

March 2004

TOBACCO SETTLEMENT

States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-518](#), a report to congressional requesters

Why GAO Did This Study

In the 1990s, states sued major tobacco companies to obtain reimbursement for health impairments caused by the public's use of tobacco. In 1998, 46 states and four of the nation's largest tobacco companies signed a Master Settlement Agreement (MSA) that requires the tobacco companies to make annual payments to the states in perpetuity as reimbursement for past tobacco-related health care costs. The MSA commits the tobacco companies to pay the states approximately \$206 billion over the first 25 years. Some of the states have arranged to receive upfront proceeds based on the amounts that tobacco companies owe by issuing bonds backed by future payments.

The Farm Security and Rural Investment Act of 2002 requires GAO to report annually on the amount of MSA payments states receive through fiscal year 2006.

This third report provides information on the

- payments the 46 states received in fiscal year 2003 and expect to receive in fiscal year 2004, and
- states' allocations of these funds to various program categories and changes from prior years.

To conduct this study, GAO surveyed the 46 states.

www.gao.gov/cgi-bin/getrpt?GAO-04-518.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lawrence Dyckman, 202-512-3841, dyckmanl@gao.gov.

TOBACCO SETTLEMENT

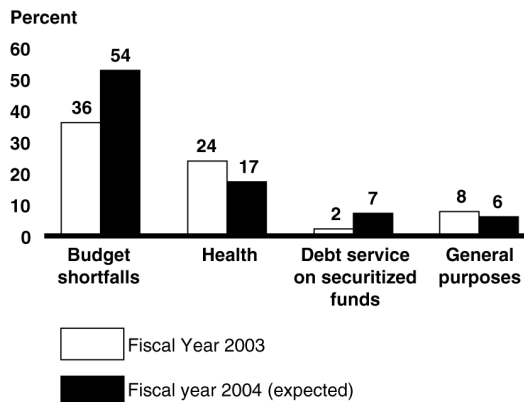
States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments

What GAO Found

The 46 states party to the Master Settlement Agreement expect to receive about \$24.2 billion in fiscal years 2003 and 2004. States reported they received about \$12.8 billion in fiscal year 2003 and expected to receive about \$11.4 billion in fiscal year 2004. Over the three prior years—fiscal years 2000, 2001, and 2002—states also reported receiving a total of about \$24 billion. These amounts include payments from tobacco companies and, for some states, the proceeds of the sale of bonds backed by payments tobacco companies will make in the future (securitized proceeds). Of the \$12.8 billion states received in 2003, about \$6.3 billion came from the tobacco companies and about \$6.5 billion came from securitized proceeds. Similarly, of the \$11.4 billion states expect to receive in 2004, about \$5.2 billion will be payments from tobacco companies and \$6.2 billion will be from securitized proceeds.

The Master Settlement Agreement allows states to use their tobacco settlement payments for any purpose. States reported that they used the largest portions of the fiscal year 2003 payments to address budget shortfalls and to fund health-related programs. The portion allocated to meet budget shortfalls is expected to increase from 36 percent in fiscal year 2003 to 54 percent in fiscal year 2004. The portion allocated to health-related programs is expected to decline from 24 percent in fiscal year 2003 to 17 percent in 2004. Also, allocations for debt service on states' securitized proceeds are expected to increase from about 2 percent in fiscal year 2003 to 7 percent in fiscal year 2004.

Categories to Which States Allocated the Largest Portion of Tobacco Settlement Payments (Fiscal Year 2003 and Expected 2004 Allocations)



Sources: State budget offices or their designees (data); GAO (analysis).

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Abbreviations

MSA Master Settlement Agreement

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United States General Accounting Office
Washington, D.C. 20548

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Congressional Requesters

In the 1990s, states sued major tobacco companies to obtain reimbursement for health impairments caused by the public's use of tobacco. During 1997 and 1998, 4 states—Florida, Minnesota, Mississippi, and Texas—settled their lawsuits with the tobacco industry by negotiating independent agreements.¹ In November 1998, four of the nation's largest tobacco companies—Philip Morris, USA;² R.J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company—negotiated and signed an agreement with the attorneys general of the remaining 46 states, the District of Columbia, and the five U.S. territories, thereby settling a number of lawsuits brought by these parties against the companies.³ This agreement is known as the Master Settlement Agreement (MSA). The MSA commits the tobacco companies to make annual payments to the 46 states in perpetuity as reimbursement for health care costs, such as Medicaid expenditures, related to tobacco use. These payments will total approximately \$206 billion over the first 25 years.⁴ The MSA imposed no requirements on how states spend their payments.

The Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill) requires GAO to report annually on payments made by tobacco companies for fiscal years 2002 through 2006 and how states use these funds. In addition, 13 of the 46 states have received substantial upfront proceeds based on the amounts that tobacco companies owe by issuing bonds backed by payments to be made in the future, a process known as securitization. This report also includes information about states' receipt

¹Under these agreements, tobacco companies will pay these 4 states \$40 billion over 25 years.

²Previously known as Philip Morris Incorporated.

³Several other tobacco companies have joined the MSA since the agreement was signed.

⁴The \$206 billion includes \$204.5 billion in estimated total payments to the 46 states, the District of Columbia, and the five U.S. territories and an additional \$1.8 billion for other initiatives agreed to in the MSA, including a national foundation dedicated to significantly reducing the use of tobacco products by youth and administrative costs of the National Association of Attorneys General.

and allocation of these securitized proceeds.⁵ This report is the third in a series of reports responding to the 2002 Farm Bill requirement.⁶ We also reported in June 2001 on states' receipt and use of MSA payments for fiscal years 2000 and 2001.⁷ This report discusses (1) the amount of payments, including securitized proceeds, received by the 46 states party to the MSA during fiscal year 2003, and the amount of payments these states expect to receive in fiscal year 2004; and (2) the states' allocation of these funds to various program categories for fiscal year 2003 and expected allocations for fiscal year 2004.

To address our objectives, we surveyed state budget officials, or their designees, in each of the 46 states to obtain MSA payment and allocation information for fiscal years 2003 and 2004.^{8,9} We asked the states to categorize their MSA payment allocations for fiscal year 2003 and their expected allocations for fiscal year 2004 using 12 categories. We also asked how much the states did not allocate. In addition, we asked states if they securitized their payments and, if so, the amount of proceeds they received from securitization and the categories to which they allocated the securitized proceeds. Although we did not independently verify the accuracy of the information provided to us by the states, we performed some reliability testing and determined that the data were reliable enough for our purposes. In addition, we compared the data we obtained for fiscal years 2003 and 2004 with the payment and allocation information we collected from states for our earlier reports for fiscal years 2000 and 2001 combined, and for fiscal year 2002. We conducted our work from May 2003 through February 2004 in accordance with generally accepted government

⁵While the District of Columbia and the five U.S. territories are included in the agreement, this study reports only on the 46 states that signed the agreement.

⁶U.S. General Accounting Office, *Tobacco Settlement: States' Allocations of Phase II Funds*, [GAO-03-262R](#) (Washington, D.C.: Dec. 3, 2002) and U.S. General Accounting Office, *Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments*, [GAO-03-407](#) (Washington, D.C.: Feb. 28, 2003).

⁷U.S. General Accounting Office, *Tobacco Settlement: States' Use of Master Settlement Agreement Payments*, [GAO-01-851](#) (Washington, D.C.: June 29, 2001).

⁸Throughout this report, "fiscal year" refers to the state's fiscal year. In most states, the fiscal year begins on July 1 and ends on June 30. The exceptions are in Alabama and Michigan, where the fiscal year begins on October 1, and in New York, where the fiscal year begins on April 1.

⁹Our study focuses on the states' share of MSA payments and does not include information on MSA payments made to counties and cities in New York and California.

auditing standards. See appendix I for more information on our scope and methodology and for detailed definitions of the categories used in this report (categories include such areas as education, health, budget shortfalls, and debt service on securitized funds). Appendix II shows each state's share of the annual MSA payments, which are based on a fixed percentage identified in the MSA.

Results in Brief

The 46 states party to the MSA expect to receive about \$24.2 billion in MSA payments and securitized proceeds in fiscal years 2003 and 2004. These states reported receiving a total of about \$12.8 billion in fiscal year 2003, and they expect to receive about \$11.4 billion in fiscal year 2004. About half of these amounts will be MSA payments from the tobacco companies, and the other half will be securitized proceeds. In the three prior years—fiscal years 2000 through 2002—states also reported receiving a total of about \$24 billion: about \$19.4 billion in MSA payments from the tobacco companies and about \$4.6 billion in securitized proceeds.

States allocated the largest portions of their fiscal year 2003 tobacco settlement funds to address budget shortfalls and for health-related programs, and states expect the same to hold true for fiscal year 2004. States allocated 60 percent of their tobacco settlement funds to these categories in fiscal year 2003 and anticipate increasing the allocations to these categories to 71 percent in fiscal year 2004. Compared with fiscal year 2003, states in fiscal year 2004 expect to increase allocations to budget shortfalls and to decrease allocations to health-related programs. More specifically, for fiscal year 2003, states allocated about 36 percent of tobacco settlement funds to budget shortfalls and expected to allocate about 54 percent in fiscal year 2004. For health-related programs, states allocated about 24 percent in fiscal year 2003 and expected to allocate about 17 percent in fiscal year 2004. Overall, the portion of allocations going to budget shortfalls has been increasing and the portion going to health costs has been decreasing.

States Expect to Receive about \$24.2 Billion in MSA Payments and Securitized Proceeds in Fiscal Years 2003 and 2004

The 46 states party to the MSA reported receiving a total of about \$12.8 billion in fiscal year 2003: about \$6.3 billion in MSA payments from the tobacco companies and, for 5 of the states, about \$6.5 billion in securitized proceeds. For fiscal year 2004, the 46 states are expecting to receive a total of about \$11.4 billion: about \$5.2 billion in MSA payments and, for 2 of the states, \$6.2 billion in securitized proceeds. In fiscal years 2000 through 2002, states reported receiving a total of about \$24 billion: about \$19.4 billion in MSA payments from the tobacco companies and about \$4.6 billion in securitized proceeds. Table 1 shows the amount of MSA payments and securitized proceeds each of the 46 states reported receiving in fiscal year 2003 and the amount each state expects to receive in fiscal year 2004.

