

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
ACTING DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

SENATE HEALTH COMMITTEE

SB3019, RELATING TO HEALTH

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

February 13, 2012

Department's Position: The Department of Health (DOH) supports the intent of this measure as one of several strategies available to address obesity.

Fiscal Implications: The measure directs unspecified percentages of the revenue to: 1) community health centers special fund in Chapter 321-1.65; 2) trauma system special fund in Chapter 321-22.5; and the remainder to general fund. DOH defers to the Department of Taxation (DoTax) on the tax structure and estimation of revenues that will be generated as a result of the tax.

Purpose and Justification: While the Administration did not have any specific bills in this session addressing sugary beverages, the Department expresses appreciation to the Senators who introduced the measure to initiate this important discussion. The tax on sugary beverages is one of several public health policies recommended by prominent national organizations and researchers to address obesity and the over-consumption of sugar.

In Hawaii, adult obesity has more than doubled between 1995 and 2009, and childhood obesity increased by 38 percent from 1999 and 2009. Obesity-related medical expenditures in Hawaii were calculated to be over \$323 million in 2009, and are continuing to rise. Sugar-sweetened beverages have been identified by countless scientific studies as a major contributor to our costly obesity epidemic. A

1 2004 study found that sugared soft drinks are the single largest contributor of calorie intake in the
2 United States. Currently children and adults consume 172 and 175 calories respectively from sugar-
3 sweetened beverages a day. Children and adolescents now consume 10 to 15 percent of their daily
4 caloric intake from sugar-sweetened beverages, these are calories that otherwise meet no nutritional
5 need. There is also a strong correlation between weight and soda consumption. In children each
6 additional 12 ounce soft drink consumed per day by children, increases their odds of becoming obese by
7 60%. A 2009 California study found that adults who drink one or more soda a day are 27% more likely
8 to be overweight or obese than those who do not drink soda. Reducing sugar-sweetened beverage
9 consumption and limiting overall liquid calories is also linked to weight loss in adults. In the February
10 2012 issue of *Nature*, obesity researchers from the University of California, San Francisco stated that the
11 pervasiveness of added sugars poses dangers to health that requires environmental and community wide
12 solutions much like has been done with alcohol and tobacco.

13 There is public support for taxing sugary beverages; recently, 65.6% of people surveyed in
14 Hawaii indicated they would support taxes on sugary beverages if the revenue was used for the
15 prevention of obesity. The Department therefore suggests that should this measure move forward, a
16 portion of the revenue be used to address obesity prevention rather than the trauma system special fund.
17 The Department recognizes the important work and role of the community health centers (CHC) and
18 recommends the proposed CHC portion be designated to enhance their community obesity prevention
19 programs. The increased consumption of sugary beverage can increase tooth decay; therefore, the
20 Department also suggests that a portion of the revenues support dental health programs especially for
21 young children. In 2011 Hawaii received an "F" grade from the PEW Center on States regarding
22 employing prevention strategies for children's dental health,

23 On a technical note, the Department recommends amending the definition of "Sugar-sweetened
24 beverage" (Page 5, paragraph 2, lines 4-7) for clarification, and suggests the following: "Sugar-

1 Sweetened Beverage" means any nonalcoholic beverage, carbonated or noncarbonated, which is
2 intended for human consumption and contains any added Caloric Sweetener. As used in this definition,
3 "non-alcoholic beverage" means any beverage that contains less than one-half of one per cent alcohol
4 per volume, whether carbonated or noncarbonated, that is intended for human consumption and contains
5 any added caloric sweetener.

6 The DOH defers to the Department of Taxation on the tax structure recommended in this
7 measure, and the revenue that might be generated based on what would be taxed (per subsection -3 on
8 page 6, lines 17-22).

9 Thank you for the opportunity to provide testimony.

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11

12

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Josh Green, Chair
and members of the Senate Committee on Health

Date: Monday, February 13, 2012
Time: 1:15 P.M.
Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S. B. 3019, Relating to Health

The Department of Taxation (Department) supports the intent of S.B. 3019 to discourage the consumption of sugar-sweetened beverages, similar to the Administration's proposal set forth in SB1289 SD2. At this time, however, the Department does not support a new tax, nor is the Department able to implement a new tax type. The Department's limited budget and staff resources make it highly unlikely the Department can implement this measure by its effective date.

S.B. 3019 creates a new tax under Title 14 on sugar-sweetened beverages. Revenues generated would be deposited in the community health centers special fund and the trauma system special fund.

In general, it would take the Department a minimum of 12-18 months to develop and implement a new tax type, such as the one proposed by S.B.3019. This estimated time frame is wholly dependent on the volume, complexity and timing of new tax laws which are adopted each legislative session, and the assumption that the Department is given sufficient funding and staffing resources to complete this project.

The Department also notes that the language of the bill needs to be amended for clarity. As written, section 3(a) proposes a tax imposed at the rate of 1 cent per teaspoon of sugar. The Department's concerns include the fact that "sugar" is not defined in section 2 of the measure. Additionally, the term "teaspoon of sugar" is problematic in that "teaspoon" as it is commonly understood to represent volumetric measurement; how much "sugar" constitutes a "teaspoon of sugar" is not a constant, and therefore the amount of tax to be levied in any given circumstance will be difficult to calculate.

The Department similarly suggests that "equivalent amount of concentrate" is further defined in relation to bottled sugar-sweetened beverages. As a general solution to the technical problems in assessing tax pursuant to Section 3(a), the Department notes that taxation calculated per fluid ounce of beverage to be sold to the consumer, rather than by amount of sugar, allows the tax to be assessed more easily, particularly as to sugar-sweetened beverages sold as concentrate.

