

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3765-09
BILL NO. Perfected HS for HCS for HJR 61
SUBJECT: Constitutional Amendments: Public Health; Tobacco Products
TYPE: Original
DATE: February 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$135,464,421)	(\$162,447,798)	(\$164,044,888)
Tobacco Settlement Trust	\$135,420,621	(\$12,552,202)	(\$10,955,112)
Tobacco Settlement Endowment	\$0	\$175,000,000	\$0
Pharmacy or Health Care Relief for the Elderly	\$0	\$0	\$175,000,000
Total Estimated Net Effect on <u>All State Funds</u>	(\$43,800)	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All Federal Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Social Services, Department of Health, Department of Mental Health, Department of Revenue (DOR), Office of Administration, and Office of the Treasurer** stated, in responses to similar proposals, that the proposed amendment would have no direct fiscal impact on their agencies or that they could accomplish duties under terms of this proposal with existing resources.

Estimates of amounts Missouri will receive from the Master Settlement Agreement are ranged from estimates made by the Office of Administration - Division of Budget and Planning to estimates published by the National Governors Association (NGA).

Budget and Planning's estimates assume upward inflation adjustments of three percent (3%) to each years annual payment and downward volume adjustments of 10% in 2000, 12.7% in 2001, 14.9% in 2002, and 16.6% in 2003. These volume adjustment assumptions are those recommended by Federal Funds Information for States and are based on estimates developed by Standard and Poors.

The NGA figures do not include any offsets, reductions or adjustments; therefore, Oversight has included a 3% per year inflation adjustment.

For purposes of simplifying the fiscal note, **Oversight** has used the estimates of the Office of Budget and Planning. Please see the attachment for complete schedules of ranges of estimates.

Oversight assumes that in the absence of this proposal, settlement monies would go into the General Revenue Fund.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three publications of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2000 general election.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

GENERAL REVENUE FUND

<u>Cost-Secretary of State</u>			
Newspaper Advertisements	(\$43,800)	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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<u>Foregone Income - Tobacco Settlement</u>	(\$135,420,621)	(\$162,447,798)	(\$164,044,888)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$135,464,421)</u>	<u>(\$162,447,798)</u>	<u>(\$164,044,888)</u>
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TOBACCO SETTLEMENT TRUST FUND

<u>Income - Tobacco Settlement</u>	\$135,420,621	\$162,447,798	\$164,044,888
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<u>Cost - Transfer to Tobacco Settlement Endowment</u>	\$0	(\$175,000,000)	\$0
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<u>Cost - Transfer to Pharmacy or Health Care Relief Fund for the Elderly</u>	\$0	\$0	(\$175,000,000)
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NET EFFECT ON TOBACCO SETTLEMENT TRUST FUND	<u>\$135,420,621</u>	<u>(\$12,552,202)</u>	<u>(\$10,955,112)</u>
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**TOBACCO SETTLEMENT
ENDOWMENT**

<u>Income - Transfer from Tobacco Settlement Trust Fund</u>	\$0	\$175,000,000	\$0
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NET EFFECT ON TOBACCO SETTLEMENT ENDOWMENT	<u>\$0</u>	<u>\$175,000,000</u>	<u>\$0</u>
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FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

**PHARMACY OR HEALTH CARE
 RELIEF FUND FOR THE ELDERLY**

Income - Transfer from Tobacco
 Settlement Trust Fund \$0 \$0 \$175,000,000

**NET EFFECT ON PHARMACY OR
 HEALTH CARE RELIEF FUND FOR
 THE ELDERLY** **\$0** **\$0** **\$175,000,000**

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003

\$0 \$0 \$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would establish a trust fund for receipt of any funds realized from a legal settlement or award relating to tobacco-related products.

Tobacco Settlement Trust Fund proceeds would not be appropriated until the amount in the Fund reached \$175,000,000. When the principal of the Trust reached \$175,000,000, that amount would be transferred to the Tobacco Settlement Endowment. Endowment monies and interest would remain in the Endowment until the amount in the Endowment reached \$1,000,000,000. Amounts in excess of one billion dollars would be transferred to the Trust.

When the principal of the Trust again reached \$175,000,000, that amount would be transferred to the Pharmacy or Health Care Relief Fund for the Elderly. Fund of the Elderly monies would be subject to appropriation and interest earned on the Fund would remain in the Fund.

Moneys remaining in the Trust after transfers to the Endowment and the Fund for the Elderly and interest could be appropriated, until June 30, 2012, as follows: 50% for health care access and

DESCRIPTION (continued)

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treatment; 20% for health science research; 15% for comprehensive tobacco cessation, education and prevention; and 15% for early intervention and prevention programs for children. After 30 June 2012, monies would only be spent for the programs listed but the percentages would not have to be adhered to.

Endowment moneys would not be subject to state law governing investment of surplus state funds and could be transferred, by appropriation, to the Missouri Investment Trust.

This legislation is not federally mandated, would not duplicate any other program, would not require additional capital improvements or rental space. The proposal would not affect Total State Revenues.

SOURCES OF INFORMATION

Department of Health
Department of Mental Health
Department of Revenue
Department of Social Services
Secretary of State
State Treasurer



Jeanne Jarrett, CPA
Director
February 25, 2000

Year	OA - B&P	Governors Association	3% CPI Increase
1998	\$54,590,426	\$54,590,426	\$54,590,426
1999	\$0	\$0	\$0
2000	\$129,451,392	\$145,841,736	\$150,216,988
2001	\$135,420,621	\$157,485,647	\$167,076,523
2002	\$162,447,798	\$189,094,295	\$206,623,336
2003	\$164,044,888	\$190,883,868	\$214,820,705
2004	\$143,399,390	\$159,313,061	\$184,659,769
2005	\$144,834,156	\$159,313,061	\$190,203,864
2006	\$146,278,082	\$159,313,061	\$195,907,271
2007	\$147,740,792	\$159,313,061	\$201,785,923
2008	\$164,693,218	\$175,833,051	\$181,916,875
2009	\$166,353,707	\$175,833,051	\$236,266,871
2010	\$168,003,541	\$175,833,051	\$243,352,943
2011	\$169,675,393	\$175,833,051	\$250,667,598
2012	\$171,378,869	\$175,833,051	\$261,340,664
2013	\$173,100,158	\$175,833,051	\$265,929,906
2014	\$174,833,563	\$175,833,051	\$273,895,144
2015	\$176,602,091	\$175,833,051	\$282,124,130
2016	\$178,364,609	\$175,833,051	\$290,581,700
2017	\$180,168,255	\$175,833,051	\$299,303,019
2018	\$188,424,839	\$182,059,072	\$319,204,171
2019	\$190,339,585	\$182,059,072	\$328,780,478
2020	\$192,257,965	\$182,059,072	\$338,629,874
2021	\$194,207,025	\$182,059,072	\$348,788,770
2022	\$196,152,138	\$182,059,072	\$359,257,167
2023	\$198,156,125	\$182,059,072	\$370,035,064
2024	\$200,180,829	\$182,059,072	\$381,140,667
2025	\$202,222,663	\$182,059,072	\$392,573,977
Tota l	\$4,513,322,118	\$4,589,951,302	\$6,989,673,821