

**ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS
(REFLECTING THE 2009-11 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2007-09 Biennium		2009-11 Biennium	
Beginning balance		\$2,392,943		\$507,414
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	\$3,648,108 ¹		\$0	
Projected remaining transfers from the tobacco settlement trust fund	2,194,029		4,388,119	
Total estimated revenues		5,842,137 ²		4,388,119 ²
Total available		\$8,235,080		\$4,895,533
Less estimated expenditures and transfers				
State Department of Health (2007 HB 1004)				
Tobacco prevention and control	\$4,700,000 ³		\$2,180,371 ^{3,14}	
Dentists' loan program	356,896 ⁴		288,448 ⁴	
Community health grant programs	235,303 ⁵		0	
Community Health Grant Program Advisory Committee	100,000 ⁵		0	
Tobacco Quitline	1,069,000 ⁶		1,069,000 ^{6,14}	
Tobacco cessation coordinator and operating expenses	139,397 ⁷		139,397 ^{7,14}	
Physician loan repayment program	22,070 ⁸		72,500 ⁸	
Colorectal cancer screening initiative	150,000 ⁹		0	
Emergency medical services grants	300,000 ¹⁰		300,000 ¹⁰	
Dental grant program (2007 SB 2152)	5,000 ¹¹		10,000 ¹¹	
Governor's office				
Governor's Prevention and Advisory Council (2007 SB 2276)	100,000 ¹²		0	
Department of Human Services				
Breast and cervical cancer assistance (2007 SB 2012)	550,000 ¹³		790,015 ¹³	
Total estimated expenditures and transfers		7,727,666		4,849,731
Estimated ending balance		\$507,414		\$45,802

¹For the 2007-09 biennium, two transfers totaling \$3,648,108 have been made from the tobacco settlement trust fund as of November 1, 2008. Total transfers of \$23,315,635 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.

In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota 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 full payment. Due to the uncertainty of the lawsuit, the Office of Management and Budget has further reduced the estimated tobacco settlement revenues for the 2007-09 biennium by 5 percent in the first year of the biennium and 3 percent in the second year. The community health trust fund share of the 5 percent and 3 percent reductions are \$184,218 and \$110,531, respectively. The Office of Management and Budget has reduced the estimated tobacco settlement revenues for the 2009-11 biennium by 3 percent. The community health trust fund share of the 3 percent reduction is \$221,062 for the 2009-11 biennium.

At the end of the 2007 legislative session, tobacco settlement revenues for the community health trust fund were estimated to be \$7,000,290 for the 2007-09 biennium. The decrease in the amount of estimated revenues to be collected from the tobacco settlement trust fund of \$1,158,153 is due to an increase in actual tobacco settlement revenues collected to date of which the community health trust fund's share is \$147,963, an estimated increase of \$73,687 due to a change in the estimated discount from 5 percent to 3 percent in the second year of the biennium, and an estimated decrease of \$1,379,803 resulting from initiated measure No. 3. Approved by voters in the November 2008 general election, the measure amends NDCC Section 54-27-25 to provide that a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, will be deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729. Remaining community health trust fund revenues have been estimated based on the Office of Management and Budget revised estimated collections less anticipated strategic contribution payments of \$13,797,729 per year, which was the actual amount of the 2008 strategic contribution payment. The measure provides that at least 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

Initiated measure No. 3 will result in the following estimated allocation of the revised estimated collections for tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.5 million	N/A	\$16.4 million	\$16.4 million	\$3.7 million
Estimated payment April 2009	35.7 million	\$13.8 million	9.9 million	9.9 million	2.1 million
Estimated 2009-11 biennium	71.5 million	27.6 million	19.8 million	19.8 million	4.3 million
Estimated 2011-13 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2013-15 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2015-17 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	\$574.8 million	\$124.2 million	\$202.9 million	\$202.9 million	\$44.8 million

³North Dakota Century Code 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 an emphasis on preventing or reducing tobacco usage. The executive budget recommendation provides an appropriation of \$2.2 million, \$2.5 million less than the 2007-09 biennium appropriation, to the State Department of Health for tobacco prevention and control programs.

⁴The dentists' loan repayment program, which is administered by the Health Council, was established in 2001 Senate Bill No. 2276 (NDCC Chapter 43-28.1). Each year the 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). 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. Senate Bill No. 2152 (2007) provides that a dentist practicing in Bismarck, Fargo, or Grand Forks must have received dental medical payments of at least \$20,000 in the form of medical assistance reimbursement or practiced at least two full workdays per week at a public health clinic or nonprofit dental clinic in order to qualify for the dentists' loan repayment program. 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)	Fargo Community Health Center Bismarck (serving special populations) Mott Minot
2007-09 biennium (6 to date)	Park River Bismarck Grand Forks Cando/Devils Lake Rugby Wishek

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 2007 Legislative Assembly authorized \$360,000 for tobacco cessation grants (\$260,000) 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 2009-11 executive budget recommendation does not include funding for the community health grant program.

