



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

JAN 11 2001

The Honorable Joanne M. S. Brown
Legislative Secretary
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Suite 200
130 Aspal Street
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<u>[Signature]</u>
Time	<u>3:47 P.M.</u>
Date	<u>11 Jan 2001</u>

Dear Legislative Secretary Brown:

Enclosed please find Substitute Bill No. 450 (LS), "AN ACT TO ADD ARTICLE 12 AND TO AMEND §221108 OF TITLE 5 AND §6123 OF TITLE 11, ALL OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING THE HEALTH CARE SECURITY FUND AND THE HIGHER EDUCATION ENDOWMENT FUND THROUGH THE SECURITIZATION OF THE TOBACCO SETTLEMENT PAYMENTS MADE UNDER THE MASTER SETTLEMENT AGREEMENT, TO MAKE OTHER APPROPRIATIONS AND FOR OTHER PURPOSES," which I have signed into law as **Public Law No. 25-187**.

This legislation provides that the Guam Economic Development Authority can sell or securitize Guam's allocation under the Master Settlement Agreement of the United States tobacco product manufacturers dated November 23, 1998. This would allow Guam to finance its tobacco settlement proceeds to obtain the full amount up front, and thereby enable Guam use the funds for current needs.

Very truly yours,

[Signature]
Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Attachment: copy attached for signed bill or overridden bill
original attached for vetoed bill


cc: The Honorable Antonio R. Unpingco
Speaker

0044

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 450 (LS), "AN ACT TO ADD ARTICLE 12 AND TO AMEND §221108 OF TITLE 5 AND §6123 OF TITLE 11, ALL OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING THE HEALTH CARE SECURITY FUND AND THE HIGHER EDUCATION ENDOWMENT FUND THROUGH THE SECURITIZATION OF THE TOBACCO SETTLEMENT PAYMENTS MADE UNDER THE MASTER SETTLEMENT AGREEMENT, TO MAKE OTHER APPROPRIATIONS AND FOR OTHER PURPOSES," was on the 20th day of December 2000, duly and regularly passed.



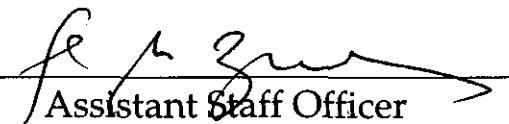
ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guahan* this 27th day of December, 2000,
at 8:40 o'clock A.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: 1-11-01

Public Law No. 25-187

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 450 (LS)

As substituted on the Floor
and amended.

Introduced by:

V. C. Pangelinan
S. A. Sanchez, II
K. S. Moylan _____
J. M.S. Brown
L. F. Kasperbauer
F. B. Aguon, Jr.
E. C. Bermudes
A. C. Blaz
E. B. Calvo
M. G. Camacho
Mark Forbes
A. C. Lamorena, V
C. A. Leon Guerrero
J. C. Salas
A. R. Unpingco

**AN ACT TO ADD ARTICLE 12 AND TO AMEND
§221108 OF TITLE 5 AND §6123 OF TITLE 11, ALL
OF THE GUAM CODE ANNOTATED, RELATIVE
TO ESTABLISHING THE HEALTH CARE
SECURITY FUND AND THE HIGHER
EDUCATION ENDOWMENT FUND THROUGH
THE SECURITIZATION OF THE TOBACCO
SETTLEMENT PAYMENTS MADE UNDER THE
MASTER SETTLEMENT AGREEMENT, TO MAKE
OTHER APPROPRIATIONS AND FOR OTHER
PURPOSES.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Statement.**

I Liheslaturan Guåhan finds that

3 the declining revenues of the General Fund along with the other revenue
4 sources of the government have resulted in hardships and pressures placed
5 upon the ability of the government to provide essential services to the
6 residents of Guam. Given the constraints imposed upon the General Fund to
7 fully pay for these services — health care and higher education, in particular,
8 it is incumbent that alternative sources are found and creative use of future
9 revenues be implemented. One (1) such revenue source is the tobacco Master
10 Settlement Agreement reached and signed between the major United States
11 tobacco manufacturers and forty-six States, Guam, the District of Columbia,
12 the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa
13 and the Commonwealth of the Northern Mariana Islands.

14 *I Liheslaturan Guåhan* further finds that the signing of a Master
15 Settlement Agreement should result in Guam receiving substantial sums of
16 money in perpetuity. Guam has reached State-specific finality, the Master
17 Settlement Agreement has become effective in accordance with its terms, and
18 Guam has agreed to its allocation of the first tobacco settlement payments
19 made under the Master Settlement Agreement as an allocation to Guam.

20 *I Liheslaturan Guåhan* further finds that several jurisdictions have sold
21 their allocations of payments under the Master Settlement Agreement and
22 applied the sale proceeds toward their most critical needs. By doing so they
23 have accelerated the realization of the tobacco settlement payments receivable
24 under the Master Settlement Agreement, and reduced their exposure to the

1 payment risks associated with the Master Settlement Agreement and the
2 credit risks associated with the tobacco industry.

3 It is the intent of *I Liheslaturan Guåhan* to establish a policy that responds
4 to the current funding requirements of the services it wishes to provide to the
5 people by securitizing the tobacco settlement payments. This method of
6 financing will be non-recourse to, and requires no credit support by, the
7 government of Guam.

8 **Section 2.** Article 12 is hereby *added* to Chapter 22 of Title 5 of the
9 Guam Code Annotated to read as follows:

10 **"ARTICLE 12.**

11 **Securitization of Tobacco Settlement Payments.**

12 **Section 221201. Definitions.** As used in this Article:

13 (a) '*Guam Allocation*' means all moneys payable to Guam
14 pursuant to the MSA, without giving effect to any sale of any
15 portion thereof.

