



Legislative  
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**HB 20-1380**

# FINAL FISCAL NOTE

**Drafting Number:** LLS 20-1187  
**Prime Sponsors:** Rep. McCluskie; Ransom  
 Sen. Moreno; Zenzinger  
**Date:** September 24, 2020  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Aaron Carpenter | 303-866-4918  
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**Bill Topic:** **MOVE TOBACCO LITIGATION SETTLEMENT MONEYS GENERAL FUND**

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

**Budget package bill.** This bill redirects Tobacco Master Settlement Agreement revenue to the General Fund. The bill increases funds in the General Fund and increases state expenditures in FY 2020-21 and reduces state expenditures in FY 2021-22.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** This fiscal note reflects the enacted bill, which was recommended by the Joint Budget Committee as part of its FY 2020-21 budget balancing package.

**Table 1  
State Fiscal Impacts Under HB 20-1380**

		FY 2020-21	FY 2021-22
<b>Revenue</b>		-	-
<b>Expenditures</b>	Cash Funds	\$18.4 million	(\$20.0 million)
	<b>Total</b>	<b>\$18.4 million</b>	<b>(\$20.0 million)</b>
<b>Transfers and Diversions</b>	General Fund	\$40.0 million	-
	Cash Funds	(\$40.0 million)	-
	<b>Total</b>	<b>\$0</b>	-
<b>TABOR Refund</b>		-	-

## Summary of Legislation

This bill redirects Tobacco Master Settlement Agreement (MSA) revenue to the General Fund through transfers and changes to the MSA distribution formula. First, the bill transfers \$40.0 million from various cash funds funded with MSA revenue to the General Fund. Of this, \$20.0 million is applied to increase the accelerated payment amount in FY 2020-21 by moving this amount from FY 2021-22. Next, the bill reduces the distribution of MSA revenue to the Tobacco Settlement Defense Account and the State Dental Loan Repayment Program for FY 2020-21 only.

## Background

**Tobacco MSA.** The Tobacco MSA provides Colorado with an annual revenue stream distributed via a statutory formula to a variety of programs. Revenue from the MSA is the result of a 1998 legal settlement between tobacco manufacturers and the states who sued to recover Medicaid and other health-related costs incurred by the states as a result of treating smoking related illnesses.

**Accelerated payments.** The Tobacco Litigation Settlement Cash Fund receives all funds transmitted to the State Treasurer as a result of the terms of the MSA. Funds from the Tobacco Litigation Settlement Cash Fund are allocated to a number of programs according to a formula detailed in statute. The Tobacco Litigation Settlement Cash Fund receives its payments in April of each year, traditionally after the state's budget is passed. Therefore, money received in April of 2020 would be allocated in FY 2020-21 instead of FY 2019-20. However, the General Assembly may amend statute to allocate some MSA funds in the same fiscal year as when the money was received. Such a change is referred to as accelerating the use of tobacco revenues, or accelerated payments. At the time of this writing, the accelerated payment amount is estimated to be \$41.3 million.

## State Transfers and Diversions

For FY 2020-21, this bill creates a number of one-time transfers and diversions from various cash funds to the General Fund. In total, the bill transfers or diverts \$40.0 million to the General Fund as shown in Table 2 and described below.

**Table 2**  
**Transfers and Diversions Under HB 20-1380 for FY 2020-21**

<b>Fund Source</b>	<b>From Cash Fund</b>	<b>To General Fund</b>	<b>Total</b>
Tobacco Litigation Settlement Cash Fund*	(\$24,772,510)	\$24,772,510	<b>\$0</b>
Tobacco Settlement Defense Account	(\$8,000,000)	\$8,000,000	<b>\$0</b>
Nurse Home Visitor Program Cash Fund	(\$4,237,375)	\$4,237,375	<b>\$0</b>
Colorado State Veterans Trust Fund	(\$3,000,000)	\$3,000,000	<b>\$0</b>
<b>Total</b>	<b>(\$40,009,885)</b>	<b>\$40,009,885</b>	<b>\$0</b>

\* Includes the transfer of \$4.8 million of unallocated dollars. Calculation for unallocated dollars can be found in Table 3.

*Unallocated tobacco settlement funds.* This bill diverts \$20.0 million dollars from the Tobacco Litigation Cash Fund and transfers another \$4.8 million in unallocated funds to the General Fund. Table 3 below shows the source of the \$4.8 million in unallocated funds being transferred.

**Table 3  
Unallocated Tobacco Settlement Dollars Under HB 20-1380**

	<b>FY 2020-21</b>
Amount Received Over February Forecast	\$2,000,130
Amount Reduced from Tobacco Settlement Defense Account	\$1,406,280
Unallocated Amounts in FY 2019-20	\$1,205,383
Amount Reduced from Dental Loan Repayment Program	\$160,717
<b>Total</b>	<b>\$4,772,510</b>

**State Expenditures**

This bill increases state cash fund expenditures by \$18.4 million in FY 2020-21 and reduces expenditures by \$20.0 million in FY 2021-22, as shown in Table 4 and described below.

**Table 4  
Expenditures Under HB 20-1380**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Tobacco Settlement Defense Account	(\$1,406,280)	-
Dental Loan Repayment Fund	(\$160,717)	-
Tobacco Litigation Settlement Cash Fund	\$20,000,000	(\$20,000,000)
<b>Total Cost</b>	<b>\$18,433,003</b>	<b>(\$20,000,000)</b>

*Tobacco Settlement Defense Account.* By reducing the amount allocated to the Tobacco Settlement Defense Account from 2.5 percent to 0.75 percent, expenditures in the account will be reduced by up to \$1.4 million in FY 2020-21 only. This account is used by the Department of Law and the Department of Revenue to support legal and enforcement needs. This reduction is included in the FY 2020-21 Long Bill and therefore, no change in appropriations is required.

*Dental Loan Repayment Fund.* By reducing the amount allocated to the Dental Loan Repayment Fund in the CDPHE by \$160,717, the bill will reduce expenditures in the CDPHE accordingly for FY 2020-21 only. This reduction is included in the FY 2020-21 Long Bill and therefore, no change in appropriations is required.

*Tobacco Litigation Settlement Cash Fund.* By allocating \$20.0 million of tobacco revenue that will be received in April 2021 in FY 2020-21 instead of FY 2021-22, expenditures in the Tobacco Litigation Settlement Cash Fund will increase by \$20.0 million in FY 2020-21 and decrease by \$20.0 million in FY 2021-22. However, because the bill transfers \$20 million from the Tobacco Litigation Settlement Cash Fund to the General Fund, total expenditures to programs funded through the Tobacco Litigation Settlement Cash Fund will not change. Therefore, no change in appropriations is required.

**Effective Date**

This bill was signed into law by the Governor and took effect on June 29, 2020.

**State and Local Government Contacts**

Human Services  
Public Health and Environment

Law  
Revenue

Military Affairs  
Treasury