

## Communication from Public

**Name:** Yesenia Banuelos

**Date Submitted:** 06/16/2021 02:39 PM

**Council File No:** 18-1104

**Comments for Public Posting:** Hello, my name is Yesenia Banuelos, and I am a recent graduate from California State University, Los Angeles, and a volunteer with the American Heart Association. I want to express to the City Council that the use of flavored tobacco products, including e-cigarettes, menthol cigarettes, flavored hookah, and flavored cigars, is becoming more prevalent among the youth. More than 15,000 different flavors attract the youth to buy these products, and the nicotine in them is causing them to become addicted. I urge the City Council to support a strong policy that ends the sale of all flavored tobacco products without exemptions. I often find myself going for a walk around my community and seeing kids barely old enough to be teenagers using these products. As a resident of Los Angeles, we need to protect all youth from easily having access to these products by restricting them. Ending the sale of all flavored tobacco products will help prevent nicotine addiction and protect the health of all communities. Thank you for your time.

## Communication from Public

**Name:** Gabrielle Seiwert

**Date Submitted:** 06/16/2021 10:09 AM

**Council File No:** 18-1104

**Comments for Public Posting:** My name is Gabrielle Seiwert and I represent the over 600 United Parents and Students leaders from across the City of Los Angeles who support a full ban on the sale of Flavored Tobacco products, including mint and menthol. We have been heavily advocating for this ban since the Summer of 2019, and with students returning to school soon, the time to act is now! Eliminating flavored tobacco products will save lives, protect LA kids, and reduce health disparities among Black & Brown youth. As you know, cheap, flavored tobacco products are sold in flavors like banana smash, cherry dynamite and chocolate, as well as menthol, all in an effort to attract kids. 74% of youth cigar smokers report that they smoke cigars “because they come in flavors I like.” Most insidious among these flavors is menthol, which delivers a pleasant minty taste and imparts a cooling and soothing sensation. These characteristics successfully mask the harshness of tobacco, making it easier to addict kids to try the product. Menthol and flavored tobacco products are driving tobacco-caused deaths and diseases nation-wide. While the use of non-flavored tobacco cigarettes has been decreasing, the use of menthol cigarettes is on the rise among youth and adults, and among LGBTQ communities, Latinos, Blacks, and Whites. Again, I urge you to pass a ban on ALL flavored tobacco products, including mint and menthol.

## Communication from Public

**Name:** James Allison

**Date Submitted:** 06/16/2021 11:28 AM

**Council File No:** 18-1104

**Comments for Public Posting:** My name is James Allison and I am reaching out with the California Fuels & Convenience Alliance, representing the gas station and convenience store retailers in the city of Los Angeles. I am writing to oppose the proposed ban on flavored tobacco products set to be heard by the city council later this evening, as it will do little to limit youth acquisition of tobacco products, and serve only to harm small businesses. The products named in your proposed ordinance make up a substantial revenue category for small stores, and their loss would be significantly impactful, even during normal circumstances. That said, they present markedly greater detriment under the current circumstances facing all businesses as they struggle to recover from last year's losses. Our industry has led the charge in safe, responsible sales of age-restricted products, including alcohol and tobacco. The California Department of Public Health has recognized that convenience stores have the highest rate of success in preventing sales to minors, with an over 95% compliance rate. There is a better way to keep age-restricted products from reaching consumers under 21 years old. Most importantly, if the goal is truly to curb the use of tobacco by youth, the proposed utilization of mandatory ID scanners will serve to end that 5% compliance gap. That will serve to curb the entire issue that the council has stated as its primary concern. CFCA supports mandatory ID scanners, but vehemently opposes every other proposed aspect of this ordinance. Cities and counties that have passed bans like this have harmed small, minority-, and family-owned businesses, with no measurable impact on youth access to these products. In a recent study we commissioned looking into the impacts this ban would have on the city of Los Angeles, the direct loss to the economy of LA as a would be almost \$96.6 million in sales, and \$4.6 million in local cigarette tax revenue annually. Convenience stores alone would lose approximately 254 jobs in the city as a result of the ban. In addition to this, based on a model of tobacco demand, and the 2019 impact analysis of the menthol segment, over half (866) of the roughly 1,605 people in the city whose livelihoods depend on the production, distribution and sale of menthol cigarettes would see their jobs disappear, along with \$50.8 million in local wages. The economic loss to Los Angeles would be over \$137.4 million. Once the tax losses from the

reduced economic activity are accounted for, Los Angeles would experience a reduction of nearly \$7.6 million in tax and fee revenues as a result of this proposed ban. I have attached a copy of that study for your further review. Please do not senselessly bring further widespread damage to small businesses, many of which are owned and operated by first or second generation Californians seeking greater opportunity for their families in the city of LA.

# **Economic Impact of the Ban on Menthol Cigarettes in Los Angeles**

**Prepared for the  
California Fuels & Convenience Alliance**



**By**

**John Dunham & Associates  
New York**

**June 24, 2020**

## Economic Impact of the Ban on Menthol Cigarettes in Los Angeles

### Executive Summary

The City of Los Angeles already has one of the worst retail environments for cigarettes and other tobacco products in the country. The per pack tax on cigarettes is already \$5.30 (including MSA payments) which is about 44.9 percent of the current average estimated retail price of \$11.80.<sup>1</sup> (Table 1) While not the highest in the nation, cigarette taxes in California are 88 percent above the average, and the taxable sales per adult are just one-quarter of the nationwide average.<sup>2</sup>

While the unincorporated areas of Los Angeles County have banned the sale of menthol cigarettes, such a ban in the much more populous city of Los Angeles will have dramatic economic consequences, particularly as businesses try to recover from the devastation surrounding the government-imposed economic shutdown in response to the COVID-19 virus.

