

**HB**

**431**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Increase Tobacco Taxes BRU: Income and Excise Audit  
 Component: Operations  
 Sponsor: (H) HES  
 Requestor: (H) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( GF )	33,426.8	44,781.7	45,185.5	54,077.6	54,267.0	54,547.9
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick  
 Division: Income and Excise Audit Division  
 Approved by Commissioner: [Signature]  
 Agency: Department of Revenue

Phone: 465-3691  
 Date: 2/1/96  
 Date: 2/1/96

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**Alaska Department of Revenue  
Income and Excise Audit Division**

HB 431  
Increase Tobacco Taxes  
9-LS1518\C  
February 1, 1996  
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**Bill Analysis**

Sections 1 increases cigarette tax rates as follows:

<b>Effective Date</b>	<b>School Fund Base Rate <i>(AS 43.50.090)</i></b>	<b>General Fund Additional Tax <i>(AS 43.50.190)</i></b>	<b>Rate Increase <i>(General Fund)</i></b>	<b>Total Tax (per pack)</b>
Current	\$ .05	\$ .24	N/A	<b>\$ .29</b>
10/1/96	\$ .05	\$ .24	\$1.00	<b>\$1.29</b>
7/1/99	\$ .05	\$1.24	\$ .24	<b>\$1.53</b>
7/1/02	\$ .05	\$1.48	\$ .24	<b>\$1.77</b>
7/1/05*	\$ .05	\$1.72	\$ .24	<b>\$2.01</b>

\* Rates would increase by 12 mills per cigarette, which is 1.2¢ per cigarette or 24¢ per pack, each succeeding three-year period after July 1, 2005.

**Section 2** requires that Department of Revenue give public notice for each rate change.

**Section 3** raises the tobacco products tax from 25% to 100% of the wholesale price of the tobacco products.

**Section 4** provides for adjusting the tobacco products tax rate based on the change in the Consumer Price Index for the Anchorage area. The index for January 1997 would be the reference base index. The tax would be subject to adjustment on July 1 of each even-numbered year.

**Section 5** requires that Department of Revenue give public notice for each rate change.

**Section 6** establishes an effective date of October 1, 1996.

**Alaska Department of Revenue  
Income and Excise Audit Division**

HB 431  
Increase Tobacco Taxes  
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**Operating Costs**

Department of Revenue is not requesting operating funds to implement the proposed tax increase. With such a large increase in taxes due the state (from \$17 to \$50+ million annually), there may be increased taxpayer noncompliance. Our current compliance efforts consist of reviewing the financial trends and assuring that all businesses licensed to sell cigarettes and tobacco file a tax return and pay the reported amount. We believe this level has been adequate given the current tax levels and staffing. At significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. We are currently reviewing our personnel resources available for compliance in the light of: 1) pressure to increase tax revenue, 2) absorbing a \$100,000 FY97 budget cut and 3) significant increases in the volumes of tax returns filed annually with the division. If we experience a significant increase in taxpayer noncompliance additional personnel services funding will be needed to appropriately address the issue.

**Revenue**

The attached spreadsheet details revenue projections from rate increases in this bill.

**Department of Revenue  
Income and Excise Audit Division**

**Fiscal Note Analysis**

HB 431  
Cigarette and Tobacco Tax Increase  
S-LS15181C  
February 1, 1996  
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*Population growth adjustment assumed to be a factor of 1.0038 per year. (Based on national average of 24% of population smokes)  
OMB projects total Alaska population growth at 1.016 per year.*

*Average annual change in Anchorage CPIs based on inflation numbers provided by OMB.  
Percentages of .5 are rounded up to the nearest whole percentage point.*

Date	CPI Change	Tax Rate
1/1/97 - 12/31/97	2.99%	
1/1/98 - 6/30/98	1.50%	
% Change	4.49%	
Change rounded to whole %		1.04
Proposed Base Rate		1.00
New Rate Calculation		1.04
New Rate Rounded - 7/1/98		1.04
1/1/97 - 6/30/98	4.49%	
7/1/98 - 6/30/99	3.18%	
7/1/99 - 6/30/00	3.18%	
Total	10.85%	
Rounded Rate		1.11
Proposed Base Rate		1.00
New Rate Calculation		1.11
New Rate Rounded - 7/1/00		1.11

**Cigarette Elasticity Assumptions**

- .4 for each percentage price increase.  
Average pack of cigarette in \$2.16.  
\$1.00 increase would yield 48.3% price increase.  
48.3% x -.4 = -18.5% elasticity factor  
24¢ increase would yield 7.6% price increase in 1999  
7.6% x -.4 = -3% elasticity factor (FY 00 - FY 02)  
No elasticity in years following price change

**Tobacco Products Elasticity Assumptions**

FY 97 cigarette elasticity factor applied to tobacco products for FY 97 and FY 98  
FY 99 and FY 00 elasticity factor of -1%  
FY 01 and FY 02 elasticity factor of -2%  
No elasticity in years following price change

*Source: 1994 Surgeon General's Report.*

**Alaska Department of Revenue  
Income and Excise Audit Division**

HB 431  
Cigarette and Tobacco Increase  
9-LS1518(C)  
February 1, 1996  
Page 4 of 5

	FY 96 Projected	FY 97		FY 98	FY 99	FY 00	FY 01	FY 02	
		July - Sept	Oct - June	Total					
<b>Cigarettes</b>									
	<i>Elasticity Factor</i>		-18.5%		(-18.5% Annualized)	0.0%	-3.0%	0.0%	0.0%
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	42,958,487	42,958,487	42,958,487
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.53	\$1.53	\$1.53
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$48,787,419	\$57,130,359	\$57,130,359	\$65,726,485	\$65,726,485	\$65,726,485
<b>Tobacco Products</b>									
	<i>Elasticity Factor</i>		-18.5%		(-18.5% Annualized)	-1.0%	0.0%	-2.0%	0.0%
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,841,100	\$4,841,100	\$4,453,812	\$4,453,812
Rate	25%	25%	100%	Variable	100%	104%	104%	111%	111%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$5,034,744	\$5,034,744	\$4,943,731	\$4,943,731
<b>Total Cigarette and Tobacco Tax</b>	<b>\$17,258,600</b>	<b>\$4,314,650</b>	<b>\$46,515,269</b>	<b>\$50,829,919</b>	<b>\$62,020,359</b>	<b>\$62,165,103</b>	<b>\$70,761,229</b>	<b>\$70,670,216</b>	<b>\$70,670,216</b>
Population Increase	N/A			1.0038	1.0076	1.0118	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,900,541	71,882,483	72,073,783	72,357,539
Less 1% Commission	(172,586)			(510,231)	(624,926)	(629,005)	(718,825)	(720,738)	(723,575)
<b>Net Cigarette and Tobacco Tax</b>	<b>\$17,086,014</b>			<b>50,512,842</b>	<b>61,867,683</b>	<b>62,271,536</b>	<b>71,163,658</b>	<b>71,353,046</b>	<b>71,633,963</b>
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
<b>Tobacco Tax Increase</b>				<b>\$33,426,828</b>	<b>\$44,781,669</b>	<b>\$45,185,522</b>	<b>\$54,077,644</b>	<b>\$54,267,032</b>	<b>\$54,547,949</b>

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: January 19, 1996

FURTHER REFERRALS:

State Affairs  
Labor and Commerce  
Finance

Date of Committee Action: 2/1/96

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 431

HOUSE BILL NO. 431

INCREASE TOBACCO TAXES

"An Act relating to taxes on cigarettes and tobacco products; and providing for an effective date."

recommends it be replaced with the following committee substitute \_\_\_\_\_ [ ] the same title [ ] a new title

[ ] additional referral to \_\_\_\_\_ Committee  
[ ] attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[x] fiscal note(s) Revenue

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>				✓

CHAIR'S SIGNATURE *[Signature]*



REPRESENTATIVE CON BUNDE  
CO-CHAIR HEALTH, EDUCATION  
& SOCIAL SERVICES  
VICE-CHAIR RULES

**Alaska State Legislature  
House of Representatives**

**DURING SESSION:**  
STATE CAPITOL, ROOM 108  
JUNEAU, ALASKA 99801-1182  
1 (907) 465-4843

**DURING INTERIM:**  
716 WEST 4TH AVENUE  
ANCHORAGE, ALASKA 99501-2133  
1 (907) 258-8168

**SPONSOR STATEMENT  
HB 431**

**“An Act relating to taxes on cigarettes and tobacco products; and providing for an effective date.”**

There is an epidemic in our state that is killing more Alaskans each year than motor vehicle accidents, firearms, drugs or alcohol combined. The illness that has reached epidemic proportions in Alaska is tobacco use, which usually starts in childhood, and it is preventable.

Alaska has one of the highest smoking rates in the United States. Within Alaska, the highest smoking rate is found in the Bush (33%) and the lowest in the urban areas (25%). Nearly 84% of Alaskan adults started smoking between the ages of 10 and 20 years of age.

Adults don't start smoking, children do. The average age youngsters start smoking is 14.5 years old. Nationally, about 3000 children start smoking every day, of those approximately a third will die from tobacco related illness. HB 431 is about prevention. Because the youth of our state are so price sensitive the passage of this legislation will drastically decrease the use of tobacco. As the price of cigarettes and tobacco products increase many young would be smokers--won't be. Other youngsters who have already started smoking may be forced to consider quitting.

In Alaska, the estimated total medical care costs directly related to smoking in 1993 was \$96,490,000 and approximately \$9.8 million was paid by medicaid. Our budget is shrinking. It makes sense to prevent future escalation of our health care costs by creating an economic incentive for children and adults to quit the use of cigarettes and tobacco products. HB 431 will decrease tobacco use and prevent an increase in future health care costs related to tobacco use.

HB 431 is a user fee not a tax. The price increase caused by this fee will work in favor of Alaskans. Studies show that for every 10% increase in the price of tobacco products, there will be approximately a 4% decrease in tobacco consumption, and an even greater decrease in tobacco use among children. Alaska's cigarette tax is currently .29 cents per pack, ranking 26th in the nation. I urge the committee to support HB 431 for the future health of many of our youth and adults.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99001-2105

## MEMORANDUM

January 29, 1996

**SUBJECT:** House Bill 431, increasing the taxes on cigarettes and tobacco products facilities -- sectional analysis (Work Order No. 9-LS1518\C)

**TO:** Representative Con Bunde, Co-Chair  
House Health, Education and Social Services Committee  
ATTN: Patti Swenson

**FROM:** Jack Chenoweth  
Legislative Counsel

House Bill 431 proposes increases to the state-imposed taxes on cigarettes and tobacco products.

**Bill section 1:** The bill section sequentially increases the tax on cigarettes. The increases are as follows:

Between the bill's effective date and June 30, 1999, the tax imposed under this section is set at 62 mills per cigarette or \$1.24 per pack, an increase of \$1.00 per pack from the current tax levy;

Between July 1, 1999, and June 30, 2002, the tax imposed under this section is set at 74 mills per cigarette or \$1.48 per pack, a further increase of 24 cents per pack;

Between July 1, 2002, and June 30, 2005, the tax imposed under this section is set at 86 mills per cigarette or \$1.72 per pack, an additional increase of 24 cents per pack; and

Thereafter, at three-year intervals, increases at the rate of 12 mills per cigarette (24 cents per pack).

**Bill section 2:** The bill section directs the Department of Revenue to give public notice of the cigarette tax rate changes and specific notice of the change to all cigarette tax licensees.

**Bill section 3:** The amendment increases the excise tax on tobacco products other than cigarettes from its current 25 percent of the product's wholesale price to a rate of 100 percent of the wholesale price.

Representative Con Bunde

January 29, 1996

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**Bill section 4:** The bill section authorizes the department to change the rate of the excise tax on tobacco products other than cigarettes in line with inflation, with the change to be made every second year. The provision spells out how the change is to be calculated.

**Bill section 5:** The bill section directs the Department of Revenue to give public notice of the biennial rate changes of the change in the excise tax rate applicable to tobacco products other than cigarettes and to give specific notice of the change to all tobacco tax licensees.

**Bill section 6** gives the measure an October 1, 1996, effective date.

JBC:klb

96-041.klb

# LEGAL SERVICES

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130 Seward Street, Suite 409  
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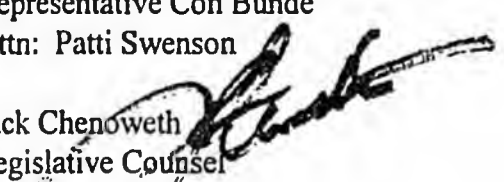
## MEMORANDUM

January 23, 1996

**SUBJECT:** Cigarette tax increases under HB 431 (Work Order 9-LS1518\C)

**TO:** Representative Con Bunde  
Attn: Patti Swenson

**FROM:** Jack Chenoweth  
Legislative Counsel



A mill is one-tenth of a cent (\$.001). There are 20 cigarettes to the pack, so a one-mill increase in the tax on cigarettes x 20 cigarettes equal two cents per pack.

The total tax on cigarettes being proposed by the change set out in this bill would be determined as follows:

Under AS 43.50.090(a), a pre-Statehood Act dedicated levy supporting the school tax:

2.5 mills  
x 20 cigarettes = \$ .05

Under AS 43.50.190(a), as amended by this bill:

until June 30, 1999

62 mills per cigarette  
x 20 cigarettes = \$ 1.24 for a total levy of  
\$ 1.29 per pack;

between July 1, 1999, and June 30, 2002

74 mills per cigarette  
x 20 cigarettes = \$ 1.48 for a total levy of  
\$ 1.53 per pack;

between July 1, 2002, and June 30, 2005

86 mills per cigarette  
x 20 cigarettes = \$ 1.72 for a total levy of  
\$ 1.77 per pack;

MILL LEVY EXPLANATION

Representative Con Bunde

January 23, 1996

Page 2

Thereafter, the increments increase progressively at the rate of \$.24 per pack at intervals of three years.

JBC:glc

96-041.glc

Enclosure

Luke Whitehead:

My name is Luke Whitehead and I'm <sup>14</sup>13 years old. I'm an eighth grader at Hanshew Junior High. I am at the age that kids are most likely to begin smoking. I'm not worried about getting hooked myself, but I do worry about other kids. I think that adults—including legislators—should be doing more to try to keep kids off nicotine. Because we know that of all the kids who start smoking each day, about a third of them will eventually die from it.

Here in Alaska, we know that more than one-fourth of high school age kids smoke cigarettes. If this was just a fad that they outgrow, it wouldn't be so bad. But tobacco contains nicotine, an addictive drug. Nicotine is so addictive that most of the people who do get hooked on it stay hooked, even though they want to quit.

Last summer I attended a conference in Washington DC called the Smoke-Free Class of 2000 Youth Ambassadors Forum. We got to hear people like former Surgeon General C. Everett Koop talk about the smoking epidemic in this country and how to stop it. It was a real eye-opener for me.

I learned that smoking is a "pediatric disease," which means that it affects children. That's because studies show that almost all adults who smoke first started when they were kids. I learned about how the tobacco industry targets kids as replacement smokers for the 420,000 Americans who die each year from smoking. I also learned that while there's a lot that parents and teachers can do to help educate kids about tobacco, there's also a lot that legislators can do, and sometimes those actions have the greatest impact of all.

One of the things legislators can do is make tobacco so expensive that a lot of kids can't afford to get hooked. That can be done through taxation. Here in Alaska, it is estimated that a tax increase of \$1 per pack on cigarettes would reduce youth smoking by about one-third. I really hope the legislature will do that, and so do most Alaskans. We'll have more to say about that in a few minutes, but first Dr. John Petratis is going to share some of what he's learned in his research about kids and tobacco.

**AMERICAN LUNG ASSOCIATION OF ALASKA  
1057 WEST FIREWEED LANE  
ANCHORAGE, AK 99503  
276-LUNG (5864)**

January 26, 1996

Representative Con Bunde  
House Health Education, Education and Social Services Committee  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

FAX: 465-3871

Dear Representative Bunde,

The American Lung Association of Alaska is dedicated to improving the lung health of the citizens of Alaska. On behalf of the board of directors of ALAA, all those we serve and the many citizens of Alaska we serve who are now suffering from the effects of tobacco use, we strongly encourage you and the other members of the House HESS Committee to support an increase in the tobacco tax.

