

A Broken Promise to Our Children

The 1998 State
Tobacco Settlement
Nine Years Later

December 12, 2007



A Broken Promise to Our Children: The 1998 State Tobacco Settlement Nine Years Later

A Report on the States' Allocation of the Tobacco Settlement Dollars

Table of Contents

Overview

| | |
|---|----------|
| Executive Summary | i-vi |
| <u>Table</u> : Status of State Funding of Tobacco Prevention | vii |
| <u>Chart</u> : Rankings of State Funding for Tobacco Prevention..... | viii-ix |
| <u>Graph</u> : FY2008 Tobacco Money for Tobacco Prevention..... | x |
| <u>Map</u> : Funding for Tobacco Prevention..... | xi |
| <u>Graph</u> : U.S. Tobacco Industry Marketing Expenditures Since the Settlement | xii |
| <u>Chart</u> : State Tobacco Prevention Spending vs. Tobacco Company Marketing | xiii-xiv |

State Summaries

| | |
|---------------------------------------|-------|
| State-by-State Status Summaries | 1-101 |
|---------------------------------------|-------|

Appendices

| | |
|---|---------|
| <u>Appendix A</u> : Chart – History of State Spending for Tobacco Prevention | 102-105 |
| <u>Appendix B</u> : Chart – State Tobacco Prevention Spending vs. State Tobacco Revenues | 106-107 |
| <u>Appendix C</u> : Chart – Trends in State Tobacco Prevention Spending vs. State Tobacco Revenues | 108-109 |
| <u>Appendix D</u> : Graph – Tobacco Revenue and Prevention Spending: FY2000-FY2008 | 110 |
| <u>Appendix E</u> : Factsheet – Comprehensive Statewide Tobacco Prevention Programs Save Money | 111-116 |
| <u>Appendix F</u> : Factsheet – Coming Increases to State MSA Payments in April 2008 | 117-118 |
| <u>Appendix G</u> : The Impact of Reductions to State Tobacco Control Program Funding..... | 119-121 |

Executive Summary

Since the November 1998 multi-state tobacco settlement, our organizations have issued regular reports assessing whether the states are keeping their promise to use a significant portion of their settlement funds – expected to total \$246 billion over the first 25 years – to attack the enormous public health problem posed by tobacco use in the United States.

This year, we find that the states have made important progress by increasing funding for tobacco prevention and cessation programs by 20 percent to a total of \$717.2 million in fiscal year 2008, which is the highest level in six years. However, most states still fail to fund tobacco prevention programs at minimum levels recommended by the U.S. Centers for Disease Control and Prevention (CDC), and altogether, the states are providing less than half what the CDC has recommended.¹

The states' failure to do more to prevent and reduce tobacco use is especially troubling in light of recent national surveys indicating that the remarkable progress the United States has made in reducing smoking has stalled among both youth and adults. If the nation is to continue reducing smoking and other tobacco use, Congress and the states must resist complacency and redouble efforts to implement proven tobacco control measures. These include fully-funded tobacco prevention programs, higher tobacco taxes and smoke-free workplace laws at the state level and U.S. Food and Drug Administration (FDA) regulation of tobacco products, higher tobacco taxes and a national public education campaign at the federal level.

Entering the 10th year of the tobacco settlement, our public health organizations challenge the states to finally keep the promise of the tobacco settlement and fully fund tobacco prevention programs in every state at CDC-recommended levels.

Key findings of this report include:

- In the current budget year, Fiscal Year 2008, only three states – **Maine, Delaware** and **Colorado** – are funding tobacco prevention programs at CDC minimum levels. These were the only three states to do so last year as well. This is the sixth year in a row that Maine has ranked first in funding tobacco prevention programs.
- Only 17 other states are funding tobacco prevention programs at even half the minimum level recommended by the CDC.
- Thirty states and the District of Columbia are spending less than half the CDC's minimum amount. Connecticut is the only state that appropriated no funding for tobacco prevention this year.

¹ This report utilizes CDC recommendations for state funding of tobacco prevention programs that were issued in 1999. In October 2007, the CDC issued the first update since 1999 of its Best Practices recommendations for funding and implementing tobacco prevention programs, taking into account new scientific evidence, state experience in implementing programs and cost factors such as inflation and population growth since 1999. In most states, the new funding recommendations are significantly higher than current ones. Next year, this report will begin to assess the states based on these new recommendations.

- The combined amount the states have allocated for tobacco prevention this year – \$717.2 million – is an increase of 20 percent from the \$597.5 million allocated in Fiscal 2007, but it is still just 45 percent of the \$1.6 billion minimum the CDC has recommended.
- **Florida** accounts for nearly half the increase in tobacco prevention funding this year, with an increase from \$1 million last year to \$58 million this year. This is the result of a state constitutional amendment initiated by public health organizations and approved by voters in 2006 after the Legislature repeatedly cut funding for tobacco prevention. The constitutional amendment requires that Florida spend 15 percent of its annual tobacco settlement revenue on tobacco prevention. The amendment restored funding for what had been one of the nation's most effective and innovative tobacco prevention programs and gives Florida the opportunity to be a national leader again if it properly implements its program.
- Other states that have increased funding for tobacco prevention programs include **Indiana, Iowa, Oklahoma, South Dakota, Tennessee** and **Wisconsin**, although most are still well short of CDC recommendations (and in Indiana's case, it has yet to fully restore funding for a program that once was a national leader).
- The total amount states are spending on tobacco prevention amounts to less than three percent of the record \$24.9 billion in tobacco-generated revenue the states will collect this year from the tobacco settlement and tobacco taxes. It would take just 6.4 percent of this tobacco revenue to fund tobacco prevention programs in every state at CDC minimum levels.
- The amount states are spending on tobacco prevention programs pales in comparison to the \$13.4 billion a year the tobacco companies spend to market tobacco products, according to the latest tobacco marketing report of the Federal Trade Commission (for 2005). That means the tobacco companies spend nearly \$19 to market tobacco products for every one dollar the states spend to prevent kids from smoking and help smokers quit.
- The amount states are spending on tobacco prevention also pales in comparison to the huge health care costs caused by tobacco use, which total almost \$100 billion each year.
- There is more evidence than ever that tobacco prevention and cessation programs work to reduce smoking, save lives and save money. This year, the Institute of Medicine of the National Academies of Sciences, the President's Cancer Panel and the CDC all issued landmark reports that concluded there is overwhelming evidence that comprehensive state tobacco control programs substantially reduce tobacco use and recommended that every state fund such programs at CDC-recommended levels.
- Beginning in 2008, the states will have a critical second chance to adequately fund tobacco prevention programs. That is because of a little known provision of the 1998 multi-state tobacco settlement that calls for the 46 states, the District of Columbia and the U.S. territories that are parties to the settlement to receive "bonus" payments totaling almost \$1 billion per year. By allocating these new windfall funds to tobacco prevention and cessation programs, states can finally keep the promise of the tobacco settlement to confront the tobacco problem.

Progress Is At Risk Unless Congress and the States Step Up Fight Against Tobacco Use

This report is being released in the wake of recent surveys showing that the nation's progress in reducing smoking has slowed or stopped among both youth and adults. The CDC recently reported that 20.8 percent of adults smoked in 2006, about the same as the 20.9 percent who smoked in 2004 and 2005. This follows a steady decline between 1997 and 2004. High school smoking rates have similarly stalled after declining significantly from a high of 36.4 percent in 1997. According to the most recent CDC data, 23 percent of high school students still smoke.

The CDC has identified two trends as key contributors to this stalling of progress: Deep cuts in tobacco prevention funding and steep increases in tobacco marketing expenditures. The latter are now concentrated overwhelmingly in price discounts and other promotions that make cigarettes more affordable to children and deter smokers from quitting.

As our reports have shown, states cut funding for tobacco prevention programs by 28 percent between 2002 and 2005, from \$749.7 million to \$538.2 million. While states have increased funding for tobacco prevention programs in the last two years, this year's funding of \$717.2 million is still less than peak funding of \$749.7 million in 2002 and less than half the minimum amount the CDC has recommended. At the national level, the American Legacy Foundation had to reduce its highly successful truth® public education media campaign because most of its funding under the 1998 tobacco settlement ended after 2003.

In contrast, tobacco marketing expenditures have skyrocketed since the 1998 state tobacco settlement. From 1998 to 2005, tobacco marketing expenditures nearly doubled from \$6.9 billion to \$13.4 billion, according to the FTC's most recent report on tobacco marketing.

More than 80 percent of cigarette marketing is now concentrated on price discounts, which undermine state efforts to reduce smoking by increasing tobacco taxes and have the greatest impact on youth, who are the most price-sensitive customers. The tobacco companies persist in their price discounting despite knowing full well that increasing the price of cigarettes is one of the most effective ways to reduce smoking, especially among youth.

It is troubling news for America's health that progress has stalled in reducing tobacco use, the nation's number one preventable cause of death. It is also inexcusable that elected officials have not done more given the overwhelming scientific evidence of what works to reduce tobacco use. In their landmark reports this year, the Institute of Medicine (IOM) and the President's Cancer Panel agreed on the steps that Congress and the states must take to significantly reduce and eventually eliminate the tobacco epidemic:

- In addition to fully funding tobacco prevention and cessation programs at CDC-recommended levels, the states should further increase tobacco taxes and enact comprehensive smoke-free workplace laws.
- Congress should enact long-overdue legislation to grant the FDA authority over tobacco products. Among other things, the legislation would grant the FDA authority to crack down on tobacco marketing and sales to kids; require that tobacco companies disclose the contents of tobacco products and reduce or remove harmful ingredients; stop tobacco companies from misleading the public about the health risks of their products; and require larger, more effective health warnings on tobacco products. Congress should also significantly increase the federal cigarette tax, as called for in pending legislation to fund the

State Children's Health Insurance Program, and provide funding for a national public education campaign.

It is time for Congress and the states to combat the tobacco epidemic with a level of commitment and resources that matches the scope of the problem.

States Lack Excuses for Failing to Fund Tobacco Prevention Programs

The states lack credible excuses for their failure to adequately fund programs to prevent kids from smoking and help smokers quit.

The states' funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the 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 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 – more than 400,000 – than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. Tobacco use costs the nation nearly \$100 billion a year in health care bills. Every day, more than 1,000 kids become new regular smokers and another 1,200 Americans die because of tobacco use.

Every state has plenty of tobacco-generated revenue to fund a tobacco prevention program at CDC-recommended levels, and the states are about to get more because of tobacco settlement bonus payments.

The states this year will collect a record \$24.9 billion from the tobacco settlement and tobacco taxes. Just 6.4 percent of this total can fund tobacco prevention and cessation programs in every state at minimum levels the CDC has been recommending. However, the states are spending less than three percent of their tobacco revenue on tobacco prevention and cessation.

The states' tobacco-generated revenue continues to increase because, since January 1, 2002, 43 states, Puerto Rico and the District of Columbia have increased tobacco taxes, some more than once. These actions have increased the average state cigarette tax from 43.4 cents to \$1.112 a pack. Nine states now have cigarette tax rates of \$2 or more and 25 states and the District of Columbia have tax rates of \$1 or more.

The states will soon have even more tobacco-generated revenue to fund tobacco prevention programs. This is because of a little known provision of the 1998 multi-state tobacco settlement that calls for the 46 states, the District of Columbia and the U.S. territories that are parties to the settlement to receive "bonus payments" totalling almost a billion dollars per year beginning in April 2008. The bonus payments will continue for at least 10 years.

By allocating these new windfall funds to tobacco prevention and cessation, the states can finally keep the promise of the tobacco settlement to aggressively confront the tobacco problem. Rarely do elected officials get a second chance to keep a promise.

The evidence is conclusive that state tobacco prevention and cessation programs work to reduce smoking, save lives and save money by reducing tobacco-caused health care costs.

Every scientific authority that has studied the issue, including the IOM, the President's Cancer Panel, the National Cancer Institute, the CDC and the U.S. Surgeon General, has concluded that when properly funded, implemented and sustained, these programs reduce smoking among both kids and adults.

In its May 2007 report, the IOM concluded:

The committee finds compelling evidence that comprehensive state tobacco control programs can achieve substantial reductions in tobacco use. To effectively reduce tobacco use, states must maintain over time a comprehensive integrated tobacco control strategy. However, large budget cutbacks in many states' tobacco control programs have seriously jeopardized further success. In the committee's view, states should adopt a funding strategy designed to provide stable support for the level of tobacco control funding recommended by the Centers for Disease Control and Prevention.

The CDC reached similar conclusions in October 2007 when it released updated recommendations to the states for funding and implementing comprehensive tobacco control programs, in a document entitled *Best Practices for Comprehensive Tobacco Control Programs – 2007*. Summarizing state experiences and new scientific evidence since it last issued this report in 1999, the CDC concluded:

We know how to end the epidemic. Evidence-based, statewide tobacco control programs that are comprehensive, sustained, and accountable have been shown to reduce smoking rates, tobacco-related deaths, and diseases caused by smoking.... Implementing a comprehensive tobacco control program structure at the CDC-recommended levels of investment would have a substantial impact. For example, if each state sustained its recommended level of funding for 5 years, an estimated 5 million fewer people in this country would smoke. As a result, hundreds of thousands of premature deaths would be prevented. Longer-term investments would have even greater effects.

The strongest evidence that tobacco prevention programs work comes from the states themselves. Maine, which has ranked first in funding tobacco prevention programs for six years in a row, has reduced smoking by 64 percent among middle school students and by 59 percent among high school students since 1997. Washington state, with another well-funded prevention program, has cut smoking by 60 percent among sixth graders, 58 percent among eighth graders, 40 percent among tenth graders and 43 percent among twelfth graders.

These smoking declines translate into lives and health care dollars saved. The Maine Department of Health estimates that the state's smoking declines have prevented more than 26,000 youth from becoming smokers, saving more than 14,000 of them from premature, smoking-caused deaths, and have already saved more than \$416 million in future health care costs (savings estimates are based on research showing that smokers, on average, have \$16,000 more in long-term health care costs than non-smokers). The Washington State Department of Health estimates that the state's smoking declines translate into 65,000 fewer youth smokers, 230,000 fewer adult smokers and \$2.1 billion in long-term health care cost savings.

Studies show that California, which has the nation's longest-running tobacco prevention and cessation program, has saved tens of thousands of lives by reducing smoking-caused birth

complications, heart disease, strokes and lung cancer. Lung cancer incidence has been declining four times faster in California than in the rest of the nation. Other studies have shown that California and Massachusetts, which started their tobacco prevention programs in 1990 and 1993 respectively, were saving as much as \$3 in smoking-caused health care costs for every dollar spent on tobacco prevention when their programs were adequately funded.

Our nation has made significant progress in reducing tobacco use with a comprehensive approach that includes well-funded tobacco prevention and cessation programs, tobacco tax increases and smoke-free workplace laws. Continued progress will not occur, however, unless states use more of the billions of dollars they receive from the tobacco settlement and tobacco taxes to fund comprehensive tobacco prevention and cessation programs based on the recommendations of the CDC. It is also imperative that Congress provide much-needed leadership by enacting the legislation granting the FDA authority over tobacco products, significantly increasing the federal cigarette tax and funding a national public education campaign.

If national and state leaders step up the fight against tobacco use, 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 (3)

Colorado
Delaware

Maine

States that have committed substantial funding for tobacco prevention programs (17)

(At least 50 percent of CDC Minimum)

Alaska
Arizona
Arkansas
Florida
Hawaii
Iowa
Maryland
Minnesota
Montana

New Mexico
New York
Ohio
Oklahoma
South Dakota
Vermont
Washington
Wyoming

States that have committed modest funding for tobacco prevention programs (14 and DC)

(25 percent to 50 percent of CDC Minimum)

California
Dist. of Columbia
Indiana
Louisiana
Massachusetts
Mississippi
North Carolina
North Dakota

Oregon
Pennsylvania
Tennessee
Utah
Virginia
West Virginia
Wisconsin

States that have committed minimal funding for tobacco prevention programs (15)

(Less than 25 percent of CDC Minimum)

Alabama
Georgia
Idaho
Illinois
Kansas
Kentucky
Michigan
Missouri

Nebraska
Nevada
New Hampshire
New Jersey
Rhode Island
South Carolina
Texas

States that committed none of their tobacco settlement money for tobacco prevention programs (1)

Connecticut



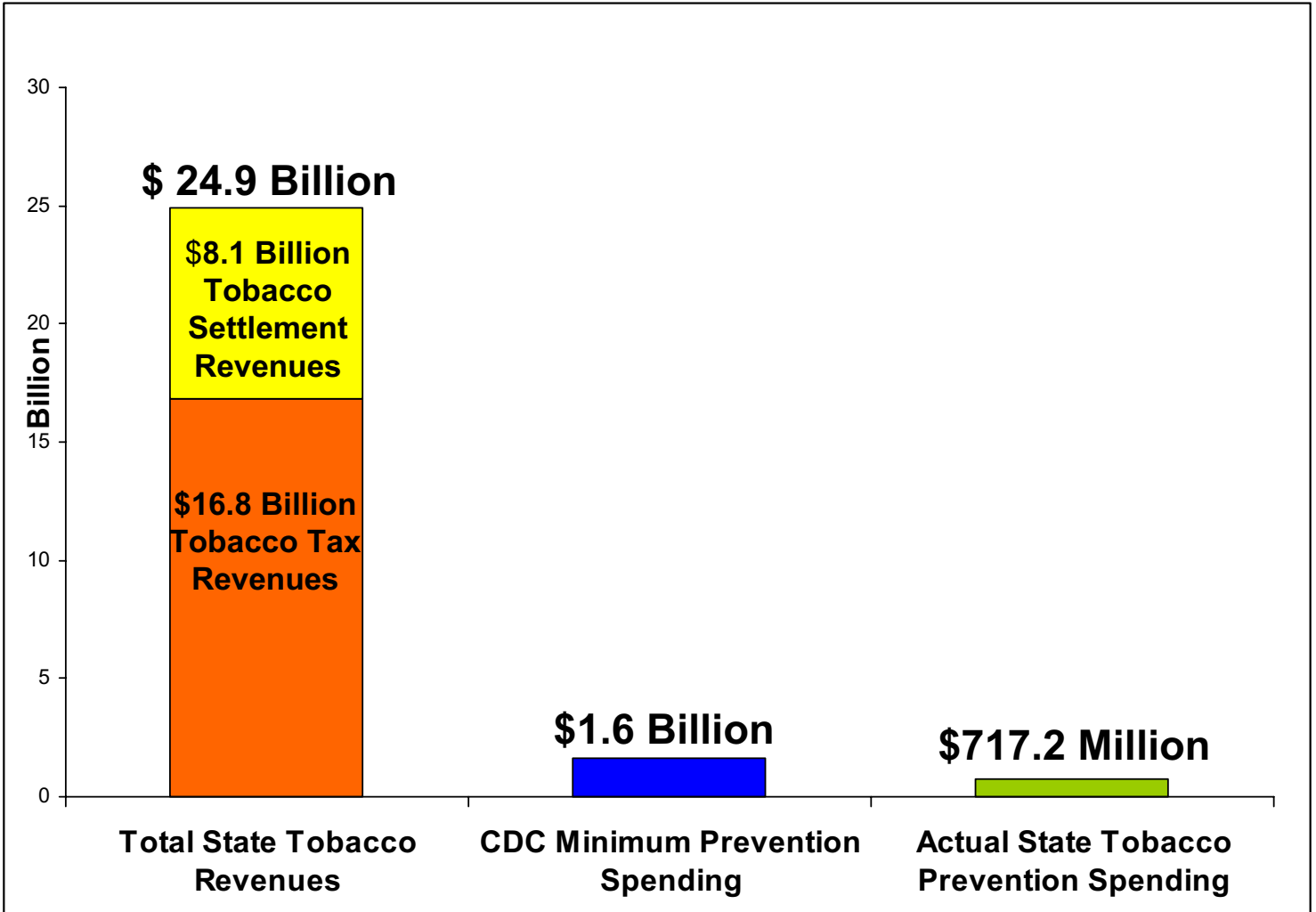
FY2008 Rankings of State Funding for Tobacco Prevention

| State | FY2008 Current Annual Funding (millions) | CDC's Annual Funding Recommendations (millions) | Percent of CDC Minimum Recommendations | Current Rank | FY2007 Rank |
|----------------------|---|--|---|---------------------|--------------------|
| Maine | \$16.9 | 11.19 – 23.35 | 151.2% | 1 | 1 |
| Delaware | \$10.7 | 8.63 – 18.46 | 123.8% | 2 | 2 |
| Colorado | \$26.0 | 24.55 – 63.26 | 105.9% | 3 | 3 |
| Hawaii | \$10.4 | 10.78 – 23.45 | 96.3% | 4 | 7 |
| Alaska | \$7.5 | 8.09 – 16.51 | 92.5% | 5 | 10 |
| Montana | \$8.5 | 9.36 – 19.68 | 90.6% | 6 | 12 |
| New York | \$85.5 | 95.83 – 269.30 | 89.2% | 7 | 5 |
| Arkansas | \$15.6 | 17.91 – 46.45 | 87.1% | 8 | 6 |
| Arizona | \$23.5 | 27.79 – 71.10 | 84.6% | 9 | 4 |
| Washington | \$27.1 | 33.34 – 89.38 | 81.1% | 10 | 8 |
| Wyoming | \$5.9 | 7.35 – 14.40 | 80.1% | 11 | 9 |
| Minnesota | \$22.1 | 28.62 – 74.01 | 77.2% | 12 | 11 |
| Florida | \$58.0 | 78.38 – 221.26 | 74.0% | 13 | 41 |
| Ohio | \$44.7 | 61.74 – 173.68 | 72.4% | 14 | 13 |
| New Mexico | \$9.6 | 13.71 – 31.95 | 70.1% | 15 | 16 |
| Vermont | \$5.2 | 7.91 – 15.94 | 66.0% | 16 | 14 |
| Oklahoma | \$14.2 | 21.83 – 56.31 | 65.1% | 17 | 20 |
| Iowa | \$12.3 | 19.35 – 48.71 | 63.5% | 18 | 25 |
| Maryland | \$18.4 | 30.30 – 78.60 | 60.7% | 19 | 15 |
| South Dakota | \$5.0 | 8.69 – 18.21 | 57.5% | 20 | 40 |
| Pennsylvania | \$31.7 | 65.57 – 184.76 | 48.3% | 21 | 19 |
| District of Columbia | \$3.6 | 7.48 – 14.57 | 48.1% | 22 | 42 |
| Wisconsin | \$15.0 | 31.16 – 82.38 | 48.1% | 22 | 26 |
| Utah | \$7.3 | 15.23 – 33.38 | 47.7% | 24 | 18 |
| California | \$77.4 | 165.10 – 442.40 | 46.9% | 25 | 17 |
| Indiana | \$16.2 | 34.78 – 95.80 | 46.6% | 26 | 27 |
| Mississippi | \$8.0 | 18.79 – 46.80 | 42.6% | 27 | 51 |
| North Carolina | \$17.1 | 42.59 – 118.63 | 40.2% | 28 | 21 |
| West Virginia | \$5.7 | 14.16 – 35.37 | 40.0% | 29 | 22 |
| Oregon | \$8.2 | 21.13 – 52.84 | 38.8% | 30 | 33 |
| North Dakota | \$3.1 | 8.16 – 16.55 | 38.4% | 31 | 23 |
| Virginia | \$14.5 | 38.87 – 106.85 | 37.3% | 32 | 24 |

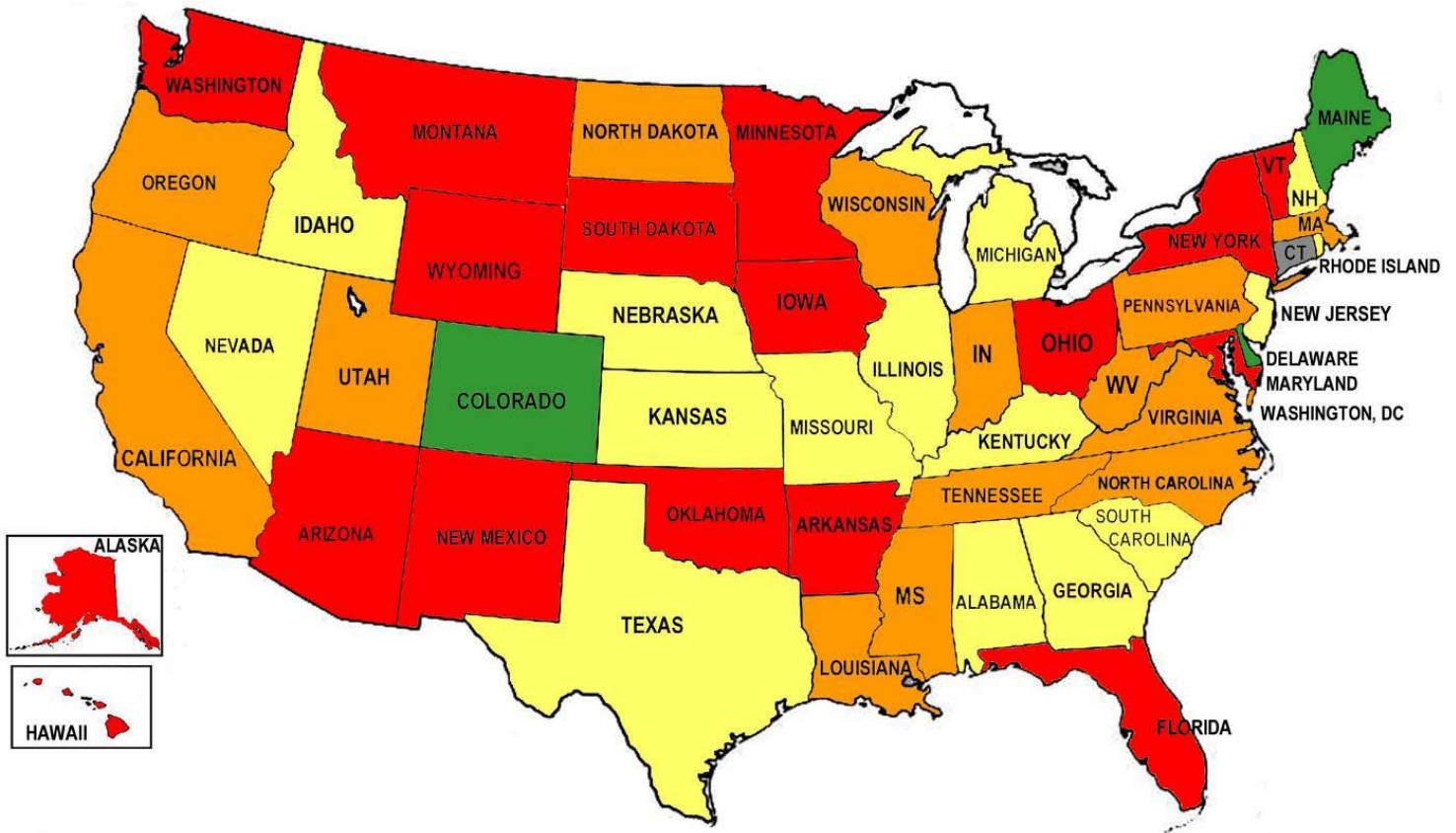
| State | FY2008 Current Annual Funding (millions) | CDC's Annual Funding Recommendations (millions) | Percent of CDC Minimum Recommendations | Current Rank | FY2007 Rank |
|----------------|---|--|---|-------------------------|------------------------|
| Massachusetts | \$12.8 | 35.21 – 92.76 | 36.2% | 33 | 31 |
| Tennessee | \$10.0 | 32.23 – 89.08 | 31.0% | 34 | 51 |
| Louisiana | \$7.7 | 27.13 – 71.43 | 28.3% | 35 | 28 |
| New Jersey | \$11.0 | 45.07 – 121.33 | 24.4% | 36 | 30 |
| Nebraska | \$2.5 | 13.31 – 31.04 | 18.8% | 37 | 32 |
| Nevada | \$2.0 | 13.48 – 32.99 | 14.8% | 38 | 29 |
| Illinois | \$8.5 | 64.91 – 179.05 | 13.1% | 39 | 34 |
| Idaho | \$1.4 | 11.04 – 24.09 | 12.6% | 40 | 39 |
| New Hampshire | \$1.3 | 10.89 – 24.77 | 12.3% | 41 | 51 |
| Texas | \$11.8 | 103.29 – 284.74 | 11.4% | 42 | 45 |
| Rhode Island | \$940,000 | 9.89 – 21.91 | 9.5% | 43 | 35 |
| Kentucky | \$2.4 | 25.09 – 69.90 | 9.4% | 44 | 37 |
| South Carolina | \$2.0 | 23.91 – 62.01 | 8.4% | 45 | 38 |
| Kansas | \$1.4 | 18.05 – 44.69 | 7.8% | 46 | 43 |
| Michigan | \$3.6 | 54.80 – 154.56 | 6.6% | 47 | 51 |
| Georgia | \$2.2 | 42.59 – 114.34 | 5.3% | 48 | 44 |
| Alabama | \$767,000 | 26.74 – 71.24 | 2.9% | 49 | 46 |
| Missouri | \$200,000 | 32.77 – 91.36 | 0.6% | 50 | 51 |
| Connecticut | \$0.0 | 21.24 – 53.90 | 0.0% | 51 | 36 |






NOTE: The CDC recently updated its recommendation for the amount each state should spend on tobacco prevention programs, taking into account new science, population increases, inflation and other changes since it last issued its recommendations in 1999. In most cases, the new recommendations are higher than current ones. Next year, this report will begin to assess the states based on these new recommendations.

FY 2008 Tobacco Money for Tobacco Prevention



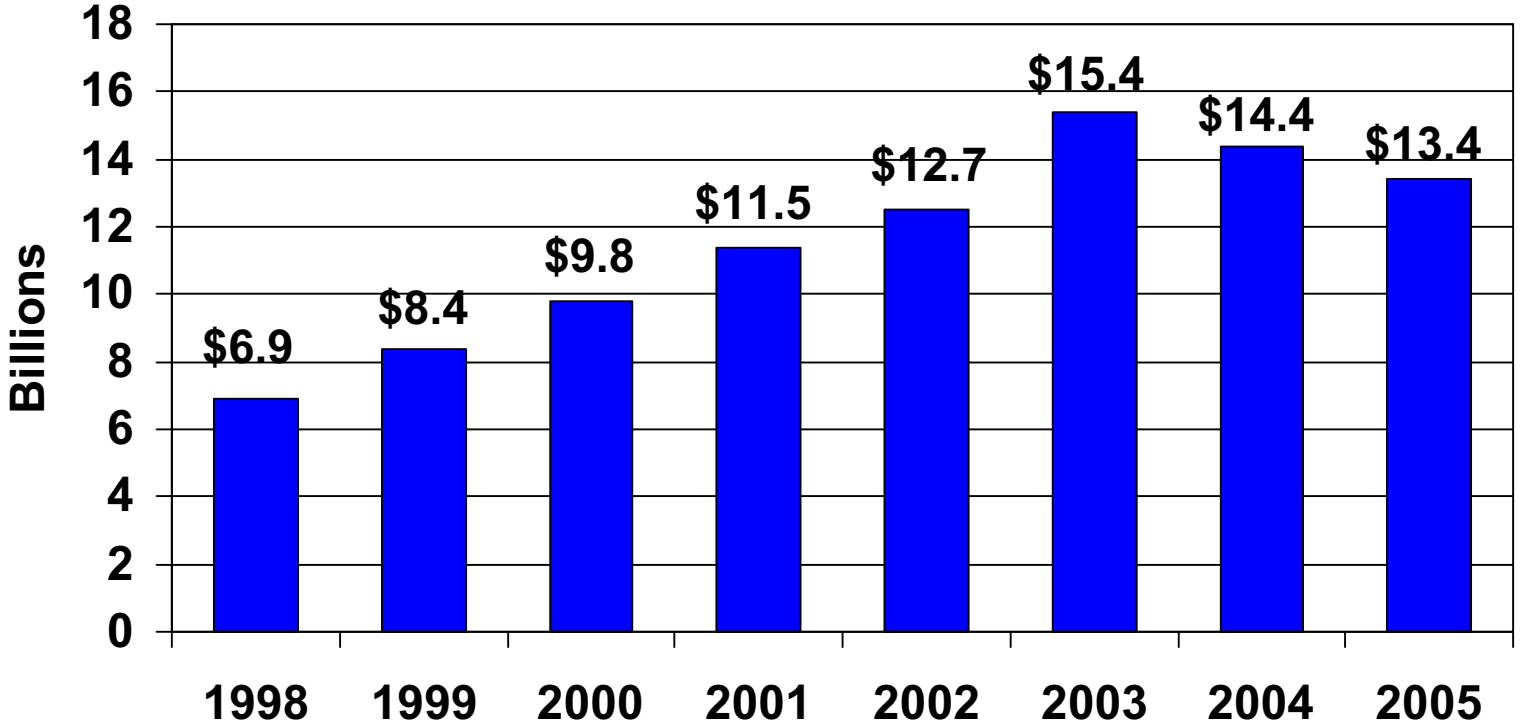
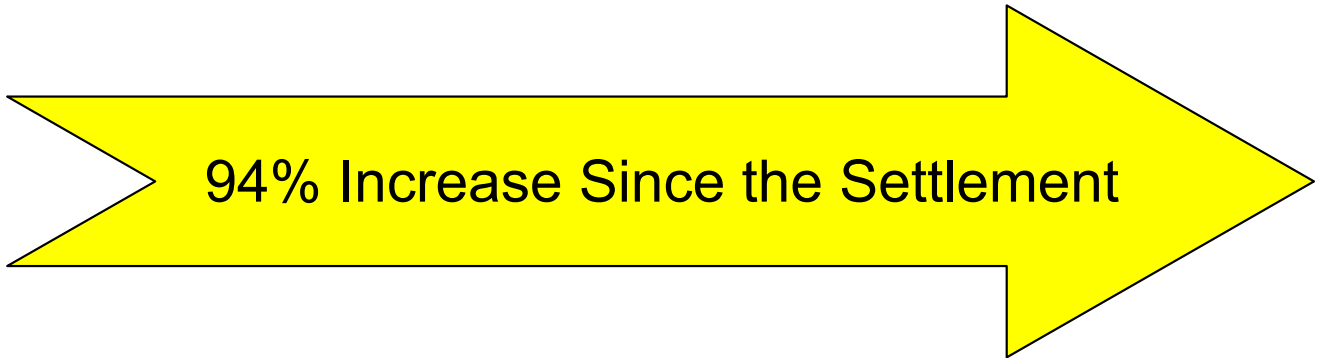
Funding for Tobacco Prevention



-  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.



U.S. Tobacco Industry Marketing Expenditures Since the Settlement



These data are based on the most recent official data available from the federal government. The most recent marketing data for cigarettes is from 2005 and comes from the Federal Trade Commission (FTC)'s Cigarette Report for 2004 and 2005. The most recent available marketing data for smokeless tobacco is for 2005 and comes from the FTC's Smokeless Tobacco Report, 2002-2005.



SPENDING vs. TOBACCO COMPANY MARKETING¹

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

With only a few exceptions, the 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 related health harms and costs – and a number of states have been cutting back their tobacco prevention spending. At the same time, the tobacco industry continues to increase its marketing expenditures dramatically, despite the limited restrictions on its marketing activities contained in the November 1998 Master Settlement Agreement (MSA) with the states. From 1998 to 2005, the major tobacco companies have increased their spending to promote their deadly products by more than 90 percent.

As a result, the states are being massively outspent, with state tobacco prevention efforts amounting to only a small fraction of tobacco industry marketing. In Alabama, for example, the tobacco industry spends more than \$345 to promote its deadly products for every single dollar the state spends to prevent and reduce tobacco use and its harms. To look at it another way, Alabama's tobacco prevention spending amounts to just 0.3 percent of the tobacco industry's marketing expenditures in the state. Nationwide, the tobacco industry is outspending the states by 18 to 1.¹

| State | Annual Smoking Caused Health Costs in State | FY 2008 State Tobacco Prevention Spending | 2005 Tobacco Company Marketing in State | Percentage of Tobacco Company Marketing that State Spends on Tobacco Prevention | Ratio of Tobacco Company Marketing to State Tobacco Prevention Spending |
|---------------------|---|---|---|---|---|
| States Total | \$96.7 bill. | \$717.2 | \$13.4 bill. | 5.4% | 18.6 |
| Alabama | \$1.49 bill. | \$0.767 | \$265.0 | 0.3% | 345.5 to 1 |
| Alaska | \$169 | \$7.5 | \$28.1 | 26.6% | 3.8 to 1 |
| Arizona | \$1.3 bill. | \$23.5 | \$172.5 | 13.6% | 7.3 to 1 |
| Arkansas | \$812 | \$15.6 | \$160.5 | 9.7% | 10.3 to 1 |
| California | \$9.14 bill. | \$77.4 | \$843.8 | 9.2% | 10.9 to 1 |
| Colorado | \$1.31 bill. | \$26.0 | \$189.3 | 13.7% | 7.3 to 1 |
| Connecticut | \$1.63 bill. | \$0.0 | \$124.1 | 0.0% | NA to 1 |
| Delaware | \$284 | \$10.7 | \$105.5 | 10.1% | 9.9 to 1 |
| DC | \$243 | \$3.6 | \$14.7 | 24.5% | 4.1 to 1 |
| Florida | \$6.32 bill. | \$58.0 | \$930.4 | 6.2% | 16.0 to 1 |
| Georgia | \$2.25 bill. | \$2.2 | \$444.8 | 0.5% | 197.7 to 1 |
| Hawaii | \$336 | \$10.4 | \$42.2 | 24.6% | 4.1 to 1 |
| Idaho | \$319 | \$1.4 | \$57.8 | 2.4% | 41.6 to 1 |
| Illinois | \$4.10 bill. | \$8.5 | \$471.4 | 1.8% | 55.5 to 1 |
| Indiana | \$2.08 bill. | \$16.2 | \$425.1 | 3.8% | 26.2 to 1 |
| Iowa | \$1.01 bill. | \$12.3 | \$176.0 | 7.0% | 14.3 to 1 |
| Kansas | \$927 | \$1.4 | \$106.7 | 1.3% | 76.2 to 1 |
| Kentucky | \$1.50 bill. | \$2.4 | \$535.3 | 0.4% | 227.2 to 1 |
| Louisiana | \$1.47 bill. | \$7.7 | \$291.5 | 2.6% | 38.0 to 1 |
| Maine | \$602 | \$16.9 | \$66.8 | 25.3% | 3.9 to 1 |
| Maryland | \$1.96 bill. | \$18.4 | \$192.7 | 9.5% | 10.5 to 1 |
| Massachusetts | \$3.54 bill. | \$12.8 | \$194.7 | 6.5% | 15.3 to 1 |
| Michigan | \$3.40 bill. | \$3.6 | \$415.9 | 0.9% | 115.5 to 1 |
| Minnesota | \$2.06 bill. | \$22.1 | \$237.9 | 9.3% | 10.8 to 1 |

¹ These ratios are based on state tobacco prevention expenditures in FY 2008 versus tobacco industry marketing expenditures in 2005 (the most recent year for which data is available).

| State | Annual Smoking Caused Health Costs in State | FY 2008 State Tobacco Prevention Spending | 2005 Tobacco Company Marketing in State | Percentage of Tobacco Company Marketing that State Spends on Tobacco Prevention | Ratio of Tobacco Company Marketing to State Tobacco Prevention Spending |
|----------------|---|---|---|---|---|
| Mississippi | \$719 | \$8.0 | \$183.0 | 4.4% | 22.9 to 1 |
| Missouri | \$2.13 bill. | \$0.200 | \$423.5 | 0.0% | 2,117 to 1 |
| Montana | \$277 | \$8.5 | \$41.8 | 20.3% | 4.9 to 1 |
| Nebraska | \$537 | \$2.5 | \$75.8 | 3.3% | 30.3 to 1 |
| Nevada | \$565 | \$2.0 | \$115.6 | 1.7% | 57.8 to 1 |
| New Hampshire | \$564 | \$1.3 | \$128.0 | 1.0% | 95.5 to 1 |
| New Jersey | \$3.17 bill. | \$11.0 | \$231.2 | 4.8% | 21.0 to 1 |
| New Mexico | \$461 | \$9.6 | \$48.0 | 20.0% | 5.0 to 1 |
| New York | \$8.17 bill. | \$85.5 | \$443.8 | 19.3% | 5.2 to 1 |
| North Carolina | \$2.46 bill. | \$17.1 | \$569.3 | 3.0% | 33.3 to 1 |
| North Dakota | \$247 | \$3.1 | \$29.9 | 10.5% | 9.5 to 1 |
| Ohio | \$4.37 bill. | \$44.7 | \$724.0 | 6.2% | 16.2 to 1 |
| Oklahoma | \$1.16 bill. | \$14.2 | \$245.8 | 5.8% | 17.3 to 1 |
| Oregon | \$1.11 bill. | \$8.2 | \$135.9 | 6.0% | 16.6 to 1 |
| Pennsylvania | \$5.19 bill. | \$31.7 | \$553.5 | 5.7% | 17.5 to 1 |
| Rhode Island | \$506 | \$0.940 | \$38.0 | 2.5% | 40.4 to 1 |
| South Carolina | \$1.09 bill. | \$2.0 | \$280.3 | 0.7% | 140.2 to 1 |
| South Dakota | \$274 | \$5.0 | \$37.7 | 13.3% | 7.5 to 1 |
| Tennessee | \$2.16 bill. | \$10.0 | \$406.3 | 2.5% | 40.6 to 1 |
| Texas | \$5.83 bill. | \$11.8 | \$884.7 | 1.3% | 75.0 to 1 |
| Utah | \$345 | \$7.3 | \$57.9 | 12.5% | 8.0 to 1 |
| Vermont | \$233 | \$5.2 | \$28.2 | 18.5% | 5.4 to 1 |
| Virginia | \$2.08 bill. | \$14.5 | \$438.5 | 3.3% | 30.3 to 1 |
| Washington | \$1.95 bill. | \$27.1 | \$164.6 | 16.4% | 6.1 to 1 |
| West Virginia | \$690 | \$5.7 | \$132.0 | 4.3% | 23.3 to 1 |
| Wisconsin | \$2.02 bill. | \$15.0 | \$276.1 | 5.4% | 18.4 to 1 |
| Wyoming | \$136 | \$5.9 | \$27.4 | 21.5% | 4.6 to 1 |

Campaign for Tobacco-Free Kids, November 28, 2007/Meg Riordan

For more information on tobacco company marketing see the Campaign’s website at:
<http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=23>

For more state information relating to tobacco use, see the Campaign’s website at:
<http://tobaccofreekids.org/research/factsheets>

Sources:

CDC, *State Highlights 2006*, [and underlying CDC data and estimates]. See, also, U.S. General Accounting Office (GAO), “CDC’s April 2002 Report on Smoking: Estimates of Selected Health Consequences of Cigarette Smoking Were Reasonable,” letter to U.S. Rep. Richard Burr, July 16, 2003, <http://www.gao.gov/new.items/d03942r.pdf>.

