

## Department of Planning and Budget 2001 Fiscal Impact Statement

**1. Bill Number** HB2808

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Bennett

**3. Committee** Finance

**4. Title** Securitization of payments from the Master Settlement Agreement

**5. Summary/Purpose:** Currently, 50 percent of the Commonwealth's allocation of Master Settlement Agreement (MSA) payments is allocated to the Tobacco Indemnification and Community Revitalization Commission (TICR), 10 percent is allocated to the Virginia Tobacco Settlement Foundation and the remaining 40 percent is deposited to the general fund.

This bill creates the Virginia Tobacco Indemnification and Community Revitalization Endowment. The endowment shall receive the proceeds from the sale of revenues derived from the TICR allocation of the Master Settlement Agreement (which is 50 percent of the Commonwealth's allocation of MSA payments) and any gifts, grants and contributions that are specifically designated for inclusion. 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 would serve as trustee of the endowment and the State Treasurer would be the custodian of moneys in the endowment. No part of the endowment, neither corpus nor income, shall revert to the general fund of the state treasury.

The bill also creates the Tobacco Settlement Financing Corporation (TSFC) as a public body corporate and an independent instrumentality of the Commonwealth. The Governor is directed to sell, beginning July 1, 2002, at one time or from time to time, 50 percent of the Commonwealth's allocation from the Master Settlement Agreement to the corporation. The corporation is created as a vehicle through which the Commonwealth may sell and finance all or a portion of its tobacco settlement payments. The corporation would issue its bonds to raise funds to purchase the Commonwealth's rights, title, and interest in or to the tobacco assets sold. Bondholders would be paid from future tobacco settlement payments that are assigned to the corporation by the Commonwealth. Any bonds issued by the TSFC would not be considered a debt or a pledge of the faith or credit of the Commonwealth. The Department of the Treasury shall serve as staff to the corporation and the Office of the Attorney General shall serve as counsel. The Auditor of Public Accounts or an independent certified public accountant shall annually audit the accounts of the corporation.

The bill provides that the money received by the Commonwealth pursuant to the Master Settlement Agreement that is deposited to the endowment, the Tobacco Indemnification and Revitalization Fund, or the Virginia Tobacco Settlement Fund shall not be included as general fund revenue for the purposes of the Personal Property Tax Relief Act of 1998.

6. **Fiscal Impact Estimates are preliminary:** See Item 8.
7. **Budget amendment necessary:** No. Item 545 of the 2001 Budget Bill already contains an appropriation for the Tobacco Indemnification and Community Revitalization Endowment from the deposit of the net cash proceeds resulting from the securitization of 50 percent of the Commonwealth's allocation of the Master Settlement Agreement.
8. **Fiscal implications:** As authorized by Section 3-3.05 and setout in Item 545 of the 2001 Budget Bill, securitizing 50 percent of the Commonwealth's allocation of MSA payments over the next 20 years would result in about \$584,259,521 for payment to the endowment in FY 2002.
9. **Specific agency or political subdivisions affected:** Department of the Treasury, Treasury Board, and the Tobacco Indemnification and Community Revitalization Commission.
10. **Technical amendment necessary:** Yes. In order to ensure that the audit of the corporation is conducted in such a manner that it is acceptable to the Auditor of Public Accounts, the following amendment is suggested.  
  
Page 5, Line 236, after *C.*, strike the remainder of the line and all of Line 237, and insert *The Auditor of Public Accounts, or his legally authorized representatives, shall annually audit the accounts of the Corporation.*
11. **Other comments:** HB 2851 is a companion bill introduced by Delegate Kilgore.

**Date:** 01/24/01 / mst

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cc: Secretary of Finance  
Secretary of Commerce and Trade

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