

# ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2005-07 BIENNIUM AS OF MAY 2006

Beginning balance - July 1, 2005		\$4,502,525
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	\$2,141,407 <sup>1</sup>	
Projected remaining transfers from the tobacco settlement trust fund	<u>2,297,207</u>	
Total estimated revenues		<u>4,438,614<sup>2</sup></u>
Total available		\$8,941,139
Less estimated expenditures and transfers		
State Department of Health (2005 SB 2004)		
Tobacco prevention and control	\$4,700,000 <sup>3</sup>	
Dentists' loan program	420,000 <sup>4</sup>	
Community health grant program	250,000 <sup>5</sup>	
Tobacco "quit line"	884,000 <sup>6</sup>	
Tobacco cessation coordinator and operating expenses	111,000 <sup>7</sup>	
Department of Human Services (2005 HB 1012)		
Breast and cervical cancer assistance	<u>254,356<sup>8</sup></u>	
Total estimated expenditures and transfers		<u>6,619,356</u>
Estimated ending balance - June 30, 2007		<u><u>\$2,321,783</u></u>

**NOTE:** The estimated June 30, 2007, balance made at the end of the 2005 legislative session was \$2,064,452. The increase of \$257,331 is primarily due to tobacco cessation grants expenditures being less than originally estimated for both the 2003-05 and 2005-07 bienniums (see footnote 5).

<sup>1</sup>For the 2005-07 biennium, three transfers totaling \$2,141,407 have been made from the tobacco settlement trust fund as of April 30, 2006. Total transfers of \$17,426,124 have been made from the tobacco settlement trust fund to the community health trust fund.

<sup>2</sup>Revenues - Interest earned on the community health trust fund is deposited in the state general fund. The tobacco settlement revenues for the community health trust fund were estimated to be \$5,127,121 for the 2005-07 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$688,507 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.

In addition, two major tobacco companies reduced their total 2006 payment to North Dakota by approximately \$2.7 million, of which \$270,000 would have been deposited in the community health trust fund. The tobacco companies are contending that the master settlement agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office plans to file a lawsuit against the tobacco companies to collect the full payment. The tobacco companies have set aside the additional payment until the dispute is resolved. The total estimated revenues of \$4,438,614 do not include the \$270,000 withheld by tobacco companies. The revenues for the community health trust fund originally estimated during the 1999 legislative session and the 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	\$5,759,377	\$5,290,078
2001-03	6,114,358	5,363,637
2003-05	5,127,121	4,631,001
2005-07	5,127,121	4,438,614
2007-09	8,223,108	7,368,727
2009-17 (\$8,223,108/\$7,368,727 per biennium)	32,892,432	29,474,908
2017-25 (\$5,859,149/\$5,250,383 per biennium)	23,436,596	21,001,532
Total	\$86,680,113	\$77,568,497

<sup>3</sup>House Bill No. 1475 (1999) (North Dakota Century Code (NDCC) Section 54-27-25) provides that money 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. The 2005 Legislative Assembly provided an appropriation of \$4.7 million, the same as the 2003-05 biennium appropriation, to the State Department of Health for tobacco prevention and control programs. A total of \$1.7 million has been expended as of the end of April 2006.

<sup>4</sup>The dentists' loan repayment program, which is maintained by the State Health Council, was established in 2001 Senate Bill No. 2276 (NDCC Chapter 43-28.1). Each year the State Health Council is to select up to three dentists who agree to provide dental services in the state. The dentists are eligible to receive funds, not to exceed a total of \$80,000 per applicant, for the repayment of their educational loans. The funds are payable over a four-year period (\$20,000 per year). Senate Bill No. 2276 (2001) provided for one dentist to be selected annually for the program from each of the following community-size categories--small (less than 2,500 residents), medium (less than 10,000 residents), and large (10,000 or more residents). The 2003 Legislative Assembly, as provided in Senate Bill No. 2378, changed the dental loan repayment program effective for the 2003-05 biennium, providing that the highest priority for acceptance into the program be given to dentists willing to serve the smallest and most underserved communities in North Dakota. Dentists accepted into the program per biennium include:

Biennium (Number of Dentists Accepted Into Program)	Communities Served
2001-03 biennium (3)	Minot (2) Larimore
2003-05 biennium (6)	Fargo Community Health Center New Rockford Grand Forks Fargo Bismarck West Fargo
2005-07 biennium (4 to date)	Fargo Community Health Center Wahpeton/LaMoure Bismarck (serving special populations) Mott

<sup>5</sup>The community health grant program was established in 2001 Senate Bill No. 2380 (NDCC Section 23-38-01) with the intent to prevent or reduce tobacco usage. The Community Health Grant Program Advisory Committee is to advise the State Department of Health regarding the community health grant program. The 2005 Legislative Assembly authorized \$495,000 for tobacco cessation grants (\$395,000) and the Community Health Grant Program Advisory Committee (\$100,000). The grants to cities and counties for cessation programs are to be matched with \$1 of local funds for every \$3 of state funds. The State Department of Health estimates, based on current spending for tobacco cessation grants, that \$150,000 will be spent during the 2005-07 biennium. It is anticipated that the entire \$100,000 appropriation will be expended for the Community Health Grant Program Advisory Committee.

<sup>6</sup>The 2003 Legislative Assembly appropriated \$680,000 for establishing a telephone tobacco "quit line." The 2005 Legislative Assembly appropriated \$884,000 to operate the "quit line" for the 2005-07 biennium.

<sup>7</sup>The Legislative Assembly authorized one full-time equivalent tobacco prevention coordinator position and related funding for salaries and wages (\$95,666) and operating expenses (\$15,334).

<sup>8</sup>The Legislative Assembly appropriated \$254,356, an increase of \$139,601 from the 2003-05 biennium appropriation of \$114,755, to the Department of Human Services for providing the state matching funds for medical assistance coverage for women screened and found to have breast and cervical cancer.

#### **FUND HISTORY**

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 money obtained by the state. Money in the fund must be transferred within 30 days of its 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.