Table 1: MSA Payments and Securitized Proceeds States Reported Receiving in Fiscal Year 2003 and Are Expecting to Receive in Fiscal Year 2004

State	Fiscal year 2003		Fiscal year 2004	
	MSA payments received	Securitized proceeds received	MSA payments expected to be received	Securitized proceeds expected to be received
Alabama	\$118,558,077	\$0	\$99,876,883	\$0
Alaska	26,257,704	0	21,400,000	0
Arizona	106,926,757	0	91,856,500	0
Arkansas	60,067,457	0	59,000,000	0
California	474,066,000	2,485,000,000	399,372,000	2,000,000,000
Colorado	100,584,727	0	87,700,580	0
Connecticut	137,914,440	0	113,000,000	0
Delaware	28,734,700	0	29,800,000	0
Georgia	178,041,093	0	146,123,673	0
Hawaii	43,663,626	0	38,619,584	0
Idaho	26,653,835	0	22,449,666	0
Illinois	341,497,849	0	269,747,300	0
Indiana	148,000,000	0	127,600,000	0
Iowa	63,083,784	0	56,400,000	0
Kansas	61,169,272	0	56,000,000	0
Kentucky	130,829,140	0	109,100,000	0
Louisiana	165,482,878	0	143,767,098	0
Maine	56,320,959	0	49,654,499	0
Maryland	171,300,000	0	149,000,000	0
Massachusetts	300,036,966	0	250,700,000	0

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State	Fiscal year 2003		Fiscal year 2004	
	MSA payments received	Securitized proceeds received	MSA payments expected to be received	Securitized proceeds expected to be received
Michigan	318,400,000	0	273,900,000	0
Missouri	166,919,334	0	143,000,000	0
Montana	31,166,018	0	28,223,000	0
Nebraska	43,158,793	0	36,700,000	0
Nevada	44,753,037	0	38,168,550	0
New Hampshire	48,900,000	0	42,600,000	0
New Jersey	283,700,000	2,751,814,469	122,000,000	0
New Mexico	43,759,134	0	35,724,987	0
New York	498,300,000	0	334,000,000	4,200,000,000
North Carolina	169,200,688	0	155,479,000	0
North Dakota	26,549,833	0	22,972,067	0
Ohio	368,998,102	0	297,000,000	0
Oklahoma	76,024,898	0	72,571,034	0
Oregon	85,254,750	450,000,000	71,818,209	0
Pennsylvania	416,918,000	0	360,528,000	0
Rhode Island	52,748,551	0	46,876,000	0
South Carolina	86,312,915	0	74,995,918	0
South Dakota	25,603,357	278,045,000	23,772,672	0
Tennessee	179,101,745	0	147,800,000	0
Utah	32,642,875	0	27,674,200	0
Vermont	30,629,527	0	25,200,000	0
Virginia	150,029,894	0	126,206,153	0
Washington	150,654,530	517,905,000	124,000,000	0
West Virginia	65,042,592	0	56,000,000	0
Wisconsin	153,923,150	0	135,617,112	0
Wyoming	18,448,472	0	12,133,528	0
Total	\$6,306,329,459	\$6,482,764,469	\$5,156,128,213	\$6,200,000,000

Sources: State budget offices or their designees.

^aThe amounts of MSA payments received and expected by California and New York do not include MSA payments made to the counties and cities in those states.

Besides the six states that received or expect to receive securitized proceeds in fiscal years 2003 and/or 2004, eight states received securitized proceeds prior to fiscal year 2003. Two states, Alabama and Alaska, received securitized proceeds in more than one year.

Table 2: Amount of Securitized Proceeds Received by States Prior to Fiscal Year 2003

State	Securitized proceeds	
	Amount received	Fiscal year received
Alabama	\$50,000,000	2000
	103,760,000	2002
Alaska	93,000,000	2001
	110,000,000	2002
Arkansas	58,268,549	2002
Iowa	579,596,212	2002
Louisiana	1,069,510,894	2002
Rhode Island	544,238,410	2002
South Carolina	785,900,000	2001
Wisconsin	1,275,002,400	2002
Total	\$4,669,276,465	

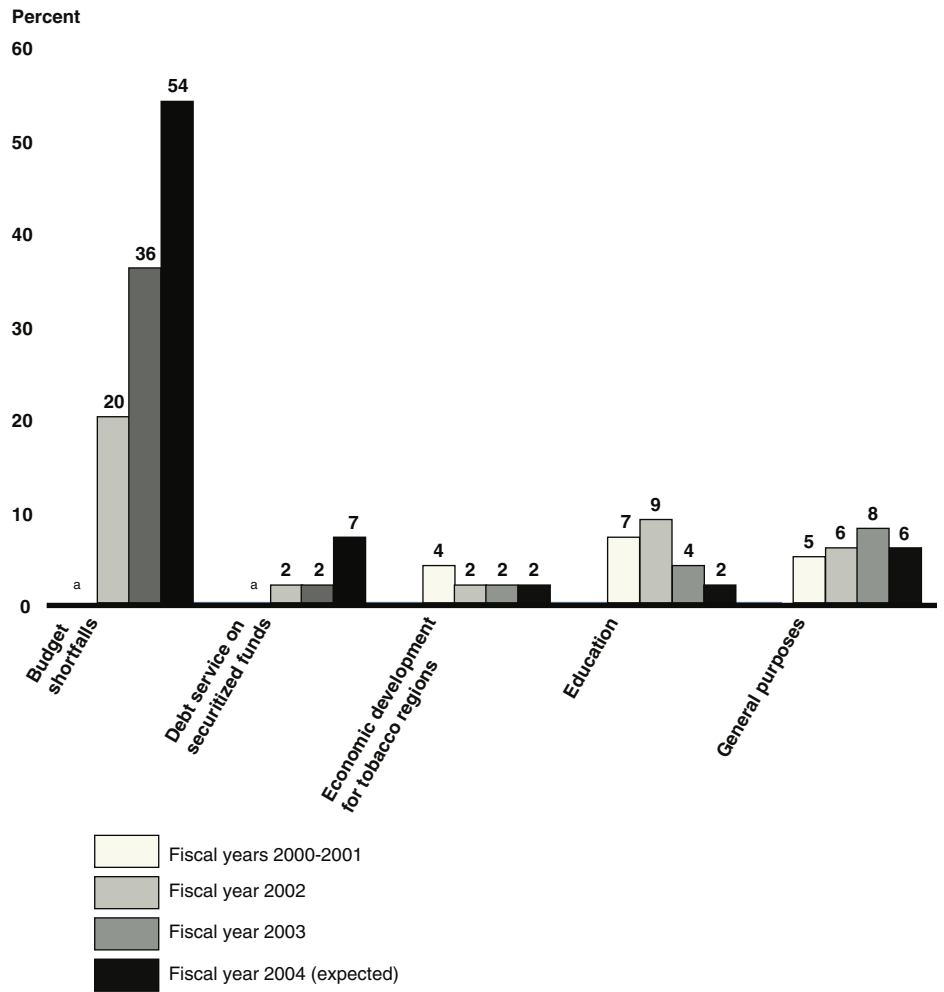
Sources: GAO-01-851 and GAO-03-407.

States Allocated the Largest Portions of their Funds to Cover Budget Shortfalls and Health-Related Programs

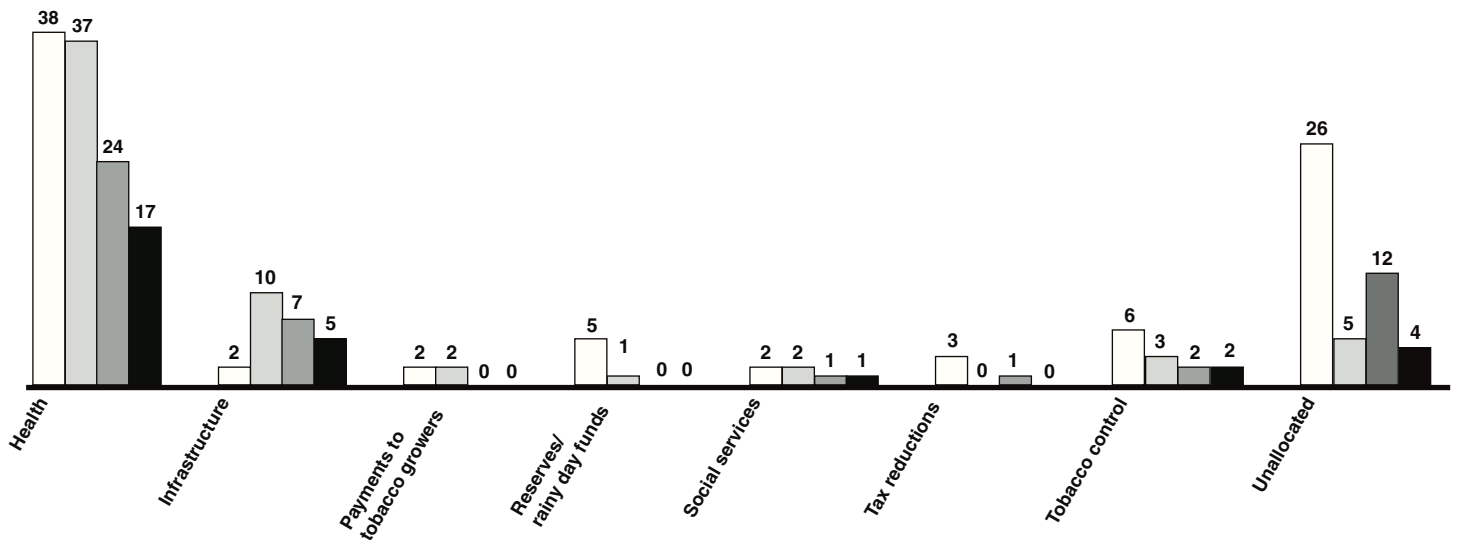
The 46 states reported that in fiscal year 2003, they allocated the largest portion of their combined MSA payments and securitized proceeds—36 percent—to budget shortfalls and the next largest portion—24 percent—to health-related programs. In fiscal year 2004, the states expected to allocate the largest portion of their funds—54 percent—to budget shortfalls and the next largest portion—17 percent—to health-related programs. States' allocations to health-related programs peaked at 38 percent over fiscal years 2000 and 2001. Examples of these health-related programs receiving state allocations include Medicaid, the Children's Health Insurance Program, and cancer research and prevention. Also, allocations for debt service on securitized proceeds are expected to increase—from about 2 percent in fiscal year 2003 to about 7 percent in fiscal year 2004. Figure 1 provides more detail on states' allocations of their combined MSA payments and securitized proceeds for fiscal years 2000-2001, 2002, and 2003, and expected allocations for fiscal year 2004.

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Figure 1: States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000-2001, 2002, and 2003 and Expected Allocations for Fiscal Year 2004



Sources: State budget offices or their designees (data); GAO (analysis).



Note: Percentages may not add up to 100 because of rounding.

^aWe did not obtain data for budget shortfalls and debt service on securitized funds for fiscal years 2000-2001.

Tables 3 and 4 show the percentage of the combined MSA payments and securitized proceeds that individual states allocated, and expected to allocate, to various categories in fiscal years 2003 and 2004, respectively.

Table 3: Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2003

Percent							
State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health	
Alabama	0	11	0	12	7	44	
Alaska	0	77	0	0	0	6	
Arizona	0	0	0	0	0	100	
Arkansas	0	8	0	5	0	87	
California	83	0	0	0	0	17	
Colorado	52	0	0	13	0	27	
Connecticut	0	0	0	0	100	0	
Delaware	0	0	0	3	3	76	
Georgia	0	0	42	0	0	46	
Hawaii	0	0	0	0	0	35	
Idaho	92	0	0	0	0	2	
Illinois	0	0	0	0	1	64	
Indiana	14	0	2	0	0	23	
Iowa	0	40	0	0	0	60	
Kansas	39	0	0	12	0	13	
Kentucky	4	0	43	8	0	36	
Louisiana	0	60	0	4	0	5	
Maine	49	0	0	8	0	19	
Maryland	1	0	0	5	10	54	
Massachusetts	52	0	0	0	1	39	
Michigan	43	0	0	30	0	26	
Missouri	65	0	0	0	2	31	
Montana	0	0	0	0	58	40	
Nebraska	0	0	0	0	0	43	
Nevada	0	0	0	43	0	27	
New Hampshire	0	0	0	82	12	0	
New Jersey	11	0	0	0	0	9	
New Mexico	0	0	0	0	66	26	
New York	0	0	0	0	0	92	
North Carolina	0	0	51	0	45	4	
North Dakota	0	0	0	45	0	0	
Ohio	76	0	0	4	0	2	
Oklahoma	0	0	0	0	2	45	

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0	0	0	26	0	1	0
0	0	0	0	0	17	0
0	0	0	0	0	0	0
0	0	0	0	0	1	0
0	0	0	0	0	0	0
0	0	1	1	0	6	0
0	0	0	0	0	0	0
0	0	0	1	0	17	0
0	0	0	4	0	8	0
28	0	24	0	0	12	0
0	0	0	1	0	2	3
3	0	0	0	25	2	5
6	0	0	16	0	12	28
0	0	0	0	0	0	0
0	0	0	36	0	1	0
5	0	0	0	0	4	0
0	0	0	1	0	0	30
0	0	0	6	0	18	0
0	2	0	0	0	7	21
0	0	0	4	0	4	0
0	0	0	0	0	1	1
0	0	0	0	0	0	2
0	0	0	0	0	2	0
0	0	0	6	0	0	50
0	0	0	19	0	10	0
0	0	0	0	0	6	0
31	0	0	0	0	0	49
0	0	0	0	0	8	0
0	0	0	0	0	8	0
0	0	0	0	0	0	0
45	0	0	0	0	10	0
12	4	0	1	0	0	0
0	0	0	26	0	27	0

Percent

State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health
Oregon	73	0	0	0	0	25
Pennsylvania	0	0	0	0	0	100
Rhode Island	0	0	0	0	99	0
South Carolina	0	100	0	0	0	0
South Dakota	0	20	0	80	0	0
Tennessee	100	0	0	0	0	0
Utah	13	0	0	0	0	34
Vermont	17	0	0	0	0	67
Virginia	0	0	37	0	40	0
Washington	0	4	0	0	75	18
West Virginia	0	0	0	0	0	91
Wisconsin	80	0	0	0	18	0
Wyoming	0	0	0	0	0	42
Percent of allocations for all states	36	2	2	4	8	24

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0	0	0	0	0	0	1
0	0	0	0	0	0	0
0	0	0	0	0	0	1
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	35	6	0	12	0
0	0	0	0	0	17	0
0	13	0	0	0	10	0
0	0	0	0	0	3	0
0	0	0	0	0	9	0
0	0	0	0	0	2	0
0	0	0	11	0	16	31
7	0	0	1	1	2	12

Sources: State budget offices or their designees (data); GAO (analysis).

