

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	<u>1999-2001 Biennium</u>	<u>2001-03 Biennium</u>
Beginning balance	\$0	\$0
Add estimated revenues		
Tobacco settlement revenues collected to date	\$52,879,507 ¹	
Projected tobacco settlement revenues		\$53,072,885
Total estimated revenues	<u>52,879,507 ²</u>	<u>53,072,885 ²</u>
Total available	\$52,879,507	\$53,072,885
Less estimated expenditures and transfers		
Transfers to the community health trust fund (10%)	\$5,287,951	\$5,307,289
Transfers to the common schools trust fund (45%)	23,795,778	23,882,798
Transfers to the water development trust fund (45%)	<u>23,795,778</u>	<u>23,882,798</u>
Total estimated expenditures and transfers	<u>52,879,507 ³</u>	<u>53,072,885</u>
Estimated ending balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>

¹ As of April 2001, nine tobacco settlement payments have been received by the state totaling \$52,879,507.

² Estimated revenues - 1999 House Bill No. 1475 (North Dakota Century Code (NDCC) Section 54-27-25) 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.

³ The tobacco settlement proceeds for the 1999-2001 biennium were estimated to be \$57,593,770 at the end of the 1999 legislative session. The decrease in the estimated amount of tobacco settlement revenues for the biennium of \$4,714,263 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.

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 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:

- 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.

North Dakota Century Code Section 54-27-25 requires 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 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.