

**HB**

**1**

(7)

Date Referred to Committee: January 13, 1997

FURTHER REFERRALS:

HESS  
Finance

Date of Committee Action: 2/4/97

The STATE AFFAIRS Committee considered:

HB 1

HOUSE BILL NO. 1

CIGARETTE AND TOBACCO TAX

"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 CS HB1 (STA)  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) \_\_\_\_\_  
 fiscal note(s) Revenue  fiscal note(s) \_\_\_\_\_

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

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <u>Jeannette James</u>       | ✓  |     |    |    |
| <u>K. [unclear]</u>          | ✓  |     |    |    |
| <u>[unclear]</u>             | ✓  |     |    |    |
| <u>[unclear]</u>             |    | ✓   |    |    |
| <u>[unclear]</u>             | ✓  |     |    |    |
|                              |    |     |    |    |
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|                              |    |     |    |    |
|                              |    |     |    |    |
|                              |    |     |    |    |

CHAIR'S SIGNATURE Jeannette James

# Alaska State Legislature

CO-CHAIR  
HOUSE, HEALTH, EDUCATION  
& SOCIAL SERVICES COMMITTEE

VICE-CHAIR  
HOUSE RULES COMMITTEE

MEMBER  
HOUSE JUDICIARY COMMITTEE  
LEGISLATIVE BUDGET & AUDIT COMMITTEE



REPRESENTATIVE CON BUNDE

District 18

## SPONSOR STATEMENT HB 1

DURING SESSION:  
STATE CAPITOL, ROOM 108  
JUNEAU, ALASKA 99801-1182  
1 (907) 465-4843  
-1 (800) 892-4843

DURING INTERIM:  
716 WEST 4th AVENUE  
ANCHORAGE, ALASKA 99501-2133  
1 (907) 258-8168  
E-MAIL ADDRESS:  
Representative\_Con\_Bunde@LEGIS.state.ak.us

### **“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 children start smoking is 14.5 years. Nationally, about 3000 children start smoking every day, of those approximately a third will die from tobacco related illness. HB 1 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 ever get started. Other youngsters who have already started smoking may be forced to consider quitting.

In Alaska, the estimated total medical care costs related to smoking in 1993 was \$295 million and approximately \$9.8 million was paid by state 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 1 will decrease tobacco use and prevent an increase in future health care costs related to tobacco use.

HB 1 is legislation that is long overdue. The price increase caused by this tax will work in favor of all Alaskans. Studies show that for every 10% increase in the price of tobacco products, there will be a 4% decrease in tobacco consumption, and an equal or greater decrease in tobacco use among children. Alaska's cigarette tax is currently .29 cents per pack, ranking 26th in the nation. Our tobacco has not kept pace with inflation. Currently, the tobacco tax makes up only 14% of the total cost of a pack of cigarettes. The low percentage along with higher incomes in Alaska makes cigarettes and tobacco products very affordable to children and adults. We need to provide an economic barrier to decrease Alaska tobacco consumption. HB 1 will provide the needed barrier. I urge the committee to support HB 1 for the future health of many of our youth and adults.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 1

1 Page 1, following line 3,

2 Insert new bill sections to read:

3 **\*\* Section 1.** AS 43.50.090(a) is amended to read:

4 (a) There is levied an excise tax [OF TWO AND ONE-HALF MILLS] on  
5 each cigarette imported or acquired in the state. Each licensee shall, at the time of  
6 filing the return required by AS 43.50.080, pay to the department the excise for the  
7 calendar month covered by the return, deducting one percent of the total tax due,  
8 which the licensee shall retain to cover the expense of accounting and filing returns.  
9 Cigarettes upon which the excise is imposed are not again subject to the excise when  
10 acquired by another person. The excise tax is levied at the following rates:

11 (1) on and after the effective date of this bill section and through  
12 June 30, 2000 - 52 1/2 mills;

13 (2) after June 30, 2000, and through June 30, 2003 - 64 1/2 mills;

14 (3) after June 30, 2003, and through June 30, 2006 - 76 1/2 mills;

15 and

16 (4) after June 30, 2006 - 76 1/2 mills plus an additional 12 mills  
17 during each succeeding three-year period, the increase to be effective on the first  
18 day of the succeeding three-year period.

19 \* Sec. 2. AS 43.50.090(a) is amended to read:

20 (a) There is levied an excise tax of two and one-half mills on each cigarette  
21 imported or acquired in the state. Each licensee shall, at the time of filing the return  
22 required by AS 43.50.080, pay to the department the excise for the calendar month  
23 covered by the return, deducting one percent of the total tax due, which the licensee  
24 shall retain to cover the expense of accounting and filing returns. Cigarettes upon  
25 which the excise is imposed are not again subject to the excise when acquired by

1 another person. [THE EXCISE TAX IS LEVIED AT THE FOLLOWING RATES:

2 (1) ON AND AFTER THE EFFECTIVE DATE OF THIS BILL  
3 SECTION AND THROUGH JUNE 30, 2000 - 52 1/2 MILLS;

4 (2) AFTER JUNE 30, 2000, AND THROUGH JUNE 30, 2003 - 64  
5 1/2 MILLS;

6 (3) AFTER JUNE 30, 2003, AND THROUGH JUNE 30, 2006 - 76  
7 1/2 MILLS; AND

8 (4) AFTER JUNE 30, 2006 - 76 1/2 MILLS PLUS AN ADDITIONAL  
9 12 MILLS DURING EACH SUCCEEDING THREE-YEAR PERIOD, THE  
10 INCREASE TO BE EFFECTIVE ON THE FIRST DAY OF THE SUCCEEDING  
11 THREE-YEAR PERIOD.]

12 \* Sec. 3. AS 43.50.090 is amended by adding a new subsection to read:

13 (d) At the time of a change in the amount of tax under (a) of this section, the  
14 department shall give public notice of the change. The department shall also provide  
15 notification of the change to all persons licensed under this chapter."

16 Page 1, line 4

17 Delete "\*Section 1"

18 Insert "\*Sec. 4"

19 Renumber the following bill sections accordingly.

20 Page 1, line 8:

21 Delete "Act"

22 Insert "bill section"

23 Page 3, line 6

24 Delete all material and insert:

25 "\* Sec. 8. AS 43.50.090(d), added by sec. 3 of this Act, is repealed.

26 \* Sec. 9. CONDITIONAL EFFECT OF CERTAIN SECTIONS. Sections 2, 4, 5, and 8  
27 of this Act take effect only if

28 (1) a court enters a final judgment that the amendment made to

1 AS 43.50.090(a) by sec. 1 of this Act changing the rate of taxation on cigarettes violates the  
2 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication  
3 of the proceeds of a state tax or license; and

4 (2) either the time for appeal of that judgment expires or, if an appeal is  
5 taken, the court enters a final order on appeal that AS 43.50.090(a), as amended by sec. 1 of  
6 this Act, violates art. IX, sec. 7, Constitution of the State of Alaska.

7 \* Sec. 10. Sections 1, 3, 6, and 7 of this Act take effect October 1, 1997.

8 \* Sec. 11. If secs. 2, 4, 5, and 8 of this Act take effect under sec. 9 of this Act, they take  
9 effect on the later of (1) the date a court enters a final judgment that the amendment made  
10 to AS 43.50.090(a) by sec. 1 of this Act changing the rate of taxation on cigarettes violates  
11 the prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against  
12 dedication of the proceeds of a state tax or license, and (2) the expiration of any time for  
13 appeal of that judgment, or, if an appeal is taken, upon entry of a final order on the appeal  
14 that AS 43.50.090(a), as amended by sec. 1 of this Act, violates art. IX, sec. 7, Constitution  
15 of the State of Alaska. The attorney general shall promptly notify the lieutenant governor  
16 and the revisor of statutes of a judgment described in this section."

# 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 99801-2105

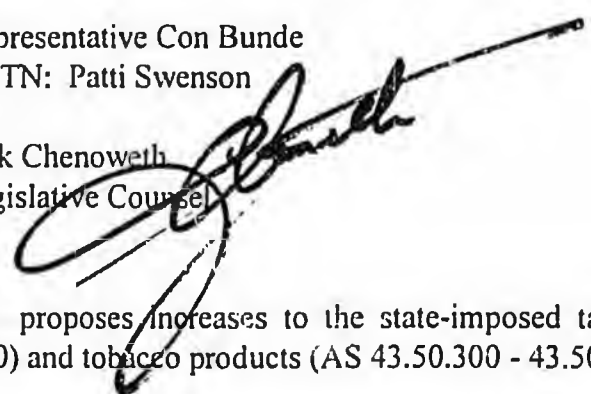
## MEMORANDUM

January 20, 1997

**SUBJECT:** House Bill 1, increasing the taxes on cigarettes and tobacco products facilities -- sectional analysis (Work Order No. 0-LS0001\A)

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

**FROM:** Jack Chenoweth  
Legislative Counsel



In general, House Bill 1 proposes increases to the state-imposed taxes on cigarettes (AS 43.50.010 - 43.50.190) and tobacco products (AS 43.50.300 - 43.50.390).

**Bill section 1:** The bill section sequentially increases the tax on cigarettes. The increases occur at intervals of three years as follows:

Between the bill's effective date and June 30, 2000, the tax imposed under this section is set at 62 mills per cigarette or \$1.24 per pack, an increase of 50 mills or \$1.00 per pack from the current cigarette tax levy;

Between July 1, 2000, and June 30, 2003, 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, 2003, and June 30, 2006, 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 ongoing 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 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 20, 1997

Page 2

**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 ("changes on July 1 of each even-numbered year", page 2, line 21). The provision spells out how the change is to be calculated. In addition, this 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 5** gives the measure an October 1, 1997, effective date.

JBC:lmb

97-010.lmb

**The Health Effects of Cigar Smoking, Pipe Smoking and Smokeless Tobacco Use**  
Prepared by Catherine Schumacher, MD, MSPH and Michael G. Landen, MD, MPH  
Section of Epidemiology  
Alaska Division of Public Health

The health effects of cigar smoking, pipe smoking and smokeless tobacco are discussed less frequently than the effects of cigarette smoking, mainly because many more people smoke cigarettes. Nonetheless, the detrimental health effects of cigars, pipe smoking and smokeless tobacco are well established. Cigars, pipes and smokeless tobacco are nicotine delivery systems that lead to addiction. Furthermore, all deliver known carcinogens.

### Cigars

- Cigar and cigarette smokers have a similarly increased risk of laryngeal and oral cancers;
- The risks of lung cancer and of chronic obstructive lung disease are also elevated among cigar smokers, but not to the extent as in cigarette smokers.
- Cigars deliver nicotine that can be absorbed through the lining of the mouth and pharynx, whereas cigarettes need to be inhaled to absorb the nicotine.
- Cigar smokers vary in their smoking habits with regard to inhaling and with regard to smoking other products. Additionally, cigars vary in their nicotine and tar amounts. Therefore, the health effects vary depending on smoking behaviors and type of cigar.
- Nonetheless, the health risks, in particular oral and laryngeal cancers, remain significant regardless of inhaling.

### Pipes

- Pipe smoking has declined from 14.1% of men in 1965 to 2.0% of men in 1991;
- Pipe smokers have increased risks of chronic obstructive lung disease, oral cancer, laryngeal cancer, esophageal cancer, and lung cancer;
- Risks are somewhat lower than those for cigarette smoking, ranging from 50-250% greater than those for non-smokers;
- An estimated 1,095 deaths were attributable to pipe smoking in the US in 1991; the relatively low number of deaths as compared to cigarette smoking-related deaths (over 400,000) is not because pipe smoking is safe, but because so few people smoke only pipes.

### Smokeless Tobacco

- Smokeless tobacco, especially moist snuff, contains high levels of potent carcinogens, including polynuclear aromatic hydrocarbons, radiation emitting polonium and a variety of nitrosamines;
- Smokeless tobacco is strongly associated with oral cancers;
- Smokeless tobacco is also associated with other cancers;
- About 1/3 of regular users develop leukoplakia, a white wrinkled patch on the gums and inside of the mouth, which is a premalignant condition;

- Smokeless tobacco also causes other conditions affecting the mouth and gums;
- Smokeless tobacco causes elevations in blood pressure and may be related to coronary heart disease;
- In Alaska rural communities, smokeless tobacco use is not uncommon among five-year-olds (17% of girls and 10% of boys); nationally, the average age to start smokeless tobacco use is 12 years.

### Summary

- Pipes, cigars and smokeless tobacco do not represent safe alternatives to cigarettes;
- Increasing the price of one type of nicotine delivery system, but not others, may lead to people merely switching to another system;
- Pipe and cigar smoking are not common now however, a decade ago, smokeless tobacco use was rare. The tobacco industry has shown that it can successfully market smokeless tobacco to youth.

### References

Public Health Service. The health consequences of using smokeless tobacco: a report of the Advisory Committee to the Surgeon General. Bethesda, Maryland. USDHSS, April, 1988: NIH #86-2874.

CDC: Smokeless tobacco use in rural Alaska. MMWR 1987;36:140-3.

Connolly GN, Winn D, Hecht SS, et al: The reemergence of smokeless tobacco. NEJM 1986; 314: 1020-1026.

Nelson DE, Davis RM, Chrismon JH, Giovino GA: Pipe smoking in the United States, 1965-1991: Prevalence and attributable mortality. Prev Med 1996; 25:91-99.

Henningfield JE, Harihan M, Kozlowski LT: Nicotine content and health risks of cigars. JAMA 1996; 276:1857-8.

Tanna Peters  
P.O. Box 33161  
Juneau, AK 99803  
(907)789-0066  
E-mail: peterst@jsd.k12.ak.us  
January 29, 1997

Dear Representative Jeanette James,

I am writing you concerning the bill proposing a \$1 tax on tobacco. I am in full support of this bill. If the youths of our community have a harder time obtaining tobacco, cigarettes and chew now, we will have a less chance of becoming addicted.

Thank you.

Sincerely,  
Tanna Peters

Dear Representative James,

I am a student who feels very strongly that the tobacco tax will help prevent young children from starting to use tobacco products. Prevention is much better than rehabilitation after the kid is addicted. Passing this bill will help save children's, and adults, lives. Saving lives is something we should all be dedicated too. Saying that it is the kids choice to smoke underestimates the power that peers have on high schoolers and even middle schoolers. If we stop it before it starts it saves the state lives and money. Thank you for reading this appeal for the children of Alaska.

Sincerely,

Katy Rue

A handwritten signature in cursive script that reads "Katy Rue".

