

Sugary Drink Taxes 2019

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OCTOBER 16, 2019



Local beverage taxes United States



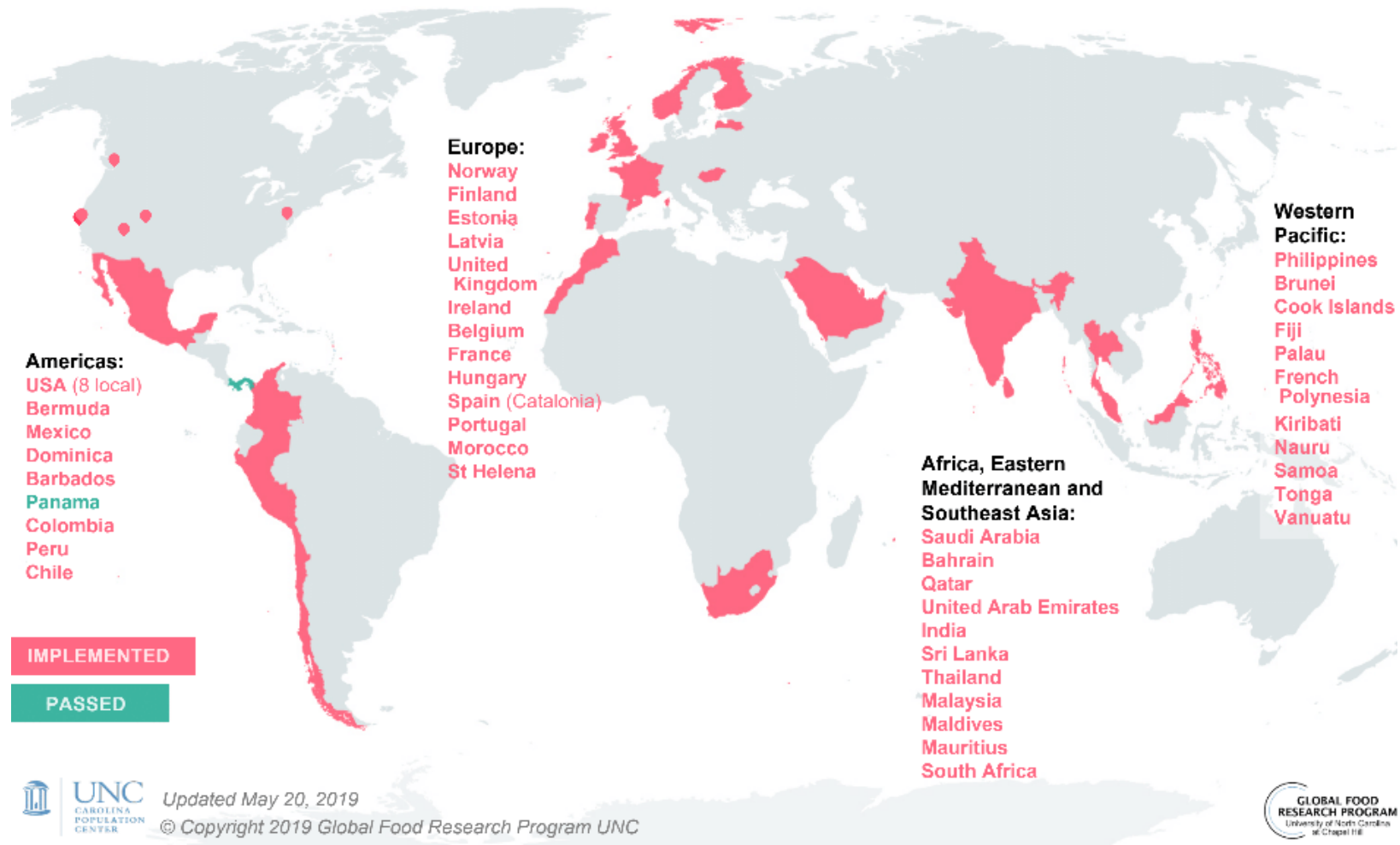
➤ 3.8 million people benefitting

➤ \$135 million per year

Local beverage taxes United States

Location	Population	Effective date	Tax rate per ounce (cents)	Type of beverage
Philadelphia, PA Council	1,584,130	1/1/2017	1.50	Sweetened
Berkeley, CA Measure D	122,324	1/1/2015	1.00	Sugary
Albany, CA Measure O1	20,143	4/1/2017	1.00	Sugary
Oakland, CA Measure HH	425,195	7/1/2017	1.00	Sugary
San Francisco, CA Measure V	884,363	1/1/2018	1.00	Sugary
Boulder, CO Measure 2H	107,125	7/1/2017	2.00	Sugary
Seattle, WA Council	724,745	1/1/2018	1.75	Sugary

Sugary drink taxes around the world



Next up

The Washington Post
Democracy Dies in Darkness

Politics October Debate White House Congress Impeachment Inquiry Polling The Trailer Fact Checker The Fix

D.C. Politics

The District may approve one of the nation's highest taxes on sugary drinks



A worker stocks shelves with Coca-Cola products at a Philadelphia supermarket, one of several cities with taxes on sweetened drinks. D.C. lawmakers want the nation's capital to join their ranks. (Matt Rourke/AP)

By Fenit Nirappil

Oct. 7, 2019 at 3:20 p.m. PDT

A majority of the D.C. Council wants to impose one of the highest taxes on sugary drinks in the nation, driving up the cost of a soda in the capital city.

A bill announced Monday would levy a 1.5 cent-per-ounce excise tax on sweetened beverages, adding

Massachusetts considering taxing sugary drinks to fight childhood obesity



Tax Design

What to tax – volume or sugar?

TABLE 1

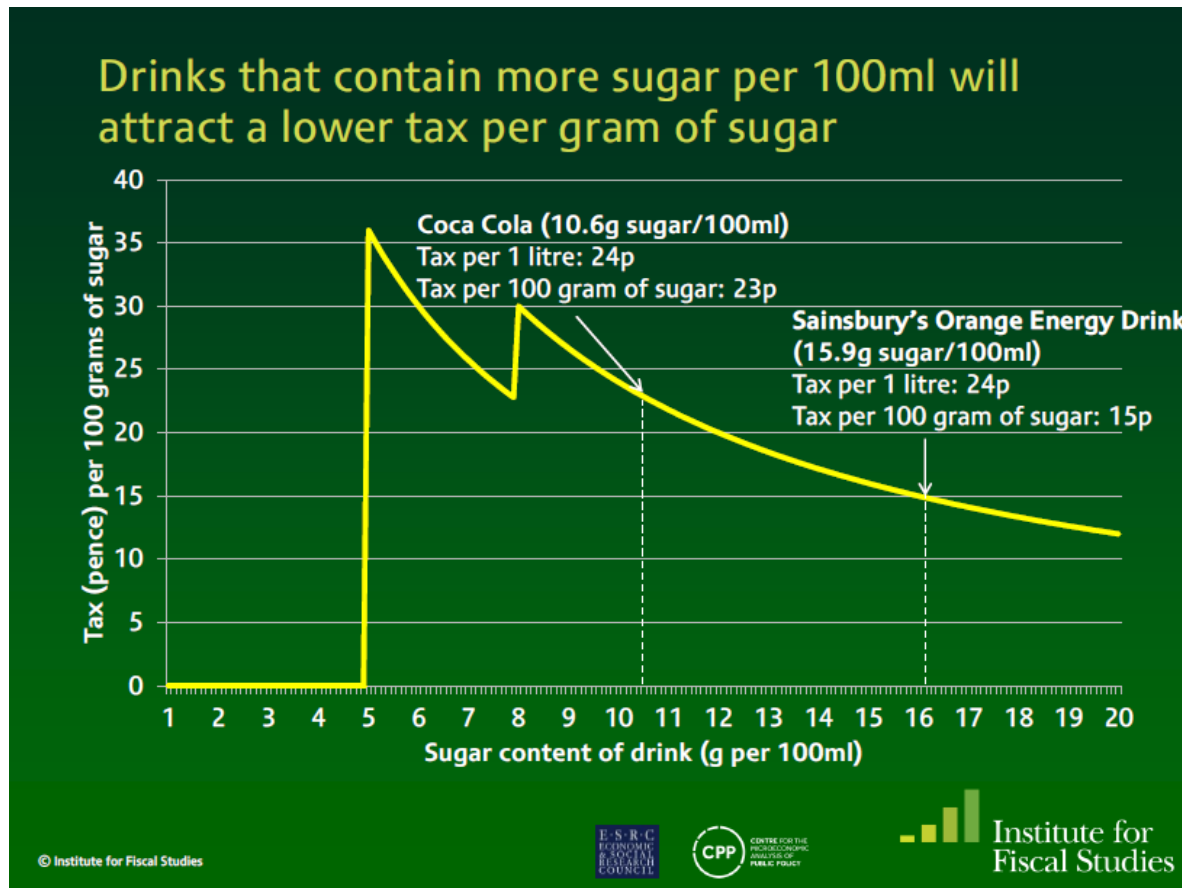
Taxing Content Is More Effective than Taxing Volume or Sales Value