Notes: Percentages may not add up to 100 because of rounding.

Categories where the percentage allocated by a state is zero means either (1) the state allocated no funds to the category or (2) the amount allocated was less than 1 percent. Appendix IV shows the dollar amounts each state allocated to the various categories.

Table 4: Expected Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2004

Percent

State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health
Alabama	0	13	0	11	7	43
Alaska	0	77	0	0	0	5
Arizona	0	0	0	0	0	100
Arkansas	0	8	0	5	0	86
California	83	17	0	0	0	0
Colorado	0	0	0	22	0	65
Connecticut	0	0	0	0	98	2
Delaware	0	0	0	4	0	76
Georgia	0	0	38	0	0	51
Hawaii	0	0	0	0	7	32
Idaho	0	0	0	0	0	3
Illinois	0	0	0	1	2	74
Indiana	0	0	27	0	0	52
Iowa	0	82	0	0	0	18
Kansas	19	0	0	15	0	15
Kentucky	0	0	40	5	0	40
Louisiana	0	60	0	0	0	8
Maine	12	0	0	19	0	33
Maryland	0	0	0	1	14	73
Massachusetts	0	0	0	0	100	0
Michigan	0	0	0	61	0	38
Missouri	49	0	0	0	3	48
Montana	0	0	0	0	11	78
Nebraska	0	0	0	0	0	57
Nevada	0	0	0	48	1	27
New Hampshire	0	0	0	93	7	0
New Jersey	54	0	0	0	0	8
New Mexico	0	0	0	0	100	0
New York	84	0	0	0	0	7
North Carolina	0	0	49	0	42	9
North Dakota	0	0	0	45	0	1
Ohio	79	0	0	2	0	3
Oklahoma	0	0	0	0	1	47

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0	0	0	25	0	1	0
0	0	0	0	0	19	0
0	0	0	0	0	0	0
0	0	0	0	0	1	0
0	0	0	0	0	0	0
0	0	0	4	0	9	0
0	0	0	0	0	0	0
0	0	1	1	0	17	0
0	0	0	4	0	7	0
26	0	23	0	0	12	0
0	0	0	1	0	5	90
6	0	0	1	13	5	0
0	0	0	14	0	6	0
0	0	0	0	0	0	0
0	0	0	50	0	1	0
10	0	0	0	0	5	0
0	0	0	1	0	0	30
0	0	0	10	0	26	0
0	2	0	0	0	7	2
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	11	0
0	0	0	8	0	0	35
0	0	0	14	0	10	0
0	0	0	0	0	0	0
38	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	1	9
0	0	0	0	0	0	0
45	0	0	0	0	9	0
9	4	0	1	0	0	0
0	0	0	24	0	28	0

Percent

State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health
Oregon	0	3	0	0	0	18
Rhode Island	0	100	0	0	0	0
South Carolina	0	100	0	0	0	0
South Dakota	0	100	0	0	0	0
Tennessee	0	0	0	0	100	0
Utah	28	0	0	0	0	38
Vermont	0	0	0	0	0	80
Virginia	0	0	31	0	40	0
Washington	0	26	0	0	0	62
West Virginia	0	0	0	0	0	90
Wisconsin	0	100	0	0	0	0
Wyoming	0	0	0	0	0	58
Percent of allocations for all states	54	7	2	2	6	17

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0	0	0	0	0	0	79
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	16	6	0	12	0
0	0	0	0	0	20	0
0	19	0	0	0	10	0
0	0	0	0	0	12	0
0	0	0	0	0	10	0
0	0	0	0	0	0	0
0	0	0	26	0	16	0
5	0	0	1	0	2	4

Sources: State budget offices or their designees (data); GAO (analysis).

Note: Percentages may not add up to 100 because of rounding.

Categories where the percentage allocated by a state is zero means either (1) the state expects not to allocate funds to the category or (2) the expected allocation is less than 1 percent. Appendix IV shows the dollar amounts each state expects to allocate to the various categories.

The states' allocations of MSA payments differed from the allocations of securitized proceeds made by the few states that received proceeds. In fiscal year 2003, the categories to which the 46 states allocated the greatest portion of their MSA payments were health-related programs (49 percent) and budget shortfalls (17 percent). In contrast, the 6 states¹⁰ that allocated securitized proceeds in fiscal year 2003 allocated the greatest portion to budget shortfalls (55 percent); about 21 percent of the proceeds were unallocated. In fiscal year 2004, the categories to which the 46 states expected to allocate the greatest portion of their MSA payments were health-related programs (41 percent) and servicing the debt on securitized

¹⁰Six states allocated securitized proceeds for fiscal year 2003: California, Oregon, South Dakota, and Washington allocated all of the securitized proceeds they received in fiscal year 2003; New Jersey allocated some of the securitized proceeds it received in fiscal year 2003; and Wisconsin received securitized funds in fiscal year 2002, and allocated them in fiscal year 2003.

funds (16 percent). In contrast, the 3 states¹¹ that expected to allocate securitized proceeds for fiscal year 2004 planned to allocate the greatest portion to budget shortfalls (87 percent) and about 8 percent of the funds to infrastructure. (See table 5.)

Table 5: Percentage of MSA Payments and Securitized Proceeds Allocated or Expected to Be Allocated to Various Categories, Fiscal Years 2003 and 2004

Category	MSA payments		Securitized proceeds	
	Allocated in fiscal year 2003	Expected to be allocated in fiscal year 2004	Allocated in fiscal year 2003	Expected to be allocated in fiscal year 2004
Budget shortfalls	17	6	55	87
Debt service	4	16	0	0
Economic development	4	5	0	0
Education	4	6	3	0
General purposes	8	13	7	0
Health	49	41	0	0
Infrastructure Reserves	1	1	13	8
Payments to tobacco growers	1	1	0	0
Reserves/rainy day funds	0	0	0	0
Social services	2	2	0	0
Tax reductions	2	1	0	0
Tobacco control	4	4	0	0
Unallocated	3	3	21	5
Total percent	99	99	99	100
Total amount allocated^a	\$7 billion	\$5.4 billion	\$7 billion	\$7.7 billion

Sources: State budget offices or their designees (data); GAO (analysis).

^aSome states received MSA payments and/or securitized proceeds in one fiscal year and allocated them the next fiscal year. The amount of funds allocated may not equal the amount of funds received because of carry-over funds and interest earned.

¹¹Three states expect to allocate securitized proceeds for fiscal year 2004: California and New York expect to allocate all of the securitized proceeds they expect to receive in fiscal year 2004, and New Jersey expects to allocate the remainder of the securitized funds it received in fiscal year 2003.

We are sending copies of this report to interested congressional committees and others upon request. Copies are also available at no charge on the GAO Web site at <http://www.gao.gov>. Please contact me at (202) 512-3841 or dyckmanl@gao.gov if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

A handwritten signature in black ink, appearing to read "Lawrence J. Dyckman". The signature is written in a cursive style with a large, prominent initial "L".

Lawrence J. Dyckman
Director, Natural Resources
and Environment

List of Congressional Requesters

The Honorable Thad Cochran
Chairman

The Honorable Tom Harkin
Ranking Democratic Member
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

The Honorable Robert Goodlatte
Chairman, Committee on Agriculture
House of Representatives

The Honorable Jim Bunning
United States Senate

Objectives, Scope, and Methodology

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) requires GAO to report annually on the amount of Master Settlement Agreement (MSA) payments states receive and how they use these payments for the years 2002 through 2006. This report is the third in a series of reports responding to the 2002 Farm Bill requirement. In December 2002, we issued the report *Tobacco Settlement: States' Allocations of Phase II Funds* (GAO-03-262R), which provides information on the National Tobacco Grower Settlement Trust (commonly referred to as the Phase II agreement). In February 2003, we issued the report *Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments* (GAO-03-407). GAO also reported on states' receipt and use of MSA payments for fiscal years 2000 and 2001 in a June 2001 report, *Tobacco Settlement: States' Use of Master Settlement Agreement Payments* (GAO-01-851).

To respond to the Farm Bill requirement, the objectives of this study were to provide information on (1) the amount of payments received by the 46 states party to the MSA during fiscal year 2003 and the amount of payments these states expect to receive during fiscal year 2004, and (2) states' allocations of MSA funds to various program categories for fiscal year 2003 and states' expected allocations for fiscal year 2004.^{1, 2}

To address these objectives, we surveyed³ the executive budget offices, or their designees, in the 46 states party to the MSA. In addition, we obtained and reviewed MSA disbursement data provided by the National Association of Attorneys General⁴ and compared it with payment data provided by the states. We also reviewed previous GAO reports and other relevant studies. We conducted our work from May 2003 through February 2004 in accordance with generally accepted government auditing standards.

¹Fiscal year refers to the state's fiscal year.

²Allocation refers to funds appropriated or otherwise designated (e.g., earmarked for a trust fund or an endowment that has a specific purpose). It also includes funds designated for debt servicing on bonds issued when a state securitized all or a portion of the MSA funds.

³See appendix V for a copy of the survey that we sent to each of the 46 states.

⁴The National Association of Attorneys General monitors the actual payments made to states as determined by an independent auditor.

Our study focuses on the states' shares of MSA payments and does not include information on allocations of MSA payments to cities and counties in California and New York.⁵ In addition, we did not collect information on MSA payments made to the District of Columbia or the five U.S. territories that are also party to the MSA. Because we completed our fieldwork before states received their fiscal year 2004 payments, we were unable to obtain final information on the actual MSA payments states received during fiscal year 2004. Consequently, we obtained information on states' expected fiscal year 2004 MSA payments.

Survey Methodology and Categorization of States' Allocations

We used a survey instrument similar to the one used to obtain information for our February 2003 report. In August 2003, we contacted the 46 state budget officials, or their designees, who completed the surveys for our February 2003 report. The officials in 35 of these states said they would be the respondents for this year's survey. Officials in the other 11 states identified new respondents. We e-mailed the survey to the identified officials in each of the 46 states party to the MSA. We received responses from all 46 states. From these responses, we obtained information on the MSA payments states received in fiscal year 2003 and the MSA payments they expect to receive in fiscal year 2004, and the states' allocations and expected allocations of MSA payments in fiscal years 2003 and 2004, respectively. We also obtained information on the states' proceeds, if any, from securitization or expected securitization in fiscal years 2003 and 2004, respectively, and the allocation of the securitized proceeds. Furthermore, in the survey, we asked the states to categorize their allocations of MSA payments and securitized MSA proceeds for fiscal years 2003 and 2004 using the 12 program categories developed for our report. (See the definitions of the 12 categories below.) We also asked states to identify the amount of MSA payments that were not allocated.