The impact of this regulation is of particular interest to the convenience store industry. Due to their already thin margins, convenience stores and gas stations are particularly harmed by this ban, as many rely on tobacco sales to maintain their profitability.<sup>3</sup> In addition, these stores are disproportionately harmed as many adult consumers who may make purchases in addition to tobacco, chose to do so outside of Los Angeles, where they can purchase their preferred tobacco products.

Overall, the direct loss to the economy of Los Angeles as a result of the ban would be almost \$96.6 million in sales, and \$4.6 million in local cigarette tax revenue annually. Convenience stores alone would lose approximately 254 jobs in the city as a result of the ban.

In addition to this, based on a model of tobacco demand, and the 2019 impact analysis of the menthol segment, over half (866) of the roughly 1,605 people in the city whose livelihoods depend on the production, distribution and sale of menthol cigarettes would see their jobs disappear, along with \$50.8 million in local wages. The economic loss to Los Angeles would be over \$137.4 million. (Table 3)

One the tax losses from the reduced economic activity are accounted for, Los Angeles would experience a reduction of nearly \$7.6 million in tax and fee revenues as a result of this proposed ban.

### Results:

The County of Los Angeles recently banned the sale of menthol cigarettes in its unincorporated areas. Since the ban only applied to sparsely populated rural parts of the county, the effects were not substantial. However, were the city of Los Angeles to follow suit and ban menthol cigarettes, a product that has roughly 40 percent of the market share, the economic effects could be substantial.

Los Angeles already has one of the worst retail environments for cigarettes and other tobacco products in the country. The per pack tax on cigarettes is already \$5.30 (including MSA payments) which is about

<sup>1</sup> Based on data from the Economic Impact of Menthol Cigarettes: 2019, Prepared by John Dunham & Associates, for Reynolds American Inc.

<sup>2</sup> Nationwide sales based on *The Tax Burden on Tobacco* Volume 54, Orzechowski and Walker, 2019. Adult population (21+) from the US Department of Commerce, Bureau of the Census, American Community Survey.

	Packs	Adult Population (21+)	Packs Per Adult
United States	11,111,479,311	240,352,655	46.23
Los Angeles	35,714,273	3,022,096	11.82

<sup>3</sup> See for example: Gleeson Patrick and Jayne Thompson, *What Is the Average Gross Revenue of a Convenience Store?* Houston Chronicle, online updated on April 2, 2019, at: <https://smallbusiness.chron.com/average-gross-revenue-convenience-store-35712.html>

44.9 percent of the current average estimated retail price of \$11.80.<sup>4</sup> (Table 1) While not the highest in the nation, cigarette taxes in California are 88 percent above the average, and the taxable sales per adult are just one-quarter of the nationwide average.<sup>5</sup>

**Table 1**  
**Cigarette Taxes and Fees in Los Angeles**

Levy	Amount Per Pack
Federal Excise Tax	\$1.01
CA Excise Tax	\$2.87
Total Tax	\$3.88
Master Settlement Agreement	\$1.42
Total	\$5.30

Were Los Angeles to ban the sale of menthol cigarettes, not only would local retailers and distributors be hurt, it would further exasperate the problem of smuggled cigarettes and cross border sales. In addition, Los Angeles would lose upwards of \$4.6 million in cigarette tax revenues. Table 2 below shows the estimated tax revenue change for Los Angeles were the ban to go into effect.

**Table 2**  
**Sales and Excise Tax Impact of A Menthol Cigarette Ban in Los Angeles**

	Before	After	Change
LA Sales Tax	\$9,481,355	\$7,308,487	(\$2,172,868)
LA MSA Allocation	\$10,615,000	\$8,182,331	(\$2,432,669)
Total Cigarette Tax	\$20,096,355	\$15,490,818	(\$4,605,537)

The economic impact would be far larger. Today, roughly 1,600 people in Los Angeles rely on the production, distribution and sale of menthol cigarettes for their livelihood.<sup>6</sup> Were the ban to go into effect, about 866 of these people (or 54.0 percent) would see their jobs disappear, along with \$50.8 million in local wages. The economic loss to Los Angeles would be over \$137.4 million. (Table 3 on the following page.)

These lost jobs and wages will also lead to tax revenue reductions. When stores close, or people lose their jobs, they also reduce tax revenues that Los Angeles collects from property, income, and sales taxes, fees, and other sources. It is estimated that the economic losses in the city will result in \$5.4 million in revenue reductions, of which 98.6 percent will come from reduced business taxes and fees. Table 4 outlines these losses by revenue type.

<sup>4</sup> Based on data from the Economic Impact of Menthol Cigarettes: 2019, Prepared by John Dunham & Associates, for Reynolds American Inc.

<sup>5</sup> Nationwide sales based on *The Tax Burden on Tobacco* Volume 54, Orzechowski and Walker, 2019. Adult population (21+) from the US Department of Commerce, Bureau of the Census, American Community Survey.

	Packs	Adult Population (21+)	Packs Per Adult
United States	11,111,479,311	240,352,655	46.23
Los Angeles	35,714,273	3,022,096	11.82

<sup>6</sup> Based on data from *The Menthol Industry Economic Impact Study*, Prepared for Reynolds American, Inc., by John Dunham & Associates, May 1, 2019

**Table 3**  
**Economic Impact of A Menthol Cigarette Ban in Los Angeles**

	Jobs	Wages	Economic Output
Direct	(518)	\$ (28,996,500)	\$ (71,434,222)
Manufacturing	-	\$ -	\$ -
Wholesaling	(156)	\$ (13,054,965)	\$ (39,140,489)
Retailing	(363)	\$ (15,941,534)	\$ (32,293,733)
Supplier	(139)	\$ (10,125,979)	\$ (31,861,746)
Induced	(209)	\$ (11,676,755)	\$ (34,109,931)
Total	(866)	\$ (50,799,233)	\$ (137,405,898)

