

The State of Tobacco Control in Illinois:

One Economist's Perspective

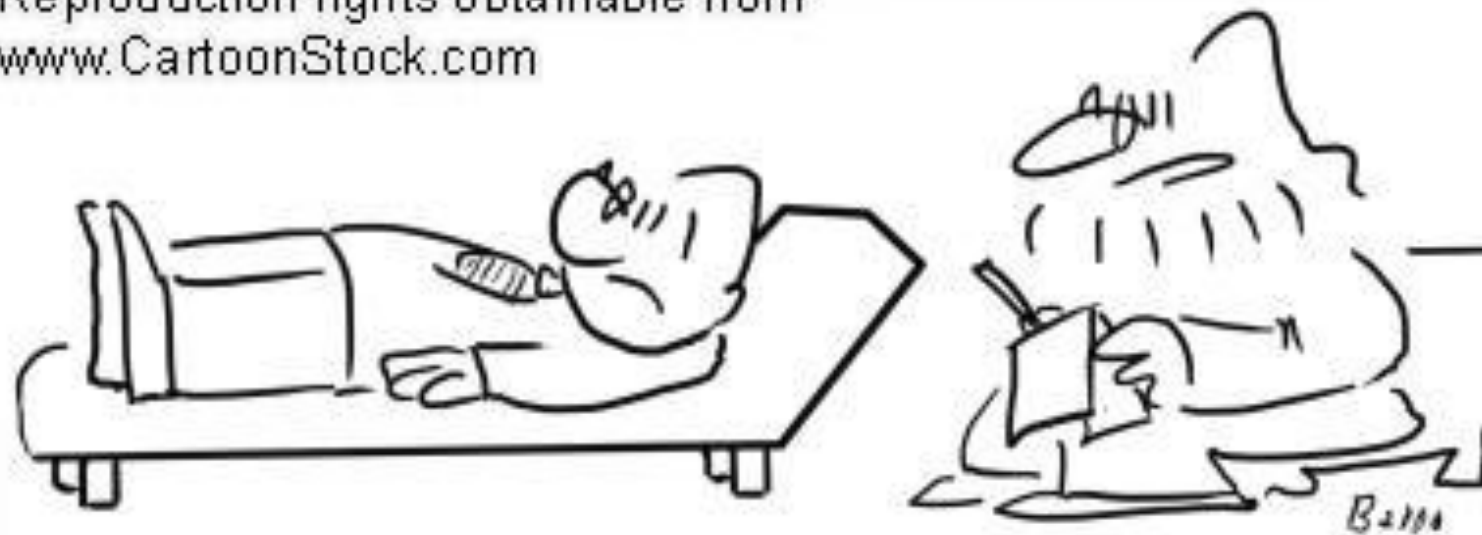
Frank J. Chaloupka
University of Illinois at Chicago
Illinois Tobacco Cessation Forum
Springfield, November 3, 2010
Chicago, November 4, 2010

Overview

- MPOWER Framework
 - “Monitor” the tobacco epidemic
 - “Protect” non-smokers
 - “Offer” help to quit
 - “Warn” about the harms
 - “Enforce” marketing bans
 - “Raise” taxes
- Focus on:
 - Where we’ve been
 - Where we are now
 - Where we can go



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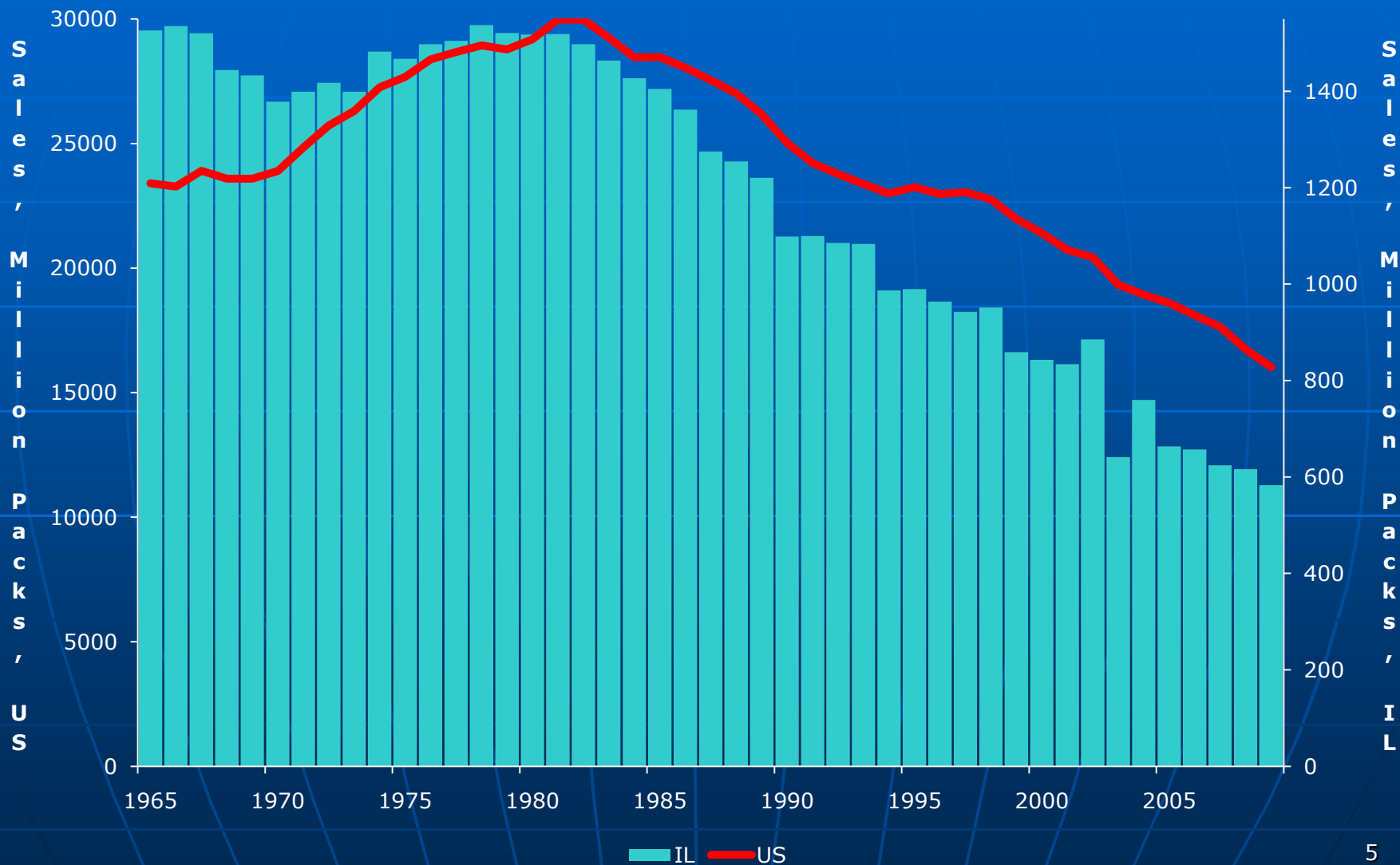


"If you knew that economics was the 'dismal science,' why did you become an economist?"

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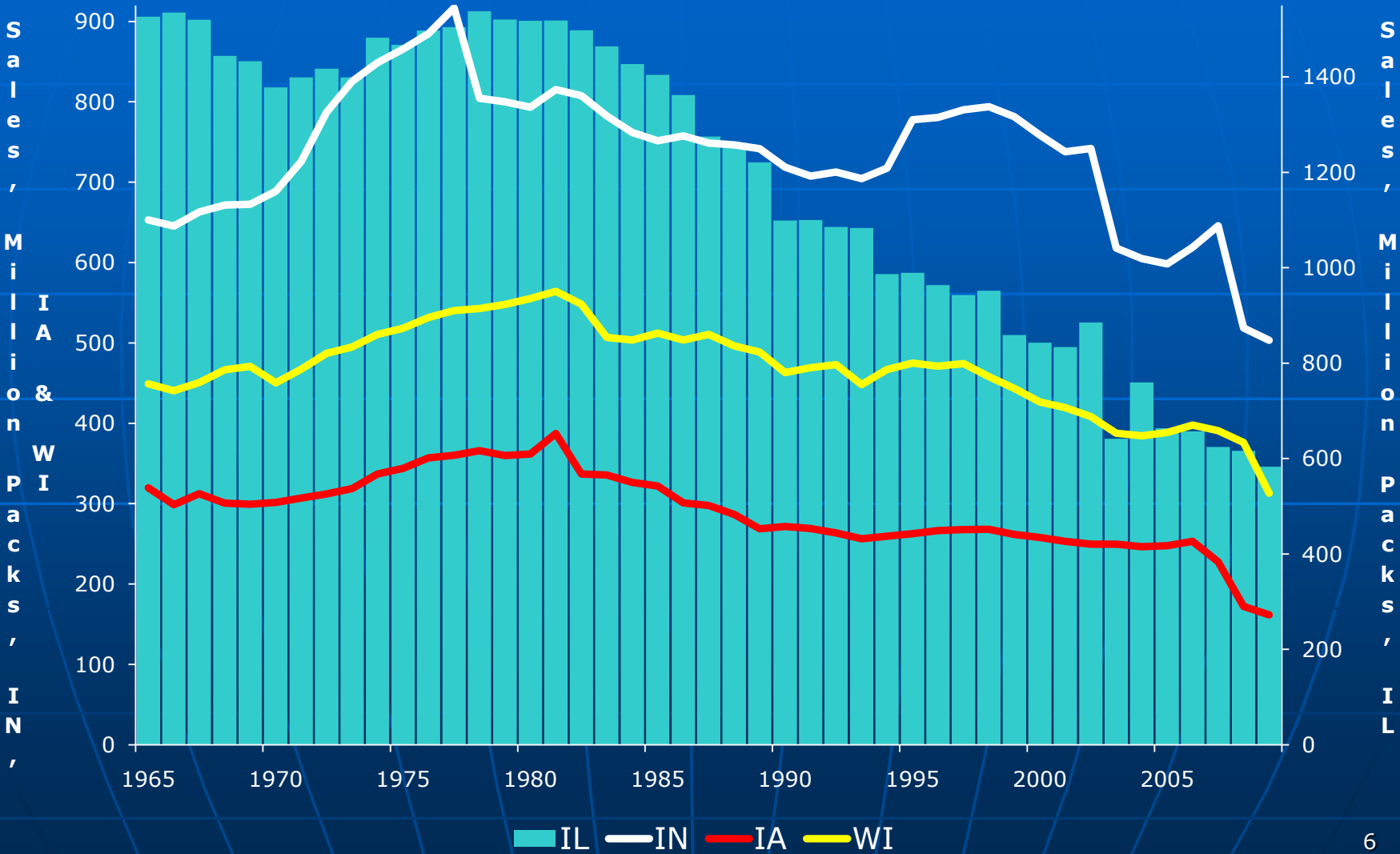
Monitor

