

The fiscal impact of SB 29 on eligible counties is indeterminate and could range from moderate to substantial. Lexington, Louisville and the following 10 counties presently have some form of smoking ban ordinance.

- Clark
- Daviess
- Franklin
- Hardin
- Hopkins
- Kenton
- Letcher
- Madison
- Oldham
- Woodford

It is unknown how many ordinances will fully meet all criteria required for fund eligibility or how many counties might amend existing ordinances or pass such ordinances in order to meet the required criteria. The approximate number of cigarette packs with 20 cigarettes presently sold annually in Kentucky is 380 million. However, if a \$1 per pack health reimbursement assessment levy is imposed, fewer packs would be sold in Kentucky. For this reason, current pack sales cannot reliably estimate how much a \$1 health assessment levy would generate.

If an additional \$1 levy is placed on Kentucky cigarettes, Kentucky sales will fall due to fewer people from Ohio, Indiana, and West Virginia purchasing packs in Kentucky. Also, since our rate will be higher than Indiana's and Tennessee, we will lose pack sales since some Kentucky smokers living along those borders will purchase their packs out of state. Finally, for Kentucky smokers who don't live along the border, a higher price will cause them to purchase (slightly) fewer packs.

After the \$1 levy is imposed, Kentucky sales will likely fall from 380 million packs to approximately 240 million packs annually and would thus generate about \$240 million for the Medicaid reimbursement fund. With 10 percent of the fund going to the county tobacco cessation fund, that would amount to \$24 million annually to be allocated to the counties based on their population if they have the required ordinance.

Finally, taxes, levies, and fees based on cigarette sales are a declining revenue source. And thus, since the trend in tobacco consumption runs from -2.0 percent to -4.0 percent per year, the \$24 million will likely be a declining revenue source for counties overtime.

There will be other offsetting fiscal impacts if a \$1 assessment is added. In particular, once the assessment is added, lower pack sales will likely lead to lower cigarette excise tax collections and sales tax collections, which will have a negative impact on the General Fund. Also, this bill could have a negative effect upon Kentucky's Tobacco Master Settlement Payments, again perhaps resulting in General Fund (Tobacco) receipts declining significantly. In summary, while this fee may generate new revenue for local government and some for state government, other General Fund accounts will be impacted. **Reductions to the general fund can result in indeterminate negative fiscal impacts on local governments.**

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as introduced and there are not any prior introduced versions of the bill to complete the Part III section.

Data Source(s): University of Kentucky College of Nursing; Kentucky Association of Counties; LRC staff economist; Kentucky League of Cities

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