Campaign for Tobacco-Free Kids, et al., *A Broken Promise to Our Children: The 1998 State Tobacco Settlement Nine Years Later*, 2007, <http://www.tobaccofreekids.org/reports/settlements/>.

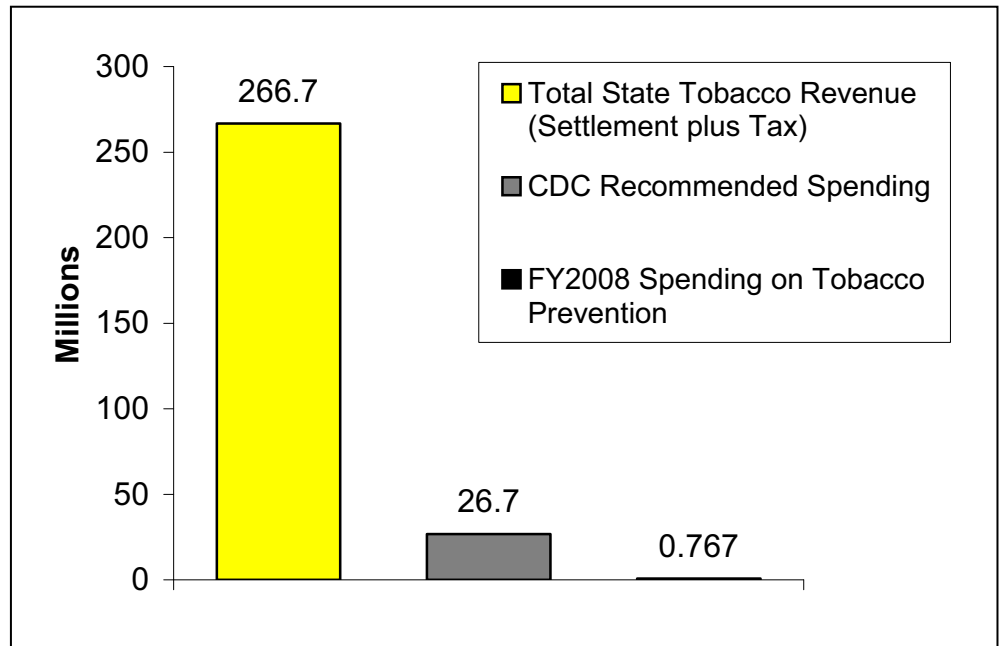
CDC, *Best Practices for Comprehensive Tobacco Control*, August 1999, <http://www.cdc.gov/tobacco/bestprac.htm>.

U.S. Federal Trade Commission (FTC), *Cigarette Report for 2004 and 2005*, 2007 [data for top five manufacturers only], <http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf>; FTC, *Federal Trade Commission Smokeless Tobacco Report for the Years 2004 and 2005*, 2007. [top five manufacturers] <http://www.ftc.gov/reports/tobacco/02-05smokeless0623105.pdf>. State total is a prorated estimate based on cigarette pack sales in the state.

Alabama

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 49 th | \$767,000 (2.9%) | 46 th | \$682,000 (2.6%) |

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 \$767,000 a year for tobacco prevention. This is 2.9% of the CDC’s minimum recommendation and ranks Alabama 49th among the states in the funding of tobacco prevention programs. Alabama’s spending on tobacco prevention amounts to 0.3% of the \$266.7 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 FY2008 budget approved by the Legislature and signed by Governor Bob Riley (R) allocated \$766,811 for tobacco prevention programs. This is a slight increase from the \$682,440 allocated in FY2007, but still over an 87 percent decrease from the \$6 million a year allocation in FY2000 and FY2001.

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 CFTF have included up to \$60 million in FY2000, up to \$65 million in FY2001, and up to \$70 million in FY2002. Any remaining monies 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.

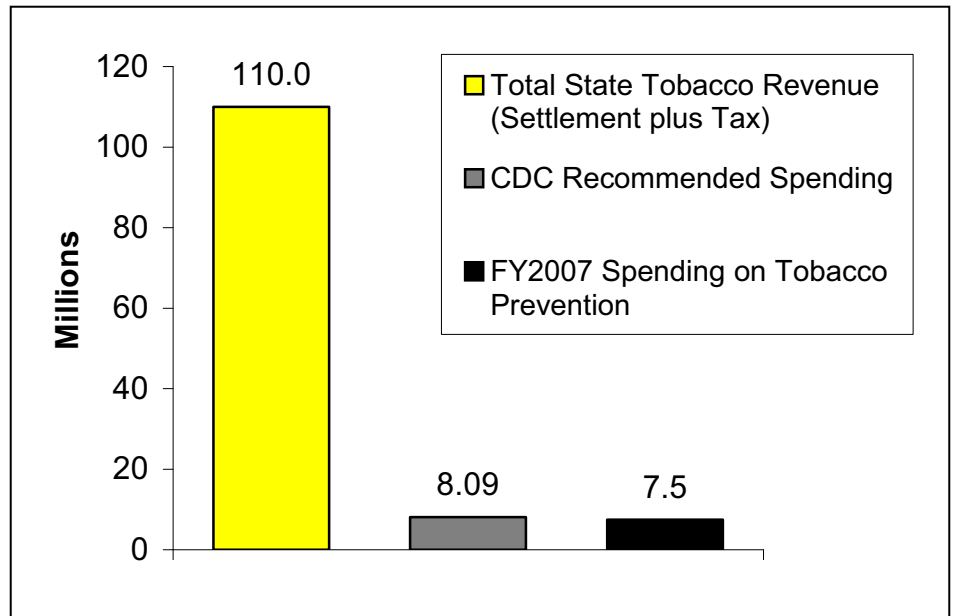
Using its tobacco settlement revenue to pay the debt service on general obligation bonds, Alabama also issued \$50 million in bonds through the 21st Century Fund, with the money devoted primarily to economic development.

** Alabama was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have provided up to \$1.95 billion over 12 years for direct payments to tobacco farmers, in addition to the other assistance they received from the Tobacco Trust Fund and the Gold Leaf Foundation. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligations to continue the payments.*

Alaska

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 5 th | \$7.5 Million (92.5%) | 10 th | \$6.2 Million (76.6%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Alaska spend between \$8.1 million and \$16.5 million a year to have an effective, comprehensive tobacco prevention program. Alaska currently allocates \$7.5 million a year for tobacco prevention. This is 92.5% of the CDC's minimum recommendation and ranks Alaska 5th among the states in the funding of tobacco prevention programs. Alaska's spending on tobacco prevention amounts to 6.8% of the estimated \$110 million in tobacco-generated revenue the state collects each year from settlement payments and tobacco taxes.



Current Status: Under a law passed in 2001, Alaska sets aside 20 percent of its tobacco settlement money for tobacco prevention programs in the Tobacco Use Education and Cessation Fund on an annual basis. During 2000 and 2001, 80 percent of all future tobacco settlement payments were securitized 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 in the Tobacco Use Education and Cessation Fund, must be appropriated annually by the Legislature in order to be used for tobacco control purposes.

In FY2008, the Alaska Legislature and Governor Sarah Palin (R) allocated \$7.5 million for the state's tobacco prevention and cessation program, an increase of 20 percent from the \$6.2 million appropriated in FY2007. This is the largest commitment to date of state resources for tobacco control and was made possible, in part, by the additional cigarette tax revenues deposited in the Tobacco Use Education and Cessation Fund.

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 pilot tobacco prevention and cessation program. The remaining settlement funds were used for general government expenditures.

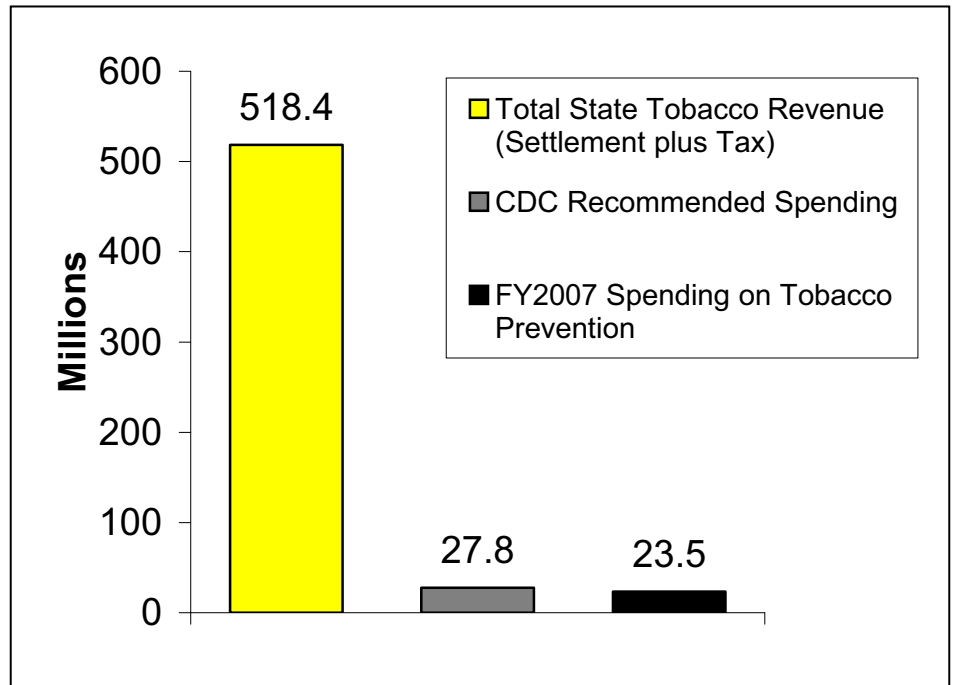
In May 2001, the Legislature and Governor also enacted a law to deposit the remaining 20 percent of the state's settlement money, approximately \$5-6 million year, in a fund created to support tobacco prevention and cessation programs (the Tobacco Use Education and Cessation Fund, AS 37.05.580). However, because of Alaska's constitutional prohibition on the dedication of funds, the Legislature must appropriate any funds to be spent on the tobacco prevention and cessation program each year.

In a special session in June of 2004, the Legislature approved and then Governor Frank Murkowski (R) signed into law a phased increase totaling \$1.00 per pack in Alaska's cigarette tax (a 60-cent increase effective Jan. 1, 2005, followed by 20-cent increases in 2006 and 2007). In addition to the 20 percent of the settlement payments it has been receiving, the Tobacco Use Education and Cessation Fund will also receive 8.9 percent of the revenue generated from the cigarette tax increase. The Legislature must appropriate annual expenditures for tobacco prevention and cessation from this fund. Over time, Alaska has gradually increased state funding for tobacco prevention and cessation efforts.

Arizona

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 9 th | \$23.5 Million (84.6%) | 4 th | \$25.5 Million (91.8%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Arizona spend between \$27.8 million and \$71.1 million a year to fund an effective, comprehensive tobacco prevention program. Arizona currently allocates \$23.5 million a year for tobacco prevention. This is 84.6% of the CDC's minimum recommendation and ranks Arizona 9th among the states in the funding of tobacco prevention programs. Arizona's spending on tobacco prevention amounts to 4.5% of the \$518.4 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 is recognized as one of the best in the nation.

After then-Governor Jane Dee Hull (R) and the Legislature cut funding for TEPP in 2002, voters affirmed support for the program by approving a ballot initiative that increased the cigarette tax by 60 cents, to \$1.18 per pack, and required that 23 cents of the tax be spent on tobacco prevention. No settlement funds are used for tobacco prevention.

Spending on tobacco prevention for FY2008 will be \$23.5 million, a slight decrease from the \$25.5 million spent in FY2007.

As a result of a cigarette tax increase that took effect May 1, 2007, Arizona is receiving more tobacco-generated revenue than ever before. The new tax has raised the state cigarette tax by 82 cents to \$2.00 per pack, but none of these funds are earmarked 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 Arizona Health Care Cost Containment System (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.

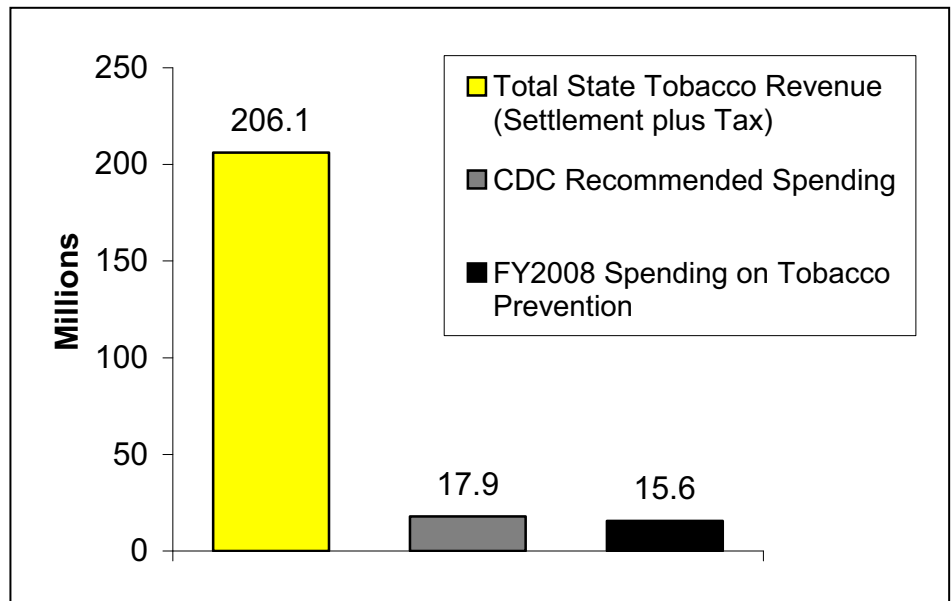
Governor Hull and the Legislature cut tobacco prevention in half for FY2003, to \$18.27, leading to the voter approved initiative to restore funding. As stipulated by the initiative, Arizona spent \$23.0 million dollars on tobacco prevention in FY2004. Spending on tobacco prevention for FY2005 and FY2006 was \$23.1 million.

Arizona's tobacco prevention efforts have been very successful. 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 (from 31.2 percent to 22.8 percent) and low education (from 29.3 percent to 16.2 percent), thus reducing disparities in smoking rates.

Arkansas

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 8 th | \$15.6 Million (87.1%) | 6 th | \$15.1 Million (84.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Arkansas spend between \$17.9 million and \$46.5 million a year to have an effective, comprehensive tobacco prevention program. Arkansas currently allocates \$15.6 million a year for tobacco prevention. This is 87.1% of the CDC's recommendation and ranks Arkansas 8th among the states in the funding of tobacco prevention programs. Arkansas' spending on tobacco prevention amounts to 7.6% of the \$206.1 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 allocated 31.6 percent of the state's tobacco settlement funds to tobacco prevention and cessation programs. Accordingly, the FY2007-2008 budget approved by the Legislature and signed by Governor Mike Beebe (D) provides \$15.6 million in FY2008 for tobacco prevention, which is a \$500,000 decrease from FY2007.

Background: In 1999, Governor Mike Huckabee (R) 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 Arkansas 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 percent for tobacco prevention and cessation programs,

- 29.8 percent to expand the Medicaid program,
- 22.8 percent for bio-sciences research, and
- 15.8 percent 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.

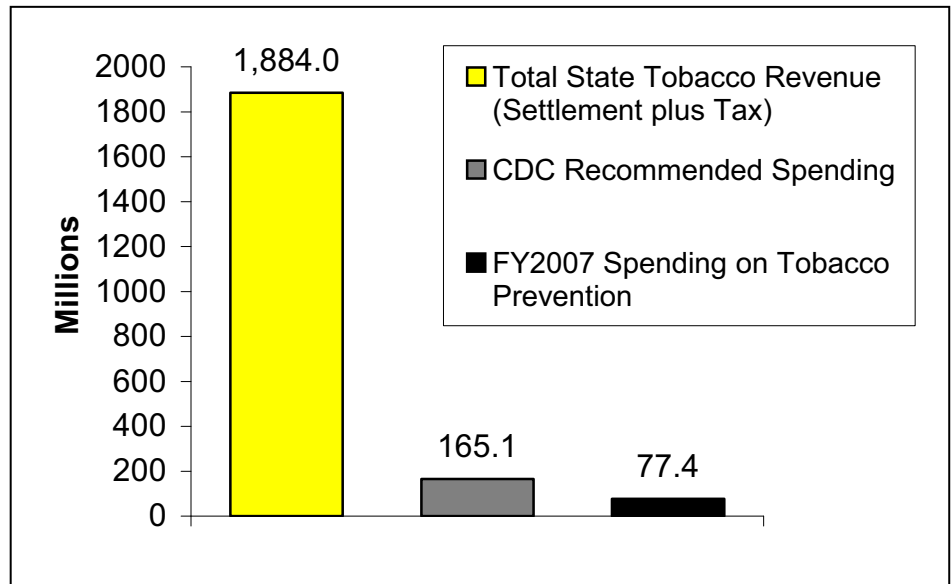
Accordingly, the FY2002-03 biennial budget approved by the Legislature and signed by Governor Huckabee in 2001 provided \$16.39 million in FY2003 for tobacco prevention.

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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 25 th | \$77.4 Million (46.9%) | 17 th | \$84.0 Million (50.9%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that California spend between \$165.1 million and \$442.4 million a year to have an effective, comprehensive tobacco prevention program. California currently allocates \$77.4 million a year for tobacco prevention. This is 46.9% of the CDC's minimum recommendation and ranks California 25th among the states in the funding of tobacco prevention programs. California's spending on tobacco prevention amounts to 4.1% of the \$1.8 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 the spring of 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 62 percent, compared to 36 percent for the country as a whole. From 1996 to 2004, smoking prevalence decreased by more than 60 percent among eighth graders and by more than 50 percent among 10th graders. From 2000 to 2004, smoking prevalence decreased by more than 30 percent among 12th graders. Unfortunately, high school smoking rates increased slightly between 2004 and 2006, from 13.2 percent in 2004 to 15.4 percent in 2006. From 1988 to 2005, adult smoking in California decreased by 38.5 percent, from 22.7 percent to 14 percent. Studies have shown that the program has saved tens of thousands of lives by reducing smoking-caused lung cancer and heart attacks.

Funding for California's program components changes based on the amount of revenue generated from the state's tobacco tax. In FY2007-08, \$77.4 million was allocated for the tobacco control program. While this looks like a significant decrease from FY06-07 spending, it actually reflects a one-time \$7.4 million increase the program received in FY06-07 based on additional tax revenues. The Tobacco Control Program will not cut any programs in FY2008.

Background: In January 2003, California leaders securitized, or sold to investors, 50 percent of the state's future settlement payments and received \$2.5 billion. This revenue was allocated to the FY2003 budget. In September 2003, California securitized the remainder of its settlement payments and received \$3 billion, which was allocated to the FY2004 budget.

Prior to securitization, California's settlement payments were governed by a 2001 law that placed \$402 million in FY2002 payments and all future payments in a Tobacco Settlement Fund. In 2001, the funds were appropriated for:

- Expansion of 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 FY2002 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.

Because of a budget deficit, then-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. All of the funding was from cigarette tax revenue.

In FY2004, funding for the program was increased slightly to \$90.1 million. In FY2005, the program experienced an 18 percent reduction to \$74 million. In FY2006, \$79.7 million was allocated for the tobacco control program, a slight increase over the \$74 million allocated in FY2005. In FY2007, program funding increased to \$84 million.

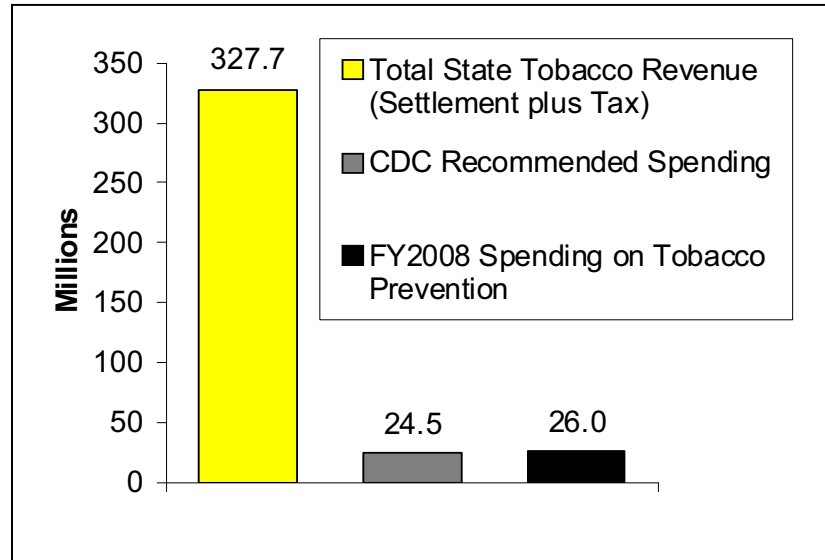
On November 7, 2006, California voters narrowly rejected a ballot initiative to increase the state cigarette tax by \$2.60 cents per pack and use the revenue to fund tobacco prevention and cessation programs and other critical health programs. The initiative would have given California the highest cigarette tax in the country. Instead, California's cigarette tax remains at 87 cents.

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

Colorado

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 3 rd | \$26.0 Million (105.9%) | 3 rd | \$25.0 Million (101.8%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Colorado spend between \$24.5 million and \$63.3 million a year to have an effective, comprehensive tobacco prevention program. Colorado currently allocates \$26.0 million a year for tobacco prevention. This is within the CDC's recommended guidelines and ranks Colorado 3rd among the states in the funding of tobacco prevention programs. Colorado's spending on tobacco prevention amounts to 7.9% of the \$327.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: In November 2004, Colorado voters approved a 64-cent per pack increase in the state cigarette tax by a margin of 61 percent to 39 percent. The initiative earmarked the revenue for health initiatives, including \$24.0 to \$28.0 million each year for tobacco prevention – enough to bring Colorado to the CDC-recommended minimum funding level.

In April 2005, Colorado's elected leaders and the Citizens for Healthier Colorado, which championed the cigarette tax increase, reached agreement on its implementation, including \$27.0 million a year to fund a comprehensive tobacco prevention and cessation program at CDC-recommended levels. As a result, tobacco settlement funds will no longer be used to fund the tobacco prevention and cessation programs.

For FY2008, Colorado will receive \$26.0 million for tobacco prevention and cessation programs.

Background: Prior to the 2005 agreement on allocating the new cigarette tax revenue, Colorado's tobacco settlement funds were governed by a 2000 law passed by the Legislature and signed by Governor Bill Owens (R). The law originally called for using 15 percent of the settlement funds, up to \$15.0 million a year, to fund Colorado's Tobacco Prevention and Cessation program. 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.

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 nursing home visit program, and a veterans' health program. However, the entire trust fund balance as of July 1, 2002, about \$135.0 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. The program would be fully funded after six years.

As a result of the budget shortfall in 2003, FY2003 funding was cut to \$7.6 million and FY2004 funding was cut to \$3.8 million, a cut of 75 percent from the \$15.0 million initially appropriated in FY2003.

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 \$160.0 million. Securitization was authorized as an emergency step to raise revenue if needed between July 1 and Nov. 30, 2003. The authorization expired without any securitization of the settlement funds.

Reduced funding continued in FY2005, resulting in an appropriation of \$4.3 million. In May 2004, the House rejected another proposal to securitize the state’s future settlement payments. The legislation had the support of Governor Owens and had already passed the Senate.

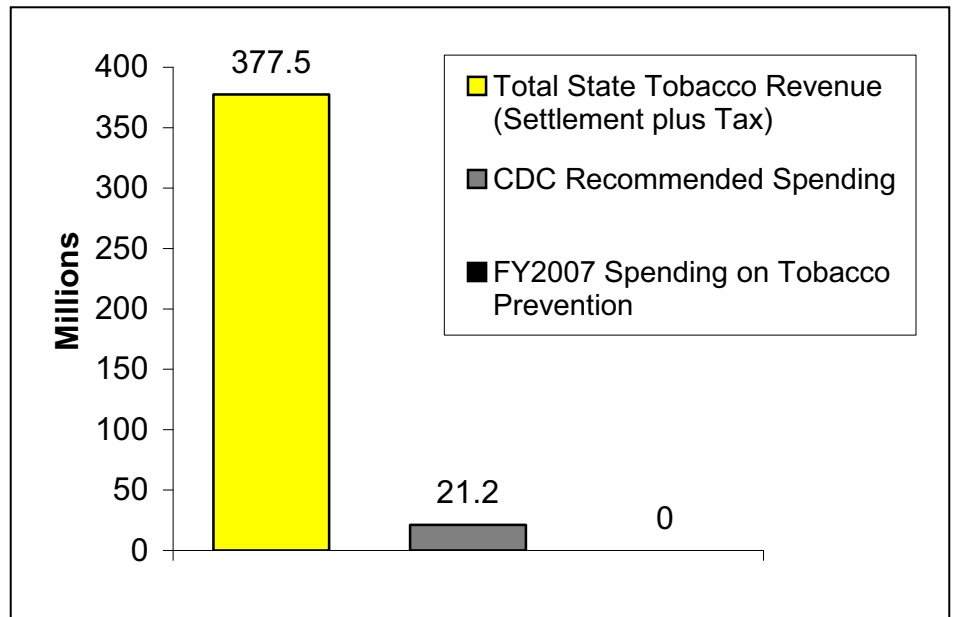
For FY2006, Colorado allocated \$27.0 million to tobacco prevention and cessation programs.

For FY2007, Colorado allocated \$25.0 million to tobacco prevention and cessation programs.

Connecticut

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 51 st | \$0.0 (0.0%) | 36 th | \$2.0 Million (9.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Connecticut spend between \$21.2 million and \$53.9 million a year to have an effective, comprehensive tobacco prevention program. Connecticut currently allocates no funds for tobacco prevention and cessation. This ranks Connecticut last among the states in the funding of tobacco prevention programs. Connecticut receives \$377.5 million in tobacco-generated revenue annually from tobacco settlement payments and tobacco taxes.



Current Status: Connecticut's tobacco settlement payments are folded into the general fund and allocated through the biennial budget process. In FY2008, the Legislature did not allocate any new funding for a state tobacco prevention and cessation program. In FY2007, the Legislature and Governor Jodi Rell (R) appropriated \$6.5 million to implement a comprehensive cancer control plan which included \$2 million for the creation of a statewide smoking cessation program targeting Medicaid recipients. However, these funds went unspent in FY2007 and remain available for use for a statewide cessation program in FY2008.

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 July 1, 2007, raising the state cigarette tax by 49 cents to \$2 per pack.

Background: In 1999, the Legislature and Gov. John Rowland (R) 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-FY2001 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 to it from the Tobacco and Health Trust Fund. 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 adopted budget included 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. The total amount transferred into the fund since its inception has been \$88.3 million. The majority of funds transferred out (\$72.4 million) were transferred to the general fund rather than to individual programs.

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.

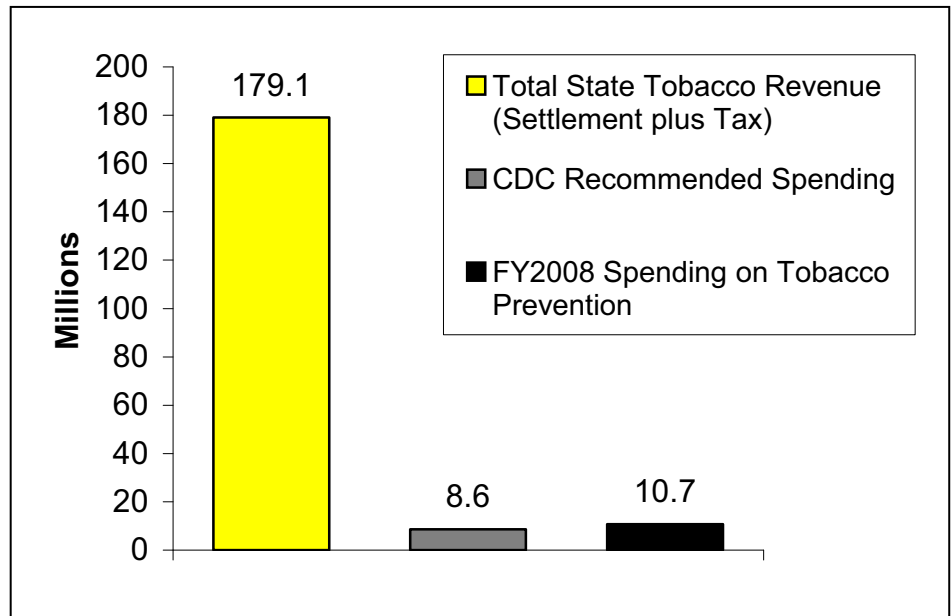
In 2004, \$1 million from the state's Biomedical Research Trust Fund was made available to nonprofit state institutions for research into tobacco-related illnesses.

The FY2005 budget virtually eliminated an already meager tobacco prevention program by providing only \$57,500, a reduction from \$500,000 in FY2004, \$575,000 in FY2002 and FY2003, \$1 million in FY2001, and \$4 million in FY2000. Program funding was cut again in the FY2006 budget - only \$40,000 was appropriated for the state's tobacco prevention program. The \$40,000 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.

Delaware

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 2 nd | \$10.7 Million (123.8%) | 2 nd | \$10.3 Million (119.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Delaware spend between \$8.6 million and \$18.5 million a year to have an effective, comprehensive tobacco prevention program. Delaware currently spends \$10.7 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 6% of the \$179.1 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 FY2008 budget approved by the Legislature and signed by Governor Ruth Ann Minner (D) appropriated \$10.7 million to the state's tobacco prevention and cessation program, a slight increase from the \$10.3 million appropriated in FY2007. Funding for the tobacco prevention and cessation program met recommended CDC funding for Delaware for the fifth year in a row.

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 appropriates 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. Another \$14.9 million 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.

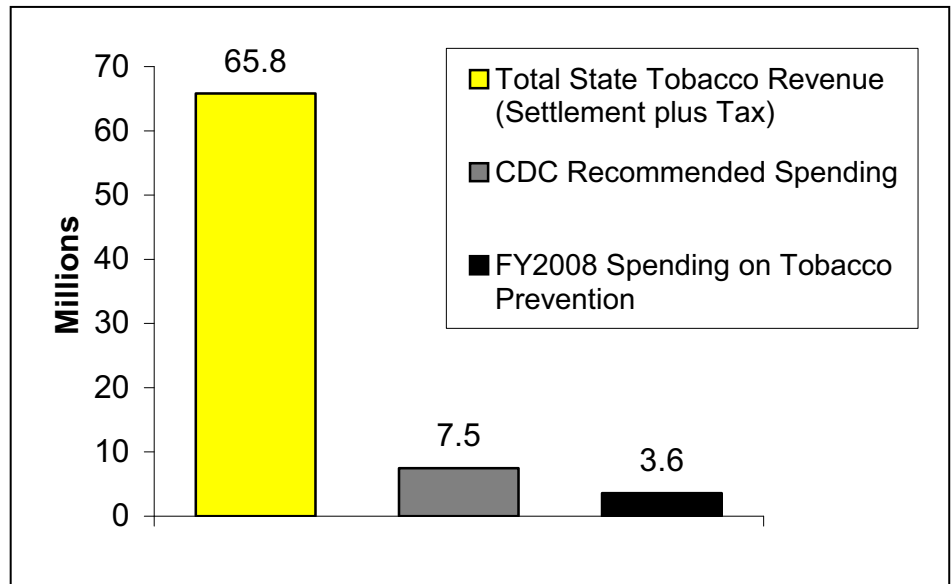
The FY2003 budget approved by the Legislature and Governor Minner appropriated \$5 million to the state's tobacco prevention and cessation program.

The FY2004 budget approved by the Legislature and Governor Minner doubled the funding from FY2003 and appropriated \$10.1 million to the state's tobacco prevention and cessation program. Tobacco settlement revenue was also spent on pharmaceutical assistance programs and school health programs through the Department of Education.

District of Columbia (Washington, DC)

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 22 nd | \$3.6 Million (48.1%) | 42 nd | \$500,000 (6.7%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the District of Columbia (DC) spend between \$7.5 million and \$14.6 million a year to have an effective, comprehensive tobacco prevention program. The District of Columbia currently allocates \$3.6 million a year for tobacco prevention. This is 48.1% of the CDC's minimum recommendation and ranks the District of Columbia 22nd among the states in the funding of tobacco prevention programs. The District of Columbia's spending on tobacco prevention amounts to 5.5% of the \$65.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget provides \$3.6 million for tobacco prevention. Beginning in fiscal year 2007, the DC City Council allocated \$10 million for a tobacco prevention program over three years. The program and funds are administered by the American Lung Association. In FY2007 DC spent \$2.4 million and will spend \$3.6 million in both FY2008 and FY2009.

The District of Columbia was among the last localities to make a 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 city 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 other expenditures. The Mayor and City Council must then agree on how to spend any residual funds.

Background: In 1999, DC'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.

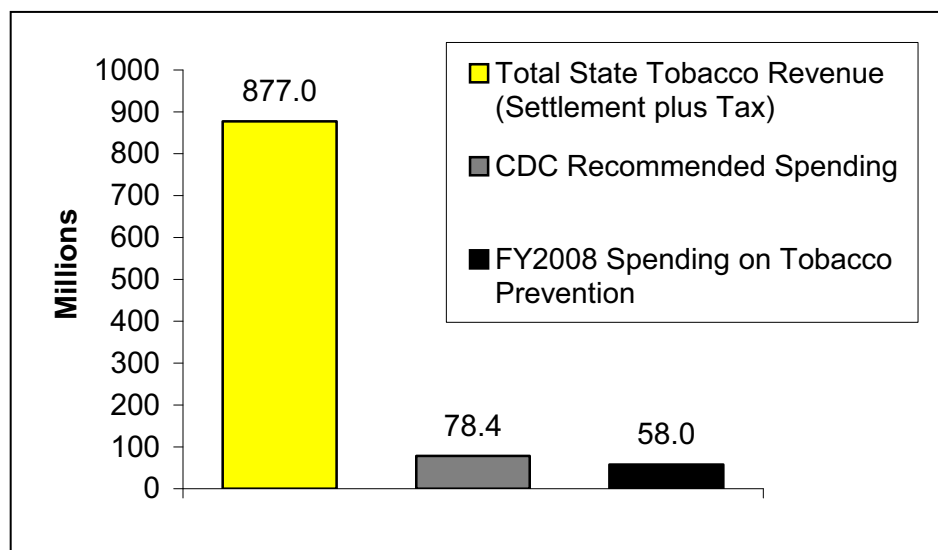
In April 2000, after the City Council expressed interest in securitizing the tobacco settlement funds, Mayor Williams proposed that the District sell bonds for a \$645 million up-front payment rather than waiting for the annual settlement payments. The City Council eventually passed a compromise bill 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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 13 th | \$58.0 Million (74.0%) | 41 st | \$5.6 Million (7.1%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Florida spend between \$78.4 million and \$221.3 million a year to have an effective, comprehensive tobacco prevention program. Florida currently allocates \$58 million a year for tobacco prevention. This is 74% of the CDC's minimum recommendation and ranks Florida 13th among the states in the funding of tobacco prevention programs. Florida's spending on tobacco prevention amounts to 6.6% of the \$877 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 agreement 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 FY2008 budget passed by the legislature and signed by Governor Charlie Crist (R) allocated \$58 million to the Comprehensive Statewide Tobacco Education and Prevention Program. This is a \$52.4 million increase from the \$5.6 million appropriated to tobacco prevention in FY2007 as well as a huge increase from the \$1 million appropriated in FY2006. However, it is still less than the \$70 million provided in FY1999, the program's first full year started under Governor Lawton Chiles (D). The cuts made to the initial program seriously reduced the effectiveness of the Florida Tobacco Control Program, which was once considered a national model.

To restore funding for tobacco prevention, a coalition of public health organizations called Floridians for Youth Tobacco Education gathered signatures to place a state constitutional amendment on the November 2006 ballot. The amendment passed with 61 percent of the vote and requires Florida to spend 15 percent of its annual tobacco settlement revenue on tobacco prevention programs.

Background: Florida's tobacco settlement payments initially were 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 deposits to the trust funds, were 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.

After the first four years of the program, between 1998 and 2002, Florida reduced youth smoking rates by 50 percent among middle school students and 35 percent among high school students, according to the Florida Department of Health. This decline represented nearly 75,000 fewer Florida youth smokers and more than 24,000 fewer premature deaths due to smoking, according to the Health Department.

Despite its success at reducing youth smoking, funding for the tobacco prevention program came under attack every year. Funding was reduced to \$44.1 million a year in FY2000 and FY2001.

For FY2002, the Legislature during its regular session appropriated level funding of \$44.1 million. However, then-Governor Jeb Bush utilized his line-item veto authority to cut \$5 million, leaving \$37.3 million for tobacco prevention.

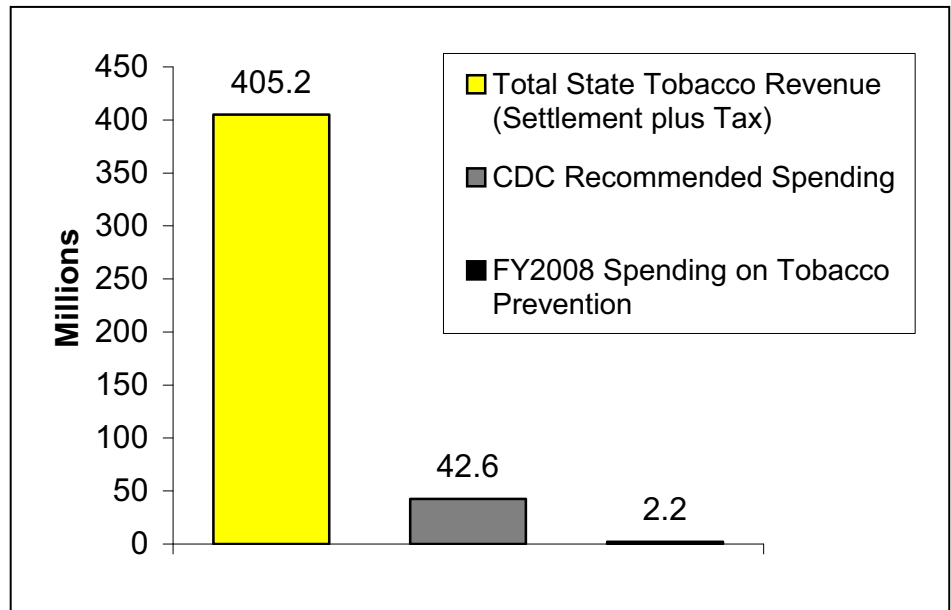
Then, in the fall of 2001, Governor Bush called the Legislature into two special sessions to address the state's budget deficit. During the first special session, both the House and the Senate voted to cut tobacco prevention funding by \$14.5 million, a cut of 38.9 percent, while the overall budget was cut by less than 2 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, but funding was then cut to only \$1 million a year in FY2004 and 2006.

Georgia

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 48 th | \$2.2 Million (5.3%) | 44 th | \$2.3 Million (5.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Georgia spend between \$42.6 million and \$114.3 million a year to have an effective, comprehensive tobacco prevention program. Georgia currently allocates \$2.2 million a year for tobacco prevention. This is 5.3% of the CDC's minimum recommendation and ranks Georgia 48th among the states in the funding of tobacco prevention programs. Georgia's spending on tobacco prevention amounts to 0.6% of the \$405.2 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 FY2008 budget approved by the Legislature and signed by Governor Sonny Perdue (R) appropriated \$2.2 million to the state's tobacco prevention program, a cut of \$9.3 million from the \$11.5 million appropriated in FY2005.

Tobacco settlement revenues in FY2008 will also be used to conduct a Nicotine Replacement Therapy pilot project for cessation.

Background: Former Governor Roy Barnes (D) committed 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. Another \$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 change from Governor Barnes' stated 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.

