



USE OF STATE TOBACCO REVENUE

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In FY 2014-15, the state received \$286.0 million from tobacco-related sources. These include taxes on cigarettes and other tobacco products and payments from tobacco manufacturers as part of the Tobacco Master Settlement Agreement. This *issue brief* describes the sources and uses of this revenue.

Cigarette and Tobacco Taxes

Colorado assesses excise taxes on cigarettes and non-cigarette tobacco products. A flat tax is assessed on each individual cigarette, while a percentage tax is assessed on tobacco products according to the manufacturer's list price (MLP). A portion of these taxes are set in statute and credited to the state General Fund and local governments. The remaining revenue is allocated to programs identified in the Colorado Constitution under Amendment 35. Current tax rates for each purpose are shown in Table 1.

Table 1
Cigarette and Tobacco Product Taxes

	Statutory Tax	Amendment 35 Programs	Total
Cigarette Tax	1.0¢ / cig.	3.2¢ / cig.	4.2¢ / cig.
Tobacco Tax	20% MLP	20% MLP	40% MLP

Source: Section 39-28-103, C.R.S.; Section 39-28.5-102, C.R.S.; Colo. Const. art. X, § 21 (2).

The statutory portion of each tax is appropriated each year at the discretion of the General Assembly, except that 27 percent must

be distributed to local jurisdictions where cigarettes and tobacco products are sold.

Amendment 35 programs. In 2004, voters adopted Amendment 35, which increased cigarette and tobacco taxes and specified uses for the additional revenue. Under the amendment, this portion of tax revenue is allocated as follows:

- 46 percent to increase enrollment of children, pregnant women, and parents in the Children's Basic Health Plan and Medicaid;
- 19 percent to fund comprehensive primary care through community health centers or providers serving uninsured and indigent populations;
- 16 percent to fund school and community-based tobacco education programs;
- 16 percent for the prevention, early detection, and treatment of cancer and cardiovascular and pulmonary diseases; and
- 3 percent for health-related purposes funded from the General Fund, the Old Age Pension Fund, or local governments.

In FY 2014-15, the state collected \$55.7 million in statutory taxes and \$142.2 million in Amendment 35 taxes.

Tobacco Master Settlement Agreement

In 1998, Colorado and 45 other states signed the Tobacco Master Settlement Agreement (MSA) with manufacturers of tobacco products. In return for annual MSA payments, states consented to release participating manufacturers from liability for the health-related impacts of tobacco use, manufacture, and marketing.

Colorado receives a settlement payment in April of each year. The amount received in April dictates the amount available for

expenditure on MSA-funded programs in the fiscal year beginning June 1. House Bill 16-1408 establishes a new formula for expenditure of the April 2016 payment in FY 2016-17, and for expenditure of all subsequent MSA payments. MSA-funded programs and allocations under HB 16-1408 are identified in Table 2.

Colorado received an MSA payment of \$88.1 million during FY 2014-15. The April 2016 payment of \$92.2 million will drive the allocation of revenue in FY 2016-17.

Table 2
Tobacco MSA Programs and Allocations under House Bill 16-1408

	Percentage Allocation	FY 2016-17*
Revenue for Distribution		\$92.2 million
Department of Law		
Tobacco MSA Defense Account	2.5%	\$2.3 million
Department of Human Services		
Nurse Home Visitor Program	26.7%	24.6 million
Tony Grampas Youth Services Program	7.5%	6.9 million
Department of Health Care Policy and Financing		
Children's Basic Health Plan Trust	18.0%	16.6 million
Autism Treatment Fund	2.0%	1.8 million
Department of Higher Education		
CU Health Sciences Center	17.5%	16.1 million
<i>Of which, for cancer research only</i>	2.0%	1.8 million
Department of Public Health and Environment		
Ryan White AIDS Drug Assistance Program	5.0%	4.6 million
HIV Prevention	3.5%	3.2 million
Immunizations	2.5%	2.3 million
Dental Loan Repayment	1.0%	0.9 million
Health Services Corps	1.0%	0.9 million
Capital Construction		
Fitzsimons Trust Fund	8.0%	7.4 million
Department of Personnel and Administration		
Supplement State Employee Insurance Plans	2.3%	2.1 million
Department of Military and Veterans Affairs		
Veterans Trust Fund	1.0%	0.9 million
Unallocated Portion**	1.5%	1.4 million

Source: Department of Law and Legislative Council Staff.

* The anticipated allocation for FY 2016-17 is shown for informational purposes. Under HB 16-1408, allocations for each year will follow the percentages in the second column.

** The unallocated amount remains in the Tobacco Litigation Settlement Cash Fund to reduce the "accelerated payment," the amount of the annual MSA payment that is allocated for programs during the fiscal year it is received.