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## SENATE BILL NO. 1112

Offered January 14, 2009

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A *BILL to amend and reenact §§ 2.2-2696, 2.2-2905, 32.1-354, 32.1-355, 32.1-356, 32.1-359, 32.1-360, 32.1-361, and 32.1-361.1 of the Code of Virginia, relating to the Virginia Tobacco Settlement Foundation.*

Patrons—Northam; Delegate: O'Bannon

Referred to Committee on Education and Health

**Be it enacted by the General Assembly of Virginia:**

1. That §§ 2.2-2696, 2.2-2905, 32.1-354, 32.1-355, 32.1-356, 32.1-359, 32.1-360, 32.1-361, and 32.1-361.1 of the Code of Virginia are amended and reenacted as follows:

§ 2.2-2696. Substance Abuse Services Council.

A. The Substance Abuse Services Council (the Council) is established as an advisory council, within the meaning of § 2.2-2100, in the executive branch of state government. The purpose of the Council is to advise and make recommendations to the Governor, the General Assembly, and the State Mental Health, Mental Retardation and Substance Abuse Services Board on broad policies and goals and on the coordination of the Commonwealth's public and private efforts to control substance abuse, as defined in § 37.2-100.

B. The Council shall consist of 30 members. Four members of the House of Delegates shall be appointed by the Speaker of the House of Delegates, in accordance with the principles of proportional representation contained in the Rules of the House of Delegates, and two members of the Senate shall be appointed by the Senate Committee on Rules. The Governor shall appoint one member representing the Virginia Sheriffs' Association, one member representing the Virginia Drug Courts Association, one member representing the Substance Abuse Certification Alliance of Virginia, two members representing the Virginia Association of Community Services Boards, and two members representing statewide consumer and advocacy organizations. The Council shall also include the Commissioner of the Department of Mental Health, Mental Retardation and Substance Abuse Services; the Commissioner of Health; the Commissioner of the Department of Motor Vehicles; the Superintendent of Public Instruction; the Directors of the Departments of Juvenile Justice, Corrections, Criminal Justice Services, Medical Assistance Services, and Social Services; the Chief Operating Officer of the Department of Alcoholic Beverage Control; the Executive Director of the Governor's Office for Substance Abuse Prevention or his designee; the Executive Director of the Virginia Tobacco Settlement Foundation for Healthy Youth or his designee; the Executive Director of the Commission on the Virginia Alcohol Safety Action Program or his designee; and the chairs or their designees of the Virginia Association of Drug and Alcohol Programs, the Virginia Association of Alcoholism and Drug Abuse Counselors, and the Substance Abuse Council and the Prevention Task Force of the Virginia Association of Community Services Boards.

C. Appointments of legislative members and heads of agencies or representatives of organizations shall be for terms consistent with their terms of office. All other appointments of nonlegislative members shall be for terms of three years, except an appointment to fill a vacancy, which shall be for the unexpired term. The Governor shall appoint a chairman from among the members.

No person shall be eligible to serve more than two successive terms, provided that a person appointed to fill a vacancy may serve two full successive terms.

D. The Council shall meet at least four times annually and more often if deemed necessary or advisable by the chairman.

E. Members of the Council shall receive no compensation for their services but shall be reimbursed for all reasonable and necessary expenses incurred in the performance of their duties as provided in §§ 2.2-2813 and 2.2-2825. Funding for the cost of expenses shall be provided by the Department of Mental Health, Mental Retardation and Substance Abuse Services.

F. The duties of the Council shall be:

1. To recommend policies and goals to the Governor, the General Assembly, and the State Mental Health, Mental Retardation and Substance Abuse Services Board;

2. To coordinate agency programs and activities, to prevent duplication of functions, and to combine all agency plans into a comprehensive interagency state plan for substance abuse services;

3. To review and comment on annual state agency budget requests regarding substance abuse and on all applications for state or federal funds or services to be used in substance abuse programs;

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59 4. To define responsibilities among state agencies for various programs for persons with substance  
60 abuse and to encourage cooperation among agencies; and

61 5. To make investigations, issue annual reports to the Governor and the General Assembly, and make  
62 recommendations relevant to substance abuse upon the request of the Governor.

63 G. Staff assistance shall be provided to the Council by the Office of Substance Abuse Services of the  
64 Department of Mental Health, Mental Retardation and Substance Abuse Services.

65 § 2.2-2905. Certain officers and employees exempt from chapter.