Incentives created by different approaches to taxing added sugar in drinks

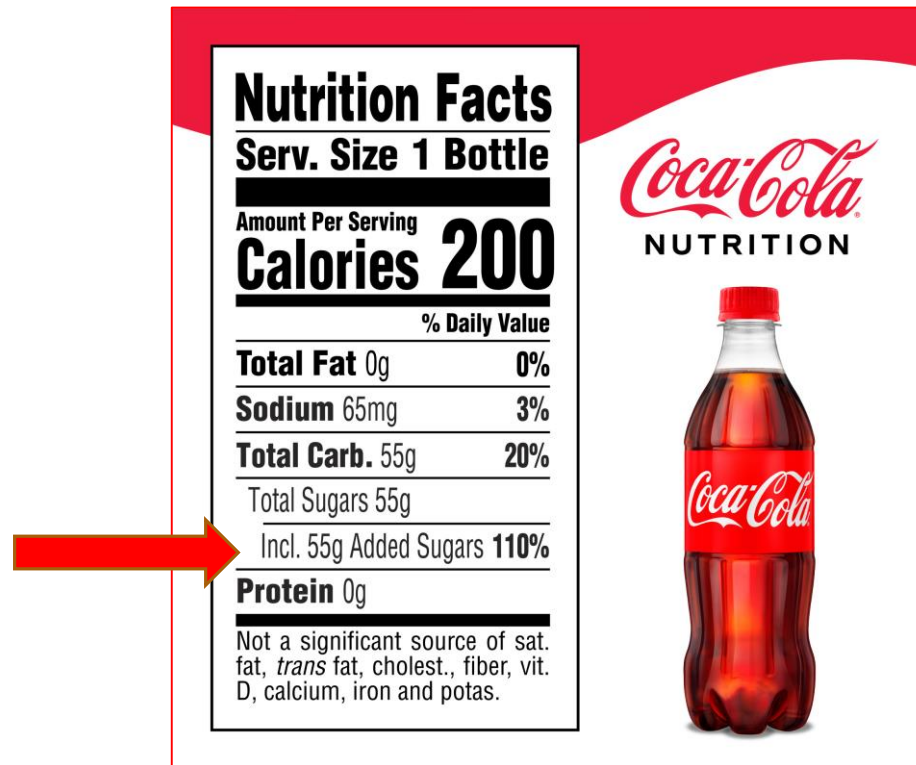


	Tax Base		
	Sugar content (per gram)	Volume (per ounce, per liter)	Sales value (percent of retail price)
Consumers cut back on sugary drinks	✓	✓	✓
Businesses develop and promote zero-sugar drinks	✓	✓	✓
Consumers cannot avoid tax by buying cheaper drinks	✓	✓	✗
Consumers shift to lower- sugar drinks	✓	✗	✗
Businesses develop and promote lower-sugar drinks	✓	✗	✗

Does a volume tax make sense?



“When the main objective of an SSB tax is to improve public health, we show that a calorie-based SSB tax is more efficient than an ounce-based SSB tax in the sense that the former is able to achieve a given calorie reduction target with smaller loss in consumer surplus.” (Zhen 2014)




Nutrition Facts
Serv. Size 1 Bottle
Amount Per Serving
Calories 200
% Daily Value

Total Fat 0g	0%
Sodium 65mg	3%
Total Carb. 55g	20%
Total Sugars 55g	
Incl. 55g Added Sugars	110%
Protein 0g	

Not a significant source of sat. fat, *trans* fat, cholest., fiber, vit. D, calcium, iron and potas.

Coca-Cola
NUTRITION



Optimal tax rate

1.42 cents per ounce*
(39%)

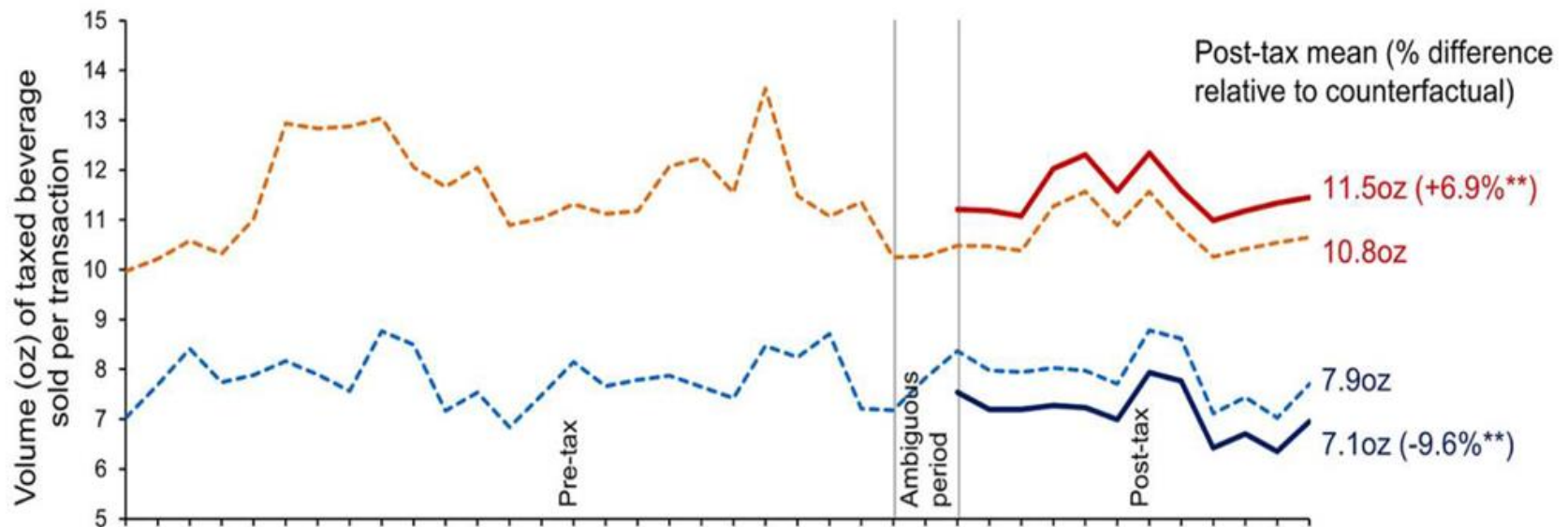
* Lower as cross-border shopping increases

Regressive Sin Taxes, with an Application to the Optimal Soda Tax. Hunt Allcott, Benjamin B. Lockwood, and Dmitry Taubinsky. 2019.

Tax evaluation: Sales or consumption?

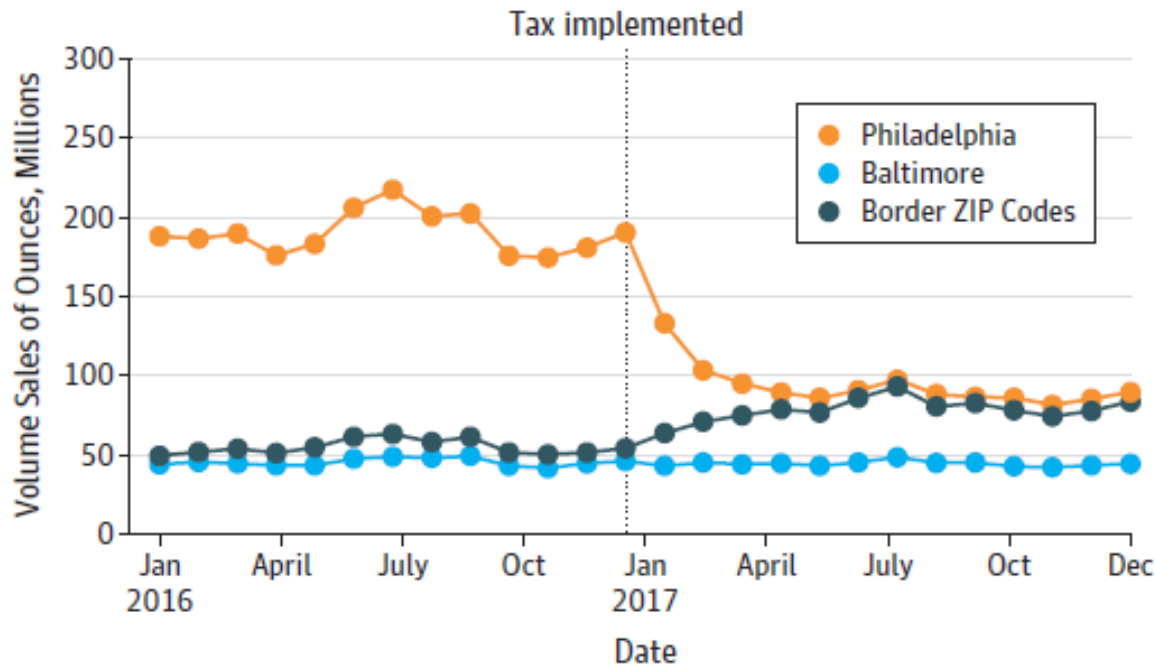
Sales: Berkeley

Impact of a 1 cent per ounce tax (15%) in Berkeley



Silver LD, et al. (2017). PLoS Med 14(4): e1002283.

