

QUESTIONS AND ANSWERS ABOUT THE TOBACCO TAX ACT OF 2006

Q: WHY PURSUE A TOBACCO TAX INITIATIVE FOR THE NOVEMBER 2006 BALLOT?

A: California is experiencing many healthcare challenges that are affecting all Californians and we can't wait any longer for 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 healthcare costs. Every dollar invested in tobacco education and prevention saves three dollars in the long run.

A cigarette tax increase is a logical funding source for the programs identified in the initiative. Plus, experience has shown this will result in fewer smokers—another significant health benefit for all Californians.

Q: HOW DID YOU DECIDE TO USE THE MONEY RAISED BY THE INITIATIVE?

A: All of the parties involved worked together to identify the most important healthcare 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 children who are currently uninsured. Additional resources for the state's once-pioneering tobacco education and prevention program would bring funding to the level recommended by the U.S. Centers for Disease Control and Prevention. Disease prevention, early detection, treatment and research programs would receive more funds to serve more people.

Q: HOW CAN I BE SURE THE FUNDS RAISED WON'T BE USED FOR OTHER PURPOSES?

A: The Tobacco Tax Act of 2006 language establishes a strict system of checks and balances to assure accountability. Strict safeguards and audits are included to ensure funds to exactly

where voters intend. The Department of Health Services will be required to provide annual reports on the use of funds, which will be posted on the department's website. The Bureau of State Audits will audit all programs and departments receiving monies to ensure that the money is spent as voters intend.

Money raised cannot be raided by the Legislature or any other entity, or used for any other purposes.

Q: CAN A TAX THAT WILL REDUCE SMOKING OVER TIME CONTINUE TO PROVIDE ENOUGH FUNDING TO MAKE A DIFFERENCE?

A: Yes. 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.¹ And remember, an important goal of the initiative is to encourage people to quit. The fewer smokers we have in California, the fewer people will need treatment for smoking-related illnesses.

Q: HOW WILL THIS TAX AFFECT LOW-INCOME SMOKERS?

A: Raising cigarette taxes and encouraging more low-income smokers to quit reduces the negative health impacts of smoking. Lower-income communities already suffer disproportionately from smoking-caused disease, disability, death, and social and economic costs.

Research confirms cigarette taxes are one of the best ways to help low-income smokers quit and to keep kids from starting.² One estimate projects that there will be a 42.9% reduction in youth smoking derived from the \$2.60 tax.³

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 seeking out illegal black market vendors to buy their cigarettes. About two-thirds of all cigarettes sold in the U.S. are sold by the single pack.⁴

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

² 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.

³ (Campaign for Tobacco Free Kids, "Projected Public Health Benefits & Related Cost Savings From a \$2.60 Cigarette Tax Increase in California" March 2006.)

⁴ Quinn, C. "Tobacco Ad Fight Headed to Court: 3 Companies Want to Keep Philip Morris From Grabbing Retail-Counter Display Space," *Winston-Salem Journal* (June 7, 1999) [citing documents filed in the antitrust lawsuit brought against Philip Morris by RJR, Lorillard, and B&W in the Greensboro, North Carolina Federal Court].

Further, California has one of the strongest enforcement records in the country. This initiative provides more than \$18 million to improve the state's effective law enforcement programs against smuggling and counterfeit activity, including support for the Board of Equalization's Cigarette and Tobacco Products Licensing Act that recovered \$125 million last year.

Q: WHAT, SPECIFICALLY, WILL THE INITIATIVE DO?

A: The primary healthcare areas that will benefit can be categorized as treatment, prevention and research. Annual payments for major programs are:

Children's Health Insurance (\$371 million) — to ensure that California children without basic healthcare coverage can get affordable health insurance.

Emergency Care Services (\$758 million) — to help stop closures of more hospital emergency rooms and trauma centers by funding emergency room care, including equipment, physicians, nurses, specialists and other services.

Nurse Education (\$92 million) — to help California close the nurse shortage gap by increasing the number of nurse educators and doubling the number of nursing student graduates.

Emergency Physicians (\$66 million)⁵ — to help compensate physicians for treatment to uninsured persons. Additionally \$7.6 million to the Steve Thompson physician education fund.

Disease Prevention, Treatment and Research (\$364 million) — 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 (\$177 million) — to prevent kids from starting to smoke and help smokers overcome their addiction through California's proven effective tobacco-use prevention programs, including the California Department of Health Services, Tobacco Control Section; California Department of Education's schools-based prevention programs; and 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 (\$58 million) — to help the more than 700 community-based clinics throughout the state provide healthcare to uninsured and

⁵ Plus the \$25 million permanent transfer from the allocation of the Hospital's Proposition 99 money.

underinsured children and adults who might otherwise seek primary care in emergency rooms.

Proposition 10 Programs (\$170 million) — to replace funds to the early childhood development programs from the expected reduction in smoking.

Q: WHERE DO I GET MORE INFORMATION?

A: Please contact the Coalition for a Healthy California at (916) 448-2720.