

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6640-01  
Bill No.: SB 1096  
Subject: Tobacco Products; Revenue Department  
Type: Original  
Date: March 14, 2016

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Bill Summary: This proposal modifies provisions pertaining to non-participation manufacturers in the Master Settlement Agreement.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Healthy Families Trust	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Life Sciences Research Trust	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal from 2014 (SB 820), officials from the **Attorney General's Office (AGO)** stated this provision modifies a portion of the escrow requirement for tobacco manufacturers who did not participate in the Tobacco Master Settlement Agreement (MSA). The proposal would simplify one issue related to enforcement of the escrow provisions. However, savings to the AGO from this simplification, if any, would be de minimis.

Although payments to the State of Missouri resulting from the MSA are not a part of the AGO's budget and do not flow through the AGO, the AGO notes that the proposal may potentially result in an increased likelihood of favorable future litigation results and a corresponding increase in future MSA payments to Missouri. However, as current disputes over the MSA are being litigated approximately ten years in arrears, any such benefits are unlikely to be realized in the next three fiscal years.

Officials from the **Office of Administration - Office of Administration - Budget and Planning (B&P)** state this proposal could impact the amount of money the state receives from the Master Settlement Agreement. B&P defers to the Attorney General for the fiscal impact.

Officials from the **Department of Public Safety - Alcohol and Tobacco Control** and the **Office of the State Courts Administrator** each assume the proposal would not fiscally impact their agency.

**Oversight** notes that tobacco settlement payments are received into two state funds;

- Healthy Family Trust Fund (0625); and
- Life Sciences Research Trust Fund (0763)

ASSUMPTION (continued)

According to reports from the **Office of the State Treasurer**, the two funds had the following amount of "receipts" during the last four fiscal years:

	Healthy Family Trust (0625)	Life Sciences Research Trust (0763)
FY 2015	\$ 64,196,304	\$33,063,411
FY 2014	\$ 14,564,063	\$16,521,354
FY 2013	\$ 66,376,039	\$33,791,562
FY 2012	\$101,434,668	\$33,840,779

**Oversight** notes that according to a February 8, 2016 news release on the Attorney General's Office website, "since 2001, the major tobacco companies have paid over \$2.2 billion to Missouri as a result of the national Master Settlement Agreement (MSA)."

Also from the AGO news release, a settlement agreement has been reached in which Missouri would recoup \$50 million lost in the 2003 NPM (non-participating manufacturers) Adjustment Arbitration, protect itself from potential further losses of more than \$1 billion in the 2004-2014 NPM Adjustment Arbitrations, and receive an estimated \$11 million increase to the State's annual tobacco payments beginning in 2020, if the General Assembly passes a law repealing the "allocable share release" loophole.

Therefore, Oversight assumes passage of this proposal could impact the amount of tobacco settlement moneys the state receives in future years. Oversight will show an unknown increase in the settlement proceeds being paid into the two funds described above.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
<b>HEALTHY FAMILIES TRUST FUND</b>			
<u>Income</u> - additional payments for tobacco master settlement agreement with fix	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
<b>ESTIMATED NET EFFECT TO THE HEALTHY FAMILIES TRUST FUND</b>	<b>\$0 or <u>Unknown</u></b>	<b>\$0 or <u>Unknown</u></b>	<b>\$0 or <u>Unknown</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017	FY 2018	FY 2019
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**LIFE SCIENCES RESEARCH  
TRUST FUND**

<u>Income</u> - additional payments for tobacco master settlement agreement with fix	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
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<b>ESTIMATED NET EFFECT TO THE LIFE SCIENCES RESEARCH TRUST FUND</b>	<b>\$0 or <u>Unknown</u></b>	<b>\$0 or <u>Unknown</u></b>	<b>\$0 or <u>Unknown</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal modifies the formula for determining how much money a tobacco product manufacturer who does not participate in the Master Settlement Agreement will receive back from the escrow fund in which the manufacturer is required to deposit money from the sale of cigarettes.

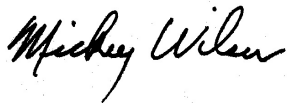
This proposal has an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 6640-01  
Bill No. SB 1096  
Page 6 of 6  
March 14, 2016

SOURCES OF INFORMATION

Attorney General's Office  
Office of Administration - Office of Administration - Budget and Planning  
Office of the State Courts Administrator  
Department of Public Safety - Alcohol and Tobacco Control



Mickey Wilson, CPA  
Director  
March 14, 2016

Ross Strobe  
Assistant Director  
March 14, 2016