Department of Planning and Budget
2007 Fiscal Impact Statement

1. Bill Number HB 3111

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

2. Patron Janis

3. Committee Appropriations

4. Title Tobacco Settlement Foundation Endowment; created

5. Summary/Purpose: Authorizes the Governor to sell up to ten percent of the revenues derived from the Master Settlement Agreement. Proceeds from the sale shall be deposited into the Tobacco Settlement Foundation Endowment.

6. Fiscal Impact is Unknown (see item 8)

7. Budget amendment necessary: No. Currently, funding from the Master Settlement Agreement for the Virginia Tobacco Settlement Foundation (the Foundation) is appropriated ($11.4 million in FY 2007 and $13.2 million in FY 2008) through a central accounts transfer in the budget bill. The annual appropriation will be adjusted administratively as needed for the interest income and portion of the corpus, subject to the restrictions of the bill.

8. Fiscal implications: According to the Foundation, securitizing up to ten percent of the Commonwealth's Master Settlement Agreement payments in 2008 through 2037 would generate net proceeds of approximately $180 million if financed in tax-exempt bonds to be deposited to the Tobacco Settlement Foundation Endowment.

The Foundation estimates that on a present value basis, the net proceeds from securitization plus projected interest (net of issuance and interest costs) would be approximately 46 percent of the present value of the annual Master Settlement Agreement revenue over the same time period (approximately $353 million difference; with a net $247 million difference when accounting for investment interest on the endowment). The analysis assumes a discount rate of 7 percent in tax-exempt bonds.

9. Specific agency or political subdivisions affected:
Virginia Tobacco Settlement Foundation

10. Technical amendment necessary: No

11. Other comments: None

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