

**Testimony before the Minnesota House of Representatives
Preventative Health Policy Division Committee
Regarding Prohibiting the Sale of Flavored Tobacco and Vapor Products
Lindsey Stroud, Policy Analyst
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February 17, 2021**

Chairman Freiberg and Members of the Committee,

Thank you for your time today to discuss the issue of banning remote sales of tobacco and vapor products. My name is Lindsey Stroud and I am a Policy Analyst with the Taxpayers Protection Alliance (TPA). TPA is a non-profit, non-partisan organization dedicated to educating the public through the research, analysis and dissemination of information on the government's effects on the economy.

As lawmakers attempt to address youth use of age- restricted products, including electronic cigarettes and vapor products, some policymakers are seeking to ban sales of flavored tobacco and vapor products. Although addressing youth use is laudable, policymakers should refrain from policies that would restrict adult access to tobacco harm reduction products, as well as implementing policies that further subvert adult choices, such as is the case with the proposal to ban flavors in tobacco and vapor products.

Tobacco and Vapor Product Use Among Minnesota Youth

The most recent data on youth e-cigarette use in Minnesota comes from the 2019 Minnesota Student Survey (MSS).¹ In 2019, according to the MSS, 89 percent of 8th graders, 84 percent of 9th graders and 74 percent of 11th graders reported *not using* an e-cigarette or vapor product in the 30 days prior to the survey. Further, only 7 percent of 11th graders, 2 percent of 9th graders, and 1 percent of 8th graders reported daily e-cigarette use.

It is worthy to note that Minnesota combustible cigarette use is at all-time lows. According to the MSS, in 2019, 98 percent, 97 percent, and 95 percent of 8th, 9th, and 11th graders reported not smoking a cigarette in the 30 days prior to the survey. Further, only 1 percent of 11th graders and 0 percent of 8th and 9th graders, reported daily cigarette use. This is a significant decline from 1992, when 31.3 percent of 12th graders, 19.3 percent of 9th graders and 5 percent of 8th graders reported using combustible cigarettes in the 30 days before the survey.

Tobacco Economics 101: Minnesota

In 2019, 14.6 percent of adults in Minnesota smoked tobacco cigarettes, amounting to 633,125 smokers in 2019.² When figuring a pack-per-day, over 4.6 billion cigarettes were smoked in 2019 by Minnesota, or about 12.7 million per day.³

In 2019, Minnesota imposed a \$3.04 state excise tax on a pack of cigarettes.⁴ In 2019, the Gopher State collected \$702.5 million in cigarette excise taxes, when figuring for a pack-a-day habit. This amounts to \$1,109.60 per smoker per year.

Minnesota spent \$17.3 million in state funding on tobacco control programs, including education, cessation, and prevention. This amounts to \$27.32 per-smoker, and \$13.28 per resident under age 18.

Vapor Economics 101: Minnesota

Electronic cigarettes and vapor products are not only a harm reduction tool for hundreds of thousands of smokers in the Gopher State, they're also an economic boon.

IN 2018, according to the Vapor Technology Association, the industry created 1,152 direct vaping-related jobs, including manufacturing, retail, and wholesale jobs in Minnesota, which generated \$44 million in wages alone.⁵ Moreover, the industry has created hundreds of secondary jobs in the Gopher State, bringing the total economic impact in 2018 to \$336,366,200. In the same year, Minnesota received more than \$20 million in state taxes attributable to the vaping industry. These figures do not include sales in convenience stores, which sell vapor products including disposables and prefilled cartridges. In 2016, average national sales of these products eclipsed \$2.6 million.⁶

Switching from combustible cigarettes to electronic cigarettes and vapor products will also reduce smoking-related health issues and save persons and states money. WalletHub estimated the “true cost of smoking” including “...cost of a cigarette pack per day, health care expenditures, income losses and other costs.”⁷ WalletHub estimated the true cost for smoker in Minnesota to be \$59,336 per-smoker per-year.

In 1995, 20.5 percent of Minnesota adults smoked combustible cigarettes, amounting to approximately 699,921 adults.⁸ Among all adults, 17.4 percent (594,079 adults) reported smoking every day in 1995. In 2019, 14.6 percent of adults in the Gopher State were current smokers, amounting to 633,125 smokers. Further, 10.5 percent of Minnesota adults (455,330 adults) were daily smokers in 2019.

Among Minnesota adults, current smoking decreased by 28.8 percent between 1995 and 2019. Moreover, there are there are an estimated 255,852 fewer smokers in 2019, compared to 1995, and 299,217 fewer daily smokers. Using the WalletHub figures, this reduction represents nearly \$15.2 billion in yearly savings.

Wasted Tobacco Dollars

Deeply problematic with the proposed legislation is the fact that Minnesota spends very little on tobacco control, including education and prevention.

In 1998, Minnesota and “Blue Cross and Blue Shield of Minnesota settled their lawsuit against several companies and related organizations,” reaching Minnesota’s Tobacco Settlement (MTS). Under the settlement, Minnesota receives annual payments – in perpetuity – from tobacco companies. Between 1999 and 2019, the Gopher State has received more than \$4.293 billion in MTS payments.

During the same period, Minnesota has allocated only \$460.7 million in state funding on tobacco control programs.⁹ This is only 10.7 percent of MTS payments and only 6.1 percent of what the state collected in cigarette excise payments.¹⁰

(See supplemental graph 1.1)

Flavors and Youth E-Cigarette Use

Despite media alarmism, many American high school students are not overwhelmingly using vapor products due to flavors. Indeed, in analyses of state youth tobacco use surveys, other factors including social sources are most often cited among youth for reasons to use e-cigarettes and vapor products.

