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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 2/25/03 HB 980

SHORT TITLE: Tobacco Settlement Fund Distribution Changes SB _____

ANALYST: Smith

REVENUE

Estimate d Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	21,450.0		Recurring	Tobacco Settlement Program Fund
	(21,450.0)		Recurring	Tobacco Settlement Permanent Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with SB298 and HB244

SOURCES OF INFORMATION

Responses Received From

DFA

SUMMARY

Synopsis of Bill

House Bill 980 would change the amount of funds transferred from the tobacco settlement permanent fund to the tobacco settlement program fund to 100% percent of the amount received each year. Current law provides that 50% of the amount received each year is transferred from the permanent fund to the program fund and thereby made available for appropriation.

HB980 also specifies that the tobacco settlement permanent fund is a reserve fund and may be expended like other general fund reserve accounts when authorized by the general appropriations act. No other appropriations or distributions from the tobacco settlement permanent fund are permitted unless authorized by a three-fourths vote of each house.

FISCAL IMPLICATIONS

This bill does not actually appropriate the corpus of the permanent fund; it merely enables future transfers.

CONFLICT

This bill conflicts with SB298 and HB244. The Executive proposals abolish all the tobacco funds and divert the revenue to the general fund.

OTHER SUBSTANTIVE ISSUES

Permanent fund balances are invested by the State Investment Council in a diversified portfolio of stocks and bonds. Annual returns have been mostly negative since inception; cumulative losses total \$5.5 million. Policymakers should anticipate further losses in FY 2003; November fund pricing implies a loss of \$5.7 million, or 9.6 percent, since the beginning of the fiscal year.

SS/njw