
Chapter 1

EXPENDITURES TO INFLUENCE SMOKING BEHAVIOR IN CALIFORNIA

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Introduction

In November 1988, California voters passed Proposition 99, which established the Tobacco Tax and Health Protection Act and initiated the California Tobacco Control Program (TCP). Proposition 99 designated specifically how monies raised from the increased excise tax could be spent. These expenditure allocations can only be overruled by a four-fifths majority of legislators only if the changes fit within the general intent of Proposition 99. The resulting California Tobacco Control Program is widely perceived to be the largest and most comprehensive health promotion program ever undertaken to reduce the impact of tobacco on society.

Californians are not being influenced about the issue of smoking by the public health community alone. The tobacco industry has a very large marketing effort aimed at maintaining or increasing sales of tobacco products. Key elements of the marketing strategy used by the tobacco industry are the manipulation of product price to increase sales and promotional campaigns to encourage product use. The industry's marketing strategies in both of these areas conflict directly with the goals of the Tobacco Control Program. In addition, the tobacco industry lobbies elected officials to promote favorable legislation to the industry. These lobbying efforts have included substantial campaign contributions to candidates for the legislature and state office (Balbach et al., 1997). In addition, tobacco industry documents reveal that it pursued a well developed, multi-pronged strategy designed to "eliminate" the TCP anti-smoking media campaign. This strategy included encouraging legislative intervention, organizing business-community opposition, convincing the Director of Health Services to withdraw or modify the campaign, and seeking intercession against the campaign by the Governor of California (Chilcote, 1990).

Hence, in a very real way, the tobacco industry and the Tobacco Control Program are at war over the health of Californians. For the public health community, there is no acceptable or safe level of smoking, and for the tobacco industry, there is no apparent interest in getting out of the tobacco business.

The purpose of this report is to provide an unbiased assessment of the progress that has been made toward the public health goal of a smokefree California and the influences of both pro- and anti-tobacco forces on smoking behavior. As outlined in our previous report, the scientific evidence on the health hazards of active and passive smoking indicate clearly that a tobacco control program should have the following goals:

- (1) To protect nonsmokers by reducing exposure to secondhand smoke**
 - (a) in children at home and at school
 - (b) in adults, particularly at work and in public places

- (2) To reduce smoking prevalence**
 - (a) by reducing smoking uptake in nonsmokers
 - (b) by increasing quitting in smokers

A Tobacco Education and Research Oversight Committee (TEROC), whose members are appointed by the Governor, the Legislature and the Superintendent of Public Instruction, oversees the California Tobacco Control Program. In its recent report, this oversight committee noted that the Program's strategy has been to create a social milieu and legal climate in which tobacco use is regarded as unacceptable (TEROC, 1997). TEROC summarized Program activities and messages as the following:

- 1) To counter the tobacco industry and others who promote tobacco use
- 2) To emphasize the addictive nature of tobacco, its harmful health effects and its unattractive features
- 3) To protect Californians from secondhand smoke
- 4) To progressively eliminate the availability of tobacco products to children and teens
- 5) To provide youth with tobacco control-related information and skills.

The present report uses data from multiple sources (see Appendix A) to explore trends relevant to these Program activities and to assess the effectiveness of the California Tobacco Control Program's efforts compared to those of the tobacco industry. In this chapter, section 1 compares the budgets of the California Tobacco Control Program for discouraging smoking to the budget of the tobacco industry for advertising and promoting smoking. Section 2 outlines the material in the rest of the report, and section 3 discusses some statistical issues relevant to the presentation of the results throughout the report.

1. Comparison of Intervention Expenditures

The Tobacco Control Program

The Health Education Account, which funds the California Tobacco Control Program, was allocated a 20% share of the revenue raised from the \$0.25 excise tax increase. The remaining 80% of the new revenue was used for indigent health care (45%), a legislative discretionary fund (25%), research (5%), and wildlife protection (5%). Details of the Health Education Account are presented for each fiscal year in Table 1.1. Not included are administrative and evaluative functions, which averaged about 5% of the total budget between 1989 and 1996.

