

Fiscal Estimate Narratives
DOR 12/16/2005

LRB Number 05-3796/1	Introduction Number AB-847	Estimate Type Original
Description Increasing the rate of the tax imposed on cigarettes; increasing the Medical Assistance nursing home and hospital outpatient reimbursement rates; increasing Medical Assistance reimbursement for projected caseload increases; transferring moneys to the Medical Assistance trust fund; increasing the Medical Assistance, BadgerCare, and Senior Care pharmacy drug reimbursement rates and pharmacy dispensing fees; and making appropriations		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the rate of the tax imposed on cigarettes is 77 cents per pack. Under this bill, the rate of the tax imposed on cigarettes is 97 cents per pack.

This bill includes increases in state general purpose revenue appropriations to fund rate increases for nursing home MA reimbursement; MA outpatient hospital services; and drug expenditures under MA, BadgerCare and Senior Care. The bill also transfers \$46,409,100 for FY06 and \$13,800,000 for FY07 from the general fund to the MA trust fund, to provide reimbursement for MA services.

This fiscal note is limited to the cigarette tax increase under the bill.

The bill specifies December 1, 2005 as the effective date of the 20 cent per pack increase in the cigarette tax rate. For the purpose of developing this fiscal note, however, the projections assume a July 1, 2006 effective date to provide an estimate for a full fiscal year. If the bill increases the tax prior to July 1, 2006, additional cigarette tax revenues will be collected.

The department estimates that increasing the cigarette tax rate by 20 cents, to 97 cents per pack beginning July 1, 2006, is expected to generate an additional \$76.0 million in FY07; including \$8.0 million in one-time revenue for the floor tax on cigarettes in stock at the time when the tax increase is imposed. This estimate is based on the assumption of no base growth in the number of cigarettes packs sold.

Additional administrative expenses will be absorbed by the department's budget.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3796/1		Introduction Number AB-847	
Description Increasing the rate of the tax imposed on cigarettes; increasing the Medical Assistance nursing home and hospital outpatient reimbursement rates; increasing Medical Assistance reimbursement for projected caseload increases; transferring moneys to the Medical Assistance trust fund; increasing the Medical Assistance, BadgerCare, and Senior Care pharmacy drug reimbursement rates and pharmacy dispensing fees; and making appropriations			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$8.0 million in one-time revenue for the floor tax on cigarettes in stock at the time when the tax increase is imposed.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$68,000,000	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$68,000,000	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$68,000,000	\$

Agency/Prepared By	Authorized Signature	Date
DOR/ Jacek Cianciara (608) 266-8133	Paul Ziegler (608) 266-5773	12/16/2005