



**Legislative
Council Staff**
Nonpartisan Services for Colorado's Legislature

Initiative # 293

INITIAL FISCAL IMPACT STATEMENT

Date: March 30, 2020

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LCS TITLE: TOBACCO TAX REVENUE FOR NEW STATE PRESCHOOL PROGRAM

Fiscal Impact Summary		FY 2021-22	FY 2022-23
Revenue		-	-
Expenditures	General Fund	\$58.6 million	\$68.1 million
	Preschool Cash Fund	\$123.3 million	\$196.9 million
Total		\$181.9 million	\$265.0 million
Diversions	General Fund	(\$23.3 million)	(\$38.0 million)
	Various Cash Funds	(\$100.0 million)	(\$158.9 million)
Total		\$123.3 million	\$196.9 million

Disclaimer. This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.

Summary of Measure

No later than December 2021, the measure directs the General Assembly to enact legislation enabling the Colorado Department of Education (CDE) to create a new preschool program. Beginning with FY 2021-22, the measure diverts the majority of state revenue from sales tax on tobacco products, and from the Tobacco Master Settlement, for the new preschool program. At a minimum, the enacting legislation must mandate that the preschool program include elements of parent choice, quality standards, coordination with existing preschool programs, opportunities for family and community engagement, and evaluation of the program on child and family outcomes.

Under current law, some municipalities and counties are eligible for state income tax distributions based on the proportion of sales tax collected in those jurisdictions, and the total cigarette tax collected. The measure prohibits local governments that enact bans of tobacco and nicotine products from receiving this distribution, and instead redirects the money any such local government would have received to the Preschool Cash Fund.

State Revenue Diversions

Under current law, a variety of programs receive funding from taxes on tobacco products, and from Tobacco Master Settlement revenue. Initiative #293 diverts tobacco revenue from existing programs to fund the new preschool program. Table 1 shows the state revenue amounts that are diverted to the new preschool program.

Table 1
State Revenue Diversions Under Initiative # 293
(in millions)

	FY 2021-22	FY 2022-23
General Fund Tobacco Tax Diversions		
Sales Tax	(\$14.8)	(\$29.5)
Cigarette Tax	(\$4.5)	(\$4.5)
Tobacco Products Tax	(\$4.0)	(\$4.0)
General Fund Subtotal	(\$23.3)	(\$38.0)
Cash Funds Tobacco Tax Diversions		
Children's Basic Health Plan and Medicaid	(\$58.5)	(\$58.5)
Prevention, Early Detection, and Treatment Fund	(\$20.4)	(\$20.4)
Primary Care Fund	(\$24.2)	(\$24.2)
Various (see description)	(\$3.8)	(\$3.8)
Cash Funds Subtotal**	(\$106.9)	(\$106.9)
Tobacco Master Settlement Diversions		
Colorado Nurse Home Visitor Program	-	(\$20.5)
CU Health Sciences Center	-	(\$11.9)
Fitzsimons Trust Fund	-	(\$6.2)
Tony Gramscas Youth Services Program	-	(\$5.8)
Drug Assistance Program	-	(\$3.8)
AIDS and HIV Prevention Program	-	(\$2.7)
Colorado Immunization Fund	-	(\$1.9)
Supplemental State Contribution Fund	-	(\$1.8)
Colorado Autism Treatment Fund	-	(\$1.5)
Colorado Health Service Corps Fund	-	(\$0.8)
State Dental Loan Repayment Program	-	(\$0.8)
Remaining Balance of Tobacco Litigation Settlement Fund	-	(\$1.2)
Tobacco Master Settlement Subtotal	-	(\$58.9)
Total General Fund Diversions	(\$23.3)	(\$38.0)
Total Other Cash Funds Diversions	(\$106.9)	(\$165.8)
Preschool Cash Fund	\$123.3	\$196.9
Remaining Amount in Tobacco Tax Cash Fund*	\$6.9	\$6.9

* The measure requires that \$100 million of tobacco tax revenue go to the Preschool Cash Fund. The remainder is assumed to remain in the Tobacco Tax Cash Fund subject to future allocation by the General Assembly.

The following programs are affected by the diversion of state revenue:

