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## **Economy & Efficiency Commission Presentation**

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*Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations. The Commission apologizes for any inaccuracy.*

**PRESENTATION BY  
Dr. Jonathan Fielding  
Director of Public Health and Health Officer, L.A. County Department of Health Services  
Topic: Medical Ramifications of the Tobacco Settlement  
January 7, 1999**

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Chairman Abel introduced Dr. Jonathan Fielding, Director of Public Health and Health Officer, L.A. County Department of Health Services. Dr. Fielding presented the following statistics: approximately 20 percent of adults in the County smoke or about 1.33 million people. Approximately 90 percent of tobacco use is related to cigarette smoking. Approximately 17.3 percent of children aged 12 to 17 smoke cigarettes. This represents about 480,000 individuals. Approximately 80 to 90 percent of adults who smoke started smoking as teenagers/minors.

Cigarette smoking is a major risk factor for cardiovascular and respiratory disease, contributing to influenza and pneumonia. It also contributes to cancer of the lung, pancreas, bladder, esophagus, and oral cavity. Many people are not aware that cigarette smoking contributes to low-birth weight babies, respiratory infections, and stomach ulcers. Considering the four major categories of disease, cancer, heart disease, stroke, and chronic lung disease, combined with the deaths related to smoking in the County, the number is approximately 40 thousand per year. This represents approximately 322,000 years of life lost each year.

Another problem is secondary smoke, which has been linked to cardiovascular disease and lung cancer. Non-smoking spouses of smokers have higher rates of these disease-related deaths. The County Department of Health Services spends approximately \$3.1 billion per year in treating smoking-related illnesses, \$1.2 billion of that is direct medical expenses. The lifetime cost (net present value at 1999 dollars) is approximately \$22 billion. Dr. Fielding stated that advertising is a major contributing factor to why people start smoking. He also believes that there is a correlation between alcohol use and tobacco use.

Tobacco and alcohol are the two greatest preventable causes of death in the County. Dr. Fielding explained that if tobacco were to be introduced today, it would never get approval from the Food and Drug Administration (FDA), since it is not safe or effective at any dose. Dr. Fielding explained that the national (multistate) tobacco settlement requires the tobacco industry to pay \$206 billion to the states (excluding those who had settled previously) over a 25-year period beginning next year (2000) with a \$12 billion fee to be paid this year. In addition, an anti-smoking mass media campaign will also be funded by the settlement.

Dr. Fielding explained that in the national settlement, the State of California is expected to receive

approximately \$1 billion per year for the next twenty-five years. In the first year (2000) the State expects to receive approximately \$819 million. The County is expected to receive about 13 percent of the California annual payment--approximately \$125 million in the first year.

The settlement limits advertising by banning the use of cartoon characters in the advertising, promotion, packaging, and labeling of tobacco products. It prohibits promotional marketing to minors, although the tobacco industry has never admitted to this. Also banned is outdoor advertising (except for display ads immediately outside retail establishments) as well as apparel and merchandising items with brand name logos. Product sponsorship is also reduced. The settlement also requires public access to documents and court files, and disbands the various tobacco organizations like the Council for Tobacco Research and the Tobacco Institute.

Commissioner Philibosian asked Dr. Fielding to clarify Los Angeles County's receipt of 13 percent of the State funds. He also asked whether a specific formula exists, since, as far as he understands, the cities do not bear any of the health care costs. Dr. Fielding responded that California cities do receive part of the State fund. He clarified that the percentages have been negotiated. Mr. Richard Popper, a Deputy for Supervisor Yaroslavsky who was present at the Commission meeting as a visitor, explained that the reason Los Angeles County's share is small (13 percent) is because the total settlement allocation was made to the State was divided in half, with one half going to the State and the other going to the Counties and three cities (Los Angeles, San Jose, and San Francisco). Los Angeles County, representing approximately 30 percent of the State's population, receives approximately thirty percent of the fifty percent being allocated to the counties.

Dr. Fielding added that since California has a lower rate of smoking than many other states, it did not get an equal number of settlement dollars per citizen. In addition to the settlement, funding from Proposition 99 can still be used to curb tobacco advertising. Any money from increases in federal tobacco taxes would offset what the industry would have to pay the states.

Chairman Abel asked Commissioner Boonshaft how much money the tobacco industry spends in underwriting films, and if that affects the content of those films as it relates to smoking. Commissioner Boonshaft responded that from the product placement perspective, one rarely sees a specific brand of cigarettes in any film. Smoking does occur in films, but if it is not directly related to the story or reflective of smoking within a historical period, it is usually done at the discretion of an actor who wants to smoke while working.

