Protecting the Health of All Residents: A Sugary Drink Excise Tax in DC

Introduction
Excess consumption of added sugars, especially from sugary drinks, poses a grave threat to the health of children, adolescents and adults in the District of Columbia, disproportionately affecting low-income and minority communities. An excise tax on soda and other sugary drinks in the District would decrease consumption, reduce the health impacts caused by excess sugar consumption, and provide an important source of revenue to promote equity and reduce health disparities in the District.

Sugary Drink Consumption Linked to Poor Health
Sugary drinks contribute to excess consumption of added sugars, which is linked to numerous chronic health conditions, including type 2 diabetes, heart disease, and obesity. The 2015-2020 Dietary Guidelines for Americans recommends that added sugars account for no more than 10% of calories, but children and adolescents are consuming 17% of their calories from added sugars. Sugary drinks, which include regular soda, fruit drinks, sports and energy drinks, and sweet tea, are the number one source of added sugars in the American diet, contributing nearly 50% of added sugars.

The American Heart Association (AHA) recommends no more than six teaspoons of added sugar per day for adult women and children and nine teaspoons for men. A single 20-ounce bottle of soda has 17 teaspoons (65 grams) of added sugar—nearly twice the AHA recommendation for sugar consumption for an adult man and three times the recommendation for a child.

Consumption of sugar in drinks is particularly problematic because it lacks nutritional value, is easy to consume in large amounts and fails to make people feel full. The Centers for Disease Control and Prevention (CDC) estimates that one out

Sugary Drinks Fast Facts

- Are the leading source of added sugars in the US diet
- Provide no nutritional value
- Increase risk for:
  - obesity
  - type 2 diabetes
  - cardiovascular disease
  - hypertension
  - liver disease
  - tooth decay

4 Available at: http://health.gov/dietaryguidelines/2015/guidelines/
of three children born in 2000 will develop diabetes, and for Black and Latino children that figure is one out of two. The clear connection between sugary drink consumption and chronic diseases led the CDC, the American Medical Association, the American Academy of Pediatrics, and the AHA to call for the reduction of sugary drink consumption as a means to address diabetes, heart disease, and other related diseases. Sugary drink consumption in youth has also been associated with behavior problems in young children and Attention Deficit/Hyperactivity Disorder and aggressive behavior in adolescents, which may impact school performance or involvement in the criminal justice system.

### Sugary Drink Companies Target Communities of Color

Sugary drinks are disproportionately marketed to children and adolescents of color. Research shows that Black and Latinx youth are exposed to higher levels of marketing for unhealthy foods and beverages and consume more of them, which contributes to health disparities. $529 million is spent annually on advertising junk food and sugary drinks on Hispanic-targeted television. Between 2013 and 2017, the amount of advertising by Coca-Cola more than doubled on Spanish-language TV. In 2017, Black teenagers saw over twice as many food related ads as White teenagers and less than 5% of those were for healthy foods. For example, since the late 1980s, Sprite, a Coca-Cola brand, has developed marketing associated with hip-hop music and culture. In 2015, Sprite rebranded, changing its tagline from “Obey Your Thirst” to “Obey Your Verse.”

### The District Context

Nearly 50% of District residents have diabetes or pre-diabetes, and more residents die each year from complications related to obesity than from AIDS, cancer, and homicides combined. Nationally, 63% of young people consume at least one sugary drink per day. The marketing of sugary drinks to Black and Latinx youth and young adults increases the consumption of these drinks and contributes to the disparate rates of obesity, diabetes and other chronic diseases among these populations. Faced with growing pressure from communities around the country, medical professionals and the public health community, the sugary drink industry has responded by denying the scientific body of evidence on sugar and contributes to health disparities affecting their communities. 

- The Rudd Center for Food Policy and Obesity, University of Connecticut

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one sugary drink per day and consumption is highest among Black youth and youth from low-income families.\textsuperscript{18,19} In the District, nearly 20\% of high school students report consuming at least 2 sodas each day.\textsuperscript{20} Among adults in the District, those with obesity are more likely to consume sugary drinks multiple times in a week compared to those without obesity.\textsuperscript{21}

Access to affordable, healthy food is a critical component of a thriving community. Many residents in the District do not have ready access to healthy foods. There are only three full service grocery stores serving the 150,000 residents in Wards 7 and 8 and limited mobility, poverty, and other factors make it difficult for residents to access nutritious foods.\textsuperscript{22} By contrast, sugary drinks and other high-calorie, low-nutrient foods, however, are readily available in the same low-income communities that the soda industry has targeted with advertising.\textsuperscript{23}

In 2018, the DC Department of Health published a Health Equity Report\textsuperscript{24}, providing a review of social and structural determinants of health in the District. The report builds on the findings that clinical health care drives only 20 percent of population health outcomes, while the remaining 80 percent of health outcomes are a consequence of non-clinical factors, such as the food environment. As the DC Health report notes, there are “significant differences across neighborhoods that align with disparities in health outcomes, including life expectancy, with differences of twenty-one-years between the two ends of the spectrum.” For example, life expectancy in Ward 8 is 72 years, compared to 88 years in Ward 3.\textsuperscript{25}

Many of the disparities among District residents of color are driven by the prevalence of obesity and associated chronic diseases, particularly diabetes and heart disease. More than half of all adults living in DC are overweight or have obesity; rates climb to over 72\% in Wards 7 and 8.\textsuperscript{26} Obesity is accompanied by multiple and expensive diseases and disabilities, including from diabetes, heart disease and cancer, all of which are in the top five causes of death across the District.\textsuperscript{27} Overall, 24\% of District adults have been diagnosed with obesity, but those rates increase to 34\% for Black residents.\textsuperscript{28} Over 12\% of District residents are living with diabetes, over 34\% have pre-diabetes, and nearly 3,000 new patients are diagnosed with diabetes each year.\textsuperscript{29} Diabetes is the fifth leading cause of death in the District, with some neighborhoods in Wards 5, 7, and 8 having death rates between 2 and 6 times the national average.\textsuperscript{30}

Chronic disease, and diabetes in particular, carries a heavy cost burden for the District. The additional health care costs for a person with diabetes average $9,600 per year.\textsuperscript{31} The overall cost to the District attributable to diabetes in 2012 was $440 million, including direct medical costs and lost economic productivity.\textsuperscript{32} This analysis, however, was based on a prevalence of 5.3\%. With the increased prevalence of diabetes, DC costs now are likely to be as high as $1 billion a year.


