



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note for 2018 Initiative

Bill #	CI-09
---------------	-------

Title:	Statutory Initiative to Raise Tobacco Taxes to Fund Health Care Programs
---------------	--

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Expenditures:					
General Fund	\$0	(\$9,168,640)	(\$2,295,015)	(\$1,882,573)	(\$1,438,225)
State Special Revenue	\$0	\$54,949,789	\$55,153,526	\$55,357,626	\$55,569,243
Federal Special Revenue	\$0	\$604,344,778	\$602,760,451	\$607,681,406	\$612,675,820
Revenue:					
General Fund	\$6,970,870	\$19,683,926	\$19,917,960	\$20,150,966	\$20,392,105
State Special Revenue	\$32,098,209	\$60,348,294	\$60,699,693	\$61,042,362	\$61,396,119
Federal Special Revenue	\$0	\$604,344,778	\$602,760,451	\$607,681,406	\$612,675,820
Net Impact-General Fund Balance	<u>\$6,970,870</u>	<u>\$28,852,566</u>	<u>\$22,212,975</u>	<u>\$22,033,539</u>	<u>\$21,830,330</u>

Description of fiscal impact: This initiative raises and revises tobacco and other tobacco product taxes to fund certain healthcare services. The new revenue would fund costs associated with lifting the sunset on Montana's Medicaid Expansion (HELP Act); veterans' services including suicide prevention; smoking cessation and prevention programs; and provide long-term care services for seniors and Montanans with disabilities in their communities.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. The State of Montana currently places a tax of \$1.70 per pack on the sale of cigarettes, as well as a \$0.85 per ounce tax on moist snuff. The state also places a tax on all other tobacco products that is equal to 50% of the wholesale price.
2. The State of Montana does not currently tax electronic cigarette products or the nicotine containing vapor products used by electronic cigarettes.
3. The proposed ballot initiative increases the tax on each pack of 20 cigarettes to \$3.70 per pack starting on January 1, 2019. The proposed initiative also changes the tax on moist snuff from \$0.85 per ounce to 83% of the wholesale price per 1.2 ounces or the tax that is currently placed on a pack of 20 cigarettes per 1.2

ounces of moist snuff, whichever is greater. The tax on all other tobacco products is also increased from 50% of the wholesale price to 83% of the wholesale price.

4. The proposed initiative also expands the definition of tobacco products to include electronic cigarettes and non-hardware vaping products.
5. The initiative changes the discount rate allowed by purchasers of cigarette decals. The discount rate for the first 2,580 cartons is currently 0.9%. For the next 2,580 cartons, the discount rate is 0.6%. The discount rate for the remaining cartons is 0.45%. The initiative changes the discount amounts and rates to the following: 0.478% for the first 3,000 cartons, 0.318% for the next 3,000 and 0.239% for all cartons beyond the first 6,000.
6. The initiative creates a floor stock tax on licensed wholesalers, which applies the \$2.00 cigarette tax increase to each wholesaler's stock of cigarette pack decals that were purchased before the cigarette tax increase.
7. It is assumed that the consumption of cigarettes and other tobacco products decreases as a result of price increases caused by the higher taxes. The department has assumed in previous analysis that a 10% increase in the price of cigarettes and other tobacco products reduces their consumption by 4.5%. However, due to the difference in tax rates that will exist under the proposed initiative and Montana's surrounding states, the department assumes that a 10% increase in the price of cigarettes and other tobacco products will reduce the purchase of the taxed goods by 6%.
8. Approximately 43 million packs of 20 cigarettes were sold in Montana in FY 2016. It is assumed that the number of cigarette packs sold in Montana will continue its historical sales trend for future years under current law. The number of cigarette packs sold in Montana is projected to be 41.7 million in FY 2019 and will decrease to 39.6 million by FY 2023.
9. Montana's current tax rate of \$1.70 per pack will generate \$70.8 million in FY 2019, \$69.8 million in FY 2020, \$68.7 million in FY 2021, \$68.1 million in FY 2022 and \$67.3 million in FY 2023 under current law and projected sales.
10. It is assumed that the price of cigarettes will continue to increase at its historical rate under current law. Based on historical trends, the price of a pack of cigarettes is projected to be \$6.89 in FY 2019 and will reach \$7.37 in FY 2023.
11. It is assumed that the price of a pack of cigarettes will increase by the entire \$2.00 per pack tax increase created under the initiative.
12. The initiative would reduce the number of cigarette packs sold within Montana to approximately 38 million in FY 2019, 34 million in FY 2020, 33.6 million in FY 2021, 33.4 million in FY 2022, and 33.1 million in FY 2023 based on a price increase of \$2.00.
13. Increasing the cigarette tax to \$3.70 per pack is projected to increase cigarette tax revenue for FY's 2019, 2020, 2021, 2022, and 2023 by approximately \$28.2 million, \$56.1 million, \$55.6 million, \$55.6 million, and 55.4 million, respectively based on a price increase of \$2.00.

