MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

ROLL NUMBER

DESCRIPTION

2028

2001 SENATE APPROPRIATIONS

SB 2028

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2028

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 17, 2001

Tape Number	Side A	Side B	Meter #
Tape #3	x		47.3 - 50.4
Committee Clerk Signature	Connie Pietsch		

Minutes:

Senator Nething opened the hearing on SB2028.

Robert A. Barnett, Interim State Health Officer of the North Dakota Department of Health, provided testimony on SB2028 (a copy of his testimony is attached).

Senator Nething directed that the minutes should show that testimony (with the individual's consent) given in SB2024 hearing, written and/or verbal -- by Don Flynn, Michael Dwyer, Dave Koland, Ken Rorse, Jane Herman, and Bruce Levi also pertain to this bill, SB2028.

Hearing closed on SB2028 by Senator Nething.

Full Committee Action February 6, 2001 (tape 1, side a, 23.4 - 32.1)

Senator Nething opened the hearing on SB2024.

Senator Andrist, Health Department Subcommittee Chair, spoke regarding SB2024, SB2028, and SB2029. The subcommittee felt the money best left in the general fund; moneys can be transferred from the general fund into the trust funds -- not the reversal.

Senator Andrist moved a DO NOT PASS; seconded by Senator Grindberg.

Discussion: Senator Tallackson: How much money is involved?

Senator Andrist: Not 5 million in fund; can't earn that much in 2 years.

Jim Smith, Legislative Council Analyst: 500 thousand here, rest in water trust.

Senator Andrist: Moneys out of general fund into trust funds -- wouldn't be able to transfer back ---best to keep dollars in the general fund.

Senator Robinson: Both governor's budgets recommended this, as the committee decided.

Senator Lindaas: Not into the individual funds?

Senator Andrist: Yes.

Senator Andrist moved a DO NOT PASS; seconded by Senator Grindberg. Roll Call Votes: 11 yes, 1 no, 2 absent and not voting. Motion carried. Senator Robinson accepted the floor assignment.

FISCAL NOTE

Requested by Legislative Council
01/02/2001

REVISION

Bill/Resolution No.: SB 2028

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($510,000)	$510,000	($510,000)	$510,000
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill allows the interest earned from the community health trust fund to remain in the fund. The interest is currently being deposited into the general fund. According to the budget committee on health care, it is estimated that based on a 4.9 percent interest rate, the July 1, 2001 balance of $5.2 million in the community trust fund will generate $510,000 of interest income per biennium and will remain in the fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The amount is based on an interest rate of 4.9 percent on a July 1, 2001 balance of $5.2 million in the community health trust fund. It will reduce the general fund by $510,000 and increase moneys in the community health trust fund by $510,000.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Robert A. Barnett	**Agency:**	Health
Phone Number:	328-2392	**Date Prepared:**	12/19/2000

FISCAL NOTE

Requested by Legislative Council
12/14/2000

Bill/Resolution No.: SB 2028

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$240,000		($240,000)	$240,000	($240,000)	$240,000
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant your analysis.*

This bill allows the interest earned from the community health trust fund to remain in the fund. The interest is currently being deposited into the general fund. It is estimated that based on a 4.9 percent interest rate that $240,000 per biennium of interest income would remain in the community health trust fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The amount is based on an interest rate of 4.9 percent on funds in the community health trust fund. It will reduce the general fund by $240,000 and increase moneys in the community health trust fund by $240,000.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive*

budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Robert A. Barnett	**Agency:**	Health
Phone Number:	328-2392	**Date Prepared:**	12/19/2000

Date: 2-6-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2028

Senate Appropriations Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen Andrist Seconded By Sen Solberg

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad					
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 13 No 0

Absent 1

Floor Assignment Senator Andrist

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2028: Appropriations Committee (Sen. Nething, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2028 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

SB 2028

Senate Bill 2028

Senate Appropriations Committee

Wednesday, January 17, 2001

3:00 P.M.

