

SHOW US THE MONEY:
AN UPDATE ON THE STATES' ALLOCATION
OF THE TOBACCO SETTLEMENT DOLLARS

A Report
by the
Campaign for Tobacco-Free Kids
American Cancer Society
American Heart Association
and
American Lung Association

January 15, 2002



"Not since the polio vaccine have we had such a tremendous opportunity to reduce death and disability in this country."

**–David Satcher, M.D., Ph.D.
U.S. Surgeon General**

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TAB 1

Executive Summary

More than three years after reaching \$246 billion in legal settlements with the tobacco industry, most states are failing to keep their original promise to use a significant portion of the settlement funds to attack the enormous public health problem posed by tobacco use in the United States.

Only five states currently fund tobacco prevention programs at the minimum level recommended by the U.S. Centers for Disease Control and Prevention (CDC), which usually requires only 20 to 25 percent of a state's settlement proceeds. The majority of states are funding tobacco prevention at less than half the CDC minimum. Indeed, some states have moved backward and reduced tobacco prevention funding over the past year.

As they face budget shortfalls, some states are using settlement funds, including funds previously committed to tobacco prevention, to balance their budgets. These are penny-wise, pound-foolish decisions that ignore the conclusive evidence that tobacco prevention programs not only reduce smoking and save lives, but also save far more money than they cost by reducing smoking-caused health care expenditures. Even in these difficult budget times, tobacco prevention is one of the smartest and most fiscally responsible investments that governors and state legislators across the country can make.

In November 1998, 46 states and the tobacco industry settled the states' Medicaid lawsuits for recovery of their tobacco-related health care costs. The industry committed to paying these states approximately \$206 billion over the next 25 years. Four states (Mississippi, Texas, Florida and Minnesota) settled their tobacco lawsuits separately for a total of \$40 billion over 25 years. (The industry will pay an additional \$5 billion to 14 states to compensate them for potential harm to their tobacco-producing communities.)

The tobacco settlement, known as the Master Settlement Agreement (MSA), presented the states with a unique opportunity to reduce the terrible burden exacted by tobacco on America's families and communities. We have issued regular reports tracking whether and to what extent the states are living up to this promise.

Too often the states are not keeping their promise to spend the tobacco settlement money to reduce the death toll from tobacco:

- Only five states – Arizona, Maine, Massachusetts, Mississippi and Minnesota – are funding tobacco prevention programs at the minimum level recommended by CDC.
- Only 19 states (including the five above) have committed even 50 percent of the minimum funding level recommended by CDC.
- Sixteen states have committed only modest amounts to new tobacco prevention and cessation programs (25 to 50% of the minimum amount recommended by the CDC).
- Twelve states have committed minimal amounts to tobacco prevention and cessation (less than 25% of the minimum amount recommended by the CDC).
- Three states and the District of Columbia have committed none of their settlement money or other major funding source, such as a tobacco excise tax, to tobacco prevention.

It is deeply troubling that in several states, even the meager amounts committed to tobacco prevention are in serious jeopardy due to shortsighted budget cuts in this time of economic uncertainty.

Perhaps the two most egregious examples of this alarming trend are Florida and Tennessee. In December 2001, Florida's Legislature and Governor Jeb Bush (R) cut funding for the state's highly successful program by \$7.5 million – 20 percent of the program's \$37.3 million budget, which already had been cut from \$70 million in 1998, the program's first year. In Tennessee, the Legislature, rejecting the objections of the Governor and the recommendations of its own tobacco settlement subcommittee, voted to use all the state's settlement money received to date to balance the budget for just one year. Other states, notably Montana and Wisconsin, cut allocations they had previously made to tobacco prevention before the programs had a chance to deliver.

Even in the current economic and fiscal climate, it is irresponsible and shortsighted for states to cut tobacco prevention programs. These programs have been demonstrated to work, and they present the opportunity for significant long-term savings in health care costs.

The tobacco settlement has resulted in an increase in the amount of money being spent at the state level on tobacco prevention and cessation. However, while these new funding levels sound large in comparison to the amount states have traditionally spent on tobacco prevention, current funding is well short of what the CDC has concluded represents the minimum necessary to fund an effective, sustained, comprehensive program.

The states' funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the public health problem: When the public health problems posed by tobacco are compared to other health problems, it is clear that the amount the states are spending on tobacco prevention today pales in comparison to the enormity of the problem. Tobacco use is the number one cause of preventable death in the United States, claiming more lives every year – 400,000 – than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. The annual cost of treating tobacco-related disease exceeds \$89 billion. And, equally startling, every year nearly two million children under 18 try their first cigarette, and over 780,000 become regular everyday smokers, one-third of whom will die prematurely as a result. These children are the tobacco companies' valued "replacement smokers."

It is not enough to claim, as some do, that more of the money in many states is being spent on other "health" programs. These cases were brought to reduce the death toll from tobacco. There is no single public health action that will save more lives than a dramatic reduction in the number of people who die from tobacco use. By investing in tobacco prevention now, states will save money in the long term and see their health care costs decline along with tobacco consumption.

The states' failure to fund tobacco prevention is tragic because the evidence is now conclusive that comprehensive state programs work: The Institute of Medicine, in its March 2000 report entitled "State Programs Can Reduce Tobacco Use," and the Surgeon General, in his August 2000 report entitled "Reducing Tobacco Use," studied all of the available evidence and both concluded that we know how to reduce tobacco use and the harm

it causes. The Surgeon General found that the U.S. could make unprecedented progress and reduce tobacco use by 50 percent in one decade through the implementation of currently used comprehensive prevention and cessation programs nationwide. These reports make clear that state funds spent on tobacco prevention and cessation are not experiments or learning opportunities. To the contrary, they are proven strategies that will produce important results for the health of our country.

Based on extensive research and experience in several states, the CDC has established for each state a minimum funding level that will have a significant impact on tobacco use and its deadly consequences. As noted previously, this amount is typically only 20 to 25 percent of the money a state receives from the tobacco settlement.

These recommendations are grounded in solid, real-life experience. The few states that have implemented comprehensive tobacco prevention programs are reducing smoking rates, saving lives and saving money:

Reducing smoking rates: Several states with comprehensive programs have experienced greater declines in youth smoking than the nation as a whole. In the three years since implementing its program in 1998, Florida cut smoking rates by 47 percent among middle school students and 30 percent among high school students. This decline represents nearly 75,000 fewer Florida youth smokers and more than 24,000 fewer premature smoking deaths, according to the state health department. Since 1997, Oregon has cut smoking rates among eight graders by 41 percent, while Maine has cut smoking by 36 percent among high school students.

Saving lives: Two recent studies show that California, which started the nation's oldest tobacco prevention program in 1989, has saved tens of thousands of lives by reducing smoking-caused birth complications, heart disease, strokes and lung cancer.

Saving money for taxpayers: Studies have shown that California is now saving more than \$3 in smoking-caused health care costs for every dollar it spends on tobacco prevention, while Massachusetts, which started its program in 1993, is already saving more than \$2 for every dollar spent on tobacco prevention.

States are also learning the hard way that cutting tobacco prevention programs does not make sense from a public health or a fiscal viewpoint. In Florida, the latest data on youth smoking rates suggest that, because of budget cuts, the state's once-model program may not be reaching kids as effectively as it did initially. California's progress in reducing smoking rates stopped for a period in the mid-1990s after funding for tobacco prevention was cut. Funding has since been partially restored, as has progress in reducing tobacco use. These experiences warn other states that tobacco prevention programs must be adequately funded and sustained over time in order to protect every generation of children and continue reducing smoking rates.

While states are breaking their promise to protect kids from tobacco, tobacco company promotional expenditures that affect children actually increased after the settlement: Despite promising as part of the settlement to stop targeting kids, the tobacco companies spent more than ever before in 1999, the first year after the settlement, to market their

products. The industry in 1999 spent \$8.4 billion – \$22.5 million a day – on marketing, an increase of \$1.5 billion, or 22.3 percent. Much of the increase was in ways effective at reaching kids, such as advertising in youth-oriented magazines and convenience stores frequented by youth.

In contrast to the \$8.4 billion in annual tobacco industry marketing expenditures, the National Conference of State Legislatures estimates that, in FY 2000 and FY 2001, the legislatures appropriated a total of approximately \$168 million and \$430 million, respectively, of the tobacco settlement money for tobacco prevention and cessation, out of a total of more than \$8 billion they received. In fact, even if every single state met the CDC minimum spending level for tobacco prevention programs, the tobacco companies would still spend more than five times as much on marketing and promotion as all the states combined.

Tobacco marketing works. Almost 90% of all adult smokers began smoking when they were 18 or younger. Eighty-six percent of youth smokers smoke the three most heavily advertised brands – Marlboro, Camel and Newport.

The need has never been greater. Youth smoking rates are still far too high: Smoking among teenagers increased dramatically during the 1990s, reaching a 19-year high in 1997. Despite recent declines, teenage smoking remains unacceptably high, with nearly 30 percent of high school seniors smoking in 2001.

As this report demonstrates, many states have not responded to the urgency of the current public health crisis of tobacco use. We are now at a critical juncture in the evolution of the settlement issue. States that have not yet allocated significant settlement money to tobacco prevention must act soon. Those states that have allocated the money must put into place the kinds of programs that have been recommended by CDC and been proven to work, and they must resist the pressure to cut these programs because of the current economic and fiscal climate.

Below is a summary of state actions so far.

Summary of State Actions

This report ranks the states based on current spending on tobacco prevention and cessation programs.

Nineteen states – Arizona, Maine, Massachusetts, Mississippi, Minnesota, Indiana, Arkansas, California, Illinois, Vermont, Missouri, New Jersey, Maryland, Delaware, Pennsylvania, Colorado, Oregon, Nebraska and Washington – have made substantial commitments to fund tobacco prevention and cessation programs – at least 50% of the minimum amount recommended by the CDC for these states.

Of these 19 states, only five – Arizona, Maine, Massachusetts, Mississippi and Minnesota – have met the minimum funding levels recommended by the CDC. (Arizona uses only cigarette excise tax revenue to fund its tobacco prevention program, which was initiated before the tobacco settlements.)

Sixteen states – Wisconsin, Georgia, Iowa, New York, West Virginia, Utah, Virginia, Hawaii, Alaska, New Mexico, Ohio, Rhode Island, Nevada, South Dakota, North Dakota and Florida – have committed modest amounts to new tobacco prevention and cessation programs – between one-quarter and one-half of the minimum amount recommended by the CDC for these states.

Twelve states -- Wyoming, Alabama, Kentucky, Texas, New Hampshire, Idaho, Oklahoma, South Carolina, Montana, Kansas, Connecticut and Louisiana -- have made only a minimal financial commitment to tobacco prevention and cessation – less than 25 percent of the minimum amount recommended by the CDC.

Three states –Michigan, North Carolina¹ and Tennessee – and the District of Columbia have made legislative decisions on how to spend their tobacco settlement money, but made no commitment to provide funding for tobacco prevention and cessation from the tobacco settlement funds.

Four states had comprehensive tobacco prevention programs before the state settlements – California, Massachusetts, Arizona and Oregon. California, Massachusetts and Oregon have supplemented these programs with their tobacco settlement payments. However, of those, only Massachusetts used enough funds from its settlement dollars to bring the program up to CDC-recommended spending levels.

¹ *North Carolina has set-aside \$5 million annually for health purposes, which could be allocated for tobacco prevention in early 2002.*

10 Most Disappointing States of 2001

Connecticut – funds tobacco prevention at only 2.7 percent of the minimum amount recommended by the CDC (\$580,000 in FY2002), making it by far the worst state in New England in funding tobacco prevention. Connecticut ranks 45th in this report.

Florida – Governor Jeb Bush (R) and the Legislature in 2001 cut funding for one of the nation's most successful tobacco prevention programs by nearly a third, from \$44.1 million to \$29.8 million. The largest cuts were made right after the Florida Department of Health released results showing that, since the program started in 1998, Florida has cut smoking by 47 percent among middle school students and 30 percent among high school students. This decline represents nearly 75,000 fewer youth smokers and more than 24,000 fewer premature smoking deaths. The Health Department results also indicated that budget cuts are already reducing the program's effectiveness among middle school students. Florida's ranking in this report dropped from 15th to 29th.

Hawaii – In 2001, Governor Ben Cayetano (D) proposed a plan, which was adopted by the Legislature, that will cut future funding for the tobacco prevention trust fund in half in order to pay for a medical school facility. Hawaii's ranking dropped from 10th to 27th.

Michigan – provides zero funding for tobacco prevention. Michigan is tied for last.

Montana – At the urging of Governor Judy Martz (R), the Legislature in 2001 cut funding for tobacco prevention from \$3.5 million to \$500,000 annually. Montana funds tobacco prevention at only 5.3 percent of the minimum amount recommended by the CDC. Montana's ranking in this report dropped from 24th to 43rd.

North Carolina – Three years after the settlement, North Carolina has provided zero funding for tobacco prevention. It still has an opportunity to provide funding for tobacco prevention this year when it decides early in 2002 how to allocate \$5 million set aside for health care purposes, including possibly tobacco prevention. North Carolina is tied for last.

Tennessee – provides zero funding for tobacco prevention. The Legislature in 2001 voted to use most of the state's tobacco settlement dollars to fill a budget gap. It overrode a veto by Governor Don Sundquist (R) to do so. Tennessee is tied for last.

Texas – funds tobacco prevention at only 12.1 percent of the minimum amount recommended by the CDC. The state's leaders have failed to fund a statewide tobacco prevention program despite the results of a small, but highly successful East Texas pilot project that has reduced smoking by as much as 40 percent among sixth graders. Texas ranks 39th in this report.

Washington, DC – provides zero funding for tobacco prevention. DC is tied for last.

Wisconsin – Governor Scott McCallum (R) and the Legislature in 2001 cut funding for tobacco prevention from \$21.2 million to \$15.5 million. Wisconsin's ranking fell from 13th to 20th.

TAB 2

STATUS OF STATE DECISIONS ON SPENDING TOBACCO SETTLEMENT MONEY

States that have funded tobacco prevention programs at a level that meets the CDC's minimum recommendation (5)

Arizona ²	Minnesota
Maine	Mississippi
Massachusetts ¹	

States that have committed substantial funding for tobacco prevention programs (14)

Arkansas	Missouri
California ¹	Nebraska
Colorado	New Jersey
Delaware	Oregon ¹
Illinois	Pennsylvania
Indiana	Vermont
Maryland	Washington

States that have committed modest funding for tobacco prevention programs (16)

Alaska	North Dakota
Florida	Ohio
Georgia	Rhode Island
Hawaii	South Dakota
Iowa	Utah
Nevada	Virginia
New Mexico	West Virginia
New York	Wisconsin

States that have committed minimal funding for tobacco prevention programs (12)

Alabama	Montana
Connecticut	New Hampshire
Idaho	Oklahoma
Kansas	South Carolina
Kentucky	Texas
Louisiana	Wyoming

States that committed none of their tobacco settlement money for tobacco prevention programs (3 and DC)

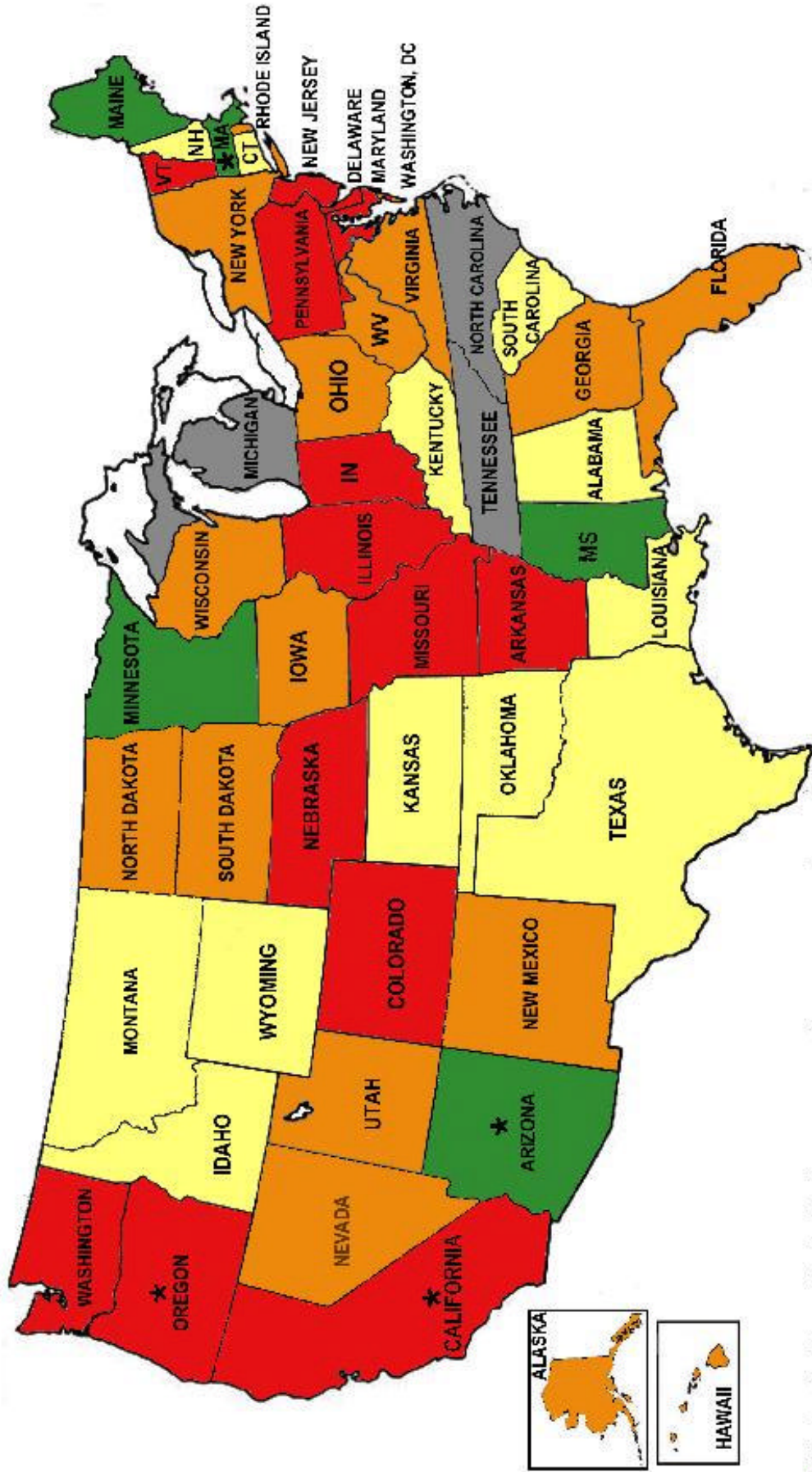
District of Columbia	North Carolina ³
Michigan	Tennessee

¹ California, Massachusetts and Oregon have used funds from their tobacco settlement payments to supplement their existing tobacco prevention programs, funded by state tobacco excise taxes.

² Arizona and has a comprehensive tobacco prevention program currently funded solely from state tobacco excise taxes.

³ North Carolina has set-aside \$5 million annually for health purposes, which could be allocated for tobacco prevention in early 2002.

Funding for Tobacco Prevention from Settlement Dollars



Green States that have funded tobacco prevention programs at a level that meets the CDC's minimum recommendation.

Red States that have committed substantial funding for tobacco prevention programs.

Orange States that have committed modest amounts of tobacco settlement money for tobacco prevention programs.

Yellow States that have committed minimal amounts of tobacco settlement money for tobacco prevention programs.

Grey States that have committed none of their tobacco settlement money for tobacco prevention programs.

* Arizona has a comprehensive tobacco prevention program currently funded solely from state tobacco excise taxes. California, Massachusetts and Oregon use funds from their tobacco settlement payments to supplement their current tobacco prevention programs, also funded by state tobacco excise taxes.

CAMPAIGN for TOBACCO-FREE Kids

January 15, 2000

Rankings of State Funding for Tobacco Prevention

State	Current Annual Funding (FY2002)	CDC's Annual Funding Recommendation (\$millions)	Percent of CDC's Minimum Recommendation	Source of Funding	Current Rank	Jan. 2001 Rank
Massachusetts	\$48 million	35.24 – 92.76	Within CDC guidelines	MSA & State Excise Tax	1	4
Arizona	\$36.56 million	27.79 – 71.10	Within CDC guidelines	State Excise Tax	2	3
Maine	\$13.76 million	11.19 – 25.35	Within CDC guidelines	MSA	3	1
Mississippi	\$20 million	18.79 – 46.80	Within CDC guidelines	State Settlement	4	2
Minnesota	\$28.9 million	28.62 – 74.01	Within CDC guidelines	State Settlement	5	4
Indiana	\$32.5 million	34.78 – 95.80	93.4%	MSA	6	6
Arkansas	\$16.39 million	17.91 – 46.45	91.5%	MSA	7	9
California	\$134.54 million	165.10 – 442.40	81.5%	MSA & State Excise Tax	8	12
Illinois	\$45.9 million	64.91 – 179.05	70.7%	MSA	9	20
Vermont	\$5.53 million	7.91 - 15.94	70.0%	MSA	10	11
New Jersey	\$30 million	45.07 – 121.33	66.6%	MSA	11	14
Maryland	\$20.05 million	30.30 – 78.60	66.2%	MSA	12	7
Delaware	\$5.45 million	8.63 - 18.46	63.2%	MSA	13	26
Pennsylvania	\$41.37 million	65.57 - 184.76	63.1%	MSA	14	**
Missouri	\$18.7 million	32.77 - 91.36	57.1%	MSA	15	46
Oregon	\$11.25 million	21.13 – 52.84	53.2%	MSA & State Excise Tax	16	22
Nebraska	\$7 million	13.31 – 31.04	52.6%	MSA	17	16
Washington	\$17.5 million	33.34 - 89.38	52.5%	MSA	18	19
Colorado	\$12.72 million	24.55 – 63.26	51.8%	MSA	19	17
Wisconsin	\$15.5 million	31.16 – 82.38	49.7%	MSA	20	13
Virginia	\$19.2 million	38.87 - 106.85	49.4%	MSA	21	27
Georgia	\$20.77 million	42.59 - 114.34	48.7%	MSA	22	25
Iowa	\$9.42 million	19.35 – 48.71	48.7%	MSA	22	18
New York	\$40 million	95.83 - 269.30	41.7%	MSA	24	28
West Virginia	\$5.85 million	14.16 – 35.37	41.3%	MSA	25	21
Utah	\$6 million	15.23 - 33.38	39.4%	MSA	26	23
Hawaii	\$4.19 million	10.78 – 23.45	38.9%	MSA	27	10
Alaska	\$3.1 million	8.09 - 16.51	38.3%	MSA	28	36
Florida	\$29.8 million	78.38 – 221.26	38.0%	State Settlement	29	15
New Mexico	\$5 million	13.71 - 31.95	36.5%	MSA	30	37
Ohio	\$21.7 million	61.74 – 173.68	35.1%	MSA	31	8
Rhode Island	\$3.3 million	9.89 - 21.91	33.4%	MSA	32	31
Nevada	\$4.28 million	13.48 - 32.99	31.7%	MSA	33	33
South Dakota	\$2.7 million	8.69 - 18.21	31.1%	MSA	34	35
North Dakota	\$2.53 million	8.16 - 16.55	30.9%	MSA	35	**
Kentucky	\$5.5 million	25.09 - 69.90	21.9%	MSA	36	32
New Hampshire	\$1.5 million	10.89 - 24.77	13.8%	MSA	37	30
Wyoming	\$900,000	7.38 - 14.40	12.2%	MSA	38	39
Texas	\$12.5 million	103.29 - 284.74	12.1%	State Settlement	39	41

Rankings of State Funding for Tobacco Prevention

State	Current Annual Funding (FY2002)	CDC's Annual Funding Recommendation (\$millions)	Percent of CDC's Minimum Recommendation	Source of Funding	Current Rank	Jan. 2001 Rank
Idaho	\$1.1 million	11.04 - 24.09	10.0%	MSA	40	40
Oklahoma	\$1.73 million	21.83 - 56.31	7.9%	MSA	41	29
South Carolina	\$1.6 million	23.91 - 62.01	6.7%	MSA	42	42
Montana	\$500,000	9.36 - 19.68	5.3%	MSA	43	24
Kansas	\$500,000	18.05 - 44.69	2.8%	MSA	44	44
Connecticut	\$580,000	21.24 - 53.90	2.7%	MSA	45	43
Alabama	\$600,000	26.74 - 71.24	2.2%	MSA	46	34
Louisiana	\$500,000	27.13 - 71.43	1.8%	MSA	47	38
Washington, DC	0	7.48 - 14.57	0.0%	MSA	51	**
Michigan	0	54.80 - 154.56	0.0%	MSA	51	46
North Carolina	0*	42.59 - 118.63	0.0%	MSA	51	**
Tennessee	0	32.23 - 89.08	0.0%	MSA	51	**

All funding levels are based on most current allocation of the state's tobacco settlement payments or most current spending information available.

Master State Settlement Agreement (MSA)

* North Carolina has set-aside \$5 million for health purposes, which could be allocated for tobacco prevention in early 2002.

