# The State of Tobacco Control in Nebraska:

One Economist's Perspective

Frank J. Chaloupka
University of Illinois at Chicago

Change - Challenge - Progress
Tobacco Free Nebraska State Conference
Lincoln, NE, April 20, 2011

#### Overview

#### MPOWER Framework

- "Monitor" the tobacco epidemic
- "Protect" non-smokers
- "Offer" help to quit
- "Warn" about the harms
- "Enforce" marketing bans
- "Raise" taxes

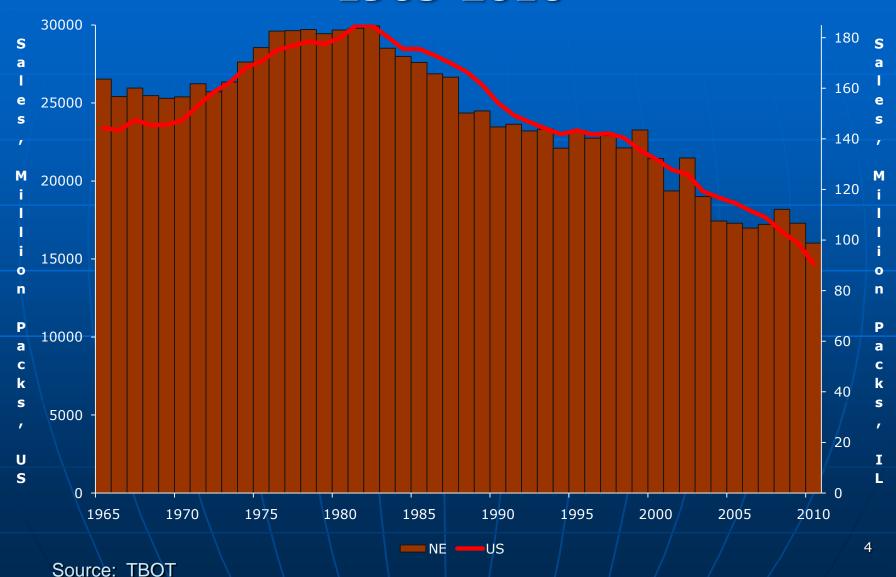
#### Focus on:

- Where we've been
- Where we are now
- Where we can go

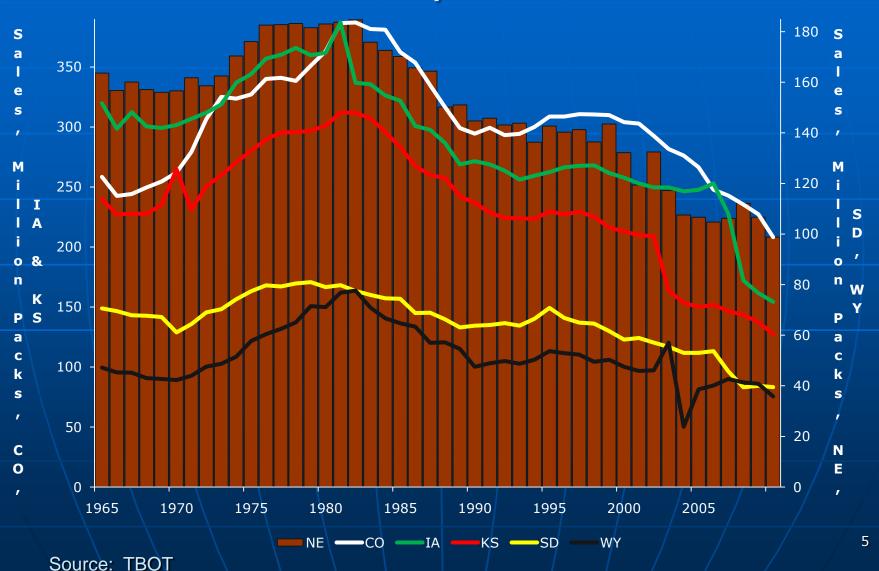


## Monitor

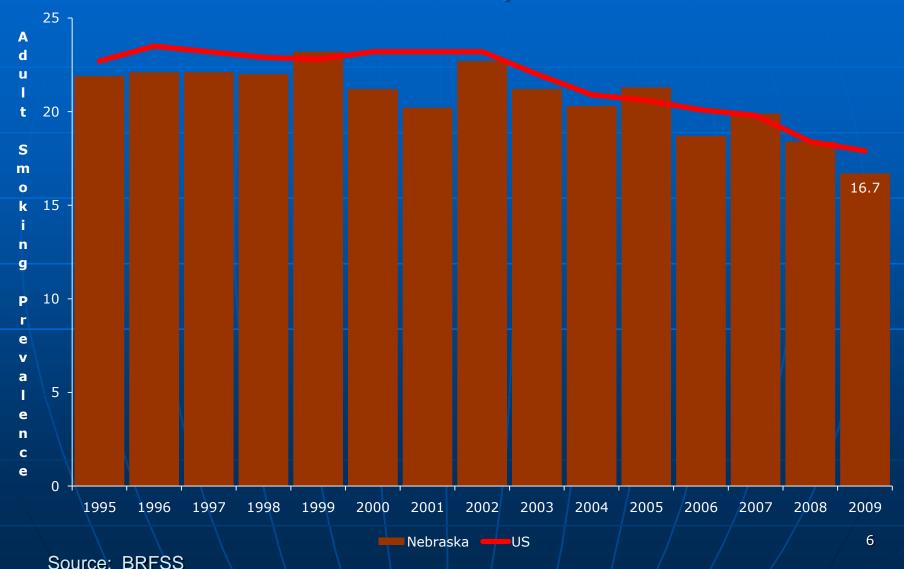
# Cigarette Sales, Nebraska and US, 1965-2010



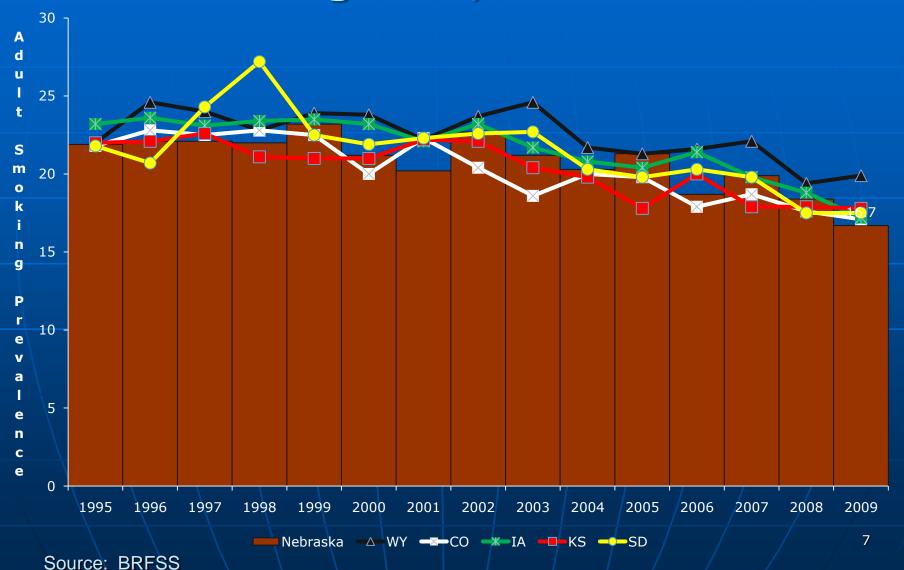
# Cigarette Sales, NE, CO, IA, KS, SD and WY, 1965-2010



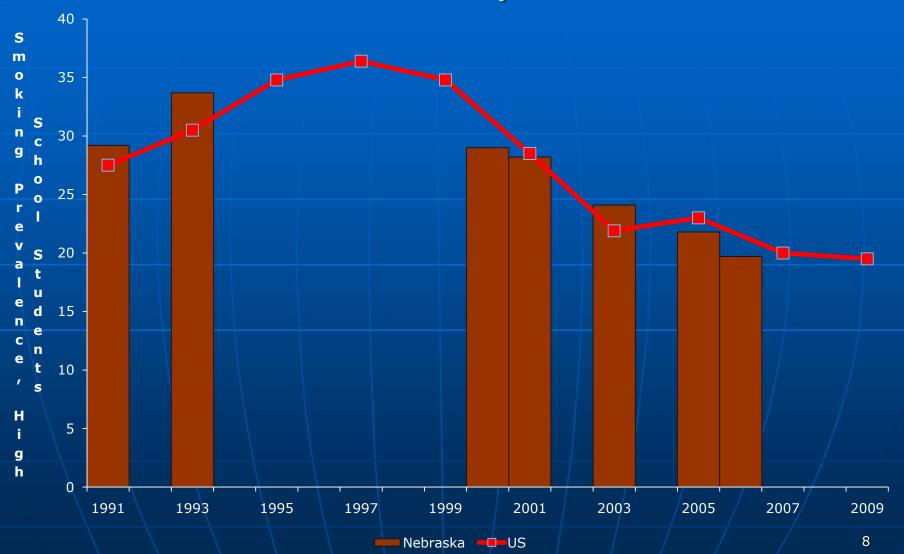
#### Adult Smoking Prevalence, Nebraska and US, 1995-2009



