



## Proposition 56 Tobacco Tax

### *The California Department of Public Health Should Improve Its Monitoring of One of Its Tobacco-Related Programs*

#### **Background**

In 2016 California voters approved Proposition 56, which added \$2 in taxes per pack of 20 cigarettes and imposed an equivalent tax increase on other tobacco products, such as cigars, chewing tobacco, and e-cigarettes containing nicotine. Proposition 56 taxes fund programs that six state entities administer: the California Department of Education, the Department of Health Care Services, the California Department of Justice, the California Department of Public Health (Public Health), the California Department of Tax and Fee Administration, and the University of California (UC). Among other things, these programs work to reduce tobacco use, treat tobacco-related diseases, and enable health-related research. Proposition 56 prohibits entities receiving its funds from using more than 5 percent of their allocations on administrative costs, and the law also requires recipient entities to annually account for their receipt and use of those funds by posting reports on their websites.

#### **Key Findings**

- » Public Health awarded Proposition 56 funding to contractors for the Tobacco Control Program (TCP) in alignment with Proposition 56's requirements, and TCP staff monitored those contractors to ensure that they completed required tobacco-related health promotion and communication activities.
- » Public Health awarded Proposition 56 funding to contractors for the Oral Health Program (OHP) in alignment with Proposition 56 requirements to support the state dental plan. However, OHP staff did not sufficiently monitor those contractors to ensure that they completed their agreed-upon work, likely because OHP lacked policies to guide its monitoring efforts.
- » Public Health properly allocated Stop Tobacco Access to Kids Enforcement (STAKE) Proposition 56 funding toward activities that complied with state law supporting the enforcement of laws related to illegal sales of tobacco to the underage population.
- » All six entities that we reviewed met the requirement to report on their websites the amount of Proposition 56 tax revenue they received and how they spent it in fiscal years 2021–22 and 2022–23. However, Public Health and UC reported inaccurate revenue information for specific Proposition 56 funded programs.
- » All six entities adhered to Proposition 56's 5 percent limit on administrative costs.

#### **Key Recommendations**

- » To ensure that its staff monitor whether its contractors use Proposition 56 funding in accordance with the requirements in state law, Public Health should establish formal policies and procedures for the OHP for this purpose by June 2025. These policies and procedures should provide guidance for OHP staff in all of the following:
  - Reviewing evidence of work performed by its contractors to determine whether that work meets the terms of its agreements before approving payment for these services.
  - Obtaining and approving progress reports throughout the duration of its agreements, including taking steps to remediate any problems with contractor performance, such as withholding payment from contractors that do not submit timely and accurate agreement deliverables.
  - Retaining documentation to demonstrate compliance with policies for each of its agreements.
- » To ensure that they report accurate amounts of Proposition 56 revenue that they receive each year, Public Health and UC should each report on its respective website the amount of Proposition 56 tax revenue that it actually received, beginning with the amount for fiscal year 2023–24.