

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:30 a.m. on March 9, 2010, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
 Scott Wells, Office of the Revisor of Statutes
 Chris Courtwright, Kansas Legislative Research Department
 Brandon Riffel, Kansas Legislative Research Department
 Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Mary Jayne Hellebust, Executive Director, Tobacco Free Kansas Coalition, Inc.
 Roderick L. Bremby, Secretary, Kansas Department of Health and Environment
 Daniel McGoldrick, Vice President, Research, Campaign for Tobacco-Free Kids
 Corrie Edwards, Executive Director, Kansas Health Consumer Coalition
 Dr. Gary Dolittle, Medical Director, Midwest Cancer Alliance and Kansas Cancer Partnership
 David Wilson, Volunteer State President of AARP Kansas
 Cathy Harding, Executive Director Kansas Association for the Medically Underserved
 Linda De Coursey, Director of Advocacy-Kansas, American Heart Association
 Marvin Stottlemire, Chairman of Legislation & Issues Committee, Kansas Public Health Association
 Tracy Russell, American Lung Association
 Tanya Dorf Brunner, Executive Director of Oral Health of KS
 Carolyn Gaughan, Executive Director, Kansas Academy of Family Physicians Caring for Kansas
 Chad Austin, Vice President, Government Relations, Kansas Hospital Association
 Dan Morin, Director of Government Affairs, Kansas Medical Society
 Lori Marris, Exec Dir, & Christina Osbourn Susan G. Komen for the Cure of Greater Kansas City,
 Christopher J. Masoner, American Cancer Society
 Reginald L. Robinson, Kansas Board of Regents

Others attending:

See attached list.

Chairman Donovan announced to those present for this meeting that only the increase in the rate of tax on cigarettes will be addressed today. The rest of this bill will have a hearing at a later date. He then opened the hearing on **SB 516 - Increasing rate of tax on cigarettes and tobacco products and increasing rate of sales tax.** He announced that, because of the number of people signed up to testify, he would have to limit each speaker to two minutes. The first proponent to speak to this bill was Mary Jayne Hellebust, Executive Director, Tobacco Free Kansas Coalition, Inc. She said increasing the tax for cigarettes by fifty five cents per pack and tax on tobacco products from 10% to 40% . She believes the tax increase will keep youths from starting use of these products as well as giving incentive to others to quit the use of tobacco products. It would also provide needed revenue, making for both good health and fiscal policy for Kansas. (Attachment 1) Roderick L. Bremby, Secretary, Kansas Department of Health and Environment listed six reasons increasing tax on cigarettes will save lives from smoking related illnesses. He stated tobacco use costs all Kansans through higher health costs. (Attachment 2) Daniel McGoldrick, Vice President, Research, Campaign for Tobacco-Free Kids, told the committee increased tax on tobacco will cause a reduction in smoking, and save in health care costs. (Attachment 3) Corrie Edwards, Executive Director, Kansas Health Consumer Coalition supports this bill. KHCC believes an increase in tobacco tax is a preventive measure that will deter some Kansans from beginning the habit. (Attachment 4) Next to speak was Dr. Gary Dolittle, Medical Director, Midwest Cancer Alliance and Kansas Cancer Partnership. He ask that attention be paid to prevention programs and other efforts aimed at improving the health and lives of so many Kansans. This is a public health issue. (Attachment 5) David Wilson, Volunteer State President of AARP Kansas said if this committee looks favorably on this bill, AARP asks that revenues from an increase in excise taxes on tobacco is used to supplement and restore the funding of public health programs and services for the low-income and elderly. (Attachment 6) Cathy Harding, Executive Director Kansas Association for the Medically Underserved said she agrees with all that has been said by those before her. She told the committee an

CONTINUATION SHEET

Minutes of the Senate Assessment and Taxation Committee at 10:30 a.m. on March 9, 2010, in Room 152-S of the Capitol.

increase in the tobacco tax will decrease the number of smokers, increase revenue, and provide funding for very needed health care programs. (Attachment 7) Linda De Coursey, Director of Advocacy-Kansas, American Heart Association asked the committee to consider increasing the tobacco tax because it will be effective in reducing smoking among kids; it will reduce smoking and save lives; tobacco taxes are a reliable source of revenue. (Attachment 8) Marvin Stottlemire, Chairman of the Legislation and Issues Committee of the Kansas Public Health Association told the committee almost everything he wanted to say has been said by those speaking before him. This bill will not only benefit the state treasury; it will improve the health of our citizens. (Attachment 9) Chairman Donovan asked if there were others who wanted to speak to this bill. He asked Secretary of Revenue Joan Wagon if she cared to speak to the bill. She said she is in support of this bill, and is present today on behalf of the Governor, and recommends passage of the bill.

Chairman Donovan told the committee the testimony from Tracy Russell, American Lung Association would be included with written testimony. (Attachment 10) Others with written testimony are: Tanya Dorf Brunner, Executive Director of Oral Health of KS (Attachment 11); Carolyn Gaughan, Executive Director, Kansas Academy of Family Physicians Caring for Kansas (Attachment 12); Chad Austin, Vice President, Government Relations, Kansas Hospital Association (Attachment 13); Dan Morin, Director of Government Affairs, Kansas Medical Society (Attachment 14); Lori Marris, Exec Dir, Susan G. Komen for the Cure of Greater Kansas City & Christina Osbourn, S.G. Komen for Cure Mid-Ks (Attachment 15); Christopher J. Masoner, American Cancer Society (Attachment 16); Reginald L. Robinson, Kansas Board of Regents (Attachment 17). Chris Masoner, American Cancer Society, asked if he could add to his written testimony. He wanted to point out that poles show equal support for raising the tax on cigarettes by 55 cents as for a \$1.00 increase. He suggested if the committee is going to pass this bill, they ask for the \$1.00 increase to receive more benefits. Seeing no others wishing to testify to this bill, Chairman Donovan closed the hearing.

He announced to the committee that he would like to separate the cigarette tax proposal out of this bill and into another bill in order to split the subjects, so the committee can devote more direct attention to each side of the issue. Chris Courtwright suggested putting the cigarette issue into HB 2388.

Sen. D. Schmidt made a motion to move information from HB 2388 be removed and replaced with the cigarette tax proposal. Sen Marshall seconded the motion. The motion carried.

Chairman Donovan asked if anyone had any questions for the proponents about this issue? Sen. Lynn said she believes that with the testimony heard from proponents, this issue can be debated for a long time. One concern is where does this money go? Will it just fill a hole in the budget? Given that smoking causes all these problems why not just ban it? Chairmen Donovan said the revenue this bill would generate would go to the General Fund. Sen Lynn said she is uncomfortable picking out certain industries to tax, just to "fill a hole" in the budget. She thinks the committee needs to be aware of the other side of this issue: loss of revenue to businesses and job losses to their employees. For this reason, Sen. Lynn said she will oppose this tax.

Sen. D. Schmidt asked if there is data indicating what portion of Medicaid costs is attributed to tobacco use. The answer given was \$197 million per year.

Sen. Steineger asked Sec. Bremby if he could tell the committee how the Medicaid cost of dealing with obesity compares to the cost of smoking. Sec. Bremby said he did not have that information with him, but he did know the tobacco Medicaid cost is higher.

Sen. Brownlee pointed out this tax would be difficult to implement, since it would be a different rate from other items. Richard Cram answered that this tax would be imposed on the wholesaler. Store owners may see an increase on inventory tax.

Seeing no others who wished to speak to SB 516/ HB 2388, Sen Donovan closed the hearing as well as the committee meeting.

The next meeting is scheduled for March 10, 2010. The committee will hear opponents to the "cigarette tax."

The meeting was adjourned at 11:30 a.m.

SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: MARCH 9, 2010

NAME	REPRESENTING
Phil Bradley	KLBA / KVFWA / CBGK
Susan Kang	KDHE
ROD BREMBY	KDHE
Mark Tallman	KASB
Daniel McGoldrick	Campaign for Tobacco Free Kid
Jodi Radke	
Jane Spess	American Cancer Society
Gary Nowlitz	KANSAS CANCER PARTNERSHIP
Vivian DeCoursey	American Heart Assoc
Corrin Edwards	K Health Commerce Coalition
Tracy Russell	KHCC / American Lung Assoc
Amber Ruffner	KYEA
Joanne Fluke	KYEA
Tom Palace	Senators of KS
Zach Davis	KYEA
Shannon Cox	ADAPT Kansas Youth Empowerment Academy
Hannah Sanders	KHPA
Samuel J. Jorgensen	United Health Group
Cheryl Austin	KHA

SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: 03/09/10

NAME	REPRESENTING
Cardace Ayers	KDHE
JOHN C. ROJENBERG	ALTRIA
Mickelle Butler	Cap. Strategies
Doug Mays	Cyber Assn of America
Robin Jeanison	Swedish Match
Whiter Dunn	Swisher Int'l.
Cathy Harding	KAMU
Conie Hesse	KAMU
JUDITH GARR	RETAIL GROCERS OF K.C.
Yvonne Minor	Retail Grocers Assn.
Pat Nobile	Alkerm
Cathy Bennett	> Greater KC Chamber
Nora Locken	
Jen Bruning	of chamber
Mary Ann Stankiewicz	KGFA
Stuart Little	Community Mental Health Centers
Terry Heidner	KDOT
Matt Casey	GSA
Leigh Keck	HLF

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: _____

NAME	REPRESENTING
Shannon Jones	SILCK
MARK DEBETTI	KNEA
Ernst Kishly	AARP K
David Wilson	AARP KS
Chris Masoner	American Cancer Soc.
M. J. Kellert	TFKC



MARCH 9, 2010
TESTIMONY IN SUPPORT OF SB 516
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE

BY MARY JAYNE HELLEBUST

Chairperson Donovan and Members of the Committee,

Thank you for allowing me to speak for the almost 200 member organizations and individuals with Tobacco Free Kansas Coalition on the importance of passing SB 516, which would raise cigarette taxes by 55 cents per pack and boost the tobacco products tax from 10% to 40% of the manufacturer's price. These tobacco tax increases will provide tax equity and fairness and at the same time increase revenues for Kansas and reduce short and long-term health care costs caused by tobacco use in the state. My testimony will focus on the importance of increasing the taxation rate for other tobacco products which include spit and smokeless tobacco, cigars and pipe tobacco and other new types of tobacco products.

Cigarettes are deadly. But so are other tobacco products. Smokeless tobacco contains 28-cancer causing components. Smokeless products can lead to cancer of the mouth, throat, larynx, esophagus, and pancreas, cause heart and lung problems, impact diabetes, in addition to damaging dental tissues and teeth. With my testimony is a photo of a young man from Illinois. This is Gruen Von Behrens today, 20 years after he first started using chew tobacco as a young baseball player and after more than 30 surgeries and \$3 million dollars to keep him alive and to try to rebuild his face. Gruen spent last week at 10 schools in Kansas talking with more than 2,000 students on the dangers of smokeless tobacco—and other tobacco products also. ¹ Tobacco companies are continue to promote a variety of dangerous tobacco products--by developing new ones like snus, setting up smaller and more intriguing sizes and packaging, and introducing a variety of flavors favored by the young—and then provide enough discount coupons and promotions to ensure ease of introduction to and continuation of an addictive process guaranteed to cause damage. Sales of cigars are increasing, ² and youth soon learn that packs of little cigars look like cigarettes but are much cheaper. Of course all tobacco company websites and products post notices affirming the inherent dangers inherent in their products.

Excise tax on other tobacco products is way over due. The excise tax on tobacco products has remained at 10% of the manufacturer's price since 1972—providing an almost 40-year tax break. Increasing the tax rate for these products to 40% will bring these dangerous products closer to the 55 cent cigarette tax proposal in SB 516. The low tax rate for other tobacco products has caused many Kansans to seek out cheaper smokeless tobacco products or cigars as a way to satisfy an addiction to nicotine.

Tobacco Free Kansas Coalition Officers:

President
Lisa Benlon

Vice-President
Linda DeCoursey

Secretary
Katherine Bruner

Treasurer
Terri Roberts, RN, JD

Mary Jayne Hellebust, Executive Director
5375 SW 7th St. Ste. 100 * Topeka, Kansas 66606
Phone (785) 272-8396 * Fax (785) 272-5870 * www.tobaccofreekansas.org

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Attachment # 1

Tobacco products work in tandem with cigarettes to cause health problems. Increasing the tax on these products from 10% to 40% of the manufacturer's price will help cut back on the sale of products that can serve as a gateway to cigarette addiction for youth or as an alternative to quitting or cutting back for existing smokers. The 2009 Monitoring the Future study of the nation's young people notes that smoking continues a gradual decline among U.S. teens but significant increases have been noted in smokeless tobacco rates for 10th and 12th graders in the past few years.³ Current estimates indicate 13.6% of teen boys in Kansas now use tobacco products other than cigarettes. In Kansas 9.4% of adult males use other tobacco products.⁴ SB 516's excise tax increase for other tobacco products would cover chewing tobacco, moist snuff, the new snus, pipe and roll-your-own tobacco and big and little cigars. An increase to 40% of the ad valorem tax for other tobacco products could reduce Kansas youth consumption by 19.5% with a 10.5% decrease in overall consumption.⁵

An increase in the excise tax on tobacco products brings in needed revenue. Adopting the 40% tax level for tobacco products along with a 55 cent per pack increase in cigarette taxes would provide more than \$60 million in needed revenues for essential Kansas programs and services at a time when Kansas is facing extreme budgetary problems. However, the health benefits realized from decreasing the number of people who use tobacco will also result in short and long-term health savings. Tobacco-related monetary costs in Kansas include \$927 million in annual health care expenditures, \$196 million in state Medicaid expenditures for treatment of tobacco-related illnesses, and \$906 million in productivity losses.

Tobacco products tax increase should remain as a percentage of the manufacturer's price. Changing to a weight-based tax for cigars and tobacco products would complicate state administrative monitoring and the collection of tax funds and would lead to almost miniscule taxes being levied on the newest, extremely low-weight products currently being introduced by major tobacco companies. Kansas would join Idaho and Colorado which have set 40% of the manufacturer's price as their tax rate on tobacco products, with Minnesota's rate at 70%.⁶ However, because packs of little cigars are so often used as substitutes for cigarettes, SB 516 would also require the same tax stamps and the same tax per pack rate that cigarettes have in Kansas.

Tobacco users are not victimized by these tax increase; they are victimized by the addictive products. Most tobacco users, whether they use cigarettes or other tobacco products, usually start when they are too young to realize the lifelong addiction or the health consequences. Most studies show that the poor and particularly the young are the most price sensitive.⁷ Increasing the tax on these products will deter experimentation by youth and provide the incentive for more people to quit. Many studies have shown that when tobacco prices go down, use of tobacco goes up. Conversely when tobacco prices rise, consumption goes down, followed by decreases in tobacco-uses prevalence rates. Decreasing the volume of sales of tobacco products while still increasing needed revenues from these sales makes for good health and fiscal policy for Kansas.

SOURCES

1. Photo of Gruen Von Behrens taken at a tobacco prevention presentation at Holton High School on March 5, 2010.
2. Cigars, Cigarillos, & Little Cigars Fact Sheet, American Legacy Foundation, 6/09; accessed March 6, 2010.
3. Johnston, L. D., O'Malley, P. M., Bachman, J. G., & Schulenberg, J. E. (December 14, 2009). "Smoking continues gradual decline among U.S. teens, smokeless tobacco threatens a comeback." University of Michigan News Service: Ann Arbor, MI. Retrieved MM/DD/YYYY from <http://www.monitoringthefuture.org>
4. 2009 Kansas Tobacco Youth Survey; 2009 Behavioral Risk Factor Surveillance Survey; data from Kansas Department of Health and Environment.
5. Estimates for Consumption Declines Related to Increasing Tax Rates for Other Tobacco Products in Kansas to 40%; Campaign for Tobacco Free Kids Fact Sheet; March 2009.
6. 2009 State Legislated Actions on Tobacco Issues (SLATI); American Lung Association website at <http://slati.lungusa.org/> ; accessed March 6, 2010
7. Chaloupka, F, et al., "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503-516, 1997 <http://tigger.uic.edu/~fjc/Presentations/Scans/Final PDFs/sej1997.pdf>; Goebel, LJ, et al., *A Tax on Smokeless Tobacco Would Decrease Tobacco Use: Evidence from a West Virginia Survey in Grades 5, 8 and 11* [White Paper], 2001.

