



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 38** HLS 19RS 123
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: May 14, 2019	10:08 AM	Author: HOFFMANN
Dept./Agy.: Statewide		Analyst: Monique Appeaning
Subject: Age Change from 18 to 21 for tobacco and vapor products		

CRIME EG DECREASE GF RV See Note Page 1 of 2
 Raises the minimum age relative to the distribution, sale, purchase, or possession of tobacco products, alternative nicotine products, or vapor products

Proposed law changes the minimum age from 18 to 21 for unlawful distribution of sample tobacco products, alternative nicotine products, or vapor products. Proposed law changes the minimum age from 18 to 21 for a manufacturer, distributor, retailer, or other person knowingly selling or distributing any tobacco product, alternative nicotine products, or vapor products to a person under age from 18 to 21. Proposed law changes the minimum age from 18 to 21 to accept receipt of tobacco products, alternative nicotine products, or vapor products from an employer when required in the performance of such person's duties. Proposed law provides for specific technical changes to present law.

Proposed Committee Amendment provides for exceptions for persons who reach age 18 on or before August 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

While proposed law does not directly impact expenditures, it does impact revenues that support general and specific operational costs in numerous state agencies. The impact is indeterminable and will depend on appropriation decisions by

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law will result in a decrease in SGF and statutory dedications out of the Tobacco Tax Regulation Enforcement Fund, the Health Excellence Fund, the Tobacco Tax Health Care Fund and Tobacco Tax Medicaid Match Fund.

The Department of Revenue (DOR) provided the following information:

Purchases by persons under 21 account for approximately 2% of tobacco sales nationwide according to the Preventing Tobacco Addiction Foundation. Applying this percentage to the FY 18 net tobacco tax collection amount, collections are projected to decrease by approximately \$5,923,075 (\$296,153,731 x .02) per year. Because the tobacco tax is paid before the point of sale, this initial revenue decrease is likely to be delayed as it will take time for current tobacco inventory to be sold for which taxes have already been paid and for future sales to decrease. There will presumably be a secondary future decrease in revenue since raising the minimum age to purchase, possess or be sold tobacco products contributes to preventing youth from smoking at a later age. This impact is indeterminable.

Fund Name	FY 18 Distribution	Percentage of underage sales	Assumed demand decrease
Tobacco Tax Health Care	\$28,654,033	2%	(\$573,081)
Tobacco Tax Medicaid Match	\$119,391,188	2%	(\$2,387,824)
Tobacco Tax Regulation Enforcement	\$596,959	2%	(\$11,939)
Tobacco Health Excellence	\$9,551,346	2%	(\$191,027)
General Fund	\$137,960,205	2%	(\$2,759,204)
Total Estimated Revenue Decrease			(\$5,923,075)

NOTE: DOR reports that national surveys have shown that more than 86% of underage youth acquire cigarettes illegally and that more than 89% of underage youth acquire e-cigarettes illegally from friends over 18, family, and even strangers. Therefore, the decrease in revenue will likely be significantly less than stated above. DOR provided information from the Preventing Tobacco Addiction Foundation that states 12.3% (or 29,400) of high school students in Louisiana in 2017 smoked on at least one day in the past 30 days. From 2015 to 2017, the percentage of high school students who used e-cigarettes rose from 2.5% to 12.2%.

Revenue Explanation Continued on Page Two:

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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 Staff Director

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CONTINUED EXPLANATION from page one:

Expenditure Explanation Continued from Page One:

the legislature (see **NOTE** below). In addition to the SGF, appropriations funded from the following statutorily dedicated revenues will be impacted to an indeterminable degree by proposed law: the Tobacco Tax Health Care Fund, the Tobacco Tax Medicaid Match Fund (and potential federal match), the Tobacco Regulation Enforcement Fund and the Health Excellence Fund.

NOTE #1: To the extent revenue deposits into the aforementioned statutorily dedicated funds decline, the legislature will be required to reduce expenditure appropriations to those funds accordingly. Reductions will also be required to unspecified SGF appropriations. See REVENUE EXPLANATION on page one for additional information.

The Louisiana Department of Health (LDH) reports that studies have estimated that raising the minimum legal sales age for tobacco products to 21 nationwide could "result in a 12% decrease in tobacco use, approximately 223,000 fewer premature deaths, 50,000 fewer deaths from lung cancer, and 4.2 M fewer years of life lost." LDH further indicates that a recent study estimates that a 1% reduction in smoking rates overall in Louisiana could potentially reduce Medicaid costs by \$31.7 M over time. LDH projects the following impact on its budget:

**FY 20 - Savings are indeterminable due to lack of solid data indicating an immediate return.
 FY 21 - FY 24 - LDH estimates that over this period of time, Medicaid will see savings totaling \$31.7 M after implementation of proposed law (\$3.17 M in FY 21, \$6.34 M in FY 22, \$9.51 M in FY 23, and \$12.68 M in FY 24 - totals include an assumption of 33.6% SGF or other state funds match and 66.4% Federal Direct). LDH indicates the decline in tobacco related illnesses will likely result in a gradual savings over time.**

NOTE #2: The LFO is unable to corroborate the timeline indicated by LDH for the state to begin realizing Medicaid savings by targeting tobacco access restrictions at 18-20 year olds. The LFO assumes any legislation that may impact baseline smoking levels in the state are likely to result in long-term savings to the public and private health system, including Medicaid. Such impact is indeterminable and will depend on consumer behavior and underlying medical conditions. The study cited by LDH above looked at a 1% reduction in smoking rates regardless of age, not among the 18-20 year old population. The likelihood that such cost savings within this population would rise to a material level within the first few years of enactment is speculative and the LFO is not certain the state will realize cost savings in excess of revenue loss within the window of this fiscal note.

Revenue Explanation Continued from Page Two:

Proposed Committee Amendment provides for exceptions for persons who reach age 18 on or before August 1, 2019. The impact of the revenue change is likely to change by one-third since the population impacted are ages 18, 19, and 20. In FY 20, for the majority of the fiscal year (minus July 2019) individuals aged 18 years (on or before August 1, 2019), 19 years and 20 years will not be restricted from purchasing these products.

For illustrative purposes, the LFO estimates the proposed committee amendment would reduce the total revenues by
 FY 20 = \$904,914
 FY 21 = \$2,879,273
 FY 22 = \$4,853,631
 FY 23 = \$5,923,075
 FY 24 = \$5,923,075

The reductions will be applied on a pro rata basis to the various funds mentioned on page one of this fiscal note.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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