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ALASKA TOBACCO CONTROL ALLIANCE

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STEERING COMMITTEE:

Alaska Black Caucus

Alaska Dental Society

Alaska Health Fair, Inc.

Alaska Native Health Board

Alaska Pharmaceutical
Association

Alaska Public Health Association

Alaska School Nurses
Association

Alaska State Medical
Association

Alaskans for Drug Free Youth

American Lung Association of
Alaska

Anchorage Partnership
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Anchorage School District

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Corporation

Municipality of Anchorage,
Department of Health and
Human Services

Rural Alaska Community Action
Program

Sitka Alliance for Health

Sitka Teen Resource
Center

State of Alaska Department of
Education

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

Raising Tobacco Taxes: Saving Lives and Recovering Health Care Costs

Prepared for the Long Range Financial Planning Commission

Alaska Tobacco Control Alliance

American Lung Association of Alaska

May 20, 1995

MAJOR RECOMMENDATION: A significant increase in state excise taxes on tobacco products should be a part of a long-range financial plan to increase revenues, recover health care costs and save lives. Taxes should be increased to at least \$1 per pack on cigarettes with a comparable increase for smokeless tobacco products.

"Raising tobacco taxes just begins to make tobacco pay its fair share, it's not about punishing anybody, but about saving lives, protecting our kids from becoming addicted to tobacco, and recouping some of the costs tobacco imposes on all of us."

Coalition on Smoking or Health, Saving Lives, Raising Revenue,

The Alaska Tobacco Control Alliance is a coalition of over 200 organizations and individuals state-wide who are concerned about the effects that tobacco use has on our communities and our state. The Alliance has been active throughout the state on a grass-roots level to assist rural and urban communities to address the consumption of a product which, when used exactly as intended, causes addiction, disease and early death.

Within the last few years state governments across the nation have targeted increased tobacco taxes as a means to raise revenue. Meanwhile, many of these states are experiencing a reduction in tobacco product use, especially among children. This reflects what a growing number of studies have shown: increased taxes are highly effective at reducing tobacco product consumption. Although consumption decreases, the taxes do indeed increase revenues, which in turn can be used to offset health care costs while simultaneously decrease the number of people who are at risk of developing a tobacco induced illness.

Increased Tobacco Taxation Makes Financial Sense

Currently, the State of Alaska has an excise tax of \$.29 per pack of cigarettes while the tax rate for other tobacco products is 25% of the wholesale price. In the last two years, a number of states have raised their tax to over \$.50 per pack. Michigan currently has the highest rate of taxation \$.75/pack, but on July 1, 1995, Washington's tax rate will be over \$.80 per pack.¹

¹ Action on Smoking and Health, *State Cigarette Excise Tax Rates*, January 1995

In fact, the Department of Health and Social Services, Division of Public Health issued the Alaska Cancer Control Plan which pointed out the enormous toll taken by tobacco use in Alaska and recommended that the Legislature "substantially increase the excise tax to at least two dollars on all tobacco products."²

In Fiscal Year 93-94, the State of Alaska collected \$15,548,200 in excise taxes on cigarettes and \$1,403,800 from the sale of other tobacco products.³ It can be estimated that with a cigarette tax increase of \$1 per pack, upwards of \$30 million in new revenue would be generated.

This would in turn offset revenue shortfalls while no doubt resulting in long-term public health benefits and medical costs savings.

Increased Tobacco Taxation Will Offset Alaska's Health Care Costs

According to the Centers for Disease Control, Alaska has the *sixth* highest rate of smoking in the nation and the *sixth* highest rate of smoking related death.⁴ The Department of Health and Social Services says that tobacco use is the *leading cause of death* in Alaska, responsible for more than *one out of five deaths* of people over the age of 35.⁵

Between 1989 and 1991, the total of smoking attributable costs increase by \$44.4 million.

	1989	1991
Direct Costs (all health care costs)	\$34.1 million	\$45.6 million
Indirect Mortality Costs (earnings and salaries forfeited by persons dying prematurely)	\$38.4 million	\$67.9 million
Indirect Morbidity Costs (lost earnings and productivity)	<u>\$10.7 million</u>	<u>\$14.1 million</u>
TOTAL	\$83.2 million ⁶	\$127.6 million ⁷

The health costs of tobacco use also drive up Medicaid, Medicare and other public health service costs. Taxes only recover a fraction of the costs.