In addition, new section 6 should be reworded to make the section more consistent with the procedural rules applicable to Chapters 235 and 237 of the Hawaii Revised Statutes (HRS). For example, the statute of limitations on assessments, where a tax return has been filed, is generally three years for income tax and general excise tax purposes. See Sections 235-11 and 237-40 of the Hawaii Revised Statutes.

Thank you for the opportunity to provide comments.



HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)
1050 Bishop St. Box 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO: COMMITTEE ON HEALTH

Senator Josh Green, M.D., Chair

Senator Clarence K. Nishihara, Vice Chair

DATE: Monday, February 13, 2012

TIME: 1:15 p.m.

PLACE: Conference Room 229

FROM: Hawaii Food Industry Association - Lauren Zirbel, Executive Director

RE: SB 3019 RELATING TO HEALTH

Chairs & Committee Members:

Thank you Chair Green, Vice Chair Nishihara and committee members for the opportunity to testify.

HFIA strongly opposes this bill.

The legislature must stop taxing groceries. It is the most unfair and regressive way to fill the budget deficit.

The beverage industry is already doing more than its fair share to raise money for the State of Hawaii. The bottle bill has cost the industry a significant amount of profit percentage in surcharges and reduced sales. **Please don't pass on the tab for the budget deficit to the food and beverage industry.**

There is no empirical evidence supporting the argument that a soda tax will reduce consumers' collective calorie intake.

Although our consumption of soda has increased, soda still only represents 7 percent of our collective energy intake.

In an article recently published by STATS.org, Trever Butterworth stated that while public health experts argue that a tax on sugared soda could help curb obesity, economists are unconvinced. He went on to explain that there is no evidence of a linear relationship between soda and obesity.

Butterworth asks, "How much of a tax increase would lead to a meaningful reduction in consumption – and would that, in turn, lead to meaningful changes in diet and weight?" In the 33 states that have implemented soda taxes, including the five most obese states, little change has been detected.

An article published in Contemporary Economic Policy entitled "Can Soft Drink Taxes Reduce Population weight" examined how changes in states taxation rates from 1990 to 2006 have affected body mass index (BMI). "They found that a one percentage point increase in the tax rate was associated with a statistically significant decrease of 0.003 points in BMI. (To put this into context, the National Institutes for Health defines a person as having a normal weight if their BMI is between 18.5 and 24.9, and obese if their BMI is 30.0). As the researchers note, even a large tax increase of 20 percentage points might not have a substantial effect on population weight."

Food preference isn't an accurate healthy weight detector. A holistic look at calorie intake is a more appropriate way to determine an individual's propensity to achieve a health weight.

HFIA does not support tax increases, especially increases that will simply increase the costs to consumers at a time when taxpayers cannot afford such increases. **This tax is highly regressive and will impact the poor the most.**

If you pass this measure it will severely damage the retail and beverage industry, **costing the state many jobs.** The loss of these jobs will cost significantly more in the long run than the gains in revenue which the proposed sugary beverage tax increase may generate.

Thank you for the opportunity to provide this testimony.

Testimony of
Cristeta T. Ancog, M.D.
Padiatrics, Nanaikeola Clinic

Before:
Senate Committee on Health
The Honorable Josh Green, M.D., Chair
The Honorable Clarence K Nishihara, Vice Chair

February 13, 2012
1:15 pm
Conference Room 229

SB 3019 RELATING TO HEALTH

Chairs Green and committee members, thank you for this opportunity to provide testimony on SB3019 regarding establishing a tax on sugar-sweetened beverages.

We make no comment on the tax but are providing information on sugar-sweetened beverages.

We appreciate the committee efforts to reduce obesity by encouraging people to consume less sugar, in this case in soft drinks. At Kaiser Permanente reducing the consumption of sugary beverages is one of the four parts of the 5-2-1-0 program that we advocate to have health children and healthy families.

We recommend that all members of the family, but particularly children, eat 5 servings a day of fruits, roots and vegetables. Limiting time in front of the television or computer at home to no more than 2 hours a day makes time for other activities. In the time not spent on the computer children should get at least 1 hour of physical activity everyday. Sugar sweetened beverages, especially soda, fruit drinks and sports drinks contain excess sugar and calories without contributing any health benefits. We recommend 0 sugary drinks and suggest drinking low fat milk or water as an alternative.

This simple to remember formula teaches the first steps toward improved health for children and their families. Attached you will find a flyer we distribute to families to help them remember the 5-2-1-0 health tips. Thank you for the chance to provide this information.

Simple Steps for a Healthy Ohana



Healthy kids and healthy families make everything possible. Eating and physical activity patterns start in early childhood. 5-2-1-0 is our way of promoting healthy lifestyles for children and families. We realize healthy living can be challenging so we encourage everyone to start small, think big and take one step at a time.

EAT HEALTHY

5 FRUITS, ROOTS & VEGETABLES

Fruits, roots and vegetables, including root vegetables such as taro (pol) and sweet potato, are packed with nutrients. To get the amount recommended, most of us need to increase the amount of fruits, roots and veggies we currently eat.

WATCH LESS

2 HOURS OF SCREEN TIME

Two hours or less of computer, video and TV screen time every day. Increased screen time has been linked to lower reading scores, behavioral problems and unhealthy weight.

PLAY MORE

1 HOUR OF PHYSICAL ACTIVITY

Activity that makes your heart pump faster and your body breathe harder make you strong, helps you feel good and think clearly. Kids in active families are more likely to be active adults.

CUT DOWN

0 SUGARY DRINKS

Sugary drinks such as soda, sweetened tea, sports drinks, fruit punch and other fruit-flavored drinks have little health benefit. Sweetened beverages add empty calories, about 150 calories and 9 teaspoons of sugar per 12 oz. can of soda.

