

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3742-06
Bill No.: SB 1149
Subject: Elderly; Health Care; Health Department; Pharmacy; Public Assistance; Taxation and Revenue - Sales and Use; Tobacco Products
Type: Original
Date: March 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$34,710)	\$0	\$0
Fund for Lifelong Health*	\$0	\$0	\$0
Total Estimated Net Effect on All State Funds	(\$34,710)	\$0	\$0

*Revenues and expenditures of approximately \$390 million annually net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this legislation authorizes, upon voter approval, an additional tax on the sale of tobacco products and creates the “Fund for Lifelong Health.” This additional tax would be collected at the same time the current tobacco taxes are collected.

Notification of the increase to approximately 200 licensees will need to be completed. The implementation of the legislation will be handled with existing resources. As written, Business Tax estimates an increase of \$438,750,000 in revenue for the Fund for Lifelong Health. (This estimate assumes no increase or decrease in cigarette sales). An increase to 10% of manufacturers’ invoice on other tobacco products will result in approximately \$8 million in revenue for the Fund for Lifelong Health.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** state this legislation would increase the cigarette tax by seventy-five cents and increase the tax on other tobacco products by 10% of the manufacturer’s invoice price. The estimated increase in revenue due to this proposal is:

<u>Fiscal Year</u>	<u>Cigarette</u>	<u>Other Tobacco Product</u>	<u>Total</u>
2003	\$161.4 million	\$4.2 million	\$165.6 million
2004	\$380.4 million	\$10 million	\$390.4 million
2005	\$376.6 million	\$9.9 million	\$386.5 million

BAP assumes the following:

Two percent decline in cigarette taxes due to tobacco prevention efforts;
One percent historical decline in cigarette taxes continues;
Ten percent decline in cigarette taxes due to the increased price that will reduce demand;
FY04 Other Tobacco Product (OTP) collections of \$10 million based on historical collections;
FY03 OTP collections based on five months (5/12 x \$10 million); and
FY05 OTP assumes a one-percent annual decline.

Also, BAP assumes this revenue would not affect total state revenue since it would be voter approved.

Officials from the **Office of State Treasurer** assume this proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Officials of the **Secretary of State (SOS)** state that statewide newspaper publication of constitutional amendments cost approximately \$1,157 per column inch based on estimates provided by the Missouri Press Service times three multiple printings as required by the Constitution and state statute (\$3,471 per column inch). SOS estimates the total number of inches for this amendment to be ten inches, which includes title header and certification paragraph (\$3,471 time 10 inches = \$34,710).

Officials from the **Department of Social Services (DOS)** assume this legislation creates a new fund in the state treasury consisting of moneys derived from a tax of seventy-five cents per pack of cigarettes and a tax equal to ten percent of the invoice price before discounts on other tobacco products. The legislation establishes an advisory committee for this fund after the tax is brought to the vote of the people. If this tax is enacted, the advisory committee would make initial recommendations on appropriations from this fund by July 1, 2003 to be acted upon by the General Assembly in State Fiscal Year 2004. Those funds would be first appropriated for Fiscal Year 2005. Proposed in this legislation is funding for some Medicaid programs such as tobacco cessation, core public health care, rural health initiatives, and practitioner reimbursement. The legislation does not specifically indicate how much funding is distributed to each program, therefore it will be up to the General Assembly to appropriate these moneys. The Division of Medical Services may see a fiscal impact from this legislation, however that amount is unknown, subject to appropriation starting in Fiscal Year 2005.

Officials of the **Department of Health and Senior Services (DOH)** assume this legislation requires the establishment of a 14 member advisory committee to make recommendations to the General Assembly and the Governor on July 1, 2003, and make recommendations by December 1st of each year thereafter regarding the expenditure of moneys deposited in the fund for lifelong health.

The DOH would oversee and manage the logistics for the Advisory Committee on the Fund for Lifelong Health. The DOH could receive funds to implement a comprehensive tobacco cessation, education and treatment program based upon the recommendations of the advisory committee and the approval and appropriation by the General Assembly and the Governor.

The DOH assumes the results expected from implementation of a comprehensive tobacco use prevention program include reduction of tobacco-related diseases and deaths. The higher cost of tobacco products serves as an effective deterrent in order to reduce smoking among youth and adults, which further contributes to the goal of reducing tobacco-related diseases and deaths in Missouri.