The level of detail for individual states varies because we are relying on state-reported information. Although we did not independently verify the accuracy of the information provided to us by the state budget offices, we did perform some data reliability testing. We reviewed earlier reports, compared payment amounts reported by states with amounts reported to the National Association of Attorneys General, and contacted many states

⁵As we reported in 2001, California counties, four California cities, New York counties, and New York City each receive a share of MSA payments.

to clarify the information they provided. Based on this work, we determined that the data were reliable enough for our purposes.

In addition, there are no sampling errors because this was not a sample survey. Nevertheless, the practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. For example, difficulties in how a particular question is interpreted, in the sources of information that are available to respondents, or in how the data are entered into a database or were analyzed can introduce unwanted variability into the survey results. We took steps in the development of the survey, the data collection, and the data editing and analysis to minimize these nonsampling errors. For example, we edited the completed surveys for consistency and contacted state budget offices to clarify responses, verified all survey data that were entered into our database, and verified that the computer programs were written correctly.

We took information on MSA payments and securitized proceeds received and allocated for fiscal years 2000-2002 that we collected for previous GAO reports dealing with the MSA⁶ and compared it with receipts and allocations for fiscal years 2003 and 2004.

Categories of States' Allocations

Budget shortfalls: This category comprises amounts allocated to balance state budgets and close gaps or reduce deficits resulting from lower-than-anticipated revenues or increased mandatory or essential expenditures.

Debt servicing of bonds backed by MSA payments: This category comprises amounts allocated to service the debt on bonds issued when the state securitized all or a portion of its MSA payments.

Economic development for tobacco regions: This category comprises amounts allocated for economic development projects in tobacco states such as infrastructure projects, education and job training programs, and research on alternative uses of tobacco and alternative crops. This category includes projects specifically designed to benefit tobacco growers as well as economic development that may serve a larger population within a tobacco state.

⁶GAO-01-851 and GAO-03-407.

Education: This category comprises amounts allocated for education programs such as day care, preschool, Head Start, early childhood education, elementary and secondary education, after-school programs, and higher education. This category does not include money for capital projects such as construction of school buildings.

General purposes: This category comprises amounts allocated for attorneys' fees and other items, such as law enforcement or community development, that could not be placed in a more precise category. This category also includes amounts allocated to a state's general fund that were not earmarked for any particular purpose. Amounts used to balance state budgets and close gaps or reduce deficits should be categorized as budget shortfalls rather than general purposes.

Health: This category comprises amounts allocated for direct health care services; health insurance, including Medicaid and the State Children's Health Insurance Program (SCHIP); hospitals; medical technology; public health services; and health research. This category does not include money for capital projects such as construction of health facilities.

Infrastructure: This category comprises amounts allocated for capital projects such as construction and renovation of health care, education and social services facilities; water and transportation projects; and municipal and state government buildings. This category includes retirement of debt owed on capital projects.

Payments to tobacco growers: This category comprises amounts allocated for direct payments to tobacco growers, including subsidies and crop conversion programs.

Reserves/rainy day funds: This category comprises amounts allocated to state budget reserves such as rainy day and budget stabilization funds not earmarked for specific programs. Amounts allocated to reserves that are earmarked for specific areas are categorized under those areas—e.g., reserve amounts earmarked for economic development purposes should be categorized in the economic development category.

Social services: This category comprises amounts allocated for social services such as programs for the aging, assisted living, Meals on Wheels, drug courts, child welfare, and foster care. This category also includes amounts allocated to special funds established for children's programs.

Tax reductions: This category comprises amounts allocated for tax reductions such as property tax rebates and earned income tax credits.

Tobacco control: This category comprises amounts allocated for tobacco control programs such as prevention, including youth education, enforcement, and cessation services.

Unallocated: This category comprises amounts not allocated for any specific purpose, such as amounts allocated to dedicated funds that have no specified purpose; amounts states chose not to allocate in the year MSA payments were received that will be available for allocation in a subsequent fiscal year; interest earned from dedicated funds not yet allocated; and amounts that have not been allocated because the state had not made a decision on the use of the MSA payments.

Percent Allocation of MSA Payments for 46 States

State	Percent
Alabama	1.6161308
Alaska	0.3414187
Arizona	1.4738845
Arkansas	0.8280661
California	12.7639554
Colorado	1.3708614
Connecticut	1.8565373
Delaware	0.3954695
Georgia	2.4544575
Hawaii	0.6018650
Idaho	0.3632632
Illinois	4.6542472
Indiana	2.0398033
Iowa	0.8696670
Kansas	0.8336712
Kentucky	1.7611586
Louisiana	2.2553531
Maine	0.7693505
Maryland	2.2604570
Massachusetts	4.0389790
Michigan	4.3519476
Missouri	2.2746011
Montana	0.4247591
Nebraska	0.5949833
Nevada	0.6099351
New Hampshire	0.6659340
New Jersey	3.8669963
New Mexico	0.5963897
New York	12.7620310
North Carolina	2.3322850
North Dakota	0.3660138
Ohio	5.0375098
Oklahoma	1.0361370
Oregon	1.1476582
Pennsylvania	5.7468588

Appendix II
Percent Allocation of MSA Payments for 46
States

(Continued From Previous Page)

State	Percent
Rhode Island	0.7189054
South Carolina	1.1763519
South Dakota	0.3489458
Tennessee	2.4408945
Utah	0.4448869
Vermont	0.4111851
Virginia	2.0447451
Washington	2.0532582
West Virginia	0.8864604
Wisconsin	2.0720390
Wyoming	0.2483449

Source: Master Settlement Agreement.

States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000-2004

Dollars in millions (current year dollars) and percent^a

Category	Fiscal years							
	2000-2001		2002		2003		2004	
	Allocation	Percent	Allocation	Percent	Allocation	Percent	Allocation (expected)	Percent
Budget shortfalls	^b		\$2,448	20	\$5,038	36	\$7,005	54
Debt service on securitized funds	^b		271	2	339	2	887	7
Economic development for tobacco regions	\$466	4	218	2	285	2	273	2
Education	848	7	1,132	9	531	4	309	2
General purposes	623	5	684	6	1,111	8	721	6
Health	4,788	38	4,434	37	3,455	24	2,222	17
Infrastructure	294	2	1,222	10	1,044	7	685	5
Payments to tobacco growers	235	2	192	2	43	0	42	0
Reserves/rainy day fund	603	5	124	1	24	0	15	0
Social services	231	2	278	2	160	1	134	1
Tax reductions	416	3	35	0	109	1	37	0
Tobacco control	790	6	375	3	276	2	211	2
Unallocated	3,217	26	584	5	1,720	12	546	4
Total	\$12,511	100	\$11,998	99	\$14,135	99	\$13,087	100

Source: State budget offices or their designees (data); GAO (analysis).

^aThe amounts for each year are in the current year dollars for that year. Percentages across years may be compared but not dollars across years because the dollars are not adjusted to a constant base year.

^bWe did not obtain information on allocations for budget shortfalls and debt service on securitized funds in fiscal years 2000 and 2001.

State-Specific Information on Amounts of Master Settlement Agreement Payments and Securitized Proceeds Received and Allocated

This appendix presents the following information for each of the 46 states party to the Master Settlement Agreement (MSA):

- the amount of MSA payments received and the categories to which they were allocated for fiscal year 2003;
- the amount of MSA payments expected to be received and the expected categories to which they will be allocated for fiscal year 2004;
- the amount of securitized proceeds received or expected to be received and the categories to which they were allocated or expected to be allocated for fiscal years 2003 and 2004, respectively, if applicable (applies to seven states); and
- the amount, if any, of unallocated funds received for fiscal year 2003 and the expected amount of unallocated funds for fiscal year 2004.

The tables include only those program categories to which a state reported allocating funds. If a category is not listed, it means the state did not allocate funds to the category. In some cases, the total amounts allocated may exceed the actual MSA payments and securitized proceeds because the amounts allocated include carry-over funds from prior years and/or the interest earned on those funds. Some states that allocated funds to a program category did not provide examples of programs receiving funds. Only seven states—California, New Jersey, New York, Oregon, South Dakota, Washington, and Wisconsin—received or expected to receive, or allocated or expected to allocate, securitized proceeds in fiscal year 2003 or 2004, respectively. In those cases, we combined the securitized proceeds with the MSA payments before allocating the funds to categories.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Alabama

Alabama reported receiving \$118,558,077 from MSA payments in fiscal year 2003 and expects to receive \$99,876,883 in fiscal year 2004.

Table 6: Alabama's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$13,000,000	\$13,000,000	
Education	13,867,301	11,413,129	Alternative schools
General purposes	8,306,872	6,836,760	Juvenile Probation Officers, administration
Health	52,182,475	42,947,453	Public health, mental health, Medicaid
Social services	30,571,097	25,160,762	Child welfare, children's programs, youth services
Tobacco control	630,332	518,779	Tobacco enforcement of minors
Total	\$118,558,077	\$99,876,883	

Source: Alabama Department of Finance, Executive Budget Office.

Alaska

Alaska reported receiving \$26,257,704 from MSA payments in fiscal year 2003 and expects to receive \$21,400,000 in fiscal year 2004.

Table 7: Alaska's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$20,191,504	\$17,603,396	
Health	1,554,100	1,082,700	Medicaid and public health
Tobacco control	4,512,100	4,312,900	Sting operations
Total	\$26,257,704	\$22,998,996^a	

Source: Alaska Office of Management and Budget.

^aIncludes carry-over funds and interest earned.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Arizona

Arizona reported receiving \$106,926,757 from MSA payments in fiscal year 2003 and expects to receive \$91,856,500 in fiscal year 2004.

Table 8: Arizona’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$106,926,757	\$91,856,500	Medical services for an expanded segment of the population
Total	\$106,926,757	\$91,856,500	

Source: Arizona Governor’s Office of Strategic Planning and Budget.

Arkansas

Arkansas reported receiving \$60,067,457 from MSA payments in fiscal year 2003 and expects to receive \$59,000,000 in fiscal year 2004.

Table 9: Arkansas’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$5,000,000	\$5,000,000	
Education	2,981,392	2,871,217	School of Public Health
Health	53,804,182	51,595,388	Prevention and cessation, biomedical research, Medicaid, and Minority Health
Tobacco control	394,931	600,852	Tobacco control grants
Total	\$62,180,505^a	\$60,067,457^b	

Source: Arkansas Department of Finance and Administration.

^aThe MSA payments received in fiscal year 2002 were allocated for fiscal year 2003.

^bThe MSA payments received in fiscal year 2003 will be allocated for fiscal year 2004.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

California

California reported receiving \$474,066,000 from MSA payments in fiscal year 2003 and expects to receive \$399,372,000 in fiscal year 2004. In addition, California reported receiving \$2,485,000,000 of securitized proceeds in fiscal year 2003 and expects to receive \$2 billion in fiscal year 2004. All securitized funds were/expect to be allocated to budget shortfalls.

Table 10: California's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$2,495,000,000	\$2,000,000,000	
Debt service on securitized funds	0	399,372,000	
Health	525,235,000	0	Cancer research, children's health programs
Total	\$3,020,235,000^a	\$2,399,372,000	

Source: California Department of Finance.

Note: These MSA payments include only payments made to the state, which amount to 50 percent of the annual payments made by the tobacco companies to California. Cities and counties in the state receive the other 50 percent of the annual MSA payments to California.

