

Department of Planning and Budget 2002 Fiscal Impact Statement

1. Bill Number HB649

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Dudley

3. Committee Finance

4. Title Tobacco Settlement Financing Corporation Act

5. Summary/Purpose: This bill creates the Tobacco Settlement Financing Corporation (TSFC) as the vehicle through which the Commonwealth may sell and finance all or a portion of its tobacco settlement payments from the Master Settlement Agreement (MSA) among the forty-six states and the major tobacco manufacturers. The TSFC is established as a public body corporate with powers limited to those required to effect the sale and financing of the tobacco settlement payments. The TSFC would issue 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 TSFC 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 would staff the TSFC.

6. Fiscal Impact Estimates are Final: SEE ITEM 8.

7. Budget amendment necessary: No.

8. Fiscal implications: HB650 provides authorization to sell up to 40 percent of the Commonwealth's MSA allocation over the next 20 years, beginning in January 2005. By securitizing the MSA payments over 20 years, the net cash proceeds in FY 2003 are estimated at \$418 million, to be deposited to the Education and Economic Development Trust Fund. The proceeds of the sales shall be used for the purposes as stated in the trust fund's enabling legislation.

9. Specific agency or political subdivisions affected: Department of the Treasury.

10. Technical amendment necessary: No.

11. Other comments: HB650 creates the previously mentioned trust funds specified in Item 8, into which the proceeds of a tobacco assets sales shall be deposited.

Date: 01/24/02/mst

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cc: Secretary of Finance