



## DAILY NEWS CLIPS

April 26, 2012

### **ROLL-YOUR-OWN MACHINES BACK ON AFTER REGULATOR SHUT DOWN**

By Chad Fry  
The Newton Kansan  
April 25, 2012

#### *Machines shut down across the state*

About three months ago Daven Flax invested in his business, bringing in a \$35,000 piece of equipment designed to help his customers save a little bit of money.

But for a month, his customers were not allowed to use the machine at the Tee Pee Smoke Shop. Kansas regulators shut down roll-your-own cigarette machines statewide.

“We had a choice to shut it down or not,” Flax said. “We made a bad choice and shut it down — but by relationship with (the Kansas Department of Revenue’s Alcoholic Beverage Control) is very important.”

Flax, who has owned Tee Pee on South Kansas Avenue for nearly 10 years, chose to not allow customers to roll cigarettes using the machine. He said the move didn’t hurt the business in Newton — but said that is probably because few people know about the machine.

It is back up and running now, as the company which makes the machines and owners statewide prepare for legal action in the court system.

In other stores he owns, there are lines to use the device.

“I don’t think people realize what they can save here,” Flax said. “And that is why bought it.”

There are dozens of machines across the state — and some small shops which have little to no traditional cigarettes for sale in addition to the roll-your-own facility.

The Kansas Department of Revenue licenses the venues, which involve machines that allow customers to convert bags of loose tobacco and boxes of unfiltered papers into cigarettes.

The Kansas State Fire Marshal has issued cease-and-desist letters noting a fire-safety law stipulating cigarettes rolled at commercial establishments had to use a type of paper that resists quick burn rates. Large cigarette manufacturing companies comply with the state’s law by paying a \$250 fee every three

years to affirm laboratory testing demonstrated each brand and style of cigarette sold by those companies in Kansas were produced with paper treated to sharply reduce its capacity to start fires.

At the heart of the matter, it would seem, is if a smoke shop which rents the machines to customers are considered manufacturers — a legal battle which was fought in Connecticut and Wisconsin. In both of those states, machine owners won their fights and stayed open.

“The law is clearly on our side,” said spokesman Casey Werderman for RYO Machine LLC, manufacturer of the machines. “Our retailers have formed a coalition of RYO Machine owners and they have filed suit against the state.”

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Werderman pointed out when regulators shut down the machines in Kansas, there was no court order to do so. It was simply done.

“They did this without any court order or authority,” Werderman said.

Kansas regulators applied the safety standard only to operation of the rolling machines. There is no state law prohibiting individuals from rolling their own cigarettes.

In the smoke shop, customers must run the machine. They pay a fee, considered a rental, to have their smokes rolled — and they can save money.

“I hear the stories,” Flax said. “Customers who started smoking a name brand, then went to generics to small cigars because it’s what they can afford.”

When Flax started the shop nearly 10 years ago, the most popular name brand cigarette sold for 25.99 a carton. Now, the least expensive cigarette in his shop is more than \$30 carton. For the same number of smokes, the roll-your-own price is just over \$20.

The machines are up and running again, as regulators have stepped away and court proceedings start.

Flax, however, was cautious. Before plugging the machine back in or talking to the Kansan, he called the regulators.

“It is easier to get along with them than to but heads with them,” Flax said. “They have not been back and my relationship with them is very good.”

*Originally published here : [http://www.thekansan.com/business/x1783288461/Roll-your-own-machines-back-on-after-regulator-shut-down?zc\\_p=0](http://www.thekansan.com/business/x1783288461/Roll-your-own-machines-back-on-after-regulator-shut-down?zc_p=0)*

## **ROLL-YOUR-OWN CIGARETTE BILL PASSES SENATE**

Associated Press

April 25, 2012

A proposal that would require roll-your-own cigarette retailers to pay a licensing fee and tax and adhere to certain restrictions has passed the Senate.

The measure sponsored by Republican Sen. Jack Johnson of Franklin was approved 25-5 on Wednesday.

Pipe tobacco, a popular product of roll-your-own retailers, is not listed on the state attorney general's directory of tobaccos. The proposal would require tobacco the retailers use in their machines to come from the directory.

It would also require the retailers to pay a cigarette tax and an annual \$500 licensing fee for each roll-your-own machine used.

Businesses would have until July 1, 2013, to meet the requirements.

The companion bill is scheduled for a vote in the House Finance Subcommittee.

*Originally published here:* <http://www.knoxnews.com/news/2012/apr/25/roll-your-own-cigarette-bill-passes-senate/>

## **LEGISLATIVE NOTEBOOK: ROLL-YOUR-OWN CIGARETTES, AN APOLOGY, PRESCRIPTION DRUGS**

By Tom Humphrey

Knoxville News Sentinel (TN)

April 26, 2012

The Senate has approved legislation that would increase taxes on cigarettes made with "roll-your-own" machines to more closely align with taxes on packaged cigarettes.

