



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #886

### **Tobacco Settlement Revenue Reestimate (Tobacco Settlement Securitization)**

[LFB 2001-03 Budget Summary: Page 637, #1]

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#### **CURRENT LAW**

In 1998, Wisconsin and 45 other states, Puerto Rico, the U.S. Virgin Islands, American Samoa, the Northern Mariana Islands, Guam and the District of Columbia entered into the Master Settlement Agreement (MSA) with certain tobacco manufacturers (the "original participating manufacturers"). The settlement agreement also allows for tobacco manufacturers, in addition to the original participating manufacturers, to join the MSA ("subsequent participating manufacturers"). Under the MSA, Wisconsin will receive initial payments through 2003, strategic contribution payments from 2008 through 2017, and annual payments in perpetuity.

#### **GOVERNOR**

Estimate the settlement monies to be received under the MSA at \$153,414,000 in 2001-02 and \$155,440,800 in 2002-03. These monies could either be directly deposited into the general fund or flow through the permanent endowment fund, depending on the timing of the proposed sale of bonds under the tobacco settlement securitization recommendation.

#### **MODIFICATION TO BILL**

Reestimate the settlement monies to be received under the MSA and deposited into the general fund or flowing through the permanent endowment fund, depending on whether the Governor's tobacco settlement securitization recommendation is adopted and, if so, the timing of the sale of bonds, by an additional \$2,112,000 in 2001-02 and \$2,162,000 in 2002-03.

**Explanation:** Based on higher operating income for the original participating manufacturers that increased actual 2001 settlement payments to the states under the MSA, it is estimated that settlement monies will be \$155.5 million in 2001-02 and \$157.6 million in 2002-03. This represents an increase to the bill of \$2.1 million in 2001-02 and \$2.2 million in 2002-03.

| <b>Modification</b>                     | <b>GPR</b>  |
|---|-------------|
| <b>2001-03 REVENUE</b> (Change to Bill) | \$4,274,000 |

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