



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 334** SLS 10RS 213
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 11, 2010 12:39 PM	Author: MARIONNEAUX
Dept./Agy.:	Analyst: Travis McIlwain
Subject: Louisiana Smokefree Air Act	

ENVIRONMENTAL CONTROL EG SEE FISC NOTE GF RV Page 1 of 2
 Provides relative to the Louisiana Smokefree Air Act. (8/15/10)

Proposed legislation modifies the definition of "bar" to include in its definition that a bar serves no more than 10% of food items sold. Proposed legislation also repeals R.S. 40:1300.256(B)(5), which is the provision that currently exempts bars from the Louisiana Smokefree Air Act.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill does not directly change tax rates or taxable spending bases. There are research studies that find smoking bans in bars could be associated with negative employment impacts, which would lead to negative impacts on state income/sales tax revenues, and there are studies that show little or no influence of smoking bans in bars upon overall sales receipts. Thus, any potential revenue impact of this measure cannot be determined with a reasonable degree of certainty. To the extent that this bill discourages patrons from frequenting bar establishments, state and local revenues from bar sales could be reduced. However, to the extent decisions to frequent bar establishments are not based upon no-smoking policies or the facilities are able to provide adequate accommodations for their smoking customers, there could be little impact upon state and local revenues. In addition, to the extent spending by smokers in bars is reduced there will likely be some shift of spending to other types of establishments (total entertainment dollar spending likely unchanged) and/or spending by non-smokers may increase in these establishments. A sample of research findings is presented below

According to a 2006 study by Micheal Pakko (Research Officer at the Federal Reserve Bank of St. Louis) titled, *On the Economic Analysis of Smoking Bans*, which included references to a case study of Maryville, Missouri's impact (study conducted by the Missouri Department of Health & Senior Services), concluded that the taxable sales receipts for Maryville bars and restaurants before and after the smoking ban had no significant change and indicated that the smoking ban "may have been beneficial" to overall sales receipts. However, such results may have been distorted due to the opening of a new restaurant chain within the same year after the smoking ban was enacted within the community.

In addition, a study titled, *The Effect of Ordinances Requiring Smoke-Free Restaurants and Bars on Revenues: A Follow-Up*, published within a 1997 *American Journal of Public Health* article, concludes that smoke-free ordinances "had no significant effect on the fraction of revenues going to eating and drinking places that serve all types of liquor." The researchers used bar and restaurant sales tax data from 15 US cities with smoking bans in bars and restaurants (study was conducted by Dr. Stanton Glantz and Lisa R. A. Smith).

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Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost

6.8(F) >= \$100,000 Annual SGF Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

On the other hand, a study titled, *The Effect of Smoking Bans on Bars and Restaurants: An Analysis of Changes in Employment*, published within a 2007 *B.E. Journal of Economic Analysis & Policy*, concludes that local communities with a higher ratio of smokers to nonsmokers than the national average experience greater employment losses at bars and restaurants as a result of a smoking ban. This study suggests the employment impact of a smoking ban will largely depend upon the smoking prevalence within a region or locality. According to the Centers for Disease Control's (CDC) 2010 Tobacco Control State Highlights, approximately 20.5% adults in Louisiana are smokers (national rate is 20.6%) and Louisiana ranks 37th in the nation relative to its smoking population, meaning there are 13 other states that have more adults smoking in their population per capita than Louisiana.

There is literature that suggests the methodologies utilized in studying smoking bans in bars and restaurants that have concluded no significant impact as a result of the ban could have been flawed. Those flaws include: 1.) studies conducted with limited data, 2.) sample periods are short, 3.) detailed local data not available. In addition, most of the smoking ban literature that impacts bars and restaurants typically focuses on communities that have enacted such bans first, which are have proportionately smaller smoking populations and/or businesses that could be adversely impacted, which introduces the statistical flaw of *sample selection bias*.

Studies that find smoking bans have significant negative impacts on spending and tax receipts tend to focus narrowly on the particular establishments directly affected by the smoking ban, and may not adequately account for the overall consumer economy. According to Pakko (study referenced above), basic consumer theory suggests that when an option is denied to consumers, they tend to substitute other similar products and services.

Overall, the revenue impact of a smoking prohibition in bars is uncertain for the following reasons: the decision to frequent such establishments is not likely to be primarily determined by smoking policies, establishments will accommodate their smoking customer base as much as possible, smokers may still frequent the establishments and non-smokers may frequent more often, and overall spending in the economy may not be materially affected. Thus, it is difficult to confidently determine whether there is a material effect on state & local revenues as a result of this type of measure.

Senate

Dual Referral Rules

House

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