The sponsor of SB1738, Republican Sen. Jack Johnson of Franklin, said it is a "matter of simple fairness" to the manufacturers and sellers of regular cigarettes. As things stand now, he said, a 10-pack carton of roll-your-own cigarettes, processed in about eight minutes with a machine, goes for about \$25 compared with about \$50 for manufactured cigarettes.

Much of the Senate floor debate was devoted to when the proposed new law — which still needs House approval — should take effect. Ultimately, the senators settled on July 1, 2013. The bill was then approved, 25-5.

Johnson said the delay would allow businesses owning the cigarette processing machines — 85 of them statewide at last count — a reasonable time to prepare for compliance.

Faison apology: Rep. Jeremy Faison, R-Cosby, apologized Wednesday for remarks made a day earlier during House floor debate over a bill dealing with "cyberbullying.

During the debate on HB2641, proponents had cited cases of suicide by youths who were the target of bullying. Faison, while questioning the bill, had this comment:

"I will submit to you today that they didn't commit suicide because of somebody bullying them. They committed suicide because they were not instilled the proper principles of where their self-esteem came from."

The state Democratic Party posted a video of Faison's remarks with commentary saying they were "a disgrace" and "apparently blaming the parents of suicide victims for their inability to "instill the proper principles" in their children."

On Wednesday, Faison said he misspoke and never intended to blame anyone who has suffered a loss of a family member from suicide. He has had that experience himself, Faison said.

"Suicide has touched my family, and I would never want a parent or family member to feel they were responsible for such an unimaginable tragedy," he said. "I really regret my comments."

Faison said his remarks were "a botched attempt" to make the point that children need to be steered away from crimes.

The bill by Rep. Charles Curtiss, D-Sparta, is intended to clarify legislation enacted last year. It was approved, 76-14. Faison was among the 14 Republicans voting no.

Prescription drugs: The Senate approved unanimously Wednesday a bill that would require doctors and pharmacists to check the state's Controlled Substance Monitoring Database when dealing with prescriptions for some drugs that are often abused.

The bill (SB2253) is scheduled for a House vote today. Sponsored by Sen. Ken Yager, R-Harriman, it is pushed by Gov. Bill Haslam.

"Tennessee ranks second in the nation in regard to the overutilization of prescription pain medications, with an average of 20 Tennesseans losing their lives each week from drug overdose," said Yager. "Last year, there were more deaths in Tennessee due to drug overdoses than motor vehicle accidents, homicide or suicide. This bill is a huge step in the right direction in curbing this major state health epidemic."

Kindergarten age: The House has approved legislation that would raise the age for most children to be enrolled in kindergarten over Democratic objections that the move would result in layoffs of teachers by reducing kindergarten enrollment next year.

The bill (HB2566) sponsored by Republican Rep. Glen Casada of Franklin was approved on a 68-30 vote on Wednesday. It still awaits a Senate vote.

Currently, children must be 5 years old by Sept. 30 to enroll in kindergarten. The measure would move that cutoff to Aug. 31 in the school year beginning in 2013, and to Aug. 15 the year after that.

Casada said he disputes a fiscal analysis that the change would affect 4,200 children at an annual cost savings to the state of more than \$21 million. Four-year-olds could qualify if they pass a maturity test.

Saggy pants: A proposal that would prohibit students from dressing in an "indecent manner" at school has been signed by the governor.

Haslam signed the measure this week. The legislation prohibits students from exposing "underwear or body parts in an indecent manner that disrupts the learning environment."

A stricter version of the proposal failed to pass the Legislature three years ago. That measure targeted individuals who wear pants below the waistline and imposed a fine of up to \$250 and 160 hours of community service.

Under the current legislation, school districts would decide a less severe punishment.

The Republican governor earlier this month cited coverage of the saggy pants bill as an example of what he called the media's failure to pay attention to substantive measures.

*Originally published here:*

[http://www.nypost.com/p/news/local/build\\_butt\\_defense\\_4eBPTY76PGhkO8N3cO9oHL](http://www.nypost.com/p/news/local/build_butt_defense_4eBPTY76PGhkO8N3cO9oHL)

## **TAX ON ROLL-YOUR-OWN TOBACCO PASSES SENATE**

By Daniel Potter

WPLN News –Nashville Public Radio

April 25, 2012

Cigarettes from roll-your-own tobacco shops could soon be taxed at a higher rate under a bill approved yesterday by the state Senate. Roll-your-own shops sell raw tobacco, which is taxed at a lower rate, and then let customers make their cigarettes using a machine in the store.