16 (b) '*Master Settlement Agreement*' or '*MSA*' means the
17 settlement agreement and related documents between Guam and
18 leading United States tobacco product manufacturers dated
19 November 23, 1998.

20 **Section 221202. Guam Economic Development Authority**
21 **Designated.** The Guam Economic Development Authority shall
22 solicit through the request for proposal process for qualified and
23 licensed investment banking firms for investment services for the
24 purpose of selling or securitizing the Guam Allocation made under the

1 Master Settlement Agreement entered into between the government of
2 Guam and leading tobacco manufacturers. The method of financing
3 shall be non-recourse to, and require no credit support by, the
4 government of Guam. The terms of the sale and securitization shall be
5 submitted to *I Liheslaturan Guåhan* for approval.

6 **Section 221203. Distribution of Proceeds.** Proceeds of the sale
7 and securitization of the Guam Allocation received by the government
8 of Guam shall be distributed in the following manner:

- 9 (1) fifty percent (50%) into the Health Security Trust Fund;
- 10 (2) fifteen percent (15%) into the UOG Endowment Fund;
- 11 (3) fifteen percent (15%) into the GCC Endowment Fund;
- 12 (4) ten percent (10%) into the Youth Tobacco Education
13 and Prevention Fund; *and*
- 14 (5) ten percent (10%) into the Health and Human Services
15 Fund.

16 **Section 221204. Health Security Trust Fund.**

17 (a) There is hereby created, separate and apart from other
18 funds of the government of Guam, a fund known as the Health
19 Security Trust Fund. The Health Security Trust Fund shall *not* be
20 commingled with the General Fund and shall be kept in a separate
21 bank account, and shall be *subject to* legislative appropriation and
22 expended exclusively for the purpose of funding the operations
23 and capital expenditure at the Guam Memorial Hospital.

24 (b) The Health Security Trust Fund, *subject to* legislative
25 approval, may be invested or reinvested in bonds or in securities

1 that are approved for the Retirement Fund, or according to
2 modern investment practices of similar funds. The appropriations
3 from the Health Security Trust Fund shall be limited to fifty
4 percent (50%) of the initial deposit from the proceeds of the sale
5 for the first three (3) years. Thereafter, expenditures shall be
6 limited to ninety percent (90%) of the earnings of the Fund.

7 **Section 221205. UOG Higher Education Endowment Funds.**

8 There is hereby created, separate and apart from other funds of the
9 government of Guam, a fund known as the UOG Higher Education
10 Endowment Fund. The UOG Higher Education Endowment Fund shall
11 *not* be commingled with the General Fund and shall be kept in a
12 separate bank account and administered by the University of Guam.
13 The UOG Higher Education Endowment Fund may be invested or
14 reinvested by the UOG Board of Regents in bonds or in securities that
15 are approved for the Retirement Fund, or according to modern
16 investment practices of similar funds.

17 The appropriations from the UOG Higher Education Endowment
18 Fund shall be limited to fifty percent (50%) of the initial deposit from the
19 proceeds of the sale for the first three (3) years. Thereafter, expenditures
20 shall be limited to ninety percent (90%) of the earnings of the Fund. The
21 proceeds from the investments shall remain within the UOG Higher
22 Education Endowment Fund. All monies deposited into the UOG
23 Higher Education Endowment Fund shall be expended *exclusively* for
24 enhancement of learning resources and technology, including but *not*
25 limited to the following:

1 (a) purchase of computer equipment, books,
2 subscriptions, periodical materials and other library supplies and
3 materials;

4 (b) training; *and*

5 (c) management of library materials and resources;

6 The University of Guam shall determine the allocation of this
7 appropriation in compliance with this Section.

8 **Section 221206. GCC Endowment Funds.** There is hereby
9 created, separate and apart from other funds of the government of
10 Guam, a fund known as the '*GCC Endowment Fund.*' The GCC
11 Endowment Fund shall *not* be commingled with the General Fund and
12 shall be kept in a separate bank account and administered by the Guam
13 Community College ('GCC'). The GCC Endowment Fund may be
14 invested or reinvested by the GCC Board of Trustees in bonds or in
15 securities that are approved for the Retirement Fund, or according to
16 modern investment practices of similar funds. The appropriations from
17 the GCC Endowment Fund shall be *limited to* fifty percent (50%) of the
18 initial deposit from the proceeds of the sale for the first three (3) years.
19 Thereafter, expenditures shall be limited to ninety percent (90%) of the
20 earnings of the Fund. The proceeds from the investments shall remain
21 within the GCC Endowment Fund. All monies deposited into the GCC
22 Endowment Fund shall be expended *exclusively* for enhancement of
23 learning resources and technology, including, but *not* limited to, the
24 following:

1 (a) purchase of computer equipment, books,
2 subscriptions, periodical materials and other library supplies and
3 materials;

4 (b) training; *and*

5 (c) management of library materials and resources;

6 GCC shall determine the allocation of this appropriation in
7 compliance with this Section.”

8 **Section 3.** Section 221108 of Article 11, Chapter 22, Division 2 of Title 5
9 of the Guam Code Annotated is hereby *amended* to read as follows:

10 **“Section 221108. Deposit.**

11 (a) All monies deposited into the HAHS Fund shall be
12 expended exclusively for the purposes enumerated in §221103 and
13 the general intent of this Act.

14 (b) HAHS Fund, *subject to* legislative approval, may be
15 invested or reinvested in bonds or in securities that are approved
16 for the Retirement Fund, or according to modern investment
17 practices of similar funds. The appropriations from the HAHS
18 Fund received pursuant to §221203 of Title 5 of the Guam Code
19 Annotated shall be limited to fifty percent (50%) of the initial
20 deposit from the proceeds of the sale for the first three (3) years.
21 Thereafter, expenditures shall be limited to ninety percent (90%) of
22 the earnings of the Fund.”

