

April 2006

TOBACCO SETTLEMENT

States' Allocations of Fiscal Year 2005 and Expected Fiscal Year 2006 Payments



G A O

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Highlights of [GAO-06-502](#), a report to congressional requesters

Why GAO Did This Study

In the 1990's, states sued major tobacco companies to obtain reimbursement for health impairments caused by the public's use of tobacco. In 1998, four of the nation's largest tobacco companies signed a Master Settlement Agreement (MSA) to make annual payments to 46 states in perpetuity as reimbursement for past tobacco-related health care costs. Some states have arranged to receive advance 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, through fiscal year 2006, on how states use MSA payments made by tobacco companies. To conduct this study, GAO surveys the 46 states. This is the fifth and final of a series of reports that provides information on

- the payments the 46 states received in fiscal year 2005 and expect to receive in fiscal year 2006 and
- states' allocations of these funds to various program categories and changes from prior years.

www.gao.gov/cgi-bin/getrpt?GAO-06-502.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert A. Robinson at (202) 512-3841 or robinsonr@gao.gov.

TOBACCO SETTLEMENT

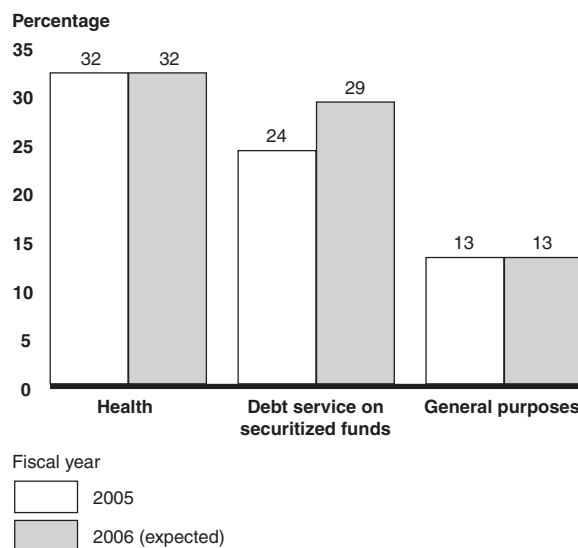
States' Allocations of Fiscal Year 2005 and Expected Fiscal Year 2006 Payments

What GAO Found

The 46 states that are party to the MSA reported receiving about \$5.8 billion in fiscal year 2005 and expect to receive about \$5.4 billion in fiscal year 2006. Over the previous 5 years, on average, states received \$9.3 billion annually. The recent decrease in tobacco settlement funds provided to states has occurred because securitized proceeds—payments states obtained from the sale of bonds backed by future MSA payments—have declined. Proceeds declined because only one state (Virginia) chose to issue a bond and receive proceeds in fiscal year 2005, and the two states (California and New York) with the largest payments issued bonds in prior years. In fiscal year 2006, states reported that all of the tobacco settlement funds they expect to receive will be payments from tobacco companies, and none from securitized proceeds.

The MSA allows states to use their tobacco settlement payments for any purpose. States reported that they used the largest portion of the fiscal year 2005 payments and proceeds (32 percent) to fund health-related programs and the next largest portion (24 percent) to fund debt service on securitized proceeds. States expect health programs to account for the same proportion of funds in fiscal year 2006, while they expect debt service to increase to 29 percent.

Categories to Which States Allocated the Largest Portions of Tobacco Settlement Payments and Securitized Proceeds (Fiscal Year 2005 and Expected Fiscal Year 2006)



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

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Abbreviations

MSA Master Settlement Agreement

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April 11, 2006

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, four 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).⁴ The MSA commits the tobacco companies to make annual payments to the 46 states and the aforementioned entities in perpetuity as reimbursement for health care costs, such as Medicaid expenditures, related to tobacco use.⁵ Each state receives a share of the annual MSA payments based on a fixed percentage identified in the MSA. These percentages were negotiated during the settlement and were based, in part, on smoking-related health care costs for each state. The total payment fluctuates annually based on a formula that considers participating manufacturers' annual U.S. shipments of tobacco as compared with those of 1997, as well as other factors such as inflation. The MSA imposed no requirements on how states spend their payments.

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

²Previously known as Philip Morris Incorporated.

³A number of tobacco companies have joined since the agreement was signed.

⁴For additional information on the agreement, refer to our June 2001 report on the MSA, *GAO, Tobacco Settlement: States' Use of Master Settlement Agreement Payments*, [GAO-01-851](#) (Washington, D.C.: June 29, 2001).

⁵Total payments were originally estimated at over \$200 billion through 2025, but this estimate does not take into account adjustments in tobacco companies' payments that have or will occur.

The Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill) requires GAO to report annually, from fiscal years 2002 through 2006, on how states use MSA payments made by tobacco companies. In addition to these payments, 15 of the 46 states have received substantial advance 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.⁶ States can securitize the expected payment stream to receive funds up front rather than over time as MSA payments are made. This report also includes information about states' receipt and allocation of these securitized proceeds.⁷ This report is the fifth and final in a series of reports responding to the 2002 Farm Bill requirement.⁸ In addition, we previously reported in June 2001 on states' receipt and use of MSA payments for fiscal years 2000 and 2001.⁹

This report discusses the (1) amount of payments, including securitized proceeds, received by the 46 states party to the MSA during fiscal year 2005, the amount of payments these states expect to receive in fiscal year 2006, and (2) states' allocation of these funds to various program categories for fiscal year 2005 and expected allocations for fiscal year 2006.

To address our objectives, we surveyed state budget offices, or their designees, in each of the 46 states to obtain MSA payment and allocation

⁶The bonds for Oregon, 1 of the 15 states, were not securitized with tobacco settlement payments.

⁷While 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.

⁸GAO, *Tobacco Settlement: States' Allocations of Phase II Funds*, [GAO-03-262R](#) (Washington, D.C.: Dec. 3, 2002); GAO, *Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments*, [GAO-03-407](#) (Washington, D.C.: Feb. 28, 2003); GAO, *Tobacco Settlement: States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments*, [GAO-04-518](#) (Washington, D.C.: Mar. 19, 2004); and GAO, *Tobacco Settlement: States' Allocations of Fiscal Year 2004 and Expected Fiscal Year 2005 Payments*, [GAO-05-312](#) (Washington, D.C.: Mar. 21, 2005).

⁹[GAO-01-851](#).

information for fiscal years 2005 and 2006.^{10, 11} We asked the states to categorize their MSA payment allocations for fiscal year 2005 and their expected allocations for fiscal year 2006 using 13 categories. 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. We took several steps to assess the reliability of the states' data, including independently corroborating the data to the extent possible. We determined that the data were reliable enough for our purposes. In addition, we compared the data we received for fiscal years 2005 and 2006 with the payment and allocation information we collected from states for our earlier reports.¹² We conducted our work from September 2005 through March 2006 in accordance with generally accepted government auditing standards. See appendix I for more information on our scope and methodology and for detailed definitions of the categories used in this report.¹³ Appendix II shows each state's percentage share of annual MSA payments.

Results in Brief

The 46 states party to the MSA expect to receive a total of about \$11.3 billion in fiscal years 2005 and 2006, mostly from payments made by tobacco companies. These states reported receiving over \$5.8 billion in fiscal year 2005 and expect to receive \$5.4 billion in fiscal year 2006. These amounts are substantially less than those of previous years, when total payments and proceeds averaged about \$9.3 billion annually. The decreases occurred because only one state, Virginia, chose to issue a bond and receive securitized proceeds (\$390 million) in 2005, and none plan to do so in 2006. Since the MSA was signed, 15 of the 46 states securitized all or part of their payments, including the two states (California and New York) with the largest payments, which alone received \$6.7 billion in securitized proceeds in 2 prior years. Of the \$46.7 billion states reported receiving over

¹⁰Throughout 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.

¹¹Our 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.

¹²[GAO-01-851](#), [GAO-03-407](#), [GAO-04-518](#), and [GAO-05-312](#).

¹³Categories include such areas as education, health, budget shortfalls, and debt service on securitized funds.

the first 5 years, about \$31.1 billion were MSA payments from the tobacco companies and about \$15.6 billion were securitized proceeds.

States allocated the largest portions of their fiscal year 2005 tobacco settlement funds to health-related programs (32 percent) and debt service on securitized proceeds (24 percent). They expect health programs to remain about 32 percent and debt service to increase to 29 percent for fiscal year 2006. These two categories increased substantially from fiscal year 2004, when health-related programs represented 20 percent and debt service was 9 percent. However, while the percentage allocations to some program categories increased in fiscal year 2005, the dollars allocated to these categories decreased because of the nearly \$4 billion decrease in securitized proceeds from fiscal year 2004 to 2005.

States Received About \$5.8 Billion in MSA Payments and Securitized Proceeds in Fiscal Year 2005 and Expect to Receive Somewhat Less in Fiscal Year 2006

The 46 states party to the MSA reported receiving about \$5.5 billion in MSA payments from the tobacco companies and about \$390 million in securitized proceeds for 2005. For fiscal year 2006, these 46 states expect to receive close to the same amount of MSA payments;¹⁴ however no states expect to receive securitized proceeds. While the fiscal year 2005 and expected fiscal year 2006 MSA payments are similar to those of 2004, the securitized proceeds for the 2 years are about \$4 billion and \$4.4 billion less than in fiscal year 2004, respectively. Table 1 shows the payments and proceeds for each state for fiscal years 2005 and 2006.

¹⁴There is a possibility that this amount could be reduced because of certain provisions in the MSA. In April 2006, participating manufacturers might withhold as much as about \$1.1 billion from their expected payments for fiscal year 2006 because the MSA was found to be a significant factor in the 7.9 percent decline in their share of the cigarette market over several years following the MSA. However, according to an official from the National Association of Attorneys General, the participating manufacturers are not entitled to withhold funds from expected payments, and any reductions to 2006 payments, based on manufacturers' market share loss, would be provisional pending determinations that each state enacted and diligently enforced a statute provided in the MSA designed to counterbalance the effects of the MSA by requiring nonparticipating manufacturers to pay funds into escrow.

