SUGARY DRINK EXCISE TAX IN THE CITY OF SAN DIEGO

This brief summarizes a CalFresh Healthy Living-CHOICES Project Learning Collaborative Partnership model examining a $0.02-per-ounce excise tax on sugary drinks. This tax would be implemented within the City of San Diego and would aim to decrease the consumption of sugary drinks and improve community health while simultaneously raising much-needed revenue.

The Issue

Research has long demonstrated that sugary drink consumption can be detrimental to individual health. Overconsumption of sugary drinks has been associated with weight gain, type 2 diabetes, and poor dental health.[1-3] Research indicates U.S. food and drink companies disproportionately market sugary drinks in Black and Hispanic/Latino communities[4] and that sugary drink consumption is higher in households with lower income.[5] Adopting and implementing an excise tax on sugary drink distributors presents a promising strategy to promote health for all and eventually reduce healthcare costs. Growing evidence shows that such taxes are linked to reduced consumption of sugary drinks and improved health outcomes.[6]

In San Diego, an excise tax on sugary drink distributors has the potential to improve community health and establish a sustainable source of revenue. Moreover, this strategy may minimize the differences in sugary drink intake and the related adverse health outcomes that persist among racial and ethnic groups.[7,8]

About the Sugary Drink Excise Tax Strategy

This strategy is a $0.02-per-ounce excise tax on sugary drinks within the City of San Diego. It would apply to drinks with added caloric sweeteners, powders, and syrups, while 100% juice, milk products, and artificially sweetened beverages would be exempt. The tax would apply to local distributors, with the costs likely being passed on to consumers, reducing purchasing and consumption of sugary beverages. Implementation would be the responsibility of the City of San Diego Office of the City Treasurer. It would engage partners including the County of San Diego Health and Human Services Agency and the San Diego County Childhood Obesity Initiative.

Comparing Costs and Outcomes

CHOICES cost-effectiveness analysis compared the costs and outcomes over a 10-year time horizon (2025-2034) of implementing a local excise tax on sugary drinks with the costs and outcomes associated with not implementing the policy.

Implementing a $0.02-per-ounce sugary drink excise tax in the City of San Diego is a cost-saving strategy that would improve community health while raising needed revenue:

181
DEATHS AVERTED
over 10 years

7,190
CASES OF OBESITY PREVENTED
in 2034

$0.26
COST PER PERSON
to implement the tax per year

$45.1M
IN REVENUE
in the first year of implementation

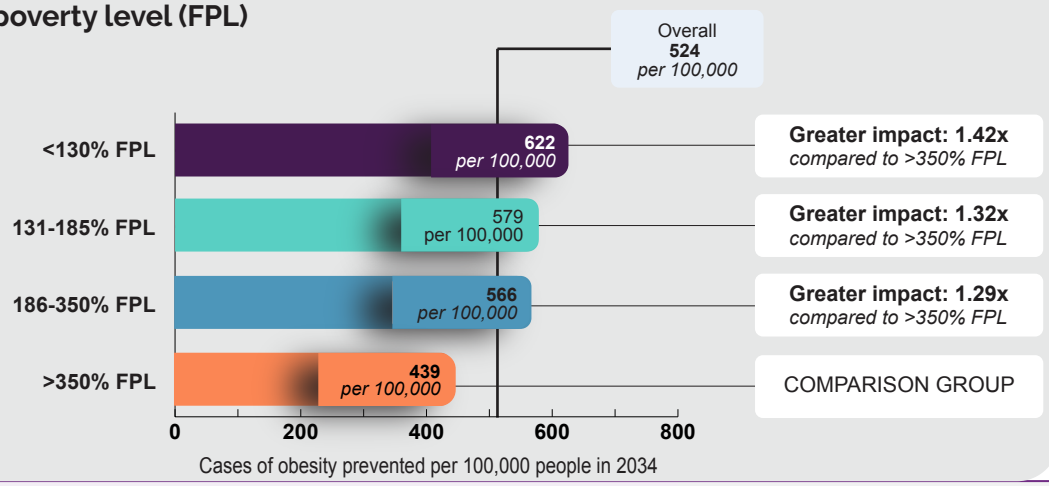
Conclusions and Implications

An excise tax on sugary drinks is a low-cost strategy that can promote healthy weight. According to this modeling analysis, a $0.02-per-ounce excise tax on sugary drinks in the City of San Diego would prevent 7,190 cases of obesity in 2034 alone and avert 181 deaths related to excess weight over 10 years. Healthcare cost savings are also substantial. The modeled excise tax would save $147 million in healthcare costs over the 10-year period, while bringing in an estimated $45.1 million in revenue in the first year of implementation alone.

Households are projected to spend $26 less on sugary drinks in the first year, with individuals consuming 56 fewer servings of sugary drinks on average in that year. Beyond obesity prevention, reduced sugary drink consumption due to the tax is linked to a projected 5% drop in newly diagnosed diabetes cases among adults and the prevention of 82,500 cases of decayed, missing, or filled teeth among children and adults in the City of San Diego over 10 years.

While concerns exist about a tax's impact on households with lower incomes, the analysis indicates substantial benefits to individuals in households with lower incomes. Implementing this excise tax could minimize differences in sugary drink intake and obesity across income groups. Households with lower incomes are expected to spend less on sugary drinks and consume fewer servings, while Black and Hispanic/Latino people—often disproportionately targeted by marketing[5]—would see the greatest reductions in child and adult obesity. Additionally, the substantial tax revenue could be reinvested in the communities that would benefit most, amplifying its impact.

Comparative projected impact of a $0.02/ounce sugary drink excise tax in the city of San Diego by household income as a percentage of the federal poverty level (FPL)



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