

1 **USE OF TOBACCO SETTLEMENT INTEREST**

2 **PROCEEDS**

3 2002 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: Karen W. Morgan**

6 **This act modifies the distribution of tobacco settlement funds. This act makes amendments**
7 **necessary to comply with Utah Constitution Article XXII, Section 4. This act appropriates**
8 **50% of the annual interest and dividends earned by the permanent state trust fund for**
9 **tobacco settlement monies to the Department of Health for alcohol, tobacco, and other drug**
10 **prevention, reduction, cessation, and control programs. This act provides an effective date**
11 **and retrospective operation.**

12 This act affects sections of Utah Code Annotated 1953 as follows:

13 AMENDS:

14 **63-97-301**, as enacted by Chapter 351, Laws of Utah 2000

15 *Be it enacted by the Legislature of the state of Utah:*

16 Section 1. Section **63-97-301** is amended to read:

17 **63-97-301. Permanent state trust fund.**

18 (1) Until July 1, 2003, 50% of all funds of every kind that are received by the state that are
19 related to the settlement agreement that the state entered into with leading tobacco manufacturers
20 on November 23, 1998, shall be deposited into the permanent state trust fund created by and
21 operated under Utah Constitution Article XXII, Section 4.

22 (2) On and after July 1, 2003, 60% of all funds of every kind that are received by the state
23 that are related to the settlement agreement that the state entered into with leading tobacco
24 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund
25 created by and operated under Utah Constitution Article XXII, Section 4.

26 (3) Funds in the permanent state trust fund shall be deposited or invested pursuant to
27 Section 51-7-12.1.



28 (4) (a) ~~[Fifty percent of]~~ In accordance with Utah Constitution Article XXII, Section 4, the
 29 interest and dividends earned annually from the permanent state trust fund shall ~~[remain in the~~
 30 ~~fund to]~~ be deposited in the General Fund. There shall be transferred on an ongoing basis from
 31 the General Fund to the permanent state trust fund created under Utah Constitution Article XXII,
 32 Section 4, an amount equal to 50% of the interest and dividends earned annually from the
 33 permanent state trust fund. The amount transferred into the fund under this Subsection (4)(a) shall
 34 be treated as principal.

35 (b) ~~[Any]~~ Beginning fiscal year 2002-03, any annual interest or dividends earned from the
 36 permanent state trust fund that remain in the General Fund after Subsection (4)(a) [may] shall be
 37 appropriated [by the Legislature] on an ongoing basis from the General Fund to the Department
 38 of Health for the purposes set forth in Subsection 63-97-201(4)(b).

39 (c) Any realized or unrealized gains or losses on investments in the permanent state trust
 40 fund shall remain in the permanent state trust fund.

41 **Section 2. Effective date.**

42 If approved by two-thirds of all the members elected to each house, this act takes effect
 43 upon approval by the governor, or the day following the constitutional time limit of Utah
 44 Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto, the
 45 date of veto override, except Subsection 63-97-301(4)(a) shall have retrospective operation to July
 46 1, 2001.

Legislative Review Note
as of 12-17-01 8:56 AM

The amendments in Subsection 63-97-301(4) of this bill address a constitutional conflict that happened when the permanent state trust fund was approved by the voters in November 2000 and became law on January 1, 2001. That new constitutional provision requires the income from the state trust fund to be deposited into the state's General Fund. The current statute retains fifty percent of the interest and dividends in the state trust fund to be treated as principal. The amendments to Subsection 63-97-301(4) in this bill maintain the intent of the 2000 Legislature to retain fifty percent of the interest as principal, but does so by transferring it on an ongoing basis from the General Fund to the permanent state trust fund.

Office of Legislative Research and General Counsel

Committee Note

The Health and Human Services Interim Committee recommended this bill.