

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3192 by Uresti (Relating to an increase in the cigarette tax and to the use of that increase for certain health and human services programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3192, As Introduced: a negative impact of (\$221,306,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$98,281,000)
2005	(\$123,025,000)
2006	(\$99,211,000)
2007	(\$127,395,000)
2008	(\$107,224,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Tobacco Cessation (TDH)</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Childrens Health Care (TDH)</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Department of Mental Health and Mental Retardation</i>
2004	(\$98,281,000)	\$78,979,000	\$39,490,000	\$23,694,000
2005	(\$123,025,000)	\$96,067,000	\$48,340,000	\$28,820,000
2006	(\$99,211,000)	\$83,335,000	\$41,667,000	\$25,000,000
2007	(\$127,395,000)	\$90,761,000	\$45,381,000	\$27,228,000
2008	(\$107,224,000)	\$78,097,000	\$39,049,000	\$23,429,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Commission on Alcohol and Drug Abuse</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Childrens Health Insurance Program (HHSC)</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Interagency Council on Early Childhood Intervention</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Child Abuse & Neglect Prevention Trust Fund</i>
2004	\$23,694,000	\$157,958,000	\$39,490,000	\$31,592,000
2005	\$28,820,000	\$192,134,000	\$48,034,000	\$38,427,000
2006	\$25,000,000	\$166,669,000	\$41,667,000	\$33,334,000
2007	\$27,228,000	\$181,523,000	\$45,381,000	\$36,305,000
2008	\$23,429,000	\$156,195,000	\$39,049,000	\$31,239,000

Fiscal Year	Probable Revenue Gain/(Loss) from New General Revenue Dedicated - Trauma Care (TDH)
2004	\$394,896,000
2005	\$480,336,000
2006	\$416,674,000
2007	\$453,807,000
2008	\$390,487,000

Fiscal Analysis

The bill would amend Chapter 154 of the Tax Code to raise the tax rate on cigarettes.

The bill would raise the tax rate by \$50.00 per 1,000 cigarettes weighing three pounds or less per thousand (\$1.00 per pack of 20 cigarettes), to a new rate of \$70.50 per 1,000 cigarettes (\$1.41 per pack). The share of the cigarette tax going to the General Revenue Fund 0001 would remain at \$20.50 per 1,000 cigarettes (41 cents per pack).

The new cigarette tax revenue generated by the bill would be allocated to eight new dedicated accounts in the General Revenue Fund 0001. Monies in the accounts would be available for appropriation to the Texas Department of Health (TDH) for three of the specified programs, with one program each for the Texas Department of Mental Health and Mental Retardation (MHMR), the Texas Commission on Alcohol and Drug Abuse (TCADA), the Texas Health and Human Services Commission (HHSC), and the Interagency Council on Early Childhood Intervention (ICECI). For the eighth account, the Child Abuse & Neglect Prevention Trust Fund, the bill does not specify which agency could receive the funds. The new accounts and the associated portions of the tax increase would be as follows:

GR Account—Tobacco Cessation (TDH): \$5.00 per 1,000 cigarettes, or \$0.10 per pack;

GR Account—Children's Health Care (TDH): \$2.50 per 1,000 cigarettes, or \$0.05 per pack;

GR Account—Texas Department of Mental Health & Mental Retardation (MHMR): \$1.50 per 1,000 cigarettes, or \$0.03 per pack;

GR Account—Texas Commission on Alcohol & Drug Abuse (TCADA): \$1.50 per 1,000 cigarettes, or \$0.03 per pack;

GR Account—Children's Health Insurance Program (HHSC): \$10.00 per 1,000 cigarettes, or \$0.20 per pack;

GR Account—Interagency Council on Early Childhood Intervention (ICECI): \$2.50 per 1,000 cigarettes, or \$0.05 per pack;

GR Account—Child Abuse & Neglect Prevention Trust Fund (no agency specified): \$2.00 per 1,000 cigarettes, or \$0.04 per pack; and

GR Account—Trauma Care (TDH): \$25.00 per 1,000 cigarettes, or \$0.50 per pack.

This bill would take effect September 1, 2003.

Methodology

The proposed increase in the cigarette tax rate would have a negative effect on the taxable consumption of cigarettes in Texas. Potential revenue collections were adjusted for consumption and tax avoidance effects and for collection lags.

Because taxable cigarette consumption would decline and the Fund 0001 allocation from the cigarette

tax would remain at the current \$0.41 per pack, there would be a net loss of cigarette tax revenue allocated to Fund 0001.

In addition, negative dynamic fiscal impacts would result from this tax increase, which also would be borne by Fund 0001. The dynamic impacts are included in Fund 0001 figures in the above table.

This analysis also assumed that allocations to the new accounts would begin when the new tax revenue reached the State Treasury, which would be approximately one month following the bill's effective date.

Because the bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 501 Department of Health, 517 Commission on Alcohol and Drug Abuse, 529 Health and Human Services Commission, 530 Department of Protective and Regulatory Services, 532 Interagency Council on Early Childhood Intervention, 655 Department of Mental Health and Mental Retardation

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