Attachments: Photo of Gruen Von Behrens Legacy Foundation fact sheet and photo of Gruen Von Behrens.



1-4

Cigars, Cigarillos & Little Cigars Fact Sheet

Cigars are defined by the US government as “any roll of tobacco wrapped in leaf tobacco.”¹ While there are currently *three* major cigar products—cigars, cigarillos and little cigars—current federal classifications narrowly define them into *two* categories: little cigars and large cigars.² This two-pronged classification groups cigarillos with large cigars because they generally weigh more than three pounds per thousand. These products, colloquially known as “cigarillos,” “blunts” or “cheroots” (referred to as cigarillos in this fact sheet), are included in the “large cigar” category despite significant differences in their marketing and packaging from that of typical large cigars.

Little Cigars: Weighing less than 3 pounds/1000, these products resemble cigarettes.



Cigarillos: Weighing more than 3 pounds/1000, cigarillos are classified as large cigars.



Large Cigars: Weigh more than 3 pounds/1000.



Flavors

- Some cigars—usually small cigars or cigarillos—come in flavored varieties, including cherry, chocolate, vanilla, peach rum, raspberry and sour apple.³
- As is the case with flavored cigarettes, such flavorings may appeal to youth and young people.^{4,5}
- Flavorings in cigars are not regulated by the federal government.

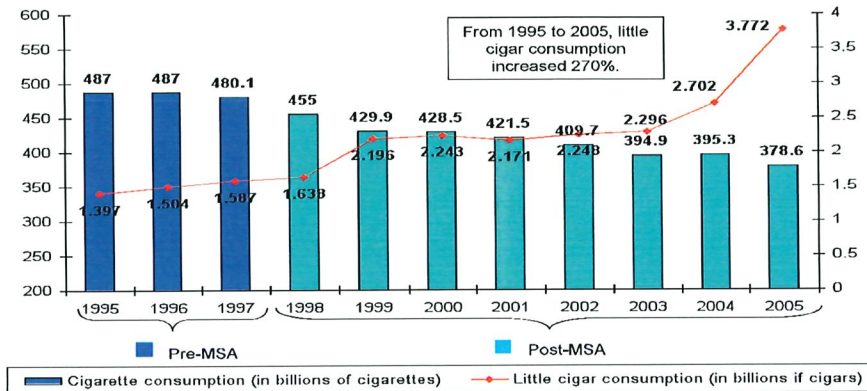
Increase in Consumption of Little Cigars and Cigarillos

In the last decade, cigarette consumption rates have declined while cigarillos’ and little cigars’ sales rates have increased dramatically.^{6,7} In addition, Philip Morris now owns the most popular cigarillo brand: “Black & Mild’s.”⁸

- Sales of little cigars has increased by 240% while cigarillo sales increased by almost 150% between 1997 and 2007. Large cigar sales decreased by 6% during the same time period.⁷
- U.S. imports of little cigars increased from 34 million pieces in 1997 to 311 million pieces in 2007, an increase of more than 800%. Large cigar imports jumped from 587 million to 889 million during the same time period, an increase of only 51%.⁹
- A review of formerly-secret tobacco industry documents finds that little cigars were intended to replace cigarettes as cigarette advertising became increasingly restricted, and taxes on cigarettes, but not cigars, continued to increase.¹⁰

- The recent increase in sales of little cigars is frequently attributed to increases in taxes on cigarettes, and historically much lower taxes on cigars.^{11,12,13}
- Effective April 1, 2009, federal excise taxes on little cigars were increased by \$0.97 to \$1.01 per pack of 20 – bringing the tax rate on little cigars in line with cigarettes. The tax on large cigars and cigarillos was raised from 20.719% of the manufacturer's price (capped at \$0.05) per cigar to 52.75% of the manufacturer's price (capped at \$0.40) per cigar.¹⁴ This means that a premium cigar with a manufacturer's price of \$5.00 would have its taxes raised from 5 cents to 40 cents (it hits the 40 cent cap). A cheaper cigar or a cigarillo with a manufacturer's price of \$0.40 would have its taxes raised from 5 cents to 21 cents per cigar.

Increases in U.S. little cigar consumption compared to cigarette consumption, 1995-2005



Sources: US Department of Agriculture, US Alcohol & Tobacco Tax and Trade Bureau, Bureau of the Census

Prevalence of Cigar Use Among Youth

- There is no national prevalence data for little cigar or cigarillo products specifically. Among high school youth in 2006, nearly 12% of high school students reported use of any type of cigar. Over 12% of Whites, nearly 9% of African Americans, 12% of Hispanics, and almost 5% of Asians were current cigar smokers. Nearly 17% of males and over 7% of females were current cigar users.¹⁵
- Among middle school youth in 2006, 4% were current cigar smokers. Three percent of Whites, nearly 6% of African Americans, over 6% of Hispanics, and 1.6% of Asians reported current cigar use. Over 5% of males and 2.7% of females were current cigar users. Again, it is important to note that this survey question asked about all cigar use, and did not differentiate between, large cigars, little cigars and cigarillos.⁹
- While no national-level data is available on prevalence of little cigar/cigarillo use, in 2005, the leading brand preferred by cigar smokers of any kind aged 12 to 17 was Black & Mild (41.4%), a cigarillo brand. Among cigar smokers, nearly 20% of males and 38% of females reported using Black & Mild cigarillos most frequently of any type of cigar. Over 16% of Whites, 55% of African Americans, and 24% of Hispanics who smoked cigars usually preferred Black & Milds.¹⁶

Health Risks of Large Cigars, Little Cigars, and Cigarillo

- There is a misperception by some that these products are less addictive and less harmful than cigarettes,¹⁷ but large cigars, little cigars, and cigarillos contain the same compounds as cigarettes and can be just as harmful and addictive.¹⁸
- Just like cigarettes, all types of cigars can cause lung, oral, laryngeal, and esophageal cancers and impart the cigar smoker with a greater risk of chronic obstructive pulmonary disease (COPD) than nonsmokers.¹⁸

SOURCES

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- ³Trinkets and Trash: Artifacts of the Tobacco Epidemic. Available at: <http://www.trinketsandtrash.org> Accessed March 10, 2009.
- ⁴Carpenter CM, et al. New Cigarette Brands with Flavors that Appeal to Youth: Tobacco Marketing Strategies. *Health Affairs*, 2005; 24(6):1601-1610.
- ⁵Lewis M. et al. Dealing with an Innovative Industry: A Look at Flavored Cigarettes Promoted by Mainstream Brands. *American Journal of Public Health*, 2006; 96(2).
- ⁶US Dept of Agriculture, Economics Research Service. Tobacco Outlook. Oct 24, 2007, TBS-263. Available at: <http://usda.mannlib.cornell.edu/usda/ers/TBS//2000s/2007/TBS-10-24-2007.pdf>. Accessed January 24, 2009.
- ⁷Maxwell JC. The Maxwell Report: Cigar Industry in 2007. Richmond, VA: John C. Maxwell, Jr. 2008. Original concept in Kozlowski LT, Dollar KM, Giovino GA. Cigar/cigarillo surveillance: limitations of the U.S. Department of Agriculture system. *American Journal of Preventive Medicine*, 2008; 34(5); 424-6.
- ⁸Altria Group, Inc. Agrees to Acquire John Middleton, Inc. for \$2.9 Billion. Nov. 1, 2007. Available at: http://www.altria.com/media/02_00_NewsDetail.asp?reqid=1070876
- ⁹U.S. Department of Treasury, Alcohol and Tobacco Tax Trade Bureau. Tobacco Statistics home page. Available at: http://www.ttb.gov/tobacco/tobacco_stats.shtml
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- ¹²Delnevo C, Hrywna M, Foulds J, Steinberg M. Cigar use before and after a cigarette excise tax increase in New Jersey. *Addictive Behavior*. 2004; 29: 1799-1807.
- ¹³Delnevo C, Foulds J, Hrywna M. Trading tobacco: are youths choosing cigars over cigarettes? *American Journal of Public Health*, 2005; 95: 2123.
- ¹⁴Public law 111-3: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_public_laws&docid=f:publ003.111.pdf
- ¹⁵2006 National Youth Tobacco Survey and Key Prevalence Indicators. Tables 1 & 2. Available at: http://www.cdc.gov/tobacco/data_statistics/surveys/NYTS/00_pdfs/table_1_06.pdf
- ¹⁶Substance Abuse and Mental Health Services Administration. The National Survey on Drug Use and Health: 2005 Detailed Tables. Rockville, MD: Substance Abuse and Mental Health Services Administration, Office of Applied Studies; 2006. Available from: <http://www.oas.samhsa.gov/NSDUH/2k5nsduh/tabs/Sect7peTabs58to67.pdf>.
- ¹⁷Jolly DH. Exploring the use of little cigars by students at a historically black university. *Preventing Chronic Disease*, 2008; 5(3):1-9.
- ¹⁸National Cancer Institute (1998). Smoking and tobacco control monographs: Monograph 9: Cigars: Health effects and trends. Chapter 4 (105 – 160); Bethesda, MD. National Institutes of Health, National Cancer Institute; NIH Pub. No. 98-4302. Available at: http://cancercontrol.cancer.gov/tcrb/monographs/9/m9_complete.PDF.



Mark Parkinson, Governor
Roderick L. Bremby, Secretary

DEPARTMENT OF HEALTH
AND ENVIRONMENT

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Division of Health

**Testimony on Senate Bill 516
Cigarette and Tobacco Products Tax Increase**

**Presented to
Senate Assessment and Taxation Committee**

**By
Roderick L. Bremby, Secretary
Kansas Department of Health and Environment**

March 9, 2010

Chairman Donovan and members of the committee, I am Roderick Bremby, Secretary of the Kansas Department of Health and Environment and I am here to discuss SB 516, which proposes to increase the cigarette excise tax to \$1.34, increase the excise tax on other tobacco products to 40 percent of the wholesale price, and include little cigars in the cigarette definition and tax them as such.

KDHE supports this bill because it would decrease youth and adult tobacco use, thereby saving lives, reducing illness and reducing health care costs. Interventions that increase the price of tobacco products, both cigarettes and smokeless, are recommended by the American Journal of Preventive Medicine's *Guide to Community Preventive Services* as proven methods to reduce smoking rates and associated healthcare costs. Evidence is strong that tobacco price increases are effective in (1) reducing tobacco use, (2) reducing tobacco use initiation, and (3) increasing tobacco cessation. An increase in the price of tobacco products is particularly effective in reducing tobacco use by adolescents and young adults.

The Campaign for Tobacco Free Kids estimates that increasing the state cigarette tax to \$1.34 will:

- decrease youth smoking by nearly 8 percent,
- keep 11,900 kids from becoming addicted adult smokers,
- encourage 6,600 adult smokers to quit,
- save 5,500 Kansas residents from premature smoking-caused death,
- save \$3.4 million over 5 years from fewer smoking-affected pregnancies and births, and
- save \$3 million over 5 years from fewer smoking-caused heart attacks and strokes.

Reducing smoking saves lives. According to the U.S. Centers for Disease Control and Prevention, annually an estimated 1,500 Kansans die from cancers caused by smoking; 1,200 die

CURTIS STATE OFFICE BUILDING, 1000 SW JACKSON ST., STE. 300, TOPEKA, KS 66612-1368

Voice 785-296-1086 Fax 785-296-1562

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Attachment # 2

from heart diseases caused by smoking; and more than 1,100 die from respiratory diseases caused by smoking.¹

Reducing smokeless tobacco use will reduce tobacco-related diseases and reduce youth tobacco use. Smokeless tobacco causes oral and throat cancer, and other oral health problems including gum recession and tooth decay. Making the state's tax rate on other tobacco products parallel to the state's tax rate on cigarettes will stop under-taxed, less-expensive tobacco products from serving as a gateway to cigarette addiction for kids or as an alternative to quitting or cutting back for existing smokers. In addition, it is well established by scientific research and the experiences of numerous states that raising the tax rates on any tobacco product will reduce use rates, especially among youth, thereby reducing related harms and costs, as well. The Campaign for Tobacco Free Kids estimates that increasing the tax on other tobacco products to 40 percent of the wholesale price will result in a 19.5 percent decline in youth use and a 10.5 percent decline in overall consumption.

Tobacco use costs all Kansans through higher health costs. The health costs associated with tobacco use are primarily driven by increasing new chronic diseases among smokers as compared to nonsmokers. Smoking related healthcare costs in the state total more than \$927 million.¹ The Kansas Medicaid program pays \$196 million of these costs.² The Campaign for Tobacco Free Kids estimates that every pack of cigarettes sold in Kansas contributes \$11.66 to the state's health cost burden.

The health benefits that result from reduced consumption of tobacco products and subsequent disease will save lives and money, significantly reducing the rapidly escalating Medicaid program costs.

In addition to the substantial health benefits, the increased tax revenues per package of each tobacco product sold bring in far more new revenue than are lost by the reductions in tobacco consumption and sales prompted by the tax increase. Kansas data support this result. The cigarette tax revenue in 2009 was approximately \$59 million greater than the tax collected before the 2002/2003 Kansas cigarette tax increase³ even though the Kansas adult smoking rate decreased from approximately 22 percent in 2002 to 18 percent in 2008.⁴ Other states that have raised cigarette taxes multiple times in the last two decades consistently report increases in tax revenues.⁵

Thank you for the opportunity to appear before the committee today. I will now stand for questions.

¹ Smoking Attributable Morbidity, Mortality and Economic Cost, Centers for Disease Control and Prevention, <http://apps.nccd.cdc.gov/sammecl/>.

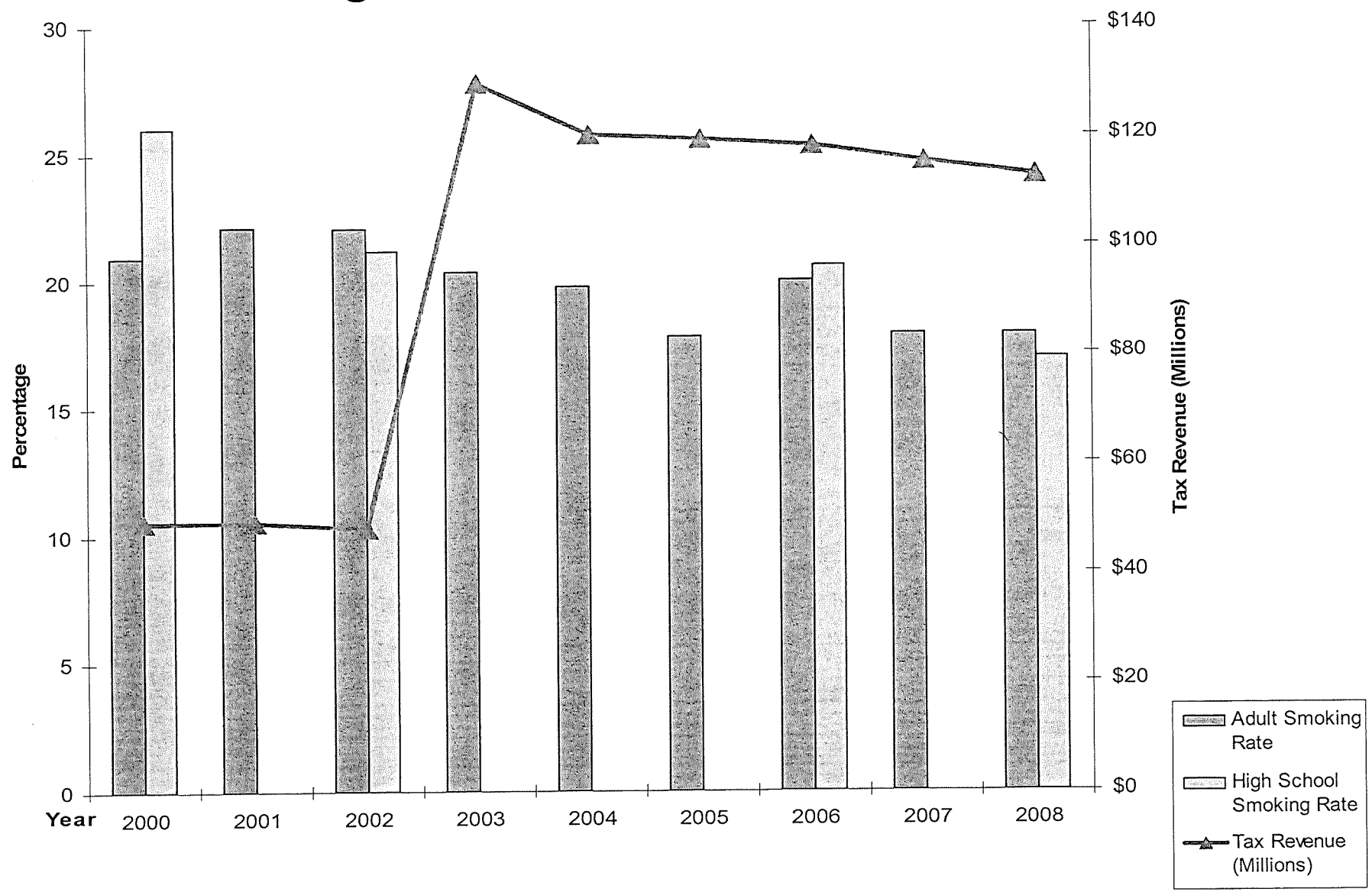
² U.S. Centers for Disease Control and Prevention, Sustaining State Programs for Tobacco Control Data Highlights, 2006. Department of Health and Human Services.

