

## PROPOSITION 29: SHOULD CALIFORNIA INCREASE THE CIGARETTE TAX?

**P**roposition 29, which will appear on the June 2012 statewide ballot, would increase the excise tax on cigarettes by \$1 per pack, more than doubling the current tax of 87 cents. The proceeds of the tax would support a number of tobacco-related programs, including research on cancer and tobacco-related diseases. Proposition 29 would raise an estimated \$810 million in 2013-14 – the first full fiscal year after implementation – although revenues would likely decline in subsequent years to the extent that smoking continues to decline in California. The proposed tax would disproportionately affect low-income Californians, who spend a larger share of their incomes on tobacco products. Sponsors of Proposition 29 include the American Cancer Society, the American Heart Association, and the American Lung Association. This *Budget Brief* provides an overview of this measure and the policy issues it raises. The California Budget Project neither supports nor opposes Proposition 29.

### What Would Proposition 29 Do?

Proposition 29 would raise the excise tax imposed on cigarettes from 87 cents per pack to \$1.87 per pack effective October 1, 2012.<sup>1</sup> In addition, the excise tax on other tobacco products, such as cigars and chewing tobacco, would automatically increase by a comparable amount, as required by current law.<sup>2</sup> The new cigarette tax would raise an estimated \$810 million in 2013-14, the first full fiscal year after implementation (Table 1).<sup>3</sup> Revenues, however, would likely drop in subsequent years to the extent that cigarette consumption continues to decline in California. After offsetting – or “backfilling” – losses in existing tobacco tax revenues, Proposition 29 would dedicate most of the remaining new revenues to support research on cancer and tobacco-related diseases. A nine-member Cancer Research Citizen’s Oversight Committee would oversee the expenditure of Proposition 29 funds, including reviewing and awarding grants and loans for research.<sup>4</sup>

### Proposition 29 Would Offset Losses in Existing Tobacco Tax Revenues

Increases in tobacco taxes typically result in a drop in tobacco consumption and, in turn, a decline in revenues raised by existing

tobacco taxes.<sup>5</sup> Revenues raised by Proposition 29 would first be used to backfill losses in current tobacco tax revenues, including those imposed by Proposition 99 of 1988 and Proposition 10 of 1998.<sup>6</sup> An estimated \$75 million of the cigarette tax revenues raised by Proposition 29 would be used for this purpose during 2013-14, according to the Legislative Analyst’s Office (LAO).<sup>7</sup>

### Proposition 29’s Remaining Revenues Would Fund New Tobacco-Related Programs

The remaining cigarette tax revenues raised by Proposition 29 would be divided into five special funds that would support new tobacco-related programs. Specifically:

- **60 percent would support research on cancer and tobacco-related diseases.** Proposition 29 specifies that 60 percent of the revenues remaining after backfilling losses in existing tobacco taxes would be deposited into the Hope 2010 Research Fund. These revenues would fund grants and loans for research on cancer and tobacco-related diseases.
- **20 percent would fund tobacco prevention and cessation programs.** Proposition 29 specifies that 20 percent of the remaining revenues would be deposited into the Hope 2010 Tobacco Prevention and Cessation Fund to support programs

	Estimated 2013-14 Funding (Dollars in Millions)
Backfill Losses in Current Tobacco Tax Revenues (Proposition 99, Proposition 10, General Fund, and Breast Cancer Fund)*	\$75
Grants and Loans To Support Research on Cancer and Tobacco-Related Diseases	\$441
Smoking Prevention and Cessation Programs	\$147
Grants and Loans To Provide Research Facilities and Capital Equipment	\$110
Tobacco-Related Law Enforcement	\$22
Administration	\$15
<b>Total</b>	<b>\$810</b>

\* Amounts would be determined by the Board of Equalization. Source: Legislative Analyst's Office

administered by the Department of Public Health and the Department of Education.

- **15 percent would support research facilities and capital equipment.** Proposition 29 specifies that 15 percent of the remaining revenues would be deposited into the Hope 2010 Facilities Fund. These funds would be used to build or lease facilities and provide capital equipment for research on cancer and tobacco-related diseases.
- **3 percent would fund tobacco-related law enforcement.** Proposition 29 specifies that 3 percent of the remaining revenues would be deposited into the Hope 2010 Law Enforcement Fund to support efforts to reduce cigarette smuggling, tobacco tax evasion, and illegal sales of tobacco products to minors. Tobacco tax evasion reduced revenues by an estimated \$276 million in 2005-06, according to the Board of Equalization.<sup>8</sup>

- **2 percent would support administration of Proposition 29 programs.** Proposition 29 specifies that 2 percent of the remaining revenues would be deposited into a Hope 2010 Committee Account to fund the costs of collecting the tax and administering the new programs.

