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The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

### FISCAL IMPACT REPORT

SPONSOR: A1	agon	DATE TYPED:	3/3/03	HB	
SHORT TITLE: Abolish Tobacco Settlement Fund			SB	298/aSFC/aHCPAC	
		ANALY	TST:	Smith	

#### **REVENUE**

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
42,900.0	37,200.0		Recurring	General Fund
6,550.0			Nonrecurring	General Fund
(42,900.0)	(37,200.0)		Recurring	Tobacco Settlement Permanent Fund
(6,550.0)			Nonrecurring	Tobacco Settlement Program Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### **SOURCES OF INFORMATION**

LFC Files

### **SUMMARRY**

Synopsis of Bill, as amended

Senate Bill 298, as amended, diverts all the tobacco settlement payments from the tobacco settlement permanent fund to the general fund for FY03 and FY04. Beginning in FY05, the diversion ceases and 50 percent of the revenues will again be transferred to the tobacco settlement program fund. Additionally, the unappropriated balance in the tobacco settlement program fund is also transferred to the general fund.

SB298/a 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 additional appropriations or distributions from the tobacco settlement permanent fund are permitted without a three-fifths vote of the legislature.

# Senate Bill 298/aSFC/aHCPACPage 2

# FISCAL IMPLICATIONS

This bill does not actually appropriate the corpus of the permanent fund; it merely enables future transfers and allows the inclusion of the permanent fund in the calculation of reserve levels.

### 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:yr