



COMING INCREASES TO STATE MSA PAYMENTS IN APRIL 2008 – NEW FUNDING FOR TOBACCO PREVENTION –

The tobacco settlement payments to the states due by April 15th each year under the Master Settlement Agreement (MSA) are scheduled to increase substantially in 2008 and will remain at higher levels thereafter. The overall increase in actual payments to the 46 states, the District of Columbia, and the U.S. territories that are a part of the MSA will total approximately \$1.0 billion in additional, new funding from fiscal year 2007 to 2008, with overall MSA payments to the states staying at such higher levels from then on.

These additional payments come, in part, from small increases in the regular unadjusted base payments owed to the states 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. [See Section IX(c)(2) and Exhibit U of the MSA, <http://www.naag.org/backpages/naag/tobacco/msa>.] After 2017, when the extra Strategic Contribution Fund payments end, the MSA calls for a significant boost to the ongoing, regular unadjusted base payment amounts, which will keep the annual payments to the states at substantially higher levels than today.

Despite their already enormous yearly tobacco settlement revenues, the vast majority of the states are still failing to fund state tobacco prevention efforts adequately – spending, on average, less than a third of the *minimum* amount recommended by the U.S. Centers for Disease Control and Prevention (CDC). By allocating these new, windfall MSA payment increases to expand their tobacco prevention efforts, the states could eliminate this imbalance and begin to reduce smoking-caused suffering, disease, and death more effectively. Such new state investments in tobacco prevention would also improve the state’s economic health by improving worker productivity and sharply reducing public and private smoking-caused costs in the state.

MSA Payment Increases From 2007 to 2008 (all amounts in millions of dollars except where noted)

The following table shows both the increase from 2007 to 2008 in the MSA unadjusted base payment amounts for each state and the projected increases from 2007 to 2008 in the actual payments each state will receive after all the various adjustments are applied to calculate the final payment amount.

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Projected Actual Payments 2007	Projected Actual Payments 2008	Projected New Funds Available 2008	Tobacco Control Funding 2007	CDC <i>Minimum</i> Recommended T.C. Funding
All MSA States	\$7.0 bill.	\$8.0 bill.	\$5.9 bill.	\$6.9 bill.	\$1.0 bill.	\$595 mill.	\$1.6 billion
Alabama	\$113.2	\$121.9	\$95.6	\$105.0	\$9.4	\$682,000	\$26.7
Alaska	\$23.9	\$39.1	\$20.2	\$34.9	\$14.7	\$6.2	\$8.1
Arizona	\$103.2	\$131.6	\$87.2	\$115.2	\$28.0	\$25.5	\$27.8
Arkansas	\$58.0	\$65.6	\$49.0	\$56.8	\$7.8	\$15.1	\$17.9
California	\$894.0	\$956.3	\$755.3	\$823.0	\$67.7	\$84.0	\$165.1
Colorado	\$96.0	\$118.2	\$81.1	\$103.2	\$22.0	\$25.0	\$24.6
Connecticut	\$130.0	\$161.1	\$109.9	\$140.7	\$30.9	\$2.0	\$21.2
Delaware	\$27.7	\$34.7	\$23.4	\$30.4	\$7.0	\$10.3	\$8.6
Washington, DC	\$42.5	\$49.9	\$35.9	\$43.3	\$7.4	\$500,000	\$7.5
Florida	Not in MSA					\$5.6	\$399.9
Georgia	\$171.9	\$183.4	\$145.2	\$157.8	\$12.5	\$2.3	\$42.6

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). Some MSA cigarette companies claimed a Non-Participating Manufacturer (NPM) adjustment and withheld a portion of their payments to the MSA states in 2006, and parallel withholdings will occur in 2007. The above assumes a worst-case scenario in 2008 with all MSA companies doing an NPM adjustment withholding. [These withheld payments could be returned to the states, with interest, once the NPM adjustment dispute is resolved by the courts, through arbitration, or by settlement. For more detail, see <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=32>.] Mississippi, Florida, Texas, and Minnesota entered into earlier, individual settlement agreements and are not part of the MSA.