HEALTHY TIPS

- A** Be a role model - Include at least one fruit, root or vegetable at every meal and snack
- B** When possible, avoid frying - try steaming, baking, stir-frying
- C** Try-A-Bite rule - Offer new fruits, roots and veggies and encourage everyone in the family to try a few bites each time. It can take 7 to 10 tries to like a new food.

HEALTHY TIPS

- A** Encourage your whole family to decrease screen time to 2 hours or less each day
- B** Keep the TV and computers in a central location and out of your child's bedroom
- C** Enjoy your family - turn off the TV when eating and talk about the day

HEALTHY TIPS

- A** Take gradual steps to increase your physical activity level
- B** Do short amounts of activity several times a day until they add up to 60 or more minutes each day.
- C** Physical activity should be fun - swimming, surfing, paddling, walking, running, dancing, gardening and yes, even vacuuming!

HEALTHY TIPS

- A** Encourage your family to love water. Serve it. Choose it. If it's there, people will drink it. And remember water has zero calories.
- B** Be wary of commercials. Juice products labeled "-ade," "drink" or "punch" often contain mostly corn syrup sweetener and less than 5% real juice.
- C** For kids 2 years and older, encourage fat free or low fat milk rather than whole milk

For more information please contact us at www.hawaii5210.com

Printed by community partner Kaiser Permanente.



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Honolulu, HI 96813
(808) 532-1596 Fax (808) 532-1597

To: Chair Green, Vice Chair Nishihara, and Members of the Committee on Health

From: Victor Lim, Franchise Owner

Date: February 11, 2012

I am writing in opposition to SB 3019 dealing with a special tax on sugar-sweetened beverages.

This bill unfairly creates additional taxes that are regressive because it will hit the lower and middle income families disproportionately, target restaurants and takeout places, small mom and pop shave ice stands, and an administrative night mare for all businesses with your reporting requirements.

If the purpose of this bill is to reduce obesity, 80 to 90 percent of the causes have not been addressed. Obesity is the direct result of high calorie intake and low calorie output and this bill does nothing to address this. We still have no PE in our public schools.

Why are we also not taxing candies, chocolates, cake, and ice cream? According to many national polls that I have seen, almost 80 percent of America is opposed to these taxes. Last year during the legislative session, most of the calls into our radio stations were against the soda tax.

The vagueness of the language in this bill makes it impossible for restaurants like us that put sweeteners (both sugar and sugar substitutes) into the coffees as a convenience for our customers especially those in the drive-thru. How are we to keep track because now the ones that ask for sugar will be taxed? How do we keep track of amount of sugar in a coffee?

The administrative requirements as spelled out in the bill will make it almost impossible for many small retailers to be able to comply. You are asking businesses to do so much more record keeping and reporting than reporting and paying our GET.

I respectfully urge this committee to not pass out this bill SB 3019.

Thank you.



Senator Josh Green, Chair
Senator Clarence Nishihara, Vice Chair
Committee on Health
State Capitol, Honolulu, Hawaii 96813

HEARING Monday, February 13, 2012
 1:15 pm
 Conference Room 229

RE **SB3019, Relating to Health**

Chair Green, Vice Chair Nishihara, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

RMH strongly opposes SB3019, which establishes a tax on sugar-sweetened beverages, syrup, and powder with the revenues generated to be deposited into the community health centers special fund and the trauma system special fund.

As responsible citizens, we share your concern with the growing health problems caused by individuals' indiscriminate and/or uninformed choices in beverage consumption and their reluctance to participate in physical activity required to maintain good health. However, these are social concerns that already are and should be addressed by parents first and government as a function of general public revenues.

Food taxes are particularly onerous in that they are regressive and discriminatory, placing the greatest financial burden on our residents who have the least resources. In essence, via economic sanctions, we are prohibiting certain members of our society from enjoying beverages of their choice.

SB3019 is costly. In addition to the tax itself, increased administrative expense to implement and execute this mandate, including identifying applicable beverages, updating systems, maintaining accurate records, and preparing and submitting returns and payments to the Department of Taxation. These additional administrative costs will be passed on and shared by all consumers, in addition to the tax itself on purchasers of sugar-sweetened beverages.

We respectfully request that you hold SB2477. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Tax on sugar sweetened beverages

BILL NUMBER: SB 3019

INTRODUCED BY: Green, Shimabukuro and 1 Democrat

BRIEF SUMMARY: Adds a new chapter to Title 14 to establish a sugar-sweetened beverage tax.

Requires a distributor selling sugar-sweetened beverages, syrup, or powder in this state to pay a tax of 1 cent per teaspoon of sugar placed into bottled sugar-sweetened beverages or the equivalent amount of concentrate sold to a retailer for sale in the state to a consumer. Any retailer that sells bottled sugar-sweetened beverages, syrup, or powder in the state to a consumer on which the tax imposed by this section has not been paid by a distributor, shall be liable for the tax at the time of the sale to the consumer.

Delineates provisions for the filing of the return, payment, penalties, record keeping, inspection of records, and appeals related to the imposition of the tax.

All moneys collected pursuant to this chapter shall be distributed as follows: (1) ___% deposited into the community health center special fund established under HRS section 321-1.65; and (2) ___% deposited into the trauma system special fund established under HRS section 321-22.5; and any remaining balance will be paid into the general fund.

The following shall be exempt from the tax imposed under this chapter: (1) bottled sugar-sweetened beverages, syrups, and powder sold to the United States government and American Indian tribal governments; (2) bottled sugar-sweetened beverages, syrups, and powder sold by a distributor or a retailer expressly for resale or consumption outside the state; and (3) bottled sugar-sweetened beverages, syrups, and powder sold by a distributor to another distributor if the sales invoice clearly indicates that the sale is exempt. If the sale is to a person who is both a distributor and a retailer, the sale shall be exempt and the tax shall be paid when the purchasing distributor/retailer resells the product to a retailer or a consumer. This exemption does not apply to any other sale to a retailer.

