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

ORIGINAL DATE 01/25/10
SPONSOR Tripp **LAST UPDATED** 01/27/10 **HB** 79

SHORT TITLE Tobacco Settlement Fund Distribution **SB**

ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	$22,280.0		Nonrecurring	Tobacco Settlement Program Fund
	($22,280.0)		Nonrecurring	Tobacco Settlement Permanent Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Related House Bill 7, the General Appropriation Act of 2010

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Department of Finance and Administration (DFA)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 79 continues the 100 percent distribution of the tobacco settlement payment to the tobacco settlement program fund for appropriations to state agencies and higher education institutions. The bill is endorsed by the Legislative Finance Committee.

FISCAL IMPLICATIONS

LFC staff estimates the FY11 master settlement agreement (MSA) payment from the participating tobacco manufacturers to be $45.56 million. Under current law, in FY11 50 percent of the payment, or $22.28 million, will be sent to the tobacco settlement permanent fund and 50 percent will go to the tobacco settlement program fund. In FY09 and FY10, 100 percent of the payment was distributed to the program fund. This bill would continue that distribution in FY11.

As proposed by LFC budget recommendation, the additional revenue would be appropriated to HSD for Medicaid programs, allowing the draw down of $89.1 million in federal funds.

At the September 2009 hearing of the Tobacco Settlement Revenue Oversight Committee, LFC staff presented a forecast of annual payments by participating tobacco manufacturers showing that the payment would be $44.56 million in FY11.

SIGNIFICANT ISSUES

Laws 2009, Chapter 3 (Senate Bill 79) provided a 100 percent distribution to the program fund for FY09 and FY10 and appropriated the additional revenue to the Human Services Department for Medicaid programs. The appropriation offset general fund reductions as part of solvency legislation. Continuing the distribution and appropriation to the Medicaid, as proposed by LFC appropriation recommendations, reduces the need for additional appropriations from the general fund to HSD.

OTHER SUBSTANTIVE ISSUES

The Department of Health note that the Master Settlement Agreement is intended to compensate states for the economic impact that tobacco use creates, and to lessen this burden by reducing tobacco use. Estimated annual smoking costs in New Mexico are $976 million ($483 million for direct medical costs; $493 million for lost productivity) (www.impactteen.org/tobaccodata.htm). Sustained funding of tobacco control programs is important for reducing the burden of tobacco use in New Mexico.

RELATIONSHIP

Relates to House Bill 7, the General Appropriation Act of 2010 – Section 4, Appropriations to the Human Services Department.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

$22.28 million of state revenue will not be available for appropriations to the Human Services Department for Medicaid expenditures, requiring the department to reduce Medicaid spending by another $111.4 million.

BE/svb