Regular Session, 1999

HOUSE BILL NO. 362

BY REPRESENTATIVE RIDDLE

Funds/Funding: (Constitutional Amendment) Creates Tobacco Settlement Trust Fund and Louisiana Smoke-free Health Fund

A JOINT RESOLUTION

Proposing to add Article VII, Section 10.8 of the Constitution of Louisiana, relative to state funds; to create the Tobacco Settlement Trust Fund and the Louisiana Smoke-free Health Fund in the state treasury; to provide for deposit of monies into the funds; to provide for investment and uses of monies in the funds; to provide for submission of the proposed amendment to the electors; and to provide for related matters.

Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state of Louisiana, for their approval or rejection in the manner provided by law, a proposal to add Article VII, Section 10.8 of the Constitution of Louisiana, to read as follows:

§10.8. Tobacco Settlement Trust Fund; Louisiana Smoke-free Health Fund

Section 10.8.(A)(1) There shall be established in the state treasury as a special permanent trust fund the Tobacco Settlement Trust Fund, hereinafter referred to as the "Trust Fund". After allocation of

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money to the Bond Security and Redemption Fund as provided in Article VII, Section 9(B) of this constitution, the treasurer shall deposit in and credit to the Trust Fund twenty-five percent of all money which is received as a result of the Master Settlement Agreement, hereinafter the "Settlement Agreement", executed November 23, 1998, and approved by Consent Decree and Final Judgment entered in the case "Richard P. Ieyoub, Attorney General, ex rel. State of Louisiana v. Philip Morris, Incorporated, et al.", bearing Number 98-6473 on the docket of the Fourteenth Judicial District for the Parish of Calcasieu, State of Louisiana; all dividend and interest income on investment of monies in the Trust Fund; and all realized capital gains on investment of the Trust Fund. The amount of Settlement Agreement revenues deposited into the Trust Fund may only be changed by law enacted by two-thirds of the elected members of each house of the legislature. No appropriation shall be made from the Trust Fund.

(2) There shall be established in the state treasury as a special fund the Louisiana Smoke-free Health Fund, hereinafter the "Health Fund". After allocation of money to the Bond Security and Redemption Fund as provided in Article VII, Section 9(B) of this constitution, the treasurer shall deposit in and credit to the Health Fund seventy-five percent of all money which is received as a result of the Settlement Agreement, and all interest income on investment of monies in the Health Fund. The amount of Settlement Agreement revenues deposited into the Health Fund may only be changed by law enacted by two-thirds of the elected members of each house of the legislature.
(3) All recurring Settlement Agreement revenues and dividends, interest earnings, and realized capital gains shall be credited to the respective funds as provided in this Paragraph, until the balance in the Trust Fund equals two billion dollars. After the Trust Fund reaches a balance of two billion dollars, all future dividends, interest earnings, and realized capital gains on the Trust Fund shall be credited to the Health Fund, and all future recurring Settlement Agreement revenues shall be credited to the state general fund.

(B) Investment. The money credited to the Trust Fund pursuant to Paragraph (A) of this Section shall be permanently credited and shall be invested by the treasurer. Notwithstanding any provision of this constitution or other law to the contrary, a portion of money in the Trust Fund, not to exceed thirty-five percent, may be invested in stock. The legislature shall provide by law for procedures for the investment of such monies, as well as monies in the Health Fund. The amounts in the Health Fund shall be available only for appropriation to pay expenses incurred in the investment and management of the Trust Fund and for the purposes provided in Paragraph (C) of this Section.

(C)(1) Except for appropriations to pay expenses incurred in the investment and management of the Trust Fund, the legislature shall appropriate from the Health Fund only for the purposes provided in this Paragraph. Those monies to be used for administrative costs shall be expended for such purposes only if so approved and appropriated by the legislature.

(2) The legislature shall annually appropriate no more than sixty percent of the monies available in the Health Fund for the provision of
grants for carefully defined research efforts by Louisiana's public and
private universities for research centered on cancer, genetics, and
public health and for the direct provision of medical treatment for
Louisiana citizens with tobacco-related illnesses.

(3) The legislature shall annually appropriate no more than
thirty percent of the monies in the Health Fund for the direct provision
of health care for children.

(4) The legislature shall annually appropriate no more than ten
percent of the monies available in the Health Fund for educational
efforts for the prevention of tobacco usage by children and for
enforcement of laws relating to the sale and use of tobacco products.

(5) The monies appropriated from the Health Fund shall not
displace, replace, or supplant appropriations from the state general fund
for any of the purposes or activities set out in this Paragraph.

