

Tobacco Commission Financial History

May 18, 2020



Tobacco Commission History

- Created by the 1999 General Assembly to determine appropriate recipients of TCR Fund
- 50% of the Commonwealth's share from the Master Settlement Agreement (MSA) allocated to TCR Fund
 - 41.5% goes to Va Healthcare Fund
 - 8.5% to Va Foundation for Healthy Youth
- MSA between 46 states and major tobacco companies to settle state suits for smoking-related illnesses

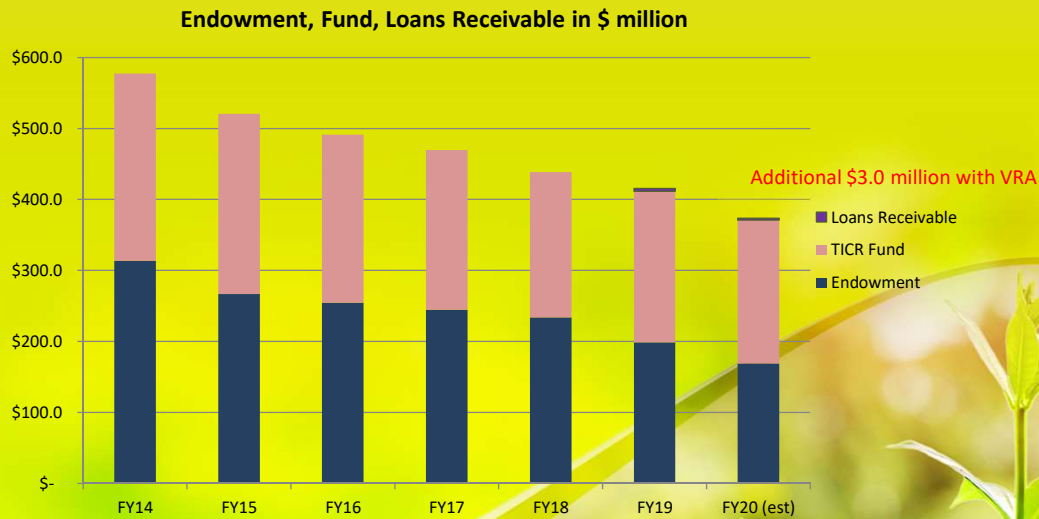
Tobacco Commission History (cont)

- Commission's two purposes:
 - Compensate tobacco farmers for losses
 - Revitalize tobacco-dependent communities
- Farmer indemnification fulfilled in 2012 with \$479M made available to farmers and 2014 federal tobacco quota buyout
- Legislative changes in 2015 changed the Commission's name, reduced number of members, created match requirements, added financial viability review, created Revolving Loan Fund with VRA

TICR Endowment

- Created in 2002 to receive securitization proceeds
- In 2005, sold half of future MSA revenue for \$390M lump sum (tax-exempt bonds)
- In 2007, sold remaining half and refinanced 2005 bonds netting \$634M (taxable bonds)
 - Stated maturity 2047 (may take longer)
- Restricted vs. Unrestricted proceeds
- Treasury Board manages and controls

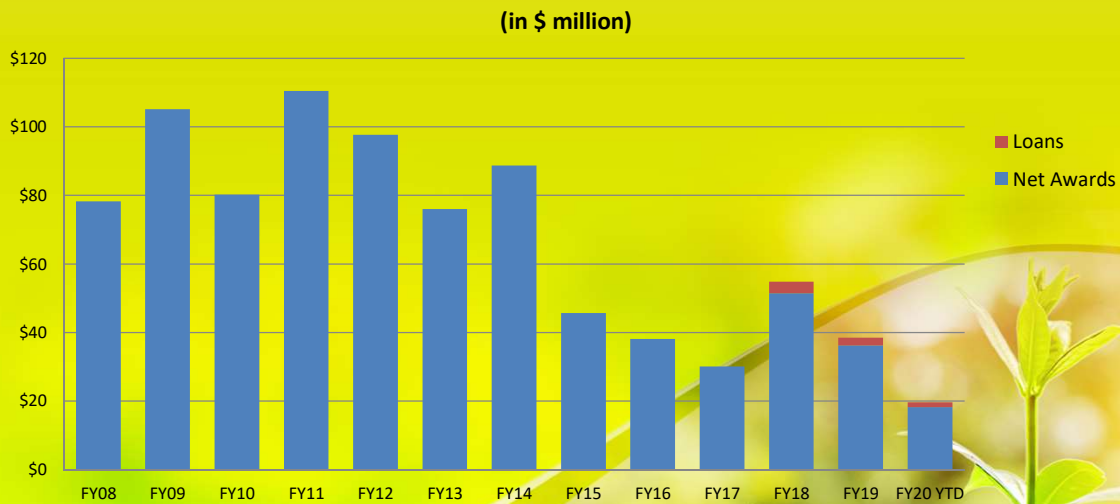
Total Assets



TICR Endowment vs. Fund

- Annual investment earnings and corpus invasion approved by Commission transferred to Fund each June
- All continues to be invested by Treasury
- Quarterly transfers from Fund at Treasury to DOA General Account for disbursements for projects approved by Commission

Historical Grants/Loans



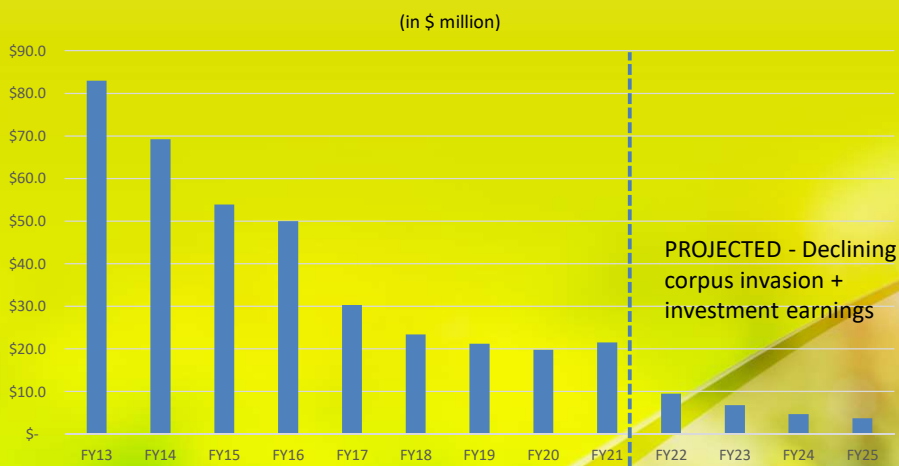
Disbursements

- Grant Award
- Most disbursements on a reimbursement basis (often take years)
- Unobligated balance vs. cash balance

Revenue

- Investment earnings (meager)
- Interest on General Account
- Loan repayments (low interest)
- Revenue sharing
- Sale of assets
- Return of unused funds

Historical/Projected Budgets



Potential Future Revenue

- Partner with other entities for greater investment returns
- Business and community lending with interest
- Create non-profit foundation to apply for grants (education)
- Closely manage assets to recover funds from any Commission grant-funded sales

Financial Reports

- Cash and investments
- Unobligated balances
- Annual budget