

A Tobacco Flavor Ban Could Devastate Many State Health, Wellness, and Education Programs

- The California Department of Tax & Fee Administration (CDTFA) estimates that banning all flavored tobacco under SB 793 would cost the state **\$271 million** in excise and sales taxes on cigarettes and all other tobacco products.ⁱ
- The Tax Foundation estimates that number could be even worse, even when only accounting for the at-risk excise tax loses on cigarettes (not factoring in OTP or sales tax). They find that at least **\$528.9 million** is at-risk based on FY2018 data.ⁱⁱ
- A potential loss of that magnitude would have significant impact on several programs voters of California agreed to through the ballot initiative process. Here’s how the different estimates would break down in terms of program funding, on an annual basis (this page) and over four years (next page):ⁱⁱⁱ

S793 Annual Funding Implications, Based on CDTFA & Tax Foundation Range of Estimates

Program	CDTFA Revenue Loss Estimates FY2021-22	Tax Foundation At-Risk Cigarette Excise Revenues Based on FY17-18
General Fund	-\$7.6 million	-\$18.5 million
Prop 10 (First 5 Program)	-\$38 million	-\$92.2 million
80% to state's 58 individual counties	-\$30.4 million	-\$73.8 million
20% programming and admin costs	-\$7.6 million	-\$18.5 million
Prop 99	-\$19 million	-\$46.1 million
20% Health Education Account	-\$3.9 million	-\$9.3 million
35% Hospital Services Account	-\$6.7 million	-\$16.2 million
10% Physician Services Account	-\$2 million	-\$4.7 million
5% Tobacco-related Disease Research Account	-\$1 million	-\$2.4 million
5% Resources Account to Protect Wildlife Habitat	-\$1 million	-\$2.4 million
25% Unallocated (any of above purposes)	-\$4.8 million	-\$11.6 million
Breast Cancer Fund	-\$1.6 million	-\$3.7 million
Prop 56	-\$152 million	-\$368.6 million
82% Medi-Cal Program	-\$124.6 million	-\$302.2 million
18% All other Programs	-\$27.4 million	-\$66.4 million
Total Excise Taxes	-\$218 million	-\$528.9 million
State Sales Taxes	-\$53 million	
Statewide sales tax of 6%	-\$43.9 million	
Bradley-Burns tax of 1% allocated to counties or incorporated cities	-\$7.4 million	
Bradley-Burns tax of 0.25% for county local transportation funds	-\$1.9 million	
Grand Total	-\$271 million	

SB793 Four-Year Funding Implications, Based on CDTFA and Tax Foundation Range of Estimates^{iv}

Program	CDTFA Revenue Loss Estimates FY2021-22 through FY2024-25	Tax Foundation At-Risk Cigarette Excise Revenues FY2021-22 through FY2024-25
General Fund	-\$29.1 million	-\$62.4 million
Prop 10 (First 5 Program)	-\$145.3 million	-\$311.9 million
80% to state's 58 individual counties	-\$116.2 million	-\$249.6 million
20% programming and admin costs	-\$29.1 million	-\$62.4 million
Prop 99	-\$72.7 million	-\$156 million
20% Health Education Account	-\$14.6 million	-\$31.3 million
35% Hospital Services Account	-\$25.5 million	-\$54.7 million
10% Physician Services Account	-\$7.3 million	-\$15.7 million
5% Tobacco-related Disease Research Account	-\$3.7 million	-\$7.9 million
5% Resources Account to Protect Wildlife Habitat	-\$3.7 million	-\$7.9 million
25% Unallocated (any of above purposes)	-\$18.2 million	-\$39 million
Breast Cancer Fund	-\$5.9 million	-\$12.5 million
Prop 56	-\$580.9 million	-\$1.2475 billion
82% Medi-Cal Program	-\$476.4 million	-\$1.023 billion
18% All other Programs	-\$104.6 million	-\$224.6 million
Total Excise Taxes	-\$833.6 million	-\$1.7902 billion
State Sales Taxes	-\$202.7 million	
Statewide sales tax of 6%	-\$167.8 million	
Bradley-Burns tax of 1% allocated to counties or incorporated cities	-\$28 million	
Bradley-Burns tax of 0.25% for county local transportation funds	-\$7 million	
Grand Total	-\$1.0362 billion	

ⁱ SB 793 Senate Appropriations Fiscal Note, 2019-2020 Regular Session, version May 5, 2020.

ⁱⁱ <https://taxfoundation.org/banning-flavored-tobacco-unintended-consequences/>

ⁱⁱⁱ Prop 10 allocation: <https://www.dailydemocrat.com/2019/01/03/californias-first-5-programs-evolve-as-smoking-declines-and-tobacco-taxes-go-away/>; Prop 99 allocation:

<https://tcf.org/catcp.org/index.cfm?fuseaction=opportunities.background>; Prop 56 allocation:

<https://lao.ca.gov/Publications/Report/3939#:~:text=In%20November%202016%2C%20voters%20approved, revenues%20into%20a%20special%20fund>; Bradley-Burns tax allocation:

<https://www.auditor.ca.gov/pdfs/reports/2017-106.pdf>

^{iv} Four year estimates assume 3% annual revenue decline, per CDTFA method in SB 793 fiscal note.

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