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August 8, 2013

Mr. Les Boles
Director, Office of State Budget
1205 Pendleton Street
Edgar A. Brown Building, Suite 529
Columbia, SC 29201

Dear Mr. Boles:

This letter is in response to the Governor's Office request for an estimate of the amount of revenue distributed to South Carolina in FY 2013-14 and FY 2014-15 from the Tobacco Master Settlement Agreement (MSA). Based on conversations with the Attorney General's Office, we forecast that South Carolina will receive approximately \$21,500,000 in August 2013 from the 2003 to 2012 non-participating manufactures disputed payments settlement and an additional \$86,000,000 in mid April 2014 from annual MSA payments and the disputed payments settlement agreement. Provisos 118.16 and 118.17 of the FY 2013-14 Appropriations Act appropriate these funds to various uses.

MSA payments in FY 2014-15 will be impacted by the settlement of the 2003 to 2012 non-participating manufactures disputed payments. Some participating manufacturers will receive credits from their MSA payments over the next four years thereby reducing the amount South Carolina will receive. For the April 15, 2015 payment in FY 2014-15, we forecast that South Carolina will receive \$68,000,000. We anticipate that tobacco settlement payments through FY 2017-18 should remain consistent with the FY 2014-15 levels due to the settlement credits. Our office will review the tobacco revenue projections for changes in tobacco consumption and any increase in the number of tobacco companies joining the MSA agreement from the recent disputed payments settlement upon request.

If we may be of any further assistance, please advise.

Sincerely,

A handwritten signature in blue ink that reads "Frank A. Rainwater".

Frank A. Rainwater
Chief Economist

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