23 **Section 4.** Section 6123 of Division 1 of Title 11 of the Guam Code
24 Annotated is hereby *amended* to read as follows:

25 **“Section 6123. Youth Tobacco Education and Prevention Fund.**

1 (a) There is created, separate and apart from any other
2 funds of the government of Guam, under the administration and
3 control of the Department, the Youth Tobacco Education and
4 Prevention Fund ('YTEPF'). YTEPF shall be held in an account or
5 accounts at a Guam financial institution, or institutions, separate
6 and apart from all other accounts and funds of the government of
7 Guam, and shall *not* be subject to the transfer authority of *I*
8 *Maga'lahañ Guåhan*. One hundred percent (100%) of the funds in
9 the YTEPF shall be utilized by the Department of Mental Health
10 and Substance Abuse, for youth compliance monitoring and
11 tobacco and drug prevention and education programs.

12 (b) YTEPF, *subject to* legislative approval, may be invested
13 or reinvested in bonds or in securities that are approved for the
14 Retirement Fund or according to modern investment practices of
15 similar funds. The appropriations from the YTEPF received
16 pursuant to §221203 of Title 5 of the Guam Code Annotated, shall
17 be limited to fifty percent (50%) of the initial deposit from the
18 proceeds of the sale for the first three (3) years. Thereafter,
19 expenditures shall be limited to ninety percent (90%) of the
20 earnings of the Fund."

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

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ANTONIO R. UNPINGCO
Speaker

Attested:

JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guahan* this _____ day of _____, 2000,
at _____ o'clock _____.M.

Assistant Staff Officer
Maga'lahi's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: _____

Public Law No. _____

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 450 (LS)

As substituted on the Floor
and amended.

Introduced by:

V. C. Pangelinan

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3 the declining revenues of the General Fund along with the other revenue
4 sources of the government have resulted in hardships and pressures placed
5 upon the ability of the government to provide essential services to the
6 residents of Guam. Given the constraints imposed upon the General Fund to
7 fully pay for these services — health care and higher education, in particular,
8 it is incumbent that alternative sources are found and creative use of future
9 revenues be implemented. One (1) such revenue source is the tobacco Master
10 Settlement Agreement reached and signed between the major United States
11 tobacco manufacturers and forty-six States, Guam, the District of Columbia,
12 the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa
13 and the Commonwealth of the Northern Mariana Islands.

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15 Settlement Agreement should result in Guam receiving substantial sums of
16 money in perpetuity. Guam has reached State-specific finality, the Master
17 Settlement Agreement has become effective in accordance with its terms, and
18 Guam has agreed to its allocation of the first tobacco settlement payments
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23 have accelerated the realization of the tobacco settlement payments receivable
24 under the Master Settlement Agreement, and reduced their exposure to the

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3 It is the intent of *I Liheslaturan Guåhan* to establish a policy that responds
4 to the current funding requirements of the services it wishes to provide to the
5 people by securitizing the tobacco settlement payments. This method of
6 financing will be non-recourse to, and requires no credit support by, the
7 government of Guam.

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15 portion thereof.

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17 settlement agreement and related documents between Guam and
18 leading United States tobacco product manufacturers dated
19 November 23, 1998.

20 **Section 221202. Guam Economic Development Authority**
21 **Designated.** The Guam Economic Development Authority shall
22 solicit through the request for proposal process for qualified and
23 licensed investment banking firms for investment services for the
24 purpose of selling or securitizing the Guam Allocation made under the

1 Master Settlement Agreement entered into between the government of
2 Guam and leading tobacco manufacturers. The method of financing
3 shall be non-recourse to, and require no credit support by, the
4 government of Guam. The terms of the sale and securitization shall be
5 submitted to *I Liheslaturan Guåhan* for approval.

6 **Section 221203. Distribution of Proceeds.** Proceeds of the sale
7 and securitization of the Guam Allocation received by the government
8 of Guam shall be distributed in the following manner:

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- 12 (4) ten percent (10%) into the Youth Tobacco Education
13 and Prevention Fund; *and*
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15 Fund.

16 **Section 221204. Health Security Trust Fund.**

17 (a) There is hereby created, separate and apart from other
18 funds of the government of Guam, a fund known as the Health
19 Security Trust Fund. The Health Security Trust Fund shall *not* be
20 commingled with the General Fund and shall be kept in a separate
21 bank account, and shall be *subject to* legislative appropriation and
22 expended exclusively for the purpose of funding the operations
23 and capital expenditure at the Guam Memorial Hospital.

24 (b) The Health Security Trust Fund, *subject to* legislative
25 approval, may be invested or reinvested in bonds or in securities

1 that are approved for the Retirement Fund, or according to
2 modern investment practices of similar funds. The appropriations
3 from the Health Security Trust Fund shall be limited to fifty
4 percent (50%) of the initial deposit from the proceeds of the sale
5 for the first three (3) years. Thereafter, expenditures shall be
6 limited to ninety percent (90%) of the earnings of the Fund.

7 **Section 221205. UOG Higher Education Endowment Funds.**

8 There is hereby created, separate and apart from other funds of the
9 government of Guam, a fund known as the UOG Higher Education
10 Endowment Fund. The UOG Higher Education Endowment Fund shall
11 *not* be commingled with the General Fund and shall be kept in a
12 separate bank account and administered by the University of Guam.
13 The UOG Higher Education Endowment Fund may be invested or
14 reinvested by the UOG Board of Regents in bonds or in securities that
15 are approved for the Retirement Fund, or according to modern
16 investment practices of similar funds.

