

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9103 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

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): (Dep) _____

APPROVES PREVIOUS: (Dep/Date) _____

fiscal note(s) Revenue

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	ATT
<i>Jeannette James</i>	✓			
<i>K. [unclear]</i>	✓			
<i>[unclear]</i>	✓			
<i>[unclear]</i>		✓		
<i>[unclear]</i>	✓			

CHAIR'S SIGNATURE

Jeannette James

HOUSE STATE AFFAIRS COMMITTEE REPORT

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 5, 1997

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/13/97

The HEALTH, EDUCATION AND SOCIAL SERVICES 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 HB 1 (HES)

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) _____

fiscal note(s) Sta/Revenue 2/5/97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Paul Boyd</i>			<input checked="" type="checkbox"/>	
<i>Car Beards</i>	<input checked="" type="checkbox"/>			
<i>Richard Porter</i>	<input checked="" type="checkbox"/>			
<i>John G. ...</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
<i>Tom ...</i>	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE

Car Beards

Revision Date: _____ Dept. Affected: Revenue
 Title: Cigarette and Tobacco Tax BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Representative Bund
 Requestor: (H) HES 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						
TOTAL OPERATING	41.5	32.5	32.5	32.8	32.5	32.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES	28,938.8	43,408.2	43,408.2	60,262.3	60,262.3	60,496.6
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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						
TOTAL	41.5	32.5	32.5	32.8	32.5	32.5

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: February 4, 1997
 Approved by Commissioner: Wilson L. Condon Date: February 4, 1997
 Agency: Department of Revenue

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

Cigarette and Tobacco Tax
CSHB 1
February 4, 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.

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.

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

Cigarette and Tobacco Tax
CSHB 1
February 4, 1997
Page 3 of 5

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.

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 \$300.

Alaska Department of Revenue
Income and Excise Audit Division

Cigarette and Tobacco Tax
CSHB 1
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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

Cigarette and Tobacco Tax
 CSHB 1
 February 4, 1997
 Page 5 of 5

	FY 98*	FY 98	FY 00	FY 01	FY 02	FY 03	FY 04
Cigarettes							
<i>Elasticity Factor</i>	-18.3%	0.0%	0.0%	-21.0%	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	\$46,321,780	\$46,321,781	\$46,321,781	\$61,898,546
Increase to School Fund	\$26,473,810	\$39,710,717	\$39,710,717	\$46,321,780	\$46,321,781	\$46,321,781	\$61,898,546
Tobacco Products							
<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	\$3,591,648	\$5,387,473	\$5,387,473	\$5,632,943	\$5,632,943	\$5,869,609	\$5,869,609
Less 1.0% Commission	(35,916)	(53,875)	(53,875)	(56,329)	(56,329)	(58,696)	(58,696)
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	(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	\$3,697,525	\$3,940,541	\$3,940,541	\$4,174,839	\$4,174,839
Increase to General Fund	\$2,465,016	\$3,697,525	\$3,874,810	\$3,874,810	\$4,006,350	\$4,006,360	\$4,119,043
Cigarette and Tob. Products							
Net Cigarette and Tobacco Tax	\$40,113,479 *	\$60,170,220	\$60,170,220	\$67,701,312	\$67,701,313	\$67,937,978	\$73,571,073
Net Cig. and Tob. Increase	\$28,938,827 *	\$43,408,242	\$43,408,242	\$60,262,321	\$60,262,322	\$60,498,621	\$66,073,385

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

CS FOR HOUSE BILL NO. 1(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES BUNDE, Ivan, Croft, Porter, Hudson

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

- 1 (3) after June 30, 2003, and through June 30, 2006 - 76 1/2 mills;
 2 and
 3 (4) after June 30, 2006 - 76 1/2 mills plus an additional 12 mills
 4 during each succeeding three-year period, the increase to be effective on the first
 5 day of the succeeding three-year period.

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

7 (a) There is levied an excise tax of two and one-half mills on each cigarette
 8 imported or acquired in the state. Each licensee shall, at the time of filing the return
 9 required by AS 43.50.080, pay to the department the excise for the calendar month
 10 covered by the return, deducting one percent of the total tax due, which the licensee
 11 shall retain to cover the expense of accounting and filing returns. Cigarettes upon
 12 which the excise is imposed are not again subject to the excise when acquired by
 13 another person. [THE EXCISE TAX IS LEVIED AT THE FOLLOWING RATES:

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

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

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

20 (4) AFTER JUNE 30, 2006 - 76 1/2 MILLS PLUS AN ADDITIONAL
 21 12 MILLS DURING EACH SUCCEEDING THREE-YEAR PERIOD. THE
 22 INCREASE TO BE EFFECTIVE ON THE FIRST DAY OF THE SUCCEEDING
 23 THREE-YEAR PERIOD.]

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

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

28 * Sec. 4. AS 43.50.190(a) is amended to read:

29 (a) On [THERE IS LEVIED AN EXCISE TAX OF 12 MILLS ON] each
 30 cigarette imported or acquired in this state, there is levied an excise tax at the
 31 following rates:

- 1 (1) on and after the effective date of this bill section and through
 2 June 30, 2000 - 62 mills;
 3 (2) after June 30, 2000, and through June 30, 2003 - 74 mills;
 4 (3) after June 30, 2003, and through June 30, 2006 - 86 mills; and
 5 (4) after June 30, 2006 - 86 mills plus an additional 12 mills during
 6 each succeeding three-year period, the increase to be effective on the first day of
 7 the succeeding three-year period.

8 * Sec. 5. AS 43.50.190 is amended by adding a new subsection to read:

9 (c) At the time of a change in the amount of tax under (a) of this section, the
 10 department shall give public notice of the change. The department shall also provide
 11 notification of the change to all persons licensed under this chapter.

12 * Sec. 6. AS 43.50.300 is amended to read:

13 Sec. 43.50.300. Excise tax levied. An excise tax is levied on tobacco products
 14 in the state at the rate of 100 [25] percent of the wholesale price of the tobacco
 15 products. The tax is levied when a person

16 (1) brings, or causes to be brought, a tobacco product into the state
 17 from outside the state for sale;

18 (2) makes, manufactures, or fabricates a tobacco product in the state
 19 for sale in the state; or

20 (3) ships or transports a tobacco product to a retailer in the state for
 21 sale by the retailer.

22 * Sec. 7. AS 43.50.300 is amended by adding new subsections to read:

23 (b) The amount in (a) of this section changes, as provided in (b) - (d) of this
 24 section, according to and to the extent of changes in the Consumer Price Index for all
 25 urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of
 26 Labor Statistics, United States Department of Labor. The index for January of 1998
 27 is the reference base index.

28 (c) The amount changes on July 1 of each even-numbered year in an amount
 29 equal to the percentage of change, calculated to the nearest whole percentage point,
 30 between the index for January of that year and the most recent index used to change
 31 the amount in (a) of this section. However, the amount does not change if the amount

1 required by (b) - (d) of this section is that currently in effect as a result of earlier
2 application of (b) - (d) of this section.

3 (d) If the index is revised, the percentage of change is calculated on the basis
4 of the revised index. If a revision of the index changes the reference base index, a
5 revised reference base index is determined by multiplying the reference base index
6 applicable by the rebasing factor furnished by the Bureau of Labor Statistics, United
7 States Department of Labor. If the index is superseded, the index referred to in (b) -
8 (d) of this section is the one represented by the Bureau of Labor Statistics as reflecting
9 most accurately changes in the purchasing power of the dollar for Alaska consumers.

10 (e) At the time of a change in the amount of the tax under this section, the
11 department shall promptly give public notice of the change. The department shall also
12 provide notification of a change to all persons licensed under this chapter.

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

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

16 (1) a court enters a final judgment that the amendment made to
17 AS 43.50.090(a) by sec. 1 of this Act changing the rate of taxation on cigarettes violates the
18 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication of
19 the proceeds of a state tax or license; and

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

23 * Sec. 10. **CONDITIONAL RETROACTIVITY OF CERTAIN PROVISIONS.** If secs. 2
24 and 4 of this Act take effect under sec. 9 of this Act, then the amendments to AS 43.50.090(a)
25 and 43.50.190(a) made by secs. 2 and 4 of this Act are retroactive to October 1, 1997, and
26 the revenue derived from the levy of mills per cigarette of the tax levied under
27 AS 43.50.090(a), as amended by sec. 1 of this Act, for cigarettes sold after October 1, 1997,
28 that exceeds two and one-half mills shall be credited to the tax levied under AS 43.50.190(a),
29 as amended by sec. 4 of this Act.

30 * Sec. 11. Sections 1, 3, 6, and 7 of this Act take effect October 1, 1997.

31 * Sec. 12. If secs. 2, 4, 5, and 8 of this Act take effect under sec. 9 of this Act, they take

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

1

adopt

- 1 Page 4, line 23:
- 2 Delete all material and insert:
- 3 ****Sec. 10** CONDITIONAL RETROACTIVITY OF CERTAIN
- 4 PROVISIONS. If secs. 2 and 4 of this Act take effect under sec. 10 of this
- 5 Act, then the amendments to AS 43.50.090(a) and 43.50.190(a) made by
- 6 secs. 2 and 4 of this Act are retroactive to October 1, 1997, and the
- 7 revenue derived from the levy of mills per cigarette of the tax levied
- 8 under AS 43.50.090(a), as amended by sec. 1 of this Act, for cigarettes
- 9 sold after October 1, 1997, that exceeds two and one-half mills shall be
- 10 credited to the tax levied under AS 43.50.090(a), as amended by sec. 4 of
- 11 this Act.
- 12 ***Sec. 11** Sections 1,3,6, and 7 of this Act take effect October 1, 1997 "
- 13 Renumber the following bill sections accordingly.

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1
1

Alaska State Legislature

CHAIR
HOUSE HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE

VICE-CHAIR
HOUSE JUDICIARY COMMITTEE

MEMBER
LEGISLATIVE BUDGET & AUDIT COMMITTEE
HOUSE SPECIAL COMMITTEE ON OIL & GAS
SELECT COMMITTEE ON LEGISLATIVE ETHICS

DURING SESSION
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DURING INTERIM
716 W. FOURTH AVE.
ANCHORAGE, AK 99501-2133
(907) 258-8168


REPRESENTATIVE CON BUNDE

District 18

E-MAIL
Representative_Con_Bunde@legis.state.ak.us

MEMORANDUM

DATE: February 11, 1997

TO: All members of the HESS Committee 

FROM: Representative Con Bunde
Chair, House Health Education & Social Services Committee

RE: Petitions

The House HESS Committee received a package of petitions (70 pages) sponsored by the R.J. Reynolds Company. Michael Elerding, President of the Northern Sales Company of Alaska, Inc. is cooperating with the tobacco companies in their fight against the tobacco tax by distributing these petitions for signature throughout our state.

The petitions forwarded by Mr. Elerding to the HESS Committee will be made part of the permanent record. However, the amount of paper necessary to reproduce this packet for the entire committee and the public is excessive and expensive. Therefore, the packet will be available in the HESS office for any person who wishes to view the information. If you wish to have a copy of the petitions please call Patti Swenson, ext 6824 to make your request.

Thank you for your understanding of our need to conserve our resources.