Cigarette Tax Revenue By Fiscal Year					
Current Law					
Fiscal Year	Pack of 20 Cigarettes Sold	Price Per Pack	Cigarette Tax	Cigarette Tax Revenue	Change In Total Revenue
2019	41,653,000	\$6.89	\$1.70	\$70,810,100	\$0
2020	41,033,000	\$7.01	\$1.70	\$69,756,100	\$0
2021	40,408,000	\$7.12	\$1.70	\$68,693,600	\$0
2022	40,088,000	\$7.25	\$1.70	\$68,149,600	\$0
2023	39,594,000	\$7.37	\$1.70	\$67,309,800	\$0
Proposed Law					
Fiscal Year	Pack of 20 Cigarettes Sold	Price Per Pack	Cigarette Tax	Cigarette Tax Revenue	Change In Total Revenue
2019	38,026,000	\$8.89	\$3.70	\$99,043,345	\$28,233,245
2020	34,005,000	\$9.01	\$3.70	\$125,818,500	\$56,062,400
2021	33,602,000	\$9.12	\$3.70	\$124,327,400	\$55,633,800
2022	33,449,000	\$9.25	\$3.70	\$123,761,300	\$55,611,700
2023	33,148,000	\$9.37	\$3.70	\$122,647,600	\$55,337,800

14. Approximately 13.1 million ounces of moist snuff was sold in Montana during FY 2017. It is assumed that the amount of moist snuff sold in the state will increase to 12.7 million ounces in FY 2018 and will continue increasing to 14.5 million ounces in FY 2023 based on historical growth rates.
15. It is assumed that the average price for moist snuff in Montana was \$3.25 per ounce in FY 2017. The price of snuff is assumed to increase to \$3.35 per ounce in FY 2018 and will continue to increase to \$3.59 per ounce in FY 2023 based on historical price increases for tobacco products.
16. The tax rate on moist snuff will increase to the tax rate placed on cigarettes, \$3.70 per 1.2 ounces. It is assumed that the price of moist snuff will increase by the entire \$3.70 per 1.2 ounce tax increase based on assumed snuff prices.
17. The initiative would reduce the amount of moist snuff sold in Montana to 10.46 million ounces in FY 2019 and will continue decreasing to 9.1 million in FY 2023 based on a price increase of \$2.23 per ounce ($\$3.70 * (1/1.2) - \0.85).
18. Increasing the moist snuff tax to \$3.20 per 1.2 ounces would increase total tax revenue by \$6.5 million in FY 2019, \$13.9 million in FY 2020, \$14.6 million in FY 2021, \$15.1 million in FY 2022, and \$15.7 million in FY 2023 based on the estimated tax and quantity changes.

Moist Snuff Tax Revenue By Fiscal Year					
Current Law					
Fiscal Year	Ounces of Moist Snuff Sold	Price Per Ounce	Moist Snuff Tax	Moist Snuff Tax Revenue	Change In Total Revenue
2019	13,069,000	\$3.35	\$0.85	\$11,108,650	\$0
2020	13,581,000	\$3.41	\$0.85	\$11,543,850	\$0
2021	13,988,000	\$3.47	\$0.85	\$11,889,800	\$0
2022	14,192,000	\$3.52	\$0.85	\$12,063,200	\$0
2023	14,505,000	\$3.59	\$0.85	\$12,329,250	\$0
Proposed Law					
Fiscal Year	Ounces of Moist Snuff Sold	Price Per Ounce	Moist Snuff Tax	Moist Snuff Tax Revenue	Change In Total Revenue
2019	10,461,000	\$5.58	\$3.08	\$17,647,000	\$6,538,350
2020	8,248,000	\$5.64	\$3.08	\$25,403,840	\$13,859,990
2021	8,587,000	\$5.70	\$3.08	\$26,447,960	\$14,558,160
2022	8,804,000	\$5.75	\$3.08	\$27,116,320	\$15,053,120
2023	9,092,000	\$5.82	\$3.08	\$28,003,360	\$15,674,110

19. The combined value of all other tobacco product sales was approximately \$6.6 million in FY 2017. It is assumed that the value of all other tobacco product sales will be \$6.2 million in FY 2019, \$6.3 million in FY 2020, \$6.3 million in FY 2021, \$6.2 million in FY 2022, and \$6.2 million in FY 2023 under current law based on historical trends.
20. The proposed initiative would reduce the taxable value of all other taxable tobacco products to \$4.9 million in FY 2019 based on a tax rate increase of 33%age points. With the higher tax rate, taxable value is estimated at \$5.0 million for FY 2020 and FY 2021; \$4.9 million for FY 2022 and FY 2023.
21. Increasing the wholesale tax on all other tobacco products from 50% to 83% in the last half of FY 2019 would increase total tax revenue by \$569,000 based on the estimated tax and quantity changes. For FY's 20 - 23, the increase in total revenue is \$1.17 million, \$1.19 million, \$1.03 million, and \$1.02 million, respectively.

