



BENEFITS TO EACH STATE FROM CONGRESS PARTIALLY FUNDING SCHIP THROUGH A 61-CENT FEDERAL CIGARETTE TAX INCREASE

Cigarette tax rate increases are an especially effective way to fund healthcare programs because they not only raise revenue they also prevent and reduce smoking and smoking-caused disease, especially among kids, lower income smokers, and pregnant women. Those smoking declines not only reduce smoking-caused illness, harms and death but also reduce overall healthcare costs, especially those health costs paid for by Medicaid, the State Children's Health Insurance Program (SCHIP) and other programs that focus on lower income persons, pregnant women, or kids.

The table below presents conservative estimates of just some of the public health benefits and cost savings each state would receive from the 61-cent federal cigarette tax rate increase passed by the Senate Finance Committee to help fund the reauthorization of SCHIP. Also listed are the total annual SCHIP payments each state would receive, starting next year, if the program is reauthorized as passed by the Senate Finance Committee. Proposals in the House call for even more SCHIP funding for the states.

	Annual SCHIP Payments to State	Fewer Kids Becoming Addicted Adults	Fewer Current Adult Smokers	Future Smoking Deaths Prevented	Future Health Care Savings in State (millions)	Medicaid Share of Future Health Savings (millions)
Alabama	\$123.8	57,200	20,900	23,800	\$1,200	\$160.3
Alaska	\$35.6	3,600	1,700	1,600	\$79	\$12.1
Arizona	\$153.7	24,600	15,400	11,900	\$577	\$80.2
Arkansas	\$128.1	20,700	11,800	9,700	\$474	\$61.6
California	\$1,376.0	182,200	90,700	82,300	\$4,050	\$805.1
Colorado	\$84.9	27,600	15,300	12,800	\$628	\$101.4
Connecticut	\$46.8	19,700	7,600	8,500	\$425	\$58.1
Delaware	\$13.1	6,100	2,800	2,800	\$138	\$12.1
DC	\$13.8	2,200	1,800	1,100	\$56	\$6.3
Florida	\$352.9	129,300	76,700	61,700	\$2,991	\$334.1
Georgia	\$406.4	60,700	36,200	29,000	\$1,406	\$207.7
Hawaii	\$22.4	6,100	2,700	2,600	\$132	\$17.8
Idaho	\$34.2	7,900	4,600	3,700	\$182	\$25.7
Illinois	\$680.9	79,800	35,200	34,800	\$1,731	\$327.0
Indiana	\$110.3	49,000	28,900	23,300	\$1,132	\$185.0
Iowa	\$82.4	18,300	9,600	8,400	\$411	\$53.0
Kansas	\$56.6	16,400	8,200	7,400	\$365	\$41.6
Kentucky	\$92.9	38,600	24,400	18,800	\$907	\$178.0
Louisiana	\$140.7	37,400	19,400	17,100	\$839	\$305.1
Maine	\$30.9	6,200	3,700	2,900	\$144	\$40.7
Maryland	\$188.9	31,800	17,300	14,700	\$721	\$111.0
Massachusetts	\$304.8	28,400	16,000	13,300	\$649	\$107.2
Michigan	\$210.3	68,300	28,400	29,300	\$1,465	\$302.4
Minnesota	\$96.4	31,100	15,200	13,900	\$689	\$106.0
Mississippi	\$141.8	25,800	14,200	12,000	\$586	\$118.7
Missouri	\$137.1	49,300	27,000	22,900	\$1,119	\$154.2
Montana	\$27.8	4,500	2,500	2,100	\$103	\$14.0
Nebraska	\$38.9	11,500	6,700	5,400	\$265	\$29.0
Nevada	\$62.8	14,900	9,700	7,300	\$353	\$42.3
New Hampshire	\$12.7	9,800	4,500	4,400	\$217	\$54.9
New Jersey	\$373.4	34,200	17,800	15,600	\$768	\$161.9
New Mexico	\$117.4	11,900	7,200	5,700	\$277	\$36.6

