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FISCAL IMPACT REPORT

SPONSOR: Nava DATE TYPED: 2/4/03 HB _____

SHORT TITLE: Next Generation Trust Fund SB 228

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(3,720.0)		Recurring	Tobacco Settlement Permanent Fund
	3,720.0		Recurring	Next Generation Trust Fund
		(744.0)	Recurring	Tobacco Settlement Program Fund/General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

DFA

SUMMARY

Synopsis of Bill

Senate Bill 228 intercepts 10 percent of the revenue received from the tobacco master settlement agreement and uses it to finance the “next generation trust fund. The new fund will be administered as an endowment; the income from the fund will be distributed to the youth development fund. A new board will oversee this fund; it will support development programs and activities for youth between the ages of 5 and 20. Twenty percent of this fund could be used for administrative overhead. The fund is non-reverting. The revenue intercepts begin after July 1, 2003.

FISCAL IMPLICATIONS

The fund will actually receive cash in the spring of 2004. Since it intercepts prior to receipt by the tobacco settlement permanent fund, the tobacco settlement program fund will bear one half of the loss in FY05. This is ultimately a general fund impact.

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

CONFLICT

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

TECHNICAL ISSUES

- It is unclear whether the sponsor intends to appropriate the exiting corpus of the permanent fund.
- The LFC is reading this bill to assume the FY04 distribution of the tobacco settlement program fund will be unaffected. This needs to be clarified.
- The land grant permanent fund is invested in a diversified portfolio of stocks and bonds. Since stocks do not always distribute income, this investment strategy may not be in line with the sponsor's intention.

SS/njw