17 The appropriations from the UOG Higher Education Endowment
18 Fund shall be limited to fifty percent (50%) of the initial deposit from the
19 proceeds of the sale for the first three (3) years. Thereafter, expenditures
20 shall be limited to ninety percent (90%) of the earnings of the Fund. The
21 proceeds from the investments shall remain within the UOG Higher
22 Education Endowment Fund. All monies deposited into the UOG
23 Higher Education Endowment Fund shall be expended *exclusively* for
24 enhancement of learning resources and technology, including but *not*
25 limited to the following:

1 (a) purchase of computer equipment, books,
2 subscriptions, periodical materials and other library supplies and
3 materials;

4 (b) training; *and*

5 (c) management of library materials and resources;

6 The University of Guam shall determine the allocation of this
7 appropriation in compliance with this Section.

8 **Section 221206. GCC Endowment Funds.** There is hereby
9 created, separate and apart from other funds of the government of
10 Guam, a fund known as the 'GCC Endowment Fund.' The GCC
11 Endowment Fund shall *not* be commingled with the General Fund and
12 shall be kept in a separate bank account and administered by the Guam
13 Community College ('GCC'). The GCC Endowment Fund may be
14 invested or reinvested by the GCC Board of Trustees in bonds or in
15 securities that are approved for the Retirement Fund, or according to
16 modern investment practices of similar funds. The appropriations from
17 the GCC Endowment Fund shall be *limited to* fifty percent (50%) of the
18 initial deposit from the proceeds of the sale for the first three (3) years.
19 Thereafter, expenditures shall be limited to ninety percent (90%) of the
20 earnings of the Fund. The proceeds from the investments shall remain
21 within the GCC Endowment Fund. All monies deposited into the GCC
22 Endowment Fund shall be expended *exclusively* for enhancement of
23 learning resources and technology, including, but *not* limited to, the
24 following:

1 (a) purchase of computer equipment, books,
2 subscriptions, periodical materials and other library supplies and
3 materials;

4 (b) training; *and*

5 (c) management of library materials and resources;

6 GCC shall determine the allocation of this appropriation in
7 compliance with this Section."

8 **Section 3.** Section 221108 of Article 11, Chapter 22, Division 2 of Title 5
9 of the Guam Code Annotated is hereby *amended* to read as follows:

10 **"Section 221108. Deposit.**

11 (a) All monies deposited into the HAHS Fund shall be
12 expended exclusively for the purposes enumerated in §221103 and
13 the general intent of this Act.

14 (b) HAHS Fund, *subject to* legislative approval, may be
15 invested or reinvested in bonds or in securities that are approved
16 for the Retirement Fund, or according to modern investment
17 practices of similar funds. The appropriations from the HAHS
18 Fund received pursuant to §221203 of Title 5 of the Guam Code
19 Annotated shall be limited to fifty percent (50%) of the initial
20 deposit from the proceeds of the sale for the first three (3) years.
21 Thereafter, expenditures shall be limited to ninety percent (90%) of
22 the earnings of the Fund."

23 **Section 4.** Section 6123 of Division 1 of Title 11 of the Guam Code
24 Annotated is hereby *amended* to read as follows:

25 **"Section 6123. Youth Tobacco Education and Prevention Fund.**

1 (a) There is created, separate and apart from any other
2 funds of the government of Guam, under the administration and
3 control of the Department, the Youth Tobacco Education and
4 Prevention Fund ('YTEPF'). YTEPF shall be held in an account or
5 accounts at a Guam financial institution, or institutions, separate
6 and apart from all other accounts and funds of the government of
7 Guam, and shall *not* be subject to the transfer authority of *I*
8 *Maga'lalen Guåhan*. One hundred percent (100%) of the funds in
9 the YTEPF shall be utilized by the Department of Mental Health
10 and Substance Abuse, for youth compliance monitoring and
11 tobacco and drug prevention and education programs.

12 (b) YTEPF, *subject to* legislative approval, may be invested
13 or reinvested in bonds or in securities that are approved for the
14 Retirement Fund or according to modern investment practices of
15 similar funds. The appropriations from the YTEPF received
16 pursuant to §221203 of Title 5 of the Guam Code Annotated, shall
17 be limited to fifty percent (50%) of the initial deposit from the
18 proceeds of the sale for the first three (3) years. Thereafter,
19 expenditures shall be limited to ninety percent (90%) of the
20 earnings of the Fund."

6

I MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN

2000 (SECOND) Regular Session

Date: 12/20/00

VOTING SHEET

5 Bill No. 450 (LS)

Resolution No. _____

Question: _____

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
AGUON, Frank B., Jr.	✓				
BERMUDES, Eulogio C.	✓				
BLAZ, Anthony C.	✓				
BROWN, Joanne M.S.	✓				
CALVO, Eduardo B.	✓				
CAMACHO, Marcel G.	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
LAMORENA, Alberto C., V	✓				
LEON GUERRERO, Carlotta A.					✓
MOYLAN, Kaleo Scott	✓				
PANGELINAN, Vicente C.	✓				
SALAS, John C.	✓				
SANCHEZ, Simon A., II	✓				
UNPINGCO, Antonio R.	✓				

TOTAL

14 0 0 0 1

CERTIFIED TRUE AND CORRECT:

Clerk of the Legislature

* 3 Passes = No vote
EA = Excused Absence



FILE

MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
TWENTY-FIFTH GUAM LEGISLATURE
155 Hesler Street, Hagåtña, Guam 96910

December 14, 2000

(DATE)

Memorandum

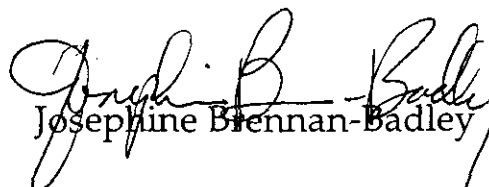
To: Senator Vicente C. Pangelinan

From: Clerk of the Legislature

Subject: Report on Bill No. 450(LS)

Pursuant to §7.04 of Rule VII of the 25th Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 450(LS), for which you are the prime sponsor.

Should you have any questions or need further information, please call the undersigned at 472-3464/5.