Mr. Chairman, members of the committee. My name is Robert A. Barnett and I am the Interim State Health Officer of the North Dakota Department of Health. I am here today to provide testimony on Senate Bill 2028.

This bill provides that the interest income earned from the community health trust fund remain in the community health trust fund. The interest is currently being deposited into the general fund. According to the budget committee on health care, it is estimated that based on a 4.9 percent interest rate, the July 1, 2001 balance of $5.2 million in the community health trust fund will generate $510,000 of interest income per biennium. If this bill is passed the total interest earnings, estimated at $510,000 for the 2001-2003 biennium, will be deposited in the community health trust fund and the current earnings to the general fund revenue will be reduced. These interest earnings assume that the July 1, 2001 fund balance would remain the same during the 2001-2003 biennium and that any transfers made out of this fund during the 2001-2003 biennium would not exceed settlement monies paid into the fund during the 2001-2003 biennium.

At this time I will attempt to answer any specific questions you may have concerning this bill.

Thank you.

SB 2028 also

SB 2024 Testimony

June Herman, American Heart Association

I am testifying today in a neutral position on this bill. We appreciate the much-needed additional funding support for public health, yet express concern regarding potential public reaction to a perception that affordable cessation support is available only to government employees. We also wish to share both potential cost savings to the state, and mention non-state revenue that the state has foregone.

North Dakota unfortunately has the distinction of having the third highest youth use rate in the nation. When 90% of smokers start before age 18, these rates are alarming. The cost to treat the health problems caused by this leading preventable risk factor will continue to escalate, and increase the tax burden for North Dakotans – currently estimated at almost $300 per household per year.

Prevention experts have identified three proven methods that have significantly reduced consumption rates:

- **Media:** Kids are three times more sensitive to tobacco advertising than adults, and are more likely to be influenced to smoke by cigarette marketing than by peer pressure. 1/3 of underage experimentation with smoking is attributable to tobacco company advertising.
- **Product cost:** A cigarette excise tax increase, irregardless of how the income is spent
- **Social Influences:** Providing broad based cessation encouragement and cessation drug support is a step

Other states are funding tobacco prevention efforts, and reporting significant decreases:

- **Massachusetts:** 33% reduction. Youth rates decreased from 48% to 8%.
- **California:** Decreased by two times the national average.
- **Oregon:** 11% in two years
- **Florida:** smoking among middle school children has declined from 18.5 percent to 8.6 percent, and high school smoker fell from 27.4% to 20.9%.

In North Dakota: with no comprehensive plan, youth smoking rose from 39.6% to 40.6%. It may be informative for the state to have an economic study of both the anticipated cost over the remaining 23 years of the tobacco settlement payments at our current youth use rates, vs. applying the cost of intervention and using a conservative estimate of reduction base on the experiences of some of the other states.

In the past two years, North Dakota has also lost out on the opportunity for millions of dollars in non-state funds to augment any state resources to address tobacco problems.

- Robert Wood Johnson grant (withdrawal of state health department support for the grant)
- American Legacy Foundation: (no demonstrated state expenditures for tobacco prevention)
- Center of Disease Control and Prevention: Cardiovascular disease grant application discontinued.

Last session, you encouraged a comprehensive solution to the state's water problems, envisioning both the human and financial costs and lost opportunities by not acting. Your same efforts can yield additional results for the state on reducing the treatment and emergency medical costs related to this state's leading preventable risk factor. Payments to the health trust funds during the past biennium and this biennium, plus directing the interest on the trust funds established last session, provides the opportunity to explore appropriations to address this problem.

I offer this same testimony for your consideration in regard to SB 2028 and SB 2029 which you will hear later today, and SB 2023 which is scheduled for tomorrow morning.

