



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **SB 52** SLS 11RS 209  
Bill Text Version: **ENROLLED**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> June 28, 2011 11:12 AM	<b>Author:</b> ALARIO
<b>Dept./Agy.:</b> Higher Education	
<b>Subject:</b> Dedication of Tobacco Settlement Proceeds to TOPS	<b>Analyst:</b> Greg Albrecht

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

Provides 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. (See Act)

Current law deposits the annual tobacco settlement proceeds into the Millennium Trust Fund, building its corpus. The Trust 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. 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 Trust 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 Trust Fund balance will be capped at its balance at the beginning of FY11 (\$1.380 billion). The Louisiana Fund will continue to receive its 25% share of annual proceeds receipts. Proposed law dedicates the receipts of a 4¢/20-pack cigarette tax levied in R.S. 47:841(B)(3) to the Health Excellence Fund, beginning with FY13. Contingent upon adoption of the constitutional amendment contained in SB 53 of this session 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 the constitutional amendment of SB53 of this session 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.

Assuming adoption of the constitutional amendment contained in SB53 of this session, the Health Excellence Fund, starting with FY13, will have additional resources available to it from the dedication of a 4¢/20-pack cigarette tax levied in R.S. 47:841(B)(3). This levy is scheduled to expire at the end of FY12, but is continued in SB53.

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 dedicates an existing 4¢/20-pack 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. The expiration of this tax is already anticipated in the official forecast. Thus, from a budgeting perspective, this is effectively a dedication of new revenue.

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 checked="" 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}	