

**ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2005-07 AND 2007-09 BIENNIUMS
(REFLECTING THE 2007-09 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2005-07 Biennium		2007-09 Biennium	
Beginning balance		\$4,502,525		\$1,961,922
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	\$2,141,407 ¹			
Projected remaining transfers from the tobacco settlement trust fund	2,182,346		\$7,000,290	
Total estimated revenues		4,323,753 ²		7,000,290 ²
Total available		\$8,826,278		\$8,962,212
Less estimated expenditures and transfers				
State Department of Health (2005 SB 2004; 2007 HB 1004)				
Tobacco prevention and control	\$4,700,000 ³		\$4,700,000 ³	
Dentists' loan program	420,000 ⁴		380,000 ⁴	
Community health grant program	495,000 ⁵		360,000 ⁵	
Tobacco "quit line"	884,000 ⁶		1,069,000 ⁶	
Tobacco cessation coordinator and operating expenses	111,000 ⁷		142,075 ⁷	
Physician loan repayment program			75,000 ⁸	
Youth tobacco coordinator position and campaign			554,208 ⁹	
Department of Human Services				
Breast and cervical cancer assistance (2005 HB 1012; 2007 SB 2012)	254,356 ¹⁰		213,904 ¹⁰	
Total estimated expenditures and transfers		6,864,356		7,494,187
Estimated ending balance		\$1,961,922		\$1,468,025

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

²Revenues - 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 \$803,368 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 has filed 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 \$4,323,753 do not include the \$270,000 withheld by tobacco companies. Due to the uncertainty of the lawsuit, the Office of Management and Budget has further reduced remaining estimated tobacco settlement revenues for the 2005-07 and 2007-09 bienniums by 5 percent. The community health trust fund share of the 5 percent reduction represents \$114,860 for 2005-07 and \$368,436 for 2007-09. 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 and legal challenges 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	4,323,753
2007-09	8,223,108	7,000,290
2009-11	8,223,108	7,368,727
2011-17 (\$8,223,108/\$7,368,727 per biennium)	24,669,324	22,106,181
2017-25 (\$5,859,149/\$5,250,383 per biennium)	23,436,596	21,001,532
Total	\$86,680,113	\$77,085,199

³North 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 executive budget recommendation provides an appropriation of \$4.7 million, the same as the 2005-07 biennium appropriation, to the State Department of Health for tobacco prevention and control programs.

⁴The dentists' loan repayment program, which is administered 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 dental loan repayment program is to provide the highest priority for acceptance into the program 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 Bismarck (serving special populations) Mott Minot

⁵The 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 executive budget recommends \$360,000 for city and county cessation programs (\$260,000) and the Community Health Grant Program Advisory Committee (\$100,000).

⁶The 2003 Legislative Assembly authorized the establishment of a telephone tobacco "quit line." The 2005 Legislative Assembly appropriated \$884,000 to operate the "quit line" for the 2005-07 biennium. The executive budget recommendation increases the funding for the "quit line" to \$1,069,000 to provide nicotine replacement therapy and cessation counseling.

⁷The 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). The executive budget recommendation includes funding for salaries (\$117,101) and operating expenses (\$22,296) for the position. In addition, \$2,678 for operating costs is included in this amount to balance the department's total authorization from the community health trust fund.

⁸North Dakota Century Code Chapter 43-17.2 provides for the state-community matching physician loan repayment program. A qualifying physician may receive up to \$22,500 per year for up to two years for a total of \$45,000. Section 43-12.2-01 provides for midlevel practitioners to receive up to \$2,500 per year for up to four years for a total of \$10,000. Communities must contribute an amount at least equal to the amount of the state contribution for the physicians and midlevel practitioners. The total funding for this program is \$75,000 from the general fund and \$75,000 from the community health trust fund.

⁹The executive budget recommendation includes funding for a youth tobacco prevention coordinator (\$100,522) and operating expenses (\$453,686) to coordinate a mass media education campaign including curricula, teacher training, and comprehensive school tobacco use policies.

¹⁰The executive budget recommends an appropriation of \$213,904, a decrease of \$40,452 from the 2005-07 biennium appropriation of \$254,356, 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.