All Other Tobacco Product Tax Revenue By Fiscal Year				
Current Law				
Fiscal Year	Other Tobacco Product Sales Value	Wholesale Tax Rate	Tobacco Products Tax Revenue	Change In Total Revenue
2019	\$6,206,000	50%	\$2,992,000	\$0
2020	\$6,289,000	50%	\$3,014,000	\$0
2021	\$6,252,000	50%	\$2,973,000	\$0
2022	\$6,215,000	50%	\$3,107,000	\$0
2023	\$6,178,000	50%	\$3,089,000	\$0
Proposed Law				
Fiscal Year	Other Tobacco Product Sales Value	Wholesale Tax Rate	Tobacco Products Tax Revenue	Change In Total Revenue
2019	\$5,592,000	83%	\$3,561,000	\$569,000
2020	\$5,044,000	83%	\$4,186,000	\$1,172,000
2021	\$5,014,000	83%	\$4,162,000	\$1,189,000
2022	\$4,984,000	83%	\$4,137,000	\$1,030,000
2023	\$4,954,000	83%	\$4,112,000	\$1,023,000

22. Tobacco sales within the United States equaled approximately \$93.7 billion annually in calendar year 2016. Electronic cigarette sales for the United States were estimated to be approximately \$2.35 billion for the same year. Electronic cigarette sales comprised, in total, approximately 2.5% of tobacco sales within the United States for CY 2016.
23. It is assumed that electronic cigarette sales continue to increase by 23.4% in CY 2017, 24.1% in 2018, 18.1% in 2019, 13.6% in 2020, 10.2% in 2021, 7.6% in 2022, and 5.7% in 2023 based on historical sales increases. Assuming that total tobacco sales within the United States remains unchanged from 2016 levels, electronic cigarettes will comprise 3.1% of U.S. tobacco sales in 2017, 3.8% in 2018, 4.5% in 2019, 5.2% in 2020, 5.7% in 2021, 6.1% in 2022, and 6.5% in 2023.
24. Consumer spending on tobacco in Montana will be approximately \$112,003,000 in FY 2019, \$110,919,000 in FY 2020, \$111,471,000 in FY 2021, \$111,568,352 in FY 2022, and \$112,637,801 in FY 2023 based on historical trends.
25. It is assumed that electronic cigarette sales in Montana comprise a similar share of sales as the U.S., consumers in Montana spent approximately \$2.4 million ($\$108.571 \text{ million} * 2\%$) on electronic cigarette and vaping products during FY 2016.
26. Consumers in Montana will spend approximately \$4.4 million in FY 2019, \$5 million in FY 2020, \$5.5 million in FY 2021, \$5.9 million in FY 2022, and \$6.3 million in FY 2023 based on projected tobacco and electronic cigarette spending projections.
27. It is assumed that the wholesale markup for electronic cigarettes and vaping products is 20% of the wholesale price.
28. It is assumed that 13% of electronic cigarette spending is on vaping hardware, tanks and mods, which would not be subject to the wholesale tax based on national estimates.
29. Wholesale spending on electronic cigarettes is estimated to have been \$2.4 million in FY 2017 and will increase to \$5.3 million by FY 2021 based on a 20% retail markup and 13% of sales on hardware.
30. \$3.7 million in wholesale sales would generate approximately \$790,500 in tax revenue for FY 2019. The 83% tax would also generate \$1.8 million in FY 2020, \$2.0 million in FY 2021, \$2.1 million in FY 2022, and \$2.3 million in FY 2023 by applying a wholesale tax of 83% for the second half of FY 2019.

Electronic Cigarette Tax Revenue By Fiscal Year				
Current Law				
Fiscal Year	Vaping and E-Cig Product Sales Value	Wholesale Tax Rate	Tobacco Products Tax Revenue	Change In Total Revenue
2019	\$3,686,000	0%	\$0	\$0
2020	\$4,146,000	0%	\$0	\$0
2021	\$4,591,000	0%	\$0	\$0
2022	\$4,946,000	0%	\$0	\$0
2023	\$5,280,000	0%	\$0	\$0
Proposed Law				
Fiscal Year	Vaping and E-Cig Product Sales Value	Wholesale Tax Rate	Tobacco Products Tax Revenue	Change In Total Revenue
2019	\$1,905,000	83%	\$790,500	\$790,500
2020	\$2,142,000	83%	\$1,778,000	\$1,778,000
2021	\$2,372,000	83%	\$1,969,000	\$1,969,000
2022	\$2,556,000	83%	\$2,121,000	\$2,121,000
2023	\$2,728,000	83%	\$2,264,000	\$2,264,000