For example, in 2017, of Connecticut high school students that had ever used an e-cigarette, 23.9 percent reported “flavors” as a reason for use. Conversely, 41.6 percent reported using vapor products because a “friend or family member used them,” and 33 percent cited “some other reason.”¹¹ In 2019, among all Connecticut high school students, 5.2 percent reported using e-cigarettes because of “flavors,” 18.2 percent cited “other,” and 12.9 percent reported using e-cigarettes because of friends and/or family.¹²

In 2017, among Hawaiian high school students that had ever used e-cigarettes, 26.4 percent cited flavors as a reason for e-cigarette use, compared to 38.9 percent that reported “other.”¹³

According to results from the 2018 YRBS, Maryland high school students reported using flavored vapor products, but flavors weren’t overwhelmingly cited by e-cigarette users as a reason for use.¹⁴ When asked about the “main reason” Maryland high school users used flavors only 3.2 percent responded “flavors.” Conversely, 13 percent reported because “friend/family used them,” 11.7 percent reported “other,” and 3.8 percent reported using e-cigarettes because they were less harmful than other tobacco products.

In 2019, among all Montana high school students, only 7 percent reported using vapor products because of flavors, compared to 13.5 percent that reported using e-cigarettes because of “friend or family member used them.”¹⁵ Further, 25.9 percent of Montana high school students reported using vapor products for “some other reason.”

In 2019, among all students, only 4.5 percent of Rhode Island high school students claimed to have used e-cigarettes because they were available in flavors, while 12.5 cited the influence of a

friend and/or family member who used them and 15.9 percent reported using e-cigarettes “for some other reason.”¹⁶

In 2017, among current e-cigarette users, only 17 percent of Vermont high school students reported flavors as a reason to use e-cigarettes. Comparatively, 35 percent cited friends and/or family members and 33 percent cited “other.”¹⁷

In 2019, among high school students that were current e-cigarette users, only 10 percent of Vermont youth that used e-cigarettes cited flavors as a primary reason for using e-cigarettes, while 17 percent of Vermont high school students reported using e-cigarettes because their family and/or friends used them.¹⁸

Lastly, in 2017, among all Virginia high school students, only 6.2 percent reported using e-cigarettes because of flavors, while 11.3 percent used them because a friend and/or family member used them.¹⁹ In 2019, among all Virginia high school students, only 3.9 percent reported using e-cigarettes because of flavors, 12.1 used for some other reason, and 9.6 used them because of friends and/or family members.²⁰

(See Supplemental Graphs 1.2)

Effects of Flavor Bans

Flavor bans have had little effect on reducing youth e-cigarette use and may lead to increased combustible cigarette rates, as evidenced in San Francisco, California.²¹

In April 2018, a ban on the sale of flavored e-cigarettes and vapor products went into effect in San Francisco and in January, 2020, the city implemented a full ban on any electronic vapor product. Unfortunately, these measures have failed to lower youth tobacco and vapor product use.

Data from an analysis of the 2019 Youth Risk Behavior Survey show that 16 percent of San Francisco high school students had used a vapor product on at least one occasion in 2019 – a 125 percent increase from 2017 when 7.1 percent of San Francisco high school students reported using an e-cigarette.²² Daily use more than doubled, from 0.7 percent of high school students in 2017, to 1.9 percent of San Francisco high school students reporting using an e-cigarette or vapor product every day in 2019.

Worse, despite nearly a decade of significant declines, youth use of combustible cigarettes seems to be on the rise in Frisco. In 2009, 35.6 percent of San Francisco high school students reported ever trying combustible cigarettes. This figure continued to decline to 16.7 percent in 2017. In 2019, the declining trend reversed and 18.6 percent of high school students reported ever trying a combustible cigarette. Similarly, current cigarette use increased from 4.7 percent of San Francisco high school students in 2017 to 6.5 percent in 2019.

An April 2020 study in *Addictive Behavior Reports* examined the impact of San Francisco's flavor ban on young adults by surveying a sample of San Francisco residents aged 18 to 34 years.²³ Although the ban did have an effect in decreasing vaping rates, the authors noted "a significant increase in cigarette smoking" among participants aged 18 to 24 years old.

Other municipal flavor bans have also had no effect on youth e-cigarette use.²⁴ For example, Santa Clara County, California, banned flavored tobacco products to age-restricted stores in 2014. Despite this, youth e-cigarette use *increased*. In the 2015-16 California Youth Tobacco Survey (CYTS), 7.5 percent of Santa Clara high school students reported current use of e-cigarettes. In the 2017-18 CYTS, this *increased* to 10.7 percent.

Menthol Bans Have Little Effect on Smoking Rates, Lead to Black Markets, Lost Revenue and Will Create Racial Tension

Beyond e-cigarettes, policymakers' fears about the role of menthol and flavorings in cigarettes and cigars are overblown and banning these products will likely lead to black markets.

Data from the National Health Interview Survey (NHIS) finds nearly a third of all American adult smokers smoke menthol cigarettes. In a 2015 NHIS survey, "of the 36.5 million American adult smokers, about 10.7 million reported that they smoked menthol cigarettes," and white menthol smokers "far outnumbered" the black and African American menthol smokers.²⁵

Although lawmakers believe banning menthol cigarettes will deter persons from smoking those, such a ban will likely lead to black markets. A 2012 study featured in the journal *Addiction* found a quarter of menthol smokers surveyed indicated they would find a way to purchase, even illegally, menthol cigarettes should a menthol ban go into place.²⁶ Further, there is little evidence that smokers would actually quit under a menthol ban. A 2015 study in *Nicotine & Tobacco Research* found only 28 percent of menthol smokers would give up cigarettes if menthol cigarettes were banned.²⁷

Moreover, there is no evidence to suggest that menthol cigarettes lead to youth tobacco use. Analysts at the Reason Foundation examined youth tobacco rates and menthol cigarette sales.²⁸ The authors of the 2020 report found that states "with more menthol cigarette consumption relative to all cigarettes have *lower* rates of child smoking." Indeed, the only "predictive relationship" is between child and adult smoking rates, finding that "states with higher rates of adult use cause higher rates of youth use."

With certainty, a ban on flavored tobacco and vapor products would lead to a loss of revenue without decreasing smoking rates as menthol smokers in Connecticut are likely to travel to neighboring states to purchase menthol products. This has been demonstrated in Massachusetts, which banned the sale of flavored tobacco and vapor products, including menthol cigarettes and took effect June 1, 2020.

