

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 151** SLS 11RS 257
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 9, 2011 8:30 AM	Author: JACKSON, L.
Dept./Agy.: Higher Education	Analyst: Charley Rome
Subject: Dedication of Tobacco Settlement Proceeds to Health Fund	

FUNDS/FUNDING OR SEE FISC NOTE GF EX See Note Page 1 of 1

Provides that once the balance in the Millennium Trust reaches \$1.38 billion, 100% of the annual Tobacco Settlement Proceeds shall be dedicated to Health Excellence Fund initiatives. (See Act)

Current law deposits the annual tobacco settlement proceeds into the Millennium Fund, building its corpus. The Millennium Fund is not appropriated by the Legislature. Its earnings are allocated evenly to the TOPS Fund, the Health Excellence Fund, and the Education Excellence Fund. Appropriations and expenditures are made from these three funds, supporting each fund's specified purposes.

Proposed law redirects the annual tobacco settlement proceeds directly into the Health Excellence Fund, beginning with proceeds received after April 1, 2011 (the FY11 annual proceeds). The Health Excellence Fund will have these greater resources available to support its purposes. The Millennium Fund balance will be capped at its balance at the beginning of FY11. Effective on approval of a constitutional amendment to be submitted at the statewide election to be held on October 22, 2011 (SB 92).

EXPENDITURES	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The bill will increase the amount of resources available for appropriation from the Health Excellence Fund by directing tobacco settlement receipts directly to the Health Excellence Fund. The bill effectively caps the Millennium Fund balance at the level it was at the beginning of FY11 (\$1.380 billion).

The specific dollar amounts planned in the FY12 budget are based on tobacco settlement projections prior to actual FY11 annual receipts. However, the actual amount of funding swap will depend on the actual amount of tobacco settlement proceeds received by the state each year. The state has essentially no control over the level of those receipts.

The redirection of settlement proceeds to the Health Excellence Fund effectively caps the balance of the Millennium Fund, from which earnings are generated for appropriation through the TOPS Fund, the Health Excellence Fund, and the Education Excellence Fund (each of these three funds gets an equal share of annual Millennium Fund earnings). Thus, the earnings potential of the Millennium Fund is effectively capped, at least with respect to earnings attributable to additions to the corpus from annual settlement proceeds. The foregone earnings are roughly \$1.3 million per year and will accumulate each year as each year's settlement proceeds are not invested via the Millennium Fund, but are expended via the Health Excellence Fund. These foregone earnings will not be available to support the TOPS Fund and the Education Excellence (nor the Health Excellence Fund but it will directly receive all the settlement proceeds currently building the Millennium Fund). These foregone earnings may be approximately \$6.5 million in FY16.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

<p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p>	<p><u>Dual Referral Rules</u></p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}</p> <p><input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>	<p><i>H. Gordon Monk</i></p> <p>H. Gordon Monk Legislative Fiscal Officer</p>
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