31. Licensed cigarette wholesalers reported 1,459,330 decals for a pack of 20 cigarettes and 10,129 decals for a pack of 25 cigarettes in September 2016.
32. It is assumed that the number of decals held by cigarette wholesalers will remain unchanged until the \$2.00 cigarette tax increase in January 2019.
33. The cigarette floor stock tax would generate \$2.94 million in tax revenue for FY 2019 based on a tax rate of \$2.00 for each 20 pack decal and \$2.50 for each 25 pack decal.
34. Purchasers of cigarette stamps in Montana claimed approximately \$338,000 in insignia discounts in FY 2016. The same stamp purchases would have generated approximately \$391,800 in discounts based on the new rates stipulated in the proposed initiative.
35. The \$2.00 per pack tax increase is estimated to reduce the number of packs sold by 16.8%. Assuming discounts also decreased by 16.8%, the proposed discount rate changes would have reduced the number of discounts that could be claimed to \$326,000 in FY 2016.
36. It is assumed that the change in discount rates will reduce the discount amounts claimed by \$12,000 in FY 2020 and 2021. It is assumed that discounts will decrease discounts by \$6,000 in FY 2019.
37. Any revenue collected above the FY 2018 revenue is distributed into the following subaccounts under the initiative: 6% but no more than \$3 million to be used only for tobacco prevention; 10% but no more than \$5 million to be used only for home and community-based Medicaid waiver services; 4% but no more than \$2 million to be used only for veterans' services; 52% but no more than \$26 million to be used only to provide state matching funds necessary for expanded Medicaid eligibility. All remaining revenue is distributed based on current distribution formulas.
38. The Cigarette tax and Other Tobacco Products tax were estimated to generate \$84.9 million in revenue for FY 2019, \$84.3 million in FY 2020, \$83.6 million in FY 2021, \$83.3 million in FY 2022, and \$82.7 million in FY 2023 under current law. Revenues are projected to increase to \$124.0 million in FY 2018, \$157.2 million in FY 2020, \$156.9 million in FY 2021, \$157.1 million in FY 2022, and \$157.0 million in FY 2023 under the proposed initiative.
39. Cigarette Tax revenue is forecast to be \$72.118 million in FY 2018 based on the revenue estimate assumptions in House Joint Resolution 2. Total revenue for FY 2018 if forecasted to be \$14.4 million in FY 2018 for the Other Tobacco Products taxes. It is assumed that these revenue amounts will be the baseline amounts for the special revenue accounts created in the initiative.

Fiscal Note Request – As Introduced

(continued)

40. Newly generated revenue from Cigarette and Other Tobacco Products tax is estimated to be \$39.1 million in FY 2019, \$72.8 million in FY 2020, \$73.3 million in FY 2021, \$73.8 in FY 2022, and \$74.3 million in FY 2023.

Total Revenue			
Fiscal Year	Total Revenue Current Law	Initiative Total Revenue	Change in Revenue
2019	\$84,910,750	\$123,979,828	\$39,069,078
2020	\$84,313,950	\$157,174,340	\$72,860,390
2021	\$83,556,400	\$156,894,360	\$73,337,960
2022	\$83,319,800	\$157,123,620	\$73,803,820
2023	\$82,728,050	\$157,014,960	\$74,286,910

41. The state special revenue accounts created by the initiative will have the following revenue amounts based on the estimated revenue amounts for FY 2019 through FY 2023:

Earmarked Special Revenue Fund Distributions					
Fiscal Year	Tobacco Prevention	Home and Community	Veterans's Services	Medicaid Matching	Total
2019	\$1,831,104	\$3,051,840	\$1,220,736	\$15,869,566	\$21,973,245
2020	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000	\$36,000,000
2021	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000	\$36,000,000
2022	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000	\$36,000,000
2023	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000	\$36,000,000

42. The following three tables include revenue distributions under current law, revenue distributions under the proposed ballot initiative, and the change in revenue by accounts:

Present Law Revenue Distribution to All Accounts and Subaccounts										
Fiscal Year	Total Revenue	General Fund	Health & Medicaid Initiatives	Long Range Building	State Veteran's Home	Tribal	Tobacco Prevention	Home and Community	Veterans's Services	Medicaid Matching
2019	\$84,910,750	\$36,749,187	\$36,015,453	\$1,734,281	\$5,536,358	\$4,875,471	\$0	\$0	\$0	\$0
2020	\$84,313,950	\$36,517,545	\$35,794,732	\$1,708,466	\$5,453,950	\$4,839,257	\$0	\$0	\$0	\$0
2021	\$83,556,400	\$36,210,315	\$35,498,512	\$1,682,444	\$5,370,878	\$4,794,251	\$0	\$0	\$0	\$0
2022	\$83,319,800	\$36,124,524	\$35,418,358	\$1,669,120	\$5,328,345	\$4,779,453	\$0	\$0	\$0	\$0
2023	\$82,728,050	\$35,885,008	\$35,187,544	\$1,648,552	\$5,262,684	\$4,744,263	\$0	\$0	\$0	\$0

