

LFC Requestor: GRAY, Brendon

2025 LEGISLATIVE SESSION  
AGENCY BILL ANALYSIS

Section I: General

Chamber: Senate

Category: Bill

Number: 20

Type: Introduced

Date (of THIS analysis): 01/23/25

Sponsor(s): Martin Hickey

Short Title: Increase Cigarette & Tobacco Products Taxes

Reviewing Agency: Agency 665 - Department of Health

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 25	FY 26		
\$0	\$500	Recurring	SGF

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 25	FY 26	FY 27		
\$0	\$14,500	\$14,500	Recurring	Nicotine Use Prevention and Control Fund

Revenue is from taxes on tobacco products; this bill would increase the rate of the cigarette tax and the tobacco products tax and distribute the revenue from the increases to a new nicotine use prevention and control fund.

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non- recurring</b>	<b>Fund Affected</b>
<b>Total</b>	\$	\$99.95	\$99.95	\$199.9	Recurring	General

One FTE would be required to administer the fund and effectively provide interventions to promote tobacco cessation, prevent tobacco use initiation, eliminate secondhand smoke exposure, and identify and eliminate tobacco related disparities.

Pay band 65 = \$29.99/hr x 2080 hours x 0.4395 = \$89,803 + Office Setup \$6150 + Rent \$4000 = \$99,953

**Section III: Relationship to other legislation**

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: None

Duplicates/Relates to an Appropriation in the General Appropriation Act: None

**Section IV: Narrative**

**1. BILL SUMMARY**

a) Synopsis

Senate Bill 0020 (SB20) proposes to increase the rate of the cigarette tax and proportionally adjusting the discounts on cigarette tax stamps; increase the rate of the tobacco products tax; include nicotine, regardless of source, in the definition of “tobacco product” in the Tobacco Products Tax Act; distribute the revenue from the increases in the taxes to a new Nicotine Use Prevention and Control Fund; and make an appropriation of \$500,000 to the Regulation and Licensing Department for licensure and enforcement duties in regard to nicotine sales and use.

Is this an amendment or substitution?  Yes  No

Is there an emergency clause?  Yes  No

b) Significant Issues

SB20 proposes to increase the existing tax on tobacco products from 25.0% to 67.5% of the wholesale price and proportionally adjust the discounts on cigarette tax stamps, with exceptions noted in the bill summary. In this increase to the rate of tobacco products tax,

28.5% of the net receipts attributable shall be distributed to a new Nicotine Use Prevention and Control Fund. Increasing funding to the Tobacco Settlement Program Fund and building a new Nicotine Use Prevention and Control Fund, as proposed in SB20, would promote sustainability of current and future nicotine prevention and control efforts in the state. These efforts could help decrease morbidity and mortality associated with tobacco product use. Additional funding would help expand the current program activities and increase their reach.

In the United States, cigarette smoking leads to \$170 billion in direct medical costs and nearly \$156 billion in lost productivity annually according to the Centers for Disease Control and Prevention (CDC) (<https://www.cdc.gov/tobacco/stateandcommunity/state-fact-sheets/index.htm#NM>).

New Mexico received \$133.3 million (estimated) in revenue from tobacco settlement payments and taxes in fiscal year 2022. Of this, the state allocated \$5.7 million in state funds to tobacco prevention in fiscal year 2022, 24.9% of the Centers for Disease Control and Prevention's annual spending target. Smoking-related health care costs are estimated at \$981 million per year and smoking-related losses in productivity at \$1.5 billion per year (<https://truthinitiative.org/research-resources/smoking-region/tobacco-use-new-mexico-2023>).

According to the CDC, tobacco remains the leading cause of preventable death and disability among New Mexicans. Nearly 2,630 people die from tobacco use annually in the state (<https://www.lung.org/research/sotc/state-grades/highlights/new-mexico>).

In 2023, 12.2% of adults in NM smoked cigarettes (<https://www.cdc.gov/tobacco/stateandcommunity/state-fact-sheets/index.htm#NM>). Additionally, 18.8% of New Mexico High School youth used e-cigarettes, and 22.2% of youth used at least one form of tobacco (e-cigarettes, cigarettes, cigars, spit tobacco or hookah) (New Mexico Youth Risk and Resiliency Survey, 2023).

Data has shown that increasing taxes on cigarettes results in fewer youth starting to smoke and more adults quitting. Every 10% increase in the price of cigarettes reduces consumption by about 4% among adults and about 7% among youth (<https://www.lung.org/policy-advocacy/tobacco/tobacco-taxes#:~:text=Increasing%20Cigarette%20and%20Tobacco%20Product%20Taxes&text=Every%2010%20percent%20increase%20in,about%20seven%20percent%20among%20youth>).

Additionally, the World Health Organization shows that significantly increasing tobacco excise taxes and prices is the single most effective and cost-effective measure for reducing tobacco use. Raising taxes on tobacco products leads to increased prices for the potential consumer. When tobacco becomes less affordable, people use it less and/or quit, and youth initiation is prevented. The health and economic benefits of prevention and cessation can significantly impact New Mexico's population, especially youth and people experiencing poverty (<https://www.who.int/activities/raising-taxes-on-tobacco>).

The CDC continues to recommend state and community interventions to promote tobacco/ nicotine use cessation, prevent tobacco/ nicotine use initiation, eliminate secondhand smoke exposure, and identify and eliminate tobacco/ nicotine-related disparities. This includes marketing to counteract the tobacco industry's marketing tactics

to increase tobacco use initiation.