Defines "caloric sweetener" as any caloric substance suitable for human consumption that humans perceive as sweet and includes sucrose, fructose, glucose, other sugars, and fruit juice concentrates, but does not include non-caloric sweeteners. For purposes of this definition, "caloric" means a substance that adds calories to the diet of a person who consumes that substance. Defines "non-caloric sweetener" as any non-caloric substance suitable for human consumption that humans perceive as sweet and includes aspartame, saccharin, stevia, and sucralose, but does not include caloric sweeteners. Defines "sugar-sweetened beverage" as any beverage that contains less than one-half of 1% alcohol per volume, whether carbonated or noncarbonated, that is intended for human consumption and contains any added caloric sweetener. Sugar-sweetened beverages shall not include: (1) beverages sweetened with non-caloric sweeteners; (2) beverages consisting of 100% natural fruit or vegetable juice with no added caloric sweetener. For purposes of this paragraph, "natural fruit juice" and "natural vegetable juice" shall

mean: (1) the original liquid resulting from the pressing of fruits or vegetables, or the liquid resulting from the dilution of dehydrated natural fruit juice or natural vegetable juice; (2) milk without any added caloric sweetener; (3) coffee or tea without added caloric sweetener; (4) infant formula; or (5) water to which neither carbonation nor any other substance has been added except for minerals and non-caloric flavoring agents.

Defines “bottle,” “bottled sugar-sweetened beverage,” “consumer,” “department,” “director,” “distributor,” “fund,” “person,” “place of business,” “powder,” “retailer,” “sale” and “syrup” for purposes of the measure.

EFFECTIVE DATE: Tax years beginning after December 31, 2011

STAFF COMMENTS: While this measure proposes a new tax on sugar-sweetened beverages in the state, it would appear that while diet soft drinks are not subject to the proposed tax, other studies have indicated that diet soft drinks may also contribute to weight gain, diabetes, and other health problems. It should be noted that while this measure is aimed at sugar-based beverages, what about “super-sized” meals, high calorie snack foods and desserts? Will another tax be imposed on these items in the future since the enactment of this measure may open the door for other similar measures targeted at “unhealthy foods?”

The U.S. Department of Health and Human Services says, “the causes of childhood obesity are multifactorial.” John Rosemond, author of the *Parent Power* column in the daily paper disagrees noting that, “the reason so many of our children are obese is because they consume too much bad stuff and move too little. Their diets are high in bad carbohydrates (i.e., junk food) like french fries, soda and sweets and low in fresh vegetables, fruits and healthful sources of protein. They spend entirely too much time in front of televisions, video games and computers and not enough time in physical activity. And make no mistake, the best physical activity for a child is free play. A child enrolled in an adult-micromanaged sport is not getting half the exercise kids got playing sandlot games in the 1950’s and ’60s, when childhood obesity was rare.”

He goes on to note that, “In rare instances a medical issue might precede childhood obesity, but the typical overweight kid has a lifestyle problem. As such, the solution is for parents to begin making their children’s weight a high priority. Yes, schools need to eliminate carbo-load lunches along with soda and snack machines, but in the final analysis, childhood obesity is going to be prevented and solved at home.”

Rosemond also observes, “This is not rocket science. Eat at least 90 percent of your meals at home, around the table as opposed to in front of a television set. If that means taking your kids out of most after-school activities, do it! Most of them involve minimal activity anyway. Prepare meals that are heart-healthy. When your children are hungry between meals, give them apples, cheese and raw vegetables. When they’re thirsty, direct them to the faucet.”

The tax on sugar-sweetened beverages proposed in this measure should be viewed as a discriminatory tax increase on such beverages. Taxpayers, as well as lawmakers, should view this part of the bill for what it is, a money grab disguised as an effort to prevent childhood obesity. As we have learned from the beverage container deposit fee, unless people’s habits are changed, no financial disincentive, save one that is confiscatory, will discourage or encourage certain types of human behavior. Further, economics more than not dictates what families consume. For example, fresh vegetables and fresh fruit

SB 3019 - Continued

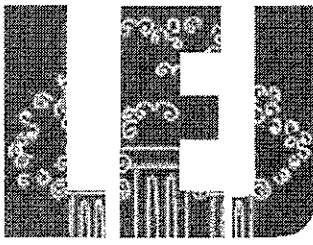
that contribute to a healthier diet are sometimes beyond the means of the poor so they tend to consume large quantities of carbohydrates because they are cheap and filling, but not particularly healthy. If the intent is to promote healthier eating patterns, then that goal can be achieved only with education and understanding on the part of families to replace unhealthy choices with healthy choices. This proposal lacks understanding of what it takes to solve the problem of childhood obesity, high blood pressure and diabetes and focuses only on sugar-sweetened beverages as the cause of the problem, at the very least it is myopic.

To adopt this measure in the belief that it will deter the consumption of such beverages and, therefore, address childhood obesity would be a great disservice to all children as the problem is multifaceted. Adoption of this measure in the belief it will prevent this disease reflects ignorance of the problem.

Finally, while this measure would distribute the moneys from the sugar-sweetened beverage tax into the community health centers special fund and the trauma system special fund, a direct appropriation for these programs would be more preferable than the earmarking mechanism proposed in this measure.

Digested 2/10/12

HAWAII APPLESEED CENTER



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Victor Geminiani, Esq.

