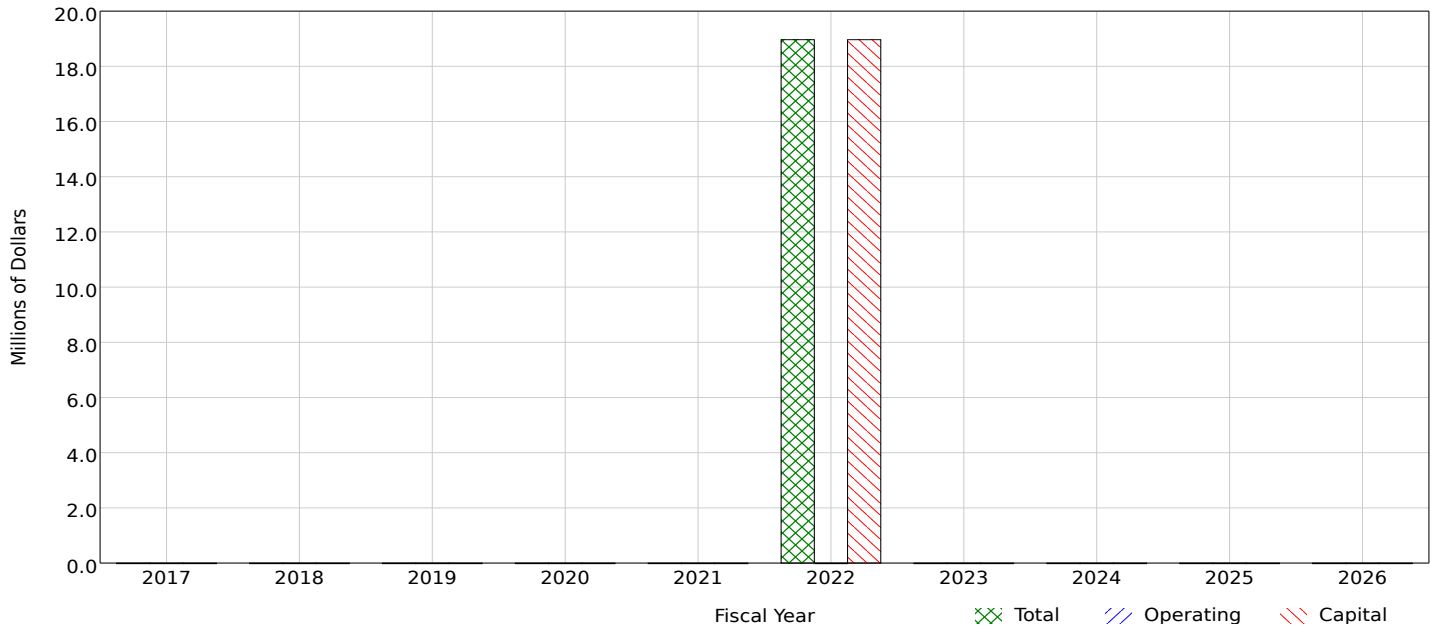


Fund Source Report

1167 TobSetSale Tobacco Settlement Revenue Sale

Year Authorized 2001	Year Repealed	Active? No	Mental Health? No	Duplicated? No	Fund Group Bonds / Debt Service
-------------------------	---------------	---------------	----------------------	-------------------	------------------------------------

Operating and Capital Appropriations



Legal Authority

AS 18.56.086, SLA 2000, ch 130, sec 10 (temporary law)

Source of Revenue

Lump sums received for the sale of the tobacco settlement cash flow to the Northern Tobacco Securitization Corporation

Restrictions on Use

Capital projects as identified in the FY01, FY02 and FY07 capital budgets

Description and History

The Northern Tobacco Securitization Corporation (NTSC) is a public corporation and government instrumentality of, but having a legal existence independent of and separate from, the State of Alaska. NTSC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation. The NTSC board of directors are the commissioners of the departments of Revenue, Health and Social Services, and Community and Economic Development, and two independent public members appointed by the Governor.

The purpose of the NTSC is to purchase Tobacco Settlement Revenues from the State. NTSC is authorized to issue bonds necessary to provide sufficient funds to carry out its purpose. Bonds issued by NTSC are the sole obligation of NTSC. Neither the Alaska Housing Finance Corporation (AHFC) nor the State of Alaska are liable for any debt issued by NTSC.

In a process known as "securitization", the State sold the rights to 80% of the annual settlement revenues to the Northern Tobacco Securitization Corporation. In October 2000, pursuant to a Purchase and Sale Agreement with the State, the State (via AHFC) sold to NTSC 40 percent of its future right, title, and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgement (MSA). These rights include the State's share of 40 percent of TSRs received starting January 10, 2002, and in perpetuity to be received under the MSA. An additional 40 percent of TSRs was sold to NTSC the following year.

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.

When NTSC's obligations for the bonds have been fulfilled, the TSRs revert back to the State under the residual certificate. Consideration paid by NTSC through AHFC to the State for TSRs consisted of a cash amount sent to the State of Alaska custodial trust accounts and a residual certificate

Fund Source Report

assigned to the State.

NTSC is reported in the governmental fund types as special revenue and debt service funds, and the revenue bond debt is in the general long-term debt account group. NTSC financial statements may be obtained from the Alaska Housing Finance Corporation.

Related codes:

1119 Tobacco Settlement

1168 Tobacco Use Education and Cessation Fund

1173 Miscellaneous Earnings