



Buying Influence: Big Tobacco Spends Millions to Stop Public Health Progress

Tobacco is a major industry in Oregon. Over 150 million packs of cigarettes are sold here each year, along with 21 million cans of moist snuff (dip tobacco), 1.8 million premium cigars, and over \$30 million worth of cheaper cigars. Maintaining this industry, in the face of the major health impacts caused by tobacco use, is difficult. Most elected decisions makers, left to their own devices, would hold the tobacco industry accountable for the illness and disease caused by tobacco.

To prevent elected officials from promoting cessation, preventing youth initiation, and protecting people from second-hand smoke, the tobacco industry has spent millions in campaign funds and lobbying against basic public health agenda. Their contributions straddle multiple election cycles and political parties, spreading their millions around in a way that enforces the tobacco status quo.

Their lobbying and spending has led to inadequate tobacco enforcement laws and too few public health services. Oregon's tobacco policy problems include:

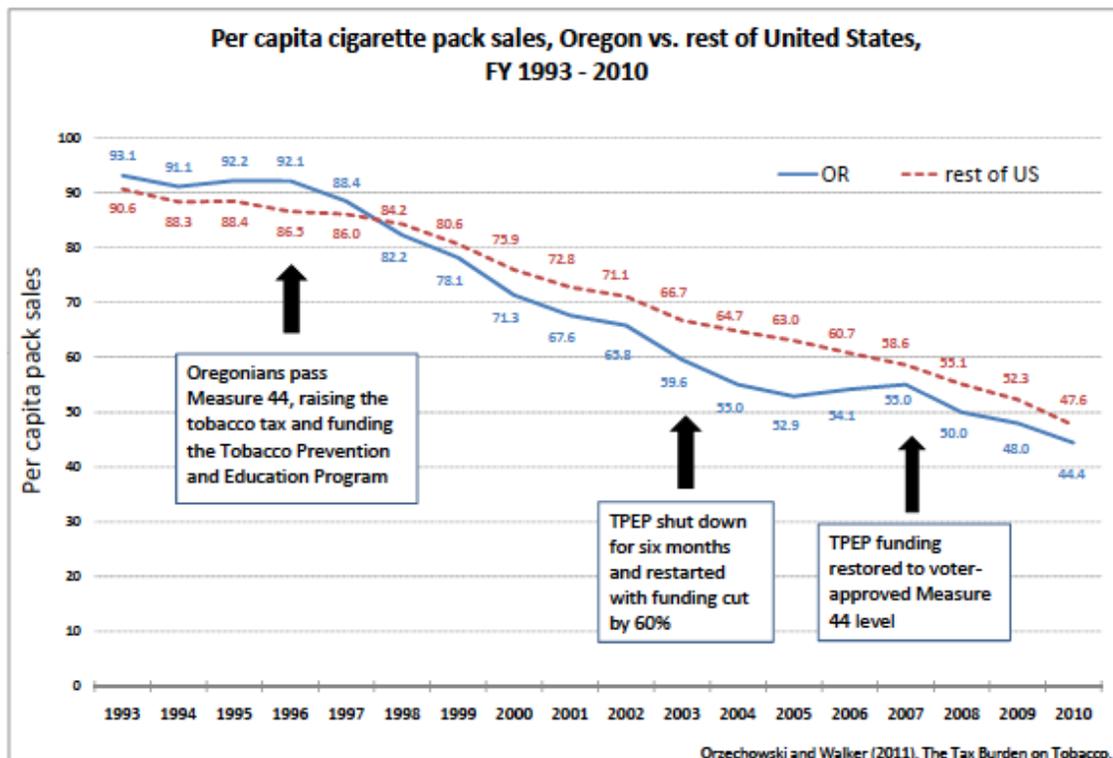
- **Little oversight and enforcement for selling tobacco to minors.** For many years, Oregon has struggled with high rates of retailers selling cigarettes to minors. In 2013, Oregon ranked worst in the country for youth access.¹ With more attention on the problem, things have been getting better, but far too many stores still sell to kids. Raising the age to purchase tobacco to 21 is one important step the Legislature is poised to take in the coming days to protect kids' health. However, laws like these must be enforced, and Oregon is one of the few states without statewide tobacco retailer licensing. If retailers have to get a license to sell cigarettes, and face losing their license for illegally selling to kids, they have a strong incentive to follow the law. Enacting a strong retailer licensure program is a priority to make other tobacco control laws effective at keeping kids from getting hooked on nicotine.
- **Low taxes on cigarettes.** Oregon's cigarette taxes are below average. At \$1.32/pack, Oregon ranks 31st among the states. The American Lung Association gave Oregon an F grade on state tobacco taxes. The higher the tax, the fewer kids will start smoking. Tobacco companies have consistently fought tax increases. Oregon is one of the few states that has reduced its cigarette taxes, when a 10 cent per pack tax was allowed to sunset.
- **Little investment in public health.** Tobacco control in Oregon is funded at only 25% of the level recommended by the Centers for Disease Control and Prevention.² Oregon received an F grade for Prevention and Cessation Funding, and more F's for Access to Cessation Services, and Tobacco 21 laws. The return on investment for tobacco control

¹ <https://www.samhsa.gov/sites/default/files/synar-annual-report-2013.pdf>

² <http://www.tobaccofreekids.org/microsites/statereport2017/>

is high, yielding over \$5 in savings for every \$1 spent.³ Underfunding tobacco prevention leads to higher costs later.