⁶The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly appropriated \$1,069,000, an increase of \$185,000 from the 2005-07 biennium appropriation of \$884,000, to operate the quitline for the 2007-09 biennium. The 2007 Legislative Assembly increased the funding for the quitline to provide nicotine replacement therapy and cessation counseling. The 2009-11 executive budget recommendation includes \$1,069,000 to fund the quitline for the 2009-11 biennium, the same as the 2007-09 biennium appropriation.

⁷The 2007 Legislative Assembly authorized one full-time equivalent tobacco prevention coordinator position and related funding for salaries and wages (\$117,101) and operating expenses (\$22,296) for the position. The 2009-11 executive budget recommendation includes funding of \$139,397 for the tobacco prevention coordinator position, the same as the 2007-09 biennium appropriation.

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 mid-level 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 mid-level practitioners. The 2007 Legislative Assembly appropriated \$150,000 from the community health trust fund for this program. The total 2007-09 biennium funding for this program is \$75,000 from the general fund and \$150,000 from the community health trust fund. The 2009-11 executive budget recommendation includes funding of \$75,000 from the general fund and \$72,500 from the community health trust fund for the program. Physicians accepted into the program per biennium include:

Biennium (Number of Physicians Accepted Into Program)	Communities Served
2007-09 biennium (3 to date)	Dickinson Devils Lake Wishek
Biennium (Number of Mid-Level Practitioners Accepted Into Program)	Communities Served
2007-09 biennium (3 to date)	Grafton Turtle Lake/McClusky Williston

⁹The 2007 Legislative Assembly appropriated \$150,000 from the community health trust fund and \$50,000 from the general fund for a grant to the North Dakota Cancer Coalition to provide for a colorectal cancer screening initiative. The 2009-11 executive budget recommendation does not include funding for the grant.

¹⁰The 2007 Legislative Assembly appropriated \$300,000 from the community health trust fund for emergency medical services training grants. The 2009-11 executive budget recommends \$300,000 for emergency medical services training grants, the same as the 2007-09 biennium appropriation.

¹¹Senate Bill No. 2152 (2007) provides for a dental grant program. A dentist who has graduated from an accredited dental school within the previous five years and is licensed to practice in North Dakota may submit an application to the Health Council for a grant for the purpose of establishing a dental practice in North Dakota cities with a population of 7,500 or less. The Health Council may award a maximum of two grants per year with a maximum grant award of \$50,000 per applicant to be used for buildings, equipment, and operating expenses. The community in which the dentist is located must provide a 50 percent match. The grant must be distributed in equal amounts over a five-year period and the dentist must commit to practice in the community for five years. The 2007 Legislative Assembly appropriated \$60,000 for the dental grant program; however, the department anticipates spending \$5,000 for the program for the 2007-09 biennium. The 2009-11 executive budget recommends funding of \$10,000 for the dental grant program, \$50,000 less than the 2007-09 appropriation of \$60,000.

¹²Senate Bill No. 2276 (2007) provided an appropriation from the community health trust fund to the Governor for the Governor's Prevention and Advisory Council. The 2009-11 executive budget recommendation provides funding of \$200,000 from the general fund to the Department of Human Services for the Governor's Prevention and Advisory Council.

¹³The 2007 Legislative Assembly appropriated \$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. Because of greater than anticipated demand for the services, the department anticipates using additional special funds spending authority from within its 2007-09 biennium budget and spending a total of \$550,000 from the community health trust fund for the program for the 2007-09 biennium. The 2009-11 executive budget recommendation provides funding of \$790,015 for breast and cervical cancer assistance for the 2009-11 biennium, \$576,111 more than the 2007-09 appropriation.

¹⁴Initiated measure No. 3 provides that at least 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. Based on the estimated 2009-11 biennium transfers to the community health trust fund from the tobacco settlement trust fund of \$4,388,119, a minimum of \$3,510,000 (80 percent) is to be provided for tobacco prevention and control. Using the recommended appropriations of \$2,180,371 for tobacco prevention and control, \$1,069,000 for the Tobacco Quitline, and \$139,397 for the tobacco cessation coordinators and operating expenses, the executive budget recommendation includes total tobacco prevention and control funding from the community health trust fund of \$3,388,768 for the 2009-11 biennium, or 77 percent, approximately \$121,000 less than the 80 percent minimum requirement.

FUND HISTORY

North Dakota Century Code Section 54-27-25, created by 1999 House Bill No. 1475, established the community health trust fund. This section 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.

In the November 2008 general election, voters approved initiated measure No. 3 that amended NDCC Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will be deposited beginning in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides that 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in NDCC Section 54-27-25 prior to amendment by the measure. Future tobacco settlement payments will be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25, as amended by the measure.