7083 Hendrickson Rd. Juneau Ak. 99801  
ruek@jsd.k12.ak.us  
(907) 789-5516  
age: 15

Jan. 28, 1997

Dear Representative James,

I am not in support of the proposed tobacco tax. I feel it is not the best way to curb under-aged smoking.

Please understand that I believe teen smoking is a major problem that must be stopped. I am very against smoking by any person, regardless of age. It is common knowledge that smoking has many negative impacts on the body. However, this tax just doesn't seem like the right solution.

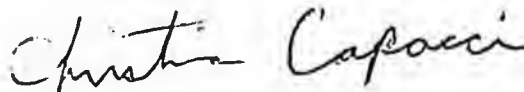
Legal smokers will be burdened with an unwarranted tax. They are very correct in complaining that this is taxation without cause which is something that our country was founded against.

The main argument for the tax is that the increased cost will prevent children from buying cigarettes. Young people who attain cigarettes steal them from their parents or the store, or have others buy them for the student. The money the students must come up to get the cigarettes is usually stolen as well. The addition cost will not stop a young person addicted to nicotine

I believe that there should be stricter punishments for under-aged people who smoke and people who supply the students with cigarettes. There are students who smoke in and around the high school grounds. We can not let that sort of thing happen. If there were no money at all to do this, then a small tax could be added to cigarettes to fund a more aggressive deterrent.

Basically, the tobacco tax was developed with good intention, but frankly it will not solve Juneau's teen smoking problem.

Sincerely,



Christina Capacci  
capaccic@jsd.k12.ak.us

Dear Rep. Jeanette Jones, .,

I would like to say that I agree with the proposed tax on tobacco. For one thing, it would reduce underage smoking, which is a real problem, by making it harder for young people to buy tobacco. It would also make it harder to people in general to smoke. Higher prices might provide an incentive for people to quit. Also, the revenue could be used for other, better things than having people poison themselves.

Thank You,  
Noel Preecs

To Whom this May Concern,

I am a vigilant supporter of taxing tobacco as I have been for the past couple years. Last year I marched into the capitol building carrying signs denouncing the use of cigarettes. As well as this I also collected a petition containing about eighty signatures from students at the high school supporting the bill. A couple months later I showed my support at another rally in front of the capitol along with several classes of elementary students and a few from the high school. However, as you probably know, this bill was unfortunately locked up in a committee and never seen again. Since then I have not been particularly active in this area other than taking an undercover survey with Rosie and Kate Slotnick to see how many businesses around Juneau would sell cigarettes to teenagers. My support, as always, is firmly founded in the passing of this bill. If there is any other way I may show my support or be of assistance, I can be contacted at 789-9836.

Sincerely,  
Dan Fagnant

support the tobacco tax

*Gabe Ellenbecker*  
Gabe Ellenbecker.

1/29/97

Representative James,

I am a 15 yr. old sophomore at JDHS. I'm in favor of the \$1 tax on all tobacco sold in Alaska.

Adding a \$1 tax may be incentive for many people (old and young) to quit, as it will increase the amount they spend each year. Also it may hinder those who are thinking of starting. I hope you along with the other Representatives will consider the good this tax will do.

Sincerely

Jayne Severin

A handwritten signature in cursive script, appearing to read "Jayne Severin". The signature is written in dark ink and is positioned below the typed name.

- support the tobacco tax. Tim Reiner
- support the tobacco tax. ~~Colo. H. ...~~
- support the tobacco tax. ~~Young ...~~
- support the tobacco tax. ~~John ...~~
- support the tobacco tax. ~~J. ...~~
- support the tobacco tax. ~~Michael ...~~

To whom it may concern:

I am strongly in favor of the tobacco tax for several reasons. First, putting a tax on cigarettes and other products could be an incentive for people to quit smoking. Second, with the number of people that do smoke, a tax could be a substancial source of income for the state. Basically, there is no good reason not to have a tobacco tax.

Sincerely,

Corey McKrill

I support  
the

tobacco  
tax!

I hate smoking.

Stephen  
Grube

P. S. Teren-

Chad  
Armstrong

I support  
The  
Tilt

Barney  
Schiller

I strongly support the tobacco tax. It will discourage minors and others from buying cigarettes. It will also force smokers to help pay for the heightened medical costs their bad health will force the government to pay for.

Noora Parish

Anything of this import is not an easily decided topic, however, from time and all experience and knowledge I possess, I am in support of the Tax.

Thank you for your call,

Noora Parish

Rep. James

I support the tobacco tax.

Peter  
Swanson

Peter Swanson

Dear Representative James,

I support the tobacco tax. ✓

Thank you,

Sarah Arunson

January 29, 1997

Dear Jeannette Jones,

A \$1.00 tax on tobacco products should remain intact if you ask me. People who smoke not only ruin their lungs, but inject the rest of us with the risk of secondhand smoke. I don't want my health jeopardized because of other people smoking. By keeping cigarettes at an extra dollar per pack, smokers may decide to not smoke risk the health of others.

If people must smoke, then we should at least find something to do about it. An extra dollar per pack isn't a lot of money by itself, but with millions of packs getting sold each day, we can be making millions of tax dollars which can be spent on useful things like city projects.

The \$1.00 tobacco tax would be a foolish idea to think twice about. Let's keep the proposed one-dollar tax.

Sincerely,

*Shawn Miller*

Shawn Miller

REP. JEANETTE JAMES,

1/29/97

MY NAME IS CHESTER CARSON AND I'M  
A STUDENT AT JDHS. I SUPPORT THE  
TOBACCO TAX

CHR CARSON

CHESTER CARSON

1/29/97

Dear Jeanette Jones,

I support the one dollar tax on tobacco. I think smoking is an awful and deadly habit and it makes me sick to see so many people slowly killing themselves. Not to mention that secondhand smoke is really annoying.

Sincerely,  
Vanessa DeRoux  
JDHS student

I support the tobacco tax.

Rhonda  
Cruz

Dear rep. James,

I support the tobacco tax because it is a obvious line of defense against the growing number of smokers in this nation. Let's discourage smoking from the start. Save our lungs.

Sincerely,

~~Wanda~~

Rebecca Sotarios (1-29-97)

I support the tobacco tax because  
tobacco products would be  
more expensive to acquire,

Slip on school

Dear Mr. [unclear]

I support the I  
tax on tobacco

Sincerely,

[unclear]

I support the tax on taracos because it would  
be good.

Claire Hesson

Pass the tax!

Keyla Baker

Pamela Ann  
Yunker

Rep. James,  
Please pass the tax.

Joseph Koch  
Joseph Koch

Rep James

I am in support of the tobacco tax.  
Good luck on the passing of it.

Cody Bennett

Dear Rep. James,

I support the tobacco tax.

Galen Newton  
Galen Newton

I support  
the Tobacco  
Tax.

Abby Green

Dear Senator Jones,  
I support the tobacco tax.  
Smoking isn't only very dangerous,  
it's also unpleasant to be in a  
room where someone is smoking.  
Please pass this tax.  
Sincerely,  
Ann Carpenter

I support the \$100  
tax on tobacco. It's a bad habit to  
smoke or chew, so any thing which  
may discourage tobacco use is great!

Christy Howard  
JHS Junior

To Rep. James James,

I am writing in support of the \$1 tobacco tax.  
I believe that this would prevent people from  
starting to smoke. This would also discourage  
people from buying the cheap ones and like to see  
others smoking and dislike the smell even more.  
People should spend their time and money doing better  
things.

Sincerely,

Julie H. Crean

J.D.H.S. 3/10/11

I support the tobacco tax!

Julie H. Crean

I proudly support the tobacco tax, and feel that it will help stop people from smoking.

- ANNA CROSS  
- Jay Christensen

I support the tobacco tax ☺

Sincerely,  
Erica Carla

I support the  
tobacco tax

David  
Cory

**BARENTS**  
GROUP, LLC

February 3, 1997

**BY FAX**

Ms. Teresa Nyholm  
Alaska Cabaret, Restaurant, Hotel and Retail Association  
3400 Spenard Road  
Suite 9  
Anchorage, Alaska 99503

Dear Ms. Nyholm:

It was recently brought to our attention by Larry Meyers at the Alaska Department of Revenue that there is some controversy developing over the volume of military sales of cigarettes in the State. We also understand that the study we prepared for you in December 1995, "The Estimated Revenue Effects of a Proposed \$1 Per Pack Increase in the Cigarette Tax Rate in Alaska," has been actively discussed in this regard, and we appreciate Mr. Meyers having brought it to our attention. Because of the questions being raised, we went back to the source of our data to request further information and learned that there were some serious inconsistencies in the data. We have now learned that our reported results, which are from proprietary industry sources, are dramatically overstated and will account for far less than the 45 million packs stated in our report.

We regret mistake and, as you have requested, we will soon issue an updated and corrected report. It is important to note, however, that this change in the share of military sales does not affect the results of our December 1995 analysis. That is:

- Our estimates show that the State of Alaska Long-Range Financial Planning Commission significantly overstated the revenue potential of a \$1 per pack tax increase by as much as \$25 million (146 percent) in FY 2000
- The proposed tax would increase the bootlegging of cigarettes in Alaska, in connection with military installations, Indian reservations, or other nontaxed alternatives
- As a result of declining cigarette demand, the State increase would reduce local tax collections in Anchorage, Juneau, and Fairbanks by a total of \$5 million over the 5-year period.

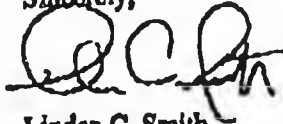
**BARENTS**  
GROUP LLC

Ms. Teresa Nyholm  
February 3, 1997  
Page 2

London  
Moscow  
Warsaw  
.ragus  
Budapest  
San Salvador  
Sofia  
Tashkent  
Almaty  
Jakarta

We expect to complete our updated and corrected report by the end of the week and appreciate your understanding.

Sincerely,



Linden C. Smith  
Managing Director

cc: Mr. Larry Moyers

# Memorandum

DATE: January 29, 1996  
 TO: Glenn Ray  
 FROM: Cathie Schumacher  
 RE: Smoking Related Mortality Costs in Alaska-  
 CC: Jeanne Roche

As you know, I have been working on estimating smoking related costs and mortality in Alaska. I have been working with a CDC program called SAMMEC (smoking attributable mortality, morbidity and economic costs, as well as talking to staff at CDC about updates in the methods used. I have also talked to Tom Novotny about his project to estimate smoking related costs for all the states, including estimating the costs to Medicaid. He sent me a draft of a paper calculating costs for Mississippi. The methods used are quite complex, and would involve a great deal of work. However, I think we can make some estimates about Medicaid costs based on his results for Mississippi.

First, here are the smoking related costs for all of Alaska, for 1993.

|                                                  |                 |
|--------------------------------------------------|-----------------|
| Total Medical Care Costs: 1993 (Ref 1)           | \$1,573,000,000 |
| Smoking related direct costs (Ref 2)             | \$96,490,000    |
| Smoking related indirect mortality costs (Ref 3) | \$183,200,000   |
| Smoking related indirect morbidity costs (Ref 3) | \$15,940,000    |
| Total smoking related costs                      | \$295,630,000   |

Medicaid smoking related costs: Estimate 1

National data found that of the smoking related direct medical care costs, public funding of all types accounted for 43.3% of the costs; Medicaid paid for 10.2% of the total costs (Ref 4). We can apply the same ratios to Alaska data to estimate the Medicaid portion of the direct costs.

|                                                                         |              |
|-------------------------------------------------------------------------|--------------|
| 1993 Direct Medical Care Costs Attributable to Smoking in Alaska        | \$96,490,000 |
| Portion paid by Medicaid (using national example)                       | 10.2%        |
| 1993 Direct Medical Care Costs Attributable to smoking paid by Medicaid | \$9,800,000  |

Medicaid smoking related costs: Estimate 2

In the draft paper on smoking related Medicaid costs in Mississippi, the authors estimate that 6.53% of the budget is used to pay for smoking related illnesses (Ref 5). We can apply the same proportion to the Alaska Medicaid budget to make another estimate.

**1994 Medicaid Estimates**

|                                                                         |               |
|-------------------------------------------------------------------------|---------------|
| Medicaid budget (1994) (Ref 6)                                          | \$273,000,000 |
| Inpatient and outpatient services                                       | 31%           |
| Physician services                                                      | 18%           |
| Prescription Medications                                                | 6%            |
| Total paid for direct medical care                                      | \$150,150,000 |
| Portion used for smoking related illnesses based on Mississippi example | 6.53%         |
| 1994 Medical Care costs paid by Medicaid attributable to smoking        | \$9,805,000   |

You can see that the 2 estimates are very close, even though derived from different assumptions and from 2 different years. I think we can reasonably say that between 9 and 10 million dollars of Medicaid funds are used for smoking related illness.

**References**

- 1) Levit KR, Lazenby HC, Cowan CA, et al: State health expenditure accounts: building blocks for state health spending analysis. *Health Care Financing Review* 1995;17:201-254.
- 2) Calculation of direct costs based on 6.13% of total medical care costs using 1990 estimates provided by CDC.
- 3) Indirect mortality costs calculated using SAMMEC with a 3% discount rate, and using updated earnings information provided by CDC.
- 4) CDC: Medical care expenditures attributable to cigarette smoking--United States 1993. *MMWR* 1994;43(26):469-472.
- 5) Novotny, TE: personal communication, work in progress.
- 6) Medicaid 1994 annual report.

