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COMMITTEE REPORT  
HOUSE

(7)

FURTHER: FINANCE

3/15/85

Date: 16 MARCH 1985

HEALTH, EDUCATION  
AND SOCIAL SERVICES

The Committee on \_\_\_\_\_ has had CSSB 94 (HES3) am

"An Act increasing the excise tax on cigarettes; and providing for an effective date."

under consideration and recommends:

do pass [ ] do not pass

[ ] do pass with attached amendment(s)

[ ] replace with CS for CSSB 94 (HES3) am [X] same title [ ] new title

and recommends \_\_\_\_\_

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation [ ] Zero Fiscal Note Attached

[ ] referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature] do not pass  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
CHAIRMAN  
[Signature]  
Co-Chair

Offered: 2/22/85  
Referred: Finance

Original sponsors: V.Fischer and Ferguson

1 IN THE SENATE BY THE HEALTH, EDUCATION  
AND SOCIAL SERVICES COMMITTEE

2 CS FOR SENATE BILL NO. 94 (HESS) am  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act increasing the excise tax on cigarettes; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. INTENT. (a) It is the intent of the legislature that the  
10 excise tax on cigarettes levied by this Act be used principally to fund  
11 health promotion and education programs to enhance wellness, good nutri-  
12 tion, and physical and mental fitness and to encourage the avoidance of  
13 unnecessary health risks, including smoking and use of alcohol and other  
14 drugs.

15 (b) The health promotion and education programs shall include promot-  
16 ing the implementation of school health education programs statewide for  
17 all grades; distributing and coordinating grants for statewide and local  
18 health promotion and education programs; and developing a five-year health  
19 promotion and education plan for the state, including one-year plans of  
20 operation.

21 \* Sec. 2. AS 43.50.190(a) is repealed and reenacted to read:

22 (a) If the federal excise tax on cigarettes under 26 U.S.C.  
23 5701(b) is equal to or greater than 8 mills per small cigarette or  
24 16.8 mills per large cigarette, then there is levied an additional  
25 state excise tax on each cigarette imported or acquired in the state  
26 of 1.5 mills. If the federal excise tax is less than 8 mills per  
27 small cigarette or 16.8 mills per large cigarette, then there is  
28 levied an excise tax in an amount sufficient to make the total of the  
29 federal tax and the additional state tax levied by this section on

1 each cigarette imported or acquired in this state equal to

2 (1) 9.5 mills on each small cigarette; and

3 (2) 18.3 mills on each large cigarette.

4 \* Sec. 3. AS 43.50.190 is amended by adding a new subsection to read:

5 (c) In this section, "small cigarette" and "large cigarette"  
6 have the same meanings given in 26 U.S.C. 5701(b).

7 \* Sec. 4. This Act takes effect October 1, 1985.

HEALTHY ALASKA COALITION  
P. O. Box 103056  
Anchorage, AK 99510  
(907) 274-1225  
January 28, 1985

TO: Organizations Considering Support for Alaska  
Cigarette Tax/Health Promotion Legislation SB94

FROM: Anne Morris, M.D., Coalition Chairperson  
Curtis Mekemson, Executive Director, Alaska Lung Assoc.

A number of organizations including the American Cancer Society, the Alaska Public Health Association, the Municipal Health Commission of Anchorage, the Alaska Health Educators Consortium, the Alaska Native Health Board and the Alaska Lung Association have joined in supporting legislation, Senate Bill 94, which will increase Alaska's tax on cigarettes by eight cents and utilize the increased revenues for a statewide health promotion effort.

We would like your support.

The concept includes three key elements.

- The tax which will raise approximately six million dollars a year.
- A long term health promotion program featuring statewide campaigns, local initiative efforts and school health education.
- The necessary structure/organization to implement the program.

Details on the tax and health promotion program are appended for your information as is a copy of Senate Bill 94. It is important to stress that the issue of an appropriate structure and the specific utilization of the funds are still being defined and will likely change as discussions with the Governor, Legislators, Commissioners, and community organizations progress.

A sample resolution is appended for your use. As part of supporting the concept, we urge that you inform your members of the issue and invite you to become an active member of our coalition. At a minimum we would like to use your organization's name in media releases and in contact with legislators and others.

If you have any questions, please call Curtis Mekemson at 272-2332. Resolutions should be returned to Healthy Alaska Coalition, 406 "G" St., P. O. Box 103056, Anchorage, AK 99510.

## HEALTHY ALASKA COALITION

As of February 21, 1985, the following organizations have adopted resolutions supporting the cigarette tax/health promotion concept. Many more organizations are presently at various stages in also adopting resolutions.

