

2023 ANNUAL REPORT OF THE TOBACCO SETTLEMENT FINANCING CORPORATION

This report is submitted pursuant to Rhode Island General Law 42-133-16.

The Tobacco Settlement Financing Corporation (TSFC) held a Board meeting on December 12, 2023. During the meeting, the fiscal year 2023 annual audited financial statements were presented by the auditor and accepted by the Corporation.

The audited financial statements were distributed to the Governor, Speaker of the House, Senate President, Secretary of State, State Controller, Auditor General and TSFC Board members.

There is no paid staff employed by the Corporation. Staff from the Budget Office and the Office of Accounts and Controls within the Department of Administration serve as resources to the Corporation. Additionally, the Office of the General Treasurer and Department of Revenue both have representation on the Board and may provide staff assistance from time to time. All costs of State staff are paid by the State except certain costs incurred by staff of the Office of Accounts and Control. In fiscal year 2022 the Board established an administrative support function separate from the State Budget Officer and within the Office of Accounts and Control. This person will facilitate financial reporting requirements for TSFC. Fees applicable to this position are initially paid by the State of Rhode Island and the State is then reimbursed by the Corporation.

The State of Rhode Island received Master Settlement Agreement (MSA) payments in the amount of \$48.3 million in fiscal year 2023. The net \$48.3 million MSA payment was \$16.6 million less than anticipated when the bonds were sold in 2007, based on the A, B, & C Global Insight Base Case Expected MSA Revenue. On the contrary, the MSA payments received in fiscal year 2023 were \$0.8 million more than what was anticipated when the 2015 bonds were sold, based upon the A&B Global Insight Base Case Expected MSA Revenue.

Bonds issued by the TSFC in 2007 and 2015 remain outstanding. In fiscal year 2023 the State of Rhode Island received one-time revenue items in the amount of \$2.4 million which is reflective of the NPM Adjustment. Disputed payments and information on continued risks to the revenue stream are discussed in the annual financial statements.