

Fund Source Report

1119 Tobac Setl Tobacco Settlement

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
1999		No	No	No	Unrestricted General

No Appropriations during last 10 years

Legal Authority

Court decree

Source of Revenue

Settlement payments from Tobacco Companies. The Tobacco Settlement receipts are deposited as a sub-account of the General Fund.

Restrictions on Use

As general funds, settlement funds are not restricted. However, 80% of the annual cash flow was sold; it no longer appears as revenue and cannot be spent. The remaining 20% is designated for tobacco education and cessation, but uses code 1168.

Description and History

On November 23, 1998, the Attorneys General and representatives of 46 states and the US districts signed an agreement with the five largest tobacco manufacturers ending a four-year legal battle involving the effects of tobacco use. During the next 25 years, states will receive over \$206 billion from the settlement. The revenues collected represent Alaska's share of the multi-state settlement with tobacco companies.

Alaska anticipated receiving \$23 million to \$25 million per year beginning in FY2000 and extending through FY24. Although settlement payments are classified as unrestricted general funds, they were given a fund code for tracking purposes. The code was used only in FY00 and FY01.

Funds were spent primarily for Medicaid costs, with smaller amounts for legal and advocacy services, catastrophic and chronic illness, foster care, and tobacco prevention and control, and front line social workers.

Ch 131, SLA 2000 (HB287) directed 40% of settlement revenues to capital projects, and Ch 96, SLA 2001 (HB234) directed an additional 40% of settlement revenues to capital projects and 20% to a new fund called Tobacco Use Education and Cessation Fund (1168) which was in the "other designated" fund source group, but which was classified as designated general funds beginning in FY11.

There has been no money flowing to the fund, and no appropriations from it since FY01. In a process known as "securitization", the State sold the rights to 80% of the annual settlement revenues to the Northern Tobacco Securitization Corporation, a subsidiary of the Alaska Housing Finance Corporation. The corporation paid the State \$93 million for the future cash flows, which the legislature appropriated for school construction and other capital projects. The 80% of the settlement revenue sold to the NTSC no longer appears as revenue to the State. The remaining 20% of the annual settlement revenue has gone into the Tobacco Use Education and Cessation Fund (1168) since FY02.

Fund Source Report

See

1167 Tobacco Settlement Revenue Sale

1168 Tobacco Use Education and Cessation Fund

1173 Miscellaneous Earnings