(<https://www.cdc.gov/tobacco/stateandcommunity/guides/pdfs/2014/comprehensive.pdf>, p31).

## 2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?  
 Yes  No
- Is this proposal related to the NMDOH Strategic Plan?  Yes  No
  - Goal 1:** We expand equitable access to services for all New Mexicans
  - Goal 2:** We ensure safety in New Mexico healthcare environments
  - Goal 3:** We improve health status for all New Mexicans
  - Goal 4:** We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

NM DOH Strategic Program Objective 2: Work with health system and surveillance partners to monitor health to identify community problems

Performance Measures:

Percent of adolescents who smoke

Percent of adolescents who use nicotine products

Percent of adults who smoke

Percent of adults who use nicotine products

Percent of New Mexico adult cigarette smokers who access New Mexico department of health cessation services

## 3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?  
 Yes  No  N/A
- If there is an appropriation, is it included in the LFC Budget Request?  
 Yes  No  N/A
- Does this bill have a fiscal impact on NMDOH?  Yes  No

The bill would increase revenue coming to DOH as estimated above, and the cost of 1 additional FTE is included above in the fiscal impact section.

## 4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH?  Yes  No  
NMDOH would be responsible for administering the fund.

## 5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

None

## 6. TECHNICAL ISSUES

Are there technical issues with the bill?  Yes  No

## 7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written?  Yes  No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)?  Yes  No
- Does this bill conflict with federal grant requirements or associated regulations?  
 Yes  No
- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs?  Yes  No

## 8. DISPARITIES ISSUES

Achieving equity by reducing tobacco-related disparities is a key goal for comprehensive tobacco control programs, like the NMDOH Nicotine Use Prevention and Control Program. Increased funding allows tobacco control programs to reduce tobacco-related disparities through education, collaboration and surveillance with disparate population groups (<https://www.cdc.gov/tobacco/stateandcommunity/guides/pdfs/2014/statecomm-fact-sheet.pdf>). Increasing funding into the Tobacco Settlement Program Fund and building a new Nicotine Use Prevention and Control fund could help sustain activities that focus on specific populations at greatest risk.

Increasing the price of nicotine products positively impacts health disparities by decreasing the appeal of nicotine products, and especially of e-cigarettes, and notably among youth. E-cigarettes use in New Mexico is decreasing but remains high among high school youth (18.8%). It is particularly high in certain counties, such as McKinley (22.1%), Roosevelt (23.3%), Socorro (23.7%), Taos (25.8%) and Sandoval (22.8%). E-cigarettes are more prevalent among female high school youth (22.8%) compared to male high school youth (14.7%). E-cigarette use is common among Hispanic youth (19.0%) and LGB youth (28.2%), as well (NM Youth Risk and Resilience Survey, 2023).

Mental health diagnoses are noteworthy co-occurring disorders with a tobacco-related diagnosis. The most common co-occurring mental health diagnosis categories among youth with a tobacco-related diagnosis were suicide-related diagnoses (35.3%) and depression-related diagnoses (29.8%). (CDC-National Syndromic Surveillance Program, 2021). Adults with a disability were almost 3 times as likely to have a depression diagnosis and use a substance (22.2%) than those with no disability (8.2%). Substance use in this survey includes cannabis, tobacco product, and alcohol use (2020, NM Behavioral Risk and Resilience Survey).

## 9. HEALTH IMPACT(S)

Increasing funding into the Tobacco Settlement Program Fund and the creation of a Nicotine Use Prevention and Control Fund would provide additional funds to develop programs, educational materials, and social and traditional media advertising on nicotine use prevention and control for persons five to twenty-five years of age. SB20 would have a significant impact on the health of youth in NM. Youth are more likely than adults to reduce nicotine use in response to price increases. Every 10 percent increase in the price of cigarettes reduces

consumption by about four percent among adults and about seven percent among youth (<https://www.lung.org/policy-advocacy/tobacco/tobacco-taxes>).

In New Mexico and nationwide, there has been a significant decrease in youth e-cigarette use. However, youth nicotine addiction remains a serious public health concern. Among middle and high school students in the United States who currently vape, nearly 40% report using e-cigarettes and report using e-cigarettes frequently, signaling signs of persistent nicotine addiction. Nicotine is considerably harmful to developing brains. Additionally, nicotine dependence has been shown to negatively impact mental health by amplifying feelings of anxiety, depression, and stress. There is no safe level of nicotine use for youth and the majority of products do not have FDA authorization (<https://truthinitiative.org/press/press-release/significant-drop-youth-e-cigarette-use-marks-progress-nearly-40-teens-who-vape>).

Schools and teachers have had to deal with this public health problem as well. Youth vaping distracts students and constantly disrupts the classroom. High levels of nicotine affect students' attention span, focus and self-control ([https://truthinitiative.org/sites/default/files/media/files/2020/04/Truth\\_Teacher%20Report\\_FINAL.pdf](https://truthinitiative.org/sites/default/files/media/files/2020/04/Truth_Teacher%20Report_FINAL.pdf)).

## **10. ALTERNATIVES**

None

## **11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

If Senate Bill 20 (SB20) is not enacted, there would be no increase to the rate of cigarette tax or proportional adjustment to the discounts on cigarette tax stamps; nicotine, regardless of source, would not be included in the “tobacco product” definition in the Tobacco Products Act; there would be no revenue from an increase in taxes to appropriate to a new Nicotine Use Prevention and Control Fund; and \$500,000 would not be appropriated to the Regulation and Licensing Department for licensure and enforcement duties in regard to nicotine sales and use.

## **12. AMENDMENTS**

None