



# House of Representatives

General Assembly

**File No. 664**

February Session, 2008

Substitute House Bill No. 5020

*House of Representatives, April 17, 2008*

The Committee on Appropriations reported through REP. MERRILL of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET  
RECOMMENDATIONS REGARDING THE TOBACCO AND HEALTH  
TRUST FUND.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 4-28f of the 2008 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective July 1, 2008*):

4 (a) There is created a Tobacco and Health Trust Fund which shall be  
5 a separate nonlapsing fund. The purpose of the trust fund shall be to  
6 create a continuing significant source of funds to (1) support and  
7 encourage development of programs to reduce tobacco abuse through  
8 prevention, education and cessation programs, (2) support and  
9 encourage development of programs to reduce substance abuse, and  
10 (3) develop and implement programs to meet the unmet physical and  
11 mental health needs in the state.

12 (b) The trust fund may accept transfers from the Tobacco Settlement

13 Fund and may apply for and accept gifts, grants or donations from  
14 public or private sources to enable the trust fund to carry out its  
15 objectives.

16 (c) The trust fund shall be administered by a board of trustees,  
17 except that the board shall suspend its operations from July 1, 2003, to  
18 June 30, 2005, inclusive. The board shall consist of seventeen trustees.  
19 The appointment of the initial trustees shall be as follows: (1) The  
20 Governor shall appoint four trustees, one of whom shall serve for a  
21 term of one year from July 1, 2000, two of whom shall serve for a term  
22 of two years from July 1, 2000, and one of whom shall serve for a term  
23 of three years from July 1, 2000; (2) the speaker of the House of  
24 Representatives and the president pro tempore of the Senate each shall  
25 appoint two trustees, one of whom shall serve for a term of two years  
26 from July 1, 2000, and one of whom shall serve for a term of three years  
27 from July 1, 2000; (3) the majority leader of the House of  
28 Representatives and the majority leader of the Senate each shall  
29 appoint two trustees, one of whom shall serve for a term of one year  
30 from July 1, 2000, and one of whom shall serve for a term of three years  
31 from July 1, 2000; (4) the minority leader of the House of  
32 Representatives and the minority leader of the Senate each shall  
33 appoint two trustees, one of whom shall serve for a term of one year  
34 from July 1, 2000, and one of whom shall serve for a term of two years  
35 from July 1, 2000; and (5) the Secretary of the Office of Policy and  
36 Management, or the secretary's designee, shall serve as an ex-officio  
37 voting member. Following the expiration of such initial terms,  
38 subsequent trustees shall serve for a term of three years. The period of  
39 suspension of the board's operations from July 1, 2003, to June 30, 2005,  
40 inclusive, shall not be included in the term of any trustee serving on  
41 July 1, 2003. The trustees shall serve without compensation except for  
42 reimbursement for necessary expenses incurred in performing their  
43 duties. The board of trustees shall establish rules of procedure for the  
44 conduct of its business which shall include, but not be limited to,  
45 criteria, processes and procedures to be used in selecting programs to  
46 receive money from the trust fund. The trust fund shall be within the  
47 Office of Policy and Management for administrative purposes only.

48 The board of trustees shall meet not less than biannually, except  
49 during the fiscal years ending June 30, 2004, and June 30, 2005, and, not  
50 later than January first of each year, except during the fiscal years  
51 ending June 30, 2004, and June 30, 2005, shall submit a report of its  
52 activities and accomplishments to the joint standing committees of the  
53 General Assembly having cognizance of matters relating to public  
54 health and appropriations and the budgets of state agencies, in  
55 accordance with section 11-4a. [Such report shall be approved by each  
56 trustee.]

57 (d) (1) During the period commencing July 1, 2000, and ending June  
58 30, 2003, the board of trustees, by majority vote, may recommend  
59 authorization of disbursement from the trust fund for the purposes  
60 described in subsection (a) of this section and section 19a-6c of the 2008  
61 supplement to the general statutes, provided the board may not  
62 recommend authorization of disbursement of more than fifty per cent  
63 of net earnings from the principal of the trust fund for such purposes.  
64 For the fiscal year commencing July 1, 2005, and each fiscal year  
65 thereafter, the board may recommend authorization of the net earnings  
66 from the principal of the trust fund for such purposes. For the fiscal  
67 year ending June 30, 2009, and each fiscal year thereafter, the board  
68 may recommend authorization of disbursement for such purposes of  
69 (A) up to one-half of the annual disbursement from the Tobacco  
70 Settlement Fund to the Tobacco and Health Trust Fund from the  
71 previous fiscal year, pursuant to section 4-28e, up to a maximum of six  
72 million dollars per fiscal year, and (B) the net earnings from the  
73 principal of the trust fund from the previous fiscal year. The board's  
74 recommendations shall give [(A)] (i) priority to programs that address  
75 tobacco and substance abuse and serve minors, pregnant women and  
76 parents of young children, and [(B)] (ii) consideration to the  
77 availability of private matching funds. Recommended disbursements  
78 from the trust fund shall be in addition to any resources that would  
79 otherwise be appropriated by the state for such purposes and  
80 programs.

