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Keeping the Promise: Protecting Montana from Tobacco

A Special Report by the Campaign for Tobacco-Free Kids

January 2010

The Campaign for Tobacco-Free Kids is an independent, non-partisan, nonprofit organization dedicated to preventing and reducing tobacco use and its harms, especially among youth. The Campaign does not receive or accept any government funding, nor does it receive or accept any funding from the tobacco industry. The Campaign works nationwide to support cost-effective state measures to reduce smoking and other tobacco use, save lives, and reduce smoking-caused harms and costs. For more information, see www.tobaccofreekids.org.

Keeping the Promise:
Protecting Montana from Tobacco

INTRODUCTION

In the last decade, Montana has taken several successful steps to reduce tobacco use in the state. Since its inception in March 2000, the Montana Tobacco Use Prevention Program (MTUPP) has implemented effective evidence-based programs and strategies to reduce adult and youth tobacco use. The Montana Tobacco Quit Line opened its doors in 2004 to provide state residents with the support they needed to help them quit tobacco use. The state increased its cigarette tax significantly in 2003 and 2005, reducing cigarette consumption in the state while also raising cigarette tax revenues considerably. The Clean Indoor Air Act was passed by the state legislature in 2005, and the final phase of the law went into effect in October 2009. The combined effect of these policies and programs has helped to drive down adult and youth tobacco use rates. Since 2001, adult smoking rates have declined by 23.2 percent, while youth smoking rates have plummeted 46.5 percent since 2000.[1]

However, tobacco still poses an enormous threat to state residents. Tobacco use is the leading preventable cause of death in Montana, claiming more than 1,400 lives each year and costing the state $277 million annually in health care bills, including $67 million in Medicaid payments alone.* And despite the progress, 16.8 percent of adults still smoke and 18.7 percent of high school youth still smoke.† Even more, 13.4 percent of adult men use smokeless tobacco, and nearly one in four high school boys use smokeless tobacco.[2]

The successes that Montana has had so far is only a jumping point to do more to address tobacco use in the state. Increasing the state's cigarette tax rate by $1.30 per pack and equalizing its tax rates on other tobacco products to the new cigarette tax rate will significantly reduce tobacco use and create a price barrier that prevents youth from starting. At the same time, the state needs to ensure that it has the infrastructure in place to help those who want to quit as a result of the price increase by putting some of the new revenue generated from the rate increase towards MTUPP's cessation program. It makes sense to provide people with the help they need and want to quit when policy changes that inspire them to do so are put in place.

In FY 2010, MTUPP received a total of $9.4 million in funding – $8.4 million designated from the state and $960,000 in federal grants from the U.S. Centers for Disease Control and Prevention (CDC). In FY 2011, the program will receive $8.4 million in state funding and another $1.4 million in federal funding from both the CDC grants and through the American Recovery and Reinvestment Act (ARRA). Increasing funding for the program would secure even more millions of dollars in future health care cost savings by preventing Montana kids from becoming addicted smokers and by helping many current smokers and other tobacco users to quit, as the program has been doing for the past 10 years. In fact, the CDC recommends that Montana spent $13.4 million per year on a comprehensive tobacco prevention and cessation program. Various polls and voter initiatives over the years have shown that Montanans fully support the work that MTUPP does, to create a healthier population. MTUPP has already shown that it can successfully reduce tobacco use in the state. Providing additional funding for the program can only generate more positive results for the state, including lives saved and reduced healthcare costs.

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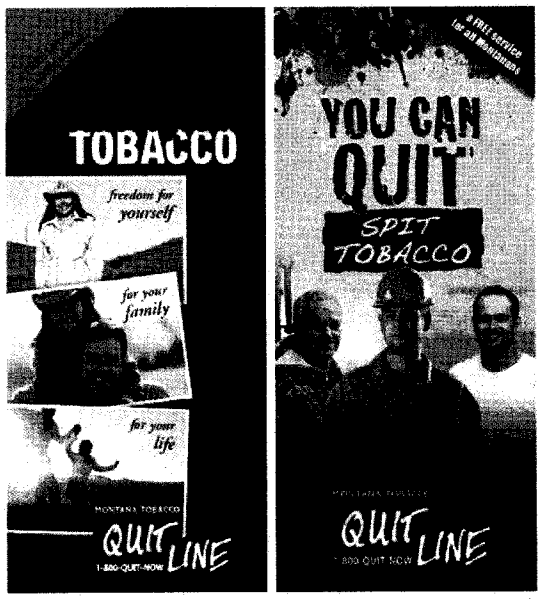
* For more detail on the toll of tobacco in Montana, and citations to sources, see Appendix A.

† The youth smoking and smokeless prevalence is from the Youth Risk Behavior Survey, which uses different methodology from the Montana Prevention Needs Assessment Survey (PNAS) in that the PNAS includes data from 8th grade students, while the YRBS only surveys high school students (9-12 grades).

Adequate funding for a comprehensive tobacco prevention and cessation program, increasing the tobacco tax rates, and implementing a strong, state-wide smoke-free law each help to reduce tobacco use – but applied in combination, these policies will maximize the benefits to the state. Montana has an opportunity to gain the same public health and economic benefits that other states that have implemented all three policies have gained by increasing its tobacco tax rates and putting the money towards its state tobacco prevention and cessation program.

MTUPP'S CURRENT ACTIVITIES AND RECENT SUCCESSES

Currently, MTUPP supports statewide, community, and school-based programs, including American Indian community programs. MTUPP also oversees the state Quit Line, which is operated by National Jewish Health, and provides and plans for all of the media activity needed to generate calls to the quitline. MTUPP has focused its efforts on certain populations such as Montana American Indians, pregnant women, and spit tobacco users, and its Quit Line promotional materials reflect those audiences.



Montana Tobacco Quit Line brochures

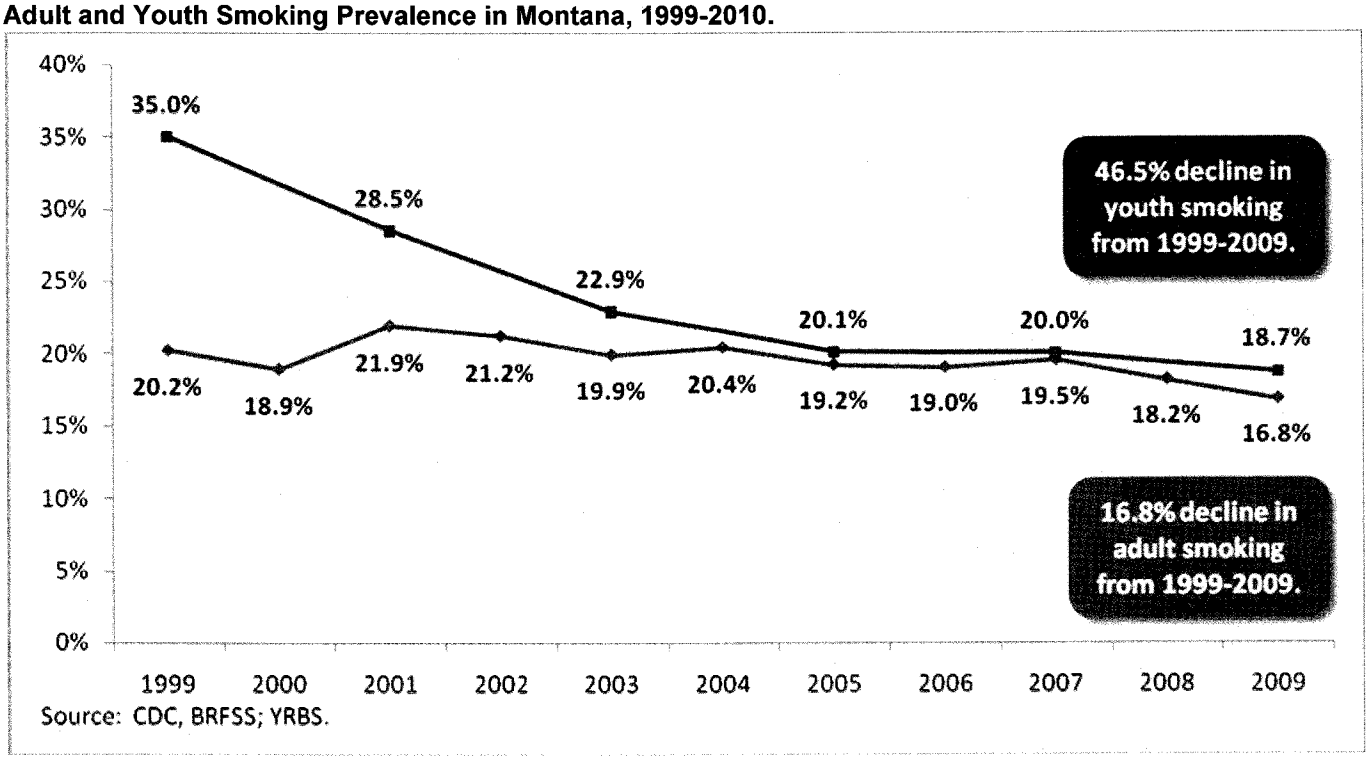
MTUPP's youth empowerment movement, reACT Against Corporate Tobacco, focuses on peer support and education. Program activities in 2010 included its annual summit for teens, activism campaigns to promote new smoke-free outdoor concerts, support high school rodeo competitors who pledge to be tobacco-free, and an award-winning television advertising campaign called "Nobody's Trophy." In addition, the program engaged American Indian youth in prevention activities.

