MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON PUBLIC HEALTH, WELFARE & SAFETY

Call to Order: By Senator Dorothy Eck, Chair, on March 3, 1993, at 3:00 p.m.

ROLL CALL

Members Present:
Sen. Dorothy Eck, Chair (D)
Sen. Eve Franklin, Vice Chair (D)
Sen. Chris Christiaens (D)
Sen. Terry Klampe (D)
Sen. Kenneth Mesaros (R)
Sen. David Rye (R)
Sen. Tom Towe (D)

Members Excused: Sen. Hager

Members Absent: None

Staff Present: Tom Gomez, Legislative Council
Laura Turman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: SB 305
Executive Action: None.

HEARING ON SB 305

Opening Statement by Sponsor:

Sen. Terry Klampe, Senate District 31, said one reason behind SB 305, increasing the sales tax on cigarettes and tobacco products is to reduce the consumption of tobacco products to save lives, health, and money. The intent of SB 305 is that cigarette taxes be viewed as a just compensation for the burdens of the death, disease, high health care costs, and loss of productivity that smoking imposes on our society. Some of the revenue generated from SB 305 will fund health care programs for Montanans. SB 305 is health care reform; it is intervention at the "disease level" of health care reform. Sen. Klampe said that if health care in Montana is to be reformed tobacco use and smoking must be dealt with. 1500 people in Montana die each year due to smoking, and the cost of health care and productivity is astronomical. Over

$180 million is spent by Montanans on the cost of cigarettes, and yet, smoking is preventable. SB 305 would double the taxes on tobacco products, and a 4% reduction in consumption is predicted. With this, a corresponding reduction in health care costs is expected. The new revenue produced by SB 305 is estimated at about $10-12 million per year, and will be used for preventive health care programs, such as the MIAMI project and the expansion of Medicaid benefits to pregnant women and children to age 18. Sen. Klampe said the fiscal note to SB 305 is not accurate, but the amendments offered (Exhibit #1) change the percentage of the allocation of money that will go to the long-range building fund. One primary concern is that money not be taken from the long-range building fund, and an effort was made to assure revenue neutrality for this fund. Another reason that the fiscal note is inaccurate is that the surtax is not included in the calculations for Fiscal Year 1994, which would add at least $100,000 onto the proposal. The new tax begins in August, 1993 because the surtax is removed in August of 1993 and so one month of revenue will be lost.

Proponents' Testimony:

Bob Robinson, Director of the Department of Health and Environmental Sciences, provided a statistical sheet for the Committee. (Exhibit #2) Smoking and passive smoke are public health issues which kill approximately 1500 people in Montana every year. Second-hand smoke has recently been identified as the nation's third leading killer. It is important to note that the Surgeon General has done studies concerning price elasticity, which concluded that a 10% increase in price resulted in a 4% decrease in the consumption of cigarettes. The target is the young people because they are most affected by the price. More young women are smoking than before, and low-birth weight problems and significant health care costs will result in the future. The Department of Health is a preventative agency, and SB 305 is a means to reduce the medical expenses and illnesses related to cigarette smoking.

Dr. Robert Shepard, Helena physician, provided Tobacco in Montana, Health and Economic Impacts, (Exhibit #3) for the Committee. Dr. Shepard said tobacco taxes represent good health policy and good fiscal policy. Tobacco is responsible for the first and third leading causes of death in the United States. Tobacco taxes generate funds in a very "fair" manner, and it is clear that tobacco taxes cause people, especially adolescents, to reduce consumption. 50% of all people who smoke start before the age of 13, and 90% of people who begin smoking do so before the age of 19. Therefore, if individuals make it to the age of 20 without smoking, there is a less than 10% chance they will start. Dr. Shepard said tobacco proponents tend to say that tobacco taxes are not fair, but last year in the state of Montana there was $165 million dollars in hospital bills attributable to smoking. An additional $100 million was spent on other smoking-

related illnesses. To make tobacco truly revenue neutral, the cost per pack would be $2.35 in taxes. Dr. Shepard said tobacco use results in an "enormous" productivity drain, due to work lost from tobacco-related illnesses. Individuals who smoke are sick more often, they die sooner, and they lose productivity totalling $100 million per year. 80% of Montana's population, those who do not smoke, are paying $165 million per year to repay the health care costs incurred by smokers. Therefore, tobacco taxing makes good fiscal policy. Dr. Shepard provided an analysis of tobacco taxes (Exhibit #4), and went over this analysis. If President Clinton raises tobacco taxes on a national level, and Montana does not raise tobacco taxes, there will be a fiscal drain in the state.

Kate Cholewa, Montana Women's Lobby, said SB 404 is a good bill because it taxes the product which creates health costs, and uses that tax to save health care dollars, such as the MIAMI program. Additionally, SB 305 will help Montana's working poor to stay off welfare. It will extend Medicaid to children under 18, allowing families to continue to work and avoid going on public assistance in order to provide proper medical care.

Dr. Harold Brown, cardiologist in Missoula and past president of the Montana Heart Association, provided written testimony. (Exhibit #5)

Paulette Kohman, Montana Council for Maternal and Child Health, provided written testimony. (Exhibit #6)

Dr. Gary Pitts, President of the Public Health Association, said the Association supports SB 305. It will assist in reducing rising health care expenditures and the state deficit as well. The most important significance of SB 305 is it will help to improve the health status of all Montanans in general. Dr. Pitts said that SB 305 will generate badly needed revenues, and will help communities focus on how to educate adolescents about the overt and covert messages from tobacco industry's advertising. Dr. Pitts said the tobacco industry needs to replace 1500 Montanans every year. The bill will be a pivotal part of Montana's health care reform because it will make significant reductions in the number of tobacco users, and the escalating rates of health care costs. If passed, SB 302 will send the message that high-risk health behavior will be dealt with appropriately as a health care issue and not an economic or tax related issue.

Dr. Bill Zepp, Executive Director of the Montana Dental Association, provided written testimony. (Exhibit #7)

Dr. Mike Priddy, family physician in Missoula, said that doctors should be doing more to prevent health care problems rather than just treating them as they arise. For the past six years, he and 40 other Missoula area doctors have been making presentations to sixth graders in Missoula County about the dangers of tobacco

use. From his teaching experience, he has learned that teen age smoking is not declining, and more teen age girls are using tobacco than teen age boys. The long-term consequences of this are frightening regarding premature births and cancers related to smoking. Lung cancer has become a leading cause of cancer-related death among women in the United States. Teenagers are very sensitive to price of cigarettes. Dr. Priddy said he supports SB 305 because it will result in reduced teenage use of tobacco products, and it will off-set health care costs in Montana resulting from tobacco use. Dr. Priddy said he was tired of hearing the "empty excuses" of personal freedom and regressive taxes, because there is no good reason why tobacco should not be taxed. One of his patients in Missoula, Mel Lockridge, is dying from congestive heart failure resulting from his tobacco use. Mr. Lockridge told Dr. Priddy to tell the Committee that there is no good reason why anyone needs to use tobacco, and if they are going to use it, they should pay for it.

Bob Ripley, Missoula businessman, provided written testimony. (Exhibit #8)

Teresa Henry, Chair of the Legislative Committee of the Montana Nurses Association, provided written testimony. (Exhibit #9)

Annie Bartos, American Lung Association of Montana and Registered Nurse, said the Lung Association supports SB 305 and concurs with the previous testimony.

Jerry Loendorf, Montana Medical Association, said the Association supports SB 305. The funds generated by this bill are matched by the federal government, such as Medicaid. Also, regarding the liability associated with releasing harmful substances, a tobacco lawsuit may be just around the corner. In the meantime the price they (smokers) pay is very cheap compared to the harm caused by tobacco use.

Marcia Dias, Health Mothers Health Babies, provided written testimony. (Exhibit #10)

Jeanne Kemmis, Montana Council for Families, said the Council supports SB 305 because they are interested in the expansion of the MIAMI project, and because of the potential for funding a pilot Healthy Start program.

Craig Dunn, Montana Low Income Coalition, said the Coalition "somewhat reluctantly" supports SB 305. It could help those with low incomes by providing funds for the MIAMI project as well as Medicaid programs. Their reluctance to support SB 305 is the feeling that the money will be wasted. They would like to see more money go towards education and the funding of low income programs.

Senator Jack "Doc" Rea said, as a result of tobacco use, he had gone through surgery, chemo therapy and radiation, and "any tax

is a good tax on cigarettes." He recommended a do pass for SB 305.

Opponents' Testimony:

Jerome Anderson, Tobacco Institute, provided written testimony. (Exhibit #11) Mr. Anderson said that the statistics used by the proponents are not based on scientific work, and are based upon "worst case" scenarios. He pointed out that the tobacco industry has supported legislation making tobacco products unavailable to those under the age of 18.

Rex Manuel, Phillip Morris, provided written testimony. (Exhibit #12)

Mark Staples, Montana Wholesale Marketers, said all wholesale marketers in the state sell tobacco. Mr. Staples said he had a "clear conscience" opposing SB 305 because this is an issue of fairness and social engineering. It is not "politically courageous" to tax a product out of existence. Mr. Staples said it would be politically courageous to tax all those products which cause health problems, including butter, beef, pork and even guns. In Montana, however, it would not be politically correct to tax items such as these because they are produced in Montana. A tax on tobacco products is, in effect, telling others "we know what is good for you." Mr. Staples pointed out that there are proponents to SB 305 who smoke, but those individuals can afford the tax. Taxing those who cannot afford it is social engineering. Regarding teenage smoking, the Montana Wholesalers proposed and carried a bill in 1991 banning the sale of tobacco to minors. Mr. Staples asked the Committee to consider the fact that the funds from the tax will go to a "bureaucracy" that has nothing to do with tobacco.

Gene Phillips, Smokeless Tobacco Council, Kalispell, said that the testimony in favor of SB 305 does not apply to smokeless tobacco products. The increased tax revenue derived from smokeless tobacco products would go to the general fund. Mr. Phillips pointed out that the income level of those persons use tobacco products, 75% have incomes less than $35,000 per year. It is an "enormously regressive tax" on those who can least afford it. There will be some reduction in usage coming from the tax, but there will also be a substantial amount of bootlegging because Wyoming, South Dakota and Indian Reservations impose no tax on smokeless tobacco. Mr. Phillips said that the Council also supported legislation prohibiting the sale of tobacco products to minors, and he urged the Committee to give SB 305 a do not pass recommendation.

Questions From Committee Members and Responses:

Sen. Mesaros asked Sen. Klampe how SB 305 would affect the funding of the long-range building program. Sen. Klampe said the

tax on tobacco products would be doubled, and so the long-range building plan would not be affected whatsoever. This is reflected in the amendments offered by Sen. Klampe.

Sen. Mesaros asked Sen. Klampe how there could be an increased tax acceptable for something other than which it was intended. Sen. Klampe said the long-range building plan has been financed by tobacco taxes for years, and that will not change. The original tobacco tax will be doubled under SB 305 and the new revenue will be used for the programs suggested during testimony.

Chairman Eck asked for someone from the Department of Revenue to explain the effects of the amendment. Charlotte Moharg, in charge of the collection of the cigarette tax for the Department of Revenue, said she had not seen the amendment. However, if it proposed an allocation of 36.77% and 15.1% to the long-range building program it would insure neutrality. In addition, the original computations did not take into account the decrease in consumption of 3.6% related to the 9% increase in price. There is a decrease indicated in the Fiscal Note, of approximately 1 million packages of cigarettes for fiscal year 1995. This must be taken into account in the amendment. The original fiscal note also did not take into account the increase to the general fund as a result of the surtax, which is about $100,000. In addition there is a tax indicia collected from wholesalers, which is very reflective of timing. Ms. Moharg said they did the best they could with the fiscal note to insure neutrality for the long-range building fund, keeping in mind that the funds coming in from cigarette taxes can fluctuate. She said the $2.00 per pack price came from the wholesalers, and would be the price of a brand name of cigarettes, such as Marlboro.

Sen. Christiaens asked about the statistics regarding second-hand smoke. Bob Moon, Chronic Disease Prevention Program of the State Health Department, said that data has been compiled from a number of studies. That data suggests that a variety of health complications and 3000 deaths per year result from second-hand smoke. The American Heart Association predicts 40,000 deaths due to heart disease.

Sen. Christiaens asked Charlotte Moharg about the 4% sales tax introduced, this tax, and if there were other bills taxing tobacco being introduced during this legislative session. Ms. Moharg said she was aware of SB 177, SB 305, and the sales tax proposal.

Sen. Christiaens asked Chairman Eck to elaborate on SB 177. Chairman Eck had, essentially, been amended into SB 305 so it would be a combination with a lot of common language except 18 cents rather than 10.

Sen. Christiaens asked Ms. Moharg what the increase would be if all three bills passed. Ms. Moharg said there would be a 28 cent per package increase from SB 305, plus the 4% sales tax based on

the sales price of the pack of cigarettes.

Sen. Christiaens asked Jerome Anderson to respond to this. Mr. Anderson said the sales tax would add 4-8 cents per package depending on the retail price of cigarettes. There would be 32-36 cents per package increase.

Sen. Rye asked Mr. Anderson if the price per pack of cigarettes in Canada were $5.00. Mr. Anderson said that was correct.

Sen. Rye asked Mr. Anderson how that high price had cut the rate of tobacco consumption in Canada. Mr. Anderson said he couldn't give a figure of the reduced consumption of taxed packages, but there a rise in the sales of cigarettes along the border states of the United States.