Cigarette Sales, Illinois and US, 1965-2009



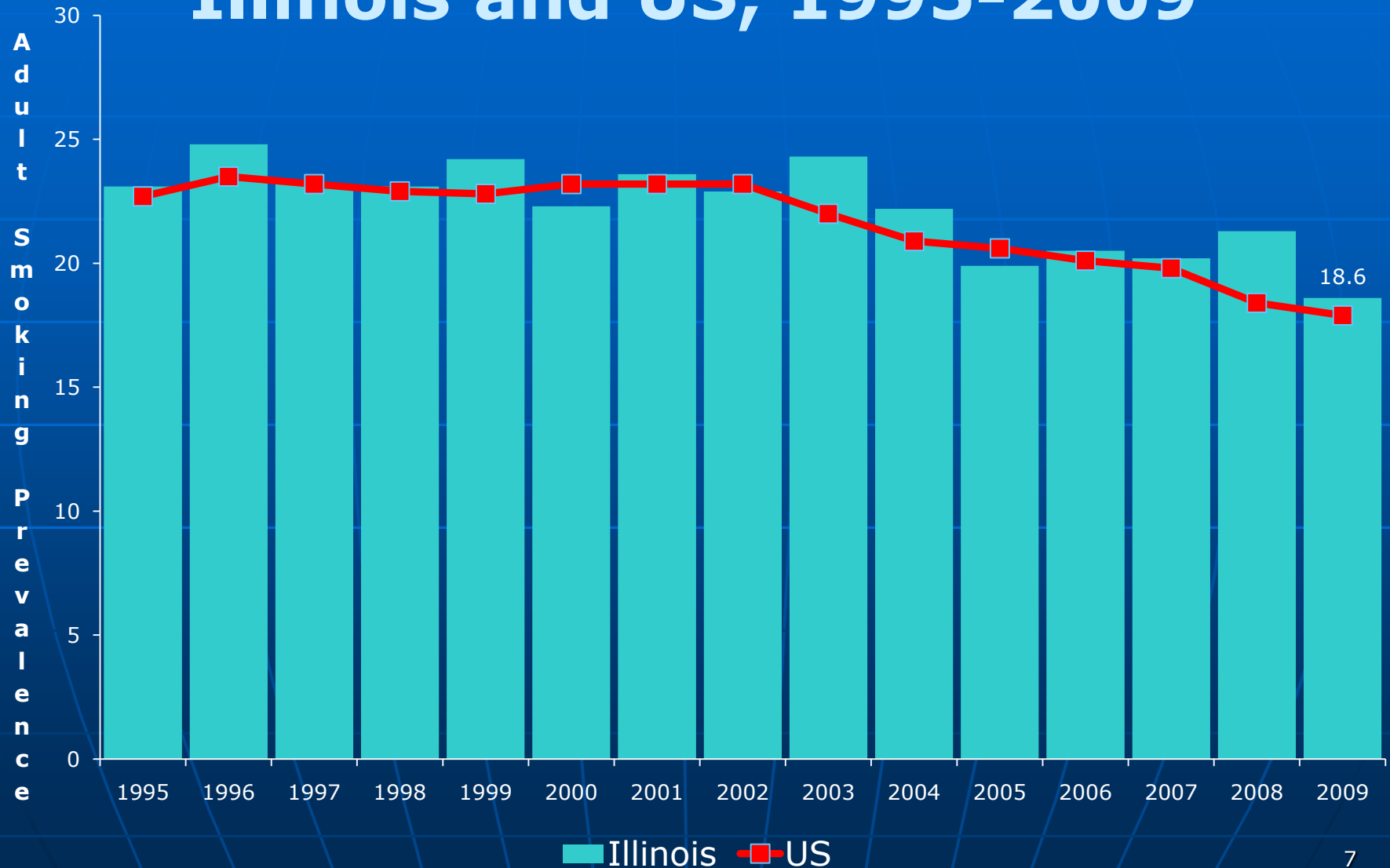
Source: TBOT

Cigarette Sales, IL, IN, IA and WI, 1965-2009



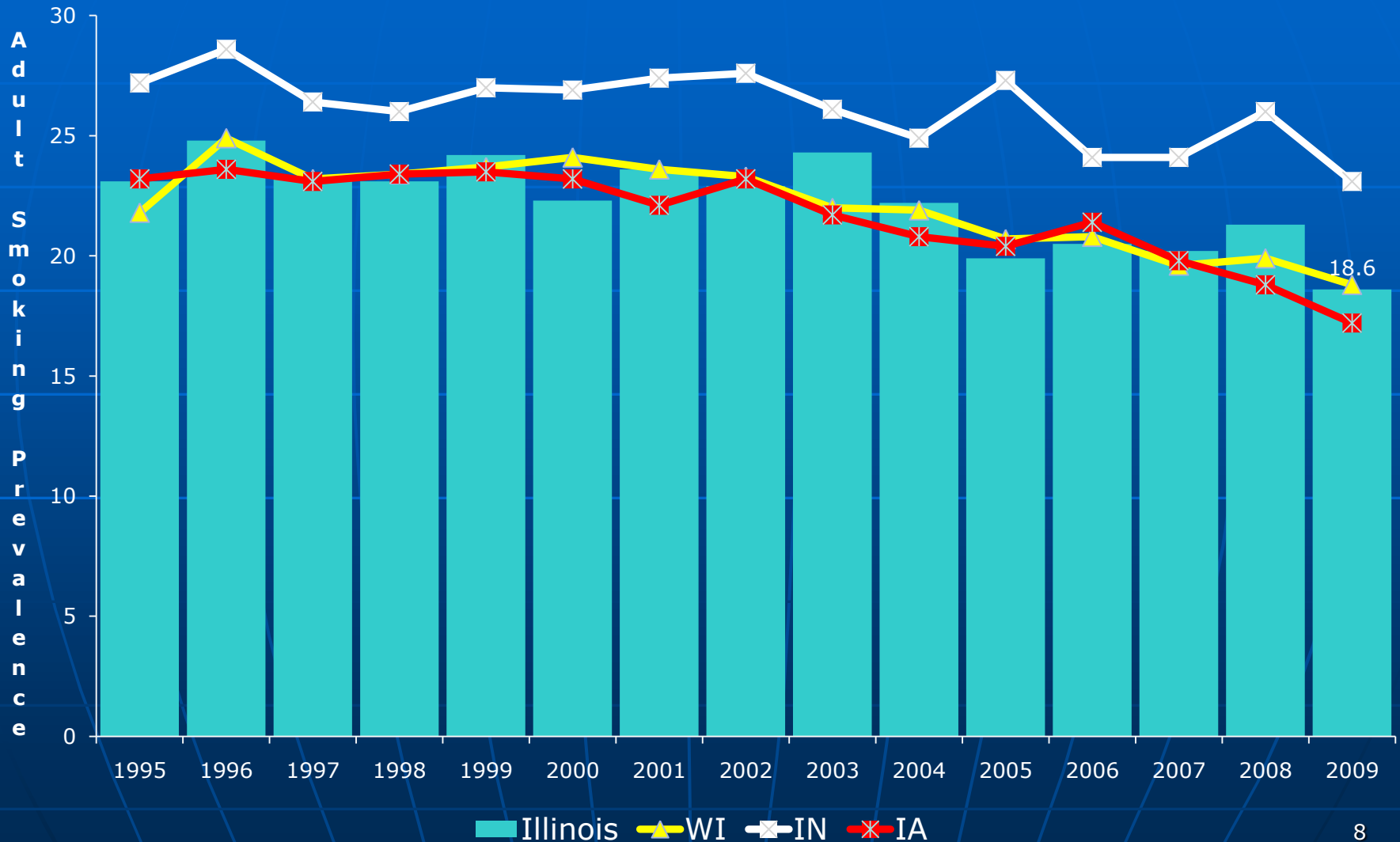
Source: TBOT

Adult Smoking Prevalence Illinois and US, 1995-2009



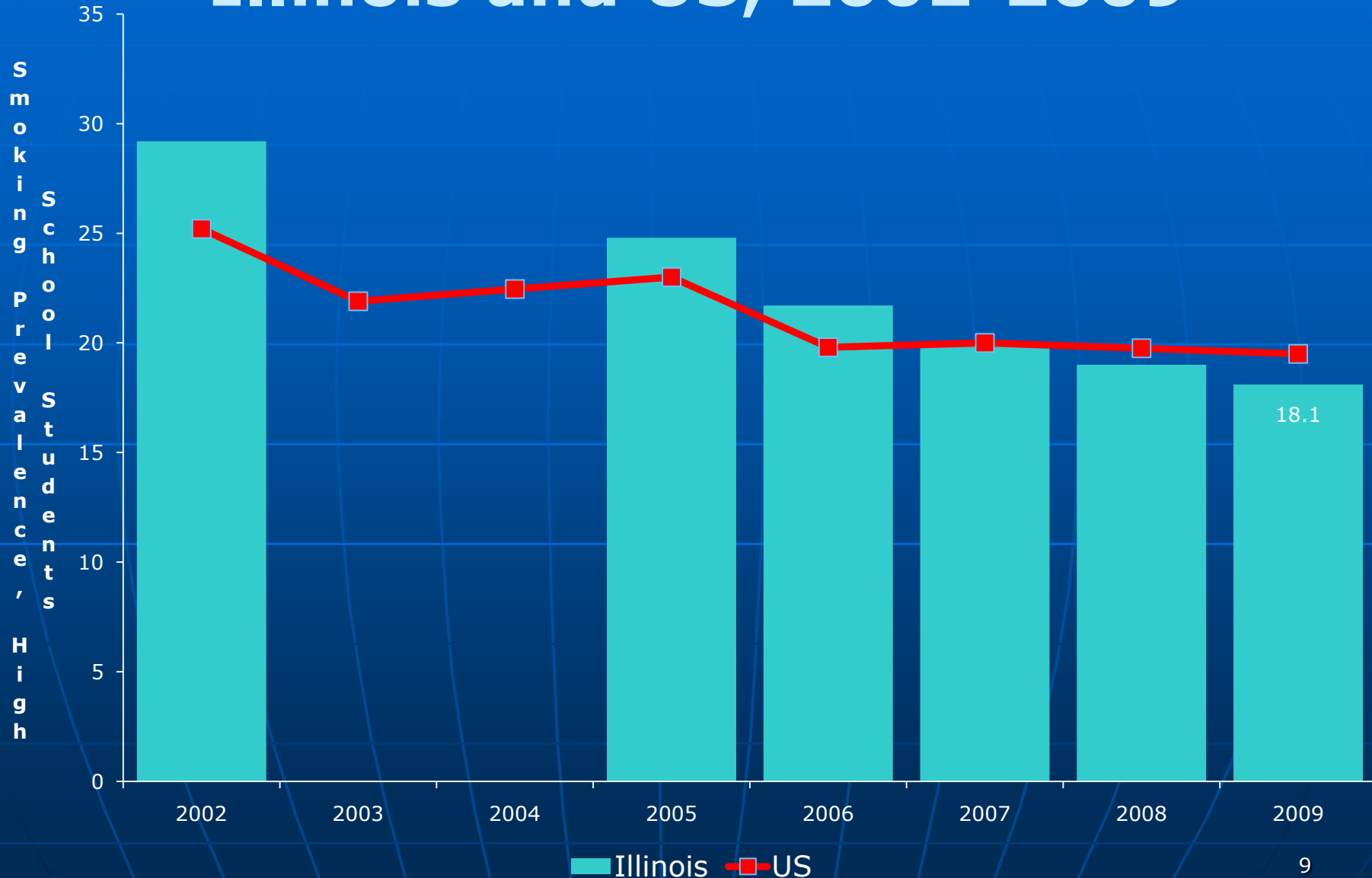
Source: BRFSS

Adult Smoking Prevalence IL, IN, IA, and WI, 1995-2009



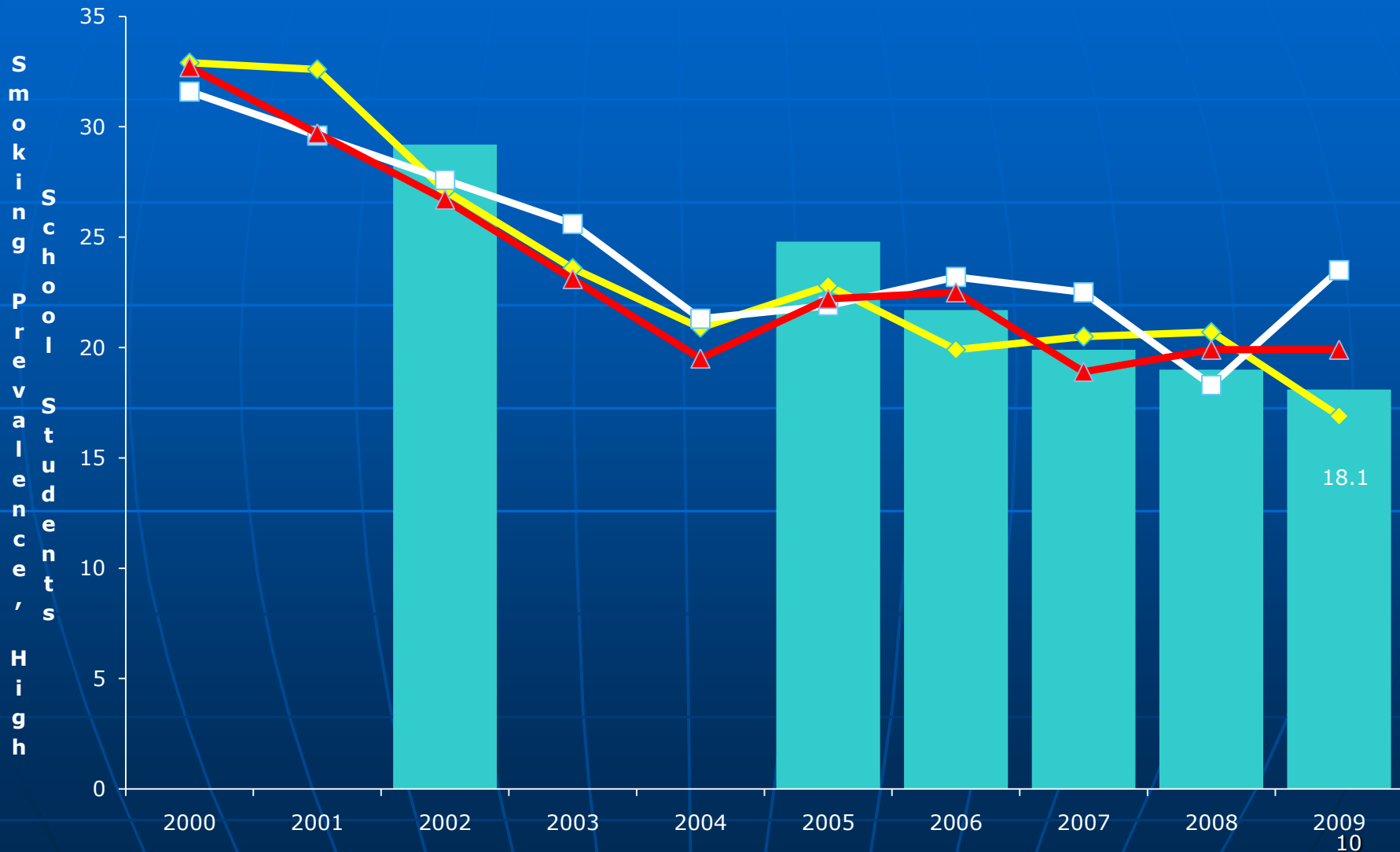
Source: BRFSS

Youth Smoking Prevalence Illinois and US, 2002-2009



Source: YRBS, YTS; some data points interpolated

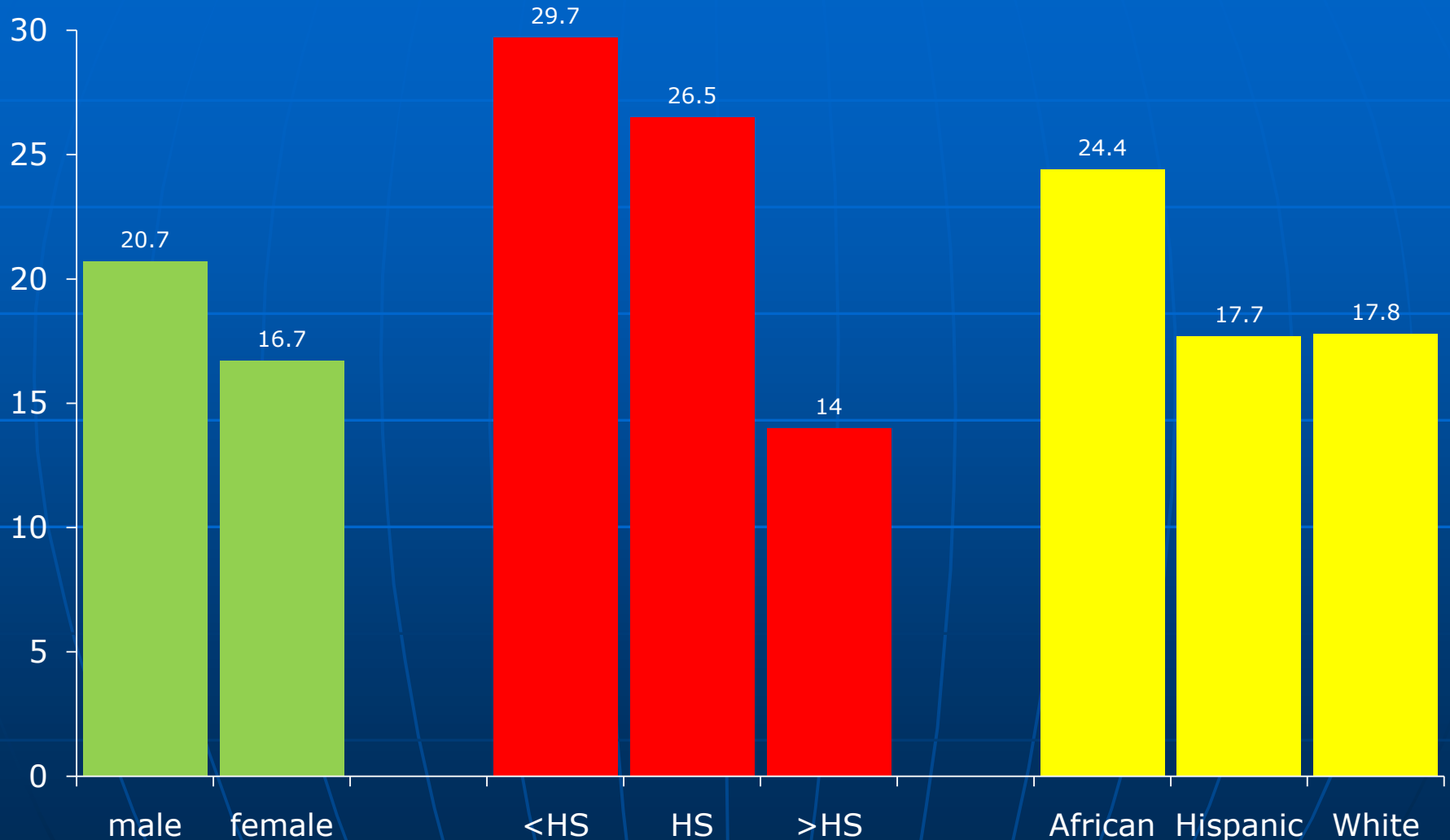
Youth Smoking Prevalence, IL, IN, IA, and WI, 2000-2009



Source: YRBS, YTS; some data points interpolated

Disparities

Adult Prevalence in Key Subpopulations, Illinois, 2009



Source: BRFSS

Tobacco Use in Illinois

■ Where have we been?

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

Tobacco Use in Illinois

■ **Where are we?**

● **Much remains to be done:**

- Over 1.8 million adults currently smoke
 - Persistent racial/ethnic, socio-economic, and gender disparities
- Nearly 160,000 high school kids currently smoke
- Many non-smokers exposed to tobacco smoke at home, in workplaces
- ~16,000 premature deaths each year caused by smoking

Tobacco Use in Illinois

■ Where are we?

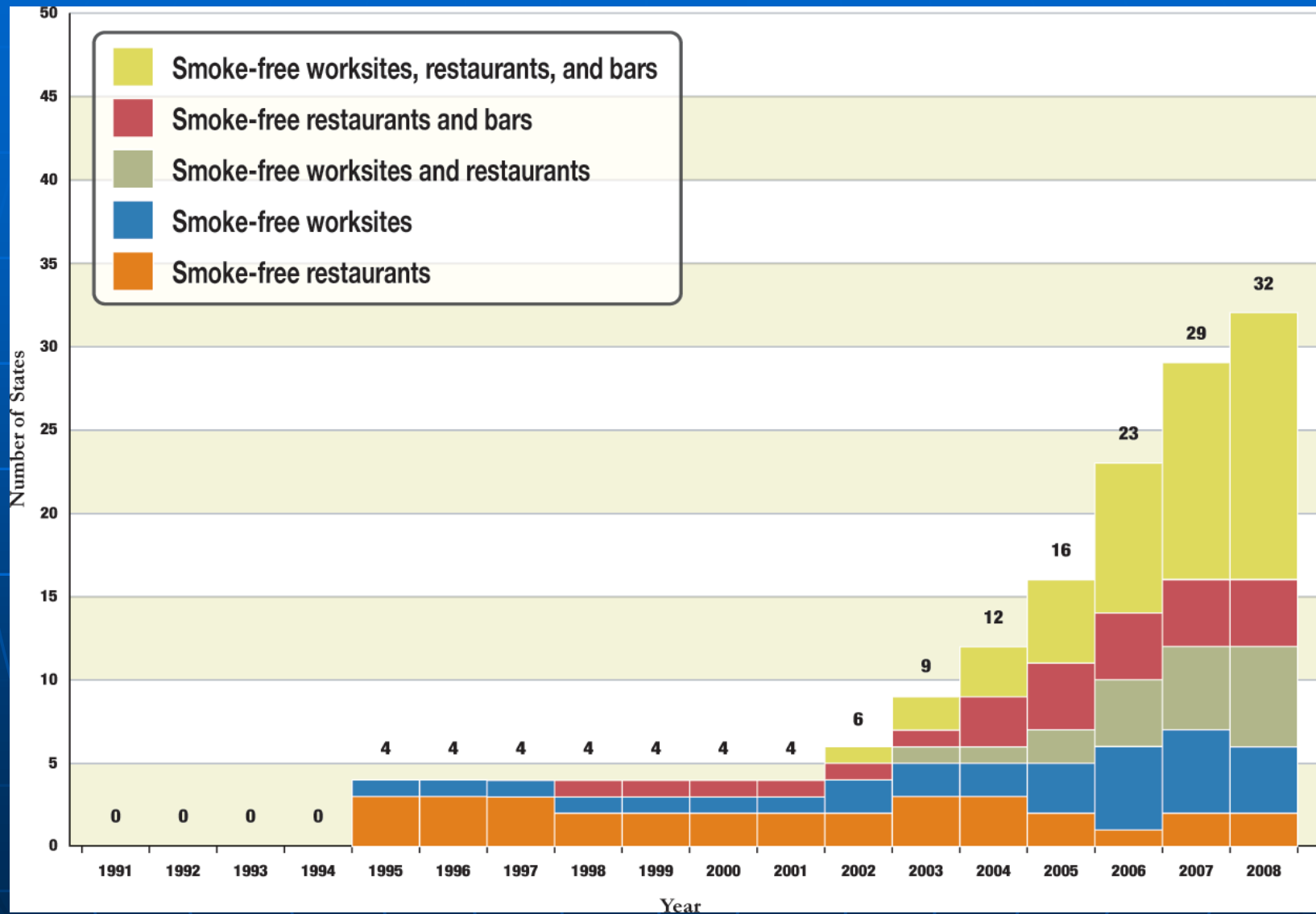
- Considerable economic costs
 - Over \$4 billion spent annually to treat diseases caused by smoking
 - Significant fraction paid by public health insurance programs
 - Another \$4.5 billion in lost productivity from premature deaths caused by smoking

Tobacco Use in Illinois

- **Where can we go?**
 - Much remains to be done:
 - Estimate that ~730,000 current youth will eventually take up smoking
 - As many as 1.3 million current Illinoisans will die prematurely from smoking
 - Health and economic burden greatest among poor, less educated
 - Effective interventions exist

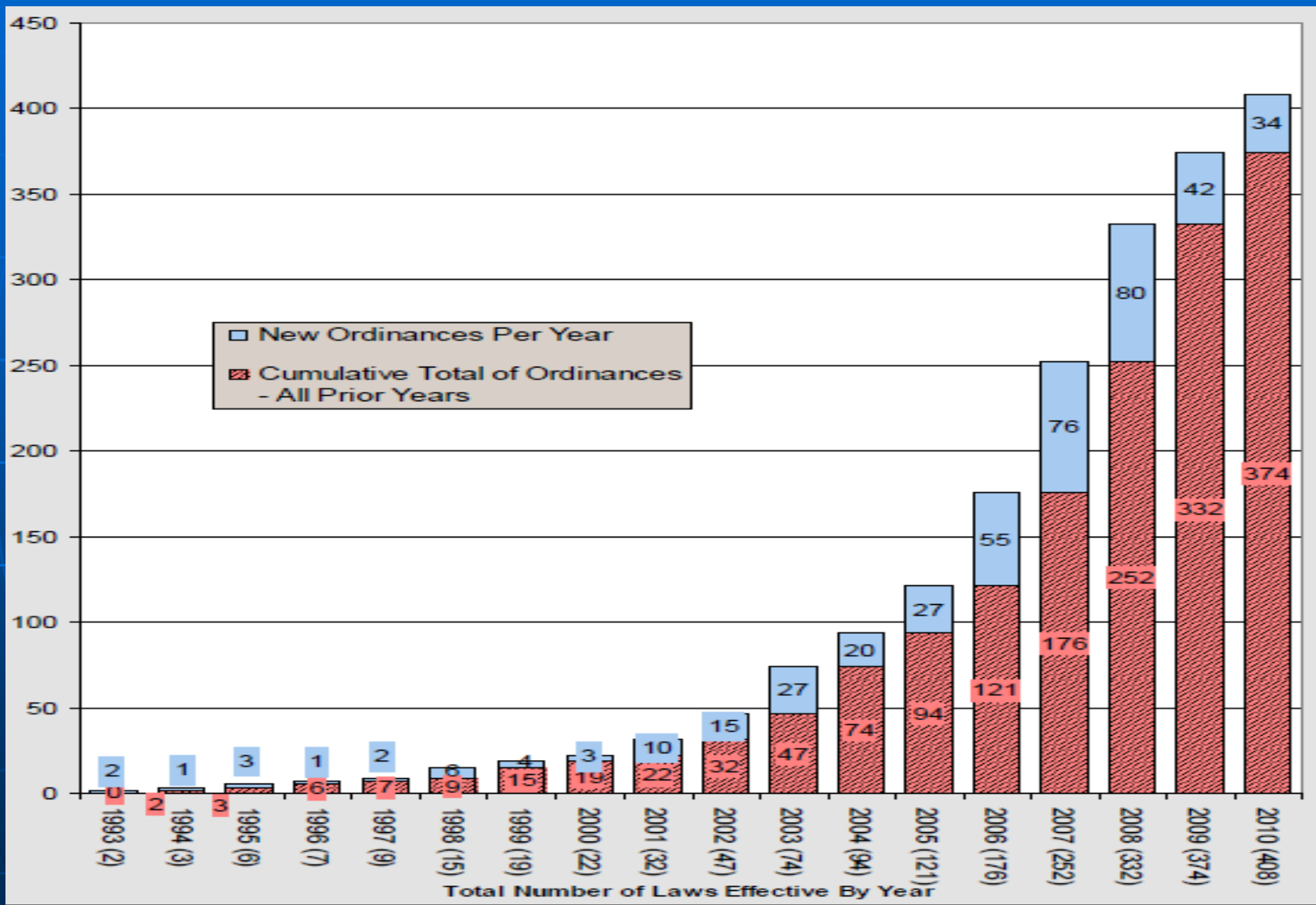
Protect

State Smoke-Free Air Policies



Source: ImpacTeen Project

Local Smoke-Free Air Policies



Source: Americans for NonSmokers' Rights Foundation

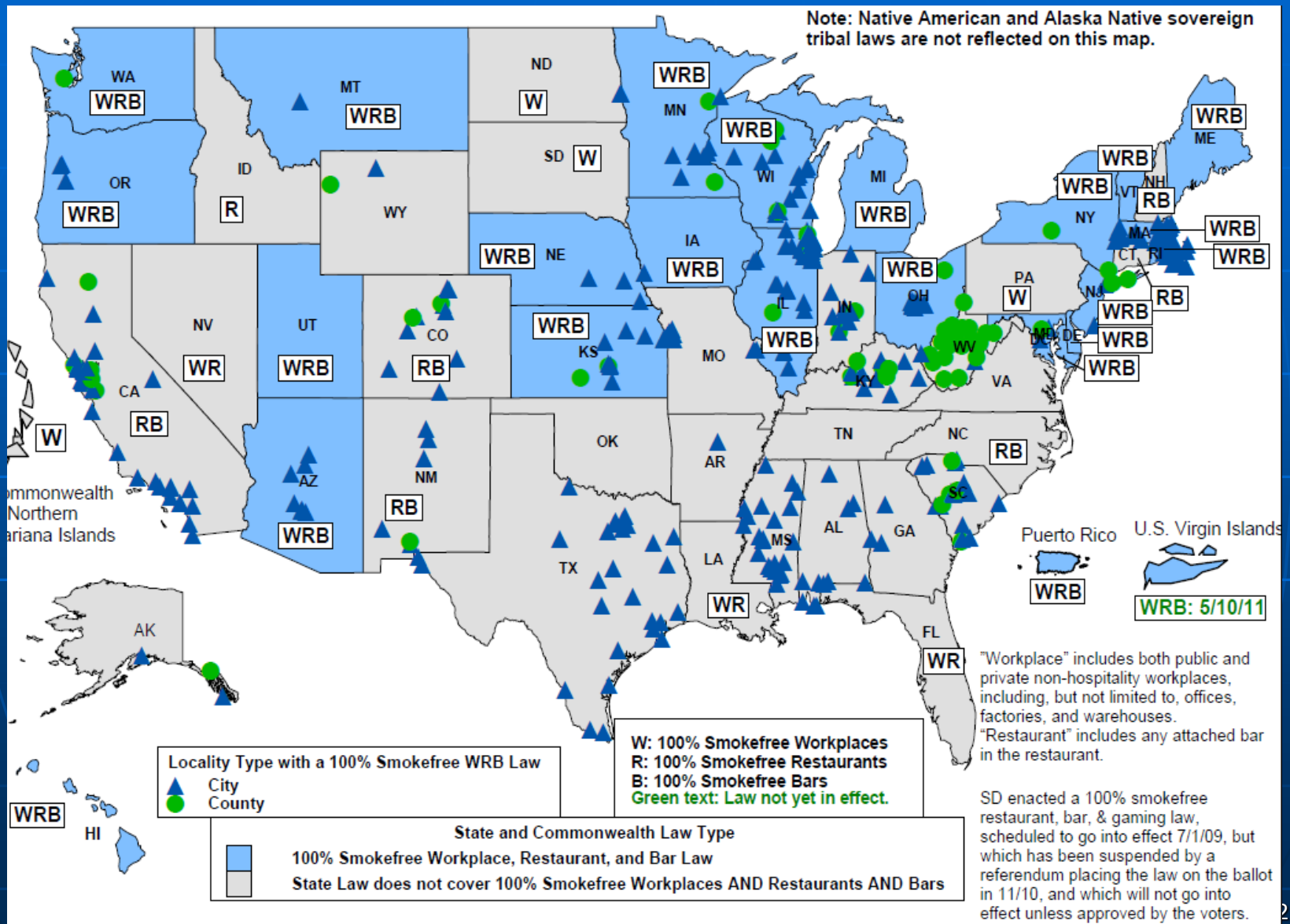
Smoke-Free Air Policies

- **Where have we been?**
 - Until last few years
 - Relatively weak state policies limiting smoking in public places, workplaces
 - State pre-empted stronger local policies
 - A few localities with existing policies grandfathered in