# Adult Smoking Prevalence, NE and Neighbors, 1995-2009

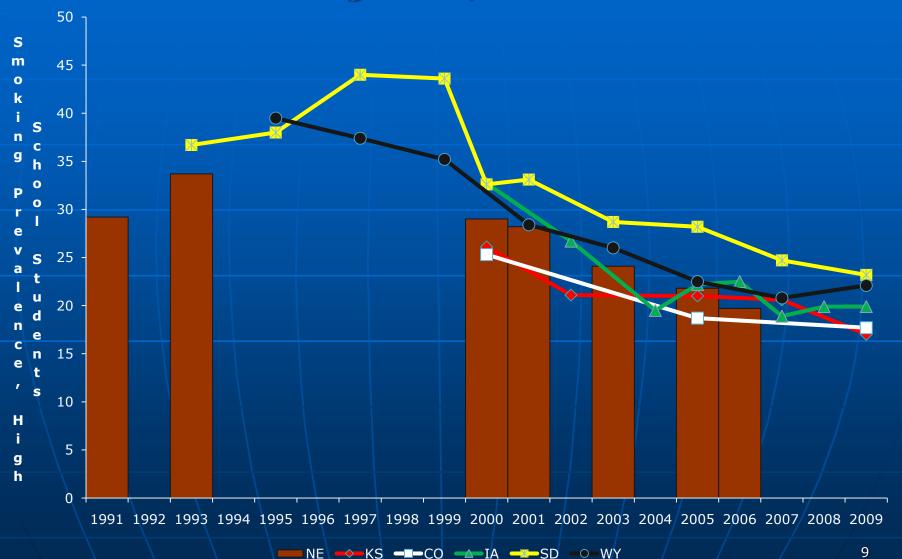


#### Youth Smoking Prevalence, Nebraska and US, 1991-2009

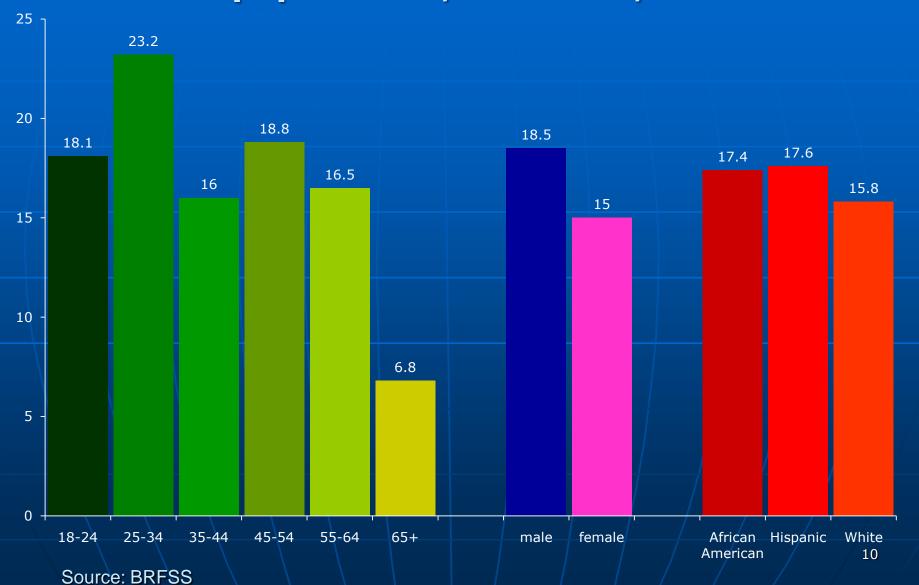


Source: YRBS, YTS; some data points interpolated

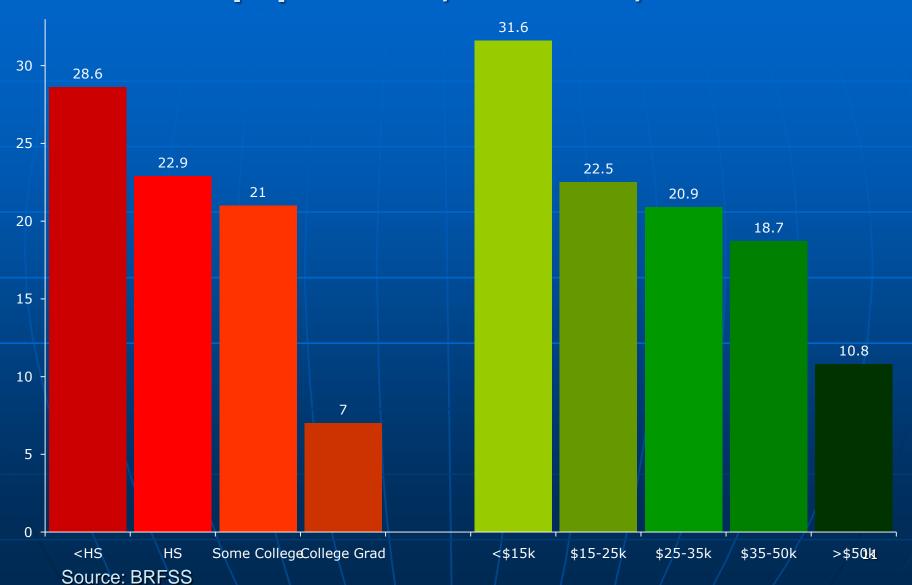
#### Youth Smoking Prevalence, Nebraska and Neighbors, 1991-2009



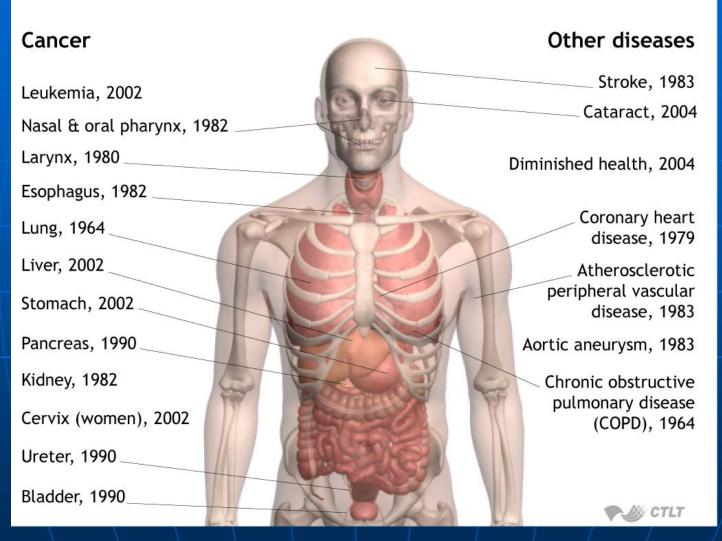
# Disparities - Adult Prevalence in Key Subpopulations, Nebraska, 2009



# Disparities - Adult Prevalence in Key Subpopulations, Nebraska, 2009



#### Most Recent Scientific Evidence:



Source: adapted by CTLT from the U.S. Surgeon General's Report. (2004); from JHBSPH/IGTC on-line course

- Where have we been?
  - Slow but steady progress in reducing tobacco use in NE
    - Adult & youth smoking prevalence, cigarette consumption falling over time
    - Declines comparable to US and neighbors
      - Sharper declines in sales in some neighboring states in recent years

#### Where are we?

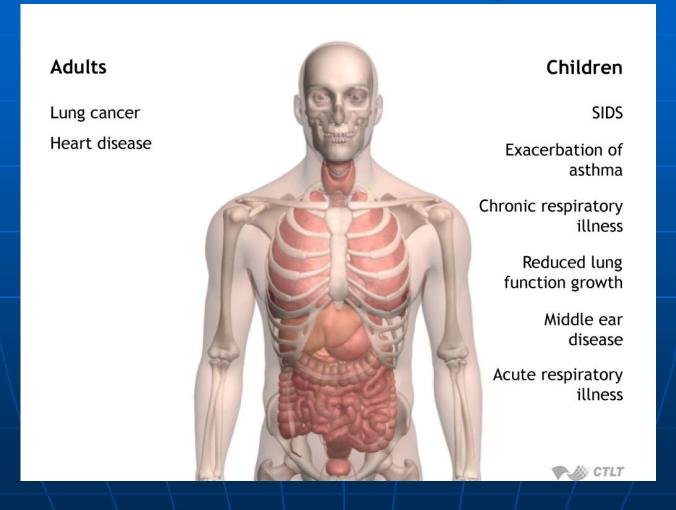
- Much remains to be done:
  - Over 220,000 adults currently smoke
    - Persistent racial/ethnic, socio-economic, and gender disparities
  - Over 20,000 high school kids are likely currently smoking
  - Many non-smokers exposed to tobacco smoke at home, in workplaces
  - ~2,300 premature deaths each year caused by smoking

- Where are we?
  - Considerable economic costs
    - Over \$750 million spent annually to treat diseases caused by smoking
      - Significant fraction paid by public health insurance programs
    - Another \$625 million in lost productivity from premature deaths caused by smoking