Overall, a ban on the sale of menthol cigarettes in Los Angeles, will result in a reduction of over \$7.6 million in tax and fee revenues.<sup>7</sup> (Table 4)

**Table 4**  
**Business and Personal Tax Revenues Lost Due to A Menthol Cigarette Ban in Los Angeles**

	Personal	Business	Total
Property Taxes	\$ 19,924	\$ 5,156,335	\$ 5,176,259
Income Taxes	\$ -	\$ 11,711	\$ 11,711
Sales Taxes	\$ -	\$ 96,876	\$ 96,876
Other Taxes	\$ 27,190	\$ 80,744	\$ 107,934
Fines/Fees/Licenses	\$ 30,849	\$ 19,932	\$ 50,781
Total	\$ 77,963	\$ 5,365,597	\$ 5,443,560

The estimates in the model are robust. A similar ban was enacted in San Francisco in 2018 on all flavored tobacco products, including menthol cigarettes, flavored cigars, and vapor products. A year after this ban went into effect, tobacco sales in that city fell by 28.3 percent, an even higher loss than the 22.9 percent estimated reduction in this analysis.<sup>8</sup>

**Table 5**  
**Total Revenues Lost Due to A Menthol Cigarette Ban in Los Angeles**

Revenue Type	Revenue Loss
LA Cigarette Sales Tax	\$ (2,172,868)
Personal Taxes	\$ (77,963)
Business Taxes	\$ (5,365,597)
Total	\$ (7,616,428)

The results from San Francisco showed a slight increase in unflavored cigarette sales following the ban of flavored tobacco, but only offsetting lost menthol sales by approximately 1.6 percent. Applying this to Los Angeles by adding together the 14.1 million lost sales of menthol cigarettes and the offsetting sales as some consumers switched to unflavored cigarettes, leads to a change in overall cigarette sales of \$109 million. Using breaks established by the San Francisco study, the market was segmented into convenience

<sup>7</sup> Based on *Revenue Outlook: Supplement to the 2020-21 Proposed Budget*, City of Los Angeles, Administrative Officer, April 2020, at: [http://cao.lacity.org/budget20-21/2020-21Revenue\\_Outlook.pdf](http://cao.lacity.org/budget20-21/2020-21Revenue_Outlook.pdf) and 2020-21 Governor's Budget, Schedule 8, Comparative Statement Of Revenue at: [http://www.ebudget.ca.gov/2020-21/pdf/BudgetSummary/BS\\_SCH8.pdf](http://www.ebudget.ca.gov/2020-21/pdf/BudgetSummary/BS_SCH8.pdf)

<sup>8</sup> *Economic Impact of the Ban on Flavored Tobacco Products in San Francisco*, Prepared for the California Fuels & Convenience Alliance by John Dunham & Associates, New York, January 9, 2020



stores, gas stations with convenience stores, and other retail outlets. These results are shown in Table 6 on the following page.

The San Francisco study also demonstrated that a loss of a million dollars in retail sales translated to approximately 2.4 jobs lost in the convenience store sector and 1.8 jobs in the gas station sector, with no statistically observable impact on other retailers of tobacco products. The net impact on employment was calculated by multiplying those sales changes by those numbers, arriving at a total of 466 jobs lost in Los Angeles. This compares with the 363 lost retail jobs presented in Table 3.

**Table 6**  
**Estimated Impact of Menthol Cigarette Ban on Retail Sales, Jobs, and Wages Based on San Francisco**

	<b>Sales</b>	<b>Jobs</b>	<b>Wages</b>
Los Angeles	-\$109,187,000	(466)	-\$11,993,000
Convenience Stores	-\$34,888,000	(265)	-\$6,353,000
Gas Stations	-\$26,545,000	(201)	-\$5,640,000
Other	-\$47,753,000	*	*

### Methodology

This analysis is based on the Menthol Industry Economic Impact Study for 2019. This model incorporates a geographic distribution model that allocates all menthol cigarette production, distribution and retailing jobs across the country based on either individual facility geographic coordinates, or facility zip code.<sup>9</sup>

Overall, a total of 14,940 jobs in California depend on the sale of menthol cigarettes. Of these, 1,605, or 10.7 percent are located in Los Angeles.

This economic impact analysis was developed by JDA based on data provided by Reynolds American Inc. (RAI), Infogroup, The Tax Burden on Tobacco 2018, the Food and Drug Administration, Centers for Disease Control and Prevention (CDC), and Federal and state governments. The analysis utilizes the IMPLAN model in order to quantify the economic impact of the menthol cigarette industry on the economy of the United States, as well as individual states, congressional districts, and state legislative districts.<sup>10</sup> The model adopts an accounting framework through which the relationships between different inputs and outputs across industries and sectors are computed. It is based on the national income accounts generated by the US Department of Commerce, Bureau of Economic Analysis (BEA).<sup>11</sup>

The menthol share of sales in California is 28.2 percent of total cigarette sales, based on data provided by RAI. LA's share of menthol sales is 39.5 percent.

Every economic impact analysis begins with a description of the industry being examined. In the case of the menthol industry it is defined as the three components of the United States' menthol cigarette industry. This will incorporate firms in the following economic sectors:

<sup>9</sup> Based on data from *The Menthol Industry Economic Impact Study*, Prepared for Reynolds American, Inc., by John Dunham & Associates, May 1, 2019

<sup>10</sup> The model uses 2016 input/output accounts.

<sup>11</sup> The IMPLAN model is based on a series of national input-output accounts known as RIMS II. These data are developed and maintained by the U.S. Department of Commerce, Bureau of Economic Analysis as a policy and economic decision analysis tool.

- ❖ Manufacturers: Menthol cigarette manufacturing plants, warehouses, offices.
- ❖ Wholesalers: Includes firms involved in the distribution and storage of menthol cigarettes.
- ❖ Retailers: Includes firms involved in the sale of menthol cigarettes. This sector includes retail establishments (e.g. grocery stores, convenience stores, gas stations, menthol stores, etc.)