Commissioner Buerk mentioned that the EEC has not yet discussed how the recently passed California ballot initiative (Proposition 10--which adds a fifty cent per pack tax on cigarettes as of January 1, 1999) will affect the State and County's arrangement with the industry settlement. Dr. Fielding responded that an important consideration is the "price elasticity of demand" or how much smoking would decrease as the price per pack rises. It has been estimated that the price rise will result in 80 thousand fewer smokers, and 40 thousand deaths averted from such diseases as cancer, heart disease, stroke, and respiratory disease. It has also been estimated that a \$1 billion savings in smoking-related health costs from today's adult smokers can be realized. Considering today's youth and teens, this would result in 75 thousand fewer smokers, 24 thousand averted deaths, and \$900 million in savings. The level of confidence in these estimates is uncertain because the future decrease/increase in tobacco use rates can only be estimated

Dr. Fielding added that the tobacco settlement did not deal with FDA jurisdiction. Under existing federal law, the FDA has a tenuous jurisdiction relating to tobacco--both in terms of advertising and nicotine manipulation.

In terms of how the settlement money will be used, the Board of Supervisors has stated that it is to be used in the health area. Mr. Popper explained that any usage of these funds, when dispersed within the County later this year, will require a four (out of five) Supervisor vote to insure a wide consensus in its expenditure.

Commissioner Padilla asked if a commission is going to oversee the use of the Proposition 10 revenues. Dr. Fielding explained that the Proposition 10 monies are to be used for three purposes: 1) child development, 2) improving child care, and 3) child health services. Twenty percent of these revenues is to go to the State and

80 percent is to be divided among the counties. A "children first" commission has been established in each county. In Los Angeles County, the Supervisors decided that this commission should be a nine-member group, with each Supervisor appointing one commissioner. The remaining four commissioners will consist of a current Supervisor's representatives from the Los Angeles Unified School District and County government agencies.

Commissioner Buerk stated that he believed that the tobacco settlement funds were supposed to be financial compensation for past damages, and wondered about the justification of using those monies for ongoing programs rather than for reimbursement for previously-incurred State/County expenses. Dr. Fielding explained that there are "maintenance of effort" issues in Proposition 10. His understanding is that this is not directly controlled by the Board of Supervisors and that the commission will have its own way of determining allocation priorities.

Commissioner Philibosian stated that those things have nothing to do with smoking and that one of the criticisms of Proposition 10 is that the money raised by this new tax is not being used to remedy or prevent the effects of smoking. Dr. Fielding stated his agreement with this assessment and mentioned that the tobacco industry used the same argument in urging voters not to vote for Proposition 10. The other part of the issue is that tobacco costs are health-related. Another issue is whether the federal government will decide to assert a claim for its portion of the State-received tobacco settlement since a portion of health costs (50% to 70% depending the state) have been covered with federal dollars.

Commissioner Lucente asked about counter-advertising efforts. Dr. Fielding responded that counter advertising has been very effective, especially combined with other elements funded through Proposition 99. The reason the tobacco industry agreed to have all advertising taken off of the airwaves in 1970 is because counter-advertising was so successful in reducing smoking. A good national example of this is the Partnership for a Drug-Free America. These counter-advertising campaigns have had a significant impact on light users of illicit drugs.

Commissioner Stoke wondered if it would be appropriate for the EEC to ask the Board whether the EEC should inquire into the uses of these monies. Chairman Abel requested Commissioners Stoke and Philibosian to present a written proposal at the February 4, 1999 EEC meeting as to what form this inquiry may take and what further action would be anticipated.

Commissioner Hill mentioned that she has never seen statistics covering smoking by female college freshman. Dr. Fielding responded that the latest survey on that topic published in the Journal of the American Medical Association showed a 28 percent increasing in college student (male and female) smoking between 1993 and 1997. This age group (18-21) needs better protection from tobacco industry advertising. Commissioner Hill wondered if any rules/regulations exist to prohibit the dispensing of free (promotional) cigarettes. Dr. Fielding responded that those regulations do exist, and they are being tightened under FDA jurisdiction.

Commissioner Padilla wondered if the details specifying where and how the Proposition 10 tax revenue is supposed to be spent are readily available. Dr. Fielding responded that the details are available within the text of the Proposition.

Chairman Abel thanked Dr. Fielding for his presentation and recognized his contribution to the commissioners' knowledge in this field.

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