** These states had not yet made spending decisions regarding their tobacco settlement funds at the time of printing.

TAB 3

Alabama

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$228.7 million *	\$96.9 million	\$600,000	\$26.74 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Alabama spend between \$26.7 million and \$71.2 million a year -- \$6.19 to \$16.49 per capita -- to have an effective, comprehensive tobacco prevention program. Alabama currently allocates \$600,000 a year – 14 cents per capita -- for tobacco prevention. This is 2.2% of the CDC's minimum recommendation and ranks Alabama 46th among the states in the funding of tobacco prevention programs.

Current Status: Alabama's tobacco settlement payments are governed by a 1999 law approved by the Legislature and signed by Governor Don Siegleman (D). This law allocates up to \$70 million in FY2002 and annually thereafter to a package of health and youth-related programs called the Children First Trust Fund. Up to \$7 million (10% of the fund) is designated to the Department of Public Health for youth programs including tobacco control programs and the Children's Health Insurance Program (CHIP). Additionally, up to \$700,000 is set-aside for the Alcoholic Beverage Control Board (ABC) for education and the enforcement of laws to prohibit access to tobacco products by minors. Other Departments and programs were funded by percentages stipulated by the 1999 law, as noted below.

The FY2002 budget approved by the Legislature and signed by Governor Siegleman included tobacco prevention funding of \$200,000 under the Department of Public Health and \$400,000 under the ABC Board for enforcement of tobacco laws, for a total of \$600,000 for tobacco prevention from the Children's First Fund.

Using its tobacco settlement revenue to pay the debt service on general obligation bonds, Alabama also issued \$50 million in bonds through an entity called the 21st Century Authority, with the funds devoted primarily to economic development.

The FY2002 budget appropriated the \$115 million in tobacco settlement revenue as follows:

- \$11 million for debt service on bonds issued through the 21st Century Authority;
- \$62.27 million for the Children's First Trust Fund for various public health, mental health, education, juvenile probation and Department of Youth Services programs and activities;
- \$1.78 million for the Senior Services Trust Fund;
- \$37.36 million for Medicaid; and
- \$ 6.27 million for the Senior Services Medicaid Waiver.

Background: In 1999 the Legislature passed and Governor Siegleman signed a law directing all of Alabama's tobacco settlement funds to The 21st Century Fund to pay the debt service on industrial development bonds for the state. Once the yearly bond payment is made, the balance is transferred into the Children's First Trust Fund up to \$60 million in FY2000, up to \$65 million in FY2001, and up to \$70 million in FY2002 and annually thereafter for the Children's First programs' package as follows:

- 22% to the State Board of Education for alternative schools, school safety, drug, alcohol, tobacco, gang-related or satanic worshipping-related education, prevention, detection, or enforcement programs;
- 20% to the Alabama Department of Human Resources for care of children in the foster system;
- 17% to the Department of Youth Services to fund secure beds, group homes, graduated release facilities, community-based alternatives to commitment, and for subsidies for regional detention facilities;

- 10% to the Department of Public Health for the Children's Health Insurance Program, tobacco control programs to reduce the consumption of all tobacco products by children, and programs to increase access to healthcare services for uninsured, underinsured, or medically indigent patients;
- 10% to the Juvenile Probation Services Fund to unify and upgrade the juvenile justice system and improve the delivery of services to children who have been referred to the juvenile court;
- 5% to the Children's Trust Fund for grants to be used for community-based programs targeted toward "at-risk" children or teens with specific emphasis on plans, programs, and services to eradicate gangs, criminal behavior, illiteracy, teen unemployment and teen pregnancy, to investigate child pornography and to support single parent families;
- 5% to the State Multiple Needs Children's Fund for services to children;
- 5% to the Department of Mental Health and Mental Retardation for community-based services for children and families in crisis, including intensive long-term programs designed to change behavior and rehabilitate children with gang-related problems, satanic worshipping-related problems, drug or alcohol problems or addictions;
- 3.5% to Alabama Medicaid Agency to fund services that directly benefit the needs of children;
- 1% to the Alcoholic Beverage Control Board for education and the enforcement of laws to prohibit access to tobacco products by minors;
- 1% to the Department of Forensic Sciences to fund forensic services related to child deaths and crimes where the victim is a child; and
- 0.5% to the Department of Rehabilitation Services for early intervention services for children from birth through age three, and services for children who have traumatic brain injury.

Any remaining funds are transferred to the General Fund and earmarked for Medicaid --\$45 million in FY2002 and annually thereafter – and the Seniors Services Trust Fund --\$2 million per year beginning in FY2000.

The Alabama Legislature's current session convened on January 8, 2002.

* Alabama is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$2.6 million over 12 years directly to Alabama tobacco growers.

Alaska

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$49 million	\$21.1 million	\$3.1 million	\$8.09 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Alaska spend between \$8.1 million and \$16.5 million a year -- \$13.27 to \$27.10 per capita -- to have an effective, comprehensive tobacco prevention program. Alaska currently allocates \$3.1 million a year -- \$5.08 per capita -- for tobacco prevention. This is 38.3% of the CDC's minimum recommendation and ranks Alaska 28th among the states in the funding of tobacco prevention programs.

Current Status: Alaska's tobacco settlement payments are governed by a 2000 law, passed by the Legislature and signed by Governor Tony Knowles (D), which securitized 80% of the settlement money for capital construction projects such as ports, harbors, and schools and set aside 20% for tobacco prevention programs. The available money must be appropriated for specific use by the Legislature, \$4.9 million was available for FY2002 expenditure from the 20% of non-securitized funds. The FY2002 budget increases funding for tobacco prevention to \$3.1 million from \$1.4 million in FY2001. These funds allow Alaska to continue the state's tobacco

prevention program. Elements of the program are based on CDC guidelines, but the program is not funded at sufficient levels to make it statewide or comprehensive. In 2001 the Legislature also moved administration of the tobacco prevention programs from the American Lung Association to the Department of Health.

Background: In 1999, Governor Knowles signed the FY2000 budget, which included \$1.4 million in tobacco settlement funds for a tobacco cessation, prevention and control program. The remaining settlement funds were directed to the state’s general fund, the majority of which is to be used for Medicaid reimbursements, child protection programs, children’s healthcare and other existing state priorities. In July 2000, the Legislature appropriated and the Governor approved the same amount, \$1.4 million, for the tobacco prevention program in the FY2001 budget. All future expenditures for the tobacco prevention program must be appropriated annually as part of the budget process.

Also in June 2000, Governor Knowles signed legislation enabling the state to issue municipal bonds backed by the tobacco settlement money. Proceeds from the bonds were used to finance school and university construction, public housing, and port and harbor facilities.

In May 2001, the Senate passed a proposal earlier approved by the House to make annual deposits of 20 percent of the tobacco settlement payments into a fund dedicated to tobacco prevention and cessation. Thus the Alaska Legislature agreed to set aside the remaining 20 percent of the tobacco settlement funds available for expenditure (approximately \$5 million annually) to tobacco prevention and cessation. However, the bill did not specifically appropriate the money “set aside” each year. The Legislature must still appropriate an actual dollar amount to the tobacco program, as it did in 2001 -- \$3.1 million.

The Alaska Legislature’s current session convened on January 14, 2002.

Arizona

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$208 million	\$87.7 million	\$36.56 million	\$27.79 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arizona spend between \$27.8 million and \$71.1 million a year -- 6.10 to \$15.61 per capita -- to have an effective, comprehensive tobacco prevention program. Arizona currently allocates \$36.56 million a year -- \$8.04 per capita -- for tobacco prevention. This is within the CDC’s recommended guidelines and ranks Arizona 2nd among the states in the funding of tobacco prevention programs.

Current Status: Under current state law, all of Arizona’s tobacco settlement payments are used to fund the Arizona Health Care Cost Containment System (AHCCCS), a health insurance program for the poor. No settlement funds are used for tobacco prevention.

However, Arizona does fund a model comprehensive Tobacco Education and Prevention Program (TEPP) with revenue generated by a 58-cents a pack state cigarette tax approved by voters in 1994. Approximately 23 percent of the cigarette tax revenues have been spent on tobacco prevention, amounting to \$36.56 million in FY2002. However, in November 2001, Governor Jane Dee Hull (R) proposed cutting tobacco prevention funding by \$60 million over two years to address a state budget shortfall. While the House agreed to this plan, the Senate rejected it. The Legislature agreed on a compromise that uses \$17.8 million from the TEPP reserve account to help balance the budget, but did not touch the program’s operating budget. The operating budget for FY2002 remains at \$36.56 million.

The TEPP funding is currently being renegotiated for multi-year contracts starting in January 2002. Until those contracts are signed, the programs will be funded for the first half of FY2002 at the same levels of spending as FY2001. The programs' expenditures for FY2001 were follows:

- Local Projects \$14,722,380
- Media & Sports Contracts \$12,050,898
- Arizona Tobacco Info Network \$ 6,437,211
- Statewide Projects (planning) \$ 1,328,075
- Administrative \$ 1,987,196
- Other Contracts \$ 35,672

The state's tobacco prevention program has significantly reduced tobacco use in Arizona. Smoking prevalence has declined by 21% among adults and 24% among young adults (18-24) since TEPP was launched in 1996. Some of the largest declines in smoking were among persons of low income (31.2% to 22.8%) and low education (29.3% to 16.2%), thus decreasing disturbing disparities in smoking rates.

Background: Two competing proposals related to the tobacco settlement funds were on the November 2000 ballot. The Healthy Children/Healthy Families initiative, backed by Arizona's hospitals, proposed spending the settlement payments on a health insurance program for the working poor, as well as programs for children and seniors. The Healthy Arizona 2 initiative proposed using all the settlement funds for the AHCCCS. Neither initiative allocated any tobacco settlement funds to tobacco prevention and cessation programs. Although both initiatives were approved by the voters, the Healthy Arizona 2 measure was implemented because it was passed by a larger margin (63-37 percent vs. 58-42 percent for the Healthy Children/Healthy Families measure). The increased funding was projected to allow additional coverage for more participants, including prescription drug coverage for seniors.

For FY2001, Governor Hull and the Legislature did authorize the use of some of the settlement dollars, including \$80 million for the construction of a state mental hospital and \$8 million for the AHCCCS. The rest of the money went into an escrow account pending the outcome of the two initiatives and will now be used to fund the AHCCCS.

The Arizona Legislature's current session convened on January 14, 2002.

Arkansas

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$121.5 million	\$52.1 million	\$16.39 million	\$17.91 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arkansas spend between \$17.9 million and \$46.4 million a year -- \$7.10 to \$18.41 per capita -- to have an effective, comprehensive tobacco prevention program. Arkansas currently allocates \$16.39 million a year -- \$6.50 per capita -- for tobacco prevention. This is 91.5% of the CDC's minimum recommendation and ranks Arkansas 7th among the states in the funding of tobacco prevention programs.

Current Status: Arkansas' tobacco settlement funds are governed by a 2000 law, passed by Arkansas voters, which placed the first \$100 million the state received from its tobacco settlement payments in an endowment called the Arkansas Health Century Trust Fund. The balance and all future payments go into the Tobacco Settlement Trust Fund to be disbursed annually as follows:

- 31.6% for tobacco prevention and cessation programs,

- 29.8% to expand the Medicaid program,
- 22.8% for bio-sciences research, and
- 15.8% for targeted state health needs.

The Legislature must annually appropriate the funds for these purposes. A two-thirds vote of the Legislature is required to significantly change these percentages. The law also stipulated that the first \$5 million of each year's payment be deposited into a trust fund to allow the Arkansas Development Finance Authority to issue bonds for capital improvement at several universities in the state.

Governor Mike Huckabee (R) negotiated a \$1.5 million cut for cessation programs for FY2002, leaving \$16.39 million in total funding available for tobacco prevention and cessation programs for FY2002 in Arkansas. Arkansas is currently implementing its statewide, CDC-based program. Results are not yet available.

Background: In 1999, Governor Huckabee asked the Arkansas Department of Health and the University of Arkansas for Medical Sciences to develop a plan for using settlement funds to improve the health of Arkansans. This plan, called the Better Health Plan, recommended all of the settlement money be spent on health-related programs, including about one-third for a tobacco prevention and cessation program, one-third for biomedical research, and one-third for medical education. Governor Huckabee and Senate Majority Leader Jay Bradford (D) supported this plan. Speaker of the House Bob Johnson (D) convened a task force to hear public testimony and develop plans for use of the settlement money, including possible securitization through bonding.

In December 1999, Governor Huckabee and the state's public health coalition, the Coalition for Healthy Arkansans Today (CHART) agreed on a plan to spend settlement funds on health-related programs. The original CHART plan was very similar to the ballot initiative passed in 2000 and included \$17 million for tobacco prevention programs. In April 2000, Governor Huckabee called a special legislative session to decide how to appropriate the state's tobacco settlement funds, but the Legislature was unable to reach an agreement.

The Governor and CHART subsequently initiated an effort to put the plan described above on the November 2000 ballot. The ballot initiative passed 64 to 36 percent.

The Arkansas Legislature does not meet in 2002; the next regular legislative session will convene early in 2003.

California

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$1.79 billion*	\$759.3 million*	\$134.54 million	\$165.1 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of California spend between \$165.1 million and \$442.4 million a year -- \$5.12 to \$13.71 per capita -- to have an effective, comprehensive tobacco prevention program. California currently allocates \$134.5 million a year -- \$4.17 per capita -- for tobacco prevention. This is 81.5% of the CDC's minimum recommendation and ranks California 8th among the states in the funding of tobacco prevention programs.

Current Status: California's tobacco settlement payments are governed by a 2001 law passed by the Legislature and signed by Governor Gray Davis (D) which places \$402 million in FY2002 payments and all future payments in a Tobacco Settlement Fund for set health purposes. The

Legislature must decide annually how to appropriate the money in the fund. The FY2002 budget included a \$20 million appropriation for tobacco prevention and control programs from the Tobacco Settlement Funds. These funds will supplement the state's comprehensive Tobacco Control Program (TCS), which is funded from revenues generated by a state cigarette excise tax, approved in 1990. When added to the TCS's \$114.54 million budget, the settlement money brings total funding for tobacco prevention and control in California to \$134.54 million in FY2002. The TCS FY2002 budget is as follows:

- State-wide Media Campaign \$45,264,000
- School-based programs \$28,042,000
- Grants to community-based organizations \$17,690,000
- County Health Department programs \$17,426,000
- Evaluation \$4,381,000
- Program Administration \$1,733,000

The \$20 million from the Tobacco Settlement Fund is being used for grants to community-based organizations in three areas: enforcement of tobacco control laws, grants to youth tobacco control advocacy coalitions, and programs focused on tobacco prevention for 18-24 year-olds.

The state's program has achieved considerable success. Since the passage of Proposition 99, cigarette consumption in California has declined by more than 58%, compared to 33% for the country as a whole. Adult smoking prevalence has declined by 25% during that time period, and between 1994 and 1999, smoking among 12 to 17 year-olds in California declined by 35%.

The FY2002 budget also made the following appropriations from the Tobacco Settlement Fund:

- \$170 million for MediCal
- \$ 63 million for Child Health and Disability Prevention Programs
- \$ 14 million for breast cancer treatment
- \$ 20 million for prostate cancer treatment
- \$ 52 million for expansion of CHIP
- \$ 62 million for expansion of CHIP to parents under "Healthy Families"
- \$ 73 million for the state's reserve account

Background: In his FY2001 budget, Governor Davis proposed spending the state's share of the 2000 settlement payment on healthcare for the poor, the California Tobacco Control Program (TCS), and research into tobacco-related diseases. However, in May 2000, the Governor's revised budget dedicated none of the tobacco settlement funds to the state's existing tobacco control program, which was funded at \$114.6 million from excise tax revenues for FY2001. The Governor then indicated that he would veto any legislation related to spending the tobacco settlement money.

In 2001, the Legislature passed a series of supplemental bills that established the Tobacco Settlement Fund and earmarked the money in the Fund for:

- Expansions in the Medi-Cal, Healthy Families and other state healthcare programs;
- Healthcare education and outreach, including tobacco use prevention efforts;
- Smoking Cessation services;
- Enforcement of tobacco-control laws;
- Expansion for health clinics that serve low-income, uninsured or underinsured citizens.

The legislation also stipulated that both the FY2002 appropriations from the Tobacco Settlement Fund to the TCS be available for expenditure for two years. This constitutes a change in the annual appropriations process and protects the tobacco control funding for the next two years.

The California Legislature's current session convened on January 7, 2002.

* The 1998 multi-state settlement agreement stipulates that in California, 50% of all payments go to the state, 40% to the 58 largest counties by population, and 10% divided evenly among the cities of San Francisco, San Jose, San Diego and Los Angeles.

Colorado

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$197 million	\$84.8 million	\$12.72 million	\$24.55 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Colorado spend between \$24.5 million and \$63.3 million a year -- \$6.31 to \$16.25 per capita -- to have an effective, comprehensive tobacco prevention program. Colorado currently allocates \$12.72 million a year -- \$3.27 per capita -- for tobacco prevention. This is 51.8% of the CDC's minimum recommendation and ranks Colorado 19th among the states in the funding of tobacco prevention programs.

Current Status: Colorado's tobacco settlement funds are governed by a 2000 law passed by the Legislature and signed by Governor Bill Owens (R) which stipulated how each year's settlement payment is allocated. This law allocates 15 percent for tobacco prevention, which is approximately \$12.72 million for FY2002. The law allocated the remaining funds as follows:

- 19% for the Governor's literacy program;
- 10% for the Children's Health Insurance Program;
- 6% for grants to community health centers;
- 8% for tobacco-related research;
- 3% for a home-visit nurse program for low-income parents; and
 - 1% for health needs of veterans.

The remaining funds (approximately 38% initially) were put into a Health Trust Fund, with only the interest generated available for annual expenditure by the Legislature. The law also stipulated that the amount placed in the trust fund will decrease over time, as funding for approved programs increases, eventually settling at 21% of the total annual payment.

For FY2002, the Colorado tobacco prevention and cessation programs will concentrate on implementing grants to community-based programs. The program will also continue funding for statewide initiatives as follows:

- \$4 million for grants to local Health Departments for currently running programs and planning for new programs;
- \$2 million for initiatives on youth issues including compliance on laws restricting sales to minors, school-based programs, and youth empowerment programs;
- \$2.45 million for cessation programs including a quit line and youth cessation in school health clinics;
- \$200,000 for initiatives on secondhand smoke including educational campaigns and training;
- \$408,000 for a needs assessment for outreach to special populations on tobacco prevention.

In a special session in October 2001, Governor Owens proposed legislation that would have cut the Tobacco Prevention Program in order to fund a Breast and Cervical Cancer treatment program for low-income women. Several legislators made a competing proposal to fund the treatment program from the state's general fund. The final compromise bill, passed by the Legislature and signed by the Governor, protects tobacco prevention funding. It initially uses unallocated interest earned on tobacco settlement money to fund the treatment program, then

gradually shifts funding to the general funding until the program is fully funded from the general fund after six years.

Background: Governor Owens did not originally propose using any of Colorado’s settlement funds for tobacco prevention. But in 2000, he signed a bill passed by the Legislature that appropriated 15% of the state’s annual settlement payments to tobacco prevention. The bill was sponsored by Senator Norma Anderson (R) and Representative Marcy Morrison (R).

Each legislative session, State Treasurer Mike Coffman (R) has continued to advocate for a securitization bill that would authorize the state to issue bonds backed by settlement funds in order to get a large up-front payment, which would then be invested. Although this legislation was introduced in the 2001 Legislature, it was not considered.

The Colorado Legislature’s current session convened on January 9, 2002.

Connecticut

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$260.4 million	\$110.4 million	\$580,000	\$21.24 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Connecticut spend between \$21.2 million and \$53.9 million a year -- \$6.50 to \$16.48 per capita -- to have an effective, comprehensive tobacco prevention program. Connecticut currently spends \$575,000 a year – 18 cents per capita -- for tobacco prevention. This is 2.7% of the CDC’s minimum recommendation and ranks Connecticut 45th among the states in the funding of tobacco prevention programs.

Current Status: Connecticut’s tobacco settlement payments are folded into the state’s general fund and allocated through the biennial budget process. The FY2002-03 budget approved by the Legislature and signed by Governor John Rowland (R) provides a total of \$575,000 per year for tobacco prevention, a reduction from tobacco prevention spending of \$1 million in FY2001 and \$4 million in FY2000. The FY2002-03 budget allocated the settlement funds as follows:

- \$120 million in FY2002 and \$121 million in FY2003 to the general fund,
- \$12 million each year to the Tobacco and Health Trust Fund, and
- \$4 million each year to a biomedical research fund.

From the Tobacco and Health Trust Fund, \$7.1 million in FY2002 and \$9.4 million in FY2003 are made available for expenditure. However, most of the funding is used for health care programs unrelated to tobacco prevention, with only \$375,000 provided annually for tobacco prevention work through the state’s Regional Action Councils. In addition, the general fund includes \$200,000 each year for tobacco prevention programs through the Department of Health.

Background: In 1999, Connecticut’s initial payment (1998) and the first two annual settlement payments were spent on public health initiatives, education and local property tax cuts through the FY2000-01 budget. Additionally, the Tobacco and Health Trust Fund was created to support healthcare programs. For FY2000-01, \$5 million from the Trust Fund was earmarked for grants to support tobacco prevention, education, cessation, treatment, enforcement and health programs.

In April 2000, the state initiated a small tobacco prevention program, utilizing \$4 million of the \$5 million set aside for tobacco prevention in FY2000. The remaining \$1 million was spent on tobacco prevention during FY2001.

In 2001, the FY2002-03 budget submitted by Governor Rowland included only \$200,000 each year for tobacco prevention in the general fund. The Legislature added \$375,000 a year in funding through the Regional Action Councils.

The Connecticut Legislature's current will convene February 6, 2002.

Delaware

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$55.5 million	\$23.5 million	\$5.45 million	\$8.63 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Delaware spend between \$8.6 million and \$18.5 million a year -- \$11.80 to \$25.24 per capita -- to have an effective, comprehensive tobacco prevention program. Delaware currently spends \$5.45 million a year -- \$7.47 per capita -- for tobacco prevention. This is 63.2% of the CDC's minimum recommendation and ranks Delaware 13th among the states in the funding of tobacco prevention programs.

Current Status: All of Delaware's tobacco settlement payments are placed in the Delaware Health Fund, created by a 1999 law. The Legislature must allocate the money within the fund through the state's annual budget process. The FY2002 budget approved by the Legislature and signed by Governor Ruth Ann Minner (D) increased funding for tobacco prevention to \$5.45 million from \$2.83 million in FY2001.

The FY2002 appropriation for tobacco prevention includes:

- \$4.6 million for tobacco prevention and cessation programs
- \$500,000 for enforcement
- \$220,000 for school-based prevention programs
- \$131,000 for new tobacco-specific staff at the attorney general's office

Delaware is currently in the second year of implementing its tobacco prevention and cessation program. First-year results are not yet available.

In addition to the tobacco control expenditures, approximately \$15 million from the Health Fund was appropriated to other health and social service programs including:

- \$4.6 million for capital improvements for the health department
- \$5.1 million for prescription drugs
- \$1.5 million for SSI coverage extension.

In addition to these expenditures, \$6 million was transferred to the state's strategic reserve fund.

Background: In July 1999, then-Governor Tom Carper (D) signed into law legislation creating the Delaware Health Fund and directing all of the state's tobacco settlement payments into the fund. The law also designated the Fund's purposes: expand access to healthcare, promote healthy lifestyles, and mitigate the effects of disease. An advisory committee of citizens, health experts and elected officials was formed to make annual recommendations for program expenditures from the Fund. The Legislature then must appropriate the money within the Fund based on those recommendations.

In 2000, slightly modifying the recommendations of the advisory committee, the Legislature made the first appropriations from the health fund as follows: \$2.83 million for tobacco prevention; \$7.5 million for a prescription drug program; \$1.9 million to improve state-run long-

term care facilities; \$1.5 million to Medicaid for services to people on Social Security Disability; and \$3.26 million for other healthcare projects. \$14.9 million from the Fund was also transferred to a strategic reserve fund.

In 2001, the Legislature adopted the advisory committee's recommendation to spend \$5.4 million on tobacco prevention and cessation programs.

The Delaware Legislature's current session convened on January 8, 2002.

The District of Columbia (Washington, DC)

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$87.2 million	\$37.5 million	0	\$7.48 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the District of Columbia (D.C.) spend between \$7.5 million and \$14.6 million a year -- \$14.14 to \$27.55 per capita -- to have an effective, comprehensive tobacco prevention program. D.C. currently allocates no city funds specifically for tobacco prevention. This ranks D.C. last -- tied with Michigan, North Carolina and Tennessee -- among the states in the funding of tobacco prevention programs.

Current Status: D.C. was among the last localities to make a final decision on how to use its tobacco settlement funds. In 2001, after three years of budget debates with no spending decisions, the City Council agreed to Mayor Anthony Williams' (D) plan to securitize most of the settlement funds by issuing bonds backed by the \$1 billion that the state expects to receive over the next 25 years. The money raised was transferred into a trust fund and will be used to pay the city's debt. The tobacco settlement payments are used every year to re-pay the bonds. Once the bondholders are paid, any remaining money from the trust will be held in escrow for three years. Beginning in 2004, any remaining funds will be available for expenditures for other programs. These funds will still be subject to appropriation by the City Council and Mayor.