- **Tax-free nicotine.** The Oregon Health Authority has found that non-cigarette tobacco use is 80% higher than traditional cigarette use for 11th graders in Oregon⁴ and kids who use electronic cigarettes are almost twice as likely to have intentions to smoke conventional cigarettes as those who had never used electronic cigarettes.⁵ With the exception of FDA approved cessation devices, e-cigarettes are currently the only form of nicotine available in Oregon without a tax, making the product more available to young, price-sensitive Oregonians. Raising the price is the most effective intervention available to curb access and help prevent our children from becoming life-long users of tobacco and nicotine products.⁶
- **Progress Lost.** Oregon's evidence-based Tobacco Prevention and Education Program (TPEP) took a significant hit in 2003 when the legislature swept the program's budget. The sweep effectively shut TPEP down, a setback Oregon is still working to recover from. As a result, Oregon's gains in smoking declines stalled.



- **Huge tax breaks for premium cigars.** In Oregon, the tax rate on cigars is 65% of the wholesale price, up to a maximum \$0.50 per cigar. That means no matter the retail price, premium cigars get taxed as if they cost only \$0.77 at wholesale. In effect, the more expensive the cigar, the lower the effective tax rate. A premium cigar may contain more tobacco than a pack of cigarettes, but will be taxed much less. Oregon was the first state

³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3484005/>

⁴ OHA Tobacco Fact Sheet 2014

⁵ National Youth Tobacco Survey. 2013. Centers for Disease Control and Prevention

⁶ U.S. Department of Health and Human Services, The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General, 2014.

to limit taxes on luxury cigars. The tax cap has been a big tax giveaway to smokers of expensive cigars since 2002. In 2016 over 1.8 million cigars subject to the tax cap were sold in Oregon. Oregon gives up millions of dollars in taxes each year to subsidize lower prices on luxury cigars.

- **Weight based vs. value based taxes.** As the tobacco industry slowly shifts away from cigarettes, they want to keep the taxes on other tobacco products low. One way to do that is by shifting away from ad valorem taxes. Ad valorem taxes are a percentage of the price, so they'll naturally grow and won't lose value to inflation. With heavy lobbying from the industry, Oregon switched to weight-based taxes on moist snuff. Because these taxes are not indexed to inflation, they will erode and result in lower prices over time.
- **Too little invested in tobacco prevention.** Oregon is one of 46 states that signed the original Tobacco Master Settlement Agreement. In return for protection from future state lawsuits (among other benefits), tobacco companies agreed to make regular payments to states. From 1999 to 2017, Oregon has received over \$1.4 billion in these settlement payments. Only 1% of this amount went to public health tobacco prevention programs.⁷ The legislature just took \$4 million in TMSA funds away from tobacco prevention to help close the Oregon Health Authority (OHA) budget.
- **Big Tobacco invests a lot in Oregon politics, and they have won a lot in return:** Tobacco is a major industry in Oregon. Unlike most industries in the state, tobacco sales cost Oregonians far more than we gain — tobacco creates few to no jobs, but it creates huge public health problems leading to cancer and sometimes death. Without a vast political network, an industry like tobacco would never survive — so in the last ten years, big tobacco has invested big money in protecting the profits it makes from Oregonians.

Since 2007, the tobacco industry has spent over \$16.6 million to influence Oregon politics⁸. Most of that (\$11.8M) was spent on the 2007 electoral campaign against Measure 50 to successfully defeat a cigarette tax increase. Big tobacco (Altria and Reynolds American) spent another \$1.66 million on candidates for the legislature, political parties, and lobby groups. Another \$3.6 million was spent on lobbyists.

The biggest names in tobacco fund these efforts: \$8 million from Altria (Philip Morris) and \$5.5 million from Reynolds American (RJ Reynolds). Altria has given over \$1 million to candidates, and Reynolds gave \$573,000. In 2016 alone, Altria contributed \$122,570 and Reynolds contributed \$102,050. Other tobacco manufacturers and distributors contributed about \$55,000 over 10 years, mostly to the Oregon Neighborhood Store Association (ONSA) PAC. A few local tobacco stores have given money or in-kind contributions (usually cigars for fundraisers) for candidates, but the sum of these contributions is small and doesn't impact the overall picture.

