Department of Planning and Budget
2005 Fiscal Impact Statement

1. **Bill Number:** SB1202

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

2. **Patron:** Stosch

3. **Committee:** Passed both Houses

4. **Title:** Master Settlement Agreement; release of escrow of funds

5. **Summary/Purpose:** The bill implements uniform language concerning the release of escrow funds to cigarette manufacturers that are not participating manufacturers under the Master Settlement Agreement. The second enactment clause addresses repeal of the provisions if the provisions are held unconstitutional or in violation of federal law, and the third enactment clause concerns units sold prior to the effective date and for which funds are placed in escrow on or before April 15, 2006. For these funds, the manufacturer may receive a release of the portion of the funds as would be available as the provisions of the Code of Virginia existed on January 1, 2005.

6. **Fiscal Impact:** The bill does not have a fiscal impact for either the Tobacco Community Indemnification and Community Revitalization Commission or the Tobacco Settlement Foundation. The general fund impact is discussed in item 8.

7. **Budget amendment necessary:** No.

8. **Fiscal implications:** Tobacco product manufacturers that are not signatories to the Master Settlement Agreement (non-participating manufacturers) must pay funds into escrow annually based on the number of cigarettes sold in the Commonwealth in a given year. Currently, a non-participating provider may seek a release of escrow funds in the amount that exceeds what the provider would have had to pay to the Commonwealth had it been a participating provider (2.04 percent, the Commonwealth allocable share of the Master Settlement Agreement).

   The bill changes the basis by which escrow funds would be released. Under the provisions of the bill, only escrow funds in excess of what a nonparticipating provider would have paid as a participating provider in the Master Settlement Agreement (based on units sold) would be released. The bill is based on model legislation endorsed by the National Association of Attorneys General and by the four largest tobacco manufacturers. Similar legislation has been passed in 37 other states and three U.S. territories that are party to the Master Settlement Agreement.

   The general fund revenue that may be generated as a result of civil penalties for violation of the escrow requirements may not be estimated at this time. In addition, the general fund impact of business decisions made by product manufacturers in Virginia as a result of the legislation is unknown.

9. **Specific agency or political subdivisions affected:** Tobacco Community Indemnification and Community Revitalization Commission, Tobacco Settlement Foundation.

10. **Technical amendment necessary:** No.

11. **Other comments:** The bill is identical to House Bill 2629.

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cc: Secretary of Commerce and Trade