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## FISCAL IMPACT REPORT

SPONSOR Beam DATE TYPED 2/10/05 HB 453

SHORT TITLE Promote Tobacco Use Prevention and Control SB \_\_\_\_\_

ANALYST Collard

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$3,000.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 81, HB 290, HB 319, HB 354, SB 50, SB 56, SB 389, and SB 515

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)  
Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of Bill

House Bill 453, introduced for the Legislative Health and Human Services Committee, appropriates \$3 million from the general fund to DOH for the purpose of increasing funding for the tobacco use prevention and control program (TUPAC).

#### Significant Issues

DOH notes the \$3 million proposed in this bill would increase TUPAC funding to \$9 million (\$4.92 per capita). The Centers for Disease Control and Prevention (CDC) recommends that minimum annual funding for tobacco control in New Mexico should start at \$7.93 per capita or a total of \$14.2 million based on Census 2000. TUPAC FY05 funding is \$5 million, which is 35 percent of the CDC "best practices" minimum funding level. The budget for FY06 includes \$6 million for TUPAC. The Tobacco Settlement Revenue Oversight Committee recommended funding at \$8 million.

## **FISCAL IMPLICATIONS**

The appropriation of \$3 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

## **ADMINISTRATIVE IMPLICATIONS**

DOH indicates this additional funding would require three additional FTEs to implement any expansion of statewide programs.

## **RELATIONSHIP**

House Bill 453 relates to House Bill 81, which proposes to repeal the cigarette tax increase; House Bill 290, which would redistribute master settlement agreement payments into the Tobacco Settlement program fund; House Bill 319, which would raise the tax on non-cigarette tobacco products; House Bill 354, and its duplicate Senate Bill 515, which would prohibit smoking in workplaces and public places; Senate Bill 50, which proposes to repeal the cigarette tax increase; Senate Bill 56, which would change the requirements of cigarette tax stamps; and Senate Bill 389, which would prohibit smoking in jails and schools.

## **OTHER SUBSTANTIVE ISSUES**

DOH states tobacco exacts a heavy death toll in our state. More than 2,100 New Mexicans die each year from smoking-related conditions (Centers for Disease Control and Prevention (CDC), Smoking Attributable Deaths, 1999), and more than 2 thousand children in the state have lost at least one parent as a result of tobacco use. If current trends continue, 44 thousand New Mexicans currently under age 18 will ultimately die from smoking (CDC, State Highlights, 2002).

Smoking-related conditions also exact a heavy economic cost. An analysis estimated that \$360 million was spent in New Mexico in 1998 on direct health care costs due to smoking. Of this amount, \$144 million was for Medicaid services, representing 15 percent of all New Mexico Medicaid expenditures. Indirect costs for absenteeism and forfeited future earnings due to smoking-caused morbidity and premature deaths totaled an additional \$397 million. (Smoking Attributable Morbidity, Mortality and Economic Costs, CDC-2002)

According to the Behavioral Risk Factor Surveillance Survey data, 22 percent of New Mexico adults reported smoking in the past 30 days. Interest in quitting among adult smokers is high; 2003 data indicated that 51 percent of daily smokers had intentionally quit for at least one day during the previous year, and the 2001 New Mexico Adult Tobacco Survey documented 53 percent of smokers planned to quit during the next 6 months.

More New Mexico high school students have smoked during the previous 30 days than their peers nationwide, (30 percent versus 22 percent) according to the 2003 Youth Risk and Resiliency Survey. In 2003, 14 percent of New Mexico male youth reported using smokeless tobacco products on one or more days during the previous 30 days, compared to 8 percent in 2001. These data document the ongoing need for effective tobacco prevention and cessation initiatives targeting youth.

Sustained, well-funded, comprehensive tobacco control programs are associated with a decrease in adult use of tobacco in California, Massachusetts, and Oregon. Additionally, youth smoking rates in California (16 percent in 8<sup>th</sup> grade and 6 percent in 10<sup>th</sup> grade) and Massachusetts remained low while the rates rose nationwide from 1993–96 (29 percent increase in 8<sup>th</sup> graders and 23 percent in 10<sup>th</sup> graders). (Wakefield and Chaloupka, 2000).

