

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION
FISCAL NOTE

L.R. NO.: 3710-01
BILL NO.: SB 839
SUBJECT: Appropriations: Health, Public
TYPE: Original
DATE: March 15, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$319,464,439)	(\$162,447,798)	(\$164,044,888)
Tobacco Settlement	\$319,464,439	\$0	\$0
Missouri Permanent Trust	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
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 from the **Department of Revenue**, the **Department of Health**, the **Department of Mental Health**, the **Department of Social Services**, and the **Office of the Governor** stated the proposal would not directly affect their agencies administratively or that any additional duties could be carried out 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: 1) in the absence of this proposal moneys from the settlement would be credited to the state's General Revenue Fund; 2) moneys received from the settlement prior to setting a current valuation would be transferred to the Tobacco Settlement Fund; 3) the Commission would recommend and the General Assembly would approve a method of setting at current value the tobacco settlement moneys during the 2001 legislative session; 4) Tobacco Settlement Commission administrative costs would be paid from either the Tobacco Settlement Fund or the Permanent Trust Fund; and 5) tobacco settlement monies received before tobacco settlement moneys were set at current value and monies to be received after the settlement moneys were set at current value would be used to finance the setting at current value.

Oversight notes that, assuming 3% increases per year, the present value of the approximately \$4,500,000,000 anticipated by the Office of Budget and Planning to be realized from the settlement would be about \$2,150,000,000.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

GENERAL REVENUE FUND

Loss - Tobacco Settlement (\$135,420,621)(\$162,447,798)(\$164,044,888)

Cost - Transfers to Tobacco Settlement Fund (\$184,041,818) \$0 \$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND **(\$319,462,439)(\$162,447,798)(\$164,044,888)**

TOBACCO SETTLEMENT FUND

Income - Tobacco Settlement _____ \$135,420,621 \$0 \$0

Income - Transfer from General Revenue Fund \$184,041,818

Cost - Financing of Setting at Current Value and Commission expenses (\$319,462,439)

ESTIMATED NET EFFECT ON TOBACCO SETTLEMENT FUND **\$0 \$0 \$0**

MISSOURI PERMANENT TRUST FUND

Income - Current Value of Tobacco Settlement Unknown \$0 \$0

Income - Earnings from investment of Permanent Trust Fund Unknown Unknown Unknown

Cost - Appropriations of earnings from investment of Permanent Trust Fund \$0 (Unknown) (Unknown)

ESTIMATED NET EFFECT ON MISSOURI PERMANENT TRUST FUND **Unknown Unknown Unknown**

<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 require that proceeds from the state's tobacco settlement be deposited into the Tobacco Settlement Fund and would establish a nine member Tobacco Settlement Commission, appointed by the Governor with advice and consent of the Senate.

The commission would, within six months of the effective date of the proposal, submit a proposal for use of the tobacco settlement proceeds, which could include methods of setting projected tobacco settlement proceeds at current valuation, to the General Assembly.

After approval of a plan by the General Assembly, the Commission would invest all moneys received as a result of the setting at current valuation.

The Missouri Permanent Trust Fund would receive moneys obtained from the setting at current valuation. Annual earnings from the Permanent Trust Fund could be appropriated only for health and education purposes, with a limit of \$100 million for the first year appropriation.

The principal of the trust would not be subject to appropriation without a vote of the people.

The proposal would take effect upon passage of a constitutional amendment requiring any tobacco settlement moneys to be set at current value and deposited into a permanent trust fund to be used for health and education purposes only.

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

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SOURCES OF INFORMATION

Department of Health
Department of Mental Health
Department of Revenue
Department of Social Services
Governor



Jeanne Jarrett, CPA
Director
March 15, 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