Alaska Council on Smoking or Health  
Alaska Dental Society  
Alaska Federation of Natives  
Alaska Health Educators Consortium  
Alaska Health Project  
Alaska Lung Association  
Alaska Native Health Board  
Alaska Psychological Association  
Alaska Public Health Association  
Alaska School Nurses Association  
Alaska State Medical Association  
Alaska Thoracic Society  
American Academy of Pediatrics - Alaska Chapter  
American Cancer Society - Alaska Division  
Anchorage Neighborhood Health Center  
Anchorage Youth Commission  
Municipal Health Commission of Anchorage  
National Education Association - Alaska  
South Central Health Planning and Development, Inc.  
Southeast Alaska Health Systems Agency

1 IN THE SENATE

BY V.FISCHER

2 SENATE BILL NO. 94

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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16 promoting the implementation of school health education programs statewide  
17 for all grades; distributing and coordinating grants for statewide and  
18 local health promotion and education programs; and developing a five-year  
19 health promotion and education plan for the state, including one-year plans  
20 of operation.

21 \* Sec. 2. AS 43.50.190(a) is amended to read:

22 (a) There is levied an excise tax of five [ONE] and one-half  
23 mills on each cigarette imported or acquired in this state.

24 \* Sec. 3. This Act takes effect October 1, 1985.

25  
26  
27 CO-SPONSOR: SENATOR FRANK FERGUSON

DRAFT - Organizational Support Resolution on the Cigarette Tax.

- WHEREAS: The Federal Government is allowing its sixteen cent excise tax on a pack of cigarettes to return to eight cents on October 1, 1985;
- WHEREAS: The State of Alaska has the opportunity to "recapture" the lost eight cents for Alaska without increasing the price of cigarettes;
- WHEREAS: The eight cent tax will bring to Alaska an approximate six million dollars in extra revenue per year which was previously being sent to Washington, D.C.;
- WHEREAS: Smoking is the number one cause of disease. Maintaining or increasing the price of cigarettes discourages an increase in smoking.
- WHEREAS: The potential exists to utilize the extra funds generated through the tax for health promotion efforts among young people and the general public.
- WHEREAS: Such promotion will help reduce Alaska's high health risk factors such as smoking and alcohol abuse by persuading people to adopt a lifestyle behavior which is conducive to health.
- WHEREAS: Reducing health risk factors will save Alaska millions of dollars annually in public and private health care, lost work, and other related costs.

NOW...THEREFORE BE IT RESOLVED THAT \_\_\_\_\_ joins with the coalition of organizations urging the Alaska State Legislature and Governor to pass legislation which will increase the State cigarette tax by eight cents and become effective on October 1, 1985.

BE IT FURTHER RESOLVED THAT extra revenues generated by the tax be directed to the development and implementation of a multi-year statewide health promotions policy.

Signed by: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

## THE CIGARETTE TAX IN ALASKA

### An Opportunity for Investing in Health

The following information has been developed by representatives from several organizations which support the concept of increasing the Alaska State tax on cigarettes and utilizing the funds generated for health promotion. Among the organizations which have passed resolutions of support as of January 23, 1985, are the Alaska Lung Association, the American Cancer Society, the Alaska Public Health Association, the Alaska Health Educators Consortium, the Alaska Native Health Board, the Municipal Health Commission of Anchorage and the Alaska Council on Smoking or Health.

Curtis Mekemson, Executive Director  
Alaska Lung Association  
January 23, 1985

# THE CIGARETTE TAX IN ALASKA

## An Opportunity for Investing in Health

### INTRODUCTION AND SUMMARY

During 1985 Alaska has an opportunity to recapture \$6,000,000 a year it has been sending to Washington in cigarette taxes, develop what may be one of the most effective health promotion programs in the nation, and discourage an increase in smoking among young people and others. How can the State achieve these goals?

In 1983 Congress doubled its tax on cigarettes from 8-16 cents with the condition that the tax would return to 8 cents on October 1, 1985 unless Congress acted to do otherwise. Congress, after considerable debate and pressure from the tobacco lobbyists, chose not to act during its last session. Its inaction will have the effect of reducing the price of cigarettes and costing the Federal Government billions of dollars in revenues.

Washington's loss could become Alaska's gain. By passing and signing legislation to increase Alaska's tax on cigarettes by 8 cents, the State may be able to collect the money it has been sending to Washington without increasing taxes. Maintaining the price of cigarettes will have the added benefit of discouraging the increase in smoking which will result if the price of cigarettes drop. Finally, if the new revenues are focused on health promotion, the gain could be multiplied many times by reducing Alaska's serious health risk factors such as smoking and alcohol consumption.