Expenditures to Influence Smoking Behavior in California

Approximately one-third of the overall Health Education Account budget is allocated to the Department of Education, with the majority of these funds supporting smoking prevention programs in local schools. The remainder of the budget is administered by the Department of Health Services. Initially, the Local Lead Agency Program accounted for approximately 42% of the total budget, although in fiscal year 1995-1996, this percentage was reduced to approximately 25%. Local Lead Agency funds are distributed at the local level and through special interest networks. The policy allows for considerable local discretion in the use of the money. A yearly mass media campaign has received a relatively constant amount of money, with the exception of a very low actual expenditure in 1995-1996. Innovative intervention projects in communities are supported under a competitive grants program.

In the first 7 years since the passage of Proposition 99, a total of \$517 million has been spent on tobacco control interventions, an average of \$74 million each year. From 1989 to mid 1993, there was an average annual expenditure of \$85.5 million with variation suggesting that funds from previous years are brought forward to the next, particularly in the category of competitive grants. California has a population of 25.5 million people 12 years of age and older. Thus, the average annual expenditure on the TCP during this period was \$3.35 per capita/year. However, beginning in mid 1993, there was a marked reduction in TCP expenditures: funds were diverted from the Health Education and Research Accounts to indigent medical services. From mid 1993 to mid 1996, the average yearly expenditure was only \$53 million, which translates to \$2.08 per capita/year. Of particular note is the major decline in expenditures in 1995-1996 when the media budget was decreased by one-half, and the funding available at the local level was decreased by almost one-third from the previous fiscal year. Thus, between these two periods, there was a reduction in the annual funding for tobacco control in California by a factor of 40%.

Table 1.1 also shows the extent to which the Program was underfunded, which is shown as the percentage of the money actually spent to the funds mandated as available for the Health Education Account (20% of the increased excise tax revenue). From 1988 to 1993 the aggregate underfunding percentage was 27%, and from 1993 to 1996 the aggregate underfunding increased to 40%. Thus, in the later period, an average of \$140.3 million annually was diverted from the amount mandated to be spent on the California TCP.

Expenditures to Influence Smoking Behavior in California

Table 1.1								
Expenditures Targeted at Tobacco Use in California (millions of dollars)								
Tobacco Control Program ¹	Early Period				Later Period			TOTAL
	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	
Mass Media	\$14.3	\$ 14.3	\$16.0	\$15.4	\$12.9	\$12.2	\$ 6.6	\$ 91.7
Local Lead Agency	\$35.6	\$ 35.4	\$14.5	\$17.8	\$13.5	\$16.4	\$10.2	\$143.4
Competitive Grants	\$ 3.3	\$ 49.7	\$ 1.1	\$27.5	\$15.1	\$10.9	\$ 9.7	\$117.3
Local Schools	\$32.6	\$ 32.6	\$24.3	\$23.3	\$19.6	\$16.8	\$15.3	\$164.5
Yearly Totals	\$85.8	\$132.1	\$55.9	\$84.0	\$61.1	\$56.3	\$41.7	\$516.9
% under (-)/over(+) funding	-51 ³	+28	-43	-14	-32	-38	-51	-32
Tobacco Industry ²								TOTAL
	1989	1990	1991	1992	1993	1994	1995	
Advertising	\$111	\$114	\$112	\$ 99	\$ 94	\$ 89	\$ 82	\$ 795
Incentives to Merchants	\$100	\$102	\$116	\$151	\$156	\$168	\$187	\$ 980
Promotional Items	\$122	\$149	\$207	\$252	\$332	\$210	\$201	\$1473
Other	\$ 28	\$ 34	\$ 31	\$ 22	\$ 22	\$ 17	\$ 19	\$ 173
Yearly Totals	\$362	\$399	\$465	\$523	\$603	\$483	\$489	\$3,324

¹ Health Education budget reported in Balbach et al., 1997.

² 10% of National Expenditures reported by Federal Trade Commission, 1997.

³ Figures reported for 1988-1990.

The Tobacco Industry

Table 1.1 also presents the estimated expenditures of the tobacco industry on advertising and promotion in California over the same time period for each calendar year. These estimates were based on data from the Federal Trade Commission (FTC) report (FTC, 1997). The estimates in Table 1.1 are based on the relative size of the California population and assume that California was not differentially targeted by the tobacco industry. These calculations predict that the tobacco industry would spend about 10% of its total advertising and promotions budget to directly influence Californians. The tobacco industry is required to supply the FTC with an accounting of the monies spent on advertising and promotion of manufactured cigarettes, but these figures do not include what it spends on promoting other tobacco products, such as cigars. Furthermore, these reports do not include industry expenditures for lobbying and political campaigns that may affect the conduct of the California TCP.

