



Government Administration and Elections Committee
March 11, 2013
American Cancer Society Cancer Action Network Testimony

Proposed HB 5743 – AAC Disbursements from the Tobacco Settlement Fund and Moneys Received From Tobacco Taxes

The American Cancer Society Cancer Action Network supports Proposed HB 5743 and we thank the Government Administration and Elections committee for hearing this bill and providing us the opportunity to discuss the serious impact tobacco use has on Connecticut's health and economy.

Connecticut continues to face very real and very serious budget challenges. This fiscal emergency will need to be addressed through painful and necessary solutions and all options need to be on the table. As we continue to feel the impact of this economic downturn, however, it is important that we look for creative ways to both save money and reduce the fiscal pressure on our health care system.

HB 5743 would require the state to invest a little more now to save a lot in the future. The bill as raised would require that 33% of the revenue generated by the Tobacco Master Settlement and the state taxes on cigarettes and other tobacco products be used to invest in tobacco use prevention and cessation programs, pulmonary health, asthma initiatives and access to care.

Master Settlement

In 1998, 46 states entered into an agreement with the "Big 4" tobacco companies to settle lawsuits aimed to recover state healthcare costs related to tobacco use. This Master Settlement requires tobacco companies to make annual payments in perpetuity to the states. However, while the intent was to reimburse states for healthcare costs due to tobacco use, the agreement did not require payments be dedicated to tobacco prevention and cessation.

Connecticut received \$123.8 million in 2012 and has received almost \$1.7 billion from the settlement since 2000.

In 1999, the Legislature established a Tobacco and Health Trust Fund (THTF) to among other things "create a continuing significant source of funds to ... support and encourage development of programs to reduce tobacco abuse through prevention, education and cessation programs." The trust fund is a separate non-lapsing fund and receives up to \$12 million per year from the Master Settlement though the fund has been subject to significant redirection of funds over the years.

The THTF has received \$158 million since 2000, however; only \$15.5 million has been used on tobacco related prevention and cessation programs.

Tobacco Taxes

Connecticut established its first tax on tobacco products in 1935. As of July 1, 2011, the state tax on cigarettes is \$3.40, giving Connecticut the third highest cigarette tax in the country, behind only New York and Rhode Island. Taxes on snuff tobacco products are \$1 per ounce, while taxes on all other tobacco products are 50% of the wholesale price. The tax on cigars is capped at .50 cents per cigar.

2012 revenue from the tobacco tax was \$443,800,000. Combined, the MSA and Tobacco taxes generated \$567.6 million to Connecticut in 2012.

The Center for Disease Control recommends Connecticut invest \$43.9 million in tobacco use prevention and cessation programs annually, or only 7.7% of the total revenue generated by the MSA and the taxes in 2012. However, we haven't come close to that recommended annual total in the entire 14-year history of MSA payments, combined.

In fact, in both 2008 and 2012, Connecticut spent zero (\$0) state dollars on tobacco prevention and cessation programs and services, despite the staggering toll taken on our healthcare and economy every single year.

The Impact of Tobacco Use on Connecticut's Health and Economy

Smoking related diseases are the single most preventable cause of death in our society and it is estimated that 4,700 Connecticut residents will die from smoking related illnesses in 2013 alone. Currently, 474,900 (17.1%) adults and 15.9% of middle school and high school aged youth in Connecticut smoke, spending on average \$2912 per year on the habit. Smoking costs the state of Connecticut \$1.63 billion dollars a year in health care costs and an additional \$1.03 billion in lost productivity as a result of tobacco use—*each year.*

70% of Connecticut's smokers indicate they want to quit while 56% attempt to quit each year, however only about 5% are successful. Many fail because, in part, of a lack of access to successful cessation programs. Funding prevention programs that alleviate this burden on our citizens and economy is not only consistent with our shared goal of insuring access to care to those in need; it is also the only fiscally responsible approach we can take.

From a cost perspective, the need is critical. According to the Centers for Disease Control and Prevention, providing tobacco users with access to these services increases quit rates by up to 40%. Tobacco prevention and cessation programs are shown over and over to be effective ways of reducing the financial and human costs of tobacco. In fact, these services, ranked amongst the top two preventative health services in a systematic assessment of 30 services.

Studies have indicated that if Connecticut funded prevention and cessation programs and services at the recommended CDC level (\$43.9 million annually), future healthcare expenditures as a result from just youths that stop using tobacco or never start would be

reduced by \$644 million and Medicaid would see an almost \$100 million reduction in tobacco related costs to the program.

The good news is that we always have a choice. The Master Settlement payments and tobacco taxes can still be used to support smoking cessation efforts in Connecticut. With a renewed and committed investment in aggressive tobacco control, we can reverse the damage already done, and impact the health and lives of the people of Connecticut.

The American Cancer Society Cancer Action Network stands ready and willing to work with members of this committee as well as other members of the Legislature and the Administration to effectively establish a sound strategy which adequately addresses the lopsided discrepancy between incoming tobacco related revenue and outgoing expenditures. Continuing on the path we are on now will ultimately do nothing to address an entirely preventable problem. This in turn will only escalate the current economic downturn and result in a greater number of lives being affected by cancer at a greater cost to the state.

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The Cost of Tobacco use in Connecticut

"My greatest achievement was going after the tobacco companies. But my biggest disappointment is not being able to determine how the nearly \$5 billion in settlement money allocated to Connecticut has been spent."

—Connecticut Attorney General Richard Blumenthal, one of the top five lead attorneys in the 1998 Tobacco Settlement, ten years later.

- **\$1.63 billion** - Annual tobacco related health care costs
- **\$1.03 billion** - Annual lost productivity costs
- **4700** - Annual deaths in Connecticut (Another 440 non-smokers die from second hand smoke exposure)
- **4700** - Youths under 18 begin smoking each year in Connecticut
- **440** - Secondhand smoke caused deaths in Connecticut
- **17.1%** of adults smoke in Connecticut (474,900)
- **15.9%** of middle/high school aged youth smoke in Connecticut (Each year, 4300 become daily smokers)
- **155 million** - Packs of cigarettes sold to Connecticut residents annually
- **8.2 million** - Packs bought or smoked by kids in Connecticut per year
- **\$3.40** State cigarette tax (3rd Highest in the nation)
- **\$7.45** Average retail cost of a pack of cigarettes in Connecticut,
- **\$14.30** - Real cost per pack of cigarettes in Connecticut (Including health care & lost productivity)
- **\$2912** - average spent on cigarettes per smoker per year.
- **\$3391** - Economic cost of smoking per smoker per year.
- **\$430 million** cost to Medicaid
- **\$71.7 million** spent by tobacco companies on marketing in Connecticut
- **\$535 million** in tobacco generated revenue to state (MSA and tax revenue)
- **\$43.9 million** CDC recommendation for tobacco prevention and cessation spending annually (8.2% of the 535 million in annual revenue)
- **\$6 million** 2013 state expenditures for tobacco (13.7% of CDC recommendation - 1.1% of the estimated \$535 million in revenue)
- **70%** of Connecticut's smokers indicate they want to quit
- **56%** of smokers attempt to quit each year.
- **5%** of those smokers that attempt to quit are successful for longer than 12 months
- **And finally, Smoking kills more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined.**