

# Investing Sweetened Beverage Tax Revenues to Advance Equity: Recommendations for Drafting Legislation

**T**axation is one of the most effective policies for reducing sales and purchases of sweetened beverages, which are a leading cause of diabetes, heart disease, and obesity in the United States. When sweetened beverage tax (SBT) revenues are strategically invested in the communities most impacted by health and social inequities and marketing of sweetened beverages, a SBT is a progressive public policy.

Including provisions in tax legislation related to legislative intent, dedication and allocation of revenues, community participation in tax implementation and evaluation, and public reporting on use of the revenues helps to ensure that the tax revenues are invested to advance equity and health.

## The issue

Consumption of sugar-sweetened beverages is strongly associated with excess mortality, diabetes, heart disease, obesity, and poor oral health.<sup>1</sup> Excise taxes levied on sweetened beverages reduce sales and purchases of these unhealthy products.<sup>2</sup> Taxes also raise revenues that can be invested in communities most impacted by health and social inequities and the adverse health effects linked to sweetened beverages. SBT revenues have supported healthy food access, early childhood programs, chronic disease prevention and treatment, renovations of pub-



lic facilities, and more.<sup>3</sup> SBT legislation that includes a commitment to investing tax revenues in programs that address community concerns and priorities generates support for tax adoption.

However, if SBT legislation does not include provisions to ensure that the tax revenues will be used as promised, they can be absorbed into the jurisdiction's general fund with no accountability to communities for how they are allocated. Including specific dedication and allocation provisions in SBT legislation can ensure that revenues will be used to advance equity and fulfill commitments made during the campaign to enact the tax policy.

\*We use the term "legislation" to denote both proposed and adopted tax legislation at the state and local levels.

The full report can be accessed at [HealthyFoodAmerica.org](https://HealthyFoodAmerica.org). If you would like more information, contact Jim Krieger at [jkrieger@hfamerica.org](mailto:jkrieger@hfamerica.org).

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SBT legislation has included diverse approaches to direct revenues to intended purposes, as have other types of excise taxes such as those levied on sales of tobacco, alcohol, and cannabis. A summary of current approaches and recommendations for drafting legislation that effectively dedicates and allocates revenues to intended purposes centered in equity and aligned with community priorities has not been available. We therefore reviewed SBTs proposed or adopted in the United States between 2012-2021; interviewed policymakers and advocates with experience in drafting, adopting, and implementing SBT legislation; examined how other types of excise taxes have approached revenue dedication and allocation; and considered legal issues relevant to drafting legislation. We summarize our findings and recommendations in this brief and in a [report](#).

### What we learned

The review found that advancing equity was often included as an expressed intention of SBT legislation. For this report, we defined *equity* as “fairness in process and outcomes that is achieved when everyone has a fair and just opportunity to participate and thrive, regardless of race, identity, economic class or other group characteristics.” Health equity was the most commonly stated goal and racial equity was also mentioned frequently. SBT legislation that included an equity intent usually identified one or more priority communities as the focus of equity concerns (e.g., low-income communities, children). Legislative intent often included other purposes such as prevention and treatment of chronic diseases or health promotion. All of the policymakers and advocates interviewed emphasized the importance of addressing

“Moving forward, the biggest battle is not necessarily just passing a tax, it’s keeping it, right? I think the allocation is really key to that.... So making sure that [revenues are] allocated in the right way – so that people want to keep it. And when the industry pours in millions and billions of dollars to try to overturn a tax, people, the general public, and the residents... are like, “No, I really want this.”

—State-level advocate

#### Dedication of tax revenues:

A budget practice that ensures that a portion, or all, of the SBT revenues will be used for specified purposes consistent with legislative intent. “Earmarking” is another commonly used term.

#### Allocation of tax revenues:

The process for distributing tax revenues for defined purposes and activities, to specific communities and organizations.

equity when drafting legislation. They noted that explicitly including an equity intent centers the tax legislation in equity, builds diverse support for the legislation, and commits government to equitable investment of revenues and implementation of the legislation.

All states have authority to dedicate tax revenues. Local governments that have been granted authority by the state to levy excise taxes can also dedicate revenues. Nearly all state SBT legislation and close to half of local SBT legislation have dedicated tax revenues by placing them in a special fund. Nearly half of state bills have also included non-supplantation language to prevent diversion of dedicated funds to other purposes or programs. Non-supplantation language prohibits using the SBT revenues to fund current operations and requires use only for new or

“I am so grateful for Fresh Bucks.  
In the past, I wasn’t always able to purchase as many fruits and vegetables  
as I can now. I have diabetes, and my doctor has been impressed to see that  
my A1C has lowered since I started using Fresh Bucks.  
I credit this improvement to the healthier meals I am now able to afford.”

