

A Broken Promise to Our Children

The 1998 State
Tobacco Settlement
Eight Years Later

December 6, 2006

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

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

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Executive Summary

Since the November 1998 multi-state tobacco settlement, we have issued regular reports assessing whether the states are keeping their promise to use a significant portion of the 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 while the states have modestly increased total funding for tobacco prevention and cessation programs, the vast majority of states are still failing to keep the promise of the tobacco settlement and falling far short of funding such programs at even minimum levels recommended by the U.S. Centers for Disease Control and Prevention (CDC).

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. Key findings of our report include:

- In the current budget year, Fiscal Year 2007, only three states – **Maine, Delaware and Colorado** – are funding tobacco prevention programs at CDC minimum levels. **Mississippi**, long a national leader and one of the few states that met the CDC's recommendation, has fallen to dead last because Governor Haley Barbour, a former tobacco lobbyist, has worked relentlessly to eliminate funding for the program.
- Only 14 other states are funding tobacco prevention programs at even half the minimum level recommended by the CDC.
- Twenty-eight states and the District of Columbia are spending less than half the CDC's minimum amount. Another five states – **Michigan, Mississippi, Missouri, New Hampshire and Tennessee** – allocate no significant state funds for tobacco prevention.
- The combined amount all the states have allocated for tobacco prevention this year – \$597.5 million – is an increase of 8.4 percent from the \$551 million allocated in Fiscal 2006, but that is still just 37 percent of the \$1.6 billion minimum the CDC recommends. One state, New York, accounts for nearly all of this increase.
- The combined total the states are spending on tobacco prevention amounts to just 2.8 percent of the record \$21.7 billion in tobacco-generated revenue the states will collect this year from the tobacco settlement and tobacco taxes.
- 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 state tobacco settlement that calls for the 46 states, the District of Columbia and the U.S. territories that are party 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 States Increase Funding for Tobacco Prevention

The most recent national survey on youth smoking, the CDC's 2005 Youth Risk Behavior Survey, found that 23 percent of high school students smoked in 2005, up from 21.9 percent in 2003. This is a worrisome turnaround after a 40 percent decline in high school smoking between 1997 and 2003 (the high school smoking rate peaked at 36.4 percent in 1997). Similarly, the CDC's most recent annual survey of adult smoking found the same smoking rate in 2005 as in 2004 – 20.9 percent. This is the first time the adult smoking rate has not declined since 1997, when 24.7 percent of adults smoked.

The CDC has identified two trends as key contributors to this stalling of progress: Deep cuts in state 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 28.2 percent between 2002 and 2005, from \$749.7 million to \$538.2 million. While states have modestly increased funding for tobacco prevention programs in the last two years, this year's funding of \$597.5 million is still 20.3 percent less than

peak funding of \$749.7 million in 2002. It is no coincidence that smoking declines have stalled at the same time that states have cut funding for programs to prevent kids from smoking and help smokers quit.

In contrast, tobacco marketing expenditures have skyrocketed to record levels as the tobacco companies have easily skirted the minimal marketing restrictions in the 1998 settlement. From 1998 to 2003, tobacco marketing expenditures increased by 123 percent to at least \$15.4 billion, according to the most recent annual reports on tobacco marketing issued by the Federal Trade Commission. Tobacco marketing expenditures are almost certainly much higher today, as the FTC's most recent reports are based on cigarette marketing for 2003 and smokeless tobacco marketing for 2001. There is every indication that marketing expenditures have increased significantly since, as they have every year since the 1998 settlement.

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.

The recent stalling of progress sounds a clear warning to elected leaders: The remarkable progress our nation has made in reducing tobacco use is at risk unless we resist complacency and implement proven solutions to reduce tobacco use and exposure to secondhand smoke.

At the state level, these solutions include increased funding for tobacco prevention and cessation programs, higher tobacco taxes and smoke-free workplace laws. At the federal level, Congress must pass long overdue legislation granting the U.S. Food and Drug Administration authority over tobacco products, including the authority to stop marketing that encourages kids to start smoking and discourages smokers from quitting with the false promise of "safer" cigarettes.

There is no lack of evidence that these solutions work, and given the \$21.7 billion that the states will collect in tobacco tax and settlement revenues this year, there is no lack of resources to implement them. Likewise, all these solutions have broad public support. What's needed is the political will to implement these solutions as aggressively as the tobacco companies continue to market their deadly and addictive products.

Mississippi: Governor Destroys One of Nation's Best Tobacco Prevention Programs

In addition to the national trends, our report identifies noteworthy developments, both good and bad, in specific states. One of the year's most troubling stories is the relentless attack by Governor Haley Barbour, a former tobacco lobbyist, on Mississippi's highly successful tobacco prevention program.

Mississippi in 1997 became the first state to settle its lawsuit against the tobacco companies, and it was one of only two states required by court order to use some of its tobacco settlement money to fund a sustained, statewide tobacco prevention program. As a result, for the past eight years, it has been one of the few states that has funded a tobacco prevention program at CDC-recommended levels, usually at the court-ordered level of \$20 million a year. The state's tobacco prevention program, run by the Partnership for a Healthy Mississippi, has helped to significantly reduce youth smoking. 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).

Despite this success, Governor Barbour filed suit to overturn the court order setting aside settlement money for the program, arguing the Mississippi Legislature should decide how to allocate the funds. However, when the Legislature this year approved a bill to authorize continued funding for the tobacco prevention programs, as well as state audits to ensure accountability, Barbour vetoed the bill (he also twice vetoed bills to increase the state's cigarette tax, currently third lowest among the states at just 18 cents a pack).

A county judge subsequently granted Barbour's motion to deny additional settlement funding to the tobacco prevention program, citing a lack of agreement between the legislative and executive branches. An appeal is

pending before the Mississippi Supreme Court. Barbour then won a state Supreme Court order that, while the appeal is pending, freezes any settlement funds remaining under the control of the Partnership for a Healthy Mississippi. These court orders effectively shut down most Partnership programs and may force the Partnership to close down completely.

As this report goes to press, Barbour appears to have succeeded, at least for now, in decimating one of the nation's most effective tobacco prevention programs. An October 21, 2006, editorial in the *Jackson Clarion-Ledger*, summarized what is at stake for Mississippi: "Blow away all the political smoke and the question is whether Mississippi wants a quality anti-smoking effort. It would be tragic if the state's effective, life-saving, anti-smoking efforts went up in smoke over politics. It is only logical to use a portion of the tobacco settlement to help prevent tobacco-related diseases and the resulting cost to taxpayers. The Legislature should prepare to step up to save these programs."

The destruction of the Mississippi program unfortunately continues a recent trend in which several of the most effective state tobacco prevention programs have been decimated by budget cuts. Other pioneering programs that have faced deep budget cuts include those in Florida, Massachusetts and Oregon, while funding for California's program has been cut to barely half the CDC's minimum recommendation.

These actions fly in the face of both the evidence that these programs are highly effective at reducing smoking, saving lives and saving money by reducing tobacco-caused health care costs and the strong voter support for the programs. In an affirmation of the latter, 61 percent of **Florida** voters in November approved a state constitutional amendment requiring that 15 percent of the state's annual tobacco settlement payment be spent on tobacco prevention. When it takes effect in Fiscal 2008, this initiative will provide about \$57 million per year to restore funding for Florida's tobacco prevention program, which was one of the nation's best before it was decimated by budget cuts.

Similarly, in **South Dakota**, 61 percent of the voters approved a ballot initiative to increase the cigarette tax by \$1 per pack (and the tax on other tobacco products) in order to fund tobacco prevention and other health care programs. This initiative is expected to provide about \$5 million more per year for tobacco prevention beginning in Fiscal 2008.

The Most Improved States

In contrast to Mississippi, several states have significantly increased funding for tobacco prevention and cessation programs.

New York is the most improved state this year, nearly doubling funding for tobacco prevention and cessation programs, from \$43.4 million to \$85.5 million. New York City provides an additional \$3.7 million for its programs. Both the state and city programs have contributed to significant smoking declines. New York state reduced smoking by 40 percent among high school students between 1999 and 2005 and by 15 percent among adults between 2001 and 2004. New York City has reduced high school smoking by 52 percent since 1997 to just 11 percent in 2005, which is less than half the national rate of 23 percent.

Maryland has also improved significantly in the past year, more than doubling tobacco prevention funding from \$9.2 million to \$18.7 million. But current funding still falls short of both the \$21 million annually called for by state law and the \$30.3 million annual minimum recommended by the CDC, which Maryland achieved in 2003.

In addition to these improved states, **Maine, Delaware** and **Colorado** deserve recognition for sustaining their commitment to funding tobacco prevention programs at CDC-recommended levels. This is the fifth year in a row that Maine ranks first in the nation in funding tobacco prevention. This investment has delivered tremendous health benefits for Maine, which reduced smoking by 64 percent among middle school students and by 59 percent among high school students between 1997 and 2005.

States Lack Excuses for Failing to Do More

The states lack credible excuses for their failure to do more to protect children from tobacco addiction 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 – 400,000 – than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. Tobacco use costs the nation more than \$96 billion a year in health care bills. As noted above, 23 percent of high school students and 20.9 percent of adults still smoke. Every day, more than 1,000 additional kids become regular smokers – one-third of them will die prematurely as a result.

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.

States this year will collect a record \$21.7 billion from the tobacco settlement and tobacco taxes. Just 7.3 percent of this total can fund tobacco prevention and cessation programs in every state at CDC minimum levels. However, the states are spending only 2.8 percent of their tobacco revenue on tobacco prevention and cessation.

The states' tobacco-generated revenue continues to increase because, since January 1, 2002, 42 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 a pack. Six states now have cigarette tax rates of \$2 or more and 22 states have tax rates of \$1 or more.

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

Coincidentally, the annual bonus payments nearly equal the difference between what the states currently spend on tobacco prevention and cessation programs and what they need to spend to meet the CDC's minimum recommendations. 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 such a second chance to keep a promise.

These substantial increases in annual settlement payments will start in April 2008 during the states' fiscal year 2008 (settlement payments to the states are due by April 15 of each year). Because of this timing, legislators and governors will make decisions regarding the expenditure of these additional funds beginning in the 2007 legislative sessions.

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 National Cancer Institute, the Institute of Medicine and the U.S. Surgeon General, has concluded that when properly funded and implemented, these programs reduce smoking among both kids and adults.

The strongest evidence comes from the states themselves. This report has already cited the results from Maine, Mississippi and New York. Washington state, with another well-funded prevention program, has cut

smoking by 57 percent among sixth graders, 48 percent among tenth graders, 49 percent among eighth graders and 44 percent among twelfth graders.

These smoking declines translate into lives and health care dollars saved. Maine, for example, estimates that its 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 already saved more than \$416 million in future health care costs, a significant return on investment for a program funded at \$14.7 million this year (savings estimates are based on research showing that smokers, on average, have \$16,000 more in long-term health care costs than non-smokers). Washington state's smoking declines translate into 65,000 fewer youth smokers, 130,000 fewer adult smokers and \$2.6 billion in long-term health care cost savings.

Studies show that California, which started the nation's oldest tobacco prevention program in 1990, has saved tens of thousands of lives by reducing smoking-caused birth complications, heart disease, strokes and lung cancer. Other studies have shown that California and Massachusetts, which started their tobacco prevention programs in 1990 and 1993 respectively, 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 air laws. Continued progress will not occur, however, unless more 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. If they do, the 1998 state tobacco settlement could yet mark a historic turning point in the battle to reduce tobacco's terrible toll. If they do not, it will be a tragic missed opportunity for the nation's health.

STATUS OF STATE FUNDING OF TOBACCO PREVENTION

States that have funded tobacco prevention programs at a level that meets the CDC's minimum recommendation (3)

Colorado
Delaware

Maine

States that have committed substantial funding for tobacco prevention programs (14)

(At least 50 percent of CDC Minimum)

Alaska
Arizona
Arkansas
California
Hawaii
Maryland
Minnesota

Montana
New Mexico
New York
Ohio
Vermont
Washington
Wyoming

States that have committed modest funding for tobacco prevention programs (12)

(25 percent to 50 percent of CDC Minimum)

Indiana
Iowa
Louisiana
Nevada
North Carolina
North Dakota

Oklahoma
Pennsylvania
Utah
Virginia
West Virginia
Wisconsin

States that have committed minimal funding for tobacco prevention programs (16 and DC)

(Less than 25 percent of CDC Minimum)

Alabama
Connecticut
Dist. of Columbia
Florida
Georgia
Idaho
Illinois
Kansas
Kentucky

Massachusetts
Nebraska
New Jersey
Oregon
Rhode Island
South Carolina
South Dakota
Texas

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

Michigan
Mississippi
Missouri

New Hampshire
Tennessee

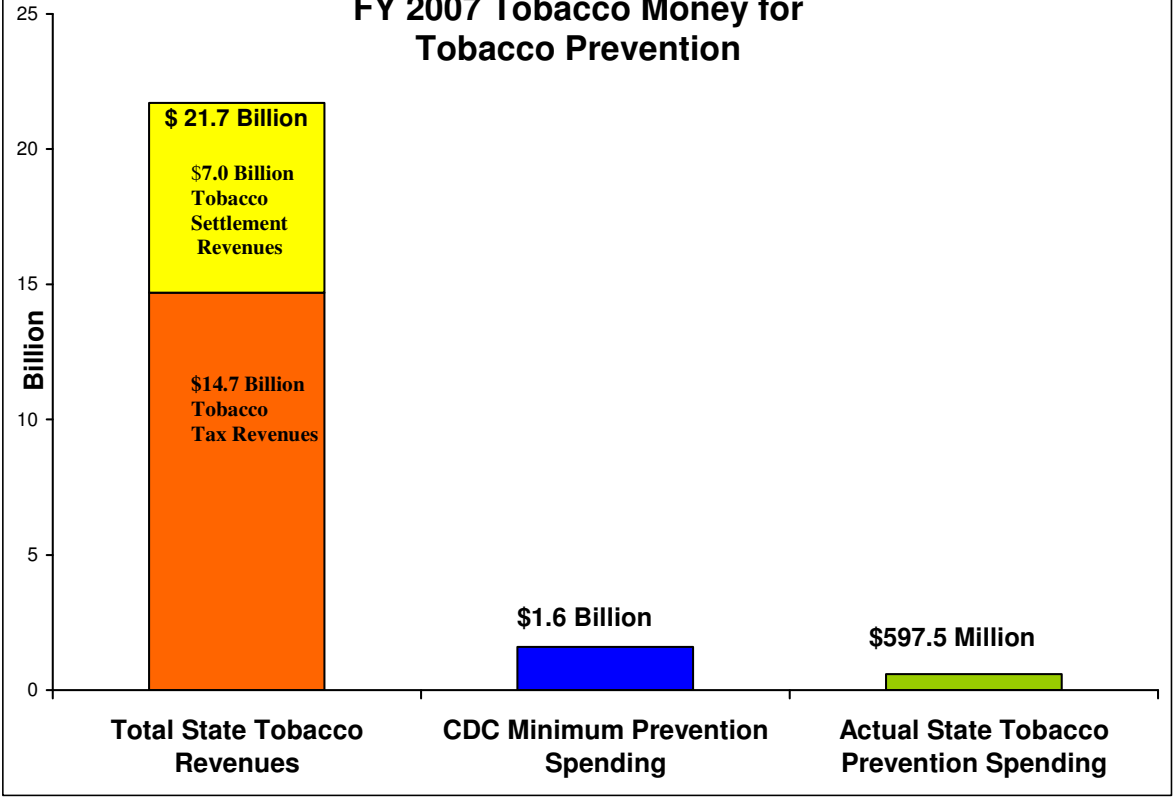


FY2007 Rankings of State Funding for Tobacco Prevention

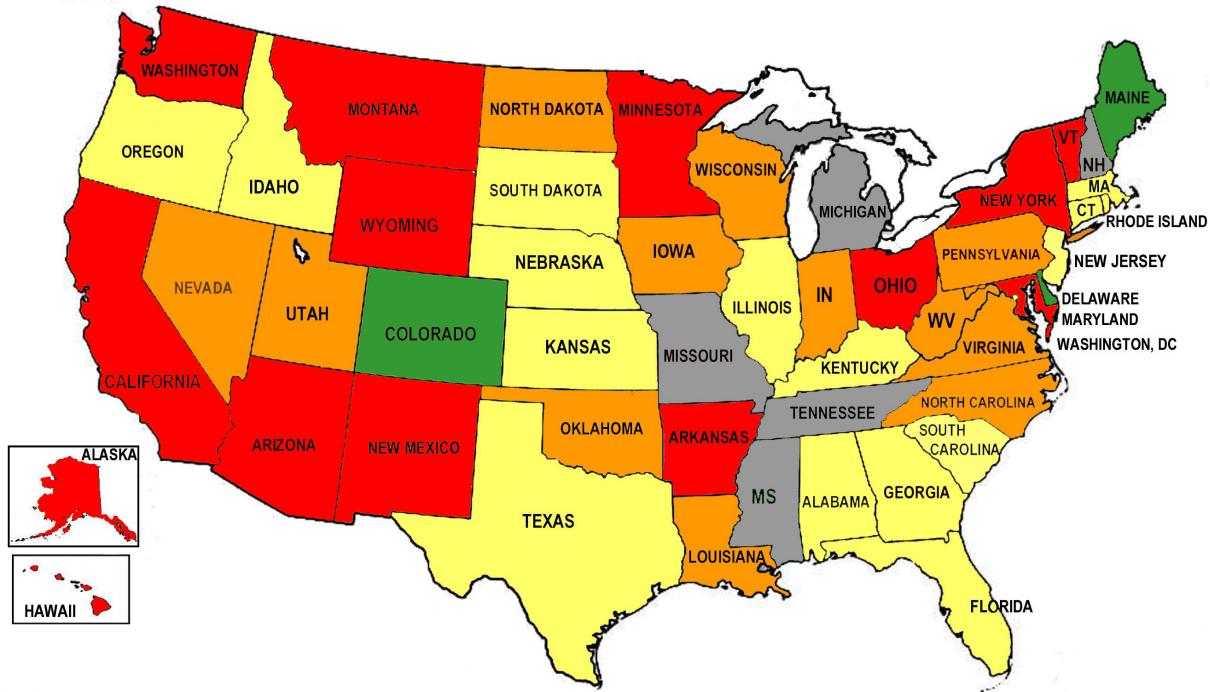
State	FY2007 Current Annual Funding (millions)	CDC's Annual Funding Recommendations (millions)	Percent of CDC Minimum Recommendations	Current Rank	FY2006 Rank
Maine	14.7	11.19 – 23.35	131.3%	1	1
Delaware	10.3	8.63 – 18.46	119.4%	2	3
Colorado	25.0	24.55 – 63.26	101.8%	3	2
Arizona	25.5	27.79 – 71.10	91.8%	4	6
New York	85.5	95.83 – 269.30	89.2%	5	18
Arkansas	15.1	17.91 – 46.45	84.3%	6	5
Hawaii	9.1	10.78 – 23.45	84.0%	7	14
Washington	27.1	33.34 – 89.38	81.3%	8	7
Wyoming	5.9	7.35 – 14.40	79.9%	9	8
Alaska	6.2	8.09 – 16.51	76.6%	10	12
Minnesota	21.7	28.62 – 74.01	75.8%	11	9
Montana	6.9	9.36 – 19.68	73.7%	12	11
Ohio	45.0	61.74 – 173.68	72.9%	13	10
Vermont	5.1	7.91 – 15.94	64.5%	14	13
Maryland	18.7	30.30 – 78.60	61.7%	15	28
New Mexico	7.7	13.71 – 31.95	56.2%	16	19
California	84.0	165.10 – 442.40	50.9%	17	16
Utah	7.2	15.23 – 33.38	47.3%	18	17
Pennsylvania	30.3	65.57 – 184.76	46.2%	19	15
Oklahoma	10.0	21.83 – 56.31	45.8%	20	21
North Carolina	17.1	42.59 – 118.63	40.2%	21	23
West Virginia	5.4	14.16 – 35.37	38.1%	22	20
North Dakota	3.1	8.16 – 16.55	38.0%	23	22
Virginia	13.5	38.87 – 106.85	34.7%	24	24
Iowa	6.5	19.35 – 48.71	33.6%	25	30
Wisconsin	10.0	31.16 – 82.38	32.1%	26	25
Indiana	10.9	34.78 – 95.80	31.3%	27	27
Louisiana	8.0	27.13 – 71.43	29.5%	28	29
Nevada	3.8	13.48 – 32.99	28.2%	29	26
New Jersey	11.0	45.07 – 121.33	24.4%	30	31
Massachusetts	8.3	35.21 – 92.76	23.4%	31	36
Nebraska	3.0	13.31 – 31.04	22.5%	32	32
Oregon	3.5	21.13 – 52.84	16.3%	33	35
Illinois	8.5	64.91 – 179.05	13.1%	34	34

State	FY2007 Current Annual Funding (millions)	CDC's Annual Funding Recommendations (millions)	Percent of CDC Minimum Recommendations	Current Rank	FY2006 Rank
Rhode Island	950,000	9.89 – 21.91	9.6%	35	33
Connecticut	2.0	21.24 – 53.90	9.4%	36	45
Kentucky	2.2	25.09 – 69.90	8.8%	37	37
South Carolina	2.0	23.91 – 62.01	8.4%	38	51
Idaho	908,000	11.04 – 24.09	8.2%	39	42
South Dakota	708,000	8.69 – 18.21	8.1%	40	38
Florida	5.6	78.38 – 221.26	7.1%	41	43
District of Columbia	500,000	7.48 – 14.57	6.7%	42	51
Kansas	1.0	18.05 – 44.69	5.5%	43	41
Georgia	2.3	42.59 – 114.34	5.4%	44	39
Texas	5.2	103.29 – 284.74	5.0%	45	40
Alabama	682,000	26.74 – 71.24	2.6%	46	44
Michigan	0.0	54.80 – 154.56	0.0%	51	51
Mississippi	0.0	18.79 – 46.80	0.0%	51	4
Missouri	0.0	32.77 – 91.36	0.0%	51	51
New Hampshire	0.0	10.89 – 24.77	0.0%	51	51
Tennessee	0.0	32.23 – 89.08	0.0%	51	51

FY 2007 Tobacco Money for Tobacco Prevention

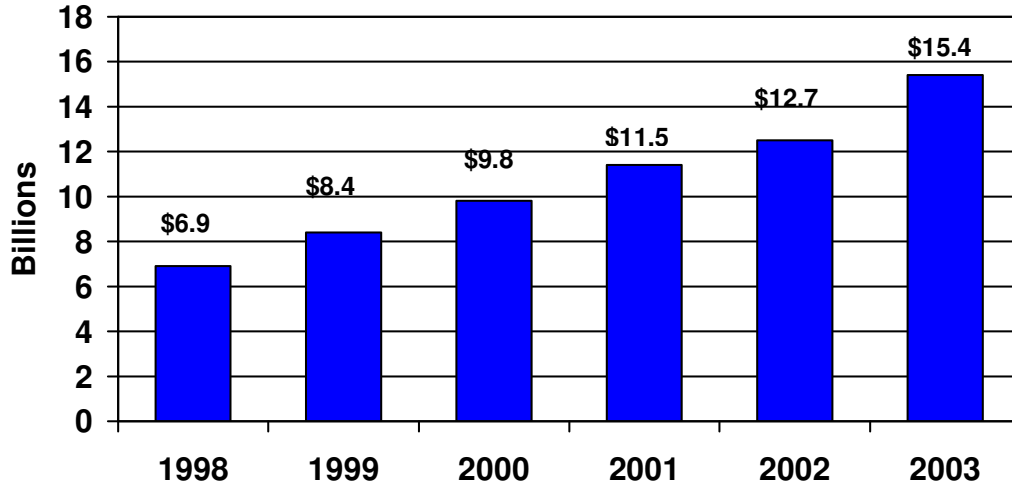
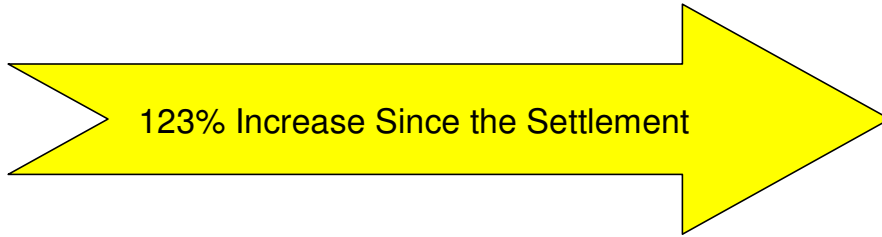


Funding for Tobacco Prevention



- 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 2003 and comes from the Federal Trade Commission (FTC)'s Cigarette Report for 2003. The most recent available marketing data for smokeless tobacco is for 2001 and comes from the FTC's Smokeless Tobacco Report, 2000 and 2001. 2002 and 2003 totals include 2001 smokeless marketing numbers, which are used as estimates for 2002 and 2003.



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 with the states (the MSA). From 1998 to 2003, the major tobacco companies have increased their spending to promote their deadly products by more than 123%. Reports from the major tobacco companies indicate that they have made substantial marketing increases since 2003 but no industry-wide totals are yet available.