Republican Jack Johnson held up a pack of Marlboros on the Senate floor, and told members there's little difference compared to roll-your-own cigarettes, before passing out some of both to colleagues. He says the bill aims to level the field for cigarette sellers competing against roll-your-own.

The proposal has come under fire from workers in roll-your-own shops, who say the tax would put them out of business. Johnson told colleagues the measure didn't leave anyone happy, but it passed the Senate 26 to 5, with just a handful of Democrats opposing. Meanwhile the House version has sat bottled up in committee for weeks.

*Originally published here:* <http://wpln.org/?p=36539>

## **AIF SUPPORTS CLOSING UNFAIR CIGARETTE TAX LOOPHOLE**

By Tom Feeney, President of the Associated Industries of Florida

Sunshine State News (Tallahassee, FL)

April 26, 2012

Imagine a business thriving in today's economy that does not have to follow the same rules and regulations as similar businesses like it must. While you might think that once exposed, the business would be shut down or be reprimanded, however that is not the case for roll-your-own cigarette manufacturers who are running operations throughout the state and country.

On behalf of Associated Industries of Florida, we support legislation currently before Congress, HR 4134, which would help end the exploitation of a tax loophole to sidestep rules and regulations.

Unfortunately, roll-your-own cigarette manufacturing is a growing trend that some retailers have adopted to produce cigarettes at remarkably low rates. Through roll-your-own manufacturing machines these retailers are evading state and federal cigarette taxes that are paid by law-abiding traditional retailers and convenience stores. The proposed legislation is simply a common-sense solution that will require roll-your-own operators which sell these products to compete on a level playing field, thus protecting the thousands of Florida small businesses and their employees, who are required to follow industry rules and regulations.

While AIF supports entrepreneurial spirit, the business model for roll-your-own manufacturing has created an unfair advantage as such operators evade state and federal rules regarding the taxation, distribution and other product regulations that apply to traditional cigarettes. Since consumers operate their retail manufacturing machines to roll their own cigarettes, the retailers falsely claim that they are not manufacturers. This is a deliberately untrue assertion that creates artificially low prices and damages the competitive marketplace

Not only does retail cigarette manufacturing erode the Master Settlement Agreement payments made to the state, but it threatens the sustainability of traditional retailers who are following the rules. Many of these retailers are members of AIF who have shared their struggle to keep up with the unfair competition that roll-your-own manufacturers pose to the industry. Another disconcerting fact is that these unregulated cigarettes do not comply with state fire standards and are not labeled with the congressionally mandated surgeon general warnings, which are meant to protect consumers.

It is in the best interest of small businesses across Florida and consumers, that we close the loophole on roll-your-own cigarette manufacturing. We urge all Floridians and Florida's congressional delegation to support HR 4134 to protect the state's hard-working retailers and the people they employ. The passage of this important legislation will help Florida and the rest of the country resolve this economically damaging situation and allow retail businesses nationwide that follow the rules to continue to grow and thrive

*Originally published here:*

[http://www.mlive.com/opinion/saginaw/index.ssf/2012/04/letter\\_kevin\\_fitgerald.html](http://www.mlive.com/opinion/saginaw/index.ssf/2012/04/letter_kevin_fitgerald.html)

## **ROLL-YOUR-OWN SMOKE SHOPS ARGUE THEY'RE BASICALLY BUILD-A-BEAR FOR GROWNUPS**

The Gothamist (NY)

April 25, 2012

Last month, the city investigated and shut down a number of crafty smoke shops that sold loose tobacco that customers could roll themselves using in-store machines, stating that these "roll your own" cigarettes were skirting the city's notoriously high tax on cigarettes. But two stores being investigated—BB's Corner, in Brooklyn, and Nitecap Entertainment, a tobacco and porn/sex aid shop on Staten Island—are arguing that their businesses are no different from Build-A-Bear Workshop, the mall store where kids can create a customized cuddly "best friend" toy.

According to the Post, both stores argue in court documents that self-rolled cigarettes allow customers to choose "their own blend of tobacco," similar to how Build-A-Bear lets customers "choose the parts of the bear and participate in the manufacturing." Hear that, kids? Deciding between a light up fairy costume and a mariachi outfit for your new stuffed animal buddy is exactly like sticking pipe tobacco in a rolling paper! What fun!

BB's Corner and Nitecap Entertainment aren't the first to note the similarities between Build-A-Bear Workshop and self-rolled cigarette shops. Last year, when "roll-your-own" cigarette store City Smokes opened in Sheepshead Bay, local blog Brokelyn referred to it as a "Build-A-Bear for carcinogens." (City Smokes is also currently being targeted by the city for tax evasion).