OPPOSITION

Alaska State Legislature

CHAIR
HOUSE HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE

VICE-CHAIR
HOUSE JUDICIARY COMMITTEE

MEMBER
LEGISLATIVE BUDGET & AUDIT COMMITTEE
HOUSE SPECIAL COMMITTEE ON OIL & GAS
SELECT COMMITTEE ON LEGISLATIVE ETHICS

REPRESENTATIVE CON BUNDE

District 18

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STATE CAPITOL, ROOM 104
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Representative_Con_Bunde@legis.state.ak.us

SPONSOR STATEMENT CSHB 1 (STA)

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

CSHB1(STA) is aimed at Alaskan youth who use tobacco products. Youth smoking and smokeless tobacco use rates in Alaska are higher than the national average. Within Alaska, the highest smoking rate is in the Bush (33%) and the lowest in the urban areas (25%). Nearly 84% of Alaskan adults started smoking between 10 and 20 years of age. In 1995, 36.5% of high school students were identified as current smokers; 23.5% of the high school boys were identified as current users of chewing tobacco.

Youth who use tobacco quickly become addicted to nicotine and most often become long-term users who suffer the long-term health effects of smoking. Withdrawal from nicotine addiction is like withdrawal from other highly addictive substances: difficult and painful. Seventy percent of smokers say they want to quit, and millions try each year, but only 2.5% succeed in any given year. CSHB1(STA) seeks to stop our youth from ever using tobacco, and to decrease the number of adults already using tobacco. CSHB1 (STA), when passed, will move Alaska far ahead of other states in the fight against youth access to tobacco.

There are some enormous health and economic costs which flow from tobacco use. Some of these costs are easy to measure, some are difficult to measure and some are beyond measurement. Getting an idea of these costs can help the move toward health and economic policies that help control tobacco.

The costs that can be easily measured are the costs that involve delivering direct health care services which would not have been needed if tobacco was not used. In 1996 the state collected \$16.7 million in cigarette tax revenues. That same year, the estimated economic impact of smoking in Alaska was over \$194 million in direct health care costs related to smoking and tobacco products. Approximately \$9.8 million of the direct health care costs were paid by state Medicaid. CSHB1(STA) will help recover some of the excessive medical costs created by the use of tobacco.

Other easily measurable costs that have been researched are: the costs of disability, increased illness, fire losses, and forgone income due to early mortality. Tobacco use is the leading cause of death in Alaska. One out of five deaths in Alaska are tobacco related. The U.S. Centers for Disease Control estimates that 18,000 Alaskans currently under the age of 18 will die from tobacco-related diseases if effective action is not taken to end this epidemic. CSHB1(STA) contains a tobacco tax of \$1 per pack and provisions to inflation proof the tax. This tax is the single most effective way to reduce tobacco consumption among children and adults, and thereby prevent premature deaths.

There are some costs related to tobacco use which are more difficult to quantify. There is the work of someone who becomes ill from tobacco usage, the responsibility of trying to replace the work that person does, lack of access to advanced health care that creates a significant burden for an entire family, the illness or premature death of a tobacco user which can prevent their children from getting an adequate education resulting in limited chances for success, as well as, the amount of disposable income devoted to maintaining a nicotine addiction. In some cases a significant portion

House Bill 1
Sponsor Statement

of a family's disposable income is spent on maintaining a tobacco addiction, thereby preventing this money from being spent on improving family nutrition, educational needs, or investment in productive capacity. Not only does this perpetuate the cycle of poverty, but it is a loss to the local economy, since the money goes instead toward the profits of large outside tobacco companies.

There is evidence that the poor quit smoking in larger numbers in response to price increases. Therefore, they will benefit by a tobacco tax increase of \$1 per pack to a greater extent than more affluent socioeconomic groups. Additionally, since the number of children who will start to smoke is clearly inversely related to price, a large tax increase will make it possible to save large numbers of another generation of smokers from tobacco addiction. For every price increase of 10% we can expect to reduce consumption of tobacco products by an equal or greater amount among children and teens. The \$1 per pack tax increase proposed in CSHBI(STA) would reduce youth smoking in Alaska by an estimated 32% and prevent over 5,700 premature deaths among Alaskans currently under the age of 18.

There are costs that are very real but cannot be measured. These include reduced quality of life for the tobacco user, for those affected by second-hand smoke and for those people whose lives are torn apart due to the loss or illness of a loved one. The value of human life and of attaining human potential, cannot be measured in economic terms. But our inability to quantify these aspects of tobacco use should not leave us blind to them. They are by far the largest of the true costs of tobacco industry products.

Legislators in our state have a constitutional duty to provide for the promotion and protection of public health. A \$1 per pack increase in the tobacco tax and the provision to inflation-proof the tax will help ensure a continuous decrease in the use of tobacco products by the youth and adults of Alaska, as well as, promote a continued trend toward decreased health care cost and healthier people.

Finally, a January 1996 statewide survey conducted by Mathematica Policy Research of Princeton, New Jersey found that 74% of Alaskans support an increase of \$1 per pack in the state excise tax on cigarettes. This includes 75% of "conservatives," 75% of "moderates," 73% of "liberal" and 55% of smokers. This legislation had wide public support in 1996 and it still does. CSHBI(STA) is long overdue. I urge the passage of House Bill 1, a fair tobacco tax for all people in Alaska.

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

February 10, 1997

SUBJECT: CSHB 1(STA), increasing taxes on cigarettes and tobacco products -- sectional analysis. (Work Order No. 20-LS0001VE)

TO: Representative Con Bunde
ATTN: Patti Swenson

FROM: Jack Chenoweth
Legislative Counsel 

CSHB 1(STA) generally proposes increases to state-imposed taxes on cigarettes and tobacco products.

Bill section 1: The bill section sequentially increases the tax on cigarettes and, because the changes are made to the rate of a tax that is dedicated, would have the effect of providing for the deposit of the increase into the "School Fund." AS 43.50.140. The increases are as follows:

Between the bill's effective date and June 30, 2000, the per cigarette tax would be set at 52 1/2 mills, a 50 mill rate increase, or an increase of \$1.00 per pack (50 mills x 20 cigarettes per pack = 1000 mills or \$1.00) from the current cigarette tax levy;

Between July 1, 2000, and June 30, 2003, the per cigarette tax would be set at 64 1/2 mills, an additional 12 mill increase, or an additional increase of 24 cents per pack;

Between July 1, 2003, and June 30, 2006, the per cigarette tax would be set at 76 1/2 mills, an additional 12 mill increase, or a further increase of 24 cents per pack; and

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

Bill section 2: Whether the rate imposed in a dedicated tax may be changed without destroying the dedication is debatable. In the event the courts are asked to decide the question and determine that the dedication is destroyed, this bill section is included to restore the current rate of tax for the component that is dedicated for inclusion in the School Fund.

Bill section 3: The bill section amends AS 43.50.090 to add a provision directing the Department of Revenue to give public notice of the cigarette tax rate changes and specific notice of the changes being made under AS 43.50.090(a) to all cigarette tax licensees at appropriate times.

Bill section 4: This is a contingent provision. In the event the changes set out in bill section 1 are found to destroy the dedication, then the tax rate changes are made to current AS 43.50.190(a), a provision that imposes a further tax on cigarettes and that, because the proceeds are not dedicated, adds the increased revenue to the state general fund.

Bill section 5: This is also a contingent provision. The bill section amends AS 43.50.190 to add a provision directing the Department of Revenue to give public notice of the cigarette tax rate changes and specific notice of the changes being made under AS 43.50.190(a) to all cigarette tax licensees at appropriate times.

Bill section 6: AS 43.50.300 levies an excise tax on tobacco products other than cigarettes. The amendment proposed would increase the excise tax on tobacco products other than cigarettes from its current 25 percent of the product's wholesale price to 100 percent of the wholesale price.

Bill section 7: The bill section adds new provisions to AS 43.50.300 that authorize the Department of Revenue to further change the rate of the excise tax on tobacco products other than cigarettes in line with inflation, at two-year intervals, spelling out how the change is to be calculated, and requiring the giving of public notice and specific notice of the change to all tobacco tax licensees at appropriate times.

Bill section 8: The provisions of the new material added by bill section 3 directing the Department of Revenue to give public notice of the cigarette tax rate changes and specific notice of the changes being made under AS 43.50.090(a) to all cigarette tax licensees at appropriate times may be superfluous if the court rules against the tax dedication and AS 43.50.090(a) as amended by bill section 1 is repealed. Under those circumstances, AS 43.50.090(d) is also to be repealed.

Bill section 9: These bill sections spell out the contingency under which certain of the earlier bill sections--bill sections 2, 4, 5, and 8--are to take effect. They are to be given effect only if a court determines that changing the rate of taxation on cigarettes destroys the dedication of tax revenue derived from the cigarette tax.

Bill sections 10 and 11 are effective date provisions. Key tax change provisions are to take effect October 1, 1997; other provisions take effect on the date that contingency identified in bill section 9 occurs.

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 463-3991
Fax: (907) 463-3331

January 29, 1997

MEMORANDUM

TO:

FROM: Paul Brandt 
Legislative Analyst

RE: The Effects of Tax Increases on Tobacco Use by Minors

You asked for information on how tobacco tax increases affect the rate of tobacco use by minors. After a brief summary, this memorandum provides a short review of economic concepts and data sources used by researchers, and then presents the findings of several studies that examine the effects of price increases on tobacco use.

Summary

Experts with whom we spoke cited numerous studies examining the effects of tax increases on tobacco use by minors.¹ Even with an issue as sensitive as tobacco taxes, we found little argument with the fact that increased tobacco costs results in decreased tobacco sales. Tax opponents may argue, however, that control measures such as stricter youth tobacco laws are more effective at reducing teen smoking than increased taxes. Opponents of tax increases also contend that although raising prices decreases cigarette sales, illegal tobacco sales flourish, thus masking any lasting actual decline in smoking rates. Advocates of tax increases point to a review of youth tobacco use by the office of the U.S. Surgeon General, including research accounting for the illegal cigarette sales, which concludes that tax increases provide an immediate and lasting method of controlling smoking. The Surgeon General estimates that a 10 percent price increase results in a 2 to 5 percent decline in cigarette use within the general population and cigarette use

¹Among others, we contacted the American Cancer Society, the American Lung Association, the Centers for Disease Control, the Office of the Surgeon General, the National Conference of State Legislatures, the Tobacco Merchants Association of America, and the Tobacco Institute.

January 29, 1997

Page 2

decreases at least as high, if not significantly higher, among youth.² Additionally, the Surgeon General reports that 86 percent of the overall decrease in youth cigarette use comes from discouraging initiation of new smokers; the remaining 14 percent comes from decreased cigarette use by young people who are already smoking. The 86 percent decline in new smokers is an important point because studies also indicate that more than 80 percent of smokers began smoking before age 18. Stopping young people before they start is often cited by health advocates as a major goal of their anti-smoking campaigns. In fact, the Surgeon General recommends raising prices as a primary measure to control tobacco use by minors because of the scientific evidence showing its great effects. In addition, a recent study, conducted by independent researchers, examines the effects of both tax increases and laws designed to restrict minors' access to tobacco. According to one of the authors, Dr. Frank Chaloupka, tax increases are the single most effective method of reducing youth cigarette use. His study, based on information from 110,000 youths nationwide, finds that tax increases significantly reduce youth smoking rates and that laws designed to prevent minors' access to tobacco are ineffective.

Background

According to David Reaume, former professor of economics at the University of Alaska Southeast, economists use two fundamental economic concepts to examine the effects of price increases on product demand--the *law of demand* and *price elasticity of demand*. The *law of demand* dictates that raising prices causes a decrease in product demand. Economists measure the rate of change using *price elasticity of demand*. Mr. Reaume explained that demand for any product decreases as prices increase but the degree of change is likely to be small for necessities and large for luxury items. He also cautioned that many variables affect product demand and when measuring the amount of change caused by price increases economists must try to account for all factors.

