CAMPAIGN TO END OBESITY
ACTION FUND

805 15th St. NW Washington DC 20015

(202) 466 8100 • www.obesityactionfund.org

United States Senate Committee on Finance

Community Development and Infrastructure Working Group for Bipartisan Tax Reform

April 15, 2015

Statement for the Record Submitted by:

Chris Fox, Vice President, External Affairs

Today, two-thirds of U.S. adults and nearly one in three children struggle because they are overweight or have obesity. The effects of the nation's obesity epidemic are immense: taxpayers, businesses, communities and individuals spend hundreds of billions of dollars each year to address the challenges of obesity, including an estimated $168 billion in medical costs alone. In fact, because of skyrocketing rates of obesity, the current generation of U.S. children are - for the first time ever -projected to have a shorter life expectancy than their parents.

The Campaign to End Obesity Action Fund advocates for changes in federal policy that will enable more Americans to eat healthy and be active, as well as those that provide appropriate medical treatment for patients. In its work, the Campaign to End Obesity Action Fund convenes leaders from across industry, academia, patient and disease communities and public health to speak with one voice for measures to reverse the obesity epidemic and promote healthy weight in children and adults.

The Campaign applauds Senate Finance Committee Chairman Orrin Hatch (R-Utah) and Ranking Member Ron Wyden (D-Ore.) on their leadership and dedication to analyzing and improving the current tax code. The Campaign appreciates the opportunity to provide written comments to the Community Development and Infrastructure Working group and looks forward to reviewing testimony and submissions from other stakeholders. The Campaign is excited to work with Sen. Dean Heller (R-Nev.) and Sen. Bennet (D-Colo.) as they chair this important working group.

As the Committee continues to examine the Tax Code and its uses in society, the Campaign implores the Committee to carefully examine how tax policy can be used to advance health, nutrition, and opportunity for low income families that we know can lead healthy lifestyles.

There is an important role for the Tax Code in addressing elements of this challenge. Indeed, the Tax Code has long been used to encourage actions which are valued by society and which are likely to yield benefits to the taxpayer base as a whole. Reducing the U.S. obesity rate is doubtless a national policy goal that would yield enormous, immediate, and long-term benefits for taxpayers.

While there have been discussions in policy circles about tax approaches to penalize unwanted behaviors - and this submission takes no position on such measures - it is important to make clear that there are tax approaches that Congress can and should contemplate that can help to target desired policy and behavior outcomes at the personal, community and business level. It is that range of thoughtful, strategic, positive tax approaches that we believe has been missing from Congressional consideration, and that we urge policy-makers to consider at this critical time.

Indeed, there is significant evidence that certain obesity prevention and treatment interventions pay dividends. These interventions take place in a variety of settings and are generally categorized as community-based, school-based, workplace-based, surgical, or pharmaceutical in nature. Noted economist Alex Brill released a study on the "Long-Term Returns of Obesity Prevention Policies" in April 2013 that reviewed some of the obesity prevention measures which have been studied extensively, and for which effectiveness has been clinically demonstrated. One such program that his study highlighted is the diabetes prevention program (DPP), which was created by Congress and administered by the Center for Disease Control to help at-risk children prevent developing Type II diabetes by targeted efforts to improve their diets and increase physical activity.[1] The program has resulted in medically significant weight management and a reduction in the prevalence of Type II diabetes among participants. Another program where the evidence demonstrates success is a community initiative to encourage 30 minutes or more of walking a day. In one state, a media campaign to promote this goal reported significant successes, including among older Americans.

Most successful obesity prevention programs have been conducted at the local and community level. The Stanford Five-City Project was a six-year community wide program to raise awareness of the health and weight reduction benefits of physical activity. At its conclusion, it was estimated that the ratio of cost to the quality- adjusted life-year was improved by $68,557. More recently, New York City's Move to Improve program has reported a nearly ten-percent drop in "severe" obesity rates from 2006 to 2011 among public school students. The program educated teachers in the public schools on how to incorporate fitness into their lesson plans. It includes things like walking in place or standing desks to encourage fitness throughout the day.

As the primary source of health insurance for the working-age population within the United States, employers have also created workplace interventions with a focus on healthy weight control. This can take on a variety of programs including incentives for healthy activities, on-

[1] Brill, Alex. "The Long-Term Returns of Obesity Prevention Policies." April 2013. http://obesitycampaign.org/documents/Fina ILong-Term ReturnsofObesityPrevention Policies.pdf.

site work place fitness centers, individual counseling, and self-help educational materials. On average, studies have found that these programs reduced medical costs by $3.27 and absenteeism by $2.73 for every dollar spent by the employer. Applying these programs to government healthcare programs like Medicare and Medicaid could produce large savings.