Sales: Philadelphia



38% net reduction accounting for cross-border shopping

Do taxes decrease consumption – Less certain and harder to measure

Berkeley: DID repeated cross-sectional street intercept surveys

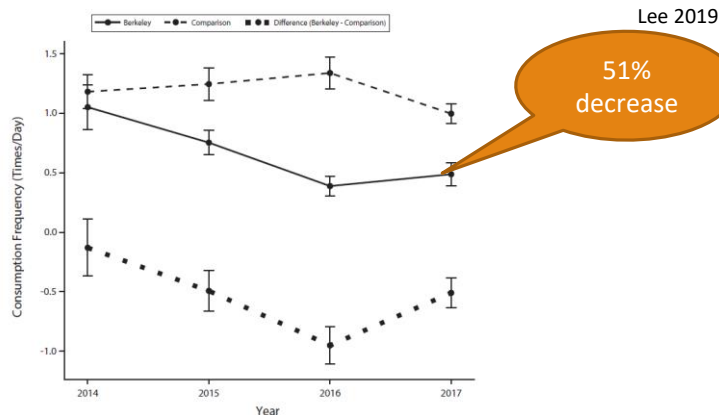


FIGURE 1—Adjusted Within-Group Frequencies and Between-Group Differences in Sugar-Sweetened Beverage Consumption: Berkeley, Oakland, and San Francisco, CA, 2014–2017

Berkeley: Single group repeated cross-sectional phone survey 1 year after tax:

- Kcal/per capita/day: -19.8%, $p = 0.56$
- Grams/per capita/day: -13.3%, $p = 0.49$

Silver 2017

Philadelphia: DID repeated cross-sectional phone survey 2 months after tax:

- Odds daily soda consumption: 40% lower
- Regular soda consumption frequency: 38% lower

Zhong 2018

Evaluation challenges

- Consumption data are messy and inconsistent
- Limited information on substitution effects
- Data on revenue collection, allocation and impacts of funded programs not readily available
- Limited information on jobs and business impacts
- Models show health benefits but developing empirical evidence demonstrating tax-specific changes in population health metrics will be difficult
- No data on reformulation in US



Tax revenue

Taxes are generating substantial revenues to meet community needs

Location	Annual revenue (\$1,000,000)	Use of Revenue
Philadelphia, PA	\$77.3	Pre-k, parks, community schools
Berkeley, CA	\$1.6	Health
Albany, CA	\$0.3	Health
Oakland, CA	\$10.6	Health
San Francisco, CA	\$15.3	Health
Boulder, CO	\$5.0	Food access, health
Seattle, WA	\$24.0	Food access, health, early childhood

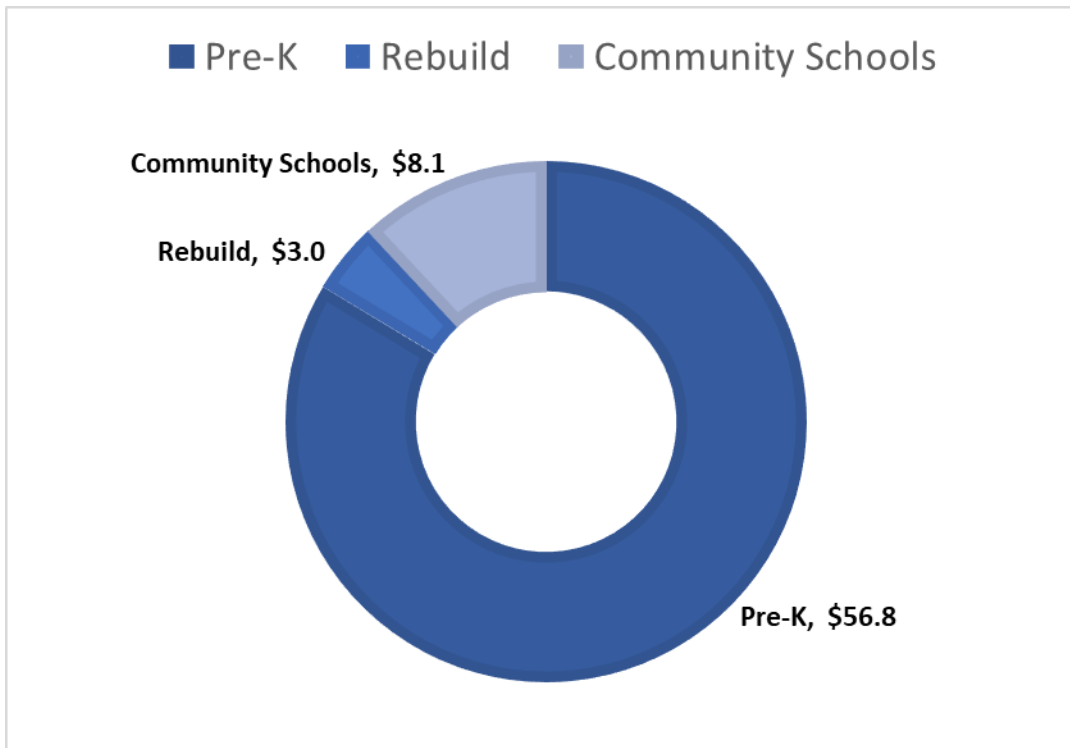
\$135 million per year

Revenue allocations across all sites

- Healthy food access programs
- School-based nutrition education and gardens
- Community gardens
- Diabetes Prevention Program
- Healthy beverage & water promotion
- Hydration stations
- Oral health access
- Community education and public awareness /counter-messaging campaigns
- Pre-school and early childhood programs
- Parks and recreation site repairs and upgrades
- Active transportation, physical activity and rec programs
- Community schools
- High school completion and college matriculation



Philly Bev Tax



- Spent \$68M of \$154M collected
- Increased community schools from 12 to 17
- Added 1050 preschool seats to total of 3300
- Started 41 Rebuild projects

\$7.3 million
to non-profit
agencies for health
equity programs in
2017-18

Boulder 2019 allocations

Healthy Food

- Meal programs
- Preschool/childcare farm to table
- Fresh connect
- Healthy food vouchers (WIC)
- Healthy food for food pantries
- Breast feeding support
- School gardens

Physical Activity

- Parks and rec programs
- Soccer programs
- PA education
- Vouchers
- Bike program