## Key Facts About California's Current Tobacco Taxes

California imposes excise taxes on cigarettes and other tobacco products. The 87-cent-per-pack cigarette tax includes four separate tax rates (Table 2). The tax on other tobacco products – such as cigars and chewing tobacco – is based on a percentage of the wholesale price and is equivalent to a tax on cigarettes of \$1.37 per pack. Californians who purchase tobacco products pay other taxes as well, including a federal cigarette tax of \$1.01 per pack and sales tax on the retail price of cigarettes and other tobacco products, bringing the average retail price of cigarettes in California to more than \$5 per pack.

## As Smoking Has Declined, Tobacco Tax Revenues Have Fallen as a Share of the State's Economy

The share of Californians who smoke has been dropping for several decades. In 2010, fewer than one out of eight California adults smoked (11.9 percent), down from more than one-quarter (25.9 percent) of adults in 1984.<sup>9</sup> As a result, the number of cigarettes sold in the state has plunged. In 1969-70, California smokers consumed 2.6 billion packs of cigarettes, equal to 130.2 packs for every California resident (Figure 1).<sup>10</sup> Per capita cigarette consumption increased slightly in the early 1970s, but then began a steady decline. By 2009-10, cigarette sales had fallen to just over 1 billion packs in California, equal to 25.9 packs for every state resident.

The drop in smoking is attributable to a number of factors, including increasing awareness of the health risks of smoking,

	Tax Rate (Per Pack of Cigarettes)	Estimated 2010-11 Revenue (Dollars in Millions)*	Purpose
Proposition 10	50 cents	\$489	Support for programs for children through age 5.
Proposition 99	25 cents	\$298	Support for tobacco prevention and education, health care services, tobacco-related disease research, and environmental programs.
General Fund	10 cents	\$96	General support for state programs.
Breast Cancer Fund	2 cents	\$23	Support for breast cancer research and free health services for women, including breast and pelvic exams and cervical cancer screening.
<b>Total</b>	<b>87 cents</b>	<b>\$905</b>	

\* Proposition 10 and Proposition 99 revenues include proceeds from the tax on other tobacco products. Revenue figures do not sum to total due to rounding. Source: Legislative Analyst's Office

changing attitudes about smoking, and laws banning smoking in public areas, including bars and restaurants.<sup>11</sup> Increases in tobacco prices have accelerated the downward trend. Proposition 99 of 1988, for example, increased the cigarette tax by 25 cents – from 10 cents to 35 cents per pack – on January 1, 1989, contributing to a 17.6 percent drop in per capita cigarette consumption between 1987-88 and 1989-90. Furthermore, Proposition 10 of 1998 raised the cigarette tax by 50 cents – from 37 cents to 87 cents per pack – on January 1, 1999, contributing to a 21.6 percent drop in per capita cigarette consumption between 1997-98 and 1999-00. These were, respectively, the third-largest and the largest two-year drops in cigarette consumption recorded between 1969-70 and 2009-10.<sup>12</sup>

Despite these two significant tax increases, tobacco tax revenues – which reflect revenues raised by both the cigarette tax and the tax on other tobacco products – have generally declined as a share of the state’s economy. Tobacco tax revenues totaled \$237.2 million in 1969-70, equal to approximately one-quarter of 1 percent of California personal income – a measure that reflects the size of the state’s economy (Figure 2).<sup>13</sup> Tobacco tax revenues were substantially higher in absolute terms in 2009-10 – \$923.3 million – but equaled less than one-tenth of 1 percent of state personal income (0.06 percent), a drop of more than three-quarters compared to 1969-70.