The evidence is clear and compelling that many local, community based programmatic interventions - a number of which have been supported or prompted by Congressional policy-making -help prevent and, in some cases, reverse obesity. From a tax policymaking perspective, then the question, is where and how Congress might use tax policy tools to make more progress, leveraging the kinds of programs where evidence tells us there will be a beneficial impact and multiplying that impact many times over. Since there is so much to be gained for taxpayers in terms of long-term budget benefits from lowering the U.S. obesity rates, it's clear that now is a vital time to contemplate such measures.

One of the main contributors to the obesity epidemic in America is the lack of access to healthy foods and opportunities to be physically active. Data shows that obesity rates are positively impacted by meaningfully increasing access to healthy, affordable foods and safe recreational spaces. For instance, according to a study by Ernst and Young, there is a direct correlation between obesity rates and the inability to access fresh, affordable, healthy foods. The data show that for every one percentage point increase in households able to access these foods, there is a nearly one percent decrease in the obesity rate in those counties. For the average county, that would mean 875 fewer individuals with obesity.[2]

Additionally, accessing recreational spaces can have a meaningful impact on obesity rates. The same study found that an increase in the number of fitness facilities in a county from one facility per 10,000 residents to two facilities per 10,000 would lower the average obesity rate from nearly 30 percent to under 28 percent and lower the diabetes rate from ten percent to nine percent. For an average county, that would result in nearly 1,000 fewer individuals with obesity and nearly 450 fewer cases of diabetes.

Finally, while there are some tax policies that may have an indirect, albeit beneficial impact on obesity prevention and reduction, we believe that now is the time to advance strategic tax measures that are explicitly designed to promote healthier communities, prevent obesity, reverse the current epidemic, and generate hundreds of billions of dollars of benefits for U.S. taxpayers in the near and long term.

Tax policy does, to a modest extent, already contemplate lifestyle improvements that can result in effective obesity prevention. In the Ernst and Young study, they issued an analysis of the impact of the New Markets Tax Credit (NMTC) on health outcomes associated with access to

[2] Ernst and Young. The New Markets Tax Credit: Opportunities for Investment in Healthy Foods and Physical Activity, December 2013. http://campaigntoendobesity.org//documents/EYCEONMTC OpportunitiesforInvestmentinHealthFina I.pdf.

healthy foods and opportunities for physical activity.[3] The NMTC is targeted at communities that often lack access to health food, basic transportation, and poor health outcomes in addition to a lack of private sector investment. The study showed that low-income individuals face barriers to safe recreation facilities and over 38% have limited access to healthy food. The NMTC has the potential to increase nutritious food access and access to safe recreation facilities in low-income communities. NMTC funded supermarkets and grocery stores have improved access to healthy foods for more than 345,000 Americans, including 197,000 children. Providing access to a wide array of nutritious foods in these at-risk neighborhoods shows the ability for the NMTC to address the obesity crisis with private sector investment in at risk communities.

Ultimately, the analysis from Ernst and Young showed that, while the NMTC is a valued tax tool, it is not enough to specifically address the U.S. obesity epidemic by promoting positive, obesity-related health outcomes, likely because it was not designed specifically to achieve these purposes. Accordingly, we believe that tax policy should also include more intentional, targeted measures to promote the type of infrastructure investments that will help make healthy lifestyles more accessible in communities where they currently are not.

Specifically, we believe that tax policy should embrace new approaches that will:

- Spur private interests to increase access to healthy, affordable foods in economically disadvantaged communities;
- Yield increased access by these communities to safe recreational spaces;
- Support economically disadvantaged individuals specifically for their efforts to adopt health lifestyle choices that are likely to reverse or prevent obesity and other chronic diseases, as well as businesses who invest in tools and resources for these consumers to effect such choices; and
- Be targeted to benefit those individuals and communities most at risk for obesity and other chronic diseases.

Please find attached a letter restating these principals from the Campaign with signatures from a wide range of interested parties that care about the ongoing obesity epidemic.

Finally, the Campaign has begun an effort to examine measures that could spur market based solutions to increase access to healthy foods and safe activity spaces in underserved communities. As the Committee continues to study this important issue, the Campaign looks forward to being part of the conversation and would hope that you will use our expertise and that of other like-minded groups to resolve the obesity crisis that is affecting America.

[3] Ernst and Young. The New Markets Tax Credit: Opportunities for Investment in Healthy Foods and Physical Activity, December 2013. http://campaigntoendobesity.org//documents/EYCEONMTC-OpportunitiesforInvestmentinHealthFinal.pdf.

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January 23, 2014

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

We are writing to encourage you to use the opportunity presented by ongoing efforts to improve the Tax Code to advance cost-effective policies that can bolster healthy lifestyles in key populations, and hold promise for halting or reversing the nation's costly and unsustainable obesity epidemic.