Health services

- Weight loss program
- Dental care/education
- Opioid addiction

Early Childhood

- Subsidies
- Support for healthy eating and physical activity

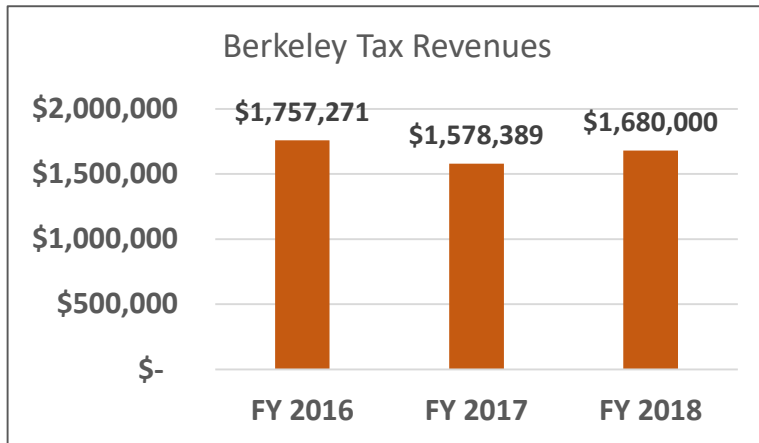


Seattle 2019 Adopted Budget

	2019 Adopted Budget
Food Access Programming <i>Fresh Bucks Program</i> <i>Food Banks</i> <i>Food Access Opportunity Fund</i> <i>Farm-to-Table program</i> <i>Community-based Meal Providers and Programs</i> <i>Subsidies to Schools to provide more fruits and vegetables</i> <i>Senior Congregate Meals</i> <i>Senior Meal Delivery</i> <i>Out-of-School Nutrition Time</i>	\$9.4 million
Education and Early Learning <i>Early Learning Programs, e.g.:</i> <i>Health Consultation, Coaching and Training for 0-3 Providers</i> <i>Family Child Care Initiative</i> <i>Parent-Child Home Program</i> <i>Developmental Bridge Program</i> <i>Child Care Assistance Program (CCAP)</i> <i>Parent-Child Home Program</i> <i>Nurse and Family Partnerships</i>	\$7.8 million
Other <i>Evaluation – of the SBT</i> <i>Evaluation – of SBT funded programs such as Food Access Opportunity Fund</i> <i>Public Awareness and Counter-marking Campaign</i> <i>Physical Activity programming at Seattle Parks & Recreation</i>	\$1.4 million



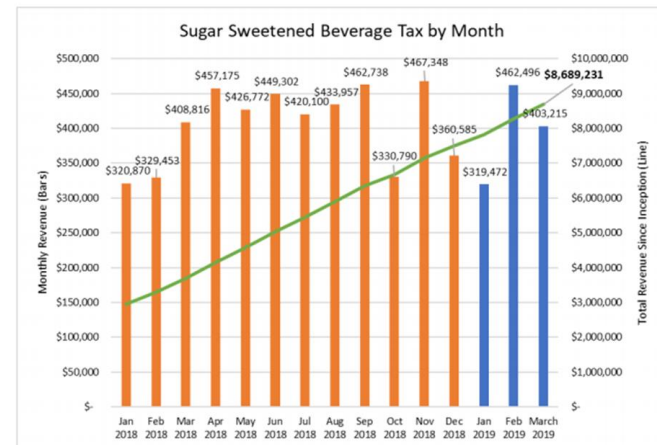
“Tax revenues decline over time - they are not a stable funding source”



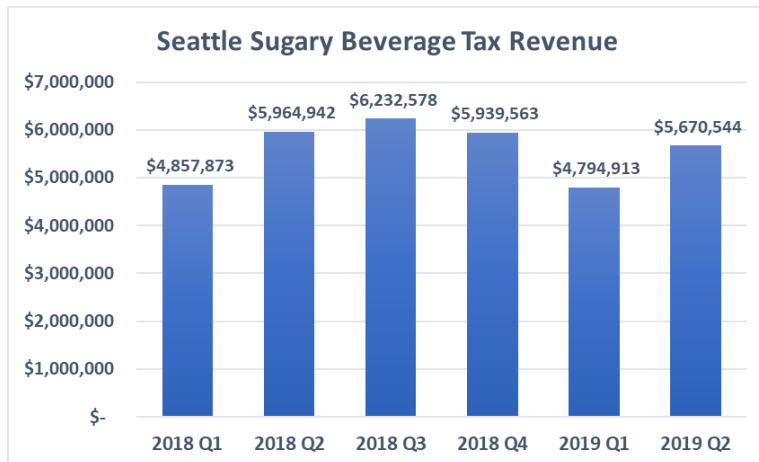
- Tax revenues **appear to be stable**
- Even if they do decrease, they raise new revenue now to meet important community needs.

Sugar Sweetened Beverage Tax Revenue

The Sugar Sweetened Beverage Product Distribution Tax is a voter-initiated tax that was adopted by Boulder voters in the November 2016 election and went into effect on July 1, 2017. It places a 2 cent per ounce excise tax on the distribution of beverages with added sugar and other sweeteners.



Note: October 2018 Sugar-Sweetened Beverage Revenue is lower than average due to several accounts that did not file and pay taxes. These collections were recorded in February 2019 and are reflected in the chart above.



Synergies with taxes: Healthy food subsidies and communications campaigns

Healthy food subsidies

“You take the bad sugar in pop and turn it into good nutrition at the markets. That’s a job well done. Thank you.”

- Fresh Bucks customer who called the program office to say thanks

‘I am a diabetic and with Fresh Bucks I can eat a lot of vegetables, and I see improvements in my health. Now, I am telling others to also eat more fresh produce.’

**Trunesh,
Fresh Bucks Customer**

LEARN MORE: FreshBuckSeattle.org



‘Fresh Bucks has helped me a lot. It’s easier for me to cook, it’s healthier and it tastes better than other foods. Without Fresh Bucks, fresh produce would be more expensive.’

**Muna
Fresh Bucks Customer**

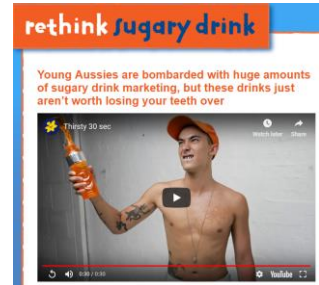
LEARN MORE: FreshBuckSeattle.org



Seattle investing close to \$6 million/year –
the USDA budget for entire US is \$50 million

Photos used with permission of the Fresh Bucks program

Rethink your drink - Australia



Fruit drink countermarketing

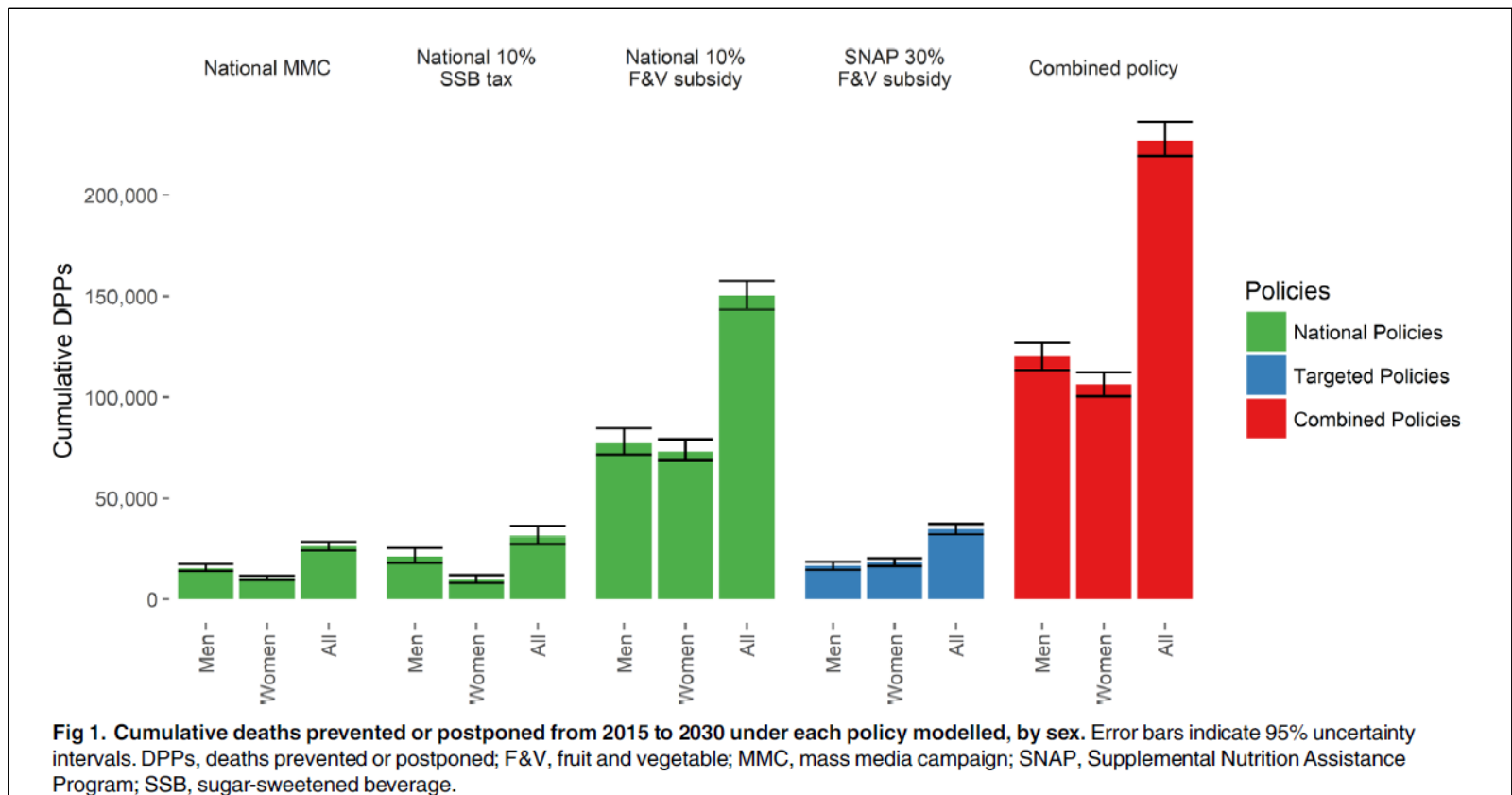


Seattle campaign (2020): \$750,000

- A public awareness campaign: healthier alternatives to SSBs.
- A counter-marketing campaign: deceptive and manipulative marketing of SSBs to people of color and low-income communities to generate action and resistance.
- Raise awareness of Seattle's SBT (how it works, revenue raised, how revenue is being used) to build support for the SBT.
- Priority population:
 - Youth and young adults (12-39 yo)
 - People with low incomes
 - Families
- Focus population:
 - Black
 - Latinx