Josephine Brennan-Badley

Attachment



I MINA' BENTE SINGKO NA LIHESLATURA, GUÅHAN
Committee on Health, Human Services and Chamorro Heritage
Kumiten Salut, Setbision Tinaotao yan Irensian Chamoru
Sinadot Simon A. Sanchez II, Ge'Hilo'

December 12, 2000

Speaker Antonio R. Unpingco
I Mina' Bente Singko Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guåhan 96910

Dear Mr. Speaker:

I Kumiten Salut, Setbision Tinaotao yan Irensian Chamoru has completed its evaluation of Bill No. 450 and hereby issues the enclosed Committee Report.

A public hearing was held on the measure on August 2, 2000.

Committee Members voted as follows:

To pass	<u>9</u>
Not to pass	—
Abstain	—
Inactive File	—

Consequently, the Committee submits its recommendation to "DO PASS" Bill No. 450.

Your kind attention to this matter is immensely appreciated.

Saina Ma'åse' yan Magof Ha'ånen Yu'os,


SIMON A. SANCHEZ II

I MINA' LUNTE SINGKO NA LIHESLATURA, GUÅHAN

**Committee on Health, Human Services and Chamorro Heritage
Kumiten Salut, Setbision Tinaotao yan Irensian Chamorro
Sinadot Simon A. Sanchez II, Ge'Hilo'**

December 12, 2000

MEMORANDUM

TO: Committee Members

FROM: Chairperson

SUBJECT: Committee Report for Bill No. 450, – An act to add a new article 12 and to amend §221108 of Title 5, GCA, and to amend §6123 of Title 11, GCA, relative to establishing the health care security fund and the higher education endowment fund through the securitization of the tobacco settlement payments made under the master settlement agreement as an allocation to Guam.

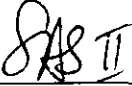
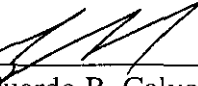

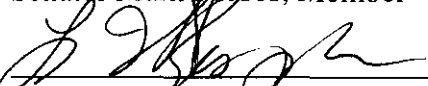
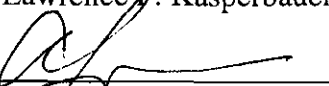
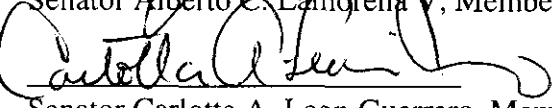
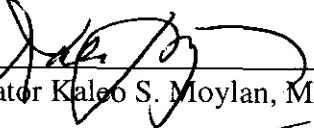


Attached hereto is the Committee Report for your review and consideration. Please call me if you need clarification or additional information. Then, please mark and sign the accompanying Voting Sheet.

Saina Ma'åse' yan Magof Ha'ånen Yu'os,


SIMON A. SANCHEZ II

Lina' Bente Singko Na Liheslaturan Guaman
Kumiten Salud, Setbision Tinaotao Yan Iremsian Chamoru
VOTING SHEET

Bill No. 450 – An act to add a new article 12 and to amend §221108 of Title 5, GCA, and to amend §6123 of Title 11, GCA, relative to establishing the health care security fund and the higher education endowment fund through the securitization of the tobacco settlement payments made under the master settlement agreement as an allocation to Guam.

	To Pass	Not to Pass	Abstain	Inactive File
 _____ Senator Simon A. Sanchez II, Chairperson	✓			
_____ Senator Joanne M.S. Brown, Vice Chairperson				
_____ Senator Frank B. Aguon, Jr., Member				
_____ Senator Anthony C. Blaz, Member				
 _____ Senator Eduardo B. Calvo, Member	✓			
_____ Senator Marcel G. Camacho, Member				
 _____ Senator Mark Forbes, Member	✓			
 _____ Senator Lawrence F. Kasperbauer, Member	✗			
 _____ Senator Alberto C. Landreña V, Member	✓			
 _____ Senator Carlotta A. Leon Guerrero, Member	✓			
 _____ Senator Kaleo S. Moylan, Member	✓			
 _____ Senator Vicente C. Pangelinan, Member	✓			
 _____ Senator E. Bernier, Member	✓			

*I Mina' Bente Singko Na Liheslaturan Guåhan
Kumiten Salut, Setbision Tinaotao yan Irensian Chamoru*

**Committee Report
Bill No. 450**

"An act to add a new article 12 and to amend §221108 of Title 5, GCA, and to amend §6123 of Title 11, GCA, relative to establishing the health care security fund and the higher education endowment fund through the securitization of the tobacco settlement payments made under the master settlement agreement as an allocation to Guam".

**Simon A. Sanchez II, Chairperson
Joanne M.S. Brown, Vice Chairperson**

Members

**Frank B. Aguon, Jr.
Anthony C. Blaz
Marcel G. Camacho
Lawrence F. Kasperbauer
Carlotta A. Leon Guerrero
Vicente C. Pangelinan**

**Eulogio C. Bermudes
Eduardo B. Calvo
Mark Forbes
Alberto C. Lamorena V
Kaleo S. Moylan**

I. OVERVIEW

Bill No. 450 proposes to establish a Health Care Security Fund and a Higher Education Endowment Fund, using the tobacco settlement payments for Guam made under the master settlement agreement between the major U.S. tobacco manufacturers and 46 states, Guam, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Marianas.

The Bill was introduced June 22, 2000, referred to this Committee on July 14, 2000 and publicly heard on August 2, 2000.

II. COMMITTEE FINDINGS

The declining revenues of the general fund along with the other revenue sources of the government have resulted in hardships and pressures placed on the ability of the government to provide essential services to the residents of Guam. Given the constraints imposed upon the general fund to fully pay for these services - health care and higher education, in particular - alternative sources must be found and creative use of future revenues must be implemented.