Table 1: MSA Payments and Securitized Proceeds States Reported Receiving in Fiscal Year 2005 and Expect to Receive in Fiscal Year 2006

State	Fiscal year 2005			Expected fiscal year 2006		
	MSA payments received	Securitized proceeds received	Total	MSA payments expected to be received	Securitized proceeds expected to be received	Total
Alabama	\$101,871,492	0	\$101,871,492	\$101,871,679	0	\$101,871,679
Alaska	21,759,260	0	21,759,260	22,133,477	0	22,133,477
Arizona	93,933,400	0	93,933,400	89,553,200	0	89,553,200
Arkansas	52,774,224	0	52,774,224	49,500,000	0	49,500,000
California ^a	406,932,000	0	406,932,000	401,637,000	0	401,637,000
Colorado	87,367,598	0	87,367,598	88,934,450	0	88,934,450
Connecticut	118,320,645	0	118,320,645	111,000,000	0	111,000,000
Delaware	25,207,000	0	25,207,000	27,698,000	0	27,698,000
Georgia	156,427,234	0	156,427,234	146,123,673	0	146,123,673
Hawaii	38,357,999	0	38,357,999	42,154,625	0	42,154,625
Idaho	23,151,453	0	23,151,453	24,071,285	0	24,071,285
Illinois	296,629,800	0	296,629,800	282,459,316	0	282,459,316
Indiana	130,000,535	0	130,000,535	132,132,122	0	132,132,122
Iowa	55,425,528	0	55,425,528	56,409,091	0	56,409,091
Kansas	53,131,448	0	53,131,448	52,000,000	0	52,000,000
Kentucky	112,241,980	0	112,241,980	108,600,000	0	108,600,000
Louisiana	144,591,814	0	144,591,814	145,366,560	0	145,366,560
Maine	49,033,129	0	49,033,129	49,594,690	0	49,594,690
Maryland	151,263,000	0	151,263,000	149,503,000	0	149,503,000
Massachusetts	257,411,796	0	257,411,796	253,349,780	0	253,349,780
Michigan	274,326,923	0	274,326,923	285,500,000	0	285,500,000
Missouri	144,964,644	0	144,964,644	154,000,000	0	154,000,000
Montana	27,070,703	0	27,070,703	26,102,000	0	26,102,000
Nebraska	37,919,415	0	37,919,415	36,273,307	0	36,273,307
Nevada	38,872,322	0	38,872,322	39,507,406	0	39,507,406
New Hampshire	42,400,000	0	42,400,000	43,000,000	0	43,000,000
New Jersey	246,462,646	0	246,462,646	249,152,772	0	249,152,772
New Mexico	38,009,047	0	38,009,047	29,657,921	0	29,657,921
New York ^a	410,564,424	0	410,564,424	434,741,632	0	434,741,632
North Carolina	148,640,949	0	148,640,949	163,353,241	0	163,353,241
North Dakota	23,326,754	0	23,326,754	22,972,067	0	22,972,067

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State	Fiscal year 2005			Expected fiscal year 2006		
	MSA payments received	Securitized proceeds received	Total	MSA payments expected to be received	Securitized proceeds expected to be received	Total
Ohio	321,050,059	0	321,050,059	321,050,059 ^b	0	321,050,059 ^b
Oklahoma	66,034,977	0	66,034,977	49,348,303	0	49,348,303
Oregon	73,142,434	0	73,142,434	75,110,359	0	75,110,359
Pennsylvania	366,258,217	0	366,258,217	351,180,000	0	351,180,000
Rhode Island	45,817,205	0	45,817,205	47,988,000	0	47,988,000
South Carolina	73,361,299	0	73,361,299	74,329,662	0	74,329,662
South Dakota	22,238,977	0	22,238,977	23,232,155	0	23,232,155
Tennessee	156,708,209	0	156,708,209	153,000,000	0	153,000,000
Utah	28,353,400	0	28,353,400	29,541,000	0	29,541,000
Vermont	26,205,607	0	26,205,607	24,500,000	0	24,500,000
Virginia	130,315,484	\$389,977,667	520,293,151	132,777,945	0	132,777,945
Washington	130,879,000	0	130,879,000	131,000,000	0	131,000,000
West Virginia	56,495,804	0	56,495,804	55,400,000	0	55,400,000
Wisconsin	132,054,977	0	132,054,977	138,929,751	0	138,929,751
Wyoming	15,827,492	0	15,827,492	15,827,492	0	15,827,492
Total	\$5,453,132,303^a	\$389,977,667	\$5,843,109,970^a	\$5,441,567,020^{a, b}	0	\$5,441,567,020^{a, b}

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.

^bWe used Ohio's 2005 MSA payment as an estimate for its expected 2006 payment based on Ohio's budget document, which advises state agencies to expect the same or less tobacco funds for that year as was received in 2005. In responding to our survey, Ohio declined to provide an estimate of its 2006 expected payment because of uncertainties in adjustments in MSA payments that may result from changes in participating manufacturers' share of the tobacco market.

Since fiscal year 2000, states have received a total of about \$53 billion in MSA payments and securitized proceeds; specifically, about \$37 billion from MSA payments and \$16 billion in securitized proceeds (see table 2). The amount of total payments and proceeds in fiscal year 2005 (\$5.8 billion) was significantly less than in fiscal year 2004, when New York alone received \$4.2 billion in securitized proceeds. States that have issued bonds backed by MSA payments must pay for debt service on these bonds.

Table 2: MSA Payments and Securitized Proceeds Received by the 46 States Since Fiscal Year 2000

Fiscal year	MSA payments	Securitized proceeds	Total
2000-01	\$13,200,000,000	\$928,900,000	\$14,128,900,000
2002	6,238,393,496	3,838,376,465	10,076,769,961
2003	6,306,329,459	6,482,764,469	12,789,093,928
2004	5,340,128,223	4,374,698,723	9,714,826,946
2005	5,453,132,303	389,977,667	5,843,109,970
Total	\$36,537,983,481	\$16,014,717,324	\$52,552,700,805

Sources: GAO-01-851, GAO-03-407, GAO-04-518, GAO-05-312, state budget offices or their designees, and GAO analysis.

Note: This table does not include payments or proceeds that went to cities and counties in California and New York.

In fiscal year 2005, Virginia was the only state that received securitized proceeds. Fifteen states have received a total of about \$16 billion in proceeds from the sale of bonds since fiscal year 2000, as shown in table 3. Five of the states—Alabama, Alaska, Iowa, Oregon and Rhode Island—have received proceeds in more than one year.

Table 3: Total Amount of Securitized Proceeds Received by States, Fiscal Years 2000-2005

State	Total securitized proceeds
Alabama	\$153,760,000
Arkansas	58,268,549
Alaska	203,000,000
California	2,485,000,000
Iowa	643,108,448
Louisiana	1,069,510,894
New Jersey	2,751,814,469
New York	4,200,000,000
Oregon	657,565,000 ^a
Rhode Island	545,859,897
South Carolina	785,900,000
South Dakota	278,045,000
Washington	517,905,000
Virginia	389,977,667

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State	Total securitized proceeds
Wisconsin	1,275,002,400
Total	\$16,014,717,324^a

Sources: GAO-01-851, GAO-03-407, GAO-04-518, GAO-05-312, state budget offices or their designees, and GAO analysis.

^aOregon issued bonds, but did not securitize them with tobacco settlement payments.

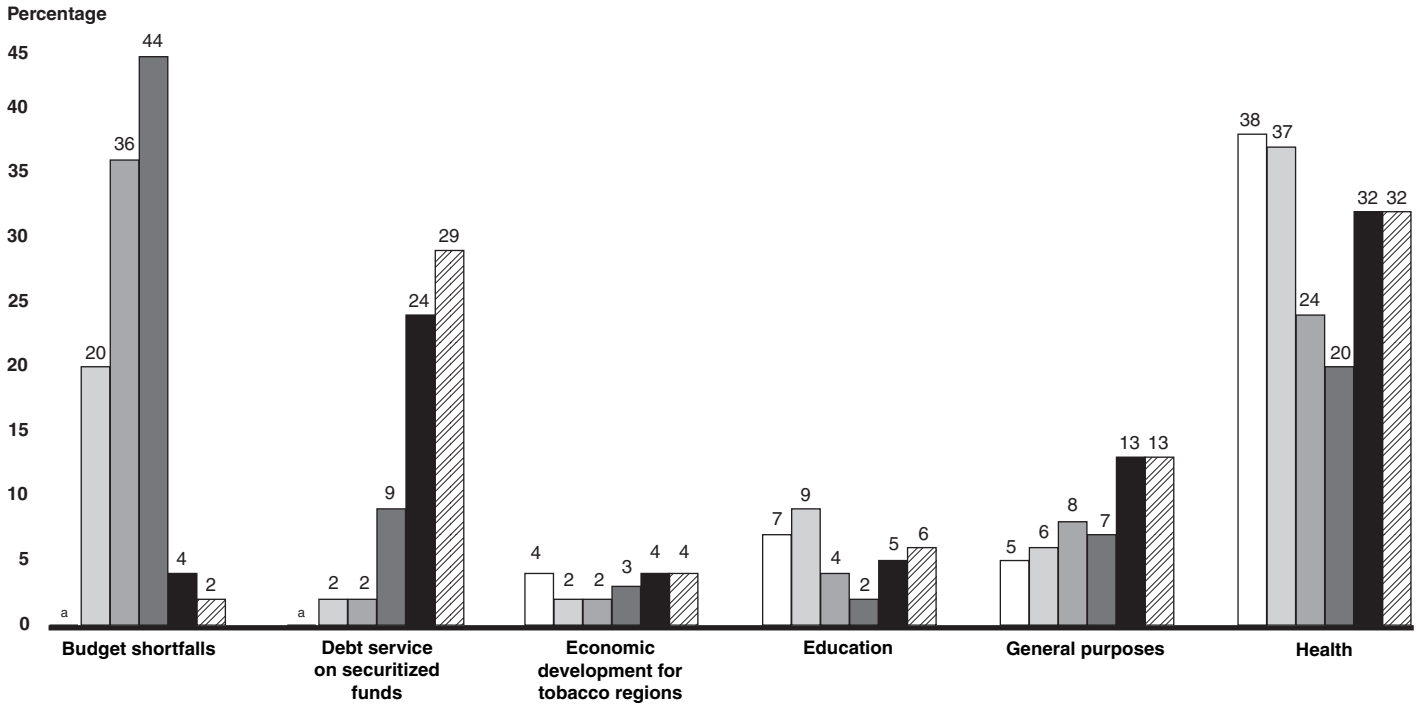
States Allocated the Largest Portion of Their Funds to Address Health-Related Programs and Debt Service on Securitized Proceeds in Fiscal Year 2005 and Expect to Do the Same in Fiscal Year 2006