Meanwhile, it doesn't look like the city's buying the Teddy Bear defense. "We have succeeded in closing every 'roll-your-own' shop we've encountered," Eric Proshansky, a lawyer for the city, told the Post. No word yet on whether you can book either store for your first grader's birthday party.

Originally published here: [http://gothamist.com/2012/04/25/build-a-cigarette\\_coming\\_to\\_a\\_mall.php](http://gothamist.com/2012/04/25/build-a-cigarette_coming_to_a_mall.php)

## **WILL A ROLL YOUR OWN STORE WORK IN THE HOOD?**

Blog Post by Dream and Hustle

April 25, 2012

One of the latest trends to come out lately in terms of strip mall retailing is the roll-your-own cigarette store. From what I've been reading, they have become so popular and growing so fast in popularity, the government stepped in and now trying to tax the heck out of the business. However in this article, we are going to look at the roll your own business model and see if it is a viable model for the hood and if there are ways to keep the momentum of these stores popular in spite of the tax.

*What is a Roll Your Own Store?*

A roll your own shop is most likely an existing or a new smoke shop that been popping up over the past 5 years in explosive numbers. They usually focus on selling tobacco related products such as cigars, cigarettes, chewing tobacco, rolling paper, hookahs and so on

But the roll your own concept is the result of a machine that allow people to roll their own cigarettes and this is what Bruce Ramsey at the Seattle Times wrote describing this business model:

*In the past two years, 65 shops in Washington — including Cheap Smokes in White Center, Butts Tobacco in Auburn, Tobacco Joe's in Everett — have installed \$35,000 machines made in Girard, Ohio, that roll 200 cigarettes in 10 minutes. These shops have cut the cost of a carton's worth to around \$36, which is half or less than the price at retail.*

*The savings is in tax. Per pack, the federal tax on cigarettes is \$1.01. Washington's, the fifth-highest in the nation, is \$3.025.*



*But this isn't a sale of a pack of cigarettes. It's a sale of loose tobacco and paper tubes. The buyer pays state and federal tax on the tobacco, but it's lower than for cigarettes, and the federal tax is lower still on pipe tobacco.*

*If the shop operated the machine, it would be a cigarette manufacturer. It would need a license from the U.S. Treasury, and have to sell packs with government health warnings. But the shop doesn't operate the machine. It rents it, just as a laundromat rents its washers and dryers.*

*The customer is not in the cigarette business. He's rolling his own.*

I can't describe it better than that what Bruce wrote and that's the hustle and from what I'm hearing, these shops are very profitable with lines all around the corner in places like Florida so people can roll their own. In a way, this also sound like a roll your own shop can be a nice smoke café where cats can come in and not only roll their own, but have a patio outside serving drinks and smoke em if they got them.

*But the Smokers Seem to Love It!*

And it sounds like these smokers love these roll your own shops! They keep talking about how it "taste" better and is more fresher and most of all, it's probably a novelty and "fun factor" in the whole operation of a smoker making their own cigarettes.

*Making that extra trip to Bogie's Tobacco Factory on East Main Street, a roll-your-own tobacco shop that opened several weeks ago, allowed Foss to buy the equivalent of a carton of smokes for \$39.95.*

*"For one thing, I like the tobacco I buy here, it's got a much cleaner, fresher taste," she said during a recent visit to the shop. "And you just can't beat the price. I come here and use the machines to roll my own smokes because I like the way they taste, and I really like the savings. But the big reason is really the savings. You can save an awful lot of money by coming to a place like this."*

*The point of saving money should not escape the whole point of this article and why these shops are being so successful. Here is another article from the Wall Street Journal last year on the topic:*

*Some loose-tobacco makers and retailers say they are doing nothing wrong and that Congress created the problem by raising the excise tax on rolling tobacco—typically used by smokers with lower incomes—by more than 2,000%. "I don't think the founding fathers of this country meant for taxes that could put companies out of business," said Jeff Martin, general manager of Rouseco Inc., a pipe and rolling tobacco maker in Kinston, N.C.*

*Phil Accordino, co-owner of RYO Machine Rental LLC of Girard, Ohio, says his company has sold or leased about 200 of the rolling machines. He said his company, which is about two years old, simply has improved on gadgets some consumers use to roll their own cigarettes.*

*Jerry Kunz, 39 years old, left a store in Addison, Ill., recently with five cartons of cigarettes made by the machines. "They're not as good as Marlboro," he said, but "it's saving you money."*

I think that's why I'm wondering if this is a viable model for the hood because the ones who are lining up and keeping these roll your own operations profitable during this recession are low-income smokers who cannot afford the high price of cigarettes and tobacco. Even further, you know that these smokers are probably talking word of mouth about going with them and roll their own and they bringing friends to these shops, increasing more and more customers.

