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Tobacco-Settlement: Recoupment

THE AFTERMATH OF THE STATES TOBACCO SETTLEMENT: A MID-TERM REPORT CARD

A RECORD OF PROMISES BROKEN AND AN OPPORTUNITY LOST

Last November, 46 states settled the cases they had filed against the tobacco companies. When the states first filed suit against the tobacco companies, elected officials from each of the states said that they were doing so to prevent another generation of children from becoming addicted to tobacco and to reduce the amount of money their citizens were spending to treat tobacco-caused disease.

When the states settled their cases, they promised that the settlement was just the first step in their effort to reduce tobacco use, particularly among children. Through their Attorneys General, the states pledged that the funds from the settlement created an historic opportunity to use the tobacco companies' own money to reduce tobacco use, even though the agreement they had just signed did not dictate how to spend the money.

The debate over how to spend the settlement money then moved to the states. Critically, this debate is taking place at a time when the need for the states to take strong action to prevent tobacco use among our children is even greater than when the states first began filing these lawsuits in 1994. Tobacco use among teenagers is higher today than it was five years ago.

The debate also comes at a time when the evidence that comprehensive tobacco prevention programs do work has become incontrovertible. In the last three months, studies from Florida and Oregon have been added to earlier research from Massachusetts and California that demonstrates that these programs can significantly reduce tobacco use among both children and adults. The lesson from these studies is that money spent on comprehensive tobacco prevention programs is money well spent.

While many state legislatures are still in session and others have deferred action on how to spend the settlement money until next year, it is not too early to draw some preliminary conclusions. If current trends continue, the vast majority of the states will spend little or none of the tobacco settlement money on programs intended to prevent children from starting to smoke or on helping current tobacco users to quit. Without the extraordinary efforts of tobacco control advocates and key public officials, the results would be even worse.

Thus, this report documents a trail of broken promises and a public health

tragedy in the making. If that occurs, the only winners will be the tobacco companies. However, it is still possible to reverse the trend that this report documents. A majority of state legislatures have not yet made their final decisions about how to spend the tobacco settlement funds; and others have the opportunity to refocus their spending when they meet next year.

Washington also has a role to play. The federal government pays for \$.57 out of every Medicaid dollar and has a claim to a portion of the state tobacco settlement funds. No matter how state officials may now characterize these cases, they were prompted by an effort to seek reimbursement from the tobacco companies for the billions of dollars the states and the federal government have and will continue to spend through the Medicaid program for the treatment of tobacco-caused disease. And, in the November 1998 settlement, the states also released the tobacco companies from all federal Medicaid claims.

The National Governor's Association has sought to have the federal government waive its claim to these funds and to return the money to the states without requiring any of it be spent on programs to reduce tobacco use. The federal government does and should have a say in how at least a portion of these funds are spent. It is now clear that unless the federal government requires that at least a portion of the settlement money be spent on preventing tobacco use, tobacco use will not fall dramatically and the federal government's tobacco-caused Medicaid bill will continue to rise uncontrollably.

Five months after the settlement, how are the states doing in fulfilling their promises?

Four states have made commitments to fund tobacco prevention programs beyond a minimal level.

The most significant legislative action to date has occurred in the State of Washington, where the legislature has budgeted \$100 million for tobacco prevention and control out of the first \$323 million the state receives from the tobacco settlement.

Maryland, Montana and Virginia have also completed their legislative sessions. Maryland appropriated \$21 million for tobacco prevention programs next year; Montana appropriated \$3.5 million for these programs and Virginia allocated 10 percent of its settlement funds for this purpose.

In at least one-third (16)¹ of all states and the District of Columbia, the legislature has already decided -- or the Governor or senior legislative leaders have proposed -- to spend nothing or less than 2 percent of the tobacco settlement dollars they receive on tobacco prevention efforts.

In these states, the debate has been dominated by proposals for spending the money on everything but the purposes for which the lawsuits were brought. They include, for example, proposals to reduce the car tax in Rhode Island; property tax reductions in Connecticut; college scholarships in Michigan; water projects and plans to renovate the state morgue in North Dakota; state employee payroll demands and health care for prisoners in South Dakota; debt reduction in Louisiana, Idaho and New York; school construction in Colorado and Washington, D.C; teacher's retirement funds in Oklahoma; a new governmental department in Georgia; juvenile detention facilities in Alabama; sidewalk repair in Los Angeles, California; and public employees insurance in West Virginia.

Another eight states have adopted or appear likely to adopt proposals in which tobacco prevention programs will have to compete each year against a menu of other programs for funds (Arkansas, Kansas, Missouri, Nebraska, New York, North Carolina, Oregon, and Wyoming). In a number of these states, including New York, only a portion of the settlement funds will be set aside for this purpose. In all of these states, there is no guarantee that tobacco prevention will receive any funds in any given year.

This brings to 25 the number of states in which there is no proposal currently being seriously considered to guarantee the use of a substantial portion of the tobacco settlement funds for programs to reduce tobacco use, even among children.

Eight other states are currently debating significant proposals to fund strong tobacco prevention programs (New Jersey, Vermont, Ohio, Nevada, New Hampshire, Wisconsin, Minnesota and Hawaii). The outcome in each of these states is too close to call. In addition, Mississippi is in the first year of a well-funded, two-year pilot project, making it is premature to draw any long-term conclusions about what will happen there.

¹ Alabama, Arizona, California, Colorado, Connecticut, Washington, DC, Georgia, Idaho, Massachusetts, Michigan, Maine, North Dakota, Rhode Island, South Carolina, South Dakota, Tennessee, West Virginia.

In nine states², the decision about how to spend the tobacco settlement money has been deferred at least until next year. There has been such limited discussion of how these states plan to spend the money, it is not possible to reliably predict any specific outcome. In three of those states (Utah, Iowa and New Mexico), action was deferred after a serious debate in which the legislature was unable to reach a consensus.

Of six states that took the lead in the tobacco settlement negotiations last Fall (Washington, New York, North Dakota, Colorado, Pennsylvania, California), only one (Washington) currently has plans to spend a significant amount of money on tobacco prevention efforts.

Of the four states with existing comprehensive tobacco prevention programs that have published results demonstrating their effectiveness (Florida, Oregon, Massachusetts and California), not one has decided to use funds from the settlement to enhance their program next year -- even though funding for the programs in California and Massachusetts has declined in recent years.

It now even appears that Florida will cut the funding for its highly successful year-old program by 35 percent (from \$70 million a year to \$45 million a year). This decision comes only weeks after the release of a report that shows that last year, the program produced the single greatest one-year decline in youth smoking in the United States.

Washington is the only state that has adopted a proposal to spend enough on tobacco prevention and cessation to create a program comparable to the programs in the four states which, in recent years, have demonstrated that comprehensive tobacco prevention programs can reduce tobacco use -- Florida, Oregon, Massachusetts, and California.

There is a substantial disparity between the state legislatures' actions and the desires of the public. For example, in Florida, 78 percent of the public supported funding the tobacco program at or above its 1998 level, but the legislature still cut the funds for the program. A new national poll of 868 registered voters conducted April 23-25, 1999 revealed the following:

Eighty-five percent of registered voters favor their state spending a significant portion of its settlement funds on efforts to reduce tobacco use among kids;

Nearly two-thirds (65%) of them favor spending half or more of the

² Illinois, Indiana, Iowa, Kentucky, Louisiana, New Mexico, Oklahoma, Pennsylvania and Utah,

money on tobacco prevention;

Eighty-two percent of the voters polled said they would favor spending 25 percent of the state's tobacco settlement money on a comprehensive plan to prevent tobacco use among kids and to help smokers quit; and

Seventy-eight percent of registered voters believe Congress should require the states to spend at least 25 percent of their settlement money on tobacco prevention if the federal government waives its share of the settlement money.

The states brought these cases with great fanfare. They were going to forever alter how our government responded to the problem of tobacco use among our children. Yet, unless the current trend is reversed in the remaining days of the ongoing state legislative sessions or unless Congress insists that a portion of the funds for which the federal government has a claim be spent on programs to reduce tobacco use, this opportunity to prevent another generation of children from becoming addicted to tobacco will be lost.

Three states — Colorado, North Dakota and Washington -- that took the lead in the negotiations that led up to the November 1998 settlement illustrate what has occurred since the settlement was announced. Then Colorado Attorney General Gale Norton was a critical player in the negotiations from the beginning. Even before the negotiations ended, she created a state task force that included the public health and the health care communities to recommend how best to spend the state's recovery. Acting with unanimous consent, the task force recommended -- and Attorney General Norton endorsed -- a proposal to spend one-third of the funds on tobacco prevention and two-thirds of the money on state health care and children's needs. Yet, when Governor Bill Owens introduced his budget for the state, he consulted none of the members of the task force and his proposal included not one penny for tobacco prevention. This action set off an intense, still unresolved debate in the legislature.