Total New Proposal Revenue Distribution to ALL Subaccounts (Present Law & Ballot Initiative)										
Fiscal Year	Total Revenue	General Fund	Health & Medicaid Initiatives	Long Range Building	State Veteran's Home	Tribal	Tobacco Prevention	Home and Community	Veterans's Services	Medicaid Matching
2019	\$123,979,828	\$43,720,057	\$42,864,410	\$2,022,438	\$6,456,246	\$6,943,432	\$1,831,104	\$3,051,840	\$1,220,736	\$15,869,566
2020	\$157,174,340	\$51,586,356	\$50,576,758	\$2,386,324	\$7,617,881	\$9,007,020	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2021	\$156,894,360	\$51,467,010	\$50,459,747	\$2,380,803	\$7,600,257	\$8,986,543	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2022	\$157,123,620	\$51,567,613	\$50,558,381	\$2,385,457	\$7,615,113	\$8,997,056	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2023	\$157,014,960	\$51,522,156	\$50,513,813	\$2,383,354	\$7,608,401	\$8,987,236	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000

New Revenue Distribution All Accounts and Subaccounts										
Fiscal Year	Total Revenue	General Fund	Health & Medicaid Initiatives	Long Range Building	State Veteran's Home	Tribal	Tobacco Prevention	Home and Community	Veterans's Services	Medicaid Matchline
2019	\$39,069,078	\$6,970,870	\$6,848,957	\$288,157	\$919,887	\$2,067,961	\$1,831,104	\$3,051,840	\$1,220,756	\$15,869,566
2020	\$72,860,390	\$15,068,812	\$14,782,026	\$677,858	\$2,163,931	\$1,167,764	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2021	\$73,337,960	\$15,256,695	\$14,961,235	\$698,360	\$2,229,379	\$4,192,291	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2022	\$73,803,820	\$15,443,088	\$15,140,023	\$716,337	\$2,286,769	\$4,217,603	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000
2023	\$74,286,910	\$15,637,148	\$15,326,270	\$734,803	\$2,345,717	\$4,242,973	\$3,000,000	\$5,000,000	\$2,000,000	\$26,000,000

43. The Department of Revenue does not expect to incur any additional costs as a result of this initiative.

Department of Public Health and Human Services (DPHHS)

44. A table on page 10 includes the following assumptions about the continuation of Medicaid Expansion (HELP Act).

- a. Medicaid Expansion (HELP Act) Benefits
 - i. There are 94,790 adults enrolled in Medicaid Expansion as of March 15, 2018.
 - ii. Enrollment is anticipated to plateau at 101,562 in January 2019.
 - iii. Future enrollment is expected to grow commensurate with Montana population growth, which is estimated at approximately 1% per year.
 - iv. The average medical service cost for FY 2018 is \$455.12 per client.
 - v. Medicaid Expansion Benefits are calculated with funding splits found in the table below:

Medicaid Expansion FMAP	State	Federal
FY 2019	6.77%	93.23%
FY 2020	8.74%	91.26%
FY 2021	10.00%	90.00%
FY 2022	10.00%	90.00%
FY 2023	10.00%	90.00%

- b. Medicaid Expansion (HELP Act) Administrative Costs
 - i. Administrative costs include eligibility determination, program management, premium billing and collection, and quality control functions.
 - a) The administrative cost is estimated to be \$4.41 per member per month (PMPM) for FY 2018. The estimated per member costs decline slightly in subsequent years based on anticipated enrollment.
 - b) Administrative costs receive a federal participation match rate ranging from 50% to 75%.
- c. Medicaid Expansion (HELP Act) Savings
 - i. Certain HELP Act clients are eligible for traditional Medicaid. They are:
 - a) Families between 25-50% of Federal Poverty Level
 - b) Health Insurance Flexibility and Accountability (HIFA)
 - c) Medically Needy Savings
 - d) Pregnant Women
 - e) Breast and Cervical Cancer
 - ii. These clients would move to traditional Medicaid at the below FMAP rates in the absence of this initiatives passage. These savings would be reflected as increased costs in the General Appropriations Act for traditional Medicaid in the 2019 legislative session

under current law.