^aIncludes carry-over funds.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Colorado

Colorado reported receiving \$100,584,727 from MSA payments in fiscal year 2003 and expects to receive \$87,700,580 in fiscal year 2004.

Table 11: Colorado's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$66,851,358	\$0	
Education	15,990,420	11,398,410	Literacy programs for elementary school students, Regional Libraries, State Council on the Arts
Health	34,542,187	33,248,208	Visiting Nurses, primary and preventive care grants, Children's Health Insurance Program+, tobacco research, breast and cervical cancer program, dental loan repayment
Reserves/rainy day funds	1,797,610	0	Tobacco Trust Fund
Social services	989,841	1,902,681	State Veterans' Fund
Tobacco control	7,347,618	4,376,779	Cessation and prevention grants
Total	\$127,519,034^a	\$50,926,078^a	

Source: Colorado Governor's Office of State Planning and Budgeting.

^aIncludes carry-over funds and interest earned.

Connecticut

Connecticut reported receiving \$137,914,440 from MSA payments in fiscal year 2003 and expects to receive \$113,000,000 in fiscal year 2004.

Table 12: Connecticut's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$137,914,440	\$111,000,000	General Fund revenue
Health	0	2,000,000	Biomedical Research Trust Fund
Total	\$137,914,440	\$113,000,000	

Source: Connecticut Office of Policy and Management.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Delaware

Delaware reported receiving \$28,734,700 from MSA payments in fiscal year 2003 and expects to receive \$29,800,000 in fiscal year 2004.

Table 13: Delaware’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$750,000	\$1,300,000	Scholarships for nursing students at Community College
General purposes	854,700	104,700	Fire Suppression Revolving Loan Fund; Health Care Commission staff assistance; survey of school-age children on alcohol, drug, and tobacco use
Health	21,700,000	22,600,000	Breast and cervical cancer screening, Senior Prescription Assistance Program, several cancer resource/support programs, defibrillators, “Strategic Reserve” (funds held in savings for future health-related initiatives), and implementation of recommendations of the Governor’s Council on Cancer Incidence and Mortality
Reserves/rainy day funds	0	250,000	
Social services	430,000	430,000	Attendant Care Services for persons living in the community with disabilities
Tobacco control	5,000,000	5,100,000	Tobacco prevention, control and enforcement (e.g., Quitline, smoking cessation programs and advertising, undercover kids, enforcement agents)
Total	\$28,734,700	\$29,784,700	

Source: Delaware Health and Social Services.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Georgia

Georgia reported receiving \$178,041,093 from MSA payments in fiscal year 2003 and expects to receive \$146,123,673 in fiscal year 2004.

Table 14: Georgia's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$78,051,263	\$65,834,093	One Georgia Authority
Health	85,945,619	89,415,966	Maintenance of previous Medicaid and State Children's Health Insurance Program expansions, school nurse programs, Critical Access Hospital Medicaid reimbursement, public health programs, Medicaid Home and Community-Based Waiver programs, Georgia Cancer Coalition
Social services	7,149,804	7,149,804	Home and community-based services to the elderly, early intervention for families at risk for child abuse
Tobacco control	14,476,237	12,680,897	Tobacco Use Prevention Program, compliance/enforcement for underage smoking
Total	\$185,622,923^a	\$175,080,760^a	

Source: Georgia Department of Community Health.

^aIncludes carry-over funds and interest earned.

Hawaii

Hawaii reported receiving \$43,663,626 from MSA payments in fiscal year 2003 and expects to receive \$38,619,584 in fiscal year 2004.

Table 15: Hawaii's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$140,108	\$2,800,761	Tobacco Enforcement Special Fund of the Attorney General's Office for MSA enforcement, assessments for central services and administrative expenses
Health	15,233,231	12,536,588	Department of Health for public health programs, Department of Human Services for children's health insurance programs
Infrastructure	12,186,585	10,029,270	Debt service on University of Hawaii revenue bonds issued for the new Health and Wellness Center, to include a new biomedical research center and medical school
Reserves/rainy day funds	10,663,262	8,775,612	State of Hawaii's Emergency and Budget Reserve Fund

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Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Tobacco control	5,440,440	4,477,353	Tobacco Prevention and Control Trust Fund
Total	\$43,663,626	\$38,619,584	

Source: Hawaii Department of Budget and Finance.

Idaho

Idaho reported receiving \$26,653,835 from MSA payments in fiscal year 2003 and expects to receive \$22,449,666 in fiscal year 2004.

Table 16: Idaho's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$70,311,509	\$0	
Health	1,851,400	835,000	Indigent health care, cancer camp for children, substance abuse data repository, planning funds for small business health insurance
Social services	420,000	270,000	Youth courts to address juvenile crime, youth asset building, and status offender program for high-risk youth
Tobacco control	1,257,800	1,333,700	Tobacco counter marketing, smoking prevention and cessation, tobacco free coalition, law enforcement youth tobacco investigations
Unallocated	2,438,700	22,449,666	
Total	\$76,279,409^a	\$24,888,366^a	

Source: Idaho Division of Financial Management.

^aIncludes carry-over funds and/or interest earned.

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Illinois

Illinois reported receiving \$341,497,849 from MSA payments in fiscal year 2003 and expects to receive \$269,747,300 in fiscal year 2004.

Table 17: Illinois's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$2,000,000	\$2,000,000	University of Illinois veterinary program
General purposes	3,342,117	4,780,998	Illinois Technology Enterprise Corporation, Court of Claims awards, Tobacco Settlement Recovery Fund audit
Health	282,406,174	215,476,450	Drug program for senior citizens, Medicaid drugs, juvenile diabetes, medical research
Infrastructure	11,253,770	17,326,042	Argonne laboratory accelerator project
Social services	1,989,004	2,000,000	Phone lines for senior care drug program
Tax reductions	108,761,011	37,300,000	Senior citizen property tax credit
Tobacco control	8,850,686	13,600,000	Local health department grants, youth tobacco prevention, American Lung Association grant
Unallocated	20,280,087	0	
Total	\$438,882,849^a	\$292,483,490^a	

Source: Illinois Governor's Office of Management and Budget.

^aIncludes carry-over funds and interest earned.

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Indiana

Indiana reported receiving \$148,000,000 from MSA payments in fiscal year 2003 and expects to receive \$127,600,000 in fiscal year 2004.

Table 18: Indiana's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$30,300,000	\$0	
Economic development for tobacco regions	5,000,000	46,200,000	Tobacco Farmers and Rural Community Impact Fund
Health	48,300,000	86,800,000	Community health departments and centers, Hoosier Rx, children's health insurance program, minority epidemiology, cancer programs, HIV/AIDS services, WIC supplement, seniors' prescription drugs
Infrastructure	13,000,000	0	Regional health facilities
Social services	33,300,000	24,300,000	Developmentally disabled client services
Tobacco control	25,000,000	10,800,000	Tobacco Use Prevention and Cessation Trust Fund
Unallocated	59,200,000	0	
Total	\$214,100,000^a	\$168,100,000^a	

Source: Indiana State Budget Agency.

^aIncludes carry-over funds and interest earned.

Iowa

Iowa reported receiving \$63,083,784 from MSA payments in fiscal year 2003 and expects to receive \$56,400,000 in fiscal year 2004.

Table 19: Iowa's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$25,240,060	\$46,492,000	
Health	37,843,724	9,908,000	Endowment for Iowa's Health Account
Total	\$63,083,784	\$56,400,000	

Source: Iowa Department of Management.

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Kansas

Kansas reported receiving \$61,169,272 from MSA payments in fiscal year 2003 and expects to receive \$56,000,000 in fiscal year 2004.

Table 20: Kansas's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$28,199,897	\$11,019,144	
Education	8,525,000	8,525,000	Parent education, 4-year-olds at risk, reading and vision research, special education, University of Kansas Medical Center
Health	9,285,724	8,600,000	Infants and toddlers, health start home visitors, tele-kid health care link
Social services	26,228,000	28,278,000	Juvenile justice grants, children's mental health initiatives, family-centered systems of care, therapeutic preschool, Medicaid, community mental health center grants, school violence prevention
Tobacco control	500,000	500,000	Smoking prevention and cessation
Total	\$72,738,621^a	\$56,922,144^a	

Source: Kansas Division of the Budget.

^aIncludes carry-over funds and interest earned.

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Kentucky

Kentucky reported receiving \$130,829,140 from MSA payments in fiscal year 2003 and expects to receive \$109,100,000 in fiscal year 2004.

Table 21: Kentucky’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$5,229,140	\$0	
Economic development for tobacco regions	56,688,000	43,434,000	Governor’s Office for Agricultural Policy; Natural Resources, Conservation, Environmental Stewardship
Education	9,961,700	5,961,700	Governor’s Office of Early Childhood Development Program, Kentucky Higher Education Assistance Authority—Early Childhood Scholarship Program
Health	47,123,500	43,624,200	Public Health—Health Access Nurturing Development Services, Folic Acid Distribution, Healthy Start; lung cancer research; health insurance; Mental Health—Substance Abuse Services for Medicaid Eligible Women with Dependent Children
Infrastructure	6,112,000	11,116,000	Debt service on infrastructure, water resources and rural development bond fund
Tobacco control	5,714,800	4,964,100	Substance abuse policy and smoking cessation
Total	\$130,829,140	\$109,100,000	

Source: Kentucky Governor’s Office for Policy Research.

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Louisiana

Louisiana reported receiving \$165,482,878 from MSA payments in fiscal year 2003 and expects to receive \$143,767,098 in fiscal year 2004.

Table 22: Louisiana's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$99,249,176	\$86,260,260	
Education	6,366,337	0	Local and special schools, tuition opportunity program, Education Excellence trust fund
General purposes	619,107	341,260	Enforcement of master settlement, expenses of investment banker
Health	7,483,844	12,046,312	Children's health insurance program, school based health care centers, Medicaid, Health Excellence trust fund
Social services	1,489,137	1,489,137	Starting-point preschool programs
Tobacco control	600,000	500,000	Smoking prevention and cessation grants
Unallocated	49,675,277	43,130,129	
Total	\$165,482,878	\$143,767,098	

Source: Louisiana Office of Planning and Budget, Division of Administration.

Maine

Maine reported receiving \$56,320,959 from MSA payments in fiscal year 2003 and expects to receive \$49,654,499 in fiscal year 2004.

Table 23: Maine's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$43,244,794	\$6,656,040	
Education	7,290,437	10,518,839	Child care and development initiatives, after-school services, and Head Start
General purposes	52,100	60,089	Attorney General enforcement and administrative costs
Health	16,635,864	18,677,172	Prescription drugs, Medicaid, and other health initiatives
Social services	5,647,037	5,656,686	Substance abuse prevention, intervention, testing and treatment

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Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Tobacco control	15,571,085	14,957,139	Community/school grants and statewide coordination to reduce tobacco addiction and use; tobacco prevention, control, and treatment
Total	\$88,441,317^a	\$56,525,965^a	

Source: Maine Department of Administrative and Financial Services, Bureau of the Budget.

^aIncludes carry-over funds and/or interest earned.

Maryland

Maryland reported receiving \$171,300,000 from MSA payments in fiscal year 2003 and expects to receive \$149,000,000 in fiscal year 2004.

Table 24: Maryland's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$3,800,000	\$0	
Education	14,500,000	3,000,000	Local aid programs K-12
General purposes	30,000,000	30,000,000	Payments to outside counsel
Health	161,100,000	155,100,000	Cancer, heart, and lung screenings and treatments; drug treatments; Medicaid; management
Payments to tobacco growers	6,300,000	5,100,000	Tri-County Council of Southern Maryland (buyout payments to farmers)
Tobacco control	19,600,000	14,300,000	Tobacco cessation/prevention education advertising
Unallocated	64,400,000	5,100,000	
Total	\$299,700,000^a	\$212,600,000^a	

Source: Maryland Department of Budget and Management.

^aIncludes carry-over funds and interest earned.