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 400 dollars 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 .24% of the tobacco industry's marketing expenditures in the state. Nationwide, the tobacco industry is outspending the states by 25 to 1.²

State	Annual Smoking Caused Health Costs in State	FY 2007 State Tobacco Prevention Spending	2003 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.	\$595 million	\$15.4 bill.	3.87%	25.8 to 1
Alabama	\$1.49 bill.	\$682,000	\$282.2	0.24%	413.8 to 1
Alaska	\$169	\$6.2	\$31.1	19.95%	5.0 to 1
Arizona	\$1.3 bill.	\$25.5	\$196.9	12.95%	7.7 to 1
Arkansas	\$812	\$15.1	\$189.7	7.96%	12.6 to 1
California	\$9.14 bill.	\$84.0	\$920.2	9.13%	11.0 to 1
Colorado	\$1.31 bill.	\$25.0	\$216.7	11.54%	8.7 to 1
Connecticut	\$1.63 bill.	\$2.0	\$157.2	1.27%	78.6 to 1
Delaware	\$284	\$10.3	\$112.9	9.13%	11.0 to 1
DC	\$243	\$500,000	\$20.1	2.49%	40.2 to 1
Florida	\$6.32 bill.	\$5.6	\$967.9	0.58%	172.8 to 1
Georgia	\$2.25 bill.	\$2.3	\$535.8	0.43%	233.0 to 1
Hawaii	\$336	\$9.1	\$48.2	18.76%	5.3 to 1
Idaho	\$319	\$908,000	\$65.8	1.38%	72.4 to 1
Illinois	\$4.10 bill.	\$8.5	\$493.4	1.72%	58.0 to 1
Indiana	\$2.08 bill.	\$10.9	\$475.4	2.29%	43.6 to 1
Iowa	\$1.01 bill.	\$6.5	\$192.1	3.38%	29.6 to 1
Kansas	\$927	\$1.0	\$125.9	0.79%	125.9 to 1
Kentucky	\$1.50 bill.	\$2.2	\$549.7	0.40%	249.8 to 1
Louisiana	\$1.47 bill.	\$8.0	\$284.9	2.81%	35.6 to 1
Maine	\$602	\$14.7	\$73.9	19.89%	5.0 to 1
Maryland	\$1.96 bill.	\$18.7	\$204.7	9.13%	10.9 to 1
Massachusetts	\$3.54 bill.	\$8.3	\$233.3	3.54%	28.3 to 1
Michigan	\$3.40 bill.	\$0.0	\$556.1	0.00%	NA
Minnesota	\$2.06 bill.	\$21.7	\$274.3	7.91%	12.6 to 1

¹ Tobacco company marketing expenditures include both cigarette company and smokeless tobacco company marketing expenditures. Cigarette company marketing expenditures, alone, in 2003 totaled \$15.15 billion, up from \$12.47 billion in 2002, \$11.22 billion in 2001, \$9.57 billion in 2000, \$8.24 billion in 1999, and \$6.73 billion in 1998.

² These ratios are based on state tobacco prevention expenditures in FY 2007 versus tobacco industry marketing expenditures in 2003 (the most recent year for which data is available). The ratios would be even worse if more up-to-date actual figures for tobacco industry marketing expenditures, which would be higher, were available.

State	Annual Smoking Caused Health Costs in State	FY 2007 State Tobacco Prevention Spending	2003 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	\$0.0	\$200.4	0.00%	NA
Missouri	\$2.13 bill.	\$0.0	\$460.9	0.00%	NA
Montana	\$277	\$6.9	\$49.9	13.82%	7.2 to 1
Nebraska	\$537	\$3.0	\$90.2	3.33%	30.1 to 1
Nevada	\$565	\$3.8	\$140.2	2.71%	36.9 to 1
New Hampshire	\$564	\$0.0	\$141.7	0.00%	NA
New Jersey	\$3.17 bill.	\$11.0	\$314.0	3.50%	28.5 to 1
New Mexico	\$461	\$7.7	\$75.3	10.22%	9.8 to 1
New York	\$8.17 bill.	\$85.5	\$516.0	16.57%	6.0 to 1
North Carolina	\$2.46 bill.	\$17.1	\$615.2	2.78%	36.0 to 1
North Dakota	\$247	\$3.1	\$32.1	9.66%	10.3 to 1
Ohio	\$4.37 bill.	\$45.0	\$789.3	5.70%	17.5 to 1
Oklahoma	\$1.16 bill.	\$10.0	\$274.3	3.65%	27.4 to 1
Oregon	\$1.11 bill.	\$3.5	\$162.7	2.12%	47.2 to 1
Pennsylvania	\$5.19 bill.	\$30.3	\$706.0	4.29%	23.3 to 1
Rhode Island	\$506	\$950,000	\$54.8	1.73%	57.7 to 1
South Carolina	\$1.09 bill.	\$2.0	\$298.9	0.67%	149.5 to 1
South Dakota	\$274	\$708,000	\$42.6	1.66%	60.2 to 1
Tennessee	\$2.16	\$0.0	\$411.7	0.00%	NA
Texas	\$5.83	\$5.2	\$966.5	0.54%	185.9 to 1
Utah	\$345	\$7.2	\$63.7	11.30%	8.8 to 1
Vermont	\$233	\$5.1	\$36.7	13.90%	7.2 to 1
Virginia	\$2.08	\$13.5	\$528.0	2.56%	39.1 to 1
Washington	\$1.95	\$27.1	\$184.9	14.66%	6.8 to 1
West Virginia	\$690	\$5.4	\$169.4	3.19%	31.4 to 1
Wisconsin	\$2.02 bill.	\$10.0	\$298.2	3.35%	29.8 to 1
Wyoming	\$136	\$5.9	\$43.9	13.43%	7.4 to 1

Campaign for Tobacco-Free Kids, November 20, 2006 / Meg Gallogly

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/reports/settlements> and <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 Eight Years Later*, November, 2006.

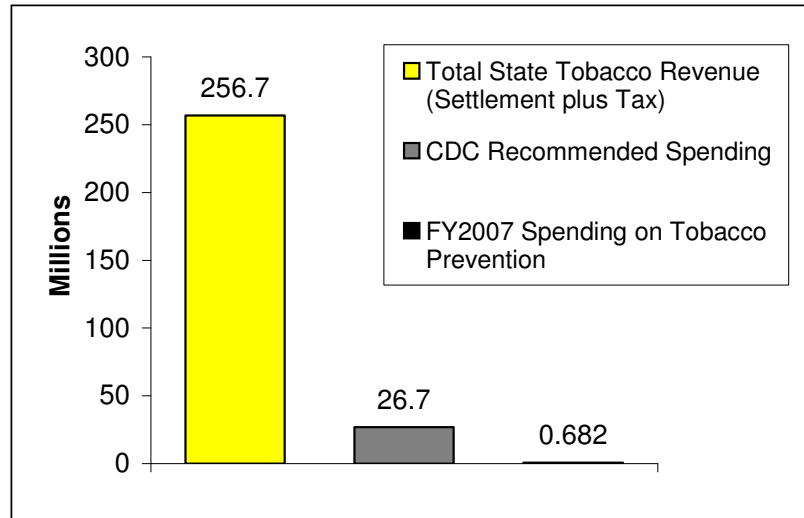
CDC, *Best Practices for Comprehensive Tobacco Control*, August 1999, <http://www.cdc.gov/tobacco/bestprac.htm>.

U.S. Federal Trade Commission (FTC), *Cigarette Report for 2003, 2005* [data for top six manufacturers only], <http://www.ftc.gov/reports/cigarette05/050809cigrpt.pdf>; FTC, *Federal Trade Commission Smokeless Tobacco Report for the Years 2000 and 2001, August 2003* <http://www.ftc.gov/os/2003/08/2k2k1smokeless.pdf>. [top five manufacturers]. State total a prorated estimate based on cigarette pack sales in the state.

Alabama

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
46 th	\$682,000 (2.6%)	44 th	\$325,000 (1.2%)

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 \$682,000 a year for tobacco prevention. This is 2.6% of the CDC's minimum recommendation and ranks Alabama 46th among the states in the funding of tobacco prevention programs. Alabama's spending on tobacco prevention amounts to 0.3% of the \$256.7 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 FY2006 budget approved by the Legislature and signed by Governor Bob Riley (R) allocated \$682,440 for tobacco prevention programs. This is a \$357,400 increase from the \$325,000 allocated in FY2006, but almost an 89 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 Trust Fund have included up to \$60 million in FY2000, up to \$65 million in FY2001, and up to \$70 million in FY2002. Any remaining 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.

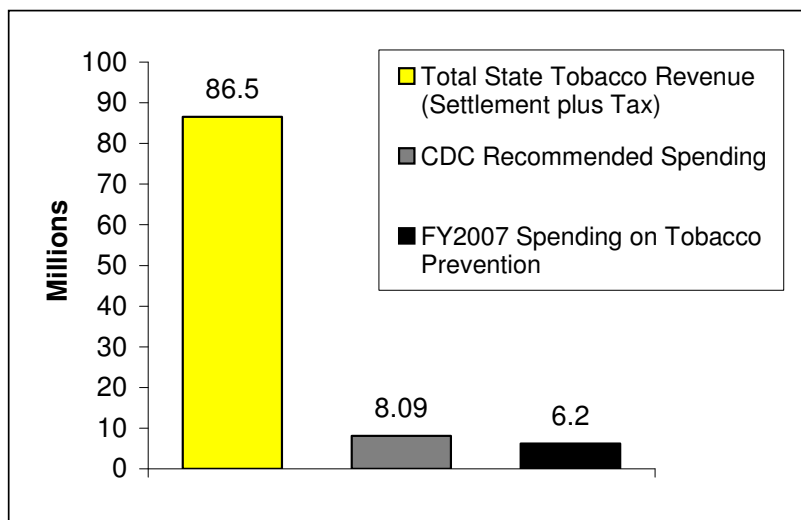
Using its tobacco settlement revenue to pay the debt service on general obligation bonds, Alabama also issued \$50 million in bonds through the 21st Century Fund, with the money devoted primarily to economic development.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
10 th	\$6.2 Million (76.6%)	12 th	\$5.7 Million (70.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Alaska spend between \$8.1 million and \$16.5 million a year to have an effective, comprehensive tobacco prevention program. Alaska currently allocates \$6.2 million a year for tobacco prevention. This is 76.6% of the CDC's minimum recommendation and ranks Alaska 10th among the states in the funding of tobacco prevention programs. Alaska's spending on tobacco prevention amounts to 7.2% of the estimated \$86.5 million in tobacco-generated revenue the state will collect in FY06 from tobacco 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 sold, or 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 a special session in June of 2004, the Legislature approved and 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.

In FY2007, the Alaska Legislature appropriated and Governor Murkowski signed into law a \$6.2 million appropriation of state funds for tobacco prevention and cessation programs, an increase of 8.8% from the \$5.7 million appropriated in FY06. 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 2000 and 2001, the Legislature and then-Gov. Tony Knowles (D) enacted two laws that each authorized the securitization of 40 percent of the state's future tobacco settlement proceeds to fund capital projects, amounting to securitization of a total of 80 percent of the state's future settlement proceeds. The state subsequently sold bonds backed by these funds.

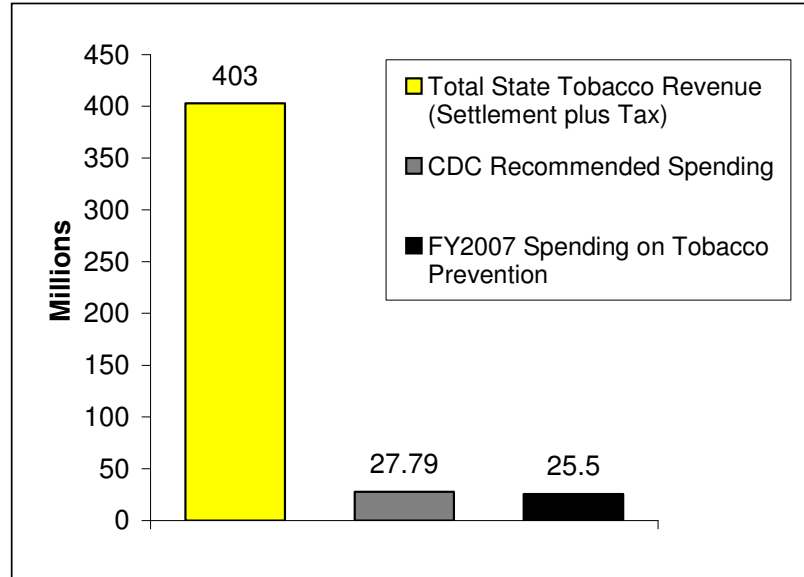
In May 2001, the Legislature and Governor also enacted a law to deposit the remaining 20 percent of the state's settlement money, approximately \$4-5 million year, in a fund created to support tobacco prevention and cessation programs (the Tobacco Use Education and Cessation Fund, AS 37.05.580). However, 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.

Over time, Alaska has gradually increased state funding for tobacco prevention and cessation efforts: FY 2000 (\$1.4 million), FY 2001 (\$1.4 million), FY 2002 (\$3.1 million), FY 2003 (\$5 million), FY 2004 (\$3.8 million), FY 2005 (\$4.2 million) and FY 2006 (\$5.7 million).

Arizona

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
4 th	\$25.5 Million (91.8%)	6 th	\$23.1 Million (83.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arizona spend between \$27.8 million and \$71.1 million a year to have an effective, comprehensive tobacco prevention program. Arizona currently allocates \$25.5 million a year for tobacco prevention. This is 91.8% of the CDC's minimum recommendation and ranks Arizona 4th among the states in the funding of tobacco prevention programs. Arizona's spending on tobacco prevention amounts to 6.3% of the \$403 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: In 1994, Arizona voters approved a ballot initiative to increase the state cigarette tax by 40 cents a pack and use 23 percent of the revenue to fund a comprehensive Tobacco Education and Prevention Program (TEPP). The program, launched in 1996, has been highly successful and recognized as one of the best in the nation.

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. Spending on tobacco prevention for FY2007 will be \$25.5 million, an increase from the \$23.1 million spent in FY2006.

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

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

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

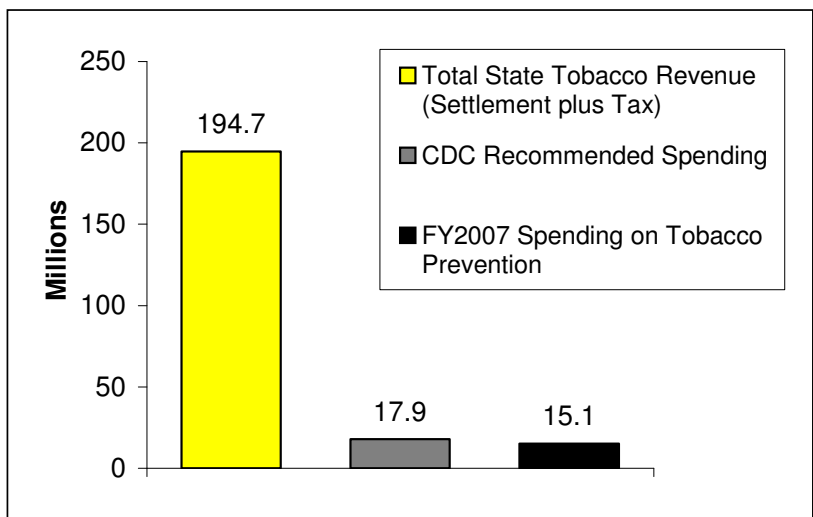
Governor Hull and the Legislature cut tobacco preventing in half for FY2003, to \$18.27, leading to the voter approved initiative to restore funding. As stipulated by the initiative, Arizona spent \$23.0 million dollars on tobacco prevention in FY2004. Spending on tobacco prevention for FY2005 and FY2006 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 (31.2% to 22.8%) and low education (29.3% to 16.2%), thus reducing disparities in smoking rates.

Arkansas

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
6 th	\$15.1 Million (84.3%)	5 th	\$17.5 Million (97.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Arkansas spend between \$17.9 million and \$46.5 million a year to have an effective, comprehensive tobacco prevention program. Arkansas currently allocates \$15.1 million a year for tobacco prevention. This is 84.3% of the CDC's recommendation and ranks Arkansas 6th among the states in the funding of tobacco prevention programs. Arkansas' spending on tobacco prevention amounts to 7.8 % of the \$194.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Arkansas' tobacco settlement funds are governed by a ballot initiative approved by voters in November 2000 that, among other things, allocated 31.6 percent of the state's tobacco settlement funds to tobacco prevention and cessation programs. Accordingly, the FY2006-2007 budget approved by the Legislature and signed by Governor Mike Huckabee (R) provides \$15.1 million in FY2007 for tobacco prevention, which is a \$2.4 million decrease from FY2006.

Tobacco settlement revenues are also appropriated for Medicaid expansion including prescription drug benefits, hospital and medical services, bioscience research, and a minority health initiative.

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

Background: In 1999, Governor Huckabee asked the Arkansas Department of Health and the University of Arkansas for Medical Sciences to develop a plan for using the state's settlement funds to improve the health of Arkansans. This plan, called the Better Health Plan, recommended that all the settlement money be spent on health-related programs, including about one-third for tobacco prevention and cessation, one-third for biomedical research, and one-third for medical education.

After the Legislature was unable to agree on legislation implementing such a plan, Governor Huckabee and the state's public health coalition, the Coalition for Healthy 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% for tobacco prevention and cessation programs,
- 29.8% to expand the Medicaid program,
- 22.8% for bio-sciences research, and
- 15.8% for targeted state health needs.

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

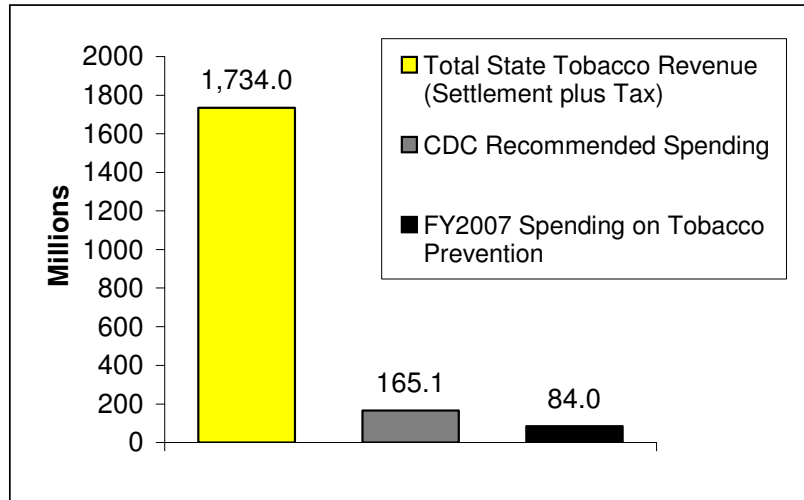
Accordingly, the FY2002-03 biennial budget approved by the Legislature and signed by Governor Huckabee in 2001 provided \$16.39 million in FY2003 for tobacco prevention.

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

California

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
17 th	\$84 Million (50.9%)	16 th	\$79.7 Million (48.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of California spend between \$165.1 million and \$442.4 million a year to have an effective, comprehensive tobacco prevention program. California currently allocates \$84 million a year for tobacco prevention. This is 50.9% of the CDC's minimum recommendation and ranks California 17th among the states in the funding of tobacco prevention programs. California'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.



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

Despite increased levels of tobacco marketing and promotion, a major cigarette price cut in 1993, tobacco company interference with the program, and periodic cuts in funding, the program has still reduced tobacco use substantially. Since the passage of Proposition 99, cigarette consumption in California has declined by more than 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 tenth graders. From 2000 to 2004, smoking prevalence decreased by more than 30 percent among twelfth 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 FY2006-07, \$84 million was allocated for the tobacco control program, a slight increase over the amount allocated in FY2005-06.

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.

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.

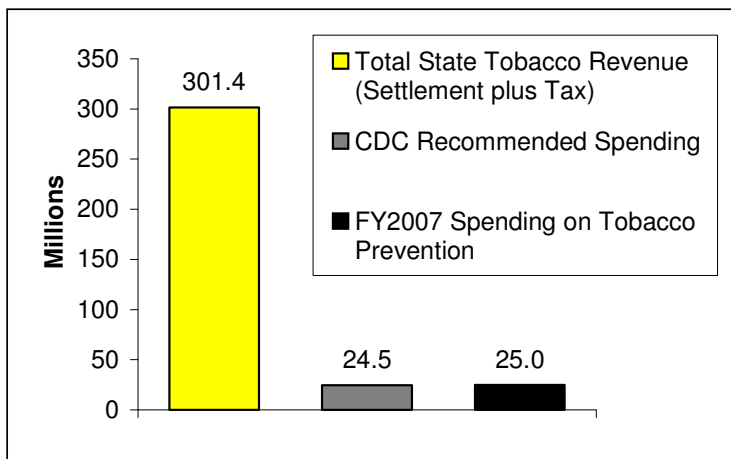
In FY2004, funding for the program was increased slightly to \$90.1 million. In FY05, the program experienced an 18 percent reduction to \$74 million. In FY06, \$79.7 million was allocated for the tobacco control program, a slight increase over the \$74 million allocated in FY05.

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

Colorado

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
3rd	\$25.0 Million (101.8%)	2 nd	\$27.0 Million (110.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Colorado spend between \$24.5 million and \$63.3 million a year to have an effective, comprehensive tobacco prevention program. Colorado currently allocates \$25 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 8.3% of the \$301.4 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 million to \$28 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 providing \$27 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 FY2007, Colorado will receive \$25 million for tobacco prevention and cessation programs. This allocation is based on updated revenue projections released by the Colorado Legislature in accordance with the implementation formula established by Colorado's leaders in April 2005.

The remainder of the \$170 million the tax is expected to generate annually will be used to expand healthcare coverage for the uninsured and under-insured and provide funding for prevention, detection and treatment services for heart and lung diseases and cancer.

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 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 nurse home visit program, and veterans' health program. However, the entire trust fund balance as of July 1, 2002, about \$135 million, was transferred to the general fund to help balance the budget. The Legislature had passed a law authorizing the governor to "borrow" the funds for such purposes. The funds are supposed to be repaid to the endowment, but only if general funds are available.

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

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

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 million initially appropriated in FY2003.

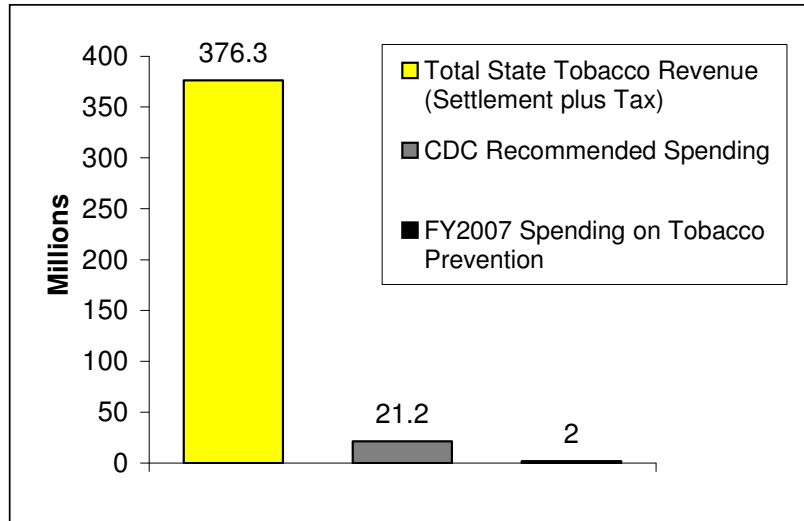
Also in 2003, the Legislature enacted and Governor Owens signed legislation authorizing the securitization, or sale to investors, of up to 60 percent of Colorado's tobacco settlement payments over the next 10 years for a smaller, up-front payment estimated at \$160 million. Securitization was authorized as an emergency step to raise revenue if needed between July 1 and November 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 state 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.

Connecticut

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
36 th	\$2 Million (9.4%)	45 th	\$40,000 (0.2%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Connecticut spend between \$21.2 million and \$53.9 million a year to have an effective, comprehensive tobacco prevention program. Connecticut currently spends \$2 million a year for tobacco cessation. This is less than 9.4% of the CDC's minimum recommendation and ranks Connecticut 36th among the states in the funding of tobacco prevention programs. Connecticut's spending on tobacco prevention amounts to .5% of the \$376.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Connecticut's tobacco settlement payments are folded into the state's general fund and allocated through the biennial budget process. The FY2007 budget adjustments approved by the Legislature and signed by Governor Jodi Rell (R) appropriated \$5.5 million to implement a comprehensive cancer control plan which includes \$2 million for the creation of a statewide smoking cessation program targeting Medicaid recipients.

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

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

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

In 2001, the Legislature established a second fund, called the Biomedical Research Trust Fund, and diverted funds 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 general fund includes an additional \$200,000 a year for tobacco prevention programs through the Department of Health, bringing total annual tobacco prevention funding in the FY2002-03 biennium to \$575,000. Gov. Rowland had proposed only the \$200,000 in the general fund.

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

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

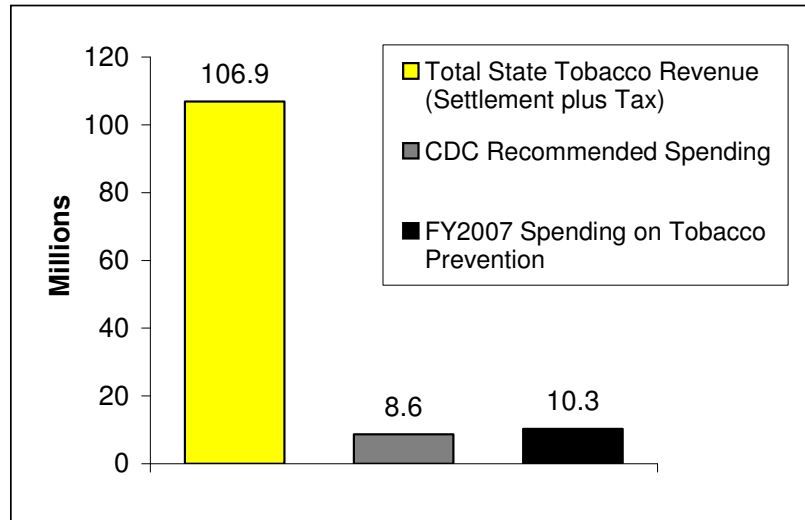
In 2004, \$1 million from the state's Biomedical Research Trust Fund was made available to nonprofit state institutions for research into tobacco-related illnesses.

