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State of New Mexico
**LEGISLATIVE FINANCE
COMMITTEE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax (505) 986-4545

David Abbey
Director



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June 28, 2021

Representative Joanne Ferrary, Co-Chair
Senator Martin Hickey, Co-Chair
Tobacco Settlement Revenue Oversight Committee

SENT VIA EMAIL

Dear Chairwoman Ferrary and Chairman Hickey:

During the June 11, 2021, Tobacco Settlement Revenue Oversight Committee (TSROC) hearing there was discussion raised by the Attorney General's Office regarding further investing resources for tobacco settlement enforcement to ensure the Attorney General's Office has enough staff to efficiently and effectively litigate tobacco settlement issues. Please note during the 2021 legislative session, the Attorney General's office was appropriated \$500 thousand from the general fund in special, nonrecurring appropriation funds, "for tobacco enforcement pursuant to the tobacco master settlement agreement," (Laws 2021, Chapter 137, Section 5.) These funds were made available to the Attorney General's Office for expenditure on April 9, 2021, upon the governor's signature of the bill. Additionally, the FY22 LFC budget recommendation included \$247 thousand in general fund revenues for tobacco settlement contract litigation.

Brian Hummel, Government Relations Director of the American Cancer Society, testified that 12 percent of all tobacco-related revenue should be directed towards tobacco prevention and cessation efforts. New Mexico's total cigarette tax revenue at the current tax rate is approximately \$89.4 million, the tobacco products tax revenue is approximately \$12.8 million, and tobacco settlement annual revenue is generally about \$34 million. Twelve percent of the total of these three revenues totals to approximately \$16.3 million. In FY20, New Mexico allocated \$27.5 million, or 21 percent, of total tobacco revenues for tobacco cessation, treatment and health-related services. Estimates for FY21 indicate that \$46.9 million, or 34 percent, of all tobacco revenues will be used for the same purpose. Please find attached a comprehensive sources and uses table that details how these revenues are allocated to various endeavors including tobacco cessation and prevention efforts.

Legislative Finance Committee (LFC) staff requested data from the state's Medicaid program regarding its expenditures for tobacco cessation and prevention efforts. To date this data has not

yet been transmitted to LFC staff and is not included in the programmatic data provided in this letter.

Thank you, and please feel free to contact Dawn Iglesias, Ruby Ann Esquibel, or Martha Becerra at (505)986-4550 if you have further questions.

Sincerely,

A handwritten signature in black ink that reads "David Abbey". The signature is written in a cursive, flowing style.

David Abbey, Director

CC: Patricia Lundstrom, Chairwoman, Legislative Finance Committee
George Munoz, Vice-Chair, Legislative Finance Committee

Cigarette Tax (total)	FY19	FY20	FY21 est.
State General Fund	57,861,642	69,259,818	71,315,592
NMFA / Credit Enhancement (State General Fund)	8,476,217	7,339,460	7,380,864
UNM Cancer Center	657,835	630,977	634,433
NM Finance Authority / UNM Health Sciences	7,045,969	6,683,025	6,719,625
NM Finance Authority / DOH	2,964,221	2,817,180	2,832,608
Rural County Cancer Treatment Fund	491,395	471,011	473,591
SUBTOTAL Cigarette Tax	77,497,278	87,201,471	89,356,712
Tobacco Products Tax	FY19	FY20	FY21 est.
State General Fund	9,086,540	12,169,021	12,760,313
SUBTOTAL Tobacco Products Tax	9,086,540	12,169,021	12,760,313
SUBTOTAL Cigarette and Tobacco Products Tax	86,583,819	99,370,491	102,117,025
State General Fund	75,424,399	88,768,298	91,456,769
<i>% of tax</i>	87%	89%	90%
Cessation, Prevention & Treatment Earmarks	11,159,420	10,602,193	10,660,256
<i>% of tax</i>	13%	11%	10%

