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Special Report: State Tobacco Settlement

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Executive Summary

On November 23, 1998, 46 states settled their lawsuits against the major tobacco companies to recover tobacco-related health care costs, joining four states (Mississippi, Texas, Florida and Minnesota) that had reached earlier, individual settlements. These settlements required the tobacco companies to make annual payments to the states in perpetuity, with total payments over the first 25 years estimated at \$246 billion. The multi-state settlement, known as the Master Settlement Agreement, also imposed limited restrictions on the marketing of tobacco products.

The tobacco settlement was presented as an historic opportunity to attack the enormous public health problem posed by tobacco use in the United States. As described by state attorneys general and governors, the promise of the settlement was two-fold: It would significantly increase the amount of money the states were spending on programs to prevent kids from starting to use tobacco and help those already addicted to quit, and it would greatly reduce youth exposure to tobacco marketing.

While the multi-state settlement did not dictate how states should spend the money, many state attorneys generals and governors pledged that they would use the tobacco companies' own money to address the tobacco problem. As they successfully pressed Congress in early 1999 to let the states keep even the federal government's share of the settlement, the nation's governors unanimously passed a resolution stating that they **"are committed to spending a significant portion of the tobacco settlement funds on smoking cessation programs, health care, education, and programs benefiting children."**

Our public health organizations have issued regular reports tracking whether the states have lived up to the promises of the settlement.

Five years after the November 1998 state tobacco settlement, we find that most states have failed to keep their promise to use a significant portion of the settlement funds to reduce tobacco's terrible toll on America's children, families and communities. We also find that the settlement's marketing restrictions have done little to reduce the tobacco companies' ability to market their products aggressively in ways effective at reaching and influencing our children.

Disturbingly, in the past two years the states have cut funding for their tobacco prevention programs by more than a quarter, and several states have completely eviscerated some of the most successful and promising tobacco prevention and cessation programs in history. Most alarming of all, the states have reduced their commitment to protecting our children from tobacco even as the tobacco industry's marketing expenditures have skyrocketed to record levels.

As this report details, the states lack credible excuses for their failure to do more to protect our children from tobacco. They know that tobacco use remains the nation's leading preventable cause of death and disease. They have more evidence than ever before that tobacco prevention and cessation programs work to reduce smoking and other tobacco use, save lives, and save money by reducing tobacco-caused health care costs. And they are collecting record amounts of tobacco revenue from the tobacco settlement and tobacco taxes, only a small

portion of which would fund tobacco prevention and cessation programs at minimum levels recommended by the U.S. Centers for Disease Control and Prevention (CDC).

As some have put it, we have a vaccine for lung cancer and the other terrible diseases caused by tobacco use, and we have the money to pay for it. What is missing is the political will to inoculate every child in this country.

Key Findings

Our reports assess and rank the states based on whether they are funding tobacco prevention programs at the minimum levels recommended by the CDC, which usually amount to 20 to 25 percent of a state's annual settlement proceeds and an even smaller percentage of a state's total tobacco revenues from the tobacco settlement and tobacco taxes. The findings for this year:

- Only four states – Maine, Delaware, Mississippi and Arkansas – currently fund tobacco prevention programs at minimum levels recommended by the CDC.
- Only eight other states are funding tobacco prevention programs at even half the minimum levels recommended by the CDC.
- Thirty-three states are spending less than half the CDC's minimum amount. Another five states – Michigan, Missouri, New Hampshire, South Carolina and Tennessee – and the District of Columbia allocate no significant state funds for tobacco prevention.
- In the current budget year, Fiscal Year 2004, the states cumulatively plan to spend \$541.1 million on tobacco prevention programs. This amounts to just 33.8 percent of the CDC's minimum recommendations for all the states, which total \$1.6 billion.
- Over the past two years, the states have cut total annual funding for tobacco prevention by 28 percent, or \$209 million (from a high of \$749.7 million in Fiscal Year 2002 to \$674.4 million in Fiscal 2003 and \$541.1 million in Fiscal 2004). These cuts have decimated three of the nation's longest standing and most successful tobacco prevention programs, in Florida, Massachusetts and Oregon, and they have seriously hampered some of the nation's most promising new programs, including those in Indiana, Maryland, Minnesota, Nebraska and New Jersey.
- While many states have cut funding for tobacco prevention, the tobacco industry increased its marketing expenditures by 66 percent in the three years after the settlement to a record \$11.45 billion a year, or \$31.4 million a day, according to the Federal Trade Commission's most recent annual report on tobacco marketing. While the FTC report was for calendar year 2001, there is strong evidence that tobacco industry marketing expenditures have continued to increase. Based on the latest FTC figures, **the tobacco companies are spending more than twenty dollars marketing their deadly products for every dollar the states spend to prevent tobacco use. Put another way, the tobacco companies spend more in three weeks marketing their products than all 50 states spend over a full year trying to prevent tobacco use.**

- The states this year will collect \$19.5 billion in tobacco-generated revenue from tobacco taxes and the tobacco settlements. It would take just 8.2 percent of this total for every state to fund tobacco prevention programs at the minimum levels recommended by the CDC (\$1.6 billion for all the states). The states are spending only about one-third of what the CDC recommends for tobacco prevention, amounting to only 2.8 percent of their total tobacco revenue. (Looking only at settlement money, the National Conference of State Legislatures recently reported that in Fiscal 2004 states are spending just three percent of their tobacco settlement money on tobacco prevention.)
- At least 20 states and the District of Columbia have also sold to investors, or securitized, their rights to all or part of their future tobacco settlement payments for a much smaller, up-front payment, or have passed laws authorizing such action. Several states used the revenue generated to balance budgets for just one year. Securitization eliminates or reduces the amount of settlement money available to fund tobacco prevention and meet other needs in the future.

Why States Should Increase Funding for Tobacco Prevention Programs

The states' funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the tobacco problem. When the public health problems posed by tobacco are compared to other health problems, it is clear that the amount the states are spending on tobacco prevention today pales in comparison to the enormity of the problem. Tobacco use is the number one cause of preventable death in the United States, claiming more lives every year – 400,000 – than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. The annual cost of treating tobacco-related disease exceeds \$75 billion. Despite recent progress in reducing youth smoking rates, more than a quarter of high school seniors (26.7 percent) still graduate as smokers, and every day another 2,000 kids become regular, daily smokers, one-third of whom will die prematurely as a result. These children are the tobacco companies' valued "replacement smokers."

The dramatic increase in tobacco industry marketing expenditures since the settlement is especially troubling. The settlement did include some important restrictions on tobacco marketing, including banning billboard and transit advertising, prohibiting cartoon characters and tobacco brand name merchandise, and restricting tobacco brand sponsorships of sports and entertainment events. However, even if fully enforced, these restrictions affected less than 20 percent of total tobacco marketing at the time of the settlement. Since the settlement, the tobacco companies have simply shifted their resources and increased spending on other forms of marketing that appeal to kids, especially promotions in convenience stores and other retail outlets. These include payments for high-visibility store placements and displays, price discounts that make cigarettes more affordable to kids, and free gifts with purchase. The settlement's restrictions on tobacco marketing clearly did very little to reduce the tobacco companies' ability to market their products aggressively to either children or adults.

The evidence is conclusive that state tobacco prevention and cessation programs work to reduce smoking, save lives and save money. Every scientific authority that has studied the issue, including the National Cancer Institute, the Institute of Medicine and the U.S. Surgeon General, has concluded that when properly funded and implemented, these programs reduce smoking among both kids and adults. The strongest evidence comes from the states themselves.

In 1997, Maine had one of the highest youth smoking rates in the country at almost 40 percent. That year, Maine increased its cigarette tax and used a portion of the funds to establish a comprehensive tobacco prevention program known as the Partnership for a Healthy Maine. Maine subsequently expanded its program with settlement money to meet the CDC's minimum funding level and has now achieved dramatic results. Between 1997 and 2003, smoking among Maine's high school students declined by an astounding 48 percent, falling from 39.2 percent to 20.5 percent. Smoking among middle school students declined by 59 percent, from 21 percent to 8.7 percent. This report ranks Maine first in the nation in its funding of tobacco prevention.

Mississippi, which has also used settlement funds on a comprehensive program and ranks third among the states in funding tobacco prevention, reduced smoking by 48 percent among public middle school students and by 29 percent among public high school students between 1999 and 2002. As Mississippi Attorney General Mike Moore often states, "What state has an excuse to not fund tobacco prevention when we have done it in Mississippi, one of the poorest states."

The evidence shows that when sustained over time, comprehensive, well-funded tobacco prevention programs save lives and money. Two recent studies show that California, which started the nation's oldest tobacco prevention program in 1990, has saved tens of thousands of lives by reducing smoking-caused birth complications, heart disease, strokes and lung cancer. Other studies have shown that California and Massachusetts, which started their tobacco prevention programs in 1990 and 1993 respectively, have saved as much as \$3 in smoking-caused health care costs for every dollar spent on tobacco prevention.

When states cut tobacco prevention programs, progress can be quickly reversed. Perhaps the most egregious example is Florida, where a once innovative and successful program that served as a model around the country was steadily weakened and then virtually eliminated by the governor and legislature. Florida's kids are already paying a price for the decision to dismantle a program that reduced high school smoking by 35 percent and middle school smoking by 50 percent in four years. Recent data from Florida indicates that progress in reducing smoking among middle school students has stalled and the state's anti-smoking messages are not reaching younger kids, those entering the most vulnerable years for starting to smoke, as effectively as they once did.

A recent study from the CDC, published in the *Journal of Health Economics*, provides some of the most powerful evidence yet of the effectiveness of comprehensive tobacco prevention programs. The study found that states with the best funded and most sustained tobacco prevention programs during the 1990s – Arizona, California, Massachusetts and Oregon – reduced cigarette sales more than twice as much as the country as a whole (43 percent compared to 20 percent). This is the first study to compare cigarette sales data from all the states and to isolate the impact of tobacco prevention program expenditures from other factors that affect cigarette sales. The study shows that the more states spend on tobacco prevention, the greater the reductions in smoking, and the longer states invest in such programs, the larger the impact. The study concludes that cigarette sales nationwide would have declined by twice

as much as they did between 1994 and 2000 had all states fully funded tobacco prevention programs.

The states have a clear source of revenue to address the problem. Despite their recent budget shortfalls, the states are actually collecting more tobacco-generated revenue than ever before from the tobacco settlement and tobacco taxes. That is because 32 states and DC have increased tobacco taxes since January 1, 2002. Altogether, the states this year will collect \$19.5 billion in tobacco-generated revenue. It would take just 8.2 percent of this tobacco revenue, about \$1.6 billion, for every state to fund tobacco prevention programs at the minimum levels recommended by the CDC. That leaves plenty of tobacco revenue to balance budgets and meet other needs. But the states are spending barely a third of what the CDC recommends.

Assessing Other Aspects of the Tobacco Settlement

While the tobacco settlement has failed to deliver on its promises to provide significant funding for state tobacco prevention programs or to curtail tobacco marketing, it has contributed to the significant reductions in tobacco use, particularly among children, over the last five years. First, the settlement led the major cigarette companies to increase their prices by more than \$1.10 per pack between 1998 and 2000. Part of these increases was used to pay the states, but about half of the price increases simply bolstered the tobacco companies' profits. Second, the settlement included about \$300 million a year in industry payments over five years to create a new national foundation, the American Legacy Foundation, to conduct public education campaigns to reduce tobacco use. Both the settlement-related price increases and the Legacy Foundation's campaigns have contributed significantly to the reduction in youth smoking rates in the last several years.

Tobacco price increases are effective at reducing smoking, especially among children, but they are not a substitute for prevention and cessation programs. The research shows that tobacco price increases are most effective when part of a comprehensive approach that includes prevention and cessation programs and smoke-free workplace policies. In addition, the benefits of price increases are difficult to sustain over time – prices erode with inflation and can be undermined by tobacco industry price reductions.

The Legacy Foundation's programs have been highly effective, but it will lose a large portion of its funding after this year because of a loophole in the settlement that lets the major tobacco companies cease payments after 2003. The Legacy Foundation has invested a significant portion of its settlement payments and will be able to continue its campaigns, but at a reduced level. In addition, the Legacy Foundation's programs were always intended to enhance and not to replace state tobacco prevention efforts.

Five years after the 1998 state tobacco settlement, we are at a critical juncture in determining the settlement's long-term impact. Our nation has made important progress in recent years in reducing youth tobacco use with a comprehensive approach that includes well-funded tobacco prevention and cessation programs in some states, cigarette price increases, smoke-free air laws, and the American Legacy Foundation's campaigns. But continued progress in reducing youth smoking, and acceleration of the slow decline in adult smoking rates, will not occur unless more states use more of the billions of dollars they are receiving from the tobacco settlement, and from tobacco taxes, to fund comprehensive tobacco prevention and cessation programs based on the recommendations of the CDC. If they do, the 1998 state tobacco settlement could

yet mark a historic turning point in the battle to reduce tobacco's terrible toll. If they do not, it will be a tragic missed opportunity for the nation's health.

STATUS OF STATE FUNDING OF TOBACCO PREVENTION

States that have funded tobacco prevention programs at a level that meets the CDC's minimum recommendation (4)

Maine
Delaware
Mississippi
Arkansas

**States that have committed substantial funding for tobacco prevention programs (8)
(At least 50 percent of CDC Minimum)**

Arizona
Hawaii
Pennsylvania
Washington
Minnesota
Ohio
Vermont
California

**States that have committed modest funding for tobacco prevention programs (17)
(25 percent to 50 percent of CDC Minimum)**

Maryland
Alaska
Utah
Virginia
West Virginia
Wyoming
Louisiana
New York
North Dakota
New Mexico
Montana
Wisconsin
Nevada
Indiana
Georgia
Rhode Island
Iowa

**States that have committed minimal funding for tobacco prevention programs (16)
(Less than 25 percent of CDC Minimum)**

New Jersey
Illinois
Colorado
North Carolina
Idaho
Oregon
Oklahoma
Kentucky
South Dakota
Texas
Massachusetts
Nebraska
Kansas
Connecticut
Alabama
Florida

States that committed none of their tobacco settlement money for tobacco prevention programs (5 and DC)

District of Columbia
Michigan
Missouri
South Carolina
Tennessee
New Hampshire

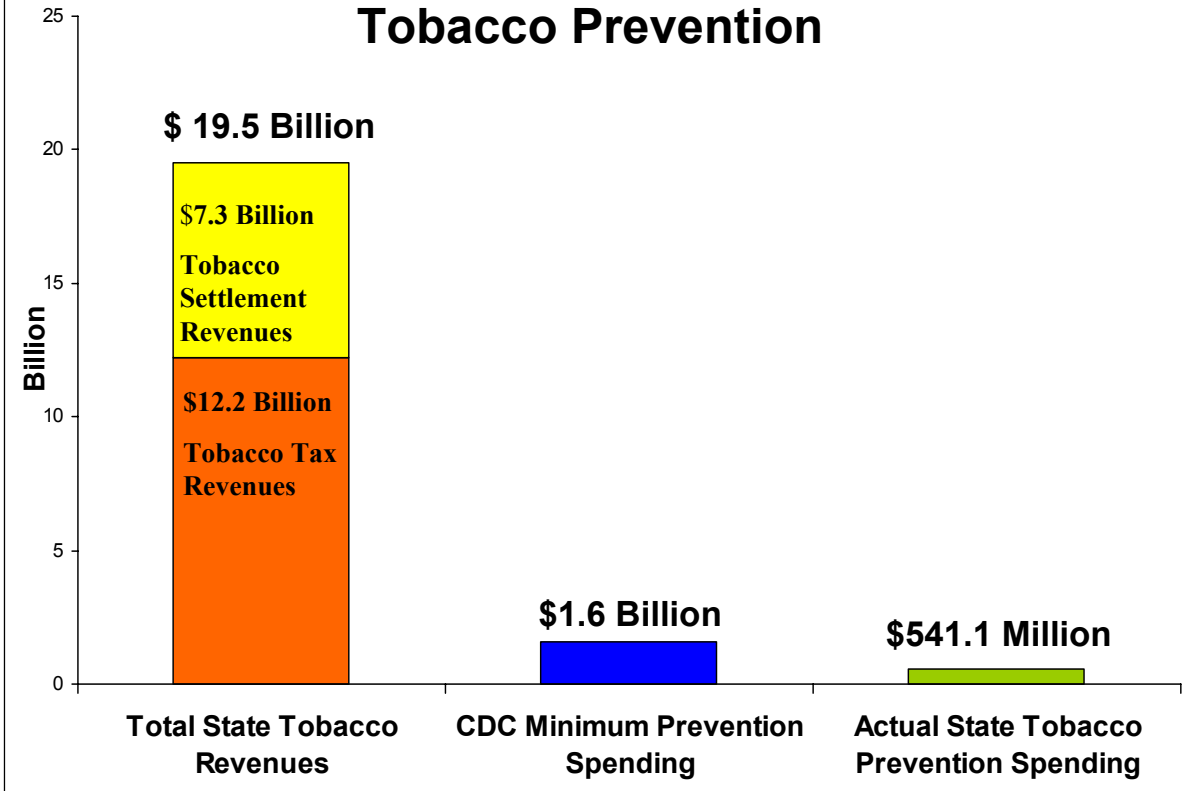
CAMPAIGN For TOBACCO-FREE Kids®

FY2004 Rankings of State Funding for Tobacco Prevention

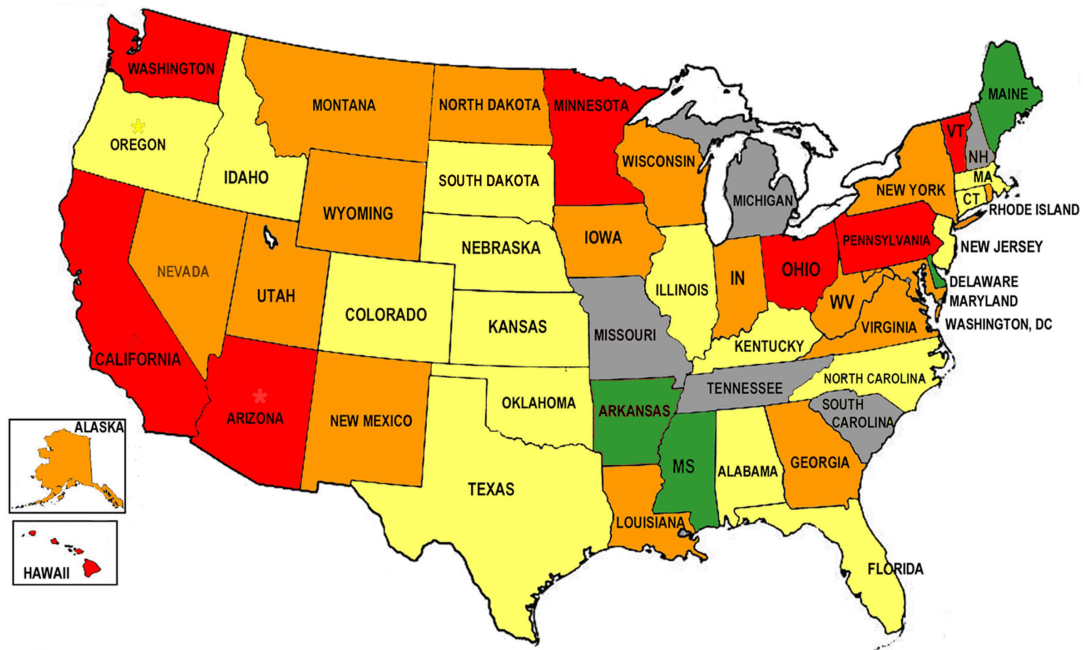
State	FY2004 Current Annual Funding (millions)	CDC's Annual Funding Recommendations (millions)	Percent of CDC Minimum Recommendations	Current Rank	FY2003 Rank
Maine	14.5	11.19 – 25.35	Within CDC Guidelines	1	1
Delaware	10.1	8.63 – 18.46	Within CDC Guidelines	2	15
Mississippi	20.0	18.79 – 46.80	Within CDC Guidelines	3	3
Arkansas	18.5	17.91 – 46.45	Within CDC Guidelines	4	7
Arizona	25.5	27.79 – 71.10	91.8%	5	13
Hawaii	8.9	10.78 – 23.45	82.6%	6	5
Pennsylvania	52.6	65.57 – 184.76	80.2%	7	8
Washington	26.2	33.34 – 89.38	78.6%	8	9
Minnesota	20.4	28.62 – 74.01	71.3%	9	2
Ohio	38.0	61.74 – 173.68	61.5%	10	23
Vermont	4.5	7.91 – 15.94	56.9%	11	12
California	90.1	165.10 – 442.40	54.6%	12	16
Maryland	14.8	30.30 – 78.60	48.8%	13	4
Alaska	3.8	8.09 – 16.51	47.0%	14	14
Utah	7.0	15.23 – 33.38	46.0%	15	21
Virginia	17.4	38.87 – 106.85	44.8%	16	10
West Virginia	5.9	14.16 – 35.37	41.7%	17	25
Wyoming	3.0	7.38 – 14.40	40.7%	18	26
Louisiana	10.7	27.13 – 71.43	39.4%	19	32
New York	37.0	95.83 – 269.30	38.6%	20	24
North Dakota	3.0	8.16 – 16.55	36.8%	21	31
New Mexico	5.0	13.71 – 31.95	36.5%	22	27
Montana	3.2	9.36 – 19.68	34.2%	23	44
Wisconsin	10.0	31.16 – 82.38	32.1%	24	19
Nevada	4.3	13.48 - 32.99	31.9%	25	29
Indiana	10.8	34.78 – 95.80	31.1%	26	6
Georgia	12.6	42.59 – 114.34	29.6%	27	22
Rhode Island	2.7	9.89 – 21.91	27.3%	28	28
Iowa	5.1	19.35 – 48.71	26.4%	29	34
New Jersey	10.5	45.07 – 121.33	23.3%	30	11
Illinois	12.0	64.91 – 179.05	18.5%	31	35
Colorado	3.8	24.55 – 63.26	15.5%	32	30
North Carolina	6.2	42.59 – 118.63	14.6%	33	36
Idaho	1.6	11.04 – 24.09	14.5%	34	40
Oregon	2.9	21.13 – 52.84	13.5%	35	18
Oklahoma	2.5	21.83 – 56.31	11.5%	36	41

State	FY2004 Current Annual Funding	CDC's Annual Funding Recommendations (millions)	Percent of CDC Minimum Recommendations	Current Rank	
Kentucky	2.6	25.09 - 69.90	10.4%	37	39
South Dakota	0.75	8.69 – 18.21	8.6%	38	42
Texas	7.4	103.29 - 284.74	7.2%	39	38
Massachusetts	2.5	35.24 – 92.76	7.1%	40	37
Nebraska	0.41	13.31 – 31.04	3.1%	41	17
Kansas	0.5	18.05 - 44.69	2.8%	42	45
Connecticut	0.5	21.24 - 53.90	2.4%	43	46
Alabama	0.36	26.74 - 71.24	1.3%	44	47
Florida	1.0	78.38 – 221.26	1.3%	44	20
Michigan	0.0	54.80 - 154.56	0.0%	51	51
Missouri	0.0	32.77 – 91.36	0.0%	51	51
South Carolina	0.0	23.91 – 62.01	0.0%	51	43
Tennessee	0.0	32.23 – 89.08	0.0%	51	51
Washington, DC	0.0	7.48 – 14.57	0.0%	51	51
New Hampshire	0.0	10.89 - 24.77	0.0%	51	33

FY 2004 Tobacco Money for Tobacco Prevention



Funding for Tobacco Prevention



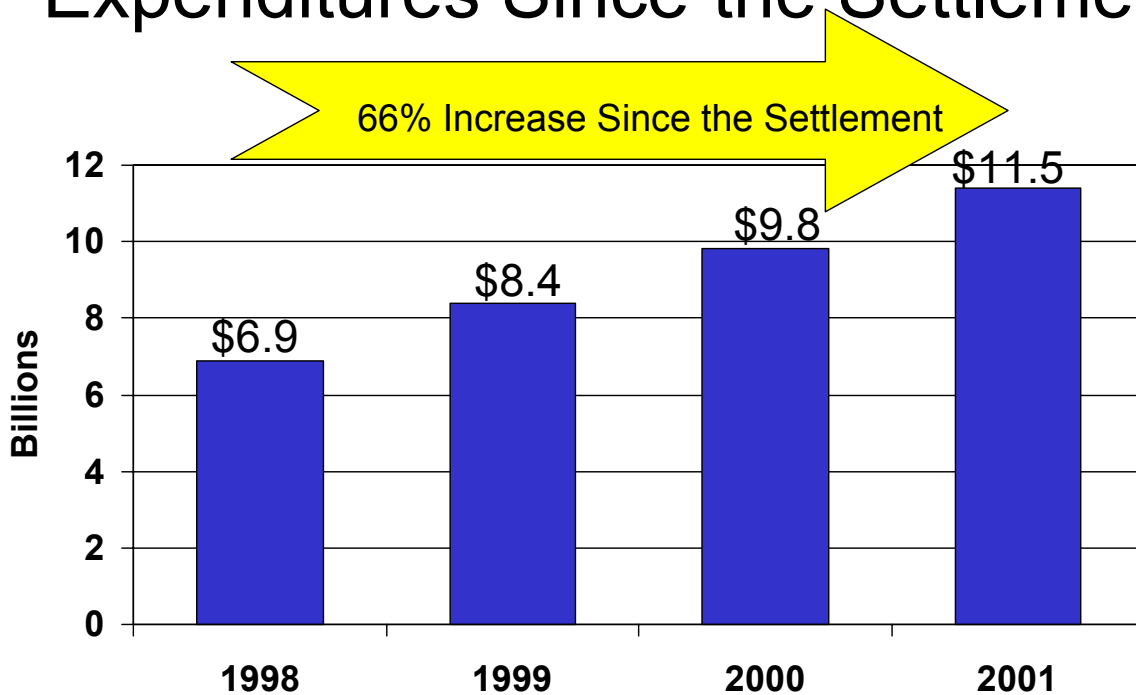
- States that have funded tobacco prevention programs at a level that meets the CDC's minimum recommendation.
- States that have committed substantial funding for tobacco prevention programs (more than 50% of CDC minimum).
- States that have committed modest amounts for tobacco prevention programs (25% - 50% of CDC minimum).

- States that have committed minimal amounts for tobacco prevention programs (less than 25% of CDC minimum).
- States that have committed no tobacco settlement or tobacco tax money for tobacco prevention programs.

CAMPAIGN for TOBACCO-FREE Kids

November 12, 2003

U.S. Tobacco Industry Marketing Expenditures Since the Settlement

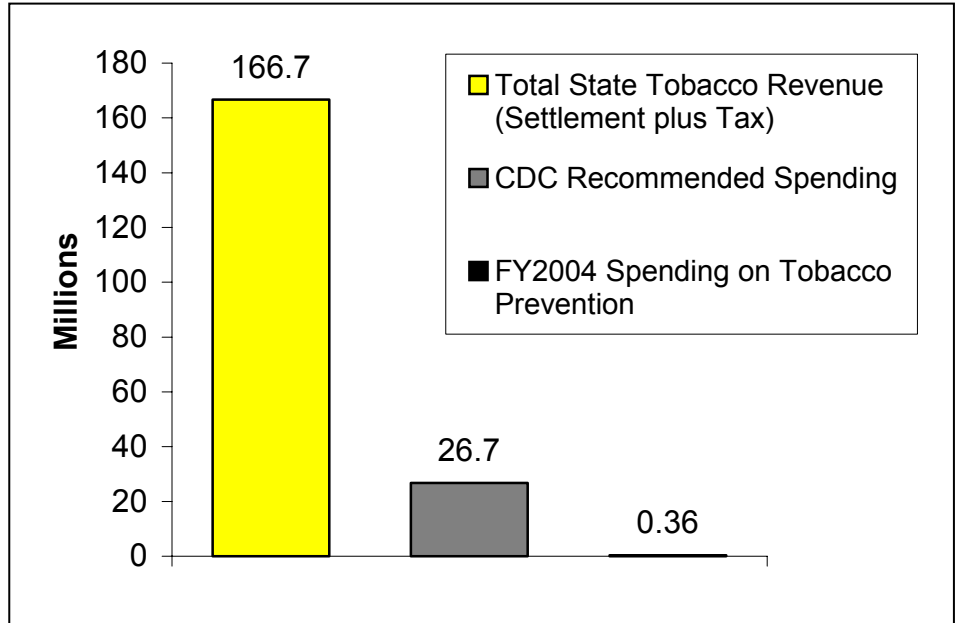


Data are from the U.S. Federal Trade Commission (FTC), *Cigarette Report for 2001* and *Smokeless Tobacco Report, 2000 and 2001*.

Alabama

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
44th	\$360,000 (1.3%)	47th	\$360,000 (1.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Alabama spend between \$26.7 million and \$71.2 million a year to have an effective, comprehensive tobacco prevention program. Alabama currently allocates \$360,000 a year for tobacco prevention. This is 1.3% of the CDC's minimum recommendation and ranks Alabama 44th among the states in the funding of tobacco prevention programs. Alabama's spending on tobacco prevention amounts to 0.2% of the \$166.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Alabama's tobacco settlement payments are governed by a 1999 law approved by the Legislature and signed by then-Governor Don Siegleman (D). This law allocated up to \$70 million in FY2002 and annually thereafter to a package of health and youth-related programs called the Children First Trust Fund. Up to \$7 million (10 percent of the fund) is designated to the Department of Public Health for youth programs including tobacco control programs and the Children's Health Insurance Program (CHIP). Additionally, up to \$700,000 is set-aside for the Alcoholic Beverage Control Board (ABC) for education and the enforcement of laws to prohibit access to tobacco products by minors.

The FY2004 budget approved by the Legislature and signed by Governor Bob Riley (R) allocated \$360,000 for tobacco prevention programs. This represents a 94 percent reduction from the \$6 million a year allocation in FY2000 and FY2001. The majority of remaining settlement funds in FY2004 were appropriated to the Children First Trust Fund for various public health, mental health, and education programs, Medicaid, programs for seniors, and to debt service on bonds issued through the Alabama 21st Century Fund. In a significant change, the Legislature in 2003 voted to allow use of settlement funds for existing programs as well as the new programs created under the 1999 law.

In September 2003, Alabama voters overwhelmingly defeated a \$1.2 billion ballot initiative that among other changes would have increased the cigarette tax 14.5 cents to 31 cents per pack.

Background: In 1999 the Legislature passed and Governor Siegleman signed a law directing all of Alabama's tobacco settlement funds to The 21st Century Fund to pay the debt service on industrial development bonds for the state. Once the yearly bond payment is made, the balance is transferred into the Children's First Trust Fund. Annual transfers to the Trust Fund have included up to \$60 million in FY2000, up to \$65 million in FY2001, and up to \$70 million in FY2002. Any remaining funds are transferred to the General Fund and earmarked for Medicaid – \$45 million in FY2002 and annually thereafter – and the Seniors Services Trust Fund – \$2 million per year beginning in FY2000.

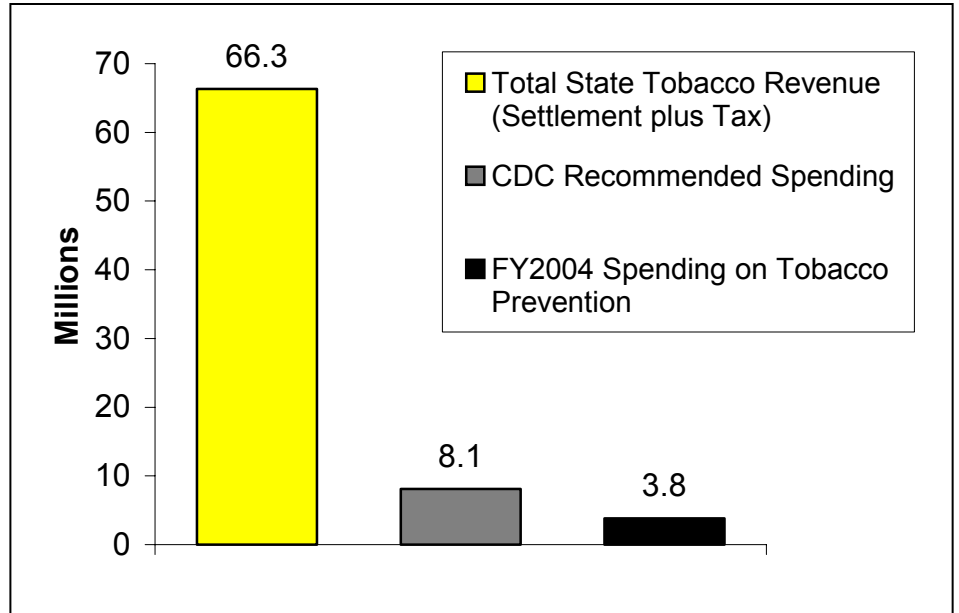
Using its tobacco settlement revenue to pay the debt service on general obligation bonds, Alabama also issued \$50 million in bonds through the 21st Century Authority, with the funds devoted primarily to economic development.

* Alabama is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$2.6 million over 12 years directly to Alabama tobacco growers.

Alaska

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
14th	\$3.8 Million (47.0%)	14th	\$5.0 Million (61.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Alaska spend between \$8.1 million and \$16.5 million a year to have an effective, comprehensive tobacco prevention program. Alaska currently allocates \$3.8 million a year for tobacco prevention. This is 47% of the CDC's minimum recommendation and ranks Alaska 14th among the states in the funding of tobacco prevention programs. Alaska's spending on tobacco prevention



amounts to 5.7% of the \$66.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Under laws passed in 2000 and 2001, Alaska set aside 20% of its tobacco settlement money for tobacco prevention programs and sold, or securitized, 80% of all future tobacco settlement payments to investors for an immediate, but smaller lump-sum payment to fund capital construction projects such as ports, harbors, and schools. The funds set aside for tobacco prevention must be appropriated annually by the Legislature. For FY2004, the Legislature appropriated \$4.3 million for tobacco prevention. However, \$500,000 in program funding was eliminated by Governor Frank Murkowski (R) and diverted to other non-tobacco purposes at the end of the session. Thus, Alaska's tobacco prevention program is funded at \$3.8 million for FY2004, a 24% decrease from the FY2003 funding level.

Background: Alaska made its first decisions on allocating tobacco settlement funds in 1999 as part of the FY2000 budget, which included \$1.4 million in settlement funds for a tobacco prevention and cessation program. The remaining settlement funds were directed to the state's general fund, the majority of which was used for Medicaid reimbursements, child protection programs, children's healthcare and other existing programs.

In 2000 and 2001, the Legislature and then-Gov. Tony Knowles (D) enacted two laws that each authorized the securitization of 40 percent of the state's future tobacco settlement proceeds to fund capital projects, amounting to securitization of a total of 80 percent of the state's future settlement proceeds. The state subsequently sold bonds backed by these funds.

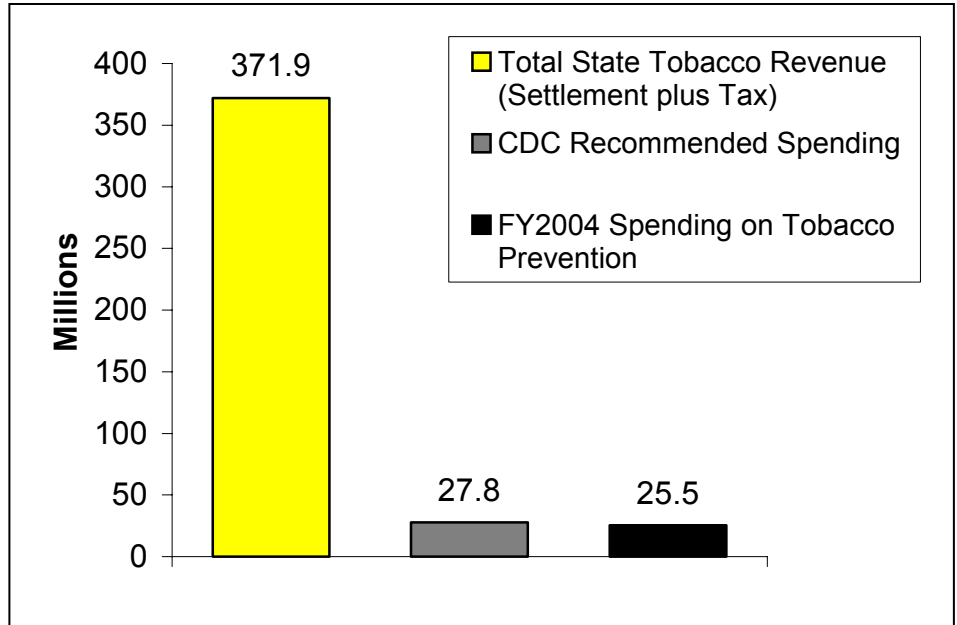
In May 2001, the Legislature and Governor enacted a law to deposit the remaining 20 percent of the state's settlement money, approximately \$5 million year, in a fund dedicated to tobacco prevention and cessation. However, the law left it to the Legislature to appropriate the exact amount to be spent on the tobacco prevention and cessation program each year.

In FY2003, the Legislature and Gov. Knowles increased funding for tobacco prevention to \$5 million from \$3.1 million in FY2002 and \$1.4 million in FY2001.

Arizona

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
5th	\$25.5 Million (91.8%)	13th	\$18.3 Million (65.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arizona spend between \$27.8 million and \$71.1 million a year to have an effective, comprehensive tobacco prevention program. Arizona currently allocates \$25.5 million a year for tobacco prevention. This is 91.8% of the CDC's minimum recommendation and ranks Arizona 5th among the states in the funding of tobacco prevention programs. Arizona's spending on tobacco prevention amounts to 6.9% of the \$371.9 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: In 1994, Arizona voters approved a ballot initiative to increase the state cigarette tax by 40 cents a pack and use 23 percent of the revenue to fund a comprehensive Tobacco Education and Prevention Program (TEPP). The program, launched in 1996, has been highly successful and recognized as one of the best in the nation. From 1996 to 1999, smoking prevalence declined by 21 percent among adults and 24 percent among young adults (18-24). Some of the largest declines in smoking were among persons of low income (31.2% to 22.8%) and low education (29.3% to 16.2%), thus decreasing disturbing disparities in smoking rates.

Despite the program's success, then-Governor Jane Dee Hull (R) and the Legislature cut its funding in half in FY2003 to \$18.27 million from \$36.56 million in FY2002.

However, in November 2002, Arizona voters approved a ballot initiative, Proposition 303, that affirmed earmarking 23 cents of the 1994 cigarette tax for tobacco prevention and restored funding for the state's tobacco prevention program beginning in FY2004. As stipulated by Prop 303, Arizona will spend \$25.5 million dollars on tobacco prevention in FY2004.

Prop 303 also increased the state's cigarette tax by an additional 60 cents, to \$1.18 per pack, effective November 26, 2002, with the remaining funds being used for hospitals, trauma centers and health insurance for the working poor.

Under current state law, all of Arizona's tobacco settlement payments are used to fund the Arizona Health Care Cost Containment System (AHCCCS), a health insurance program for the poor. No settlement funds are used for tobacco prevention.

Background: Arizona first allocated its tobacco settlement money in FY2001, when Governor Hull and the Legislature authorized \$80 million for the construction of a state mental hospital and \$8 million for the AHCCCS. The rest of the money went into an escrow account pending the outcome of a state initiative to determine usage of settlement dollars. In 2001, the Legislature enacted legislation to implement the voter-approved Proposition 204, which directs settlement revenues to AHCCCS.

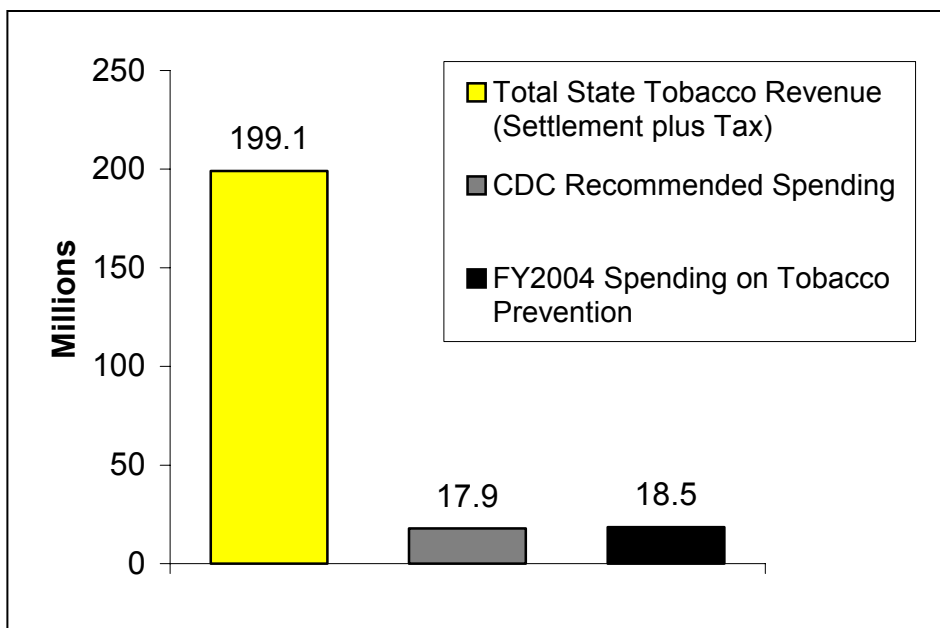
In November 2001, Governor Hull proposed cutting tobacco prevention funding by \$60 million over two years to address a state budget shortfall. While the House agreed to this plan, the Senate rejected it. The Legislature agreed on a compromise that used \$17.8 million from the TEPP reserve account to help balance the budget, but did not touch the program's operating budget. The operating budget for FY2002 thus began at \$36.56 million.

Governor Hull and the Legislature cut tobacco prevention funding in half for FY2003, to \$18.27, leading to the voter-approved initiative to restore funding.

Arkansas

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
4th	\$18.5 Million (103.3%)	7th	\$16.4 Million (91.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arkansas spend between \$17.9 million and \$46.4 million a year to have an effective, comprehensive tobacco prevention program. Arkansas currently allocates \$18.5 million a year for tobacco prevention. This is within the CDC's recommended guidelines and ranks Arkansas 4th among the states in the funding of tobacco prevention programs. Arkansas' spending on tobacco prevention amounts to 9.3% of the \$199.1 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Arkansas' tobacco settlement funds are governed by a ballot initiative approved by voters in November 2000 that, among other things, allocated 31.6 percent of the state's tobacco settlement funds to tobacco prevention and cessation programs. Accordingly, the FY2004 budget approved by the Legislature and signed by Governor Mike Huckabee (R) provides \$18.5 million in FY2004 for tobacco prevention, which is a \$2.1 million increase from FY2003. This is the first time Arkansas' funding for tobacco prevention and cessation has met the CDC's minimum recommendation. The \$18.5 million is 31.6 percent of Arkansas' \$58.7 million estimated net settlement deposits for FY2004.

In FY2004, tobacco settlement revenue was also appropriated for Medicaid expansion including prescription drug benefits, hospital and medical services, bioscience research, and a minority health initiative.

Arkansas is also receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect June 1, 2003, increasing the state cigarette tax by 25 cents to 59 cents per pack. Arkansas also raised its tax on cigars and other tobacco products from 25 to 32 percent.

Arkansas is currently implementing a comprehensive tobacco prevention and cessation program based on CDC guidelines. Results are not yet available.

Background: In 1999, Governor Huckabee asked the Arkansas Department of Health and the University of Arkansas for Medical Sciences to develop a plan for using the state's settlement

funds to improve the health of Arkansans. This plan, called the Better Health Plan, recommended that all the settlement money be spent on health-related programs, including about one-third for tobacco prevention and cessation, one-third for biomedical research, and one-third for medical education.

After the Legislature was unable to agree on legislation implementing such a plan, Governor Huckabee and the state's public health coalition, the Coalition for Healthy Arkansans Today (CHART) placed a slightly revised proposal for allocating the state's settlement funds on the November 2000 ballot. Arkansas voters approved the ballot initiative 64 to 36 percent. In 2001, the Legislature approved legislation implementing this plan, which placed the first \$100 million the state received from its tobacco settlement payments in an endowment called the Arkansas Health Century Trust Fund. All other settlement funds go into the Tobacco Settlement Trust Fund to be disbursed annually as follows:

- 31.6% for tobacco prevention and cessation programs,
- 29.8% to expand the Medicaid program,
- 22.8% for bio-sciences research, and
- 15.8% for targeted state health needs.