Alaska is facing an epidemic - an epidemic of smoking related diseases. This epidemic is adding dramatically to soaring health care costs. We know that there is great interest in reducing costs of government and the best way to reduce costs is by reducing the spread of tobacco:

A few things to consider:

- According to recent data, Alaska has the third highest rate of smoking in the U.S. and the sixth highest rate of death from smoking.
- A DHHS report assessed the economic impact of smoking in Alaska at almost \$130 million in 1991.
- Since health care costs are rising substantially and rose at least 16% between 1991 and 1993, we can conservatively estimate that health care costs in 1993 were more than \$143 million.
- Tobacco use is a major risk factor for diseases of the heart and blood vessels, chronic bronchitis and emphysema, cancers of the lung, pharynx, oral cavity, esophagus, pancreas and bladder as well as other problems such as respiratory infections and stomach ulcers.
- Smoking accounts for 21 percent of all coronary heart disease deaths, 87 percent of lung cancer deaths and 30% of all cancer deaths.
- Cigarette smoking during pregnancy accounts for 20 to 30 percent of low birth weight babies, up to 14 percent of pre-term deliveries, and about 10 percent of all infant deaths.
- Environmental Tobacco Smoke (ETS) is the third leading cause of preventable death in the

United States - behind active smoking and alcohol related deaths. ETS causes more than 53,000 deaths per year from disease and cancer.

- For every eight smokers killed as a result of smoking-related illness and disease, one non-smoker dies from exposure to environmental tobacco smoke.
- Smoking costs the American public over \$100 billion in health care costs and lost productivity.
- In Alaska, the estimated total cost attributed to smoking was \$127.6 million for persons age 35 and older. Of this, \$45.6 million was for direct health care costs.
- In other words, the cost of tobacco use is equivalent to \$220 per Alaskan or \$941 per current smoker in this age group.

So, please support the best way to not only recoup current health care costs, but also reduce future costs:

- If kids don't start smoking as teenagers, they don't start.
- If they don't start, they don't incur these health care costs.
- The Alaska Department of Revenue has estimated that a tax increase of \$1 per pack of cigarettes would lead to a reduction in youth smoking of approximately 32%.
- **REDUCE EXPENDITURES - TAX TOBACCO**

This is your chance to really make a difference. Support the \$1.00 increase in tobacco tax.

Sincerely,

James E. Murphy  
Executive Director

Source of all data cited above available upon request.



# Alaska Native Health Board

1345 Rudakof Circle, Suite 206  
Anchorage, Alaska 99508-6105

Phone: (907) 337-0028  
FAX: (907) 333-2001

February 1, 1996

House HESS Committee hearing on H.B. 431

My name is Anne Marie Holen. I am testifying on behalf of the Alaska Native Health Board and its statewide membership in support of House Bill 431.

A major increase in tobacco taxes is the number one state legislative priority for the Alaska Native Health Board this session. As you know, tobacco use hits Alaska Natives especially hard. Alaska Natives account for over 23% of the smoking-related deaths in the state, even though they make up only 16.5% of the population. No one expects higher taxes to be a panacea for the tobacco problem in rural Alaska, but the research is very clear that it will help.

Having made reference to the high rates of tobacco use among Alaska Natives, I also want to point out that tobacco is not just a "Native problem" in this state. The recent Centers for Disease Control report on state tobacco control highlights reveals that smoking rates among the white population in Alaska are also above the national average. The tobacco epidemic is a serious problem for everyone in Alaska—Native and non-Native, smokers and non-smokers, kids and adults. We strongly urge your support for HB 431 to help stop the needless death, disease, and other costs of tobacco use in Alaska.

ALEUTIAN/PRIKILOF ISLANDS ASSOCIATION  
BRISTOL BAY AREA HEALTH CORPORATION  
CHUGACHMIUT  
COPPER RIVER NATIVE ASSOCIATION

KODIAK AREA NATIVE ASSOCIATION  
MANILAQ ASSOCIATION  
METLAKATLA INDIAN COMMUNITY  
NORTH SLOPE BOROUGH  
NORTON SOUND HEALTH CORPORATION

SOUTHCENTRAL FOUNDATION  
SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM  
TANANA CHIEFS CONFERENCE  
YUKON-KUSKOKWIM HEALTH CORPORATION

April 25, 1995

ESTIMATE

Contribution of Tobacco to Death in Anchorage  
1985 - 1988

Total number of deaths				3,435
Lung cancer	275 cases	x	0.85*	234
Other cancers	585	x	0.20	117
Emphsema (c.o.p.d.)	165	x	0.95	157
Atherosclerosis (hardening of arteries)	831	x	0.20	166
Death before age 1 (low birth wt, sids, etc)	254	x	0.10	25
Fire	27	x	0.50	14
				-----
Total number of deaths attributable to tobacco				713
Percent of deaths in Anchorage attributable to tobacco (713 ÷ 3435)				20.8 %

\* Proportion of lung cancer cases caused by tobacco and similarly for subsequent conditions

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Death from cancer is twice as high in smokers as in non-smokers.

Half of regular smokers will die of their habit.

65 million persons will have died worldwide from use of tobacco in this century by its end.

10 million persons per year will die from use of tobacco by 2025, unless the habit abates, as individuals in developing countries smoke increasingly.

Rodman Wilson, M.D.

February 1, 1996

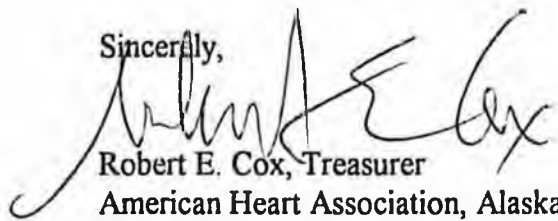
The Honorable Cynthia Toohey, Chair  
Health, Education and Social Services Committee  
Alaska State Legislature

I am writing to you today to express my support for House Bill 431. I strongly favor a significant increase in the tax on cigarettes and other tobacco products as an important step towards discouraging smoking by young people.

Many smokers, and reformed smokers such as myself, can attest to the negative health effects of tobacco addiction. I believe that if it is more difficult to obtain cigarettes, many young people will be spared the "opportunity" to start smoking.

Currently, I serve as a volunteer member of the Alaska Affiliate Board of Directors of the American Heart Association. I devote much of my personal time to fund-raising events so that we at the Heart Association may bring health educational materials into our schools on healthy lifestyles, such as fitness exercise and eating healthy. Please help us send our kids a strong message against smoking by supporting House Bill 431.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert E. Cox". The signature is written in dark ink and is positioned above the typed name and title.

Robert E. Cox, Treasurer  
American Heart Association, Alaska Affiliate  
12931 Mission Circle  
Anchorage, Alaska 99516

## Alaskan Police Officer Asks You: Please Pass House Bill 431!

As a police officer, I urge you to pass House Bill <sup>431</sup>451 as an effective tool to combat Alaska's epidemic of teenage tobacco smokers.

During my 16 years as a police officer in Alaska, I have seen the number of teen smokers skyrocket. During lunch breaks at our local high schools, I have seen around 300 students standing out in public view, smoking cigarettes.

If we allow our youth to hang around and get addicted to illegal substances such as tobacco, it becomes easier for them to get involved in other illegal substances such as alcohol, marijuana and harder drugs. These areas around the high schools, known as "smoking pits" or "smoking tunnels" are hot spots for criminal activities, including weapons offenses, felony assaults, and attempted homicide. As a police officer, I have had to respond to many "no code" deaths caused by years of tobacco consumption.

Alaska's law enforcement code of ethics says my fundamental duty as a police officer is to "...safeguard lives... to protect the innocent against deception, the weak against oppression...." I have attempted to fulfill my duty by issuing citations to minors for possession of tobacco. However, one police officer with one ticket and thousands of teen smokers is like the little Dutch boy holding his finger in the dike.

In 1764, Cesare Beccaria wrote in his book, On Crimes and Punishments, "For the most part, men erect the most solid dikes against overt tyranny, but they do not see the imperceptible insects that gnaws those dikes and opens a path for the invading flood, a path that is all the more secure because it is more concealed."

Please stop the flood of Alaskan children walking into an early death. Please safeguard lives. Please protect the innocent against deception. Please pass House Bill 431.

*Michael Livingston*

Written statement submitted to the hearing of HB431 by the House Committee, HES, 2/1/96

Tobacco is THE leading cause of death and disease in Alaska. This is because tobacco causes so many different diseases including many types of cancer, chronic lung disease, heart disease, stroke, etc. as well as sudden infant death, stillbirths and premature deliveries. It is the only legal substance that when used as directed is guaranteed to kill you. Furthermore, 6 BILLION dollars a year are spent by tobacco companies to encourage its use.

Not only does tobacco harm the individual who chooses to use it, tobacco smoke also harms those exposed to it ( by "passive smoking"). The Environmental Protection Agency has officially declared environmental tobacco smoke (ETS) to be a known carcinogen. Think of the uproar created when other cancer causing agents are even suspected to be in the environment! Yet we have knowingly allowed this substance in our environment for decades.

Nicotine is known to be addictive. It is now the most common addiction in our nation. Most current users of tobacco started before they were 18 - that is, as kids, before they were well informed and before they were capable of making wise choices. Nearly all tobacco users wish they had never started. Most would like to quit, but are unable to do so because they are addicted.

Therefore, it is imperative that we do all we can to prevent kids from starting to use tobacco products and from becoming addicted. Raising prices of tobacco has been shown to unequivocally reduce the number of kids who start to use tobacco. We must actively pursue other anti-tobacco measures as well, but first lets protect our kids. Raising taxes on tobacco is the most effective measure known to prevent kids from using tobacco.

I strongly support the bill to raise taxes on tobacco.

*Anne P. Lanier MD, MPH*

Anne P. Lanier, MD, MPH  
13700 Capstan Drive  
Anchorage, AK 99516

## ***A \$1 per pack increase in the state cigarette tax?***

### **Public Opinion Poll Results** December 14, 1995 - January 20, 1996

- ▶ Alaska's state budget is about five hundred million dollars larger than the revenue it will take in this year. Most of this revenue is from oil and gas taxes. People have different views about how to deal with this fiscal gap. Do you think the fiscal gap can be closed only with spending cuts, or do you think the fiscal gap can be closed only with a mix of spending cuts and new revenue sources?

Spending Cuts	16%
Spending Cuts and Revenue Sources	72%

- ▶ Now, I would like to turn to tobacco taxes. The current Alaska state tax is 29 cents per pack of cigarettes. In general, do you favor or oppose increasing Alaska's tobacco taxes by one dollar per pack to help close the state's fiscal gap?

Strongly Favor	49%
Somewhat Favor	25%
Somewhat Oppose	5%
Strongly Oppose	16%

- ▶ If it was proven that a large cigarette price increase prevents or reduces smoking among children and teenagers, would you favor or oppose raising the state tax by one dollar per pack?

Strongly Favor	71%
Somewhat Favor	15%
Somewhat Oppose	9%
Strongly Oppose	3%

- ▶ Do you generally favor taxing other tobacco products, such as chewing tobacco, snuff, and cigars, at a higher rate than cigarettes, about the same rate as cigarettes, or at a lower rate than cigarettes?

Higher Rate	8%
Same Rate	83%
Lower Rate	5%

- ▶ I want to get your final opinion, even if it is different from the opinions you expressed earlier. All things considered, do you favor or oppose increasing Alaska's tobacco taxes by one dollar per pack?

Strongly Favor	58%
Somewhat Favor	15%
Somewhat Oppose	7%
Strongly Oppose	18%

*These data are based on preliminary analysis of the results of the Alaska SmokeLess States Survey, a telephone survey of a representative sample of 820 Alaska residents 18 and older conducted from December 14, 1995 through January 20, 1996. The survey was conducted using a single-stage, list-assisted random-digit-dialing stratified sample design. One adult was selected to be interviewed within each household. The survey concerned public attitudes toward the state's budget gap and tobacco policy issues. The margin of sampling error (95% sampling interval) for statewide estimates made for all residents is no more than plus or minus 4.3 percentage points. The survey was conducted by Mathematica Policy Research, Inc. in Princeton, New Jersey, under contract with the Robert Wood Johnson Foundation.*

BACKGROUND

# ALASKA TOBACCO CONTROL ALLIANCE

Post Office Box 110614

Juneau, AK 99811-0614 • 907/465-3140 Fax: 465-2770

## Alaska Tobacco Control Alliance

### Resolution to Support an Increase in the Tobacco Tax

#### STEERING COMMITTEE:

Alaska Black Caucus

Alaska Dental Society

Alaska Health Fair, Inc.

Alaska Native Health Board

Alaska Pharmaceutical  
Association

Alaska Public Health Association

Alaska State Medical Association

Alaskans for Drug Free Youth

American Lung Association of  
Alaska

Anchorage School District

Bristol Bay Area Health  
Corporation

K.D. Consulting

Municipality of Anchorage,  
Department of Health and  
Social Services

Native Village of  
Young Teachers Center

Rural Alaska Community Action  
Program

Sitka Teen Resource Center

State of Alaska Department of  
Health and Social Services:  
Division of Alcohol and Drug  
Abuse, Division of Public  
Health, Section of Community  
Health Services, Section of  
Epidemiology

Tanana Chiefs Conference, Inc.

Yukon-Kuskokwim Health Corporation,  
Health Education Department

• Whereas tobacco kills far more Americans each year than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined;

• Whereas tobacco is the leading cause of preventable death in the country;

• Whereas 3,000 children become regular smokers each and every day;

• Whereas 73% of daily teen smokers who think they won't be smoking in 5 years are still smoking 5 years later;

• Whereas 84% of Alaska adult smokers started smoking between the ages of 10 and 20;

• Whereas tobacco kills 1 out of 5 Alaskans;

• Whereas Alaska Natives suffer disproportionately from the burden of tobacco addiction and illness;

• Whereas it is the responsibility of the State of Alaska to do everything in its power to blunt the negative impact of tobacco on the health of our citizens;

• Whereas smoking-related death and disease cost each Alaskan \$220 in 1991;

• Whereas smoking-related death and disease cost the Alaska economy \$127.6 MILLION DOLLARS in 1991;

• Therefore be it resolved that The Alaska Tobacco Control Alliance calls upon the Alaska Legislature to enact a significantly higher state excise tax on all forms of tobacco, and to ensure that this higher tax rate is regularly increased to keep pace with inflation.

ALASKA TOBACCO CONTROL ALLIANCE

# **Tobacco Use by Youth: Patterns and Prevention**

**Revised  
April 1995**

**Developed by the  
American Lung Association of Alaska**

**(907) 276-5864**

**with funding from the Robert Wood Johnson  
Foundation's grant, "Trampling Tobacco: A  
Winning Tobacco Control Strategy for Alaska"**

**TOBACCO USE BY YOUTH:  
PATTERNS AND PREVENTION**

# Tobacco Use by Youth: Patterns and Prevention

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## TOBACCO USE BY YOUTH

► **Most smokers begin smoking during childhood and adolescence. Nicotine addiction is established during the first two to three years of tobacco use.**

- For any cross section of adults who smoke, 89 percent begin using cigarettes by or at age 18. Seventy-one percent begin smoking daily by or at age 18.<sup>1</sup>
- The average age when people first try smoking a cigarette is 14.5 years.<sup>2</sup>
- Nearly 84 percent of Alaskan adults started smoking between the ages of 10 and 20 years old.<sup>3</sup>
- Seventy-three percent of daily teen smokers who think they won't be smoking in 5 years are still smoking 5 years later.<sup>4</sup>
- Seventy percent of teen smokers say that given the chance to do things differently, they wouldn't have started smoking.<sup>5</sup>
- Eighty percent of teen smokers want to and have tried to quit. Only 1.2% succeed.<sup>6</sup>

► **The prevalence of smoking by youths has remained basically unchanged since 1980.**

- Among high school seniors, the prevalence of regular smokers (those who have smoked in the past 30 days) was 30.5% in 1980 and 29.9% in 1993; the prevalence of daily smokers was 21.3% in 1980 and 19.0% in 1993.<sup>7</sup>
- In Alaska, 27% of 12th grade girls and 18% of 12th grade boys report daily use of cigarettes. Rates are highest among Alaska Natives: 31% of 12th grade girls and 21% of 12th grade boys.<sup>8</sup>

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<sup>1</sup>Centers for Disease Control and Prevention. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*. Atlanta, GA: US Department of Health and Human Services, Centers for Disease Control and Prevention, 1994.

