

PUT TOBACCO MONEY IN TRUST FUND, TREASURER SUGGESTS

Dennis Romboy

Deseret News. Salt Lake City, Utah: January 13, 2000. Pg. B05

Copyright Deseret News January 13, 2000

The state treasurer has a plan for Utah's tobacco settlement money that he says will earn the state much more than the billion dollars it stands to receive over the next quarter century.

Edward T. Alter suggests the Legislature resist the temptation to spend in favor of a constitutionally protected permanent trust fund where all tobacco dollars would be deposited and invested. Only the income would be spent as the fund grows.

"Those programs which can most appropriately use this money need only exercise some patience while the income flow builds up over time," he said. "In a few years, the annual income from a permanent trust will far exceed the annual amounts received from the settlement."

Utah anticipates getting about \$35 million a year through 2035, totaling \$1.3 billion.

To date, the state has received a portion of two payments totaling \$15.4 million, according to the treasurer's office. The federal court has retained 25 percent of the payments until it rules on a dispute over the money. Two law firms that represented Utah in the tobacco lawsuit say they're owed a quarter of the total settlement — some \$250 million — for attorneys fees. The attorney general's office is contesting the claim.

Alter, though, might have trouble convincing even thrifty lawmakers that a billion saved is billions earned.

At least seven legislators have written or requested bills to divvy up the initial tobacco money among tobacco prevention programs, education, the Huntsman Cancer Institute and the Children's Health Insurance Program, which could eliminate the hospital tax that supplements CHIP.

Some lawmakers have suggested placing at least part of the funds into a perpetual trust account. The bills were drafted when the state was anticipating much more money for fiscal 2001.

Gov. Mike Leavitt has a trust fund on his \$61 million laundry list of recommended spending areas unveiled along with his proposed state budget last month. His menu far exceeds the \$36.6 million the state expected to have available when the Legislature convenes next Monday, and nearly half of that was not expected until April, a month after the session concludes.

House Majority Leader Marty Stephens said the Legislature won't appropriate money that isn't in the bank or encumbered by the dispute in federal court. The Farr West Republican won't look beyond the \$15.4 million.

"That's all we will spend this session," he said.

Stephens noted the money would essentially be gone if the Legislature goes along with a couple of Leavitt's more highly touted proposals: \$8.5 million toward Medicaid and \$5 million for drug and tobacco court.

Sen. Robert Montgomery, R-North Ogden, says Utah has about \$30 million in the bank for the

Legislature to use.

As fiscal conservative, he said, he likes the idea of money in the bank. On the other hand, he sees a chance to combat drug abuse and smoking.

"While that sounds good economically, I think there's the opportunity to do some good things for people," he said.

Montgomery, who has drafted tobacco spending bill, said he's concerned about the long-term viability of the tobacco revenue stream. "I think we should do some things now," he said.

Alter cautioned against the "tempting" spend-as-you-go approach, which provides high cash flow up front to supplement existing or new programs but leaves nothing for the future.

The permanent trust proposal requires "discipline and restraint," he said.

According to Standard and Poor's, Alter said, states should resist using tobacco receipts to support operations, temporarily correct fiscal imbalance or artificially reduce taxes.