

## **QUESTIONS AND ANSWERS ABOUT THE TOBACCO TAX OF 2006 DECEMBER, 2005**

### **Q: Why pursue a tobacco tax initiative for the November 2006 ballot?**

**A:** California is experiencing a host of health care challenges and crises that are affecting all Californians and we can't wait any longer for funding solutions. At a time when California's tax on cigarettes is below the national average, this initiative provides a critical and desperately needed investment for improving the health of all Californians through children's health insurance, improved access to emergency room care, nurse education and training, smoking reduction, and disease prevention, treatment and research efforts.

According to the California Department of Health Services, smoking costs Californians \$8.6 billion a year in medical costs. History shows that every dollar invested in tobacco education and prevention saves three dollars in the long run.

A cigarette tax increase is a reasonable way for smokers to pay their fair share and a logical funding source for the programs identified in the initiative. Plus, experience has shown this will result in less people smoking—another significant health benefit for all Californians.

### **Q: How did you decide how the money raised by the initiative would be used?**

**A:** All of the parties involved worked together to identify the most important health care needs and objectives and how much revenue was needed to make a real impact toward solving the problem.

For example, funding for children's health insurance is expected to make health insurance affordable for the 800,000 children who are currently uninsured. For emergency room care, the funding formula weighs equally the number of emergency room visits and amount of uncompensated care to determine allocations to individual hospital emergency rooms.

Additional funding for the state's once pioneering tobacco education and prevention program would restore funding to the new level recommended by the U.S. Centers for Disease Control and Prevention. Proven, but underfunded disease prevention, early detection, treatment and research programs would be provided more funds to serve more people.

### **Q: Who are the primary sponsors and supporters?**

**A:** American Cancer Society, American Lung Association of California, American Heart Association, The Children's Partnership, the California Hospital Association, the California Chapter, American College of Emergency Physicians, the California Emergency Nurses Association, the California Primary Care Association, Campaign for Tobacco Free Kids, Children Now, PICO California Project, Association of California Nurse Leaders, Emergency and Acute Care Medical Corporation, California Association of Physician Groups.

## **QUESTIONS AND ANSWERS ABOUT THE TOBACCO TAX OF 2006 DECEMBER, 2005**

**Q: Can a tax that will reduce smoking over time result in a reduction in revenues continue to provide enough funding to make a difference?**

**A:** Absolutely. First, the expenditures under this initiative take into account the expected decline in consumption and revenue. It's been proven throughout the country that increased new revenue received on each pack of cigarettes outweighs the revenue losses from fewer packs being sold.<sup>1</sup> And remember, an important goal of the initiative is to encourage people to quit. The fewer smokers we have in California, the fewer people who will have to be treated for smoking-related illnesses.

Additionally, extensive data on the effect tobacco tax increases have on smoking rates enables a more accurate prediction of revenue than that from either sales or income taxes.

**Q: How will this tax affect low-income smokers?**

**A:** Raising cigarette taxes and getting more lower-income smokers to quit reduces the negative health impacts of smoking. Research confirms that cigarette taxes are one of the best ways to help lower-income smokers quit and to keep kids from starting.<sup>2</sup>

Lower-income communities already suffer disproportionately from smoking-caused disease, disability, death, and social and economic costs. They also disproportionately benefit when new tobacco tax revenues fund programs that help them quit and prevent kids from starting—both because smoking is more prevalent among low-income persons and because “quit smoking” programs are much less available to lower-income persons than those with higher incomes.<sup>3</sup>

**Q: Will this new tobacco tax increase promote cigarette smuggling and the black market sales of cigarettes?**

**A:** Research and purchase patterns prove that cigarette smuggling among individuals is a relatively small problem, not exacerbated by price increases. Smokers are more interested in convenience than crossing state borders or

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<sup>1</sup> TFK fact sheet: *Raising State Tobacco Taxes Always Increases State Revenue & Always Reduces Tobacco Use*; <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>

<sup>2</sup> U.S. Centers for Disease Control and Prevention, “Responses to Cigarette Prices by Race/Ethnicity, Income and Age Groups – 1976-1993;: Morbidity and Mortality Weekly Report (MMWR), July 31, 1998. Chaloupka, F.J.& R. Pacula, An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies, National Bureau of Economic Research, April 1998

<sup>3</sup> CDC, MMWR, July 31, 1998

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seeking out unreliable black market vendors to buy their cigarettes by the carton. Roughly two-thirds of all cigarettes sold in the U.S. are sold by the single pack.<sup>4</sup>

Also, the annual allocation of funds provided by this initiative for anti-smuggling will enable the state to adequately implement a range of measures to combat tobacco tax evasion or cigarette smuggling that may be occurring.

**Q: What, specifically, will the initiative do?**

**A:** The primary health care areas that will benefit can be categorized as treatment, prevention and research. Among the major efforts are:

**Children's Health Insurance**—to ensure that the more than 800,000 California children without basic health care coverage can get affordable health insurance.

**Emergency Care Services**—to help stop closures of more emergency rooms and trauma centers by funding emergency room care, including equipment, physicians, nurses, specialists and other services.

**Nurse Education**—to help California close the nursing shortage gap by increasing the number of nursing educators and doubling the number of nursing student graduates.

**Disease Prevention, Treatment and Research**—to reduce the major causes of illness and death in California through breast, cervical, colorectal and prostate cancer detection and treatment; cancer research; heart disease and stroke prevention; nutrition and physical activity, lung disease research, and asthma prevention and control.

**Tobacco Use Prevention and Control**—to prevent kids from starting to smoke and help smokers overcome their addiction through California's proven, effective tobacco use prevention program, including the Department of Health Services, Tobacco Control Section; the California Department of Education's schools-based prevention programs; and, the University of California's Tobacco-Related Disease Research Program. This initiative includes funding for local law enforcement agencies to enforce state and local tobacco-related laws.

**Community Clinics**—to help the more than 700 community-based clinics throughout the state provide health care to uninsured and underinsured children and adults who might otherwise seek primary care in emergency rooms.

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<sup>4</sup> Quinn, C. "Tobacco Ad Fight Headed to Court: 3 Companies Want to Keep Philip Morris From Grabbing Retail-Counter Display Space," Winston-Salem Journal (6/7/99)[citing documents filed in the antitrust lawsuit brought against Philip Morris by RJR, Lorillard, and B&W in the Greensboro, North Carolina Federal Court].