Fiscal impact was determined by calculating the cost of those members of the advisory

ASSUMPTION (continued)

committee who are not state employees or members of the General Assembly. Four members

meeting 4 times a year (standard for other advisory committees operated in the DOH) will require: 4 members x \$65 x 4 meetings = \$1,040 in lodging costs, 4 x \$45 x 2-day meetings x 4 meetings = \$1,440 in meal costs, and 4 x \$75 round trip x 4 meetings = \$1,200 in mileage costs, totaling \$3,680. Also, DOH assumes that the new fund established will pay for expenses incurred by the advisory committee.

Staffing costs to support the Advisory Committee on the Fund for Lifelong Health would be minimal and could be absorbed with existing funding. Costs to implement the programs and services recommended and approved by the General Assembly and the Governor would be fully supported by the Fund for Lifelong Health.

Officials of the **Department of Mental Health (DMH)** assume the proposed tax increase would be an additional \$.75 per pack of cigarettes and an additional 10% on the manufacturer's invoice price on other tobacco products for an estimated additional total of \$460,997,020. All additional revenues generated by this proposed legislation would create the "Fund for Lifelong Health" and may provide additional funding for services provided by the DMH, specifically tobacco cessation, education and treatment programs. The legislation is not specific as to which departments will be responsible for these tobacco programs nor specific as to the amount to be spent on these programs.

The proposed legislation also creates an "Advisory Committee on the Fund for Lifelong Health". The Director of the Department of Mental Health or his or her designee is to be a member of this committee. The committee will make recommendations to the General Assembly regarding expenditures of money from this fund. The duties of the member of this committee from the DMH can be conducted using existing resources.

The estimated additional revenues for the state would be \$460,997,020 (\$8,723,561 from other tobacco products and \$452,273,459 from cigarette tax). This is based on information from the Department of Revenue.

Because the legislation is not specific as to how much funding is to go to the tobacco cessation, education and treatment programs and is not specific as to which department would be responsible for these programs DMH is unable to estimate the fiscal impact on the DMH.

Officials of the **Missouri House of Representatives (MHR)** assume there should be no fiscal impact to the MHR. The MHR assumes any cost incurred by the House Members will be absorbed by the Department of Health and Senior Services.

ASSUMPTION (continued)

Officials of the **Missouri Senate** did not respond to our fiscal note request.

This legislation would not affect Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs</u> - Office of Secretary of State			
Election costs	(\$34,710)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$34,710)</u>	<u>\$0</u>	<u>\$0</u>

FUND FOR LIFELONG HEALTH

<u>Income</u> - Department of Revenue			
Tax increase	\$165,600,000	\$390,400,000	\$386,500,000
<u>Costs</u> - DOH, DOS, DMH			
Program costs	<u>(\$165,600,000)</u>	<u>(\$390,400,000)</u>	<u>(\$386,500,000)</u>
ESTIMATED NET EFFECT ON LIFELONG HEALTH FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that sell tobacco products and cigarettes could expect to be fiscally impacted to the extent they would incur additional administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This act adds a tax on the sale of certain tobacco products and creates the "Fund for Lifelong Health".

Section 149.065, RSMo currently exempts certain collected taxes from deposit in the state treasury. New language adds the Fund for Lifelong Health to the list of exemptions.

A new Section 149.084 creates a seventy-five cent tax on the sale of each package of cigarettes and a tax equal to ten percent of the invoice price before discounts on other tobacco products. Section 149.086 establishes the Advisory Committee on the Fund for Lifelong Health to be composed of fourteen members. The Committee must make initial recommendations regarding the expenditure of moneys from the Fund for Lifelong Health by July 1, 2003, and annual recommendations thereafter by December 1 of each year. Expenditures are limited to elderly pharmaceutical assistance programs, tobacco education programs, core public health funding, including health care and health care services, rural health initiatives, practitioner reimbursement, grants, life sciences research, and for land grant institutions with medical schools for the purpose of studying current technologies.

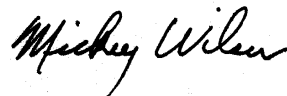
This act contains a referendum clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
Department of Social Services
Office of Secretary of State
Office of State Treasurer
Department of Health and Senior Services
Department of Mental Health
MO House of Representatives

NOT RESPONDING: Missouri Senate



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