

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Problem with S.B. 14-104 (enacted) requiring another bill

**DATE:** April 22, 2014

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Staff was notified on April 19 by the Treasurer's Office that S.B. 14-104 (Disputed Payments of Tobacco Settlement Revenue), as drafted, does not accomplish what was intended and, if not corrected, will require the Treasurer's Office to "short" tobacco settlement programs in the current fiscal year (FY 2013-14). This bill was signed into law at the end of March. The Treasurer's Office reviewed the bill prior to introduction but only identified the problems when the Tobacco Settlement revenue, including a disputed payment of \$10.0 million, was received in the middle of this month.

Senate Bill 14-104 (Lambert/Duran; a JBC bill) was intended to redirect Tobacco Settlement moneys previously withheld by tobacco companies and released to Colorado pursuant to an arbitration ruling ("disputed payments"). Previously, disputed payments were directed to the General Fund. Senate Bill 14-104 changed this, so that moneys are directed to the Tobacco Litigation Settlement Cash Fund. The intent was to reduce the amount of Tobacco Settlement moneys spent in the current year from current year revenue ("accelerated payments"). Under the current "accelerated payments" structure, tobacco programs are funded for much of the year through loans from the General Fund, until the Tobacco Settlement payment arrives in mid-April. In FY 2013-14, accelerated payments were anticipated to comprise \$78.5 million of the \$90.8 million in Tobacco program allocations. Reducing accelerated payments requires one-time infusions of cash, such as the \$10.0 million just received.

The Treasurer's Office has identified the following two problems with S.B. 14-104:

- Although the bill specified that accelerated payments would be reduced by the amount of any disputed payments received, it did *not* provide authority to distribute the disputed payments in the year received in lieu of the accelerated payments. If this problem is not corrected, the Treasurer will need to reduce FY 2013-14 payments to tobacco settlement programs by \$10.0 million.
- The bill also failed to clarify that disputed payments received are not to be allocated to programs in the next year. Thus, if not corrected, FY 2014-15 program allocations will need to include an extra \$10.0 million.

In order to address these two problems, staff recommends that the Committee immediately authorize staff to draft a new bill that will correct the errors in S.B. 14-104.