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

		ORIGINAL DATE	01/23/11		
SPONSOR	Tripp	**LAST UPDATED**	02/01/11	**HB**	79
SHORT TITLE	Additional Tobacco Fund Distribution			**SB**	
				ANALYST	Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	**FY12**	**FY13**		
	$19,776.0	$19,776.0	Nonrecurring	Tobacco Settlement Program Fund
	($19,776.0)	($19,776.0)	Nonrecurring	Tobacco Settlement Permanent Fund
	$46,877.2*	$46,408.7*	Nonrecurring	Federal Funds*

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to Appropriation in the General Appropriation Act
*Federal Medicaid matching funds received by appropriating this revenue to HSD for Medicaid programs, as recommended by LFC. Estimate for FY13 assumes tobacco payment and federal matching rate for Medicaid programs do not change.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department
Department of Health
State Treasurer's Office

SUMMARY

Synopsis of Bill

House Bill 79 continues for two more years 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

Consensus revenue estimates find the net FY12 and FY13 master settlement agreement (MSA) payment from the participating tobacco manufacturers to be $39.55 million. Under current law, in FY12 50 percent of the payment, or $19.78 million, will be sent to the tobacco settlement permanent fund and 50 percent will go to the tobacco settlement program fund. In FY09, FY10 and FY11, 100 percent of the payment was distributed to the program fund. This bill would continue that distribution in FY12 and FY13.

As proposed by the LFC and executive budget recommendations, the additional revenue would be appropriated to HSD for Medicaid programs, allowing the drawdown of $46.9 million in federal funds, for a total Medicaid expenditure of $66.6 million.

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. Laws 2010, Chapter 49 (House Bill 79) continued the 100 percent distribution for FY11. Continuing the full distribution in FY12 and appropriating the revenue for Medicaid programs, as proposed by LFC and executive appropriation recommendations, reduces the need for additional appropriations from the general fund to HSD.

The tobacco settlement permanent fund was established to operate much like the state's other permanent funds: once a sufficient corpus is built, the state would draw interest payments for appropriations. With full 50 percent distributions, a sufficient corpus would be built by 2021, with $611 million. At the end of FY10, the balance of the tobacco settlement permanent fund was $132 million. The fund is invested by the State Investment Council.

RELATIONSHIP

The bill relates to the LFC and executive appropriation recommendation for Medicaid programs at the Human Services Department.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

For FY12, the Legislature would need to increase general fund appropriations to HSD by $19.8 million or HSD would need to cut Medicaid spending by $66.6 million.

BE/bym