Sen. Rye asked Mr. Anderson if he could provide, in general terms, the revenue situation of the Canadian government. Mr. Anderson said he could not answer the question.

Sen. Rye asked Bob Robinson why DHES were not prohibiting the sale of cigarette along the borders of Montana. Mr. Robinson said that may be a good idea, but the Department was not prohibiting anything at this point. However, if the tax goes up and it keeps young people from smoking, it would have a positive effect on health.

Sen. Rye asked Marcia Dias about the statistics stating that tobacco consumption is an "overwhelmingly" low-income thing to do. Even those individuals who cannot afford to smoke do not seem to quit. Ms. Dias said that low-income individuals may start smoking because they are under intense stress, and they continue under stress. Also, low-income individuals cannot afford smoking cessation programs, and generally, their education level is lower than others regarding their health.

Sen. Rye asked Dr. Mike Priddy to respond. Dr. Priddy said that tobacco use does have a positive effect in that it does give those who smoke a "lift" and makes them feel better.

Sen. Rye asked Dr. Priddy if the people they were talking about, low income individuals who smoke, would continue to smoke even if the price were $10.00 per pack. Dr. Priddy said all you had to do was go to Canada where cigarettes are up to $8.00 per pack, and they still smoke. However, they are not enjoying it, and Dr. Priddy said he talks to dozens of smokers every day who want to stop, but they are addicted.

Chairman Eck asked Mark Staples if there were a group willing to put together a program to tax tobacco, alcohol, candy, high fat items, would he support that tax. Mr. Staples he would not support those taxes because they are discriminatory, and social costs of these products cannot be accurately assessed. This, basically, would be a sales tax if all items were included.

Closing by Sponsor:

Sen. Klampe said that there was no reason to have a fear that this tax would generate a declining revenue source right now. This keeps coming up as an argument from the Tobacco Industry. Sen. Klampe challenged Mr. Staples to let the smokers pay for their health care costs, which, he said would be fair. Sen. Klampe read part of a letter from Frank Michaels about his insurance premiums, which subsidize the health care costs of smokers. Mr. Michaels said he is a non-smoker, and it makes sense to put the burden of health care costs from smoking onto smokers.

ADJOURNMENT

Adjournment: Chairman Eck adjourned the hearing.

Dorothy Eck

SENATOR DOROTHY ECK, Chair

Laura Turman

LAURA TURMAN, Secretary

DE/LT

ROLL CALL

SENATE COMMITTEE Public Health DATE 3-3-93

NAME	PRESENT	ABSENT	EXCUSED
Eck	✓		
Franklin	✓		
Klampe	✓		
Hager			✓
Towe	✓		
Mesaros	✓		
Rye	✓		
Christiaens	✓		

FC8

Attach to each day's minutes

SENATE HEALTH & WELFARE
EXHIBIT NO. 1
DATE 3-3-93
BILL NO. SB 305

Amendments to Senate Bill No. 305
First Reading Copy

Requested by Senator Terry Klampe
For the Senate Public Health, Welfare, and Safety Committee

Prepared by Tom Gomez
March 2, 1993

1. Title, line 7.
Following: "MEDICAID"
Strike: "PROGRAMS"
Insert: "AND PREVENTIVE HEALTH CARE SERVICES"

2. Title, line 8.
Following: "FUND;"
Insert: "EXPANDING MEDICAID ELIGIBILITY FOR PREGNANT WOMEN, INFANTS, AND CHILDREN;"

3. Title, line 9.
Following: "16-11-206,"
Strike: "AND"

4. Title, line 10.
Following: "17-5-408,"
Insert: "AND 53-6-131,"
Following: "PROVIDING"
Strike: "AN EFFECTIVE DATE"
Insert: "EFFECTIVE DATES"

5. Page 3, line 7.
Strike: "35.44%"
Insert: "36.77%"

6. Page 3, line 9.
Strike: "14.56%"
Insert: "15.10%"

7. Page 3, line 15.
Strike: "to medicaid programs under Title 53"
Insert: "provided for in [section 7]"

8. Page 7, line 1.
Strike: "35.44%"
Insert: "36.77%"

9. Page 7, lines 19 through 20.
Strike: section 6 in its entirety
Insert: "**Section 6.** Section 53-6-131, MCA, is amended to read:
"**53-6-131. Eligibility requirements.** (1) Medical assistance under the Montana medicaid program may be granted to a person who is determined by the department of social and rehabilitation services to be eligible as follows:

(a) The person receives or is considered to be receiving supplemental security income benefits under Title XVI of the federal Social Security Act (42 U.S.C. 1381, et seq.) or aid to families with dependent children under Title IV of the federal Social Security Act (42 U.S.C. 601, et seq.).

(b) The person would be eligible for assistance under a program described in subsection (1)(a) if ~~he~~ the person were to apply for such assistance.

(c) The person is in a medical facility that is a medicaid provider and, but for residence in the facility, ~~he~~ the person would be receiving assistance under one of the programs in subsection (1)(a).

(d) The person is under 19 years of age and meets the conditions of eligibility in the state plan for aid to families with dependent children, other than with respect to school attendance.

(e) The person is under 21 years of age and in foster care under the supervision of the state or was in foster care under the supervision of the state and has been adopted as a hard-to-place child.

(f) The person meets the nonfinancial criteria of the categories in subsections (1)(a) through (1)(e) and:

(i) the person's income does not exceed the medically needy income level specified for federally aided categories of assistance and ~~his~~ the person's resources are within the resource standards of the federal supplemental security income program; or

(ii) the person, while having income greater than the medically needy income level specified for federally aided categories of assistance, has an adjusted income level, after incurring medical expenses, that does not exceed the medically needy income level specified for federally aided categories of assistance and ~~his~~ the person's resources are within the resource standards of the federal supplemental security income program.

(g) The person is a qualified pregnant woman or child as defined in 42 U.S.C. 1396d(n).

(2) The Montana medicaid program shall pay for the premiums necessary for participation in the medicare program and may, within the discretion of the department, pay all or a portion of the medicare deductibles and coinsurance for a medicare-eligible person or for a qualified disabled and working individual, as defined in section 6408(d)(2) of the federal Omnibus Budget Reconciliation Act of 1989, Public Law 101-239, who:

(a) has income that does not exceed income standards as may be required by the federal Social Security Act; and

(b) has resources that do not exceed standards the department determines reasonable for purposes of the program.

(3) The department may pay a medicaid-eligible person's expenses for premiums, coinsurance, and similar costs for health insurance or other available health coverage, as provided in 42 U.S.C. 1396b(a)(1).

(4) The department, under the Montana medicaid program, may provide, if a waiver is not available from the federal government, medicaid and other assistance mandated by Title XIX of the federal Social Security Act (42 U.S.C. 1396, et seq.), as may be amended, and not specifically listed in this part to

categories of persons that may be designated by the act for receipt of assistance.

(5) Notwithstanding any other provision of this chapter, medical assistance must be provided to ~~infants and pregnant women whose family income does not exceed 133% of the federal poverty threshold, as provided~~ the following individuals, as authorized in 42 U.S.C. 1396a(a)(10)(A)(ii)(IX) and 42 U.S.C. 1396a~~(l)(2)(A)(i)~~(l)(2)(A) through a(l)(2)(C):

(a) a pregnant woman or an infant under 1 year of age whose family income:

(i) on or after July 1, 1993, does not exceed 150% of the federal poverty threshold; or

(ii) on or after July 1, 1994, does not exceed 185% of the federal poverty threshold;

(b) a child who is 1 year of age or older but under 6 years of age and whose family income does not exceed 133% of the federal poverty threshold; and

(c) a child who is 6 years of age or older but under 19 years of age and whose family income does not exceed 100% of the federal poverty threshold.

(6) A person described in subsection (5) must be provided continuous eligibility for medical assistance, as authorized in 42 U.S.C. 1396a(e)(5) through a(e)(7)."

NEW SECTION. **Section 7. Special revenue account.** There is an account in the state special revenue fund in the state treasury. Money in the account must be appropriated to:

(1) provide medicaid eligibility for pregnant women, infants, and children, as mandated in 53-6-131(5); and

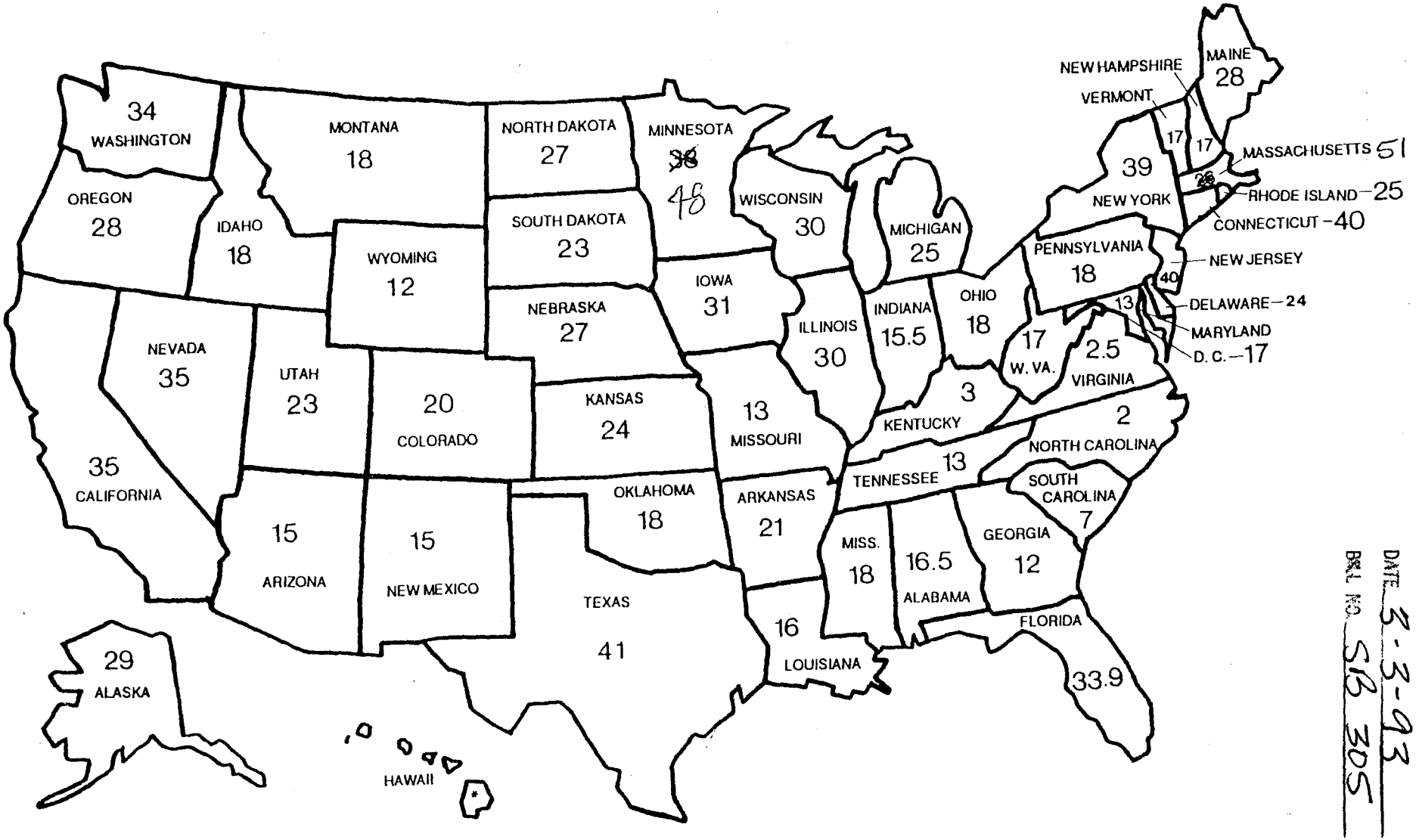
(2) enhance access to existing preventive health care services.

NEW SECTION. **Section 8. {standard} Effective dates.** (1) [Section 6 and this section] are effective July 1, 1993.

(2) [Sections 1 through 5 and section 7] are effective August 15, 1993."

STATE CIGARETTE EXCISE TAXES

(cents per pack)



*40% of Wholesale Price

SENATE HEALTH & WELFARE
EXHIBIT NO. 2
DATE 3-3-93
BILL NO. SB 305

MONTANA TOBACCO EXCISE TAX FACT SHEET

Cigarette Tax

TIME FRAME:	RATE:
1982-83	12 cents per pack of twenty
1984-88	16 cents per pack of twenty
1989-92	18 cents per pack of twenty
1992 -	* 19.26 cents per pack of twenty

* Effective August 15, 1992

AMOUNT OF REVENUE:		% CHANGE (+/-):
FY82	$11,233,044.00	
FY83	10,580,701.00	- 5.8%
FY84	11,929,453.00	+12.7%
FY85	12,984,626.00	+ 8.8%
FY86	12,469,883.00	- 4.0%
FY87	12,157,915.00	- 2.5%
FY88	11,430,657.00	- 6.0%
FY89	10,923,253.00	- 4.4%
FY90	12,240,660.00	+12.0%
FY91	11,747,704.00	- 4.0%

Disposition (16-11-119 M.C.A.):

72.79% in the long-range building fund in the debt service fund.

27.21% in the long-range building program fund in the capital projects fund.

Tobacco Products Tax (Smokeless tobacco)

TIME FRAME:	RATE:
Prior to 8/15/92	12.50% of wholesale price
Effective 8/15/92	13.38% of wholesale price

* Exception is made for those products shipped from Montana and destined for retail sale and consumption outside Montana.