Date: February 10, 2012
To: Senator Green, Senate Chair, Health Committee
From: Victor Geminiani, Executive Director
Hawaii Appleseed Center for Law and Economic Justice
Re: Testimony in support of SB3019
Scheduled for a hearing on Feb. 13, 2012

Dear Chair Senator Green and committee members;

Thank you for an opportunity to testify in strong support of SB3019 which would establish a tax on sugar-sweetened beverages, syrup, and powder with the revenues generated to be deposited into the community health centers special fund and the trauma system special fund. My name is Victor Geminiani and I am the Executive Director of the Hawaii Appleseed Center for Law and Economic Justice (formerly Lawyers for Equal Justice). Hawai'i Appleseed Center for Law and Economic Justice (LEJ) is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance and to complement the assistance provided by existing legal services providers in the state. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

A modest tax on sugary beverages is a win-win for the state of Hawaii: an easy way to raise revenues and lower health care costs. Here are some quick statistics on the consumption of sugary beverages and its negative effects on health:

- Sugar-sweetened soft drinks are the only food or beverage that has been shown to raise the risk of being overweight or obese.
- The average American drinks 44.7 gallons of soda, plus another 17 gallons of uncarbonated sweetened beverages.
- The obesity rate in Hawaii has doubled over the last fifteen years and is now 23%, while the percentage of residents who are overweight stands at 34%.
- 19.3% of children are overweight and 11.2% are obese, with sugary beverages supplying about 10% of children and adolescents' total calories.
- Excessive sugar intake also promotes Type 2 diabetes and heart disease, both as a result of obesity and an independent risk linked to sugar.

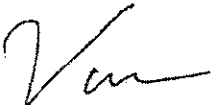
According to the Center on Science in the Public Interest, if Hawaii were to just add a \$0.05 tax on each twelve ounce serving of soda, the projected revenue would be \$39,000,000. Taxing all sugary beverages, or taxing sodas at a heightened rate, would result in many millions more. A high enough tax rate can be expected to reduce consumption and make an impact on obesity.

Yale's Rudd Center for Food Policy and Obesity estimates that a twenty percent increase on the cost of soda will result in a twenty percent reduction in consumption.

States around the country have already been raising millions through this simple tax that brings in easy revenue while promoting public health. High cigarette taxes have caused smoking rates to plummet over the past forty years, and a significant sugary beverage tax could do the same. Levying a sugary beverage tax can simultaneously reduce health problems and raise funds, allowing the state to spend the revenue raised on other programs that help the poor.

Again, thank you for providing us with an opportunity to testify in support of SB3019.

Aloha,

A handwritten signature in black ink, appearing to read "Victor", written in a cursive style.

Victor Geminiani,
Executive Director



**Written Testimony of
David Thorp
American Beverage Association**

**Before the Hawaii Senate Committee on Health
Opposition to S.B. 3019 – Relating to Health
February 13, 2012**

Good afternoon, Chair Green and members of the Committee. Thank you very much for the opportunity to present comments in **opposition to S.B. 3019**.

I am David Thorp, director of government affairs for the American Beverage Association (ABA) in Washington, D.C. The American Beverage Association is the trade association representing the non-alcoholic beverage industry. Founded in 1919, ABA represents hundreds of beverage producers, distributors, franchise companies and supporting businesses that employ more than 217,000 people across the country.

ABA members offer consumers myriad brands, flavors and packaging choices and a full range of drink options including soft drinks, diet soft drinks, ready-to-drink teas, bottled waters, water beverages, 100 percent juice, juice drinks, sports drinks and energy drinks.

Beverage Industry's Impact on Hawaii's Economy:

The beverage industry is an important part of Hawaii's economy – and one of the few remaining industries still manufacturing on the Islands. Unlike most consumer products, many beverages are manufactured and distributed in Hawaii – and by local workers.

Non-alcoholic beverage companies in Hawaii provide more than 1,000 good-paying jobs across our state and help to support many thousands more workers in restaurants, grocery stores and more that depend, in part, on beverage sales for their livelihood.

Obesity is a Complex Problem with No Simple Solution

Many factors contribute to obesity and related health problems. Singling out one particular product for taxation isn't going to make a dent in a problem as complex as obesity. If Hawaii citizens want to get serious about obesity, we need to encourage a balanced diet with sensible consumption of all foods and beverages and promote more physical activity and exercise for all citizens.

Commonsense tells us – and science proves for us – that taxes do not make people healthier. Making smart, educated decisions about diet and exercise do that.

Sugar-sweetened beverages are a small part of the American diet – just 7 percent.

- All sugar-sweetened beverages (soft drinks, juice drinks, sports drinks, flavored waters, teas, etc.) account for only 7 percent of the calories in the average American's diet. That means Americans get 93 percent of their calories from other foods and beverages. This according to National Cancer Institute data (see attached chart).

Soft drink sales continue to decline over the past decade while obesity rates continue to increase across the country.

- Sales of regular soft drinks have declined year-over-year by 12 percent from 2000 to 2009, according to Beverage Digest. Adult and childhood obesity rates continue to rise across the country during that same period, according to the Centers for Disease Control and Prevention.

The beverage industry has cut the total amount of beverage calories it produces for the marketplace, yet obesity rates continue to climb in America.

- The total amount of beverage calories industry has brought to market has decreased 21 percent from 1998 to 2008 due to innovation and production of more no-calorie and low-calorie beverages, as well as smaller-portion beverages. This according to Beverage Marketing Corporation data.

Soda taxes won't work. Taxes don't make people healthier.

- A review by George Mason University researchers showed that a 20 percent tax on soda would reduce an obese person's Body Mass Index from 40 to 39.98 – an amount not even measurable on a bathroom scale.
- West Virginia and Arkansas are two states with an excise tax on soda, yet both states rank among the 10 states with the highest obesity rates in the country, according to the Centers for Disease Control and Prevention.

The Public Opposes Discriminatory Taxes on Beverages:

In 2011, 16 states and cities introduced beverage taxes – in the end, all failed. Voters and lawmakers across the country are overwhelmingly rejecting these taxes. Since 1992, no state has implemented a new beverage excise tax.