And do the damn math – these cats are smoking 20 packs a day and if you convert a 20 pack-a-day consumer to roll up their own in your shop, you are going to be rolling in green paper just as much as they be rolling it up in tobacco paper. And from what I'm hearing, the major tobacco companies and these mini-mart stations that sell cigarettes to the low-income cats are mad as hell and trying to work with the government to sabotage these roll your own shops because they are a growing competition for low-income smokers.

### *So Let's Break Down the Model Here*

The first and foremost thing that needs to be done is to get your business license and your tobacco license and certificate. There are specific steps in your region and there are also federal steps you have to take. The second thing is find a spot or location and from what we are reading, the money appears to be around low-income cats who love to smoke. This is not among any ethnic lines but I think the real money would be in a high density urban and suburban area where cats like to go get a pack of cigarettes which is almost anywhere, right?

Now, I've seen these empty strips malls that are desperate for tenants talking about free rent for six months or whatever. If these roll your own business models are making the kind of money and getting the foot traffic and spreading word of mouth among these addicted chain smokers, looks like a side hustle profitable operation to me.

Looking at the picture above, I believe this is the model of the roll your own cigarettes. You see the big roll-your-own machine that they say cost \$30,000 or you can rent it. Then you see the utility shelves and plastic bin that have a bunch of loose tobacco and then you have a weigh scale. Now, I'm going to be honest, this shop looks tacky as hell but it also appear that the chain smokers don't give a damn either. But here is the video of the breakdown:

So it appears they are charging them for the tobacco on a weighted basis and sell the tubes. Again, the rule has been past a few weeks ago declaring them but manufacturers but the way they are getting around it is they are claiming they are not manufacturing and the customer is using these machines in a do-it-yourself manner.

But in the video, the shop owner broke down the real talk about why I'm even bringing up this subject and this man is the exact kind of entrepreneur that I want to see more of and what makes America great! He stated that he is saving the smokers some money and now they have extra money to spend at other shops nearby. So as cause and effect of his roll your own shop, his business is helping the local economy. That's the focus of why we talking about these roll-your-own shops here on Dream and Hustle.

### *The Economic Benefit of Roll Your Own Shops in the Hood*

I pretty much realized exactly what the dude in the video said in terms of the economic benefits. If you are looking at lines of smokers and they saving money and this is a small-format shop, then this is a ripe model for not only profits but also create economic development in any hood. Remember that to create economic development, you need foot traffic.

So with that said, it is very possible that we can build a starter economic cluster pack for the hood that includes a roll your own shop as one of the business models to bring in the foot traffic. That means the taco/burrito food truck will see more customers, they hire more people, more shops open up and hire more people and increase the economic development in that hood. This is how you create jobs by having that one thing that can generate foot traffic and consumers are coming to spend money.

### *Now, Let's Take a Harder Look at this Roll Your Own Shop Business Model*

I want you cats to think of other business models that sound similar to this roll your own shop that is taking off in the past few years. Yeah, those pour and blend your own margarita shops and also those frozen yogurt shops where you dispense and blend your own yogurt, right? But in this case, they have a roll your own cigarettes where customers buy the raw tobacco and tubes and manufacturer their own smokes like this is Build-A-Bear and ish.

The thing I have a problem with is that big \$30,000 machine at the focus of this roll your own shop. Remember and never forget the number one rule to making real money is to operate in batches and parallelism. You need to have multiple process lines and you have to manage the demand in batches for a smooth and manageable operation. If you got lines and just got that one machine or even three of those \$30,000 machines, that is not efficient. Now what if one of those \$30,000 machines break down on you while these addicted smokers are all lined up? See, now your money is all tied up in those expensive machines and even if you need to fix it, you got lines of smokers waiting.

Instead I prefer this business operation in the picture above instead of those big machines. Each of those cigarette roller machines are around \$500 instead and easier to fix and replace. Instead of people lining up around the corner, they can sit down 6 people at a time and even expand and add more tables. If you understand the math and the money, your goal is to get as many cash transactions per hour in retailing, not have cats waiting lined around the corner. So these \$500 machines have a bigger ROI than that \$30,000 machines for that reason.

Second, in the top photo of the roll your own shop, I hate looking at those big plastic buckets of tobacco as if someone wouldn't come in and smash and grab that ish. You definitely can't do that arrangement in the hood and besides, they smash and grab cigarettes cartons so why wouldn't they go after these tobacco bins if they are not traceable? So you have to be smarter than to do something like this. I don't have a problem with selling bulk tobacco and weighing it, but at least have a more bullet-proof environment. I prefer the loose tobacco already packaged and just sell it in plastic sandwich bags like the street cats, if you want to be real about it.