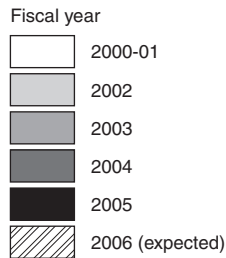
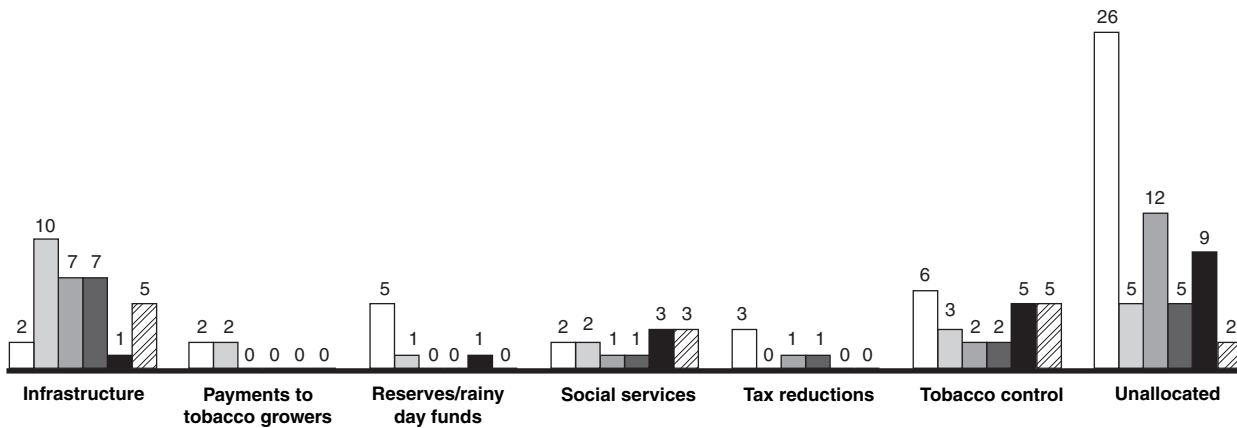
The 46 states reported that in fiscal year 2005 they allocated the largest portion of their combined MSA payments and securitized proceeds (32 percent) to health-related programs, and the next largest portion (24 percent) was allocated to debt service on securitized proceeds. In fiscal year 2006, the states expected the funding proportion that is devoted to health programs to remain at 32 percent and that which is devoted to debt service to increase to 29 percent. These two categories increased substantially from fiscal year 2004, when health-related programs represented 20 percent and debt service was 9 percent. The increases were accompanied by substantial decreases in state allocations to cover state budget shortfalls. Also, while the percentage allocations to some program categories increased in fiscal year 2005, the total number of dollars allocated to these categories decreased because of the nearly \$4 billion decrease in securitized proceeds from fiscal year 2004 to 2005. For example, the percentage allocation to health care increased from 20 to 32 percent, while the dollar amount decreased from about \$2.26 billion in fiscal year 2004 to \$1.87 billion in fiscal year 2005 and is expected to remain about the same in fiscal year 2006. Examples of the health-related programs included Medicaid, Children's Health Insurance Program, and cancer research and prevention. Figure 1 and appendix III provide more details on states' allocations of their combined MSA payments and securitized proceeds for fiscal years 2000 through 2005, and expected allocations for fiscal year 2006.

In addition, between fiscal years 2004 and 2005, the portion of funds that all states allocated to cover budget shortfalls decreased substantially from 44 percent to 4 percent, as shown in figure 1. Our analysis shows that changes in the allocations (primarily securitized proceeds) by New York and New Jersey were the primary cause of that decrease. The funds (about \$6.3 billion) allocated by these two states accounted for over half of the total funds (\$11.4 billion) that all states allocated in fiscal year 2004, but these amounts declined substantially in fiscal year 2005 and are expected to further decline in 2006. Specifically, in fiscal year 2004, New York allocated \$3.8 billion to budget shortfalls while New Jersey allocated \$873 million.

These two states' allocations accounted for about 92 percent of all funds allocated to budget shortfalls in fiscal year 2004. In fiscal year 2005, however, New York allocated only \$354 million to budget shortfalls while New Jersey did not allocate any funds to budget shortfalls. In fiscal year 2006, neither New York nor New Jersey expect to allocate any funds to budget shortfalls.

Figure 1: States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000 through 2005, and Expected Allocations for Fiscal Year 2006





Sources: GAO-05-312, state budget offices and their designees (data), and 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 year 2000 to 2001.

Tables 4 and 5 show the percentage of the combined MSA payments and securitized proceeds that individual states allocated, and expect to allocate, to various categories in fiscal years 2005 and 2006, respectively.

Table 4: Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2005

State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Alabama	0.0%	12.8%	0.0%	11.5%	5.9%	44.6%
Alaska	0.0	80.0	0.0	0.0	0.0	0.0
Arizona	0.0	0.0	0.0	0.0	0.0	100.0
Arkansas	0.0	9.5	0.0	4.8	0.0	57.3
California	0.0	100.0	0.0	0.0	0.0	0.0
Colorado	0.0	0.0	0.0	13.2	51.9	29.1
Connecticut	0.0	0.0	0.0	0.0	95.5	1.7
Delaware	0.0	0.0	0.0	7.3	0.2	61.6
Georgia	0.0	0.0	30.1	0.0	0.0	57.1
Hawaii	0.0	0.0	0.0	0.0	7.3	32.5
Idaho	0.0	0.0	0.0	0.0	0.0	2.2
Illinois	0.0	0.0	0.0	4.8	17.2	71.4
Indiana	0.0	0.0	26.4	0.0	0.0	49.7
Iowa	0.0	36.0	0.0	1.8	1.9	56.0
Kansas	0.0	0.0	0.0	16.3	1.4	2.5
Kentucky	0.0	0.0	42.9	9.7	3.2	34.3
Louisiana	0.0	59.6	0.0	0.0	0.2	9.9
Maine	0.1	0.0	0.0	21.2	0.1	36.3
Maryland	0.0	0.0	0.0	2.0	19.9	66.1
Massachusetts	0.0	0.0	0.0	0.0	100.0	0.0
Michigan	2.4	0.0	0.0	34.0	0.1	63.4
Missouri	49.6	0.0	0.0	0.0	1.6	48.4
Montana	0.0	0.0	0.0	0.0	10.6	68.5
Nebraska	0.0	0.0	0.0	0.0	0.2	53.3
Nevada	0.0	0.0	0.0	54.0	0.3	21.3
New Hampshire	0.0	0.0	0.0	94.3	5.7	0.0
New Jersey	0.0	99.9	0.0	0.0	0.0	0.1
New Mexico	0.0	0.0	0.0	0.0	68.8	31.2
New York	22.6	27.8	0.0	0.0	0.0	0.0
North Carolina	0.0	0.0	17.5	0.0	38.5	34.4
North Dakota	0.0	0.0	0.0	45.0	0.0	2.1
Ohio	0.0	0.0	13.9	8.2	8.5	33.2
Oklahoma	0.0	0.0	0.0	0.0	2.7	61.2
Oregon	0.0	35.6	0.0	0.0	0.0	22.4

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0%	0.0%	0.0%	24.7%	0.0%	0.5%	0.0%
0.0	0.0	0.0	0.0	0.0	20.0	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	28.5	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	3.5	0.0	2.4	0.0
0.0	0.0	0.0	0.0	0.0	0.1	2.7
0.0	0.0	0.0	11.0	0.0	17.8	2.1
0.0	0.0	0.0	4.6	0.0	8.1	0.0
26.0	0.0	22.7	0.0	0.0	11.6	0.0
0.0	0.0	0.0	1.2	0.0	5.1	91.6
0.6	0.0	0.0	3.3	0.0	2.6	0.0
1.7	0.0	0.0	16.1	0.0	6.1	0.0
0.0	0.0	0.0	0.0	0.0	4.2	0.0
0.0	0.0	0.0	78.8	0.0	0.9	0.0
5.4	0.0	0.0	0.0	0.0	4.4	0.0
0.0	0.0	0.0	0.0	0.0	0.3	29.8
0.0	0.0	0.0	11.5	0.0	30.8	0.0
0.0	3.7	0.0	0.0	0.0	6.5	1.8
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	0.0	0.0	0.0	0.0	0.3	0.0
0.0	0.0	0.0	10.1	0.0	8.9	1.9
0.0	0.0	0.0	7.5	0.0	6.6	32.4
0.0	0.0	0.0	16.6	0.0	7.9	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
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	9.6	0.0
45.0	0.0	0.0	0.0	0.0	7.9	0.0
0.0	0.0	0.0	3.3	0.0	32.9	0.0
0.0	0.0	0.0	0.0	0.0	28.6	7.4
0.0	0.0	0.0	0.0	0.0	0.6	41.4

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State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Pennsylvania	0.0	0.0	0.0	0.0	0.0	88.0
Rhode Island	0.0	100.0	0.0	0.0	0.0	0.0
South Carolina	0.0	100.0	0.0	0.0	0.0	0.0
South Dakota	0.0	61.9	0.0	36.2	0.0	0.0
Tennessee	0.0	0.0	0.0	0.0	100.0	0.0
Utah	0.0	0.0	0.0	0.0	0.4	45.5
Vermont	0.0	0.0	0.0	0.0	0.6	78.7
Virginia	0.0	0.0	34.7	0.0	0.0	40.0
Washington	0.0	26.0	0.0	0.0	0.0	63.0
West Virginia	0.0	0.0	0.0	0.0	0.0	34.6
Wisconsin	0.0	100.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	1.7	43.7
Total	4.4	23.6	3.9	4.9	13.4	31.6

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0	0.0	0.0	0.0	0.0	12.0	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	0.0
0.0	0.0	0.0	0.0	0.0	2.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	30.0	7.1	0.0	14.4	2.7
0.0	0.0	0.0	2.4	0.0	18.3	0.0
0.0	15.3	0.0	0.0	0.0	10.0	0.0
0.0	0.0	0.0	0.0	0.0	11.0	0.0
0.0	0.0	50.0	0.0	0.0	10.4	5.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	18.8	0.0	35.9	0.0
0.5	0.4	0.8	2.5	0.0	4.7	9.2

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

Notes: Percentages may not add up to 100 because of rounding. Appendix IV shows the dollar amount.