North Dakota Attorney General Heidi Heitkamp also played a unique role in the negotiations with the tobacco companies. She represented states that were too small to sue the tobacco companies on their own. As a result of her efforts, small states received larger per capita payments from the settlement because Attorney General Heitkamp successfully argued that there is a certain minimum level of funding needed to run an effective tobacco prevention program in a small state. What does North Dakota now plan on doing with its money? None has been committed to tobacco prevention. With the support of Governor Ed Shafer, the North Dakota House of Representatives has recently endorsed a proposal to spend 45 percent of the funds for water projects, another 45 percent for public education, and 10 percent for public health initiatives. While some of the funds earmarked for public health initiatives could eventually be spent on tobacco prevention, the Shafer Administration in North Dakota has recently floated the idea of spending a significant portion of those funds

to renovate the state morgue.

The State of Washington presents a different picture. Attorney General Christine Gregoire led the states' negotiating team last year. Later, she and Governor Gary Locke helped produce, and then lined up solidly behind, a plan to provide substantial funding for a strong tobacco prevention program. The entire local health community endorsed their program and after some negotiation and compromise, the state Senate appropriated \$100 million for this program. However, when the proposal got to the state House, the fight began. House Republicans proposed cutting the program's funding to \$5 million. Eventually the House Appropriations Committee passed a bill without a specific dollar earmark, leaving the fate of the tobacco prevention program up in the air until the final days of the legislative session. Then, on the last day of the session, the Governor and Attorney General succeeded in persuading the legislature to budget the full \$100 million out of the first \$323 million the state receives for tobacco prevention. With this action, Washington has taken the first step in putting in place in Washington a tobacco prevention program comparable to those that have worked elsewhere. Washington illustrates what can be accomplished with the tobacco settlement funds, but also demonstrates how difficult it will be to sustain funding for tobacco prevention programs even when the state's highest officials are solidly committed to the effort.

Four other states – Florida, Massachusetts, Utah and Texas – that were early leaders in the fight against the tobacco companies are also illustrative of how the effort to reduce tobacco use among children has been captured by state political interests.

Florida settled with the tobacco companies in 1997. With the funds from the settlement then Governor Lawton Chiles and Attorney General Bob Butterworth funded a two-year pilot project. Much of the first year was spent planning. The program was implemented and funded at \$70 million dollars in the second year. The results were nothing short of spectacular. In one year tobacco use among middle school students plummeted by 19% and fell by 8% among high school students. Initially, continued funding for the program seems secure when Governor Jeb Bush proposed spending \$61.5 million for the program. Nonetheless, key Republican leaders in the legislature proposed eliminating all funding for the program and on the very day that the program's positive results were announced, the head of the program was suddenly terminated. The Florida Senate went along with Governor Bush's recommendation, but the House only agreed to fund the program at \$30 million a year. A Conference Committee has now recommended slashing the program's budget to \$45 million, a cut of 35% despite the program's unprecedented success.

Massachusetts has funded a statewide tobacco prevention program since 1993 with funds from the state's tobacco excise tax. The program has resulted in a decline in tobacco use in Massachusetts that is four times the national average and led to far lower tobacco use rates among Massachusetts' children than the national average. Nonetheless, funding for the program has declined over the last four years by 25% from \$43.1 million a year to \$31

million a year. The settlement provided an opportunity to reverse that trend and enhance one of the most successful programs in the nation. What happened? Governor Paul Cellucci didn't propose spending any additional money on the program. The only funds Governor Cellucci has proposed using for tobacco related purposes is a \$500,000 grant to study the effectiveness of the program.

Utah demonstrates just how contentious some of the state debates have become. This year the Utah legislature passed and Governor Michael Leavitt signed a bill delaying any decisions on how the state will spend the tobacco settlement funds until next year. At the time the bill was passed the Legislature approved a nonbinding resolution that serious consideration should be given to allocating some portion of the tobacco settlement funds to tobacco prevention and substance abuse programs. S173 was enacted only after a heated dispute between Republican legislators and Attorney General Jan Graham over how to spend the settlement funds. Before the compromise was reached, Attorney General Graham publicly criticized the legislature for not agreeing to spend a significant portion of the funds on programs to reduce tobacco use. The Legislature responded by cutting the Attorney General's budget and legal authority to pursue civil litigation.

Texas was the third state to settle with the tobacco companies. Texas has already received \$1.2 billion and will receive between \$325 and \$580 million a year annually. Like Florida and Mississippi, the Texas settlement included a provision for a pilot tobacco prevention project. Two hundred million dollars was set aside in Texas' settlement agreement for the pilot project. Yet, when the issue arrived at the Texas legislature, two key legislators proposed placing the \$200 million into an endowment and funding all tobacco prevention programs now and in the future solely out of the interest from the endowment. Thus, in a state larger than Florida, the proposal was to spend no more than \$10 million a year on tobacco prevention. The same proposal would also only devote \$200 million to tobacco prevention out of the more than \$17 billion the state is to receive from the tobacco companies over the next twenty-five years. The issue has not yet been resolved. Governor George W. Bush has yet to take a position.

This report truly represents a **mid-term Report**. It documents what has occurred to date, but it also reminds us that the most critical decisions remain to be made in many states. If current trends continue, our nation will miss out on an historic opportunity and the cases that the states brought with such promise and hope will in the long run accomplish far less than fundamental change. The losers will be both our nation's children and the taxpayers of every state who will see the effect on their tax bill as the amount the states spend on tobacco caused disease continues to rise.

The results of this study are cause for concern. Over the last five months only four states have made commitments to use a significant portion of their tobacco settlement funds to reduce youth tobacco use. Unless the states and Congress act, fewer than one in five states will have comprehensive programs to reduce tobacco use.

A State By State Status Report

Alabama

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Alabama an initial amount of \$38.8 million. Each year thereafter, Alabama will receive a payment between \$103.6 and \$135.6 million. Although exact information is difficult to obtain, Alabama currently does not spend a substantial amount of state funds on tobacco prevention.

In 1998, prior to Governor Don Siegelman's (D) election, then Governor Fob James (R) signed into law legislation allocating the first \$85 million of the settlement dollars for a Children First Trust Fund to support various programs aimed at problem children and juvenile criminal offenders. The Trust Fund includes \$500,000 for tobacco prevention.

Of the remaining settlement payments, Governor Siegleman recently requested and the Alabama House passed legislation (HB323) to use 15 to 20 percent permanently for Medicaid and the rest for tax incentive programs to attract new businesses to the state.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Alabama to be between \$26.6 and \$70.2 million.

The Alabama legislature's 1999 session adjourns in mid-June.

Alaska

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Alaska an initial amount of \$8.2 million. Each year thereafter, Alaska will receive a payment between \$21.9 and \$28.7 million. Although exact information is difficult to obtain, Alaska currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Tony Knowles (D) proposes using \$3 million of the state's initial and first year settlement payments for tobacco prevention. Of the remaining funds, Governor Knowles proposes spending \$4.5 million to expand Medicaid coverage, \$1.7 million for new child protection workers, \$1 million for training young parents, and an unspecified amount for expanding foster care, day care, and child health care.

Two legislative measures were introduced by Representative Norman Rokeberg (R). The first, which would have allocated 50 percent of all settlement funds received prior to July 1, 2000 for a comprehensive tobacco prevention program, failed to pass out of committee. The second, which requires the Department of Health and Social Services to include tobacco prevention and cessation in its list of responsibilities, passed the House Finance Committee, but with no specific earmark for tobacco prevention.

The Senate Finance Committee budgeted \$1.4 million of the tobacco settlement funds for a tobacco prevention program. The House Finance Committee budgeted zero dollars for tobacco prevention. The members of the two finance committees have not yet resolved the differences in their respective bills.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Alaska to be between \$8.8 and \$17.7 million.

The Alaska legislature's 1999 session adjourns May 19.

Arizona

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Arizona an initial amount of \$35.4 million. Each year thereafter, Arizona will receive a payment between \$94.5 and \$123.7 million. Using revenues generated by a cigarette excise tax, Arizona funds a comprehensive Tobacco Education and Prevention Program (TEPP). In 1998, Arizona spent \$29.3 million for TEPP.

Governor Jane Hull's (R) proposal for the tobacco settlement funds does not include any additional money for Arizona's tobacco prevention program. The Governor instead proposes using the initial payment of \$35.4 million for the new Arizona program, Positive Action for Tomorrow's Health (PATH). The PATH proposal includes the building of a new state mental hospital and new state health laboratory, funding for rural health facilities, additional funding for the Healthy Families program to prevent child abuse and neglect, and the creation of a new state health trust fund for health care programs. The Chairs of the House and Senate Health Committees, Representative Susan Gerard (R) and Senator Sue Grace (R), have each sponsored bills, which allocate one-third of the initial and first year's payments, approximately \$43.2 million, to a trust fund. Interest from the fund would support various public health issues, including an unspecified amount for a new cessation program within TEPP.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Arizona to be between \$26.4 and \$68.1 million.

The Arizona legislature's 1999 session adjourns at the end of April.

Arkansas

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Arkansas an initial amount of \$19.9 million. Each year thereafter, Arkansas will receive between \$53.1 and \$69.5 million. Although exact information is difficult to obtain, Arkansas currently spends little or no state funds on tobacco prevention.