An analysis by the Tax Foundation found that “Massachusetts’ flavor ban has not limited use, just changed where Bay Staters purchase cigarettes.”²⁹ The analysis noted that sales of cigarette tax stamps in the Northeast “have stayed remarkably stable,” and that “Massachusetts sales plummeted, but only because those sales went elsewhere.”

The Tax Foundation’s analysis found that sales of cigarettes “skyrocketed” in New Hampshire and Rhode Island – growing 55.8 percent and 56 percent, respectively, between June 2019 and June 2020.

Lawmakers should take note that menthol sales bans will strain minority communities. Although white Americans smoke more menthol cigarettes than black or African Americans, “black smokers [are] 10-11 times more likely to smoke” menthol cigarettes than white smokers.³⁰

Given African Americans’ preference for menthol cigarettes, a ban on menthol cigarettes would force police to further scrutinize African Americans and likely lead to unintended consequences.

A 2015 analysis from the National Research Council examined characteristics in the illicit tobacco market.³¹ The researchers found that although lower income persons were less likely to travel to purchase lower-taxed cigarettes, “having a higher share of non-white households was associated with a lower probability of finding a local tax stamp” and “neighborhoods with higher proportions of minorities are more likely to have formal or informal networks that allow circumvention of the cigarette taxes.”

Lawmakers in Connecticut should reexamine the case of Eric Garner, a man killed in 2014 while being arrested for selling single cigarettes in the city. In a 2019 letter to the New York City council, Garner’s mother, as well as Trayvon Martin’s mother, implored officials to “pay very close attention to the unintended consequences of a ban on menthol cigarettes and what it would mean for communities of color.”³² Both mothers noted that a menthol ban would “create a whole new market for loosies and re-introduce another version of stop and frisk in black, financially challenged communities.”

E-Cigarettes and Tobacco Harm Reduction

The evidence of harm associated with combustible cigarettes has been understood since the 1964 U.S. Surgeon General’s Report that determined that smoking causes cancer. Research overwhelmingly shows the smoke created by the burning of tobacco, rather than the nicotine, produces the harmful chemicals found in combustible cigarettes.³³ There are an estimated 600 ingredients in each tobacco cigarette, and “when burned, [they] create more than 7,000 chemicals.”³⁴ As a result of these chemicals, cigarette smoking is directly linked to cardiovascular and respiratory diseases, numerous types of cancer, and increases in other health risks among the smoking population.³⁵

For decades, policymakers and public health officials looking to reduce smoking rates have relied on strategies such as emphasizing the possibility of death related to tobacco use and

implementing tobacco-related restrictions and taxes to motivate smokers to quit using cigarettes. However, there are much more effective ways to reduce tobacco use than relying on government mandates and “quit or die” approaches.

During the past 30 years, the tobacco harm reduction (THR) approach has successfully helped millions of smokers transition to less-harmful alternatives. THRs include effective nicotine delivery systems, such as smokeless tobacco, snus, electronic cigarettes (e-cigarettes), and vaping. E-cigarettes and vaping devices have emerged as especially powerful THR tools, helping nearly three million U.S. adults quit smoking from 2007 to 2015.

In fact, an estimated 10.8 million American adults were using electronic cigarettes and vapor products in 2016.³⁶ Of the 10.8 million, only 15 percent, or 1.6 million adults, were never-smokers, indicating that e-cigarettes are overwhelmingly used by current and/or former smokers.

E-Cigarettes and Vapor Products 101

E-cigarettes were first introduced in the United States in 2007 by a company called Ruyan.³⁷ Soon after their introduction, Ruyan and other brands began to offer the first generation of e-cigarettes, called “cigalikes.” These devices provide users with an experience that simulates smoking traditional tobacco cigarettes. Cig-alikes are typically composed of three parts: a cartridge that contains an e-liquid, with or without nicotine; an atomizer to heat the e-liquid to vapor; and a battery.

In later years, manufacturers added second-generation tank systems to e-cigarette products, followed by larger third-generation personal vaporizers, which vape users commonly call “mods.”³⁸ These devices can either be closed or open systems.

Closed systems, often referred to as “pod systems,” contain a disposable cartridge that is discarded after consumption. Open systems contain a tank that users can refill with e-liquid. Both closed and open systems utilize the same three primary parts included in cigalikes—a liquid, an atomizer with a heating element, and a battery— as well as other electronic parts. Unlike cig-alikes, “mods” allow users to manage flavorings and the amount of vapor produced by controlling the temperature that heats the e-liquid.

Mods also permit consumers to control nicotine levels. Current nicotine levels in e-liquids range from zero to greater than 50 milligrams per milliliter (mL).³⁹ Many users have reported reducing their nicotine concentration levels after using vaping devices for a prolonged period, indicating nicotine is not the only reason people choose to vape.

Health Effects of Electronic Cigarettes and Vapor Products

Despite recent media reports, e-cigarettes are significantly less harmful than combustible cigarettes. Public health statements on the harms of e-cigarettes include:

Public Health England: In 2015, Public Health England, a leading health agency in the United Kingdom and similar to the FDA found “that using [e-cigarettes are] around 95% safer than smoking,” and that their use “could help reducing smoking related disease, death and health inequalities.”⁴⁰ In 2018, the agency reiterated their findings, finding vaping to be “at least 95% less harmful than smoking.”⁴¹

The Royal College of Physicians: In 2016, the Royal College of Physicians found the use of e-cigarettes and vaping devices “unlikely to exceed 5% of the risk of harm from smoking tobacco.”⁴² The Royal College of Physicians (RCP) is another United Kingdom-based public health organization, and the same public group the United States relied on for its 1964 Surgeon General’s report on smoking and health.

The National Academies of Sciences, Engineering, and Medicine: In January 2018, the academy noted “using current generation e-cigarettes is less harmful than smoking.”⁴³

A 2017 study in *BMJ*’s peer-reviewed journal *Tobacco Control* examined health outcomes using “a strategy of switching cigarette smokers to e-cigarette use ... in the USA to accelerate tobacco control progress.”⁴⁴ The authors concluded that replacing e-cigarettes “for tobacco cigarettes would result in an estimated 6.6 million fewer deaths and more than 86 million fewer life-years lost.”