66 The provisions of this chapter shall not apply to:

67 1. Officers and employees for whom the Constitution specifically directs the manner of selection;

68 2. Officers and employees of the Supreme Court and the Court of Appeals;

69 3. Officers appointed by the Governor, whether confirmation by the General Assembly or by either  
70 house thereof is required or not;

71 4. Officers elected by popular vote or by the General Assembly or either house thereof;

72 5. Members of boards and commissions however selected;

73 6. Judges, referees, receivers, arbiters, masters and commissioners in chancery, commissioners of  
74 accounts, and any other persons appointed by any court to exercise judicial functions, and jurors and  
75 notaries public;

76 7. Officers and employees of the General Assembly and persons employed to conduct temporary or  
77 special inquiries, investigations, or examinations on its behalf;

78 8. The presidents, and teaching and research staffs of state educational institutions;

79 9. Commissioned officers and enlisted personnel of the National Guard and the naval militia;

80 10. Student employees in institutions of learning, and patient or inmate help in other state  
81 institutions;

82 11. Upon general or special authorization of the Governor, laborers, temporary employees and  
83 employees compensated on an hourly or daily basis;

84 12. County, city, town and district officers, deputies, assistants and employees;

85 13. The employees of the Virginia Workers' Compensation Commission;

86 14. The officers and employees of the Virginia Retirement System;

87 15. Employees whose positions are identified by the State Council of Higher Education and the  
88 boards of the Virginia Museum of Fine Arts, The Science Museum of Virginia, the  
89 Jamestown-Yorktown Foundation, the Frontier Culture Museum of Virginia, the Virginia Museum of  
90 Natural History and The Library of Virginia, and approved by the Director of the Department of Human  
91 Resource Management as requiring specialized and professional training;

92 16. Employees of the State Lottery Department;

93 17. Production workers for the Virginia Industries for the Blind Sheltered Workshop programs;

94 18. Employees of the Virginia Commonwealth University Health System Authority;

95 19. Employees of the University of Virginia Medical Center. Any changes in compensation plans for  
96 such employees shall be subject to the review and approval of the Board of Visitors of the University of  
97 Virginia. The University of Virginia shall ensure that its procedures for hiring University of Virginia  
98 Medical Center personnel are based on merit and fitness. Such employees shall remain subject to the  
99 provisions of the State Grievance Procedure (§ 2.2-3000 et seq.);

100 20. In executive branch agencies the employee who has accepted serving in the capacity of chief  
101 deputy, or equivalent, and the employee who has accepted serving in the capacity of a confidential  
102 assistant for policy or administration. An employee serving in either one of these two positions shall be  
103 deemed to serve on an employment-at-will basis. An agency may not exceed two employees who serve  
104 in this exempt capacity;

105 21. Employees of Virginia Correctional Enterprises. Such employees shall remain subject to the  
106 provisions of the State Grievance Procedure (§ 2.2-3000 et seq.);

107 22. Officers and employees of the Virginia Port Authority;

108 23. Employees of the Virginia College Savings Plan;

109 24. Directors of state facilities operated by the Department of Mental Health, Mental Retardation and  
110 Substance Abuse Services employed or reemployed by the Commissioner after July 1, 1999, under a  
111 contract pursuant to § 37.2-707. Such employees shall remain subject to the provisions of the State  
112 Grievance Procedure (§ 2.2-3000 et seq.);

113 25. The Director of the Virginia Office for Protection and Advocacy;

114 26. Employees of the Virginia ~~Tobacco Settlement~~ *Foundation for Healthy Youth*. Such employees  
115 shall be treated as state employees for purposes of participation in the Virginia Retirement System,  
116 health insurance, and all other employee benefits offered by the Commonwealth to its classified  
117 employees; and

118 27. Employees of the Virginia Indigent Defense Commission.

119 § 32.1-354. Definitions.

120 As used in this chapter, unless the context clearly indicates otherwise:

"Agreement" means the agreement or agreements between the Commonwealth, as seller of the Tobacco Assets, and the Corporation, as purchaser of the Tobacco Assets. The sale by the Commonwealth of the Tobacco Assets pursuant to any such agreement shall be a true sale and not a borrowing.

"Board" means the Board of Trustees of the Foundation appointed pursuant to § 32.1-357.

"Corporation" means the Tobacco Settlement Financing Corporation as created under state law.

"Director" means the director of the Foundation appointed pursuant to § 32.1-358.

"Endowment" means the Virginia Tobacco Settlement Foundation Endowment established pursuant to § 32.1-361.1.

"Foundation" means the ~~Virginia Tobacco Settlement Foundation~~ *Virginia Foundation for Healthy Youth*, created pursuant to § 32.1-355.

"Foundation Allocation" means 10 percent of the annual amount received under the Master Settlement Agreement by the Commonwealth, or that would have been received but for the sale of such allocation pursuant to an agreement, between the starting and ending dates specified in the agreement.