Numerous tobacco-related studies use data collected by the U.S. Centers for Disease Control (CDC) when analyzing the effects of tax increases on youth smoking rates. According to Dana Shelton, epidemiologist for the CDC, it is the way in which researchers use CDC information that is important. Many researchers use sources other than the CDC's data because information obtained by state-sponsored Youth Risk Behavior Surveys comes from random samples of an entire population rather than multiple year studies of specific individuals. After obtaining their own study results, researchers may use CDC data to estimate nationwide results. For example, researchers may contact the same set of teens over a three-year period to determine if tax increases resulted in changes such as quitting, reducing, or starting smoking. Based on these contacts, researchers are able to project how tax increases influence youth smoking rates; they then use

²Studies reviewed by the Surgeon General report a 2.3 to 14.4 percent decrease in youth smoking as a result of a 10 percent increase in price. Many studies report findings exceeding 7 percent.

CDC data to project their findings onto a larger population such as Alaska or the entire United States. Using the same group of teens allows researchers to account for other variables such as the effects of youth smoking laws as well as how tax increases influence tobacco use. According to Ms. Shelton, researchers perform strict analyses to ensure that specific events such as tax increases caused their findings rather than other variables or normal fluctuations within the population. Ms. Shelton cautioned that selecting individual pieces of data from a large work like the CDC's Surveillance Summaries, which includes the results of state Youth Risk Behavior Surveys, and basing conclusions on that information is not a scientifically accepted method of analyzing data and would likely be erroneous.¹

The Effect of Tax Increases on Cigarette Consumption Within the General Population

According to a report by the Surgeon General, numerous studies examining the effects of tax increases on cigarette consumption estimate that raising prices by 10 percent results in a 2 to 5 percent decrease in cigarette use (Attachment A).⁴ The Surgeon General criticizes some studies for failing to model the addictive aspects of consumption and others for failing to account for smuggling of cigarettes between states.

According to Dan Howle of the Tobacco Institute, the problem of illegal cigarette sales is well documented in Canada, as well as other states, following large tax increases. He indicated that Canada's large cigarette tax initially reduced smoking rates, but as illegal tobacco markets developed cigarette use began to rise. In support of his argument Mr. Howle cited a 1996 report by the Tax Foundation. The report concluded that although increased prices resulted in decreased cigarette sales, illegal tobacco sales may mask any actual declines in cigarette use.⁵ Tobacco tax advocates contend that smuggling illegal cigarettes to Alaska would be unprofitable because of shipping costs and the high price of cigarettes in Canada (the only jurisdiction with which we

¹CDC Surveillance Summaries distributes scientific information to public health officials, including information on tobacco consumption by minors. The CDC receives information for Surveillance Summaries from various sources including state Youth Risk Behavior Surveys.

⁴Centers for Disease Control and Prevention, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*, 1994, p. 269-273. The overall range of price elasticity of cigarette demand was between -0.14 and -1.23 (that is, a 10 percent price increase results in a 1.4 to 12.3 percent decrease in cigarette use); the majority of estimates fell within the narrower range of 2 to 5 percent.

⁵The Tax Foundation, *The Effect of Excise Tax Differentials on Interstate Smuggling and Cross-Border Sales of Cigarettes in the United States*, October 1996. The Tax Foundation is a nonprofit, tax exempt organization that relies solely on voluntary contributions for support. They supply fiscal information and analysis to policymakers, business leaders, and the general public.

January 29, 1997

Page 4

share a border). They also contend that Alaska's single Indian reservation on Annette Island is an unlikely source for large quantities of tobacco products and the U.S. Department of Defense could place restrictions on military tobacco sales, as was done in Hawaii, if problems with illegal distribution develop.

The Surgeon General also reviewed studies examining both the effects of illegal smuggling and tax increases. As is the case in other research findings, these studies estimate that a 10 percent price increase leads to a 2 to 5 percent decrease in cigarette use. After reviewing the results of many studies, the Surgeon General concludes that even with differences in data, theoretical modeling, and estimation techniques numerous studies reach one general conclusion--increasing cigarette prices reduces smoking.

The Effect of Tax Increases on Adolescent Tobacco Users

As in the general population, studies reviewed by the Surgeon General show that tax increases cause a significant decrease in youth smoking rates. While the range of findings varied (overall, the studies found that a 10 percent price increase results in a 2.3 to 14.4 percent decrease in cigarette use), many studies estimate that a 10 percent price increase reduces overall youth cigarette use by more than 7 percent.

Researchers examine the overall effect of tax increases on youth smoking by calculating the decrease in cigarette use by those already smoking and determining the number of minors who never start. The Surgeon General reports that 86 percent of the overall decrease in youth cigarette use comes from discouraging initiation of new smokers. The fact that increasing taxes significantly reduces overall cigarette use and decreases the number of new youth smokers leads the Surgeon General to recommend raising prices as a primary control measure.

Dan Howle of the Tobacco Institute contends that tough state laws restricting the sale of tobacco to minors could decrease youth smoking rates without tax increases. He also states that when tax increases create an underground market for tobacco, illegal sales make laws restricting minors' access to tobacco ineffective. As an example, he cites the problems with smuggling experienced in Canada following large cigarette tax increases.

A recent study that compares both the effects of cigarette tax increases and laws limiting youth access to tobacco, however, found that raising prices is a highly effective means of controlling teen cigarette use. This study concludes that laws alone, due to problems of enforcement, have little impact on smoking rates.⁸ In the study, Dr. Frank Chaloupka and Dr. Michael Grossman analyzed data from over 110,000 youths collected during the years 1992, 1993, and 1994

⁸Attachment B is a copy of "Price, Tobacco Control Policies and Youth Smoking" by Dr. Frank Chaloupka and Dr. Michael Grossman.

January 29, 1997
Page 5

(Attachment B).⁷ The study finds that tax increases significantly reduce cigarette use among adolescents and estimates that for every 10 percent price increase the overall youth demand for cigarettes declines 13.13 percent.

Enforcement of Tobacco Laws In Alaska

In Alaska, current state laws restrict sales of tobacco to anyone under the age of 19, make it illegal for minors to purchase, possess or use tobacco, and place restrictions on cigarette vending machines. According to Mary Collins, research analyst for the Division of Alcoholism and Drug Abuse within the Alaska Department of Health and Social Services, the 1996 Alaska Youth Tobacco Purchase Survey found that while 64 percent of merchants statewide refused to sell tobacco products to minors, the remaining 36 percent of merchants sold tobacco to minors. According to Kathleen Mather of the Alaska Department of Public Safety, law enforcement officials issued four citations for illegally selling or giving tobacco to minors in 1996 and seven in 1995. Additionally, minors received 96 citations for illegally possessing or using tobacco in 1996.

.....

I hope this information is helpful for your purposes. Please do not hesitate to call if you have additional questions.

Attachments

⁷Dr. Chaloupka and Dr. Grossman have studied the effects of tax increases on cigarette demand for several years and have prepared a number of research studies on the issue. Dr. Chaloupka is an Associate Professor of Economics at the University of Illinois at Chicago and Dr. Grossman is a Professor of Economics at City University of New York Graduate School.

ASSOCIATION OF ALASKA SCHOOL BOARDS

Advocates for Alaska's Youth

January 20, 1997

The Honorable Con Bunde, Chair
House HESS Committee
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Bunde:

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, during the 1996 AASB Annual Conference, our membership reaffirmed their commitment to a resolution which recommends increasing tobacco taxes in order to reduce the accessibility of tobacco by teens.

We are pleased that you have sponsored a bill (HB 1) which will 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

Advocates for Alaska's Youth

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.

1/20/97

ASSOCIATION OF ALASKA SCHOOL BOARDS

Advocates for Alaska's Youth

SUBJECT AREA: Child and Youth Advocacy

97-4

INCREASE IN TOBACCO TAX

WHEREAS, Alaska has the sixth highest rate of smoking and the sixth highest rate of smoking-related deaths in the nation, 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 Canada reduced the teenage consumption of tobacco by 67% by increasing the tax rates by 11.8%; 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 increased in 1989; and

WHEREAS, a January 1996 statewide survey found that 74% of Alaskans support an increase of \$1 per pack in the state excise tax on cigarettes, 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 by an additional \$1.00 per pack (to be indexed yearly to inflation) and an increase on other tobacco products by an additional 75%.

BE IT FURTHER RESOLVED that the Association of Alaska School Boards supports the direction of funds raised under this tax to go towards prevention efforts.

SUBJECT AREA: Child and Youth Advocacy

97-5

ACCESS TO TOBACCO PRODUCTS

WHEREAS, nicotine is an addictive drug and has been proven to be harmful to children; and

WHEREAS, the average teenage smoker starts at 14 1/2 years old and becomes a daily smoker before the age of 18; and

WHEREAS, studies show that if people do not begin to smoke as teenagers or children, it is unlikely they will ever do so; and,

WHEREAS, each and every day, another 3,000 young people become regular smokers, and nearly 1,000 of them will eventually die as a result of their smoking; and

WHEREAS, children tend to vastly underestimate the likelihood that they will become addicted to nicotine; and

WHEREAS, a 1994 Surgeon General's report found that young people were able to buy cigarettes in vending machines an average of 88% of the time; and

WHEREAS, Alaska state law prohibits the use of tobacco by minors;

NOW THEREFORE BE IT RESOLVED that the Association of Alaska School Boards seeks legislation to strengthen penalties for illegal sale of tobacco products to minors; and

BE IT FURTHER RESOLVED, that AASB seek legislation to further reduce access to tobacco vending machines by minors; and

BE IT FURTHER RESOLVED that AASB support vigorous enforcement of laws concerning the sale, use, and possession of tobacco-related products by children and adolescents.

ASSOCIATION OF ALASKA SCHOOL BOARDS

Advocates for Alaska's Youth

SUBJECT AREA: Child and Youth Advocacy

97-6

PRESERVING THE RIGHTS OF LOCAL GOVERNMENTS TO REGULATE TOBACCO

WHEREAS, there is a movement in the United States to enact laws which preempt local governing bodies from adopting or enforcing any ordinance, rule, or regulation concerning the sale, distribution, advertising, display, or promotion of cigarette or tobacco products, and

WHEREAS, preemption would limit the authority of boroughs, cities and villages, and

WHEREAS, local ordinances are more likely to give the citizens a sense of ownership or loyalty to regulations, ultimately resulting in changed social norms related to the specific issue addressed; and

WHEREAS, former US Surgeon General C. Everett Koop has called preemption "nothing more than a devious strategy conceived by the tobacco industry to keep your communities, and therefore your people, from becoming more involved in critical tobacco prevention efforts," and

NOW THEREFORE BE IT RESOLVED that AASB supports the right and authority of local governments to enact their own restrictions on alcohol and tobacco; and

BE IT FURTHER RESOLVED that AASB supports local governments' home rule to use their zoning, planning, and other local police powers to control alcohol and tobacco problems, including advertising and access.

Citizens To Protect Kids from Tobacco

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

January 8, 1997

The Honorable Con Bunde
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801

Dear Representative Bunde:

Those of us working on the tobacco tax campaign would like to wish you a happy and productive new year and let you know that we look forward to working with you in 1997 to save thousands of lives in the years ahead.

Tobacco issues continue to make headlines in Alaska and around the country, with frequent news stories about proposed FDA regulation of tobacco and implementation of the Synar Amendment by state governments. This letter is intended to clarify that while such efforts are worthwhile, a major tobacco tax increase (\$1 per pack) is clearly the most effective tool we have to reduce tobacco use.

There is no "silver bullet" for ending the tobacco epidemic. A comprehensive approach that includes tax increases, media campaigns, innovative school programs, advertising restrictions, clean indoor air laws, and enforcement of youth access laws should be our goal.

