

**Resolution of the Board of Directors in Support of Directing Revenue from an Increase in the Cigarette Tax to the Property Tax Relief Fund**

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The Greater Houston Partnership (GHP) supports Representative Carol Alvarado's (District 145) amendment to the State Fiscal Matters bill (HB 3790), authored by House Appropriations Chairman Jim Pitts. This amendment would increase the tax rate on cigarettes by \$1.05 per pack of 20 cigarettes, generating \$750 million in new revenue for the 2012-2013 biennium and \$1.7 billion over five years.

The new revenue would be directed toward the Property Tax Relief Fund, with the exception of \$0.05 per pack of 20 cigarettes, which will be directed toward funding tobacco prevention programs that have been zeroed out in HB 1.

In December 2010, GHP adopted the Resolution of the Board of Directors in Support of Preparation for the Implementation of the Affordable Care Act, which includes support for legislation that "identifies ways to increase resources, particularly those that also encourage healthy behaviors as an alternative to cutting health care programs for children or other vulnerable Texans." Additionally, GHP adopted the Resolution in Support of a Statewide Smoking Ban in April 2011.

GHP recognizes the need to create new revenue streams to address the state budget shortfall for the 2012-2013 biennium and agrees Representative Alvarado's amendment is one viable solution. Therefore, GHP supports the passage of this amendment to the State Fiscal Matters bill (HB 3790).



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Larry Kellner, Chairman



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Jeff Moseley, President and CEO



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Tony Chase, Secretary

## **BACKGROUND MEMORANDUM**

**DATE:** May 3, 2011

**TO:** Greater Houston Partnership Board of Directors

**FROM:** Dr. Lewis Foxhall, Chairman, Health Care Policy Advisory Committee

**SUBJECT:** Resolution of the Board of Directors in Support of Directing Revenue from an Increase in the Cigarette Tax to the Property Tax Relief Fund

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### **RECOMMENDATION**

The Greater Houston Partnership (GHP) supports Representative Carol Alvarado's (District 145) amendment to the State Fiscal Matters bill (HB 3790), authored by House Appropriations Chairman Jim Pitts. This amendment would increase the tax rate on cigarettes by \$1.05 per pack of 20 cigarettes, generating \$750 million in new revenue for the 2012-2013 biennium and \$1.7 billion over five years.

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## BACKGROUND

Statewide smoking-related costs average \$9.94 per pack of cigarettes. An increase in the cigarette tax will reduce high health care costs caused by tobacco use, such as the \$1.6 billion in smoking-related state Medicaid program spending each year and the \$5.83 billion in annual health care expenditures in Texas directly caused by tobacco use.

Representative Alvarado's amendment to the State Fiscal Matters bill (HB 3790) would increase the tax rate on cigarettes weighing three pounds or less per thousand cigarettes to \$123 per thousand cigarettes (\$2.46 per pack of 20 cigarettes) from \$70.50 per thousand cigarettes (\$1.41 per pack of 20 cigarettes). This is an increase of \$1.05 per pack of 20 cigarettes.

<u>Projected Public Health Benefits from the Cigarette Tax Rate Increase</u>	
<i>Percent decrease in youth smoking:</i>	13.3%
<i>Kids in Texas kept from becoming addicted adult smokers:</i>	188,300
<i>Current adult smokers in the state who would quit:</i>	95,700
<i>Smoking-affected births avoided over next five years:</i>	15,850
<i>Texas residents saved from premature smoking-caused death:</i>	85,600
<i>5-year health savings from fewer smoking-affected pregnancies &amp; births:</i>	\$26.9 million
<i>5-year health savings from fewer smoking-caused heart attacks &amp; strokes:</i>	\$45.0 million
<i>Long-term health savings in the state from adult &amp; youth smoking declines:</i>	\$4.2 billion

## LEGISLATION NEEDED

Representative Carol Alvarado's amendment to the State Fiscal Matters bill (HB 3790), authored by House Appropriations Committee Chairman Jim Pitts, proposes an increase to the cigarette tax rate by \$1.05. Revenue generated would be directed toward the Property Tax Relief Fund.

GHP supports the passage of this amendment in the 82<sup>nd</sup> Texas Legislature and other legislative initiatives that encourage healthy behaviors as an alternative to cutting health programs for children and other vulnerable Texans.

**IMPLEMENTATION**

To implement this recommendation, GHP would communicate its support of this resolution to the Texas Legislature and other entities.

**FISCAL IMPACT**

Adoption of this legislative policy positions will have no impact on the state budget.

**KNOWN OPPOSITION**

There is no known opposition.

**RESOURCES REQUIRED**

This recommendation can be implemented with available GHP staff within current operating budget resources.