³ Kansas Department of Revenue Annual Statistical Report 2009.

⁴ 2008 Kansas Behavioral Risk Factor Surveillance System, Kansas Department of Health and Environment, <http://www.kdheks.gov/brfss/>.

⁵ Tobacco Taxes: A Win-Win-Win for Cash-Strapped States, Campaign for Tobacco Free Kids, http://www.tobaccofreekids.org/reports/state_tax_report/.

Kansas Cigarette Use and Cigarette Tax Revenue



**TESTIMONY OF:
Daniel McGoldrick
Vice President, Research
Campaign for Tobacco-Free Kids**

**IN SUPPORT OF THE
TOBACCO TAX INCREASE PROPOSAL
BEFORE THE
SENATE ASSESSMENT AND TAXATION COMMITTEE**

**Topeka, KS
March 9, 2010**

Sn. Assmnt & Tax
3-9-10

Attachment # 3

Good morning. I'm Danny McGoldrick, and I am the Vice President for Research at the Campaign for Tobacco-Free Kids in Washington, DC. Our mission is to reduce tobacco use and its devastating effects, particularly among kids.

My thanks to Chairman Donovan and other members of the Committee for allowing me to address the tremendous opportunity you have in Kansas to dramatically improve the public health by reducing tobacco use while at the same time raising tens of millions of dollars to address budget issues and save vital programs here in Kansas.

Let's get right to the point. Very simply, raising the tobacco tax by \$1 is a WIN, WIN, WIN for Kansas. It's a win for public health because it will reduce tobacco use and its devastating health effects. This is why we support the tobacco tax. However, it's also a win for the state budget because, despite declines in consumption, it will produce almost \$75 million in additional revenue for the state. Finally, as poll results show, it's even a win for elected officials because Kansas voters overwhelmingly favor increasing the tobacco tax.

Let's address the public health WIN. Every year, tobacco takes the life of 3,800 of your fellow Kansans – your mothers, fathers, brothers, sisters, friends, and other loved ones.

In addition to its toll on lives, tobacco-related disease costs Kansas more than \$900 million in direct health care costs each year, much of it borne by taxpayers.

This horrible toll will only continue if we don't act against it aggressively because almost 12,000 Kansas kids try a cigarette for the first time each year. Another 2,900 become regular daily smokers, and if current trends continue, 54,000 Kansas kids alive today will die a premature death from tobacco use.

By raising the state's tobacco tax by \$1 per pack, Kansas WILL reduce smoking, and all its attendant devastation, especially among kids. The science could not be more clear. Based on over 100 studies, virtually every expert in this country and elsewhere has concluded that raising tobacco taxes is one of the most effective measures we can take to reduce smoking.

While we may not intuitively believe that \$1 is enough to make a difference to today's kids, who seem to have more money than any of us ever did as children, the data simply do not lie. When tobacco prices go up, tobacco use goes down, especially among kids.

No less than the U.S. Surgeon General, the National Cancer Institute, the Centers for Disease Control and Prevention, the Institute of Medicine of the National Academy of Sciences, the President's Cancer Panel, the World Bank, Wall Street Tobacco Analysts, and even the tobacco companies agree – raising tobacco prices reduces tobacco use.

Now there aren't too many things that public health advocates and the tobacco companies agree on, but this is one. And that's why health groups like mine, along with the American Cancer Society, the American Heart Association, the American Lung Association, and many

others, support the tobacco tax increase and why the tobacco companies oppose it.

Raising the tobacco tax by \$1 or more will be a huge WIN for the public health of Kansas. It will keep more than 21,000 Kansas kids from becoming smokers and encourage almost 12,000 smokers to quit. Together, this will save 10,000 Kansans a premature death from tobacco use.

These dramatic gains in health will be further enhanced if Kansas dedicates some portion of the tax revenues to tobacco prevention and cessation efforts. States that have invested in comprehensive tobacco prevention and cessation programs have reduced tobacco use at rates far greater than the rest of the country, and these program effects are independent of those caused by tobacco price increases.

Members of the committee, aside from the public health impact, there is another reason that 40 states and DC have raised their tobacco tax 74 times since Kansas last increased its tobacco tax. It is that, even with the declines in tobacco use that do occur as a result, these tobacco tax increases ALWAYS result in significant revenue for the state. Simply put, every state that has raised its tobacco tax significantly has seen revenues increase dramatically even as consumption declines. There are NO exceptions.

Right here in Kansas, when the tobacco tax was increased from 24 cents to 79 cents for Fiscal Year 2003, Kansas generated almost \$70 million in new revenue (an increase of 141%) in the first year of the tax, even though

tobacco consumption in the state declined by more than 20 percent. What's more, this revenue has been consistent. Indeed, 2009 Kansas tobacco tax revenue was 90% of the revenue in the FIRST full year of the tax – despite the federal tobacco tax increase that took place last year.

There are countless examples from other states that are just like this – states large and small and in all parts of the country.

In Kansas, we estimate that a \$1 increase in the cigarette tax alone will raise almost \$75 million in new revenue in the first year after the tax. This is a conservative estimate that takes into account underlying trends in tobacco consumption, reductions in smoking as a result of the tax, and an increase in tax avoidance in response to the tax. It does NOT include additional revenue that would accrue from increases in taxes on other tobacco products in Kansas.

Equalizing the tax on other tobacco products would also produce significant additional benefits for Kansas. It would reduce other tobacco product use among youth by 39 percent and generate an additional \$23 million in new revenue for the state.

Revenues from tobacco taxes will decline over time, and that is a good thing, but these declines will be gradual; they are predictable, and they are easily adjusted for.

As you debate this issue, you will hear a lot about how smokers will avoid the new tax through cross-border sales, internet purchases, and all the rest. While some

of this will occur, tax avoidance will be nominal, short-lived for most, and will not come anywhere near offsetting the tremendous benefits of the tobacco tax increase.

Again, a look at the last tobacco tax increase in Kansas is instructive. While revenues from the tobacco tax increased by 140 percent in Kansas, the largest increase in any border state except Nebraska, which had its own tax increase, was 6.4 percent in Missouri. So – Kansas saw consumption decline and took in almost \$70 million in new revenue while Missouri, a much larger state, saw tobacco sales increase and brought in only \$6 million in new revenue. Which state would you rather be?

You can also take measures, such as adopting new tax stamp technology and increasing enforcement, that will help minimize any tax evasion and maximize revenue. California, the only state so far to adopt the new stamp technology, saw significant increases in tobacco tax collections after doing so. These approaches more than pay for themselves.

In addition, as the gradual declines in tobacco tax revenue reflect declines in tobacco use, tobacco-related health care costs, many of which are borne by the state, will decline accordingly.

Kansas will begin saving money almost immediately because of reduced health care costs due to tobacco use. More than \$11 million in health care costs will be averted in the first five years after the tax increase, just from reductions in the costs of treating heart attacks, strokes, and the effects of smoking during pregnancy.

Over their lifetimes, those who would have become smokers or continued smoking will save almost \$500 million in health care costs.

With these fiscal and health benefits, it is no wonder that polls show 64 percent of Kansas voters in favor of increasing the tobacco tax. This support crosses partisan lines, as large majorities of Republicans, Democrats, and independents support the tax, as do majorities of virtually every demographic group in the state. So the tobacco tax is not only a win for the state's health and its budget; it is also a political win for its supporters.

So how many reasons do we need to raise the tobacco tax?

Is it 21,000 – the number of kids whom the tax will keep from becoming smokers?

Is it \$75 million – the dollars in new revenue produced by the tobacco tax?

Is it 64 – the percent of voters who support the tax?

Regardless, the reasons are plenty.

The only reason to oppose the tobacco tax is to keep kids getting addicted and smokers smoking. Because our opponents know that increasing the tobacco tax is good for Kansas, they are making up reasons to oppose it. Those who tell you it won't reduce smoking are ignoring the science and the conclusions of experts all over the world. Those who tell you it won't raise

revenue are denying the real world experience of every single state that has increased its tobacco tax significantly – kind of like the Flat Earth Society.

And those that tell you the increase is regressive conveniently neglect to tell you that it is tobacco's disproportionate toll on the health of lower income families that is regressive and that tobacco taxes are most effective at reducing smoking among these lower income smokers – thus producing disproportionate benefits for them.

Members of the committee, this is indeed a rare opportunity. While you are making many difficult decisions for Kansas, this should be an easy one. How many times are you presented with a proposal that will save thousands of lives, that not only does not cost a penny, but will in fact raise tens of millions of dollars in much needed revenue for Kansas AND has the overwhelming support of Kansas voters?

How many reasons do we need? It's time to raise the tobacco tax in Kansas.

Thank you, and I will be glad to answer any questions.

**INCREASING THE
TOBACCO EXCISE TAX**



**A WIN, WIN, WIN FOR
KANSAS**

**A BUDGET WIN
A PUBLIC HEALTH WIN
A POLITICAL WIN**



Benefits of a \$1.00 Tax Increase in Kansas

- **21,600 kids alive today who will not become smokers**
- **12,000 adult smokers will quit**
- **Preventing 10,000 smoking-caused deaths**



Benefits of a \$1.00 Tax Increase in Kansas

- **\$74.7 million in new cigarette tax revenues**
- **\$11.6 million in 5-year savings from reducing smoking during pregnancy and reduced heart attacks and strokes**
- **\$492.0 million in long-term healthcare savings**



Benefits from Equalizing the OTP tax to the new cigarette tax rate

- **\$23.0 million in new tobacco tax revenues**
- **39% decline in youth OTP use**
- **21% decline in overall OTP consumption**

The Kansas Tax Experience

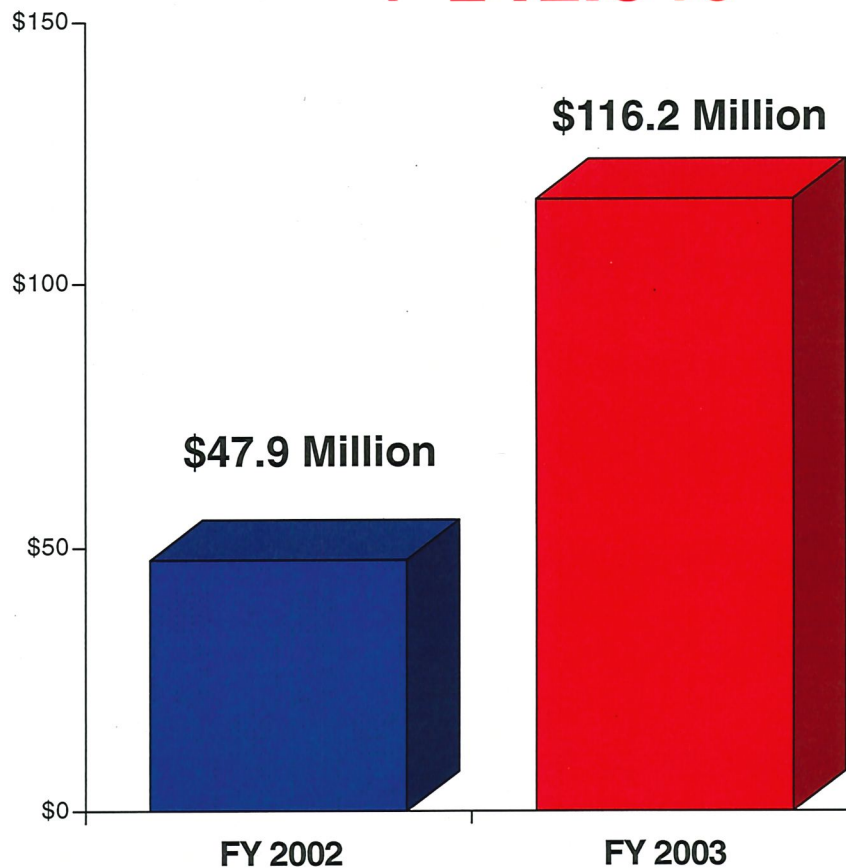
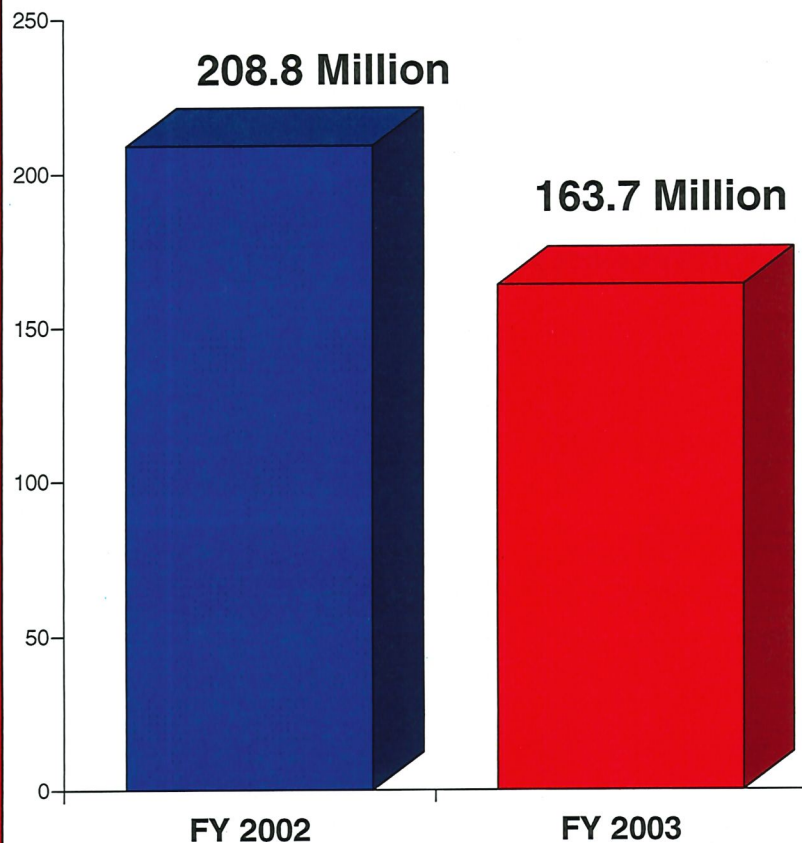
From 24¢ to 70¢ on 7/1/02; from 70¢ to 79¢ on 1/1/03.

