

# EXECUTIVE SUMMARY TOBACCO SECURITIZATION ACT

SENATE FILE 532

## HEALTHY IOWANS TOBACCO TRUST

- Creates the Healthy Iowans Tobacco Trust and repeals the Tobacco Settlement Endowment Fund. Requires appropriations from the Endowment for Iowa’s Health Account of the Tobacco Settlement Trust Fund and from any other source to be deposited in the Healthy Iowans Tobacco Trust.
- Repeals the requirement that tobacco receipts be deposited in the Tobacco Settlement Endowment Fund. Makes statutory changes to conform to the creation of the Healthy Iowans Tobacco Trust.
- States that the Healthy Iowans Tobacco Trust is considered part of the General Fund for cash flow purposes only, and requires any moneys used for cash flow purposes to be returned to the Trust by the close of each fiscal year.

## DEFINITIONS

- Defines “Healthy Iowans Tobacco Trust,” “Interest rate agreement,” “Net proceeds,” “Program plan,” “Qualified investments,” “State’s share,” “Tax-exempt bonds,” and “Taxable bonds.” Repeals the definition of “Tobacco Settlement Endowment Fund.”

## TOBACCO SETTLEMENT AUTHORITY

- Clarifies the purposes of the Tobacco Settlement Authority.
- Expands the powers of the Tobacco Settlement Authority to include execution of agreements necessary to securitize tobacco receipts.
- States the Tobacco Settlement Authority is dissolved no later than two years after the date of final payment of all outstanding obligations. Requires all assets of the Tobacco Settlement Authority, upon dissolution, to be returned to the State and deposited in the Healthy Iowans Tobacco Trust.

## TOBACCO SECURITIZATION

- Requires the Governor, with assistance provided by the Attorney General, to sell all or a portion of the State’s share of tobacco receipts due to Iowa under the Tobacco Master Settlement Agreement to the Tobacco Settlement Authority.
- Requires any sales agreement to be consistent with the program plan, and provides certain terms and conditions of the sales agreement.
- Requires the Tobacco Settlement Authority, the Treasurer of State, and the Attorney General to report to the Legislative Council and the Executive Council before the date of the sale of tobacco receipts.

## PROGRAM PLAN

- Requires the Tobacco Settlement Authority to implement the program plan and to securitize tobacco receipts. Requires the Tobacco Settlement Authority to issue tax-exempt bonds in an amount that will result in net proceeds of no more than \$540 million to be used for capital projects. Permits the Tobacco Settlement Authority to issue taxable bonds or tax-exempt bonds to be used for the Tobacco Settlement Endowment Fund. The Tobacco Settlement Authority is not required to issue tax-exempt bonds if it is not in the best interest of the State due to market conditions.

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## PROGRAM PLAN, CONTINUED

- States the expectations of the State are that not less than 85.0% of the proceeds from issuing tax-exempt bonds will be expended within five years from the effective date of the sale. Requires the specific capital projects, debt service, and attorney fee payments funded by these proceeds to be determined on an annual basis by the appropriations process of the General Assembly and the Governor.
- Requires the Tobacco Settlement Authority to periodically report to the Legislative Council and the Governor regarding the implementation of the program plan. Requires the Tobacco Settlement Authority to submit a report to the Legislative Council and the Governor before any public offering of bonds.
- Requires a constitutional majority of each house of the General Assembly and approval of the Governor to amend the program plan.
- States that in any conflicts between the program plan and Chapter 12E, Code of Iowa, the provisions of Chapter 12E, Code of Iowa, shall govern.

## BONDS

- Permits the Tobacco Settlement Authority to issue bonds, and states the requirements of any bond proceeds.
- Clarifies that the State reserves the right to amend, alter, repeal, or otherwise change the structure, organization, programs, or activities of the Tobacco Settlement Authority, except that a law shall not be enacted that impairs existing contracts or sales agreements of the Tobacco Settlement Authority.

## TOBACCO SETTLEMENT TRUST FUND

- Defines the accounts within the Tobacco Settlement Trust Fund to include the Tax-Exempt Bonds Proceeds Restricted Capital Funds Account and the Endowment for Iowa's Health Account. States the purposes of the accounts.
- Transfers \$55.0 million from the Endowment for Iowa's Health Account to the Healthy Iowans Tobacco Trust for FY 2002.
- Beginning in FY 2003, makes an annual standing appropriation of \$55.0 million from the Endowment for Iowa's Health Account to the Healthy Iowans Tobacco Trust. The standing appropriation is adjusted by an annual inflation factor of 1.5% of the amount transferred the previous year. Any other transfers are required to be authorized by the General Assembly and approved by the Governor.
- Permits the Tobacco Settlement Authority to make certain investments.
- States that the moneys within the Tax-Exempt Bonds Proceeds Restricted Capital Funds Account are moneys of the State.)

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REPEAL

EFFECTIVE DATES

ENACTMENT DATE

- Repeals HF 2579 (Tobacco Securitization Act) which was passed during the 2000 Legislative Session.
- Requires the State's share of funds to be deposited in the Healthy Iowans Tobacco Trust, until the effective date of the sale of tobacco receipts. At that time, the State's share is required to be transferred or deposited in accordance with any sales agreement and Chapter 12E, Code of Iowa.
- This Act takes effect upon enactment.
- This Act was approved by the General Assembly on May 8, 2001, and signed by the Governor on May 29, 2001.