Coming Increases to MSA Payments to the States / Page 2

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Projected Actual Payments 2007	Projected Actual Payments 2008	Projected New Funds Available 2008	Tobacco Control Funding 2007	CDC Minimum Recommended T.C. Funding
Hawaii	\$42.2	\$63.3	\$35.6	\$56.2	\$20.6	\$9.1	\$10.8
Idaho	\$25.4	\$32.4	\$21.5	\$28.4	\$6.9	\$908,000	\$11.0
Illinois	\$326.0	\$355.8	\$275.4	\$306.9	\$31.5	\$8.5	\$64.9
Indiana	\$142.9	\$168.5	\$120.7	\$146.5	\$25.8	\$10.9	\$34.8
Iowa	\$60.9	\$85.5	\$51.5	\$75.5	\$24.1	\$6.5	\$19.4
Kansas	\$58.4	\$75.5	\$49.3	\$66.2	\$16.8	\$1.0	\$18.1
Kentucky	\$123.4	\$132.3	\$104.2	\$113.9	\$9.7	\$2.2	\$25.1
Louisiana	\$158.0	\$183.7	\$133.5	\$159.5	\$26.0	\$8.0	\$27.1
Maine	\$53.9	\$66.4	\$45.5	\$58.0	\$12.4	\$14.7	\$11.2
Maryland	\$158.3	\$189.8	\$133.8	\$165.2	\$31.5	\$18.7	\$30.3
Massachusetts	\$282.9	\$329.9	\$239.0	\$286.5	\$47.5	\$8.3	\$35.2
Michigan	\$304.8	\$333.0	\$257.5	\$287.3	\$29.8	\$0.0	\$54.8
Minnesota	Not in MSA					\$21.7	\$188.9
Mississippi	Not in MSA					\$0.0	\$123.6
Missouri	\$159.3	\$175.8	\$134.6	\$151.8	\$17.2	\$0.0	\$32.8
Montana	\$29.8	\$39.3	\$25.1	\$34.6	\$9.4	\$6.9	\$9.4
Nebraska	\$41.7	\$49.0	\$35.2	\$42.6	\$7.4	\$3.0	\$13.3
Nevada	\$42.7	\$52.4	\$36.1	\$45.8	\$9.7	\$3.8	\$13.5
New Hampshire	\$46.6	\$55.3	\$39.4	\$48.1	\$8.7	\$0.0	\$10.9
New Jersey	\$270.8	\$300.7	\$228.8	\$259.8	\$31.0	\$11.0	\$45.1
New Mexico	\$41.8	\$51.2	\$35.3	\$44.6	\$9.4	\$7.7	\$13.7
New York	\$893.9	\$958.8	\$755.2	\$825.4	\$70.3	85.5	\$95.8
North Carolina	\$163.4	\$183.3	\$138.0	\$158.6	\$20.6	\$15.0	\$42.6
North Dakota	\$25.6	\$41.1	\$21.7	\$36.7	\$15.0	\$3.1	\$8.2
Ohio	\$352.8	\$383.8	\$298.1	\$330.9	\$32.8	\$45.0	\$61.7
Oklahoma	\$72.6	\$100.9	\$61.3	\$89.0	\$27.7	\$10.0	\$21.8
Oregon	\$80.4	\$102.8	\$67.9	\$90.0	\$22.1	\$3.5	\$21.1
Pennsylvania	\$402.5	\$438.5	\$340.1	\$378.2	\$38.1	\$30.3	\$65.6
Rhode Island	\$50.4	\$60.8	\$42.5	\$53.0	\$10.4	\$950,000	\$9.9
South Carolina	\$82.4	\$95.5	\$69.6	\$82.9	\$13.3	\$2.0	\$23.9
South Dakota	\$24.4	\$31.4	\$20.6	\$27.5	\$6.9	\$708,000	\$8.7
Tennessee	\$171.0	\$180.9	\$144.4	\$155.5	\$11.0	\$0.0	\$32.2
Texas	Not in MSA					\$5.2	\$511.8
Utah	\$31.2	\$47.5	\$26.3	\$42.2	\$15.9	\$7.2	\$15.2
Vermont	\$28.8	\$45.0	\$24.3	\$40.1	\$15.7	\$5.1	\$7.9
Virginia	\$143.2	\$152.6	\$121.0	\$131.2	\$10.2	\$13.5	\$38.9
Washington	\$143.8	\$196.3	\$121.5	\$172.9	\$51.4	\$27.1	\$33.3
West Virginia	\$62.1	\$82.9	\$52.5	\$72.9	\$20.5	\$5.4	\$14.2
Wisconsin	\$145.1	\$170.5	\$122.6	\$148.2	\$25.6	\$10.0	\$31.2
Wyoming	\$17.4	\$24.2	\$14.7	\$21.4	\$6.7	\$5.9	\$7.4
Am. Samoa	\$1.1	\$1.1	\$0.90	\$0.9	\$0.030	NA	NA
Guam	\$1.5	\$1.6	\$1.30	\$1.3	\$0.043	NA	NA
No. Mariana	\$0.6	\$0.6	\$0.50	\$0.5	\$0.017	NA	NA
Puerto Rico	\$78.5	\$80.1	\$66.3	\$68.6	\$2.2	NA	NA
Virgin Islands	\$1.2	\$1.2	\$1.03	\$1.1	\$0.03	NA	NA
All MSA States	\$7.0 bill.	\$8.0 bill.	\$5.9 bill.	\$6.9 bill.	\$1.0 bill.	\$595 mill.	\$1.6 billion

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> and <http://tobaccofreekids.org/reports/settlements>.

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