Packs Sold

- 21.6%

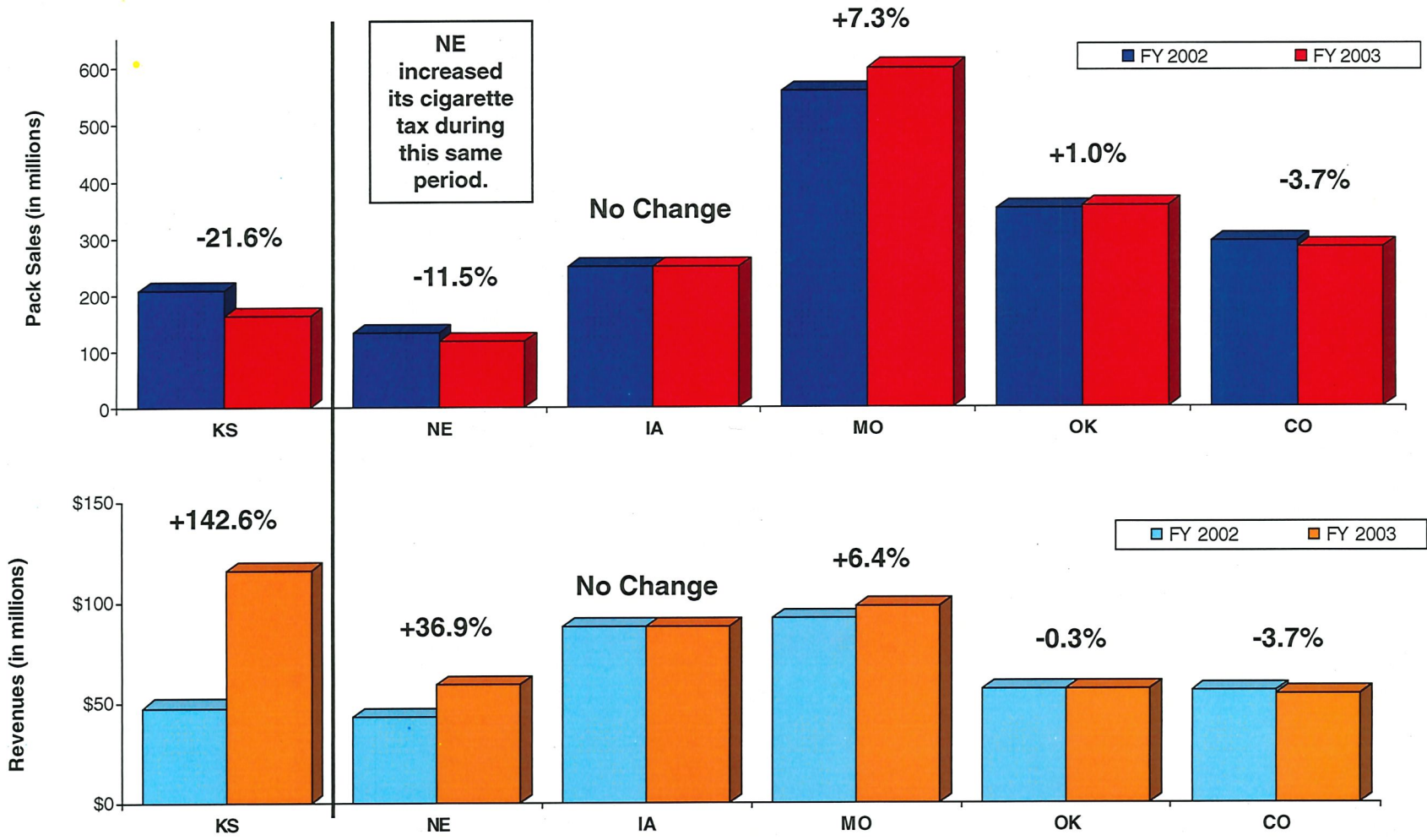
Revenue

+ 142.6%



The Kansas Tax Experience

Pack Sales and Revenues in Surrounding States

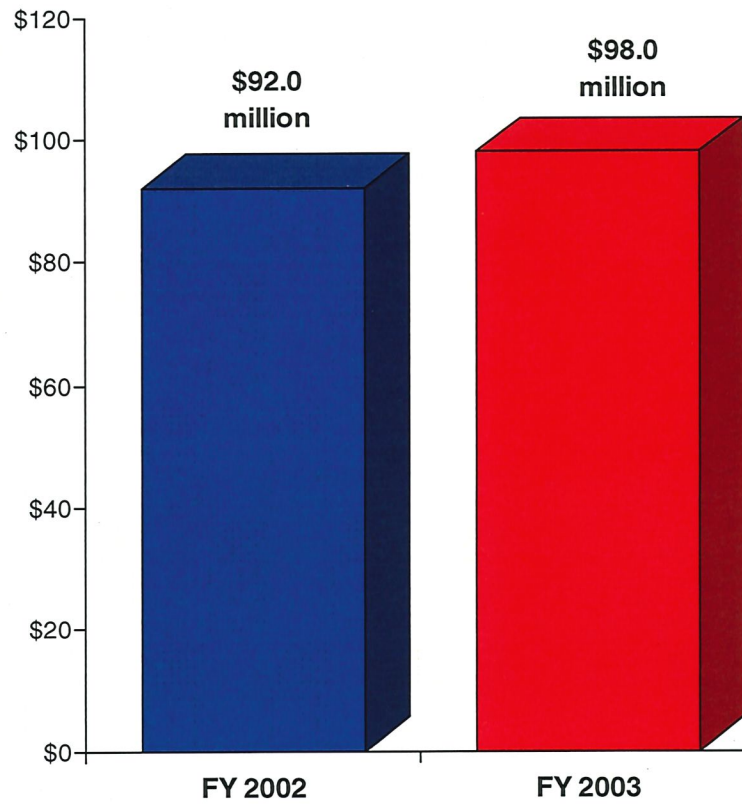
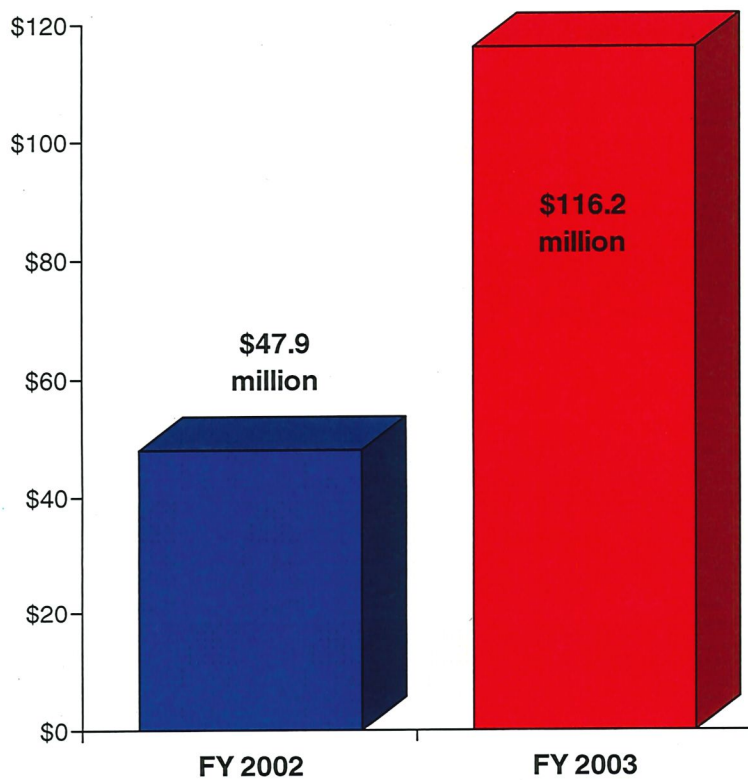


Revenues may not match with pack sales due to state adjustments to cigarette tax revenue collections.

Cigarette Tax Revenue in KS and MO for Fiscal Years 2002 and 2003

Kansas
+ 142.6%

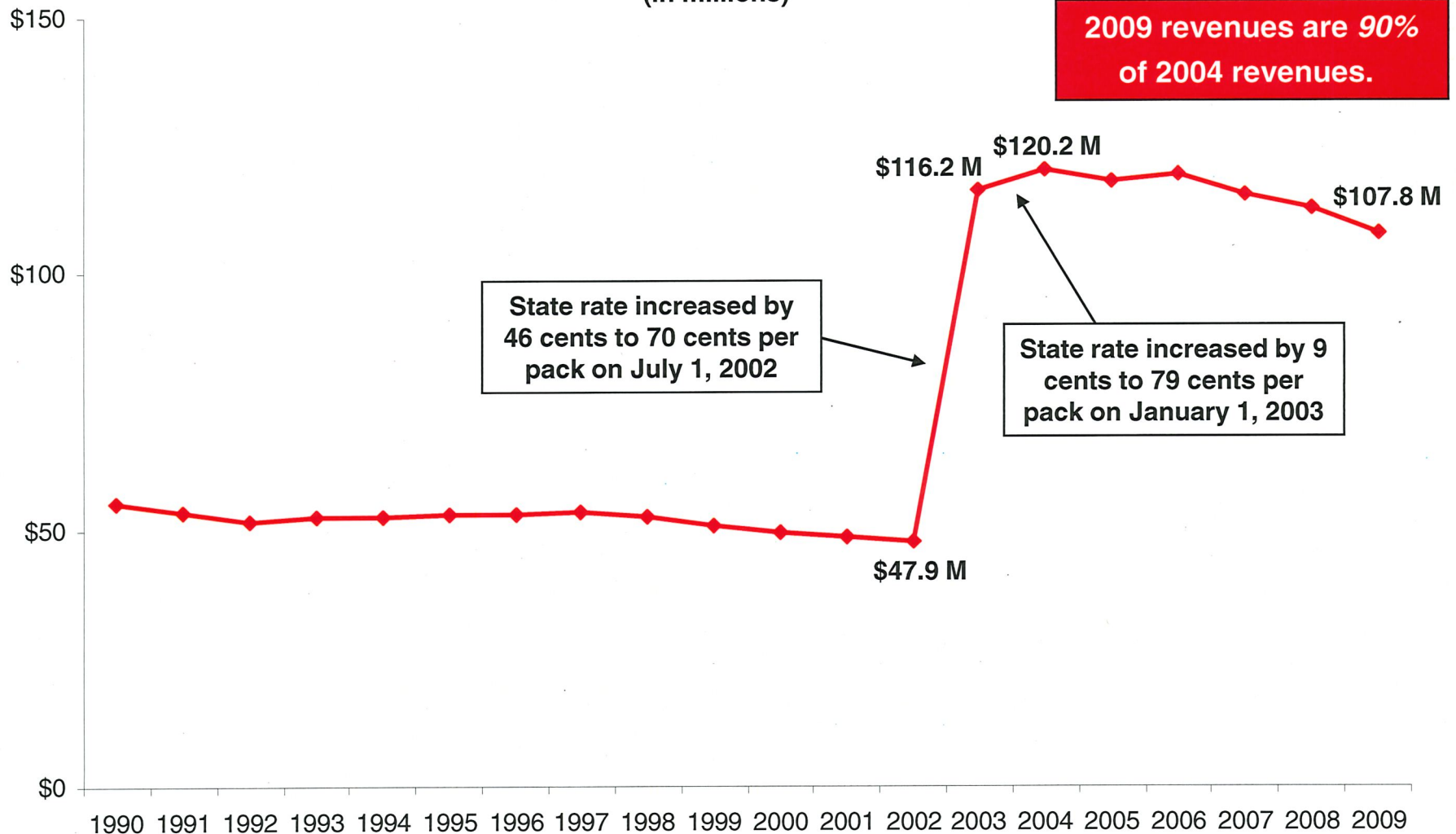
Missouri
+ 6.4%



KS Tax Increases Effective 7/1/02 and 1/1/03

Reliability of Cigarette Tax Revenue Following a Significant Increase

Cigarette Tax Revenues in Kansas 1990-2009 (in millions)



2009 revenues are 90% of 2004 revenues.

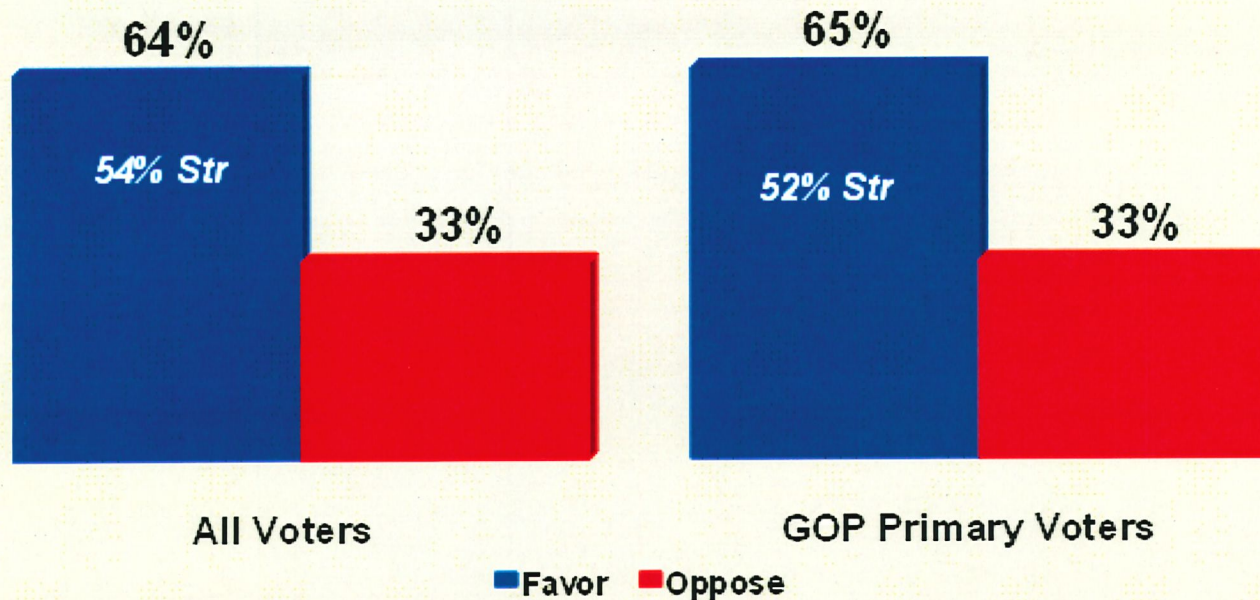
State rate increased by 46 cents to 70 cents per pack on July 1, 2002

State rate increased by 9 cents to 79 cents per pack on January 1, 2003

Revenue data from Orzechowski & Walker, *The Tax Burden on Tobacco*, 2009.

Tobacco: Strong support for increasing the state's current 79 cent tax on a pack of cigarettes.

If you knew that the current Kansas tax on a pack of cigarettes is 79 cents, would you favor or oppose increasing the tax?



February 2007 Poll of Kansas Voters Conducted by Public Opinion Strategies for Sunflower Foundation



Testimony in Support of SB 516
Senate Assessment and Taxation Committee
Corrie Edwards, Executive Director, Kansas Health Consumer Coalition
March 9, 2010

Mr. Chair and members of the committee:

I appear before you today in support of SB 516, specifically the provisions that increase the state cigarette tax and tax on other tobacco products. I serve as the Executive Director of the Kansas Health Consumer Coalition (KHCC), an association dedicated to advocating for accessible, affordable, and quality health care for all Kansans.

The consumers that I hear from are typically low-income, uninsured Kansans whose health issues have led to financial problems as they try to navigate a very expensive system of care. While KHCC tries to help these consumers, they often come to us after the damage is done with poor health outcomes and financial ruin. KHCC believes that an increase in the state tobacco tax is a preventive measure that will deter some Kansans from beginning a habit that disproportionately impacts the poor.

You will hear from opponents of this tax increase that it is regressive and unfair to low-income Kansans. What I find unfair is marketing a product that we know kills 3,800 Kansas adults annually and results in chronic illness for many others. In the Kansas Department of Health and Environment's *Tobacco Use in Kansas 2007 Status Report*, it found that a much higher percentage of Kansans with incomes under \$15,000 smoked, 33% compared to 20% of the Kansas adult population overall. There was also a correlation between those who do not complete high school and higher than average smoking rates at 28%. This product is disproportionately used by populations least able to cope with the health and financial consequences of usage. The Status Report also cites high usage among low-income, pregnant women. More than 22% of pregnant women on Medicaid smoked while pregnant, compared to 16.5% of pregnant women overall. Smoking during pregnancy increases the risk of complications and greatly escalates neonatal spending. The Campaign for Tobacco Free Kids cites economic research demonstrating that tobacco tax increases reduce smoking by low-income smokers and pregnant women. A cigarette tax increase of 10% results in a 7% reduction in smoking by pregnant women.