Table 5: Expected Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2006

State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Alabama	0.0%	8.7%	0.0%	7.8%	35.6%	30.5%
Alaska	0.0	76.9	0.0	0.0	0.0	0.0
Arizona	0.0	0.0	0.0	0.0	0.0	100.0
Arkansas	0.0	10.1	0.0	4.7	0.0	55.0
California	0.0	100.0	0.0	0.0	0.0	0.0
Colorado	0.0	0.0	0.0	4.9	38.4	43.9
Connecticut	0.0	0.0	0.0	0.0	85.5	14.4
Delaware	0.0	0.0	0.0	7.9	0.2	60.8
Georgia	0.0	0.0	30.1	0.0	0.0	63.3
Hawaii	0.0	0.0	0.0	0.0	7.2	32.5
Idaho	0.0	0.0	0.0	0.0	0.0	0.0
Illinois	0.0	0.0	0.0	4.5	8.6	77.1
Indiana	0.0	0.0	22.9	0.0	0.2	49.1
Iowa	0.0	35.6	0.0	1.8	2.7	55.8
Kansas	0.0	0.0	0.0	17.4	0.5	2.4
Kentucky	0.0	0.0	30.9	10.0	0.2	35.3
Louisiana	0.0	60.0	0.0	0.0	0.2	9.5
Maine	0.9	0.0	0.0	21.5	0.1	35.6
Maryland	0.0	0.0	0.0	2.0	19.7	68.4
Massachusetts	0.0	0.0	0.0	0.0	100.0	0.0
Michigan	0.0	0.0	0.0	57.5	0.1	42.3
Missouri	54.6	0.0	0.0	0.0	1.4	43.7
Montana	0.0	0.0	0.0	0.0	11.0	53.9
Nebraska	0.0	0.0	0.0	0.0	0.2	59.8
Nevada	0.0	0.0	0.0	41.2	0.6	31.7
New Hampshire	0.0	0.0	0.0	100.0	0.0	0.0
New Jersey	0.0	100.0	0.0	0.0	0.0	0.0
New Mexico	0.0	0.0	0.0	0.0	60.0	40.0
New York	0.0	100.0	0.0	0.0	0.0	0.0
North Carolina	0.0	2.0	5.0	2.0	33.9	40.1
North Dakota	0.0	0.0	0.0	45.0	0.0	1.0
Ohio	0.0	0.0	3.4	1.6	4.6	13.5
Oklahoma	0.0	0.0	0.0	0.0	2.8	60.8
Oregon	0.0	78.2	0.0	0.0	0.0	16.3

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0%	0.0%	0.0%	16.9%	0.0%	0.4%	0.0%
0.0	0.0	0.0	0.0	0.0	23.1	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	30.2	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
7.8	0.0	0.0	4.9	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.1	0.0
0.0	0.0	0.0	10.6	0.0	16.9	3.6
0.0	0.0	0.0	4.6	0.0	2.0	0.0
26.0	0.0	22.7	0.0	0.0	11.6	0.0
0.0	0.0	0.0	1.1	0.0	1.8	97.1
2.5	0.0	0.0	3.2	0.0	4.2	0.0
4.4	0.0	0.0	18.1	0.0	5.4	0.0
0.0	0.0	0.0	0.0	0.0	4.1	0.0
0.0	0.0	0.0	77.9	0.0	1.9	0.0
19.0	0.0	0.0	0.0	0.0	4.5	0.0
0.0	0.0	0.0	0.0	0.0	0.3	30.0
0.0	0.0	0.0	11.4	0.0	30.4	0.0
0.0	3.9	0.0	0.0	0.0	6.0	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	0.0
0.0	0.0	0.0	0.0	0.0	0.3	0.0
0.0	0.0	0.0	0.0	0.0	26.1	9.0
0.0	0.0	0.0	8.2	0.0	6.9	24.9
0.0	0.0	0.0	14.6	0.0	12.0	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	0.0
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
2.0	0.0	0.0	0.0	0.0	15.0	0.0
45.0	0.0	0.0	0.0	0.0	9.0	0.0
63.5	0.0	0.0	1.0	0.0	12.4	0.0
0.0	0.0	0.0	8.1	0.0	28.3	0.0
0.0	0.0	0.0	0.0	0.0	0.0	5.5

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State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Pennsylvania	0.0	0.0	0.0	0.0	0.0	91.0
Rhode Island	0.0	100.0	0.0	0.0	0.0	0.0
South Carolina	0.0	100.0	0.0	0.0	0.0	0.0
South Dakota	0.0	53.4	0.0	46.6	0.0	0.0
Tennessee	0.0	0.0	0.0	0.0	100.0	0.0
Utah	0.0	0.0	0.0	0.0	0.3	44.0
Vermont	0.0	0.0	0.0	0.0	0.6	78.3
Virginia	0.0	17.7	40.0	0.0	0.0	28.0
Washington	0.0	25.8	0.0	0.0	0.0	62.5
West Virginia	0.0	0.0	0.0	0.0	53.6	35.9
Wisconsin	0.0	100.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	1.7	43.7
Total	1.5	28.8	3.8	5.7	13.2	32.1

Infrastructure	Payments to tobacco growers	Reserves/rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0	0.0	0.0	0.0	0.0	9.0	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	0.0
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
0.0	0.0	25.0	6.8	0.0	13.8	10.1
0.0	0.0	0.0	2.1	0.0	18.9	0.0
0.0	7.3	0.0	0.0	0.0	7.0	0.0
0.0	0.0	0.0	0.0	0.0	11.8	0.0
0.0	0.0	0.0	0.0	0.0	10.5	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	18.8	0.0	35.9	0.0
5.4	0.3	0.3	2.7	0.0	4.7	1.5

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

Notes: Percentages may not add up to 100 because of rounding. Appendix IV shows the dollar amount each state allocated to the various categories.

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>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or robinsonr@gao.gov. Contact points for our Offices of Congressional Relations or Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix VI.



Robert A. Robinson
 Managing Director, Natural Resources
 and Environment

List of Congressional Requesters

The Honorable Saxby Chambliss
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 (the 2002 Farm Bill) requires GAO to report annually, from fiscal years 2002 through 2006, on how states use Master Settlement Agreement (MSA) payments made by tobacco companies. This report is the fifth and final 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). In March 2004, we issued the report *Tobacco Settlement: States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments* (GAO-04-518). In March 2005, we issued the report *Tobacco Settlement: States' Allocations of Fiscal Year 2004 and Expected Fiscal Year 2005 Payments* (GAO-05-312). We 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 2005 and the amount of payments these states expect to receive during fiscal year 2006 and (2) states' allocations of MSA funds to various program categories for fiscal year 2005 and states' expected allocations for fiscal year 2006.^{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 performed some reliability testing and independently corroborated these data, to the extent possible. We reviewed and compared MSA payment data reported by states with amounts provided by the National Association of Attorneys General.⁴ We contacted state officials to discuss any data entries

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 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.

on the surveys that were questionable, and resolved all discrepancies between the survey data and the data provided by National Association of Attorneys General. We also reviewed previous GAO reports and other relevant studies. Based on this work, we determined that the data were reliable enough for our purposes. We conducted our work from September 2005 through March 2006 in accordance with generally accepted government auditing standards.

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 2006 payments, we were unable to obtain final information on the actual MSA payments states received during fiscal year 2006. Consequently, we obtained information on states' expected fiscal year 2006 MSA payments.

Survey Methodology and Categorization of States' Allocations

We used a survey instrument similar to the one used to obtain information for our March 2005 report. In September 2005, we contacted the 46 state budget officials, or their designees, who completed the surveys for our March 2005 report. The officials in many of these states indicated they would be the respondents for this year's survey and several identified new respondents. In September 2005, 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 MSA payments states received in fiscal year 2005 and MSA payments they expect to receive in fiscal year 2006, and the states' allocations and expected allocations of MSA payments in fiscal years 2005 and 2006, respectively. We also obtained information on the states' proceeds, if any, from securitization or expected securitization in fiscal years 2005 and 2006, 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 2005 and 2006 using the 13 program categories developed for our report. (See below for the definitions of the 13 categories.) The level of detail for individual states varies because we are relying on state-reported information.

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

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.

In addition, we took information on MSA payments and securitized proceeds received and allocated for fiscal years 2000 through 2004 that we collected for previous GAO reports dealing with the MSA⁶ and compared it with receipts and allocations for fiscal years 2005 and 2006.

Categories of States' Allocations

To standardize the information reported by the 46 states, we developed the following categories and definitions for the program areas to which states allocated their payments.

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 service on securitized funds: 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

⁶GAO-01-851, GAO-03-407, GAO-04-518, and GAO-05-312.

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.

General purposes: This category is comprised of amounts allocated for attorneys' fees and other items, such as law enforcement or community development, which could not be placed into 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 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.

Allocations of MSA Payments for 46 States

Each of the 46 states receives a share of the annual MSA payments based on the following fixed percentages identified in the MSA.

Table 6: Allocations 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

Appendix II
Allocations of MSA Payments for 46 States

(Continued From Previous Page)

State	Percent
Oklahoma	1.0361370
Oregon	1.1476582
Pennsylvania	5.7468588
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

Sources: [GAO-05-312](#) and the MSA.