An October 2020 review in the *Cochrane Library Database of Systematic Reviews* analyzed 50 completed studies which had been published up until January 2020 and represented more than 12,400 participants.

The authors found that there was “moderate-certainty evidence, limited by imprecision, that quit rates were higher in people randomized to nicotine [e-cigarettes] than in those randomized to nicotine replacement therapy.” The authors found that e-cigarette use translated “to an additional four successful quitters per 100.” The authors also found higher quit rates in participants that had used e-cigarettes containing nicotine, compared to the participants that had not used nicotine.

Notably, the authors found that for “every 100 people using nicotine e-cigarettes to stop smoking, 10 might successfully stop, compared with only six of 100 people using nicotine replacement therapy or nicotine-free e-cigarettes.”

Other reports have also noted that substitution of e-cigarettes for combustible cigarettes could save the state in health care costs.

According to the Centers for Disease Control and Prevention (CDC), it is now well known that Medicaid recipients smoke at rates of twice the average of privately insured persons. In 2013, “smoking-related diseases cost Medicaid programs an average of \$833 million per state.”⁴⁵

A 2015 policy analysis by State Budget Solutions examined electronic cigarettes’ effect on Medicaid spending. The author estimated Medicaid savings could have amounted to \$48 billion

in 2012 if e-cigarettes had been adopted in place of combustible tobacco cigarettes by all Medicaid recipients who currently consume these products.⁴⁶

A 2017 study by the R Street Institute examined the financial impact to Medicaid costs that would occur should a large number of current Medicaid recipients switch from combustible cigarettes to e-cigarettes or vaping devices. The author used a sample size of “1% of smokers [within] demographic groups permanently” switching. In this analysis, the author estimates Medicaid savings “will be approximately \$2.8 billion per 1 percent of enrollees,” over the next 25 years.⁴⁷

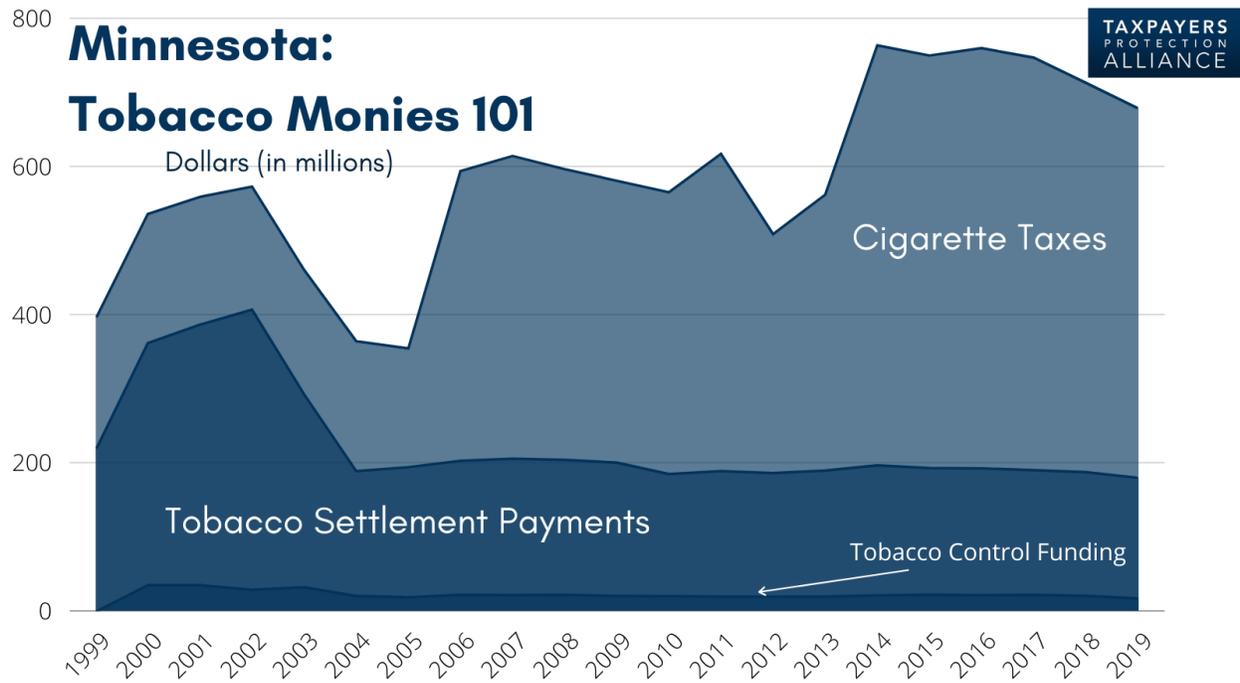
Conclusion & Policy Recommendations:

It is disingenuous that lawmakers would purport to protect public health yet restrict access to safer products. Rather than restricting access to tobacco harm reduction products and flavored tobacco products, lawmakers should encourage the use of e-cigarettes and work towards earmarking adequate funding for smoking education and prevention programs.

- To address youth use of age-restricted products, as well as adult use of deadly combustible cigarettes, Minnesota must allocate additional funding from revenue generated from existing excise taxes and settlement payments. Minnesota woefully underfunds such programs and in 20 years has only allocated 3.9 percent tobacco taxes and settlement payments towards tobacco control programs – including youth prevention.
- Minnesota’s education and health departments must work with tobacco and vapor product retailers to ensure there are no sales of age-restricted products to minors. Any solution to address such strategies must include all actors – not only proponents of draconian prohibitionist policies.
- Lawmakers’ must face the reality of a larger illicit market in the wake of a ban on flavored tobacco and vapor products – prohibition does not automatically translate into reduced use, just different markets.