The IMPLAN model is designed to run based on the input of specific direct economic factors. It generates estimates of the other direct impacts, tax impacts and indirect and induced impacts based on these entries. In the case of the menthol model, direct employment in the menthol cigarette industry is a starting point for the analysis. Direct employment is based on data provided to John Dunham & Associates by Infogroup, RAI, and the Food and Drug Administration as of January 2017. Infogroup data are recognized nationally as a premier source of micro industry data. Infogroup is the leading provider of business and consumer data for the top search engines and leading in-car navigation systems in North America. Infogroup gathers data from a variety of sources, by sourcing, refining, matching, appending, filtering, and delivering the best quality data. Infogroup verifies its data at the rate of almost 100,000 phone calls per day to ensure absolute accuracy.

Once the initial direct employment figures have been established, they are entered into a model linked to the IMPLAN database. The IMPLAN data are used to generate estimates of direct wages and output. Wages are derived from data from the U.S. Department of Labor's ES-202 reports that are used by IMPLAN to provide annual average wage and salary establishment counts, employment counts and payrolls at the county level. Since this data only covers payroll employees, it is modified to add information on independent workers, agricultural employees, construction workers, and certain government employees. Data are then adjusted to account for counties where non-disclosure rules apply. Wage data include not only cash wages, but health and life insurance payments, retirement payments and other non-cash compensation. It includes all income paid to workers and proprietors/partners by employers.

Total output is the value of production by industry in a given state. It is estimated by IMPLAN from sources similar to those used by the BEA in its RIMS II series. Where no Census or government surveys are available, IMPLAN uses models such as the Bureau of Labor Statistics' growth model to estimate the missing output.

The model also includes information on income received by the Federal, state and local governments, and produces estimates for the following taxes at the Federal level: Corporate income, payroll, personal income, estate and gift, excise taxes, customs duties, and fines, fees, etc. State and local tax revenues include estimates of: Corporate profits, property, sales, severance, estate and gift and personal income taxes; licenses and fees and certain payroll taxes.

While IMPLAN is used to calculate the state level impacts, Infogroup data provide the basis for Los Angeles level estimates. Publicly available data at the county and local level is limited by disclosure restrictions, especially for smaller sectors of the economy. This model therefore uses actual physical location data provided by Infogroup in order to allocate jobs – and the resulting economic activity – by physical address or when that is not available, zip code. For zip codes contained in a single congressional district, jobs are allocated based on the total sector jobs in each zip. For zip codes that are broken by congressional districts, allocations are based on the percentage of total jobs physically located in each segment of the zip. Physical locations are based on either actual address of the facility, or the zip code of the facility, with facilities placed randomly throughout the zip code area.

#### Demand Model

Once the base economic impact of the menthol cigarette industry is developed, the effects of the proposed ban are calculated using a standard demand model. When Los Angeles bans the sale of menthol cigarettes, adults who prefer these products will react in one of four ways. They could:

- 1) Stop smoking cigarettes or switch to another tobacco product;
- 2) Switch from smoking menthol cigarettes to tobacco flavored cigarettes;
- 3) Continue to smoke menthol cigarettes but purchase them from other parts of California;
- 4) Continue to smoke menthol cigarettes but purchase them from other states and jurisdictions, or over the black market.

In the case of this analysis, two of these factors matter. Since no menthol cigarettes will be legally sold in Los Angeles, the fact that consumers are switching to the black market or purchase their tobacco products outside of the city does not impact either the revenue or economic impact projections. The bottom line is that 100 percent of the taxable menthol cigarette sales will disappear.

If adult smokers decide to continue to smoke menthol cigarettes and purchase them in California, there will be a small countervailing benefit to the rest of the state's economy, which is calculated in this analysis.

Finally, adult smokers could switch to non-menthol cigarettes, and this would mitigate the lost sales in Los Angeles.

In order to calculate the effect of the ban on cigarette sales in Los Angeles, it is essential to know how consumers would react – both in terms of the percent of purchases outside of the city but in California, but also in terms of what percent would switch to other cigarette products. These percentages are called elasticities by economists. Cigarette elasticities have been studied in depth, but most academic research has focused on the effects of taxes on demand, or on the substitution effects of vapor products.

One comprehensive study on the menthol cigarette market was conducted by Compass Lexecon for Lorillard Tobacco Company in 2011.<sup>12</sup> This study provides a series of estimates on all the different elasticities required for this model.

According to the Compass Lexecon analysis, the cross-elasticity of demand between menthol and non-menthol cigarettes ranges from 0.28 to 0.42. This means that a 100 percent reduction in the sale of menthol cigarettes (as would happen under the proposed ban) would lead to an increase of non-menthol cigarettes equal to between 28 and 42 percent of the initial menthol product demand. For this analysis of the proposed ban the most conservative estimate – 0.42 – was used, meaning that the analysis assumes the least impact to the Los Angeles economy from the proposed ban.

In addition, the Compass Lexicon report provided a series of additional elasticities related to quitting and black-market sales. Since any non-reported sale of cigarettes to a consumer in Los Angeles from any other source would technically be a black-market sale under the methodology used in the analysis, then the difference between 1.0 and the sum of the switching, quitting would equal the and black-market elasticity. Some of these sales would go to California retailers. Currently, according to the Tax

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<sup>12</sup> *Estimating Consequences of a Ban on the Legal Sale of Menthol Cigarettes*, prepared by Compass Lexecon for Lorillard Tobacco Company, January 19, 2011. On-line at: [https://www.thecre.com/ccsf/wp-content/uploads/2011/03/compass\\_1\\_19\\_2011.pdf](https://www.thecre.com/ccsf/wp-content/uploads/2011/03/compass_1_19_2011.pdf) According to its website, Compass Lexecon is *one of the world's leading economic consulting firms*.