## ***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.*

# 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  
Human Services

Nome Community Center/  
Young Teen 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 Alaskan 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

### 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>

<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 4 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)**

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▶ **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>

# **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. 55-1, 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.

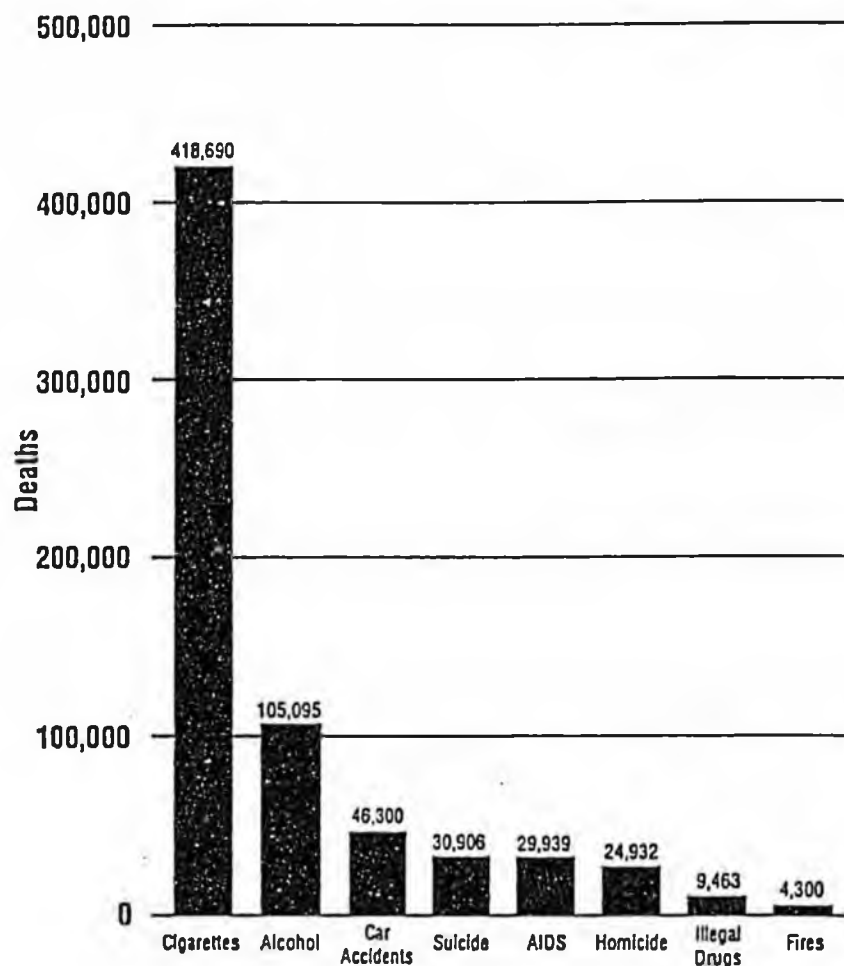
<sup>13</sup>U.S. Department of Health and Human Services. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 1994.

<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>**



*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>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>1</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.



American Heart Association



AMERICAN LUNG ASSOCIATION

of Alaska

Alaska Native Health Board



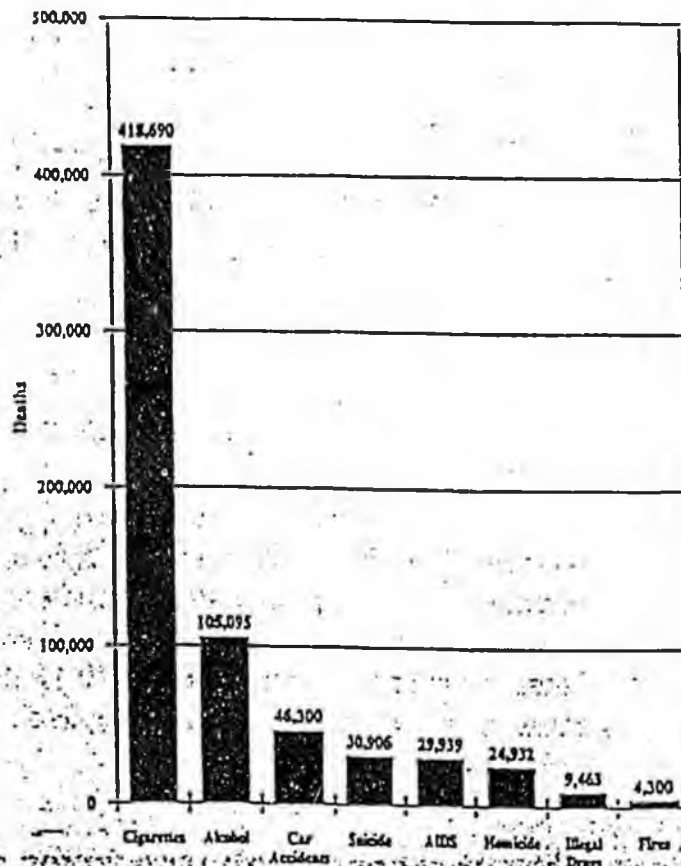
CITIZENS TO PROTECT KIDS FROM TOBACCO

# Nothing Kills Like Tobacco

❖ Tobacco kills far more Americans than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined<sup>7</sup>

❖ 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>

7. C. 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.

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

9. Alaska Department of Health and Social Services, "Bulletin," (Juneau: Alaska Department of Health and Social Services, Section of Epidemiology, 30 November 1991).

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

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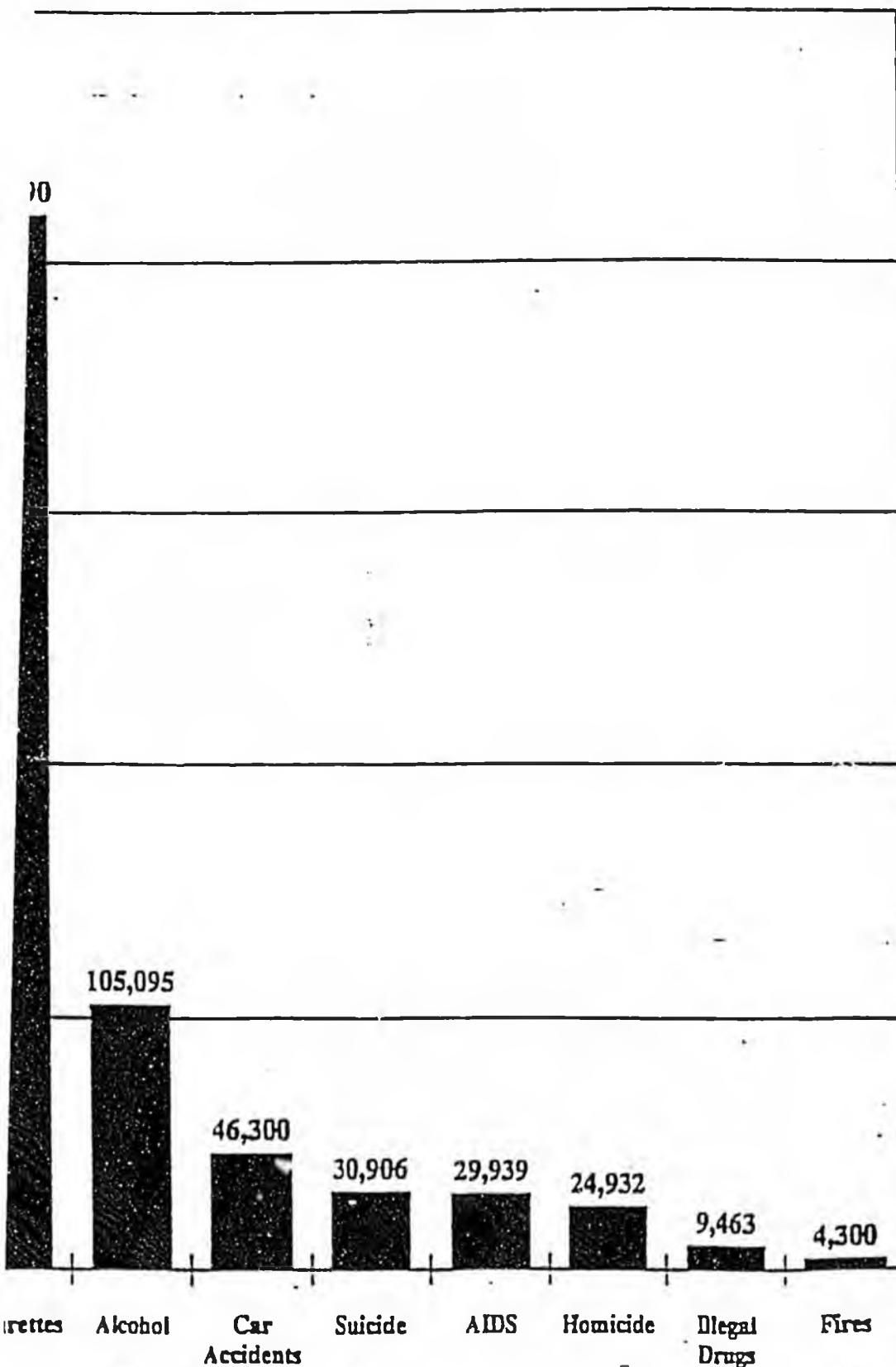
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17. Alaska Division of Public Health, "Alaska Behavioral Risk Factor Survey: 1992 Annual Report," Juneau, AK: Alaska Division of Public Health, October 1994, page 24.

**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  
Charc 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

# Excise Taxes and Preventing Tobacco Use In Young People

by David Swenor

**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.

David Swenor 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

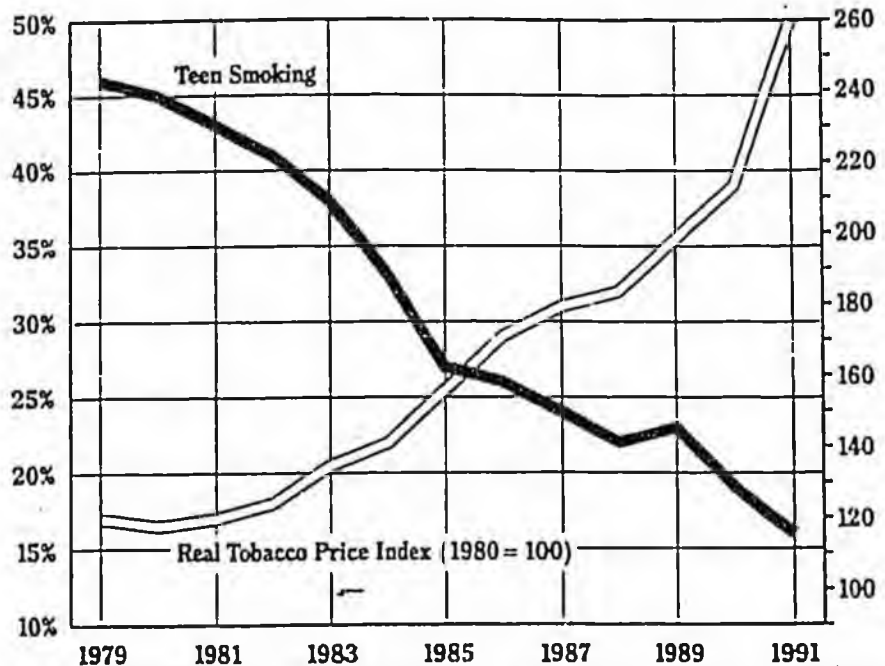
Evidence from the United States<sup>2</sup> has suggested that every 10% increase in the real (i.e., after inflation) price of cigarettes leads to roughly a 10% reduction in tobacco use among teenagers. This evidence, which has existed for at least a decade, led some of us in Canada to decide to focus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

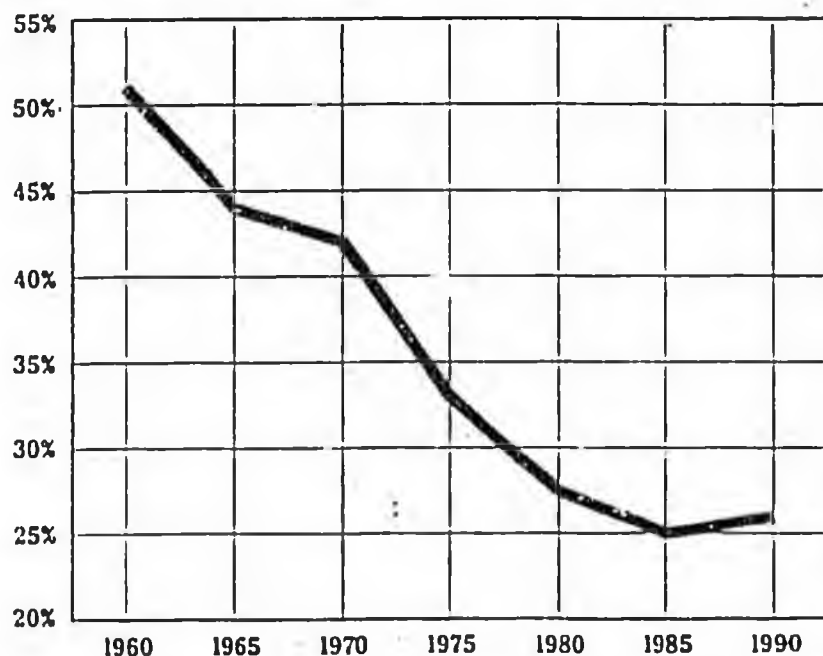
In determining the extent to which the decline in Canadian teenage tobacco use has been induced by tax-based price increases, various factors can be considered. Public education campaigns do not explain this drop, since countries like Canada (such as the United States) ran similar campaigns but experienced 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



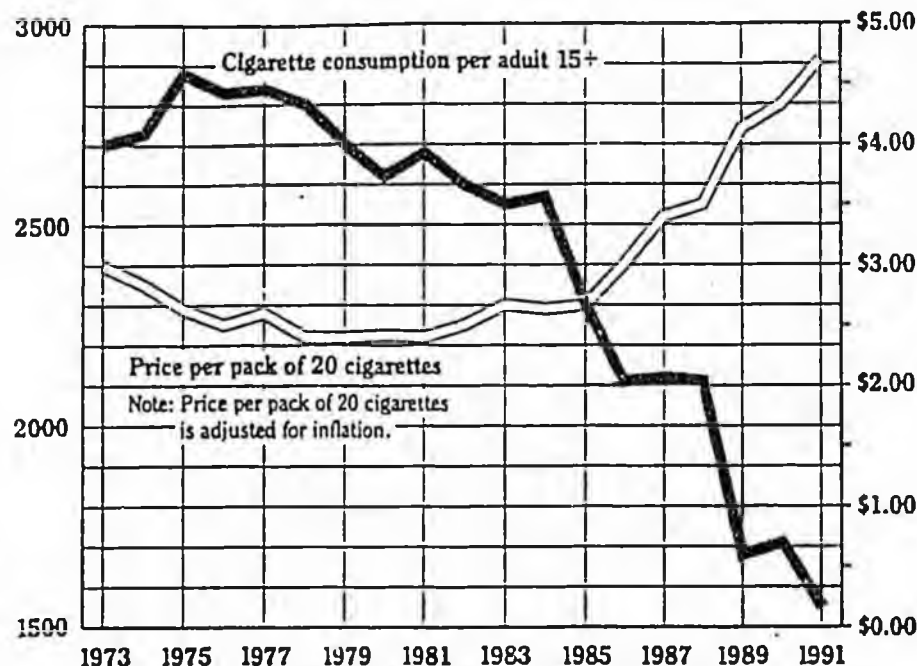
Source: Statistics Canada, Labour Force Survey, 1991; Canadians and Smoking: An Update. Health and Welfare, Canada, 1991.