The Legislature must annually appropriate the funds for these purposes. A two-thirds vote of the Legislature is required to significantly change these percentages. The law also stipulated that the first \$5 million of each year's payment be used to pay the debt service for \$60 million in capital bonds issued to improve the University of Arkansas Bioscience Center. The \$60 million was obtained through the securitization of tobacco settlement funds.

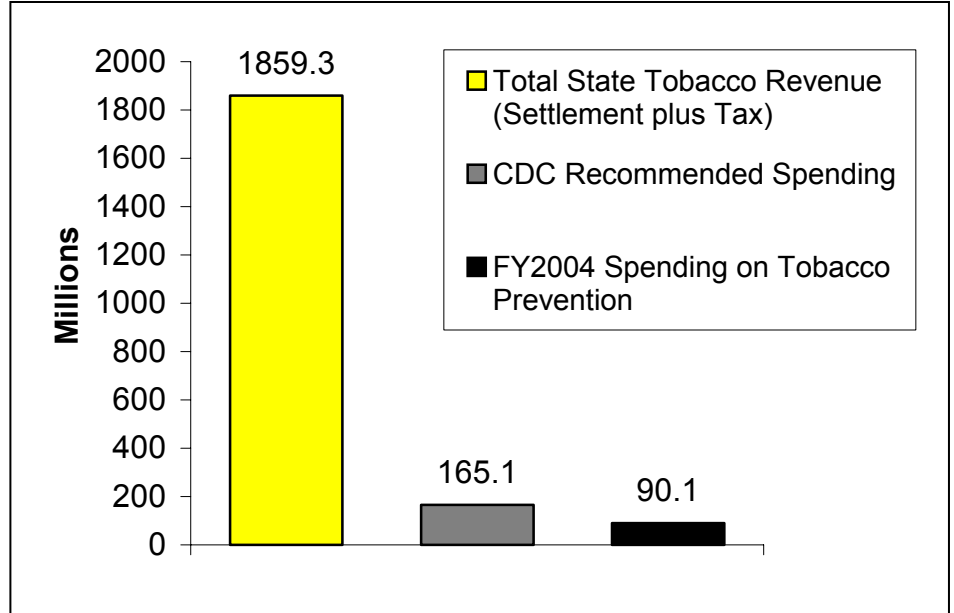
Accordingly, the FY2002-03 biennial budget approved by the Legislature and signed by Governor Huckabee in 2001 provided \$16.39 million in FY2003 for tobacco prevention.

The FY2002-03 budget initially appropriated \$17.89 million for tobacco prevention and cessation in FY2002. However, Governor Huckabee negotiated a \$1.5 million cut, leaving \$16.39 million in FY2002 funding, and funding was kept at the same level in FY2003.

California

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
12th	\$90.1 Million (54.6%)	16th	\$88.4 Million (53.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of California spend between \$165.1 million and \$442.4 million a year to have an effective, comprehensive tobacco prevention program. California currently allocates \$90.1 million a year for tobacco prevention. This is 54.6% of the CDC's minimum recommendation and ranks California 12th among the states in the funding of tobacco prevention programs.



California's spending on tobacco prevention amounts to 4.8% of the \$1.86 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: California has the oldest and one of the most successful tobacco prevention programs in the country. In 1988, California voters approved Proposition 99, a ballot initiative that increased the state cigarette tax by 25 cents a pack and earmarked 20 percent of the revenue for a tobacco prevention program. California launched its Tobacco Control Program in Spring 1990.

Despite increased levels of tobacco marketing and promotion, a major cigarette price cut in 1993, tobacco company interference with the program, and periodic cuts in funding, the program has still reduced tobacco use substantially. Since the passage of Proposition 99, cigarette consumption in California has declined by more than 60 percent, compared to 34 percent for the country as a whole. From 1994 to 2001, smoking among 12 to 17 year olds in California declined by 46 percent. From 1998 to 2001, adult smoking in California decreased from 22.8 percent to 16.6 percent, resulting in over one million fewer smokers. Studies have shown that the program has saved tens of thousands of lives by reducing smoking-caused lung cancer and heart attacks and that it saves \$3 in smoking-caused health care costs for every dollar spent on prevention.

The FY2002 California state budget supplemented \$114.54 million in cigarette tax revenue with \$20 million in tobacco settlement revenue to bring total funding for the Tobacco Control Program to \$134.54 million. This was the first time tobacco settlement money was used for tobacco prevention in California.

However, to help address a budget deficit, Governor Gray Davis (D) and the Legislature cut funding for the Tobacco Control Program to \$88.35 million in the FY2003 budget, a cut of \$46.19 million or 34.3 percent from the \$134.54 million budgeted in FY2002. All of the funding is from cigarette tax revenue.

In FY2004, funding for the program was increased slightly to \$90.1 million by the Legislature and Governor Davis.

Background: In 2003, California leaders securitized, or sold to investors, 50 percent of its MSA payment and received \$2.5 billion. This revenue was allocated to the FY2003 budget. The state planned to sell the remaining portion of the tobacco settlement revenue, but cancelled these plans after Philip Morris' credit rating was lowered twice and the overall value of MSA tobacco bonds fell. The balance of the annual payment was deposited into the state's general fund.

Prior to securitization, California's tobacco settlement payments were governed by a 2001 law that \$402 million in FY2002 payments and all future payments in a Tobacco Settlement Fund for set health purposes. As noted above, the FY2002 budget included a \$20 million appropriation for tobacco prevention and control programs from the Tobacco Settlement Fund, supplementing cigarette tax revenue.

In 2001, the Legislature passed a series of supplemental bills that established the Tobacco Settlement Fund and earmarked the money in the Fund for:

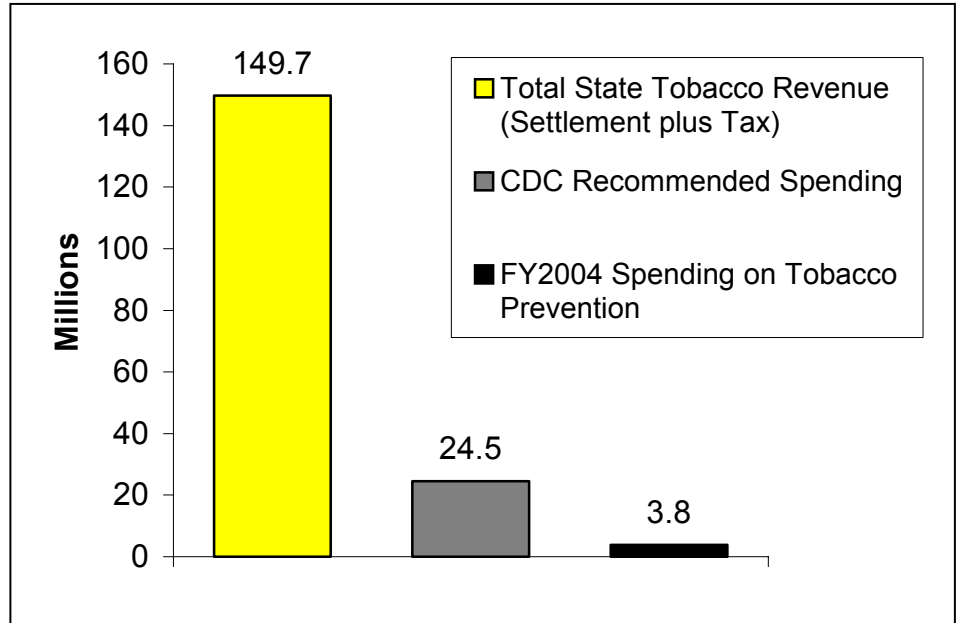
- Expansions in the Medi-Cal, Healthy Families and other state healthcare programs;
- Healthcare education and outreach, including tobacco use prevention efforts;
- Smoking cessation services;
- Enforcement of tobacco-control laws;
- Expansion for health clinics that serve low-income, uninsured or underinsured citizens.

* The 1998 multi-state settlement agreement stipulates that in California, 50% of all payments go to the state, 40% to the 58 largest counties by population, and 10% divided evenly among the cities of San Francisco, San Jose, San Diego and Los Angeles.

Colorado

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
32nd	\$3.8 Million (15.5%)	30th	\$7.6 Million (31.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Colorado spend between \$24.5 million and \$63.3 million a year to have an effective, comprehensive tobacco prevention program. Colorado currently allocates \$3.8 million a year for tobacco prevention. This is 15.5% of the CDC's minimum recommendation and ranks Colorado 32nd among the states in the funding of tobacco prevention programs. Colorado's spending on tobacco prevention amounts to 2.5% of the \$149.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Colorado's tobacco settlement funds are governed by a 2000 law passed by the Legislature and signed by Governor Bill Owens (R) that stipulated how each year's settlement payment is allocated. The law calls for using 15 percent of the settlement funds, up to \$15 million a year, to fund Colorado's Tobacco Prevention and Cessation program, which would amount to \$15 million for FY2004. But Governor Owens and the Legislature cut actual FY2004 funding to \$3.8 million, a cut of 75 percent from the \$15 million initially appropriated in FY2003.

During the 2003 legislative session, Governor Owens and the Legislature cut both FY2003 and FY2004 funding for tobacco prevention to help address a budget shortfall. FY2003 funding was cut to \$7.6 million and FY2004 funding was cut to \$3.8 million.

Other programs funded with tobacco settlement money in FY2004 included a literacy program, the Children's Health Insurance Program (CHIP), a nurse home visit program, preventive and prenatal health care programs, breast and cervical cancer treatment and prevention programs, mental health care programs, and veterans' health programs. \$43.4 million was transferred to the state general fund, marking the second year in a row that funds were so transferred to help address budget shortfalls.

Also in 2003, the Legislature enacted and Governor Owens signed legislation authorizing the securitization, or sale to investors, of up to 60 percent of Colorado's tobacco settlement payments over the next 10 years for a smaller, up-front payment estimated at \$160 million.

Securitization was authorized as an emergency step to raise revenue if needed between July 1 and November 30, 2003. In October of 2003, Governor Owens announced plans to proceed with securitization.

Background: Governor Owens did not originally propose using any of Colorado's settlement funds for tobacco prevention. But in 2000, he signed a bill that appropriated 15% of the state's annual settlement payments to tobacco prevention. The bill was sponsored by Senator Norma Anderson (R) and Representative Marcy Morrison (R).

The 2000 law placed about 38 percent of the state's annual settlement payments in a Health Trust Fund, with the goal of generating interest revenue to fund programs supported the trust fund, including tobacco prevention. Remaining funds were to be spent on a literacy program, tobacco prevention, the CHIP program, substance abuse programs, a nurse home visit program, and veterans' health program. However, the entire trust fund balance as of July 1, 2002, about \$135 million, was transferred to the general fund to help balance the budget. The Legislature had passed a law authorizing the governor to "borrow" the funds for such purposes. The funds are supposed to be repaid to the endowment, but only if general funds are available.

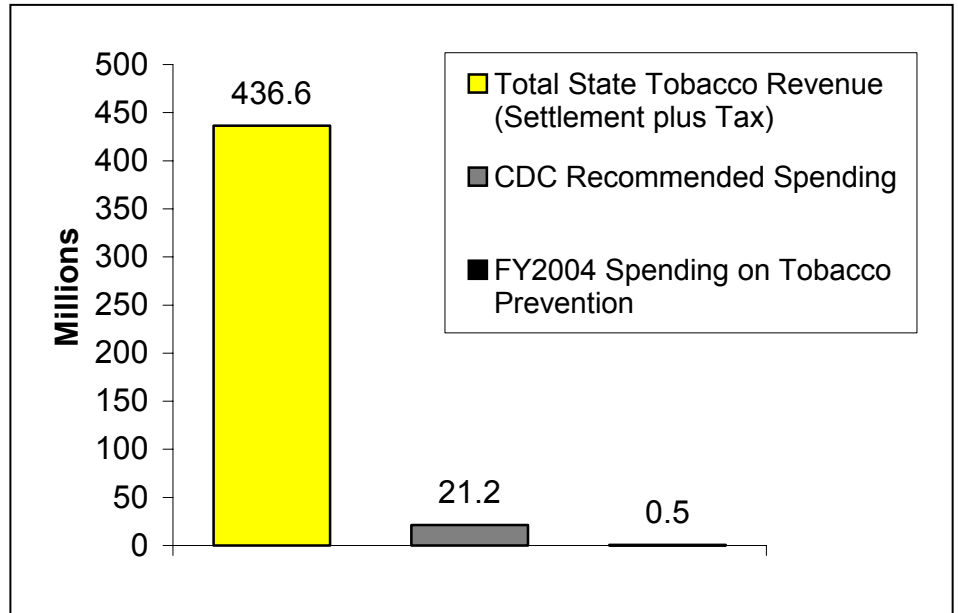
In FY2002, Colorado allocated 15 percent of its settlement funds for tobacco prevention as required by state law, which was approximately \$12.72 million.

In a special session in October 2001, Governor Owens proposed legislation that would have cut the Tobacco Prevention Program in order to fund a Breast and Cervical Cancer treatment program for low-income women. Several legislators made a competing proposal to fund the treatment program from the state's general fund. The final compromise bill, passed by the Legislature and signed by the Governor, protected tobacco prevention funding. It initially used unallocated interest earned on tobacco settlement money to fund the treatment program, then gradually shifted funding to the general fund until the program would be fully funded from the general fund after six years.

Connecticut

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
43rd	\$500,000 (2.4%)	46th	\$575,000 (2.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Connecticut spend between \$21.2 million and \$53.9 million a year to have an effective, comprehensive tobacco prevention program. Connecticut currently spends \$500,000 a year for tobacco prevention. This is 2.4% of the CDC's minimum recommendation and ranks Connecticut 43rd among the states in the funding of tobacco prevention programs. Connecticut's spending on tobacco prevention amounts to 0.1% of the \$436.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Connecticut's tobacco settlement payments are folded into the state's general fund and allocated through the biennial budget process. The FY2004-2005 biennial budget approved by the Legislature and signed by Governor John Rowland (R) provided \$500,000 per year for tobacco prevention, a reduction from \$575,000 in FY2002 and FY2003, \$1 million in FY2001, and \$4 million in FY2000.

The \$500,000 for tobacco prevention comes from interest generated by the Tobacco and Health Trust Fund, established in 2000 to receive settlement funds intended for health care services. The money is being used to fund the state's smoking cessation quitline and cessation programs.

In the past, tobacco settlement dollars were allocated to the state's general fund, the Tobacco and Health Trust Fund, and a Biomedical Research Fund. In FY04, settlement dollars were only allocated to the state's general fund.

Also in 2003, Governor Rowland and the Legislature authorized the securitization, or sale to investors, of \$700 to \$900 million in future settlement payments to yield an upfront payment of \$300 million for the 2004-2005 state budget.

Connecticut is spending minimal amounts on tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect March 15, 2003, raising the state cigarette tax by 40 cents to \$1.51 per pack.

Background: In 1999, the Legislature and Gov. Rowland allocated the state's initial settlement payment (1998) and first two annual settlement payments (2000-2001) through the regular budget process, funding \$100 million in local property tax cuts as well as education and public health initiatives. In addition, the budget placed \$40 million over the two-year budget cycle in a Tobacco and Health Trust Fund to support tobacco prevention and other health care programs.

For the FY2000-01 biennium, \$5 million from the Tobacco and Health Trust Fund was earmarked for tobacco prevention, cessation, and enforcement grants, \$4 million of which was spent in FY2000 and \$1 million of which was spent in FY2001.

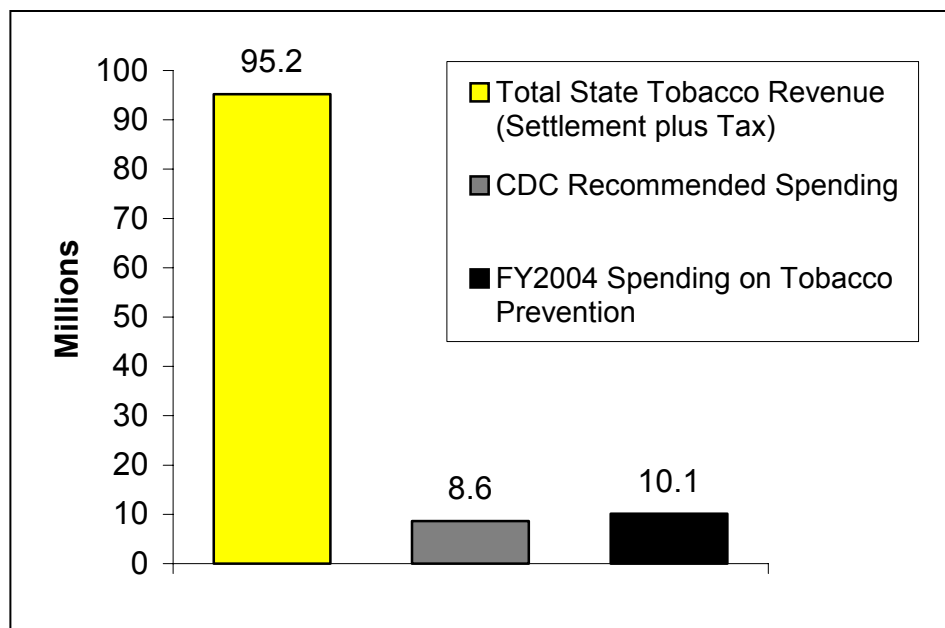
In 2001, the Legislature established a second fund, called the Biomedical Research Trust Fund, and diverted funds from the Tobacco and Health Trust Fund to it. From the remaining funds in the Tobacco and Health Trust Fund, the FY2002-03 budget made only \$7.1 million in FY2002 and \$9.4 million in FY2003 available for expenditure. However, most of the funding was used for health care programs unrelated to tobacco prevention, and only \$375,000 a year from the Trust Fund was earmarked for tobacco prevention work through the state's Regional Action Councils. The general fund includes an additional \$200,000 a year for tobacco prevention programs through the Department of Health, bringing total annual tobacco prevention funding in the FY2002-03 biennium to \$575,000. Gov. Rowland had proposed only the \$200,000 in the general fund.

Facing a large budget deficit, the Legislature and Gov. Rowland in 2002 transferred most of its tobacco settlement payment for that year, as well as most of the principal in the Tobacco and Health Trust Fund and the Biomedical Research Trust Fund to the general fund. That and other transfers have reduced the amount in the Tobacco and Health Trust Fund, once at \$50 million, to only about \$1 million.

Delaware

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
2nd	\$10.1 Million (117.0%)	15th	\$5.0 Million (58.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Delaware spend between \$8.6 million and \$18.5 million a year to have an effective, comprehensive tobacco prevention program. Delaware currently spends \$10.1 million a year for tobacco prevention. This is within the CDC's recommended guidelines and ranks Delaware 2nd among the states in the funding of tobacco prevention programs. Delaware's spending on tobacco prevention amounts to 10.6% of the \$95.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: All of Delaware's tobacco settlement payments are placed in the Delaware Health Fund, created by a 1999 law. The Legislature must allocate the money within the fund through the state's annual budget process.

The FY2004 budget approved by the Legislature and signed by Governor Ruth Ann Minner (D) appropriated \$10.1 million to the state's tobacco prevention and cessation program, a doubling of funding from FY2003 funding of \$5 million. Funding for the tobacco prevention and cessation program met recommended CDC minimum funding for Delaware for the first time. Tobacco settlement revenue was also spent on pharmaceutical assistance programs and school health programs through the Department of Education.

Delaware is also receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that went into effect August 1, 2003, increasing the state cigarette tax by 31 cents to 55 cents per pack. Increasing the cigarette tax will help prevent more youth from starting to smoke.

Background: In July 1999, then-Governor Tom Carper (D) signed into law legislation creating the Delaware Health Fund into which all of the state's tobacco settlement payments are directed. The law also designated the Fund's purposes: expand access to healthcare, promote healthy lifestyles, and mitigate the effects of disease. An advisory committee of citizens, health experts and elected officials was formed to make annual recommendations for program

expenditures from the Fund. The Legislature then must appropriate the money within the Fund based on these recommendations.

In 2000, slightly modifying the recommendations of the advisory committee, the Legislature made the first appropriations from the health fund as follows: \$2.83 million for tobacco prevention; \$7.5 million for a prescription drug program; \$1.9 million to improve state-run long-term care facilities; \$1.5 million to Medicaid for services to people on Social Security Disability; and \$3.26 million for other healthcare projects. \$14.9 million from the Fund was also transferred to a strategic reserve fund.

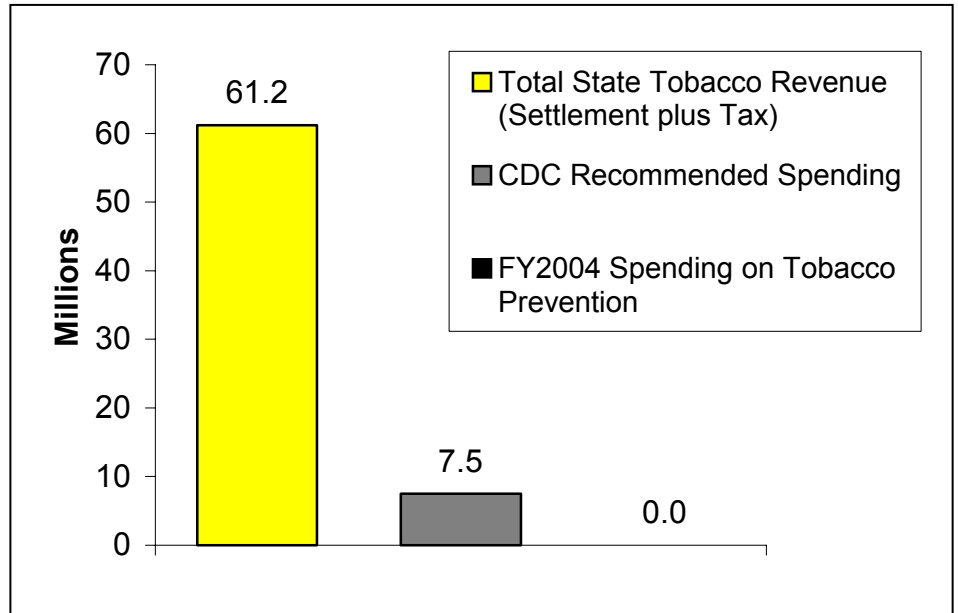
The FY2002 budget approved by the Legislature and signed by Governor Minner increased funding for tobacco prevention to \$5.45 million from \$2.83 million in FY2001. In addition to the tobacco control expenditures, approximately \$15 million from the Health Fund was appropriated to other health and social service programs and \$6 million was transferred to the state's strategic reserve fund.

The FY2003 budget approved by the Legislature and signed by Governor Minner appropriated \$5 million to the state's tobacco prevention and cessation program.

District of Columbia (Washington, DC)

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	51st	\$0.0 Million (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the District of Columbia (D.C.) spend between \$7.5 million and \$14.6 million a year to have an effective, comprehensive tobacco prevention program. D.C. currently allocates no district funds specifically for tobacco prevention. This ranks D.C. last among the states in the funding of tobacco prevention programs. D.C.'s spending on tobacco prevention amounts to none of the \$61.2 million in tobacco-generated revenue the District collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The District of Columbia spends none of its own money on tobacco prevention and is currently using most of its settlement money to address a budget shortfall.

D.C. was among the last localities to make a final decision on how to use its tobacco settlement funds. In 2001, after three years of budget debates with no spending decisions, the City Council agreed to Mayor Anthony Williams' (D) plan to securitize most of the settlement funds by issuing bonds backed by the \$1 billion that the state expects to receive over the next 25 years. The money raised was transferred into a trust fund and will be used to pay the city's debt. The tobacco settlement payments are used every year to re-pay the bonds. Once the bondholders are paid, any remaining money from the trust will be held in escrow for three years. Beginning in 2004, any remaining funds are to be available for expenditure for other programs. These funds are still subject to appropriation by the City Council and Mayor.

A Reserve Fund was also created to cover any residual cost from each year's payment. If the money in the Reserve Fund is not needed for the bond payment in June, a portion will be released in July each year for expenditure. The Mayor and City Council must then agree on how to spend any residual funds.

D.C. currently spends no money on tobacco prevention despite the fact it is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect January 1, 2003, increasing the cigarette tax by 35 cents to \$1 per pack.

Background: In 1999, D.C.'s FY2000 budget, as passed by the City Council and signed by Mayor Williams placed all of the District's tobacco settlement payments into a special fund dedicated to health and well-being issues with no specific allocations. The City Council rejected Mayor Williams' original request to securitize the tobacco settlement funds in order to repair public schools.

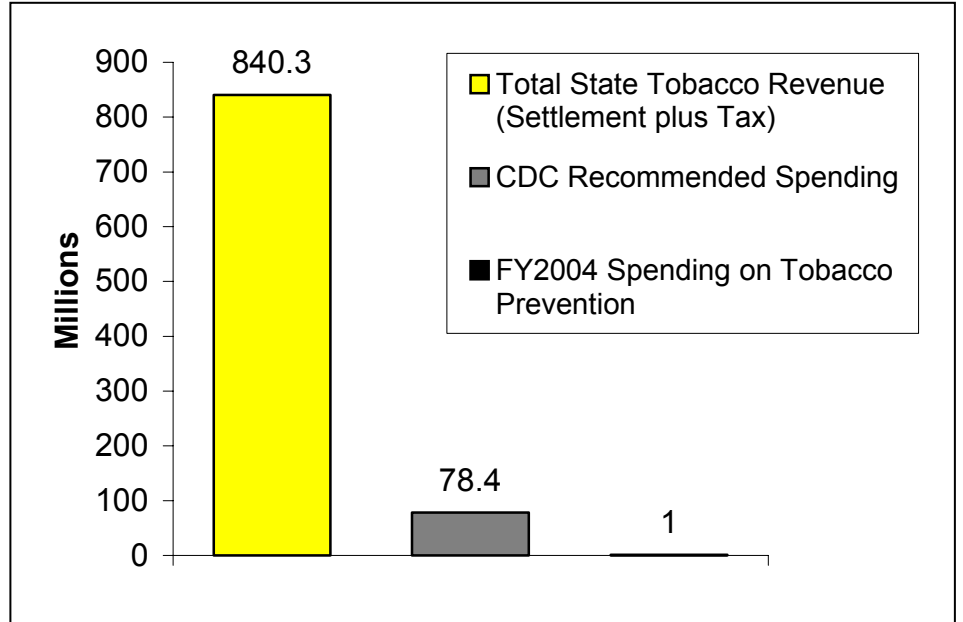
In April 2000, after the City Council expressed interest in securitizing the tobacco settlement funds, Mayor Williams proposed that the District sell bonds for a \$645 million up-front payment rather than waiting for the annual settlement payments. The City Council eventually passed a compromise bill which invested most of the funds received from sale of the bonds, and used \$73 million in FY2001 and \$50 million annually in subsequent years to reduce the District's debt.

In his FY2001 budget proposal, the Mayor initially recommended the debt savings from the securitization plan be used to fund programs including education, health initiatives, school computers, senior citizens health centers and \$11.3 million for tobacco prevention. The City Council then directed the Mayor to develop a detailed plan, including outcome measures. The Mayor's resubmitted plan reduced the amount earmarked for tobacco prevention and cessation programs to \$2.15 million. However, this plan was not enacted into law.

Florida

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
44th	\$1.0 Million (1.3%)	20th	\$37.5 Million (47.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Florida spend between \$78.4 million and \$221.3 million a year to have an effective, comprehensive tobacco prevention program. Florida currently allocates \$1 million a year for tobacco prevention. This is 1.3% of the CDC's minimum recommendation and ranks Florida 44th among the states in the funding of tobacco prevention programs. Florida's spending on tobacco prevention amounts to 0.1% of the \$840.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Florida was one of four states to settle with the tobacco industry prior to and separate from the November 1998 multi-state settlement agreement, reaching a settlement of \$11.3 billion in August 1997. The settlement called for Florida to establish a tobacco prevention program, and in March 1998, the state launched the Florida Pilot Program on Tobacco Control, now known as the Florida Tobacco Control Program.

Current Status: The FY2004 budget passed by the legislature and signed by Governor Jeb Bush (R) cut funding for the Florida Tobacco Control Program to \$1 million from \$37.5 million in FY2003. This represents a huge cut from the \$70 million provided in FY1999, the program's first full year, and the \$37.5 million appropriated in FY2003. This cut will seriously reduce the effectiveness of the Florida Tobacco Control Program and risks reversing the significant progress that Florida's pioneering program has made in reducing youth smoking rates.

Other uses for tobacco settlement revenue in FY2004 included long-term health care, child protection and services for the developmentally disabled, and long-term care under Medicaid.

Some health advocates sued Governor Bush to restore funding for tobacco prevention. The suit was withdrawn after lawmakers told an attorney in the case they would try to restore funding in FY2005. However, no actions have been taken to date to restore any funding.

Since its tobacco prevention program was started in 1998, Florida has reduced youth smoking rates by 50 percent among middle school students and 35 percent among high school students,

according to a Florida Department of Health report released in 2003. This decline represents nearly 75,000 fewer Florida youth smokers and more than 24,000 fewer premature deaths due to smoking, according to the state health department.

The program has been a model for the nation. Its aggressive truth counter-advertising program that focused on the tobacco industry's targeting of youth became a model for national advertising by the American Legacy Foundation and other states. Its SWAT (Students Working Against Tobacco) program has also been a model for involving youth in the fight against tobacco.

There is evidence that budget cuts have begun to reduce the program's effectiveness, especially among younger students who are entering the most vulnerable years for starting to smoke, yet are not being exposed to the program at its full strength. For the first time since the program's inception, no statistically significant declines in smoking were observed among middle school students between 2000 and 2001. In addition, increases in smoking between 6th and 7th grades and between 7th and 8th grades reached record high levels in 2001.

Background: Florida's tobacco settlement payments are governed by a 1999 law, which allocated the payments to several trust funds, the largest being the Lawton Chiles Endowment Fund for Children and the Elderly, named after the state's late governor and a champion of its tobacco prevention program. The interest generated by this fund and any tobacco settlement funds remaining from the annual payment after the trust funds' deposits are folded into the state's general fund and allocated through the annual budget process.

As part of the state's settlement agreement, in 1997-98, \$23.2 million was appropriated for planning and initiating the tobacco prevention pilot project, and in 1998-99, \$70 million was spent on first-year implementation. Subsequent funding was decided annually by the Legislature beginning in FY2000.

Despite its success at reducing youth smoking, funding for the tobacco prevention program has been under attack every year. Governor Bush proposed spending \$61.5 million in FY2000 and the Senate agreed. However, the House Health Subcommittee initially sought to eliminate all funding for the program before appropriating \$30 million. The final FY2000 budget appropriated \$44.1 million (\$39.1 million for continuation of the "pilot program" and \$5 million for continuation of youth access enforcement). The same amount was appropriated in FY2001.

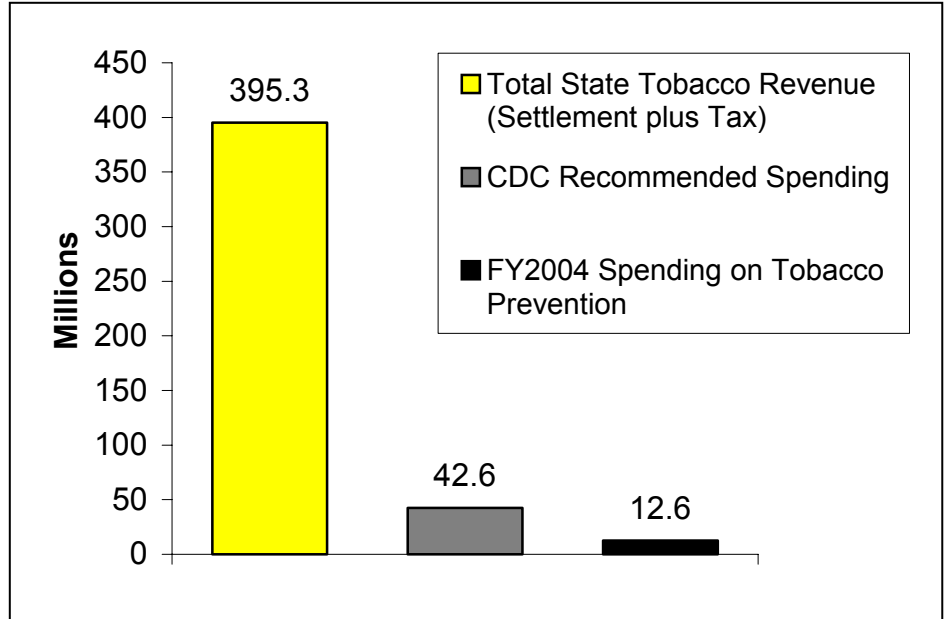
For FY2002, the Legislature during its regular session appropriated level funding of \$44.1 million for the program. However, Governor Bush utilized his line-item veto authority to cut \$5 million earmarked for youth access enforcement and \$1.8 million from other aspects of the program, leaving \$37.3 million for tobacco prevention.

Then, in Fall 2001, Governor Bush called the Legislature into two special sessions to address the state's budget deficit. During the first special session, both the House and the Senate voted to cut tobacco prevention funding by \$14.5 million, a cut of 38.9 percent while the overall budget was cut by less than two percent. However, Governor Bush annulled the legislative plan because it failed to balance the state budget and called the Legislature into a second special session. Under substantial pressure from both youth and adult tobacco control advocates, the Legislature passed a budget that reduced the cut in tobacco prevention funding to \$7.5 million, leaving \$29.8 million in funding for FY2002. Governor Bush signed this budget into law. The FY2003 budget restored some funding for a Tobacco Control Program budget of \$37.5 million.

Georgia

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
27th	\$12.6 Million (29.6%)	22nd	\$19.1 Million (44.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Georgia spend between \$42.6 million and \$114.3 million a year to have an effective, comprehensive tobacco prevention program. Georgia currently allocates \$12.6 million a year for tobacco prevention. This is 29.6% of the CDC's minimum recommendation and ranks Georgia 27th among the states in the funding of tobacco prevention programs. Georgia's spending on tobacco prevention amounts to 3.2% of the \$395.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Georgia places one-third of its tobacco settlement funds in the One-Georgia Fund, established in 2000 to support economic development initiatives, and folds the remaining two-thirds of its payments into the state's general budget process.

The FY2004 budget approved by the Legislature and signed by Governor Sonny Perdue (R) appropriated \$12.6 million to the state's tobacco prevention program. This is a \$6.5 million cut to tobacco prevention from the \$19.1 million the state had expected to spend in FY 2003 with both newly appreciated and carry-over funds. Former Governor Roy Barnes (D) had committed to increase funding for tobacco prevention by \$5 million per year until Georgia reached the CDC's minimum recommended spending level, but broke this commitment in his FY2003 budget.

Tobacco settlement revenues in FY2004 were also used to expand Medicare for pregnant women and infants, the PeachCare for Kids program, for mental retardation waiver programs, and the AIDS drug assistance program. The One-Georgia Authority also received \$70.8 million.

Also during the 2003 legislative session, the legislature passed and Governor Perdue signed a 25-cent increase in the state's cigarette excise tax, which brings the total tax to 37 cents a pack. This makes Georgia's cigarette tax the highest among the tobacco states and will help reduce youth smoking rates as well as provide much needed revenue to the state.

Background: Former Governor Roy Barnes committed to using Georgia's tobacco settlement funds for cancer research, economic development and tobacco prevention, and the Legislature largely followed his lead.

Legislation passed in 2000 established the One-Georgia Fund to receive a third of the state's tobacco settlement funds. Settlement funds placed in the Fund have been subdivided into two funds – the EDGE (Economic Development, Growth and Expansion) Fund that helps Georgia communities compete with communities in other states to attract businesses and the Equity Fund that has been used for a variety of projects, including expanding water and sewer systems to support industrial parks, improving tourism and recreation in the state, shrimp and fish aquaculture, and assistance to technical colleges.

Also in 2000, the Legislature passed and Governor Barnes signed the FY2001 budget that appropriated \$150 million of the state's tobacco settlement payments. \$15.8 was appropriated for tobacco prevention and cessation programs.

The FY2002 budget increased funding for tobacco prevention by \$5 million to \$20.8 million. However, \$3.9 million in supplemental funding for the program was obtained in 2002, raising the total appropriation for tobacco prevention to \$24.7 million in FY02. The program is being implemented based on a plan recommended by the Georgia Department of Human Resources and the Coalition for a Healthy & Responsible Georgia (CHARGE) in 2000.

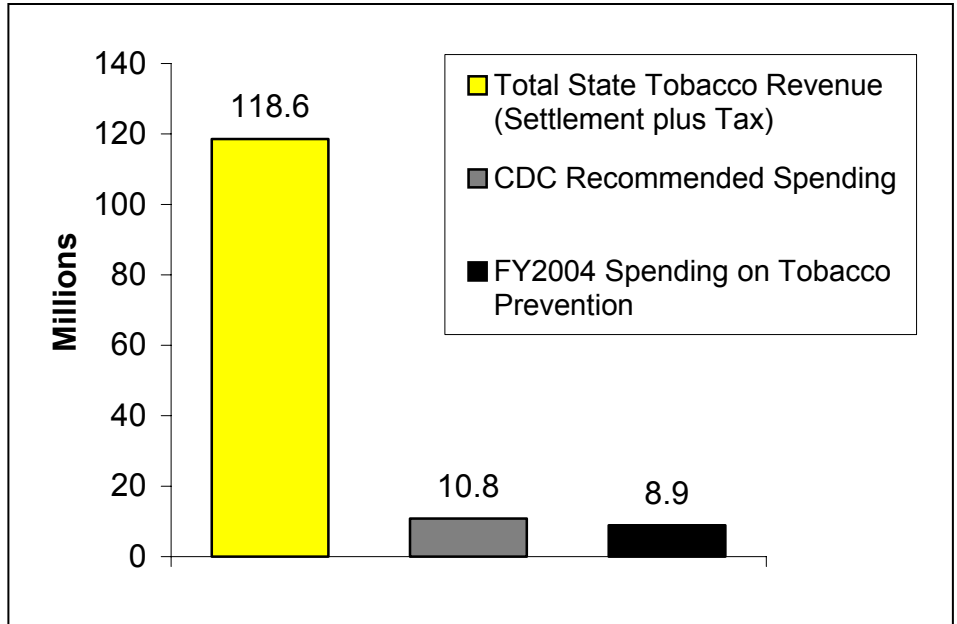
The FY2003 budget approved by the Legislature and signed by Governor Barnes appropriated \$15.17 million to the state's tobacco prevention program. This represented a cut from the initial FY2002 appropriation of \$20.77 million and a break from Governor Barnes commitment to increase funding for tobacco prevention by \$5 million per year until Georgia reached the CDC's minimum recommended spending level. However, tobacco control advocates were able to secure \$3.9 million in a 2002 supplemental budget to carry over into FY2003, making \$19.07 million available for tobacco prevention in FY2003.

* Georgia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$301 million over 12 years directly to Georgia tobacco growers.

Hawaii

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
6th	\$8.9 Million (82.6%)	5th	\$10.3 Million (95.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Hawaii spend between \$10.8 million and \$23.4 million a year to have an effective, comprehensive tobacco prevention and control program. Hawaii currently spends \$8.9 million a year from tobacco settlement revenue for tobacco prevention and control. This is 82.6% of the CDC's minimum recommendation and ranks Hawaii 6th among the states in the funding of tobacco prevention and control



programs. Hawaii's spending on tobacco prevention and control amounts to 7.5% of the \$118.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Hawaii's tobacco prevention programs are funded through the Tobacco Prevention and Control Trust Fund, which was created with tobacco settlement dollars, and through funds allocated to the Department of Health and other state agencies for tobacco prevention programs. Total anticipated allocation for FY2004 tobacco prevention and control is \$8.93 million, down from the \$10.25 million in FY2003.

The 2003 Legislature imposed new assessments on Hawaii's Tobacco Settlement Special Fund, effective FY 2004. All of the state's tobacco settlement revenue is deposited into a special fund under the purview of the Department of Health (DOH) and allocated by percentage according to law. The tobacco settlement law also allocates tobacco settlement money to the Emergency and Budget Reserve Fund, children's health insurance programs, and paying debt service on revenue bonds for the construction of the University of Hawaii Health and Wellness Center, including a biomedical research center and a new medical school.

Also in 2003, the Legislature transferred the interest earned by the tobacco settlement special fund from the state investment pool, \$1.9 million, to the general treasury.

As it decides how to fund tobacco prevention in the future, Hawaii is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 1, 2003, raising the state cigarette tax by 10 cents to \$1.30 per pack. Hawaii's cigarette tax is scheduled to increase by 10 cents in 2004 as well.

Background: Hawaii's tobacco settlement funds are governed by a 1999 law approved by the Legislature and Governor Benjamin Cayetano (D) that originally allocated 25 percent of the funds to a Tobacco Prevention and Control Trust Fund. The law also distributed 40 percent of the funds to the state's Emergency and Budget Reserve Fund and 35 percent to the Department of Health for health promotion and disease prevention.

When the 1999 law was passed, it was initially interpreted to allow expenditure of only the interest and earnings on the trust fund for tobacco prevention and cessation in order to preserve and grow the endowment. Subsequently the law was amended in a 2001 special legislative session to permit expenditure of up to 50% of the fair market value of the trust fund. In October, 2002, the Trust Fund Advisory Board approved a policy to expend interest and earnings and a portion of the principal. As such, the Board approved an allocation of at least \$6.1 million of the Tobacco Prevention and Control Trust Fund to be spent in FY2003. (Footnote: Due to unanticipated delays in grant making during FY 2003, \$2.36 million of the \$6.1 million has been distributed. The remaining \$3.74M will be distributed in FY 2004 along with the new allocations to be determined at the Trust Fund Board's yearly strategic planning meeting.)

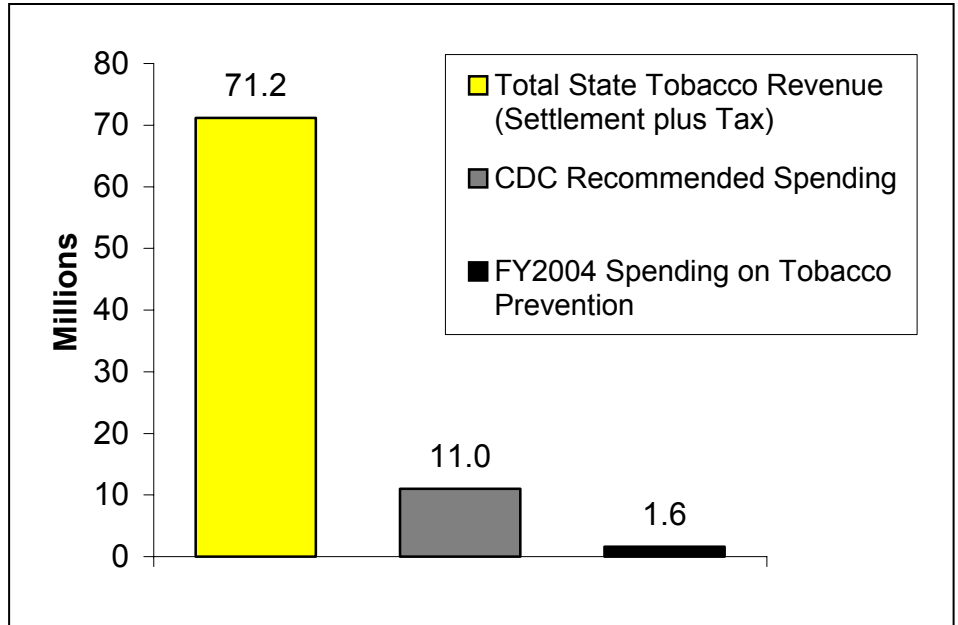
In a special session in Fall 2001, Governor Cayetano proposed and the Legislature amended the tobacco settlement law modifying the allocation percentages set by the 1999 law. The amended law created a new 28 percent allocation to the University of Hawaii (UH) for debt service on \$150 million in revenue bonds issued for construction of a new medical school. In order to create the 28% UH allocation, the percentage of settlement funds going to the Tobacco Prevention and Control Trust Fund was cut in half to 12.5 percent, and the percentage allocated to the Emergency and Budget Reserve Fund was reduced from 40 percent to 24.5 percent.

In FY 2002, the Tobacco Prevention and Control Trust Fund received \$11.2 million in settlement money – the 25 percent allocated by the 1999 law before it was changed. The Trust Fund released \$1.8 million in grants for tobacco prevention and cessation. In addition, the Department of Health allocated an additional \$2.4 million for tobacco prevention and control for a total of \$4.19 million in tobacco prevention and control funding in FY2002.

