Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. H.B. 544** DATE: **May 2, 2008**

STATUS: **As Reported by Senate Finance and Financial Institutions** SPONSOR: **Rep. Hottinger**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Abolishes the Tobacco Use Prevention and Control Foundation, transfers certain powers to the Department of Health, makes an appropriation, and declares an emergency**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
Tobacco Use Prevention and Control Foundation Endowment Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Transfer of liquidation proceeds to Funds 5BX0 and 5Z30	- 0 -	- 0 -
Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M80)			
Revenues	- 0 -	Fund is abolished	
Expenditures	Transfer of cash balance to Fund 5BX0		
Tobacco Use Prevention Fund (Fund 5BX0) – New			
Revenues	Gain of up to $40 million from Endowment Fund liquidation	- 0 -	- 0 -
	Gain of cash balance transferred from Fund 5M80	- 0 -	- 0 -
	Potential gain of investment earnings, gifts, grants, and donations	Potential gain of investment earnings, gifts, grants, and donations	
Expenditures	Increase of up to $40 million	Increase of up to the amount reappropriated from FY 2008	- 0 -
Jobs Fund (Fund 5Z30) – New			
Revenues	Gain of an estimated $230 million from Endowment Fund liquidation	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- The bill requires liquidation of the Tobacco Use Prevention and Control Foundation Endowment Fund. Liquidation is estimated to yield $270 million, which will result in a revenue gain to the Tobacco Use Prevention Fund (Fund 5BX0) of up to $40 million and a revenue gain of $230 million to the Jobs Fund (Fund 5Z30).

- The bill provides that in addition to the liquidation proceeds deposited into the Tobacco Use Prevention Fund (Fund 5BX0), gifts, grants, or donations received by the Director of Health for tobacco use prevention may also be deposited into the fund. The bill permits the Treasurer of State, in consultation with the Director of Health, to invest the moneys in the fund. The bill specifies that investment earnings of the fund are to be credited to the fund. For FY 2009, and beyond, the fund may realize a gain in revenue due to deposits of any investment earnings and gifts, grants, and donations.

- The bill abolishes the Tobacco Use Prevention and Control Foundation, thus eliminating any future payments to, and expenditures from, the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M80). The bill transfers the cash balance in Fund 5M80 to the Tobacco Use Prevention Fund (Fund 5BX0) and specifies that once the transfer is complete the fund is abolished.

- The bill authorizes the expenditure of up to $40 million from the Tobacco Use Prevention Fund (Fund 5BX0). The Director of Health must first pay all contractual and other legally binding obligations that were entered into by the Tobacco Use Prevention and Control Foundation and then the Director may use the remaining funds to carry out the functions related to reducing tobacco use as specified in the bill. The bill authorizes the reappropriation of any unexpended, unencumbered portion of those moneys at the end of FY 2008 to FY 2009. This will allow the Director to continue funding activities to reduce tobacco use.

- The bill requires the Director of Health, by December 31, 2008, to submit to the Governor and various members of the Senate and House of Representatives, a plan regarding management of the remaining moneys in the Tobacco Use Prevention Fund (Fund 5BX0). The Department of Health will incur some administrative costs to develop and submit the plan required by the bill. It is assumed that any increase in costs will be paid from Fund 5BX0.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Foundation abolishment and authorization for the Department of Health to continue efforts

The bill abolishes the Tobacco Use Prevention and Control Foundation by repealing all sections of law pertaining to the Foundation's duties, management structure, and funding. The bill authorizes the Department of Health to carry on the efforts to reduce tobacco use. Under the bill, the Department may prepare a plan, which may include providing grants to private and public agencies to carry out research and programs related to tobacco use prevention and cessation.

Abolishment of the Foundation will result in the elimination of 17 state employee positions at the Foundation. Elimination of these positions will impact benefit contributions and payments for public employee retirement, unemployment compensation, and state administrative services. There may be an offsetting fiscal effect if the Department of Health chooses to employ additional staff to carry out the functions specified in the bill.