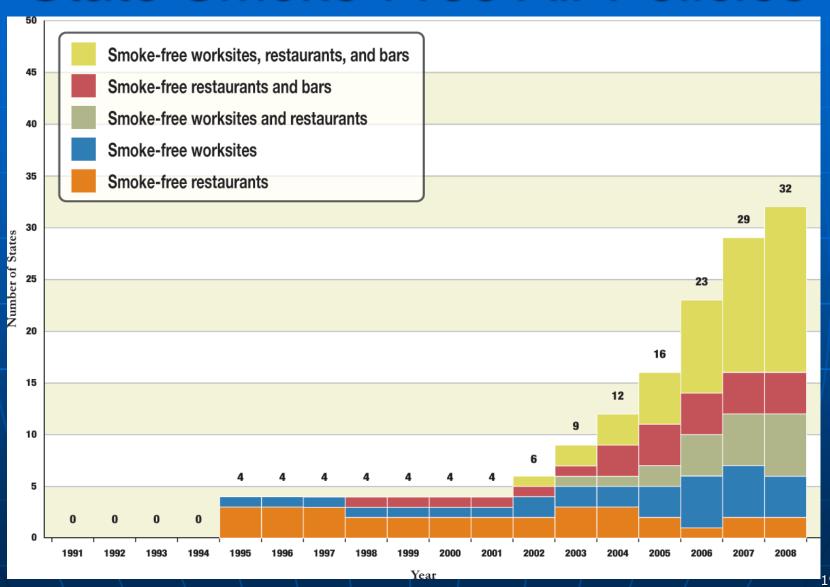
- Where can we go?
  - Much remains to be done:
    - Estimate that ~105,000 current youth will eventually take up smoking
    - As many as 160,000 current
       Nebraskans will die prematurely from smoking
    - Health and economic burden greatest among poor, less educated
  - Effective interventions exist

## **Protect**

# Diseases and Adverse Health Effects Caused by SHS

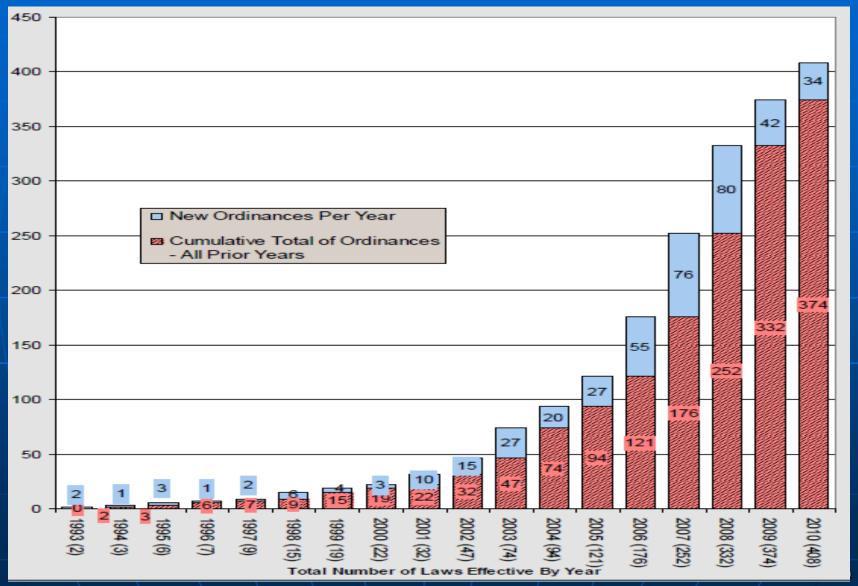


### State Smoke-Free Air Policies



Source: ImpacTeen Project

#### Local Smoke-Free Air Policies



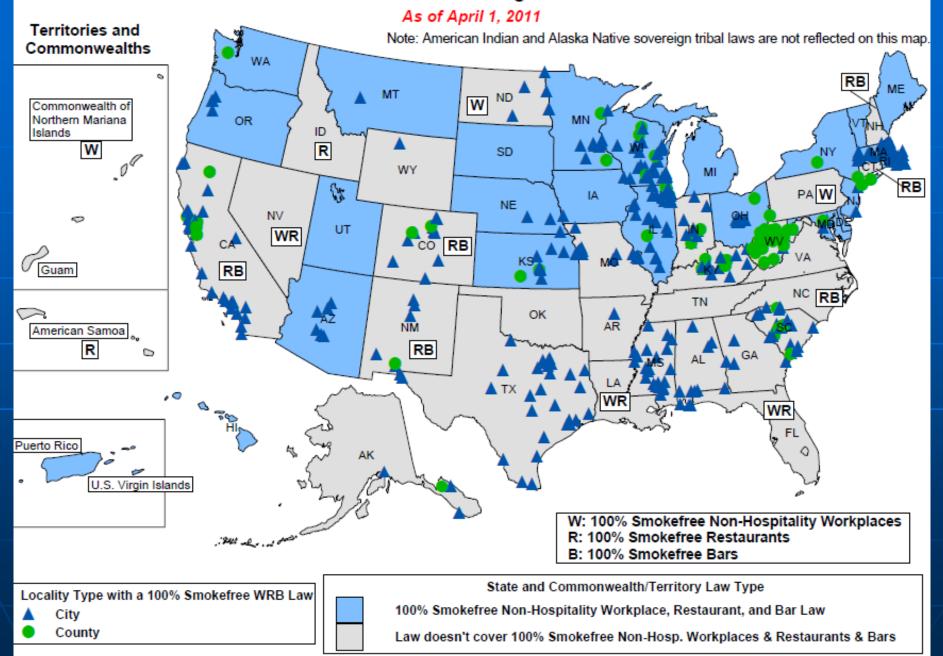
#### Smoke-Free Air Policies

- Where have we been?
  - Until recently
    - Relatively weak state policies limiting smoking in public places, workplaces

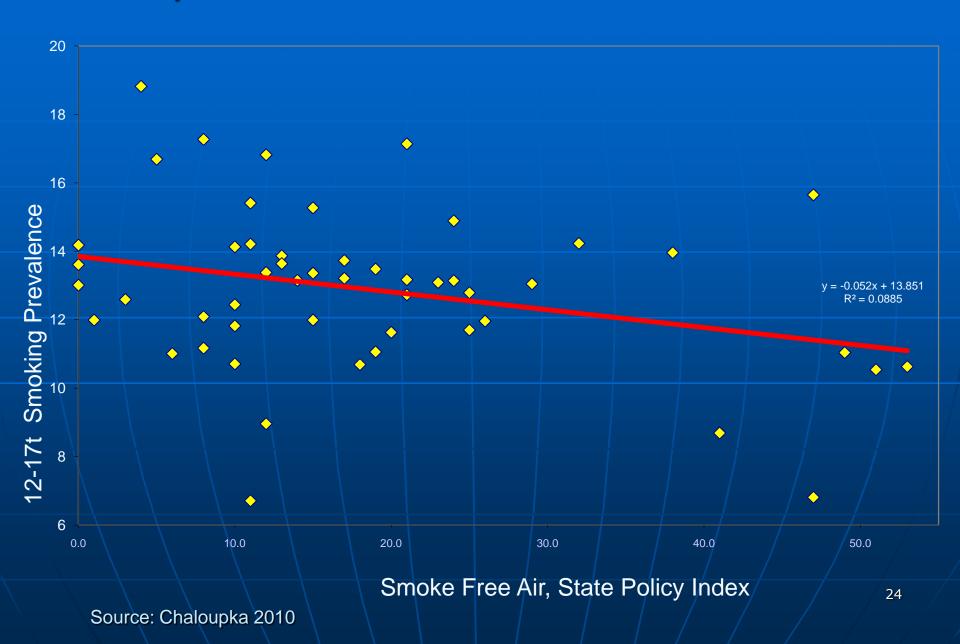
#### Smoke-Free Air Policies

- Where are we now?
  - NE Smoke-Free Air Act adopted February 2008
    - Effective June, 2009
    - 100% smoke free workplaces, bars, restaurants, gambling establishments, and other public places
    - Among most comprehensive state policies
    - CO (1/08), IA (7/08), KS (7/10) adopt similar policies, but not as comprehensive

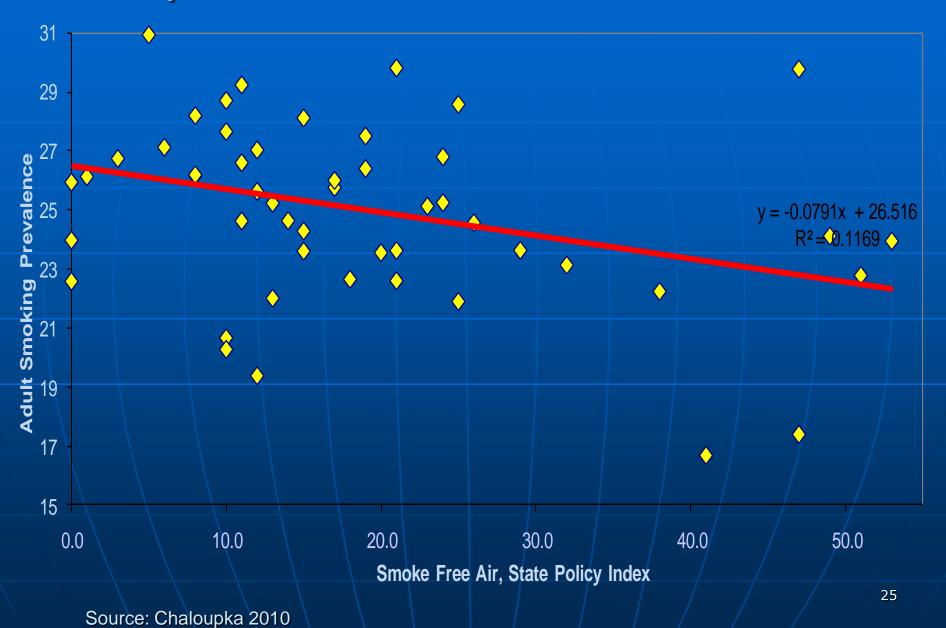
#### U.S. 100% Smokefree Laws in Non-Hospitality Workplaces AND Restaurants AND Bars American Nonsmokers' Rights Foundation