States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000 through 2006

Dollars in millions (current year dollars) and percent

Category	2000-2001		2002	
	Allocation	Percent	Allocation	Percent
Budget shortfalls	a	a	\$2,448	20%
Debt service on securitized funds	a	a	271	2
Economic development for tobacco regions	\$466	4%	218	2
Education	848	7	1,132	9
General purposes	623	5	684	6
Health	4,788	38	4,434	37
Infrastructure	294	2	1,222	10
Payments to tobacco growers	235	2	192	2
Reserves/Rainy day funds	603	5	124	1
Social services	231	2	278	2
Tax reductions	416	3	35	0
Tobacco control	790	6	375	3
Unallocated	3,217	26	584	5
Total	\$12,511	100%	\$11,998	99%

**Appendix III
States' Allocations of Combined MSA
Payments and Securitized Proceeds for Fiscal
Years 2000 through 2006**

2003		2004		2005		Expected 2006	
Allocation	Percent	Allocation	Percent	Allocation	Percent	Allocation	Percent
\$5,038	36%	\$5,059	44%	\$261	4%	\$85	1%
339	2	998	9	1,397	24	1,662	29
285	2	291	3	230	4	217	4
531	4	280	2	287	5	330	6
1,111	8	747	7	790	13	761	13
3,455	24	2,263	20	1,867	32	1,850	32
1,044	7	759	7	31	1	313	5
43	0	25	0	26	0	20	0
24	0	14	0	45	1	17	0
160	1	142	1	150	3	154	3
109	1	56	1	0	0	0	0
276	2	223	2	279	5	272	5
1,720	12	575	5	543	9	86	2
\$14,135	99%	\$11,432	101%	\$5,907	101%	\$5,767	100%

Sources: [GAO-05-312](#) and state budget offices or their designees (data); GAO (analysis).

Note: Percentages may not add up to 100 percent and allocations may not add up to total allocations due to rounding. The 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.

^aWe 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 MSA Payments and Securitized Proceeds Received and Allocated

This appendix presents the following information for each of the 46 states party to the MSA:

- the amount of MSA payments received and the categories to which they were allocated for fiscal year 2005;
- the amount of MSA payments expected to be received and the expected categories to which they will be allocated for fiscal year 2006; and
- 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 2005 and 2006, respectively, if applicable (applies to four states).

Tables 7 through 52 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 Virginia received securitized proceeds in fiscal year 2005; no states expect to receive proceeds in fiscal year 2006. However, Iowa, New York, and South Dakota allocated or expected to allocate funds composed of securitized proceeds received in prior years. In these four cases, we combined securitized proceeds with MSA payments.

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

Alabama

Alabama reported receiving \$101,871,492 from MSA payments in fiscal year 2005 and expects to receive \$101,871,679 in fiscal year 2006.

Table 7: Alabama’s MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$13,000,000	\$13,000,000	
Education	11,675,163	11,675,188	Alternative schools, Department of Education
General purposes	6,008,160	53,008,172	Juvenile probation officers, administration, forensic sciences
Health	45,449,741	45,449,837	Public health, mental health, Medicaid, senior services
Social services	25,207,739	25,207,792	Child welfare, children’s programs, youth services, rehabilitation services
Tobacco control	530,689	530,690	Tobacco enforcement for minors
Total	\$101,871,492	\$148,871,679^a	

Source: Alabama Executive Budget Office.

^aIncludes carry-over funds.

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Alaska

Alaska reported receiving \$21,759,260 from MSA payments in fiscal year 2005 and expects to receive \$22,133,477 in fiscal year 2006.

Table 8: Alaska's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$17,407,408	\$16,900,000	
Tobacco control	4,351,852	5,085,339	Tobacco use prevention programs, use cessation grants, enforcement, counter marketing, evaluation of programs
Total	\$21,759,260	\$21,985,339	

Source: Alaska Department of Revenue – Tax Division.

Arizona

Arizona reported receiving \$93,933,400 from MSA payments in fiscal year 2005 and expects to receive \$89,553,200 in fiscal year 2006.

Table 9: Arizona's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Health	\$94,142,500	\$89,553,200	Health services, including behavioral health
Total	\$94,142,500^a	\$89,553,200	

Source: Arizona Governor's Budget Office.

^aIncludes interest earned.

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State-Specific Information on Amounts of
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Arkansas

Arkansas reported receiving \$52,774,224 from MSA payments in fiscal year 2005 and expects to receive \$49,500,000 in fiscal year 2006.

Table 10: Arkansas' MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$5,000,000	\$5,000,000	
Education	2,508,007	2,337,289	University of Arkansas' School of Public Health
Health	30,235,237	27,230,395	Prevention and cessation, biomedical research, Medicaid, minority health
Tobacco control	15,030,980	14,932,316	Enforcement related to sales to minors
Total	\$52,774,224	\$49,500,000	

Source: Arkansas Department of Finance and Administration.

California

California reported receiving \$406,932,000 from MSA payments in fiscal year 2005 and expects to receive \$401,637,000 in fiscal year 2006.

Table 11: California's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$406,932,000	\$401,637,000	
Total	\$406,932,000	\$401,637,000	

Source: California Department of Finance.

Notes: These MSA payments exclude payments made to California cities and counties. Cities and counties in the state received the same amount as the state.

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Colorado

Colorado reported receiving \$87,367,598 from MSA payments in fiscal year 2005 and expects to receive \$88,934,450 in fiscal year 2006.

Table 12: Colorado's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$16,355,403	\$4,446,723	Read to Achieve
General purposes	64,530,052	34,909,422	
Health	36,172,817	39,905,273	Visiting Nurses, Primary and Preventive Care grants, Children's Health Plan Plus and Prenatal Health Care, dental loan repayment, breast and cervical cancer, children's mental health, Ryan White AID/HIV, children with autism, the Medicaid Management Information System
Infrastructure	0	7,114,156	
Social services	4,304,053	4,446,723	Veteran's Trust Fund, Tony Grampsas Youth Services
Tobacco control	2,951,553	0	Tobacco use cessation
Total	\$124,313,878^a	\$90,822,297^b	

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

^aIncludes carry-over funds and interest earned.

^bIncludes interest earned.

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State-Specific Information on Amounts of
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Connecticut

Connecticut reported receiving \$118,320,645 from MSA payments in fiscal year 2005 and expects to receive \$111,000,000 in fiscal year 2006.

Table 13: Connecticut’s MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$112,984,760	\$94,875,000	General Fund
Health	2,000,000	16,000,000	Biomedical Research Trust Fund, Tobacco and Health Trust Fund
Tobacco control	125,000	125,000	
Unallocated	3,210,885	0	
Total	\$118,320,645	\$111,000,000	

Source: Connecticut Office of Policy and Management, Fiscal and Program Policy Section.

Delaware

Delaware reported receiving \$25,207,000 from MSA payments in fiscal year 2005 and expects to receive \$27,698,000 in fiscal year 2006.

Table 14: Delaware’s MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$1,926,000	\$2,188,000	Scholarships for nursing students at community college, survey on alcohol use, 5-year study and guidelines for lesser known illnesses
General purposes	57,100	57,100	Funding for one full-time staff to assist the Delaware Health Care Commission
Health	16,193,400	16,849,500	Delaware Prescription Drug Assistance Program, Medicaid coverage for Supplemental Security Income Transition and for Pregnant Women’s Diabetes Pilot Program, Uninsured Action Plan, various cancer programs, Public Access Defibrillation Program

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Social services	2,888,700	2,926,500	Supplemental Security Income supplement, substance abuse transitional housing, Heroin Residential Program, assisted living, attendant care services, caregiver support
Tobacco control	4,684,500	4,684,500	Tobacco use prevention education, enforcement activities, Smoking Cessation Quitline
Unallocated	542,700	992,400	
Total	\$26,292,400^a	\$27,698,000	

Source: Delaware Department of Health and Social Services.

^aIncludes carry-over funds.

Georgia

Georgia reported receiving \$156,427,234 from MSA payments in fiscal year 2005 and expects to receive \$146,123,673 in fiscal year 2006.

Table 15: Georgia's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Economic development for tobacco regions	\$47,123,333	\$47,123,333	One Georgia Authority
Health	89,362,868	99,148,370	Medicaid, state children's health insurance programs, critical access hospital reimbursement, public health, Medicaid home and community-based waiver programs, Georgia Cancer Coalition (includes the Georgia Cancer Coalition Eminent Cancer Scientists and Clinicians Program for Cancer Research)
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	12,733,995	3,205,245	Tobacco Use Prevention Program, compliance and enforcement for underage smokers
Unallocated	5,723		
Total	\$156,375,723^a	\$156,626,752^b	

Source: Georgia Office of Planning and Budget.

^aPayments received in fiscal year 2004 were budgeted for fiscal year 2005.

^bPayments received in fiscal year 2005 were budgeted for fiscal year 2006.

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Hawaii

Hawaii reported receiving \$38,357,999 from MSA payments in fiscal year 2005 and expects to receive \$42,154,625 in fiscal year 2006.

Table 16: Hawaii's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$2,784,010	\$3,027,143	Centralized administrative services, Tobacco Enforcement Special Fund for the Attorney General's Office for MSA Enforcement
Health	12,450,896	13,694,619	Department of Health's public health programs, Department of Human Service's children's health insurance programs
Infrastructure	9,960,717	10,955,695	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 fund	8,715,627	9,586,233	State of Hawaii's Emergency and Budget Reserve Fund, health and social service programs
Tobacco control	4,446,749	4,890,935	Tobacco Prevention and Control Trust Fund
Total	\$38,357,999	\$42,154,625	

Source: Hawaii Department of Budget and Finance.

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Idaho

Idaho reported receiving \$23,151,453 from MSA payments in fiscal year 2005 and expects to receive \$24,071,285 in fiscal year 2006.

Table 17: Idaho's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Health	\$500,000	0	Catastrophic Health Care Cost Program for tobacco-related disease treatment
Social services	270,000	\$270,000	Youth courts and status offender programs as they relate to tobacco and substance abuse issues
Tobacco control	1,169,700	430,000	Development of statewide youth coalitions, tobacco counter-marketing, public health districts' tobacco use cessation programs, youth tobacco investigations
Unallocated	21,211,753	23,371,285	
Total	\$23,151,453	\$24,071,285	

Source: Idaho Division of Financial Management.

Illinois

Illinois reported receiving \$296,629,800 from MSA payments in fiscal year 2005 and expects to receive \$282,459,316 in fiscal year 2006.

