

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.93 Increase the Smoking Age from 18 to 21 Years of Age Over 3 Years (Draft 2.1)**

This bill would increase the smoking age from 18 to 21 years of age for both cigarettes and other tobacco products over a three year period.

Currently, the cigarette and other tobacco products tax revenues are estimated at \$76.28 million for FY 2017. Each one year increase in the smoking age will cost the state approximately \$900,000 in cigarette and other tobacco products tax revenues which go to the State Health Care Resources Fund (SHCRF); and about \$100,000 in sales and use tax revenues, of which 65% is from the General Fund and 35% the Education Fund. The estimates are derived using the consensus revenue forecasts and SAMHSA survey data on smoking prevalence by age cohort. The revenue impact decreases slightly each year as the estimated revenue from taxes on tobacco products decline over time.

The estimated fiscal year impact is outlined below. The changes begin on January 1st midway through the fiscal year reducing by just over half the revenue loss in the first fiscal year.

#### **Estimated Tax Revenue Change by Fiscal Year**

	<b>Cig &amp; Tob</b>	<b>Sales and Use</b>	
<b>Fiscal Year</b>	<b>SHCRF</b>	<b>GF</b>	<b>EF</b>
2017	(375,000)	(30,000)	Negligible
2018	(900,000)	(65,000)	(35,000)
2019	(900,000)	(65,000)	(35,000)

Moneys from the SHCRF are used to fund the state's share of health care programs such as Medicaid, the Children's Health Insurance Program (CHIP) and Vermont Health Connect, through the Global Commitment waiver. The federal medical assistance percentage (FMAP) for SFY'17 will be 45.68% state, 54.32% federal. Some programs receive an enhanced match, while a very small number receive no match at all, but most receive the regular FMAP. To the extent that any revenue reductions are not made up the state will also lose the federal match as illustrated in the chart below:

#### **Estimated potential impact on Global Commitment**

<b>Fiscal Year</b>	<b>State Dollars</b>	<b>Federal Dollars</b>	<b>Total Gross Dollars</b>
2017	(375,000)	(\$446,000)	(\$821,000)
2018	(900,000)	(\$1,070,000)	(1,970,000)
2019	(900,000)	(\$1,070,000)	(1,970,000)