Governor Mike Huckabee (R) has not put forth a specific proposal for spending the tobacco settlement funds. Governor Huckabee has publicly stated support for using all settlement payments for state health care programs, including using some of the funds to reduce the number

of Arkansans who smoke. Legislative leadership agrees with the Governor; however, the legislature did not pass a bill related to using the settlement funds. The Governor plans to convene a special session to determine the best use of Arkansas' settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Arkansas to be between \$18.1 and \$45.2 million.

The Arkansas legislature's 1999 session adjourned in late March. A special session may be called later in the year to handle tobacco settlement issues. No dates for a special session have been announced.

California

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay California an initial amount of \$306.3 million. Each year thereafter, California will receive a payment between \$818.4 million and \$1 billion. The settlement allocates 50 percent of all payments to the state of California, 40 percent to the 58 largest counties by population and 10 percent divided evenly among the cities of San Francisco, San Jose, San Diego and Los Angeles. Using revenues generated from a state cigarette excise tax, last year California spent \$126 million for a comprehensive tobacco prevention program.

Governor Gray Davis (D) proposed placing the state's portion of the first two tobacco settlement payments, \$562.3 million, in the state's general fund to supplement existing revenues. Governor Davis has not proposed using any of the settlement funds for tobacco prevention.

In the California legislature, several bills have been introduced relating to the state's tobacco settlement funds, only two of which allocate specific amounts for additional funding for tobacco prevention and cessation programs. The first bill, AB437 sponsored by Assemblyman Herb Wesson (D), earmarks \$2 million of the tobacco settlement funds annually for a tobacco enforcement program, Stop Tobacco Access to Kids Enforcement (STAKE). The second bill, AB255 sponsored by Assemblyman Tom Torlakson (D), determines an unspecified amount be allocated to the Department of Health Services for the California Smokers Helpline and for grants aimed at teen cessation programs. The Senate Health and Human Services Committee passed legislation introduced by the Chair, Senator Marth Escutia (D), to restrict the use of all settlement payments to a fund to support existing and new medical services programs for low-income Californians and for programs to reduce tobacco consumption. Senator Escutia's bill does not make specific allocations for each program and all allocations would be subject to the appropriations process, in which legislators annually decide the level of funding for the program.

Little information is available regarding how the cities and counties plan to spend their portion of the settlement funds. Los Angeles Mayor Richard Riordan, however, has proposed using settlement funds to repair the city's sidewalks.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of California to be between \$156.3 and \$406.9 million.

The California legislature's 1999 session adjourns in mid September.

Colorado

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Colorado an initial amount of \$32.9 million. Each year thereafter, Colorado will receive a payment between \$87.9 and \$115 million. Although exact information is difficult to obtain, Colorado currently spends little or no state funds on tobacco prevention.

Governor Bill Owens (R) did not include any funding for tobacco prevention in his proposal for using Colorado's settlement funds. The Governor proposed using 40 percent for education, 20 percent for children's health, 10 percent for the University of Colorado Medical School's capital construction needs, and the remaining 30 percent for an endowment fund with no stated purpose. Senator Norma Anderson (R) introduced a legislative proposal, SB132, for using the funds to expand the state's home nursing program, increase the number of school nurses, support existing state mental health responsibilities and tobacco prevention. The measure does not earmark a specific funding minimum for tobacco prevention. Other than a 5 percent allocation for administrative costs related to managing the settlement funds, Senator Anderson's proposal forces all programs to compete for funding through the legislative appropriations process.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Colorado to be between \$24.1 and \$61.2 million.

The Colorado legislature's 1999 session adjourns in early May.

Connecticut

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Connecticut an initial amount of \$44.6 million. Each year thereafter, Connecticut will receive a payment between \$119 and \$155.8 million. Although exact information is difficult to obtain, Connecticut currently does not spend a substantial amount of state funds on tobacco prevention.

Governor John Rowland's (R) budget proposal for FY2000 recommends spending \$400,000 of Connecticut's initial and subsequent first year payments for tobacco prevention, \$200,000 for tobacco education and \$200,000 for enforcement of smoking laws. Of the remaining settlement funds, the Governor proposes spending in FY2000 \$50 million for a property tax reduction, \$24.9 million for a rainy day endowment fund, \$20 million for education, and \$10 million for public health initiatives (this includes the \$400,000 for tobacco prevention), and setting aside the

remaining \$61 million. The Governor's FY2001 proposal allocates \$50 million for a property tax reduction, while increasing the allocation for public health initiatives to \$27 million and education funding to \$67 million.

The Joint Appropriations Committee recently passed a budget proposal recommending the state spend annually, in both FY2000 and 2001, \$200,000 for tobacco education, \$200,000 for enforcement of smoking laws, and \$100,000 for veterans' smoking cessation. The Committee joined the Governor in allocating all other settlement funds at similar levels for a property tax reduction, education, and to replace existing state funding for Medicaid.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco settlement program in Connecticut to be between \$21.6 and \$53.9 million.

The Connecticut legislature's 1999 session adjourns June 9.

The District of Columbia (Washington, DC)

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay the District of Columbia (D.C.) an initial amount of \$14.6 million. Each year thereafter, D.C. will receive a payment between \$38.9 and \$50.9 million. Although exact information is difficult to obtain, D.C. currently spends little or no funds on tobacco prevention.

Mayor Anthony Williams (D) has proposed using 30 percent of the District's tobacco settlement payments (an annual minimum of \$11.7 million) for school construction and repairs. The Mayor has stated he will not indicate plans for the remaining 70 percent until Congress reaches a conclusion on the federal government's share of the settlement funds. The D.C. City Council has put forth no proposal for using the tobacco settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the District of Columbia to be between \$8.3 and \$16 million.

The D.C. City Council is in session throughout the year.

Delaware

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Delaware an initial amount of \$9.5 million. Each year thereafter, Delaware will receive a payment between \$25.4 and \$33.1 million. Although exact information is difficult to obtain, Delaware currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Tom Carper (D) has not proposed any specific funding levels for tobacco prevention in

his plan for the settlement funds. The Governor's proposal focuses on using a substantial amount of the settlement funds for the creation of a Delaware Health Fund and in general, using an unspecified amount for a new campaign to reduce teen smoking. In January, a legislative proposal, sponsored by Senator Patricia Blevins (D), mirrors the Governor's creation of a Delaware Health Fund. In the bill, SB 8, an unspecified amount of the settlement funds would be used for tobacco prevention and cessation, expanding access to health care and health insurance, health care infrastructure maintenance, promoting healthy life styles, and promoting preventive health care. This measure remains under consideration in the Senate.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for Delaware to be between \$9.3 and \$19.5 million.

The Delaware legislature's 1999 session adjourns June 30.

Florida

As one of four states to settle with the tobacco industry early, Florida, along with Texas and Mississippi, agreed to launch a two-year tobacco prevention pilot program. The settlement provided \$28 million in the first year for planning and initiation of the program. In 1998, Florida spent \$70 million of its \$893.5 million initial payment from the tobacco industry for the second year of Florida's Tobacco Pilot Program. The tobacco industry will make annual payments to Florida between \$440 and \$822.1 million.

The results of the pilot project were reported in March 1999. After one year of full implementation, tobacco use among middle school students dropped by 19 percent and tobacco use by high school students dropped by 8 percent. With the completion of the pilot project, the Governor and legislature must now decide each year to continue the program.

Governor Jeb Bush (R) proposed spending \$61.5 million for the tobacco prevention program in the upcoming fiscal year. Consistent with Governor Bush's proposal, the Senate approved a \$61.5 million appropriation for the project's second year. The initial proposal in the House Health Subcommittee, which has primary jurisdiction over tobacco prevention funding, proposed to eliminate all funding for the program, but a compromise was reached. The committee appropriated \$30 million, one-half the amount agreed to by the Governor and Senate. The House/Senate Conference Committee has met and it has been reported it has tentatively agreed to appropriate \$45 million for tobacco prevention for this fiscal year budget. The committee is also considering allowing some of the remaining funds allocated to last year's program budget to be spent in 1999.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Florida to be between \$74.8 and \$210.1 million.

The Florida legislature's 1999 session adjourns in late April or early May.

Georgia

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Georgia an initial amount of \$58.9 million. Each year thereafter, Georgia will receive a payment between \$157.4 and \$206 million. Although exact information is difficult to obtain, Georgia currently spends little or no state funds on tobacco prevention.

Governor Roy Barnes (D) has not put forth a specific proposal for using Georgia's settlement funds for a comprehensive prevention program. Instead, the Governor has indicated plans to sign into law legislation to allocate the initial settlement payment for the creation of a Department of Community Health. The legislation does not indicate what types of programs will operate under the new department, and while the measure earmarks the initial payment for programs in the Department of Community Health, the legislature will need to appropriate funding each year. Thus, there are no current plans to use any of the settlement funds for tobacco prevention programs.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Georgia to be between \$40.9 and \$107.2 million.

The Georgia legislature's 1999 session adjourned in mid March.

