

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$0
Add revenues		
Tobacco settlement revenues collected to date	\$22,983,256 ¹	
Projected tobacco settlement revenues	<u>22,972,067</u>	
Total revenues		<u>\$45,955,323²</u>
Total available		<u>\$45,955,323³</u>
Less expenditures and transfers		
Transfers to the community health trust fund (10%)	\$4,595,533	
Transfers to the common schools trust fund (45%)	20,679,895	
Transfers to the water development trust fund (45%)	<u>20,679,895</u>	
Total expenditures and transfers		<u>\$45,955,323</u>
Estimated ending balance - June 30, 2005		<u><u>\$0</u></u>

¹Three 2003-05 biennium tobacco settlement payments have been received by the state as of April 30, 2004, totaling \$22,983,256. Total tobacco settlement collections of \$129,520,403 have been received by North Dakota.

²Revenues - 1999 House Bill No. 1475 (North Dakota Century Code Section 54-27-25) provides that interest on the money 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 money 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 have been transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

³The tobacco settlement proceeds for the 2003-05 biennium were estimated to be \$51,271,214 at the end of the 1999 legislative session. The decrease in the amount of tobacco settlement revenues collected for the biennium of \$5,315,891 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The total original estimated tobacco settlement collections made during the 1999 legislative session and the total estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	45,955,323
2005-07	51,271,214	45,944,134
2007-17 (\$82,231,080/\$73,687,266 per biennium)	411,155,400	368,436,330
2017-25 (\$58,591,490/\$52,503,832 per biennium)	234,365,960	210,015,328
Total	\$866,801,136	\$776,888,262

FUND HISTORY

North Dakota Century Code Section 54-27-25 created by 1999 House Bill No. 1475 established a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund, including interest, must be transferred within 30 days of their deposit in the fund as follows:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.