Montana has had quite a few notable tobacco control successes in recent years. In October 2009, the final phase of the state Clean Indoor Air Act was implemented, with overwhelming support by Montanans.* Prior to the law going into effect, MTUPP coordinated efforts with local governments and local health officials, provided materials to businesses, and launched a statewide campaign to educate everyone about the upcoming law. The program's efforts paid off – in the first eight months of the policy, only 87 violations were reported across the entire state. MTUPP continues to oversee compliance with the smoke-free law.

These policy changes, in combination with MTUPP's continued tobacco prevention and cessation programs, have contributed to an environment where tobacco use is less acceptable and desirable in the state. These efforts have also resulted in plummeting adult and youth smoking rates since the program began in 2000.

* MTUPP, *High Support for the Montana Clean Indoor Air Act*, October 2009, http://tobaccofree.mt.gov/publications/documents/CIAAsupport_Oct09_FINAL.pdf.

Adult and Youth Smoking Prevalence in Montana, 1999-2010.

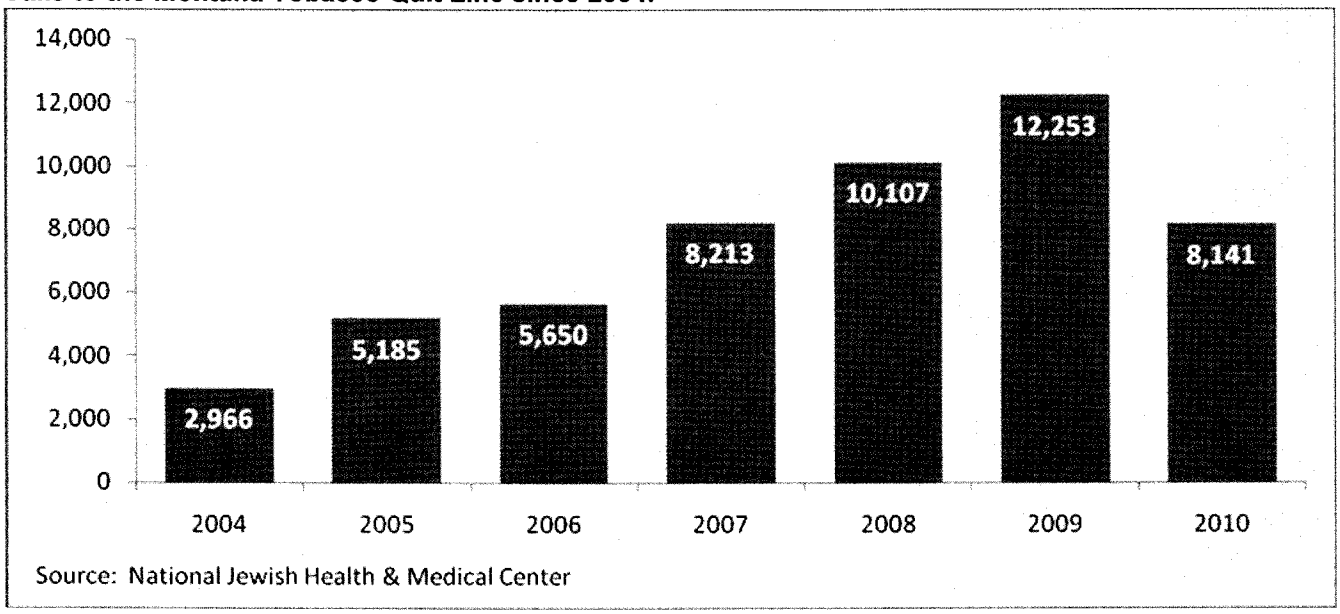


The 16.8 percent decline in adult smoking rates between the peak in 1999 and 2009 means that there are an estimated 25,600 fewer adult smokers in Montana and 6,800 fewer future premature deaths from smoking. In addition, as a result of the adult decline, the state will save more than $240 million in future health care costs from tobacco-related illnesses, $30 million of which will be saved from future Medicaid costs.

The 46.5 percent decline in youth smoking between 1999 and 2009 means that 9,200 kids alive today have been prevented from becoming addicted adult smokers and 2,900 kids will not die prematurely from smoking-caused disease. Furthermore, the state will save $162 million in future smoking-caused health care costs, $22 million of which will be saved from future Medicaid costs, all from the youth smoking declines that have already taken place.

Since 2004, Montana has been providing people with the help they need to quit through the Montana Tobacco Quit Line, which provides free telephone counseling, free nicotine replacement products, free support with a personalized quit plan, and reduced-cost cessation medication for smokers. More than 46,000 Montanans have called the Quit Line for help since its inception. In addition, Montana invests in media efforts to widely advertise the availability of help for those who want cessation support.

Calls to the Montana Tobacco Quit Line since 2004.



Another indicator of the successful combination of policy change and effective programming is the number of people who seek assistance with quitting. After the Montana's most recent cigarette tax increase went into effect in January 2005, the Quit Line saw a substantial rise in the number of callers who were looking for help to quit – a phenomenon that has also occurred in other states. Fortunately, the Quit Line had the resources to provide effective cessation assistance to callers. Research indicates that quitline counseling can more than double a smoker's chances of quitting and quitline counseling combined with medication, as is offered in Montana, can more than triple the chances of quitting.[3]

At the same time, when resources are insufficient, people who wish to quit cannot receive the help they need. After the federal tobacco tax rates increased in April 2009, the Montana Tobacco Quit Line was overwhelmed by calls and subsequently had to cut back its services due to lack of funding. As a result, the number of calls to the Quit Line dropped dramatically. This experience shows how important it is to provide cessation and prevention programs with adequate resources and funding when policies that would drive tobacco users to seek out help to quit are put into place.

Despite the tremendous success experienced in Montana, there is still much work left for MTUPP to do, especially when it comes to smokeless tobacco. Adequate funding is crucial to enable MTUPP to continue its work, and to more effectively reach people in the areas with the highest tobacco use rates. Evidence from different states shows that when funding for tobacco prevention and cessation programs are cut, declines in adult smoking rates among adults and youth stalls or in some cases even begins to reverse.*

MONTANA NEEDS TO DO MORE TO REDUCE THE TOLL OF TOBACCO

While MTUPP has made impressive progress so far in reducing tobacco use in the state, tobacco use, and particularly smokeless tobacco use, continues to take its toll on state residents, and more action is needed to spur additional tobacco use declines.

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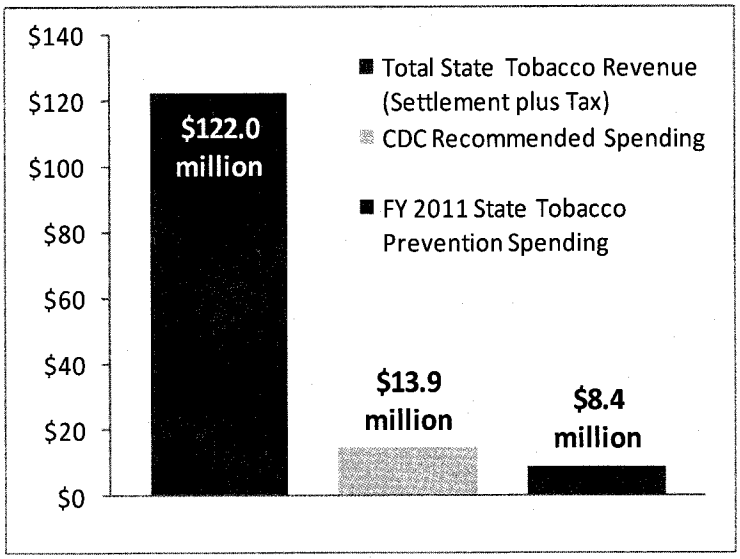
* See Campaign for Tobacco-Free Kids (TFK) factsheet, *The Impact of Reductions in Tobacco Control Program Funding*, http://www.tobaccofreekids.org/research/factsheets/pdf/0270.pdf.

Tobacco use kills more than 1,400 Montana residents every year and costs the state $277 million just in annual excess health care costs – much of it borne by taxpayers. Productivity losses from smoking total an additional $305 million per year in the state, not even counting the productivity declines from smokers being sick more often than other workers and taking cigarette breaks while on the job. And although the state has made progress in reducing smoking rates, 16.8 percent of adults and 18.7 percent of high school kids in Montana still smoke.[4] Unlike most states, high school girls (19.8%) actually smoke more than high school boys (17.7%).[5] More than 4,100 Montanan kids try smoking in the state each year and 1,100 more kids in the state become regular, daily smokers every year, one-third of whom will die prematurely.* Statistics can be numbing, but we cannot forget that they represent mothers and fathers, brothers and sisters, colleagues and friends. Their suffering and their deaths have devastated too many families and communities.

Smokeless tobacco use in Montana is also a problem. Currently, 13.4 percent of adult men use smokeless tobacco, while nearly one in four high school males use smokeless tobacco products.[6] While MTUPP addresses smokeless tobacco use in its program, there are additional policies that can help reduce these rates.

