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Millions to come back to state as tobacco settlement bonds are paid off

SEATTLE – With the final payment of bonds issued two decades ago, the Washington State Tobacco Settlement Authority (TSA) has dissolved.

As a result, an average of \$30 million a year will now flow directly to state coffers instead of being used to repay the bonds, which were issued to close a hole in the state budget in 2002.

“We are proud of how well the staff have managed these bonds with the state’s fiscal interests foremost in mind,” said Carla M. DewBerry, chair of the TSA board. “We’ve done what we were created to do, and done it very well.”

The Tobacco Settlement Authority is an independent Governor-appointed board, staffed by the Washington State Housing Finance Commission due to the Commission’s expertise in issuing and managing bonds.

Over the past 22 years, that expertise led to twice refinancing the bonds to take advantage of favorable market conditions. The refinancings in 2013 and 2018, plus the early payoff in 2024, may have saved the state as much as \$380 million in interest over the life of the bonds.

Because the bonds were issued by the TSA, the state had no financial risk or obligation for them.

In 2002, the state legislature created the TSA in order to quickly raise \$450 million to help resolve a recession-related budget crisis. The bond sale to investors essentially borrowed against a \$4 billion settlement that the state reached in the late 1990s with major tobacco companies over violations of antitrust and consumer-protection laws.

From the time of the original bond sale until now, 29.2 percent of the state’s annual payment from the tobacco settlement has been diverted to pay back the bonds. Starting in 2025, this amount – an average of \$30 million a year – will go straight to the state’s general fund instead.

With the TSA dissolved, the Housing Finance Commission has agreed to take on any remaining responsibilities that may arise over the next six years, such as the final audit and retaining records.

“We’re very grateful for the leadership of our board over the years, and take a lot of satisfaction in the completion of our task,” said Steve Walker, executive director of both the Tobacco Settlement Authority and Housing Finance Commission. “Thankfully, the staff hours that were dedicated to TSA can easily be reallocated to other projects.”

The [Tobacco Settlement Authority](#) was created by state law in 2002 to issue bonds against future tobacco-settlement revenues. It is a five-member board appointed by the Governor, with administrative support provided by the staff of the Washington State Housing Finance Commission.