<sup>2</sup>Centers for Disease Control and Prevention. 1994.

<sup>3</sup>Alaska Division of Public Health and Alaska Area Native Health Service. *1989 Alaskan Adolescent Health Survey*.

<sup>4</sup>Centers for Disease Control and Prevention. 1994.

<sup>5</sup>Gallup Organization, 1992.

<sup>6</sup>Teenage Attitudes and Practices Survey, 1993.

<sup>7</sup>Institute of Medicine. *Growing Up Tobacco Free: Preventing Nicotine Addiction in Children and Youths*. Washington, DC: National Academy Press. 1994.

<sup>8</sup>Alaska Department of Health and Social Services. *The State of Adolescent Health in Alaska*. Juneau, AK: Alaska Department of Health and Social Services, May 1990.

## **Tobacco Use by Youth: Patterns and Prevention (page 2)**

### **▶ Use of smokeless tobacco by youth has increased dramatically since 1970.**

- Although little use of smokeless tobacco was seen among adolescents before 1970, the prevalence of its use among older teens (16-19 years old) increased nearly 10-fold between 1970 and 1985, and overall appears to have remained constant since then.<sup>9</sup>

In Alaska, 18% of 12th grade boys and 7% of 12th grade girls report daily use of smokeless tobacco. Rates are highest among Alaska Natives: 24% of 12th grade boys and 13% of 12th grade girls.<sup>10</sup>

### **▶ Restricting youth access to tobacco is the key to breaking the cycle of tobacco use.**

- Research has documented that most minors who smoke purchase their own cigarettes. The major source of cigarettes from underage consumers is small stores and gas stations.
- Despite the fact that all states prohibit the sale and distribution of tobacco products to minors, tobacco is easily accessible to youth. Youth purchase tobacco from all sources when laws are not enforced.
- In 13 studies of over-the-counter sales, illegal sales to minors occurred at the (average-weighted) rate of 67 percent.<sup>11</sup>

### **▶ Young people tend to use vending machines more than the general smoking public. Vending machines are more popular among the youngest adolescents.<sup>12</sup>**

- In 1988, only 1 to 8 percent of all cigarettes were sold through vending machines. However, the National Automatic Merchandising Association reported that young people tend to use vending machines more often than the general smoking public.<sup>13</sup>
- Nine studies of vending machine sales found the (average-weighted) rate of illegal sales was 88 percent.<sup>14</sup>
- A National Automatic Merchandising Association survey found that minors were successful 77% of the time in buying tobacco from vending machines placed where minors were prohibited.<sup>15</sup>

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<sup>9</sup>Institute of Medicine. 1994.

<sup>10</sup>Alaska Department of Health and Social Services. *The State of Adolescent Health in Alaska*. May 1990.

<sup>11</sup>Centers for Disease Control and Prevention. 1994.

<sup>12</sup>Centers for Disease Control and Prevention. 1994.

<sup>13</sup>Automatic Merchandising Association. *Cigarette Sales from Vending Machines*, 1988. Chicago, IL: National Automatic Merchandising Association, 1989 as reported in Centers for Disease Control and Prevention. 1994.

<sup>14</sup>Centers for Disease Control and Prevention. 1994.

<sup>15</sup>Americans for Nonsmokers' Rights. "Youth Access to Tobacco" (fact sheet). Berkeley, CA, 1992.

## **Tobacco Use by Youth: Patterns and Prevention (page 3)**

▶ **Adults are another important source of tobacco for minors.**

- Several studies document that between 17 and 25 percent of adolescents obtain tobacco from their parents or guardians.<sup>16</sup>

### REDUCING ACCESS TO YOUTH

▶ **Minimum age laws that prohibit the sale and distribution of tobacco products to minors will not alone decrease youth access to tobacco. Laws must address the locations and manners in which tobacco is sold or made available to youth and they must be enforced.**

- Alaska law prohibits selling or giving cigarettes and other tobacco products to persons under 19 years of age (AS11.76.100).
- Alaska law prohibits cigarette vending machines except in premises that are licensed as a beverage dispensary (selling "hard" liquor), as a club (Elks, American Legion, etc.), or as a package liquor store; or in an employee break room or other controlled area of the private workplace not generally considered a public place. If on a licensed premise, the machine must be as far as possible from the primary entrance and in a place that is directly and continually supervised by a person employed on the licensed premises (AS11.76.100).

▶ **Alaska's "youth access" laws are considered to be fairly strong. However, these laws are rarely enforced.**

- In 1993, Anchorage teenagers participating in a sting operation successfully purchased tobacco in 29 of 63 attempted locations. In December 1994, Ketchikan teenagers were able to purchase tobacco in 3 of 8 locations included in their operation, even though merchants had been notified that a sting would be taking place.

▶ **Enforcement of laws that restrict the sale of tobacco products to minors both over-the-counter and through vending machines have had a significant impact on minors' ability to purchase cigarettes.**

- Various enforcement strategies aimed at reducing illegal over-the-counter sales appear to reduce the rate of sales from 20 to 40 percent in less than a year.<sup>17</sup>

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<sup>16</sup>Centers for Disease Control and Prevention. 1994.

<sup>17</sup>Centers for Disease Control and Prevention. 1994.

## Tobacco Use by Youth: Patterns and Prevention (page 4)

- In Woodridge, Illinois, a community intervention program that involved establishing a retailer licensing system, using regular police stings, and imposing penalties for merchant sales violations reduced illegal sales to minors from 70 percent to less than 5 percent over a year and a half. A survey of seventh and eighth grade students before and after the intervention found that experimentation and regular tobacco use had decreased by over 50 percent.<sup>18</sup>
- In Santa Clara County, California, a program involving community education, direct merchant education, contact with chief executive officers of chains and franchises, and grassroots work with community organizations reduced the youth buying rate from 74 percent before the intervention to 39 percent after the intervention. One year later, however, sales had rebounded considerably, suggesting that educational interventions alone may not be sufficient to bring about sustained reductions in youth access rates.<sup>19</sup>

### ▶ **The Synar Amendment was passed by Congress to improve enforcement of youth access laws at the state level.**

- The amendment, named after key sponsor Mike Synar, took effect on October 1, 1993. It requires states to show enforcement "in a manner that can be reasonably expected to reduce the extent to which tobacco products are available to individuals under the age of 18." Specific provisions call for conducting random, unannounced inspections of locations where tobacco products are sold. If states do not reduce tobacco sales to minors, the U.S. Department of Health and Human Services has the power to reduce funding to the states by as much as 40 percent for alcohol and drug abuse programs (block grants) until tobacco sales are reduced.
- The final regulations for the Synar Amendment have yet to be drafted, and most states (including Alaska) have yet to take any action to ensure enforcement of youth access laws to comply with the intent of the amendment. Other states have passed weak "youth access" laws supported by the tobacco industry, which preempt stronger local legislation and typically contain loopholes that make enforcement difficult.<sup>20</sup>



*This fact sheet was produced with funding from the Robert Wood Johnson Foundation's grant, "Trampling Tobacco: A Winning Tobacco Control Strategy for Alaska." For further information, contact the American Lung Association at 907/276-5864 or the Alaska Department of Health and Social Services, Health Promotion Program at 907/465-3140.*

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<sup>18</sup>Institute of Medicine. *Growing Up Tobacco Free*. 1994.

<sup>19</sup>Institute of Medicine. *Growing Up Tobacco Free*. 1994.

<sup>20</sup>Stop Teenage Addiction to Tobacco. *Tobacco Free Youth Reporter*. August 1994.

# **Tobacco: Its Prevalence and Impact**

**Revised  
April 1995**

**Developed by the  
American Lung Association of Alaska**

**(907) 276-5864**

**with funding from the Robert Wood Johnson  
Foundation's grant, "Trampling Tobacco: A  
Winning Tobacco Control Strategy for Alaska"**

**TOBACCO: ITS PREVALENCE AND  
IMPACT**

# Tobacco: Its Prevalence and Impact

- ▶ **Tobacco use is the single most preventable cause of premature death and crippling disease in the United States.<sup>1</sup>**

## CIGARETTE USE

- ▶ **Alaska has one of the highest smoking rates in the nation.**

- Alaska has the sixth highest rate of smoking and the sixth highest rate of smoking-related death in the nation.<sup>2</sup>
- Twenty-eight percent of Alaskan adults smoke cigarettes regularly. By contrast, the national median is 22 percent. More females (29%) than males (27.1%) smoke in Alaska.<sup>3</sup>
- Nearly 84 percent of Alaskan adults started smoking between the ages of 10 and 20 years old.<sup>4</sup>

- ▶ **Alaskan adolescents, particularly females and those living in rural communities, report high rates of smoking. Use increases with each grade. For almost every grade, more girls than boys smoke on a daily basis.<sup>5</sup>**

- Twenty-seven percent of 12th grade females and 18 percent of 12th grade males report that they smoked cigarettes every day.<sup>6</sup>
- Female students in grades 10 - 12 living in communities with less than 2,500 residents report substantially higher daily cigarette use rates (31%) than those in communities of more than 2,500 residents (17%).<sup>7</sup>

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<sup>1</sup>Alaska Division of Public Health. *Alaska Behavioral Risk Factor Survey: 1992 Annual Report*. Juneau, AK: Alaska Division of Public Health, October 1994.

<sup>2</sup>U.S. Centers for Disease Control and Prevention, *Morbidity and Mortality Weekly Report*, Vol. 43 No. SS-1, June 10, 1994.

<sup>3</sup>Alaska Division of Public Health. October 1994.

<sup>4</sup>Alaska Division of Public Health. October 1994.

<sup>5</sup>Alaska Department of Health and Social Services. *The State of Adolescent Health in Alaska*. Juneau, AK: Alaska Department of Health and Social Services, May 1990.

<sup>6</sup>Alaska Department of Health and Social Services. May 1990.

<sup>7</sup>Alaska Department of Health and Social Services. May 1990.

## **Tobacco: Its Prevalence and Impact (page 2)**

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### SMOKELESS TOBACCO USE

- ▶ **Among Alaskan adults, 5.4 percent are current smokeless tobacco users.**
  - Men use these products at higher rates (9.0 %) than women (1.4%).<sup>8</sup>
  
- ▶ **Alaskan adolescents, particularly males and those living in rural communities, report high rates of smokeless tobacco use. As with smoking, use increases with each grade. Unlike smoking, more males use smokeless tobacco than females.<sup>9</sup>**
  - Eighteen percent of Alaskan 12th grade males and 5 percent of 12th grade females report using smokeless tobacco on a daily basis.<sup>10</sup>
  - Among males from communities under 2,500, 16 percent chew tobacco daily, triple the rate among males in larger communities. Even greater are the differences for females—12 percent of female teenagers in small communities compared to fewer than 1 percent in larger communities.<sup>11</sup>
  
- ▶ **One-third of high-school-aged adolescents in the United States smoke or use smokeless tobacco.<sup>12</sup>**
  - The 25-year decline in smoking prevalence among youth leveled off since 1980 and in fact, is on the rise among male high school seniors.<sup>13</sup>
  - Use of smokeless tobacco among high school males has become markedly more prevalent over the last two decades.<sup>14</sup>

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<sup>8</sup>Alaska Division of Public Health. *Alaska Behavioral Risk Factor Survey: 1992 Annual Report*. Juneau, AK: Alaska Division of Public Health, October 1994.

<sup>9</sup>Alaska Department of Health and Social Services. May 1990.

<sup>10</sup>Alaska Department of Health and Social Services. May 1990.

<sup>11</sup>Alaska Department of Health and Social Services. May 1990.

<sup>12</sup>Centers for Disease Control and Prevention. 1994.

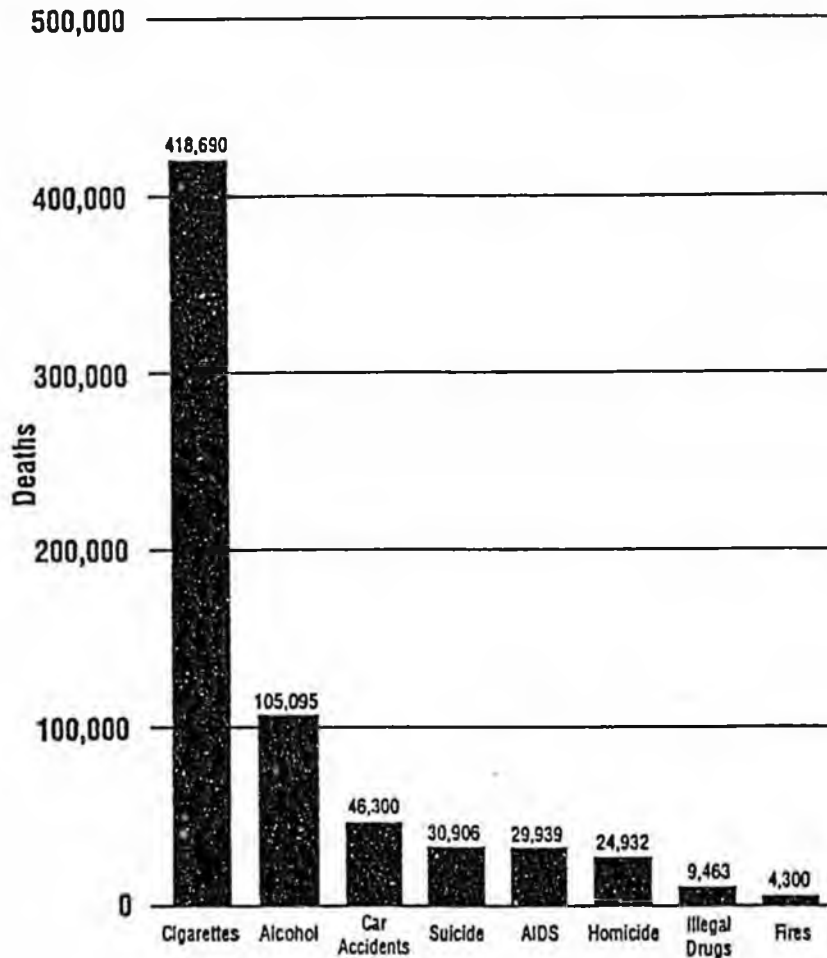
<sup>13</sup>U.S. Department of Health and Human Services. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 1994.

<sup>14</sup>Centers for Disease Control and Prevention. 1994.

# Tobacco: Its Prevalence and Impact (page 3)

## HEALTH IMPACTS OF TOBACCO USE

- ▶ **Smoking kills an estimated 419,000 Americans each year—more than alcohol, heroin, cocaine, automobile accidents, homicides, suicides, AIDS and fires combined.<sup>15</sup>**



- ▶ **Smoking accounted for 19 percent of the deaths in Alaska in 1991, averaging one death per day. Among Alaskans 35 years of age and older, 23 percent of deaths were attributed to smoking.<sup>16</sup>**

<sup>15</sup>U.S. Department of Health and Human Services, Centers for Disease Control and Prevention. 1994. (1990 data)

<sup>16</sup>Alaska Division of Public Health. "Bulletin: Costs of Smoking In Alaska, 1991." Anchorage, AK: Section of Epidemiology, Bulletin No. 23, November 30, 1994.

