

Regular Session, 1999

HOUSE BILL NO. 640

BY REPRESENTATIVES DOWNER, LEBLANC, AND LONG AND
SENATORS EWING AND HAINKEL

FUNDS/FUNDING: (Constitutional Amendment) Creates Tobacco Settlement
Trust Fund and Louisiana Fund

1 A JOINT RESOLUTION

2 Proposing to add Article VII, Section 10.8 of the Constitution of Louisiana,
3 relative to state funds; to create the Tobacco Settlement Trust Fund and
4 the Louisiana Fund in the state treasury; to provide for deposit of
5 monies into the funds; to provide for investment and uses of monies in
6 the funds; to provide for submission of the proposed amendment to the
7 electors; and to provide for related matters.

8 Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of
9 the members elected to each house concurring, that there shall be submitted
10 to the electors of the state of Louisiana, for their approval or rejection in the
11 manner provided by law, a proposal to add Article VII, Section 10.8 of the
12 Constitution of Louisiana, to read as follows:

13 §10.8. Tobacco Settlement Trust Fund; Louisiana Fund

14 Section 10.8.(A)(1) There shall be established in the state
15 treasury as a special permanent trust fund the Tobacco Settlement Trust
16 Fund, hereinafter referred to as the "Trust Fund". After allocation of
17 money to the Bond Security and Redemption Fund as provided in

1 Article VII, Section 9(B) of this constitution, the treasurer shall deposit
2 in and credit to the Trust Fund twenty-five percent of all money which
3 is received as a result of the Master Settlement Agreement, hereinafter
4 the "Settlement Agreement", executed November 23, 1998, and
5 approved by Consent Decree and Final Judgment entered in the case
6 "Richard P. Ieyoub, Attorney General, ex rel. State of Louisiana v.
7 Philip Morris, Incorporated, et al.", bearing Number 98-6473 on the
8 docket of the Fourteenth Judicial District for the parish of Calcasieu,
9 state of Louisiana; all dividend and interest income on investment of
10 monies in the Trust Fund; and all realized capital gains on investment
11 of the Trust Fund. The amount of Settlement Agreement revenues
12 deposited into the Trust Fund may only be changed by law enacted by
13 two-thirds of the elected members of each house of the legislature. No
14 appropriation shall be made from the Trust Fund.

15 (2) There shall be established in the state treasury as a special
16 fund the Louisiana Fund. After allocation of money to the Bond
17 Security and Redemption Fund as provided in Article VII, Section 9(B)
18 of this constitution, the treasurer shall deposit in and credit to the
19 Louisiana Fund seventy-five percent of all money which is received as
20 a result of the Settlement Agreement, and all interest income on
21 investment of monies in the Louisiana Fund. The amount of Settlement
22 Agreement revenues deposited into the Louisiana Fund may only be
23 changed by law enacted by two-thirds of the elected members of each
24 house of the legislature.

25 (3) All Settlement Agreement revenues and dividends, interest
26 earnings, and realized capital gains shall be credited to the respective

1 funds as provided in this Paragraph, until the balance in the Trust Fund
2 equals one billion dollars. After the Trust Fund reaches a balance of
3 one billion dollars, all future dividends, interest earnings, and realized
4 capital gains on the Trust Fund and all future Settlement Agreement
5 revenues shall be credited to the Louisiana Fund.

6 (B) Investment. The money credited to the Trust Fund pursuant
7 to Paragraph (A) of this Section shall be permanently credited and shall
8 be invested by the treasurer. Notwithstanding any provision of this
9 constitution or other law to the contrary, a portion of money in the
10 Trust Fund, not to exceed thirty-five percent, may be invested in stock.
11 The legislature shall provide by law for procedures for the investment
12 of such monies, as well as monies in the Louisiana Fund.

13 (C) The legislature may appropriate from the Louisiana Fund
14 for any propose, including appropriations to pay expenses incurred in
15 the investment and management of the Trust Fund. Those monies to be
16 used for administrative costs shall be expended for such purposes only
17 if so approved and appropriated by the legislature.

18 Section 2. Be it further resolved that this proposed amendment shall be
19 submitted to the electors of the state of Louisiana at the gubernatorial primary
20 election to be held in 1999.

21 Section 3. Be it further resolved that on the official ballot to be used
22 at said election there shall be printed a proposition, upon which the electors
23 of the state shall be permitted to vote FOR or AGAINST, to amend the
24 Constitution of Louisiana, which proposition shall read as follows:

25 To establish the Tobacco Settlement Trust Fund, hereinafter
26 "Trust Fund", and the Louisiana Fund, in the state treasury; to

1 provide that the source of monies deposited into these funds
2 shall be monies received under the Master Settlement
3 Agreement approved by Consent Decree in the case "Richard P.
4 Ieyoub v. Philip Morris, Incorporated, et al." (Tobacco
5 Settlement); to provide that twenty-five percent of such
6 settlement proceeds shall be deposited into the Trust Fund, with
7 the remaining seventy-five percent being deposited into the
8 Louisiana Fund; to allow change of this distribution of funds by
9 law enacted by a two-thirds vote of the legislature; to provide
10 for investment of monies in the funds and to authorize
11 investment of thirty-five percent of the Trust Fund in equities;
12 to require deposit of all dividends, interest earnings, and
13 realized capital gains from investment of the Trust fund into the
14 Trust Fund until the balance reaches one billion dollars;
15 thereafter, to require such earnings and all recurring settlement
16 funds be deposited into the Louisiana Fund; to authorize
17 appropriation of monies from the Louisiana Fund for any
18 purpose. (Adds Article VII, Section 10.8)

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument.

Downer, et al.

HB No. 640

Proposed constitutional amendment provides for establishment of the Tobacco Settlement Trust Fund, (Trust Fund), as a special permanent trust fund in the state treasury, as well as the Louisiana Fund, as a special fund in the state treasury.

Proposed constitutional amendment provides that the source of monies deposited into these funds shall be monies received by the state from the

Master Settlement Agreement executed November 23, 1998, and approved by Consent Decree and Final Judgment entered in the case "Richard P. Ieyoub v. Philip Morris, Incorporated, et al.", No. 98-6473 on the docket of the 14th Judicial District for the parish of Calcasieu, state of Louisiana, (Settlement Agreement). Further provides that after allocation of monies received from the Settlement Agreement to the Bond Security and Redemption Fund, the treasurer shall deposit in and credit to the Trust Fund 25% of such settlement proceeds, with the remaining 75% of settlement proceeds being deposited in and credited to the Louisiana Fund. This allocation of Settlement Agreement proceeds may only be changed by law enacted by two-thirds vote of each house of the legislature.

Proposed constitutional amendment provides that dividend income, interest earnings, and realized capital gains associated with investment of the Trust Fund and the Louisiana Fund shall be deposited in and credited to the respective funds. Further provides that once the balance of the Trust Fund reaches \$1 billion, then all future Settlement Agreement proceeds and all dividend, interest, and capital gains earnings on investment of the Trust Fund will cease to be deposited into the Trust Fund, and will instead be deposited into and credited to the Louisiana Fund. The state treasurer is required to invest the monies in the Trust Fund, up to 35% of which may be invested in stock and procedures for investment of both funds shall be provided by law.

Proposed constitutional amendment prohibits appropriation from the Trust Fund. The legislature may appropriate from the Louisiana Fund for expenses incurred in the investment and management of the Trust Fund, and for any other purpose.

Provides for submission of the proposed amendment to the voters at the gubernatorial primary election in 1999.

(Adds Const. Art. VII, §10.8)