PaR COMMENTARY

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TOBACCO ADDICTION: JUST SAY NO

The only sure way to avoid tobacco addiction is to not take the first puff. This week the Louisiana House of Representatives took a long deep drag on the tobacco settlement money as it approved using $123 million of next year's windfall to plug holes in the operating budget. A large share of tobacco funds ($86.8 million) will go to make up a shortfall in the Governor's Medicaid budget. In selling this spending plan to the House Appropriations committee, its chairman stated that after next year Medicaid would have to be "weaned" off of tobacco funds. From this language, it appears likely that tobacco money might be used to balance the operating budget for some time to come.

The same committee reported favorably a proposed constitutional plan to put one third of the annual tobacco proceeds in a permanent trust fund dedicated to the TOPS program and to spend the remaining two-thirds each year on childrens' health and education, public health and smoking-related programs. Considering that the majority of the state's general fund expenditures are for health and education, restricting tobacco funds to these purposes is not much different than putting the money in the general fund.

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At the earliest, the state will not actually receive the first installment of the tobacco settlement, $199 million, until the last day of the next budget year–FY 1999-2000. The Revenue Estimating Conference ruled that $43 million of this would be nonrecurring because the payment in the following year would be that much less. The constitution limits the use of the nonrecurring portion to non-operating purposes with one fourth going to the rainy day fund ($10.75 million) and limits other non-operating purposes. Of the remaining $156 million, $123 million has been put in the operating budget and another $15 million has been put into capital outlay. At mid-session, only $18 million in recurring and $32 million in nonrecurring tobacco money still remain untapped. The proposed trust fund would not begin receiving funds until the second year–FY 2000-2001.

In its haste to spend the first year tobacco payment and secure a plan to spend two-thirds of each subsequent payment, the Legislature has not taken adequate time to explore other options–either to balance the budget or to make the optimum use of the windfall. The fact that the tobacco money is not coming in a lump sum does not make it less a windfall. The $4.4 billion expected over the next 25 years, to the greatest extent possible, should be preserved in trust. A proposed plan to invest all of the tobacco money and borrow against it to provide for some spending in the early years is just one idea that deserves further study.

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A fiscally conservative approach would be to balance next year's budget through a combination of funding cuts or postponements and the $33 million in general fund money that could be freed up by defeasing debt. (The governor's urban and rural slush funds come to mind as potential candidates for cuts.) At least three-fourths of the recurring tobacco settlement payments, beginning with the first one, should be placed in trust with legislative flexibility in determining, by supermajority vote, the spending purposes for the trust investment earnings. A rush to permanently dedicate the trust fund even to a program as popular as TOPS should be avoided. This new program may still require a substantial reworking.

Allowing no more than a quarter of the recurring annual payment to be appropriated could provide up to $40 million or so for appropriation each year. Even if this approach were taken, this amount should be spent only to supplement rather than supplant existing health and education funding.

There are many ideas on how to best use the tobacco windfall. These ideas should be given greater consideration than is possible in this session. The only commitment that should be made at this time is to preserve the bulk, if not all, of this windfall in trust.