## Tobacco: Its Prevalence and Impact (page 4)

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- ▶ **Tobacco use is a major risk factor for diseases of the heart and blood vessels; chronic bronchitis and emphysema; cancers of the lung, larynx, pharynx, oral cavity, esophagus, pancreas, and bladder; and other problems such as respiratory infections and stomach ulcers.<sup>17</sup>**
  - Smoking accounts for 21 percent of all coronary heart disease deaths, 87 percent of lung cancer deaths, and 30 percent of all cancer deaths.<sup>18</sup>
  
- ▶ **Cigarette smoking during pregnancy accounts for 20 to 30 percent of low birth weight babies, up to 14 percent of pre-term deliveries, and about 10 percent of all infant deaths.<sup>19</sup>**
  
- ▶ **The Surgeon General reports that tobacco use in adolescence is associated with a range of health-compromising behaviors, including being involved in fights, carrying weapons, engaging in higher-risk sexual behavior, and using alcohol and other drugs.<sup>20</sup>**
  - Cigarettes and smokeless tobacco are generally the first drug used by young people in a sequence that can include tobacco, alcohol, marijuana, and hard drugs.<sup>21</sup>

### ENVIRONMENTAL TOBACCO SMOKE

- ▶ **Smoke from other people's cigarettes—known as Environmental Tobacco Smoke (ETS)—has been identified as the third leading cause of preventable death in the United States, behind active smoking and alcohol related deaths. ETS causes more than 53,000 deaths per year from heart disease and cancer.<sup>22</sup>**
  
- ▶ **For every eight smokers killed as a result of smoking-related illnesses and disease, one non-smoker dies from exposure to environmental tobacco smoke.<sup>23</sup>**

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<sup>17</sup>Alaska Division of Public Health. October 1994.

<sup>18</sup>Alaska Division of Public Health. October 1994.

<sup>19</sup>Alaska Division of Public Health. October 1994.

<sup>20</sup>Centers for Disease Control and Prevention. 1994.

<sup>21</sup>Centers for Disease Control and Prevention. 1994.

<sup>22</sup>Glantz, SA and Parmley, W. "Passive Smoking and Heart Disease: Epidemiology, Physiology, and Biochemistry," *Circulation*, Volume 89, 1991, 1-12 as reported in California Healthy Cities Project. *Tobacco Control in California Cities: A Guide for Action*. Sacramento, CA: California Department of Health Services.

## Tobacco: Its Prevalence and Impact (page 5)

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- ▶ **Environmental tobacco smoke is a cause of lung cancer in non-smokers. It also can precipitate or worsen the symptoms of pneumonia, asthma, bronchitis, and allergies.<sup>24</sup>**
- ▶ **Environmental tobacco smoke is linked to between 150,000 and 300,000 annual cases of respiratory tract infections in children up to 18 months old.<sup>25</sup>**
- ▶ **The U.S. Environmental Protection Agency has classified environmental tobacco smoke as a Class A Carcinogen—a substance known to cause cancer in humans for which there is no safe level of exposure.<sup>26</sup>**

### ECONOMIC IMPACTS OF TOBACCO USE

- ▶ **Smoking costs the American public over \$100 billion each year in health care costs and lost productivity.<sup>27</sup>**
- ▶ **In Alaska, the estimated total cost attributed to smoking in 1991 was \$127.6 million for persons age 35 and older. Of this, \$45.6 million was for direct health care costs, equivalent to \$220 per Alaskan or \$941 per current smoker in this age group.<sup>28</sup>**



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<sup>23</sup>U.S. Environmental Protection Agency, 1990.

<sup>24</sup>Alaska Division of Public Health. *Alaska Cancer Control Plan*. Anchorage, AK: Section of Epidemiology, January 1994.

<sup>25</sup>U.S. Environmental Protection Agency. *Passive Smoking of Environmental Tobacco Smoke*. Washington, D.C.: U.S. Environmental Protection Agency, 1993.

<sup>26</sup>U.S. Environmental Protection Agency. *Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Disorders*. EPA/600/6-90/006F, December 1992.

<sup>27</sup>Office of Technology Assessment, U.S. Congress. "Smoking-Related Deaths and Financial Costs," November 1993.

<sup>28</sup>State of Alaska Epidemiology Bulletin. "Costs of Smoking In Alaska, 1991." November 30, 1994.

# Citizens To Protect Kids from Tobacco

1057 W. Fireweed Lane, Suite 204 • Anchorage, Alaska 99503 • (907) 277-8696 • Fax: (907) 263-2073

*"Cigarette taxes...are the most effective way to discourage tobacco use among young people...Increasing the cigarette tax could be one of the most important public health measures this country has ever taken."*

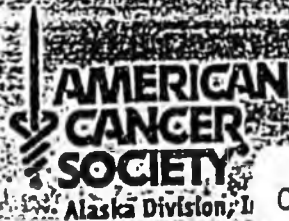
- former U.S. Surgeon General C. Everett Koop

## ❖ Increased tobacco taxes will save lives and protect our kids.

The 1994 U.S. Surgeon General's report *Preventing Tobacco Use Among Young People* affirms that increasing tobacco taxes will have a strong impact on children because they are more price sensitive than adults. As stated in the report: "...the large amount of empirical literature [indicates that increased] taxes on cigarettes would significantly reduce overall rates of cigarette smoking. Much of the impact of higher prices would come from...discouraging initiation among young smokers.<sup>2</sup> Research indicates that an increase of 10% in tobacco prices will reduce consumption by 4% for adults and by between 10-14% among children.

❖ **Increased tobacco taxes are fair.** Tobacco taxes can be viewed as a "user-fee" to offset the enormous costs subsidized by the general public through publicly funded health care, payment of needlessly high health insurance premiums, and payment for higher priced goods and services as a result of diminished worker productivity. U.S. health care expenditures caused directly by smoking totaled \$50 billion in 1993.<sup>3</sup> On average, each pack of cigarettes smoked is directly responsible for more than \$3.90 in national health care costs and lost productivity.<sup>4</sup> In Alaska, the estimated total costs attributed to smoking in 1991 was \$127.6 million for persons age 35 and older. Of this, \$45.6 million was for direct health care costs, equivalent to \$220 per Alaska or \$941 per current smoker in this age group.<sup>5</sup>

❖ **The public supports tobacco taxes.** As noted by former Surgeon General Koop: "...polls show that almost 80% of Americans - Republicans and Democrats, young and old, men and women - support a large cigarette tax."<sup>6</sup> The death and disability caused by tobacco is a non-partisan issue.



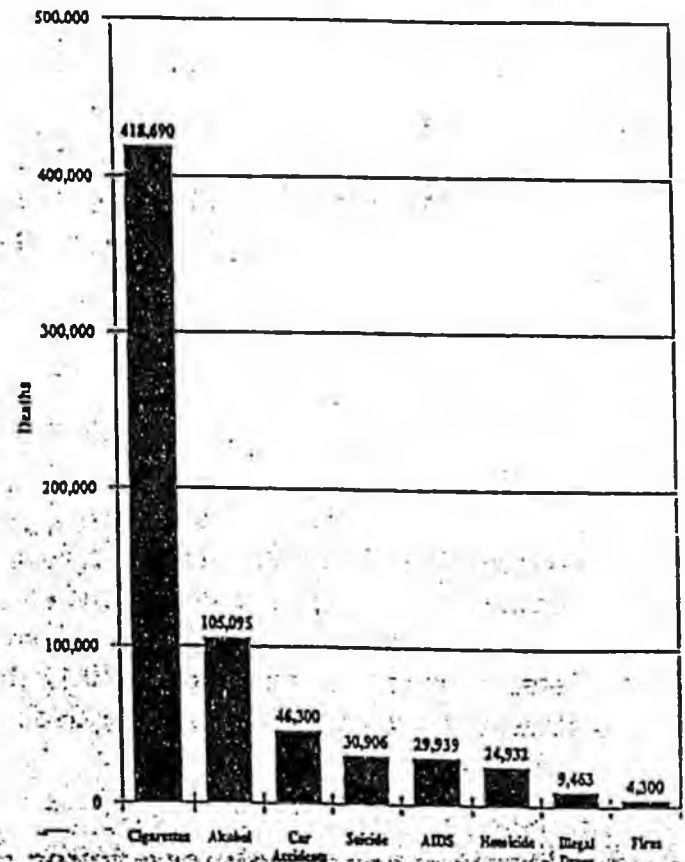
CITIZENS TO PROTECT KIDS FROM TOBACCO

# Nothing Kills Like Tobacco

❖ Tobacco kills far more Americans than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined

❖ Adults don't start smoking....kids do. The average age of smoking initiation is 14.5 years old.<sup>8</sup> About 3,000 kids start smoking each day and of those nearly a third will die from a tobacco related illness.<sup>9</sup>

❖ "Tobacco taxes are fair because tobacco kills hundreds of thousand of Americans each year; because there is no safe level of tobacco use; because tobacco is highly addictive; and because virtually all new tobacco users are kids."<sup>10</sup>



Source: Centers for Disease Control, U.S. Department of Health and Human Services. Chart produced by the Coalition on Smoking OR Health.

❖ Alaska has the sixth highest rate of smoking and smoking-related death in the U.S.<sup>11</sup> One out of five deaths in Alaska are attributed to smoking.<sup>12</sup>

❖ 84% of Alaskan adults smokers started smoking between the ages of 10 and 20.<sup>13</sup>

1. Everett Koop, "A Tax That's Good For You," *The Washington Post* (September 21, 1993). C. Everett Koop served as U.S. Surgeon General from 1981 to 1989.

2. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994), p. 272.

3. Coalition on Smoking OR Health, "Saving Lives and Raising Revenue," (Washington, D.C.: Coalition on Smoking OR Health, 1995).

4. *Ibid.*

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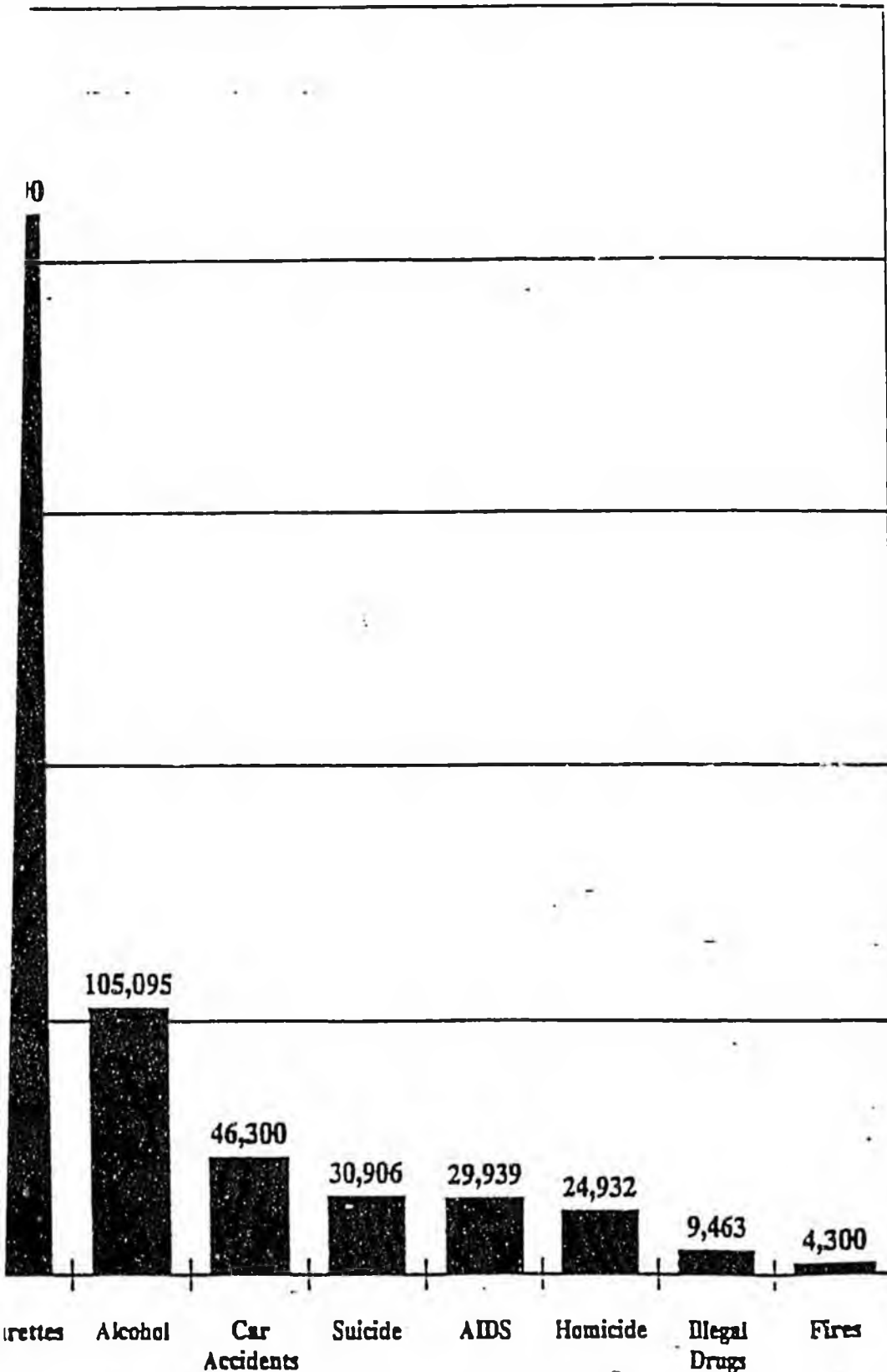
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**GARETTES KILL MORE AMERICANS THAN AIDS,  
ALCOHOL, CAR ACCIDENTS, FIRES, ILLEGAL  
DRUGS, MURDERS AND SUICIDES COMBINED.**



Centers For Disease Control, U.S. Department of Health and Human Services  
Chart produced by the Coalition on Smoking OR Health.

# A Tax That's Good for You by C. Everett Koop

**H**ealth-related taxes are different." That's what President Clinton said when he suggested a hefty cigarette tax—perhaps as much as \$2 a pack—as one of the ways to pay for the health care reform that most Americans know we need. He's right.

A cigarette tax is different because it helps almost everyone. A substantial cigarette tax would benefit not only the entire nation by helping to provide more accessible health care at a lower cost, but it would also benefit particular groups; smokers would benefit because it would help them to quit; nonsmokers would benefit because the air they breathe would have less harmful smoke; children would benefit because fewer kids would get hooked on cigarettes; and—if the tax is done right—even tobacco farmers could benefit. The only real losers would be the tobacco industry, which has made its profits by lying to the American people about the dangers of smoking.

But the tobacco industry lobbyists are pressuring the President to back down, to settle for a cigarette tax as low as 50 cents, and they're linking arms with tax opponents in Congress to defeat this critical part of health care reform. Now, more than ever, President Clinton needs to remember his own words—for cigarette taxes are different indeed.

C. Everett Koop, MD, was surgeon general from 1981 to 1989.

Cigarette taxes are different because they are the most effective way to discourage tobacco use among young people. In Canada, where cigarette taxes have been raised to more than \$3 per pack, youth smoking rates have dropped by 60% since 1980.

Cigarette taxes are different because cigarettes kill more than 400,000 Americans each year, and rob our economy of \$68 billion a year in health care costs and lost productivity. Increasing the cigarette tax could be one of the most important public health measures this country has ever taken. Experts predict that a \$2 per pack increase would persuade millions of young people not to start smoking and would help millions of current smokers to quit. About 7.6 million Americans would choose not to smoke because of the tax.

Figuring that smoking kills about a third of all those who smoke, this tax could prevent the premature death of at least 2 million Americans alive today. No other single aspect of any health care reform plan can make so dramatic a claim. Let's not lose this unique opportunity to prolong those 2 million lives just to please the tobacco industry and its friends in Congress.

Senators and congressmen should be happy to find a tax that is actually popular. Polls show that almost 80% of Americans—Republicans and Democrats, young and old, men and

women—support a large cigarette tax. So those members of Congress elected on a "no new taxes" pledge can go along with this one. Cigarette taxes are indeed different.

Even tobacco farmers could benefit from the new cigarette tax if it is as hefty as once planned. Most tobacco farmers know the right and smart thing to do is to get out of a business that produces disease, disability, and death, and this tax can help them make the transition to the smoke-free society and smoke-free economy that lie in our future. A small percentage of the revenue from this tax could be returned to tobacco-growing states to be used to help tobacco farmers diversify. Instead of blindly opposing the \$2 cigarette tax, tobacco-state members of Congress should be fighting for their share of the pie to help move their states into the economy of the 21st century.