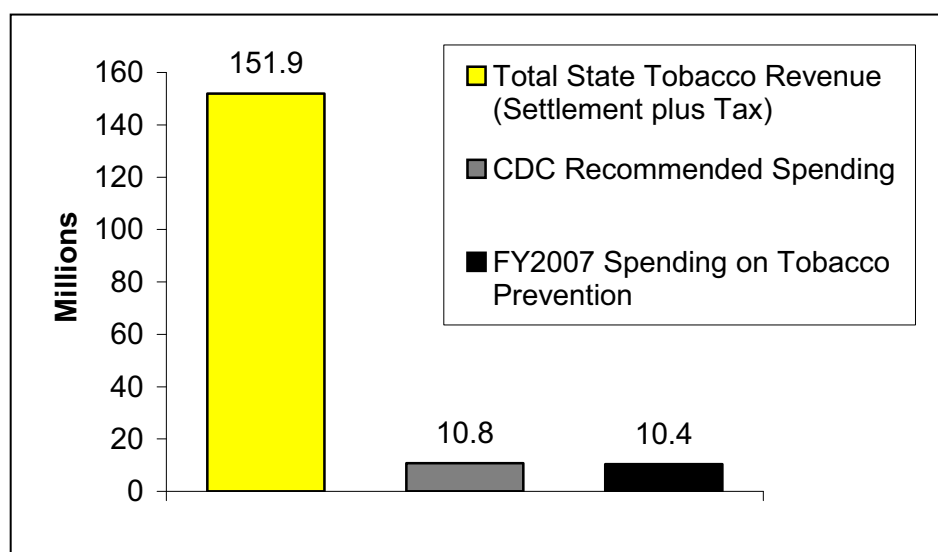
Also during the 2003 legislative session, the legislature passed and Governor Perdue signed a 25-cent increase in the state's cigarette excise tax, which brings the total tax to 37 cents a pack.

** Georgia was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have provided up to \$1.95 billion over 12 years for direct payments to tobacco farmers, in addition to the other assistance they received from the Tobacco Trust Fund and the Gold Leaf Foundation. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligations to continue the payments.*

Hawaii

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 4 th | \$10.4 Million (96.3%) | 7 th | \$9.1 Million (84.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$10.4 million a year from tobacco settlement revenue for tobacco prevention and control. This is 96.3% of the CDC's minimum recommendation and ranks Hawaii 4th among the states in the funding of tobacco prevention and control programs. Hawaii's spending on tobacco prevention and control amounts to 6.8% of the \$151.9 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 FY2008 tobacco prevention and control is \$10.7 million.

As it considers future funding for tobacco prevention, Hawaii will have more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect September 30, 2007, increasing the state cigarette tax by 20 cents to \$1.80 per pack. The tax will increase again in 2008 by 20 cents, bringing the total tax to \$2.00 per pack.

Background: Hawaii's tobacco settlement funds are governed by a 1999 law approved by the Legislature and then-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 percent 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.

In a special session in the fall of 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 percent 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 FY2002, 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.

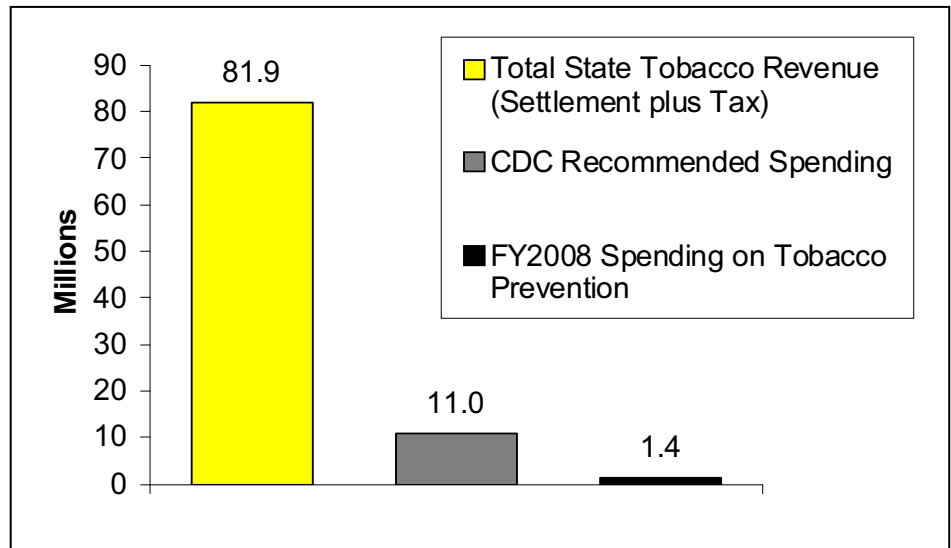
The 2003 Legislature imposed new assessments on Hawaii's Tobacco Settlement Special Fund, effective in FY 2004. All of the state's tobacco settlement revenue is deposited into a special fund under the purview of the Department of Health (DOH) and allocated by percentage according to law. The tobacco settlement law also allocates tobacco settlement money to the Emergency and Budget Reserve Fund, children's health insurance programs, and to pay 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 \$1.9 million, the interest earned by the tobacco settlement special fund from the state investment pool, to the general treasury.

Hawaii appropriated \$10.25 million in FY2003 and \$8.9 million in FY2004 and FY2005 for tobacco prevention. In FY2006, funding for the program was reduced to \$5.8 million, but increased to \$9.1 million in FY07.

Idaho

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 40 th | \$1.4 Million (12.6%) | 39 th | \$908,000 (8.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Idaho spend between \$11.0 million and \$24.1 million a year to have an effective, comprehensive tobacco prevention program. Idaho currently allocates \$1.4 million a year for tobacco prevention. This is 12.6% of the CDC's minimum recommendation and ranks Idaho 40th among the states in the funding of tobacco prevention programs. Idaho's spending on tobacco prevention amounts to 1.7% of the \$81.9 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget for the state's tobacco prevention and cessation program is \$1.4 million, a \$477,000 increase over FY2007 funding.

Background: In 1999, Governor Dirk Kempthorne (R) signed a law directing all money from the state's tobacco settlement payments 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 percent 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 \$2.2 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 \$10.0 million in funds that would have gone to the Millennium Fund under 2000 law to address the state's budget shortfall.

The FY2004 budget allocated \$1.6 million to the state's tobacco prevention program, a slight increase from FY2003 funding of \$1.27 million.

The FY2005 budget allocated \$1.9 million to the state's tobacco prevention and cessation programs as well as to law enforcement and judicial programs that address youth tobacco use. In FY2006, funding for the program

was only \$544,000, a 70 percent reduction from the previous year. Legislators raided the Millennium Fund and cut \$500,000 from the state's countermarketing (advertising) campaign and \$500,000 from local health district budgets. An additional \$22,000 was diverted from state cancer control funds.

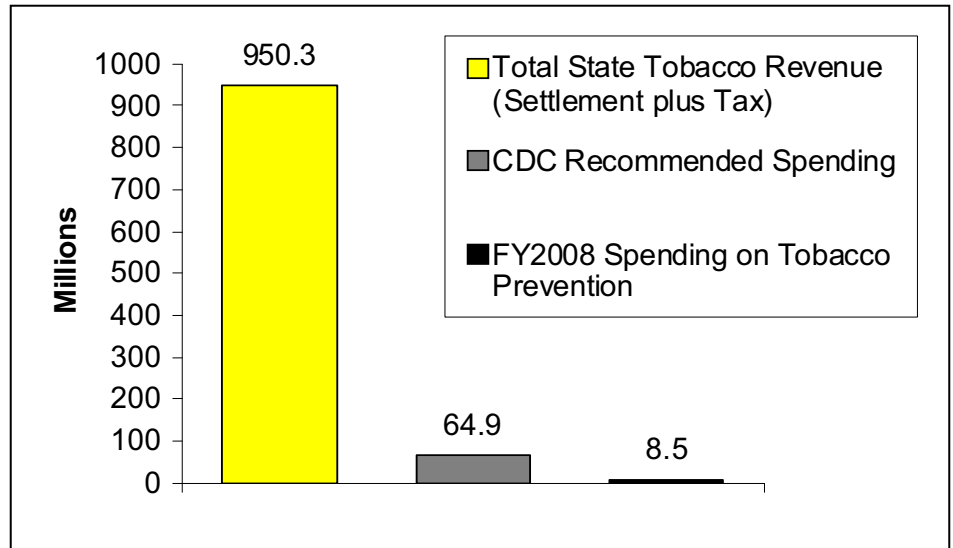
Also in 2006, Idaho voters passed Senate Joint Resolution 107, an amendment to the state constitution. First passed by an overwhelming majority in the Legislature, SJR107 created a constitutional fund called the Millennium Endowment Fund into which 80 percent of future MSA payments will flow. Legislators do not have access to funds that are deposited in the Millennium Endowment Fund; however they will be able to appropriate the remaining 20 percent of MSA payments.

In FY2007, funding for the program was increased from \$544,000 in FY2006 to a total of \$908,000.

Illinois

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 39 th | \$8.5 Million (13.1%) | 34 th | \$8.5 Million (13.1%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Illinois spend between \$64.9 million and \$179.0 million a year to have an effective, comprehensive tobacco prevention program. Illinois currently appropriates \$8.5 million a year for tobacco prevention. This is 13.1% of the CDC's minimum recommendation and ranks Illinois 39th among the states in the funding of tobacco prevention programs. Illinois' spending on tobacco prevention amounts to 0.9% of the \$950.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Note: If FY2008 follows the track record of recent years, the state is unlikely to spend all of these funds as intended and the actual funding level will be even lower than the appropriation. Due to a lack of state budget transparency, it has been difficult to determine in previous years how much of the appropriation has actually been spent.

Current Status: Illinois deposits its tobacco settlement money into the Tobacco Settlement Recovery Fund and appropriates it through the annual budget process. The FY2008 budget approved by the Legislature and Governor Rod Blagojevich (D) allocates \$8.5 million for tobacco prevention, the same amount allocated in FY2007. This is a \$2.5 million decrease from the \$11.0 million allocated in FY2006 and FY2005. The bulk of Illinois settlement funds are used for senior prescription drugs and capital projects. An additional appropriation of \$125,000 was added to the FY2008 budget to help implement the state's new smoke-free law but was removed before final passage without public comment or explanation.

While Illinois funds several important tobacco control programs, the state is not pursuing a CDC-based statewide comprehensive program. State funds are designated to a state Quitline run by the American Lung Association of Illinois, miscellaneous programs through the state Department of Public Health, and directly to local health departments for prevention and cessation activities. The use of these funds by local health departments around Illinois is not consistent or coordinated. In most recent years, tobacco prevention funds appropriated in the budget were not made available for use until mid-year. As a result, many programs have been interrupted or ended, dramatically impacting effectiveness. Also, in past years, a portion of the funding reserved for the state Department of Public Health (IDPH) went unspent, including funds specified for tobacco prevention program evaluation. The state government has made it nearly impossible to track where, when and how much of this IDPH funding is spent. These factors have severely hindered the ability of the state to determine the effectiveness of remaining programs and have led to further budget cuts.

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, the state subsequently provided \$28.6 million for tobacco prevention and cessation programs in FY2001.

Funding for tobacco prevention was increased to \$45.9 million in FY2002, 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 communities while others were not funded in the rest of the state. CDC best practices were implemented on a patchwork basis only. In FY2002, however, improvements were made in communication between programs, coordination of efforts and establishment of outcome-based program evaluations.

However, this progress was undermined when FY2003 tobacco prevention program funds were not provided until the spring of 2003. In the interim, many of the programs were halted and local staff laid off. This was repeated in subsequent years.

The FY2004 budget approved by the Legislature and Governor Blagojevich provided \$12.0 million for tobacco prevention, the same amount as FY2003, and an additional \$1.0 million for evaluation and research. 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.

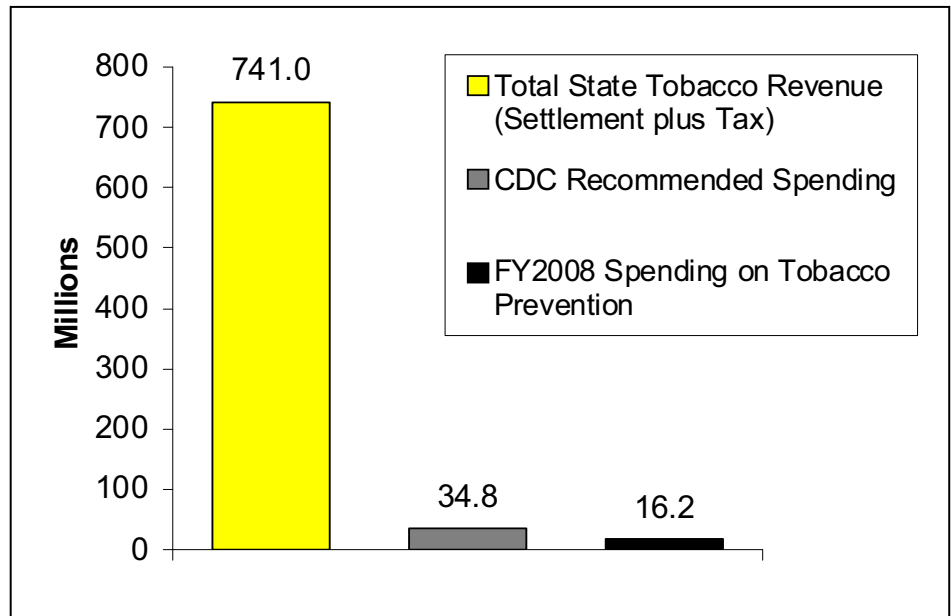
The FY2005 budget provided \$11.0 million for tobacco prevention, a \$1.0 million decrease from FY2004. Of the \$11.0 million, \$5.0 million was appropriated to local health departments and \$1.0 million to a smoking cessation quit line. Because the \$1.0 million line-item for research and evaluation was not spent in FY2004, it was removed in FY2005. The cut severely hindered the ability of the state to determine the effectiveness of remaining programs.

The FY2006 budget approved by the Legislature and Governor Blagojevich provided \$11.0 million for tobacco prevention, the same amount as FY2005.

Indiana

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 26 th | \$16.2 Million (46.6%) | 27 th | \$10.9 Million (31.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Indiana spend between \$34.8 million and \$95.8 million a year to have an effective, comprehensive tobacco prevention program. Indiana currently allocates \$16.2 million a year for tobacco prevention. This is 46.6% 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 2.2% of the \$741.0 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Indiana has allocated \$16.2 million for tobacco prevention and cessation programs for each year in the biennial budget for FY2008-2009. The budget approved by the Legislature and Governor Mitch Daniels (R) provides \$15.0 million each year to the Indiana Tobacco Prevention and Cessation Agency (ITPC). An additional \$1.2 million annual allocation to ITPC is included in HB 1678, the Healthy Indiana Plan, passed in the closing minutes of the 2007 legislative session. This funding is a significant increase from the \$10.9 million allocated in the FY2006-2007 biennial budget, but it is still a major reduction from the \$32.5 million in funds for FY2003.

The Healthy Indiana Plan increased the state cigarette tax by 44 cents to 99.5 cents per pack. In addition to the \$1.2 million for tobacco prevention, the increased funding was used to expand health care access and provide childhood immunizations. The new health care plan includes a small amount of discretionary money for each participant that could be used for smoking cessation assistance. Governor Daniels' original proposal included restoration of tobacco prevention funding to the minimum amount recommended by the Centers for Disease Control, \$34.8 million a year, but it was blocked by a small group of legislative leaders.

Background: Under a plan authored by Senate Finance Committee Chair Lawrence Borst (R) and House Public Health Committee Chair Charlie Brown (D), 60 percent of Indiana's tobacco settlement funds were initially mandated for expenditure on health-related programs. The remaining 40 percent was placed in a trust fund to provide permanent ongoing funding for tobacco prevention and other health programs. While the trust fund has been tapped each successive year to support state budget shortfalls, the intent of the law was to use all of the tobacco settlement money for health-related purposes.

The original law also established ITPC – an independent state agency with its own board of health experts charged with designing and implementing a comprehensive CDC-based tobacco prevention program.

ITPC reported impressive results. Between 2000-2004, smoking among high school students dropped 32.5 percent. Since 2002, Hoosier adult smoking has dropped 10 percent. Before the budget cuts, ITPC had established partnerships with 1,600 community organizations and launched the "WhiteLies" media campaign on radio, television, billboards and the Internet.

In 2002, the ITPC program was fully launched, 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 tobacco prevention and cessation programs in diverse communities. It also 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, Senator Borst and then-Governor Frank O'Bannon (D) fought to protect ITPC funding and increase the state's cigarette tax. They succeeded: the Legislature maintained funding for ITPC while increasing the state's cigarette tax by 40 cents to 55.5 cents per pack.

The following year, however, prevention funds were unexpectedly cut. After revoking most of the FY2002 ITPC funding appropriation, Governor O'Bannon proposed securitizing, or selling to investors, a large portion of future settlement payments for a smaller, up-front payment to fund economic development. While some of the FY2002 cuts were successfully restored, and legislators defeated the securitization proposal, \$10.0 million in funds approved by the Legislature for prevention in FY2002 were eliminated.

The FY2003-04 biennial budget passed by the state Legislature and signed into law by then-Governor O'Bannon substantially reduced the state's commitment to health. Funding for tobacco prevention was cut by two-thirds from \$32.5 million to \$10.8 million a year, and \$37.5 million in settlement funds were taken out of public health and put into the 21st Century Research and Technology program. Additionally, programs previously funded by general revenue, including Department of Health general operating funds, were moved from the general fund into settlement funding.

As a result of these cuts, planning for a statewide tobacco quitline was discontinued, community grants were cut by 30 percent, many statewide and pilot programs were eliminated, statewide media was cut by 50 percent, and youth access enforcement funding was cut by more than 60 percent. Further cuts continued in subsequent years as past funding for multi-year grants and programs expired.

The FY2004-05 biennial budget preserved the past cuts, providing just \$10.8 million for tobacco prevention and cessation programs each year. Success in reducing smoking in Indiana has tracked the ITPC budget trend. Adult smoking prevalence data indicates that past progress was lost following the severe budget cuts, and adult smoking rates in 2005 started to rise slightly in Indiana for the first time since before ITPC was founded.

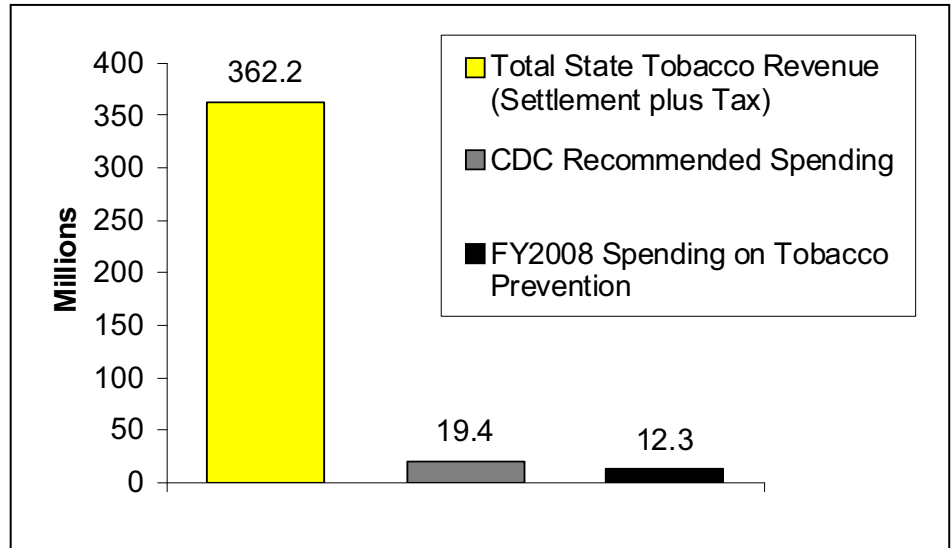
The FY2006-07 biennial budget also provided just \$10.8 million per year for tobacco prevention and cessation programs.

** 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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 18 th | \$12.3 Million (63.5%) | 25 th | \$6.5 Million (33.6%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Iowa spend between \$19.4 million and \$48.7 million a year to have an effective, comprehensive tobacco prevention program. Iowa currently allocates \$12.3 million a year for tobacco prevention. This is 63.5% of the CDC's minimum recommendation and ranks Iowa 18th among the states in the funding of tobacco prevention programs. Iowa's spending on tobacco prevention amounts to 3.4% of the \$362.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and Governor Chet Culver (D) provides \$12.3 million for tobacco prevention and cessation programs, more than doubling the \$6.5 million allocated in FY2007. This significant increase in funds is due to a \$1 per pack increase in the cigarette tax, bringing Iowa's cigarette tax from 36 cents per pack to \$1.36 per pack. The tax increase was approved by the Legislature and signed by Governor Culver in March and went into effect April 1, 2007.

These funds are provided through the Healthy Iowans Tobacco Trust Fund. The trust fund was created following the securitization, or selling off, of a majority of the Master Settlement Agreement funds for a one-time lump sum in 2001.

Settlement funds in Iowa are primarily dedicated to securitization debt service. The fraction of settlement funds remaining each year are deposited directly into the Healthy Iowans Tobacco Trust Fund. However, in 2005, the legislature transferred funds from the trust fund into the general fund with no obligation to repay the trust.

Background: Then-Governor Tom Vilsack's (D) 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 (\$55.0 million) for health-related programs. The law included \$9.35 million in FY2001 for a comprehensive tobacco prevention program.

In 2001, the Legislature enacted and Governor Vilsack signed a law that securitized the majority of the next 25 years of tobacco settlement proceeds to investors for \$574.0 million in up-front revenue. This revenue was mostly used to fund capital projects, but some of the money was also used to create the Healthy Iowans Tobacco Trust Fund. Each year the residual settlement funds left after the bonds are repaid are deposited into the Trust Fund. A total of \$55.0 million annually, with increases for inflation, is allocated from the Trust Fund for health care services and health programs, including tobacco prevention. The Legislature must still appropriate these funds for specific programs each year as part of the budget process.

The FY2002 budget included \$9.42 million in tobacco prevention funding.

The FY2003 budget cut tobacco prevention funding to \$5.1 million. As a result of these cuts, Iowa's "Just Eliminate Lies" youth counter-marketing campaign was cut by two-thirds, and all school-based and adult cessation programs were eliminated.

The FY2004 and FY2005 budgets approved by the Legislature and Governor Vilsack maintained funding at \$5.1 million for tobacco prevention and cessation programs.

The FY2006 budget approved by the Legislature and Governor Vilsack provided \$5.6 million for tobacco prevention and cessation programs, an increase of \$500,000 from FY2005.

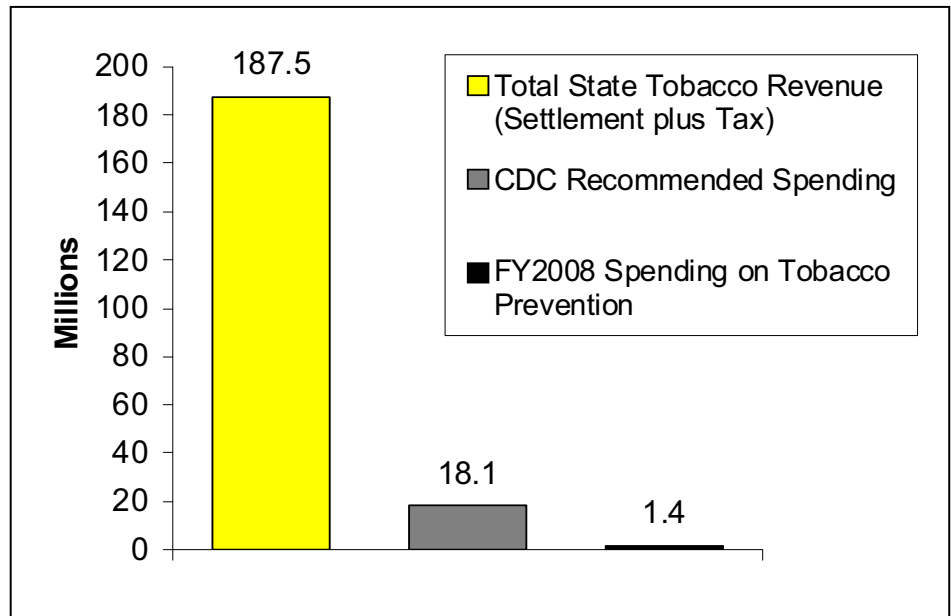
Also in 2005 and 2006, the Legislature failed to pass an increase in the tobacco excise tax for the third year in a row. Governor Vilsack proposed these cigarette tax increases, and many legislators from both parties supported the legislation. However, Republican legislative leaders, including state House Speaker Christopher Rants, prevented votes from being scheduled on the bills.

The FY2007 budget approved by the Legislature and Governor Vilsack allocated \$6.5 million for tobacco prevention and cessation programs, an increase of \$917,000 from FY2006.

Kansas

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 47 th | \$1.4 Million (7.8%) | 43 rd | \$1.0 Million (5.5%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Kansas spend between \$18.1 million and \$44.7 million a year to have an effective, comprehensive tobacco prevention program. Kansas currently allocates \$1.4 million a year for tobacco prevention. This is 7.8% of the CDC's minimum recommendation and ranks Kansas 46th among the states in the funding of tobacco prevention programs. Kansas' spending on tobacco prevention amounts to 0.7% of the \$187.5 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 enacted in 1998 and 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 FY2008 budget approved by the Legislature and signed by Governor Kathleen Sebelius (D) provides \$1.4 million for tobacco prevention, which includes \$400,000 for youth access enforcement aimed at reducing tobacco sales to minors.

Since funding continues to be inadequate for a statewide tobacco prevention program based on CDC recommendations, the funding supports countywide prevention programs in selected areas of the state. Under a program that was initiated in 2005, this year's funding will be allocated based on a competitive application process instead of to a predetermined group of communities.

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.

Background: In FY2001, the first \$70.0 million of the state's tobacco settlement funds were folded into the state's general fund to cover budget shortfalls. In FY2002, another \$20.0 million was transferred to the general fund.

All payments after the first \$70.0 million were deposited into the KEY Fund. The laws which created and expanded the KEY Fund designated that 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, after reviewing the Children's Cabinet recommendations.

FY2001, FY2002, FY2003 and FY2004 funding for tobacco prevention was \$500,000 per year.

In FY2004, the Legislature rejected a proposal by Governor Sebelius to securitize, or sell to investors, future tobacco settlement payments for a smaller, up-front payment. That proposal would have eliminated future funds available to prevention and health programs in exchange for an up-front lump payment.

Also in FY2004, the Legislature established a tobacco control fund that would provide allocations only to proven tobacco control programs. The Kansas Department of Health and Environment was charged with identifying and monitoring such programs, in addition to providing a yearly report on the status of tobacco use. However, additional funding was not provided for a comprehensive statewide program.

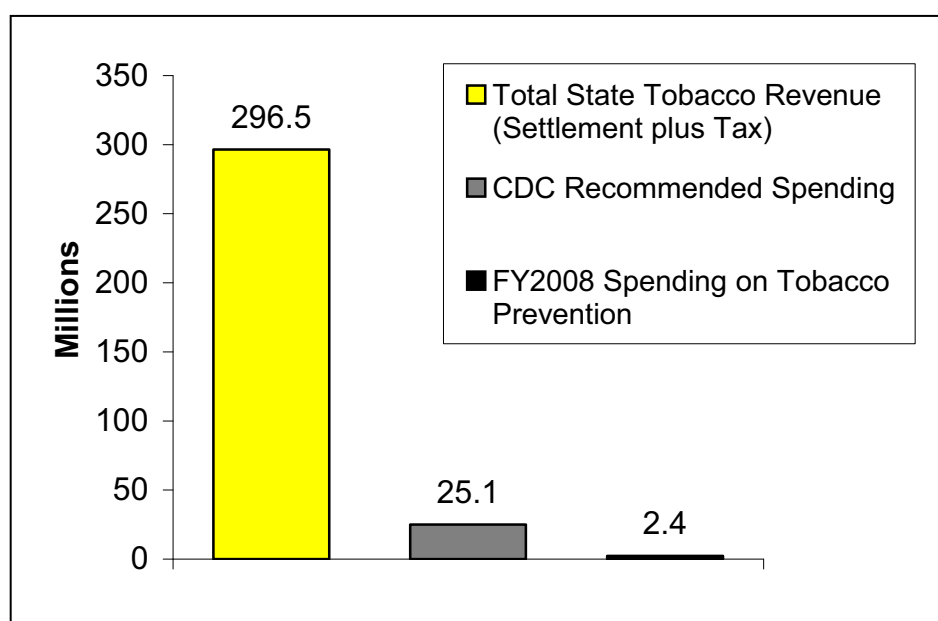
The FY2005 budget approved by the Legislature and signed by Governor Sebelius provided \$750,000 for tobacco prevention, up from \$500,000 in FY2004. The \$500,000 continued to primarily support the comprehensive model program operated only in Saline County. Some funding was also provided for the Kansas Quitline, as well as \$250,000 designated for cessation support for pregnant women receiving state assistance.

The FY2006 and FY2007 budgets approved by the Legislature and signed by Governor Sebelius each provided \$1.0 million for tobacco prevention. The FY2008 budget approved by the Legislature and signed by Governor Sebelius provided \$400,000 more than allocated in the previous fiscal year in order to support efforts to reduce tobacco sales to minors.

Kentucky

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 44 th | \$2.4 Million (9.4%) | 37 th | \$2.2 Million (8.8%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Kentucky spend between \$25.1 million and \$69.9 million to have an effective, comprehensive tobacco prevention program. Kentucky currently allocates \$2.4 million a year for tobacco prevention. This is 9.4% of the CDC's minimum recommendation and ranks Kentucky 44th among the states in the funding of tobacco prevention programs. Kentucky's spending on tobacco prevention amounts to 0.8% of the \$296.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and signed by Governor Ernie Fletcher (R) appropriated \$2.4 million for tobacco prevention. The FY2007 budget received an additional \$476,252 in addition to the \$2.2 million originally allocated for tobacco control.

Kentucky is spending minimal amounts on tobacco prevention despite the fact that the state is collecting record amounts in tobacco-generated revenue from the tobacco settlement and tobacco taxes. That is because in 2005, the Legislature passed and Governor Fletcher signed a 27-cent increase in the state's cigarette tax to 30 cents a pack, as well as a new tax on many non-cigarette tobacco products. None of the new tobacco tax revenue was dedicated to tobacco prevention.

Background: Kentucky's tobacco settlement payments are governed by a 2000 law that directed the funds into three accounts – 50 percent for tobacco growers and rural development initiatives, 25 percent for public health initiatives including tobacco prevention programs and 25 percent 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 percent earmarked for public health, which must be distributed as follows:

- 10 percent to discourage the use of "harmful substances" by minors, including tobacco. The funds are split between KY-ASAP (Kentucky Agency for Substance Abuse Policy) and the Department of Public Health's Tobacco Prevention and Cessation Program;

- 70 percent for a new health insurance program (a "high risk pool") for people with costly health conditions (17.5 percent of the total funds);
- 20 percent for lung cancer research at the University of Louisville and the University of Kentucky (5 percent 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 percent set aside for growers and agriculture. The Early Childhood Development Authority oversees the 25 percent of the funds set aside for an early childhood development initiative.

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 an annual plan and budget. 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.

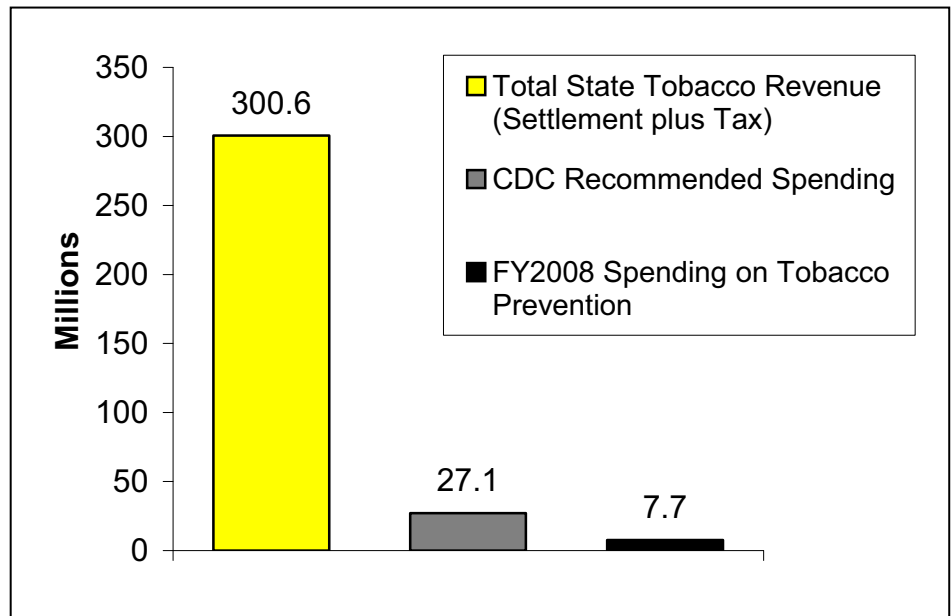
In each fiscal year following FY2002, the same percentage has been dedicated to tobacco prevention. In FY2006 this percentage amounted to \$2.7 million.

** Kentucky was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, was intended to provide up to \$1.5 billion over 12 years directly to Kentucky tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the tobacco companies' legal obligation to continue the payments.*

Louisiana

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 35 th | \$7.7 Million (28.3%) | 28 th | \$8.0 Million (29.5%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Louisiana spend between \$27.1 million and \$71.4 million a year to have an effective, comprehensive tobacco prevention program. Louisiana currently allocates \$7.7 million a year for tobacco prevention. This is 28.3% of the CDC's minimum recommendation and ranks Louisiana 35th among the states in the funding of tobacco prevention programs. Louisiana's spending on tobacco prevention amounts to 2.5% of the \$300.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Louisiana is spending \$7.7 million on tobacco prevention for FY2008. This is a decrease from the \$8 million appropriated in FY2007 as well as a reduction from \$11.3 million spent in FY2005.

In 2002, the Legislature passed and then-Governor Mike Foster (R) signed into law a 12-cent per pack increase in the state cigarette tax, to 36 cents a pack, and dedicated 2 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 tax will automatically flow to the Consortium every year, unless the law is changed by the Legislature.

Background: The FY2000 budget approved by the Legislature and signed by Governor Foster appropriated the \$198.7 million the state received from its initial (1998) tobacco settlement payment. Of that amount, \$110 million was used to balance the budget; while the remainder funded 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 percent | 60 percent | 75 percent | 75 percent |
| Louisiana Fund | 45 percent | 30 percent | 15 percent | 25 percent |
| Millennium Leverage Fund | 10 percent | 10 percent | 10 percent | -0- |

The allocations for each year after FY2004 were to 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 percent 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.

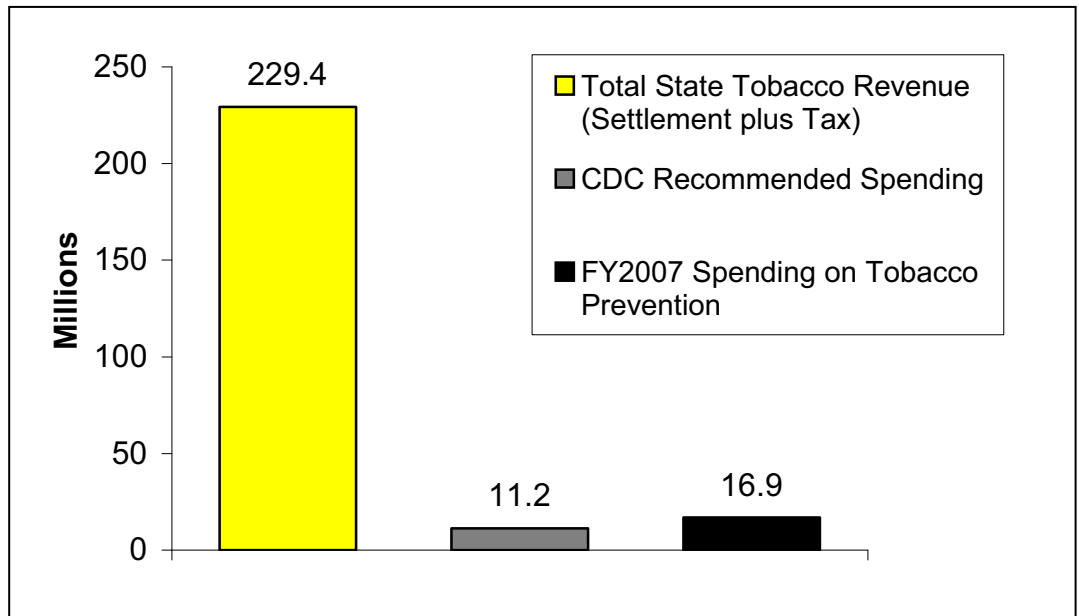
In 2003, the 40 percent of Louisiana's settlement payments that were not securitized in 2002 were distributed to the Millennium Trust Fund and Louisiana Fund, 75 percent and 25 percent respectively per the 1999 constitutional amendment.

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.

Maine

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 1 st | \$16.9 Million (151.2%) | 1 st | \$14.7 Million (131.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Maine spend between \$11.2 million and \$25.4 million a year to have an effective, comprehensive tobacco prevention program. Maine currently spends \$16.9 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 7.4% percent of the \$229.4 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. The FY2008 budget enacted by the Legislature and Governor John Baldacci (D) included \$16.9 million for the state's tobacco prevention program, a 15 percent increase over the amount appropriated in FY2007. The additional funds are a result of "strategic" payments the state expects to receive from the tobacco settlement in 2008. The additional funds will be used to pay for nicotine replacement therapy and other treatments for callers to the tobacco HelpLine, for health care provider training, for new grants to address disparities and will enhance the program's overall cessation efforts.

Maine's tobacco prevention program has been highly successful. From 1997 to 2005, Maine reduced smoking by 64 percent among middle school students (from 21 percent to 7.5 percent) and by 59 percent among high school students (from 39.2 percent to 16.2 percent), according to the Maine Youth Risk Behavior Survey. The Maine Department of Health (DOH) has calculated that, as a result of these declines, there are now 26,031 fewer youth smokers in Maine and 14,317 youth will be saved from premature, smoking-caused deaths. Based on estimates that smokers, on average, have \$16,000 more in lifetime health care costs than non-smokers, the DOH calculated that these declines will save Maine more than \$416 million in long-term health care costs. Declines in adult smoking and future declines in youth smoking will save even more money.

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 percent 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 percent was to be spent for a variety of health-related purposes, and actual appropriations are made through the 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 was 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.

The FY2004 budget enacted by the Legislature and Governor Baldacci included \$14.5 million for the state's tobacco prevention program. Although \$14.5 million was a slight decrease from FY2003 funding of \$15.2 million, it was essentially level funding because FY2003 funding for smoking cessation medical provider incentives under Maine's Medicaid program were not spent.

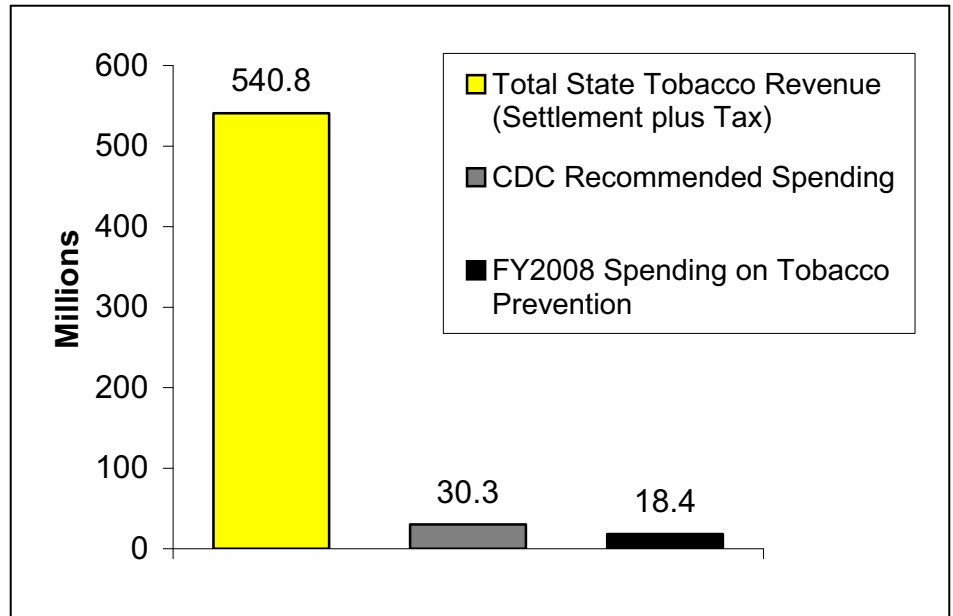
The FY2005 budget enacted by the Legislature and Governor Baldacci appropriated \$14.2 million for the tobacco prevention program, a slight decrease from FY2004 funding. The budget included a \$300,000 cut from the program's evaluation budget.

The FY2006 budget also included \$14.2 million for the tobacco prevention program.

Maryland

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 19 th | \$18.4 Million (60.7%) | 15 th | \$18.7 Million (61.7%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Maryland spend between \$30.3 million and \$78.6 million a year to have an effective, comprehensive tobacco prevention program. Maryland currently allocates \$18.4 million a year for tobacco prevention. This is 60.7% of the CDC's minimum recommendation and ranks Maryland 19th among the states in the funding of tobacco prevention programs. Maryland's spending on tobacco prevention amounts to 3.4% of the \$540.8 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 Cigarette Restitution Fund (CRF) and allocated through the annual budget process. For FY2008, the Legislature passed a budget that included \$18.4 million for tobacco prevention, a slight decrease from the \$18.7 million in FY2007. Governor Martin O'Malley (D) budgeted \$21 million for tobacco control, equal to the amount the governor is required by law to submit. The Legislature cut approximately \$2 million due to deficit reduction.

In November 2007, during a special legislative session called by Governor O'Malley to resolve the state's budget deficit, the Legislature approved and the Governor signed into law a \$1 per pack increase in the cigarette tax, bringing Maryland's cigarette tax to \$2 per pack beginning January 1, 2008. However none of these funds were earmarked for tobacco prevention. The Legislature plans to use a portion of the new revenue to expand health care access for the uninsured.

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 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 10 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, health, and anti-cancer programs. Approximately 50 percent (\$80 million annually for the next 10 years) was earmarked for

anti-cancer and tobacco prevention programs, satisfying Governor Glendening's 1999 executive order. Additionally, 5 percent was committed to fund a buy-out program for tobacco growers. The program gave farmers an annual payment of \$1 for every pound of tobacco they grew in 1998 for the next 10 years, in return for agreeing to farm alternative crops.