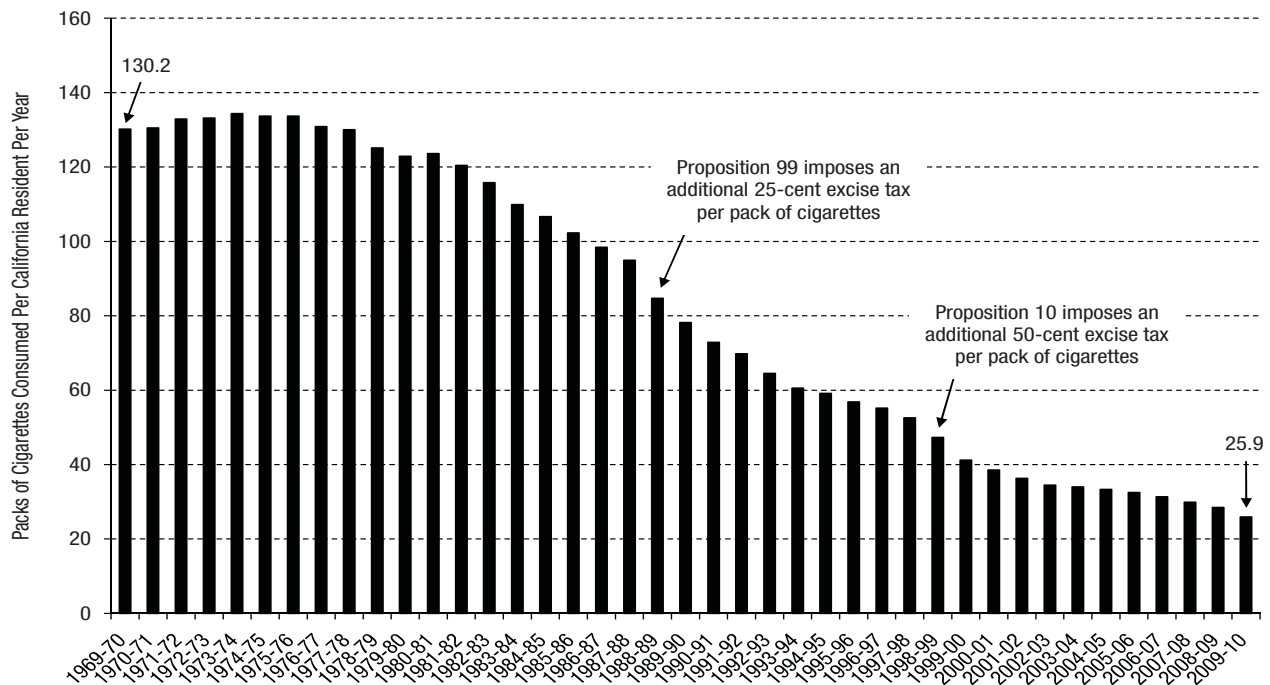
## How Does California’s Cigarette Tax Compare?

California’s cigarette tax rate is the 33rd highest among the 50 states and the District of Columbia (Figure 3).<sup>14</sup> California is one of just three states that have not increased cigarette taxes since 2000.<sup>15</sup> Nationally, the median cigarette tax rate – the rate at the midpoint of the distribution of tax rates among states – was \$1.25 per pack as of January 1, 2012.<sup>16</sup> Five states – Connecticut, Hawaii, New York, Rhode Island, and Washington – have tax rates above \$3 per pack.<sup>17</sup> Proposition 29 would increase California’s tax to \$1.87 per pack, which would make it the 16th highest in the nation.

## The Impact of a Cigarette Tax Increase Would Fall Hardest on Low-Income Families

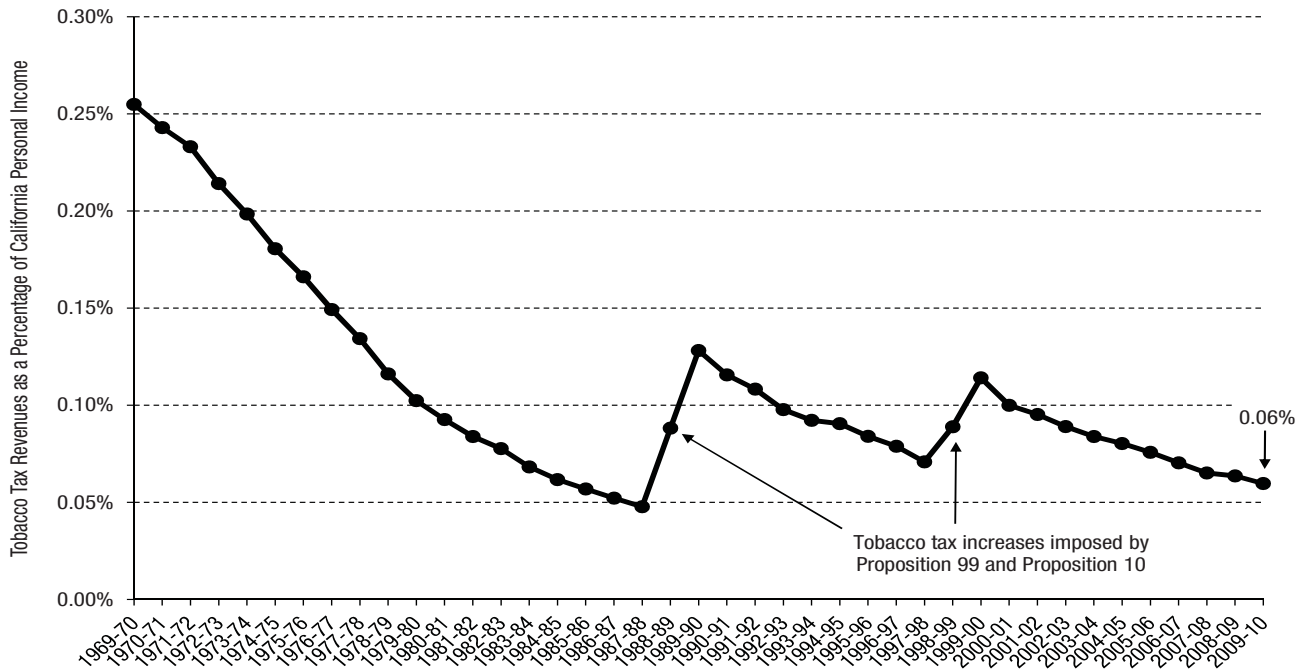
Increasing the cigarette tax would have a disproportionate impact on low-income Californians because they spend a larger share of their incomes on tobacco products. National data show that in 2009, individuals with incomes in the bottom fifth of the distribution spent an average of 0.9 percent of their incomes on cigarette taxes, compared to an average of less than 0.1 percent for those in the top 1 percent.<sup>18</sup> In part, this disparity stems from the fact that the cost of a single pack of cigarettes makes up a larger share of the incomes of low-income individuals. It