AMOUNT OF REVENUE:		% CHANGE (+/-):
FY82	$ 519,448.00	
FY83	581,203.00	+11.9%
FY84	692,897.00	+19.2%
FY85	650,793.00	- 6.0%
FY86	669,932.00	- 2.9%
FY87	720,332.00	+ 7.5%
FY88	773,440.00	+ 7.3%
FY89	802,615.00	+ 3.7%
FY90	953,154.00	+19.0%
FY91	1,106,043.00	+16.0%

Disposition (16-11-206 M.C.A.):

100% in the long-range building fund in the debt service fund.

ANNUAL TOBACCO-RELATED DEATHS IN MONTANA

CAUSE OF DEATH	TOTAL DEATHS	% TOBACCO-RELATED	TOTAL TOBACCO DEATHS
Cancer	1675	30%	503
Lung Cancer	482	83%	(400)
Other Cancers	1193		(103)
Heart Disease	1944	20%	389
Respiratory Disease	771	85%	655
Fires	19	33%	6
All Other Causes	2504	N/A	0
TOTAL	6995	22%	**1,553**

ECONOMIC COSTS OF TOBACCO USE IN MONTANA

Montana accounts for approximately .36% of the nations 434,000 tobacco-related deaths annually, including approximately 1419 deaths to cigarette smokers and 134 deaths to non-smokers from exposure to second hand smoke.

Cigarette smoking costs the American economy over $65 billion annually in health care and lost job productivity due to smoking related diseases.

Montana's share of the economic costs (.39%) is $254 million per year, at an average cost to the state's economy, businesses, taxpayers and insurance policy holders of $3.63 for each of the 70 million packs of cigarettes sold in Montana (1991).

In 1991, approximately 21% of Montana citizens, or 170,000 smokers paid in excess of $120 million per year for cigarettes. Montanans pay in excess of $15 million per year for chewing tobacco.

Montana's current tobacco tax rates provide for nearly $13 million per year in tax revenues, only 1/20th of the costs associated with cigarette smoking in the state.

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1. Montana specific data compiled from 1991 Vital Statistics Tables and the 1991 Behavioral Risk Factor Survey, Montana Department of Health & Environmental Sciences.

2. United States specific data provided by the U.S. Department of Health & Human Services (1985). USDHHS provided economic data and the % denominators used to calculate smoking related deaths as a percentage of overall deaths.

3-3-93
SB-305

Smoking Prevalence in Montana By Year - Adults Aged 18 & Over
1984 - 1991

The following data have been gathered through the use of the Behavioral Risk Factor Surveillance System (BRFSS). The BRFSS is a monthly, randomized telephone survey of 99 Montana adults operated by the Department of Health & Environmental Sciences in cooperation with the Centers for Disease Control, Atlanta, Georgia. Yearly survey results are tabulated from a total of 1188 responses. BRFSS data have been gathered since 1984 regarding the prevalence of cigarette smoking in Montana.

YEAR	% MALE SMOKERS	% FEMALE SMOKERS	% OF TOTAL POPULATION
1984	29.5%	28.2%	28.9%
1985	24.3%	24.8%	24.6%
1986	23.4%	22.6%	23.0%
1987	21.3%	23.2%	22.3%
1988	20.7%	18.7%	19.7%
1989	19.7%	19.2%	19.5%
1990	17.3%	21.4%	19.4%
1991	20.9%	21.0%	21.0%
1992	* Data have not been tabulated at this time		

TOBACCO IN MONTANA

Health and Economic Impacts

I. TOBACCO-RELATED DEATHS IN MONTANA 1988

"Smoking causes more premature deaths than do all of the following together: cocaine, heroin, alcohol, fire, automobile accidents, homicide, suicide, and AIDS."
-- U.S. Public Health Service, 1990[1]

Background. Health authorities have steadily escalated their estimates of the annual death toll from diseases and fires related to smoking and use of tobacco products. The U.S. Public Health Service estimated in 1985 that tobacco caused 1,047 deaths and 11,997 years of life lost in Montana, part of a national total of 317,000 deaths and 3.6 million years of life lost due to tobacco use.[2]

Since then, the discovery of new health effects of smoking has boosted the national tobacco death toll estimate to 390,000.[3] Some 30,000 deaths annually are now estimated to occur among non-smokers from their "involuntary smoking" of smokers' cigarette smoke, and 1,700 annual deaths result from cigarette-ignited fires -- 35% of the nation's fire deaths. Smoking is now judged to be the chief cause of nearly 20% of the nation's total death toll.[4]

Estimate from Montana's share of national deaths. A straight-line estimate of tobacco-related deaths in Montana, based on the state's proportion of the total U.S. population (0.33%) and deaths (0.32%), would yield about 1,350 deaths in Montana due to tobacco use each year, including 1,250 to smokers, about 100 to non-smokers from involuntary smoking, and 5 from cigarette-caused fires.

Estimate from Montana's fatal disease and accident Statistics. A different method of calculation based on the estimated contribution of smoking to various types of diseases in Montana is shown in Table 1:

TABLE 1. ANNUAL TOBACCO-RELATED DEATHS IN MONTANA

Death cause	Total deaths[5]	Percent Tobacco-related[6]	Tobacco deaths
Cancer	1,582	30%	475
Lung cancer	428	87%	370
Other cancers	1,126		105
Heart disease	2,075	20%	415
Respiratory disease	709	85%M, 69%F	550
Infant deaths	192	-	8
Fires	16	35%	5
All other death causes	2,267	-	-
TOTAL	6,759	22%	1,453

This method yields a tobacco death estimate higher than other methods, primarily due to Montana's unusually high rate of respiratory disease mortality (30% above the national average) which offsets the state's lower than average rates of heart disease and cancer deaths.

Range of tobacco-related deaths in Montana. Given the uncertainty of death cause judgments, a reasonable range of annual tobacco deaths would be:

TABLE 2. ANNUAL TOBACCO-RELATED DEATHS IN MONTANA

Smokers	1,200 ---- 1,300
Non-smokers (involuntary)	100 ---- 150
Fetuses and infants	5 ---- 20
Fire victims	5 ---- 10
TOTAL (rounded)	1,300 ---1,500

Tobacco use, chiefly smoking, is thus the primary contributor to 18% to 22% of all deaths in the state, five times more than are caused by all other drugs -- including alcohol, illicit drugs, and prescription drugs -- put together. More deaths are caused by smokers' "involuntary smoke" among non-smoking adults and infants than by drunken drivers to their victims in Montana. Indeed, more deaths are caused by smoking than by all accidental deaths in the state.

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II. ECONOMIC COSTS OF TOBACCO USE IN MONTANA

Background. In 1985, the U.S. Public Health Service estimated that smoking cost Montanans $108.7 million in health and productivity annually -- including $39.9 million in direct medical costs, $66.9 million in lost productivity, and $1.8 million in infant death costs, excluding the price and tax paid for cigarettes and tobacco by consumers.[7]

In 1986, the Montana Department of Health and Environmental Sciences estimated the cost of tobacco use in Montana at $161.5 million, including $70.5 million in direct medical costs and $91 million in indirect disease, death, and lost productivity costs.[8]

Estimate from Montana health cost Statistics. As with death estimates, both the costs of smoking and medical expenditures have risen sharply since 1985. About 14% of all non-pregnancy hospitalizations are estimated to be due to tobacco use.[9]

Applying this figure to Montana, around 12,000 of the state's 88,000 non-pregnancy hospitalizations in 1988 were attributable to smoking, yielding an estimate of **$65 million in hospital costs alone due to tobacco use**. There is another $100 million in other medical costs of tobacco for physician, drug, nursing home, and other services.

Added to the estimated $165 million in medical costs of tobacco are the economic costs of lost productivity due to smoking-related illness, death, and shortened life spans. Nationally, an estimated $43 billion is lost to the economy annually through such indirect effects of tobacco-related disease.[10] Montana's share of this loss (0.33%), adjusted for the state's lower than average per-capita income, would be $103 million per year.

Adding the medical and indirect costs produces an economic cost of smoking in Montana of $268 million in 1988.

Estimate from Montana's proportion of national health costs. Using a simpler method, Montana's per-capita share (0.33%) of the $65 billion annual estimated cost of tobacco abuse[11] would be about $215 million. These tobacco cost estimates range from **$266 to $331 per Montanan per year**, equivalent to more than one-sixth of the state's annual general fund budget.

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In addition, Montana tobacco consumers spend around $96 million per year on cigarettes and other tobacco products.

Thus the total economic impact of tobacco in Montana in health, indirect, and consumer costs ranges from $311 million to $364 million annually -- 3% to 3.5% of the gross state product, an average cost per pack of cigarettes sold of $4.33 to $5.08. Note that less than one-third of the cost of cigarettes in Montana is reflected in the average $1.30 retail price per pack, which includes state and federal taxes.

Tobacco's costs to non-smokers. Three-fourths of the hospital costs resulting from tobacco use are paid by public funds, such as Medicare and aid to the medically indigent.[12] Thus the Montana public, smokers and non-smokers, paid around $50 million ($65 million times 75%) in 1987 for hospitalizations. for tobacco related diseases. This money came solely from taxes on Montanan's income.

Only 19.4% of Montana's adult population and 8% of its teen-age population smokes; 10% of the state's teen-age and 6% of its adult population use other tobacco products (mostly chewing tobacco. Other tobacco products is used here to refer to chewing tobacco as well as cigars and pipe tobacco which comprise only a small percentage of the market.)[13] This means the 550,000 Montanans over the age of 12 WHO DO NOT SMOKE paid approximately $40 million for hospitalizations due to diseases caused by smoking. ($50 million times 80% non-smokers.) This figure does not include higher insurance, unemployment, childhood illness, and other costs shared by the non-smoking public for tobacco-caused disease, nor does it include medical costs other than hospitalization. All Montanans are forced to pay for the diseases caused by the behavior of the few.

We may contrast these tobacco-cost figures to the public with the expenditures raised by current tobacco taxes. In fiscal year 1988, the state of Montana collected $11.3 million in cigarette taxes and $773,000 for the tax on other tobacco products -- a total of $12.1 million.[14]

Conservatively calculated, the public tax collection from tobacco sales in Montana ($12 million) offsets less than one-third of the costs to the non-smoking Montana public ($40 million) for tobacco-related hospitalizations alone, and less than 5% ($12 million / $265 million) of the total cost to Montana for tobacco use.

The current proposal to tax tobacco, Initiative 115, would add 25 cents per pack to the cost of cigarettes and 12.5% to the cost of chewing tobacco. It is estimated by the Legislative Fiscal Analyst to raise tobacco taxes by approximately $16

million per year.[15] If I-115 is approved, total tobacco tax collections would be around $28 million per year, still offsetting less than 56% of the public cost of tobacco-related hospitalizations alone. I-115 represents a very modest proposal compared to the dramatic economic costs of tobacco and the incalculable cost of the lives lost.

Effects on children of "involuntary" smoking. Concern in the medical community about the adverse health effects of cigarette smoke in our children's environment has grown rapidly with increasing research. In 1986, the National Research Council recommended "elimination of tobacco smoke from the environments" of children "in view of the weight of the scientific evidence that ETS (environmental tobacco smoke) exposure in children increases the frequency of pulmonary symptoms and respiratory infection."[16]

Among the NRC's[17] and other researchers'[18,19] findings from reviews of dozens of studies of the effect of tobacco smoke on children:

-- Parental smoking during pregnancy more than doubles the risk of low-birthweight babies and fetal deformities. Low birth weight (less than 2,500 grams, or 5.5 pounds) is the major factor in infant death and disease.

-- Parental smoking doubles the risk of hospitalization of children for bronchitis, pneumonia, chronic and acute asthma, and other respiratory diseases.

-- Children of smoking parents display increased risk of 20% to 200% for chronic ear infections, respiratory distress symptoms, viral infections, and leukemia and other cancers.

-- Lung functioning in nonsmoking teen-age children of smoking parents is impaired by 1%-10%, unlikely to restrict daily activities but an impediment to athletic performance.

-- Children of parents who smoke are two to three times more likely to smoke themselves.

These adverse health effects on children from smoking parents and other smokers are not reflected in the economic and health costs cited in this report, which are based only on adults over the age of 20. However, they represent the most serious of the "involuntary smoking" impacts on a child population powerless to avoid them, including chronic and costly health problems and a sharply elevated risk of taking up smoking based on parental example.

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Economic implications of reduced tobacco use. The economic costs of tobacco use in Montana are a compelling for the passage of Initiative 115. They lead to the inescapable conclusion that reducing tobacco use will eventually lower economic costs. However, it will take several years after each smoker quits for that smoker and the public to fully realize the benefit in reduced costs. Even if every smoker in the state quit tommorrow, Montanan's would still be dying of smoking induced lung cancer in the year 2005.

Viewed cynically,[20] every economic "cost" of tobacco cited above could be seen as an economic boon. For example, tobacco-related disease and death pump tens of millions of dollars annually into Montana's medical and mortality industries, generating hundreds of professional jobs.

Some of the costs of lost productivity due to smoking diseases are borne by the smoker in the form of lost wages, generating jobs for other workers. However, the higher job absenteeism rate of smokers -- 60% to 120% higher than job absenteeism among non-smokers[21]-- costs the employer the smoker's wages in addition to the wages of those who take their place. For example, a substitute teacher stands in for a regular teacher absent due to a smoking-related ailment. This economic cost is borne by the employer who pays sick leave days to the ill employee and the temporary wages to the replacement.

