



COMMENTARY

Public Affairs Research Council of Louisiana, Inc. P.O. Box 14776, Baton Rouge, LA 70898
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FOR IMMEDIATE RELEASE

October 27, 1999

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VOTERS TRUST TOBACCO

Louisiana is now one of only three states in the nation, so far, to create a permanent endowment fund with its tobacco settlement. It is the only state to have done so by constitutional amendment. By an overwhelming 70% approval, voters at Saturday's election adopted the plan to place at least 75% of Louisiana's settlement payments into the Millennium Trust Fund after a three year phase-in. An endowment fund, like Louisiana's, differs from an ordinary trust fund in that only the earnings may be spent.

Only about half (23) of the state legislatures made a decision during 1999 as to how to use their tobacco money. Most of these (19) passed laws creating trust funds primarily for health purposes. However, states are spending the tobacco money for education, scholarships, children's services, smoking cessation and a variety of other programs and purposes, as well. While some spending plans have been criticized for not putting more into tobacco-related problems, the settlement was designed to give the states full discretion in using the money.

Louisiana's newly-elected legislature faces some hard decisions. One is figuring out how to wean the state budget from tobacco money as the trust fund is phased in. Most of the first-year tobacco payments were used to balance this year's state budget. Under the amendment, only 45% of the money will be available for this purpose next year, and this share falls to 30% and 15% in the following years before leveling off at 25%.

(MORE)

PAR Says, Add One

Another difficult decision will be whether to use the so-called "LIFT" plan option in the amendment and put 100% of the tobacco money into a permanent fund. A study group is looking into claims that the plan could add \$3.5 billion to the fund over 30 years and make the same amount of money available for annual spending.

Even before the last ballot was counted, an effort was underway to sell the future annual tobacco settlement payments for an estimated lump sum of \$1.5 billion to \$2.2 billion. It is difficult to see how such a sale would not be in fundamental conflict with the very specific, 3,500 word tobacco trust fund amendment voters just approved. If the sale idea is pursued, another change in the constitution would likely be required.

Including the tobacco trust fund proposal, Louisiana voters approved only five of the ten proposed constitutional amendments on the primary election ballot. As a result, the 1974 Louisiana Constitution has now been amended 99 times in the last 24 years. By comparison, in the 208 years since the Bill of Rights was added, the U.S. Constitution has been amended only 17 times.

The voters were highly selective and their choices demonstrated an understanding of the amendment proposals and an appreciation of the issues involved. Unfortunately, about one-third of those who showed up to vote for governor did not feel well enough informed to vote on the amendments. The largest drop off in voting was for the complex tobacco trust fund proposal which had an 800-word ballot description. Less than 63% of those voting for governor voted on this item.

Once again, significant decisions regarding the state's basic law were made by a very small number of voters. In several cases, the votes of as few as 16% of the state's registered voters were all that was needed to approve or reject a proposal. While overall voter participation in the recent primary election was only 48%, even lower participation is expected for the November 20 general election. Thus even fewer voters will determine the fate of the six constitutional amendment proposals appearing on that ballot. An analysis of each of these six issues is provided in PAR's "Guide to the Constitutional Amendments." Copies of the guide may be ordered for \$3.50 each plus tax by writing PAR at P.O. Box 14776, Baton Rouge, LA 70898-4776 or by calling (225) 926-8414. Special pricing is available for bulk orders.