Foundation, the black-market sales in California are already equal to 28.3 percent of the market.<sup>13</sup> Taking the inverse of this (71.7 percent) would equal the legal sales. Assuming that the black-market rate stays constant, then the shift from Los Angeles to other parts of California sales would be 0.28 multiplied by 0.717, or 0.201. This means that 20 percent of lost menthol sales would transfer to other parts of California.

With these substitution percentages, the effect of the ban on both Los Angeles and California sales can be calculated. (See Table 7)

**Table 7**  
**State and City Impacts Resulting from A Menthol Cigarette Ban in Los Angeles**

	Direct		Supplier		Induced		Total	
	LA	CA	LA	CA	LA	CA	LA	CA
Jobs	(518)	179	(139)	76	(209)	146	(866)	401
Wages	\$ (28,996,500)	\$ 9,531,079	\$ (10,125,979)	\$ 6,197,553	\$ (11,676,755)	\$ 9,237,233	\$ (50,799,233)	\$ 24,965,865
Economic Output	\$ (71,434,222)	\$ 23,279,499	\$ (31,861,746)	\$ 26,799,974	\$ (34,109,931)	\$ 28,332,316	\$ (137,405,898)	\$ 78,411,789

As the table shows, 518 jobs directly related to the sale of menthol cigarettes will be lost in Los Angeles, offset by 179 jobs gained in other parts of California, and 57.1 percent of the overall economic loss to LA would be made up for by economic gains in the state economy. These effects are due to adult smokers purchasing their menthol cigarettes in California, outside of Los Angeles.

#### Cigarette Sales and Tax Revenues

Cigarette tax revenues are driven by both the volume of cigarettes sold in a particular jurisdiction as well as the price. Actual sales volumes in Los Angeles were provided by the California Fuels & Convenience Alliance.

The average retail price for a pack of cigarettes (less sales taxes) in Los Angeles is calculated to be \$11.80. This price estimate is calculated based on the retail output (or gross margin) from the economic impact model. Dividing gross output by the retail margin of 0.2399 provides an estimate of the price of cigarettes prior to taxes.<sup>14</sup> The final price of \$11.80 per pack, is calculated by adding in Federal and state excise taxes, as well as the MSA payment.

**Table 8**  
**State and City Impacts Resulting from A Menthol Cigarette Ban in Los Angeles**

	Existing	After Ban
Total Packs	35,714,273	27,529,534
Total Value	\$ 421,393,564	\$ 324,821,641
Menthol Packs	14,111,618	-
Menthol Value	\$ 166,503,316	\$ -
Non-Menthol Packs	21,602,655	27,529,534
Non-Menthol Value	\$ 254,890,248	\$ 324,821,641

Based on the price of \$11.80 per pack, a total of \$421.4 million worth of menthol cigarettes are currently

<sup>13</sup> Drenkard, Scott, *Cigarette Taxes and Cigarette Smuggling by State, 2015*, **FISCAL FACT No. 565**, The Tax Foundation, November 6, 2017. On-line at: <https://files.taxfoundation.org/20171106130335/Tax-Foundation-FF565.pdf>

<sup>14</sup> See: *Margins After Redefinitions: 2007 Detail*, Industry Economic Accounts Directorate, Bureau of Economic Analysis (BEA), U.S. Department of Commerce.

sold on an annual basis in Los Angeles. With a city sales tax of 2.5 percent, this generates a total of nearly \$9.5 million in sales tax revenues.

If the sale of menthol cigarettes were banned Los Angeles, the entire \$421.4 million worth of sales would be lost. Based on the elasticities the lost menthol sales would be offset by gains in other cigarette sales of 5.9 million packs, or about \$69.9 million. (Table 8)

## San Francisco Methodology

Two primary data sources were used in deducing the impact of San Francisco's ban on flavored tobacco products, the Quarterly Census of Employment and Wages, a publication produced by the Bureau of Labor Statistics tracking 95 percent of all jobs in the United States, and proprietary scanner data tracking shipments of tobacco products to San Francisco and surrounding counties.<sup>15</sup> For this analysis, measurements from both these sources date from January 2017, and capture monthly information concerning employment and sales respectively.

To compute the effect of the ban on employment, several relevant industries were selected, including convenience stores, gas stations, tobacco stores, and liquor stores, and then their monthly employment statistics in each Bay Area county were pulled from the QCEW database.<sup>16</sup> These numbers were then regressed against time, the respective industry employment numbers for the state of California, seasonal adjustment factors, and an added dummy variable corresponding to the start of the flavor ban. Ultimately, these models demonstrated a statistically significant impact ( $p < .001$ ) on employment for both convenience stores and gas stations in San Francisco, although no statistically significant impacts were found in surrounding counties.

**Table 9**  
**Outputs for Regression on QCEW Data**

Convenience Store Employees				Gas Station Convenience Store Employees			
Variable Name	Coefficient	P-Value	Significance	Variable Name	Coefficient	P-Value	Significance
(Intercept)	(96.52)	0.67	Not significant	(Intercept)	398.80	0.08	90%
Date	-	0.25	Not significant	Date	-	0.29	Not significant
CA Convenience Employees	0.01	0.00	99%	CA Gas Employees	0.02	0.04	95%
Flavor Ban	(45.84)	0.00	99%	Flavor Ban	(34.88)	0.00	99%
January	4.47	0.52	Not significant	January	(8.74)	0.37	Not significant
February	2.81	0.65	Not significant	February	(11.11)	0.22	Not significant
March	(3.43)	0.54	Not significant	March	(4.57)	0.60	Not significant
April	(0.50)	0.94	Not significant	April	(2.30)	0.79	Not significant
May	2.02	0.72	Not significant	May	4.21	0.63	Not significant
June	(6.62)	0.20	Not significant	June	(2.18)	0.81	Not significant
July	(19.51)	0.00	99%	July	4.54	0.69	Not significant
August	(20.66)	0.00	99%	August	1.00	0.94	Not significant
September	(10.49)	0.07	93%	September	(7.05)	0.54	Not significant
October	2.02	0.71	Not significant	October	7.41	0.45	Not significant
November	(0.52)	0.92	Not significant	November	(1.87)	0.84	Not significant
Model F Statistic:	35.02	R <sup>2</sup> :	0.9703	Model F Statistic:	10.59	R <sup>2</sup> :	0.9703
Model Significance:	99%	Adj R <sup>2</sup> :	0.9426	Model Significance:	99%	Adj R <sup>2</sup> :	0.9426

