

Fund Source Report

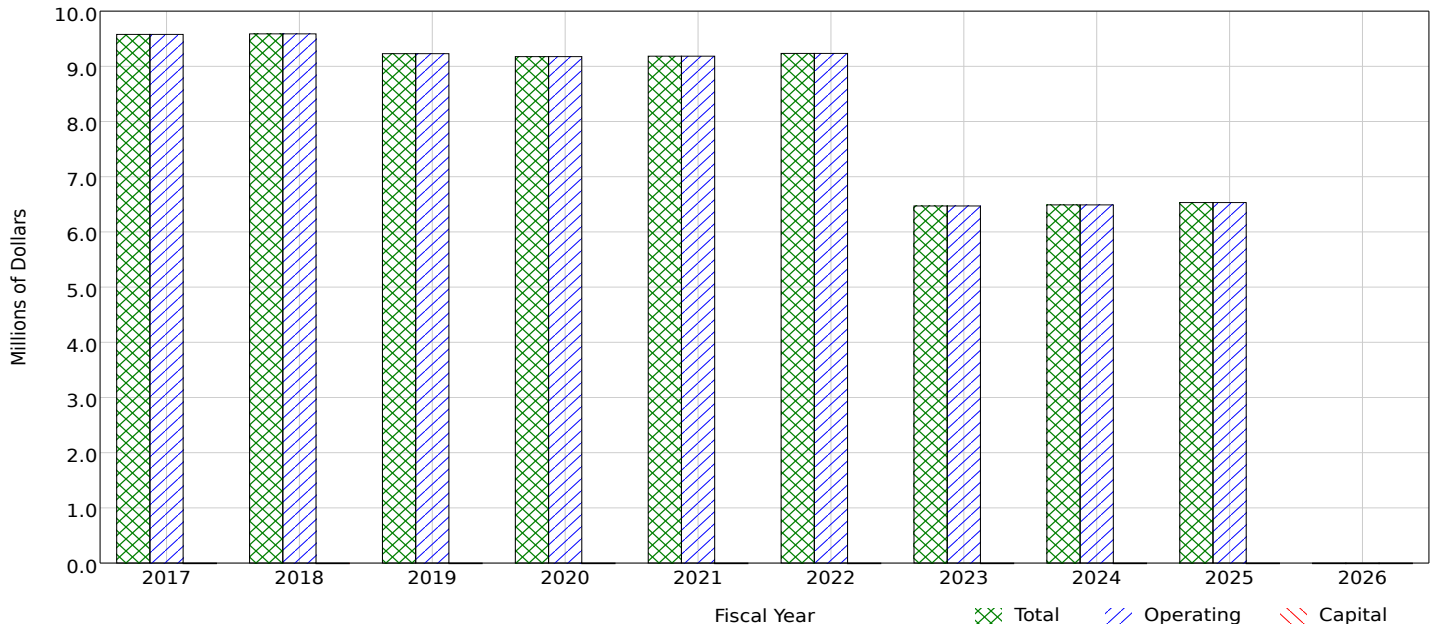
1168

Tob ED/CES

Tobacco Use Education and Cessation Fund

Year Authorized 2001	Year Repealed	Active? Yes	Mental Health? No	Duplicated? No	Fund Group Designated General
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Operating and Capital Appropriations



Legal Authority
AS 37.05.580

Source of Revenue
20% of the revenue derived from the settlement of State of Alaska v. Philip Morris, Incorporated, et al.

Restrictions on Use
The purpose of the Tobacco Use Education and Cessation Fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program authorized by AS 44.29.020(a)(14).

Description and History
HB234, SLA 01 amended AS 37.05 by adding a new fund (as a special account in the general fund) called the Tobacco Use Education and Cessation Fund. 20% of the revenue derived from the settlement of State of Alaska v. Philip Morris Inc, et al is deposited into the fund annually.

The creation of this fund effectively deactivated (code 1119) the Tobacco Settlement Fund (until bonds are repaid):
 1) the 80% of annual cash flow from the Philip Morris settlement that was sold to the Northern Tobacco Securitization Corporation (an independent corporation set up by the Alaska Housing Finance Corporation) for bond debt reimbursement no longer appears as revenue to the State and
 2) the remaining 20% of cash flow from the settlement flows into the Tobacco Use Education and Cessation Fund without appropriation, which effectively reclassifies unrestricted general fund revenue (tobacco settlement, code 1119) to designated general funds (code 1168).

Expenditures from the fund require an appropriation.

The State anticipated total settlement receipts of about \$25 million annually, so expected roughly a \$5 to \$6 million annual flow into this account.

August 2014
 A portion of revenue from cigarette tax proceeds also flows into the Tobacco Use Education and Cessation Fund, making the total annual deposit about \$9 million. In transitioning from general funds to the new fund code for tobacco education and cessation activities, actual expenditures of code 1268 were less than the amount of revenue available. The unspent balance was carried forward annually, causing an increase in the balance of the account. The carry-forward amount peaked in FY12 at about \$13.6 million. Appropriations using code 1268 were increased to about \$11 million annually, causing the account balance to decline by about \$2 million annually. The decline was slowed in FY14 by reducing appropriations. In the long-term, appropriations greater than about \$9 million annually will reduce the balance of the account.

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Related codes:

1119 Tobacco Settlement Fund

1167 Tobacco Settlement Revenue Sale

1173 Miscellaneous Earnings