Figure 1: Per Capita Cigarette Consumption Has Declined Substantially in California Since the Mid-1970s



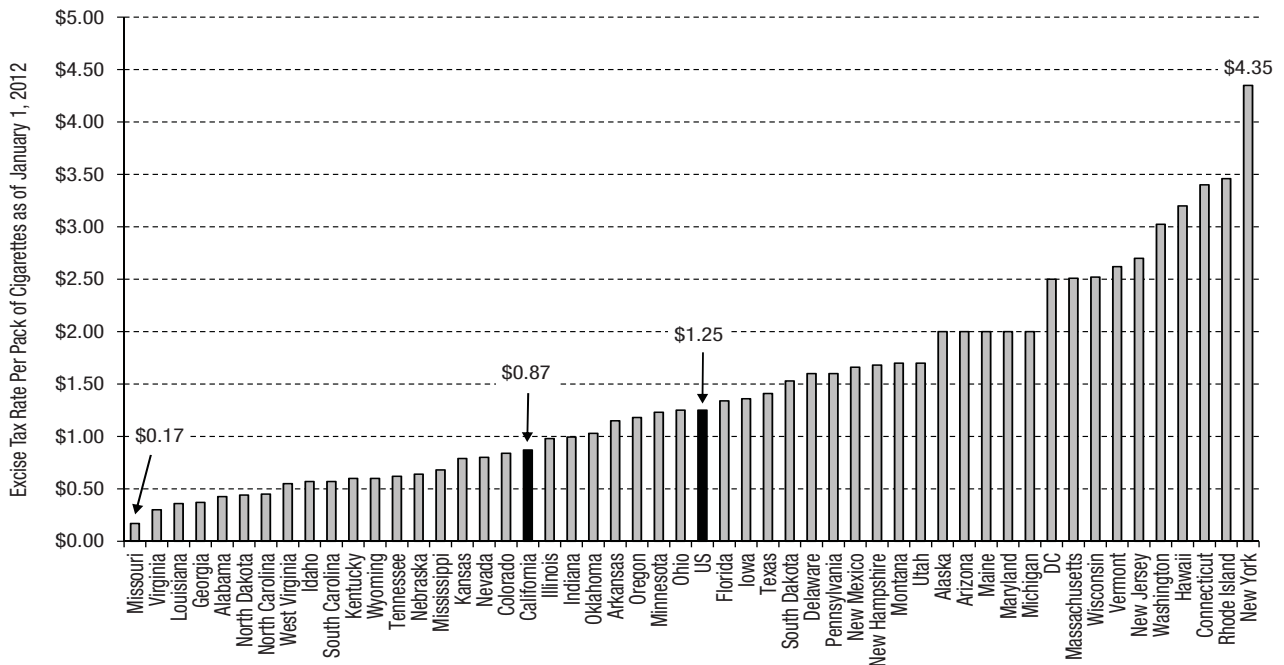
Source: Board of Equalization

Figure 2: Tobacco Tax Revenues Have Declined as a Share of California Personal Income



