Prepared by the North Dakota Legislative Council
staff for the Budget Committee on Health Care
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STUDY OF COMMUNITY HEALTH GRANT PROGRAM - BACKGROUND MEMORANDUM

House Bill No. 1004 (1999), Section 9, provides for the State Department of Health to develop a comprehensive plan for a community health grant program. The section also provides that the plan is to be submitted to the Legislative Council during the 1999-2000 interim and that the Legislative Council is to study the plan. The Legislative Council assigned this responsibility to the Budget Committee on Health Care.

Attached as Appendix A is a copy of Section 9 of House Bill No. 1004.

LEGISLATION ACTED ON BY THE 1999 LEGISLATIVE ASSEMBLY

House Bill No. 1475

The 1999 Legislative Assembly passed House Bill No. 1475 which creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys received by the state. The bill provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund and that the principal and interest are to be allocated at 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The transfers of moneys from the tobacco settlement trust fund to the community health trust fund, common schools trust fund, and water development trust fund are to occur within 30 days from the deposit of the funds into the tobacco settlement trust fund.

The provisions of House Bill No. 1475 relating to the community health trust fund provide that the transfers to the community health trust fund are to be administered by the State Department of Health. The bill also provides that the State Department of Health may use the funds as appropriated for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in the state.

Testimony on House Bill No. 1475, presented by the State Department of Health, stated that if tobacco settlement funds were available to the State Department of Health, a public health program could be designed to include the following:

1. Enhanced funding for immunization programs. The centers for disease control and prevention has funded immunization programs in the state for many years, but this source of funding has declined in recent years. For example, immunization funds for the 24 local public health units were reduced from $353,959 in fiscal year 1997-98 to $112,450 in fiscal year 1998-99.
2. Funding for a preventive health education program at the University of North Dakota School of Medicine and Health Sciences.
3. Increased state aid to local public health units. The 1999-2001 biennium appropriation provides $1.1 million for state aid to local public health units.
4. Funding for public health programs which are not funded through federal grants or the state general fund, such as arthritis programs for the elderly and men's health programs.
5. Enhanced tobacco control programs.
6. Enhanced school nurse programs.

The State Department of Health testimony indicated that if 10 percent of the tobacco settlement funds were to be set aside and used for the establishment of a community health grant program, the program could be based on the following concepts:

1. That 100 percent of the allocated funding would pass through the State Department of Health to communities to fund community-prioritized public health issues with a focus on tobacco-related issues.
2. That a request for proposals process would require that communities submit a consolidated grant proposal. For example, the various health-related interests in a community must arrive at a consensus concerning the health-related needs and priorities within the community.
3. That the State Health Council would approve the grants.
4. That outcomes would be evaluated. The success of the grant program would depend upon whether the objectives were obtained, not by the quantification of inputs.
5. That a community health grant program funded at $2.5 million per year could provide at least $3.90 per capita per year to communities.

Other Legislation

The 1999 Legislative Assembly also considered but did not pass the following bills and resolutions:

1. House Bill No. 1436 - Would have established a North Dakota health and education trust fund as a special fund within the state treasury to be administered by the State Department of Health.
2. House Concurrent Resolution No. 3042 - Would have provided for a constitutional

amendment relating to the allocation of funds received from the settlement with tobacco product manufacturers.

3. Senate Bill No. 2250 - Would have established a health care program trust fund as a special fund in the state treasury to be administered by the State Health Council.
4. Senate Concurrent Resolution No. 4012 - Would have provided for a constitutional amendment relating to the creation of a health care program trust fund.
5. Senate Concurrent Resolution No. 4013 - Would have provided for a constitutional amendment relating to the creation of a health care program trust fund.

COMMUNITY HEALTH TRUST FUND FUNDING FOR THE 1999-2001 BIENNIUM

Testimony presented during the 1999 legislative session indicated that North Dakota may receive approximately $717 million of tobacco settlement funds over the next 25 years. Based on the estimated tobacco settlement proceeds for the 1999-2001 biennium of $57,593,770, $5,759,376 would be deposited in the community health trust fund. In accordance with the provisions of House Bill No. 1475, the moneys in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with an emphasis on preventing or reducing tobacco usage in the state. The 1999 Legislative Assembly did not appropriate any moneys from the community health trust fund to the State Department of Health; therefore, no expenditures will be made from the fund during the 1999-2001 biennium.

A copy of an analysis of the tobacco settlement trust fund for the 1999-2001 biennium is attached as Appendix B, and a copy of an analysis of the community health trust fund for the 1999-2001 biennium is attached as Appendix C.