### *Summary*

Overall, I like this business model because it taps into an addicted smokers and gives them a cheaper and more novelty option to their habit meaning guaranteed revenue and foot traffic. That foot traffic

can attract other commercial foot traffic if part of an economic cluster pack in the hood and can possibly revitalize an area in the hood.

What I don't like is the tacky nature of some of these roll your own shops and they should have a better and classy model to attract smokers such as having an outdoor patio and waiting area to smoke. This will increase not only patronage but also sales as they can buy a pack of cigarettes while they wait to roll their own carton worth of cigarettes. In addition, there is no need to market as smokers will talk to each other while they on smoke break.

The missing part I'm not seeing is this being setup in the hood. The reason we not seeing this setup in the hood is because of that \$30,000 price tag on that machine. However, there are cheaper ways to create parallel and batch processing of customers and transactions to get more revenue per hour and brothas and sistas should improve on this aspect. Just remember that you are just selling loose tobacco and tubes and "renting" the machines so the customers can manufacture their own cigarettes.

But most important and maybe this is the biggest part that is missing from all of this – I think the brotha or sista who learn how these machines are manufactured and build a cheaper and better one in Asia (where they smoke way more than we do) and sell them here in America and maintain these machines is the real one that will be rolling up in dough...

*Originally published here:* <http://www.dreamandhustle.com/will-a-roll-your-own-store-work-in-the-hood/>

## **TOBACCO INDUSTRY GEARING UP TO TAKE DOWN CALIFORNIA CIGARETTE TAX INITIATIVE**

By Steven Harmon  
Mercury News (CA)  
April 25, 2012

In what is quickly turning into another high-stakes policy battle to be decided by California voters, tobacco giants Philip Morris and R.J. Reynolds are forking over tens of millions of dollars to defeat a new tobacco tax on the June ballot.

Proposition 29, which would boost taxes by \$1 a pack of cigarettes to \$1.87, would raise about \$735 million annually, most of which would go toward cancer research.

It would also mean a \$1 billion annual loss in California sales to the tobacco industry because the extra buck a pack will cause more people to quit smoking or not start in the first place, experts say. But tobacco companies plan to keep a low profile during the no-on-29 campaign, hoping their anti-tax allies can win the battle for them by appealing to anti-tax sentiments -- rather than trying to garner sympathy for an unpopular industry.

"I don't think it's a secret that tobacco is funding this," said Joel Fox, president of the Small Business Action Committee and a member of the coalition opposing Proposition 29, Californians Against Out of Control Taxes and Spending. "But if the tobacco folks are out there, everybody wants to say the evil

tobacco companies are behind this. But there are important policy issues that have to be discussed, and it's not surprising that taxpayer groups are out front talking about this."

*What does the tobacco industry have to say?*

Apparently nothing. When this newspaper asked the no-on-29 campaign for a tobacco industry representative to give the industry's take on the issue, the anti-tax coalition wouldn't provide one.

*Research funds*

The coalition has already begun airing radio and television advertisements targeting what it believes is a vulnerability in the initiative: a provision that allows out-of-state organizations to bid on research dollars.

In the ads, Dr. LaDonna Porter, a Sacramento-area physician who starred in anti-tobacco-tax campaign ads in 2006, depicts the measure as a ballot-box boondoggle that would create "a huge new research bureaucracy with no accountability run by political appointees who can spend our tax dollars out of state."

Health care advocates say the criticism is a smoke screen for the opposition's true motive: to protect the tobacco industry's market in California. They insist that virtually all the research dollars would be spent in California but that they wanted to keep the bidding process open to avoid accusations of cronyism.

Proponents also contend that of the \$1 billion the tobacco industry would lose in sales if voters approve Proposition 29, \$800 million would be profits that would have gone out of state to R.J. Reynolds' base in North Carolina and Philip Morris' in Virginia. Proponents predict that California's smoking rate would gradually be reduced from 12 percent of the population to 8.5 percent if the initiative passes.

Big tobacco firms have a "real strong economic motivation to spend what it takes," said Stanton Glantz, a UC San Francisco professor of medicine who wrote "Tobacco War, Inside the California Battles."

"Even if they spend \$100 million, that's one-tenth of what they'll lose every year," he said. "These companies will do everything humanly possible to kill this. They might lose because the public rejects them, but they're not going to lose this because they were cheap."

Tobacco companies have poured \$21 million into this year's campaign so far -- \$8.9 million in the past month alone -- and could wind up surpassing the \$66 million they spent in 2006 to defeat another tobacco tax-hike proposal.