According to the Campaign for Tobacco Free Kids, Kansas taxpayers spend \$196 million annually on smoking-related health care costs in the Medicaid program. Kansans spend a staggering \$927 million each year on all health care costs associated with tobacco-related illnesses. This amounts to \$572 in federal and state government expenditures for every Kansas household. If we placed the total cost burden of tobacco use on tobacco users in Kansas, it

534 S. Kansas Avenue, Suite 1220, Topeka, KS, 66603
 Ph: 785.232.9997 Fax: 785.232.9998
www.kshealthconsumer.com
info@kshealthconsumer.org

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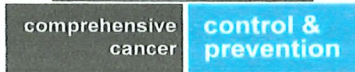
would amount to a per pack tax of \$11.66. As we hear about the unfairness of tobacco taxes it is important to remember that all Kansas taxpayers shoulder the burden right now, despite the fact that more than 80% of Kansans do not smoke.

The good news is a \$.55 increase in our state tobacco tax is estimated to save \$6.4 million over the next five years resulting from reduced heart attacks, strokes, and smoking-related pregnancy and birth complications. It is also estimated that 2,000 births will not be impacted by smoking mothers over the next five years (Campaign for Tobacco Free Kids). It is time to begin saving lives and money in Kansas.

I urge your adoption of SB 516. Thank you for your consideration.

534 S. Kansas Avenue, Suite 1220, Topeka, KS, 66603
Ph: 785.232.9997 Fax: 785.232.9998
www.kshealthconsumer.com
info@kshealthconsumer.org

K A N S A S



Testimony in Support of SB 516

Senate Assessment and Taxation Committee

Kansas Cancer Partnership

Gary Doolittle, M.D.

March 9, 2010

Mr. Chairman and members of the committee:

I appear before you today in dual roles. The first as a representative for the Kansas Cancer Partnership, a group tasked with development of a comprehensive cancer plan for Kansas, and second as an oncologist at the University of Kansas Medical Center. I have the unique opportunity of viewing tobacco use from a policy perspective and seeing the real-life consequences of those policies as it impacts cancer patients. In both roles, I cannot emphasize enough the importance of prevention in improving health outcomes, specifically with cancer. It is because I believe so strongly in prevention that I appear before you today in support of SB 516 and those provisions that increase the tax on cigarettes and other tobacco products.

The evidence supports a correlation in tobacco taxes and use, particularly among children and other vulnerable populations. It is widely documented that a 10 percent increase in tobacco taxes results in a 6.5 percent decrease in use by children and a 4 percent decrease in use overallⁱ. The Kansas Cancer Partnership believes that increasing the tax is a strong first step in prevention but should be coupled with an investment in tobacco prevention and cessation, and other health programs. According to the American Journal of Preventive Medicine, tobacco tax increases are the single most effective short-term evidence-based intervention.ⁱⁱ I emphasize the phrase "short-term" because for Kansas to realize the full benefits of a sustained reduction in use, it is important to fund the programs that facilitate cessation and prevent Kansans from ever starting the habit.

Cancer is the second leading cause of death in Kansas, resulting in 5,000 deaths annually or 22% of all Kansas deaths.ⁱⁱⁱ The Kansas Cancer Partnership believes that number can be reduced through a number of preventive measures including reduced tobacco use and increased funding of cancer screening programs such as *Early Detection Works*. It is for this reason that we believe some of the proceeds from a tobacco tax should be dedicated to the *Early Detection Works program*. This is a particularly appropriate use of the proceeds because of the disproportionate impact of tobacco use on low-income

Sn. Assmnt & Tax

3-9-10

Attachment # 5

Kansans, who serve to benefit from Early Detection Works. The program pays for screening and treatment of breast and cervical cancer for those who could not otherwise afford it. Women must meet financial and age eligibility guidelines and do not have health insurance or have cost-prohibitive coverage. Since its inception, more than 20,000 Kansas women have been screened, with over 500 cases of precancerous and invasive breast or cervical cancer identified. Over 200 Kansas women have received treatment for breast or cervical cancer^{iv}.

As Kansas focuses more on prevention as the key to improved health outcomes and financial savings, the Kansas Cancer Partnership urges you to support an increased tobacco tax and use the proceeds to fund tobacco prevention and other efforts aimed at improving the health and lives of so many Kansans. Thank you for your consideration of SB 516.

ⁱ www.campaignfortobaccofreekids.org.

ⁱⁱ The American Journal of Preventive Medicine, "The Guide to Community Preventive Services: Tobacco Use Prevention and Control."

ⁱⁱⁱ Kansas Cancer Registry Annual Reports, Cancer Incidence and Mortality in Kansas 1997-2002. University of Kansas Medical Center. Vital Statistics Report 2002 and Kansas Information for Communities databases, Center for Health and Environmental Statistics, Kansas Department of Health and Environment.

^{iv} www.kdheks.gov/edw/about.htm



AARP Kansas
555 S. Kansas Avenue
Suite 201
Topeka, KS 66603

T 1-866-361-3619
F 785-232-8259
TTY 1-877-434-7598
www.aarp.org/ks

March 9, 2010

The Honorable Les Donovan, Chair
Senate Assessment and Taxation Committee

Reference: SB 516

Good morning Chairman Donovan and members of the Senate Assessment and Taxation Committee. My name is David Wilson and I am the Volunteer State President of AARP Kansas. We represent the views of more than 345,000 members across the state of Kansas. Thank you for allowing us the opportunity to present comments on SB 516.

We applaud this committee for holding these hearings on the needs of all Kansans. We understand that, during these trying financial times with declining state revenues, every revenue source should be considered. Many states have recently boosted their tobacco taxes substantially to offset the loss of state revenues. We would request that, with any new source of revenue considered, efforts are made to maintain and reinstate safety net programs and help fund health programs for all Kansans.

Smoking is a public health problem. Tobacco use has been estimated to result in annual public and private health care expenditures of about \$89 billion. To help finance expanded health insurance coverage for children, the Children's Health Insurance Program Reauthorization Act of 2009 increased the federal cigarette tax from 39 cents to one dollar per pack. Some claim that increases in tobacco and alcohol taxes will discourage consumption, especially among the young, and thus will decrease related societal costs.

Excise taxes do serve a useful social purpose by discouraging the consumption of harmful commodities such as tobacco. The public also tends to object less to these taxes, in part because they are paid only if people choose to purchase the affected goods or services. These excise taxes are regressive (they take a higher percentage of income from low-

(over)

income people) and violate the AARP principle of neutrality (they single out individual commodities for taxation). However, the regressive nature of tobacco taxes can be ameliorated if the revenue is used to supplement the funding of public health and low-income programs.

AARP believes that when considering taxes as a source of revenue the tax should follow certain guidelines:

- Taxes should be equitable and should distribute the burden according to people's ability to pay.
- Taxes should be progressive and not regressive. Income taxes are generally the most progressive of state taxes.
- Taxes should be as neutral as possible in their treatment of economic activity.

Taxes on tobacco products have not always kept pace with inflation because they are based on units sold rather than price. Thus revenues do not increase automatically with the cost of goods sold. Excise taxes on tobacco should at least keep pace with inflation. Levying them on an ad valorem basis (i.e., on the value of the purchase) rather than a per-unit basis would automatically adjust excise taxes for inflation.

It is critical to ensure that public health programs are funded and older adults are being served at the appropriate level, now and in the future, in the most cost efficient way to the state. If this committee looks favorably on SB 516, we would ask that revenues from an increase in excise taxes on tobacco is used to supplement and restore the funding of public health programs and services for the low-income and elderly.

Thank you for your consideration of our comments.

Resource:

The Policy Book: AARP Public Policies 2009-2010

Testimony on:

SB 516

Presented to:

Senate Assessment and Taxation Committee

By:

Cathy Harding, Executive Director
Kansas Association for the Medically Underserved

March 9, 2010

For additional information contact:

KAMU
1129 S Kansas Ave., Ste. B
Topeka, KS 66612
Ph: (785) 233-8483
Fax: (785) 233-8403

Good morning Mister Chairman and members of the Assessment and Taxation Committee.

I am Cathy Harding, Executive Director of the Kansas Association for the Medically Underserved, (KAMU). I am pleased to be here today to speak in support of SB 516.

KAMU was designated the Primary Care Association of Kansas by the Bureau of Primary Health Care in 1991 and maintains that designation today. As the PCA, KAMU represents 44 members, including 40 safety net clinics. The 40 Safety Net Clinics along with their 29 satellite sites provide Kansans a total of 72 access points. Membership includes public and private non-profit primary care clinics, Federally Qualified Health Centers (FQHC's), one Federally Qualified Health Center Look-Alike, local health departments and the Statewide Farmworker Health Program.

KAMU's purpose is to grow and strengthen safety net clinics so that all Kansans will have a primary health care "home". This home is a place where people receive comprehensive primary, dental and behavioral health care, which cover the spectrum of preventative, acute and chronic health care needs.

In 2008 our 40 clinics provided care for nearly 190,000 underserved Kansans – a 34% increase in patients in just two years – 2006-2008. With the current economic client in our state, the number of individuals who are uninsured and underinsured will continue to rise. Our clinics that have reported data for 2009 (1/3 of the members to date) averaged a 25% increase in just one year!

Kansas safety net clinics received \$7,481,065 in FY 2009 and 98% of the state investment goes directly to the clinics through grant programs. The remaining 2% is used to support the clinics through technical assistance and workforce development.

Recognizing that this year tough budget decisions will need to be made, I am pleased to state that investing in the safety net clinics is a positive decision – in fact, it actually saves the state money.

- Nationally, studies show that Medicaid patients served by FQHC's **saves** Medicaid an average of \$1,000 per beneficiary per year. So, this is a direct savings to our Medicaid program.
- Statewide, for every state dollar that goes to our clinics, another \$10 is secured from other sources. This is an excellent return on the dollar.
- Finally, our clinics prevent the use of more expensive options. Some studies indicate that the cost of a visit to an emergency room is five times that of an outpatient clinic visit. Again, if this is a Medicaid beneficiary, the result is a direct savings to the state.

7-2

As a primary health care organization who supports healthy lifestyles, we support the Tobacco Tax.

An increase in the tobacco tax will provide three major benefits to the state, specifically:

- Decrease the number of smokers
- Increase revenue
- Provide funding for very needed health care programs

Thank you Mister Chairman for the opportunity to speak in support of SB 516. I would be pleased to stand for questions.

1-3



March 9, 2010

To: Senate Committee on Assessment and Taxation

From: Linda J. De Coursey, Director of Advocacy—Kansas

Re: SB 516—Act relating to tax upon cigarettes and tobacco products, rates; rate of sales taxation



Mr. Chairman and members of the committee:

Thank you for this opportunity to speak out on this very important issue. My name is Linda De Coursey, and I am representing the American Heart Association. Heart disease and stroke is the number one cause of death in Kansans and in the United States. The American Heart Association's mission is to build healthier lives free of cardiovascular disease and stroke. Tobacco control has been one way to reduce tobacco use, particularly among children.

Smoking takes a terrible toll on Kansans. Tobacco use is the single most preventable cause of death in Kansas. Every year more than 3,800 Kansans die from diseases that are directly linked to tobacco use. In the Tobacco Use in Kansas Status Report 2006, it was reported that annual health care related expenditures attributed to smoking now totals more than \$927 million. The direct cost paid by Medicaid for tobacco related illnesses in Kansas was \$196 million. Tobacco use costs the State lives and money.

Increasing the tobacco tax is a win-win-win solution for Kansas: a public health win that reduced smoking and saves lives, a financial win that raises much-needed revenue to fund health reform and reduces smoking-caused health care costs, and a political win because tobacco taxes have strong support of the public (64% of Kansans according to the Sunflower Foundation poll released June of 2007).

Increased tobacco taxes are especially effective at reducing smoking among kids. Studies show that every 10 percent increase in the price of cigarette reduces youth smoking by about 7 percent and over cigarette consumption by about 4 percent. Even a slight decrease in youth smoking will save lives because for every three kids we prevent from becoming regular smokers, a life is saved.

Tobacco taxes are a reliable source of revenue for Kansas. It is not a shrinking source...because 4,000 kids try their first cigarette every day...another 1,000 become daily smokers and one-third of them will die prematurely as a result. In Kansas, before students graduate from high school, a staggering 3 out of 4 have tried tobacco and 1 in 3 become regular users of tobacco.



Senate Committee on Assessment and Taxation
SB 516—March 9, 2010
Page Two

Increased benefit for lower-income smokers and families. It has been reported that smoking levels are highest among people with low incomes, and the tobacco industry argues that cigarette tax increases are regressive taxes that fall disproportionately hard on lower-income persons. But, this argument turns reality upside down. Higher smoking rates among lower-income groups means they are now suffering the most from smoking and will, consequently benefit the most from any effective measures to reduce smoking, including increased state tobacco taxes. Using data from the U.S. Centers for Disease Control and Prevention (CDC), we know that:

- Low-income smokers are much more likely to quit because of state tobacco tax increases than high-income smokers.
- State tobacco-tax increases shift the overall tobacco-tax burden more toward higher-income smokers.
- State cigarette tax increases give many current smokers a "tax cut" by switching from premium to cheaper brands.
- Low-income voters strongly support tobacco-tax increase.
- State tobacco-tax increases improve the health of low-income smokers and their families and reduce their related costs.

When we weigh fairness and health concerns, it becomes tough being a smoker. The tobacco tax is a user fee. The cry is "foul" from the opposition, because they consider it a regressive tax. But each Kansas household pays \$582 annually to cover health care costs of the smokers. Raising the tobacco tax requires smokers to pay a great share of the costs that they incur by using tobacco....Could anything be fairer?

Kansas cigarette tax is below national average (\$1.34). Currently, 30 states, DC, Puerto Rico and Northern Marianas, and Guam have cigarette tax rates of \$1.00 per pack or higher. CDC estimates that smoking-caused health costs and productivity losses total \$10.28 per pack sold.

In closing, significant tobacco tax increases are proven to reduce smoking and save lives. They make tobacco products too expensive for many kids and give smokers another incentive to quit. The higher the tax, the more lives saved. The Kansas Legislature is not the only state taking this action, Utah and New Mexico just joined the ranks of states making this decisive action to save lives. Please consider increasing tobacco excise taxes in Kansas. Thank you.

