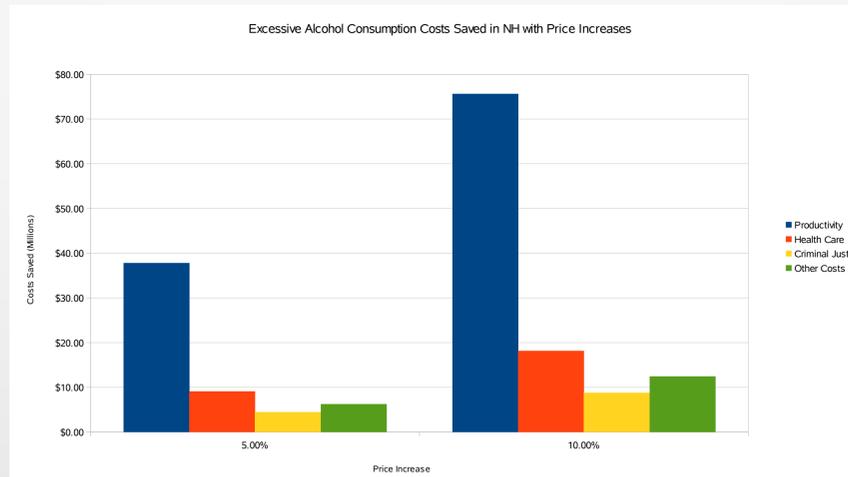
APPARENT CONSUMPTION STATISTICS	FY 2010-11		FY 2009-10	
	Gallons	Per Capita <sup>4</sup>	Gallons	Per Capita <sup>4</sup>
Distilled Spirits	5,008,942	3.80	4,877,670	3.68
Wine (21% alcohol or less)	7,351,597	5.58	7,145,047	5.39
Beer	42,495,616	32.37	42,471,372	32.06

**NOTES:**  
 (1) For the current fiscal year, off premise licensees accounted for 18.82% or \$100.6 million of total liquor sales. On premise licensees, such as bars, restaurants, hotels and clubs accounted for 10.28% or \$54.9 million of total liquor sales.  
 (2) Operating Expenses do not include Liquor purchases and grants.  
 (3) Net Income is computed after deducting all operating expenses including the General Fund portion of Enforcement and Licensing Expenses.  
 (4) Based on 2010 population estimates of 1,316,470 from the Office of Energy and Planning (OEP).



## Background: Families USA – Alcohol Taxes and Public Health

- The United States has some of the lowest alcohol excise taxes in the developed world. In many European countries, taxes on liquor are three times what they are in the United States.
- The value of all federal and state alcohol excise taxes declines every year because these taxes are not tied to inflation. The current tax on beer, for example, is \$18 per barrel, but if it had kept up with inflation, it would be \$71 per barrel.
- Doubling alcohol taxes would reduce alcohol-related deaths by 35 percent, traffic fatalities by 11 percent, and cases of sexually transmitted infections by 6 percent.
- An increase in alcohol taxes of 25 cents a drink would reduce excessive drinking by 11 percent. High-risk drinkers would pay nearly five times more in taxes than low-risk drinkers (because they drink more).
- Even a nickel per drink increase in alcohol taxes would reduce fatal traffic accidents by 7 percent and deaths due to cirrhosis by 32 percent.



The Cost of Excessive Alcohol Consumption to the Private and Public Sectors of New Hampshire					
	Annual Costs	Private (Individuals & Businesses)	%	Government (State & Local)	%
<b>Productivity</b>					
Lower Labor Force Participation	\$403.90	\$344.19	85.20%	\$42.65	10.60%
Impaired Productivity	\$325.60	\$277.47	85.20%	\$34.38	10.60%
Absenteeism	\$27.10	\$23.09	85.20%	\$2.86	10.60%
<b>Subtotal</b>	<b>\$756.60</b>	<b>\$644.75</b>	<b>85.20%</b>	<b>\$79.90</b>	<b>10.60%</b>
<b>Health Care</b>					
Alcohol Abuse Treatment	\$9.70	\$4.85	50.00%	\$2.91	30.00%
Medical Expenditures	\$154.40	\$92.64	60.00%	\$23.16	15.00%
Insurance Administration	\$17.60	\$11.44	65.00%	\$2.64	15.00%
<b>Subtotal</b>	<b>\$181.70</b>	<b>\$108.93</b>	<b>60.00%</b>	<b>\$28.71</b>	<b>15.80%</b>
<b>Criminal Justice</b>					
Police Protection and Crime	\$41.10	\$0.00	0.00%	\$41.10	100.00%
Judicial System	\$12.00	\$0.00	0.00%	\$12.00	100.00%
Corrections	\$35.10	\$0.00	0.00%	\$35.10	100.00%
<b>Subtotal</b>	<b>\$88.20</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>\$88.20</b>	<b>100.00%</b>
<b>Other Costs</b>					
Motor Vehicle Crashes	\$78.50	\$70.21	89.40%	\$8.29	10.60%
State and Local Tax Revenue	\$45.99	\$0.00	0.00%	\$45.99	100.00%
<b>Subtotal</b>	<b>\$124.50</b>	<b>\$70.21</b>	<b>56.40%</b>	<b>\$54.28</b>	<b>43.60%</b>
<b>Grand Total</b>	<b>\$1,151.00</b>	<b>\$823.89</b>	<b>71.60%</b>	<b>\$251.09</b>	<b>21.80%</b>

## Key References

- "2011 Annual Report." *New Hampshire Liquor Commission*. Print.
- "Alcohol Taxes and Public Health." *Families USA: The Voice for Health Care Consumers*. May 2012. <familiesusa.org>.
- Fleener, Patrick. "How Excise Tax Differentials Affect Cross-Border Sales Of Beer in the United States." *Tax Foundation* 31 (1999): 1-19. Print.
- "The High Cost of Excessive Alcohol Consumption in New Hampshire." (2012): 1-40. Polecon Research, Dec. 2012. <new-futures.org>.