

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7080
BILL NUMBER: SB 422

DATE PREPARED: Jan 3, 2000
BILL AMENDED:

SUBJECT: Tobacco Settlement Money for Agricultural Enterprises.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a portion of the money received by the state under the tobacco settlement agreement shall be transferred from the Tobacco Settlement Fund to the Rural Indiana Tobacco Settlement Fund each year. The bill also provides for the distribution of this portion of the tobacco settlement money for development of other agricultural enterprises.

Effective Date: July 1, 2000.

Explanation of State Expenditures: This bill establishes the Rural Indiana Tobacco Settlement Fund (Fund) and provides for an annual distribution from the Tobacco Settlement fund to the Fund. The distribution in FY2001 is to be \$7.6 M, \$7.3 M in FY2002, and \$4.8 M in each fiscal year thereafter through FY2024. The bill also annually appropriates money from the Fund (through FY2024) for the purpose of funding facilities for research and development, new market opportunities, educational programs, leadership development programs, and direct financial assistance to persons involved in the tobacco industry in Indiana that change enterprises.

The Office of the Commissioner of Agriculture is to administer the Fund. Allotments from the Fund are subject to State Budget Agency approval and are limited to amounts specified in the bill. Money in the Fund at the end of a fiscal year does not revert to the state General Fund or to any other fund. Interest revenue accruing from investments remain in the Fund. [Note: Because expenditures from the Fund are capped at a level similar to the transfers into the Fund and money does not revert, most interest revenues and unallocated funds will always remain in the Fund.]

The bill also establishes the Rural Indiana Tobacco Settlement Advisory Commission consisting of 12 members of the General Assembly. The purpose of the Commission is to provide oversight, coordination, and advice to the General Assembly, governor, and the Commissioner of Agriculture regarding allocation of the money in the Fund. Under current Legislative Council resolution, statutory commissions are allocated

\$9,000 per interim.

Background: Although the Tobacco Settlement calls for state payments to continue in perpetuity, the following table shows the scheduled annual payments to Indiana from the tobacco companies through FY2024. Each annual payment is adjusted for forecast reductions in the domestic cigarette sales volume. The distributions for FY2000 and FY2001 are also reduced by the current budget appropriations of \$18.8 M in FY2000 and \$28.1 M in FY2001 for the Childrens' Health Insurance Program (CHIP).

Projected Annual Payments to Indiana from Tobacco Companies (Less CHIP Appropriations) and New Appropriations Provided in This Bill: FY2000 - FY2024.

FY	Projected Settlement Distribution **	Appropriation from Fund	FY	Projected Settlement Distribution **	Appropriation from Fund
2000 *	\$149.1 M	-	2013	189.2 M	\$4.9 M
2001 *	103.0 M	\$7.6 M	2014	192.1 M	4.9 M
2002	157.9 M	7.4 M	2015	195.1 M	4.9 M
2003	164.0 M	4.9 M	2016	198.2 M	4.9 M
2004	139.6 M	4.9 M	2017	201.3 M	4.9 M
2005	141.7 M	4.9 M	2018	198.0 M	4.9 M
2006	143.9 M	4.9 M	2019	201.1 M	4.9 M
2007	146.2 M	4.9 M	2020	204.2 M	4.9 M
2008	175.1 M	4.9 M	2021	207.4 M	4.9 M
2009	177.8 M	4.9 M	2022	210.7 M	4.9 M
2010	180.6 M	4.9 M	2023	213.9 M	4.9 M
2011	183.4 M	4.9 M	2024	217.3 M	4.9 M
2012	186.3 M	4.9 M			

* Settlement figures are reduced by the current budget appropriations of \$18.8 M in FY2000 and \$28.1 M in FY2001 for the CHIP program.
 ** The amounts in the Projected Settlement Distribution do not reflect the appropriations from the Fund as provided in this bill.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Commissioner of Agriculture; State Budget Agency.

Local Agencies Affected:

Information Sources: Tobacco Settlement projections by Morgan Stanley Dean Witter.