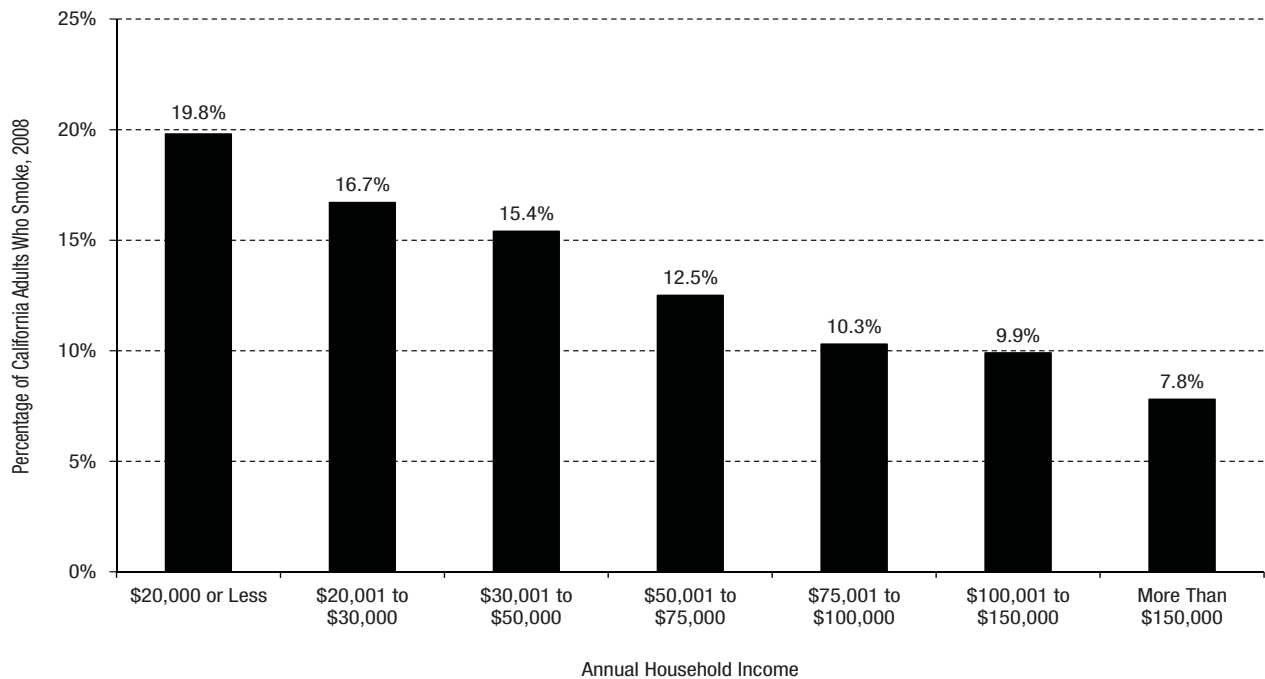
Note: Revenues reflect amounts raised by the tax on cigarettes and, since 1988-89, the tax on other tobacco products.  
 Source: CBP analysis of Board of Equalization and US Bureau of Economic Analysis data

Figure 3: The Tax on Cigarettes Is Lower in California Than in Most Other States



Note: The US rate reflects the median tax rate for all states and the District of Columbia.  
 Source: Federation of Tax Administrators

Figure 4: Lower-Income Californians Are More Likely To Smoke Than Are Other Californians



Source: Department of Public Health

also reflects the fact that low-income individuals are more likely than others to smoke. In 2008, for example, nearly 20 percent of California adults with household incomes of \$20,000 or less were smokers, compared to fewer than 10 percent of those with household incomes of more than \$100,000 (Figure 4).<sup>19</sup> Some research shows that people with lower incomes are more likely than those with higher incomes to stop smoking due to an increase in the price of cigarettes.<sup>20</sup> Nonetheless, Californians with lower incomes and less education are far more likely to smoke than are other Californians, despite two significant tobacco tax increases since the late 1980s.<sup>21</sup>

## What Would Proposition 29 Mean for State and Local Budgets?

The cigarette tax increase proposed by Proposition 29 would have various effects on state and local budgets. The LAO estimates that annual state and local sales tax collections would increase by a total of \$10 million to \$20 million, reflecting the higher retail price of cigarettes and other tobacco products.<sup>22</sup> In addition, the cost of health care provided by state and local governments would decline if higher tobacco prices prompted more Californians to quit smoking, resulting in fewer tobacco-related diseases over the long term. However, to the extent that more Californians live

longer than would otherwise be the case, state and local costs for health care and other public services could increase. These increased costs, in turn, would offset some or all of the savings attributable to any reduction in tobacco-related illnesses. The net effect of these potential costs and savings is unknown.

## What Would Proposition 29 Mean for Revenues Provided by the Tobacco Master Settlement Agreement?

In 1998, the four major tobacco companies agreed to make annual payments, in perpetuity, to 46 states as part of a major settlement addressing states' tobacco-related health care costs. In California, half of these master settlement agreement (MSA) payments go to the state, and half go to the 58 counties and to four cities.<sup>23</sup> Payments can be reduced under certain circumstances, including if cigarette consumption declines and if the companies that signed the MSA lose market share to other tobacco companies.<sup>24</sup> Consequently, Proposition 29 could result in reduced MSA payments if the increased price of cigarettes led more Californians to quit smoking and/or prompted at least some smokers to switch to other, less expensive cigarette brands not owned by the companies that signed the MSA.