Smoke-Free Air Policies

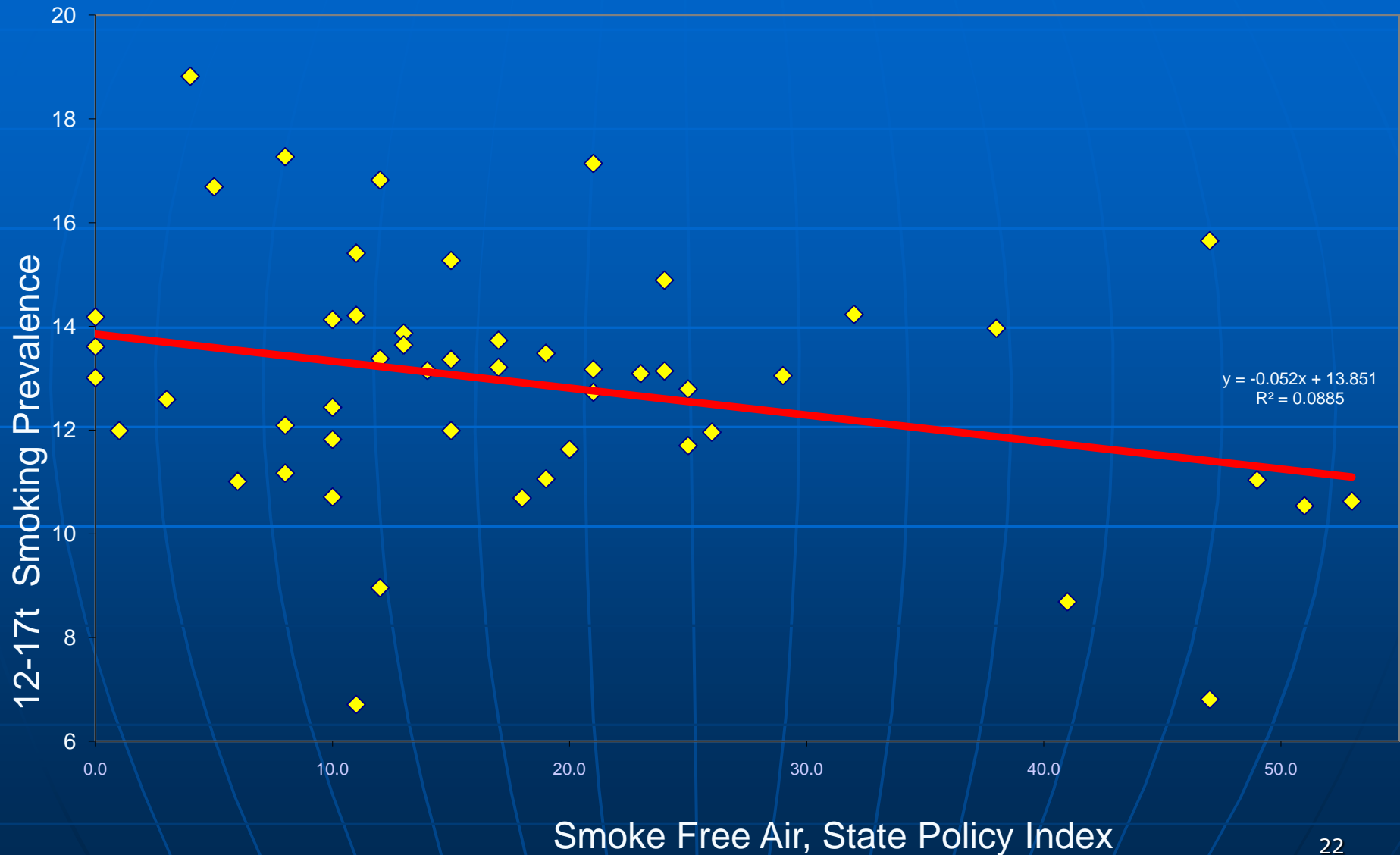
- **Where are we now?**
 - Pre-emption repealed in 2005
 - Home-rule communities in 2005
 - All communities, counties in 2006
 - IL Smoke-Free Air Act adopted 2007
 - Effective January 1, 2008
 - 100% smoke free workplaces, bars, restaurants, gambling establishments, and other public places
 - Most comprehensive at the time
 - IA (7/08), WI (7/10) adopt similar policies, but not as comprehensive

State & Local Smoke-Free Air Policies



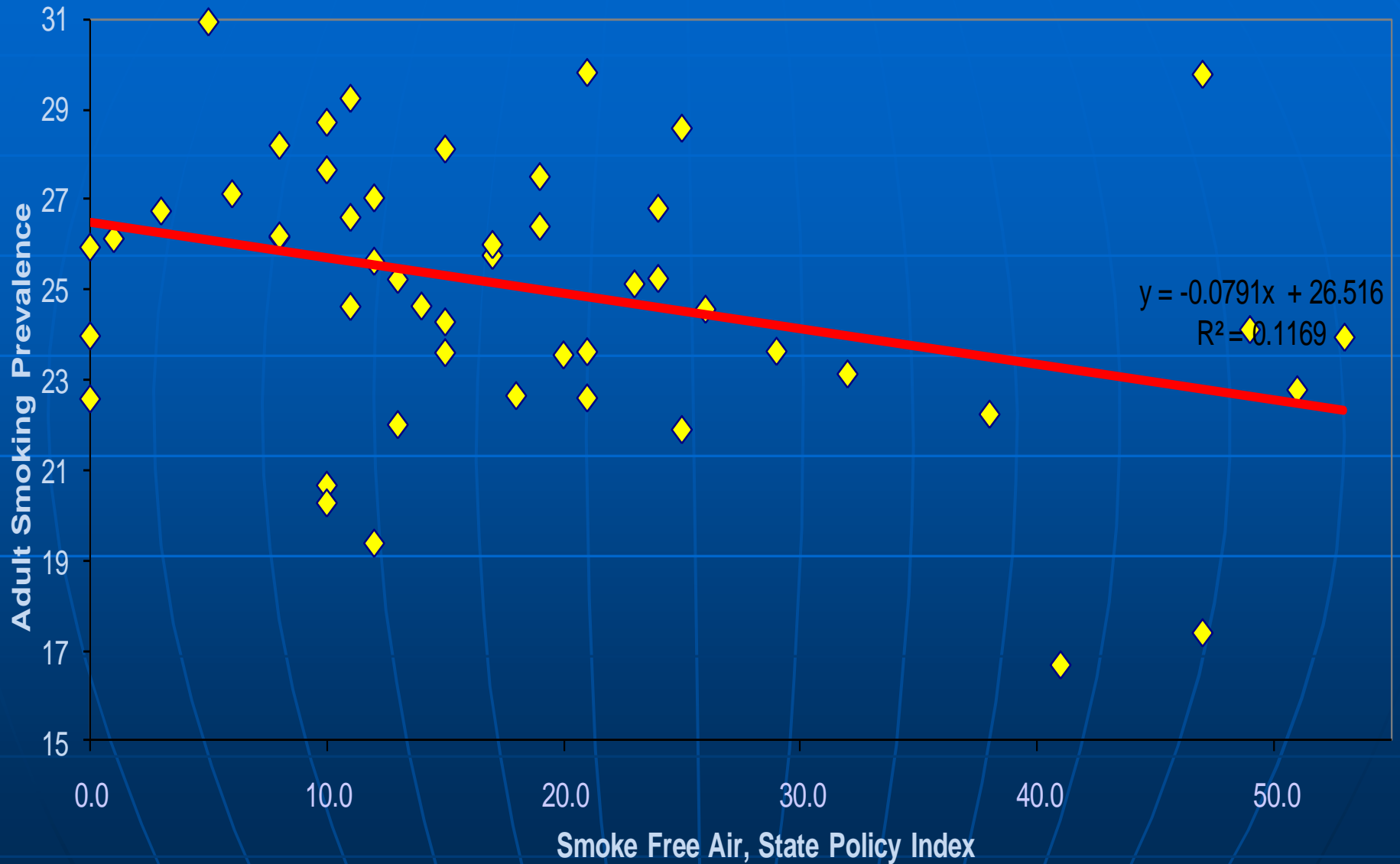
Source: Americans for NonSmokers' Rights Foundation

Impact of Smoke-Free Air Policies



Source: Chaloupka 2010

Impact of Smoke-Free Air Policies



Source: Chaloupka 2010

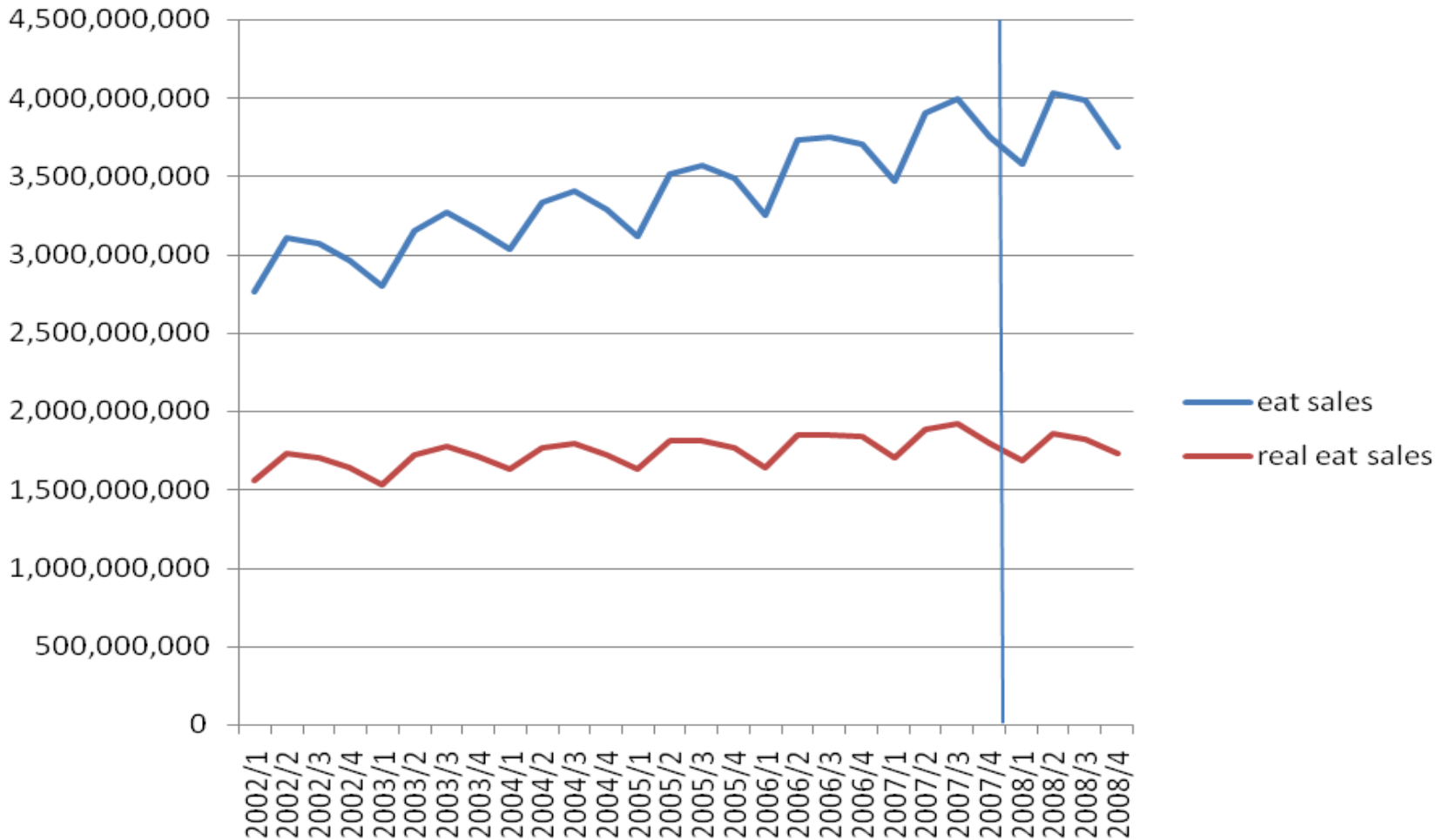
Smoke-Free Air Policies

■ Where are we now?

- Compliance improving over time
 - SFA policies generally self-enforcing
 - Complaints fell 50% from 2008 to 2009; continuing to fall in 2010
- No negative economic impact
 - Any losses due to reduced patronage offset (or more) by increased patronage from non-smokers
 - Reduces other business costs
 - Cleaning costs, lost productivity