RAISING STATE TOBACCO TAXES ALWAYS REDUCES TOBACCO USE (AND ALWAYS INCREASES STATE REVENUES)

For over 15 years, economic research studies have consistently documented the fact that cigarette price increases reduce smoking, especially among kids. These studies currently conclude that every 10 percent increase in the real price of cigarettes will reduce the total amount of adult smoking by about four percent and reduce teen smoking by roughly seven percent.[1] Over the past decade or so, many states have raised their cigarette tax rates and, as the economic research predicts, the tax increases reduced cigarette consumption in each of these states below what it would otherwise have been. Nevertheless, every single one of these states also enjoyed increased cigarette tax revenues, despite the reductions in smoking and cigarette sales. Put simply, in every state the revenue losses from fewer cigarette sales were more than made up for by the increased state revenues per pack.

Recent State Experiences With Tobacco Tax Increases

State	Date	Tax Increase Amount (per pack)	New Tax (per pack)	Consumption Decline (percent)	Revenue Increase (percent)	New Revenues (millions)
Alaska	1997	71¢	$1.00	-13.5%	+202%	$28.7
Hawaii	1998	20¢	$1.00	-8.1%	+19.9%	$6.4
Illinois	1997	14¢	58¢	-8.9%	+19.0%	$77.4
Maine	1997	37¢	74¢	-15.5%	+66.7%	$30.8
Maryland	1999	30¢	66¢	-16.3%	+53.9%	$69.0
Massachusetts	1996	25¢	76¢	-14.3%	+28.0%	$64.1
Michigan	1994	50¢	75¢	-20.8%	+139.9%	$341.0
New Jersey	1998	40¢	80¢	-16.8%	+68.5%	$166.6
Oregon	1997	30¢	78¢	-8.3%	+77.0%	$79.8
Rhode Island	1997	10¢	71¢	-1.5%	+16.2%	$8.6
South Dakota	1995	10¢	33¢	-5.6%	+40.4%	$6.1
Utah	1997	25¢	51.5¢	-25.7%	+42.4%	$12.7
Vermont	1995	24¢	44¢	-16.3%	+84.2%	$11.7
Wisconsin	1997	15¢	59¢	-6.5%	+25.8%	$52.9

Sources: Orzechowski & Walker, *Tax Burden on Tobacco* (2000) [a tobacco industry funded compilation of state tobacco tax, price, and revenue data]; Maryland data from State Comptroller's Office. Consumption declines and revenue increases calculated from the full fiscal year before the tax increase to the full year after the tax increase.

Complete data from California and New Hampshire, which increased their cigarette taxes in 1999, are not yet available. But newspaper reports noted that in the six months after California raised its tax by an additional 50 cents per pack (to 87 cents per pack), state cigarette sales fell by 30 percent compared to same six months in 1998 while revenues increased.[2] In addition, the early evidence from New York state -- which raised its cigarette taxes by 55 cents to $1.11 per pack (the highest rate in the country) in March 2000 -- shows that state cigarette sales had dropped by more than 48 percent in the second month after the tax increase compared to the same month a year earlier but the state's cigarette tax revenues had still increased by $1.5 million.[3]

Cigarette Company Attacks on State Tobacco Tax Increases

Internal tobacco industry documents that have been made public in the various lawsuits against the cigarette companies show that since at least the early 1980s the companies have fully accepted the fact that cigarette tax increases reduce their sales, especially among kids (their replacement customers).[4] Accordingly, it is not surprising that the companies spend millions of dollars to oppose any proposed state tobacco tax increases. But when the cigarette companies argue that state cigarette tax increases will not reduce smoking or that state tobacco revenues will be eroded by cigarette smuggling and cross-border purchases they are ignoring the firmly established fact that *every single state that has significantly increased its cigarette taxes has experienced both reduced cigarette sales and increased state revenues.*

Despite this fact, 36 states have not increased their cigarette tax rates for at least five years, and 17 of those states not having increased their cigarette taxes for ten years or more. Six states have not increased their cigarette taxes since the 1970s or 1960s. In most cases, state cigarette tax rates have been substantially eroded by inflation -- and now constitute a much smaller percentage of the total price of a pack of cigarettes -- compared to when they were first passed into law.

