

**STATE  
FISCAL IMPACT**

<b>Drafting Number:</b> LLS 14-1085	<b>Date:</b> April 28, 2014
<b>Prime Sponsor(s):</b> Rep. Duran Sen. Lambert	<b>Bill Status:</b> House Appropriations <b>Fiscal Analyst:</b> Kerry White (303-866-3469)

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

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Appropriation Required: None.		

\* This summary shows changes from current law under the bill for each fiscal year. .

**Summary of Legislation**

**Recommended by the Joint Budget Committee**, this bill clarifies that the tobacco settlement disputed payments received by the state for FY 2013-14 and any year thereafter are excluded from the calculation of statutory allocations of tobacco master settlement agreement (MSA) moneys. The bill also makes technical corrections to ensure that programs receive tobacco settlement funding in the current fiscal year consistent with the FY 2013-14 statutory allocations that existed prior to the passage of Senate Bill 14-104.

**Background**

This bill clarifies the intent of SB 14-104, which was signed into law by the Governor and took effect on March 27, 2014. That bill, also recommended by the Joint Budget Committee, 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. Disputed tobacco litigation settlement moneys were previously credited to the General Fund. The state treasurer determined that SB14-104 did not provide authority to distribute the disputed payments in the year received in lieu of the accelerated payments and that the bill failed to clarify that disputed payments received are not to be allocated to programs in the next year.

Annual 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. Colorado was recently awarded \$11.4 million.

**State Expenditures**

This bill provides clarification to the state treasurer that the \$11.4 million in disputed payments received in April 2014 are to be used to reduce accelerated payments for FY 2013-14 as required under SB14-104.

**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