Table 18: Illinois' MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$13,800,000	\$13,800,000	Payments to Centers for Academic Excellence for medical research
General purposes	49,001,698	26,553,172	Technology marketing, technology centers, administrative fees charged to the tobacco fund, audit expenses charged to the tobacco fund, Court of Claims awards
Health	203,765,481	238,414,550	Medicaid drugs, drugs for senior citizens
Infrastructure	1,817,343	7,602,749	Capital maintenance on state owned facilities
Social services	9,319,189	9,990,900	Outreach programs to the aging

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Tobacco control	7,539,377	12,917,900	Tobacco prevention activities of local health departments, tobacco control programs, tobacco enforcement of MSA provisions, grant to the American Lung Association
Total	\$285,243,088^a	\$309,279,271^a	

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

^aIncludes carry-over funds and interest earned.

Indiana

Indiana reported receiving \$130,000,535 from MSA payments in fiscal year 2005 and expects to receive \$132,132,122 in fiscal year 2006.

Table 19: Indiana's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Economic development for tobacco regions	\$46,300,000	\$43,100,000	Value Added Research Fund, Rural Development Administration Fund, Rural Development Council Fund, Technology Development Grant Fund, 21 st Century Research and Technology Fund, Commission on Hispanic and Latino Affairs
General purposes	0	300,000	Attorney General's Office
Health	87,400,000	92,200,000	Breast cancer education and diagnosis; prostate cancer education and diagnosis; sickle cell; State Department of Health Administration; cancer registry; minority health initiative; HIV/AIDS services; testing for drug-afflicted babies; AIDS education; state chronic diseases; Women, Infants, and Children supplement; Maternal and Child Health supplement; aid to TB hospitals; Local Health Maintenance Fund; Local Health Department Trust Account; Community Health Centers; minority epidemiology; Children's Health Insurance Program; Prescription Drug Account/Hoosier Rx; Community Health Centers
Infrastructure	2,900,000	8,200,000	Regional health care construction
Social services	28,300,000	33,900,000	Developmentally Disabled Client Services, Division of Disability, Aging and Rehabilitative Services; Social Services Block Grant
Tobacco control	10,800,000	10,100,000	Tobacco use prevention and cessation
Total	\$175,700,000^a	\$187,800,000^a	

Source: Indiana State Budget Agency.

^aIncludes carry-over funds and interest earned.

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Iowa

Iowa reported receiving \$55,425,528 from MSA payments in fiscal year 2005 and expects to receive \$56,409,091 in fiscal year 2006. In addition, Iowa reported \$63,852,236 was available in fiscal year 2005 from a fund composed of (1) securitized proceeds received in prior years and (2) interest earned on these proceeds. Iowa expects \$66,284,236 to be available from this fund in fiscal year 2006.

Table 20: Iowa's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$42,978,000	\$43,680,000	
Education	2,153,250	2,153,250	Early childhood development
General purposes	2,297,285	3,331,285	Correctional programs
Health	66,837,664	68,517,227	Medicaid, substance abuse
Tobacco control	5,011,565	5,011,565	Tobacco use, control, cessation programs
Total	\$119,277,764^a	\$122,693,327^a	

Source: Iowa Department of Management.

^aIncludes carry-over funds and interest earned.

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Kansas

Kansas reported receiving \$53,131,448 from MSA payments in fiscal year 2005 and expects to receive \$52,000,000 in fiscal year 2006.

Table 21: Kansas' MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$8,684,755	\$9,329,045	Parent education, 4-year olds at risk, vision research, special education
General purposes	752,882	252,882	State General Fund, Children's Cabinet Administration
Health	1,337,792	1,300,000	Healthy Start Home Visitor, Telekid Health Care Link
Social services	41,865,293	41,863,081	Juvenile justice prevention and sanction grants, children's mental health initiative, family-centered systems of care, therapeutic preschool, childcare and child welfare community services, Healthwave, Medicaid, Smart Start Kansas (early childhood care and education), immunization outreach, school violence prevention, family preservation, attendant care for independent living
Tobacco control	500,000	1,000,000	Smoking prevention and cessation
Total	\$53,140,722^a	\$53,745,008^a	

Source: Kansas Division of the Budget.

^aIncludes interest earned.

Kentucky

Kentucky reported receiving \$112,241,980 from MSA payments in fiscal year 2005 and expects to receive \$108,600,000 in fiscal year 2006.

Table 22: Kentucky's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Economic development for tobacco regions	\$48,195,900	\$33,541,300	<i>Governor's Office for Agricultural Policy, Conservation: Environmental Stewardship</i>
Education	10,908,800	10,908,800	<i>Families and Children: Early Childhood Development Program, Governor's Office of Early Childhood Development Program; Kentucky Higher Education Assistance Authority: Early Childhood Scholarship Program</i>

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	3,616,980	175,000	<i>General Fund, Department of Revenue:</i> enforcement
Health	38,461,300	38,370,400	<i>Public Health:</i> Health Access Nurturing Development Service, Folic Acid Distribution, Healthy Start, Universal Children's Immunization, Child Advocacy Centers, Early Childhood Mental and Oral Health; <i>Mental Health:</i> Substance Abuse Services to Medicaid-Eligible Women with Dependent Children; <i>Children With Special Health Care Needs:</i> Universal Newborn Hearing Testing and Vision Screening; <i>Council on Postsecondary Education:</i> Lung Cancer Research Program; <i>Insurance:</i> Kentucky Access (High Risk Individual Insurance Pool)
Infrastructure	6,116,600	20,671,200	<i>Debt Service:</i> Water Resource Development, Rural Development Bond Fund
Tobacco control	4,942,400	4,933,300	Smoking cessation
Total	\$112,241,980	\$108,600,000	

Source: Kentucky Governor's Office for Policy Research.

Louisiana

Louisiana reported receiving \$144,591,814 from MSA payments in fiscal year 2005 and expects to receive \$145,366,560 in fiscal year 2006.

Table 23: Louisiana's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$86,242,759	\$87,148,112	
General purposes	350,000	350,000	Attorney General enforcement programs
Health	14,377,675	13,758,480	Medicaid, School-based Health Centers, Louisiana Children's Health Insurance Programs, health care science grants
Tobacco control	500,000	500,000	Smoking prevention and cessation grants
Unallocated	43,121,380	43,609,968	
Total	\$144,591,814^a	\$145,366,560	

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

^aIncludes carry-over funds.

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Maine

Maine reported receiving \$49,033,129 from MSA payments in fiscal year 2005 and expects to receive \$49,594,690 in fiscal year 2006.

Table 24: Maine's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Budget shortfalls	\$55,218	\$451,010	
Education	10,423,452	10,793,711	Child care and development activities, after-school services, Head Start
General purposes	56,552	65,747	Attorney General enforcement and administration
Health	17,883,261	17,920,623	Prescription drugs, Medicaid, other health initiatives
Social services	5,658,262	5,741,915	Substance abuse prevention, intervention, testing, treatment
Tobacco control	15,159,818	15,295,990	Community and school grants and statewide coordination to reduce tobacco addiction and use; tobacco prevention, control, treatment
Total	\$49,236,563^a	\$50,268,996^a	

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

^aIncludes carry-over funds and interest earned.

Maryland

Maryland reported receiving \$151,263,000 from MSA payments in fiscal year 2005 and expects to receive \$149,503,000 in fiscal year 2006.

Table 25: Maryland's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$3,000,000	\$3,000,000	Text books for nonpublic schools
General purposes	30,169,000	30,052,000	Legal fees (settlement with outside counsel), Attorney General's Office for Nonparticipating Manufacturers' Enforcement
Health	99,924,000	104,362,000	Medicaid, cancer prevention, screening and treatment; heart and lung disease; breast and cervical cancer; management; drug addiction
Payments to tobacco growers	5,653,000	5,956,000	Tri-County Council of Southern Maryland

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Tobacco control	9,854,000	9,230,000	Countermarketing, minority outreach and technical assistance, surveillance and evaluation, administration
Unallocated	2,663,000	0	
Total	\$151,263,000	\$152,600,000^a	

Source: Maryland Department of Budget and Management.

^aIncludes carry-over funds.

Massachusetts

Massachusetts reported receiving \$254,593,761 from MSA payments in fiscal year 2005 and expects to receive \$253,349,780 in fiscal year 2006.

Table 26: Massachusetts' MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$254,593,761	\$253,349,780	Commonwealth's General Fund
Total	\$254,593,761	\$253,349,780	

Source: Massachusetts Executive Office of Administration and Finance.

Michigan

Michigan reported receiving \$274,326,923 from MSA payments in fiscal year 2005 and expects to receive \$285,500,000 in fiscal year 2006.

Table 27: Michigan's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Budget shortfalls	\$7,000,000	0	
Education	99,300,000	\$166,300,000	Merit Award scholarships and tuition incentive grants for higher education students, Michigan Educational Assessment Program testing for K-12 students, nursing scholarships, Michigan Education Savings Plan, general higher education support

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	368,200	386,800	Attorney General administration
Health	185,100,000	122,300,000	Elder pharmaceutical assistance, Medicaid personal needs allowance, respite care, Medicaid support, biomedical research and development
Total	\$291,768,200^a	\$288,986,800^a	

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

^aIncludes carry-over funds and interest earned.

Missouri

Missouri reported receiving \$144,964,644 from MSA payments in fiscal year 2005 and expects to receive \$154,000,000 in fiscal year 2006.

Table 28: Missouri's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Budget shortfalls	\$72,149,994	\$84,089,532	
General purposes	2,375,886	2,145,573	General revenue fund to support programs such as education, Medicaid, corrections
Health	70,369,652	67,282,481	Payments to Medicaid providers, grants to hospitals for graduate medical education, prescription drug assistance for low-income seniors through the Missouri Senior Rx Program
Tobacco control	482,414	482,414	Enforcement of state laws on underage tobacco use
Total	\$145,377,946^a	\$154,000,000	

Source: Missouri Division of Budget and Planning.

^aIncludes carry-over funds.

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Montana

Montana reported receiving \$27,070,703 from MSA payments in fiscal year 2005 and expects to receive \$26,102,000 in fiscal year 2006.