The National Center for Tobacco-Free Kids, September 11, 2000

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[1] See, e.g., Chaloupka, F. J., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research* (forthcoming); Chaloupka, F. J. & R. Pacula , *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541 (April 1998). See, also, Gruber, J. & J. Zinman, "Youth Smoking in the U.S.: Evidence and Implications," National Bureau of Economic Research Working Paper No. 7780 (July 2000); Purcell, W. D., *Changing Prices, Changing Cigarette Consumption*, Virginia Tech Rural Economic Analysis Program (May 1999); Evans, W.N., and L.X Huang, "Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections," Manuscript, Department of Economics, University of Maryland (1998); Credit Suisse, "Sensitivity Analysis on Cigarette Price Elasticity," First Boston Corporation (December 1998); Evans, W. N. & L. X. Huang, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, working paper (April 15, 1998);Harris, J. E. & S. W. Chan, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2) 3-12 (February 1998); U.S. Centers for Disease Control and Prevention (CDC), "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," Morbidity and Mortality Weekly Report 47(29): 605-609 July 31, 1998); Institute of Medicine, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences (1998); Chaloupka, F. J. & M. Grossman, "Cigarette Taxes: The Straw to Break the Camel's Back," *Public Health Reports* 112(4): 291-97 (July/August 1997); Lewitt, E.M., A. Huland, N. Kerrebrock, and K.M. Cummings, "Price, Public Policy and Smoking in Young People," *Tobacco Control*, 6(S2)"17-24 (1997); Chaloupka, F.J., and M. Grossman, "Price, Tobacco Control Policies, and Youth Smoking," National Bureau of Economic Research Working paper Number 5740 (1996); National Cancer Institute, *The Impact of Cigarette Excise Taxes on Smoking Among Children and Adults: Summary Report of a National Cancer Institute Expert Panel* (1993); Lewit, E.M., and D. Coate, "The Potential for Using Excise Taxes to Reduce Smoking, " *Journal of Health Economics*, 1(2):121-54 (1982).

[2] See, e.g., Reuters, "California Cigarette Sales Plunge After New Tax" (September 13, 1999).

[3] Odato, J., "Cigarette Sales Sink Under Hefty Tax," *Albany Times Union* (May 25, 2000).

[4] See, e.g., Philip Morris Executive Jon Zoler, "Handling An Excise Tax Increase," (September 3, 1987), PM Bates Number: 2058122240/2241; R.J. Reynolds Executive D. S. Burrows, "Estimated Change In Industry Trend Following Federal Excise Tax Increase" (September 20, 1982), RJR Bates Number 500045052 -5132; Philip Morris Research Executive Myron Johnston, "Teenage Smoking and the Federal Excise Tax on Cigarettes" (September 17, 1981), PM Bates Number: 2001255224/5227.