#### Impact of Smoke-Free Air Policies



#### Impact of Smoke-Free Air Policies

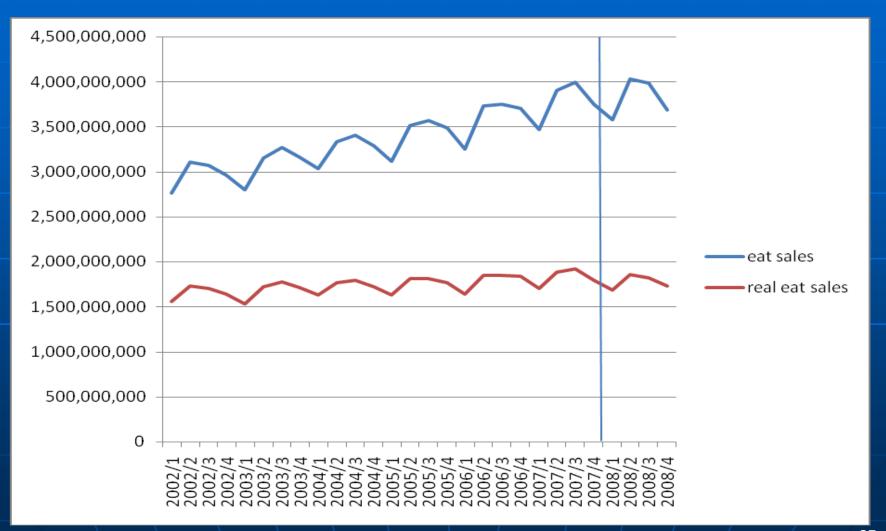


#### Smoke-Free Air Policies

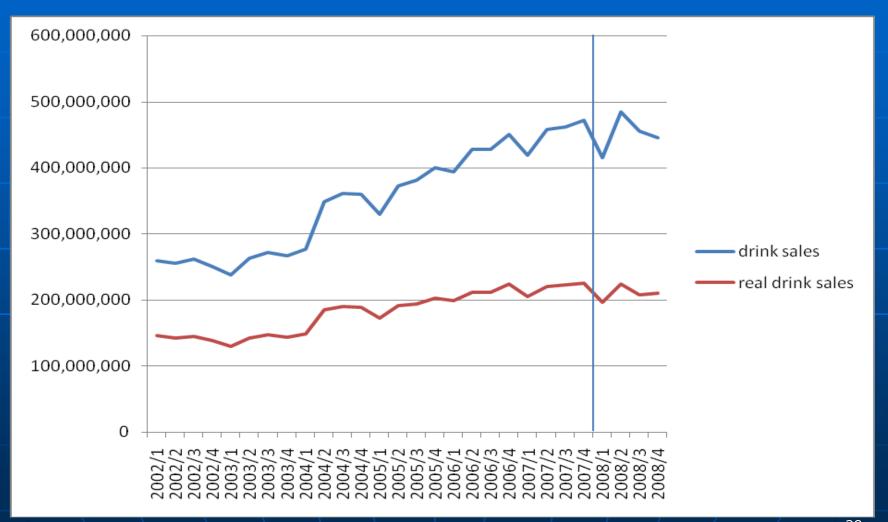
- Where are we now?
  - Compliance improving over time
    - SFA policies generally self-enforcing

- No negative economic impact
  - Any losses due to reduced patronage offset (or more) by increased patronage from nonsmokers
  - Reduces other business costs
    - Cleaning costs, lost productivity

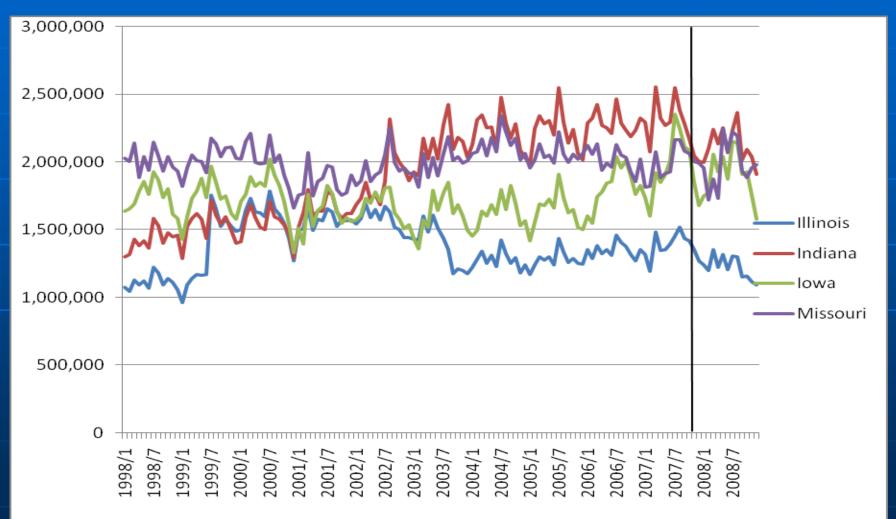
# Economic Impact of IL SFA Policy Restaurant Revenues



# Economic Impact of IL SFA Policy Bar Revenues



# Economic Impact of IL SFA Policy Casino Patrons per Month



#### Smoke-Free Air Policies

- Where can we go?
  - Extend protections to new venues
    - Parks, beaches, outdoor dining, other outdoor venues
    - Multi-unit housing
    - Cars with children
  - Various localities have adopted policies covering outdoor settings

## Offer & Warn

## Comprehensive Programs

#### General aims:

- Prevent initiation of tobacco use among young
  - Increased prices, reduced access
  - Increased antitobacco messages, reduced protobacco
- Promote cessation among young adults, adults
  - Better access to cessation services
  - Increased prices and strong smoke-free policies
  - Increased antitobacco messages, reduced protobacco
- Eliminate exposure to secondhand smoke
  - Strong smoke-free policies
  - Strengthened anti-smoking norms
- Identify and eliminate disparities
  - Intertwined with others; need for targeted approaches

32

## Comprehensive Programs

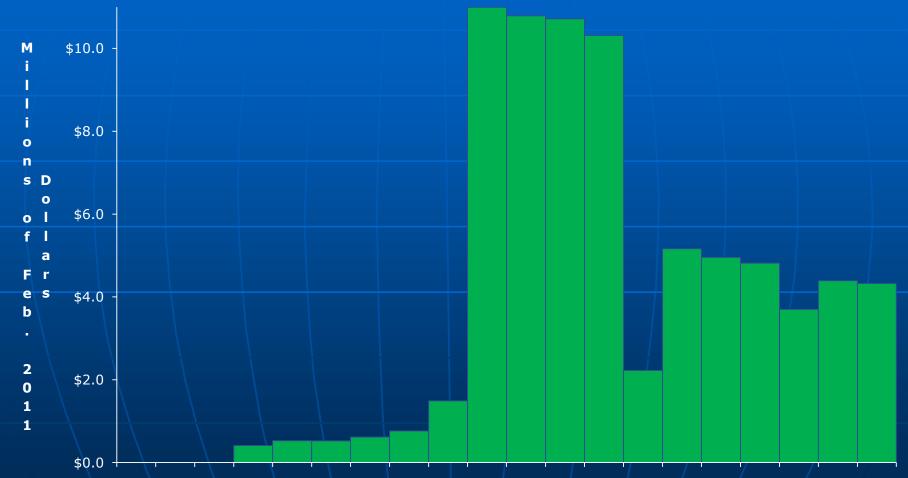
- Components of a comprehensive program:
  - State and community interventions
    - Support for policy development and implementation
    - Efforts to strengthen norms against tobacco
    - Targeted efforts to reduce youth tobacco use, disparities
  - Health communication interventions
    - Mass-media countermarketing campaigns
    - Efforts to replace tobacco industry sponsorship/promotion
    - Targeted messaging/delivery
  - Cessation interventions
    - Array of policy, health system, and population-based measures
  - Surveillance and Evaluation
  - Administration and Management

## State Tobacco Control Program

#### Where have we been?

- Funding since 1994 for state tobacco control program
  - CDC program funding
  - Private funds (RWJF, ALF)
  - State Master Settlement Agreement revenues since 2000
- In early 2000s, among better funded state programs

