



Oklahoma  
State  
Senate

# Legislative Brief

July 2000

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## Tobacco Settlement Funds

### 2000 Legislative Referendum

On November 7, 2000, Oklahomans will vote on a proposed constitutional amendment relating to funds received as a result of a settlement agreement that the state entered into with various tobacco manufacturers. The proposal, which was referred to a vote of the people in House Bill 2022 by Speaker Loyd Benson and President Pro Tempore Stratton Taylor, will create a Tobacco Settlement Endowment Trust Fund, the principal of which will consist of a specified portion of tobacco settlement funds. The remainder of tobacco settlement funds may be appropriated by the Legislature. The minimum percentages of tobacco settlement funds which must be deposited to the Trust Fund are:

<u>Fiscal Year</u>	<u>Minimum Percentage of Payments</u>
Ending June 30, 2002	50%
Ending June 30, 2003	55%
Ending June 30, 2004	60%
Ending June 30, 2005	65%
Ending June 30, 2006	70%
Ending June 30, 2007, and following	75%

A Board of Investors for the Trust Fund is created, which consists of five members: the State Treasurer as chair and one appointed by the Governor, Speaker of the House of Representatives, President Pro Tempore of the Senate and the State Auditor and Inspector. Members serve staggered four-year terms and must have experience in public or private investment funds management. This Board is responsible for investing monies in the Trust Fund according to the laws applicable for the investment of monies in state retirement funds.

A Board of Directors for the Trust Fund is also created, which consists of seven members: one appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House of Representatives, Attorney General, State Treasurer, State Auditor and Inspector and State Superintendent of Public Instruction. Members serve staggered seven-year terms and must meet certain geographical and political affiliation requirements. Members must have demonstrated expertise

in public or private health care or programs related to or for the benefit of children or senior adults. This Board is responsible for spending the earnings from the Trust Fund.

Earnings from the Trust Fund may be expended for:

1. Clinical and basic research and treatment efforts in Oklahoma for the purpose of enhancing efforts to prevent and combat cancer and other tobacco-related diseases;
2. Cost-effective tobacco prevention and cessation programs;
3. Other programs designed to maintain or improve the health of Oklahomans or to enhance the provision of health care services to Oklahomans, with particular emphasis on such programs for children;
4. Programs and services for the benefit of the children of Oklahoma, with particular emphasis on common and higher education, before- and after-school and pre-school programs, substance abuse prevention and treatment programs and other programs and services designed to improve the health and quality of life of children;
5. Programs designed to enhance the health and well-being of senior adults; and
6. Authorized administrative expenses of the Office of the State Treasurer and the Board of Directors.

### Background

The tobacco settlement funds are a result of a master settlement agreement, entered into on November 23, 1998, by 46 states and several leading tobacco manufacturers. Under the terms of the agreement, states will receive annual payments in varying amounts according to a formula. Although there are some restrictions on uses of the funds, states have broad authority to determine how the funds are to be spent.

Oklahoma received its first payment of tobacco settlement monies in January of 2000. Since Oklahoma law did not at that time provide for the deposit of the funds, the monies were deposited to the General Revenue Fund. The Legislature subsequently enacted HB 1002, authored by Representative Jari Askins and Senator Ben Brown, which statutorily created a Tobacco Settlement Fund to which the tobacco settlement funds received in April 2000 were deposited. Approximately \$3 million was transferred to this fund from the Attorney General's Revolving Fund. (Deposits were made to the Attorney General's Revolving Fund and the Attorney General's Evidence Fund from the April 2000 payment under existing statutory provisions relating to apportionment of funds received from court judgments.) SB 3X, authored by President Pro Tempore Stratton Taylor and Speaker Loyd Benson, also provided for all tobacco settlement monies received in FY 01 (July 1, 2000, through June 30, 2001), and that portion of tobacco settlement monies not apportioned under the Constitution, to be deposited to the Tobacco Settlement Fund. SB 3X also provided, conditioned upon passage of the proposed constitutional amendment discussed above, that \$50 million would be transferred from the Tobacco Settlement Fund to the constitutionally-created Tobacco Settlement Endowment Trust Fund.

Appropriations

The Legislature appropriated monies from the statutory Tobacco Settlement Fund in two measures, HB 2245 and SB 913, both authored by Senator Kelly Haney and Representative Bill Settle. These measures directed appropriations to the Department of Human Services (approximately \$14.4 million), the Oklahoma Health Care Authority (approximately \$27.7 million), the Tobacco Cessation and Prevention Revolving Fund (approximately \$1.8 million), the Department of Mental Health and Substance Abuse Services (approximately \$1.5 million) and the University Hospitals Authority (approximately \$5.9 million).

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