

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 3/9/15

SPONSOR McQueen LAST UPDATED _____ HM 38

SHORT TITLE Study Minimum Retail Unit Price For Alcohol SB _____

ANALYST Elkins

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		<\$25.0		<\$25.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Economic Development Department (EDD)
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Memorial 38 proposes that the Department of Health, in cooperation with the Alcohol and Gaming Division of RLD, the State Police Division of the Department of Public Safety, and EDD, be requested to study the possible public safety, economic, and health impacts of establishing a minimum retail price for alcoholic beverages based on alcohol content.

FISCAL IMPLICATIONS

According to DOH, it will cost approximately \$25 thousand to conduct this study (equivalent to a 0.25 FTE epidemiologist).

EDD estimates that the study will require time from at least one FTE from each of the agencies. EDD has a research bureau, which would provide the economic impact information required in the study.

SIGNIFICANT ISSUES

The Department of Health offers the following commentary:

“Minimum unit pricing” is a policy that would set a minimum amount that a unit of alcohol could be sold for at retail. A unit of alcohol would be defined as a specific volume of pure ethanol, for example, 1 unit=10 mL of pure ethanol. The concept behind minimum retail unit pricing as a strategy for preventing alcohol-related harm is that the selling price increases in proportion to the alcohol units contained in the drink. Thus, a minimum unit price measure would target especially those drinks that are high in alcohol content.

Minimum unit pricing is a relatively new policy strategy for addressing alcohol-related harms. Therefore, research evaluating its impact on health is limited. A study of the enactment of minimum unit pricing in British Columbia found that a 10% increase in the price of all alcoholic beverages was associated with an approximate 9% decrease in alcohol-related injury hospitalizations and a 9% reduction in alcohol-related chronic hospitalizations (Stockwell T, Zhao J, Martin G, *et al.* Minimum alcohol prices and outlet densities in British Columbia, Canada: estimated impacts on alcohol-attributable hospital admissions. *AJPH.* 2013;103(11):2014-20).

A second study of the same law estimated that the 10 percent increase in minimum prices reduced consumption of spirits and liqueurs by 7 percent, wine by 9 percent, alcoholic sodas and ciders by 14 percent, beer by 2 percent and all alcoholic drinks by 3 percent (Stockwell T, Auld MC, Zhao J, Martin G. Does minimum pricing reduce alcohol consumption? The experience of a Canadian province. *Addiction.* 2012;107(5):912-20).

Critics of minimum unit pricing have expressed concerns that the increased revenue from minimum unit pricing would go to the entity selling the alcohol rather than being used for the prevention and treatment of alcohol and alcoholism. The deadline outlined in the bill (December 31, 2015) would not allow sufficient time to effectively complete a study of the magnitude described in HM38.

The study does not address looking into the administrative impact of regulating and enforcing a minimum retail price for alcoholic beverages. Both the Alcohol & Gaming Division of RLD and the Department of Public Safety’s Special Investigations Division would administer any laws regarding such minimum pricing that might be promulgated as a result of the study.

CE/bb