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



Source: The Tax Burden on Tobacco. The Tobacco Institute, Volume 25, 1990, pp. 72-108.

**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 marking 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

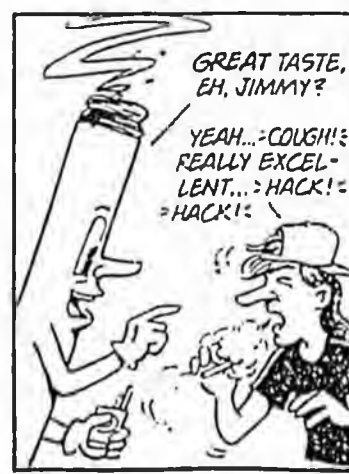
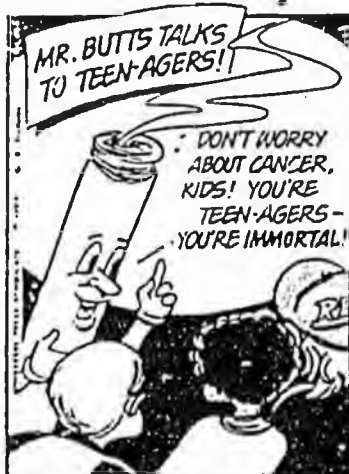
tobacco sales.

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

## WHY DO TOBACCO TAXES MATTER?

Economic studies, many from the United States, show that price has a powerful effect on the consumption levels of tobacco. Estimates of the price effect vary, but, broadly speaking a 10% real (that is, inflation adjusted) increase in price reduces aggregate per capita consumption by around 4%. Conversely, a decline in the real price of tobacco leads to increased consumption.

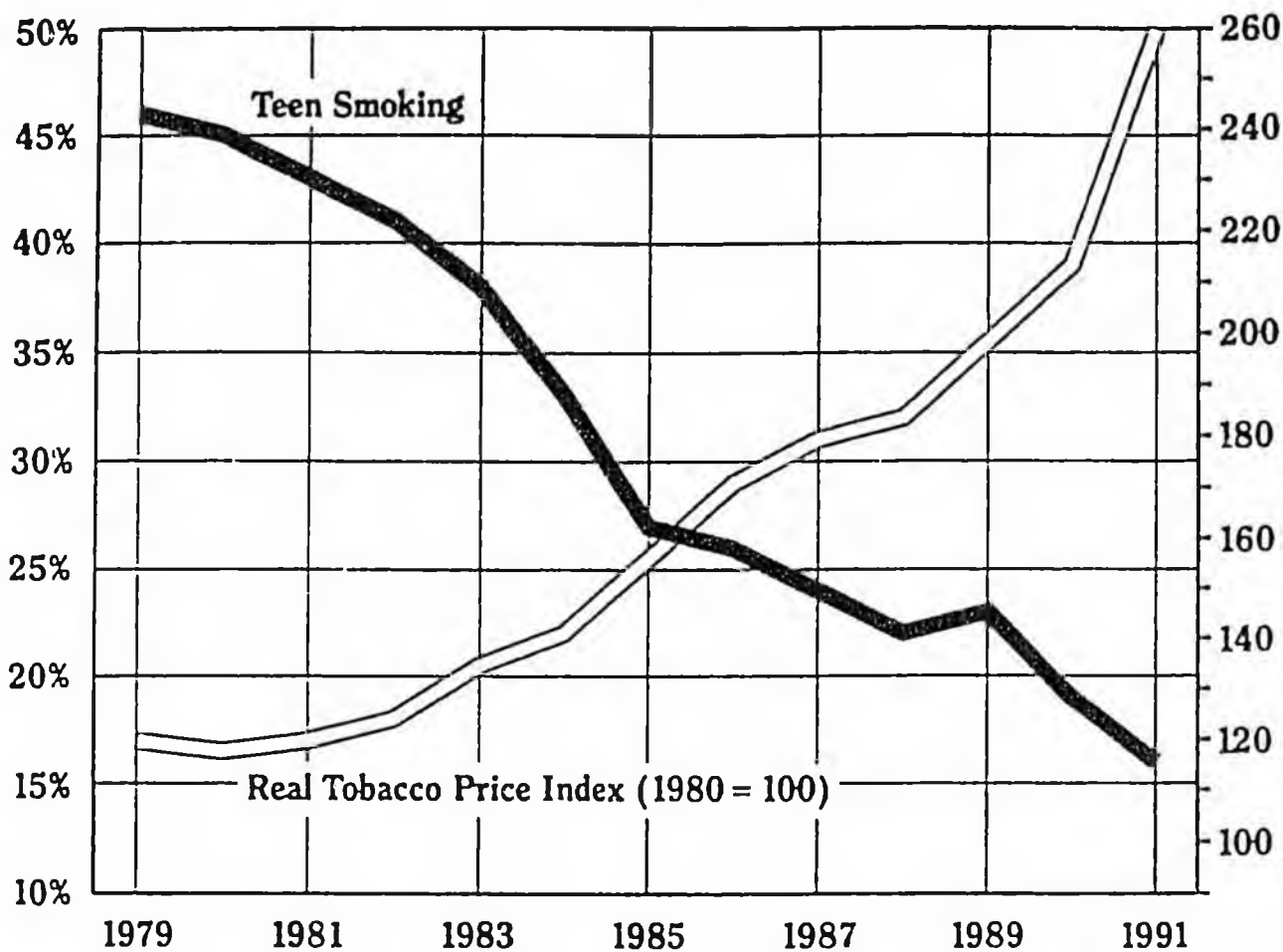
This relationship between price and consumption can be seen in more than academic studies. One of the best ways to illustrate it is to take the historical per capita consumption data presented at page 6 of The Tax Burden on Tobacco and the average price of a pack of cigarettes from 1954 to 1994 (pages 76 to 121). Since the Tobacco Institute conveniently ignores inflation, we can factor it into the sales price information by using the consumer price index. The result is a graph showing almost a mirror image between price and consumption, as can be seen in Figure 1.

There is also research indicating that teenagers are particularly price sensitive, with price affecting both the quantity consumed and the decision as to whether to smoke-at-all. Generally, each one percent increase in the real price will lead to a corresponding one percent decline in teenage consumption. A survey of the research in this area led the General Accounting Office to conclude in 1989 that a higher tobacco excise tax should significantly reduce the number of teenage smokers.

Of course taxes are not the only influence on the price of tobacco. *The Tax Burden on Tobacco* illustrates the role of such factors as the growth of discounted cigarettes from 1990 to 1994 (pages 113 to 121). The Tobacco Institute calls these discounted cigarettes "generic brands" and does separate calculations of state prices taking these brands into consideration. During this time the average price of cigarettes varied considerably from the price of the non-discounted brands.

The key thing about taxes is that they allow governments to influence the price of tobacco products. The affordability of tobacco products affects consumption, price affects affordability and taxes affect price.

**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.

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.

1/31/96

**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.

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 will 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.



Department of Health and Social Services  
Karen Perdue, Commissioner  
3601 C Street, Suite 576, P. O. Box 240249, Anchorage, Alaska 99524-0249 (907) 561-4406

Division of Public Health  
Peter M. Nakamura, MD, MPH, Director

Section of Epidemiology  
John Middaugh, MD, Editor  
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).

### 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

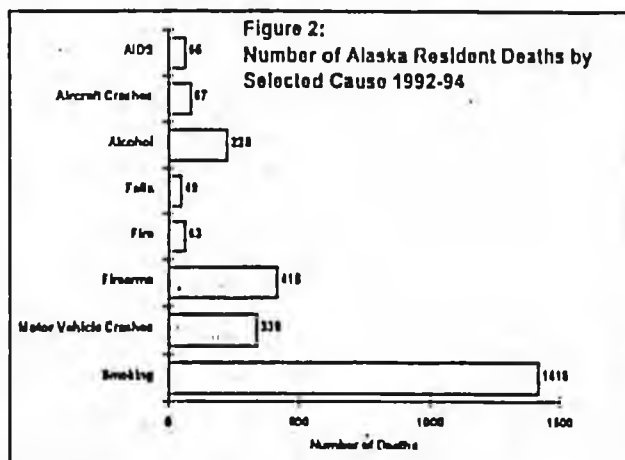
The graph below shows how smoking compares to other preventable causes of death in Alaska<sup>7</sup>.

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

|       | Alaska Native <sup>2</sup> | All Races <sup>1</sup> |
|-------|----------------------------|------------------------|
| Men   | 46.5%                      | 28.1%                  |
| Women | 39.3%                      | 25.0%                  |

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

Southeast (30%)  
 Gulf Coast (27%)  
 Urban (25%)  
 Bush (33%)



### 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.

### 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>3</sup> | Percent Smoking Related |
|----------------------|--------------------------------|-------------------------------------|-------------------------|
| Cardiovascular       | 2,010                          | 531                                 | 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 caused by long term use of cigarettes. Because smoking rates are now similar for men and women, women may have higher smoking attributable mortality in the future.

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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Division of Public Health  
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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>

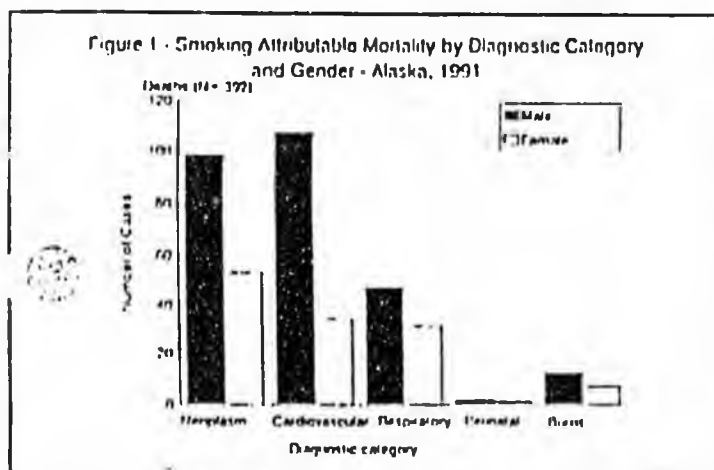
Cigarette smoking has substantial impact on mortality in Alaska. Every day an Alaskan dies due to smoking-attributable causes.

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. This is equivalent to \$220 per Alaskan  $\geq 35$  years of age or \$941 per current smoker  $\geq 35$  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.

### References:

1. CDC. Smoking attributable mortality and years of potential life lost – United States, 1990. MMWR 1993;42:645-649.
2. Schultz JM, Novotny TE, Rice DP. SAMMEC II: computer software and documentation. Rockville, Md.: US Dept. of Health and Human Services, Public Health Service, CDC, April 1990.
3. Perham K. State of Alaska Epidemiology Bulletin, July 6, 1991.
4. State of Alaska Health Resources and Access Task Force Final Report, January 1993.

| <p><i>MOE</i><br/>425 U.S. 463<br/>(1976)</p>                                                                                 | <p><i>COLVILLE</i><br/>447 U.S. 134<br/>(1980)</p>                                                                                                                                                              | <p><i>POTAWATOMI</i><br/>498 U.S. 505<br/>(1991)</p>                                                                                                                          | <p><i>ATTEA</i><br/>114 S.Ct. 2028<br/>(1994)</p>                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Montana tribe sued to enjoin state from collecting cigarette taxes from non-members of tribe. U.S. Supreme Court held:</p> | <p>Washington tribe sued challenging the state's attempts to collect cigarette taxes on sales to non-tribal members. U.S. Supreme Court held:</p>                                                               | <p>Indian smokeshop located off-reservation but on trust land sold cigarettes free from state tax. Oklahoma assessed for back taxes; tribe sued. U.S. Supreme Court held:</p> | <p>New York imposed regulatory limitation on amount of tax-free cigarettes may be shipped to tribe based on "probable demand." Indian trader/wholesaler sued. U.S. Supreme Court held:</p> |
| <p>Indian members of a tribe may purchase cigarettes on the reservation free from state taxes</p>                             | <p>Federal Indian law does not authorize tribes to market an exemption to state taxes to persons not entitled to exemption (i.e., non-members of the tribe, Indian or non-Indian )</p>                          | <p>Doctrine of sovereign immunity does not excuse tribe from all obligations to assist in collection of valid state taxes</p>                                                 | <p>Indian traders are not immune from state regulations reasonably necessary to assessment or collection of valid state taxes</p>                                                          |
| <p>Indian retailer can be required to collect valid state tax on cigarettes sold to non-Indians on reservation</p>            | <p>Record-keeping requirements imposed by the State with respect to cigarette sales and taxes are valid</p>                                                                                                     | <p>State may collect valid taxes on sales of cigarettes to non-members of Indian tribe sold on "reservation" (land set aside for Indian use)</p>                              | <p>State may impose a "probable demand" mechanism to allow only reasonable percentage of cigarettes that can be sold exempt from state tax to be delivered to tribe</p>                    |
| <p>State may require Indian retailer to add tax to sale price when selling to non-Indians</p>                                 | <p>State seizure of unstamped cigarettes bound for reservation valid if tribe does not cooperate in collecting taxes</p>                                                                                        |                                                                                                                                                                               | <p>State can require Indian retailers to obtain state tax exemption certificates in order to sell cigarettes on reservation free from state tax</p>                                        |
|                                                                                                                               | <p>Incidence of tax falls on the first event which may constitutionally be subjected to it - hence, where sale is to non-Indian, tax falls on first use, consumption, or possession by non-Indian purchaser</p> |                                                                                                                                                                               |                                                                                                                                                                                            |

24 people INVITED to testify Tuesday, February 4 (ONLY those who showed up at their LIO's last week and weren't able to testify then).