Hawaii

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Hawaii an initial amount of \$14.4 million. Each year thereafter, Hawaii will receive a payment between \$38.6 and \$50.5 million. Although exact information is difficult to obtain, Hawaii currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Ben Cayetano's (D) proposal for Hawaii's tobacco settlement funds allocates half of all payments for economic stabilization and an unspecified amount for children's health, education and tobacco prevention. By not establishing earmarks for the three latter initiatives, the proposal does not guarantee any minimum amount to be used for tobacco prevention. Representative Calvin Say (D) and Senator Norman Mizuguchi (D) have introduced legislation to earmark 25 percent of all settlement payments (an annual minimum of \$9.6 million) for tobacco prevention. This measure would allocate 50 percent for economic stabilization and the final 25 percent for children's health care. A conference committee will determine the final legislative allocations.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Hawaii to be between \$11.4 and \$24.6 million.

The Hawaii legislature's 1999 session adjourns in early May.

Idaho

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Idaho an initial amount of \$8.7 million. Each year thereafter, Idaho will receive a payment between \$23.3 and \$30.5 million. Although exact information is difficult to obtain, Idaho currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Dirk Kempthorne (R) and the Idaho legislature will not use any of the initial and subsequent first year settlement funds for tobacco prevention. Instead, Governor Kempthorne signed into law legislation directing all monies from the state's tobacco settlement through June 30, 2000 into the Budget Stabilization Fund, which is used to allieviate budget deficits and for disaster relief.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Idaho to be between \$11.5 and \$24.8 million.

The Idaho legislature's 1999 session adjourned in late March.

Illinois

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Illinois an initial amount of \$111.7 million. Each year thereafter, Illinois will receive a payment between \$298.4 and \$391 million. Although exact information is difficult to obtain, Illinois currently does not spend a substantial amount of state funds on tobacco prevention.

Governor George Ryan (R) has not put forth a proposal related to the use of Illinois' tobacco settlement funds. Attorney General Jim Ryan (R) has asked the legislature to initiate and support a proposal to earmark 50 percent of Illinois' settlement funds for new public health and children's initiatives. While the Attorney General's proposal includes tobacco prevention within public health, it does not allocate a specific amount of funding for tobacco prevention. The legislature has not considered any proposals related to the settlement funds or to funding tobacco prevention so far this year. It is likely the Governor and the legislature will wait to make decisions related to spending the settlement funds until the year 2000.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Illinois to be between \$63.7 and \$175.8 million.

The Illinois legislature remains in session throughout the year.

Indiana

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Indiana an initial amount of \$49 million. Each year thereafter, Indiana will receive a payment between \$130.8 and \$171.2 million. Although exact information is difficult to obtain, Indiana currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Frank O'Bannon (D) supported a legislative initiative to allocate 50 percent of the initial and first year settlement payments for the Children's Health Insurance Program (CHIP). Governor O'Bannon has also stated his general support for using the funds for public health, including tobacco prevention, aid for tobacco growers, and aid to low income families. Two legislative measures were introduced in the Indiana General Assembly related to the use of the settlement funds. HB1365 uses all settlement funds for CHIP. A second measure, HB1454, allocated 20 percent for aid for tobacco growers and 10 percent for agricultural economic research; however, the measure did not allocate the remaining 70 percent. An allocation for tobacco prevention was not included in either piece of legislation. Both the Indiana House and Senate did not consider these proposals or any legislation pertaining to the use of the settlement funds or funding tobacco prevention programs in the session ending this week. The legislature is expected to pursue the allocation of the settlement funds in the next session.

Governor O'Bannon and Attorney General Jeff Modisett (D) announced last week plans to hold a series of town hall meetings throughout Indiana to discuss the best use of the settlement funds. The meetings will take place this summer and fall.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for Indiana to be between \$34.6 and \$95.7 million.

The Indiana legislature's 1999 session adjourns April 30, but may enter a special session.

Iowa

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Iowa an initial amount of \$20.9 million. Each year thereafter, Iowa will receive a payment between \$55.8 and \$72.9 million. Although exact information is difficult to obtain, Iowa currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Tom Vilsack's (D) proposal for the tobacco settlement funds included \$17.7 million annually for a comprehensive tobacco prevention program. Governor Vilsack's proposal stalled in the legislature. In a compromise agreement between the Governor, House Republican leadership and Attorney General Tom Miller (D), a tobacco control board will be established this year to study, evaluate and develop a comprehensive program to be considered by the legislature next year. As part of the agreement, none of Iowa's tobacco settlement funds will be spent this year. No legislation was offered as an alternative proposal for appropriating the tobacco settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Iowa to be between \$19.7 and \$49.3 million.

The Iowa legislature's 1999 session adjourns in late April.

Kansas

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Kansas an initial amount of \$20 million. Each year thereafter, Kansas will receive a payment between \$53.5 and \$70 million. Although exact information is difficult to obtain, Kansas currently spends little or no state funds on tobacco prevention.

In 1998, Governor Bill Graves (R) proposed and the legislature enacted a law directing 50 percent (an annual minimum of \$26.2 million after the initial payment) of all settlement payments to an endowment aimed at supporting children's health programs, children's health insurance, and tobacco prevention. While the Governor has suggested support for spending \$1 million for tobacco prevention, the law as enacted does not make a specific allocation. Instead, the law gives allocation authority to a nine-member board consisting of appointees by the Governor and the legislature. The Governor supports using the remaining 50 percent of settlement funds for general state spending priorities.

The Kansas House of Representatives passed legislation this year, which would amend the existing law by directing all settlement payments, rather than 50 percent, to the endowment. The measure does not change board member appointments, the Board's allocation authority over the endowment or the focus of the fund. This bill will now go under consideration in the Senate, where it will face stiff opposition in the Kansas Senate. Again, however, this initiative, like existing law, fails to establish a specific or minimum amount of funding for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Kansas to be between \$18.4 and \$44.7 million.

The Kansas legislature's 1999 session adjourned April 10 but will convene an indefinite special session on April 28.

Kentucky

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Kentucky an initial amount of \$42.3 million. Each year thereafter, Kentucky will receive a payment between \$112.9 and \$147.8 million. Although exact information is difficult to obtain, Kentucky currently spends little or no state funds on tobacco prevention.

Governor Paul Patton (D) has not put forth a proposal for using the tobacco settlement funds. The 1998 General Assembly passed and Governor Patton signed a bill giving the legislature authority to decide how to spend the tobacco settlement funds. Although the Kentucky legislature is not in session in 1999, legislative leadership has begun work on the issue. No plan has yet been developed, but both Senate President Larry Saunders (D) and House Budget Committee Chairman Harry Moberly (D) have stated general support for using Kentucky's settlement funds to aid tobacco farmers and tobacco-dependent communities, for an early childhood initiative favored by the Governor, and for public health programs, including tobacco prevention. The state legislature's Tobacco Task Force, chaired by Senator Joey Pendleton (D) held a series of four public hearings in January and February on how to best spend the tobacco settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Kentucky to be between 25 and \$67.1 million.

The Kentucky legislature is not in session in 1999. A special session may be called to consider the issue of Kentucky's tobacco settlement sometime this summer.

Louisiana

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Louisiana an initial amount of \$54.1 million. Each year thereafter, Louisiana will receive a payment between \$144.6 and \$189.3 million. Although exact information is difficult to obtain, Louisiana currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Mike Foster (R) has convened a working group to develop a proposal for using Louisiana's tobacco settlement funds after initially suggesting that future payments should be sold to Wall Street bond houses to pay down the state debt. The Working Group has not yet issued its report. The Revenue Estimating Committee (REC), charged with making state budget recommendations, suggests the legislature should allocate \$110 million of the initial and first payments, approximately 55 percent of the \$198.7 million, to balance the state budget. The REC is made up of Senate President Randy Ewing (D), House Appropriations Committee Chairman Jerry Luke LeBlanc (D) and Commissioner of Administration Mark Drennen.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Louisiana to be between \$27.4 and \$71.8 million.

The Louisiana legislature's 1999 session adjourns in late June.

Maine

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Maine an initial amount of \$18.5 million. Each year thereafter, Maine will receive a payment between \$49.3 and \$64.6 million. Using revenues from a \$.30 cigarette tax increase initiated in 1996, Maine allocated \$3.5 million in 1997, 1998 and 1999 for tobacco prevention. The legislature zeroed out funding for tobacco prevention.

Governor Angus King (I) has not put forth a specific proposal for spending the tobacco settlement funds, but has stated publicly he believes the funds should be used for a tax cut, education, tobacco prevention, or to help fund some of the state departments or agencies. Five legislative proposals have been introduced this year relating to the use of the settlement funds. Of the five, only one, LD2167, allocates any funds for tobacco prevention. This measure proposes first restoring the \$3.5 million allocation for tobacco prevention eliminated from the budget, and using 50 percent of the settlement funds for tobacco prevention each year. The remaining four legislative proposals do not mention tobacco prevention programs.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for Maine to be between \$11.9 and \$27.1 million.

The Maine legislature's 1999 session adjourns June 16.

Maryland

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Maryland an initial amount of \$54.3 million. Each year thereafter, Maryland will receive between \$144.9 and \$189.6 million. Although exact information is difficult to obtain, Maryland currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Parris Glendening (D) has committed to signing legislation recently passed by the Maryland House of Delegates, which provides \$21 million for the coming fiscal year for tobacco prevention programs. This legislation, which also raised the state tobacco tax, requires the Governor to allocate a minimum of \$21 million annually in future budget proposals. While the funding levels in the Governors budget is technically not binding on future legislatures, the passage of this provision indicates legislative intent to provide a minimum of \$21 million for tobacco prevention.

