

FISCAL NOTE

Bill #: HB484

Title: Referendum on tobacco funds allocation

Primary Sponsor: Joan Hurdle

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY2002	FY2003
	<u>Difference</u>	<u>Difference</u>
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill allocates all money received by the state of Montana from any judgment, settlement, or fine received as a result of civil or criminal claim against a tobacco company related to the production, marketing, or use of tobacco products.
2. Based on the effective date for this bill of July 1, 2003, there is no fiscal impact in FY 2002 or FY 2003.
3. Under this proposal, the qualified electors of Montana at the general election to be held in November 2002 will decide whether to change the allocation of the tobacco settlement funds.
4. Under current law, the tobacco settlement funds are allocated 60% to the state general fund and 40% to the Montana tobacco settlement trust fund.
5. Under this proposal, if approved by the electorate effective July 1, 2003, the tobacco settlement funds are allocated 40% to the Montana tobacco settlement trust fund, 8% to the state general fund, 20% to Department of Revenue (County Health Departments), 12% to Department of Public Health and Human Services (DPHHS) (State Children Health Insurance Program), 10% to DPHHS (Tobacco Prevention Programs), and 10% to the DPHHS (Mental Health Regions). Table 1 shows the tobacco settlement allocation under current and proposed law.
6. Funding for the above program may not supplant funds existing for the program on December 31, 1999.

Table 1 Tobacco Settlement Allocation Current Law and Proposed Law						
-----Allocation-----						
<u>Law</u>	<u>Trust Fund</u>	<u>General Fund</u>	<u>DOR (Counties)</u>	<u>DPHHS (Child Health Insurance Program)</u>	<u>DPHHS (Tob. Prev. Program)</u>	<u>DPHHS (Mental Health Regions)</u>
Current	40%	60%	0%	0%	0%	0%
Proposed	40%	8%	20%	12%	10%	10%

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Under this proposal, the Department of Revenue (DOR) will allocate 20% of the tobacco settlement fund to each county health department. Under this allocation each county may receive \$35,000 annually and an additional amount determined on the basis of the percentage of the population of children under 18 years of age.

LONG-RANGE IMPACTS:

Under this proposal, assuming the electorate in the November 2002 general election passes this amendment, the state general fund revenue will decrease by \$14,941,202 in fiscal 2004. There will be revenue increases in fiscal 2004 for county health departments (statewide) by \$5,746,616, for state Children Health Insurance Program (CHIP by \$3,447,970, for tobacco prevention programs by \$2,873,308, and for the mental health regions by \$2,873,308. The above impacts are calculated using an estimated total payment of \$28,733,080 in fiscal 2004 from the "Master Settlement Agreement", or known as the tobacco settlement. This situation will continue for FY 2005 and ensuing years.

Table 2 Revenue Impacts under this Proposal					
-----FY2004 Revenue Impacts-----					
<u>Trust Fund</u>	<u>General Fund</u>	<u>DOR (Counties)</u>	<u>DPHHS (Child Health Insurance Program)</u>	<u>DPHHS (Tob. Prev. Program)</u>	<u>DPHHS (Mental Health Regions)</u>
\$0	(\$14,941,202)	\$5,746,616	\$3,447,970	\$2,873,308	\$2,873,308

TECHNICAL NOTES:

1. To be able to spend the additional money allocated to the CHIP program, the federal poverty level for CHIP would need to be raised to approximately 200%. It is currently at 150% and the program is at maximum capacity.
2. Section 2 (2) does not allow the Department of Public Health and Human Services (DPHHS) to supplant existing funds. In December 1999 the tobacco prevention program had \$3,500,000 in each year of the biennial and under the current executive budget this program has approximately \$502,000 per year of the biennium. DPHHS is unsure that we could spend the additional authority allocated in this because of the change in the amount spent in 1999 and the amount budgeted in the current executive budget.