



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-1797/2 3
RAC:wj&kg/gh

RMR

DOA:.....Hoadley - Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET - NOT READY FOR INTRODUCTION

DO NOT GEN

1

AN ACT ...; relating to: the budget.

funds for the program may not exceed

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT

STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called the Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued.

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, ~~the Building Commission may issue revenue obligations in an amount up to \$1,600,000,000 to purchase bonds issued by BTASC.~~ The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 16.523 of the statutes is created to read:

16.523 Purchase of bonds issued by the Badger Tobacco Asset Securitization Corporation; revenue obligations. (1) There is established a tobacco settlement bond purchase program, to be administered by the department, to purchase any bonds issued by the Badger Tobacco Asset Securitization Corporation. The legislature finds and determines that the tobacco settlement bond purchase program is likely to produce sufficient net income to pay when due the principal of and interest on revenue obligations issued by the state to make the purchase and, thereby, constitutes a revenue-producing enterprise or program, as defined in s. 18.52 (6).

(2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as authorized under this section, shall be deposited in a fund in the state treasury, or an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be applied for ancillary payments and the provision of reserves, as determined by the building commission, and for the purchase by the department of any bonds issued by the Badger Tobacco Asset Securitization Corporation, as determined by the department, and any remainder shall be paid into a tobacco settlement bond purchase program redemption fund created under s. 18.561 (5).

(3) The department shall have all powers necessary and convenient to distribute the revenues from the tobacco settlement bond purchase program and the

OR the tobacco settlement bond purchase program repayment fund, or both, as provided in the authorizing resolution

1 proceeds of the revenue obligations issued under this section in accordance with
2 subch. II of ch. 18.

3 (4) The department may enter into agreements with the federal government
4 or its agencies, political subdivisions of this state, individuals, or private entities to
5 insure, or in any other manner provide, additional security for the revenue
6 obligations issued under this section.

7 (5) (a) Subject to the limitation under par. (b), the building commission may
8 contract revenue obligations under this ~~subch. II~~ section in the maximum amount that the
9 building commission believes can be fully paid on a timely basis from moneys
10 received or anticipated to be received from the tobacco settlement bond purchase
11 program.

12 (b) The requirements for funds for the tobacco settlement bond purchase
13 program to be paid from revenue obligations issued under this section shall be
14 determined by the secretary of administration, but ~~the amount of obligations that~~
15 ~~may be issued~~ shall not exceed \$1,600,000,000 to purchase, acquire, conduct, control,
16 operate, or manage the tobacco settlement bond purchase program.

17 (6) Unless otherwise expressly provided in resolutions authorizing the
18 issuance of revenue obligations under this section or in other agreements with the
19 owners of revenue obligations, each issue of revenue obligations under this section
20 shall be on a parity with every other revenue obligation issued under this section and
21 in accordance with subch. II of ch. 18.

22 (7) As determined by the building commission, any moneys deposited into the
23 tobacco settlement bond purchase program repayment fund that are not required for
24 retiring revenue obligations and providing for reserves and for ancillary payments
25 authorized to be paid from such moneys are transferred to the general fund.

1 (8) Recognizing its moral obligation to do so, the legislature expresses its
2 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
3 program repayment fund are insufficient to pay the principal of and interest on the
4 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
5 legislature shall make an appropriation from the general fund sufficient to pay the
6 principal of and interest on the obligations or to replenish a reserve fund, if
7 applicable.

8 **SECTION 2.** 18.51 of the statutes is amended to read:

9 **18.51 Provisions applicable.** The following sections apply to this
10 subchapter, except that all references to “public debt” or “debt” shall be read to refer
11 to a “revenue obligation” and all references to “evidences of indebtedness” shall be
12 read to refer to “evidences of revenue obligation”: ss. 18.02, 18.03, 18.06 (8), 18.07,
13 18.10 (1), (2), (4) to (9) ~~and, (11), and (12),~~ and 18.17.

14 **SECTION 3.** 18.561 (2) of the statutes is amended to read:

15 **18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS.** There is
16 a mortgage lien upon or security interest in the income and property of each
17 revenue-producing enterprise or program for the benefit of the owners of the related
18 enterprise obligations and other persons specified in the authorizing resolution
19 providing for the issuance of the particular enterprise obligations. No physical
20 delivery, recordation or other action is required to perfect the security interest. The
21 income and property of the revenue-producing enterprise or program shall remain
22 subject to the lien or security interest until provision for payment in full of the
23 principal of and interest of on the enterprise obligations, and other obligations
24 specified in the authorizing resolution providing for the issuance of the particular
25 enterprise obligations, has been made, as provided in the authorizing resolution.

1 The lien or security interest for the benefit of the owners of the enterprise obligations
2 and other persons specified in the authorizing resolution providing for the issuance
3 of the particular enterprise obligations shall have priority over all conflicting
4 security interests in the income and property of the revenue-producing enterprise
5 or program. Any owner of such enterprise obligations may either at law or in equity
6 protect and enforce the lien and compel performance of all duties required by this
7 section. If there is any default in the payment of the principal or interest of any of
8 such enterprise obligations, any court having jurisdiction of the action may appoint
9 a receiver to administer the revenue-producing enterprise or program on behalf of
10 the state and the owners of the enterprise obligations, with power to charge and
11 collect rates sufficient to provide for the payment of the operating expenses and also
12 to pay any enterprise obligations outstanding against the revenue-producing
13 enterprise or program, and to apply the income and revenues thereof in conformity
14 with this subchapter and the authorizing resolution, or the court may declare the
15 whole amount of the enterprise obligations due and payable, if such relief is
16 requested, and may order and direct the sale of the revenue-producing enterprise
17 or program. Under any sale so ordered, the purchaser shall be vested with an
18 indeterminate permit to maintain and operate the revenue-producing enterprise or
19 program. The legislature may provide for additions, extensions and improvements
20 to a revenue-producing enterprise or program to be financed by additional issues of
21 enterprise obligations as provided by this section. Such additional issues of
22 enterprise obligations shall be subordinate to all prior related issues of enterprise
23 obligations which may have been made under this section, unless the legislature, in
24 the statute authorizing ~~the initial issue of enterprise obligations,~~ permits the issue
25 of additional enterprise obligations on a parity therewith a particular issue of

1 enterprise obligations, or the authorizing resolution providing for the issuance of a
2 particular enterprise obligation, permits the issue of additional enterprise
3 obligations or other obligations on a parity therewith or senior thereto.

4 SECTION 4. 18.561 (3) of the statutes is amended to read:

5 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
6 commission and the state department or agency carrying out program
7 responsibilities for which enterprise obligations are to be issued shall determine, and
8 the commission shall fix in the authorizing resolution for such enterprise obligations:
9 the proportion of the revenues of the revenue-producing enterprise or program
10 which shall be necessary for the reasonable and proper operation and maintenance
11 thereof; the proportion of the revenues which shall be set aside as a proper and
12 adequate replacement and reserve fund; and the proportion of the revenues which
13 shall be set aside and applied to the payment of the principal ~~of~~ and interest ~~of~~ on
14 the enterprise obligations, and ancillary payments authorized to be paid from such
15 moneys; and the proportion of the revenues which shall be available for other
16 purposes, and shall provide that the revenues be set aside in separate funds. At
17 Subject to the provisions and covenants of the authorizing resolution, at any time
18 after one year's operation, the state department or agency and the commission may
19 recompute the proportion of the revenues which shall be assignable under this
20 subsection based upon the experience of operation or upon the basis of further
21 financing.

22 SECTION 5. 20.505 (1) (te) of the statutes is created to read:

23 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
24 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
25 proceeds from revenue obligations that are issued under subch. II of ch. 18, as

for in an account maintained by a trustee

or a tobacco settlement bond purchase program redemption fund created under s. 18.561(5), or both, as provided in the authorizing

1 authorized under s. 16.523, and deposited into a fund in the state treasury created
2 under s. 18.57 (1), as authorized under s. 16.523 (2), to purchase any bonds issued
3 by Badger Tobacco Asset Securitization Corporation, as determined by the
4 department, to provide for reserves, to make ancillary payments, as determined by
5 the building commission, and the remainder to be transferred to the tobacco
6 settlement bond purchase program repayment fund. Estimated disbursements
7 under this paragraph shall not be included in the schedule under s. 20.005.

8 SECTION 6. 20.505 (1) (tm) of the statutes is created to read:

9 20.505 (1) (tm) Tobacco settlement bond purchase program repayment fund —
10 revenue obligation repayment and payment of certain expenses. From the tobacco
11 settlement bond purchase program repayment fund, a sum sufficient to provide for
12 reserves and the making of ancillary payments and to pay a tobacco settlement bond
13 purchase program redemption fund created under s. 18.561 (5) the amount needed to retire
14 revenue obligations issued under subch. II of ch. 18, as authorized under s. 16.523,
15 and to make ancillary payments relating to revenue obligations issued under subch.
16 II of ch. 18, as authorized under s. 16.523 and the resolution authorizing the revenue
17 obligations, and for the remainder to be transferred to the general fund. Estimated
18 disbursements under this paragraph shall not be included in the schedule under s.
19 20.005.