The CDC recommends that Montana spend $13.9 million per year on a comprehensive tobacco control program.[7] Not including grant money from the CDC or federal funding from ARRA, Montana allocated $8.4 million on tobacco prevention in FY 2011. This ranks Montana 4th in the country in funding tobacco control programs.†



At the same time, Montana is expected to collect $122 million from the 1998 tobacco lawsuit settlement payments, related bonus payments, and its tobacco taxes in FY 2011. The tobacco settlement was meant to provide funds to support state tobacco prevention efforts; but, so far, Montana has not adequately allocated the tobacco settlement payments to prevent and reduce tobacco use and its harms.‡

Meanwhile, tobacco companies are spending at least $33.3 million annually on marketing and promoting their products in Montana alone.[8] Many of these efforts target specific populations and are meant to encourage youth to start smoking, either by making the products look attractive or by lowering the product price to make them accessible to price-sensitive youth. Tobacco companies' own documents reveal how they consider youth the future of their business.[9]

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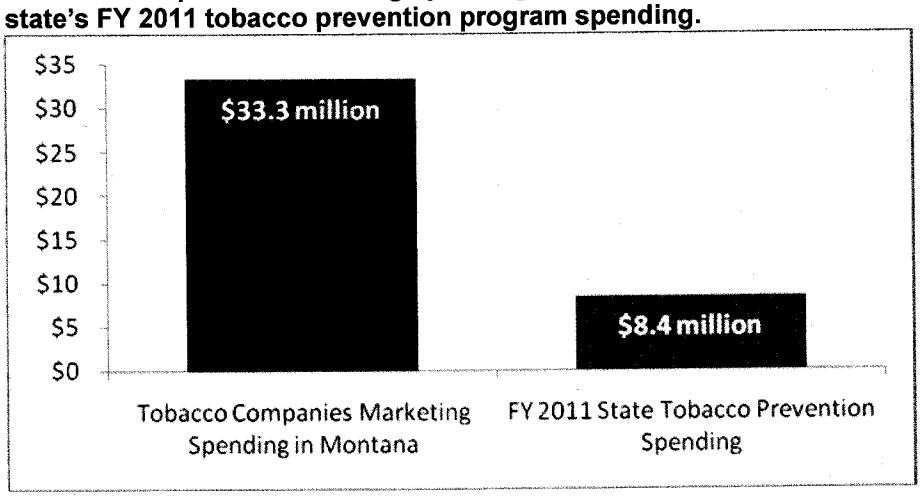
* For more detail on the toll of tobacco in Montana, and citations to sources, see Appendix A.

† The full rankings are available in the full report, *A Decade of Broken Promises: The 1998 State Tobacco Settlement Twelve Years Later*, November 2010, a special report issued by the Campaign for Tobacco-Free Kids, American Heart Association, American Lung Association and American Cancer Society Cancer Action Network, http://www.tobaccofreekids.org/reports/settlements.

‡ For more on Montana's tobacco-related revenues versus its expenditures to prevent and reduce the massive harms and costs caused by smoking and other tobacco use, see *A Decade of Broken Promises: The 1998 State Tobacco Settlement Twelve Years Later*, at http://www.tobaccofreekids.org/reports/settlements/.

Tobacco companies' marketing spending in Montana compared to the state's FY 2011 tobacco prevention program spending.



Although the 1998 Master Settlement Agreement placed some restrictions on tobacco company marketing activities, it failed to address many important matters. For example, the tobacco companies significantly increased their point-of-sale advertising after the MSA's ban on tobacco billboards went into effect. This trend continues today as tobacco companies have recently focused on in-store promotions and point-of-purchase advertising to attract younger smokers. This benefits the tobacco companies since research indicates that retail cigarette advertising increases the likelihood that youth will initiate smoking and cigarette promotions increase the likelihood that youth will move from experimentation to regular smoking.[10]

Further, new and less-expensive candy- and fruit-flavored products are being marketed aggressively, and young people are the most likely to use them.* A proven-effective way to oppose tobacco companies' attempts to attract youth to a lifetime of addiction and health problems is to invest in a comprehensive tobacco prevention program.

INCREASING MONTANA'S TOBACCO TAX RATES IS A PROVEN STRATEGY TO REDUCE TOBACCO USE AND RELATED HARMS AND COSTS

Significant tobacco tax increases – particularly for cigarettes – are the fastest way to sharply reduce tobacco use and, more importantly, smoking-caused disease, death, and costs. Recent reports by the National Academy of Sciences' Institute of Medicine and the President's Cancer Panel have strongly recommended that states raise their tobacco tax rates to effectively reduce the toll that tobacco use takes on the states.[11]

Even the cigarette companies have repeatedly acknowledged, both publicly and in internal company documents disclosed in tobacco lawsuits, that raising cigarette prices through state tobacco tax increases significantly reduces smoking, especially among kids. For instance, in 1994, Ellen Merlo, Senior Vice President of Corporate Affairs for Philip Morris, stated, "When the tax goes up, industry loses volume and profits as many smokers cut back."[12]

* For more information on new tobacco products, see *Big Tobacco's Guinea Pigs: How an Unregulated Industry Experiments on America's Kids and Consumers*, February 2008, a special report issued by the Campaign for Tobacco-Free Kids, American Heart Association, American Lung Association and American Cancer Society Cancer Action Network, http://www.tobaccofreekids.org/reports/products/index.php.

A $1.30 Increase in Montana's Tobacco Tax Rate Will Significantly Reduce Smoking and Related Harms

The actual experiences of states that have raised their cigarette tax rates firmly establish that cigarette tax increases reduce smoking rates and related harms (while increasing revenue).* In Montana, for instance, sales of cigarette packs declined by more than 40 percent after its 2005 state cigarette tax rate increase.[13]

Clearly, cigarette tax increases are one of the most effective ways to sharply reduce smoking, especially among youth, pregnant women, and low-income smokers. Studies have shown that for every 10 percent increase in the price of cigarettes, youth smoking drops by approximately 6.5 percent, smoking among pregnant women drops at a similar rate, and overall consumption declines by three to five percent.[14]

The table below shows how Montana residents will benefit from a $1.30 per pack increase to Montana's cigarette tax rate.†

Kids Alive Today Stopped From Smoking	Adult Smokers Who Quit	5-Year Decline in Smoking-Affected Pregnancies	Montana Residents Saved from Premature Smoking-Caused Death
8,200	**4,500**	**1,700**	**3,800**

Moreover, for every person who dies from smoking in the state, there are another 20 people suffering from smoking-caused disease or disability. By reducing smoking levels in Montana, a $1.30 cigarette tax increase would reduce that suffering, as well.

These results might seem extraordinary, but other states and localities that have raised their cigarette tax significantly have obtained similar results. Even more, investing just some of the revenue generated by the tobacco tax increases in MTUPP will enable the program to provide more support for those tobacco users who wish to quit as a result of the rate increase, and further prevent youth from ever starting.

Increasing Montana's Cigarette Tax Rate by $1.30 Per Pack Will Produce Substantial New State Revenues that Will Be Stable and Predictable for Years to Come

A $1.30 cigarette tax increase would generate $28.0 million in new annual state revenues – much more than any smaller rate increase amount could produce – in addition to massive reductions in smoking-caused costs and benefits to public health.‡ Montana can use these new revenues to fund its tobacco prevention programs and support the many people who may need support to quit using tobacco.

Massive amounts of economic research and state experiences have firmly established that significantly raising state cigarette tax rates will always substantially increase state revenues, despite the related smoking declines and any related increases in cigarette smuggling or cigarette tax

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* See TFK Factsheets, *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And the Cigarette Companies Know It)*, http://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf, and *Raising State Cigarette Taxes Always Increases State Revenues and Always Reduces Smoking*, http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf.

† For a full list of benefits to Montana from $1.30 cigarette tax increase, see Appendix B.

‡ For a full list of benefits to Montana from $1.30 cigarette tax increase, see Appendix B. For detailed information and references regarding how these projections were made, see Appendix D.

avoidance.* Put simply, the additional revenues the state receives per pack sold after a cigarette tax increase brings in far more revenue than the state loses from the declines in pack sales prompted by the increase. For instance, in Montana, revenue collections from the cigarette tax increased by $18.7 million (over the previous year's $51 million) in the first 12 months after the state's January 2005 cigarette tax rate increase.[15]

If Montana increases its cigarette tax rate by $1.30 per pack, it will be joining five other states that now have cigarette tax rates of $3.00 or higher. New York currently has the highest state rate at $4.35 per pack, after its most recent $1.60 per pack cigarette tax increase went into effect in July 2010.

Year to year, state cigarette tax revenues are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably year to year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in cigarette tax revenue from one year to the next are quite rare because of the addictive power of cigarettes – the heaviest smokers, who are the most addicted and most resistant to quitting, cause total state pack sales and revenues to decline by smaller amounts, proportionately. After a major cigarette tax increase, state tobacco tax revenues typically decline by only about two percent per year, on average, because of ongoing reductions in smoking levels.†

Without any state cigarette tax increase, Montana's annual cigarette tax revenues will gradually decline over time because of ongoing smoking declines in the state. But a $1.30 per pack increase in the state's cigarette tax rate would not only stop those revenue declines from occurring but would also bring in more than $28.0 million in net new annual revenue.