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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
2 nd	\$10.3 Million (119.4%)	3 rd	\$9.2 Million (106.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Delaware spend between \$8.6 million and \$18.5 million a year to have an effective, comprehensive tobacco prevention program. Delaware currently spends \$10.3 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 9.6% of the \$106.9 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 FY2007 budget approved by the Legislature and signed by Governor Ruth Ann Minner (D) appropriated \$10.3 million to the state's tobacco prevention and cessation program, a slight increase from the \$9.2 million appropriated in FY2006. Funding for the tobacco prevention and cessation program met recommended CDC funding for Delaware for the fourth 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. \$14.9 million from the Fund was also transferred to a strategic reserve fund.

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

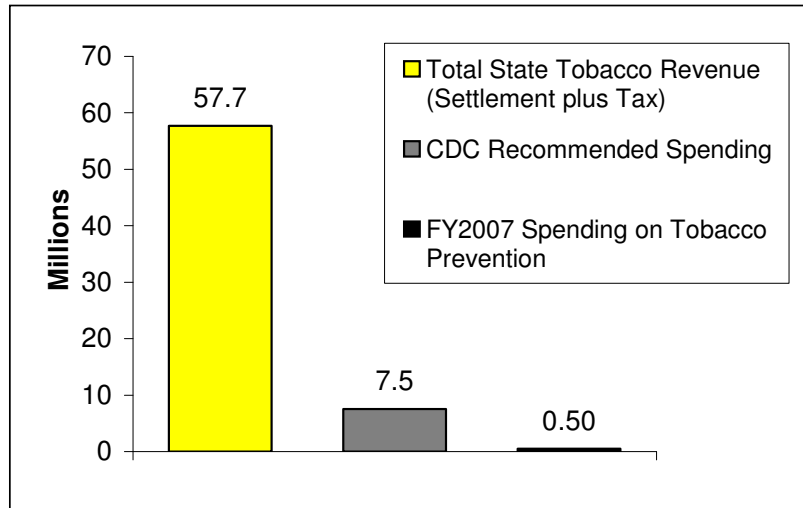
The FY2003 budget approved by the Legislature and signed by Governor Minner appropriated \$5 million to the state's tobacco prevention and cessation program.

The FY2004 budget approved by the Legislature and signed by 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)

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
42 nd	\$500,000 (6.7%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of West Virginia spend between \$7.5 million and \$14.6 million a year to have an effective, comprehensive tobacco prevention program. The District of Columbia (DC) currently allocates \$500,000 a year for tobacco prevention. This is 6.7% of the CDC's minimum recommendation and ranks the District of Columbia 42nd among the states in the funding of tobacco prevention programs. The District of Columbia's spending on tobacco prevention amounts to .9% of the \$57.7 million in tobacco-generated revenue the state collects each



year in tobacco settlement payments and tobacco taxes. Tobacco settlement revenue was also used for operating expenses for state-owned or operated health facilities.

Current Status: The FY2007 budget provides \$500,000 for tobacco prevention. This is the second time since receiving MSA payments that the District of Columbia has committed any state funds to tobacco prevention and cessation programs. After the FY2006 budget process, Councilman David Catania issued a one-time grant to fund a cessation program for the District. The District of Columbia has used most of its settlement money to address budget shortfalls and general fund needs.

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

A Reserve Fund was also created to cover any residual cost from each year's payment. If the money in the Reserve Fund is not needed for the bond payment in June, a portion will be released

in July each year for other expenditures. The Mayor and City Council must then agree on how to spend any residual funds.

D.C. currently spends a minimal amount on tobacco prevention despite the fact it is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect January 1, 2003, increasing the cigarette tax by 35 cents to \$1 per pack.

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

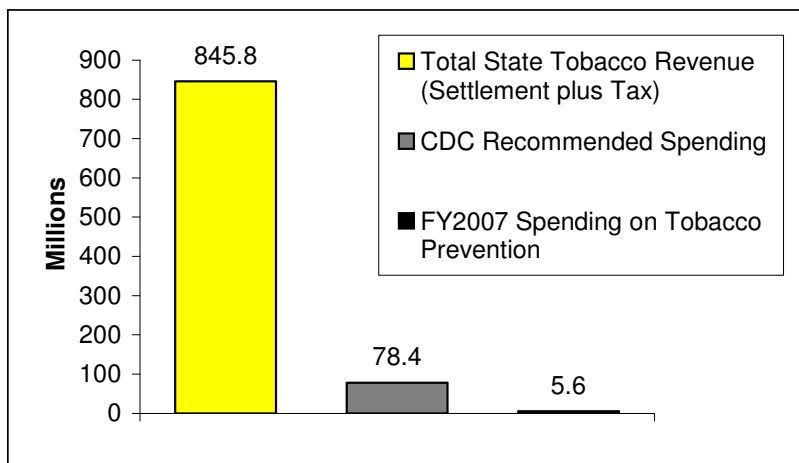
In April 2000, after the City Council expressed interest in securitizing the tobacco settlement funds, Mayor Williams proposed that the District sell bonds for a \$645 million up-front payment rather than waiting for the annual settlement payments. The City Council eventually passed a compromise bill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

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

Florida

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
41 st	\$5.6 Million (7.1%)	43 rd	\$1 Million (1.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Florida spend between \$78.4 million and \$221.3 million a year to have an effective, comprehensive tobacco prevention program. Florida currently allocates \$5.6 million a year for tobacco prevention. This is 7.1% of the CDC's minimum recommendation and ranks Florida 41st among the states in the funding of tobacco prevention programs. Florida's spending on tobacco prevention amounts to .7% of the \$845.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



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

Current Status: The FY2007 budget passed by the legislature and signed by Governor Jeb Bush (R) allocated \$5.6 million for the Florida Tobacco Control Program. This is a \$4.6 million increase from the \$1 million appropriated in FY2006, but a huge decrease from \$37.5 million appropriated in FY2003 and \$70 million provided in FY1999, the program's first full year. These cuts have seriously reduced the effectiveness of the Florida Tobacco Control Program, which was once considered a national model, and risk reversing the significant progress that Florida's pioneering program has made in reducing youth smoking rates.

Other uses for tobacco settlement revenue in FY2006 included long-term health care, child protection and services for the developmentally disabled, and long-term care under Medicaid.

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% of the vote and requires Florida to spend 15 percent of its annual tobacco settlement revenue on tobacco prevention programs. The FY2008 budget for tobacco prevention is estimated to be \$57 million.

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

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

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

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

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

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

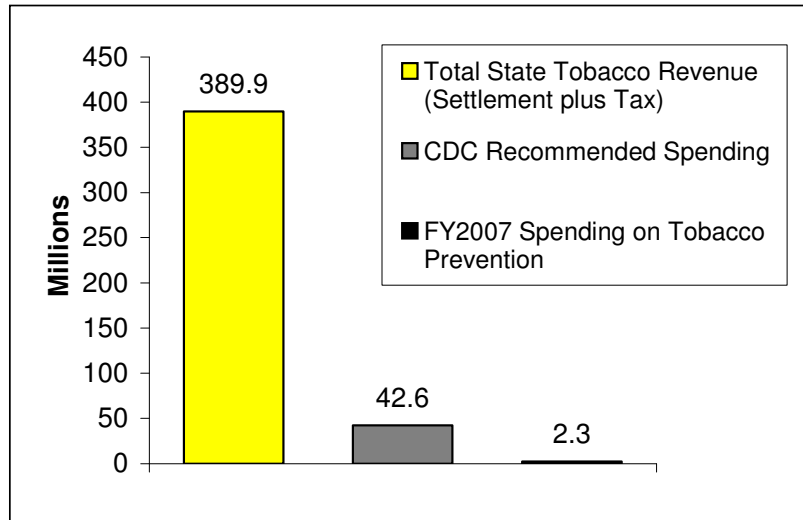
The FY2003 budget restored some funding for a Tobacco Control Program budget of \$37.5 million, but funding was then cut to only \$1 million a year in FY2004 and 2005.

There is evidence that budget cuts have begun to reduce the program's effectiveness, especially among younger students who are entering the most vulnerable years for starting to smoke, yet are not being exposed to the program at its full strength. For the first time since the program's inception, no statistically significant declines in smoking were observed among middle school students between 2000 and 2001. In addition, increases in smoking between 6th and 7th grades and between 7th and 8th grades reached record high levels in 2001 and more recent data indicate that these patterns persisted in 2002.

Georgia

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
44 th	\$2.3 Million (5.4%)	39 th	\$3.1 Million (7.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Georgia spend between \$42.6 million and \$114.3 million a year to have an effective, comprehensive tobacco prevention program. Georgia currently allocates \$2.3 million a year for tobacco prevention. This is 5.4% of the CDC's minimum recommendation and ranks Georgia 44th among the states in the funding of tobacco prevention programs. Georgia's spending on tobacco prevention amounts to .6% of the \$389.9 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 FY2007 budget approved by the Legislature and signed by Governor Sonny Perdue (R) appropriated \$2.3 million to the state's tobacco prevention program, a cut of \$9.2 million from the \$11.5 million appropriated in FY2005.

Tobacco settlement revenues in FY2007 were also used to expand Medicare for pregnant women and infants, the PeachCare for Kids program, for mental retardation waiver programs, and the AIDS drug assistance program.

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

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

support industrial parks, improving tourism and recreation in the state, shrimp and fish aquaculture, and assistance to technical colleges.

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

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

The FY2003 budget approved by the Legislature and signed by Governor Barnes appropriated \$15.17 million to the state's tobacco prevention program. This represented a cut from the initial FY2002 appropriation of \$20.77 million and a 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.

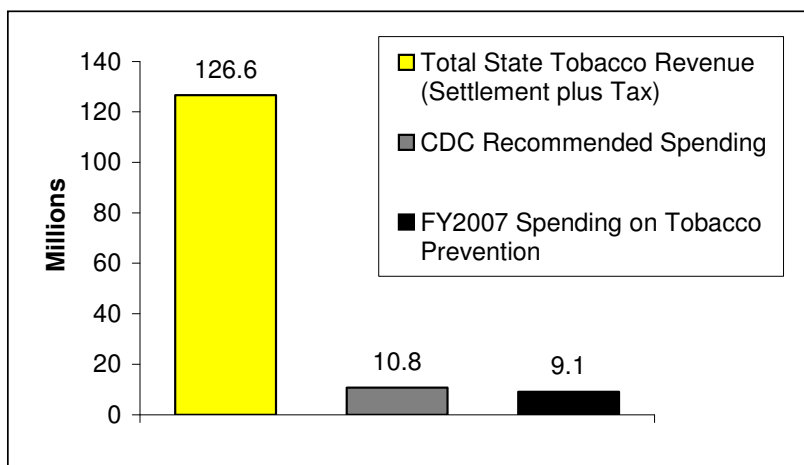
Also during the 2003 legislative session, the legislature passed and Governor Perdue signed a 25-cent increase in the state's cigarette excise tax, which brings the total tax to 37 cents a pack.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
7 th	\$9.1 Million (84.0%)	14 th	\$5.8 Million (53.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Hawaii spend between \$10.8 million and \$23.4 million a year to have an effective, comprehensive tobacco prevention and control program. Hawaii currently spends \$9.1 million a year from tobacco settlement revenue for tobacco prevention and control. This is 84% of the CDC's minimum recommendation and ranks Hawaii 7th among the states in the funding of tobacco prevention and control programs. Hawaii's spending on tobacco prevention and control amounts to 7.2% of the \$126.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Hawaii's tobacco prevention programs are funded through the Tobacco Prevention and Control Trust Fund, which was created with tobacco settlement dollars, and through funds allocated to the Department of Health and other state agencies for tobacco prevention programs. Total anticipated allocation for FY2007 tobacco prevention and control is \$9.1 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, 2006, increasing the state cigarette tax by 20 cents to \$1.60 per pack. The tax will increase again in 2007 by 20 cents, bringing the total tax to \$1.80 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% 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 Fall 2001, Governor Cayetano proposed and the Legislature amended the tobacco settlement law modifying the allocation percentages set by the 1999 law. The amended law created a new 28 percent allocation to the University of Hawaii (UH) for debt service on \$150 million in revenue bonds issued for construction of a new medical school. In order to create the 28% UH allocation, the percentage of settlement funds going to the Tobacco Prevention and Control Trust Fund was cut in half to 12.5 percent, and the percentage allocated to the Emergency and Budget Reserve Fund was reduced from 40 percent to 24.5 percent.

In 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.

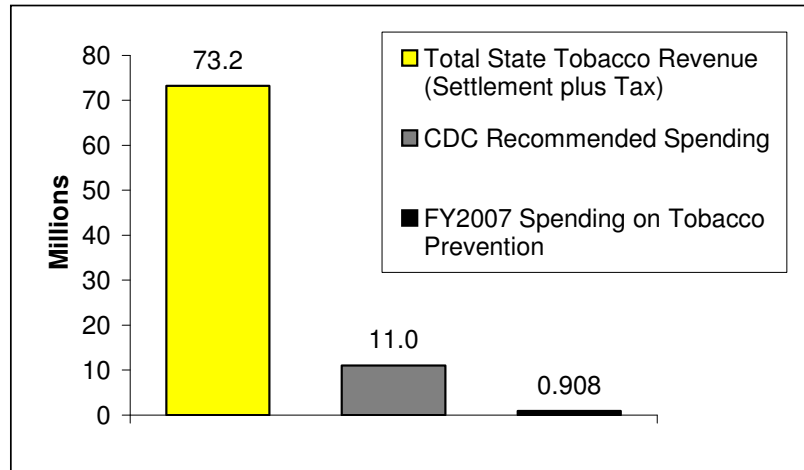
The 2003 Legislature imposed new assessments on Hawaii's Tobacco Settlement Special Fund, effective in FY 2004. All of the state's tobacco settlement revenue is deposited into a special fund under the purview of the Department of Health (DOH) and allocated by percentage according to law. The tobacco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

Idaho

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
39 th	\$908,000 (8.2%)	42 nd	\$544,000 (4.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Idaho spend between \$11 million and \$24.1 million a year to have an effective, comprehensive tobacco prevention program. Idaho currently allocates \$908,000 a year for tobacco prevention. This is 8.2% of the CDC's minimum recommendation and ranks Idaho 39th among the states in the funding of tobacco prevention programs. Idaho's spending on tobacco prevention amounts to 1.2% of the \$73.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget increased funding for the state's tobacco prevention and cessation program to \$908,000, a \$364,000 increase over FY2006 funding. However, in FY2006, funding for the program was cut by more than 70 percent, from \$1.9 million in FY2005 to \$544,000.

Also in 2006, Idaho voters passed Senate Joint Resolution 107, an amendment to the state constitution. First passed by an overwhelming majority in the state legislature, SJR 107 creates a constitutional fund called the Millennium Endowment Fund into which eighty percent of future MSA payments will flow. Legislators will 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. Previously, Idaho's tobacco settlement funds were governed by a 2000 law that directed all the state's settlement payments after the year 2000 into a trust fund, the Idaho Millennium Fund. Each year, five percent of the Fund's market value was to be available for appropriation by the Legislature.

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% of the Fund's market value to be available for annual appropriation by the Legislature.

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

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

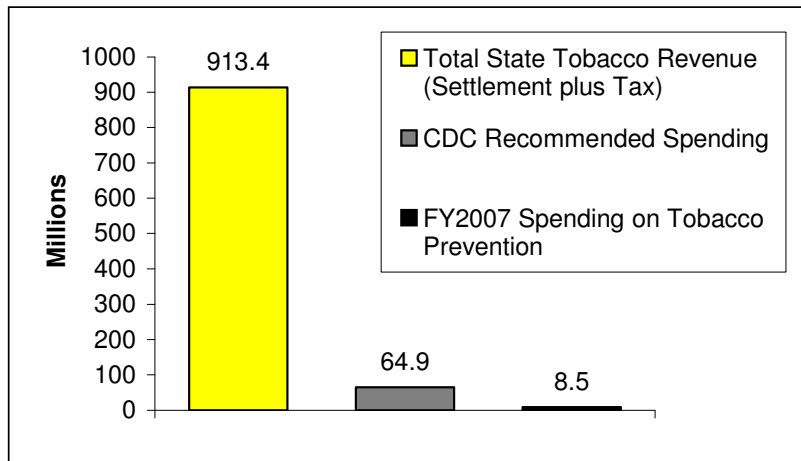
The FY2004 budget allocated \$1.6 million to the state's tobacco prevention program, a slight increase from FY2003 funding of \$1.27 million.

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. 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 reduced from state cancer control funds.

Illinois

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
34 th	\$8.5 Million (13.1%)	34 th	\$11.0 Million (16.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Illinois spend between \$64.9 million and \$179 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 34th among the states in the funding of tobacco prevention programs. Illinois' spending on tobacco prevention amounts to 0.9% of the \$913.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Note: If it follows the track record of recent years, the state is unlikely to actually spend all of these funds as intended and the actual funding level will be even lower than the appropriation. 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 FY2007 budget approved by the Legislature and Governor Rod Blagojevich (D) allocates \$8.5 million for tobacco prevention, a decrease from FY2006 and FY2005. The bulk of Illinois settlement funds are used for senior prescription drugs and capital projects.

While Illinois funds several important tobacco control programs, the state is not pursuing a CDC-based statewide comprehensive program.

Illinois' tobacco settlement funding is 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. However, in each of the last three 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 (DPH) 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 DPH 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.

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

Background: In 2000, the Legislature and then-Governor George Ryan (R) chose to use most of the state's initial settlement payments for one-time tax rebates and refunds to Illinois residents. After receiving significant complaints that the funds were not being used as intended, 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 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.

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

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 became stagnant and local staff were laid off. This was repeated in each subsequent year.

The FY2004 budget approved by the Legislature and Governor Blagojevich provided \$12 million for tobacco prevention, the same amount as FY2003, and an additional \$1 million to 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.

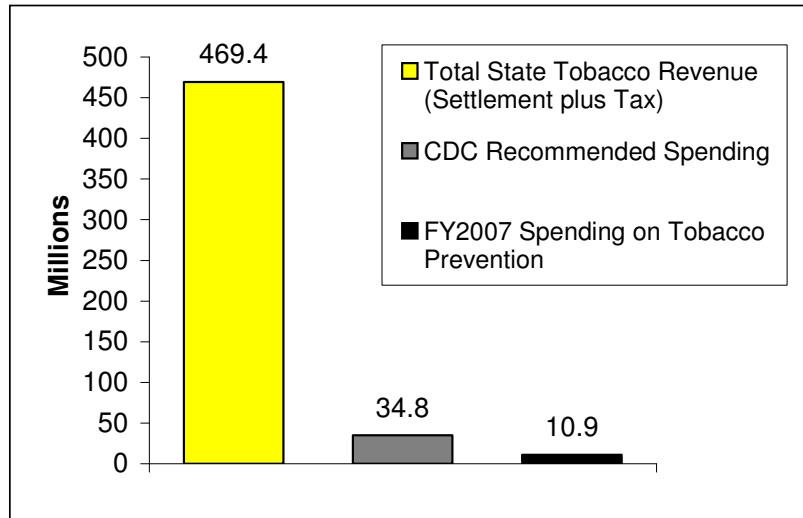
The FY2005 budget provided \$11.0 million for tobacco prevention, a \$1 million decrease from FY2004. Of the \$11 million, \$5 million was appropriated to local health departments and \$1 million to a smoking cessation quit line. Because the \$1 million line-item for research and evaluation was not spent 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 Blagoveich provided \$11 million for tobacco prevention, the same amount as FY2005.

Indiana

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
27 th	\$10.9 Million (31.3%)	27 th	\$10.8 Million (31.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Indiana spend between \$34.8 million and \$95.8 million a year to have an effective, comprehensive tobacco prevention program. Indiana currently allocates \$10.9 million a year for tobacco prevention. This is 31.3% of the CDC's minimum recommendation and ranks Indiana 27th among the states in the funding of tobacco prevention programs. Indiana's spending on tobacco prevention amounts to 2.3% of the \$469.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2006-07 budget approved by the Legislature and Governor Mitch Daniels (R) provides \$10.9 million for tobacco prevention and cessation programs for FY2007. This funding is virtually the same as the FY2004-05 biennial budget, but is a major reduction from funding of \$32.5 million in FY2003.

In his January 2006 State of the State address, Governor Daniels proposed a cigarette tax increase. While it was not successful in the 2006 legislative session, he brought critical leadership and support to the issue and placed it on strong footing for success in 2007. In November 2006, Governor Daniels announced a new proposal to increase Indiana's cigarette tax by at least 25 cents per pack and fund Indiana's Tobacco Prevention and Cessation Agency (ITPC) at the minimum level recommended by the CDC starting in FY2008. The Indiana Legislature will consider the proposal during the 2007 legislative session.

Background: Under a visionary 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. Settlement revenue allocations included near CDC recommended level funding for tobacco prevention and cessation. The remaining 40 percent was placed in a trust fund intended to eventually 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 state's tobacco settlement money for health-related purposes.

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

ITPC has reported impressive results. Between 2000 and 2004, smoking among high school students declined by 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 throughout the state and launched the "WhiteLies" media campaign on radio, television, billboards and the Internet.

In 2002, the ITPC program was launched in full, and included an effective counter-marketing ad campaign, community grants in all Indiana counties, a youth summit, and numerous other activities. Indiana's program has been noteworthy in its commitment to and funding of tobacco prevention and cessation programs in diverse communities. Indiana's program has been recognized as a national leader in implementing the CDC best practices.

During a 2002 special legislative session to address the state's budget deficit, Senator Borst and then-Governor Frank O'Bannon (D) fought to protect funding for ITPC 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 the state's future settlement payments for a smaller, up-front payment to fund economic development efforts. This would have permanently reduced or eliminated the funding available for health programs and endangered all funding for tobacco prevention in Indiana. While some of the FY2002 cuts to tobacco prevention were successfully restored, and legislators defeated the securitization proposal, \$10 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 out of health into the 21st Century Research and Technology program. Additionally, programs previously funded by general revenue, including state Department of Health general operating funds, were moved from the general fund into settlement funding, effectively reducing the state's commitment to use the MSA funds to improve Hoosier health.

As a result of these funding cuts to ITPC, 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.

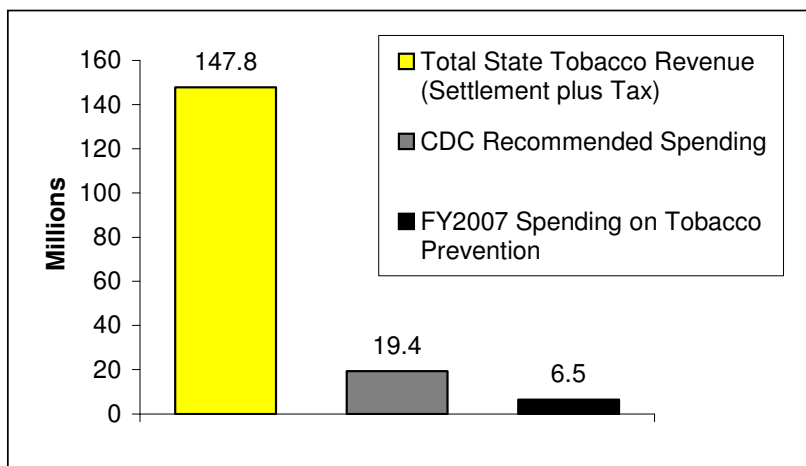
The FY2004-05 biennial budget preserved the past cuts, providing just \$10.8 million for tobacco prevention and cessation programs each year. Success in reducing smoking in Indiana has tracked the ITPC budget trend. Adult smoking prevalence data indicates that past progress was lost following the severe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

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
25 th	\$6.5 Million (33.6%)	30 th	\$5.6 Million (28.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Iowa spend between \$19.4 million and \$48.7 million a year to have an effective, comprehensive tobacco prevention program. Iowa currently allocates \$6.5 million a year for tobacco prevention. This is 33.6% of the CDC's minimum recommendation and ranks Iowa 25th among the states in the funding of tobacco prevention programs. Iowa's spending on tobacco prevention amounts to 4.4% of the \$147.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and Governor Tom Vilsack (D) provides \$6.5 million for tobacco prevention and cessation programs, an increase of \$917,000 from FY2006.

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

Settlement funds in Iowa are primarily dedicated to securitization debt service. The fraction of remaining settlement funds 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: Governor Vilsack's initial proposal for the tobacco settlement funds in 1999 included \$17.7 million annually for a comprehensive tobacco prevention program. This proposal stalled in the Legislature.

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

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 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 million annually, with increases for inflation, is allocated from the Trust Fund for health care services, including tobacco prevention. The Legislature must still appropriate these funds for specific programs each year as part of the budget process.

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.

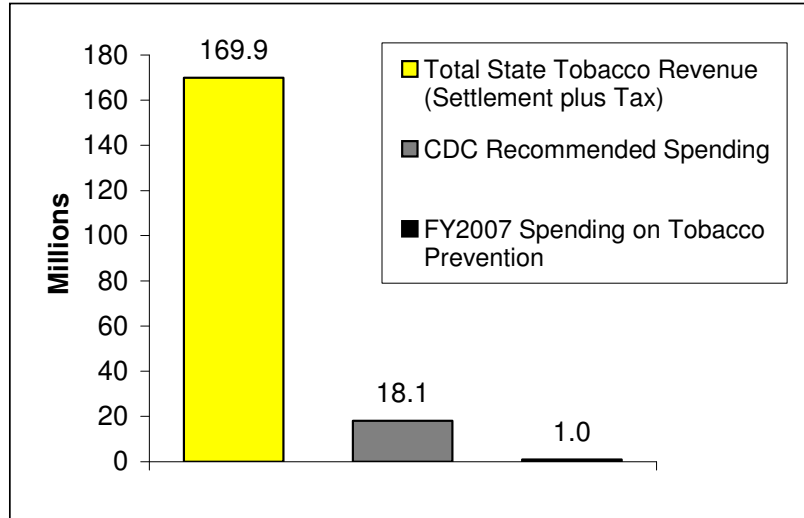
The FY2006 budget approved by the Legislature and Governor Vilsack provided \$5.6 million for tobacco prevention and cessation programs, an increase of \$500,000 from FY2005.