— Derrick, Fresh Bucks customer



Seattle uses tax revenues to fund the Fresh Bucks program, which provides subsidies so people can afford more fruits and vegetables.

expanded programs. Interviewees shared a strong preference for dedicating tax revenues to specific purposes and recommended a dedicated special fund as the best way to accomplish this. Dedication of revenues is commonly used in alcohol, tobacco, and cannabis tax legislation.

SBT legislation has commonly allocated revenues to support food security and healthy food access, health promotion, chronic disease prevention and treatment, school-based nutrition and physical education programs, community physical activity programs, and health care access. Some legislation has directed funds toward tax administration; tax implementation monitoring, reporting and evaluation; and establishment of advisory boards. Interviewees observed that tailoring allocations to a jurisdiction's specific context and needs builds support for proposed tax legislation, especially among those who stand to benefit from the allocations. They stressed that clearly describing the intended use of revenues is essential for building community backing for a tax. Alcohol, tobacco, and cannabis excise taxes also allocate revenues to specific programs and activities, often for purposes related to the taxed product.

SBT legislation commonly has included advisory boards to ensure that people from priority communities and other interested parties play a role in guiding revenue allocations and monitoring implementation of the

“Accountability is an extremely important element of utilizing public funds and especially ones that are coming out of a taxpayer’s pocket. And so that was really our rationale behind including the advisory board and setting parameters for how funds can be used.”

— State-level legislative staffer

legislation. This is an innovative provision not commonly found in alcohol, tobacco, or cannabis excise tax legislation. Interview participants stressed the importance of community participation in determining revenue allocations to help ensure that funds are used as intended and address community priorities. They called out advisory boards, with meaningful community representation, as a particularly effective participation mechanism.

Most SBT legislation has required monitoring and reporting on tax implementation, especially with regard to tax receipts and revenue allocations. Legislation generally has called for a public annual report to disseminate this information. Interview participants from cities with SBTs in place noted that reporting to the public, including affected businesses, is important for sustaining and increasing support for a tax.

## Recommendations for drafting sweetened beverage tax legislation to advance equity

The [full report](#) summarizes the findings about current and past tax legislation and provides a comprehensive set of recommendations for designing provisions in sweetened beverage tax legislation to ensure that tax revenues advance equity aims and improve health. Find the [full recommendations here](#). Highlights include:

### **Include equity as goal for tax legislation**

- Explicitly express the intention to advance equity as a key purpose of the tax.
- Include the intention to invest tax revenues in priority communities impacted by inequities or disproportionately affected by sweetened beverages.

### **Describe additional legislative intent**

- Describe specific concerns (e.g., chronic disease), conditions shaping these concerns (e.g., access to healthy food), or types of programs that will be supported (e.g., fruit and vegetable subsidies).

### **Place tax revenues in a dedicated special budget fund**

- Establish a special fund apart from the general fund for deposit of tax revenues dedicated to specific purposes.
- Clearly describe the allowable uses of tax revenues deposited in the special fund, consistent with the legislatively expressed intent.

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- Include non-supplantation language that restricts use of funds to expansion of existing programs or creation of new ones and prohibits backfilling of other appropriations.

#### **Describe how revenues will be allocated**

- Describe the programs and activities to be supported with tax revenues and the communities that will benefit from these allocations.
- Allocate revenues to address health disparities noted in legislative intent, especially those caused by conditions associated with sweetened beverage consumption.
- Allocate revenues to support programs and activities in priority communities that address community-defined priorities and reflect community values.

#### **Include participation by communities and other interested parties**

- Establish an advisory board to advise government on implementation of legislation, including allocation of tax revenues.
- Consider reserving a majority or supermajority of advisory board positions for community members with lived experience and including people with subject-matter expertise related to allocation topics.
- Specify advisory board roles, which should include making recommendations about allocation of revenues, and participating in monitoring and reporting on implementation of the SBT legislation.

#### **Build in accountability for revenue allocation and tax implementation**

- Require a public annual report on implementation of the tax legislation that includes revenues received, allocated and expended; activities funded by allocations; and advisory board allocation recommendations.
- Require evaluation of tax impacts on sweetened beverage sales and consumption and on health outcomes, and of tax implementation processes.

## **Conclusions**

Dedicating and allocating revenues from sweetened beverage taxes to programs and activities that address the concerns of communities most impacted by health inequities and the health harms of sweetened beverages advances equity. Using revenues to promote health, improve nutrition, and prevent the chronic conditions associated with sweetened beverages enhances the health benefits taxes deliver. Ensuring that local values and priorities are reflected in tax legislation intent and revenue allocation priorities increases support for the tax. Getting input from communities and other interested parties on key elements of proposed legislation early in the drafting process is essential. Consultation with state or local tax policy experts is also necessary to ensure that proposed legislative language conforms to the laws of a given jurisdiction. Sweetened beverage tax legislation, when carefully designed, is an effective policy for advancing equity, promoting

health, and generating revenues to meet community needs.

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## **References**

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