ECONOMIC IMPACT OF SMOKEFREE LAWS: CASE STUDIES

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All reliable 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

- **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 has increased by 3.5%, from April 2002 to May 2004. New York's comprehensive law took effect on June 23, 2003.[1]

- **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.[2]

- **Delaware:** Despite predictions that the smokefree law would have dire economic effects on the hospitality sector, comparative data compiled by the Delaware Division of Public Health and Division of Revenue shows that business remains steady. In fact, data shows the number of restaurant, tavern, and taproom licenses in Delaware has increased since the smokefree law took effect. The number of issued restaurant licenses 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.[3]

- **Massachusetts:** A systematic statewide comparison of 239 communities in Massachusetts revealed that local smokefree laws do not harm businesses. Taxable meals receipts data was collected for over 1,000 restaurants between 1992 and 1999. Contrary to restaurateur predictions, researchers found that restaurant sales in towns with strong smoking restrictions experienced a slightly faster rate of growth than restaurant sales in towns without such restrictions. Included in the study was an analysis of the effect of comprehensive ordinances on communities bordering towns without similar smoking restrictions. The data revealed that this factor "failed to have a statistically significant effect on meals receipts."[4]

- **Texas:** Clean indoor air ordinances were passed in Arlington, Austin, Plano, and Wichita Falls between July 1994 and March 1996. Researchers evaluated the effect of these ordinances on restaurant sales using restaurant and retail tax data. Information was collected from the first quarter of 1987 through the last quarter of 1999. Despite variations in the municipalities' geographic, demographic, and economic composition, no detrimental effect on restaurant sales was found to have resulted from the ordinances in any of the four cities studied.[5]

Local

- **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.[6]

- **Minot, North Dakota:** 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.[7]

- **Fort Wayne, IN:** Hudson Institute Fellow, William Styring, investigated the impact of a 1998 smoking ban 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.[8]

- **Boulder, Colorado:** 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."[9]

- **Dane County, Wisconsin:** In 1992, the city of Madison and several surrounding towns in Dane County passed ordinances restricting smoking in restaurants. A report on the impact of these laws found that between 1992 and 1997, per capita restaurant expenditures rose at a higher rate within the county than in the rest of the state. Meanwhile, employment in restaurants grew faster than in any other Madison industry. Furthermore, the number of voluntary smokefree restaurants in Dane County areas *not* covered by the ban grew from 4 in 1993 to 89 in 1997.[10]

- **Corvallis, Oregon:** 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.[11]

- **Chapel Hill, NC:** Researchers at UNC-Chapel Hill examined restaurant sales data between 1990 and 1997 in ten counties; five with comprehensive smoking ordinances and five similarly situated counties with weak or no smoking ordinances. No differences were found in restaurant sales between the two groups.[12]

- **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.[13]

- **West Lake Hills, TX:** Researchers at the Centers for Disease Control and Prevention used sales tax data to analyze the impact of a 100% smokefree ordinance on restaurant sales in West Lake Hills. Data was collected for a 17-month period preceding the enactment of the ordinance and for a 19-month period following the enactment. Multiple linear regression techniques were used to account for seasonal variations and temporal economic trends. The study concluded, "The total sales of the restaurants did not decrease after implementation of the ordinance."[14]

- **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.[15,16,17]

International

- **British Columbia, Canada:** On January 1, 2000, the Workers' Compensation Board (WCB) of British Columbia amended its workplace smoking laws to include the hospitality industry. The following March, the amendment was overturned in court pending further public consultations. A study conducted by Pacific Analytics Inc analyzed both the real (two month) and potential economic impact of the amendment at the request of the WCB. Researchers concluded that the amendment would have had no long-term impact on employment or restaurant sales. A new amendment prohibiting smoking in all hospitality and entertainment facilities went into effect in April 2002.[18]

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