

**JBC STAFF FISCAL ANALYSIS  
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING THE TAXATION OF PRODUCTS THAT CONTAIN NICOTINE, AND, IN CONNECTION THEREWITH, INCREASING THE CIGARETTE TAX BY EIGHT AND SEVENTY-FIVE ONE-HUNDREDTHS CENTS PER CIGARETTE AND THE TOBACCO PRODUCTS TAX BY TWENTY-TWO PERCENT OF THE MANUFACTURER'S LIST PRICE; CREATING A TAX ON NICOTINE PRODUCTS THAT IS EQUAL TO SIXTY-TWO PERCENT OF THE MANUFACTURER'S LIST PRICE; REFERRING A BALLOT ISSUE FOR PRIOR VOTER APPROVAL FOR THE NEW AND INCREASED TAXES; AND DEDICATING THE NEW TAX REVENUE FOR BEHAVIORAL HEALTH SERVICES FOR CHILDREN AND YOUTH, HEALTH CARE AFFORDABILITY AND ACCESSIBILITY, THE COLORADO PRESCHOOL PROGRAM EXPANSION AND ENHANCEMENT, AND THE NEWLY CREATED COLORADO EXPANDED LEARNING OPPORTUNITIES PROGRAM.

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Senator Fields

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**Fiscal Impact of Bill as Amended to Date**

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/26/19.

	<b>No Change:</b> Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
<b>XXX</b>	<b>Update:</b> Fiscal impact has changed due to <i>new information or technical issues</i>
<b>XXX</b>	<b>Update:</b> Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	<b>Non-Concurrence:</b> JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Pages 1 and 12 of the Fiscal Note state that the appropriations are conditional on voter approval and would be addressed through the annual budget process. However, expenditures identified for the Department of Revenue should be conditionally appropriated in the bill in order to provide the Department with spending authority to implement the systems changes related to the administration of any voter-approved tax changes, which may take effect as early as January 1, 2020. Legislative Council Staff agrees with this update.

The House Finance Committee Report (04/26/19) includes amendments to the bill, including a provision which adds an amount equal to 27 percent of the amount transferred from the Behavioral Health and Health Care Affordability and Accessibility Cash Fund to the current law amount, equal to 27 percent of the current statutory cigarette tax, distributed to counties and municipalities according to their volume of cigarette sales. That adjustment and additional incremental adjustments to the fiscal impact for other changes in the Committee Report will be addressed in a future fiscal note. The expenditures identified for the Department of Revenue on page 9 of the Fiscal Note remain

unchanged. Legislative Council Staff agrees with this update.

**Amendments in This Packet for Consideration by Appropriations Committee**

Amendment	Description
J.001	Staff-prepared appropriation amendment

**Current Appropriations Clause in Bill**

The bill requires but does not contain an appropriation clause.

**Description of Amendments in This Packet**

**J.001** Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$150,634 General Fund to the Department of Revenue for FY 2019-20. This provision also states that the appropriation is based on the assumption that the Department will require an additional 0.2 FTE. Of the amount, the provision also reappropriates \$1,200 to the Department of Personnel.

**Points to Consider**

*General Fund Impact*

1. The Joint Budget Committee has proposed a budget package for FY 2019-20 based on the March 2019 Legislative Council Staff revenue forecast. The budget package leaves approximately \$47.9 million General Fund unallocated. Thus, the General Assembly could appropriate up to \$44.7 million General Fund to fund 2019 legislation and maintain a 7.25 percent General Fund reserve. This bill requires a General Fund appropriation of \$150,634 for FY 2019-20, reducing the excess General Fund reserve by \$161,555.
2. Conditional on voter approval, the bill is anticipated to increase General Fund revenues by \$0.9 million in FY 2019-20 and \$1.8 million starting in FY 2020-21. This is due to a reduction in existing General Fund revenues, offset by an annual transfer of a portion of the new tax revenues.
  - As indicated in Table 4 on page 6 of the Fiscal Note, as a result of reduced consumption, cigarette tax revenues currently credited to the General Fund are expected to decrease by \$1.2 million in FY 2019-20 and by \$2.3 million starting in FY 2020-21. This reduces state revenue subject to TABOR by the same amounts.
  - As indicated in Table 3 on page 3 of the Fiscal Note, 1.28 percent of the new tax revenue under the bill would be allocated to the General Fund annually. This is projected to increase General Fund revenues by \$2.1 million in FY 2019-20 and by \$4.1 million starting in FY 2020-21.

*Legislative Authority*

3. Is it necessary to "continuously appropriate" tax revenue credited to the Colorado Expanded

**HB19-1333****JBC Staff Analysis**

Learning Opportunities Cash Fund to a newly created independent agency within the Department of Education [Page 31, lines 20 through 25] This method of funding essentially moves related expenditures off-budget, and thus expenditures are not reported or accounted for through the budget process.