

February 9, 2023

The Honorable Will Carpenter, Chairperson
House Committee on Federal and State Affairs
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Carpenter:

SUBJECT: Fiscal Note for HB 2269 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2269 is respectfully submitted to your committee.

HB 2269 would amend the Kansas Cigarette and Tobacco Products Act to increase the minimum age required for the sale, purchase or possession of cigarette and tobacco products from 18 to 21 years of age.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$7,323,519)	(\$7,600,000)
Expenditure	--	--	\$3,322	\$3,322
FTE Pos.	--	--	--	--

The Department of Revenues states that increasing the minimum age from 18 to 21 would bring Kansas into compliance with federal law, and in conformity with 80.0 percent of all other states which have moved their statutes to 21. Additionally, increasing the age would allow the agency to maintain its contract with the federal government to carry out enforcement of the cigarette and tobacco laws. Without this change, the federal government could withhold funding of \$1.2 million for state enforcement, and the enforcement of the cigarette and tobacco laws under this program would cease.

The Department of Revenue estimates that HB 2269 would decrease state revenues by \$7.6 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$7,323,519

in FY 2024, while the State Highway Fund is estimated to decrease by \$276,481 in FY 2024. The fiscal effect to state revenues during subsequent years would be a decrease of \$7.5 million in FY 2025 and \$7.3 million in FY 2026. This bill also is estimated to decrease local sales tax revenues beginning in FY 2024; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue.

To formulate these estimates, the Department of Revenue reviewed data from Centers for Disease Control and Prevention reports that show an estimated 17,142 smokers aged 18-20 in Kansas, which represents approximately 4.74 percent of all adult smokers in Kansas. With annual cigarette stamp revenue as reported in the Department of Revenue's 2021 Annual Report, at \$113.5 million, a drop of 4.74 percent in consumers of such products has the potential to result in a reduction of approximately \$6.0 million in Cigarette Stamp Revenue that goes to the State General Fund and an additional loss of \$1.6 million in sales tax revenue, of which \$1,323,519 is deposited into the State General Fund and \$276,481 is deposited into the State Highway Fund. The Department estimates that 4.0 million fewer packs of cigarettes would be sold in Kansas as a result of the bill. According to the Department, reissuing publications and revising forms would cost \$3,322 from the State General Fund in FY 2024.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan. Any fiscal effect associated with HB 2269 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties