



## **ECONOMIC IMPACT OF SMOKEFREE LAWS: CASE STUDIES**

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All legitimate economic impact studies on business show either no economic effect or a positive one after a smokefree law goes into effect. When the issue of smokefree air arises, the tobacco industry will work hard to create dissent and fear. Their goal is to convince business owners and residents that the sky will fall if a smokefree law passes. Since 1987, the tobacco industry and smokefree opponents have consistently claimed that smokefree laws lead to a decrease in business in restaurants, bars, bingo halls, and billiard halls, usually by 20-50%, with an accompanying decrease in employment. These claims are totally unfounded. On the contrary, the number of peer-reviewed economic studies showing that smokefree laws have either no economic effect, or a positive one, continues to mount as more communities pass and implement strong smokefree laws. Going smokefree is good for health and good for business. Period.

### **State**

- **Florida:** An analysis by the University of Florida's Bureau of Economic and Business Research, released in June 2004, found that restaurant sales were up 7 percent one year after state's the smokefree law that made all public places and restaurants 100% smokefree took effect on July 1, 2003.<sup>1</sup>
- **New York:** Contrary to arguments of smokefree opponents that smokefree air puts bars and pubs out of business, there was no reported sharp decline in the number of bars following the law's implementation. In fact, the number of bars in the state increased by 3.5%, from April 2002 to May 2004. New York's comprehensive law took effect on June 23, 2003.<sup>2</sup>
- **California:** According to the California Board of Equalization, the Golden State's hospitality sector continues to grow since the California Clean Indoor Air Act was enacted in 1994. Sales tax data show an increase in annual sales from \$7.16 billion in 1997 for establishments selling beer and wine to \$9.6 billion in 2002. For establishments selling all kinds of alcohol, sales increased from \$8.64 billion in 1997 to \$11.3 billion in 2002. In 2003, the Board's Employment Development Department reported that the number of individuals employed in California's bars and restaurants had about 200,500 more employees than they did in 1995, before the smokefree policy took effect.<sup>3</sup>
- **Delaware:** An economic impact study presented at the 2004 American Public Health Association's Public Health and the Environment Conference found that, one year after implementation, Delaware's comprehensive smokefree law "increased state revenue from gaming by \$5.7 million. The \$5.7 million is equivalent to a 3% increase in state revenue from gaming."<sup>4</sup> One year after the state's smokefree law became effective, data showed the number of restaurant, tavern, and taproom licenses in Delaware had increased from 3,291 in November 2002 to 3,323 in October of 2003. Employment within the hospitality industry increased, as well, from 27,900 individuals employed in food service and drinking establishments in September 2002 to 28,100 in September 2003.<sup>5</sup>

- **Massachusetts:** A Harvard School of Public Health report found that the Massachusetts Smoke-Free Workplace Law that made all workplaces, including restaurants and bars, 100% smokefree, has not adversely affected statewide meals and alcoholic beverage excise tax collection. In addition, the law has not affected keno sales or the number of those working in hospitality since the law went into effect on July 5, 2004.<sup>6</sup>

## Local

- **Fayetteville, AR:** Fayetteville's economy continued to thrive after the city's 100% smokefree workplace and restaurant law went into effect on March 11, 2004. Employment increased, and 69% of Fayetteville restaurants reported higher sales after the smokefree law went into effect. Same-store sales of Fayetteville restaurants, open for at least a year, increased by roughly 6 percent, the best growth rate since 2001.<sup>7</sup>
- **Lexington, KY:** Business in Lexington-Fayette County's bars and restaurants has remained stable since the city's comprehensive smokefree law, which made restaurants, bars, pool halls, and bingo parlors 100% smokefree, went into effect on April 27, 2004. A University of Kentucky conducted study found that, since the smokefree law went into effect, restaurant employment increased, while the number of bar employees remained the same; and the number of licensed restaurants and bars opening and closing has remained stable, as well.<sup>8</sup>
- **El Paso, TX:** In 2004, the U.S. Centers for Disease Control and Prevention (CDC) published the results of a study that found no decline in total restaurant or bar revenues occurred in El Paso, Texas after the city's smokefree law was implemented on January 2, 2002.<sup>9</sup>
- **Dallas, TX:** In October 2004, the Dallas Restaurant Association commissioned a study by Clower and Weinstein, which claims that Dallas' 100% smokefree restaurant ordinance had a negative economic impact. A critique of the research methods used by Clower and Weinstein found "significant flaws regarding the study design and conclusions." In fact, an evaluation of Dallas sales tax receipts found that there were no statistically significant changes in hospitality revenue trends since the ordinance's implementation. The evaluation also found there to be an increased number of restaurant and bars in Dallas. This trend continues on after the smokefree law went into effect. The Clower and Weinstein study was used to dissuade the Houston City Council from adopting a 100% smokefree ordinance. Advocates need to be aware of the study and the critique, in order to counter it should it appear in their area.<sup>10</sup>
- **Albuquerque, NM:** Ninety-six percent of surveyed businesses reported that Albuquerque's 100% smokefree restaurant law has had no effect on business, with 97% of their customers responding positively to smokefree dining. According to the University of New Mexico Bureau of Business and Economic Research, restaurants saw a 6.54% increase in gross receipts for the 2004 fiscal year.<sup>11</sup>
- **New York City:** Business is booming in New York City's bars and restaurants with tax receipts up 12% since the introduction and enactment of the city's Smoke-Free Indoor Air law in March 2003. Figures from the city's Department of Finance show \$12 million paid in taxes from bars and restaurants from April through September of 2003, compared to \$10.8 million in 2002. Department of Finance Commissioner, Martha E. Stark said one early economic trend was encouraging since the policy was introduced last March: "New

