

**STATE
FISCAL IMPACT**

Drafting Number: LLS 12-0703

Date: February 10, 2012

Prime Sponsor(s): Rep. Gerou
Sen. Steadman

Bill Status: House Appropriations

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TITLE: CONCERNING ANNUAL REDUCTIONS IN THE AMOUNT OF TOBACCO LITIGATION SETTLEMENT MONEYS THAT ARE ALLOCATED IN THE FISCAL YEAR IN WHICH THE STATE RECEIVES THEM, AND, IN CONNECTION THEREWITH, OFFSETTING THE REDUCTIONS WITH TOBACCO LITIGATION SETTLEMENT CASH FUND MONEYS MADE AVAILABLE BY THE REPEAL OF THE SHORT-TERM INNOVATIVE HEALTH PROGRAM GRANT FUND.

Fiscal Impact Summary	FY 2011-12	FY 2012-2013	FY 2013-2014
State Revenue			
State Transfers or Diversions Diversion from the Short-term Innovative Health Programs Grant Fund to the Tobacco Litigation Settlement Cash Fund	(\$1.6 million)	(\$1.5 million)	(\$1.5 million)
State Expenditures Short-term Innovative Health Programs Grant Fund		(\$1.6 million)	(\$1.5 million)
FTE Position Change		(1.0 FTE)	(1.0 FTE)
Effective Date: The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except Section 1 takes effect July 1, 2012.			
Appropriation Summary for FY 2012-2013: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

Recommended by the Joint Budget Committee (JBC), this bill eliminates tobacco cash fund allocations to the Short-term Innovative Health Programs Grant Fund in order to reduce the accelerated payments from the Tobacco Litigation Settlement Cash Fund. It also requires the Treasurer to report to JBC on tobacco Master Settlement Agreement (MSA) accelerated payments each October 1.

Background

Based on the settlement agreement reached between states and tobacco manufacturers in the 1990s, Colorado receives an annual allocation of tobacco settlement funds. This amount is currently estimated at \$89 million. Funds are received each April and used to pay for a variety of programs. Annual allocations to programs rely on a combination of funds received in the prior year and funds received in the current year. The majority of spending (\$80.4 million) is authorized from funds received in the current year (known as accelerated payments). However, because those funds are not received until April, the State Controller is authorized to advance working capital to programs until tobacco MSA funds are received. This is, in effect, a loan of General Fund moneys.

State Diversions

By eliminating the allocation to the Short-term Innovative Health Programs Grant Fund, which is currently estimated as \$1.5 million per year, this bill will reduce allocations from tobacco MSA funds received in the current year and enables the state to increase allocations from funds received in the prior year. This will reduce the amount of General Fund advanced to tobacco programs during the year.

State Expenditures

This bill will reduce expenditures in the Department of Public Health and Environment by an estimated \$1.5 million cash funds and 1.0 FTE per year. These moneys, appropriated to the Short-term Innovative Health Programs Grant Fund, would have been distributed as grants to support innovative health programs in Colorado communities. It should be noted that no grants have been distributed since FY 2009-10 due to ongoing transfers from the Short-term Innovative Health Programs Grant Fund to the General Fund.

State Appropriations

For FY 2012-13, the appropriation to the Department of Public Health and Environment for Short-term Innovative Health Programs Grants should be eliminated. This includes a reduction of \$1,557,101 cash funds and 1.0 FTE.

Departments Contacted

Joint Budget Committee

Public Health and Environment

Treasury