Supplemental Graphs

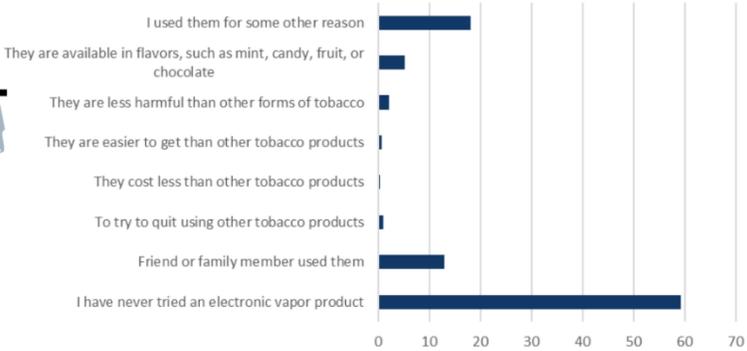
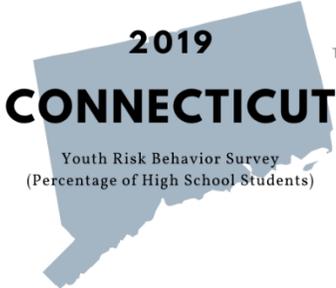
1.1 Minnesota Tobacco Revenue and Funding



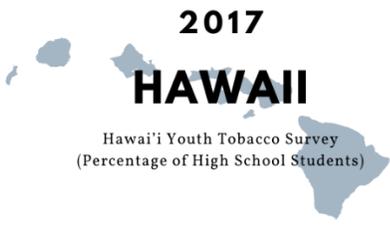
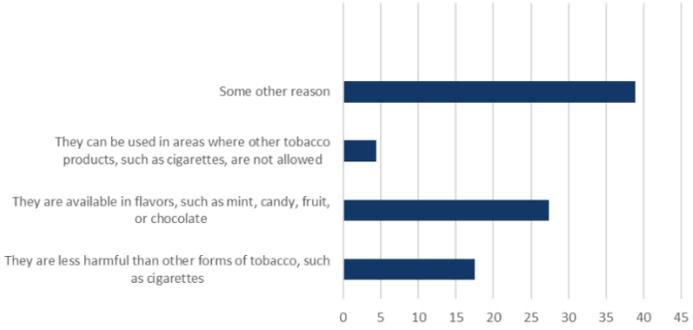
1.2 Reasons for E-Cigarette Use, High School students

**TAXPAYERS
PROTECTION
ALLIANCE** **REASONS FOR E-CIG USE**

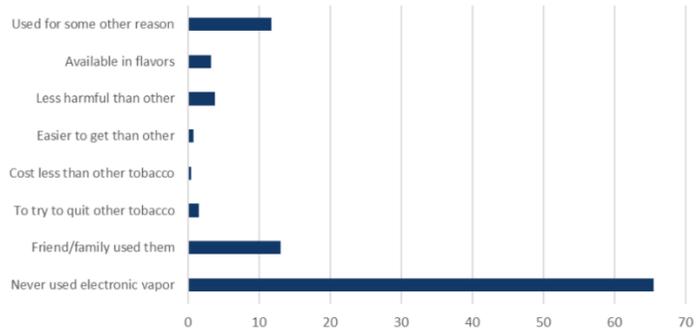
What is the main reason you have used electronic vapor products?



Reasons for e-cigarette use (among ever e-cigarette users, choose all that apply):



What is the main reason you have used electronic vapor products?



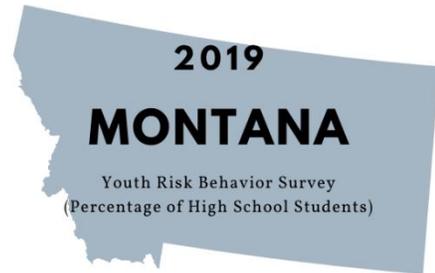
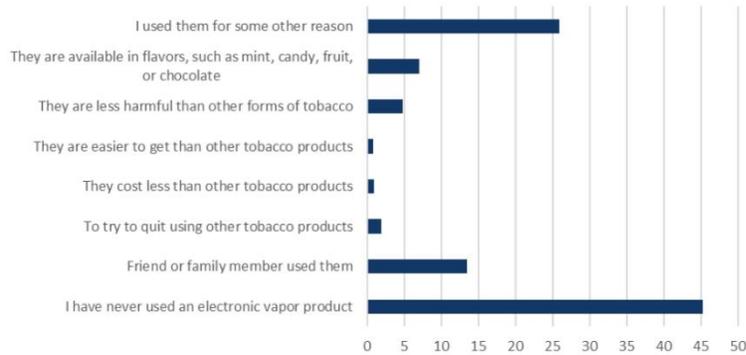
Source: World Health Organization

TAXPAYERS PROTECTION ALLIANCE

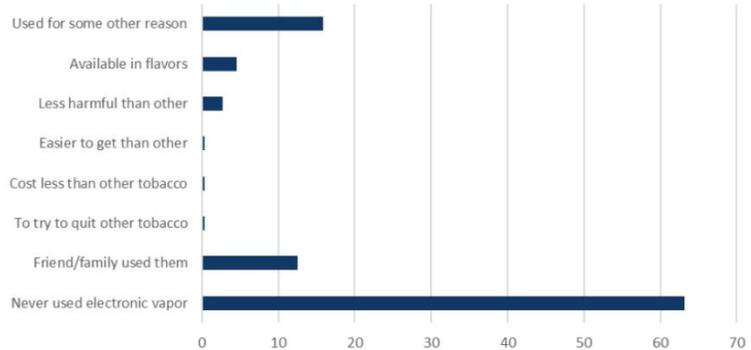
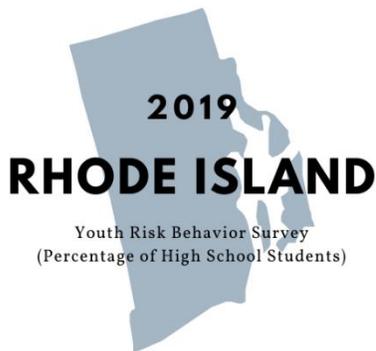
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REASONS FOR E-CIG USE