As shown in the graph below, Montana's past experience with cigarette tax revenues shows that cigarette tax revenues stayed stable until they increased significantly with each cigarette tax rate increase, then remained fairly stable again. The decline between 2009 and 2010 can be attributed to the smoking declines prompted by the significant federal cigarette tax increase that took effect on April 1, 2009 and the statewide smoke-free law implemented in October 2009.

Cigarette Tax Revenues in Montana, 1990-2010.

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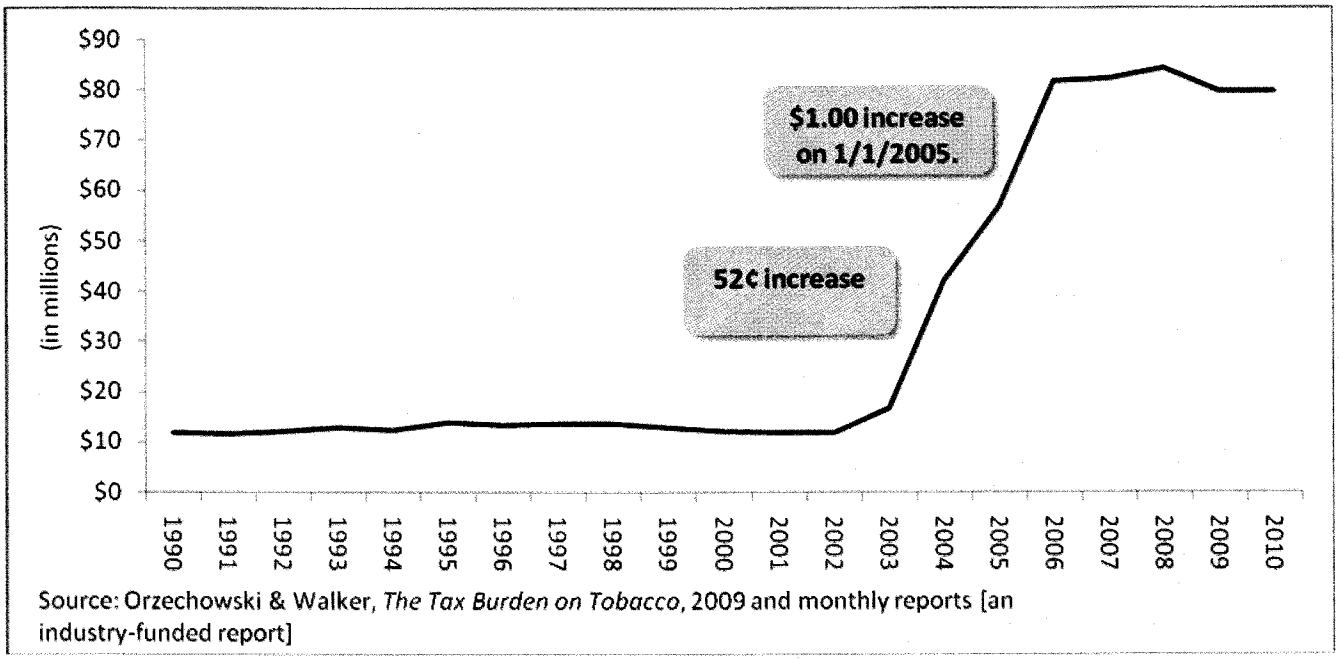
* See TFK Factsheets, *Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking)*, http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf [and references cited therein], and *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And the Cigarette Companies Know It)*, http://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf.

† See TFK Factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, http://www.tobaccofreekids.org/research/factsheets/pdf/0303.pdf.



Source: Orzechowski & Walker, *The Tax Burden on Tobacco*, 2009 and monthly reports [an industry-funded report]

Because of ongoing smoking declines, the much higher levels of total state cigarette tax revenues established by a $1.30 rate increase are likely then to start slowly declining. But the smoking declines behind those gradual revenue reductions would also be simultaneously producing much larger reductions in government and private sector smoking-caused expenditures.* At the same time, the smokers who terminate or reduce their purchases of cigarettes will use the money they save to purchase other state goods and services, which will further strengthen the state's economy – and to the extent that such consumers purchase other goods subject to special state taxes (e.g., alcoholic beverages or gasoline), the decline in tobacco product sales will also increase those other forms of state revenue.

In addition, there are a variety of other actions Montana could take to protect and maintain, or even increase, its cigarette tax revenues over time. For instance, the state can periodically increase its tobacco tax rates or index its cigarette tax rate to inflation.†

The Declines in Smoking and Smoking-Caused Harms from a $1.30 Increase Will Reduce Smoking-Caused Health Costs throughout Montana

Extra healthcare expenditures in Montana caused by smoking add up to $277 million, with the state Medicaid Program's share an estimated $67 million per year. Exposure to secondhand smoke, by itself, produces extra healthcare costs of $13 million each year.‡ Increasing the state's cigarette tax rate by a substantial amount is one of the most effective methods to reduce these costs to Montana's government, businesses, and taxpayers.

As the table below shows, in the first five years, a $1.30 tax increase would reduce health care costs by $4.9 million just from fewer smoking-caused heart attacks, strokes and fewer smoking-affected births. Overall healthcare savings over the lifetimes of the smokers who quit or kids who never start

* See, e.g., TFK Factsheet, *Benefits & Savings From Each One Percentage Point Decline in Adult and Youth Smoking Rates in the United States)*, http://tobaccofreekids.org/research/factsheets/pdf/0235.pdf.

† See, e.g., TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, http://www.tobaccofreekids.org/research/factsheets/pdf/0274.pdf.

‡ For more detail on the economic toll of tobacco use in Montana, see Appendix A.

smoking because of a $1.30 increase would total more than $186.3 million in reductions to public, private sector, and household healthcare costs throughout the state.*

5-Year Heart-Stroke Savings	5-Year Pregnancy Savings	Total Future Health Savings	Medicaid Share of Total Savings
$2.0 million	**$2.9 million**	**$186.3 million**	**$25.5 million**

The pregnancy savings would start immediately, as the cigarette tax increase stops pregnant women from smoking. The heart attack and stroke savings from the immediate smoking declines would start out small in the first year, but would then increase sharply each year until reaching a peak in eight to 10 years and then maintaining that high rate thereafter. In other words, the heart-stroke savings in the second five years would be substantially larger than the savings in the first five years. More importantly, these immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg for Montana, as the smoking declines from a $1.30 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

All of these savings would help to reduce Montana's state Medicaid program costs because it covers approximately 13.7 percent of the state's total smoking-caused health costs and 50 percent of smoking-caused pregnancy-related health costs in the state.[16] Besides Medicaid, Montana would also see reductions to the smoking-caused health costs in other state or state-funded programs because of the smoking declines prompted by the cigarette tax increase – and private sector and individual smoking-caused health costs would also decline. Most notably, decreasing smoking rates among workers would also lower public and private sector employers' health care and health insurance costs.

By investing some of the revenues from the tobacco tax increase to support MTUPP's activities, Montana will see even greater benefits for its residents' health and the state's economy. Studies show that price increases will drive people to quit – MTUPP needs adequate funding to provide sufficient assistance for those who wish to improve their health.

Increases to State Tax Rates on Other Tobacco Products Will Produce Additional Revenues, Public Health Benefits, and Cost Reductions

Equalizing Montana's tax rates on other tobacco products, such as cigars and smokeless tobacco, would protect and expand the benefits generated from cigarette tax increase. In addition, if smokeless tobacco taxes and prices are significantly lower than cigarette prices, kids may choose to use the cheaper smokeless tobacco products as a gateway to a lifetime of tobacco addiction.†

Right now, Montana's tax rate on moist snuff is 85 cents per ounce and 50 percent of wholesale price on all other tobacco products, such as cigars, chewing, and smoking tobacco. The table below shows proposed tax rates on all tobacco products to equalize the new cigarette tax rate of $3.00 per pack.

New Tax Equity Rate by Tobacco Product	
Cigarettes	**$3.00 per 20 or 15¢ each**
Premium cigars	**95% of wholesale price ($3.00 maximum)**
Cigarillos, blunts	**95% of wholesale price or $3.00 per pack of five**
"Small-cigar" cigarettes	**Taxed as cigarettes**

* For a full list of benefits to Montana from $1.30 cigarette tax increase, see Appendix B. For detailed information and references regarding how these projections were made, see Appendix D.

† See TFK Factsheet, *Benefits from Increasing Smokeless Tobacco Tax Rates*, http://tobaccofreekids.org/research/factsheets/pdf/0180.pdf and the references cited therein.

Conventional moist snuff smokeless	**95% of wholesale price or $3.00 per 1.2 ounce can**
Snus, lozenges, other single-dose smokeless	**95% of wholesale or 15¢ per dose ($3.00 per 20)**
Roll-your-own tobacco	**95% of wholesale price or $2.50 per 0.65 ounces**

Equalizing the tax rates on across all tobacco products to the new $3.00 per pack cigarette tax rate would bring the state more than $6.0 million new annual tobacco tax revenues in addition to the new revenue from the cigarette tax increase. Perhaps even importantly, it would save lives and promote public health.