Idaho

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
34th	\$1.6 Million (14.5%)	40th	\$1.27 Million (11.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Idaho spend between \$11.0 million and \$24.1 million a year to have an effective, comprehensive tobacco prevention program. Idaho currently allocates \$1.6 million a year for tobacco prevention. This is 14.5% of the CDC's minimum recommendation and ranks Idaho 34th among the states in the funding of tobacco prevention programs. Idaho's spending on tobacco prevention amounts to 2.2% of the \$71.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Idaho's tobacco settlement funds were governed by a 2000 law that directed all the state's settlement payments after the year 2000 into a trust fund, the Idaho Millennium Fund. Each year, five percent of the Fund's market value was to be available for appropriation by the Legislature. The FY2004 budget passed by the Legislature and signed by Governor Dirk Kempthorne (R) allocated \$1.6 million to the state's tobacco prevention program, a slight increase from FY2003 funding of \$1.27 million.

Settlement funds in FY2004 were also used for indigent health care, youth courts, and law enforcement programs.

Background: In 1999, Governor Kempthorne signed a law directing all money from the state's tobacco settlement payment through the year 2000 into the Budget Stabilization Fund. In February 2000, the Legislature passed and the Governor signed a law establishing an endowment called the Idaho Millennium Fund and transferred \$16.8 million from the Budget Stabilization Fund into the new fund. The law directed all the state's settlement payments after the year 2000 into the Millennium Fund, but allowed only 5% of the Fund's market value to be available for annual appropriation by the Legislature.

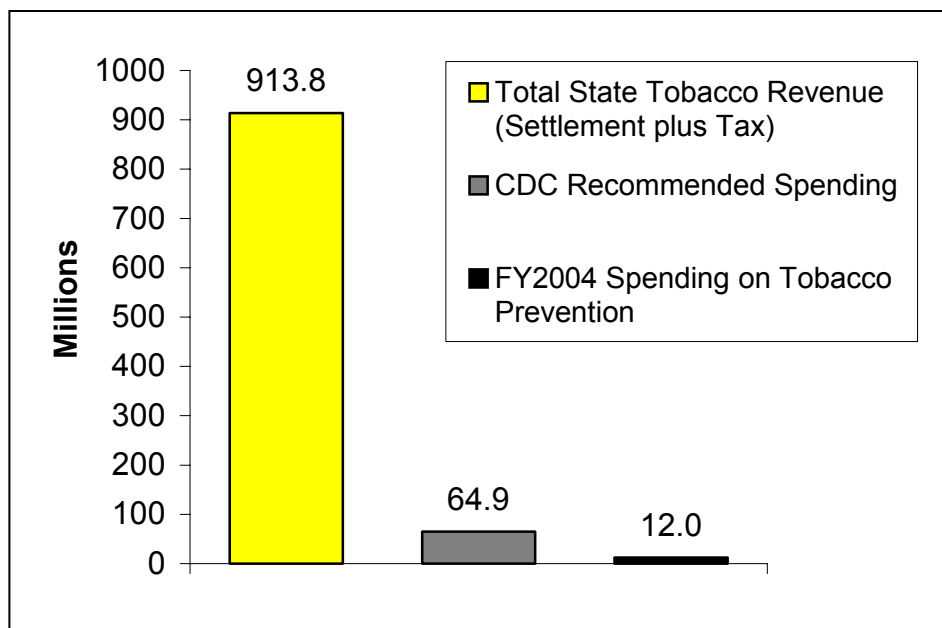
In April 2000, the Legislature and Governor enacted a law to appropriate \$2.205 million of the funds available from the Idaho Millennium Fund to the State Treasurer for several projects in FY2001. The law earmarked \$735,000 for relief to counties for the cost of caring for indigent persons with tobacco-caused diseases and \$1.2 million for tobacco prevention and cessation.

In FY2003, the Legislature diverted \$10 million in funds that would have gone to the Millennium Fund under 2000 law to address the state's budget shortfall.

Illinois

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
31st	\$12.0 Million (18.5%)	35th	\$12.0 Million (18.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Illinois spend between \$64.9 million and \$179.0 million a year to have an effective, comprehensive tobacco prevention program. Illinois currently spends \$12.0 million a year for tobacco prevention. This is 18.5% of the CDC's minimum recommendation and ranks Illinois 31st among the states in the funding of tobacco prevention programs. Illinois' spending on tobacco prevention amounts to 1.3% of the \$913.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Illinois folds its tobacco settlement money into the general fund and appropriates it through the annual budget process. The FY2004 budget approved by the Legislature and Governor Rod Blagojevich (D) provides \$12 million for tobacco prevention, the same amount as FY2003.

Of the \$12 million, \$5 million was appropriated to local health departments, \$1 million to a smoking cessation quit line, and another \$1 million to evaluation and research. Other programs funded include youth outreach.

Most of the remaining tobacco settlement money in FY2004 was appropriated for prescription drug assistance to the elderly. Funds were also used for medical research and technology programs.

Illinois is spending minimal amounts on tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a 40-cent cigarette tax increase that took effect July 1, 2002, raising the state cigarette tax to 98 cents per pack.

Background: In 2000, the Legislature and then Governor George Ryan (R) chose to use most of the state's initial settlement payments for one-time tax rebates and refunds to Illinois residents. After receiving significant complaints that the funds were not being used as intended, they subsequently provided \$28.6 million for tobacco prevention and cessation programs in FY2001.

Funding for tobacco prevention was increased to \$45.9 million in FY 2002, then cut by 74 percent to \$12 million in FY2003.

When initiated, the state's tobacco control program was not consistent statewide. Strong local programs were instituted in some localities while not funded in the rest of the state. CDC best practices were implemented on a patchwork basis only. In FY2002, however, improvements were being made in communication between programs, coordination of efforts, and establishment of outcome-based program evaluations.

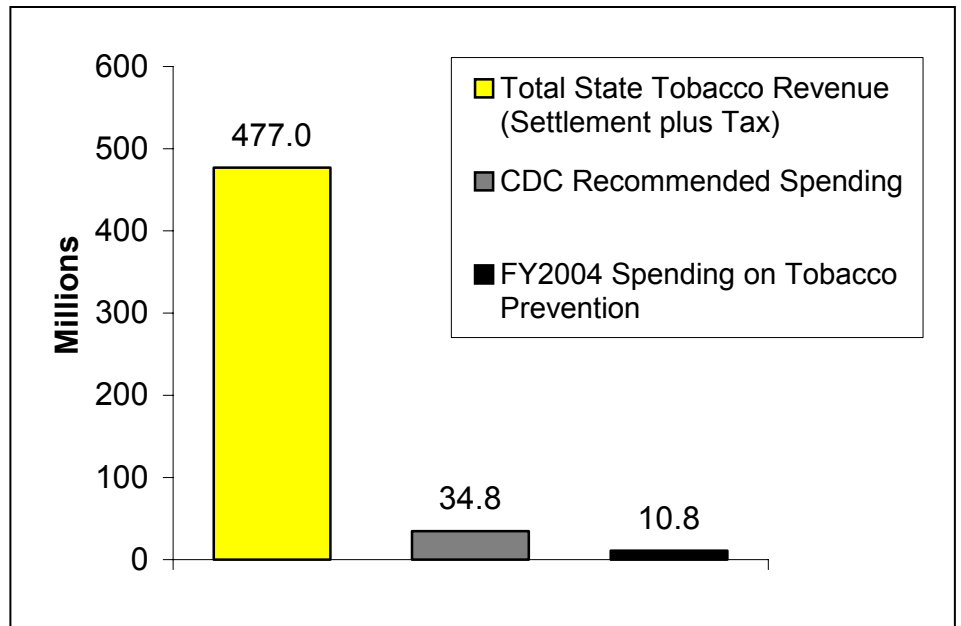
However, any progress being made was undermined when FY2003 funds were not provided until the spring of 2003. In the interim, many of the programs became stagnant and staff at the local level was laid off.

Also in 2002, Gov. Ryan was given authority by the Legislature to sell, or securitize, a portion of future tobacco settlement payment to obtain up to \$750 million for immediate use. Governor Ryan did not exercise this authority through the end of his term, preserving the possibility that future settlement payments could again be used for tobacco prevention. Securitization was not seriously considered in FY2003.

Indiana

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
26th	\$10.8 Million (31.1%)	6th	\$32.5 Million (93.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Indiana spend between \$34.8 million and \$95.8 million a year to have an effective, comprehensive tobacco prevention program. Indiana currently allocates \$10.8 million a year for tobacco prevention. This is 31.1% of the CDC's minimum recommendation and ranks Indiana 26th among the states in the funding of tobacco prevention programs. Indiana's spending on tobacco prevention amounts to 2.3% of the \$477.0 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Indiana suffered a major tobacco control setback in 2003. Facing a budget shortfall and lower prioritization of health programs by the governor and Legislature, funding for one of the nation's top tobacco prevention programs was reduced from \$32.5 million in FY2003 to \$10.8 million in FY2004.

Other uses for the annual settlement payment in FY2004 included the 21st Century Fund for economic development, community health centers, developmental disability client services, and administration of the Children's Health Insurance Program.

The FY2003-04 biennial budget passed by the state legislature and signed into law by then-Governor Frank O'Bannon (D) nullified the previous law that required 60 percent of tobacco settlement payments to be spent on health programs with the remaining 40 percent to be saved for future health needs. While all funding for the Indiana Tobacco Prevention and Cessation (ITPC) program still comes directly from settlement payments, a substantial portion of the state's settlement money was diverted from health programs to the general fund.

After revoking some FY2003 funds appropriated to tobacco prevention, Governor O'Bannon proposed securitizing, or selling to investors, 40 percent of the state's future settlement payments for a smaller, up-front payment to fund economic development efforts. This funding would have permanently reduced the funding intended for health programs and endangered funding for tobacco control in Indiana. However, some of the FY2003 cuts to tobacco prevention were restored and legislators defeated the securitization proposal.

Indiana Tobacco Prevention and Cessation, established in 2002, has already reported impressive results. According to a survey of Indiana youth released in September 2003, Indiana reduced high school smoking rates by 26 percent between 2000 and 2002 – from 32 percent to 23 percent. Before the budget cuts, ITPC had established partnerships with 1,600 community organizations throughout the state and launched the "WhiteLies" media campaign on radio, television, billboards and the Internet. Money also went to law enforcement and other agencies that monitor tobacco sales to minors.

Background: Originally, 60 percent of Indiana's tobacco settlement funds were made available for expenditure on health-related programs, including tobacco prevention and cessation, and 40 percent were placed in a trust fund intended to eventually provide permanent ongoing funding for tobacco prevention and other health programs. The intent of the law was to use all of the state's tobacco settlement money for health-related purposes.

The original law also established the Indiana Tobacco Use Prevention and Cessation Executive Board to decide how to spend the tobacco prevention funds. The committee is composed of an executive director, four state officials, 11 members appointed by the Governor who have knowledge of smoking cessation or healthcare, and six members from tobacco control groups.

Most of the first year was spent appointing board members, searching for an executive director, and laying the foundation for a comprehensive, statewide, CDC-based prevention and cessation program. In 2001 the executive director and staff were hired, a budget adopted, and program design and implementation begun. In 2002, the program was launched in full, and included an effective counter-marketing ad campaign, community grants in all Indiana counties, a youth summit, and numerous other activities. Indiana's program has been noteworthy in its commitment to and funding of tobacco prevention and cessation programs in diverse communities. Indiana's program has been recognized as a national leader in implementing the CDC best practices.

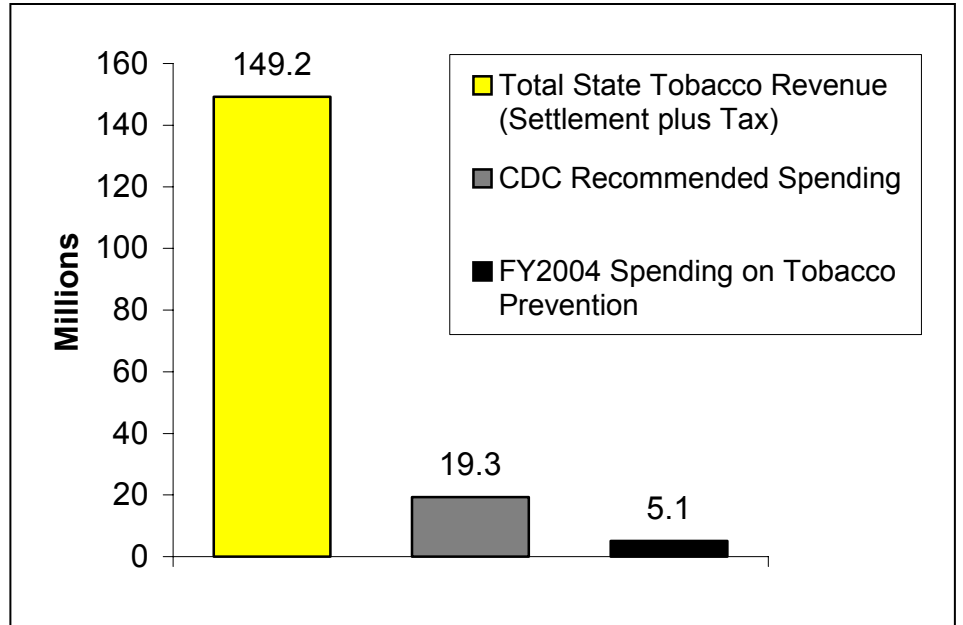
During a 2002 special legislative session to address the state's budget deficit, Senate Finance Committee Chair Larry Borst and Governor O'Bannon fought to protect funding for ITPC and increase the state's cigarette tax. They succeeded as the Legislature maintained funding for ITPC while increasing the state's cigarette tax by 40 cents to 55.5 cents per pack.

* Indiana is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$59.7 million over 12 years directly to Indiana tobacco growers.

Iowa

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
29th	\$5.1 Million (26.4%)	34th	\$5.1 Million (26.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Iowa spend between \$19.3 million and \$48.7 million a year to have an effective, comprehensive tobacco prevention program. Iowa currently allocates \$5.1 million a year for tobacco prevention. This is 26.4% of the CDC's minimum recommendation and ranks Iowa 29th among the states in the funding of tobacco prevention programs. Iowa's spending on tobacco prevention amounts to 3.4% of the \$149.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY 2004 budget approved by the Legislature and Governor Tom Vilsack (D) provides \$5.1 million for tobacco prevention and cessation programs, the same amount as FY2003 but a decline from \$9.4 million in FY2002.

Other uses for settlement money in the FY2004 budget included substance abuse programs, the Healthy Iowans 2010 Program, health and dental providers, and the state Medicaid program. The Department of Corrections and Education also received small amounts for specific programs.

A special session of the state legislature called by Governor Tom Vilsack failed to pass an increase in the tobacco excise tax. While both the governor and the state Senate agreed to it, the House Republican leadership successfully blocked it. The current tax is only about one half the current nationwide average -- and lower than the tax in 6 of Iowa's 7 neighboring states.

Background: Governor Vilsack's initial proposal for the tobacco settlement funds in 1999 included \$17.7 million annually for a comprehensive tobacco prevention program. This proposal stalled in the Legislature.

In May 2000, the Legislature passed and Governor Vilsack signed a law appropriating all of Iowa's 2001 tobacco settlement payment (\$55 million) for health-related programs. The law included \$9.35 million in FY2001 for a comprehensive tobacco prevention program.

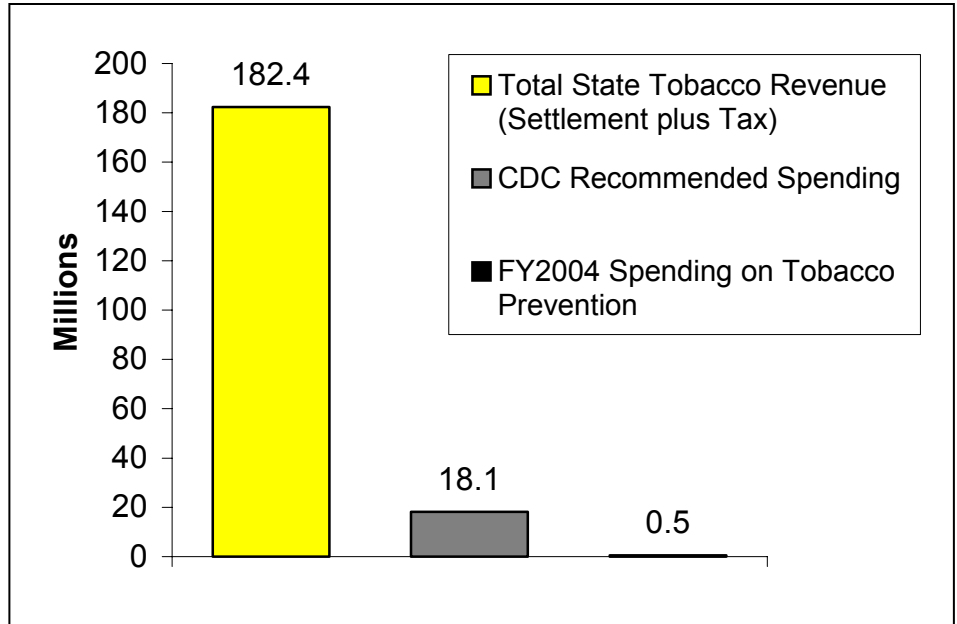
The FY2002 budget funded tobacco prevention at \$9.42 million, with the Legislature rejecting a proposal by Governor Vilsack to cut this funding by \$1.5 million. The FY2003 budget cut funding to \$5.1 million. As a result of these cuts, Iowa's "Just Eliminate Lies" counter-marketing campaign was cut by two-thirds, and all school-based and adult cessation programs were eliminated.

In 2001, the Legislature and Governor Vilsack enacted into law a plan to sell, or securitize, the majority of the next 25 years of tobacco settlement proceeds to investors for \$574 million in up-front revenue. This revenue was mostly used to fund capital projects, but some of the money was also used to create an endowment called the Healthy Iowans Tobacco Trust Fund. Each year the residual settlement funds left after the bonds are repaid are deposited into the Trust Fund. \$55 million annually, with increases for inflation, is allocated from the Trust Fund for health care services, including tobacco prevention. The Legislature must still appropriate these funds for specific programs each year as part of the budget process.

Kansas

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
42nd	\$500,000 (2.8%)	45th	\$500,000 (2.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kansas spend between \$18.1 million and \$44.7 million a year to have an effective, comprehensive tobacco prevention program. Kansas currently allocates \$500,000 a year for tobacco prevention. This is 2.8% of the CDC's minimum recommendation and ranks Kansas 42nd among the states in the funding of tobacco prevention programs. Kansas' spending on tobacco prevention amounts to 0.3% of the \$182.4 million in



tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Kansas' tobacco settlement funds are governed by a law first enacted in 1998 and then expanded in 1999 by the Legislature and then-Governor Bill Graves (R) that directs all the state's tobacco settlement payments, after the first \$70 million, to a trust fund – the Kansas Endowment for Youth Fund (KEY Fund) – to support youth programs. The FY2004 budget approved by the legislature and signed by Governor Kathleen Sebelius (D) provides \$500,000 for tobacco prevention, the same level as FY2003. This money is used to fund a comprehensive model program in one Kansas community – Salina.

Most of the state's tobacco settlement funds in FY2004 were used for programs and health services for children and adolescents.

The Legislature rejected a proposal by Governor Sebelius to securitize, or sell to investors, future tobacco settlement payments for a smaller, up-front payment.

Background: In FY2001, the first \$70 million of the state's tobacco settlement funds were folded into the state's general fund to cover budget shortfalls. In FY2002, another \$20 million was transferred to the general fund.

All payments after the first \$70 million were then deposited into the KEY Fund. The laws which created and expanded the KEY Fund designated the available money each year be spent on various youth programs including children's health insurance and services, tobacco prevention, juvenile justice and alcohol and drug programs. The 1999 law also created the Kansas Children's Cabinet, a board consisting of appointees by the Governor and the Legislature,

responsible for recommendations on how to spend the settlement funds in the endowment. The Legislature is responsible for appropriating the money available from the KEY funds, based on the Children's Cabinet recommendations.

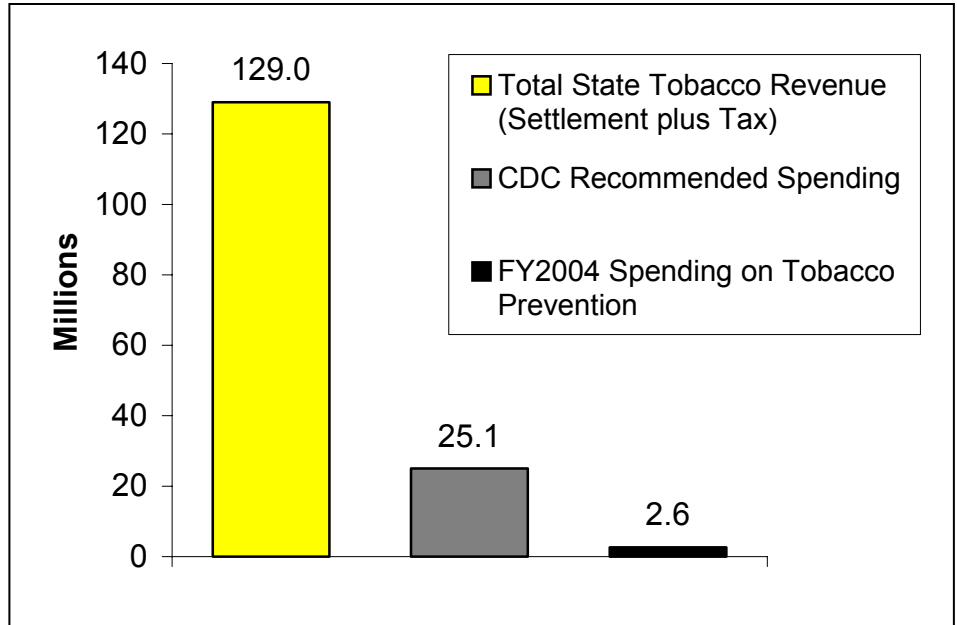
FY2001, FY2002, and FY2003 funding for tobacco prevention was also \$500,000 a year.

Kansas is spending minimal amounts on tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of 55-cent cigarette tax increase, to 79 cents a pack, approved in 2002.

Kentucky

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
37th	\$2.6 Million (10.4%)	39th	\$3.0 Million (12.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kentucky spend between \$25.1 million and \$69.9 million to have an effective, comprehensive tobacco prevention program. Kentucky currently allocates \$2.6 million a year for tobacco prevention. This is 10.4% of the CDC's minimum recommendation and ranks Kentucky 37th among the states in the funding of tobacco prevention programs. Kentucky's spending on tobacco prevention amounts to 2.0% of the \$129.0 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004 budget passed by the legislature and signed by Governor Paul Patton (D) appropriated \$2.6 million for tobacco prevention. This is a slight decrease from the \$3 million appropriated in FY2003. The state had struggled to close a budget deficit in 2002 and did not pass an FY2003-04 biennial budget until after December 2002. After the budget impasse was resolved, tobacco prevention was funded at \$3 million for FY2003. The Health Care Improvement Authority manages these funds.

Tobacco settlement revenue in FY2004 was also spent on agricultural projects such as county level cost-share grant programs and environmental cost-share programs, early childhood development programs, and the Kentucky Access Program, Kentucky's high-risk health insurance program.

Background: Kentucky's tobacco settlement payments are governed by a 2000 law that directed the funds into three accounts – 50% for tobacco growers and rural development initiatives, 25% for public health initiatives including tobacco prevention programs and 25% for a comprehensive early childhood development program. Oversight boards were created to develop strategic plans for spending the funds and to oversee the resulting programs.

The Health Care Improvement Authority oversees the 25% earmarked for public health, which the law calls for distributing as follows:

- 10% for tobacco prevention programs targeted at youth (2.5% of total settlement funds)

- 70% for a new health insurance program (a "high risk pool") for persons with costly health conditions (17.5% of the total funds);
- 20% for lung cancer research at the University of Louisville and the University of Kentucky (5% of the total funds).

In addition to the tobacco prevention funding mentioned above, the FY2002 health funds were appropriated for lung cancer research (\$6 million) and the KY Access Program, an insurance program for high-risk individuals (\$18.8 million).

The Kentucky Agriculture Development Board – consisting of tobacco growers, agriculture experts and state officials – is charged with determining how to spend the 50% set aside for growers and agriculture.

The Early Childhood Development Authority oversees the 25% of the funds set aside for an early childhood development initiative. By all accounts, this effort, called "Kids Now," has been very successful.

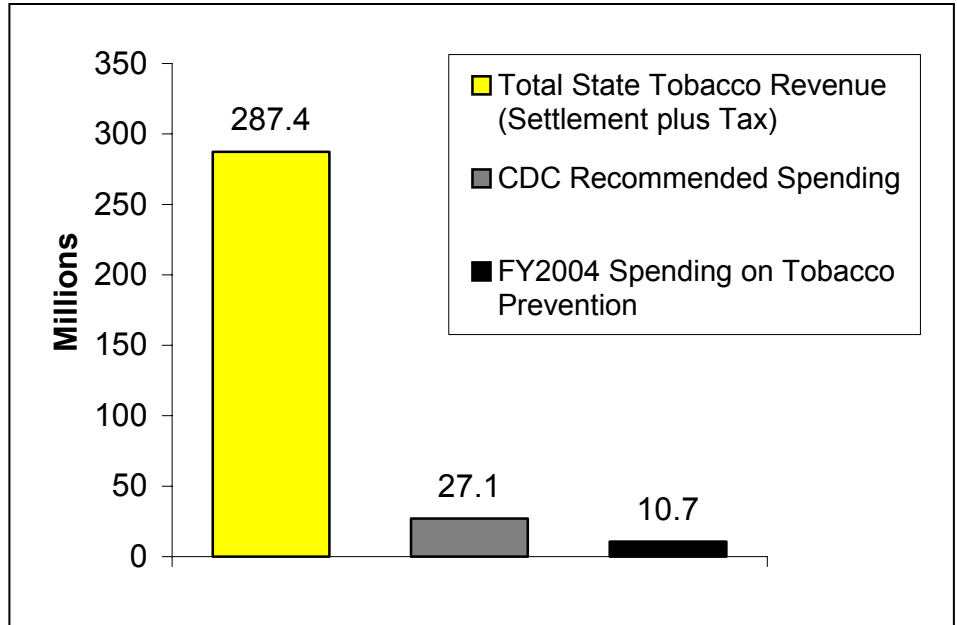
In FY2002, the \$3 million earmarked for tobacco prevention and cessation was used for grants to local and district health departments. The health departments are required to work with community coalitions, use the CDC's Best Practices and submit a strategic plan. Because the funds were distributed statewide, some localities have only been able to hire staff and are leveraging funds from CDC and other sources to implement activities.

* Kentucky is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$1.5 billion over 12 years directly to Kentucky tobacco growers.

Louisiana

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
19th	\$10.7 Million (39.4%)	32nd	\$8.0 Million (29.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Louisiana spend between \$27.1 million and \$71.4 million a year to have an effective, comprehensive tobacco prevention program. Louisiana currently allocates \$10.7 million a year for tobacco prevention. This is 39.4% of the CDC's minimum recommendation and ranks Louisiana 19th among the states in the funding of tobacco prevention programs. Louisiana's spending on tobacco prevention amounts to 3.7% of the \$287.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Louisiana is spending \$10.7 million on tobacco prevention for FY2004, which is an increase from \$8 million in FY2003. In 2002, an increase in the state cigarette excise tax was passed and two cents per pack was dedicated to a Cancer Consortium comprised of Tulane University and Louisiana State University for tobacco prevention and cessation programs. Revenue generated from this excise tax automatically flows to the Consortium every year, unless the law is changed by the Legislature. \$10.2 million of the \$10.7 million for tobacco prevention for FY2004 comes from this excise tax increase. The other \$500,000 was appropriated by the legislature from the annual MSA payment in the FY2004 budget.

The 40 percent of Louisiana's MSA payments in 2003, that were not securitized in 2002, were distributed to the Millennium Trust Fund and Louisiana Fund, 75 percent and 25 percent respectively per the 1999 constitutional amendment. Aside from tobacco prevention, money from the trust funds was appropriated for Medicaid services, school-based health centers, the Temporary Assistance for Needy Families program, LSU for research, K-12 education activities, and college tuition support.

Background: The FY2000 budget approved by the Legislature and signed by Governor Mike Foster (R) appropriated the \$198.7 million the state received from its initial (1998) and first annual tobacco settlement payment. \$110 million of the settlement funds were used to balance the state budget; the remainder was used to fund new initiatives, including \$4.1 million for tobacco prevention and cessation through the Office of Public Health.

Also in 1999, voters passed a constitutional amendment allocating the state's settlement money into three trust funds, and beginning in FY2001, Louisiana's tobacco settlement payments are governed by this 1999 constitutional amendment. Settlement funds were allocated as follows:

	FY2001	FY2002	FY2003	FY2004
Millennium Trust	45%	60%	75%	75%
Louisiana Fund	45%	30%	15%	25%
Millennium Leverage Fund	10%	10%	10%	-0-

The allocations for each year after FY2004 will remain at FY2004 levels.

Interest generated from the Millennium Trust can be used to fund health research, education programs, and the Tuition Opportunity Program for Students (TOPS) college scholarship fund. The Legislature is responsible for making annual appropriations from the Trust for these programs.

The Louisiana Fund is intended to be used for child development initiatives, such as improved healthcare and education programs, direct healthcare services for tobacco-related illness, and general healthcare needs and the reduction of tobacco-related illness and death. The Legislature is responsible for making annual appropriations from the Louisiana Fund; however, it may not appropriate more than 50% of the monies for any one of these areas.

The Millennium Leverage Fund is a special trust fund for state revenue bonds.

During an extended special session, the 2000 Legislature passed an FY2001 budget that included severe cuts in all departments, including the money set aside for the tobacco prevention program. The only appropriation that remained for tobacco-related programs was \$460,000 from the Louisiana Fund for smoking cessation programs. The FY2002 budget slightly increased this funding to \$500,000.

After the FY2002 budget was passed, the Legislature and Governor Foster agreed to securitize 60 percent of the tobacco settlement funds by issuing bonds backed by the payments the state is to receive over the next 25 years. The state expected to gain an up-front payment between \$911 million and \$1.2 billion, depending on the bonds' structure. The revenue realized from the sale of the bonds was to be distributed to the Louisiana Fund and Millennium Fund beginning with the FY2003 budget, according to the percentages set by the 1999 law.

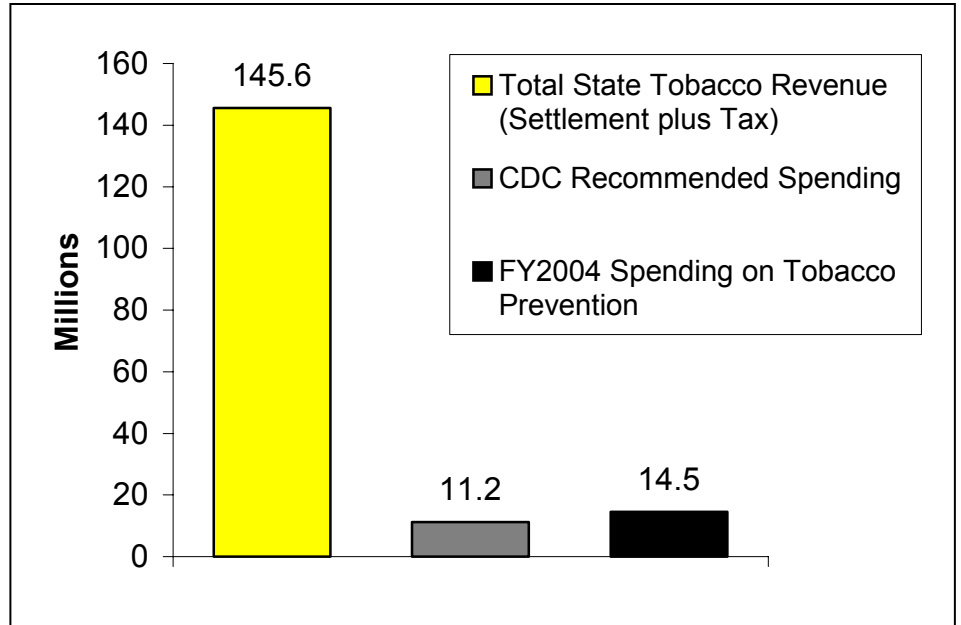
The FY2003 budget approved by the Legislature and signed by Governor Foster appropriated \$500,000 to the Department of Health and Hospitals for tobacco prevention and cessation programs. Also in 2002, the Legislature passed and Governor Foster signed into law a 12-cent per pack increase in the state cigarette tax, to 36 cents a pack, and dedicated two cents per pack to a Cancer Consortium comprised of Tulane University and Louisiana State University for tobacco prevention and cessation programs. Revenue generated from the excise tax will automatically flow to the Consortium every year, unless the law is changed by the Legislature. The state expects to raise \$7.5 million in revenue for the tobacco prevention program from the two cents per pack dedication. Thus, Louisiana increased its funding for tobacco prevention by 93%, from \$500,000 in FY2002 to \$8 million in FY2003.

Remaining settlement funds in FY2003 were appropriated to the Medicaid program, charity care, school-based health clinics, health sciences research grants, and education programs.

Maine

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
1st	\$14.5 Million (129.6%)	1st	\$15.2 Million (135.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maine spend between \$11.2 million and \$25.4 million a year to have an effective, comprehensive tobacco prevention program. Maine currently spends \$14.5 million a year for tobacco prevention. This is within the CDC's recommended guidelines and ranks Maine 1st among the states in the funding of tobacco prevention programs. Maine's spending on tobacco prevention amounts to 10.0% percent of the \$145.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: In 1997, Maine increased its cigarette tax and used a portion of those funds to establish a comprehensive tobacco prevention program known as the Partnership for a Tobacco-Free Maine. Maine's program is no longer funded through cigarette tax revenue, but with proceeds from the tobacco settlement. For FY2004, the budget enacted by the Legislature and Governor John Baldacci (D) included \$14.5 million for the state's tobacco prevention program. Although FY2004 funding is a slight decrease from FY2003 funding of \$15.2 million, it is essentially level funding because FY2003 funding for smoking cessation medical provider incentives under Maine's Medicaid program were not spent.

The remainder of Maine's tobacco settlement funds in FY2004 were appropriated for other health-related purposes, including Medicaid services, health education and dental services, and substance abuse treatment and prevention, and for children and youth programs, including child care subsidies, Head Start, home-visitation programs, and community service and child care facilities.

In May 2003, Governor Baldacci proposed a constitutional amendment to require that tobacco settlement revenue be used only for health programs including tobacco prevention, which would make Maine the first state to permanently devote its settlement money only for health purposes. The bill fell just a few votes shy of the two-thirds majority needed to send to voters for approval and will be reconsidered in future sessions.

Maine's tobacco prevention program has been highly successful. Since the program began in 1997, tobacco use among Maine's high school students has declined a dramatic 48%, falling from 39.2% to 20.5%, according to the Maine Youth Risk Behavior Survey released by the Maine Department of Human Services in October 2003.

Background: In 1999, the Legislature and then-Governor Angus King (I) enacted a law creating the Fund for a Healthy Maine to receive and disburse tobacco settlement payments. The law also created the Fund for a Healthy Maine Trust Fund and directed that for the first five years of tobacco settlement payments, 10% of each year's payment would be placed in the Trust Fund to earn income and provide resources for the future, should settlement payments stop. The other 90% was to be spent for a variety of health-related purposes, and actual appropriations are made through the state's regular budget process.

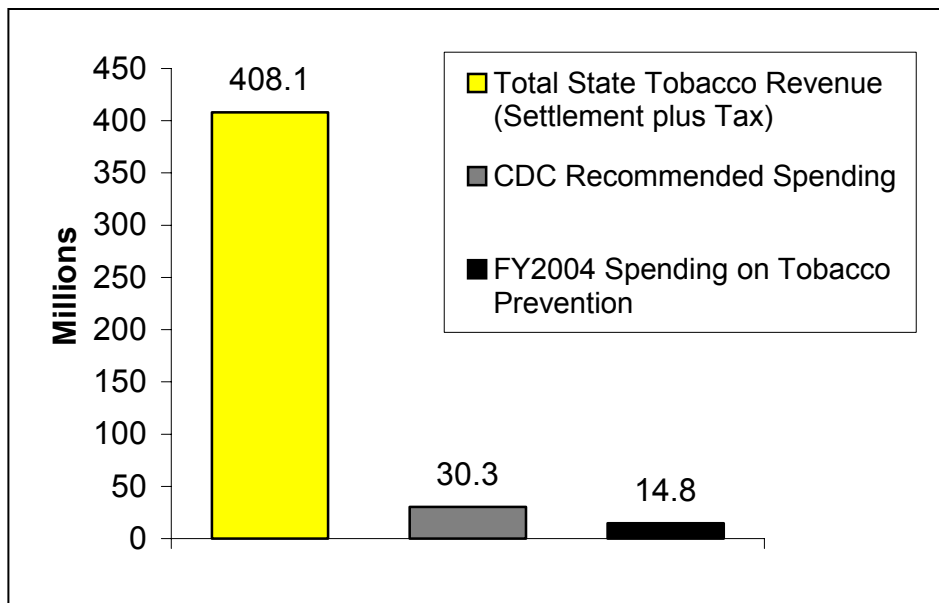
In April 2000, the Legislature passed and Governor King signed the supplemental FY2000 budget, which appropriated the settlement payments for 1998, 2000 and 2001 (approximately \$111 million), including \$18.3 million for tobacco prevention programs in FY2001. Ten percent of the settlement payments were placed in the Trust Fund, \$15 million was transferred to the General Fund, and the remainder was reserved to cover cash flow in FY2002.

In 2001, as a result of state budget shortfalls, the Legislature and Governor King abolished the Trust Fund and transferred remaining funds (approximately \$11.1 million) to the General Fund. Additionally, the FY2001 allocation for the tobacco prevention program was cut by \$6 million, program funding levels for the FY2002-03 biennial budget were reduced, and \$39.7 million of settlement payments expected in the FY2002-03 biennium were transferred to the General Fund.

Maryland

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
13th	\$14.8 Million (48.8%)	4th	\$30.0 Million (99.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maryland spend between \$30.3 million and \$78.6 million a year to have an effective, comprehensive tobacco prevention program. Maryland currently allocates \$14.8 million a year for tobacco prevention. This is 48.8% of the CDC's minimum recommendation and ranks Maryland 13th among the states in the funding of tobacco prevention programs.



Maryland's spending on tobacco prevention amounts to 3.6% of the \$408.1 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Maryland's tobacco settlement payments are folded into the state's general fund and allocated through the annual budget process. The FY2004 budget approved by the Legislature and signed by Governor Robert Ehrlich (R) cut funding for the tobacco prevention program to \$14.8 million in FY2004 from \$30 million in FY2003.

Other uses for tobacco settlement funds in FY2004 included cancer research with an emphasis on tobacco related illnesses, the state Medicaid program, substance abuse treatment, education, and the state tobacco farmer buyout program.

Background: In 1999, the Legislature passed and then-Governor Parris Glendening (D) signed a law, which raised the state's cigarette tax by 30 cents per pack and required the Governor's annual budget to include at least \$21 million from the tax for a tobacco prevention program. Governor Glendening then issued an Executive Order increasing the minimum amount the state was required to spend on tobacco prevention to \$30 million annually for ten years in order to meet the CDC's minimum recommendation for Maryland.

In April 2000, the Maryland Legislature approved and Governor Glendening signed legislation establishing long-term funding commitments for future tobacco settlement payments. The funds were to be spent on 20 health or education programs focused on three main areas: tobacco prevention programs, education, and anti-cancer programs. Fifty percent (approximately \$70 million annually for the next 10 years) was earmarked for anti-cancer and tobacco prevention programs, satisfying Governor Glendening's 1999 Executive Order. Additionally, five percent was committed to fund a buy-out program for tobacco growers. The program would give

farmers an annual payment of \$1 for every pound of tobacco they grew in 1998 for the next ten years, in return for agreeing to farm alternative crops.

More than 70 percent of Maryland's eligible tobacco farmers have enrolled in the buyout program, raising concerns about whether it is adequately funded. A law passed in April 2001 allows Maryland to issue bonds from the state's general fund, beginning in 2003, if the five percent allocation from the tobacco settlement funds is not enough to pay for the buy-out program. If necessary, for six years (2003 to 2009), up to \$5 million in bonds may be issued annually to cover the program costs.

The initial FY2002 budget increased funding for tobacco prevention from \$16 million in FY2001 to \$30.7 million. However, the state placed \$27 million of its FY2002 payment in escrow pending resolution of the dispute over attorneys' fees. To partially offset the \$27 million held in escrow, Governor Glendening withheld \$10.7 million from the state's tobacco prevention program funding. This left \$20 million for tobacco prevention and cessation expenditures for FY2002 until the lawsuit was resolved.

In April 2002, the state and attorney Peter Angelos reached agreement on how much Angelos should receive for his role in the state's tobacco litigation, freeing up the funds that had been placed in escrow and allowing the increase to \$30 million in FY2003 funding for tobacco prevention.

The FY2003 budget approved by the Legislature and signed by Governor Glendening increased funding for the tobacco prevention program from \$20.05 million in FY2002 to \$30 million in FY2003. Maryland was able to restore program funding to \$30 million for FY2003 after settling a dispute over attorneys' fees related to its tobacco settlement litigation that resulted in some settlement funds being held temporarily in escrow.

In July 2002, Maryland launched its anti-smoking campaign with a theme, "Smoking Stops Here," that is designed to change social attitudes about the acceptability of smoking. The campaign consists of advertising and grassroots initiatives, and began with television ads, billboards, and a web site.

In 2002, the Legislature and Governor Glendening approved a plan to sell to investors, or securitize, five percent of the state's tobacco settlement revenue for a smaller, one-time payment. Funds raised from the sale of settlement monies will be set aside to support a tobacco farmer buyout program.

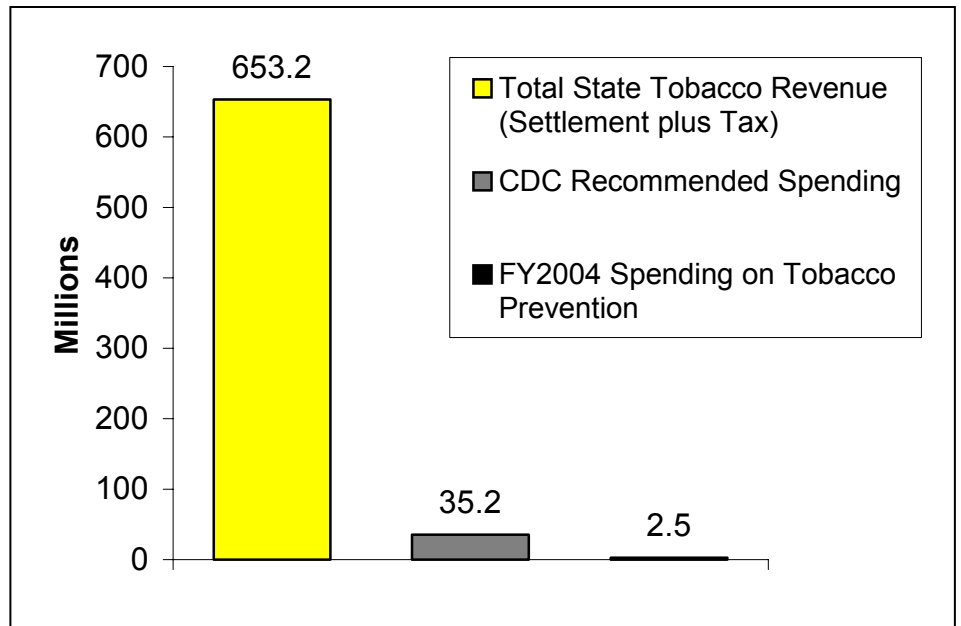
As it considers future funding for tobacco prevention, Maryland has more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect June 1, 2002, increasing the state cigarette tax by 34 cents to \$1 per pack.

* Maryland is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$31.9 million over 12 years directly to Maryland tobacco growers.

Massachusetts

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
40th	\$2.5 Million (7.1%)	37th	\$4.8 Million (13.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Massachusetts spend between \$35.2 million and \$92.8 million a year to have an effective, comprehensive tobacco prevention program. Massachusetts currently allocates \$2.5 million a year for tobacco prevention. This is 7.1% of the CDC's minimum recommendation and ranks Massachusetts 40th among the states in the funding of tobacco prevention programs, down from first place at the start of FY2002. Massachusetts'



spending on tobacco prevention amounts to 0.4% of the \$653.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Despite having one of the nation's oldest and most successful tobacco prevention programs, Massachusetts has seen funding for the Massachusetts Tobacco Control Program (MTCP) cut by 95 percent in the past two years, to just \$2.5 million in FY2004 from \$48 million in FY2002.