#### Nebraska State Tobacco ControlProgram Funding 1991-2010, Inflation Adjusted



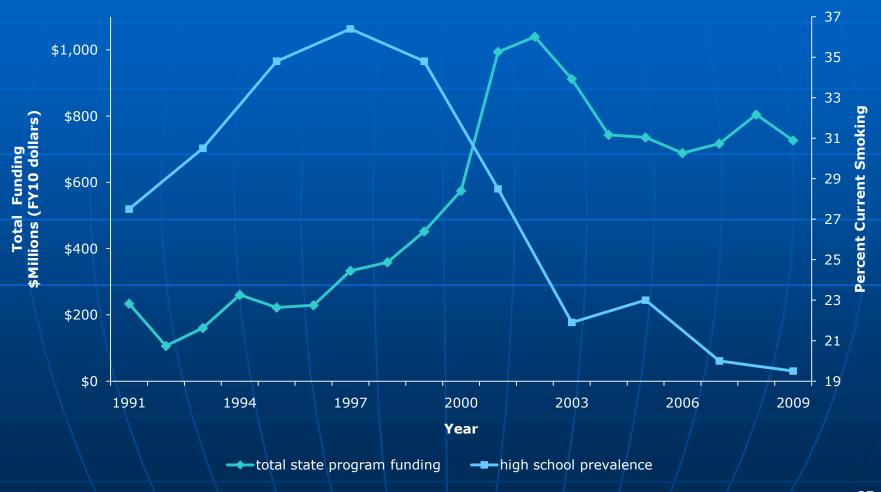
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Source: ImpacTeen Project, CDC

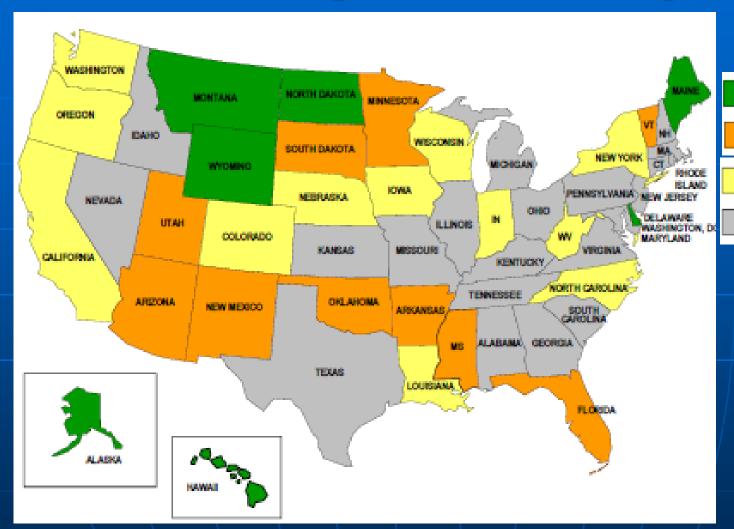
## Comprehensive Programs

- Impact of state program funding
  - Increased funding associated with:
    - Reductions in overall cigarette sales
    - Lower youth smoking prevalence
    - Lower adult smoking prevalence
    - Increased interest in quitting, successful quitting
  - Much of impact results from large scale mass-media anti-smoking campaigns

# State Tobacco Control Program Funding and Youth Smoking Prevalence



### Program Funding



States that are spending 50% or more of CDC recommendation on tobacco prevention programs.

States that are spending 25% - 49% of CDC recommendation on tobacco prevention programs.

States that are spending 10% - 24% of CDC recommendation on tobacco prevention programs.

States that are spending less than 10% of CDC recommendation on tobacco prevention programs.

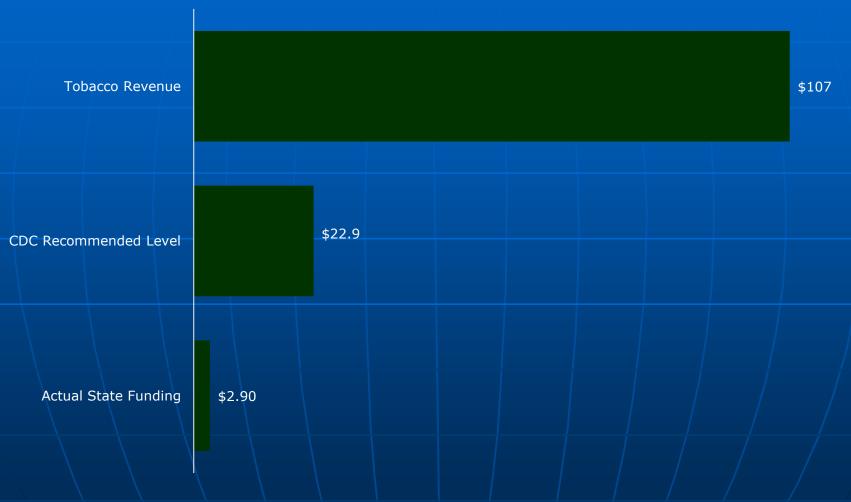
#### Where are we now?

- Significant reductions in state funding in recent years
  - From \$7 million in FY03 to \$2.9 million in current fiscal year
  - Continued funding from CDC for state program (\$1.8 million in current fiscal year)
  - Additional funding from Communities Putting Prevention to Work, American Recovery and Reinvestment Act, and Prevention and Public Health Fund grants (~\$1.8 million in FY10-11)

## Program Funding

#### **Program Funding**

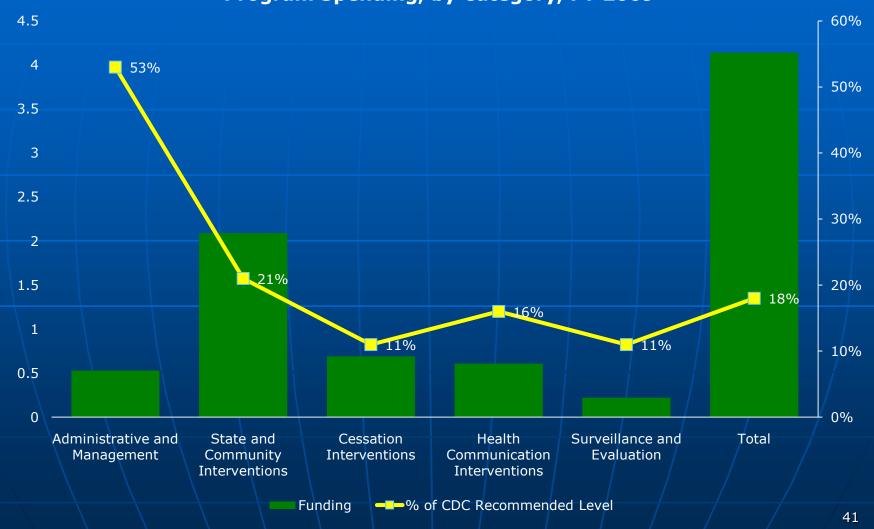
Nebraska, Tobacco Revenues vs Program Funding, FY 2011



Source: Tobacco Free Kids, 2010

### Program Funding

**Nebraska Tobacco Control Program Program Spending, by Category, FY 2009** 

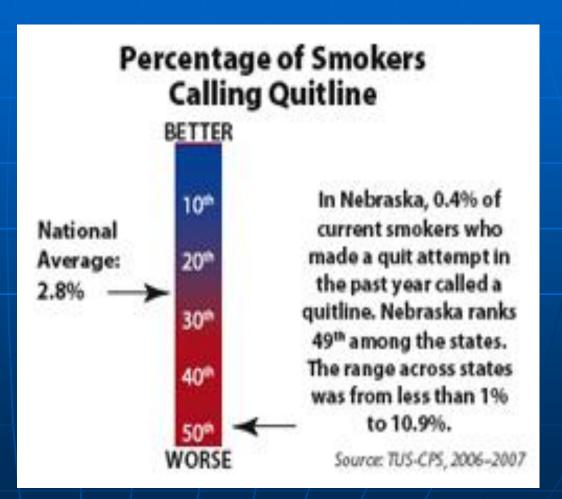


Source: ImpacTeen project, 2010

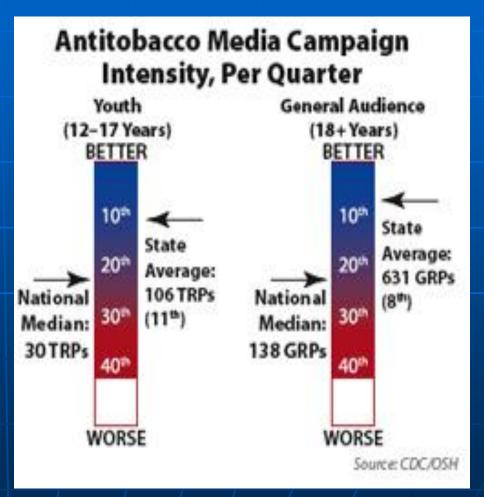
#### Where are we now?

