

Testimony of Rajeev Cherukupalli

February 13, 2020

Senate Bill 233: Business Regulation - Flavored Tobacco Products – Prohibition

POSITION: SUPPORT

Thank you for the opportunity to comment on the economic implications of SB 233. I focus on the labor market.

Will SB233 result mean lost employment and harm to the state’s economy and tax base?

The evidence suggests no.

First, most retailers of flavored tobacco products do not rely on them as their sole or primary line of business.

Second, when some tobacco products are restricted, consumers spend their money on other purchases. Product substitution is a well-studied consumer behavior.

Most of the 6000+ Maryland retailers selling cigarettes and tobacco products will restock their shelves, with little harm to their business or jobs.

What about the newer phenomenon of stores specializing in electronic cigarettes?

Fundamentally, a comprehensive ban on *flavored* e-cigarettes is not a ban on all e-cigarettes, let alone the ability of entrepreneurial businesses to adapt, modify their offerings and make a profit.

There were between 124 and 170 vape shops and e-cigarette retailers active in the state, depending on the source. We estimate that these employ between 375 and 545 workers.

For perspective, Maryland’s retail sector continues to provide gainful employment for over 270,000 people. Retail sector employment in Maryland grew 1.5% between 2018 and 2020. Median retail sector wages have risen.

All these facts should reassure policymakers. Regulations to protect the youth are unlikely to lead to large scale business closures or retrenchments of vape shop workers. And if workers look for comparable opportunities outside the vape store subsector, Maryland’s broader retail economy is strong.

Thank you for your consideration. My colleague, Jeffrey Hardesty, will now wrap up, and I am happy to take questions after that.

Rajeev Cherukupalli, PhD
Assistant Scientist, Health Behavior and Society
Johns Hopkins University
Email: rcheruku@jhu.edu
Phone: 212-205-0413

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