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.

In July 2002, Maryland launched its anti-smoking campaign with a theme, "Smoking Stops Here," that was designed to change social attitudes about the acceptability of smoking. The campaign consisted 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, 5 percent of the state's tobacco settlement revenue for a smaller, one-time payment. Funds raised from the sale of settlement monies were set aside to support a tobacco farmer buyout program.

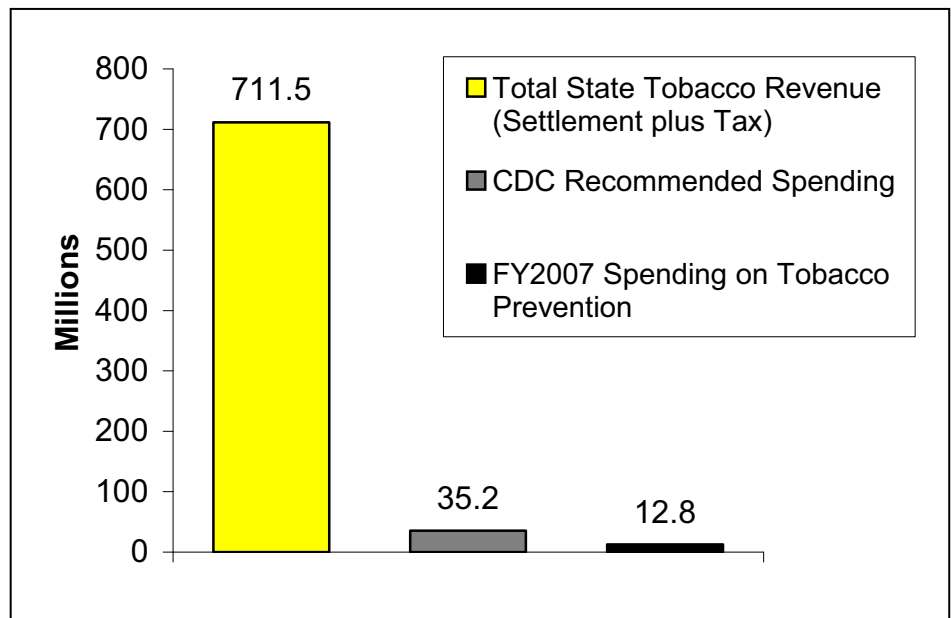
The FY2004 budget cut funding for tobacco prevention to \$14.8 million. The FY2005 budget contained \$12 million for tobacco prevention. However, the three-member Public Works Board, which includes Governor Ehrlich, subsequently cut FY2005 tobacco prevention funding to \$9.5 million.

** Maryland was also part of a separately negotiated settlement with the tobacco industry that provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have additionally provided up to \$31.9 million over 12 years directly to Maryland tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligations to continue the payments.*

Massachusetts

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 33 rd | \$12.8 Million (36.2%) | 31 st | \$8.3 Million (23.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Massachusetts spend between \$35.2 million and \$92.8 million a year to have an effective, comprehensive tobacco prevention program. Massachusetts currently allocates \$12.8 million a year for tobacco prevention. This is 36.2% of the CDC's minimum recommendation and ranks Massachusetts 33rd 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 1.8% of the \$711.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget passed by the Legislature and signed by Governor Deval Patrick (D) allocated \$12.8 million for the Massachusetts Tobacco Control Program (MTCP), a \$4.5 million increase over the program's FY2007 funding level. This increase is the largest funding increase the program has seen in several years.

Despite being one of the nation's oldest and most successful tobacco prevention programs, funding for the MTCP has been cut by more than 90 percent since it was funded at \$48 million in FY2002. Prior to the cuts, the MTCP had achieved considerable success and had 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).

Massachusetts has slashed funding for tobacco prevention despite the fact that it is receiving more tobacco-generated revenue than ever as a result of a cigarette tax increase that took effect July 24, 2002, increasing the state cigarette tax by 75 cents to \$1.51 per pack.

Background: Massachusetts launched its program in 1993 with funding from a voter-approved cigarette tax of 25 cents a pack. 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 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 final FY2001 budget was \$43.1 million, including \$12.4 million in tobacco settlement money.

Despite the program's success, then-Governor Jane Swift (R) 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.

In 2003, the Legislature approved \$2.5 million in funding for the program but then-Governor Mitt Romney 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. Similarly, in FY2005, Governor Romney proposed the program be funded at \$2.5 million, but the Legislature overrode the Governor's veto and funded the program at \$3.75 million.

The FY2006 budget passed by the Legislature and signed by Governor Romney allocated \$4.3 million for the MTCP a slight increase over FY2005 funding. Governor Romney had recommended that the state continue to spend just \$3.75 million on tobacco control in FY2006. The Legislature approved \$4.3 million and then overrode a veto by the Governor to keep funding at this level.

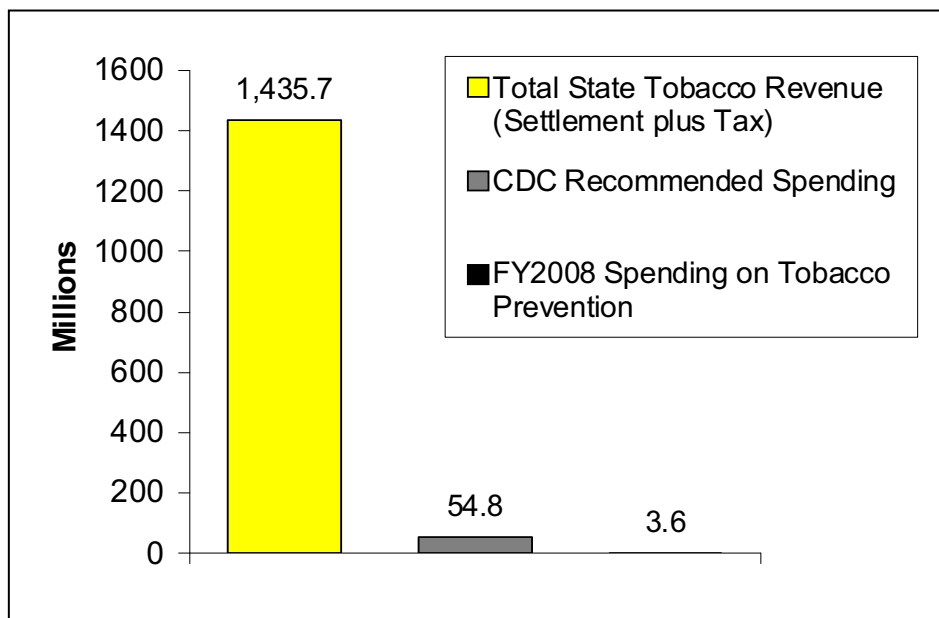
The FY2007 budget passed by the Legislature and signed by Governor Romney allocated \$4.3 million for program, the same amount appropriated in FY2006. However, in 2006, a landmark health care reform bill that includes a one-time allocation of \$4 million to the Massachusetts Tobacco Control Program was passed by the Legislature and signed by the Governor. This allocation nearly doubled the program's budget and increased program funding to \$8.3 million for FY2007.

The health care reform bill that passed in 2006 also included \$14 million for a two-year pilot program that expands Medicaid services to include the following smoking cessation services – all FDA approved pharmacotherapy (including but not limited to nicotine replacement therapies) and individual and group counseling sessions. While this means that an additional \$7 million could be spent on tobacco control in the state, actual spending on cessation services for Medicaid clients depends on utilization. In FY2007, Medicaid spent \$2.43 million on this cessation benefit.

Michigan

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 47 th | \$3.6 Million (6.6%) | 51 st | \$0.0 (0.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Michigan spend between \$54.8 million and \$154.6 million a year to have an effective, comprehensive tobacco prevention program. Michigan currently allocates \$3.6 million a year for tobacco prevention. This is 6.6% of the CDC's minimum recommendation and ranks Michigan 47th among the states in the funding of tobacco prevention programs. Michigan collects \$1.4 billion in tobacco-generated revenue annually in tobacco settlement payments and tobacco taxes.



Current Status: In October 2007, the legislature passed, and Governor Jennifer Granholm (D) signed the budget, which included \$3.6 million for the Tobacco Section of the Michigan Department of Community Health. This is not a new allocation — it was mentioned in previous reports but not counted in the state aggregate previously. Its inclusion is a reflection of modified criteria in this report.

The state continues to dedicate no funding from the Master Settlement Agreement toward reducing tobacco-caused death and disease, and the other funding it does provide is far short of the amount needed for a comprehensive CDC-based program. Michigan continues to be one of the only states that has never dedicated any Master Settlement Agreement funds for tobacco prevention.

Background: In 1999, a law passed by the Legislature and signed by then-Governor John Engler (R) committed settlement revenue to two trust funds: 75 percent to the Merit Scholarships Fund and 25 percent to the Life Science Corridor project, which funds senior health care and health care research.

In November 2002, Michigan voters defeated a constitutional amendment to reallocate the state's tobacco settlement proceeds to health care purposes, including \$45.0 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.

The FY2003, FY2004, FY2005 and FY2006 state budgets adhered to the 1999 law splitting the money between the two trust funds.

In 2004 the Legislature passed and Governor Granholm signed a 75-cent increase in the cigarette excise tax, bringing the total tax to \$2. Governor Granholm pushed to dedicate \$30.0 million of the new revenue to health prevention programs, including tobacco control. Republican legislative leaders blocked this allocation, and instead included new funding mandates that further limited the ability of the Michigan Department of Community Health to pursue effective tobacco prevention programming with its limited budget.

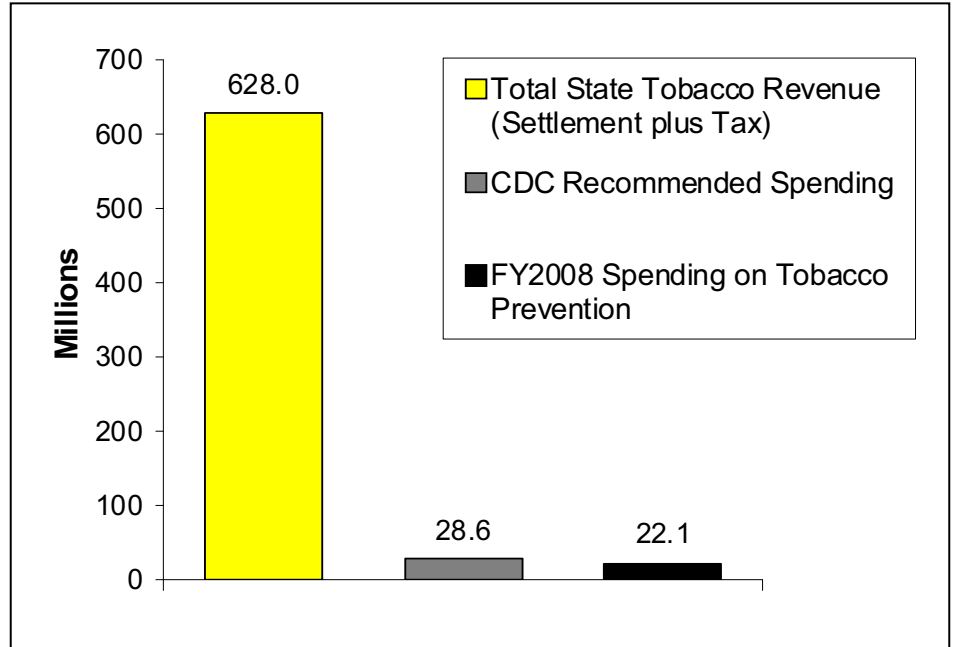
In 2005, the already minimal tobacco prevention funding from other state revenues was decreased along with state funding for other health programs.

For FY2007, the Michigan Legislature did not allocate any settlement funds to tobacco prevention and cessation programs. Also, a portion of the MSA payments were securitized and the lump sum payment was used to address a state budget deficit.

Minnesota

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 12 th | \$22.1 Million (77.2%) | 11 th | \$21.7 Million (75.8%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Minnesota spend between \$28.6 million and \$74.0 million a year to have an effective, comprehensive tobacco prevention program. Minnesota currently spends \$22.1 million a year for tobacco prevention. This is 77.2% of the CDC's minimum recommendation and ranks Minnesota 12th among the states in the funding of tobacco prevention programs. Minnesota's spending on tobacco prevention amounts to 3.5% of the \$628.0 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 a lawsuit against 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, as well as ongoing payments afterwards. The settlement also established a new non-profit foundation, ClearWay Minnesota (formerly known as the Minnesota Partnership for Action Against Tobacco or MPAAT), which is receiving \$202.0 million over 10 years to fund tobacco cessation and research efforts. ClearWay Minnesota has a lifespan of 25 years and reports annually to the Ramsey County District Court. Its focus is reducing tobacco use among adults. The Legislature has final approval in allocating all settlement money other than the ClearWay Minnesota funds.

Current Status: While net spending on tobacco control did increase slightly in FY2008, this is not due to legislative action. The level of state funding for tobacco prevention from Governor Tim Pawlenty's (R) administration and state legislators remains low and unchanged. Instead, as a result of Minnesota's individual settlement with the tobacco industry, the Board of ClearWay Minnesota impacts state spending on tobacco prevention separate from legislative action.

In FY2008, Minnesota will spend \$22.1 million in state settlement funds on tobacco prevention. This includes \$18.8 million in expenditures approved by the ClearWay Minnesota Board of Directors and \$3.3 million in the state funds managed by the State Department of Health (DOH).

Also in 2006, BCBS of Minnesota announced the launch of a comprehensive, 10-year program to improve the health of Minnesotans, including programs to reduce tobacco use, funded with more than \$240.0 million in settlement funds. Current tobacco initiatives include smoking cessation programs such as physician referrals, services in Latino and Southeast Asian communities, and programs on college campuses as well as the launch of youth programs in 2007. The BCBS expenditures on tobacco prevention, while substantial, are not public money and do not meet the criteria for inclusion in the state total for this report.

Overall, Minnesota's tobacco prevention strategy is unbalanced. Some aspects of CDC's best practices, like cessation, are pursued in aggressive and innovative ways, while others, like youth prevention, are not adequately addressed. The addition in 2006 of the BCBS program improves, but does not fix, this situation.

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 \$590.0 million was dedicated to the Tobacco Prevention and Public Health Endowment and approximately \$378.0 million was dedicated to the Medical Education and Research Endowment.

In 2003, Governor Pawlenty and the Legislature raided the fund for a one-time fix to the annual state budget, thus denying current and future generations of Minnesotans a guaranteed funding stream for life-saving tobacco prevention programs.

The combined resources from the state and ClearWay Minnesota had previously made Minnesota's comprehensive tobacco prevention and cessation program a model for the nation that followed CDC guidelines and demonstrated concrete results. The state also had one of the nation's most successful youth prevention programs in Target Market. Results from Minnesota's Youth Tobacco Survey showed that use of all tobacco products declined by 11 percent among high school and middle school students between 2000 and 2002. Additionally, cigarette use declined by 21 percent among middle school students and 11 percent among high school students between 2000 and 2002. However, all youth programs were eliminated along with the trust fund that provided their funding.

State funding for tobacco prevention was set at \$3.4 million for FY2004 and \$3.38 million for FY2005.

In FY2005, Minnesota spent \$18.7 million on tobacco prevention. This included \$15.4 million approved for FY2005 by the ClearWay Minnesota Board of Directors and \$3.3 million from the state budget for the DOH's tobacco programs.

In 2005, with leadership from Governor Pawlenty, the Legislature approved increasing the taxes and fees the state imposes on cigarettes by 75 cents per pack, and doubling the excise tax on other tobacco products. The state cigarette tax is now \$1.49 per pack.

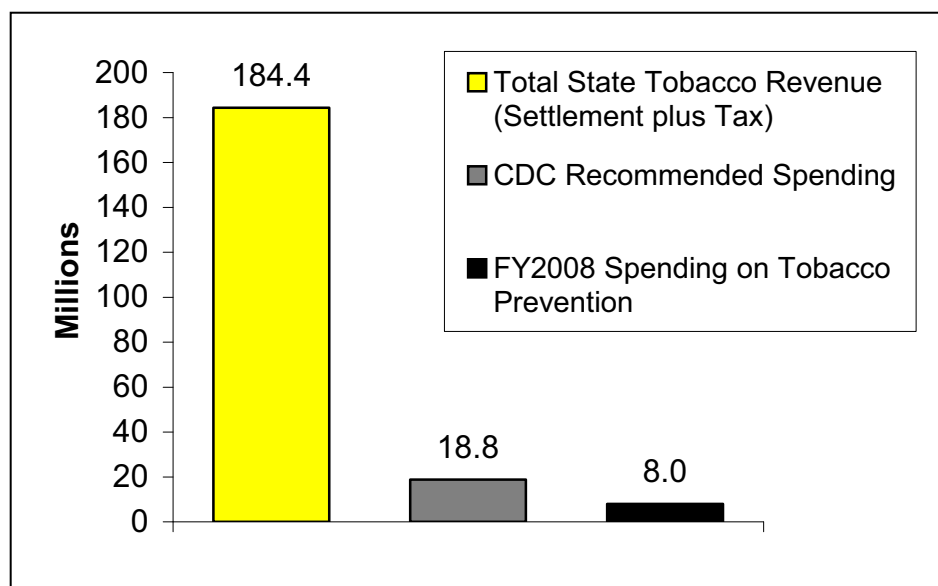
In FY2006, Minnesota spent \$22.1 million in state settlement funds on tobacco prevention. This included \$18.9 million by ClearWay Minnesota and \$3.3 million by the State Department of Health (DOH).

In FY2007, Minnesota spent \$21.7 million in state settlement funds on tobacco prevention. This included \$18.4 million by the ClearWay Minnesota and \$3.3 million by the State Department of Health (DOH).

Mississippi

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 27 th | \$8.0 Million (42.6%) | 51 st | \$0.0 (0.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Mississippi spend between \$18.8 million and \$46.8 million a year to have an effective, comprehensive tobacco prevention program. Mississippi currently allocates \$8 million of its tobacco settlement dollars or tobacco tax revenue for tobacco prevention. This is 42.6% of the CDC's minimum recommendation and ranks Mississippi 27th among the states in the funding of tobacco prevention programs. Maryland's spending on tobacco prevention amounts to 4.3% of the \$184.4 million in tobacco-generated revenue annually in tobacco settlement payments and tobacco taxes.



Current Status: Under a court order issued in December 2000 by the Jackson County Chancery Court, the court with jurisdiction over Mississippi's tobacco settlement agreement and subsequent litigation, \$20 million of the annual settlement payments were directed to the tobacco prevention program launched by the parties and the Court in 1997. Under a 1999 law, the rest of the annual settlement payments were deposited into a Health Care Trust Fund, with interest available for expenditure only for health care purposes. The state tobacco prevention program, run by the Partnership for a Healthy Mississippi, was highly successful at reducing youth smoking rates.

However, Governor Haley Barbour (R), the state Division of Medicaid, and the Health Care Trust Fund, led by State Treasurer Tate Reeves, filed motions to vacate the December 2000 order and direct the \$20 million away from tobacco prevention and into the Trust Fund. In May 2006, citing the lack of agreement between the legislative and executive branches regarding funding for tobacco prevention, the Jackson County Chancery Court granted the Governor and Treasurer's motion, denying the tobacco prevention programs access to further funding. In June 2007, the Mississippi Supreme Court upheld the December 2006 order from the Jackson County Chancery Court that determined only the Mississippi Legislature could appropriate funds to tobacco prevention programs.

The FY2008 budget passed by the Legislature and signed by Governor Barbour allocated \$8 million for a state tobacco prevention and cessation program within the state health department, a 60 percent decrease from what had been allocated to the state's tobacco prevention program run by the Partnership for a Healthy Mississippi.

As a result of the administration's actions, tobacco prevention programming in Mississippi has suffered tremendous cutbacks. As of June 1, 2006, the highly acclaimed counter-marketing campaigns were no longer airing, and the college program that was showing promising signs for the 18 to 24-year-old market was ended. As of November 30, 2006, the Partnership was forced to cease funding of cessation programs, including a statewide quitline and regional tobacco cessation treatment clinics, law enforcement program and numerous statewide and after-school programs. The Partnership no longer receives tobacco settlement funds and is essentially defunct.

The lawsuit contends that the tobacco settlement funds are subject to exclusive control by the Legislature. However, during the 2006 legislative session, the Legislature approved a bill that provided for continued allocation of funds to the Partnership and required a look-back audit conducted by the State Auditor to review funds spent by the Partnership since 1999. Governor Barbour vetoed the bill. Governor Barbour proposed dividing the \$20 million among three state agencies with no requirement that it be spent on tobacco prevention or cessation programs. Governor Barbour also vetoed two bills that would have increased the cigarette tax by \$1 per pack.

Tobacco settlement revenues in FY2008 were also allocated to the University of Mississippi Medical Center Cancer Institute, the Department of Education for the Mary Kirkpatrick Haskell – Mary Sprayberry Public School Nurse Program, the Attorney General's Office for its Alcohol and Tobacco Enforcement Unit, the Regional Medical Center at Memphis for trauma care, and to the University of Mississippi Medical Center's Comprehensive Tobacco Center.

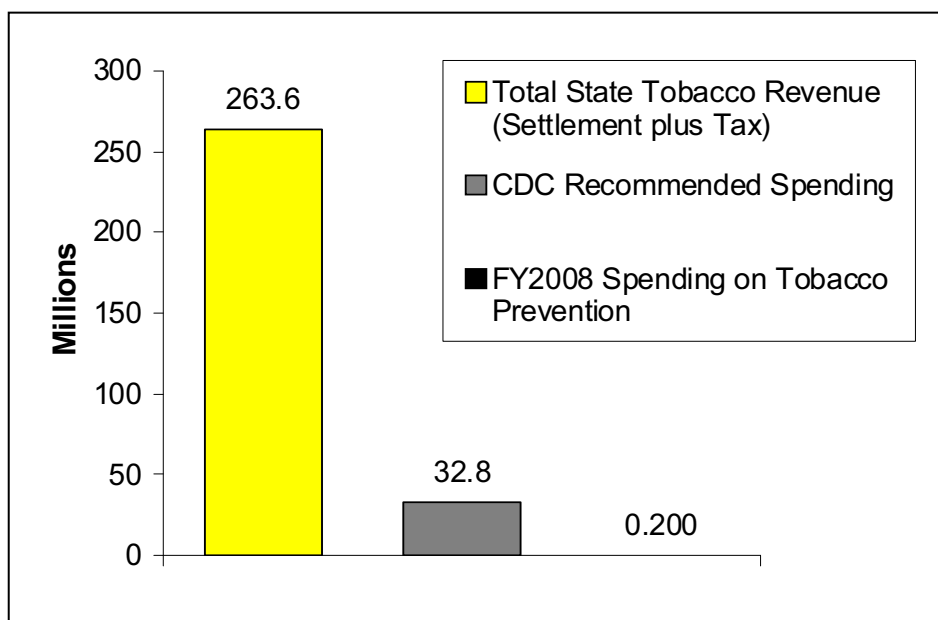
Background: Mississippi was the first state to reach a settlement with the tobacco industry in July 1997, prior to and separate from the November 1998 multi-state settlement agreement. Mississippi received funding for and launched a tobacco prevention pilot program, and the tobacco industry agreed to pay the state an initial block payment of \$170 million in 1997 and annual payments thereafter. Mississippi initiated a pilot tobacco prevention program with funding separate from its settlement monies in 1997.

Mississippi's tobacco prevention program, run by the Partnership for a Healthy Mississippi, was highly successful at reducing youth smoking rates despite the fact the state has the third lowest cigarette tax (18 cents per pack) in the country and lacks a statewide smoke-free workplace law. Between 1999 and 2004, Mississippi reduced smoking by 48 percent among public middle school students (from 23 percent to 12 percent) and by 32 percent among public high school students (from 32.5 percent to 22.1 percent).

Missouri

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|--|--------------------|--|
| 50 th | \$200,000 (0.6%) | 51 st | \$0.0 (0.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Missouri spend between \$32.8 million and \$91.4 million a year to have an effective, comprehensive tobacco prevention program. Missouri currently allocates \$200,000 for tobacco prevention. This is 0.6% of the CDC's minimum recommendation and ranks Missouri 50th among the states in the funding of tobacco prevention programs. Missouri's spending on tobacco prevention amounts to 0.1% of the \$263.6 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 \$263.6 million in tobacco taxes and tobacco settlement revenue this year, Missouri is spending just \$200,000 on tobacco prevention for FY2008. The Governor and the House recommended allocating just \$1.0 million for tobacco prevention for FY2008—well short of a significant investment—only to have that amount cut by 80 percent in the Senate. For FY2003 through FY2007 the Legislature dedicated no funding for tobacco prevention.

On Nov. 7, 2006, Missouri voters narrowly rejected a ballot initiative to increase the state cigarette tax by 80 cents a pack and double the tax on other tobacco products. The initiative would have given Missouri one of the best-funded prevention programs in the country. Instead, Missouri remains among the bottom states in funding tobacco prevention and cessation programs, ranking 50th in the nation.

Background: In 2001, the Missouri Legislature passed and then-Governor Bob Holden (D) 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 Department of Health. A variety of other health related programs would have also received settlement funding.

In the spring of 2002, Governor Holden cut all funding designated to the tobacco prevention program as part of an effort to address the state's budget shortfall, eliminating the program before it could start. Tobacco prevention was the only program completely eliminated to balance the state budget.

For FY2003 through FY2007, Missouri appropriated no funding for tobacco prevention.

The annual settlement payment in FY2004 went to the general fund, health care programs, and prescription drug programs for senior citizens. Also in FY2004, the Legislature passed a settlement carve-out to fund life-science business development in the state.

Both the FY2005 and FY 2006 annual settlement payments went to the general fund with a portion specifically dedicated to life science research.

The annual settlement payment in FY2007 also went to the general fund with a portion dedicated to life science research.

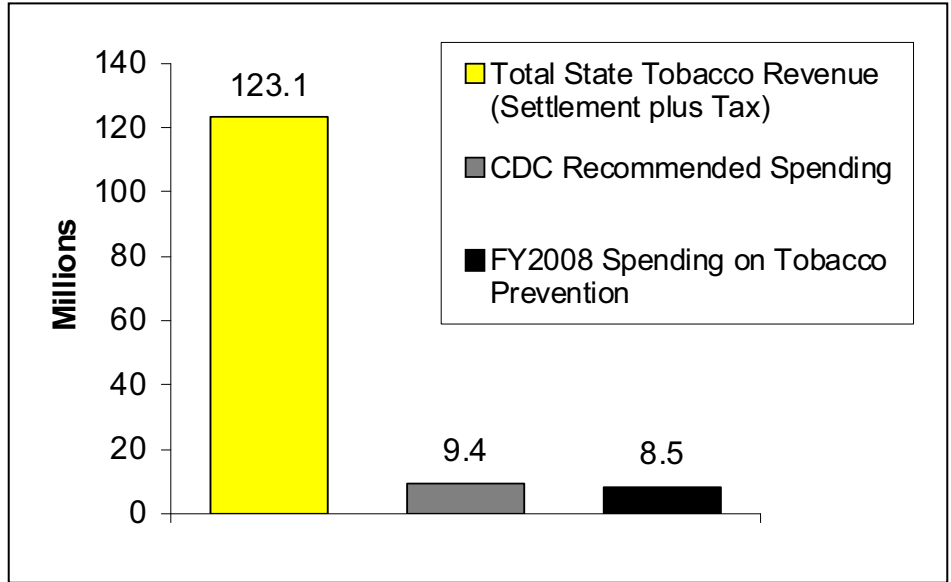
In 2007, under the leadership of the Department of Health and Senior Services, public health experts completed an updated plan for a comprehensive tobacco prevention and cessation program in Missouri. However, like the previous plan, there are no state funds for its implementation.

** 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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 6 th | \$8.5 Million (90.6%) | 12 th | \$6.9 Million (73.7%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Montana spend between \$9.4 million and \$19.7 million a year to have an effective, comprehensive tobacco prevention program. Montana currently allocates \$8.5 million a year for tobacco prevention. This is 90.6% of the CDC's minimum recommendation and ranks Montana 6th among the states in the funding of tobacco prevention programs. Montana's spending on tobacco prevention amounts to 6.9% of the \$123.1 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: For FY2008, the Legislature and Governor Brian Schweitzer (D) allocated \$8.5 million for the state's tobacco prevention program, an increase from the \$6.9 million allocated in FY2007.

Background: In 1999, the Montana Legislature opted to appropriate the initial (1998) settlement payment (2000), approximately \$37.0 million, through the general budget process. In November 2000, Montana voters approved a constitutional amendment that directed 40 percent of all future tobacco settlement payments into a permanent trust fund to pay for health-related programs and 60 percent 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.

In FY2000 and FY2001, \$3.5 million was appropriated for tobacco prevention. However in 2001, newly-elected Governor Judy Martz (R) made the first of a series of proposed cuts to tobacco prevention funding for the FY2002-03 biennium. The Legislature supported Governor Martz's proposed funding of just \$500,000 a year, a reduction of 86 percent. In 2002, Governor Martz administratively cut the program to \$384,000 in annual funding.

Despite the 2002 ballot initiative allocating 32 percent of settlement funds to tobacco prevention, the Legislature and Governor Martz overrode the initiative and diverted \$5.8 million in FY2004 to state human services programs. Based on settlement payment projections, they appropriated \$3.2 million per year for tobacco prevention in their biennial budget for FY2004 and FY2005. However, the settlement payment was reduced, bringing spending for FY2004 and FY2005 down to \$2.5 million.

In November 2004, Montana voters, by a 65 percent to 35 percent margin, approved a \$1 increase in the state cigarette tax to \$1.70 per pack. The revenue generated by the initiative was earmarked for various health programs. The higher cigarette tax provided Montana with more tobacco-generated revenue than ever before.

In 2005, the Legislature and Governor Schweitzer upheld the 2002 ballot initiative and appropriated 32 percent of settlement funds to tobacco prevention for the FY2006 and FY2007 budgets. This increased funding for tobacco prevention by 45 percent compared to FY2004 and FY2005.

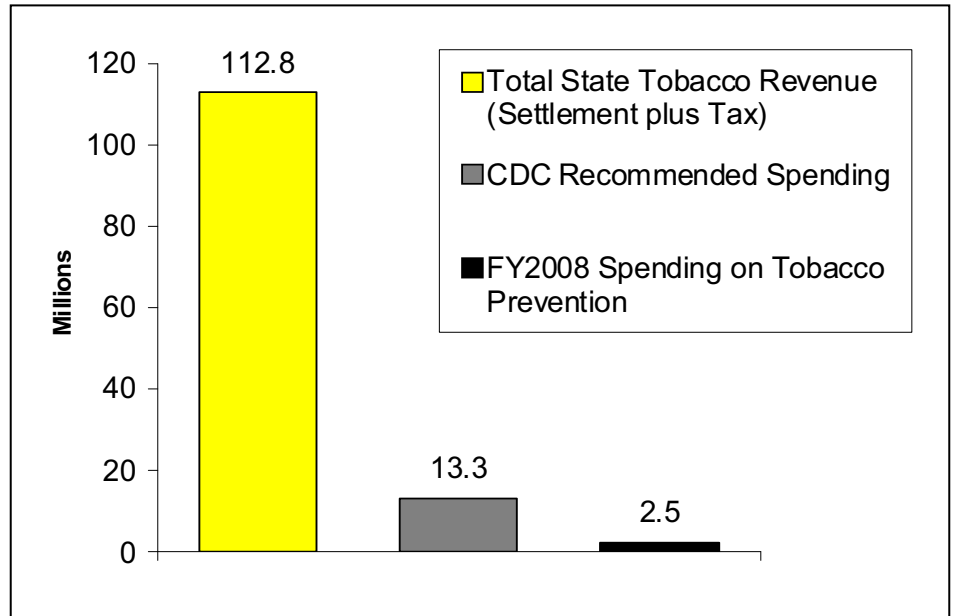
For FY2006, the Legislature and Governor Schweitzer approved a budget allocating \$6.8 million for the state's tobacco prevention program.

For FY2007, the Legislature and Governor Schweitzer approved a budget allocating \$6.9 million for the state's tobacco prevention program.

Nebraska

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 37 th | \$2.5 Million (18.8%) | 32 nd | \$3.0 Million (22.5%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Nebraska spend between \$13.3 million and \$31 million a year to have an effective, comprehensive tobacco prevention program. Nebraska currently allocates \$2.5 million a year for tobacco prevention. This is 18.8% of the CDC's minimum recommendation and ranks Nebraska 37th among the states in the funding of tobacco prevention programs. Nebraska's spending on tobacco prevention amounts to 2.2% of the \$112.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: For FY2008, Nebraska is funding its tobacco prevention program at \$2.5 million, a decrease from the \$3.0 million allocated in FY2007. Funding for the once-promising program remains substantially below the \$7.0 million allocated in FY2001 for the program.

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, Legislative Bill 1436, allocated \$7.0 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, community programs and a 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 \$5.0 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 \$2.0 million of the \$7.0 million allocated for FY2001 was actually spent on tobacco prevention.

In 2004 the Legislature and then-Governor Mike Johanns (R) cut funding for the tobacco prevention program by 94 percent to just \$410,000 in FY2004. For FY2005, the tobacco prevention budget increased by \$2.5 million for a total of \$2.9 million. Other tobacco settlement funds were used for mental health and substance abuse services, respite care, biomedical research, and services to the developmentally disabled.

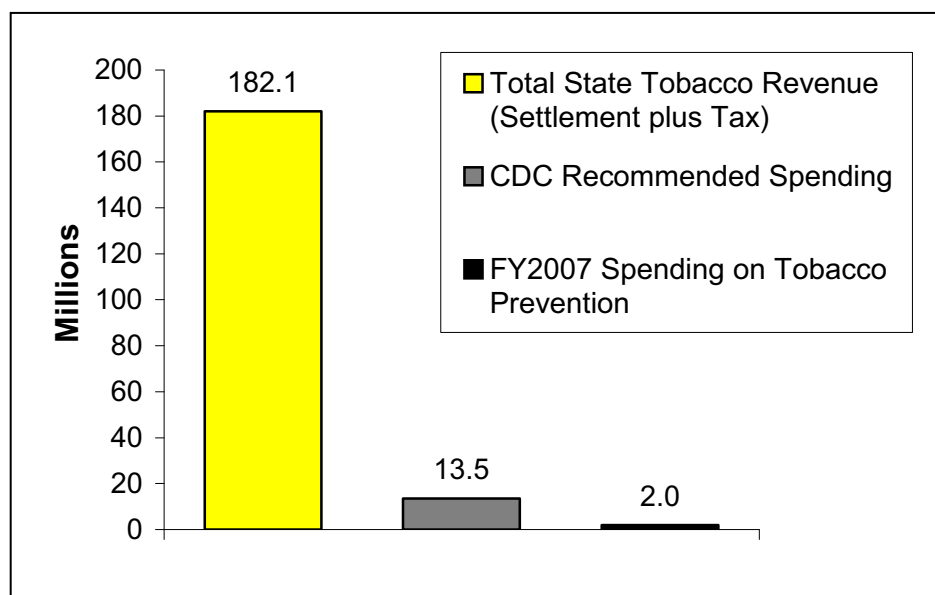
As a result of a cigarette tax increase that took effect October 1, 2002, Nebraska is receiving more tobacco-generated revenue than ever before. The new tax raised the state cigarette tax by 30 cents to 64 cents per pack, but none of these funds were earmarked for tobacco prevention.

For FY2006 and FY2007, Nebraska funded its tobacco prevention program at \$3.0 million each year, a slight increase over the \$90,000 allocated in FY2005.

Nevada

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 38 th | \$2.0 Million (14.8%) | 29 th | \$3.8 Million (28.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Nevada spend between \$13.5 million and \$33 million a year to have an effective, comprehensive tobacco prevention program. Nevada currently allocates \$2.0 million a year for tobacco prevention. This is 14.8% of the CDC's minimum recommendation and ranks Nevada 38th among the states in the funding of tobacco prevention programs. Nevada's spending on tobacco prevention amounts to 1.1% of the \$182.1 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008-09 biennial budget approved by the Legislature and signed into law by Governor Jim Gibbons (R) appropriated \$2 million for the state's tobacco prevention and cessation program. Nevada's program is funded entirely through settlement payments and funding levels may change if the actual settlement payments are different than projected.

Background: A 1999 state law divided Nevada's settlement money into three trust funds: 40 percent to the Millennium Trust Fund for college scholarships; 10 percent to the Trust Fund for Public Health; and 50 percent 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 percent (10 percent of the total settlement payments) for tobacco prevention and cessation;
- 30 percent (15 percent of the total settlement payments) for a prescription drug program for senior citizens and the disabled;
- 30 percent (15 percent of the total settlement payments) for existing and new programs to assist senior citizens with independent living; and
- 20 percent (10 percent of the total settlement payments) for improving health services for children and the disabled.

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

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 10 years.

The Fund for a Healthy Nevada – constituting 50 percent 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.

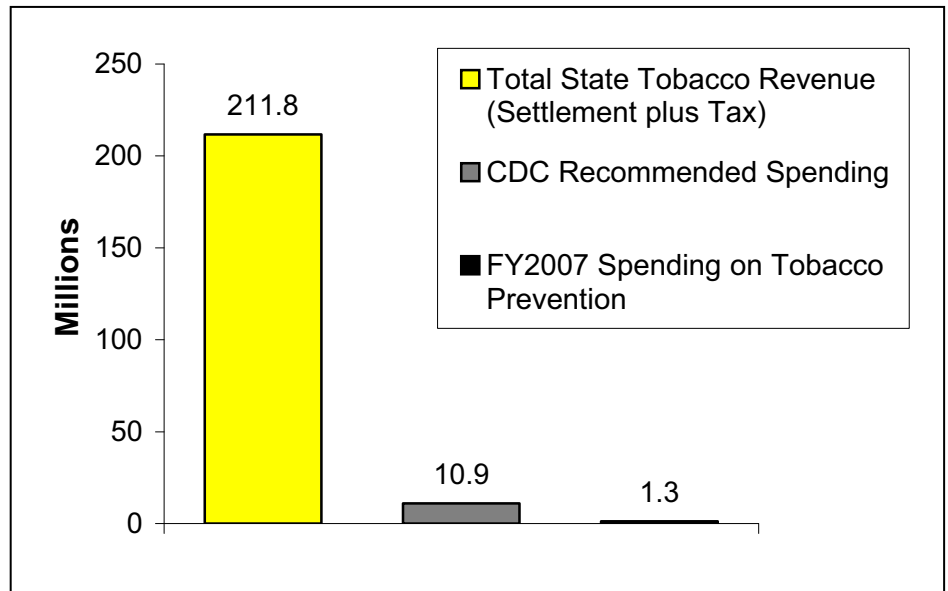
The FY2002-03 biennial budget approved by the Legislature and signed into law by Governor Guinn increased funding for tobacco prevention to \$4.28 million annually from \$3.03 million in FY2001.

In FY2004-05 and FY2005-2006, more than \$4 million a year was allocated for tobacco prevention.

New Hampshire

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 41 st | \$1.3 Million (12.3%) | 51 st | \$0.0 (0.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that New Hampshire spend between \$10.9 million and \$24.8 million a year to have an effective, comprehensive tobacco prevention program. New Hampshire currently allocates \$1.3 a year for tobacco prevention. This is 12.3% of the CDC's minimum recommendation and ranks New Hampshire 41st among the states in the funding of tobacco prevention programs. New Hampshire's spending on tobacco prevention amounts to .6% of the \$211.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008-2009 biennial budget passed by the Legislature and signed by Governor John Lynch (D) appropriated \$4 million for the state tobacco prevention and cessation program, the first time the program has received state funds since FY2003. Of that, \$1.3 million is expected to be spent in 2008 and \$2.7 million is expected to be spent in 2009.

New Hampshire continues to provide little funding for tobacco prevention despite receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 1, 2007, increasing the state cigarette tax by 28 cents to \$1.08 per pack.

Background: In 1999, the New Hampshire Legislature passed and then-Governor Jeanne Shaheen (D) signed the 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. Other legislation provided an additional \$150,000 for a smoking cessation voucher program for families receiving state assistance.

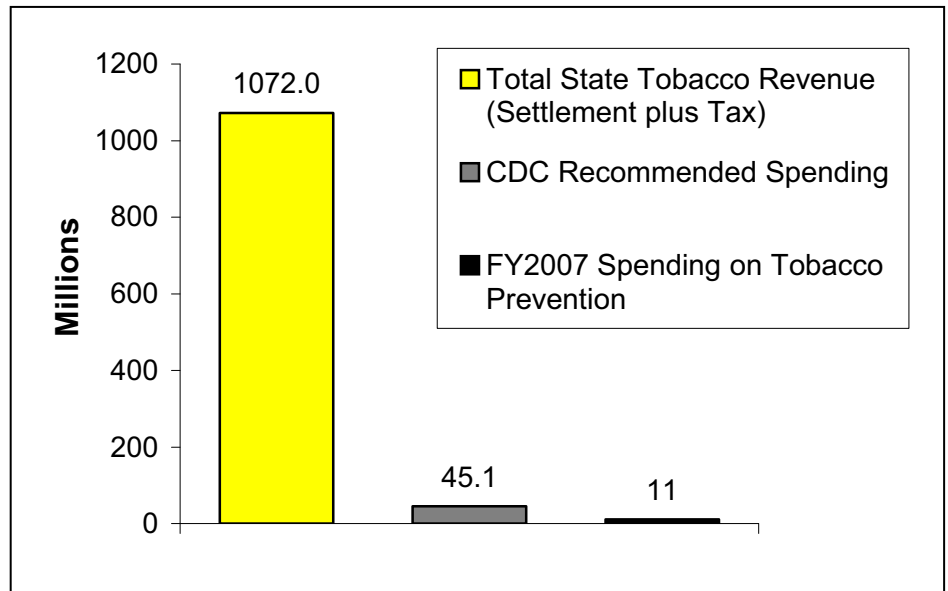
In June 2001, the FY2002-03 budget was passed by the Legislature and signed into law by Governor Shaheen. The budget continued the allocation priorities of the previous budget, directing most of the state's settlement payments into the Education Trust Fund and appropriating \$3 million for tobacco prevention. However, \$1.5 million of that \$3 million 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.