ANCHORAGE

Anne Lanier  
Brian Lick  
Tim Schrage  
Jeff Pattison  
Judith Bendersky  
Judith Miller  
Jerry Troshynski  
Gladys Thompson  
Ron Miller  
Charles Scott  
Peter Mjos  
Ron Hammett  
George Conway  
Mark Jordan  
J. Dani Bowman  
Bob Murray  
Rex Shattuck  
Bobby Scott

BETHEL

Dorrie Wallis  
Cheri Peterson

FAIRBANKS

Neal Matson  
Hank Hove

GLENALLEN

Richard Cross  
Markel Pete

KENAI

Patti Truesdell

|                  |             |      |         |             |            |
|------------------|-------------|------|---------|-------------|------------|
| Post-it Fax Note |             | 7671 | Date    | 2/3         | # of pages |
| To               | [Signature] |      | From    | [Signature] |            |
| Co./Dept.        |             |      | Co.     |             |            |
| Phone #          |             |      | Phone # |             |            |
| Fax #            | 263-2073    |      | Fax #   |             |            |

Bobby Scott  
243-5744  
Fax

Joni's Dist 243-5744  
Anch 5267

|                   |             |         |          |            |   |
|-------------------|-------------|---------|----------|------------|---|
| Post-it, Fax Note | 7671        | Date    | 11/3/07  | # of pages | ▶ |
| To                | Bobby Scott | From    | Debra    |            |   |
| Co./Dept.         |             | Co.     | Debra    |            |   |
| Phone #           |             | Phone # | 243-5744 |            |   |
| Fax #             | 243-5744    | Fax #   |          |            |   |

25  
total

Figure out names of  
those who were  
there on Tues &  
didn't get to testify,  
& were unable on  
Thurs - "emete"  
them to testify  
Tues - FAX  
names to Bobber.

01/31/97

08:33:28

TCN: 70130

DATE & TIME: 01/30/97 08:00 TO 11:00 STATUS:7 STATS. IN

\*\*\*\* ORDER SUMMARY \*\*\*\*

SPONSOR: HSTA HOUSE STATE AFFAIRS CHAIRS: JAMES
PURPOSE: PUB PUBLIC HEARING LEGISLATIVE
CONTACT: BARBARA COTTING TEL#: (907)465-6822
CHAIRING SITE: JUNEAU CAPITOL CAP102
TOLL FREE: (800)478-7612 DIAL-UP: LIO:(800)478-9908

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED 5 MINUTE LIMIT
TESTIMONY WILL BE TAKEN WITH A 5 MINUTE LIMIT, THIS MAY CHANGE DUE TO AMOUNT O
PARTICIPATION. LIO'S WILL ENFORCE THE TIME LIMIT ON TESTIMONY.

SPONSOR REMARKS(LIO): BACKUP MATERIAL:N MEETING IN PROGRESS:N MAX. SITES:12
OTHER LIO SITES MAY ADD THROUGH JUNEAU LIO
LIOS - YOU MUST ENFORCE THE TIME LIMIT ON TESTIMONY. THANKS.
TCN REQUESTED ON: 01/30/97 AND HAS 8 UPDATES

\*\*\*\* AGENDA \*\*\*\*

- 1 HB 1 CIGARETTE AND TOBACCO TAX
2 HB 52 INCREASE TOBACCO TAXES

\*\*\*\* PARTICIPATING LIOS \*\*\*\*

ANC ANCHORAGE 716 W 4TH, #200 LOCATION STAFF
BET BETHEL 301 WILLOW ST. LOCATION STAFF
DLG DILLINGHAM KANGIQUATAQ BLDG LOCATION STAFF
FBX FAIRBANKS 119 N CUSHMAN ST LOCATION STAFF
GLN GLENNALLEN COMMUNITY LIB. LOCATION STAFF
HOM HOMER 126 W PIONEER #4 LOCATION STAFF
\* JNU JUNEAU CAPITOL CAP102 LOCATION STAFF
KEN KENAI LIO 145 MAIN ST LOOP LOCATION STAFF
KTN KETCHIKAN 352 FRONT STREET LOCATION STAFF
NOM NOME FRONT STREET LOCATION STAFF
SIT SITKA 210 LAKE STREET LOCATION STAFF

\*\*\*\* VOLUNTEER & OFFNET SITES \*\*\*\*

ZZZ OF1 OFFNET 1 VIRGINIA ROBERT TOLLISON (703)993-2315

PARTICIPANTS IN:ANCHORAGE

ANC

30 JENNY MURRAY OBSV. HB 1
811 P ST ANCHORAGE AK 99501 (907)000-0000
31 TO OBSERVE OBSV. ALL ITEMS
32 TO OBSERVE OBSV. ALL ITEMS
33 TO OBSERVE OBSV. ALL ITEMS
34 TO OBSERVE OBSV. ALL ITEMS
35 TO OBSERVE OBSV. ALL ITEMS
36 TO OBSERVE OBSV. ALL ITEMS
1 ROBERT DICKSON TSFY. HB 1
1320 K ST ANCHORAGE AK 99501 (907)276-1700
2 JENNIFER LOUDON TSFY. HB 1
1940 MARTHA'S VINEYRD #4 ANCHORAGE AK 99507 (907)344-9687
4 JAN MARQUISS TSFY. HB 1
2230 SENTRY DR ANCHORAGE AK 99507 (907)344-5267
5 PAT SENNER AK NURSES TSFY. HB 1
237 E THIRD AVE #3 ANCHORAGE AK 99501 (907)274-0827
7 BILL BOUWENS MPH TSFY. HB 1

TCN: 70130

DATE & TIME: 01/30/97 08:00 TO 11:00 STATUS:7 STATS. IN

PARTICIPANTS IN: ANCHORAGE

ANC

|    |                                        |             |                                       |
|----|----------------------------------------|-------------|---------------------------------------|
| 8  | 13 E 10TH AVE<br>BONNIE JACK           | ANCHORAGE   | AK 99501 (907) 258-6253<br>TSFY. HB 1 |
| 9  | 1063 W 20TH<br>BOYD MCFAIL             | ANCHORAGE   | AK 99503 (907) 279-3436<br>TSFY. HB 1 |
| 10 | 423 LYNNWOOD DR<br>LAURA SARCONI       | ANCHORAGE   | AK 99518 (907) 562-5906<br>TSFY. HB 1 |
| 15 | 1702 MCKINLEY AVE<br>LARRY GRAHAM      | ANCHORAGE   | AK 99517 (907) 561-2448<br>TSFY. HB 1 |
| 16 | 2<br>1720 OTTER ST<br>SCOTT IVERSON    | ANCHORAGE   | AK 99504 (907) 333-9613<br>TSFY. HB 1 |
| 17 | PO BOX 202<br>SYLVIA SCOTT             | HEALY       | AK 99743 (907) 683-2267<br>TSFY. HB 1 |
| 18 | 7400 E 17TH<br>RICK SCOTT              | ANCHORAGE   | AK 99504 (907) 333-3347<br>TSFY. HB 1 |
| 19 | 7400 E 17TH<br>ERIC MYERS              | ANCHORAGE   | AK 99508 (907) 333-3347<br>TSFY. HB 1 |
| 20 | 2834 KNIK AVE<br>DARLEEN BELTZ         | ANCHORAGE   | AK 99517 (907) 298-3366<br>TSFY. HB 1 |
| 21 | 508 N FLOWER<br>BRUCK MCCURTAIN        | ANCHORAGE   | AK 99508 (907) 272-0892<br>TSFY. HB 1 |
| 22 | 7751 LARS CP<br>JOANNE LOVITZ-EDMISTON | ANCHORAGE   | AK 99518 (907) 344-5467<br>TSFY. HB 1 |
| 23 | 347 DAILEY AVE D-1<br>SUZANNE MEUNIER  | ANCHORAGE   | AK 99515 (907) 349-8358<br>TSFY. HB 1 |
| 25 | 1051 W FIREWEED #206<br>CCDY MITCHELL  | ANCHORAGE   | AK 99503 (907) 263-2015<br>TSFY. HB 1 |
| 26 | 2901 BROOKRIDGE CT<br>SUSAN FISCHETT   | ANCHORAGE   | AK 99504 (907) 333-5371<br>TSFY. HB 1 |
| 28 | 10336 STEWART DR<br>JEAN MURRAY        | EAGLE RIVER | AK 99577 (907) 694-7944<br>TSFY. HB 1 |
| 3  | PO BOX 3033<br>JUDITH MULLER           | ANDERSON    | AK 99744 (907) 582-2936<br>UNABL HB 1 |
| 6  | 1518 AIRPORT HTS<br>PETER MJOS         | ANCHORAGE   | AK 99508 (907) 278-0234<br>UNABL HB 1 |
| 11 | 1725 E 24TH<br>GEORGE CONWAY           | ANCHORAGE   | AK 99508 (907) 277-8998<br>UNABL HB 1 |
| 12 | PO BOX 112275<br>MARK JORDAN           | ANCHORAGE   | AK 99511 (907) 271-2382<br>UNABL HB 1 |
| 13 | PO BOX 355<br>J. DANI BOWMAN           | HEALY       | AK 99743 (907) 683-1589<br>UNABL HB 1 |
| 14 | ALASKA NATIVE MEDICAL<br>BOB MURRAY    | M.D.        | AK (907) 257-1200<br>UNABL HB 1       |
| 24 | PO BOX 3033<br>RON HAMMETT             | ANDERSON    | AK 99744 (907) 582-2936<br>UNABL HB 1 |
| 27 | 3512 STANFORD<br>REX SHATTUCK          | ANCHORAGE   | AK 99508 (907) 279-2339<br>UNABL HB 1 |
| 29 | 21665 SHELTERING SPR<br>BOBBY SCOTT    | CHUGIAK     | AK 99567 (907) 688-0169<br>UNABL HB 1 |
|    | 521 FREMBEK CIRCLE                     | ANCHORAGE   | AK 99508 (907) 338-9257               |

*called him*

PARTICIPANTS IN: BETHEL

BET

|   |                    |        |                         |
|---|--------------------|--------|-------------------------|
| 1 | RICHARD H. RUSSELL | SELF   | TSFY. ALL ITEMS         |
|   | PO BOX 1024        | BETHEL | AK 99559 (907) 543-2624 |

TCN: 70130 DATE & TIME: 01/30/97 09:00 TO 11:00 STATUS:7 STATS. IN

|                            |                     |        |                          |                                           |
|----------------------------|---------------------|--------|--------------------------|-------------------------------------------|
| PARTICIPANTS IN:DILLINGHAM |                     |        | DLG                      |                                           |
| 1                          | KATHY<br>PO BOX 492 | FLAVIN | BBAHC/SELF<br>DILLINGHAM | OBSV. ALL ITEMS<br>AK 99576 (907)842-9345 |

|                           |                                   |           |           |                                           |
|---------------------------|-----------------------------------|-----------|-----------|-------------------------------------------|
| PARTICIPANTS IN:FAIRBANKS |                                   |           | FBX       |                                           |
| 1 MR.                     | GARRY<br>140 FALCON DRIVE         | HUTCHISON | FAIRBANKS | OBSV. ALL ITEMS<br>AK 99712 (907)456-6676 |
| 5 MS.                     | CATHY<br>1207 COPPET STREET       | PERSING   | FAIRBANKS | OBSV. ALL ITEMS<br>AK 99709 (907)479-2095 |
| 2 MR.                     | PAUL<br>117 BRIGHAM WAY           | BARRETT   | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99709 (907)479-5283 |
| 3 MS.                     | CLAUDIA<br>2463 GREEN ACRES DRIVE | ANDERSEN  | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99712 (907)488-6723 |
| 4 MS.                     | VEVA<br>4137 ROSEBUD LANE         | BECKER    | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99709 (907)479-6968 |
| 6 MS.                     | MARGARET<br>548 AQUILA            | WILSON    | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99712 (907)457-7798 |
| 7 MS.                     | MARIANNA<br>1121 IVY DRIVE        | WOODWARD  | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99709 (907)474-8346 |
| 8 MS.                     | CHERYL<br>311 HAWK                | KILGORE   | FAIRBANKS | TSFY. ALL ITEMS<br>AK 99712 (907)457-1288 |

|                            |                     |          |               |                                      |
|----------------------------|---------------------|----------|---------------|--------------------------------------|
| PARTICIPANTS IN:GLENNALLEN |                     |          | GLN           |                                      |
| 1 MR.                      | RICHARD<br>BOX 204  | CROSS    | GLENNALLEN    | TSFY. HB 1<br>AK 99588 (907)822-5153 |
| 2 MR.                      | MARKEL<br>BOX 128   | PETE     | COPPER CENTER | TSFY. HB 1<br>AK 99573 (907)822-3891 |
| 3 MRS.                     | KATHERINE<br>BOX 14 | MCCONKEY | COPPER CENTER | TSFY. HB 1<br>AK 99573 (907)822-5875 |

*She will call them*

|                       |                             |          |       |                                           |
|-----------------------|-----------------------------|----------|-------|-------------------------------------------|
| PARTICIPANTS IN:HOMER |                             |          | HOM   |                                           |
| 6 MR.                 | CLARENCE<br>PO BOX 1210     | JONES    | HOMER | OBSV. ALL ITEMS<br>AK 99603 (907)235-6816 |
| 1 MS.                 | LOIS<br>167 W. BAYVIEW AVE. | IRVIN    | HOMER | TSFY. ALL ITEMS<br>AK 99603 (907)235-7172 |
| 2 MR.                 | DANIEL<br>PO BOX 1783       | BOONE    | HOMER | TSFY. ALL ITEMS<br>AK 99603 (907)235-3779 |
| 3 MS.                 | KIM<br>PO BOX 1683          | GREER    | HOMER | TSFY. ALL ITEMS<br>AK 99603 (907)235-4310 |
| 4 MS.                 | KAY<br>PO BOX 1210          | JONES    | HOMER | TSFY. ALL ITEMS<br>AK 99603 (907)235-6816 |
| 5 MR.                 | DAN<br>184 W. BAYVIEW AVE.  | LEVINSON | HOMER | TSFY. ALL ITEMS<br>AK 99603 (907)235-5917 |

|                        |    |         |     |                 |
|------------------------|----|---------|-----|-----------------|
| PARTICIPANTS IN:JUNEAU |    |         | JNU |                 |
| 9                      | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 10                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 11                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 12                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 13                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 14                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 15                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 16                     | TO | OBSERVE |     | OBSV. ALL ITEMS |
| 17                     | TO | OBSERVE |     | OBSV. ALL ITEMS |

TCN: 70130

DATE & TIME: 01/30/97 08:00 TO 11:00 STATUS:7 STATS. IN

PARTICIPANTS IN:JUNEAU

JNU

|    |     |         |           |     |                  |
|----|-----|---------|-----------|-----|------------------|
| 18 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 19 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 20 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 21 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 22 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 23 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 24 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 25 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
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| 30 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 31 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 32 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
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| 39 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 40 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 41 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 42 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 43 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 44 | TO  | OBSERVE |           |     | OBSV. ALL ITEMS  |
| 1  | REP | J       | JAMES     |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 2  | REP | K       | ELTON     |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 3  | REP | E       | BERKOWITZ |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 4  | REP | B       | HODGINS   |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 5  | REP | A       | VEZEY     |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 6  | REP | F       | DYSON     |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 7  | REP | I       | IVAN      |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 8  | REP | C       | BUNDE     |     | TSFY. ALL ITEMS  |
|    |     |         |           | JNU | AK (907)000-0000 |
| 45 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 46 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 47 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 48 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 49 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 50 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 51 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 52 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 53 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |
| 54 | TO  | TESTIFY |           |     | TSFY. ALL ITEMS  |