York's bars and restaurants paid the city 12% more in business taxes in the months since the ban began than they did in the corresponding six-month period in 2002." In addition, a 2003 New York City Department of Health and Mental Hygiene study designed to measure the ordinance's effect on employment rates in smokefree establishments, found a gain of 10,000 jobs since the implementation of the smokefree air act.<sup>12</sup>

- **Minot, ND:** After analyzing six years of data collected by the Office of the North Dakota Tax Commission, a study conducted by the Minot State University College of Business and the North Dakota Center for Persons with Disabilities, found "no adverse change in restaurant sales because of [Minot's] restaurant no-smoking ordinance," which went into effect on January 1, 2002. Data was collected from the first quarter of 1997 through the fourth quarter of 2002, and figures were analyzed using linear regression analysis - a statistical technique that adjusts for normal fluctuations in sales due to economic trends and seasonal patterns.<sup>13</sup>
- **Fort Wayne, IN:** Hudson Institute Fellow, William Styring, investigated the impact of a 1998 smokefree law on restaurant revenues in Fort Wayne. Sales tax data was collected between 1987 (twelve years before the ordinance was enacted) and 2000 (two years after the ordinance was enacted). No statistically significant variation in revenues was found.<sup>14</sup>
- **Boulder, CO:** According to GASP (Group to Alleviate Smoking Pollution) of Colorado, sales tax revenues continued to grow in Boulder after the passage of the smokefree restaurant ordinance in 1995. Revenues from January through October of 1997 were up 3.14%, 1998 revenues were up 4.83%, and 1999 revenues were up 4.31%. The Boulder city finance department referred to the 1999 restaurant sales as a positive "strength."<sup>15</sup>
- **Corvallis, OR:** A July 1998 smokefree law in Corvallis bars did not harm business, concluded a study conducted by the Pacific Research Institute in Eugene. Sales data was collected from September 1997 through September 1999 and compared to data collected in nearby communities where similar smokefree laws were not in place. Researchers concluded that smokers did not abandon Corvallis bars and restaurants, and that revenues from the nonsmoking majority replaced any loss of business from smokers. Furthermore, Corvallis showed no decline in malt beverage sales relative to surrounding communities.<sup>16</sup>
- **Flagstaff, AZ:** A study conducted by researchers at Northern Arizona University found that Flagstaff's smokefree restaurant ordinance had no adverse effect on restaurant sales, as measured by tax data from January 1, 1990 (3.5 years before the enactment of the smokefree ordinance) to December 31, 1994 (1.5 years after enactment). Using four different methods of analysis, the study compared Flagstaff restaurant and retail sales with sales in two similar Arizona cities, three counties, and the entire state of Arizona.<sup>17</sup>
- **Beverly Hills and Bellflower, CA:** The California cities of Beverly Hills and Bellflower repealed their smokefree restaurant ordinances following opposition organized by the tobacco industry. Studies have since shown that, contrary to tobacco industry claims, there was no detectable drop in restaurant sales during the time the ordinances were in effect, nor was there an increase in restaurant sales following reversal of the 100% smokefree ordinances.<sup>18,19,20</sup>

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