Section 2. Be it further resolved that this proposed amendment
shall be submitted to the electors of the state of Louisiana at the
gubernatorial primary election to be held in 1999.

Section 3. Be it further resolved that on the official ballot to be
used at said election there shall be printed a proposition, upon which
the electors of the state shall be permitted to vote FOR or AGAINST,
to amend the Constitution of Louisiana, which proposition shall read
as follows:

To establish the Tobacco Settlement Trust Fund, hereinafter
"Trust Fund", and the Louisiana Smoke-free Health Fund,
hereinafter "Health Fund", in the state treasury; to provide that
the source of monies deposited into these funds shall be monies
received under the Master Settlement Agreement approved by Consent Decree in the case "Richard P. Ieyoub v. Philip Morris, Incorporated, et al. " (Tobacco Settlement); to provide that twenty-five percent of such settlement proceeds shall be deposited into the Trust Fund, with the remaining seventy-five percent being deposited into the Health Fund; to allow change of this distribution of funds by law enacted by a two-thirds vote of the legislature; to provide for investment of monies in the funds and to authorize investment of thirty-five percent of Trust Fund in equities; to require deposit of all dividends, Trust Fund interest earnings, and realized capital gains into the Trust Fund until the balance reaches two billion dollars; thereafter, to require such earnings be deposited in the Health Fund and all recurring settlement funds be deposited in the state general fund; to authorize appropriation of monies from the Health Fund for the following purposes: (1) investment and management expenses of the Trust Fund; (2) a maximum of sixty percent of the fund for grants to universities for research on cancer, genetics, and public health and for medical treatment for tobacco-related illnesses; (3) a maximum of thirty percent of the fund for health care for children; and (4) a maximum of ten percent of the fund for education on prevention of tobacco usage by children and for enforcement of laws relating to tobacco products. (Adds Article VII, Section 10.8)
DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument.

Riddle HB No. 362

Proposed constitutional amendment provides for establishment of the Tobacco Settlement Trust Fund, (Trust Fund), as a special permanent trust fund in the state treasury, as well as the Louisiana Smoke-free Health Fund, (Health Fund), as a special fund in the state treasury.

Proposed constitutional amendment provides that the source of monies deposited into these funds shall be monies received by the state from the Master Settlement Agreement executed November 23, 1998, and approved by Consent Decree and Final Judgment entered in the case "Richard P. Ieyoub v. Philip Morris, Incorporated, et al."., No. 98-6473 on the docket of the 14th Judicial District for the Parish of Calcasieu, State of Louisiana, (Settlement Agreement). Further provides that after allocation of monies received from the Settlement Agreement to the Bond Security and Redemption Fund, the treasurer shall deposit in and credit to the Trust Fund 25% of such settlement proceeds, with the remaining 75% of settlement proceeds being deposited in and credited to the Health Fund. This allocation of Settlement Agreement proceeds may only be changed by law enacted by two-thirds vote of each house of the legislature.

Proposed constitutional amendment provides that dividend income, interest earnings, and realized capital gains associated with investment of the Trust Fund and the Health Fund shall be deposited in and credited to the respective funds. Further provides that once the balance of the Trust Fund reaches $2 billion, then future Settlement Agreement proceeds will cease to be deposited into the Trust Fund, and will instead be deposited into and credited to the state general fund, with dividend and interest income and realized capital gains on investment of the Trust Fund be credited to the Health Fund. The state treasurer is required to invest the monies in the Trust Fund, up to 35% of which may be invested in stock and procedures for investment of both funds shall be provided by law.

Proposed constitutional amendment prohibits appropriation from the Trust Fund. Appropriations from the Health Fund may be made for expenses incurred in the investment and management of the Trust Fund and monies available in the Health Fund may be appropriated annually for the following purposes:

(1) No more than 60% for the provision of grants for research by Louisiana universities for research centered on cancer, genetics, and public health and for the direct provision of treatment for citizens with tobacco-related illnesses.

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(2) No more than 30% for the direct provision of health care and health services for children.

(3) No more than 10% for support of educational efforts for prevention of tobacco usage by children and for enforcement of laws relating to the sale and usage of tobacco products.

Proposed constitutional amendment prohibits monies appropriated from the Health Fund from use in displacing, replacing, or supplanting appropriations from the state general fund for any of these specified purposes or activities.

Provides for submission of the proposed amendment to the voters at the gubernatorial primary election in 1999.

(Adds Const. Art. VII, §10.8)