President Clinton says he wants dialogue on the health care reform package, and that should eventually produce the plan the nation needs. But there's already one issue on which almost everyone agrees—a major cigarette tax. Let's not let the tobacco industry make victims of the public on this one. Health-related taxes are different; they're good for you. ☉

This article appeared in the *Washington Post* September 21, 1993.

A TAX THAT'S GOOD FOR YOU  
BY C. EVERETT KOOP



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Bulletin No. 23 November 30, 1994

## COSTS OF SMOKING IN ALASKA, 1991

It is estimated that each day 1,100 Americans will die from tobacco use; 3,000 children will smoke their first cigarette. In all, 419,000 smokers died and 1.5 million smokers quit in 1990. They are replaced by new smokers, 90% of whom start to smoke before age 18.<sup>1</sup>

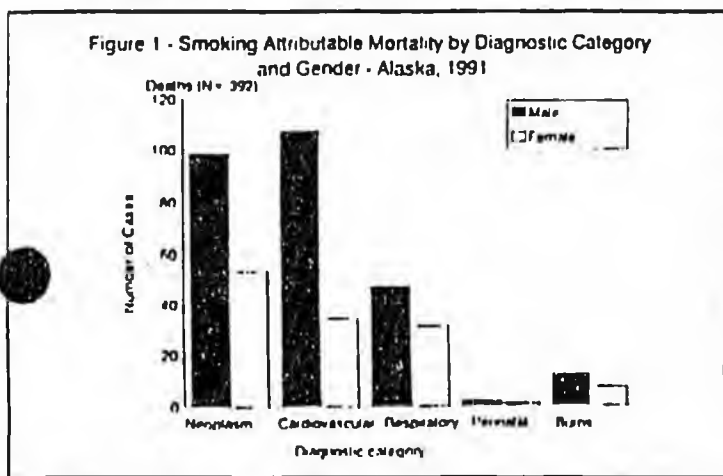
Cigarette smoking has substantial impact on mortality in Alaska. Every day an Alaskan dies due to smoking-attributable causes.

To estimate the impact of cigarette smoking in Alaska in 1991, we used the Smoking-Attributable Mortality, Morbidity, and Economic Cost (SAMMEC) software<sup>2</sup> distributed by the Centers for Disease Control and Prevention, and data from:

- the 1991 Behavioral Risk Factor Surveillance Survey
- health-care expenditure data (from the Office on Smoking and Health, CDC)
- population estimates by age and sex (Alaska Dept. of Labor) and,
- deaths by age, sex and smoking related diagnostic category (Section of Epidemiology).

### RESULTS:

**Smoking Attributable Mortality** – 19% of the 2,076 Alaskan deaths in 1991 were smoking related. The proportion of all deaths attributable to smoking was higher for males (20%) than for females (16%). For males 40% of the smoking attributable deaths were due to cardiovascular diseases and 37% to neoplasms, whereas for females, 27% of smoking attributable deaths were due to cardiovascular diseases and 42% to neoplasms (Figure 1). Among Alaskans  $\geq 35$  years of age, 23% of deaths (372/1643) were attributed to cigarette smoking.



**Smoking Attributable Years of Potential Life Lost (YPLL)** – YPLL are the number of years that the person died prior to their 65th birthday. An average of 4.5 years of life were lost for each person 35 to 65 who died from a smoking related death in 1991.

**Smoking Attributable Direct Costs** – Direct health-care costs are the costs for the prevention, detection and treatment of smoking-related diseases as well as the cost for rehabilitating smokers suffering from smoking related illnesses. Costs of hospitalization, physicians' services, medications, nursing home care, and other professional services are included. The estimated total for direct costs in 1991 was \$45.6 million for persons  $\geq 35$  years of age.

**Smoking Attributable Indirect Mortality Costs** – These costs are calculated as the wages and salaries forfeited by persons who die prematurely from smoking-related causes. An estimated \$67.9 million was lost due to the indirect costs caused by smoking deaths.

**Smoking Attributable Indirect Morbidity Costs** – These costs include lost earnings and productivity for persons disabled by smoking-related chronic diseases. The estimated cost for indirect morbidity due to smoking was \$14.1 million.

The total estimated smoking attributable cost for Alaskans  $\geq 35$  years of age in 1991 was \$127.6 million.

### DISCUSSION:

Smoking causes substantial mortality, morbidity and economic costs in Alaska. Total estimated smoking attributable costs have increased by 53% since 1989.<sup>3</sup> These estimates are conservative since 1989 U.S. Labor Force and earnings data were used to calculate economic costs, which are lower than Alaska annual mean earnings. If Alaska specific health-care costs<sup>4</sup> are used (instead of OSH health-care national estimates), total costs are greater - \$134 million.

SAMMEC underestimates the impact of smoking for several other reasons: 1) Estimates are based on cigarette smoking prevalence for 1991 which are lower in recent years than in the previous 30 years. The current burden of most chronic diseases linked to smoking reflects previous decades of higher smoking prevalence. 2) Estimates do not include deaths from other conditions (e.g., such as leukemia, and peptic ulcer disease) that may also be associated with smoking, nor do they include mortality caused by other forms of tobacco use (pipes, cigars, and smokeless tobacco) or exposure to environmental tobacco smoke.

To reduce the adverse health impacts of tobacco use, continued progress must be made in reducing tobacco use, especially smoking.

Vigorous efforts are needed to prevent the initiation of smoking, encourage smoking cessation at any age, and protect nonsmokers from the adverse effects of environmental tobacco smoke. Because many factors affect smoking initiation and cessation, multiple approaches are necessary including:

- increasing educational efforts
- reducing minors' access to tobacco products
- increasing tobacco excise taxes
- implementing more extensive and intensive counseling by health-care providers on smoking prevention and cessation
- developing and enacting strong policies and laws for clean indoor air
- eliminating advertising, especially advertising targeted toward persons less than 18 years of age.

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Bulletin No. 1 January 12, 1996

## Smoking Related Mortality in Alaska: 1992-94

### Cigarette Smoking in Alaska

Alaska has one of the highest smoking prevalence rates in the United States. Alaska's smoking rates are similar to those found in Nevada and in the tobacco-growing states<sup>1</sup>. Alaska Natives have even higher smoking rates (Table 1). The highest smoking prevalence is found in the Bush region, and the lowest in the Urban region (Figure 1).

Table 1. Smoking Prevalence among Adult Alaskans by Race and Sex

	Alaska Native <sup>4</sup>	All Races <sup>4</sup>
Men	46.5%	28.1%
Women	39.3%	25.0%

Figure 1. Smoking Prevalence in Alaska<sup>2</sup>



### Deaths Caused by Smoking

The Centers for Disease Control and Prevention (CDC) has estimated that each year cigarette smoking results in approximately 419,000 deaths in the United States<sup>4</sup>. Deaths that are related to cigarette smoking include a portion of: cardiovascular disease; cancers of the lung, larynx, oral cavity, esophagus, pancreas, bladder, kidney and cervix; chronic bronchitis, emphysema, and other respiratory deaths<sup>5</sup>. Smoking also results in deaths in the perinatal period because it causes low birth weight infants and preterm delivery.

Using software provided by CDC<sup>5</sup>, we estimate that 1,416 deaths to Alaska residents during 1992-1994 were attributable to smoking, accounting for 19.8% of the 7,159 deaths during that time (Table 2).

Table 2. Total Number of Deaths and Estimated Smoking Related Deaths in Alaska 1992-94

Cause of Death	Total # of Deaths <sup>6</sup>	Smoking Related Deaths <sup>7</sup>	Percent Smoking Related
Cardiovascular	2,010	533	26.5%
Cancers	1,655	546	33.0%
Respiratory	503	260	51.7%
Perinatal (< 12 mos)	204	14	6.9%
Total	7,159	1,416	19.8%

### Smoking Related Mortality Among Men and Women in Alaska

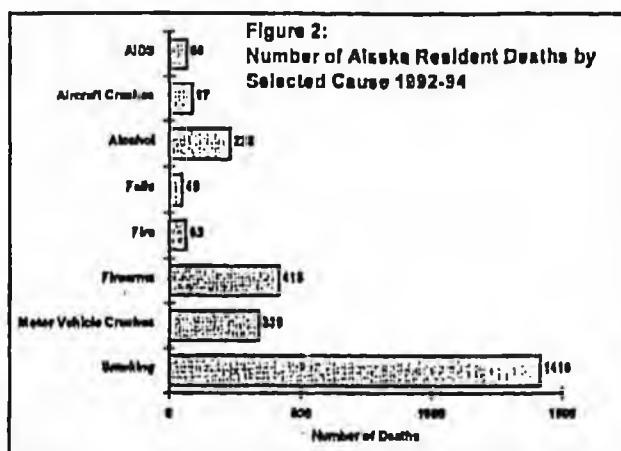
Of the 1,402 deaths among adults attributable to smoking, 912 were men, and 490 were women. Historically, men have been smoking longer than women and many smoking deaths are

### Deaths to Alaska Natives from Smoking

Alaska Natives account for 23.2% (329) of the smoking related deaths, although they account for 16.5% of the state's population.

### Comparison to Other Important Causes of Death

The graph below shows how smoking compares to other preventable causes of death in Alaska<sup>7</sup>.



### Summary

Each year, smoking kills more Alaskans than AIDS, aircraft crashes, alcohol, falls, fires, firearms and motor vehicle crashes combined. Alaska Natives are at higher risk because of their higher smoking rates.

Tobacco is considered the leading preventable cause of death in the United States<sup>8</sup>. The majority of smokers began smoking before 18 years of age<sup>9</sup>. In the U.S., by the 1980's, almost no regular smoking began after the age of 18<sup>9</sup>. Therefore, efforts to decrease tobacco use in the U.S. are being directed towards school-age children and adolescents, including limiting advertising and access to cigarettes<sup>10</sup>. Additional tobacco cessation efforts include developing and enacting strong policies for clean indoor air, increasing excise taxes and increasing educational efforts.

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# Excise Taxes and Preventing Tobacco Use In Young People

by David Sweanor

**W**e need to reexamine the approaches taken in the worldwide fight against tobacco use. We need to consider the evidence of our success to date, not on the basis of justifying past action, but with the aim of increasing our effectiveness. We need to be reminded that during our 25-year fight against tobacco, world cigarette production as doubled and per capita consumption has increased 25%.

In most parts of the world, like my own country of Canada, the resources committed to tobacco control are very limited. This means the few people working to reduce tobacco use must use the most effective tools available. It is my view that the economics of tobacco have defeated our worldwide efforts to date and that turning the economics to our favor is the single most effective thing we can do to reduce tobacco use.

Affordability of tobacco appears to be, for many countries, the single largest determinant of how many children will start smoking.

Fortunately, the cost of cigarettes need not be determined solely by tobacco companies: tax policy can dictate prices and health concerns can dictate tax policy. It is time to use the incredibly cost-effective tool of tax policy as central to any strategy to reduce tobacco use and to prevent

young people from ever becoming addicted in the first place.

## The Economics of Tobacco Control

It is hardly surprising that those who came early to the fight against tobacco use chose the well-tried weapons of previous health campaigns; first, the search for a cure. When that failed, we looked to health education. Only when we came to realize that much greater gains could be made, did we resort to legislative action.

Each of these successive approaches has been a movement toward dealing with the source of the problem. We started with the symptoms and moved to the cause. The closer we have come to the source of the problem, the more effective the intervention has been. As we examine the various legislative avenues available, it is clear that some are more effective. I believe that economics is about the most effective tool available, and legislative intervention in the area of tobacco tax policy is the way to turn this tool to our advantage.

We know that controlling tobacco use is different from other health battles—because the foe is not a virus or bacteria, but a powerful industry with a vested interest in making money from the product causing the disease.

It can fairly be said that the profits from marketing tobacco are so great that some companies are willing to kill

for them. Cigarettes are very cheap to manufacture, they are addictive, and virtually every national market is controlled by no more than three companies. The result is often little price competition, so retail prices edge upward, and profits skyrocket.

However, there is a flaw in marketing a deadly product—built-in obsolescence not of the product, but of its consumers. The tobacco industry has to recruit new consumers to survive. The profile of these new recruits varies from country to country but with one universal constant: the new users of tobacco products are overwhelmingly young people. As a result, we know that the real battle is to stop the tobacco industry from recruiting young people. A person who has not become a tobacco user by age 20 is likely to never become one.

We also know that, despite decades of health education, young people do not grasp the magnitude of the risk associated with tobacco use. For example, in Canada, despite the best efforts of health educators, a recent survey<sup>1</sup> found that only a small minority could recall that smoking caused heart disease, many did not know that lung cancer is fatal, and few realized that the risk of heart disease declines dramatically soon after someone quits smoking.

<sup>1</sup>David Sweanor is Legal Counsel for the Non-Smokers' Rights Association of Canada.

Presented at the 8th World Conference on Tobacco OR Health, Buenos Aires, Argentina, March 30-April 3, 1992.

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But there is one piece of knowledge we and the tobacco industry have in common—that price is the key. If the price of tobacco goes down, use goes up. If tobacco becomes less affordable, consumption goes down.

Price has the greatest influence among those who are not yet addicted: the young. The industry needs to get them into the market.

We need to keep them out.

#### Cigarette Prices and Young People

Evidence from the United States<sup>2</sup> has suggested that every 10% increase in the real (i.e., after inflation) price of cigarettes leads to roughly a 10% reduction in tobacco use among teenagers. This evidence, which has existed for at least a decade, led some of us in Canada to decide to focus on tax increases as an integral part of our approach to tobacco control.

These efforts have been successful. We have obtained very large tobacco tax increases that have caused dramatic increases in tobacco prices and resulted in stunning falls in the number of young people using tobacco.

In 12 years—from 1979 to 1991—the real price of tobacco increased by a total of 158% and teenage tobacco use fell by two thirds (Figure 1). This is startling progress toward the goal of a tobacco-free society.

