State of Louisiana  
Division of Administration  
Office of the Commissioner

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Legislation Would Generate $800 Million for Higher Education and Coastal Projects

BATON ROUGE – Today, legislation was filed that will allow the Tobacco Settlement Financing Corporation (TSFC) to issue bonds for 40 percent of the state’s tobacco settlement revenue, generating $30-60 million per year for TOPS through 2023 and $150 million for coastal projects. By leveraging federal funds, the bonds would also generate an additional $280 million for coastal restoration, for a total of $430 million in coastal funding.

The revenue states receive from the Master Settlement Agreement is dependent on tobacco consumption. To hedge against the possibility of tobacco revenue declines or tobacco companies going out of business as sales weaken, in 2001 the Legislature approved issuing bonds for 60 percent of the state’s tobacco settlement revenues. The original bonds are projected to be paid off in the next 9-10 years, making 60 percent of the settlement revenues again available for investments.

This legislation would leverage the remaining 40 percent of the state’s settlement by issuing bonds and using the proceeds to fund higher education and coastal projects over the next seven to eight years. The bill’s author, Representative Bryan Adams, said, “With cigarette taxes increasing, smoking bans becoming more popular and the rise of e-cigarettes, there’s real potential for revenue losses to states. It’s time for Louisiana to consider transferring its risk to bondholders.”

Last year, the Center for Disease Control reported that tobacco consumption had continued its steep decline, reaching record lows in the U.S. Many other states have embraced the same strategy to mitigate risk, including California, Illinois, New Jersey, New York, Minnesota, Ohio, Rhode Island, South Carolina, South Dakota, West Virginia and Wisconsin.

“There’s a lot of uncertainty around the future of tobacco use. This option allows us to reduce our risk, create a long-term revenue source for TOPS, and generate additional revenue for coastal restoration,” said Commissioner of Administration Kristy Nichols. “It’s a net positive for the state and something we encourage the Legislature to consider.”

Last month, TSFC voted 12-1 to hire underwriters and other professionals that will assist the Corporation as it moves forward through the process of issuing bonds. The sale must be approved...
by the State Bond Commission, the Joint Legislative Committee on the Budget and the full Legislature before bonds can be issued.

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