

Prohibiting Flavored Tobacco Products Would Improve Public Health

Position Statement in Support of House Bill 134

Given before the Economic Matters Committee

Tobacco consumption and its associated health problems create billions in added health care costs in Maryland and contribute to health disparities facing Black Marylanders. Research shows that prohibiting the sale of flavored tobacco products would be effective in reducing tobacco consumption and mitigating the racialized harms associated with it. The policy is also fiscally responsible and consistent with a strong economy. The Maryland Center on Economic Policy supports House Bill 134 because it would bring significant economic benefits and promote racial equity and public health.

Historically, menthol cigarettes have been among the most widespread flavored tobacco products. The public health harms caused by menthol cigarettes have disproportionately fallen on Black Americans.

- Tobacco industry documents show a decades-long strategy of targeting predominantly Black communities and media for menthol cigarette advertising.ⁱ
- A 2012 study found that stores in predominantly Black communities in California dedicated larger shares of cigarette advertising to menthol brands and charged lower prices for menthols.
- Young smokers are more likely to prefer menthols than their older counterparts, and Black adolescents are more likely to consume menthols than their white peers.
- Black men in Maryland face an above-average risk of death from health conditions related to tobacco. They are more likely than any other group to die of heart disease and are tied with white men for the highest mortality rate from lung cancer.

The best available evidence on likely impacts of a flavored tobacco products prohibition comes from Canada, where a number of provinces enacted menthol cigarette prohibitions beginning in 2015, culminating in a nationwide prohibition that took effect in October 2017.ⁱⁱ Rigorous studies of the provincial and nationwide prohibitions found increases in the number of menthol smokers who tried to quit and in the number who successfully quit. Research also found a reduction in total cigarette sales, indicating that smokers did not simply shift to non-menthol cigarettes after the prohibition.

While House Bill 134 would reduce tobacco consumption—an expected and desirable effect—households would likely shift a portion of this spending to others goods and services, thereby partially offsetting the impact on economic demand:

- During economic downturns like the one Maryland faces today, households have little financial cushion and therefore are more likely to spend any extra money than save it.

- On average, tobacco constitutes a larger share of low-income families' total spending than for higher-income families. Because low-income families often live paycheck to paycheck, they will primarily spend rather than save any savings from reduced tobacco consumption.
- Data collected by the U.S. Census Bureau in summer 2020 confirm that families are more likely to spend than save any extra money during the current recession, with low-income families spending the largest portion.ⁱⁱⁱ

The impact of a flavored tobacco products prohibition on employment directly linked to these products would be minimal. Data show that e-cigarette retailers or “vape shops”—the retail category most heavily invested in flavored tobacco products—do not employ significant numbers of workers and generally create low-wage jobs.

- Researchers at Johns Hopkins University estimate that there are between 124 and 408 e-cigarette retailers in Maryland, which employ between 378 and 1,093 workers.^{iv} This means that even if the entire e-cigarette retail sector closed, the impact would be at most 0.4 percent of retail jobs.
- In comparison, seasonal variation alone generates month-to-month employment swings of up to ±26,000 jobs.^v
- Average annual wages at tobacco stores in Maryland were slightly less than \$22,000 in 2019, less than double the federal poverty line for a single adult. Average earnings at tobacco stores in Maryland were *lower* between 2015 and 2019 than they were between 2005 and 2009, even before adjusting for inflation.

Prohibiting sales of flavored tobacco products is a fiscally responsible choice, especially if the General Assembly overrides Gov. Hogan's veto of 2020 tobacco tax legislation. Tobacco policy choices such as tobacco taxes and a flavored tobacco products prohibition directly affect state revenues by influencing the quantity of tobacco products sold and the amount of revenue generated by each sale. Tobacco policy also has significant impacts on long-term health costs, a large portion of which show up in the state budget, most notably through the state's share of Medicaid funding. Considering both the direct revenue impacts and the long-term health impacts, effective tobacco policy is a fiscally responsible choice.

