



CALIFORNIA'S SODA TAX

Helping Cash-Strapped Communities Protect Children's Health

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THE PERFECT STORM

California faces a perfect storm: one of the greatest fiscal crises the state has faced since the Great Depression coupled with an unprecedented obesity crisis that costs California more than \$41 billion annually.

The California Legislature began 2011 with a \$26.6 billion budget deficit. In March, the Legislature passed \$14 billion in budget solutions, including \$6 billion in cuts to health and social programs for children, seniors and the disabled. However, that still leaves an additional \$12.6 billion deficit to be addressed.¹

Though K-14 schools are strained to the breaking point by the \$18 billion in cuts and deferrals they faced in the last three years², the Legislative Analyst's Office is recommending that the Legislature cut an additional \$4.8 billion from the education budget.³

In this economic climate, dedicating new state resources to mount a much needed statewide effort against the obesity epidemic is challenging. Yet, left unaddressed by the State, the human and economic costs of the obesity epidemic will only continue to rise. In *The Economic Costs of Overweight, Obesity, and Physical Inactivity Among California Adults—2006* (July 2009), the California Center for Public Health Advocacy (CCPHA) found that overweight, obesity and physical inactivity cost California an estimated \$41 billion in additional health care costs and lost productivity annually. Obesity now rivals smoking as the largest cause of preventable death and disease. That makes it all the more alarming that the number of obese children in the United States has more than tripled since 1980. If the current obesity trends are not reversed, it

is predicted that one in three California children—and nearly half of Latino and African American children—born in the year 2000 will develop type 2 diabetes in their lifetime.

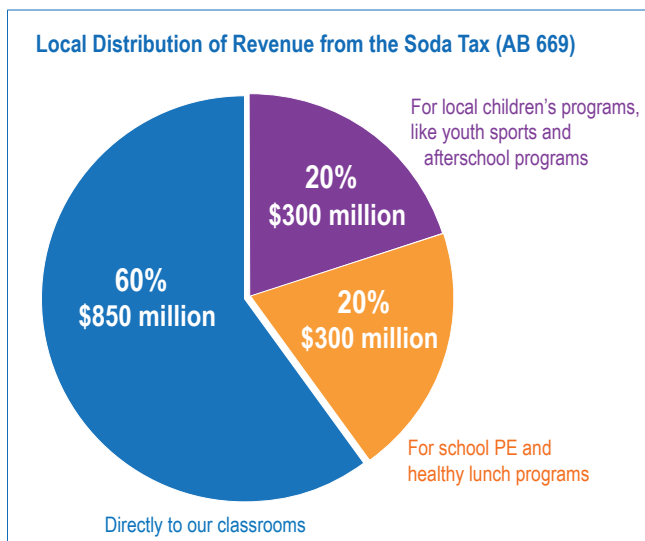
SODA'S UNIQUE ROLE IN THE OBESITY CRISIS

If we are serious about solving the obesity epidemic, we have to start with the biggest culprits. There is overwhelming evidence of the link between obesity and consumption of sugary drinks.⁴ Research shows that in the last 30 years, the average American's daily caloric intake has increased by nearly 300 calories and 43 percent of those additional calories come from additional soda consumption.⁵ A child's risk of obesity increases an average of 60 percent with each additional daily serving of soda or other sugary drinks.⁶ A 2009 study by CCPHA and the UCLA Center for Health Policy Research found that in California two out of five children ages 2-11 and three out of five adolescents ages 12-17 consume at least one soda or other sugary drink every day.⁷

This link between sugary drinks and the obesity epidemic makes a tax on sugary drinks a logical funding source for mediating the harm of these products upon society. One of the most successful public health interventions in recent years is the taxation of tobacco in order to fund programs that mediate the harms to society caused by that product. California is now considering whether to build upon the success of the tobacco tax in order to fund our schools and critically needed childhood obesity prevention efforts.

LOCAL FUNDING FOR LOCAL PROGRAMS

This year, Assemblymember Monning (D-27th District) introduced AB 669, which would levy a penny tax per fluid ounce on soda and other sugary drinks. The State Board of Equalization estimates that the tax would raise around \$1.7 billion annually.⁸ Of that money, over a billion dollars will go to our schools - \$850 million through the Proposition 98 guarantee and an additional \$300 million to fund improvements in physical education and nutritious school meals.⁹ The bill also allocates \$300 million for local childhood obesity prevention efforts like youth sports and active afterschool programs. The remaining 15 percent of the soda tax revenues will fund statewide obesity prevention efforts and medically based prevention and intervention programs.¹⁰



In total, \$1.445 billion, or 85 percent of all revenue from this soda tax, would go to local communities, providing critically needed resources for schools and local community programs directed at improving the health of children. By focusing on providing local community funding, AB 669 (Monning) ensures that the revenue from the soda tax will be used

in ways that best address the needs of California's children and most effectively address the childhood obesity epidemic.

