



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 53** SLS 11RS 130
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

| | | |
|---|---------|------------------------------|
| Date: May 8, 2011 | 5:24 PM | Author: ALARIO |
| Dept./Agy.: Higher Education | | |
| Subject: Dedication of Tobacco Settlement Proceeds to TOPS | | Analyst: Charley Rome |

FUNDS/FUNDING OR SEE FISC NOTE GF EX See Note Page 1 of 1

Constitutional amendment to provide that once the balance in the Millennium Trust reaches \$1.38 billion, 100% of the annual Tobacco Settlement Proceeds shall be dedicated to the TOPS program. (2/3 - CA13s1(A))
Current law deposits the annual tobacco settlement proceeds into the Millennium Fund, building its corpus. The Millennium Fund is not appropriated by the Legislature. Its earnings are allocated evenly to the TOPS Fund, the Health Excellence Fund, and the Education Excellence Fund. Appropriations and expenditures are made from these three funds, supporting each fund’s specified purposes.

Proposed law redirects the annual tobacco settlement proceeds directly into the TOPS Fund, beginning with proceeds received after April 1, 2011 (the FY11 annual proceeds). The TOPS Fund will have these greater resources available to support its purposes. The Millennium Fund balance will be capped at its balance at the beginning of FY11.

To be submitted at the statewide election to be held on October 22, 2011.

| EXPENDITURES | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 5 -YEAR TOTAL |
|----------------|-----------|-----------|-----------|-----------|-----------|---------------|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 5 -YEAR TOTAL |
|----------------|---------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

The bill will increase the amount of resources available for appropriation from the TOPS Fund by directing tobacco settlement receipts directly to the TOPS Fund. HB1 anticipates these additional tobacco settlement resources for the TOPS program by reducing state general fund support by a like amount. Assuming this Constitutional amendment is adopted in October, the TOPS program remains fully funded, but with a greater share of dedicated tobacco settlement proceeds and less state general fund support. The HB1 funding swap is \$92.3 million in FY12 (settlement proceeds received in FY11 and in FY12). This amount would have gone into the Millennium Fund, but under this bill will go to the TOPS Fund instead. This effectively caps the Millennium Fund balance at the level it was at the beginning of FY11 (\$1.380 billion) and reduces the amount of state general fund support needed for TOPS in FY12 by some planned \$92.3 million. In subsequent years the funding swap will be roughly half this amount as only a single year of settlement proceeds will be available to redirect to TOPS each year, reducing necessary state general fund by a like amount each year.

The specific dollar amounts planned in the FY12 budget are based on tobacco settlement projections prior to actual FY11 annual receipts. However, the actual amount of funding swap will depend on the actual amount of tobacco settlement proceeds received by the state each year. The state has essentially no control over the level of those receipts.

The redirection of settlement proceeds to the TOPS Funds effectively caps the balance of the Millennium Fund, from which earnings are generated for appropriation through the TOPS Fund, the Health Excellence Fund, and the Education Excellence Fund (each of these three funds gets an equal share of annual Millennium Fund earnings). Thus, the earnings potential of the Millennium Fund is effectively capped, at least with respect to earnings attributable to additions to the corpus from annual settlement proceeds. The foregone earnings are roughly \$1.3 million per year and will accumulate each year as each year’s settlement proceeds are not invested via the Millennium Fund, but are expended via the TOPS Fund. These foregone earnings will not be available to support the Health Excellence Fund and the Education Excellence (nor the TOPS Fund but it will directly receive all the settlement proceeds currently building the Millennium Fund). These foregone earnings may be approximately \$6.5 million in FY16.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| Senate | Dual Referral Rules | House | |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S} | H. Gordon Monk Legislative Fiscal Officer |
| | | <input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |