



Linking Thousands of Human Service Agencies

State Budget Needs Treatment Beer Tax = Services; Services = Savings

New York State's elected officials need to break their addiction to across the board budget cuts. That's the message from advocates and service providers who believe that they have at least one solution to the state's fiscal crisis -- a significantly increased investment in substance abuse treatment services.

"The Governor has an opportunity to really examine not only how much are we spending, but what are we getting for it," says John Coppola, Executive Director of the Alcoholism and Substance Abuse Providers of New York State, Inc. (ASAP).

Coppola points to the astronomical costs and relatively low effectiveness of incarceration for both adults and juveniles as an area ripe for savings. The vehicle to achieve these savings, he argues, is alternate investment in community-based treatment program.

"Office of Children and Family Services Commissioner Gladys Carrion has correctly analyzed the state's juvenile justice system as broken," says Coppola. "78% of the kids we incarcerate in secure and non-secure residential facilities are kids who have committed misdemeanor drug offenses and then violated their probation. And then, after we spend between \$100,000 and \$200,000 a year holding these kids, 80% are back in an OCFS or adult correctional facility within a year or two.

"Contrast this with chemical dependency treatment in a community setting at what might be one-third the cost and with substantially better outcomes," he continues. "Recidivism drops from 80% to 30%."

Last year, ASAP was supportive of Carrion's initiative to generate budget savings -- and redesign the entire juvenile justice system -- by closing six OCFS facilities simply based on the fact that they are underutilized. (In the end, Carrion was successful in winning approval to close only four.)

Coppola, however, proposes going further -- and garnishing an even greater budgetary payback. If the 78% of OCFS' 2,000 youth in custody were diverted to the substance abuse treatment programs they actually need, the state could save an estimated \$120 million a year -- the difference between \$150 million for incarceration and \$30 million in treatment costs.

"Their reasoning is absolutely correct," says Trudy Renwick, Senior Economist with the Fiscal Policy Institute which studies the state budget policies. "It costs so much to incarcerate these kids. You are going to save money one by putting them in community facilities and, if you can reduce their recidivism rate, that will mean a tremendous cost savings to the state."

The Correctional Association of New York has long argued that even greater savings in the adult correctional system -- not to mention immeasurable returns in both racial equity and human rights -- are

attainable through repeal of the Rockefeller Drug Laws. "In 2007, 6,148 drug offenders were sent to state prison," says Robert Gangi, the group's Executive Director. If the Rockefeller Drug Laws were repealed fully, judicial discretion in drug cases was restored, the group believes that there is a strong possibility that judges would sentence at least 60% of these defendants to alternative treatment programs. Based on a financial calculation by the Legal Action Center that each diversion saves the state an estimated \$60,000 in criminal justice, health and welfare expenses, the total savings resulting from a full repeal would be \$220 million a year.

"This is low-hanging fruit which is pretty easy to grab off the tree," says Gangi who expresses surprise that the Governor has not moved in this direction. "He is very familiar with the issue; he knows we send far too many nonviolent drug offenders to prison; and he knows that we have underutilized state prisons."

New York State would not be the first to consider seriously and implement a widespread treatment alternative as a way to achieve budgetary savings. ASAP has been circulating a study by the Washington State Institute on Public Policy which was asked by its legislature to assess the potential payback of substance abuse, alcoholism and mental health treatment services. The group's extensive review of literature in the field determined that:

- Treatment Works: Average evidence-based treatment can achieve roughly a 15-22% reduction in the incidence or severity of these disorders, at least in the short term.
- The Economics Look Attractive: Evidence-based treatment can achieve \$3.77 in benefits per dollar of treatment costs. From a narrower taxpayer-only perspective, the ratio is roughly \$2.05 in benefits per dollar of cost.
- The Potential is Significant: A reasonably aggressive implementation policy could generate \$1.5 billion in net benefits for the people of Washington State (\$416 million are net taxpayer benefits). Moreover, the risk of losing money with an evidence-based treatment policy is small.

In 2000, California went even further when voters passed Proposition 36, which permanently changed state law to allow first- and second-time nonviolent, simple drug possession offenders the opportunity to receive substance abuse treatment instead of incarceration. It went into effect on July 1, 2001 with \$120 million for treatment services allocated annually for five years.

Over 36,000 Californians enter treatment each year through Prop 36.

UCLA, which conducts the required evaluation of Proposition 36, calculates that the program has a 2.5-1.0 benefit to cost ratio over a 30-month period of time and that its first year of operation resulted in net savings to state and local governments of \$173 million.

California's Legislative Analyst's Office, determined that out-year savings were still higher. In an independent analysis, the LAO found that Prop 36 saved a net \$205 million in its second year and \$297 million in its third.

By July 2006, when initial funding for the program ran out, over 150,000 people benefited from Prop 36 treatment and California taxpayers saved about \$1.3 billion.

Unfortunately, even this apparently highly successful program has been subject to a myopic mentality of across the board budget cuts. Requests for expanded funding in 2006 were ignored, and again in 2007 Governor Schwarzenegger threatened to keep funding at 2000 levels, which amounts to a significant cut. In January 2008, the governor sought a 10% cut for Prop 36 – a cut in line with is proposed cuts for all agencies. UCLA's latest report shows that Proposition 36 treatment is severely under-funded, and that

this is affecting treatment quality. According to researchers, the program needs at least \$228.6 million to provide adequate treatment.

Pay Now, Save Later

Delayed budgetary gratification – savings in the out years versus expenditures right now – is one powerful reason why state officials tend to pooh pooh proposed investments in treatment programs. And, admittedly, it is difficult to spend more money when you are staring a current year deficit in the eye.

Advocates, however, believe they have an answer – a restoration of the state's excise tax on beer to levels before Governor Pataki sliced it by half.

"In 1995, he reduced it from 21 cents per gallon to 16 cents," says Renwick. "Then he reduced it again to 11 cents per gallon. Did he have a friend who made beer?"

In case you were wondering, that translates into roughly six cents per six-pack or a penny per beer. This is certainly one area where New Yorkers are not over taxed. According to the advocacy group, Join Together, our \$0.11 per gallon rate is less than half the national average of \$0.26.

Therefore, simply restoring the Pataki beer tax cuts to 21 cents, still less than the national average, would generate an estimated \$34 million, according to Renwick.

New York's tax on wine, at \$0.19 per gallon, is even further below the national average of \$0.78. The spirits tax on liquor at \$6.44 is well above the national average of \$3.92 however.

There are several initiatives underway to tap this source of revenue and put it to programmatic use. Assembly Member Jeffrey Dinowitz of the Bronx has introduced a bill (A03470) which would increase the beer tax to \$0.232 per gallon and dedicate the proceeds to create a "substance abuse services fund".

Assembly Alcoholism and Substance Abuse Committee Chairman Felix Ortiz (D-Sunset Park) goes even further seeking a 25-cent tax on every alcoholic beverage sold in the state. Ortiz sees the additional cost as a way to battle underage drinking. Young people who begin drinking before the age of 15 are four times more likely to develop alcoholism, he argues. Similar deterrent taxation of cigarettes has been effective in reducing the numbers of young people who take up smoking.

When asked, State officials did not express support for the proposals. "The governor has been very clear that he is not interested in discussing any new taxes right now," said OASAS Commission Karen Carpenter-Palumbo. A spokesman for OCFS Commissioner Gladys Carrion simply offered no comment pending completion of the current budget review process.