A Reserve Fund was also created to cover any residual cost from each year's payment. If the money in the Reserve Fund is not needed for the bond payment in June, a portion will be released in July each year for expenditure. The Mayor and City Council must then agree on how to spend any residual funds. In FY2002 the residual available for expenditure is \$2.2 million. The Mayor has committed to spend these funds on health priorities including tobacco control programs, treatment for chronic disease from tobacco use and prescription drug costs for low-income citizens. However, a budget plan for the funds must be presented and approved by the Council before the funds can be spent and the Mayor has not yet proposed such a plan to the Council.

Background: In 1999, D.C.'s FY2000 budget, as passed by the City Council and signed by Mayor Williams placed all of the District's tobacco settlement payments into a special fund dedicated to health and well-being issues with no specific allocations. The City Council rejected Mayor Williams' original request to securitize the tobacco settlement funds in order to repair public schools.

In April 2000, after the City Council expressed interest in securitizing the tobacco settlement funds, Mayor Williams proposed that the District sell bonds for a \$645 million up-front payment rather than waiting for the annual settlement payments. The City Council eventually passed a compromise bill which invested most of the funds received from sale of the bonds, and used \$73 million in FY2001 and \$50 million annually in subsequent years to reduce the District's debt.

In his FY2001 budget proposal, the Mayor initially recommended the debt savings from the securitization plan be used to fund programs including education, health initiatives, school computers, senior citizens health centers and \$11.3 million for tobacco prevention. The City Council then ordered the Mayor to develop a detailed plan, including outcome measures. The Mayor's resubmitted plan reduced the amount earmarked for tobacco prevention and cessation programs to \$2.15 million. The City Council makes the final decision regarding how the bond proceeds will be spent, after the debt is paid. No specific spending plans have been proposed for FY2002.

The D.C. City Council is in session throughout the year; the current session convened on January 2, 2002.

Florida

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$2.48 billion*	\$743.4 million	\$29.8 million	\$78.38 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Florida spend between \$78.4 million and \$221.3 million a year -- \$5.35 to \$15.10 per capita -- to have an effective, comprehensive tobacco prevention program. Florida currently allocates \$29.8 million a year -- \$2.03 per capita -- for tobacco prevention. This is 38% of the CDC's minimum recommendation and ranks Florida 29th among the states in the funding of tobacco prevention programs.

As one of four states to settle with the tobacco industry prior to and separate from the November 1998 multi-state settlement agreement, Florida launched a tobacco prevention pilot project in 1997. Tobacco companies made an initial payment of \$893.5 million to Florida in 1998, and will make annual payments between \$440 and \$822.1 million each year thereafter.

Current Status: Funding for Florida's highly successful tobacco prevention program was cut from \$44.1 million in FY2001 to \$29.8 million in FY2002, a reduction of 32.4 percent. Since the Florida Tobacco Control Program (FTCP) was started in 1998, funding has been cut by 57.4 percent from an initial \$70 million.

The FY2002 funding cut was made in two phases. During its regular session, the Legislature approved level funding of \$44.1 million in FY2002 for the program. However, Governor Jeb Bush (R) utilized his line-item veto authority to cut \$5 million earmarked for youth access enforcement and \$1.8 million from other aspects of the program, leaving \$37.3 million for tobacco prevention in FY2002.

Secondly, in Fall 2001, Governor Bush called the Legislature into two special sessions to address the state's budget deficit. During the first special session, both the House and the Senate voted to cut tobacco prevention funding by \$14.5 million, a cut of 38.9 percent while the overall budget was cut by less than two percent. However, Governor Bush annulled the legislative plan because it failed to balance the state budget and called the Legislature into a second special session. Under substantial pressure from both youth and adult tobacco control advocates, the Legislature passed a budget that reduced the cut in tobacco prevention funding to \$7.5 million, leaving \$29.8 million in funding for FY2002. Governor Bush signed this budget into law, including the cuts in tobacco prevention.

Program element funding and cuts are as follows:

- Marketing/communications cut by \$2 million to \$13 million.
- Education/training cut by \$2.625 million to \$4.7 million

- Evaluation/research cut by \$1.056 million to \$1.444 million
- Community partnerships/youth programs cut by \$1.625 million to \$7.898 million
- Administration cut by \$194,000 to \$1.76 million
- Minority population programs, \$1 million, no cuts.

Florida's program was cut despite tremendous success that has made it a model for the nation. The program's aggressive *truth* counter-advertising program that focused on the tobacco industry's targeting of youth became a model for national advertising by the American Legacy Foundation and other states. Its SWAT (Students Working Against Tobacco) program has also been a model for involving youth in the fight against tobacco.

Since the program was started in 1998, Florida has reduced youth smoking rates by 47 percent among middle school students and 30 percent among high school students, according to a Florida Department of Health report released in October 2001. This decline represents nearly 75,000 fewer Florida youth smokers and more than 24,000 fewer premature deaths due to smoking, according to the state health department. However, the report also included results suggesting that the budget cuts have reduced the program's effectiveness, with progress stalling among middle school students. These results indicate that the program was most effective as the height of its funding and that its impact is not being felt among Florida kids now entering the most vulnerable years for becoming smokers.

Background: Florida's tobacco settlement payments are governed by the 1999 law, which allocated the payments to several trust funds, the largest being the Lawton Chiles Endowment Fund for Children and the Elderly. The interest generated by this fund and any tobacco settlement funds remaining from the annual payment after the trust funds' deposits are folded into the state's general fund and allocated through the annual budget process.

Based on the 1999 law, FY2002 settlement payments were deposited as follows:

- \$200 million to the Lawton Chiles Endowment Fund,
- \$14.5 million to the Biomedical Research Fund,
- \$21.6 million to the Child and Family Services Trust Fund and
- \$7.1 million to the Department of Environmental Affairs Trust Fund; and
- \$10.2 million will be used to fund the Moffitt Cancer Treatment Center.

The remaining settlement dollars were added to transfers from the Lawton Chiles Endowment Fund and interest earned, and appropriated by the Legislature as follows:

- \$40.5 million for KidCare,
- \$14.4 million for Florida Healthy Kids Corp.,
- \$ 7.4 million for Medikids,
- \$17 million for Children's Medical Service Network,
- \$68 million for Other Medicaid programs,
- \$25.1 million for the Department of Elder Affairs, and
- \$168.1 million for the Department of Child and Family Services.

As part of the state's settlement agreement, in 1997-98, \$23.2 million was appropriated for planning and initiating the tobacco prevention pilot project, and in 1998-99, \$70 million was spent on first-year implementation. Subsequent funding was decided annually by the Legislature beginning in FY2000.

Despite its success, funding for the tobacco prevention program has been under attack every year. Governor Jeb Bush (R) proposed spending \$61.5 million in FY2000 for the program, and the Senate agreed. However, the House Health Subcommittee initially sought to eliminate all funding for the program before appropriating \$30 million. The final FY2000 budget appropriated \$44.1 million (\$39.1 million for continuation of the "pilot program" and \$5 million for continuation of youth access enforcement). The same amount was appropriated in FY2001.

In 2001, Governor Bush submitted a proposal to securitize part of Florida's tobacco settlement proceeds by issuing bonds backed by the money the state expects to receive over the next 25 years, in return for an up-front payment of \$700 million for deposit into the Lawton Chiles Endowment. The Legislature rejected this proposal.

The Florida Legislature's current session convenes on January 22, 2002.

* Florida is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$58.2 million over 12 years directly to Florida tobacco growers.

Georgia

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$352.6 million*	\$151.8 million	\$20.77 million	\$42.6 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Georgia spend between \$42.6 million and \$114.3 million a year -- \$5.69 to \$15.27 per capita -- to have an effective, comprehensive tobacco prevention program. Georgia currently allocates \$20.8 million a year -- \$2.77 per capita -- for tobacco prevention. This is 48.7% of the CDC's minimum recommendation and ranks Georgia 22nd -- tied with Iowa -- among the states in the funding of tobacco prevention programs.

Current Status: Georgia folds its tobacco settlement payments into the state's general budget process. The FY2002 budget approved by the Legislature and signed by Governor Roy Barnes (D) increased funding for tobacco prevention by \$5 million to \$20.8 million. Governor Barnes also committed to adding \$5 million per year to the funding for tobacco prevention until the state reaches the CDC's minimum recommended level. The program is being implemented based on a plan recommended by the Georgia Department of Human Resources and the Coalition for a Healthy & Responsible Georgia (CHARGE) in 2000. The plan spends the money in several areas:

- \$4.6 million to the 19 public health districts in the state for local tobacco prevention programs;
- \$2.5 million for statewide organizations to work with community organizations and help build local coalitions, with an additional \$1 million for training and technical assistance for health districts and community programs;
- \$5.3 million for a counter-marketing media campaign; and
- \$1.7 million to monitor tobacco use and assess tobacco prevention efforts at the state and local levels (program surveillance and evaluation).

The additional \$5 million dollars will supplement these programs.

Other programs received FY2002 funding from the settlement funds as follows:

- \$34 million for the One Georgia Fund to attract businesses for rural economic development;
- \$30 million for funding school nurses;
- \$8.2 million for expanding Medicaid services and eligibility for Pregnant women and infants;
- \$4.5 million for expanding access to PeachCare (children's health insurance)
- \$16 million to expand cancer registry, screening and treatment; and
- \$33 million for other various healthcare and health related projects under the Department of Health Resources and Department of Community Health.

Background: In 2000, the Georgia Legislature passed and Governor Roy Barnes (D) signed the FY2001 budget that appropriated \$150 million of the state's tobacco settlement payments.

\$15.8 was appropriated for tobacco prevention and cessation programs. Other programs received funding from the settlement funds including:

- \$62 million for One Georgia Fund to attract businesses for rural economic development;
- \$30 million for funding school nurses;
- \$5 million for expanding services and eligibility under Medicaid;
- \$3.5 million for rural health clinics and Federally Qualified Health Centers;
- \$2.76 million to increase access to PeachCare (children’s health insurance)
- \$1.35 million to implement chronic disease prevention efforts; and
- \$30 million for various healthcare and health related projects.

The Legislature and the Governor also enacted separate legislation creating a Department of Community Health with duties that include overseeing the expenditure of the state’s tobacco settlement funds.

The Georgia Legislature’s current session convened January 14, 2002.

* Georgia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$301 million over 12 years directly to Georgia tobacco growers.

Hawaii

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$84.4 million	\$35.8 million	\$4.19 million	\$10.78 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Hawaii spend between \$10.8 million and \$23.4 million a year -- \$9.08 to \$19.76 per capita -- to have an effective, comprehensive tobacco prevention program. Hawaii currently spends \$4.2 million a year – \$3.52 per capita -- for tobacco prevention. This is 38.9% of the CDC’s minimum recommendation and ranks Hawaii 27th among the states in the funding of tobacco prevention programs.

Current Status: Hawaii’s tobacco settlement funds are governed by a 1999 law passed by the legislature and signed by Governor Ben Cayetano (D) which directed the state’s annual payments to three accounts: 25% into a Trust Fund for tobacco prevention programs, 40% into a Trust Fund for economic stabilization and 35% to the Department of Health (DOH) for health promotion and disease prevention.

The FY2002 budget included \$9 million for tobacco prevention -- the 25% of the state’s FY2002 payments set-aside according to the 1999 law. However, currently only the interest generated by the Trust Fund, \$1.8 million for FY2002, is being used for expenditure. All of the 35% earmarked for the DOH, \$12.6 million, is available for expenditure and was appropriated for various health programs, including some tobacco prevention funding. When added to the available Trust Fund money, this amounts to a total of \$4.2 million for tobacco prevention spending in FY2002 from Hawaii’s tobacco settlement funds.

The DOH is spending a total of \$2.4 million on the following tobacco prevention programs:

- \$1.2 million Advertising and Counter-marketing;
- \$300,000 Enforcement of Youth Access restrictions;
- \$100,000 Evaluation and Surveillance; and
- \$800,000 A package of programs for substance abuse, tobacco use prevention and

general public health issues which includes a public awareness campaign, professional education and school-based health education programs.

In addition to the tobacco prevention dollars, the DOH is spending 10% of its portion of the settlement funds (3.5% of the total settlement payments) for children’s healthcare, as designated by the 1999 law. The remainder of the DOH portion is being used for community grants for programs to address tobacco-use, physical activity and nutrition. The remaining 40% of the FY2002 tobacco settlement payments were deposited into the economic stabilization or “rainy day” fund.

In a special session in the Fall of 2001, Governor Cayetano proposed and the Legislature passed a law to modify the percentages set by the 1999 law. The new law authorized the University of Hawaii to issue \$150 million in revenue bonds to pay for the construction of a new health and wellness center, including a new medical school facility and earmarked 28% of the tobacco settlement funds each year to pay back the bonds beginning in FY2003. Of this 28%, 12.5% was taken from the tobacco prevention fund – cutting the Fund’s percentage in half -- and 15.5% was taken from the rainy day fund. Any money remaining after the bond payments each year will be transferred back into the funds at the revised proportions.

Background: The 1999 law further established the Hawaii Tobacco Prevention & Control Trust Fund Advisory Board. The 11-member board is appointed by the Governor, with recommendations from the legislative leadership and the director of the State Health Department, to develop a strategic plan for tobacco prevention and control. The plan included guidelines for developing and implementing effective and cost-efficient programs, developing adequate standards for program success, and evaluating the effectiveness of programs engaged in health promotion and disease prevention. The plan is currently being finalized and should be implemented this year.

When the 1999 legislation was passed, the bill language was interpreted to allow the use of the principal of the trust fund for tobacco control and prevention. However, a subsequent interpretation suggested that only the interest generated from the trust fund was available for this use. Unless the Legislature passes legislation clarifying that the state can spend up to the full 25% of the tobacco settlement payments for tobacco prevention, the interest-only interpretation will jeopardize both the scope and implementation of the program. The Legislature adjourned its 2001 session without addressing this issue.

The Hawaii Legislature’s current session convenes on January 16, 2002.

Idaho

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$52.2 million	\$22.5 million	\$1.1 million	\$11.04 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Idaho spend between \$11 million and \$24.1 million a year -- \$9.13 to \$19.90 per capita - - to have an effective, comprehensive tobacco prevention program. Idaho currently allocates \$1.1 million a year -- 91 cents per capita -- for tobacco prevention. This is 10% of the CDC’s minimum recommendation and ranks Idaho 40th among the states in the funding of tobacco prevention programs.

Current Status: Idaho’s tobacco settlement funds are governed by a 2000 law that directed all the state’s settlement payments after the year 2000 into a trust fund, the Idaho Millenium Fund. Each year, 5% of the Fund’s market value is available for appropriation by the Legislature. For

FY2002 this figure amounted to \$2.75 million. The FY2002 budget passed by the legislature and signed by Governor Dirk Kempthorne (R) slightly reduces funding for tobacco prevention from \$1.2 million to about \$1.1 million. These funds will be used as follows:

- \$506,000 for cessation programs
- \$500,000 for counter marketing; and
- \$95,000 for surveillance and evaluation on substance abuse programs including tobacco-related.

The remaining \$1.25 million in available funds was appropriated to several other programs, some of which have tobacco-related components outside the CDC guidelines. These programs include: a youth asset-building program; reimbursements to County Health Departments for the cost of treating tobacco-related illnesses; youth courts and a status offender program. Finally, \$400,000 was appropriated to a teen pregnancy prevention program.

Background: In 1999, Governor Kempthorne signed a law directing all money from the state's tobacco settlement payment through the year 2000 into the Budget Stabilization Fund. In February 2000, the Legislature passed and the Governor signed a law establishing an endowment called the Idaho Millenium Fund and transferred \$16.8 million from the Budget Stabilization Fund into the new fund. The law directed all the state's settlement payments after the year 2000 into the Millenium Fund, but allowed only 5% of the Fund's market value to be available for annual appropriation by the Legislature.

In April 2000, the Legislature and Governor enacted a law to appropriate \$2.205 million of the funds available from the Idaho Millennium Fund to the State Treasurer for several projects in FY2001. The law earmarked \$735,000 for relief to counties for the cost of caring for indigent persons with tobacco-related cancers and respiratory diseases and \$1.2 million for tobacco prevention and cessation.

The Idaho Legislature's current session convened on January 7, 2002.

Illinois

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$668.7 million	\$287.8 million	\$45.9 million	\$64.91 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Illinois spend between \$64.9 million and \$179 million a year -- \$5.46 to \$15.05 per capita -- to have an effective, comprehensive tobacco prevention program. Illinois currently spends \$45.9 million a year -- \$3.86 per capita -- for tobacco prevention. This is 74.12% of the CDC's minimum recommendation and ranks Illinois 9^h among the states in the funding of tobacco prevention programs.

Current Status: Illinois folds its tobacco settlement payments into the state's general fund. The FY2002 budget approved by the Legislature and signed by Governor George Ryan (R) increased funding for tobacco prevention to \$45.9 million from \$28.55 million in FY2001. The tobacco prevention funding includes:

- \$16,875,000 for grants to community-based organizations for youth smoking prevention
- \$16,875,000 to local Health Departments for tobacco prevention and cessation programs
- \$11,000,000 for a Teen Prevention Program in 5 counties
- \$1,150,000 to the Liquor Control Commission to enforce retailer compliance with youth access laws.

Although this is a substantial increase in funding, most programs are still not statewide. It is also unclear whether these programs will be comprehensive or based on CDC guidelines.

Other uses for the tobacco settlement dollars for FY2002 include:

- \$107 million for a senior citizen prescription drug program
- \$35 million for an Earned Income Tax Credit
- \$25.15 million for medical research and treatment
- \$90.97 million for an ongoing technology initiative for medical and bio-technical research
- \$26.95 million for capital repairs
- \$5 million for community health centers and health education
- \$1 million for assistance to elderly persons

The remainder of the settlement dollars, about \$26 million, goes into the state's rainy day fund.

Background: In FY2001, the budget signed by Gov. Ryan allocated \$635.15 million of the tobacco settlement payments received through 2001. By far the largest amount was used for tax relief (\$315 million), and the total for tobacco prevention and cessation programs for FY2001 was \$28.55 million. Other uses were similar to those for FY2002. The FY2001 budget also set aside \$174 million for the rainy day fund.

The Illinois Legislature's current session convened on January 9, 2002.

Indiana

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$293.1 million*	\$126.1 million	\$32.5 million	\$34.78 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Indiana spend between \$34.8 million and \$95.8 million a year -- \$5.93 to \$16.34 per capita -- to have an effective, comprehensive tobacco prevention program. Indiana currently allocates \$32.5 million a year -- \$5.55 per capita -- for tobacco prevention. This is 93.4% of the CDC's minimum recommendation and ranks Indiana 6th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002-03 biennial budget passed by the Legislature and signed by Governor Frank O'Bannon (D) appropriated \$35 million annually in settlement payments for tobacco prevention and cessation. Additionally, the Indiana Tobacco Use Prevention and Cessation Executive Board carried over \$30 million in unused funds from a total of \$35 million appropriated in FY2001. Combined, these two funding sources provide the Board with \$32.5 million in annual funding for tobacco prevention and control in FY2002-03

The Indiana Tobacco Use Prevention and Cessation Executive Board was established to decide how to spend the tobacco prevention funds and is currently in its second year of existence. Most of the first year was spent appointing board members, searching for an executive director, and laying the foundation for a comprehensive, statewide, CDC based prevention and cessation program. In 2001 the executive director and staff were hired, a budget adopted, and program design and implementation begun.

In addition to funding the state's tobacco control program, appropriations were made from the available funds for the FY2002-03 biennium as follows:

- \$30 million for a prescription drug program
- \$3 million to the Local Health Department Account
- \$10 million to the Tobacco Farmers and Rural Community Impact Fund

- \$28 million for the Regional Health Facilities Construction Account
- \$63 million for the Children’s Health Insurance Program (CHIP)
- \$31 million to Community Health Centers
- \$1 million for newborn screening
- \$8 million to the Health Care Advisory Board
- \$6 million for home health direct care workers
- \$3 million for the Local Health Maintenance Fund

Background: Indiana’s allocation of its tobacco settlement money dates to 1999 when Governor O’Bannon and the Legislature agreed on a plan that provided \$47 million off the initial settlement payment for the Children’s Health Insurance Program (CHIP) and spent the remaining settlement money as part of the state’s general fund.

In 2000, the current law governing Indiana’s tobacco settlement payments was passed. In the first year, it called for investing 50% of the tobacco settlement payments in six trust funds and made the remaining funds available for appropriation. The appropriated funds included the initial \$35 million for smoking cessation and prevention. In the future, 60% of the state’s annual payments will be available for appropriation by the Legislature and 40% will be invested in the six funds.

The 2000 law made allocations to the six funds as follows: \$35 million for tobacco prevention and cessation; \$20 million for low-income senior citizens’ prescription drug costs; \$25 million to community health centers; \$8.2 million for rural community health services; \$3 million for research on tobacco-related illnesses and \$3 million to local and county health boards. In addition to these funds \$7.5 million was allocated for CHIP.

The law also established the Executive Board to decide how to spend the tobacco prevention funds. The committee is composed of an executive director, four state officials, 11 members appointed by the Governor who have knowledge of smoking cessation or healthcare, and six members from tobacco control groups.

The Indiana Legislature’s current session convened on January 14, 2002.

* Indiana is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$59.7 million over 12 years directly to Indiana tobacco growers.

Iowa

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$124.9 million	\$53.8 million	\$9.42 million	\$19.35 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Iowa spend between \$19.3 million and \$48.7 million a year -- \$6.78 to \$17.08 per capita -- to have an effective, comprehensive tobacco prevention program. Iowa currently allocates \$9.3 million a year -- \$3.26 per capita -- for tobacco prevention. This is 48.06% of the CDC’s minimum recommendation and ranks Iowa 22nd – tied with Georgia -- among the states in the funding of tobacco prevention programs.

Current Status: The final FY2002 budget approved by the Legislature funds tobacco prevention at \$9.42 million, the same amount as FY2001 with a small addition of \$75,000 for family tobacco cessation services. The Legislature rejected a proposal by Governor Tom Vilsack (D) to cut this funding by \$1.5 million.

Irrevocably changing how Iowa uses its tobacco settlement money, The Legislature and Governor Vilsack in 2001 enacted into law a plan to securitize the next 25 years of tobacco settlement proceeds by selling them to investors for \$574 million in up-front revenue. The revenue from securitization will mostly be applied to capital projects, but will also be used to create an endowment called the Healthy Iowans Tobacco Trust Fund. Each year the residual settlement funds left after the bonds are repaid will be deposited into the Trust Fund. \$55 million annually, with increases for inflation, will be allocated from the Trust Fund for health care services, including tobacco control. The Legislature must still appropriate these funds for specific programs each year as part of the budget process.

The Iowa tobacco prevention program is statewide and CDC-based. It is in its second year and all programs are being implemented, including a youth summit in the summer of 2001.

Background: Governor Vilsack's initial proposal for the tobacco settlement funds in 1999 included \$17.7 million annually for a comprehensive tobacco prevention program. This proposal stalled in the Legislature.

In May 2000, the Legislature passed and Governor Vilsack signed a law appropriating all of Iowa's 2001 tobacco settlement payment (\$55 million) for health-related programs. The law included \$9.35 million in FY2001 for a comprehensive tobacco prevention program.

The Iowa Legislature's current session convened on January 14, 2002.

Kansas

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$119.8 million	\$51.6 million	\$500,000	\$18.1 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kansas spend between \$18.1 million and \$44.7 million a year -- \$6.96 to \$17.22 per capita -- to have an effective, comprehensive tobacco prevention program. Kansas currently allocates \$500,000 a year -- \$19 cents per capita -- for tobacco prevention. This is 2.8% of the CDC's minimum recommendation and ranks Kansas 44th among the states in the funding of tobacco prevention programs.

Current Status: Kansas' tobacco settlement funds are governed by a law first enacted in 1998 and then expanded in 1999 by the Legislature and Governor Bill Graves (R) which direct all the state's tobacco settlement payments, after the first \$70 million, to a trust fund -- the Kansas Endowment for Youth Fund (KEY Fund) -- to support youth programs. The FY2002 budget approved by the Legislature and signed by Governor Graves funds tobacco prevention at \$500,000, the same level as FY2001. This money is used to fund a comprehensive pilot program in one Kansas community -- Salina.

The state expects to receive settlement payments of \$56.9 million for FY2002. In addition there is a balance of \$1.79 million unspent from FY2001, which will be carried over into the FY2002 budget. All of these funds will be placed into the KEY Fund and are to be spent as follows:

- \$40 million for the Children's Initiative Fund which funds a variety of youth-related programs throughout the state including education, juvenile justice, health, tobacco control and others;
- \$10 million to the state's general fund; and
- \$8.7 million to remain in the KEY Fund for future investment.

Background: In 1998, the first \$70 million of the state's tobacco settlement funds were folded into the state's general fund to cover budget shortfalls. All payments after the first \$70 million

received were then deposited into the KEY Fund. The laws which created and expanded the KEY Fund designated the available money each year be spent on various youth programs including children's health insurance and services, tobacco prevention, juvenile justice and alcohol and drug programs. The 1999 law also created the Kansas Children's Cabinet, a board consisting of appointees by the Governor and the Legislature, responsible for recommendations on how to spend the settlement funds in the endowment. The Legislature is responsible for appropriating the money available from the KEY funds, based on the Children's Cabinet recommendations.