One such revenue source is the tobacco Master Settlement Agreement. By signing on to the Agreement, Guam should receive substantial sums of money in perpetuity. Guam has reached State-Specific Finality, the Master Settlement Agreement has become effective in accordance with its terms, and Guam has agreed to its allocation of the first tobacco settlement payments made under the Agreement as an allocation to Guam.

Several of the signatories to the Agreement have sold their allocations of payments and applied the sale proceeds toward their most critical needs. By doing so, they have accelerated the realization of the tobacco settlement payments receivable under the Agreement and reduced their exposure to the payment risks associated with the Agreement and the credit risks associated with the tobacco industry.

Bill 450 will establish a policy that responds to the current funding requirements of the services Guam wishes to provide to the people by securitizing the tobacco settlement payments. This method of financing will be non-recourse to, and requires no credit support by, the government of Guam.

Officials from the University of Guam and the Guam Community College testified in favor of the Bill's passage. Their testimonies are made part of this Report.

III. COMMITTEE RECOMMENDATIONS

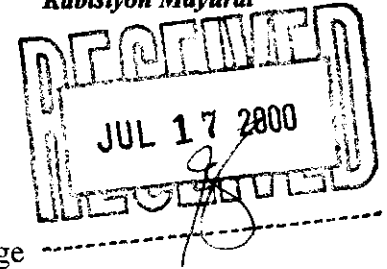
The Committee on Health, Human Services and Chamorro Heritage thus recommends to the full body for **Bill No. 450 "TO PASS"**.



MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
Kumitean Areklamento, Refotman Gubetnamento Siha, Inetnon di Nuebu, yan Asuntion Fidirat

*Senadot Mark Forbes, Gehilu
Kabisiyon Mayurat*

14 JUL 2000



MEMORANDUM


TO: Chairman
Committee on Health, Human Services & Chamorro Heritage

FROM: Chairman
Committee on Rules, Government Reform, Reorganization
and Federal Affairs

SUBJECT: Principal Referral – Bill No. 450

The above bill is referred to your Committee as the Principal Committee. In accordance with Section 6.04.05. of the Standing Rules, your Committee “shall be the Committee to perform the public hearing and have the authority to amend or substitute the bill, as well as report the bill out to the Body.” It is recommended that you schedule a public hearing at your earliest convenience.

Thank you for your attention to this matter.




EDDIE B. CALVO
Acting Chairman

Attachment

JUN 22 2000

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 450 (LS)
Introduced by:

v. c. pangelinan 
S. A. Sanchez, II SAS A
K. S. Moylan 

AN ACT TO ADD A NEW ARTICLE 12 AND TO AMEND §221108 OF TITLE 5, GUAM CODE ANNOTATED, AND TO AMEND §6123 OF TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING THE HEALTH CARE SECURITY FUND AND THE HIGHER EDUCATION ENDOWMENT FUND THROUGH THE SECURITIZATION OF THE TOBACCO SETTLEMENT PAYMENTS MADE UNDER THE MASTER SETTLEMENT AGREEMENT AS AN ALLOCATION TO GUAM.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 Section 1. Legislative Statement. *I Liheslaturan Guåhan* finds that the
3 declining revenues of the general fund along with the other revenue sources
4 of the government have resulted in hardships and pressures placed on the
5 ability of the government to provide essential services to the residents of
6 Guam. Given the constraints imposed upon the general fund to fully pay for
7 these services—health care and higher education, in particular—it is
8 incumbent that alternative sources be found and creative use of future
9 revenues be implemented. One such revenue source is the tobacco Master
10 Settlement Agreement reached and signed between the major United States
11 tobacco manufacturers and forty-six states, Guam, the District of Columbia,

1 the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa
2 and the Commonwealth of the Northern Mariana Islands.

3 *I Liheslaturan Guåhan* further finds that the signing of a Master
4 Settlement Agreement should result in Guam receiving substantial sums of
5 money in perpetuity. Guam has reached State-Specific Finality, the Master
6 Settlement Agreement has become effective in accordance with its terms, and
7 Guam has agreed to its allocation of the first tobacco settlement payments
8 made under the Master Settlement Agreement as an allocation to Guam.

9 *I Liheslaturan Guåhan* further finds that several jurisdictions have sold
10 their allocations of payments under the Master Settlement Agreement and
11 applied the sale proceeds toward their most critical needs. By doing so, they
12 have accelerated the realization of the tobacco settlement payments receivable
13 under the Master Settlement Agreement and reduced their exposure to the
14 payment risks associated with the Master Settlement Agreement and the
15 credit risks associated with the tobacco industry.

16 It is the intent of *I Liheslaturan Guåhan* to establish a policy that responds
17 to the current funding requirements of the services it wishes to provide to the
18 people by securitizing the tobacco settlement payments. This method of
19 financing will be non-recourse to and requires no credit support by the
20 government of Guam.

21 **Section 2.** A new Article 12 is added to Chapter 22 of Title 5, Guam
22 Code Annotated, to read as follows:

23 **“ARTICLE 12**

24 **Securitization of Tobacco Settlement Payments**

25

1 **“§221201. Definitions.** As used in this Article:

2 (a) “Guam Allocation” means all moneys payable to
3 Guam pursuant to the MSA, without giving effect to any sale of
4 any portion thereof;

5 (b) “Master Settlement Agreement” or “MSA” means the
6 settlement agreement and related documents between Guam and
7 leading United States tobacco product manufacturers dated
8 November 23, 1998; and

9 **§221202. Guam Economic Development Authority**
10 **Designated.** The Guam Economic Development Authority shall
11 solicit through the request for proposal process for qualified and
12 licensed investment banking firms for investment services for the
13 purpose of selling or securitizing the Guam Allocation made under the
14 Master Settlement Agreement entered into between the government of
15 Guam and leading tobacco manufacturers. The terms of the sale and
16 securitization shall be submitted to the Legislature for approval.

17 **§221203. Distribution of Proceeds.** Proceeds of the sale and
18 securitization of the Guam Allocation received by the government of
19 Guam shall be distributed in the following manner.