Massachusetts launched its program in 1993 with funding from a voter-approved cigarette tax of 25 cents a pack. Beginning in FY2001, the program was funded with funds from both the cigarette tax and the state's tobacco settlement money.

Prior to the recent cuts, the MTCP had achieved considerable success and been viewed as a national model. Overall cigarette consumption in Massachusetts declined by 36 percent between 1992 and 2000, compared to a decrease of just 16 percent in the rest of the country, excluding California. Smoking rates among Massachusetts' high school students declined by 27 percent between 1995 and 2001 (from 35.7 percent to 26 percent).

Despite this success, then-Governor Jane Swift (R) cut funding for the program to \$4.8 million in FY2003. In 2003, the Legislature approved \$2.5 million in funding for the program. Governor Mitt Romney (R) vetoed this budget and proposed the program be funded at \$1.7 million. The Legislature overrode the Governor's veto and restored funding to \$2.5 million.

For FY2004, Massachusetts legislators placed the state's tobacco settlement revenue in the general fund to address a budget shortfall.

In FY 2004, it is anticipated that Massachusetts will receive over \$650 million in tobacco-related revenues from a combination of tobacco taxes and the tobacco settlement. Of that, just 6% would restore funding for tobacco prevention and cessation within the guidelines recommended by the Centers for Disease Control and Prevention. Instead, less than 1% of tobacco-related income is being dedicated to tobacco prevention and cessation in FY2004.

Massachusetts has slashed funding for tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 25, 2002, increasing the state cigarette tax by 75 cents to \$1.51 per pack, making it the highest in the nation at that time. The cigarette tax increase is expected to generate \$229 million a year in additional revenue.

Background: In December 1999, the Legislature voted to supplement the MTCP cigarette tax funding with tobacco settlement money. The Legislature overrode a veto by then-Governor Paul Cellucci (R) and enacted a law that transferred 70 percent of the tobacco settlement funds into a trust fund dedicated to health and tobacco control programs and made 30 percent immediately available for expenditure on health-related programs. Twenty-five percent of the available funds (7.5 percent of the total) were dedicated to tobacco control.

The FY2000 budget passed by the Legislature and signed by Governor Cellucci appropriated \$36 million for the MTCP, all from cigarette tax revenue. For FY2001, there was substantial debate about whether to supplement the program's funding with tobacco settlement money. The Legislature initially sought to add \$22.4 million in settlement money, but after a veto by Governor Cellucci, the final FY2001 budget was \$43.1 million, including \$12.4 million in tobacco settlement money.

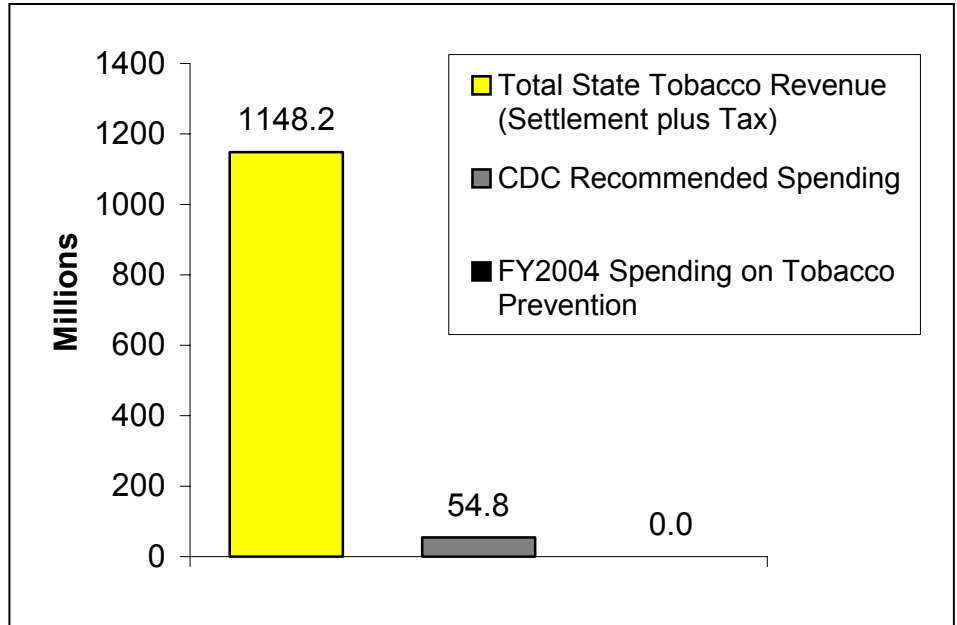
Governor Swift repeatedly cut funding for tobacco prevention in both FY2002 and FY2003. In FY2002, she issued an executive order "freezing" \$17 million of the \$48 million appropriated by the Legislature over her veto, leaving funding of \$31 million. For FY2003, the Legislature approved funding of \$31.3 million for the program, but three subsequent rounds of cuts by Gov. Swift reduced funding to just \$4.8 million. The tobacco control program was cut by a far larger percentage than either the budget as a whole or most other programs as the state sought to address a large budget shortfall.

During the 2002 gubernatorial campaign, Governor Romney called the tobacco prevention program "worthwhile" and indicated he would make an effort to restore funding by restructuring the state's finances.

Michigan

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	51st	\$0.0 Million (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Michigan spend between \$54.8 million and \$154.6 million a year to have an effective, comprehensive tobacco prevention program. Michigan currently allocates none of its tobacco settlement dollars or tobacco tax revenue for tobacco prevention. This ranks Michigan last among the states in the funding of tobacco prevention programs. Michigan increased its cigarette tax by 50 cents in 2002 and collects \$1.15 billion in tobacco-generated revenue annually in tobacco settlement payments and tobacco taxes.



Current Status: Michigan's tobacco settlement payments are governed by a 1999 law passed by the Legislature and signed by then-Governor John Engler (R) that committed 75 percent of the state's settlement payments to the Merit Scholarship Fund for higher education scholarships and 25 percent to senior healthcare initiatives and healthcare research. Any interest the state earned from the 25 percent, prior to spending, was devoted to community-based senior and youth health initiatives.

As in past years, the Michigan Legislature did not allocate any settlement funds for tobacco prevention and cessation programs for FY2004. The FY2004 budget adhered to the 1999 law splitting the money between the two trust funds, 75 percent and 25 percent respectively. This money was appropriated for scholarships and tuition support, life sciences research, Medicaid, and a Senior Prescription Drug Program.

Michigan does spend a small amount of state, federal and non-governmental funds on tobacco prevention – however, none of the efforts are for comprehensive CDC-based programs that have proven successful in other states.

Background: As mentioned above, Michigan does not spend any settlement funds for tobacco prevention and cessation programs. In addition to the Merit Scholarships and other projects already mentioned, Michigan has also used settlement money to fund a consortium for biomedical research, called the Life Sciences Corridor project, involving three of the state's major universities, and a new research institute based in Grand Rapids. The annual budget for

the consortium includes \$50 million of settlement funds appropriated in 1999 to get the project started.

In FY2002, some settlement funds from the Merit Scholarship Fund were transferred to the general fund to help address a budget deficit.

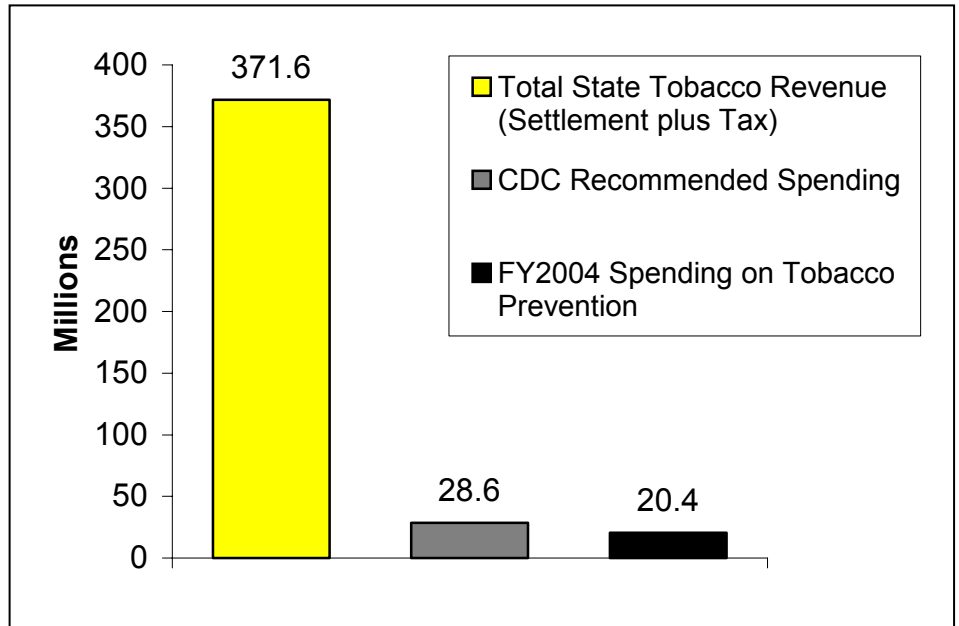
In November 2002, Michigan voters defeated a constitutional amendment to reallocate the state's tobacco settlement proceeds to health care purposes, including \$45 million a year for tobacco prevention programs. However, criticism of the initiative focused not on whether Michigan should increase funding for tobacco prevention, but on whether the issue of tobacco settlement spending belonged in the state constitution and whether the independent organizations established to oversee the funds would be publicly accountable. Governor Jennifer Granholm (D), who was elected in November 2002, expressed support for increasing funding for tobacco prevention in the future even while opposing the initiative. Many newspaper editorials took the same position.

Michigan has spent no tobacco-generated revenue on tobacco prevention despite the fact that it is collecting more such revenue than ever before as a result of a 50-cent cigarette tax increase, to \$1.25 a pack, that took effect August 1, 2002.

Minnesota

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
9th	\$20.4 Million (71.3%)	2nd	\$37.6 Million (131.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Minnesota spend between \$28.6 million and \$74.0 million a year to have an effective, comprehensive tobacco prevention program. Minnesota currently allocates \$20.4 million a year for tobacco prevention. This is 71.3% of the CDC's minimum recommendation and ranks Minnesota 9th among the states in the funding of tobacco prevention programs. Minnesota's spending on tobacco prevention amounts to 5.5% of the \$371.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



The state of Minnesota and Blue Cross and Blue Shield of Minnesota (BCBS) settled with the tobacco industry in May 1998, prior to and separate from the fall 1998 multi-state settlement agreement. As a result, the state received an initial block payment of \$1.2 billion over five years through 2002. The state portion of the settlement also established a new non-profit foundation, the Minnesota Partnership for Action Against Tobacco (MPAAT), which will receive an additional \$202 million over ten years to fund tobacco cessation and research efforts. The Legislature has final approval in allocating all settlement money other than the MPAAT funds.

Current Status: In 2003, Governor Tim Pawlenty (R) and the Legislature dealt a severe setback to one of the nation's most promising tobacco prevention programs by completely eliminating funding for the program from the state's share of the tobacco settlement. This decision resulted in a 37 percent cut in total tobacco prevention and cessation funding in Minnesota, from \$32.3 million in FY2003 to \$20.4 million in FY2004 (the cut in non-MPAAT, state funding is 85 percent, from \$22.6 million to \$3.4 million). The FY2004 funding includes \$17 million from MPAAT and \$3.4 million from the Department of Health (DOH).

The state tobacco prevention program had been funded with tobacco settlement money placed in a Tobacco Prevention and Public Health Endowment created by a 1999 law, which had also used settlement money to create a Medical Education Fund to support the education of health care professionals. In 2003, Governor Pawlenty and the Legislature liquidated both trust funds and transferred the \$1.1 billion balance to the general fund to address a budget shortfall, in the process eliminating current and future funding for tobacco prevention. They also diverted 2003 settlement payments to the general fund rather than the endowments.

The combined resources from the state and MPAAT had made Minnesota's comprehensive tobacco prevention and cessation program a model for the nation that followed CDC guidelines and had

demonstrated concrete results. The Minnesota Youth Tobacco Prevention Initiative had community grants with all counties in the state to perform tobacco prevention and control activities. In 2002, the DOH's innovative youth-led tobacco prevention initiative, called Target Market, released results of a poll showing the initiative had achieved considerable market penetration. Ninety-two percent of teens reported having seen at least one Target Market commercial, and 59 percent were able to recall specific details of the ads they had seen. Results from Minnesota's Youth Tobacco Survey showed that use of any tobacco product declined by 11 percent among high school and middle school students between 2000 and 2002. Additionally, current cigarette use declined by 21 percent among middle school students and 11 percent among high school students between 2000 and 2002.

However, significant portions of this program, including Target Market, have now been eliminated because of the budget cuts.

For FY2004, the Senate initially proposed \$19.5 million in state funding for tobacco prevention, with \$12 million coming from a proposed \$1 cigarette tax increase. However, the cigarette tax increase was defeated due to opposition from the Governor and the House Majority Caucus. The final state budget did include some funding for tobacco prevention through the Minnesota Department of Health. According to the DOH, state funding for tobacco prevention will be \$3.4 million in 2004, \$3.28 million in 2005 and \$3.34 million in 2006.

Also in 2003, Blue Cross and Blue Shield of Minnesota began implementing a plan for the use of its \$450 million in settlement funds, including a substantial investment in tobacco prevention and related issues. The Minnesota Department of Commerce, which has regulatory authority over BCBS, approved the plan for spending the settlement proceeds.

Background: In 1999, the Minnesota Legislature passed and then-Governor Jesse Ventura (Reform) signed legislation that provided the framework for one of the strongest tobacco-control programs in the country. The legislation created several trust funds from the initial \$1.2 billion block settlement payments. Approximately \$590 million was dedicated to the Tobacco Prevention and Public Health Endowment and approximately \$378 million was dedicated to the Medical Education and Research Endowment.

In 2001, the Republican House majority leadership unsuccessfully attempted to divert \$250 million from the \$490 million Tobacco Prevention endowment to provide funding to the Academic Health Center at the University of Minnesota. The Senate and Governor Ventura defeated this effort. Again in 2002, the House voted to end Target Market and divert funds from the endowment. This was again repelled by the Senate and Governor Ventura.

For FY2002, Minnesota's tobacco prevention program was funded at \$28.9 million, including both Department of Health and MPAAT funds.

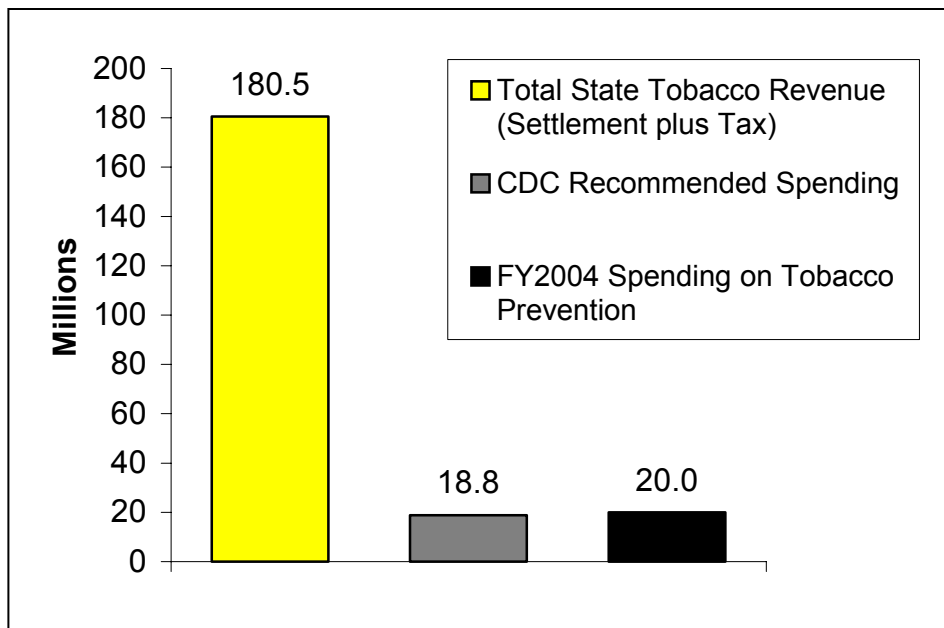
In FY2003, Minnesota's tobacco prevention and cessation programs were funded at \$32.3 million, including \$22.6 million through the state Department of Health (DOH) and \$9.7 million through MPAAT. MPAAT had allocated \$14.95 million, could not implement several large programs as a result of delays stemming from a lawsuit filed by Attorney General Mike Hatch.

MPAAT continued to fund tobacco cessation initiatives after surviving the lawsuit by Attorney General Hatch, who attempted to eliminate the organization. Hatch argued that MPAAT's funds should be diverted to the state Health Department and the University of Minnesota. A May decision by Ramsey County District Judge Michael Fetsch upheld the importance and effectiveness of smoke-free policies and other cessation activities pursued by MPAAT. MPAAT activities include a help line, intervention grants and research grants. However, MPAAT remains under court supervision, which could affect how and when its funds are used.

Mississippi

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
3rd	\$20.0 Million (106.4%)	3rd	\$20.0 Million (106.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Mississippi spend between \$18.8 million and \$46.8 million a year to have an effective, comprehensive tobacco prevention program. Mississippi currently allocates \$20.0 million a year for tobacco prevention. This is within the CDC's recommended guidelines and ranks Mississippi 3rd among the states in the funding of tobacco prevention programs.



Mississippi's spending on tobacco prevention amounts to 11.1% of the \$180.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

The state of Mississippi reached an agreement with the tobacco industry in July 1997, prior to and separate from the November 1998 multi-state settlement agreement. As a result, Mississippi agreed to launch a tobacco prevention pilot program, and the tobacco industry agreed to pay the state an initial block payment of \$170 million in 1997 and an annual payment between \$136 million and \$255.7 million each year thereafter.

Current Status: Under a 2000 Mississippi Supreme Court order, Mississippi must spend \$20 million a year of the state's annual settlement payment to continue the tobacco prevention program it launched in 1999. The remainder of the annual settlement payments is deposited into the Health Care Trust Fund, with the interest available for expenditure by the Legislature.

However, in 2003, the legislature passed and Governor Ronnie Musgrove (D) signed legislation appropriating the entire 2003 annual settlement payment minus the \$20 million for tobacco prevention to the Health Care Expendable Fund for expenditure in the FY2004 budget instead of the Health Care Trust Fund. The funds will be returned to the trust fund if state revenues increase. As in previous years, the money was used primarily for healthcare related purposes such as maternal and child health care, the Children's Health Insurance Program (CHIP), mental health and substance abuse services, Medicaid, trauma care, and independent living and rehabilitative services.

Mississippi's pilot program has been highly successful. Between 1999 and 2002, smoking among public high school students declined by 29 percent, from 32.5 to 23.1 percent. Smoking

among public middle school students declined by 48 percent over this same time period. In just one year, between 1999 and 2000, smoking declined by 21 percent among public middle school students and by 10 percent among public high school students. These declines included a 31 percent decrease in smoking among African American middle school students and a 20 percent decrease among African American high school students.

Background: In 1999, the Mississippi Legislature passed and then-Governor Kirk Fordice (R) signed a law which placed all settlement payments, other than those set aside for the tobacco pilot project, to a Health Care Trust Fund. The law protected most of the principal of the Trust Fund for investment. The law also set aside a specific amount each year from the interest generated for appropriation by the Legislature for healthcare purposes.

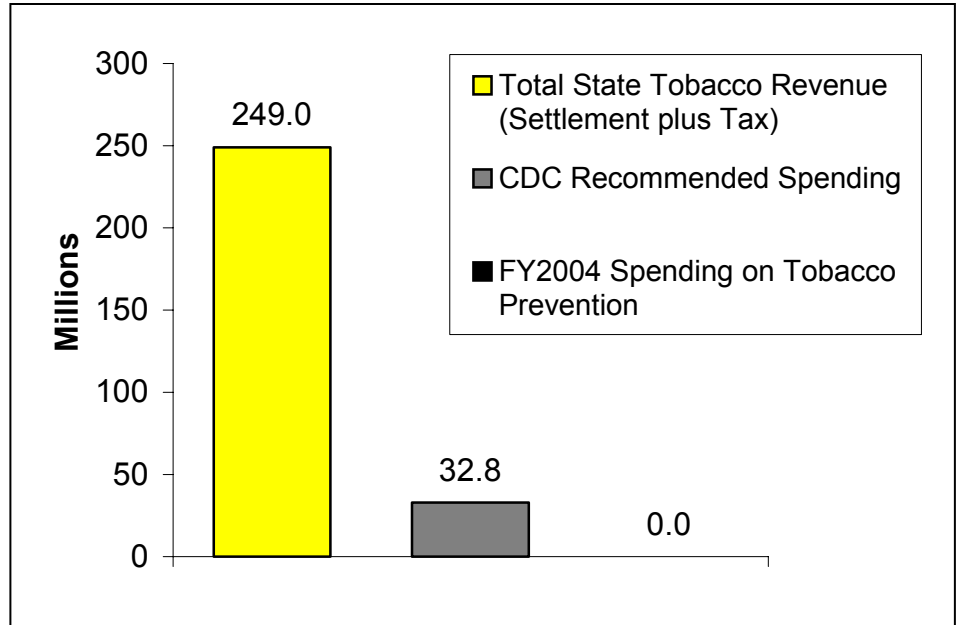
As part of Mississippi's settlement, an organization called the Partnership for a Healthy Mississippi was formed to plan and implement the state's two-year pilot tobacco prevention program. The pilot was launched in 1999 with a two-year allocation of \$62 million. Beginning in 2001, the Mississippi Legislature was responsible for making annual decisions to reauthorize money for the program.

However, in 2000, Attorney General Mike Moore (D) petitioned the Mississippi Supreme Court to set aside \$20 million annually from the state's tobacco settlement payments to continue the tobacco prevention program. The court did so. Thus, \$20 million annually is set aside for the program in perpetuity.

Missouri

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	51st	\$0.0 Million (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Missouri spend between \$32.8 million and \$91.4 million a year to have an effective, comprehensive tobacco prevention program. Missouri currently allocates no funds for tobacco prevention. This ranks Missouri last among the states in the funding of tobacco prevention programs. Missouri receives \$249.0 million in tobacco-generated revenue each year from tobacco settlement payments and tobacco taxes; however securitization has dramatically reduced the amount available for annual appropriation.



Current Status: Despite receiving \$249.0 million in excise taxes and tobacco settlement revenue this year, Missouri again spent nothing on tobacco prevention. The annual MSA payment in FY2004 went to the general fund, health care programs, and prescription drug programs for senior citizens.

Also in 2003, the Legislature rejected a proposal by Governor Bob Holden (D) for a tax ballot initiative that, among other things, would have increased the state's cigarette tax. This plan dedicated no funding for tobacco control and was opposed by public health organizations.

Background: In April 2001 Missouri became the last state to resolve legal challenges so it could receive its settlement money.

In 2001, the Missouri Legislature passed and Governor Holden signed into law legislation that appropriated Missouri's tobacco settlement payments through FY2002. The legislation included \$22.2 million for a comprehensive, statewide, CDC-based tobacco prevention and cessation program under the state's Department of Health. A variety of other health related programs would also receive settlement funding.

However, in December of 2001, Governor Holden issued an executive order to address the state's budget shortfall that cut \$3.5 million from the tobacco prevention program before it even began, leaving a total budget of \$18.7 million. In the spring of 2002, Governor Holden announced additional cuts in state programs. The only program completely eliminated in these cuts was the tobacco prevention program.

For FY2003 and FY2004, Gov. Holden and the Legislature appropriated no funding for tobacco for tobacco prevention. As a result of these actions, Missouri to date has spent none of its tobacco settlement funds on tobacco prevention.

In addition, by a margin of less than one percent, Missouri voters in November 2002 defeated a ballot initiative that would have increased the state cigarette tax by 55 cents a pack and use \$24 million a year of the revenue to fund a tobacco prevention program.

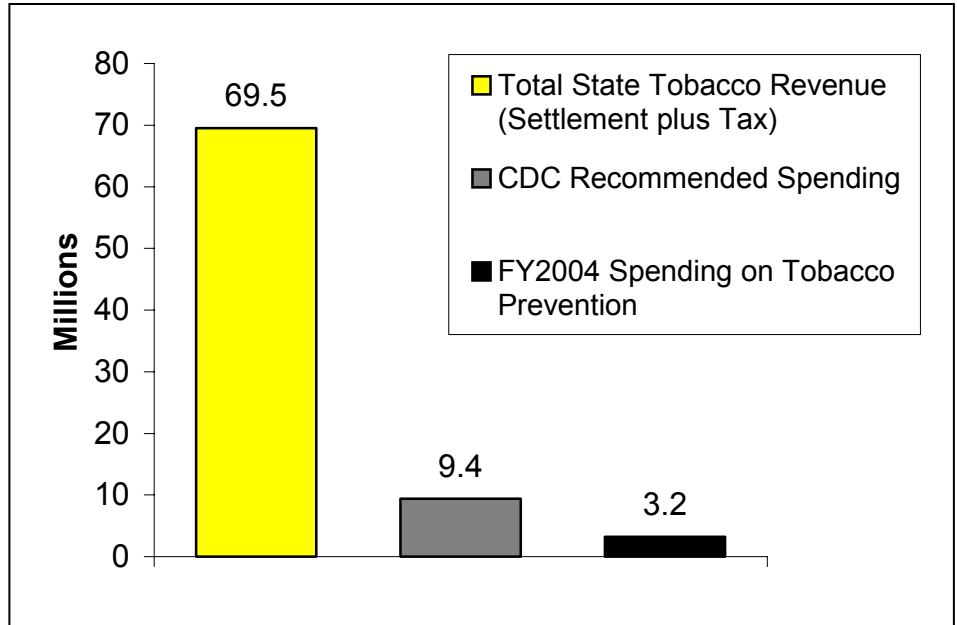
Also in 2002, the Legislature passed and Gov. Holden signed a law authorizing the securitization, or sale to investors, of up to 30 percent of the \$4.5 billion it expects to receive over the next 25 years in tobacco settlement revenues. Because of the declining value of securitization bonds, the state was not able to execute the planned bond sale and was not able to securitize, causing a state fiscal crisis in 2003.

* Note: Missouri was also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$21.6 million over 12 years directly to Missouri tobacco growers.

Montana

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
23rd	\$3.2 Million (34.2%)	44th	\$384,000 (4.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Montana spend between \$9.4 million and \$19.7 million a year to have an effective, comprehensive tobacco prevention program. Montana currently allocates \$3.2 million a year for tobacco prevention. This is 34.2% of the CDC's minimum recommendation and ranks Montana 23rd among the states in the funding of tobacco prevention programs. Montana's spending on tobacco prevention amounts to 4.6% of the \$69.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Funding for Montana's tobacco prevention program had been steadily cut from \$3.5 million in FY2001 to \$384,000 in FY2003. However, funding was increased to \$3.2 million in FY2004 as a result of a November 2002 ballot initiative (Initiative 146) approved by voters, which allocates 32 percent of annual settlement payments to tobacco prevention. In FY2004, 32 percent amounts to \$9 million, but the Legislature and Governor Judy Martz (R) overrode the initiative and diverted \$5.8 million to state human services programs.

Montana did not fully fund tobacco prevention despite the fact it is collecting more tobacco-generated revenue than ever before as a result of a 52-cents per pack cigarette tax increase approved in 2003. The state's cigarette tax is now 70 cents. The state also increased other tobacco taxes from 12 percent to 25 percent.

Background: In 1999, the Montana Legislature opted to appropriate the initial (1998) and first annual settlement payment (2000), approximately \$37 million, through the state's general budget process. In November 2000 Montana voters approved a constitutional amendment that directed 40% of all future tobacco settlement payments into a permanent trust fund to pay for health-related programs and 60% of the payments into the general fund to be appropriated by the Legislature. The law required that interest earned from the fund be used to expand healthcare and prevent tobacco-related diseases.

\$3.5 million was appropriated for tobacco prevention in FY2000 and FY2001. However in 2001, newly elected Governor Martz made the first of a series of proposed cuts to tobacco prevention funding for the FY2002-03 biennium. Instead of the \$3.5 million a year proposed by former

Governor Marc Racicot (R), Martz proposed funding of just \$500,000 a year, a reduction of 86 percent. In April 2001, a House-Senate conference committee approved her proposal. Senate Finance Chairman Bob Keenan (R) led the effort in the Legislature to cut tobacco prevention, arguing it would result in less program duplication within state government.

In addition, administration of the program was transferred from the Chronic Disease Division to the Intercoordination Council Prevention Resource Center, which has no history of running prevention programs.

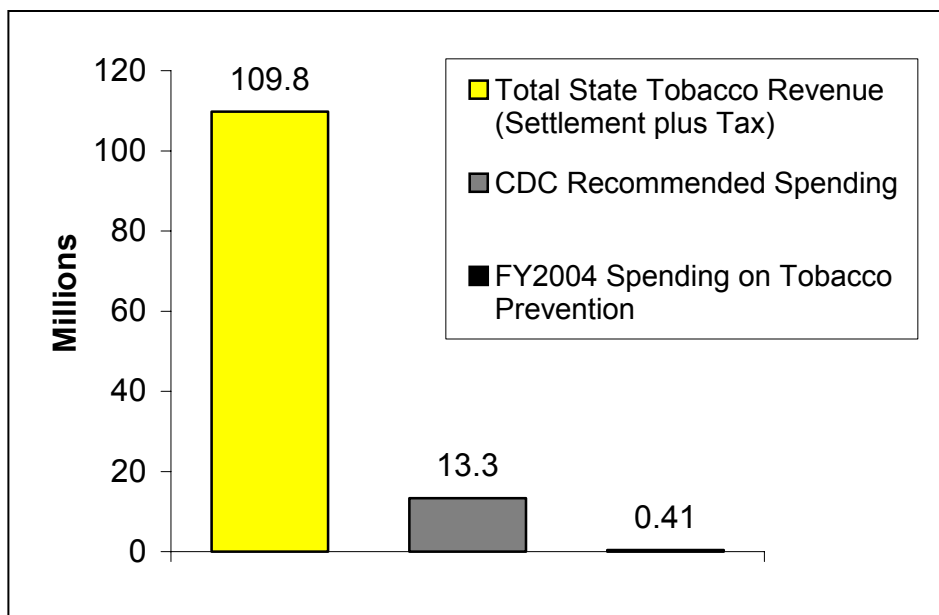
In a 2002 special session to address the state's budget deficit, lawmakers and Gov. Martz again cut the program to \$384,000 in annual funding, which was just 4.0 percent of the CDC's minimum recommendation.

In November 2002, Montana's voters, by 66 to 34 percent, approved Initiative 146 to dedicate 32 percent of the state's annual tobacco settlement payments to a statewide tobacco prevention program. I-146 allocated 17 percent of the settlement money to the Children's Health Insurance Program and the Montana Comprehensive Health Association, which provides health insurance for low-income residents. It allocated 40 percent of the money to a trust fund and 11 percent to the general fund. However, the Legislature can override I-146 because it was a statute rather than a constitutional amendment.

Nebraska

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
41st	\$410,000 (3.1%)	17th	\$7.0 Million (52.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nebraska spend between \$13.3 million and \$31.0 million a year to have an effective, comprehensive tobacco prevention program. Nebraska currently allocates \$410,000 a year for tobacco prevention. This is 3.1% of the CDC's minimum recommendation and ranks Nebraska 41st among the states in the funding of tobacco prevention programs.



Nebraska's spending on tobacco prevention amounts to 0.4% of the \$109.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: The FY2004-05 biennial budget approved by the Legislature and Governor Mike Johanns (R) cut funding for the state's highly promising tobacco prevention program by 94 percent, from \$7 million a year in FY2001-2003 to just \$410,000 a year in FY2004-2005. The program was at risk of being eliminated completely until a last minute amendment was approved by the unicameral Legislature to restore minimal funding.

Tobacco settlement funds were used for mental health and substance abuse services, respite care, biomedical research, and services to the developmentally disabled.

Background: In 1998, then-Governor Ben Nelson (D) signed legislation directing settlement payments to the Nebraska Excellence in Health Care Trust Fund. The Legislature and the Governor directed the Fund's board of directors to make grants to organizations and agencies for a menu of public health programs including tobacco prevention, school nurses, emergency medical services, immunizations, pre-natal care, nutrition, physical activity, teen pregnancy, public health staffing, blood pressure testing and cancer screening.

A 2000 law allocated \$7 million a year in settlement funds through FY2003 for tobacco prevention and cessation programs. This money was to be spent on a comprehensive, statewide, CDC-based program. This program was launched in 2001, including a counter-marketing media campaign, statewide quit line, and youth-based program.

The remainder of Nebraska's settlement funds is deposited into a Tobacco Settlement Trust Fund. A combination of interest and principal from the fund is transferred annually to the Health

Care Cash Fund. In 2001, the Legislature passed legislation to allocate Cash Fund proceeds to the following programs:

- Nebraska Health Care Council grants
- minority health
- mental health and substance abuse
- developmental disabilities
- public health planning and infrastructure
- respite care
- biomedical research

Since the Health Care Cash Fund has revenues in addition to settlement funds, total appropriations to each area reflect more than the use of just settlement funds.

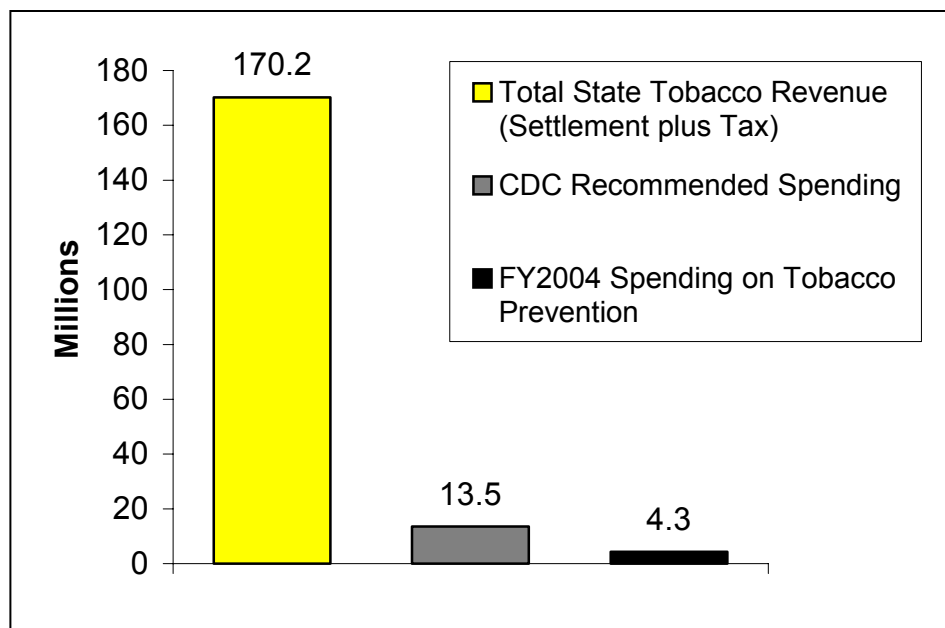
In 2002, the Nebraska Legislature transferred \$5 million of allocated but unspent FY2001 funds out of the Tobacco Prevention and Control Fund into the general fund to offset a Medicaid shortfall. Only \$2 million of the \$7 million allocated for FY2001 was actually spent on tobacco prevention.

As a result of a cigarette tax increase that took effect October 1, 2002, Nebraska is receiving more tobacco-generated revenue than ever before. The new tax raised the state cigarette tax by 30 cents to 64 cents per pack, but none of these funds were earmarked for tobacco prevention. A sunset provision that limited the tax to two years was removed, making the tax permanent.

Nevada

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
25th	\$4.3 Million (31.9%)	29th	\$4.3 Million (31.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nevada spend between \$13.5 million and \$33 million a year to have an effective, comprehensive tobacco prevention program. Nevada currently allocates \$4.3 million a year for tobacco prevention. This is 31.9% of the CDC's minimum recommendation and ranks Nevada 25th among the states in the funding of tobacco prevention programs. Nevada's spending on tobacco prevention amounts to 2.5% of the \$170.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2003-04 biennial budget approved by the Legislature and signed into law by Governor Kenny Guinn (R) maintained funding for tobacco prevention at \$4.3 million annually.

A 1999 state law divided Nevada's settlement money into three trust funds: 40% to the Millennium Trust Fund for college scholarships; 10% to the Trust Fund for Public Health; and 50% to the Fund for a Healthy Nevada. The Legislature is responsible for appropriating the money available from the Funds through the biennial budget process. The money directed to the Fund for a Healthy Nevada is distributed among four main areas based on the 1999 law:

- 20% (10% of the total settlement payments) for tobacco prevention and cessation;
- 30% (15% of the total settlement payments) for a prescription drug program for senior citizens and the disabled;
- 30% (15% of the total settlement payments) for existing and new programs to assist senior citizens with independent living; and
- 20% (10% of the total settlement payments) for improving health services for children and the disabled.

The bulk of the remaining tobacco settlement funds available for expenditure were appropriated to college scholarships from the Millennium Trust Fund. Any available funding is transferred to the Department of Health for disease prevention and treatment of illness.

As it considers future funding for tobacco prevention, Nevada will have more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 22, 2003, increasing the state cigarette tax by 45 cents to 80 cents per pack.

Background: In addition to the division of settlement funds described above, the 1999 law also included one-time grants for three separate projects:

- \$5 million for a county project to construct accessible housing and supportive services for the disabled;
- \$1 million transferred to the Office of Rural Health in the Nevada School of Medicine; and
- \$2 million to two local public television stations to upgrade their technology. In exchange, the stations agree to run tobacco prevention public service announcements eight times daily for ten years.

The Fund for a Healthy Nevada – 50% of the settlement funds – is administered and evaluated by Nevada’s Treasurer based on recommendations from the Task Force for a Healthy Nevada. Task Force members were appointed by the Governor and legislative leaders and include appointees from the public health community. The Legislature must appropriate the funds, however, based on the Task Force recommendations.

The Nevada Legislature meets only in odd-numbered years. In years when the Legislature is not in session, the Legislature’s Interim Finance Committee is responsible for deciding how to spend the discretionary money in the trust funds.

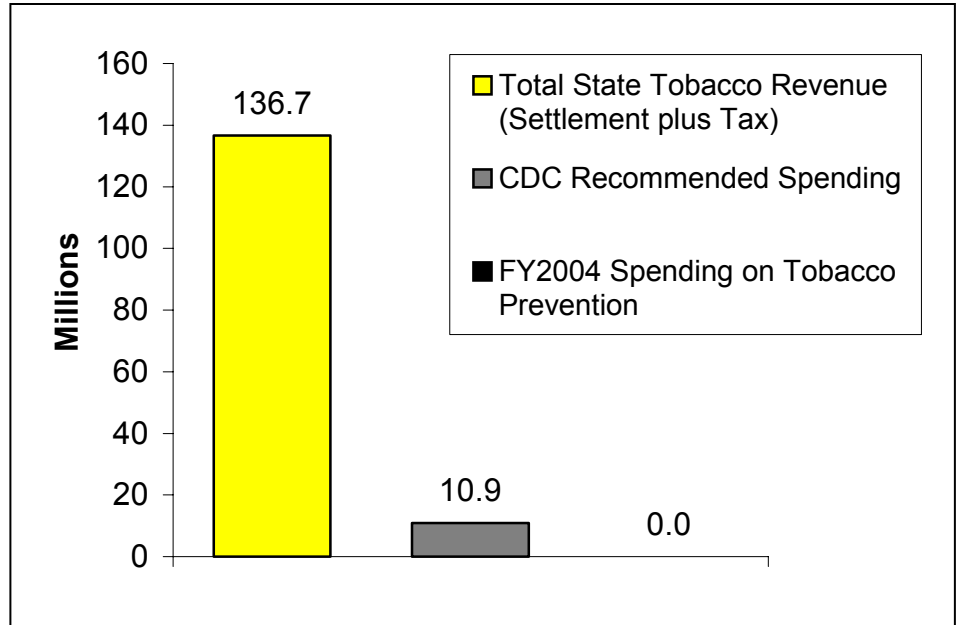
In April 2000, the Interim Finance Committee approved \$32.3 million for the Millennium Scholarship Program and \$1.7 million from the Fund for Healthy Nevada for a prescription drug program for senior citizens. Both appropriations were to be spent over two years, through FY2002. The Committee met again in September 2000 and approved the \$3.03 million in funding for tobacco prevention and cessation. As a result of late appropriations, programs did not begin using their funding until January 2001.

The FY2002-03 biennial budget approved by the Legislature and signed into law by Governor Guinn increased funding for tobacco prevention to \$4.28 million annually from \$3.03 million in FY2001.

New Hampshire

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	33rd	\$3.0 Million (27.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Hampshire spend between \$10.9 million and \$24.8 million a year to have an effective, comprehensive tobacco prevention program. New Hampshire currently spends no money on tobacco prevention, which ranks New Hampshire 51st among the states in the funding of tobacco prevention programs. New Hampshire is spending no money on tobacco prevention despite the \$136.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004-2005 biennial budget passed by the Legislature and signed by Governor Craig Benson (R) appropriated no money for tobacco prevention. The budget eliminated a settlement-funded Tobacco Prevention Fund that had funded the state's tobacco prevention and control program at \$3.0 million a year in FY2002-2003 and redirected the funds to the state's general fund to address a budget shortfall. Most of New Hampshire's remaining tobacco settlement payments (\$44.0 million annually) were directed to an Education Trust Fund and the state's general fund.

Background: In 1999, the New Hampshire Legislature passed and then-Governor Jeanne Shaheen (D) signed the state's FY2000-01 budget, which appropriated \$19 million from the first annual tobacco settlement payment (2000) for education and committed \$3 million annually for a tobacco prevention program. The law stipulated the funding level for education programs from the tobacco settlement would rise to \$40 million annually beginning in 2001.

In April 2000, the Legislature appropriated \$2.85 million for a tobacco prevention and cessation program in FY2001 and designated the DHHS to administer the program's funds. Other legislation provided an additional \$150,000 for a smoking cessation voucher program for families getting state assistance.

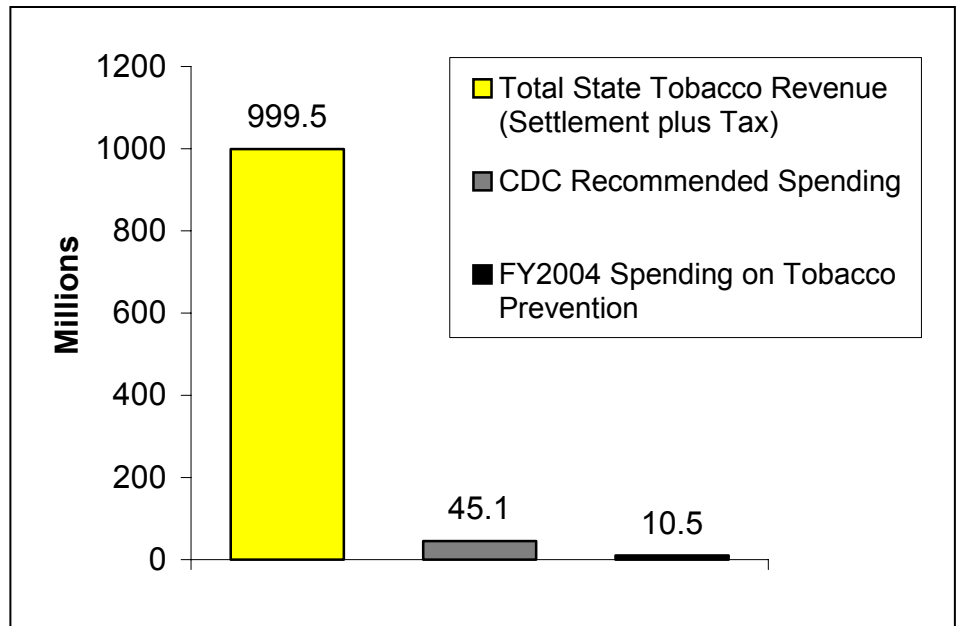
In June 2001, the FY2002-03 budget bill was passed by the Legislature and signed into law by Governor Shaheen. The bill continued the allocation priorities of the previous budget, directing most of the state's settlement payments into the Education Trust Fund and appropriating \$3

million for tobacco prevention. However, \$1.5 million of the \$3 million allocated for tobacco prevention went unspent in FY2002 and was subsequently taken back by the Legislature, resulting in a 50 percent reduction in funding for tobacco prevention and cessation programs in FY2002.