PARTICIPANTS IN:JUNEAU JNU  
55 TO TESTIFY TSYF. ALL ITEMS

PARTICIPANTS IN:KENAI LIO KEN  
3 MR. ~~NATHAN BAILEY~~ SELF OBSV. HB 1  
PO BOX 3337 KENAI AK 99611 (907)283-3984  
1 MS. JUDY DOWNS SAFE DRUG FREE TSYF. HB 1  
1616 TANAGE AVE KENAI AK 99611 (907)262-9137  
2 MS. BARBARA WATERS SELF TSYF. HB 1  
311 KULILA PL KENAI AK 99611 (907)283-3803

PARTICIPANTS IN:KETCHIKAN KTN  
1 MS. DEBORAH WATTS ADFY TSYF. HB 1  
2509 TONGASS KETCHIKAN AK 99901 (907)247-2273

PARTICIPANTS IN:NOME NOM  
3 MR. HENRY REXFORD NSHC CHEP OBSV. ALL ITEMS  
PO BOX 966 NOME AK 99762 (907)443-3464  
1 MS. MARSHA MAROELLI BSCP TSYF. HB 1  
PO BOX 1350 NOME AK 99762 (907)443-5888  
2 MR. DUFFY HALLIDAY NSHC HEALTH ED TSYF. HB 52  
PO BOX 2105 NOME AK 99762 (907)443-3470

PARTICIPANTS IN:SITKA SIT  
3 DAVID DEVINE OBSV. ALL ITEMS  
232 LANCE DRIVE #C SITKA AK 99835 (907)747-0549  
4 DUANE PIERION OBSV. ALL ITEMS  
612 MONASTERY SITKA AK 99835 (907)747-5483  
5 CHRISTINA BURGMYER OBSV. ALL ITEMS  
232 LANCE DRIVE APT. C SITKA AK 99835 (907)747-0649  
6 SONAL DOSHI OBSV. ALL ITEMS  
BOX 2594 SITKA AK 99835 (907)747-3304  
7 KRISTEN GRUBER OBSV. ALL ITEMS  
2332 SAWMILL CREEK SITKA AK 99835 (907)747-3304  
8 SUSAN SUAREZ OBSV. ALL ITEMS  
BOX 341 SITKA AK 99835 (907)747-6136  
1 WILL SWAGEL TSYF. ALL ITEMS  
BOX 2844 SITKA AK 99835 (907)747-5341  
2 REX GARVER TSYF. ALL ITEMS  
BOX 1564 SITKA AK 99835 (907)747-3304

PARTICIPANTS IN:OFFNET 1 ZZZ OF1  
1 MR ROBERT TOLLISON TSYF. ALL ITEMS  
VIRGINIA AK (999)999-9999

\*\*\*\* SCHEDULING NOTES \*\*\*\*  
GAVE BARBARA THE 800# FOR OFFNET. BH

\*\*\*\* UPDATES \*\*\*\*  
01 01/23/97 09:10:35 ANNOUNCING TELECONFERENCE  
02 01/23/97 10:50:46 NOME ADDED ON  
03 01/23/97 12:30:07 KETCHIKAN ADDED ON  
04 01/27/97 14:40:01 DILLINGHAM ADDED ON  
05 01/28/97 11:07:17 GLENNALLEN ADDED ON

\*\*\*\* ORDER SUMMARY \*\*\*\*

SPONSOR: HSTA HOUSE STATE AFFAIRS COMMITTEE CHAIRS: JAMES
PURPOSE: PUB PUBLIC HEARING LEGISLATIVE
CONTACT: BARBARA TEL#: (907)465-6822
CHAIRING SITE: JUNEAU CAPITOL CAP102
TOLL FREE: DIAL-UP: LIO:(800)478-9908

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED 3 MINUTE LIMIT
TESTIMONY WILL BE TAKEN WITH A 3 MINUTE LIMIT.

SPONSOR REMARKS(LIO): BACKUP MATERIAL:Y MEETING IN PROGRESS:N MAX. SITES:15
OTHER SITES CAN ADD THROUGH THE JNU LIO.
BACKUP FAXED OUT ON 1/20
TCN REQUESTED ON 01/28/97 AND HAS 13 UPDATES

\*\*\*\* AGENDA \*\*\*\*

- 1 HB 1 CIGARETTE AND TOBACCO TAX
2 HB 52 INCREASE TOBACCO TAXES

\*\*\*\* PARTICIPATING LIOS \*\*\*\*

Table with 3 columns: LIO Name, Address, Location Staff. Includes entries for ANC ANCHORAGE, BET BETHEL, COR CORDOVA, DLG DILLINGHAM, FBX FAIRBANKS, GLN GLENNALLEN, HOM HOMER, JNU JUNEAU, KEN KENAI LIO, KOT KOTZEBUE, KTN KETCHIKAN, MAT MATSU, NOM NOME, SIT SITKA, VAL VALDEZ.

PARTICIPANTS IN:ANCHORAGE ANC

Table with 5 columns: ID, Name, Address, Location, Phone Number. Lists participants like JENNY MURRAY, MICHELLE KICK, CATHERINE LIHT, JANET OATES, KRISTIE KEELE, ROBERT SCOTT SR, PAUL SHERRY, DELISA CULPEPPER.

TCN: 70096 DATE & TIME: 01/28/97 08:00 TO 10:00 STATUS:7 STATS. IN

PARTICIPANTS IN: ANCHORAGE

ANC

|    |                             |           |                        |
|----|-----------------------------|-----------|------------------------|
| 3  | PETE SNITZER                | ANCHORAGE | TSFY. ALL ITEMS        |
|    | 3930 MT. VIEW               | ANCHORAGE | AK 99508 (907)274-7473 |
| 4  | <del>BOYD MCFAIL</del>      | ANCHORAGE | UNABL ALL ITEMS        |
|    | 423 LYNNWOOD DR             | ANCHORAGE | AK 99518 (907)562-5906 |
| 5  | <del>BOB DICKSON</del>      | ANCHORAGE | UNABL ALL ITEMS        |
|    | 1320 K ST                   | ANCHORAGE | AK 99501 (907)276-1700 |
| 6  | <del>JAN MARQUISS</del>     | ANCHORAGE | UNABL ALL ITEMS        |
|    | 2230 SENTRY DR              | ANCHORAGE | AK 99507 (907)344-5267 |
| 7  | <del>ANNE LANIER</del>      | ANCHORAGE | UNABL ALL ITEMS        |
|    | 13700 CAPSTAN DR            | ANCHORAGE | AK 99516 (907)345-6656 |
| 8  | <del>CODY MITCHELL</del>    | ANCHORAGE | UNABL ALL ITEMS        |
|    | 2901 BROOKRIDGE CT          | ANCHORAGE | AK 99504 (907)333-5371 |
| 9  | <del>BRIAN LICK</del>       | ANCHORAGE | UNABL ALL ITEMS        |
|    | 9720 VANGUARD 28            | ANCHORAGE | AK 99507 (907)522-4610 |
| 10 | <del>BRUCE MCCURTAIN</del>  | ANCHORAGE | UNABL ALL ITEMS        |
|    | 1751 LARS CR.               | ANCHORAGE | AK 99518 (907)344-3467 |
| 11 | <del>TIM SCHRAGE</del>      | WASILLA   | UNABL ALL ITEMS        |
|    | PO BOX 870769               | WASILLA   | AK 99687 (907)440-1512 |
| 12 | <del>JEFF PATTISON</del>    | ANCHORAGE | UNABL ALL ITEMS        |
|    | PO BOX 701                  | ANCHORAGE | AK 99522 (907)595-1222 |
| 13 | <del>JUDITH BENDERSKY</del> | ANCHORAGE | UNABL ALL ITEMS        |
|    | 12901 TRENT CIRCLE          | ANCHORAGE | AK 99516 (907)345-1173 |
| 14 | <del>JUDITH MILLER</del>    | ANCHORAGE | UNABL ALL ITEMS        |
|    | 1518 AIRPORT HTS            | ANCHORAGE | AK 99508 (907)278-0234 |
| 15 | <del>JERRY TROSHYNSKI</del> | WASILLA   | UNABL ALL ITEMS        |
|    | RT 31 BOX 5269A             | WASILLA   | KA 99654 (907)376-3453 |
| 16 | <del>PATRICIA SENNER</del>  | ANCHORAGE | UNABL ALL ITEMS        |
|    | 237 E THIRD #3              | ANCHORAGE | AK 99501 (907)274-0827 |
| 17 | <del>GLADYS THOMPSON</del>  | ANCHORAGE | UNABL ALL ITEMS        |
|    | 7216 LAKE OTIS PKWY         | ANCHORAGE | AK 99507 (907)349-1456 |
| 18 | <del>RON MILLER</del>       | ANCHORAGE | UNABL ALL ITEMS        |
|    | 7103 E 17TH                 | ANCHORAGE | AK 99504 (907)333-7531 |
| 19 | <del>CHARLES SCOTT</del>    | ANCHORAGE | UNABL ALL ITEMS        |
|    | 7400 E 17TH                 | ANCHORAGE | AK 99504 (907)333-3347 |
| 20 | <del>SYLVIA SCOTT</del>     | ANCHORAGE | UNABL ALL ITEMS        |
|    | 7400 E 17TH                 | ANCHORAGE | AK 99504 (907)243-7233 |
| 21 | <del>BOBBY SCOTT</del>      | ANCHORAGE | UNABL ALL ITEMS        |
|    | 521 IZEMBEK CIRCLE          | ANCHORAGE | AK 99508 (907)338-9257 |
| 22 | <del>PETER MJOS</del>       | ANCHORAGE | UNABL ALL ITEMS        |
|    | 1725 E 24TH                 | ANCHORAGE | AK 99508 (907)277-8998 |
| 23 | <del>RON HAMMETT</del>      | ANCHORAGE | UNABL ALL ITEMS        |
|    | 3512 STANFORD               | ANCHORAGE | AK 99504 (907)279-2339 |

PARTICIPANTS IN: BETHEL

BET

|   |                    |        |                        |
|---|--------------------|--------|------------------------|
| 1 | JUDITH NELSON, BDH | BETHEL | TSFY. ALL ITEMS        |
|   | PO BOX 287         | BETHEL | AK 99553 (907)543-3557 |
| 2 | DORRIE WALLIS, RDH | BETHEL | TSFY. ALL ITEMS        |
|   | PO BOX 287         | BETHEL | AK 99559 (907)543-5325 |
| 3 | CHERI PETERSON     | BETHEL | TSFY. ALL ITEMS        |
|   | PO BOX 528         | BETHEL | AK 99559 (907)543-6192 |
| 4 | ELLEN M. PROVOST   | BETHEL | TSFY. ALL ITEMS        |
|   | PO BOX 528         | BETHEL | AK 99553 (907)543-6025 |

PARTICIPANTS IN: CORDOVA

CCR

*Thanks for your help !!*

Post-It Fax Note

7671

|         |          |            |        |
|---------|----------|------------|--------|
| Date    | 1/28/97  | # of pages | 1      |
| To      | AK/ANC   | From       | AK/ANC |
| Co/Dept | 210      | Co         | 1      |
| Phone # |          | Phone #    | AK/ANC |
| Fax #   | 258-1261 | Fax #      |        |

PARTICIPANTS IN:CORDOVA

COR

|       |                 |             |                        |
|-------|-----------------|-------------|------------------------|
| 2 MR. | GLENN VAN DYCK  | CORDOVA     | OBSV. HB 1             |
|       | PO BOX 2425     | CORDOVA     | AK 99574 (907)424-7576 |
| 1 MR. | STEVE DONALDSON | CHUGACHMIUT | TSFY. HB 1             |
|       | PO BOX 2083     | CORDOVA     | AK 99574 (907)424-5964 |

PARTICIPANTS IN:DILLINGHAM

DLG

|   |              |              |                        |
|---|--------------|--------------|------------------------|
| 1 | CATHY FLAVIN | SELF & BBAHC | TSFY. ALL ITEMS        |
|   | PO BOX 492   | DILLINGHAM   | AK 99576 (907)842-9345 |

PARTICIPANTS IN:FAIRBANKS

FBX

|       |                        |                  |                        |
|-------|------------------------|------------------|------------------------|
| 2 MR. | HANK HOVE              | FAIRBANKS        | OBSV. HB 52            |
|       | PO BOX 70672           | FAIRBANKS        | AK 99707 (907)452-5121 |
| 4 MR. | NEAL MATSON            | FAIRBANKS        | OBSV. ALL ITEMS        |
|       | PO BOX 80888           | FAIRBANKS        | AK 99708 (907)458-0238 |
| 5 MR. | PAUL BARRETT           | FAIRBANKS        | OBSV. ALL ITEMS        |
|       | 117 BRIGHAM WAY        | FAIRBANKS        | AK 99709 (907)479-5283 |
| 7 MS. | VEVA BECKER            | FAIRBANKS        | OBSV. ALL ITEMS        |
|       | 4137 ROSEBUD LANE      | FAIRBANKS        | AK 99709 (907)479-6968 |
| 8 MS. | TERRY STRLE            | FAIRBANKS        | OBSV. ALL ITEMS        |
|       | 412 BARANOF            | FAIRBANKS        | AK 99701 (907)452-6497 |
| 1 MS. | ANNE HARRISON          | AK NURSES ASSOC. | TSFY. HB 52            |
|       | 3270 ROSIE CREEK RD    | FAIRBANKS        | AK 99709 (907)479-3594 |
| 3 MR. | GLENN HACKNEY          | FAIRBANKS        | TSFY. ALL ITEMS        |
|       | 1136 SUNSET DRIVE      | FAIRBANKS        | AK 99709 (907)474-0610 |
| 6 DR. | MICHAEL CARROLL        | FAIRBANKS        | TSFY. ALL ITEMS        |
|       | 1919 LATHROP SUITE 202 | FAIRBANKS        | AK 99701 (907)452-4768 |