As you know, the nation's obesity epidemic has the potential to bankrupt the healthcare system. Today, there are nearly 100 million Americans – children and adults – with obesity. American taxpayers spend nearly $200 billion on medical costs associated with obesity each year. Current projections show that, absent major changes, 50 percent of the American population will have obesity by 2030, driving health care costs even further.

There is an important role for the Tax Code in addressing elements of this challenge. Indeed, the Tax Code has long been used to reward priority corporate and individuals' actions which are valued by society and which are likely to yield benefits to the taxpayer base as a whole.

Against this backdrop, we ask you to champion new tax policies that can drive private sector efforts to bolster access among high-risk populations to improved food options and opportunities for safe physical activity. We believe that tax policy should include measures specifically designed to promote the type of infrastructure investments that will help make healthy lifestyles more accessible in communities where they currently are not.

Specifically, we believe that tax policy should embrace new approaches that will:

- Spur private interests to increase access to healthy, affordable foods in economically disadvantaged communities;

- Yield increased access by these communities to safe recreational spaces;
- Support economically disadvantaged individuals specifically for their efforts to adopt health lifestyle choices that are likely to reverse or prevent obesity and other chronic diseases, as well as businesses who invest in tools and resources for these consumers to effect such choices; and
- Be targeted to benefit those individuals and communities most at risk for obesity and other chronic diseases.

We look forward to working with you to advance more specific measures which can fulfill these principles and, in doing so, yield crucial and urgent health and economic benefits for our nation.

Sincerely,
Campaign to End Obesity Action Fund
American College of Preventive Medicine
American College of Sports Medicine
American Council on Exercise
American Heart Association
American Hiking Society
Arena Pharmaceuticals
Change Lab Solutions
Health Education Council, Break Free Alliance
Hepatitis Foundation International
Humana
International Health, Racquet and Sportsclub Association
MEND Foundation
MomsRising.org
NAACP
National Association of Chronic Disease Directors
National Association of County and City Health Officials
National Center for Weight and Wellness
National Coalition for Promoting Physical Activity
National Hispanic Medical Association
Orexigen Therapeutics, Inc.
United States Soccer Foundation
Weight Watchers International

805 15th Street, NW – Suite 650
Washington, DC 20005
P 202-466-8100 F 202-466-9666

The New Markets Tax Credit: Opportunities for Investment in Healthy Foods and Physical Activity

Prepared for the Campaign to End Obesity

December 2013



EY

Building a better working world

Executive summary

The Campaign to End Obesity asked Ernst & Young (EY) to analyze the impact of the New Markets Tax Credit (NMTC) on health outcomes associated with access to healthy foods and opportunities for physical activity. The NMTC, which is administered by the US Department of the Treasury, was established in 2000 to encourage new and increased investment in low-income communities.

Since the program's inception it has distributed $39.5 billion in federal tax credit authority matched by private sector investments in qualifying locations. By statute, NMTC investments are targeted at low-income areas, which are often characterized by limited access to healthy food, limited opportunities for safe physical activity, and poor health outcomes.