However, the conclusive argument is that tobacco use reductions lead to healthier lives and greater economic productivity, as opposed to non-productive expenditure to repair tobacco-related damage. At any given age, smokers incur greater health care costs than non-smokers.[22] Money spent providing for a healthy 75-year-old is a productive, life-enhancing use of health care collars.

III. EFFECTS OF A HIGHER TOBACCO TAX

Background. In 1988, around 70.5 million packs of cigarettes and 3.1 million cans of tobacco subject to tax were sold in Montana to the approximately 120,000 Montanans (114,000 adults and 6,000 teens) who smoke and the 50,000 who chew tobacco or smoke pipes or cigars (many chewers, of course, also smoke). On a per-user basis, Montana smokers buy 600 packs and chewers buy 60 cans per year, excluding sales from reservations and military bases not subject to tax.[23]

At an assumed average cost of $1.30 per pack and $1.95 per can, Montana smokers spend around $90 million annually on cigarettes and $6 million on other tobacco products. The average annual cost of tobacco is approximately $780 per smoker and $120 per consumer of other tobacco products.

Economic impact. Higher tobacco taxes are associated with moderate decreases in cigarette consumption.[24] The Montana Legislative Fiscal Analyst forecasts a 5% decrease in tobacco sales from the added 25-cent cigarette and 12.5% other tobacco tax I-115 proposes; the tobacco industry estimates a 13% decline.[25] At a 5% decrease, taxable sales would drop to 67 million packs of cigarettes and 3 million cans of tobacco per year. Montana tobacco users would thus spend about $4.7 million less per year on tobacco products if I-115 passes.

This revenue loss would have negative impacts on businesses dependent upon tobacco sales. This impact would be offset by the transfer of consumer spending from tobacco to other products, benefitting other sectors of the economy. The overall impact on "business revenues would be negligible".[26] Moreover, a substantial portion of the millions spent on tobacco goes out of state. Most likely the money not spent on tobacco would be spent on Montana goods e.g. milk, cheese, bread, etc. benefiting the local economy far more than the drain out of state of tobacco.

Individual impact. While polls indicate public skepticism that higher tobacco taxes deter cigarette smoking, economists have documented this "price elasticity" effect repeatedly.[27]

This public perception is doubtless rooted in the observation that heavy smokers are too addicted to cut down or quit. However, health surveys indicate that more than 70% of Montana's smokers report smoking one pack or less per day.[28] Average consumption based on sales data is 1.5 packs per day per smoker, indicating a fair degree of lying by smokers to surveyors regarding consumption. Nevertheless, this pattern indicates a substantial proportion of Montana's smokers who are amenable

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to economic incentive to reduce tobacco use.

This tax "disincentive" has particularly strong impact on adolescent smokers, who consume less tobacco per user, are less addicted, and have less disposable income than do adult tobacco users. Thus, higher taxes cause a more pronounced reduction in teen-age smoking than among adults.[29]

Smoking reduction in Montana resulting from a 25-cent cigarette tax increase. Cigarettes currently cost from $0.85 (generic brands by carton) to $1.75 (higher-priced name brands by pack) in Montana, with an average price of around $1.30 per pack.[30] Thus a 25-cent tax increase would raise cigarette prices by 14% to 29%, with an average increase of 19%. At an average price of $1.95 per can, a 12.5% increase in tax would raise the price of chewing tobacco by about 9%.

A number of detailed economic studies have pegged the "price elasticity" of cigarettes at -1.12 -- that is, for every 10% increase in retail price, a 12% decrease in consumption results.[31] In fact, the 20% decrease in American per-capita cigarette consumption from 1979 to 1988 almost exactly tracked price and tax increases predicted by the price elasticity formula, giving the model empirical validity.

That model predicts that a 19% increase in the price of cigarettes resulting from an added 25-cent tax would be expected to cause a 21.5% decrease in cigarette smokers in Montana.

Using a more conservative model, the reduction in smokers forecast by a 25-cent cigarette tax increase in Montana would be 4% for adults and 18% for teen-agers. If the tax increase takes effect, we would expect adult smoking rates to decrease from the current 19.4% level to 18.7% -- a decrease of some 4,000 adult smokers.

Among teens, the tax increase is estimated to result in a decrease in smoking rates from today's level of 8% to 6.6%, or 1,000 fewer teen smokers. The immediate impact of passage of I-115 would be a 4.4% reduction in the number of smokers in Montana, including 18% fewer teen-age smokers.

Viewed another way, teens now comprise only 5% of the state's smokers and 21% of its tobacco chewers. However, teens would comprise 20% of those who quit smoking and 52% of those who quit chewing tobacco after a 25-cent tax hike.

The second effect of a higher cigarette tax would be a decrease in consumption of cigarettes, caused both by smokers quitting and reduced consumption among smokers who chose to continue. Economic studies forecast this decrease would be 6% for a 16-cent tax increase; Montana's Legislative Fiscal Analyst predicts a 5%

tobacco use decrease.[33] Using the LFA estimate, the 25-cent tax increase would be expected to result in 3.5 million fewer packs of cigarettes sold and 70 million fewer cigarettes smoked in Montana annually -- the equivalent of 200,000 fewer cigarettes smoked every day.

Applying the same calculations to chewing tobacco, a 12.5% tobacco tax increase would result in a 16% decrease in teen-age tobacco use and a 3.6% decrease in adult tobacco use. Numerically, there would be 1,400 fewer teen-age tobacco users, 1,300 fewer adult tobacco users, and 100,000 fewer cans of chewing tobacco sold in Montana annually if the tax increase is approved.

Table 3 summarizes the reductions in tobacco consumption resulting from a 25-cent/12.5% tax increase:

TABLE 3. TOBACCO USE REDUCTION FROM 25-CENT INCREASE IN MONTANA

Participation rates:

Tobacco product	Age group	Current users	Tax-induced reduction	Percentage reduction
Cigarettes	12-17	6,000	1,100	18%
	Adult	113,500	4,100	4%
Total		119,500	5,200	4%
Other tobacco	12-17	9,000	1,400	16%
	Adult	35,100	1,300	4%
Total		42,000	2,700	6%

Annual consumption rates:

Tobacco product	Current consumption	Tax-induced reduction	Percentage reduction
Cigarettes	70,500,000 packs	- 3,500,000	- 5%
Tobacco	3,100,000 cans	- 100,000	- 3%

Reduction in smoking initiation. The most important effect of higher cigarette taxes is fewer persons, primarily teen-agers, beginning to smoke. The reduction in teen-age smoking initiation resulting from a 16-cent cigarette tax increase is estimated by various studies at 17%.[34]

Assuming, conservatively, a 15% reduction in Montana teen-age smoking initiation resulting from an additional 25-cent cigarette tax, 160 fewer teen-agers would take up smoking annually than now initiate the habit.

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Increasing the cigarette tax by 25 cents in Montana would -- again using conservative assumptions -- result in a cumulative 1,800 fewer persons, including 1,600 teens, ever taking up smoking over the next 10 years. Thus by the year 2001, the effects of the tax increase would be roughly 7,000 fewer persons beginning to smoke than would otherwise be the case -- a decrease of 6% over current smoking levels.

Assuming each of these 7,000 deterred smokers would have smoked the state average of 1.5 packs per day, the reduction in smoking by the year 2001 would be nearly 4 million fewer packs sold per year. Applying the same calculations to chewing tobacco results in 150 fewer teens taking up the habit each year and a cumulative reduction of 4,000 tobacco users by the year 2001 as the result of a 12.5% increase.

Tobacco initiation reductions, unlike one-time tobacco use cessations shown in Table 3, are ongoing, adding up from year to year. And because tobacco use reductions in this generation mean fewer future parents modeling tobacco use for their children, smoking reductions among future generations would accumulate and be more dramatic than those predicted by the economic model alone.

The total effect of a 25-cent Montana cigarette tax increase in 1991 -- including current smokers induced to quit or cut back, and teens and others induced never to begin smoking -- over the next ten years would be 14,000 fewer smokers (down 12% from today), 7 million fewer packs of cigarettes sold annually (down 10%), and 400,000 fewer cigarettes smoked per day by the year 2001.

Reduction in tobacco use from educational programs funded by I-115.
I-115 allocates 50% of its revenues from tobacco tax increases, or around $8 million per year, to programs designed to discourage smoking and tobacco use by persons under the age of 21. An additional 30%, or roughly $5 million per year, is allocated to prenatal and perinatal programs to reduce tobacco use among pregnant women.

The effectiveness of smoking reduction programs among pregnant women and new mothers indicates success.[36] Moreover, it is logical that more intensive educational efforts among children can help keep them from starting smoking.

The benefits of the tax increase itself remain clear. After reviewing various smoking cessation programs, Battelle Institute reported to the Centers for Disease control that "the most appropriate method to prevent smoking initiation may be the excise tax"[37] -- that is, nothing educates like pain in the pocketbook.

IV. CONCLUSION

In economic terms, tobacco use represents an enormous productivity drain. Montana consumers spend some $100 million each year on a dangerous, addictive, non-nutritive drug. The health damages resulting form this use then cost over $200 million annually to repair. Reallocating this money to productive uses would bring significant long-term benefits to the economy.

By the conservative calculations used in the report -- minimal assumptions compared to other reports on tobacco impacts -- Montana's non-smokers pay at least $40 million per year for tobacco-related illnesses, an amount current (and even I-115's higher proposed) tobacco taxes do not offset.

In personal terms, tobacco causes and contributes to a death and disease toll in Montana that makes all other drugs and unhealthful products, even combined, look benign: one-fifth of all deaths, one-seventh of all hospitalizations, one-sixth of a smoker's life span lost due to tobacco alone. The annual life-shortening effects of smoking in Montana equal a year of life for the entire population of Kalispell. Tobacco is far from the only harmful substance or habit; it is merely by far the most damaging. It is also the only legal product sold in the United States that when used precisely as the manufacturer intended kills 30% of its users.

While smokers would never intentionally harm their children, spouses, friends, and co-workers, the evidence is conclusive that this is exactly what unrestrained smoking does. Involuntary smoking imposed on Montana's non-smokers causes more than 100 deaths and 1,000 hospitalizations for serious diseases annually -- excluding effects on children.

The most tragic toll of involuntary smoking is to children, who often bear increased rates of many serious diseases and lifelong impaired functioning as a legacy of their parents' smoking -- as well as a tendency to take up smoking in a fashion "highly correlated with the smoking habits of their parents," according to the Surgeon General.[38]

To describe smoking as a personal choice meriting a hands-off public policy is to completely miss the enormous cost of tobacco to non-users. When tobacco users are forced to pay the full public cost of their habit and to impose involuntary smoking upon no one -- particularly not upon children -- then their right to be left to their nicotine addiction may be accepted. Until then, the public has every right to enact measures designed to eliminate the public damage caused by tobacco, including the modest but effective step of raising tobacco taxes proposed by Initiative 115. To do nothing would be unconsionable.

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This analysis makes a few assumptions. The state and federal taxes are known, the rest is uncertain. A few retailers havve indicated that their profit is $0.09 (9 cents) per pack. For some volume retailers it may be less. It also assumes that state wholesale distributors make a similar profit though again it may be less. The price per pack ranges from $1.05 for generic cigarettes by the carton to almos $2.00 in vending machines. The higher the average price per pack, the more money goes to the out of state tobacco interests.

NUMBER OF PACKS SOLD	70,000,000	
	DOLLARS	
PRICE PER PACK (AVG)	$1.30	$91,000,000.00
FEDERAL EXCISE TAX	$0.16	$11,200,000.00
STATE EXCISE TAX	$0.18	$12,600,000.00
RETAILER PROFIT	$0.09	$6,300,000.00
STATE DISTRIBUTER PROFIT	$0.09	$6,300,000.00
OUT OF STATE TOBACCO	$0.78	$54,600,000.00
NEW TAX	$1.55	ASSUME A 10%
		LOSS IN SALES
FEDERAL EXCISE TAX	$0.16	$10,080,000.00
STATE EXCISE TAX	$0.43	$27,090,000.00
RETAILER PROFIT	$0.09	$5,670,000.00
STATE DISTRIBUTER PROFIT	$0.09	$5,670,000.00
OUT OF STATE TOBACCO	$0.78	$49,140,000.00

OUT OF STATE TOBACCO INTERESTS PLUS FEDERAL TAXES TOTAL BEFORE I-115
$65,800,000.00
IN STATE TOTAL
$25,200,000.00

	NET LOSS (GAIN) WITH 10 % DECLINE IN SALES
FEDERAL EXISE TAX	$1,120,000.00
STATE EXCISE TAX	($14,490,000.00) note increase
RETAILER PROFIT	$630,000.00
DISTRIBUTOR PROFIT	$630,000.00
OUT OF STATE TOBACCO LOSS	**$5,460,000.00**

OUT OF STATE TOBACCO INTERESTS AND FEDERAL TAXES TOTAL AFTER I-115
$59,220,000.00
IN STATE TOTAL
$38,430,000.00

Harold A. Braun, M.D. 554 W. Broadway Missoula, MT 59802
Hearing 3/3/93 3:00 PM, Rm 325, Capitol Sen. Bill 305

SENATOR ECK. COMMITTEE MEMBERS: MY NAME IS HAROLD BRAUN. I AM A PHYSICIAN AND HAVE TWO PERSPECTIVES WHICH LEAD TO MY SUPPORT OF SEN. BILL 305.

