

## Department of Planning and Budget 2001 Fiscal Impact Statement

**1. Bill Number** HB2872

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" 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** Byron

**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 15 percent of the corpus (if requested by the TICR) shall be paid out at least 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, 2001, 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 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:** Yes. Item 545 of the 2001 Introduced Budget Bill contained an appropriation for the deposit of the net cash proceeds resulting from the securitization of fifty percent of the Commonwealth's allocation of MSA payments. While HB 1600 retains the applicable language and appropriation, SB 800 does not, and would require a budget amendment to restore the appropriation and applicable language.
- 8. Fiscal implications:** Securitizing fifty percent of the MSA payments over the next 20 years would result in an appropriation of \$584,259,521 for payment to the Tobacco Indemnification and Community Revitalization 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:** No.
- 11. Other comments:** None.

**Date:** 2/22/01 / mst

**Document:** mst F:\MST\01 FIS\hb2872h2.doc

cc: Secretary of Finance  
Secretary of Commerce and Trade