In addition, separate legislation was adopted that establishes a Cigarette Restitution Fund to provide for expenditure of the settlement funds. This legislation includes a requirement that in future years at least 50 percent of the appropriations from the fund be devoted to alternative crop development, tobacco prevention, treatment and research related to tobacco use, substance abuse treatment and prevention, programs for the uninsured and primary health care in rural areas.

While both the tax bill and the bill establishing the Cigarette Restitution Fund include language

regarding funding for tobacco prevention, it is expected that at least \$21 million will be appropriated annually for tobacco prevention.

The Centers for Disease Control estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Maryland to be between \$30.3 and \$78.5 million.

The Maryland legislature's 1999 session adjourned on April 12.

Massachusetts

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Massachusetts an initial amount of \$96.9 million. Each year thereafter, Massachusetts will receive a payment between \$259 and \$339 million.

In 1992, Massachusetts's voters approved a referendum to increase the state cigarette tax by 25 cents per pack. A portion of the new tax revenues was used to fund the Massachusetts Tobacco Control Program (MTCP) beginning in 1993. Despite declining funding, the program received \$43.1 million in 1995, but dropped to \$31 million in 1999. The program, like California's, has achieved considerable success. For example, cigarette consumption in Massachusetts has declined by 31 percent since 1992, compared with a decrease of just 7 percent in states without a comprehensive tobacco prevention program. The program led to far lower smoking rates among Massachusetts' teens than the national average.

In spite of this success, Governor Paul Cellucci's (R) proposal for the tobacco settlement funds allocates no additional funds for the state's existing prevention program. The Governor's proposal includes only a \$500,000 allocation for evaluating the existing tobacco prevention program and unspecified allocations for health care and health care capital construction plans. No legislative proposals have been introduced so far with specific spending allocations for tobacco prevention. The only pending legislation related to the settlement funds would allocate 100 percent of the monies into a Tax Reduction Trust Fund to support expansion of various state personal income tax exemptions.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program in Massachusetts to be between \$35.1 and \$93.4 million.

The Massachusetts legislature remains in session throughout the year.

Michigan

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Michigan an initial amount of \$104.5 million. Each year thereafter, Michigan will receive a payment between \$279 and \$365.2 million. Although exact information is difficult to obtain,

Michigan currently does not spend a substantial amount of state funds on tobacco prevention.

Governor John Engler's (R) proposal for the tobacco settlement funds does not include an allocation for tobacco prevention programs. Governor Engler has proposed using a majority of the settlement funds for a new college scholarship program, the Michigan Merit Award Trust Fund, aimed at Michigan high school graduates. The Governor has not indicated plans for spending the rest of the funds, although he has made general public statements suggesting support for using the funds for tax cuts. So far this session, the legislature has not considered a legislative proposal for using the settlement funds or any proposals to fund tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Michigan to be between \$53.2 and \$148.6 million.

The Michigan legislature remains in session throughout the year; however, budget resolutions, including those affecting tobacco settlement funds, are targeted for completion by the end of July.

Minnesota

As one of four states to settle separate law with the tobacco industry, the state of Minnesota and Blue Cross and Blue Shield of Minnesota reached an agreement with the industry in May of 1998. The agreement results in Minnesota receiving an initial \$1.7 billion over the next five years. Each year thereafter Minnesota will receive on average \$210 million. The Minnesota settlement also established a foundation, Minnesota Partnership for Action Against Tobacco, which will receive \$202 million over the next ten years to fund tobacco addiction treatment efforts as well as research related to tobacco use.

Governor Jesse Ventura's (Reform) proposal for the tobacco settlement funds does not include any funding for tobacco prevention programs. Governor Ventura proposes allocating the settlement funds into four separate endowments, the Minnesota Families Foundation Endowment, the Health Professionals Education and Medical Research Endowment, the Medical Education and Research Costs Endowment and the Local Public Health Endowment. The Governor has included tobacco prevention program spending in his 2000-2001 FY budget at \$7.5 million each year for tobacco prevention from the general fund. The Governor's proposal to fund tobacco prevention from the general fund instead of from the tobacco settlement funds will make it difficult to sustain the necessary funding for tobacco prevention. While the settlement payment levels fluctuate somewhat from year to year the settlement funds are a more sustainable source of funding for tobacco prevention given the competing demands on the general fund.

The Minnesota State Senate recently passed legislation sponsored by Senate Majority Leader Roger Moe (DFL) to place \$1.3 billion into four endowments, of which \$650 million will be placed in a tobacco prevention endowment. The interest, estimated at \$32 million a year, would pay for various tobacco prevention initiatives. The House Majority leadership has indicated that

they support using the settlement funds for tax cuts.

The Centers for Disease Control estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Minnesota to be between \$28.4 and \$71.9 million.

The Minnesota legislature's 1999 session adjourns May 17.

Mississippi

As one of four states to settle with the tobacco industry early (1997), Mississippi, along with Texas and Florida agreed to launch a two-year tobacco prevention pilot program. In 1999 and 2000, Mississippi will spend \$62 million of the \$279.7 initial payment from the tobacco industry for the initiation and implementation of a tobacco prevention program. The tobacco industry will make an annual payment to the state of Mississippi between \$136 and \$255.7 million.

In 1998, Governor Kirk Fordice (R) signed law legislation directing all settlement payments other than those set aside for the tobacco pilot project to a health care trust fund with no specific allocation for tobacco prevention. The law allows the legislature to appropriate interest and some of the principal from the fund each year for a broad range of health care related purposes as it sees fit. Neither the Governor nor the legislature introduced proposals for using Mississippi's settlement funds for tobacco prevention once the pilot project is complete, although it is possible such proposals could be introduced later.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Mississippi to be between \$19.1 and \$47.5 million.

The Mississippi legislature's 1999 session adjourned April 2.

Missouri

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Missouri an initial amount of \$54.6 million. Each year thereafter, Missouri will receive a payment between \$145.8 and \$190.9 million. Although exact information is difficult to obtain, Missouri currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Mel Carnahan (D) has not put forth a specific proposal for the settlement funds, but does support using the monies for a menu of items including teen anti-smoking initiatives, health and education programs. Both the Missouri House and Senate have passed bills establishing a tobacco settlement trust fund. The House version, which the Governor supports, earmarks all of the money for "health care and anti-smoking education" without defining or setting amounts for either item. The Senate version does not earmark the funds for any specific programs. Both measures would require annual legislative appropriations. A conference committee is scheduled

to negotiate a final bill.

Missouri is in a unique situation because of the state Hancock Amendment, which requires excess state revenues to be refunded to taxpayers. The State Senate turned back an attempt to define the tobacco settlement funds as state revenue and have it sent to taxpayers. The Senate also defeated an attempt to put the question to a statewide vote. It is possible the refund issue will be taken to court regardless of legislative action.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Missouri to be between \$32.1 and \$85.6 million.

The Missouri legislature's 1999 session adjourns on May 30.

Montana

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Montana an initial amount of \$10.2 million. Each year thereafter, Montana will receive a payment between \$27.2 and \$35.6 million. Although exact information is difficult to obtain, Montana currently spends little or no state funds on tobacco prevention.

Governor Marc Racicot's (R) proposal for Montana's settlement funds would have established a statutorily approved trust with a 33 percent allocation for tobacco prevention for this budget cycle as well as future budget cycles. The remaining amounts in the trust would have been devoted to the following: 15 percent for the children's health insurance program; 22 percent for a long term care and health trust; and 30 percent to the general fund. Although legislation identical to Governor Racicot's proposal was introduced in the legislature, it was killed. The legislature opted instead to allocate the initial and first regular settlement payment (\$37 million) through the general appropriations process. At present, it appears the legislature will provide \$3.5 million (9 percent) for tobacco prevention annually, \$4 million for children's health care (CHIP), \$1 million for the Montana Comprehensive Health Association, and \$800,000 for a juvenile delinquent bootcamp. All remaining funds from these first payments will go to the general fund to pay for tax breaks. The legislature did not make any decisions regarding future allocations of settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Montana to be between \$10.1 and \$21.1 million.

The Montana legislature adjourned April 24.

Nebraska

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Nebraska an initial amount of \$14.3 million. Each year thereafter, Nebraska will receive a payment between \$38.1 and \$49.9 million. Although exact information is difficult to obtain, Nebraska currently does not spend a substantial amount of state funds on tobacco prevention.

In 1998, prior to the end of his second, four-year term, Governor Ben Nelson (D) signed legislation directing all interest from settlement payments to the Nebraska Health Care Trust Fund. The legislature and the Governor determined the Fund's Board will make grants and loan guarantees to a menu of public health programs, which includes school-based tobacco prevention. This measure does not guarantee any specific amount of the settlement funds will be used for tobacco prevention. Governor Mike Johanns (R) has not proposed an alternative plan to ensure any of the settlement funds will be used for tobacco prevention. No alternative legislative proposals have been introduced this session allocating a specific amount of settlement funds for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Nebraska to be between \$13.8 and \$31.8 million.

