

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 27, 2017

TO: Honorable Four Price, Chair, House Committee on Public Health

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1908 by Zerwas (Relating to the distribution, possession, purchase, consumption, and receipt of cigarettes, e-cigarettes, and tobacco products; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1908, As Introduced: a negative impact of (\$30,137,000) through the biennium ending August 31, 2019.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$34,115,000) for the 2018-19 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$11,231,000)
2019	(\$18,906,000)
2020	(\$18,541,000)
2021	(\$18,993,000)
2022	(\$17,918,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from State Highway Fund 6	Probable Revenue Gain/(Loss) from Property Tax Relief Fund 304	Probable Revenue Gain/(Loss) from Cities
2018	(\$11,231,000)	(\$5,303,000)	(\$15,369,000)	(\$1,017,000)
2019	(\$18,906,000)	\$0	(\$18,746,000)	(\$1,131,000)
2020	(\$18,541,000)	\$0	(\$16,774,000)	(\$1,130,000)
2021	(\$18,993,000)	\$0	(\$18,415,000)	(\$1,117,000)
2022	(\$17,918,000)	\$0	(\$16,255,000)	(\$1,103,000)

Fiscal Year	Probable Revenue Gain/(Loss) from Transit Authorities	Probable Revenue Gain/(Loss) from Counties & Special Districts
2018	(\$351,000)	(\$185,000)
2019	(\$391,000)	(\$206,000)
2020	(\$390,000)	(\$205,000)
2021	(\$386,000)	(\$203,000)
2022	(\$381,000)	(\$200,000)

Fiscal Analysis

The bill would amend Chapter 161 of the Health and Safety Code, regarding public health provisions, to increase the legal age for the sale, distribution, possession, purchase, consumption, or receipt of cigarettes, e-cigarettes, or tobacco products from age 18 to age 21. The bill would require valid proof of identification for persons younger than 30 years of age, rather than the 27 years of age under current law. Section 161.455, regarding requirements for mailing or shipping cigarettes and e-cigarettes, and prohibiting mailing or shipping to persons under 18 years of age, would be repealed.

The bill would take effect September 1, 2017.

Methodology

Based on the 2018-19 Biennial Revenue Estimate, the Comptroller of Public Accounts indicates the age change provision would result in an estimated 33 percent reduction in the use of all tobacco products by 18 to 20 year old Texans. The forecast taxable consumption of tobacco products and their associated tax revenues were adjusted accordingly. This analysis includes a one month lag in collections for fiscal year 2018.

The reduction in the use of cigarettes, snuff, cigars, and other tobacco products by 18 to 20 year old Texans would lead to reduced revenue contributions to the General Revenue Fund 0001 and the Property Tax Relief Fund 0304. The reduction in the use of all products for which the age requirement is raised would lead to reduced sales tax revenue to Fund 0001, State Highway Fund 0006, cities, transit authorities, counties, and special districts.

Pursuant to Proposition 7 (2015), any sales tax collections in excess of \$28 billion and less than \$30.5 billion will be deposited into the State Highway Fund. Because total 2018 collections are projected to fall in that range, the 2018 sales tax revenue loss is from the State Highway Fund instead of General Revenue.

With a reduction in the use of tobacco products, there could be an indeterminate savings to the state in the future resulting from reduced health care costs.

Local Government Impact

There would be a corresponding amount of sales tax revenue loss from local taxing jurisdictions. Those revenue losses are displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 537 State Health Services, Department of

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