- Significant demand for cessation
  - ~50% of smokers indicate making quit attempt in past year
  - Nearly 2/3 indicate interest in quitting
- State support minimal
  - 11% of CDC recommended funding for cessation in FY09, likely less now
  - Medicaid coverage for NRT, Chantix, Zyban (with co-pay)
  - No coverage for individual/group counseling

- Where are we now?
  - Few smokers using the state's Quitline



- Where are we now?
  - Relatively good exposure to anti-smoking media campaign ads
    - Some antismoking messages coming from national campaigns



#### Where can we go?

- Fund program activities at levels recommended by CDC
  - \$9.9m for state/community interventions
  - \$6.2m for cessation interventions
  - \$3.8m for health communication interventions
  - \$2.0m for surveillance/evaluation
  - \$1.0m for management/administration
  - \$22.9m total

## Enforce

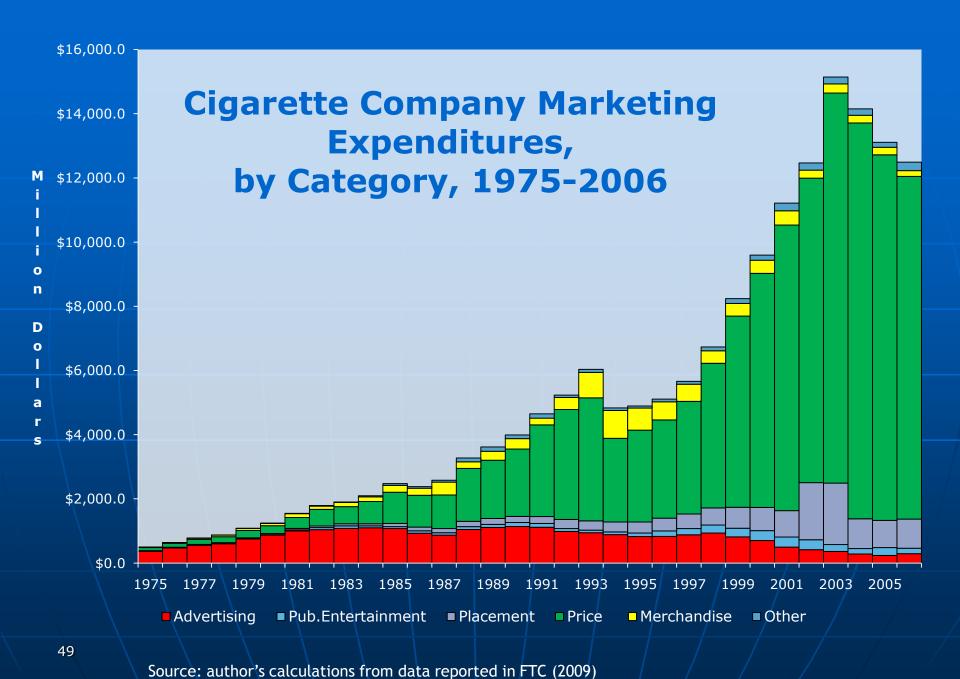
#### **Tobacco Marketing**

- Marketing Strategies the 4 P's:
  - Product design, packaging
  - Price including price promotions
  - Place availability, accessibility
  - Promotion advertising, sponsorship, etc.
- Most effective campaigns are wellintegrated across different dimensions of marketing

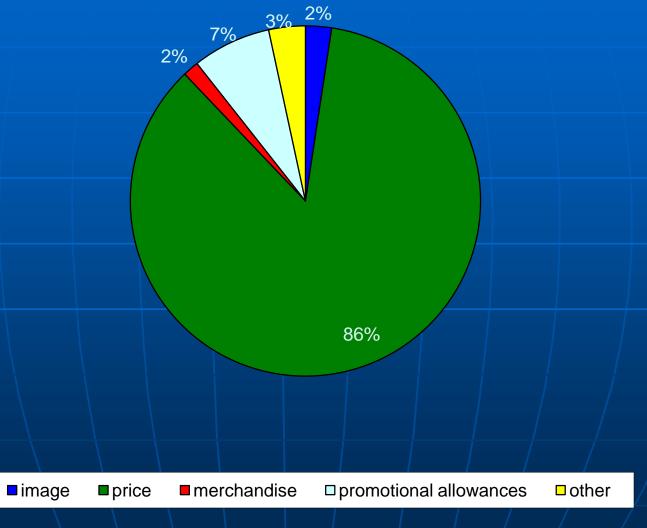
47

#### Where have we been?

- Tobacco company marketing pervasive
  - Grew rapidly over time
  - Companies adapt quickly to constraints (e.g. TV/radio ad ban, MSA limits)
  - Change in focus over time
  - State/local restrictions pre-empted by federal legislation



## 2006 Cigarette Marketing Expenditures by Category, United States







## Price-Related Marketing: Price Discounts



## Price-Related Marketing: Retail Value Added - product



# Price-Related Marketing: Coupons



## Price-Related Marketing: Other Value Added





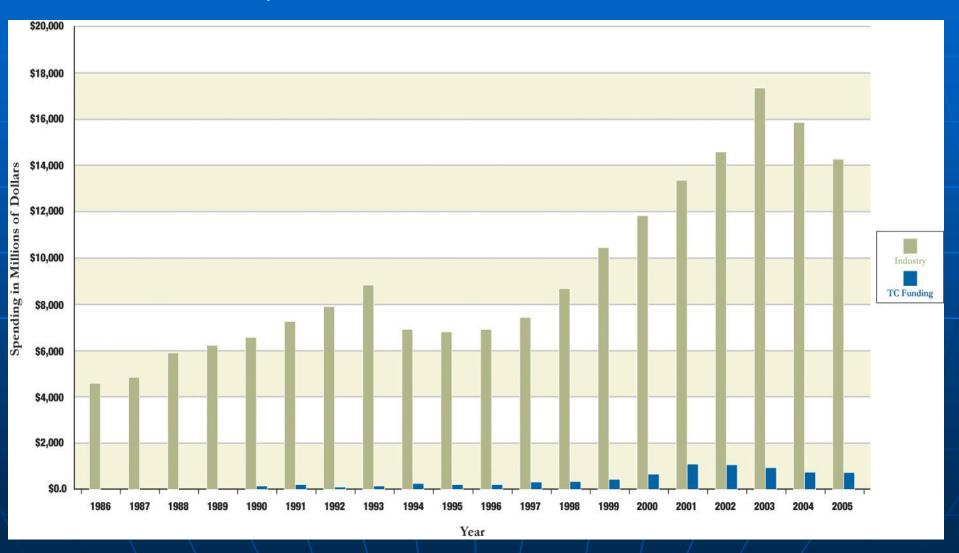








# Tobacco Industry Marketing vs. Tobacco Control Spending (in millions of dollars) – United States, 1986-2005



- Where are we now?
  - Federal TV/radio ad ban
  - MSA restrictions
    - Outdoor, transit, sponsorships, branded merchandise, etc.

#### Where are we now?

- Significant changes in tobacco industry
  - Consolidation of tobacco companies
  - Emergence of variety of new tobacco products
  - Brand extensions
  - Concentration of marketing effort on fewer and fewer brands









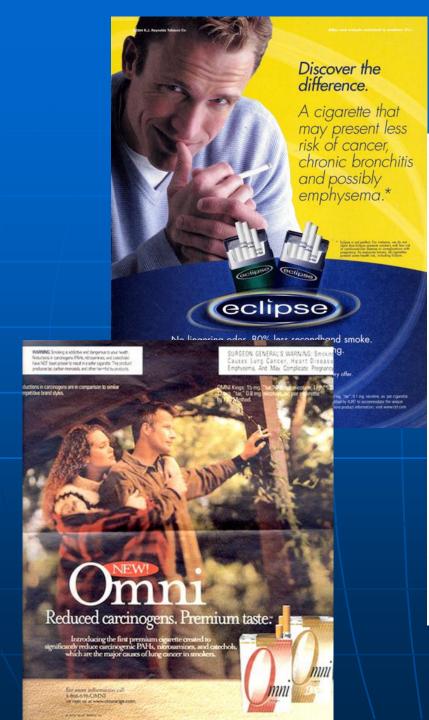
UNDERAGE SALE PROMISITED

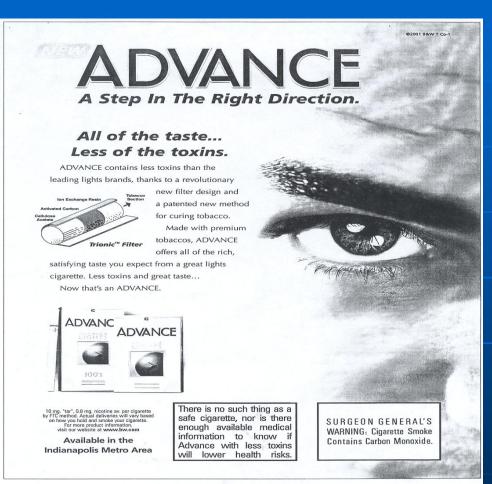
















We discovered a discreet new way to enjoy tobacco instead of lighting up.

WARNING: THIS PRODUCT & NOT A SAFE ALTERNATIVE TO DIGARETTES

- Where are we now?
- Family Smoking Prevention and Tobacco Control Act, 2009
  - Gives FDA authority to regulate tobacco products
  - Candy and fruit flavored cigarettes banned
     9/22/09
    - Excludes menthol flavored cigarettes
    - Doesn't covered other flavored products (small cigarettes, cigarillos, smokeless,....)

