



May 4, 2015

TO: Members, Assembly Committee on Health

FROM: Jennifer Barrera, Policy Advocate

**SUBJECT: AB 1357 (BLOOM) CHILDREN AND FAMILY HEALTH PROMOTION PROGRAM
OPPOSE – JOB KILLER**

The California Chamber of Commerce respectfully **OPPOSES AB 1357 (Bloom)**, as amended on April 29, 2015, which has been labeled a **JOB KILLER**, as it is a targeted tax on one industry that will ultimately harm consumers and workers within the beverage industry.

AB 1357 Is a Tax, Not a Fee:

Despite its description as a “health impact fee,” **AB 1357** 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 Children and Family Health Promotion Trust, which would provide state agencies with the authority to issue grants to county governments, non-profits and other community organizations to invest in childhood obesity and diabetes prevention, as well as oral health. Given that the recipients of the benefit from this revenue would be beyond just those that actually pay the “fee” and that the “fee” does not fall within any of the other listed exceptions under Section 3 Article XIII A of the California Constitution, it is a tax.

AB 1357 Will Likely Create Higher Prices and Result in Job Loss:

This targeted tax will certainly be passed on through higher prices to consumers. As a result of the passage of Proposition 30, California now has the highest sales and use tax rate in the nation at 7.5%, as well as the highest personal income tax bracket at 13.3%. Residents of California are already highly taxed, and **AB 1357** will only contribute to their overall costs of living in this state.

Moreover, given that the intended effect of **AB 1357** 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 1357 Creates New Revenue Pressure:

As set forth above, **AB 1357** would create a new fund for the revenue received from this excise tax in order to educate, prevent and improve childhood obesity as well as dental health. We appreciate your efforts to address this health issue; however, we are concerned with the creation of additional state

programs that may ultimately rely upon General Fund revenue in order to survive. If **AB 1357** deters consumers from purchasing sweetened beverages, as intended, than this excise tax is a decreasing revenue source. The programs created by **AB 1357** 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. California has struggled over the past several years with budget cuts and revenue loss. Although the passage of Proposition 30 has provided relief, there is not necessarily additional revenue to support more programs.

For these reasons, the California Chamber of Commerce respectfully **OPPOSES AB 1357** 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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