

Tobacco Master Settlement Agreement Fund Group

Am. Sub. H.B. 119 (Main Operating Budget) created the Buckeye Tobacco Settlement Financing Authority, for the purpose of securitizing up to 100% of Ohio payments to be received over the next 40 or more years under the Tobacco Master Settlement Agreement (MSA). H.B. 119 states that at least 75% of the aggregate net proceeds of the obligations issued with tobacco securitization moneys must be paid to the School Building Program Assistance Fund (Fund 032) and limits the use of net proceeds to the School Facilities Commission (SFC) and higher education capital facilities projects. It also provides that any net proceeds in excess of \$5 billion must be deposited into Fund 032 to assist SFC with additional support for school facilities projects. GRF money that would otherwise have been used for the finance costs of bonds issued for SFC and higher education projects in the next three years will, following the tobacco securitization, instead be used to expand the homestead exemption program. For selected programs, H.B. 119 replaces MSA funding with other resources in FY 2009. In many instances, the GRF has been utilized for this purpose. In essence, those programs not related to school facilities will have two fiscal years to secure new funding sources or continue their phase-down of activities. As a result of tobacco securitization, the tobacco MSA fund group will longer be a source of funding for the line items in the next section beyond FY 2008.