2. Alaska Division of Public Health, *Alaska Cancer Control Plan*, January 1994

3. Memo from the Alaska Department of Revenue, Income and Excise Audit Division, December 1994

4. U.S. Centers for Disease Control and Prevention, Morbidity and Mortality Weekly Report, Vol. 43

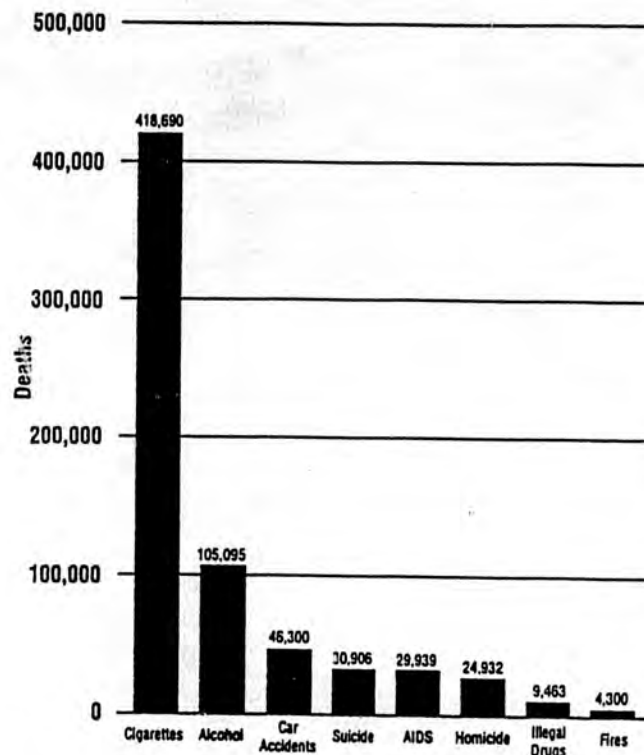
5. Alaska Division of Public Health, Section of Epidemiology, Bulletin No. 23: *Bulletin Costs of Smoking in Alaska, 1991*

6. Alaska Division of Public Health, *Alaska Cancer Control Plan*, January 1994

7. Alaska Division of Public Health, Section of Epidemiology, Bulletin No. 23: *Bulletin Costs of Smoking in Alaska, 1991*

Increased Tobacco Taxes Save Lives

Nationwide, tobacco kills more people than alcohol abuse, car accidents, AIDS, cocaine, heroin, murders, suicides and fires combined.⁸



Nearly 84 percent of adult Alaskans who smoke started between the ages of 10 and 20 years of age.⁹ From the growing body of evidence, we know that increasing the price of tobacco is one of the most effective strategies we have to reduce consumption, especially among kids. For the adult tobacco product consumer, studies indicate that a 10 percent increase in price will reduce consumption by between 2 and 5 percent.¹⁰ The U.S. General Accounting Office found that for every 1 percent increase in the price of cigarettes, 1 percent fewer kids would take up smoking.¹¹

The affordability of tobacco products is the most important factor in determining the number of kids who will start smoking. Teenagers are much more responsive than adults to increases in the price of cigarettes because they have less disposable income and may be three times more sensitive to price increases than adults' consumption. Also kids are usually less addicted than many adult smokers and are more likely to be able to stop smoking when prices increase.

8. U.S. Centers for Disease Control and Prevention, U.S. Department of Health and Human Services, 1990 data

9. Alaska Division of Public Health and Alaska Area Native Health Service. *1989 Alaskan Adolescent Health Survey*

10. U.S. Dept. of Health and Human Services, *The Impact of Cigarette Excise Taxes on Smoking Among Children and Adults*

11. U.S. Government Accounting Office, *Teenage Smoking : Higher Excise Taxes Should Significantly Reduce the Number of Smokers. 1989*

Since the last increase in 1989, inflation has eroded much of the dampening effect that the increase had on consumption. The tobacco tax increase is the single most effective action that the State can initiate to reduce tobacco use among youth and reduce the future public burden for treating the diseases that result.

Increased Tobacco Taxation Has Public Support

- 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."¹²
- Numerous surveys have shown that tobacco taxes are popular with the voters, especially when revenues are spent on health programs. A statewide survey sponsored by the Department of Health and Social Services in September 1994, found that 65.4 percent of Alaskans would favor increasing the state cigarette tax by \$.75 per pack if the money was used for health programs.¹³
- The recent election in Anchorage proved that there is wide-spread support for increased tobacco taxation. The municipal advisory proposition passed by a vote of 68 percent . The Anchorage Assembly mirrored public sentiment by approving the proposition by a vote of 10 to 1.

Conclusion

There is no doubt that increased tobacco taxes make financial sense. The Alaska Tobacco Control Alliance supports the efforts of the Long Range Financial Planning Commission in it's endeavor to fill the ever-widening fiscal gap. We recommend that a new source of revenue is an increased tax on tobacco produces. The Alliance pledges to assist and provide support to the Commission to ensure an increase of the tobacco tax.

If you have questions or comments, please call:

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

13. Survey sponsored by the Alaska Department of Health and Social Services; conducted by Mathematica Policy Research, September 1994