



## BIG INCREASES TO STATE MSA PAYMENTS STARTING APRIL 2008 – NEW FUNDING FOR TOBACCO PREVENTION –

Total Master Settlement Agreement (MSA) tobacco settlement payments to the 46 states, DC, and the U.S. territories that are a part of the MSA increased by more than \$920 million from 2007 to 2008 and will remain at the much higher levels from now on.<sup>1</sup> This increase occurred despite the fact that most of the MSA cigarette companies did not make their full payments to the states because they claimed a downward nonparticipating manufacturers (NPM) adjustment. That dispute is currently being resolved through arbitration and in the courts and could provide even more additional funds to the states once it is resolved.<sup>2</sup>

The larger payments starting in 2008 come, in part, from small increases to the regular unadjusted base payments owed to the states each year under the MSA, but are primarily the result of the MSA cigarette companies having to make special new “Strategic Contribution Fund” payments from 2008 to 2017. These new payments were to be allocated among the MSA states based on “each Settling State’s contribution to the litigation or resolution of the state tobacco litigation,” and a special state attorneys general Allocation Committee made the final decisions on how much each state would receive soon after the 1998 MSA execution date.<sup>3</sup> After 2017, when the extra Strategic Contribution Fund payments end, the MSA calls for a significant boost to the ongoing, regular base payment amounts, which will keep the total payments to the states at roughly the same substantially higher levels.

Despite this large, sustained increase to their already enormous annual tobacco settlement revenues, the vast majority of the states are still failing to fund state tobacco prevention efforts adequately – spending, on average, well under half of the old *minimum* amounts originally recommended by the U.S. Centers for Disease Control and Prevention and an even smaller fraction of the CDC’s updated recommended funding levels for state tobacco prevention programs. By allocating the MSA payment increases to expand their tobacco prevention efforts, the states could largely eliminate this imbalance and begin reducing smoking-caused suffering, disease, and death much more effectively. New state investments in tobacco prevention would also improve each state’s economic health by improving worker productivity and sharply reducing public and private sector smoking-caused costs.

### **Increases to State MSA Payments From 2007 to 2008** **(all amounts in millions of dollars except where noted)**

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Actual Payments 2007	Actual Payments 2008	New Funds Available 2008	Tobacco Control Funding 2008	New CDC Recommended Tobacco Control Funding	
<b>All MSA States</b>	<b>\$7.0 bill.</b>	<b>\$8.0 bill.</b>	<b>\$6.07 bill.</b>	<b>\$6.99 bill.</b>	<b>\$921 mill.</b>	<b>\$617 mill.</b>	<b>\$3.12 billion</b>	
Alabama	\$113.2	\$121.9	\$98.1	\$106.1	\$8.0	\$0.77	\$56.7	
Alaska	\$23.9	\$39.1	\$20.7	\$34.7	\$14.0	\$7.5	\$10.7	
Arizona	\$103.2	\$131.6	\$89.5	\$115.6	\$26.1	\$23.5	\$68.1	
Arkansas	\$58.0	\$65.6	\$50.3	\$57.3	\$7.0	\$15.6	\$36.4	
California	\$894.0	\$956.3	\$774.8	\$832.1	\$57.3	\$77.4	\$441.9	
Colorado	\$96.0	\$118.2	\$83.2	\$103.6	\$20.4	\$26.0	\$54.4	
Connecticut	\$130.0	\$161.1	\$112.7	\$141.3	\$28.7	\$0.0	\$43.9	
Delaware	\$27.7	\$34.7	\$24.0	\$30.5	\$6.5	\$10.7	\$13.9	
Washington, DC	\$42.5	\$49.9	\$36.9	\$43.6	\$6.8	\$3.6	\$10.5	
Florida			Not in MSA				\$58.0	210.9
Georgia	\$171.9	\$183.4	\$149.0	\$159.5	\$10.6	\$2.2	\$116.5	
Hawaii	\$42.2	\$63.3	\$36.5	\$56.1	\$19.5	\$10.4	\$15.2	
Idaho	\$25.4	\$32.4	\$22.1	\$28.5	\$6.5	\$1.4	\$16.9	
Illinois	\$326.0	\$355.8	\$282.5	\$310.0	\$27.5	\$8.5	\$157.0	
Indiana	\$142.9	\$168.5	\$123.8	\$147.4	\$23.6	\$16.2	\$78.8	
Iowa	\$60.9	\$85.5	\$52.8	\$75.5	\$22.7	\$12.3	\$36.7	

<sup>1</sup> Mississippi, Florida, Texas & Minnesota have individual tobacco settlement agreements and are not part of the MSA.

<sup>2</sup> For more on the NPM withholding issue, see <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=32>.

<sup>3</sup> See Section IX(c)(2) and Exhibit U of the MSA, <http://www.naag.org/backpages/naag/tobacco/msa>.