Medicaid FMAP	State	Federal
FY 2019	34.48%	65.52%
FY 2020	34.46%	65.54%
FY 2021	34.46%	65.54%
FY 2022	34.46%	65.54%
FY 2023	34.46%	65.54%

Medicaid FMAP - Breast and Cervical	State	Federal
FY 2019	24.11%	75.89%
FY 2020	23.79%	76.21%
FY 2021	23.64%	76.36%
FY 2022	23.64%	76.36%
FY 2023	23.64%	76.36%

d. Medicaid Expansion (HELP Act) Estimated Revenue

- a) Premium Collections - The estimated amount of premium revenue is based on year-to-date collections in FY2018 making total fiscal year collections \$4,569,420. Collections are anticipated to increase 1% annually.
- b) Facility Reimbursement - Expenditure reimbursement from Center for Medicaid Services (CMS) is based on the amount received in FY 2017, with an increase of 1% annually. These revenues ultimately offset general fund expenditures.

- 45. Tobacco prevention services may be expanded by up to \$3 million per fiscal year upon appropriation by the legislature.
- 46. Home and community-based Medicaid waiver services may be expanded by up to \$5 million per fiscal year upon appropriation by the legislature.
- 47. Veterans' services, including suicide prevention, may be expanded by up to \$2 million per fiscal year upon appropriation by the legislature.

Fiscal Note Request – As Introduced

(continued)

Summary of DPHHS financial impacts:

Summary of Financial Impacts					
Medicaid Expansion (HELP Act) Benefits	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditures					
Benefits	\$ 552,699,526	\$ 562,287,910	\$ 567,882,001	\$ 573,531,747	\$ 579,237,702
Hospital Utilization Fee	\$ 155,027,174	\$ 105,018,408	\$ 105,018,408	\$ 105,018,408	\$ 105,018,408
Total Expenditures	\$ 707,726,700	\$ 667,306,318	\$ 672,900,409	\$ 678,550,155	\$ 684,256,110
Funding					
General Fund	\$ 34,985,610	\$ 45,998,819	\$ 53,183,466	\$ 53,742,121	\$ 54,306,243
Federal Fund	\$ 672,741,090	\$ 621,307,498	\$ 619,716,943	\$ 624,808,035	\$ 629,949,866
Total Funding	\$ 707,726,700	\$ 667,306,318	\$ 672,900,409	\$ 678,550,155	\$ 684,256,110
Medicaid Expansion (HELP Act) Administration	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditures					
Premium Billing	\$ 90,214	\$ 136,524	\$ 137,889	\$ 139,268	\$ 140,661
Claims Processing	\$ 8,330,640	\$ 9,254,040	\$ 9,426,840	\$ 9,426,840	\$ 9,426,840
Continuous Eligibility	\$ 3,981,979	\$ 3,760,132	\$ 3,611,502	\$ 3,647,433	\$ 3,683,720
Premium Collections Payment to Federal Fund	\$ 4,260,070	\$ 4,211,753	\$ 4,195,139	\$ 4,237,090	\$ 4,279,461
Other Administration	\$ 4,132,967	\$ 4,242,176	\$ 4,360,299	\$ 4,425,112	\$ 4,489,207
Total Expenditures	\$ 20,795,871	\$ 21,604,625	\$ 21,731,670	\$ 21,875,743	\$ 22,019,889
Funding					
General Fund	\$ 11,546,618	\$ 11,548,449	\$ 11,458,634	\$ 11,555,513	\$ 11,653,091
Federal Fund	\$ 9,249,253	\$ 10,056,176	\$ 10,273,036	\$ 10,320,230	\$ 10,366,798
Total Funding	\$ 20,795,871	\$ 21,604,625	\$ 21,731,670	\$ 21,875,743	\$ 22,019,889
House Bill 2 Appropriations - Cost Avoidance	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditures					
25 - 50% Federal Poverty Level Family	\$ (22,971,278)	\$ (23,069,878)	\$ (23,168,782)	\$ (23,267,991)	\$ (23,367,505)
HIFA/SDMI	\$ (22,133,436)	\$ (22,272,259)	\$ (22,411,551)	\$ (22,551,313)	\$ (22,551,313)
Medically Needy	\$ (5,205,503)	\$ (4,806,973)	\$ (4,438,954)	\$ (4,099,111)	\$ (3,785,285)
Pregnant Women	\$ (27,733,107)	\$ (28,157,618)	\$ (28,380,693)	\$ (28,605,535)	\$ (28,832,159)
Breast and Cervical	\$ (4,229,687)	\$ (4,506,307)	\$ (4,801,018)	\$ (5,115,004)	\$ (5,449,524)
Health Care Services Payment Schedule	\$ (986,780)	\$ (1,026,251)	\$ (1,067,301)	\$ (1,109,993)	\$ (1,154,393)
Total Expenditures	\$ (83,259,791)	\$ (83,839,286)	\$ (84,268,300)	\$ (84,748,947)	\$ (85,140,179)
Funding					
General Fund	\$ (28,269,357)	\$ (28,410,195)	\$ (28,519,386)	\$ (28,651,044)	\$ (28,749,667)
Federal Fund	\$ (54,990,433)	\$ (55,429,091)	\$ (55,748,914)	\$ (56,097,903)	\$ (56,390,512)
Total Funding	\$ (83,259,791)	\$ (83,839,286)	\$ (84,268,300)	\$ (84,748,947)	\$ (85,140,179)
Medicaid Expansion (HELP Act) Revenues	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues					
HELP Act Premiums	\$ 4,569,420	\$ 4,615,114	\$ 4,661,265	\$ 4,707,878	\$ 4,754,957
Facility Reimbursement	\$ 2,496,458	\$ 2,556,716	\$ 2,618,428	\$ 2,681,630	\$ 2,746,357
Tobacco Tax Initiative	\$ 15,869,566	\$ 26,000,000	\$ 26,000,000	\$ 26,000,000	\$ 26,000,000
Total Revenues	\$ 22,935,444	\$ 33,171,830	\$ 33,279,693	\$ 33,389,508	\$ 33,501,314
Funding					
General Fund	\$ 4,569,420	\$ 4,615,114	\$ 4,661,265	\$ 4,707,878	\$ 4,754,957
State Special Revenue	\$ 18,366,024	\$ 28,556,716	\$ 28,618,428	\$ 28,681,630	\$ 28,746,357
Federal Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding	\$ 22,935,444	\$ 33,171,830	\$ 33,279,693	\$ 33,389,508	\$ 33,501,314
Health and Medicaid Initiative Sub-Accounts	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditures					
Tobacco Prevention	\$ 1,831,104	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Community-Based Waiver Services	\$ 3,051,840	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Veterans' Services	\$ 1,220,736	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Tobacco Tax Initiative	\$ 15,869,566	\$ 26,000,000	\$ 26,000,000	\$ 26,000,000	\$ 26,000,000
Total Expenditures	\$ 21,973,246	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000
Funding					
State Special	\$ 21,973,246	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000
Total Funding	\$ 21,973,246	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000	\$ 36,000,000