The Kansas Legislature's current session convened on January 14, 2002.

Kentucky

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$247 million*	\$104.8 million	\$5.5 million	\$25.1 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kentucky spend between \$25.1 million and \$69.9 million -- \$6.42 to \$17.88 per capita -- to have an effective, comprehensive tobacco prevention program. Kentucky currently allocates \$5.5 million a year -- \$1.41 per capita -- for tobacco prevention. This is 21.91% of the CDC's minimum recommendation and ranks Kentucky 36th among the states in the funding of tobacco prevention programs.

Current Status: The FY2001-02 biennial budget passed in 2000 by the Legislature and signed into law by Governor Paul Patton (D) appropriated \$2.5 million in FY2001 and \$3 million in FY2002 for tobacco prevention and cessation programs. These funds are managed by the Health Care Improvement Authority.

The budget appropriated an additional \$2.5 million a year in FY2001 and 2002 for substance abuse prevention efforts managed by the Kentucky Agency for Substance Abuse Policy (KY ASAP). The KY ASAP funds are to be used for community activities to prevent the use of tobacco, alcohol and other drugs, but the legislation clearly defines tobacco prevention as a priority. However, to date, only 5 communities have been approved for funding.

In FY2002, the \$3 million earmarked for tobacco prevention and cessation was used for grants to local and district health departments. The health departments are required to work with community coalitions, use the CDC's Best Practices and submit a strategic plan. Because the funds were distributed statewide, some localities have only been able to hire staff and are leveraging funds from CDC and other sources to implement activities.

Background: Kentucky's tobacco settlement payments are governed by a 2000 law that directed the funds into three accounts -- 50% for tobacco growers and rural development initiatives, 25% for public health initiatives including tobacco prevention programs and 25% for a comprehensive early childhood development program. Oversight boards were created to develop strategic plans for spending the funds and to oversee the resulting programs.

The Health Care Improvement Authority oversees the 25% earmarked for public health, which the law calls for distributing as follows:

- 10% for tobacco prevention programs targeted at youth (2.5% of total settlement funds)
- 70% for a new health insurance program (a "high risk pool") for persons with costly health conditions (17.5% of the total funds);
- 20% for lung cancer research at the University of Louisville and the University of Kentucky (5% of the total funds).

In addition to the tobacco prevention funding mentioned above, the FY2002 health funds were appropriated for lung cancer research (\$6 million) and the KY Access Program, an insurance program for high-risk individuals (\$18.8 million).

The Kentucky Agriculture Development Board – consisting of tobacco growers, agriculture experts and state officials – is charged with determining how to spend the 50% set aside for growers and agriculture. The funds, approximately \$180 million for the FY2001-02 biennial budget, were allocated as follows:

- up to \$40 million annually to growers to maintain Phase 2 payments at a \$114 million annual level;
- 35% of the remainder for agriculture development, to be distributed by formula to the 118 counties that grow tobacco; and
- 65% of the remainder for statewide agriculture projects to help farmers get low-interest loans, cope with the cost of environmental compliance and diversify their crops.

The Early Childhood Development Authority oversees the 25% of the funds set aside for an early childhood development initiative. By all accounts, this effort, called “Kids Now”, has been very successful. It is a comprehensive effort that has been quickly and efficiently implemented statewide with FY2002 expenditures as follows:

- ◆ \$9,522,000 HANDS program for children
- ◆ \$1,522,000 Folic Acid program
- ◆ \$2,000,000 Immunizations
- ◆ \$2,100,000 Expansion of Healthy Start
- ◆ \$3,158,000 Program Operations
- ◆ \$9,083,000 Development program
- ◆ \$605,000 Newborn hearing screening
- ◆ \$1,410,000 Early childhood scholarships program

The Kentucky Legislature's current session convened on January 8, 2002.

* Kentucky is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$1.5 billion over 12 years directly to Kentucky tobacco growers.

Louisiana

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$322 million	\$139.5 million	\$500,000	\$27.13 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Louisiana spend between \$27.1 million and \$71.4 million a year -- \$6.23 to \$16.41 per capita -- to have an effective, comprehensive tobacco prevention program. Louisiana currently allocates \$500,000 a year -- 11 cents per capita -- for tobacco prevention. This is 1.8% of the CDC's minimum recommendation and ranks Louisiana 47th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002 budget passed by the Legislature and signed by Governor Mike Foster (R) appropriated \$500,000 in tobacco settlement money for tobacco cessation programs. While a small increase from the \$460,000 appropriated in FY2001, this represents a substantial decrease from the \$4.1 million appropriated for tobacco prevention and cessation in FY2000.

Other FY2002 programs funded with tobacco settlement money include:

- \$20.5 million for Medicaid

- \$15.0 million for the Children’s Health Insurance Program
- \$ 5.8 million for school clinics
- \$10.3 million to the Higher Education Board of Regents for health science grants (including \$7.5 million from unspent appropriations from prior years)
- \$1.5 million for pre-school programs
- \$1.6 million for other health care programs
- \$1.3 million for tuition assistance

Background: Louisiana's allocation of its tobacco settlement money begins with the FY2000 appropriations bill, approved by the Legislative and signed into law by Governor Foster. That legislation allocated the \$198.7 million the state received from its initial (1998) and first annual payment as follows: \$110 million to balance the state budget and the remainder to fund new initiatives, including \$4.1 million for tobacco prevention and cessation through the Office of Public Health.

Louisiana's tobacco settlement payments beginning in FY2001 are governed by a 1999 constitutional amendment passed by voters. That measure allocated the state's settlement money into three trust funds as follows:

	FY2001	FY2002	FY2003	FY2004
Millennium Trust	45%	60%	75%	75%
Louisiana Fund	45%	30%	15%	25%
Millennium Leverage Fund	10%	10%	10%	-0-

The allocations for each year after FY2004 will remain at that year's levels.

Only the interest generated from the Millennium Trust is available for expenditure for health research, education and the Tuition Opportunity Program for Students (TOPS) college scholarship fund. The Legislature is responsible for making annual appropriations for these programs from the Trust.

The Louisiana Fund is intended for initiatives to ensure optimal child development via improved healthcare and education, direct healthcare for tobacco-related illness, general healthcare needs and for the reduction of tobacco-related illness and death. The Legislature has appropriations responsibility for the Louisiana Fund; however, it may not appropriate more than 50% of the monies for any one of these areas.

The Millennium Leverage Fund is a special trust fund for state revenue bonds.

Although the regular 2000 Legislature passed \$220 million in new taxes, including a tobacco tax increase of four cents per pack, the state budget was still in deficit due to an increase in state debt. During an extended special session, the 2000 Legislature finally passed the state's FY2001 budget bill with severe cuts in all departments, including the money set aside for the tobacco prevention program. The only appropriation that remained for tobacco-related programs was \$460,000 from the Louisiana fund for smoking cessation programs.

After the FY2002 budget was passed, the 2001 Legislature passed and Governor Foster signed a law enabling Louisiana to securitize 60 percent of the tobacco settlement funds by issuing bonds backed by the payments the state is to receive over the next 25 years. The state expects to gain an up-front payment between \$911 million and \$1.2 billion, depending on the bonds' structure. The revenue realized from the sale of the bonds will be distributed to the Louisiana Fund and Millennium Fund beginning with the FY2003 budget, according to the percentages set by the 1999 law.

The Louisiana Legislature's current session convenes on April 29, 2002.

Maine

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$110.5 million	\$47.6 million	\$13.76 million	\$11.19 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maine spend between \$11.19 million and \$25.35 million a year -- \$9.01 to \$20.41 per capita -- to have an effective, comprehensive tobacco prevention program. Maine currently spends \$13.76 million a year -- \$11.09 per capita -- for tobacco prevention. This is within the CDC's recommended guidelines and ranks Maine 3rd among the states in the funding of tobacco prevention programs.

Current Status: Maine's tobacco settlement payments are folded into the state's general fund and allocated through the biennial budget process. For FY2002, the budget approved by the Legislature and signed by Governor Angus King (I) reduced funding for tobacco prevention to \$13.76 million from \$18.3 million in FY2001. Governor King proposed cutting tobacco prevention funding by more than \$6 million to help fund Medicaid. The Legislature passed a \$4.5 million cut.

The FY2002-03 funding for Maine's comprehensive tobacco prevention program is allocated annually as follows:

- \$7.69 million for community and school-based grants;
- \$4.2 million for smoking cessation and statewide multi-media campaigns to reduce tobacco use;
- \$265,000 for staff at the state Bureau of Health;
- \$500,000 for program evaluation; and
- \$1.1 million for prevention and cessation programs for those on Medicaid.

For FY2002-03, the remaining settlement funds were appropriated to other health programs, including \$10 million for a senior citizen prescription drug program and \$10 million for childcare programs. Additionally, \$10 million in FY2002 and \$15 million in FY2003 from the tobacco settlement funds were directed to the state's general fund to be used for Medicaid spending.

Maine's tobacco prevention program, started in 1997 using a portion of funds from a legislatively approved cigarette tax increase, has been highly successful. Since the program began in 1997, tobacco use among Maine's high school students has declined a dramatic 36%, falling from 39.2% to 25%, according to the Maine Youth Risk Behavior Survey released by the Maine Department of Human Services in December 2001.

Background: In April 2000, the Legislature passed and Governor King signed the supplemental FY2000 budget which appropriated the settlement payments for 1998, 2000 and 2001 (approximately \$110 million), thereby revising previous appropriations passed in 1999 and scheduled to take effect on July 1, 2000. \$18.3 million was appropriated for the tobacco prevention and cessation program. \$49.1 million was allocated for other health care programs, while \$15 million was transferred to the general fund and \$25.54 million was placed in a reserve fund for future use.

In 2001, Governor King proposed cutting tobacco prevention and cessation funding in order to use the money for Medicaid. The Democratic legislature resisted, and the Joint Appropriations Committee restored part of the cut in community-based programs. However, most of the Governor's proposed cuts were enacted into law.

The Maine Legislature is in session throughout the year; the current session convened on January 2, 2002.

Maryland

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$324.8 million*	\$139.8 million	\$20.05 million	\$30.3 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maryland spend between \$30.3 million and \$78.6 million a year -- \$5.95 to \$15.43 per capita -- to have an effective, comprehensive tobacco prevention program. Maryland currently allocates \$20 million a year -- \$3.94 per capita -- for tobacco prevention. This is 66.2% of the CDC's minimum recommendation and ranks Maryland 12th among the states in the funding of tobacco prevention programs.

Current Status: Maryland's tobacco settlement payments are folded into the state's general fund and allocated through the annual budget process. A 1999 law passed by the Legislature and expanded by the Governor in an Executive Order requires the state to spend at least \$30 million annually for tobacco prevention programs. The FY2002 budget approved this year by the Legislature and signed by Governor Parris Glendening (D) originally increased funding for tobacco prevention from \$16 million in FY2001 to \$30.7 million in FY2002. However, the state placed \$27 million of its FY2002 payment in escrow pending resolution of a dispute over attorneys' fees. To partially offset the \$27 million held in escrow, Governor Glendening withheld \$10.7 million from the state's tobacco prevention program funding. This left \$20 million for tobacco prevention and cessation expenditures for FY2002 until the lawsuit is resolved. The FY2002 appropriations for the tobacco prevention and cessation program before and after the escrow of settlement funds are as follows:

Current (w/ escrow) Original Allocation

- | | | |
|-----------------|---------------|---|
| • \$9.2 million | \$14 million | Local & County Public Health Programs |
| • \$4.5 million | \$10 million | Counter-marketing |
| • \$1.4 million | \$1.4 million | Statewide programs such as a quit line. |
| • \$1.5 million | \$1.5 million | Minority Outreach |
| • \$2.6 million | \$2.6 million | Surveillance and Evaluation |
| • \$1.3 million | \$850,000 | Administration |

The local and county program funds are generally used as grants to local health departments based upon county population, smoking prevalence and the presence of minority populations. These funds are allocated to four specific areas by state law:

- 43% for community-based programs and coalition building;
- 32% for school-based initiatives;
- 14% for cessation programs; and
- 11% for enforcement.

The remainder of Maryland's FY2002 settlement funds was appropriated as follows:

- \$18.5 million for substance abuse treatment;
- \$1 million for the Maryland Health Care Foundation;
- \$44.9 million for education programs;
- \$35 million for research; and
- \$6.3 million for the tobacco crop conversion program.

Background: In 1999, the Legislature passed and the Governor Glendening signed a law which raised the state's cigarette tax by 30 cents per pack and required the Governor's annual budget to include at least \$21 million from the tax for a tobacco prevention program. Governor Glendening then issued an Executive Order increasing the minimum amount the state was required to spend on tobacco prevention to \$30 million annually for ten years in order to meet the CDC's minimum recommendation for Maryland.

In April 2000, the Maryland Legislature approved and Governor Glendening signed legislation establishing long-term funding commitments for future tobacco settlement payments. The funds will be spent on 20 health or education programs focused on three main areas: tobacco prevention programs, education and cancer issues. 50 percent (approximately \$70 million annually for the next 10 years) was earmarked for anti-cancer and tobacco prevention programs, satisfying Governor Glendening's 1999 Executive Order. Additionally, 5 percent was committed to fund a buy-out program for tobacco growers. The program would give farmers an annual payment of \$1 for every pound of tobacco they grew in 1998 for the next ten years, in return for agreeing to farm alternative crops.

More than half of Maryland's tobacco farmers, representing almost two-thirds of all the tobacco grown in the state, have enrolled in the buyout program, raising concerns about whether it is adequately funded. A law passed in April 2001 will allow Maryland to issue bonds from the state's general fund, beginning in 2003, if the 5% allocation from the tobacco settlement funds is not enough to pay for the buy-out program. If necessary, for six years (2003 to 2009), up to \$5 million in bonds may be issued annually to cover the program costs.

Tobacco settlement funds held in escrow because of the dispute over attorneys' fees are not available for expenditure until the dispute is settled. However, if the dispute is settled within the 2002 fiscal year, it may be possible to spend these funds on tobacco prevention and control.

The Maryland Legislature's current session convened on January 9, 2002.

* Maryland is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$31.9 million over 12 years directly to Maryland tobacco growers.

Massachusetts

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$566.5 million	\$240.3 million	\$48 million	\$35.24 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Massachusetts spend between \$35.24 million and \$92.76 million a year -- \$5.76 to \$15.16 per capita -- to have an effective, comprehensive tobacco prevention program. Massachusetts currently allocates \$48 million a year -- \$7.84 per capita -- for tobacco prevention. This is within the CDC's recommended guidelines and ranks Massachusetts 1st among the states in the funding of tobacco prevention programs.

Current Status: Massachusetts' tobacco settlement payments are folded into the state's general fund and appropriated by the Legislature through the state's annual budget process. The final FY2002 budget passed by the Legislature increased funding for tobacco prevention to \$48 million from \$43.1 million in FY2001. This funding includes both tobacco settlement money and proceeds from a 25-cents per pack cigarette tax approved by Massachusetts' voters in 1993.

In December 2001, the Legislature voted to increase FY2002 funding for tobacco prevention by \$4.9 million to \$48 million. However, Governor Jane Swift (R) vetoed both that increase and an additional \$12.1 million, which would have left funding for the tobacco prevention at \$31 million for FY2002. The Legislature voted to override this veto, restoring the funding to \$48 million.

Since 1993, Massachusetts has had a comprehensive, statewide tobacco prevention program, the Massachusetts Tobacco Control Program (MTCP), which was initially funded by the voter-approved cigarette tax and is now funded with a combination of cigarette tax and tobacco

settlement revenues. The FY2002 funding of \$48 million includes \$32 million in cigarette tax revenues and \$16 million in tobacco settlement money.

The MTCP has achieved considerable success. Overall cigarette consumption in Massachusetts declined by 32 percent between 1992 and 1999, compared to a decrease of just eight percent in the rest of the country, excluding California. Smoking rates among Massachusetts' high school students declined by 15 percent between 1995 and 1999.

Background: In 1992, Massachusetts' voters approved a referendum to increase the state cigarette tax by 25 cents per pack. A portion of the new tax revenues annually was designated to fund the MTCP beginning in 1993.

In December 1999, the Legislature voted to supplement the MTCP cigarette tax funding with tobacco settlement money. The Legislature overrode a veto by then-Governor Paul Cellucci (R) and enacted a law which transferred 70% of the tobacco settlement funds into a trust fund dedicated to health and tobacco control programs and made 30% immediately available for expenditure on health-related programs. Twenty-five percent (25%) of the available funds (7.5% of the total) were dedicated to tobacco control.

The FY2000 budget passed by the Legislature and signed by Governor Cellucci appropriated \$36 million for the MTCP, all from cigarette tax revenue. For FY2001, there was substantial debate about whether to supplement the program's funding with tobacco settlement money. The Legislature initially sought to add \$22.4 million in settlement money, but after a veto by Governor Cellucci, the final FY2001 budget was \$43.1 million, including \$12.4 million in tobacco settlement money.

The issue was revisited for the FY2002 budget. Before the Legislature passed the final FY2002 budget, Governor Swift, the Senate, and the House had each offered separate funding proposals for the MTCP. The House and Senate separately proposed appropriating \$31.5 million in cigarette tax revenue for the MTCP. The Senate recommended using \$22.6 million in tobacco settlement money for the MTCP, while the House proposed only \$11.2 million. In her original budget proposal, Governor Swift proposed an increase in cigarette tax revenue for the MTCP to \$36.6 million but recommended spending only \$12.8 million of settlement funds on the program.

The Massachusetts Legislature's current session convened on January 2, 2002.

Michigan

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$610.4 million	\$258.9 million	0	\$54.8 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Michigan spend between \$54.8 million and \$154.6 million a year -- \$5.61 to \$15.81 per capita -- to have an effective, comprehensive tobacco prevention program. Michigan currently allocates none of its settlement dollars for tobacco prevention. This ranks Michigan last -- tied with North Carolina, Tennessee and the District of Columbia -- among the states in the funding of tobacco prevention programs.

Current Status: Michigan's tobacco settlement payments are governed by a 1999 law passed by the Legislature and signed by Governor John Engler (R) which committed the largest portion of the state's settlement payments (75%) to the Merit Scholarship Fund for higher education scholarships. The law dedicated the remaining 25% to senior healthcare initiatives and

healthcare research. Any interest the state earned from the 25%, prior to spending, was devoted to community-based senior and youth health initiatives.

As in past years, the Michigan Legislature did not designate any settlement funds for tobacco prevention and cessation programs for FY2002. The FY2002 budget did fund the following from the 25% available for healthcare initiatives:

- \$50 million for prescription drugs for seniors
- \$8 million for services to the aging
- \$50 million for medical research on health and aging

Additionally, for FY2002, some settlement funds from the Merit Scholarship Fund were transferred to general funds to balance the state budget.

A small amount of state funds are being used for tobacco control – however, none of the efforts are for comprehensive CDC-based programs that have proven successful in other states. The community-based senior and youth health initiatives have funded some tobacco control programs. Additionally, the Healthy Michigan Fund, generated from tobacco excise taxes, will spend about \$7 million this year on tobacco control – reflecting an increase of \$2.9 million.

Background: As mentioned above, Michigan does not spend any settlement funds for tobacco prevention and cessation programs. In addition the Merit Scholarships and other projects already mentioned, Michigan has also used settlement money to fund a consortium for biomedical research, called the Life Sciences Corridor project, involving three of the state's major universities and a new research institute based in Grand Rapids. The annual budget for the consortium includes \$50 million of settlement funds appropriated in 1999 to get the project started. The Governor also announced plans to spend \$1 billion of Michigan's expected \$8.5 billion in settlement payments (approximately 12%) for the Life-Sciences project over the next 20 years. With the 75% tied up in the Merit Scholarship Trust, that leaves just 13% of the settlement funds for other projects.

The Michigan Legislature remains in session throughout the year; the current session convened on January 9, 2002.

Minnesota

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$1.5 billion	\$345.2 million	\$28.9 million	\$28.62 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Minnesota spend between \$28.6 million and \$74 million a year -- \$6.11 to \$15.80 per capita -- to have an effective, comprehensive tobacco prevention program. Minnesota currently allocates \$28.9 million a year -- \$6.16 per capita -- for tobacco prevention. This is within the guidelines recommended by the CDC and ranks Minnesota 5th among the states in the funding of tobacco prevention programs.

The state of Minnesota and Blue Cross and Blue Shield of Minnesota (BCBS) reached a joint agreement with the tobacco industry in May 1998, prior to and separate from the fall 1998 multi-state settlement agreement. As a result, the state received an initial block payment of \$1.2 billion over five years through 2002. The state portion of the settlement also established a new non-profit foundation, the Minnesota Partnership for Action Against Tobacco (MPAAT), which will receive an additional \$202 million over ten years to fund tobacco cessation and research efforts. The Legislature has final approval in allocating all settlement money other than the

MPAAT funds. In 2001, the state also began receiving an average annual payment of \$210 million. The annual payments are folded into the state's general fund.

Blue Cross and Blue Shield of Minnesota (BCBS) is still in the process of negotiating the release of its portion of the tobacco settlement proceeds – approximately \$450 million. The Minnesota Department of Commerce, which has regulatory authority over BCBS, must approve the plan for spending the proceeds.

Current Status: In FY2002, Minnesota's tobacco prevention program will be funded at \$28.9 million, including \$17.5 million through the Department of Health (DOH) and \$11 million through MPAAT. Minnesota's program is comprehensive, CDC-based and already showing positive results.

The \$17.5 million from the Department of Health includes:

- \$6.95 million Counter-marketing
- \$3.95 million Community grants
- \$3 million Statewide grants
- \$1.5 million Youth Leadership
- \$1.2 million Populations-at-Risk grants
- \$860,000 Administration and other costs

In August 2001, the DOH's innovative youth-led tobacco prevention initiative, called Target Market, released its first results showing significant success after a year of operation. Survey results showed that the number of teens, age 12-17, who reported having used tobacco in the past 21 days declined by 25% compared to a survey conducted before the beginning of the program. Tobacco use by Minnesota 12-13 year-olds dropped by two-thirds. Additional scientific results about youth tobacco use will be available in early 2002 following a much larger survey conducted in the fall of 2001.

MPAAT's tobacco prevention funding includes \$5.2 million for a help line and media campaign promoting the help line and the hazards of secondhand smoke. MPAAT's remaining expenditures include \$3.8 million for intervention grants and \$2 million in research grants. The priorities for both the intervention and research grants are:

- To reduce exposure to secondhand smoke;
- To reduce tobacco use among communities of color; the gay, lesbian, bisexual, and transgender communities; and 18-24 year olds; and
- To support healthcare improvements for tobacco reduction

No results are available yet for MPAAT's programs.

Finally, the Minnesota Department of Commerce rejected the initial plan by BCBS for its portion of the settlement funds. In November of 2001, BCBS submitted a revised long-term plan, which includes \$252 million for ten-year health promotion and disease prevention programs (including tobacco control), \$30 million to increase capacity of community health clinics, \$70 million to supplement health care premiums for Minnesotans with pre-existing chronic health conditions, and \$60 million in member rebates. This plan is awaiting the approval of state regulators. Only \$21 million in BCBS settlement funds had been approved for use prior to the submittal of the updated plan. The BCBS of Minnesota Foundation is using these funds to expand its support for community-based tobacco reduction initiatives in addition to other health care programs.

Background: In 1999, the Minnesota Legislature passed and Governor Jesse Ventura (Reform) signed legislation which provided the framework for one of the strongest tobacco-control programs in the country. The legislation created several trust funds from the initial \$1.2 billion block settlement payments. Approximately \$590 million was dedicated to the Tobacco Prevention and Public Health Endowments and approximately \$378 million was dedicated to the

Medical Education and Research Endowment. The endowments were divided into smaller trust funds as follows:

- \$395 million for statewide tobacco prevention activities managed by the Department of Health;
- \$97 million for grants to community tobacco prevention programs;
- \$97 million for local public health activities -- interest earned from this fund (approximately \$10 million annually) will be split equally between youth anti-smoking efforts and programs to fight other youth health risks;
- \$159 million for medical student stipends; and
- \$219 million for clinical residencies for providers.

In 2001, the Republican House majority leadership unsuccessfully attempted to divert \$250 million from the \$490 million Tobacco Prevention endowment to provide funding to the Academic Health Center at the University of Minnesota. This diversion would have cut funding for statewide tobacco prevention by 75%, from \$14M to \$3.5M in 2002. The Senate strongly supported the existing endowment and fought the attempted funding raid. The Governor also opposed any diversion of funds.

The Minnesota Legislature's current session convened on January 3, 2002.

Mississippi

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$678.6 million	\$203.8 million	\$20 million	\$18.79 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Mississippi spend between \$18.8 million and \$46.8 million a year -- \$6.88 to \$17.14 per capita -- to have an effective, comprehensive tobacco prevention program. Mississippi currently allocates \$20 million a year -- \$7.33 per capita -- for tobacco prevention. This is within the CDC's recommendations and ranks Mississippi 4th among the states in the funding of tobacco prevention programs.