This report examines in more detail how much soda tax money each local community would receive and how that money would be allocated on a county-by-county basis.

METHODOLOGY FOR DETERMINING LOCAL REVENUES

To determine each county's share of the \$1.7 billion in annual revenue from a state-wide soda tax, we estimated how much of that revenue would go to the county's schools through its share of the Proposition 98 guarantee and how much of the remaining funding designated for the Children's Health Promotion Fund would go to each county based upon the funding allocations established by AB 669.

Additional Proposition 98 Funding for Each County

Under California's Proposition 98, passed by the voters in 1988 and later modified by Proposition 111 in 1990, a certain percentage of all new state tax revenue is guaranteed to K-14 schools. Each year the Proposition 98 minimum guarantee is determined by one of three tests set forth in the Constitution. These tests rely on several factors, including changes in average daily student attendance, per capita personal income, and per capita General Fund revenue.

The Proposition 98 guarantee for the 2011-2012 fiscal year is roughly 41 percent of the state general fund revenues. However, the Legislative Analyst Office's most recent budgetary forecasts project that the portion of the state budget required to meet the minimum Proposition 98 guarantee during the first two years of the soda tax (beginning July 2012) will grow to roughly 50 to 55 percent of new state revenues.¹¹

For purposes of this study we assume 50 percent of the revenues from the soda tax will go toward meeting the Proposition 98 guarantee of funding.

PROP 98/CHILDREN'S HEALTH PROMOTION FUND SPLIT		
FUND	PERCENT	AMOUNT
Prop 98 (Funding for the Classroom)	50%	\$850 million
Children's Health Promotion Fund*	50%	\$850 million
TOTAL	100%	\$1.7 billion

*Mixed State and Local Programs

Thus a total of \$850 million in funding is for local schools. In this study we determine each county's share of that \$850 million by calculating the individual county's share of the total student enrollment in California.¹² For example, Los Angeles County schools account for about 25.4 percent of total student enrollment, so Los Angeles' share of soda tax funding for classroom instruction would be about \$216 million.

County Share of Proposition 98 Funding

County's % of Total Student Enrollment	X	\$850 million in Prop 98 Funding	=	County Share of Prop 98 Funding for Local Schools
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County Share of Children's Health Promotion Funding

County's % of State Population	X	\$595 million for Childhood Obesity Prevention Programs	=	County Share of Children's Health Promotion Funds
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share of this \$595 million we looked at each county's share of the total population of the state using the most recent census data.¹³

For example, Sacramento County has 3.8 percent of the state's total population, so Sacramento County will receive around \$22.6 million in funding for local childhood obesity prevention efforts.

The total amount of local funding that each county is projected to receive from the soda tax is equal to the county's share of funding from Proposition 98 and the county's share of funding from the Children's Health Promotion Fund programs.

FINDINGS

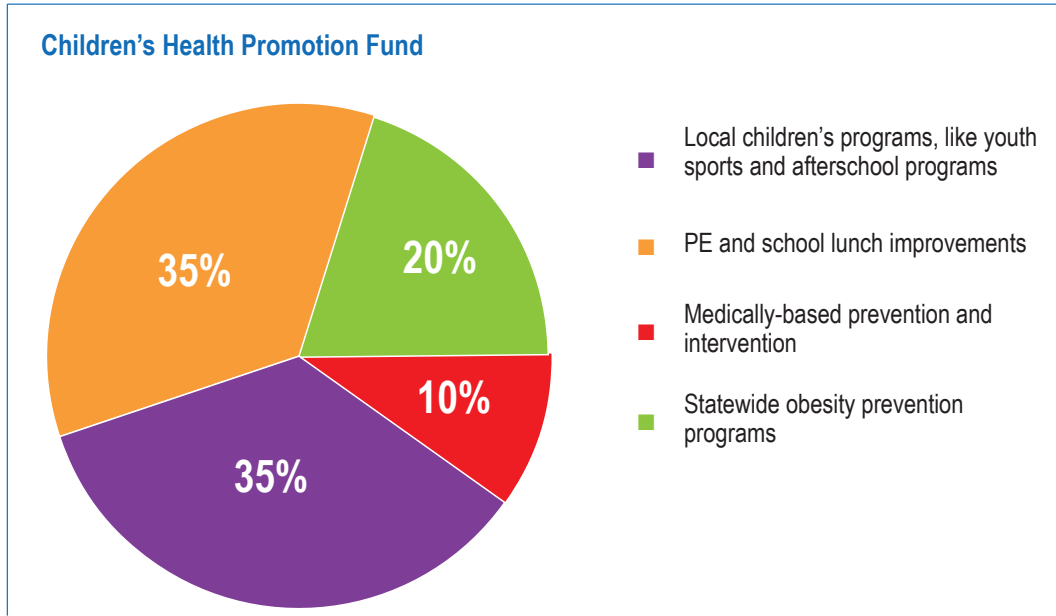
If passed the soda tax would return 85 percent of all revenues back to communities. That \$1.445 billion equates to an average of \$233 per student in new funding that communities across the state will be able to use in their classrooms and to ensure that their children are healthy and will live brighter futures.