Department of Corrections (DOC)

48. In the absence of the HELP Act, inmates' health services would be paid at a rate higher than the current Medicaid rates. Therefore, with the assumption of the renewal of the HELP Act, inmates' health services rates will be paid at Medicaid rates. These savings would be reflected as increased costs in the General Appropriations Act for Outside Medical costs in the 2019 legislative session under current law.

DPHHS	FY 2019 Difference	FY 2020 Difference	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference
Fiscal Impact:					
Expenditures:					
Personal Services	\$0	\$2,420,402	\$2,460,010	\$2,533,939	\$2,575,645
Operating Expenses	\$0	\$19,184,223	\$19,271,660	\$19,341,804	\$19,444,244
Benefits	\$0	\$621,877,226	\$627,151,495	\$632,452,253	\$637,865,598
Transfers	\$0	\$4,153,603	\$4,195,139	\$4,237,090	\$4,279,461
TOTAL Expenditures	\$0	\$647,635,454	\$653,078,304	\$658,565,086	\$664,164,948
Funding of Expenditures:					
General Fund (01)	\$0	\$61,700,871	\$68,837,239	\$69,534,724	\$70,238,795
HB 2 Cost Avoidance (01)	\$0	(\$28,410,195)	(\$28,519,386)	(\$28,651,044)	(\$28,749,667)
I-149 HELP New Tobacco Tax Funds (01)	\$0	(\$26,000,000)	(\$26,000,000)	(\$26,000,000)	(\$26,000,000)
New Health & Med. Initiatives (01)	\$0	(\$14,782,026)	(\$14,961,235)	(\$15,140,023)	(\$15,326,270)
Tobacco Tax Initiative (02)	\$0	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
I-149 HELP Health & Medicaid Initiatives (02)	\$0	\$14,782,026	\$14,961,235	\$15,140,023	\$15,326,270
I-149 Tobacco Prevention (02)	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
I-149 Community-Based Waiver Services (02)	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
I-149 Veterans' Services (02)	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Federal HB 2 Cost Avoidance (03)	\$0	\$28,410,195	\$28,519,386	\$28,651,044	\$28,749,667
Federal Special Revenue (03)	\$0	\$575,934,583	\$574,241,065	\$579,030,362	\$583,926,153
TOTAL Funding of Exp.	\$0	\$647,635,454	\$653,078,304	\$658,565,086	\$664,164,948
Revenues:					
HELP Act Premium General Fund (01)	\$0	\$4,615,114	\$4,661,265	\$4,707,878	\$4,754,957
Facility Reimbursement (02)	\$0	\$2,556,716	\$2,618,428	\$2,681,630	\$2,746,357
Tobacco Tax Initiative (02)	\$15,869,566	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Tobacco Prevention (02)	\$1,831,104	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Community-Based Waiver Services (02)	\$3,051,840	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Veterans' Services (02)	\$1,220,736	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Federal Special Revenue (03)	\$0	\$604,344,778	\$602,760,451	\$607,681,406	\$612,675,820
TOTAL Revenues	\$21,973,246	\$647,516,608	\$646,040,144	\$651,070,914	\$656,177,134