81 (2) Except during the fiscal years ending June 30, 2004, and June 30,

82 2005, the board of trustees shall submit such recommendations for the  
83 authorization of disbursement from the trust fund to the joint standing  
84 committees of the General Assembly having cognizance of matters  
85 relating to public health and appropriations and the budgets of state  
86 agencies. Not later than thirty days after receipt of such  
87 recommendations, said committees shall advise the board of their  
88 approval, modifications, if any, or rejection of the board's  
89 recommendations. If said joint standing committees do not concur, the  
90 speaker of the House of Representatives, the president pro tempore of  
91 the Senate, the majority leader of the House of Representatives, the  
92 majority leader of the Senate, the minority leader of the House of  
93 Representatives and the minority leader of the Senate each shall  
94 appoint one member from each of said joint standing committees to  
95 serve as a committee on conference. The committee on conference shall  
96 submit its report to both committees, which shall vote to accept or  
97 reject the report. The report of the committee on conference may not be  
98 amended. If a joint standing committee rejects the report of the  
99 committee on conference, the board's recommendations shall be  
100 deemed approved. If the joint standing committees accept the report of  
101 the committee on conference, the joint standing committee having  
102 cognizance of matters relating to appropriations and the budgets of  
103 state agencies shall advise the board of said joint standing committees'  
104 approval or modifications, if any, of the board's recommended  
105 disbursement. If said joint standing committees do not act within thirty  
106 days after receipt of the board's recommendations for the  
107 authorization of disbursement, such recommendations shall be  
108 deemed approved. Disbursement from the trust fund shall be in  
109 accordance with the board's recommendations as approved or  
110 modified by said joint standing committees.

111 (3) After such recommendations for the authorization of  
112 disbursement have been approved or modified pursuant to  
113 subdivision (2) of this subsection, any modification in the amount of an  
114 authorized disbursement in excess of fifty thousand dollars or ten per  
115 cent of the authorized amount, whichever is less, shall be submitted to  
116 said joint standing committees and approved, modified or rejected in

117 accordance with the procedure set forth in subdivision (2) of this  
 118 subsection. Notification of all disbursements from the trust fund made  
 119 pursuant to this section shall be sent to the joint standing committees  
 120 of the General Assembly having cognizance of matters relating to  
 121 public health and appropriations and the budgets of state agencies,  
 122 through the Office of Fiscal Analysis.

123 (4) The board of trustees shall, not later than February first of each  
 124 year, except during the fiscal years ending June 30, 2004, and June 30,  
 125 2005, submit a report to the General Assembly, in accordance with the  
 126 provisions of section 11-4a, that includes all disbursements and other  
 127 expenditures from the trust fund and an evaluation of the performance  
 128 and impact of each program receiving funds from the trust fund. Such  
 129 report shall also include the criteria and application process used to  
 130 select programs to receive such funds.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008</i>	4-28f

**APP**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 09 \$</b>	<b>FY 10 \$</b>
Board of Trustees of the Tobacco and Health Trust Fund	THTF- See Below	See Below	See Below

Note: THTF = Tobacco and Health Trust Fund

**Municipal Impact:** None

#### **Explanation**

This bill increases the amount available to the Tobacco and Health Trust Fund's (THTF) Board of Trustees, when formulating its annual recommended disbursements from the Fund, by up to \$6 million, commencing in FY 09. This will reduce the principal of the THTF in each fiscal year by a corresponding amount, and thus reduce future investment earnings. Currently, recommended disbursements are limited to the net earnings from the principal of the Fund. The bill makes a clarifying change by stating that the net earnings are those from the previous fiscal year.

Enactment will reduce the balance in the THTF, as of 6/30/09, from a projected level of \$28.1 million to \$22.1 million<sup>1</sup>. Under current law, at least \$12 million is deposited to the THTF from Tobacco Settlement payments received by the state each year.

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<sup>1</sup> It should be noted that sHB 5021 (the Revised FY 09 Appropriations Act, as favorably reported by the Appropriations Committee) transfers \$15.75 million in FY 09 from the principal of the THTF to the Department of Public Health for purposes of a comprehensive cancer plan.

***The Out Years***

The fiscal impact identified above would continue into the future.

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**OFA Bill Analysis****sHB 5020*****AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS REGARDING THE TOBACCO AND HEALTH TRUST FUND.*****SUMMARY:**

By law, the Board of Trustees of the Tobacco and Health Trust Fund (THTF) must submit an annual report on its activities and accomplishments to the Joint Standing Committees on Appropriations and Public Health. The bill eliminates a mandate that this report be approved by each of the Board's seventeen trustees.

Commencing with the fiscal year ending June 30, 2009, the bill increases the amount subject to recommended disbursement by the Board by up to one-half of the annual disbursement from the Tobacco Settlement Fund to the THTF from the previous fiscal year, up to \$6 million. Under law, the recommended disbursement is limited to the net earnings from the principal of the Fund. The bill makes a clarifying change, by stating that the net earnings are from the previous fiscal year.

EFFECTIVE DATE: July 1, 2008

**BACKGROUND*****Tobacco Settlement Fund***

By law, disbursements from the Tobacco Settlement Fund (TSF) are as follows: (a) To the THTF, \$12 million; (b) To the Biomedical Research Trust Fund, \$4 million; (c) to the General Fund, the amount identified as "Transfer from TSF" in the General Fund revenue schedule adopted by the General Assembly; (d) to the Stem Cell

Research Fund (until the fiscal year ending June 30, 2015), \$10 million; (e) to the Department of Revenue Services, \$100,000; (f) to the Office of the Attorney General, \$25,000; and (g) any remainder to the THTF.

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable Substitute

Yea 54 Nay 0 (03/28/2008)