Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☐	Base Reduction Item FY 2011-12 ☑	Supplemental FY 2010-11 ☐	Budget Amendment FY 2011-12 ☐

Request Title: Cigarette Tax Rebate Reduction

Department: Revenue **Dept. Approval by:** **Date:** October 28, 2010

Priority Number: BRI-1 **OSPB Approval:** **Date:** 10-28-10

	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	CF	0	0	0	0	0	0	0	0	0	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Taxation Business Group; (E) Special Purpose, Cigarette Tax Rebate	Total	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	CF	0	0	0	0	0	0	0	0	0	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: None

Cash or Federal Fund Name and COFRS Fund Number: None

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: ☐ No: ☐ N/A: ☑

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	BRI-1
Change Request Title:	Cigarette Tax Rebate Reduction

SELECT ONE (click on box):

☐ Decision Item FY 2011-12
☒ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request: As part of its budget balancing plan, the Office of State Planning and Budgeting (OSPB) recommends legislation to eliminate the cigarette tax rebate that the Department of Revenue distributes to local jurisdictions for FY 2011-12 and FY 2012-13. According to the September 20, 2010, Revenue Forecast, the rebate is estimated to be $11.7 million General Fund for both FY 2011-12 and FY 2012-13.

General Description of Request: Pursuant to Section 39-22-622 (1) (a) (II) (A), C.R.S. (2010), the Department of Revenue distributes a General Fund rebate to local jurisdictions in an amount equal to 27.0 percent of the gross state cigarette tax per year. In order to qualify for the distribution, local jurisdictions are prohibited from imposing a tax, fee, or license on cigarettes. This distribution amounted to approximately $11.6 million in FY 2009-10 and is estimated to be $11.6 million in FY 2010-11 and $11.7 million in both FY 2011-12 and FY 2012-13.

Due to continued weakness in the state's revenue forecast, OSPB will incorporate, as part of its legislative agenda for balancing the FY 2011-12 budget, a request to eliminate the distribution required by statute for FY 2011-12 and FY 2012-13.

Consequences if Not Funded: General Fund appropriations for FY 2011-12 and FY 2012-13 would have to be reduced by an equivalent amount if legislation is not enacted.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	($11,700,000)	($11,700,000)	$0	$0	$0	0.0
Cigarette Tax Rebate – September 20, 2010, OSPB Forecast	($11,700,000)	($11,700,000)	$0	$0	$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	($11,700,000)	($11,700,000)	$0	$0	$0	0.0
Cigarette Tax Rebate – September 20, 2010, OSPB Forecast	($11,700,000)	($11,700,000)	$0	$0	$0	0.0

Cash Funds Projections: This section is not applicable.

Assumptions for Calculations: The September 20, 2010, OSPB Revenue Forecast estimates the cigarette tax rebate for FY 2011-12 and FY 2012-13 to be $11.7 million.

Impact on Other Government Agencies: Local jurisdictions receive the rebate proportionate to their share of state sales tax collections compared with total state sales tax collections. In total, local jurisdictions received $11.6 million in FY 2009-10. It is estimated that they will receive $11.6 in FY 2010-11 and $11.7 million in both FY 2011-12 and FY 2012-13.

Actual and Estimated Distributions of Cigarette Tax Rebate to Local Jurisdictions				
Jurisdiction	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Estimate	FY 2012-13 Estimate
Cities	$10,012,171	$10,025,871	$10,112,301	$10,112,301
Counties	$1,627,736	$1,574,129	$1,587,699	$1,587,699
Total	$11,639,907	$11,600,000	$11,700,000	$11,700,000

The Department distributes the funds identified above to 282 cities and 64 counties. Local jurisdictions will be required to reduce their budgets by an amount equal to their distributions or will need to increase revenues to make up the difference.

Cost Benefit Analysis: This section is not applicable.

Implementation Schedule: Distributions will cease upon the effective date of the legislation.

Statutory and Federal Authority: 39-22-623. Disposition of Collections. (1) The proceeds of all moneys collected under this article, less the reserve retained for refunds, shall be credited as follows:

(a) (II) (A) *Effective July 1, 1987, an amount equal to twenty-seven percent of the gross state cigarette tax shall be apportioned to incorporated cities and incorporated towns which levy taxes and adopt formal budgets and to counties. For the purposes of this section, a city and county shall be considered as a city. The city or town share shall be apportioned according to the percentage of state sales tax revenues collected by the department of revenue in an incorporated city or town as compared to the total state sales tax collections that may be allocated to all political subdivisions in the state; the*

county share shall be the same as that which the percentage of state sales tax revenues collected in the unincorporated area of the county bears to total state sales tax revenues which may be allocated to all political subdivisions in the state. The department of revenue shall certify to the state treasurer, at least annually, the percentage for allocation to each city, town, and county, and such percentage for allocation so certified shall be applied by said department in all distributions to cities, towns, and counties until changed by certification to the state treasurer. In order to qualify for distributions of state income tax moneys, units of local government are prohibited from imposing fees, licenses, or taxes on any person as a condition for engaging in the business of selling cigarettes or from attempting in any manner to impose a tax on cigarettes. For purposes of this paragraph (a), the "gross state cigarette tax" means the total tax before the discount provided for in section 39-28-104 (1).

Performance Measures: This section is not applicable.