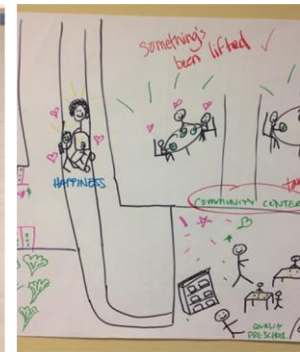
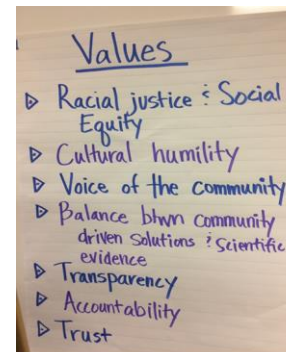
Subsidies and media campaigns



Community Advisory Boards

Seattle: Community Advisory Board

- Recommends how to allocate revenues to benefit people who experience the greatest education and health inequities
- Members
 - 3 with experience in healthy food access and food security
 - 2 representing populations disproportionately impacted by SSB-related diseases
 - 4 with expertise in public health and nutrition
 - 2 with expertise in education and early learning

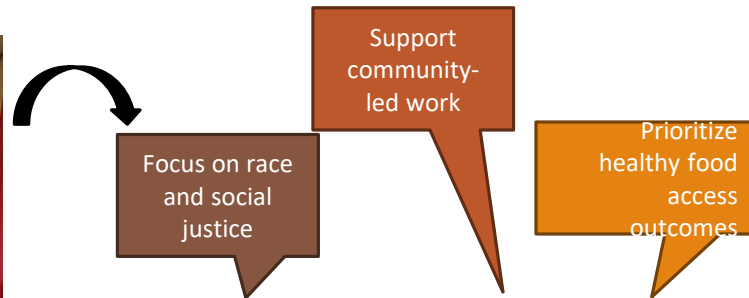


Budget Principles

- Priority populations
- Place-based
- Community-driven
- Culturally-responsive
- Prevention-oriented

“Investments supported by the beverage tax revenues should prioritize allocation of funds to communities disproportionately affected by health and education inequities, especially those related to the adverse health effects of sugary drinks.”

Community Engagement



COMMUNITY INPUT SURVEY

- Online survey
- April – June, 2018
- 167 respondents

COMMUNITY FORUMS

- May 2019
- 90+ participants

Boulder: Health Equity Advisory Committee

- Nine-member committee appointed by the city manager
- Reviews proposals from community and city agencies
- Makes recommendations to city staff and manager
- Roles:
 - Help define desired outcomes and key indicators of success;
 - Provide recommendations on expansion of existing city and community programs and on new programs
 - Provide input on strategies and programs to engage residents most affected by health disparities and lack of access to health services.

HEALTH EQUITY ADVISORY COMMITTEE (HEAC)



LET'S MAKE OUR FOOD HEALTHIER

Our communities are drowning in a swamp of unhealthy junk food and beverages, leading to an epidemic of diabetes, obesity, heart disease and tooth decay. Added sugars in our food and drinks are a major threat to public health. And healthy food can be expensive and hard to find in many places.

Healthy Food America is on the frontlines of the fight to ensure that all people have access to healthy, nutritious food and are less exposed to unhealthy junk foods.

We support community leaders across the nation who are advocating for policies and strategies like soda taxes and healthy food incentives to make healthy eating easier for all Americans.

We share the latest research and cutting edge policy and advocacy strategies so advocates can act on the best information and science to drive change in policy, food environments and industry practices. [Read more about us.](#)



Thank you

<http://www.healthyfoodamerica.org/>

Extra slides

LiveSugarfreeed

Appalachia and New Jersey

**PUT DOWN THE
CAN AND SLOWLY
STEP AWAY FROM
THE VENDING
MACHINE.**

That can of soda?
It's filled with
sugar. It and other
high-calorie drinks
can increase your
risk of obesity,
diabetes, and heart
disease. You know
what doesn't? Water.

LiveSugarfreeed.org

“Taxes are regressive”



“Taxes are regressive” - countermessages

- Tax revenues are being invested in low-income communities to meet community needs and address social and health inequities.
- Consumption is higher in low-income communities, in part due to predatory marketing, and may decrease more as result of tax.
- Low-income communities have the highest rates of SSB-related diseases and may reap the greatest health benefits.
- No one has to pay the tax.
- Low income people now spend more on sugary drinks – the tax may reduce the spending gap between rich and poor.



Regressivity - the evidence

Analyzing the progressive and regressive impacts of taxes on sugar-sweetened beverages
(Jesse Jones-Smith, PI)

Quantify magnitude of tax regressivity

1. Sum annual spending on beverages for each household



2. Estimate spending on tax for each household

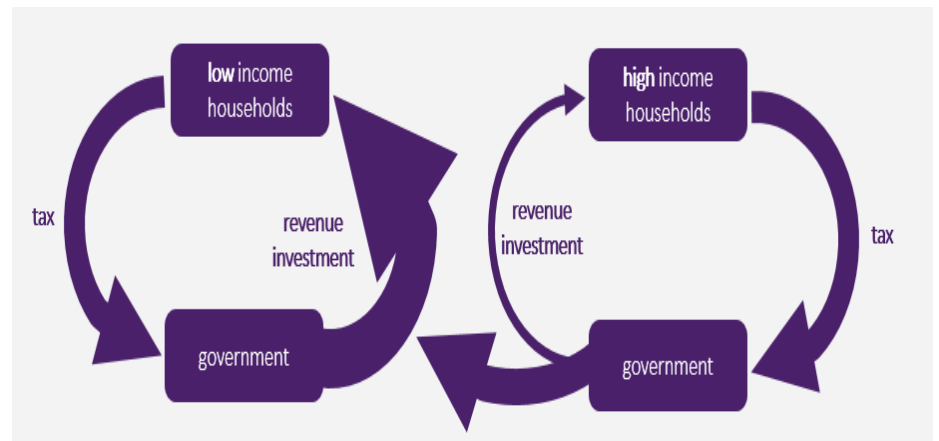


3. Calculate proportion of household income spent on the tax and annual absolute spending per capita



4. Using regression models, test whether tax burden (absolutely and as proportion of HH income) differs by household income and race

Tax Payments & Redistributions (Benefits)



“Taxes cause job loss”

“A tax hike on beverages would hit working families not only at the cash register but could also put good-paying jobs at risk. One needs to look no further than Philadelphia, where business owners have seen sales drop by as much as 50 percent because of the beverage tax as Philadelphians shop in the suburbs to avoid the tax.”

