

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 503  
 (H) Publish Date: 2/26/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Tobacco Master Settlement Agreement RDU Revenue Programs & Services  
 Component Tax Division  
 Sponsor House Finance  
 Requester House Finance Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

**Tobacco Master Settlement Agreement - Bill Analysis**

This bill, based on a model developed by the National Association of Attorneys General in cooperation with a working group of participating states, is designed to preserve, to the fullest extent possible, the revenue stream under the tobacco product Master Settlement Agreement (MSA) and AS 45.53. One of the provisions of the MSA required states to enact legislation that would "level the playing field" for non-participating tobacco manufacturers by requiring them to deposit money into escrow for every cigarette they sell in the state. Nonparticipating manufacturers have discovered a "loophole" that allows them to remove escrow payments from individual state escrow accounts which has given them a competitive advantage over those manufacturers that signed the MSA. This bill is intended to close the "loophole" and ensure a "level playing field" as originally intended by AS 45.53

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 Division Tax Division Date/Time 2/24/04 4:39 PM  
 Approved by: Steve Porter, Deputy Commissioner Date 2/24/2004  
 Agency Department of Revenue