The FY2004-2005 budget eliminated the settlement-funded Tobacco Prevention Fund and redirected the funds to the state's general fund to address a budget shortfall. All of New Hampshire's remaining tobacco settlement payments (\$43.0 million annually) were directed to an Education Trust Fund.

New Jersey

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 36 th | \$11.0 Million (24.4%) | 30 th | \$11.0 Million (24.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$11.0 million a year for tobacco prevention. This is 24.4% of the CDC's minimum recommendation and ranks New Jersey 36th among the states in the funding of tobacco prevention programs. New Jersey's spending on tobacco prevention amounts to 1.0% of the \$1.0 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and signed by Governor Jon Corzine (D) appropriated \$11 million to the state's tobacco prevention and cessation program, the same as FY2007. The program budget remained constant despite a large budget deficit that is predicted to continue for the near future.

As it considers future funding for tobacco prevention and cessation, New Jersey will have more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 15, 2006, increasing the state cigarette tax by 17.5 cents to \$2.58 per pack, the highest in the nation.

Background: 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 did approve funding for tobacco prevention and cessation at \$30 million annually.

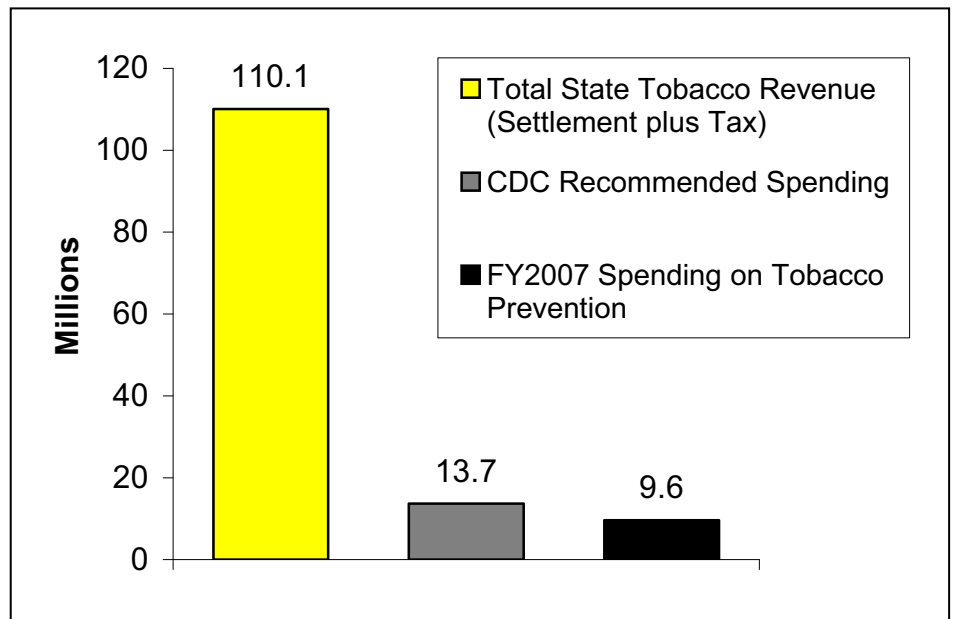
The program received \$30 million in program funding annually between FY2001 and FY2003, but in 2003, then-Governor Jim McGreevey (D) and the Legislature cut the program by 65 percent, from \$30 million in FY2003 to \$10.5 million in FY2004. Since this time, the program has been funded at approximately \$11 million annually.

Also, in FY2003, 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 and cessation (or other purposes) in the future.

New Mexico

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 15 th | \$9.6 Million (70.1%) | 16 th | \$7.7 Million (56.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$9.6 million a year for tobacco prevention. This is 70.1% of the CDC's minimum recommendation and ranks New Mexico 15th among the states in the funding of tobacco prevention programs. New Mexico's spending on tobacco prevention amounts to 8.7% of the \$110.1 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 Governor Gary E. Johnson (R) that placed 50 percent of the state's tobacco settlement payments in a permanent trust fund, and allowed the other half to be placed into a tobacco settlement program fund to be spent on a variety of health-related programs appropriated through the state's annual budget process. However, legislation passed in 2003 diverted all settlement payments for a four-year period (FY2003-2006) into the state's general fund.

The FY2008 budget approved by the Legislature and signed by Governor Bill Richardson (D) appropriated \$9.6 million from the tobacco settlement program fund for comprehensive tobacco control programs, an increase in spending of \$1.9 million from FY2007. The increase includes a \$500,000 set-aside for tobacco control programs specifically targeting the state's 22 distinct American Indian tribes.

Background: Laws passed in 1999 and 2000 allocated 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 distributed the annual master settlement revenues into two distinct funds: a permanent trust fund and a fund for health and education programs. The latter was the source of funding for tobacco prevention prior to the Legislature's diversion of all MSA payments directly into the general fund for a four-year period beginning in 2003. FY2007 is the first year that the tobacco control programs has been funded out of the state's tobacco settlement program fund since 2002.

In its initial years, New Mexico's tobacco prevention and cessation program was funded at just over \$2 million. Funding for tobacco prevention was increased to \$5 million a year in FY2002 and remained at that level until FY2005. Since FY2005, program funding has increased slightly every year.

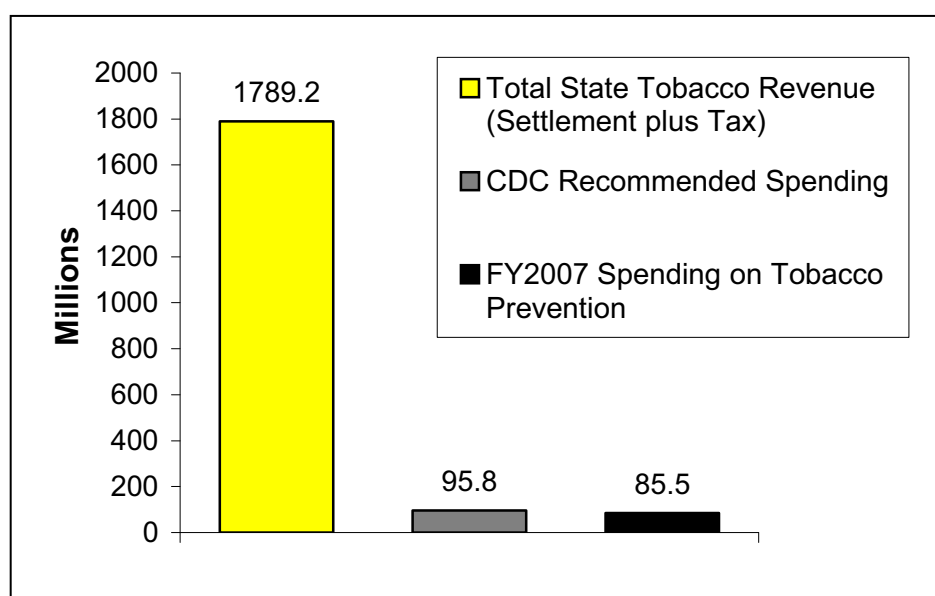
During the 2003 legislative session, the Legislature passed and Governor Richardson signed a 70-cent increase in the cigarette excise tax making the total tax 91 cents. None of the increase directly funds tobacco prevention, but instead is distributed to the University of New Mexico, Department of Health (for specific capital improvements), and the general fund.

In 2006, New Mexico passed additional legislation for FY2007 that reduced the tax-stamping volume discount back to pre-2003 levels (prior to its 350 percent increase that resulted from the 70-cent cigarette tax increase in 2003) and therefore slightly increases the real price of state tax stamps at the wholesale level. The same tax stamping bill included three separate tobacco control provisions: (1) it explicitly authorized the state's Taxation and Revenue Department to enter into tax agreements with the tribes; (2) it required distributors to apply new cigarette tax stamps that allow each pack of cigarettes to be identifiable with a unique serial number; and (3) it also created a new type of tax-free cigarette tax stamps to better allow the state to track untaxed tribal sales. An aggressive push by U.S. Smokeless Tobacco Company (UST) to enact their weight-based smokeless tobacco tax bill was effectively blocked this same legislative year.

New York

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 7 th | \$85.5 Million (89.2%) | 5 th | \$85.5 Million (89.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$85.5 million a year for tobacco prevention. This is 89.2% of the CDC's minimum recommendation and ranks New York 7th among the states in funding of tobacco prevention programs. New York's spending on tobacco prevention amounts to 4.8% of the \$1.7 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 receives 26.6%, and the 57 counties outside New York City share the remaining 22.2% based on a set formula. The formula for disbursing payments to New York City and the counties is based on the localities' mandatory contributions to Medicaid costs. New York City's base-lined budget for FY2008 includes \$4.5 million for tobacco prevention and cessation programming.

Current Status: New York'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 FY2008 budget approved by the Legislature and signed by Governor Eliot Spitzer (D) maintained funding for the state's tobacco prevention and cessation program at \$85.5 million. In 2006, the Legislature and then Governor George Pataki (R) nearly doubled funding for the state's tobacco prevention and cessation program by increasing the program's budget from \$43.4 million in FY2006 to \$85.5 million in FY2007.

New York's program has been very successful, with adult and youth smoking rates falling significantly faster compared to the country as a whole. Between 2000 and 2006, smoking among high school students declined by 40 percent, from 27.1 percent to 16.3 percent. Between 2000 and 2006, adult smoking declined by 15 percent, from 21.6 percent to 18.2 percent.

Background: New York's 1999 Health Care Reform Act (HCRA) 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.

In 2002, the Legislature and Governor Pataki again increased the cigarette tax, this time by 39 cents to \$1.50 per pack, and dedicated the additional revenue to HCRA, using the revenue to fund additional health programs.

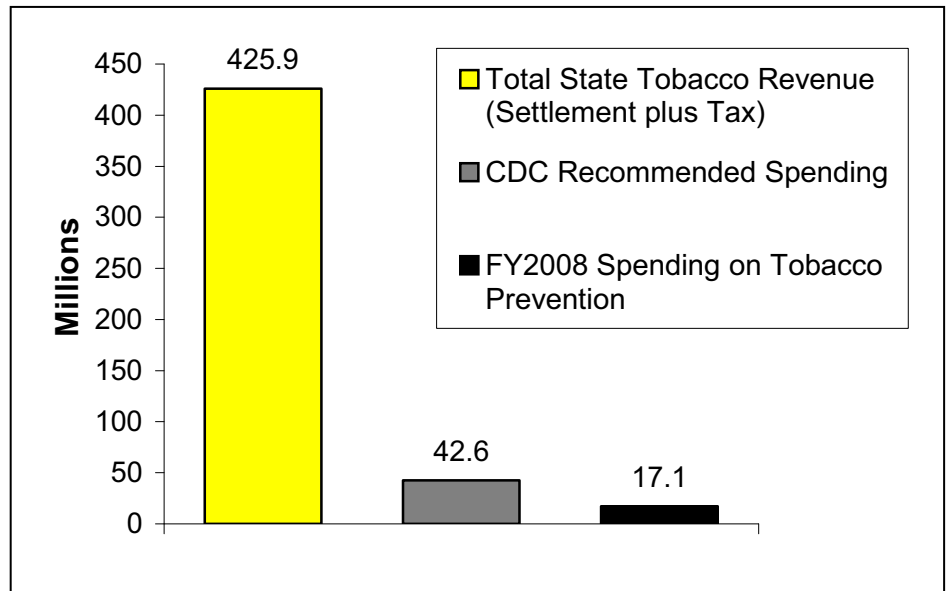
In December 2002, Governor Pataki proposed securitizing, or selling to investors, about half of New York's future tobacco settlement payments to investors for a much smaller, up-front payment. Under a plan organized by the New York State Association of Counties, 29 of 58 counties have securitized future 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.

Until the program's budget was increased in FY2007, program funding hovered around 40 percent of CDC's recommended minimum for several years.

North Carolina

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------------|--|--------------------------|--|
| 28 th | \$17.1 Million (40.2%) | 21 st | \$17.1 Million (40.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that North Carolina spend between \$42.6 million and \$118.6 million to have an effective, comprehensive tobacco prevention program. North Carolina currently allocates \$17.1 million a year for tobacco prevention. This is 40.2% of the CDC's minimum recommendation and ranks North Carolina 28th among the states in the funding of tobacco prevention programs. North Carolina spending on tobacco prevention amounts to 4.0% of the \$425.9 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 monies into three trust funds. The Golden LEAF Foundation receives 50 percent of the funds for assistance to tobacco-dependent communities. The Tobacco Trust Fund receives 25 percent for direct aid to tobacco farmers, quota holders, tobacco manufacturing workers and tobacco-related businesses. The remaining 25 percent of the funds are placed in a Health and Wellness Trust Fund (HWTF), which is administered by the North Carolina Health and Wellness Trust Fund Commission.

For FY2008, HWTF has allocated \$17.1 million for tobacco prevention, cessation and control, the same amount allocated in FY2007.

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 percent of the settlement funds set aside for economic development in tobacco-dependent communities. While no final decisions were made regarding appropriations 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 monies for 1998, 1999 and 2000 were available for expenditure by the Commission. However, beginning in 2001 and through 2025, 50 percent of the Fund's annual allocation was to go into a reserve (amounting to 12.5 percent of North Carolina's total annual settlement payments).

In 2001, the Legislature and Governor Easley named a Health and Wellness Trust Fund Commission to determine how to allocate HWTF proceeds. Since that time, HWTF has funded statewide initiatives to address tobacco prevention, obesity, health disparities, prescription assistance for low income residents, and access to care for the uninsured. HWTF's annual allocation for tobacco prevention has gone up incrementally from \$6.2 million in 2003 to the current \$17.1 million. HWTF has continued to increase funding for tobacco prevention while refining its grant programs based on accepted best practices and lessons learned.

The Tobacco Trust Fund monies have been allocated for two purposes: \$30 million to cost-share the retrofitting of tobacco barns as required by the tobacco manufacturers, and an additional \$2 million for 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.

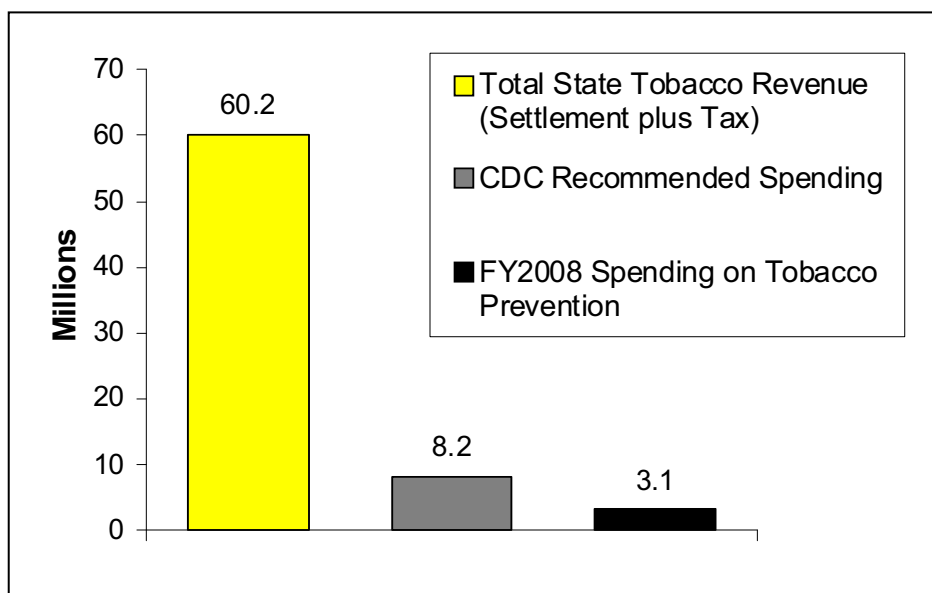
In April 2002, Governor Easley diverted \$60 million in settlement payments to help address the state's budget crisis. Of that amount, \$30 million was intended for the Health and Wellness Trust Fund and another \$30 million was to go to the Tobacco Trust Fund. The General Assembly in its FY2003 budget 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. The General Assembly diverted another \$25 million per year from the Health and Wellness Trust Fund in the 2004 and 2005 budget bills. The total amount of these funded diversions is nearly \$123 million. In addition, in 2004, the General Assembly enacted a measure that places half of the debt service associated with the construction of facilities at nine campuses in the University of North Carolina system and five youth development centers upon the Health and Wellness Trust Fund. The long-term transfer is projected to total more than \$350 million by 2030.

** North Carolina was also part of a separately negotiated settlement with the tobacco industry that would have provided \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have provided up to \$1.95 billion over 12 years for direct payments to tobacco farmers, in addition to the other assistance they received from the Tobacco Trust Fund and the Gold Leaf Foundation. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligations to continue the payments.*

North Dakota

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 31 st | \$3.1 Million (38.4%) | 23 rd | \$3.1 Million (38.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that North Dakota spend between \$8.2 million and \$16.6 million a year to have an effective, comprehensive tobacco prevention program. North Dakota currently allocates \$3.1 million a year for tobacco prevention. This is 38.4% of the CDC's minimum recommendation and ranks North Dakota 31st among the states in the funding of tobacco prevention programs. North Dakota's spending on tobacco prevention amounts to 5.2% of the \$60.2 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 percent of the money into a Water Resource Trust Fund, 45 percent into an Education Trust Fund, and 10 percent into a Community Trust Fund for health purposes.

The FY2008-2009 biennial budget passed by the Legislature and signed by Governor John Hoeven (R) appropriated a combined \$6.3 million for tobacco prevention, meaning \$3.1 million will be appropriated for FY2008 – the same amount allocated per year in FY2004 through FY2007. The funds also support the North Dakota Tobacco Quitline; state and local cessation services, and an advisory committee. The North Dakota legislature is only in session every two years and was in session in 2007.

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. The Schafer administration did not support establishing a comprehensive tobacco prevention program as recommended by the CDC.

The 2001 Legislature passed legislation outlining the requirements for the Community Health Grant Program. Funds were allocated to local public health agencies for school and community health prevention programs and for state aid to local public health agencies. Recipients were required to follow guidelines for tobacco prevention programs recommended by the Centers for Disease Control and Prevention to the extent funding was available. The Legislation also established an 11-member committee to advise the Health Department on the development of the program.

The FY2002-03 biennial budget passed by the Legislature and signed by Governor Hoeven 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 improvement from no funding in the previous biennial budget.

The FY2003-04 budget appropriated an additional \$250,000 for a state employee cessation program and \$680,000 for a statewide Quitline.

The FY2004-05 biennial budget passed appropriated \$3.1 million per year for tobacco prevention.

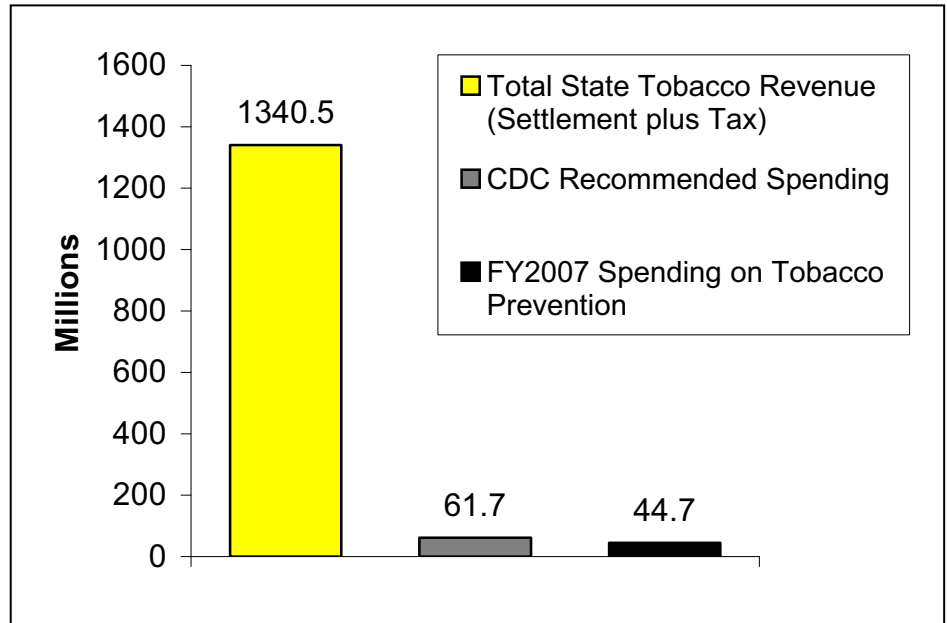
The FY2006-07 biennial budget also appropriated \$3.1 million per year for tobacco prevention.

While the funds appropriated for tobacco prevention and cessation are not adequate to fund a comprehensive approach, they have contributed to significant declines in the youth smoking rates and a steady decline in the adult smoking rates.

Ohio

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 14 th | \$44.7 Million (72.4%) | 13 th | \$45.0 Million (72.9%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Ohio spend between \$61.7 million and \$173.7 million a year to have an effective, comprehensive tobacco prevention program. Ohio currently allocates \$44.7 million a year for tobacco prevention and cessation. This is 72.4% of the CDC's minimum recommendation and ranks Ohio 14th among the states in the funding of tobacco prevention programs. Ohio's spending on tobacco prevention amounts to 3.3% of the \$1.3 billion 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 that is administered by the Ohio Tobacco Prevention Foundation (OTPF). Once fully funded, the tobacco prevention endowment was designed to reach a balance of \$1.26 billion and yield \$60 million annually in investment income 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 the state Legislature. 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. Although the initial payments of \$340 million were appropriated to OTPF as scheduled in FY00 and FY01, the FY02 through FY06 payments totaling more than \$568 million were diverted to the general fund and other state programs to cover state budget shortfalls. While new laws reschedule three of these payments for fiscal years 2013, 2014 and 2015, it is expected that OTPF's endowment will ultimately not receive the payments. These diverted payments will permanently reduce the endowment's projected balance and amount of investment income available each year.

In June 2007, the Ohio Legislature passed a bill authorizing the securitization or "selling off" of Ohio's next 40 years of MSA payments. As such, no additional funds are expected to come to the Foundation's endowment. Using current projections, it is expected future budgets will continue to decline accordingly to sustain meaningful programs for as long as possible.

The FY2008 budget approved by OTPF's Board provides \$44.7 million for the Foundation's programming, essentially the same amount approved in FY2007. The board is committed to using its funds as effectively as possible to provide impactful programming for as long as possible.

Background: During its first four years of existence, the Ohio Tobacco Prevention Foundation (OTPF) became a national leader in innovative and effective tobacco control programming. OTPF programs have prevented Ohio youth from starting to use tobacco, helped Ohio citizens quit smoking and protected employees and patrons from exposure to secondhand smoke.

The following is a snapshot of OTPF's three major areas of programming:

Community Grants: Community grants are a series of OTPF programs that involve people in the fight against tobacco in their homes, at schools, through their places of worship, entertainment venues, and other public organizations. OTPF's more than 60 grantees employ more than 200 Ohioans and provide services in nearly all 88 Ohio counties. The purpose of these grants is to help Ohio's communities execute evidence-based programs and build tobacco control infrastructures at the local level.

To ensure its programs serve Ohio's most vulnerable tobacco-use populations, OTPF also has granted funding to the Ohio Commission on Minority Health, Ohio Department of Health, Ohio Department of Alcohol and Drug Addiction Services, and the Ohio Department of Mental Health. An OTPF grant also was used to fund SmokeFree Columbus and several other municipalities' smoke-free air campaigns.

Counter Marketing / stand: OTPF leads a counter-marketing effort to combat the effects of tobacco industry marketing, which totals more than \$789 million a year in Ohio. This includes the youth-run campaign **stand**, a multidimensional initiative that relies on bold, edgy communications to reach out to Ohio's youth and young adults, ages 12-24, empowering them to take their own stand against tobacco.

The **stand** movement has more than 75 teams throughout the state comprised of more than 2,000 active team members. An additional 60,000 youth actively participate as registered users on **standonline.org**, the campaign's Web site. An independent evaluation of **stand** by RTI International found that youth who are aware of **stand** are significantly less likely to use tobacco than youth who are not aware of the campaign.

Ohio has seen dramatic declines in youth smoking rates. In 2006, 20.5 percent of Ohio's high school students reported smoking, down from 33.4 percent in 2000. Among middle school students, 7.1 percent reported smoking in 2006, down from 14.7 percent in 2000.

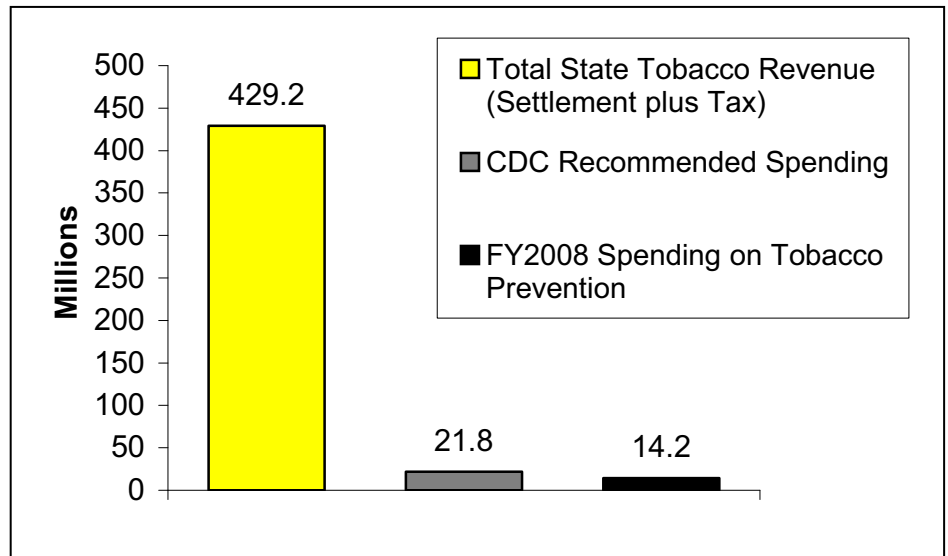
Ohio Tobacco QUIT LINE: OTPF launched the Ohio Tobacco QUIT LINE in 2003 to help tobacco users quit by offering free telephone counseling services, in both English and Spanish. The QUIT LINE offers callers an intensive counseling program by highly trained counselors, as well as free nicotine patches to qualified callers. As a result of the QUIT LINE program, six-month quit rates among Ohioans are nearly 40 percent and the Ohio Tobacco QUIT LINE recently reported that 25,000 Ohioans have quit using tobacco through the QUIT LINE.

Adult tobacco use rates in the state are declining, with 22.3 percent of Ohio adults reporting that they smoked in 2006, down from 27.6 percent in 2001.

Oklahoma

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 17 th | \$14.2 Million (65.1%) | 20 th | \$10.0 Million (45.8%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Oklahoma spend between \$21.8 million and \$56.3 million a year to have an effective, comprehensive tobacco prevention program. Oklahoma currently allocates \$14.2 million a year for tobacco prevention. This is 65.1% of the CDC's minimum recommendation and ranks Oklahoma 17th among the states in the funding of tobacco prevention programs. Oklahoma's spending on tobacco prevention amounts to 3.3% of the \$429.2 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 constitutional amendment, passed by Oklahoma voters, which established a Tobacco Settlement Endowment Trust Fund (TSETF). Under the measure, the amount of tobacco settlement payments deposited into the endowment, from which only interest can be spent on certain broadly specified programs including health, education and tobacco prevention, has increased from 50 percent in 2001 to 70 percent in 2006. Beginning in 2007 and thereafter, 75 percent will go into the trust fund. The Trust Fund's Board of Directors determine how to allocate Trust Fund earnings. The Legislature makes appropriation decisions for the remaining settlement funds.

For FY2008, Oklahoma allocated a total of \$14.2 million for tobacco control, which is an increase of \$4.2 million from the \$10 million appropriated in FY2007. The funds will be used for tobacco prevention programs and telephone quitlines. In addition, the Tobacco Settlement Endowment Trust board dedicated \$4 million over the next five years to establish the Oklahoma Tobacco Research Center.

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 health care services and benefits for senior citizens, children and needy adults. The program uses state general revenues, federal matching funds and tobacco settlement dollars.

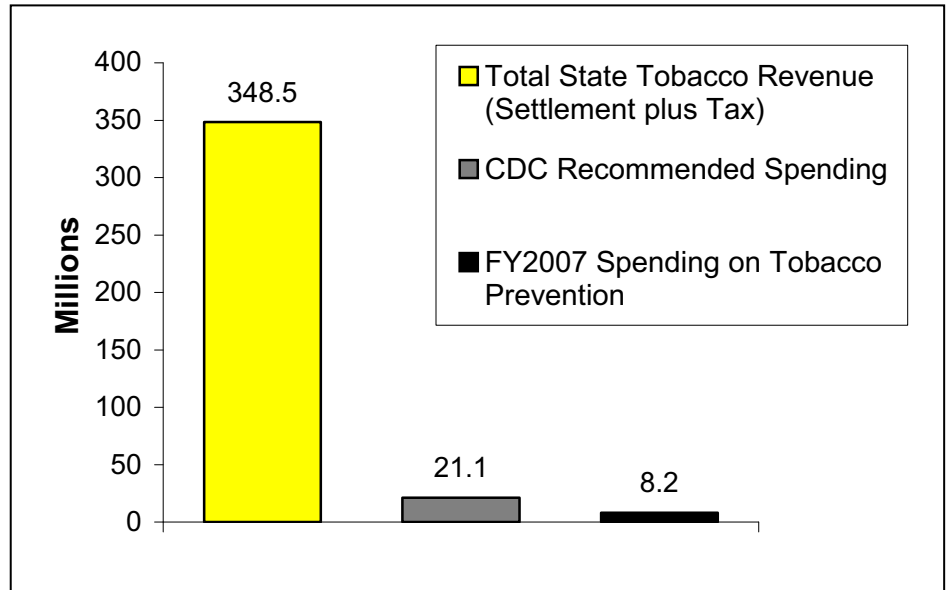
The interest generated from the endowment can be spent on the following programs: research on cancer and other tobacco-related diseases; tobacco prevention and cessation programs; healthcare programs with an emphasis on children; programs designed to enhance the well-being of senior citizens; and a variety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

To date, TSET's Board of Directors has committed all available earnings from the endowment to tobacco control programs.

Oregon

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 30 th | \$8.2 Million (38.8%) | 33 rd | \$3.5 Million (16.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Oregon spend between \$21.1 million and \$52.8 million a year to have an effective, comprehensive tobacco prevention program. Oregon currently allocates \$8.2 million a year for tobacco prevention. This is 38.8% of the CDC's minimum recommendation and ranks Oregon 30th among the states in the funding of tobacco prevention programs. Oregon's spending on tobacco prevention amounts to 2.4% of the \$348.5 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 2007-2009 biennial budget approved by the Legislature and signed by Governor Ted Kulongoski (D) allocates \$16.4 million, or \$8.2 million per year to the state's tobacco prevention and education program (TPEP). This is the first significant increase since funding for the program was drastically reduced in FY2004. The increase is due, in part, to the restoration of Measure 44, which provides that the program receive the full 10 percent allocation of the state's 1996 30-cent-per-pack tax increase. In the past, Measure 44 funding was diverted to other state programs while funding for TPEP was reduced.

On Nov. 6, 2007, Oregon voters defeated a ballot initiative to increase the state cigarette tax by 85 cents per pack and use the revenue to increase funding for the state tobacco prevention and cessation program and fund health care for children. The initiative would have restored funding for the program to about \$11 million, or about 50 percent of CDC minimum.

TPEP continues to be entirely funded by tobacco tax revenues. No tobacco settlement revenue is being used for prevention, with most of the MSA payments currently earmarked to repay general obligation bonds sold by the state to balance its budget. A small percentage of MSA revenue is used for the state's Medicaid health plan and other medical research facilities.

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, which was defeated by 57-43 percent, would have placed settlement funds into a trust fund for various purposes. 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 FY2001-2003 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, largely from the \$5 million in tobacco settlement funds. However, in a special session in 2002 to address the state's budget deficit, the Governor and Legislature cut the \$5 million from the tobacco prevention budget.

In September 2002, the Legislature referred a state cigarette tax increase to the ballot. Oregon voters, by a 64 to 36 percent margin, approved Ballot Measure 20 to increase the 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 FY2003-2005 for tobacco prevention, bringing FY2003 funding to \$11.09 million.

Then in the 2003 session, the Legislature, desperate to balance the budget without raising taxes, reallocated the program's funds to fill budget gaps. Just over \$4 million was cut from the tobacco prevention budget and because the cut came so late in the biennium, it necessitated a program shutdown. 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, or about \$2.9 million a year, for the FY2003-2005 biennial budget. This represented a cut of about 74 percent from the previous biennium's budget. An additional \$1.2 million over the two-year period was appropriated, bringing the FY2004-2005 expenditure to \$3.5 million. The program became operational again in September 2004.

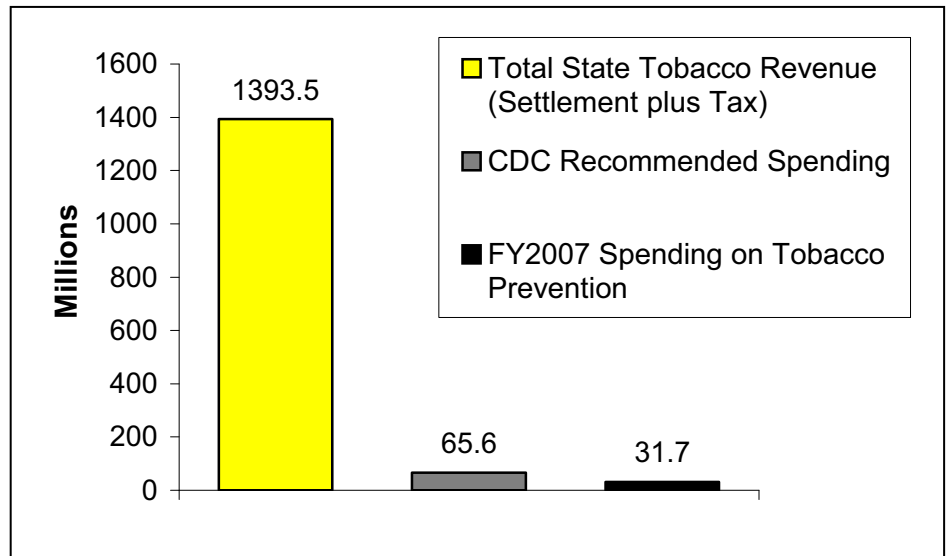
At the start of the 2005 Legislature, Governor Kulongoski's Recommended Budget included \$5.1 million for the Tobacco Prevention and Education Program (TPEP) for the 2005-2007 biennium. The final biennial budget approved by the Legislature and signed by the Governor allocates \$6.9 million or just under \$3.5 million each year for tobacco prevention and cessation.

Oregon began its Tobacco Prevention and Education Program in 1997 funded by a voter-approved tobacco excise tax. Per capita cigarette consumption in Oregon declined by 42 percent since the program began in 1996. Between 1996 and 2004, smoking declined by 51 percent among Oregon eighth graders and by 32 percent among Oregon eleventh graders.

Pennsylvania

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 21st | \$31.7 (48.3%) | 19th | \$30.3 (46.2%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Pennsylvania spend between \$65.6 million and \$184.8 million a year to have an effective, comprehensive tobacco prevention program. Pennsylvania currently spends \$31.7 million a year for tobacco prevention. This is 48.3% of the CDC's minimum recommendation and ranks Pennsylvania 21st among the states in the funding of tobacco prevention programs. Pennsylvania's spending on tobacco prevention amounts to 2.3% of the \$1.3 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 FY2008 budget approved by the Legislature and signed by Governor Edward Rendell (D) maintained the FY2006 funding allocation reduction from 12 percent to 9 percent, and allocated \$31.7 million for tobacco prevention and cessation.

Under Act 77 of 2001, the Department of Health is required to distribute 70 percent of its tobacco prevention and cessation funding to local programs and 30 percent of its funding to statewide programs. In an effort to increase program efficiencies and service delivery, the Department changed its local distribution from a county-based model to a regionally-based model, and identified eight regional contractors to provide prevention and cessation services to every county within their service area beginning in FY 2008.

Background: 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 provide recommendations to the Secretary of Health on prevention and cessation initiatives.

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.

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.

The FY2003 budget approved by the Legislature and signed by then-Governor Mark Schweiker (R) appropriated \$52 million for tobacco prevention.

The FY2004 budget approved by the Legislature and signed by Governor Rendell maintained the amount appropriated for tobacco prevention at \$52 million and allocated remaining settlement funds based on the formula established by the General Assembly in 2001.

The FY2005 budget approved by the Legislature and signed by Governor Rendell provided \$46.1 million for tobacco prevention.

In FY2006, the Governor’s initial budget included \$42.9 million for tobacco prevention funding. However, legislative leaders froze \$10 million of the tobacco prevention funding and re-allocated it to elderly care and Medicaid programs, thereby reducing the total FY2006 tobacco prevention funding to \$32.9 million.

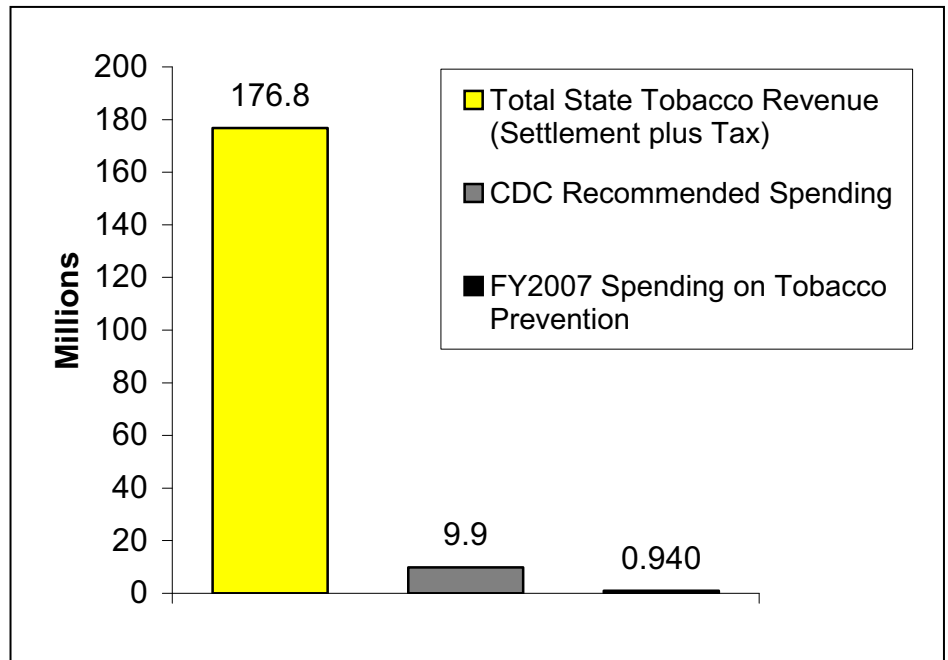
The FY2007 budget approved by the Legislature and signed by Governor Rendell provided \$30.3 million for tobacco prevention.

** 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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 43 rd | \$940,000 (9.5%) | 35 th | \$950,000 (9.6%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$940,000 a year for tobacco prevention. This is 9.5% of the CDC's minimum recommendation and ranks Rhode Island 43rd among the states in the funding of tobacco prevention programs. Rhode Island's spending on tobacco prevention amounts to 0.5% of the \$176.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and signed by Governor Donald Carcieri (R) appropriated \$940,475 for the state's tobacco prevention program, about the same amount allocated to the program in FY2007.

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, 2004, increasing the state cigarette tax by 75 cents to \$2.46 per pack, the second highest in the nation.

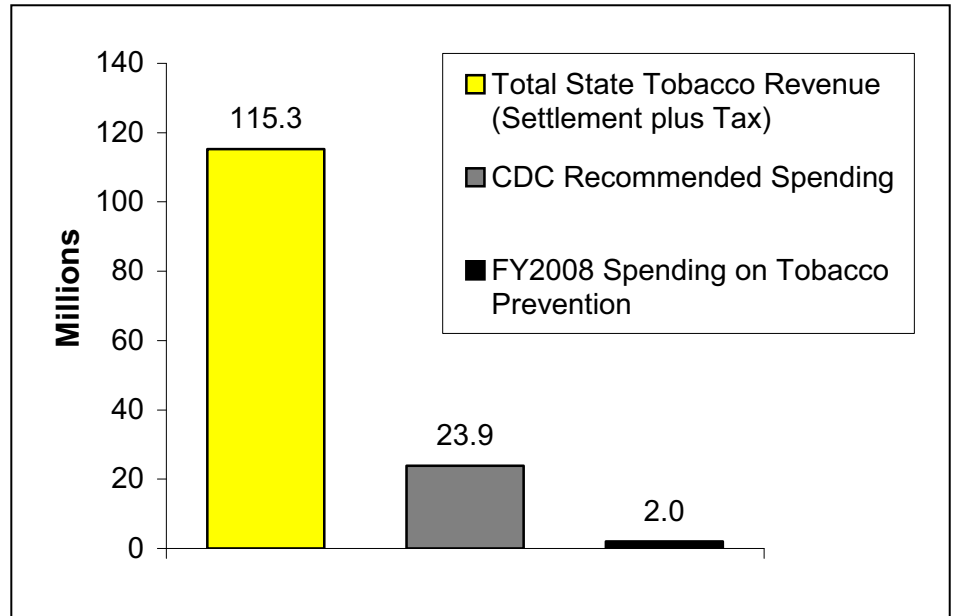
Background: Funding for Rhode Island's tobacco prevention and cessation program has been cut every year since FY2002, when it was funded at \$3.1 million, or 31 percent of CDC minimum.