Ellen Valentino, executive vice president of the Maryland-Delaware-D.C. Beverage Association



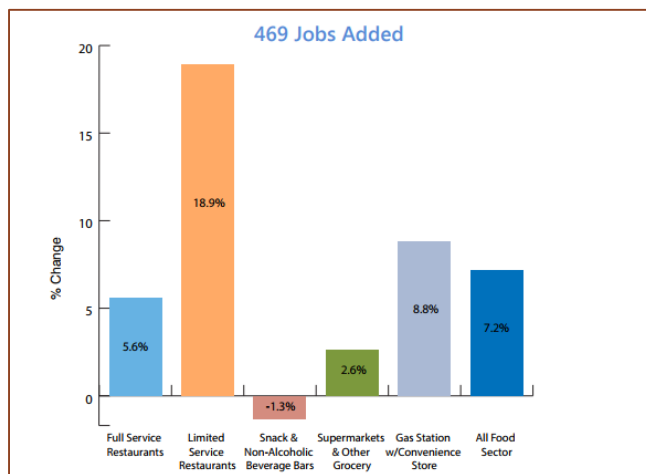
“Taxes cause job loss” - countermessages

- The research is clear: There is no **evidence that taxes have a negative impact on jobs.**
- Scientific and government studies show no lost jobs and even increases in SSB-related businesses.
 - In Berkeley, jobs and revenues in the food sector *increased* after the tax was implemented.
 - In Philadelphia, new data show increases in wages and no increases in unemployment claims.
 - In Mexico, beverage sector employment has been stable while food sector employment has increased.
- Only industry-funded studies claim to show job loss.

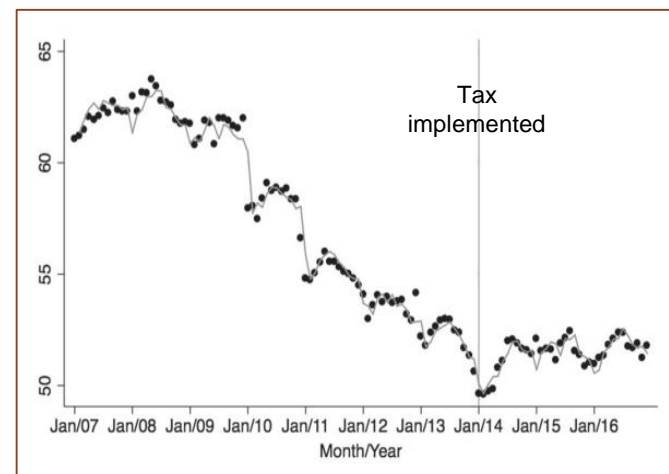


“Taxes cause job loss” – the evidence

Berkeley – 2 years after

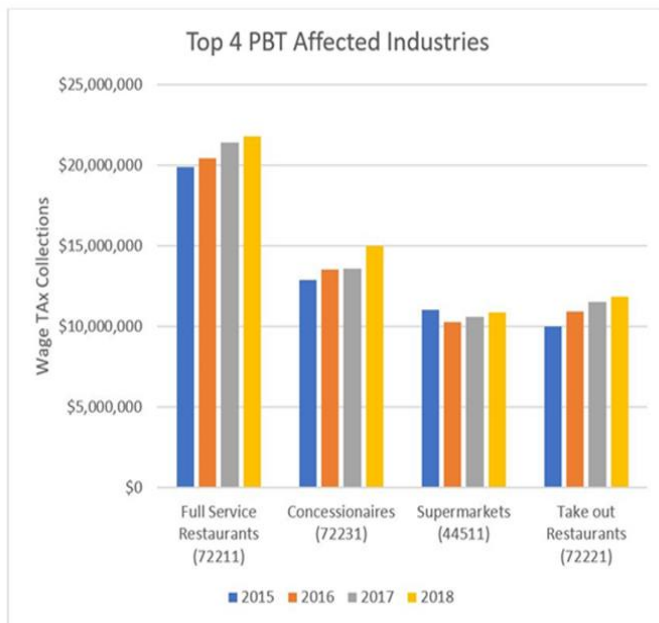


Mexico – 2 years after



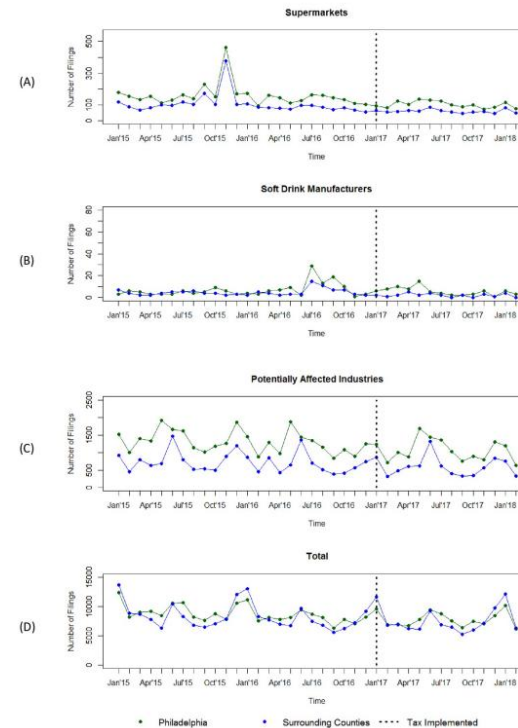
“Taxes cause job loss” – the evidence

Philadelphia wage tax collections: increasing

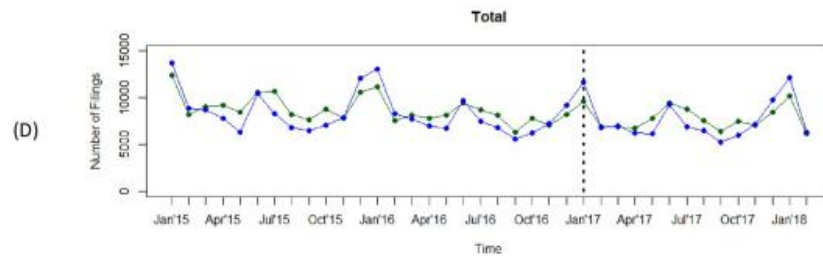
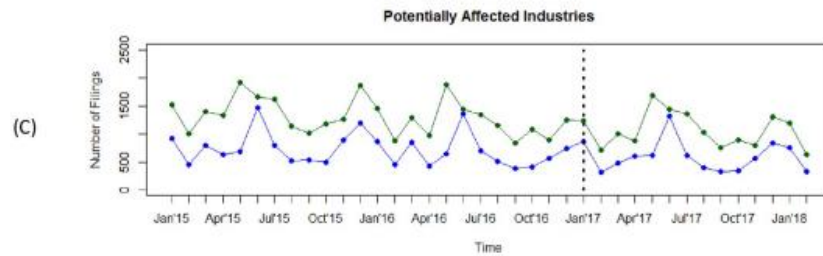
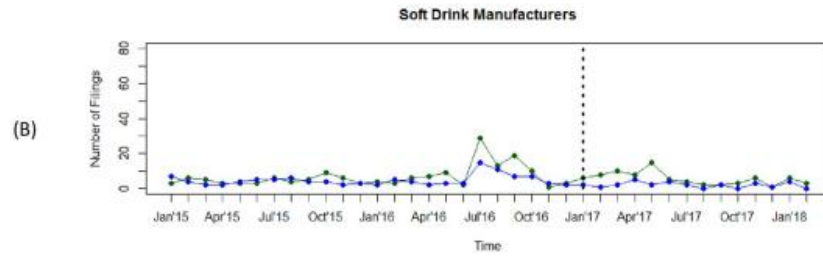
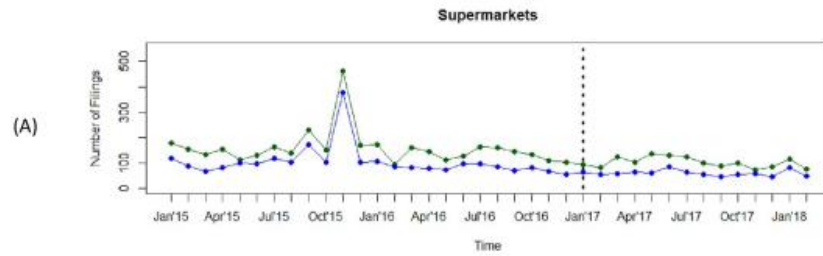


Philadelphia Department of Revenue 2019

Philadelphia unemployment claims: no change



Lawman et al 2019



• Philadelphia • Surrounding Counties - - - Tax Implemented

“Cross-border shopping” – countermessages

- Cross-border shopping does occur, **although the amount varies from city to city.**
- Despite cross-border shopping, taxes are reducing sales in cities with taxes.
- **The extent of cross-border shopping may be determined by geography, transportation and other factors.**
- **No objective evidence that stores near the border are harmed.**
- **Implementing taxes at the state level will likely reduce cross-border shopping.**
- We know from studies of tobacco taxes that cross-border shopping for tobacco products is limited and **decreases once taxes are in place for a while.**