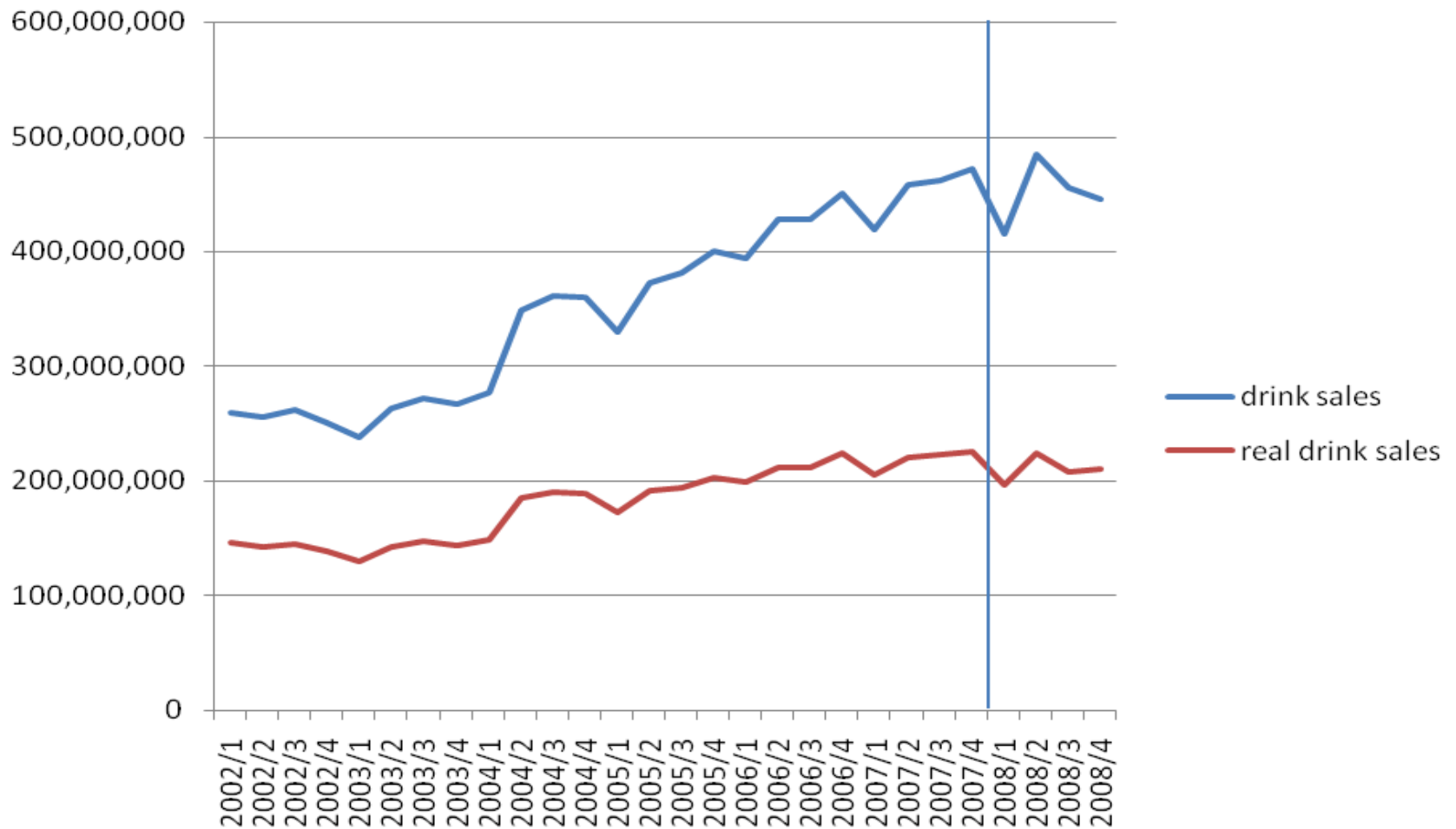
Economic Impact of IL SFA Policy

Restaurant Revenues



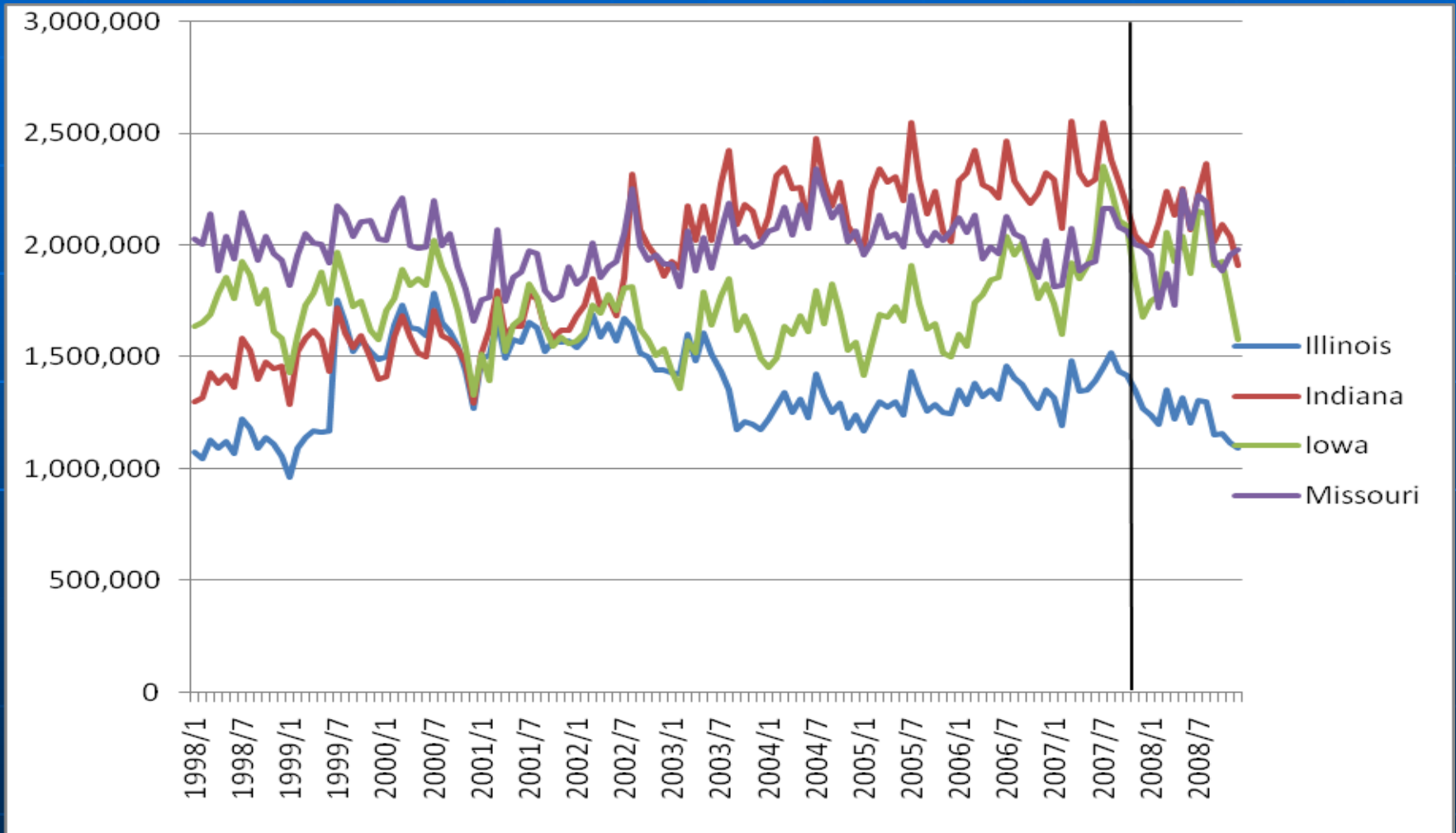
Economic Impact of IL SFA Policy

Bar Revenues



Economic Impact of IL SFA Policy

Casino Patrons per Month



Source: Tauras & Chaloupka, in progress

Smoke-Free Air Policies

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

Offer & Warn

Comprehensive Programs

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

Comprehensive Programs

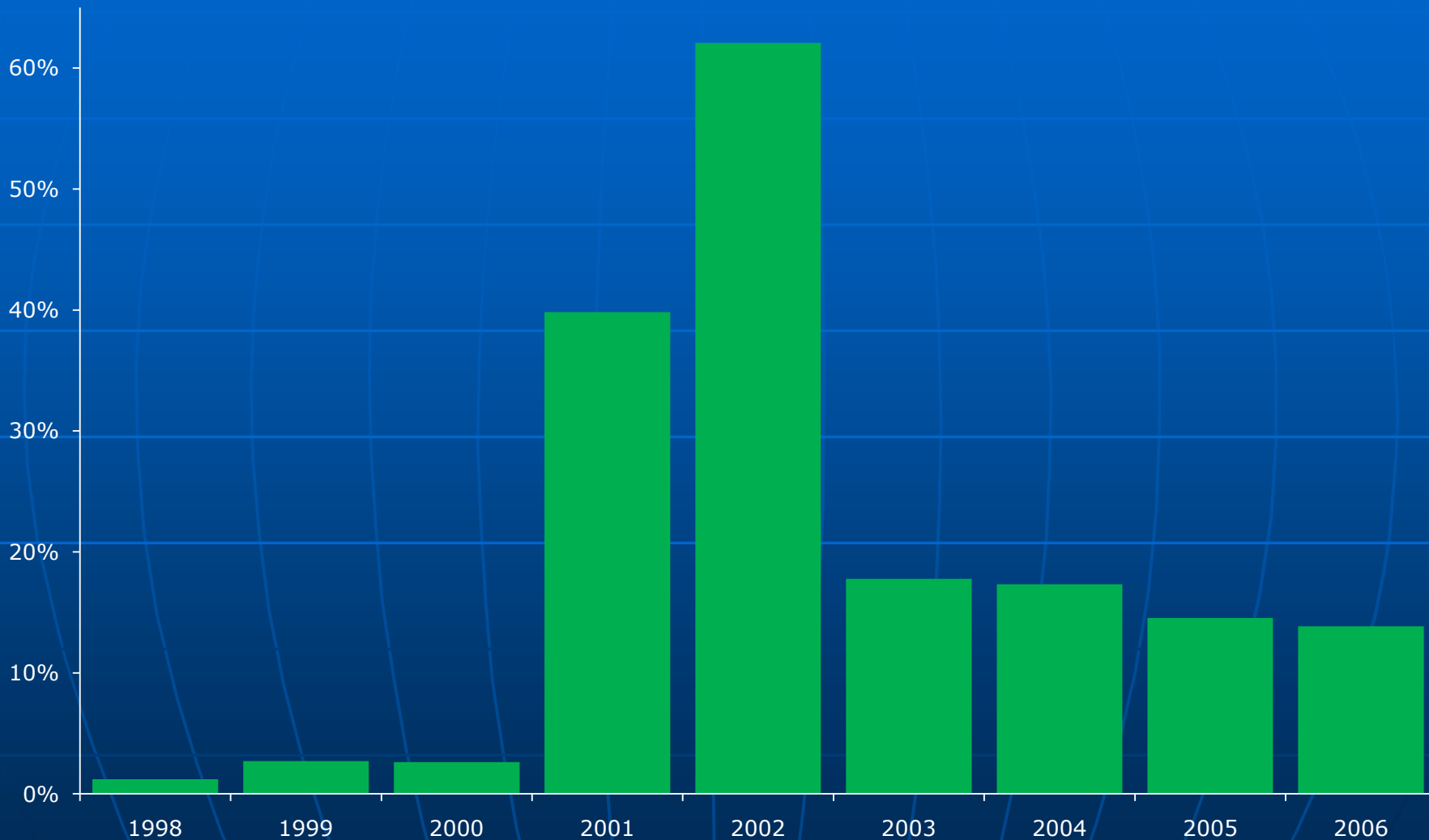
- Components of a comprehensive program:
 - State and community interventions
 - Support for policy development and implementation
 - Efforts to strengthen norms against tobacco
 - Targeted efforts to reduce youth tobacco use, disparities
 - Health communication interventions
 - Mass-media countermarketing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

State Tobacco Control Program

■ **Where have we been?**

- Funding since 1994 for state tobacco control program
 - CDC program funding
 - Private funds (RWJF, ALF)
 - State Master Settlement Agreement revenues
- In 2002, among top ten best funded state programs

IL Tobacco Control Program Funding % of Adjusted CDC Minimum Recommendation

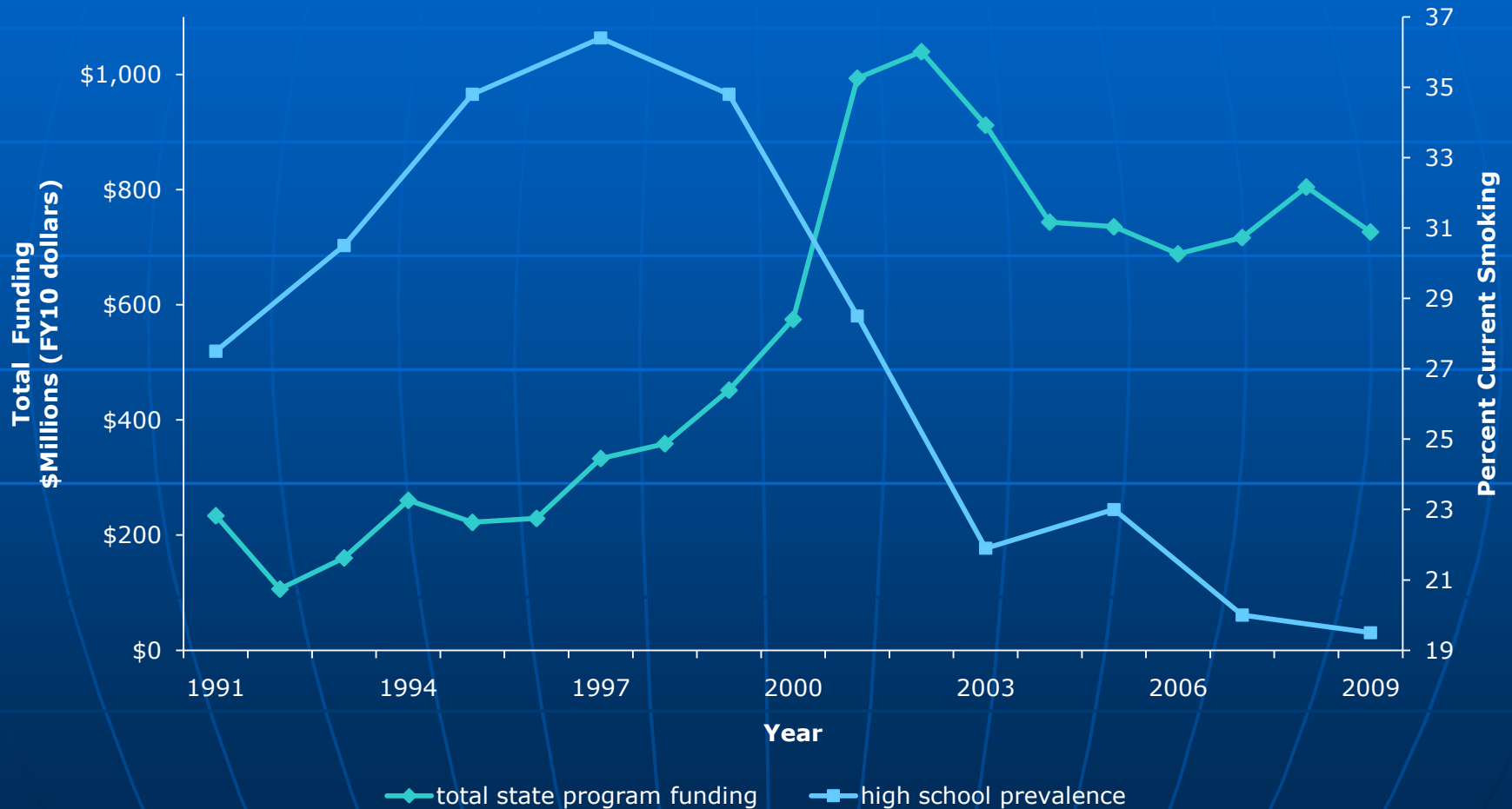


Source: ImpacTeen Project, CDC

Comprehensive Programs

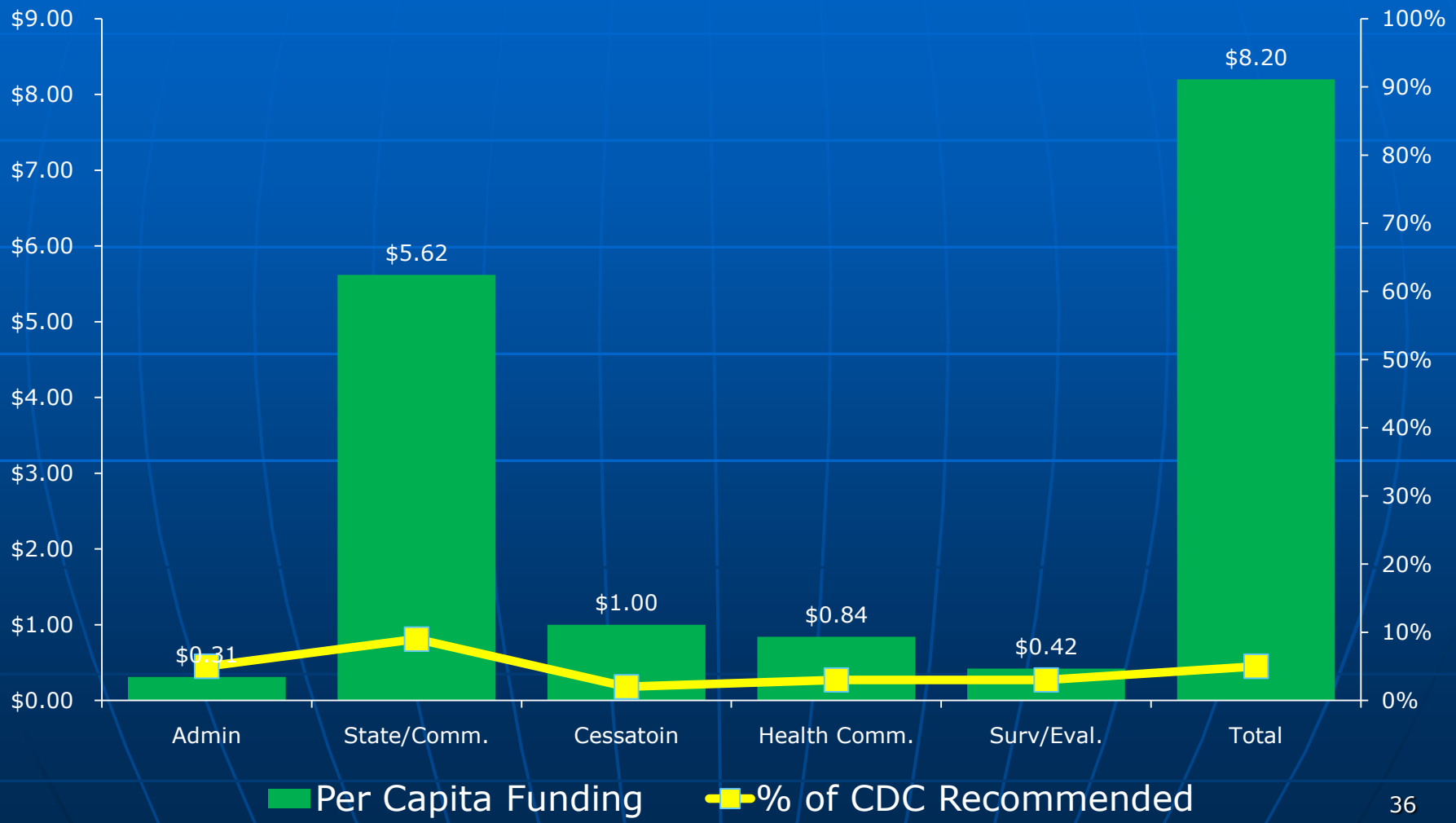
- Impact of state program funding
 - Increased funding associated with:
 - Reductions in overall cigarette sales
 - Lower youth smoking prevalence
 - Lower adult smoking prevalence
 - Increased interest in quitting, successful quitting
 - Much of impact results from large scale mass-media anti-smoking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

State Tobacco Control Program Funding and Youth Smoking Prevalence

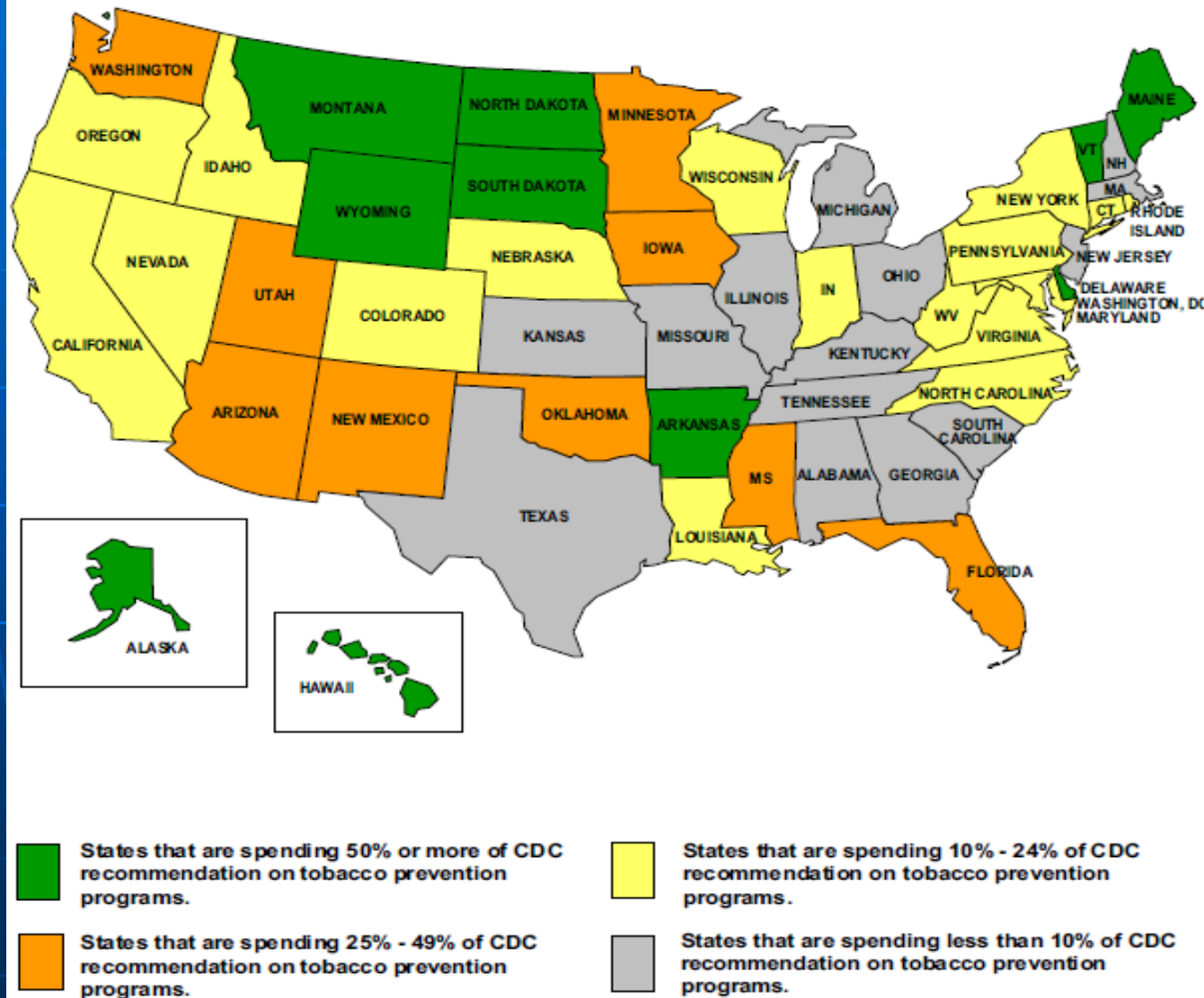


State Tobacco Control Program

■ Where are we now?



FY2010 Funding for State Tobacco Prevention Programs



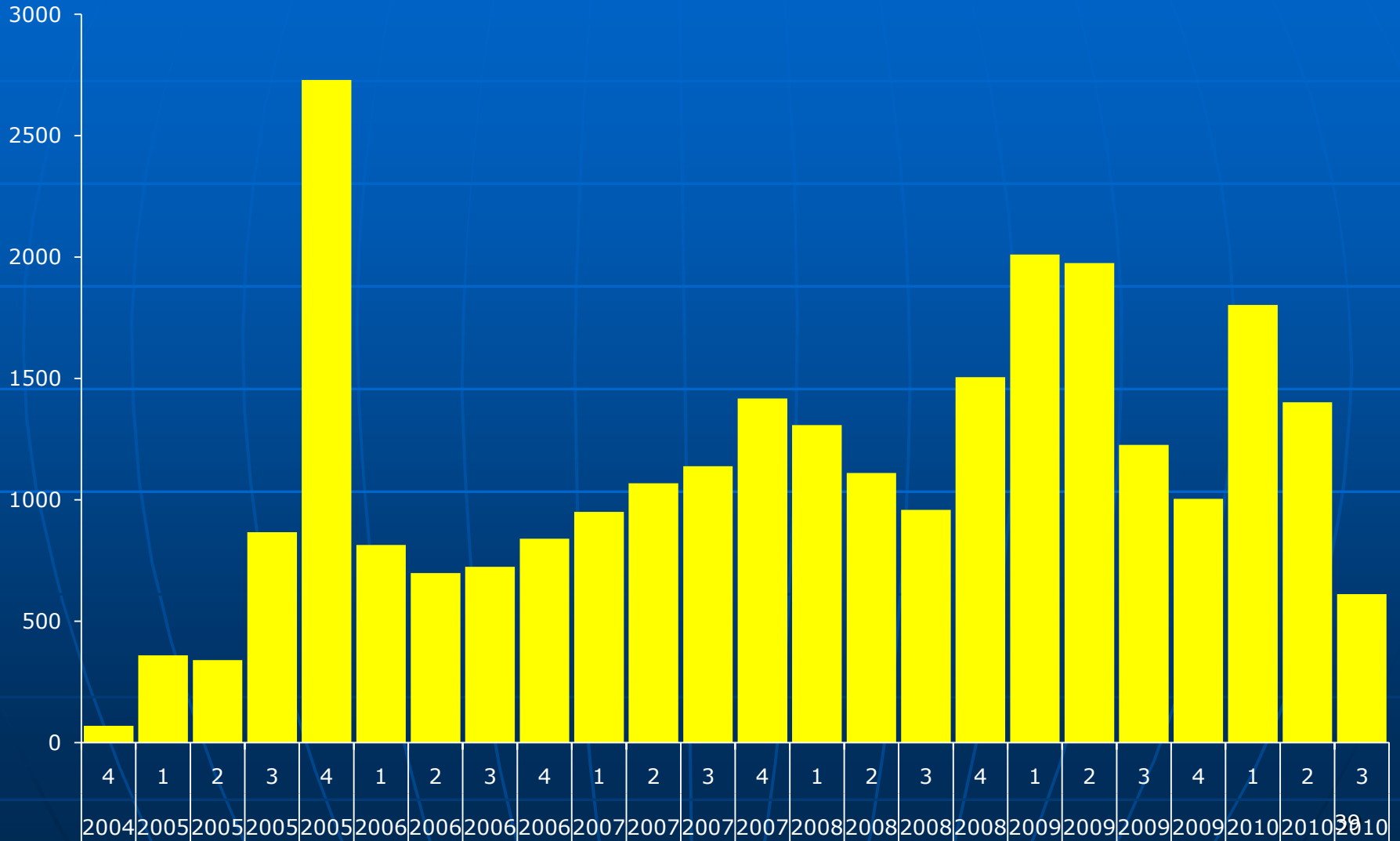
State Tobacco Control Program

■ **Where are we now?**

- Significant demand for cessation
 - ~50% of smokers indicate making quit attempt in past year
 - Nearly 2/3 indicate interest in quitting
- State support minimal
 - 2% of CDC recommended funding for cessation
 - Quitline available – 1-800-QUIT-YES
 - Medicaid coverage for NRT, Chantix, Zyban (with co-pay)
 - No coverage for individual/group counseling