Currently, 14.6 percent of high schoolers in Montana use smokeless tobacco. The habit is more popular among boys than girls, with 24.1 percent of high school boys using smokeless tobacco compared to 4.3 percent of girls.[17] Equalizing the state's tax on tobacco products other than cigarettes to the new cigarette tax rate would reduce the number of kids who use smokeless or spit tobacco and reduce overall consumption – with corresponding reductions to the death, disease, costs and other harms caused by these tobacco products.

Reduction in Youth Smokeless Tobacco Use	Reduction in Overall Consumption
32.5%	**17.5%**

The additional $6.0 million in revenue produced from a parallel increase in the tax rate on other tobacco products could provide more than enough money for essential state programs, such as its tobacco prevention and cessation efforts, that would expand the health benefits produced from a $1.30 cigarette tax increase alone.

ADEQUATELY-FUNDED TOBACCO PREVENTION PROGRAMS ARE PROVEN TO REDUCE SMOKING AND RELATED HARMS AND COSTS

Extensive research on the experiences of other states makes it clear that adequate funding for MTUPP would significantly prevent and reduce smoking and other tobacco use in Montana and produce enormous public health and economic benefits.

Most fundamentally, it is well established that comprehensive tobacco prevention programs consistent with CDC guidelines prompt substantial reductions in smoking levels among both adults and kids. This is achieved by both increasing the number of people who quit or cutback smoking and reducing the numbers who start. In addition, studies have shown that the more that is spent on tobacco prevention, the lower the youth smoking rates and overall tobacco use.* As a result, state tobacco prevention programs also reduce all the death, disease, disability and other harms caused by smoking and other tobacco use – and also save money by reducing tobacco-related health care costs.†

National studies that look across states and control for as many of the relevant confounding factors as possible consistently show powerful, positive effects of tobacco prevention and cessation programs. For example:

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* See, e.g., TFK Factsheet, *Comprehensive Tobacco Prevention and Cessation Programs Reduce Tobacco Use,* http://www.tobaccofreekids.org/research/factsheets/pdf/0045.pdf and the references cited therein.

† For more on how state tobacco prevention programs cost-effectively save money, see TFK Factsheet, *Comprehensive Tobacco Prevention and Cessation Programs Save Money,* http://www.tobaccofreekids.org/research/factsheets/pdf/0168.pdf and the references cited therein.

- A recent study published in the *American Journal of Public Health* examined state tobacco prevention and cessation funding levels from 1995 to 2003 and found that the more states spent on these programs, the larger the declines they achieved in adult smoking, even when controlling for other factors such as increased tobacco prices. The researchers also calculated that if every state had funded their programs at the levels recommended by the CDC during that period, there would have been between 2.2 million and 7.1 million fewer smokers in the United States by 2003.[18] The Campaign for Tobacco-Free Kids estimates that such smoking declines would have saved between 700,000 and 2.2 million lives as well as between $20 billion and $67 billion in health care costs.

- The study described above adds to earlier research, using similar methods, which demonstrated the same type of relationship between program spending and youth smoking declines. The 2005 study concluded that if every state had spent the minimum amount recommended by the CDC for tobacco prevention, youth smoking rates nationally would have been between 3 percent and 14 percent lower during the study period, from 1991 to 2000. Further, if every state funded tobacco prevention at CDC minimum levels, states would prevent nearly two million kids alive today from becoming smokers, save more than 600,000 of them from premature, smoking-caused deaths, and save $23.4 billion in long-term, smoking-related health care costs.[19]

- In 2007, the Institute of Medicine and the President's Cancer Panel each issued separate landmark reports that reviewed available data, research, and other evidence and concluded that comprehensive state tobacco control programs substantially reduce smoking and other tobacco use among both adults and youth.[20] Accordingly, both the Institute of Medicine and the President's Cancer Panel recommended that every state adequately fund their tobacco prevention programs at the CDC-recommended levels.

Over time, more evidence has accumulated on the power of investments in tobacco prevention and cessation to produce massive public health and economic benefits. For example, earlier studies had found that state tobacco prevention programs can, in their early years, save $3 or more just from reduced state health care expenditures for every dollar spent.[21] New research has added to these findings and shows that state programs secure even larger returns on investment for sustained funding of tobacco prevention at adequate levels over 10 or more years. Most notably, a study of California's tobacco prevention program found that for every dollar the state spent on its tobacco control program from 1989 to 2004, the state received tens of dollars in savings in the form of sharp reductions to total health care costs in the state.[22] According to a recent Washington Department of Health study, the state's comprehensive tobacco prevention and cessation program has prevented 13,000 premature deaths and nearly 36,000 hospitalizations, saving about $1.5 billion in health care costs. The study reports that for every dollar spent by the state on tobacco prevention in the last ten years, five dollars have been saved in reduced spending on health care.[23] These studies confirm that the cost-saving benefits from sustained state investments in effective tobacco control programs quickly grow over time to dwarf the state expenditures, producing massive gains for the state not only in terms of both improved public health and increased worker productivity but in reduced government, business, and household costs.

Similarly, an August 2008 study from Australia found that for every dollar spent on a strong tobacco control program there (consisting primarily of aggressive anti-smoking television ads along with telephone quitlines and other support services to help smokers quit) the program reduced future healthcare costs by $70 over the lifetimes of the persons the program prompted to quit. This savings estimate was based on the study's finding that for every 10,000 people who quit because of the tobacco control program, more than 500 people were saved from lung cancer, more than 600 people escaped having heart attacks, at least 130 people avoided suffering from a stroke, and more than 1,700 people were prevented from suffering from chronic obstructive pulmonary disease (COPD).[24]

Substantial cost savings from getting adult smokers to quit begin to appear as soon as the smoking declines occur. Research studies estimate that the direct additional health care costs in the United States associated just with the birth complications caused by pregnant women smoking or being exposed to secondhand smoke could be as high as $2 billion per year or more, with the costs linked to each smoking-affected birth averaging $1,142 to $1,358.[25] And state Medicaid programs cover well over half of all births in the United States.[26] Sharp drops in the major smoking-caused diseases (such as strokes, heart disease, and lung and other cancers), and the large related savings, do not appear for several years after state adult smoking levels decline, but some small declines in these smoking-caused diseases do begin to occur immediately, with significant cost savings. In California, for example, the state tobacco control program's reductions to adult smoking in its first seven years produced healthcare costs savings of $390 million just through the related declines in smoking-caused heart attacks and strokes, with more than $25 million of those savings appearing in just the first two years.[27] In addition, while most of the health care savings from getting kids to quit smoking or never start do not appear until years later, some savings from reducing youth smoking also appear immediately.

By quickly reducing the number of cigarettes smoked by adults and kids each year, tobacco-control programs also reduce other health problems and related costs caused by secondhand smoke. Adults and children with emphysema, asthma, or other respiratory illnesses, for example, can suffer immediate distress from being exposed to cigarette smoke, which can even lead to hospitalization in some cases.[28]

Reducing the number of cigarettes smoked can also reduce the number of smoking-caused fires and the amount of smoking-caused smoke damage, soiling, and litter. While no good estimates of the related cost savings exist, smoking-caused fires cause more than $500 million in residential and commercial property losses each year; and business maintenance and cleaning costs caused by smoking annually total roughly $5 billion nationwide.[29]

THE COMBINED EFFECTS OF ADEQUATELY FUNDING MTUPP, INCREASING IN THE TOBACCO TAX, AND THE NEW COMPREHENSIVE SMOKE-FREE LAW WILL SIGNIFICANTLY REDUCE SMOKING, SAVE LIVES, AND PROTECT KIDS

Montana has all the elements in place to reduce tobacco use, save lives, and save money. The comprehensive smoke-free law that went into effect in October 2009 is already reducing Montanans' exposure to deadly secondhand smoke and creating an environment free from tobacco smoke. MTUPP has already greatly improved tobacco use levels in the state – adult smoking levels have declined 16.8 percent since the program's inception, and youth smoking rates have dropped 46.5 percent. Finally, Montana's current cigarette tax rate is above the national average of all states. However, Montana can still do more to reduce tobacco use.

Although MTUPP is funded at a level higher than most states, it still has not reached the funding level recommended by the CDC. Despite the decline in both adult and youth rates so far, it is important to continue to maintain high levels of funding to combat tobacco companies' constant push for replacement tobacco users – Montana's youth.

Montana's tobacco tax rates are not even close to the highest cigarette tax rate in the nation, which means that the state should consider increasing its rate on all tobacco products to make them less accessible to youth and to encourage current tobacco users to quit. By increasing the cigarette tax rate by $1.30 per pack and equalizing the tax rates on other tobacco products to the new cigarette tax rate, the state will gain both health and economic benefits.

Implementing all three strategies would maximize their effects and dramatically improve the health of Montana's residents. For instance, when Montana increases its tobacco tax rates, it is important to

provide tobacco users with the help they will seek to quit, rather than leaving them stranded to try on their own. Studies show that only three to five percent of smokers are able to quit without any assistance.[30] It makes sense that if the state implements a policy to encourage tobacco users to quit, that it should also provide them with the assistance to successfully do so.

Telephone quit lines, such as the Montana Tobacco Quit Line have been a crucial tool for smokers who wish to quit following federal and state cigarette tax increases. States across the country have reported dramatic increases in quit line calls as a result of the 62 cents federal tobacco tax increase that went into effect April 1, 2009. A quit line vendor that provides services in 17 states received 3,250 calls the day the increase took effect – a 369 percent increase over calls from the same day in 2008. The American Lung Association's quit lines reported a 28 percent increase in calls in March 2009 compared to March 2008 and attributed the spike in calls to anticipation of the federal tax hike.