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 has proposed cigarette tax increases, and legislators from both parties have supported the legislation. However, Republican legislative leaders, including state House Speaker Christopher Rants, prevented votes from being scheduled on the bills. Iowa's current 36-cent per pack cigarette tax is less than half the nationwide average of 96.1 cents per pack – and lower than the tax in six of Iowa's seven neighboring states.

Kansas

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
43 rd	\$1.0 Million (5.5%)	41 st	\$1.0 Million (5.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kansas spend between \$18.1 million and \$44.7 million a year to have an effective, comprehensive tobacco prevention program. Kansas currently allocates \$1 million a year for tobacco prevention. This is 5.5% of the CDC's minimum recommendation and ranks Kansas 43rd among the states in the funding of tobacco prevention programs. Kansas' spending on tobacco prevention amounts to 0.6% of the \$169.9 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Kansas' tobacco settlement funds are governed by a law first enacted in 1998 and then expanded in 1999 by the Legislature and then-Governor Bill Graves (R) that directs all the state's tobacco settlement payments, after the first \$70 million, to a trust fund – the Kansas Endowment for Youth Fund (KEY Fund) – to support youth programs. The FY2007 budget approved by the Legislature and signed by Governor Kathleen Sebelius (D) provides \$1 million for tobacco prevention, the same amount as in FY2006.

Since the funding continues to be inadequate for a statewide tobacco prevention program based on CDC recommendations, the funding will support 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 million of the state's tobacco settlement funds were folded into the state's general fund to cover budget shortfalls. In FY2002, another \$20 million was transferred to the general fund.

All payments after the first \$70 million were 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 each 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 in the state. However, additional funding was not provided for a comprehensive statewide program.

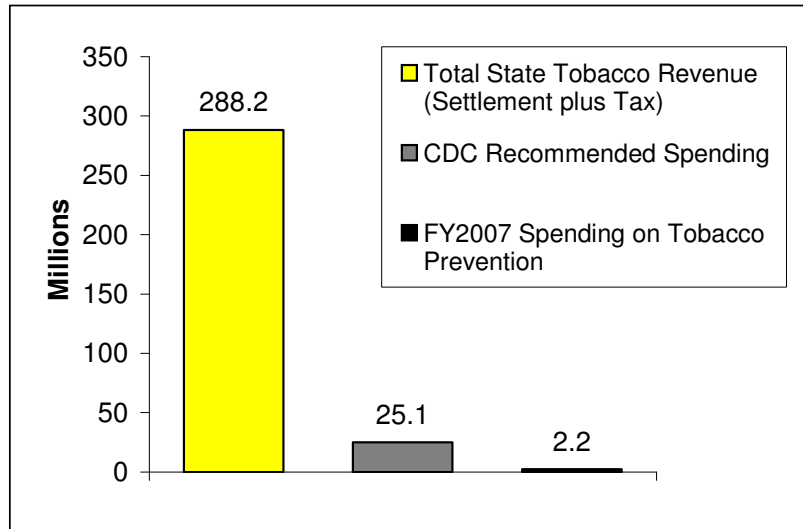
The FY2005 budget approved by the Legislature and signed by Governor Sebelius provided \$750,000 for tobacco prevention, up from \$500,000 in FY2004. The \$500,000 continued to primarily support the comprehensive model program operated only in Saline County. Some funding was also provided for the Kansas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

The FY2006 budget approved by the Legislature and signed by Governor Sebelius provided \$1 million for tobacco prevention.

Kentucky

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
37 th	\$2.2 Million (8.8%)	37 th	\$2.7 Million (10.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Kentucky spend between \$25.1 million and \$69.9 million to have an effective, comprehensive tobacco prevention program. Kentucky currently allocates \$2.2 million a year for tobacco prevention. This is 8.8% of the CDC's minimum recommendation and ranks Kentucky 37th among the states in the funding of tobacco prevention programs. Kentucky's spending on tobacco prevention amounts to .8% of the \$288.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor Ernie Fletcher appropriated \$2.2 million for tobacco prevention, a cut of \$500,000 from the \$2.7 million appropriated in FY2006. The Health Care Improvement Authority oversees the public health initiatives fund.

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.

Tobacco settlement revenue in FY2007 was also spent on agricultural projects such as county level cost-share grant programs and environmental cost-share programs, early childhood development programs, and the Kentucky Access Program, Kentucky's high-risk health insurance program.

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

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

- 10% for discouraging the use of "harmful substances" by minors, including tobacco use. The 10% is split between KY-ASAP (Kentucky Agency for Substance Abuse Policy) and the Department of Public Health's Tobacco Prevention and Cessation Program.
- 70% for a new health insurance program (a "high risk pool") for persons with costly health conditions (17.5% of the total funds);
- 20% for lung cancer research at the University of Louisville and the University of Kentucky (5% of the total funds).

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

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

The Early Childhood Development Authority oversees the 25% of the funds set aside for an early childhood development initiative. This effort, called "Kids Now," is a popular program that is considered by most to be very successful.

In FY2002, the \$3 million earmarked for tobacco prevention and cessation was used for grants to local and district health departments. The health departments are required to work with community coalitions, use the CDC's Best Practices and submit 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.

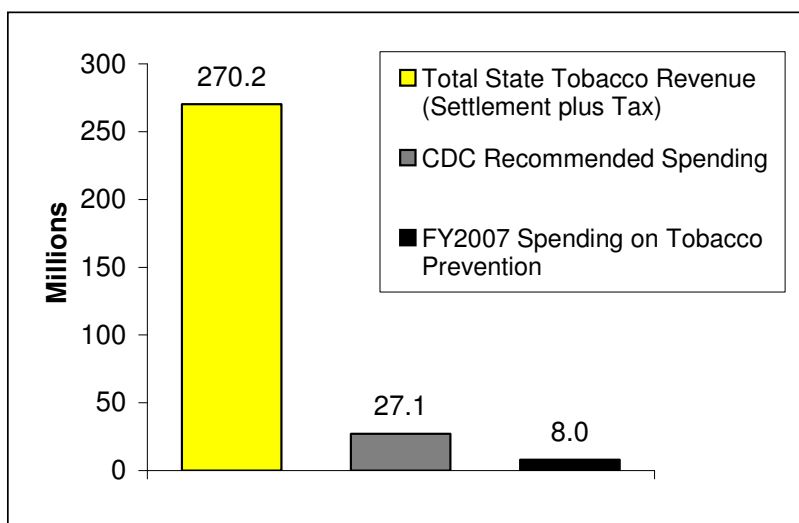
In each fiscal year following FY 2002, the same percentage has been dedicated to tobacco prevention. In FY 2006 this percentage amounted to \$2.7 million.

* 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
28 th	\$8 Million (29.5%)	29 th	\$8 Million (29.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Louisiana spend between \$27.1 million and \$71.4 million a year to have an effective, comprehensive tobacco prevention program. Louisiana currently allocates \$8 million a year for tobacco prevention. This is 29.5% of the CDC's minimum recommendation and ranks Louisiana 28th among the states in the funding of tobacco prevention programs. Louisiana's spending on tobacco prevention amounts to 3% of the \$270.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: Louisiana is spending \$8 million on tobacco prevention for FY2007. The State spent the same amount in FY2006, but it is a reduction from \$11.3 million 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 two cents per pack to a Cancer Consortium comprised of Tulane University and Louisiana State University for tobacco prevention and cessation programs. Revenue generated from the tax will automatically flow to the Consortium every year, unless the law is changed by the Legislature. \$7.5 million of the \$8 million for tobacco prevention for FY2007 comes from the cigarette tax. The other \$500,000 was appropriated by the Legislature from the annual tobacco settlement payment.

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

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

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

The allocations for each year after FY2004 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% 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.

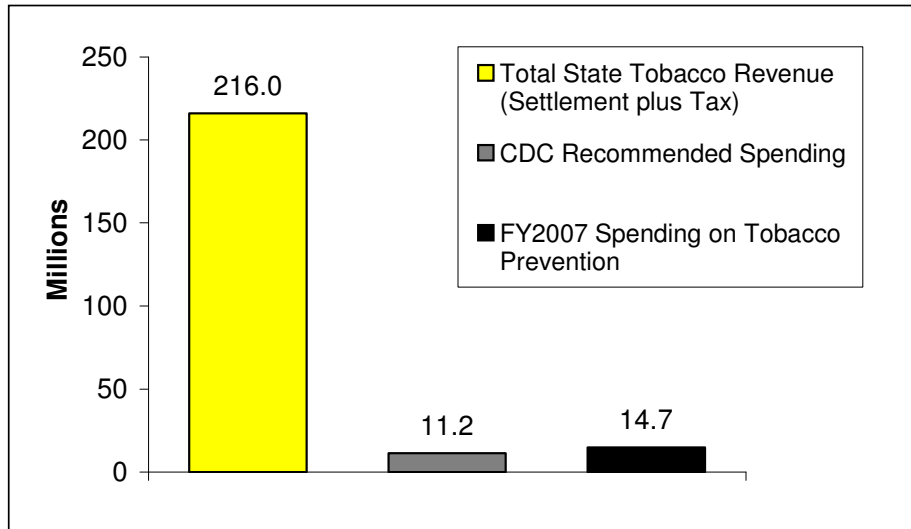
In 2003, the 40 percent of Louisiana's settlement payments that were not securitized in 2002 were distributed to the Millennium Trust Fund and Louisiana Fund, 75 percent and 25 percent respectively per the 1999 constitutional amendment.

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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
1 st	\$14.7 Million (131.3%)	1 st	\$14.2 Million (126.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maine spend between \$11.2 million and \$25.4 million a year to have an effective, comprehensive tobacco prevention program. Maine currently spends \$14.7 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 6.8% percent of the \$216 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. In 2006, the FY2007 budget enacted by the Legislature and Governor John Baldacci (D) included \$14.7 million for the state's tobacco prevention program, a nearly \$500,000 increase over the amount appropriated in FY2006. The increase restores budget cuts from previous years which were scheduled to be diverted to the General Fund but which were restored to the program within the Fund for a Healthy Maine. The additional funds will be used for evaluation purposes, to restore funding to the Tobacco HelpLine, for health care provider training, and for new grants to address disparities.

As in past years, the remainder of Maine's tobacco settlement funds in FY2007 were appropriated for other health-related purposes, including Medicaid services, health education and dental services, and substance abuse treatment and prevention, prescription drugs for the elderly, and child care/child development, including child care subsidies, Head Start, and home-visitation programs.

Maine's tobacco prevention program has been highly successful. From 1997 (when Maine launched its tobacco prevention program) 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% of each year's payment would be placed in the Trust Fund to earn income and provide resources for the future, should settlement payments stop. The other 90% was to be spent for a variety of health-related purposes, and actual appropriations are made through the state's regular budget process.

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

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

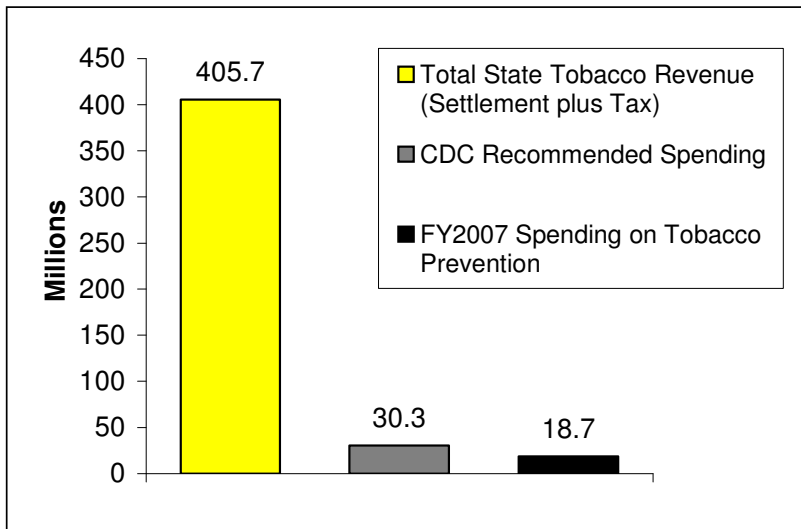
The FY2004 budget enacted by the Legislature and Governor Baldacci included \$14.5 million for the state's tobacco prevention program. Although \$14.5 million was a slight decrease from FY2003 funding of \$15.2 million, it was essentially level funding because FY2003 funding for smoking cessation medical 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. \$300,000 was cut from the program's evaluation budget. The FY2006 budget also included \$14.2 million for the tobacco prevention program.

Maryland

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
15 th	\$18.7 Million (61.7%)	28 th	\$9.2 Million (30.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Maryland spend between \$30.3 million and \$78.6 million a year to have an effective, comprehensive tobacco prevention program. Maryland currently allocates \$18.7 million a year for tobacco prevention. This is 61.7% of the CDC's minimum recommendation and ranks Maryland 15th among the states in the funding of tobacco prevention programs. Maryland's spending on tobacco prevention amounts to 4.6% of the \$405.7 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 FY2007, the Legislature passed and Governor Ehrlich signed into law a budget that included \$18.7 million for tobacco prevention, up from \$9.2 million in FY2006, but less than the \$21 million he is required by law to submit. Prevention funds have been cut significantly and are down from a high of \$30 million in FY2003.

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 ten years in order to meet the CDC's minimum recommendation for Maryland.

In April 2000, the Maryland Legislature approved and Governor Glendening signed legislation establishing long-term funding commitments for future tobacco settlement payments. The funds were to be spent on 20 health or education programs focused on three main areas: tobacco prevention programs, 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, five percent was committed to fund a buy-out program for tobacco growers. The program would give farmers an annual payment

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

More than 85 percent of Maryland's eligible tobacco farmers have enrolled in the buyout program, raising concerns about whether it is adequately funded. A law passed in April 2001 allows Maryland to issue bonds from the state's general fund, beginning in 2003, if the five percent allocation from the tobacco settlement funds is not enough to pay for the buy-out program. If necessary, for six years (2003 to 2009), up to \$5 million in bonds may be issued annually to cover the program costs.

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

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

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, five 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.

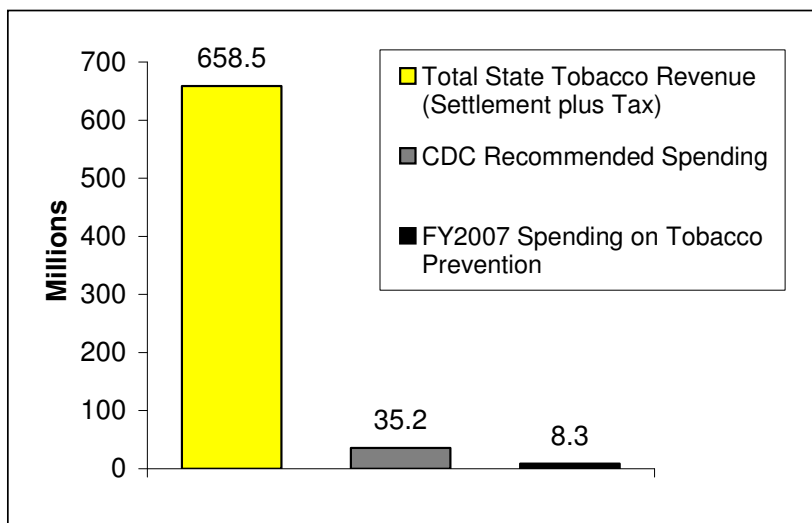
With the dispute over attorney fees settled, the FY2003 budget increased funding for the tobacco prevention program from \$20.05 million in FY2002 to \$30 million. The FY2004 budget cut funding for tobacco prevention to \$14.8 million. The FY2005 budget contained \$12 million for tobacco prevention. However, the three-member Public Works Board, which includes Governor Ehrlich, subsequently cut FY2005 tobacco prevention funding to \$9.5 million.

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

Massachusetts

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
31 st	\$8.3 Million (23.4%)	36 th	\$4.3 Million (12.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Massachusetts spend between \$35.2 million and \$92.8 million a year to have an effective, comprehensive tobacco prevention program. Massachusetts currently allocates \$8.3 million a year for tobacco prevention. This is 23.4% of the CDC's minimum recommendation and ranks Massachusetts 31st 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 1.3% of the \$658.5 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget passed by the Legislature and signed by Governor Mitt Romney (R) allocated \$4.3 million for the Massachusetts Tobacco Control Program (MTCP), 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 doubles the program's budget and increases 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 (\$7 million a year) that expands Medicaid services to include the following smoking cessation services – all FDA approved pharmacotherapy (including but not limited to nicotine replacement therapies) and face to face 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 will depend on utilization.

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 the state is receiving more tobacco-generated revenue than ever before 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 Legislature initially sought to add \$22.4 million in settlement money, but after a veto by Governor Cellucci, the final FY2001 budget was \$43.1 million, including \$12.4 million in tobacco settlement money.

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.

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

In 2003, the Legislature approved \$2.5 million in funding for the program but Governor 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.

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

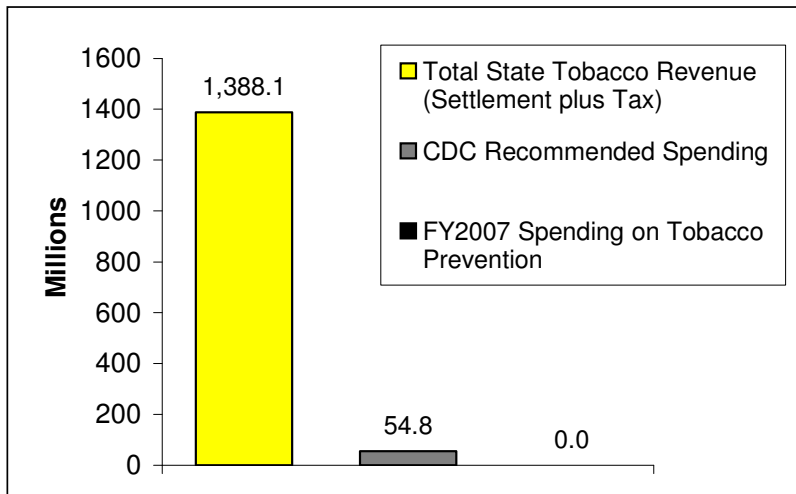
In FY2005, Governor Romney proposed the program be funded at \$2.5 million. The Legislature overrode the Governor's veto and funded the program at \$3.75 million.

The FY2006 budget passed by the Legislature and signed by Governor Mitt Romney (R) allocated \$4.3 million for the Massachusetts Tobacco Control Program (MTCP), a slight increase over FY2005 funding. Governor Mitt Romney (R) 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.

Michigan

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51 st	\$0.0 (0.0%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Michigan spend between \$54.8 million and \$154.6 million a year to have an effective, comprehensive tobacco prevention program. Michigan currently allocates none of its tobacco settlement dollars or tobacco tax revenue for tobacco prevention. This ranks Michigan last among the states in the funding of tobacco prevention programs. Michigan collects \$1.4 billion in tobacco-generated revenue annually in tobacco settlement payments and tobacco taxes.



Current Status: As in past years, the Michigan Legislature did not allocate any settlement funds for tobacco prevention and cessation programs for FY2007.

Michigan does spend a small amount of state, federal and non-governmental funds on tobacco prevention, though it is far short of the amount needed for a comprehensive CDC-based program that has proven successful in other states. In 2005, this already minimal funding was decreased further as a result of cuts to state health programs.

Background: Michigan's tobacco settlement payments are governed by a 1999 law passed by the Legislature and signed by then-Governor John Engler (R) committing settlement revenue to the two trust funds mentioned above. Michigan does not spend any settlement funds for tobacco prevention and cessation programs. In addition to the Merit Scholarships and other projects already mentioned, Michigan has also used settlement money to fund a consortium for biomedical research, called the Life Sciences Corridor project.

In November 2002, Michigan voters defeated a constitutional amendment to reallocate the state's tobacco settlement proceeds to health care purposes, including \$45 million a year for tobacco prevention programs. However, criticism of the initiative focused not on whether Michigan should increase funding for tobacco prevention, but on whether the issue of tobacco settlement spending belonged in the state constitution and whether the independent organizations established to oversee the funds would be publicly accountable.

The FY2003, FY2004, FY2005 and FY2006 state budgets adhered to the 1999 law splitting the money between the two trust funds: 75 percent to the Merit Scholarships Fund and 25 percent to senior healthcare and healthcare research. In FY2004, this money was appropriated for

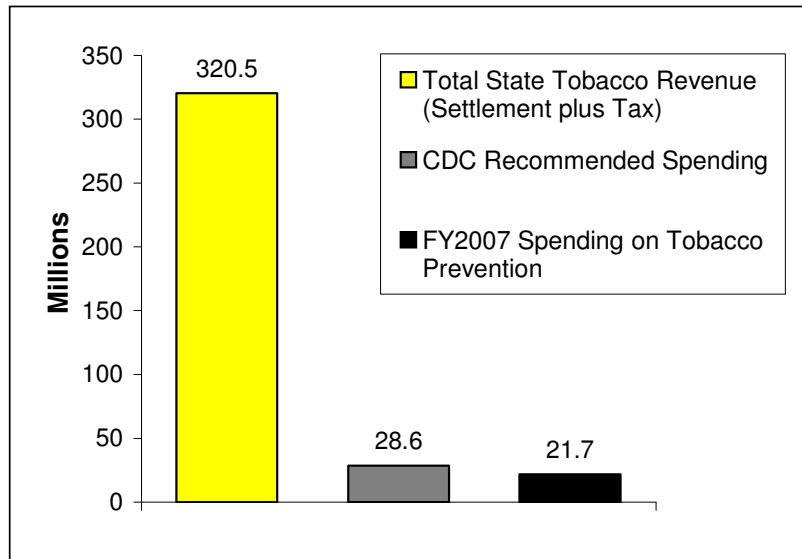
scholarships and tuition support, life sciences research, Medicaid, and a Senior Prescription Drug Program.

Also in 2004 the Legislature passed and Governor Jennifer Granholm (D) signed a 75-cent increase in the cigarette excise tax, bringing the total tax to \$2.00. Governor Granholm pushed to dedicate \$30 million of the new revenue to health prevention programs, including tobacco control. Republican legislative leaders blocked this effort. The tobacco tax bill also included new and extensive funding mandates that further limited the ability of the Michigan Department of Community Health to pursue effective tobacco prevention programming.

Minnesota

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
11 th	\$21.7 Million (75.8%)	9 th	22.1 Million (65.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Minnesota spend between \$28.6 million and \$74.0 million a year to have an effective, comprehensive tobacco prevention program. Minnesota currently spends \$21.7 million a year for tobacco prevention. This is 75.8% of the CDC's minimum recommendation and ranks Minnesota 11th among the states in the funding of tobacco prevention programs. Minnesota in 2005 increased its cigarette tax by 75 cents to \$1.23 per pack so its current spending on tobacco prevention amounts to 3.5% of the \$320.5 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. The settlement also established a new non-profit foundation, ClearWay MinnesotaSM (formerly known as the Minnesota Partnership for Action Against Tobacco or MPAAT), which is receiving \$202 million over ten years to fund tobacco cessation and research efforts. The Legislature has final approval in allocating all settlement money other than the ClearWay MinnesotaSM funds.

Current Status: While net spending on tobacco control did increase in FY2007, 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. 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 FY2007, Minnesota will spend \$21.7 million in state settlement funds on tobacco prevention. This includes \$18.4 million in expenditures approved for FY2007 by the ClearWay Minnesota Board of Directors and \$3.3 million in the state's FY2007 budget for tobacco programs run by the State Department of Health (DOH).

Also in 2006, BCBS of Minnesota announced the launch of a comprehensive, ten-year program to improve the health of Minnesotans, including important programs to reduce tobacco use, funded with more than \$240 million in settlement funds. The BCBS health prevention initiative includes funding for

CDC-recommended tobacco prevention and cessation programs such as school and community programs, advertising and programs to help smokers quit. 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 are pursued in aggressive and innovative ways, while others, like youth prevention, are not addressed at all. The addition this year 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 million was dedicated to the Tobacco Prevention and Public Health Endowment and approximately \$378 million was dedicated to the Medical Education and Research Endowment.

In 2003, Governor Pawlenty and the Legislature squandered the tobacco prevention trust fund. They 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, including Target Market, were eliminated along with the trust fund that provided their funding.

In 2004, the Senate initially proposed \$19.5 million in state funding for tobacco prevention, with \$12 million coming from a proposed \$1 cigarette tax increase. However, the cigarette tax increase was defeated due to opposition from Governor Pawlenty and the House Majority Caucus. 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.

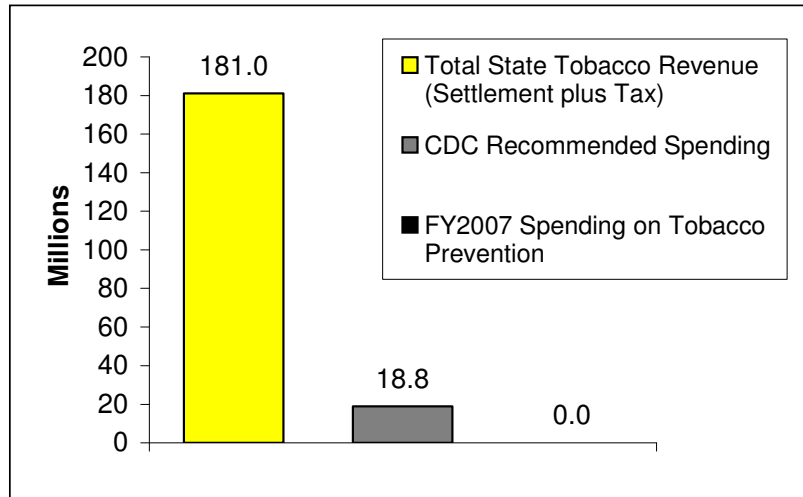
In 2005, with leadership from Governor Pawlenty, the Legislature approved increasing the taxes and fees the state imposes on cigarettes by 75 cents, to \$1.23 per pack, and doubling the excise tax on other tobacco products.