Calls to Illinois Quitline

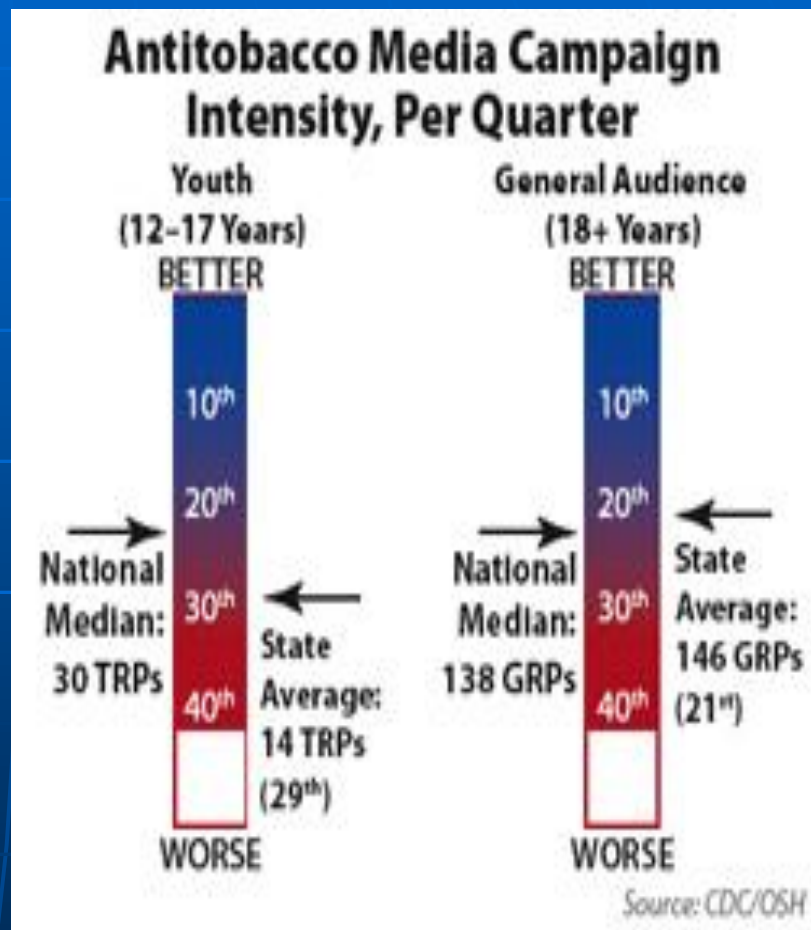
2004-IV through 2010-III



Source: ImpactTeen project

State Tobacco Control Program

- **Where are we now?**
 - Almost non-existent state mass-media public education campaign
 - Most anti-smoking messages coming from national campaigns



State Tobacco Control Program

- **Where can we go?**
 - Fund program activities at levels recommended by CDC
 - \$63.3m for state/community interventions
 - \$45.8m for cessation interventions
 - \$27.4m for health communication interventions
 - \$13.7m for surveillance/evaluation
 - \$6.8m for management/administration
 - \$157m total

Enforce

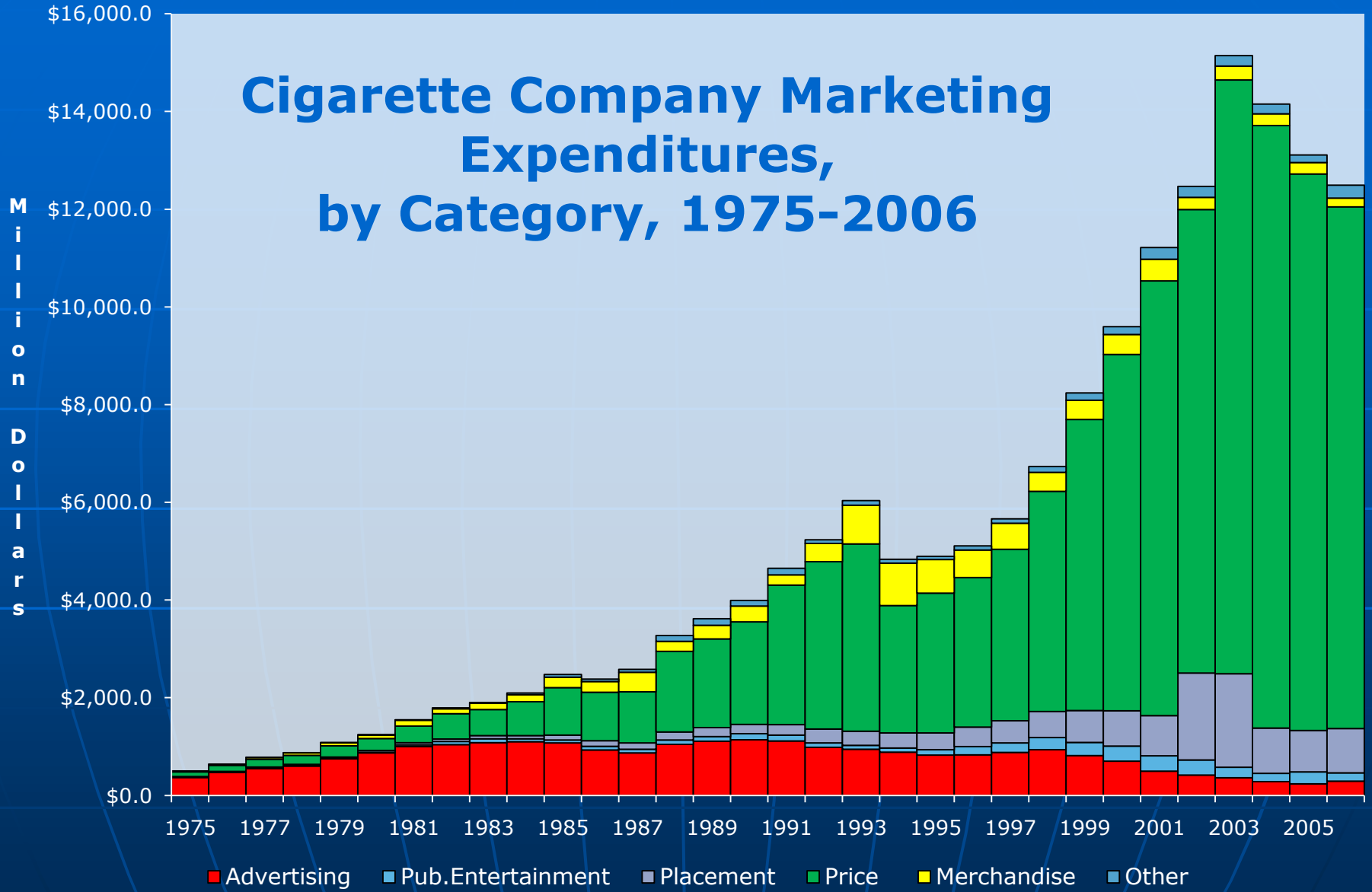
Tobacco Marketing

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

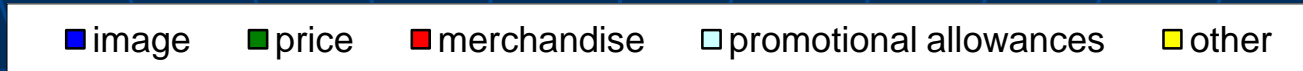
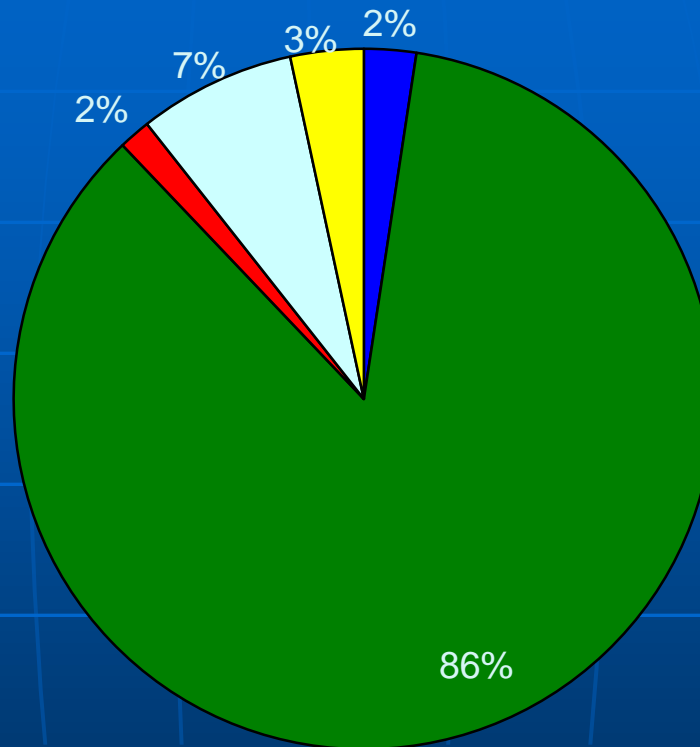
Tobacco Company Marketing

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

Cigarette Company Marketing Expenditures, by Category, 1975-2006



2006 Cigarette Marketing Expenditures by Category, United States







Get a RIDE
Marlboro



ABSOLUTELY NO SPARTY CHECKS
THERE WILL BE A \$5.00 SERVICE CHARGE ON ALL RETURNED CHECKS

SPECIAL VALUE
\$1.94

\$2.40

Marlboro

SKOAL

CAMEL
\$2.35

CAMEL

Auto Trader
Truck Trader
Great Remains!
More Values, More Choices

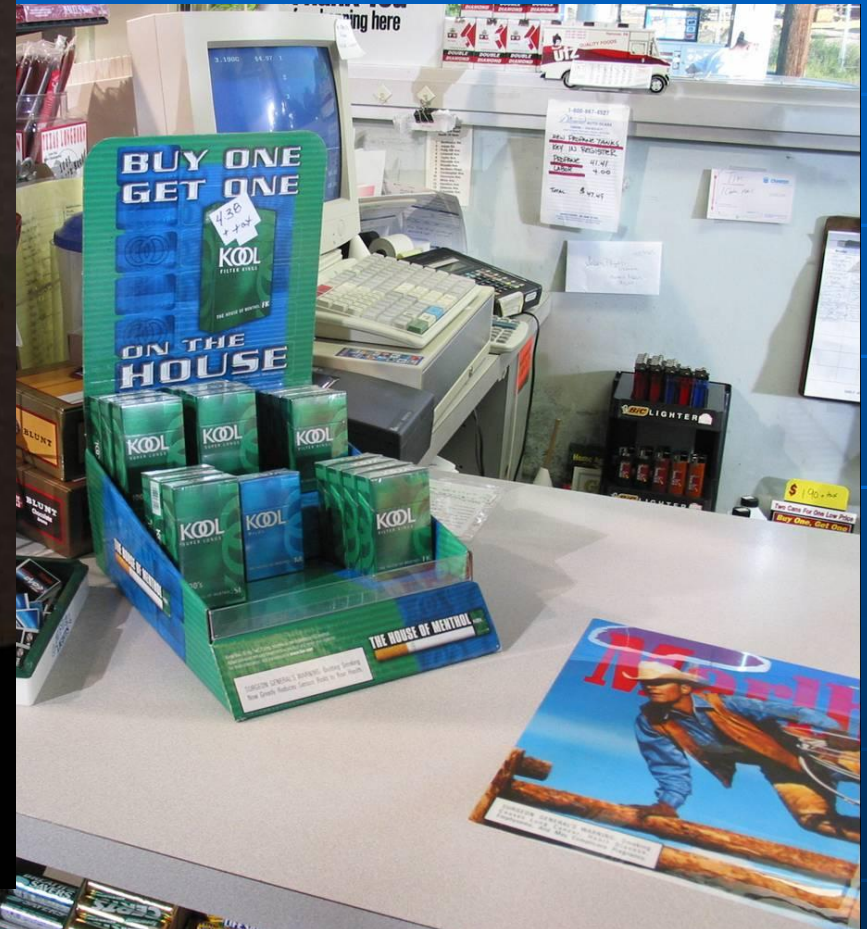
NO CHECKS ACCEPTED

Camel Cigarettes

Price-Related Marketing: Price Discounts



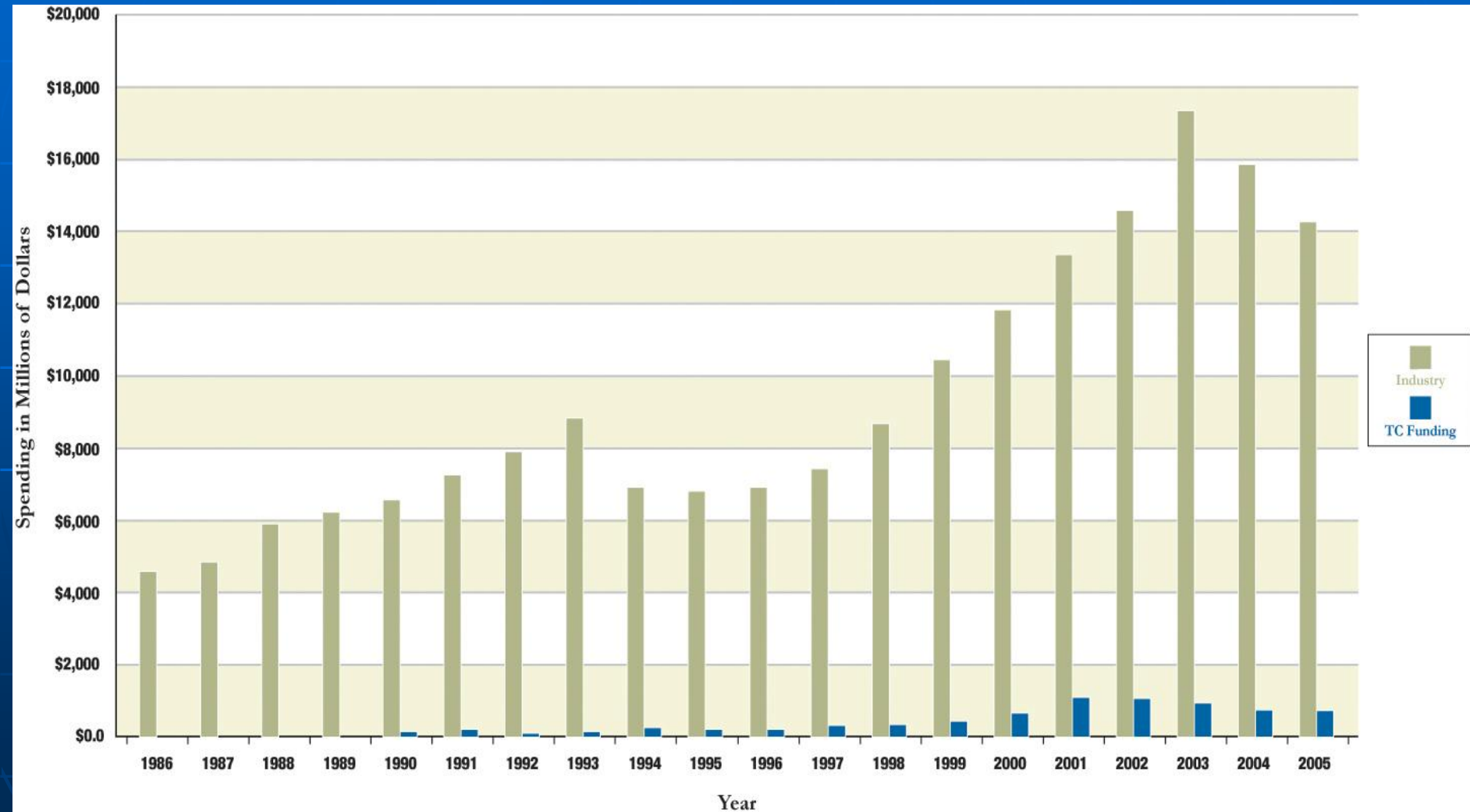
Price-Related Marketing: Retail Value Added - product



Price-Related Marketing: Other Value Added



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



Source: FTC 2005 and Project ImpactTEEN; data are in July 2007 dollars.

Tobacco Company Marketing

- **Where are we now?**
 - Federal TV/radio ad ban
 - MSA restrictions
 - Outdoor, transit, sponsorships, branded merchandise, etc.
 - State ban on distribution of free samples

Tobacco Company Marketing

■ **Where are we now?**

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



©2001 R.J. Reynolds Tobacco Co. Offer and validity restricted to smokers 21+.

Discover the difference.

A cigarette that may present less risk of cancer, chronic bronchitis and possibly emphysema.*

eclipse

No lingering odor. 80% less secondhand smoke.

* Eclipse is not perfect. For instance, we do not claim that Eclipse presents smokers with less risk of cardiovascular disease or emphysema and pregnancy. An average smoker, 16 cigarettes per day, who smokes 100 Eclipse cigarettes per year would still be inhaling 100 mg of tar.

NEW!

Omni

Reduced carcinogens. Premium taste:

Introducing the first premium cigarette created to significantly reduce carcinogenic PAHs, nitrosamines, and catechols, which are the major causes of lung cancer in smokers.

For more information call 1-866-679-OMNI or visit us at www.omnicigs.com.

Reductions in carcinogens are in comparison to similar repetitive brand styles.

SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy.

Omni Kings: 15 mg. "tar", 0.9 mg. nicotine av. per cigarette by FTC method.

Omni Lights: 10 mg. "tar", 0.8 mg. nicotine av. per cigarette by FTC method.

Omni Lights: 10 mg. "tar", 0.1 mg. nicotine av. per cigarette by FTC method. Actual deliveries will vary based on how you hold and smoke your cigarette. For more product information, visit our website at www.bv.com.

©2001 B&W T Co-1

NEW ADVANCE

A Step In The Right Direction.

All of the taste... Less of the toxins.

ADVANCE contains less toxins than the leading lights brands, thanks to a revolutionary new filter design and a patented new method for curing tobacco.

Made with premium tobaccos, ADVANCE offers all of the rich, satisfying taste you expect from a great lights cigarette. Less toxins and great taste... Now that's an ADVANCE.

Trionic™ Filter

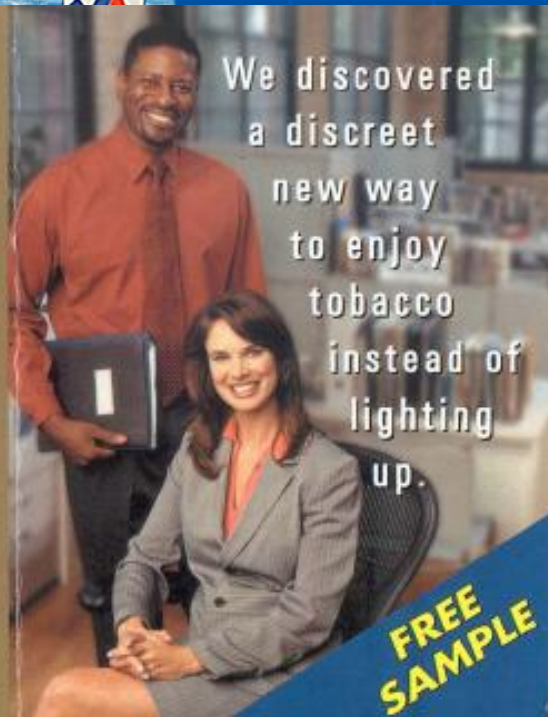
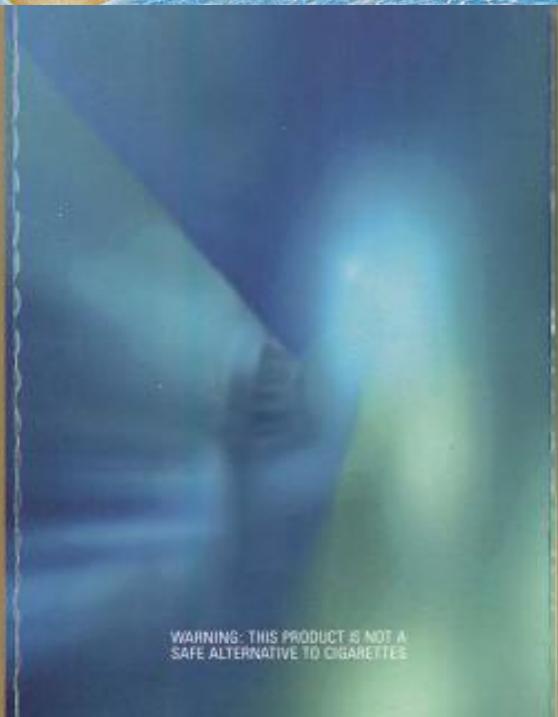
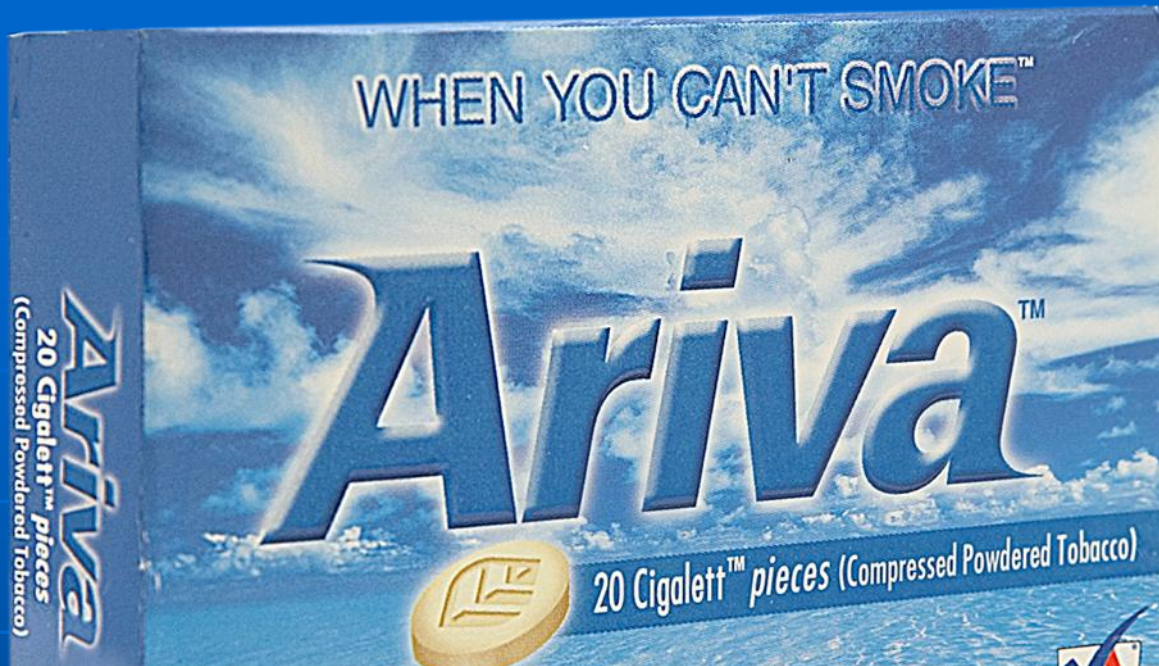
10 mg. "tar", 0.8 mg. nicotine av. per cigarette by FTC method. Actual deliveries will vary based on how you hold and smoke your cigarette. For more product information, visit our website at www.bv.com.

