F I S C A L I M P A C T R E P O R T

SPONSOR:	Altamirano	DATE TYPED:	01/23/02	HB	
SHORT TITLE:	Tobacco Settlement Fund Distribution			SB	6
				ANALYST:	Neel

REVENUE

Estimated Revenue		**Subsequent Years Impact**	**Recurring or Non-Rec**	**Fund Affected**
FY02	**FY03**			
	$19,500.0		Recurring	Tobacco Settlement Program Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 8

SOURCES OF INFORMATION

October Testimony to the Tobacco Settlement Revenue Oversight Committee.

SUMMARY

Synopsis of Bill

Senate Bill 6 increases the distribution of tobacco settlement monies from the tobacco settlement permanent fund to the tobacco settlement program fund. Currently, all settlement revenue is deposited in the permanent fund. One half is then transferred to the program fund and made available for appropriation. The bill proposes to temporarily make all of the settlement revenue available for appropriation during FY03 and FY04. After FY04, the amount available for appropriation from the program fund will again revert to one half of settlement revenues.

Significant Issues

This bill is an essential component of the Legislative Finance Committee's FY03 budget recommendation.

FISCAL IMPLICATIONS

The bill increases the current $19.5 million distribution to the program fund by an additional $19.5 million, or to approximately $39 million, for FY03 and FY04. Following the master settlement agreement between the states and the tobacco industry, $246 billion will be distributed to the states over the next 25 years although the agreement stipulates funding into perpetuity. New Mexico's portion of the settlement totals $1.2 billion for the same period. The balance of the tobacco settlement permanent fund is currently $38 million. The fund, administered by the State Investment Council, will not receive the investment income from the distributions.

The October estimate for tobacco settlement revenue was roughly $44 million; the DFA now estimates revenue at $39 million. The reasons for the change are as follows:

1. Actual volume adjustments in January have been larger than anticipated.

2. Brown and Williamson (one of the participating manufacturers) has placed over half their initial payment in a escrow account. This manufacturer believes that they are due an adjustment to their payment due to market share gained by non participating manufacturers; this issue will have to be adjudicated.

The DFA notes that there is a possibility that Phillip Morris may do the same with its annual payment. This would reduce the estimate by an additional $4 million.

SN/ar/njw