Doug Gibbs March 02, 2011 402-471-0051

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | | | |
|--|--------------|-----------|--------------|-----------|--|--|
| | FY 201 | 1-12 | FY 2 | 012-13 | | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE | | |
| GENERAL FUNDS | | See Below | | See Below | | |
| CASH FUNDS | | See Below | | See Below | | |
| FEDERAL FUNDS | | | • | | | |
| OTHER FUNDS | | | | | | |
| TOTAL FUNDS | | See Below | , | See Below | | |

^{*}Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 436 amends Nebraska Revised Statutes Sections 77-2602 and 77-4008, dealing with the taxation of cigarettes and tobacco products and distribution of revenue.

Section 77-2602 is amended to increase the excise tax on cigarettes from the current rate of 64 cents per package to \$1.99 per package.

The bill amends the distribution of revenue from the excise tax on cigarettes to add two new distributions. The bill distributes the equivalent of 37.5 cents but not less than \$30,800,000 each fiscal year, to the Health Care and Human Service Provider Rate Stabilization Fund.

The equivalent of one-half cent but not less than \$486,470 is distributed to the Tobacco Prevention and Control Cash Fund.

LB 436 creates the Health Care and Human Service Provider Rate Stabilization Fund. The Fund is to be used to support reimbursement of service providers through service rates within, but not limited to, the following programs:

- Medical Assistance Act
- o Children's Health Insurance Program
- o Nebraska Behavioral Health Service Act
- Nebraska Community Aging Services Act

Section 77-4008 is amended to increase the tax on tobacco products from the current 20 percent to 65 percent of the purchase price paid by the first owner or the price at which a first owner who manufactured or fabricated the product sells the product to others. Proceeds from the tax will continue to be credited to the Tobacco Products Administration Cash Fund.

The Legislative Fiscal Office estimates the following fiscal impact to the General Fund:

| Fiscal Year: | Cigarette Tax Increase: | Sales Tax Increase: | Total: |
|--------------|-------------------------|---------------------|---------------|
| FY11-12 | \$ 65,415,600 | \$ 2,518,500 | \$ 67,934,100 |
| FY12-13 | \$ 87,220,800 | \$ 3,358,000 | \$ 90,578,800 |
| FY13-14 | \$ 82,933,725 | \$ 3,192,950 | \$ 86,126,675 |
| FY14-15 | \$ 78.818.000 | \$ 3,034,500 | \$ 81,852,500 |

The Department of Revenue estimates the following fiscal impact to the General Fund:

| Fiscal Year: | Cigarette Tax Increase: | Sales Tax Increase: | Total: |
|--------------|-------------------------|---------------------|---------------|
| FY11-12 | \$ 64,513,000 | \$ 2,484,000 | \$ 66,997,000 |
| FY12-13 | \$ 81,935,000 | \$3,155,000 | \$ 85,090,000 |
| FY13-14 | \$78,695,000 | \$ 3,030,000 | \$ 81,725,000 |
| FY14-15 | \$75,533,000 | \$ 2,908,000 | \$ 78,441,000 |

The Legislative Fiscal Office estimates the following fiscal impact to the following Cash Funds:

| Fiscal Year: | Tobacco Products | Health Care and Human | Tobacco Prevention and | Total: |
|--------------|---------------------|-----------------------|------------------------|---------------|
| | Administration Cash | Service Provider Rate | Control Cash Fund: | |
| | Fund: | Stabilization Fund: | | |
| FY11-12 | \$ 4,074,300 | \$ 30,800,000 | \$ 486,470 | \$ 35,360,770 |
| FY12-13 | \$ 5,432,500 | \$ 34,711,875 | \$ 486,470 | \$ 40,630,845 |
| FY13-14 | \$5,704,000 | \$ 33,323,400 | \$ 486,470 | \$,39,513,870 |
| FY14-15 | \$ 5,989,300 | \$ 31,990,500 | \$ 486,470 | \$ 38,466,270 |

The Department of Revenue estimates the following fiscal impact to the following Cash Funds:

| Fiscal Year: | Tobacco Products Administration Cash Fund: | Health Care and Human Service Provider Rate Stabilization Fund: | Tobacco Prevention and Control Cash Fund: | Total: |
|--------------|--|---|---|---------------|
| FY11-12 | \$ 2,426,000 | \$ 30,800,000 | \$ 486,470 | \$ 33,712,470 |
| FY12-13 | \$ 3,397,000 | \$ 35,344,000 | \$ 486,470 | \$ 39,227,470 |
| FY13-14 | \$ 3,567,000 | \$ 34,406,000 | \$ 486,470 | \$ 38,459,470 |
| FY14-15 | \$ 3,745,000 | \$ 33,491,000 | \$ 486,470 | \$ 37,722,470 |

Total estimated fiscal impact of LB 436 to General Fund and Cash Funds:

| Fiscal Year: | Legislative Fiscal Office: | Department of Revenue: |
|--------------|----------------------------|------------------------|
| FY11-12 | \$ 103,294,870 | \$ 100,709,470 |
| FY12-13 | \$ 131,209,645 | \$ 124,317,470 |
| FY13-14 | \$ 125,640,545 | \$ 120,184,470 |
| FY14-15 | \$ 120,318,770 | \$ 116,163,470 |

DEPARTMENT OF ADMINISTRATIVE SERVICES

| REVIEWED BY | Lyn Heaton | DATE 3/3/11 | PHONE 471-2526 |
|------------------------------------|------------|-------------|----------------|
| COMMENTS | | | |
| | | | |
| DHHS – The analysis appears reason | able. | | |