Available in the Indianapolis Metro Area

There is no such thing as a safe cigarette, nor is there enough available medical information to know if Advance with less toxins will lower health risks.

SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide.

ADVANCE Magazine Ad male.tif



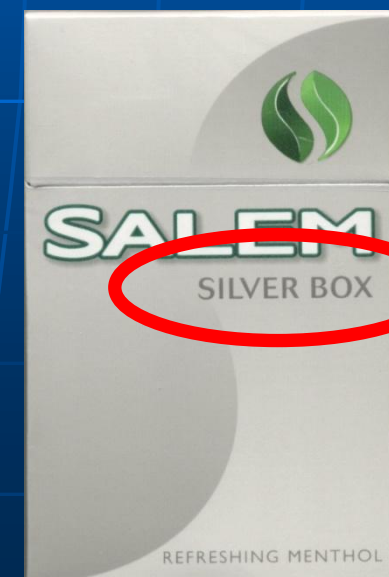
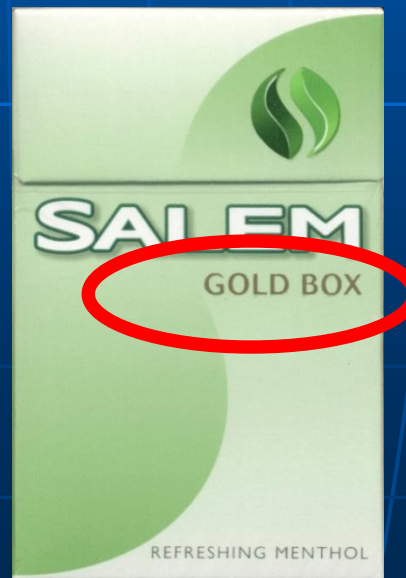
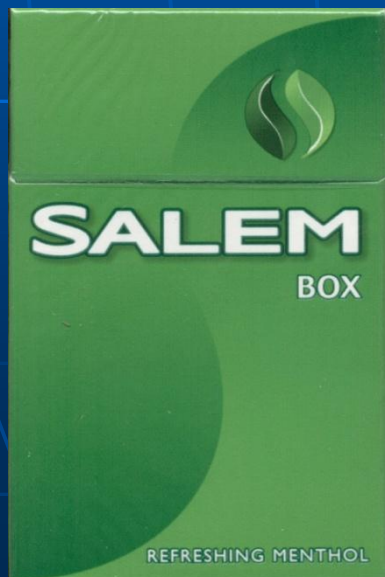
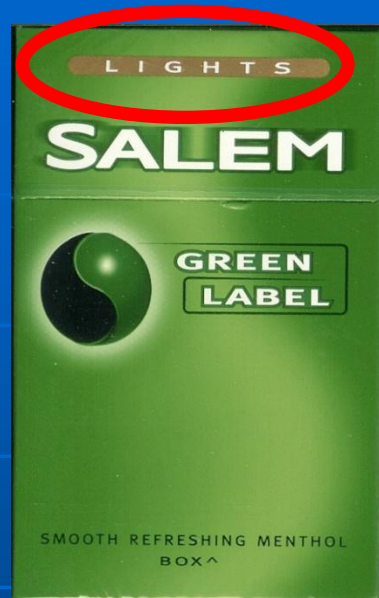
Tobacco Company Marketing

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

Tobacco Company Marketing

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

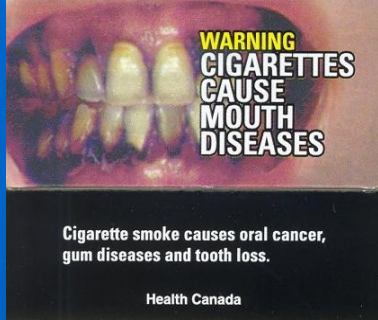
Product Labeling: "Replacement" Descriptors



Tobacco Company Marketing

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





**Canada
2000**



**Brazil
2002**



**Singapore
2004**



**Jordan
2005**



**Venezuela
2005**



**Thailand
2005**



**Uruguay
2006**



**Chile
2006**



**Australia
2006**



**Hong Kong
2007**



**Belgium
2007**



**UK
2008**

Tobacco Company Marketing

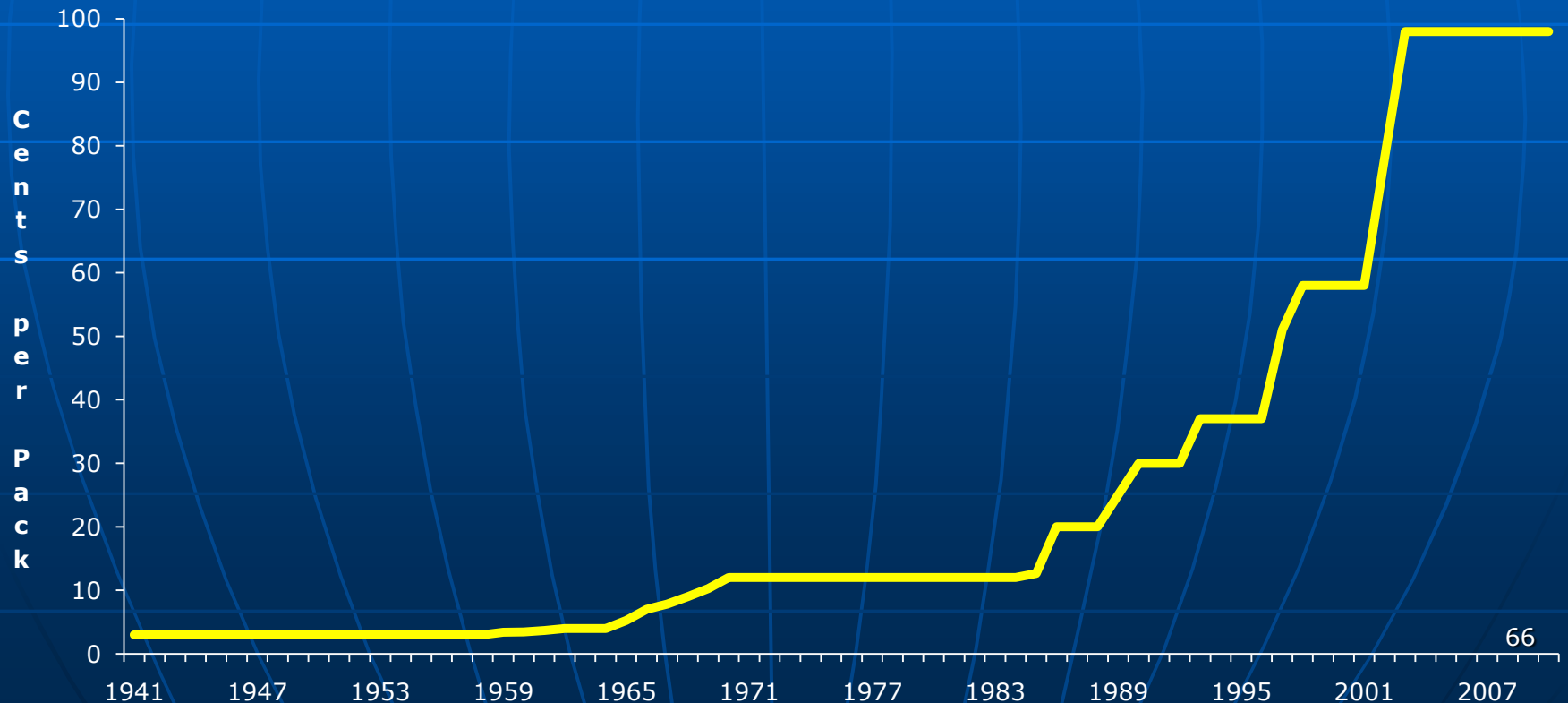
- **Where can we go?**
- **FDA regulation**
 - Eliminates federal pre-emption of stronger state, local restrictions on tobacco company marketing
 - Comprehensive marketing bans possible?
 - Evidence that comprehensive bans lead to significant reductions in tobacco use
- **Effective minimum pricing policy**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

Raise

Tobacco Taxation

■ Where have we been?

- Illinois first adopted cigarette tax in 1941
- Last increase 2002 to 98 cents per pack



Tobacco Taxation

- **Where have we been?**
 - Some significant local taxes adopted over the years:
 - Cook county - \$2.00
 - Chicago - \$0.68
 - Evanston - \$0.50
 - A few others <\$0.50

Tobacco Taxation

■ Where have we been?

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

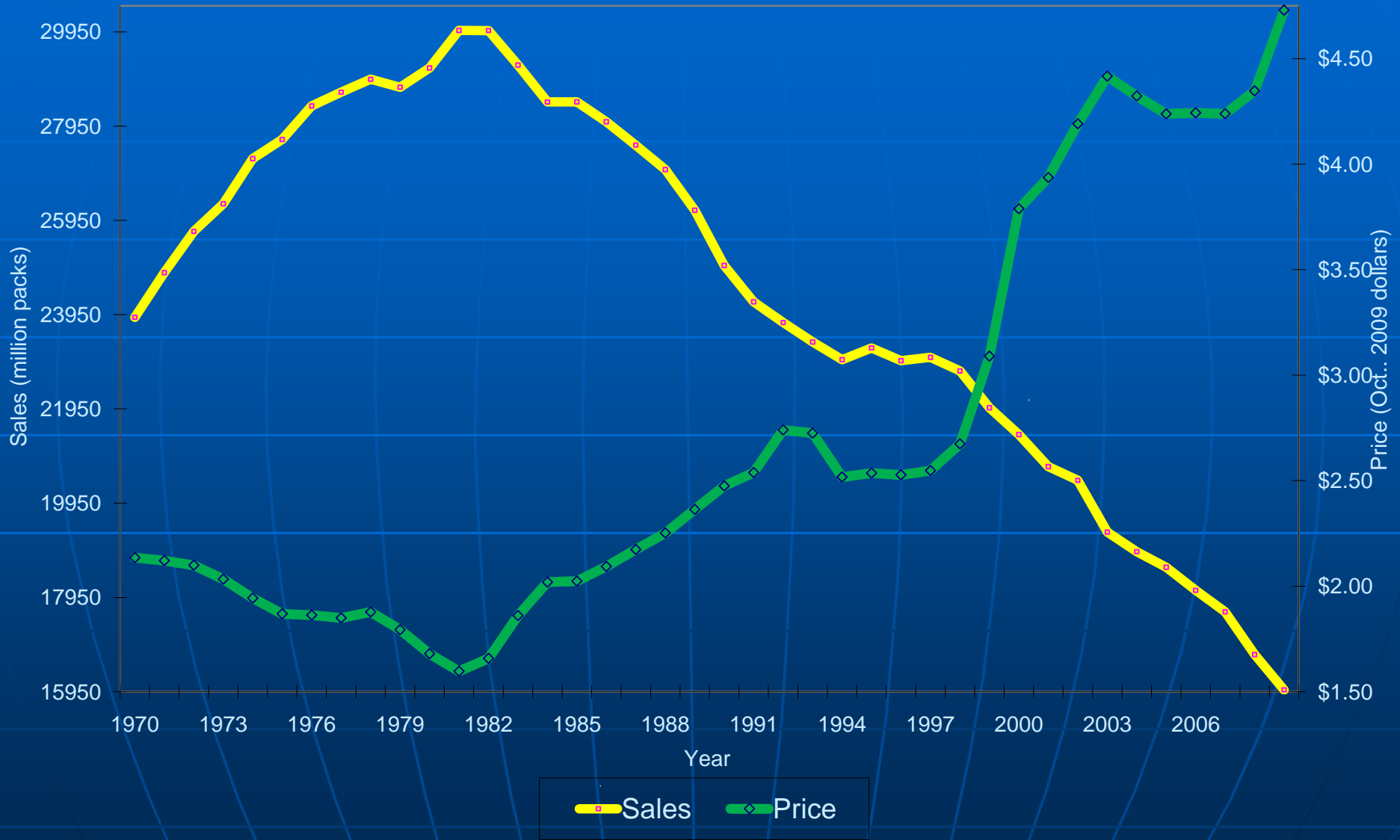
Tobacco Taxation

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

Taxes, Prices and Tobacco Use

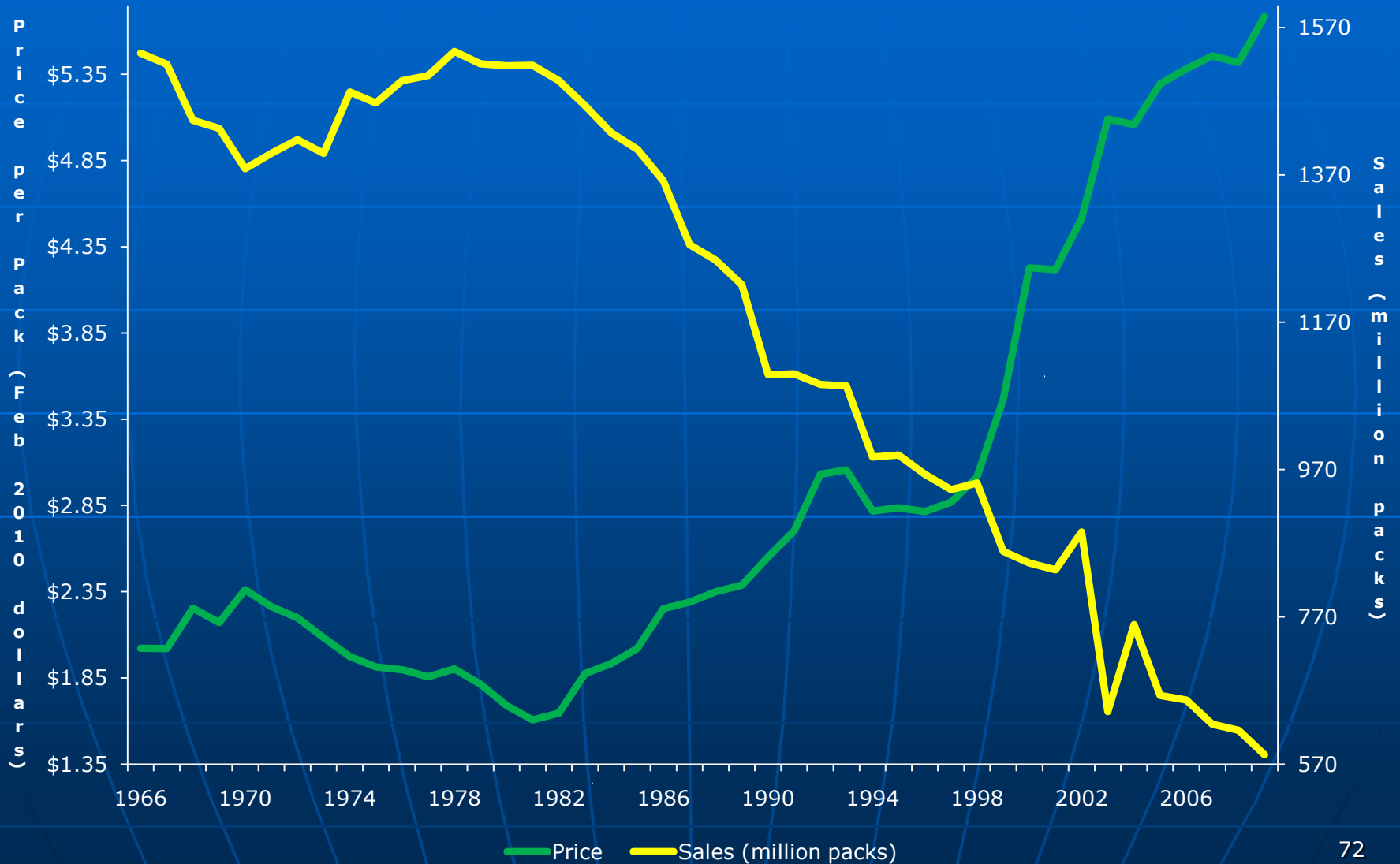
- **Increases in tobacco product taxes and prices:**
 - Induce current users to try to quit
 - Many will be successful in long term
 - Keep former users from restarting
 - Prevent potential users from starting
 - Particularly effective in preventing transition from experimentation to regular use
 - Reduce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

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



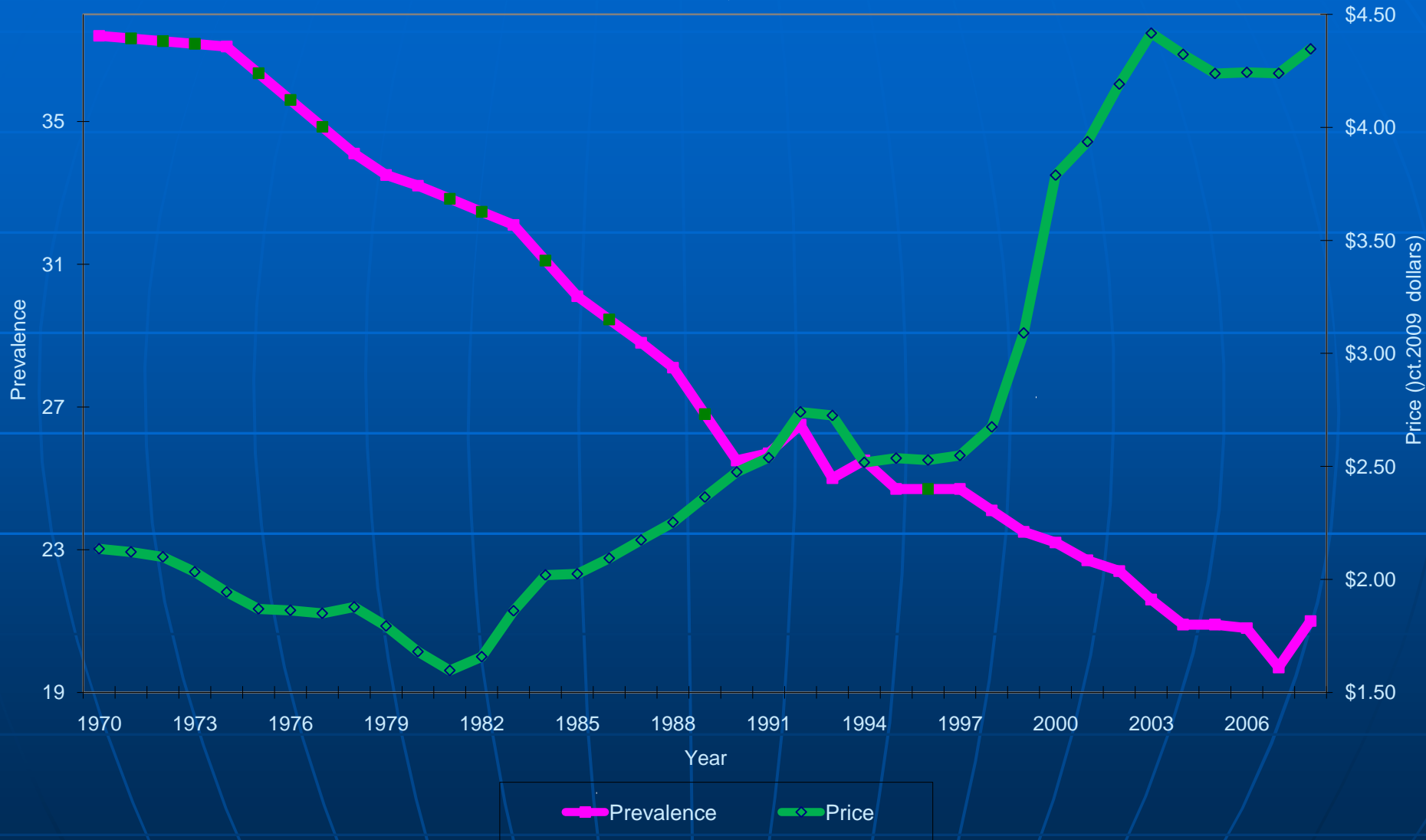
Source: *Tax Burden on Tobacco*, 2009, and author's calculations