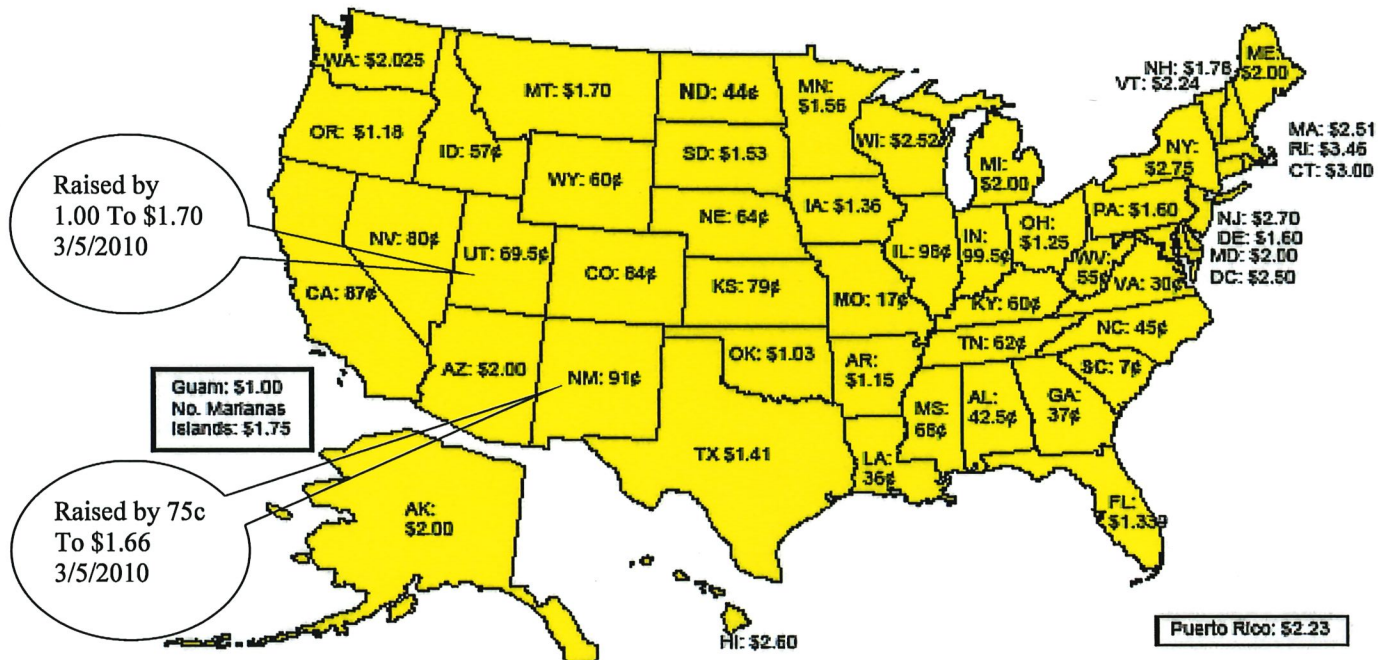
CAMPAIGN
For
TOBACCO-FREE
Kids

MAP OF STATE CIGARETTE TAX RATES

Average State Cigarette Tax: \$1.34 per Pack

Average Cigarette Tax in Major Tobacco States: 40.2 cents per Pack

Average Cigarette Tax in Non-Tobacco States: \$1.47 per Pack



Map shows state cigarette tax rates in effect now and those that will go into effect through November 1, 2009 (PA on 11/1/09). The four states that have not increased their cigarette tax rate since 1999 or earlier are marked in bold. Currently, 28 states (including DC) and Puerto Rico, the Northern Marianas, and Guam have cigarette tax rates of \$1.00 per pack or higher; 15 states (including DC) have cigarette tax rates of \$2.00 per pack or higher; and two states (CT and RI) have cigarette tax rates of \$3.00 per pack or higher. The state averages listed above do not include Puerto Rico (with a population larger than those in 20 states) or any of the U.S. territories (such as Guam). The major tobacco states with extensive tobacco farming and, often, cigarette manufacturing, are NC, KY, VA, SC, TN, & GA. Federal cigarette tax is \$1.01 per pack. Not shown are the special taxes or fees some states place on cigarettes made by Non-Participating Manufacturers (NPMs), the companies that have not joined the Master Settlement Agreement (MSA) between the states and the major cigarette companies. Some local governments also have their own cigarette taxes, such as Chicago (88¢), Cook County, IL (\$2.00), New York City (\$1.50), and Anchorage, AK (\$1.30). The U.S. Centers for Disease Control & Prevention estimates that smoking-caused health costs and productivity losses total \$10.28 per pack sold.

Campaign for Tobacco-Free Kids, October 12, 2009 / Ann Boonn

For more information on state cigarette taxes and the benefits from increasing them, see <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18> and <http://tobaccofreekids.org/reports/prices>.

1400 I Street NW · Suite 1200 · Washington, DC 20005.
Phone (202) 296-5469 · Fax (202) 296-5427 · www.tobaccofreekids.org



STATE CIGARETTE EXCISE TAX RATES & RANKINGS

Overall All States' Average: \$1.34 per pack
 Major Tobacco States' Average: 40.2 cents per pack
 Other States' Average: \$1.47 per pack

State	Tax	Rank
Alabama	\$0.425	46th
Alaska	\$2.00	11th
Arizona	\$2.00	11th
Arkansas	\$1.15	27th
California	\$0.87	32nd
Colorado	\$0.84	33rd
Connecticut	\$3.00	2nd
Delaware	\$1.60	18th
DC	\$2.50	8th
Florida	\$1.339	24th
Georgia	\$0.37	47th
Hawaii	\$2.60	5th
Idaho	\$0.57	42nd
Illinois	\$0.98	30th
Indiana	\$0.995	29th
Iowa	\$1.36	23rd
Kansas	\$0.79	35th
Kentucky	\$0.60	40th

State	Tax	Rank
Louisiana	\$0.36	48th
Maine	\$2.00	11th
Maryland	\$2.00	11th
Massachusetts	\$2.51	7th
Michigan	\$2.00	11th
Minnesota	\$1.56	20th
Mississippi	\$0.68	37th
Missouri	\$0.17	50th
Montana	\$1.70	17th
Nebraska	\$0.64	38th
Nevada	\$0.80	34th
New Hampshire	\$1.78	16th
New Jersey	\$2.70	4th
New Mexico	\$0.91	31st
New York	\$2.75	3rd
North Carolina	\$0.45	44th
North Dakota	\$0.44	45th
Ohio	\$1.25	25th

State	Tax	Rank
Oklahoma	\$1.03	28th
Oregon	\$1.18	26th
Pennsylvania	\$1.60	18th
Rhode Island	\$3.46	1st
South Carolina	\$0.07	51st
South Dakota	\$1.53	21st
Tennessee	\$0.62	39th
Texas	\$1.41	22nd
Utah	\$0.695	36th
Vermont	\$2.24	9th
Virginia	\$0.30	49th
Washington	\$2.025	10th
West Virginia	\$0.55	43rd
Wisconsin	\$2.52	6th
Wyoming	\$0.60	40th
Puerto Rico	\$2.23	NA
Guam	\$1.00	NA
Northern Marianas	\$1.75	NA

Tax stamp includes 75¢ health impact fee & 33¢ cigarette sales tax (Commissioner of Revenue sets sales tax rate each year)

** Effective 11/1/2009.

Table shows all cigarette tax rates in effect now and those that will go into effect through November 1, 2009. Since 2002, 46 States, DC, and several U.S. territories have increased their cigarette tax rates more than 95 times. The four states in **bold type** have not increased their cigarette tax since 1999 or much earlier. Currently, 28 states (including DC) and Puerto Rico, the Northern Marianas, and Guam have cigarette tax rates of \$1.00 per pack or higher; 15 states (including DC) and Puerto Rico have cigarette tax rates of \$2.00 per pack or higher; and two states (CT, RI) have cigarette tax rates of \$3.00 per pack or higher. Tobacco states are KY, VA, NC, SC, GA, and TN. States' average includes DC, but not Puerto Rico, other U.S. territories, or local cigarette taxes. The median tax rate is \$1.18 per pack. MI, MN, and UT also have special 35¢ per pack taxes or fees on brands of manufacturers not participating in the state tobacco lawsuit settlements (NPMs).

The highest combined state-local tax rate is \$4.25 in New York City, with Chicago, IL second at \$3.66 per pack. Other high state-local rates include Evanston, IL at \$3.48 and Anchorage, AK at \$3.324 per pack. For more on local cigarette taxes, see: <http://tobaccofreekids.org/research/factsheets/pdf/0267.pdf>.

Federal cigarette tax is \$1.01 per pack. From the beginning of 1998 through 2002, the major cigarette companies increased the prices they charge by more than \$1.25 per pack (but also instituted aggressive retail-level discounting for competitive purposes and to reduce related consumption declines). In January 2003, Philip Morris instituted a 65-cent per pack price cut for four of its major brands, to replace its retail-level discounting and fight sales losses to discount brands, and R.J. Reynolds followed suit. In the last several years, Philip Morris, Reynolds American, and Lorillard have increased their product prices by almost \$1.00 per pack. **The U.S. Centers for Disease Control & Prevention estimates that smoking-caused health costs total \$10.47 per pack sold and consumed in the U.S.**

The average price for a pack of cigarettes nationwide is roughly \$5.15 (including statewide sales taxes but not local cigarette or sales taxes, other than NYC's \$1.50 per pack cigarette tax), with considerable state-to-state differences because of different state tax rates, and different manufacturer, wholesaler, and retailer pricing and discounting practices. AK, DE, MT, NH & OR have no state retail sales tax at all; CO, MN & OK have a state sales tax but it do not apply it to cigarettes; and AL, GA & MO (unlike the rest of the states) do not apply their state sales tax to that portion of retail cigarette prices that represents the state's cigarette excise tax.

Campaign for Tobacco-Free Kids, January 26, 2010 / Eric Lindblom

For additional information see the Campaign's website at <http://tobaccofreekids.org/reports/prices>.

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*, 2008; media reports.



CIGARETTE TAX INCREASES BY STATE PER YEAR 2000-2009
(As of October 12, 2009)

Current Overall States' Cigarette Tax Average: \$1.34 per pack
 Current Tobacco States' Cigarette Tax Average*: 40.2 cents per pack
 Current Non-Tobacco States' Cigarette Tax Average: \$1.47 per pack

Year	State	Effective Date of Increase	Amount of Increase	Tax Rate After Increase
2009	Arkansas	3/1/09	56 cents	\$1.15
	Connecticut	10/1/09	\$1.00	\$3.00
	Delaware	8/1/09	45 cents	\$1.60
	Washington, DC	10/1/09	50 cents	\$2.50
	Florida	7/1/09	\$1.00	\$1.339
	Hawaii	7/1/09	60 cents	\$2.60
	Kentucky	4/1/09	30 cents	60 cents
	Mississippi	5/15/09	50 cents	68 cents
	New Hampshire	7/1/09	45 cents	\$1.78
	New Jersey	7/1/09	12.5 cents	\$2.70
	North Carolina	9/1/09	10 cents	45 cents
	Pennsylvania	11/1/09	25 cents	\$1.60
	Rhode Island	4/10/09	\$1.00	\$3.46
	Vermont	7/1/09	25 cents	\$2.24
Wisconsin	9/1/09	75 cents	\$2.52	
2008	Washington, DC	10/1/08	\$1.00	\$2.00
	Hawaii	9/30/08	20 cents	\$2.00
	Maryland	1/1/08	\$1.00	\$2.00
	Massachusetts	7/1/08	\$1.00	\$2.51
	New Hampshire	10/15/08	25 cents	\$1.33
	New York	6/3/08	\$1.25	\$2.75
	Wisconsin	1/1/08	\$1.00	\$1.77
	Vermont	7/1/08	20 cents	\$1.99
2007	Alaska	7/1/07	20 cents	\$2.00
	Connecticut	7/1/07	49 cents	\$2.00
	Delaware	7/31/07	60 cents	\$1.15
	Hawaii	9/30/07	20 cents	\$1.80
	Iowa	3/15/07	\$1.00	\$1.36
	Indiana	7/1/07	44 cents	99.5 cents
	New Hampshire	7/1/07	28 cents	\$1.08
	South Dakota	1/1/07	\$1.00	\$1.53
	Tennessee	7/1/07	42 cents	62 cents
	Texas	1/1/07	\$1.00	\$1.41
2006	Alaska	7/1/06	20 cents	\$1.80
	Arizona	12/8/06	82 cents	\$2.00
	Hawaii	9/30/06	20 cents	\$1.60
	New Jersey	7/15/06	17.5 cents	\$2.575
	North Carolina	7/1/06	5 cents	35 cents
	Vermont	7/1/06	60 cents	\$1.79
2005	Alaska	1/1/05	60 cents	\$1.60
	Colorado	1/1/05	64 cents	84 cents
	Kentucky	6/1/05	27 cents	30 cents
	Maine	9/19/05	\$1.00	\$2.00
	Minnesota	8/1/05	75 cents	\$1.23
	Montana	1/1/05	\$1.00	\$1.70
	New Hampshire	7/1/05	28 cents	80 cents
	North Carolina	9/1/05	25 cents	30 cents
	Ohio	7/1/05	70 cents	\$1.25

* Part of a multi-year series of cigarette tax increases all passed into law at the same time.

Cigarette Taxes By State Per Year 2000-2009 / 2

Year	State	Effective Date of Increase	Amount of Increase	Tax Rate After Increase
	Oklahoma	1/1/05	80 cents	\$1.03
2005 (cont'd)	Virginia	7/1/05	10 cents	30 cents
	Washington	7/1/05	60 cents	\$2.025
2004	Alabama	5/18/04	26 cents	42.5 cents
	Hawaii	7/1/04	10 cents	\$1.40
	Michigan	7/1/04	75 cents	\$2.00
	New Jersey	7/1/04	35 cents	\$2.40
	Oregon ²	1/1/04	-10 cents	\$1.18
	Pennsylvania	1/7/04	35 cents	\$1.35
	Rhode Island	7/1/04	75 cents	\$2.46
	Virginia	9/1/04	17.5 cents	20 cents
2003	Arkansas	6/1/03	25 cents	59 cents
	Connecticut	3/15/03	40 cents	\$1.51
	Delaware	8/1/03	31 cents	55 cents
	District of Columbia	1/1/03	35 cents	\$1.00
	Georgia	7/1/03	25 cents	37 cents
	Hawaii	7/1/03	10 cents	\$1.30
	Idaho	6/1/03	29 cents	57 cents
	Kansas	1/1/03	9 cents	79 cents
	Montana	5/1/03	52 cents	70 cents
	Nevada	7/22/03	45 cents	80 cents
	New Jersey	7/1/03	55 cents	\$2.05
	New Mexico	7/1/03	70 cents	91 cents
	Rhode Island	7/1/03	39 cents	\$1.71
	South Dakota	3/24/03	20 cents	53 cents
	Vermont	7/1/03	26 cents	\$1.19
	West Virginia	5/1/03	38 cents	55 cents
	Wyoming	7/1/03	48 cents	60 cents
	Guam	5/1/03	93 cents	\$1.75
2002	Arizona	11/26/02	60 cents	\$1.18
	Connecticut	4/3/02	61 cents	\$1.11
	Hawaii	7/1/02	20 cents	\$1.20
	Illinois	7/1/02	40 cents	98 cents
	Indiana	7/1/02	40 cents	55.5 cents
	Kansas	7/1/02	46 cents	70 cents
	Louisiana	7/1/02	12 cents	36 cents
	Maryland	6/1/02	34 cents	\$1.00
	Massachusetts	7/24/02	75 cents	\$1.51
	Michigan	8/1/02	50 cents	\$1.25
	Nebraska	10/1/02	30 cents	64 cents
	New Jersey	7/1/02	70 cents	\$1.50
	New York	4/3/02	39 cents	\$1.50
	Ohio	7/1/02	31 cents	55 cents
	Oregon	11/1/02	60 cents	\$1.28
	Pennsylvania	7/15/02	69 cents	\$1.00
	Rhode Island	7/1/02	32 cents	\$1.32
	Tennessee	7/15/02	8 cents	20 cents
	Utah	5/6/02	18 cents	69.5 cents
	Vermont	7/1/02	49 cents	93 cents
Washington	1/1/02	60 cents	\$1.425	
Puerto Rico	5/16/02	40 cents	\$1.23	
2001	Arkansas	7/1/01	2.5 cents	34 cents
	Maine	10/1/01	26 cents	\$1.00
	Rhode Island	7/1/01	29 cents	\$1.00
	Wisconsin	10/1/01	18 cents	77 cents
2000	Louisiana	7/1/00	4 cents	24 cents
	New York	3/1/00	55 cents	\$1.11

¹ Tobacco States include GA, KY, NC, SC, TN, and VA.² Decrease was automatic termination of temporary 10-cent increase, pursuant to law passed in prior year.

Since the beginning of 2000, 46 states and the District of Columbia have passed more than 95 separate state cigarette tax increases. Two states (CT & RI) have cigarette tax rates of \$3.00 or more, 15 states (including DC) have cigarette tax rates of \$2.00 per pack or more, and 28 states (including DC) and Puerto Rico now have tax rates of \$1.00 per pack or more. The federal cigarette tax rate is \$1.01 per pack.

Not reflected above are tax increases in U.S. territories or local governments – e.g., in 2002, NYC raised its cigarette tax by \$1.42 to \$1.50 per pack; Cook County, IL, which includes Chicago, increased its cigarette tax from 18 cents to \$1.00 per pack in 2004, and then by an additional \$1.00 in 2006, bringing its tax rate to \$2.00; and in 2005, Chicago raised its own cigarette tax from 16 to 48 cents per pack, and then by an additional 20 cents in 2006, bringing its tax rate to 68 cents – with the total state-local tax rate in Chicago now \$3.66 per pack. Three of the tax increases implemented in 2002 (AZ, OR, WA), three tax increases in 2005 (CO, MT, OK), and AZ's tax increases in 2006 and SD's tax increase in 2007 were passed by state voters. In many cases, the tax increases were proposed and supported by the state's governors, with strong bipartisan support.

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*, 2008 [industry-funded annual report]. News clips.

Did You Know? Currently, more than 3.5 million U.S. high school kids are smokers.



