

Tobacco MSA Settlement FY 2014 – 2016 Budget Impact

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Recent Tobacco Settlement Actions

- ❑ Prevents \$42.5 million in Budget Cuts to Tobacco Programs in FY 14
- ❑ Ensures that the Enacted Appropriations for FY 15 & 16 will be fully funded (Agriculture the biggest beneficiary)
- ❑ Provides an Estimated \$57.9 million in Additional Tobacco Funds over the 3 Fiscal Years
- ❑ Provides an Estimated \$42.0 million in Additional Tobacco Funds over 2 Fiscal Years (FY 14 and 15)
- ❑ Removes the biggest element of uncertainty to Tobacco Fund receipts over the next 10 years
- ❑ Saves the costly annual expense of litigation/arbitration

Prevents Budget Cuts to Tobacco Programs in FY 14

- Enacted Appropriations \$90,800,000

- CFG Revised Estimate (Dec 2013) \$45,400,000

- Budget Reduction Plan to Cut \$45.4 million enacted in HB 235 to be prepared if the CFG Revised Estimate came true
 - Agricultural Development Fund (\$23,124,200)
 - Early Childhood Development Fund (\$ 6,261,300)
 - Health Care Improvement Fund (\$15,985,800)

FY 2014 Budget Reduction Plan-Agricultural Development – Cuts that Won't Take Place

Planned Budget Cuts in Reduction Plan:

Agricultural Development

County Accounts	(\$8,083,600)
Gov's Office for Agricultural Policy Grants*	(12,046,700)
Conservation/Cost Share Program	<u>(2,938,600)</u>
Agricultural Development Total	(\$23,124,200)

*Includes Shifting \$5.7 million in GOAP Grant Funds Just to Pay Debt Service and \$6 million to County Accounts

Without the Settlement: County Accounts would only have \$6,000,000 and the statewide Agricultural Development grant program would be bare-bones

FY 2014 Budget Reduction Plan-Early Childhood Development – Cuts that Won't Take Place

Budget Reduction Plan:

Early Childhood Development

HANDS	(\$3,073,000)
Local Early Childhood Advisory Council Grants	(2,101,800)
Healthy Start	(353,300)
Scholarships	(301,000)
Mental Health	(108,500)
DCBS	(100,000)
5 Other Programs	(223,700)
Early Childhood Development Total	(\$6,261,300)

FY 2014 Budget Reduction Plan-Health Care Improvement – Cuts that Won't Take Place

Budget Reduction Plan:

Health Care Improvement

Kentucky Access *	(\$14,657,300)
Smoking Cessation Programs	(839,400)
Lung Cancer Research Trust Fund	(442,000)
Ky Agency for Substance Abuse Policy Grants	(47,100)
Health Care Improvement Total	(\$15,985,800)

* Kentucky Access – the Budget Reduction Plan zeroed out this fund and put the burden for the remaining claims payments of about \$4 million on the General Fund. The enacted budget also transfers \$3,100,000 in Tobacco Funds from the Kentucky Access Fund to the General Fund in FY 14.

Tobacco Fund Revenue Estimates in the 2014-16 Enacted Budget

Fiscal Year	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
		(millions \$)	
■ Enacted	\$ 90.8	\$99.7	\$72.4
■ Estimate with Settlement	<u>\$159.4</u>	<u>\$73.1</u>	<u>\$88.3</u>
■ Difference	\$ 68.6	(\$26.6)	\$15.9
■ Two-Year Difference: FY 14 & 15			\$42.0
■ Three-Year Difference: FY14,15 & 16			\$57.9

Ensures that the Enacted Appropriations for FY 15 & 16 will be fully funded

- ❑ Extra Funds received in FY 14 will be used to offset the estimated shortfall in FY 15 Tobacco Receipts
- ❑ FY 14 Receipts in Excess of Appropriations = \$68.6 million
- ❑ Expected FY 15 Shortfall = \$26.6 million
- ❑ The remaining \$42.0 million from the FY 14 receipts will be reserved until the General Assembly takes future actions

Tobacco Settlement Appropriations for FY 15 and FY 16

	FY 2015	FY 2016
		(millions \$)
Official Revenue Estimate	\$99.70	\$72.40
less State Enforcement (Revenue Dept)	0.25	0.25
less Debt Service	<u>28.39</u>	<u>28.48</u>
	\$71.06	\$43.67
Agricultural Development	<u>\$37.70</u>	<u>\$12.82</u>
County Accounts	19.35	9.85
Gov's Office for Agricultural Policy Grants	11.75	2.37
Conservation/Cost Share Program	6.00	0.00
Farms to Food Banks	0.60	0.60

Tobacco Settlement Appropriations for FY 15 and FY 16

	FY 2015	FY 2016
		(millions \$)
Early Childhood Development	<u>\$24.20</u>	<u>\$24.20</u>
HANDS	\$9.0	\$9.0
Child Care Assistance	8.54	8.54
Grants to Local Councils	1.91	1.91
Scholarships	1.10	1.10
Others	3.65	3.65
Health Care Improvement	<u>\$9.16</u>	<u>\$6.65</u>
Lung Cancer Research	\$4.97	\$3.61
Smoking Cessation	2.49	1.80
Ky Agency for Substance Abuse Policy	1.70	1.24

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