Price and Cigarette Sales Illinois, 1966-2009



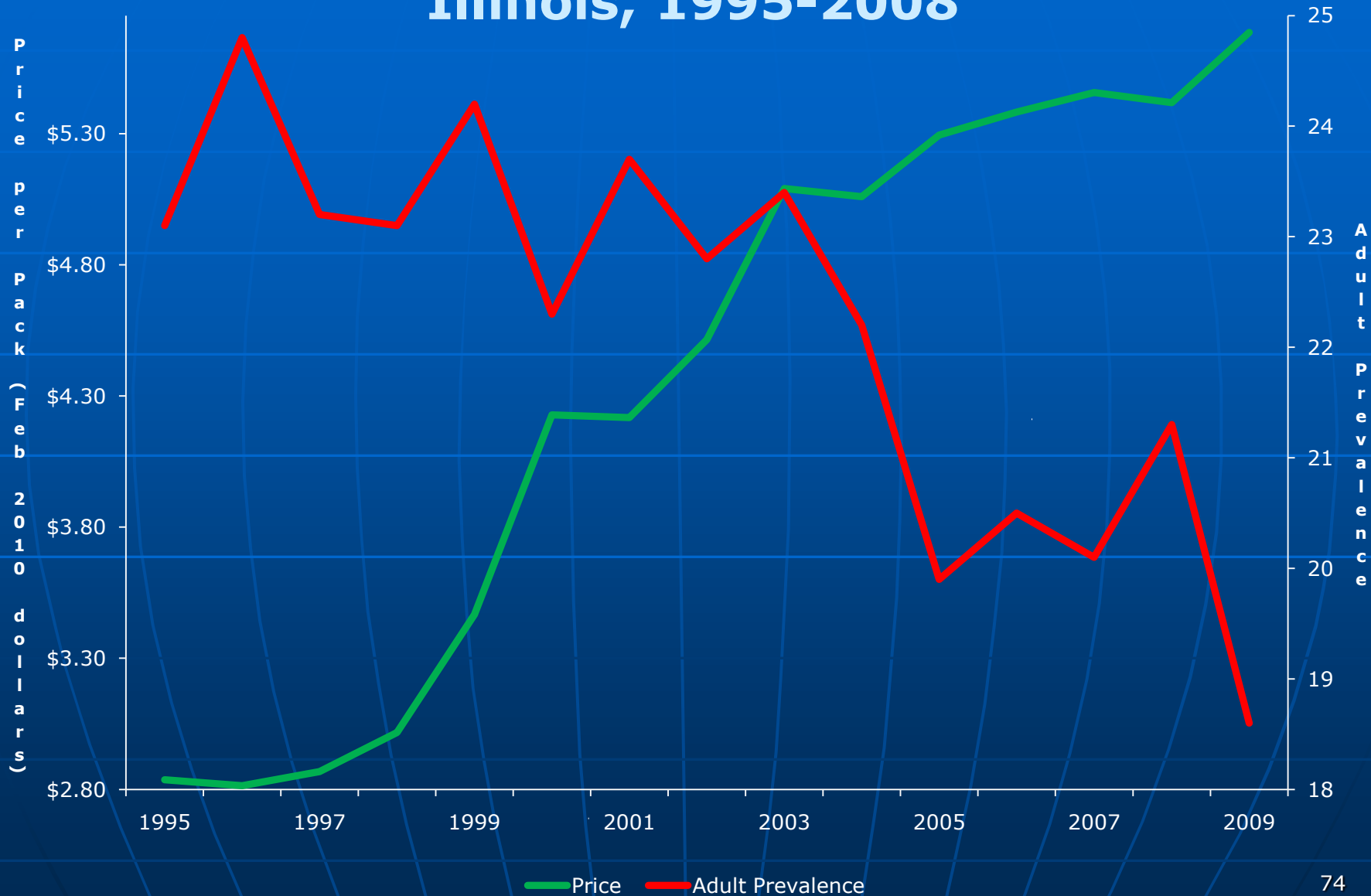
Source: *Tax Burden on Tobacco*, 2009, and author's calculations

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

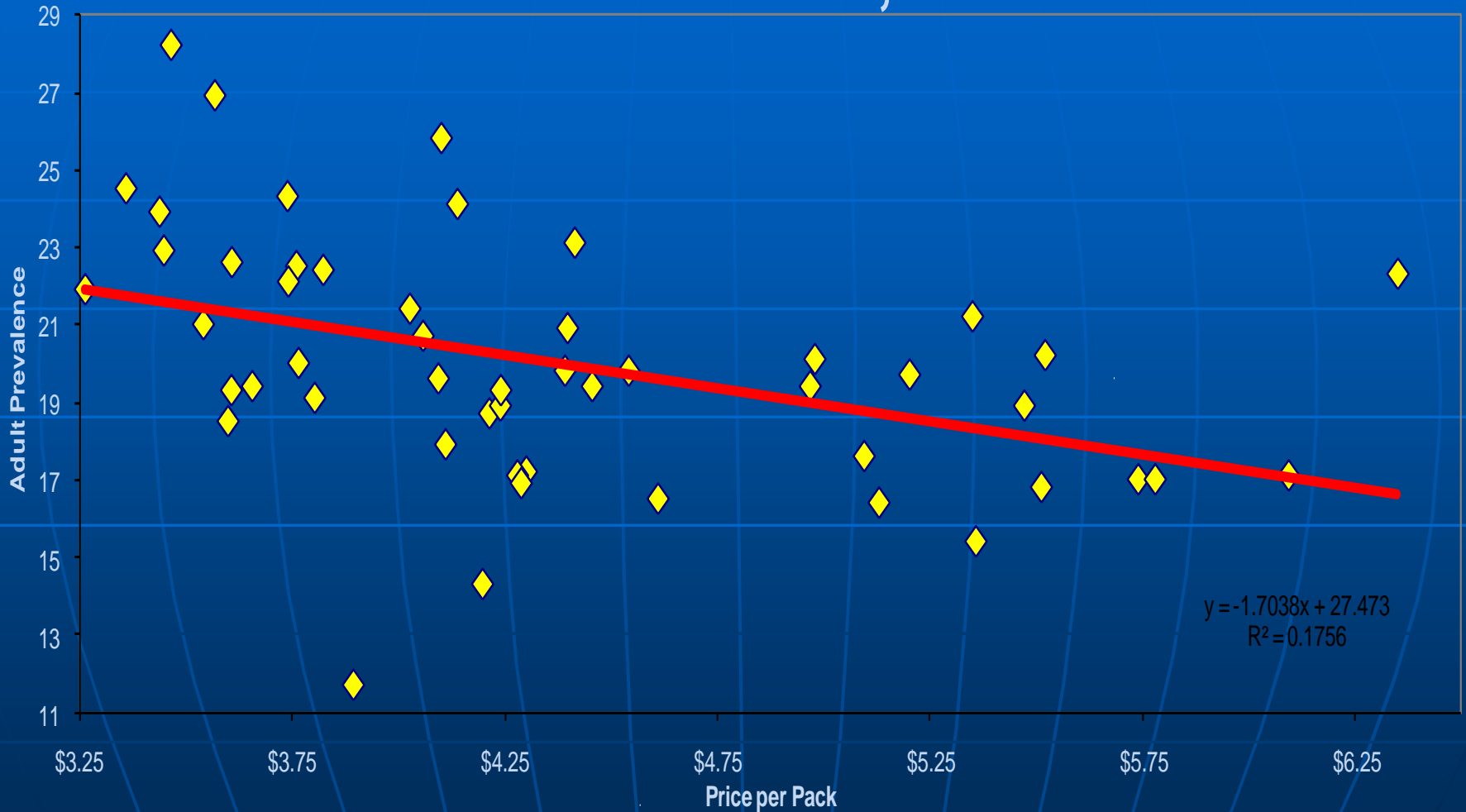


Source: NHIS, *Tax Burden on Tobacco*, 2009, and author's calculations
 Note: green data points for prevalence are interpolated assuming linear trend

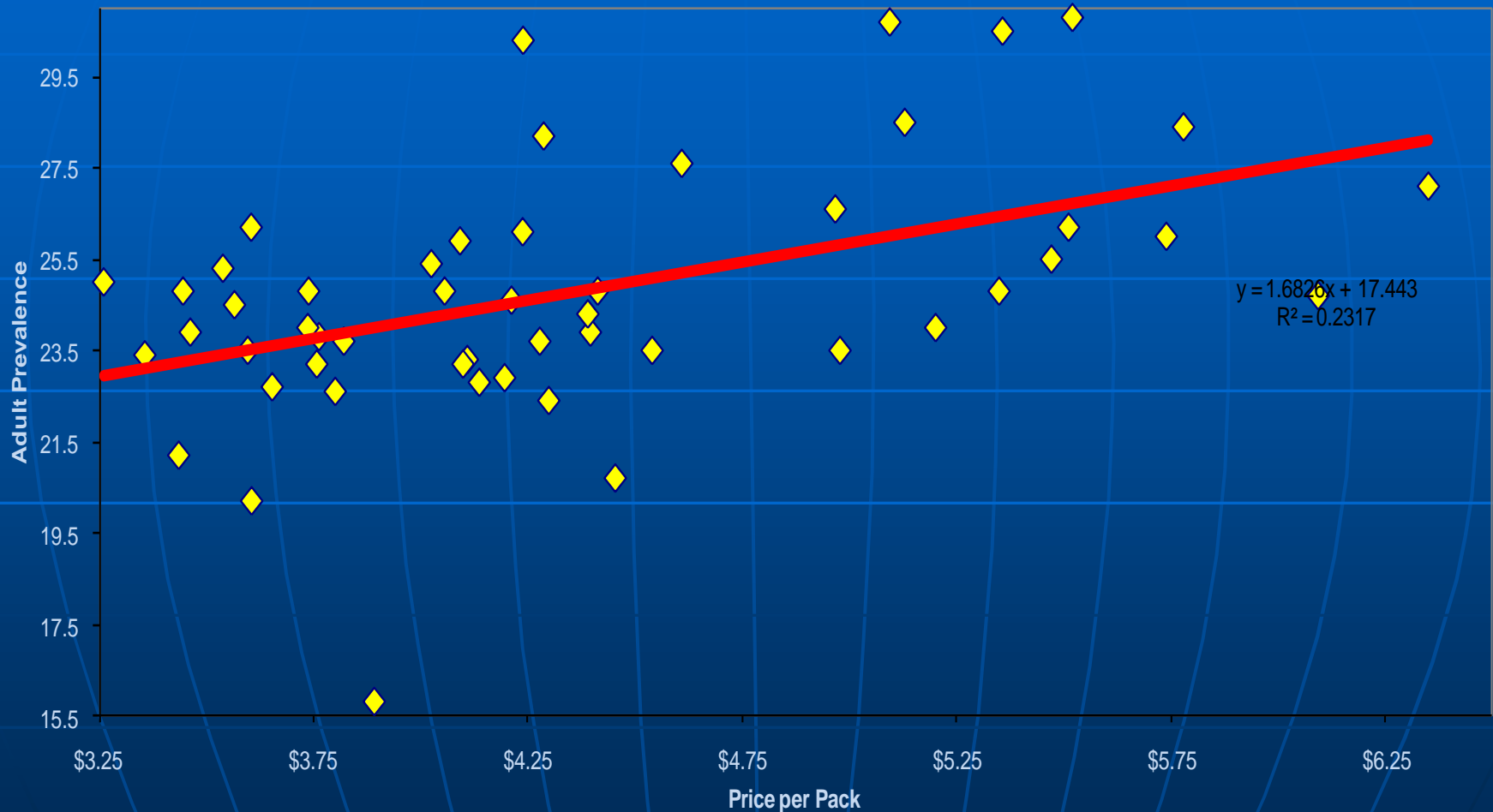
Price and Adult Smoking Prevalence Illinois, 1995-2008



Cigarette Prices and Adult Prevalence, 50 States & DC, 2007

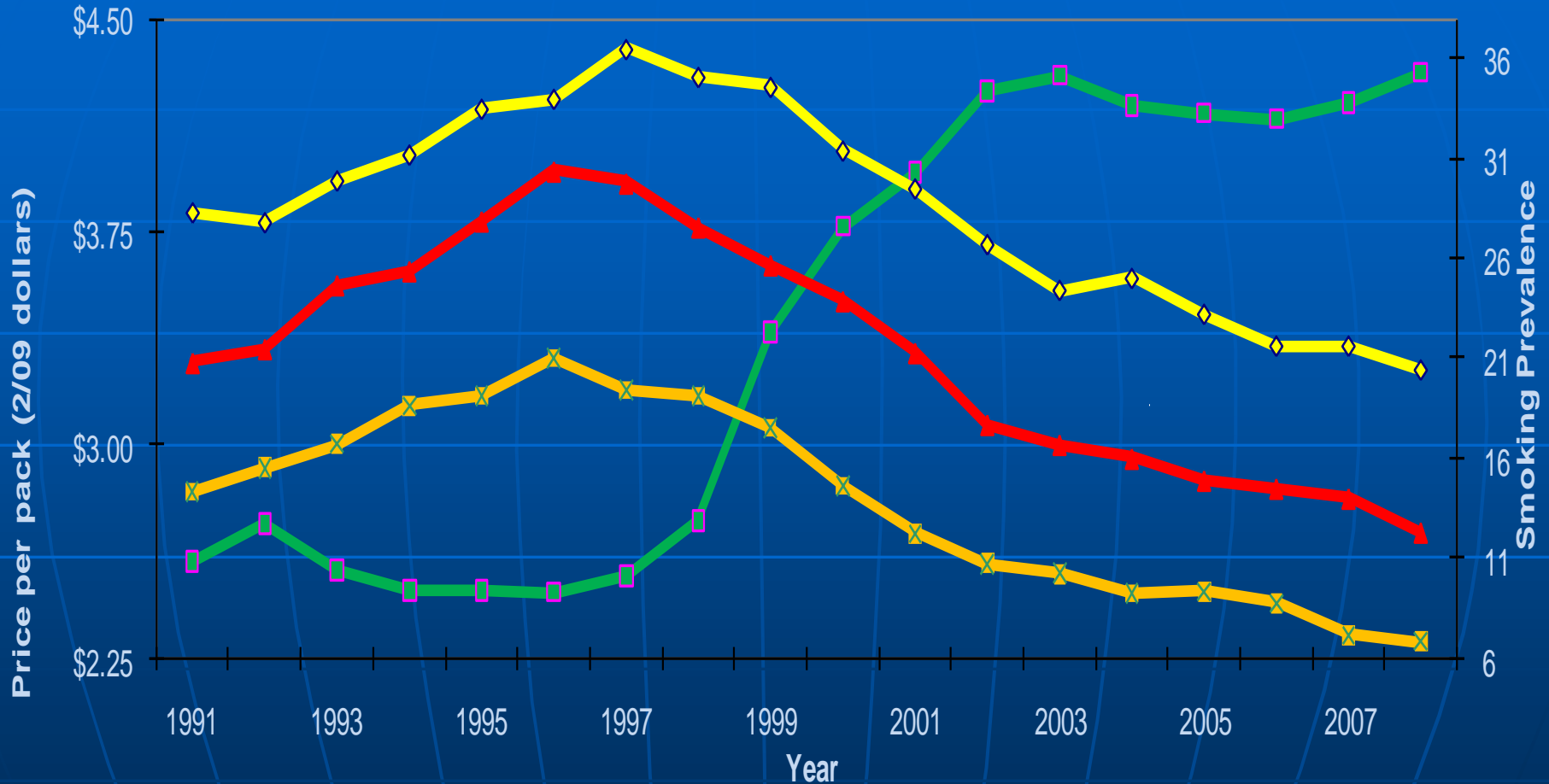


Cigarette Prices and Former Smoking Rates, 50 States & DC, 2007



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

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



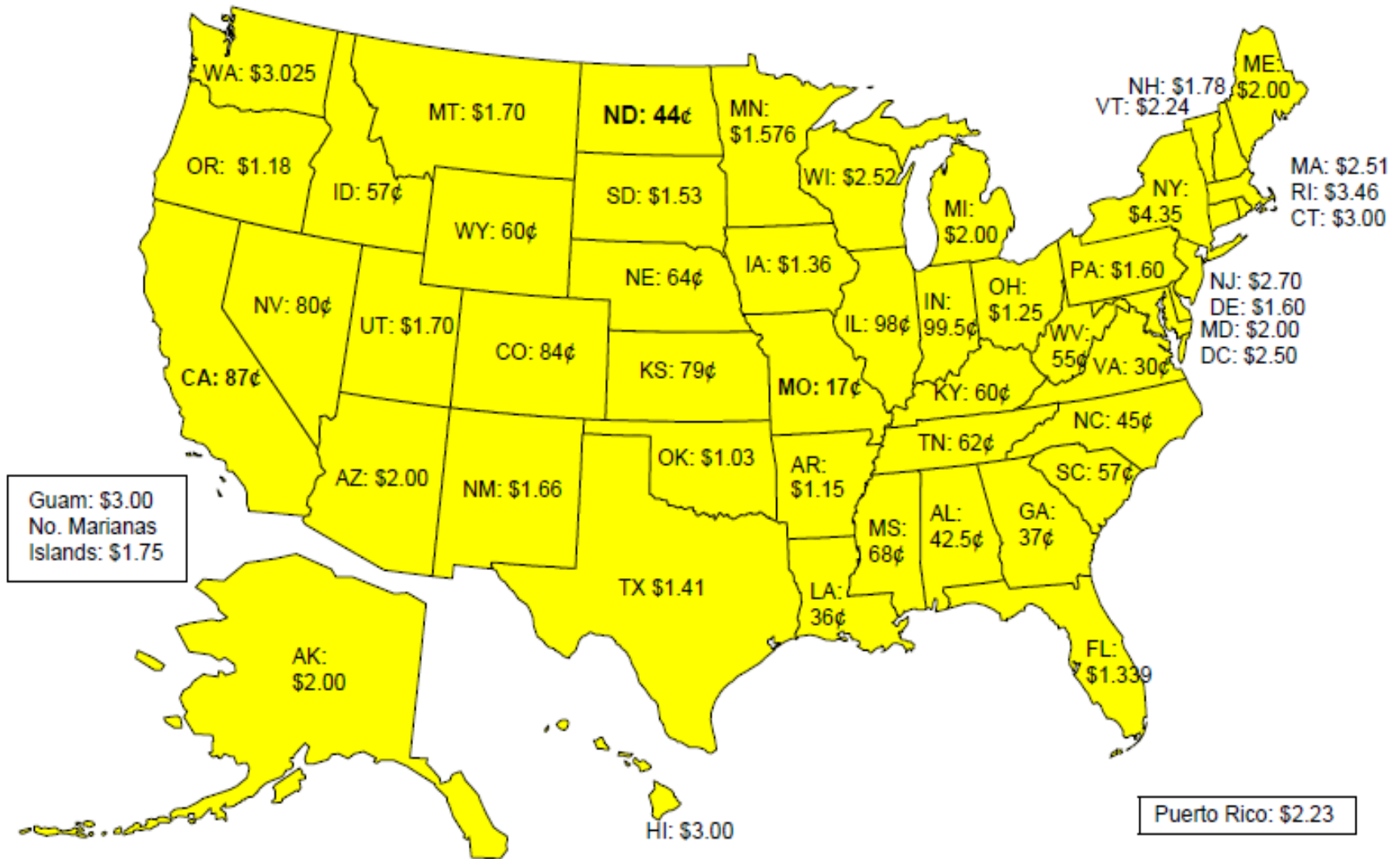
■ Cigarette Price
 ◆ 12th grade prevalence
 ▲ 10th grade prevalence
 × 8th grade prevalence