20 SECTION 7. 20.505 (1) (tr) of the statutes is created to read:

21 20.505 (1) (tr) Debt service on revenue obligations used to purchase bonds issued
22 by the Badger Tobacco Asset Securitization Corporation. From a tobacco settlement
23 bond purchase program redemption fund created under s. 18.561 (5), all moneys received by
24 the fund for the retirement of revenue obligations issued under subch. II of ch. 18,
25 as authorized under s. 16.523, and for ancillary payments authorized by the

with 1/10/02 resolution

1 authorizing resolution for the revenue obligations. All moneys received by the fund
2 are irrevocably appropriated in accordance with subch. II of ch. 18 and further
3 established in resolutions authorizing the issuance of the revenue obligations under
4 s. 16.523 and setting forth the distribution of funds to be received thereafter.
5 Estimated disbursements under this paragraph shall not be included in the schedule
6 under s. 20.005.

7 **SECTION 8.** 25.17 (1) (th) of the statutes is created to read:

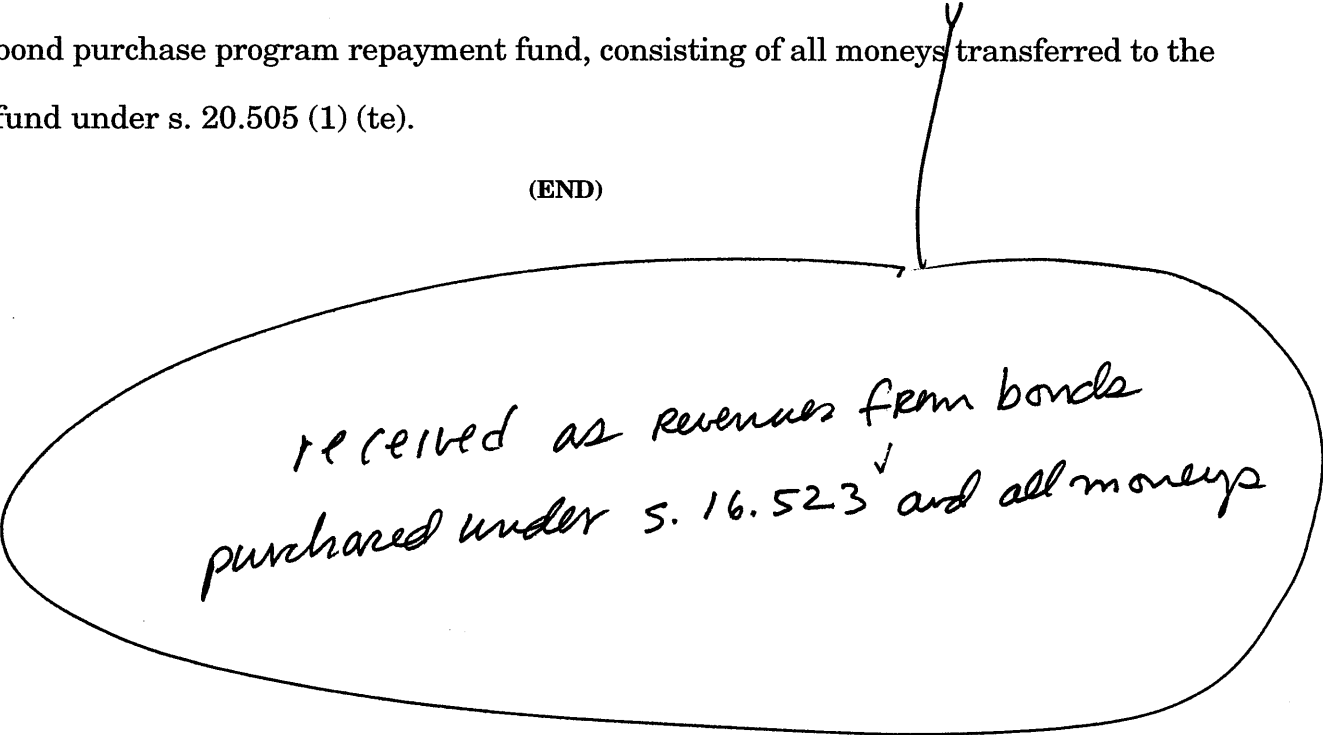
8 25.17 (1) (th) Tobacco settlement bond purchase program repayment fund (s.
9 25.575);

10 **SECTION 9.** 25.575 of the statutes is created to read:

11 **25.575 Tobacco settlement bond purchase program repayment fund.**

12 There is created a separate nonlapsible trust fund, known as the tobacco settlement
13 bond purchase program repayment fund, consisting of all moneys transferred to the
14 fund under s. 20.505 (1) (te).

15 (END)



received as revenues from bonds
purchased under s. 16.523 and all moneys



Now

RMK

DOA:.....Hoadley – Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

DO NOT GEN

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT

STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called the Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued.

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, funds for the program may not exceed \$1,600,000,000. The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

Insert 2-1

1 SECTION 1. 16.523 of the statutes is created to read:

2 **16.523 Purchase of bonds issued by the Badger Tobacco Asset**
3 **Securitization Corporation; revenue obligations.** (1) There is established a
4 tobacco settlement bond purchase program, to be administered by the department,
5 to purchase any bonds issued by the Badger Tobacco Asset Securitization
6 Corporation. The legislature finds and determines that the tobacco settlement bond
7 purchase program is likely to produce sufficient net income to pay when due the
8 principal of and interest on revenue obligations issued by the state to make the
9 purchase and, thereby, constitutes a revenue-producing enterprise or program, as
10 defined in s. 18.52 (6).

11 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
12 authorized under this section, shall be deposited in a fund in the state treasury, or
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be
14 applied for ancillary payments and the provision of reserves, as determined by the
15 building commission, and for the purchase by the department of any bonds issued
16 by the Badger Tobacco Asset Securitization Corporation, as determined by the
17 department, and any remainder shall be paid into a tobacco settlement bond
18 purchase program redemption fund created under s. 18.561 (5) or the tobacco
19 settlement bond purchase program repayment fund, or both, as provided in the
20 authorizing resolution.

1 (3) The department shall have all powers necessary and convenient to
2 distribute the revenues from the tobacco settlement bond purchase program and the
3 proceeds of the revenue obligations issued under this section in accordance with
4 subch. II of ch. 18.

5 (4) The department may enter into agreements with the federal government
6 or its agencies, political subdivisions of this state, individuals, or private entities to
7 insure, or in any other manner provide, additional security for the revenue
8 obligations issued under this section.

9 (5) (a) Subject to the limitation under par. (b), the building commission may
10 contract revenue obligations under this section in the maximum amount that the
11 building commission believes can be fully paid on a timely basis from moneys
12 received or anticipated to be received from the tobacco settlement bond purchase
13 program.

14 (b) The requirements for funds for the tobacco settlement bond purchase
15 program to be paid from revenue obligations issued under this section shall be
16 determined by the secretary of administration, but shall not exceed \$1,600,000,000
17 to purchase, acquire, conduct, control, operate, or manage the tobacco settlement
18 bond purchase program.

19 (6) Unless otherwise expressly provided in resolutions authorizing the
20 issuance of revenue obligations under this section or in other agreements with the
21 owners of revenue obligations, each issue of revenue obligations under this section
22 shall be on a parity with every other revenue obligation issued under this section and
23 in accordance with subch. II of ch. 18.

24 (7) As determined by the building commission, any moneys deposited into the
25 tobacco settlement bond purchase program repayment fund that are not required for

1 retiring revenue obligations and providing for reserves and for ancillary payments
2 authorized to be paid from such moneys are transferred to the general fund.

3 (8) Recognizing its moral obligation to do so, the legislature expresses its
4 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
5 program repayment fund are insufficient to pay the principal of and interest on the
6 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
7 legislature shall make an appropriation from the general fund sufficient to pay the
8 principal of and interest on the obligations or to replenish a reserve fund, if
9 applicable.

10 **SECTION 2.** 18.51 of the statutes is amended to read:

11 **18.51 Provisions applicable.** The following sections apply to this
12 subchapter, except that all references to “public debt” or “debt” shall be read to refer
13 to a “revenue obligation” and all references to “evidences of indebtedness” shall be
14 read to refer to “evidences of revenue obligation”: ss. 18.02, 18.03, 18.06 (8), 18.07,
15 18.10 (1), (2), (4) to (9) ~~and, (11), and (12),~~ and 18.17.

16 **SECTION 3.** 18.561 (2) of the statutes is amended to read:

17 **18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS.** There is
18 a mortgage lien upon or security interest in the income and property of each
19 revenue-producing enterprise or program for the benefit of the owners of the related
20 enterprise obligations and other persons specified in the authorizing resolution
21 providing for the issuance of the particular enterprise obligations. No physical
22 delivery, recordation or other action is required to perfect the security interest. The
23 income and property of the revenue-producing enterprise or program shall remain
24 subject to the lien or security interest until provision for payment in full of the
25 principal of and interest of on the enterprise obligations, and other obligations

1 specified in the authorizing resolution providing for the issuance of the particular
2 enterprise obligations, has been made, as provided in the authorizing resolution.
3 The lien or security interest for the benefit of the owners of the enterprise obligations
4 and other persons specified in the authorizing resolution providing for the issuance
5 of the particular enterprise obligations shall have priority over all conflicting
6 security interests in the income and property of the revenue-producing enterprise
7 or program. Any owner of such enterprise obligations may either at law or in equity
8 protect and enforce the lien and compel performance of all duties required by this
9 section. If there is any default in the payment of the principal or interest of any of
10 such enterprise obligations, any court having jurisdiction of the action may appoint
11 a receiver to administer the revenue-producing enterprise or program on behalf of
12 the state and the owners of the enterprise obligations, with power to charge and
13 collect rates sufficient to provide for the payment of the operating expenses and also
14 to pay any enterprise obligations outstanding against the revenue-producing
15 enterprise or program, and to apply the income and revenues thereof in conformity
16 with this subchapter and the authorizing resolution, or the court may declare the
17 whole amount of the enterprise obligations due and payable, if such relief is
18 requested, and may order and direct the sale of the revenue-producing enterprise
19 or program. Under any sale so ordered, the purchaser shall be vested with an
20 indeterminate permit to maintain and operate the revenue-producing enterprise or
21 program. The legislature may provide for additions, extensions and improvements
22 to a revenue-producing enterprise or program to be financed by additional issues of
23 enterprise obligations as provided by this section. Such additional issues of
24 enterprise obligations shall be subordinate to all prior related issues of enterprise
25 obligations which may have been made under this section, unless the legislature, in

1 the statute authorizing ~~the initial issue of enterprise obligations, permits the issue~~
2 ~~of additional enterprise obligations on a parity therewith~~ a particular issue of
3 enterprise obligations, or the authorizing resolution providing for the issuance of a
4 particular enterprise obligation, permits the issue of additional enterprise
5 obligations or other obligations on a parity therewith or senior thereto.