In determining the extent to which the decline in Canadian teenage tobacco use has been induced by tax-based price increases, various factors can be considered. Public education campaigns do not explain this drop, since countries like Canada (such as the United States) ran similar campaigns but experienced no comparable decline in teenage smoking. Even our ad ban, health warnings, and laws protecting nonsmokers cannot explain

Figure 1: Real cigarette prices and cigarette smoking among Canadians age 15 to 19

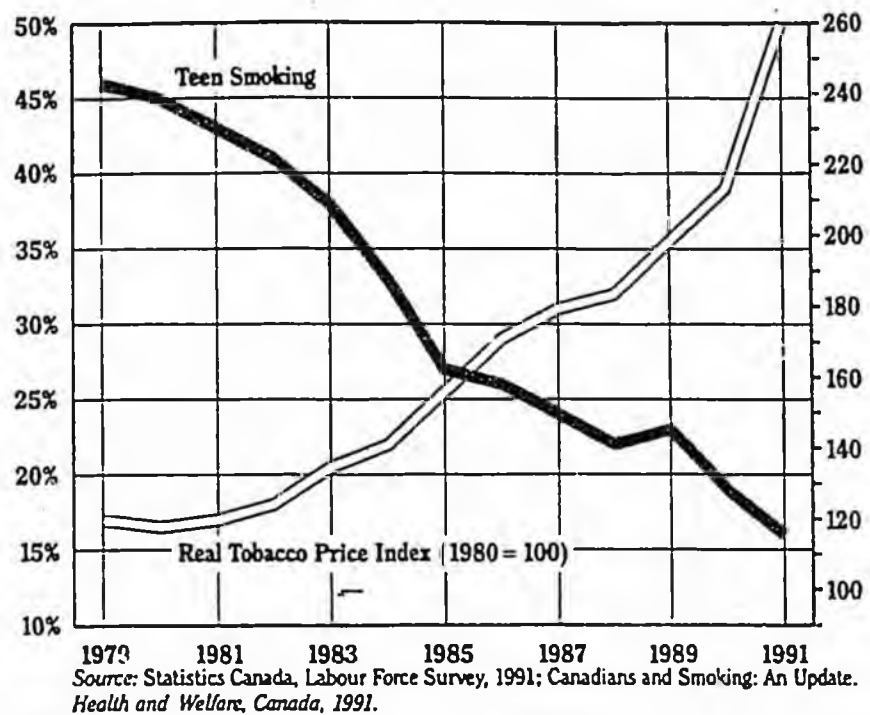
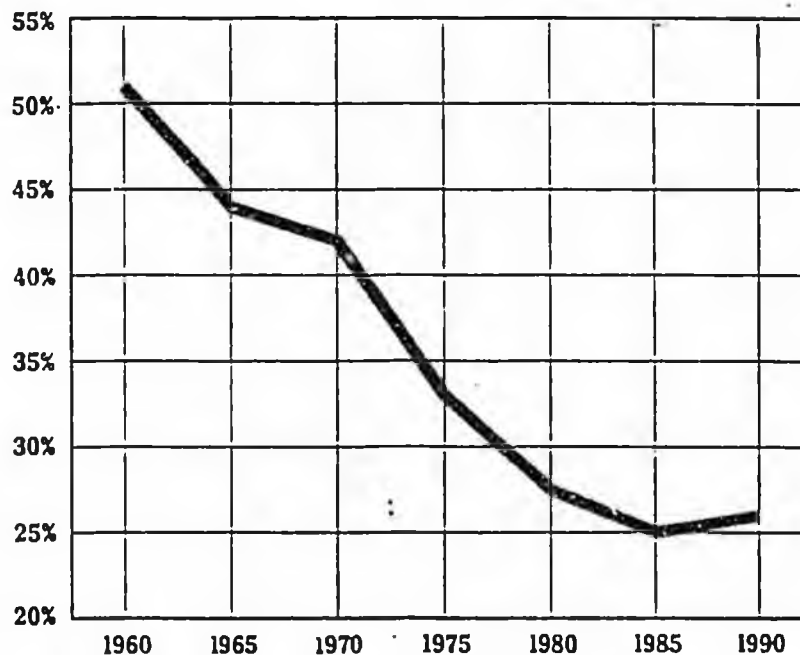
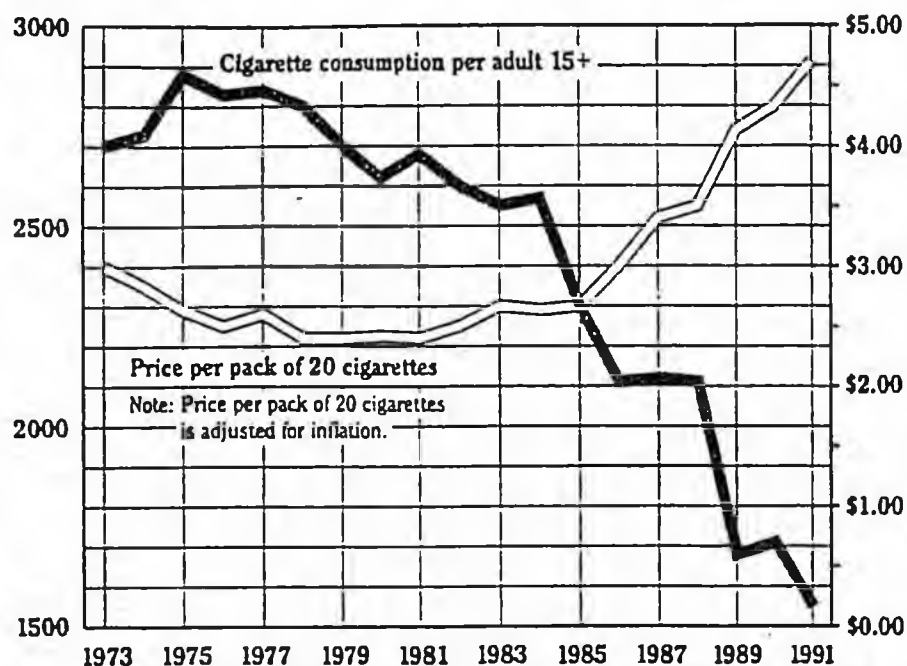


Figure 2: Tobacco taxation in the United States—average cigarette tax as a % of retail price



**Figure 3: Cigarette consumption versus pack price—New Zealand, 1973-1991**



Source: Langesen M. and Sheerin J. Tobacco Statistics 1991. Wellington, Department of Statistics and Department of Health, 1992, ISBN 0-477-06495-7

this fall, since these are recent measures. A 1991 study<sup>3</sup> found that the price sensitivity of Canadian teenagers is much in line with what the US studies had suggested.

Unlike many other interventions, the impact of tax changes is immediate and dramatic. Whereas other interventions often require a great commitment of resources, the cost of a tax intervention can work out to no more than pennies per life saved. All that is needed is a little knowledge, some persuasive advocacy, and persistence.

#### How Can We Use This Information?

It seems clear that tobacco taxation is a strategy that works. Why then is it so underutilized? Why have so few governments used taxes to reduce tobacco consumption? Why have some countries—like the United States—let the tax component of retail prices

slump (Figure 2) while research showed the impact of tobacco use and the role of taxation in reducing such use? Why do some governments who are prepared to see tobacco advertising banned, still protect the cheap cigarettes produced by their national tobacco monopolies?

One reason must be that the health lobby has been so reluctant to put tobacco tax increases at the top of its agenda. Unlike the tobacco industry, we have failed to realize the power of economics. Because we are less experienced in talking to government finance officials than dealing with the health departments. Because it means talking an unfamiliar language to people who may—at the start—be unsympathetic.

But the experience of places such as Hong Kong, Britain, New Zealand, and Canada shows that the effort is

repaid many times over. In fact, the benefits from the impact on youth smoking are greatly compounded by the impact on adult tobacco consumption. An analysis of countries around the world shows the powerful inverse relationship between price and consumption. New Zealand is but one example (Figure 3).

Finance ministers are willing to listen to a well-presented health case. This could be due to a combination of pure expediency, since tobacco taxes are a convenient way to raise money, and a recognition of the role of fiscal policy in preventing disease. Once convinced, these officials can be powerful allies within government.

Another lesson is that tax increases are the fastest, surest way of achieving large reductions in tobacco consumption. And that in turn opens the way for further initiatives. Fewer smokers make it easier to get restrictions on workplace smoking, to get smoke-free transportation, and to get rid of advertising. The higher taxes can also increase a government's willingness to implement bold marketing schemes that make smuggled tobacco easier to identify while reducing the attractiveness of tobacco packaging. These measures are part of a strategy that reinforces the message to the next generation, that smoking is an activity on the way out.

#### Obstacles to Action

The tobacco industry resists tobacco tax increases with an intensity commensurate with its certainty that such measures reduce consumption. The industry will throw any obstacle in the way of a sizable tax increase. It will also seek loopholes that keep cheap products in the market as a lure for those who might otherwise not

start—or quit—as the price rises.

Favorite tactics of the industry include focusing attention on the plight of local tobacco growers and tobacco factory workers. It will also attempt to portray the tax as unfair to the poor, to enlist the services of those with strong government ties to oppose you, or to promote the idea that higher taxes will increase crime.

Fortunately, all these tactics of the tobacco industry have already been effectively countered in some countries. Anyone now embarking on a campaign for health-oriented tobacco tax policies can become an “instant expert” simply by learning the lessons of the campaigns run to date. The arguments the tobacco industry makes with respect to economics can be shown as no more credible than the position the industry takes on health.

The major obstacle to date has been the reluctance of health organizations to move strongly into the area of tobacco pricing. The tobacco industry and governments have done exactly as would be expected on tobacco pricing given their respective interests and methods of operation. It is the “health lobby” that has been rather absent from this field. As a

result, we have left the area of economic policy firmly in the hands of the tobacco industry and placed ourselves at a great disadvantage in our efforts to reduce youth smoking.

### Conclusion

If the health community remains reluctant to get seriously involved in the economics of tobacco, we will almost undoubtedly see worldwide tobacco sales continue to increase in the foreseeable future. The increasing affordability of tobacco is probably the major reason world cigarette production has doubled in the last 25 years. If we do not move on this front, far too many of the planet's young people—the people we talk so earnestly of saving from tobacco addiction—will be making their debut as mortality statistics 25 years from now.

If we choose to get involved, to change the economic landscape in tobacco control, the impact on world tobacco consumption could be beyond anything achieved to date. The level of smoking among young people could be suddenly and significantly reduced. The impact of these same price changes among adults could lead to an unprecedented decline in world

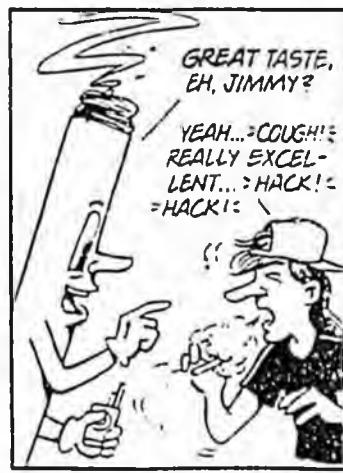
tobacco sales.

A quarter of a century ago, at the First World Conference on Smoking and Health, Senator Robert F. Kennedy said: “The industry we seek to regulate is powerful and resourceful. Each new effort to regulate will bring new ways to evade . . . This is a battle that can be won.” These words are as true today as they were when first spoken. They are no less true in the area of tax policy than any other area of tobacco control. Our major challenge today is to use what we know to finally start winning that battle. ☹

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## Doonesbury

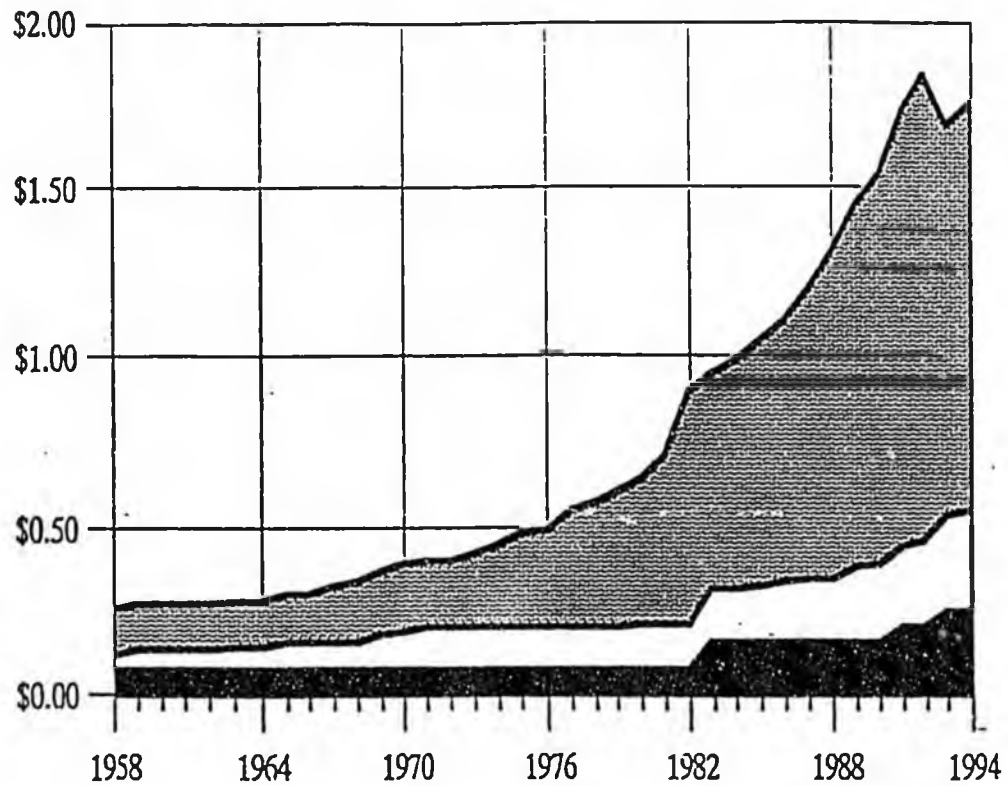


BY GARRY TRUDEAU

Graph 2

TOBACCO PRICES & TAXES  
UNITED STATES 1958 - 1994

Nominal Terms



- Federal Tobacco Tax
- State & Federal Tobacco Taxes
- ▨ Pack Price

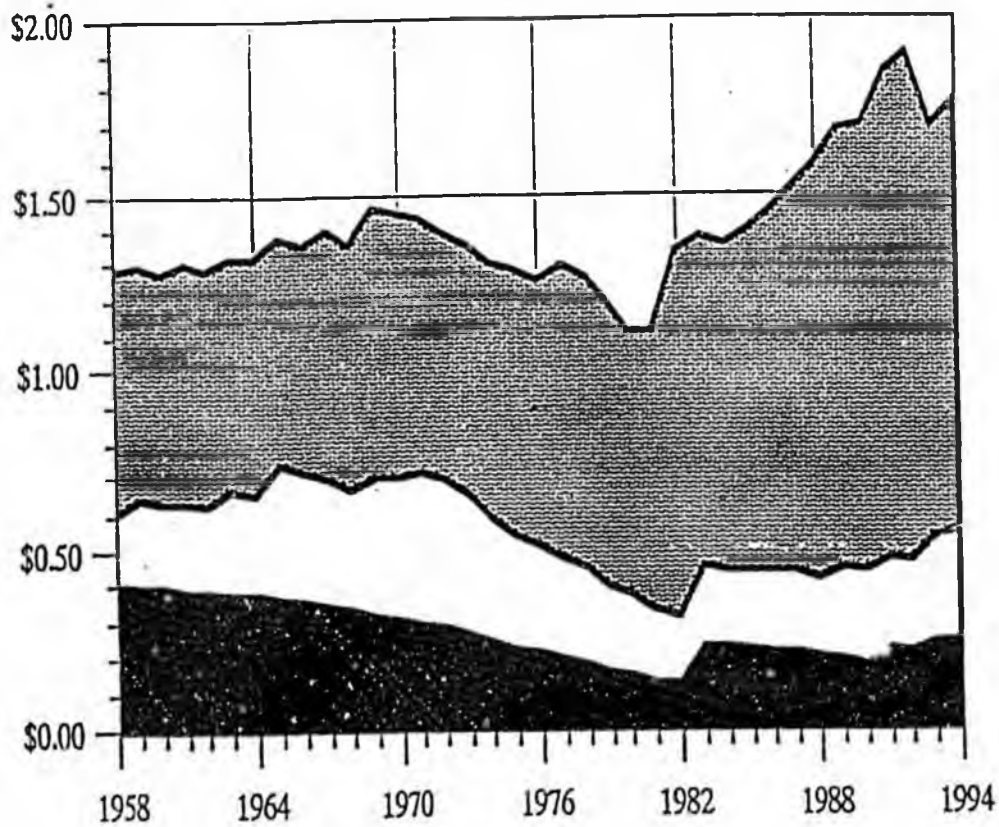
Source: THE TAX BURDEN ON TOBACCO, Historical Compilation, volume 29, 1994, The Tobacco Institute, Washington DC.

