

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 4062-01
BILL NO. HJR 63
SUBJECT: Constitutional Amendments: Tobacco Settlement
TYPE: Original
DATE: March 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$43,800 to \$135,464,421)	(\$0 to \$162,447,798)	(\$0 to \$164,044,888)
Tobacco Settlement Trust	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$43,800 to \$135,464,421)	(\$0 to \$162,447,798)	(\$0 to \$164,044,888)

*Foregone anticipated revenues (deposited into the Tobacco Settlement Trust Fund instead of the General Revenue Fund)

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

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

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Social Services, Department of Health, Department of Mental Health, 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.

Department of Revenue (DOR) officials note that once the state debt is paid, the proposal would mandate sixty percent (60%) of money received from the tobacco settlement be distributed as if it were excess state revenue. Costs for those distributions are \$945,828 per fiscal year.

Oversight notes that total state debt obligated as of June 30, 1999 was \$1,956,385,090. Even though \$667,901,090 of this debt is interest and could be significantly reduced if tobacco settlement monies were used to pay down principal, there would be no distributions during the period covered by this fiscal note. Oversight also notes that Tobacco Settlement Trust Fund moneys could be used instead of general revenue funds to repay state debt and fund anti-smoking programs which would free the general revenue for other uses; therefore, Oversight will show possible savings to the General Revenue Fund.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
ESTIMATED NET EFFECT ON TOBACCO SETTLEMENT TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	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 and would specify the appropriation and expenditure of moneys from the trust fund..

Tobacco Settlement Trust Fund proceeds would be appropriated as follows: 1) no more than ten percent (10%) for anti-smoking programs, and 2) ninety percent (90%) to one hundred percent (100%) for paying state indebtedness incurred before the effective date of the proposal.

After state indebtedness was retired, Fund appropriations would be: 1) no more than ten percent (10%) for anti-smoking programs, 2) sixty percent (60%) distributed to taxpayers as if it was excess state revenue, and 3) the remainder deposited into the General Revenue Fund.

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
Office of Administration

L.R. NO. 4062-01
BILL NO. HJR 63
PAGE 5 OF 6
March 31, 2000

SOURCES OF INFORMATION (continued)

Secretary of State
State Treasurer
Report of Certain Debt of the State of Missouri and Certain Non-State Debt



Jeanne Jarrett, CPA
Director
March 31, 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
Total	\$4,513,322,118	\$4,589,951,302	\$6,989,673,821