Implementing an effective health promotion program will depend upon establishing long term goals, supporting statewide media and school health campaigns, and encouraging local community initiatives. Direction for such an effort will involve creating an appropriate structure within State government to develop a 5 year health promotion plan for Alaska, oversee statewide campaigns, provide grants to local communities, evaluate the success of the health promotion programs, and provide advice to the Governor, Legislature and appropriate State Departments on health related projects and plans.

Following is a more detailed discussion of the tax, the correlation between smoking and price, the health effects of smoking, the seriousness of Alaska's health problems, the potential of a health promotion's program, and a suggested list of activities which could be carried out in a statewide health promotion program.

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THE CIGARETTE TAX IN ALASKA

Alaska presently has a four mill levy on each cigarette which is the equivalent to eight cents a pack and raises approximately \$6,000,000 a year. Two and one half of the four mills collected goes into a special school building fund which was created in 1956. In 1961 an additional 1½ mills was added to the tax and goes into the general fund. The only significant change in the last 23 years has been to exempt application of the tax on military services.

Nationally, only four states have lower taxes than Alaska. These include North Carolina at .02, Virginia at .025, Kentucky at .03, and South Carolina at .07. Each of these States is involved in substantial tobacco production. The average State tax is 15.6 cents per pack, close to double that of Alaska.

It is difficult to predict what will happen with the Federal tax. An effort is being planned by the National Council on Smoking or Health to reinstitute the eight cents to be dropped in October 85. Obviously they will be opposed by tobacco interests. Even if the eight cents is reinstated, however, the low level of the Alaskan tax and the value of an expanded health promotion effort in Alaska would justify the new State tax.

Doubling Alaska's tax to 8 mills or 16 cents will increase State cigarette tax revenues to approximately \$12,000,000 a year. Since there is already an established procedure for collecting the tax from wholesalers by the Department of Revenue, collecting the new tax should involve a minimal of effort and expense.

Any new tax cannot be dedicated to a specific purpose under the Alaska Constitution. (The school fund is an exception because it was in effect prior to the adoption of the constitution.) Legislative intent for the expenditure of funds can be expressed however. Specific appropriation then goes through the normal budgetary process and is up for reconsideration each year.

CIGARETTE SMOKING AND PRICE

A direct correlation exists between smoking and price. As the cost of smoking goes up, the percentage of smoking drops. A study done by Professor Eugene Lewit and other economists for the College of Medicine and Dentistry of New Jersey showed a 10% increase in the price of cigarettes would lead to a 4% overall drop in smoking. Among teenagers the drop would be 14%! Conversely, a drop in prices will encourage an increase in smoking - again with teenagers being the most effected.

### SMOKING, HEALTH, AND ECONOMICS

The health effects of cigarette smoking are extremely well documented. Smoking is the major cause of lung cancer, heart disease, emphysema, and chronic bronchitis. In fact, smoking is the single most preventable cause of disease. In 1985 over 340,000 Americans will die prematurely because of their smoking habit. Millions more will live with crippled lungs and strained hearts.

Human suffering is only part of the picture. Smoking related diseases cost some 16 billion dollars in medical care resources yearly - a figure which can be translated into an extra \$100 per year in extra taxes and health insurance premiums for working adults. This applies whether the person smokes or not.

Many other costs such as lost working days, fire damage, special ventilation systems, etc. add to the bill we all get to pay. Information from Senator Ted Stevens to Dr. James Sprott of Anchorage placed these costs at 26 billion dollars for a total of 42 billion. As Stevens noted "The overall economic loss to the nation due to smoking is staggering."

### SMOKING AND OTHER HEALTH RISK FACTORS IN ALASKA

For whatever the reasons, Alaskans tend to be toward the top of national statistics in pursuing habits with high health risk factors. Following is a discussion of four key indicators: smoking, alcohol abuse, accidents, and mental health.

**SMOKING:** Thirty six percent of adult Alaskans smoke. Only two states, Kentucky at 36.6% and North Carolina at 37.7%, exceed Alaska. Once again, both of these states are tobacco producing. Another statistic indicative of Alaskans smoking habits is that the number of cigarette packs sold per capita in the U.S. dropped by 4.6% between 1976 - 1982 while increasing by 4.2% in Alaska. An 8.6% difference. Eventually, these figures will be translated into more lung cancer, heart disease and emphysema.

**ALCOHOL:** Another very apparent health risk to Alaskans is excessive alcohol consumption. A statewide health survey carried out by the Department of Health and Social Services in 1984 showed this to be the number one concern of the various groups surveyed. Alaskans are number 12 nationally in acute drinking and take the number 3 spot

for chronic drinking. (Acute is defined as 5 or more drinks on an occasion one or more times per month and chronic is defined as 2 or more drinks per day or 14 or more drinks per week.) The two states which exceed Alaska in chronic drinking are New Hampshire and Florida. In per capita consumption of distilled spirits we are also close to the top. Alaska consumes 3.3 gallons per person, New Hampshire 4.8, Nevada 5.7, and Washington D.C. 6.