Recognizing that these unfair taxes cause economic damage, eight states repealed their beverage taxes in the 1990s. Also, voters of Washington State in 2010 rejected a beverage tax (over 60%), while 64% of voters in Maine in 2008 rejected that state's attempt to fund healthcare programs with a beverage tax.

The public is sending a consistent, resounding message against discriminatory beverage taxes, making it clear that they are able to make their own decisions about what to eat or drink without government help. A tax on common grocery items like beverages is regressive and disproportionately hurts the most those who can least afford it.

The beverage industry is taking bold action to do its part to help address obesity:

To effectively confront the multi-faceted obesity issue, it will require all of us to work together in our respective roles as leaders of industry, government and the health community. The beverage industry supports education and other solutions that work, like our national School Beverage Guidelines and new calorie labeling initiative, *Clear on Calories*.

- Cutting calories available from beverages in schools by 88 percent. Our companies removed full-calorie soft drinks from schools across America, replacing them with lower-calorie beverage choices.
- Placing new labels clearly listing calories on the front of its beverages.
- Producing fewer total beverage calories for the marketplace through the innovation of more zero- and low-calorie beverages. From 1998-2008, industry cut the total beverage calories it brought to market by 21 percent.

School Beverage Guidelines:

In 2006, the beverage industry teamed with the Alliance for a Healthier Generation, a joint initiative of the William J. Clinton Foundation and the American Heart Association, to develop National School Beverage Guidelines. These guidelines, which have been fully implemented across America, remove full-calorie soft drinks from all schools and provide students with a broad range of lower-calorie, nutritious, smaller-portion beverage choices. There are now 88% fewer calories from all beverages in schools nationwide and a 95% reduction in full-calorie soft drinks (2004-2009).

Clear on Calories:

The beverage industry is committed to being part of the solution to the obesity epidemic. We have teamed up for this *Clear on Calories* initiative in support of First Lady Michelle Obama's "Let's Move" anti-obesity campaign. The beverage industry has come together through a voluntary commitment to make the calories in their products even more clear and consumer-friendly by **putting calorie information at consumers' fingertips at every point of purchase, including containers, company-controlled vending machines and fountain machines**. Consumers will be able to make informed choices about the beverages that are best for themselves and their families at any given time.

Conclusion

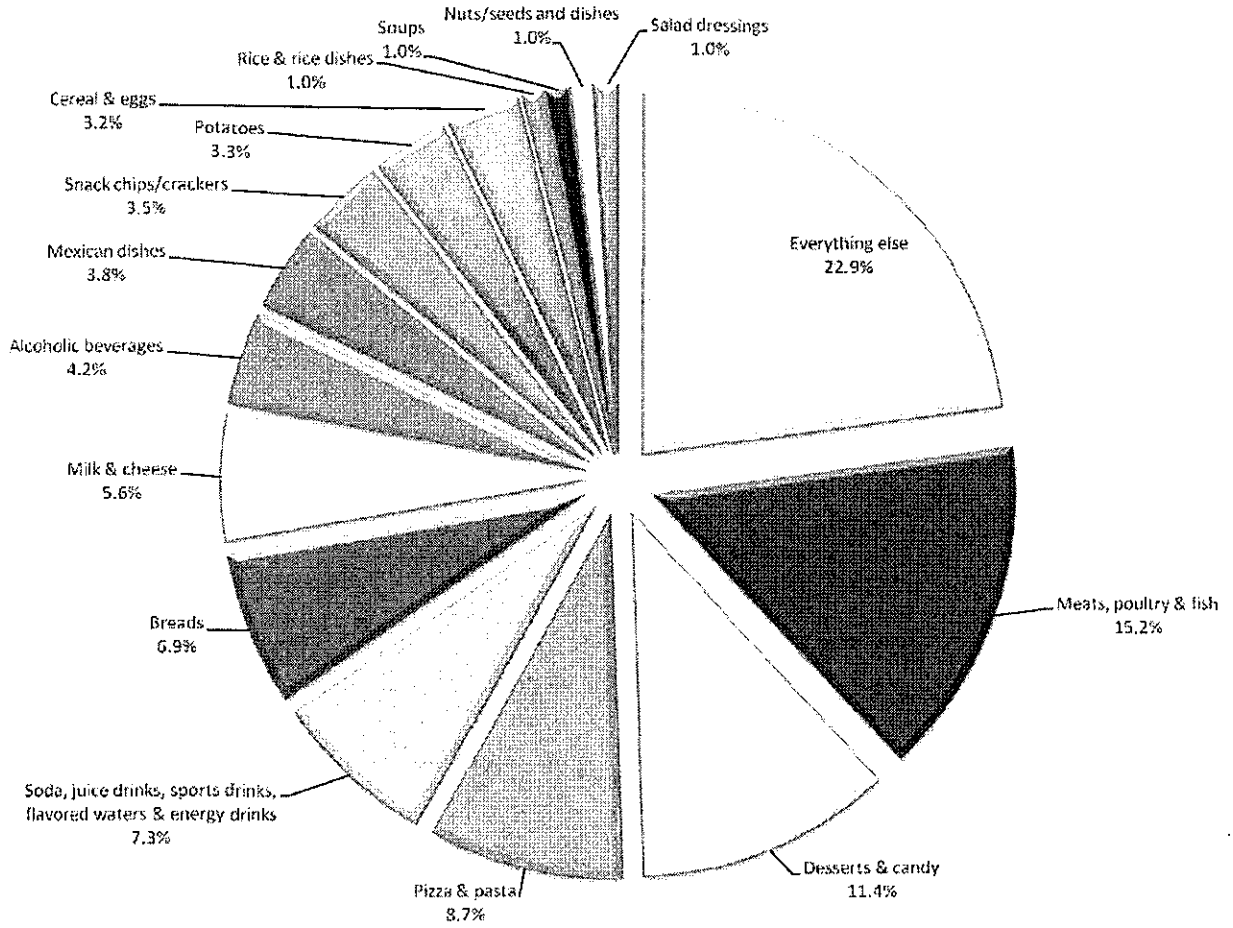
If we really want to have a significant effect on the state's obesity rates, we need to look at comprehensive solutions that will have a meaningful and lasting impact on our citizens, not simplistic approaches targeting one portion of the items in our grocery cart for restrictions or taxation.