In FY2006, Minnesota spent \$22.1 million in state settlement funds on tobacco prevention. This included \$18.9 million in expenditures approved for FY2006 by the ClearWay Minnesota Board of Directors and \$3.3 million in the state's FY2006 budget for tobacco programs run by the State Department of Health (DOH).

Mississippi

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51 st	\$0.0 (0.0%)	4 th	\$20.0 Million (106.4%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Mississippi spend between \$18.8 million and \$46.8 million a year to have an effective, comprehensive tobacco prevention program. Mississippi currently allocates none of its tobacco settlement dollars or tobacco tax revenue for tobacco prevention. This ranks Mississippi last among the states in the funding of tobacco prevention programs. Mississippi collects \$181 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 have been 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 is deposited into a Health Care Trust Fund, with interest available for expenditure only for health care purposes. To date, the Mississippi Legislature has allocated nearly \$1 billion from the Health Care Trust Fund to Medicaid-related services in Mississippi.

Mississippi's tobacco prevention program, run by the Partnership for a Healthy Mississippi, has been 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). Due to the impact of Hurricane Katrina on the school system, a 2005 survey was not fielded. The Partnership has followed CDC guidelines for a comprehensive tobacco prevention and cessation program that included anti-tobacco advertising, a faith-based initiative, school and community programs, help for smokers who want to quit, and enforcement of laws against tobacco sales to minors. The Partnership had established programs in each of Mississippi's 82 counties, including education programs with school nurses and programs with law enforcement agencies to prevent illegal tobacco sales to kids. Mississippi has also excelled at keeping tobacco sales to minors low.

Despite the program's success, Governor Haley Barbour, 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. An appeal is pending before the Mississippi Supreme Court. In a subsequent motion, the Governor and State Treasurer requested that any funds remaining in The Partnership's possession that came from annual tobacco settlement payments be frozen until the Mississippi Supreme Court rules in the case. The Supreme Court granted that motion, jeopardizing the organization's existence.

As a result, tobacco prevention programs in Mississippi have 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. Its remaining programs remain in peril until a further ruling by the court system.

The lawsuit contends that the tobacco settlement funds are subject to exclusive control by the Mississippi 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.

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.

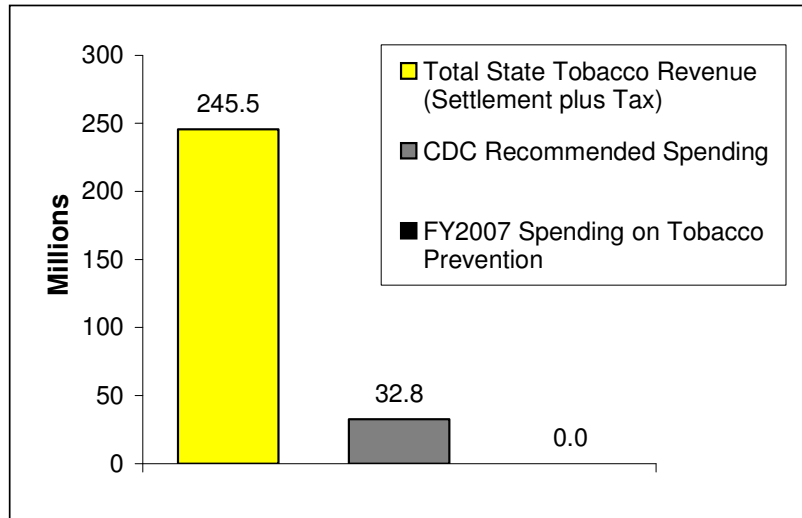
The Partnership for a Healthy Mississippi was formed to plan and implement the state's two-year pilot tobacco prevention program. The pilot was fully launched in 1999 with a two-year allocation of \$62 million. Based on the results of the 2000 Youth Tobacco Survey, which showed a positive impact by the pilot program, then Attorney General Mike Moore petitioned the legislative leadership for continued funding of the comprehensive programs. Based on their direction, the Attorney General presented these findings to the Jackson County Chancery Court in December 2000 and requested that the program be extended in perpetuity through funds from the state's tobacco settlement. The court reviewed The Partnership's program set-up, processes, budget, audit and impact, and agreed to extend in funding for these prevention programs.

In 1999, the Legislature passed and then-Governor Kirk Fordice signed a law which placed all settlement payments, other than those set aside for the tobacco prevention programs as mandated by the terms of Mississippi's settlement agreement, in a Health Care Trust Fund. The law protected most of the principal of the Trust Fund for investment. The law also set aside a specific amount each year from the interest generated for appropriation by the Legislature for health care purposes. Various amendments have been passed by the Legislature changing the terms of that 1999 law, including appropriating incoming payments and monies from the Health Care Trust Fund for immediate expenditure. However, no legislation has overturned the statute that recognizes the court's authority to direct funding to The Partnership for a Healthy Mississippi.

Missouri

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51 st	\$0.0 (0.0%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Missouri spend between \$32.8 million and \$91.4 million a year to have an effective, comprehensive tobacco prevention program. Missouri currently allocates no funds for tobacco prevention. This ranks Missouri last among the states in the funding of tobacco prevention programs. Missouri receives \$245.5 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 \$244.7 million in tobacco taxes and tobacco settlement revenue this year, Missouri is once again spending nothing on tobacco prevention. The annual settlement payment in FY2007 went to the general fund with a portion dedicated to life science research.

On November 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 last in the nation in funding tobacco prevention and cessation programs.

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

In FY2003 through FY2005, Missouri appropriated no funding for tobacco prevention. As a result of these actions, Missouri to date has spent none of its tobacco settlement funds on 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.

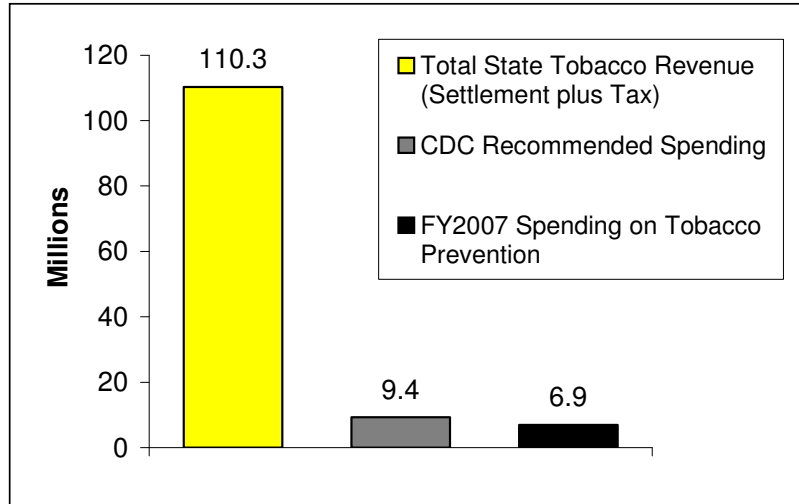
Both the FY2005 and FY 2006 annual settlement payments went to the state's general fund with a portion specifically dedicated to life science research.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
12 th	\$6.9 Million (73.7%)	11 th	\$6.8 Million (72.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Montana spend between \$9.4 million and \$19.7 million a year to have an effective, comprehensive tobacco prevention program. Montana currently allocates \$6.9 million a year for tobacco prevention. This is 73.7% of the CDC's minimum recommendation and ranks Montana 12th among the states in the funding of tobacco prevention programs. Montana's spending on tobacco prevention amounts to 6.3% of the \$110.3 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: For FY2007, the Legislature and Governor Brian Schweitzer (D) allocated \$6.9 million for the state's tobacco prevention program, a slight increase from the \$6.8 million allocated in FY2006.

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

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 FY04 and FY05 down to \$2.5 million.

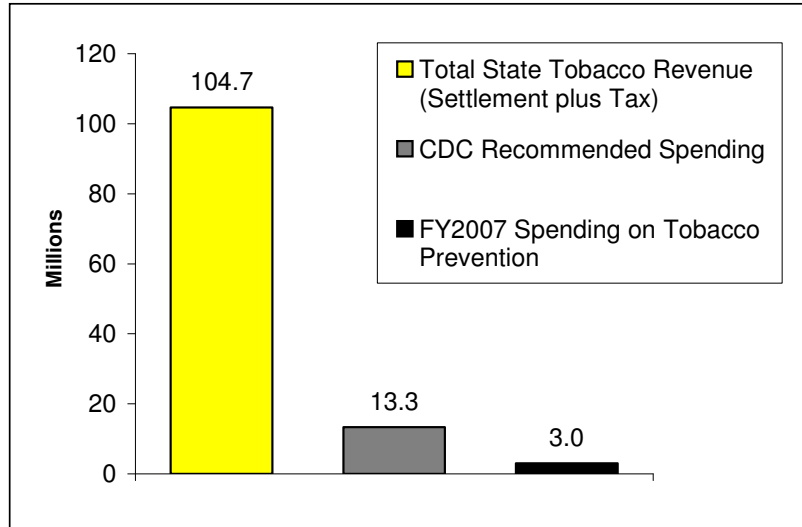
In November 2004, Montana voters by a 65 percent to 35 percent margin approved a \$1 increase in the state cigarette tax to \$1.70 per pack. The revenue generated by the initiative was earmarked for various health programs. The higher cigarette tax provided Montana with more tobacco-generated revenue 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 FY06 and FY07 budgets. This increased funding for tobacco prevention by 45 percent compared to FY04 and FY05.

Nebraska

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
32 nd	\$3.0 Million (22.5%)	32 nd	\$3.0 Million (22.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nebraska spend between \$13.3 million and \$31 million a year to have an effective, comprehensive tobacco prevention program. Nebraska currently allocates \$3 million a year for tobacco prevention. This is 22.5% of the CDC's minimum recommendation and ranks Nebraska 32nd among the states in the funding of tobacco prevention programs. Nebraska's spending on tobacco prevention amounts to 2.9% of the \$104.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: For FY2007, Nebraska is funding its tobacco prevention program at \$3 million, the same amount as in FY2006. However, funding for the once-promising program remains substantially below the \$7 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 allocated \$7 million a year in settlement funds through FY2003 for tobacco prevention and cessation programs. This money was to be spent on a comprehensive, statewide, CDC-based program. This program was launched in 2001, including a counter-marketing media campaign, statewide quit line, and youth-based program.

The remainder of Nebraska's settlement funds is deposited into a Tobacco Settlement Trust Fund. A combination of interest and principal from the fund is transferred annually to the Health Care Cash Fund. In 2001, the Legislature passed legislation to allocate Cash Fund proceeds to the following programs:

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

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

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

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.

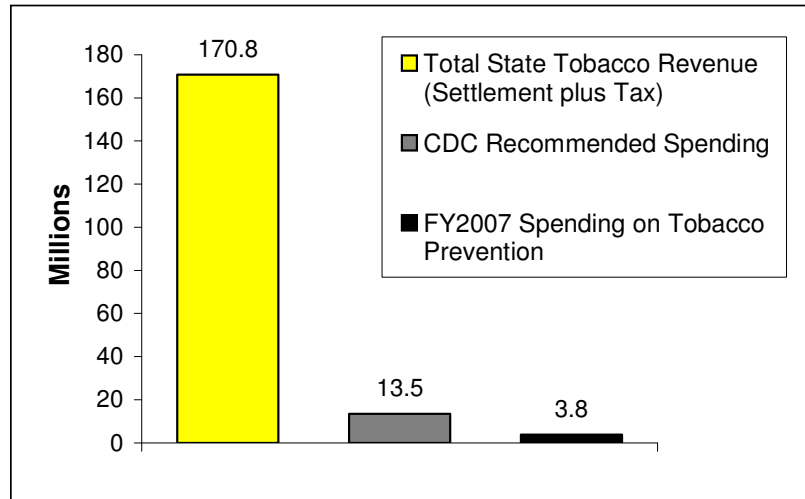
As a result of a cigarette tax increase that took effect October 1, 2002, Nebraska is receiving more tobacco-generated revenue than ever before. The new tax raised the state cigarette tax by 30 cents to 64 cents per pack, but none of these funds were earmarked for tobacco prevention.

For FY2006, Nebraska funded its tobacco prevention program at \$3 million, a slight increase of \$90,000 in FY2005.

Nevada

2007 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2007 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
29 th	\$3.8 Million (28.2%)	26 th	\$4.2 Million (31.2%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Nevada spend between \$13.5 million and \$33 million a year to have an effective, comprehensive tobacco prevention program. Nevada currently allocates \$3.8 million a year for tobacco prevention. This is 28.2% of the CDC's minimum recommendation and ranks Nevada 29th among the states in the funding of tobacco prevention programs. Nevada's spending on tobacco prevention amounts to 2.2% of the \$170.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2006-07 biennial budget approved by the Legislature and signed into law by Governor Kenny Guinn (R) allocated \$4.2 million a year for tobacco prevention. However, Nevada's program is funded entirely through settlement payments and funding levels may change if the actual settlement payments are different than projected. In FY2007, \$3.8 million was available for tobacco prevention, \$400,000 less than in FY2006.

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

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

The bulk of the remaining tobacco settlement funds available for expenditure were appropriated to college scholarships from the Millennium Trust Fund. Any 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 ten years.

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

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

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

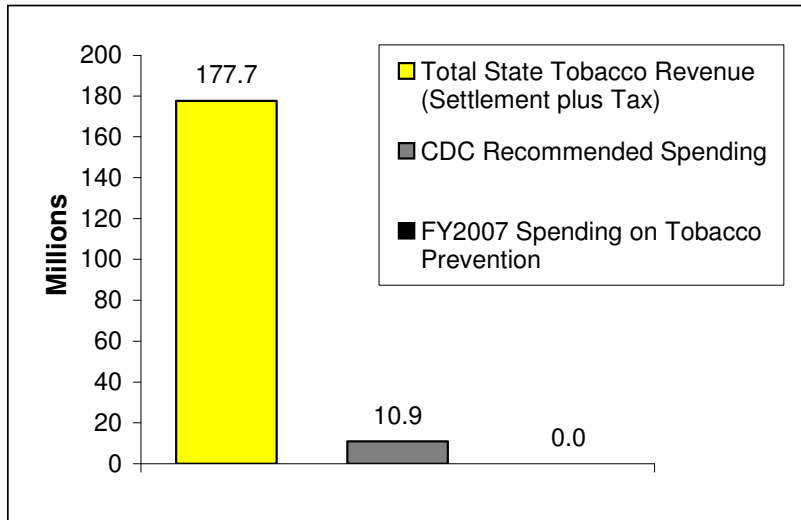
The FY2002-03 biennial budget approved by the Legislature and signed into law by Governor Guinn increased funding for tobacco prevention to \$4.28 million annually from \$3.03 million in FY2001.

The FY2004-05 biennial budget allocated \$4.6 million a year for tobacco prevention. Based on actual settlement payments, the annual budget for tobacco prevention was modified to \$4.4 million.

New Hampshire

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
51 st	\$0.0 (0.0%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Hampshire spend between \$10.9 million and \$24.8 million a year to have an effective, comprehensive tobacco prevention program. New Hampshire currently spends no money on tobacco prevention, which ranks New Hampshire last among the states in the funding of tobacco prevention programs. New Hampshire is spending no money on tobacco prevention despite the \$177.7 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2006-2007 biennial budget passed by the Legislature and signed by Governor John Lynch (D) appropriated no money for tobacco prevention. The FY2004-2005 budget eliminated a settlement-funded Tobacco Prevention Fund that had funded the state's tobacco prevention and control program at \$3.0 million a year in FY2002-2003 and redirected the funds to the state's general fund to address a budget shortfall. All of New Hampshire's remaining tobacco settlement payments (\$43.0 million annually) were directed to an Education Trust Fund. New Hampshire continues to provide no funding for tobacco prevention despite the fact that the state is receiving more tobacco-generated revenue than ever before as a result of a cigarette tax increase that took effect July 1, 2005, increasing the state cigarette tax by 28 cents to 80 cents per pack.

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

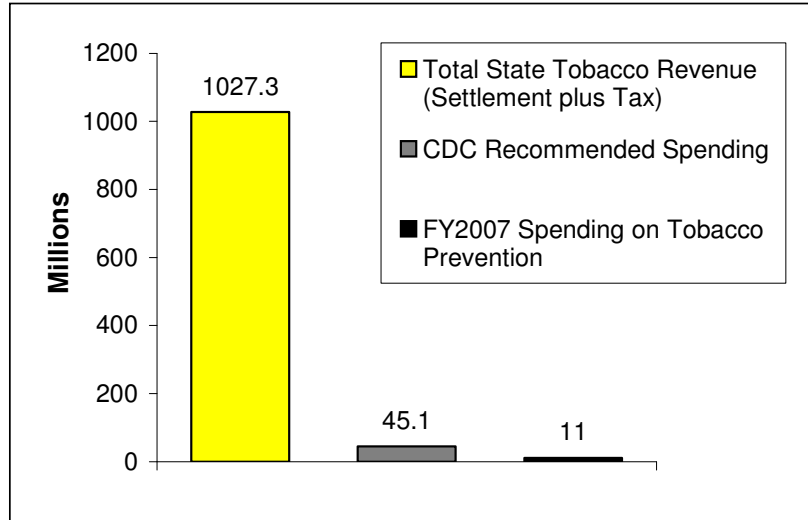
In April 2000, the Legislature appropriated \$2.85 million for a tobacco prevention and cessation program in FY2001 and designated the DHHS to administer the program's funds. Other legislation provided an additional \$150,000 for a smoking cessation voucher program for families getting state assistance.

In June 2001, the FY2002-03 budget bill was passed by the Legislature and signed into law by Governor Shaheen. The bill continued the allocation priorities of the previous budget, directing most of the state's settlement payments into the Education Trust Fund and appropriating \$3 million for tobacco prevention. However, \$1.5 million of the \$3 million allocated for tobacco prevention went unspent in FY2002 and was subsequently taken back by the Legislature, resulting in a 50 percent reduction in funding for tobacco prevention and cessation programs in FY2002.

New Jersey

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
30 th	\$11 Million (24.4%)	31 st	\$11.5 Million (25.5%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Jersey spend between \$45.1 million and \$121.3 million a year to have an effective, comprehensive tobacco prevention program. New Jersey currently allocates \$11 million a year for tobacco prevention. This is 24.4% of the CDC's minimum recommendation and ranks New Jersey 30th among the states in the funding of tobacco prevention programs. New Jersey's spending on tobacco prevention amounts to 1.1% of the \$1 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor John Corzine (D) appropriated \$11 million to the state's tobacco prevention and cessation program, nearly the same as was appropriated in FY2006. The program budget was able to remain constant despite a large budget deficit and major differences between the legislature and the Governor which caused the state to shut down for five days in July.

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

As it considers future funding for tobacco prevention, 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: The FY2000 budget enacted by the Legislature and signed by then-Governor Christine Todd Whitman (R) in 1999 allocated 20%, or \$18.6 million, of the state's \$92.8 million

initial tobacco settlement payment for tobacco prevention. The New Jersey Department of Health began implementing the program on July 1, 2000.

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

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

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

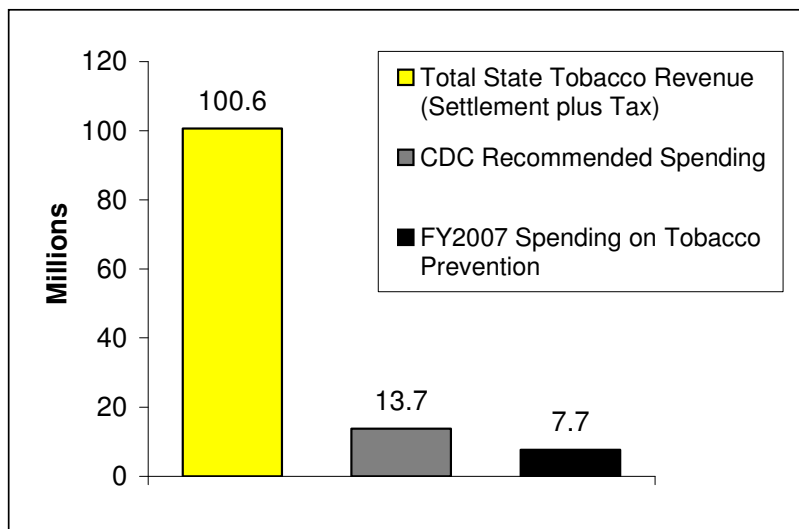
The FY2005 budget approved by the Legislature and signed by Governor McGreevey appropriated \$11 million to the state's tobacco prevention and cessation program.

The FY2006 budget approved by the Legislature and signed by Governor Richard Codey (D) appropriated \$11.5 million to the state's tobacco prevention and cessation program, a small increase over FY2005 funding.

New Mexico

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
16 th	\$7.7 Million (56.2%)	19 th	\$6.0 Million (43.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New Mexico spend between \$13.7 million and \$31.9 million a year to have an effective, comprehensive tobacco prevention program. New Mexico currently allocates \$7.7 million a year for tobacco prevention. This is 56.2% of the CDC's minimum recommendation and ranks New Mexico 16th among the states in the funding of tobacco prevention programs. New Mexico's spending on tobacco prevention amounts to 7.7% of the \$100.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: New Mexico's tobacco settlement funds are governed by a 2000 law passed by the Legislature and signed by then-Governor Gary E. Johnson (R) that placed 50 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 FY2007 budget approved by the Legislature and signed by Governor Bill Richardson (D) appropriated \$7.7 million from the tobacco settlement program fund for comprehensive tobacco control programs, an increase in spending of \$1.7 million from FY2006. The increase includes a first-time, \$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.

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

Funding for tobacco prevention was increased to \$5 million a year in FY2002, FY2003, and FY2004.

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.

The FY2005 Legislature appropriated \$6 million for tobacco prevention, but the Department of Health diverted \$1 million to the Behavioral Health Services Division for general substance abuse prevention programs. New Mexico is currently in the sixth year of implementing its tobacco prevention and cessation program.

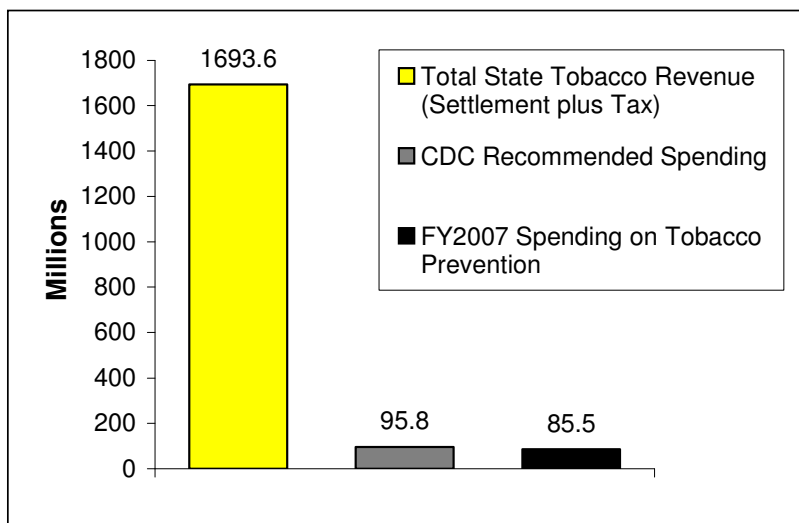
The FY2006 budget approved by the Legislature and signed by Governor Richardson appropriated \$6 million for comprehensive tobacco control programs, an increase of \$1 million from FY2005.

Also in 2006, New Mexico passed additional legislation for FY2007 that reduces the tax-stamping volume discount back to pre-2003 levels (prior to its 350% 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
5 th	\$85.5 Million (89.2%)	18 th	\$43.4 Million (45.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of New York spend between \$95.8 million and \$269.3 million a year to have an effective, comprehensive tobacco prevention program. New York currently allocates \$85.5 million a year for tobacco prevention. This is 89.2% of the CDC's minimum recommendation and ranks New York 5th among the states in funding of tobacco prevention programs. New York's spending on tobacco prevention amounts to 5% 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. The budget adopted by New York City allocated \$3.7 million for tobacco prevention and cessation programming.

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

The FY2007 budget approved by the Legislature and signed by Governor George Pataki (R) nearly doubled funding for the state's tobacco prevention and cessation program, bringing the total program budget to \$85.5 million.

The remainder of New York's FY2007 settlement funds is used to fund programs to expand access to health care for children, low-income working adults, seniors and the disabled.

New York's program has been very successful. The state tobacco control program has documented that adult and youth smoking rates are falling significantly faster compared to the

country as a whole. Between 1999 and 2005, smoking among high school students declined by 40 percent, from 27.4 percent to 16.2 percent. Between 2001 and 2004, adult smoking declined by 15 percent, moving New York's smoking rate from the 26th highest in the nation to the 13th highest in the nation.

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

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

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.

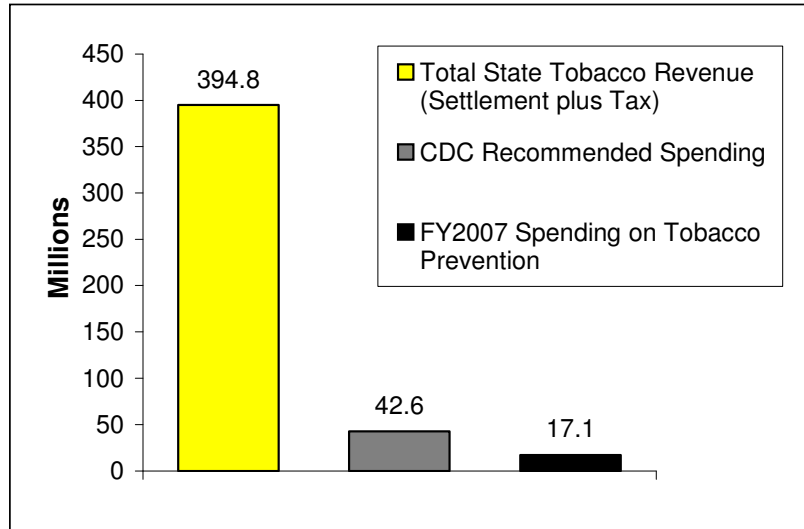
In December 2002, Governor Pataki proposed securitizing, or selling to investors, about half of New York's future tobacco settlement payments to investors for a much smaller, up-front payment. Under a plan organized by the New York State Association of Counties, 29 of 58 counties have securitized future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

The FY2004 budget appropriated \$37 million to the state's tobacco prevention and cessation program, a 7.5% decrease in funding from FY2003. The tobacco prevention and cessation program's budget was \$39.5 million in FY2005 and \$43.4 million in FY2006.

