

## Policy Update: October 20, 2015

### Tobacco Tax Ballot Initiative Primer

On October 7, 2015, the [Saves Lives California](#) coalition filed the "[California Healthcare, Research and Prevention Tobacco Tax Act of 2016](#)" with the Secretary of State for inclusion on the November 2016 General Election Ballot. This proposed ballot initiative will raise the state's tobacco tax by \$2 per pack and direct this funding to tobacco prevention, cures and strengthening a health care system strained by tobacco-related disease. In addition to the \$2 per pack tobacco tax on all tobacco products, programs that have received funding via Proposition 99 and Proposition 10 would receive corresponding backfill. Furthermore, this initiative not only includes electronic cigarettes, but corrects previous definitions, to ensure that all tobacco products (e.g., snus) are captured in the State's Other Tobacco Product (OTP) definition and taxed at a rate equivalent to the cigarette tax.

The initiative is now waiting for title and summary from the Attorney General before being cleared for signatures. The Center for Tobacco Policy & Organizing has put together a summary of the salient points included in the proposed ballot initiative.

#### **CALIFORNIA HEALTHCARE, RESEARCH AND PREVENTION TOBACCO TAX ACT OF 2016**

##### **TOBACCO PRODUCT DEFINITION:**

- Broadens the definition of tobacco products to include electronic cigarettes
- Removes the threshold requirement that tobacco products must contain at least 50 percent tobacco in order to be considered a tobacco product
- Inserts language that tobacco products will not include FDA-approved products that are a tobacco cessation product or which provide other therapeutic purposes

##### **ELECTRONIC CIGARETTE DEFINITION:**

- Inserts broad electronic cigarette definition that includes any device intended to deliver aerosolized or vaporized nicotine to the person inhaling from the device
- Includes any component, part or accessory of such device that is intended to be used, and any liquid or substance containing nicotine, whether sold separately or as a package with any device that would allow it to be inhaled

##### **ESTABLISHMENT OF FUND AND FISCAL EFFECTS:**

- All revenues raised as a result of these taxes shall be deposited into the CALIFORNIA HEALTHCARE, RESEARCH AND PREVENTION TOBACCO TAX ACT OF 2016 Fund ("Tobacco Tax Act of 2016 Fund"), and shall only be appropriated for the express purposes included in this initiative
- Requires the Board of Equalization to determine the fiscal effects to the Proposition 99 fund, Proposition 10 fund, the Breast Cancer fund, and the state or local government sales and use tax revenues. If it is determined that the tax increase results in a revenue decrease due to declining consumption rates, then the Tobacco Tax Act of 2016 Fund will offset the revenue decrease (i.e., backfill).

**DISTRIBUTION OF REVENUE FROM THE TOBACCO TAX ACT OF 2016 FUND:**

- 82% will be used by the California Department of Health Care Services to improve payments and increase funding for all healthcare, treatment, and services
- 13% will be used to fund comprehensive tobacco prevention and control programs in the following manner:
  - 85% to the California Department of Public Health Tobacco Control Program for tobacco control programs
  - 15% to the California Department of Education to be used for school programs to prevent and reduce the use of tobacco and nicotine products by youth
- 5% to the University of California for medical research of cancer, heart and lung tobacco-related diseases

**IMPLEMENTATION AND ADMINISTRATIVE COSTS:**

- Moneys from the Tobacco Tax Act of 2016 Fund will be used to reimburse the following:
  - Board of Equalization administrative costs as a result of this Act, but not more than 5% annually shall be used for these expenses
  - Up to \$400,000 annually to the California State Auditor as a result of conducting independent financial audits of the state and local agencies receiving funds
- Moneys from the Tobacco Tax Act of 2016 Fund will be used to fund the following:
  - \$40 million dollars annually to the University of California to increase the number of primary care and emergency physicians trained in California
  - \$30 million dollars annually to the California Department of Public Health State Dental Program to educate, prevent and treat dental disease
  - \$48 million dollars annually to fund law enforcement efforts to reduce illegal sales of tobacco products, to be apportioned as follows:
    - \$30 million dollars annually to the California Department of Justice/Office of the Attorney General to be distributed to local law enforcement agencies to support and hire front-line law enforcement peace officers for programs
    - \$6 million dollars annually to the Board of Equalization to enforce laws that regulate the distribution and retail sale of cigarettes and other tobacco products
    - \$6 million dollars annually to the California Department of Public Health to support programs
    - \$6 million dollars annually to the California Attorney General to be used for activities