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Graph 3

**TOBACCO PRICES & TAXES  
UNITED STATES 1958 - 1994**

Real Terms

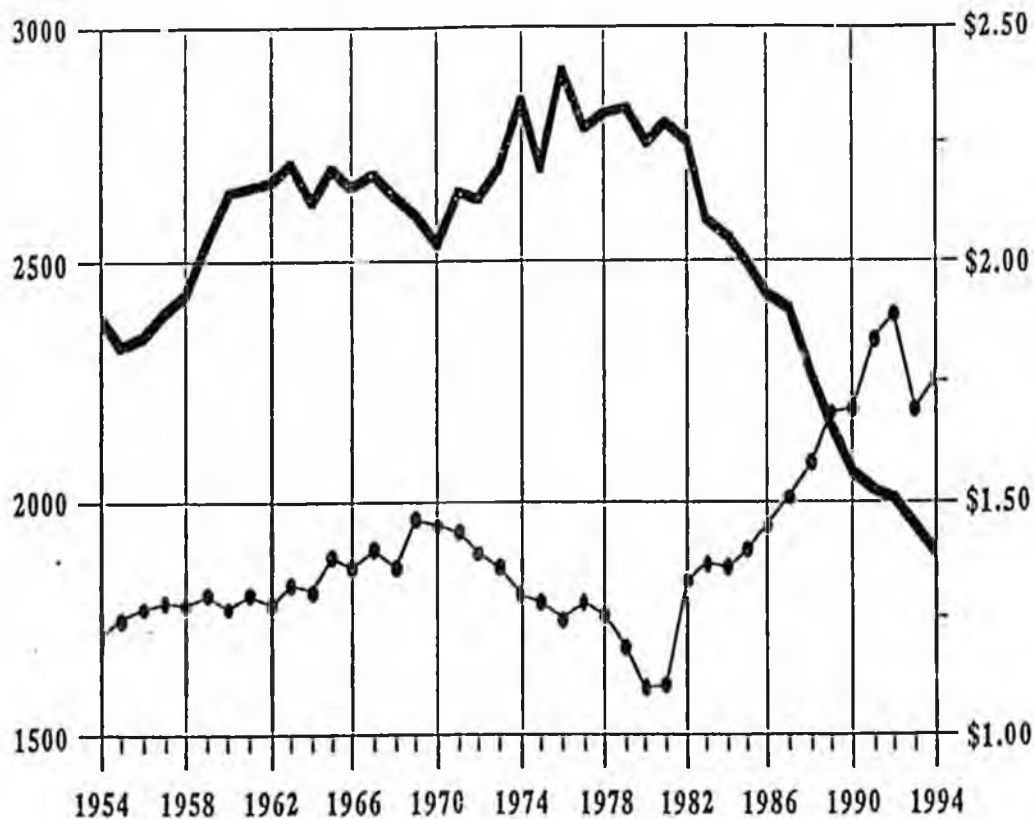


- Federal Tobacco Tax
- State & Federal Tobacco Taxes
- ▨ Pack Price

Source: THE TAX BURDEN ON TOBACCO, Historical Compilation, volume 29, 1994, The Tobacco Institute, Washington DC.

Graph 1

ANNUAL PER CAPITA CONSUMPTION OF CIGARETTES  
AND REAL PRICE OF TOBACCO (per 20 cigarettes)  
UNITED STATES 1954 - 1994

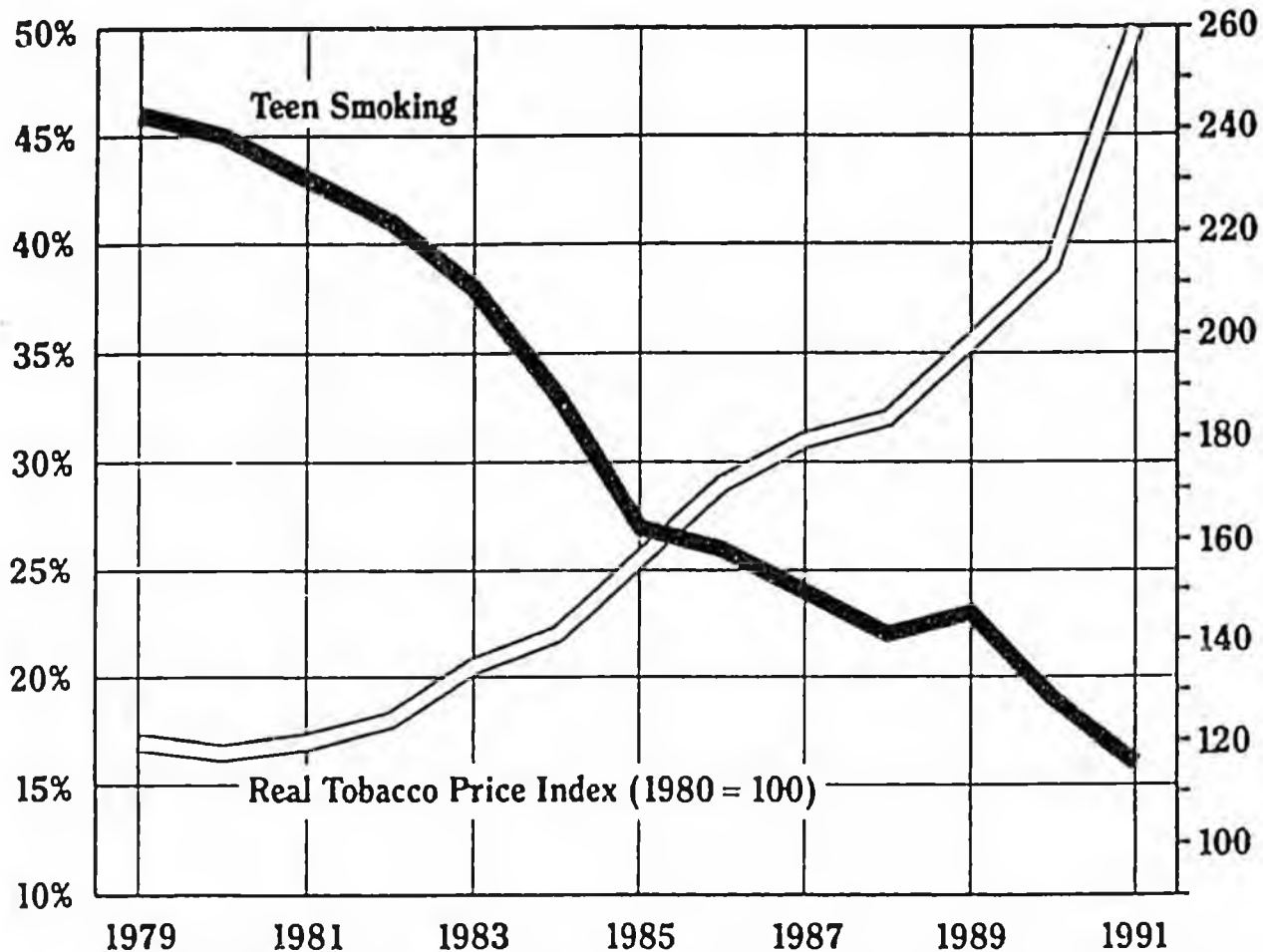


— Annual per capita consumption      ◆ Real Price of Tobacco (1994 dollars)

Sources: The Tax Burden On Tobacco, published by The Tobacco Institute, Washington, DC, vol. 29, 1994.

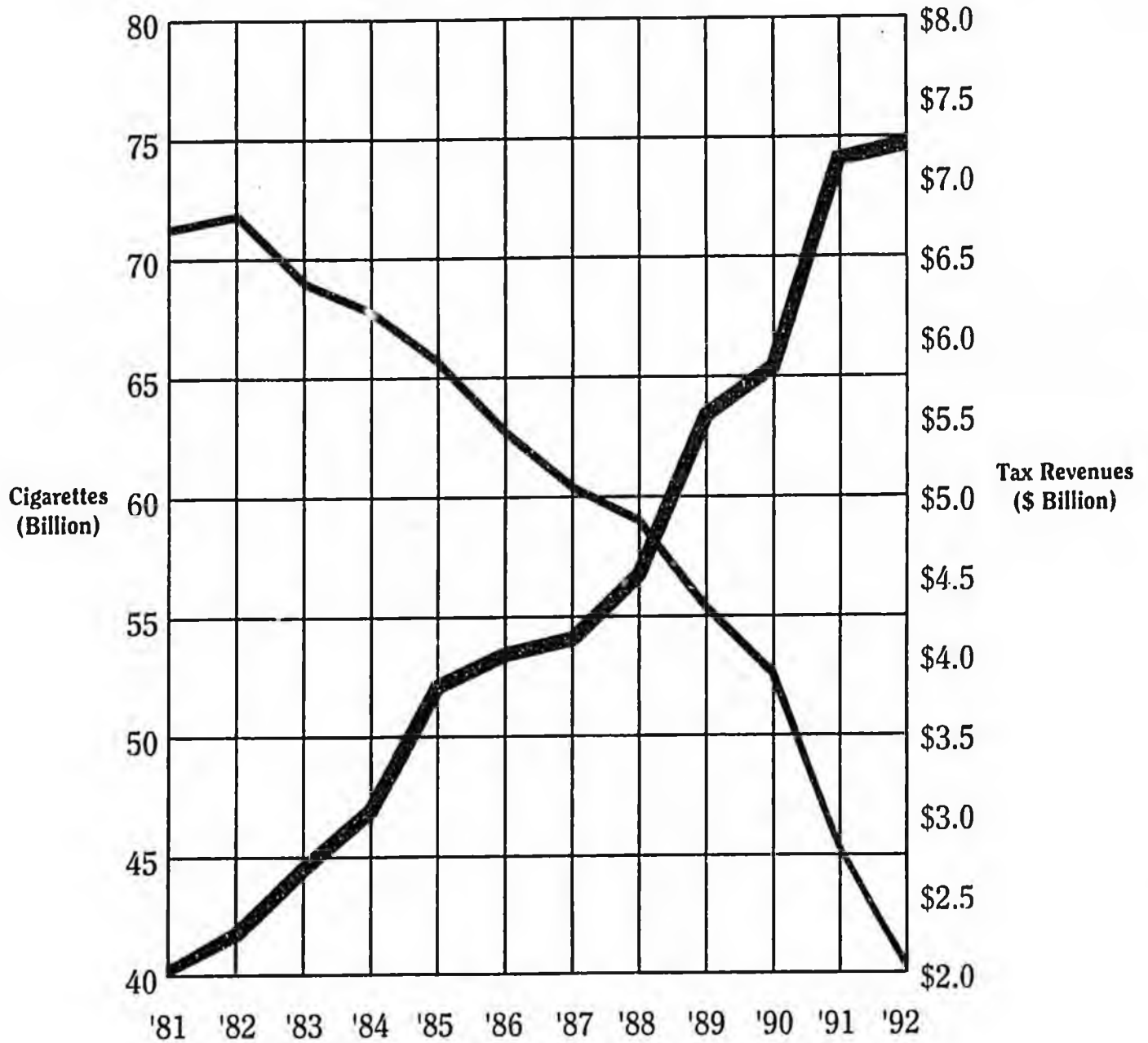
U.S. Bureau of Labor Statistics, CPI (all items).

**Figure 1: Real cigarette prices and cigarette smoking among Canadians age 15 to 19**



Source: Statistics Canada, Labour Force Survey, 1991; Canadians and Smoking: An Update. Health and Welfare, Canada, 1991.

### Figure 1. Sales of Cigarettes Versus Tobacco Tax Revenue Canada 1981-1992



— Domestic Sales of Cigarettes and Fire-Cut Equivalents (1 g)  
— Total Tax Revenues

Sources: 1. Statistics Canada, Catalogue 32-022 Monthly.  
2. Department of Revenue, Government of Canada.

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916/444-5454

The Tobacco Institute, on behalf of its member companies, respectfully submits the following statement in opposition to House Bill 431.

## THE ECONOMIC EFFECTS OF INCREASING THE ALASKA CIGARETTE TAX BY \$1.00 PER PACK

Alaska is considering a tax proposal that would raise the current cigarette tax by \$1.00/pack, or to \$1.29c/pack. That tax is compounded in Anchorage, Fairbanks and Juneau, by local excise taxes. In Anchorage, where over 40% of the Alaska population resides, the local cigarette tax is 26 cents/pack. An Anchorage smoker would thus pay \$1.55/pack, or \$15.55 per carton, in cigarette taxes. To put things in perspective, the Alaska cigarette tax would be nearly 5 times larger than the average state cigarette tax (32 cents/pack) and nearly double the current top cigarette tax.

When cigarette taxes reach such a stupendous level, many of the familiar problems associated with excise taxes become sharpened. Tax evasion is a prime example. This proposal provides powerful incentives for smuggling. Smugglers bringing in cigarettes from lower tax states could make over \$10 per carton in profits. A small container-load would have a profit potential in excess of \$50,000. Alaska already has a well documented tax evasion problem with military bases. There are over 50,000 military personnel, including retirees and dependents, buying cigarettes free of state taxes at these bases. A 1996 study by Peat Marwick found that an astounding 45 million packs of cigarettes are sold through military bases in Alaska. This represents an incredible 84% of taxable reported sales in Alaska (53.6 million packs).

With tax saving opportunities such as these, Alaska would become like Canada. In 1993, the Canadian government estimated that smuggling accounted for almost 50% of all cigarette sales. In 1994, their cigarette tax was reduced in the major provinces by over \$2.00/pack in order to break this smuggling epidemic. In announcing the cuts, the Canadian Prime Minister Jean Chretien said: "Smuggling is threatening the safety of our communities and the livelihood of law-abiding merchants. It is a threat to the very fabric of Canadian society."

By encouraging a massive underground market, Alaska would also make it more difficult to keep cigarettes out of the hands of youth. Black marketers do not respect youth access laws any more than they do tax laws. The surest way to control youth sales is by working with legitimate retailers, not smugglers. By creating an illegal market, Alaska would simply be making those efforts more difficult.

Another casualty would be Alaska's legitimate retailers. According to the Peat Marwick study, retailers could eventually lose 52% of their sales. In Canada, retailers had lost so much that they protested by selling smuggled smokes to hordes of delighted smokers at cut-rate prices. The huge drop in Alaska sales will also mean substantially lower revenues for the government than forecasted by Alaska's Long Range Financial Planning Commission. Peat Marwick found that the Commission overestimated revenues by 129%.

The enormous tax increase would unfairly punish a minority population for goods and services designed to benefit all of Alaskan society. An average smoker would pay over \$800 per year in state cigarette taxes. For the 30% of Alaskan households making \$30,000 or less, this is an incredible burden to bare. What other demographic group in Alaska pays this much in total taxes?

#### SMOKING AND TAXES

There exists an incorrect assumption that high state cigarette taxes discourage cigarette consumption.

On close examination, that assumption is without foundation. Smoking rates within a given state are a function of a variety of demographic and cultural factors. Price is not considered to be one of them. In fact, economists have proven statistically that cigarette consumption is insensitive to price and taxes. As economists put it, taxes have a very inelastic, or unresponsive effect on cigarette demand. Clearly there are more powerful forces in play.

Utah, for example contradicts the assumption of low taxes equaling higher consumption. Utah has the lowest adult smoking rate in the country. It also has a cigarette excise tax that is lower than the national average. When one takes into account the presence and cultural influence of the Mormon population - a group that vigorously opposes cigarette smoking - the contradiction is easy to understand.

Opponents of tobacco products point to the apparent connection between low tax states and high rates of tobacco consumption. They fail to mention that many of the low tax states also grow tobacco. The strong tobacco heritage of these states and the relative social acceptability of tobacco there easily account for the marginally higher consumption rates.

In fact, the smoking rates of the 10 states with the lowest cigarette taxes are not as significant as one is led to believe. On average, about 25% of adults smoke in the ten low tax states, compared to the national average of 22%. This is not a large difference, and is most likely explained by the heritage of tobacco growing, not taxes.

State taxable cigarette sales are a good indicator of patterns across states. Consider per capita sales in Massachusetts (77 packs/per year) versus per capita sales in New Hampshire (158 packs/ per year). Since cigarette taxes are significantly higher in MA (51 cents/pack) than in New Hampshire (25 cents/pack and no sales tax) this pattern would seem to buttress the assumption that higher taxes equal lower consumption. But is it reasonable to believe the NH residents really smoke double the amount of cigarettes compared to smokers in MA? The answer is clearly no. What is the reason for this discrepancy? Tax evasion.

New Hampshire is a well known consumer's mecca - a place for consumers from high tax states to stretch the family budget. A 1995 study by Price Waterhouse found that nearly 40% of New Hampshire's cigarette sales were sold to consumers from another state- mostly people from Massachusetts. In fact, along the MA-NH border the number of people employed (per 1000 of population) in tobacco, alcohol beverage, and gas retailing is about 2 times greater in New Hampshire compared to Massachusetts. When adjustments are made for such tax evading sales, adult smoking rates are practically the same in both states.