- Tobacco tax legislation passed in 2020 is expected to raise \$92 million of ongoing revenue in fiscal year 2021 if the General Assembly overrides Gov. Hogan's veto.^{vi}
- Additional investments in tobacco cessation services funded under the 2020 bill will likely reduce long-term health care costs. Based on estimates from the CDC, these savings could ultimately add up to hundreds of millions of dollars.
- The Department of Legislative Services estimates that House Bill 134 would reduce excise and sales tax revenue by \$70.3 million in fiscal year 2022. However, analysis by MDCEP based in part on research by Frank Chaloupka, Director of the Institute for Health Research and Policy at the University of Illinois at Chicago, has found that the DLS estimate may overstate the true revenue loss by up to 13 percent.^{vii}
- The DLS and MDCEP estimates imply that the combination of House Bill 134 with an override of the 2020 tobacco tax legislation (without considering non-tobacco provisions) would raise between \$20 million and \$29 million in FY 2022.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Economic Matters Committee make a favorable report on House Bill 134.

Equity Impact Analysis: House Bill 134

Bill summary

House Bill 134 would prohibit the sale of flavored tobacco or nicotine products in Maryland.

Background

Rigorous studies of menthol cigarette prohibitions in Canada found increases in the number of menthol smokers who tried to quit and in the number who successfully quit. Research also found a reduction in total cigarette sales, indicating that smokers did not simply shift to non-menthol cigarettes after the prohibition.

Equity Implications

Historically, menthol cigarettes have been among the most widespread flavored tobacco products. The public health harms caused by menthol cigarettes have disproportionately fallen on Black Americans.

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Impact

Senate Bill 177 would likely **improve racial, gender, and economic equity** in Maryland.

ⁱ Valerie Yerger, Jennifer Przewoznik, and Ruth Malone, “Racialized Geography, Corporate Activity, and Health Disparities: Tobacco Industry Targeting of Inner Cities,” *Journal of Health Care for the Poor and Underserved* 18(4), 2007, <https://pubmed.ncbi.nlm.nih.gov/18065850/>; Phillip Gardiner, “The African Americanization of Menthol Cigarette Use in the United States,” *Nicotine & Tobacco Research* 6(1), 2004, <http://www.fairwarning.org/wp-content/uploads/2015/10/AfricanAmericanizationGARDINER.pdf>

ⁱⁱ For detailed discussion of impacts of the Canada flavored tobacco products ban, see Frank Chaloupka, “Potential Effects on Tobacco Tax Revenues of a Ban on the Sale of Flavored Tobacco Products,” University of Illinois at Chicago, 2020, https://tobacconomics.org/wp-content/uploads/2020/11/Flavor-Ban-and-Revenues_18-August-2020_report_FINALupdate.pdf

ⁱⁱⁱ MDCEP analysis of U.S. Census Bureau Household Pulse Survey, Weeks 9–12, Maryland residents.

^{iv} Jeffrey Hardesty, “State of the Evidence: Flavored Tobacco Product Bans or Restrictions,” Institute for Global Tobacco Control, January 2020, <https://www.globaltobaccocontrol.org/resources/flavorreportssummary>

^v MDCEP analysis of Quarterly Census of Employment and Wages data for private sector employment in Maryland. The median month-to-month absolute (\pm) change in employment during 2019 was 11,981.

^{vi} HB 732 of 2020 fiscal and policy note.

^{vii} Christopher Meyer, “Prohibiting Flavored Tobacco Products Would Bring Substantial Public Health Benefits and Is Consistent with a Strong Economy and Fiscal Responsibility,” Maryland Center on Economic Policy, 2020, <http://www.mdeconomy.org/prohibiting-flavored-tobacco-products-would-bring-substantial-benefits/>

^{viii} Valerie Yerger, Jennifer Przewoznik, and Ruth Malone, “Racialized Geography, Corporate Activity, and Health Disparities: Tobacco Industry Targeting of Inner Cities,” *Journal of Health Care for the Poor and Underserved* 18(4), 2007, <https://pubmed.ncbi.nlm.nih.gov/18065850/>; Phillip Gardiner, “The African Americanization of Menthol Cigarette Use in the United States,” *Nicotine & Tobacco Research* 6(1), 2004, <http://www.fairwarning.org/wp-content/uploads/2015/10/AfricanAmericanizationGARDINER.pdf>