



January 20, 2010

To Whom It May Concern:

I have been asked to utilize the research results from Adams and Cotti (2007), "The Effect of Smoking Bans on Bars and Restaurants: An Analysis of Changes in Employment," published in the *Berkley Journal of Economic Analysis & Policy*, to estimate the predicted impact of a smoking ban on the bar and restaurant sectors in the average county in the state of Colorado. Adams and Cotti (2007) utilizes data from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages, along with several controls for important determinants of hospitality employment (e.g. overall city employment, beer tax levels, etc.), to compare changes in bar and restaurant employment in U.S. counties where smoking was banned to changes in U.S. counties without bans. The sample utilized contains information on between 2,335 and 3,155 U.S. counties, depending on the specification and industry examined, for the years 2001-2004.

I understand that the public debate about the pros and cons of smoking bans is heated and that advocates on both sides of the issue are passionate about their viewpoints. For that reason I feel that it is important to make it clear that I am not an advocate for any group in this debate. Moreover, I have no preference in the outcomes of my research and I am not being compensated for writing this letter or the analysis provided below. I am an academic economist interested in truthfully modeling behavior and externalities through objective and unbiased analysis. It is my hope that the results of this and other objective academic research can be used to better understand the impacts of public policies (positive and negative), so that policy makers can be well informed about the potential tradeoffs that any policy change may have on their respective jurisdiction.

Published estimates in Adams and Cotti (2007), in conjunction with smoking prevalence estimates provided by the Center for Disease Control and Prevention, suggest that a 100% smoking ban in the state of Colorado would result in an increase in employment in the average Colorado county by approximately 2.44% in the bar industry (NAICS Code 7224) and 2.55% in the full-service restaurant industry (NAICS 7221). A few things need to be noted. First, these estimates are based on the average smoking prevalence in the state of Colorado; municipalities that have a higher than average smoking prevalence will see more lower (more negative) predicted effects on employment after implementing a smoking-free ordinance. Second, point estimates provided above may under- or overestimate the actual impact that may result from a ban due to unobservable idiosyncratic characteristics of the state of Colorado and its inhabitants. Third, estimates from Adams and Cotti (2007) that were utilized to calculate these values do not provide always provide significant statistical evidence to infer that the impact of the smoking bans in Colorado is anything but zero. Lastly, Adams and Cotti (2007) find that a location's weather may play a role in mitigating or exacerbating positive or negative impacts of bans. Specifically, the ability of establishments to take advantage of nice (warm) weather through outdoor seating seems to play a meaningful part in how successfully businesses adjust to the passage of a ban. Hence, the ability of local establishments to provide an outdoor option to smokers may affect predicted outcomes.

For more details about how estimates are derived please see Adams and Cotti (2007), available online at <http://www.bepress.com/bejeap/vol7/iss1/art12/>.

Sincerely,

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