A beverage tax unfairly lays the blame for obesity on the consumption of one particular product. Taxing soft drinks or any other single food or food ingredient is simplistic and unjustified.

We encourage this Committee to reject an inequitable tax on beverages.

Sincerely,
David Thorp
Director, Government Affairs
American Beverage Association

Food Category Sources of Calories based on the National Cancer Institute Re-Analysis of the National Health and Nutrition Examination Survey: 2005-2006



Coca-Cola Bottling Company of Hawaii

a COCA-COLA ENTERPRISES company

Senator Josh Green, M.D., Chair
Senate Committee on Health

949 Mapunapuna Street
Honolulu, HI 96819
808-839-6711
808-834-7718 Fax

Monday, February 13, 2012
1:15 P.M., Conference Room 229

RE: SB 3019 - RELATING TO HEALTH - IN OPPOSITION

Chair Green, Vice Chair Nishihara, and Members of the Committee:

My name is Michelle Tang, of the Coca-Cola Bottling Company of Hawaii (Coca-Cola), with operations here in Honolulu and on neighbor islands, **testifying in opposition to SB 3019** that would assess a surcharge on all sugary beverages sold in the state.

Numerous scientific studies indicate that obesity is a complex issue - we cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone.

In August, 2009, the **American Heart Association Scientific Statement on "Dietary Sugars Intake and Cardiovascular Health"** amassed all the scientific evidence regarding sugar-sweetened beverages and obesity and stated, "Because overweight and obesity are complex metabolic conditions, it is unlikely that a single food or food group is primarily causal." In other words, although regular soft drinks have calories, we cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone.

The Institute of Medicine, in its report on childhood obesity, outlined the concept of energy balance. The report said, "Although energy intake equals energy expenditure looks like a fairly basic equation, in reality it is extraordinarily complex when considering the multitude of genetic, biological, psychological, socio-cultural and environmental factors."

A study published in "**Obesity Reviews**" examined associations between obesity and certain dietary and physical activity patterns in over 130,000 children in 34 countries and did not find an association between soft drink intake and overweight. This study did find low levels of physical activity were associated with increased BMI.

The American Diabetes Association has identified the risk factors for diabetes, including a lack of physical exercise. The ADA does not identify sugar used in soda or any other single food or ingredient as a specific risk factor for the disease.

An analysis by the **National Cancer Institute** shows soda, sports drinks, sweetened waters and energy drinks contribute only seven percent of total calories, which is to say all other foods and beverages contributed 93%.

It is clear that we cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone. Our products already are subject to the sales tax, deposit and beverage container deposit fees. And the unfortunate result of this bill, by trying to place blame on sugar-sweetened beverages and increase the cost to consumers, is that our sales will decline. Our analysis of the impact of this bill through a price elasticity model shows that the resulting decline in our sales would mean we would have to lay off almost 15% of our local, hourly workforce. And for what? If the goal is to help people make healthy decisions, then there must be a multi-faceted approach through partnership among consumers, government, business and medicine and a balanced, common sense approach through education and physical activity.

Coca-Cola respectfully requests that the Committee hold SB 3019. Thank you for the opportunity to testify.



PEPSI BEVERAGES COMPANY

Senator Josh Green, M.D., Chair
Senator Clarence Nishihara, Vice Chair
Senate Committee on Health

Monday, February 13, 2012
Conference Room 229; 1:15 p.m.

Re: SB 3019 – Relating to Health – In Opposition

Chair Green, Vice Chair Nishihara, and members of the Committee:

My name is Gary Yoshioka, General Manager for Pepsi Beverages Company (“Pepsi”), testifying in strong opposition to SB 3019, which assesses an unspecified surcharge tax on all soft drinks sold in the state.

While Pepsi does not oppose the notion of general taxation, what we do oppose are discriminatory taxes that single out and penalize a specific product, industry, and its customers. This bill seeks to tax juice drinks, soda and other refreshment beverages. Taxing these consumer products will do little to address the state’s budget deficit, let alone serve a greater good when it comes to public health – we are not going to solve the very serious and complex issue of obesity with a discriminatory tax on one consumer good.

The majority of people oppose a tax on their juice drinks, soda and other non-alcoholic beverages. Many of them do not think a tax will solve obesity or address diabetes. And, even more people are averse to paying a penny more for anything during these very difficult economic times.

Furthermore, science shows that a multitude of factors contribute to diseases related to obesity, from genetics to the over consumption of any and all caloric foods, to the lack of exercise in today’s modern, sedentary lifestyle.

As our industry continues to produce more zero-calorie, low-calorie and reduced-portion products, consumers are taking advantage of and enjoying these new better-for-you options.

In closing, any proposal to impose a tax on beverages in Hawaii would be an unfair initiative aimed directly at beverage consumers and local jobs. We know that levying a new tax will adversely affect jobs and our industry in Hawaii – we experienced this impact when the Deposit Beverage Container Program was implemented. Beverage companies across the state directly employ, and indirectly impact, thousands of jobs. It is important to note that the soft drink industry continues to be one of the few remaining manufacturers of consumer products in the State. We employ local people.

On behalf of Pepsi, thank you for the opportunity to testify.



MAUI BREWING CO.

