

Colorado Legislative Council Staff Fiscal Note


**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-0881
Prime Sponsor(s): Sen. Steadman
 Rep. Rankin

Date: June 12, 2015
Bill Status: Signed into Law
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: TIER 1 TOBACCO SETTLEMENT MONEY ALLOCATION

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018
State Revenue			
State Transfers			
Children's Basic Health Plan Trust		(\$1.8 million)	(\$1.7 million)
Tobacco Litigation Settlement Cash Fund		\$1.8 million	\$1.7 million
State Expenditures	<u>\$82,451</u>	<u>\$78,263</u>	<u>\$78,263</u>
Cash Funds	69,453	64,750	64,750
Centrally Appropriated Costs**	12,998	13,513	13,513
FTE Position Change	1.0 FTE	1.0 FTE	1.0 FTE
Appropriation Required: \$69,543 - Department of Revenue (FY 2015-16).			

* This summary shows changes from current law under the bill for each fiscal year. Transfers result in no net change to state revenue. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill, **recommended by the Joint Budget Committee**, reallocates a portion of the state's annual Tobacco Master Settlement Agreement (MSA) payment from the Children's Basic Health Plan Trust to the defense account of the Tobacco Litigation Settlement Cash Fund (defense account). Beginning FY 2016-17, the share of the MSA payment allocated to the Children's Basic Health Plan Trust is reduced to 25 percent from 27 percent, and 2 percent of the MSA payment is allocated to the defense account.

Under current law, the General Assembly may appropriate money in the defense account to the Department of Law (DOL) to defend the state against legal claims by tobacco manufacturers that would reduce MSA payments to the state. The bill allows the General Assembly to appropriate money from the defense account to the Department of Revenue (DOR) for the purpose of coordinating DOL and DOR activities related to the MSA, including investigation of distribution reporting irregularities identified by the DOL.

For FY 2015-16, the bill appropriates \$69,453 from the defense account to the DOR for 1.0 FTE to coordinate DOL and DOR activities related to the MSA.

Background

The Tobacco MSA was signed in 1998 by 46 states, including Colorado. As part of the agreement, states consented to release participating tobacco manufacturers from health-related claims associated with the use, manufacture, and marketing of tobacco products in return for perpetual annual payments from the manufacturers.

In FY 2013-14, Colorado received an \$89.0 million payment from manufacturers participating in the MSA. This amount determines allocations to tobacco settlement programs for FY 2014-15. The Children's Basic Health Plan Trust will receive 27 percent of this amount, or \$24.0 million, for FY 2014-15, and is expected to receive a similar amount over the next three fiscal years.

Pursuant to House Bill 13-1180, \$1.0 million of each year's MSA payment is diverted to the defense account annually through FY 2015-16. This diversion is set to expire after FY 2015-16.

State Revenue

State transfers. Beginning FY 2016-17, the transfer to the Children's Basic Health Plan Trust is reduced from 27 percent of MSA revenue to 25 percent of MSA revenue, and a permanent transfer to the defense account is created, equal to 2 percent of MSA revenue. For FY 2016-17 and FY 2017-18, cash fund transfers under current law and SB15-188 are shown in Table 1. The figures shown in Table 1 assume the January 2015 Legislative Council Staff Tobacco MSA Payment Forecast.

Table 1. Cash Fund Transfers Under Current Law and SB15-188.		
	FY 2015-16	FY 2016-17
Projected Annual MSA Payment	\$88.1 million	\$87.4 million
	FY 2016-17*	FY 2017-18*
Children's Basic Health Plan Trust**		
<i>Current Law</i>	\$23.8 million	\$23.6 million
<i>SB 15-188</i>	\$22.0 million	\$21.9 million
<i>Difference from Current Law</i>	(\$1.8 million)	(\$1.7 million)
Tobacco Litigation Settlement Cash Fund Defense Account		
<i>Current Law</i>	\$0	\$0
<i>SB 15-188</i>	\$1.8 million	\$1.7 million
<i>Difference from Current Law</i>	\$1.8 million	\$1.7 million

* Tobacco MSA distributions are made for the fiscal year after the payment is received.

** This table shows only the first tier distribution to the Children's Basic Health Plan Trust. The trust also receives 14.5 percent of the remaining MSA payment after the first tier distribution is complete.

State Expenditures

Cash fund expenditures will increase by \$82,451 and 1.0 FTE in FY 2015-16 and by \$78,263 and 1.0 FTE in each FY 2016-17 and FY 2017-18. Expenditures are for the addition of 1.0 FTE to the Department of Revenue and are shown in Table 2 on page 3.

Table 2. Expenditures Under SB15-188			
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Personal Services	\$63,800	\$63,800	\$63,800
FTE	1.0 FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	\$5,653	\$950	\$950
Centrally Appropriated Costs*	\$12,998	\$13,513	\$13,513
TOTAL	\$82,451	\$78,263	\$78,263

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The DOR will add 1.0 FTE at the General Professional IV level as a tobacco coordinator. This individual will be responsible for carrying out the coordination of MSA-related tasks at the DOR and the DOL, as specified in the bill. Expenditures will be paid from the defense account for FY 2015-16, per the bill's appropriation clause, and for subsequent years, per the bill's extension of spending authority for the account to the DOR.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under SB15-188*			
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Employee Insurance	\$8,053	\$8,053	\$8,053
Supplemental Employee Retirement Payments	\$4,945	\$5,460	\$5,460
TOTAL	\$12,998	\$13,513	\$13,513

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The was signed into law by the Governor and took effect on April 16, 2015.

State Appropriations

For FY 2015-16, the bill includes an appropriation of \$69,453 from the Tobacco Litigation Settlement Cash Fund to the Department of Revenue, and grants the department authority for 1.0 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law

Joint Budget Committee
Revenue