Tobacco Taxation

■ **Where are we now?**

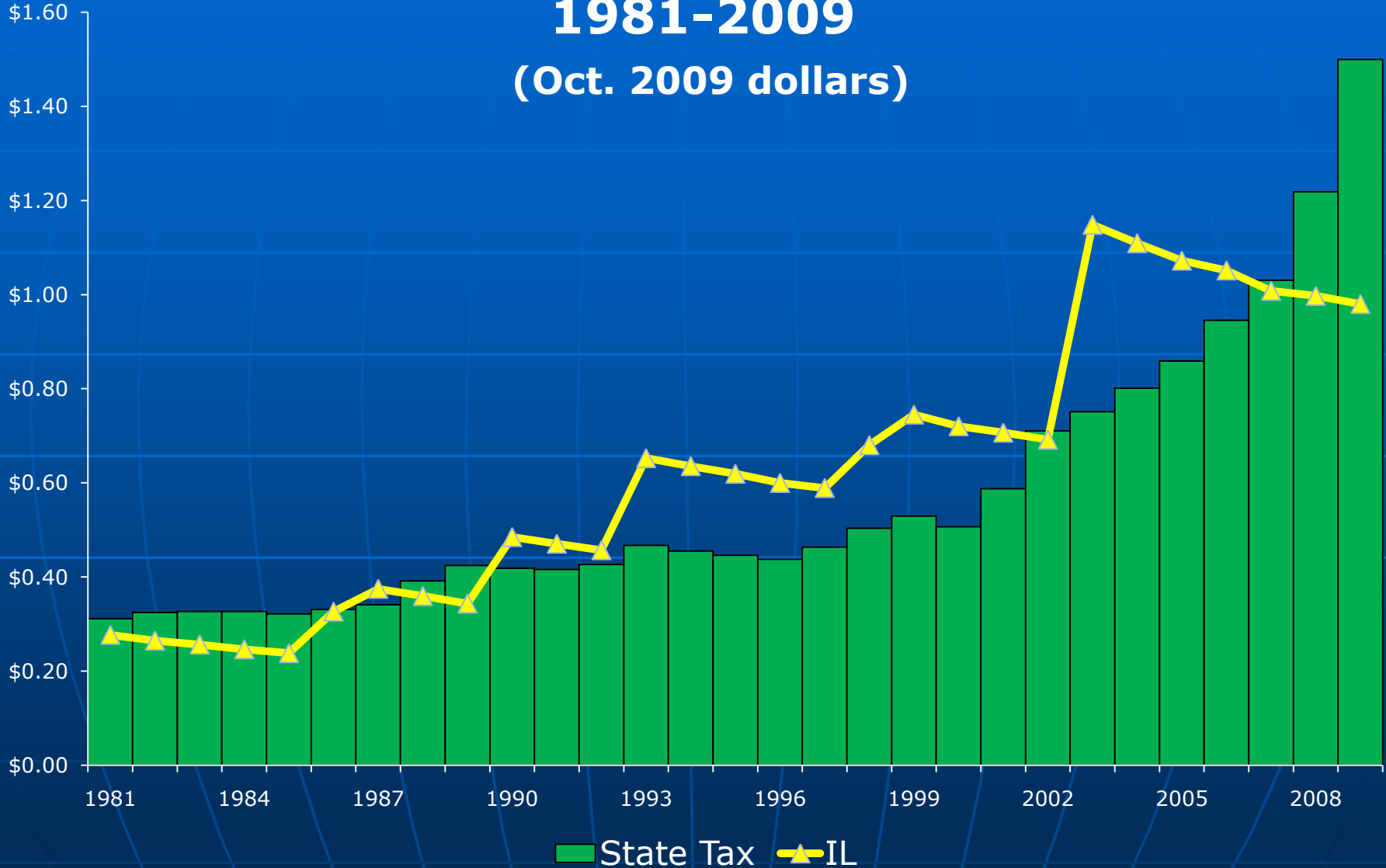
- When tax last raised in 2002:
 - 98 cent per pack was 11th highest
 - About 1.5 times the average state tax rate
- Currently:
 - 32nd among state taxes
 - Majority of states have increased cigarette taxes since 2002, some multiple times
 - IL tax about 2/3 of the average state tax
 - Have similarly fallen behind on other tobacco product taxes

State Cigarette Taxes in the US, 2010



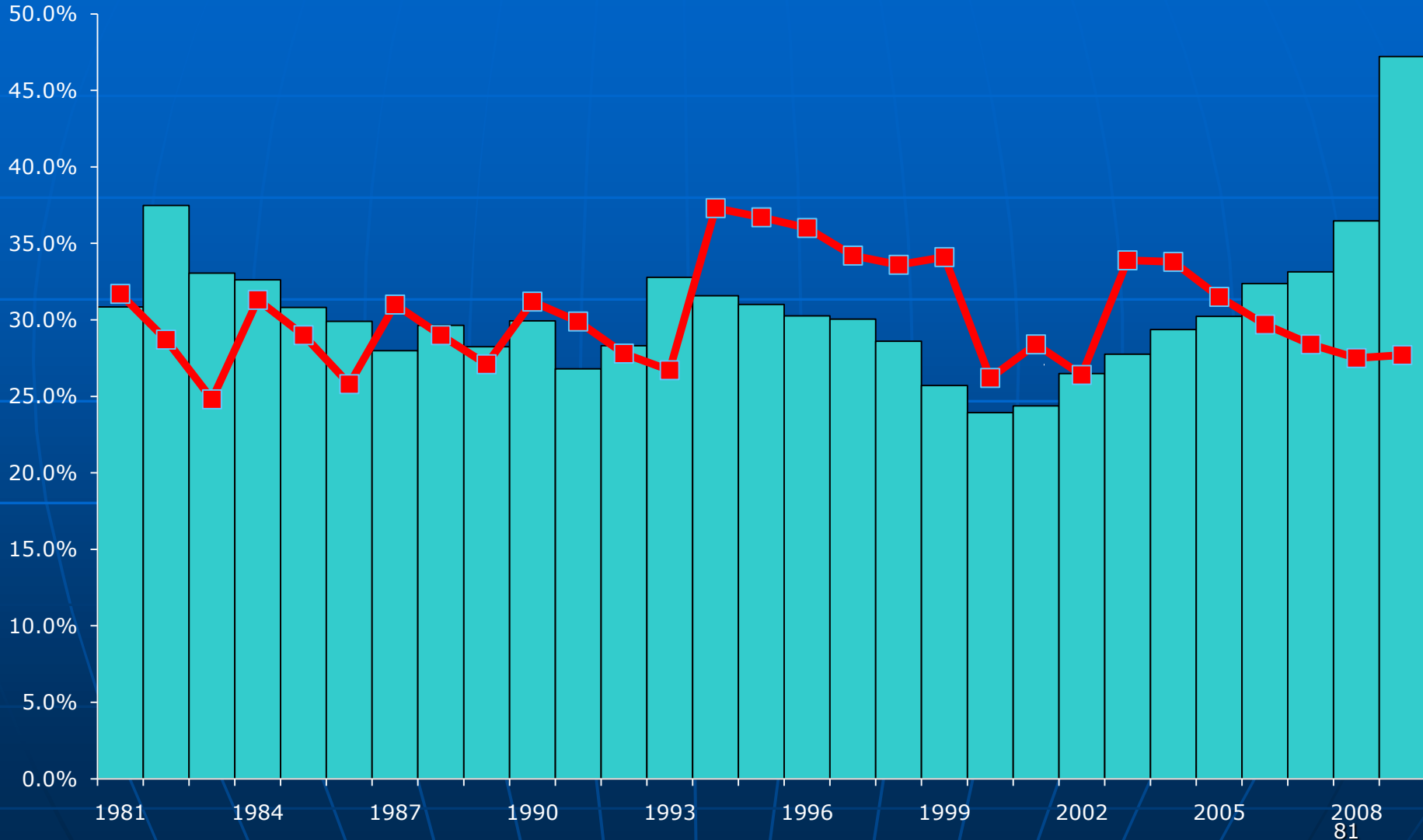
Source: Campaign for Tobacco-Free Kids, 2010

Cigarette Taxes, IL and State Average, 1981-2009 (Oct. 2009 dollars)



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

State and Federal Cigarette Taxes as a Percentage of Cigarette Prices IL & US, 1981-2009

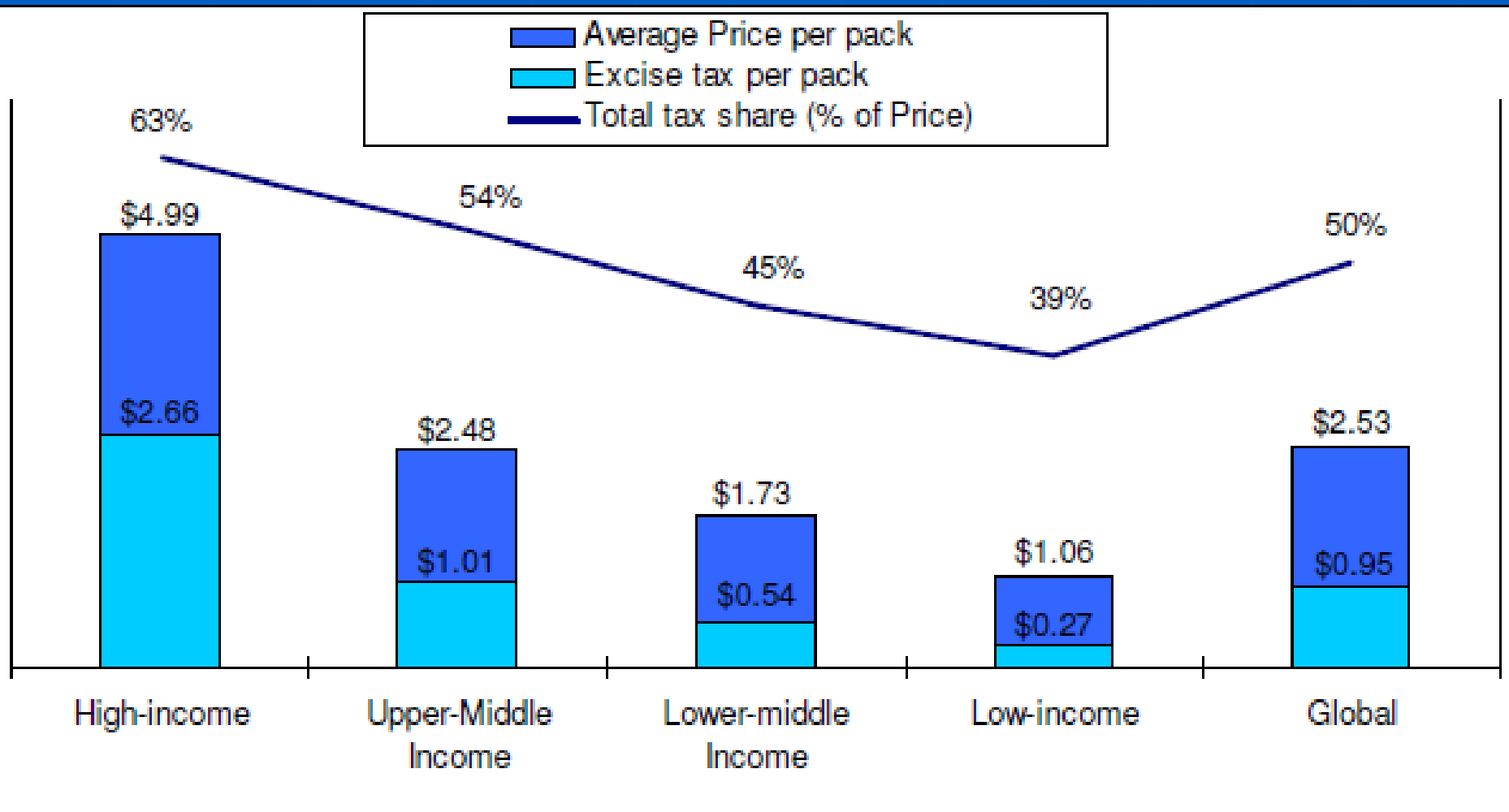


Source: *Tax Burden on Tobacco*, 2009, and author's calculations

Taxes and Tobacco Product Prices Globally

- Tax levels and prices, vary widely across countries

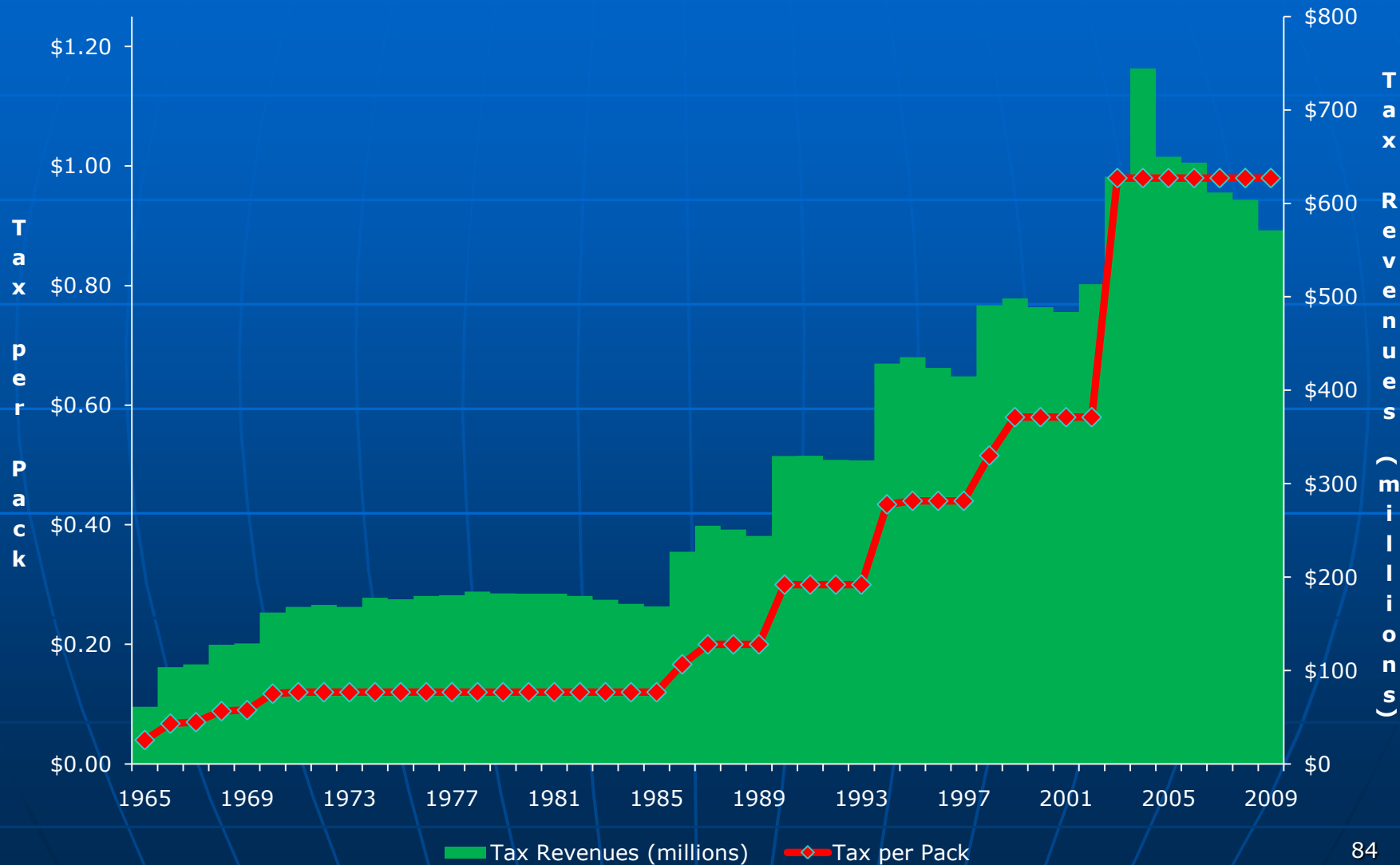
Price and Tax by Income Level, 2008



Tobacco Taxation

- **Where can we go?**
 - Raise the state cigarette excise tax
 - Getting back to 11th place would require \$2.00 per pack tax
 - If raised to \$2.00:
 - Nearly \$500 million in additional tax revenues
 - Over 65,000 adult smokers would quit
 - Over 85,000 fewer kids would start
 - Prevent over 65,000 premature deaths from smoking among current population

Cigarette Tax and Tax Revenues Illinois, 1965-2009



Source: TBOT and author's calculations

Tobacco Taxation

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

Monthly Tax Paid Cigarette Sales, IL, FY02-FY03



Tobacco Taxation

- **Where can we go?**
 - Raise the state's other tobacco product excise taxes
 - Currently 18% of wholesale prices
 - By comparison, WI is 100% of wholesale price
 - Tighten tobacco product definitions

Tobacco Taxation

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



Tobacco Taxation

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

Tobacco Taxation

■ Where can we go?

- Allow for annual administrative tax increases to keep pace with inflation

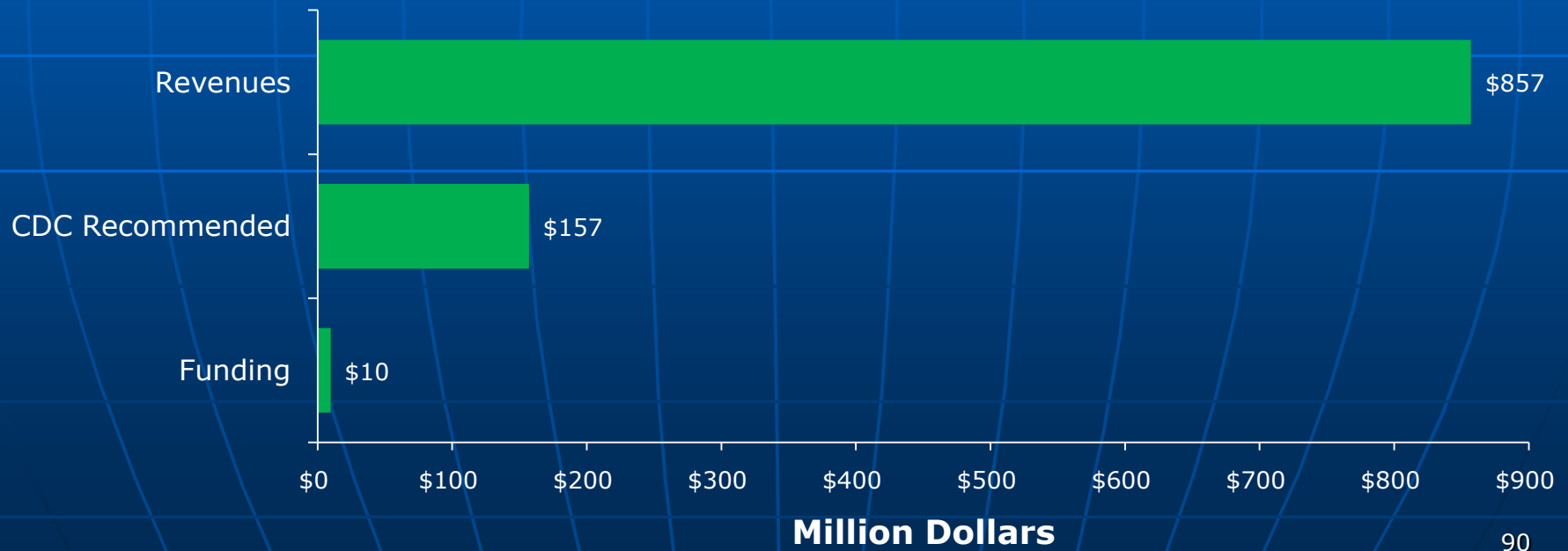
**Cigarette Tax Rate
Inflation Adjusted, Illinois, 1965-2009**



Tobacco Taxation

- **Where can we go?**
 - Use portion of new revenues to fund state tobacco control program

Illinois: Tobacco Revenues vs. Program Funding, FY10



Tobacco Taxation

■ **Where can we go?**

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

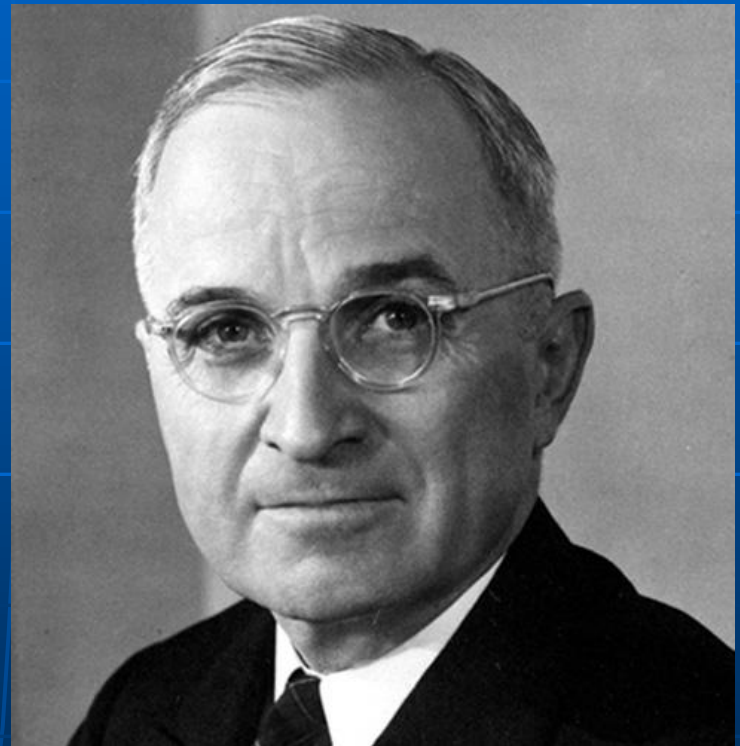
State of Tobacco Control in Illinois

Summary

- **Harry Truman:**

Give me a one-
handed economist!
All my economists
say

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



Summary

- **On the one hand, some positives**
 - Continuing declines in tobacco use among adults and youth
 - Compare favorably to US and neighbors
 - One of the most comprehensive state smoke-free air policies in the world
 - Additional local policies thanks to elimination of pre-emption

Summary

- **On the other hand, several negatives**
 - Prevalence stubbornly high and persistent disparities in tobacco use
 - Woefully underfunded state tobacco control program
 - Have fallen behind on tobacco taxes

Summary

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

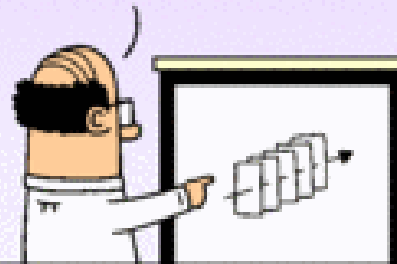
COMPANY ECONOMIST

THE ECONOMY WILL
EITHER RECOVER OR
NOT.



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UNLESS TIME ITSELF
IS AN ILLUSION, IN
WHICH CASE ALL
MATTER IS EITHER
STATIONARY OR
IMAGINED.



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I'D TAKE QUESTIONS,
BUT I'M NOT ENTIRELY
SURE YOU'RE REAL.



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