The state of Mississippi reached an agreement with the tobacco industry in July 1997, prior to and separate from the November 1998 multi-state settlement agreement. As a result, Mississippi agreed to launch a tobacco prevention pilot program, and the tobacco industry agreed to pay the state an initial block payment of \$170 million in 1997 and an annual payment between \$136 million and \$255.7 million each year thereafter.

Current Status: Under a 2000 Mississippi Supreme Court order, Mississippi must spend \$20 million a year of the state's annual settlement payment to continue the tobacco prevention program it launched in 1999.

The pilot program has been highly successful. After one year of the program, smoking decreased by 21% among public middle school students and by 10% among public high school students in Mississippi. These declines included a 31% decrease in smoking among African American middle school students and a 20% decrease among African American high school students. The on-going program has continued to show similarly encouraging results; between 1999 and 2001 smoking among public high school students has declined by 25%.

In addition to the \$20 million set aside for tobacco prevention, the Mississippi Legislature appropriated almost \$70 million in settlement funds in FY2002 as follows:

- Increased Medicaid services (various programs) 10,830,000
- Medicaid expansion 9,500,000

- Children's Health Insurance Program (CHIP) 7,000,000
- Mental Health (various programs) 9,550,000
- Trauma Care System 6,000,000
- Community Health Center Grant Program 4,000,000
- Rehabilitation Services (various programs) 1,289,516
- Maternal & child health program 1,400,000
- Vision testing 250,000
- Administrative costs 151,772
- Grant to Epilepsy Foundation of Mississippi 200,000
- Medicaid Medical Services Match 19,050,919
- Medical Education Scholarships 400,000

Background: In 1999, the Mississippi Legislature passed and Governor Kirk Fordice (R) signed a law which placed all settlement payments, other than those set aside for the tobacco pilot project, to a Health Care Trust Fund. The law protected most of the principal of the Trust Fund for investment. The law also set aside a specific amount each year from the interest generated for appropriation by the Legislature for healthcare purposes.

As part of Mississippi's settlement, an organization called the Partnership for a Healthy Mississippi was formed to plan and implement the state's two-year pilot tobacco prevention program. The pilot was launched in 1999 with a two-year allocation of \$62 million. Beginning in 2001, the Mississippi Legislature was responsible for making annual decisions to reauthorize money for the program.

However, in 2000, Attorney General Mike Moore (D) petitioned the Mississippi Supreme Court to set aside \$20 million annually from the state's tobacco settlement payments to continue the tobacco prevention program. The court did so. Thus, \$20 million annually is set aside for the program in perpetuity. The remainder of the annual settlement payments is then deposited into the Health Care Trust Fund, with the interest available for expenditure by the Legislature.

In 2000, \$50 million in interest was available from the fund. Each year thereafter the transfer amount is increased by 10%. In FY2000 and FY2001, the Mississippi Legislature appropriated \$120 million from the money available for various health-related programs.

The Mississippi Legislature's current session convened on January 8, 2002.

Missouri

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$330.7 million*	\$140 million	\$18.7 million	\$32.77 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Missouri spend between \$32.8 million and \$91.4 million a year -- \$6.07 to \$16.91 per capita -- to have an effective, comprehensive tobacco prevention program. Missouri currently allocates \$18.7 million a year -- \$3.46 per capita -- for tobacco prevention. This is 57.1% of the CDC's minimum recommendation and ranks Missouri 15th among the states in the funding of tobacco prevention programs. FY2002 is the first year Missouri has allocated any of its settlement payments.

Current Status: In 2001, the Missouri Legislature passed and Governor Bob Holden (D) signed into law legislation that finally appropriated Missouri's tobacco settlement payments through FY2002 (Missouri was the last state to resolve legal challenges related to the settlement and to receive its money). The legislation included \$22.2 million for a comprehensive, statewide, CDC-

based tobacco prevention and cessation program under the state's Department of Health. However, in December of 2001, Governor Holden issued an executive order to address the state's budget shortfall that cut \$3.5 million from the tobacco prevention program before it even began, leaving a total budget of \$18.7 million.

While the \$18.7 million is appropriated for FY2002, it is unlikely that the entire amount will be spent in this fiscal year as Missouri will not receive its tobacco settlement money until April 2002, leaving only the final quarter of the fiscal year in which to spend the money. The Missouri Department of Health and Senior Services, which will run the tobacco prevention program, is currently engaged in planning while awaiting funding, with a goal of beginning the program immediately upon receipt of the funds.

The initial budget enacted by the Legislature and Governor also allocated settlement dollars to the following:

- \$152.5 million for current and future senior prescription drug programs
- \$50 million for an endowment called the Fund for Missouri's Future
- \$25 million for a state health lab
- \$14.3 million for early childhood development
- \$1.35 million for childhood lead screenings
- \$21.6 million for life science grants
- \$87 million for health services including \$76 million for the Safety Net Program

In December 2001, Governor Holden moved \$63.5 million of these previously allocated funds into the general fund to cover the state's budget shortfall. These cuts included the \$3.5 million from tobacco control and eliminated the Fund for Missouri's Future.

Background: In April 2001 Missouri became the last state to resolve legal challenges so it could receive its settlement money. All the state's tobacco settlement payments to that point were being held in escrow.

Despite not having the money, the Missouri Legislature twice attempted and failed to agree on an allocation plan. In 1999, the Missouri House earmarked funds for healthcare, tobacco control and education. The Senate leadership strongly opposed earmarking any funds until the money was actually in state coffers. In the 2000 legislative session, a spending plan was proposed as a ballot initiative for November, but was killed due to a debate over amendments related to fetal tissue research. The plan would have established several long-term endowment funds for health programs with the remainder spent on anti-tobacco programs, health sciences research and early childhood programs.

The Missouri Legislature's current session convened on January 9, 2002.

* Missouri was also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$21.6 million over 12 years directly to Missouri tobacco growers.

Montana

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$61 million	\$26.3 million	\$500,000	\$9.36 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Montana spend between \$9.4 million and \$19.7 million a year -- \$10.65 to \$22.39 per capita -- to have an effective, comprehensive tobacco prevention program. Montana currently allocates \$500,000 a year -- 57 cents per capita -- for tobacco prevention. This is 5.3% of the

CDC's minimum recommendation and ranks Montana 43rd among the states in the funding of tobacco prevention programs.

Current Status: Montana's tobacco settlement funds are governed by a 2000 constitutional amendment passed by voters that directed 40% of the annual payment into a health trust fund and 60% of the annual payment into the state's general fund. Although the law stipulated that 90% of interest generated by the trust fund be used for health-related purposes (with the other ten percent being reinvested in the fund), these funds and the funds folded into the general fund must be appropriated by the Legislature through the state's biennial budget process.

The FY2002-03 biennial budget passed by the Legislature and signed by Governor Judy Martz (R) cut funding for tobacco prevention from \$3.5 million annually in FY2000-01 to \$500,000 annually in FY2002-03. In addition, administration of the program was transferred from the Chronic Disease Division to the Intercoordination Council Prevention Resource Center, which has no history of running prevention programs.

The interest earned from the Trust Fund for FY2001, approximately \$2.9 million, was used for the financing of health programs and other purposes. Although the tobacco prevention program was cut to \$500,000, funding levels were maintained for other settlement-funded programs including:

- \$4 million for the Children's Health Insurance Program,
- \$1 million for the Montana Comprehensive Health Association, and
- \$800,000 for a juvenile delinquent boot camp.

Background: In 1999, the Montana Legislature opted to appropriate the initial (1998) and first annual settlement payment (2000), approximately \$37 million, through the state's general budget process. In November 2000 Montana voters approved the constitutional amendment that directed 40% of all future tobacco settlement payments into a permanent trust fund to pay for health-related programs and 60% of the payments into the general fund to be appropriated by the Legislature. The law required the interest earned from the fund be used to expand healthcare and to prevent tobacco-related diseases.

In early 2001, newly-elected Governor Martz proposed cutting tobacco prevention funding for the FY2002-03 biennium from the \$7 million proposed by former Governor Marc Racicot to just \$1 million, a reduction of 86 percent. Martz claimed in media reports that she supported tobacco prevention programs in principle, but that the program needed to be cut for budgetary reasons. In April 2001, a House-Senate conference committee approved her proposal. Senate Finance Chairman Bob Keenan (R) led the effort in the Legislature to cut tobacco prevention, arguing it would result in less program duplication within state government. The Governor and Legislature took this action despite an intensive advocacy campaign from public health groups and polls which showed the cut was extremely unpopular with voters.

The Montana Legislature does not meet in 2002; the next regular legislative session will convene early in 2003.

Nebraska

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$85.5 million	\$36.8 million	\$7 million	\$13.31 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nebraska spend between \$13.3 million and \$31 million a year -- \$8.03 to \$18.73 per capita -- to have an effective, comprehensive tobacco prevention program. Nebraska currently

allocates \$7 million a year -- \$4.22 per capita -- for tobacco prevention. This is 52.59% of the CDC's minimum recommendation and ranks Nebraska 17th among the states in the funding of tobacco prevention programs.

Current Status: A law passed by the Legislature and signed by Governor Mike Johanns (R) in March 2000 appropriates \$7 million in settlement funds annually through FY2003 for tobacco prevention and cessation programs. This money is being spent on a comprehensive, statewide, CDC-based program. This program was launched in 2001, including a counter-marketing media campaign, statewide quit line, and youth-based program.

The remainder of Nebraska's settlement funds is deposited into a Tobacco Settlement Trust Fund. A combination of interest and principal from this fund is transferred annually to the Health Care Cash Fund. In 2001, the Legislature passed legislation that restructured how funds in the Health Care Cash Fund were spent. Appropriations are now made in the following categories:

- Nebraska Health Care Council grants
- mental health and substance abuse
- developmental disabilities
- public health planning and infrastructure
- respite care
- biomedical research
- Department of Justice

Since the Health Care Cash Fund has revenues in addition to settlement funds, total appropriations to each area reflect more than the use of just settlement funds.

Background: In 1998, prior to the end of his final term, Governor Ben Nelson (D) signed legislation directing all interest from settlement payments to the Nebraska Excellence in Health Care Cash Fund. The Legislature and the Governor directed the Fund's board of directors to make grants to organizations and agencies for a menu of public health programs including tobacco prevention, school nurses, emergency medical services, immunizations, pre-natal care, nutrition, physical activity, teen pregnancy, public health staffing, blood pressure testing and cancer screening.

Subsequently, the Legislature passed and Governor Johanns signed the law mentioned above providing \$7 million annually for tobacco prevention through FY2003.

The Nebraska Legislature's current session convened on January 9, 2002.

Nevada

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$87.6 million	\$37.7 million	\$4.28 million	\$13.48 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nevada spend between \$13.5 million and \$33 million a year -- \$8.04 to \$19.68 per capita -- to have an effective, comprehensive tobacco prevention program. Nevada currently allocates \$4.28 million a year -- \$2.54 per capita -- for tobacco prevention. This is 31.7% of the CDC's minimum recommendation and ranks Nevada 33rd among the states in the funding of tobacco prevention programs.

Current Status: The FY2002-03 biennial budget approved by the Legislature and signed into law by Governor Kenny Guinn (R) increased funding for tobacco prevention to \$4.28 million annually from \$3.03 million in FY2001.

A 1999 state law divided Nevada's settlement money into three trust funds: 40% to the Millennium Trust Fund for college scholarships; 10% to the Trust Fund for Public Health; and 50% to the Fund for a Healthy Nevada. The Legislature is responsible for appropriating the money available from the Funds through the biennial budget process. The money directed to the Fund for a Healthy Nevada is distributed among four main areas based on the 1999 law:

- 20% (10% of the total settlement payments) for tobacco prevention and cessation;
- 30% (15% of the total settlement payments) for a prescription drug program for senior citizens and the disabled;
- 30% (15% of the total settlement payments) for existing and new programs to assist senior citizens with independent living; and
- 20% (10% of the total settlement payments) for improving health services for children and the disabled.

The bulk of the remaining tobacco settlement funds available for expenditure were appropriated to college scholarships from the Millennium Trust Fund. \$14.5 million is expected to be available for FY2002 from this fund. As only the interest generated from the Trust Fund for Public Health is available for expenditure, the FY2002 amount is minimal. Any available funding is transferred to the Department of Health for disease prevention and treatment of illness.

Background: In addition to the division of settlement funds described above, the 1999 law also included one-time grants for three separate projects:

- \$5 million for a county project to construct accessible housing and supportive services for the disabled;
- \$1 million transferred to the Office of Rural Health in the Nevada School of Medicine; and
- \$2 million to two local public television stations to upgrade their technology. In exchange, the stations agree to run tobacco prevention public service announcements eight times daily for ten years.

The Fund for a Healthy Nevada – 50% of the settlement funds -- is administered and evaluated by Nevada's Treasurer based on recommendations from the Task Force for a Healthy Nevada. Task Force members were appointed by the Governor and legislative leaders and include appointees from the public health community. The Legislature must appropriate the funds, however, based on the Task Force recommendations.

The Nevada Legislature meets only in odd-numbered years. In years when the Legislature is not in session, the Legislature's Interim Finance Committee is responsible for deciding how to spend the discretionary money in the trust funds.

In April 2000, the Interim Finance Committee approved \$32.3 million for the Millennium Scholarship Program and \$1.7 million from the Fund for Healthy Nevada for a prescription drug program for senior citizens. Both appropriations were to be spent over two years, through FY2002. The Committee met again in September 2000 and approved the \$3.03 million in funding for tobacco prevention and cessation. As a result of this late appropriations, programs did not begin using their funding until January 2001. Tobacco control programs receiving funding for FY2000-01 included:

- \$843,000 to the University of Nevada School of Dentistry for a mobile oral health clinic which, among other programs, conducts oral cancer screens at public schools;
- \$500,000 to the Clark County Health District Tobacco Control Program;
- \$413,000 to the University of Nevada School of Medicine, for a tobacco users help line;
- \$300,000 to the American Lung Association for youth-oriented community programs;
- \$100,000 to the American Cancer Society for media and advocacy training with Nevada Tobacco Prevention Coalition;
- \$90,000 for cessation counseling;
- \$88,000 to University of Nevada Reno for a study on secondhand smoke;
- \$35,000 to support Medicaid; and

- \$29,000 to the Department of Education to conduct the Youth Tobacco Survey; and
- Remainder to more than ten varied youth-oriented community outreach and tobacco education projects.

The Nevada Legislature does not meet in 2002; the next regular legislative session will convene early in 2003.

New Hampshire

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$95.7 million	\$41.2 million	\$1.5 million	\$10.89 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Hampshire spend between \$10.9 million and \$24.8 million a year -- \$9.28 to \$21.12 per capita -- to have an effective, comprehensive tobacco prevention program. New Hampshire currently spends \$1.5 million a year -- \$1.28 per capita -- for tobacco prevention. This is 13.8% of the CDC's minimum recommendation and ranks New Hampshire 37th among the states in the funding of tobacco prevention programs.

Current Status: Based on funding priorities set in 1999, the FY2002-03 biennial budget passed by the Legislature and signed by Governor Jeanne Shaheen (D) directed most of New Hampshire's tobacco settlement payments (\$40 million annually) to an Education Trust Fund. The remaining settlement funds were directed to the state's general fund. From these funds, \$1.5 million annually were appropriated to the Department of Health & Human Services (DHHS) to fund tobacco prevention and cessation programs for the FY2002-03 biennium. This represents a 50% cut in prevention funding from \$3 million annually in FY2000-01 to \$1.5 million annually in FY2002-03.

Background: In 1999, the New Hampshire Legislature passed and Governor Shaheen signed the state's FY2000-01 budget appropriating \$19 million from the first annual tobacco settlement payment (2000) for education and committing \$3 million annually for a tobacco prevention program. The \$3 million for tobacco prevention was transferred into the Tobacco Use Prevention Fund. The law stipulated the funding level for education programs from the tobacco settlement would rise to \$40 million annually beginning in 2001. The FY1999-00 budget also raised the state's cigarette tax by 15 cents per pack. All revenues generated from the tax increase, estimated at \$30 million annually, are also earmarked for education.

In April 2000, the Legislature appropriated \$2.85 million for a tobacco prevention and cessation program in FY2001 and designated the DHHS to administer the program's funds. Other legislation provided an additional \$150,000 for a smoking cessation voucher program for families getting state assistance.

In June 2001, the FY2002-03 budget bill was debated and passed by the Legislature and signed into law by Governor Shaheen. Although the bill continues the allocation priorities of the previous budget, directing most of the state's settlement payments into the Education Trust Fund to partially offset an education-funding shortfall, the allocation for tobacco prevention and cessation programs was cut in half.

The New Hampshire Legislature's current session convened on January 2, 2002.

New Jersey

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$377 million	\$239.1 million	\$30 million	\$45.07 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Jersey spend between \$45.1 million and \$121.3 million a year -- \$5.60 to \$15.07 per capita -- to have an effective, comprehensive tobacco prevention program. New Jersey currently allocates \$30 million a year -- \$3.73 per capita -- for tobacco prevention. This is 66.6% of the CDC's minimum recommendation and ranks New Jersey 11th among the states in the funding of tobacco prevention programs.

Current Status: New Jersey's tobacco settlement payments are deposited into the state's Tobacco Settlement Fund and appropriated through the annual budget process. For FY2002 \$365 million was deposited into this fund. The FY2002 budget approved by the Legislature and signed by Governor Donald DiFrancesco (R) appropriated \$30 million for tobacco prevention and cessation for the program's second year, the same as the first year. The budget also appropriated settlement funds for the following programs:

- \$116 million to expand Medicaid and provide healthcare access to the uninsured through the New Jersey Family Care Subsidy Insurance Program;
- \$99 million for a basket of health programs including newborn screening and physician reimbursement for ER services.
- \$65 million for school facilities construction and renovation;
- \$50 million to provide a prescription drug subsidy for senior citizens; and
- \$5 million for cancer and biomedical research.

The \$30 million appropriated in FY2002 for tobacco prevention and cessation was allocated as follows:

- \$6.3 million for a youth anti-tobacco awareness media campaign;
- \$7 million for community-based programs;
- \$5 million for school-based programs;
- \$8.7 million for smoking cessation programs for both adults and youth; and
- \$3 million for research, surveillance and program evaluation.

Late in 2001, the funding for the program was threatened by a statewide freeze on discretionary spending, ordered by Governor DiFrancesco. The freeze, an attempt to soften the revenue shortfall in the state, took effect in November 2002. The freeze would have stopped all tobacco prevention funding after March 1, 2002, in effect cutting the tobacco prevention program funds off for the remainder of the fiscal year and substantially limiting the program. In January 2002, in a move lauded by tobacco control activists in the state, the Governor unfroze \$6 million of the tobacco program funds, allowing the funding level to continue through the beginning of FY2003 as originally appropriated.

Background: The FY2000 budget bill enacted by the Legislature and signed former Governor Christine Todd Whitman (R) in 1999 allocated 20%, or \$18.6 million, of the state's \$92.8 million initial tobacco settlement payment for tobacco prevention. The New Jersey Department of Health began implementing the program on July 1, 2000.

When Governor Whitman announced her FY2001 budget in January 2000, she proposed a 25-year plan for spending the settlement funds, which included \$30 million annually for tobacco prevention and cessation programs and \$100 million a year to repay bonds used to build and repair schools. Although this entire plan did not pass, the Legislature and Governor did approve level funding for tobacco prevention and cessation at \$30 million annually. Funding amounts

within the prevention and cessation budget were earmarked for specific items, including a media campaign and community based-programs.

The New Jersey Legislature's current session convened on January 8, 2002.

New Mexico

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$85.7 million	\$36.9 million	\$5 million	\$13.71 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Mexico spend between \$13.7 million and \$31.9 million a year -- \$7.93 to \$18.47 per capita -- to have an effective, comprehensive tobacco prevention program. New Mexico currently allocates \$5 million a year -- \$2.89 per capita -- for tobacco prevention. This is 36.5% of the CDC's minimum recommendation and ranks New Mexico 30th among the states in the funding of tobacco prevention programs.

Current Status: New Mexico's tobacco settlement funds are governed by a 2000 law passed by the Legislature and signed by Governor Gary E. Johnson (R) which placed 50% of the state's tobacco settlement payments in a permanent trust fund, and allowed the other half to be spent on a variety of programs appropriated through the state's annual budget process. The FY2002 budget increased funding for tobacco prevention to \$5 million from \$2.225 million in FY2001.

Other programs funded from the expendable tobacco settlement funds for FY2002 included:

- \$470,000 for HIV/AIDS treatment
- \$1.0 million for diabetes prevention
- \$350,000 for prenatal and neonatal services
- \$4.4 million for the University of New Mexico

New Mexico is currently in the second year of implementing its tobacco prevention and cessation program. Three grant proposal requests, for school programs, adult cessation programs and comprehensive community programs to reduce tobacco use, were issued during summer 2001. A media contract that includes a research and polling survey on adult tobacco use was awarded in June 2000.

Background: In 1999 the Legislature passed and Governor Johnson enacted a law which placed all New Mexico's tobacco settlement payments into the Tobacco Settlement Permanent Fund (separate from the state's general fund). A subsequent law, enacted in February 2000, evenly divided the money in this fund for two purposes: a permanent trust fund and a fund for health and education programs. The latter is the source of funding for tobacco prevention.

The Legislature debated several plans for spending the available settlement dollars before passing the final FY2001 budget in April 2000. The spending levels were based, in part, on the recommendations from the Settlement Committee, including \$4.725 million for tobacco prevention programs. The Governor then vetoed several line items including \$2.5 million from the tobacco prevention program, leaving a \$2.225 million appropriation for tobacco prevention and cessation programs for FY2001.

In February 2000, the Legislature and Governor Johnson enacted a law which revised the percentages to equal halves.

The New Mexico Legislature's current session convened on January 15, 2002.

New York

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$1.79 billion	\$759.2 million	\$40 million	\$95.83 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New York spend between \$95.8 million and \$269.3 million a year -- \$5.28 to \$14.85 per capita -- to have an effective, comprehensive tobacco prevention program. New York currently allocates \$40 million* a year -- \$2.21 per capita -- for tobacco prevention. This is 41.7% of the CDC's minimum recommendation and ranks New York 24th among the states in funding of tobacco prevention programs.

The 1998 multi-state settlement agreement stipulated that the state receive 51.2% of the tobacco settlement payments, New York City gets 26.6%, and the 57 counties outside New York City share the remaining 22.2% based on a set formula.

Current Status: New York state's tobacco prevention funds are folded into the state's general fund and allocated through the annual budget process. However, a 1999 law - the Health Care Reform Act (HCRA) – set aside most of the settlement payments for several specific programs funded under the Act, including tobacco prevention. As mandated by HCRA, the FY2002 budget approved by the Legislature and signed by Governor George Pataki (R) increased settlement funding for tobacco prevention from \$30 million in FY2001 to \$40 million in FY2002. However, HCRA mandates that funding for tobacco prevention decline to \$20 million in FY2004.

The tobacco prevention funds are being spent on a statewide, comprehensive, CDC-based program, which includes:

- Community based programs;
- School based programs;
- Counter-marketing campaigns;
- Cessation programs (including a statewide quit line);
- Medicaid cessation products coverage;
- Projects to address health disparities;
- Youth access enforcement ; and
- Evaluation and surveillance

* The New York Tobacco Plan, which is published by the state's Department of Health, reports that the state's total tobacco control budget for FY2002 is almost \$72 million rather than just the \$40 million from the tobacco settlement dollars. Budget or other documents could not be found to confirm this figure. Presumably, this total includes \$27.5 million in general revenues and a \$4.32 million rollover of unspent funds from FY2001, in addition to the \$40 million from the state's settlement funds. One explanation for the discrepancy may be that the Plan includes money being spent at the local and county level. According to the plan, the dollars are allocated as follows:

- Community Based Programs \$ 15 million
- School Based Programs \$ 3.0 million
- Advertising and Marketing \$22.2 million
- Cessation Programs \$ 4.6 million
- Medicaid (cessation products coverage) \$13.0 million
- Special Projects to Address Disparities \$ 3.0 million
- Restriction of Youth Access \$ 5.1 million
- Evaluation and Surveillance \$ 3.0 million
- Training \$ 1.0 million
- Administration \$ 2.0 million

In addition to the tobacco prevention funds, HCRA also designated a total of \$356 million for other programs in FY2002 including indigent care, CHIP, hospital charity care and family health programs. Specific allocations include \$164 million for the Elderly Pharmaceutical Insurance Coverage (EPIC) program and \$91 million for Medicaid relief as an offset to the general fund.

The City of New York and most counties have determined how they will spend their share of the tobacco settlement payments. Under a plan organized by the New York State Association of Counties, many counties are securitizing future settlement proceeds by selling them to investors in exchange for a smaller lump sum up front. New York counties collectively spent \$24.1 million, or about 5 percent, of their FY2001 settlement payments on tobacco prevention and cessation programs.