Table 29: Montana's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$2,977,777	\$2,871,220	General Fund
Health	19,263,236	14,065,685	State Children's Health Insurance Program (SCHIP), Medicaid, Mental Health Services, Hospice and Home Health, Tobacco Trust Fund, Montana Comprehensive Health Insurance
Social services	2,844,884	0	Childcare, child support enforcement, infant mortality abatement, poison control, AIDS prevention, independent living, extended employment
Tobacco control	2,509,368	\$6,825,385	Tobacco prevention
Unallocated	524,562	2,339,710	
Total	\$28,119,823^a	\$26,102,000	

Source: Montana Office of Budget and Program Planning.

^aIncludes carry over funds.

Nebraska

Nebraska reported receiving \$37,919,415 from MSA payments in fiscal year 2005 and expects to receive \$36,273,307 in fiscal year 2006.

Table 30: Nebraska's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$86,595	\$88,437	MSA and tobacco tax law enforcement
Health	20,216,433	21,678,570	Behavioral health (Medicaid and non-Medicaid), public health, State Children's Health Insurance Program, biomedical research
Social services	2,848,200	2,983,029	Community-based developmental disability services, respite care assistance

**Appendix IV
State-Specific Information on Amounts of
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(Continued From Previous Page)

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Tobacco control	2,500,000	2,500,000	Tobacco use prevention, control, and cessation programs for youth and adults
Unallocated	12,268,187	9,023,271	
Total	\$37,919,415	\$36,273,307	

Source: Nebraska Department of Administrative Services-Budget Division.

Nevada reported receiving \$38,872,322 from MSA payments in fiscal year 2005 and expects to receive \$39,507,406 in fiscal year 2006.

Table 31: Nevada's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$33,003,114	\$16,250,000	Scholarship program for Nevada students who attend a Nevada higher education institution
General purposes	286,523	427,350	Attorney General's tobacco retail enforcement and master settlement legal expenses
Health	12,990,070	12,523,141	Grants to improve health services for children and persons with disabilities, prescription drugs and pharmaceutical services for low-income seniors, endowment fund to provide grants for the promotion of public health
Social services	10,121,699	5,757,637	Grants that assist senior citizens to live independent of care facilities, senior services, homemaker program
Tobacco control	4,680,754	4,528,847	Grants to help fund tobacco cessation programs
Total	\$61,082,160^a	\$39,486,975^a	

Source: State Treasurer's Office.

^aIncludes carry-over funds and interest earned.

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New Hampshire

New Hampshire reported receiving \$42,400,000 from MSA payments in fiscal year 2005 and expects to receive \$43,000,000 in fiscal year 2006.

Table 32: New Hampshire's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$40,000,000	\$43,000,000	Education Trust Fund, which distributes grants to school districts
General purposes	2,400,000	0	General Fund
Total	\$42,400,000	\$43,000,000	

Source: New Hampshire Office of Legislative Budget Assistant.

New Jersey

New Jersey reported receiving \$246,462,646 from MSA payments in fiscal year 2005 and expects to receive \$249,152,772 in fiscal year 2006.

Table 33: New Jersey's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$245,110,225	\$249,152,772	
Health	135,242	0	New Jersey Family Care, new and expanded Community Options for Seniors, expansion of Cancer Initiative, Senior Gold Pharmaceutical Assistance
Total	\$245,245,467	\$249,152,772	

Source: New Jersey Office of Management and Budget.

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New Mexico

New Mexico reported receiving \$38,009,047 from MSA payments in fiscal year 2005 and expects to receive \$29,657,921 in fiscal year 2006.

Table 34: New Mexico's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General Purposes	\$26,139,047	\$17,787,921	
Health	11,870,000	11,870,000	Lung and tobacco illness research, poison control
Total	\$38,009,047	\$29,657,921	

Source: New Mexico Department of Finance and Administration.

New York

New York reported receiving \$410,564,424 from MSA payments in fiscal year 2005 and expects to receive \$434,741,632 in fiscal year 2006. These MSA payments include only the 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.

Table 35: New York's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Budget shortfalls	\$354,313,266	0	
Debt service on securitized funds	447,946,434	\$434,741,632	
Total	\$802,259,700^a	\$434,741,632	

Source: New York State Division of the Budget.

^aThis amount includes securitized proceeds received in fiscal year 2004.

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North Carolina

North Carolina reported receiving \$148,640,949 from MSA payments in fiscal year 2005 and expects to receive \$163,353,241 in fiscal year 2006.

Table 36: North Carolina's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	0	\$1,979,096	
Economic development for tobacco regions	\$27,200,505	5,059,214	Aerospace Alliance Initiative Awards, Economic Catalyst Awards, Diversification Initiatives, Agri-Economic Development, Workforce Development, Conservation of Natural Resources
Education	0	2,000,000	Golden Leaf Foundation
General purposes	60,000,000	34,000,000	General Fund
Health	53,500,000	40,245,278	Senior Care Prescription Drug Program, Childhood Obesity Reduction, Medication Assistance Program, Health Disparities
Infrastructure	0	1,979,096	Tobacco Trust fund transfer
Tobacco control	15,000,000	15,000,000	Youth tobacco use prevention and cessation, enforcement of tobacco laws prohibiting sales to minors
Total	\$155,700,505^a	\$100,262,684^a	

Source: North Carolina Office of State Budget and Management.

^aIncludes carry-over funds and interest earned. In addition, officials reported that they excluded the allocation for administrative expenses for fiscal year 2005 because the data were not available.

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North Dakota

North Dakota reported receiving \$23,326,754 from MSA payments in fiscal year 2005 and expects to receive \$22,972,067 in fiscal year 2006.

Table 37: North Dakota's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Education	\$10,497,039	10,337,430	45 percent of the MSA Funds are deposited in the common schools trust fund and interest earned on the fund is used for K-12 education
Health	489,862	229,721	Dental loan repayment program, breast and cervical cancer screening
Infrastructure	10,497,039	10,337,430	Water projects
Tobacco control	1,842,814	2,067,486	Tobacco cessation programs
Total	\$23,326,754	\$22,972,067	

Source: North Dakota Office of Management and Budget, Fiscal Management Division.

Ohio

Ohio reported receiving \$321,050,059 from MSA payments in fiscal year 2005. We used Ohio's 2005 MSA payment as an estimate for its expected 2006 payment based on Ohio's budget documents, which advise state agencies to expect the same or less tobacco funds for that year as was received in 2005. In responding to our survey, Ohio declined to provide an estimate of their 2006 expected payment because of uncertainties in adjustments in MSA payments that may result from changes in participating manufacturers' share of the tobacco market.

Table 38: Ohio's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Economic development for tobacco regions	\$15,584,593	\$13,030,277	Programs to increase the variety, quantity, and value of nontobacco agricultural products, strategic investment in communities adversely impacted by a reduction in tobacco demand, education and training for tobacco growers
Education	9,277,865	6,274,109	Technology enhancements in schools

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Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	9,533,109	17,971,831	Administration, oversight, and enforcement activities related to the MSA, law enforcement facilities improvements
Health	37,307,790	52,080,892	Minority health programs, alcohol and drug abuse prevention, biomedical technology transfer, support for children's hospitals, lung cancer and disease research and prevention
Infrastructure	0	245,922,706	School construction
Social services	3,725,000	3,982,451	Funding for uncompensated health care of uninsured
Tobacco control	37,050,428	47,905,890	Underage tobacco enforcement, use prevention and cessation programs
Total	\$112,478,785^a	\$387,168,156^a	

Source: Ohio Office of Budget and Management.

^aOhio supports each year's programs with MSA payments received during the prior fiscal year as well as interest earned.

Oklahoma

Oklahoma reported receiving \$66,034,977 from MSA payments in fiscal year 2005 and expects to receive \$49,348,303 in fiscal year 2006.

Table 39: Oklahoma's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$1,806,502	\$1,500,000	Attorney General's Evidence Fund
Health	40,445,047	32,649,026	Medicaid, Tobacco Settlement Endowment Trust Fund (to be used for health programs)
Social services	0	4,345,788	Child welfare, foster care services for homebound elders, senior nutrition
Tobacco control	18,886,011	15,199,277	Tobacco Settlement Endowment Trust Fund (to be used for control programs)
Unallocated	4,897,417	0	
Total	\$66,034,977	\$53,694,091^a	

Source: Oklahoma Office of State Finance.

^aIncludes carry-over funds.

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Oregon

Oregon reported receiving \$73,142,434 from MSA payments in fiscal year 2005 and expects to receive \$75,110,359 in fiscal year 2006.

Table 40: Oregon's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service	\$43,770,304	\$58,737,984	
Health	27,600,000	12,250,000	Oregon Health Plan, the state's Medicaid acute health care delivery system
Tobacco control	700,000	0	
Unallocated	50,925,577	4,122,375	
Total	\$122,995,881^a	\$75,110,359	

Source: Oregon Department of Administrative Services.

^aIncludes carry-over funds.

Pennsylvania

Pennsylvania reported receiving \$366,258,217 from MSA payments in fiscal year 2005 and expects to receive \$351,180,000 in fiscal year 2006.

Table 41: Pennsylvania's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Health ^a	\$326,354,000	\$333,295,000	Health research, adult health insurance, uncompensated care, medical assistance for workers with disabilities, community medical assistance
Tobacco control	44,503,000	32,963,000	Tobacco use prevention and cessation
Total	\$370,857,000^a	\$366,258,000^a	

Source: Pennsylvania Governor's Office of the Budget.

^aIncludes carry-over funds.

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Rhode Island

Rhode Island reported receiving \$45,817,205 from MSA payments in fiscal year 2005 and expects to receive \$47,988,000 in fiscal year 2006.

Table 42: Rhode Island's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$45,315,618	\$47,988,000	
Total	\$45,315,618	\$47,988,000	

Source: State of Rhode Island Budget Office.

South Carolina

South Carolina reported receiving \$73,361,299 from MSA payments in fiscal year 2005 and expects to receive \$74,329,662 in fiscal year 2006.

Table 43: South Carolina's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$73,361,299	\$74,329,662	
Total	\$73,361,299	\$74,329,662	

Source: South Carolina Office of State Budget.

