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FISCAL IMPACT STATEMENT

LS 7855
BILL NUMBER: HB 1501

NOTE PREPARED: Jan 12, 2003
BILL AMENDED:

SUBJECT: Higher Education Construction Projects.

FIRST AUTHOR: Rep. Cochran
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		7,500,000	7,500,000
Net Increase (Decrease)		(7,500,000)	(7,500,000)

Summary of Legislation: This bill provides appropriations to fund university capital projects from securitized payments received under the Tobacco Master Settlement Agreement.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill appropriates \$7.5 M annually in FY 2004 and FY 2005 from securitized payments received under the Tobacco Master Settlement Agreement for higher education capital projects. The Energize Indiana Higher Education Capital Projects Fund is created to receive these payments. The Fund shall be administered by the State Budget Agency. Money in the Fund at the end of a fiscal year does not revert to the General Fund. If the Authority has insufficient money to make the total amount of transfers required by law for any fiscal year, the Authority will make transfers for that fiscal year as directed by the State Budget Agency after review by the Budget Committee.

Explanation of State Revenues: The bill refers to an "Authority" established to securitize payments received under the Tobacco Master Settlement Agreement that the state entered into on November 23, 1998.

The settlement between the tobacco industry and the states included a stream of payments that continue indefinitely. Payments to states are subject to adjustments based on inflation and the sales volume of cigarettes in the United States. The payments are also contingent upon the solvency of the tobacco companies that are parties to the settlement agreement. The term securitization refers to the sale of the anticipated income stream on the capital market, at a discount, for a lump sum payment. The bill does not address the specific details of a securitization of the state's Tobacco Master Settlement Agreement Funds.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Budget Agency; Institutions of Higher Education.

Local Agencies Affected:

Information Sources:

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