North Carolina

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
21 st	\$17.1 Million (40.2%)	23 rd	\$15.0 Million (35.2%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Carolina spend between \$42.6 million and \$118.6 million to have an effective, comprehensive tobacco prevention program. North Carolina currently allocates \$17.1 million a year for tobacco prevention. This is 40.2% of the CDC's minimum recommendation and ranks North Carolina 21st among the states in the funding of tobacco prevention programs. North Carolina spending on tobacco prevention amounts to 4.3% of the \$394.8 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% of the funds for assistance to tobacco-dependent communities. The Tobacco Trust Fund receives 25% for direct aid to tobacco farmers, quota holders, tobacco manufacturing workers and tobacco-related businesses (this is in addition to the Phase 2 payments to farmers). The remaining 25% of the funds are placed in a Health and Wellness Trust Fund (HWTF), which is administered by the North Carolina Health and Wellness Trust Fund Commission. The HWTF will spend \$17.1 million in the current budget year on prevention programs aimed at youth.

During the 2005 legislative session, the legislature passed and Governor Mike Easley signed a 25-cent increase in the state's cigarette excise tax. The first phase of the tax increase went into effect September 2005 and the second phase went into effect July 2006, bringing the total tax to 35 cents a pack. This makes North Carolina cigarette tax the second highest among the tobacco states and will help reduce youth smoking rates as well as provide much needed revenue to the state.

Both the Tobacco Trust Fund and the Health and Wellness Trust Fund were scheduled to receive \$39 million in FY2004. However, the Legislature and Governor Mike Easley (D) enacted legislation to transfer \$20 million from the Tobacco Trust Fund and \$25 million from the Health and Wellness Trust Fund in FY2004 to help address a state revenue shortfall. These same amounts were deducted in FY2005 as well.

Despite cuts to its funding in recent years, the Health and Wellness Trust Fund Commission in May 2002 approved a plan allocating \$6.2 million a year for tobacco prevention over the next three years. In February 2004, the Commission allocated an additional \$13.5 million over two years for tobacco

prevention, bringing North Carolina's investment in tobacco prevention to \$10.9 million in FY2004 and \$15.0 million in FY2005. This increase allowed the Commission to increase the number of grants to state and local organizations. The Commission will also spend \$15 million in FY 2006.

Before 2002, North Carolina provided no funding for tobacco prevention. The Health and Wellness Trust Fund has also allocated settlement money for obesity prevention and prescription drug assistance for the elderly.

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

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

In 2001, the Legislature and Governor Easley named a Health and Wellness Trust Fund Commission to decide how to allocate that fund's proceeds. In December 2001 the Commission, chaired by Lt. Governor Beverly Purdue (D), voted to allocate \$35 million annually for three years to a prescription drug cost assistance program for seniors and the disabled, called Senior Care. Subsequently, the budget for this program was reduced to a total of \$76 million over the three-year life of the program.

The Tobacco Trust Fund monies have been allocated for two purposes. \$30 million has been spent to cost-share the retrofitting of tobacco barns as required by the tobacco manufacturers. An additional \$2 million was spent on two pilot burley tobacco-marketing centers. The Golden LEAF Foundation has awarded grants for a variety of programs including: education, job training and employment assistance, scientific research, economic hardship assistance, public works, industrial development recruitment, health and human services, and community assistance.

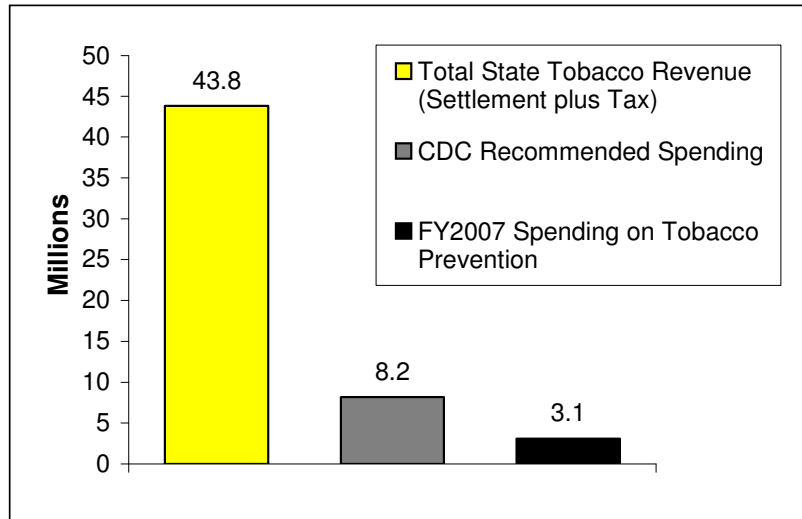
In April 2002, Governor Easley diverted \$60 million in settlement payments to help address the state's budget crisis. \$30 million was destined for the Health and Wellness Trust Fund and another \$30 million was to go to the Tobacco Trust Fund. The General Assembly in its FY2003 budget bill diverted an additional \$80 million from the January 2003 and April 2003 settlement payments, taking half (\$40 million) from the Health and Wellness Trust Fund and the other half from the Tobacco Trust Fund. The General Assembly diverted another \$25 million from the Health and Wellness Trust Fund in 2004, and its 2005 budget bill will do the same. The total amount of these funded diversions is nearly \$123 million. In addition, the General Assembly enacted a measure that places half of the cost of construction for a variety of university facilities upon the Health and Wellness Trust Fund. The long-term transfer is projected to total over \$350 million.

** North 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 \$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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
23 rd	\$3.1 Million (38.0%)	22 nd	\$3.1 Million (38.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of North Dakota spend between \$8.2 million and \$16.6 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 38.0% of the CDC's minimum recommendation and ranks North Dakota 23rd among the states in the funding of tobacco prevention programs. North Dakota's spending on tobacco prevention amounts to 7.1% of the \$43.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: North Dakota's tobacco settlement payments are governed by a 1999 law that placed 45 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 FY2006-07 biennial budget passed by the Legislature and signed by Governor John Hoeven (R) appropriated \$3.1 million per year for tobacco prevention, the same amount as FY2004-05. The North Dakota legislature is only in session every two years and was not in session in 2006.

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. The funds for school and community prevention programs 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 eleven member committee to advise the department of health 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 increase from no funding in the previous biennial budget.

The FY2003-04 budget appropriated an additional \$250,000 allocation to be used for state employee cessation program and \$680,000 for a statewide quitline.

The FY2004-05 biennial budget passed by the Legislature and signed by Governor Hoeven appropriated \$3.1 million per year for tobacco prevention.

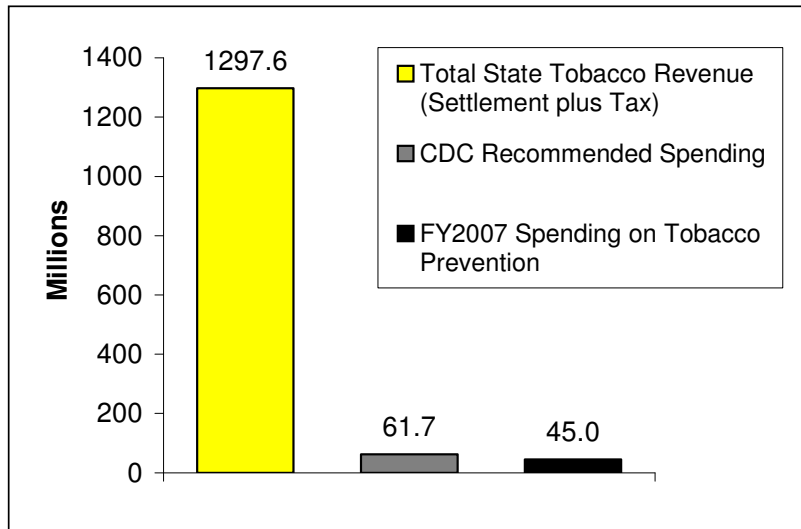
While the funds appropriated for tobacco prevention and cessation are not adequate to fund a comprehensive approach, they have contributed to significant declines in the youth smoking rates and a steady decline in the adult smoking rates.

Ohio

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
13 th	\$45.0 Million (72.9%)	10 th	\$47.2 Million (76.4%)

Comment [MSOffice1]: Should this include CDC, ODH, TFK, ACS and other spending? This \$45 million is only MSA through OTPF.

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Ohio spend between \$61.7 million and \$173.7 million a year to have an effective, comprehensive tobacco prevention program. Ohio currently allocates \$45 million a year for tobacco prevention and cessation. This is 72.9% of the CDC's minimum recommendation and ranks Ohio 13th among the states in the funding of tobacco prevention programs. Ohio's spending on tobacco prevention amounts to 3.5% of the \$1.3 billion in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Comment [MSOffice2]: This comparison isn't very relevant since our funding is decided by our Board and comes from our investment income and principal and not as an annual appropriation from the legislature.

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.

Comment [MSOffice3]: FY02 through FY06 is correct because the Foundation was not scheduled to receive any payments from FY07 through FY11 in our creating legislation.

The FY2007 budget approved by OTPF's Board provides \$45 million for the Foundation's programming, down from \$47.2 million in FY2006. The board is committed to sustaining the program for a minimum of ten years.

Background: During the first four years of its existence, the Ohio Tobacco Prevention Foundation (OTPF) has become a national leader in innovative and effective tobacco control programming. OTPF programs are preventing Ohio youth from starting to use tobacco, helping Ohio citizens quit smoking and protecting 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 has also 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 was also 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 called **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. Another nearly 60,000 youth actively participate as registered users on standonline.org, the campaign's website.

The **stand** campaign has led to reductions in youth smoking. A 2006 study found that Ohio youth aged 15 to 17 who were aware of **stand** when first surveyed were 75% less likely to have tried smoking nearly two years later than those who were not aware of **stand**.

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 (1-800-QUIT-NOW): OTPF launched the Ohio Tobacco Quit Line (1-800-QUIT-NOW) 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 provided over the telephone by highly trained counselors. Since launch, more than 82,000 Ohioans have called the Quit Line service. Ohio has generated nearly half of the more than 200,000 calls to the national 1-800-QUIT-NOW number.

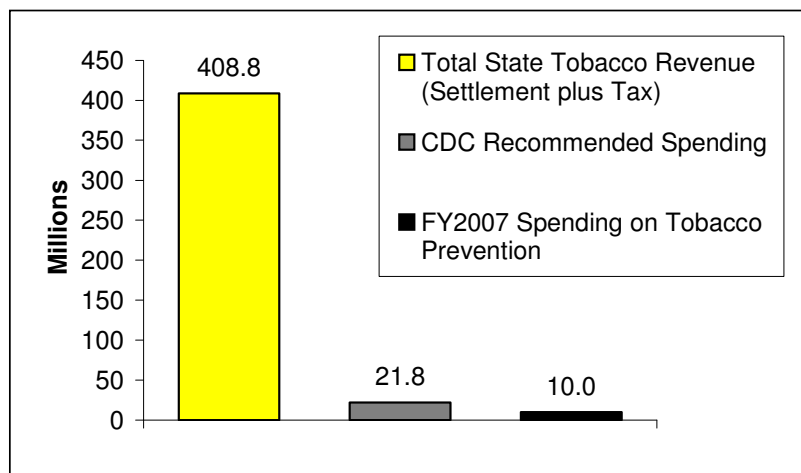
As a result of the Quit Line program, six-month quit rates among Ohioans are at 42 percent. To serve Ohioans who are uninsured, OTPF launched a program in 2006 to offer reduced cost nicotine patches to enrollees in the Quit Line without healthcare insurance.

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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
20 th	\$10 Million (45.8%)	21 st	\$8.9 Million (40.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oklahoma spend between \$21.8 million and \$56.3 million a year to have an effective, comprehensive tobacco prevention program. Oklahoma currently allocates \$10 million a year for tobacco prevention. This is 45.8% of the CDC's minimum recommendation and ranks Oklahoma 20th among the states in the funding of tobacco prevention programs. Oklahoma's spending on tobacco prevention amounts to 2.4% of the \$408.8 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 be going into the trust fund. The Trust Fund's Board of Directors decides how to allocate Trust Fund earnings. The Legislature makes appropriation decisions for the remaining settlement funds.

For FY2007, Oklahoma allocated a total of \$10 million available for tobacco control: \$7.4 appropriated by the Board of the Trust Fund, \$1.4 million appropriated by the legislature and \$1.2 million in revenue from a 2005 voter-passed ballot measure. A total of \$3 million will be used to fund a Quit Line. Other tobacco settlement funds not placed in the endowment were appropriated to health and human services, Medicaid, and mental health programs.

In November 2004, Oklahoma voters passed a ballot initiative that increases the tobacco tax by 80-cents per pack, which brings the total tax to \$1.03 per pack. This puts Oklahoma ahead of the national average. The tax increase went into effect January 2005, and generated \$1.2 million for tobacco prevention and cessation. Other revenue generated from the tobacco tax increase will be used to fund other health care efforts.

Background: In 2000, the Legislature passed and Governor Frank Keating (R) signed the Oklahoma 2001 Healthcare Initiative, which provided \$259.9 million to increase funding for

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

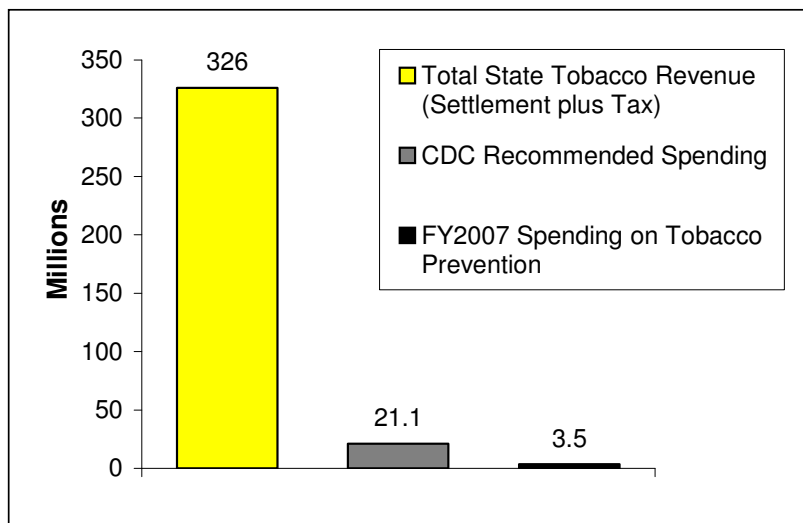
The interest generated from the endowment can be spent on the following programs: research on cancer and other tobacco-related diseases; tobacco prevention and cessation programs; healthcare programs with an emphasis on children; programs designed to enhance the well-being of senior citizens; and a variety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

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

Oregon

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
33 rd	\$3.5 Million (16.3%)	35 th	\$3.5 Million (16.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Oregon spend between \$21.1 million and \$52.8 million a year to have an effective, comprehensive tobacco prevention program. Oregon currently allocates \$3.5 million a year for tobacco prevention. This is 16.3% of the CDC's minimum recommendation and ranks Oregon 33rd among the states in the funding of tobacco prevention programs. Oregon's spending on tobacco prevention amounts to 1.1% of the \$326 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. At the start of the 2005 Legislature, Governor Ted Kulongoski's (D) 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 to tobacco prevention and cessation. Actual spending differs within years in a biennium based on normal program spending fluctuation.

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 began with legislation introduced by the Republican Senate and House leadership and placed settlement funds into a trust fund for various purposes. This measure was defeated by 57-43 percent. Since neither measure passed, the decision on how to appropriate the tobacco settlement funds reverted back to the Legislature.

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

The initial 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 cut \$4.04 million from the tobacco prevention budget. Because the cut came so late in the biennium, it necessitated a program shutdown.

Lawmakers also issued general obligation bonds to fill budget deficits. While not technically backed by the tobacco settlement, legislative intent directs the bonds to be repaid through tobacco settlement funds.

The FY2003-2005 biennial budget approved by the Legislature and signed by Governor Ted Kulongoski in 2003 allocated \$5.7 million, or about \$2.9 million a year, for tobacco prevention. This represents a cut of about 74 percent from the 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.

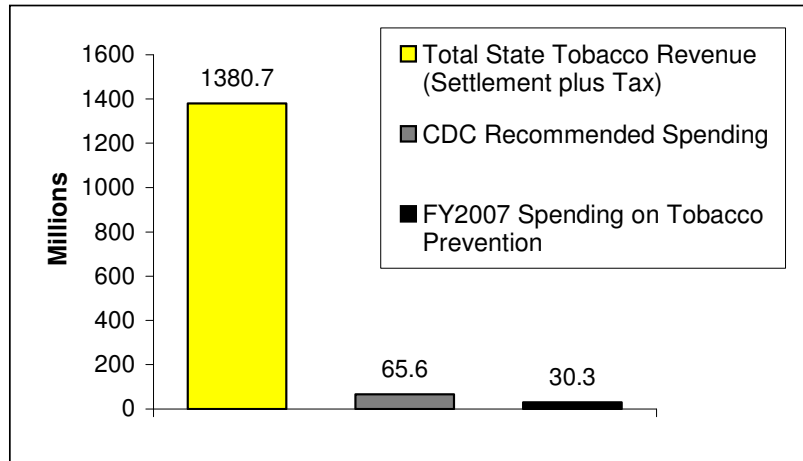
Oregon began its Tobacco Prevention and Education Program in 1997 funded by a voter-approved tobacco excise tax. Per capita cigarette consumption in Oregon declined by 42 percent since the program began in 1996. Between 1996 and 2004, smoking declined by 51 percent among Oregon eighth graders and by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

Despite this success, the program was suspended in the spring of 2003 for the remainder of the fiscal year as the legislators, desperate to balance the budget without raising taxes, reallocated the program's funds to fill budget gaps. The suspension of the program led to the closure of the state's Quit Line, school programs, and counter-marketing efforts, and the lay-off of more than 70 community and state jobs dedicated to tobacco prevention. In the final days of its session, the Legislature voted to reinstate the program and allocated \$5.7 million for the FY2003-2005 biennial budget. The program became operational again in September, 2004.

Pennsylvania

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
19 th	\$30.3 Million (46.2)	15 th	\$32.9 Million (50.2%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Pennsylvania spend between \$65.6 million and \$184.8 million a year to have an effective, comprehensive tobacco prevention program. Pennsylvania currently spends \$30.3 million a year for tobacco prevention. This is 46.2% of the CDC's minimum recommendation and ranks Pennsylvania 19th among the states in the funding of tobacco prevention programs. Pennsylvania's spending on tobacco prevention amounts to 2.2% of the \$1.4 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 FY2007 budget submitted by Governor Edward Rendell (D) and approved by the Legislature allocated \$30.3 million for tobacco prevention. This is a \$12.6 million decrease from the initial \$42.9 million approved in the Governor's budget in FY2006. However, in FY 2006, 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.

Background: In January 2000, then-Governor Tom Ridge (R) proposed a plan for spending the settlement entirely on health related programs, with 15 percent for tobacco prevention and cessation programs. House Speaker Matthew Ryan (R) endorsed the Governor's plan, but the Legislature did not take any final action. House Democrats introduced a plan to use \$91.8 million of the settlement funds for an expanded prescription drug program for seniors, but did not include any funding for tobacco prevention. The Senate Republican Working Group, a six-member task force charged with developing a Senate GOP spending plan for the tobacco settlement funds, did not reach any agreement.

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

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

The law also created an Advisory Board to 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 \$52.6 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.

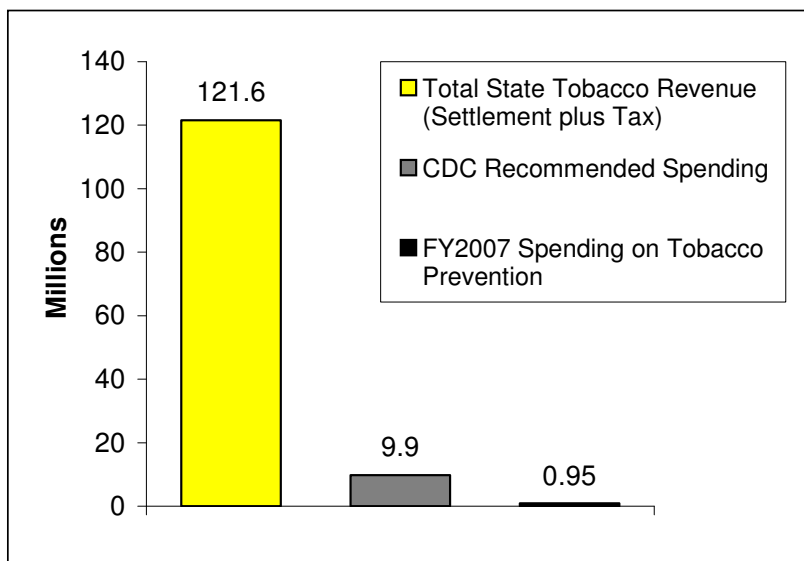
Also in 2004, Pennsylvania increased its cigarette tax by 35-cents per pack, bringing the total tax to \$1.35 per pack. This increase, combined with a July 15, 2002 increase of 69 cents per pack provided Pennsylvania with more tobacco-generated revenue than ever before.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
35 th	\$950,000 (9.6%)	33 rd	\$2.1 Million (21.2%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Rhode Island spend between \$9.9 million and \$21.9 million a year to have an effective, comprehensive tobacco prevention program. Rhode Island currently allocates \$950,000 a year for tobacco prevention. This is 9.6% of the CDC's minimum recommendation and ranks Rhode Island 35th among the states in the funding of tobacco prevention programs. Rhode Island's spending on tobacco prevention amounts to 0.8% of the \$121.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor Donald Carcieri (R) cut funding for the state's tobacco prevention program in half, from \$2.1 million in FY2006 to \$950,000 in FY2007. Funding for the tobacco prevention program has been cut every year since FY2003.

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: Rhode Island appropriated \$1 million in FY2000, \$2.3 million in FY2001, \$3.1 million in FY2002, \$2.8 million in FY2003, \$2.7 million in FY2004, and \$2.5 million in FY2005 for tobacco prevention.

The FY2006 budget approved by the Legislature and signed by Governor Donald Carcieri (R) appropriated \$2.1 million to the state's tobacco prevention program, a decrease from FY2005 funding. The funding cut was a result of the Governor's mandate for budget cuts in the Department of Health. The state's Director of Health requested the tobacco prevention program cut its media component by \$500,000, but the state legislature reduced the amount of the cut to \$300,000.

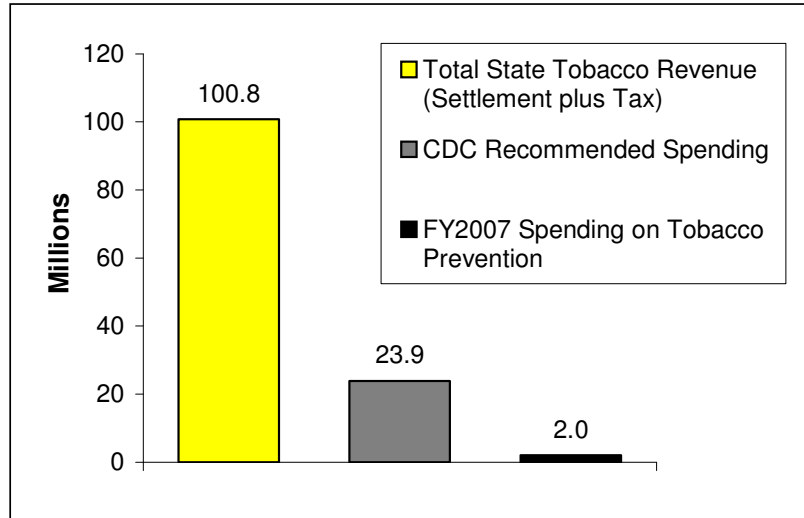
In 2002, the Legislature and the Governor approved a plan to sell, or securitize, the state's rights to \$1.19 billion in future tobacco settlement payments, for a smaller, one-time payment of \$600 million. The funds were used to address budget shortfalls and pay capital and operating expenses in FY2002-FY2004.

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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
38 th	\$2 Million (8.4%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Carolina spend between \$23.9 million and \$62 million a year to have an effective, comprehensive tobacco prevention program. South Carolina currently allocates \$2 million a year for tobacco prevention. This is 8.4% of the CDC's minimum recommendation and ranks South Carolina 38th among the states in the funding of tobacco prevention programs. South Carolina's spending on tobacco prevention amounts to 2% of the \$100.8 million combined tobacco settlement and tobacco taxes collected.



Current Status: The FY2007 budget approved by the Legislature and Governor Mark Sanford (R) provides \$2 million for tobacco prevention. This is the first year since 2002 that South Carolina has committed any state funds to tobacco prevention and cessation programs.

Under a 2000 agreement between the Legislature and then-Governor Jim Hodges (D), South Carolina securitized its future tobacco settlement proceeds by selling them to investors in exchange for a smaller lump sum 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.

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

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

- 73% for the Health Care Endowment to fund a prescription drug program for seniors, tobacco prevention programs and Medicaid expansion;
- 15% for assistance to tobacco farmers (in addition to the Phase 2 settlement funds);
- 10% for economic development in rural areas of the state; and
- 2% to fund local water and sewer projects.

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

The FY2002 budget approved by the Legislature and signed by Governor Hodges initially maintained tobacco settlement allocations at about the same levels as FY2001, including \$1.75 million for tobacco prevention. However, across-the-board budget cuts left the state with \$1.6 million for tobacco prevention and cessation in FY2002. The 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 the state Department of Health and Environmental Control (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.