"Fund" means the Virginia Tobacco Settlement Fund established pursuant to § 32.1-360.

"Period of sale" means the time during which a purchase under an agreement is entitled to receive the Foundation Allocation.

"Tobacco Assets" means all right, title, and interest in and to the portion of the Foundation Allocation that may be sold to the Corporation from time to time.

§ 32.1-355. Virginia Foundation for Healthy Youth created; purposes.

The ~~Virginia Tobacco Settlement~~ *Virginia Foundation for Healthy Youth (VFHY)* is hereby created as a body corporate and a political subdivision of the Commonwealth and as such shall have, and is hereby vested with, all of the politic and corporate powers as are set forth in this chapter. The Foundation is established for the purposes of determining the appropriate recipients of moneys in the Virginia Tobacco Settlement Fund and causing distribution of such moneys for the purposes provided in this chapter; ~~including using moneys in the Virginia Tobacco Settlement Fund.~~

*The Foundation shall have a division known as the Virginia Tobacco Settlement Foundation (VTSF) to assist in financing efforts to restrict the use of tobacco products by minors through such means as educational and awareness programs on the health effects of tobacco use on minors and enforcement of laws restricting the distribution of tobacco products to minors. Additionally, a division of the Foundation known as Virginia Youth Obesity Prevention (VYOP) may use moneys from the Fund to assist in financing efforts to reduce childhood obesity through such means as educational and awareness programs, implementing evidence-based practices, and assisting schools and communities with policies and programs.* The Foundation shall have only those powers enumerated in § 32.1-356.

§ 32.1-356. Powers of the Foundation.

The Foundation is hereby granted all powers necessary or appropriate to carry out and effectuate its corporate purposes, including, without limitation, the following:

1. To have an official seals and to alter the same at pleasure;
  2. To maintain an office at such place or places within this Commonwealth as it may designate;
  3. To accept, hold, and administer moneys, grants, securities, or other property transferred, given, or bequeathed to the Foundation, absolutely or in trust, for the purposes for which the Foundation is created;
  4. To determine how moneys in the Fund are to be distributed and to authorize distribution of moneys in the Fund to entities whose goal is to discourage, eliminate or prevent the use of tobacco products by minors *and to reduce childhood obesity* in the Commonwealth, on such terms and in such amounts as determined by the Board;
  5. To deposit moneys from the Fund to the Endowment as determined by the Board;
  6. To make and execute contracts and all other instruments and agreements necessary or convenient for the exercise of its powers and functions;
  7. To appoint and prescribe the duties of such officers, agents, employees, advisors, and consultants as may be necessary to carry out its functions, and to fix and pay such compensation to them for their services as the Foundation may determine;
  8. To adopt and from time to time amend and repeal bylaws, not inconsistent with this chapter, to carry into effect the powers and purposes of the Foundation;
  9. To receive and accept aid, grants, contributions and cooperation of any kind from any source for the purposes of this chapter subject to such conditions, acceptable to the Foundation, upon which such aid, grants, contributions and cooperation may be made;
  10. To do any lawful act necessary or appropriate to carry out the powers herein granted or reasonably implied, including use of whatever lawful means may be necessary and appropriate to recover any payments wrongfully made from the Fund.
- § 32.1-359. Duties of the Board.

The Board shall perform the following duties:

1. Establish specific criteria and procedures governing decisions by the Foundation to cause the moneys *obtained from the Master Settlement Agreement* in the Fund to be *primarily* distributed to entities for use in the discouragement, elimination or prevention of the use of tobacco products by minors. *Additionally, the Foundation may distribute moneys in the Fund obtained primarily from public grants and private funding sources to reduce childhood obesity;*

2. Establish requirements that every recipient of money distributed from the Fund establish and maintain policies that restrict the use of tobacco products by minors, as provided in § 32.1-361;

3. Evaluate the proposals for the use of the assets of the Fund in accordance with the criteria established by the Board and the provisions of this chapter;

4. Evaluate the implementation and results of all efforts receiving support from the Foundation; and

5. Determine amounts to be deposited from time to time from the Fund to the Endowment.

§ 32.1-360. Virginia Tobacco Settlement Fund.