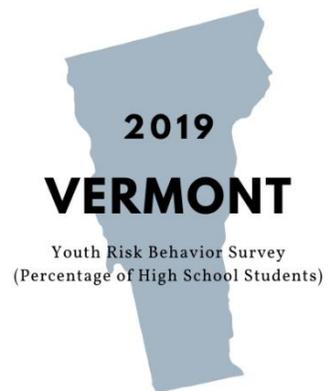
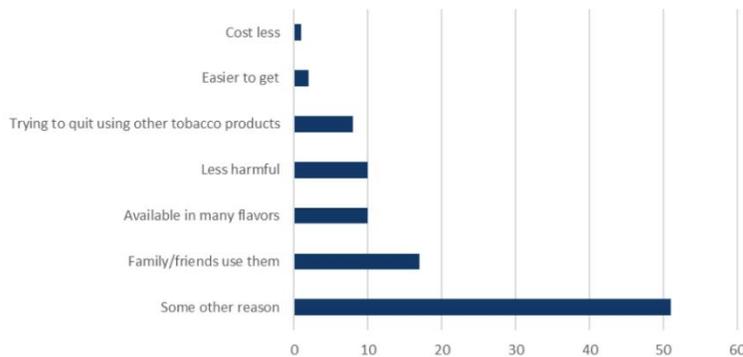
What is the main reason you have used electronic vapor products? (Select only one response.)

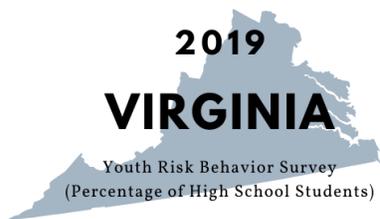


What is the main reason you have used electronic vapor products?

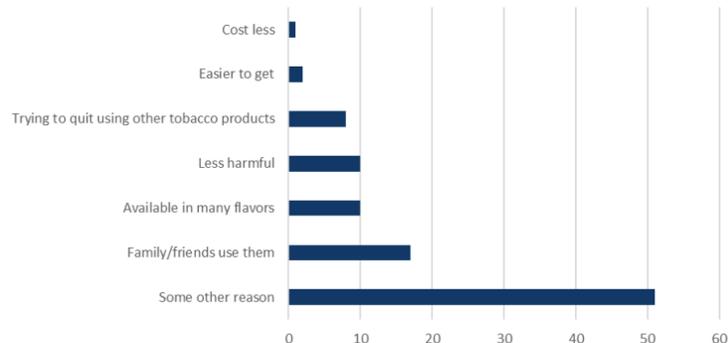


Primary Reason for Using Electronic Vapor Products (Among Current Users)





Primary Reason for Using Electronic Vapor Products (Among Current Users)



SOURCES:

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TOBACCO & VAPING 101: MINNESOTA



BY: LINDSEY STROUD

Combustible cigarette use among American youth and adults has reached all-time lows, but many policymakers are concerned with the increased use of electronic cigarettes and vapor products, especially among youth and young adults.

This paper examines smoking rates among adults in the Gopher State, youth use of tobacco and vapor products, and the effectiveness of tobacco settlement payments, taxes, and vapor products on reducing combustible cigarette use.

TAXPAYERS PROTECTION ALLIANCE

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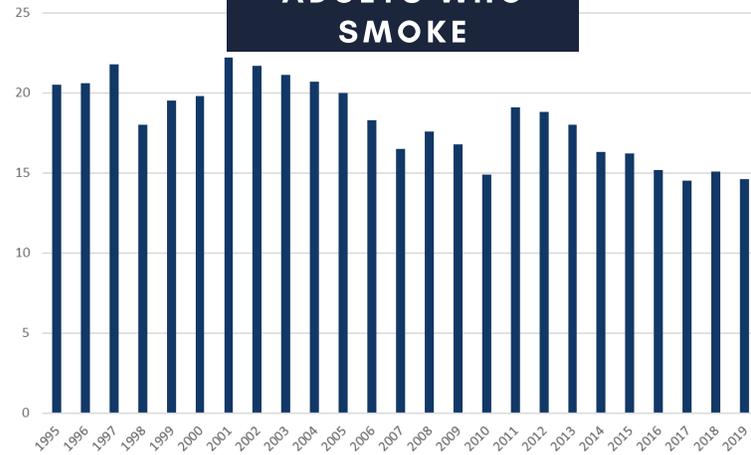
ADULT SMOKING RATES

In 1995, 20.5 percent[1] of Minnesota adults smoked combustible cigarettes, amounting to approximately 699,921 adults.[2] Among all adults, 17.4 percent (594,079 adults) reported smoking every day in 1995.

In 2019, 14.6 percent of adults in the Gopher State were current smokers, amounting to 633,125 smokers. Further, 10.5 percent of Minnesota adults (455,330) were daily smokers in 2019.

Among Minnesota adults, current smoking decreased by 28.8 percent between 1995 and 2019. Moreover, there are there are an estimated 255,852 fewer smokers in 2019, compared to 1995, and 299,217 fewer daily smokers.

PERCENTAGE OF ADULTS WHO SMOKE



AMONG MINNESOTA ADULTS, CURRENT SMOKING DECREASED BY 28.8 PERCENT BETWEEN 1995 AND 2019.



YOUTH COMBUSTIBLE CIGARETTE USE HAS DECREASED 84.5 PERCENT SINCE 1992.

YOUTH TOBACCO AND VAPING RATES

The most recent data on youth e-cigarette use in Minnesota comes from the 2019 Minnesota Student Survey (MSS).[3] In 2019, 11 percent of 8th graders, 16 percent of 9th graders and 26 percent of 11th graders reported using an e-cigarette in the past 30 days. Only 7 percent of 11th graders, 2 percent of 9th graders, and 1 percent of 8th graders reported daily e-cigarette use.

Minnesota combustible cigarette use is at an all-time low. In 2019, according to the MSS, 2 percent of 8th graders, 3 percent of 9th graders and 5 percent of 11th graders reported smoking a cigarette in the 30 days prior to the survey. Further, only 1 percent of 11th graders and 0 percent of 8th and 9th graders, reported daily cigarette use. This is a significant decline from 1992 when 31.3 percent of 12th graders, 19.3 percent of 9th graders and 5 percent of 8th graders reported using combustible cigarettes in the 30 days before the survey.