If a comprehensive tobacco control program is funded for 10 years at the CDC minimum, an estimated 43 percent decrease in tobacco sales can be expected (Journal of Health Economics, 2003). The CDC recommended minimum funding for New Mexico is \$14.2 million per year. This could result in an estimated cost savings of \$375 million in New Mexico over a ten-year period. Based on other states' experiences, New Mexico can expect to save between \$2 to \$3.63 for every \$1 invested in a comprehensive tobacco control program (<http://www.dhs.ca.gov/tobacco/documents/TCSupdate.PDF>). According to the Campaign for Tobacco Free Kids, appropriating \$13.7 million for tobacco control for five consecutive years in NM would lead to a long-term savings of \$114.8 million in future Medicaid costs.

All money provided to New Mexico TUPAC goes directly to communities, schools and other prevention programs throughout New Mexico. The increased funding proposed would be utilized to expand comprehensive tobacco control initiatives in all counties, increase quit line promotion and evaluation, increase prevention initiatives focused on youth, and expand services to New Mexicans disproportionately affected by tobacco use.

HPC cites the following national smoking statistics:

- According to *Tobacco Facts*, one out of five people who dies in the United States, dies because of smoking, approximately 430 thousand people annually.
- Smoking is the number one preventable cause of premature death in the United States.
- Smokers, on the average, live 7 years less than those who do not smoke.
- According to the Surgeon General, smoking causes heart disease, lung and esophageal cancer, chronic lung disease, and contributes to cancers of the bladder, pancreas and kidney.
- Men who smoke are 22 times more likely to die from lung cancer and 10 times more likely to die from bronchitis and emphysema.
- Second-hand smoke exposes non-smokers to carcinogenic elements in cigarette smoke. This includes correctional guards, visitors, other prisoners, instructors and possibly other children.
- Over 90 percent of adults who smoke began smoking in adolescence.

HPC cites the Campaign for Tobacco-Free Kids, utilizing data from CDC-2001 and 2002 data and notes the following statistics for New Mexico:

- According to new research data released, states would prevent kids alive today from becoming smokers and save them from premature, smoking-caused deaths if every state funded a tobacco prevention and cessation program at minimum levels recommended by CDC.
- If New Mexico follows CDC recommendations for tobacco prevention spending, a minimum of 17,240 youths would not smoke and a minimum of 5,510 youths would not die from smoking related causes. New Mexico would save approximately \$206.9 million in future youth related health costs.
- 36.2 percent (approximately 42,850) of New Mexico high school students smoke cigarettes. Kids (under 18) in New Mexico who become new daily smokers each year are 5,000.
- 13.8 percent (approximately 16,334) of New Mexico high school students use spit tobacco.
- National youth smoking rates have declined somewhat since 1997, but remain at historically

high levels. According to the National Youth Tobacco Survey, 28.4 percent of all high school kids smoke.

- In New Mexico, 23.6 percent (approximately 323,929) of adults are smokers, which compare 23.3 percent of United States adults.

HPC also cites Tobacco-Free Kids Statistics ([www.tobaccofreekids.org](http://www.tobaccofreekids.org)):

- Average state cigarette tax as of 1/8/04 – 73.5 cents.
- Tobacco state average as of 1/8/04 – 12.4 cents.
- Non-tobacco state average as of 1/8/04 – 82.6 cents.
- Studies show that higher cigarette taxes are an effective ways to reduce smoking among both youth and adults. A 10 percent increase in the price of cigarettes will reduce youth smoking by about seven percent and overall cigarette consumption by three to five percent.

Finally, HPC cites monetary costs in New Mexico that are caused by smoking:

- An annual healthcare cost in New Mexico directly caused by smoking is \$360 million and the portion covered by state Medicaid was \$144 million. Residents' state & federal tax burden from smoking-caused government expenditures was \$507 per household. (Source: US Centers for Disease Control and Prevention-2001 and 2002 data).
- As of January 2002, New Mexico ranked 38<sup>th</sup> in the amount of cigarette tax per pack. (Source: The Campaign for Tobacco-Free Kids).

Any legislation that motivates New Mexicans to quit or reduce smoking is in the best interest of New Mexicans health.

**KBC/sb**