



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

| | |
|---|---------------|
| Bill information: | |
| HB0869 - Revise tobacco laws (Marshall, Ron) | |
| Status: | As Introduced |

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2024</u> <u>Difference</u> | <u>FY 2025</u> <u>Difference</u> | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue Tob. Prevention | (\$4,536,450) | (\$4,515,900) | (\$4,495,650) | (\$4,475,850) |
| State Special Revenue CHIP | \$4,536,450 | \$4,515,900 | \$4,495,650 | \$4,475,850 |
| Net Impact-General Fund Balance: | \$0 | \$0 | \$0 | \$0 |

Description of fiscal impact: HB 869 provides statutory fees for tobacco education courses, and changes the allocation of tobacco settlement proceeds, reducing the amount for funding statewide programs for tobacco disease prevention designed to prevent children from starting tobacco use and allocates tobacco settlement proceeds to be used as matching funds to secure the maximum amount of federal funds for the Children Health Insurance Program (CHIP).

FISCAL ANALYSIS

Assumptions:

**Department of Public Health and Human Services (DPHHS/department)
Public Health and Safety Division (PHSD)**

1. HB 869 reduces tobacco settlement proceeds that fund statewide programs for tobacco disease and prevention from 32% to 17%. See the table in Assumption 4 for the impact to the tobacco prevention fund.
2. The HJ 2 forecast for tobacco settlement collections and fund distributions are shown in the following table. All revenue amounts are in millions.

| Fiscal Year | Tobacco Settlement | Tobacco Prevention (32%) | Children's Health Insurance Plan (17%) | Tobacco Trust (40%) | General Fund (11%) |
|-------------|--------------------|--------------------------|--|---------------------|--------------------|
| 2024 | \$30.243 | \$9.678 | \$5.141 | \$12.097 | \$3.327 |
| 2025 | \$30.106 | \$9.634 | \$5.118 | \$12.042 | \$3.312 |
| 2026 | \$29.971 | \$9.591 | \$5.095 | \$11.988 | \$3.297 |
| 2027 | \$29.839 | \$9.548 | \$5.073 | \$11.936 | \$3.282 |

3. The following table shows the projected distribution of tobacco settlement revenue under HB 869 in millions.

| Fiscal Year | Tobacco Settlement | Tobacco Prevention (32%) | Children's Health Insurance Plan (32%) | Tobacco Trust (40%) | General Fund (11%) |
|-------------|--------------------|--------------------------|--|---------------------|--------------------|
| 2024 | \$30.243 | \$5.141 | \$9.678 | \$12.097 | \$3.327 |
| 2025 | \$30.106 | \$5.118 | \$9.634 | \$12.042 | \$3.312 |
| 2026 | \$29.971 | \$5.095 | \$9.591 | \$11.988 | \$3.297 |
| 2027 | \$29.839 | \$5.073 | \$9.548 | \$11.936 | \$3.282 |

4. The following table shows the change in revenue distributions as a result of this bill in millions.

| Fiscal Year | Tobacco Settlement | Tobacco Prevention (32%) | Children's Health Insurance Plan | Tobacco Trust | General Fund |
|-------------|--------------------|--------------------------|----------------------------------|---------------|--------------|
| 2024 | \$0.000 | (\$4.536) | \$4.536 | \$0.000 | \$0.000 |
| 2025 | \$0.000 | (\$4.516) | \$4.516 | \$0.000 | \$0.000 |
| 2026 | \$0.000 | (\$4.496) | \$4.496 | \$0.000 | \$0.000 |
| 2027 | \$0.000 | (\$4.476) | \$4.476 | \$0.000 | \$0.000 |

5. Tobacco disease and prevention programs would continue to use the existing tobacco settlement proceeds fund balance until exhaustion (estimated to occur FY 2028) then switch to an alternative funding source or request general fund in a future legislative session.

Health Resources Division (HRD)

6. HB 869 increases tobacco settlement proceeds to be used as matching funds to secure the maximum amount of federal funds for the Children Health Insurance Plan (CHIP) from 17% to 32%. See the table in Assumption 4 for the impact to the Children's Health Insurance Plan fund.

