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FISCAL IMPACT REPORT

SPONSOR Fox-Young DATE TYPED 1/31/05 HB 290
 SHORT TITLE Tobacco Settlement Fund Distribution Changes SB _____
 ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$34,800.0)	(\$34,100.0)	Similar	Recurring	General Fund
\$17,400.0	\$17,050.0	Similar	Recurring	Tobacco Settlement Permanent Fund
\$17,400.0	\$17,050.0	Similar	Recurring	Tobacco Settlement Program Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Department of Finance and Administration (DFA)

SUMMARY

House Bill 290 eliminates the distribution from the tobacco settlement permanent fund to the general fund. The bill also eliminates the tobacco settlement permanent fund from serving as a general fund reserve fund. The bill carries an emergency clause, making the bill effective upon approval by the governor.

Current law distributes money distributed to tobacco settlement fund to the general fund through FY 2006; FY 2007 and thereafter 50 percent of the revenue is distributed to the tobacco settlement fund program fund until that distribution is equal to 4.7 percent of average value of the fund in the proceeding five-years. Current law also has the permanent fund serve as the general fund reserve fund of last resort, which may be called upon only in the amounts necessary to meet appropriations for a fiscal year and only after all authorized transfers are made from other reserve funds: general fund operating reserve fund, appropriation contingency fund, and the tax stabilization reserve fund.

FISCAL IMPLICATIONS

This bill effectively pushes forward the end of tobacco settlement revenue as a general fund revenue source from FY07 to FY05. Although the bill provides that revenues distributed in FY05 to the General Fund in FY05 prior to the effective date would remain with the general fund, all tobacco settlement revenue would be transferred from the general fund in FY05 because all tobacco settlement revenue is transferred in the last month of the fiscal year. The revenue impacts shown thus reflect general fund revenue estimated amounts, which are transferred from the general fund to the tobacco settlement program fund and tobacco settlement reserve fund.

Eliminating the tobacco settlement permanent fund as a general fund reserve fund has the effect of reducing general fund reserves by approximately \$76 million in FY05 and by \$83 million in FY06.

BT/lg:yr