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Massachusetts

Massachusetts reported receiving \$300,036,966 from MSA payments in fiscal year 2003 and expects to receive \$250,700,000 in fiscal year 2004.

Table 25: Massachusetts's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$174,354,740	\$0	
General purposes	2,830,672	250,700,000	Closing costs of Medfield State Hospital, General Fund
Health	129,791,226	0	Emergency acute free care pool, HIV health services, senior prescription drug benefit, community health centers, child and adolescent mental health services
Social services	11,897,237	0	Senior home care/assisted living
Tobacco control	14,658,821	0	Smoking cessation programs
Total	\$333,532,696^a	\$250,700,000	

Source: Massachusetts Executive Office of Administration and Finance, Fiscal Affairs Division.

^aIncludes carry-over funds.

Michigan

Michigan reported receiving \$318,400,000 from MSA payments in fiscal year 2003 and expects to receive \$273,900,000 in fiscal year 2004.

Table 26: Michigan's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$165,900,000	\$0	
Education	115,800,000	172,700,000	Scholarships and tuition grants for higher education students, testing program for K-12 students, postsecondary scholarships, nursing scholarships, Michigan Education Savings Plan, general higher education/community college support
General purposes	300,000	400,000	Attorney General administrative expenses
Health	101,600,000	108,000,000	Elder pharmaceutical assistance, Medicaid personal needs allowance, long term care adviser, respite care, Medicaid support, biomedical research and development
Tobacco control	2,000,000	1,000,000	Education and cessation programs for youth and senior populations
Unallocated	2,733,422	0	

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Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Total	\$388,333,422^a	\$282,100,000^a	

Source: Michigan Office of Health and Human Services and Economic Development, State Budget Office.

^aIncludes carry-over funds and interest earned.

Missouri

Missouri reported receiving \$166,919,334 from MSA payments in fiscal year 2003 and expects to receive \$143,000,000 in fiscal year 2004.

Table 27: Missouri's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$108,412,043	\$70,715,848	
General purposes	2,513,684	4,426,858	Programs funded from general revenue, such as education, Medicaid, and corrections
Health	51,500,000	69,726,564	Missouri Senior Rx program, Medicaid, grants to hospitals for graduate medical education
Tobacco control	466,064	472,829	Enforcement of state law on underage tobacco use
Unallocated	4,027,543	0	
Total	\$166,919,334	\$145,342,099^a	

Source: Missouri Office of Administration, Division of Budget and Planning.

^aIncludes carry-over funds.

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Montana

Montana reported receiving \$31,166,018 from MSA payments in fiscal year 2003 and expects to receive \$28,223,000 in fiscal year 2004.

Table 28: Montana’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$18,199,611	\$3,104,530	Children’s health insurance program and related Medicaid costs, youth challenge program for dropouts
Health	12,466,407	21,918,470	Trust fund whose interest is allocated for new or expanded health care or tobacco control, tobacco prevention, mental health services, and prescription drug coverage for mentally ill
Tobacco control	500,000	3,200,000	Tobacco cessation and prevention program
Total	\$31,166,018	\$28,223,000	

Source: Montana Office of Budget and Program Planning.

Nebraska

Nebraska reported receiving \$43,158,793 from MSA payments in fiscal year 2003 and expects to receive \$36,700,000 in fiscal year 2004.

Table 29: Nebraska’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$47,509	\$88,437	MSA model statute enforcement
Health	18,747,566	20,866,570	Behavioral health, public health, minority health, biomedical research, children’s health insurance, medical assistance
Social services	2,666,400	2,908,800	Community-based developmental disability services, respite care assistance
Unallocated	21,697,318	12,816,193	
Total	\$43,158,793	\$36,700,000	

Source: Nebraska Department of Administrative Services—Budget Division.

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Nevada

Nevada reported receiving \$44,753,037 from MSA payments in fiscal year 2003 and expects to receive \$38,168,550 in fiscal year 2004.

Table 30: Nevada's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$21,975,217	\$23,254,375	Scholarship program for students attending a Nevada higher education institution
General purposes	251,825	257,412	Attorney General office administrative expenses
Health	13,635,758	12,973,487	Grants for child health services and for persons with disabilities, prescription drugs and pharmaceutical services for low-income seniors, Medicaid waiver program, and endowment fund using interest earnings to provide grants for promoting public health
Social services	9,852,298	6,830,546	Grants assisting seniors to live independently, other senior services, and a homemaker program
Tobacco control	4,861,629	4,724,891	Grants for tobacco cessation programs
Total	\$50,576,727^a	\$48,040,711^a	

Source: Nevada Department of Administration, Budget Division.

^aIncludes carry-over funds and interest earned.

New Hampshire

New Hampshire reported receiving \$48,900,000 from MSA payments in fiscal year 2003 and expects to receive \$42,600,000 in fiscal year 2004.

Table 31: New Hampshire's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$40,000,000	\$39,600,000	Education trust fund (K-12 education funding)
General purposes	5,900,000	3,000,000	Unrestricted use statewide
Tobacco control	3,000,000	0	Tobacco use prevention and cessation programs (eliminated for fiscal year 2004)
Total	\$48,900,000	\$42,600,000	

Source: New Hampshire Legislative Budget Assistant's Office.

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New Jersey

New Jersey reported receiving \$283,700,000 from MSA payments in fiscal year 2003 and expects to receive \$122,000,000 in fiscal year 2004. In addition, New Jersey reported receiving \$2,751,814,469 in securitized proceeds in fiscal year 2003 but does not expect to receive securitized proceeds in fiscal year 2004.

Table 32: New Jersey's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$329,000,000	\$872,000,000	
Health	278,700,000	122,000,000	New Jersey family care, community options for seniors, cancer initiatives, senior pharmaceutical assistance program, state cancer center
Infrastructure	946,000,000	608,000,000	Cancer institute; institutional, transportation and other capital projects
Unallocated	1,481,000,000	0	
Total	\$3,034,700,000	\$1,602,000,000^a	

Source: New Jersey Department of Management and Budget.

^aIncludes some securitized proceeds received in fiscal year 2003.

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New Mexico

New Mexico reported receiving \$43,759,134 from MSA payments in fiscal year 2003 and expects to receive \$35,724,987 in fiscal year 2004.

Table 33: New Mexico's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$50,308,895	\$35,724,987	General Fund
Health	19,497,500	0	Tobacco research, poison control/drug info center, pediatric oncology, telemedicine, trauma and pediatric education, genomics research, diabetes control, HIV/AIDS services, prostate cancer, defibrillators, primary care infrastructure technology, cancer control breast/cervical cancer program, Medicaid, women drug re-entry, female incarceration task force
Tobacco control	\$5,900,000	0	Anti-smoking cessation and prevention, youth smoking cessation and prevention
Total	\$75,706,395^a	\$35,724,987	

Source: New Mexico Department of Finance and Administration.

^aIncludes carry-over funds.

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New York

New York reported receiving \$498,300,000 from MSA payments in fiscal year 2003 and expects to receive \$334,000,000 in fiscal year 2004. In addition, New York reported receiving no securitized proceeds in fiscal year 2003 but expects to receive \$4,200,000,000 in securitized proceeds in fiscal year 2004.

Table 34: New York's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$0	\$3,800,000,000	Medicaid, public health, education, etc.
Health	458,300,000	297,000,000	Medicaid, indigent care, elderly pharmaceutical program, Family Health Plus, health insurance for the uninsured, breast and cervical cancer treatment and similar programs
Tobacco control	40,000,000	37,000,000	Tobacco control and prevention activities
Unallocated	0	400,000,000	
Total	\$498,300,000	\$4,534,000,000	

Source: New York Division of the Budget.

Note: These MSA payments include only payments made to the state, which amount to about 51 percent of the annual payments made by the tobacco companies to New York. New York City and counties in the state receive the other 49 percent of the annual MSA payments to New York.

North Carolina

North Carolina reported receiving \$169,200,688 from MSA payments in fiscal year 2003 and expects to receive \$155,479,000 in fiscal year 2004.

Table 35: North Carolina's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$89,427,603	\$77,739,500	Tobacco Trust Fund (Golden LEAF)
General purposes	78,000,000	66,800,000	
Health	6,688,732	14,939,500	Health and Wellness Trust Fund, prescription drug program for seniors
Total	\$174,116,335^a	\$159,479,000^a	

Source: North Carolina Office of State Budget and Management.

^aIncludes interest earned in the Tobacco and Health and Wellness Trust Funds.

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North Dakota

North Dakota reported receiving \$26,549,833 from MSA payments in fiscal year 2003 and expects to receive \$22,972,067 in fiscal year 2004.

Table 36: North Dakota's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$11,947,425	\$10,337,430	45 percent of the tobacco settlement funds are deposited as principal in the common schools trust fund and cannot be spent
Health	53,100	137,832	Dental loan repayment program
Infrastructure	11,947,425	10,337,430	Water projects
Tobacco control	2,601,883	2,159,375	Tobacco cessation programs
Total	\$26,549,833	\$22,972,067	

Source: North Dakota Office of Management and Budget.

Ohio

Ohio reported receiving \$368,998,102 from MSA payments in fiscal year 2003 and expects to receive \$297,000,000 in fiscal year 2004.

Table 37: Ohio's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$280,517,810	\$235,040,594	
Education	15,015,123	6,585,835	Technology enhancement in schools
General purposes	770,695	786,109	Administration, oversight, and enforcement activities related to the MSA
Health	8,467,936	8,810,671	Minority health programs, alcohol and drug abuse prevention programs
Infrastructure	43,815,021	28,210,435	School construction, biomedical research, and technology transfer
Payments to tobacco growers	16,275,517	13,205,356	Indemnity payments
Social services	3,500,000	3,725,000	Funding for uncompensated health care of the uninsured and underinsured
Tobacco control	636,000	636,000	Under-age tobacco use enforcement
Total	\$368,998,102	\$297,000,000	

Source: Ohio Office of Budget and Management.

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Oklahoma

Oklahoma reported receiving \$76,024,898 from MSA payments in fiscal year 2003 and expects to receive \$72,571,034 in fiscal year 2004.

Table 38: Oklahoma's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$1,689,849	\$1,000,000	Attorney General's evidence fund
Health	34,462,765	34,230,044	Mental health and substance abuse, Medicaid, and deposit to tobacco settlement endowment trust fund on behalf of health programs
Social services	19,621,590	17,340,990	Child welfare, foster care, services for homebound elders and senior nutrition
Tobacco control	20,250,694	20,000,000	Tobacco prevention and cessation, and deposit to Tobacco Settlement Endowment Trust Fund on behalf of tobacco control programs
Total	\$76,024,898	\$72,571,034	

Source: Oklahoma Office of State Finance.

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Oregon

Oregon reported receiving \$85,254,750 from MSA payments in fiscal year 2003 and expects to receive \$71,818,209 in fiscal year 2004. In addition, Oregon reported receiving \$450,000,000 in securitized proceeds in fiscal year 2003 but does not expect to receive securitized proceeds in fiscal year 2004.

Table 39: Oregon's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$450,000,000	\$0	
Debt service on securitized funds	0	2,156,856	
Health	155,854,729	14,608,216	Oregon health plan/family health insurance assistance program
Tobacco control	0	379,808	
Unallocated	8,208,216	62,881,545	
Total	\$614,062,945^a	\$80,026,425^a	

Source: Oregon Department of Administrative Services.

^aIncludes carry-over funds.

Pennsylvania

Pennsylvania reported receiving \$416,918,000 from MSA payments in fiscal year 2003 and expects to receive \$360,528,000 in fiscal year 2004.

Table 40: Pennsylvania's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$433,529,000	\$416,918,000	Health insurance for the uninsured, home and community-based care, contributions to the PACE-net program, tobacco use prevention and cessation, broad-based health research, medical care for workers with disabilities, and uncompensated care
Total	\$433,529,000^a	\$416,918,000^a	

Source: Pennsylvania Governor's Office of the Budget, Bureau of Budget Analysis.