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Tobacco Use in Kansas

High school students who smoke	20.6% (32,900)
Male high school students who use smokeless or spit tobacco	16.0% (females use much lower)
Kids (under 18) who become new daily smokers each year	2,900
Kids exposed to secondhand smoke at home	161,000
Packs of cigarettes bought or smoked by kids each year	7.5 million
Adults in Kansas who smoke	17.9% (376,100)

Nationwide, youth smoking has declined dramatically since the mid-1990s, but that decline has slowed considerably in recent years. The smoking rate among high school students - 20 percent in 2007 - has not declined significantly since 2003, following a 40 percent decline between 1997 and 2003, from 36.4 percent to 21.9 percent.

In addition, 13.4 percent of U.S. high school males currently use spit tobacco. U.S. adult smoking increased slightly to 20.6 percent (about 46 million) in 2008 from 19.8 percent in 2007, the first increase in adult smoking rate since 1994.

Deaths in Kansas From Smoking

Adults who die each year from their own smoking	3,800
Kids now under 18 and alive in Kansas who will ultimately die prematurely from smoking	54,000
Adult nonsmokers who die each year from exposure to secondhand smoke	380

Smoking kills more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined -- and thousands more die from other tobacco-related causes -- such as fires caused by smoking

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(more than 1,000 deaths/year nationwide) and smokeless tobacco use. No good estimates are currently available, however, for the number of Kansas citizens who die from these other tobacco-related causes, or for the much larger numbers who suffer from tobacco-related health problems each year without actually dying.

Smoking-Caused Monetary Costs in Kansas

Annual health care costs in Kansas directly caused by smoking	\$927 million
- Portion covered by the state Medicaid program	\$196 million
Residents' state & federal tax burden from smoking-caused government expenditures	\$572 per household
Smoking-caused productivity losses in Kansas	\$906 million

Amounts do not include health costs caused by exposure to secondhand smoke, smoking-caused fires, spit tobacco use, or cigar and pipe smoking. Other non-health costs from tobacco use include residential and commercial property losses from smoking-caused fires (more than \$500 million per year nationwide); extra cleaning and maintenance costs made necessary by tobacco smoke and litter (about \$4+ billion nationwide for commercial establishments alone); and additional productivity losses from smoking-caused work absences, smoking breaks, and on-the-job performance declines and early termination of employment caused by smoking-caused disability or illness (dollar amount listed above is just from productive work lives shortened by smoking-caused death).

Tobacco Industry Influence in Kansas

Annual tobacco industry marketing expenditures nationwide	\$12.8 billion
Estimated portion spent for Kansas marketing each year	\$104.6 million

Published research studies have found that kids are twice as sensitive to tobacco advertising than adults and are more likely to be influenced to smoke by cigarette marketing than by peer pressure, and that one-third of underage experimentation with smoking is attributable to tobacco company advertising.

More detailed fact sheets on tobacco's toll in each state are available by emailing factsheets@tobaccofreekids.org

CAMPAIGN for TOBACCO-FREE Kids®

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KANSAS PUBLIC HEALTH ASSOCIATION, INC.

Kansas Public Health Association, Inc.
AFFILIATED WITH THE AMERICAN PUBLIC HEALTH ASSOCIATION
P.O. Box 67085
Topeka, Kansas 66667
Phone: 785-233-3103 Fax: 785-233-3439
E-mail: director@kpha.us
Web Site: <http://www.kpha.us>

March 9, 2010

Testimony in Support of SB 516 Before the Senate Assessment and Taxation Committee

Dear Chairman Donovan and Members of the Committee:

Thank you for the opportunity to testify in support of SB 516 that would increase taxation for cigarettes and tobacco products to reduce the toll that tobacco use causes in Kansas. My name is Marvin Stottlemire, and I am the Chairman of the Legislation and Issues Committee of the Kansas Public Health Association. The Kansas Public Health Association is the oldest and *largest organization of public health professionals* and health advocates in the state. Today we represent more than **600 members** from over 50 occupations and 145 organizations all across the state. Our members include: researchers, academics, medical and dental care providers, health educators and advocates, administrators, teachers, private or public organizations and foundations in a unique, multidisciplinary environment of professional exchange, study, and action, in public health practice and the public health policy process.

The health impacts of tobacco use are well known, and probably influenced many of you to support the Clean Indoor Air Act earlier this session. But today we are here to talk about economics.

- Annually, health care costs directly caused by smoking are \$927 million.
- Kansas Medicaid covers \$196 million of this portion.
- Kansas has smoking-caused productivity losses of \$906 million.¹

To combat these negative economic impacts of tobacco use, historically states have increased taxes on cigarettes and tobacco use for two reasons: to discourage smoking and to raise revenues. As a study on cigarette consumption found, "Excise tax increases are clearly one policy weapon that is effective in reducing the consumption of tobacco. This suggests that the large state increase of the 1990's as illustrated by Michigan's 1994

¹ Wellever, A. 2007. Cost-benefit of Tobacco Use Cessation. Testimony to the Senate President's Task Force on Health Care. Kansas Health Institute. January 31, 2007.

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increase of \$0.50 per pack, may have a substantial effect on the demand of cigarettes.”² In other words, when the price of cigarettes increases significantly, the number of smokers decreases and the number of youth who start to smoke or who continue smoking also decreases

Despite the clear evidence of both health and economic benefits from increased tax on cigarettes, Kansas lags significantly behind other states in using this tool. Comparatively across the nation, as of early this month, the average state cigarette tax is \$1.34 per pack. The average cigarette tax in non-tobacco states is \$1.47 per pack. Currently, Kansas ranks 35th nationally with cigarette tax at \$.79 per pack

The near term economic benefit is obvious. We have heard estimates that this increase will raise \$70 million in the next fiscal year. But when we look at the economic benefits in the long term, the savings are even more impressive. The increase in cigarette tax has found to prevent youth initiation of or experimentation with smoking. The Campaign for Tobacco Free Kids estimates that a \$0.55 per pack tobacco tax increase will result in 6,600 fewer adult smokers and 11,900 fewer future kid smokers.³ (These are the new figures projected by CTFK for a 55 cent cigarette tax increase) Supporting these findings, other research indicates: “Increased tax rates were associated with decreased odds of experimentation. The highest quartile of tax (60-100 cents) was significantly associated with lower odds of experimentation and appeared protective against established smoking.”⁴

If young people don’t start, there will be lifelong savings in treatment of tobacco related illnesses.

I have focused today on the economic benefits of an increase in cigarette taxes, but to the Kansas Public Health Association, that is a secondary benefit. We are interested in the health of Kansas citizens. Senate Bill 516 will not only benefit the state treasury; it will improve the health of our citizens for years to come. That is why I urge you to pass SB516.

Thank you and I will be happy to stand for questions!

² Meier, K. J., Licari, M. J. The effect of cigarette taxes on cigarette consumption, 1955-1994. *American Journal of Public Health*. July 1997; 87: 1126-1130.

³ Kansas Public Health Association. Excerpts from Statewide Tobacco Control Initiatives. White paper. 2007.

⁴ Thompson, C.C., Fisher, L.B., Winnickoff, J.P., Coditz, G.A., Camargo, C.A.Jr., King, C., Frazier, A.L. State tobacco excise taxes and adolescent smoking behaviors in the United States. *Journal of Public Health Management and Practice*. 2004 Nov.-Dec. 10. (6): 490-496.

Senate Assessment and Taxation Committee

American Lung Association

Tracy Russell

March 9, 2010

Mr. Chairman and members of the committee:

The American Lung Association (ALA) strongly supports the tobacco tax increase provisions of SB 516 because of the correlation between increased tobacco taxes and reduced tobacco use. On the most recent ALA national report card analyzing state efforts in reducing tobacco prevalence, Kansas received a "D" in the area of tobacco taxes as we continue to lag behind proven best practices in tobacco prevention. Kansas has fallen to 35th in the nation when it comes to tobacco taxes, creating a hospitable climate to tobacco companies seeking new users every day. Evidence shows that a combination of increased tobacco taxes and funding of tobacco cessation and prevention efforts are the best way to reduce use. Kansas received a failing grade in funding of cessation and prevention programs as well.

Why does the American Lung Association advocate on measures to decrease tobacco use? The answer is simple. Tobacco use is the leading cause of lung cancer and other respiratory illnesses like chronic obstructive pulmonary disease (COPD). Of all cancers, lung cancer has the highest fatality rate for both men and women, responsible for more cancer deaths than colon, breast and prostate combined.ⁱ Lung cancer accounts for 28% of all cancer deaths.ⁱⁱ Over half of patients diagnosed with lung cancer die within one year.ⁱⁱⁱ Smoking contributes to 90 percent of lung cancers in men and 80 percent in women. Men who smoke are 23 times more likely to develop lung cancer than those who have never smoked and women are 13 times more likely.^{iv} Smoking is also the leading cause of COPD, responsible for 80-90 percent of emphysema and chronic bronchitis deaths.^v

In addition to taxing cigarettes at a greater rate, the ALA also supports the tax increase on other tobacco products, which are often and incorrectly viewed as less harmful than cigarettes. Smokeless tobacco products contain 28 cancer-causing chemicals^{vi}. The amount of nicotine absorbed from smokeless tobacco is 3 to 4 times higher than the amount delivered by a cigarette^{vii}. In Kansas, these products have not had a tax increase since the tax was established more than 30 years ago. The low tax on other tobacco products combined with the massive tobacco marketing of these products creates a usage rate by Kansas teens that surpasses the national average. The majority of these marketing dollars are spent on discounts to wholesalers, making these products even more affordable and accessible to kids.

The American Lung Association supports efforts to raise the tax on tobacco products as a way to discourage youth use and use among other vulnerable populations. Designating a portion of the proceeds for tobacco prevention and cessation would provide an even greater deterrent and serve as a

first step in proactively addressing the health and financial costs of tobacco use in Kansas. I urge your approval of SB 516. Thank you for your consideration.

ⁱ American Cancer Society. Cancer Facts and Figures, 2009.

ⁱⁱ American Cancer Society. Cancer Facts and Figures 2009.

ⁱⁱⁱ U.S. National Institutes of Health. National Cancer Institute: SEER Cancer Statistics Review, 1973-2006.

^{iv} U.S. Department of Health and Human Services. The Health Consequences of Smoking. A Report of the U.S. Surgeon General. 2004.

^v Centers for Disease Control and Prevention. National Center for Chronic Disease Prevention and Health Promotion. Tobacco Information and Prevention Source. Tobacco Use in the United States. January 27, 2004.

^{vi} World Health Organization. Smokeless Tobacco and Some Tobacco-Specific N-Nitrosamines. International Agency for Research on Cancer, Monographs on the Evaluation of Carcinogenic Risks to Humans, Vol. 89. Lyon, France: World Health Organization, 2007.

^{vii} National Cancer Institute. Smokeless Tobacco and Cancer: Questions and Answers. Accessed November 19, 2009.



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**Senate Committee on Assessment and Taxation
Hearing on Senate Bill 516
March 9, 2010**

Chairman Donovan and members of the Committee, thank you for the opportunity to provide testimony regarding SB 516. My name is Tanya Dorf Brunner, and I am the Executive Director of Oral Health Kansas. We are a statewide coalition dedicated to improving oral health in Kansas through advocacy, public awareness, and education. We have over 1000 supporters, including dentists, dental hygienists, educators, safety net clinics, charitable foundations, and advocates for children, people with disabilities and older Kansans.

The state of Kansas is in the midst of an unprecedented economic downturn. The loss of \$1 billion over the past year has led to dramatic cuts in critical safety-net services. Some of those services are dental services for people who are on Medicaid. Funding has been eliminated for dental services for pregnant women; people with developmental and physical disabilities, traumatic brain injury; and elderly Kansans. Research shows that people who receive routine dental services are able to manage oral health problems that could lead to more serious and costly health problems, including pneumonia, strokes, and heart conditions. Eliminating preventive dental services has and will cost the state more money in addressing the serious health problems people on Medicaid experience.

Because we believe strongly that preventive dental services need to be a part of the state Medicaid plan, Oral Health Kansas urges the Committee to support the tobacco tax increase contained in SB 516. The waste in state government has been cut already; now we need to generate the necessary revenue to reinstate the vital safety net services that have been slashed as well. This proposed tobacco tax would generate an estimated \$51 million for the State General Fund which could help provide fundamental medical care to meet the basic needs of Kansas citizens.

The Legislature's bold action to implement a statewide smoking ban this year will be bolstered by increasing the taxes on tobacco. These two policy decisions will show our state's dedication to improving the health of all Kansans. Not only will the tobacco tax limit the use of tobacco by many Kansans, but it also will increase the amount of revenue available to meet the needs of thousands of Kansans.

According to the National Conference of State Legislatures, Kansas currently has one of the lower tobacco tax rates in the country. In 2009, fourteen states had cigarette tax rates of \$2.00 or more. Connecticut and Rhode Island's rates both top \$3.00 per pack. If SB 516 passes, an additional eight states still would have a higher cigarette tax than Kansas.

We urge you to support the tobacco tax. It is the right investment for Kansans at the right time. Thank you again for the opportunity to provide this testimony.

800-SW Jackson, Suite 1120
Topeka, KS 66612

785.235.6039 (phone)
785.233.5564 (fax)
ohks@oralhealthkansas.org

www.oralhealthkansas.org

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Attachment # 11



**KANSAS ACADEMY OF
FAMILY PHYSICIANS**
CARING FOR KANSANS

March 9, 2010

To: Senate Assessment & Taxation Committee
From: Carolyn Gaughan, CAE, Executive Director
Re: Testimony on SB 516

Chairman Donovan and Members of the Senate Assessment & Taxation Committee:

Thank you for this opportunity to present testimony on Senate Bill 516, on behalf of the Kansas Academy of Family Physicians (KAFP). Our organization has over 1,530 members across the state, of which more than 960 are practicing physicians, 155 are resident-physician members, and the others are medical students and retired members. The roots of family medicine go back to the historical generalist tradition. The specialty is three dimensional, combining knowledge and skill with a unique process. The patient-physician relationship in the context of the family is central to this process and distinguishes family medicine from other specialties.

KAFP supports the increased tax on cigarettes and tobacco products in SB 516. According to the governor's proposal, a portion of the revenue generated in this multi-faceted tax package would be dedicated to restoring the ten-percent Medicaid reimbursement cut recently imposed by the Kansas Health Policy Authority, in response to significant budget reductions to that agency. We certainly support that effort. Here are some of the other reasons we support the increase:

Higher Tobacco Tax = Lower Tobacco Use

Numerous economic studies in peer-reviewed journals have documented the impact of cigarette tax increases and other price hikes on both adult and underage smoking. The general consensus from these studies is that every 10 percent increase in the real price of cigarettes will reduce the prevalence of adult smoking by approximately three to five percent and reduce teen smoking by about seven percent.¹ This research indicates that raising the federal cigarette tax rate to produce a 10 percent increase in cigarette prices would reduce the number of current youth smokers by more than 350,000. Research studies have also found that:

- Cigarette price and tax increases work even more effectively to reduce smoking among males, African Americans, Hispanics, and lower-income smokers.²
- A cigarette tax increase that raises prices by ten percent will reduce smoking among pregnant women by seven percent, preventing thousands of spontaneous abortions and still-born births, and saving tens of thousands of newborns from suffering from smoking-affected births and related health consequences.³
- Higher taxes on smokeless tobacco reduce its use, particularly among young males; and increasing cigar prices through tax increases reduce adult and youth cigar smoking.⁴

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- Cigarette price increases not only reduce youth smoking but also reduce both the number of kids who smoke marijuana and the amount of marijuana consumed by continuing users.⁵

State Experiences with Cigarette Tax Increases Shows They Reduce Smoking

Evidence shows that state cigarette tax increases are prompting many smokers to quit or cutback – directly translating into lower future smoking rates.⁶ For example, the Wisconsin Quit Line received a record-breaking 20,000 calls in the first two months after its \$1.00 per cigarette pack increase (it typically receives 9,000 calls per year).⁷ In Washington State, adult smoking from the year before its 60-cent cigarette tax increase in 2002 to the year afterwards declined from 22.6 to 19.7 percent, reducing the number of adult smokers in the state by more than 100,000, despite overall population increases.⁸ Even when the federal tobacco tax increase went into effect on April 1, 2009, state quit lines received record numbers of calls from people who wanted assistance in quitting tobacco use. In fact, Michigan's state quit line had to temporarily shut down because it ran out of funds after offering free nicotine replacement therapy to callers who were quitting in preparation for the federal tobacco tax increase.⁹

Expert Conclusions: Cigarette Tax Increases Reduce Smoking

- In December 2008, the Goldman Sachs tobacco industry outlook for 2009 concluded that a 61-cent federal cigarette tax rate increase would reduce cigarette consumption in the USA by seven percent.¹⁰
- Other Wall Street tobacco industry analysts have also recently concluded that an increase to the federal cigarette tax would significantly reduce smoking levels.¹¹
- The 2000 U.S. Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, particularly among kids and young adults, and that tobacco tax increases produce "substantial long-term improvements in health." From its review of existing research, the report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.¹²
- In its 1998 report, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences' Institute of Medicine concluded that "the single most direct and reliable method for reducing consumption is to increase the price of tobacco products, thus encouraging the cessation and reducing the level of initiation of tobacco use."¹³

The tobacco tax is a user fee. Eighty-percent of Kansans will not pay this tax. This is not unlike other user fees that are enforced to reflect those using the product or service should pay for it. Kansas drivers pay tolls for the use of some roads because they are contributing to the wear and tear of the roads. Increasing the tobacco user fee is a policy that recognizes the cost of tobacco use to our health care system.