20 (1) Fifty percent (50%) into the Health Security Trust
21 Fund;

22 (2) Twenty percent (20%) into the Higher Education
23 Endowment Fund;

24 (3) Twenty percent (20%) into the Youth Tobacco
25 Education and Prevention Fund; and

1 (4) Ten percent (10%) into the Health and Human Services
2 Fund.

3 **§221204. Health Security Trust Fund.** (a) There is hereby
4 created, separate and apart from other funds of the government of
5 Guam, a fund known as the Health Security Trust Fund. The Health
6 Security Trust Fund shall not be commingled with the General Fund
7 and shall be kept in a separate bank account and shall be subject to
8 legislative appropriation and expended exclusively for the purpose of
9 funding the operations and capital expenditure at the Guam Memorial
10 Hospital.

11 (b) The Health Security Trust Fund, subject to legislative
12 approval, may be invested or reinvested in bonds or in securities that
13 are approved for the Retirement Fund or according to modern
14 investment practices of similar funds. The appropriations from the
15 Health Security Trust Fund shall be limited to fifty percent (50%) of the
16 initial deposit from the proceeds of the sale for the first three (3) years.
17 Thereafter, expenditures shall be limited to the earnings of the fund,
18 after the total amount of the fund equals seventy percent (70%) of the
19 initial deposit, and in no event shall the Health Security Trust Fund be
20 depleted below seventy percent (70%) of the initial deposit.

21 **§221205. Higher Education Endowment Fund.** (a) There is
22 hereby created, separate and apart from other funds of the government
23 of Guam, a fund known as the Higher Education Endowment Fund.
24 The Higher Education Endowment Fund shall not be commingled with
25 the General Fund and shall be kept in a separate bank account and shall

1 be subject to legislative appropriation and expended exclusively for the
2 purpose of funding operations of the University of Guam and the Guam
3 Community College.

4 (b) The Higher Education Endowment Fund, subject to
5 legislative approval, may be invested or reinvested in bonds or in
6 securities that are approved for the Retirement Fund or according to
7 modern investment practices of similar funds. The appropriations from
8 the Higher Education Endowment Fund shall be limited to fifty percent
9 (50%) of the initial deposit from the proceeds of the sale for the first
10 three (3) years. Thereafter, expenditures shall be limited to the earnings
11 of the fund, after the total deposit of the fund equals seventy percent
12 (70%) of the initial deposit, and in no event shall the Higher Education
13 Endowment Fund be depleted below seventy percent (70%) of the initial
14 deposit."

15 **Section 3.** §221108 of Title 5, Guam Code Annotated, is amended to
16 read as follows:

17 ~~"§221108. Deposit. All proceeds entitled to Guam from the~~
18 ~~tobacco lawsuit settlement shall be deposited into HAHS Fund~~
19 ~~established by this Act. (a) All monies deposited into the HAHS Fund~~
20 ~~shall be expended exclusively for the purposes enumerated in §221003~~
21 ~~§221103 and the general intent of this Act.~~

22 (b) HAHS, subject to legislative approval, may be invested or
23 reinvested in bonds or in securities that are approved for the Retirement
24 Fund or according to modern investment practices of similar funds. The
25 appropriations from the HAHS received pursuant to §221203 of Title 5,

1 Guam Code Annotated, shall be limited to fifty percent (50%) of the
2 initial deposit from the proceeds of the sale for the first three (3) years.
3 Thereafter, expenditures shall be limited to the earnings of the fund,
4 after the total deposit of the fund equals seventy percent (70%) of the
5 initial deposit, and in no event shall the HAHS be depleted below
6 seventy percent (70%) of the initial deposit."

7 **Section 4.** §6123 of Title 11, Guam Code Annotated, is amended to read
8 as follows:

9 **"§6123. Youth Tobacco Education and Prevention Fund. (a)**

10 There is created, separate and apart from any other funds of the
11 government of Guam, under the administration and control of the
12 Department, the Youth Tobacco Education and Prevention Fund
13 ('YTEPF'). YTEPF shall be held in an account or accounts at a Guam
14 financial institution, or institutions, separate and apart from all other
15 accounts and funds of the government of Guam, and shall not be subject
16 to the transfer authority of I Maga'láhen Guåhan. One hundred percent
17 (100%) of the funds in the YTEPF shall be utilized by the Department of
18 Mental Health and Substance Abuse, for youth compliance monitoring
19 and tobacco and drug prevention and education programs.

20 **(b)** YTEPF, subject to legislative approval, may be invested or
21 reinvested in bonds or in securities that are approved for the Retirement
22 Fund or according to modern investment practices of similar funds. The
23 appropriations from the YTEPF received pursuant to §221203 of Title 5,
24 Guam Code Annotated, shall be limited to fifty percent (50%) of the
25 initial deposit from the proceeds of the sale for the first three (3) years.

1 Thereafter, expenditures shall be limited to the earnings of the fund,
2 after the total deposit of the fund equals seventy percent (70%) of the
3 initial deposit, and in no event shall the YTEPF be depleted below
4 seventy percent (70%) of the initial deposit."



UNIVERSITY OF GUAM

UNIBETSEDAT GUAHAN

OFFICE OF THE PRESIDENT

UOG Station, Mangilao, Guam 96923

Telephone: (671) 735-2990 • Fax: (671) 734-2296

August 2, 2000

Honorable Vicente (Ben) C. Pangelinan
Senator
Mina'Bente Singko Na Leheslaturan Guahan
215-A Chalan Santo Papa
Ada;s Commercial & Professional Center, Suite 108-F
Hagatna, Guam 96910

RE: An Act to Add a New Article 12, and to Amend §6123 of Title 11, Guam Code Annotated, Relative to Establishing the Health Care Security Fund and the Higher Education Endowment Fund through the Securitization of the Tobacco Settlement Payments Made Under the Master Settlement Agreement as an Allocation to Guam.

