



JOINT BUDGET COMMITTEE STAFF FY 2024-25 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Tobacco Revenue

Colorado receives annual TABOR-exempt tobacco revenue from three sources: (1) The Tobacco Master Settlement Agreement (MSA), a 1998 legal settlement between tobacco manufacturers and states that sued manufacturers to recover Medicaid and other health-related costs incurred by treating smoking-related illnesses; (2) A 2004 constitutional amendment (Amendment 35), imposing tobacco taxes through Section 21 of Article X of the Colorado Constitution; and (3) House Bill 20-1427 (Cigarette Tobacco and Nicotine Products Tax) referred a tobacco tax to the ballot (Proposition EE), and the measure was approved by the voters and took effect January 1, 2021.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

TOBACCO MASTER SETTLEMENT AGREEMENT OVERVIEW: The 1998 Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream as a result of legal action to recover expenses states incurred for the treatment of tobacco-related illnesses. Under the MSA, states and other governments consented to release participating manufacturers from health-related claims associated with the use, manufacture, and marketing of tobacco products in return for perpetual annual payments from manufacturers. This issue provides an overview of the Tobacco Master Settlement Agreement including how payments are adjusted at the federal level, how MSA funding is distributed throughout the State, and the General Assembly's use of accelerated payments.

AMENDMENT 35 OVERVIEW: Amendment 35, approved by voters in 2004, added two cigarette and tobacco taxes to Section 21 of Article X of the Colorado Constitution. This issue provides an overview of Amendment 35 including discussions of declining revenue and the allocation of Amendment 35 revenue.

PROPOSITION EE OVERVIEW: Proposition EE was a ballot measure created by H.B. 20-1427 (Cigarette, Tobacco, and Nicotine Products Tax) and approved by voters during the November 2020 election. The measure raised taxes on cigarettes and other tobacco products, and created a tax on nicotine products such as vaping devices. This issue provides information of the impact on overall tobacco taxes, the impact of the passage of Proposition II, and FY 2022-23 revenue and distribution.

FOR MORE INFORMATION

JBC STAFF ANALYST:

Abby Magnus
(303) 866-2149
Abby.Magnus@state.co.us

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