Tobacco-Related Monetary Costs in Kansas¹⁴

- Annual health care expenditures in the State directly caused by tobacco use: \$927 million
- Annual health care expenditures in Kansas from secondhand smoke exposure: \$39.0 million
- State Medicaid program's total health expenditures caused by tobacco use: \$196.0 million



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- Citizens' state/federal taxes to cover smoking-caused government costs: \$635.1 million (\$572/household)
- Smoking-caused productivity losses in Kansas: \$906 million. This amount is only from smoking-related death or shortened work lives. It does not include productivity losses from smoking-caused work absences, on-the-job performance declines, and disability during otherwise productive work lives, which could total millions more for Kansas. Other non-health costs caused by tobacco use include direct residential and commercial property losses from smoking-caused fires (about \$400 million nationwide); and the costs of extra cleaning and maintenance made necessary by tobacco smoke and tobacco-related litter (about \$4+ billion per year nationally for commercial establishments alone).

Thank you again for this opportunity to provide testimony in support of SB 516. Please let me know if you have any questions.

References:

- ¹ See, e.g., Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001; Chaloupka, F, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research*, 1999; Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998; and other price studies at <http://tiger.uic.edu/~fjc> and www.uic.edu/orgs/impacteen.
- ² See, e.g., U.S. Centers for Disease Control and Prevention (CDC), "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *Morbidity and Mortality Weekly Report* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>; Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998.
- ³ Ringel, J & Evans, W, "Cigarette Taxes and Smoking During Pregnancy," *American Journal of Public Health*, 2001 See also, TFK Factsheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0007.pdf>.
- ⁴ Chaloupka, F, Tauras, J & Grossman, M, "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2): 503-16 (October 1997). Ringel, JS, Wasserman, J, & Andreyeva, T, "Effects of Public Policy on Adolescents' Cigar Use: Evidence From the National Youth Tobacco Survey" *American Journal of Public Health* 95:995-998, 2005.
- ⁵ Chaloupka, F, et al., *Do Higher Cigarette Prices Encourage Youth to Use Marijuana?*, National Bureau of Economic Research, Working Paper No. 6939 (February 1999).
- ⁶ For more examples of state cigarette taxes reducing smoking rates while increasing revenues, see TFK Factsheets, *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (and the Cigarette Companies Know It)*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf>, *Raising State Cigarette Taxes Always Increases State Revenues and Always Reduces Smoking*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>, and *Quitlines Help Smokers Quit*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0326.pdf>.
- ⁷ "Calls to Wisconsin Tobacco Quit Line breaks all records," *The Dunn County News*, March 12, 2008.
- ⁸ CDC, Current Adult Smokers, Behavioral Risk Factor Surveillance System (BRFSS).
- ⁹ Michigan Department of Community Health, Michigan Tobacco Quit Line Shuts Down, March 6, 2009, <http://www.michigan.gov/mdch/0,1607,7-132-8347-210883--,00.html> *Increasing the Federal Cigarette Tax Reduces Smoking*
- ¹⁰ Goldman Sachs Global Investment Research, *Americas: Tobacco*, December 10, 2008.



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¹¹ See, e.g., Morgan Stanley Research, *Tobacco: Volumes are Weaker & likely to Remain So = In-Line View*, April 29, 2008.

¹² U.S. Department of Health and Human Services (HHS), *Reducing Tobacco Use: A Report of the Surgeon General*, Atlanta, Georgia: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000, http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_2000/index.htm.

¹³ IOM, *Taking Action to Reduce Tobacco Use*, Washington, DC: National Academy Press, 1998, http://www.nap.edu/catalog.php?record_id=6060.

¹⁴ Campaign for Tobacco-Free Kids, et al., *A Decade of Broken Promises: The 1998 State Tobacco Settlement Eleven Years Later*, December 9, 2009 <http://tobaccofreekids.org/reports/settlements>.



Tom Bell
President and CEO

TO: Senate Assessment and Taxation Committee

FROM: Chad Austin
Vice President, Government Relations

DATE: March 9, 2010

RE: Senate Bill 516

The Kansas Hospital Association appreciates the opportunity to comment regarding the provisions of Senate Bill 516, which would enact a \$.55 per pack increase in the tobacco tax. KHA and its members support this legislation with the contingent that the additional funds would be used solely for health and healthcare related programs.

The increase in the tobacco tax makes for good fiscal policy, especially this year, when state finances are particularly tight. Each year, more than \$900 million is spent on health care related expenditures to treat tobacco-related diseases. This does not include the lost revenue from tobacco users who are unable to work due to tobacco-related illnesses, nor does it include related costs to employers for such expenses as decreased productivity from absenteeism due to illness and increased health insurance for workers. The added revenue from the tobacco tax will help generate the revenue necessary to offset any potential reductions to the Medicaid program. Further, the funds would allow the state to protect the federal matching share of the Medicaid program; which is currently at a 70 percent federal matching rate.

Kansas hospitals recognize the seriousness of the state's current financial situation and the need to make adjustments to the budget. The recent decision to reduce Medicaid provider payments by 10 percent earlier this year is just bad health policy. Medicaid payments to providers are already significantly below the costs of providing care. In fact, health care providers must shift these costs and losses to everyone else that gets care, resulting in higher costs, higher insurance premiums and higher local taxes for much of the state.

Finally, but perhaps most importantly, the tax increase is a good health policy. The costs to Kansas of tobacco products are very real, in human as well as financial terms. Studies have suggested that every ten percent increase in tobacco tax results in a reduction of youth smoking by 7 percent and overall consumption by 4 percent. The correlation between reduced tobacco consumption and better health is clear.

The Kansas Hospital Association urges your support for Senate Bill 516. Thank you for your consideration of our comments.

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Attachment # 13



To: Senate Committee on Assessment and Taxation

From: Dan Morin
Director of Government Affairs

Date: March 9, 2010

Subject: SB 516; An act concerning taxation; relating to tax upon cigarettes and tobacco products

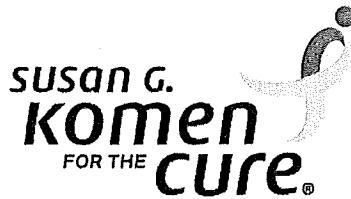
The Kansas Medical Society appreciates the opportunity to submit testimony in support of SB 516, which would, in part, increase the cigarette tax to \$1.34 a pack from \$0.79 and tobacco products tax to 40.0 percent of wholesale price from 10.0 percent.

The Kansas Medical Society supports this measure because it helps our state in two significant ways. First, research shows that increasing the costs of cigarettes and other tobacco products will reduce usage, particularly among our youngest residents. Quite simply, anything that prevents adolescents and children starting to smoke or using any form of tobacco, or results in them smoking fewer cigarettes or tobacco products (or stopping completely), is good public policy. The disastrous health effects of tobacco use are indisputable. If this measure results in fewer children and adults using tobacco, it will yield tremendous gains in health status, as well as lower health care costs for our residents.

Second, this bill does produce added revenue to our state at a time when we need it to fund essential services. It is estimated that SB 516 will yield new revenue totaling \$420,721,000 in Fiscal Year 2011. Kansas currently ranks 35th among state in level of cigarette taxation according to the Campaign for Tobacco-Free Kids, effectively positioning Kansas as a tobacco-friendly state. We do not believe that this is the message we want to send to our young people. We urge your favorable consideration of SB 516.

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Attachment # 14



Testimony in Support of SB 516
Senate Assessment and Taxation Committee
Lori Maris, Executive Director, Susan G Komen for the Cure Greater Kansas City
Christina Osbourn, Executive Director, Susan G Komen for the Cure Mid-Kansas
March 9, 2010 **Hearing on SB 516**

As Executive Directors of the two Susan G Komen for the Cure Kansas Affiliates we are pleased to provide our testimony in favor of SB 516. Susan G Komen for the Cure is the largest breast cancer organization in the world with the vision of a world without breast cancer. We are proud financial supporters of the KDHE program Early Detection Works which provides vital breast and cervical cancer screenings to thousands of Kansas women every year who would otherwise not be able to afford these services. In 2009, the Kansas Komen for the Cure Affiliates provided nearly \$300,000 in direct funding to KDHE for the Early Detection Works program for screening women under 50 and education and awareness programs.

Tobacco use puts everyone at risk for cancer. Everyone. Evidence supports a correlation in tobacco taxes and use, particularly among children and other vulnerable populations. It is widely documented that a 10 percent increase in tobacco taxes results in a 6.5 percent decrease in use by children and a 4 percent decrease in use overall. If we are able to discourage our youth in ever starting the use of tobacco we will have healthier adults, which mean fewer cases of cancer in both women and men.

With the proposed \$.55 increase to the cigarette tax, we can help reduce the number of new smokers and raise additional revenue. Komen for the Cure believes a portion of the additional revenue should be set aside for vital healthcare programs, like KDHE's Early Detection Works program for breast and cervical cancer, and lower the current healthcare costs facing our state.

Currently over 5,000 Kansans die each year from cancer – yet our state ranks 37th in the country for lowest cigarette tax. With this simple increase our state would take the lead on curbing smoking and bring in much needed revenue for our state and hopefully for underfunded public health programs like Early Detection Works.

As Kansas faces difficult budget questions, we must make sure important healthcare programs remain intact. Increasing the cigarette tax will ensure there is more funding for all programs and hopefully early detection and treatment programs – while reducing the deadly impact of smoking. Currently in Kansas a pack of cigarettes would need to be priced at \$11.66 to recover all state-specific health-related costs compared to the national number of \$10.47.

Our Kansas Komen Affiliates support the passage of SB 516 to increase the tobacco tax. And while we are acutely aware of the dire budget decisions the Legislature and the Governor must face this year, we sincerely hope that in the near future a portion of the 'new' tax revenues could be used to fund state cancer screening programs including the very successful Early Detection Works program.

Sincerely,

Lori Maris

**Susan G Komen for the Cure
Greater Kansas City Affiliate**

Christina Osbourn

**Susan G Komen for the Cure
Mid-Kansas Affiliate**

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3-9-10

Attachment # 15



THE OFFICIAL SPONSOR OF BIRTHDAYS.™

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
SENATOR LES DONOVAN, CHAIR

FROM: CHRISTOPHER J. MASONER,
AMERICAN CANCER SOCIETY

DATE: MARCH 9, 2010

RE: SB 516 – RELATING TO CIGARETTE AND OTHER TOBACO PRODUCT
TAXATION

Senator Donovan, Members of the Committee, thank you for the opportunity to provide written testimony in support of SB 516.

The American Cancer Society actively encourages increases in the excise taxes levied against cigarettes and other tobacco products as a public health “win” that will reduce the use of these harmful products—especially among Kansas kids.

Research has shown that for every 10% increase in the price of a pack of cigarettes, youth smoking declines by 7% and overall consumption declines by 4%. In Kansas, a \$1 increase in the cigarette excise tax would translate into 21,600 fewer Kansas kids becoming addicted to cigarettes (a decrease of 14.3%), 12,000 current Kansas smokers that would quit, and 10,000 Kansas lives that would be saved.

The public health benefits from reduced smoking are reason enough to support the increase in the cigarette tax. However, the economic benefits are also vitally important—especially given the current financial condition faced by the State.

Smoking costs Kansas over \$900 Million annually in direct expenses for smoking-related healthcare, including nearly \$200 Million in Medicaid expenditures. In order to recover those costs, each pack of cigarettes sold in Kansas would have to cost \$11.66. A more modest \$1 increase in the cigarette tax would generate nearly \$75 Million in new annual revenue for the State, while saving approximately \$500 Million in long-term health costs due to the reduction in smoking rates. This is a reasonable means to recover a portion of the cost borne by the State due to cigarette use.

Although SB 516 currently provides for the excise tax on cigarettes to increase by \$.55 to \$1.34, polls indicate that voters support a \$1 per pack increase in their State’s cigarette tax just as strongly as they support a \$.50 per pack increase (67% in-favor for each amount). Therefore, if the Legislature is going to increase the tax, **it would be wise to get a greater “bang for the buck” without any adverse political consequences by implementing a \$1 increase instead of the proposed \$.55 increase.**

Thank you again for your time and attention.

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Attachment # 16



KANSAS BOARD OF REGENTS

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FAX – 785-296-0983
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March 9, 2010

Senator Les Donovan, Chairman
Senate Assessment & Taxation Committee
Statehouse, Room 123-E
Topeka, KS 66612

Senator Tom Holland, Ranking Member
Senate Assessment & Taxation Committee
Statehouse, Room 134-E
Topeka, KS 66612

Dear Chairman Donovan and Ranking Member Holland:

On behalf of the Kansas Board of Regents, I write to you in support of Senate Bill 516, legislation that would increase the cigarette tax, tobacco products tax, and retail sales and compensating use tax. The Division of the Budget fiscal note indicates that Senate Bill 516 would increase state revenues by over \$420 million in Fiscal Year 2011. At this time, the Board is not in a position to support one possible revenue source over another. The Board supports this legislation simply because it represents a source of much-needed state revenue. New revenue is sorely needed in order to protect vital state investments such as higher education.

After absorbing \$106 million in devastating budget cuts over the past year, the state's higher education system now sits at Fiscal Year 2006 funding levels. We are now at the bare minimum in terms of the funding levels required to retain eligibility for the receipt of federal stimulus dollars. Any additional cuts whatsoever will jeopardize the millions of dollars in vitally important federal funding that have served as a life-preserver for our higher education system.

Our higher education system has certainly shouldered its fair share of the state's budget burden. At a time when enrollments continue to increase statewide, over 1,000 employees and positions have been laid off, held vacant, or eliminated, and over 450 academic programs and classes have been eliminated, producing increased class sizes and making it less likely students will be able to graduate on time. Tuition has increased, institutions are now turning away qualified Kansans from high demand programs, and some institutions are even considering enrollment caps. It will take the next decade for the state's higher education system to fully recover from the budget cuts of the past year.

It is no secret that a healthy higher education system contributes to a healthy economy. The seeds of dramatic future state economic growth have been planted with state university-related projects such as the National Bio and Agro-Defense Facility (NBAF) at Kansas State University in Manhattan, the cutting-edge medical composite research being conducted by Wichita State University, the National Institute for Aviation Research (NIAR) and others in Wichita, and the University of Kansas Medical Center's quest to achieve National Cancer Institute (NCI) Comprehensive Cancer Center designation. These exciting high-profile projects would not be

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possible without the presence of high quality state universities. Additional budget cuts would jeopardize the ultimate success of the aforementioned projects and would severely hamper our public higher education system's ability to deliver value for the people and the economy of Kansas. This is why the new state revenue provided by Senate Bill 516 is so vitally important.

Because higher education is an engine for economic growth, the trend of state disinvestment in higher education must be reversed in order to lay the foundation for Kansas's future economic recovery. Now is the time to invest in the future of Kansas.

The Board respectfully requests your support of this politically difficult but fiscally responsible legislation. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "R L Robinson". The signature is written in a cursive style with a large initial "R" and "L".

Reginald L. Robinson
President & CEO