#### Where are we now?

- FDA regulation
  - Brand specific disclosure of product constituents required January 2010
  - Restrictions on sale and marketing to youth, April 2010
  - Ban on misleading descriptors, July 2010

#### Product Labeling: "Replacement" Descriptors











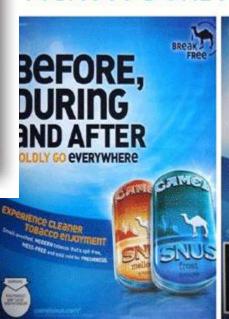


- Where are we now?
- FDA regulation
  - New warning labels:
    - On smokeless products, July 2010
    - On cigarettes, October 2012





#### WHAT HAS FDA REGULATION OF TOBACCO DONE FOR YOU LATELY?















fatal lung disease in nonsmokers.



























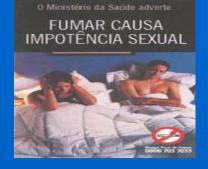
#### Canada 2000



Venezuela 2005



Australia 2006



Brazil 2002



Thailand 2005



Hong Kong 2007



Singapore 2004



Uruguay 2006



Belgium 2007



Jordan 2005



Chile 2006



/UK 2008



## New Zealand 2008



Cook Islands 2008



Romania 2008



**Iran** 2009



**Egypt 2008** 



Malaysia 2009



Brunei 2008

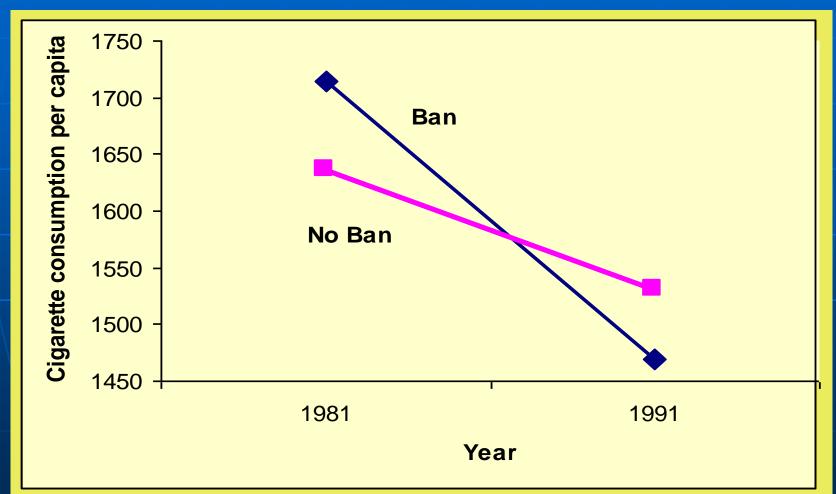


**Peru 2009** 

- Where can we go?
- FDA regulation
  - Eliminates federal pre-emption of stronger state, local restrictions on tobacco company marketing
    - Comprehensive marketing bans possible?
    - Evidence that comprehensive bans lead to significant reductions in tobacco use

## Comprehensive advertising bans reduce cigarette consumption

Consumption trends in countries with such bans vs. those with no bans



Source: Saffer, 2000

# Minimum Pricing Policies

- As of 12/31/09:
  - 25 states with minimum pricing policies
  - Typically mix of minimum markups to wholesale and retail prices
    - Median wholesale markup 4% (4.75% in NE)
    - Median retail markup 8% (8% in NE)
  - 7 states (including Nebraska) prohibit use of price promotions in minimum price calculation
  - Little impact on actual retail prices
    - Greater impact where promotions excluded

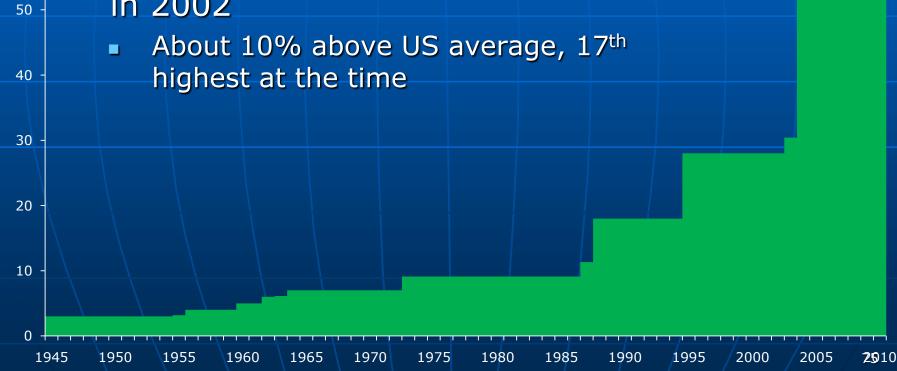
# Raise

# Cigarette Taxation in NE

- Nebraska first adopted cigarette tax in 1947
  - 3 cents per pack

60

 Last increase to 64 cents per pack in 2002



#### Where have we been?

- Federal cigarette tax
  - Specific (per unit) excise tax, initially adopted in 1864
  - Raised during war time/lowered during peace time
  - Set at 8 cents per pack in 1951; doubled 1983
  - Eventually raised to 39 cents per pack in 2002
    - Less than 60% of inflation adjusted value of 1951 tax
  - Significant increase 61.66 cents April 1, 2009
    - Earmarked for S-CHIP expansion
  - Other tobacco products taxes at similar rates

- Where have we been?
  - Other state cigarette taxes
    - First adopted by IA in 1921;
    - NC last to adopt in 1969
    - Specific excise tax in all states
  - All but PA tax other tobacco products
    - Mostly ad valorem (percentage of price) taxes

## Taxes, Prices and Tobacco Use

- Increases in tobacco product taxes and prices:
  - Induce current users to try to quit
    - Many will be successful in long term
  - Keep former users from restarting
  - Prevent potential users from starting
    - Particularly effective in preventing transition from experimentation to regular use
  - Reduce consumption among those who continue to use
  - Lead to other changes in tobacco use behavior, including substitution to cheaper products or brands, changes in buying behavior, and compensation

#### Cigarette Prices and Cigarette Sales, United States, 1970-2009



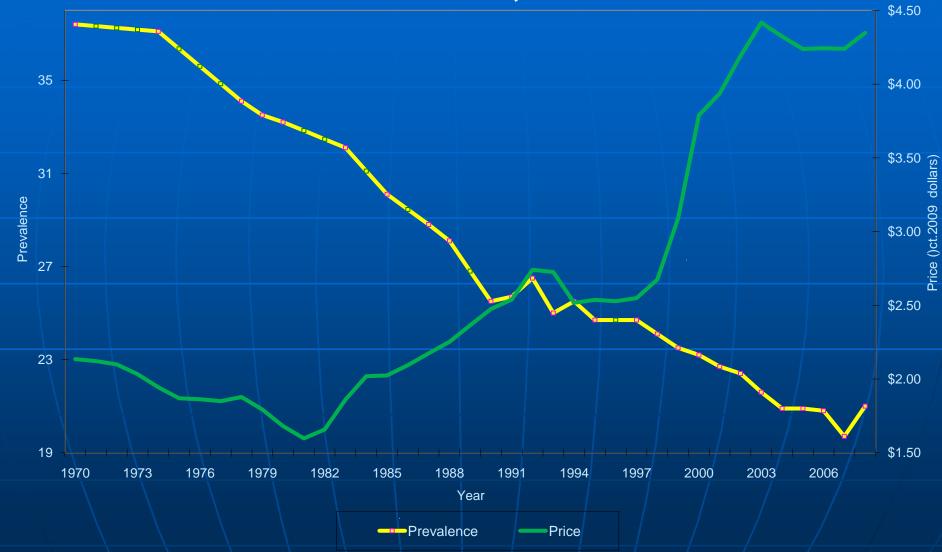
Source: Tax Burden on Tobacco, 2009, and author's calculations

# Price (Inflation Adjusted) and Cigarette Sales, Nebraska, 1966-2010



Source: Tax Burden on Tobacco, 2011, and author's calculations

Cigarette Prices and Adult Smoking Prevalence, United States, 1970-2008



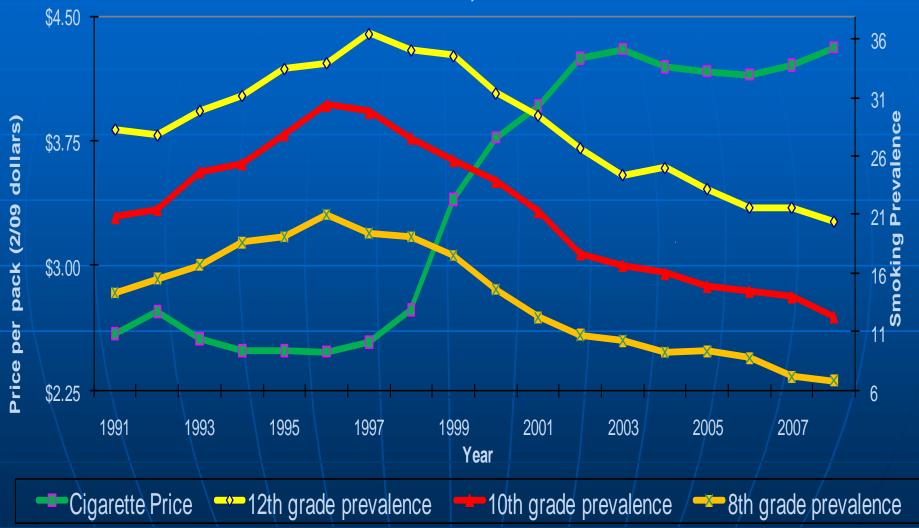
Source: NHIS, *Tax Burden on Tobacco*, 2009, and author's calculations Note: green data points for prevalence are interpolated assuming linear trend

