

SUBJECT: Transferability of tobacco endowment program funds

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 24 ayes — Junell, West, Coleman, Delisi, Gallego, Glaze, Gutierrez, Hamric, Heflin, Maxey, Puente, S. Turner, Allen, Eiland, Farrar, Flores, Giddings, Hochberg, T. King, Luna, McReynolds, Pickett, Pitts, Smith

0 nays

3 absent — P. Moreno, Mowery, Janek

WITNESSES: For — None

Against — None

On — Richard Bays, Texas Department of Health

BACKGROUND: The 76th Legislature added Article 12 to the general appropriations act for fiscal 2000-01 to allocate settlement funds from the state’s successful lawsuit against the tobacco industry. In 1998, the final settlement agreement awarded the state a stream of payments totaling more than \$17.3 billion over 25 years.

In 1999, lawmakers used tobacco-settlement proceeds to establish 21 health-related permanent trust funds and higher-education endowments listed under Article 12 of the appropriations bill. In so doing, they “locked in” the corpus and the earnings of those funds to support the programs for which they were established.

The Texas Department of Health (TDH) receives appropriated interest earnings on a number of dedicated general revenue funds endowed by the tobacco settlement. One such fund is the permanent fund for emergency medical services (EMS) and trauma care. TDH uses appropriations from the fund to make grants to local projects, many of which are operated by volunteer and rural service providers. The House version of SB 1, the

general appropriations bill, would appropriate \$9 million for the fiscal 2002-03 biennium to TDH for the EMS/trauma care fund.

Since mid-2000, deposits to the fund have been made quarterly instead of monthly, causing lengthy delays in reimbursing voucher requests from recipients of the \$4 million grant program. Although shortfalls are made up in the fourth quarter, such delays can create financial hardships for providers and vendors.

DIGEST: CSHB 3244 would amend various sections of Government Code, ch. 403 to authorize TDH, if necessary for cash management, to direct the comptroller to temporarily transfer money among the EMS/trauma care fund and three other tobacco-endowed funds: the community hospital capital improvement fund, the permanent fund for tobacco education and enforcement, and the permanent fund for children and public health. As soon as possible after each transfer, TDH would have to direct the comptroller to reimburse the fund that made the transfer from the fund that received it.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect August 27, 2001.

NOTES: The bill as filed did not include the permanent fund for children and public health among those that could be borrowed against for temporary transfers. The substitute removed the requirement that the comptroller transfer back applicable interest along with the transferred amounts.