Reduced MSA payments, in turn, could affect the repayment of “tobacco” bonds sold by the state beginning in 2003.<sup>25</sup> Specifically, as part of the 2002-03 and 2003-04 budget agreements, California sold \$5.6 billion in bonds backed by future MSA payments to help close budget shortfalls.<sup>26</sup> The state sold additional bonds backed by MSA payments in 2005 and 2007.<sup>27</sup> Debt service on the bonds is repaid from the state’s share of MSA revenues and, if necessary, from reserves funded with those revenues. Recently, state officials have noted “a more rapid than predicted decline in cigarette sales,” as well as a drop in the share of cigarettes being purchased from tobacco companies participating in the MSA.<sup>28</sup> Consequently, MSA payments have been lower than anticipated. In 2011, in fact, MSA reserve funds were used for the first time to pay part of the interest due on the tobacco bonds because the state’s share of MSA revenues was “insufficient” to make the entire payment.<sup>29</sup>

The state is not required to make up the difference if MSA revenues, including both the annual payment and the reserve funds, are insufficient to pay the principal and interest due on the tobacco bonds in any given year.<sup>30</sup> However, some of the bonds include a “back-up state guaranty.”<sup>31</sup> This provision, according to the California State Treasurer, requires the Governor to ask the Legislature for funding if MSA revenues “fall short and other available amounts, including the reserve funds, are depleted. . . . The Legislature is not obligated to make any General Fund appropriation.”<sup>32</sup> Nonetheless, if MSA revenues drop below the level needed to make debt-service payments on the tobacco bonds, state policymakers would face the choice of either making up the difference from the state’s General Fund or allowing the state to default on the terms of the bonds.

## Policy Issues Raised by Proposition 29

Proposition 29 raises a number of policy issues, including whether the proposed tobacco-related programs are the best use of the state’s limited taxing capacity.

### Proposition 29 Would Dedicate Hard-to-Raise New Revenues to Specific Purposes

Proposition 29 would increase the state’s cigarette tax and dedicate the new revenues to a number of purposes, including research on cancer and tobacco-related diseases. Programs funded by Proposition 29 would be “locked in,” limiting the ability of the Legislature to modify spending in response to economic, budget, and demographic changes or other health-related research needs that may emerge in the future. In addition, these revenues would not be available to support other programs or to help close future budget gaps. Finally, to the extent that voters

approve new revenues for a specific purpose through an initiative, such as Proposition 29, lawmakers or voters may feel less inclined to subsequently approve additional revenues regardless of the purpose.

Opponents of so-called “ballot-box budgeting” argue that the initiative process limits voters to an up-or-down choice in isolation from other potential uses of funds. They further contend that earmarking the proceeds from a revenue source that is relatively popular among voters – such as tobacco taxes – limits legislators’ ability to use the same source for other spending priorities or to close a state budget shortfall. Finally, opponents argue that California faces ongoing budget gaps and that any increase in revenues should be used to ensure that current programs are adequately funded prior to taking on additional responsibilities.

Proponents of initiative-based budgeting argue that the current two-thirds vote requirement for legislative approval of tax increases makes it difficult, if not impossible, to raise revenues to support important program expansions. Given this difficulty, they maintain, it is appropriate to offer voters the option of raising taxes to fund specific programs supported by a majority of the voters.

### Should California Substantially Increase State Funding for Cancer Research?

Currently, the federal government provides more than \$5 billion each year – primarily through the National Cancer Institute (NCI) – to support cancer research and training. “More than half of the NCI budget is allocated to research project grants that are awarded to scientists who work at local hospitals and universities throughout the country,” according to the American Association for Cancer Research. “More than 6,500 research grants are funded at more than 150 cancer centers and specialized research facilities located in 49 states.”<sup>33</sup> Given this significant federal investment, voters must consider whether substantially increasing state funding for cancer research is an appropriate use of scarce state resources, particularly in light of the deep cuts to state spending for basic services that policymakers have made in recent years. This question is especially relevant because Proposition 29 does not require the revenues raised by the initiative to be directed to California-based researchers and institutions. The measure, for example, states that “all qualified investigators, regardless of institutional affiliation, shall have equal access and opportunity to compete” for Proposition 29 funds.<sup>34</sup> As a result, a portion of the revenues raised by Proposition 29 could be directed to other states, in which case California tax dollars would subsidize research and development outside of California.

## How Would Proposition 29 Interact With Proposition 98?

The revenues raised by Proposition 29 would be special fund dollars, not General Fund dollars, and thus would not be counted toward the Proposition 98 school funding guarantee. However, Proposition 29 is a statutory initiative, while Proposition 98 amended the state Constitution. As a result, questions could arise as to whether it is possible to exclude these new tax revenues from the Proposition 98 guarantee without an amendment to the state Constitution.