7. HRD will not see an increase in benefit expenses or additional match of federal funds because the bill does not result in an increase in CHIP enrollment or benefit expenditures.

Early Childhood and Family Support Division (ECFSD)

8. ECFSD uses tobacco settlement proceeds to fund statewide programs for tobacco disease and prevention to fund contracts for local implementing agencies for maternal, infant, and early childhood home visiting (MIECV) service delivery. The funding also provides state match for the oral health program.

9. ECFSD would continue using the existing fund balance until exhaustion (estimated to occur FY 2028) then switch to an alternative funding source or request general fund in future legislative sessions.

| | <u>FY 2024</u> <u>Difference</u> | <u>FY 2025</u> <u>Difference</u> | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| TOTAL Expenditures | \$0 | \$0 | \$0 | \$0 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |
| TOTAL Funding of Exp. | \$0 | \$0 | \$0 | \$0 |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue Tob. Prevention | (\$4,536,450) | (\$4,515,900) | (\$4,495,650) | (\$4,475,850) |
| State Special Revenue CHIP | \$4,536,450 | \$4,515,900 | \$4,495,650 | \$4,475,850 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |
| TOTAL Revenues | \$0 | \$0 | \$0 | \$0 |

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

| | | | | |
|------------------------------|-----|-----|-----|-----|
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |

Effect on County or Other Local Revenues or Expenditures:

1. PHSD currently contracts with local and tribal health departments and community-based programs in 47 counties with the tobacco settlement funding. The proposed reduction could directly impact the number of counties receiving funding and the amount they receive, reducing FTE employed in these programs and the reach and effect of the programs in the State of Montana. The programs currently funded with the settlement funding include the arthritis program, the asthma program, the breast and cervical screening program, the diabetes program, the stroke program, and the cancer control program.
2. The Montana Cancer Control Program would potentially not be able to reach the match requirement for the CDC Cancer Screening Program, which would negate the ability to have a statewide screening program.

Long-Term Impacts:

1. A decrease in funding would significantly impact the department’s ability to address the four core functions of the tobacco use prevention program that include preventing tobacco use initiation among youth and young adults, promote quitting among youth and adults, eliminate exposure to environmental tobacco smoke, and addressing tobacco-related disparities in vulnerable populations such as low-income populations and in American Indian communities. A reduction could potentially increase tobacco product use, resulting in increased tobacco-related morbidity and mortality and increased healthcare costs to treat tobacco-related diseases.
2. The services provided through the Diabetes, Asthma, Arthritis, and Stroke Programs would be greatly reduced or eliminated. These programs employ multiple FTE in communities across Montana.

Technical Notes:

1. 17-6-606 (3) directs the department to utilize tobacco settlement proceeds to maximize the amount of federal funds for the CHIP program. With the increased allocation of tobacco settlement funds to this account, there may be reduced spending of other state dollars.
2. DPHHS plans to utilize existing tobacco prevention and cessation fund balance to continue the work of the tobacco disease prevention and maternal, infant, and early childhood home visiting (MIECV) service delivery programs. Current expenditure levels would exhaust all funds in FY 2028. In the absence of other funding sources, the department would likely request general fund support for the 2029 Biennium.
3. The Healthy Montana Family MIECHV program uses Tobacco Prevention funding to support federal performance measures of smoking cessation efforts and referrals of families with new infants, which supports the MIAMI activities of MCA 50-19-311.
4. Section 1 of HB 869 is unclear on what would trigger an assessment fee for a course, therefore the department is unable to calculate any potential change in revenue based on proposed changes in Section 1 of HB 869. Annual tobacco education fee revenues have averaged \$1,450 over the past four fiscal years.
5. Currently the Department of Revenue and the Department of Justice utilize portions of the 32% allocation for compliance and IT work. Reductions in funding could impact the State of Montana’s compliance that are part of the diligent enforcement of the Master Settlement Agreement.

NOT SIGNED BY SPONSOR

Sponsor’s Initials

Date



Budget Director’s Initials

3-27-23

Date