The Nebraska legislature's 1999 session adjourns in early June.

Nevada

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Nevada an initial amount of \$14.6 million. Each year thereafter, Nevada will receive a payment between \$39.1 and \$51.2 million. Although exact information is difficult to obtain, Nevada currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Kenny Guinn (R) has proposed using 50 percent of the settlement funds for college scholarships aimed at Nevada high school students. Governor Guinn's proposal allocates the remaining 50 percent for a new public health plan, "Half for Health." Of the settlement funds allocated for health care, the Governor proposes spending \$2 million the first year, \$3.4 million the second year, \$9.5 million for each of the next three years, and \$5.6 each year thereafter, for a tobacco prevention program. Legislation has been introduced with the same annual allocations found in the Governor's plan; however, the legislative proposal also establishes a tobacco prevention trust fund with 10 percent of the health care dollars. Under this measure, tobacco prevention, along with other health care initiatives, could qualify for additional funding from the trust fund's interest earnings.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Nevada to be between \$13.4 and \$31.8 million.

The Nevada legislature's 1999 session adjourns May 31.

New Hampshire

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay New Hampshire an initial amount of \$16 million. Each year thereafter, New Hampshire will receive a payment between \$42.7 and \$55.9 million. Although exact information is difficult to obtain, New Hampshire currently spends little or no state funds on tobacco prevention.

Governor Jeanne Shaheen (D) has not put forth a proposal for using the tobacco settlement funds for tobacco prevention. Governor Shaheen has suggested using 20 percent of the funds for education, but has not stated other plans for the money. The primary legislative initiative, sponsored by Senator James Squires (R), would allocate 25 percent of the settlement payments (an annual minimum of \$10.6 million) for tobacco prevention. Under this proposal the remaining the settlement funds would be used for state Medicaid costs and other state health care programs.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program to be between \$11.4 and \$25 million.

The New Hampshire legislature's 1999 session adjourns in late June.

New Jersey

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay New Jersey an initial amount of \$92.8 million. Each year thereafter, New Jersey will receive a payment between \$247.9 and \$324.5 million. Although exact information is difficult to obtain, New Jersey currently spends little or no state funds on tobacco prevention.

Governor Christine Todd Whitman's (R) proposal for the settlement funds would use 20 percent of the initial payment, \$18.5 million, for a comprehensive tobacco program. Governor Whitman proposes using the rest of the funds for various health care initiatives. The most comprehensive legislative proposal for use of the settlement funds, sponsored by Senate Democrats, would allocate 10 percent annually (a minimum of \$24.7 million) of all settlement funds to tobacco prevention. Of the remaining funds, the proposal allocates 50 percent for health care subsidies, 25 percent for cancer research, and 15 percent for health benefits coverage under the Health Access New Jersey program. Leading Senate Republicans have publicly indicated plans to introduce legislation regarding the settlement funds, with a larger amount for tobacco prevention than is included in the current proposal.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of New Jersey to be between \$43.9 and \$115.3 million.

The New Jersey legislature remains in session throughout the year.

New Mexico

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay New Mexico an initial amount of \$14.3 million. Each year thereafter, New Mexico will receive a payment between \$38.2 and \$50 million. Although exact information is difficult to obtain, New Mexico spends an insignificant amount of state funds on tobacco prevention.

Governor Gary E. Johnson (R) signed into law a measure placing all the payments from New Mexico's tobacco settlement into a Permanent Fund. The measure does not allocate any of the funds or make any determinations regarding what programs will receive future allocations from the fund. During the legislative session, nine bills were introduced relating to the use of the settlement funds. One measure would have placed 35 percent of settlement funds in a permanent endowment, 35 percent for tobacco prevention, and the remaining 30 percent for chronic disease prevention. The legislature did not pass any of these measures. A Tobacco Settlement Committee was appointed and is currently working to develop recommendations by December 15, 1999 for the best use of New Mexico's settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of New Mexico to be between \$14.1 and \$32.2 million.

The New Mexico legislature's 1999 session adjourned March 20.

New York

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay New York an initial amount of \$306.3 million. Each year thereafter, New York will receive a payment between \$818.3 and \$1.07 billion. The agreement also determines 50 percent of all the state's settlement payments to be divided among New York's counties. New York State currently spends roughly \$7 million annually in state funds for tobacco prevention. New York City spent almost \$14 million for tobacco prevention in fiscal year 2000.

Governor George Pataki (R) has not adopted the proposal of a state health advisory board, the Commission for a Healthy New York to fund a comprehensive tobacco prevention program. Instead, Governor Pataki proposes using 75 percent of the funds to bring down state debt obligations, and 25 percent for a menu of items, including health care coverage for the uninsured, doctor training, and tobacco prevention. Under this proposal, tobacco prevention programs will compete with the other priorities listed for a share of an annual minimum allocation of \$102.2 million. No legislation has been introduced regarding the use of the settlement funds, although various senators have indicated plans to craft legislation identical to the Governor's proposal.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of New York to be between \$93.4 and \$259.2 million.

The New York 1999 legislative session will adjourn the end of June.

North Carolina

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay North Carolina an initial amount of \$56 million. Each year thereafter, North Carolina will receive a payment between \$149.5 and \$195.7 million. Although exact information is difficult to obtain, North Carolina spends an insignificant amount of state funds on tobacco prevention.

Legislation has been enacted into law allocating 75 percent, an annual minimum of \$112.1 million, for economic aid for tobacco-dependent communities and tobacco growers and 25 percent for public health. The legislation does not specify what programs fall under the umbrella of public health, nor does it provide a specific allocation funds for tobacco prevention or other public health initiatives. Currently, the law provides no guarantees any of the settlement funds will be used for tobacco prevention. Legislative leaders are discussing the possibility of amending the current law to allocate funds for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of North Carolina to be between \$41.3 and \$114.8 million.

The North Carolina legislature is in session throughout the year.

North Dakota

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay North Dakota an initial amount of \$8.8 million. Each year thereafter, North Dakota will receive a payment between \$23.5 and \$30.7 million. Although exact information is difficult to obtain, North Dakota currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Ed Schafer (R) proposes using 90 percent, an annual minimum of \$11.7 million, for water projects, property tax rebates and education funding. Governor Schafer's plans would spend the remaining 10 percent, an annual minimum of \$2.3 million, for various public health programs, including initiatives on diabetes, drug and alcohol use, and tobacco prevention. While the public health provision could eventually be spent on tobacco prevention programs, the Administration has indicated plans for spending a significant portion of the public health allocation to renovate the state morgue. The North Dakota House recently passed a bill consistent with the Governor's proposal, allocating 45 percent of the settlement funds, an annual minimum of \$10.5 million, for water resource projects, 45 percent for education, and 10 percent, an annual minimum of \$2.3 million, for public health initiatives.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of North Dakota to be between \$8.9 and

\$18.1 million.

The North Dakota legislature's 1999 session adjourns April 28.

Ohio

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Ohio an initial amount of \$120.9 million. Each year thereafter, Ohio will receive a payment between \$323 and \$422.7 million. Although exact information is difficult to obtain, Ohio currently spends little or no state funds on tobacco prevention.

Governor Robert Taft (R) has not put forth a formal proposal for using the tobacco settlement funds. The Governor initially indicated he wanted to use the funds for education programs. Recently, Governor Taft announced the creation of a task force charged with determining in sixty days the best use of the settlement funds, and said his number one priority is reducing the number of underage smokers in Ohio. The membership of the task force includes 10 legislative leaders, four members of the administration and Attorney General Betty Montgomery. No legislative proposals have been introduced regarding the use of Ohio's tobacco settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Ohio to be between \$60.9 and \$172.8 million.

The Ohio legislature operates throughout a two-year cycle.

Oklahoma

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Oklahoma an initial amount of \$24.9 million. Each year thereafter, Oklahoma will receive a payment between \$66.4 and \$87 million. Although exact information is difficult to obtain, Oklahoma currently spends little or no state funds on tobacco prevention.

Governor Frank Keating (R) has not put forth a proposal for spending the state's settlement funds, but has publicly stated support for using a portion of the payments to balance the state teachers retirement system. In 1995, Governor Keating convened an on-going Task Force on Youth and Tobacco, which has spoken out in support of using \$54.5 million annually for tobacco prevention.

HB 1002, which would generally allocate settlement money, is currently under negotiation in a House-Senate conference committee. As written, the measure would allocate unspecified percentages for the teacher retirement pension plan, a public health trust fund and a public health cash fund. Tobacco use prevention is among the menu of public health programs qualified to receive funding from the public health cash fund, although currently the measure provides no

guarantees any money would be allocated for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Oklahoma to be between \$21.9 and \$54.5 million.

The Oklahoma legislature's 1999 session adjourns May 28.

Oregon

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Oregon an initial amount of \$27.5 million. Each year thereafter, Oregon will receive a payment between \$73.6 and \$96.3 million. Using revenues generated by a \$.30 cigarette tax increase enacted in 1996, Oregon allocated \$17 million in state funding for the first two years of a comprehensive tobacco prevention program.