6 SECTION 4. 18.561 (3) of the statutes is amended to read:

7 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
8 commission and the state department or agency carrying out program
9 responsibilities for which enterprise obligations are to be issued shall determine, and
10 the commission shall fix in the authorizing resolution for such enterprise obligations:
11 the proportion of the revenues of the revenue-producing enterprise or program
12 which shall be necessary for the reasonable and proper operation and maintenance
13 thereof; the proportion of the revenues which shall be set aside as a proper and
14 adequate replacement and reserve fund; ~~and the proportion of the revenues which~~
15 ~~shall be set aside and applied to the payment of the principal of and interest of on~~
16 ~~the enterprise obligations, and ancillary payments authorized to be paid from such~~
17 ~~moneys; and the proportion of the revenues which shall be available for other~~
18 ~~purposes,~~ and shall provide that the revenues be set aside in separate funds. At
19 Subject to the provisions and covenants of the authorizing resolution, at any time
20 after one year's operation, the state department or agency and the commission may
21 recompute the proportion of the revenues which shall be assignable under this
22 subsection based upon the experience of operation or upon the basis of further
23 financing.

24 SECTION 5. 20.505 (1) (te) of the statutes is created to read:

1 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
2 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
3 proceeds from revenue obligations that are issued under subch. II of ch. 18, as
4 authorized under s. 16.523, and deposited into a fund in the state treasury, or in an
5 account maintained by a trustee, created under s. 18.57 (1), as authorized under s.
6 16.523 (2), to purchase any bonds issued by Badger Tobacco Asset Securitization
7 Corporation, as determined by the department, to provide for reserves, to make
8 ancillary payments, as determined by the building commission, and the remainder
9 to be transferred to the tobacco settlement bond purchase program repayment fund
10 or a tobacco settlement bond purchase program redemption fund created under s.
11 18.561 (5), or both, as provided in the authorizing resolution. Estimated
12 disbursements under this paragraph shall not be included in the schedule under s.
13 20.005.

14 **SECTION 6.** 20.505 (1) (tm) of the statutes is created to read:

15 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund —*
16 *revenue obligation repayment and payment of certain expenses.* From the tobacco
17 settlement bond purchase program repayment fund, a sum sufficient to provide for
18 reserves and the making of ancillary payments and to pay a tobacco settlement bond
19 purchase program redemption fund created under s. 18.561 (5) the amount needed
20 to retire revenue obligations issued under subch. II of ch. 18, as authorized under s.
21 16.523, and to make ancillary payments relating to revenue obligations issued under
22 subch. II of ch. 18, as authorized under s. 16.523 and the resolution authorizing the
23 revenue obligations, and for the remainder to be transferred to the general fund.
24 Estimated disbursements under this paragraph shall not be included in the schedule
25 under s. 20.005.

2003-2004 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1797/4ins
RAC:.....

INSERT
SECTION [#] 13.40 (3) (b) of the statutes is amended to read:

13.40 (3) (b) An appropriation to honor a moral obligation undertaken pursuant to ss. 16.523, 18.61 (5), 85.25 (5), 101.143 (9m) (i), 229.50 (7), 229.74 (7), 229.830 (7), 234.15 (4), 234.42 (4), 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6), 234.933 (6), and 281.59 (13m).

History: 2001 a. 16.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1797/4dn

RAC:.....

Wlj

Frank Hoadley:

This version simply adds a cross-reference in s. 13.40 (3) (b)[✓] — the GPR spending cap provision — to s. 16.523.[✓]

Rick A. Champagne
Senior Legislative Attorney
Phone: (608) 266-9930
E-mail: rick.champagne@legis.state.wi.us

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1797/4dn
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This version simply adds a cross-reference in s. 13.40 (3) (b) — the GPR spending cap provision — to s. 16.523.

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State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-1797/4 5
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DOA:.....Hoadley – Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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2 13.40 (3) (b) An appropriation to honor a moral obligation undertaken
3 pursuant to ss. 16.523, 18.61 (5), ~~85.25 (5)~~, 101.143 (9m) (i), ~~229.50 (7)~~, 229.74 (7),
4 ~~229.830 (7)~~, 234.15 (4), ~~234.42 (4)~~, 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6),
5 234.933 (6), and 281.59 (13m).

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8 **Securitization Corporation; revenue obligations.** (1) There is established a
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11 Corporation. The legislature finds and determines that the tobacco settlement bond
12 purchase program is likely to produce sufficient net income to pay when due the
13 principal of and interest on revenue obligations issued by the state to make the
14 purchase and, thereby, constitutes a revenue-producing enterprise or program, as
15 defined in s. 18.52 (6).

16 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
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19 applied for ancillary payments and the provision of reserves, as determined by the
20 building commission, and for the purchase by the department of any bonds issued
21 by the Badger Tobacco Asset Securitization Corporation, as determined by the

1 department, and any remainder shall be paid into a tobacco settlement bond
2 purchase program redemption fund created under s. 18.561 (5) or the tobacco
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5 (3) The department shall have all powers necessary and convenient to
6 distribute the revenues from the tobacco settlement bond purchase program and the
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9 (4) The department may enter into agreements with the federal government
10 or its agencies, political subdivisions of this state, individuals, or private entities to
11 insure, or in any other manner provide, additional security for the revenue
12 obligations issued under this section.

13 (5) (a) Subject to the limitation under par. (b), the building commission may
14 contract revenue obligations under this section in the maximum amount that the
15 building commission believes can be fully paid on a timely basis from moneys
16 received or anticipated to be received from the tobacco settlement bond purchase
17 program.

18 (b) The requirements for funds for the tobacco settlement bond purchase
19 program to be paid from revenue obligations issued under this section shall be
20 determined by the secretary of administration, but shall not exceed \$1,600,000,000
21 to purchase, acquire, conduct, control, operate, or manage the tobacco settlement
22 bond purchase program.

23 (6) Unless otherwise expressly provided in resolutions authorizing the
24 issuance of revenue obligations under this section or in other agreements with the
25 owners of revenue obligations, each issue of revenue obligations under this section

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2 in accordance with subch. II of ch. 18.

3 (7) As determined by the building commission, any moneys deposited into the
4 tobacco settlement bond purchase program repayment fund that are not required for
5 retiring revenue obligations and providing for reserves and for ancillary payments
6 authorized to be paid from such moneys are transferred to the general fund.

7 (8) Recognizing its moral obligation to do so, the legislature expresses its
8 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
9 program repayment fund are insufficient to pay the principal of and interest on the
10 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
11 legislature shall make an appropriation from the general fund sufficient to pay the
12 principal of and interest on the obligations or to replenish a reserve fund, if
13 applicable.

14 **SECTION 3.** 18.51 of the statutes is amended to read:

15 ~~18.51 Provisions applicable.~~ The following sections apply to this
16 subchapter, except that all references to “public debt” or “debt” shall be read to refer
17 to a “revenue obligation” and all references to “evidences of indebtedness” shall be
18 read to refer to “evidences of revenue obligation”: ss. 18.02, 18.03, 18.06 (8), 18.07,
19 18.10 (1), (2), (4) to (9) and, (11), and (12), and 18.17.

