Department of Planning and Budget
2001 Fiscal Impact Statement

1. **Bill Number** HB1726

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Rust

3. **Committee** Finance

4. **Title** Tobacco Master Settlement Financing Initiative

5. **Summary/Purpose:** This bill creates three separate endowments for the custody, investment and disbursement, subject to appropriation by the General Assembly, of the proceeds of any periodic payments or the sale of all or a portion of the Commonwealth's allocation pursuant to the Tobacco Master Settlement Agreement (MSA). The endowments may also include such other funds as may be appropriated by the General Assembly and all interest, dividends and appreciation that may accrue. The three endowments include the Higher Education and Economic Development Trust Fund, Tobacco Indemnification and Community Revitalization Endowment, and Virginia Tobacco Settlement Foundation Endowment.

   The Higher Education and Economic Development Trust Fund will receive 40 percent of the revenue stream from the Tobacco Master Settlement Agreement through the sale of the asset. As provided in Item 545 of the 2001 Budget Bill, the income and a portion of the corpus will be used to pay all or a part of the costs of projects authorized by the General Assembly for higher education institutions, economic development, and general government projects. Similar in structure to the Transportation Trust Fund, the investment of moneys held in the Fund will be administered by the State Treasurer, under guidance from the Treasury Board.

   The Tobacco Indemnification and Community Revitalization Endowment will receive 50 percent of the revenue stream from the Tobacco Master Settlement Agreement through the sale of the asset. The income and up to five percent of the corpus shall be paid out annually to the Tobacco Indemnification and Community Revitalization Fund to be used to compensate tobacco growers and tobacco quota holders for the economic loss resulting from quota loss or elimination and to promote economic growth and development in tobacco-dependent communities. The Treasury Board will serve as trustee of the Endowment and the State Treasurer will be the custodian of moneys in the Endowment.

   The Virginia Tobacco Settlement Foundation Endowment will receive 10 percent of the revenue stream from the Tobacco Master Settlement Agreement through the sale of the asset. The income and up to five percent of the corpus shall be paid out annually to the Virginia Tobacco Settlement Foundation to be used for the purpose of discouraging, eliminating, or preventing the use of tobacco products by minors and other health care purposes as provided in Item 545 of the 2001 Budget Bill. The Treasury Board will serve as trustee of the Endowment and the State Treasurer will be the custodian of moneys in the Endowment.

6. Fiscal Impact Estimates are: See Item 8.

7. Budget amendment necessary: No, Item 545 of the 2001 Budget Bill contains an appropriation for each endowment from the deposit of the net cash proceeds resulting from the securitization of the Commonwealth's allocation of MSA payments.

8. Fiscal implications: As authorized by Section 3-3.05 and setout in Item 545 of the 2001 Budget Bill, securitizing the MSA payments over the next 20 years will result in the following appropriation for payments to each endowment in FY 2002: $460,611,525 to the Higher Education and Economic Development Trust Fund (40 percent of the Commonwealth's MSA allocation); $584,259,521 to the Tobacco Indemnification and Community Revitalization Endowment (50 percent of the Commonwealth's MSA allocation); and $116,851,904 to the Virginia Tobacco Settlement Foundation Endowment (10 percent of the Commonwealth's MSA allocation).

9. Specific agency or political subdivisions affected:

- Department of the Treasury;
- Treasury Board;
- Tobacco Indemnification and Community Revitalization Commission; and
- Virginia Tobacco Settlement Foundation.

10. Technical amendment necessary: Yes. Page 2, Line 95, add "ed" to the end of the word "establish."

11. Other comments: SB 842 is a companion bill introduced by Senator Hawkins.

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cc: Secretary of Finance
cc: Secretary of Health and Human Services

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