

THE UNIVERSITY OF KANSAS
CANCER CENTER

To: Chairman Marvin KleeB
Members of the House Committee on Taxation

From: Roy Jensen, MD - Director, The University of Kansas Cancer Center

Re: House Bill 2306

Chairman KleeB and Members of the Committee,

Thank you for the opportunity to present testimony to the committee regarding the impact of a tobacco tax in Kansas. I am Dr. Roy Jensen, Director at The University of Kansas Cancer Center. Today I have an opportunity to draw attention to a very worrisome trend in Kansas: one that needs attention and cannot be pushed aside. Cancer is currently the leading causing of death in our state and kills 5,460 Kansans each year. While this statistic may be common knowledge, the following statistic is not. By 2030, 1 in every 4 Kansans will be 65 or older. With cancer especially common in this age group, we are looking at a 45 percent increase in the number of cancer diagnoses in this state if we do nothing. This is an epidemic that we have to deal with now. It is an issue that The University of Kansas Cancer Center has looked at closely as we prepare our application for National Cancer Institute (NCI) comprehensive cancer center designation, and I am here today to share the health impact of tobacco on Kansas and how increasing the tax on tobacco is a critical step in improving the health of our state.

Kansas Tobacco Facts

- Tobacco is the number one cause of preventable death in Kansas
- 10.2 percent of high school students smoke
- Kansas ranks in the top 15 in the use of other tobacco products among high school students
- 20.0 percent of Kansas adults smoke, compared to the national average of 17.8 percent
- 4,400 Kansans die yearly from the effects of smoking and 2,900 youth become smokers
- \$825 is paid per household, annually, in smoking related costs
- Smoking and other tobacco products costs Kansas over \$1 billion in health care costs every year, including \$237 million in Medicaid payments alone

NCI·CC

A Cancer Center Designated by the
National Cancer Institute

Why does tobacco matter to us?

Tobacco prevention and smoking cessation is a significant piece of the Cancer Center's pursuit of comprehensive cancer center status. In Kansas alone, 20 percent of the population uses tobacco. Research shows that 31 percent of all cancers could be eradicated if people no longer smoked. As part of our education and prevention focus for comprehensive designation, we will focus on educating the public on the dangers of tobacco use. It is our goal to see a minimum of a 20 percent decrease in the use of tobacco over the next 15 years. In addition to education and prevention, implementing a tobacco tax is a proven way to reduce tobacco use in our state. By increasing the tobacco tax \$1.50 Kansas would see:

- 20.3 percent reduction in youth smoking
- 25,400 youth would not become addicted, adult smokers
- 25,800 adult smokers would quit
- 14,900 premature smoking-caused deaths would be prevented
- \$3.3 million in Medicaid program state savings over the next 5 years

A \$1.50 tobacco tax increase would impact the health of Kansans significantly and show the state's commitment to making meaningful reductions in tobacco use: Two actions that would reflect positively on the cancer center's application for comprehensive cancer status.

Revenue. A \$1.50 tobacco tax increase would bring the state just under \$72 million in needed revenue, with almost \$9.0 million in additional revenue when the tax on other tobacco products is increased from the current 10 percent of wholesale to 25 percent of wholesale. This would provide for a significant and relatively stable source of revenue to the state at a time of budget challenges. In addition, the increased tobacco tax would provide a reliable source of revenue to fund the line item in the state budget for the cancer center. The contribution the State of Kansas makes toward the Cancer Center is an important part of our journey to achieve comprehensive cancer center designation. A decrease in funding would reflect negatively on our application and put our application for comprehensive cancer center status at risk.

How does designation as an NCI Comprehensive Cancer Center benefit Kansas?

Since 2007, the State of Kansas and the legislature have been key supporters of the pursuit of NCI designation. Based on the state's initial investment of \$5.0 million, the Cancer Center has been able to leverage the investment by the state 14 to 1 for \$527

million in total investment in the NCI initiative from 2007-2013. The total regional impact of NCI designation is as follows:

- \$1.08 billion in total financial economic impact
- 2,088 total jobs created

The Cancer Center anticipates an additional \$750 million in total investment from 2014-2018 which is estimated to impact the region as follows:

- \$1.54 billion in financial economic impact
- 1,584 new, Kansas jobs

Overall, between 2007 and 2018, the Cancer Center's total economic impact of investments in cancer research totals \$2.62 billion and 3,762 jobs, with an average salary of \$68,000 compared to the average Kansas salary of \$40,000.

What do we know about sustainability of revenue and cross border sales?

Higher cigarette taxes are a reliable source of revenue to help balance budgets and fund critical health care and other services. In addition, higher cigarette taxes save money by reducing tobacco-related health care costs. Tobacco costs every Kansas household \$576 per year – another cost that will decline with reduced tobacco use. Every state that has significantly increased its cigarette tax has enjoyed substantial increases in revenue, even while reducing smoking. Put simply, after a cigarette tax increase, the revenue gains on each cigarette pack sold far outweigh the revenue losses from declines in total cigarette sales. After the 55 cent increase in 2002-2003, Kansas per pack sales declined by 52.8 million packs (from 2001-2004 adults smokers decreased 49,000). But because Kansas was receiving 55 cents more a pack, annual revenue still increased by \$76 million.

The statement that an increase in the tax will drive Kansans over the border to make purchases is simply inaccurate. Data collected around Kansas and Missouri tobacco revenue shows that in 2003, when Kansas last increased its tobacco tax, Missouri's tobacco revenue actually declined. Twelve months prior to implementation, Missouri was collecting \$603 million in cigarette pack sales revenue. Twelve months after implementation, Missouri collected almost \$598.9 million in cigarette pack sales – a decrease in tobacco revenue of .7 percent, indicating that there was not an increase in their per pack sales.