## What Do Proponents Argue?

Proponents of Proposition 29, which is sponsored by the American Cancer Society, the American Heart Association, and the American Lung Association, argue that “cancer is the world’s most deadly killer – smoking is its leading cause. . . . California’s scientists are at the forefront of life-saving research in the detection, treatment, prevention, and cure of cancer, heart disease, and other smoking-related illnesses. They’re making great strides, but there’s much to be done. Prop. 29 generates nearly \$600 million for their research – and continues the search for cures.”<sup>35</sup>

## What Do Opponents Argue?

Opponents of Proposition 29, with major funding from Philip Morris USA and R.J. Reynolds Tobacco Company, argue that the

measure “is flawed” for a number of reasons, including that it creates “another new bureaucracy” at a time when the state faces a \$10 billion budget shortfall; “raises nearly \$1 billion in new taxes, but allows tax dollars to be spent outside California, even outside the country”; duplicates existing cancer research and tobacco control programs; and “provides no new funding for treating cancer patients.”<sup>36</sup>

## Conclusion

Proposition 29 would increase California’s excise tax on cigarettes by \$1 per pack. The measure would raise an estimated \$810 million in the first full fiscal year after implementation, although revenues would likely drop in subsequent years to the extent that cigarette consumption continues to decline in California. The funds raised would primarily support research on cancer and tobacco-related diseases. A key policy issue raised by Proposition 29 is whether it is desirable to dedicate hard-to-raise new revenues to a specific set of programs that would be “locked in,” limiting the ability of the Legislature to make changes in response to shifting economic, budget, and demographic trends. In addition, the proposed tax increase would disproportionately affect low-income Californians, who spend a larger share of their incomes on tobacco products. On the other hand, raising the retail price of cigarettes would likely encourage more Californians – including low-income Californians – to reduce or quit smoking, resulting in fewer tobacco-related diseases.

*Scott Graves prepared this Budget Brief. The California Budget Project (CBP) neither supports nor opposes Proposition 29. This Budget Brief is designed to help voters reach an informed decision based on the merits of the issues. The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, subscriptions, and individual contributions. Please visit the CBP’s website at [www.cbp.org](http://www.cbp.org).*

## ENDNOTES

- <sup>1</sup> Proposition 29 would take effect on the first day of the first calendar quarter beginning more than 90 days after passage of the measure. The election is scheduled for June 5, 2012.
- <sup>2</sup> State law requires the Board of Equalization to increase the tax on other tobacco products in an amount equivalent to any tax increase on cigarettes, with the additional revenues dedicated to purposes authorized by Proposition 99 of 1988, including smoking cessation programs and health care services. The Legislative Analyst’s Office (LAO) estimates that if voters approve Proposition 29, the automatic increase in the tax on other tobacco products “would result in a full-year Proposition 99 revenue gain of about \$50 million, beginning in 2013-14.” Legislative Analyst’s Office, “Proposition 29: Imposes Additional Tax on Cigarettes for Cancer Research. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 16, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.
- <sup>3</sup> The LAO estimates that Proposition 29 would raise approximately \$615 million in 2012-13. Legislative Analyst’s Office, “Proposition 29: Imposes Additional Tax on Cigarettes for Cancer Research. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 15, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.
- <sup>4</sup> The committee would consist of four members appointed by the Governor, two members appointed by the director of the Department of Public Health, and three University of California chancellors.
- <sup>5</sup> Revenues raised by existing tobacco taxes also decline following a tax increase because the higher price of tobacco products “results in more sales for which taxes are not collected, such as Internet purchases and purchases of out-of-state products.” Legislative Analyst’s Office, “Proposition 29: Imposes Additional Tax on Cigarettes for Cancer Research. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 14, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.

