

Tobacco Settlement Trust Fund Transfer Payment (TT0)

The mission of this payment is to provide funding for the Tobacco Settlement Trust Fund, which will fund program investments and financial investments to improve the quality of life for citizens of the District.

Proposed Operating Budget (\$ in thousands)	\$61,406
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In November 1998, the District of Columbia and 46 states and various jurisdictions signed a Master Settlement Agreement with the tobacco industry ending a four-year battle over treatment costs incurred for smoking-related illnesses. Under the settlement, the tobacco companies are scheduled to pay \$253 billion over a 25-year or longer period. The receiving governments may use the funds for any purpose including securing the issuance of revenue bonds.

To manage the District's portion of this settlement, the District government created the Tobacco Settlement Trust Fund.¹ In FY 2001 the District will securitize the settlement payments in exchange for one lump sum payment that will then be used to pay existing debt, thereby creating relief from the debt service payments associated with that debt. The \$61.4 million listed above represents the amount of debt service that will be saved as a result of this transaction. In future years, similar savings will be achieved and transferred to the Trust Fund. In addition, the District expects to receive residual payments from the tobacco settlement. These payments will also be transferred to the Trust Fund.

Proceeds from the fund will then be used in the following manner:

- 50 percent of the debt service savings will be devoted to program investments in areas such as health, education, and 50 percent will be devoted to financial investments.
- This 50-50 split will also apply to residual payments.
- Interest earnings from financial investments will be reinvested to increase the total amount of the fund's financial portfolio.

FY 2001 Proposed Operating Budget

(Dollars in Thousands)

Tobacco Trust Transfer

Object Class	Actual FY 1999	Approved FY 2000	Proposed FY 2001	Variance				
Subsidies and Transfers	0	0	61,406	61,406				
Subtotal for: Nonpersonal Services (NPS)	0	0	61,406	61,406				
Total Expenditures:	0	0	61,406	61,406				
Authorized Spending Levels by Revenue Type:								
	FTEs	Dollars	FTEs	Dollars	FTEs	Dollars	FTEs	Dollars
Local	0	0	0	0	0	61,406	0	61,406
Total:	0	0	0	0	0	61,406	0	61,406

¹ Established pursuant to section 2302 of the Tobacco Settlement Trust Fund Establishment Act of 1999, effective October 20, 1999 (D.C. Law 13-38, to be codified at D.C. Code § 6-135).