Similarly, evidence from the states shows that cigarette tax increases have prompted many smokers to seek help in quitting. For example, after the most recent cigarette tax increases in Michigan (from $1.25 to $2.00 per pack) and Montana ($0.70 to $1.70), smoker calls to the state smoking quitlines skyrocketed. In the six months after the tax increase, the Michigan quitline received 3,100 calls, compared to only 550 in the previous six months; and in Montana more than 2,000 people called in the first 20 days after the tax increase, compared to only 380 calls per month previously.[31] Likewise, in Texas and Iowa, the numbers of calls to their state quit lines have been much higher after each increased their cigarette taxes by $1.00 in 2007, compared to the previous year.[32] Probably the most dramatic example is from Wisconsin, which received a record-breaking 20,000 calls to its state quitline in the first *two months* after its $1.00 cigarette tax increase went into effect on January 1, 2008 – compared to typically 9,000 calls per *year* prior to the tax increase.[33]

To reach its full potential in reducing smoking, it is not enough just to have the service – a quit line must be widely promoted. Smokers must not only be informed of the service but also motivated to call and understand enough about the quit line to be comfortable calling it. Promotions include a variety of activities to raise awareness about the service and increase call volume, such as mass media campaigns, promotion through community-based programs, education of healthcare providers to make referrals, and collaboration with other state agencies or programs to disseminate educational materials that include the quit line number. Promotions should strive to reach all populations who need quit line services, particularly those groups who are at high risk for smoking or are underserved. Of course, any promotion plan must include a plan to respond to an increase in demand for quit line services.

MTUPP has extensively promoted its Quit Line so far, but when the state increases its tobacco tax, the state Quit Line must be given funding for enough resources to handle the anticipated increase in calls. Providing some revenue from the tobacco tax increase to help these efforts would greatly increase the success of the rate increase. Of course, the Quit Line is not the only strategy that MTUPP has to help smokers quit; with sufficient funding, the program will be able to effectively provide tobacco users with the assistance they need to successfully quit using tobacco and implement programs and strategies to prevent youth from even starting.

Implementing All Three Strategies Would Generate Additional Public Health Benefits

In addition to the public health benefits just from the tax increase itself, Montana can generate additional public health gains if it simultaneously increases funding for MTUPP. The estimates below are conservative because policies would also impact the use of other tobacco products besides cigarettes, such as smokeless tobacco and cigars. Unfortunately, available data and research are not currently adequate to make reliable estimates of the actual dollar amounts.

A reduction by at least one percentage point per year in adult and youth smoking would produce the following public health benefits, among others:

Reduction in Current Adult Smokers	7,500
Reduction in Current Youth Smokers	5400
Kids Alive Today Stopped from Becoming Addicted Adults	2,100
5-Year Reduction in Smoking-Affected Births	610
Total Future Smoking-Caused Deaths Avoided	2,840

Implementing All Three Strategies Would Reduce Public and Private Health Costs

Each one percentage point decline in adult and youth smoking rates secured by investments in tobacco prevention would also secure the following health care cost reductions.*

Future Health Cost Savings from Youth Smoking Declines	**$36.8 million**
Future Health Cost Savings from Adult Smoking Declines	**$71.3 million**
5-Year Savings from Fewer Smoking-Caused Heart Attacks, Strokes, and Fewer Smoking-Affected Births	**$4.3 million**

These short-term health care savings from heart-stroke and pregnancy cost reductions, which would begin to accrue immediately, represent only the tip of the savings iceberg for Montana, as the smoking declines would immediately begin to reduce numerous other smoking-caused health costs as well.

By prompting current adult and youth smokers to quit, helping former smokers from relapsing, and getting thousands of kids to never start smoking, tobacco control policies lock in enormous savings over the lifetimes of each person stopped from future smoking. Put simply, the lifetime health care costs of smokers total at least $17,500 more than nonsmokers, on average, despite the fact that smokers do not live as long, with a somewhat smaller difference between smokers and former smokers.[34] That means that for every 1,000 kids kept from smoking by a state program, future health care costs in the state decline by roughly $17.5 million (in current dollars), and for every 1,000 adults prompted to quit future health costs drop by roughly $9.5 million.†

The long-term savings from state tobacco-prevention programs – as well as the immediate and short-term savings outlined above – also directly reduce state Medicaid program expenditures. More than 13 percent of all smoking-caused health care expenditures in Montana are paid for by the state Medicaid program.[35]

Investing in MTUPP for at least five years at the level recommended by the CDC would produce the following savings to the Medicaid program.

Medicaid Share of 5-Year Savings from Fewer Heart Attacks, Strokes, and Smoking-Affected Births	**$2.7 million**
Future Medicaid Savings from Youth & Adult Smoking Declines	**$75.0 million**

These savings would be even larger if Montana followed the CDC program guidelines and other best practices to make sure it obtained above-average results. California, for example, which has run an exemplary tobacco prevention program focusing on reducing adult smoking, as well as youth tobacco use declines, has been found to have saved, in its first fifteen years, tens of dollars for every single dollar it invested in the tobacco prevention program.[36] And California spent somewhat less than the CDC-recommended amounts during that time period; and would have reaped even larger savings if it had. But even without above-average or additional efforts, the projections here would continue to grow even larger after the first five years of the fully-funded program's efforts – locking in even larger future healthcare savings and Medicaid Program expenditure reductions.

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* For more detail on the benefits of a one percentage point decline in smoking in Montana, see Appendix C. See also, TFK Factsheet, *Comprehensive Statewide Programs Reduce Tobacco Use*, http://www.tobaccofreekids.org/research/factsheets/pdf/0045.pdf.

† See TFK Factsheet, *Lifetime Healthcare Costs: Smokers v. Non-Smokers v. Former Smokers*, http://tobaccofreekids.org/research/factsheets/pdf/0277.pdf.

The projections of overall healthcare savings to public, private sector, and household healthcare costs throughout the state would occur over the lifetimes of the smokers who quit or kids who never start smoking because of a fully-funded tobacco program. Besides Medicaid, Montana would also see reductions to the smoking-caused health costs in other city or city-funded programs because of the smoking declines prompted by the program – and private sector and individual smoking-caused health costs would also decline. Most notably, decreasing smoking rates among workers would also lower public and private sector employers' health care and health insurance costs.

Businesses pay a large share of smoking-related healthcare costs. Studies have indicated that 30 to 85 percent of medical costs to employers are unnecessarily excessive and could be reduced if the health status of their employees was improved.[37] Each smoking employee costs their employer an estimated $1,000 to $4,600 per year in excess medical costs.[38] Studies show that smoking and other tobacco use decrease business productivity through high rates of absenteeism and reduced concentration and drive up businesses' health and non-health costs. With adequate funding, the MTUPP can not only protect kids from tobacco addiction, but can ensure that the state will offer business and government more healthy and productive employees in the future. Furthermore, reducing smoking among current adult smokers now will make Montana's current workforce more healthy and productive, and reduce employers' related costs.

Implementing All Three Strategies Would Also Reduce Public and Private Non-Health Costs

By reducing smoking and tobacco use throughout the state, a range of non-healthcare costs would also decline, such as the amount of property damage and loss from smoking-caused fires and smoking-caused cleaning and maintenance costs, which total in the billions nationwide. But the biggest non-health-cost benefit might be the impact of the smoking declines on improving worker productivity and reducing related losses.

Currently, the CDC estimates that the productivity losses in Montana from productive work lives being shortened by smoking-caused death total more than $305 million each year.[39] The state's employers also suffer from substantial additional productivity losses caused by employees who smoke or use other tobacco products being sick more often, smoking employees taking cigarette breaks and being less productive on-the-job, and productive employees having to stop working because they are suffering from smoking-caused disease or disability. For example, one study found that smoking hurts productivity because employees who smoke are absent from work on average 6.16 days per year due to illness, whereas nonsmokers are absent on average 3.86 days per year.[40] Similarly, a study done for the Indiana Health Department determined that the cost of smoking employees to businesses in just a single Indiana county totaled $260.1 million per year from increased absenteeism and lost productivity, higher health insurance premiums, and increased recruitment and training costs from smoking employees' premature retirement and death.[41]

By reducing smoking among workers, a fully-funded prevention and cessation program would cut public and private sector employer productivity losses by improving worker health and on-the-job performance, reducing the amount of smoking-caused work absences and work-time cigarette breaks, and reducing the number of productive work years lost from smoking-caused illness or disability interrupting or prematurely ending healthy and productive work lives. A healthier, more productive workforce would not only help existing state government and business employers, but would also make the state more attractive to businesses that might be considering leaving the state or other businesses that might be considering relocating to Montana.

CONCLUSION

In the ten years that it has been in operation, the Montana Tobacco Use Prevention Program has proven effective at preventing kids from starting to smoke and encouraging and assisting smokers to quit. The program, along with other policy changes such as tobacco tax increases and a comprehensive smoke-free air law have worked together to ultimately reduce the state's tobacco use rates. To further the downward trends in tobacco use – and associated economic costs – the state should increase the state tobacco tax rates and increase funding for MTUPP.