*called him christi*

PARTICIPANTS IN:HOMER

HOM

|        |                         |       |                        |
|--------|-------------------------|-------|------------------------|
| 4 MRS. | COLLEEN JAMES           | HOMER | OBSV. ALL ITEMS        |
|        | PO BOX 915              | HOMER | AK 99603 (907)235-4310 |
| 1 MS.  | <del>LOIS IRVIN</del>   | HOMER | UNABL ALL ITEMS        |
|        | 617 W. BAYVIEW AVE.     | HOMER | AK 99603 (907)235-7172 |
| 2 MR.  | <del>DANIEL BOONE</del> | HOMER | UNABL HB 52            |
|        | PO BOX 1783             | HOMER | AK 99603 (907)235-3779 |
| 3 MS.  | <del>KIM GREER</del>    | HOMER | UNABL ALL ITEMS        |
|        | PO BOX 1683             | HOMER | AK 99603 (907)235-4310 |

PARTICIPANTS IN:JUNEAU

JNU

|   |            |     |                  |
|---|------------|-----|------------------|
| 1 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 2 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 3 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 4 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 5 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0.00 |
| 6 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 7 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |
|   |            | JNU | AK (907)000-0000 |
| 8 | TO OBSERVE | JNU | OBSV. ALL ITEMS  |

PARTICIPANTS IN:JUNEAU

JNU

| Line | Action | Role    | State | Phone            |
|------|--------|---------|-------|------------------|
| 9    | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 10   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 11   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 12   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 13   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 14   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 15   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 16   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 17   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 18   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 19   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 20   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 21   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 22   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 23   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 24   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 25   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 26   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 27   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 28   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 29   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 30   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 31   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 32   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 33   | TO     | OBSERVE | JNU   | AK (907)000-0000 |
| 34   | TO     | OBSERVE | JNU   | AK (907)000-0000 |

TCN: 70096

DATE & TIME: 01/28/97 08:00 TO 10:00

STATUS:7 STATS. IN

PARTICIPANTS IN:JUNEAU

JNU

|       |           |             |     |     |                                           |
|-------|-----------|-------------|-----|-----|-------------------------------------------|
| 35    | TO        | OBSERVE     | JNU | AK  | OBSV. ALL ITEMS<br>(907)000-0000          |
| 36    | TO        | OBSERVE     | JNU | AK  | OBSV. ALL ITEMS<br>(907)000-0000          |
| 37    | TO        | OBSERVE     | JNU | AK  | OBSV. ALL ITEMS<br>(907)000-0000          |
| 38    | TO        | OBSERVE     | JNU | AK  | OBSV. ALL ITEMS<br>(907)000-0000          |
| 39 MS | JEANNETTE | JAMES       | JNU | REP | TSFY. ALL ITEMS<br>(907)465-3743          |
| 40 MR | FRED      | DYSON       | JNU | REP | TSFY. ALL ITEMS<br>(907)465-2199          |
| 41 MR | IVAN      | IVAN        | JNU | REP | TSFY. ALL ITEMS<br>(907)465-4942          |
| 42 MR | MARK      | HODGINS     | JNU | REP | TSFY. ALL ITEMS<br>(907)465-3779          |
| 43 MR | AL        | VEZEY       | JNU | REP | TSFY. ALL ITEMS<br>(907)465-3719          |
| 44 MR | ETHAN     | BERKOWITZ   | JNU | REP | TSFY. ALL ITEMS<br>(907)465-4919          |
| 45 MR | KIM       | ELTON       | JNU | REP | TSFY. ALL ITEMS<br>(907)465-4947          |
| 46 MR | CON       | BUNDE       | JNU | REP | TSFY. ALL ITEMS<br>(907)465-4843          |
| 47 MS | ANNE      | HOLEN       | JNU | AK  | AK. NATIVE HEALT<br>TSFY. HB 1            |
| 48 MS | DEB       | WESMIER     | JNU | AK  | TSFY. HB 1<br>(907)000-0000               |
| 49 MS | JEANNIE   | MONK        | JNU | AK  | SEARHC<br>TSFY. HB 1<br>(907)000-0000     |
| 50 MR | BOB       | BARTHOLOMEW | JNU | AK  | DEP OF REV<br>TSFY. HB 1<br>(907)000-0000 |
| 51 MS | KAREN     | PORDUE      | JNU | AK  | DHSS COMM.<br>TSFY. HB 1<br>(907)000-0000 |

PARTICIPANTS IN:KENAI LIO

KEN

|       |                           |               |          |      |                                      |
|-------|---------------------------|---------------|----------|------|--------------------------------------|
| 1     | <del>BARBARA WATERS</del> | 311 KULILA PL | KENAI    | SELF | OBSV. HB 1<br>AK 99611 (907)283-3803 |
| 3 MR. | NATHAN BAILY              | PO BOX 3337   | KENAI    | SELF | TSFY. HB 1<br>AK 99611 (907)283-3984 |
| 2 MS. | <u>PATTI TRUESDELL</u>    | PO BOX 1452   | SOLDOTNA | SELF | UNABL HB 1<br>AK 99669 (907)262-9231 |
| 4     | <del>JUDY DOWNS</del>     | 1616 TANAGE   | KENAI    | SELF | UNABL HB 1<br>AK 99611 (907)262-9137 |

PARTICIPANTS IN:KOTZEBUE

KOT

|      |               |        |          |                 |                                           |
|------|---------------|--------|----------|-----------------|-------------------------------------------|
| 1 MS | BARBARA COHEA | BOX 43 | KOTZEBUE | MANIILAQ ASSOC. | TSFY. ALL ITEMS<br>AK 99752 (907)442-7176 |
|------|---------------|--------|----------|-----------------|-------------------------------------------|

PARTICIPANTS IN:KETCHIKAN

KTN

|       |             |             |           |          |                                      |
|-------|-------------|-------------|-----------|----------|--------------------------------------|
| 1 MS. | LYNDA ADAMS | PO BOX 7171 | KETCHIKAN | PARENT   | TSFY. HB 1<br>AK 99901 (907)225-6227 |
| 2 MR. | M. ELERDING |             |           | BUSINESS | TSFY. HB 1                           |

TCN: 70096 DATE & TIME: 01/28/97 08:00 TO 10:00 STATUS:7 STATS. IN

PARTICIPANTS IN:KETCHIKAN KTN  
PO\_BOX 8112 KETCHIKAN AK 99901 (907)225-5040

PARTICIPANTS IN:MATSU MAT  
1 MR PHIL MILTON TSFY. HB 1  
POB 871671 WASILLA AK 99687 (907)746-1674  
2 MR ROMIE DESCHAMPS TSFY. HB 1  
HC 5 BOX 9779 PALMER AK 99645 (907)745-2299

PARTICIPANTS IN:NOME NOM  
1 MS ~~MARSHA MARSELL~~ COMM. PARTNERSHP OBSV. HB 1  
PO BOX 1350 NOME AK 99762 (907)443-5888  
2 MR HENRY REXFORD CHEP OBSV. HB 1  
PO BOX 966 NOME AK 99762 (907)443-2533

PARTICIPANTS IN:VALDEZ VAL  
1 MS SYLVIA SULLIVAN AK'S 4 JUST SOC TSFY. ALL ITEMS  
PO BOX 2684 VALDEZ AK 99636 (907)835-3729

\*\*\*\* SCHEDULING NOTES \*\*\*\*  
ADDED CORDOVA PER BARBARA IN HSTA. PW 1/27 4:45

\*\*\*\* UPDATES \*\*\*\*

- 01 01/16/97 10:48:56 ANNOUNCING TELECONFERENCE
- 02 01/16/97 14:40:08 HOMER ADDED ON
- 03 01/17/97 09:11:54 MATSU ADDED ON
- 04 01/21/97 08:11:27 DATE CHANGE 01/21 08:00 TO 01/23 08:00
- 05 01/21/97 10:13:54 KETCHIKAN ADDED ON
- 06 01/22/97 10:48:06 SITKA ADDED ON
- 07 01/22/97 13:52:28 KENAI LIO ADDED ON
- 08 01/22/97 15:24:19 DROPPED 8-8:30 INTRODUCTION, ORGANIZATIO
- 09 01/23/97 10:50:31 NOME ADDED ON
- 10 01/24/97 13:59:05 BETHEL ADDED ON
- 10 01/24/97 13:59:06 KOTZEBUE ADDED ON
- 10 01/24/97 13:59:07 GLENNALLEN ADDED ON
- 11 01/27/97 14:38:05 DILLINGHAM ADDED ON
- 12 01/27/97 16:41:09 CORDOVA ADDED ON
- 13 01/27/97 17:27:39 VALDEZ ADDED ON

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Cigarette and Tobacco Tax BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative Bunde  
 Requestor: (H) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98       | FY 99       | FY 00       | FY 01       | FY 02       | FY 03       |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES      | 30.0        | 30.0        | 30.0        | 30.0        | 30.0        | 30.0        |
| TRAVEL                 | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         |
| CONTRACTUAL            | 6.5         | 1.5         | 1.5         | 1.8         | 1.5         | 1.5         |
| SUPPLIES               | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         |
| EQUIPMENT              | 4.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| LAND & STRUCTURES      |             |             |             |             |             |             |
| GRANTS, CLAIMS         |             |             |             |             |             |             |
| MISCELLANEOUS          |             |             |             |             |             |             |
| <b>TOTAL OPERATING</b> | <b>41.6</b> | <b>32.6</b> | <b>32.6</b> | <b>32.8</b> | <b>32.6</b> | <b>32.6</b> |

|                      |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|

|                           |          |          |          |          |          |          |
|---------------------------|----------|----------|----------|----------|----------|----------|
| CHANGE IN REVENUES ( GF ) | 28,938.8 | 43,408.2 | 43,585.5 | 60,196.6 | 60,328.1 | 60,328.1 |
|---------------------------|----------|----------|----------|----------|----------|----------|

FUND SOURCE (Thousands of Dollars)

|                          |             |             |             |             |             |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts    |             |             |             |             |             |             |
| 1003 GF Match            |             |             |             |             |             |             |
| 1004 GF                  | 41.5        | 32.5        | 32.5        | 32.8        | 32.5        | 32.5        |
| 1005 GF/Program Receipts |             |             |             |             |             |             |
| 1037 GF/Mental Health    |             |             |             |             |             |             |
| Other                    |             |             |             |             |             |             |
| <b>TOTAL</b>             | <b>41.5</b> | <b>32.5</b> | <b>32.5</b> | <b>32.8</b> | <b>32.5</b> | <b>32.6</b> |

Estimate of any current year (FY97) cost \$ 0

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried, Economist Phone: 465-3682  
 Division: Income and Excise Audit Division Date: January 16, 1997  
 Approved by Commissioner: Wilson L. Condon Date: 1/16/97  
 Agency: Department of Revenue

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

Cigarette and Tobacco Tax  
HB 1  
0-LS0159F  
January 16, 1997  
Page 2 of 4

**DRAFT BILL ANALYSIS**

Section 1 increases the general fund portion of the cigarette tax rate by \$1.00 per pack of 20; from 12 mills per cigarette (\$.24 per pack) to 62 mills per cigarette (\$1.24 per pack) through FY 2000. Combining this rate with the 2.5 mills per cigarette (\$.05 per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29. After June 30, 2000 the general fund portion increases to 74 mills per cigarette (\$1.48 per pack) so the total tax rate on a pack of cigarettes increases from \$1.29 to \$1.53 through FY 2003. After June 30, 2003 the general fund portion increases to 86 mills per cigarette (\$1.72 per pack) so the total tax rate on a pack of cigarettes increases from \$1.53 to \$1.77 through FY 2006. After June 30, 2006 the general fund portion increases to 86 mills (\$1.96) plus an additional 12 mills (\$.24) during each succeeding three-year period.

Section 2 directs the issuance of public notice of all changes in the tax rate at the time of the change.

Section 3 increases the tobacco products tax rate from 25% to 100% of the wholesale price of the tobacco products.

Section 4 increases the tobacco product tax rate applied to the wholesale price by the Anchorage CPI every two years. The starting point of the index is January 1, 1998.

Section 5 establishes an effective date of October 1, 1997.

**OPERATING EXPENDITURES**

Department of Revenue is requesting operating funds to cover ½ the costs of a Revenue Auditor III position. With such a large increase in taxes due the state (increase from \$17 to \$61 million annually), the department anticipates increased taxpayer noncompliance.

With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for ensuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax.

Alaska Department of Revenue  
*Income and Excise Audit Division*

Cigarette and Tobacco Tax

HB 1

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The projected annual salary costs for the ½ portion of this position come to \$30.0. This \$30 thousand would be used to fill a current vacant auditor position.

The department is also requesting one time FY 98 funding of \$5.0 for contractual funds to cover costs of public notice of rate increases, forms revisions and postage, and \$4.0 for equipment (\$3.5 for computer costs and \$.5 for office equipment). The recurring costs will be \$2.5 to cover travel, contractual and supplies, except for FY 01 where an additional \$.3 will be necessary to cover public notice of the tax rate increase.