There is hereby created in the state treasury a special nonreverting fund to be known as the Virginia Tobacco Settlement Fund. The Fund shall be established on the books of the Comptroller. Subject to the sale of all or any portion of the Foundation Allocation, 10 percent of the annual amount received by the Commonwealth from the Master Settlement Agreement shall be paid into the state treasury and credited to the Fund. In the event of such sale (i) the Foundation Allocation shall be paid in accordance with the agreement for the period of sale and (ii) the fund shall receive amounts withdrawn from the Endowment in accordance with § 32.1-361.1. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes described in this chapter. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written authorization signed by the chairman of the Board or his designee. Moneys in the Fund shall be used for the purposes of discouraging, eliminating or preventing the use of tobacco products by minors, including but not limited to educational and awareness programs on the health effects of tobacco use on minors and laws restricting the distribution of tobacco products to minors. *Moneys may also be used for the purpose of reducing childhood obesity, including but not limited to educational and awareness programs, implementing evidence-based practices, and assisting schools and communities with related policies and programs.*

§ 32.1-361. Use of moneys distributed.

Any recipient of any moneys distributed from the Fund pursuant to this chapter ~~for the purpose of restricting the use of tobacco products by minors~~ shall be required, as a condition precedent to the release of such moneys to such entity, to establish and maintain policies restricting or preventing tobacco use by minors. The Foundation shall (i) establish criteria for determining whether an entity's policies support the restriction of tobacco use by minors and (ii) monitor the distribution of such moneys to ensure that the recipients of such funds are in compliance with the provisions of this section.

§ 32.1-361.1. Virginia Foundation for Healthy Youth Endowment.

A. There is hereby established in the state treasury a special fund to be designated the "Virginia ~~Tobacco Settlement~~ Foundation for Healthy Youth Endowment" (the Endowment). The Endowment shall receive any proceeds from any sale of all or any portion of the Foundation Allocation, deposits from the Fund as determined by the Board pursuant to subparagraph 5 of § 32.1-356, and any gifts, grants, and contributions that are specifically designated for inclusion in such Endowment. No part of the Endowment, neither corpus nor income, or interest thereon, shall revert to the general fund of the state treasury. The Endowment shall be under the management and control of the Treasury Board and the Treasury Board shall have such powers and authority as may be necessary to exercise such management and control consistent with the provisions of this section. The income of the Endowment shall be paid out, not less than annually, to the Fund. In addition, up to 10 percent of the corpus of the Endowment shall be paid to the Fund annually upon request of the Board to the Treasury Board; provided, however, that upon two-thirds vote of the Board, up to 15 percent of the corpus of the Endowment shall be so paid. No use of proceeds shall be made that would cause bonds issued on a tax-exempt basis to be considered taxable. For purposes of this section, "income" of the Endowment means at the time of determination the lesser of the available cash in, or the realized investment income for the applicable period of the Endowment, and "corpus" of the endowment means at the time of determination the sum of the proceeds from the sale of all or any portion of the Foundation Allocation, deposits from the Fund as determined by the Board pursuant to subparagraph 5 of § 32.1-356, any gifts, grants, and contributions that have been credited to such Endowment, and any income not appropriated and withdrawn from the Endowment before June 30 of each year, less withdrawals from the corpus. Determinations by the Treasury Board, or the State Treasurer on behalf of the Treasury Board, as to the amount of income or the amount of the corpus shall be conclusive.

B. The Treasury Board shall serve as trustee of the Endowment and the corpus and income of the

244 Endowment shall be withdrawn and credited to the Fund by order of the Treasury Board as provided in  
245 subsection A. The State Treasurer shall be custodian of the funds credited to the Endowment. The  
246 Treasury Board shall have full power to invest and reinvest funds credited to the Endowment in  
247 accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act  
248 (§ 55-268.11 et seq.) and, in addition, as otherwise provided by law. The Treasury Board may borrow  
249 money in such amounts as may be necessary whenever in its judgment it would be more advantageous  
250 to borrow money than to sell securities held for the Fund. Any debt so incurred may be evidenced by  
251 notes duly authorized by resolution of the Treasury Board, such notes to be retired no later than the end  
252 of the biennium in which such debt is incurred. The Treasury Board may commingle, for purposes of  
253 investment, the corpus of the Endowment provided that it shall appropriately account for the investments  
254 credited to the Endowment. The Treasury Board may hire independent investment advisors and  
255 managers as it deems appropriate to assist with investing the Endowment. The expenses of making and  
256 disposing of investments, such as brokerage commissions, legal expenses related to a particular  
257 transaction, investment advisory and management fees and expenses, transfer taxes and other customary  
258 transactional expenses shall be payable out of the income of the Endowment.  
259 C. Not less than annually and more frequently if desired by the Board or requested by the Treasury  
260 Board, the Board shall provide to the Treasury Board schedules of anticipated disbursements from the  
261 Fund for the current and succeeding fiscal year, and the Treasury Board shall, to the extent practicable,  
262 take into account such schedules and changes thereto in scheduling maturities and redemptions of its  
263 investments of the Endowment.