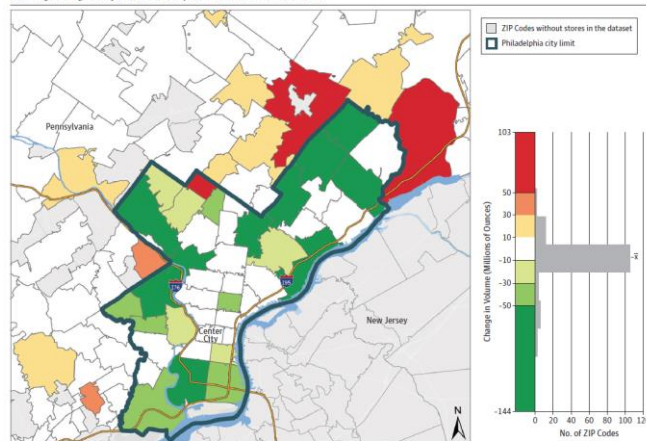


“Cross-border shopping” – the evidence

24% of sales decrease offset by cross border

Philadelphia

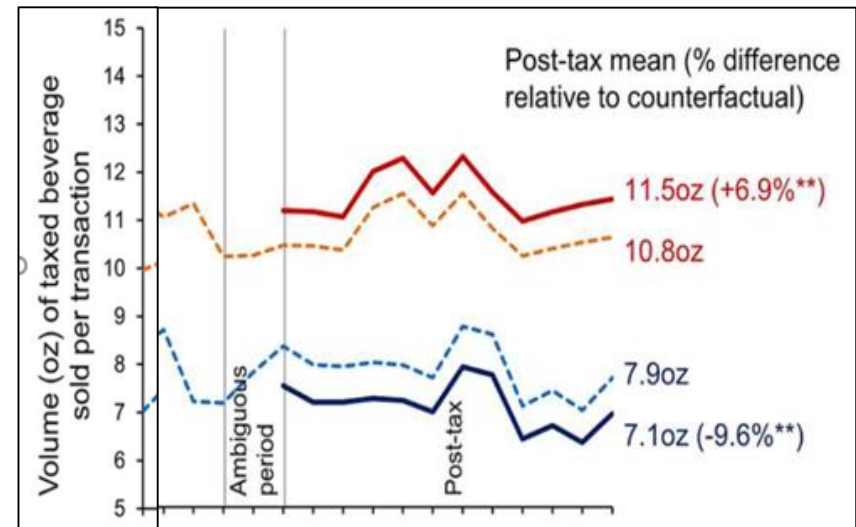
Figure 2. Changes by Zip Code in Unadjusted Total Volume of Taxed Beverages Sold at Large Chain Retailers in Philadelphia and Neighboring Pennsylvania Border Zip Codes After the Tax, 2016-2017



The histogram shows the distribution of changes by zip code in unadjusted total volume (millions of ounces) of taxed beverages sold at large chain retailers in Philadelphia and neighboring Pennsylvania zip codes after the tax (2016-2017). Neighboring counties included Bucks, Montgomery, and Delaware. New Jersey was not included in the analysis. Twenty-four zip codes that were not in or near

Philadelphia are not shown to make it easier to see the changes at the Philadelphia border. Of 140 zip codes, 2 (18949 and 19407) were excluded due to being post office box zip codes. There were 138 zip codes. The mean (SD) beverage volume change per zip code was -6.5 million oz (28.9, minimum, 144; maximum, 103 million oz).

Berkeley

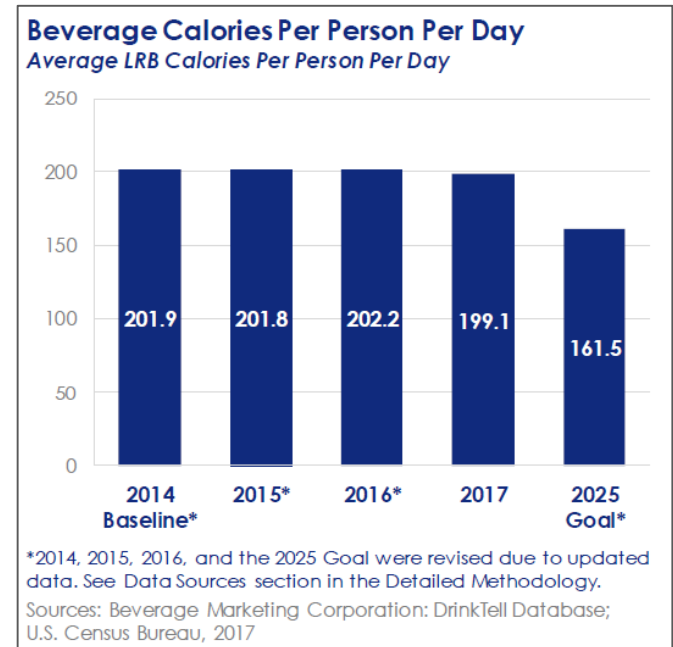


“We are doing our part...” – the evidence



"This is the single largest voluntary effort by an industry to help fight obesity and leverages our companies' greatest strengths in marketing, innovation and distribution."

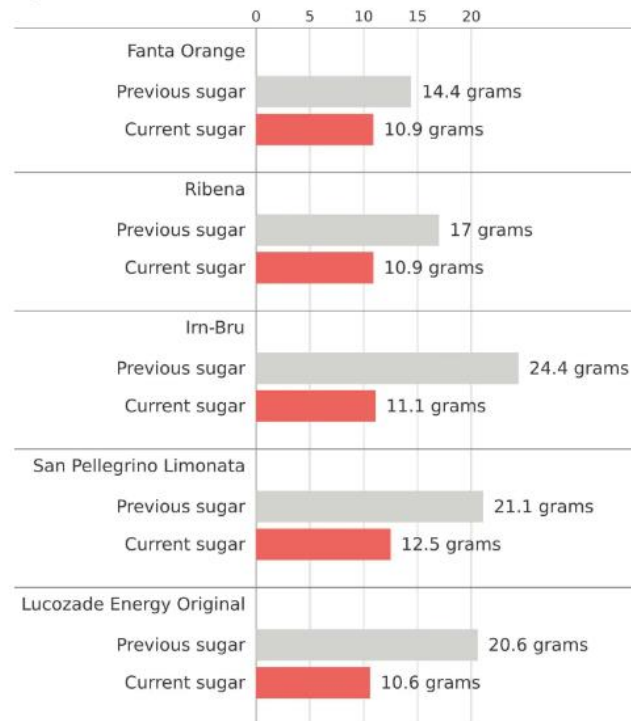
Susan Neely, CEO of the American Beverage Association



Taxes may induce product reformulation: Early effects of UK tax

British soda-makers are slashing sugar

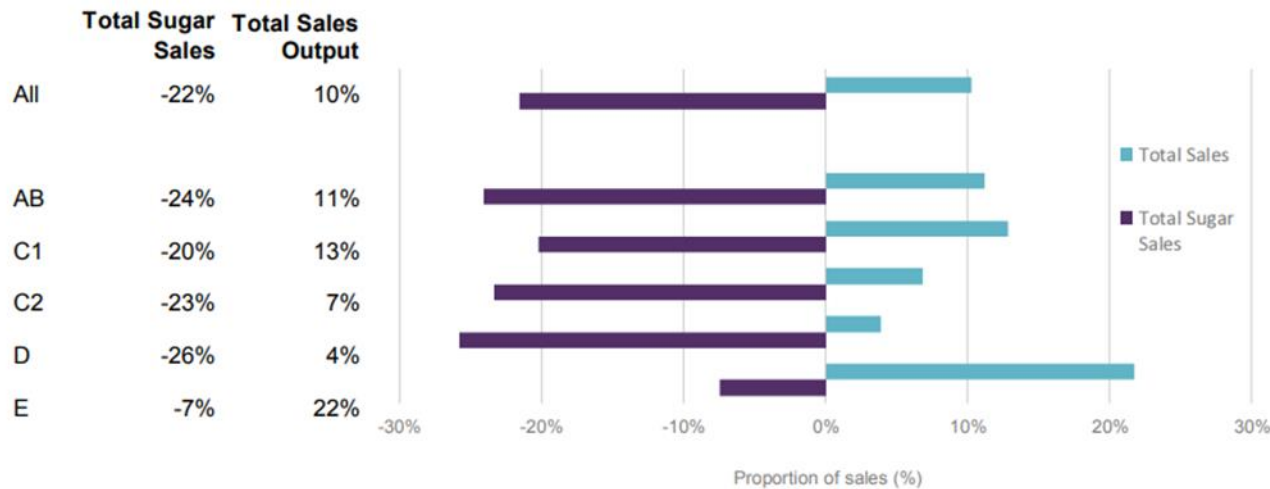
Some brands have changed their recipes to avoid a new tax, which applies to soft drinks with more than roughly 12 grams of sugar per eight-ounce can.