STATE CIGARETTE TAX RATES AND DATE OF LAST INCREASE

State	Current Cigarette Tax (per pack)	National Rank	Date of Last State Tax Increase	Cig. Tax Revenue in FY 1999 (millions)	Cig. Pack Sales FY 1999 (millions)	Adult Smoking Rate (percentage)	Youth Smoking Rate (percentage)
State Average	*0.42*	///	///	*$150.8*	*422.3*	*23.2*	*32.6*
Alabama	0.165	43	7/1/84	$65.4	435.1	24.6	36.6
Alaska	1.00	2	10/1/97	$42.9	42.9	26.0	33.9
Arizona	0.58	15	11/29/94	$163.1	281.1	21.9	15.0
Arkansas	0.315	29	7/1/93	$81.5	264.5	26.0	39.6
California	0.87	4	1/1/99	$841.9	1523	19.2	26.6
Colorado	0.20	37	7/1/86	$59.5	309.9	22.8	36.6
Connecticut	0.50	19	7/1/94	$118.8	240	21.1	31.2
Delaware	0.24	32	1/1/91	$24.3	102.2	24.5	32.2
Washington, DC	0.65	13	7/1/93	$17.4	26.9	21.6	22.7
Florida	0.339	27	7/1/90	$428.5	1292.7	22.0	27.4
Georgia	0.12	46	4/1/71	$85.7	726.6	23.7	35.3
Hawaii	1.00	2	7/1/98	$38.9	38.6	19.5	27.9
Idaho	0.28	31	7/1/94	$24.2	90.9	20.3	27.0
Illinois	0.58	15	12/16/97	$485.6	858.8	23.1	34.0
Indiana	0.155	44	7/1/87	$116.3	781.6	26.0	36.1
Iowa	0.36	24	6/1/91	$92.3	261.6	23.4	35.8
Kansas	0.24	32	10/1/85	$51.0	216.2	21.2	42.1
Kentucky	0.03	50	7/1/70	$17.6	646.2	30.8	41.5
Louisiana	0.20	37	8/1/90	$82.8	439.6	25.5	33.3
Maine	0.74	9	11/1/97	$76.9	106.2	22.4	31.2
Maryland	0.66	12	7/1/99	$129.6	363.5	22.4	32.0
Massachusetts	0.76	7	10/1/96	$279.6	369.4	20.9	30.3
Michigan	0.75	8	5/1/94	$597.2	798.5	27.4	34.1
Minnesota	0.48	20	7/1/92	$177.3	378.3	18.0	35.4
Mississippi	0.18	39	6/1/85	$47.2	283.8	24.1	31.5
Missouri	0.17	41	10/1/93	$105.0	537.5	26.3	32.8
Montana	0.18	39	8/15/93	$12.7	72.6	21.5	35.0
Nebraska	0.34	26	7/1/93	$47.3	143.5	22.1	37.3
Nevada	0.35	25	7/1/89	$59.1	174.2	30.4	32.6

State	Current Cigarette Tax (per pack)	National Rank	Date of Last State Tax Increase	Cig. Tax Revenue in FY 1999 (millions)	Cig. Pack Sales FY 1999 (millions)	Adult Smoking Rate (percentage)	Youth Smoking Rate (percentage)
New Hampshire	0.52	17	7/1/99	$72.0	201.4	23.3	34.1
New Jersey	0.80	6	1/1/98	$409.7	511.8	19.2	36.2
New Mexico	0.21	36	7/1/93	$21.1	103.3	22.6	24.7
New York	1.11	1	3/1/00	$637.0	1140.8	24.3	31.8
North Carolina	0.05	49	8/1/91	$41.8	839.8	24.7	35.8
North Dakota	0.44	21	7/1/93	$21.0	47.9	20.0	40.6
Ohio	0.24	32	1/1/93	$269.3	1163.8	26.2	40.3
Oklahoma	0.23	35	6/1/87	$64.2	369.7	23.8	29.0
Oregon	0.68	11	2/1/97	$173.4	259.1	21.1	23.0
Pennsylvania	0.31	30	8/19/91	$333.3	1095.1	23.8	35.0
Rhode Island	0.71	10	7/1/97	$60.2	85.8	22.7	35.4
South Carolina	0.07	48	7/1/77	$27.6	411.2	24.7	36.0
South Dakota	0.33	28	7/1/95	$19.4	61.6	27.3	43.6
Tennessee	0.13	45	6/1/69	$78.7	620.7	26.1	37.5
Texas	0.41	23	7/1/90	$524.2	1314.7	22.0	24.6
Utah	0.515	18	7/1/97	$46.5	90.4	14.2	11.9
Vermont	0.44	21	7/1/95	$23.7	55.4	22.3	33.4
Virginia	0.025	51	9/1/66	$15.5	687.8	22.9	29.0
Washington	0.825	5	7/1/96	$252.2	309.1	21.4	22.3
West Virginia	0.17	41	8/1/78	$33.3	204.1	27.9	42.2
Wisconsin	0.59	14	11/1/97	$257.4	443.4	23.4	38.1
Wyoming	0.12	46	7/1/89	$5.7	50.3	22.8	35.2
State Average	*0.42*	///	///	*$150.8*	*422.3*	*23.2*	*32.6*