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LB 436

Fiscal Note

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| | | State Agency | Estimate STA | TIVE RISE a | 1 | |
|-------------------------------|--------------|----------------|--------------|---------------|-----------------|---------------|
| State Agency Name: Department | of Revenue | | | | Date Due LFA: | 1/26/2011 |
| Approved by: Douglas Ewald | | Date Prepared: | 2/22/2011 | - | Phone: 471-5700 | |
| | FY 201 | 1-2012 | FY 201 | 2-2013 | FY 20 | 13-2014 |
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | 1 | \$66,997,000 | | \$85,090,000 | | \$81,725,000 |
| Cash Funds | | \$30,185,000 | | \$39,227,000 | | \$38,459,000 |
| Federal Funds | | | | | | |
| Other Funds | | | | | | |
| Total Funds | | \$97,179,000 | | \$124,317,000 | - L | \$120,184,000 |

LB 436 raises the cigarette tax from \$0.64 per package of 20 to \$1.99, and increases the tax on tobacco products other than snuff from 20% to 65% of the purchase price. Statutory transfers after hold-harmless deductions to the General Fund are increased from \$0.49 per pack to \$1.46. The remainder is directed into newly-created funds as follows: \$0.375 cents per pack, but not less than \$30,800,000, to the Health Care and Human Service Provider Rate Stabilization Fund; and \$0.005 cents per pack, but not less than \$486,470 to the Tobacco Prevention and Control Cash Fund. The other funds related to the cigarette tax remain unchanged. The new rates would be effective October 1, 2011.

LB 486 is expected to increase revenue to the General Fund by the following amounts:

| Fiscal Year | Cigarette tax increase | Sales tax increase | Total |
|-------------|------------------------|--------------------|--------------|
| FY 2010-11 | \$64,513,000 | \$2,484,000 | \$66,997,000 |
| FY 2011-12 | \$81,935,000 | \$3,155,000 | \$85,090,000 |
| FY 2012-13 | \$78,695,000 | \$3,030,000 | \$81,725,000 |
| FY 2013-14 | \$75,533,000 | \$2,908,000 | \$78,441,000 |

LB 436 is also expected to increase revenue to the following cash funds:

| Fiscal Year | Tobacco Products Administration Cash Fund | Health Care and Human Service Provider Rate Stabilization Fund | Tobacco Prevention and Control Cash Fund | Total |
|-------------|---|---|--|--------------|
| FY 2010-11 | \$2,426,000 | | \$365,000 | \$30,185,000 |
| FY 2011-12 | \$3,397,000 | \$35,344,000 | \$486,000 | \$39,227,000 |
| FY 2012-13 | \$3,567,000 | \$34,406,000 | \$486,000 | \$38,459,000 |
| FY 2013-14 | \$3,745,000 | \$33,491,000 | \$486,000 | \$37,722,000 |

Departmental cost to implement LB 436 is expected to be minimal.

| Major Objects of Expenditure | | | | | | | |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|
| Class Code | Classification Title | 11-12 <u>FTE</u> | 12-13 <u>FTE</u> | 13-14 <u>FTE</u> | 11-12 Expenditures | 12-13 Expenditures | 13-14 Expenditures |
| | | | | | | | 1 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Capital Outlay | | | | | | | |
| | | | | | | | |
| Capital Improvements | | | | | | | |

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FISCAL NOTE

2011

| | | | LECICI ALIVATE CINE | |
|-----------------------------|---|---------------------------------------|---------------------|------------------|
| | ESTIMATE PROVID | ED BY STATE AGENCY OR PO | | 1 |
| State Agency or Politic | cal Subdivision Name (2) Department Date Prepar | artment of Health and Huma | n Services | |
| Prepared by: (3) Willard E | Bouwens Date Prepar | ed:(4) February 4, 2011 | Pho | ne: (5) 471-8072 |
| | FY 2011 | -2012 | FY 2012- | 2013 |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | \$31,286,470 | | \$31,286,470 |
| FEDERAL FUNDS | | · · · · · · · · · · · · · · · · · · · | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$0 | \$31,286,470 | \$0 | \$31.286.470 |
| | | | | |
| Return by date specified or | 72 hours prior to public hearing, wh | ichever is earlier. | | |
| Explanation of Esti | mate: | | | |

Revenue:

\$.005 cents of the increased cigarette tax but not less than \$486,470 each fiscal year will be going into the Tobacco Prevention and Control Cash Fund. \$.375 cents of the increase cigarette tax but not less than \$30,800,000 each fiscal year will be deposited in to a newly created Health Care and Human Service Provider Rate Stabilization Fund. The total minimum amount of revenue going to Health and Human Services will be \$31,286,470 (\$486,470 + \$30,800,000).

Expenditures:

There is no appropriations in LB0436 for expending the revenue that Health and Human Services would receive.

| MAJOR OBJECTS OF EXPENDITURE | | | | |
|------------------------------|---|--------------------|---------------------------|---------------------------|
| PERSONAL SERVICES: | | | | |
| POSITION TITLE | NUMBER OF I | POSITIONS 12-13 | 2011-2012 EXPENDITURES | 2012-2013 EXPENDITURES |
| | | | | |
| | | | | |
| | | | | |
| Benefits | *************************************** | | | |
| Operating, | | _ | | |
| Travel | | | | |
| Capital Outlay | ••••• | | | |
| Aid | | | | |
| Capital Improvements | | _ | | |
| TOTAL | *************************************** | | \$0 | \$(|