Tobacco Master Settlement Agreement	FY19	FY20	FY21 est.
Total Revenue	33,902,106	36,276,972	12,000,000
Allocation to Tobacco Program Fund	16,951,053	36,276,972	12,000,000
<i>% of MSA Revenue</i>	50%	100%	100%
Allocation to Tobacco Settlement Permanent Fund	16,951,053	0	0
<i>% of MSA Revenue</i>	50%	0%	0%

TOTAL SOURCES	FY19	FY20	FY21 est.
Cigarette Tax	77,497,278	87,201,471	89,356,712
Tobacco Products Tax	9,086,540	12,169,021	12,760,313
Tobacco Master Settlement Agreement	33,902,106	36,276,972	12,000,000
SUBTOTAL SOURCES	120,485,925	135,647,463	114,117,025

TOTAL USES	FY19	FY20	FY21 est.
State General Fund	75,424,399	88,768,298	91,456,769
<i>% of total tobacco revenues</i>	63%	65%	80%
Tobacco Cessation, Treatment & Prevention	28,110,473	46,879,165	22,660,256
<i>% of total tobacco revenues</i>	23%	35%	20%
Tobacco Settlement Permanent Fund (reserves)	16,951,053	-	-
<i>% of total tobacco revenues</i>	14%	0%	0%

Tobacco Settlement Fund Revenue

FY22

(in thousands of dollars)		FY19	FY20	FY21 Adjusted	Laws 2021, Chapter 137
Estimated Tobacco Revenues					
Beginning Balance Permanent Fund		158,650.6	228,514.0	241,311.5	251,405.5
Estimated Tobacco Revenue		34,703.1	33,902.0	36,277.0	12,000.0
Appropriation to Program Fund		(17,351.6)	(16,951.0)	(36,277.0)	(12,000.0)
Gains/Losses		12,511.9	(4,153.5)	10,094.0	13,824.5
Additional Transfer to Permanent Fund		40,000.0	0.0	0.0	0.0
Additional Transfer to Program Fund		0.0	0.0	0.0	0.0
Total Program Fund Appropriations		17,351.6	16,951.0	36,277.0	12,000.0
Ending Balance Permanent Fund		228,514.0	241,311.5	251,405.5	265,230.0
Tobacco Fund Appropriations					
Agency	Purpose				
609 Indian Affairs Department	Tobacco Cessation Programs	240.3	241.5	241.4	171.0
630 Human Services Department	Medicaid -- Breast and Cervical Cancer Treatment	1,255.4	1,216.0	1,215.8	860.8
630 Human Services Department	Medicaid	6,764.1	6,358.0	5,872.9	4,500.8
630 Human Services Department	Medicaid, Contingent on Legislation	0.0	0.0	16,464.5	0.0
Subtotal Human Services Department		8,019.5	7,574.0	23,553.2	5,361.6
665 Department of Health	Tobacco Cessation and Prevention	5,239.5	5,264.7	5,264.1	3,727.3
665 Department of Health	Diabetes Prevention and Control	689.7	693.1	693.0	490.6
665 Department of Health	Harm Reduction	282.5	283.8	283.8	200.9
665 Department of Health	Breast and Cervical Cancer Screening	124.0	124.5	124.5	88.2
Subtotal Department of Health		6,335.7	6,366.1	6,365.4	4,507.0
952 University of New Mexico HSC	Instruction and General Purposes	560.5	563.2	563.2	398.7
952 University of New Mexico HSC	Research in Genomics and Environmental Health	903.6	908.2	907.9	642.9
952 University of New Mexico HSC	Poison Control Center	569.0	572.0	571.6	404.9
952 University of New Mexico HSC	Pediatric Oncology Program	241.0	242.0	242.0	171.3
952 University of New Mexico HSC	Specialty Education in Trauma	241.0	242.0	242.0	171.3
952 University of New Mexico HSC	Specialty Education in Pediatrics	241.0	242.0	242.0	171.3
Subtotal University of New Mexico Health Sciences Center		2,756.1	2,769.4	2,768.7	1,960.4
Total Appropriations		17,351.6	16,951.0	32,928.7	12,000.0