



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 53** SLS 11RS 130
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ HSE FLOOR AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 21, 2011	10:49 AM	Author: ALARIO
Dept./Agy.: Higher Education		
Subject: Dedication of Tobacco Settlement Proceeds to TOPS		Analyst: Greg Albrecht

FUNDS/FUNDINGREF SEE FISC NOTE GF EX See NotePage 1 of 2

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. Current law expires a 4¢ per pack of twenty cigarette tax levy on June 30, 2012.

Proposed law redirects the annual tobacco settlement proceeds, that have been flowing to the Millennium Fund, 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. The Louisiana fund will continue to receive its 25% share of annual proceeds receipts. Proposed law permanently renews the 4¢ cigarette tax levy and dedicates its receipts to the Health Excellence Fund.

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	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$48,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$48,000,000

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 does not anticipate these additional tobacco settlement resources for the TOPS program, which is currently funded in FY12 with \$15.9 million from the TOPS fund, \$92.3 million from the Overcollections Fund, and \$46.2 million from the state general fund. Assuming this constitutional amendment is adopted in October 2011, the TOPS Fund will have roughly \$80 million more available to it in FY12 (settlement proceeds received in April FY11 and in April FY12). Adjustments to the FY12 budget can be made after adoption through the BA7 process or a supplemental appropriation bill. In subsequent years roughly half this amount (\$40 million, a single year of settlement proceeds) will be redirected to TOPS each year, allowing reductions in other means-of-finance support at that time.

These amounts 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). This balance will continue to generate earnings 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 will be approximately \$2.9 million in FY13, \$4.2 million FY14, \$5.6 million FY15, and \$6.9 million in FY16.

REVENUE EXPLANATION

The bill continues an existing 4¢ levy on cigarettes that is currently scheduled to expire June 30, 2012. This levy generates \$12 million per year. The bill also dedicates these proceeds to the Health Excellence Fund. In FY11 this fund provides financing assistance for the LACHip, children’s health care program.

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 checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 53** SLS 11RS 130
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ HSE FLOOR AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 21, 2011	10:49 AM	Author: ALARIO
Dept./Agy.: Higher Education		
Subject: Dedication of Tobacco Settlement Proceeds to TOPS		Analyst: Greg Albrecht

CONTINUED EXPLANATION from page one:

4¢ Cigarette Tax Continuation

This particular levy was first imposed by Act 32 of 2000 for 2 years, then extended for another ten years through FY12 by Act 21 of 2002. The drop in revenue is anticipated in the official forecast beginning with FY13 at \$12 million per year. This revenue drop fully affects the state general fund since no dedications are currently associated with this levy. Extension of the levy will retain approximately \$12 million per year, beginning with FY13.


The bill dedicates these monies to the Health Excellence Fund.

Changes to the tax on cigarettes (typically increases) elicit behavioral responses from consumers (tax-paid consumption changes) and wholesalers (stockpiling) that can affect the amount and timing of tax receipts associated with the tax change. However, from an economic perspective, the levy addressed by this bill is not a new or increased levy but simply the continuation of an existing levy. It is unlikely that this continuation would elicit such responses to any material degree.

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 checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	