How much they spend may depend on whether they can move voters in coming polls with the barrage of ads that have only just begun. An early March survey by the Public Policy Institute of California showed 67 percent of likely voters in support of the tobacco tax initiative.

The health groups spearheading the initiative -- the American Cancer Society, the American Heart Association and others -- have raised \$2.5 million, \$1.5 million from the foundation of cyclist and cancer survivor Lance Armstrong, who is co-heading the effort with former state Senate leader Don Perata, also a cancer survivor.

### *Voter behavior*

Heavy spending to persuade voters to reject a ballot measure is typically effective because voters are already inclined to vote no on initiatives, said Tracy Westen, CEO of the Center for Governmental Studies in Los Angeles. But, he said, it's tougher to defeat initiatives when voters are knowledgeable about the issues -- and tobacco campaigns have a steeper climb.

"Generally, Californians tend to oppose smoking and support restrictions, so the cigarette industry will have to spend their advertising budget talking about other issues," Westen said.

Well-endowed campaigns run by big industrial interests often succeed by the sheer volume of advertising. But Proposition 29 supporters are pinning their hopes on the fact that California voters have shown an ability to reject corporate advances, which are often machine-like in their highly sophisticated, poll-tested campaigns -- much like their product advertising.

Two years ago, voters turned down initiatives sponsored by PG&E and Mercury Insurance despite their lopsided funding advantages. In 1988, California's voters were also the first in the nation to pass a tobacco tax. And they approved another one 10 years later, despite massive expenditures by the tobacco industry.

Still, it has been 14 years since Californians approved a tobacco tax. Four years ago, voters rejected, on a 52 to 48 percent vote, a \$2.65-per-pack increase after tobacco companies poured \$66 million into the opposition campaign.

### *What Proposition 29 would do*

It would raise taxes by \$1 per pack, bringing in \$735 million annually, according to the state Legislative Analyst's Office.

It would create an oversight committee made up of three chancellors from the University of California, three directors from California's National Cancer Institute-designated Cancer Centers, one California physician with expertise in cardiovascular disease and two representatives of health advocacy organizations.

Sixty percent of the money -- an estimated \$441 million a year -- would go toward research on cancer and tobacco-attributed disease. An estimated \$147 million (20 percent) would fund tobacco education and programs to help smokers quit.

An additional \$110 million would pay for research facilities and equipment deemed necessary by a citizens' oversight committee.

An additional \$22 million would be earmarked for law enforcement's efforts to combat tobacco smuggling.

### *A history of tobacco taxes in California*

1959: Legislature enacts tobacco tax that goes into the state general fund: 10 cents a pack, \$96 million in annual revenues.

1988: Voters approve Proposition 99 to fund tobacco education and prevention efforts, tobacco-related disease programs, health care services for low-income people, environmental protection and recreational resources: 25 cents a pack, \$298 million in annual revenues.

1993: Legislature creates Breast Cancer Fund to support breast cancer screening programs for uninsured women and research related to breast cancer: 2 cents a pack, \$23 million in annual revenues.

1998: Proposition 10 approved by voters to support early-childhood development programs (First Five): 50 cents a pack, \$489 million in annual revenues. Total (in 2010-2011 dollars): 87 cents a pack; \$905 million in annual revenues.

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## **YES ON PROPOSITION 29**

Editorial by Chico News & Review (CA)

April 26, 2012

*Don't be fooled by Big Tobacco's propaganda*

As of April 21, supporters of Proposition 29, the Tobacco Tax for Cancer Research measure on the June 5 statewide ballot, had raised \$4.6 million in campaign funds. Opponents, mostly big cigarette manufacturers like Altria/Philip Morris and R.J. Reynolds, had generated \$23.8 million.

The only conclusion to be reached is that Big Tobacco is spending all that money because it's worried the measure will do exactly what it seeks to do: reduce the number of smokers. Prop. 29, which would add a dollar to the per-pack tobacco tax, bringing it to \$1.87, would encourage many adults to quit smoking and discourage many young people from taking it up in the first place. Stanton A. Glantz, a professor of medicine at UC San Francisco, estimates that the tax hike "will help so many people quit smoking that they'll spend a billion dollars less a year on cigarettes."

The revenues raised, estimated at \$735 million a year at first, would be used to fund cancer research, smoking reduction programs and tobacco law enforcement. Although the revenues will decline over time, as the smoking rate declines, the funding inevitably will result in better treatments for cancer patients and other positive outcomes.

California has had great success since 1988 with Proposition 99, which placed a 25-cent-per-pack tax on cigarettes to support tobacco-education and smoking-prevention efforts. The state's comprehensive approach has changed social norms around tobacco use and secondhand smoke and produced dramatic results. It is estimated that the measure has saved more than 1 million lives and resulted in \$86 billion worth of savings in health-care costs.