New Jersey

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
30th	\$10.5 Million (23.3%)	11th	\$30.0 Million (66.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Jersey spend between \$45.1 million and \$121.3 million a year to have an effective, comprehensive tobacco prevention program. New Jersey currently allocates \$10.5 million a year for tobacco prevention. This is 23.3% of the CDC's minimum recommendation and ranks New Jersey 30th among the states in the funding of tobacco prevention programs. New Jersey's spending on tobacco



prevention amounts to 1.1% of the \$999.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: The FY2004 budget approved by the Legislature and signed by Governor Jim McGreevey (D) cut funding for the state's tobacco prevention and cessation program by 65 percent, from \$30 million in FY2003 to \$10.5 million in FY2004.

This cut reneged on a commitment made by the Legislature and Governor McGreevey in 2002 when they increased the state cigarette tax by 55 cents to \$2.05 a pack, the highest in the nation. At that time, the Governor and Legislature adopted a plan that switched funding for tobacco prevention from the tobacco settlement to the cigarette tax and called for maintaining tobacco prevention funding at \$30 million in FY2004, then increase funding to \$40 million in FY2005 and \$45 million in FY2006.

In FY 2003, New Jersey securitized, or sold to investors, a significant portion of its future tobacco settlement money for a smaller, up-front payment that was used to address a budget shortfall. A small amount of the proceeds was set aside for future use. Securitization significantly reduces the amount of tobacco settlement money available for tobacco prevention (or other purposes) in the future.

Background: The FY2000 budget enacted by the Legislature and signed by then-Governor Christine Todd Whitman (R) in 1999 allocated 20%, or \$18.6 million, of the state's \$92.8 million initial tobacco settlement payment for tobacco prevention. The New Jersey Department of Health began implementing the program on July 1, 2000.

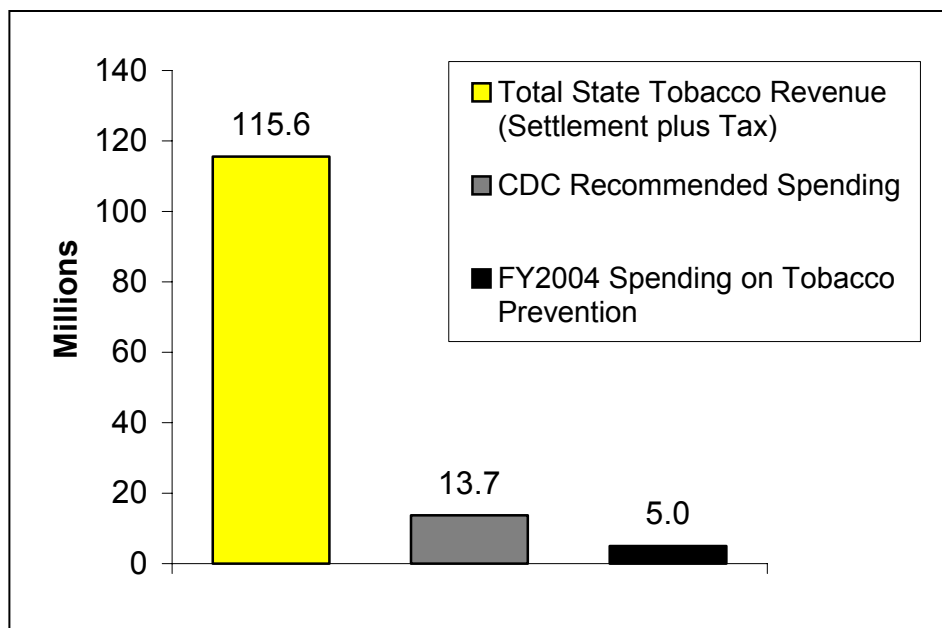
When Governor Whitman announced her FY2001 budget in January 2000, she proposed a 25-year plan for spending the settlement funds, which included \$30 million annually for tobacco prevention and cessation programs and \$100 million a year to repay bonds used to build and repair schools. Although this entire plan did not pass, the Legislature and Governor did approve funding for tobacco prevention and cessation at \$30 million annually.

The FY2002 budget approved by the Legislature and signed by then-Governor Donald DiFrancesco (R) appropriated \$30 million for tobacco prevention and cessation. Late in 2001, funding for the program was threatened by a statewide freeze on discretionary spending, ordered by Governor DiFrancesco. The freeze, an attempt to soften the revenue shortfall in the state, took effect in November 2002. The freeze would have stopped all tobacco prevention funding after March 1, 2002, in effect cutting the tobacco prevention program funds off for the remainder of the fiscal year and substantially limiting the program. In January 2002, in a move lauded by tobacco control activists in the state, the Governor unfroze \$6 million of the tobacco program funds, allowing the funding level to continue through the beginning of FY2003 as originally appropriated.

New Mexico

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
22nd	\$5.0 Million (36.5%)	27th	\$5.0 Million (36.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Mexico spend between \$13.7 million and \$31.9 million a year to have an effective, comprehensive tobacco prevention program. New Mexico currently allocates \$5.0 million a year for tobacco prevention. This is 36.5% of the CDC's minimum recommendation and ranks New Mexico 22nd among the states in the funding of tobacco prevention programs. New Mexico's spending on tobacco prevention amounts to 4.3% of the \$115.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: New Mexico's tobacco settlement funds are governed by a 2000 law passed by the Legislature and signed by then-Governor Gary E. Johnson (R) that placed 50% of the state's tobacco settlement payments in a permanent trust fund, and allowed the other half to be spent on a variety of programs appropriated through the state's annual budget process. The FY2004 budget appropriated \$5 million for tobacco prevention, which maintains funding at the same level as FY2003. New Mexico is currently in the fourth year of implementing its tobacco prevention and cessation program.

Also during the 2003 legislative session, the legislature passed and Governor Bill Richardson (D) signed a 70-cent increase in the cigarette excise tax making the total tax 91 cents. None of the increase will directly fund tobacco prevention, but instead will be split between the University of New Mexico, Medicaid, and the General Fund.

The Legislature in 2003 rejected a proposal to abolish the Tobacco Settlement Permanent Fund, but it did approve a plan to transfer \$57 million from the Fund to the general fund this year and to divert annual settlement payments to the general fund rather than the Tobacco Settlement Permanent Fund through FY2006.

Background: Laws passed in 1999 and 2000 allocate half of New Mexico's tobacco settlement payments into the Tobacco Settlement Permanent Fund (separate from the state's general fund) and half to the general fund. A subsequent law, enacted in February 2000, evenly divided the money in this fund for two purposes: a permanent trust fund and a fund for health and education programs. The latter is the source of funding for tobacco prevention.

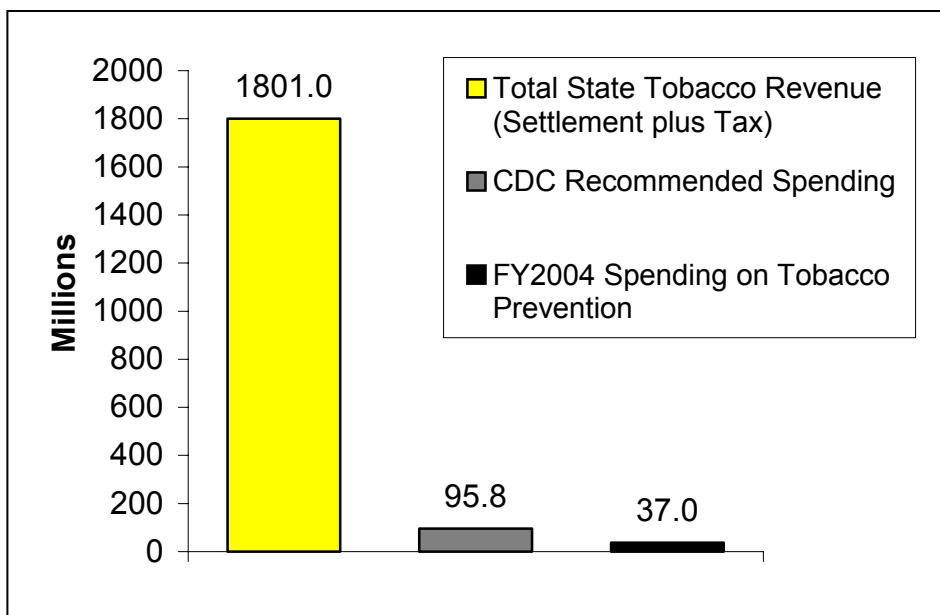
The Legislature debated several plans for spending the available settlement dollars before passing the final FY2001 budget in April 2000. The budget included \$4.725 million for tobacco prevention programs. However, the Governor then vetoed several line items including \$2.5 million from the tobacco prevention program, leaving \$2.225 million for tobacco prevention and cessation programs for FY2001.

Funding for tobacco prevention was increased to \$5 million a year in FY2002 and FY2003.

New York

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
20th	\$37.0 Million (38.6%)	24th	\$40.0 Million (41.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New York spend between \$95.8 million and \$269.3 million a year to have an effective, comprehensive tobacco prevention program. New York currently allocates \$37.0 million a year for tobacco prevention. This is 38.6% of the CDC's minimum recommendation and ranks New York 20th among the states in funding of tobacco prevention programs. New York's spending on tobacco prevention amounts to 2.1% of the \$1.8 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



The 1998 multi-state settlement agreement stipulated that the state receive 51.2% of the tobacco settlement payments, New York City gets 26.6%, and the 57 counties outside New York City share the remaining 22.2% based on a set formula.

Current Status: New York state's tobacco settlement funds are folded into the state's general fund and allocated through the annual budget process. However, a 1999 law – the Health Care Reform Act (HCRA) – set aside most of the settlement payments for several specific programs funded under the Act, including tobacco prevention.

The FY2004 budget approved by the Legislature and signed by Governor George Pataki (R) appropriated \$37 million to the state's tobacco prevention and cessation program, a 7.5% cut in funding from \$40 million in FY2003. However, this funding was higher than the \$20 million required by HCRA for FY2004.

Programs funded by the remainder of New York's FY2004 settlement funds include the Children's Health Insurance Program (CHIP), indigent care, family health programs, mental health programs, pharmaceutical assistance, Medicaid expansion, and small business insurance.

In December 2002, Governor Pataki proposed securitizing, or selling to investors, about half of New York's future tobacco settlement payments to investors for a much smaller, up-front payment. Securitization reduces the amount of settlement money available to fund tobacco prevention in the future. In addition, because it is viewed as a one-time fix for a recurring

budget program, several states that have securitized their settlement money have had their credit ratings reduced, costing them and their taxpayers more to borrow money.

As it considers future funding for tobacco prevention, New York has more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect April 3, 2002, increasing the state cigarette tax by 39 cents to \$1.50 per pack.

Background: The 1999 Health Care Reform Act (HCRA), passed by the New York Legislature and signed by Governor Pataki, increased the state's cigarette tax by 57 cents per pack, to \$1.11 per pack, giving New York the nation's highest cigarette tax at the time. The HCRA appropriated the additional cigarette tax revenue and most of the state's tobacco settlement proceeds to various health programs including the tobacco prevention and control program.

HCRA funded tobacco prevention at \$30 million in FY2001, \$40 million in FY2002 and FY2003, and \$20 million annually thereafter.

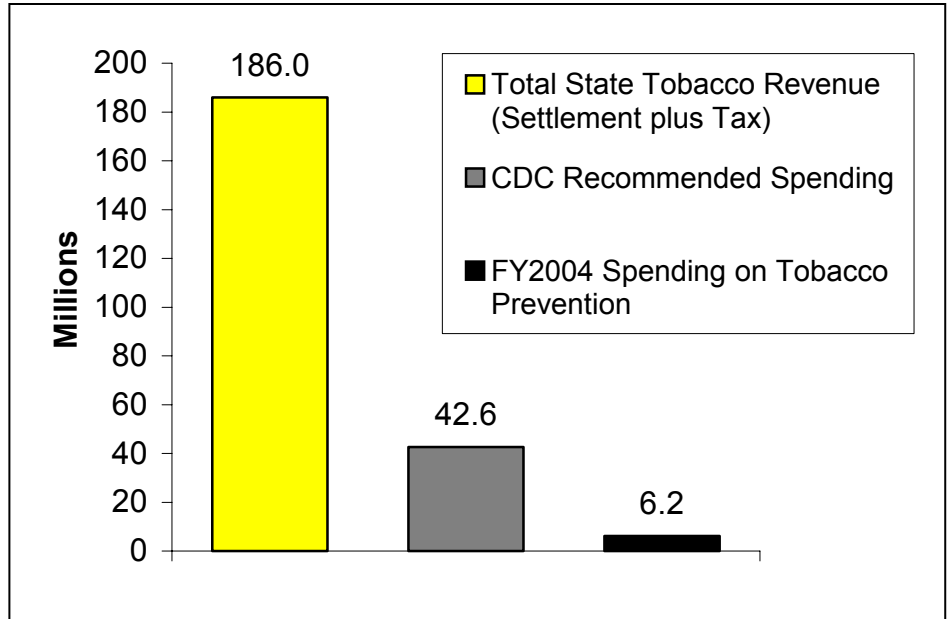
In 2002, the Legislature and Gov. Pataki again increased the cigarette tax, this time by 39 cents to \$1.50 per pack, and dedicated the additional revenue to HCRA. This freed up more tobacco settlement funds to be appropriated through the general fund.

Under a plan organized by the New York State Association of Counties, 29 of 58 counties have securitized future settlement proceeds by selling them to investors in exchange for a smaller lump sum up front. Generally, these funds are being used to fund a variety of capital projects.

North Carolina

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
33rd	\$6.2 Million (14.6%)	36th	\$6.2 Million (14.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Carolina spend between \$42.6 million and \$118.6 million to have an effective, comprehensive tobacco prevention program. North Carolina currently allocates \$6.2 million a year for tobacco prevention. This is 14.6% of the CDC's minimum recommendation and ranks North Carolina 33rd among the states in the funding of tobacco prevention programs. North Carolina spending on tobacco prevention amounts to 3.3% of the \$186.0 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: North Carolina's tobacco settlement funds are governed by a 1999 law that placed all of the funds into three trust funds. The Golden LEAF Foundation receives 50% of the funds for assistance to tobacco-dependent communities. The Tobacco Trust Fund receives 25% for direct aid to tobacco farmers, quota holders, tobacco manufacturing workers and tobacco-related businesses. (This is in addition to the Phase 2 payments to farmers). The remaining 25% of the funds are placed in a Health and Wellness Trust Fund, which is administered by the Health and Wellness Trust Commission.

Both the Tobacco Trust Fund and the Health and Wellness Trust Fund were scheduled to receive \$39 million in FY2004. However, the legislature and Governor Mike Easley (D) enacted legislation to transfer \$20 million from the Tobacco Trust Fund and \$12.5 million from the Health and Wellness Trust Fund in FY2004 to help address a state revenue shortfall. These same amounts will be deducted in FY2005 as well.

Despite cuts to its funding in recent years, the Health and Wellness Trust Commission in May 2002 approved a plan allocating \$6.2 million a year for tobacco prevention over the next three years – \$18.6 million altogether – and the commission is moving forward with awarding grants to state and local organizations. Before 2002, North Carolina provided no funding for tobacco prevention. The Health and Wellness Trust Fund also allocated settlement money for obesity prevention and prescription drug assistance for the elderly and disabled in FY2004.

Background: In 1999, the Legislature passed and then-Governor Jim Hunt (D) signed a law that placed the tobacco settlement payments into the three separate trust funds detailed above.

In 2000, the Legislature passed and Governor Hunt signed additional legislation that created the Golden LEAF Foundation to distribute the 50% of the settlement funds set aside for economic development in tobacco-dependent communities. While no final decisions were made appropriating money from the Health and Wellness Trust Fund, the 2000 legislation did establish tobacco prevention and control programs for youth as one of its priorities. All of the Health and Wellness Trust Fund for 1998, 1999 and 2000 was available for expenditure by the Commission. However, beginning in 2001 and through 2025, 50% of the Fund's annual portion will go into a reserve (amounting to 12.5% of North Carolina's total annual settlement payments). The Commission may spend the remaining 50%, along with any interest generated from the reserved funds.

In 2001, the Legislature and Governor Easley named a Health and Wellness Trust Commission to decide how to allocate that fund's proceeds. In December 2001 the Commission, chaired by then Lt. Governor Beverly Purdue (D), voted to allocate \$35 million annually for three years to a prescription drug cost assistance program for seniors and the disabled. This decision limited the available funds for all other health related purposes, including tobacco prevention. Commissioner Bob Parker, a health official and long-time tobacco prevention ally, was the only dissenting voice at the time, arguing that dedicated funding for tobacco prevention was an important investment for the health of North Carolina's citizens.

The Tobacco Trust Fund monies have been allocated for two purposes. \$30 million has been spent to cost-share the retrofitting of tobacco barns as required by the tobacco manufacturers to reduce the amount of cancer-causing nitrosamines in tobacco during the curing process. An additional \$2 million was spent on two pilot burley tobacco-marketing centers. The Golden LEAF Foundation has awarded grants for a variety of programs including: education, job training and employment assistance, scientific research, economic hardship assistance, public works, industrial development recruitment, health and human services, and community assistance. In the first round of grants, 39 projects were funded, 22 of which were agriculture-related. The second round of grants was awarded in December 2001 for rural economic development projects. The Golden LEAF Foundation is spending only the interest on its portion of the settlement proceeds.

In April 2002, Governor Easley diverted \$60 million in settlement payments to help address the state's budget crisis. \$30 million was destined for the Health and Wellness Trust Fund and another \$30 million was to go to the Tobacco Trust Fund. The General Assembly in its FY2003 budget bill diverted an additional \$80 million from the January 2003 and April 2003 settlement payments, taking half (\$40 million) from the Health and Wellness Trust Fund and the other half from the Tobacco Trust Fund.

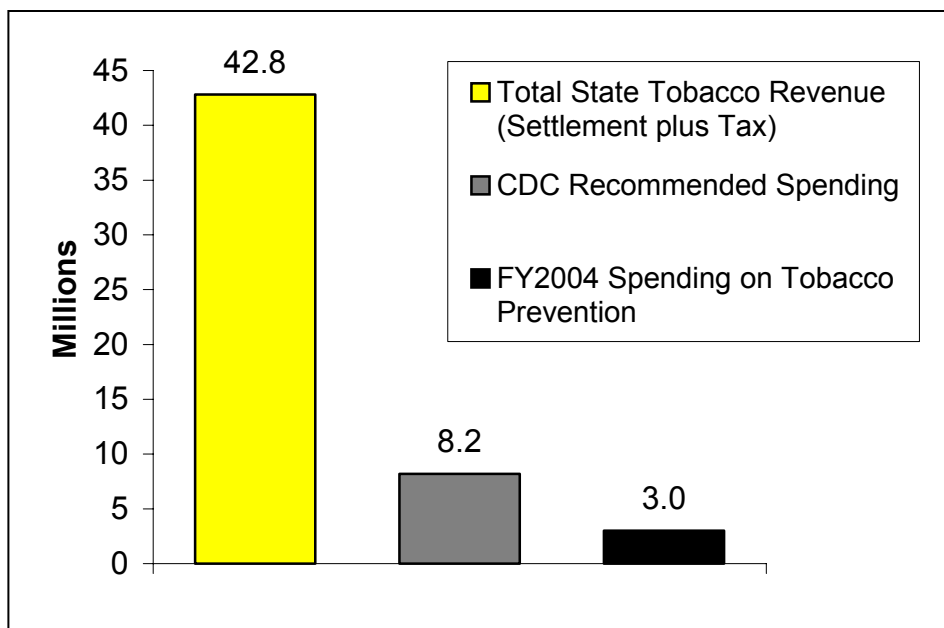
** North Carolina is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$1.95 billion over 12 years for direct payments to tobacco farmers.*

** North Carolina has set-aside \$5 million annually for health purposes, which can be allocated for tobacco prevention.*

North Dakota

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
21st	\$3.0 Million (36.8%)	31st	\$2.5 Million (30.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Dakota spend between \$8.2 million and \$16.5 million a year to have an effective, comprehensive tobacco prevention program. North Dakota currently allocates \$3.0 million a year for tobacco prevention. This is 36.8% of the CDC's minimum recommendation and ranks North Dakota 21st among the states in the funding of tobacco prevention programs. North Dakota's spending on tobacco prevention amounts to 7.0% of the \$42.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: North Dakota's tobacco settlement payments are governed by a 1999 law that placed 45% of the money into a Water Resource Trust Fund; 45% into an Education Trust Fund and 10% into a Community Trust Fund for health purposes. The FY2004-05 biennial budget passed by the legislature and signed by Governor John Hoeven (R) appropriated \$3 million a year to the Department of Health for tobacco prevention and cessation efforts from the Community Trust Fund, which is an increase from \$2.5 million in the FY2002-03 biennium.

Also in 2003, the Legislature rejected a proposal by Governor Hoeven to increase the cigarette excise tax by 35 cents a pack.

Background: In 1999, the Legislature passed and then-Governor Ed Schafer (R) signed into law legislation allocating the state's tobacco settlement funds as described above. After originally advocating that settlement dollars be spent on a new state morgue in 2000, Health Department officials developed the plan to give grants for community-based health programs. Communities receiving grants for these programs are required to write a tobacco prevention plan, but are not obligated to implement it. The Schafer administration has made it clear that it does not support establishing a comprehensive tobacco prevention program as recommended by the CDC.

The FY2002-03 biennial budget passed by the Legislature and signed by Governor Schafer appropriated \$5.05 million (\$2.53 million annually) to the Department of Health for tobacco

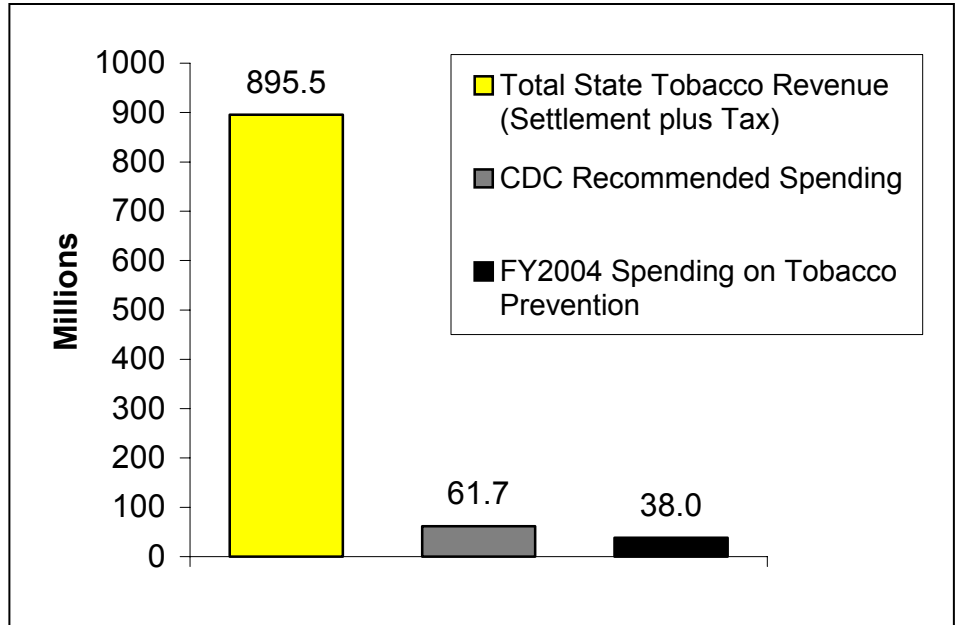
prevention and cessation efforts from the Community Trust Fund, an increase from no funding in the previous biennial budget.

The state's tobacco prevention program was not comprehensive or statewide. Most of the available funds – \$4.7 million – went directly to local health departments as grants for community health programs. A Tobacco Advisory Commission created under the 1999 law was designated to coordinate these efforts. \$100,000 was appropriated for the Commission's administrative costs. Local health departments had very few requirements for using the funds and there was concern that much of the money would not go to tobacco-related programs at all. The only dedicated tobacco control spending was an additional \$250,000 set-aside for grants to cities and counties to fund tobacco education and cessation programs for local government employees. Each of these appropriations was for the biennium.

Ohio

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
10th	\$38.0 Million (61.5%)	23rd	\$27.0 Million (43.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Ohio spend between \$61.7 million and \$173.7 million a year to have an effective, comprehensive tobacco prevention program. Ohio currently allocates \$38.0 million a year for tobacco prevention. This is 61.5% of the CDC's minimum recommendation and ranks Ohio 10th among the states in the funding of tobacco prevention programs. Ohio's spending on tobacco prevention amounts to 4.2% of the \$895.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Ohio's tobacco settlement funds are governed by a 2000 law approved by the Legislature and signed by Governor Robert Taft (R) that created several endowment funds, including a tobacco prevention and control fund to be administered by a Tobacco Use Prevention and Control Foundation (TUPCF). Once fully funded, the tobacco prevention endowment was designed to reach a balance of \$1.26 billion and yield \$60 million annually in interest for a comprehensive, CDC-based tobacco prevention and cessation program. However, the law required that the Legislature and Governor approve annual appropriations to the endowment.

Since 2000, the scheduled payments to the endowment have been diverted by Governor Taft and legislators. The endowment has a balance of \$300 million, but in order to adequately fund tobacco prevention, its board has been forced to spend into the endowment's principal. Despite this, spending on tobacco prevention will increase to \$38 million in FY2004, from \$27 million in FY2003. Funding comes mainly from the endowment's earned interest and some of its principal.

In 2003, the Governor and Legislature settled on eliminating the FY2004 payment of \$120 million, diverting it to the general fund instead of the TUCPF. The FY2005 payment to the endowment remained intact. Additional settlement money was also diverted from the Education Facilities Endowment Fund, and the remaining settlement for FY2004 was split among several other trust funds created by the 2000 law.

Ohio increased its cigarette tax by 31 cents to 55 cents a pack on July 1, 2002, providing additional tobacco revenues that could be used to fund tobacco prevention. In its first nine months, the new cigarette tax increased state cigarette tax revenues by 110 percent while helping cut cigarette consumption by 8.3 percent. Some members of the Senate considered yet another cigarette tax increase in 2003 and likely will do so again 2004.

Background: In 1999, Governor Taft announced the creation of a Task Force to determine the best use of the settlement funds. He declared his top priority was to reduce the number of underage smokers in Ohio. The following year, legislation was signed creating endowments for law enforcement, public health, biomedical research, education facilities, education technology, and agriculture.

The Task Force also reviewed a proposal submitted by tobacco growers requesting some of the settlement payments for grower economic stabilization initiatives. The growers' proposals led to Ohio's part in the National Tobacco Growers Settlement Trust Agreement. In 1997, Ohio's share of US tobacco farming was 1.3% and valued at \$42 million.

In FY2002, the tobacco prevention endowment was scheduled to receive \$140 million in settlement funds. However, to address the state's budget shortfall, the Legislature and Governor Taft in December 2001 enacted legislation that diverted \$240 million in FY2002 and FY2003 payments from the tobacco control endowment to the general fund. Another \$20 million in tobacco settlement funds, scheduled for allocation to other endowments, was also diverted. The bill also tapped prisons, libraries and the state's "rainy day" fund to increase revenue. While the new law reschedules these payments for fiscal years 2013 and 2014, it is expected that these endowments will not get the money back.

Had the settlement money not been diverted, the amount of interest available for expenditure on tobacco prevention and control would have increased to between \$33 million and \$41 million annually over the next two years. These diverted payments will permanently reduce the endowment's projected balance and amount of interest income available each year.

The endowment reached a balance of \$353 million in FY2002. Spending on tobacco prevention increased to \$27 million for FY2003, from \$21.7 million in FY2002.

The Foundation's tobacco control programs began in 2002, including a four-year, \$50 million counter-marketing campaign called "Stand." The program reached full speed in 2002, as the Foundation hired an Executive Director and program staff.

Accomplishments for the year included the kickoff of the counter-marketing campaign in February, the creation and training of a youth advisory panel in April, the distribution of \$7 million in community prevention and cessation grants, the release of a Request for Proposal for \$2 million in high-risk population prevention grants, as well as providing grantees and local tobacco prevention coalitions with training and technical assistance. In October of 2002, the redesigned www.standonline.org website drew over 1.2 million hits in just one month.

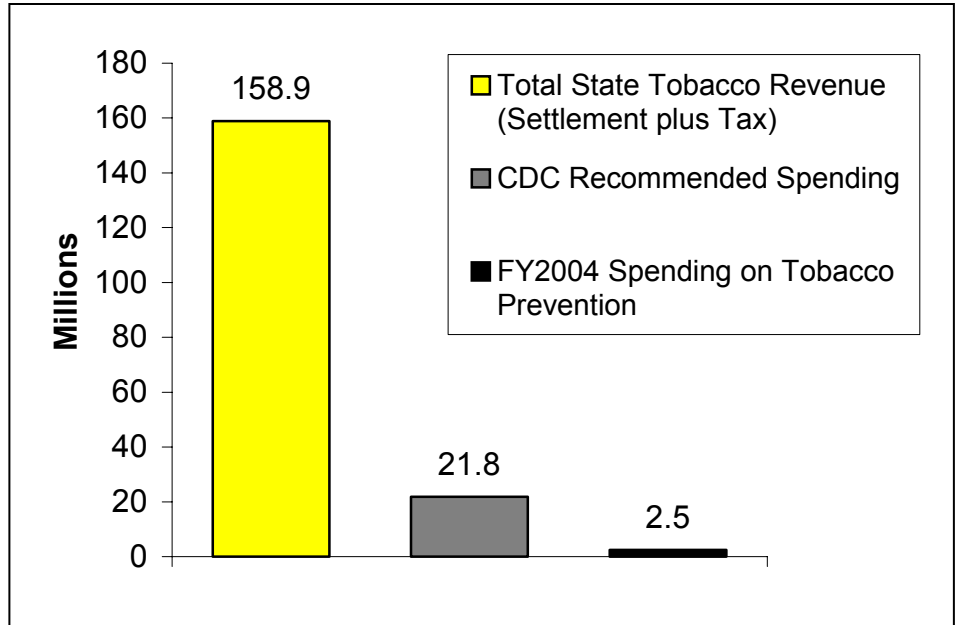
Finally, the Foundation received the results of a counter-marketing evaluation survey conducted by Ohio State University. Results showed that slightly over half of young people have seen or heard an anti-tobacco campaign message this year. When asked if they recalled a campaign with the slogan "stand up; speak out against tobacco," nearly 82 percent responded that they recognized the slogan and/or specific ads. About two-thirds who have seen an ad report said that it made them think about the risks of smoking.

* Ohio is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$70 million over 12 years directly to Ohio tobacco growers.

Oklahoma

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
36th	\$2.5 Million (11.5%)	41st	\$2.5 Million (11.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oklahoma spend between \$21.8 million and \$56.3 million a year to have an effective, comprehensive tobacco prevention program. Oklahoma currently allocates \$2.5 million a year for tobacco prevention. This is 11.5% of the CDC's minimum recommendation and ranks Oklahoma 36th among the states in the funding of tobacco prevention programs. Oklahoma's spending on tobacco prevention amounts to 1.6% of the \$158.9 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Oklahoma's tobacco settlement funds are governed by a 2000 ballot initiative, passed by Oklahoma voters, which established a Tobacco Settlement Endowment Trust Fund (TSETF). Under the measure, 50 percent of Oklahoma's tobacco settlement payments are deposited into the trust fund, from which only interest can be spent on certain broadly specified programs including health, education and tobacco prevention. The amount going into the trust fund increases by 5 percent until 2007 and remains at 75 percent thereafter. The Trust Fund's Board decides how to allocate Trust Fund earnings. The Legislature makes appropriation decisions for the remaining settlement funds.

For FY2004, the Legislature appropriated \$1.75 million for tobacco prevention programs. Additionally, the Trust Fund's Board voted to allocate \$700,000 for tobacco prevention programs for FY2004, for total funding of \$2.5 million. \$500,000 will be used to fund a Quit Line and \$200,000 will be used to promote the Quit Line.

Other tobacco settlement funds not placed in the endowment were appropriated to health and human services, Medicaid, and mental health programs.

Background: In 2000, the Legislature passed and Governor Frank Keating (R) signed the Oklahoma 2001 Healthcare Initiative, which provided \$259.9 million to increase funding for healthcare services and benefits for senior citizens, children and needy adults. The program uses state general revenues, federal matching funds and tobacco settlement dollars.

On November 7, 2000, Oklahoma voters approved, by a vote of 69-31 percent, a constitutional amendment establishing the Tobacco Settlement Endowment Trust Fund described above. In addition to placing 50 percent of the annual settlement funds into a trust fund, the law also specified that the percentage going into the trust fund will increase by five percent a year through 2007 and remain at 75 percent thereafter. The remaining funds (25 percent after 2007) go into a revolving fund appropriated annually by the Legislature.

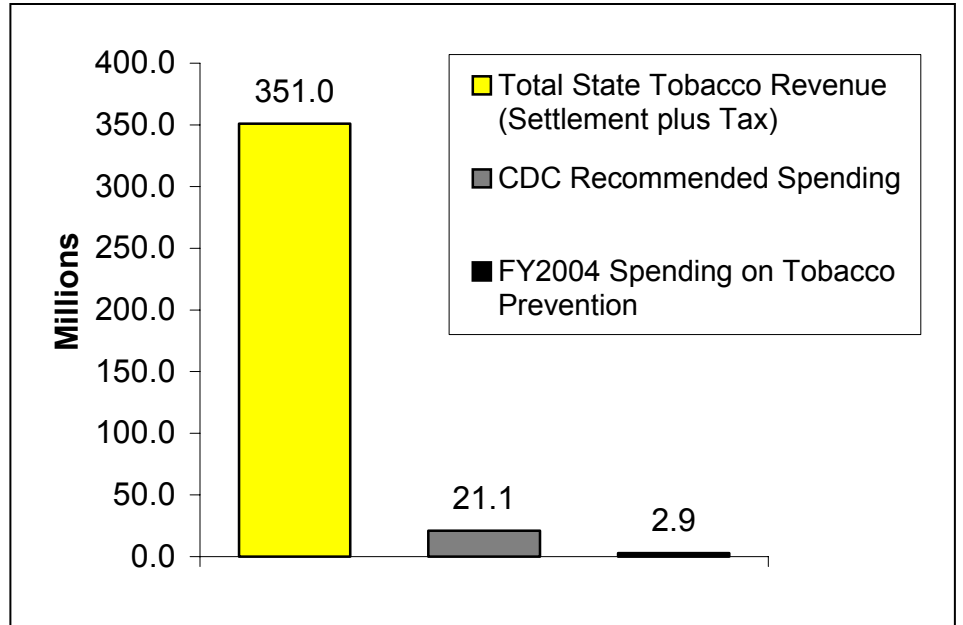
Interest generated from the Trust Fund can be spent on the following programs: research on cancer and other tobacco-related diseases; tobacco prevention and cessation programs; healthcare programs with an emphasis on children; programs designed to enhance the well-being of senior citizens; and a variety of education-related programs.

The FY2002 budget passed by the Legislature and signed by Governor Keating reduced funding for tobacco prevention from \$1.83 million in FY2001 to \$1.725 million in FY2002 from the interest on the TSETF available for expenditure.

Oregon

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
35th	\$2.9 Million (13.5%)	18th	\$11.1 Million (52.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oregon spend between \$21.1 million and \$52.8 million a year to have an effective, comprehensive tobacco prevention program. Oregon currently allocates \$2.9 million a year for tobacco prevention. This is 13.5% of the CDC's minimum recommendation and ranks Oregon 35th among the states in the funding of tobacco prevention programs. Oregon's spending on tobacco prevention amounts to 0.8% of the \$351.0 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Oregon's tobacco settlement payments are folded into the state's general fund and allocated through the biennial budget process. The FY2004-2005 biennial budget approved by the Legislature and signed by Governor Ted Kulongoski (D) in 2003 allocated \$5.7 million, or about \$2.9 million a year, for tobacco prevention. This represents a cut of about 74 percent from the \$11.1 million a year provided in FY2003.

Oregon began its Tobacco Prevention and Education Program in 1997 funded by a voter-approved tobacco excise tax. Overall tobacco consumption in Oregon has declined by 30 percent since the program began. Between 1996 and 2002, smoking declined by 51 percent among Oregon eighth graders and by 29 percent among Oregon eleventh graders.

Despite this success, the program was suspended in the spring of 2003 for the remainder of the fiscal year as the legislators, desperate to balance the budget without raising taxes, reallocated the program's funds to fill budget gaps. The program was supposed to be reinstated after the Legislature balanced the budget for FY2004-05 biennium, which started in July, but ongoing budget shortfalls and partisan differences produced legislative gridlock and led to the longest legislative session in Oregon's history. The suspension of the program led to the closure of the state's Quit Line, school programs, and counter-marketing efforts, and the lay-off of more than 70 community and state jobs dedicated to tobacco prevention. In the final days of its session, the Legislature voted to reinstate the program and allocated \$5.7 million for the FY2004-2005 biennial budget.

Oregon is spending minimal amounts on tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect November 1, 2002, raising the state cigarette tax by 60 cents to \$1.28 per pack.

Background: In November 2000, Oregon voters decisively defeated two proposals for spending the tobacco settlement payments, which allocated little or no additional money for tobacco prevention. One proposal, backed by the Oregon Association of Hospitals and Health Systems, established a trust fund and directed all interest payments from the settlement funds to the Oregon Health Plan, which provides healthcare for about 300,000 low-income residents. It failed by 55-45 percent. The second proposal began with legislation introduced by the Republican Senate and House leadership and placed settlement funds into a trust fund for various purposes. This measure was defeated by 57-43 percent. Since neither measure passed, the decision on how to appropriate the tobacco settlement funds reverted back to the Legislature.

In a compromise bill, the 2001 Legislature approved adding \$5 million in tobacco settlement money over two years to the excise tax funding for the state's tobacco prevention program. Former Governor Kitzhaber had allocated \$7 million in settlement money in his budget based on recommendations by the Oregon Department of Health, while the co-chairs of the Ways and Means Committee initially did not allocate any settlement funds.

The initial FY2002-2003 budget approved by the Legislature and signed by Governor Kitzhaber increased funding for tobacco prevention funding from \$18 million to \$23 million for the biennium. However, in a special session in 2002 to address the state's budget deficit, the Governor and Legislature cut \$5 million from the tobacco prevention budget. Then, in the 2003 session, the legislature cut another \$4.04 million from the tobacco prevention budget. Because the cut came so late in the biennium, it necessitated a program shutdown.

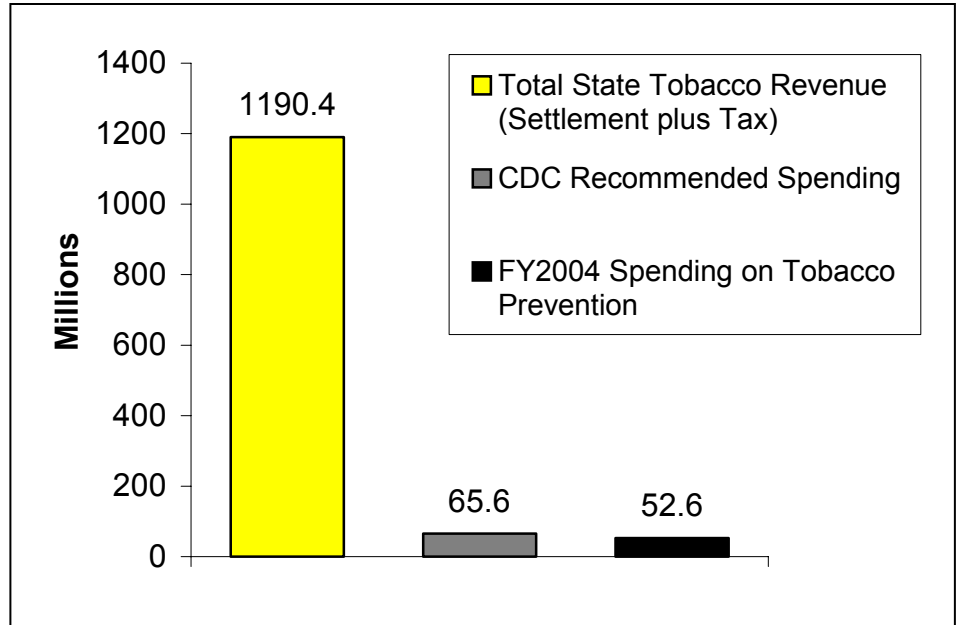
In total, lawmakers used \$80 million in settlement funds to address the deficit.

In September 2002, Oregon voters, by a 64 to 36 percent margin, approved Ballot Measure 20 to increase the state cigarette tax by 60 cents a pack. Much of the new revenue was dedicated to funding the Oregon Health Plan, but the measure also included \$2 million in FY2003 for tobacco prevention, bringing FY2003 funding to \$11.09 million.

Pennsylvania

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
7th	\$52.6 Million (80.2%)	8th	\$52.0 Million (79.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Pennsylvania spend between \$65.6 million and \$184.8 million a year to have an effective, comprehensive tobacco prevention program. Pennsylvania currently spends \$52.6 million a year for tobacco prevention. This is 80.2% of the CDC's minimum recommendation and ranks Pennsylvania 7th among the states in the funding of tobacco prevention programs.



Pennsylvania's spending on tobacco prevention amounts to 4.4% of the \$1.19 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Pennsylvania's allocation of tobacco settlement money is governed by a 2001 law that, among other things, dedicated 12 percent of the state's annual settlement payments to tobacco prevention. Under the 2001 law, settlement funds must still be appropriated annually through the regular budget process. The FY2004 budget approved by the Legislature and signed by Governor Edward Rendell (D) maintained the amount appropriated for tobacco prevention at \$52.6 million and allocated remaining settlement funds based on the formula established by the General Assembly in 2001.

In 2002, Pennsylvania made considerable progress in establishing a comprehensive tobacco prevention and cessation program. By the end of the year, all 67 counties in the Commonwealth were receiving tobacco prevention and cessation services, the Pennsylvania Youth Tobacco Survey and a cessation Quitline were established, and an extensive media campaign was implemented.

As it considers future funding for tobacco prevention, Pennsylvania has more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 15, 2002, increasing the state cigarette tax by 69 cents to \$1 per pack.

Background: In January 2000, then-Governor Tom Ridge (R) proposed a plan for spending the settlement entirely on health related programs, with 15 percent for tobacco prevention and cessation programs. House Speaker Matthew Ryan (R) endorsed the Governor's plan, but the Legislature did not take any final action. House Democrats introduced a plan to use \$91.8

million of the settlement funds for an expanded prescription drug program for seniors, but did not include any funding for tobacco prevention. The Senate Republican Working Group, a six-member task force charged with developing a Senate GOP spending plan for the tobacco settlement funds, did not reach any agreement.

In June 2001, an agreement was finally reached on how to allocate the state's settlement money, making the state one of the last to decide how to do so. The subsequent law allocated Pennsylvania's tobacco settlement funds as follows:

- | | |
|--|------------|
| • Insurance for uninsured adults | 30 percent |
| • Health-related research | 19 percent |
| • Home and community-based care for seniors | 13 percent |
| • Tobacco prevention and cessation | 12 percent |
| • Hospital charity care | 10 percent |
| • Prescription drug assistance for seniors (PACENET) | 8 percent |
| • Endowment for future health care programming | 8 percent |

The law also created an Advisory Board to determine how to spend the tobacco prevention funds.

In FY2002, \$26.5 million of the \$41.4 million allocated to the state's tobacco control program went unspent and was returned to the state's general fund, leaving \$14.9 million for tobacco prevention.

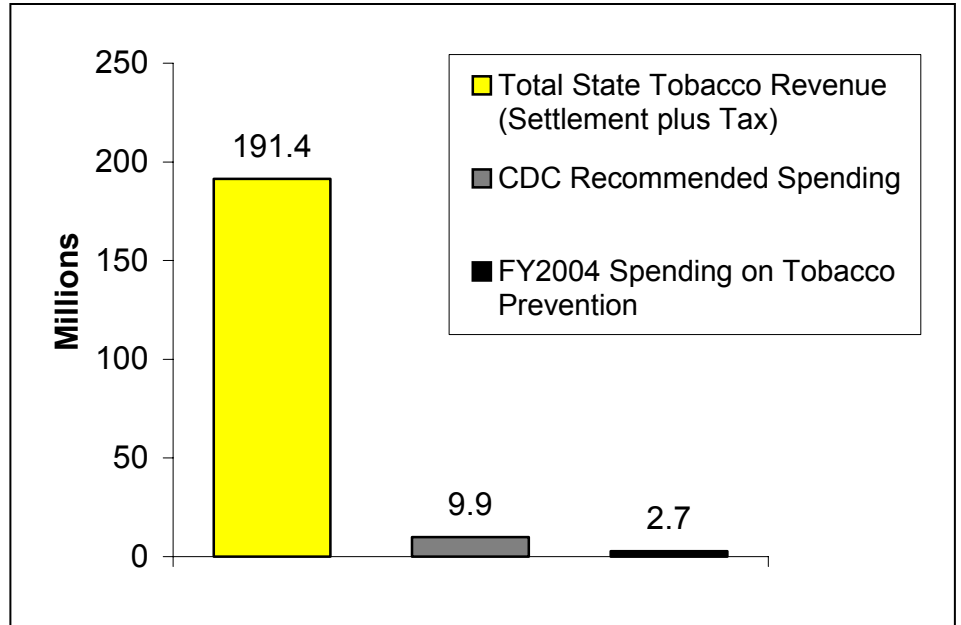
The FY2003 budget approved by the Legislature and signed by then-Governor Mark Schweiker (R) increased the amount appropriated for tobacco prevention by 25 percent between FY2002 and FY2003, from \$41.37 million to \$52 million.