Dear Senator Pangelinan,

It is with great pleasure and appreciation that I submit testimony on behalf of the University of Guam in full support of Bill 450.

Your plan in Bill 450 to allocate 20% of the \$43 million in tobacco settlement proceeds to the University of Guam and Guam Community College is a very prudent and worthy investment in higher education.

Settlement proceeds can be put to good use to improve the library holdings for academic books, journals and periodicals that are needed by our students. Possessing adequate library holdings is of major concern not only to our students and faculty but also in regards to maintaining accreditation with the Western Association of Schools and Colleges.

Upgrading the campus computer network technology and computer staff training on our campuses is another good use of the funds. Improved computer technology will provide improved services to our students as well as promote efficient work operations.

As you well know, it is important to provide our students with resources to strengthen the computer technology skills they needs to be successful in higher education and for their professional careers. Rapidly changing computer technology advances and increasing

demand from students require us to constantly evaluate the urgent need to upgrade our Internet and e-mail servers, mainframe database hardware and software, fiber-optic and student computer labs.

Additionally, Bill 450 will provide tremendous assistance to the University of Guam with its on-going efforts to work its way out of probation status placed by the Western Accreditation of Schools and Colleges. Using the settlement proceeds to provide immediate cash infusion plus a dedicated endowment fund will provide the means necessary to continually improve our library and our university finances and address the concerns raised by WASC for these areas.

Thank you for the opportunity to present testimony in support of Bill 450.

Sincerely yours.

A handwritten signature in black ink, appearing to read 'Jose T. Nededog', written in a cursive style.

Dr. Jose T. Nededog
President



UNIVERSITY OF GUAM
UNIBETSEDÁT GUAHAN

COLLEGE OF BUSINESS AND PUBLIC ADMINISTRATION

UOG Station, Mangilao, Guam 96923
Telephone: (671) 734-9540/9225 Fax: (671) 734-5362

August 1, 2000

Honorable Vicente (Ben) C. Pangelinan
Senator
Mina'Bente Singko Na Liheslaturan Guahan
215-A Chalan Santo Papa
Ada's Commercial & Professional Center, Suite 108-F
Hagatna, Guam 96910

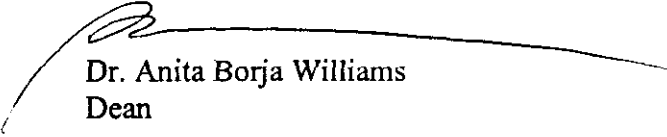
Dear Senator Pangelinan:

This testimony is presented to the Chairman of the Committee on Health, Human Services, and Chamorro Heritage, Senator Simon Sanchez, in response to Bill No. 450.

On behalf of the College of Business and Public Administration, University of Guam, I wholeheartedly support Bill No. 450 with respect to the 20 percent allocation for higher education. This proposed valuable source of funding will greatly assist the University of Guam in two major accreditation standards: learning resources and financing. Immediate infusion of much-needed funds, as well as the establishment of an endowment fund (in its strategic intent), will help to provide a consistent budget source for library holdings and essential computer technology upgrades at the University of Guam.

Un dangkulo na si yu'os ma'ase to you for introducing Bill 450, and for your overall efforts in assisting Guam's higher education institutions. Adequate funding will enable both the University of Guam and the Guam Community College to effectively serve the information and professional human resource development needs of our local and regional communities.

Sincerely,



Dr. Anita Borja Williams
Dean

Testimony of Rosa Roberto Carter, PH.D.
Vice Chair, GCC Board of Trustees
August 2, 2000

1. Good afternoon and thank you for giving me the opportunity to speak on Bill 450--Tobacco Settlement__ introduced by Senator Vicente Pangelinan. This infusion of funding to higher education is welcome at GCC. I assure you it is needed and will be put to good use.
2. The enrollment continues to rise. For Fall 1999 the vocational high school in DOE satellites 1791 students enrolled, the adult secondary had 2,004 students, special projects totaled 255, and work experience education had 129 students for a total enrollment of 4,179 students. Based on such higher and higher enrollment statistics, decisions to increase funds to Guam Community College would be greatly appreciated in order to maintain a good level of service to students.
3. I suggest that language in Bill 450 should cover the issue of how to apply for the funds or how to receive the funds and I am sure the GCC administration will be glad to work with you as needed.
4. The language should also include how the funds shall be allocated between GCC and UOG. Based on the size of GCC's enrollment, a 50/50 split between the two institutions of higher learning is appropriate.
5. The analysis indicates that if 20% of the expected funds (the amount set aside in the Bill for higher education in Guam) were invested with an 8% return, the yearly income would be \$320,000. Assuming a 50/50 split between GCC and UOG, GCC would realize \$160,000 annually.
6. It is imperative that this newly identified support be transmitted to GCC aside from the annual budget, thereby allowing our institution the flexibility to use it as needed when circumstances fluctuate, and they will, during the year.
7. Thank for your interest and concern. *RRC*

JUN 22 2000

MINA'BENTE SINGKO NA LIHESLATURAN GUAM
2000 (SECOND) Regular Session

Bill No. 450 (LS)
Introduced by:

v. c. pangelinan
S. A. Sanchez, II SASA
K. S. Moylan

AN ACT TO ADD A NEW ARTICLE 12 AND TO AMEND §221108 OF TITLE 5, GUAM CODE ANNOTATED, AND TO AMEND §6123 OF TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING THE HEALTH CARE SECURITY FUND AND THE HIGHER EDUCATION ENDOWMENT FUND THROUGH THE SECURITIZATION OF THE TOBACCO SETTLEMENT PAYMENTS MADE UNDER THE MASTER SETTLEMENT AGREEMENT AS AN ALLOCATION TO GUAM.

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