FIRST: AS A CARDIOLOGIST IN MISSOULA, AND PAST PRESIDENT OF THE MT. HEART ASSOCIATION, I'VE SEEN A GREAT DEAL OF MISERY FROM HEART AND LUNG AND BRAIN DISEASE RELATED TO TOBACCO.

SECOND PERSPECTIVE IS THIS: I NOW WORK IN THE AREA OF HEALTH CARE COST CONTAINMENT. THIS BROUGHT MEMBERSHIP ON THE GOVERNOR'S TASK FORCE ON HEALTH CARE COSTS, CHAIRED BY SEN ECK; MEMBERSHIP ON THE PLANNING COMMITTEE FOR MT. COOPERATIVE CENTER FOR HEALTH INFORMATION; AND CHAIR OF THE ST. PATRICK HOSPITAL HEALTH CARE COST STUDY GROUP.

TIME AND AGAIN, THE QUESTION ARISES: 'WHAT CAN WE DO TO PREVENT COSTLY DISEASES?

HERE IS SOMETHING WE CAN DO, AND THIS IS WHY I SUPPORT 305.

1. THE SURGEON GENERAL SAYS WE NEED ECONOMIC DISINCENTIVES THAT REDUCE THE NUMBER OF CHILDREN WHO START TO SMOKE. (SURG. GEN. KOOP, CIT. JAMA 1987;25:2986.) WHAT HE MEANT WAS: A HIGHER TAX LOWERS TOBACCO CONSUMPTION. THAT IS GOOD.

DR. PRIDDY WILL COMMENT ON THIS.

(IN '89, PROP. 99 IN CA INCREASED THE CIG TAX BY 25c. WHAT IMPACT ON CIG CONSUMPTION IN CA?)

PRIOR YRS: AVE YEARLY DECLINE IN CIG. SALES: 3.4%
1989-90: 9.3% DECLINE (AM J P H JUNE '92 VOL 82 P 867-869)

2. WHY DO WE NEED TO DECREASE SMOKING? BECAUSE: LESS SMOKING SAVES LIVES. THE SURGEON GENERAL PRESENTS ALL KINDS OF DATA TO DOCUMENT THIS FINDING:

USE OF TOBACCO IS THE SINGLE MOST IMPORTANT PREVENTABLE CAUSE OF DEATH.

CIGARETTES CAUSE MORE PREVENTABLE DEATHS THAN ALL THESE PUT TOGETHER: AIDS, COCAINE, HEROIN, ALCOHOL, AUTOMOBILE ACCIDENTS, HOMICIDES, SUICIDES, AND FIRE. (USPHS, 1990: SMOKING AND HEALTH, USDHHS, WASHINGTON, DC, P 41)

NO WONDER THE SURGEON GENERAL CALLS FOR A TOBACCO FREE SOCIETY BY THE YEAR 2000.

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3. NOW, MY 2ND PERSPECTIVE--MONEY. HEALTH CARE COSTS.

WHY DOES CARING FOR CIGARETTE DISEASE COST $185 MILLION IN MONTANA ALONE?

BECAUSE THIS IS WHAT SMOKING ACCOUNTS FOR IN THE NATION:

390,000 DEATHS PER YEAR

OUR # 1 CAUSE OF DEATH IS CARDIOVASCULAR DISEASE, CHIEFLY CORONARY. AND SMOKING ACCOUNTS FOR 21% OF CORONARY DEATHS.

CANCER IS KILLER # 2, AND LUNG CANCER IS THE COMMONEST FORM. SMOKING IS RESPONSIBLE FOR 87% OF LUNG CANCER DEATHS.

25% OF THE LOW BIRTH WEIGHT INFANTS; 10% OF THE INFANT DEATHS.

CONSIDER DEMENTIA. OF PERSONS WHO LIVE TO 85, 30% HAVE DISABLING MENTAL LOSS, OFTEN CALLED ALZHEMIER'S DISEASE, USUALLY REQUIRING NURSING HOME CARE--AND COSTS. WHAT IS THE CAUSE?

ABOUT 45% IS DUE TO UNKNOWN CAUSE AND WE GIVE IT THE NAME ALZHEIMER'S DISEASE. BUT ANOTHER 45% IS DUE TO MULTIPLE SMALL STROKES.

SMOKING DOUBLES THE RISK OF STROKE.

4. A FINAL BIT OF PERSPECTIVE:

IF YOU HAD $1,000,000 TO SPEND ON PREVENTION OF DISEASE AND PREMATURE DEATH, WHAT COULD YOU DO TO GET THE BIGGEST BANG FOR YOUR BUCK?

WOULD IT BE A MILLION DOLLARS WORTH OF CHOLESTEROL TESTING? THAT WOULD YIELD 200 PERSON YEARS OF LIFE SAVED.

MAMMOGRAMS? THIS WOULD YIELD 500 PERSON YEARS OF LIVES SAVED.

PAP TESTS? THIS WOULD YIELD 900 PERSON YEARS OF LIVES SAVED.

BUT, AS TOUGH AS IT IS, A MILLION DOLLARS OF ANTI TOBACCO EDUCATION WOULD YIELD 7,000 PERSON YEARS OF LIFE SAVED. (EDDY. HARVARD HEALTH LETTER, JULY, 1992.)

DISCOURAGING THE USE OF TOBACCO IS THE SINGLE MOST CARING, COST SAVING AND COST EFFECTIVE MEASURE YOU CAN DO FOR YOUR CONSTITUENTS. THANK YOU.

****

HEART ATTACK
MANSON 5/21/92 NEJM WHAT CAN YOU DO TO REDUCE RISK?

Exhibit 15
3-3-93
SB-305

ASA	33% RISK REDUCTION
EXERCISE	45% " "
DECREASE CHOLESTEROL VIA DIET:	20% " "
	40% DIET AND MEDICATION
QUIT SMOKING	70% RISK REDUCTION

AFTER CORONARY ARTERY GRAFT, THE QUITTERS HAD 10YR SURVIVAL OF 84%.
NON-QUITTERS: 68% (JACC AUG 92 P 287)

Montana Council for Maternal and Child Health

TE ... & WELFARE
EXHIBIT NO. 6
DATE 3-3-93
BILL NO. SB 305

54 N. Last Chance Gulch • Helena, MT 59601 • 443-1674

Testimony before the Senate Public Health Committee
March 3, 1993
Re: SB 305

The Montana Council for Maternal and Child Health supports SB 305. Our ***Agenda for the Next Generation*** calls for an increase equivalent to $ .25 per pack.

- **SB 305 sends a strong, important message** that those who use tobacco, *and those who profit from its use by others,* must accept responsibility for the damage they cause, not only to themselves, but to the rest of us as well.
- **SB 305 will decrease tobacco use.** If the fiscal note is accurate in predicting a 3.6% drop in tobacco use, this will correspond to a similar drop in premature deaths, low birth weight, SIDS deaths in infants, childhood asthma, chronic respiratory disease, cancer, and other health conditions, and a 3.6% decrease in the $174,000,000 cost of tobacco use to Montana society as a whole.

The impact on childhood and adolescent smoking will be even higher. One study suggests that this 9% increase in the cost of cigarettes may lead to a 10% drop in initiation of new adolescent smokers. We know that 50% of smokers are addicted by the age of 13. Only 10% start smoking after the age of 20. That is why tobacco companies target youth with cartoon animal advertising.

- **SB 305 will generate about $11,000,000 per year, for effective primary prevention and health care** measures which have been too long ignored in the search for quick and cheap solutions to complex problems. We have been driven too long by the "entitlements" budget - the budget for high cost health care, prisons, foster care, drug abuse and psychiatric care, which we cannot ignore. SB 305 provides "upfront" money to start attacking the cause, rather than attempting to treat the effects, of these social ills.
- **MIAMI, Montana's Initiative for Abatement of Mortality in Infants,** provides access to prenatal care, case management, and social services to pregnant women at the highest risk of delivering sick or high-cost infants -- At a cost of just a few hundred dollars per woman, it serves 1600 women in western and central Montana and prevents 50 low birthweight births each year. SB 305 provides funding to expand this project to women in eastern Montana, where access to health care is even more critical.
- **Medicaid for pregnant women and children** provides preventive care, including prenatal care, for the low income uninsured. SB 305 can provide funds for expansion to thousands of Montana's "working poor" who go without this vital health care because they cannot afford to visit the doctor or buy health insurance.

Mt. Chapter, American Academy of Pediatrics • Mt. Section, American College of Ob/Gyn • Healthy Mothers, Healthy Babies, Mt. Coalition • March of Dimes, Big Sky Chapter • Shodair Children's Hospital • Community Medical Center, MCH Services • Montana Deaconess Medical Center, MCH Services • St. Vincent Hospital and Health Center, Women's Health Services

MCMCH

SENATE
EXHIBIT 7
DATE 3-3-93
BILL NO. SB 305

Montana Dental Association
P.O. Box 1154 • Helena, MT 59624
(406) 443-2061 • FAX: (406) 443-1546

Constitutent: AMERICAN DENTAL ASSOCIATION

March 3, 1993

To: Senate Public Health Committee

From: Bill Zepp, Executive Director

Re: Senate Bill 305

Chairperson Eck and Members of the Committee:

For the record my name is Bill Zepp, Executive Director of the Montana Dental Association. The MDA would like to add its support to Senate Bill 305 as an effort to reduce tobacco usage.

Newly appointed U.S. Surgeon General Antonia Novello, M.D. has denounced tobacco usage and smokeless tobacco specifically for threatening an epidemic of oral cancer. Dr. Novello concurred with American Cancer Society President Dr. Reginald C. S. Ho that "we are on the verge of a wholly avoidable national epidemic caused by the use of smokeless tobacco." Dr. Ho has indicated that 30,000 new oral and throat cancers are diagnosed annually and that 75% of these can be attributed to smoked and chewed tobaccos.

The American Dental Association has historically voiced opposition to the use of any type of tobacco and has supported federal efforts to educate the public on the hazards of tobacco use.

Numerous oral conditions are attributed to the use of tobacco. The presence of these conditions varies with the particular type of tobacco used (smoking or smokeless) and the form in which it is used (cigarettes, pipes, cigars, chewing tobacco, moist snuff). The frequency and duration of use as well as the ways in which the tobacco product is used also contribute to the pattern and the severity of clinical presentation. The risk for developing oral cancer is much greater among tobacco users than among nonusers. Studies suggest that the incidence of oral cancer among smokers varies from 2 to 18 times that of never smokers with a median fourfold increased risk.

In the interest of the overall health of the citizens of Montana, the Montana Dental Association and the American Dental Association advocate the complete cessation of tobacco usage and support any deterrents to that use.

Thank you for your attention.

SENATE HEALTH & WELFARE
EXHIBIT NO 8
DATE 3-3-93
BILL NO SB 305

AMERICAN CANCER SOCIETY® MONTANA DIVISION, INC.

TESTIMONY--SB 305
March 3, 1993

I am Bob Ripley, Missoula Businessman, Volunteer Public Issues Chairman, Montana Division, American Cancer Society (ACS), joining with the many advocates of Senate Bill 305, Tobacco Use Taxation. You are involved with all forms and needs for taxation this session. I speak for cancer prevention by taxing tobacco products.

Health treatment is a devastating fiscal obstacle for Americans, and Montanans. Logically, we are trying to find ways to prevent disease, and reduce need for health care. Cancer is a prime concern. Cancer kills nearly a half million people a year. Prevention of cancer will save vast millions of lives, along with hundreds of millions of dollars in long and expensive health care, if we find ways to prevent cancer. One way is stop tobacco use.

Raising tobacco product taxes reduces their use, particularly by our youth, by making cost of purchase prohibitive. We in the American Cancer Society are proud to see Montana join other states in raising taxes on all tobacco products, and in this Bill propose to use revenues to educate the public on the deadly dangers of tobacco use. You have heard statistics about the correlation between increased taxation of tobacco, and dramatic drops in smoking. You have heard the President mention use of taxes on tobacco and alcohol as a way to fund health care on the national level. Whatever nationally occurs in the future, I strongly urge you now to support this bill and put Montana among the leaders in cancer prevention--first by making it very costly to use tobacco, and second, by educating the general public, including pregnant mothers and youth, to the dangers of tobacco use as a cause of cancer, as well as heart and lung diseases.

In summary: Prevention of serious disease, including cancer, requires drastic measures. We can help prevent cancer by making tobacco use prohibitively expensive. We can put tax revenues to good use while helping to kill the habit, preventing cancer by education. Senate Bill 305 is needed and unique. It will help prevent cancer, saving lives and hundreds of millions of dollars in health care down the road. Montana needs it.

Thank you,

Bob Ripley

1709 Cyprus Court
Missoula, MT 59801
(406) 721-3371

SENATE HEALTH & WELFARE
EXHIBIT NO. 9
DATE 3-3-93
BILL NO. SB 305

- Teresa Henry — Chair MNA Legislative Comm.

Montana Nurses' Association supports SB 305
We are aware of the difficulties facing this legislature R/T funds for this state. No legislator wants to be labelled as one who "taxes + spends" however ~~this~~ this tax will decrease the number of young people who begin to smoke + the monies raised will ~~be~~ be used for much needed health promotion + disease prevention programs. This bill will have long-term positive effects For all Montanans.

SENATE HEALTH & WELFARE
EXHIBIT NO. 10
DATE 3-3-93
BILL NO SB 305

Healthy Mothers,
Healthy Babies
The Montana Coalition

THIS TOBACCO TAX IS UNFAIR -- IT IS GROSSLY UNFAIR BECAUSE IT DOESN'T EVEN BEGIN TO COVER THE EXTENSIVE HEALTH DAMAGE CAUSED BY TOBACCO USAGE !