* Pennsylvania is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$22.1 million over 12 years directly to Pennsylvania tobacco growers.

Rhode Island

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
28th	\$2.7 Million (27.3%)	28th	\$3.3 Million (33.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Rhode Island spend between \$9.9 million and \$21.9 million a year to have an effective, comprehensive tobacco prevention program. Rhode Island currently allocates \$2.7 million a year for tobacco prevention. This is 27.3% of the CDC's minimum recommendation and ranks Rhode Island 28th among the states in the funding of tobacco prevention programs. Rhode Island's spending on tobacco prevention amounts to 1.4% of the \$191.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004 budget approved by the Legislature and signed by Governor Donald Carcieri (R) appropriated \$2.7 million to the state's tobacco prevention program, an 18 percent decrease from FY2003 funding of \$3.3 million. Other settlement funds were folded into the state's general fund.

While it will not have tobacco settlement money to spend on tobacco prevention in the future, due to securitization of their share of the tobacco settlement in 2002, Rhode Island will have more tobacco tax revenue than ever before as a result of a cigarette tax increase that took effect July 1, 2003, increasing the state cigarette tax by 39 cents to \$1.71 per pack. Under current law, the state's cigarette tax is scheduled to increase by 10 cents a year for the next three years as well.

Background: Rhode Island appropriated \$1 million in FY2000, \$2.3 million in FY2001, \$3.3 million in FY2002, and \$3.3 million in FY2003 for tobacco prevention.

In 2002, the Legislature and the Governor approved a plan to sell, or securitize, the state's rights to \$1.19 billion in future tobacco settlement payments, for a smaller, one-time payment of \$600 million. The funds are being used to address budget shortfalls and pay capital and operating expenses in FY2002-FY2004.

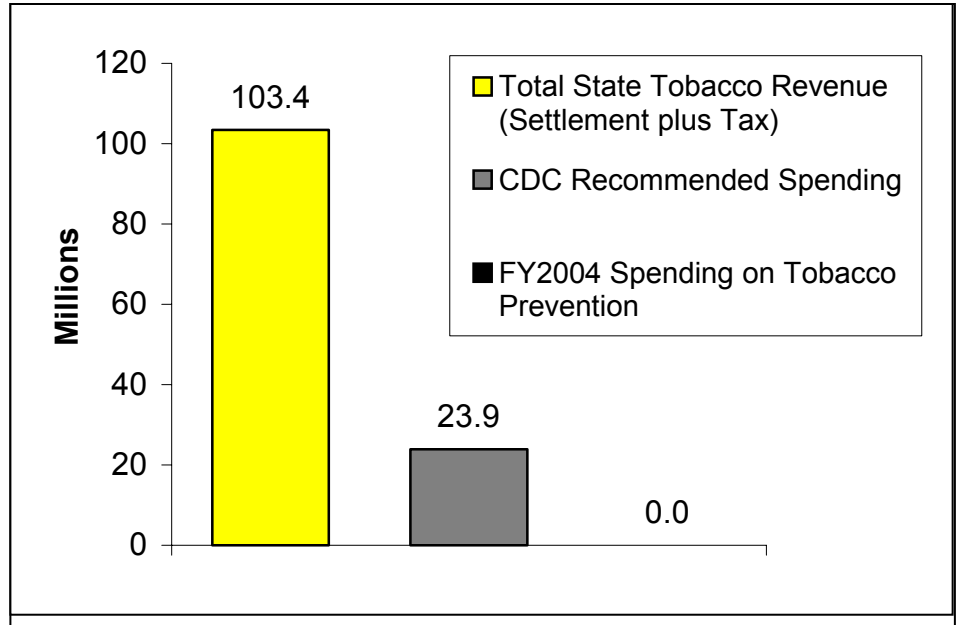
Securitization leaves Rhode Island with no tobacco settlement funding available for tobacco prevention and other purposes after FY2004. It could also cost the state more to borrow money

in the future by reducing its credit rating, as has happened in several states that have securitized their tobacco settlement proceeds.

South Carolina

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	43rd	\$2 Million (8.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Carolina spend between \$23.9 million and \$62 million a year to have an effective, comprehensive tobacco prevention program. South Carolina currently allocates none of its tobacco settlement dollars or tobacco tax revenue for tobacco prevention. This ranks South Carolina last among the states in the funding of tobacco prevention programs. South Carolina's spending on tobacco prevention amounts to none of the \$103.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004 budget approved by the Legislature and Governor Mark Sanford (R) provides no money for tobacco prevention, a decrease from FY2003 funding of \$2 million. Also, \$6.8 million was withdrawn from the settlement-funded Health Care Trust Fund in FY2004 along with interest earned in 2002 and the money was used to help fund state Medicaid programs.

Under a 2000 agreement between the Legislature and then-Governor Jim Hodges (D), South Carolina securitized its future tobacco settlement proceeds by selling them to investors in exchange for a smaller lump sum up front. The \$912 million raised was transferred into four trust funds. The Legislature is responsible for appropriating the money available from the trust funds annually for programs.

The largest trust fund, the Health Care Endowment, received 73 percent of the securitized proceeds to fund health care programs through interest earned on the principal (but not the principal itself).

Background: In 2000, the Legislature agreed to a compromise with Governor Hodges on his plan to securitize the settlement funds by issuing bonds backed by the \$2.3 billion the state expects to receive over the next 25 years, in return for an up-front payment of \$912 million. The money raised was transferred into four trust funds as follows:

- 73% for the Health Care Endowment to fund a prescription drug program for seniors, tobacco prevention programs and Medicaid expansion;

- 15% for assistance to tobacco farmers (in addition to the Phase 2 settlement funds);
- 10% for economic development in rural areas of the state; and
- 2% to fund local water and sewer projects.

In the healthcare trust fund, only the interest generated by the fund is available for expenditure, while the principal in the three other trusts is also available for programs. In FY2001 (the first year that funding was available), \$1.75 million was allocated for tobacco prevention programs, but a budget crisis nearly eliminated that funding. The funding was restored by the end of the legislative session.

The FY2002 budget approved by the Legislature and signed by Governor Hodges initially maintained tobacco settlement allocations at about the same levels as FY2001, including \$1.75 million for tobacco prevention. However, across-the-board budget cuts left the state with \$1.6 million for tobacco prevention and cessation in FY2002. The bulk of South Carolina's available tobacco settlement proceeds (73%) were earmarked for health issues, including tobacco prevention programs. Other uses included relief for tobacco farmers (15%), rural economic development (10%) and local water and sewer projects (2%). The tobacco prevention funds are used by the Department of Health and Environmental Control (DHEC) to augment their existing CDC-funded tobacco prevention and cessation program.

The FY2003 budget approved by the Legislature and Governor Hodges provided \$2 million for tobacco prevention through the state Department of Health and Environmental Control (DHEC), an increase from FY2002 funding of \$1.6 million. The tobacco prevention program is supposed to be funded from the Health Care Endowment trust fund, but the FY2003 funding for tobacco prevention came from the general fund.

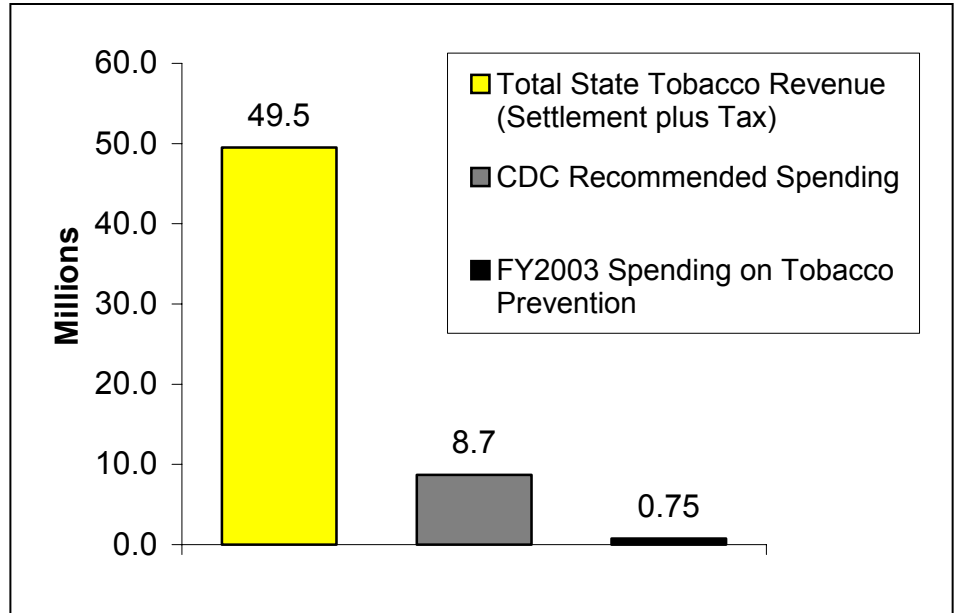
The FY2003 budget also withdrew \$100 million from the Health Care Trust Fund (and the interest it had earned) primarily to help offset the state's budget deficit, and to fund Medicaid. Mental health and emergency preparedness programs also received small allocations. As a result of the withdrawal, the endowment balance was reduced to \$443 million.

* South Carolina is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$357.4 million over 12 years directly to South Carolina tobacco growers.

South Dakota

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
38th	\$750,000 (8.6%)	42nd	\$750,000 (8.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Dakota spend between \$8.7 million and \$18.2 million a year to have an effective, comprehensive tobacco prevention program. South Dakota currently allocates \$750,000 a year for tobacco prevention. This is 8.6% of the CDC's minimum recommendation and ranks South Dakota 38th among the states in the funding of tobacco prevention programs. South Dakota's spending on tobacco prevention amounts to 1.5% of the \$49.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: In FY2004, South Dakota's tobacco prevention funding will remain constant at \$750,000.

There were a number of legislative agenda items before the South Dakota legislature regarding tobacco control in 2003, including an increase in the state's tobacco excise tax. The tobacco industry was successful in blocking two different proposals – one, a House bill that would have raised the excise tax 67 cents, and the second, a 30 cent hike supported by Governor Mike Rounds (R). Ultimately, the South Dakota legislature passed and Governor Rounds signed into law a 20-cent increase, to 53 cents per pack, which went into effect on April 1, 2003.

Also signed into law by Governor Rounds in 2003 was a bill to criminalize the sale, possession, shipping and advertising of unstamped cigarette products in the state. While the first offense is a misdemeanor, subsequent violations are now felonies.

The Senate defeated an attempt to repeal a 2002 state clean indoor air law. While last year's bill passed the Senate by the narrowest of margins, the bill to repeal the current law was strongly defeated.

Background: Initially, South Dakota's tobacco settlement payments were governed by a 2000 law that placed the state's annual payments into the People's Trust Fund. Only the interest generated by the Fund was available for expenditure and no program had been designated to receive these funds, leaving appropriation to the discretion of the Legislature.

In 2000, the legislature passed and the Governor signed legislation creating a tobacco prevention and cessation program in the Department of Human Services and established a Tobacco Prevention Trust Fund with an 11-member Tobacco Prevention and Reduction Advisory Board, appointed by the Governor. The Board, in collaboration with the Department of Human Services, was charged with developing a comprehensive plan to prevent and reduce tobacco use, including establishing program priorities, setting criteria for awarding grants, and assessing overall program performance.

In separate legislation, a total of \$1.7 million, \$1 million carried over from the state's general fund and \$700,000 from interest generated from the People's Trust Fund, was appropriated to the Tobacco Prevention and Cessation Program for FY2001.

The Legislature and Former Governor William Janklow (R) enacted a law in 2001 that sold, or securitized, all future tobacco settlement payments to investors for an immediate, but smaller lump-sum payment of \$275.5 million, of which \$8.4 million went to underwriters and \$23.4 million was set aside in a reserve account. The money is deposited in an education enhancement trust fund to be used for education purposes. Voters approved the trust fund in 2001.

The FY2002 budget approved by the Legislature and signed into law by Governor Janklow included \$2.7 million for tobacco prevention, an increase from \$1.7 million in FY2001. Separate legislation moved the state's tobacco prevention program to the Department of Health. The state's Tobacco Prevention and Reduction Advisory Board, created the previous year, was dissolved by this legislation. The planning process delayed spending of the FY2002 funds for tobacco prevention, resulting in unused funds at the end of the fiscal year that were carried over to FY 2003.

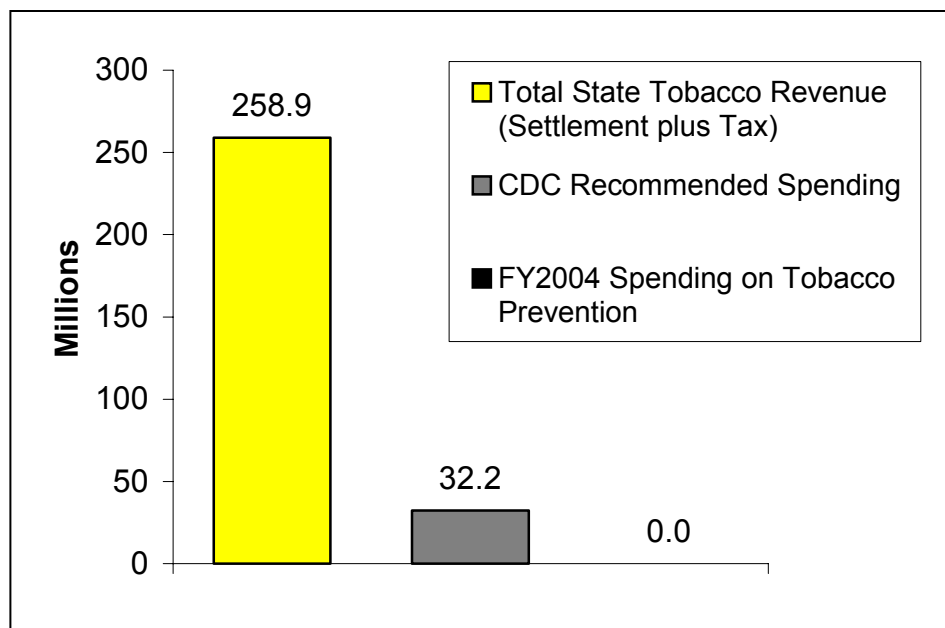
The FY2003 budget approved by the Legislature and signed into law by Governor Janklow included \$750,000 for tobacco prevention, a decrease from \$2.7 million in FY2002.

The two significant developments in implementation of the tobacco prevention and cessation program from 2002 were: 1) funding of a Statewide Quitline for smokers, in partnership with the American Cancer Society, including the provision of free cessation products, projected to cost over \$2.5 million in total program funds; and 2) the funding of four community-based pilot programs in addition to the small, community grants program already in place, projected at \$1 million.

Tennessee

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51st	\$0.0 Million (0.0%)	51st	\$0.0 Million (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Tennessee spend between \$32.2 million and \$89.1 million a year to have an effective, comprehensive tobacco prevention program. Tennessee currently allocates no funding for tobacco prevention. This ranks Tennessee last among the states in the funding of tobacco prevention programs. Tennessee spends no money on tobacco prevention despite the fact that Tennessee gets \$258.9 million in revenue annually from tobacco settlement payments and tobacco taxes.



Current Status: Tennessee spends no money on tobacco prevention and placed almost all of its settlement money received to date in the general fund to address budget crises in FY2002, FY2003 and FY2004, and to address rising costs in state health care programs.

Tennessee spends no money on tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 15, 2002, increasing the state cigarette tax by seven cents to 20 cents per pack. The Tennessee Legislature rejected higher cigarette tax increases that could have generated even more revenue for tobacco prevention and other purposes.

Background: In both 1999 and 2000, the Legislature could not reach agreement on how to use the settlement funds. In 2000, legislation was enacted into law that divided the settlement funds equally into two accounts: 1) a trust fund, called the Tobacco Indemnification and Community Revitalization Account, to help farm communities harmed by decreased tobacco production; and 2) a Health Care Improvement and Education Account. The Legislature established two separate committees to make recommendations on how to spend the money in each fund. The recommendations then went to the full Legislature for approval, which approved structural provisions, but tabled the allocation decisions. No other decisions were made by the Legislature regarding the settlement funds until late in the 2001 legislative session.

In 2001, the Health Committee recommended spending approximately \$40 million on a comprehensive tobacco prevention program. However, due to severe budget shortfalls and an unwillingness to change a tax structure widely viewed as unable to meet the state's revenue

needs, the Legislature voted to spend most of the available tobacco settlement dollars to fill a budget gap. The only settlement funds not used to balance the budget was \$100 million set aside for possible repayment of a federal government grant unrelated to tobacco prevention. Then-Governor Don Sundquist (R) vetoed this legislation, but the Legislature overrode this action and the legislation became law.

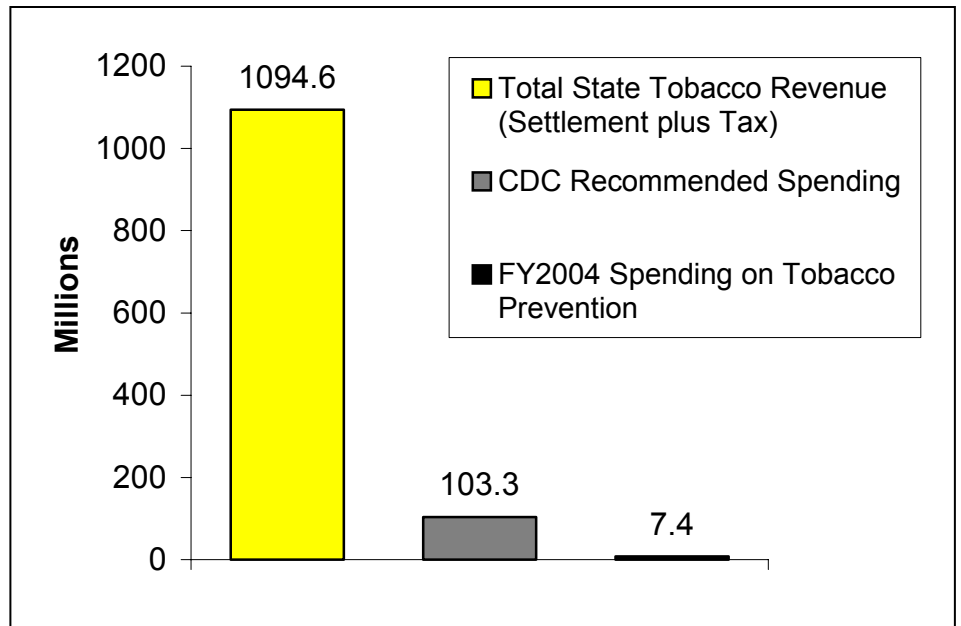
For FY2003 and FY2004, the Legislature placed the state's settlement money in the general fund and used it to close a budget gap.

* Tennessee is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$389.9 million over 12 years directly to Tennessee tobacco growers.

Texas

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
39th	\$7.4 Million (7.2%)	38th	\$12.5 Million (12.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Texas spend between \$103.3 million and \$284.7 million a year to have an effective, comprehensive tobacco prevention program. Texas currently allocates \$7.4 million for tobacco prevention. This is 7.2% of the CDC's minimum recommendation and ranks Texas 39th among the states in funding tobacco prevention programs. Texas's spending on tobacco prevention amounts to 0.7% of the \$1.09 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



As one of four states to settle with the tobacco industry prior to and separate from the November 1998 multi-state settlement agreement, Texas, along with Florida and Mississippi, agreed to launch a tobacco prevention pilot program. Under the terms of Texas' settlement agreement, the tobacco industry paid the state an initial \$1.3 billion in 1999. Each year thereafter, the tobacco industry is scheduled to pay the state of Texas between \$326.3 million and \$580 million subject to various factors that may increase or decrease the payment.

Current Status: The FY2004-05 biennial budget approved by the Legislature and Governor Rick Perry (R) cut funding for Texas' pilot tobacco prevention program, which is being conducted in 14 East Texas communities, to \$7.4 million a year from \$12.5 million a year in the FY2002-03 biennial budget. Rather than dilute the strength of the overall program, the \$3 per capita program will remain but be limited to a defined regional coverage area.

Other tobacco settlement revenues went to fund insurance premiums for children, public health services, emergency health care systems, improvements to rural health facilities and university health centers.

Background: Texas' tobacco settlement funds are governed by a 1999 law passed by the Legislature and signed by then-Governor George W. Bush (R) which placed all the tobacco settlement payments into several permanent endowments earmarked for the following purposes: higher education, individual endowments for 13 medical schools, children and public health, emergency medical services and trauma care, a higher education nursing and allied

health fund, minority health research and education, rural health facility capital improvement, and community hospital capital improvement.

The 1999 law also directed \$200 million of the \$1.8 billion Texas received from its first two tobacco settlement payments into a Tobacco Education Enforcement Trust Fund. No future payments go into this trust fund. A maximum of 7.5 percent of the annual interest generated from the trust is available to fund a tobacco prevention and cessation program. Only interest earned from each of the endowments is available for expenditure and must be appropriated by the Legislature every year. However, the tobacco prevention trust fund dollars were supplemented by a direct appropriation from the biannual budget for FY2002, none of the other endowments were allocated additional money in the FY2002-03 budget.

Texas' debate about how to use its settlement money began uniquely when two legislators, House Appropriations Chairman Robert Junell (D) and Senate Finance Chairman Bill Ratliff (R), sued then Attorney General Dan Morales (D) shortly after he entered the settlement on behalf of the state in 1997. The lawsuit questioned who would decide how to spend the settlement funds -- the Attorney General or the Legislature. The dispute ended with a Memorandum of Understanding that called for placing approximately \$1 billion into endowments to fund projects at health centers in Texas and the CHIP program. The Memorandum also called for spending \$200 million on a pilot tobacco prevention program.

In 1999, Chairmen Junell and Ratliff introduced their legislation. Instead of spending the \$200 million for tobacco prevention as agreed to in the Memorandum of Understanding, their bill placed the \$200 million into an endowment which permitted only the interest generated, approximately \$10 million a year, to be spent on a tobacco prevention program. The Junell/Ratliff legislation passed.

A separate part of the Texas settlement agreement awarded \$2.28 billion to counties, hospital districts, and other providers of healthcare for indigents over 25 years.

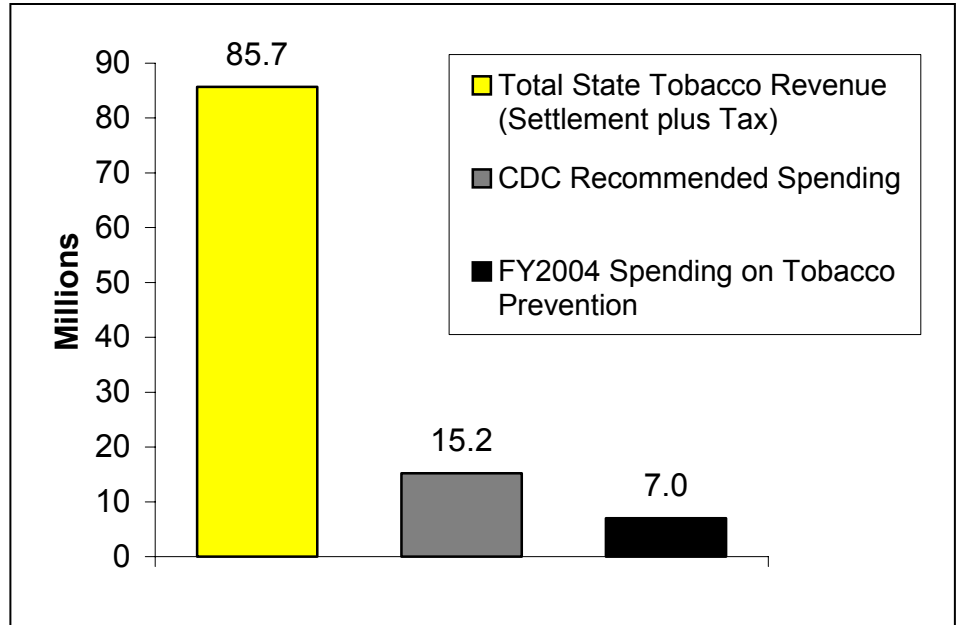
The FY2002-03 biennial budget approved by the Legislature and signed by Governor Rick Perry (R) increased funding for tobacco prevention to \$12.5 million annually from \$9.3 million annually in FY2000-01. The \$12.5 million allocated annually for FY2002-03 is from a combination of interest available from a settlement-funded trust fund previously established for tobacco prevention and a supplemental direct appropriation. The Texas legislature did not meet in 2002.

Using the FY2000-01 funding, Texas operated tobacco prevention pilot programs of varying levels of comprehensiveness in 14 East-Texas communities. Results released in January 2001 showed that the most comprehensive program, in Port Arthur, had reduced smoking rates by nearly 40 percent among sixth graders, far greater than in areas with less comprehensive programs. In FY 2002-03, the Texas Department of Health, using the additional appropriation approved by the legislature, consolidated the pilot program into four Texas counties. Results released in August 2002 showed that tobacco use declined an average of 30% among youth in grades 6-12 in the regions where the pilot program was implemented, but only 17% in regions that received a lower level of funding.

Utah

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
15th	\$7.0 Million (46.0%)	21st	\$7.0 Million (46.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Utah spend between \$15.2 million and \$33.4 million a year to have an effective, comprehensive tobacco prevention program. Utah currently allocates \$7.0 million a year for tobacco prevention. This is 46.0% of the CDC's minimum recommendation and ranks Utah 15th among the states in the funding of tobacco prevention programs. Utah's spending on tobacco prevention amounts to 8.2% of the \$85.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY 2004 budget approved by the Legislature and signed by Governor Michael Leavitt (R) appropriated \$7 million for tobacco prevention and cessation. This represents level funding from the FY2003 budget.

Other funds from the Permanent Trust Fund went to fund the Children's Health Insurance Program (CHIP), public health programs, drug courts, and the University of Utah Health Science Centers' Huntsman Cancer Institute. An additional \$9.8 million went to the general fund.

Background: Utah's tobacco settlement money is governed by a 2000 law that placed half of the state's annual payments into an endowment called the Permanent Trust Fund and gave the Legislature the authority to appropriate the remaining half through the annual budget process. The law also called for a referendum in which voters would decide how to spend interest earned from the endowment. In November 2000, voters by 61-39 percent approved the measure, which reinvests half the interest generated by the endowment and earmarks the remainder for health care programs.

In 1999, private law firms that represented the state in its lawsuit against the tobacco industry filed an attorney's lien against Utah's settlement payments. The firms claimed their contract entitled them to 25% of the state's share. A federal judge ordered \$9 million to be placed in an escrow account until it was determined where the money would go. The dispute was settled in June 2001. The attorneys received \$4 million and an additional \$2 million was allocated to tobacco control programs, bringing the total tobacco control funding to \$6 million.

Funding for FY2002 was \$6 million for tobacco prevention.

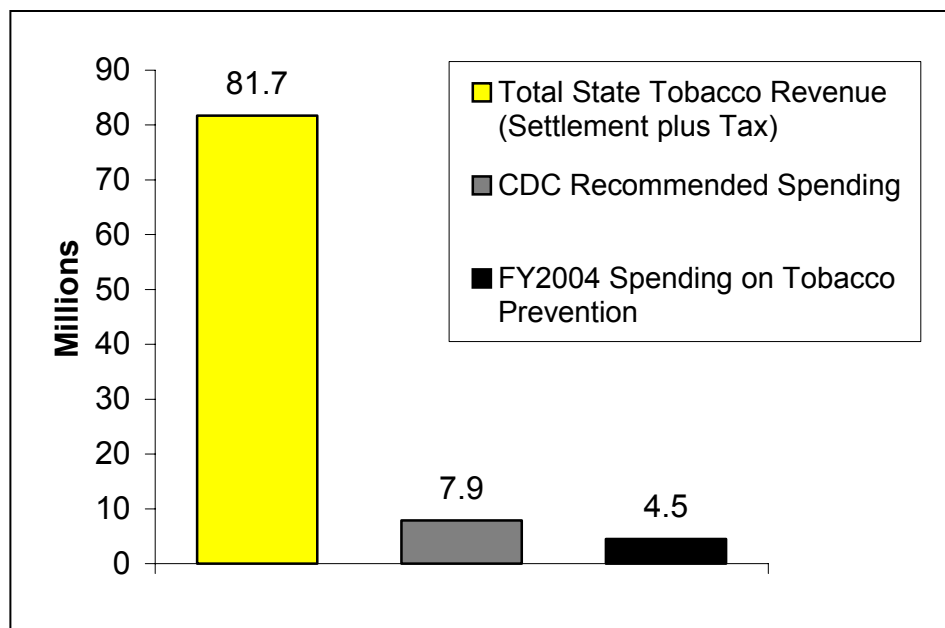
The FY2003 budget provided \$7 million – \$4 million for tobacco prevention from settlement funds and \$3 million from some of the revenue generated by an 18-cent increase in the cigarette tax to 69.5 cents per pack. The increase went into effect May 6, 2002.

Vermont

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
11th	\$4.5 Million (56.9%)	12th	\$5.2 Million (65.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Vermont spend between \$7.9 million and \$15.9 million a year to have an effective, comprehensive tobacco prevention program. Vermont currently allocates \$4.5 million a year for tobacco prevention. This is 56.9% of the CDC's minimum recommendation and ranks Vermont 11th among the states in the funding of tobacco prevention programs.

Vermont's spending on tobacco prevention amounts to 5.5% of the \$81.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004 budget approved by the Legislature and signed by Governor James Douglas (R) appropriated \$4.5 million to the state's tobacco prevention and cessation program, a cut of 13 percent from FY2003 funding of \$5.2 million. The program is funded with settlement dollars plus a \$500,000 one-time block grant to states that was part of the federal tax cut. No money, besides interest, was deposited into the Tobacco Trust Fund. As in previous years, the majority of tobacco settlement funds were appropriated to the state Medicaid program.

As it considers future funding for tobacco prevention, Vermont will have more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 1, 2003, increasing the state cigarette tax by 26 cents to \$1.19 per pack.

Background: In 1999, the Vermont Tobacco Task Force was created to develop a spending plan for the tobacco settlement payments. In November 1999, the Task Force recommended that the settlement funds be split equally among three areas: comprehensive tobacco prevention and cessation programs; a permanent tobacco control trust fund – designed to eventually make the tobacco prevention program self-sufficient – and support of other health programs for low-income Vermonters. The recommendations also called for the creation of an independent board to oversee the tobacco prevention program.

In May 2000, a compromise bill was passed which appropriated the tobacco settlement payments for FY2001 and stipulated future payments be allocated as follows:

- No more than \$17.25 million or 2/3 of annual settlement payment – whichever is less – to Medicaid and the Vermont Health Access Program to defray the cost of healthcare to low-income Vermonters; and
- A minimum of \$6.155 million or 1/3 of the annual settlement payment – whichever is greater – to the tobacco prevention program and the tobacco trust fund.

The 2000 law also created a 13-member Board to oversee all elements of the program including independent review. The Board conducts two public hearings annually with the Department of Health to make an annual budget recommendation to the Governor.

Also in 2000, the state legislature considered and rejected securitizing the state's settlement funds.

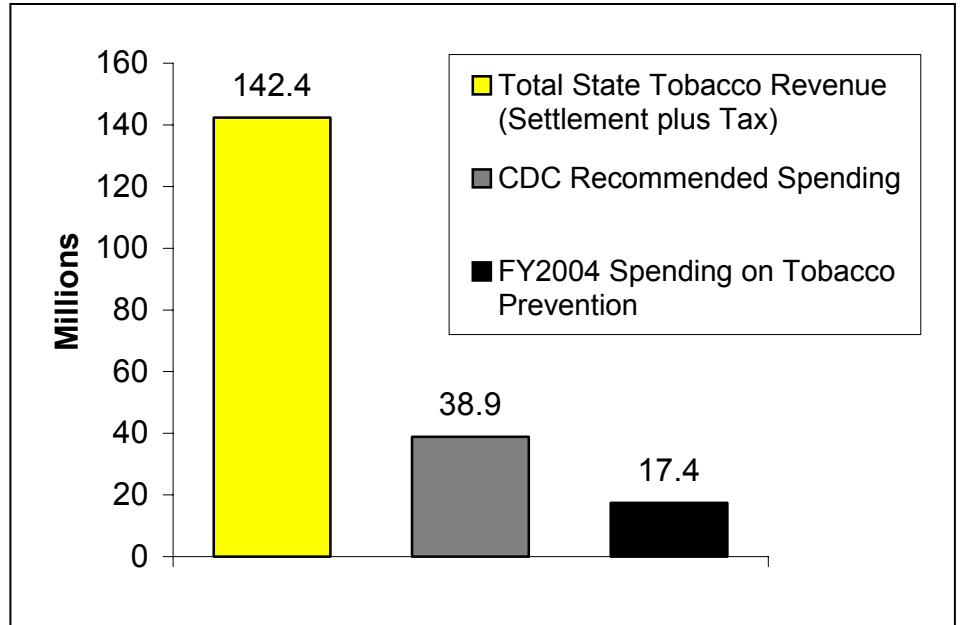
The FY2002 budget passed by the Legislature and signed by then-Governor Howard Dean (D) cut funding for tobacco prevention from \$6.5 in FY2001 to \$5.53 million. Based upon the Tobacco Task Force's recommendations, Governor Dean's FY2002 budget requested level funding of \$6.5 million for the Vermont tobacco prevention and cessation programs. However, the Republican-led House cut the program's funding for counter-marketing, community-based programs and school-based programs. Additionally, at the end of the FY02, the Governor proposed and the Legislature approved a plan to cut \$2.2 million of unexpended funds budgeted to the Health Department for tobacco control for FY2002. These funds were reallocated to help meet the state's budget shortfall.

In the FY2003 budget, Governor Dean proposed, and the Joint Fiscal Committee approved, a plan to divert \$8.2 million in tobacco settlement funds from the Tobacco Trust Fund to offset a state budget deficit. \$1 million of the \$8.2 million diverted was funding originally allocated to the state's tobacco control program that went unspent in FY2002.

Virginia

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
16th	\$17.4 Million (44.8%)	10th	\$22.2 Million (66.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Virginia spend between \$38.9 million and \$106.9 million a year to have an effective, comprehensive tobacco prevention program. Virginia currently allocates \$17.4 million a year for tobacco prevention. This is 44.8% of the CDC's minimum recommendation and ranks Virginia 16th among the states in the funding of tobacco prevention programs. Virginia's spending on tobacco prevention amounts to 12.2% of the \$142.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Under a 1999 law, Virginia's tobacco settlement payments are allocated in three ways: the Tobacco Indemnification and Community Revitalization Trust Fund (50%), the Tobacco Prevention Trust Fund (10%) and the general fund for appropriation at the discretion of the Legislature (40%). The 1999 law also designated the Virginia Tobacco Settlement Foundation (VTSF) as administrator for the Tobacco Prevention Trust Fund. Money allocated through the Tobacco Indemnification and Community Revitalization Trust Fund is designated for programs to provide economic assistance for tobacco growers and revitalize tobacco dependent communities.

The state's tobacco prevention program is funded at \$17.4 million in FY2004, which is down from \$22.2 million in FY2003. Prevention funding decreased because of a loss of carryover funds, and the dollar amount for prevention will decline slightly each year because Virginia allocates 10% of its MSA funds to tobacco prevention.

Because of a budget deficit, the FY2003-04 biennial budget adopted by the Virginia General Assembly and Governor Warner drained \$15 million from the VTSF, though future tobacco settlement revenues would continue to be earmarked to the Tobacco Prevention Trust Fund as stipulated in prior law. Senator Thomas K. Norment of Williamsburg, Senator John C. Watkins of Chesterfield and Delegate Phillip A. Hamilton of Newport News introduced budget amendments that would have restored full funding for the VTSF, but these ultimately failed to become law.

Again in 2003, the Legislature and Governor Warner authorized the Tobacco Indemnification and Community Revitalization Commission to securitize, or sell to investors, its portion (50%) of settlement revenues for a smaller, one-time lump sum payment. Concerns about the Price v. Philip Morris USA case in Illinois caused Virginia to cancel the tobacco bonds it had issued but had not yet been closed.

Background: In 1999, the Virginia Legislature passed and then-Governor Jim Gilmore (R) enacted the law that allocated the state's tobacco settlement payments into three separate funds:

- 50% to the Tobacco Indemnification and Community Revitalization Trust Fund for programs aimed at economic assistance for tobacco growers and to revitalize tobacco dependent communities. In 2000 (the first year of funding), 80% of these funds was allocated to tobacco farmers and quota holders and 20% was allocated to seven community colleges as scholarships for tobacco farmers and their families and to the Virginia Institute of Technology for research on medicinal uses of tobacco;
- 40% to the state's general fund for appropriation at the discretion of the Legislature; and
- 10% to the Tobacco Prevention Trust Fund, to be administered by the VTSF, for tobacco prevention and cessation programs.

For FY2001, the VTSF allocated \$11.25 million for tobacco prevention programs targeted at youth. In addition, \$500,000 was set aside to enforce laws regulating youth access to tobacco products. However, only \$1 million was actually spent, primarily for administrative costs.

During the 2001 legislative session, Governor Gilmore and several legislators proposed using a portion of the Tobacco Prevention Trust Fund dollars to balance the budget. Specifically, the funds were designated to pay for a repeal of the personal property tax, known as the "car tax", which Governor Gilmore promised in his 1997 campaign. The proposal ultimately failed. There was also a separate and unsuccessful attempt by some legislators to broaden the purpose of the Virginia TSF to include other health care needs. This would have diluted the funding, which had been specifically set aside for youth tobacco prevention. The proposal also failed.

For FY2002, the Tobacco Prevention Trust Fund received \$12.64 million for its portion (10%) of the tobacco settlement payments. This amount, when added to the unspent funds carried over from previous years, allowed the Foundation (TSF) to allocate \$19.2 million to tobacco prevention programs targeted at youth in FY2002.

The FY2003 budget funded the state's tobacco prevention program at \$22.2 million, using both funds allocated to the Tobacco Prevention Trust Fund and \$7 million in unspent funds carried over from previous fiscal years.

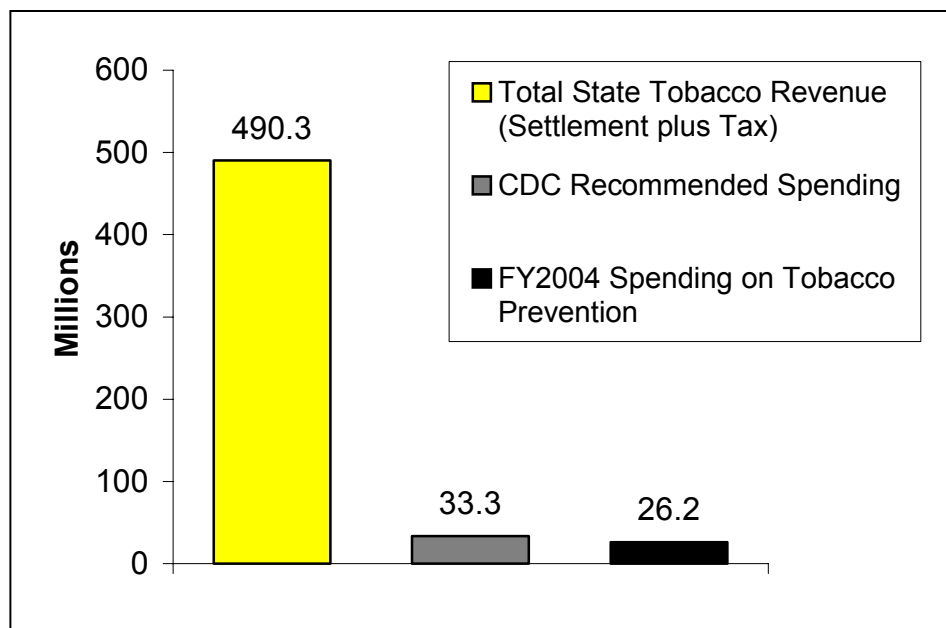
In April 2002, VTSF launched a tobacco prevention campaign on television, radio and the Internet that public health advocates said marked a historic milestone in combating youth smoking in Virginia. The result of nearly three years of research and development, the marketing and education campaign in Virginia was aimed at what its founders call "tweens," youth between the ages of 10 and 14. The advertisements posed the question: "Can anybody tell us why smoking isn't stupid?"

* Virginia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$338.9 million over 12 years directly to Virginia tobacco growers.

Washington

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
8th	\$26.2 Million (78.6%)	9th	\$26.2 Million (78.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Washington spend between \$33.3 million and \$89.3 million a year to have an effective, comprehensive tobacco prevention program. Washington currently allocates \$26.2 million a year for tobacco prevention. This is 78.6% of the CDC's minimum recommendation and ranks Washington 8th among the states in the funding of tobacco prevention programs.



Washington's spending on tobacco prevention amounts to 5.3% of the \$490.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Washington funds its tobacco prevention program with tobacco settlement money and some of the revenue raised by a 60-cent per pack cigarette tax increase overwhelmingly approved by the state's voters in a November 2001 ballot initiative, Initiative 773. I-773 dedicated the new revenue to the state's Basic Health Plan, tobacco prevention and cessation, and other existing programs that were already funded with tobacco tax revenue. The initiative, which took effect in January 2002, directed the Legislature to supplement, not supplant, existing tobacco prevention funding from tobacco settlement revenues. It also required the state to spend at least \$26.24 million a year on tobacco prevention and cessation beginning July 1, 2002 (FY2003). The FY2004 budget approved by the Legislature and signed by Governor Gary Locke (D) maintained funding for the state's tobacco prevention program at \$26.2 million.

In FY2004, as in previous years, tobacco settlement funds were used to help fund the state Basic Health Plan, child vaccines, and public health.

Background: After the settlement was reached in November 1998, Governor Locke and Attorney General Christine Gregoire (D) were strong advocates for committing substantial funds to tobacco prevention programs. In 1999, they successfully convinced the Legislature to include \$100 million for tobacco prevention in the state budget over an unspecified number of years. The bulk of the state's settlement funds were used to fund the State Basic Health Plan and the Children's Health Insurance Program.

Governor Locke's FY2001 budget recommended spending \$26.2 million of the \$100 million set aside for tobacco control on a comprehensive tobacco prevention and cessation program, with the remainder left for future use. House Republicans sought to strip \$90 million from the tobacco prevention account and allocate just \$2.5 million for tobacco prevention. This plan was rejected and a compromise was reached to spend \$15.5 million in FY2001 on tobacco prevention and cessation. \$17.5 million appropriated annually in FY2002 and FY2003 came from this account as well.