REVENUE COLLECTED

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

**Alaska Department of Revenue**  
**Income and Excise Audit Division**  
*Projected Revenue Increases from Change in Tobacco Tax Rates*

Cigarette and Tobacco Tax  
 HB 1  
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|                                    | FY98           | FY99         | FY00         | FY01         | FY02         | FY03         | FY04         |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cigarettes</b>                  |                |              |              |              |              |              |              |
| <i>Elasticity Factor</i>           | -18.3%         | 0.0%         | 0.0%         | -23.0%       | 0.0%         | 0.0%         | -27.4%       |
| Consumption (packs of cigarettes)  | 28,625,595 *   | 42,938,393   | 42,938,393   | 40,567,562   | 40,567,562   | 40,567,562   | 38,249,415   |
| Rate                               | \$1.29         | \$1.29       | \$1.29       | \$1.53       | \$1.53       | \$1.53       | \$1.77       |
| Cigarette Tax                      | \$36,927,017   | \$55,390,527 | \$55,390,527 | \$62,068,369 | \$62,068,370 | \$62,068,370 | \$67,701,465 |
| Less 1.0% Commission               | (369,270)      | (553,905)    | (553,905)    | (620,684)    | (620,684)    | (620,684)    | (677,015)    |
| Net Cigarette Tax                  | \$36,557,747   | \$54,836,622 | \$54,836,622 | \$61,447,685 | \$61,447,686 | \$61,447,686 | \$67,024,450 |
| FY 97 Projected Cigarette Tax      | (10,083,937) * | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) |
| Net Cigarette Tax Increase         | \$26,473,810   | \$39,710,717 | \$39,710,717 | \$48,321,780 | \$48,321,781 | \$48,321,781 | \$51,898,545 |
| <b>Tobacco Products</b>            |                |              |              |              |              |              |              |
| <i>Elasticity Factor</i>           | -18.3%         | 0.0%         | -21.3%       | 0.0%         | -23.7%       | 0.0%         | -26.1%       |
| Consumption (Whole. Pr. 1996 \$)   | \$3,591,648 *  | \$5,337,473  | \$5,202,382  | \$5,202,382  | \$5,043,732  | \$5,043,732  | \$4,885,083  |
| Rate                               | 100%           | 100%         | 107%         | 107%         | 113%         | 113%         | 119%         |
| Tobacco Products Tax               | \$3,591,648    | \$5,387,473  | \$5,566,548  | \$5,566,548  | \$5,699,417  | \$5,699,417  | \$5,813,248  |
| Less 1.0% Commission               | (35,916)       | (53,875)     | (55,665)     | (55,665)     | (56,994)     | (56,994)     | (58,132)     |
| Net Tobacco Products Tax           | \$3,555,732    | \$5,333,598  | \$5,510,883  | \$5,510,883  | \$5,642,423  | \$5,642,423  | \$5,755,116  |
| FY 97 Projected Tob. Prod. Tax     | (1,090,715)    | (1,636,073)  | (1,636,073)  | (1,636,073)  | (1,636,073)  | (1,636,073)  | (1,636,073)  |
| Net Tobacco Prod. Tax Increase     | \$2,465,016    | \$3,697,525  | \$3,874,810  | \$3,874,810  | \$4,006,350  | \$4,006,350  | \$4,119,043  |
| <b>Cigarette and Tob. Products</b> |                |              |              |              |              |              |              |
| Net Cigarette and Tobacco Tax      | \$40,113,479 * | \$60,170,220 | \$60,347,506 | \$67,634,917 | \$67,767,787 | \$67,767,787 | \$73,614,713 |
| Net Cig. and Tob. Increase         | \$28,938,827 * | \$43,408,242 | \$43,586,627 | \$60,196,690 | \$60,328,131 | \$60,328,131 | \$66,017,688 |

\*Note: The bill's effective date results in the tax increase covering 8 months in FY 98.

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO: HB 1

Revision Date: 2/4/97 Dept. Affected: Revenue  
 Title: Increase Tobacco Taxes BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative James  
 Requestor: (H) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES    | FY 98           | FY 99           | FY 00           | FY 01           | FY 02           | FY 03           |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PERSONAL SERVICES         | 30.0            | 30.0            | 30.0            | 30.0            | 30.0            | 30.0            |
| TRAVEL                    | 0.5             | 0.5             | 0.5             | 0.5             | 0.5             | 0.5             |
| CONTRACTUAL               | 6.5             | 1.5             | 1.5             | 1.8             | 1.5             | 1.5             |
| SUPPLIES                  | 0.5             | 0.5             | 0.5             | 0.5             | 0.5             | 0.5             |
| EQUIPMENT                 | 4.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| LAND & STRUCTURES         |                 |                 |                 |                 |                 |                 |
| GRANTS, CLAIMS            |                 |                 |                 |                 |                 |                 |
| MISCELLANEOUS             |                 |                 |                 |                 |                 |                 |
| <b>TOTAL OPERATING</b>    | <b>41.6</b>     | <b>32.6</b>     | <b>32.6</b>     | <b>32.8</b>     | <b>32.6</b>     | <b>32.6</b>     |
| CAPITAL EXPENDITURES      |                 |                 |                 |                 |                 |                 |
| <b>CHANGE IN REVENUES</b> | <b>28,938.8</b> | <b>43,408.2</b> | <b>43,408.2</b> | <b>60,262.3</b> | <b>60,262.3</b> | <b>60,496.6</b> |

FUND SOURCE (Thousands of Dollars)

|                          |             |             |             |             |             |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts    |             |             |             |             |             |             |
| 1003 GF Match            |             |             |             |             |             |             |
| 1004 GF                  | 41.5        | 32.6        | 32.6        | 32.8        | 32.6        | 32.6        |
| 1005 GF/Program Receipts |             |             |             |             |             |             |
| 1037 GF/Mental Health    |             |             |             |             |             |             |
| Other                    |             |             |             |             |             |             |
| <b>TOTAL</b>             | <b>41.6</b> | <b>32.6</b> | <b>32.6</b> | <b>32.8</b> | <b>32.6</b> | <b>32.6</b> |

Estimate of any current year (FY97) cost \$ 0

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: B. Collins / Rep. Jeannette James Phone: 465-3743  
 Division: \_\_\_\_\_ Date: 2/11/97  
 Approved by Commissioner: Jeannette James Date: 2/4/97  
 Agency: Legis. Int. Aff.

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

Increase Tobacco Taxes

HB 1

0-LS0127AE

January 17, 1997

Page 2 of 5

**DRAFT BILL ANALYSIS**

**Section 1** increases the School Fund portion of the cigarette tax rate by \$1.00 per pack of 20; from 2.5 mills per cigarette (\$.05 per pack) to 52.5 mills per cigarette (\$1.05 per pack) through FY 2000. Combining this rate with the 12 mills per cigarette (\$.24 per pack) levied under AS 43.50.190, which goes to the General Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29. After June 30, 2000 the School Fund portion increases to 64.5 mills per cigarette (\$1.29 per pack) so the total tax rate on a pack of cigarettes increases from \$1.29 to \$1.53 through FY 2003. After June 30, 2003 the School Fund portion increases to 76.5 mills per cigarette (\$1.53 per pack) so the total tax rate on a pack of cigarettes increases from \$1.53 to \$1.77 through FY 2006. After June 30, 2006 the school fund portion increases to 88.5 mills (\$1.77) plus an additional 12 mills (\$.24) during each succeeding three-year period.

**Section 2** This section only takes effect if section 1 of this act is ruled unconstitutional (see section 10). If so, the statute would be amended back to how it was prior to the bill passage.

**Section 3** directs the Department of Revenue to give public notice of changes in cigarette tax rates under AS 43.50.090 at the time these tax rates are changed.

**Section 4** This section only takes effect if section 1 is ruled unconstitutional (see section 10). If so, this section increases the General Fund portion of the cigarette tax rate by \$1.00 per pack of 20; from 12 mills per cigarette (\$.24 per pack) to 62 mills per cigarette (\$1.24 per pack) through FY 2000. Combining this rate with the 2.5 mills per cigarette (\$.05 per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29. After June 30, 2000 the General Fund portion increases to 74 mills per cigarette (\$1.48 per pack) so the total tax rate on a pack of cigarettes increases from \$1.29 to \$1.53 through FY 2003. After June 30, 2003 the General Fund portion increases to 86 mills per cigarette (\$1.72 per pack) so the total tax rate on a pack of cigarettes increases from \$1.53 to \$1.77 through FY 2006. After June 30, 2006 the General Fund portion increases to 86 mills (\$1.96) plus an additional 12 mills (\$.24) during each succeeding three-year period.

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

Increase Tobacco Taxes

HB 1

0-LS0127E

January 17, 1997

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**Section 5** This section only takes effect if section one is ruled to be unconstitutional (see section 10). If so, this section directs the Department of Revenue to give public notice of changes in cigarette tax rates under AS 43.50.190 at the time these tax rates are changed.

**Section 6** increases the tobacco products tax rate from 25% to 100% of the wholesale price of the tobacco products.

**Section 7** creates a new section under AS 43.50 (AS 43.50.365) to increase the tobacco product tax rate applied to the wholesale price by the Anchorage CPI on July 1 of each even numbered year. The starting point of the index is January 1, 1998.

**Section 8** creates a new section under AS 43.50 (AS 43.50.380) to direct the Department of Revenue to give public notice of changes in tobacco product tax rates under AS 43.50.365 at the time these tax rates are changed.

**Section 9** This section only takes effect if section 1 is ruled unconstitutional (see section 10). If so, this section repeals the public notice provision for changes in the cigarette tax rates under AS 43.50.090 that were made in section 3 of this bill.

**Section 10** provides for sections 2, 4, 5 and 9 of this Act only taking effect if dedication of the proceeds of the cigarette tax to the School Fund is found to be unconstitutional.

**Section 11** establishes an effective date of October 1, 1997 for sections 1, 3, and 6-8 of this act.

**Section 12** establishes an effective date of which ever of the following comes later: (1) when a court enters a final judgement that the amendment under section 1 of this act is unconstitutional or (2) when the time for appeal has expired or upon entry of a final order on the appeal that section 1 is unconstitutional.

**OPERATING EXPENDITURES**

Department of Revenue is requesting operating funds to cover ½ the costs of a Revenue Auditor III position. With such a large increase in taxes due the state (increase from \$17 to \$50 million annually), the department anticipates increased taxpayer noncompliance.

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

Increase Tobacco Taxes

HB 1

0-LS0127\E

January 17, 1997

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With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for ensuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax. The projected annual salary costs for the ½ portion of this position comes to \$30.0. This amount would be used to fill a currently vacant auditor position.

The department is also requesting one time FY 98 funding of \$5.0 for contractual funds to cover costs of public notice of rate increases, forms revisions and postage, and \$4.0 for equipment (\$3.5 for computer costs and \$.5 for office equipment). The recurring costs will be \$2.5 to cover travel, contractual and supplies, except for FY 01 where an addition \$.3 will be necessary to cover public notice of the tax rate increase.

**REVENUE COLLECTED**

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

**Alaska Department of Revenue**  
**Income and Excise Audit Division**  
*Projected Revenue Increases from Change in Tobacco Tax Rates*

Increase Tobacco Taxes  
 HB 1  
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 January 17, 1997  
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|                                    | <b>FY 98*</b>         | <b>FY 99</b>        | <b>FY 00</b>        | <b>FY 01</b>        | <b>FY 02</b>        | <b>FY 03</b>        | <b>FY 04</b>        |
|------------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Cigarettes</b>                  |                       |                     |                     |                     |                     |                     |                     |
| <i>Elasticity Factor</i>           | -18.3%                | 0.0%                | 0.0%                | -23.0%              | 0.0%                | 0.0%                | -27.4%              |
| Consumption (packs of cigarettes)  | 28,625,595 *          | 42,938,393          | 42,938,393          | 40,567,562          | 40,567,562          | 40,567,562          | 38,249,415          |
| Rate                               | \$1.29                | \$1.29              | \$1.29              | \$1.53              | \$1.53              | \$1.53              | \$1.77              |
| Cigarette Tax                      | <u>\$36,927,017</u>   | <u>\$55,390,527</u> | <u>\$55,390,527</u> | <u>\$62,068,369</u> | <u>\$62,068,370</u> | <u>\$62,068,370</u> | <u>\$67,701,465</u> |
| Less 1.0% Commission               | <u>(369,270)</u>      | <u>(553,905)</u>    | <u>(553,905)</u>    | <u>(620,684)</u>    | <u>(620,684)</u>    | <u>(620,684)</u>    | <u>(677,015)</u>    |
| Net Cigarette Tax                  | \$36,557,747          | \$54,836,622        | \$54,836,622        | \$61,447,685        | \$61,447,686        | \$61,447,686        | \$67,024,450        |
| FY 97 Projected Cigarette Tax      | <u>(10,083,937) *</u> | <u>(15,125,905)</u> | <u>(15,125,905)</u> | <u>(15,125,905)</u> | <u>(15,125,905)</u> | <u>(15,125,905)</u> | <u>(15,125,905)</u> |
| Net Cigarette Tax Increase         | \$26,473,810          | \$39,710,717        | \$39,710,717        | \$46,321,780        | \$46,321,781        | \$46,321,781        | \$51,898,545        |
| Increase to School Fund            | \$26,473,810          | \$39,710,717        | \$39,710,717        | \$46,321,780        | \$46,321,781        | \$46,321,781        | \$51,898,545        |
| <b>Tobacco Products</b>            |                       |                     |                     |                     |                     |                     |                     |
| <i>Elasticity Factor</i>           | -18.3%                | 0.0%                | 0.0%                | -19.0%              | 0.0%                | -20.7%              | 0.0%                |
| Consumption (Whole. Pr. 1996 \$)   | \$3,591,648 *         | \$5,387,473         | \$5,387,473         | \$5,314,097         | \$5,314,097         | \$5,240,722         | \$5,240,722         |
| Rate                               | 100%                  | 100%                | 100%                | 106%                | 106%                | 112%                | 112%                |
| Tobacco Products Tax               | <u>\$3,591,648</u>    | <u>\$5,387,473</u>  | <u>\$5,387,473</u>  | <u>\$5,632,943</u>  | <u>\$5,632,943</u>  | <u>\$5,869,609</u>  | <u>\$5,869,609</u>  |
| Less 1.0% Commission               | <u>(35,916)</u>       | <u>(53,875)</u>     | <u>(53,875)</u>     | <u>(56,329)</u>     | <u>(56,329)</u>     | <u>(58,696)</u>     | <u>(58,696)</u>     |
| Net Tobacco Products Tax           | \$3,555,732           | \$5,333,598         | \$5,333,598         | \$5,576,614         | \$5,576,614         | \$5,810,912         | \$5,810,912         |
| FY 97 Projected Tob. Prod. Tax     | <u>(1,090,715)</u>    | <u>(1,636,073)</u>  | <u>(1,636,073)</u>  | <u>(1,636,073)</u>  | <u>(1,636,073)</u>  | <u>(1,636,073)</u>  | <u>(1,636,073)</u>  |
| Net Tobacco Prod. Tax Increase     | \$2,466,016           | \$3,697,625         | \$3,697,625         | \$3,940,541         | \$3,940,541         | \$4,174,839         | \$4,174,839         |
| Increase to General Fund           | \$2,466,016           | \$3,697,625         | \$3,874,810         | \$3,874,810         | \$4,008,350         | \$4,008,350         | \$4,119,043         |
| <b>Cigarette and Tob. Products</b> |                       |                     |                     |                     |                     |                     |                     |
| Net Cigarette and Tobacco Tax      | \$40,113,479 *        | \$60,170,220        | \$60,170,220        | \$67,701,312        | \$67,701,313        | \$67,937,978        | \$73,671,073        |
| Net Cig. and Tob. Increase         | <u>\$28,938,827 *</u> | <u>\$43,408,242</u> | <u>\$43,408,242</u> | <u>\$60,262,321</u> | <u>\$60,262,322</u> | <u>\$60,496,621</u> | <u>\$66,073,385</u> |

\*Note: The bill's effective date results in the tax increase covering 8 months in FY 98.