Fiscal Note Request – As Introduced

(continued)

DOR	FY 2019 <u>Difference</u>	FY 2020 <u>Difference</u>	FY 2021 <u>Difference</u>	FY 2022 <u>Difference</u>	FY 2023 <u>Difference</u>
Fiscal Impact:					
Expenditures:					
Transfers to Tribes	\$0	\$4,167,764	\$4,192,291	\$4,217,603	\$4,242,973
TOTAL Expenditures	\$0	\$4,167,764	\$4,192,291	\$4,217,603	\$4,242,973
Funding of Expenditures:					
Tribal Revenue Sharing (02)	\$0	\$4,167,764	\$4,192,291	\$4,217,603	\$4,242,973
TOTAL Funding of Exp.	\$0	\$4,167,764	\$4,192,291	\$4,217,603	\$4,242,973
Revenues:					
Existing General Fund (01)	\$6,970,870	\$15,068,812	\$15,256,695	\$15,443,088	\$15,637,148
1-149 Existing Health & Medicaid Initiatives (02)	\$6,848,957	\$14,782,026	\$14,961,235	\$15,140,023	\$15,326,270
Existing Long Range Building (02)	\$288,157	\$677,858	\$698,360	\$716,337	\$734,803
Existing State Veteran's Home (02)	\$919,887	\$2,163,931	\$2,229,379	\$2,286,769	\$2,345,717
Existing Tribal (02)	\$2,067,961	\$4,167,764	\$4,192,291	\$4,217,603	\$4,242,973
TOTAL Revenues	\$17,095,833	\$36,860,390	\$37,337,960	\$37,803,820	\$38,286,910
DLI					
	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Fiscal Impact:					
FTE	0.00	13.00	13.00	13.00	13.00
Expenditures:					
Personal Services		\$715,822	\$715,822	\$715,822	\$715,822
Operating Expenses		\$172,709	\$172,709	\$172,709	\$172,709
Equipment	\$0	\$0	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$888,531	\$888,531	\$888,531	\$888,531
Funding of Expenditures:					
General Fund (01)	\$0	\$888,531	\$888,531	\$888,531	\$888,531
TOTAL Funding of Exp.	\$0	\$888,531	\$888,531	\$888,531	\$888,531
Revenues:					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0	\$0

Fiscal Note Request – As Introduced

(continued)

DOC	FY 2019 Difference	FY 2020 Difference	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference
Fiscal Impact:					
Expenditures:					
Benefits	\$0	(\$2,565,822)	(\$2,540,163)	(\$2,514,762)	(\$2,489,614)
TOTAL Expenditures	\$0	(\$2,565,822)	(\$2,540,163)	(\$2,514,762)	(\$2,489,614)
Funding of Expenditures:					
HB 2 Cost Avoidance General Fund (01)	\$0	(\$2,565,822)	(\$2,540,163)	(\$2,514,762)	(\$2,489,614)
TOTAL Funding of Exp.	\$0	(\$2,565,822)	(\$2,540,163)	(\$2,514,762)	(\$2,489,614)
Revenues:					
TOTAL Revenues	\$0	\$0	\$0	\$0	\$0
Statwide Summary					
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):					
General Fund (01)	\$6,970,870	\$28,852,566	\$22,212,975	\$22,033,539	\$21,830,330
State Special Revenue (02)	\$32,098,209	\$5,398,505	\$5,546,167	\$5,684,736	\$5,826,876
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. The proposed initiative is expected to increase state revenue by approximately \$73 million per fiscal year once the new tax rates are in place.

Technical Notes:

1. The ballot initiative seeks to repeal the sunset date of the HELP Act. The Department of Labor & Industry would have an obligation to continue to provide some level of workforce development activities to assist participants if the HELP Act were to continue.
2. HB 2 currently appropriates \$885,400 in FY 2018 and \$888,531 in FY 2019 to provide workforce development activities at the Department of Labor under the HELP Act. This fiscal note shows the costs of the program in FY20 – FY23 as it currently exists as a base appropriation exists in the General Appropriations Act.



 Budget Director's Signature

3/23/18

 Date