\textsuperscript{23} Id. at 188.

\textsuperscript{24} Id.

\textsuperscript{25} Id. at 15.

\textsuperscript{26} District of Columbia Department of Health, \textit{supra} note 22.

\textsuperscript{27} District of Columbia Department of Health, \textit{supra} note 23 at 90-100.

\textsuperscript{28} District of Columbia Department of Health, \textit{supra} note 22 at 19.

\textsuperscript{29} American Diabetes Association, \textit{supra} note 19.

\textsuperscript{30} District of Columbia Department of Health, \textit{supra} note 23 at 86, 94.


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Because of the disproportionate burden of diabetes on low-income District residents, Medicaid bears the majority of this cost burden in the District. Approximately 10% of all District Medicaid costs are attributable to diabetes care.

**A Policy Solution to Heal DC**

As Dr. William Dietz, Chair of the Redstone Global Center for Prevention and Wellness notes, “the limited capacity of health systems to address chronic disease emphasizes the need for policy initiatives that make it easier for people to make more healthful choices.” Taxing sugary drinks reduces consumption, raises revenue that can be invested in community programs that support health promotion, disease prevention and health equity, increases public awareness about the dangers of sugary drinks, and incents companies and retailers to make healthier choices more available.

Research models have found that an excise tax increasing sugary drink prices by 10% (approximately 1 cent per ounce) decreases consumption between 7% and 10%, with higher taxes leading to stronger decreases in consumption. The Childhood Obesity Intervention Cost-Effectiveness Study (CHOICES) examined various policy interventions and found sugary drink taxes to be the most cost-effective policy strategy to address childhood obesity, with a 1 cent per ounce tax nationwide leading to a yearly health care savings of $30.78 per dollar spent to implement and prevention of over half a million cases of childhood obesity. Importantly, sugary drink taxes have the biggest impact on consumption among lower-income individuals and on individuals who consume sugary drinks on a daily basis. In Philadelphia, for example, sugar consumption for children who drank soda on a daily basis prior to the city’s enactment of a 1.5 cents per ounce tax decreased by 22% in the year after the tax. Although the tax burden is greater on lower-income populations, these same populations also disproportionately benefit from the health gains associated with decreased sugary drink consumption and when tax revenue is allocated to promote health in these specific populations, the overall impact of a tax may be progressive.

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**Excise Tax vs. Sales Tax – Does it matter?**

The design of sugary drink taxes is critical. To most effectively reduce consumption, the tax must be reflected in the cost of the sugary drink that a consumer sees on the shelf when they are deciding what to buy. Excise taxes can be based on volume or the amount of sugar. Sales taxes, which are applied at the point of sale, are less effective at changing consumer behavior because many consumers will not recognize they were charged more for the sugary drink vs. a bottle of water.

Jurisdictions across the country have already taken steps to address this public health challenge through the implementation of a sugary drink tax, including Philadelphia, where consumption fell 38% one year after implementation of a 1.5 cents per ounce tax. In Berkeley, CA, consumption of sugary drinks fell 52% among low-income residents, water consumption increased 29%, and food-sector sales tax revenue rose by 15% after

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33 Id. at 25.
implementation of a 1 cent per ounce tax\textsuperscript{40}. Communities have invested the substantial revenue from taxes into critical programs, including early childhood education, new parks and libraries, and efforts to enhance health. Despite alarmist warnings from the soda industry, grocery and convenience store sales have been stable\textsuperscript{41} and unemployment in potentially impacted sectors has not increased.\textsuperscript{42}

Based on data from around the country, if DC implements a sugary drink tax, policymakers could expect to see the following results:

- Significant decreases in sugary drink consumption, leading to reductions in chronic diseases such as diabetes;
- Local businesses will sell more water and healthy beverages in lieu of sugary drinks, without decreases in revenue or employment;
- An estimated $20-30 million in new revenue\textsuperscript{43} from the tax will support needed programs in underserved communities, including funding for Birth to 3 Early Childhood Education and Health programs, food access in underserved communities, including Food as Medicine, and nutrition education.

A tax on sugary drinks and application of the revenue to important community health programs in the District would have a substantial impact on reducing diabetes, heart disease and health disparities and support healthier communities for all DC residents.

### Sugary Drink Excise Tax Revenue is Funding Health Equity Projects in Other Cities

- Philadelphia has generated $200 million in new revenue, funding 4,000 new PreK slots for low-income families; 200 new Early Childhood Education teachers; construction of 12 new community schools.
- Seattle will raise $18.3 million in 2019, funding efforts to combat food insecurity and increasing child care subsidies and expanding home-visiting for low-income families.

\textsuperscript{41} Supra notes 40 and 41.
\textsuperscript{43} Revenue estimates developed using the Rudd Center for Food Policy and Obesity “Revenue Calculator for Sugary Drink Taxes” and assuming a tax rate of $0.015 per ounce. Revenue range is due to different assumptions regarding both pass-through and cross-border leakage. Calculator available at http://uconnruddcenter.org/revenue-calculator-for-sugary-drink-taxes