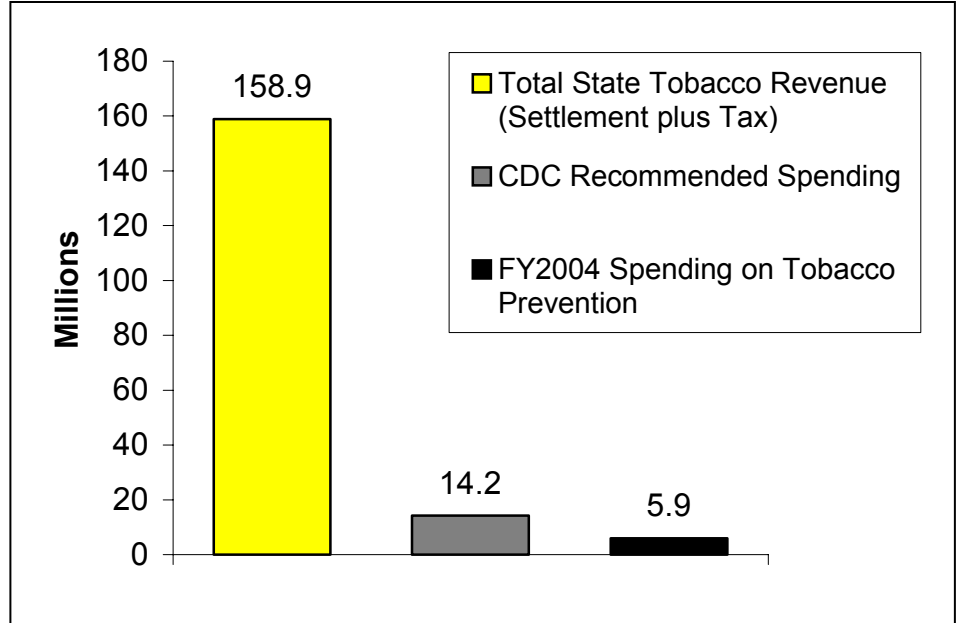
In 2002, Governor Locke and the Legislature enacted a plan to securitize, or sell to investors, 25% of the state's future tobacco settlement payments to investors for an immediate, but smaller lump-sum payment. The funds were used to help address a budget shortfall. Securitization reduces the amount of tobacco settlement money available to fund tobacco prevention and other programs in the future. Also, because it is viewed as a one-time fix for a recurring budget problem, several states that have securitized their settlement money have had their credit ratings reduced, costing them and their taxpayers more to borrow money in the future.

Also in 2002, the Governor and Legislature considered diverting tobacco prevention account funds and cigarette tax revenues dedicated to tobacco prevention to the general fund, but ultimately did not enact this proposal.

West Virginia

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
17th	\$5.9 Million (41.7%)	25th	\$5.9 Million (41.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of West Virginia spend between \$14.2 million and \$35.4 million a year to have an effective, comprehensive tobacco prevention program. West Virginia currently allocates \$5.9 million a year for tobacco prevention. This is 41.7% of the CDC's minimum recommendation and ranks West Virginia 17th among the states in the funding of tobacco prevention programs. West Virginia's spending on tobacco prevention amounts to 3.7% of the \$158.9 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2004 budget passed by the Legislature and signed by Governor Bob Wise (D) appropriated \$5.9 million for the state's tobacco prevention program, the same amount as in FY2003. This was the interest earned from the West Virginia Medical Trust Fund, which received an additional \$29.9 million in settlement revenue in FY2004. \$22.1 million was also appropriated for state health services.

Governor Wise has also proposed securitizing, or selling to investors, some of the state's tobacco settlement payments for a smaller, up-front payment. Securitization would reduce the amount of settlement money available for tobacco prevention in the future. In addition, because it is viewed as a one-time fix for a recurring budget problem, several states that have securitized their settlement money have had their credit ratings reduced, costing them and their taxpayers more to borrow money. The legislation passed both chambers in 2003, but was not enacted because the state Senate refused to concur with amendments made to the bill in the state House of Representatives.

Also in 2003, Governor Wise proposed and the legislature approved a 38-cent increase in the state cigarette tax, to 55 cents a pack. However, none of the new revenue from the cigarette tax increase is currently being spent on tobacco prevention.

Background: West Virginia's settlement payments are governed by a 1999 law that divides the settlement evenly into two funds: the West Virginia Medical Trust Fund Endowment to fund tobacco prevention and cessation programs and the West Virginia Tobacco Settlement Fund to

fund Medicaid and Medicare obligations, public health programs and capital construction projects. In addition, \$5 million annually in settlement funds is set-aside for the State Employees Insurance Program.

In the FY2001 budget, the Legislature transferred \$5.9 million from the Endowment to the Settlement Fund, and then appropriated \$5 million for tobacco prevention programs from the Endowment and \$47 million for the state's mental health hospital from the Settlement Fund. The final budget passed by the Legislature and signed by then-Governor Cecil Underwood (R) included an additional \$850,000 for an advertising campaign to discourage tobacco use, for a total of \$5.85 million for tobacco prevention-tobacco use advertising.

In the FY2002 budget, the Legislature transferred \$38 million from the Endowment to the Settlement Fund, and then appropriated the funds as described above including \$5.85 million for tobacco prevention.

The FY2003 budget appropriated \$5.85 million for the state's tobacco prevention program, the same amount as in FY2002.

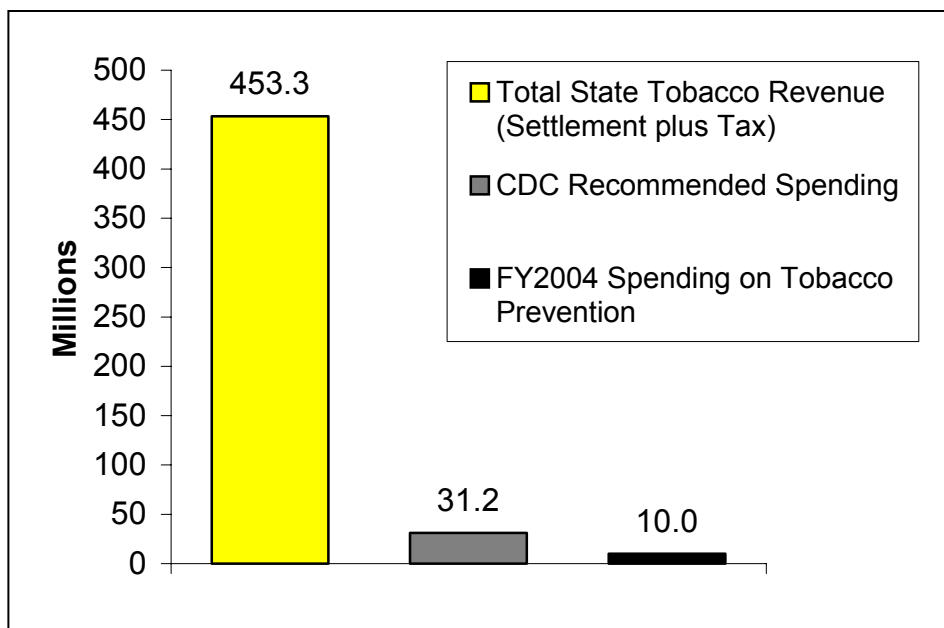
In 2002, the West Virginia Department of Health and Human Resources (DHHR) launched its "Raze: Tear Down the Lies" advertising campaign to counter the tobacco industry's marketing to kids in the state.

* West Virginia is also part of a separately negotiated settlement with the tobacco industry that provides a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, additionally provides up to \$14.4 million over 12 years directly to West Virginia tobacco growers.

Wisconsin

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
24th	\$10 Million (32.1%)	19th	\$15.5 Million (49.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wisconsin spend between \$31.2 million and \$82.4 million a year to have an effective, comprehensive tobacco prevention program. Wisconsin currently allocates \$10.0 million a year for tobacco prevention. This is 32.1% of the CDC's minimum recommendation and ranks Wisconsin 24th among the states in the funding of tobacco prevention programs.



Wisconsin's spending on tobacco prevention amounts to 2.2% of the \$453.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: The FY2004–FY2005 biennial budget approved by the Legislature and signed by Governor Jim Doyle (D) cut annual funding for tobacco prevention to \$10 million a year from \$15.5 million a year in the FY2002-2003 biennial budget. State tobacco use prevention efforts are funded by the general fund because in 2001 all of the state's future settlement proceeds were securitized, or sold to investors for a smaller, up-front payment. Therefore, the entire MSA payment in 2003 went to debt service on the bonds that were issued from the securitization in 2002. Governor Doyle championed a plan to repurchase some of the state's MSA-backed bonds, freeing a small amount of money that he pledged to tobacco prevention.

The Wisconsin Tobacco Control Board, which had been created to oversee the statewide tobacco control program in 2001, was eliminated by the Legislature at the request of Governor Doyle. It was supposed to be replaced by an advisory committee. However the creation of this new advisory committee was vetoed by Governor Doyle, removing any statutorily protected oversight of state tobacco control programming from the public health community in Wisconsin.

Many legislators supported raising Wisconsin's cigarette tax, currently at 77 cents, but Governor Doyle opposed the proposal.

Background: Prior to securitizing, Wisconsin folded its tobacco settlement funds into the state's biennial budget process. Former Governor Tommy Thompson (R) originally proposed using the majority of the settlement funds for a tax cut or to replace current spending on state

healthcare programs, including a \$2.5 million allocation for a Smoking Prevention and Health Initiative.

In 1999, after partial line-item vetoes by Governor Thompson, a budget was enacted establishing a comprehensive tobacco prevention and cessation program funded at \$23.5 million over the 2000-01 biennium. \$2.3 million was spent in the first year for limited program activities and strategic planning, leaving \$21.2 million available for expenditure in the second fiscal year. The remaining tobacco settlement funds were folded into the general fund. The FY2002-03 budget cut annual funding for tobacco prevention to \$15.5 million a year.

The Wisconsin Tobacco Control Board was created to direct the tobacco prevention program. Although the Board was under the Department of Health for administrative purposes, the Department has no authority over policy set by the Board. The FY2000-01 budget included language directing the board to follow budget guidelines suggested by the CDC.

FY2001 was the first year of operation for the WTCB. The Board began implementing a comprehensive, statewide, CDC-based prevention and cessation program. Most component programs became operational in the summer of 2001, including a quit line and a successful youth summit. The counter-marketing media effort also began in 2001.

The Wisconsin Tobacco Control Board was in full operation in 2002, conducting an aggressive, statewide comprehensive tobacco prevention program based on CDC recommendations. However, most programs, including community grants, were scaled back to fit budget cuts. Youth smoking has decreased in Wisconsin; 18% fewer high school students are smoking and 28% fewer middle school students smoke since the inception of the WTCB Comprehensive Tobacco Control and Prevention program in 2000.

Irrevocably changing how Wisconsin uses its tobacco settlement money, the Legislature and Governor Scott McCallum (R) in 2002 enacted a budget that securitized, or sold to investors, virtually all of the state's tobacco settlement payments over the next 20-25 years. More than \$5.9 billion in anticipated settlement payments were sold for an immediate lump sum of \$1.6 billion, almost all of which was used to address the state's budget deficit.

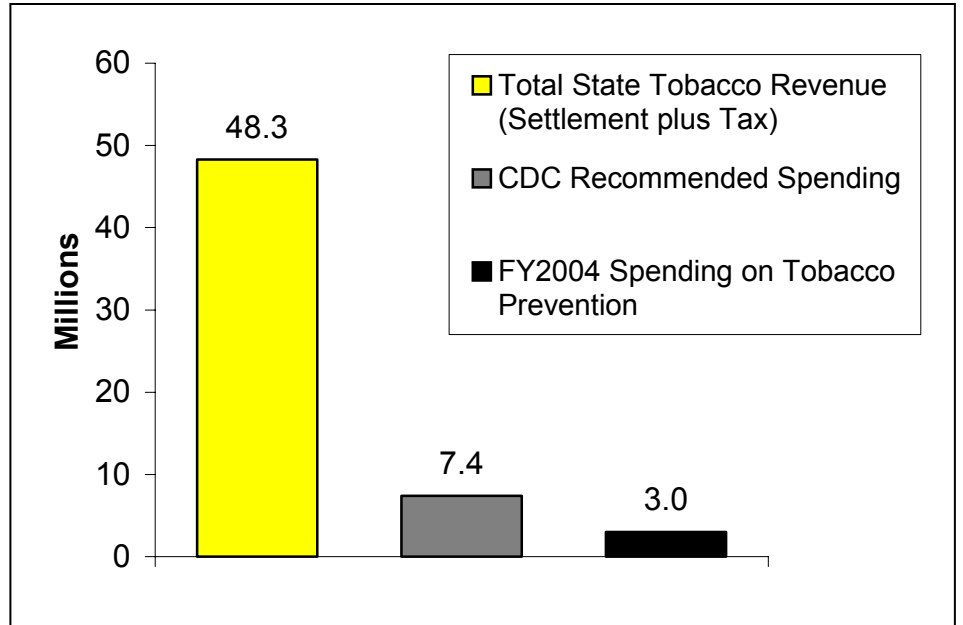
Securitization means that Wisconsin will have no tobacco settlement money to fund tobacco prevention programs for more than two decades and will need other sources of funding, such as a proposed cigarette tax increase or general funds. In addition, because securitization is viewed as a one-time fix for a recurring budget problem that had to be addressed again in future years, Wisconsin's credit rating was reduced, which will cost the state and its taxpayers more to borrow money.

The original securitization plan used some of the proceeds to create an endowment that would fund the tobacco prevention program run by the Wisconsin Tobacco Control Board. Unfortunately the endowment did not survive even to its creation, as all funds dedicated to it were siphoned off to address the FY2003 budget deficit.

Wyoming

2004 State Ranking	FY 2004 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2003 State Ranking	FY 2003 Spending on Tobacco Prevention (% of CDC Recommended Spending)
18th	\$3.0 Million (40.7%)	26th	\$3.0 Million (40.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wyoming spend between \$7.4 million and \$14.4 million a year to have an effective, comprehensive tobacco prevention program. Wyoming currently allocates \$3.0 million a year for tobacco prevention. This is 40.7% of the CDC's minimum recommendation and ranks Wyoming 18th among the states in the funding of tobacco prevention programs.



Wyoming's spending on tobacco prevention amounts to

6.2% of the \$48.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.

Current Status: Wyoming's tobacco settlement payments through FY2004 are governed by a 1999 law that placed all the state's settlement payments in a Tobacco Settlement Trust Fund. Tobacco prevention funding fluctuates based on earnings from the trust fund. For FY2004, funding for tobacco prevention is estimated at \$3 million, the same as in FY2003.

In 2003, the Legislature approved a 48-cent increase in the cigarette excise tax, bringing it to 60 cents a pack. The tax was raised solely to fund various health programs, as Wyoming was one of few states not facing a budget deficit. Other tobacco settlement revenue went to fund Wyoming's substance abuse program.

Background: In 1999, the Wyoming Legislature passed and then-Governor Geringer signed the law creating the Tobacco Settlement Trust Fund. The law allowed the interest generated to be spent annually, but stipulated that all funds be used for healthcare programs, including efforts to prevent tobacco use through school and community-based programs. The Governor appointed a committee, the Tobacco Settlement Working Group, to recommend how to spend the available funds. In February 2000, the committee recommended that the initial \$1.8 million in interest from the Trust Fund be spent through the state Health Department for a comprehensive tobacco prevention and cessation program.

In March 2000, the Legislature passed and Governor Geringer signed a bill which directed the Department of Health to develop and implement a comprehensive tobacco prevention, cessation and treatment program, using funds generated from interest on the trust fund, based

on the Working Group's recommendations. The program was funded at \$1.8 million over the first two years.

Tobacco prevention funding for FY2001-02 biennium was set at \$1.8 million (\$900,000 annually) by the Legislature, funded with anticipated interest from the Trust Fund. Funding was increased to \$3 million in FY2003.

In 2002, the Legislature enacted and Gov. Geringer signed into law legislation, House Bill 59, that dedicates most future settlement payments beginning in 2003 to substance abuse programs. Interest payments from the remaining assets in the Trust Fund will continue to be used to fund tobacco prevention.

Appendix A



History of State Spending for Tobacco Prevention

	FY2004		FY2003		FY2002		FY2001		FY2000		
States	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	CDC Annual Recommendation (\$millions)
Alabama	\$0.36	1.3%	\$0.36	1.3%	\$0.6	2.2%	\$6.0	22.4%	\$6.0	22.4%	26.74 - 71.24
Alaska	\$3.8	47.0%	\$5.0	61.8%	\$3.1	38.3%	\$1.4	17.3%	\$1.4	17.3%	8.09 - 16.51
Arizona	\$25.5	91.8%	\$18.3	65.7%	\$36.6	131.6%	\$34.5	124.1%	\$29.3	105.4%	27.79 - 71.10
Arkansas	\$18.5	103.3%	\$16.4	91.5%	\$16.4	91.5%	\$16.1	89.9%	\$0.0	0.0%	17.91 - 46.45
California	\$90.1	54.6%	\$88.4	53.5%	\$134.5	81.5%	\$114.6	69.4%	\$88.2	53.4%	165.10 - 442.40
Colorado	\$3.8	15.5%	\$7.6	31.0%	\$12.7	51.8%	\$12.7	51.7%	\$13.2	53.8%	24.55 - 63.26
Connecticut	\$0.5	2.4%	\$0.58	2.7%	\$0.58	2.7%	\$1.0	4.7%	\$4.0	18.8%	21.24 - 53.90
Delaware	\$10.1	117.0%	\$5.0	57.9%	\$5.5	63.2%	\$2.8	32.4%	\$0.0	0.0%	8.63 - 18.46
DC	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	7.48 - 14.57
Florida	\$1.0	1.3%	\$37.5	47.8%	\$29.8	38.0%	\$44.0	56.1%	\$44.0	56.1%	78.38 - 221.26
Georgia	\$12.6	29.6%	\$19.1	44.8%	\$20.8	48.8%	\$15.8	37.1%	\$15.8	37.1%	42.59 - 114.34
Hawaii	\$8.9	82.6%	\$10.3	95.1%	\$4.2	38.9%	\$9.3	86.3%	\$9.7	89.5%	10.78 - 23.45
Idaho	\$1.6	14.5%	\$1.3	11.5%	\$1.1	10.0%	\$1.2	10.9%	\$1.2	10.9%	11.04 - 24.09
Illinois	\$12.0	18.5%	\$12.0	18.5%	\$45.9	70.7%	\$28.6	44.1%	\$28.6	44.0%	64.91 - 179.05
Indiana	\$10.8	31.1%	\$32.5	93.4%	\$32.5	93.4%	\$35.0	100.6%	\$35.0	100.6%	34.78 - 95.80
Iowa	\$5.1	26.4%	\$5.1	26.3%	\$9.4	48.7%	\$9.4	48.6%	\$9.4	48.3%	19.35 - 48.71
Kansas	\$0.5	2.8%	\$0.5	2.8%	\$0.5	2.8%	\$0.5	2.8%	\$0.5	2.8%	18.05 - 44.69
Kentucky	\$2.6	10.4%	\$3.0	12.0%	\$5.5	21.9%	\$5.8	23.1%	\$5.8	23.1%	25.09 - 69.90
Louisiana	\$10.7	39.4%	\$8.0	29.5%	\$0.5	1.8%	\$4.1	15.1%	\$4.1	15.1%	27.13 - 71.43
Maine	\$14.5	129.6%	\$15.2	135.6%	\$13.8	122.9%	\$18.8	168.0%	\$18.8	168.0%	11.19 - 25.35
Maryland	\$14.8	48.8%	\$30.0	99.0%	\$20.1	66.2%	\$30.0	99.0%	\$30.0	99.0%	30.30 - 78.60
Massachusetts	\$2.5	7.1%	\$4.8	13.6%	\$48.0	136.2%	\$43.1	122.3%	\$43.1	122.3%	35.24 - 92.76
Michigan	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	54.80 - 154.56
Minnesota	\$20.4	71.3%	\$32.3	112.9%	\$28.9	101.0%	\$35.0	122.3%	\$35.0	122.3%	28.62 - 74.01
Mississippi	\$20.0	106.4%	\$20.0	106.4%	\$20.0	106.4%	\$31.0	165.0%	\$31.0	165.0%	18.79 - 46.80
Missouri	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	32.77 - 91.36
Montana	\$3.2	34.2%	\$0.38	4.1%	\$0.5	5.3%	\$3.5	37.4%	\$3.5	37.4%	9.36 - 19.68
Nebraska	\$0.41	3.1%	\$7.0	52.6%	\$7.0	52.6%	\$7.0	52.6%	\$7.0	52.6%	13.31 - 31.04
Nevada	\$4.3	31.9%	\$4.3	31.8%	\$4.3	31.7%	\$3.0	22.3%	\$3.9	29.0%	13.48 - 32.99
New Hampshire	\$0.0	0.0%	\$3.0	27.5%	\$3.0	27.5%	\$3.0	27.5%	\$3.0	27.5%	10.89 - 24.77
New Jersey	\$10.5	23.3%	\$30.0	66.6%	\$30.0	66.6%	\$30.0	66.6%	\$18.6	41.3%	45.07 - 121.33
New Mexico	\$5.0	36.5%	\$5.0	36.5%	\$5.0	36.5%	\$2.3	16.8%	\$2.3	16.4%	13.71 - 31.95
New York	\$37.0	38.6%	\$40.0	41.7%	\$40.0	41.7%	\$30.0	31.3%	\$30.0	31.3%	95.83 - 269.30
North Carolina	\$6.2	14.6%	\$6.2	14.6%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	42.59 - 118.63
North Dakota	\$3.0	36.8%	\$2.5	30.6%	\$2.5	30.9%	\$0.0	0.0%	\$0.0	0.0%	8.16 - 16.55
Ohio	\$38.0	61.5%	\$34.0	55.1%	\$21.7	35.1%	\$60.0	97.2%	\$60.0	97.2%	61.74 - 173.68
Oklahoma	\$2.5	11.5%	\$2.5	11.2%	\$1.7	7.9%	\$6.3	28.9%	\$6.3	28.9%	21.83 - 56.31
Oregon	\$2.9	13.5%	\$11.1	52.5%	\$11.3	53.2%	\$8.5	40.2%	\$8.5	40.2%	21.13 - 52.84
Pennsylvania	\$52.6	80.2%	\$52.0	79.3%	\$41.4	63.1%	\$0.0	0.0%	\$0.0	0.0%	65.57 - 184.76
Rhode Island	\$2.7	27.3%	\$3.3	33.4%	\$3.3	33.4%	\$2.3	23.3%	\$2.3	23.3%	9.89 - 21.91
South Carolina	\$0.0	0.0%	\$2.0	8.4%	\$1.6	6.7%	\$1.8	7.5%	\$1.8	7.3%	23.91 - 62.01
South Dakota	\$0.75	8.6%	\$0.75	8.6%	\$2.7	31.1%	\$1.7	19.6%	\$1.7	19.6%	8.69 - 18.21
Tennessee	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	32.23 - 89.08
Texas	\$7.4	7.2%	\$12.5	12.1%	\$12.5	12.1%	\$9.3	9.0%	\$9.0	8.7%	103.29 - 284.74
Utah	\$7.0	46.0%	\$7.0	46.0%	\$6.0	39.4%	\$6.0	39.4%	\$6.0	39.4%	15.23 - 33.38
Vermont	\$4.5	56.9%	\$5.2	65.7%	\$5.5	70.0%	\$6.5	82.2%	\$6.5	82.2%	7.91 - 15.94
Virginia	\$17.4	44.8%	\$22.2	57.1%	\$19.2	49.3%	\$12.6	32.4%	\$13.1	33.7%	38.87 - 106.85
Washington	\$26.2	78.6%	\$26.2	78.7%	\$17.5	52.5%	\$15.0	45.0%	\$15.0	45.0%	33.34 - 89.38
West Virginia	\$5.9	41.7%	\$5.9	41.3%	\$5.9	41.3%	\$5.9	41.7%	\$5.9	41.3%	14.16 - 35.37
Wisconsin	\$10.0	32.1%	\$15.5	49.7%	\$15.5	49.7%	\$21.2	68.0%	\$21.2	68.0%	31.16 - 82.38
Wyoming	\$3.0	40.7%	\$3.0	40.7%	\$0.9	12.2%	\$0.9	12.2%	\$0.9	12.2%	7.38 - 14.40
Total	\$541.1	33.8%	\$674.4	42.1%	\$749.7	46.9%	\$737.5	46.1%	\$680.3	42.5%	

Appendix B

CAMPAIGN For TOBACCO-FREE Kids®

STATE TOBACCO-PREVENTION SPENDING vs. STATE TOBACCO REVENUES

[All amounts are in millions of dollars per year, except where otherwise indicated]

Despite receiving massive amounts of annual revenue from tobacco taxes and the state tobacco lawsuit settlements with the cigarette companies, the vast majority of states are still failing to invest even the minimum amounts recommended by the U.S. Centers for Disease Control and Prevention (CDC) to prevent and reduce tobacco use and minimize related health harms and costs.

State	Annual Smoking Caused Health Costs	FY 2004 Tobacco Prevention Spending	CDC Minimum Prevention Spending Target	Tobacco Prevention Spending % of CDC Minimum	Tobacco Prevention Spending Rank (1= high)	FY 2004 State Tobacco Settlement Revenues (est.)	FY 2004 State Tobacco Tax Revenues (est.)	Total Annual State Revenues From Tobacco (est.)	Tobacco Prevention Spending % of Tobacco Revenue
States Total	\$75+ billion	\$541.1	\$1.6 billion	33.8%	--	\$7294.3	12217.4	\$19511.7	2.8%
Alabama	\$1.17 bill.	\$0.36	\$26.7	1.3%	44	\$99.2	\$67.5	\$166.7	0.2%
Alaska	\$132	\$3.8	\$8.1	47.0%	14	\$20.9	\$45.4	\$66.3	5.7%
Arizona	\$1.0 bill.	\$25.5	\$27.8	91.8%	5	\$90.4	\$281.5	\$371.9	6.9%
Arkansas	\$0.63	\$18.5	\$17.9	103.3%	4	\$50.8	\$148.3	\$199.1	9.3%
California	\$7.13 bill.	\$90.1	\$165.1	54.6%	12	\$783.2	\$1076.1	\$1859.3	4.8%
Colorado	\$1.02 bill.	\$3.8	\$24.5	15.5%	32	\$84.1	\$65.6	\$149.7	2.5%
Connecticut	\$1.27	\$0.5	\$21.2	2.4%	43	\$113.9	\$322.7	\$436.6	0.1%
Delaware	\$221	\$10.1	\$8.6	117.0	2	\$24.3	\$70.9	\$95.2	10.6%
DC	\$190	\$0.0	\$7.5	0.0%	51	\$37.3	\$23.9	\$61.2	0.0%
Florida	\$4.93	\$1.0	\$78.4	1.3%	44	\$397.1	\$443.2	\$840.3	0.1%
Georgia	\$1.75 bill.	\$12.6	\$42.6	29.6%	27	\$150.6	\$244.7	\$395.3	3.2%
Hawaii	\$263	\$8.9	\$10.8	82.6%	6	\$36.9	\$81.7	\$118.6	7.5%
Idaho	\$249	\$1.6	\$11.0	14.5%	34	\$22.3	\$48.9	\$71.2	2.2%
Illinois	\$3.20 bill.	\$12.0	\$64.9	18.5%	31	\$285.6	\$628.2	\$913.8	1.3%
Indiana	\$1.62 bill.	\$10.8	\$34.8	31.1%	26	\$125.2	\$351.8	\$477.0	2.3%
Iowa	\$794	\$5.1	\$19.3	26.4%	29	\$53.4	\$95.8	\$149.2	3.4%
Kansas	\$724	\$0.5	\$18.1	2.8%	42	\$51.2	\$131.2	\$182.4	0.3%
Kentucky	\$1.17 bill.	\$2.6	\$25.1	10.4%	37	\$108.1	\$20.9	\$129.0	2.0%
Louisiana	\$1.15 bill.	\$10.7	\$27.1	39.4%	19	\$138.4	\$149.0	\$287.4	3.7%
Maine	\$470	\$14.5	\$11.2	129.6%	1	\$47.2	\$98.4	\$145.6	10.0%
Maryland	\$1.53 bill.	\$14.8	\$30.3	48.8%	13	\$138.7	\$269.4	\$408.1	3.7%
Massachusetts	\$2.76 bill.	\$2.5	\$35.2	7.1%	40	\$247.8	\$405.4	\$653.2	0.4%
Michigan	\$2.65 bill.	\$0.0	\$54.8	0.0%	51	\$267.1	\$881.1	\$1148.2	0.0%
Minnesota	\$1.61 bill.	\$20.4	\$28.6	71.3%	9	\$187.5	\$184.1	\$371.6	5.5%
Mississippi	\$561	\$20.0	\$18.8	106.4%	3	\$122.7	\$57.8	\$180.5	11.1%
Missouri	\$1.66 bill.	\$0.0	\$32.8	0.0%	51	\$139.6	\$109.4	\$249.0	0.0%
Montana	\$216	\$3.2	\$9.4	34.2%	23	\$26.1	\$43.4	\$69.5	4.6%
Nebraska	\$419	\$0.41	\$13.3	3.1%	41	\$36.5	\$73.3	\$109.8	0.4%
Nevada	\$440	\$4.3	\$13.5	31.9%	25	\$37.4	\$132.8	\$170.2	2.5%
New Hampshire	\$440	\$0.0	\$10.9	0.0%	51	\$40.9	\$95.8	\$136.7	0.0%
New Jersey	\$2.48 bill.	\$10.5	\$45.1	23.3%	30	\$237.3	\$762.2	\$999.5	1.1%
New Mexico	\$360	\$5.0	\$13.7	36.5%	22	\$36.6	\$79.0	\$115.6	4.3%
New York	\$6.38 bill.	\$37.0	\$95.8	38.6%	20	\$783.1	\$1017.9	\$1801.0	2.1%
North Carolina	\$1.92 bill.	\$6.2	\$42.6	14.6%	33	\$143.1	\$42.9	\$186.0	3.3%
North Dakota	\$194	\$3.0	\$8.2	36.8%	21	\$22.5	\$20.3	\$42.8	7.0%
Ohio	\$3.41 bill.	\$38.0	\$61.7	61.5%	10	\$309.1	\$586.4	\$895.5	4.2%
Oklahoma	\$908	\$2.5	\$21.8	11.5%	36	\$63.6	\$95.3	\$158.9	1.6%
Oregon	\$871	\$2.9	\$21.1	13.5%	35	\$70.4	\$280.6	\$351.0	0.8%
Pennsylvania	\$4.05 bill.	\$52.6	\$65.6	80.2%	7	\$352.6	\$837.8	\$1190.4	4.4%
Rhode Island	\$396	\$2.7	\$9.9	27.3%	28	\$44.1	\$147.3	\$191.4	1.4%
South Carolina	\$854	\$0.0	\$23.9	0.0%	51	\$72.2	\$31.2	\$103.4	0.0%
South Dakota	\$214	\$0.75	\$8.7	8.6%	38	\$21.4	\$28.1	\$49.5	1.5%
Tennessee	\$1.69 bill.	\$0.0	\$32.2	0.0%	51	\$149.8	\$109.1	\$258.9	0.0%
Texas	\$4.55 bill.	\$7.4	\$103.2	7.2%	39	\$523.4	\$571.2	\$1094.6	0.7%
Utah	\$273	\$7.0	\$15.2	46.0%	15	\$27.3	\$58.4	\$85.7	8.2%
Vermont	\$183	\$4.5	\$7.9	56.9%	11	\$25.2	\$56.5	\$81.7	5.5%
Virginia	\$1.62	\$17.4	\$33.3	44.8%	16	\$125.5	\$16.9	\$142.4	12.2%

STATE TOBACCO-PREVENTION SPENDING vs. STATE TOBACCO REVENUES

[All amounts are in millions of dollars per year, except where otherwise indicated]

State	Annual Smoking Caused Health Costs	FY 2004 Tobacco Prevention Spending	CDC Minimum Prevention Spending Target	Tobacco Prevention Spending % of CDC Minimum	Tobacco Prevention Spending Rank (1= high)	FY 2004 State Tobacco Settlement Revenues (est.)	FY 2004 State Tobacco Tax Revenues (est.)	Total Annual State Revenues From Tobacco (est.)	Tobacco Prevention Spending % of Tobacco Revenue
Washington	\$1.52 bill.	\$26.2	\$33.3	78.6%	8	\$126.0	\$364.3	\$490.3	5.3%
West Virginia	\$539	\$5.9	\$14.2	41.7%	17	\$54.4	\$104.5	\$158.9	3.7%
Wisconsin	\$1.58 bill.	\$10.0	\$31.2	32.1%	24	\$127.1	\$326.2	\$453.3	2.2%
Wyoming	\$106	\$3.0	\$7.4	40.7%	18	\$15.2	\$33.1	\$48.3	6.2%

Appendix C



TRENDS IN STATE TOBACCO-PREVENTION SPENDING vs. STATE TOBACCO REVENUES

All amounts are in millions of dollars per year

	Tobacco Prev. Spending FY2004	Tobacco Prev. Spending FY2003	Tobacco Prev. Spending FY2002	Tobacco Prev. Spending FY2001	Total Annual State Rev. From Tobacco FY2004 (est.)	Total Annual State Rev. From Tobacco FY2003 (Prelim.)	Total Annual State Rev. From Tobacco FY2002	Total Annual State Rev. From Tobacco FY2001	Prev. Spending as % of Tobacco Revenue FY2004	Prev. Spending as % of Tobacco Revenue FY2003	Prev. Spending as % of Tobacco Revenue FY2002	Prev. Spending as % of Tobacco Revenue FY2001
States Total	\$541.1	\$674.8	\$749.7	\$737.5	\$19,511.7	\$19,886.2	\$18,546.7	\$17,436.4	2.8%	3.4%	4.0%	4.2%
Alabama	\$0.36	\$0.36	\$0.6	\$6.0	\$166.7	\$178.1	\$183.1	\$169.8	0.2%	0.2%	0.3%	3.5%
Alaska	\$3.8	\$5.0	\$3.1	\$1.4	\$66.3	\$69.1	\$70.2	\$67.9	5.7%	7.2%	4.4%	2.1%
Arizona	\$25.5	\$18.3	\$36.6	\$34.5	\$371.9	\$330.8	\$268.4	\$251.1	6.9%	5.5%	13.6%	13.7%
Arkansas	\$18.5	\$16.4	\$16.4	\$16.1	\$199.1	\$158.5	\$155.0	\$219.6	9.3%	10.3%	10.6%	7.3%
California	\$90.1	\$88.4	\$134.5	\$114.6	\$1,859.3	\$1,966.8	\$2,265.9	\$1,934.5	4.8%	4.5%	5.9%	5.9%
Colorado	\$3.8	\$7.6	\$12.7	\$12.7	\$149.7	\$159.4	\$165.8	\$154.3	2.5%	4.8%	7.7%	8.2%
Connecticut	\$0.5	\$0.60	\$0.6	\$1.0	\$436.6	\$382.2	\$298.3	\$231.9	0.1%	0.2%	0.2%	0.4%
Delaware	\$10.1	\$5.0	\$5.5	\$2.8	\$95.2	\$63.4	\$57.2	\$51.2	10.6%	7.9%	9.6%	5.5%
Wash DC	\$0.0	\$0.0	\$0.0	\$0.0	\$61.2	\$66.0	\$61.4	\$54.6	0.0%	0.0%	0.0%	0.0%
Florida	\$1.0	\$37.5	\$29.8	\$44.0	\$840.3	\$937.7	\$1,215.4	\$1,185.6	0.1%	4.0%	2.5%	3.7%
Georgia	\$12.6	\$19.1	\$20.8	\$15.8	\$395.3	\$255.1	\$271.5	\$241.7	3.2%	7.5%	7.7%	6.5%
Hawaii	\$8.9	\$10.3	\$4.2	\$9.3	\$118.6	\$119.6	\$109.9	\$91.4	7.5%	8.6%	3.8%	10.2%
Idaho	\$1.6	\$1.3	\$1.1	\$1.2	\$71.2	\$54.9	\$54.6	\$50.9	2.2%	2.4%	2.0%	2.4%
Illinois	\$12.0	\$12.0	\$45.9	\$28.6	\$913.8	\$951.1	\$820.5	\$780.6	1.3%	1.3%	5.6%	3.7%
Indiana	\$10.8	\$32.5	\$32.5	\$35.0	\$477.0	\$494.0	\$271.4	\$250.7	2.3%	6.6%	12.0%	14.0%
Iowa	\$5.1	\$5.1	\$9.4	\$9.4	\$149.2	\$156.0	\$158.3	\$150.9	3.4%	3.3%	5.9%	6.2%
Kansas	\$0.5	\$0.5	\$0.5	\$0.5	\$182.4	\$182.8	\$112.9	\$105.2	0.3%	0.3%	0.4%	0.5%
Kentucky	\$2.6	\$3.0	\$5.5	\$5.8	\$129.0	\$142.5	\$149.1	\$137.1	2.0%	2.1%	3.7%	4.2%
Louisiana	\$10.7	\$8.0	\$0.5	\$4.1	\$287.4	\$303.9	\$277.4	\$223.8	3.7%	2.6%	0.2%	1.8%
Maine	\$14.5	\$15.2	\$13.8	\$18.8	\$145.6	\$151.7	\$153.5	\$127.8	10.0%	10.0%	9.0%	14.7%
Maryland	\$14.8	\$30.0	\$20.1	\$30.0	\$408.1	\$425.9	\$374.2	\$346.8	3.6%	7.0%	5.4%	8.7%
Massachusetts	\$2.5	\$4.8	\$48.0	\$43.1	\$653.2	\$687.9	\$577.5	\$524.5	0.4%	0.7%	8.3%	8.2%
Michigan	\$0.0	\$0.0	\$0.0	\$0.0	\$1,148.2	\$1,190.0	\$973.9	\$862.6	0.0%	0.0%	0.0%	0.0%
Minnesota	\$20.4	\$32.3	\$28.9	\$35.0	\$371.6	\$451.3	\$557.4	\$535.9	5.5%	7.2%	5.2%	6.5%
Mississippi	\$20.0	\$20.0	\$20.0	\$31.0	\$180.5	\$228.0	\$284.5	\$284.8	11.1%	8.8%	7.0%	10.9%
Missouri	\$0.0	\$0.0	\$0.0	\$0.0	\$249.0	\$265.2	\$273.2	\$445.1	0.0%	0.0%	0.0%	0.0%
Montana	\$3.2	\$0.38	\$0.5	\$3.5	\$69.5	\$47.8	\$44.8	\$41.7	4.6%	0.8%	1.1%	8.4%
Nebraska	\$0.41	\$7.0	\$7.0	\$7.0	\$109.8	\$106.2	\$89.6	\$82.3	0.4%	6.6%	7.8%	8.5%
Nevada	\$4.3	\$4.3	\$4.3	\$3.0	\$170.2	\$109.4	\$108.1	\$100.1	2.5%	3.9%	4.0%	3.0%
New Hamp.	\$0.0	\$3.0	\$3.0	\$3.0	\$6.0	\$142.0	\$71.9	\$143.5	0.0%	2.1%	4.2%	2.1%
New Jersey	\$10.5	\$30.0	\$30.0	\$30.0	\$999.5	\$873.4	\$690.6	\$634.5	1.1%	3.4%	4.3%	4.7%
New Mexico	\$5.0	\$5.0	\$5.0	\$2.3	\$115.6	\$65.0	\$66.2	\$78.6	4.3%	7.7%	7.6%	2.9%
New York	\$37.0	\$40.0	\$40.0	\$30.0	\$1,801.0	\$1,907.9	\$2,000.0	\$1,800.0	2.1%	2.1%	2.0%	1.7%
North Carolina	\$6.2	\$6.2	\$0.0	\$0.0	\$186.0	\$204.2	\$216.2	\$182.0	3.3%	3.0%	0.0%	0.0%
North Dakota	\$3.0	\$2.5	\$2.5	\$0.0	\$42.8	\$45.4	\$47.9	\$66.2	7.0%	5.5%	5.2%	0.0%
Ohio	\$38.0	\$34.0	\$21.7	\$60.0	\$895.5	\$934.9	\$644.6	\$593.6	4.2%	3.6%	3.4%	10.1%
Oklahoma	\$2.5	\$2.5	\$1.7	\$6.3	\$158.9	\$166.8	\$145.9	\$147.4	1.6%	1.5%	1.2%	4.3%
Oregon	\$2.9	\$11.1	\$11.3	\$8.5	\$351.0	\$326.9	\$102.3	\$227.4	0.8%	3.4%	11.0%	3.7%
Pennsylvania	\$52.6	\$52.0	\$41.4	\$0.0	\$1,190.4	\$1,242.4	\$745.2	\$670.2	4.4%	4.2%	5.6%	0.0%
Rhode Island	\$2.7	\$3.3	\$3.3	\$2.3	\$191.4	\$173.8	\$131.5	\$106.9	1.4%	1.9%	2.5%	2.2%
South Carolina	\$0.0	\$2.0	\$1.6	\$1.8	\$103.4	\$111.5	\$115.6	\$100.2	0.0%	1.8%	1.4%	1.8%
South Dakota	\$0.75	\$0.75	\$2.7	\$1.7	\$49.5	\$44.5	\$44.1	\$47.7	1.5%	1.7%	6.1%	3.6%
Tennessee	\$0.0	\$0.0	\$0.0	\$0.0	\$258.9	\$276.2	\$260.5	\$285.6	0.0%	0.0%	0.0%	0.0%
Texas	\$7.4	\$12.5	\$12.5	\$9.3	\$1,094.6	\$1,296.0	\$1,500.0	\$1,500.0	0.7%	1.0%	0.8%	0.6%

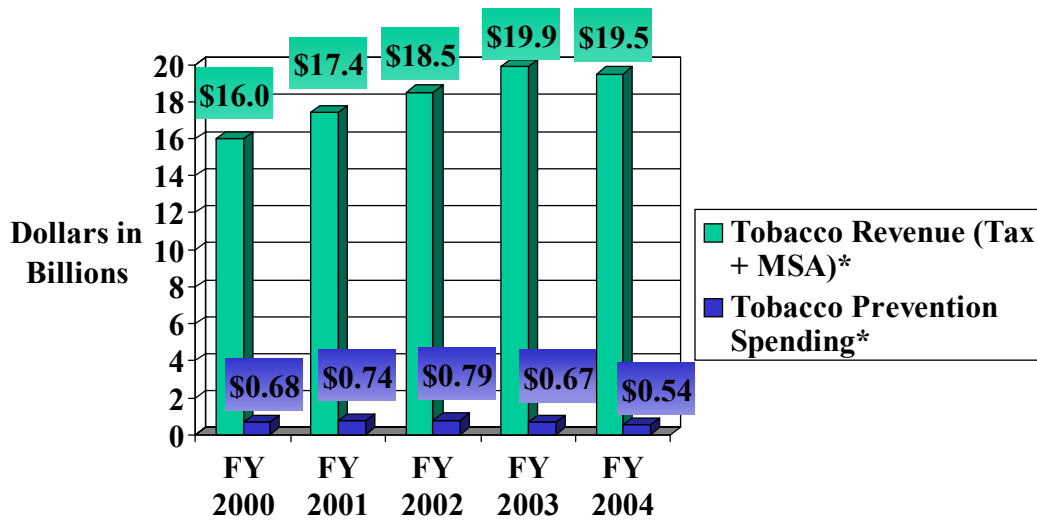
TRENDS IN STATE TOBACCO-PREVENTION SPENDING vs. STATE TOBACCO REVENUES

All amounts are in millions of dollars per year

	Tobacco Prev. Spending FY2004	Tobacco Prev. Spending FY2003	Tobacco Prev. Spending FY2002	Tobacco Prev. Spending FY2001	Total Annual State Rev. From Tobacco FY2004 (est.)	Total Annual State Rev. From Tobacco FY2003 (Prelim.)	Total Annual State Rev. From Tobacco FY2002	Total Annual State Rev. From Tobacco FY2001	Prev. Spending as % of Tobacco Revenue FY2004	Prev. Spending as % of Tobacco Revenue FY2003	Prev. Spending as % of Tobacco Revenue FY2002	Prev. Spending as % of Tobacco Revenue FY2001
Utah	\$7.0	\$7.0	\$6.0	\$6.0	\$85.7	\$89.3	\$83.8	\$72.9	8.2%	7.8%	7.2%	8.2%
Vermont	\$4.5	\$5.2	\$5.5	\$6.5	\$81.7	\$75.8	\$57.5	\$49.5	5.5%	6.9%	9.6%	13.1%
Virginia	\$17.4	\$22.2	\$19.2	\$12.6	\$142.4	\$156.2	\$163.6	\$169.6	12.2%	14.2%	11.7%	7.4%
Washington	\$26.2	\$26.2	\$17.5	\$15.0	\$490.3	\$507.7	\$473.9	\$366.1	5.3%	5.2%	3.7%	4.1%
West Virginia	\$5.9	\$5.9	\$5.9	\$5.9	\$158.9	\$112.5	\$98.9	\$99.3	3.7%	5.2%	6.0%	5.9%
Wisconsin	\$10.0	\$15.5	\$15.5	\$21.2	\$453.3	\$472.3	\$457.9	\$370.3	2.2%	3.3%	3.4%	5.7%
Wyoming	\$3.0	\$3.0	\$0.9	\$0.9	\$48.3	\$26.2	\$25.6	\$20.5	6.2%	11.5%	3.5%	4.4%

Appendix D

Tobacco Revenue and Prevention Spending FY 2000-FY 2004



*Some totals based on TFK estimates



COMPREHENSIVE STATE TOBACCO CONTROL PROGRAMS SAVE MONEY

It is well established that comprehensive statewide tobacco-prevention programs prompt sharp reductions in smoking levels among both adults and kids by both increasing the numbers who quit or cutback and reducing the numbers who start or relapse*. As show by the experience of those states that already have comprehensive tobacco-prevention programs, these smoking reductions save thousands of people from suffering from the wide range of smoking-caused illnesses and other health problems, thereby producing enormous declines in state health care costs and other smoking-caused expenditures.