See Soda Tax Revenue Distribution by County chart on following page

Children's Health Promotion Fund

After allocating half of the revenue from the soda tax to meeting the Proposition 98 guarantee of funding for schools, AB 669 (Monning) places the remaining \$850 million of soda tax revenues in the Children's Health Promotion Fund.

A total of 70 percent of all Children's Health Promotion Fund monies (\$595 million) will go to local communities. To determine each county's



Soda Tax Revenue Distribution by County

County	Total Population	K-12 Enrollment	Directly to our Classrooms	School PE and Healthy Lunch Programs	Local Children's Programs	Total For County
Alameda	1,510,271	213,317	\$29,290,307	\$10,251,608	\$12,060,615	\$51,602,530
Alpine	1,175	112	\$15,379	\$5,383	\$9,383	\$30,144
Amador	38,091	4,465	\$613,084	\$214,579	\$304,184	\$1,131,848
Butte	220,000	30,978	\$4,253,553	\$1,488,744	\$1,756,860	\$7,499,157
Calaveras	45,578	6,317	\$867,380	\$303,583	\$363,974	\$1,534,936
Colusa	21,419	4,496	\$617,340	\$216,069	\$171,046	\$1,004,456
Contra Costa	1,049,025	166,519	\$22,864,529	\$8,002,585	\$8,377,229	\$39,244,343
Del Norte	28,610	4,374	\$600,589	\$210,206	\$228,472	\$1,039,267
El Dorado	181,058	29,601	\$4,064,479	\$1,422,568	\$1,445,880	\$6,932,926
Fresno	930,450	191,640	\$26,313,864	\$9,209,852	\$7,430,322	\$42,954,038
Glenn	28,122	5,672	\$778,816	\$272,585	\$224,575	\$1,275,976
Humboldt	134,623	18,196	\$2,498,471	\$874,465	\$1,075,063	\$4,447,999
Imperial	174,528	36,338	\$4,989,528	\$1,746,335	\$1,393,733	\$8,129,596
Inyo	18,546	3,475	\$477,148	\$167,002	\$148,103	\$792,253
Kern	839,631	174,099	\$23,905,330	\$8,366,865	\$6,705,066	\$38,977,261
Kings	152,982	28,599	\$3,926,895	\$1,374,413	\$1,221,673	\$6,522,981
Lake	64,665	8,857	\$1,216,144	\$425,651	\$516,397	\$2,158,192
Lassen	34,895	4,846	\$665,399	\$232,890	\$278,662	\$1,176,950
Los Angeles	9,818,605	1,574,150	\$216,144,691	\$75,650,642	\$78,408,720	\$370,204,053
Madera	150,865	29,643	\$4,070,246	\$1,424,586	\$1,204,767	\$6,699,599
Marin	252,409	30,140	\$4,138,488	\$1,448,471	\$2,015,670	\$7,602,629
Mariposa	18,251	2,173	\$298,372	\$104,430	\$145,748	\$548,550
Mendocino	87,841	12,955	\$1,778,836	\$622,593	\$701,474	\$3,102,903
Merced	255,793	56,258	\$7,724,720	\$2,703,652	\$2,042,694	\$12,471,066
Modoc	9,686	1,655	\$227,246	\$79,536	\$77,350	\$384,132
Mono	14,202	1,681	\$230,816	\$80,786	\$113,413	\$425,015
Monterey	415,057	70,949	\$9,741,924	\$3,409,673	\$3,314,533	\$16,466,130
Napa	136,484	20,520	\$2,817,577	\$986,152	\$1,089,924	\$4,893,653
Nevada	98,764	13,299	\$1,826,070	\$639,125	\$788,703	\$3,253,897
Orange	3,010,232	502,239	\$68,961,848	\$24,136,647	\$24,038,897	\$117,137,392
Placer	348,432	67,966	\$9,332,332	\$3,266,316	\$2,782,484	\$15,381,131
Plumas	20,007	2,393	\$328,580	\$115,003	\$159,770	\$603,354
Riverside	2,189,641	423,412	\$58,138,205	\$20,348,372	\$17,485,880	\$95,972,457
Sacramento	1,418,788	237,916	\$32,667,967	\$11,433,788	\$11,330,057	\$55,431,812
San Benito	55,269	11,378	\$1,562,300	\$546,805	\$441,363	\$2,550,468