Of New York's 62 counties, the following spent significant amounts of their FY2001 settlement funds on tobacco prevention and cessation:

- New York City \$ 13 million - \$1.76 per capita
- Suffolk \$ 6 million - \$4.34 per capita
- Westchester \$2.6 million - \$2.90 per capita
- Rockland \$ 742,000 - \$2.86 per capita
- Dutchess \$ 500,000 - \$1.90 per capita
- Chenango \$ 50,000 - \$1.03 per capita
- Albany \$ 284,000 - 87 cents per capita
- Rensselaer \$ 125,000 - 83 cents per capita
- Livingston \$ 45,000 - 68 cents per capita
- Yates \$ 15,000 - 61 cents per capita

Background: The 1999 HCRA, passed by the New York Legislature and signed by Governor Pataki, increased the state's cigarette tax by 57 cents per pack, to \$1.11 per pack, giving New York the nation's highest cigarette tax at the time. The HCRA also appropriated most of the state's share of the tobacco settlement dollars to various health programs including the tobacco prevention and control program. The law established a 17-member advisory board to oversee the tobacco prevention program. The board must present an annual evaluation report to the Governor, the Majority Leader of the Senate and the Speaker of the Assembly.

In the 2001 legislative session, no modifications were made to the HCRA funding mechanism regarding tobacco control.

The New York Legislature current session convened on January 9, 2002.

North Carolina

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$327.1 million*	\$138.7 million	0**	\$42.59 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Carolina spend between \$42.6 million and \$118.6 million -- \$5.74 to \$15.98 per capita -- to have an effective, comprehensive tobacco prevention program. North Carolina currently spends no state funds specifically on tobacco prevention. This ranks North Carolina last -- tied with Michigan, Tennessee and the District of Columbia -- among the states in the funding of tobacco prevention programs.

Current Status: North Carolina's tobacco settlement funds are governed by a 1999 law that placed all of the funds into three trust funds. The Golden LEAF Foundation receives 50% of the funds for assistance to tobacco-dependent communities. The Tobacco Trust Fund receives 25%

set-aside for direct aid to tobacco farmers, quota holders, tobacco manufacturing workers and tobacco-related businesses. (This is in addition to the Phase 2 payments to farmers). The remaining 25% of the funds are placed in a Health and Wellness Trust Fund.

In 2001, the Legislature and Governor Mike Easley (D) named a Health and Wellness Trust Commission to decide how to allocate that fund's proceeds. In December 2001 the Commission, chaired by Lt. Governor Beverly Purdue (D), voted to allocate \$35 million annually for three years to a prescription drug cost assistance program for seniors and the disabled. This decision limits the available funds for all other health related purposes, including tobacco prevention, to approximately \$5 million a year. The Commission has not decided how to allocate these remaining funds, but is expected to decide early in 2002. The only dissention on this decision came from Commissioner Bob Parker, a health official and long-time tobacco prevention ally, who argued that dedicated funding for tobacco prevention was an important investment for the health of North Carolina's citizens.

The Tobacco Trust Fund monies have been allocated for two purposes. \$30 million has been spent to cost-share the retrofitting of tobacco barns as required by the tobacco manufacturers to reduce the amount of cancer-causing nitrosamines in tobacco during the curing process. An additional \$2 million was spent on two pilot burley tobacco-marketing centers. The Golden LEAF Foundation has awarded grants for a variety of programs including: education, job training and employment assistance, scientific research, economic hardship assistance, public works, industrial development recruitment, health and human services, and community assistance. In the first round of grants, 39 projects were funded, 22 of which were agriculture-related. The second round of grants were awarded in December 2001 for various rural economic development projects. The Golden LEAF Foundation is spending only the interest on its portion of the settlement proceeds.

Background: In 1999, the Legislature passed and then-Governor Jim Hunt (D) signed a law which placed the tobacco settlement payments into the three separate trust funds detailed above.

In 2000, the Legislature passed and Governor Hunt signed additional legislation that created the Golden LEAF Foundation to distribute the 50% of the settlement funds set aside for economic development in tobacco-dependent communities. While no final decisions were made appropriating money from the Health and Wellness Trust Fund, the 2000 legislation did establish tobacco prevention and control programs for youth as one of its priorities. All of the Health and Wellness Trust Fund for 1998, 1999 and 2000 is available for expenditure by the Commission. However, beginning in 2001 and through 2025, 50% of the Fund's annual portion will go into a reserve (amounting to 12.5% of North Carolina's total annual settlement payments). The Commission may spend the remaining 50%, along with any interest generated from the reserved funds.

The North Carolina Legislature alternates between a long-year session and a short-year session. The current short-year session will convene in May 2002.

** North Carolina is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$1.95 billion over 12 years for direct payments to tobacco farmers.*

*** North Carolina has set-aside \$5 million annually for health purposes, which could be allocated for tobacco prevention in early 2002.*

North Dakota

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$52.6 million	\$22.6 million	\$2.53 million	\$8.16 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Dakota spend between \$8.2 million and \$16.5 million a year -- \$12.73 to \$25.82 per capita -- to have an effective, comprehensive tobacco prevention program. North Dakota currently allocates \$2.5 million a year -- \$3.95 per capita -- for tobacco prevention. This is 30.9% of the CDC's minimum recommendation and ranks North Dakota 35th among the states in the funding of tobacco prevention programs.

Current Status: North Dakota's tobacco settlement payments are governed by a 1999 law which placed 45% of the money into a Water Resource Trust Fund; 45% into an Education Trust Fund and 10% into a Community Trust Fund for health purposes. The FY2002-03 biennial budget passed by the Legislature and signed by Governor Ed Schafer (R) appropriated \$5.05 million (\$2.5 million annually) to the Department of Health for tobacco prevention and cessation efforts from the Community Trust Fund, an increase from no funding in the previous biennial budget.

The state's tobacco prevention program will not be comprehensive or statewide. Most of the available funds -- \$4.7 million -- will go directly to local health departments as grants for community health programs. A Tobacco Advisory Commission created under the 1999 law was designated to coordinate these efforts. \$100,000 was appropriated for the Commission's administrative costs. Local health departments have very few requirements for using the funds and there is concern that much of the money will not go to tobacco-related programs at all. The only dedicated tobacco control spending is an additional \$250,000 set-aside for grants to cities and counties to fund tobacco education and cessation programs for local government employees. Each of these appropriations is for the biennium.

Other appropriations from the tobacco settlement funds were as follows:

- \$24 million for projects through the Water Resource Trust Fund, all available for expenditure
- \$24 million to the Education Trust Fund, with only the interest -- \$1.5 million over two years -- available for expenditure
- \$136,000 for a dentist loan program from the Community Trust Fund
- \$114,000 for treatment of breast and cervical cancer from the Community Trust Fund

Background: In 1999, the Legislature passed and Governor Schafer signed into law legislation allocating the state's tobacco settlement funds as described above. After originally advocating that settlement dollars be spent on a new state morgue in 2000, Health Department officials developed the plan to give grants for community-based health programs. Communities receiving grants for these programs are required to write a tobacco prevention plan, but are not obligated to implement it. The Schafer administration has made it clear that it does not support establishing a comprehensive tobacco prevention program as recommended by the CDC.

The North Dakota Legislature only meets in odd-numbered years. The next regular legislative session will convene in early 2003.

Ohio

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$723.8 million*	\$311.5 million	\$21.7 million	\$61.74 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Ohio spend between \$61.7 million and \$173.7 million a year -- \$5.52 to \$15.53 per capita -- to have an effective, comprehensive tobacco prevention program. Ohio currently allocates \$21.7 million a year -- \$1.94 per capita -- for tobacco prevention. This is 35.1% of the CDC's minimum recommendation and ranks Ohio 31st among the states in the funding of tobacco prevention programs.

Current Status: Ohio's tobacco settlement funds are governed by a 2000 law approved by the Legislature and signed by Governor Robert Taft (R) that created several endowment funds, including a tobacco prevention and control fund to be administered by a Tobacco Use Prevention and Control Foundation. Once fully funded, the tobacco prevention endowment was designed to reach a balance of \$1.26 billion and yield \$60 million annually in interest for a comprehensive, CDC-based tobacco prevention and cessation program. However, the law required that the Legislature and Governor approve annual appropriations to the endowment.

In FY2002, the endowment was scheduled to receive \$140 million in settlement funds. However, to address the state's budget shortfall, the Legislature and Governor Taft in November 2001 enacted legislation that eliminated \$240 million in FY2002 and FY2003 payments to the tobacco control endowment and transferred the money to the general fund instead. Another \$20 million in tobacco settlement funds, scheduled for allocation to other endowments, was also diverted. The bill also tapped prisons, libraries and the state's "rainy day" fund to increase revenue. While the new law reschedules these payments for fiscal years 2013 and 2014, it appears more likely that the endowment will eventually be shorted two years' worth of payments. Although this new schedule is now in effect, as in the past, these funds must still be approved by the Legislature's annual appropriations process.

As a result of the budget legislation, the endowment will stay at its current balance of \$330 million for the next two years, with estimated interest revenue of \$25 million to \$30 million per year. Had the settlement money not been diverted, the amount of interest available for expenditure on tobacco prevention and control would have increased to between \$33 million and \$41 million annually over the next two years. Unless these payments are paid in the future, these diversions will also have long-term effects permanently reducing the endowment's projected balance and amount of interest income available each year.

In FY2002 the Foundation's board began planning a statewide tobacco prevention and cessation program. In fall 2001, the board approved budgets of \$21.7 million for FY2002, \$30 million for FY2003, and \$31 million for FY2004. The Foundation's tobacco control programs will begin in 2002, including a four-year, \$50 million counter-marketing campaign beginning in February 2002.

The remainder of the tobacco settlement funds was placed in several endowments also created by the 2000 law for various uses, detailed below.

Background: In 1999 Governor Taft announced the creation of a Task Force to determine the best use of the settlement funds. He declared his top priority was to reduce the number of underage smokers in Ohio. In September 1999, the Task Force proposed funding eight separate endowments. Funds were to be set up for education infrastructure, technology in the schools, tobacco farmers, minority health issues, issues relating to DNA sampling through the Attorney General's office, biomedical research (\$1.8 billion endowment) and tobacco prevention and cessation (\$1.5 billion endowment).

In line with these recommendations, several legislative proposals were considered. In February 2000, the Legislature approved and Governor Taft signed a compromise bill which allocated Ohio's tobacco settlement funds based on the Task Force's recommendations. The bill placed the tobacco settlement payments into several different trust funds, endowed through 2012, including:

- \$2.4 billion for school construction;
- \$1.26 billion for tobacco prevention and cessation programs;
- \$493.5 million for biomedical research;
- \$252.9 million for public health, including at least 25% for minority health programs and 5% for prescription drug assistance for low-income elderly;
- \$218.7 million for education technology and
- \$25 million for law enforcement improvements.

In addition to the above funds, the law created the Education Facilities Endowment Fund, which is scheduled to receive \$5 million annually through 2012 and a percentage of the state's settlement payments each year thereafter, totaling an estimated \$2.03 billion.

The Task Force also reviewed a proposal submitted by tobacco growers requesting some of the settlement payments for grower economic stabilization initiatives. The growers' proposals led to Ohio's part in the National Tobacco Growers Settlement Trust Agreement. In 1997, Ohio's share of US tobacco farming was 1.3% and valued at \$42 million.

The Ohio Legislature's current session convened on January 2, 2002.

* Ohio is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$70 million over 12 years directly to Ohio tobacco growers.

Oklahoma

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$148.9 million	\$64.1 million	\$1.73 million	\$21.83 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oklahoma spend between \$21.8 million and \$56.3 million a year -- \$6.58 to \$16.98 per capita -- to have an effective, comprehensive tobacco prevention program. Oklahoma currently allocates \$1.725 million a year of state money -- 52 cents per capita -- for tobacco prevention. This is 7.9 percent of the CDC's minimum recommendation and ranks Oklahoma 41st among the states in the funding of tobacco prevention programs.

Current Status: Oklahoma's tobacco settlement funds are governed by a 2000 law, passed by Oklahoma voters, which established a Tobacco Settlement Endowment Trust Fund (TSETF). Under the measure, 50% of Oklahoma's tobacco settlement payments are deposited into a trust fund, from which only interest could be spent on certain broadly-specified programs including health, education and tobacco prevention programs. The interest available each year must be appropriated by the Legislature through the budget process, as does the remaining settlement dollars, which are folded into the state's general fund.

The FY2002 budget passed by the Legislature and signed by Governor Frank Keating (R) reduced funding for tobacco prevention from \$1.83 million in FY2001 to \$1.725 million in FY2002 from the interest on the TSETF available for expenditure. These funds will be spent as follows:

- \$1.15 million for a Tulsa County demonstration project of a comprehensive tobacco prevention and cessation program
- \$250,000 for a school-based tobacco prevention initiative in rural districts
- \$85,000 for youth access enforcement contracts/activities
- \$135,000 for surveillance and evaluation contracts/activities
- \$105,000 for administration

In addition to the \$40.8 million placed in the TSETF, \$39.08 million in tobacco settlement dollars were appropriated for health services for seniors, children and the needy through the general fund.

Background: In 2000, the Legislature passed and Governor Keating signed the Oklahoma 2001 Healthcare Initiative, which provided \$259.9 million to increase funding for healthcare services and benefits for senior citizens, children and needy adults. The program uses state general revenues, federal matching funds and tobacco settlement dollars.

Also in 2000, the Oklahoma Legislature passed a plan for conducting tobacco prevention and cessation programs. Governor Keating vetoed the measure, claiming it gave too much control to an independent committee created by the legislation, and instead established an 11-member task force to develop a state plan for tobacco prevention and cessation.

On November 7, 2000, Oklahoma voters approved, by a vote of 69-31 percent, a constitutional amendment establishing the Tobacco Settlement Endowment Trust Fund described above. In addition to placing 50 percent of the annual settlement funds into a trust fund, the law also specified that the percentage going into the trust will increase by five percent (5%) a year through 2007 and remain at 75 percent thereafter.

Interest generated from the Trust Fund can be spent on the following programs: research on cancer and other tobacco-related diseases; tobacco prevention and cessation programs; healthcare programs with an emphasis on children; programs designed to enhance the well-being of senior citizens; and a variety of education-related programs.

A seven-member Board of Directors was appointed by state officials to oversee the distribution of the funds from the trust and members are required to have expertise in "public or private healthcare or programs related to or for the benefit of children or senior adults". The remaining funds (25% after 2007) will go into a revolving fund appropriated annually by the Legislature.

Late in the 2001 session, the Oklahoma Legislature and Governor Keating approved legislation that created a 20-member Tobacco Use Prevention and Cessation Advisory Committee to recommend a tobacco prevention and cessation plan to the state Department of Health, periodically review progress toward meeting objectives of the plan, and approve applications for contracts proposed by the Department.

The Oklahoma Legislature's current session convenes on February 4, 2002.

Oregon

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$161 million	\$68.3 million	\$11.25 million	\$21.13 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oregon spend between \$21.1 million and \$52.8 million a year -- \$6.51 to \$16.29 per capita -- to have an effective, comprehensive tobacco prevention program. Oregon currently

allocates \$11.25 million a year -- \$3.47 per capita -- for tobacco prevention. This is 53.2% of the CDC's minimum recommendation and ranks Oregon 16th among the states in the funding of tobacco prevention programs.

Current Status: Oregon's tobacco settlement payments are folded into the state's general fund and allocated through the biennial budget process. The FY2002-03 budget approved by the Legislature and signed by Governor John Kitzhaber (D) increased funding for tobacco prevention from \$8.5 million in FY2001 to \$11.25 million annually in FY2002 and FY2003. This funding includes \$2.5 million annually in tobacco settlement money, the first settlement money used for tobacco prevention in Oregon, and \$8.75 million annually from a tobacco excise tax approved by voters in 1997 to fund tobacco prevention.

The remaining tobacco settlement funds for FY2002-03 were appropriated to the following:

- \$124 million - Oregon Medical Assistance Program (OMAP)
- \$100 million - Health Care Trust
- \$89.2 million - the General Fund for miscellaneous programs
- \$20 million - Family Health Insurance Assistance Program (FHIAP)

Oregon began its Tobacco Prevention and Education Program in 1997 funded by a voter-approved tobacco excise tax. The program has achieved declines in overall tobacco consumption and youth smoking. Tobacco consumption in Oregon has declined by 21% since the program began in 1997. Between 1996 and 2000, smoking declined by 41% among Oregon 8th graders and by 21% among Oregon 11th graders.

Background: In November 2000, Oregon voters decisively defeated two proposals for spending the tobacco settlement payments, which allocated little or no additional money for tobacco prevention. One proposal, backed by the Oregon Association of Hospitals and Health Systems, directed all the settlement funds to the Oregon Health Plan, which provides healthcare for about 300,000 low-income residents. It failed by 55-45 percent. The second proposal began as legislation introduced by the Republican Senate and House leadership and placed settlement funds into a trust fund for various purposes. This measure was defeated by 57-43 percent. Since neither measure passed, the decision on how to appropriate the tobacco settlement funds reverted back to the Legislature.

In a compromise bill, the 2001 Legislature approved adding \$5 million in tobacco settlement money over two years to the excise tax funding for the state's tobacco prevention program. Governor Kitzhaber had allocated \$7 million in settlement money in his budget based on recommendations by the Oregon Department of Health, while the co-chairs of the Ways and Means Committee initially did not allocate any settlement funds.

The Oregon Legislature does not meet in 2002; the next regular legislative session will convene early in 2003.

Pennsylvania

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$664 million*	\$342 million	\$41.37 million	\$66 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Pennsylvania spend between \$65.6 million and \$184.8 million a year -- \$5.46 to \$15.37 per capita -- to have an effective, comprehensive tobacco prevention program. Pennsylvania currently spends \$41.4 million a year -- \$3.44 per capita -- for tobacco prevention. This is

63.1% of the CDC's minimum recommendation and ranks Pennsylvania 14th among the states in the funding of tobacco prevention programs.

Current Status: Pennsylvania was one of the last states to decide how to allocate its tobacco settlement funds. In June 2001, after more than two years of debate, the Legislature approved and Governor Tom Ridge (R) signed the state's first law governing use of its tobacco settlement funds. The legislation allocates 12 percent of Pennsylvania's tobacco settlement funds, or about \$41.4 million in FY2002, to fund a tobacco prevention program. The law also created an Advisory Board to determine how to spend the tobacco prevention funds.

The law allocated Pennsylvania's tobacco settlement funds as follows (the dollar amounts are for FY2002 and may change because of fluctuations in total annual settlement payments):

• Insurance for uninsured adults	30%	\$103.4 million
• Health-related research	19%	\$65.5 million
• Home and community-based care for seniors	13%	\$44.8 million
• Tobacco prevention and cessation	12%	\$41.4 million
• Hospital charity care	10%	\$34.5 million
• Prescription drug assistance for seniors (PACENET)	8%	\$27.6 million
• Endowment for future health care programming	8%	\$27.6 million

Prior to applying these percentages, the Legislature also made several one-time disbursements that reduced the amounts appropriated to the preceding health programs for FY2002. The disbursements are as follows:

• Biotech greenhouses	\$100 million
• Venture capital	\$60 million
• Free and partial-pay clinics	\$25 million
• Healthlink	\$20 million
• Doctor/researcher low-cost loans	\$5 million
• Nurse loan forgiveness	\$3 million

Background: In January 2000, Governor Tom Ridge (R) proposed a plan for spending the settlement entirely on health related programs, with 15% for tobacco prevention and cessation programs. House Speaker Matthew Ryan (R) endorsed the Governor's plan, but the Legislature did not take any final action. House Democrats introduced a plan to use \$91.8 million of the settlement funds for an expanded prescription drug program for seniors, but did not include any funding for tobacco prevention. The Senate Republican Working Group, a six-member task force charged with developing a Senate GOP spending plan for the tobacco settlement funds, did not reach any agreement.

Finally, in June 2001, an agreement was reached, passed by the Legislature and signed by the Governor that dedicated all settlement dollars to health-related programs and 12%, or \$41.4 million in FY2002, to tobacco prevention and cessation. The Senate passed the package unanimously while the House voted 187-4 in support of the legislation.

The Pennsylvania Legislature's current session convened on January 1, 2002.

* Pennsylvania is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$22.1 million over 12 years directly to Pennsylvania tobacco growers.

Rhode Island

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$103.3 million	\$44.5 million	\$3.3 million	\$9.89 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Rhode Island spend between \$9.89 million and \$21.91 million a year -- \$10.01 to \$22.19 per capita -- to have an effective, comprehensive tobacco prevention program. Rhode Island currently allocates \$3.3 million a year -- \$3.33 per capita -- for tobacco prevention. This is 33.4% of the CDC's minimum recommendation and ranks Rhode Island 32nd among the states in the funding of tobacco prevention programs.

Current Status: Rhode Island's tobacco settlement payments are folded into the state's general fund and allocated through the annual budget process. The FY2002 budget approved by the Rhode Island Legislature and signed Governor Lincoln Almond (R) increased tobacco prevention funding from \$2.3 million in FY2001 to \$3.3 million in FY2002. The remaining settlement funds were folded into the state's general fund.

The following appropriations were made in FY2002 for tobacco prevention and cessation programs:

- \$1.1 million for counter advertising
- \$1 million for cessation treatment
- \$300,000 for enforcement
- \$250,000 for school-based youth cessation
- \$250,000 for school-based prevention programs
- \$250,000 for youth advocacy
- \$100,000 for a cancer center control program
- \$50,000 for worksite programs

Background: The FY2000 and FY2001 state budgets enacted by the Legislature and Governor Almond appropriated \$1 million and \$2.3 million respectively for tobacco prevention and cessation programs. The FY2000 budget also appropriated \$3.4 million for long-term care for the elderly. These initiatives can be attributed to tobacco settlement funding folded into the state's general fund.

The Rhode Island Legislature's current session convened on January 1, 2002.

South Carolina

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$169 million*	\$72.7 million	\$1.6 million	\$23.91 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Carolina spend between \$23.9 million and \$62 million a year -- \$6.36 to \$16.49 per capita -- to have an effective, comprehensive tobacco prevention program. South Carolina currently allocates \$1.6 million a year -- 43 cents per capita -- for tobacco prevention. This is 6.7% of the CDC's minimum recommendation and ranks South Carolina 42nd among the states in the funding of tobacco prevention programs.

Current Status: Under an agreement between the Legislature and Governor Jim Hodges (D), South Carolina securitized its future tobacco settlement proceeds by selling them to investors in

exchange for a smaller lump sum up front. The \$912 million raised was transferred into four trust funds. The Legislature is responsible for appropriating the money available from the trust funds annually for programs.

The FY2002 budget approved by the Legislature and signed by Governor Hodges initially continued funding allocations for the tobacco settlement payments at nearly the same levels as last year, when the state spent \$1.75 million on tobacco prevention. However, across-the-board budget cuts left the state with \$1.6 million for tobacco prevention and cessation in FY2002. The bulk of South Carolina's available tobacco settlement proceeds (73%) will continue to go to health issues, including tobacco prevention programs. Other uses include relief for tobacco farmers (15%), rural economic development (10%) and local water and sewer projects (2%). The tobacco prevention funds are used by the Department of Health and Environmental Control (DHEC) to augment their existing CDC-funded tobacco prevention and cessation program.

Background: In 2000, the Legislature agreed to a compromise with Governor Hodges on his plan to securitize the settlement funds by issuing bonds backed by the \$2.3 billion that the state expects to receive over the next 25 years, in return for an up-front payment of \$ 912 million. The money raised was transferred into four trust funds as follows:

- 73% for healthcare needs, including the prescription drug program for seniors, tobacco prevention programs and Medicaid expansion;
- 15% for tobacco farmers (in addition to the Phase 2 settlement funds);
- 10% for economic development in rural areas of the state; and
- 2% to fund local water and sewer projects.

In the healthcare trust fund, only the interest generated by the fund is available for expenditure, while the principal in the three other trusts is also available for programs. In FY2001 (the first year that funding was available), \$1.75 million was allocated for tobacco prevention programs, but a budget crisis nearly eliminated that funding. The funding was restored by the end of the legislative session and subsequently used by DHEC to enhance current statewide tobacco prevention efforts.

The South Carolina Legislature's current session convened on January 8, 2002.

* South Carolina is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$357.4 million over 12 years directly to South Carolina tobacco growers.

South Dakota

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$50.1 million	\$21.6 million	\$2.7 million	\$8.69 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Dakota spend between \$8.7 million and \$18.2 million a year -- \$11.77 to \$24.68 per capita -- to have an effective, comprehensive tobacco prevention program. South Dakota currently allocates \$2.7 million a year -- \$3.65 per capita -- for tobacco prevention. This is 31.08% of the CDC's minimum recommendation and ranks South Dakota 34th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002 budget approved by the Legislature and signed into law by Governor William Janklow (R) includes \$2.7 million for tobacco prevention, an increase from \$1.7 million in FY2001. Separate legislation moved the state's tobacco prevention program to the Department of Health, which is currently developing a long-term plan for the program. The

planning process has delayed spending of the FY2002 funds for tobacco prevention, likely resulting in unused funds at the end of the fiscal year.

In a plan that would irrevocably change how South Dakota uses its tobacco settlement money, the Legislature and Governor Janklow also enacted a law in 2001 that securitizes the state's settlement proceeds over the next 25 years in exchange for an upfront payment of \$200 million. These funds are to be deposited in an education trust fund to be used for post-secondary scholarships, grants to reward academic and teaching excellence, and grants to support educational programs. The law required voter approval for the plan, and 73 percent of voters supported it in a special election in April 2001. However, as of December 1, the state had not taken any action to securitize the tobacco funds. Elected officials are expected to re-examine their options in the next legislative session.