The \$1 per pack tobacco tax increase must be the cornerstone of a comprehensive tobacco control strategy, and should be enacted first. In a report produced by a panel of experts, the National Cancer Institute concluded that "few measures exhibit the speed and magnitude of impact achieved by increasing taxation on tobacco products... Increasing tobacco excise taxes must be considered an essential and primary component of any comprehensive tobacco control program." The \$1 per pack tobacco tax increase will have immediate and dramatic impact on youth smoking and smokeless tobacco rates in every community in the state, without creating any financial drain on the state budget.

While there should be continuing efforts to enforce existing laws against selling tobacco to minors, reducing youth access to tobacco is easier said than done. The goal of the Division of Alcoholism and Drug Abuse is to increase vendor compliance to 80% (from the current rate of 64%), in keeping with the provisions of the federal "Synar" law. However, recent research conducted in Massachusetts shows that even when 80% of stores refuse to sell to minors, kids can still buy tobacco products. The researchers concluded that "compliance rates above 90% must be achieved before the youths in the community begin to have difficulty purchasing tobacco." While this is a worthwhile goal that we support, it is unlikely that we will be able to achieve it any time soon.



Alaska Native
Health Board



Likewise, restricting tobacco sales to liquor outlets only, as some have proposed, makes a lot of sense but will be extremely difficult to achieve. Convenience stores typically make more than half their profits from tobacco sales. Any change in the law will be met with extreme resistance, with the tobacco industry providing financial support to the opposition. Again, the best option to reduce teen smoking is to pass the \$1 per pack tobacco tax increase.

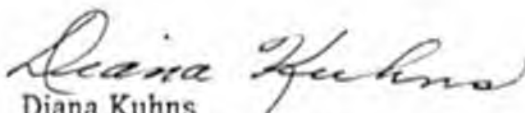
While valuable as part of a comprehensive effort, FDA regulation of tobacco products will not adequately address the tobacco epidemic in Alaska. Even if the regulations are implemented, they will not have the kind of dramatic impact on youth smoking that can be achieved through a major tobacco tax increase.

The proven effectiveness of tobacco taxation, the strong public support for the tax, and the fact that there is no cost to state government are all reasons to support the proposed \$1 per pack tax increase in Alaska. As the *Alaska Journal of Commerce* stated in an editorial last summer:

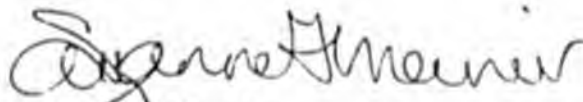
We can save thousands of lives in Alaska by protecting our kids from tobacco, and the best way to do that is to increase the state cigarette tax. . . . It should be an easy choice and a no-lose situation. We can decrease the deaths from smoking while decreasing the dollars taken from the state savings account to support the budget, and we can reduce our future expenditures on health care.

Please feel free to contact us for more information. We look forward to talking with you soon.

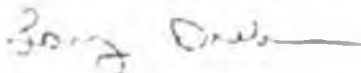
Sincerely,



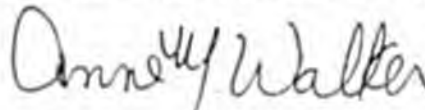
Diana Kuhns
Chief Operating Officer
American Cancer Society (Alaska)



Suzanne Meunier
Executive Director
American Heart Association (Alaska)



Larry Dickerson
Executive Director
American Lung Association (Alaska)



Anne M. Walker
Executive Director
Alaska Native Health Board

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 18.¹
- The average age when people first try smoking a cigarette is 14.5 years.²
- Nearly 84 percent of Alaskan adults started smoking between the ages of 10 and 20 years old.³
- Seventy-three percent of daily teen smokers who think they won't be smoking in 5 years are still smoking 5 years later.⁴
- Seventy percent of teen smokers say that given the chance to do things differently, they wouldn't have started smoking.⁵
- Eighty percent of teen smokers want to and have tried to quit. Only 1.2% succeed.⁶

▶ **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 1993.⁷
- 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.⁸

¹Centers 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.

²Centers for Disease Control and Prevention, 1994.

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

⁴Centers for Disease Control and Prevention, 1994.

⁵Gallup Organization, 1992.

⁶Teenage Attitudes and Practices Survey, 1993.

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

⁸Alaska 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.⁹
 - 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.¹⁰

- ▶ **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.¹¹

- ▶ **Young people tend to use vending machines more than the general smoking public. Vending machines are more popular among the youngest adolescents.¹²**
 - 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.¹³
 - Nine studies of vending machine sales found the (average-weighted) rate of illegal sales was 88 percent.¹⁴
 - 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.¹⁵

⁹Institute of Medicine. 1994.

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

¹¹Centers for Disease Control and Prevention. 1994.

¹²Centers for Disease Control and Prevention. 1994.

¹³Automatic 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.

¹⁴Centers for Disease Control and Prevention. 1994.

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

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

- ▶ **Adults are another important source of tobacco for minors.**
 - Several studies document that between 17 and 25 percent of adolescents obtain tobacco from their parents or guardians.¹⁶

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.¹**

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.²
 - 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.³
 - Nearly 84 percent of Alaskan adults started smoking between the ages of 10 and 20 years old.⁴
- ▶ **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.⁵**
 - Twenty-seven percent of 12th grade females and 18 percent of 12th grade males report that they smoked cigarettes every day.⁶
 - 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%).⁷

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

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

³Alaska Division of Public Health, October 1994.

⁴Alaska Division of Public Health, October 1994.

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

⁶Alaska Department of Health and Social Services, May 1990.

⁷Alaska Department of Health and Social Services, May 1990.

Tobacco: Its Prevalence and Impact (page 2)

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%).⁸

- ▶ **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.⁹**
 - Eighteen percent of Alaskan 12th grade males and 5 percent of 12th grade females report using smokeless tobacco on a daily basis.¹⁰
 - 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.¹¹

- ▶ **One-third of high-school-aged adolescents in the United States smoke or use smokeless tobacco.¹²**
 - 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.¹³
 - Use of smokeless tobacco among high school males has become markedly more prevalent over the last two decades.¹⁴

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

⁹Alaska Department of Health and Social Services. May 1990.

¹⁰Alaska Department of Health and Social Services. May 1990.

¹¹Alaska Department of Health and Social Services. May 1990.

¹²Centers for Disease Control and Prevention. 1994.

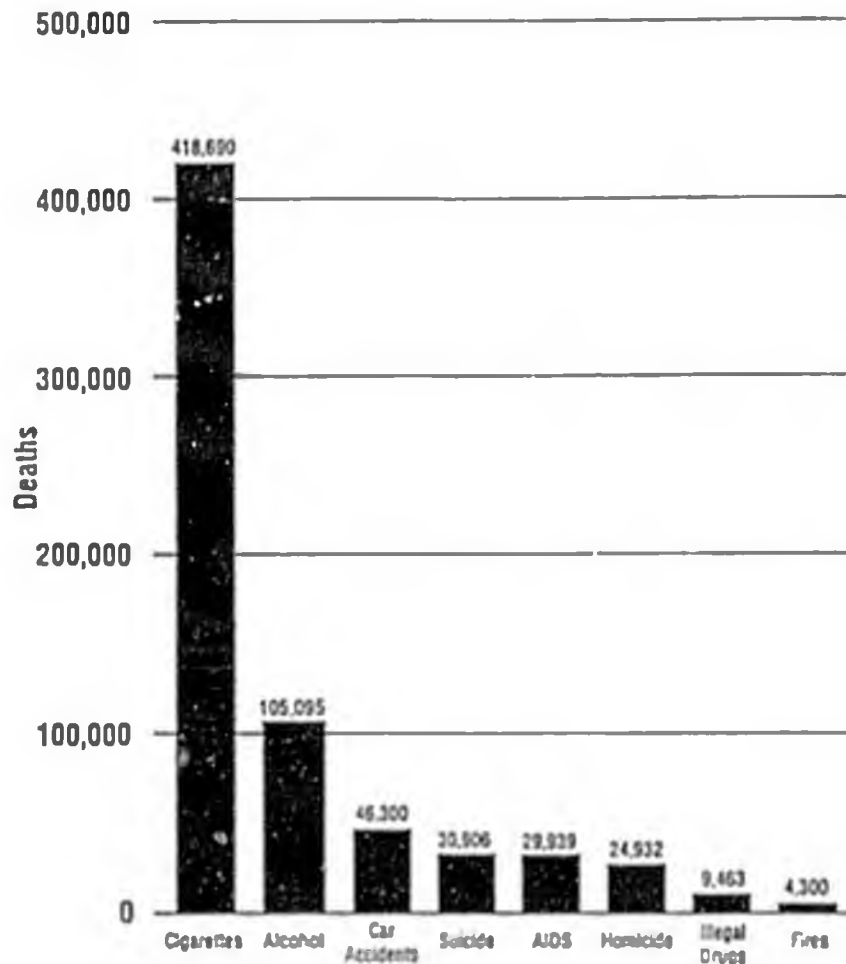
¹³U.S. Department of Health and Human Services. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 1994.

¹⁴Centers 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.¹⁵



- ▶ 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.¹⁶

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

¹⁶Alaska 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)

- ▶ 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.¹⁷
 - Smoking accounts for 21 percent of all coronary heart disease deaths, 87 percent of lung cancer deaths, and 30 percent of all cancer deaths.¹⁸

- ▶ 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.¹⁹

- ▶ 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.²⁰
 - 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.²¹

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.²²

- ▶ For every eight smokers killed as a result of smoking-related illnesses and disease, one non-smoker dies from exposure to environmental tobacco smoke.²³

¹⁷Alaska Division of Public Health. October 1994.

¹⁸Alaska Division of Public Health. October 1994.

¹⁹Alaska Division of Public Health. October 1994.

²⁰Centers for Disease Control and Prevention. 1994.

²¹Centers for Disease Control and Prevention. 1994.

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

Tobacco: Its Prevalence and Impact (page 5)

- ▶ 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.²⁴
- ▶ 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.²⁵
- ▶ 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.²⁶

ECONOMIC IMPACTS OF TOBACCO USE

- ▶ Smoking costs the American public over \$100 billion each year in health care costs and lost productivity.²⁷
- ▶ In Alaska, the estimated total cost attributed to smoking in 1991 was \$1276 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.²⁸



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.

²⁴U.S. Environmental Protection Agency, 1990.

²⁵Alaska Division of Public Health. *Alaska Cancer Control Plan*. Anchorage, AK: Section of Epidemiology, January 1994.

²⁶U.S. Environmental Protection Agency. *Passive Smoking of Environmental Tobacco Smoke*. Washington, D.C.: U.S. Environmental Protection Agency, 1993.

²⁷U.S. Environmental Protection Agency. *Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Disorders*. EPA/600/6-90/006F, December 1992.

²⁸Office of Technology Assessment, U.S. Congress. "Smoking-Related Deaths and Financial Costs," November 1993.

²⁹State 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.

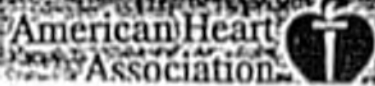
The 1994 U.S. Surgeon General's report *Preventing Tobacco Use Among Young People* affirms that increasing tobacco taxes will have a strong impact on children because they are more price sensitive than adults. As stated in the report: "...the large amount of empirical literature [indicates that increased] 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.² 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 1993.³ On average, each pack of cigarettes smoked is directly responsible for more than \$3.90 in national health care costs and lost productivity.⁴ 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.⁵

❖ 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."⁶ The death and disability caused by tobacco is a non-partisan issue.