In 1989, traditional advertising approaches, such as print media and billboards, comprised approximately 30% of the total promotional expenditures of the industry; by 1995, this was reduced to 17%. Furthermore, by 1995, expenditures on traditional advertising amounted to only 41% of the amount the industry devoted to the category of promotional

Expenditures to Influence Smoking Behavior in California

items. Promotional items, which are a combination of the FTC categories for coupons, retail value added and specialty item distribution, comprised the largest proportion of the industry advertising and promotional expenditures in each year. The percentage for promotional items increased from a low of 34% of total expenditures in 1989 to a high of 55% in 1993.

The other major FTC category that the industry designates as promotional allowances covers expenditures to encourage wholesalers and retailers to stock and promote cigarettes. Table 1.1 labels this category “incentives to merchants” to better describe its purpose. Over a 7-year period, expenditures under this incentives-to-merchants category have risen steadily, from 27% to 38% of the total budget.

During the 1989 to 1992 period, the tobacco industry is estimated to have spent an average of \$437 million/year or \$17.14 per capita/year to persuade Californians to smoke. During the 1993 to 1995 period, the industry is estimated to have spent an average of \$525 million/year or \$20.59 per capita/year, for this purpose.

AVERAGE PROMOTIONAL EXPENDITURES PER PERSON PER YEAR		
	<u>1989 to 1992-1993</u>	<u>1993 to 1995-1996</u>
Tobacco Industry	\$17.14	\$20.59
Tobacco Control	\$ 3.35	\$ 2.08
Ratio (Industry/Control)	5.1	9.9

Thus, from 1989 to 1993, the tobacco industry outspent the California TCP by 5 times. Subsequently, it increased its outlay; at the same time, funding from the TCP was diverted. Between 1993 and 1996 the tobacco industry spent 10 times more than the TCP.

Table 1.1 shows that in 1995 in California, the tobacco industry spent a total of approximately \$489 million between its expenditures on advertising, incentives to merchants, promotional items, and other marketing activities, all designed to increase smoking. During fiscal year 1995-1996, the TCP was underfunded by 51%, and spent \$41.7 million on its programs designed to reduce smoking. If the TCP had been fully funded that year, it would have spent approximately \$81.8 million on anti-smoking activities, which leaves a differential of over \$405 million between TCP and industry spending. Given that in 1996 California’s per capita cigarette consumption was 6.0 packs/month or 72 packs/year, with a population of 25.5 million, approximately 1.84 billion packs of cigarettes were sold in California that year. An additional excise tax of \$0.25/pack, with the revenues fully devoted to the TCP, would more than erase the differential between TCP and tobacco industry spending devoted to influencing smoking behavior.

Expenditures to Influence Smoking Behavior in California

In addition to the expenditures identified in Table 1.1, the tobacco industry also used another marketing strategy to promote smoking in the 1993 to 1996 period. In April 1993, tobacco companies acted in concert to reduce the real price of premium brands of cigarettes by an average of 11% nationally and 10% in California (Shapiro, 1993). Furthermore, the tobacco industry increased its campaign contributions to candidates for the legislature and other state offices and increased its contributions to political parties. In 1993 and 1994, the industry spent \$841,342 for these activities to influence the conduct of the California TCP. In 1995 and 1996, this expenditure increased by a factor of nearly 80% to \$1,456,031 (Balbach et al., 1997).

Summary

Documented evidence shows that as early as 1990, the tobacco industry outlined explicit strategies designed to defeat the tobacco control program and eliminate the monies legislatively dedicated to the anti-smoking media campaign (Chilcote, 1990). Therefore, it is reasonable to look for evidence of whether such strategies were successful in the years after 1990. The dramatic shift in the balance of funding by the California TCP and the tobacco industry represents one such form of evidence. Therefore, it is reasonable to examine the trends in smoking behavior (Chapter 2) for each of the two periods described above and to treat these as distinct intervals of the TCP. Furthermore, 1993 is both the midpoint of the TCP and the interim California Tobacco Survey (CTS) year; large CTS were conducted in 1990, 1993, and 1996.