20 **SECTION 4.** 18.561 (2) of the statutes is amended to read:

21 18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS. There is
22 a mortgage lien upon or security interest in the income and property of each
23 revenue-producing enterprise or program for the benefit of the owners of the related
24 enterprise obligations and other persons specified in the authorizing resolution
25 providing for the issuance of the particular enterprise obligations. No physical

1 delivery, recordation or other action is required to perfect the security interest. The
2 income and property of the revenue-producing enterprise or program shall remain
3 subject to the lien or security interest until provision for payment in full of the
4 principal of and interest of on the enterprise obligations, and other obligations
5 specified in the authorizing resolution providing for the issuance of the particular
6 enterprise obligations, has been made, as provided in the authorizing resolution.
7 The lien or security interest for the benefit of the owners of the enterprise obligations
8 and other persons specified in the authorizing resolution providing for the issuance
9 of the particular enterprise obligations shall have priority over all conflicting
10 security interests in the income and property of the revenue-producing enterprise
11 or program. Any owner of such enterprise obligations may either at law or in equity
12 protect and enforce the lien and compel performance of all duties required by this
13 section. If there is any default in the payment of the principal or interest of any of
14 such enterprise obligations, any court having jurisdiction of the action may appoint
15 a receiver to administer the revenue-producing enterprise or program on behalf of
16 the state and the owners of the enterprise obligations, with power to charge and
17 collect rates sufficient to provide for the payment of the operating expenses and also
18 to pay any enterprise obligations outstanding against the revenue-producing
19 enterprise or program, and to apply the income and revenues thereof in conformity
20 with this subchapter and the authorizing resolution, or the court may declare the
21 whole amount of the enterprise obligations due and payable, if such relief is
22 requested, and may order and direct the sale of the revenue-producing enterprise
23 or program. Under any sale so ordered, the purchaser shall be vested with an
24 indeterminate permit to maintain and operate the revenue-producing enterprise or
25 program. The legislature may provide for additions, extensions and improvements

1 to a revenue-producing enterprise or program to be financed by additional issues of
2 enterprise obligations as provided by this section. Such additional issues of
3 enterprise obligations shall be subordinate to all prior related issues of enterprise
4 obligations which may have been made under this section, unless the legislature, in
5 the statute authorizing ~~the initial issue of enterprise obligations, permits the issue~~
6 ~~of additional enterprise obligations on a parity therewith~~ a particular issue of
7 enterprise obligations, or the authorizing resolution providing for the issuance of a
8 particular enterprise obligation, permits the issue of additional enterprise
9 obligations or other obligations on a parity therewith or senior thereto.

10 SECTION 5. 18.561 (3) of the statutes is amended to read:

11 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
12 commission and the state department or agency carrying out program
13 responsibilities for which enterprise obligations are to be issued shall determine, and
14 the commission shall fix in the authorizing resolution for such enterprise obligations:
15 the proportion of the revenues of the revenue-producing enterprise or program
16 which shall be necessary for the reasonable and proper operation and maintenance
17 thereof; the proportion of the revenues which shall be set aside as a proper and
18 adequate replacement and reserve fund; ~~and the proportion of the revenues which~~
19 ~~shall be set aside and applied to the payment of the principal of and interest of on~~
20 ~~the enterprise obligations, and ancillary payments authorized to be paid from such~~
21 ~~moneys; and the proportion of the revenues which shall be available for other~~
22 ~~purposes, and shall provide that the revenues be set aside in separate funds. At~~
23 Subject to the provisions and covenants of the authorizing resolution, at any time
24 after one year's operation, the state department or agency and the commission may
25 recompute the proportion of the revenues which shall be assignable under this

1 subsection based upon the experience of operation or upon the basis of further
2 financing.

3 **SECTION 6.** 20.505 (1) (te) of the statutes is created to read:

4 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
5 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
6 proceeds from revenue obligations that are issued under subch. II of ch. 18, as
7 authorized under s. 16.523, and deposited into a fund in the state treasury, or in an
8 account maintained by a trustee, created under s. 18.57 (1), as authorized under s.
9 16.523 (2), to purchase any bonds issued by Badger Tobacco Asset Securitization
10 Corporation, as determined by the department, to provide for reserves, to make
11 ancillary payments, as determined by the building commission, and the remainder
12 to be transferred to the tobacco settlement bond purchase program repayment fund
13 or a tobacco settlement bond purchase program redemption fund created under s.
14 18.561 (5), or both, as provided in the authorizing resolution. Estimated
15 disbursements under this paragraph shall not be included in the schedule under s.
16 20.005.

17 **SECTION 7.** 20.505 (1) (tm) of the statutes is created to read:

18 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund —*
19 *revenue obligation repayment and payment of certain expenses.* From the tobacco
20 settlement bond purchase program repayment fund, a sum sufficient to provide for
21 reserves and the making of ancillary payments and to pay a tobacco settlement bond
22 purchase program redemption fund created under s. 18.561 (5) the amount needed
23 to retire revenue obligations issued under subch. II of ch. 18, as authorized under s.
24 16.523, and to make ancillary payments relating to revenue obligations issued under
25 subch. II of ch. 18, as authorized under s. 16.523 and the resolution authorizing the

1 revenue obligations, and for the remainder to be transferred to the general fund.
2 Estimated disbursements under this paragraph shall not be included in the schedule
3 under s. 20.005.

4 **SECTION 8.** 20.505 (1) (tr) of the statutes is created to read:

5 *20.505 (1) (tr) Debt service on revenue obligations used to purchase bonds issued*
6 *by the Badger Tobacco Asset Securitization Corporation.* From a tobacco settlement
7 bond purchase program redemption fund created under s. 18.561 (5), all moneys
8 received by the fund for the retirement of revenue obligations issued under subch.
9 II of ch. 18, as authorized under s. 16.523, and for ancillary payments authorized by
10 the authorizing resolution for the revenue obligations. All moneys received by the
11 fund are irrevocably appropriated in accordance with subch. II of ch. 18 and further
12 established in resolutions authorizing the issuance of the revenue obligations under
13 s. 16.523 and setting forth the distribution of funds to be received thereafter.
14 Estimated disbursements under this paragraph shall not be included in the schedule
15 under s. 20.005.

16 **SECTION 9.** 25.17 (1) (th) of the statutes is created to read:

17 *25.17 (1) (th) Tobacco settlement bond purchase program repayment fund (s.*
18 *25.575);*

19 **SECTION 10.** 25.575 of the statutes is created to read:

20 **25.575 Tobacco settlement bond purchase program repayment fund.**

21 There is created a separate nonlapsible trust fund, known as the tobacco settlement
22 bond purchase program repayment fund, consisting of all moneys received as
23 revenues from bonds purchased under s. 16.523 and all moneys transferred to the
24 fund under s. 20.505 (1) (te).

25 (END)

D-Note

This draft is reconciled with

LRB-1016. The treatment of s. 13.40

(3)(b) will appear in ~~the draft~~.

RAC

and LRB-1932

LRB-1016 and

the treatment of s. 18.51 will appear

in LRB-1932.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1797/5dn
RAC:wlj:rs

February 5, 2003

This draft is reconciled with LRB-1016 and LRB-1932. The treatment of s. 13.40 (3) (b) will appear in LRB-1016, and the treatment of s. 18.51 will appear in LRB-1932.

Rick A. Champagne
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DOA:.....Hoadley - Revenue obligation program to purchase Tobacco
Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT

STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called the Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued. ✓

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, funds for the program may not exceed \$1,600,000,000. The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 16.523 of the statutes is created to read:

2 16.523 Purchase of bonds issued by ~~the~~ Badger Tobacco Asset
3 Securitization Corporation; revenue obligations. (1) There is established a
4 tobacco settlement bond purchase program, to be administered by the department,
5 to purchase any bonds issued by ~~the~~ Badger Tobacco Asset Securitization
6 Corporation. The legislature finds and determines that the tobacco settlement bond
7 purchase program is likely to produce sufficient net income to pay when due the
8 principal of and interest on revenue obligations issued by the state to make the
9 purchase and, thereby, constitutes a revenue-producing enterprise or program, as
10 defined in s. 18.52 (6).

11 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
12 authorized under this section, shall be deposited in a fund in the state treasury, or
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be
14 applied for ancillary payments and the provision of reserves, as determined by the
15 building commission, and for the purchase by the department of any bonds issued
16 by ~~the~~ Badger Tobacco Asset Securitization Corporation, as determined by the
17 department, and any remainder shall be paid into a tobacco settlement bond
18 purchase program redemption fund created under s. 18.561 (5) or the tobacco
19 settlement bond purchase program repayment fund, or both, as provided in the
20 authorizing resolution.

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SECTION 1

paying principal of and premium, if any, and interest on

①

retiring revenue obligations and providing for reserves and for ancillary payments authorized to be paid from such moneys are transferred to the general fund.

(8) Recognizing its moral obligation to do so, the legislature expresses its expectation and aspiration that, if the funds in the tobacco settlement bond purchase program repayment fund are insufficient to pay the principal of and interest on the revenue obligations issued under subch. II of ch. 18 pursuant to this section, the legislature shall make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations or to replenish a reserve fund, if applicable.

SECTION 2. 18.561 (2) of the statutes is amended to read:

18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS. There is a mortgage lien upon or security interest in the income and property of each revenue-producing enterprise or program for the benefit of the owners of the related enterprise obligations and other persons specified in the authorizing resolution providing for the issuance of the particular enterprise obligations. No physical delivery, recordation or other action is required to perfect the security interest. The income and property of the revenue-producing enterprise or program shall remain subject to the lien or security interest until provision for payment in full of the principal of and interest of on the enterprise obligations, and other obligations specified in the authorizing resolution providing for the issuance of the particular enterprise obligations. has been made, as provided in the authorizing resolution. The lien or security interest for the benefit of the owners of the enterprise obligations and other persons specified in the authorizing resolution providing for the issuance of the particular enterprise obligations shall have priority over all conflicting security interests in the income and property of the revenue-producing enterprise

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SECTION 2

of

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on

1 or program. Any owner of such enterprise obligations may either at law or in equity
 2 protect and enforce the lien and compel performance of all duties required by this
 3 section. If there is any default in the payment of the principal or interest of any of
 4 such enterprise obligations, any court having jurisdiction of the action may appoint
 5 a receiver to administer the revenue-producing enterprise or program on behalf of
 6 the state and the owners of the enterprise obligations, with power to charge and
 7 collect rates sufficient to provide for the payment of the operating expenses and also
 8 to pay any enterprise obligations outstanding against the revenue-producing
 9 enterprise or program, and to apply the income and revenues thereof in conformity
 10 with this subchapter and the authorizing resolution, or the court may declare the
 11 whole amount of the enterprise obligations due and payable, if such relief is
 12 requested, and may order and direct the sale of the revenue-producing enterprise
 13 or program. Under any sale so ordered, the purchaser shall be vested with an
 14 indeterminate permit to maintain and operate the revenue-producing enterprise or
 15 program. The legislature may provide for additions, extensions and improvements
 16 to a revenue-producing enterprise or program to be financed by additional issues of
 17 enterprise obligations as provided by this section. Such additional issues of
 18 enterprise obligations shall be subordinate to all prior related issues of enterprise
 19 obligations which may have been made under this section, unless the legislature, in
 20 the statute authorizing ~~the initial issue of enterprise obligations, permits the issue~~
 21 ~~of additional enterprise obligations on a parity therewith~~ a particular issue of
 22 enterprise obligations, or the authorizing resolution providing for the issuance of a
 23 particular enterprise obligation, permits the issue of additional enterprise
 24 obligations or other obligations on a parity therewith or senior thereto.