CIGARETTE TAX REVENUE

Between 1999 and 2019, Minnesota collected an estimated \$7.541 billion in tobacco taxes and licensing fees.[4] During the same 20-year period, the Gopher State increased the tax rate on cigarettes five times, with the excise tax increasing by 533.3 percent, from \$0.48 prior to August 1, 2005, to \$3.04, effective January 1, 2017.

Although the cigarette tax increase led to an immediate increase in revenue, such revenues have declined in recent years. Since the last cigarette tax increase in 2017, cigarette tax revenue has declined annually, on average by 5.29 percent. Indeed, in 2019, Minnesota collected \$499.4 million in cigarette tax revenue, a 10.3 percent decline from 2017's \$556.8 million.



BETWEEN 1999 AND 2019, MINNESOTA COLLECTED AN ESTIMATED \$7.541 BILLION IN TOBACCO TAXES.

MASTER SETTLEMENT AGREEMENT

In the mid-1990s, Minnesota sued tobacco companies to reimburse Medicaid for the costs of treating smoking-related health issues. And, in 1998, Minnesota and "Blue Cross and Blue Shield of Minnesota settled their lawsuit against several companies and related organizations," reaching Minnesota's Tobacco Settlement (MTS).[5]

Under the MTS, Minnesota receives annual payments - in perpetuity - from the tobacco companies, while relinquishing future claims against the participating companies. Between 1998 and 2020, Minnesota collected \$4.293 billion in MTS payments.[6]



BETWEEN 1998 AND 2020, MINNESOTA RECEIVED AN ESTIMATED \$4.293 BILLION IN MSA PAYMENTS.

VERY LITTLE TOBACCO CONTROL FUNDING

Tobacco taxes and tobacco settlement payments are justified to help offset the costs of smoking, as well as prevent youth initiation. Like most states, Minnesota spends very little of existing tobacco moneys on tobacco control programs - including education and prevention.

Between 1999 and 2019, the Gopher State allocated only \$460.7 million towards tobacco control programs.[7] This is 6.1 percent of what Minnesota collected in cigarette taxes in the same 20-year time span and only 10.7 percent of MTS payments. To put it in further perspective, the amount of state funding allocated to tobacco control in 20 years is only 3.9 percent of the tax revenue and MTS payments Minnesota collected in 2019.

IN 20 YEARS, MINNESOTA ALLOCATED ONLY 3.9 PERCENT OF TOBACCO SETTLEMENT PAYMENTS AND TAXES ON PROGRAMS TO PREVENT TOBACCO USE.

VAPOR PRODUCT EMERGENCE CORRELATES WITH LOWER YOUNG ADULT SMOKING

Electronic cigarettes and vapor products were first introduced to the U.S. in 2007 "and between 2009 and 2012, retail sales of e-cigarettes expanded to all major markets in the United States." [8] Examining data from the Centers for Disease Control and Prevention's Behavioral Risk Factor Surveillance Survey finds that e-cigarettes' market emergence has been more effective than MSA payments in reducing smoking rates among young adults in Minnesota.

In 1998, among current adult smokers in Minnesota, 22 percent were 18 to 24 years old. Interestingly, in 2008, this had *increased* by 7.7 percent, to 23.7 percent of adult smokers in

Minnesota being between 18 to 24 years old. And, 10 years after e-cigarette's market emergence in 2009, smoking rates among current smokers aged 18 to 24 years old decreased by 61.2 percent. Indeed, in 2009, among current smokers in Minnesota, 23.7 percent were between 18 to 24 years old. In 2019, only 9.2 percent of current smokers were 18 to 24 years old.

Further e-cigarettes' market emergence was associated with a larger decline in average annual percent decreases. Between 1998 and 2008, the percentage of current smokers aged 18 to 24 years old *increased* on average 2.7 percent each year. Between 2009 and 2019, annual percentage declines average at 2.5 percent.

10 YEARS AFTER E-CIGARETTES' MARKET EMERGENCE IN 2009, SMOKING RATES AMONG CURRENT SMOKERS AGED 18 TO 24 YEARS OLD DECREASED BY 61.2 PERCENT.

POLICY IMPLICATIONS:

- In 2019, 14.6 percent of Minnesota adults smoked combustible cigarettes, this is a 28.8 percent decrease from 1995. Youth combustible use has decreased by 84.5, from 19.3 percent of 9th graders smoking cigarettes in 1992, to 3 percent in 2019.
- Minnesota spends very little on tobacco control programs, including prevention and education. In 20 years, the Gopher State allocated only \$460.7 million toward tobacco control programs. During the same period, Minnesota received more than \$7.541 billion in cigarette tax revenue and \$4.293 billion in tobacco tax settlement payments.
- E-cigarettes appear more effective than MSA payments in reducing smoking rates among young adults in Minnesota.
- 10 years after the MSA, smoking rates increased among 18- to 24-year-olds by 7.7 percent. 10 years after e-cigarettes market emergence, smoking rates among 18 to 24 years old decreased by 61.2 percent.