In Washington State, the same tax evasion dynamic is at work. Even though the Washington cigarette tax is very high, data shows that adult smoking rates are actually higher in Washington compared to low tax Oregon and Idaho. However, using taxable sales as an indicator, we see that Washington's per capita cigarette sales of 65 packs is much lower than in Oregon (95 packs) and Idaho (78 packs).

The reason?

Washington's residents have known for 20 years or more that the way to beat sales and excise taxes is to head for the Indian reservations, military bases, and bordering states. A recent study by Washington's Department of Revenue estimates that a staggering 27% of Washington cigarette sales represent such tax evading sales. When these tax evading sales are factored in, actual Washington cigarette consumption rises to over 85 packs per capita - close to the average per capita consumption for the Northwest.

The basic lesson is that when cigarette taxes are raised by a large amount, consumers take advantage of our fiscal federalism and shop in a state or tax free zone where they can save money. When the dust settles few people have

been dissuaded from smoking. Smokers simply shop where the tax is lower and respect for the law takes another step backward.

(A copy of the KPMG report has been provided for review by the committee.)



# Alaska State Legislature

Please enter into the record my testimony to the House HES  
committee name

committee on HB 431, dated 2-1-96  
bill/subject

*5 pages of testimony*

Signed: Kathleen M Jones  
Testifier

Representing (Optional)

41953 Bear Creek Drive  
Address Homer, AK 99603

235-6816  
Phone No.

HIS 431

Natalie M. Jones  
41955 Bear Creek Dr.  
Anchorage, Ak235-6816  
99603

## Testimony

My testimony today is very personal. Last year our sons ages 16, 15 and 12 were given cigarettes by a former Alaska Bible Institute student. Our oldest son Roger & our youngest Philip continue to smoke as cigarettes are available. Very much against our wishes.

They continue to "buy" or "burn" these from "friends"? They go to a place adjoining former High School "Smokers' Hill" where they tell me they can buy them for anywhere from \$1.20 to \$1.00 per cigarette

I believe the cigarette tax does not reflect the true cost. We all pay for addicted smokers and the respiratory diseases and problems resulting from this use.

Vote for HB 431 and step in the right direction for Alaska. Until we make tobacco the addictive substance it is on a National level, Alaska should do all it can to prevent further deaths to this killer substance.

I have seen these deaths, myself. Personal and first hand.

In 1980 My mother was diagnosed by the Roswell Cancer center of Buffalo N.Y. with liver cancer. Dr. Faen stated to me It had started in her lungs and she maybe had 6 month to a year to live. She died two months later when we removed IV fluids and only allowed oral fluid, food & pain medication - Death still took three and a half days. Its hard to watch someone you love grip bed rails as pain racks their body and Cancer eats it away and lungs fight to take in air. Death her only release.

My husband's Grandfather  
a long time Homerite died  
almost  $1\frac{1}{2}$  months after  
we were married. Having one  
and  $\frac{1}{3}$  of his lungs removed  
for cancer.

I do not want to bury one  
of my children to this and  
you can and must help  
to stop this. Remember this  
you legislators who have adult  
children who smoke. You too  
may bury one of your loved  
ones to this. No one is free,  
no one is exempt.

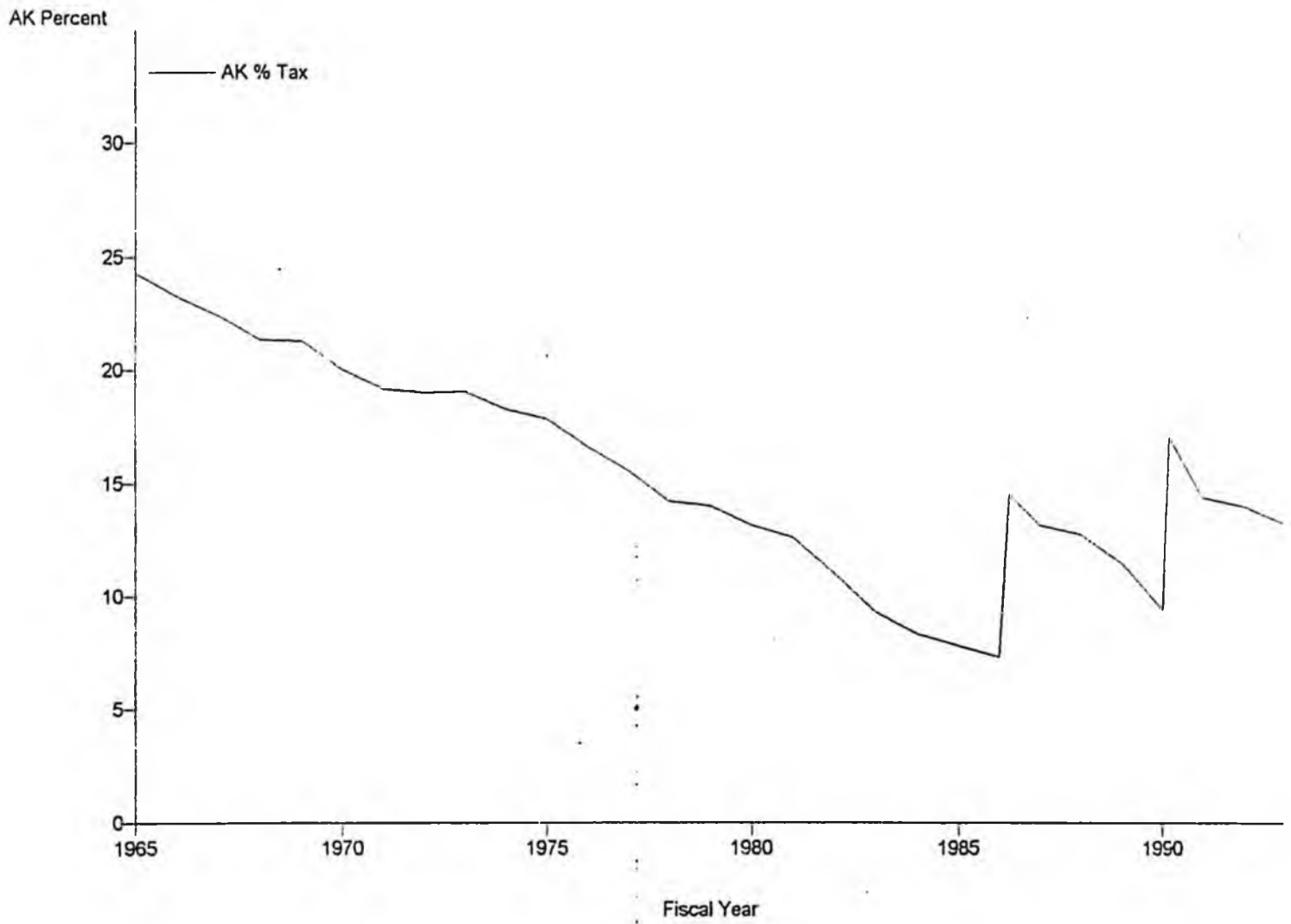
As I write this my wonderful  
father-in-law struggles to breathe

uses his inhalers and  
smokes. My heart knows  
that this will kill him.

No maybe not today or tomorrow  
but it will. The man who said  
he could always quit when  
he wanted to. Sits coughing  
coughing coughing use the inhaler  
start to breathe — wait and  
light up. Help save Alaskas  
children they are our future.

Nathaniel M Jones  
2/1/96 Homer Ak.

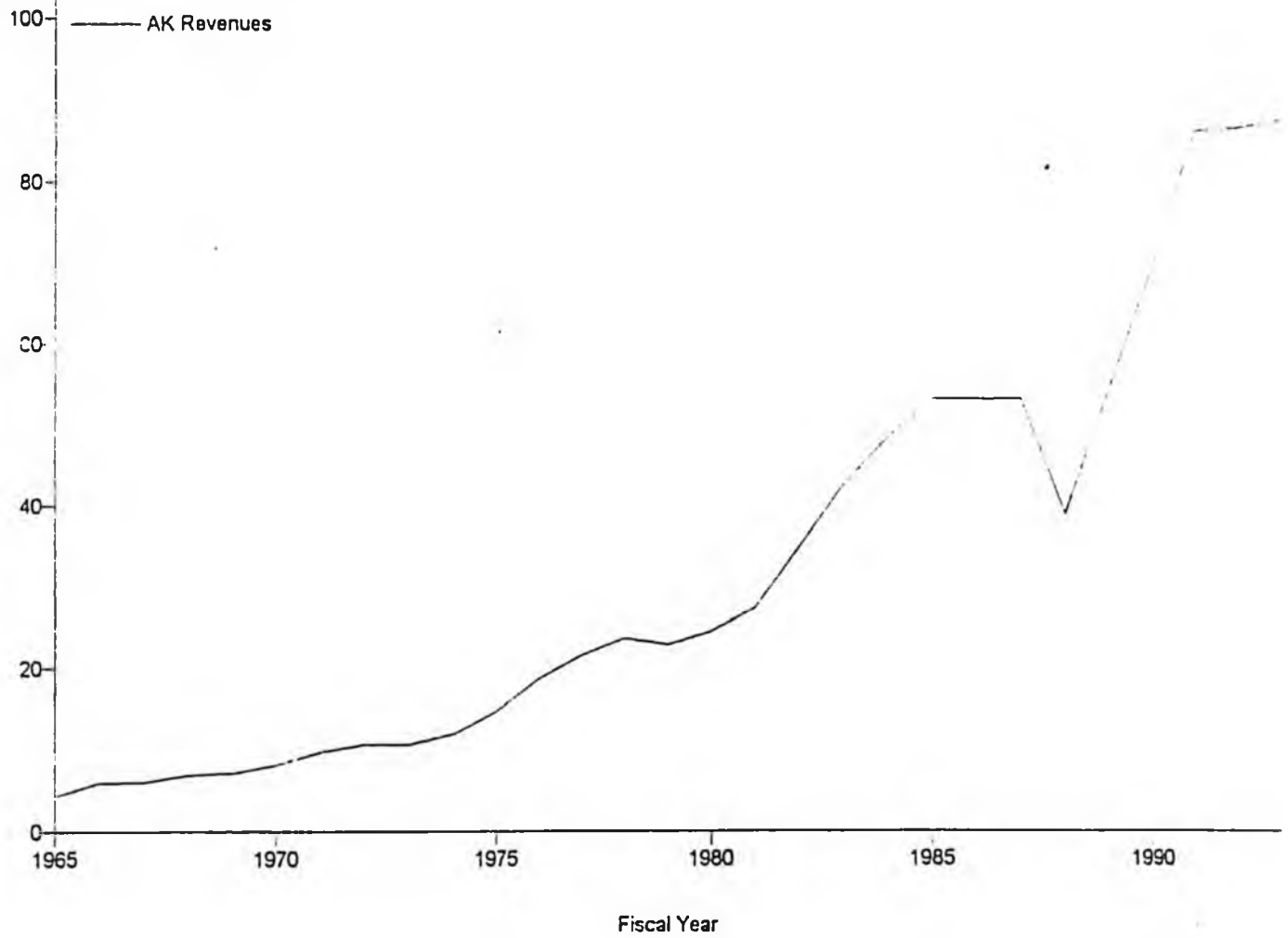
# State of Alaska Cigarette Tax as Percent of Price Over Time



Presented in Don Arata From "The Tax Burden on Tobacco" The Tobacco Institute

# State of Alaska Tobacco Industry Revenues as a Function of Time

AK Annual Industry Revenues (Millions of \$)



ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510  
(907) 586-1083 • Fax (907) 586-2995

JAN 31 1996

January 31, 1996

The Honorable Cynthia Toohey, Co-Chair  
The Honorable Con Bunde, Co-Chair  
The Honorable Gary Davis  
The Honorable Al Vezey  
The Honorable Norman Rokeberg  
The Honorable Tom Brice  
The Honorable Caren Robinson  
House HESS Committee  
Alaska State Capitol  
Juneau, AK 99801-1182

Dear House HESS Committee Members:

The Association of Alaska School Boards has established child advocacy as one of our top priorities. Our mission to promote parental, public, and social service commitment to the shared responsibility of educating all children enables us to address issues that deal with the health and safety of Alaska's children. To this end our membership adopted a resolution at the 1995 AASB Annual Conference which recommends increasing tobacco taxes in order to reduce the accessibility of tobacco by teens.

We are pleased that the HESS committee has agreed to hear testimony on bills which work to prevent tobacco addiction among our children. We believe that, through the combined influences of tax levies, strict law enforcement, and quality education, we can all have a hand in preventing our children from becoming addicted to tobacco.

AASB supports legislation which keeps our kids tobacco free. Thank you for your commitment to the health and well-being of Alaska's children.

Sincerely,



Carl F. N. Rose  
Executive Director

## ASSOCIATION OF ALASKA SCHOOL BOARDS

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### Position Paper Increase in Tobacco Tax

In order to address the risk to the health and safety of children and youth that tobacco related products represent, the Association of Alaska School Boards strongly supports legislation which would increase the cigarette tax.

After a review of the research, we take this position because:

- nicotine is an addictive drug that has been proven harmful to children;
- the average teenage smoker starts smoking at 14 1/2 years old and becomes a daily smoker before the age of 18;
- if people do not begin to smoke as teenagers or children, it is unlikely they will ever do so; and
- children tend to vastly underestimate the likelihood that they will become addicted to nicotine.

Tobacco use is a problem among Alaska's teens. 27% of 12th grade girls and 18% of 12th grade boys report daily use of cigarettes. Rates are highest among Alaska Natives: 31% of 12th grade girls and 21% of 12th grade boys.

**Of public health strategies available for reducing tobacco use, increasing tobacco taxes as a way of raising the price of tobacco products is viewed as the most effective. One of its virtues is that it is immediate and does not require further public resources to implement.**

**By increasing the tax on tobacco Alaska can significantly reduce the use of tobacco among teens.** Below are two examples of regions where taxation reduced tobacco consumption among teens.

- In Canada, between 1979 and 1991, higher tax rates increased the real price of tobacco by 158 percent and teenage consumption dropped by two-thirds.
- In California, cigarette smoking declined nearly 24 percent (from 26.7 percent in 1988 to 20.4 percent in 1992) after California approved a 25 cent excise tax increase.

AASB believes that it is much easier to prevent smoking, than it is to help a teenager quit once they have become addicted. We hope that you consider joining AASB in our goal to protect the health of teenagers by voting to increase the Alaskan sales tax on tobacco.

**ASSOCIATION OF ALASKA SCHOOL BOARDS**

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**Association of Alaska School Boards  
Tobacco Resolutions for 1996**

**SUBJECT AREA: FUNDING**

**96-23**

**INCREASE IN TOBACCO TAX**

WHEREAS, Alaska has the sixth highest rate of smoking nationally and the sixth highest rate of smoking-related deaths; and

WHEREAS, 32% of Alaskan girls smoke or chew tobacco daily, and 36% of Alaskan boys smoke or chew daily; and

WHEREAS, nearly 84% of Alaskan adults started smoking between the ages of 10 and 20 years of age; and

WHEREAS, smoking is illegal by youth under the age of 19; and

WHEREAS, smoking accounted for 19% of deaths in Alaska in 1991, averaging 1 per day; and

WHEREAS, the estimated direct health care cost attributed to smoking in 1991 was \$45.6 million for persons 35 and older; and

WHEREAS, between 1979 and 1991 in Canada, increasing the tax rates by 158% decreased the teenage consumption of tobacco by 67%; and

WHEREAS, the US Government Accounting Office has determined that for every 1% increase in the price of cigarettes, 1% fewer teenagers will smoke; and

WHEREAS, Alaska's tobacco tax was last increase in 1989, and as of 1992 only 20 states had lower tobacco taxes than that of Alaska; and

WHEREAS, a recent survey of 615 Alaskans found that 65% of respondents favored a \$0.75 increase in the sale tobacco tax if the money went toward health programs; and

WHEREAS, the current cigarette tax is \$0.29 per pack or 25% of the wholesale price of other tobacco products;

NOW THEREFORE BE IT RESOLVED that the Association of Alaska School Boards supports legislation which would increase the cigarette tax an additional \$1.00 per pack (to be indexed yearly to inflation) and an increase on other tobacco products an additional 75% raising an estimated \$43 million.