

**LEGISLATIVE FISCAL ESTIMATE TO  
ASSEMBLY, No. 2157**

**STATE OF NEW JERSEY**

DATED: JULY 9, 1996

Assembly Bill No.2157 of 1996 is the enabling legislation for Assembly Concurrent Resolution, No. 1, which would amend the State Constitution to dedicate the equivalent of a 25 cents per pack tax increase on cigarettes sold in the State. The Assembly bill would increase the present 40 cent per pack tax rate to 65 cents if the voters approve the constitutional amendment. The proceeds from the increase in the tax rate would be used to pay the debt service on bonds sold to finance improvements to public school facilities in the State.

The Office of Legislative Services (OLS) estimates the proposed legislation would produce \$67.5 million over the last half of fiscal year 1997 for a public schools facilities fund. The OLS projects full year receipts in fiscal year 1998 to total \$133.3 million for the program.

The OLS notes there is a long term decline in cigarette sales in the State. Historically, when the cigarette tax is increased significantly, there is a sharp drop in sales of cigarettes in the near term period following the change. The rate of decline then slows in subsequent periods approaching the long term decline of approximately 2.5 percent per year. The impact of the proposal would mean regular (i.e., undedicated) General Fund cigarette tax revenues in fiscal year 1997 would be expected to decline to \$231.6 million from the actual receipts of \$250 million projected for fiscal year 1996. A projection to fiscal year 1998 indicates the General Fund revenue share would decline further to \$213.3 million. Due to the higher retail price of cigarettes, the OLS estimates the proposed change in the cigarette tax rate would add \$2.9 million to sales tax collections in fiscal year 1997 and \$5.8 million in fiscal year 1998 from present fiscal year 1996 levels.

\$ millions	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	FY 96	FY 97	FY 98
General Fund			
Cigarette Tax	\$ 250.0	\$ 231.6	\$ 213.3
Sales Tax on Cigarette Tax Rate	\$ 15.0	\$ 17.9	\$ 20.8
Public Schools Facilities Fund	-0-	\$ 67.5	\$ 133.3

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.