Big Tobacco is going to spend whatever it takes to defeat Proposition 29. Voters should remember what this is really about: powerful, rich corporations trying to addict people to a deadly product.

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## **SPEAKER MADIGAN DOUBTS CIGARETTE TAX HIKE WILL PASS ILLINOIS HOUSE**

By Alissa Groeninger  
Chicago Tribune  
April 26, 2012

*Governor has proposed adding \$1 per pack to help reform Medicaid Program*

Speaker Michael Madigan on Wednesday predicted the governor's proposed \$1-a-pack cigarette tax hike won't pass the House, a prospect that casts doubt on a key part of a plan to reform the state's health care program for the poor.

The veteran Southwest Side Democrat told reporters he supports a cigarette tax hike for Medicaid. But House Republicans "to date" have opposed the idea, Madigan said.

"I don't think it'll pass," he said.

The comments came after Democratic Gov. Pat Quinn last week proposed increasing the state's 98-cents-per-pack cigarette tax by \$1. It's part of the governor's plan to get spending under control for the state's nearly \$15 billion Medicaid program. Quinn has suggested \$1.4 billion in coverage cuts, \$675 million in reductions to hospitals and doctors, and \$675 million generated from the cigarette tax increase.

House Republicans have been hesitant to support a cigarette tax increase, instead urging Quinn to make good on his initial call for \$2.7 billion in spending cuts to Medicaid. Republican Rep. Patti Bellock of Hinsdale, who worked on a Medicaid cut panel, said she does not support the hike and does not see "a lot of support" among House Republicans.

The Senate has passed cigarette tax increases twice in recent years, only to see the proposals stall in the House, where some Democrats joined Republicans in opposition.

Democrats who control the General Assembly face potential backlash from voters for increasing the personal income tax rate 67 percent last year. In turn, GOP lawmakers largely have staked out opposition to tax hikes, and they have called for more cuts in the Medicaid program before increasing any taxes.

Quinn spokeswoman Brooke Anderson called the governor's cigarette tax hike a responsible way to stave off the collapse of the state's Medicaid program. Anderson said failing to straighten out the program would be "disastrous."

- Also Wednesday, a House committee approved a measure to prevent judges from awarding court supervision to speeders caught driving more than 25 mph over the limit on an urban road or 30 mph



over on a highway. The legislation is the outgrowth of an Orland Park crash last year that killed a 17-year-old Frankfort girl. Police said a 21-year-old man who had kept his driving privileges despite a history of traffic citations was driving at least 36 mph over the speed limit when he slammed into a Jeep in which the victim was a passenger.

- Two proposed constitutional amendments advanced. The Senate sent a crime victims proposal to the House. Madigan's proposal to require a three-fifths vote to increase pension benefits moved to the full Senate. Democrats are seeking to put both before voters in November, and Republicans question why they can't get a vote on their proposal to ask voters to make it harder to increase taxes.

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## **MADIGAN: ILL. GOP WILL BLOCK CIGARETTE TAX HIKE**

By John O'Connor, Associated Press  
Pekin Daily Times (IL)  
April 26, 2012

Illinois House Speaker Michael Madigan said Wednesday he supports a cigarette tax increase to shore up Medicaid but expects Republicans will block the idea.

The Chicago Democrat also called Gov. Pat Quinn's plan to cut pension costs "a good start" that will face strong opposition.

Quinn wants to raise cigarette taxes by \$1 a pack — up from 98 cents — to bring in about \$670 million. It would be coupled with cuts in Medicaid services and rates to close a \$2.7 billion shortfall in the health care program for the poor.

"I would support an increase in the cigarette tax, especially for the Medicaid program," Madigan said. "The Republican position to date is against, so I don't think it will pass."

Republicans say there are more ways to cut spending before increasing a tax. They haven't detailed those reductions but maintain that there's time for a bipartisan group to find them before the legislative session adjourns at the end of May.

Quinn's proposed cuts include ending seniors' prescription drug coverage, tightening income guidelines to disqualify 26,000 current recipients and ending services such as dental care, which the federal government gives states the option to cover.

Madigan would not comment on proposed cuts, saying he plans to consult his Democratic House members to "see what they're prepared to vote for."

The Democratic governor's other major budget announcement last week is an overhaul designed to close an \$83 billion funding gap in state employee pension programs.

Quinn suggests raising the retirement age, requiring greater contributions from employees' paychecks and relieving the state's obligation to pay the employer contributions for teachers by shifting it to local school boards, among other things.

"It addresses the problem in a broad-based way," Madigan said. "It's a good start. There are a lot of good ideas in there."

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