To compute the effect of the ban on sales of tobacco products, scanner data for each tobacco product in each county was regressed against time, seasonal adjustment factors, and a dummy variable to measure the effect of the ban. Additionally, the information was further broken down and regressed to measure the effect on convenience stores, as the previous regressions conducted on employment data had indicated they were the most severely impacted industry.

<sup>15</sup> Proprietary data source capturing retail data for tobacco related products.

<sup>16</sup> *Quarterly Census of Employment and Wages*, US Department of Labor, Bureau of Labor Statistics, at: <https://www.bls.gov/cew/>

## Communication from Public

**Name:** Breanna Christopher

**Date Submitted:** 06/16/2021 11:57 AM

**Council File No:** 18-1104

**Comments for Public Posting:** My name is Breanna Christopher and I represent the over 600 United Parents and Students leaders from across the City of Los Angeles who support a full ban on the sale of Flavored Tobacco products, including mint and menthol. We have been heavily advocating for this ban since the Summer of 2019, and with students returning to school soon, the time to act is now. As a collective, we have sent over 600 e-mails of support to your office, around 200 of which were sent in the past 6 weeks. More than half of these 600 e-mails have come from our student leaders, who are ready to see these harmful products and businesses OUT of their communities. In 2021, the FDA announced that it would work to restrict menthol sales; however, this process can take years. California passed a bill to restrict the sale of flavored tobacco, but Big Tobacco stepped in to protect their profits. We deserve better. Our lives should not be traded for a profit margin. Flavored tobacco sales restrictions that include menthol protect our upcoming generations from becoming addicted to harmful and deadly tobacco products. The City of Los Angeles has a chance to model evidence-based policies, to end the sale of flavored tobacco without exemptions!

## Communication from Public

**Name:** Albert Melena

**Date Submitted:** 06/16/2021 12:12 PM

**Council File No:** 18-1104

**Comments for Public Posting:** Good morning honorable Councilmembers, My Name is Albert Melena, I am speaking on item #28. The research is clear, eliminating flavored tobacco products will save lives, protect kids, and reduce health disparities. We have witnessed firsthand, the impact of flavored tobacco products on our young people, our communities and our schools. Prior to Covid-19, school campuses were flooded with literally every single flavor and device that you could imagine. During the pandemic we saw an increase in youth vaping, along with concerns about increased marketing directly targeting young people. The 2019 Youth Risk Behavior Survey found that 97% of youth e-cigarette users reported using a flavored product in the past month, with 70% citing flavors as the reason for their use. The City of Los Angeles must act now to stop tobacco companies from targeting kids, Black & Brown communities, LGBTQ communities, and other groups with flavored tobacco products, menthol cigarettes and other flavored products. Please, take action to protect our kids, our communities and save lives. Thank You

## Communication from Public

**Name:** Ana-Alicia Carr

**Date Submitted:** 06/16/2021 12:12 PM

**Council File No:** 18-1104

**Comments for Public Posting:** My name is Ana-Alicia Carr and I am the Community Advocacy Director for the American Heart Association. The science is undeniable: all flavored tobacco products, including menthol cigarettes, flavored e-cigarettes, hookah, and cigars hook new users into nicotine addiction and contribute to lifelong health problems. The tobacco industry markets its products in candy and menthol flavors to target new users, especially people of color, youth, and the LGBTQ community. Ending the sale of flavored tobacco is an opportunity to address health disparities driven by the tobacco industry. I urge you to center community and health equity in your decision-making over the profits of the tobacco industry as you craft a comprehensive policy to end the sale of flavored tobacco products in the City of Los Angeles.



## Communication from Public

**Name:** Raj Dhillon

**Date Submitted:** 06/16/2021 12:13 PM

**Council File No:** 18-1104

**Comments for Public Posting:** Breathe Southern California (Breathe SoCal) encourages you to implement a comprehensive ordinance that ends the sale of flavored tobacco products, including menthol-flavored tobacco products and without exemptions for hookah or adult-only tobacco shops. Breathe SoCal is a nonprofit organization that promotes clean air and healthy lungs through research, education, advocacy, and technology. For over 50 years, we have been a leader in lung health improvement efforts in California. As a proud member of the L.A. Families Fighting Flavored Tobacco, we are a part of a growing coalition working to protect children and communities of color from Big Tobacco's deceptive marketing tactics. We worked with the California State Legislature last year to pass Senate Bill 793, which was a bold step in protecting the health of our community members by ending the sale of flavored tobacco products. Now, Big Tobacco has launched a campaign to spend obscene amounts of money in attempt to hook our kids with flavored e-cigarettes, menthol cigarettes, hookah tobacco, premium cigars, and pipe tobacco. Tobacco products, including flavored products, contain nicotine, which is a highly addictive chemical that can cause long-term damage to the adolescent brain. Menthol and flavored tobacco products are driving tobacco-related diseases and deaths throughout the country. Moreover, any and all exemptions would undermine this effort and create opportunities for young people to obtain flavored tobacco products that make it much more likely they will ultimately become traditional cigarette smokers. At least 99 jurisdictions in California, including Burbank, Beverly Hills, and unincorporated areas of Los Angeles County, have restricted the sale of flavored tobacco products. A tough law prohibiting the sale of flavored tobacco products in the City of Los Angeles can protect young people and our vulnerable populations by cutting off access to the key products that is leading many to cigarettes, and potentially a lifetime of tobacco addiction. We urge you to act swiftly and decisively.