In March 1999 the first detailed results of Oregon's tobacco prevention program were announced. During the two year period analyzed, tobacco use in Oregon declined by 11.3 percent, a rate of decline far higher than the national average.

Governor John Kitzhaber (D) has expressed general support for tobacco prevention, but has not put forth a proposal for using Oregon's settlement funds. The leading legislative proposal, introduced by Senate President Brady Adams (R) and House Speaker Lynn Snodgrass (R), places all settlement funds into a trust for a variety of health, transportation and housing purposes. Actual decisions regarding the allocation of funds among these programs have not yet been determined. The Trust would neither preclude nor require additional funding of the state tobacco prevention program. Representative Al King (D) introduced a bill to allocate 58 percent for health care programs, 20 percent for tobacco prevention, 10 percent for education, 1 percent for consumer protection programs and 1 percent to the Insurance Pool Governing Board.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the State of Oregon to be between \$21.2 and \$52.8 million.

The Oregon legislature's 1999 session adjourns in early July.

Pennsylvania

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Pennsylvania an initial amount of \$137.9 million. Each year thereafter, Pennsylvania will receive a payment between \$368.5 and \$482.3 million. Although exact information is difficult to obtain, Pennsylvania currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Tom Ridge (R) has not put forth a proposal, nor made any public statements, regarding the use of the tobacco settlement funds. Neither have any legislative initiatives been introduced allocating the use of the funds. Pennsylvania's leadership is silent on whether it supports using state settlement funds for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program to be between \$64.8 and \$182.6 million.

The Pennsylvania legislature remains in session throughout the year.

Rhode Island

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Rhode Island an initial amount of \$17.3 million. Each year thereafter, Rhode Island will receive a payment between \$46.1 and \$60.3 million. Although exact information is difficult to obtain, Rhode Island currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Lincoln Almond (R) proposes using settlement funds to balance the state budget, for new state jobs, a tax reduction, and to pay for the elimination of property taxes on automobiles, which was enacted in 1998. Governor Almond proposed \$150,000 for tobacco-related research in his FY2000 budget. In the Rhode Island Senate, legislation was introduced, with support from Lt. Governor Charles Fogarty (D), which would allocate 20 percent of the settlement funds for tobacco prevention, 15 percent for a health care trust fund and the remaining 65 percent for state health care. The legislature has not yet voted on this measure.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program in Rhode Island to be between \$10.6 and \$23.4 million.

The Rhode Island legislature's 1999 session adjourns in late June.

South Carolina

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay South Carolina an initial amount of \$28.2 million. Each year thereafter, South Carolina will receive a payment between \$75.4 and \$98.7 million. Although exact information is difficult to obtain, South Carolina currently spends little or no state funds on tobacco prevention.

Governor Jim Hodges (D) signed into law a bill directing all of South Carolina's settlement payments into the the state's General Fund with funding decisions still to be determined through the legislative appropriations process. Although the Governor has not put forth a proposal for spending settlement payments for tobacco prevention, he has expressed support for using some of the funds to aid tobacco growers, and for using the initial \$28.2 million payment for education

and children's health care. No proposals were introduced in the General Assembly to spend any of the tobacco settlement funds for tobacco prevention programs.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of South Carolina to be between \$23.8 and \$61.3 million.

The South Carolina legislature's 1999 session adjourns in early June.

South Dakota

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay South Dakota an initial amount of \$8.4 million. Each year thereafter, South Dakota will receive a payment between \$22.4 and \$29.3 million. Although exact information is difficult to obtain, South Dakota currently spends little or no state funds on tobacco prevention

Governor William Janklow (R) proposes using South Dakota's settlement funds for medical care for prisoners, state Medicaid obligations, state employee payroll demands and for patient care at state hospitals. The Governor did not include tobacco prevention programs in his proposal. Two bills were introduced in the House, both of which placed all settlement payments in a trust fund and limited spending to the trust's earned interest. Neither proposal specified how the interest should be spent. The legislature adjourned without passing any provisions for spending the settlement funds.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of South Dakota to be between \$9.4 and \$19.2 million.

The South Dakota legislature's 1999 session has adjourned.

Tennessee

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Tennessee an initial amount of \$58.6 million. Each year thereafter, Tennessee will receive a payment between \$156.5 and \$204.8 million. Although exact information is difficult to obtain, Tennessee currently spends little or no state funds on tobacco prevention.

Governor Don Sundquist (R) has not put forth a proposal concerning the use of the tobacco settlement funds, but he has spoken of using some of the funds for school construction. In the Tennessee legislature, Representative Ken Givens (D) and Senator Tommy Haun (R) have introduced identical legislative measures, HB1486 and SB1709, which would earmark 50 percent of all the tobacco settlement funds to aid Tennessee's tobacco growers and the tobacco farming communities. The legislation does not stipulate how the remaining 50 percent of the settlement

payments should be spent and does not allocate any funds for tobacco prevention.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Tennessee to be between \$31.8 and \$87 million.

The Tennessee legislature's 1999 session adjourns in late May.

Texas

As one of four states to settle early with the tobacco industry, Texas, along with Florida and Mississippi, agreed to launch a tobacco prevention pilot program. Under the terms of Texas' 1997 settlement agreement, the tobacco industry paid the state of Texas an initial payment of \$1.3 billion. Each year thereafter, the tobacco industry will make a payment to the state of Texas between \$326.3 and \$580 million. Texas and the tobacco industry agreed the state would use \$200 million of the initial payment for a pilot prevention project. Texas has not yet initiated a tobacco prevention pilot program.

The legislative debate in Texas began in a unique manner when two Texas legislators sued then Attorney General Dan Morales shortly after he entered the settlement on behalf of the state. The issue of contention was who would decide how to spend the funds the state received -- the Attorney General or the legislature. The dispute was resolved when Attorney General Morales and the two legislators who sued him, House Appropriations Chairman Robert Junell (R) and Senate Finance Committee Chairman Bill Ratliff (D), entered into a non-binding Memorandum of Understanding with their recommendations to the Texas legislature for spending the initial payment. According to the Memorandum of Understanding, approximately \$1 billion should be placed into various endowments to fund projects at a number of health centers in Texas and to help fund the children's health insurance progra, (CHIP). The Memorandum recommended spending \$200 million of the initial payment for a two-year pilot tobacco prevention program.

Chairmen Junell and Ratliff then introduced legislation in the House and Senate. Instead of spending the \$200 million referenced in the Memorandum of Understanding, both bills place the \$200 million into an endowment and only permits the interest from the endowment, approximately \$10 million a year, to be spent on all tobacco prevention projects including the pilot project and future initiatives. Representative Junell and Senator Ratliff propose using the remaining \$1.1 billion initial payment to fund medical center projects throughout Texas and for children's health insurance.

The House Appropriations Committee approved the measure; however, the Senate Finance Committee adopted an amendment sponsored by Chairman Junell, which would allocate an additional \$30 million specifically for the two-year prevention pilot. Under the Senate proposal, a total of \$50 million would be available for tobacco prevention over a two-year period (\$25 million each year); thereafter, tobacco prevention programs would be funded using 15 percent of the interest from the endowment. An alternative proposal, introduced by Senator Judith Zaffirini

(D) and passed by the Senate Health and Human Services Committee, contains an \$80 million allocation for the two-year pilot. A House-Senate conference committee will resolve the differences and draft a final version of the legislation.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Texas to be between \$98.4 and \$274.4 million.

The Texas legislature's 1999 session adjourns at the end of May.

Utah

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Utah an initial amount of \$10.7 million. Each year thereafter, Utah will receive a payment between \$28.5 and \$37.3 million. Although exact information is difficult to obtain, Utah currently does not spend a substantial amount of state funds on tobacco prevention.

This year the Utah legislature passed, and Governor Michael Leavitt (R) signed a bill, S173, delaying any decisions on how the state will spend the tobacco settlement funds until next year. The bill contains a nonbinding and non-specific resolution, which states serious consideration should be given to allocating some portion of the tobacco settlement funds to tobacco prevention and substance abuse programs. The bill does not guarantee any funds will be used for tobacco prevention.

S173 was enacted after a dispute between Governor Leavitt and Republican legislators, and Attorney General Jan Graham (D), over how to spend the settlement funds. Initially, Governor Leavitt stated that he wanted to spend a "significant share" of the settlement funds on programs to reduce tobacco use. Later, the Governor said he wanted to spend the funds on other matters, such as human services programs, education and children's health insurance. Key Republican legislative leaders initially said they wanted to save the payments for future use. The compromise was reached after Attorney General Graham publicly criticized the legislature for not agreeing to spend a significant portion of the funds on programs to reduce tobacco use, an action which led to a legislative effort to cut the Attorney General's budget and legal authority. Beginning in the year 2000, Attorney General Graham will no longer have funding or authority to pursue civil litigation independently.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Utah to be between \$15.3 and \$33 million.

The Utah legislature's 1999 session adjourned March 3.

Vermont

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Vermont an initial amount of \$9.9 million. Each year thereafter, Vermont will receive a payment between \$26.4 and \$34.5 million. Although exact information is difficult to obtain, Vermont currently spends little or no state funds on tobacco prevention.