IN 1991 ALONE, MONTANANS PAID $185 MILLION DOLLARS UNNECESSARILY FOR HEALTH PROBLEMS CAUSED BY TOBACCO.

THE ENTIRE STATE IS BURDENED BY A HUGE FINANCIAL COST, CAUSED BY 20% OF ITS POPULATION. ISN'T IT TIME TO INJECT SOME RESPONSIBILITY. ISN'T IT TIME TO COLLECT DAMAGES FROM THE SOURCE OF THESE DAMAGES ?

SOME MAY SAY A TOBACCO TAX IS DISCRIMINATORY, THAT IT HITS LOW INCOME AMERICANS HARDEST BECAUSE THEY HAVE HIGHER SMOKING RATES.
..... BECAUSE THEY SUFFER DISPROPORTIONATELY FROM SMOKING RELATED DISEASES

..... LEAST ABLE TO AFFORD HEALTH CARE
..... LEAST LIKELY TO HAVE ACCESS.
.....LEAST LIKELY TO HAVE EDUCATIONAL PROGRAMS, SMOKING CESSATION CLASSES

HOW CAN WE EVEN CONSIDER INEXPENSIVE CIGARETTES AS A BENEFIT ?

RECENT RESEARCH IN GREAT BRITAIN SHOWED THAT THE LOWER SOCIO-ECONOMIC GROUPS ARE MORE RESPONSIVE TO CHANGING TOBACCO PRICES AND THUS MORE LIKELY TO QUIT SMOKING IN RESPONSE TO TAX INCREASES.
(Townsend, "Cigarette Tax, Economic Welfare and Social Class Patterns of Smoking," Applied Economics, 1987, 19, 355-65)

AS A FORMER ADVOCATE OF LOW INCOME AND AS SOMEONE WHO CARES A GREAT DEAL CONCERNING THEIR PLIGHT, I KNOW THAT ALTHOUGH SOME LOW INCOME PEOPLE WOULD NOT AGREE WITH ME, BEING TRAPPED INTO AN ADDICTION THEY ALREADY CANNOT AFFORD....HOWEVER, I DON'T KNOW ONE WHO WOULD WANT THEIR CHILDREN SIMILARLY ADDICTED. AND THAT'S WHAT THIS BILL IS ALL ABOUT -- PREVENTION.

THE US IS IN THE MIDST OF A MONUMENTAL HEALTH CARE CRISES. ONE FACET OF THIS.....SOMETIMES IGNORED IS TOBACCO USAGE. SINCE THE EFFECTS OF TOBACCO WHERE FIRST DOCUMENTED IN THE 1950'S, THE US IS THE ONLY DEVELOPED COUNTRY WHICH HAS LET ITS CIGARETTE TAXES FALL SIGNIFICANTLY IN REAL TERMS. THE US HAS THE LOWEST TOBACCO TAX OF ANY WESTERNIZED COUNTRY..... MONTANA HAS ONE OF THE LOWEST TAXES WITHIN THE UNITED STATES.

I KNOW THAT SOME RETAILERS WILL COMPLAIN REGARDING THE NEGATIVE EFFECT A TOBACCO TAX WILL HAVE ON THEIR BUSINESS. UNDOUBTEDLY IT WILL; IT WILL DECREASE THE NUMBER OF TOBACCO USERS. I AM SORRY THAT IN ORDER TO PROTECT THEIR LIVELIHOOD.....THESE RETAILERS MUST RELY ON PROMOTING ADDICTIVE PRODUCTS WHICH CAUSE DEATH AND SUFFERING.

THE ONLY THING UNFAIR ABOUT THIS TAX IS IT IS NOT LARGE ENOUGH. CURRENT TOBACCO TAXES ONLY COVER 1/20 th THE HEALTH COSTS CAUSED BY TOBACCO. BUT THIS TAX IS A STEP IN THE RIGHT DIRECTION...A STEP TOWARD IMPROVING THE HEALTH OF MONTANA AND THE NATION.
Thank you, Marcia A. Dias 3/3/93

Helena, MT 59624
(406) 449-8611
Fax: (406) 449-3703

being increased commencing January 1, 1991. The 1983 federal tax increase was a 100% increase. The additional federal tax increase passed in 1990, coupled with the 1983 tax increase, constitute a 200% increase on that tax since 1982. The Montana tax has been increased by more than 33-1/3% since 1982.

The proposal seeks to increase the state cigarette tax from 18¢ to 36¢ per pack, an 18¢ per package increase. This would amount to another 100% increase in Montana's tax.

Any increase in this selective sales tax will further accelerate decreases of taxed sales of the cigarettes. This, in turn, will result in substantial reductions in the tax revenues, which are allocated toward the payment of obligations incurred by the Long-Range Building Program.

This forecast of additional decreases of taxed sales of cigarettes is supported not only by Montana's tax statistics on collections of tobacco taxes over the past ten years, but also by experiences in neighboring states. In 1989, Wyoming increased its cigarette tax from 8¢ to 12¢ per package. Wyoming has experienced a 10% reduction in taxed sales since that time. Idaho increased its cigarette tax to 18¢ a package in 1987 and has experienced an 11.6% decline in tax-paid cigarette sales.

Present Revenues from Sales Taxes on Cigarettes and Other Products Are Dedicated to the Long-Range Building Program Fund

Presently, all monies collected from the cigarette and other tobacco products taxes are deposited in the Long-Range Building Program Fund. Approximately 70% of the money is then allocated for debt service, and approximately 30% of the funds are allocated to the Capital Projects Fund. Essentially, the collections go for debt reduction and maintenance costs, all associated with the Long-Range Building Program.

In 1989, the cigarette tax was increased by 2¢ per package to provide funds for the construction of a veterans' nursing home to be located in Glendive. Attempts are now being made to raid this fund. As we understand it, the project could commence and the veterans' home could be constructed. There has been a delay in the construction program, and we understand that the construction cost will be affected by inflation, et al., thus probably resulting in a requirement of more funds for this project. **Certainly nothing should be done to divert or lessen this funding and endanger that program**.

This proposal to increase the cigarette tax would have to preserve the amounts of revenue now going into the Long-Range Building Program Fund by allocating what would purport to be a sufficient percentage of the proposed collections to maintain a sufficient level of payments to that account. **The amount going to Long-Range Building Programs, however, would be reduced by the amount of reduction in taxed sales of tobacco products that would be experienced because of the tax increases**.

Item 2 in the Assumptions in the fiscal note on this bill states that: "A 1% increase in the price of cigarettes decreases consumption by 4/10 of 1%." This assumption not only is supported by historical fact in Montana but it also forecasts a substantial decline in future revenues from this source if the Bill passes in its present form.

3-3-93
SB-305

The fiscal note states that the average price for a package of cigarettes is $2.00 per package. This cannot take into consideration the price of generic brands as well as other low cost cigarettes. **The industry figures show that the average price for a pack of cigarettes in 1991 in Montana was $1.436 per pack. Using this figure, and the statement in the fiscal note that consumption drops .4 of 1% for each 1% increase in price, you can readily compute at least a 5.2% drop in sales during the first year of the application of this tax increase.**

As you can see by the chart attached to these comments, cigarette tax increases have been followed by reductions in taxed sales. This phenomena, as we have previously noted, has not only been experienced in Montana but also elsewhere. In California, for instance, during the first year after its sales tax on cigarettes was increased on January 1, 1989, from 10¢ to 35¢ per package, taxed sales of cigarettes plunged by a significant 13.8%. Montana's experience has been similar. Taxed sales in Montana in 1988 totaled 72.5 million packs. The 2¢ increase followed in 1989, and, in 1991, taxed sales had been reduced by 9% to 66.0 million packages. Continual reductions of this nature can severely reduce the amount of monies available for debt service and for the Capital Projects Fund in the Long-Range Building Program.

- **CIGARETTES CAN EASILY BE PURCHASED FREE OF MONTANA TAXES FOR USE IN MONTANA.**

A principal reason for the decrease in taxed sales of cigarettes that is experienced in Montana, and the fact that these decreases seem to be even greater than those experienced in some to her states, is the ability of Montana purchasers to obtain untaxed cigarettes on Indian reservations and at federal facilities. Montana citizens can also obtain cigarettes in Wyoming and Idaho where the tax rate would be less (Wyoming's tax rate is 12¢ per package, and Idaho's is 18¢ per package). With regard to sales of cigarettes on Indian reservations, according to a 1985 study by the Advisory Council on Intergovernmental Relations, tax-exempt sales on Montana's Indian reservations represented 17.4% of all cigarette sales in the state -- tops in the nation for that year. We believe that such sales have increased over time. One reason for keeping our cigarette taxes at present levels is to compete as successfully as possible with these untaxed sales.

Clearly, revenues dedicated to the Long-Range Building Program would be substantially reduced because of the tax increase proposed as another source of potential income for the health care plan.

Montanans Do Not Favor Excise Taxes or Their Increase

We all know that Montanans do not favor tax increases. We know that Montanans do not favor selective sales taxes. We know that Montanans do not favor increases in selective sales taxes.

The most recent opportunity that Montanans have had to demonstrate their dislike of selective sales tax increases was in the last general election. **Initiative 115, which sought to impose a tax increase on cigarettes, as well as other tobacco products, was defeated by 59% of the Montana electorate. Voters in 54 of Montana's 56**

counties voted it down. A map showing the counties in which the tax was defeated is attached to this statement.

The purpose to be accomplished by SB 305 may appear to be laudatory. Yet the proposal is destructive of the principal purpose for collection of cigarette tax revenues -- payment of the Long-Range Building Program Fund's long-term debt, as well as building maintenance costs. In fact, as the collections are reduced because of the tax increase, the amount available from year to year for diversion into the special fund that would have to be established under the proposal's provisions will dwindle away.

We submit that great care should be taken in tinkering with the cigarette and other tobacco product tax. As we have said before in these comments, cigarettes are a rapidly-declining source of tax revenues. If tax collections from this source become insufficient to meet the money requirements of the Long-Range Building Program Fund, then monies will have to be appropriated for this purpose from the General Fund, which, in turn, will require revenues from other sources.

The Cigarette Sales Tax Is Discriminatory

SB 305 would have money collected from the cigarette tax increase set aside to be deposited in funds for health care programs. In this regard, the bill sets aside a segment of Montana's population for special treatment -- the payment of a discriminatory sales tax for a special purpose which really is a statewide obligation.

There is no logical basis for selecting a third of Montana's adult population and requiring them to ante up money for an obligation that is really the obligation of **all** of the taxpayers of this state.

The Proposal to Use Cigarette Tax Money for Health Care Purposes Is Similar to Initiative 115 Which the Voters of Montana Soundly Rejected in the 1990 General Election

Initiative 115 provided that the increased revenues called for in that measure would be set aside and deposited in a tobacco education and preventative health care fund. SB 305 would provide that the increased revenues called for in the proposal would be set aside and used for health care purposes. Thus, there is some similarity in the purposes of the two measures.

While the proposal does not seek to impose as large a tax increase as that contained in I-115, the proposal does constitute a 100% increase in the selective sales tax in cigarettes. The purpose of the tax or the use to which the additional revenues are to be put in the proposal is somewhat similar to the same provisions as contained in I-115, an Initiative which was resoundly voted down by Montanans.

We believe that the legislature and the people in Montana recognize that proposals such as this are totally destructive of the principal purposes of the collection of the tax revenues on tobacco products -- payment of the building program's long-term debt and payment of maintenance cost engendered under that program.

It Is Not Good Fiscal Policy to Institute New Additional Entitlement Programs in the Face of Huge Deficits.

The State of Montana faces accumulated deficits in excess of $250 million. Budgets are being slashed and a new tax is being proposed. If the new 4% sales tax is adopted, the tax on cigarettes will increase in the range of 4¢ to 8¢ per package of 20 cigarettes or even more depending on the brand and price. Other tobacco products would be similarly treated. Thus, raising taxes on these products must be considered in the context of the effect of the sales tax.

But more importantly -- how can the state afford to extend programs such as this proposed health program when the state cannot fund what it has? And even more importantly -- who can say to any certainty that the level of federal matching funds will be continued given the federal budget and deficit problems? This program depends on matching federal funds. If the availability of those funds are reduced or terminated, then the state will have a program in place that it cannot fund or continue.

Montana cannot afford any more spending even with the institution of tax increases.

Summary

1. Montanans have rejected an increase in the selective sales taxes on cigarettes and other tobacco products in the past election.

2. The proposed tax increase would reduce the revenues now available to the Long-Range Building Program Fund.

3. The tax is self-defeating -- the tax increase would cause reductions in taxed sales and thus in revenues.

4. The cigarette tax is a selective sales tax, and an increase in this tax would simply exacerbate its discriminatory and regressive nature.

