

Department of Planning and Budget
2011 Fiscal Impact Statement

1. Bill Number: SB 1268

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

2. Patron: S. Martin

3. Committee: Passed Both Houses

4. Title: Tobacco Master Settlement Agreement; bond requirements

5. Summary: The Tobacco Master Settlement Agreement, which is enforced in Virginia by the Office of the Attorney General (OAG), requires “nonparticipating tobacco manufacturers” to make annual escrow payments to Virginia. In addition, some manufacturers are required to make escrow payments on a quarterly basis and post bonds in case they default on those payments.

SB 1268 requires that the bond posted by manufacturers be equal to the greater of \$50,000 or the escrow amount the manufacturer was required to deposit based on its highest calendar year's sales in Virginia. Under current law, the bond amount to be posted is the greater of \$50,000 or the escrow amount the manufacturer was required to deposit based on its previous calendar year's sales in Virginia.

The bill also adds nonparticipating manufacturers that have been designated by the Attorney General as an elevated risk to the list of those manufacturers that may be required to make escrow payments on a quarterly rather than an annual basis.

6. Budget Amendment Necessary: No

7. No Fiscal Impact

8. Fiscal Implications:

The OAG reports this bill has no fiscal impact on agency operations. Payments into the escrow account are expected to remain at the current levels. These monies are held in trust for any future lawsuits involving smoking related illnesses and revert back to the manufacturer after 25 years.

9. Specific Agency or Political Subdivisions Affected:

Office of the Attorney General

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 3/8/2011 dpb