

**DEPARTMENT OF FINANCE BILL ANALYSIS**

**AMENDMENT DATE:** Original  
**POSITION:** Neutral

**BILL NUMBER:** SB 53  
**AUTHOR:** M. DeSaulnier

**BILL SUMMARY: Tobacco Settlement Moneys: Master Settlement Agreement**

This Attorney General (AG) sponsored bill would authorize the AG to negotiate amendments to the Master Settlement Agreement (MSA), the memorandum of understanding, and the California escrow agreement provided that those amendments do not materially adversely alter, limit, or impair the rights to receive tobacco assets or the rights of bondholders of tobacco asset-backed bonds until such bonds are fully paid.

**FISCAL SUMMARY**

This bill could potentially increase the tobacco settlement revenue to the state by providing the AG the ability to join other participating states in approving changes to the MSA in ways that would benefit the state and bondholders by either increasing MSA payments or reducing the risk of payment-lowering adjustments. As a result, the state potentially could pay down the existing bonds in less time.

**COMMENTS**

The Department of Finance is neutral on this bill.

When legislation was enacted in 2002 to allow for the securitization of the state's share of tobacco settlement revenue, one condition was that the state agree to not amend the MSA in any way that would alter the rights to receive MSA payments pledged as security for the bonds. That pledge has been viewed as preventing any amendments, even those that may be beneficial to the state. This bill is needed to allow for MSA amendments that could be beneficial.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	
1630/Settle/Judge	RV	No			See Fiscal Summary				6050
<u>Fund Code</u>	<u>Title</u>								
6050	Tobacco Asset Sales Revenue Fund								

Analyst/Principal (0684) T. Gunn	Date	Program Budget Manager Karen Finn	Date
-------------------------------------	------	--------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)