Background: Previously, South Dakota's tobacco settlement payments were governed by a 2000 law that placed the state's annual payments into the People's Trust Fund. Only the interest generated by the Fund was available for expenditure and no program had been designated to receive these funds, leaving appropriation to the discretion of the Legislature.

In 2000, the legislature passed and the Governor signed legislation creating a tobacco prevention and cessation program in the Department of Human Services and established a Tobacco Prevention Trust Fund with an 11-member Tobacco Prevention and Reduction Advisory Board, appointed by the Governor. The Board, in collaboration with the Department of Human Services, was charged with developing a comprehensive plan to prevent and reduce tobacco use, including establishing program priorities, setting criteria for awarding grants, and assessing overall program performance.

In separate legislation, a total of \$1.7 million, \$1 million carried over from the state's general fund and \$700,000 from interest to be generated from the People's Trust Fund, was appropriated to the Tobacco Prevention and Cessation Program for FY2001.

The South Dakota Legislature's current session convened on January 8, 2002.

Tennessee

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$353.9 million*	\$150.9 million	0	\$32.23 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Tennessee spend between \$32.2 million and \$89.1 million a year -- \$6.00 to \$16.59 per capita -- to have an effective, comprehensive tobacco prevention program. Tennessee currently allocates no funding for tobacco prevention. This ranks Tennessee last -- tied with Michigan, North Carolina and the District of Columbia -- among the states in the funding of tobacco prevention programs.

Current Status: Tennessee spends no money on tobacco prevention and is currently using most of its settlement money to address a budget crisis.

The tobacco settlement funds in Tennessee are governed by two 2000 laws which placed 50% of the funds into each of two accounts: the Tobacco Indemnification and Community Revitalization Trust Fund and the Health Care Improvement and Education Account. A committee was established for each to make recommendations on how to spend the money. The Legislature then must approve their recommendations.

In 2001, the Health Committee recommended spending approximately \$40 million on a comprehensive tobacco prevention program. However, due to severe budget shortfalls and an unwillingness to change a tax structure widely viewed as unable to meet the state's revenue needs, the Legislature voted to spend most of the available tobacco settlement dollars to fill a budget gap. The only settlement funds not used to balance the budget was \$100 million set aside for possible repayment of a federal government grant unrelated to tobacco prevention. Governor Don Sundquist (R) vetoed this legislation, but the Legislature overrode this action and the legislation became law.

Background: In both 1999 and 2000, the Legislature could not reach an agreement on how to use the settlement funds. In May 2000, legislation sponsored by Senator Bob Rochelle (D) placed the settlement funds into two accounts: 1) a trust fund, called the Tobacco Indemnification and Community Revitalization Account, to help farm communities harmed by decreased tobacco production; and 2) a Health Care Improvement and Education Account.

In June 2000, a House-Senate conference committee on the budget agreed to appropriate 50% of the settlement funds into each of the two reserve accounts. This bill also established two separate committees to make recommendations on how to spend the money in each fund. The recommendations then went to the full Legislature for approval, which approved the structure provisions, but tabled the allocation decisions. No other decisions were made by the Legislature regarding the settlement funds until late in the 2001 legislative session.

The Tennessee Legislature's current session convened on January 8, 2002.

* Tennessee is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$389.9 million over 12 years directly to Tennessee tobacco growers.

Texas

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$1.92 billion	\$339 million	\$12.5 million	\$103 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Texas spend between \$103.2 million and \$284.7 million a year -- \$5.31 to \$14.65 per capita -- to have an effective, comprehensive tobacco prevention program. Texas currently allocates \$12.5 million -- 64 cents per capita -- for tobacco prevention. This is 12.1% of the CDC's minimum recommendation and ranks Texas 39th among the states in funding tobacco prevention programs.

As one of four states to settle with the tobacco industry prior to and separate from the November 1998 multi-state settlement agreement, Texas, along with Florida and Mississippi, agreed to launch a tobacco prevention pilot program. Under the terms of Texas' settlement agreement, the tobacco industry paid the state an initial \$1.3 billion in 1999. Each year thereafter, the tobacco industry is scheduled to pay the state of Texas between \$326.3 million and \$580 million subject to various factors that may increase or decrease the payment.

Current Status: The FY2002-03 biennial budget approved by the Legislature and signed by Governor Rick Perry (R) increased funding for tobacco prevention to \$12.5 million annually from \$9.3 million annually in FY2000-01. The \$12.5 million allocated annually for FY2002-03 is from a combination of interest available from a settlement-funded trust fund previously established for tobacco prevention and a supplemental direct appropriation.

Using the FY2000-01 funding, Texas is currently operating tobacco prevention pilot programs of varying levels of comprehensiveness in 14 East-Texas communities. Results released in January 2001 showed that the most comprehensive program, in Port Arthur, had reduced smoking rates by nearly 40 percent among sixth graders, far greater than in areas with less comprehensive programs. It has not yet been determined if the increase in funding by the Legislature will result in expansion of pilot programs.

Background: Texas' tobacco settlement funds are governed by a 1999 law passed by the Legislature and signed by then-Governor George W. Bush (R) which placed all the tobacco settlement payments into several permanent endowments earmarked for the following purposes: higher education, individual endowments for 13 medical schools, children and public health, emergency medical services and trauma care, a higher education nursing and allied health fund, minority health research and education, rural health facility capital improvement, and community hospital capital improvement.

The 1999 law also directed \$200 million of the \$1.8 billion Texas received from its first two tobacco settlement payments into a Tobacco Education Enforcement Trust Fund. No future payments go into this trust fund. A maximum of 7.5 percent of the annual interest generated from the trust is available to fund a tobacco prevention and cessation program. Only interest earned from each of the endowments is available for expenditure and must be appropriated by the Legislature every year. However, the tobacco prevention trust fund dollars were supplemented by a direct appropriation from the biannual budget for FY2002, none of the other endowments were allocated additional money in the FY2002-03 budget.

Texas' debate about how to use its settlement money began uniquely when two legislators, House Appropriations Chairman Robert Junell (D) and Senate Finance Chairman Bill Ratliff (R), sued then Attorney General Dan Morales (D) shortly after he entered the settlement on behalf of the state in 1997. The lawsuit questioned who would decide how to spend the settlement funds -- the Attorney General or the Legislature. The dispute was by entering into a Memorandum of Understanding recommending to the Legislature how to spend the initial payment. The Memorandum called for placing approximately \$1 billion into endowments to fund projects at health centers in Texas and the CHIP program. The Memorandum also called for spending \$200 million on a pilot tobacco prevention program.

In 1999, Chairmen Junell and Ratliff introduced their legislation. Instead of spending the \$200 million for tobacco prevention as agreed to in the Memorandum of Understanding, both bills placed the \$200 million into an endowment which permitted only the interest generated, approximately \$10 million a year, to be spent on a tobacco prevention program. The Junell/Ratliff legislation passed.

A separate part of the Texas settlement agreement awarded \$2.28 billion to counties, hospital districts, and other providers of healthcare for indigents over 25 years.

The Texas Legislature does not meet in 2002; the next regular legislative session will convene in early 2003.

Utah

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$64 million	\$28 million	\$6 million	\$15 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Utah spend between \$15.2 million and \$33.4 million a year -- \$7.40 to \$16.21 per capita -- to have an effective, comprehensive tobacco prevention program. Utah currently allocates \$6

million a year -- \$2.91 per capita -- for tobacco prevention. This is 39.4% of the CDC's minimum recommendation and ranks Utah 26th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002 budget approved by the Legislature and signed by Governor Michael Leavitt (R) provides \$6 million for tobacco prevention, the same level as FY2001. Tobacco settlement money was also used to fund the Children's Health Insurance Program, cancer research at the University of Utah Health Sciences Center and expansion of the state's drug courts.

Background: Utah's tobacco settlement money is governed by a 2000 law that placed half of the state's annual payments into an endowment and gave the Legislature the authority to appropriate the remaining half through the biennial budget process. The law also called for a referendum in which voters would decide how to spend interest earned from the endowment. In November 2000, voters by 61-39 percent approved the measure, which reinvests half the interest generated by the endowment and earmarks the remainder for health care programs.

In 1999, private law firms that represented the state in its lawsuit against the tobacco industry filed an attorney's lien against Utah's settlement payments. The firms claimed their contract entitled them to 25% of the state's share. A federal judge ordered \$9 million be placed in an escrow account until it was determined where the money would go. The dispute was settled in June 2001. The attorneys received \$4 million and an additional \$2 million was allocated to tobacco control programs, bringing the total tobacco control funding to \$6 million.

The Utah Legislature's current session convenes on January 21, 2002.

Vermont

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$58 million	\$25 million	\$5.53 million	\$8 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Vermont spend between \$7.9 million and \$15.9 million a year -- \$13.42 to \$27.06 per capita -- to have an effective, comprehensive tobacco prevention program. Vermont currently allocates \$5.53 million a year -- \$9.38 per capita -- for tobacco prevention. This is 70% of the CDC's minimum recommendation and ranks Vermont 10th among the states in the funding of tobacco prevention programs.

Current Status: Vermont's tobacco settlement payments are appropriated annually based on a 2000 law passed by the Legislature and signed by Governor Howard Dean (D). The law stipulated that the state's annual settlement payment be divided as follows: two-thirds to Medicaid and the Vermont Health Access Program and one-third to the tobacco prevention program and the Tobacco Trust Fund. The FY2002 budget passed by the Legislature and signed by the Governor cut funding for tobacco prevention from \$6.5 in FY2001 to \$5.53 million. The tobacco settlement funds were appropriated as follows:

- \$17.25 million for Medicaid and the Vermont Health Access Program
- \$1.1 million for the Office of Alcohol and Drug Abuse
- \$450,000 for youth drug abuse prevention
- \$290,000 to the state Attorney General's Office for ongoing monitoring of tobacco settlement compliance and enforcement
- \$5.53 million for tobacco prevention and cessation programs at the following levels:
 - \$1.1 million to the Department of Health (DOH) for grants to community-based programs;

- \$1 million to the DOH for counter-marketing activities;
- \$1.275 million to the DOH for tobacco cessation programs;
- \$600,000 to the DOH for surveillance and evaluation activities;
- \$200,000 to the DOH for statewide programs;
- \$925,000 to the state Department of Education to fund school-based programs
- \$309,000 to the state Department of Liquor Control for the enforcement of laws to restrict access to tobacco products by minors;
- \$125,000 to the Vermont Tobacco Evaluation and Review Board.

Background: In 1999, the Vermont Tobacco Task Force was created to develop a spending plan for the tobacco settlement payments. In November 1999, the Task Force recommended that the settlement funds be split equally among three areas: comprehensive tobacco prevention and cessation programs; a permanent tobacco control trust fund -- designed to eventually make the tobacco prevention program self-sufficient -- and support of other health programs for low-income Vermonters. The recommendations also called for the creation of an independent board to oversee the tobacco prevention program.

In May 2000, a compromise bill was passed which appropriated the tobacco settlement payments for FY2001 and stipulated future payments be allocated as follows:

- No more than \$17.25 million or 2/3 of annual settlement payment -- whichever is less -- to Medicaid and the Vermont Health Access Program to defray the cost of healthcare to low-income Vermonters; and
- A minimum of \$6.155 million or 1/3 of the annual settlement payment -- whichever is greater -- to the tobacco prevention program and the tobacco trust fund.

The 2000 law also created a 13-member Board to oversee all elements of the program including independent review. The Board conducts two public hearings annually with the Department of Health to make an annual budget recommendation to the Governor.

Based upon the Tobacco Task Force's recommendations, Governor Dean's FY2002 budget requested level funding of \$6.5 million for the Vermont tobacco prevention and cessation programs. However, the Republican-led House cut the program's funding for counter-marketing, community-based programs and school-based programs.

The Vermont Legislature's current session convened on January 8, 2002.

Virginia

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$294 million*	\$126 million	\$19.22 million	\$39 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Virginia spend between \$33.3 million and \$89.3 million a year -- \$5.94 to \$15.93 per capita -- to have an effective, comprehensive tobacco prevention program. Virginia currently allocates \$19.2 million a year -- \$2.86 per capita -- for tobacco prevention. This is 49.4% of the CDC's minimum recommendation and ranks Virginia 21st among the states in the funding of tobacco prevention programs.

Current Status: Virginia's tobacco settlement payments are allocated in three ways as directed by a 1999 law: the Tobacco Indemnification and Community Revitalization Trust Fund (50%); the Tobacco Prevention Trust Fund (10%) and the state's general fund for appropriation at the discretion of the Legislature (40%). The 1999 law also designated the Virginia Tobacco Settlement Foundation (TSF) as administrator for the Tobacco Prevention Trust Fund. The

money allocated through the Tobacco Indemnification and Community Revitalization Trust Fund is designated for programs aimed at economic assistance for tobacco growers and to revitalize tobacco dependent communities.

The Tobacco Prevention Trust Fund will receive \$12.64 million for its portion (10%) of the tobacco settlement payments in FY2002. This amount, when added to the unspent funds carried over from previous years, allowed the Foundation (TSF) to allocate \$19.2 million to tobacco prevention programs target at youth for FY2002. These funds are budgeted as follows:

- \$ 4.5 million for grants for local tobacco prevention programs;
- \$10 million for a Foundation-run marketing program, including a media campaign;
- \$4.34 million for research related to youth smoking; and
- \$375,000 to enforce laws regulating youth access to tobacco products.

Background: In 1999, the Virginia Legislature passed and Governor Jim Gilmore (R) enacted the law that allocated the state's tobacco settlement payments into three separate funds:

- 50% to the Tobacco Indemnification and Community Revitalization Trust Fund for programs aimed at economic assistance for tobacco growers and to revitalize tobacco dependent communities. In 2000 (the first year of funding), 80% of these funds was allocated to tobacco farmers and quota holders and 20% was allocated to seven community colleges as scholarships for tobacco farmers and their families and to the Virginia Institute of Technology for research on medicinal uses of tobacco;
- 40% to the state's general fund for appropriation at the discretion of the Legislature; and
- 10% to the Tobacco Prevention Trust Fund, to be administered by the TSF, for tobacco prevention and cessation programs.

For FY2001, the TSF allocated \$11.25 million for tobacco prevention programs targeted at youth. The money was budgeted as follows:

- \$8 million for grants for local tobacco prevention programs;
- \$1.75 million for a TSF-run tobacco prevention program, including a media campaign; and
- \$1 million to study youth smoking trends across the state.

In addition, \$500,000 was set aside to enforce laws regulating youth access to tobacco products. However, only \$1 million was actually spent, primarily for administrative costs.

During the 2001 legislative session, the Governor and several legislators proposed using a portion of the Tobacco Prevention Trust Fund dollars to balance the budget. Specifically, the funds were designated to pay for a repeal of the personal property tax, known as the "car tax", which Governor Gilmore promised in his 1997 campaign. Tobacco control advocates opposed this proposal and worked with legislators friendly to tobacco prevention who succeeded in eventually killing the proposal in Committee. There was also a separate and unsuccessful attempt by some legislators to broaden the purpose of the Virginia TSF to include other health care needs. This would have diluted the funding, which had been specifically set aside for youth tobacco prevention. The proposal did not advance to the full Legislature and the TSF funds were protected for tobacco prevention only.

The Virginia Legislature's current session convened on January 9, 2002.

* Virginia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$338.9 million over 12 years directly to Virginia tobacco growers.

Washington

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$295 million	\$127 million	\$17.5 million	\$33 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Washington spend between \$33.3 million and \$89.3 million a year -- \$5.94 to \$15.93 per capita -- to have an effective, comprehensive tobacco prevention program. Washington currently allocates \$17.5 million a year -- \$3.12 per capita -- for tobacco prevention. This is 52.5% of the CDC's minimum recommendation and ranks Washington 18th among the states in the funding of tobacco prevention programs.

Current Status: The tobacco settlement funds in Washington are governed by a law passed in 1999 which set aside \$100 million for tobacco prevention and cessation and used the bulk of Washington's settlement money to fund the State Basic Health Plan and the Children's Health Insurance Program. The FY2002-2003 biennium budget approved by the Legislature and signed by Governor Gary Locke (D) increased funding for tobacco prevention from \$15.5 million in FY2001 to \$17.5 million annually in FY2002 and FY2003.

In November 2001, the voters of Washington overwhelmingly approved initiative 773, which increased the state cigarette tax by 60 cents per pack. The new revenue will fund the Basic Health Plan, tobacco prevention and control, and other existing programs that already receive tobacco tax revenue. The new law, which went into effect January 2002, directs the Legislature to supplement, not supplant, current tobacco settlement funds in the tobacco control account. It also requires the Legislature to spend at least \$26.24 million each year on tobacco prevention and control, beginning July 1, 2002 (FY2003).

Washington's Health Department launched the state's tobacco prevention program in July 2000 with initial funding allocated as follows:

- \$4 million for community-based tobacco prevention programs - half in the six largest counties and half divided among 33 other counties,
- \$2.5 million for school programs,
- \$5.3 million for a media campaign targeted at youth and adult tobacco users,
- \$1.2 million for a toll-free quit line,
- \$1.2 million for program evaluation, and
- \$100,000 for retailer education.

While the Health Department has not made its final allocation decisions for the additional FY2002 funding, it currently plans to spend the money as it did in previous years (see above). Despite much debate over the state's budget, the remainder of Washington's tobacco settlement dollars, approximately \$223 million, was used to fund the Basic Health Plan as in years past.

Background: After the settlement was reached In November 1998, Governor Locke and Attorney General Christine Gregoire (D) were strong advocates for committing substantial funds to tobacco prevention programs. In 1999, they successfully convinced the Legislature to include \$100 million for tobacco prevention in the state budget over an unspecified number of years. Governor Locke's FY2001 budget recommended spending \$26.2 million of that \$100 million on a comprehensive tobacco prevention and cessation program, with the remainder left for future use. House Republicans sought to strip \$90 million from the tobacco prevention account and allocate just \$2.5 million for tobacco prevention. This plan was rejected and a compromise was reached to spend \$15.5 million in FY2001 on tobacco prevention and cessation. The \$17.5 million appropriated annually in FY2002 and FY2003 comes from this account as well.

The Washington Legislature's current session convened on January 14, 2002.

West Virginia

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$127.4 million*	\$54.8 million	\$5.85 million	\$14.16 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of West Virginia spend between \$14.2 million and \$35.4 million a year -- \$7.80 to \$19.48 per capita -- to have an effective, comprehensive tobacco prevention program. West Virginia currently allocates \$5.85 million a year -- \$3.21 per capita -- for tobacco prevention. This is 41.39% of the CDC's minimum recommendation and ranks West Virginia 25th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002 budget passed by the Legislature and signed by Governor Cecil Underwood (R) appropriated \$5.65 for the state's tobacco prevention program, a reduction from \$5.85 million in FY2001. The tobacco prevention funds are administered through the Bureau of Public Health.

Other programs funded with tobacco settlement dollars include:

- \$200,000 for a tobacco retailer education program
- \$32,149,408 to the Division of Health Facilities Operations
- \$5 million for the State Employees Insurance Program

Background: West Virginia's settlement payments are governed by a 1999 law that divides the settlement evenly into two funds: the West Virginia Medical Trust Fund Endowment to fund tobacco prevention and cessation programs and the West Virginia Tobacco Settlement Fund to fund Medicaid and Medicare obligations, public health programs and capital construction projects. In addition, \$5 million annually in settlement funds is set-aside for the State Employees Insurance Program.

In the FY2001 budget, the Legislature transferred \$5.9 million from the Endowment to the Settlement Fund, and then appropriated \$5 million for tobacco prevention programs from the Endowment and \$47 million for the state's mental health hospital from the Settlement Fund. The final budget passed by the Legislature and signed by Governor Underwood included an additional \$850,000 for an advertising campaign to discourage tobacco use, for a total of \$5.85 million for tobacco prevention-tobacco use advertising.

In the FY2002 budget, the Legislature transferred \$38 million from the Endowment to the Settlement Fund, and then appropriated the funds as described above including \$5.65 million for tobacco prevention through the Bureau of Health.

The West Virginia Legislature's current session convened on January 9, 2002.

* West Virginia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$14.4 million over 12 years directly to West Virginia tobacco growers.

Wisconsin

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$290.6 million	\$123.3 million	\$15.5 million	\$31.16 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wisconsin spend between \$31.2 million and \$82.4 million a year -- \$6.03 to \$15.94 per capita -- to have an effective, comprehensive tobacco prevention program. Wisconsin currently allocates \$15.5 million a year -- \$3.00 per capita -- for tobacco prevention. This is 49.7% of the CDC's minimum recommendation and ranks Wisconsin 20th among the states in the funding of tobacco prevention programs.

Current Status: The FY2002-03 biennial budget approved by the Legislature and signed by Governor Scott McCallum (R) cut annual funding for tobacco prevention to \$15.5 million from \$21.2 million in FY2001.

Irrevocably changing how Wisconsin uses its tobacco settlement money, the Legislature and Governor McCallum in August 2001 enacted a budget that securitizes most of the state's settlement payments over the next 25 years. The law calls for the state to issue bonds backed by the \$5.9 billion that the state expects to receive over the next 25 years in return for an up-front payment of \$1.3 billion.

Because the settlement payments will not be diverted to debt service until the next biennium (FY2004-05), the state has two years' worth of settlement payments available for expenditure in the current biennium. The state is using this money, plus \$450 million from the securitization, to balance the FY2002-03 budget.

The state also created a \$470 million endowment using the remaining revenue from securitization. The budget dedicated the first \$25 million of annual interest generated from the endowment to the Wisconsin Tobacco Control Board (WTCB), which runs Wisconsin's tobacco control program. While this represents a long-term commitment of funding for tobacco prevention, the dedicated funding does not start until FY2004 and the law also requires the Legislature to appropriate these funds every year. For the current biennium, the budget cut tobacco prevention funding to \$15.5 million annually (\$31 million over the biennium) despite spending almost \$700 million in tobacco settlement money between the annual payments and securitization revenue. Of the \$31 million biennial tobacco control budget, \$25 million is a new biennial appropriation and the remainder is carryover from unspent FY2001 funds.

FY2001 was the first year of operation for the WTCB. The Board is implementing a comprehensive, statewide, CDC-based prevention and cessation program. Most component programs became operational in the summer of 2001, including a quit line started in May and a youth summit held in June. The counter-marketing media effort began in the spring of 2001. The program budget for FY2002 follows the outline set in 2000 as noted below. Although most elements of the program had to be scaled back due to the funding reduction, the largest cutback was from the counter-marketing campaign, which was reduced by almost \$4 million dollars.

Background: In previous years, Wisconsin folded its tobacco settlement funds into the state's biennial budget process. Former Governor Tommy Thompson (R) originally proposed using the majority of the settlement funds for a tax cut or to replace current spending on state healthcare programs, including a \$2.5 million allocation for a Smoking Prevention and Health Initiative.

In 1999, after partial line-item vetoes by the Governor, a budget was enacted establishing a comprehensive tobacco prevention and cessation program funded at \$23.5 million over the 2000-01 biennium. \$2.3 million was spent in the first year for limited program activities and strategic planning, leaving \$21.2 million available for expenditure in the second fiscal year. The

remaining tobacco settlement funds were folded into the general fund with \$57 million set aside for Badgercare, Wisconsin's healthcare service for the uninsured.

The Wisconsin Tobacco Control Board was created to direct the tobacco prevention program. Although the Board is under the Department of Health for administrative purposes, the Department has no authority over policy set by the Board. The FY2000-01 budget included language directing the board to follow budget guidelines suggested by the CDC. The Board allocated the \$23.5 million as follows:

- \$18.308 million in Calendar Year 2001 (\$10.4 million in Calendar Year 2002) to fund grants to public and private organizations to support a comprehensive tobacco prevention and control program;
- \$1 million annually to the University of Wisconsin Center for Tobacco Research and Intervention for research on cessation issues;
- \$1 million annually to the Thomas T. Melvin program, a tobacco prevention program being implemented in several Wisconsin communities and run by the Department of Health and Family Services;
- \$92,000 in FY2000 for a smokeless tobacco prevention campaign;
- \$500,000 annually beginning in FY2001 to the Medical College of Wisconsin; and
- \$200,000 in FY2000 and \$400,000 in FY2001 for Board administrative costs.

The Wisconsin Legislature remains in session throughout the year; the current legislative session convened on January 7, 2002.

Wyoming

Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC Minimum Annual Recommendation
\$34.8 million	\$14.8 million	\$900,000	\$7.38 million

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wyoming spend between \$7.4 million and \$14.4 million a year -- \$6.03 to \$15.94 per capita -- to have an effective, comprehensive tobacco prevention program. Wyoming currently allocates \$900,000 a year -- \$1.88 per capita -- for tobacco prevention. This is 12.2% of the CDC's minimum recommendation and ranks Wyoming 38th among the states in the funding of tobacco prevention programs.

Current Status: Wyoming's tobacco settlement payments are governed by a 1999 law that placed all the state's tobacco settlement payments in a Tobacco Settlement Trust Fund. Tobacco prevention funding for FY2002-03 biennium remains unchanged at \$1.8 million (\$900,000 annually), funded with interest from the Trust Fund. The state is currently implementing a tobacco prevention program.