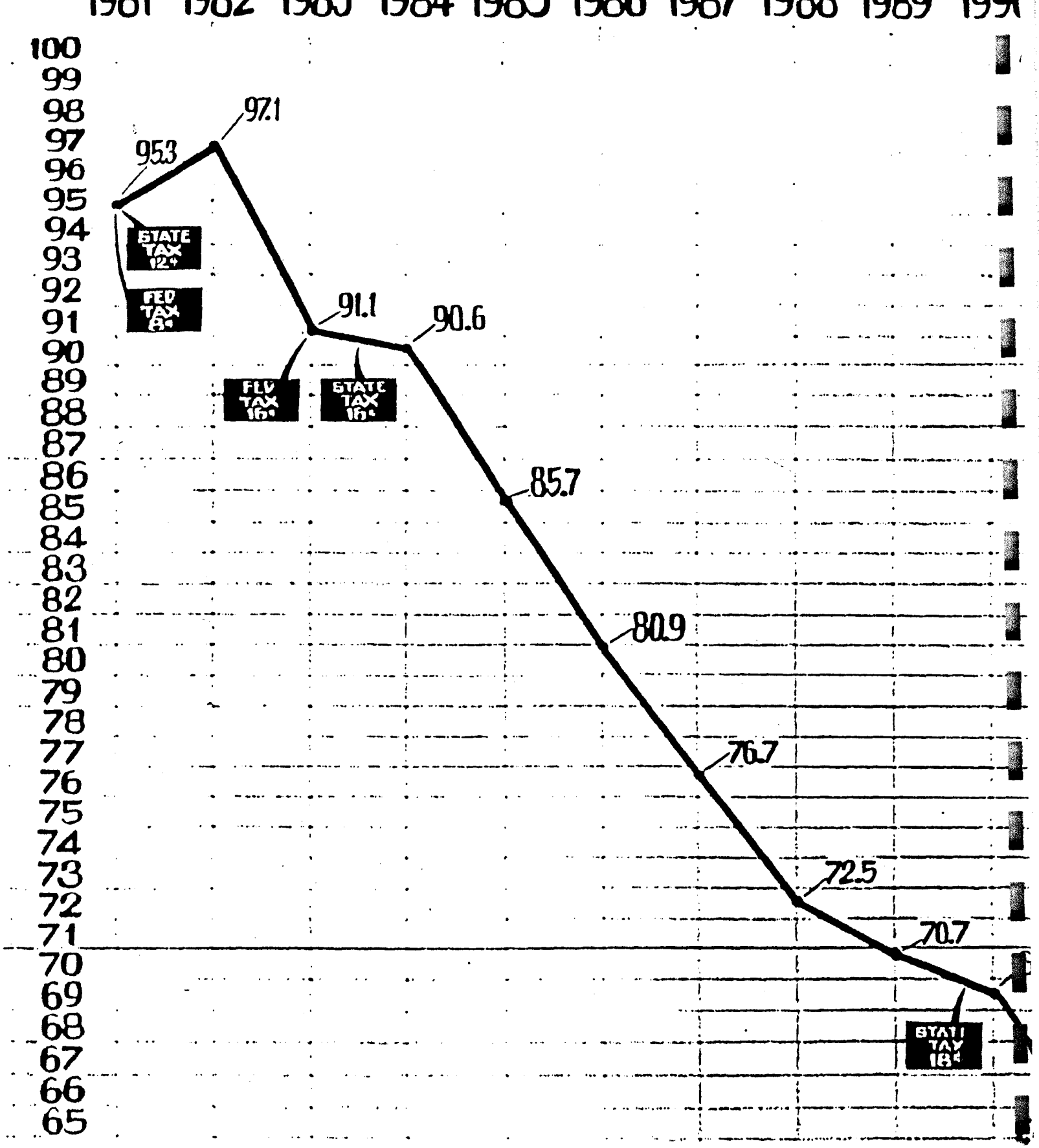
5. Montana cannot fund additional programs under circumstances when it cannot pay for those it already has in place.

Jerome Anderson
Representing The Tobacco Institute
P.O. Box 866
Helena, MT 59624

Mark Staples
Representing Montana Association of
Tobacco and Candy Distributors
139 N. Last Chance Gulch
Helena, MT 59601

John Delano
Representing Phillip Morris Ltd.
139 N. Last Chance Gulch
Helena, MT 59601

CIGARETTE SALES IN MILLIONS OF PACKS 1981-1990



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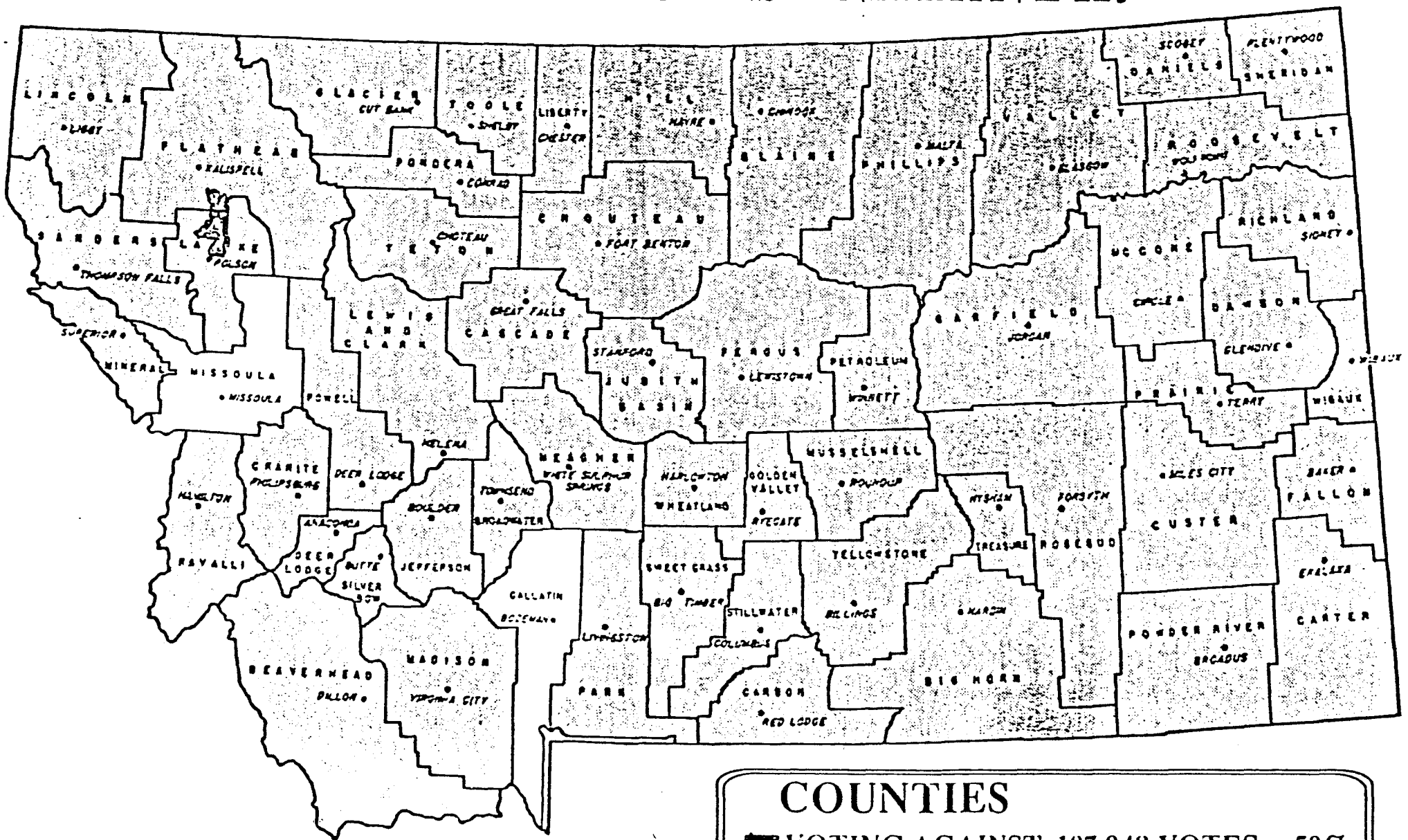
COUNTIES VOTING AGAINST INITIATIVE 115



COUNTIES

VOTING AGAINST 187,948 VOTES -- 59%

VOTING FOR 130,221 VOTES 41%

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 3-3-93
BILL NO. SB 305

Chairperson Eck and Members of the Senate Public Health, Welfare and Safety Committee:

My name is Rex Manuel and I represent Phillip Morris.

Members of the Committee, SB 305 has a fiscal impact on money collected by the State of Montana and therefore, I would like to explain why I oppose SB 305.

I do not pretend to be an expert on the Long-Range Building Fund, even though I served on the House Appropriations Committee for 16 years and served on the Long-Range Committee for two sessions and the 1983 session as the Chairman.

Just a little background on what some of the cigarette tax has paid for these last 40-some years:

A veteran's bonus for three different conflicts; $288 million of new state buildings; and millions spent for maintaining state-owned buildings. There have been several attempts such as SB 305 to divert this fund for other uses. The cigarette tax has been the goose that lays golden eggs for the State of Montana. Think of the millions that were saved from the General Fund expense. Well, Members of this Committee, I hate to tell you the bad news -- the goose is presently just laying enough golden eggs to take care of what we have bought these last legislative sessions.

Cigarette Tax Distribution

Cigarette tax revenue is distributed 29.11% to the Capital Projects fund (Cash Account for Long-Range Building Projects) and the remainder to the G.O. Bond Debt Service Account.

The Capital Projects fund is the major source of funding for maintaining state-owned buildings. There are approximately 2,360 buildings with approximately 19 million square feet of space. Requested funding for building maintenance (no new construction) for the 1995 biennium was approximately $62 million. However, there was less than $6 million to fund the requests. This Capital Projects Account also provides the funding for the Architecture and Engineering Division of the D of A.

The cigarette tax going to the G.O. Bond Debt Service Account funds the General Fund payment for debt service. If there is excess cash in the account after payment of debt service, then it will be transferred to the General Fund. Likewise, if the account does not have sufficient funds to pay debt service, then the General Fund pays the difference. Any change in revenues to this account has a dollar for dollar impact on the General Fund.

Through the '50s, '60s, and '70s, cigarette consumption was on a steady increase, but in the '80s consumption leveled off and started a drastic decline in sales. The General Fund was enriched during the years of increasing sales, but since the decline of sales, the excess in dollars to the General Fund hasn't been doing very well.

Members of the Committee, please refer to the Fiscal Note and Note item #2 and item #5.

The Fiscal Note doesn't tell you the complete story. If cigarette sales remain level, everything is all right. But, if sales drop, as the price rises -- revenues decline. As I have noted before, if the General Obligation Bond Debt Service Account does not receive enough revenue from cigarette sales, the General Fund has to make up the shortfall. Also, the State Buildings Maintenance Fund would drop well below the present level, thus requiring large General Fund infusion to that fund.

Also, members of this committee, please be aware that because of the fiscal impact, SB 305 will have to face another hearing in the Senate Taxation Committee to review the tax impact.

For these reasons, we I oppose SB 305. Please exercise your fiscal responsibility.

REX MANUEL

Exhibit D-12
3-3-93
SB-305

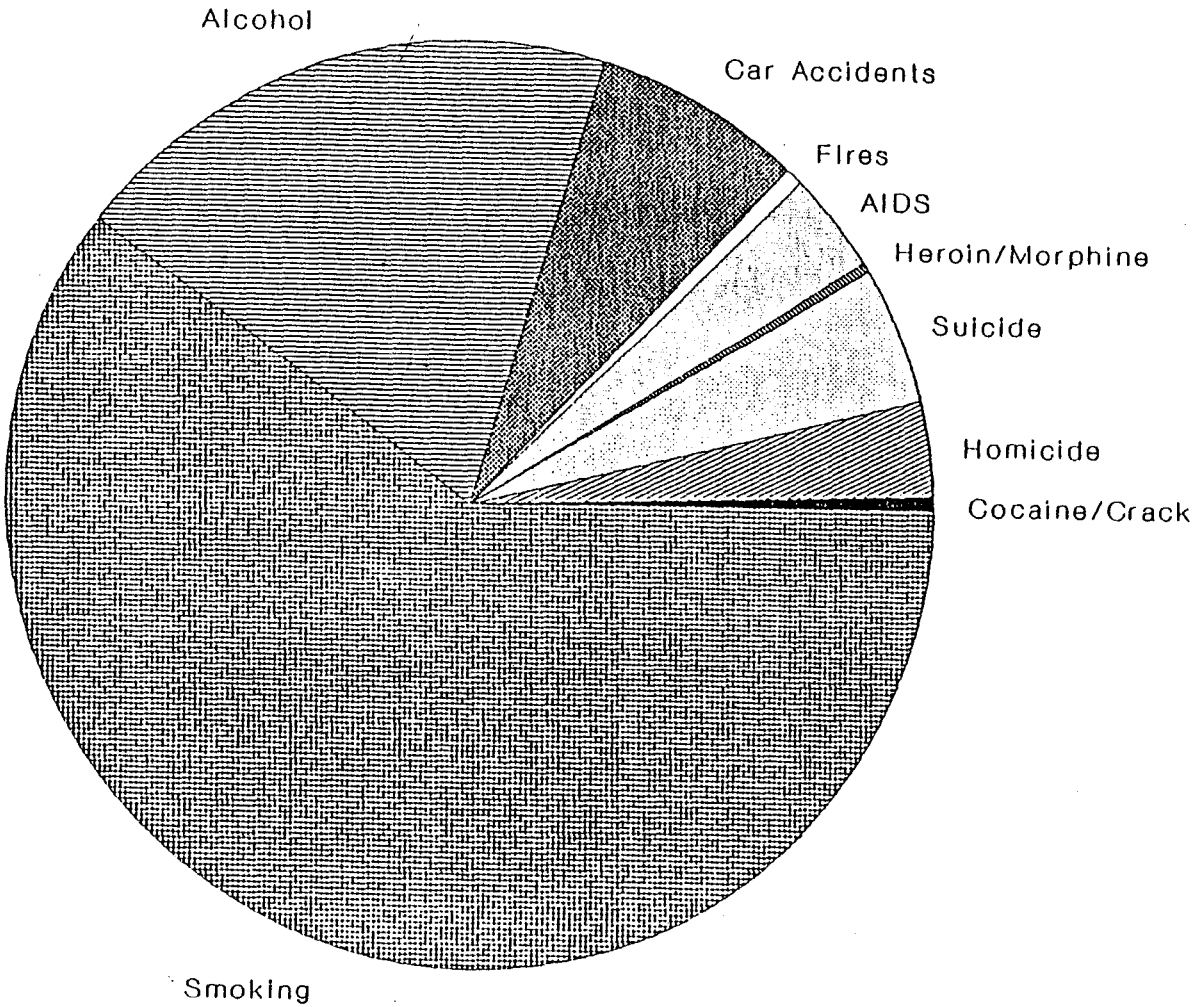
ASH
ACTION ON SMOKING AND HEALTH
2013 H St., N.W. • Washington D.C. 20006 • (202) 659-4310