San Bernardino	2,035,210	417,533	\$57,330,967	\$20,065,838	\$16,252,636	\$93,649,441
San Diego	3,095,313	496,918	\$68,231,228	\$23,880,930	\$24,718,331	\$116,830,489
San Francisco	805,235	56,299	\$7,730,350	\$2,705,622	\$6,430,389	\$16,866,361
San Joaquin	685,306	135,788	\$18,644,891	\$6,525,712	\$5,472,668	\$30,643,271
San Luis Obispo	269,637	34,619	\$4,753,494	\$1,663,723	\$2,153,248	\$8,570,465
San Mateo	718,451	91,371	\$12,546,045	\$4,391,116	\$5,737,355	\$22,674,516
Santa Barbara	423,895	65,960	\$9,056,890	\$3,169,912	\$3,385,111	\$15,611,913
Santa Clara	1,781,642	265,543	\$36,461,398	\$12,761,489	\$14,227,710	\$63,450,598
Santa Cruz	262,382	38,502	\$5,286,664	\$1,850,333	\$2,095,312	\$9,232,309
Shasta	177,223	27,753	\$3,810,732	\$1,333,756	\$1,415,255	\$6,559,743
Sierra	3,240	461	\$63,299	\$22,155	\$25,874	\$111,328
Siskiyou	44,900	6,042	\$829,620	\$290,367	\$358,559	\$1,478,546
Solano	413,344	65,674	\$9,017,620	\$3,156,167	\$3,300,853	\$15,474,640
Sonoma	483,878	71,010	\$9,750,300	\$3,412,605	\$3,864,119	\$17,027,023
Stanislaus	514,453	105,165	\$14,440,083	\$5,054,029	\$4,108,282	\$23,602,394
Sutter	94,737	20,466	\$2,810,162	\$983,557	\$756,544	\$4,550,263
Tehama	63,463	10,710	\$1,470,578	\$514,702	\$506,798	\$2,492,078
Trinity	13,786	1,711	\$234,935	\$82,227	\$110,091	\$427,254
Tulare	442,179	96,949	\$13,311,954	\$4,659,184	\$3,531,122	\$21,502,259
Tuolumne	55,365	6,528	\$896,352	\$313,723	\$442,130	\$1,652,205
Ventura	823,318	141,325	\$19,405,170	\$6,791,810	\$6,574,794	\$32,771,774
Yolo	200,849	29,440	\$4,042,372	\$1,414,830	\$1,603,926	\$7,061,128
Yuba	72,155	14,030	\$1,926,443	\$674,255	\$576,210	\$3,176,908
CALIFORNIA	37,253,956	6,190,425	\$850,000,000	\$297,500,000	\$297,500,000	\$1,445,000,000

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The California Center for Public Health Advocacy (CCPHA) is an independent, nonpartisan, nonprofit organization that raises awareness about public health issues and mobilizes communities to promote the establishment of effective state and local health policies.

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Endnotes

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3. February 10, 2011 letter to Senator Mark Leno, Chair of the Senate Budget and Fiscal Review Committee, from the Legislative Analyst's office regarding alternative actions to balance the 2011-12 state budget assuming that the Legislature or the voters reject the Governor's major tax increase and tax extension proposals. http://www.senate.ca.gov/ftp/SEN/COMMITTEE/STANDING/BFR/_home/FullC/SBFR472011HearingAgenda.pdf.
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8. State Board of Equalization Staff Legislative Bill Analysis on AB 669 prepared April 4, 2011. <http://www.boe.ca.gov/legdiv/pdf/0669ab021711cw.pdf>.
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10. \$170 million for statewide obesity prevention efforts and \$85 million for medically based prevention and intervention programs.
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13. April 2010 US Census Data by California County.