2. Structure of This Report

The purpose of this report is to assess how Californians have reacted to these two competing influences and California's progress in achieving the goals set out for the Tobacco Control Program (TCP). As mentioned earlier, the main goals include reducing nonsmokers' exposure to secondhand tobacco smoke and reducing smoking prevalence. Smoking prevalence and cigarette consumption are the ultimate measures of the Program's impact for the second goal; however, neither of these measures provides a complete assessment of the relative impact of the California TCP and the tobacco industry on smoking behavior. Therefore, in addition to cigarette smoking prevalence, other measures are used that reflect the processes of smoking uptake and smoking cessation.

Chapter 2: Tobacco Control in California: An Overview provides the overview of trends in each of the major goals for the California TCP. The first goal relates to protecting nonsmokers and the second goal relates to reducing smoking prevalence. Trends in per capita consumption of cigarettes and adult and adolescent smoking prevalence in California are compared to trends in the rest of the United States.

Chapter 3: Understanding Smoking Behavior outlines what is known about the process by which a person becomes a smoker over time and the process by which a smoker becomes a successful quitter over time. These specific processes are referred to throughout this report.

Chapter 4: Protection of Nonsmokers presents data on how Californians have responded to concerns about the health consequences of secondhand tobacco smoke. These health effects have been comprehensively reviewed recently in the California Environmental Protection Agency report (CalEPA, 1997). The existence of workplace policies and their effect on exposure to secondhand tobacco smoke by nonsmokers is reported. Further, data are presented on the voluntary imposition of restrictions on smoking in the home.

Chapter 5: Trends in Adolescent Smoking examines the smoking uptake process in considerable detail, presenting trends in the indicators of future smoking for population subgroups. Changes in known predictors of smoking uptake are also discussed. Finally, the chapter assesses the probability of a major decline in teen smoking in the next 3 years.

Chapter 6: Quitting and Predictors of Quitting looks in detail at the Quitting Continuum and trends in the indicators of future successful cessation among current smokers.

Chapter 7: Promoting Smoking Cessation examines the role that smoking restrictions, doctors' advice, and assistance in quitting has played in the TCP.

Chapter 8: Prices and Taxes analyzes the changes in cigarette consumption that would be expected to occur because of changes in cigarette price. Also, population data are presented that address the willingness of Californians to accept an increase in the price of cigarettes from an additional excise tax, and on the concern of smokers about the amount of money they spend on cigarettes.

Chapter 9: Advertising and Media presents data on the effect of the promotional activities of both the tobacco industry and the TCP in trying to influence how Californians view cigarettes.

Chapter 10: Access to and Ease of Purchase of Cigarettes addresses the issue of the accessibility of cigarettes to adolescents in California. In order to focus this issue, data are presented concerning how teens get their cigarettes and the types of stores frequented by teens who buy cigarettes.

Chapter 11: School Smoking: Policies and Compliance examines the issue of cigarette smoking in schools. Included are trends in compliance with smoking bans, trends in teachers' smoking as perceived by students, and trends in exposure to anti-smoking curricula.

Chapter 12: Knowledge and Attitudes About Smoking reviews trends among Californians in a variety of other smoking-related issues, including beliefs about "light" cigarettes, opinions about the legitimacy of the tobacco industry and its regulation, knowledge about the health consequences of smoking, and the extent of nonsmoker activism.

Expenditures to Influence Smoking Behavior in California

Chapter 13: Other Tobacco Use presents data on the use of tobacco products other than cigarettes by both adults and adolescents. The recent increase in the popularity of cigars is addressed specifically.

Appendix A: Data Sources describes all of the data sources used for this report.

Appendix B: Sociodemographic Data contains data tables on the major topics described in this report.

3. Statistics

Throughout this report, data are summarized as percentages. Unless otherwise indicated, these percentages are population estimates compiled using survey weights. The weighting procedure is described separately in a technical report (Pierce et al., 1998). Many percentages are accompanied by 95% confidence intervals that indicate the margin of error for the estimates. Technically, these intervals indicate the expected range of the estimate if the survey were repeated many times.

Although the complete results of statistical testing are often not included in this report, the appropriate tests have been performed. When a result is reported as *significant*, it implies that the probability that this result would have occurred by chance alone is less than 5%.

When examining trends, percentage increases or decreases over time are reported. To point out that these are indeed percentage change (computed as $100 \times [\text{level } 2 - \text{level } 1] / \text{level } 1$), the term increase or decrease *by a factor of X%* is used.

CHAPTER 1: REFERENCES

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