Tobacco is not only the number one preventable cause of death and disease in Montana – it is a substantial drag on the state's economy. Investing in critically-important tobacco prevention and cessation efforts would produce enormous tobacco use declines and related public health and economic benefits immediately and for years to come. The people, businesses, and taxpayers of Montana deserve no less.

This report was prepared by Ann Boonn and Meg Riordan of the Campaign for Tobacco-Free Kids
1400 I Street, NW, Washington, DC 20005. Phone: 202-296-5469. Fax: 202-296-5427.

APPENDIX A

THE TOLL OF TOBACCO IN MONTANA

Tobacco Use in Montana

- **High school students who smoke: 18.7% [Girls: 19.8% Boys: 17.7%]**
- **High school males who use smokeless tobacco: 24.1%**
- **Kids (under 18) who try cigarettes for the first time each year: 4,100**
- **Additional Kids (under 18) who become new regular, daily smokers each year: 1,100**
- **Packs of cigarettes bought or smoked by kids in Montana each year: 2.4 million**
- **Kids exposed to second hand smoke at home: 52,000**
- **Adults in Montana who smoke: 16.8% [Men: 16.4% Women: 17.3% Pregnant Females: 19.1%]**
- **Adults in Montana who use smokeless tobacco: 7.4% [Men: 13.4% Women: 1.5%]**

Nationwide, youth smoking has declined significantly since the mid-1990s, but that decline appears to have slowed. The 2009 Youth Risk Behavior Survey found that the percentage of high school students reporting that they have smoked cigarettes in the past month decreased slightly to 19.5 percent in 2009 from 20 percent in 2007. 20.6 percent of U.S. adults (about 46 million) currently smoke, the same rate as 2008 and essentially unchanged since 2004, when 20.9 percent smoked.

Deaths in Montana From Smoking

- **Adults who die each year in Montana from their own smoking: 1,400**
- **Adult nonsmokers who die each year from exposure to secondhand smoke: 120**
- **Montana kids who have lost at least one parent to a smoking-caused death: 1,000**
- **Kids alive in state today who will ultimately die from smoking: 18,000 (given current smoking levels)**

Smoking, alone, kills more people each year than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined. For every person in Montana who dies from smoking approximately 20 more state residents are suffering from serious smoking-caused disease and disability, or other tobacco-caused health problems.

Tobacco-Related Monetary Costs in Montana

- **Annual health care expenditures in the State directly caused by tobacco use: $277 million**
- **Annual health care expenditures in Montana from secondhand smoke exposure: $13.0 million**
  - **State Medicaid program's total health expenditures caused by tobacco use: $67.0 million**
- **Citizens' state/federal taxes to cover smoking-caused gov't costs: $208.7 million ($556/household)**
- **Smoking-caused productivity losses in Montana: $305 million**
- **Smoking-caused health costs and productivity losses per pack sold in Montana: $9.17**

The above productivity loss is from smoking-death-shortened work lives, alone. Even larger productivity losses come from smoking-caused work absences, on-the-job performance declines, and disability-shortened productive work lives. Other non-health costs caused by tobacco use include direct residential and commercial property losses from smoking-caused fires and smoking-caused cleaning and maintenance costs.

Tobacco Industry Advertising and Other Product Promotion

- **Estimated portion spent in Montana each year: $33.3 million**

Research has found that kids are three times more sensitive to tobacco advertising than adults and are more likely to be influenced to smoke by cigarette marketing than by peer pressure, with one-third of underage smoking experimentation attributable to tobacco company marketing.

Montana Government Policies Affecting The Toll of Tobacco in Montana

- **Annual State tobacco prevention spending from tobacco settlement and tax revenues: $8.4 million [National rank: 4 (with 1 the best), based on percent of CDC recommendation]**
- **State cigarette tax per pack: $1.70 [National rank: 17th (average state tax is $1.45 per pack)]**

Sources

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APPENDIX B

NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS FROM A $1.30 CIGARETTE TAX INCREASE IN MONTANA

Current state cigarette tax: $1.70 per pack (17th among all states)
Smoking-caused costs in Montana: $9.17 per pack

Annual healthcare expenditures in Montana directly caused by tobacco use: $277 million
Smoking-caused state Medicaid program spending each year: $67.0 million

New Annual Revenue from Increasing the Cigarette Tax Rate by $1.30 Per Pack: $28.0 million
Additional Revenue from Raising Other Tobacco Product Rates to Parallel New Levels: $6.0 million

New Annual Revenue is the amount of additional new revenue over the first full year after the effective date. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits from the Cigarette Tax Rate Increase	
Percent decrease in youth smoking:	**15.8%**
Kids in Montana kept from becoming addicted adult smokers:	**8,200**
Current adult smokers in the state who would quit:	**4,500**
Smoking-affected births avoided over next five years:	**1,700**
Montana residents saved from premature smoking-caused death:	**3,800**
5-year health savings from fewer smoking-affected pregnancies & births:	**$2.9 million**
5-year health savings from fewer smoking-caused heart attacks & strokes:	**$2.0 million**
Long-term health savings in the state from adult & youth smoking declines:	**$186.3 million**

- Tax increases of less than roughly 25 cents per pack or 10% of the average state pack price do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Splitting a tax rate increase into separate, smaller increases in successive years will similarly diminish or eliminate the public health benefits and related cost savings (as well as reduce the amount of new revenues).
- Raising state tax rates on other tobacco products (OTPs) to parallel the increased cigarette tax rate will bring the state more revenues, public health benefits, and cost savings (and promote tax equity). With unequal rates, the state loses revenue each time a cigarette smoker switches to cigars, RYO, or smokeless. To parallel the new $3.00 per pack cigarette tax, the state's new OTP tax rate should be at least 100% of wholesale price with minimum tax rates for each major OTP category linked to the state cigarette tax rate on a per-package or per-dose basis.

Needed State Efforts to Protect State Tobacco Tax Revenues

Having each of the following measures in place will maintain and increase state tobacco tax revenues by closing loopholes, blocking contraband trafficking, and preventing tax evasion.

State tax rate on RYO cigarettes equals the state tax rate on regular cigarettes	No
State tax rates on other tobacco products match the state cigarette tax rate	No
State definitions of "cigarette" block cigarettes from wrongfully qualifying as "cigars"	No
State definitions of "tobacco product" reach all tobacco products	No
Loopholes for the new generation of smokeless products (snus, tablets, etc.) closed	No
Minimum taxes on all tobacco products to block tax evasion and promote tax equity	No
"High-tech" tax stamps to stop counterfeiting and other smuggling and tax evasion	No

Retailers lose license if convicted of contraband trafficking	Yes
Street sales and mobile sales of cigarettes and other tobacco products prohibited	Yes
Non-Tobacco nicotine products without FDA approval banned	No

APPENDIX C

BENEFITS & SAVINGS FROM EACH ONE PERCENTAGE POINT DECLINE IN MONTANA SMOKING RATES

The following estimates show the benefits and savings that are obtained in Montana for each one percentage point decline in adult and youth smoking rates in the state (e.g., from new state investments in tobacco prevention or increased state tobacco tax rates). These estimates can also be switched around to show what harms and costs Montana would suffer from each one percentage point increase to its smoking rates or from each one percentage point reduction the State fails to obtain (e.g., because it fails to sustain adequate state tobacco prevention funding or lets its tobacco tax rates erode over time).

Fewer Smokers

Fewer current adult smokers: 7,500

Fewer current pregnant smokers: 120

Fewer current high school smokers: 540

Montana kids alive today who will not become addicted adult smokers: 2,100

Public Health Benefits

Today's adults saved from dying prematurely from smoking: 2,000

Today's high school smokers saved from dying prematurely from smoking: 170

Montana kids alive today who will not die prematurely from smoking: 670

	First Year	Over 5 Years
Fewer smoking-affected births:	**120**	**610**
Fewer smoking-caused heart attacks:	**4**	**46**
Fewer smoking-caused strokes:	**2**	**25**

[The number of heart attacks and strokes prevented each year by a one-time decline in adult smoking rates of one percentage point starts out small but grows sharply until it peaks and stabilizes after about ten years.]

Monetary Benefits (Reduced Public, Private, and Individual Smoking-Caused Costs)

	First Year	Over 5 Years
Savings from smoking-affected birth reductions	**$0.2 million**	**$1.0 million**
Savings from heart attack & stroke reductions	**$0.2 million**	**$3.3 million**

[Annual savings from fewer smoking-caused heart attacks and strokes grows substantially each year as more and more are prevented by the initial one percentage point smoking decline. Savings from prevented smoking-caused cancer are even larger, but do not begin to accrue until several years after the initial smoking decline.]

Reduction to future health costs from adult smoking declines: **$71.3 million**

Reduction to future health costs from youth smoking declines: **$36.8 million**

[These savings accrue over the lifetimes of the adults who quit and the youth who do not become adult smokers. Roughly 13.7% of smoking-caused healthcare expenditures in Montana are paid by its Medicaid program.]

At the same time that they reduce public and private smoking-caused costs, state smoking declines also increase public and private sector worker productivity and strengthen the state's economy.

