



Research Brief: Economic Reports Impact California Policymaking

With 17 statewide ballot measures and innumerable county and local questions, California's 2016 ballot was a "dizzying array of public policy choices" according to the Los Angeles Times. Beleaguered by campaign advertising, endorsements, and a voter guide running more than 200 pages long, Californians ultimately adopted 12 of these measures at the conclusion of an election cycle which saw statewide initiative spending total \$473 million.

In such a crowded marketplace of ideas, campaigns must break through election-year clutter to be successful. One of the most effective methods to communicate an initiative's value to average voters is with a laser-like focus on their wallets, using third-party analyses of fiscal or economic impacts and consistently using these findings in advertising, communications and ballot pamphlet arguments.

This report highlights some of the most noteworthy economic studies released in support of winning campaigns on the 2016 California ballot or related to major state policy issues. The reports in our view are notable for their clarity and effectiveness in reaching their intended audience.

ISSUE: TOBACCO TAXATION

[The Benefits to Business of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016](#)

The Healthy Systems Project

\$20.5 Billion

*Economic burden of smoking in
California*

Proponents of a \$2 per pack cigarette tax found a new way to talk about the impacts of smoking. They totaled-up the annual costs to the economy from lost productivity, premature death and health care.

A report prepared by Micah Weinberg, CEO of the Healthy Systems Project consulting firm and president of the Bay Area Council Economic Institute, found the economic burden of smoking costs the State of California \$20.5 billion annually. The report also found the annual cost to an employer of an employee who smokes is \$6,397.60 – and adds \$517.85 to the annual average yearly premium for a typical family of four.

The report was [released](#) concurrent with endorsements of Proposition 56 by business groups, including the San Gabriel Valley Economic Partnership and the Southern California Hispanic Chamber of Commerce. Proposition 56 passed, 64 to 35 percent.

ISSUE: RECREATIONAL CANNABIS USE

Economic Impact Study of the Cannabis Sector
in the Greater Sacramento Area

University of the Pacific

California voters rejected legalized recreational use of marijuana as recently as 2010. Proponents of Proposition 64 relied on a diverse set of arguments to build support, arguing legalization would reduce black-market sales, raise tax revenue for schools and create economic growth.

\$4 Billion

*Increase in Sacramento
region economic activity from
legalizing cannabis*

Truth Enterprises, an investment fund focusing on legal marijuana, commissioned an economic impact report from the University of the Pacific's Center for Business and Policy Research analyzing the economic impact of legalizing marijuana on the Sacramento region. The study, which was not associated with the Yes on 64 campaign, considered nine different scenarios with varying levels of local regulation and consumer demand and estimated legalization would create between \$386 million and \$4 billion in new economic activity and between 1,600 and 20,000 jobs in the region.

Proposition 64 passed, 57 to 43 percent.

ISSUE: THE SHARING ECONOMY

Lyft's 2016 Economic Impact Report

Lyft

\$1.5 Billion

Earned by Lyft drivers

As ridesharing companies continued to grow in 2016, they continued to fight regulation efforts in cities across the US. Lyft released its annual 2016 economic report to show how the rideshare platform "is increasing support for local economies, earning more supplemental income and improving the health," of the cities in which it operates. By surveying 38,000 passengers and 15,000 drivers across 20 cities Lyft found that passengers spent an additional \$750 million in local economies; its drivers earned \$1.5 billion, and 26 million travel hours were saved for consumers valued at \$500 million. Lyft also called attention to its public health benefits, with 86.8% of passengers in San Francisco reporting that they avoided driving under the influence because of Lyft, a 19% increase from the year before.

Airbnb

\$338 Million

Spending by out-of-town visitors staying in San Francisco Airbnb rentals

In November 2015, voters in San Francisco rejected Proposition F, a measure that would have placed strict limitations on the short-term rentals that Airbnb facilitates. Housing activists in San Francisco targeted Airbnb in a mainly grassroots campaign that blamed the company for exacerbating the housing crisis in the Bay Area.

Although Airbnb was able to defeat the measure, it was forced to spend over \$8 million to defend its business structure in its own back yard.

As part of its campaign to sell skeptical city residents on the benefits of the platform, Airbnb used customer surveys to generate an analysis of how much vacation rentals pump into the local economy. The analysis, which Airbnb [cited](#) during the months-long debate on city regulations in 2016, found that its guests from outside the city spent \$338 million in San Francisco between June 2014 and May 2015.

Bay Area Council Economic Institute

15,763

New housing units from streamlining local approval processes

Exploding real estate prices in the Los Angeles and San Francisco Bay Area regions have made housing policies a top issue in 2016. Although Governor Brown attempted to address the issue by streamlining local permitting processes for housing development, the effort ultimately failed to gain support in the legislature.

In October, the Bay Area Council's Economic Institute published a report that compared 20 housing-related state and local policies and their impact on housing affordability. The report found that Brown's proposal could have increased housing affordability for 15,763 households, while ending rent control measures would eliminate housing affordability for 16,222 households.

In an [editorial](#), San Francisco Chronicle wrote that although the Institute usually reflects business interests, the argument for increasing supply to lower housing costs "is a common refrain because it's true," and called the study a "clear-eyed report on the housing crisis."

ISSUE: PRESCRIPTION DRUG PRICES

The Economic and Fiscal Impact
of the AHF Prescription Drugs Initiative

Berkeley Research Group

88%

*Percent of Californians at risk of
increased costs due to Prop 61*

California's most costly ballot fight in 2016, Proposition 61, was framed by months of negative headlines about drug prices. The initiative's sponsor, the AIDS Healthcare Foundation, claimed their measure would "empower the State of California... to negotiate the same or better deals for taxpayers, which could save billions in healthcare costs." The Non-partisan Legislative Analyst Office however issued a skeptical analysis calling the effects of the measure "highly uncertain."

Opponents of Proposition 61 hired the Berkeley Research Group to conduct an economic and fiscal analysis of the measure. Released in June 2016, the report, authored by former Legislative Analyst William Hamm and longtime healthcare expert Henry Miller, concluded that "It is highly plausible that the initiative could increase State costs by \$100 million," and the measure would "invalidate... contracts that currently obligate drug manufacturers to provide up to \$193 million in non-mandatory supplemental rebates for Medi-Cal drug purchases."

The authors also found that the measure would only cover a handful of Californians and would likely increase drug prices for the 88% of Californians not covered under the measure, a fact that was emphasized heavily by No on Prop 61 ads in the final weeks of the campaign.

Proposition 61 failed, 47 to 53 percent.

ISSUE: WATER

The Drought's Economic Impact on Agriculture

UC Davis Center for Watershed Sciences

California entered its sixth year of drought in 2016, as El Nino failed to deliver rain and snowfall levels even mildly above average. In their third annual report on the economic impacts of the drought, UC Davis researchers concluded California agriculture lost \$603 million in 2016 and 1,815 jobs. Farmers spent an addition \$303 million in electricity and other costs to pump depleted groundwater.

\$603 Million

*Lost economic value due to
drought*