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 were used to address budget shortfalls and pay capital and operating expenses in FY2002-FY2004. Securitization left 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

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 45 th | \$2.0 Million (8.4%) | 38 th | \$2.0 Million (8.4%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that South Carolina spend between \$23.9 million and \$62 million a year to have an effective, comprehensive tobacco prevention program. South Carolina currently allocates \$2.0 million a year for tobacco prevention. This is 8.4% of the CDC's minimum recommendation and ranks South Carolina 45th among the states in the funding of tobacco prevention programs. South Carolina's spending on tobacco prevention amounts to 1.7% of the \$115.3 million combined tobacco settlement and tobacco taxes collected.



Current Status: The FY2008 budget approved by the Legislature and Governor Mark Sanford (R) provides \$2 million for tobacco prevention. This is the same amount allocated to tobacco prevention as FY2007.

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 payment. 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. No tobacco settlement funds have been dedicated to tobacco prevention since 2003.

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 percent for the Health Care Endowment to fund a prescription drug program for seniors, tobacco prevention programs and Medicaid expansion;
- 15 percent for assistance to tobacco farmers (in addition to the Phase 2 settlement funds);
- 10 percent for economic development in rural areas of the state; and
- 2 percent 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 tobacco prevention funds were 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 DHEC, an increase from FY2002 funding of \$1.6 million. The tobacco prevention program was supposed to be funded from the Health Care Endowment trust fund, but the FY2003 funding for tobacco prevention came from the general fund.

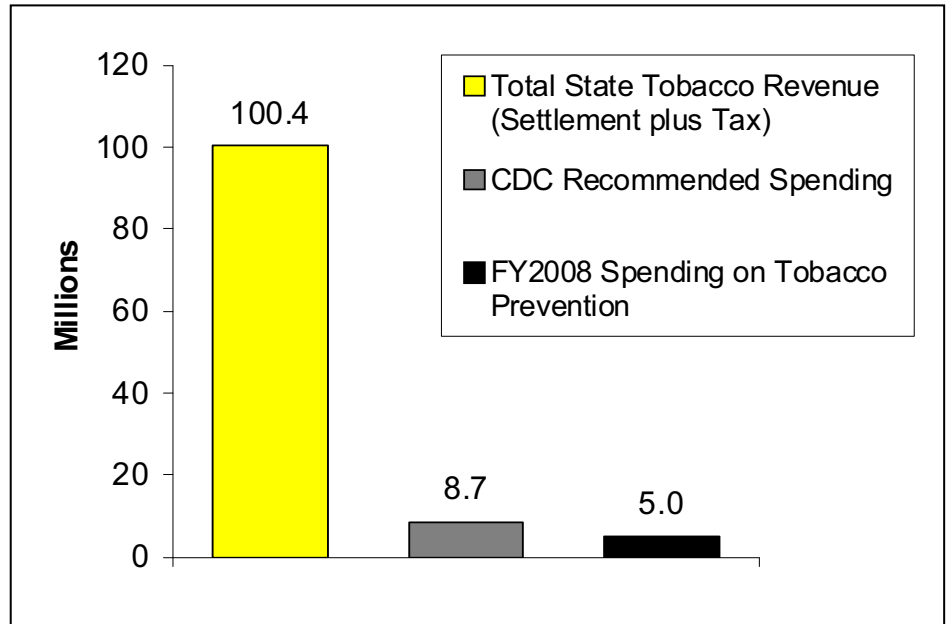
The FY2003 budget also withdrew \$100 million from the Health Care Trust Fund (and the interest it had earned) primarily to help offset the state's budget deficit, and to fund Medicaid. Mental health and emergency preparedness programs also received small allocations. As a result of the withdrawal, the endowment balance was reduced to \$443 million. No tobacco settlement dollars have been spent on tobacco prevention since FY2003.

** South Carolina was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have provided up to \$357.4 million over 12 years directly to South Carolina tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligation to continue those payments.*

South Dakota

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 20 th | \$5.0 Million (57.5%) | 40 th | \$707,883 (8.1%) ¹ |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$5.0 million a year for tobacco prevention. This is 57.5% of the CDC's minimum recommendation and ranks South Dakota 20th among the states in the funding of tobacco prevention programs. South Dakota's spending on tobacco prevention amounts to 5.0% of the \$100.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget passed by the Legislature and signed by Governor M. Michael Rounds (R) appropriated \$5.0 million to the state's tobacco prevention program. The 2007 Legislature also retroactively amended the FY2007 budget for South Dakota's tobacco prevention program, from the original \$707,883 to a total of \$5.0 million. The increases in both budgets are due to the approval by South Dakota voters of a November 2006 ballot initiative that increased the state cigarette tax by \$1 per pack and increased the tax on other tobacco products by 35 percent of the wholesale price. This measure is expected to provide approximately \$5.0 million dollars each year for the state tobacco prevention and cessation program.

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, legislation was approved to create a tobacco prevention and cessation program in the Department of Human Services and establish 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,

¹ The FY2007 budget passed by the Legislature and signed by Governor Rounds originally appropriated \$707,883 in the 2006 Legislative session. But in the 2007 Legislative session, the Legislature retroactively amended the FY2007 budget from \$707,883 to a total of \$5 million in funding for tobacco prevention programs.

including establishing program priorities, setting criteria for awarding grants, and assessing overall program performance.

In separate legislation, a total of \$1.7 million – \$1.0 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 was deposited in an education enhancement trust fund (the former People's 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 included \$750,000 for tobacco prevention, a decrease from \$2.7 million in FY2002.

In 2002, there were two significant developments in the implementation of the tobacco prevention and cessation program: 1) funding of a statewide Quitline for smokers; and 2) the funding of four community-based pilot programs in addition to the small, community grants program already in place.

In FY2004, South Dakota's tobacco prevention funding remained 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. 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. The Senate also defeated by a wide margin an attempt to repeal a 2002 state clean indoor air law.

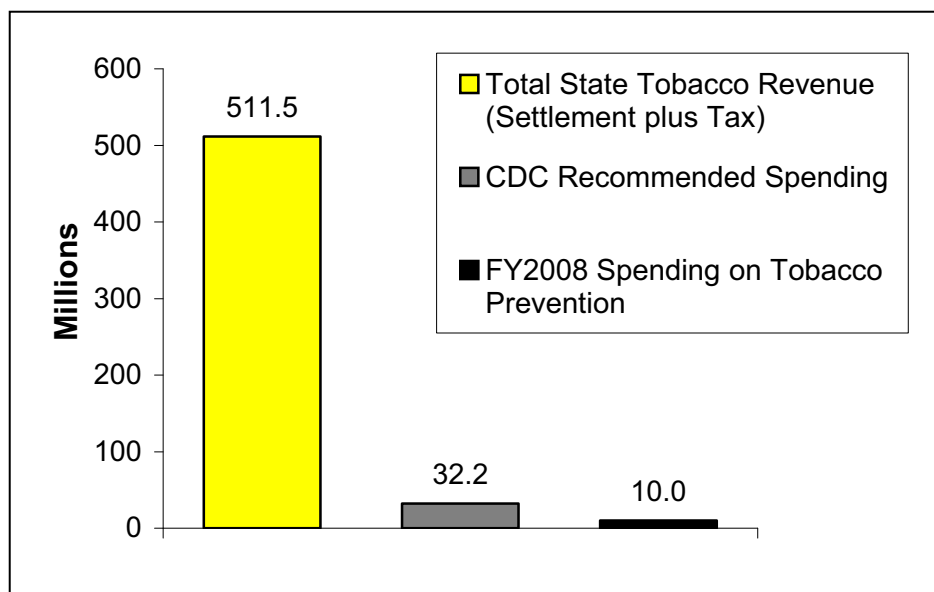
In FY2005, the state's tobacco prevention funding was \$1.5 million, an increase of \$750,000 from the previous year. The additional funds came from a one-time allocation of interest from the Education Enhancement Trust Fund.

The FY2006 budget passed by the Legislature and signed by Governor Rounds appropriated \$707,000 to tobacco prevention programs.

Tennessee

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 34 th | \$10.0 Million (31.0%) | 51 st | \$0.0 (0.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Tennessee spend between \$32.2 million and \$89.1 million a year to have an effective, comprehensive tobacco prevention program. Tennessee currently allocates \$10.0 million for tobacco prevention. This is 31.0% of the CDC's minimum recommendation and ranks Tennessee 34th among the states in the funding of tobacco prevention programs. Tennessee's spending on tobacco prevention amounts to 2.0% of the \$511.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget passed by the Legislature and signed by Governor Phil Bredesen (D) allocated \$10 million for tobacco prevention programs. The proposal for the program was brought forward by Governor Bredesen and passed by the Legislature. This is a historic move for a state that has no history of spending money on tobacco prevention.

In June 2007, prior to the passage of the prevention funding proposal, the Legislature approved and the Governor signed into law a 42-cent per pack increase in the cigarette tax, bringing Tennessee's cigarette tax to 62 cents per pack. The Legislature earmarked most of these funds for education and other programs.

Background: In both 1999 and 2000, the Legislature could not reach agreement on how to use the settlement funds. In 2000, legislation was enacted 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 impacted 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. Tennessee lawmakers 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, the Legislature voted to spend most of the available tobacco settlement dollars to fill the budget gap. The only settlement money 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.

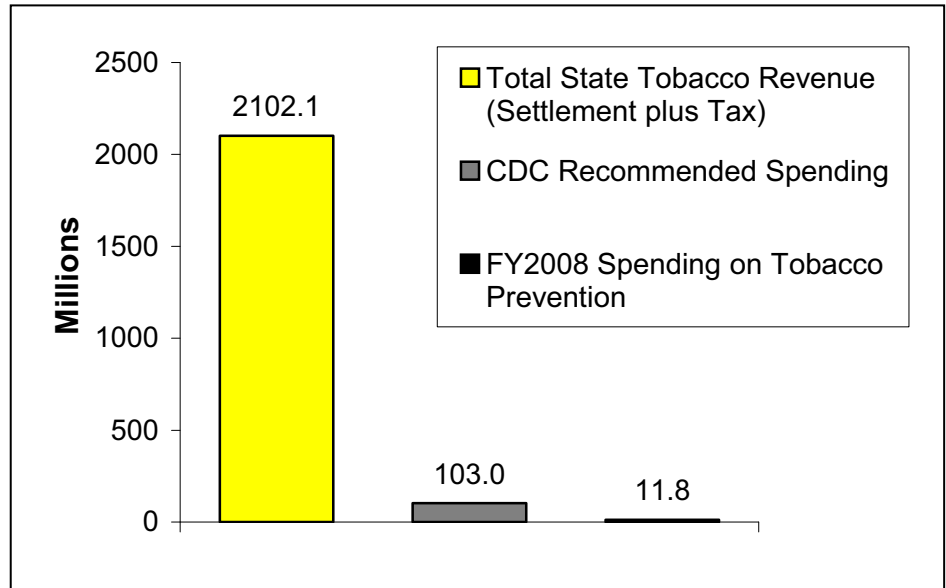
For FY2003 and FY2004, the Legislature placed the state's settlement money in the general fund and used it to close a budget gap. Since FY2005, settlement money has been placed into the general fund.

** Tennessee was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have provided up to \$1.95 billion over 12 years for direct payments to tobacco farmers, in addition to the other assistance they received from the Tobacco Trust Fund and the Gold Leaf Foundation. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligations to continue the payments.*

Texas

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 42 nd | \$11.8 Million (11.4%) | 45 th | \$5.2 Million (5.0%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Texas spend between \$103 million and \$284.7 million a year to have an effective, comprehensive tobacco prevention program. Texas currently allocates \$11.8 million for tobacco prevention. This is 11.4% of the CDC's minimum recommendation and ranks Texas 42nd among the states in funding tobacco prevention programs. Texas spending on tobacco prevention amounts to 0.6% of the \$2.1 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 biannual budget for FY2008 and FY2009 approved by the Legislature and signed by Governor Rick Perry (R) appropriated \$23.6 million, or \$11.8 million per year to tobacco prevention. This is an \$11.4 million increase from the \$12.19 million allocated in FY2006 and FY2007. The new budget allocates \$7.8 million for comprehensive tobacco programs, \$3.0 million for school-based programs, and \$1.0 million for spit tobacco programs per year. In a special session in June of 2006, the Legislature approved and Governor Perry signed into law a cigarette tax increase totaling \$1.00 per pack, bringing Texas' total cigarette tax to \$1.41 per pack in January 2007. All of the revenue generated by the tax increase will fund education in Texas.

Background: The initial tobacco settlement funds received by Texas 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, 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, community hospital capital improvement, and individual endowments for 13 medical schools. As Texas receives new funds as part of their settlement with the tobacco industry, they are appropriated by the legislature on a biennial basis.

The 1999 law also directed \$200.0 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.

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.

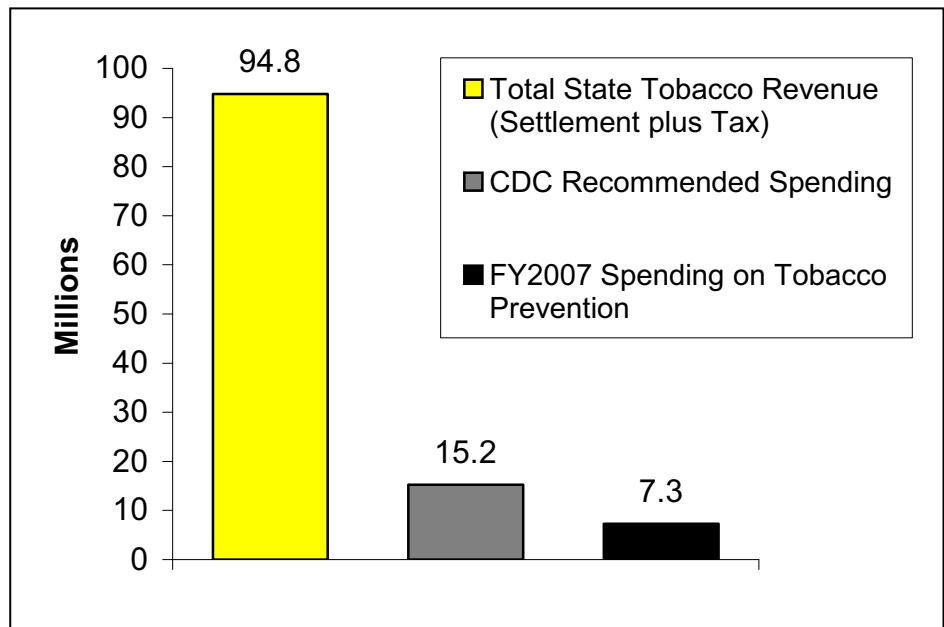
Using the FY2000-01 funding, Texas operated tobacco prevention pilot programs of varying levels of comprehensiveness in four East-Texas communities. Results released in January 2001 showed that the most comprehensive program, in Port Arthur, had reduced smoking rates by nearly 40 percent among sixth 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 percent among youth in grades 6-12 in the regions where the pilot program was implemented, but only 17 percent in regions that received a lower level of funding.

The FY2004-05 biennial budget approved by the Legislature and Governor Rick Perry (R) remained unchanged, having been cut from \$12.5 million a year in the FY2002-03 biennial budget to \$7.4 million a year for FY2004-05. Rather than dilute the strength of the overall program, the \$3 per capita program was 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.

Utah

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 24 th | \$7.3 Million (47.7%) | 18 th | \$7.2 Million (47.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Utah spend between \$15.2 million and \$33.4 million a year to have an effective, comprehensive tobacco prevention program. Utah currently allocates \$7.3 million a year for tobacco prevention. This is 47.7% of the CDC's minimum recommendation and ranks Utah 24th among the states in the funding of tobacco prevention programs. Utah's spending on tobacco prevention amounts to 7.7% of the \$94.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and signed by Governor Jon Huntsman, Jr., (R) appropriated \$7.3 million for tobacco prevention and cessation, about the same as was allocated in FY2007.

Background: Utah's tobacco settlement money is governed by a 2000 law that placed a portion 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 by a margin of 61-39 percent, voters approved a measure that reinvested half the interest generated by the endowment and earmarked 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 percent 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 health promotion programs. Fiscal Year 2002 funding for tobacco prevention and control was \$4 million.

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

The FY2004 budget also appropriated \$7.2 million for tobacco prevention and cessation. 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.

The FY2005 budget approved by the Legislature and signed by Governor Olene Walker (R) appropriated \$7.2 million for tobacco prevention and cessation, the same amount as in FY2004. In 2004, Utah received \$337,603 from a settlement with Vibo, a tobacco company that had recently joined the Master Settlement Agreement. During the 2005 Legislative session, these funds were allocated to the Children's Health Insurance Program (CHIP), tobacco control, drug courts, the University of Utah Health Science Centers' Huntsman Cancer Institute, the Attorney General's Office for tobacco law enforcement efforts and a constitutional trust fund, per the proportions identified in state statute. Also in 2004, the Legislature imposed a new state excise tax/fee of 35 cents per pack on cigarettes manufactured by companies that don't participate in the Master Settlement Agreement, which generated an additional \$680,000.

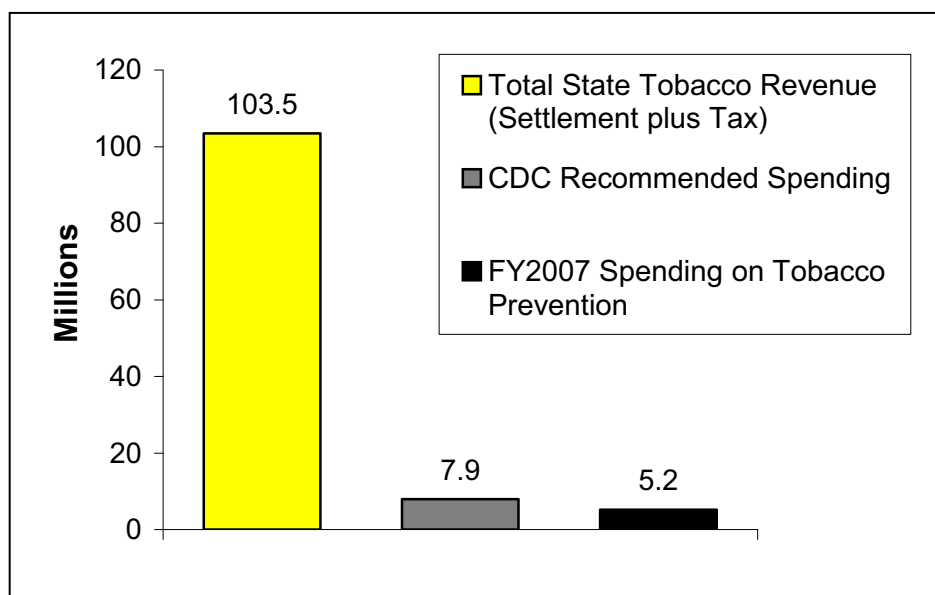
The FY2007 budget approved by the legislature and signed by Governor Huntsman appropriated \$7.2 million for tobacco prevention and cessation, the same amount as in FY2005 and FY2006.

A 2007 report by the Utah Department of Health found that smoking among adults in the state has dropped 30 percent since 1999. Utah remains the first and only state to meet the HP2010 goal for adult smoking rates. Utah initiated aggressive tobacco prevention programs in 1999, funded with Master Settlement Agreement funds, and these programs are largely credited with the drop in smoking in the state.

Vermont

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 16 th | \$5.2 Million (66.0%) | 14 th | \$5.1 Million (64.5%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Vermont spend between \$7.9 million and \$15.9 million a year to have an effective, comprehensive tobacco prevention program. Vermont currently allocates \$5.2 million a year for tobacco prevention. This is 66.0% of the CDC's minimum recommendation and ranks Vermont 16th among the states in the funding of tobacco prevention programs. Vermont's spending on tobacco prevention amounts to 5.0% of the \$103.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Vermont's tobacco prevention and cessation program is funded with dollars from the Master Settlement Agreement. The FY2008 budget approved by the Legislature and signed by Governor James Douglas (R) increased funding for the state's tobacco prevention and cessation program, bringing the program budget to \$5.2 million, a small increase from FY2007 funding. The program may receive an additional payment (up to \$500,000) in April 2008 if the state receives the predicted \$13 million in MSA Strategic Contribution Fund payments.

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, 2006, increasing the state cigarette tax by 60 cents to \$1.79 per pack. The tax will increase again in 2008 by 20 cents, bringing the total tax to \$1.99 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. The Board conducts two public hearings annually with the Department of Health to make an annual budget recommendation to the Governor.

In May 2000, a compromise bill was passed which appropriated the tobacco settlement payments for FY2001 and stipulated future payments be allocated as such: no more than \$17.25 million or 2/3 of annual settlement

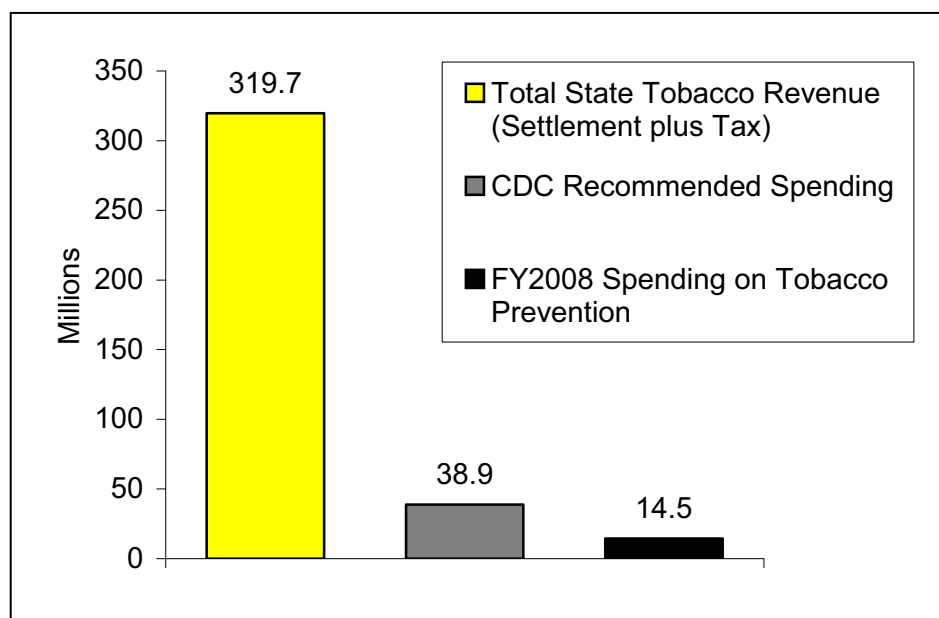
payment – whichever is less – to Medicaid and the Vermont Health Access Program to defray the cost of healthcare to low-income Vermonters; and a minimum of \$6.155 million or 1/3 of the annual settlement Payment - whichever is greater – to the tobacco prevention program and the tobacco trust fund in FY2002. Despite the compromise, the Legislature has failed to follow through every year since.

In 2006, the tobacco control community fought back an effort by the Governor to use all MSA Strategic Contribution Fund payments to fund a scholarship program.

Virginia

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 32 nd | \$14.5 Million (37.3%) | 24 th | \$13.5 Million (34.7%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Virginia spend between \$38.9 million and \$106.9 million a year to have an effective, comprehensive tobacco prevention program. Virginia currently allocates \$14.5 million a year for tobacco prevention. This is 37.3% of the CDC's minimum recommendation and ranks Virginia 32nd among the states in the funding of tobacco prevention programs. Virginia's spending on tobacco prevention amounts to 4.5% of the \$319.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The Legislature passed and Governor Tim Kaine (D) signed into law a FY2008 budget that included \$14.5 million for tobacco prevention, a \$1 million increase from the \$13.5 million budgeted in FY2007. The amount actually allocated in FY2007 was \$1.6 million less. This was due to some tobacco companies withholding funds due to a legal dispute over payments that other tobacco companies who do not participate in MSA are required to make. Similarly, FY2008 funds could be reduced if tobacco companies withhold payments again. Prevention funding will adjust annually as the MSA payments adjust according to the settlement agreement. Budgeted funding for FY2008 increased because overall MSA payments to the state increased.

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 percent 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 percent of these funds was allocated to tobacco farmers and quota holders and 20 percent 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 percent to the state's general fund for appropriation at the discretion of the Legislature; and
- 10 percent to the Virginia Tobacco Settlement Fund for tobacco prevention and cessation programs for youth.

For FY2001, the VTSMF 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 of the total allocation was actually spent, primarily for administrative costs.

During the 2001 legislative session, Governor Gilmore and several legislators unsuccessfully attempted to use a portion of the Virginia Tobacco Settlement Fund dollars to balance the budget, specifically to free up money in order to repeal the car tax. There was also a separate and unsuccessful attempt by some legislators to broaden the purpose of the VTSF to include other health care needs.

In FY2002, the Virginia Tobacco Settlement Fund received \$12.64 million for its portion (10 percent) of the tobacco settlement payments. This amount, when added to the unspent funds from previous years, allowed the Foundation (VTSF) 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 Virginia Tobacco Settlement 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 marked a historic milestone in combating youth smoking in Virginia. The result of extensive research and development, the marketing and education campaign was aimed at youth between the ages of 10 and 14. The advertisements asked: "Can anybody tell us why smoking isn't stupid?"

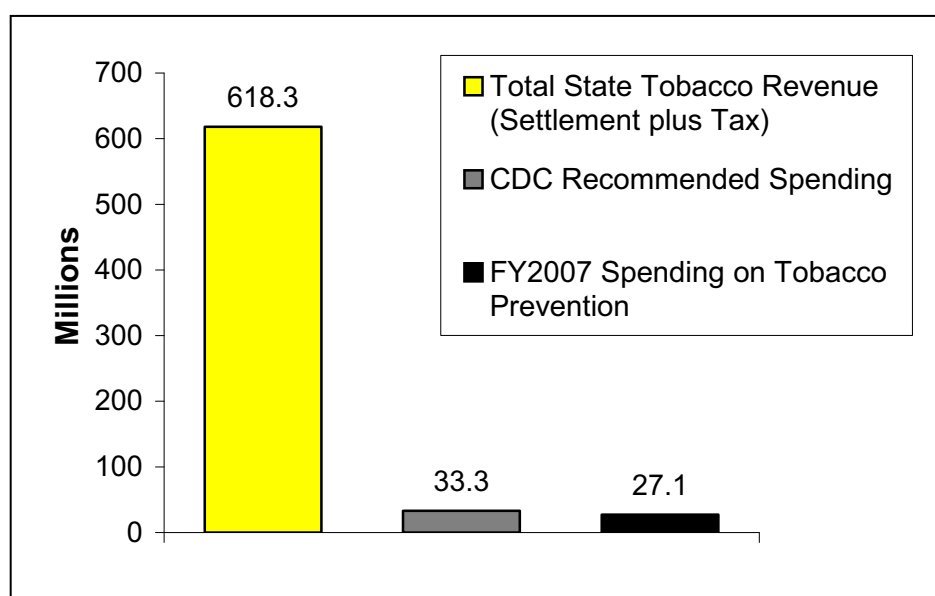
Because of a budget deficit, the FY2003-04 biennial budget adopted by the Virginia General Assembly and Governor Warner drained \$15 million from the VTSF, though future tobacco settlement revenues would continue to be earmarked to the Virginia Tobacco Settlement Fund as stipulated in prior law. Senator 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 failed to become law.

** Virginia was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, would have additionally provided up to \$338.9 million over 12 years directly to Virginia tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the companies' legal obligation to continue those payments.*

Washington

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% Of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending) |
|--------------------------|--|--------------------------|--|
| 10 th | \$27.05 Million (81.1%) | 8 th | \$27.1 Million (81.3%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Washington spend between \$33.3 million and \$89.3 million a year to have an effective, comprehensive tobacco prevention program. Washington currently allocates \$27.1 million a year for tobacco prevention. This is 81.1% of the CDC's minimum recommendation and ranks Washington 10th among the states in the funding of tobacco prevention programs. Washington's spending on tobacco prevention amounts to 4.4% of the \$618.3 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 through the Tobacco Prevention and Control Account, which includes tobacco settlement money and a portion of the revenue raised by a 60-cent per pack cigarette tax increase approved by voters in November 2001. The ballot initiative dedicated the new revenue to the state's Basic Health Plan, to 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.

The FY2008 budget approved by the Legislature and signed by Governor Christine Gregoire appropriated \$27.1 million for the state's tobacco prevention and cessation program, about the same as FY2007 funding levels. There was a small decrease in the Youth Tobacco Prevention Account due to fewer retail licenses.

Also in 2007, the Legislature and Governor Gregoire allocated \$50 million from the state's supplemental budget to the Tobacco Prevention and Control Account. Combined with other funds already in the account and the tax revenue deposited annually, these funds will maintain program funding at its current level through FY2011.

Washington's program has achieved considerable success. Since the program was implemented, adult smoking has declined by 20 percent, from 22.4 percent in 1999 to 17.8 percent in 2005. Washington has also significantly

reduced youth smoking rates. Since the program began, smoking rates have declined 58 percent among eighth graders, 40 percent among 10th graders, and 43 percent among 12th graders since the late 1990s.

Background: After the settlement was reached in November 1998, Governor Gary Locke and then-Attorney General Gregoire 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. Another \$17.5 million was appropriated in FY2002 and FY2003 from this account as well.

In 2002, Governor Locke and the Legislature established the Tobacco Settlement Authority (TSA) and authorized the TSA to securitize, or sell to investors, a portion 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. Since 2003, the TSA has received 29.2 percent of each payment that has been made to Washington. 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.

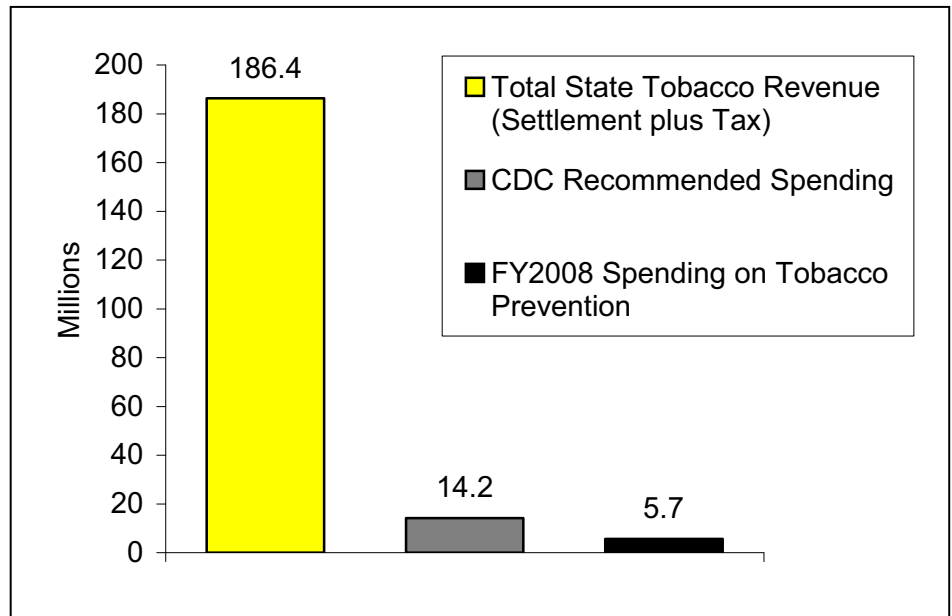
The FY2005 budget approved by the Legislature and signed by Governor Locke maintained funding for the state's tobacco prevention program at \$27.2 million.

The FY2006 budget approved by the Legislature and signed by Governor Gregoire maintained funding for the state's tobacco prevention program at \$27.2 million. However, in 2005, state legislators passed a budget that raided \$13.9 million in tobacco settlement money from the account created in 1999 to fund the program. Governor Gregoire vetoed this provision of the budget.

West Virginia

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------------|--|--------------------------|--|
| 29 th | \$5.7 Million (40.0%) | 22 nd | \$5.4 Million (38.1%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that 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 \$5.7 million a year for tobacco prevention. This is 40.0% of the CDC's minimum recommendation and ranks West Virginia 29th among the states in the funding of tobacco prevention programs. West Virginia's spending on tobacco prevention amounts to 3.0% of the \$186.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008 budget approved by the Legislature and signed by Governor Joe Manchin (D) appropriated \$5.7 million to the state's tobacco prevention program, an increase from the \$5.4 million allocated in FY2007 but still less than the \$5.9 million spent in FY2006. FY2008 marked the first time tobacco prevention funds were allocated from the general fund rather than directly from West Virginia's MSA funds. West Virginia's MSA funds were securitized this year to retire some of the state's debt. Because of that, all future tobacco prevention funding will depend upon the Legislature's willingness to allocate funds in the budget.

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, state health facilities, and capital construction projects.

In the FY2001 budget, the Legislature transferred \$5.9 million from the Endowment to the Settlement Fund, and 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 Governor Cecil H. Underwood (R) included an additional \$850,000 for an advertising campaign to discourage tobacco use, for a total of \$5.9 million for tobacco control programming. In addition, \$5 million of settlement funds were set-aside for the State Employees Insurance Program (one-time only payment).

In 2002, the West Virginia Department of Health and Human Resources (DHHR) launched its very successful “Raze: Tear Down the (Big Tobacco) Lies” advertising campaign to counter the tobacco industry’s marketing to youth.

State and Federal funding also continues to be spent on a clean indoor air program, significant tobacco education efforts, and a very active tobacco cessation quitline program. West Virginia continues to be a national leader in the passage of locally enforced smoking bans (now in 54 of 55 counties), and successful quit line services have helped more than 12,000 residents quit smoking over a five year period.

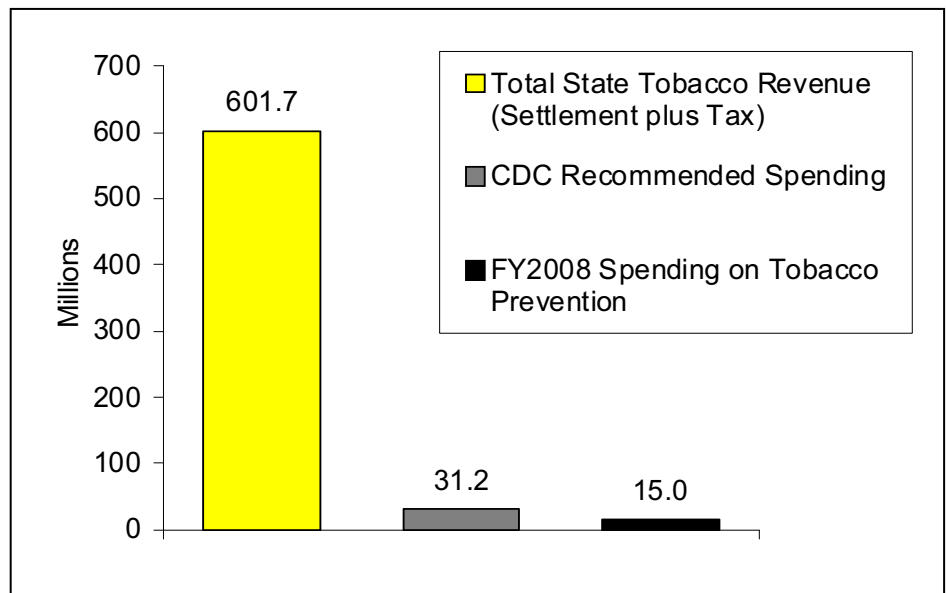
Due to 2005 legislation that dedicated the first \$30 million of annual MSA funding to retiring worker’s compensation debt, there will be no further payment into the West Virginia Tobacco Settlement Medical Trust Fund. As of July 1, 2005, the fund had approximately \$210 million, of which \$47 million is interest. West Virginia’s original MSA legislation allows for spending the interest from the Medical Trust Fund for support of programs offered by the Public Employees Insurance Agency, and programs for Medicaid, public health programs, and for state-owned or operated hospitals.

** West Virginia 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, would have provided up to \$14.4 million over 12 years directly to West Virginia tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the companies’ legal obligation to continue the payments.*

Wisconsin

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|---------------------------|---|---------------------------|---|
| 22 nd | \$15.0 Million (48.1%) | 26 th | \$10.0 Million (32.1%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Wisconsin spend between \$31.2 million and \$82.4 million a year to have an effective, comprehensive tobacco prevention program. Wisconsin currently allocates \$15.0 million a year for tobacco prevention. This is 48.1% of the CDC's minimum recommendation and ranks Wisconsin 22nd among the states in the funding of tobacco prevention programs. Wisconsin's spending on tobacco prevention amounts to 2.5% of the \$601.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2008-09 biennial budget approved by the Legislature and signed by Governor Jim Doyle (D) allocates \$15.0 million per year to fund tobacco prevention, a 50 percent increase over the \$10.0 million allocated in the previous biennial budget. In October 2007, the Wisconsin Legislature passed and Governor Doyle signed the state budget which implements a \$1 per pack cigarette tax increase on January 1, 2008. At \$1.77 per pack, Wisconsin's cigarette tax will be the 11th highest in the nation. Wisconsin's tobacco prevention funding comes from the state's general fund because in 2001 all of the current and much of the future settlement proceeds were securitized, or sold to investors, for a smaller, up-front payment. The lump sum was then entirely used to balance the FY2002-03 state budget. The entire MSA payment for 2006 and for many years beyond will go to debt service on the bonds that were issued from the securitization in 2001.

Wisconsin has seen positive results from its tobacco prevention program, particularly with youth, but progress has slowed following deep budget cuts in FY2004. Prior to those budget cuts, state cigarette pack consumption had also declined sharply, but consumption has recently increased since funding for the program was reduced.

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 then-Governor Thompson, a budget was enacted establishing a comprehensive tobacco prevention and cessation program funded at \$23.5 million over the 2000-01 biennium. In the first year, \$2.3 million was spent on 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, made up of public health experts and community representatives, was created to direct the tobacco prevention program. The FY2000-01 budget included language directing the board to follow budget guidelines suggested by the CDC.

The significant progress Wisconsin made in reducing youth smoking since the tobacco prevention and control program began in 2000 has slowed considerably. Between 2002 and 2004, when the program was funded at higher levels and when the Wisconsin Tobacco Control Board was in full operation conducting an aggressive, statewide comprehensive tobacco prevention program, high school smoking rates declined by 23 percent. But between 2004 and 2006, after the Tobacco Control Board was cut and funding for the program was decreased, smoking among high school students declined by just 5 percent, from 21 percent to 20 percent.

Subsequent budget cuts have restricted or eliminated many programs.

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

Securitization meant that Wisconsin would have no tobacco settlement money to fund tobacco prevention programs for more than two decades, and would need to rely on other sources of funding such as a cigarette tax increase or general funds.

The FY2004–05 biennial budget approved by the Legislature and signed by Governor Doyle cut annual funding for tobacco prevention to \$10.0 million a year. Also in 2004, the Wisconsin Tobacco Control Board was eliminated, moving the program within the state Department of Health and Family Services.

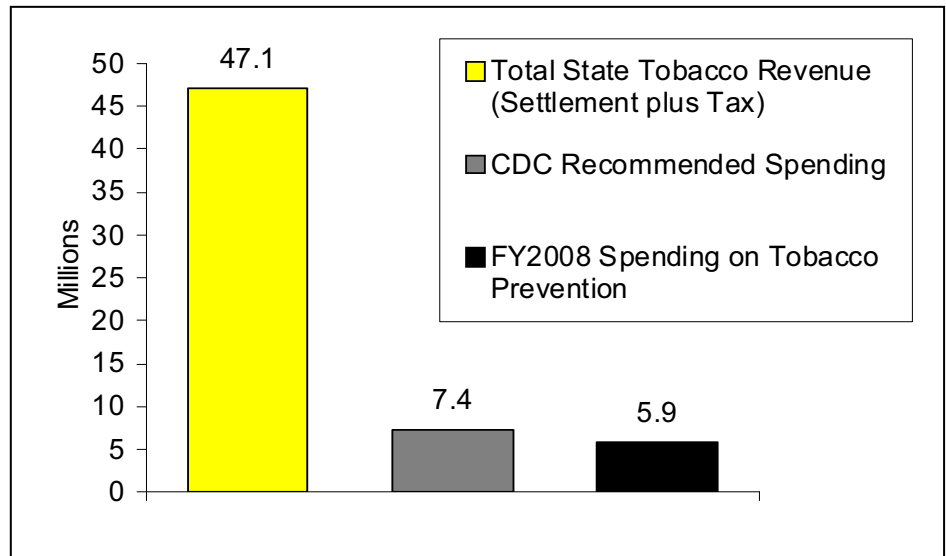
The FY2006-07 biennial budget approved by the Legislature and signed by Governor Doyle maintained funding at \$10.0 million per year.

In recent years, many legislative leaders supported raising Wisconsin's cigarette tax, however it was not a viable legislative proposal until the 2007 legislative session. Governor Doyle proposed a \$1.25 per pack cigarette tax increase as a central component of his state budget plan. This proposal was initially opposed by the state Assembly, but a \$1.00 tax increase was supported by both houses in the final conference report. Governor Doyle also proposed increasing tobacco prevention funding to \$30.0 million each year for the FY2007-08 biennium. This position was supported by the Senate but the Assembly attempted to gut the entire tobacco prevention program, which would have effectively ended state tobacco prevention efforts in Wisconsin. The final conference report included \$15.0 million in funding each year for the FY2008-09 biennial budget, a 50 percent increase from the FY2006-07 biennium, and just below the \$15.5 million appropriated per year for the FY2002-03 biennium.