STATE CIGARETTE EXCISE TAX RATES
Cents-per-20-pack as of November 4, 1992

MASSACHUSETTS	51(26)*	DELAWARE	24
DIST. OF COLUMBIA	50(30)	KANSAS	24
MINNESOTA	48(43)	OKLAHOMA	23
HAWAII	47(46)**	SOUTH DAKOTA	23
CONNECTICUT	45	ARKANSAS	22
TEXAS	41	COLORADO	20
NEW JERSEY	40	LOUISIANA	20
NEW YORK	39	VERMONT	20(19)
WISCONSIN	38(30)	ARIZONA	18
MAINE	37	IDAHO	18
RHODE ISLAND	37	MISSISSIPPI	18
IOWA	36	MONTANA	18
MARYLAND	36(16)	OHIO	18
CALIFORNIA	35	WEST VIRGINIA	17
NEVADA	35	ALABAMA	16.5
WASHINGTON	34	INDIANA	15.5
FLORIDA	33.9	NEW MEXICO	15
PENNSYLVANIA	31	MISSOURI	13
ILLINOIS	30	TENNESSEE	13
ALASKA	29	GEORGIA	12
NORTH DAKOTA	29	WYOMING	12
OREGON	28	SOUTH CAROLINA	7
NEBRASKA	27	NORTH CAROLINA	5
UTAH	26.5	KENTUCKY	3
MICHIGAN	25	VIRGINIA	2.5
NEW HAMPSHIRE	25		

*Figures in parentheses are 1991 excise tax rates
**Hawaii tax is based on 40% of wholesale price

Smoking Kills More Americans Annually Than All of These COMBINED



APPROXIMATE NUMBER OF DEATHS:

Smoking	390,000[1]
Alcohol (including drunk driving)	125,000[2]
Car Accidents (including drunk driving)	47,000[3]
Fires	4,000[3]
AIDS	23,000[4]
Heroin/Morphine	2,400[5]
Suicide	31,000[5]
Homicide	21,000[5]
Cocaine/Crack	3,300[5]

[1]1989 Surgeon General's Report, 1985 data

[2]Surgeon General's Office, 1985 data

[3]National Safety Council, 1989 data

[4]Centers for Disease Control, 1989 data

[5]National Center for Health Statistics, 1987 data

ANNUAL TOBACCO-RELATED DEATHS IN MONTANA

~~1988~~ 92

Smokers	1,200 ---- 1,300
Non-smokers (involuntary)	100 ---- 150
Fetuses and Infants	5 ---- 20
Fire Victims	5 ---- 10
TOTAL (rounded)	**1,300 ---- 1,500**

Exhibit #12
3-3-93
SB 305

SAMMEC

Software develop in Minnesota

These data were publish in the 1990 status rep to Congress from USDHH

Smoking Attributable Economic Costs
Montana 1990 Data and Populations

Smoking Attributable Direct Health Care Costs

	35-64	65-85+	35+
M	27,913,022	8,170,078	36,083,099
F	7,257,733	6,866,633	14,124,366
M+F	**35,170,755**	**15,036,711**	**50,207,465**

Smoking Attributable Indirect Mortality Costs

M	61,707,900	16,928,152	78,636,052
F	22,277,176	9,251,195	31,528,370
M+F	**83,985,075**	**26,179,347**	**110,164,422**

Smoking Attributable Indirect Morbidity Costs

M	11,572,219	4,241,232	15,813,451
F	6,127,326	526,990	6,654,317
M+F	**17,699,545**	**4,768,222**	**22,467,768**

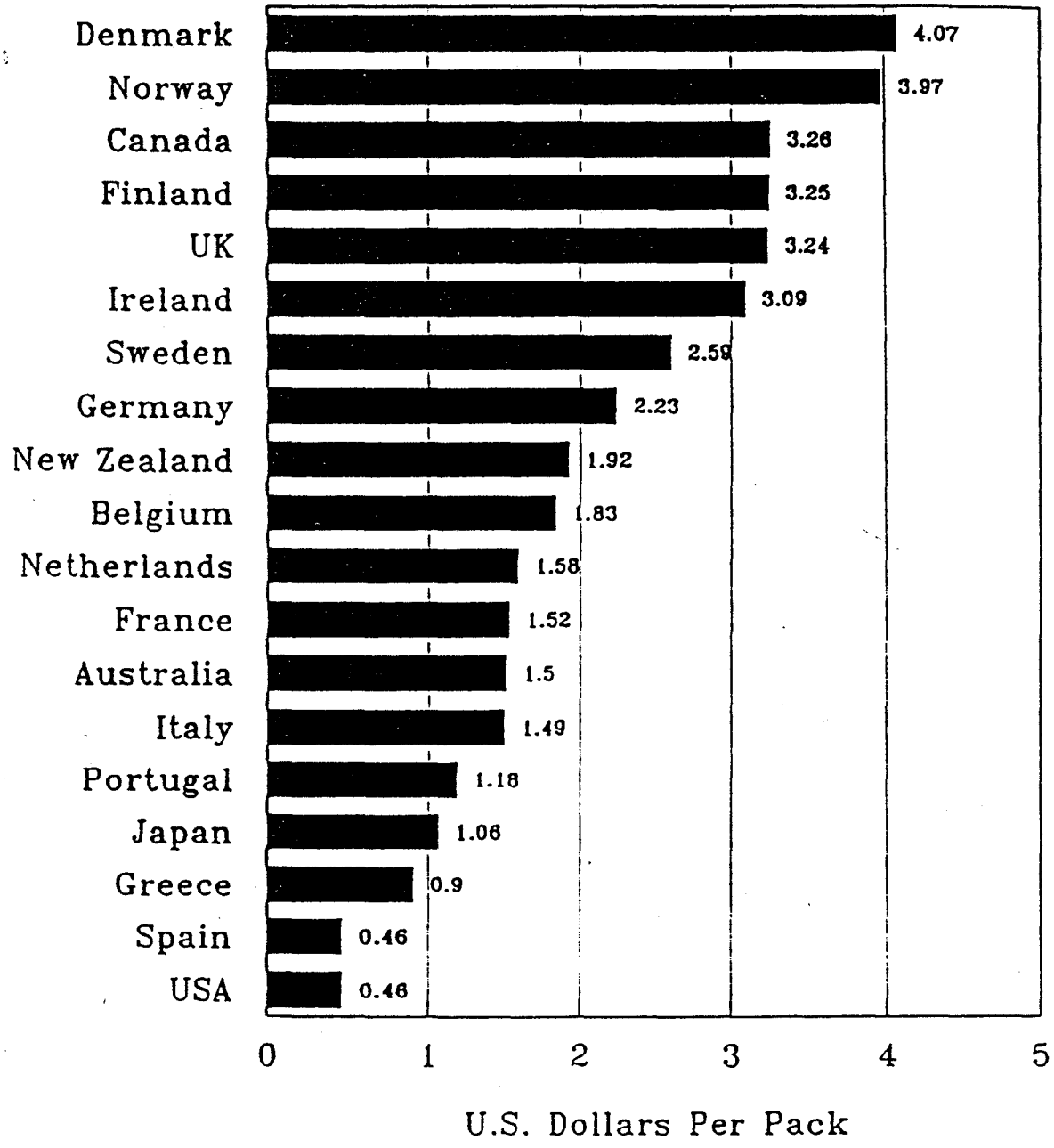
Total Smoking Attributable Costs

M	101,193,140	29,339,462	130,532,602	71%
F	35,662,235	16,644,818	52,307,053	29%
	136,855,375	**45,984,280**	**182,839,655**	

Source:
Smoking Attributable Mortality, Morbidity, and Economic Costs, Centers for Disease Control, 1992.

Figure 7

Cigarette Taxes in Developed Nations
Data from 1991 & 1992



Notes:

1. Foreign taxes expressed in U.S. dollars are approximate due to currency fluctuations.
2. Data provided by the Non-Smokers' Rights Association of Canada; analysis by Public Citizens' Health Research Group; chart produced by the Coalition on Smoking OR Health.

Exhibit # 12
3-3-93
SB 305

TAX TOBACCO ■ SAVE LIVES

SB 305:

- Doubles the tax on cigarettes: 18 cents per pack increase
- Doubles the tax on other tobacco products
- Generates $ 11,000,000 per year for:
  - MIAMI Project, extend services for high risk pregnant women to eastern Montana
  - Medicaid, expand coverage for uninsured low income pregnant women and children
  - Primary Prevention and Health Care projects, through appropriations process

Why We Need SB 305

COSTS OF TOBACCO USE	BENEFITS of SB 305
1,500 MT citizens die each year as a direct result of tobacco use, including primary and secondary smoke.	9% increase in the cost of cigarettes, will lead to a 3.5% decrease in Tobacco use; 75 fewer deaths in MT each year
CDC estimates costs due to tobacco use at $221.00 per person per year, $ 176,800,000 per year in Montana, $2.63 per pack sold.	18 cent per pack increase in tobacco tax, will contribute an average of $11 million per year (still only 6% of the cost) for prevention, education, and health care.
Tobacco is a gateway drug. Children who use tobacco are 100 times more likely to smoke marijuana and 30 times more likely to use cocaine. 50% of all smokers are hooked by age 13.	9% increase in cost of cigarettes will lead to a 10.8% decrease in initiation of new adolescent tobacco users.
Smoking is a leading cause of low birth-weight babies, which cost Montana nearly $6 million in 1991	Funding for MIAMI Project. A proven program at helping high risk mothers which saves Montana money
Secondary smoke causes SIDS, respiratory and other illnesses in children of smokers.	Increased Medicaid funding for uninsured low income pregnant women and children

MCMCH

Montana Council for Maternal and Child Health
54 N. Last Chance Gulch, #4 • Helena, MT 59601
(406) 443-1674

DATE 3-3-93

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: SB 305

Name *please print*	Representing	Bill No.	Check One: Support	Check One: Oppose
Robert W Moon	Mt Lung Assn	305	✓	
Mike Priddy	Missoula DOC	305	✓	
William E. Zepp	Montana Dental Association	305	✓	
Roger DiBrito	Family of 5	305	X	
Annie Bartos	American Lung Ass	305	X	
Craig Young	MT [illegible] coalition	305	✓	
GENE PHILLIPS	STC			X
Jeanne Kemmis	MT Council for Families	"	X	
Jean T Zoendorf	Mt. Med Assn	305	X	
Paulette Kohman	mt council Mat + Ch. Health	305	X	
Robert M Shyod	Self	305	X	
[illegible]	LCCPAD	305	X	
Marcia Dias	HMHB		✓	
Bob Ralph	Amer Can Soc	305	✓	
Elizabeth Roeth	MCIMCH	305	✓	
Alex McNeill	Health Education	305	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE 3-3-93

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: 305

Name	Representing	Bill No.	Check One Support	Oppose
Rick Chiotti	OPI	305	✓	
Spencer Sartorius	OPI	305	✓	
Jackie Stonnell	Gallatin Co Health	305	✓	
Sue Laszloffy	Gallatin Co. Health	305	✓	
Gary Pitts DDS	Mont Public Health	305	✓	
Stephanie Nelson	Gallatin Cty. Health	305	✓	
Barb Booher	Mt. Nurses' Assoc.	305	✓	
[illegible] Sands	MT Women's Lobby	305	✓	
Cristina Madam	Mt Low-Income Coal.	305	X	
Yvonne Bradford	Msla. Health Dept	305	X	
Montana Primary Care Assn	Kip Smith	305	X	
[illegible] "Doc" [illegible]	[illegible]	SB 30	✓	
John Shontz	Mental Health Assn. of MT.	305	X	
Kate Cholewa	MT Womens Lobby	305	X	
Teresa Henry	MT Nurses' Assoc	305	X	
Sandy Sa[illegible]	~~[illegible]~~ Community Health Nursing	305	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE 3-3-93

SENATE COMMITTEE ON Public Health

BILLS BEING HEARD TODAY: SB 305

Name	Representing	Bill No.	Check One: Support	Oppose
Lora Wier		SB305	✓	
Dannie Speakman		SB305	✓	
Kim Reaney		SB305	✓	
Emily Hamm		SB305	✓	
Pamela Ochs		SB305	✓	
JEROME ANDERSON	TOBACCO INSTITUTE	SB 305		✓
REX MANUEL	PHILIP MORRIS	SB305		✓
Rita Bradey	Butte Silver Bow Bd of Health Member	SB 305	✓	
John Delano	Phil Morris			+

VISITOR REGISTER

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