Governor Howard Dean (D) proposed in his FY2000 (July 1, 1999 through June 30, 2000) budget to spend \$1 million of the first settlement payment for tobacco prevention and tobacco law enforcement. Governor Dean dedicated the remainder of the first settlement payment to health care and social service programs. Governor Dean has also indicated his strong support for using most of the settlement funds for a new health care initiative. Attorney General Bill Sorrell (D), a key figure behind the national settlement, publicly advocated for the bulk of the settlement payments to be used for tobacco prevention.

After a series of hearings and a great deal of debate, the House passed legislation, H554, which allocates \$23.5 million of the initial and first subsequent settlement payment for a comprehensive tobacco control program for FY2000. To obtain these tobacco program-funding levels, the House struck items from the Governor's budget, including new funds for the Vermont Health Assistance Plan and prison facilities. The issue is now under consideration in the Vermont Senate. The Senate Health and Welfare Committee passed budget legislation, which would allocate 50 percent, approximately \$18.2 million, of Vermont's initial and first subsequent settlement payments for tobacco-use prevention legislation. Currently, the budget is under consideration in the Senate Appropriations Committee.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Vermont to be between \$8.6 and \$17.3 million.

The Vermont legislature's 1999 session adjourns in early May.

Virginia

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Virginia an initial amount of \$49.1 million. Each year thereafter, Virginia will receive a payment between \$131.1 and \$171.6 million. Although exact information is difficult to obtain, Virginia currently does not spend a substantial amount of state funds on tobacco prevention.

Governor Jim Gilmore (R) is expected to sign a measure passed this year to allocate 10 percent, approximately \$13.1 million, of the initial settlement payment for an undefined youth tobacco use prevention program. No long term spending agreements for tobacco prevention were reached.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Virginia to be between \$37.9 and

\$101.3 million.

The Virginia legislature's 1999 session adjourned February 27.

Washington

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Washington an initial amount of \$49.3 million. Each year thereafter, Washington will receive a payment between \$131.6 and \$172.3 million. Although exact information is difficult to obtain, Washington currently does not spend a substantial amount of state funds on tobacco prevention.

Led by Attorney General Christine Gregoire (D), Washington was a leading negotiating state throughout the settlement discussions with the tobacco industry. Attorney General Gregoire and Washington's state leadership continuously argued the settlement was an historic opportunity to recover some of the losses incurred due to tobacco related disease, but equally important, an opportunity to reduce tobacco use and thus the illness and cost resulting from tobacco use.

Governor Gary Locke (D) joined Attorney General Gregoire in strongly advocating for a substantially funded tobacco prevention program. The Senate appropriated \$100 million for this program; however, the House initially put up a roadblock to the funding. House Republicans proposed funding tobacco prevention at \$5 million and eventually passed a bill creating a tobacco prevention program, but without a specific earmark. As the legislature entered the final days of session, the Governor and Attorney General succeeded in persuading the legislature to budget for tobacco prevention \$100 million out of the first \$323 million the state receives in tobacco settlement payments.

As the legislature draws to a close, the Governor has entered into continuous negotiations with legislators to guarantee a significant portion of the settlement funds will go for tobacco prevention. Although the Washington State Senate passed a bill, S5359, which provides \$100 million for tobacco prevention programs without indicating over how many years the program would operate, the Governor and Democratic Senators moved to include tobacco prevention in the FY2000 budget bill. The House-Senate conferees writing the final FY2000 budget did include a \$100 appropriation for a tobacco prevention and control program; however, it does not specify for how many years the appropriation extends. The budget legislation is expected to pass both the House and Senate, and Governor Locke will most likely enact it.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Washington to be between \$32.2 and \$82.9 million.

The Washington legislature's 1999 session adjourns April 25.

West Virginia

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay West Virginia an initial amount of \$21.3 million. Each year thereafter, West Virginia will receive a payment between \$56.8 and \$74.4 million. Although exact information is difficult to obtain, West Virginia currently spends little or no state funds on tobacco prevention.

The West Virginia legislature passed, and Governor Cecil Underwood (R) signed, a bill placing 50 percent of the tobacco settlement funds into an endowment fund. The law provides the interest from the endowment shall be spent on the Public Employees Insurance Account, state Medicaid and Medicare obligations, and capital construction projects. There is no proposal to spend any of the interest from the endowment, or any of the remaining tobacco settlement money, on programs to reduce tobacco use.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of West Virginia to be between \$14.8 and \$35.9 million.

The West Virginia legislature's 1999 session adjourned in March.

Wisconsin

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Wisconsin an initial amount of \$49.7 million. Each year thereafter, Wisconsin will receive a payment between \$132.9 and \$173.9 million. Last year, Wisconsin spent \$2 million for tobacco prevention pilot projects in select cities.

Governor Tommy Thompson (R) proposes using the majority of the settlement funds for a tax cut or to replace current spending on state health care programs. Governor Thompson's proposal for the tobacco settlement funds includes a \$2.5 million allocation for a Smoking Prevention and Health Initiative, which grants the University of Wisconsin \$1 million for targeted prevention programs, cessation research and evaluation. A bi-partisan group of legislators recently introduced an alternative bill related to the tobacco settlement funds, which would fund a tobacco prevention program at \$50 million each year.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Wisconsin to be between \$30.9 and \$80.2 million.

The Wisconsin legislature remains in session throughout the year. It is expected their budget process will conclude in late June or early July.

Wyoming

Under the terms of the 1998 multi-state settlement agreement, the tobacco industry will pay Wyoming an initial amount of \$6 million. Each year thereafter, Wyoming will receive a payment between \$15.9 and \$20.8 million. Although exact information is difficult to obtain, Wyoming currently spends little or no state funds on tobacco prevention.

Governor Jim Geringer (R) signed a bill, H123, which created a Tobacco Settlement Trust Fund for all the tobacco settlement funds. Interest accrued from the trust fund will be spent only for purposes related to the improvement of the health of Wyoming's citizens, including efforts to prevent tobacco use through school and community based programs. No specific allocation for tobacco prevention programs was passed.

The U.S. Centers for Disease Control and Prevention estimates the annual cost of an effective, comprehensive tobacco prevention program for the state of Wyoming to be between \$8.2 and \$15.8 million.

The Wyoming legislature's 1999 session adjourned in March.



Cynthia A. Rice

05/05/99 01:31:39 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: J. Eric Gould/OPD/EOP@EOP

Subject: New OMB Idea on Recoupment

Dan Mendelson has a new idea of a fall-back on Hutchison: to add language enabling lawsuits on the federal portion of the Medicaid costs and stating the settlements to date were for just state costs. He's going to get the OMB GC to look into the legality and whether such a provision would be possible and likely upheld as constitutional if done on a retroactive basis.

I would much prefer to have states devote a portion to youth smoking, but what do you think?

Message Sent To:

Bruce N. Reed/OPD/EOP@EOP
Elena Kagan/OPD/EOP@EOP
Laura Emmett/WHO/EOP@EOP
Christopher C. Jennings/OPD/EOP@EOP
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Cynthia A. Rice

05/13/99 09:44:57 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Elena Kagan/OPD/EOP@EOP, Laura Emmett/WHO/EOP@EOP
cc: J. Eric Gould/OPD/EOP@EOP, Christopher C. Jennings/OPD/EOP@EOP, Jeanne Lambrew/OPD/EOP@EOP, Devorah R. Adler/OPD/EOP@EOP
Subject: What happened last night on tobacco recoupment

I couldn't put all the details in my pages last night, but here in a nutshell is what happened.

Despite our urging none of our allies (Harkin, Specter, Obey) put forward an amendment that could have won. Working with Martha we worked all three offices at several levels (staff directors, tobacco staff, approps staff) but clearly to no avail.

First Specter proposed that the Senate recede to the House and (lo and behold) this all or nothing approach failed.

Then Rogers proposed to have the House recede to the Senate and Obey offered his long complicated version of 40 percent of the settlement for health coverage plus tobacco. There was much parliamentary maneuvering and lucky for us it was decided the Obey vote would happen first. And, surprise surprise, the amendment failed.

In the meantime Martha Foley persuaded Young to prevent a vote on Rogers. Young asked Rogers to withdraw his amendment and he did. We had a temporary reprieve.

The GOP committee chairs then met behind closed doors. Around 10 the conference re-convened and in their first order of business Young proposed to have the House recede to the Senate and the motion passed by voice vote.



Cynthia A. Rice

04/27/99 12:07:41 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP
cc: J. Eric Gould/OPD/EOP
Subject: Tobacco Free Kids report to come out TOMORROW



CTFK0426.W Here's the Campaign summary-in-progress of their report they plan to release tomorrow on how few states are using tobacco settlement funds to reduce youth smoking. They're hoping for a Post story to run tomorrow morning. Two questions for you:

(1) From this info, what would you suggest is the most compelling one sentence sound bite? Perhaps "In recent months, only four states have decided to use tobacco settlement funds to reduce youth smoking, and unless Congress and the states act, only 9 states will have comprehensive efforts to reduce youth smoking."

(2) How can we help amplify? We'll obviously do a Q&A. Any other thoughts?