## Communication from Public

**Name:** Liz Williams

**Date Submitted:** 06/16/2021 12:16 PM

**Council File No:** 18-1104

**Comments for Public Posting:** Hello Council members, Americans for Nonsmokers' Rights strongly supports ending the sale of all flavored tobacco products, including menthol cigarettes and hookah. We urge you to reject proposed amendment Item 28A to exempt hookah establishments, and to approve proposed amendment Item 28B to remove the exemption for menthol cigarettes. It's time for Los Angeles to join more than 60 communities in California that have already ended the sale of all flavored tobacco products, in all retailers, without exemptions. This is especially important knowing that the pandemic has worsened health disparities, including those that are impacted by tobacco use. The Black community and low-income families have born the brunt of COVID-19, and these are the same populations that continue to be aggressively targeted by tobacco companies with menthol cigarettes. Also, even though the FDA has announced it will end the sale of menthol, the reality is that FDA regulations take many years to take effect, and we'll see years of delays from legal action by tobacco companies. Likewise, the potential state law regulating flavored tobacco won't even be on the ballot for a year and a half. Los Angeles should not wait for these potential regulations to take effect, but instead should take swift local action now to protect the health of all Angelinos. Thank you for your leadership and consideration.

## Communication from Public

**Name:** Yaneth

**Date Submitted:** 06/16/2021 12:18 PM

**Council File No:** 18-1104

**Comments for Public Posting:** My name is Yaneth and I am a resident of the city of Los Angeles, I live in Councilman Curren D. Price's in District 9. I urge the city council to pass a COMPREHENSIVE Flavor Tobacco ordinance, restricting flavored and menthol tobacco, and with no exemptions for hookah. I am concerned regarding the increase in hookah use among Latino youth. The city of LA ordinance should match the LA COUNTY BOS comprehensive flavor ordinance, and not include any exemptions. Be bold in your actions, it will help us reach health equity!!!!

## Communication from Public

**Name:** Michael Ong

**Date Submitted:** 06/16/2021 12:36 PM

**Council File No:** 18-1104

**Comments for Public Posting:** Thank you for the opportunity to comment on this city council agenda item. My name is Michael Ong, and I am a practicing physician. I also am Professor of Medicine and Public Health at UCLA and the Chair of the State of California Tobacco Education and Research Oversight Committee, although I am not commenting on behalf of either organization. Restricting flavored tobacco products, particularly menthol, is critical for protecting public health. Although the Food and Drug Administration has announced their intent to restrict flavored tobacco products and the California Legislature has passed SB 793 which restricts flavored tobacco products, if and when these restriction may take place is highly uncertain - the Food and Drug Administration actions have been delayed by tobacco industry litigation and SB 793 is now subject to a referendum. We can protect the lives of those living and working in the city of Los Angeles now by acting to restrict flavored tobacco products. Not only are these the products which are used to addict youth to tobacco products, we know that vulnerable populations, including African Americans and LGBTQIA+ populations, use these products at much higher rates than the general population. Restricting these flavored tobacco products will help reduce the tobacco-induced health disparities experienced by these vulnerable populations. The COVID-19 pandemic has highlighted the tremendous health inequities experienced by vulnerable populations. The Los Angeles City Council can make a big difference in reducing these health inequities by restricting flavored tobacco products.

## Communication from Public

**Name:** Arab American Grocers Association

**Date Submitted:** 06/16/2021 08:49 AM

**Council File No:** 18-1104

**Comments for Public Posting:** Re: Letter of support for NHCA - National Hookah Community Association. Honorable Los Angeles City Council President Martinez & Members, Council file 18-1104 has come to our attention and we would like to express our concern about the ramifications of including Hookah/Shisha in the ban of Vape and Menthol Cigarettes that we fully support. Our Arab Grocers & businesses selling Hookah tobacco (shisha) to their regular Arab, Middle Eastern, Persian and Armenian customer base should not become collateral damage to the war we support against youth use of vape, electronic cigarettes and the systematic targeting of big tobacco to the Black community. Therefore we join them in asking for an exemption of Hookah from the upcoming flavor ban on both retail and usage. Hookah is not vape or cigarette, Hookah is not the problem in the classroom as Governor Newsom has repeatedly said, we encourage the LA City Council to adopt the final language of SB793 that the State has endorsed. Arab Armenian Grocers Association (Executive Board)



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**City of Los Angeles**  
**City Council**

June 15th, 2021

Re: Letter of support for NHCA - National Hookah Community Association.

Honorable Los Angeles City Council President Martinez & Members,

Council file 18-1104 has come to our attention and we would like to express our concern about the ramifications of including Hookah/Shisha in the ban of Vape and Menthol Cigarettes that we fully support.

Our Arab Grocers & businesses selling Hookah tobacco (shisha) to their regular Arab, Middle Eastern, Persian and Armenian customer base should not become collateral damage to the war we support against youth use of vape, electronic cigarettes and the systematic targeting of big tobacco to the Black community.

Therefore we join them in asking for an exemption of Hookah from the upcoming flavor ban on both retail and usage. Hookah is not vape or cigarette, Hookah is not the problem in the classroom as Governor Newsom has repeatedly said, we encourage the LA City Council to adopt the final language of SB793 that the State has endorsed.

