Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.88 – An act relating to increasing the smoking age from 18 to 21 years of age

This bill proposes to increase the smoking age from 18 to 21 years of age for cigarettes and other tobacco products as of July 1, 2017.

Currently, tax revenues from cigarettes and other tobacco products are estimated at $75.3 million in FY 2018. Revenues from these taxes are deposited into the State Health Care Resources Fund (SHCRF). The estimated reductions in cigarette and tobacco revenues are listed in the chart below. There would also be some reductions in the sales and use revenues associated with this policy but they would be negligible.

Estimated Tax Revenue Change by Fiscal year

Year	*Cigarette & Tobacco Tax*
FY 2018	(742,500)
FY 2019	(790,000)
FY 2020	(770,000)

Moneys from the SHCRF are used to draw federal matching dollars and fund the state's health care programs such as Medicaid, the Children's Health Insurance Program (CHIP) and Vermont Health Connect. The state has different federal match rates for different programs, but the match rates for FY 2018 for most of the Medicaid program will be 46.28% (state) / 53.72% (federal). To the extent that any revenue reductions are not made up or offset, the potential reductions in federal match and gross dollars are illustrated below (using the regular FMAP rate).

Estimated Potential Impact on Global Commitment Funding

Fiscal Year	State Dollars	Federal Dollars	Total Gross Dollars
2018	(742,500)	(861,865)	(1,604,365)
2019	(790,000)	(917,000)	(1,707,000)
2020	(770,000)	(893,786)	(1,663,786)

Further Discussion

The State would incur some savings as well as additional costs, but they are difficult to estimate. Much empirical research links smoking during pregnancy to health problems such as preterm birth, birth defects, infant death and other health issues. Research shows that mothers who smoked during pregnancy had a 24%, 23%, and 28% greater risk for very preterm,

spontaneous, and medically indicated preterm birth, respectively, than non-smokers.[1] Infants born preterm have higher rates of health complications and lifelong disabilities and are at higher risk for lower intelligence, poorer visual-motor skills and executive functioning.[2]

The Vermont Department of Health reports that 27.1% of Vermont women under age 20 smoke during pregnancy; Vermont's rate of smoking during pregnancy is consistently about twice the national rate. In addition, 31.1% of women on Medicaid smoke during pregnancy.[3]

Increasing the smoking age would undoubtedly have some effect on the behaviors of younger smokers. A rough calculation by the Joint Fiscal Office (JFO) suggests minimal savings to the Medicaid program in the first year from increasing the smoking age from 18 to 21 but gross Medicaid savings in year 2 of perhaps $150,000 (gross) / $70,000 (state). Those savings would arise from a small decline in the number of preterm births to mothers under age 21. Given uncertainty about the extent to which smoking rates among teens, particularly those on Medicaid, might decrease to affect pregnancy outcomes, measures of cost avoidance under such a policy are speculative.

This bill may have other fiscal implications to the State, such as those related to enforcement or judiciary procedures. Such costs are difficult to estimate at this time.

Methodology

JFO used the following methodology to estimate the tax revenue impact. SAMHSA Survey Data (2015 Past Year by Individual Age) estimates that 1.9% of tobacco users are age 18; 3.1% are age 19; and 2.9% are age 20. These were applied to the FY18-20 revenue forecasts for taxes on cigarettes and other tobacco products. Further adjustments were made using an avoidance factor and a consumption factor. These factors account for behavioral assumptions such as having others purchase the product and the lower consumption patterns of younger tobacco users. These estimates were then adjusted for the policy change in the bill and the effective date of implementation.

[1] Aliyu, M. (2010). Smoking during pregnancy increases risk for preterm birth. Presentation at Preventive Medicine 2010: the Annual Meeting of the American College of Preventive Medicaid. Dr. Muktar Aliyu. http://www.medscape.com/viewarticle/717666

[2] Van Noort, I.L, Franken, M-C, J.P. and Weisglas-Kuperus, N. (2012). Language functions in preterm-born children: A systematic review and meta-analysis. Pediatrics, published online March 19, 2012. https://www.childtrends.org/indicators/preterm-births/#_edn5

[3] Vermont Department of Health, Division of Maternal & Child Health, "Brief: Tobacco Use." http://healthvermont.gov/sites/default/files/documents/2017/01/DB.NPM14.Smoking.pdf