25 SECTION 3. 18.561 (3) of the statutes is amended to read:

1 ancillary payments, as determined by the building commission, and the remainder
2 to be transferred to the tobacco settlement bond purchase program repayment fund
3 or a tobacco settlement bond purchase program redemption fund created under s.
4 18.561 (5), or both, as provided in the authorizing resolution. Estimated
5 disbursements under this paragraph shall not be included in the schedule under s.

6 20.005. pay principal of and premium, if any, and interest on

7 SECTION 5. 20.505 (1) (tm) of the statutes is created to read:

8 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund --*
9 *revenue obligation repayment and payment of certain expenses.* From the tobacco
10 settlement bond purchase program repayment fund, a sum sufficient to provide for
11 reserves and the making of ancillary payments and to pay a tobacco settlement bond
12 purchase program redemption fund created under s. 18.561 (5) the amount needed
13 to retire revenue obligations issued under subch. II of ch. 18, as authorized under s.
14 16.523, and to make ancillary payments relating to revenue obligations issued under
15 subch. II of ch. 18, as authorized under s. 16.523 and the resolution authorizing the
16 revenue obligations, and for the remainder to be transferred to the general fund.

in equal amounts to the tobacco control fund and

17 Estimated disbursements under this paragraph shall not be included in the schedule
18 under s. 20.005. as determined in the authorizing resolution,

19 SECTION 6. 20.505 (1) (tr) of the statutes is created to read:

20 20.505 (1) (tr) *Debt service on revenue obligations used to purchase bonds issued*
21 *by the Badger Tobacco Asset Securitization Corporation.* From a tobacco settlement
22 bond purchase program redemption fund created under s. 18.561 (5), all moneys
23 received by the fund for the retirement of revenue obligations issued under subch.
24 II of ch. 18, as authorized under s. 16.523, and for ancillary payments authorized by
25 the authorizing resolution for the revenue obligations. All moneys received by the

payment

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SECTION 6

1 fund are irrevocably appropriated in accordance with subch. II of ch. 18 and further
2 established in resolutions authorizing the issuance of the revenue obligations under
3 s. 16.523 and setting forth the distribution of funds to be received thereafter.
4 Estimated disbursements under this paragraph shall not be included in the schedule
5 under s. 20.005.

6 SECTION 7. 25.17 (1) (th) of the statutes is created to read:

7 25.17 (1) (th) Tobacco settlement bond purchase program repayment fund (s.
8 25.575);

9 SECTION 8. 25.575 of the statutes is created to read:

10 25.575 Tobacco settlement bond purchase program repayment fund.

11 There is created a separate nonlapsible trust fund, known as the tobacco settlement
12 bond purchase program repayment fund, consisting of all moneys received as
13 revenues from bonds purchased under s. 16.523 and all moneys transferred to the
14 fund under s. 20.505 (1) (te).

15 (END)

any other revenues of the tobacco settlement
bond purchase program dedicated to it by
the resolution authorizing the issuance
of the revenue obligations under s. 16.523,

amend appropriate to tobacco control fund
to add from repayment fund.



State of Wisconsin
2003 - 2004 LEGISLATURE

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RMR

DOA:.....Hoadley - Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

DO NOT GEN

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau
STATE GOVERNMENT
STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called ~~the~~ Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued.

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, funds for the program may not exceed \$1,600,000,000. The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations.

Not

that
Finally, the bill provides ~~the~~ remainder of moneys received after the settlement of the bonds, the making of certain payments, and the provision of reserves are to be equally divided between the tobacco control fund and the general funds

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 16.523 of the statutes is created to read:

2 **16.523 Purchase of bonds issued by ~~the~~ Badger Tobacco Asset**
3 **Securitization Corporation; revenue obligations.** (1) There is established a
4 tobacco settlement bond purchase program, to be administered by the department,
5 to purchase any bonds issued by ~~the~~ Badger Tobacco Asset Securitization
6 Corporation. The legislature finds and determines that the tobacco settlement bond
7 purchase program is likely to produce sufficient net income to pay when due the
8 principal of and interest on revenue obligations issued by the state to make the
9 purchase and, thereby, constitutes a revenue-producing enterprise or program, as
10 defined in s. 18.52 (6).

11 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
12 authorized under this section, shall be deposited in a fund in the state treasury, or
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be
14 applied for ancillary payments and the provision of reserves, as determined by the
15 building commission, and for the purchase by the department of any bonds issued
16 by ~~the~~ Badger Tobacco Asset Securitization Corporation, as determined by the
17 department, and any remainder shall be paid into a tobacco settlement bond
18 purchase program redemption fund created under s. 18.561 (5) or the tobacco
19 settlement bond purchase program repayment fund, or both, as provided in the
20 authorizing resolution.

1 (3) The department shall have all powers necessary and convenient to
2 distribute the revenues from the tobacco settlement bond purchase program and the
3 proceeds of the revenue obligations issued under this section in accordance with
4 subch. II of ch. 18.

5 (4) The department may enter into agreements with the federal government
6 or its agencies, political subdivisions of this state, individuals, or private entities to
7 insure, or in any other manner provide, additional security for the revenue
8 obligations issued under this section.

9 (5) (a) Subject to the limitation under par. (b), the building commission may
10 contract revenue obligations under this section in the maximum amount that the
11 building commission believes can be fully paid on a timely basis from moneys
12 received or anticipated to be received from the tobacco settlement bond purchase
13 program.

14 (b) The requirements for funds for the tobacco settlement bond purchase
15 program to be paid from revenue obligations issued under this section shall be
16 determined by the secretary of administration, but shall not exceed \$1,600,000,000
17 to purchase, acquire, conduct, control, operate, or manage the tobacco settlement
18 bond purchase program.

19 (6) Unless otherwise expressly provided in resolutions authorizing the
20 issuance of revenue obligations under this section or in other agreements with the
21 owners of revenue obligations, each issue of revenue obligations under this section
22 shall be on a parity with every other revenue obligation issued under this section and
23 in accordance with subch. II of ch. 18.

24 (7) As determined by the building commission, any moneys deposited into the
25 tobacco settlement bond purchase program repayment fund that are not required for

*paying principal of and premium, if any,
and interest on*

1 ~~paying~~ revenue obligations and providing for reserves and for ancillary payments
2 authorized to be paid from such moneys are transferred to the general fund.

3 (8) Recognizing its moral obligation to do so, the legislature expresses its
4 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
5 program repayment fund are insufficient to pay the principal of and interest on the
6 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
7 legislature shall make an appropriation from the general fund sufficient to pay the
8 principal of and interest on the obligations or to replenish a reserve fund, if
9 applicable.

10 **SECTION 2.** 18.561 (2) of the statutes is amended to read:

11 18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS. There is
12 a mortgage lien upon or security interest in the income and property of each
13 revenue-producing enterprise or program for the benefit of the owners of the related
14 enterprise obligations and other persons specified in the authorizing resolution
15 providing for the issuance of the particular enterprise obligations. No physical
16 delivery, recordation or other action is required to perfect the security interest. The
17 income and property of the revenue-producing enterprise or program shall remain
18 subject to the lien or security interest until provision for payment in full of the
19 principal of and interest of on the enterprise obligations, and other obligations
20 specified in the authorizing resolution providing for the issuance of the particular
21 enterprise obligations, has been made, as provided in the authorizing resolution.
22 The lien or security interest for the benefit of the owners of the enterprise obligations
23 and other persons specified in the authorizing resolution providing for the issuance
24 of the particular enterprise obligations shall have priority over all conflicting
25 security interests in the income and property of the revenue-producing enterprise

1 or program. Any owner of such enterprise obligations may either at law or in equity
2 protect and enforce the lien and compel performance of all duties required by this
3 section. If there is any default in the payment of the principal or interest ^{of} ~~of~~ ^{ON} any of
4 such enterprise obligations, any court having jurisdiction of the action may appoint
5 a receiver to administer the revenue-producing enterprise or program on behalf of
6 the state and the owners of the enterprise obligations, with power to charge and
7 collect rates sufficient to provide for the payment of the operating expenses and also
8 to pay any enterprise obligations outstanding against the revenue-producing
9 enterprise or program, and to apply the income and revenues thereof in conformity
10 with this subchapter and the authorizing resolution, or the court may declare the
11 whole amount of the enterprise obligations due and payable, if such relief is
12 requested, and may order and direct the sale of the revenue-producing enterprise
13 or program. Under any sale so ordered, the purchaser shall be vested with an
14 indeterminate permit to maintain and operate the revenue-producing enterprise or
15 program. The legislature may provide for additions, extensions and improvements
16 to a revenue-producing enterprise or program to be financed by additional issues of
17 enterprise obligations as provided by this section. Such additional issues of
18 enterprise obligations shall be subordinate to all prior related issues of enterprise
19 obligations which may have been made under this section, unless the legislature, in
20 the statute authorizing ~~the initial issue of enterprise obligations, permits the issue~~
21 ~~of additional enterprise obligations on a parity therewith~~ a particular issue of
22 enterprise obligations, or the authorizing resolution providing for the issuance of a
23 particular enterprise obligation, permits the issue of additional enterprise
24 obligations or other obligations on a parity therewith or senior thereto.