- <sup>6</sup> Proposition 99 imposed an additional excise tax on cigarettes of 25 cents per pack along with an equivalent tax on other tobacco products to support a number of purposes, including smoking cessation programs and health care services. Proposition 10 imposed an additional excise tax on cigarettes of 50 cents per pack along with a tax equivalent to \$1 per pack on other tobacco products, with most of the revenues dedicated to early childhood development programs.
- <sup>7</sup> The Board of Equalization would annually determine the amount of payments needed to offset losses to existing tobacco tax revenues.
- <sup>8</sup> Board of Equalization, *Revenue Estimate: Cigarette and Tobacco Products Tax Evasion* (June 27, 2007).
- <sup>9</sup> Department of Public Health, *Smoking Prevalence Among California Adults, 1984-2010* (July 13, 2011).
- <sup>10</sup> Board of Equalization, *Annual Report 2009-2010* (July 2011), Statistical Appendix, Table 30B.
- <sup>11</sup> In 1998, California became the first state in the country to ban smoking in workplaces, including in bars.
- <sup>12</sup> The second-largest decline occurred between 1998-99 and 2000-01, when per capita cigarette consumption dropped by 18.5 percent.
- <sup>13</sup> The data in this paragraph reflect a CBP analysis of Board of Equalization and US Bureau of Economic Analysis data. For annual tobacco tax revenues, see Board of Equalization, *Annual Report 2009-2010* (July 2011), Statistical Appendix, Table 30A.
- <sup>14</sup> Federation of Tax Administrators, *State Excise Tax Rates on Cigarettes* (January 2012).
- <sup>15</sup> Only Missouri and North Dakota, along with California, have not increased tobacco taxes since 2000. Federation of Tax Administrators, *Cigarette Tax Increases 2000-2012* (no date).
- <sup>16</sup> The US median also reflects the tobacco tax rate in the District of Columbia.
- <sup>17</sup> As of January 1, 2012, New York imposed a cigarette tax of \$4.35 per pack; Rhode Island, \$3.46; Connecticut, \$3.40; Hawaii, \$3.20; and Washington, \$3.03. Federation of Tax Administrators, *State Excise Tax Rates on Cigarettes* (January 2012).
- <sup>18</sup> Institute on Taxation and Economic Policy, *Cigarette Taxes: Issues and Options* (October 2011). Comparable data are not available for California, but there is no reason to expect the trend to be different.
- <sup>19</sup> Department of Public Health, *Two Decades of the California Tobacco Control Program: California Tobacco Survey, 1990-2008* (December 2010), p. 2-17.
- <sup>20</sup> US Centers for Disease Control and Prevention, "Response to Increases in Cigarette Prices by Race/Ethnicity, Income, and Age Groups – United States, 1976-1993," *Morbidity and Mortality Weekly Report* 47 (July 31, 1998), pp. 605-609.
- <sup>21</sup> Department of Public Health, *Two Decades of the California Tobacco Control Program: California Tobacco Survey, 1990-2008* (December 2010), p. 2-17. This report also shows that men and blacks in California are more likely to smoke than are women and Asians, Latinos, and whites, respectively.
- <sup>22</sup> Legislative Analyst's Office, "Proposition 29: Imposes Additional Tax on Cigarettes for Cancer Research. Initiative Statute. Analysis by the Legislative Analyst," in Secretary of State's Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 16, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.
- <sup>23</sup> In 2011, California received \$360.8 million in MSA payments, while the 58 counties and the cities of Los Angeles, San Diego, San Francisco, and San Jose received a total of \$360.8 million. The City and County of San Francisco receives payments as both a city and a county. California Department of Justice, *Tobacco Master Settlement Agreement Payments to Counties and Cities 1999-2011* (no date), downloaded from <http://oag.ca.gov/tobacco/settlements> on April 23, 2011.
- <sup>24</sup> See California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, p. A-44, and Golden State Tobacco Securitization Corporation, *Voluntary Disclosure to Investors: Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2005A* (May 10, 2011).
- <sup>25</sup> A number of local jurisdictions also issued tobacco bonds. See California Debt and Investment Advisory Commission, *Tobacco Securitization: Bond Issuance in California* (no date), pp. 9-11.
- <sup>26</sup> See Legislative Analyst's Office, *California Spending Plan 2002-03* (September 2002), p. 21; Legislative Analyst's Office, *California Spending Plan 2003-04* (October 2003), p. 18; and California Debt and Investment Advisory Commission, *Tobacco Securitization: Bond Issuance in California* (no date), p. 9.
- <sup>27</sup> The 2005 and 2007 sales "refunded all of the original 2003 Bonds, generating additional proceeds of approximately \$1.783 billion, which were . . . transferred to the General Fund." California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, p. A-44.
- <sup>28</sup> Golden State Tobacco Securitization Corporation, *Voluntary Disclosure to Investors: Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2005A* (May 10, 2011) and Golden State Tobacco Securitization Corporation, *Voluntary Disclosure to Investors: Tobacco Settlement Asset-Backed Bonds, Series 2007* (May 10, 2011). These documents cite the opinions of the California Attorney General's Office.
- <sup>29</sup> The total interest due on December 1, 2011 for the 2005A and 2007 tobacco bond series was \$156.3 million. The amount paid from reserve funds was \$12.4 million. Golden State Tobacco Securitization Corporation, *Notice of Event: Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2005A* (December 1, 2011); Golden State Tobacco Securitization Corporation, *Notice of Event: Tobacco Settlement Asset-Backed Bonds, Series 2007* (December 1, 2011); and California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, p. A-45.
- <sup>30</sup> California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, p. A-45.
- <sup>31</sup> California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, p. A-44.
- <sup>32</sup> After the 2005 bonds were sold, an appropriation was requested and "approved by the Legislature, to be utilized in the event tobacco settlement revenues and other available moneys are not sufficient to pay debt service. However, use of the appropriated moneys has never been required." California State Treasurer, *\$1,300,000,000 Various Purpose General Obligation Bonds: Preliminary Official Statement* (April 2, 2012), Appendix A, pp. A-44 to A-45.
- <sup>33</sup> American Association for Cancer Research, *Federal Cancer Research Funding* (no date).
- <sup>34</sup> "Text of Proposed Laws: Proposition 29" (proposed Section 30130.53(d)(1), Revenue and Taxation Code), in Secretary of State's Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 26, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.
- <sup>35</sup> "Argument in Favor of Proposition 29," in Secretary of State's Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 18, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.
- <sup>36</sup> "Argument Against Proposition 29," in Secretary of State's Office, *California Presidential Primary Election Tuesday, June 5, 2012: Official Voter Information Guide*, p. 19, downloaded from <http://www.voterguide.sos.ca.gov/> on March 28, 2012.