Arab Armenian Grocers Association (Executive Board)

## Communication from Public

**Name:** Veterans Legal Institute

**Date Submitted:** 06/16/2021 08:55 AM

**Council File No:** 18-1104

**Comments for Public Posting:** Honorable Los Angeles City Council President Martinez & Council Members, Hookah is the peace pipe of the Middle East, it is the centerpiece of social gatherings and the common factor in all get togethers, discussions and among all levels of society in most areas where we have been deployed, US military personnel have always been involved with the practice of serving and participating in hookah sessions throughout their service in those far lands in cafes or tents, urban or desert settings. It's due to our ability to adapt, learn and engage in traditions of other people and in this case the process of a hookah session hat has given us an edge in our approaches and resulted in positivity and acceptance as we start and continue our work. We do believe that hookah has no part in the ongoing youth vape smoking pandemic brought forward by the greed of Big Tobacco and we understand fully it's cultural value and century old tradition, therefore; we join the call for an exemption of hookah and its tobacco and products from the ban on usage and sale of flavored tobacco. Thank you for your attention. Veterans Legal Institute



Honorable Los Angeles City Council President Martinez & Council Members,

Hookah is the peace pipe of the Middle East, it is the centerpiece of social gatherings and the common factor in all get togethers, discussions and among all levels of society in most areas where we have been deployed, US military personnel have always been involved with the practice of serving and participating in hookah sessions throughout their service in those far lands in cafes or tents, urban or desert settings.

It's due to our ability to adapt, learn and engage in traditions of other people and in this case the process of a hookah session has given us an edge in our approaches and resulted in positivity and acceptance as we start and continue our work.

We do believe that hookah has no part in the ongoing youth vape smoking pandemic brought forward by the greed of Big Tobacco and we understand fully it's cultural value and century old tradition, therefore; we join the call for an exemption of hookah and its tobacco and products from the ban on usage and sale of flavored tobacco.

Thank you for your attention.

Veterans Legal Institute

1231 Warner Avenue. Tustin, CA 92780

info@vetlegal.com





## Communication from Public

**Name:** Neighborhood Business Alliance

**Date Submitted:** 06/16/2021 09:32 AM

**Council File No:** 18-1104

**Comments for Public Posting:** Our alliance members selling Hookah tobacco (shisha) to their regular Arab, Middle Eastern, Persian and Armenian customer base should not become collateral damage to the war we support against youth use of vape, electronic cigarettes and the systematic targeting of big tobacco to the Black community. Therefore we join them in asking for an exemption of Hookah from the upcoming flavor ban on both retail and usage. Hookah is not vape or cigarette, Hookah is not the problem in the classroom as Governor Newsom has repeatedly said, we encourage the LA City Council to adopt the final language of SB793 that the State has endorsed.



**6/16/2021**

**LOS ANGELES CITY COUNCIL**

Honorable Los Angeles City Council President Martinez & Council Members,

Council file 18-1104 has come to our attention and we would like to express our concern about the ramifications of including Hookah/Shisha in the ban of Vape and Menthol Cigarettes that we fully support.

Our alliance members selling Hookah tobacco (shisha) to their regular Arab, Middle Eastern, Persian and Armenian customer base should not become collateral damage to the war we support against youth use of vape, electronic cigarettes and the systematic targeting of big tobacco to the Black community.

Therefore we join them in asking for an exemption of Hookah from the upcoming flavor ban on both retail and usage. Hookah is not vape or cigarette, Hookah is not the problem in the classroom as Governor Newsom has repeatedly said, we encourage the LA City Council to adopt the final language of SB793 that the State has endorsed.

Thank you for your consideration.

**National Business Alliance**

## Communication from Public

**Name:** Dr. Valerie Yerger

**Date Submitted:** 06/16/2021 01:23 PM

**Council File No:** 18-1104

**Comments for Public Posting:** I am Dr. Valerie Yerger, Professor of Health Policy and one of the original tobacco documents researchers at the University of California, San Francisco. I direct The LOOP, a statewide tailored assistance project funded by our state's tobacco control program. I am also a co-founder of the African American Tobacco Control Leadership Council, a tobacco advocacy organization that has been at the forefront of the menthol/flavor policy work unfolding across our nation. I have authored a number of peer-reviewed articles based on the tobacco industry's own words. I have authored several resolutions calling for a ban on flavored tobacco products, including the ones adopted at the national level of Delta Sigma Theta Sorority, Inc. and the NAACP. My twenty years of research uncovered the tobacco industry's predatory marketing of menthol cigarettes in low-income marginalized communities and revealed a historical thread of front groups paid by tobacco companies to diffuse tobacco control efforts. The major tobacco companies are adjudicated racketeers, yet their deadly products remain disproportionately available - and are cheaper - in neighborhoods with more black and brown children. Tobacco industry scientists, executives, and their lawyers have known for over 50 years menthol has properties that hook our children on smoking. While the use of non-flavored tobacco cigarettes has been decreasing, the use of flavored products is on the rise. If we are to put a dent in our smoking rates and decrease the disproportionate rates of tobacco-caused deaths, then we have to address the role menthol cigarettes and other flavored tobacco products play in the existing tobacco-related health disparities. Policies restricting the sale of menthol cigarettes and other flavored tobacco products, including small cigars, the flavored nicotine liquids used in electronic smoking devices, and hookah, are being implemented in many parts of our country. Since flavored tobacco policies would have a direct effect on communities that are dying because of the tobacco industry's predatory marketing practices, these policies promote health equity. Please remember that flavors attract kids and make it easier to inhale the toxic chemicals and nicotine, whether they smoke cigarettes, electronic devices, or hookah products. Getting rid of flavored tobacco products is perhaps the single most important tobacco control policy the City of Los Angeles can

implement. African Americans, Native Hawaiians, the LGBTQ Community, and other marginalized sectors of our society are disproportionately burdened by tobacco-related health disparities. Banning the sales of menthol cigarettes and other flavored tobacco products would eliminate the major driving force in the continued health disparities faced by our most vulnerable groups.