Immediate Savings

Substantial cost savings from getting adult smokers to quit begin to appear as soon as the smoking declines occur. While most of the healthcare savings from getting kids to quit smoking or never start do not appear until many years later, some savings from reducing youth smoking also appear immediately. Most notably, reducing smoking among pregnant women (including pregnant teens, who have especially high smoking rates) produce immediate reductions in smoking-caused pregnancy and birth complications and related healthcare costs. Research studies estimate that the direct additional healthcare costs in the United States associated just with the birth complications caused by pregnant women smoking or being exposed to secondhand smoke could be as high as \$2 billion per year or more, with the costs linked to each smoking-affected birth averaging \$1,142 to \$1,358.¹ And state Medicaid programs cover well over half of all births in the United States.²

Not surprisingly, program officials have announced that the Massachusetts comprehensive tobacco-prevention program, which began in 1993, quickly began paying for itself just through the declines in smoking among pregnant women in the state.³ In addition, research in California shows that its program, which began in 1989, reduced state healthcare costs by more than \$100 million in its first seven years just by reducing the number of smoking-caused low-birthweight babies, with more than \$11 million of those savings in the first two years.⁴ Subsequent research indicates that California's overall cost savings from reducing all smoking-affected births and birth complications during its first two years totaled roughly \$20 million.⁵

Similarly, smoking declines among parents (including teen parents) rapidly produce healthcare cost savings by immediately reducing smoking-triggered asthma and respiratory illness and other secondhand-smoke health problems among their children. Parental smoking has been estimated to cause direct medical expenditures of more than \$2.5 billion per year to care for

* For extensive examples of real-world adult and youth smoking declines in states that have already initiated statewide tobacco-prevention programs, see the Campaign factsheet *Comprehensive Statewide Tobacco Prevention Programs Effectively Reduce Tobacco Use*, and the other related factsheets at www.tobaccofreekids.org/research/factsheets/index6.shtml. For information on the structure of effective state programs, see the Campaign factsheet *Essential Elements of a Comprehensive State Tobacco Prevention Program* and the others at www.tobaccofreekids.org/research/factsheets/index7.shtml.

smoking-caused problems of exposed newborns, infants, and children.⁶ And these estimates do not even include the enormous costs associated with the physical, developmental, and behavioral problems of smoking-affected offspring that not only occur during infancy but can extend throughout their entire lives.⁷

By quickly reducing the number of cigarettes smoked by adults and kids in the state each year, statewide tobacco-control programs also reduce other health problems, and related costs, caused by secondhand smoke. Adults and children with emphysema, asthma or other respiratory illnesses, for example, can suffer immediate distress from being exposed to cigarette smoke, which can even lead to hospitalization in some cases.⁸ Reducing the number of cigarettes smoked in a state can also reduce the number of smoking-caused fires and the amount of smoking-caused smoke damage, soiling, and litter. While no good estimates of the related cost savings exist, smoking-caused fires cause more than \$500 million in residential and commercial property losses each year; and business maintenance and cleaning costs caused by smoking annually total roughly \$5 billion nationwide.⁹

Sharp drops in the major smoking-caused diseases (such as strokes, heart disease, and lung and other cancers), with large related savings, do not appear for several years after state adult smoking levels decline. But some small declines in these smoking-caused diseases do begin to occur immediately, with significant cost savings. In California, for example, the state tobacco control program's reductions to adult smoking in its first seven years produced healthcare costs savings of \$390 million just through the related declines in smoking-caused heart attacks and strokes, with more than \$25 million of those savings appearing in the first two years.¹⁰

Annual Cost Savings From An Established State Tobacco-Prevention Program

As noted, California's tobacco-control program secured substantial savings over the first seven years of its operation just from reducing smoking-affected births and smoking-caused heart attacks and strokes. Taken together, these savings more than covered the entire cost of the state's program over that time period, by themselves, and produced even larger savings in the following years.¹¹ Overall, for every single dollar the state currently spends on the California program it is reducing statewide healthcare costs by more than \$3.60 -- with reductions in other smoking-caused costs saving another six dollars or more.¹² Between 1990 and 1998 the California Tobacco Control Program saved an estimated \$8.4 billion in overall smoking-caused costs and more than \$3.0 billion in smoking-caused healthcare costs.¹³ In addition, these savings estimates for California do not even reflect the fact that since 1988 (the year before the California tobacco-prevention began) the rates of lung and bronchus cancer in California have declined more than five times as fast as they have in a sample of other areas of the United States (-14.0% vs. -2.7%). This decline is not only saving thousands of lives but also saving the state millions of dollars in medical costs with projected future savings in the billions.¹⁴

Because it has not been in operation as long, and is a smaller state (which faces higher per-capita costs to implement some key tobacco-control elements), the Massachusetts program is not yet enjoying as large per-capita savings as the California tobacco prevention program. But a report by a Massachusetts Institute of Technology (MIT) economist in 2000 found that the state's program was already reducing statewide healthcare costs by \$85 million per year -- which means the state is now annually reducing smoking-caused health care costs by at least two dollars for every single dollar it invests in its comprehensive tobacco-prevention efforts.¹⁵

In both cases, these substantial savings have accrued only because the states have maintained adequate funding levels for their tobacco-prevention programs over an extended period of time.

In fact, California's progress in reducing adult and youth smoking stalled for a bit when the state cut its funding in the mid 1990s, thereby delaying and reducing its cost savings; and Florida's impressive reductions in youth smoking have completely stopped or even reversed among middle-schoolers and lower grades because of cuts to its tobacco-control program.¹⁶

Even Larger Future Savings From Early Tobacco-Program Smoking Declines

While impressive, the estimates of current savings compared to current costs overlook a critically important component of the cost savings from state tobacco-control. By prompting current adult and youth smokers to quit, helping former smokers from relapsing, and getting thousands of kids to never start smoking, state tobacco-prevention programs lock in enormous savings over the lifetimes of each person stopped from smoking. Put simply, the lifetime healthcare costs of smokers total at least \$12,000 more than nonsmokers, on average, despite the fact that smokers do not live as long, with a somewhat smaller difference between smokers and former smokers.¹⁷ That means that for every thousand kids kept from smoking by a state program, future healthcare costs in the state decline by roughly \$12 million (in current dollars), and for every thousand adults prompted to quit future health costs drop by roughly \$8 million.

These savings-per-thousand figures are significant, but it is important to note that in an average-sized state a one percentage point decline in adult smoking means that more than 30,000 adults have quit smoking, which translates into savings over their lifetimes of roughly \$240 million in reduced healthcare costs. And maintaining a single one-percentage-point reduction in youth smoking in an average-sized state will keep 16,000 kids alive today from ever becoming smokers, producing healthcare savings over their lifetimes of roughly \$190 million.¹⁸ Moreover, an adequately funded, comprehensive statewide tobacco-prevention program in any state should be able to reduce adult and youth smoking by much more than a single percentage point over just its first few years of operation. California, for example, reduced adult smoking rates by roughly one percentage point per year, above and beyond national adult smoking declines, during each of its first seven years.¹⁹ In the first three years of its youth-directed tobacco control program, Florida reduced high-school and middle-school smoking by almost three percentage points per year.²⁰ By reducing adult and youth smoking rates by five percentage points, an average-sized state would reduce future state healthcare costs by more than \$2.1 billion.

State Tobacco-Prevention Efforts and State Medicaid Program Savings

The long-term savings from state tobacco-prevention programs -- as well as the immediate and short-term savings outlined above -- also directly reduce state Medicaid program expenditures. For the average state, more than 17% of all smoking-caused healthcare expenditures within its borders are paid for by the state's Medicaid program (with actual state rates ranging from a low of slightly more than 10% for North Dakota and Delaware to more than 27% for Maine, New Hampshire and New York, and a high of 36% for Louisiana).²¹ Other state healthcare programs and the state's health insurance programs for government employees also accrue significant cost savings from the smoking declines prompted by state tobacco-prevention programs.

Can Other States Do As Well As California and Massachusetts?

States that establish comprehensive statewide tobacco-prevention programs should do at least as well as California and Massachusetts, in terms of cost savings, and could do even better. By taking advantage of the knowledge and experience gained from the efforts in California, Massachusetts, and elsewhere, other states can design and initiate programs that are even more effective than those states' early efforts and can get up to full speed more quickly. Other

states can also simply make larger investments in tobacco prevention. Massachusetts and California tobacco-control expenditures have only roughly matched or even fallen below the minimum funding recommendations of the U.S. Centers for Disease Control and Prevention (CDC). By matching or exceeding the CDC guidelines, and maintaining those funding levels over time, other states should secure even larger per-capita savings.

National Center for Tobacco-Free Kids, February 27, 2002 / Eric Lindblom

Related Campaign Fact Sheets (available at www.tobaccofreekids.org/research/factsheets)

Comprehensive Statewide Tobacco Prevention Programs Effectively Reduce Tobacco Use

Essential Elements of a Comprehensive State Tobacco Prevention Program

Toll of Tobacco in the United States of America

Toll of Tobacco in [State]

Tobacco Caused Health-Care Expenditures in Each State & Related Federal-State Tax Burdens (Table)

Immortality and Inaccuracy of the Death Benefit Argument

¹U.S. Centers for Disease Control and Prevention (CDC), "Medical Care Expenditures Attributable to Cigarette Smoking During Pregnancy – United States, 1995," *MMWR* 46(44): 1048-1050, November 7, 1997; Adams, E.K. & C.L. Melvin, "Costs of Maternal Conditions Attributable to Smoking During Pregnancy," *American Journal of Preventive Medicine* 15(3): 212-219, October 1998; Lightwood, J.M., et al., "Short-Term Health and Economic Benefits of Smoking Cessation: Low Birth Weight," *Pediatrics* 104(6): 1312-1320, December 1999. Miller, P., et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1): 25-35, February 2001.

² Orleans, CT, et al., "Helping Pregnant Smokers Quit: Meeting The Challenge in the Next Decade", *Tobacco Control* 9(Supplemental III): 6-11, 2000, <http://tc.bmjournals.com>.

³ Connolly, W., Director, Massachusetts Tobacco Control Program, Joint Hearing of the Pennsylvania House of Representatives Committee on Health and Human Services and the Pennsylvania Senate Committee on Public Health and Welfare, June 22, 1999. Campaign for Tobacco-Free Kids (CFTFK) Fact Sheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://tobaccofreekids.org/research/factsheets>.

⁴ Lightwood, J., et al, *Pediatrics*, 104(6): 1312-1320, December 1999.

⁵ Miller, P., et al., *Nicotine & Tobacco Research* 3(1): 25-35, February 2001.

⁶ Aligne, C.A. & J.J. Stoddard, "Tobacco and Children: An Economic Evaluation of the Medical Effects of Parental Smoking," *Archives of Pediatric and Adolescent Medicine*, 151: 648-653, July 1997.

⁷ CFTFK Fact Sheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://tobaccofreekids.org/research/factsheets/pdf/0007.pdf>.

⁸ See, e.g. California Environmental Protection Agency, *Health Effects of Exposure to Environmental Tobacco Smoke* (1997), www.oehha.org/air/environmental_tobacco/finalets.html.

⁹ Hall, J. R., Jr., National Fire Protection Association, *The U.S. Smoking-Material Fire Problem*, April 2001. Mudarri, D., *The Costs and Benefits of Smoking Restrictions: An Assessment of the Smoke-Free Environment Act of 1993 (H.R. 3434)*, U.S. Environmental Protection Agency report submitted to the Subcommittee on Health and the Environment, Committee on Energy and Commerce, U.S. House of Representatives, April 1994. CDC, *Making Your Workplace Smokefree: A Decision Maker's Guide*, 1996.

¹⁰ Lightwood, J & S. Glantz, "Short-term Economic and Health Benefits of Smoking Cessation: Myocardial Infarction and Stroke," *Circulation*, 96:1089-1096, 1997.

¹¹ Lightwood, J & S. Glantz, *Circulation*, 96:1089-1096, 1997; Lightwood, J.M., et al., "Short-Term Health and Economic Benefits of Smoking Cessation: Low Birth Weight," *Pediatrics* 104(6): 1312-1320, December 1999; Miller, P., et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1): 25-35, February 2001.

¹² Tobacco Control Section, California Department of Health Services, *California Tobacco Control Update*, April 2000, www.dhs.ca.gov/tobacco.

¹³ Tobacco Control Section, California Department of Health Services, *California Tobacco Control Update*, April 2000, www.dhs.cahwnet.gov/ps/cdic/ccb/TCS/documents/CTCUpdate.pdf.

¹⁴ CDC, "Declines in Lung Cancer Rates - California" *Morbidity and Mortality Weekly Report* 49(47):1066-9, December, 2000, www.cdc.gov/mmwr/preview/mmwrhtml/mm4947a4.htm.

¹⁵ Harris, J., "Status Report on the Massachusetts Tobacco Control Campaign, with a Preliminary Calculation of the Impact of the Campaign on Total Health Care Spending in Massachusetts," 2000.

¹⁶ See, e.g., Pierce, J.P., et al., "Has the California Tobacco Control Program Reduced Smoking?," *JAMA* 280(10): 893-899, September 9, 1998; Florida Department of Health, *2001 Florida Youth Tobacco Survey*, Volume 4, Report 1; October 22, 2001, www.doh.state.fl.us/disease_ctrl/epi/FYTS.

¹⁷ Hodgsen, T.A., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992 [study's results adjusted upward to account for inflation using Consumer Price Index; if adjustment were based on CPI subset for medical care prices only, amount would be more than \$15,000]. See, also, Nusselder, W., et al., "Smoking and the Compression of Morbidity," *Epidemiology and Community Health*, 2000; Warner, K.E., et al., "Medical Costs of Smoking in the United States: Estimates, Their Validity, and Their Implications," *Tobacco Control* 8(3): 290-300, Autumn 1999, <http://tc.bmjournals.com>.

¹⁸ Calculations based on adult and youth population data from U.S. Bureau of the Census.

¹⁹ Tobacco Control Section, California Department of Health Services, "Adult Smoking Trends in California," <http://www.dhs.ca.gov/tobacco/documents/FSAdulttrends.pdf>, downloaded February 2002.

²⁰ Florida Department of Health, *2001 Florida Youth Tobacco Surveys*, www.doh.state.fl.us/disease_ctrl/epi/FYTS.

²¹ Miller, L., et al., "State Estimates of Medicaid Expenditures Attributable to Cigarette Smoking, Fiscal Year 1993," *Public Health Reports* 113: 140-151, March/April 1998. On average, the federal government reimburses the states for roughly 57% of their Medicaid program costs, <http://www.hcfa.gov/medicaid/medicaid.htm>.

Appendix F



COMPREHENSIVE STATEWIDE TOBACCO PREVENTION PROGRAMS EFFECTIVELY REDUCE TOBACCO USE

Smoking and other tobacco use can be effectively reduced through public education efforts, counter-marketing, community and school-based programs, helping smokers quit, and strictly enforcing laws that establish smoke-free areas and restrict youth access to tobacco products. But research and experience also shows that these individual elements work much more effectively when they are all integrated into a comprehensive program.¹ States that have implemented comprehensive tobacco control programs have achieved significant reductions in tobacco use among both adults and youth.

The experiences in California, Massachusetts, Oregon, Florida, and other states establish the following key points:

- When adequately funded, comprehensive state tobacco prevention programs quickly and substantially reduce tobacco use, save lives, and cut smoking-caused costs.
- State tobacco prevention programs must be insulated against the inevitable attempts by the tobacco industry to reduce program funding and otherwise interfere with the programs' successful operation.
- The programs' funding must be sustained over time both to protect initial tobacco use reductions and to achieve further cuts.
- When program funding is cut, progress in reducing tobacco use erodes.

A recent study published in the *Journal of Health Economics* provides powerful evidence of the effectiveness of comprehensive tobacco prevention programs. The study found that states with the best funded and most sustained tobacco prevention programs during the 1990s – Arizona, California, Massachusetts and Oregon – reduced cigarette sales more than twice as much as the country as a whole (43 percent compared to 20 percent). This new study, the first to compare cigarette sales data from all the states and to isolate the impact of tobacco control program expenditures from other factors that affect cigarette sales, demonstrates a dose-response relationship between spending on tobacco prevention and declines in smoking. In essence, the more states spend on tobacco prevention, the greater the reductions in smoking, and the longer states invest in such programs, the larger the impact. The study concludes that cigarette sales would have declined by 18 percent instead of nine percent between 1994 and 2000 had all states fully funded tobacco prevention programs.²

Unfortunately, many state tobacco control programs, even the model ones, have recently experienced drastic reductions in funding. Cutting tobacco prevention is a penny-wise and pound-foolish decision that will cost lives and money.¹

Program Success – California

In 1988, California voters approved Proposition 99, a ballot initiative that increased state cigarette taxes by 25 cents per pack, with 20 percent of the new revenues (over \$100 million per year) earmarked for health education against tobacco use. California launched its new Tobacco Control Program in Spring 1990. Despite increased levels of tobacco marketing and promotion, a major cigarette price cut in 1993, tobacco company interference with the program, and periodic cuts in funding, the program has still reduced tobacco use substantially.

¹ This factsheet focuses on the extensive public health benefits obtained by state tobacco prevention programs. Other Campaign factsheets show that these programs also reduce smoking-caused costs, including those incurred by state Medicaid programs. See, e.g., *Comprehensive Statewide Tobacco-Prevention Programs Save Money*, <http://tobaccofreekids.org/research/factsheets/pdf/0168.pdf>.

- Since the passage of Proposition 99, between 1987 and 2002, cigarette consumption in California has declined by 62 percent, compared to just 36 percent for the country as a whole.³ Even after the tobacco industry's successful efforts to reduce the state's tobacco prevention funding, cigarette consumption still declined more in California than in the rest of the country.⁴
- In the 10 years following the passage of Proposition 99, adult smoking in California declined at twice the rate it declined in the previous decade.⁵
- According to the California Youth Tobacco Survey (CYTS), from 1994 to 2001, smoking among 12 to 17 year olds in California declined by 46 percent.⁶
- From 1988 to 2002, adult smoking in California decreased from 22.8 percent to 16.6 percent, resulting in over one million fewer smokers.⁷
- More than 1.3 million Californians have quit smoking because of the California Program.⁸
- While teenage smoking increased significantly throughout the country from 1990 to 1993, smoking among California teenagers remained constant.⁹ Similarly, from 1992 to 1994, the significant nationwide increase in youth smoking rates was slowed significantly in California as a result of the combined effect of the state's tax increase and a strong tobacco control program.¹⁰
- A study published in the *American Journal of Public Health* found that the California anti-tobacco media campaign reduced sales of cigarettes by 232 million packs between the third quarter of 1990 and the fourth quarter of 1992. This reduction was independent of the decreases in consumption brought about by the tax increase.¹¹
- The proportion of California tobacco retailers who failed compliance checks for selling tobacco products to minors decreased from 52 percent in 1994 to 19.3 percent in 2002.¹²
- The proportion of California's indoor workers exposed to secondhand smoke at work was cut in half, falling from 29 percent in 1990 to less than 12 percent in 1996.¹³
- The proportion of California children and adolescents exposed to secondhand smoke in the home decreased from 29 percent in 1992 to 13 percent in 1996.¹⁴
- When California cut its tobacco prevention program funding in the mid 1990s, its progress in reducing adult and youth rates stalled – but then got back on track when the program funding was restored.¹⁵

Program Success -- Massachusetts

In 1992, Massachusetts voters approved a referendum that increased the state cigarette tax by 25 cents per pack. Part of the new tax revenues was used to fund the Massachusetts Tobacco Control Program (MTCP), which began in 1993. As in California, despite some reductions in funding encouraged by the tobacco industry, the program has achieved considerable success. Data from 2000 demonstrate success in reducing tobacco use among both children and adults.

- Massachusetts cigarette consumption declined by 36 percent between 1992 and 2000, compared to a decrease of just 16 percent in the rest of the country (excluding California).¹⁶
- From 1995 to 2001, current smoking among Massachusetts high school students dropped by 27 percent (from 35.7% to 26%), while the nationwide rate dropped by 18 percent (34.8% to 28.5%).¹⁷
- Other surveys also show youth tobacco use declining at a faster rate in Massachusetts than nationally. Between 1996 and 1999, smoking among Massachusetts 8th and 10th graders declined by 40 percent and 27 percent, respectively. Nationally, the declines were just 17 percent among 8th graders and 16 percent among 10th graders. Among 12th graders, smoking in Massachusetts declined by 15 percent during this time period, while nationally, it actually increased by 2 percent.¹⁸
- Between 1993 and 2000, adult smoking prevalence dropped from 22.6 percent to 17.9 percent, resulting in 228,000 fewer smokers.¹⁹
- Those who smoke in Massachusetts are smoking less. From 1993 to 2000, the average number of cigarettes smoked by adult smokers declined more than 20 percent from 19.7 cigarettes per day to 15.2 cigarettes per

day. Between 1993 and 2000, the percent of pack a day or more smokers dropped from 26 percent to 16 percent.²⁰

- Among Massachusetts smokers who try to quit, the success rate has increased from 18 percent in 1993 to 25 percent in 2000.²¹
- Between 1990 and 1999, smoking among pregnant women in Massachusetts declined by more than 50 percent (from 25% to 11%). Massachusetts had the greatest percentage decrease of any state over the time period (the District of Columbia had a greater percent decline).²²
- Between 1993 and 2000, the use of spit (smokeless) tobacco by Massachusetts high school males has declined by over 50 percent (from 17.0% to 7%).²³
- The proportion of state tobacco retailers found making illegal sales to youth during compliance checks fell from 48 to only 11 percent, between 1993 and 2000.²⁴
- Exposure to environmental tobacco smoke (ETS) decreased among Massachusetts workers, from 44 percent reporting exposure in 1993 to 29 percent in 2000.²⁵
- An analysis of national data on youth smoking showed that, between 1992 and 1994, the national increase in youth smoking rates was slowed significantly in Massachusetts as a result of the combined effect of a tax increase and a strong tobacco control program.²⁶

Program Success – Maine

In 1997, Maine increased its cigarette excise tax and used a portion of those funds to establish a comprehensive tobacco prevention program known as the Partnership for a Tobacco-Free Maine. Maine has subsequently augmented its program with proceeds from the 1998 state tobacco settlement, which also resulted in a further increase in cigarette prices (the state also raised cigarette taxes again in 2001, to \$1.00 per pack). As a result, Maine today is one of only four states that funds tobacco prevention programs at levels recommended by the CDC. Prior to launching this effort, Maine had one of the highest youth smoking rates in the country. Now, it has one of the lowest.

- Smoking among Maine's high school students declined a dramatic 48 percent between 1997 and 2003, falling from 39.2 percent to 20.5 percent. Smoking among Maine's middle school students declined by 59 percent, from 21 percent to 8.7 percent, over the same time period.²⁷

Program Success – Mississippi

Mississippi, the first state to file and settle its lawsuit against the tobacco companies, launched a youth-driven comprehensive tobacco prevention program in 1999. The results after two years of implementation are very promising.

- Between 1999 and 2002, smoking among public middle school students declined by 48 percent, from 23 percent to 11.9 percent. Smoking among public high school students declined by 29 percent, from 32.5 percent to 23.1 percent over this same time period.²⁸
- In just one year, between 1999 and 2000, smoking in Mississippi declined by 10 percent among public high school students and by 21 percent among public middle school students. The declines in smoking were even greater for African American students in Mississippi's public schools. Smoking declined by 31 percent among African American middle school students and by 20 percent among African American high school students.²⁹
- Youth involved in Frontline, Mississippi's teen advocacy group, helped enact state legislation banning all tobacco use on school grounds and at all school events.³⁰

Program Success -- Florida

With funding from its 1997 settlement with the tobacco industry, the state of Florida funded a comprehensive tobacco prevention modeled on the programs in California and Massachusetts but targeted at youth. This innovative program that actively involved youth in its design and implementation produced substantial early success in preventing and reducing smoking among kids.³¹

- In the first four years of the Florida program, from 1998 to 2002, current smoking declined by 50 percent (from 18.5% to 9.2%) among middle school students and by 35 percent (from 27.4% to 17.8%) among high school students, resulting in almost 75,000 fewer youth smokers.
- Similarly, the proportion of Florida middle school students who had ever smoked a cigarette declined from 43.6 percent in 1998 to 30.6 percent in 2002, while the proportion of high school students who had ever smoked declined from 68.1 percent in 1998 to 52.2 percent in 2002.
- Conversely, the proportion of “committed never smokers” rose from 38.9 percent in 1998 to 56.4 percent in 2002 among middle school students and from 25 percent in 1998 to 43.2 percent in 2002 among high school students.

Despite the program’s steady success, the Florida legislature and governor have cut its funding in every year since the program’s inception. These cuts have begun to take their toll on the success of the program, especially among younger students, who are entering the most vulnerable years for starting to smoke but are not being exposed to the program at its full strength.

- For the first time since the program’s inception, no statistically significant declines in smoking were observed among middle school students between 2000 and 2001. Furthermore, in 2002, current smoking among middle school students remained unchanged at 9.2 percent.
- Even more foreboding, increases in smoking between 6th and 7th grades and between 7th and 8th grades reached record high levels in 2001. More recent data indicate that increases in current smoking between sixth and seventh grade persisted in 2002.
- While the proportion of 6th and 7th graders who are “committed never smokers” increased steadily between 1998 and 2000, these proportions actually declined slightly in the 2001 survey and remained virtually unchanged at 43.2% in 2002.

In 2003, Florida’s governor and legislature virtually eliminated this highly successful program.

Program Success -- Oregon

Using revenue from a tobacco tax increase, in 1997 Oregon implemented a Tobacco Prevention and Education Program (TEPP) modeled on the California and Massachusetts programs.

- Between 1996 (when Oregon began its program) and 2002, tobacco consumption decreased by 30 percent.³²
- Between 1996 and 2002, smoking declined by 51 percent among Oregon 8th graders and by 29 percent among Oregon 11th graders.³³
- From 1996 to 2002, adult smoking in Oregon decreased 12 percent (from 23.4 % to 20.4%), resulting in 75,000 fewer smokers.³⁴
- From 1996 and 2002, smoking by pregnant women dropped by 27 percent (from 17.8% to 13%).³⁵
- From 1996 to 2002, the proportion of Oregon retailers who sold tobacco to minors decreased by 59 percent (from 39% to 16%).³⁶

Program Success – Arizona

In 1994, Arizona voters passed the Tobacco Tax and Health Care Act, which increased the state sales tax on tobacco and funded a comprehensive Tobacco Education and Prevention Program. This program, launched in 1996, has significantly reduced smoking in Arizona, as outlined below.³⁷

- From 1996 to 1999, adult smoking prevalence declined by 21 percent, from 23.1 to 18.3 percent.
- During this same time period, some of the largest declines in smoking were among persons of low income (31.2% to 22.8%) and low education (29.3% to 16.2%), thus decreasing disturbing disparities in smoking rates.
- Arizona residents also reported an increased proportion of health care providers who asked about smoking and advised patients to stop (25.1% to 36.7%) between 1996 and 1999.

Program Success –Minnesota

With funding from its settlement with the tobacco industry, the Minnesota Department of Health created a youth tobacco prevention program in 2000. The program, called Target Market, includes advertising, public relations, and a grassroots movement to educate Minnesota teens about tobacco use and the targeting of youth by tobacco companies. After just one year, the program had significant impacts on teen attitudes that are often precursors to changes in smoking behavior.³⁸ There is also evidence that tobacco use among kids has declined in Minnesota.³⁹

- Between 2000 and 2002, current cigarette use declined by 21 percent among middle school students and by 11 percent among high school students. Additionally, current use of any tobacco product declined by 11 percent among both high school and middle school students over this same time period.
- The proportion of Minnesota teens (12-17 year olds) who believe cigarette companies try to get young people to smoke increased between 2000 to 2001 from 52 to 66 percent. Just as important, the proportion who think they can fight back against tobacco companies increased from 42 to 57 percent.
- The proportion of kids who are annoyed by tobacco companies targeting kids and who are angry about the money they make off kids also increased significantly between 2000 and 2001.
- The proportion of Minnesota teens who ever used tobacco declined from 37 percent in 2000 to 32 percent in 2001.
- Pre and post survey results also found that the proportion of Minnesota teens who are committed never smokers increased 46 percent to 55 percent.

Program Success – An Experiment in Texas

Rather than using settlement money to fund a comprehensive statewide tobacco prevention program, the state of Texas decided to use a small portion of its tobacco settlement money to test tobacco prevention interventions of varying intensity and comprehensiveness across fourteen locations in the state. The experiment included fourteen combinations of three media campaign levels and five community program options to test which combinations were most effective. Not surprisingly, this experiment found that the largest effects on both youth prevention and adult cessation occurred in those areas that combined higher level media campaigns with community interventions.

- Among sixth graders, the target of the effort, tobacco use was reduced by 60 percent in the areas with high level media campaigns and multiple school/community efforts. In other areas with lower level media campaigns or fewer school/community efforts, the declines ranged from 24 percent to 44 percent.⁴⁰
- The adult program focused mainly on cessation rates of current smokers. The highest rate of cessation, nearly 14 percent, was in the area with high level media campaigns and cessation service delivery. There was less change (11 percent) in the area with a low level media campaign and cessation services. Areas that had media campaigns alone without cessation services and no media or cessation services had the lowest cessation rate (8 percent and 5 percent, respectively).⁴¹

Program Success – Indiana

In 2000, Indiana implemented a comprehensive tobacco prevention and cessation program with revenue received from the state's tobacco settlement. Indiana's program is modeled after other comprehensive programs that have been successful in reducing tobacco use. Indiana's program includes public education, a counter-marketing campaign, community and school-based programs, and enforcement initiatives.⁴² Recent data indicate that this comprehensive approach is working.⁴³

- Between 2000 and 2002, smoking among high school students declined by 26 percent, (from 31.6 percent to 23.4 percent).
- Smoking among middle school students declined by 12 percent, from 9.8 percent to 8.6 percent, over this same time period.

National Center for Tobacco-Free Kids. November 4, 2003 / Meg Gallogly Related Campaign Fact Sheets (available at www.tobaccofreekids.org)

Comprehensive Statewide Tobacco-Prevention Programs Save Money
Public Education Campaigns Reduce Tobacco Use
Community Based Programs Reduce Tobacco Use
School Based Programs Reduce Tobacco Use
Treating Tobacco Addiction And Otherwise Helping People Quit Reduces Tobacco Use
Enforcing Laws Prohibiting Cigarette Sales to Kids Reduces Youth Smoking

¹ See, e.g., Institute of Medicine & National Research Council, *State Programs Can Reduce Tobacco Use*, National Academy of Sciences, 2000; U.S. Department of Human Services, *Reducing Tobacco Use: A Report of the Surgeon General*, 2000; Wakefield, M & Chaloupka, F, Effectiveness of comprehensive tobacco control programs in reducing teenage smoking in the USA," *Tobacco Control* 9:177-186, Summer, 2000.

² Farrelly, M.C., et al., "The impact of tobacco control program expenditures on aggregate cigarette sales: 1981-2000." *Journal of Health Economics* (22) 2003 843-859.

³ *Current Tobacco Use and Statistics*; California Department of Health Services/Tobacco Control Section, March 2003.

<http://www.dhs.cahwnet.gov/ps/cdic/ccb/TCS/documents/Consumption.pdf>

⁴ Pierce, JP et al., "Has the California Tobacco Control Program Reduced Smoking?" *Journal of the American Medical Association*, September 9, 1998. Volume 280, No. 10.

⁵ *California's Tobacco Control Program: Preventing Tobacco Related Disease and Death*; Tobacco Control Section, California Department of Health Services, April 3, 1998.

⁶ California Department of Health Services/ Tobacco Control Section, *California Tobacco Control Update 2002*, November 2002.

⁷ *Current Tobacco Use and Statistics*; California Department of Health Services/Tobacco Control Section, March 2003

<http://www.dhs.cahwnet.gov/ps/cdic/ccb/TCS/documents/April2003datarelease.pdf>

⁸ *California's Tobacco Control Program: Preventing Tobacco Related Disease and Death*; Tobacco Control Section, California Department of Health Services, April 3, 1998.

⁹ Pierce, JP et al., *Tobacco Control in California; Who's Winning the War? An Evaluation of the Tobacco Control Program, 1989-1996*, University of California, San Diego, 1998.

¹⁰ Chaloupka, F & M Grossman, *National Bureau of Economic Research Working Paper, No. 5740, September 1996*.

¹¹ Teh-Wei Hu, Hai-Yen Sung, Keeler TE. "Reducing Cigarette Consumption in California: Tobacco Taxes vs an Anti-Smoking Media Campaign." *Am J Public Health* 1995; 85(9):1218-1222.

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<http://www.dhs.cahwnet.gov/tobacco/documents/TCSupdate.PDF>

¹³ Pierce, JP et al., *Tobacco Control in California; Who's Winning the War? An Evaluation of the Tobacco Control Program, 1989-1996*. University of California, San Diego; 1998.

¹⁴ Pierce, JP et al., *Tobacco Control in California; Who's Winning the War? An Evaluation of the Tobacco Control Program, 1989-1996*. University of California, San Diego; 1998.

¹⁵ See, e.g., Pierce, J.P., et al., "Has the California Tobacco Control Program Reduced Smoking?," *JAMA* 280(10): 893-899, September 9, 1998.

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¹⁷ *Massachusetts Youth Risk Behavior Survey: 2001; National Youth Risk Behavior Survey*.

¹⁸ MA Data: Health & Addictions Research, June 2000. National data are from the Monitoring the Future Survey.

¹⁹ Abt Associates Inc, "Independent Evaluation of the Massachusetts Tobacco Control Program, Seventh Annual Report - January 1994 to June 2000".

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- ³⁰ *Clearing the Air: A Newsletter from the Partnership for a Health Mississippi*; August 2000
- ³¹ Florida Department of Health, *2002 Florida Youth Tobacco Survey*, Volume 5, Report 1; May, 2003.
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- ³⁷ CDC, "Tobacco use Among Adults - Arizona, 1996 - 1999," *MMWR* May 25, 2001; 50(20);402-406.
- ³⁸ Ergo International, *Target Market Campaign Evaluation: Pre/Post Research Results*, Prepared for the Minnesota Department of Health, August 2001.
- ³⁹ Minnesota 2002 Youth Tobacco Survey, Minnesota Department of Health, December, 2002
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- ⁴¹ University of Texas - Houston, January 2001.
- ⁴² Indiana Tobacco Prevention and Cessation, Annual Report, 2001-2002.
<http://www.in.gov/itpc/images/annual.pdf>
- ⁴³ Youth Tobacco Survey, 2000 and 2002. http://www.in.gov/itpc/files/research_52.pdf

Appendix G



Using Tobacco Settlement Funds for tobacco Prevention SUPPORTIVE QUOTES FROM HIGH-RANKING STATE OFFICIALS

After the multi-state tobacco settlement (MSA) was signed in November 1998, many governors, state attorneys general, and other high-ranking state officials expressed strong support for investing substantial portions of the tobacco settlement payments in new efforts to prevent and reduce tobacco use in their states.

“The nation’s Governors are committed to spending a significant portion of the tobacco settlement funds on smoking cessation programs, health care, education, and programs benefiting children.”

Governor Thomas Carper, Chairman of the National Governors Association and Utah Governor Michael Leavitt, Vice Chair, in letter to U.S. Senate Minority Leader Daschle, March 5, 1999

CONNECTICUT

“Everyone can see that stopping teens from smoking before they start is an important goal we all want to reach,” said Gov. Rowland.

Press Release from National Governors Association, April 19, 1999

ILLINOIS

Attorney General Jim Ryan wants half of the state’s \$9.1 billion windfall from the national tobacco lawsuit to go to health and anti-smoking programs. Ryan’s plan would earmark 50 percent of the money for uninsured children, smoking-cessation and anti-smoking education programs and helping police enforce tobacco restrictions on minors.

Daily Southtown, January 23, 1999.

INDIANA

“Nationwide, about 3,000 kids start smoking every day, and a third of them will die prematurely because of it,” Governor Frank O’Bannon said. “This money can go a long way toward preventing Hoosier kids from ever getting hooked on tobacco and toward helping our citizens stop smoking and recover from smoking-related illness.”

Press Release from Governor Frank O’Bannon (D) and Attorney General Jeff Modisett (D), November 20, 1998.

MARYLAND

We are committed to fighting for the kinds of programs that will substantially reduce smoking among our young people and that will prevent the next generation of prospective smokers from ever lighting their first cigarette.

Press Release from Governor Parris Glendening (D), November 20, 1998.

MASSACHUSETTS

"The money from the settlement should be used to... reduce tobacco use among children and adults, especially in minority and urban neighborhoods."

Former Attorney General Scott Harshbarger (D), *Boston Globe*, December 2, 1998.

"The goal of the [tobacco] lawsuit was to prevent people from smoking and recoup money spent on treating people who get sick from smoking," said Attorney General Tom Reilly (D). "It's important not to lose sight of that.... Everyone is seeing this as a panacea for all kinds of things. I don't see it that way."

Boston Globe, January 28, 1999.

MINNESOTA

"State legislatures also have a part to play. They must reinvest their tobacco dollars in developing and administering effective tobacco-control programs. In Minnesota, polls show overwhelming public support for spending most or even all of the money won in the settlement on public health programs."

Former Attorney General Hubert H. Humphrey III (D), *The New York Times*, November 24, 1998.

MONTANA

Under the terms of the settlement, Montana will receive an estimated \$832 million over the next 26 years. Attorney General Joe Mazurek said he will urge the Legislature to channel most of the money into public health programs, to meet the lawsuit's goal of reducing tobacco use and thus reducing the public health problems caused by smoking.

Press Release from Attorney General Joe Mazurek (D), November 19, 1998.

NEW JERSEY

"Every penny of these funds should be used for health purposes including prevention programs and counter advertising to protect kids, cessation programs and community partnerships to serve those who have already put their health at risk by smoking, in addition to existing important health programs such as charity care and KidCare."

Press Release from Governor Christie Whitman (R), November 16, 1998.

NEVADA

"The settlement contains groundbreaking controls on the tobacco industry in marketing and advertising that targets youth. These controls will benefit Nevada in achieving our highest priority, the prevention of smoking and tobacco use by children and teens. The settlement also contains substantial resources for funding community-based and population-based prevention efforts"

Press Release from Attorney General Frankie Sue Del Papa (D), November 20, 1998.

...We will, in turn, leave millions of dollars for worthy and innovative health care programs to preserve the integrity of the [tobacco] settlement and educate our children on the risks associated with smoking.

Governor Kenny Guinn (R), State of the State Address, January 18, 1999.

NORTH CAROLINA

Governor Jim Hunt (D) said the consent decree gives North Carolina "a balanced approach" to allocate tobacco settlement money. "It will help us address our efforts to crack down on underage smoking and to protect the health and well-being of North Carolinians," he said.

Raleigh News and Observer, December 22, 1998.

NORTH DAKOTA

First, I am proposing we devote 10 percent of any tobacco settlement dollars to public health programs, including important initiatives on diabetes, drug and alcohol abuse, and tobacco prevention and cessation.

Governor Edward T. Schafer (R), State of the State Address, January 5, 1999.

OHIO

"It's premature to rush to spend this [tobacco settlement] money," said Attorney General Betty Montgomery, who was joined at the announcement by members of the public health community. "The reason we got in this fight was to protect public health and prevent underage smoking. A significant portion of this money should go toward these causes."

Press Release from Attorney General Betty Montgomery (R), November 18, 1998.

OKLAHOMA

"While this agreement is a great beginning, we all realize that much more work needs to be done at the state and local levels to produce an effective tobacco control program," Attorney General W.A. Drew Edmondson said. "I would like to think that this settlement will help provide the momentum and the resources needed for an ongoing, comprehensive effort."

Press Release from Attorney General W.A. Drew Edmondson (D), November 16, 1998.

OREGON

"The Oregon legislature has discretion over how the money is used; however, I am hoping that Governor Kitzhaber and lawmakers, understanding the direct link between tobacco use and increased health care costs, will invest the proceeds in health care, namely, smoking cessation and prevention programs and increased access to health care," Attorney General Hardy Myers said.

Press Release from Attorney General Hardy Myers (D), November 20, 1998.

PENNSYLVANIA

"Emphysema, heart disease, cancer — more than 20,000 Pennsylvanians die from tobacco-related diseases each year," Attorney General Mike Fisher said. "I sued the tobacco industry because it conspired to increase the addictive properties of tobacco products and suppressed vital information about the deadly nature of tobacco. This money will not bring back those who have died, but it may be used to keep others from starting this deadly habit."

Press Release from Attorney General Mike Fisher (R), November 16, 1998.

UTAH

"Utah has a moral duty to invest a good part of this money in keeping our kids away from cigarettes. One-third of kids who start smoking will die of smoking caused disease," Attorney General Jan Graham said.

Press Release from Attorney General Jan Graham (D), November 16, 1998.

VERMONT

I propose that we set up a special trust fund and that the money be spent to educate Vermonters, particularly young Vermonters, about the extraordinary dangers of smoking. Tobacco is an addictive drug that claims the lives of nearly 1,000 of us in Vermont each year. We need to use this money to make it as difficult as possible, and as unattractive as possible, for Vermonters to get caught in this addiction.

Governor Howard Dean (D), State of the State Address, January 7, 1999.

"Now it will be up to the Legislature to decide how these moneys are to be spent. It would be a shame not to use the funds to make serious progress in helping Vermonters currently addicted to stop smoking and to do a better job convincing young Vermonters not to smoke," added Attorney General William Sorrell.

Press Release from Attorney General William Sorrell (D), November 20, 1998.

WASHINGTON

"Over the course of this century, we witnessed how products of the tobacco industry destroyed lives and stole from us our parents, brothers, sisters — people we loved," Locke said. "At the threshold of the 21st century, we'll use this settlement to settle the score with Big Tobacco. We'll use their money to build healthy, educated families who have the strength and knowledge to fight the addiction the tobacco industry is peddling. It is our goal to make the current generation of smokers in Washington the last generation of smokers in our state," Locke said.

Press Release from Governor Gary Locke (D), December 2, 1998.

"We have indicated we want all the moneys to be used for public health purposes..."

Attorney General Christine Gregoire (D), *Wall Street Journal*, November 23, 1998.

WEST VIRGINIA

It's premature to rush to spend this money. The reason we got in this fight was to protect public health and prevent underage smoking. A significant portion of this money should go toward these causes.

Press Release from Attorney General Darrell V. McGraw, Jr. (D), November 19, 1998.

NATIONAL GOVERNORS ASSOCIATION

States already are spending state funds on smoking cessation programs and will substantially increase funding as the effectiveness of these programs is established. Many states have invested years in program design, modification, and evaluation to determine the best ways to prevent young people from taking up cigarette smoking and helping youth and adults quit smoking. The Governors see the human and economic burdens of tobacco use everyday...and are highly motivated to implement effective programs. The Governors will commit new funds as the effectiveness of these programs is proven.

National Governors Association, *Backgrounder on State Tobacco Settlement*, May 4, 1999

At the National Governors Association 1999 Winter Meeting, the nation's Governors unanimously passed a resolution stating that they are committed to spending a significant portion of the settlement funds on smoking cessation programs, health care, education, and programs benefiting children.

National Governors Association, *Backgrounder on State Tobacco Settlement*, May 4, 1999

ATTORNEYS GENERAL

The payments were intended to provide general monetary relief to the States, including past and prospective relief to the States for actual harm caused by cigarette smoking and to fund anti-smoking public health and education programs.

Settlement payments by the companies have provided the resources for effective State anti-tobacco campaigns, and reductions in youth smoking have been most dramatic in those States that have used settlement revenues to fund such programs.

Legal brief filed by 37 state and territorial Attorneys General in support of reducing the appeal bond Philip Morris must pay to appeal a judgment against it in Illinois, April 7, 2003

CLINTON ADMINISTRATION

Clinton assured the governors...that he would not insist on a cut for the federal government provided they spent, in four related areas, the amount on which Washington would otherwise insist: improving public health, reducing teenage smoking, benefiting children in additional ways, and assisting tobacco farmers.

New York Times, February 23, 1999

National Center for Tobacco-Free Kids, November 3, 2003