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Actual Payments 2007	Actual Payments 2008	New Funds Available 2008	Tobacco Control Funding 2008	New CDC Recommended Tobacco Control Funding
Kansas	\$58.4	\$75.5	\$50.6	\$66.3	\$15.7	\$1.4	\$32.1
Kentucky	\$123.4	\$132.3	\$106.9	\$115.1	\$8.2	\$2.4	\$57.2
Louisiana	\$158.0	\$183.7	\$136.9	\$160.6	\$23.7	\$7.7	\$53.5
Maine	\$53.9	\$66.4	\$46.7	\$58.2	\$11.5	\$16.9	\$18.5
Maryland	\$158.3	\$189.8	\$137.2	\$166.2	\$29.0	\$18.4	\$63.3
Massachusetts	\$282.9	\$329.9	\$245.2	\$288.5	\$43.3	\$12.8	\$90.0
Michigan	\$304.8	\$333.0	\$264.2	\$290.2	\$26.0	\$3.6	\$121.2
Minnesota	Not in MSA					\$22.1	\$58.4
Mississippi	Not in MSA					\$8.0	\$39.2
Missouri	\$159.3	\$175.8	\$138.1	\$153.3	\$15.2	\$0.20	\$73.2
Montana	\$29.8	\$39.3	\$25.8	\$34.6	\$8.8	\$8.5	\$13.9
Nebraska	\$41.7	\$49.0	\$36.1	\$42.9	\$6.7	\$2.5	\$21.5
Nevada	\$42.7	\$52.4	\$37.0	\$46.0	\$9.0	\$2.0	\$32.5
New Hampshire	\$46.6	\$55.3	\$40.4	\$48.4	\$8.0	\$1.3	\$19.2
New Jersey	\$270.8	\$300.7	\$234.7	\$262.2	\$27.5	\$11.0	\$119.8
New Mexico	\$41.8	\$51.2	\$36.2	\$44.9	\$8.7	\$9.6	\$23.4
New York	\$893.9	\$958.8	\$774.7	\$834.5	\$59.8	\$85.5	\$254.3
North Carolina	\$163.4	\$183.3	\$141.6	\$160.0	\$18.4	\$17.1	\$106.8
North Dakota	\$25.6	\$41.1	\$22.2	\$36.5	\$14.3	\$3.1	\$9.3
Ohio	\$352.8	\$383.8	\$305.8	\$334.3	\$28.5	\$44.7	\$145.0
Oklahoma	\$72.6	\$100.9	\$62.9	\$89.0	\$26.1	\$14.2	\$45.0
Oregon	\$80.4	\$102.8	\$69.7	\$90.3	\$20.6	\$8.2	\$43.0
Pennsylvania	\$402.5	\$438.5	\$348.8	\$382.0	\$33.2	\$31.7	\$155.5
Rhode Island	\$50.4	\$60.8	\$43.6	\$53.2	\$9.6	\$0.94	\$15.2
South Carolina	\$82.4	\$95.5	\$71.4	\$83.5	\$12.1	\$2.0	\$62.2
South Dakota	\$24.4	\$31.4	\$21.2	\$27.6	\$6.4	\$5.0	\$11.3
Tennessee	\$171.0	\$180.9	\$148.2	\$157.3	\$9.1	\$10.0	\$71.7
Texas	Not in MSA					\$11.8	\$266.3
Utah	\$31.2	\$47.5	\$27.0	\$42.1	\$15.1	\$7.3	\$23.6
Vermont	\$28.8	\$45.0	\$25.0	\$39.9	\$14.9	\$5.2	\$10.4
Virginia	\$143.2	\$152.6	\$124.1	\$132.7	\$8.6	\$14.5	\$103.2
Washington	\$143.8	\$196.3	\$124.6	\$173.0	\$48.4	\$27.1	\$67.3
West Virginia	\$62.1	\$82.9	\$53.8	\$73.0	\$19.2	\$5.7	\$27.8
Wisconsin	\$145.1	\$170.5	\$125.8	\$149.2	\$23.4	\$15.0	\$64.3
Wyoming	\$17.4	\$24.2	\$15.1	\$21.4	\$6.3	\$5.9	\$9.0
Am. Samoa	\$1.07	\$1.1	\$0.92	\$2.4	\$1.4	NA	NA
Guam	\$1.54	\$1.6	\$1.33	\$2.8	\$1.5	NA	NA
No. Mariana	\$0.59	\$0.6	\$0.51	\$2.0	\$1.4	NA	NA
Puerto Rico	\$78.5	\$80.1	\$68.1	\$82.6	\$14.5	NA	NA
Virgin Islands	\$1.22	\$1.2	\$1.05	\$2.5	\$1.5	NA	NA
<b>All MSA States</b>	<b>\$7.0 bill.</b>	<b>\$8.0 bill.</b>	<b>\$6.07 bill.</b>	<b>\$6.99 bill.</b>	<b>\$921 mill.</b>	<b>\$617 mill.</b>	<b>\$3.12 billion</b>

To determine the actual amounts owed each year, the unadjusted base payments are adjusted upward to account for inflation and downward to account for declines in the major cigarette companies' U.S. pack sales (the volume adjustment). Starting in 2006, the MSA cigarette companies have been claiming a Non-Participating Manufacturer (NPM) adjustment and most have withheld a corresponding portion of their payments to the MSA states or paid them into special disputed payments escrow accounts (prompting legal action by the states to recoup the withheld funds, which is still pending).

#### **Additional Information**

MSA says that payments should be used for tobacco control, <http://tobaccofreekids.org/research/factsheets/pdf/0203.pdf>.

More on settlement payments to the states, <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=32>.

Effectiveness of state tobacco prevention investments in reducing tobacco use and related harms and costs, <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=6>. Current state tobacco prevention efforts, <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=7> & <http://tobaccofreekids.org/reports/settlements>.

The NPM Adjustment Threat to State MSA Payments, <http://tobaccofreekids.org/research/factsheets/pdf/0293.pdf>.