25 SECTION 3. 18.561 (3) of the statutes is amended to read:

1 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
2 commission and the state department or agency carrying out program
3 responsibilities for which enterprise obligations are to be issued shall determine, and
4 the commission shall fix in the authorizing resolution for such enterprise obligations:
5 the proportion of the revenues of the revenue-producing enterprise or program
6 which shall be necessary for the reasonable and proper operation and maintenance
7 thereof; the proportion of the revenues which shall be set aside as a proper and
8 adequate replacement and reserve fund; ~~and the proportion of the revenues which~~
9 ~~shall be set aside and applied to the payment of the principal of and interest of on~~
10 ~~the enterprise obligations, and ancillary payments authorized to be paid from such~~
11 ~~moneys; and the proportion of the revenues which shall be available for other~~
12 ~~purposes, and shall provide that the revenues be set aside in separate funds. At~~
13 ~~Subject to the provisions and covenants of the authorizing resolution, at any time~~
14 after one year's operation, the state department or agency and the commission may
15 recompute the proportion of the revenues which shall be assignable under this
16 subsection based upon the experience of operation or upon the basis of further
17 financing.

18 **SECTION 4.** 20.505 (1) (te) of the statutes is created to read:

19 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
20 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
21 proceeds from revenue obligations that are issued under subch. II of ch. 18, as
22 authorized under s. 16.523, and deposited into a fund in the state treasury, or in an
23 account maintained by a trustee, created under s. 18.57 (1), as authorized under s.
24 16.523 (2), to purchase any bonds issued by Badger Tobacco Asset Securitization
25 Corporation, as determined by the department, to provide for reserves, to make

pay principal of and premium, if any, and interest on

in eqn of amount to the tobacco control fund and

1 ancillary payments, as determined by the building commission, and the remainder
2 to be transferred to the tobacco settlement bond purchase program repayment fund
3 or a tobacco settlement bond purchase program redemption fund created under s.
4 18.561 (5), or both, as provided in the authorizing resolution. Estimated
5 disbursements under this paragraph shall not be included in the schedule under s.
6 20.005.

7 SECTION 5. 20.505 (1) (tm) of the statutes is created to read:

8 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund —*
9 *revenue obligation repayment and payment of certain expenses.* From the tobacco
10 settlement bond purchase program repayment fund, a sum sufficient to provide for
11 reserves and the making of ancillary payments and to pay a tobacco settlement bond
12 purchase program redemption fund created under s. 18.561 (5) the amount needed
13 to ~~retire~~ revenue obligations issued under subch. II of ch. 18, as authorized under s.
14 16.523, and to make ancillary payments relating to revenue obligations issued under
15 subch. II of ch. 18, as authorized under s. 16.523 and the resolution authorizing the
16 revenue obligations, and for the remainder to be transferred to the general fund.
17 Estimated disbursements under this paragraph shall not be included in the schedule
18 under s. 20.005.

, as determined in the authorizing resolution,

19 SECTION 6. 20.505 (1) (tr) of the statutes is created to read:

20 20.505 (1) (tr) *Debt service on revenue obligations used to purchase bonds issued*
21 *by ~~the~~ Badger Tobacco Asset Securitization Corporation.* From a tobacco settlement
22 bond purchase program redemption fund created under s. 18.561 (5), all moneys
23 received by the fund for the ^{payment} retirement of revenue obligations issued under subch.
24 II of ch. 18, as authorized under s. 16.523, and for ancillary payments authorized by
25 the authorizing resolution for the revenue obligations. All moneys received by the

1 fund are irrevocably appropriated in accordance with subch. II of ch. 18 and further
 2 established in resolutions authorizing the issuance of the revenue obligations under
 3 s. 16.523 and setting forth the distribution of funds to be received thereafter.
 4 Estimated disbursements under this paragraph shall not be included in the schedule
 5 under s. 20.005.

6 SECTION 7. 25.17 (1) (th) of the statutes is created to read:

7 25.17 (1) (th) Tobacco settlement bond purchase program repayment fund (s.
 8 25.575);

9 SECTION 8. 25.575 of the statutes is created to read:

10 **25.575 Tobacco settlement bond purchase program repayment fund.**

11 There is created a separate nonlapsible trust fund, known as the tobacco settlement
 12 bond purchase program repayment fund, consisting of all moneys received as
 13 revenues from bonds purchased under s. 16.523 and all moneys transferred to the
 14 fund under s. 20.505 (1) (te).

15 (END)

*SEC #. 25.66 (1) (f) is created to read:
 25.66 (1) (f) all moneys
 transferred under s. 20.505 (1) (te)*

any other revenues of the tobacco settlement bond purchase program dedicated to it by the resolution authorizing the issuance of the revenue obligations under s. 16.523

Champagne, Rick

From: Reicher, David M. [dreicher@foleylaw.com]
Sent: Friday, February 07, 2003 1:45 PM
To: 'Hoadley, Frank'
Cc: 'rick.champagne@legis.state.wi.us'; Groethe, Reed; Ryan, David B.
Subject: RE: Drafts Received So Far

Frank:

I checked the changes we had provided this morning and passed on the following two comments to Rick, which he is now making:

- 1) In 1797/6, page 4 line 5, the words "in equal amounts to the tobacco control fund and" should be inserted after the word "transferred" [making this consistent with the change made to proposed s. 20.505(1) (tm).
- 2) In 1797/6 page 8 line 4, insert the words "principal of and premium, if any, and interest on" before the words "revenue obligations."

David M. Reicher

Foley & Lardner
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Milwaukee, WI 53202
(414) 297-5763 (phone)
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-----Original Message-----

From: Hoadley, Frank [mailto:frank.hoadley@doa.state.wi.us]
Sent: Friday, February 07, 2003 11:51 AM
To: David M. Reicher (E-mail)
Subject: Drafts Received So Far

<<LRB Draft: 03-1408/5 Interest rate swaps and swaptions>> <<LRB Draft: 03-0854/5 Unfunded pension obligation bonds>> <<LRB Draft: 03-1932/4 Technical revisions relating to state debt, revenue obligations, and operating notes>> <<LRB Draft: 03-1016/6 Payment of unfunded prior service liability under the Wisconsin Retirement System>> <<LRB Draft: 03-1797/6 Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds>>



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-1797/8 7
RAC:wlj&kg:cpj
RMR

DOA:.....Hoadley - Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

1

DO NOT GEN
AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT

STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued.

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, funds for the program may not exceed \$1,600,000,000. The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations. Finally, the bill provides that the remainder of moneys received after

the retirement of the bonds, the making of certain payments, and the provision of reserves are to be equally divided between the tobacco control fund and the general fund.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 16.523 of the statutes is created to read:

2 **16.523 Purchase of bonds issued by Badger Tobacco Asset**
3 **Securitization Corporation; revenue obligations.** (1) There is established a
4 tobacco settlement bond purchase program, to be administered by the department,
5 to purchase any bonds issued by Badger Tobacco Asset Securitization Corporation.
6 The legislature finds and determines that the tobacco settlement bond purchase
7 program is likely to produce sufficient net income to pay when due the principal of
8 and interest on revenue obligations issued by the state to make the purchase and,
9 thereby, constitutes a revenue-producing enterprise or program, as defined in s.
10 18.52 (6).

11 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
12 authorized under this section, shall be deposited in a fund in the state treasury, or
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be
14 applied for ancillary payments and the provision of reserves, as determined by the
15 building commission, and for the purchase by the department of any bonds issued
16 by Badger Tobacco Asset Securitization Corporation, as determined by the
17 department, and any remainder shall be paid into a tobacco settlement bond
18 purchase program redemption fund created under s. 18.561 (5) or the tobacco

1 settlement bond purchase program repayment fund, or both, as provided in the
2 authorizing resolution.

3 (3) The department shall have all powers necessary and convenient to
4 distribute the revenues from the tobacco settlement bond purchase program and the
5 proceeds of the revenue obligations issued under this section in accordance with
6 subch. II of ch. 18.

7 (4) The department may enter into agreements with the federal government
8 or its agencies, political subdivisions of this state, individuals, or private entities to
9 insure, or in any other manner provide, additional security for the revenue
10 obligations issued under this section.

11 (5) (a) Subject to the limitation under par. (b), the building commission may
12 contract revenue obligations under this section in the maximum amount that the
13 building commission believes can be fully paid on a timely basis from moneys
14 received or anticipated to be received from the tobacco settlement bond purchase
15 program.