- The Colorado Nurse Home Visitor Program in the Department of Human Services (DHS) provides in-home, visiting nurse services to first-time, low-income mothers during and after their pregnancies.
- The University of Colorado (CU) Health Sciences Center uses appropriated funds to conduct research and support faculty and student scholarships. The measure continues only the portion of the funding dedicated to tobacco-related, in-state cancer research.
- The Tony Grampsas Youth Services Program in the DHS provides funding to local organizations for prevention, intervention, and education programs for children and families designed to prevent crime and violence, marijuana use, and child abuse and neglect.
- The Drug Assistance Program in the Colorado Department of Public Health and Environment (CDPHE) provides assistance with screening, general medical, preventative, and pharmaceutical costs for qualifying individuals with HIV, AIDS, or related conditions.
- The AIDS and HIV Prevention Fund in CDPHE supports various AIDS and HIV prevention and education efforts.
- A portion of the Colorado Immunization Fund supports immunization efforts in the CDPHE.
- The Colorado Autism Treatment Fund in the Department of Health Care Policy and Financing (HCPF) supports home- and community-based health services for children with autism.
- The Primary Care Fund is used by HCPF for increasing access to primary health care via health care providers meeting certain criteria.
- The Prevention, Early Detection, and Treatment Fund supports grants related to cardiovascular and pulmonary diseases.
- The Colorado Constitution sets aside three percent of tobacco taxes to be allocated between the General Fund, the Old Age Pension Fund, and local governments to be used for health-related purposes.

State Expenditures

For FY 2021-22 and FY 2022-23, the measure both reallocates existing expenditures and increases state expenditures as described below.

Preschool program. As discussed in the State Revenue Diversions section, the measure reduces available funding and expenditures across multiple programs and diverts that revenue for expenditures in the CDE. For FY 2021-22, the measure diverts \$123.3 million for the new preschool program. For FY 2022-23, the measure diverts \$196.6 million. Depending on enacting legislation, the CDE will have increased expenditures to administer the program and to distribute funding to local providers of preschool services. Additionally, for FY 2021-22 only, the Department of Revenue has a one-time expenditure increase of \$79,655 to adjust internal tax accounting software.

Programs requiring replacement funding. For FY 2021-22, the measure will require General Fund appropriations of \$58.5 million to replace funding diverted from tobacco tax revenue. For FY 2022-23, replacement funding is \$68.1 million. These programs are listed in Table 2 and described below.

Table 2
Replacement Funding Under Initiative # 293
(in millions)

Program Requiring General Fund Replacement	FY 2021-22	FY 2022-23
Children's Basic Health Plan and Medicaid	\$58.5	\$58.5
Fitzsimons Trust Fund	-	\$6.2
Supplemental State Contribution Fund	-	\$1.8
Colorado Health Service Corps Fund	-	\$0.8
State Dental Loan Repayment Program	-	\$0.8
Total	\$58.5	\$68.1

- Federal law requires a state contribution to The Children's Basic Health Plan and to expand eligibility under the Colorado Medical Assistance Act.
- A portion of tobacco tax revenue in the Fitzsimons Trust Fund provides lease purchase payments associated with the relocation of the CU Health Sciences Center to the former Fitzsimons Army Base.
- The Supplemental State Contribution Fund is used by the Department of Personnel and Administration to supplement the state contribution for a group benefit plan for eligible state employees with incomes below certain thresholds.
- The Colorado Health Service Corps Fund and the State Dental Loan Repayment Program in the CDPHE offer loan repayment for qualified health professionals serving underserved clients. Even if no new contracts are offered, some continuing funding may be required for monitoring existing contracts for up to two years.

Local Government Impact

Local governments that are otherwise eligible for income tax redistribution based on cigarette tax revenue and that have enacted bans on tobacco and nicotine products as of December 31, 2021, will experience a reduction in revenue. As the total revenue redistributed in this way is \$8.8 million annually, the amount of revenue diverted from local governments to the Preschool Cash Fund in this way is up to \$8.8 million.

Economic Impact

The measure may impact the state economy in two ways. First, the development of additional resources for preschools will increase employment opportunities for individuals in early childhood education careers. Second, many of the programs from which funds were diverted will be reduced in scope or eliminated if alternative funds are not secured, eliminating positions and corresponding economic activity.

Effective Date

If approved by voters at the 2020 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Counties
Health Care Policy and Financing
Human Services
Military Affairs
Personnel
Revenue

Education
Higher Education
Law
Municipalities
Public Health and Environment
Treasury

Abstract of Initiative 293: TOBACCO TAX REVENUE FOR NEW STATE PRESCHOOL PROGRAM

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of March 30, 2020, identifies the following impacts:

State diversions and expenditures. For FY 2021-22, the measure diverts \$123.3 million in tax revenue for a new preschool program. For FY 2022-23, tax revenue diversions for the preschool program are \$196.6 million. The measure will require replacement funding for a portion of the tax revenue diverted from existing programs to the new preschool program. For FY 2021-22, replacement funding increases expenditure by \$58.6 million. For FY 2022-23, replacement funding increases expenditure by \$68.1 million.

Local government impact. The measure reduces funding for local governments which have enacted a ban on tobacco and nicotine products as of December 31, 2021. This revenue loss is estimated at up to \$4.4 million in FY 2021-22 and up to \$8.8 million in FY 2022-23.

Economic impacts. The development of additional resources for preschools will increase employment opportunities for individuals in early childhood education careers. Conversely, many of the programs from which funds were diverted will be reduced in scope or eliminated if alternative funds are not secured, eliminating positions and corresponding economic activity.