5 February 2012

Committee on Health
State of Hawai'i

Re: Testimony SB3019

Aloha Ladies and Gentlemen of the Committee:

I am writing to you with concerns surrounding SB 3019 and implementing a tax on sugary beverages. Although I am a strong supporter of the intent of this bill I believe that a universal tax on any sweetened beverages would adversely effect both locally produced beverages and natural products. Focusing on local production of sweetened beverages, I would propose an exemption for locally produced beverages where natural local cane sugar and honey are the only sweeteners used. If we look at the study referenced in the proposed bill we can safely assume that it primarily refers to the High Fructose Corn Syrup sweetened products produced by large corporations. The obesity in children, diabetes, and other negative health effects are associated primarily with those types of products. Sold at every convenience store in sizes up to 64 ounces, a half gallon, of soda for less than a dollar at times is the real culprit for the issues were facing. When anyone envisions a consumer drinking a "sugary beverage" the image is a large jug of soda from a convenience store or big 2 liter bottle of globally produced soda; not a can of green tea sweetened purely with honey, or a ginger ale produced with ginger from the Big Island and Maui Cane sugar.

With local cane sugar production on the decline, following the unfortunate path of Pineapple here on Maui, we need to be conscious of the negative impact this bill will have in its current form. Create an exemption for natural products and locally produced beverages where only cane sugar and honey are used and support local business and a natural way of life.

Mahalo for your time, consideration, and support of local business.

Sincerely,

Garrett W. Marrero, Founder
808.280.4687
G@MauiBrewingCo.com

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229

Testifier position: Oppose

Testifier will be present: Yes

Submitted by: Corie Tanida

Organization: Individual

E-mail: corietanida@gmail.com

Submitted on: 2/11/2012

Comments:

My name is Corie Tanida and I am in strong opposition to the creation of a new tax which penalizes the beverage industry, food service industry and consumers. It is no secret that the State's deficit is very large and that the government must somehow find funds to rectify it. However, singling out one type of food is not the answer and will not solve the issue. Please look at other revenue generators, such as gambling. Thank you.

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229

Testifier position: Oppose

Testifier will be present: No

Submitted by: Lisa Wells

Organization: Individual

E-mail: lwells@cfht.hawaii.edu

Submitted on: 2/12/2012

Comments:

I want to preface this by saying that I no longer drink soda, or sweetened fruit juices. I do drink the unsweetened fruit juices on occasion however. The money which goes into a special fund I suspect will not be used for what it is designated. This will just be another "slush" fund from which our representatives will pay for other things. We are being taxed enough in this state, and it is bad enough that we charge visitors higher tax rates at hotels, but to start charging our lifestyles like this is just absurd. Everything in this state starts out at a higher cost, so if you start taxing more specific things, then it will discourage business, commerce, and eventually will drive away those who can no longer afford to live here. I may be one of them. Stop the TAXING!

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229

Testifier position:

Testifier will be present: No

Submitted by: Catherine Tsaor

Organization: Individual

E-mail: CathyTsaor@gmail.com

Submitted on: 2/12/2012

Comments:

My name is Catherine Tsaor and I am in strong opposition of taxing beverages containing sugar. It does not make sense to solely blame sugary drinks as the cause to obesity. The government cannot make arbitrary decisions for the entire population as to what we should and should not eat or drink. Everyone has the right to make their own decisions. If you start taxing sugar now, what's next? Salt? Butter? The government must not create new taxes to increase cash flow, but should look at other income sources such as gambling. Thank you for your time.

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229

Testifier position: Oppose

Testifier will be present: No

Submitted by: Nancy Tsaur

Organization: Individual

E-mail: Tsaur@hawaii.edu

Submitted on: 2/12/2012

Comments:

My name is Nancy Tsaur and I am in strong opposition to this proposed tax on sugary beverages. The cost of living in our beautiful state is already very high and it is a struggle to make it here, as one can easily see with the increasing number of homeless. And now you want to create a new tax and drinks containing sugar. In this difficult economy every little bit counts and rather than have the government add another burden on our shoulders, it should be assisting us. Instead of wasting our time on this issue, let's look for other sources of income. Thank you.

Green4 - Mailene

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2012 10:40 AM
To: HTHTestimony
Cc: class_clown_19@yahoo.com
Subject: Testimony for SB3019 on 2/13/2012 1:15:00 PM

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229
Testifier position: Oppose
Testifier will be present: No
Submitted by: Melissa Force
Organization: Individual
E-mail: class_clown_19@yahoo.com
Submitted on: 2/12/2012

Comments:

My name is Melissa Force and I am in strong opposition of taxing beverages containing sugar. Sugary drinks are not the sole cause of obesity. Realistically, if everyone drank only diet soda, which doesn't contain sugar, the obesity problem would still exist. The government cannot make arbitrary decisions for the entire population as to what we should and should not eat or drink. Everyone has the right to make their own decisions. And if the government were really serious about the obesity issue, they would promote a healthy lifestyle rather than attack certain products. Thank you for your time.

Green4 - Mailene

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2012 10:41 AM
To: HTHTestimony
Cc: balunz4u@aol.com
Subject: Testimony for SB3019 on 2/13/2012 1:15:00 PM

Testimony for HTH 2/13/2012 1:15:00 PM SB3019

Conference room: 229
Testifier position: Oppose
Testifier will be present: No
Submitted by: Karen Force
Organization: Individual
E-mail: balunz4u@aol.com
Submitted on: 2/12/2012

Comments:

My name is Karen and I am in strong opposition to this proposed tax on sugary beverages. I am a small business owner and the cost of living in our wonderful state is extremely high and it is a struggle to make it here. This is evidenced with the increasing number of homeless. And now you want to create a new tax for drinks containing sugar. In this difficult economy every little bit counts and rather than have the government add another burden on our shoulders, it should be assisting us. People are not ignorant and know that sugary drinks are not the only cause of obesity and should be able to eat and drink as they please without government interference. Thank you.