

# **Bond Case Briefs**

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## **A One-Cent Soda Tax Gets Expensive in California.**

In this most contentious of elections, you wouldn't think that a soda tax would be the issue to attract the big bucks. But measures in just two California cities have drawn more money than that state's Senate race and statewide referendums on marijuana legalization and gun control — combined.

Soda taxes are on the ballots in San Francisco and Oakland, Calif., and spending to persuade citizens to vote for or against them has topped \$50 million — enough to buy every person in those two cities about 100 cans of Coke, at least if you bought them in bulk.

On the pro-tax side are big donations from billionaires: Michael Bloomberg, the former mayor of New York, and Laura and John Arnold. And opposing them are the companies in the deep-pocketed beverage industry, which is outspending them by a ratio of about 3 to 2.

The battle is the biggest so far by health advocates in their efforts to reduce the consumption of sugary carbonated soft drinks that they say leads to obesity, diabetes and tooth decay.

The idea of taxing sugar-sweetened beverages, which the measures would do, was initially an esoteric idea hashed out in medical journals. Some municipal officials showed interest, but, until recently, no soda tax got far. The failure of 40 tax measures around the country reflected public skepticism about the idea, often seen as a nanny-state intrusion. But it also reflected the lopsided investment of industry to defeat them.

Recently, the tide has begun to turn, helped in part by big donations from Mr. Bloomberg. Two years ago, Berkeley, Calif., became the first city in the country to pass such a tax. Mr. Bloomberg got involved late in the effort, when it became clear the law had a chance of passing. (San Francisco had its own failed soda-tax initiative that year; it won a majority of votes but failed to clear a supermajority threshold, a bar it won't need to clear this time.)

In June, Philadelphia passed its own soda tax through the City Council. The beverage industry spent about \$10 million there, but Mr. Bloomberg weighed in too, contributing about \$1.6 million of the \$2.5 million spent to support the bill.

Albany, Calif., another community in the Bay Area, is also voting Tuesday, though there has been less direct spending there. Boulder, Colo., will vote on a 2-cent-per-ounce soda tax measure Tuesday. And Cook County, Ill., which includes Chicago, is to consider a soda tax measure later this month.

Public sentiment on soda is also shifting. Many Americans now say they are trying to avoid the products, and national sales of such drinks have been slipping.

The Bay Area initiatives are expensive prizes. Unlike Philadelphia, where much of the battle was fought through lobbying, both California tax proposals must win passage by a majority of voters. That means both sides have invested in big public outreach campaigns.

Citizens have been inundated with pro- and anti-soda tax TV and radio commercials, and mailboxes are filled with direct mail from both sides. Canvassers are making phone calls and going door to

door in the final days of the campaign. Dan Newman, a political consultant with SCN Strategies, who is working on the pro-tax campaign, said the volume of messages about the measures dwarfs the 2014 effort.

“It was intense and expensive, and folks were amazed in talking about it,” he said of 2014. “And it was nothing like this.”

The tax battle has also prompted accusations of skulduggery. The soda industry enlisted the help of several local grocers to pose for mailers and state their opposition to the tax. Several of them, later approached by pro-tax advocates and reporters, said they had been misled about the nature of the tax proposal. Others have become the subjects of negative Yelp reviews and threatened with boycotts, what an anti-tax campaigner described as “intimidation.”

The measures are similar in both cities: They would impose a tax of one cent per ounce of any drink with added sugar, including sugary soft drinks, iced teas and smoothies. The taxes would be imposed on beverage distributors, not at the checkout registers. The emerging evidence from existing soda taxes suggests those higher prices will be passed through to retailers and then to shoppers. If they are, they could result in a price increase of 67 cents on a two-liter bottle, or \$1.44 for a 12-pack.

Those higher prices are intended to discourage shoppers from consuming so many sugary drinks, which have been linked to obesity, diabetes and tooth decay. The pro-tax side has been emphasizing the negative health effects of soft-drink consumption, and arguing the tax will make the city’s children healthier.

Research from Mexico, which passed a national soda tax in 2014, shows that the taxes can drive down soda consumption. But it is not known yet whether those reductions will result in better health.

The industry argues that the taxes have no clear connection to public health and that they will fall disproportionately on low-income shoppers. In California, they have also been arguing that the taxes could result in higher prices for other items at the grocery store as retailers try to spread the rising wholesale cost of soft drinks over other products. But there is no research from Berkeley or Mexico that advocates could cite to support the notion.

A local coalition of anti-tax advocates, led by the American Beverage Association, a trade group for drink-makers, began sending direct mail months earlier than is typical for a ballot initiative.

Susan Neely, the association’s president, said her organization was committed to fighting soda taxes on every front. “We oppose them wherever they are introduced — that is a clear position that we have staked out,” she said. “That is not going to change.”

There has been little public polling on the measures, though consultants on both sides said they have been polling privately, and the vote will be close. The complexity of the city’s ballots this year makes predicting a result hard. In San Francisco, voters are considering more than 40 initiatives, including two separate measures about plastic shopping bags. The beverage tax is fairly far down on both ballots, which means some voters may grow fatigued and fail to weigh in.

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