



6800 W. 93rd Street | Overland Park, KS 66212
www.heart.org

Testimony in Support of HB 2444 14 March 2016

Mr. Chairman and members of the Committee. My name is Kevin Walker and I am Regional Vice President of Advocacy for the American Heart Association. Thank you for the opportunity to submit testimony in support of HB 2444. My testimony is limited to the sections of the bill that relate to sales tax rates for food. I offer no comment on the other sections of the bill.

Obesity rates are nearing epidemic proportions. The reasons for this are multi-faceted and there is no single "silver bullet" that will turn the tide of this national health crisis. A combination of regular physical activity and proper diet are essential to achieving optimal weight. HB 2444 takes a step in the right direction by lowering the sales tax on certain food items but leaving in place the higher sales tax on items such as candy, soft drinks and foods sold through vending machines.

Creating a price differential creates an incentive for consumers to consider more nutritious options that can lead to improved health outcomes and cost savings over time. We must recognize that items with little or no nutritional value are making up larger parts of the American diet and contributing to our nation's health problems. There is increasing evidence that price can play an important role in the purchasing decisions of consumers. The attached fact sheet offers additional information on this approach.

While HB 2444 does not create a price differential at the levels suggested in the attached fact sheet the bill is a step in the right direction. I should point out that the definition of food in this bill still allows for cookies, cakes, and other items low in nutritional value to be taxed at the new, lower rate.

If we want to use pricing as a strategy for encouraging healthy behaviors I would suggest that the lower sales tax rate should be applied only to food items that are nutrient dense including fruits, vegetables, lean meats, low-fat dairy products and whole grains.

Our health care costs are increasing year-after-year and it is important that we use the tools available to us to help change course.

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House Taxation
Date: 3/15/16
Attachment: 36



Decreasing Sugar-Sweetened Beverage Consumption

Policy Approaches to Address Obesity

OVERVIEW

America is in the midst of an obesity epidemic, with levels among adults and children at an all-time high. Currently, 68% of adults are overweight, with 35% being obese. Sadly, children are not untouched by this frightening reality: 39% of children are overweight, with 17% being obese.^{1,2}



The American Heart Association supports a multipronged approach to address this problem. The approach includes creating and implementing policies designed to improve access to affordable, nutritious foods and beverages, thereby making it easier for Americans to choose healthy

foods consistent with the Dietary Guidelines for Americans.³ The association also supports examining whether policies such as beverage taxes, eliminating sugary beverages from the Supplemental Nutrition Assistance Program, and adjusting cooperative marketing agreements to address beverage placement in supermarkets can curb the consumption of sugary drinks and improve the health of Americans of all ages.

THE CURRENT LANDSCAPE

Research suggests that high intake of added sugars can exacerbate existing health problems and contribute to essential nutrient shortfalls. For example, diets high in added sugars are often low in fiber, which can undercut weight loss efforts.^{4,5}

Soft drinks and other sugar-sweetened beverages have been identified as the primary source of these added sugars in Americans' diets, and their increased consumption has been associated with rising obesity rates and increased risk for chronic disease.^{6,7} Even children have a high intake of added sugars. They get 8% of their total daily calories from sugar-sweetened beverages and 100% fruit juices.⁸

In 2006, the Alliance for a Healthier Generation, a joint initiative of the American Heart Association and the Clinton Foundation, joined forces with leaders of the beverage industry to remove full-calorie soft drinks in schools across the country, and replaced them with smaller, lower-calorie options.⁹ The initiative was successful, resulting in 88% fewer beverage calories shipped to schools across the U.S. However, children get many of their beverage calories outside of schools, reinforcing the need to