Wyoming

| 2008 State Ranking | FY 2008 Spending on Tobacco Prevention (% of CDC Recommended Spending) | 2007 State Ranking | FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending) |
|--------------------|---|--------------------|---|
| 11 th | \$5.9 Million (80.1%) | 9 th | \$5.9 Million (79.9%) |

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that Wyoming spend between \$7.4 million and \$14.4 million a year to have an effective, comprehensive tobacco prevention program. Wyoming currently allocates \$5.9 million a year for tobacco prevention. This is 80.1% of the CDC's minimum recommendation and ranks Wyoming 11th among the states in the funding of tobacco prevention programs. Wyoming's spending on tobacco prevention amounts to 12.5% of the \$47.1 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 FY2002 were governed by a 1999 law that placed all the state's settlement payments in a Tobacco Settlement Trust Fund. From FY2003 forward, the settlement funds were placed into an income account that funded substance abuse and other healthcare issues. Tobacco prevention funding has primarily come from the interest generated by the original trust fund.

The FY2008 budget approved by the Legislature and Governor Dave Freudenthal (D) provides \$5.9 million for tobacco prevention and cessation programs, the same amount as in FY2007 and FY2006.

Background: In 1999, the Wyoming Legislature passed and then-Governor Jim Geringer (R) 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 directing 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. 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 \$3.0 million in FY2003.

In 2002, the Legislature enacted and Governor Geringer signed into law legislation that dedicated most future settlement payments beginning in 2003 to substance abuse programs. Interest payments from the remaining assets in the Trust Fund would continue to be used to fund tobacco prevention. However, first term Governor Freudenthal identified an additional \$8 million, which he endorses being spent “to help discourage tobacco use and substance abuse in Wyoming.”

In 2003, the Legislature approved a 48-cent increase in the cigarette excise tax, bringing the tax to 60 cents per pack. The tax increase raises \$25.0 million per year, with the proceeds going into the general fund. Two other attempts to raise the excise tax on other tobacco products failed in the 2003 and 2005 legislative sessions.

For FY2005, the Legislature appropriated an additional \$800,000 for the tobacco prevention program, bringing the total annual budget to \$3.8 million. Of the additional \$800,000, half was to be spent on the chronic disease prevention, and the other half was given to launch a counter-marketing campaign.

For FY2006, Wyoming spent \$5.9 million on tobacco prevention and cessation programs, \$650,000 of which was focused exclusively on spit tobacco prevention/education. This represented a \$2.1 million increase in overall funding from FY2005.

For FY2007, the Legislature appropriated \$5.9 million for tobacco prevention and cessation programs.

Appendix A



History of State Spending for Tobacco Prevention FY2004-FY2008

| | FY2008 | | FY2007 | | FY2006 | | FY2005 | | FY2004 | | |
|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--|
| | 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) |
| States Total | \$717.2 | 44.8% | \$597.5 | 37.2% | \$551.0 | 34.4% | \$538.2 | 33.6% | \$542.8 | 33.9% | |
| Alabama | \$0.767 | 2.9% | \$0.682 | 2.6% | \$0.325 | 1.20% | \$0.360 | 1.3% | \$0.360 | 1.3% | 26.74 - 71.24 |
| Alaska | \$7.5 | 92.5% | \$6.2 | 76.6% | \$5.7 | 70.50% | \$4.2 | 51.5% | \$3.8 | 47.0% | 8.09 - 16.51 |
| Arizona | \$23.5 | 84.6% | \$25.5 | 91.8% | \$23.1 | 83.10% | \$23.1 | 83.1% | \$23.0 | 82.8% | 27.79 - 71.10 |
| Arkansas | \$15.6 | 87.1% | \$15.1 | 84.3% | \$17.5 | 97.70% | \$17.6 | 98.3% | \$18.5 | 103.3% | 17.91 - 46.45 |
| California | \$77.4 | 46.9% | \$84 | 50.9% | \$79.7 | 48.30% | \$74.0 | 44.8% | \$90.1 | 54.6% | 165.10 - 442.40 |
| Colorado | \$26.0 | 105.9% | \$25.0 | 101.8% | \$27.0 | 110.00% | \$4.3 | 17.5% | \$3.8 | 15.5% | 24.55 - 63.26 |
| Connecticut | \$0.0 | 0.0% | \$2.0 | 9.4% | \$0.04 | 0.20% | \$0.057 | 0.3% | \$0.500 | 2.4% | 21.24 - 53.90 |
| Delaware | \$10.7 | 123.8% | \$10.3 | 119.4% | \$9.2 | 106.60% | \$9.3 | 107.8% | \$10.1 | 117.0% | 8.63 - 18.46 |
| DC | \$3.6 | 48.1% | \$0.5 | 6.7% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 7.48 - 14.57 |
| Florida | \$58.0 | 74.0% | \$5.6 | 7.1% | \$1.0 | 1.30% | \$1.0 | 1.3% | \$1.0 | 1.3% | 78.38 - 221.26 |
| Georgia | \$2.2 | 5.3% | \$2.3 | 5.4% | \$3.1 | 7.30% | \$11.5 | 27.0% | \$12.6 | 29.6% | 42.59 - 114.34 |
| Hawaii | \$10.4 | 96.3% | \$9.1 | 84.0% | \$5.8 | 53.80% | \$8.9 | 82.6% | \$8.9 | 82.6% | 10.78 - 23.45 |
| Idaho | \$1.4 | 12.6% | \$0.908 | 8.2% | \$0.544 | 4.90% | \$1.9 | 17.2% | \$1.6 | 14.5% | 11.04 - 24.09 |
| Illinois | \$8.5 | 13.1% | \$8.5 | 13.1% | \$11.0 | 16.90% | \$11.0 | 16.9% | \$12.0 | 18.5% | 64.91 - 179.05 |
| Indiana | \$16.2 | 46.6% | \$10.9 | 31.3% | \$10.8 | 31.10% | \$10.8 | 31.1% | \$10.8 | 31.1% | 34.78 - 95.80 |
| Iowa | \$12.3 | 63.5% | \$6.5 | 33.6% | \$5.6 | 28.90% | \$5.1 | 26.4% | \$5.1 | 26.4% | 19.35 - 48.71 |
| Kansas | \$1.4 | 7.8% | \$1 | 5.5% | \$1.0 | 5.50% | \$0.750 | 4.1% | \$0.5 | 2.8% | 18.05 - 44.69 |
| Kentucky | \$2.4 | 9.4% | \$2.2 | 8.8% | \$2.7 | 10.80% | \$2.7 | 10.8% | \$2.6 | 10.4% | 25.09 - 69.90 |
| Louisiana | \$7.7 | 28.3% | \$8 | 29.5% | \$8.0 | 29.50% | \$11.3 | 41.7% | \$10.7 | 39.4% | 27.13 - 71.43 |
| Maine | \$16.9 | 151.2% | \$14.7 | 131.3% | \$14.2 | 126.90% | \$14.2 | 126.9% | \$14.5 | 129.6% | 11.19 - 25.35 |
| Maryland | \$18.4 | 60.7% | \$18.7 | 61.7% | \$9.2 | 30.40% | \$9.5 | 31.4% | \$14.8 | 48.8% | 30.30 - 78.60 |
| Massachusetts | \$12.8 | 36.2% | \$8.3 | 23.4% | \$4.3 | 12.10% | \$3.8 | 10.6% | \$2.5 | 7.1% | 35.24 - 92.76 |
| Michigan | \$3.6 | 6.6% | \$0.0 | 0.0% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 54.80 - 154.56 |
| Minnesota | \$22.1 | 77.2% | \$21.7 | 75.8% | \$22.1 | 77.20% | \$18.7 | 65.3% | \$20.4 | 71.3% | 28.62 - 74.01 |
| Mississippi | \$8.0 | 42.6% | \$0.0 | 0.0% | \$20.0 | 106.40% | \$20.0 | 106.4% | \$20.0 | 106.4% | 18.79 - 46.80 |

| | FY2008 | | FY2007 | | FY2006 | | FY2005 | | FY2004 | | |
|----------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|
| | 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. | |
| Missouri | \$0.200 | 0.6% | \$0.0 | 0.0% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 32.77 - 91.36 |
| Montana | \$8.5 | 90.6% | \$6.9 | 73.7% | \$6.8 | 72.60% | \$2.5 | 26.7% | \$2.5 | 26.7% | 9.36 - 19.68 |
| Nebraska | \$2.5 | 18.8% | \$3.0 | 22.5% | \$3.0 | 22.50% | \$2.9 | 21.8% | \$0.410 | 3.1% | 13.31 - 31.04 |
| Nevada | \$2.0 | 14.8% | \$3.8 | 28.2% | \$4.2 | 31.20% | \$4.4 | 32.6% | \$4.3 | 31.9% | 13.48 - 32.99 |
| New Hampshire | \$1.3 | 12.3% | \$0.0 | 0.0% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 10.89 - 24.77 |
| New Jersey | \$11.0 | 24.4% | \$11.0 | 24.4% | \$11.5 | 25.50% | \$11.0 | 24.4% | \$10.5 | 23.3% | 45.07 - 121.33 |
| New Mexico | \$9.60 | 70.1% | \$7.7 | 56.2% | \$6.0 | 43.80% | \$5.0 | 36.5% | \$5.0 | 36.5% | 13.71 - 31.95 |
| New York | \$85.5 | 89.2% | \$85.5 | 89.2% | \$43.4 | 45.30% | \$39.5 | 41.2% | \$37.0 | 38.6% | 95.83 - 269.30 |
| North Carolina | \$17.1 | 40.2% | \$17.1 | 40.2% | \$15.0 | 35.20% | \$15.0 | 35.2% | \$10.9 | 25.6% | 42.59 - 118.63 |
| North Dakota | \$3.1 | 38.4% | \$3.1 | 38.0% | \$3.1 | 38.00% | \$3.1 | 38.0% | \$3.0 | 36.8% | 8.16 - 16.55 |
| Ohio | \$44.7 | 72.4% | \$45 | 72.9% | \$47.2 | 76.40% | \$53.3 | 86.3% | \$38.0 | 61.5% | 61.74 - 173.68 |
| Oklahoma | \$14.2 | 65.1% | \$10.0 | 45.8% | \$8.9 | 40.80% | \$4.8 | 22.0% | \$2.5 | 11.5% | 21.83 - 56.31 |
| Oregon | \$8.2 | 38.8% | \$3.5 | 16.3% | \$3.5 | 16.30% | \$3.5 | 16.6% | \$2.9 | 13.5% | 21.13 - 52.84 |
| Pennsylvania | \$31.7 | 48.3% | \$30.3 | 46.2% | \$32.9 | 50.20% | \$46.1 | 70.3% | \$52.6 | 80.2% | 65.57 - 184.76 |
| Rhode Island | \$0.940 | 9.5% | \$0.950 | 9.6% | \$2.1 | 21.20% | \$2.5 | 25.3% | \$2.7 | 27.3% | 9.89 - 21.91 |
| South Carolina | \$2.0 | 8.4% | \$2.0 | 8.4% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 23.91 - 62.01 |
| South Dakota | \$5.0 | 57.5% | \$0.708 | 8.1% | \$0.708 | 8.10% | \$1.5 | 17.3% | \$0.750 | 8.6% | 8.69 - 18.21 |
| Tennessee | \$10.0 | 31.0% | \$0.0 | 0.0% | \$0.0 | 0.00% | \$0.0 | 0.0% | \$0.0 | 0.0% | 32.23 - 89.08 |
| Texas | \$11.8 | 11.4% | \$5.2 | 5.0% | \$7.0 | 6.80% | \$7.4 | 7.2% | \$7.4 | 7.2% | 103.29 - 284.74 |
| Utah | \$7.3 | 47.7% | \$7.2 | 47.3% | \$7.2 | 47.30% | \$7.2 | 47.2% | \$7.2 | 47.2% | 15.23 - 33.38 |
| Vermont | \$5.2 | 66.0% | \$5.1 | 64.5% | \$4.9 | 61.90% | \$4.7 | 58.9% | \$4.5 | 56.9% | 7.91 - 15.94 |
| Virginia | \$14.5 | 37.3% | \$13.5 | 34.7% | \$12.8 | 32.90% | \$13.0 | 33.5% | \$17.4 | 44.8% | 38.87 - 106.85 |
| Washington | \$27.1 | 81.1% | \$27.1 | 81.3% | \$27.2 | 81.60% | \$27.2 | 81.6% | \$26.2 | 78.6% | 33.34 - 89.38 |
| West Virginia | \$5.7 | 40.0% | \$5.4 | 38.1% | \$5.9 | 41.70% | \$5.9 | 41.3% | \$5.9 | 41.7% | 14.16 - 35.37 |
| Wisconsin | \$15.0 | 48.1% | \$10.0 | 32.1% | \$10.0 | 32.10% | \$10.0 | 32.1% | \$10.0 | 32.1% | 31.16 - 82.38 |
| Wyoming | \$5.9 | 80.1% | \$5.9 | 79.9% | \$5.9 | 79.90% | \$3.8 | 51.5% | \$3.0 | 40.7% | 7.38 - 14.40 |
| Total | \$717.2 | 44.8% | \$597.5 | 37.2% | \$551.0 | 34.4% | \$538.2 | 33.6% | \$542.8 | 33.9% | 1.60 - 4.24 (\$billion) |

History of State Spending for Tobacco Prevention FY2000-FY2003

| | FY2003 | | FY2002 | | FY2001 | | FY2000 | | CDC Annual Recommendation (\$millions) |
|---------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--|
| | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | |
| Total | \$674.4 | 42.1% | \$749.7 | 46.9% | \$737.5 | 46.1% | \$680.3 | 42.5% | |
| Alabama | \$0.360 | 1.3% | \$0.600 | 2.2% | \$6.0 | 22.4% | \$6.0 | 22.4% | 26.74 - 71.24 |
| Alaska | \$5.0 | 61.8% | \$3.1 | 38.3% | \$1.4 | 17.3% | \$1.4 | 17.3% | 8.09 - 16.51 |
| Arizona | \$18.3 | 65.7% | \$36.6 | 131.6% | \$34.5 | 124.1% | \$29.3 | 105.4% | 27.79 - 71.10 |
| Arkansas | \$16.4 | 91.5% | \$16.4 | 91.5% | \$16.1 | 89.9% | \$0.0 | 0.0% | 17.91 - 46.45 |
| California | \$88.4 | 53.5% | \$134.5 | 81.5% | \$114.6 | 69.4% | \$88.2 | 53.4% | 165.10 - 442.40 |
| Colorado | \$7.6 | 31.0% | \$12.7 | 51.8% | \$12.7 | 51.7% | \$13.2 | 53.8% | 24.55 - 63.26 |
| Connecticut | \$0.575 | 2.7% | \$0.580 | 2.7% | \$1.0 | 4.7% | \$4.0 | 18.8% | 21.24 - 53.90 |
| Delaware | \$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% | 7.48 - 14.57 |
| Florida | \$37.5 | 47.8% | \$29.8 | 38.0% | \$44.0 | 56.1% | \$44.0 | 56.1% | 78.38 - 221.26 |
| Georgia | \$19.1 | 44.8% | \$20.8 | 48.8% | \$15.8 | 37.1% | \$15.8 | 37.1% | 42.59 - 114.34 |
| Hawaii | \$10.3 | 95.1% | \$4.2 | 38.9% | \$9.3 | 86.3% | \$9.7 | 89.5% | 10.78 - 23.45 |
| Idaho | \$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% | \$45.9 | 70.7% | \$28.6 | 44.1% | \$28.6 | 44.0% | 64.91 - 179.05 |
| Indiana | \$32.5 | 93.4% | \$32.5 | 93.4% | \$35.0 | 100.6% | \$35.0 | 100.6% | 34.78 - 95.80 |
| Iowa | \$5.1 | 26.3% | \$9.4 | 48.7% | \$9.4 | 48.6% | \$9.4 | 48.3% | 19.35 - 48.71 |
| Kansas | \$0.500 | 2.8% | \$0.500 | 2.8% | \$0.500 | 2.8% | \$0.5 | 2.8% | 18.05 - 44.69 |
| Kentucky | \$3.0 | 12.0% | \$5.5 | 21.9% | \$5.8 | 23.1% | \$5.8 | 23.1% | 25.09 - 69.90 |
| Louisiana | \$8.0 | 29.5% | \$0.500 | 1.8% | \$4.1 | 15.1% | \$4.1 | 15.1% | 27.13 - 71.43 |
| Maine | \$15.2 | 135.6% | \$13.8 | 122.9% | \$18.8 | 168.0% | \$18.8 | 168.0% | 11.19 - 25.35 |
| Maryland | \$30.0 | 99.0% | \$20.1 | 66.2% | \$30.0 | 99.0% | \$30.0 | 99.0% | 30.30 - 78.60 |
| Massachusetts | \$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% | 54.80 - 154.56 |
| Minnesota | \$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% | \$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% | 32.77 - 91.36 |
| Montana | \$0.384 | 4.1% | \$0.500 | 5.3% | \$3.5 | 37.4% | \$3.5 | 37.4% | 9.36 - 19.68 |
| Nebraska | \$7.0 | 52.6% | \$7.0 | 52.6% | \$7.0 | 52.6% | \$7.0 | 52.6% | 13.31 - 31.04 |
| Nevada | \$4.3 | 31.8% | \$4.3 | 31.7% | \$3.0 | 22.3% | \$3.9 | 29.0% | 13.48 - 32.99 |
| New Hampshire | \$3.0 | 27.5% | \$3.0 | 27.5% | \$3.0 | 27.5% | \$3.0 | 27.5% | 10.89 - 24.77 |
| New Jersey | \$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% | \$2.3 | 16.8% | \$2.3 | 16.4% | 13.71 - 31.95 |

| | FY2003 | | FY2002 | | FY2001 | | FY2000 | | |
|----------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------------------|
| | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | Spending (\$millions) | Percent of CDC Min. | |
| New York | \$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% | \$0.0 | 0.0% | \$0.0 | 0.0% | \$0.0 | 0.0% | 42.59 - 118.63 |
| North Dakota | \$2.5 | 30.6% | \$2.5 | 30.9% | \$0.0 | 0.0% | \$0.0 | 0.0% | 8.16 - 16.55 |
| Ohio | \$34.0 | 55.1% | \$21.7 | 35.1% | \$60.0 | 97.2% | \$60.0 | 97.2% | 61.74 - 173.68 |
| Oklahoma | \$2.5 | 11.2% | \$1.7 | 7.9% | \$6.3 | 28.9% | \$6.3 | 28.9% | 21.83 - 56.31 |
| Oregon | \$11.1 | 52.5% | \$11.3 | 53.2% | \$8.5 | 40.2% | \$8.5 | 40.2% | 21.13 - 52.84 |
| Pennsylvania | \$52.0 | 79.3% | \$41.4 | 63.1% | \$0.0 | 0.0% | \$0.0 | 0.0% | 65.57 - 184.76 |
| Rhode Island | \$3.3 | 33.4% | \$3.3 | 33.4% | \$2.3 | 23.3% | \$2.3 | 23.3% | 9.89 - 21.91 |
| South Carolina | \$2.0 | 8.4% | \$1.6 | 6.7% | \$1.8 | 7.5% | \$1.8 | 7.3% | 23.91 - 62.01 |
| South Dakota | \$0.750 | 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% | 32.23 - 89.08 |
| Texas | \$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% | \$6.0 | 39.4% | \$6.0 | 39.4% | \$6.0 | 39.4% | 15.23 - 33.38 |
| Vermont | \$5.2 | 65.7% | \$5.5 | 70.0% | \$6.5 | 82.2% | \$6.5 | 82.2% | 7.91 - 15.94 |
| Virginia | \$22.2 | 57.1% | \$19.2 | 49.3% | \$12.6 | 32.4% | \$13.1 | 33.7% | 38.87 - 106.85 |
| Washington | \$26.2 | 78.7% | \$17.5 | 52.5% | \$15.0 | 45.0% | \$15.0 | 45.0% | 33.34 - 89.38 |
| West Virginia | \$5.9 | 41.3% | \$5.9 | 41.3% | \$5.9 | 41.7% | \$5.9 | 41.3% | 14.16 - 35.37 |
| Wisconsin | \$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% | \$0.90 | 12.2% | \$0.900 | 12.2% | \$0.9 | 12.2% | 7.38 - 14.40 |
| Total | \$674.4 | 42.1% | \$749.7 | 46.90% | \$737.5 | 46.1% | \$680.3 | 42.5% | 1.60 - 4.24 (\$billions) |

Appendix B



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 2008 Tobacco Prevention Spending | CDC Minimum Prevention Spending Target | Tobacco Prevention Spending % of CDC Minimum | Tobacco Prevention Spending Rank (1= high) | FY 2008 State Tobacco Settlement Revenues (est.) | FY 2008 State Tobacco Tax Revenues (est.) | Total Annual State Revenues From Tobacco (est.) | Tobacco Prevention Spending % of Tobacco Revenue |
|---------------------|------------------------------------|-------------------------------------|--|--|--|--|---|---|--|
| States Total | \$96.7 bill. | \$717.2 | \$1.6 billion | 44.8% | -- | \$8.1 billion | \$16.8 billion | \$24.9 billion | 2.9% |
| Alabama | \$1.49 bill. | \$0.767 | \$26.7 | 2.9% | 49 | \$105.0 | \$161.7 | \$266.7 | 0.3% |
| Alaska | \$169 | \$7.5 | \$8.1 | 92.5% | 5 | \$34.9 | \$75.1 | \$110.0 | 6.8% |
| Arizona | \$1.3 bill. | \$23.5 | \$27.8 | 84.6% | 9 | \$115.2 | \$403.2 | \$518.4 | 4.5% |
| Arkansas | \$812 | \$15.6 | \$17.9 | 87.1% | 8 | \$56.8 | \$149.3 | \$206.1 | 7.6% |
| California | \$9.14 bill. | \$77.4 | \$165.1 | 46.9% | 25 | \$823.0 | \$1,061.1 | \$1,884.1 | 4.1% |
| Colorado | \$1.31 bill. | \$26.0 | \$24.5 | 105.9% | 3 | \$103.2 | \$224.6 | \$327.7 | 7.9% |
| Connecticut | \$1.63 bill. | \$0.0 | \$21.2 | 0.0% | 51 | \$140.7 | \$236.8 | \$377.5 | 0.0% |
| Delaware | \$284 | \$10.7 | \$8.6 | 123.8% | 2 | \$30.4 | \$148.7 | \$179.1 | 6.0% |
| DC | \$243 | \$3.6 | \$7.5 | 48.1% | 22 | \$43.3 | \$22.5 | \$65.8 | 5.5% |
| Florida | \$6.32 bill. | \$58.0 | \$78.4 | 74.0% | 13 | \$437.8 | \$439.2 | \$877.0 | 6.6% |
| Georgia | \$2.25 bill. | \$2.2 | \$42.6 | 5.3% | 48 | \$157.8 | \$247.4 | \$405.2 | 0.6% |
| Hawaii | \$336 | \$10.4 | \$10.8 | 96.3% | 4 | \$56.2 | \$95.7 | \$151.9 | 6.8% |
| Idaho | \$319 | \$1.4 | \$11.0 | 12.6% | 40 | \$28.4 | \$53.5 | \$81.9 | 1.7% |
| Illinois | \$4.10 bill. | \$8.5 | \$64.9 | 13.1% | 39 | \$306.9 | \$643.4 | \$950.3 | 0.9% |
| Indiana | \$2.08 bill. | \$16.2 | \$34.8 | 46.6% | 26 | \$146.5 | \$594.5 | \$741.0 | 2.2% |
| Iowa | \$1.01 bill. | \$12.3 | \$19.3 | 63.5% | 18 | \$75.5 | \$286.7 | \$362.2 | 3.4% |
| Kansas | \$927 | \$1.4 | \$18.1 | 7.8% | 46 | \$66.2 | \$121.3 | \$187.5 | 0.7% |
| Kentucky | \$1.50 bill. | \$2.4 | \$25.1 | 9.4% | 44 | \$113.9 | \$182.6 | \$296.5 | 0.8% |
| Louisiana | \$1.47 bill. | \$7.7 | \$27.1 | 28.3% | 35 | \$159.5 | \$141.1 | \$300.6 | 2.5% |
| Maine | \$602 | \$16.9 | \$11.2 | 151.2% | 1 | \$58.0 | \$171.4 | \$229.4 | 7.4% |
| Maryland | \$1.96 bill. | \$18.4 | \$30.3 | 60.7% | 19 | \$165.2 | \$375.6 | \$540.8 | 3.4% |
| Massachusetts | \$3.54 bill. | \$12.8 | \$35.2 | 36.2% | 33 | \$286.5 | \$425.0 | \$711.5 | 1.8% |
| Michigan | \$3.40 bill. | \$3.6 | \$54.8 | 6.6% | 47 | \$287.3 | \$1,148.4 | \$1,435.7 | 0.3% |
| Minnesota | \$2.06 bill. | \$22.1 | \$28.6 | 77.2% | 12 | \$180.4 | \$447.6 | \$628.0 | 3.5% |
| Mississippi | \$719 | \$8.0 | \$18.8 | 42.6% | 27 | \$124.9 | \$59.5 | \$184.4 | 4.3% |
| Missouri | \$2.13 bill. | \$0.200 | \$32.8 | 0.6% | 50 | \$151.8 | \$111.8 | \$263.6 | 0.1% |
| Montana | \$277 | \$8.5 | \$9.4 | 90.6% | 6 | \$34.6 | \$88.5 | \$123.1 | 6.9% |
| Nebraska | \$537 | \$2.5 | \$13.3 | 18.8% | 37 | \$42.6 | \$70.2 | \$112.8 | 2.2% |
| Nevada | \$565 | \$2.0 | \$13.5 | 14.8% | 38 | \$45.8 | \$136.3 | \$182.1 | 1.1% |
| New Hampshire | \$564 | \$1.3 | \$10.9 | 12.3% | 41 | \$48.1 | \$163.7 | \$211.8 | 0.6% |
| New Jersey | \$3.17 bill. | \$11.0 | \$45.1 | 24.4% | 36 | \$259.8 | \$812.5 | \$1,072.3 | 1.0% |
| New Mexico | \$461 | \$9.6 | \$13.7 | 70.1% | 15 | \$44.6 | \$65.5 | \$110.1 | 8.7% |
| New York | \$8.17 bill. | \$85.5 | \$95.8 | 89.2% | 7 | \$825.5 | \$963.8 | \$1,789.2 | 4.8% |
| North Carolina | \$2.46 bill. | \$17.1 | \$42.6 | 40.2% | 28 | \$158.6 | \$267.3 | \$425.9 | 4.0% |
| North Dakota | \$247 | \$3.1 | \$8.2 | 38.4% | 31 | \$36.7 | \$23.6 | \$60.2 | 5.2% |
| Ohio | \$4.37 bill. | \$44.7 | \$61.7 | 72.4% | 14 | \$330.9 | \$1,009.6 | \$1,340.5 | 3.3% |
| Oklahoma | \$1.16 bill. | \$14.2 | \$21.8 | 65.1% | 17 | \$89.0 | \$340.2 | \$429.2 | 3.3% |
| Oregon | \$1.11 bill. | \$8.2 | \$21.1 | 38.8% | 30 | \$90.0 | \$258.4 | \$348.5 | 2.4% |
| Pennsylvania | \$5.19 bill. | \$31.7 | \$65.6 | 48.3% | 21 | \$378.2 | \$1,015.4 | \$1,393.5 | 2.3% |

| State | Annual Smoking Caused Health Costs | FY 2008 Tobacco Prevention Spending | CDC Minimum Prevention Spending Target | Tobacco Prevention Spending % of CDC Minimum | Tobacco Prevention Spending Rank (1= high) | FY 2008 State Tobacco Settlement Revenues (est.) | FY 2008 State Tobacco Tax Revenues (est.) | Total Annual State Revenues From Tobacco (est.) | Tobacco Prevention Spending % of Tobacco Revenue |
|----------------|------------------------------------|-------------------------------------|--|--|--|--|---|---|--|
| Rhode Island | \$506 | \$0.940 | \$9.9 | 9.5% | 43 | \$53.0 | \$123.8 | \$176.8 | 0.5% |
| South Carolina | \$1.09 bill. | \$2.0 | \$23.9 | 8.4% | 45 | \$82.9 | \$32.4 | \$115.3 | 1.7% |
| South Dakota | \$274 | \$5.0 | \$8.7 | 57.5% | 20 | \$27.5 | \$72.8 | \$100.4 | 5.0% |
| Tennessee | \$2.16 bill. | \$10.0 | \$32.2 | 31.0% | 34 | \$155.5 | \$356.1 | \$511.5 | 2.0% |
| Texas | \$5.83 | \$11.8 | \$103.2 | 11.4% | 42 | \$517.0 | \$1,585.2 | \$2,102.1 | 0.6% |
| Utah | \$345 | \$7.3 | \$15.2 | 47.7% | 24 | \$42.2 | \$52.6 | \$94.8 | 7.7% |
| Vermont | \$233 | \$5.2 | \$7.9 | 66.0% | 16 | \$40.1 | \$63.4 | \$103.5 | 5.0% |
| Virginia | \$2.08 bill. | \$14.5 | \$38.9 | 37.3% | 32 | \$131.2 | \$188.5 | \$319.7 | 4.5% |
| Washington | \$1.95 bill. | \$27.1 | \$33.3 | 81.1% | 10 | \$172.9 | \$445.4 | \$618.3 | 4.4% |
| West Virginia | \$690 | \$5.7 | \$14.2 | 40.0% | 29 | \$72.9 | \$113.5 | \$186.4 | 3.0% |
| Wisconsin | \$2.02 bill. | \$15.0 | \$31.2 | 48.1% | 22 | \$148.2 | \$453.5 | \$601.7 | 2.5% |
| Wyoming | \$136 | \$5.9 | \$7.4 | 80.1% | 11 | \$21.4 | \$25.7 | \$47.1 | 12.5% |

Notes: State tobacco tax revenue amounts are from the 2006 Tax Burden on Tobacco, state agencies, and conservative projections using the most recent data available. State settlement payments are based on information received from the National Association of Attorneys General (NAAG). Estimated FY2008 state tobacco settlement revenues assume that the cigarette companies will withhold a portion of their payments based on a claimed non-participating manufacturers adjustment, just as they did in 2007. The state settlement revenues include the tobacco settlement bonus payments expected to be included in annual MSA payments made to states in April 2008.



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

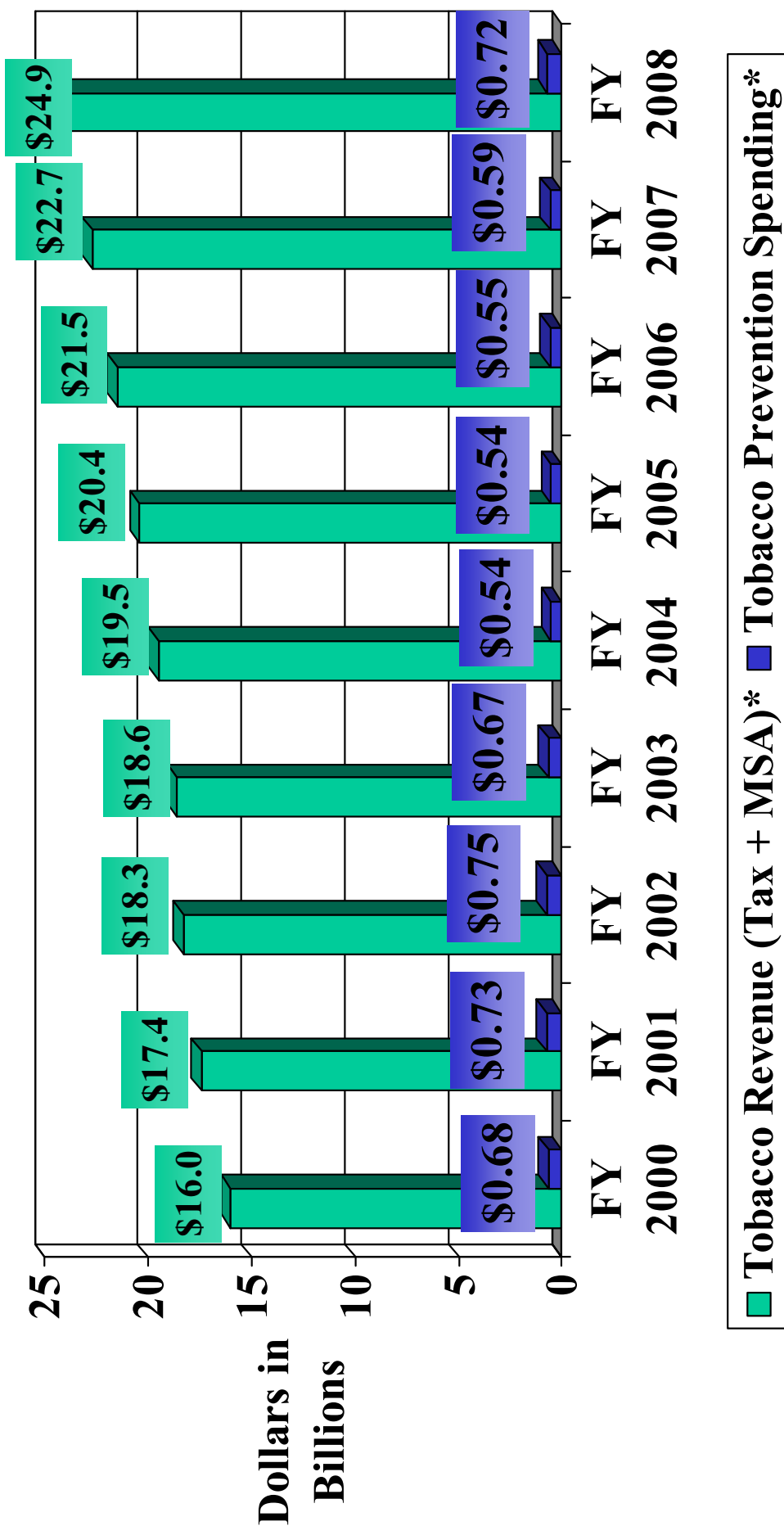
All amounts are in millions of dollars per year unless otherwise specified

| | Tobacco Prev. Spending FY2008 | Tobacco Prev. Spending FY2007 | Tobacco Prev. Spending FY2006 | Tobacco Prev. Spending FY2005 | Tobacco Prev. Spending FY2004 | Total Annual State Rev. From Tobacco FY2008 (est.) | Total Annual State Rev. From Tobacco FY2007 (est.) | Total Annual State Rev. From Tobacco FY2006 | Total Annual State Rev. From Tobacco FY2005 | Total Annual State Rev. From Tobacco FY2004 | Prev. Spending as % of Tobacco Revenue FY2008 | Prev. Spending as % of Tobacco Revenue FY2007 | Prev. Spending as % of Tobacco Revenue FY2006 | Prev. Spending as % of Tobacco Revenue FY2005 | Prev. Spending as % of Tobacco Revenue FY2004 |
|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|---|---|---|---|---|---|---|---|
| States Total | \$717.2 | \$597.5 | \$551.0 | \$538.2 | \$542.8 | \$24.9 bill. | \$22.7 bill. | \$21.5 bill. | \$20.4 bill. | \$19.5 bill. | 2.9% | 2.6% | 2.6% | 2.6% | 2.8% |
| Alabama | \$767.000 | \$0.7 | \$0.3 | \$0.4 | \$0.4 | \$266.7 | \$262.2 | \$250.4 | \$258.4 | \$168.1 | 0.3% | 0.3% | 0.1% | 0.2% | 0.2% |
| Alaska | \$7.5 | \$6.2 | \$5.7 | \$4.2 | \$3.8 | \$110.0 | \$91.8 | \$85.1 | \$77.8 | \$68.8 | 6.8% | 6.8% | 6.7% | 5.4% | 5.5% |
| Arizona | \$23.5 | \$25.5 | \$23.1 | \$23.1 | \$23.0 | \$518.4 | \$444.3 | \$388.5 | \$384.8 | \$374.0 | 4.5% | 5.7% | 5.9% | 6.0% | 6.1% |
| Arkansas | \$15.6 | \$15.1 | \$17.5 | \$17.6 | \$18.5 | \$206.1 | \$201.7 | \$197.1 | \$200.3 | \$200.3 | 7.6% | 7.5% | 8.9% | 8.8% | 9.2% |
| California | \$77.4 | \$84.0 | \$79.7 | \$74.0 | \$90.1 | \$1,884.1 | \$1,851.8 | \$1,828.8 | \$1,891.6 | \$1,858.6 | 4.1% | 4.5% | 4.4% | 3.9% | 4.8% |
| Colorado | \$26.0 | \$25.0 | \$27.0 | \$4.3 | \$3.8 | \$327.7 | \$311.1 | \$309.1 | \$217.5 | \$150.4 | 7.9% | 8.0% | 8.7% | 2.0% | 2.5% |
| Connecticut | \$0.0 | \$2.0 | \$0.0 | \$0.1 | \$0.5 | \$377.5 | \$388.6 | \$380.5 | \$376.2 | \$395.0 | 0.0% | 0.5% | 0.0% | 0.0% | 0.1% |
| Delaware | \$10.7 | \$10.3 | \$9.2 | \$9.3 | \$10.1 | \$179.1 | \$113.6 | \$109.2 | \$107.6 | \$97.2 | 6.0% | 9.1% | 8.4% | 8.6% | 10.4% |
| Dist. Columbia | \$3.6 | \$0.5 | \$0.0 | \$0.0 | \$0.0 | \$65.8 | \$59.7 | \$58.2 | \$59.0 | \$59.2 | 5.3% | 0.8% | 0.0% | 0.0% | 0.0% |
| Florida | \$58.0 | \$5.6 | \$1.0 | \$1.0 | \$1.0 | \$877.0 | \$842.2 | \$841.5 | \$845.0 | \$815.0 | 6.6% | 0.7% | 0.1% | 0.1% | 0.1% |
| Georgia | \$2.2 | \$2.3 | \$3.1 | \$11.5 | \$12.6 | \$405.2 | \$400.0 | \$391.1 | \$408.0 | \$388.3 | 0.5% | 0.6% | 0.8% | 2.8% | 3.2% |
| Hawaii | \$10.4 | \$9.1 | \$5.8 | \$8.9 | \$8.9 | \$151.9 | \$127.8 | \$123.4 | \$123.6 | \$116.8 | 6.8% | 7.1% | 4.7% | 7.2% | 7.6% |
| Idaho | \$1.4 | \$0.9 | \$0.5 | \$1.9 | \$1.6 | \$81.9 | \$76.4 | \$74.6 | \$74.8 | \$74.6 | 1.7% | 1.2% | 0.7% | 2.5% | 2.1% |
| Illinois | \$8.5 | \$8.5 | \$11.0 | \$11.0 | \$12.0 | \$950.3 | \$935.6 | \$924.5 | \$953.4 | \$1,036.2 | 0.9% | 0.9% | 1.2% | 1.2% | 1.2% |
| Indiana | \$16.2 | \$10.9 | \$10.8 | \$10.8 | \$10.8 | \$741.0 | \$508.0 | \$475.0 | \$474.5 | \$471.3 | 2.2% | 2.1% | 2.3% | 2.3% | 2.3% |
| Iowa | \$12.3 | \$6.5 | \$5.6 | \$5.1 | \$5.1 | \$362.2 | \$217.8 | \$149.4 | \$151.6 | \$149.0 | 3.4% | 3.0% | 3.7% | 3.4% | 3.4% |
| Kansas | \$1.4 | \$1.0 | \$1.0 | \$0.8 | \$0.5 | \$187.5 | \$173.7 | \$172.7 | \$175.8 | \$176.7 | 0.7% | 0.6% | 0.6% | 0.5% | 0.3% |
| Kentucky | \$2.4 | \$2.2 | \$2.7 | \$2.7 | \$2.6 | \$296.5 | \$292.3 | \$267.9 | \$162.2 | \$130.0 | 0.8% | 0.8% | 1.0% | 1.7% | 2.0% |
| Louisiana | \$7.7 | \$8.0 | \$8.0 | \$11.3 | \$10.7 | \$300.6 | \$280.1 | \$267.7 | \$299.6 | \$285.9 | 2.6% | 2.9% | 3.0% | 3.8% | 3.7% |
| Maine | \$16.9 | \$14.7 | \$14.2 | \$14.2 | \$14.5 | \$229.4 | \$220.7 | \$201.8 | \$145.4 | \$144.4 | 7.4% | 6.7% | 7.0% | 9.8% | 10.0% |
| Maryland | \$18.4 | \$18.7 | \$9.2 | \$9.5 | \$14.8 | \$540.8 | \$414.2 | \$411.6 | \$419.7 | \$411.8 | 3.4% | 4.5% | 2.2% | 2.3% | 3.6% |
| Massachusetts | \$12.8 | \$8.3 | \$4.3 | \$3.8 | \$2.5 | \$711.5 | \$676.6 | \$672.5 | \$680.8 | \$683.8 | 1.8% | 1.2% | 0.6% | 0.6% | 0.4% |
| Michigan | \$3.6 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$1,435.7 | \$1,429.8 | \$1,420.0 | \$1,404.7 | \$1,146.4 | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% |
| Minnesota | \$22.1 | \$21.7 | \$22.1 | \$18.7 | \$20.4 | \$628.0 | \$638.1 | \$606.5 | \$356.8 | \$365.2 | 3.5% | 3.4% | 3.6% | 5.2% | 5.6% |
| Mississippi | \$8.0 | \$0.0 | \$20.0 | \$20.0 | \$20.0 | \$184.4 | \$183.0 | \$178.6 | \$172.9 | \$168.0 | 4.3% | 0.0% | 11.2% | 11.6% | 11.9% |
| Missouri | \$200.000 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$263.6 | \$251.5 | \$244.0 | \$255.3 | \$251.7 | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Montana | \$8.5 | \$6.9 | \$6.8 | \$2.5 | \$2.5 | \$123.1 | \$115.6 | \$115.6 | \$89.8 | \$72.3 | 6.9% | 6.0% | 5.9% | 2.8% | 3.5% |
| Nebraska | \$2.5 | \$3.0 | \$3.0 | \$2.9 | \$0.4 | \$112.8 | \$107.4 | \$105.8 | \$110.1 | \$109.5 | 2.2% | 2.8% | 2.8% | 2.6% | 0.4% |
| Nevada | \$2.0 | \$3.8 | \$4.2 | \$4.4 | \$4.3 | \$182.1 | \$175.4 | \$173.8 | \$175.5 | \$167.0 | 1.1% | 2.2% | 2.4% | 2.5% | 2.6% |
| New Hamp. | \$1.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$211.8 | \$181.7 | \$182.2 | \$137.1 | \$141.8 | 0.6% | 0.0% | 0.0% | 0.0% | 0.0% |
| New Jersey | \$11.0 | \$11.0 | \$11.5 | \$11.0 | \$10.5 | \$1,072.3 | \$1,059.5 | \$1,027.9 | \$1,039.4 | \$999.2 | 1.0% | 1.0% | 1.1% | 1.1% | 1.1% |