CITIZENS TO PROTECT KIDS FROM
TOBACCO

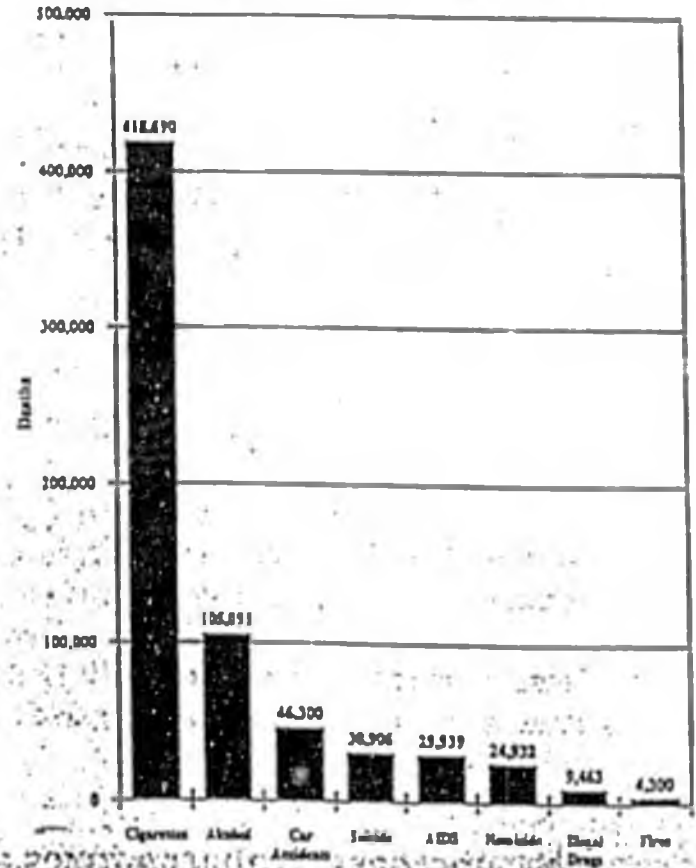
of Alaska

Nothing Kills Like Tobacco

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

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

❖ "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."¹⁰



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.¹¹ One out of five deaths in Alaska are attributed to smoking.¹²

❖ 84% of Alaskan adults smokers started smoking between the ages of 10 and 20.¹³

8. 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 1987.

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

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

11. Alaska Department of Health and Social Services, "Bulletin," (Juneau: Alaska Department of Health and Social Services, Section of Epidemiology, 10 November 1995).

12. C. Everett Koop, "A Tax That's Good For You," *The Washington Post* (September 21, 1993).

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

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

15. U.S. Department of Health and Human Services, "Children and Tobacco: The Facts," August 10, 1995.

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

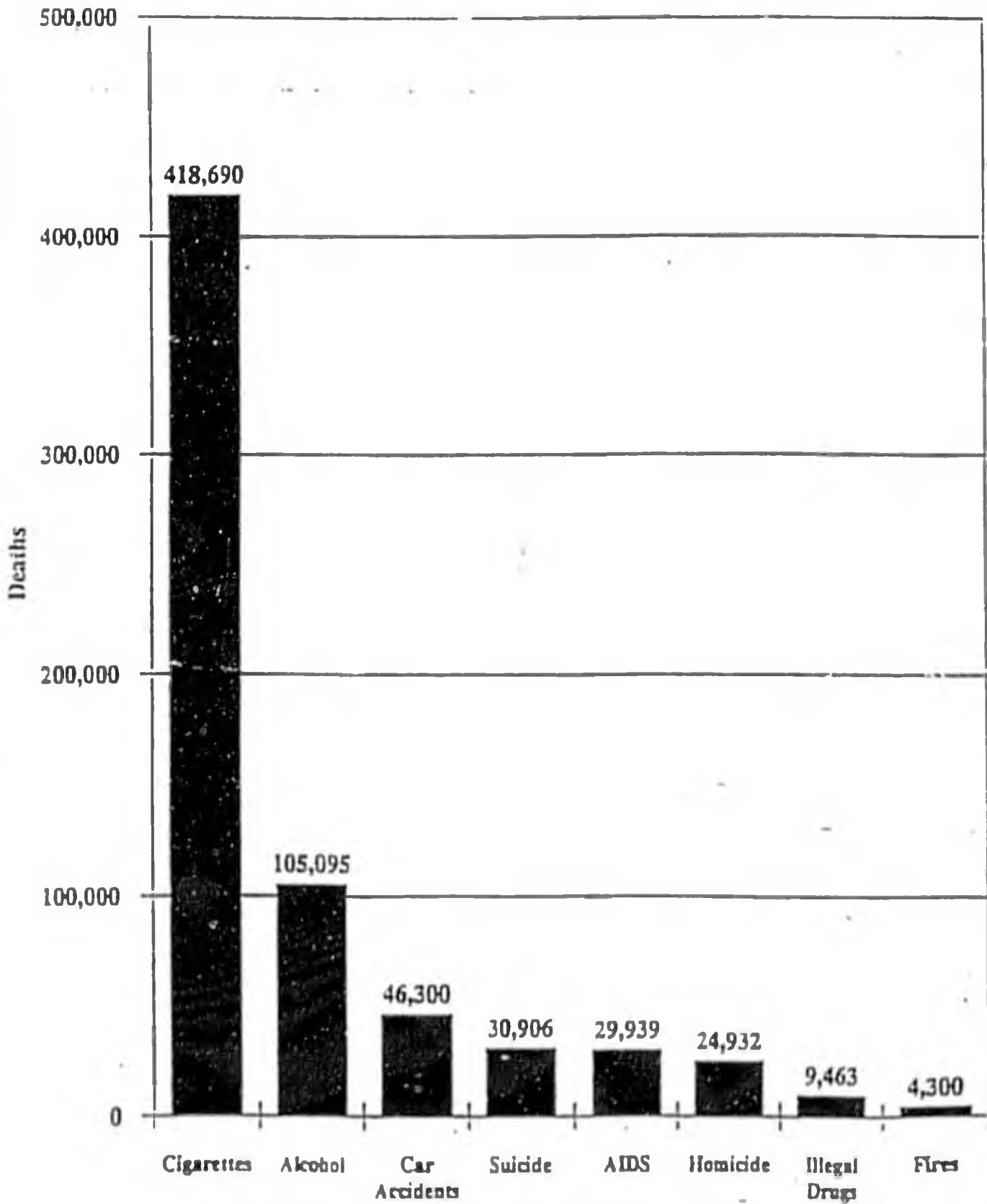
17. U.S. Centers for Disease Control and Prevention, *Morbidity and Mortality Weekly Report*, Vol. 43, No. 55-1, June 10, 1994.

18. Alaska Division of Public Health, "Bulletin," (Juneau: Alaska Division of Public Health, Section of Epidemiology, Bulletin No. 23, November 1995).

19. Alaska Division of Public Health, *Alaska Behavioral Risk Factor Survey: 1992 Annual Report*, (Juneau, AK: Alaska Division of Public Health, October 1994).

20. Page 21.

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



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

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

Health-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.

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. ☺

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

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

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

cigarette smoking--United States 1993. MMWR 1994;43:469-472.

12. Alaska Bureau of Vital Statistics: 1993 Annual Report. Alaska Division of Public Health.
13. Alaska Behavioral Risk Factor Surveillance Survey 1992 Annual Report. Alaska Division of Public Health.
14. Giovino GA, Hemmingfield JE, Tomar SL: Epidemiology of tobacco use and dependence. Epidemiol Rev 1995;17:1-65.
15. Federal Register, August 11, 1995. Regulations restricting the sale and distribution of cigarettes and smokeless tobacco products to children and adolescents: proposed rule

Table 5.
Economic Costs of Smoking in Alaska: Estimates for 1993

Smoking related direct costs*	\$96,490,000
Smoking related indirect mortality costs**	\$183,300,000
Smoking related indirect morbidity costs**	\$15,940,000
Total smoking related costs	\$295,730,000

21,617,000
194,017,000

- * Calculation of direct costs based on 6.13% of total medical care costs for Alaska for 1993 (\$1,573,000,000)
- ** Indirect mortality costs calculated using SAMMEC with a 3% discount rate and 1990 earnings data

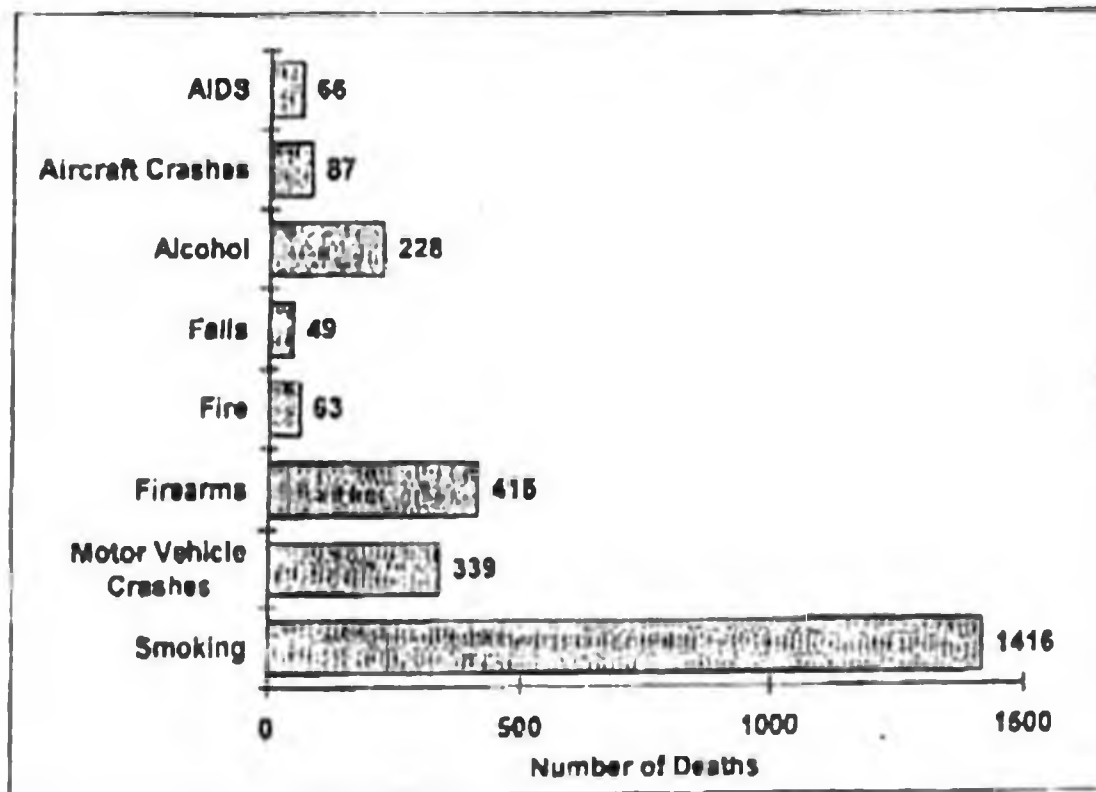


Figure 1. Alaska Resident Deaths by Selected Cause - 1992-94. Mortality Data for Alaska Residents 1992-94, provided by the Bureau of Vital Records, Alaska Division of Public Health. ICD-9 Codes: Aircraft crashes: 840-845; AIDS 42-44; Alcohol 291, 303, 305, 357.5, 535.3, 425.5, 790.3, 860, 571.0-571.3; Falls 880-888; Fires 890-899; Firearms 922, 955, 965, 970, 985; Motor vehicle crashes 810-825

*Smoking Attributable Mortality and Economic Costs in AK
1992-1994*

Excise Taxes and Preventing Tobacco Use In Young People

by David Sweanor

We 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 survey¹ 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 Sweanor is Legal Counsel for the Non-Smokers' Rights Association of Canada.

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

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

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

We need to keep them out.

Cigarette Prices and Young People

Evidence from the United States² has suggested that every 10% increase in the real (i.e., after inflation) price of cigarettes leads to roughly a 10% reduction in tobacco use among teenagers. This evidence, which has existed for at least a decade, led some of us in Canada to decide to focus on tax increases as an integral part of our approach to tobacco control.