Background: In 1999, the Wyoming Legislature passed and Governor Jim Geringer (R) signed the law creating the Tobacco Settlement Trust Fund. The law allowed the interest generated to be spent annually, but stipulated that all funds be used for healthcare programs, including efforts to prevent tobacco use through school and community-based programs. The Governor appointed a committee, the Tobacco Settlement Working Group, to recommend how to spend the available funds. In February 2000, the committee recommended that the initial \$1.8 million in interest from the Trust Fund be spent through the state Health Department for a comprehensive tobacco prevention and cessation program.

In March 2000, the Legislature passed and Governor Geringer signed a bill which directed the Department of Health to develop and implement a comprehensive tobacco prevention,

cessation and treatment program, using funds generated from interest on the trust fund, based on the Working Group's recommendations. The bill also required the Department to report to the Governor and the appropriate legislative committee no later than October 1 of each year.

The Wyoming Legislature's current session convenes on February 11, 2002.

TAB 4

Appendix A

History of State Settlement Spending for Tobacco Prevention

State	FY2000 Spending Level (\$millions)	FY2000 % of CDC's Minimum Annual Recommendation	FY2001 Spending Level (\$millions)	FY2001 % of CDC's Minimum Annual Recommendation	FY2002 Spending Level (\$millions)	FY2002 % of CDC's Minimum Annual Recommendation	CDC Annual Recommendation (\$millions)
Alabama	6.0	22.4%	6.0	22.4%	0.60	2.2%	26.74 - 71.24
Alaska	1.4	17.3%	1.4	17.3%	3.10	38.3%	8.09 - 16.51
Arizona	29.3	105.4%	34.5	124.2%	36.56*	131.6%	27.79 - 71.10
Arkansas	0.0	0.0%	16.1	89.9%	16.39	91.5%	17.91 - 46.45
California	88.2	53.4%	114.6	69.4%	134.54*	81.5%	165.10 - 442.40
Colorado	13.2	53.8%	12.7	51.6%	12.72	51.8%	24.55 - 63.26
Connecticut	4.0	18.8%	1.0	4.7%	0.58	2.7%	21.24 - 53.90
Delaware	0.0	0.0%	2.8	32.8%	5.45	63.2%	8.63 - 18.46
Florida	44.0	56.1%	44.0	56.1%	29.80	38.0%	78.38 - 221.26
Georgia	15.8	37.1%	15.8	37.1%	20.77	48.7%	42.59 - 114.34
Hawaii	9.7	89.5%	9.3	85.9%	4.19	38.9%	10.78 - 23.45
Idaho	1.2	10.9%	1.2	10.9%	1.10	10.0%	11.04 - 24.09
Illinois	28.6	44.0%	28.6	44.0%	45.90	70.7%	64.91 - 179.05
Indiana	35.0	100.6%	35.0	100.6%	32.50	93.4%	34.78 - 95.80
Iowa	9.3	48.3%	9.3	48.3%	9.42	48.7%	19.35 - 48.71
Kansas	0.5	2.8%	0.5	2.8%	0.50	2.8%	18.05 - 44.69
Kentucky	5.8	23.1%	5.8	23.1%	5.50	21.9%	25.09 - 69.90
Louisiana	4.1	15.1%	4.1	15.1%	0.50	1.8%	27.13 - 71.43
Maine	18.8	168.0%	18.8	168.0%	13.76	122.9%	11.19 - 25.35
Maryland	30.0	99.0%	30.0	99.0%	20.05	66.2%	30.30 - 78.60
Massachusetts	43.1	122.3%	43.1	122.3%	48.00*	136.2%	35.24 - 92.76
Michigan	0.0	0.0%	0.0	0.0%	0.00	0.0%	54.80 - 154.56
Minnesota	35.0	122.3%	35.0	122.3%	28.90	101.0%	28.62 - 74.01
Mississippi	31.0	165.0%	31.0	165.0%	20.00	106.4%	18.79 - 46.80
Missouri	0.0	0.0%	0.0	0.0%	18.70	57.1%	32.77 - 91.36
Montana	3.5	37.4%	3.5	37.4%	0.50	5.3%	9.36 - 19.68
Nebraska	7.0	52.6%	7.0	52.6%	7.00	52.6%	13.31 - 31.04
Nevada	3.9	29.0%	3.0	22.5%	4.28	31.7%	13.48 - 32.99
New Hampshire	3.0	27.5%	3.0	27.5%	1.50	13.8%	10.89 - 24.77
New Jersey	18.6	41.3%	30.0	66.6%	30.00	66.6%	45.07 - 121.33
New Mexico	2.3	16.4%	2.3	16.4%	5.00	36.5%	13.71 - 31.95
New York	30.0	31.3%	30.0	31.3%	40.00	41.7%	95.83 - 269.30
North Carolina	0.0	0.0%	0.0	0.0%	0.00**	0.0%	42.59 - 118.63
North Dakota	0.0	0.0%	0.0	0.0%	2.53	30.9%	8.16 - 16.55

Appendix A

History of State Settlement Spending for Tobacco Prevention

State	FY2000 Spending Level (\$millions)	FY2000 % of CDC's Minimum Annual Recommendation	FY2001 Spending Level (\$millions)	FY2001 % of CDC's Minimum Annual Recommendation	FY2002 Spending Level (\$millions)	FY2002 % of CDC's Minimum Annual Recommendation	CDC Annual Recommendation (\$millions)
Ohio	60.0	97.2%	60.0	97.2%	21.70	35.1%	61.74 – 173.68
Oklahoma	6.3	28.9%	6.3	28.9%	1.73	7.9%	21.83 - 56.31
Oregon	8.5	40.2%	8.5	40.2%	11.25*	53.2%	21.13 – 52.84
Pennsylvania	0.0	0.0%	0.0	0.0%	41.37	63.1%	65.57 - 184.76
Rhode Island	2.3	23.3%	2.3	23.3%	3.30	33.4%	9.89 - 21.91
South Carolina	1.8	7.3%	1.8	7.3%	1.60	6.7%	23.91 - 62.01
South Dakota	1.7	19.6%	1.7	19.6%	2.70	31.1%	8.69 - 18.21
Tennessee	0.0	0.0%	0.0	0.0%	0.00	0.0%	32.23 - 89.08
Texas	9.0	8.7%	9.3	9.0%	12.50	12.1%	103.29 - 284.74
Utah	6.0	39.4%	6.0	39.4%	6.00	39.4%	15.23 - 33.38
Vermont	6.5	82.2%	6.5	82.2%	5.53	70.0%	7.91 - 15.94
Virginia	13.1	33.7%	12.6	32.4%	19.2	49.4%	38.87 - 106.85
Washington	15.0	45.0%	15.0	45.0%	17.50	52.5%	33.34 - 89.38
Washington, DC	0.0	0.0%	0.0	0.0%	0.00	0.0%	7.48 – 14.57
West Virginia	5.9	41.3%	5.9	41.3%	5.85	41.3%	14.16 – 35.37
Wisconsin	21.2	68.0%	21.2	68.0%	15.50	49.7%	31.16 – 82.38
Wyoming	0.9	12.2%	0.9	12.2%	0.90	12.2%	7.38 - 14.40

**Arizona, has a comprehensive tobacco prevention programs currently funded solely from state tobacco excise taxes. Massachusetts, California and Oregon used funds from their tobacco settlement payments to supplement their existing tobacco prevention programs, also funded by state tobacco excise taxes.*

*** North Carolina has set-aside \$5 million annually for health purposes, which could be allocated for tobacco prevention in early 2002.*

Appendix B

Settlement Payments Received, Current Annual State Funding and Minimum Recommendation for Tobacco Prevention (all amounts in \$millions)

State	Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC's Minimum Annual Recommendation
Alabama	228.7	96.9	0.60	26.74
Alaska	49.0	21.1	3.10	8.09
Arizona	208.0	87.7	36.56*	27.79
Arkansas	121.5	52.1	16.39	17.91
California	1,790.3	759.3	134.54*	165.1
Colorado	197.0	84.8	12.72	24.55
Connecticut	260.4	110.4	0.58	21.24
Delaware	55.5	23.5	5.45	8.63
Florida	2,477.8	743.4	29.80	78.38
Georgia	352.6	151.8	20.77	42.6
Hawaii	84.4	35.8	4.19	10.78
Idaho	52.2	22.5	1.10	11.04
Illinois	668.7	287.8	45.90	64.91
Indiana	293.1	126.1	32.50	34.78
Iowa	124.9	53.8	9.42	19.35
Kansas	119.8	51.6	0.50	18.1
Kentucky	247.0	104.8	5.50	25.1
Louisiana	322.0	139.5	0.50	27.13
Maine	110.5	47.6	13.76	11.19
Maryland	324.8	139.8	20.05	30.3
Massachusetts	566.5	240.3	48.00*	35.24
Michigan	610.4	258.9	0.00	54.8
Minnesota	1,504.4	345.2	28.90	28.62
Mississippi	678.6	203.8	20.00	18.79
Missouri	330.7	140.0	18.70	32.77
Montana	61.0	26.3	0.50	9.36
Nebraska	85.5	36.8	7.00	13.31
Nevada	87.6	37.7	4.28	13.48
New Hampshire	95.7	41.2	1.50	10.89
New Jersey	377.0	239.1	30.00	45.07
New Mexico	85.7	36.9	5.00	13.71
New York	1,790.1	759.2	40.00	95.83
North Carolina	327.1	138.7	0.00**	42.59
North Dakota	52.6	22.6	2.53	8.16
Ohio	723.8	311.5	21.70	61.74
Oklahoma	148.9	64.1	1.73	21.83
Oregon	161.0	68.3	11.25*	21.13
Pennsylvania	664.2	341.9	41.37	65.57
Rhode Island	103.3	44.5	3.30	9.89
South Carolina	169.0	72.7	1.60	23.91
South Dakota	50.1	21.6	2.70	8.69
Tennessee	353.9	150.9	0.00	32.23
Texas	1,916.8	339.2	12.50	103.29

Appendix B

Settlement Payments Received, Current Annual State Funding and Minimum Recommendation for Tobacco Prevention (all amounts in \$millions)

State	Total Settlement Payments Received through Dec. 2001	Settlement Payments received in 2001	Current Annual Funding for Tobacco Prevention (FY2002)	CDC's Minimum Annual Recommendation
Utah	63.9	27.5	6.00	15.23
Vermont	57.7	24.5	5.53	7.91
Virginia	293.8	126.4	19.2	38.87
Washington	295.0	127.0	17.50	33.34
Washington, D.C.	87.2	37.5	0.00	7.48
West Virginia	127.4	54.8	5.85	14.16
Wisconsin	290.6	123.3	15.50	31.16
Wyoming	34.8	14.8	0.90	7.38

**Arizona has a comprehensive tobacco prevention programs currently funded solely from state tobacco excise taxes. Massachusetts, California and Oregon used funds from their tobacco settlement payments to supplement their existing tobacco prevention programs, funded by state tobacco excise taxes.*

*** North Carolina has set-aside \$5 million annually for health purposes, which could be allocated for tobacco prevention in early 2002.*

Appendix C



COMPREHENSIVE STATEWIDE TOBACCO PREVENTION PROGRAMS EFFECTIVELY REDUCE TOBACCO USE

There is considerable evidence that public education efforts, community and school-based programs, helping smokers quit, and strictly enforcing laws that establish smoke-free areas and restrict youth access to tobacco products can each significantly reduce tobacco use. Research and experience also shows that these individual elements are most effective when they are all integrated into a comprehensive program.ⁱ California, Massachusetts, Arizona, Florida, and Oregon have already followed this comprehensive approach with considerable success, and other states are following their lead.

The experiences in California, Massachusetts, Oregon, Florida, and other states establish the following key points:

- 1) When adequately funded, comprehensive state tobacco prevention programs can quickly and substantially reduce tobacco use.
- 2) State tobacco prevention programs must be insulated against the inevitable attempts by the tobacco industry to reduce program funding and otherwise interfere with the programs' successful operation.
- 3) The programs' funding must be sustained over time both to protect initial tobacco use reductions and to achieve further cuts.

Program Success – California

In 1988, California voters approved Proposition 99, a ballot initiative that increased state cigarette taxes by 25 cents per pack, with 20 percent of the new revenues (over \$100 million per year) earmarked for health education against tobacco use. California launched its new Tobacco Control Program in Spring 1990. Despite increased levels of tobacco marketing and promotion, a major cigarette price cut in 1993, tobacco company interference with the program, and periodic cuts in funding, the program has still reduced tobacco use substantially.

- Since the passage of Proposition 99, cigarette consumption in California has declined by more than 58 percent, compared to just 33 percent for the country as a whole.ⁱⁱ Even after the tobacco industry's successful efforts to reduce the state's tobacco prevention funding, cigarette consumption still declined more in California than in the rest of the country.ⁱⁱⁱ
- In the 10 years following the passage of Proposition 99, adult smoking in California declined at twice the rate it declined in the previous decade.^{iv}
- From 1994 to 2000, smoking among 12 to 17 year olds in California declined by 35 percent.^v
- From 1988 to 2000, adult smoking in California decreased from 22.8 percent to 17.1 percent, resulting in over one million fewer smokers.^{vi}
- More than 1.3 million Californians have quit smoking because of the California Program.^{vii}
- While teenage smoking increased significantly throughout the country from 1990 to 1993, smoking among California teenagers remained constant.^{viii} Similarly, from 1992 to 1994, the significant nationwide increase in youth smoking rates was slowed significantly in California as a result of the combined effect of the state's tax increase and a strong tobacco control program.^{ix}

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- A study published in the *American Journal of Public Health* found that the California anti-tobacco media campaign reduced sales of cigarettes by 232 million packs between the third quarter of 1990 and the fourth quarter of 1992. This reduction was independent of the decreases in consumption brought about by the tax increase.^x
- The proportion of California tobacco retailers who failed compliance checks for selling tobacco products to minors decreased from 52 percent in 1994 to 16.9 percent in 1999.^{xi}
- The proportion of California's indoor workers exposed to secondhand smoke at work was cut in half, falling from 29 percent in 1990 to less than 12 percent in 1996.^{xii}
- The proportion of California children and adolescents exposed to secondhand smoke in the home decreased from 29 percent in 1992 to 13 percent in 1996.^{xiii}

Program Success -- Massachusetts

In 1992, Massachusetts voters approved a referendum that increased the state cigarette tax by 25 cents per pack. Part of the new tax revenues was used to fund the Massachusetts Tobacco Control Program (MTCP), which began in 1993. As in California, despite some reductions in funding encouraged by the tobacco industry, the program has achieved considerable success. Data from 1999 demonstrate success in reducing tobacco use among both children and adults.

- Massachusetts cigarette consumption has declined by 32 percent between 1992 and 1999, compared to a decrease of just 8 percent in the rest of the country (excluding California).^{xiv}
- From 1995 to 1999, current smoking among Massachusetts high school students was reduced by 15 percent (from 35.7% to 30.3%). Nationally, smoking among high school students was identical in 1995 and 1999 (34.8%)^{xv}
- Other surveys also show youth tobacco use declining at a faster rate in Massachusetts than nationally. Between 1996 and 1999, smoking among Massachusetts 8th and 10th graders declined by 40 percent and 27 percent, respectively. Nationally, the declines were just 17 percent among 8th graders and 16 percent among 10th graders. Among 12th graders, smoking in Massachusetts declined by 15 percent during this time period, while nationally, it actually increased by 2 percent.^{xvi}
- Between 1993 and 1999, adult smoking prevalence dropped from 22.6 percent to 20.9 percent, resulting in 80,000 fewer smokers.^{xvii}
- Those who smoke in Massachusetts are smoking less. From 1993 to 1999, the average number of cigarettes smoked by adult smokers declined nearly 20 percent from 19.7 cigarettes per day to 15.6 cigarettes per day.^{xviii}
- Among Massachusetts smokers who try to quit, the success rate has increased from 17 percent in 1993 to 25 percent in 1997-1999.^{xix}
- Between 1990 and 1996, smoking among pregnant women in Massachusetts declined by almost 50 percent (from 25% to 13%).^{xx}
- Since 1993, the use of spit (smokeless) tobacco by Massachusetts high school males has declined by over 50 percent (from 17.0% to 8.1%).^{xxi}
- The proportion of state tobacco retailers found making illegal sales to youth during compliance checks has fallen from 48 to only 10 percent since the program began.^{xxii}
- The proportion of Massachusetts smokers who were advised to quit by their doctor increased from 46 percent in 1993 to 60 percent in 1998.^{xxiii}

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- An analysis of national data on youth smoking showed that, between 1992 and 1994, the national increase in youth smoking rates was slowed significantly in Massachusetts as a result of the combined effect of a tax increase and a strong tobacco control program.^{xxiv}

Program Success – Florida

With funding from its 1997 settlement with the tobacco industry, the state of Florida funded a comprehensive tobacco prevention modeled on the programs in California and Massachusetts but targeted at youth . This innovative program that actively involves youth in its design and implementation has produced early success.^{xxv}

- In the three years since the Florida program started in March of 1998, current smoking has declined by 47 percent (from 18.5% to 9.8%) among middle school students and by 30 percent (from 27.4% to 19.0%) among high school students, resulting in almost 75,000 fewer youth smokers.
- Similarly, the proportion of Florida middle school students who had EVER smoked a cigarette declined from 43.6 percent in 1998 to 32.1 percent in 2001, while the proportion of high school students who had ever smoked declined from 68.1 percent in 1998 to 53.7 percent in 2001.
- Conversely, the proportion of “committed never smokers” rose from 38.9 percent in 1998 to 53.6 percent in 2001 among middle school students and from 25 percent in 1998 to 41.8 percent in 2001 among high school students.

Unfortunately, despite its success the Florida legislature and governor have cut the funding for the program in every year since its inception. These cuts have begun to take their toll on the success of the program, especially among younger students, who are entering the most vulnerable years for starting to smoke, yet are not being exposed to the program at its full strength.

- For the first time since the program's inception, no statistically significant declines in smoking were observed among middle school students between 2000 and 2001.
- Even more foreboding, increases in smoking between 6th and 7th grades and between 7th and 8th grades reached record high levels in 2001.
- While the proportion of 6th and 7th graders who are “committed never smokers” increased steadily between 1998 and 2000, these proportions actually declined slightly in the 2001 survey.

Program Success – Oregon

Using revenue from a tobacco tax increase, in 1997 Oregon implemented a Tobacco Prevention and Education Program (TEPP) modeled on the California and Massachusetts programs.

- Since Oregon began its program, tobacco consumption has decreased by 21 percent.^{xxvi}
- Between 1996 and 2000, smoking declined by 41 percent among Oregon 8th graders and by 21 percent among Oregon 11th graders.^{xxvii}
- From 1996 to 1999, adult smoking in Oregon decreased 9 percent (from 23.4 % to 21.4%), resulting in 50,000 fewer smokers.^{xxviii}
- From 1996 and 1999, smoking by pregnant women dropped by 18 percent (from 17.7% to 14.5%).^{xxix}
- From 1996 to 1999, the proportion of Oregon retailers who sold tobacco to minors decreased by 54 percent (from 39% to 18%).^{xxx}

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Program Success – Arizona

In 1994, Arizona voters passed the Tobacco Tax and Health Care Act, which increased the state sales tax on tobacco and funded a comprehensive Tobacco Education and Prevention Program. This program, launched in 1996, has significantly reduced smoking in Arizona, as outlined below.^{xxxix}

- From 1996 to 1999, adult smoking prevalence declined by 21 percent, from 23.1 to 18.3 percent.
- During this time period, some of the largest declines in smoking were among persons of low income (31.2% to 22.8%) and low education (29.3% to 16.2%), thus decreasing disturbing disparities in smoking rates.
- Arizona residents also reported an increased proportion of health care providers who asked about smoking and advised patients to stop (25.1% to 36.7%).

Program Success – Mississippi

Mississippi, the first state to file and settle its lawsuit against the tobacco companies, launched a youth-driven comprehensive tobacco prevention program in 1999. The results after two years of implementation are very promising.

- Between 1999 and 2001, smoking among public high school students has declined by 25 percent, from 31.5 percent to 23.6 percent.^{xxxix}
- In that same time period the percentage of 9th graders who ever tried smoking declined from 74 percent to 63 percent.^{xxxix}
- In just one year, between 1999 and 2000, smoking in Mississippi declined by 10 percent among public high school students and by 21 percent among public middle school students. The declines in smoking were even greater for African American students in Mississippi's public schools. Smoking declined by 31 percent among African American middle school students and by 20 percent among African American high school students.^{xxxix}
- Youth involved in Frontline, Mississippi's teen advocacy group, helped enact state legislation banning all tobacco use on school grounds and at all school events.^{xxxix}

Program Success – Early Indications of Success in Minnesota

With funding from its settlement with the tobacco industry, the Minnesota Department of Health created a youth tobacco prevention program in 2000. The program, called Target Market, includes advertising, public relations, and a grassroots movement among Minnesota kids to educate Minnesota teens about tobacco use and the targeting of kids by tobacco companies. After just one year, the program has had a significant impact on teen attitudes that are often precursors to changes in smoking behavior. There is also evidence that tobacco use among kids has declined in Minnesota.^{xxxix}

- The proportion of Minnesota teens (12-17 year olds) who believe cigarette companies try to get young people to smoke increased from 52 percent in 2000 to 66 percent in 2001. Just as important, the proportion who think they can fight back against tobacco companies increased from 42 percent to 57 percent.
- The proportion of kids who are annoyed by tobacco companies targeting kids and who are angry about the money they make off kids also increased significantly between 2000 and 2001.
- The proportion of Minnesota teens who have ever used tobacco declined from 37 percent in 2000 to 32 percent in 2001.

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- Pre and post survey results also found that the proportion of Minnesota teens who are committed never smokers increased 46 percent to 55 percent.

Program Success – An Experiment in Texas

Rather than using settlement money to fund a comprehensive statewide tobacco prevention program, the state of Texas decided to use a small portion of its tobacco settlement money to test tobacco prevention interventions of varying intensity and comprehensiveness across fourteen locations in the state. The experiment included fourteen combinations of three media campaign levels and five community program options to test which combinations were most effective. Not surprisingly, this experiment found that the largest effects on both youth prevention and adult cessation occurred in those areas that combined higher level media campaigns with community interventions.

- Among sixth graders, the target of the effort, tobacco use was reduced by 60 percent in the areas with high level media campaigns and multiple school/community efforts. In other areas with lower level media campaigns or fewer school/community efforts, the declines ranged from 24 percent to 44 percent.^{xxxvii}
- The adult program focused mainly on cessation rates of current smokers. The highest rate of cessation, nearly 14 percent, was in the area with high level media campaigns and cessation service delivery. There was less change (11 percent) in the area with a low level media campaign and cessation services. Areas that had media campaigns alone without cessation services and no media or cessation services had the lowest cessation rate (8 percent and 5 percent, respectively).^{xxxviii}

Program Success – Maine

In 1997, Maine increased its cigarette excise tax and used a portion of those funds to establish a comprehensive tobacco prevention program known as the Partnership for a Tobacco-Free Maine. Maine has subsequently augmented its program with proceeds from the 1998 state tobacco settlement, which also resulted in a further increase in cigarette prices (the state also raised cigarette taxes again in 2001, to \$1.00 per pack). As a result, Maine today is one of only five states that funds tobacco prevention programs at levels recommended by the CDC.

- Smoking among Maine's high school students declined a dramatic 36 percent since 1997, falling from 39.2 percent to 25 percent.^{xxxix}
- Maine's program is also encouraging young smokers to quit. Between 1997 and 2001 the percentage of youth tobacco users who have tried to quit increased from 33 percent to 57 percent.^{xl}

National Center for Tobacco-Free Kids. January 3, 2002

ⁱ See, e.g., Institute of Medicine & National Research Council, *State Programs Can Reduce Tobacco Use*, National Academy of Sciences, 2000; U.S. Department of Human Services, *Reducing Tobacco Use: A Report of the Surgeon General*, 2000; Wakefield, M & Chaloupka, F, Effectiveness of comprehensive tobacco control programs in reducing teenage smoking in the USA," *Tobacco Control* 9:177-186, Summer, 2000.

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^{vi} *Current Tobacco Use and Statistics*; California Department of Health Services/Tobacco Control Section, April 25, 2001. <http://www.dhs.cahwnet.gov/ps/cdic/ccb/TCS/html/evaluation.htm>.

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- ^{xiv} Abt Associates Inc, "Independent Evaluation of the Massachusetts Tobacco Control Program, Sixth Annual Report - January 1994 to June 1999".
- ^{xv} Youth Risk Behavior Survey: 1999.
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- ^{xviii} Abt Associates Inc, "Independent Evaluation of the Massachusetts Tobacco Control Program, Sixth Annual Report - January 1994 to June 1999".
- ^{xix} Abt Associates Inc, "Independent Evaluation of the Massachusetts Tobacco Control Program, Sixth Annual Report - January 1994 to June 1999".
- ^{xx} Abt Associates Inc, "Independent Evaluation of the Massachusetts Tobacco Control Program, Sixth Annual Report - January 1994 to June 1998".
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