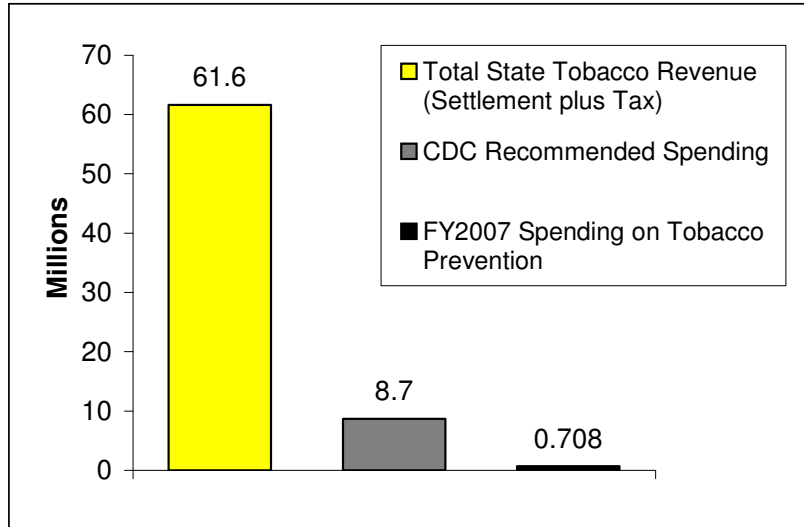
The FY2003 budget also withdrew \$100 million from the Health Care Trust Fund (and the interest it had earned) primarily to help offset the state's budget deficit, and to fund Medicaid. Mental health and emergency preparedness programs also received small allocations. As a result of the withdrawal, the endowment balance was reduced to \$443 million. No tobacco settlement dollars have been spent on tobacco prevention since FY 2003.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
40 th	\$707,883 (8.1%)	38 th	\$707,000 (8.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of South Dakota spend between \$8.7 million and \$18.2 million a year to have an effective, comprehensive tobacco prevention program. South Dakota currently allocates \$707,883 a year for tobacco prevention. This is 8.1% of the CDC's minimum recommendation and ranks South Dakota 40th among the states in the funding of tobacco prevention programs. South Dakota's spending on tobacco prevention amounts to 1.1% of the \$61.6 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget passed by the Legislature and signed by Governor M. Michael Rounds (R) appropriated \$707,883 to tobacco prevention programs, a very slight increase from FY2006. On November 7, 2006, by a margin of 61 to 39 percent, South Dakota voters approved a ballot initiative to increase the state cigarette tax by \$1 per pack and the tax on other tobacco products from 10 percent to 35 percent of the wholesale price. This increase will provide approximately \$5 million dollars a year to fund a tobacco prevention and cessation program starting in FY2008.

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

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

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

The Legislature and Former Governor William Janklow (R) enacted a law in 2001 that sold, or securitized, all future tobacco settlement payments to investors for an immediate, but smaller lump-sum payment of \$275.5 million, of which \$8.4 million went to underwriters and \$23.4 million was set aside in a reserve account. The money is deposited in an education enhancement trust fund (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 approved by the Legislature and signed into law by Governor Janklow included \$750,000 for tobacco prevention, a decrease from \$2.7 million in FY2002.

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

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 from \$.33 to \$.53. The tobacco industry was successful in blocking two different proposals – one, a House bill that would have raised the excise tax 67 cents, and the second, a 30 cent hike supported by Governor Mike Rounds (R). Ultimately, the South Dakota Legislature passed and Governor Rounds signed into law a 20-cent increase, to 53 cents per pack, which went into effect on April 1, 2003.

Also signed into law by Governor Rounds in 2003 was a bill to criminalize the sale, possession, shipping and advertising of unstamped cigarette products in the state. While the first offense is a misdemeanor, subsequent violations are now felonies. The Senate also defeated by a wide margin an attempt to repeal a 2002 state clean indoor air law.

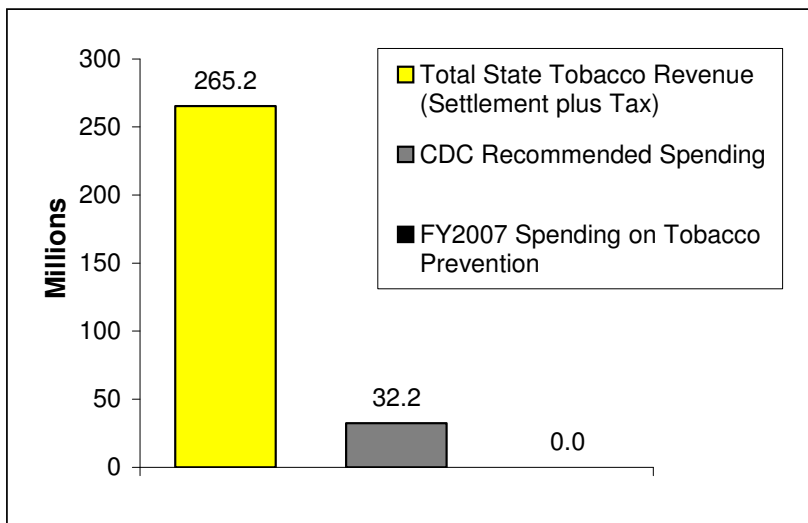
In FY2005, the state's tobacco prevention funding was \$1.5 million, an increase of \$750,000 from the previous year. The additional \$750,000 came from a one-time allocation of interest from the Education Enhancement Trust Fund and doubled the amount of \$750,000 appropriated by the legislature and signed into law by Governor Rounds in 2003.

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

Tennessee

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
51 st	\$0.0 (0.0%)	51 st	\$0.0 (0.0%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Tennessee spend between \$32.2 million and \$89.1 million a year to have an effective, comprehensive tobacco prevention program. Tennessee currently allocates no funding for tobacco prevention. This ranks Tennessee last among the states in the funding of tobacco prevention programs. Tennessee spends no money on tobacco prevention despite the fact that Tennessee gets \$265.2 million in revenue annually from tobacco settlement payments and tobacco taxes.



Current Status: Tennessee spends no money on tobacco prevention and placed almost all of its settlement money received to date in the general fund to address budget crises in FY2004, FY2005, FY2006, and FY2007, and to address rising costs in state health care programs.

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

Background: In both 1999 and 2000, the Legislature could not reach agreement on how to use the settlement funds. In 2000, legislation was enacted into law that divided the settlement funds equally into two accounts: 1) a trust fund, called the Tobacco Indemnification and Community Revitalization Account, to help farm communities harmed by decreased tobacco production; and 2) a Health Care Improvement and Education Account. The Legislature established two separate committees to make recommendations on how to spend the money in each fund. The recommendations then went to the full Legislature for approval. 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 and an unwillingness to change a tax structure widely viewed as unable to meet the state's revenue needs,

the Legislature voted to spend most of the available tobacco settlement dollars to fill a budget gap. The only settlement 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.

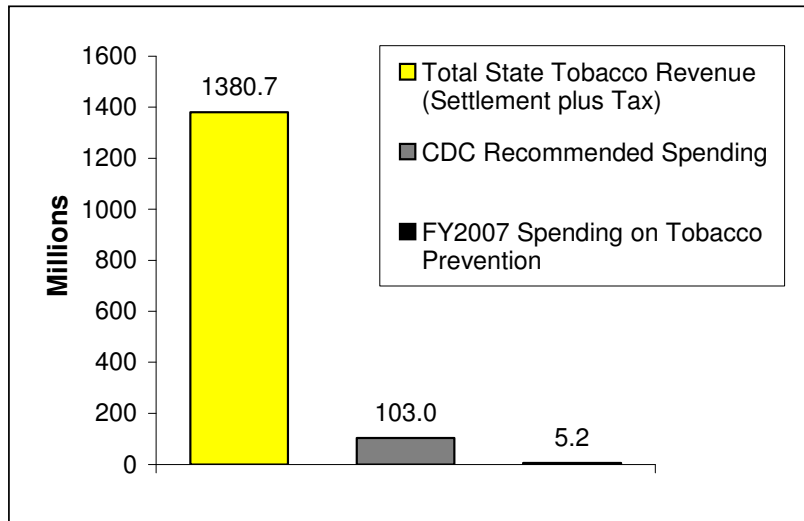
For FY2003 and FY2004, the Legislature placed the state's settlement money in the general fund and used it to close a budget gap.

** 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
45 th	\$5.2 Million (5.0%)	40 th	\$7.0 Million (6.8%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Texas spend between \$103 million and \$284.7 million a year to have an effective, comprehensive tobacco prevention program. Texas currently allocates \$5.2 million for tobacco prevention. This is 5.0% of the CDC's minimum recommendation and ranks Texas 45th among the states in funding tobacco prevention programs. Texas's spending on tobacco prevention amounts to 0.4% of the \$1.4 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 FY2007 budget adjustments approved by the Legislature and signed by Governor Rick Perry (R) appropriated \$5.2 million to the state's tobacco prevention program, a cut from the \$7.4 million appropriated in FY2005 and the \$6.99 million appropriated in FY2006. In a special session in June of 2006, the Legislature approved and Governor Perry (R) 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, individual endowments for 13 medical schools, children and public health, emergency medical services and trauma care, a higher education nursing and allied health fund, minority health research and education, rural health facility capital improvement, and

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

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

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

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

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

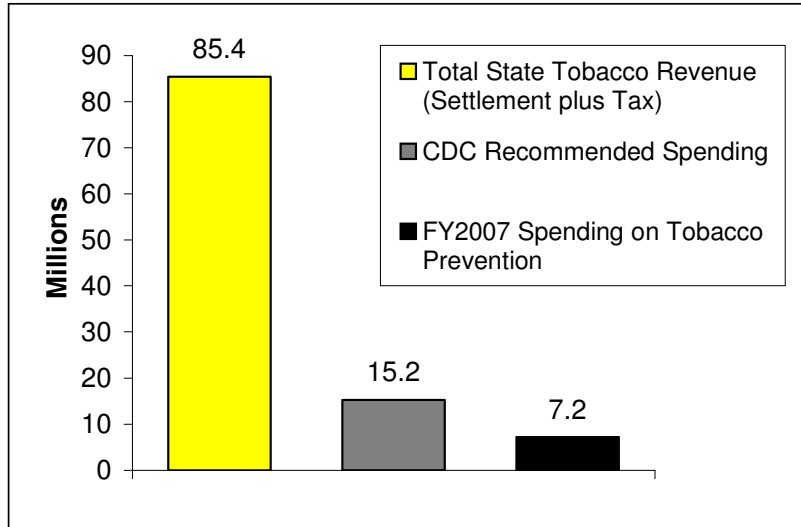
Using the FY2000-01 funding, Texas operated tobacco prevention pilot programs of varying levels of comprehensiveness in four East-Texas communities. Results released in January 2001 showed that the most comprehensive program, in Port Arthur, had reduced smoking rates by nearly 40 percent among sixth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

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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
18 th	\$7.2 Million (47.3%)	17 th	\$7.2 Million (47.3%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Utah spend between \$15.2 million and \$33.4 million a year to have an effective, comprehensive tobacco prevention program. Utah currently allocates \$7.2 million a year for tobacco prevention. This is 47.3% of the CDC's minimum recommendation and ranks Utah 18th among the states in the funding of tobacco prevention programs. Utah's spending on tobacco prevention amounts to 8.4% of the \$85.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor Jon Huntsman, Jr. (R) appropriated \$7.2 million for tobacco prevention and cessation.

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, voters by 61-39 percent approved the measure, which reinvests half the interest generated by the endowment and earmarks the remainder for health care programs.

In 1999, private law firms that represented the state in its lawsuit against the tobacco industry filed an attorney's lien against Utah's settlement payments. The firms claimed their contract entitled them to 25% of the state's share. A federal judge ordered \$9 million to be placed in an escrow account until it was determined where the money would go. The dispute was settled in June 2001. The attorneys received \$4 million and an additional \$2 million was allocated to 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 some 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. This represented level funding from the FY2004 budget. In 2004, Utah received \$337,603 from a settlement with Vibo, a tobacco company who just 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, 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 state legislature imposed a new state excise tax/fee of \$.35 per pack on cigarettes manufactured by companies that don't participate in the Master Settlement Agreement, which generated an additional \$680,000.

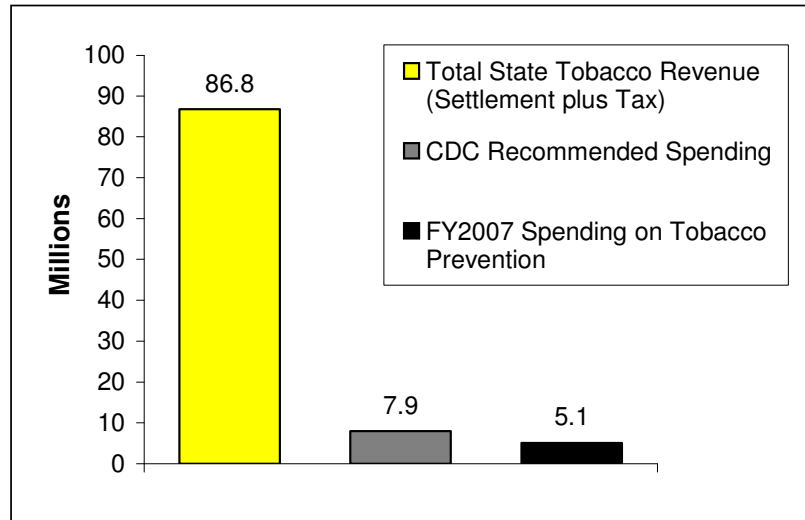
The FY2006 budget approved by the legislature and signed by Governor Huntsman appropriated \$7.2 million for tobacco prevention and cessation. This figure is identical to the amount approved in FY2005.

A 2005 report by the Utah Department of Health found that smoking among adults in the state has dropped 25 percent since 1999. 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
14 th	\$5.1 Million (64.5%)	13 th	\$4.9 Million (61.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Vermont spend between \$7.9 million and \$15.9 million a year to have an effective, comprehensive tobacco prevention program. Vermont currently allocates \$5.1 million a year for tobacco prevention. This is 64.5% of the CDC's minimum recommendation and ranks Vermont 14th among the states in the funding of tobacco prevention programs. Vermont's spending on tobacco prevention amounts to 5.9% of the \$86.8 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor James Douglas (R) appropriated \$5.1 million to the state's tobacco prevention and cessation program, a 5 percent increase over FY2006 funding. The program is funded with settlement dollars. As in previous years, the majority of tobacco settlement funds were appropriated to the state Medicaid program and no funds were deposited into the Tobacco Trust Fund as was intended in compromise legislation passed in 2000.

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. These MSA funds, which Vermont will begin to receive in 2008, are now protected from being used on non-tobacco control initiatives.

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.

In May 2000, a compromise bill was passed which appropriated the tobacco settlement payments for FY2001 and stipulated future payments be allocated as indicated below. Despite the compromise, however, the Legislature has failed to follow through every year since. No more than \$17.25 million or 2/3 of annual settlement payment – whichever is less – to Medicaid and the Vermont Health Access Program to defray the cost of healthcare to low-income Vermonters; and
A minimum of \$6.155 million or 1/3 of the annual settlement payment – whichever is greater – to the tobacco prevention program and the tobacco trust fund.

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

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

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

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

The FY2004 budget approved by the Legislature and signed by Governor James Douglas cut the tobacco prevention and cessation program by 13 percent from the previous year, from \$5.2 million to \$4.5 million.

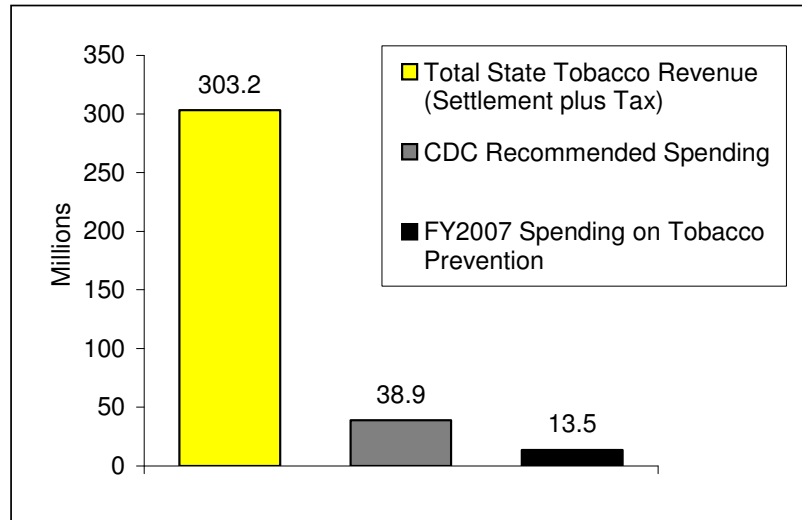
The FY2005 budget approved by the Legislature and signed by Governor Douglas appropriated \$4.7 million to the state's tobacco prevention and cessation program.

The FY2006 budget approved by the Legislature and signed by Governor Douglas appropriated \$4.9 million to the state's tobacco prevention and cessation program, a 4 percent increase over FY2005 funding.

Virginia

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
24 th	\$13.5 Million (34.7%)	24 th	\$12.8 Million (32.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Virginia spend between \$38.9 million and \$106.9 million a year to have an effective, comprehensive tobacco prevention program. Virginia currently allocates \$13.5 million a year for tobacco prevention. This is 34.7% of the CDC's minimum recommendation and ranks Virginia 24th among the states in the funding of tobacco prevention programs. Virginia's spending on tobacco prevention amounts to 4.5% of the \$303.2 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The state's tobacco prevention program is funded at \$13.5 million in FY2007, which is down from \$17.4 million in FY2004. Prevention funding will adjust annually as the MSA payments adjust according to the settlement agreement.

During the 2004 legislative session, the legislature passed and then-Governor Mark Warner (D) signed a 27.5-cent increase in the state's cigarette excise tax and established the Virginia Health Care Trust Fund. The first phase of the tax increase went into effect September 2004 and the second phase went into effect July 2005, bringing the total tax to 30 cents a pack. This makes Virginia's cigarette tax tied with Kentucky for the third highest among the tobacco states and will help reduce youth smoking rates as well as provide much needed revenue to the state. Virginia's tax increase will go into the Virginia Health Care Trust Fund. Also, the 40% of the tobacco settlement funds previously allocated to the general fund now goes to the Virginia Health Care Trust Fund.

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

- 50% to the Tobacco Indemnification and Community Revitalization Trust Fund for programs aimed at economic assistance for tobacco growers and to revitalize tobacco dependent communities. In 2000 (the first year of funding), 80% of these funds were allocated to tobacco farmers and quota holders and 20% were allocated to seven community colleges as scholarships for tobacco farmers and their families and to the Virginia Institute of Technology for research on medicinal uses of tobacco;

- 40% to the state's general fund for appropriation at the discretion of the Legislature; and
- 10% to the Virginia Tobacco Settlement Fund, to be administered by the VTSF, for tobacco prevention and cessation programs for youth.

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

During the 2001 legislative session, Governor Gilmore and several legislators 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. This would have diluted the funding, which had been specifically set aside for youth tobacco prevention.

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

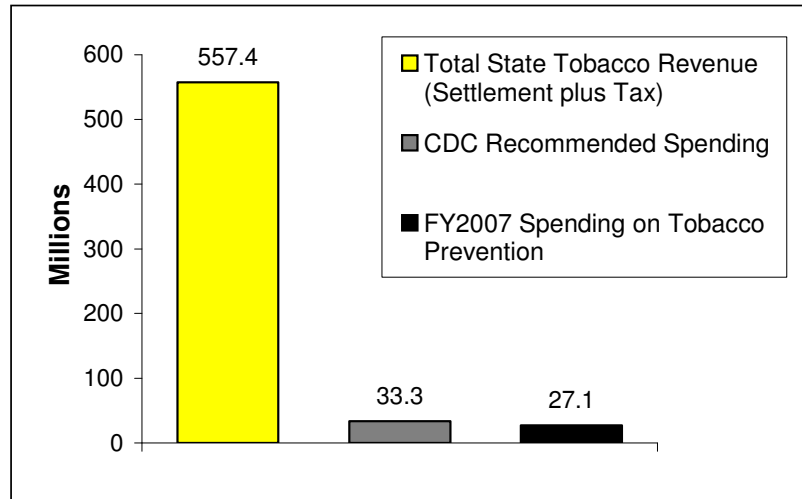
Because of a budget deficit, the FY2003-04 biennial budget adopted by the Virginia General Assembly and Governor Warner drained \$15 million from the VTSF, though future tobacco settlement revenues would continue to be earmarked to the Virginia Tobacco Settlement Fund as stipulated in prior law. Senator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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% Of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% Of CDC Recommended Spending)
8 th	\$27.1 Million (81.3%)	7 th	\$27.2 Million (81.6%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Washington spend between \$33.3 million and \$89.3 million a year to have an effective, comprehensive tobacco prevention program. Washington currently allocates \$27.1 million a year for tobacco prevention. This is 81.3% of the CDC's minimum recommendation and ranks Washington 8th among the states in the funding of tobacco prevention programs. Washington's spending on tobacco prevention amounts to 4.9% of the \$557.4 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



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

The FY2007 budget approved by the Legislature and signed by Governor Christine Gregoire essentially maintained funding for the state's tobacco prevention program at \$27.1 million.

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, with rates declining by 57 percent among sixth graders, 49 percent among eighth graders, 48 percent among tenth graders, and 44 percent among twelfth graders since the late 1990s.

Despite the program's success, it only has enough money in its dedicated account to keep the program at its current funding level for one more year. Unless a new funding stream is found to

replace the MSA funds that were placed in the account in 1999, program funding will be reduced by more than 50% by FY 2010.

Background: After the settlement was reached In November 1998, Governor Locke and Attorney General Christine 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. \$17.5 million appropriated annually in FY2002 and FY2003 came 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% 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.

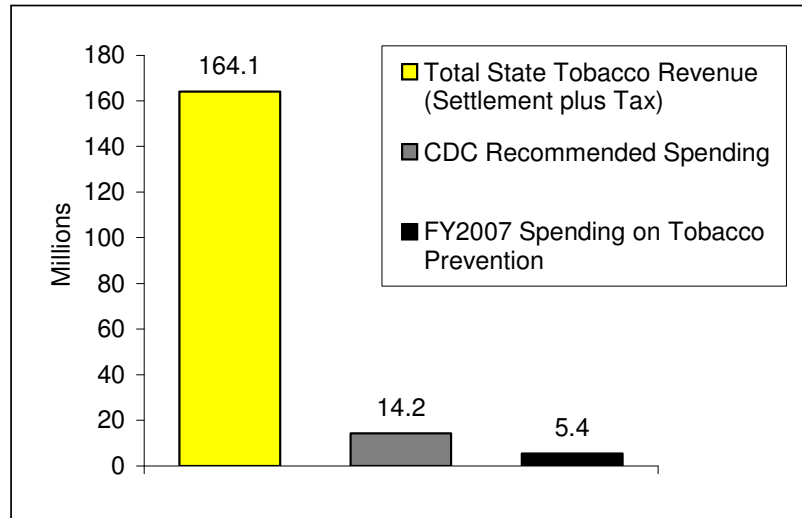
The FY2005 budget approved by the Legislature and signed by Governor Locke maintained funding for the state's tobacco prevention program at \$27.2 million.

The FY2006 budget approved by the Legislature and signed by Governor Christine 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 Washington state budget.

West Virginia

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
22 nd	\$5.4 million (38.1%)	20 th	\$5.9 Million (41.7%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of West Virginia spend between \$14.2 million and \$35.4 million a year to have an effective, comprehensive tobacco prevention program. West Virginia currently allocates \$5.4 million a year for tobacco prevention. This is 38.1% of the CDC's minimum recommendation and ranks West Virginia 22nd among the states in the funding of tobacco prevention programs. West Virginia's spending on tobacco prevention amounts to 3.3% of the \$164.1 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2007 budget approved by the Legislature and signed by Governor Joe Manchin(D) appropriated \$5.4 million to the state's tobacco prevention program, a cut from the \$5.9 appropriated in FY2006.

In 2005, newly elected Governor Manchin introduced legislation that would dedicate a large portion of West Virginia's MSA funds to paying down the indebtedness of the state's workers compensation program. The Legislature passed a bill that diverted (after 06/30/05) the first \$30 million dollars of annual MSA payments to a workers compensation debt reduction fund. In addition, this bill required all future MSA strategic payments to go toward workers compensation debt reduction.

In 2004, for the second year in a row, then-Governor Wise proposed securitizing, or selling to investors, some of the state's tobacco settlement payments for a smaller, up-front payment. However, securitization was never given serious consideration by the State Legislature.

In 2004, Governor Wise proposed a cigarette tax increase of 20 cents per pack, which would have brought the total tax per pack to 75 cents. The legislature did not take up Governor Wise's proposal. In 2003, however, the legislature did approve a 38-cent increase in the state cigarette tax, bringing the tax to 55 cents a pack. None of the revenue from the 2003 cigarette tax increase is being spent on tobacco prevention. Governor Manchin has not publicly stated support for any additional tobacco tax.

In 2002, then-Governor Cecil H. Underwood indicated that the initial allocation for tobacco prevention and cessation programs was only “ramp up” funding and he expected funding to be increased in future years. Every year since the FY2001 budget, the Legislature has appropriated \$5.9 million to fund tobacco prevention and cessation programs. There is no legislation that guarantees any amount of the annual MSA funds or tax revenues to be dedicated to tobacco prevention efforts.

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 then-Governor Underwood included an additional \$850,000 for an advertising campaign to discourage tobacco use, for a total of \$5.9 million for tobacco prevention-tobacco use advertising. In addition, \$5 million in 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 in the state. The Raze youth empowerment program is paying off for West Virginia. A 32 percent decrease in the state’s youth smoking prevalence in the past few years equals 11,000 fewer teen smokers, saving West Virginia \$127 million in future healthcare costs.