Since the close of the 1999 legislative session, the amount of estimated tobacco settlement funds has increased by approximately $150 million, from $717 million to $867 million. The additional funds are due to North Dakota being an active participant in the lawsuit. In addition, Congress recently passed a bill blocking the federal government's claim to any state tobacco settlement funds.

COMMUNITY HEALTH GRANT PROGRAM STUDY PLAN

The following is a proposed study plan for the committee's responsibilities regarding the community health grant program:

1. Receive the State Department of Health's comprehensive plan for a community health grant program. (Section 9 of 1999 House Bill No. 1004 requires the State Department of Health to develop a comprehensive plan for a community health grant program and submit it to the Legislative Council.)
2. Review the comprehensive plan for a community health grant program and receive testimony from public interest groups regarding the content of the plan.
3. Provide recommendations to the State Department of Health regarding its development of a comprehensive plan for a community health grant program.
4. Provide recommendations to the Legislative Council and the 2001 Legislative Assembly regarding the State Department of Health's comprehensive plan for a community health grant program and consider any legislation necessary to implement the plan for the community health grant program.

ATTACH:3

SECTION 9. LEGISLATIVE COUNCIL STUDY COMMUNITY HEALTH GRANT PROGRAM. The state department of health shall develop a comprehensive plan for a community health grant program and shall submit the plan to the legislative council during the 1999-2000 interim. The legislative council shall study the plan submitted by the state department of health and shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-seventh legislative assembly.

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 1999-2001 BIENNIUM

	1999-2001 Biennium	
Beginning balance		$0
Add estimated revenues		
Tobacco settlement revenues	$57,593,770	
Total estimated revenues		57,593,770[1]
Total available		$57,593,770
Less estimated expenditures and transfers		
Transfers to the community health trust fund (10%)	$5,759,376	
Transfers to the common schools trust fund (45%)	25,917,197	
Transfers to the water development trust fund (45%)	25,917,197	
Total estimated expenditures and transfers		57,593,770[2]
Ending balance		$0

[1] Estimated revenues - 1999-2001 biennium - Tobacco settlement proceeds, which will be deposited in the tobacco settlement trust fund, are estimated to be $57,593,770 during the 1999-2001 biennium. House Bill No. 1475 provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund and that the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the moneys in the tobacco settlement trust fund will increase the amount available for transfers to the other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis.

[2] Estimated expenditures - 1999-2001 biennium - Tobacco settlement proceeds, which will be deposited in the tobacco settlement trust fund, are estimated to be $57,593,770 during the 1999-2001 biennium. House Bill No. 1475 provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund and that the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund.

NOTE: The tobacco settlement trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund, including interest, must be transferred as follows, within 30 days of their deposit in the fund:

10 percent to the community health trust fund.
45 percent to the common schools trust fund.
45 percent to the water development trust fund.

Transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects pursuant to North Dakota Century Code Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium, 45 percent to the water development trust fund and 45 percent to the common schools trust fund.

ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 1999-2001 BIENNIUM

	1999-2001 Biennium	
Beginning balance		$0
Add estimated revenues		
Transfers from tobacco settlement trust fund	$5,759,376[1]	
Total estimated revenues		5,759,376[1]
Total available		$5,759,376
Less estimated expenditures		
Appropriations to the Department of Health for community-based health programs	$0[2]	
Total estimated expenditures		0[2]
Ending balance		$5,759,376

[1] Estimated revenues - 1999-2001 biennium - Tobacco settlement proceeds, which will be deposited in the tobacco settlement trust fund, are estimated to be $57,593,770 during the 1999-2001 biennium. House Bill No. 1475 provides that interest on the moneys in the tobacco settlement trust fund must be retained in the fund and that the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the moneys in the tobacco settlement trust fund will increase the amount available for transfers to the community health fund and other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds and transfers to the community health trust fund, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis.

[2] Estimated expenditures - 1999-2001 biennium - House Bill No. 1475 provides that moneys in the community health trust fund may be used by the Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in this state. The 1999 Legislative Assembly did not appropriate to the Department of Health any moneys in the community health trust fund for community-based public health programs. Consequently, no expenditures from the fund are anticipated during the 1999-2001 biennium.

NOTE: The community health trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their deposit in the fund:

10 percent to the community health trust fund.
45 percent to the common schools trust fund.
45 percent to the water development trust fund.

House Bill No. 1475 provides that the community health trust fund is to be administered by the Department of Health, which may use moneys in the fund, subject to legislative appropriations, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in this state. No appropriations were made for the 1999-2001 biennium.