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

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

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

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

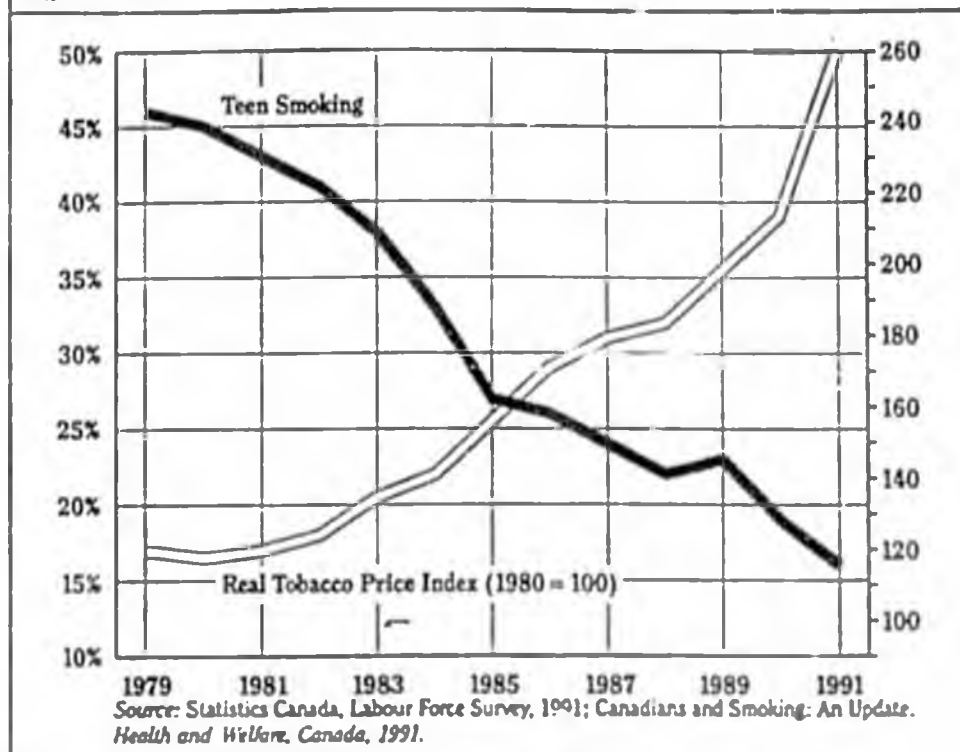


Figure 2: Tobacco taxation in the United States—average cigarette tax as a % of retail price

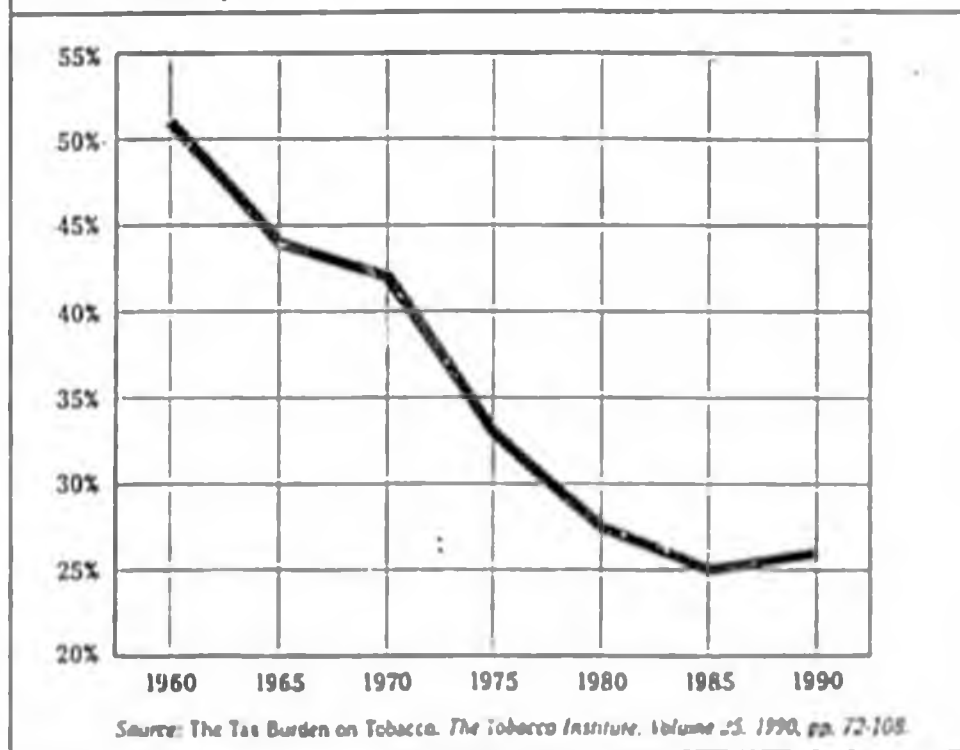
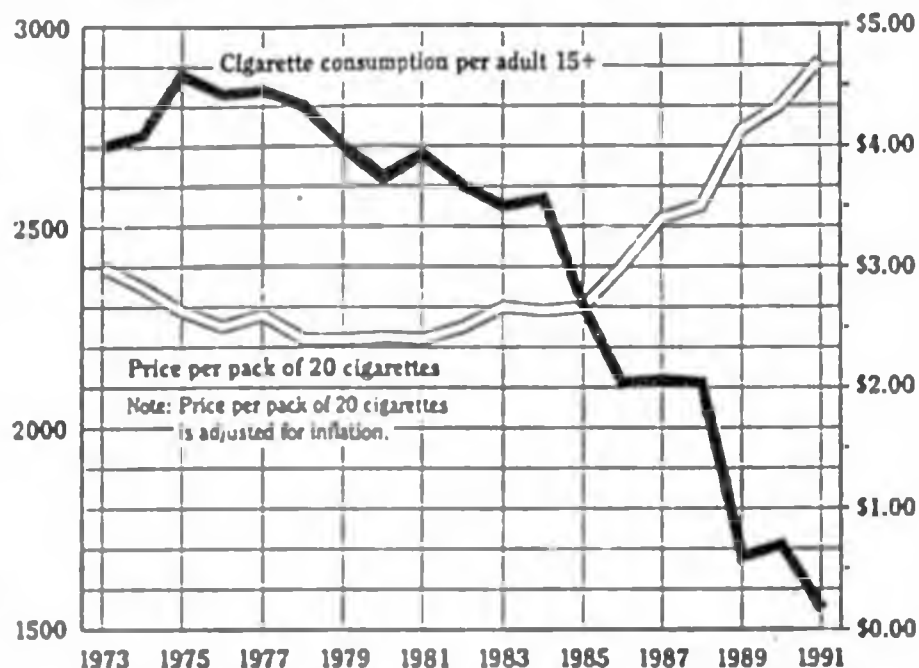


Figure 3: Cigarette consumption versus pack price—New Zealand, 1973-1991



Source: Langsden 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 study³ found that the price sensitivity of Canadian teenagers is much in line with what the US studies had suggested.

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

How Can We Use This Information?

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

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

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

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

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

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

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

Obstacles to Action

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

start—or quit—as the price rises.

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

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

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

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

Conclusion

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

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

tobacco sales.

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

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3. Roberta Ferrucci, et al. *Effects of Pricing on Cigarette Use Among Teenagers and Adults in Canada 1980-1989*. Addiction Research Foundation, Toronto, February 1991.

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.

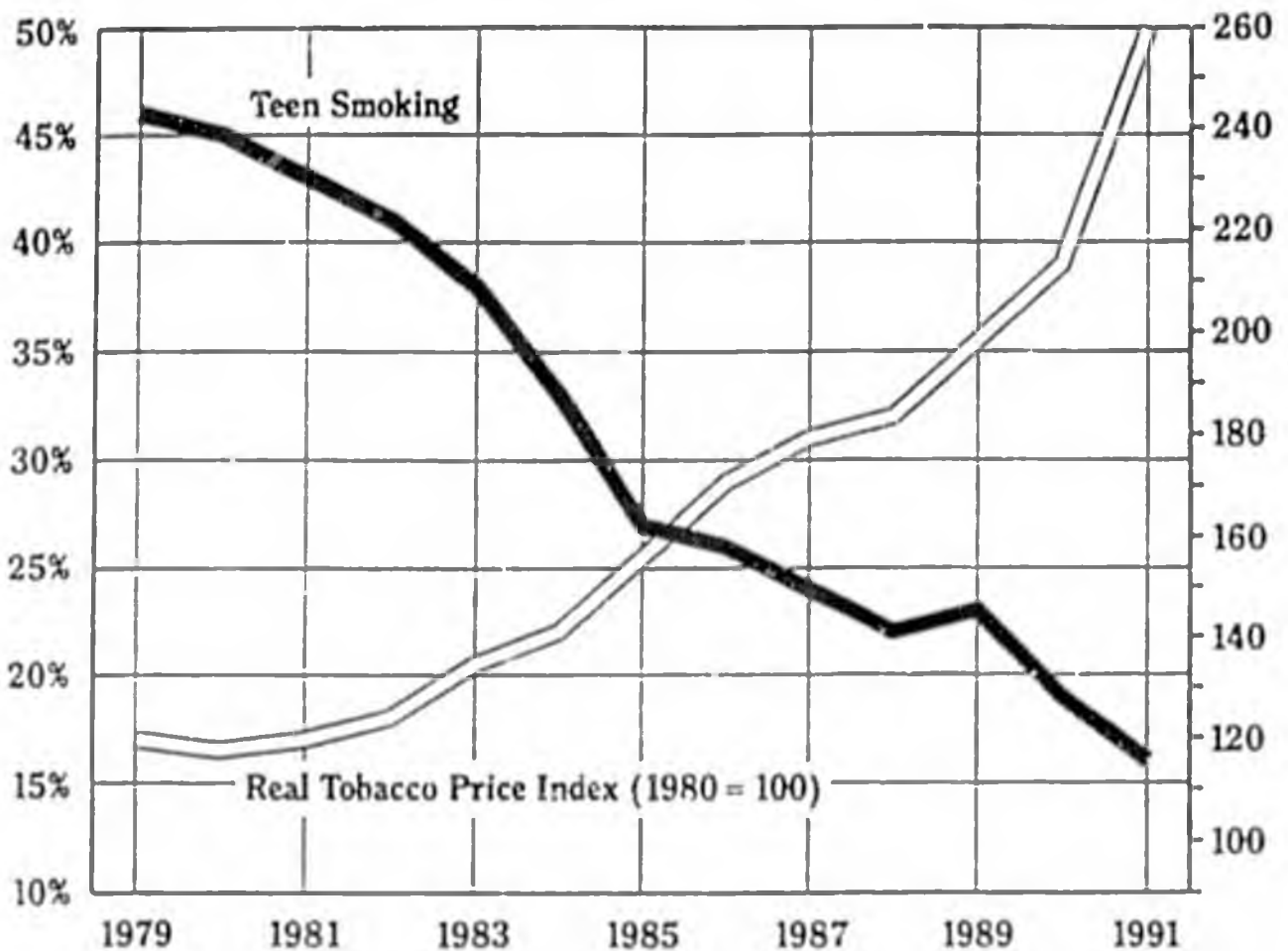
This relationship between price and consumption can be seen in more than academic studies. One of the best ways to illustrate it is to take the historical per capita consumption data presented at page 6 of The Tax Burden on Tobacco and the average price of a pack of cigarettes from 1954 to 1994 (pages 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.

