



Tobacco Master Settlement Agreement

Policy Update

Status of Tobacco Settlement (MSA) Funds in Major Tobacco Producing States

March 20, 2000

North Carolina

\$206 million in 2000
\$4.6 billion over 25 years



- North Carolina's House passed legislation in 1999 allocating all of the state's MSA payments among three nonprofit funds. One half of all money goes to a tobacco foundation that can use the money to provide assistance in a variety of forms to tobacco-dependent communities, farmers, quota holders, health programs, or tobacco manufacturing workers. One quarter of all money goes to a trust fund to benefit health programs. Legislation does not specify what programs fall under the umbrella of 'public health'. One quarter of all money goes into a trust fund to benefit tobacco growers and allotment holders, as well as tobacco workers. The trust fund can provide assistance to farmers to compensate for lost business or quota cuts, or it can provide more help in tobacco communities.
- The Gold Leaf Commission has been established to administer funds in the foundation created with half of settlement funds for use in tobacco-dependent communities.
- Allocation of settlement funds has not yet been considered by the senate. They are expected to take up the issue this spring. A string of natural disasters in the state since 1999 has increased uncertainty over the use of MSA funds, as some leaders have suggested using some of the funds for disaster relief.

Kentucky

\$155 million in 2000
\$3.5 billion over 25 years



- The Kentucky legislature meets every other year. Although the legislature did not meet in 1999, several committees were formed to make settlement spending recommendations to the governor and legislature.
- Originally, the governor supported using 50% of the settlement for agriculture in the state, (according to broad funding recommendations from agriculture and legislative leaders in the state) and 15% for reducing youth smoking.
- The legislature is required to pass legislation creating or establishing programs for using settlement funds. Funding of these programs is then passed separately in a comprehensive budget bill.
- A House budget bill was passed that allocates \$184 million to agriculture over two years. Of this amount, \$40 million is to "shore up" Phase II payments to tobacco farmers. Of the remaining \$144 million, one third will remain under state control and the other two thirds will be distributed to individual counties to spend.
- A Senate bill has passed creating the Kentucky Agency for Substance Abuse Policy with \$20 million in settlement funds over two years. Approximately \$5 million of these funds would be for youth smoking prevention.
- The House and Senate are proceeding along different tracks regarding settlement spending. A joint compromise appropriations bill will be required prior to the end of the current biennial legislative session, April 14, 2000.

Tennessee

\$215 million in 2000
\$4.8 billion over 25 years



- Tennessee has not yet achieved state specific finality for the settlement. No payments will be made until the state reaches state specific finality, which occurs when a state court approves the settlement and the consent decree and the appeals process has been exhausted. The state supreme court has consolidated the challenging lawsuits and is scheduled to hear arguments on the cases on March 22, 2000. An additional challenging suit was filed after the consolidation of the three existing suits. If Tennessee fails to obtain state specific finality by December 31, 2001, its participation in the settlement is terminated.
- More than a dozen bills have been introduced in the Tennessee General Assembly addressing the use of tobacco settlement funds. Most of the bills introduced involve putting all or most of the state's MSA funds into a trust fund and allowing only expenditure of the interest or income from the trust. Most of the bills direct expenditures toward certain uses, including health care, tobacco use prevention, research, home-based care, economic development in tobacco-dependent communities, agricultural development, scholarships, and a building loan fund for K-12 schools.
- Subcommittees have been formed in both the Senate and House to begin evaluating the bills before the legislature and make recommendations for committees to consider.

Virginia

\$180 million in 2000
\$4.0 billion over 25 years



- In February 1999, the Virginia legislature passed a bill that allocates 10% of all MSA payments to a youth tobacco use prevention program. A governing board was established to direct these expenditures. The same legislation allocates 50% of all MSA payments to a Tobacco Indemnification and Community Revitalization Fund, with a governing board that distributes the fund among (1) direct payments to growers for quota reductions; (2) funding to tobacco dependent communities to reduce dependency on tobacco; and (3) research, data collection, etc., as appropriate. The remaining 40% of all MSA funds are to be allocated annually by the legislature.
- The Tobacco Indemnification and Community Revitalization Commission has determined that tobacco quota holders and producers will receive about \$69 million in direct payments of Phase I money by June 1, 2000. They have set aside \$17 million for regional community revitalization projects.
- The foundation established with 10% of all MSA funds for youth tobacco prevention is in the process of gathering data and conducting needs assessments in the area of youth tobacco prevention. No specific prevention efforts have been funded to date.

South Carolina

\$104 million in 2000
\$2.3 billion over 25 years



- The Governor's plan for using settlement funds calls for allocating 20% of settlement monies for the needs of farmers, 20% for infrastructure development, and 60% for public health (with \$11 million for youth tobacco prevention and control).
- A number of bills have been put forward in the legislature dealing with the use of settlement funds, including allocating money to tobacco farmers, preventing youth access to tobacco, Medicaid reimbursements, hospital funding, and health issues for children, elderly, and minorities.
- All of the state's MSA funds have been added to the state's general fund and will be allocated as a line item in the general appropriations process. Settlement money, in effect, is used to balance the state's budget as it is added to the general fund and a balanced budget is required in South Carolina.
- The South Carolina House is currently considering the budget proposal as passed through the House Ways and Means Committee. The budget recommended includes spending most of the state's settlement dollars on Medicaid and other health programs, with five percent directed to tobacco farmers. Most of the Medicaid and health expenditures recommended are not new expenditures, and are offset by budget reductions in other sections of the budget.
- The state's legislative session will continue through June. Major changes are expected in the Senate version. Resolution of the issue is not expected until near the session's end.

Georgia

\$216 million in 2000
\$4.8 billion over 25 years



- Initial payments have arrived in the state. Governor Barnes has indicated he will ask the legislature to allocate two-thirds of the funds to the medical community and one-third to rural Georgia to establish the OneGeorgia Fund for economic development to lessen the impact of lost tobacco income.
- The legislature is considering a proposal by the Governor to spend \$21.8 million on tobacco prevention and control.
- The senate approved legislation that allows the state to securitize up to a third of all MSA funds it expects to receive. The OneGeorgia Authority created by the bill would be able to issue up to \$1 billion of settlement-backed debt. The bill has moved to the House.
- The Governor has indicated support for leveraging disaster assistance money for tobacco farmers with some Phase I funding for agriculture, but nothing has been determined yet.