	Annual SCHIP Payments to State	Fewer Kids Becoming Addicted Adults	Fewer Current Adult Smokers	Future Smoking Deaths Prevented	Future Health Care Savings in State (millions)	Medicaid Share of Future Health Savings (millions)
New York	\$456.7	86,900	49,700	40,900	\$1,993	\$554.8
North Carolina	\$316.3	70,600	40,000	33,100	\$1,616	\$199.0
North Dakota	\$13.5	4,100	2,600	2,000	\$96	\$10.2
Ohio	\$233.4	84,400	41,400	37,900	\$1,870	\$331.4
Oklahoma	\$129.0	26,100	14,900	12,300	\$598	\$69.1
Oregon	\$107.7	21,300	10,900	9,700	\$476	\$58.5
Pennsylvania	\$260.0	84,300	45,600	39,000	\$1,908	\$288.3
Rhode Island	\$87.1	4,900	2,500	2,200	\$110	\$30.5
South Carolina	\$83.3	39,800	20,800	18,200	\$894	\$165.2
South Dakota	\$16.0	4,900	2,300	2,100	\$108	\$12.8
Tennessee	\$115.4	43,500	29,800	21,800	\$1,044	\$225.5
Texas	\$707.4	140,700	68,200	63,000	\$3,110	\$421.7
Utah	\$63.3	8,500	4,700	3,900	\$193	\$31.6
Vermont	\$6.7	3,100	1,700	1,400	\$70	\$14.0
Virginia	\$130.4	52,200	30,000	24,600	\$1,199	\$145.3
Washington	\$94.2	27,800	14,000	12,600	\$620	\$110.2
West Virginia	\$44.0	15,700	9,700	7,500	\$367	\$88.7
Wisconsin	\$116.6	40,100	20,300	18,200	\$895	\$128.6
Wyoming	\$10.0	3,700	2,000	1,700	\$84	\$12.0

Increasing the federal cigarette tax rate will both reduce smoking levels and increase federal revenues because the higher tax rate per pack brings in more new revenue than is lost from the drop in the number of packs sold. These projections are based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4% (with adjustments to account for possible smuggling and tax evasion effects). Kids stopped from becoming addicted adult smokers or from dying from smoking are from all kids alive today. Reduced adult deaths is from current adult smokers. Future healthcare savings accrue over the lifetimes of persons who stop smoking or never start because of the cigarette tax increase. Savings are in 2004 dollars.

Bipartisan Governors' letter endorsing the Senate Finance Committee's approach to SCHIP:

<http://www.nga.org/portal/site/nga/menuitem.cb6e7818b34088d18a278110501010a0/?vgnnextoid=522135d7cc304110VgnVCM1000001a01010aRCRD>

Polling data showing strong public and voter support, nationwide, for a 75-cent increase to the federal cigarette tax rate: <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=11>.

House Ways and Means Committee Truth Squad, "What they don't want you to know about... Tobacco Tax": <http://waysandmeans.congressnewsletter.net/mail/util.cfm?gpiv=1999940410.15740.325&gen=1>

Sources. Congressional Research Service, *Projections of Federal SCHIP Financing by State in FY2008, Under Senate Finance Committee Chairman's Mark*, July 17, 2007. Chaloupka, F, "Macro-Social Influences: 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> and www.uic.edu/orgs/impactteen. Orzechowski & Walker, *Tax Burden on Tobacco*, 2006. USDA Economic Research Service, www.ers.usda.gov/Briefing/tobacco. Farelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May, 2003. CDC, *Data Highlights 2006* [and underlying CDC data/estimates]. Hodgson, T, "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. National Center for Health Statistics. Miller, L. et al., "State Estimates of Medicaid Expenditures Attributable to Cigarette Smoking, Fiscal Year 1993," *Public Health Reports* 113: 140-151, March/April 1998; Orleans, CT, et al., "Helping Pregnant Smokers Quit: Meeting The Challenge in the Next Decade", *Tobacco Control* 9(Supplemental III): 6-11, 2000. For information on shorter-term healthcare savings, see Miller, P, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001. Lightwood, J & Glantz, S, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4):1089-1096, August 19, 1997.