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## FISCAL IMPACT REPORT

SPONSOR: Kidd DATE TYPED: 2/10/03 HB \_\_\_\_\_

SHORT TITLE: Soft Drink Tax Act SB 139

ANALYST: Neel

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	20 % of tax revenue			Recurring	Dept. of Health
	80% of tax revenue				UNM School of Medicine

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$0.1	\$0.1	Recurring	Soft Drink Tax

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files

Responses Received From  
 Department of Health (DOH)  
 Health Policy Commission (HPC)

No Response from: Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 139 (SB139) would enact legislation to tax soft drinks, and to appropriate the net re-

ceipts attributable to the tax to diabetes prevention, public education, research and treatment of patients with diabetes.

The tax imposed is \$2.00 per gallon of soft drink or soft drink syrup sold or offered for sale in New Mexico, and \$0.21 per package or container of soft drink powder, syrup or other base product.

Soft drinks sold to or by any instrumentality of the armed forces of the US engaged in retail activity are exempt from this tax.

The net receipts from the tax imposed by the Soft Drink Tax Act are to be distributed as follows:

- A) 20% to the Department of Health for diabetes prevention and public education programs.
- B) 80% to the University of New Mexico School of Medicine for research on diabetes and treatment of patients with diabetes.

## **FISCAL IMPLICATIONS**

No fiscal impact is noted to the general fund. However, marginal impact may be seen in gross receipts when tax increases are passed to consumers.

## **OTHER SUBSTANTIVE ISSUES**

According to DOH:

Approximately 1 in 11 adults in New Mexico has diabetes, according to the NM Behavioral Risk Surveillance System, (BRFSS) 2000 data.

- 120,563 New Mexicans have diabetes. Of these:
  - ✓ 85,181 know they have diabetes.
  - ✓ 35,382 do not know they have diabetes.
- American Indians are about 3 times more likely to have diagnosed diabetes than non-Hispanic Whites.
- Hispanics, as well as African-Americans, are about 2 times more likely to have diagnosed diabetes than non-Hispanic Whites.
- In New Mexico, 2000, diabetes was the 6<sup>th</sup> leading cause of death and represented 3.7% of all deaths in New Mexico. Nationally, diabetes was also the 6<sup>th</sup> leading cause of death but represented only 2.9% of all deaths in the United States.

Hospital Inpatient Discharge Data collected by the HPC shows that in 2000, diabetes was one of the top 10 reasons for hospitalization among the following groups:

- For males 19 – 44 years, the 5<sup>th</sup> most common reason
- For males ages 45 – 64, the 6<sup>th</sup> most common reason
- For females ages 45-64, the 7<sup>th</sup> most common reason

National Statistics

According to the Centers for Disease Control:

- Among persons aged 18 years and older in the U.S., in 2000, **6.1%** of all people in this age group had diagnosed diabetes.
- In comparison, among persons aged 18 years and older in N.M., **6.5%** had diagnosed diabetes, higher than the national average.

Long Term Complications

The risk of cardiovascular disease and stroke are 2 to 4 times higher in people with diabetes. (Centers for Disease Control)

- Over half of adults with diabetes in New Mexico have been told by a doctor that they also have high blood pressure (BRFSS, 2000).
- New Mexicans with diabetes are about 3 times more likely than those without the disease to have been told by a doctor that they have high blood pressure (BRFSS, 2000).
- In 1999, there were 17,775 diabetes-related hospitalizations in New Mexico, 5619 of which were for cardiovascular disease. (CDC, Burden of Diabetes in the United States, 1999).

**Primary Prevention**

According to the Diabetes Prevention and Control Program (DPCP) at DOH, additional funding from the Soft Drink Tax Act would enable DOH to continue further educational and prevention programs as diabetes rates increase among populations in New Mexico. DPCP would also be able to increase funding to the Coordinated Approach to Child Health (CATCH), a coordinated school health program designed to increase physical activity, improve dietary choices and prevent tobacco use. This intervention provides elementary age children with tools and knowledge to make healthy choices and change health behaviors. The DPCP is funding at least 37 elementary schools for FY 03.

SN/njw