

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7079

BILL NUMBER: SB 423

DATE PREPARED: Jan 3, 2000

BILL AMENDED:

SUBJECT: Tobacco Settlement Money for Rural Health.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that \$8,000,000 of the money received by the state under the tobacco settlement agreement between the state and tobacco companies shall be transferred from the Tobacco Settlement Fund to the Indiana Tobacco Settlement Rural Health Fund each year. The bill also provides for the distribution of \$8,000,000 per year of tobacco settlement money for rural health programs.

Effective Date: July 1, 2000.

Explanation of State Expenditures: This bill establishes the Indiana Tobacco Settlement Rural Health Fund (Fund) and provides for an annual distribution of \$8 M from the Tobacco Settlement fund to this Fund. The bill also annually appropriates \$8 M from the Fund (through FY 2024) for the purpose of encouraging physicians and local health clinics to locate and expand in rural areas, particularly rural areas where there is an economic impact due to the loss of tobacco production.

The State Department of Health is to administer the Fund. Allotments from the Fund are subject to State Budget Agency approval and are limited to \$8 M in any state fiscal year. 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 the same level as transfers into the Fund and money does not revert, 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 State Department of Health 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 FY 2024. Each annual payment is adjusted for forecast reductions in the domestic cigarette sales volume. The distributions for FY 2000 and FY 2001 are also reduced by the current budget appropriations of \$18.8 M in FY 2000 and \$28.1 M in FY 2001 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	\$8.0 M
2001 *	103.0 M	\$8.0 M	2014	192.1 M	8.0 M
2002	157.9 M	8.0 M	2015	195.1 M	8.0 M
2003	164.0 M	8.0 M	2016	198.2 M	8.0 M
2004	139.6 M	8.0 M	2017	201.3 M	8.0 M
2005	141.7 M	8.0 M	2018	198.0 M	8.0 M
2006	143.9 M	8.0 M	2019	201.1 M	8.0 M
2007	146.2 M	8.0 M	2020	204.2 M	8.0 M
2008	175.1 M	8.0 M	2021	207.4 M	8.0 M
2009	177.8 M	8.0 M	2022	210.7 M	8.0 M
2010	180.6 M	8.0 M	2023	213.9 M	8.0 M
2011	183.4 M	8.0 M	2024	217.3 M	8.0 M
2012	186.3 M	8.0 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: See Explanation of State Expenditures, above, regarding appropriations from the Indiana Tobacco Settlement Rural Health Fund to local health departments.

State Agencies Affected: State Department of Health; State Budget Agency.

Local Agencies Affected: Local Health Departments

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