



KANSAS HEALTH INSTITUTE

For additional information contact:

Rachel Smit
Kansas Health Institute
212 SW Eighth Avenue, Suite 300
Topeka, Kansas 66603-3936
Tel. 785.233.5443 Fax 785.233.1168
Email: rsmit@khi.org
Website: www.khi.org

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Economic Impact of Lawrence Smoke-free Ordinance

Rachel Smit, M.P.A., and Sharon Homan, Ph.D.
Kansas Health Institute

Information for policymakers. Health for Kansans.

The Kansas Health Institute is an independent, nonprofit health policy and research organization based in Topeka, Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.

The Honorable Chairwoman Landwehr and members of the committee, thank you for this opportunity to share our research findings with you. As neutral conferees, we would like to shed some light on the discussion surrounding the potential economic impact of the state's first comprehensive smoke-free ordinance on Lawrence's restaurants and bars.

The attached issue brief summarizes the results of our study and on page two of the brief there is a chart that tells the story best. This chart shows sales at restaurants and bars in Lawrence before and after the implementation of the ordinance in July 2004 – sales were calculated from tax data obtained from the Kansas Department of Revenue. Our analysis indicates that:

Lawrence's smoke-free ordinance had no impact on overall sales in the restaurant and bar industry.

- Total sales at restaurants and bars in Lawrence do not appear to have been affected by the ordinance. (Total sales include food and other non-liquor sales as well as liquor sales.)
- After implementation of the ordinance, food and other non-liquor sales continued to grow at rates in line with pre-ordinance growth.
- Liquor sales, which comprise only 15 percent of total sales, did not follow a consistent pattern in the years before or after implementation of the ordinance.
 - They declined by 1.3 percent in FY03, two years before the ordinance was implemented, and then grew by 5.1 percent in FY04.
 - After implementation of the ordinance, liquor sales declined by 3.0 percent in the first year and by 0.6 percent in the second. In the third year, they grew by 3.3 percent.
 - Because liquor sales were variable even before the ordinance was implemented, it is not clear whether the ordinance played a role in the initial decline after implementation.

Our findings are consistent with those published in scientific, peer-reviewed journals about the experiences of other communities.

You may hear about studies concluding that smoke-free laws harm the hospitality industry and alcohol-serving businesses in particular. Many of these studies have been conducted by consulting firms for restaurant and bar associations or the tobacco industry. These studies vary tremendously in terms of quality.

Because economic impact studies are very difficult to do well, those studies that have been published in peer-reviewed journals and publications such as the Centers for Disease Control and Prevention's Mortality and Morbidity Weekly Report provide a better basis from which to summarize findings about the impact of smoke-free policies. In our literature review, we focused on studies in these peer-reviewed publications that examine outcomes data such as sales or employment. Based on this literature review, we can say that:

Scientific studies in peer-reviewed publications overwhelmingly find that smoke-free policies have no economic impact on the restaurant and bar industry.

However, some researchers and opponents of smoking bans suggest that smoke-free policies may have an impact on bars or alcohol-serving restaurants, but not on the restaurant and bar industry as a whole. In order to evaluate this potential concern, we identified studies in peer-reviewed publications that specifically examined the impact of smoke-free policies on alcohol-serving businesses, as measured by outcomes data such as sales or employment. None of these six studies found a long-term negative impact on bars or alcohol-serving restaurants. One study actually found that California's smoke-free bar law was associated with an increase in bar revenues. One study found evidence of a short-term drop in revenue at alcohol-serving restaurants of about 4 percent associated with California's smoke-free restaurant law, but no change for all restaurants combined. Another study found a short-run drop in bar employment of about 4 percent in counties covered by a smoke-free policy. Three other studies found no significant impact of smoke-free policies on bars and/or alcohol-serving businesses, as measured by employment, business openings and closings, taxable sales, or the sales price of the business. In short:

In terms of the impact on bars and alcohol-serving businesses, none of the scientific studies reviewed found that smoke-free policies have a negative impact in the long-term.

- There is mixed evidence for a short-term, negative economic impact on bars and alcohol-serving restaurants.
- There is some evidence of a positive impact of a statewide smoke-free bar law based on California's experience.

We hope that this information is helpful to you as you evaluate the merits of a statewide clean indoor air act. Please do not hesitate to contact us if you have any additional questions about the information that we have provided.