



April 8, 2016

TO: Members, Assembly Committee on Health

FROM: Jennifer Barrera, Policy Advocate

**SUBJECT: AB 2782 (BLOOM) HEALTHY CALIFORNIA FUND
SCHEDULED FOR HEARING – APRIL 12, 2016
OPPOSE – JOB KILLER**

The California Chamber of Commerce must **OPPOSE AB 2782 (Bloom)**, as amended on March 30, 2016, which has been labeled a **JOB KILLER**, as it is a targeted tax on distributors that will ultimately harm consumers and workers within the beverage industry.

AB 2782 is a Tax That Will Likely Create Higher Prices for Consumers and Result in Job Loss:

Despite its description as a “health impact fee,” **AB 2782** actually seeks to impose a \$0.02 excise tax on each fluid ounce of a bottled sweetened beverage and a \$0.02 excise tax on each fluid ounce produced from a concentrate from which a sweetened beverage is derived. The revenue of this tax would be utilized to fund the Healthy California Fund, which would provide various departments with the authority to invest in prevention programs and activities to address diabetes, obesity, heart disease, and dental disease. While we appreciate the author’s intent to address these health related issues, we believe that imposing a targeted tax on one industry to address a statewide problem that is created due to numerous different issues unrelated to sweetened beverages, will have significant consequences.

This targeted tax on distributors under **AB 2782** will certainly be passed on through higher prices to consumers. California consumers will already be likely facing increased costs for products over the next several years given the significant increase to the state minimum wage that was just signed into law last week by Governor Brown. **AB 2782** will only further increase such costs for beverages, which will likely impact those with lower income the most.

Moreover, given that the intended effect of **AB 2782** is to deter consumers from purchasing such beverages or concentrates, it will have a direct impact on the beverage industry and its employees. This proposed tax will force these businesses to adjust for their losses, including potential reductions in their workforce. The business community consistently maintains that, if a tax is necessary, it should only be temporary and broad based so that the impact is minimized as it is shared by all instead of an individual business or industry.

AB 2782 Creates New Revenue Pressure:

As set forth above, **AB 2782** would create a new fund for the revenue received from this excise tax in order to address various health related issues. We are concerned with the creation of additional state programs that may ultimately rely upon General Fund revenue in order to survive. If **AB 2782** deters consumers from purchasing sweetened beverages, as intended, then this excise tax is a decreasing revenue source. The programs created by **AB 2782** will simultaneously experience a loss of funding as the revenue decreases, thereby potentially placing more pressure on the General Fund to replace this declining revenue. Although California currently has a budget surplus, the increased revenue to the state from the passage of Proposition 30 in 2012, is set to expire in 2018. That loss of revenue, coupled with a potential downturn in the economy, will place pressure on the General Fund. Adding new programs, such as that proposed by **AB 2782**, will exacerbate the problem.

For these reasons, the California Chamber of Commerce must **OPPOSE AB 2782** as a **JOB KILLER**.

cc: Michael Martinez, Office of the Governor
The Honorable Richard Bloom
Roger Dunstan, Assembly Committee on Health
Peter Anderson, Assembly Republican Caucus
District Offices, Members, Assembly Committee on Health

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