

2003 DRAFTING REQUEST

Senate Amendment (SA-SB44)

Received: **05/19/2003**

Received By: **rmarchan**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Runde (FA)**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **State Finance - miscellaneous**

Extra Copies: **RAC**

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**

Pre Topic:

LFB:.....Runde (FA) -

Topic:

Delete purchase of tobacco securitization bonds

Instructions:

LFB Paper #190. LRB-1797

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 05/20/2003	wjackson 05/20/2003		_____			
/1	rmarchan 05/20/2003	wjackson 05/20/2003	chaskett 05/20/2003	_____	sbasford 05/20/2003		
/2	rmarchan	wjackson	pgreensl	_____	lemery		

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	05/27/2003	05/27/2003	05/20/2003 _____		05/20/2003		
/3			rschluet _____		sbasford		
			05/27/2003 _____		05/27/2003		

FE Sent For:

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/2		13 WJ 5/27	pgreensl		lemery		

Handwritten initials and date: 5-27-03

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5/20 PS PG/RS

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/?	rmarchan	/1 WLJ 5/20	1 cph 5/20	self 5/20			

FE Sent For:

<END>

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:

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 principal of and premium, if any, and interest*
5 *on revenue obligations issued under subch. II of ch. 18, as authorized under s. 16.523,*
6 *and for ancillary payments authorized by the authorizing resolution for the revenue*
7 *obligations. All moneys received by the fund are irrevocably appropriated in*
8 *accordance with subch. II of ch. 18 and further established in resolutions authorizing*
9 *the issuance of the revenue obligations under s. 16.523 and setting forth the*
10 *distribution of funds to be received thereafter. Estimated disbursements under this*
11 *paragraph shall not be included in the schedule 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)



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBb0208~~2~~1
RJM: /:....
Wlj
for MR

LFB:.....Runde (FA) – Delete purchase of tobacco securitization bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

SENATE AMENDMENT ,

TO 2003 SENATE BILL 44

1 At the locations indicated, amend the bill as follows:

2 ✓ 1. Page 93, line 16: delete the material beginning with that line and ending
3 with page 95, line ²¹~~40~~

4 ✓ 2. Page 128, line 3: delete the material beginning with that line and ending
5 with page 130, line 10.

6 ✓ 3. Page 396, line 23: delete the material beginning with that line and ending
7 with page 398, line 12.

8 ✓ 4. Page 458, line 9: delete lines 9 to 16.

9 ✓ 5. Page 459, line 6: delete lines 6 and 7.

10

(END)

RMNR
DWJTE

LFB:.....Runde (FA) – Delete purchase of tobacco securitization bonds

FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

**SENATE AMENDMENT ,
TO 2003 SENATE BILL 44**

Item#. Page 54, line 12: delete "16.523(8)," @

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 93, line 16: delete the material beginning with that line and ending
3 with page 95, line 21.

4 **2.** Page 128, line 3: delete the material beginning with that line and ending
5 with page 130, line 10.

6 **3.** Page 396, line 23: delete the material beginning with that line and ending
7 with page 398, line 12.

8 **4.** Page 458, line 9: delete lines 9 to 16.

9 **5.** Page 459, line 6: delete lines 6 and 7.

10

(END)

DWSTZ

Al Runde[^]
= =

¶ This version of the amendment deletes the cross-reference
to s. 16.523 (8) in ~~proposed~~ s. 13.40 (3) (b). Please let
me know if you have any questions.

[Rom]

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

LRBb0208/2dn
RJM:wlj:pg

May 20, 2003

Al Runde:

This version of the amendment deletes the cross-reference to s. 16.523 (8) in s. 13.40 (3) (b). Please let me know if you have any questions.

Robert J. Marchant
Legislative Attorney
Phone: (608) 261-4454
E-mail: robert.marchant@legis.state.wi.us

Runde

DELETE

LFB:.....Runde (FA) – Delete purchase of tobacco securitization bonds
FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION
SENATE AMENDMENT ,
TO 2003 SENATE BILL 44

delete the material
Item #. Page 126, line 25 *del mat beginning with that line and ending with page 127, line 110*

1 At the locations indicated, amend the bill as follows:

2 1. Page 54, line 12: delete "16.523 (8).".

3 2. Page 93, line 16: delete the material beginning with that line and ending
4 with page 95, line 21.

5 3. Page 128, line 3: delete the material beginning with that line and ending
6 with page 130, line 10. *Item #. Page 136, line 9: delete lines 9 to 10*

7 4. Page 396, line 23: delete the material beginning with that line and ending
8 with page 398, line 12.

9 5. Page 458, line 9: delete lines 9 to 16.

10 6. Page 459, line 6: delete lines 6 and 7.

11 (END)

Page 455, line 5: delete lines 5 to 70

DUNN

Al Punde

(CS)

This draft deletes sections 257, 270, and 838 from Sb-440.
I apologize for my inconvenience caused by this oversight.

[RSM]

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

LRBb0208/3dn
RJM:wlj:rs

May 27, 2003

Al Runde:

This draft deletes SECTIONS 257, 270, and 838 from SB-44. I apologize for any inconvenience caused by this oversight.

Robert J. Marchant
Legislative Attorney
Phone: (608) 261-4454
E-mail: robert.marchant@legis.state.wi.us



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBb0208/3
RJM:wlj:rs

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- 2 **1.** Page 54, line 12: delete "16.523 (8)".
- 3 **2.** Page 93, line 16: delete the material beginning with that line and ending
4 with page 95, line 21.
- 5 **3.** Page 126, line 25: delete the material beginning with that line and ending
6 with page 127, line 11.
- 7 **4.** Page 128, line 3: delete the material beginning with that line and ending
8 with page 130, line 10.
- 9 **5.** Page 136, line 9: delete lines 9 to 19.
- 10 **6.** Page 396, line 23: delete the material beginning with that line and ending
11 with page 398, line 12.

