

HB 401 -- TOBACCO SETTLEMENT PAYMENT SECURITIZATION

CO-SPONSORS: Pratt, Bearden, Icet, Byrd, Hanaway, Phillips, Crowell, Schaaf, Yates

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Bonding Authority by a vote of 4 to 3.

This bill makes changes to the authorization allowing securitization through the sale of bonds of a portion of the state's annual tobacco settlement payments.

Under current law, a limit of \$175 million of the bond proceeds could be used in any one fiscal year. Any unused amount could be carried forward and be cumulatively added to the next fiscal year's expenditure allowance of \$175 million. The bill changes this provision by capping Fiscal Year 2003 expenditures of the proceeds at \$100 million and limiting future expenditures to no more than \$300 million in any subsequent fiscal year.

The bill also clarifies the law allowing concurrent authority to the Board of Public Buildings to issue bonds for securitization with the Tobacco Settlement Financing Authority and requires all proceeds from the bond sale to be deposited in the Tobacco Securitization Settlement Trust Fund.

The bill contains an emergency clause.

FISCAL NOTE: No impact on state funds.

PROPOSERS: Supporters say that the bill clarifies how bonds backed by tobacco securitization payments can be issued and how much of the proceeds from the bonds can be spent in any one fiscal year.

Testifying for the bill was Representative Pratt.

OPPOSERS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say they want to avoid cuts or withholdings, are in favor of securitization, don't want any options closed off, and would rather see cuts next year than withholdings this year. The Missouri State Teachers Association stated that it was concerned with limiting bond proceeds to \$100 million this year.

Others testifying on the bill were Missouri Council of School Administrators; Missouri School Boards Association; Cooperating School Districts of Greater St. Louis; Missouri Association of Secondary Principals; and Missouri State Teachers Association.

Bill Tucker, Deputy Director of Research