^aMSA payments received one year are allocated the next year.

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Rhode Island

Rhode Island reported receiving \$52,748,551 from MSA payments in fiscal year 2003 and expects to receive \$46,876,000 in fiscal year 2004. The fiscal year 2004 amount is an estimate based on market conditions as of June 30, 2002.

Table 41: Rhode Island's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$0	\$46,876,000	
General purposes	52,147,879	0	Any program receiving general fund support, which covers all aspects of state government
Unallocated	600,672	0	
Total	\$52,748,551	\$46,876,000	

Source: Rhode Island Budget Office.

South Carolina

South Carolina reported receiving \$86,312,915 from MSA payments in fiscal year 2003 and expects to receive \$74,995,918 in fiscal year 2004.

Table 42: South Carolina's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$86,312,915	\$74,995,918	
Total	\$86,312,915	\$74,995,918	

Source: South Carolina Office of State Budget.

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South Dakota

South Dakota reported receiving \$25,603,357 from MSA payments in fiscal year 2003 and expects to receive \$23,772,672 in fiscal year 2004. In addition, South Dakota reported receiving \$278,045,000 in securitized proceeds in fiscal year 2003 but does not expect to receive securitized proceeds in fiscal year 2004.

Table 43: South Dakota's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$60,000,453	\$23,772,672	
Education	243,647,904	0	Education Enhancement Trust Fund
Total	\$303,648,357	\$23,772,672	

Source: South Dakota Bureau of Finance and Management.

Tennessee

Tennessee reported receiving \$179,101,745 from MSA payments in fiscal year 2003 and expects to receive \$147,800,000 in fiscal year 2004.

Table 44: Tennessee's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$179,101,745	\$0	
General purposes	0	147,800,000	Allocated to the general fund; not earmarked
Total	\$179,101,745	\$147,800,000	

Source: Tennessee Department of Finance and Administration.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Utah

Utah reported receiving \$32,642,875 from MSA payments in fiscal year 2003 and expects to receive \$27,674,200 in fiscal year 2004.

Table 45: Utah's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$4,336,200	\$9,821,500	In addition, \$40.1 million of previous MSA payments that were in the Tobacco Permanent Trust Fund were appropriated in fiscal year 2003 to cover budget shortfalls
General purposes	100,000	100,000	Attorney General's office
Health	11,499,600	12,999,600	Cancer research, immunizations, health promotion
Reserves/rainy day funds	11,985,200	5,534,800	
Social services	2,000,000	2,000,000	Drug courts, drug board pilot program
Tobacco control	4,062,700	4,062,100	Tobacco quit line, TV campaign, prevention partnerships
Total	\$33,983,700^a	\$34,518,000^a	

Source: Utah Governor's Office of Planning and Budget.

^aIncludes carry-over funds and interest earned.

Vermont

Vermont reported receiving \$30,629,527 from MSA payments in fiscal year 2003 and expects to receive \$25,200,000 in fiscal year 2004.

Table 46: Vermont's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$5,100,000	\$0	
Health	20,430,000	20,100,000	Medicaid and drug treatment
Tobacco control	5,100,000	5,100,000	
Total	\$30,630,000	\$25,200,000	

Source: Vermont Department of Finance and Management.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Virginia

Virginia reported receiving \$150,029,894 from MSA payments in fiscal year 2003 and expects to receive \$126,206,153 in fiscal year 2004.

Table 47: Virginia’s MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$55,362,410	\$39,703,077	Economic development projects, infrastructure, education, job training, research, and administration of the Tobacco Indemnification and Community Revitalization Commission
General purposes	60,541,744	50,428,461	Deposits to the general fund, allocated through state budget process
Payments to tobacco growers	20,314,770	23,400,000	Indemnification payments to tobacco growers
Tobacco control	15,135,436	12,620,615	Campaigns to discourage tobacco consumption by minors, research and administration of the tobacco settlement foundation
Total	\$151,354,360^a	\$126,206,153	

Source: Virginia Department of Planning and Budget.

^aThe amount allocated is based on an estimate of payments.

**Appendix IV
State-Specific Information on Amounts of
Master Settlement Agreement Payments and
Securitized Proceeds Received and Allocated**

Washington

Washington reported receiving \$150,654,530 from MSA payments in fiscal year 2003 and expects to receive \$124,000,000 in fiscal year 2004. In addition, Washington reported receiving \$517,905,000 in securitized proceeds in fiscal year 2003 but does not expect to receive securitized proceeds in fiscal year 2004.

Table 48: Washington's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$30,000,000	\$36,208,000	
General purposes	517,905,000	0	Earmarked for state debt service and capital expenditures
Health	120,654,530	87,792,000	Children's Medicaid; health insurance for low-income residents; grants to community clinics and local public health district assistance; and statewide public health programs, including childhood immunizations
Tobacco control	17,500,000	17,500,000	Tobacco control and prevention programs
Total	\$686,059,530^a	\$141,500,000^a	

Source: Washington Office of Financial Management.

^aIncludes carry-over funds.

West Virginia

West Virginia reported receiving \$65,042,592 from MSA payments in fiscal year 2003 and expects to receive \$56,000,000 in fiscal year 2004.

Table 49: West Virginia's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$62,454,159	\$50,149,408	Institutional facilities operations, medical trust fund
Tobacco control	5,850,592	5,850,592	Tobacco education program, tobacco retailer education program
Total	\$68,304,751^a	\$56,000,000	

Source: West Virginia Department of Administration, State Budget Office.

^aIncludes carry-over funds and interest earned.

**Appendix IV
State-Specific Information on Amounts of
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Securitized Proceeds Received and Allocated**

Wisconsin

Wisconsin reported receiving \$153,923,150 from MSA payments in fiscal year 2003 and expects to receive \$135,617,112 in fiscal year 2004.

Table 50: Wisconsin's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$598,508,150	\$0	
Debt service on securitized funds	0	135,617,112	
General purposes	138,578,050	0	Assistance to schools, University of Wisconsin, and correctional systems; tax relief for schools, individuals, and organizations; medical assistance programs
Tobacco control	15,345,100	0	Tobacco cessation and prevention programs
Total	\$752,431,300^a	\$135,617,112	

Source: Wisconsin Department of Administration.

^aIncludes \$598,508,150 of securitized proceeds received in fiscal year 2002 that were allocated in fiscal year 2003.

Wyoming

Wyoming reported receiving \$18,448,472 from MSA payments in fiscal year 2003 and expects to receive \$12,133,528 in fiscal year 2004.

Table 51: Wyoming's MSA Payment Allocations

Program area	Fiscal year 2003 allocation	Fiscal year 2004 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$7,717,391	\$10,525,978	Substance abuse treatment
Social services	2,072,569	4,679,148	Adolescence services and drug court
Tobacco control	3,000,000	3,000,000	Tobacco prevention, regional prenatal programs, community tobacco prevention activities
Unallocated	5,658,512	0	
Total	\$18,448,472	\$18,205,126^a	

Source: Wyoming Substance Abuse Division.

^aIncludes carry-over funds and interest earned.

GAO Survey on States' Allocations of Fiscal Years 2003 and 2004 Master Settlement Agreement Payments

United States General Accounting Office



Survey on States' Allocations of Fiscal Years 2003 and 2004 Master Settlement Agreement Payments

Introduction

The U.S. General Accounting Office (GAO) is an independent agency of the legislative branch that supports Congress in meeting its Constitutional responsibilities. We are currently gathering information on states' allocation of fiscal years 2003 and 2004 Master Settlement Agreement (MSA) payments as required by the Farm Security and Rural Investment Act of 2002, and we will continue to gather similar information annually through 2006. This year we are seeking information on (1) the actual amount of fiscal year 2003 MSA payments received and the amount of fiscal year 2004 MSA payments expected to be received by each of the 46 states party to the MSA, and (2) how states allocated the 2003 payments and plan to allocate the 2004 payments.

In February 2003, we reported to the Congress on states' fiscal year 2002 actual payments and allocations and fiscal year 2003 expected payments and allocations. You can obtain a copy of the report via internet at www.gao.gov and request report number GAO-03-407. In this current survey, we are asking you to review your responses to us last year concerning expected payments and expected allocations for fiscal year 2003, and provide actual amounts for fiscal year 2003.

Most of the questions in this survey can be answered by checking boxes or filling in blanks. Space has been provided at the end of the survey for any additional comments. Your participation is very important and we urge you to complete this survey. We cannot provide meaningful information to the Congress on states' receipt and use of the tobacco settlement payments without your responses. Thank you for your time and assistance.

Instructions

You can either print out the survey and fill in the responses in hard copy and fax it to Posey McCarthy or Cindy Steinfink at (202) 512-4852 or you can save the file containing the survey on your computer and e-mail the completed file to either Posey McCarthy (McCarthyR@gao.gov) or Cindy Steinfink (SteinfinkC@gao.gov).

Contacts

If you have any questions about any aspect of this survey, please contact:

Rosellen (Posey) McCarthy
Phone: (202) 512-4916
E-mail: McCarthyR@gao.gov

Cindy Steinfink
Phone: (202) 512-7002
E-mail: SteinfinkC@gao.gov

Thank you in advance for your cooperation.

Appendix V
GAO Survey on States' Allocations of Fiscal
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Glossary

Please refer to the following definitions when completing this survey:

Allocation – Refers to funds appropriated or otherwise designated (e.g., earmarked for a trust fund or an endowment that has a specific purpose). It also includes funds designated for debt servicing on bonds issued when a state securitized all or a portion of the MSA funds.

Fiscal year - Refers to your state's fiscal year.

MSA - Refers to the November 1998 Master Settlement Agreement, under which the attorneys general of 46 states signed a comprehensive agreement with four of the nation's largest tobacco companies requiring them to make annual payments to states in perpetuity as reimbursement for past tobacco-related costs.

Securitization - Refers to the use of MSA payments to back the issuance of bonds. More specifically, securitization is a type of structured financing method based on the cash flow of receivables or rights to future payments.

Definitions of MSA payment allocation categories

To standardize the information reported by the 46 states in prior years, GAO developed categories for the program areas to which states allocated their MSA payments. When classifying funds to a category, please include administrative costs that apply to that category.

Budget Shortfalls: This category is comprised of amounts allocated to balance state budgets and close gaps or reduce deficits resulting from lower than anticipated revenues or increased mandatory or essential expenditures.

Debt Servicing of Bonds Backed by MSA Payments: This category consists of amounts allocated to service the debt on bonds issued when the state securitized all or a portion of its MSA payments.

Economic Development for Tobacco Regions: This category is comprised of amounts allocated for economic development projects in tobacco states such as infrastructure projects, education and job training programs, and research on alternative uses of tobacco and alternative crops. This category includes projects specifically designed to benefit tobacco growers as well as economic development that may serve a larger population within a tobacco state.

Education: This category is comprised of amounts allocated for education programs such as day care, preschool, Head Start, early childhood education, elementary and secondary education, after-school programs, and higher education. This category does not include money for capital projects such as construction of school buildings.

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Glossary (Continued)

General Purposes: This category is comprised of amounts allocated for attorneys' fees and other items, such as law enforcement or community development, that could not be placed in a more precise category. This category also includes amounts allocated to the state's general fund that were not earmarked for any particular purpose. Amounts used to balance state budgets and close gaps or reduce deficits should be categorized as budget shortfalls rather than general purposes.

Health: This category is comprised of amounts allocated for direct health care services, health insurance including Medicaid and the State Children's Health Insurance Program (SCHIP), hospitals, medical technology, public health services, and health research. This category does not include money for capital projects such as construction of health facilities.