16 (b) The requirements for funds for the tobacco settlement bond purchase
17 program to be paid from revenue obligations issued under this section shall be
18 determined by the secretary of administration, but shall not exceed \$1,600,000,000
19 to purchase, acquire, conduct, control, operate, or manage the tobacco settlement
20 bond purchase program.

21 (6) Unless otherwise expressly provided in resolutions authorizing the
22 issuance of revenue obligations under this section or in other agreements with the
23 owners of revenue obligations, each issue of revenue obligations under this section
24 shall be on a parity with every other revenue obligation issued under this section and
25 in accordance with subch. II of ch. 18.

1 (7) As determined by the building commission, any moneys deposited into the
2 tobacco settlement bond purchase program repayment fund that are not required for
3 paying principal of and premium, if any, and interest on revenue obligations and
4 providing for reserves and for ancillary payments authorized to be paid from such
5 moneys are transferred to the general fund.

*in equal amounts to the
tobacco control fund and*

6 (8) Recognizing its moral obligation to do so, the legislature expresses its
7 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
8 program repayment fund are insufficient to pay the principal of and interest on the
9 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
10 legislature shall make an appropriation from the general fund sufficient to pay the
11 principal of and interest on the obligations or to replenish a reserve fund, if
12 applicable.

13 SECTION 2. 18.561 (2) of the statutes is amended to read:

14 18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS. There is
15 a mortgage lien upon or security interest in the income and property of each
16 revenue-producing enterprise or program for the benefit of the owners of the related
17 enterprise obligations and other persons specified in the authorizing resolution
18 providing for the issuance of the particular enterprise obligations. No physical
19 delivery, recordation or other action is required to perfect the security interest. The
20 income and property of the revenue-producing enterprise or program shall remain
21 subject to the lien or security interest until provision for payment in full of the
22 principal of and interest of on the enterprise obligations, and other obligations
23 specified in the authorizing resolution providing for the issuance of the particular
24 enterprise obligations, has been made, as provided in the authorizing resolution.
25 The lien or security interest for the benefit of the owners of the enterprise obligations

1 and other persons specified in the authorizing resolution providing for the issuance
2 of the particular enterprise obligations shall have priority over all conflicting
3 security interests in the income and property of the revenue-producing enterprise
4 or program. Any owner of such enterprise obligations may either at law or in equity
5 protect and enforce the lien and compel performance of all duties required by this
6 section. If there is any default in the payment of the principal of or interest of on any
7 of such enterprise obligations, any court having jurisdiction of the action may
8 appoint a receiver to administer the revenue-producing enterprise or program on
9 behalf of the state and the owners of the enterprise obligations, with power to charge
10 and collect rates sufficient to provide for the payment of the operating expenses and
11 also to pay any enterprise obligations outstanding against the revenue-producing
12 enterprise or program, and to apply the income and revenues thereof in conformity
13 with this subchapter and the authorizing resolution, or the court may declare the
14 whole amount of the enterprise obligations due and payable, if such relief is
15 requested, and may order and direct the sale of the revenue-producing enterprise
16 or program. Under any sale so ordered, the purchaser shall be vested with an
17 indeterminate permit to maintain and operate the revenue-producing enterprise or
18 program. The legislature may provide for additions, extensions and improvements
19 to a revenue-producing enterprise or program to be financed by additional issues of
20 enterprise obligations as provided by this section. Such additional issues of
21 enterprise obligations shall be subordinate to all prior related issues of enterprise
22 obligations which may have been made under this section, unless the legislature, in
23 the statute authorizing ~~the initial issue of enterprise obligations,~~ permits the issue
24 of additional enterprise obligations on a parity therewith a particular issue of
25 enterprise obligations, or the authorizing resolution providing for the issuance of a

1 particular enterprise obligation, permits the issue of additional enterprise
2 obligations or other obligations on a parity therewith or senior thereto.

3 SECTION 3. 18.561 (3) of the statutes is amended to read:

4 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
5 commission and the state department or agency carrying out program
6 responsibilities for which enterprise obligations are to be issued shall determine, and
7 the commission shall fix in the authorizing resolution for such enterprise obligations:
8 the proportion of the revenues of the revenue-producing enterprise or program
9 which shall be necessary for the reasonable and proper operation and maintenance
10 thereof; the proportion of the revenues which shall be set aside as a proper and
11 adequate replacement and reserve fund; ~~and the proportion of the revenues which~~
12 ~~shall be set aside and applied to the payment of the principal of and interest of on~~
13 ~~the enterprise obligations, and ancillary payments authorized to be paid from such~~
14 ~~moneys; and the proportion of the revenues which shall be available for other~~
15 ~~purposes,~~ and shall provide that the revenues be set aside in separate funds. ~~At~~
16 Subject to the provisions and covenants of the authorizing resolution, at any time
17 after one year's operation, the state department or agency and the commission may
18 recompute the proportion of the revenues which shall be assignable under this
19 subsection based upon the experience of operation or upon the basis of further
20 financing.

21 SECTION 4. 20.505 (1) (te) of the statutes is created to read:

22 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
23 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
24 proceeds from revenue obligations that are issued under subch. II of ch. 18, as
25 authorized under s. 16.523, and deposited into a fund in the state treasury, or in an

1 account maintained by a trustee, created under s. 18.57 (1), as authorized under s.
2 16.523 (2), to purchase any bonds issued by Badger Tobacco Asset Securitization
3 Corporation, as determined by the department, to provide for reserves, to make
4 ancillary payments, as determined by the building commission, and the remainder
5 to be transferred to the tobacco settlement bond purchase program repayment fund
6 or a tobacco settlement bond purchase program redemption fund created under s.
7 18.561 (5), or both, as provided in the authorizing resolution. Estimated
8 disbursements under this paragraph shall not be included in the schedule under s.
9 20.005.

10 **SECTION 5.** 20.505 (1) (tm) of the statutes is created to read:

11 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund —*
12 *revenue obligation repayment and payment of certain expenses.* From the tobacco
13 settlement bond purchase program repayment fund, a sum sufficient to provide for
14 reserves and the making of ancillary payments and to pay a tobacco settlement bond
15 purchase program redemption fund created under s. 18.561 (5) the amount needed
16 to pay principal of and premium, if any, and interest on revenue obligations issued
17 under subch. II of ch. 18, as authorized under s. 16.523, and to make ancillary
18 payments relating to revenue obligations issued under subch. II of ch. 18, as
19 authorized under s. 16.523 and the resolution authorizing the revenue obligations,
20 and for the remainder, as determined in the authorizing resolution, to be transferred
21 in equal amounts to the tobacco control fund and to the general fund. Estimated
22 disbursements under this paragraph shall not be included in the schedule under s.
23 20.005.

24 **SECTION 6.** 20.505 (1) (tr) of the statutes is created to read:

1 20.505 (1) (tr) *Debt service on revenue obligations used to purchase bonds issued*
2 *by Badger Tobacco Asset Securitization Corporation.* From a tobacco settlement
3 bond purchase program redemption fund created under s. 18.561 (5), all moneys
4 received by the fund for the payment of revenue obligations issued under subch. II
5 of ch. 18, as authorized under s. 16.523, and for ancillary payments authorized by the
6 authorizing resolution for the revenue obligations. All moneys received by the fund
7 are irrevocably appropriated in accordance with subch. II of ch. 18 and further
8 established in resolutions authorizing the issuance of the revenue obligations under
9 s. 16.523 and setting forth the distribution of funds to be received thereafter.
10 Estimated disbursements under this paragraph shall not be included in the schedule
11 under s. 20.005.

12 **SECTION 7.** 25.17 (1) (th) of the statutes is created to read:

13 25.17 (1) (th) Tobacco settlement bond purchase program repayment fund (s.
14 25.575);

15 **SECTION 8.** 25.575 of the statutes is created to read:

16 **25.575 Tobacco settlement bond purchase program repayment fund.**

17 There is created a separate nonlapsible trust fund, known as the tobacco settlement
18 bond purchase program repayment fund, consisting of all moneys received as
19 revenues from bonds purchased under s. 16.523, any other revenues of the tobacco
20 settlement bond purchase program dedicated to it by the resolution authorizing the
21 issuance of the revenue obligations under s. 16.523, and all moneys transferred to
22 the fund under s. 20.505 (1) (te).

23 **SECTION 9.** 25.66 (1) (f) of the statutes is created to read:

24 25.66 (1) (f) All moneys transferred under s. 20.505 (1) (tm).

25 **(END)**

Principal of and premium, if any, and interest on



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-1797/7
RAC:wlj&kg:cph

DOA:.....Hoadley – Revenue obligation program to purchase Tobacco Settlement Asset-Backed Bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT

STATE FINANCE

In 2002, a nonstock corporation organized by the secretary of administration, called Badger Tobacco Asset Securitization Corporation (BTASC) entered into an arrangement with the state to issue bonds secured by payments owed the state under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. To date, approximately \$1,591,000,000 in such bonds have been issued.