Sources: Tax data from *Tax Burden on Tobacco* (2000). Adult smoking data from the U.S. Centers for Disease Control and Prevention (CDC). *1998 Behavioral Risk Factor Surveillance System* (1999). Youth smoking rates from CDC, *Youth Risk Behavior Surveillance -- United States, 1999* (2000) and from the most comparable data available from those states not participating in the YRBS.

SB 2028 also

Chairman Nething, members of the Committee,

Good afternoon. I am Don Flynn from Scranton, North Dakota. Scranton signed contract number one with the State Water Commission March 15, 1983 and we still do not have water.

I am the Vice-Chairman of the Southwest Water Authority. I come today to speak in AGAINST Senate Bill 2024. This bill would take the interest earned on monies in the Water Development Trust Fund and transfer that interest to the Health Trust Fund.

The State Budget, as currently presented, will take the Water Commission budget of approximately $10.1 million from the Water Development Trust Fund. This $10.1 million, along with the transfer of interest requested in SB2024 will in fact reduce the amount of funding available for statewide water development projects.

At three percent inflation, an engineer's estimate is that it will cost an additional $15 million to complete construction on the Southwest Pipeline Project than it would if the project were completed this year. Most water development projects are built over a period of years. The costs will increase

and the interest earned on the Water Development Trust Fund will be needed to keep pace with the increased costs.

This committee will make many difficult decisions during this session. We simply ask that you keep these arguments in mind as you make those difficult decisions.

Thank you.

Also SB 2028

SB 2024
Bruce Levi, North Dakota Medical Association

Last fall, North Dakota's physicians adopted a resolution supporting the development in North Dakota of a science-based, comprehensive tobacco prevention and dependence treatment program.

In coming to that conclusion, physicians relied on the following points:

The use of tobacco products by North Dakota citizens has resulted in devastating health and economic consequences, including 1050 deaths each year, and healthcare expenditures of over $180 million (over 11% of all health care expenditures in North Dakota) -- the burden being imposed on taxpayers, businesses, individuals, and government.

Tobacco companies spend $12 million annually advertising their products in North Dakota, influencing more than 22% of our citizens to smoke and chew tobacco and giving our state the third worst national ranking in per capita death rate, as well as the third highest youth smoking rate in the nation.

Primary care physicians in North Dakota are in the unique position of seeing the tragic effects of smoking and second-hand smoke in their patients on a daily basis, including cases of heart disease, lung cancer, emphysema, bronchitis, pneumonia, sinusitis, and ear infections in both adults and children.

The North Dakota Chapters of the American Academy of Family Physicians, the American Academy of Pediatrics, and the American College of Physicians – American Society of Internal Medicine have each given their support to a strong tobacco education and prevention program in North Dakota.

The U.S. Centers for Disease Control has developed a science-based approach to tobacco prevention and cessation illustrating "best practices" strategies and programs to be implemented on a state-wide basis, including community programs to reduce tobacco use, chronic disease programs, school programs, enforcement efforts, statewide programs, countermarketing, and cessation programs.

Research shows that these best practice strategies are most effective when they are all integrated into a comprehensive program. The experience in other states with comprehensive programs such as Massachusetts, California, Oregon and Florida shows that, when adequately funded, these comprehensive programs can quickly and substantially reduce tobacco use.

We encourage the committee to take steps to begin development in North Dakota of a *comprehensive* approach to tobacco prevention. The North Dakota Medical Association stands ready to provide information and technical assistance from physicians if necessary to assist the committee.