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

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

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



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Bulletin No. 1 January 12, 1996

Smoking Related Mortality in Alaska: 1992-94

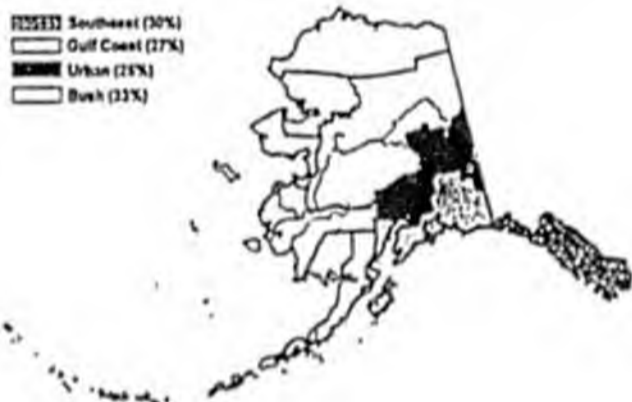
Cigarette Smoking in Alaska

Alaska has one of the highest smoking prevalence rates in the United States. Alaska's smoking rates are similar to those found in Nevada and in the tobacco-growing states¹. Alaska Natives have even higher smoking rates (Table 1). The highest smoking prevalence is found in the Bush region, and the lowest in the Urban region (Figure 1).

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

	Alaska Native ⁴	All Races ¹
Men	46.5%	28.1%
Women	39.3%	25.0%

Figure 1. Smoking Prevalence in Alaska²

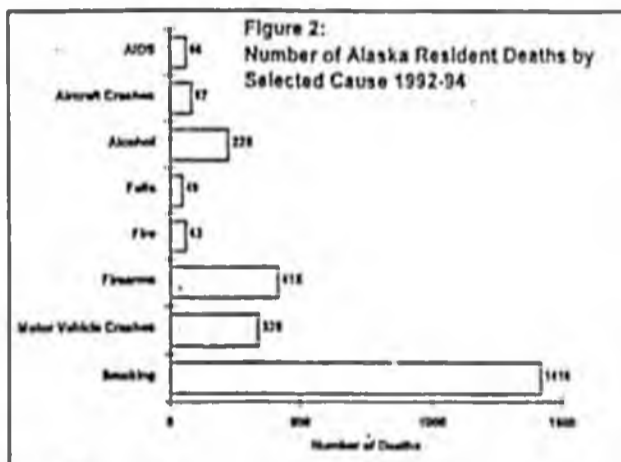


Deaths to Alaska Natives from Smoking

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 Alaska⁷.



Summary

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

Tobacco is considered the leading preventable cause of death in the United States⁸. The majority of smokers began smoking before 18 years of age⁹. In the U.S., by the 1980's, almost no regular smoking began after the age of 18⁹. 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 cigarettes¹⁰. Additional tobacco cessation efforts include developing and enacting strong policies for clean indoor air, increasing excise taxes and increasing educational efforts.

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 States⁴. 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 deaths³. Smoking also results in deaths in the perinatal period because it causes low birth weight infants and preterm delivery.

Using software provided by CDC⁵, 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 ⁶	Smoking Related Deaths ³	Percent Smoking Related
Cardiovascular	2,010	533	26.5%
Cancers	1,655	546	33.0%
Respiratory	503	260	51.7%
Perinatal (<12 mos)	204	14	6.9%
Total	7,159	1,416	19.8%

Smoking Related Mortality Among Men and Women in Alaska

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

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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 18.¹

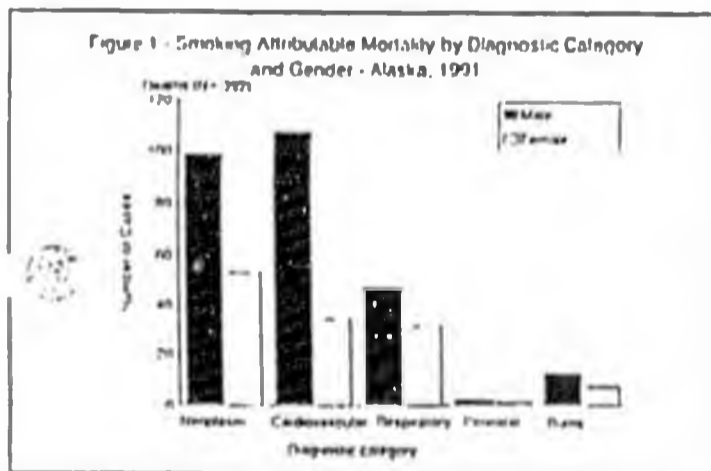
Cigarette smoking has substantial impact on mortality in Alaska. Every day an Alaskan dies due to smoking-attributable causes.

To estimate the impact of cigarette smoking in Alaska in 1991, we used the Smoking-Attributable Mortality, Morbidity, and Economic Cost (SAMMEC) software² 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 ≥ 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 debilitating 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 ≥ 35 years of age. This is equivalent to \$220 per Alaskan ≥ 35 years of age or \$941 per current smoker ≥ 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 ≥ 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 1989.³ 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 costs⁴ 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:

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Tobacco Tax Bill Analysis

**Presentation to the
20th Alaska Legislature**

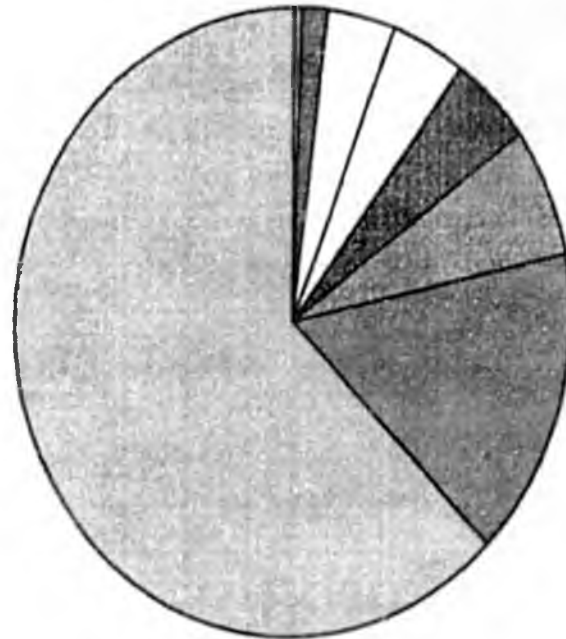
Tobacco Usage

- Tobacco usage is the number one cause of preventable death and disease in the US, accounting for more than **419,000** deaths each year.
- **23%** of deaths of Alaskans 35 years of age or older in 1991 were **attributable to smoking.**

Health Impact of Smoking

Number of Deaths in USA

Cigarette
Smoking 418,690

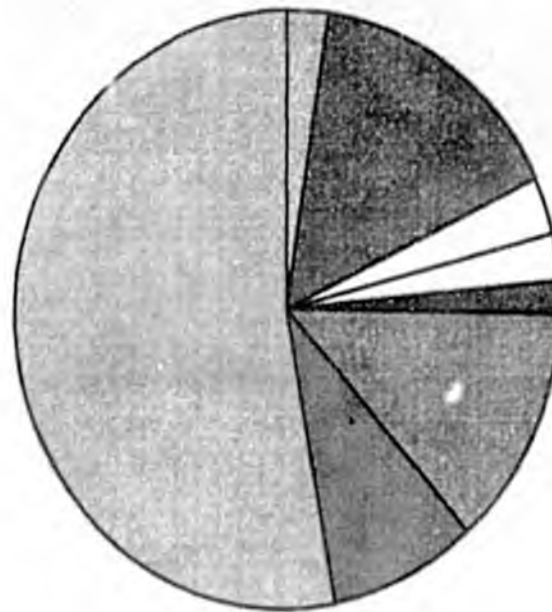


- Fires
- Illegal Drugs
- Homicides
- AIDS
- Suicides
- Mot. Veh. Accidents
- Alcohol
- Cigarette Smoking

Health Impact of Smoking

Number of Deaths in Alaska

Cigarette
Smoking 1,416



- Fires
- Firearms
- Aircraft crashes
- AIDS
- Falls
- Mot. Veh. Accidents
- Alcohol
- Cigarette Smoking

Youth Tobacco Usage

- **83%** of adult smokers report that they started smoking before the age of 20.
- **21%** of Alaskan high school students reported they regularly smoked in the last month.
- **25%** of Alaskan middle school students reported smoking at least one cigarette in the last month.

Youth Tobacco Vendors Survey

- **64%** of Alaska tobacco merchants complied with tobacco restriction laws in 1996.
- The federal government mandates an **80% compliance rate** by the year 2000 under the Synar Amendment.
- Tobacco vendors refused to sell to 14-15 year olds **71%** of the time, while 16-17 year olds were refused **58%** of the time.

Alaska Native Tobacco Use

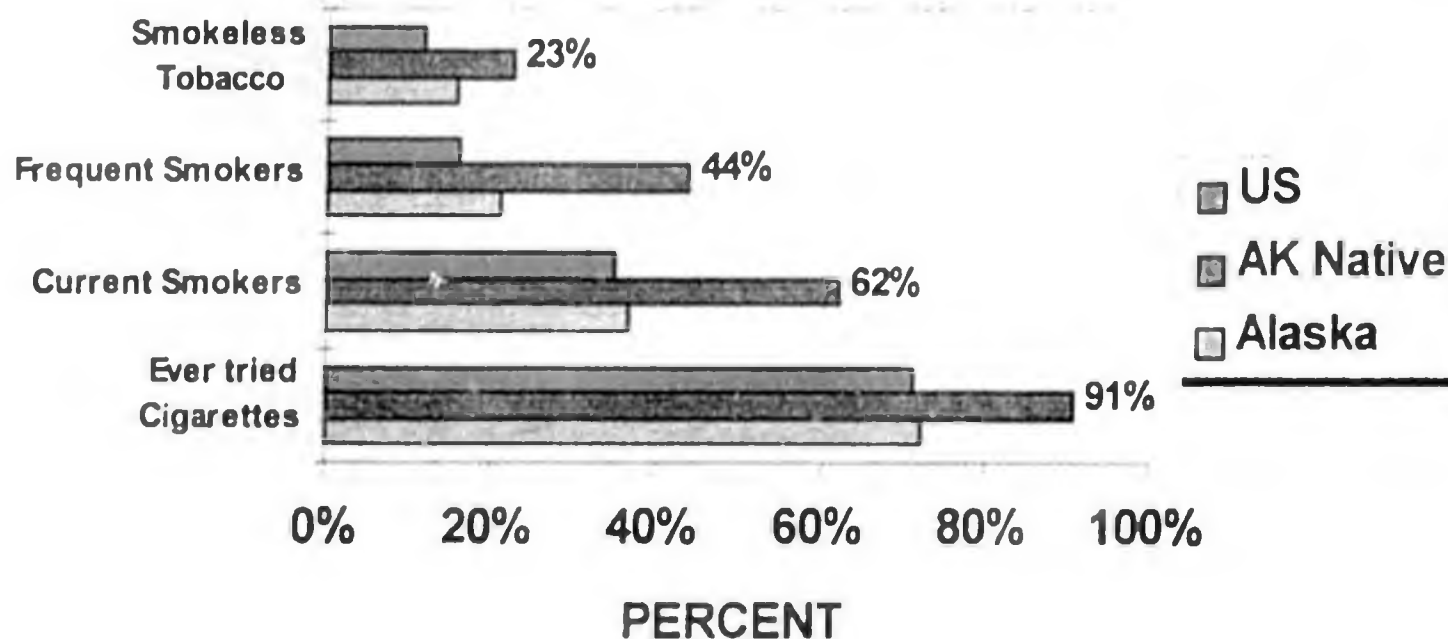
- Today Alaska Natives have some of the highest rates of tobacco use in the world, **47% for men and 39% for women.**
- Alaska Natives account for **23% of smoking related deaths** while they account for **17% of the state's population.**

Alaska Native Tobacco Use

- Alaska Natives have the **highest cancer mortality rate** of any Indian Health Service Area.
- The lung cancer death rate among AK Native women is **three times** the national average.
- Tobacco use among Alaska native youth is higher than non-native youth.