This bill creates a program, to be administered by DOA, to purchase any of the outstanding bonds issued by BTASC. Under the bill, funds for the program may not exceed \$1,600,000,000. The principal of and interest on the revenue obligations issued by the Building Commission are to be secured by principal and interest payments received from the bonds issued by BTASC and purchased by the state. In addition, the bill contains a moral obligation pledge in which the legislature expresses its expectation and aspiration that, if the BTASC bond principal and interest payments are insufficient to pay the principal of and interest on the revenue obligations issued by the Building Commission, the legislature will make an appropriation from the general fund sufficient to pay the principal of and interest on the obligations. Finally, the bill provides that the remainder of moneys received after

the retirement of the bonds, the making of certain payments, and the provision of reserves are to be equally divided between the tobacco control fund and the general fund.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 16.523 of the statutes is created to read:

2 **16.523 Purchase of bonds issued by Badger Tobacco Asset**
3 **Securitization Corporation; revenue obligations.** (1) There is established a
4 tobacco settlement bond purchase program, to be administered by the department,
5 to purchase any bonds issued by Badger Tobacco Asset Securitization Corporation.
6 The legislature finds and determines that the tobacco settlement bond purchase
7 program is likely to produce sufficient net income to pay when due the principal of
8 and interest on revenue obligations issued by the state to make the purchase and,
9 thereby, constitutes a revenue-producing enterprise or program, as defined in s.
10 18.52 (6).

11 (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as
12 authorized under this section, shall be deposited in a fund in the state treasury, or
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be
14 applied for ancillary payments and the provision of reserves, as determined by the
15 building commission, and for the purchase by the department of any bonds issued
16 by Badger Tobacco Asset Securitization Corporation, as determined by the
17 department, and any remainder shall be paid into a tobacco settlement bond
18 purchase program redemption fund created under s. 18.561 (5) or the tobacco

1 settlement bond purchase program repayment fund, or both, as provided in the
2 authorizing resolution.

3 (3) The department shall have all powers necessary and convenient to
4 distribute the revenues from the tobacco settlement bond purchase program and the
5 proceeds of the revenue obligations issued under this section in accordance with
6 subch. II of ch. 18.

7 (4) The department may enter into agreements with the federal government
8 or its agencies, political subdivisions of this state, individuals, or private entities to
9 insure, or in any other manner provide, additional security for the revenue
10 obligations issued under this section.

11 (5) (a) Subject to the limitation under par. (b), the building commission may
12 contract revenue obligations under this section in the maximum amount that the
13 building commission believes can be fully paid on a timely basis from moneys
14 received or anticipated to be received from the tobacco settlement bond purchase
15 program.

16 (b) The requirements for funds for the tobacco settlement bond purchase
17 program to be paid from revenue obligations issued under this section shall be
18 determined by the secretary of administration, but shall not exceed \$1,600,000,000
19 to purchase, acquire, conduct, control, operate, or manage the tobacco settlement
20 bond purchase program.

21 (6) Unless otherwise expressly provided in resolutions authorizing the
22 issuance of revenue obligations under this section or in other agreements with the
23 owners of revenue obligations, each issue of revenue obligations under this section
24 shall be on a parity with every other revenue obligation issued under this section and
25 in accordance with subch. II of ch. 18.

1 (7) As determined by the building commission, any moneys deposited into the
2 tobacco settlement bond purchase program repayment fund that are not required for
3 paying principal of and premium, if any, and interest on revenue obligations and
4 providing for reserves and for ancillary payments authorized to be paid from such
5 moneys are transferred in equal amounts to the tobacco control fund and to the
6 general fund.

7 (8) Recognizing its moral obligation to do so, the legislature expresses its
8 expectation and aspiration that, if the funds in the tobacco settlement bond purchase
9 program repayment fund are insufficient to pay the principal of and interest on the
10 revenue obligations issued under subch. II of ch. 18 pursuant to this section, the
11 legislature shall make an appropriation from the general fund sufficient to pay the
12 principal of and interest on the obligations or to replenish a reserve fund, if
13 applicable.

14 **SECTION 2.** 18.561 (2) of the statutes is amended to read:

15 18.561 (2) SECURITY INTERESTS OF OWNERS OF ENTERPRISE OBLIGATIONS. There is
16 a mortgage lien upon or security interest in the income and property of each
17 revenue-producing enterprise or program for the benefit of the owners of the related
18 enterprise obligations and other persons specified in the authorizing resolution
19 providing for the issuance of the particular enterprise obligations. No physical
20 delivery, recordation or other action is required to perfect the security interest. The
21 income and property of the revenue-producing enterprise or program shall remain
22 subject to the lien or security interest until provision for payment in full of the
23 principal of and interest of on the enterprise obligations, and other obligations
24 specified in the authorizing resolution providing for the issuance of the particular
25 enterprise obligations, has been made, as provided in the authorizing resolution.

1 The lien or security interest for the benefit of the owners of the enterprise obligations
2 and other persons specified in the authorizing resolution providing for the issuance
3 of the particular enterprise obligations shall have priority over all conflicting
4 security interests in the income and property of the revenue-producing enterprise
5 or program. Any owner of such enterprise obligations may either at law or in equity
6 protect and enforce the lien and compel performance of all duties required by this
7 section. If there is any default in the payment of the principal of or interest of on any
8 of such enterprise obligations, any court having jurisdiction of the action may
9 appoint a receiver to administer the revenue-producing enterprise or program on
10 behalf of the state and the owners of the enterprise obligations, with power to charge
11 and collect rates sufficient to provide for the payment of the operating expenses and
12 also to pay any enterprise obligations outstanding against the revenue-producing
13 enterprise or program, and to apply the income and revenues thereof in conformity
14 with this subchapter and the authorizing resolution, or the court may declare the
15 whole amount of the enterprise obligations due and payable, if such relief is
16 requested, and may order and direct the sale of the revenue-producing enterprise
17 or program. Under any sale so ordered, the purchaser shall be vested with an
18 indeterminate permit to maintain and operate the revenue-producing enterprise or
19 program. The legislature may provide for additions, extensions and improvements
20 to a revenue-producing enterprise or program to be financed by additional issues of
21 enterprise obligations as provided by this section. Such additional issues of
22 enterprise obligations shall be subordinate to all prior related issues of enterprise
23 obligations which may have been made under this section, unless the legislature, in
24 the statute authorizing ~~the initial issue of enterprise obligations, permits the issue~~
25 ~~of additional enterprise obligations on a parity therewith~~ a particular issue of

1 enterprise obligations, or the authorizing resolution providing for the issuance of a
2 particular enterprise obligation, permits the issue of additional enterprise
3 obligations or other obligations on a parity therewith or senior thereto.

4 **SECTION 3.** 18.561 (3) of the statutes is amended to read:

5 18.561 (3) DEDICATION OF REVENUES. As accurately as possible in advance, the
6 commission and the state department or agency carrying out program
7 responsibilities for which enterprise obligations are to be issued shall determine, and
8 the commission shall fix in the authorizing resolution for such enterprise obligations:
9 the proportion of the revenues of the revenue-producing enterprise or program
10 which shall be necessary for the reasonable and proper operation and maintenance
11 thereof; the proportion of the revenues which shall be set aside as a proper and
12 adequate replacement and reserve fund; ~~and the proportion of the revenues which~~
13 ~~shall be set aside and applied to the payment of the principal of and interest of on~~
14 ~~the enterprise obligations, and ancillary payments authorized to be paid from such~~
15 ~~moneys; and the proportion of the revenues which shall be available for other~~
16 ~~purposes,~~ and shall provide that the revenues be set aside in separate funds. ~~At~~
17 Subject to the provisions and covenants of the authorizing resolution, at any time
18 after one year's operation, the state department or agency and the commission may
19 recompute the proportion of the revenues which shall be assignable under this
20 subsection based upon the experience of operation or upon the basis of further
21 financing.

22 **SECTION 4.** 20.505 (1) (te) of the statutes is created to read:

23 20.505 (1) (te) *Revenue obligation proceeds to purchase any bonds issued by*
24 *Badger Tobacco Asset Securitization Corporation.* As a continuing appropriation, all
25 proceeds from revenue obligations that are issued under subch. II of ch. 18, as

1 authorized under s. 16.523, and deposited into a fund in the state treasury, or in an
2 account maintained by a trustee, created under s. 18.57 (1), as authorized under s.
3 16.523 (2), to purchase any bonds issued by Badger Tobacco Asset Securitization
4 Corporation, as determined by the department, to provide for reserves, to make
5 ancillary payments, as determined by the building commission, and the remainder
6 to be transferred to the tobacco settlement bond purchase program repayment fund
7 or a tobacco settlement bond purchase program redemption fund created under s.
8 18.561 (5), or both, as provided in the authorizing resolution. Estimated
9 disbursements under this paragraph shall not be included in the schedule under s.
10 20.005.

11 **SECTION 5.** 20.505 (1) (tm) of the statutes is created to read:

12 20.505 (1) (tm) *Tobacco settlement bond purchase program repayment fund —*
13 *revenue obligation repayment and payment of certain expenses.* From the tobacco
14 settlement bond purchase program repayment fund, a sum sufficient to provide for
15 reserves and the making of ancillary payments and to pay a tobacco settlement bond
16 purchase program redemption fund created under s. 18.561 (5) the amount needed
17 to pay principal of and premium, if any, and interest on revenue obligations issued
18 under subch. II of ch. 18, as authorized under s. 16.523, and to make ancillary
19 payments relating to revenue obligations issued under subch. II of ch. 18, as
20 authorized under s. 16.523 and the resolution authorizing the revenue obligations,
21 and for the remainder, as determined in the authorizing resolution, to be transferred
22 in equal amounts to the tobacco control fund and to the general fund. Estimated
23 disbursements under this paragraph shall not be included in the schedule under s.
24 20.005.

25 **SECTION 6.** 20.505 (1) (tr) of the statutes is created to read:

