

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 14-0856  
**Prime Sponsor(s):** Sen. Lambert  
 Rep. Duran

**Date:** January 28, 2014  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Kerry White (303-866-3469)

**SHORT TITLE:** DISPUTED PAYMENTS OF TOBACCO SETTLEMENT MONEYS

Fiscal Impact Summary*	FY 2013-14	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>State Diversions</i>			
General Fund	(up to \$3.0 million)	(up to \$3.3 million)	(up to \$3.6 million)
Cash Funds	up to \$3.0 million	up to \$3.3 million	up to \$3.6 million
<b>State Expenditures</b>	See State Expenditures section.		
<b>FTE Position Change</b>			
<b>Appropriation Required:</b> None.			

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

**Summary of Legislation**

**Recommended by the Joint Budget Committee**, this bill requires that disputed tobacco litigation settlement moneys received be credited to the Tobacco Litigation Settlement Cash Fund and be used to reduce the annual amount of accelerated payments from the fund. Under current law, disputed tobacco litigation settlement moneys are credited to the General Fund.

**Background**

Annual tobacco master settlement agreement (MSA) moneys are received on April 15 of each year and allocated to various programs according to a statutory formula. Prior to FY 2008-09, MSA moneys received in April were appropriated for use in the following fiscal year. Beginning in FY 2008-09, the General Assembly opted to use MSA moneys in the same fiscal year. Because most expenditures are made prior to the receipt of the MSA moneys, the General Fund essentially provides a loan for about nine months of each fiscal year. In 2012, the General Assembly enacted House Bill 12-1247, which seeks to pay down the amount that is necessary to borrow from the General Fund each fiscal year (accelerated payments).

MSA moneys consist of base settlement agreement moneys, strategic contribution payments, and any awards from amounts that were withheld by tobacco companies disputing the level of payment required. Colorado has been engaged in arbitration with tobacco companies over "disputed payments" since 2003. In September 2013, Colorado was awarded \$9.9 million for the amounts withheld in 2003. Due to the ongoing nature of the legal proceedings, it is uncertain when Colorado will receive the full amount, but up to \$3 million is expected in 2013-14. The fiscal note assumes that all payments will be made by FY 2015-16.

**State Revenue**

This bill does not alter the amount of revenue received, but changes the fund where MSA moneys from disputed payments are credited.

**State diversions.** Under the bill, revenue from disputed payments will be credited to the Tobacco Litigation Settlement Cash Fund, rather than the General Fund. As discussed above, a total of \$9.9 million is expected to be received between FY 2013-14, and FY 2015-16. Of this amount, up to \$3 million is anticipated in the current FY 2013-14.

**State Expenditures**

The bill does not alter state expenditures, but changes the flow of MSA disputed payment moneys. For FY 2013-14, FY 2014-15, and FY 2015-16, it reduces the amount of General Fund available for appropriation for other purposes by \$9.9 million and instead requires these moneys to be used to make accelerated payments.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State and Local Government Contacts**

Joint Budget Committee Staff