mitigate consumption both inside and outside of schools.¹⁰

- In 2005, children ages 12-19 spent an estimated \$159 billion on food, candy and soft drinks.¹¹ Although full-calorie beverage consumption is on the decline, beverage consumption as a whole is increasing, especially with the mid-calorie drinks like sports drinks, teas, and energy drinks.¹² Children are getting a lot of "empty calories" by replacing healthier options like low- or fat-free milk and water with high-calorie beverages. Compounding this issue is the fact that energy drinks often do not qualify as beverages, but rather as dietary supplements, which gives the Food and Drug Administration less regulatory control over them.¹³
- A 2010 survey among high school students revealed that whole milk, 100% fruit juice, and water were the most common beverages consumed in the week prior to the survey, most kids drank one or more additional sugar-sweetened beverage each day: either regular soda (25%), a serving of a sports drink (16%) or another sugar-sweetened drink (17%).¹⁴

THE POTENTIAL FOR POSITIVE CHANGE

Studies have shown that diet is linked to economic incentives. For example, for food eaten away from home, soft drinks, juice, and meats are the most responsive to price changes.¹⁵

- Price discounts increase consumption of fruits and vegetables.¹⁶
- A 10% price increase might decrease consumption of unhealthy foods and beverages by about 8-10%.¹⁰
- Vulnerable populations, especially low-income and less educated, as well as children and adolescents, are especially price-sensitive.^{17,18, 19} They also represent population groups that have the greatest health disparities and might benefit most from lower consumption of sugary beverages.²⁰
- A 20% tax on all sugary beverages has been shown to significantly reduce consumption and obesity.²¹
- Medical costs of obesity-related conditions are expected to cost \$254 billion in 2013.²² Funding for obesity prevention programs could be obtained from a small tax on sugar-sweetened beverages. If a 20 ounce bottle costs \$1.50, and carries a one-cent tax per ounce, the total cost

per bottle would be \$1.70, resulting in **\$13.2 billion** in total tax revenue.²³

THE ASSOCIATION ADVOCATES

Reducing the consumption of excess sugars from sugary beverages is an important way to improve the health of Americans. The American Heart Association advocates for:

- Robust nutrition standards in schools for meals and competitive foods that promote healthier offerings, including beverages that are higher in nutrients and without added sugars, limiting empty calories throughout the school environment.
- Comprehensive procurement standards for foods and beverages purchased by employers and governments offered in the workplace, meetings, or conferences.
- Impact assessments of beverage sales taxes or excise taxes on consumption rates and shifts in consumer choice with special attention on vulnerable populations by supporting tax initiatives in some states and localities. Key criteria for the association's support are: (1) at least a portion of the money is dedicated for heart disease and stroke prevention and/or obesity prevention; (2) the tax is structured so as to result in an increase in price for sugar-sweetened beverages (e.g., imposed at the time of sale as opposed to the manufacturer that can spread the cost of the tax among all products); (3) the amount of tax is anticipated to be sufficient to result in a reduction in consumption of sugar-sweetened beverages (at least 1 cent/oz); (4) there are funds dedicated for evaluation with guidance that ensure rigorous evaluation including health outcome; (5) there is a standard definition of "sugar-sweetened beverage," and; (6) there is no sunset.
- Major supermarket chains to address the cooperative marketing agreements with beverage companies to prioritize the prime placement of healthier beverages in stores.
- Pilot states and/or municipalities the impact of limiting the purchase of full-calorie soda in the Supplemental Nutrition Assistance Program. The elimination of marketing unhealthy beverages to children.

CONCLUSION

The American Heart Association advocates additional research to determine how pricing, taxation, and agricultural subsidies on food and beverage consumption patterns could improve the health of Americans, particularly as it relates to the obesity epidemic and related chronic diseases, such as cardiovascular disease, diabetes, and cancer.

The association recommends that low- and no calorie beverages like water, diet soft drinks, and fat-free or low-fat milk are better choices than full-calorie soft drinks^{24,25} and that Americans should try to limit the amount of added sugars in all the foods they eat.

The association further advocates that state and local governments that generate revenue from beverage tax initiatives direct these funds toward public health and obesity education and prevention efforts. Thorough evaluation efforts should also be implemented to determine the efficacy of such programs.

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