# Price (Inflation Adjusted) and Adult Smoking Prevalence, NE, 1995-2009



Source: BRFSS, Tax Burden on Tobacco, 2011, and author's calculations

#### Cigarette Price and Youth Smoking Prevalence, United States, 1991-2008



# Price (Inflation Adjusted) and Youth Smoking Prevalence, NE, 1991-2006

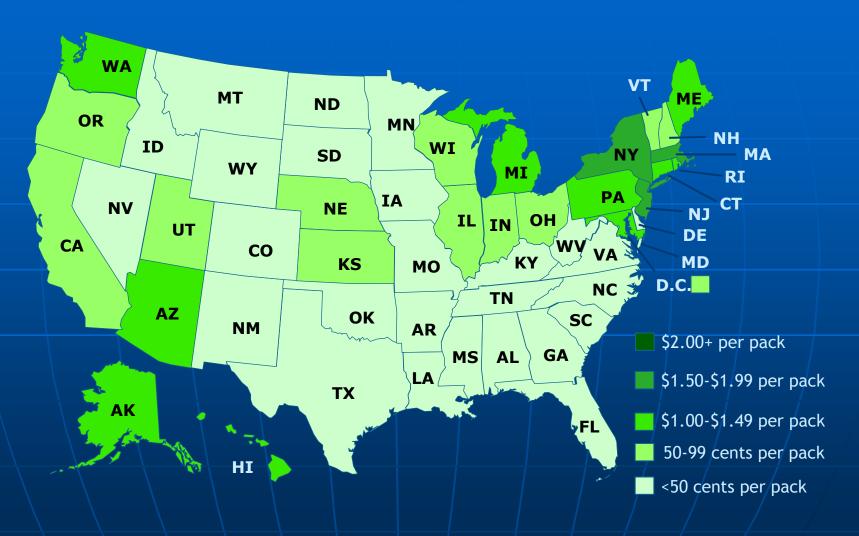


Source: NE YTS and YRBS, Tax Burden on Tobacco, 2011, and author's calculations

#### Where are we now?

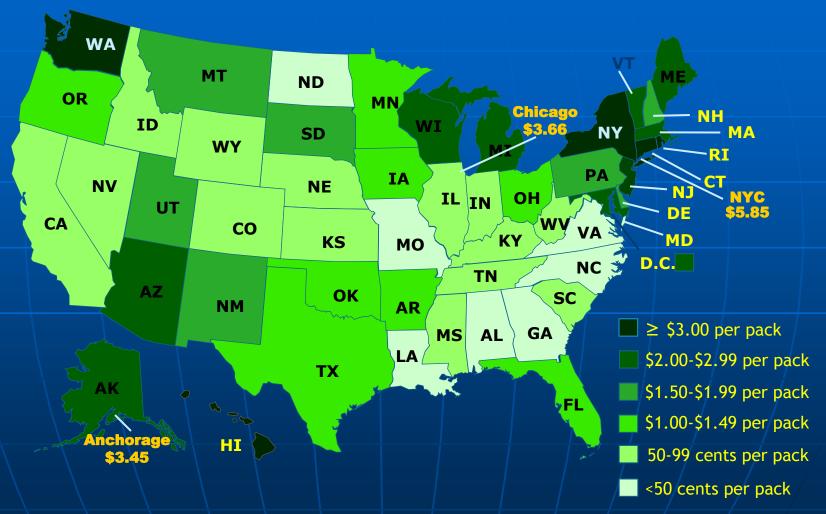
- When tax last raised in 2002:
  - 64 cent per pack was 17<sup>th</sup> highest
  - About 10% above the average state tax rate
- Currently:
  - 38<sup>th</sup> among state taxes
  - Majority of states have increased cigarette taxes since 2002, some multiple times
  - NE less that ½ of the average state tax
  - Have similarly fallen behind on other tobacco product taxes

#### **State Cigarette Excise Tax Rates – 2002**



CDC, Office on Smoking and Health. State Tobacco Activities Tracking and Evaluation (STATE) System.

#### **State Cigarette Excise Tax Rates – 2010**



CDC, Office on Smoking and Health. State Tobacco Activities Tracking and Evaluation (STATE) System.

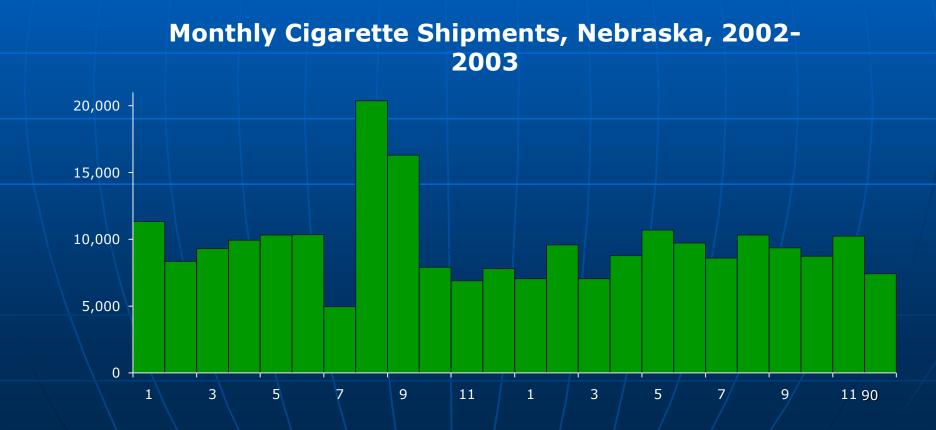
#### Where can we go?

- Raise the state cigarette excise tax
  - Getting back to 17<sup>th</sup> place would require \$1.70 per pack tax
- If raised to \$1.99 (15<sup>th</sup> highest):
  - Over \$90 million in additional tax revenues in first full year; \$10 million more from OTP increase
  - Almost 10,000 adult smokers would quit
  - Almost 19,500 fewer kids would start
  - Prevent about 8,8000 premature deaths from smoking among current population

# Cigarette Tax and Tax Revenues Nebraska, 1965-2010



- Where can we go?
  - Impose floor tax when adopting tax increases



#### Where can we go?

- Raise the state's other tobacco product excise taxes
  - Currently 20% of wholesale prices
  - By comparison, WI is 100% of wholesale price
- Tighten tobacco product definitions

- Little cigars
  - Taxed at lower rate
    - Exempt from various product regulations related to flavorings, packaging, marketing
  - Can redefine cigarettes to include:
    - "any roll of tobacco that weighs no more than four and a half pounds per thousand (unless wrapped in whole tobacco leaf and does not have a cellulose acetate or other cigarette-like filter
  - Redefine cigars as "any roll of tobacco that is not a cigarette"



- Other product definitions
  - Non-combustible tobacco products redefine smokeless tobacco products (or 'other tobacco products', 'tobacco products' to include:
    - "any other product containing tobacco that is intended or expected to be consumed without being combusted"

#### Where can we go?

 Allow for annual administrative tax increases to keep pace with inflation



#### Where can we go?

 Use portion of new revenues to fund state tobacco control program

#### Program Funding

Nebraska, Tobacco Revenues vs Program Funding, FY 2011



#### Where can we go?

- Adopt high tech tax stamp and license all involved in tobacco distribution
- Expand enforcement efforts
- California only state so far; generated additional \$124 million in revenues in first 20 months

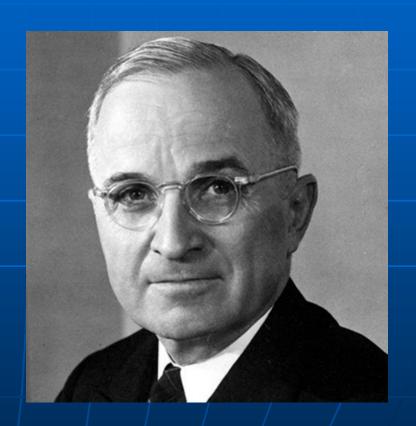


# State of Tobacco Control in Nebraska

#### Harry Truman:

Give me a onehanded economist! All my economists say

On the one hand......
And on the other....



- On the one hand, some positives
  - Continuing declines in tobacco use among adults and youth
    - Comparable to US and neighbors
  - One of the most comprehensive state smokefree air policies in the world
    - Additional local policies thanks to absence of preemption

- On the other hand, several negatives
  - Persistent disparities in tobacco use
  - Woefully underfunded state tobacco control program
  - Have fallen well behind most states on tobacco taxes

- And on the other other hand, some opportunities
  - Increased taxes on all tobacco products
    - Inflation adjustments, high-tech tax stamps, and increased enforcement
    - Funding for state tobacco control efforts
  - Comprehensive restrictions on tobacco company marketing

#### For more information:

www.bridgingthegapresearch.org

www.impacteen.org

fjc@uic.edu