Source: Media and company reports; all numbers converted from metric
THE WASHINGTON POST

Taxes may induce product reformulation: Early effects of UK tax

Figure 4. Changes in volume of soft drinks sold and in the total sugar in soft drinks sold by socio-economic group



Overall sales (of soft drinks have increased by 10.2% after the levy's introduction, and total sugar content within the soft drinks sold decreased by 21.6% Great Britain.

Source: Sugar reduction: report on progress between 2015 and 2018, Public Health England, 2019

Preemption



THE SACRAMENTO BEE



EDITORIALS

Big Soda's sweet deal to ban soda taxes is a California shakedown

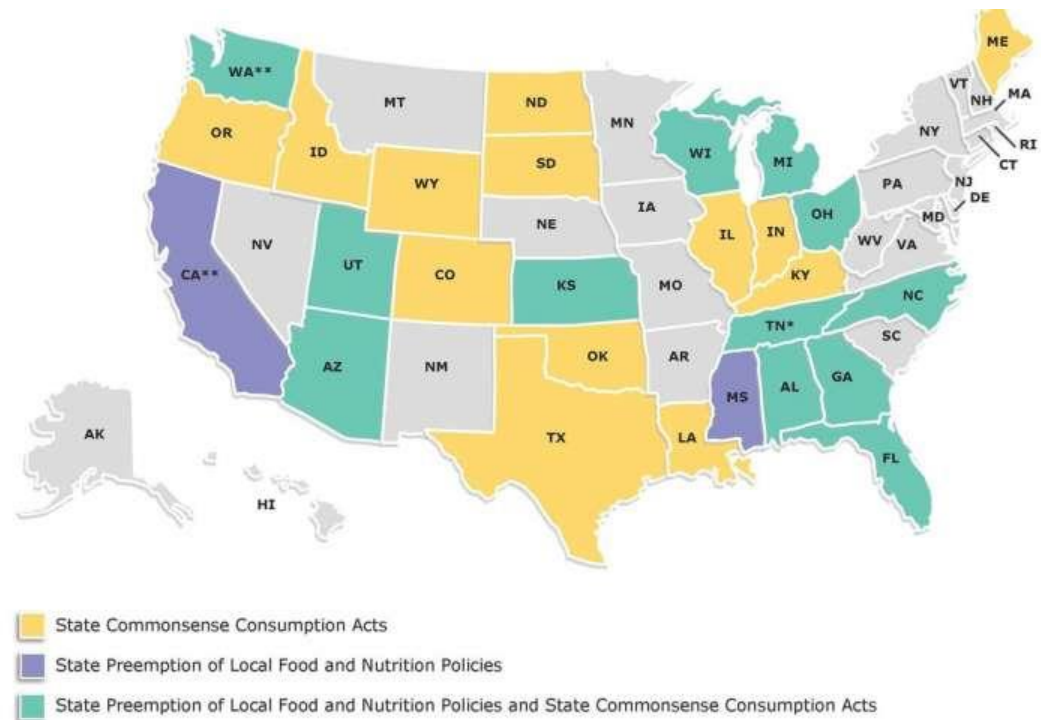
BY THE SACRAMENTO BEE EDITORIAL BOARD



\$20 million

13 states preempt local food and nutrition policies

- Nutrition labeling
- Consumer incentives (toys)
- Portion size
- Taxes
- Food safety
- Food deserts



Seattle 2020 Mayor's Proposed Budget

Sweetened Beverage Tax - Resources for Early Education and Food Access

Available Resources

- Approximately \$10.1 million in "new" ongoing Sweetened Beverage Tax (SBT) Resources
 - Budget eliminates ~\$6.3 million in general fund "swaps"
 - Revenue forecast update adds ~\$3.8 million in annual, on-going revenues.
- Additional \$4.3 million of unspent fund balance from 2018 and 2019

Proposed Uses - Ongoing

- \$3 million per year to expand Child Care Assistance Program (CCAP)
 - Expand income eligibility to 350% of federal poverty (approx. \$90K for a family of four)
 - Increase minimum subsidy from 10% to 25%
 - Provide financial incentives for providers to participate in CCAP, and also invest ~\$2 million from other sources to provide one-time capital funding to help further expand supply
 - Expect to provide vouchers to 600 additional children

Sweetened Beverage Tax - continued

Proposed Uses - Ongoing

- \$2.5 million per year for an "Healthy Food Fund" grant program to support food access
 - Administered by the Department of Neighborhoods (DON)
 - Fund will invest in community-led activities to increase access to healthy food
- \$2+ million to expand the City's Fresh Bucks program
- Approximately \$1.1 million to expand support to food banks and additional staff at HSD to administer the program expansions funded by the Department's SBT allocations
- \$150,000 to expand summer recreational programming for youth at the Parks Department

Proposed Uses - One-time

- \$3 million one-time grant fund to support capital investments in P-patches and community gardens
- \$2 million for a financial reserve in the newly created Sweetened Beverage Tax Fund

Tiered tax

Taxation Tiers Based on Sugar and Calories from Sugar Concentration in 8- and 12-ounce Beverage Servings				
TIERS	FIRST (LOWEST)	SECOND	THIRD	FOURTH (HIGHEST)
Sugar (g) per 8-oz	0 to <5	5 to <10	10 to <20	More than 20
Sugar (g) per 12-oz	0 to <7.5	7.5 to <15	15 to <30	More than 30
Calories from sugar per 8-oz	0 to <20	20 to <40	40 to <80	More than 80
Calories from sugar per 12-oz	0 to <30	30 to <60	60 to <120	More than 120
Beverage Examples	Unsweetened or Diet Tea, Water and Sparkling Water, Unsweetened (black) Coffee, Diet or Very Low Sugar sodas	Lightly Sweetened Coffees, Kombucha, Some lightly Sweetened Juices, Teas, and Energy Drinks	Lightly Sweetened Teas, Lightly Sweetened Sodas, Sports Drinks	Fruit-Flavored Drinks, Regular Sodas, Energy Drinks

***Second and third tiers may be combined to create a three-tiered taxation strategy**

Ideally, campaigns choosing a three-tiered taxation strategy will use a cut-off for the lowest tax bracket at 5 g of sugar per 8-ounce serving, keeping the middle bracket at 5 to 20 g per 8-ounce serving and the higher bracket for drinks greater than 20 g per 8-ounce serving. By implementing these brackets, disincentives within the top bracket could yield effective behavioral changes among consumers and encourage manufacturers to reduce added sugar and drink size to move their products out of the high tax brackets.

Seattle CAB 2019 recommendations

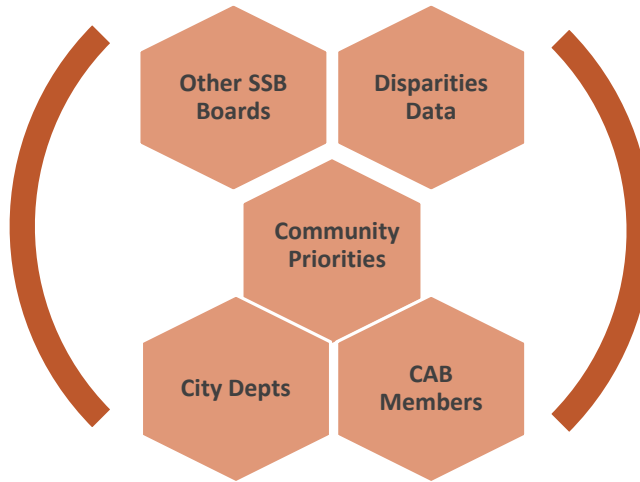
Topic	% of all ongoing funding
Healthy Food and Beverage Access	32.5%
Birth-to-Three Services and Kindergarten Readiness	30.0%
Community-based programs and activities to support food nutrition and physical activity	15.0%
Public Awareness campaign about sugary drinks	9.5%
Support for people with obesity and diabetes	10.0%
Evaluation support for community-based organizations	3.0%

CAB - Process



Foundational Work

Dec 2017 – Mar 2018



Information Gathering

Feb 2018 – May 2018



Prioritization Process

May 2018 – June 2018

Boulder

- **Farmers markets vouchers -**
WIC recipients
- **Healthy cooking classes -**
older adults
- **Fresh Food Connect –**
distribute free local produce to low income residents
- **No Student Hungry –**
food bags for weekends & holidays
- **YWCA Children’s Alley –**
physical activity, wellness and nutrition at childcare