**ACCIDENTS:** Accidents rates are also very high in Alaska. 1981 census figures showed Alaska with an accidental death rate of 89.3 per 100,000 population in comparison with 43.2 for the nation. Not surprisingly, the major differences were aircraft and water related.

**MENTAL HEALTH:** Mental health is also a problem as reflected by such indicators as suicide, family violence, child abuse, and violent crimes. Often alcohol plays an important role. In 1980 suicide was the fifth leading cause of statewide mortality. The rate of 17.7 suicides per 100,000 compares with a U.S. rate of 12.2. It is also important to note that the suicide rate increased from 13.2 per 100,000 in 1970 to the 17.7 in 1980.

What the above statistics relate is Alaska is facing a serious health crises with both short and long term implications which will result in considerable human suffering. It will also result in the expenditure of millions of dollars in public and private funds. A critical point of this paper is an aggressive health promotion program can reduce the suffering and will eventually more than pay for itself in reduced health care costs.

#### HEALTH PROMOTION AS A TOOL IN DISEASE PREVENTION

Risk factor intervention through health promotion has become a major tool for preventing cardiovascular diseases, cancer, cirrhosis of the liver, accidents, and chronic lung disease -- the major current health problems in modern nations. Numerous approaches are used and are necessary in successful programs. Four of the most important include reaching young people through comprehensive health education, educating the general public through mass media efforts, promoting self help in local communities and at the workplace, and utilizing the medical care de-

livery system in promoting health among high risk groups. A growing body of evidence supports the effectiveness of efforts:

- ° In school health a long term study has recently been completed by the University of Washington on the impact of the Primary Grades Health Promotion Project, Growing Healthy. (Growing Healthy is a comprehensive school health curriculum which was developed in Berkeley and Seattle in the early 70's and is now being utilized nationally by numerous school districts.) A summary of the findings state that "the curricula have a positive impact upon children's current levels of knowledge about health and their attitude toward health...and upon present and future health practices of students and their families."
- ° The Stanford Heart Disease Prevention Program provides considerable support for community wide programs. Utilizing a multimedia campaign for the general public and intensive instruction for high risk individuals in three Northern California Communities, the risk for coronary heart disease was reduced 15% to 20% among total participants and 30% among the high risk group.
- ° A similar experiment carried out in Finland over 4½ years with a largely rural population showed decreased cigarette smoking, decreased blood pressure, and a considerable reduction in the incidence of strokes -- from 3.6 to 1.9 per 1,000 males and 2.8 to 1.8 per 1,000 females.

What each of these health promotion programs have in common is they were carried out over a long period of time and they were comprehensive in their approach. They demonstrate that done right, health promotion can make a significant difference.

#### AN INVESTMENT IN HEALTH

The cigarette tax revenues utilized in health promotion can help assure a healthier future for Alaska. Life style issues which deserve attention include smoking, nutrition, alcohol and other drug use, safety, mental health, and fitness. Maximizing the impact of the health promotion program will depend upon several factors.

- ° A long term commitment to the program is needed. Establishing positive health habits takes several years. One way to help assure the necessary focus is to develop a 5-year health

promotion plan for the State. The plan should include specific goals and objectives that can be carefully evaluated during and at the completion of the program.

- ° Reaching young people must be a priority. This will require working closely with the education system. While mandating a specific comprehensive health education program may not be desirable, the State should provide all school districts with the best materials and training in comprehensive school health available. Joint financing of program implementation may also be desirable.
- ° Local initiative is critical. The key to health promotion lies in encouraging people to take responsibility for their own health. A way to encourage such initiative will be to make grants available to local communities and organizations to help carry out the five-year plan. Grants should be closely monitored for effectiveness in terms of achieving the plans goals and objectives.
- ° Statewide campaigns primarily utilizing the media can provide valuable support to school and local initiative efforts. The tobacco and liquor industry spend millions to get their message across. The real message is advertising pays. It can work as effectively in discouraging smoking and excessive drinking as it does to promote it.

Carrying out the type of program outlined above will require considerable initiative creativity and energy. Success will depend upon establishing an adequately staffed office within State government that has the necessary charge and flexibility to implement the program. It will also depend upon seeking advice and involvement from the various interests within the State concerned with health promotion. Some type of advisory body should be established to achieve the latter objectives.

#### CONCLUSION

The cigarette tax combined with health promotion concept provides Alaska with a unique opportunity to promote wellness and encourage the avoidance of unnecessary health risks.