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South Dakota

South Dakota reported receiving \$22,238,977 from MSA payments in fiscal year 2005 and expects to receive \$23,232,155 in fiscal year 2006. In addition, South Dakota reported \$14,322,737 was available in fiscal year 2005 from a fund composed of (1) securitized proceeds received in prior years and (2) interest earned on these proceeds. South Dakota expects \$15,005,263 to be available from this fund in fiscal year 2006.

Table 44: South Dakota's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds ^a	\$23,222,138	\$17,167,994	
Education ^b	13,572,737	15,005,263	General and special education, technology in schools, scholarships, postsecondary vocational education
Tobacco control ^b	750,000	0	Tobacco prevention and reduction plan
Total	\$37,544,875	\$32,173,257	

Source: South Dakota Bureau of Finance and Management and South Dakota Health and Education Facilities Authority.

^aThe Education Enhancement Funding Corporation pays for the debt service on securitized funds because the MSA payments are issued directly to the corporation rather than to the state.

^bThe state allocates these funds based on interest earned.

Tennessee

Tennessee reported receiving \$156,708,209 from MSA payments in fiscal year 2005 and expects to receive \$153,000,000 in fiscal year 2006.

Table 45: Tennessee's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$156,708,209	\$153,000,000	General Fund
Total	\$156,708,209	\$153,000,000	

Source: Tennessee Department of Finance and Administration.

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Utah

Utah reported receiving \$28,353,400 from MSA payments in fiscal year 2005 and expects to receive \$29,541,000 in fiscal year 2006.

Table 46: Utah's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$100,000	\$100,000	Attorney General's Office
Health	12,891,800	13,002,800	State Children's Health Insurance Program, cancer research, immunizations, health promotion
Reserves/rainy day funds	8,506,000	7,385,300	Tobacco Permanent Trust Fund (an endowment that allows the Legislature to allocate the interest to fund programs)
Social services	2,000,000	2,000,000	Drug Courts, Drug Board Pilot Program
Tobacco control	4,076,000	4,062,100	Tobacco Quit Line, TV campaign, prevention partnerships
Unallocated	779,600	2,990,800	
Total	\$28,353,400	\$29,541,000	

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

Vermont

Vermont reported receiving \$26,205,607 from MSA payments in fiscal year 2005 and expects to receive \$24,500,000 in fiscal year 2006.

Table 47: Vermont's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$158,000	\$158,000	Tax and Fund administration
Health	21,111,951	21,233,111	State Medicaid Match, drug and alcohol programs
Social services	652,349	579,000	Safe housing (project against domestic violence)
Tobacco control	4,919,317	5,132,698	Media campaigns, marketing enforcement
Total	\$26,841,617^a	\$27,102,809^a	

Source: Vermont Department of Finance and Management.

^aIncludes carry-over funds.

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State-Specific Information on Amounts of
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Virginia

Virginia reported receiving \$130,315,484 from MSA payments in fiscal year 2005 and expects to receive \$132,444,540 in fiscal year 2006. In addition, Virginia reported receiving \$389,977,677 in securitized proceeds in fiscal year 2005.

Table 48: Virginia's Allocations of MSA Payment and Securitized Proceeds

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	0	\$33,444,540	
Economic development for tobacco regions	\$45,157,742	75,601,135	Economic development projects, infrastructure, education, job training, research, administration of the Tobacco Indemnification and Community Revitalization Commission
Health	52,126,193	52,977,816	Virginia Health Care Fund for support of the Medicaid program
Payments to tobacco growers	20,000,000	13,710,000	Indemnification payments to tobacco growers
Tobacco control	13,031,549	13,244,454	Public education campaigns to discourage tobacco consumption by minors, research, administrative budget of the Virginia Tobacco Settlement Foundation
Total	\$130,315,484	\$188,977,945^a	

Source: Virginia Department of Planning and Budget.

^aIncludes carry-over funds and interest earned.

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Washington

Washington reported receiving \$130,879,000 from MSA payments in fiscal year 2005 and expects to receive \$131,000,000 in fiscal year 2006.

Table 49: Washington's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$38,217,000	\$38,252,000	
Health	92,662,000	92,748,000	Health services, including state match on optional children's Medicaid and State Children's Health Insurance Program; subsidized health insurance for low-income state residents; grants to community clinics; grants to local public health jurisdictions; statewide public health programs such as childhood immunizations
Tobacco control	16,164,000	17,500,000	Tobacco prevention and cessation
Total	\$147, 043,000^a	\$148,500,000^a	

Source: Washington State Office of Financial Management.

^aIncludes carryover funds.

West Virginia

West Virginia reported receiving \$56,495,804 from MSA payments in fiscal year 2005 and expects to receive \$55,400,000 in fiscal year 2006.

Table 50: West Virginia's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	0	\$30,000,000	Worker's Compensation Debt Reduction Fund
Health	\$19,549,408	20,078,744	Institutional facilities operation
Reserves/rainy day funds	28,247,902	0	Medical Trust Fund
Tobacco control	5,850,592	5,850,592	Tobacco Education Program, Alcohol Beverage Control Administration's Tobacco Retailer Education Program
Unallocated	2,847,902	0	
Total	\$56,495,804	\$55,929,336^a	

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Source: West Virginia Department of Revenue-State Budget Office.

^aIncludes carry-over funds and interest earned.

Wisconsin

Wisconsin reported receiving \$132,054,977 from MSA payments in fiscal year 2005 and expects to receive \$138,929,751 in fiscal year 2006.

Table 51: Wisconsin's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
Debt service on securitized funds	\$132,054,977	\$138,929,751	
Total	\$132,054,977	\$138,929,751	

Source: Wisconsin Department of Administration.

Wyoming

Wyoming reported receiving \$15,827,492 from MSA payments in fiscal year 2005 and expects to receive \$15,827,492 in fiscal year 2006.

Table 52: Wyoming's MSA Payment Allocations

Program area	Fiscal year allocation		Examples of programs receiving or expected to receive allocations
	2005	Expected 2006	
General purposes	\$261,245	\$261,245	Alcohol compliance, attorney
Health	6,918,275	6,918,275	Substance abuse treatment and prevention and intervention services
Social services	2,967,736	2,967,736	Drug court-related juvenile and family mentoring, community services, day care, intensive supervised probation
Tobacco control	5,680,236	5,680,236	Tobacco prevention, regional prenatal programs, community tobacco prevention activities, tobacco cessation, media
Total	\$15,827,492^a	\$15,827,492^a	

Source: Wyoming Department of Health, Substance Abuse Division.

GAO Survey on States' Allocations of Fiscal Years 2005 and 2006 MSA Payments



United States Government Accountability Office

Survey on States' Allocations of Fiscal Years 2005 and 2006 Master Settlement Agreement Payments

Introduction

The U.S. Government Accountability 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 2005 and 2006 Master Settlement Agreement (MSA) payments as required by the Farm Security and Rural Investment Act of 2002. This year we are seeking information on (1) the actual amount of fiscal year 2005 MSA payments and securitized proceeds received and the amount of fiscal year 2006 MSA payments and securitized proceeds expected to be received by each of the 46 states party to the MSA, and (2) how states allocated the 2005 payments and securitized proceeds and plan to allocate the 2006 payments and securitized proceeds.

In March 2005, we reported to the Congress on states' fiscal year 2004 actual payments and allocations and fiscal year 2005 expected payments and allocations. You can obtain a copy of the report via the internet at www.gao.gov and request report number GAO-05-312.

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 Beverly Peterson at (202) 512-4852 or you can save the file containing the survey on your computer and e-mail the completed file to Beverly Peterson (peterσονb@gao.gov).

Contacts

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

Beverly Peterson
Phone: (202) 512-7438
E-mail: peterσονb@gao.gov

We need your responses to this survey by Monday, October 3, 2005. Thank you in advance for your cooperation.

Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments

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 Service on Securitized Funds: 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.

Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments

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.

Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments

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: _____

MSA Payments and Securitized Proceeds Received

1. What was the amount of **fiscal year 2005 MSA payments and securitized proceeds** your state received?

MSA Payments: \$ _____
Securitized proceeds: \$ _____
Total: \$ _____

Note: If you would like to see the information your state submitted regarding expected fiscal year 2005 allocations on last year's survey, please contact us using the contact information listed on page 1 of this document and we will be happy to supply you with that information.

2. What is the amount of **fiscal year 2006 MSA payments and securitized proceeds** your state expects to receive?

Expected MSA payments: \$ _____
Expected securitized proceeds: \$ _____
Total: \$ _____

**Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments**

3. For each of the categories below (listed in alphabetical order), please provide the amount of **MSA payments and securitized proceeds** your state allocated for **fiscal year 2005** (including any unallocated funds). In addition, please provide specific examples of programs for each of the categories to which funds were allocated.

Allocation of MSA Payments for Fiscal Year 2005

Category	Amount of MSA payments allocated for fiscal year 2005	Amount of securitized proceeds allocated for fiscal year 2005	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	\$	\$	
Unallocated	\$	\$	NA
Total	\$	\$	

4. Do MSA payments and securitized proceeds, reported in question 3, include the following? (Check all that apply.)

- Carry-over funds
- Interest earned
- Neither carry-over funds nor interest earned

**Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments**

5. For each of the categories below (listed in alphabetical order), please provide the amount of **MSA payments and securitized proceeds** your state plans to allocate for **fiscal year 2006** (including any unallocated funds). In addition, please provide specific examples of programs for each of the categories to which funds will be allocated.

Planned Allocation of MSA Payments for Fiscal Year 2006

Category	Amount of MSA payments planned to be allocated for fiscal year 2006	Amount of securitized proceeds planned to be allocated for fiscal year 2006	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	\$	\$	
Unallocated	\$	\$	NA
Total	\$	\$	

6. Do MSA payments and securitized proceeds, reported in question 5, include the following? (Check all that apply.)

- Carry-over funds
- Interest earned
- Neither carry-over funds nor interest earned

Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2005 and 2006 MSA Payments

Comments

7. If you have any additional comments relating to any of the issues raised in this survey, please enter them in the space provided.

Thank you for your cooperation.

GAO Contact and Staff Acknowledgments

GAO Contact

Robert A. Robinson, 202-512-3841

**Staff
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