Endowment fund liquidation

The bill requires the Treasurer of State to liquidate the Tobacco Use Prevention and Control Foundation Endowment Fund in a prudent manner and deposit the lesser of $40 million or 14.8% of the proceeds from liquidation into the newly created Tobacco Use Prevention Fund (Fund 5BX0). The Treasurer is to deposit the remaining proceeds from liquidation into the newly created Jobs Fund (Fund 5Z30).

The bill provides that in addition to the liquidation proceeds deposited into the Tobacco Use Prevention Fund, gifts, grants, and donations received by the Director of Health for tobacco use prevention may also be deposited into the fund. The bill permits the Treasurer of State, in consultation with the Director of Health, to invest the moneys in the Tobacco Use Prevention Fund. The bill specifies that investment earnings of the fund are to be credited to the fund.

Liquidation of the Tobacco Use Prevention and Control Foundation Endowment Fund is estimated to yield approximately $270 million. These provisions of the bill will result in a revenue gain to the Tobacco Use Prevention Fund of up to $40 million in FY 2008 plus any interest earnings and gifts, grants, or donations in future years and a revenue gain of approximately $230 million in FY 2008 to the Jobs Fund. Liquidation of the fund will be handled by private investment managers whose fees will be paid from the proceeds of liquidation. Therefore, the Treasurer of State will not incur any administrative costs related to liquidation of the endowment fund.

Cash balance transfer

The bill requires the Director of Budget and Management to transfer the cash balance in the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M80), which supports appropriations to pay operating expenses of the Tobacco Use Prevention and Control Foundation, to the Tobacco Use Prevention Fund (Fund 5BX0) to support activities to reduce tobacco use. Once the transfer is complete, the Tobacco Use Prevention and Control Operating

Expenses Fund is abolished. The Director of Budget and Management is to cancel any existing encumbrances against the Foundation's appropriation item 940601, Operating Expenses, and reestablish them against the Department of Health's appropriation item 440656, Tobacco Use Prevention. The bill appropriates the amounts of the reestablished encumbrances.

The Treasurer of State periodically pays into the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M80), from the endowment fund, amounts requested by the Foundation to pay the compensation of the Foundation's employees. Abolishment of the Tobacco Use Prevention and Control Foundation will eliminate any future payments to Fund 5M80. The repeal of appropriations for the Foundation's operating expenses will eliminate any future expenditures from Fund 5M80. The transfer of the cash balance in the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M80) to the Tobacco Use Prevention Fund (Fund 5BX0) will result in a further gain in revenue to Fund 5BX0.

Appropriation to fulfill obligations and carry on with tobacco use reduction

The bill appropriates $40 million in FY 2008 in appropriation item 440656, Tobacco Use Prevention (Fund 5BX0), to the Department of Health and permits those moneys to be used at the Director of Health's discretion to pay outstanding expenses of the Tobacco Use Prevention and Control Foundation. The bill then allows the Director of Health to use the remaining funds to carry out the functions related to reducing tobacco use as specified in the bill. The bill reappropriates any unexpended, unencumbered portion of appropriation item 440656, Tobacco Use Prevention, at the end of FY 2008 to the Department of Health for the same purpose for FY 2009.

The bill requires the Director of Health, by December 31, 2008, to submit to the Governor, Speaker of the House of Representatives, President of the Senate, and the chairs and ranking minority members of the standing committees of the Senate and House of Representatives with primary responsibility for health legislation, a plan regarding management of the remaining moneys in the Tobacco Use Prevention Fund (Fund 5BX0). The plan may include a strategy for maintaining a portion of the fund for investment and expending the earned income thereby creating a long-term source of funding for tobacco use prevention and cessation. The Department of Health will incur administrative costs to develop and submit the plan required by the bill. It is assumed that any increase in costs will be paid from appropriation item 440656, Tobacco Use Prevention.

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