| | Tobacco Prev. Spending FY2008 | Tobacco Prev. Spending FY2007 | Tobacco Prev. Spending FY2006 | Tobacco Prev. Spending FY2005 | Tobacco Prev. Spending FY2004 | Total Annual State Rev. From Tobacco FY2008 (est.) | Total Annual State Rev. From Tobacco FY2007 (est.) | Total Annual State Rev. From Tobacco FY2006 | Total Annual State Rev. From Tobacco FY2005 | Total Annual State Rev. From Tobacco FY2004 | Prev. Spending as % of Tobacco Revenue FY2008 | Prev. Spending as % of Tobacco Revenue FY2007 | Prev. Spending as % of Tobacco Revenue FY2006 | Prev. Spending as % of Tobacco Revenue FY2005 | Prev. Spending as % of Tobacco Revenue FY2004 |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|---|---|---|---|---|---|---|---|
| New Mexico | \$9.6 | \$7.7 | \$6.0 | \$5.0 | \$5.0 | \$110.1 | \$102.6 | \$100.6 | \$103.0 | \$101.6 | 8.7% | 7.5% | 6.0% | 4.9% | 4.9% |
| New York | \$85.5 | \$85.5 | \$43.4 | \$39.5 | \$37.0 | \$1,789.2 | \$1,752.9 | \$1,725.4 | \$1,788.5 | \$1,795.7 | 4.8% | 4.9% | 2.5% | 2.2% | 2.1% |
| North Carolina | \$17.1 | \$17.1 | \$15.0 | \$15.0 | \$10.9 | \$425.9 | \$412.9 | \$308.3 | \$192.1 | \$188.7 | 4.0% | 4.1% | 4.9% | 7.8% | 5.8% |
| North Dakota | \$3.1 | \$3.1 | \$3.1 | \$3.1 | \$3.0 | \$60.2 | \$46.1 | \$44.7 | \$44.0 | \$43.2 | 5.1% | 6.7% | 6.9% | 7.1% | 6.9% |
| Ohio | \$44.7 | \$45.0 | \$47.2 | \$53.3 | \$38.0 | \$1,340.5 | \$1,330.7 | \$1,315.9 | \$903.5 | \$870.5 | 3.3% | 3.4% | 3.6% | 5.9% | 4.4% |
| Oklahoma | \$14.2 | \$10.0 | \$8.9 | \$4.8 | \$2.5 | \$429.2 | \$408.1 | \$284.9 | \$192.8 | \$136.8 | 3.3% | 2.5% | 3.1% | 2.5% | 1.8% |
| Oregon | \$8.2 | \$3.5 | \$3.5 | \$3.5 | \$2.9 | \$348.5 | \$331.9 | \$330.8 | \$316.9 | \$336.7 | 2.4% | 1.1% | 1.1% | 1.1% | 0.9% |
| Pennsylvania | \$31.7 | \$30.3 | \$32.9 | \$46.1 | \$52.6 | \$1,393.5 | \$1,379.7 | \$1,369.2 | \$1,395.3 | \$1,315.0 | 2.3% | 2.2% | 2.4% | 3.3% | 4.0% |
| Rhode Island | \$940.000 | \$1.0 | \$2.1 | \$2.5 | \$2.7 | \$176.8 | \$169.3 | \$167.8 | \$177.4 | \$157.4 | 0.5% | 0.6% | 1.3% | 1.4% | 1.7% |
| South Carolina | \$2.0 | \$2.0 | \$0.0 | \$0.0 | \$0.0 | \$115.3 | \$104.3 | \$101.0 | \$106.1 | \$103.0 | 1.7% | 1.9% | 0.0% | 0.0% | 0.0% |
| South Dakota | \$5.0 | \$0.7 | \$0.7 | \$1.5 | \$0.8 | \$100.4 | \$66.6 | \$48.5 | \$50.0 | \$49.3 | 5.0% | 1.1% | 1.4% | 3.0% | 1.6% |
| Tennessee | \$10.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$511.5 | \$284.2 | \$266.9 | \$276.4 | \$270.8 | 2.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Texas | \$11.8 | \$5.2 | \$7.0 | \$7.4 | \$7.4 | \$2,102.1 | \$1,558.5 | \$1,086.3 | \$1,071.2 | \$1,045.2 | 0.6% | 0.3% | 0.6% | 0.7% | 0.7% |
| Utah | \$7.3 | \$7.2 | \$7.2 | \$7.2 | \$7.2 | \$94.8 | \$80.3 | \$90.7 | \$89.6 | \$87.1 | 7.7% | 9.0% | 7.9% | 8.0% | 8.3% |
| Vermont | \$5.2 | \$5.1 | \$4.9 | \$4.7 | \$4.5 | \$103.5 | \$89.3 | \$72.9 | \$75.0 | \$77.8 | 5.0% | 5.7% | 6.7% | 6.3% | 5.8% |
| Virginia | \$14.5 | \$13.5 | \$12.8 | \$13.0 | \$17.4 | \$319.7 | \$315.4 | \$306.4 | \$245.6 | \$143.2 | 4.5% | 4.3% | 4.2% | 5.3% | 12.2% |
| Washington | \$27.1 | \$27.1 | \$27.2 | \$27.2 | \$26.2 | \$618.3 | \$576.7 | \$573.1 | \$484.9 | \$477.1 | 4.4% | 4.7% | 4.7% | 5.6% | 5.5% |
| West Virginia | \$5.7 | \$5.4 | \$5.9 | \$5.9 | \$5.9 | \$186.4 | \$169.0 | \$164.2 | \$160.2 | \$160.2 | 3.1% | 3.2% | 3.6% | 3.7% | 3.7% |
| Wisconsin | \$15.0 | \$10.0 | \$10.0 | \$10.0 | \$10.0 | \$601.7 | \$443.8 | \$438.8 | \$442.2 | \$436.2 | 2.5% | 2.3% | 2.3% | 2.3% | 2.3% |
| Wyoming | \$5.9 | \$5.9 | \$5.9 | \$3.8 | \$3.0 | \$47.1 | \$41.2 | \$39.7 | \$39.9 | \$31.7 | 12.5% | 14.3% | 14.9% | 9.5% | 9.5% |

Tobacco Revenue and Prevention Spending

Spending FY 2000-FY 2008



*Some totals based on TFK estimates

Appendix E



COMPREHENSIVE TOBACCO PREVENTION AND CESSATION PROGRAMS EFFECTIVELY REDUCE TOBACCO USE

Tobacco control programs play a crucial role in the prevention of many chronic conditions such as cancer, heart disease, and respiratory illness. Comprehensive tobacco prevention and cessation programs prevent kids from starting to smoking, help adult smokers quit, educate the public, the media and policymakers about policies that reduce tobacco use, address disparities, and serve as a counter to the ever-present tobacco industry.

Recommendations for state tobacco prevention and cessation programs are best summarized in the Center for Disease Control and Prevention's *Best Practices for Comprehensive Tobacco Control Programs*. In this guidance document, CDC recommends that states establish tobacco control programs that are comprehensive, sustainable, and accountable and include state and community interventions, public education interventions, cessation programs, surveillance and evaluation and administration and management.¹

The empirical evidence regarding the effectiveness of comprehensive tobacco prevention and cessation programs is vast and growing. There is more evidence than ever before that tobacco prevention and cessation programs work to reduce smoking, save lives and save money. In 2007, the Institute of Medicine and the President's Cancer Panel all issued landmark reports that concluded there is overwhelming evidence that state comprehensive state tobacco control programs substantially reduce tobacco use and recommended that every state fund such programs at CDC-recommended levels.²

Data from numerous states that have implemented programs consistent with CDC guidelines show significant reductions in youth and adult smoking. The most powerful evidence, however, comes from national studies that look across states and control for as many of the relevant confounding factors as possible. These rigorous studies consistently show effects of tobacco prevention and cessation programs.

A 2005 study published in the *American Journal of Public Health* provides powerful evidence of the effectiveness of comprehensive tobacco prevention and cessation programs. The study concluded that if every state had spent the minimum amount recommended by the CDC for tobacco prevention, youth smoking rates nationally would have been between three and 14 percent lower during the study period, from 1991 to 2000. Further, if every state funded tobacco prevention at CDC minimum levels, states would prevent nearly two million kids alive today from becoming smokers, save more than 600,000 of them from premature, smoking-caused deaths, and save \$23.4 billion in long-term, smoking-related health care costs.³

A 2003 study published in the *Journal of Health Economics* 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 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 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 would have declined by 18 percent instead of nine percent between 1994 and 2000 had all states fully funded tobacco prevention programs.⁴

A 2006 study published in the *American Journal of Health Promotion* provides further evidence of the effectiveness of comprehensive tobacco control programs and tobacco control policies. The study's findings suggest that well-funded tobacco control programs combined with strong tobacco control policies increase cessation rates. Quit rates in communities that experienced both policy and programmatic

interventions were higher than quit rates in communities that had only experienced policy interventions (excise tax increases or secondhand smoke regulations). This finding supports the claim that state-based tobacco control programs can accelerate adult cessation rates in the population and have an effect beyond that predicted by tobacco-control policies alone.⁵

Data from numerous states provide additional evidence of the effectiveness of comprehensive tobacco prevention and cessation programs. States that have implemented comprehensive programs have achieved significant reductions in tobacco use among both adults and youth. The experiences in states from around the country who have invested in comprehensive prevention programs 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, and the state suffers from higher levels of smoking and more smoking-caused deaths, disease, and costs.

Unfortunately, many states faced with budget difficulties have recently made the penny-wise but pound-foolish decision to slash the funding of even the most effective tobacco control programs, which will cost lives and money.*

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 and its attendant devastation substantially.

- California's comprehensive approach has reduced adult smoking significantly. Adult smoking declined from 22.7 percent in 1988 to 13.3 percent in 2006, resulting in more than 2.5 million fewer smokers.⁶ If every state had California's current smoking rate, there would be more than 17 million fewer smokers in the United States.
- Since the passage of Proposition 99, between 1988 and 2003, cigarette consumption in California declined by 60 percent, compared to just 38 percent for the country as a whole.⁷ 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.⁸
- 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.⁹
- Between 1988 and 2001, lung and bronchus cancer rates in California declined at three times the rate of decline as the rest of the U.S.¹⁰ Surveillance, Epidemiology, and End Results (SEER) data associated lower lung cancer incidence with California's program.¹¹

* 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., TFK Factsheet, *Comprehensive Statewide Tobacco-Prevention Programs Save Money*, <http://tobaccofreekids.org/research/factsheets/pdf/0168.pdf>.

- According to the California Student Tobacco Survey, from 1996 to 2004, smoking declined by more than 60 percent among eighth grade students and by more than half among tenth grade students. From 2000 to 2004 alone, smoking prevalence decreased by more than 31 percent among twelfth grade students.¹²

The California tobacco control program produced much larger smoking reductions in the early years, when it was funded at its highest levels, than during subsequent years, when the state cut its funding. For example, when California cut the program's funding in the mid 1990s, its progress in reducing adult and youth smoking rates stalled, but it got back on track when program funding was partially restored.¹³

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, and in 2005 to \$2.00 per pack). 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 59 percent between 1997 and 2005, falling from 39.2 percent to 16.2 percent. Smoking among Maine's middle school students declined by 64 percent, from 21 percent to 7.5 percent, over the same time period.¹⁴ The Maine Department of Health (DOH) has calculated that, as a result of these declines, there are now 26,031 fewer youth smokers in Maine and 14,317 youth will be saved from premature, smoking-caused deaths. Based on estimates that smokers, on average, have \$16,000 more in lifetime health care costs than non-smokers, the DOH calculated that these declines will save Maine more than \$416 million in long-term health care costs.

Program Success – Washington

The Washington State Tobacco Prevention and Control program was implemented in 1999 after the state Legislature set aside money from the Master Settlement Agreement to create a Tobacco Prevention and Control Account. Tobacco prevention and control received additional funds in 2001 when the state's voters passed a cigarette tax increase that dedicated a portion of the new revenue to tobacco prevention and cessation. According to a recent study in CDC's peer-reviewed journal, *Preventing Chronic Disease*, although Washington made progress in implementing tobacco control policies between 1990 and 2000, smoking prevalence did not decline significantly until after substantial investment was made in the state's comprehensive tobacco control program.¹⁵ As the data below demonstrate, Washington's comprehensive program is working.

- Since the program began, Washington's tobacco prevention efforts have cut smoking by 60 percent among sixth graders, 58 percent among eighth graders, 40 percent among tenth graders, and 43 percent among twelfth graders. Because of these declines, there are 65,000 fewer youth smokers in Washington.¹⁶
- Since the tobacco control program was implemented, adult smoking has declined by 24 percent, from 22.4 percent in 1999 to 17.1 percent in 2006, one of the lowest smoking rates in the country.¹⁷ Washington's dramatic decline in adult smoking translates to more than 230,000 fewer smokers in the state, saving about \$2.1 billion in future health care costs.¹⁸

Program Success – New York

New York began implementing a comprehensive state tobacco control program in 2000 with funds from the Master Settlement Agreement and revenue from the state cigarette tax. As the data below demonstrate, New York's comprehensive approach is working. While declines in youth smoking nationally have slowed, New York's rates continue to decline steadily.

- Between 2000 and 2006, smoking among middle school students declined by 61 percent, (from 10.5 percent to 4.1 percent), and smoking among high school students declined by 40 percent, (from 27.1 percent to 16.3 percent).¹⁹
- Between 2000 and 2006, adult smoking declined by 15 percent, from 21.6 percent to 18.3 percent.²⁰

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 efforts, a counter-marketing campaign, community and school-based programs, and enforcement initiatives.²¹ Data indicate that this comprehensive approach was working when the program was fully funded.²²

- Between 2000 and 2004, smoking among high school students declined by 32.5 percent, (from 31.6 percent to 21.3 percent).
- Smoking among middle school students declined by 20 percent, from 9.8 percent to 7.8 percent, over this same time period.

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 in selected parts of the state. Not surprisingly, this experiment found that the largest effects on both youth smoking rates occurred in those areas where comprehensive programs were implemented and sustained. Data show that youth smoking in the comprehensive program area decreased at more than four times the state rate of decline.²³

- Between 2000 and 2005, smoking among high school students dropped by 46 percent, from 34.2 percent to 18.3 percent, in the Beaumont/Port Arthur comprehensive program area. Statewide, youth smoking only declined by 9.3 percent, from 24.7 percent in 2001 to 22.4 percent in 2004.
- From 2000 to 2005, current cigarette use among middle school students decreased by 34 percent (from 17 percent to 11.2 percent) in the Beaumont/Port Arthur comprehensive program area. Statewide, smoking among middle school students actually increased by 2 percent, from 10.2 percent to 10.4 percent, between 2001 and 2004.

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 achieved considerable success until its funding was cut by more than 90 percent in 2003. Data from 2000 demonstrate that the program was successful 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).²⁴
- From 1995 to 2001, current smoking among Massachusetts high school students dropped by 27 percent (from 35.7 percent to 26 percent), while the nationwide rate dropped by 18 percent (34.8 percent to 28.5 percent)²⁵

- Between 1993 and 2000, adult smoking prevalence dropped from 22.6 percent to 17.9 percent, resulting in 228,000 fewer smokers.²⁶ Nationally, smoking prevalence dropped by just seven percent over this same time period.²⁷
- Between 1990 and 1999, smoking among pregnant women in Massachusetts declined by more than 50 percent (from 25 percent to 11 percent). Massachusetts had the greatest percentage decrease of any state over the time period (the District of Columbia had a greater percent decline).²⁸

Despite the considerable success achieved in Massachusetts, funding for the state's tobacco prevention and cessation program was cut by 95 percent – from a high of approximately \$54 million per year to just \$2.5 million in FY2004, although funding for the program has increased slightly in recent years. These drastic reductions in the state's investments to prevent and reduce tobacco use will translate directly into higher smoking rates, especially among kids, and more smoking-caused disease, death, and costs. In fact, a study released by the Massachusetts Association of Health Boards shows that the Massachusetts program funding cuts have already been followed by an alarming increase in illegal sales of tobacco products to children.²⁹

- Between 2002 and 2003, cigarette sales to minors increased by 74 percent, from eight percent to 13.9 percent in communities that lost a significant portion of their enforcement funding.
- Over the same time period, cigarette sales to minors increased by 98 percent in communities that lost all of their local enforcement funding.
- Between 1992 and 2003, per capita cigarette consumption declined at a higher rate in Massachusetts as it did in the country as a whole (47 percent v. 28 percent). However, from 2003 to 2006, Massachusetts' per capita cigarette consumption declined a mere seven percent (from 47.5 to 44.1 packs per capita), while the U.S. average cigarette consumption declined by ten percent (from 67.9 to 61.1 packs per capita). Most recently, between 2005 and 2006, Massachusetts' per capita cigarette consumption *increased* by 3.2 percent (from 42.7 to 44.1 packs per capita), while nationwide, per capita consumption *declined* by 3.5 percent (from 63.3 to 61.1 packs per capita).³⁰

Campaign for Tobacco-Free Kids, December 7, 2007 / Meg Riordan

¹ Centers for Disease Control and Prevention (CDC), *Best Practices for Comprehensive Tobacco Control Programs*, Atlanta, GA: U.S. Department of Health and Human Services (HHS), October 2007.

² Institute of Medicine, *State Programs Can Reduce Tobacco Use*, National Academy of Sciences, 2000; HHS, *Reducing Tobacco Use: A Report of the Surgeon General*, 2000.

³ Tauras, JA, et al., "State Tobacco Control Spending and Youth Smoking," *American Journal of Public Health* 95:338-344, February 2005.

⁴ Farrelly, MC, et al., "The Impact of Tobacco Control Program Expenditures on Aggregate Cigarette Sales: 1981-2000," *Journal of Health Economics* 22:843-859, 2003.

⁵ Hyland, A, et al., "State and Community Tobacco-Control Programs and Smoking – Cessation Rates Among Adult Smokers: What Can We Learn From the COMMIT Intervention Cohort?" *American Journal of Health Promotion* 20(4):272, April/March 2006.

⁶ Adult Smoking Prevalence, California Department of Health Services, Tobacco Control Section, 2007
<http://www.dhs.ca.gov/tobacco>.

⁷ Cigarette Consumption, California Department of Health Services, Tobacco Control Section, 2005.
<http://www.dhs.ca.gov/tobacco>.

⁸ Pierce, JP, et al., "Has the California Tobacco Control Program Reduced Smoking?," *Journal of the American Medical Association* 280(10), September 9, 1998.

⁹ *California's Tobacco Control Program: Preventing Tobacco Related Disease and Death*; Tobacco Control Section, California Department of Health Services, April 3, 1998.

¹⁰ Cowling DW, et al., "Declines in lung cancer rates: California, 1988-1997," *Morbidity and Mortality Weekly Report (MMWR)* 49:1066-1069, 2000, updated data included. See also, California Department of Health Services, Tobacco Control Section, California Tobacco Control Update, 2004,
<http://www.dhs.ca.gov/tobacco/documents/pubs/2004TCSupdate.pdf>.

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- ¹¹ Cancer Surveillance Section, California Department of Health Services. Unpublished data. See also, California Department of Health Services, Tobacco Control Section, California Tobacco Control Update, 2004, <http://www.dhs.ca.gov/tobacco/documents/pubs/2004TCSupdate.pdf>.
- ¹² California Department of Health Services, Tobacco Control Section, California Tobacco Control Update, 2004, <http://www.dhs.ca.gov/tobacco/documents/pubs/2004TCSupdate.pdf>.
- ¹³ Pierce, JP, et al., "Has the California Tobacco Control Program Reduced Smoking?," *Journal of the American Medical Association* 280(10):893-899, September 9, 1998.
- ¹⁴ *Maine 2005 Youth Risk Behavior Survey*, Maine Department of Human Services, November 2005.
- ¹⁵ Dilley JA, et al., "Effective tobacco control in Washington State: A smart investment for healthy futures," *Preventing Chronic Disease* 4(3), July 3, 2007, http://www.cdc.gov/pcd/issues/2007/jul/06_0109.htm.
- ¹⁶ Washington State Department of Health, Tobacco Prevention and Control Program, Progress Report, March 2007. Data are from 2006 Healthy Youth Survey, <http://www.doh.wa.gov/Tobacco/program/reports/tpcp07progrpt.pdf>.
- ¹⁷ CDC, *Behavioral Risk Factor Surveillance System* (BRFSS), <http://apps.nccd.cdc.gov/brfss/display.asp?cat=TU&yr=2006&qkey=4396&state=WA>.
- ¹⁸ Dilley JA, et al., "Effective tobacco control in Washington State: A smart investment for healthy futures," *Preventing Chronic Disease* 4(3), July 3, 2007. See also, Washington State Department of Health, Tobacco Prevention and Control Program, Progress Report, March 2007.
- ¹⁹ Youth Tobacco Surveillance in New York State, 2006. NY State Department of Health. http://www.nyhealth.gov/prevention/tobacco_control/youth_tobacco_survey.htm
- ²⁰ CDC, *Behavioral Risk Factor Surveillance System* (BRFSS), <http://apps.nccd.cdc.gov/brfss/list.asp?cat=TU&yr=2006&qkey=4396&state=All>.
- ²¹ Indiana Tobacco Prevention and Cessation, Annual Report, 2001-2002, <http://www.in.gov/itpc/Images/annual.pdf>.
- ²² Youth Tobacco Survey, 2000 and 2004, http://www.in.gov/itpc/files/research_52.pdf
- ²³ McAlister, AL, et al., "Settlement-Funded Tobacco Control in Texas: 2000-2004 Pilot Project Effects on Cigarette Smoking," *Public Health Reports*, May-June, 2006.
- ²⁴ Abt Associates Inc, *Independent Evaluation of the Massachusetts Tobacco Control Program, Seventh Annual Report, January 1994 to June 2000*.
- ²⁵ *Massachusetts Youth Risk Behavior Survey 2001; National Youth Risk Behavior Survey*.
- ²⁶ Abt Associates Inc, *Seventh Annual Report - January 1994 to June 2000*.
- ²⁷ National Health Interview Survey, 1993 and 2000.
- ²⁸ Abt Associates Inc, *Seventh Annual Report - January 1994 to June 2000*.
- ²⁹ Sbarra, C, Massachusetts Association of Health Boards, Abstract, March 2004. <http://www.mahb.org/tobacco/sales%20to%20minors%20study%20abstract.pdf>
- ³⁰ Data from Orzechowski & Walker, *Tax Burden on Tobacco 2006* [an industry-funded report]. Per capita cigarette consumption is measured as per capita cigarette pack sales.

Appendix F



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

The tobacco settlement payments to the states due by April 15th each year under the Master Settlement Agreement (MSA) are scheduled to increase substantially in 2008 and will remain at higher levels thereafter. The overall increase in actual payments to the 46 states, the District of Columbia, and the U.S. territories that are a part of the MSA will total at least \$850 million in additional, net new funding from fiscal year 2007 to 2008, with overall MSA payments to the states staying at such higher levels from then on.

These additional payments come, in part, from small increases in the regular unadjusted base payments owed to the states under the MSA, but are primarily the result of the MSA cigarette companies having to make special new “Strategic Contribution Fund” payments from 2008 to 2017. These new payments were to be allocated among the MSA states based on “each Settling State’s contribution to the litigation or resolution of the state tobacco litigation,” and a special state attorneys general Allocation Committee made the final decisions on how much each state would receive soon after the 1998 MSA execution date. [See Section IX(c)(2) and Exhibit U of the MSA, <http://www.naag.org/backpages/naag/tobacco/msa>.] After 2017, when the extra Strategic Contribution Fund payments end, the MSA calls for a significant boost to the ongoing, regular base payment amounts, which will keep the payments to the states at substantially higher levels than today.

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

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

| States | Unadjusted Base Payments 2007 | Unadjusted Base Payments 2008 | Actual Payments 2007 | Projected Actual Payments 2008 | Projected New Funds Available 2008 | Tobacco Control Funding 2008 | CDC <i>Minimum</i> Recommended T.C. Funding |
|-----------------------|-------------------------------|-------------------------------|----------------------|--------------------------------|------------------------------------|------------------------------|---|
| All MSA States | \$7.0 bill. | \$8.0 bill. | \$6.07 bill. | \$6.92 bill. | \$0.85 bill. | \$717.2 | \$1.6 billion |
| Alabama | \$113.2 | \$121.9 | \$98.1 | \$105.2 | \$7.1 | \$0.77 | \$26.7 |
| Alaska | \$23.9 | \$39.1 | \$20.7 | \$35.0 | \$14.2 | \$7.5 | \$8.1 |
| Arizona | \$103.2 | \$131.6 | \$89.5 | \$115.3 | \$25.9 | \$23.5 | \$27.8 |
| Arkansas | \$58.0 | \$65.6 | \$50.3 | \$56.9 | \$6.6 | \$15.6 | \$17.9 |
| California | \$894.0 | \$956.3 | \$774.8 | \$824.0 | \$49.2 | \$77.4 | \$165.1 |
| Colorado | \$96.0 | \$118.2 | \$83.2 | \$103.3 | \$20.1 | \$26.0 | \$24.6 |
| Connecticut | \$130.0 | \$161.1 | \$112.7 | \$140.9 | \$28.2 | \$0.0 | \$21.2 |
| Delaware | \$27.7 | \$34.7 | \$24.0 | \$30.4 | \$6.4 | \$10.7 | \$8.6 |
| Washington, DC | \$42.5 | \$49.9 | \$36.9 | \$43.4 | \$6.5 | \$3.6 | \$7.5 |
| Florida | Not in MSA | | | | | \$5.6 | \$399.9 |

To determine the actual amounts owed each year, the unadjusted base payments are adjusted upward to account for inflation and downward to account for declines in the major cigarette companies’ U.S. pack sales (the volume adjustment). Some MSA cigarette companies claimed a Non-Participating Manufacturer (NPM) adjustment and withheld a portion of their payments to the MSA states in 2006 and 2007 (prompting legal action by the states to recoup the withheld funds, which is still pending). The 2008 payment amounts in the table assume a worst-case scenario in 2008 with a full NPM adjustment withholding by all the MSA cigarette companies. But any 2008 withholding would be smaller if not all the companies withhold, and could be blocked completely – with the previously withheld payments returned wholly or in part to the states (with interest) – if the NPM adjustment dispute is resolved by the courts, through arbitration, or by settlement. For more detail, see <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=32>.] Mississippi, Florida, Texas, and Minnesota entered into earlier, individual settlement agreements and are not part of the MSA.

| States | Unadjusted Base Payments 2007 | Unadjusted Base Payments 2008 | Actual Payments 2007 | Projected Actual Payments 2008 | Projected New Funds Available 2008 | Tobacco Control Funding 2008 | CDC Minimum Recommended T.C. Funding |
|-----------------------|-------------------------------|-------------------------------|----------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------------|
| Georgia | \$171.9 | \$183.4 | \$149.0 | \$158.0 | \$9.0 | \$2.2 | \$42.6 |
| Hawaii | \$42.2 | \$63.3 | \$36.5 | \$56.3 | \$19.7 | \$10.4 | \$10.8 |
| Idaho | \$25.4 | \$32.4 | \$22.1 | \$28.4 | \$6.4 | \$1.4 | \$11.0 |
| Illinois | \$326.0 | \$355.8 | \$282.5 | \$307.3 | \$24.8 | \$8.5 | \$64.9 |
| Indiana | \$142.9 | \$168.5 | \$123.8 | \$146.7 | \$22.8 | \$16.2 | \$34.8 |
| Iowa | \$60.9 | \$85.5 | \$52.8 | \$75.6 | \$22.8 | \$12.3 | \$19.4 |
| Kansas | \$58.4 | \$75.5 | \$50.6 | \$66.2 | \$15.6 | \$1.4 | \$18.1 |
| Kentucky | \$123.4 | \$132.3 | \$106.9 | \$114.0 | \$7.1 | \$2.4 | \$25.1 |
| Louisiana | \$158.0 | \$183.7 | \$136.9 | \$159.7 | \$22.8 | \$7.7 | \$27.1 |
| Maine | \$53.9 | \$66.4 | \$46.7 | \$58.0 | \$11.3 | \$16.9 | \$11.2 |
| Maryland | \$158.3 | \$189.8 | \$137.2 | \$165.4 | \$28.2 | \$18.4 | \$30.3 |
| Massachusetts | \$282.9 | \$329.9 | \$245.2 | \$286.8 | \$41.6 | \$12.8 | \$35.2 |
| Michigan | \$304.8 | \$333.0 | \$264.2 | \$287.6 | \$23.5 | \$3.6 | \$54.8 |
| Minnesota | Not in MSA | | | | | \$21.7 | \$188.9 |
| Mississippi | Not in MSA | | | | | \$0.0 | \$123.6 |
| Missouri | \$159.3 | \$175.8 | \$138.1 | \$152.0 | \$13.9 | \$0.20 | \$32.8 |
| Montana | \$29.8 | \$39.3 | \$25.8 | \$34.6 | \$8.8 | \$8.5 | \$9.4 |
| Nebraska | \$41.7 | \$49.0 | \$36.1 | \$42.6 | \$6.5 | \$2.5 | \$13.3 |
| Nevada | \$42.7 | \$52.4 | \$37.0 | \$45.8 | \$8.8 | \$2.0 | \$13.5 |
| New Hampshire | \$46.6 | \$55.3 | \$40.4 | \$48.2 | \$7.7 | \$1.3 | \$10.9 |
| New Jersey | \$270.8 | \$300.7 | \$234.7 | \$260.2 | \$25.4 | \$11.0 | \$45.1 |
| New Mexico | \$41.8 | \$51.2 | \$36.2 | \$44.7 | \$8.5 | \$9.6 | \$13.7 |
| New York | \$893.9 | \$958.8 | \$774.7 | \$826.5 | \$51.8 | \$85.5 | \$95.8 |
| North Carolina | \$163.4 | \$183.3 | \$141.6 | \$158.8 | \$17.2 | \$17.1 | \$42.6 |
| North Dakota | \$25.6 | \$41.1 | \$22.2 | \$36.7 | \$14.5 | \$3.1 | \$8.2 |
| Ohio | \$352.8 | \$383.8 | \$305.8 | \$331.3 | \$25.5 | \$44.7 | \$61.7 |
| Oklahoma | \$72.6 | \$100.9 | \$62.9 | \$89.1 | \$26.2 | \$14.2 | \$21.8 |
| Oregon | \$80.4 | \$102.8 | \$69.7 | \$90.1 | \$20.4 | \$8.2 | \$21.1 |
| Pennsylvania | \$402.5 | \$438.5 | \$348.8 | \$378.6 | \$29.8 | \$31.7 | \$65.6 |
| Rhode Island | \$50.4 | \$60.8 | \$43.6 | \$53.0 | \$9.4 | \$0.94 | \$9.9 |
| South Carolina | \$82.4 | \$95.5 | \$71.4 | \$83.0 | \$11.6 | \$2.0 | \$23.9 |
| South Dakota | \$24.4 | \$31.4 | \$21.2 | \$27.6 | \$6.4 | \$5.0 | \$8.7 |
| Tennessee | \$171.0 | \$180.9 | \$148.2 | \$155.7 | \$7.5 | \$10.0 | \$32.2 |
| Texas | Not in MSA | | | | | \$5.2 | \$511.8 |
| Utah | \$31.2 | \$47.5 | \$27.0 | \$42.2 | \$15.2 | \$7.3 | \$15.2 |
| Vermont | \$28.8 | \$45.0 | \$25.0 | \$40.1 | \$15.1 | \$5.2 | \$7.9 |
| Virginia | \$143.2 | \$152.6 | \$124.1 | \$131.4 | \$7.3 | \$14.5 | \$38.9 |
| Washington | \$143.8 | \$196.3 | \$124.6 | \$173.1 | \$48.4 | \$27.1 | \$33.3 |
| West Virginia | \$62.1 | \$82.9 | \$53.8 | \$73.0 | \$19.2 | \$5.7 | \$14.2 |
| Wisconsin | \$145.1 | \$170.5 | \$125.8 | \$148.4 | \$22.6 | \$15.0 | \$31.2 |
| Wyoming | \$17.4 | \$24.2 | \$15.1 | \$21.4 | \$6.3 | \$5.9 | \$7.4 |
| Am. Samoa | \$1.1 | \$1.1 | \$0.92 | \$0.9 | \$0.008 | NA | NA |
| Guam | \$1.5 | \$1.6 | \$1.33 | \$1.3 | \$0.012 | NA | NA |
| No. Mariana | \$0.6 | \$0.6 | \$0.51 | \$0.5 | \$0.004 | NA | NA |
| Puerto Rico | \$78.5 | \$80.1 | \$68.1 | \$68.7 | \$0.592 | NA | NA |
| Virgin Islands | \$1.2 | \$1.2 | \$1.05 | \$1.1 | \$0.009 | NA | NA |
| All MSA States | \$7.0 bill. | \$8.0 bill. | \$6.07 bill. | \$6.92 bill. | \$0.85 bill. | \$595 mill. | \$1.6 billion |

Additional Information

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

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

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

Current state tobacco prevention efforts, <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=7> and <http://tobaccofreekids.org/reports/settlements>.

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

Campaign for Tobacco-Free Kids, December 10, 2007 / Eric Lindblom

Appendix G



THE IMPACT OF REDUCTIONS TO STATE TOBACCO CONTROL PROGRAM FUNDING

States that have implemented comprehensive tobacco prevention and cessation programs have achieved significant reductions in tobacco use among both adults and youth; however, many state tobacco control programs, even the model ones, have recently experienced drastic reductions in funding. Cuts to program funding are taking their toll – reductions in youth smoking have stalled, and sales of tobacco to youth and youth susceptibility to smoking are on the rise.

A new study by the U.S. Centers for Disease Control and Prevention (CDC) found that kids are being exposed to fewer state-sponsored television ads that discourage them from smoking. The study used Nielsen television ratings data to measure the exposure of 12-17 year olds to anti-tobacco advertising in the 75 largest media markets. The study found that exposure to anti-tobacco advertising among youth increased between 1999 and 2002, but declined in 2003. Between 1999 and 2002, monthly youth exposure to anti-tobacco ads increased from .04 exposures per month to .80 per month (1.0 equals exposure to one state-funded anti-tobacco advertisement per month). In 2003, however, exposure declined to .63 exposures per month. The decline in state spending on tobacco prevention has resulted in a dramatic and perhaps dangerous decline in the number of television ads sponsored by the states that discourage kids from smoking. These results are troubling because well-funded state tobacco prevention programs, including TV ad campaigns, have proven highly effective at reducing youth smoking, cutting smoking rates by more than half in some states.

Even more alarming is how quickly progress can be slowed or reversed. Minnesota experienced an increase in youth susceptibility to smoking just months after funding for its Target Market program was eliminated.

California

The California tobacco control program produced much larger smoking reductions in the early years of the program, when the tobacco control program was funded at its highest levels, than during subsequent years, when the state cut its funding. For example, when California cut its program's funding in the mid 1990s, its progress in reducing adult and youth smoking rates stalled, but it got back on track when the program funding was partially restored.¹

- During the first four years of the program, per capita cigarette consumption declined 52 percent faster than before the program was implemented. After 1993, declines in per capita consumption slowed to less than a third of the rate observed between 1989 and 1993.
- Implementation of the California Tobacco Control Program in 1989 was associated with a 36 percent increase in the rate of decline of smoking prevalence; however, between 1994 and 1996, there was no significant decline in smoking prevalence in California.
- Once funding was partially restored, California began to experience more reductions in smoking. From 1996 to 2003, smoking declined by more than 60% among eighth grade students and by more than half among tenth grade students. From 2000 to 2003 alone, smoking prevalence decreased by more than 30 percent among twelfth grade students.²

Massachusetts

Despite the considerable success achieved in Massachusetts, funding for the state's tobacco prevention program has been cut by 95 percent - from a high of approximately \$54 million per year to just \$2.5 million in FY2004. These drastic reductions in the state's investments to prevent and reduce tobacco use will translate directly into higher smoking rates, especially among kids, and more smoking-caused disease, death, and costs. In fact, a study released by the Massachusetts Association of Health Boards shows that the Massachusetts program funding cuts have already been followed by an alarming increase in illegal sales of tobacco products to children.³

- Between 2002 and 2003, cigarette sales to minors increased by 74 percent, from 8 percent to 13.9 percent in communities that lost a significant portion of their enforcement funding.
- Over the same time period, cigarette sales to minors increased by 98 percent in communities that lost all of their local enforcement funding.
- Between 1992 and 2003, per capita cigarette consumption declined at a higher rate in Massachusetts as it did in the country as a whole (47 percent v. 28 percent). However, from 2003 to 2006, Massachusetts' per capita cigarette consumption declined a mere seven percent (from 47.5 to 44.1 packs per capita), while the U.S. average cigarette consumption declined by ten percent (from 67.9 to 61.1 packs per capita). Most recently, between 2005 and 2006, Massachusetts' per capita cigarette consumption *increased* by 3.2 percent (from 42.7 to 44.1 packs per capita), while nationwide, per capita consumption *declined* by 3.5 percent (from 63.3 to 61.1 packs per capita).⁴

Florida

Despite the program's steady success, the Florida legislature and governor have cut its funding in every year since the program's inception, with particularly deep cuts occurring in FY2002. These cuts have halted the program's early progress, especially among younger kids, who are not only entering the most vulnerable years for starting to smoke but also are now receiving a weak, watered down version of the state program's efforts to help protect them from becoming addicted smokers.

- Cigarette use among middle school and high school students decreased faster between 1998 and 2001 than during 2002-2005. In the first three years of the Florida program, from 1998 to 2001, current smoking declined by 47 percent among middle school students (from 18.5% to 9.8%) and by 30 percent among high school students (from 27.4% to 19%). Over the last three years, from 2002 to 2005, current smoking declined by 24 percent (from 9.8% to 7.4%) among middle school students and by 17 percent (from 19% to 15.7%) among high school students.⁵
- Social attitudes toward tobacco changed significantly from pro-tobacco to anti-tobacco among middle school students between 1998 and 2000, but did not change significantly between 2000 and 2004. Among high school students, the social attitudes toward tobacco changed significantly from pro-tobacco to anti-tobacco during 1998-99, but have not changed since 1999.⁶
- After increasing steadily between 1998 and 2000, the percentage of middle school students who were "committed never smokers" remained unchanged between 2001 and 2002. Similarly, the percentage of Florida high school students who were committed never smokers rose to 41.8% in 2001, but remained virtually unchanged at 43.2% in 2002.

In 2003, Florida's governor and legislature virtually eliminated this highly successful program and eliminated any opportunity to evaluate the full impact of the drastic reductions in funding.

Minnesota

Although Minnesota's program was successful right from the start, program funding was reduced from \$23.7 million to \$4.6 million in July 2003, and the Target Market campaign, the linchpin of the program, was eliminated. Just six months afterward, awareness of the Target Market campaign among 12-17 year olds had already declined from 84.5 percent to 56.5 percent and youth susceptibility to smoking increased

The Impact of Reductions to State Tobacco Control Program Funding / 121

by 22 percent.⁷ As more time passes, the situation is likely to get much worse – unless program funding is restored.

Campaign for Tobacco-Free Kids. December 7, 2007 /Meg Riordan

Related Campaign Fact Sheets (available at <http://www.tobaccofreekids.org/research/factsheets>)

¹ See, e.g., Pierce, J.P. , et al., "Has the California Tobacco Control Program Reduced Smoking?," *JAMA* 280(10): 893-899, September 9, 1998.

² California Department of Health Services, Tobacco Control Section, executive Summary of the Final Report, In-School Evaluation of Tobacco Use Prevention Education in California 2001-02. <http://www.dhs.ca.gov/tobacco/documents/ietp01-02.pdf>

³ Sbarra, Cheryl, Massachusetts Association of Health Boards, Abstract, March 2004. <http://www.mahb.org/tobacco/sales%20to%20minors%20study%20abstract.pdf>

⁴ Data from Orzechowski & Walker, *Tax Burden on Tobacco 2006* [an industry-funded report]. Per capita cigarette consumption is measured as per capita cigarette pack sales.

⁵ 2005 Florida Youth Tobacco Survey. http://www.doh.state.fl.us/disease_ctrl/epi/FYTS/Fact_Sheet1_Cigarette_Use.pdf

⁶ 2004 Florida Youth Tobacco Survey. http://www.doh.state.fl.us/disease_ctrl/epi/FYTS/2004_FYTS.htm

⁷ "Effect of Ending an Antitobacco Youth Campaign on Adolescent Susceptibility to Cigarette Smoking – Minnesota, 2002-2003," *MMWR Morbidity and Mortality Weekly Report*, 53(14):301-304, 2004. <http://www.cdc.gov/mmwr/PDF/wk/mm5314.pdf>