Infrastructure: This category is comprised of amounts allocated for capital projects such as construction and renovation of health care, education and social services facilities, water and transportation projects, and municipal and state government buildings. This category includes retirement of debt owed on capital projects.

Payments to Tobacco Growers: This category is comprised of amounts allocated for direct payments to tobacco growers including subsidies and crop conversion programs.

Reserves/Rainy Day Funds: This category is comprised of amounts allocated to state budget reserves such as rainy day and budget stabilization funds not earmarked for specific programs. Amounts allocated to reserves that are earmarked for specific areas are categorized under those areas--e.g., reserve amounts earmarked for economic development purposes should be categorized in the economic development category.

Social Services: This category is comprised of amounts allocated for social services such as programs for the aging, assisted living, Meals on Wheels, drug courts, child welfare, and foster care. This category also includes amounts allocated to special funds established for children's programs.

Tax Reductions: This category is comprised of amounts allocated for tax reductions such as property tax rebates and earned income tax credits.

Tobacco Control: This category is comprised of amounts allocated for tobacco control programs such as prevention, including youth education, enforcement and cessation services.

Unallocated: This category is comprised of amounts not allocated for any specific purpose, such as amounts allocated to dedicated funds that have no specified purpose; amounts states chose not to allocate in the year MSA payments were received that will be available for allocation in a subsequent fiscal year; interest earned from dedicated funds not yet allocated; and amounts that have not been allocated because the state had not made a decision on the use of the MSA payments.

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GAO Survey on States' Allocations of Fiscal
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Contact Information

Please provide the following information about the primary person completing this survey in case we need to clarify a response.

Name: _____
Agency: _____
Title: _____
Telephone number: _____
E-mail address: _____
Fax number: _____

Your state's fiscal year 2003 expected MSA payments and allocations that you reported to us last fall

In February 2003, GAO reported the following information as your state's **expected MSA payments and payment allocations**. (See Glossary for definitions of the MSA payment budget categories. You may want to refer to this information as you answer questions 3, 4, and 5, about fiscal year 2003 actual payments and allocations.)

Expected fiscal year 2003 MSA payments: \$ _____

Payment allocations:

Budget shortfalls: \$ _____
Debt service on securitized funds: \$ _____
Economic development for tobacco regions: \$ _____
Education: \$ _____
General purposes: \$ _____
Health: \$ _____
Infrastructure: \$ _____
Payments to tobacco growers: \$ _____
Reserves/rainy day funds: \$ _____
Social services: \$ _____
Tax reductions: \$ _____
Tobacco control: \$ _____

Besides the expected allocations above, your state reported the following amount that was **not allocated**:
\$ _____.

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MSA Payments Received

1. What was the amount of **fiscal year 2003 MSA payments** your state received?

\$ _____

2. What is the amount of **fiscal year 2004 MSA payments** your state expects to receive?

\$ _____

Allocation of Fiscal Year 2003 MSA Payments That Were Not Securitized

3. What was the amount of the **MSA payments** your state allocated for **fiscal year 2003**?

\$ _____



If the amount of MSA payments allocated for fiscal year 2003 (question 3) is not equal to the amount received in fiscal year 2003 (see question 1), please explain the difference below (e.g., carry-over funding from MSA payments received prior to fiscal year 2003, interest earned, etc.)

4. What amount, if any, of the **MSA payments** your state received in **fiscal year 2003** remained **unallocated** at the end of the fiscal year?

\$ _____

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5. For each of the categories below (listed in alphabetical order), please provide the amount of **fiscal year 2003** MSA payments your state allocated for **fiscal year 2003**. In addition, please provide specific examples of programs for each of the categories to which funds were allocated. (Note: The total of the amounts listed in the categories below should be equal to the amount reported in question 3).

Allocation of MSA Payments for Fiscal Year 2003

Category	Amount of MSA payments allocated for fiscal year 2003	Examples of programs receiving funds
Budget shortfalls	\$	NA
Debt service on securitized funds	\$	NA
Economic development for tobacco regions	\$	
Education	\$	
General purposes	\$	
Health	\$	
Infrastructure	\$	
Payments to tobacco growers	\$	
Reserves/ rainy day funds	\$	
Social services	\$	
Tax reductions	\$	
Tobacco control	\$	
Total	\$	

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Allocation of Fiscal Year 2004 MSA Payments That Were Not Securitized

6. What is the amount of the MSA payments your state plans to allocate for fiscal year 2004?

\$ _____



If the amount of MSA payments expected to be allocated for fiscal year 2004 (question 6) is not equal to the amount expected to be received in fiscal year 2004 (see question 2), please explain the difference below (e.g., carry-over funding from MSA payments received prior to fiscal year 2004, interest earned, etc.)

7. What amount, if any, of the MSA payments your state expects to receive in fiscal year 2004 is expected to remain unallocated?

\$ _____

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8. For each of the categories below (listed in alphabetical order), please provide the amount of **MSA payments** your state plans to allocate for **fiscal year 2004**. In addition, please provide specific examples of programs for each of the categories to which funds will be allocated. (Note: The total of the amounts listed in the categories below should equal the amount reported in question 6).

Planned Allocation of MSA Payments for Fiscal Year 2004

Category	Amount of MSA payments planned to be allocated for fiscal year 2004	Examples of programs planned to receive funds
Budget shortfalls	\$	NA
Debt service on securitized funds	\$	NA
Economic development for tobacco regions	\$	
Education	\$	
General purposes	\$	
Health	\$	
Infrastructure	\$	
Payments to tobacco growers	\$	
Reserves/rainy day funds	\$	
Social services	\$	
Tax reductions	\$	
Tobacco control	\$	
Total	\$	

Securitization of MSA Payments

9. Has your state received any proceeds from securitization of its MSA payments in fiscal year 2003 or does your state expect to receive any securitized proceeds during fiscal year 2004? (Note: See the glossary for a definition of securitization.) In the responses your state provided last fall to our survey, your state reported receiving or expecting to receive \$xxx of securitized proceeds in fiscal year 2003.

1. No → *Skip to question 17.*
2. Yes → *Continue with question 10.*

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Securitized MSA Payment Proceeds Received in Fiscal Years 2003 and Expected in 2004

10. If your state received any proceeds from securitization of its MSA payments in fiscal year 2003 or if your state expects to receive any securitized proceeds in fiscal year 2004, please enter the following information:

a. Amount of securitized proceeds your state received in fiscal year 2003	\$ _____
b. Future MSA payments that were pledged to obtain these proceeds (e.g.: 50 percent of 2005-2020 payments)	_____
c. Amount of securitized proceeds your state expects to receive in fiscal year 2004	\$ _____
d. Future MSA payments that your state expects to pledge to obtain these proceeds (e.g.: 50 percent of 2005-2020 payments)	_____

Allocation of Fiscal Year 2003 Securitized MSA Payment Proceeds

11. What was the amount of the **securitized proceeds** your state **allocated** for **fiscal year 2003**?

\$ _____



If the amount of securitized proceeds allocated for fiscal year 2003 (question 11) is not equal to the amount received in fiscal year 2003 (see question 10, row "a"), please explain the difference below (e.g., unallocated securitized proceeds carried over from previous fiscal years, interest earned, etc.).

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12. What amount, if any, of the **securitized proceeds** your state received in **fiscal year 2003** remained **unallocated** at the end of the fiscal year?

\$ _____

13. For each of the categories below (listed in alphabetical order), please provide the amount of **securitized proceeds** your state **allocated for fiscal year 2003**. In addition, please provide specific examples of programs for each of the categories to which funds were allocated. (Note: The total of the amounts listed in the categories below should equal the amount reported in question 11.)

Allocation of Securitized Proceeds Received in Fiscal Year 2003

Category	Amount allocated from fiscal year 2003 securitized proceeds	Examples of programs receiving funds
Budget shortfalls	\$	NA
Debt service on securitized funds	\$	NA
Economic development for tobacco regions	\$	
Education	\$	
General purposes	\$	
Health	\$	
Infrastructure	\$	
Payments to tobacco growers	\$	
Reserves/rainy day funds	\$	
Social services	\$	
Tax reductions	\$	
Tobacco control	\$	
Total	\$	

**Appendix V
GAO Survey on States' Allocations of Fiscal
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Planned Allocation of Fiscal Year 2004 Securitized MSA Payment Proceeds

14. What is the amount of the **securitized proceeds** your state plans to allocate for **fiscal year 2004**?

\$ _____



If the amount of securitized proceeds to be allocated for fiscal year 2004 (question 14) is not equal to the amount your state expects to receive in fiscal year 2004 (see question 10, row "c"), please explain the difference below (e.g., unallocated securitized proceeds carried over from previous fiscal years, interest earned, etc.).

15. What amount, if any, of the **securitized proceeds** your state expects to receive in **fiscal year 2004** remains **unallocated**?

\$ _____

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16. For each of the categories below (listed in alphabetical order), please provide the amount of **securitized proceeds** your state plans to allocate for **fiscal year 2004**. In addition, please provide specific examples of programs for each of the categories to which funds are expected to be allocated. (Note: The total of the amounts listed in the categories below should equal the amount reported in question 14.)

Allocation of Securitized Proceeds Expected to be Received in Fiscal Year 2004

Category	Amount expected to be allocated from expected fiscal year 2004 securitized proceeds	Examples of programs scheduled to receive funds
Budget shortfalls	\$	NA
Debt service on securitized funds	\$	NA
Economic development for tobacco regions	\$	
Education	\$	
General purposes	\$	
Health	\$	
Infrastructure	\$	
Payments to tobacco growers	\$	
Reserves/rainy day funds	\$	
Social services	\$	
Tax reductions	\$	
Tobacco control	\$	
Total	\$	

Appendix V
GAO Survey on States' Allocations of Fiscal
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Legislation and Other Changes Affecting Planned Uses of MSA Payments

17. Did your state take any of the following actions since making fiscal year 2002 MSA allocations? If available, please provide a citation or web site where documentation of the change(s) (i.e.: legislation, report, etc.) can be found.

(Check one box in each row. If yes, please provide a brief description.)

Passed legislation affecting the state's allocation of MSA funds	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please provide a brief description and give date of the action.
Made changes to establish new goals (e.g., strategic plan for the state's use of the MSA funds)	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please provide a brief description and give date of the action.
Changed requirements for use of MSA funds (e.g., place restrictions on use of MSA funds)	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please provide a brief description and give date of the action.
Passed ballot initiative determining allocation of MSA funds	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please provide a brief description and give date of the action.
Increased (or decreased) the use of dedicated funds, such as endowment funds or trust funds	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please indicate increased or decreased. <input type="checkbox"/> Increased <input type="checkbox"/> Decreased → Please describe below and give date of the action.

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Implemented recommendations of special commission/task force/board for spending of MSA funds	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please provide a brief description and give date of the action.
Delegated more (or less) decision-making authority over the use of MSA funds to special commission/task force/board	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please indicate more or less. <input type="checkbox"/> More <input type="checkbox"/> Less → Please describe below and give date of the action.
Increased (or decreased) allocations of MSA funds into the state's general fund for current or future needs	<input type="checkbox"/> Yes → <input type="checkbox"/> No <input type="checkbox"/> Not sure	If yes, please indicate increased or decreased. <input type="checkbox"/> Increased <input type="checkbox"/> Decreased → Please describe below and give date of the action.
Other - Please specify below:	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, please provide a brief description and give date of the action.

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Comments

- 18.** If you have any additional comments relating to any of the issues raised in this questionnaire, please enter them in the space provided.

Thank you for your cooperation.

GAO Contact and Staff Acknowledgments

GAO Contact

Lawrence J. Dyckman, 202-512-3841

**Staff
Acknowledgments**

Charles M. Adams, Gary Brown, A. Donald Cowan, Thomas James, Stuart Kaufman, Rosellen McCarthy, Judy Pagano, Amelia Shachoy, Bonita Vines, and Kristy Williams made key contributions to this report.

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