The Oregon Neighborhood Store Association's name is misleading, because its major backers aren't actually stores, but the grocery manufacturers and distributors that supply those stores. In 2010, 40% of the average convenience store's sales were tobacco products.⁹ Tobacco manufacturers gave 16% of all revenue (\$90,515) to the PAC in the past 10 years. Tobacco

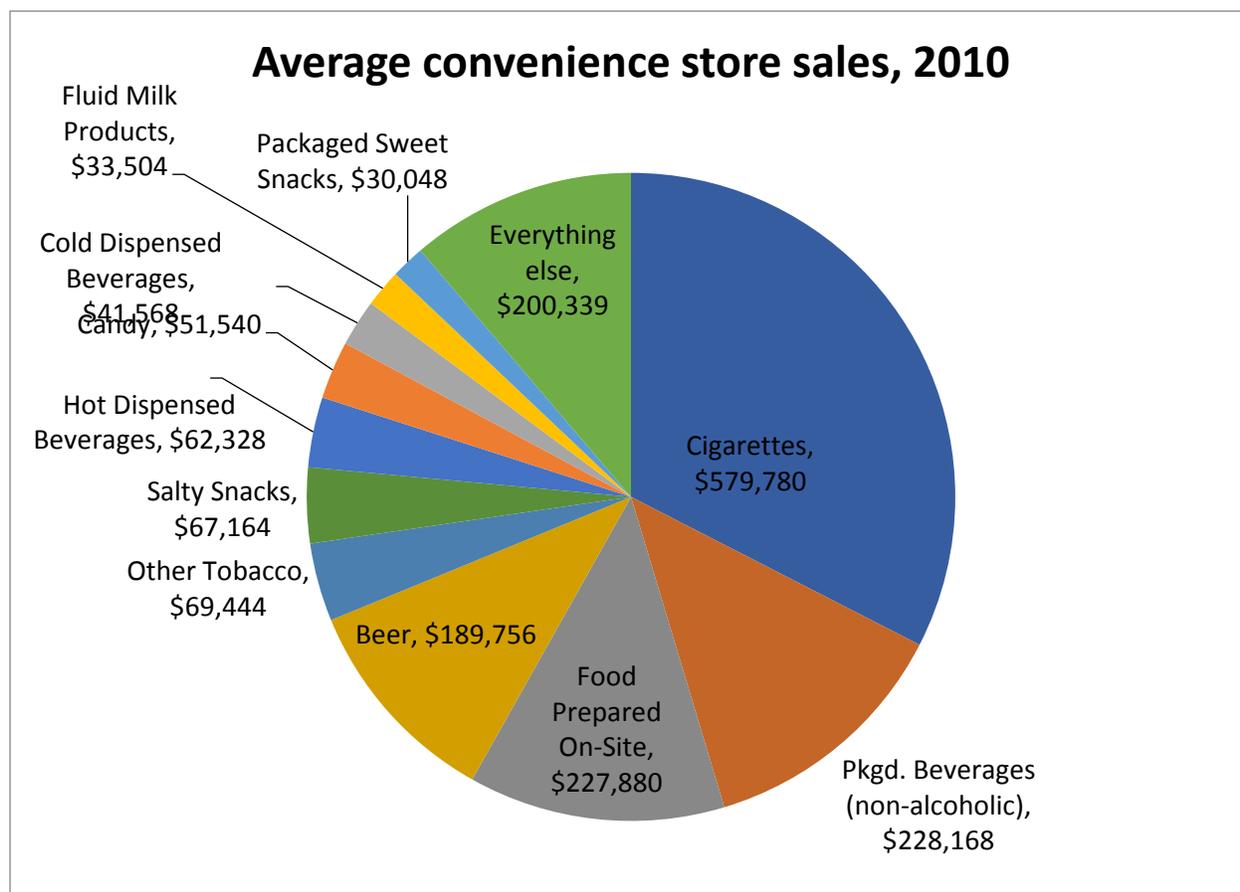
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<https://www.oregonlegislature.gov/lfo/Documents/Budget%20Information%20Report%20on%20TMSA.pdf>

⁸ This analysis of tobacco money in Oregon politics is based on campaign finance data from the Oregon Secretary of State and lobbying data from the Oregon Government Ethics Commission.

⁹ National Association of Convenience Stores State of the Industry of 2010 Data Factbook

distributors covered 8% (\$46,055) more, for a total of 24% of ONSA's revenue. ONSA uses that money on lobbying and campaign contributions. ONSA has contributed \$336,000 to candidates since 2007.



NACS 2010 Factbook

Tobacco companies also spend money hiring lobbyists: \$3.6 million from 2007 through 2016. In the first quarter of 2017, tobacco interests spent \$128,562 lobbying the Oregon legislature. Reynolds American has three registered lobbyists in the capitol; Altria has 9.¹⁰ Another three lobbyists work for the Cigar Association of America, which represents Swisher International and other cigar manufacturers.

In terms of campaign contributions since 2007, tobacco contributions have been a bi-partisan affair. Republicans received most of the tobacco money, but Democrats claimed their share too. If one attributes 24% of the ONSA campaign contributions to tobacco, Republicans received \$1.4 million in campaign contributions and Democrats received \$339,000 in campaign contributions. Again, since 2007, 32 individual Democrats took tobacco money, and 88 Republicans. Republican Senator Ted Ferrioli is the top individual recipient of tobacco money, Both the Democratic and Republican House and Senate leadership committees accepted tobacco contributions. Appendix A lists each campaign that accepted contributions from Altria, Reynolds American, and ONSA.

¹⁰ <https://apps.oregon.gov/OGEC/EFS/Records>