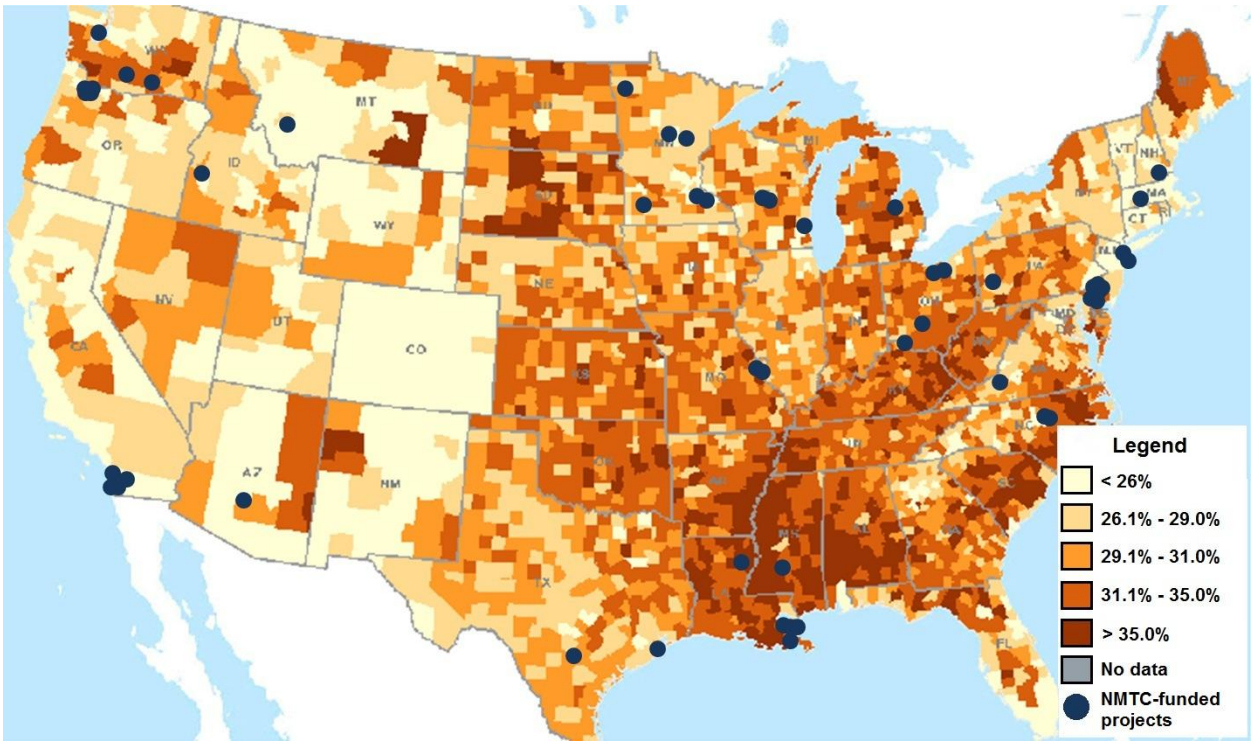
Supermarkets and recreation and fitness facilities are examples of NMTC projects that may provide positive health impacts in low-income communities. Changing the community environment to add more supermarkets, grocery stores and recreation and fitness facilities cannot make anyone eat healthy foods or become physically active. However, it can remove significant obstacles for people in lower-income communities who wish to make healthy choices. There is evidence that this type of intervention is effective at improving health outcomes. For example, living closer to a supermarket or grocery store is associated with increased consumption of fresh fruits and vegetables. Similarly, counties with more recreation and fitness facilities have lower rates of obesity and diabetes.[i]

By providing low-cost financing, the NMTC allows businesses to be built in low-income communities that otherwise would not provide a large enough market to support one. For example, one detailed case study shows that a NMTC-funded supermarket could support itself financially on only 89% of the sales needed to support a typical supermarket. This allows supermarkets and other businesses to offer their services in low-income neighborhoods that they otherwise might have passed over as unprofitable.

While the NMTC has potential to improve access to healthy foods and provide opportunities for physical activity outcomes in targeted communities, supermarkets, grocery stores and recreation and fitness facilities are often not directly supported by NMTC-funded projects. The NMTC helped finance 49 supermarket and grocery store projects between 2003 and 2010 that improved healthy food access in low-income communities for more than 345,000 people, including 197,000 children. However, these projects represented less than 2% of total NMTC allocations during that time period. The NMTC's contribution to improving physical activity was even more limited during this time period, funding only seven projects primarily focused on recreation and fitness facilities.

For NMTC projects funded from 2003 to 2010, 57% of supermarket and grocery projects and 69% of total NMTC funding for such projects went to counties with adult obesity rates higher than the national average (Figure 1). Similarly, four of the seven recreation and fitness projects funded by NMTC were in counties with obesity rates higher than the national average.

Figure 1. Obesity rates with NMTC-funded grocery and recreation and fitness projects



Note: Blue markers indicate the locations of NMTC-funded supermarket, grocery, and recreation and fitness projects funded from 2006 to 2010. County-level obesity rates are from 2009.
Source: US Department of Agriculture (USDA) Food Environmental Atlas, Community Development Financial Institutions (CDFI) Fund, EY analysis.

This report draws the following conclusions about the current NMTC program:

- **The NMTC has the potential to increase food and recreation facility access in low-income communities.** Access to healthy foods and recreation facilities within communities can influence diet, body weight, and other health outcomes. Low-income people are less likely to have access to recreation and fitness facilities, and more than 38% of low-income people have limited access to healthy food. The NMTC can be used to help alleviate barriers to healthy food and physical recreation.

- **Program take up is limited for projects that promote healthy choices.** Until recently, the application process for NMTC allocations included no criteria related to healthy food access and still include no criteria related to recreation and fitness access.

- **Small projects benefit less.** NMTC transactions are complex and costly, which limits the benefit to smaller projects like supermarkets and community centers.

Opportunity exists for projects that promote healthy choices. The NMTC's low-cost financing can help businesses expand into underserved areas by allowing them to support themselves on less revenue in smaller markets. A NMTC-funded supermarket could support itself financially on only 89% of the revenue required by a typical supermarket of the same size.

[i] Economic Research Service (ERS), US Department of Agriculture (USDA), Food Environment Atlas. http://www.ers.usda.gov/data-products/food-environment-atlas.aspx.