Alaska Native Tobacco Use

Tobacco Use Among High School Students
Alaska and US
1995



Alaska Native Tobacco Use

- 41% of Alaska Native boys and 32% of Alaska Native girls were using smokeless tobacco weekly.
- Among the boys, 45% started using tobacco before the age of 8.

Health Related Costs of Smoking, A Drain on the Economy

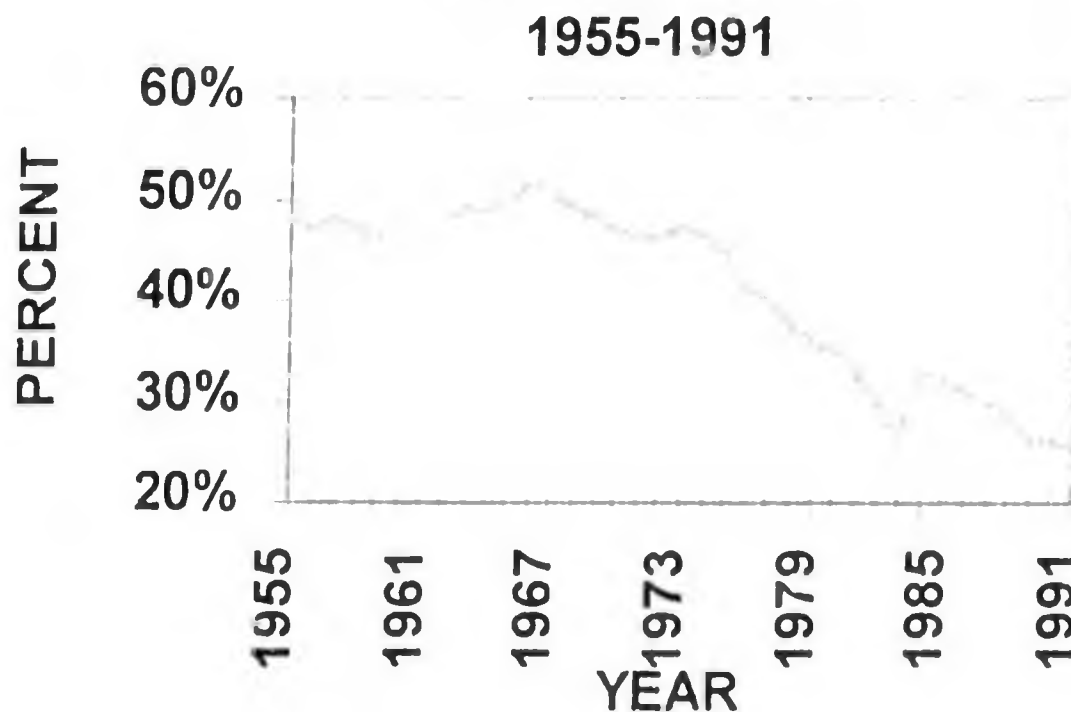
- Total direct medical costs for smoking related illnesses for Alaskans aged 35 years or older in 1993 was **\$96.5 million**.
- **\$23 million** of the direct medical care costs for smoking related illness was paid by **Medicaid** in Alaska.
- Meanwhile, the state collected only **\$15.6 million** in cigarette tax revenues in 1993 (excludes taxes on smokeless tobacco).

Alaska Tobacco Tax History

- The state of Alaska has taxed tobacco since territorial days, when a 5 cents per pack tax was levied on cigarettes to help fund school construction.
- The current tax level of 29 cents per pack has been in place since 1989.
- In 1989 Alaska ranked 17th among the 50 states and District of Columbia on the amount of tobacco tax levied.
- Currently Alaska is ranked 28th among the states on tobacco taxes levied.

Tobacco Taxes in the US

Tobacco Taxation in the US
Average Cigarette Tax as a Percentage
of Retail Price



Impact of Tobacco Taxes

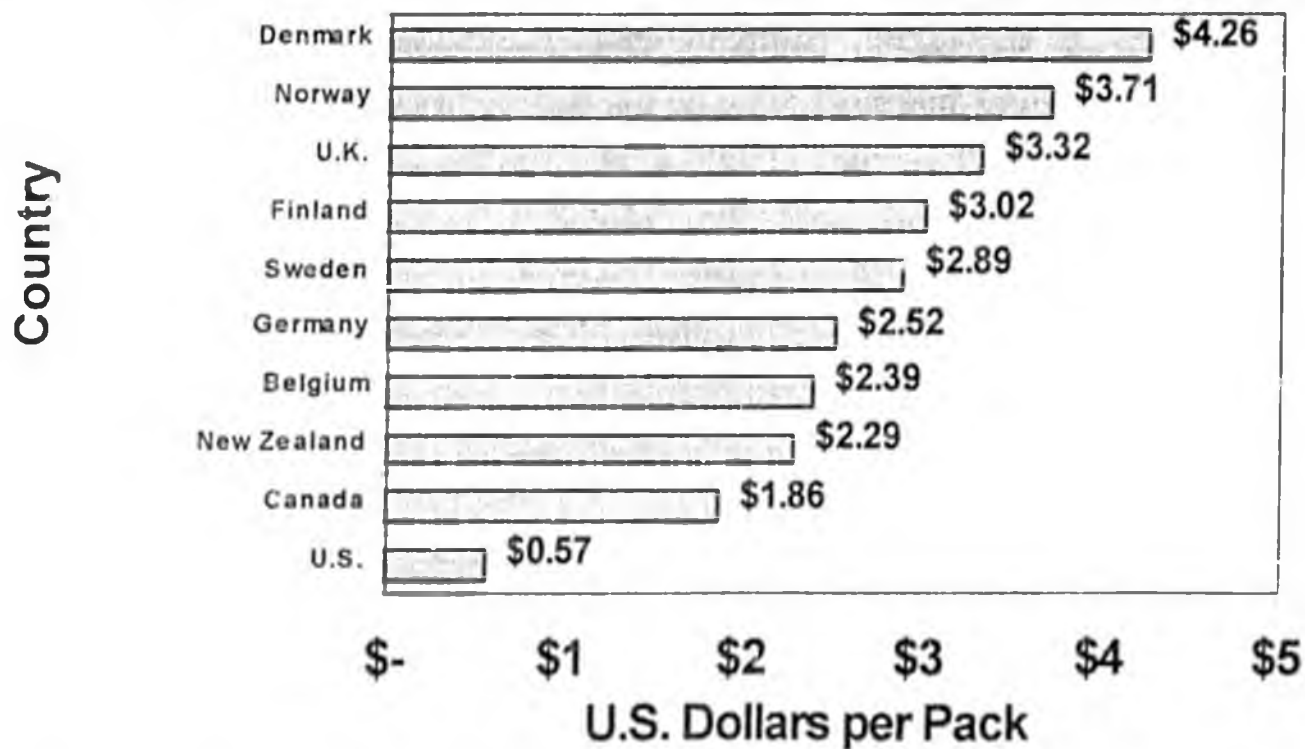
- For every 10% increase in tobacco prices, youth tobacco consumption will fall by at least 10%.
- For every 10% increase in tobacco prices, general consumption will fall by 4%.
- At **current teen smoking rates**, approximately **18,000** of Alaskans currently under the age of 18 will die prematurely of a tobacco related illness.

Impact of Tobacco Taxes

- A \$1.00 per pack tax increase would reduce youth smoking in Alaska by an estimated 32%.
- The tobacco tax would prevent 5,700 premature deaths among Alaskans currently under the age of 18.

Tobacco Tax Rate Comparison

Taxes on Cigarettes
in Major Industrialized Nations
March 22, 1995



The Time is Right

- The groundwork is in place.
- There is broad public support. 75% of Alaskans surveyed support the \$1.00 per pack tax.
- This included: 75% of “conservatives”, 75% of “moderates”, 73% of “liberals” and 55% of smokers.

Community Support

- The tax is also supported by: C. Everett Koop, MD., former Surgeon General, 280 individuals and over 50 organizations that make up the **Alaska Tobacco Control Alliance** including: the Alaska Native Health Board, the American Cancer Society, and the American Heart Association.

RESOLUTION

WHEREAS, tobacco use is widely recognized as the leading cause of preventable death in Alaska and responsible for approximately 1 in 5 deaths in the United States; and

WHEREAS, in the U.S. alone, it is estimated that more than 400,000 deaths each year are attributable to tobacco use and in Alaska it is estimated that smoking is responsible for approximately 470 deaths per year; and

WHEREAS, the 1995 Youth Risk Behavior Survey (YRBS) determined that Alaska high school students have smoking rates higher than the national average; and

WHEREAS, nearly all new smokers start before the age of 19, with an average age of 14.5 years old; and

WHEREAS, despite enormous effort, experience has shown that education and enforcement efforts alone have not succeeded in preventing an increase in the number of new teen smokers; and

WHEREAS, the Jan/Feb/Mar 1996 edition of *Alaska Medicine*, the official journal of the Alaska State Medical Association, was devoted to "Tobacco: Alaska's Most Preventable Health Problem"; and

WHEREAS, as reported in that journal, a proven way to decrease adolescent use of tobacco products is raising the cost of tobacco through increased excise taxes; and

WHEREAS, the American Medical Association (AMA) has recognized and supported increased taxes as an effective means of preventing new teenagers from becoming addicted to tobacco; and

WHEREAS, experience in Canada and various states in the U.S. has demonstrated the effectiveness of increased taxes as a deterrent to teen smoking; and

WHEREAS, opinion surveys in Alaska have repeatedly shown that the general public strongly supports increased tobacco taxes, including a substantial portion of smokers; and

WHEREAS, former Surgeon General C. Everett Koop has specifically recognized and endorsed the effort of Alaskans to enact a \$1 per pack tax increase stating that "Alaska is in a position to lead the nation on this critical health issue [and could] set an example that could ultimately save millions of lives nationwide."

THEREFORE BE IT RESOLVED, that the Alaska State Medical Association reaffirm its support for a \$1 per pack state tobacco tax increase as an essential means to deter new young smokers from becoming addicted to tobacco products; and

BE IT FURTHER RESOLVED, that the Alaska State Medical Association encourage its members and all health care professionals to actively support this effort.



NFIB
National Federation of
Independent Business

HB 1

February 12, 1997

Representative Con Bunde
State Capitol
Juneau, AK 99801-1182

Subject: Support for HB 1 - Tobacco Tax

Dear Representative Bunde,

The Alaska Chapter of the National Federation of Independent Business has 4,400 members, making it the largest small-business advocacy group in the state. The typical NFIB/Alaska member employs five workers and rings up gross sales of about \$181,000 per year. In total, the organizations members employ more than 43,000 workers.

Each year the NFIB polls its diverse membership on a variety of issues. The federation uses the poll results to form its legislative agenda. The 1997 survey included a question regarding an increase in tobacco taxes. The members responded 2 to 1 in favor of increasing the tax. Following are the exact results:

Would you support an increase in the tobacco tax?

62.7% YES

35.8% NO

1.5% Undecided

Attached to this letter is a copy of the full survey results. You will notice that the organization is strongly opposed to imposition of income taxes. Historically, the organization has been opposed to increased taxes of all kinds. The case for an increased tobacco tax is clearly an exception.

Please include NFIB/Alaska on your list of supporters of House Bill 1.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thyes Shaub'.

Thyes Shaub
NFIB/Alaska Lobbyist