APPENDIX D

EXPLANATIONS AND SOURCES FOR TFK'S PROJECTIONS OF NEW REVENUES & BENEFITS FROM STATE CIGARETTE TAX INCREASES

The Campaign for Tobacco-Free Kids (TFK) projections of increased state revenues and other benefits from raising state cigarette tax rates reflect the basic fact that cigarette tax increases both boost state cigarette tax revenues and reduce smoking because the increased tax per pack brings in more new revenue than is lost from the declines in pack sales caused by consumption declines or increased smoker tax avoidance prompted by the price increase.

These projections are based, in part, on research findings that a 10% cigarette price increase, if maintained against inflation, reduces youth smoking rates by 6.5% or more, adult rates by 2%, and total consumption by 4%. [See, e.g, Chaloupka, FJ, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at http://tigger.uic.edu/~fjc; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001, and other price studies at http://www.impacteen.org. Frank J. Chaloupka & Rosalie Pacula, "The Impact of Price on Youth Tobacco Use," Chapter 12 in National Cancer Institute, Smoking and Tobacco Control Monograph 14, *Changing Adolescent Smoking Prevalence*, November 2001.]

But these elasticity findings are adjusted downward to be conservative and to account for some smokers avoiding the price increases through a range of tax evasion strategies. Despite such tax evasion, cigarette tax increases reduce smoking rates, which, in turn, reduces smoking caused disease, death, and economic costs. Parallel increases to state excise taxes on other tobacco products would similarly provide additional new state excise tax and sale tax revenue – while also reducing the use of these products in the state, and reducing related harms and healthcare costs.

These projections are fiscally conservative because they include generous adjustments for lost state pack sales (and reduced state revenue gains) caused by new tax avoidance efforts by continuing in-state smokers and, where applicable, fewer in-state cigarette sales to supply smokers from other states, informal smugglers, criminal smuggling organizations, or multistate internet sellers. [See, e.g., Farrelly, M, et al., "Cigarette Smuggling Revisited," U.S. Centers for Disease Control & Prevention (CDC), in press, and Farrelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf.]

These projections incorporate the impact of both background smoking declines and the 61.66-cent federal cigarette tax rate increase (effective April 1, 2009) on state smoking levels, pack sales, and pack prices.* Industry analysts and the Congress's Joint Committee on Taxation expect the 2009 federal cigarette tax increases to reduce cigarette sales, nationwide, by a percentage in the high single digits. In addition, industry experts expect future smoking declines of roughly four to five percent per year. [See, e.g., Standard & Poor's, *Altria Group: Sub-Industry Outlook*, October 31, 2009.] Smoking and pack sale declines in any particular state, however, will vary depending on its existing smoking rates, pack prices, and other tobacco prevention activities. To be even more conservative, the projected amounts not only assume significant background declines and federal tax increase reductions but have also been rounded down.

Despite all of these conservative adjustments, the projections still show that non-trivial state cigarette tax increases will both significantly reduce smoking levels and substantially increase state revenues. The increased

* Cigarette company price cuts and other factors could work to increase cigarette consumption and sales in the state, which would increase state cigarette tax revenues beyond the projected amounts.

tax per pack will still bring in more new state revenue than is lost from the decrease in the number of packs sold caused by the tax increase from either consumption declines, tax avoidance, or smuggling. And that is exactly what has happened in every state that has significantly increased its cigarette tax rates. [See, e.g., TFK Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (and Always Reduces Smoking),* http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf.]

In those states that apply their sales tax percentage to the total retail price of a pack of cigarettes (including the state cigarette tax amount), a cigarette tax increase will raise state sales tax revenues per pack, which will offset sales tax revenue losses from fewer packs being sold. In addition, smokers who quit or cut back will likely spend the money they previously spent on cigarettes largely on other goods on which sales tax is collected, which further increases state sales tax revenues.

These projections assume that the tax increase is fully passed on in higher prices, and keeps up with inflation over time. The starting price per pack (before the proposed cigarette tax increase) used in these projections includes all federal and statewide excise and sales taxes but not any purely local taxes (except that NY City's $1.50 per pack tax is factored into the overall NY State price per pack), and is based on data from *The Tax Burden on Tobacco*, 2008, reports of state cigarette tax increases, media reports on tobacco company price changes, and USDA Economic Research Service's Tobacco Briefing Room. The starting price per pack data have been slightly adjusted downward because *The Tax Burden on Tobacco* does not completely account for retailer-based discounts, promotions, and coupons.

These projections assume that the state or district will follow standard practice and apply the cigarette tax increase to all previously tax-stamped or otherwise tax-paid cigarettes held in inventory by wholesalers or retailers on the effective date of the increase. Failing to tax such cigarettes held in inventory would open the door to massive pre-increase stockpiling by retailers and wholesalers to evade the increase, delaying and reducing the amount of new state revenues.

The projected adult and youth smoking and smoking-harmed birth declines, and related mortality reductions are calculated by applying the above findings regarding the effects of tax and price increases to the number of current adult smokers in each state and to estimates from CDC of the number of kids alive today in each state who will become adult smokers and the number projected to die from smoking. [CDC, *Behavioral Risk Factor Surveillance System* (BRFSS). CDC, "Smoking During Pregnancy—United States, 1990-2002," *Morbidity and Mortality Weekly Report (MMWR)* 53(39):911-915, October 8, 2004, http://www.cdc.gov/mmwr/PDF/wk/mm5339.pdf. CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 1995-1999," *MMWR* 51(14):300-03, April 11, 2002, www.cdc.gov/mmwr/preview/mmwrhtml/mm5114a2.htm. CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 2000-2004," *MMWR* 57(45):1226-1228, November 14, 2008, http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5745a3.htm. CDC, *State Data Highlights 2006,* http://www.cdc.gov/tobacco/data_statistics/state_data/data_highlights/2006/index.htm. For an explanation of how CDC makes its projections of the number of kids alive today in each state who will become adult smokers and the number projected to die from smoking, see CDC, "Projected Smoking-Related Deaths Among Youth—United States," *MMWR* 45(44):971-974, November 11, 1996, http://www.cdc.gov/mmwr/preview/mmwrhtml/00044348.htm, which also contains data on relative death risks of smokers, nonsmokers, former smokers, etc.]

Because of research and data limitations, it is not yet possible to estimate health savings in each year following a cigarette tax increase, or even provide reasonable estimates of the total health care savings over the first five or ten years. Although smoking-caused healthcare cost savings from a cigarette tax increase will be relatively small in the first year after an increase, they grow quickly. The listed 5-Year savings from fewer smoking-caused heart attacks and strokes and from fewer smoking-affected pregnancies and related birth complications show just some of the many substantial savings from the smoking reductions prompted by a tax increase that begin to accrue immediately.

The projected healthcare savings from reducing the number of future youth and current adult smokers accrue over the lifetimes of kids alive in the state today who quit or don't start because of tax increase and over the lifetimes of those current adult smokers who quit because of the tax increase. Smokers' lifetime healthcare costs

average at least $17,500 higher than nonsmokers (in 2004 dollars), despite shorter life spans; but the savings per each adult quitter are less than that because adult smokers have already been significantly harmed by their smoking and have already incurred or locked-in extra, smoking-caused health costs. [Hodgson, TA, "Cigarette Smoking and Lifetime Medical Expenditures," *The Milbank Quarterly* 70(1), 1992. See also, Nusselder, W, et al., "Smoking and the Compression of Morbidity," E*pidemiology & Community Health*, 2000; Warner, K, et al., "Medical Costs of Smoking in the United States: Estimates, Their Validity, and Their Implications," *Tobacco Control* 8(3):290-300, Autumn 1999, http://tc.bmjjournals.com/content/vol8/issue3/index.shtml. CDC, "Projected Smoking-Related Deaths Among Youth—United States," *MMWR* 45(44):971-974, November 8, 1996, http://www.cdc.gov/mmwr/preview/mmwrhtml/00044348.htm. CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 2000-2004," *MMWR* 57(45):1226-1228, November 14, 2008, http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5745a3.htm]

5-Year Heart & Stroke Savings projections show the estimated reductions in smoking-caused healthcare expenditures within first five years after the tax increase from reduced smoking-caused heart attacks and strokes, based on Lightwood & Glantz, "Short-Term Economic and Health Benefits of Smoking Cessation – Myocardial Infarction and Stroke," *Circulation* 96(4), August 19, 1997. [See, also, Kabir, et al., "Coronary Heart Disease Deaths and Decreased Smoking Prevalence in Massachusetts, 1993-2003," *American Journal of Public Health* 98(8):1468-69, August 2008.] These savings will increase steadily in subsequent years. The projected 5-Year Smoking Births Savings accrue from declines in smoking among pregnant women and corresponding reductions in smoking-caused birth complications and related first-year health costs. [Miller, D, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3:25-35, 2001; and state pregnancy-smoking and births data.]

All projected savings have been adjusted to 2004 dollars, using the same methodology used by CDC to update its data on state smoking-caused costs, to make them comparable to CDC's estimates of smoking-caused state costs. [See CDC, *Sustaining State Programs for Tobacco Control: Data Highlights 2006*, http://www.cdc.gov/tobacco/data_statistics/state_data/data_highlights/2006/index.htm.] These projections do not include a range of additional short and long-term savings from other declines in smoking-caused health problems and other smoking-caused costs. [See, e.g., U.S. Department of the Treasury, *The Economic Costs of Smoking in the U.S. and the Benefits of Comprehensive Tobacco Legislation*, 1998.]

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