

January 2000

## ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 1999-2001 BIENNIUM

	1999-2001 Biennium	
Beginning balance		\$0
Add estimated revenues		
Tobacco settlement revenues collected to date	\$16,908,624	
Remaining tobacco settlement revenues	39,761,580	
Total estimated revenues		56,670,204 <sup>1</sup>
Total available		\$56,670,204
Less estimated expenditures and transfers		
Transfers to the community health trust fund (10%)	\$5,667,020	
Transfers to the common schools trust fund (45%)	25,501,592	
Transfers to the water development trust fund (45%)	25,501,592	
Total estimated expenditures and transfers		56,670,204 <sup>2</sup>
Ending balance		\$0

<sup>1</sup> Estimated revenues - 1999-2001 biennium - Tobacco settlement proceeds, which will be deposited in the tobacco settlement trust fund, are estimated to be \$56,670,204 during the 1999-2001 biennium. (This estimated total includes two tobacco settlement payments received to date by the state totaling \$16,908,624.) The tobacco settlement proceeds for the biennium were estimated to be \$57,593,770 as of the end of the 1999 legislative session.

The decrease in the amount of tobacco settlement revenues to date of \$923,566 is the result of a larger than expected initial payment and a smaller than expected second payment. The initial payment was expected to be received by the state at the end of 1998; however, the payment was delayed and not received until the end of 1999. During the delay, funds which were waiting to be distributed in the escrow account earned interest and that interest was provided to the states in the initial payment resulting in a larger than expected initial payment. The second tobacco settlement payment was less than expected due to a volume adjustment and an offset for miscalculated or disputed payments. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales and an offset for miscalculated or disputed payment accounts for manufacturer overpayments and underpayments.

House Bill No. 1475 provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund, and the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the moneys in the tobacco settlement trust fund will increase the amount available for transfers to the other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis. Tobacco settlement revenues collected to date were transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

<sup>2</sup> Estimated expenditures - 1999-2001 biennium - Tobacco settlement proceeds, which will be deposited in the tobacco settlement trust fund, are estimated to be \$56,670,204 during the 1999-2001 biennium. House Bill No. 1475 provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund, and the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Transfers to date to the community health trust fund, common schools trust fund, and the water development trust fund total \$16,908,624. Of the \$16,908,624, transfers to the community health trust fund were \$1,690,862, and transfers to the common schools trust fund and the water development trust fund each were \$7,608,881.

**NOTE:** The tobacco settlement trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund, including interest, must be transferred as follows, within 30 days of their deposit in the fund:

- 10 percent to the community health trust fund
- 45 percent to the common schools trust fund

45 percent to the water development trust fund

House Bill No. 1475 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by North Dakota Century Code (NDCC) Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium, 45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that the deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

## ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 1999-2001 BIENNIUM

	1999-2001 Biennium	
Beginning balance		\$0
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$1,690,862	
Remaining transfers from tobacco settlement trust fund	3,976,158	
Total estimated revenues		5,667,020 <sup>1</sup>
Total available		\$5,667,020
Less estimated expenditures		
Appropriations to the State Department of Health for community-based health programs (no funds appropriated for the 1999-2001 biennium)	\$0 <sup>2</sup>	
Total estimated expenditures		0 <sup>2</sup>
Ending balance		\$5,667,020

<sup>1</sup> Estimated revenues - 1999-2001 biennium - Transfers from the tobacco settlement trust fund are estimated to be \$5,667,020 during the 1999-2001 biennium. (This estimated total includes two transfers to date from the tobacco settlement trust fund totaling \$1,690,862.) The transfers from the tobacco settlement trust fund for the biennium were estimated to be \$5,759,376 as of the end of the 1999 legislative session. The decrease in the estimate of transfers from the tobacco settlement trust fund of \$92,356 is due to a decrease in the amount of tobacco settlement payments estimated to be received. Interest earned on the community health trust fund is not included in the analysis due to the fact law does not allow the community health trust fund to retain interest earned. Any interest earned by the community health trust fund will be credited to the state's general fund.

<sup>2</sup> Estimated expenditures - 1999-2001 biennium - House Bill No. 1475 provides that moneys in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in this state. The 1999 Legislative Assembly did not appropriate to the State Department of Health any moneys in the community health trust fund for community-based public health programs. Consequently, no expenditures from the fund are anticipated during the 1999-2001 biennium.

**NOTE:** The community health trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their deposit in the fund:

- 10 percent to the community health trust fund
- 45 percent to the common schools trust fund
- 45 percent to the water development trust fund

House Bill No. 1475 provides that the community health trust fund is to be administered by the State Department of Health, which may use moneys in the fund, subject to legislative appropriations, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in this state. No appropriations were made for the 1999-2001 biennium.

## ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 1999-2001 BIENNIUM

	1999-2001 Biennium	
Beginning balance		\$0
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$7,608,881	
Remaining transfers from tobacco settlement trust fund	17,892,711	
Total estimated revenues		25,501,592 <sup>1</sup>
Total available		\$25,501,592
Less estimated expenditures		
Appropriations for interim financing repayments and water project bond repayments pursuant to NDCC Section 61-02.1-04	\$0 <sup>2</sup>	
Total estimated expenditures		0 <sup>2</sup>
Ending balance		\$25,501,592

<sup>1</sup> Estimated revenues - 1999-2001 biennium - Transfers from the tobacco settlement trust fund are estimated to be \$25,501,592 during the 1999-2001 biennium. (This estimated total includes two transfers to date from the tobacco settlement trust fund totaling \$7,608,881.) The transfers from the tobacco settlement trust fund for the biennium were estimated to be \$25,917,197, as of the end of the 1999 legislative session. The decrease in the estimate of transfers from the tobacco settlement trust fund of \$415,605 is due to a decrease in the amount of tobacco settlement payments estimated to be received. Interest earned on the water development trust fund is not included in the analysis due to the fact law does not allow the water development trust fund to retain interest earned. Any interest earned by the water development trust fund will be credited to the state's general fund.

<sup>2</sup> Estimated expenditures - 1999-2001 biennium - House Bill No. 1475 provides that moneys in the water development trust fund are to be used to address the long-term water development and management needs of the state. Senate Bill No. 2188 provides that bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake are to be repaid from moneys in the water development trust fund, as appropriated by the Legislative Assembly. The 1999 Legislative Assembly did not appropriate any funds from the water development trust fund for repayment of bond principal and interest; however, the Legislative Assembly did appropriate \$84.8 million from the water development trust fund for the purpose of repaying the line of credit extended by the Bank of North Dakota for interim financing. At this time, approximately \$1 million for the Southwest Pipeline Project has been drawn on the \$84.8 million line of credit. Repayment of the \$1 million is anticipated from the proceeds of the bond sales in February 2000, which will provide \$25 million for the flood control project in Grand Forks, \$4.5 million for the Southwest Pipeline Project, and \$500,000 for the flood control project in Wahpeton.

**NOTE:** The water development trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475 to be used for the long-term water development and management needs of the state. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their deposit in the fund:

- 10 percent to the community health trust fund
- 45 percent to the common schools trust fund
- 45 percent to the water development trust fund

House Bill No. 1475 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by NDCC Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium, 45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with moneys appropriated from the water development trust fund.