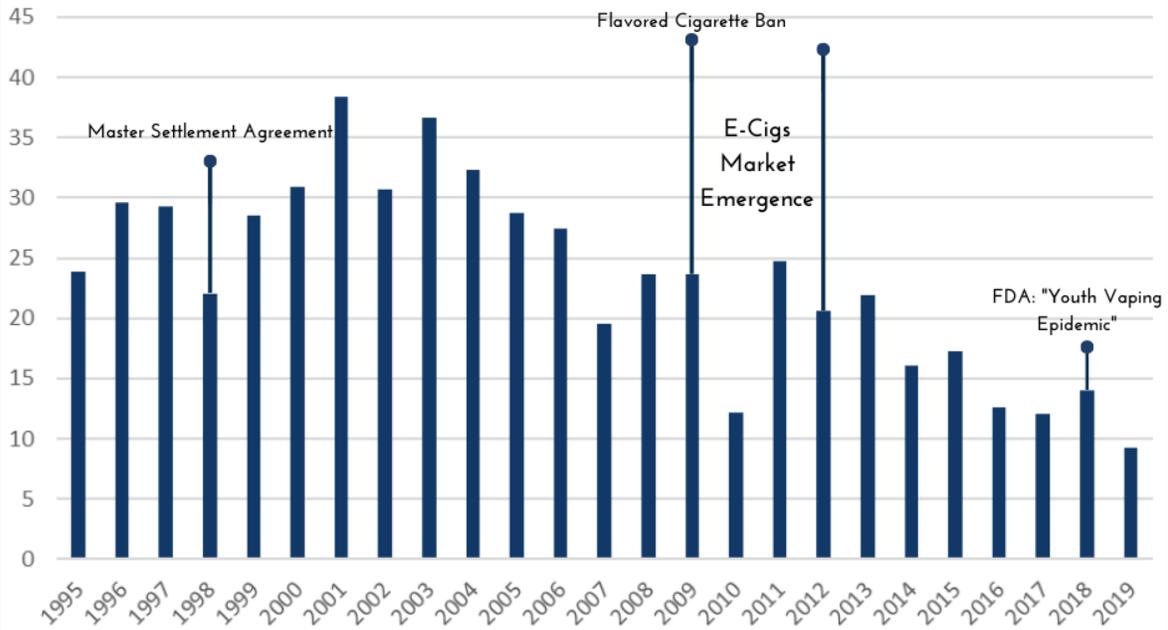




MINNESOTA BRFSS CURRENT SMOKERS



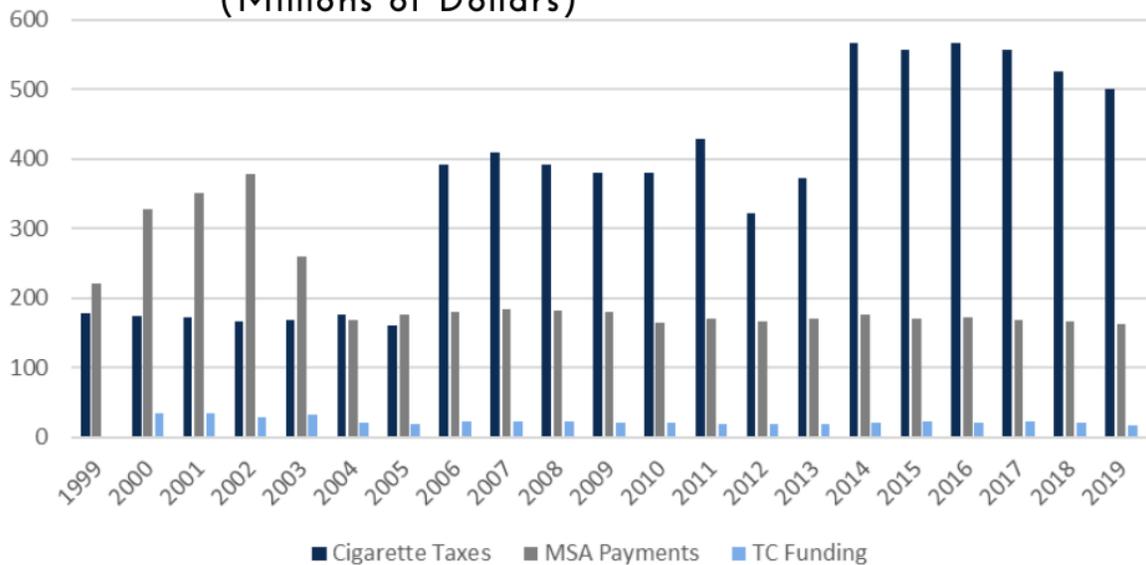
Percent aged 18 to 24 years old



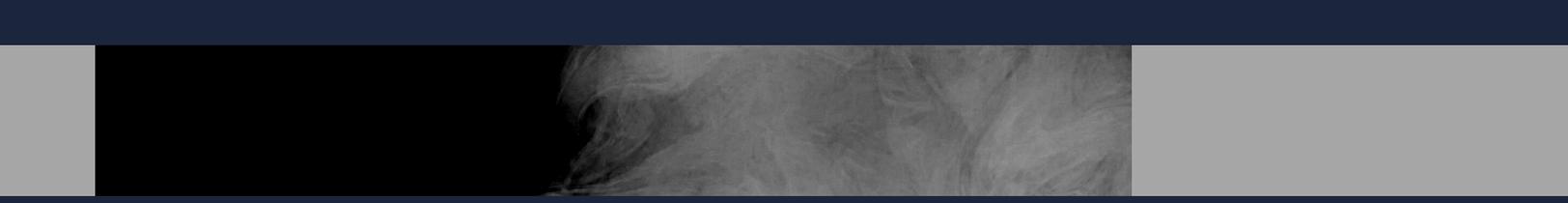
Sources: Centers for Disease Control & Prevention, Behavioral Risk Factor Surveillance Survey
For more information, contact Lindsey Stroud at lindsey@protectingtaxpayers.org



MINNESOTA Master Settlement Payments, Tobacco Taxes & Tobacco Control Funding (Millions of Dollars)



Sources: Campaign for Tobacco-Free Kids, Orzechowski and Walker
For more information, contact Lindsey Stroud at lindsey@protectingtaxpayers.org



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ABOUT

The Taxpayers Protection Alliance (TPA) is a rapid response taxpayer and consumer group dedicated to analyzing and researching the consequences of government intervention in the economy. TPA examines public policy proposals through a non-partisan focus, identifying how government waste and overreach impacts taxpayers and consumers regardless of the political party responsible. TPA holds government officials in the United States (and around the world) accountable through issue briefs, editorials, statements, coalition letters, public interest comments, and radio and television interviews. TPA recognizes the importance of reaching out to concerned citizens through traditional and new media, and utilizes blogs, videos, and social media to connect with taxpayers and government officials. While TPA regularly publishes exposés and criticisms of politicians of all political stripes, TPA also provides constructive criticism and reform proposals based on market principles and a federalist philosophy. TPA empowers taxpayers and consumers to make their opinions known to their elected and non-elected officials and embraces bold solutions to hold an ever-growing government in check.

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