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 passage of locally enforced smoking bans (now in 54 of 55 counties), and successful quit line services have helped over 12,000 residents to cease their addiction to tobacco in the last five years..

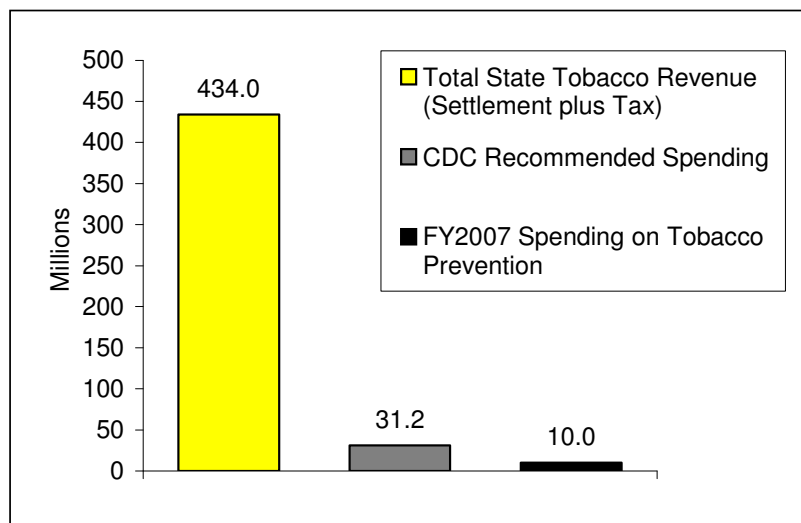
Due to the 2005 legislation dedicating the first \$30 million of annual MSA funding going to retire worker’s compensation debt, there will be no further payment into the West Virginia Tobacco Settlement Medical Trust Fund. As of July 1, 2005, this fund had approximately \$210 million, of which \$47 million 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

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
26 th	\$10.0 Million (32.1%)	25 th	\$10.0 Million (32.1%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wisconsin spend between \$31.2 million and \$82.4 million a year to have an effective, comprehensive tobacco prevention program. Wisconsin currently allocates \$10.0 million a year for tobacco prevention. This is 32.1% of the CDC's minimum recommendation and ranks Wisconsin 26th among the states in the funding of tobacco prevention programs. Wisconsin's spending on tobacco prevention amounts to 2.3% of the \$434 million in tobacco-generated revenue the state collects each year in tobacco settlement payments and tobacco taxes.



Current Status: The FY2006-07 biennial budget approved by the Legislature and signed by Governor Jim Doyle (D) maintained funding for tobacco prevention at \$10 million a year. Wisconsin's tobacco prevention funding comes out of 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 in 2006 and beyond will go to debt service on the bonds that were issued from the securitization in 2001.

Wisconsin continues to see some positive results from its tobacco prevention program, particularly with youth, but it does not have a comprehensive plan or the funding and expert oversight that is needed to run a program that fulfills the guidelines of the CDC.

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. \$2.3 million was spent in the first year for limited program activities and strategic planning, leaving \$21.2 million available for expenditure in the second fiscal year. The

remaining tobacco settlement funds were folded into the general fund. The FY2002-03 budget cut annual funding for tobacco prevention to \$15.5 million a year.

The Wisconsin Tobacco Control Board, 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 Wisconsin Tobacco Control Board was in full operation in 2002, conducting an aggressive, statewide comprehensive tobacco prevention program based on CDC recommendations. Youth smoking decreased in Wisconsin: 36% fewer high school students and 33% fewer middle school students smoke since the inception of the Wisconsin Comprehensive Tobacco Control and Prevention Program in 2000.

Subsequent budget cuts have restricted or eliminated many programs, which has impaired overall effectiveness of the program. Specific important gains are still being made, however, such as reductions in the smoking rate of pregnant women.

Irrevocably changing how Wisconsin used its tobacco settlement money, the Legislature and then-Governor Scott McCallum (R) in 2002 enacted a budget that securitized, or sold to investors, virtually all of the state's tobacco settlement payments over the next 20-25 years. More than \$5.9 billion in anticipated settlement payments were sold for an immediate lump sum of \$1.6 billion, 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. In addition, because securitization was viewed as a one-time fix for a recurring budget problem that had to be addressed again in future years, Wisconsin's credit rating was reduced, which meant higher costs for the state (and its taxpayers) to borrow money.

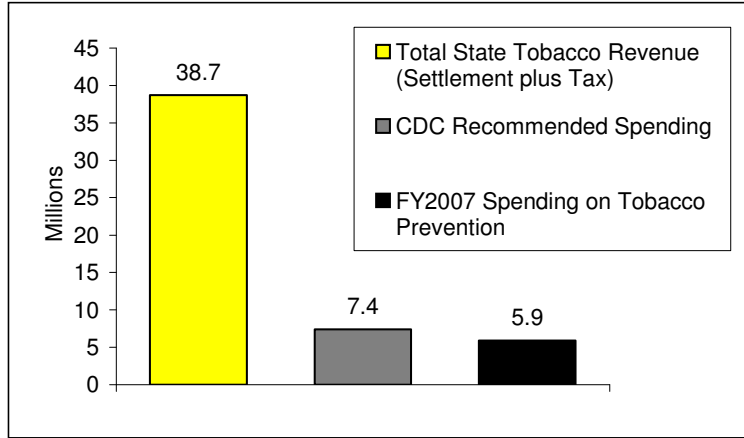
In recent years, many legislative leaders have supported raising Wisconsin's cigarette tax, currently at 77 cents per pack, but opposition within the legislature and from Governor Doyle has prevented serious legislative consideration. Also in 2004, the Wisconsin Tobacco Control Board was eliminated, moving the program within the state Department of Health and Family Services. As a result, there is virtually no measurable outside oversight of the program by tobacco control experts.

The FY2004-05 biennial budget approved by the Legislature and signed by Governor Doyle cut annual funding for tobacco prevention to \$10 million a year from \$15.5 million a year in the FY2002-03 biennial budget.

Wyoming

2007 State Ranking	FY 2007 Spending on Tobacco Prevention (% of CDC Recommended Spending)	2006 State Ranking	FY 2006 Spending on Tobacco Prevention (% of CDC Recommended Spending)
9 th	\$5.9 Million (79.9%)	8 th	\$5.9 Million (79.9%)

Summary: The U.S. Centers for Disease Control and Prevention (CDC) recommends that the state of Wyoming spend between \$7.4 million and \$14.4 million a year to have an effective, comprehensive tobacco prevention program. Wyoming currently allocates \$5.9 million a year for tobacco prevention. This is 79.9% of the CDC's minimum recommendation and ranks Wyoming 9th among the states in the funding of tobacco prevention programs. Wyoming's spending on tobacco prevention amounts to 15.3% of the \$38.7 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 FY2007 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 FY2006.

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

In March 2000, the Legislature passed and Governor Geringer signed a bill which directed the Department of Health to develop and implement a comprehensive tobacco prevention, cessation and treatment program, using funds generated from interest on the trust fund, based on the Working Group's recommendations. The program was funded at \$1.8 million over the first two years.

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

In 2002, the Legislature enacted and Gov. Geringer signed into law legislation, House Bill 59 that dedicated most future settlement payments beginning in 2003 to substance abuse programs. Interest payments from the remaining assets in the Trust Fund will continue to be used to fund tobacco prevention. 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 a pack. The tax increase will raise \$25 million per year, with the proceeds going into the general fund. Wyoming was one of only a few states not facing a budget deficit. Another attempt to raise the excise tax on other tobacco products, which failed in the 2003 session, was again unsuccessful in the 2005 legislative session. Before the 2003 tax increase, Wyoming's tobacco tax generated \$5.5 million annually while treating tobacco-caused diseases in Wyoming cost \$106 million annually.

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 will 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 will be focused exclusively on spit tobacco prevention/education. This represented a \$2.1 million increase in overall funding from FY2005.

Appendix A



History of State Spending for Tobacco Prevention

States	FY2007		FY2006		FY2005		FY2004		FY2003		FY2002		CDC Annual Recommendation (\$millions)
	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	
Alabama	\$0.68	2.6%	\$0.33	1.2%	1.2%	\$0.36	1.3%	\$0.36	1.3%	\$0.36	1.3%	\$0.6	26.74 - 71.24
Alaska	\$6.2	76.6%	\$5.7	70.5%	70.5%	\$4.2	51.5%	\$3.8	47.0%	\$5.0	61.8%	\$3.1	8.09 - 16.51
Arizona	\$25.5	91.8%	\$23.1	83.1%	83.1%	\$23.1	83.1%	\$23.0	82.8%	\$18.3	65.7%	\$36.6	27.79 - 71.10
Arkansas	\$15.1	84.3%	\$17.5	97.7%	97.7%	\$17.6	98.3%	\$18.5	103.3%	\$16.4	91.5%	\$16.4	17.91 - 46.45
California	\$84.0	50.9%	\$79.7	48.3%	48.3%	\$74.0	44.8%	\$90.1	54.6%	\$88.4	53.5%	\$134.5	165.10 - 442.40
Colorado	\$25.0	101.8%	\$27.0	110.0%	110.0%	\$4.3	17.5%	\$3.8	15.5%	\$7.6	31.0%	\$12.7	24.55 - 63.26
Connecticut	\$2.0	9.4%	\$0.04	0.2%	0.2%	\$0.06	0.3%	\$0.5	2.4%	\$0.58	2.7%	\$0.58	21.24 - 53.90
Delaware	\$10.3	119.4%	\$9.2	106.6%	106.6%	\$9.3	107.8%	\$10.1	117.0%	\$5.0	57.9%	\$5.5	8.63 - 18.46
DC	\$0.50	6.7%	\$0.0	0.0%	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	7.48 - 14.57
Florida	\$5.6	7.1%	\$1.0	1.3%	1.3%	\$1.0	1.3%	\$1.0	1.3%	\$37.5	47.8%	\$29.8	78.38 - 221.26
Georgia	\$2.3	5.4%	\$3.1	7.3%	7.3%	\$11.5	27.0%	\$12.6	29.6%	\$19.1	44.8%	\$20.8	42.59 - 114.34
Hawaii	\$9.1	84.0%	\$5.8	53.8%	53.8%	\$8.9	82.6%	\$8.9	82.6%	\$10.3	95.1%	\$4.2	10.78 - 23.45
Idaho	\$0.91	8.2%	\$0.54	4.9%	4.9%	\$1.9	17.2%	\$1.6	14.5%	\$1.3	11.5%	\$1.1	11.04 - 24.09
Illinois	\$8.5	13.1%	\$11.0	16.9%	16.9%	\$11.0	16.9%	\$12.0	18.5%	\$12.0	18.5%	\$45.9	64.91 - 179.05
Indiana	\$10.9	31.3%	\$10.8	31.1%	31.1%	\$10.8	31.1%	\$10.8	31.1%	\$32.5	93.4%	\$32.5	34.78 - 95.80
Iowa	\$6.5	33.6%	\$5.6	28.9%	28.9%	\$5.1	26.4%	\$5.1	26.4%	\$5.1	26.3%	\$9.4	19.35 - 48.71
Kansas	\$1.0	5.5%	\$1.0	5.5%	5.5%	\$0.75	4.1%	\$0.5	2.8%	\$0.5	2.8%	\$0.5	18.05 - 44.69
Kentucky	\$2.2	8.8%	\$2.7	10.8%	10.8%	\$2.7	10.8%	\$2.6	10.4%	\$3.0	12.0%	\$5.5	25.09 - 69.90
Louisiana	\$8.0	29.5%	\$8.0	29.5%	29.5%	\$11.3	41.7%	\$10.7	39.4%	\$8.0	29.5%	\$0.5	27.13 - 71.43
Maine	\$14.7	131.3%	\$14.2	126.9%	126.9%	\$14.2	126.9%	\$14.5	129.6%	\$15.2	135.6%	\$13.8	11.19 - 25.35
Maryland	\$18.7	61.7%	\$9.2	30.4%	30.4%	\$9.5	31.4%	\$14.8	48.8%	\$30.0	99.0%	\$20.1	30.30 - 78.60
Massachusetts	\$8.3	23.4%	\$4.3	12.1%	12.1%	\$3.8	10.6%	\$2.5	7.1%	\$4.8	13.6%	\$48.0	35.24 - 92.76
Michigan	\$0.0	0.0%	\$0.0	0.0%	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	54.80 - 154.56
Minnesota	\$21.7	75.8%	\$22.1	77.2%	77.2%	\$18.7	65.3%	\$20.4	71.3%	\$32.3	112.9%	\$28.9	28.62 - 74.01
Mississippi	\$0.0	0.0%	\$20.0	106.4%	106.4%	\$20.0	106.4%	\$20.0	106.4%	\$20.0	106.4%	\$20.0	18.79 - 46.80
Missouri	\$0.0	0.0%	\$0.0	0.0%	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	32.77 - 91.36
Montana	\$6.9	73.7%	\$6.8	72.6%	72.6%	\$2.5	26.7%	\$2.5	26.7%	\$0.38	4.1%	\$0.5	9.36 - 19.68
Nebraska	\$3.0	22.5%	\$3.0	22.5%	22.5%	\$2.9	21.8%	\$0.41	3.1%	\$7.0	52.6%	\$7.0	13.31 - 31.04
Nevada	\$3.8	28.2%	\$4.2	31.2%	31.2%	\$4.4	32.6%	\$4.3	31.9%	\$4.3	31.8%	\$4.3	13.48 - 32.99
New Hampshire	\$0.0	0.0%	\$0.0	0.0%	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$3.0	27.5%	\$3.0	10.89 - 24.77
New Jersey	\$11.0	24.4%	\$11.5	25.5%	25.5%	\$11.0	24.4%	\$10.5	23.3%	\$30.0	66.6%	\$30.0	45.07 - 121.33
New Mexico	\$7.7	56.2%	\$6.0	43.8%	43.8%	\$5.0	36.5%	\$5.0	36.5%	\$5.0	36.5%	\$5.0	13.71 - 31.95
New York	\$85.5	89.2%	\$43.4	45.3%	45.3%	\$39.5	41.2%	\$37.0	38.6%	\$40.0	41.7%	\$40.0	95.83 - 269.30
North Carolina	\$17.1	40.2%	\$15.0	35.2%	35.2%	\$15.0	35.2%	\$10.9	25.6%	\$6.2	14.6%	\$0.0	42.59 - 118.63
North Dakota	\$3.1	38.0%	\$3.1	38.0%	38.0%	\$3.1	38.0%	\$3.0	36.8%	\$2.5	30.6%	\$2.5	8.16 - 16.55
Ohio	\$45.0	72.9%	\$47.2	76.4%	76.4%	\$53.3	86.3%	\$38.0	61.5%	\$34.0	55.1%	\$21.7	61.74 - 173.68
Oklahoma	\$10.0	45.8%	\$8.9	40.8%	40.8%	\$4.8	22.0%	\$2.5	11.5%	\$2.5	11.2%	\$1.7	21.83 - 56.31
Oregon	\$3.5	16.3%	\$3.5	16.3%	16.3%	\$3.5	16.6%	\$2.9	13.5%	\$11.1	52.5%	\$11.3	21.13 - 52.84
Pennsylvania	\$30.3	46.2%	\$32.9	50.2%	50.2%	\$46.1	70.3%	\$52.6	80.2%	\$52.0	79.3%	\$41.4	65.57 - 184.76

States	FY2007		FY2006		FY2005		FY2004		FY2003		FY2002		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.	Spending (\$millions)	Percent of CDC Min.	Spending (\$millions)	Percent of CDC Min.	
Rhode Island	\$0.95	9.6%	\$2.1	21.2%	\$2.7	27.3%	\$3.3	33.4%	\$3.3	33.4%	\$2.3	23.3%	9.89 - 21.91
South Carolina	\$2.0	8.4%	\$0.0	0.0%	\$0.0	0.0%	\$2.0	8.4%	\$1.6	6.7%	\$1.8	7.5%	23.91 - 62.01
South Dakota	\$0.71	8.1%	\$0.71	8.1%	\$0.75	8.6%	\$0.75	8.6%	\$2.7	31.1%	\$1.7	19.6%	8.69 - 18.21
Tennessee	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	32.23 - 89.08
Texas	\$5.2	5.0%	\$7.0	6.8%	\$7.4	7.2%	\$12.5	12.1%	\$12.5	12.1%	\$9.3	9.0%	103.29 - 284.74
Utah	\$7.2	47.3%	\$7.2	47.3%	\$7.2	47.2%	\$7.0	46.0%	\$6.0	39.4%	\$6.0	39.4%	15.23 - 33.38
Vermont	\$5.1	64.5%	\$4.9	61.9%	\$4.5	56.9%	\$5.2	65.7%	\$5.5	70.0%	\$6.5	82.2%	7.91 - 15.94
Virginia	\$13.5	34.7%	\$12.8	32.9%	\$17.4	44.8%	\$22.2	57.1%	\$19.2	49.3%	\$12.6	32.4%	38.87 - 106.85
Washington	\$27.1	81.3%	\$27.2	81.6%	\$26.2	78.6%	\$26.2	78.7%	\$17.5	52.5%	\$15.0	45.0%	33.34 - 89.38
West Virginia	\$5.4	38.1%	\$5.9	41.7%	\$5.9	41.7%	\$5.9	41.3%	\$5.9	41.3%	\$5.9	41.7%	14.16 - 35.37
Wisconsin	\$10.0	32.1%	\$10.0	32.1%	\$10.0	32.1%	\$15.5	49.7%	\$15.5	49.7%	\$21.2	68.0%	31.16 - 82.38
Wyoming	\$5.9	79.9%	\$5.9	79.9%	\$3.0	40.7%	\$3.0	40.7%	\$0.9	12.2%	\$0.9	12.2%	7.38 - 14.40
Total	\$595.4	37.2%	\$551.0	33.6%	\$542.8	33.9%	\$674.4	42.1%	\$749.7	46.9%	\$731.2	45.7%	

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 2007 Tobacco Prevention Spending	CDC Minimum Prevention Spending Target	Tobacco Prevention Spending % of CDC Minimum	Tobacco Prevention Spending Rank (1= high)	FY 2007 State Tobacco Settlement Revenues (est.)	FY 2007 State Tobacco Tax Revenues (est.)	Total Annual State Revenues From Tobacco (est.)	Tobacco Prevention Spending % of Tobacco Revenue
States Total	\$96.7 bill.	\$595.4	\$1.6 billion	37.2%	--	\$6,985	\$14,751	\$21.74	2.7%
Alabama	\$1.49 bill.	\$682,000	\$26.7	2.6%	46	\$94.3	\$162.3	\$256.7	0.3%
Alaska	\$169	\$6.2	\$8.1	76.6%	10	\$19.9	\$66.5	\$86.5	7.2%
Arizona	\$1.3 bill.	\$25.5	\$27.8	91.8%	4	\$86.0	\$317.0	\$403.0	6.3%
Arkansas	\$812	\$15.1	\$17.9	84.3%	6	\$48.3	\$146.4	\$194.7	7.8%
California	\$9.14 bill.	\$84.0	\$165.1	50.9%	17	\$745.0	\$989.0	\$1,734.0	4.8%
Colorado	\$1.31 bill.	\$25.0	\$24.5	101.8%	3	\$80.0	\$221.4	\$301.4	8.3%
Connecticut	\$1.63 bill.	\$2.0	\$21.2	9.4%	36	\$108.4	\$267.9	\$376.3	0.5%
Delaware	\$284	\$10.3	\$8.6	119.4%	2	\$23.1	\$83.8	\$106.9	9.6%
DC	\$243	\$500,000	\$7.5	6.7%	42	\$35.4	\$22.2	\$57.7	0.9%
Florida	\$6.32 bill.	\$5.6	\$78.4	7.1%	41	\$393.6	\$452.2	\$845.8	0.7%
Georgia	\$2.25 bill.	\$2.3	\$42.6	5.4%	44	\$143.3	\$246.6	\$389.9	0.6%
Hawaii	\$336	\$9.1	\$10.8	84.0%	7	\$35.1	\$91.4	\$126.6	7.2%
Idaho	\$319	\$908,000	\$11.0	8.2%	39	\$21.2	\$52.0	\$73.2	1.2%
Illinois	\$4.10 bill.	\$8.5	\$64.9	13.1%	34	\$271.7	\$641.7	\$913.4	0.9%
Indiana	\$2.08 bill.	\$10.9	\$34.8	31.3%	27	\$119.1	\$350.4	\$469.4	2.3%
Iowa	\$1.01 bill.	\$6.5	\$19.3	33.6%	25	\$50.8	\$97.1	\$147.8	4.4%
Kansas	\$927	\$1.0	\$18.1	5.5%	43	\$48.7	\$121.2	\$169.9	0.6%
Kentucky	\$1.50 bill.	\$2.2	\$25.1	8.8%	37	\$102.8	\$185.4	\$288.2	0.8%
Louisiana	\$1.47 bill.	\$8.0	\$27.1	29.5%	28	\$131.6	\$138.5	\$270.2	3.0%
Maine	\$602	\$14.7	\$11.2	131.3%	1	\$44.9	\$171.0	\$216.0	6.8%
Maryland	\$1.96 bill.	\$18.7	\$30.3	61.7%	15	\$131.9	\$273.8	\$405.7	4.6%
Massachusetts	\$3.54 bill.	\$8.3	\$35.2	23.4%	31	\$235.7	\$422.7	\$658.5	1.3%
Michigan	\$3.40 bill.	\$0.0	\$54.8	0.0%	51	\$254.0	\$1,134.0	\$1,388.1	0.0%
Minnesota	\$2.06 bill.	\$21.7	\$28.6	75.8%	11	\$182.6	\$437.9	\$620.5	3.5%
Mississippi	\$719	\$0.0	\$18.8	0.0%	51	\$121.7	\$59.3	\$181.0	0.0%
Missouri	\$2.13 bill.	\$0.0	\$32.8	0.0%	51	\$132.8	\$112.7	\$245.5	0.0%
Montana	\$277	\$6.9	\$9.4	73.7%	12	\$24.8	\$85.5	\$110.3	6.3%
Nebraska	\$537	\$3.0	\$13.3	22.5%	32	\$34.7	\$70.0	\$104.7	2.9%
Nevada	\$565	\$3.8	\$13.5	28.2%	29	\$35.6	\$135.2	\$170.8	2.2%
New Hampshire	\$564	\$0.0	\$10.9	0.0%	51	\$38.9	\$138.8	\$177.7	0.0%
New Jersey	\$3.17 bill.	\$11.0	\$45.1	24.4%	30	\$225.7	\$801.6	\$1,027.3	1.1%
New Mexico	\$461	\$7.7	\$13.7	56.2%	16	\$34.8	\$65.8	\$100.6	7.7%
New York	\$8.17 bill.	\$85.5	\$95.8	89.2%	5	\$744.9	\$948.7	\$1,693.6	5.0%
North Carolina	\$2.46 bill.	\$17.1	\$42.6	40.2%	21	\$136.1	\$258.7	\$394.8	4.3%
North Dakota	\$247	\$3.1	\$8.2	38.0%	23	\$21.4	\$22.5	\$43.8	7.1%
Ohio	\$4.37 bill.	\$45.0	\$61.7	72.9%	13	\$294.0	\$1,003.6	\$1,297.6	3.5%
Oklahoma	\$1.16 bill.	\$10.0	\$21.8	45.8%	20	\$60.5	\$348.3	\$408.8	2.4%
Oregon	\$1.11 bill.	\$3.5	\$21.1	16.3%	33	\$67.0	\$259.0	\$326.0	1.1%
Pennsylvania	\$5.19 bill.	\$30.3	\$65.6	46.2%	19	\$335.4	\$1,018.7	\$1,354.1	2.2%
Rhode Island	\$506	\$950,000	\$9.9	9.6%	35	\$42.0	\$79.6	\$121.6	0.8%

State	Annual Smoking Caused Health Costs	FY 2007 Tobacco Prevention Spending	CDC Minimum Prevention Spending Target	Tobacco Prevention Spending % of CDC Minimum	Tobacco Prevention Spending Rank (1= high)	FY 2007 State Tobacco Settlement Revenues (est.)	FY 2007 State Tobacco Tax Revenues (est.)	Total Annual State Revenues From Tobacco (est.)	Tobacco Prevention Spending % of Tobacco Revenue
South Carolina	\$1.09 bill.	\$2.0	\$23.9	8.4%	38	\$68.7	\$32.1	\$100.8	2.0%
South Dakota	\$274	\$708,000	\$8.7	8.1%	40	\$20.4	\$41.3	\$61.6	1.1%
Tennessee	\$2.16	\$0.0	\$32.2	0.0%	51	\$142.5	\$122.7	\$265.2	0.0%
Texas	\$5.83	\$5.2	\$103.2	5.0%	45	\$519.4	\$861.3	\$1,380.7	0.4%
Utah	\$345	\$7.2	\$15.2	47.3%	18	\$26.0	\$59.4	\$85.4	8.4%
Vermont	\$233	\$5.1	\$7.9	64.5%	14	\$24.0	\$62.8	\$86.8	5.9%
Virginia	\$2.08	\$13.5	\$38.9	34.7%	24	\$119.3	\$183.8	\$303.2	4.5%
Washington	\$1.95	\$27.1	\$33.3	81.3%	8	\$119.8	\$437.5	\$557.4	4.9%
West Virginia	\$690	\$5.4	\$14.2	38.1%	22	\$51.7	\$112.4	\$164.1	3.3%
Wisconsin	\$2.02 bill.	\$10.0	\$31.2	32.1%	26	\$120.9	\$313.1	\$434.0	2.3%
Wyoming	\$136	\$5.9	\$7.4	79.9%	9	\$14.5	\$24.2	\$38.7	15.3%

Notes: Estimated FY2007 state tobacco settlement revenues assumes that the cigarette companies will withhold a portion of their payments based on a claimed non-participating manufacturers adjustment, just as they did in 2006.

Appendix C



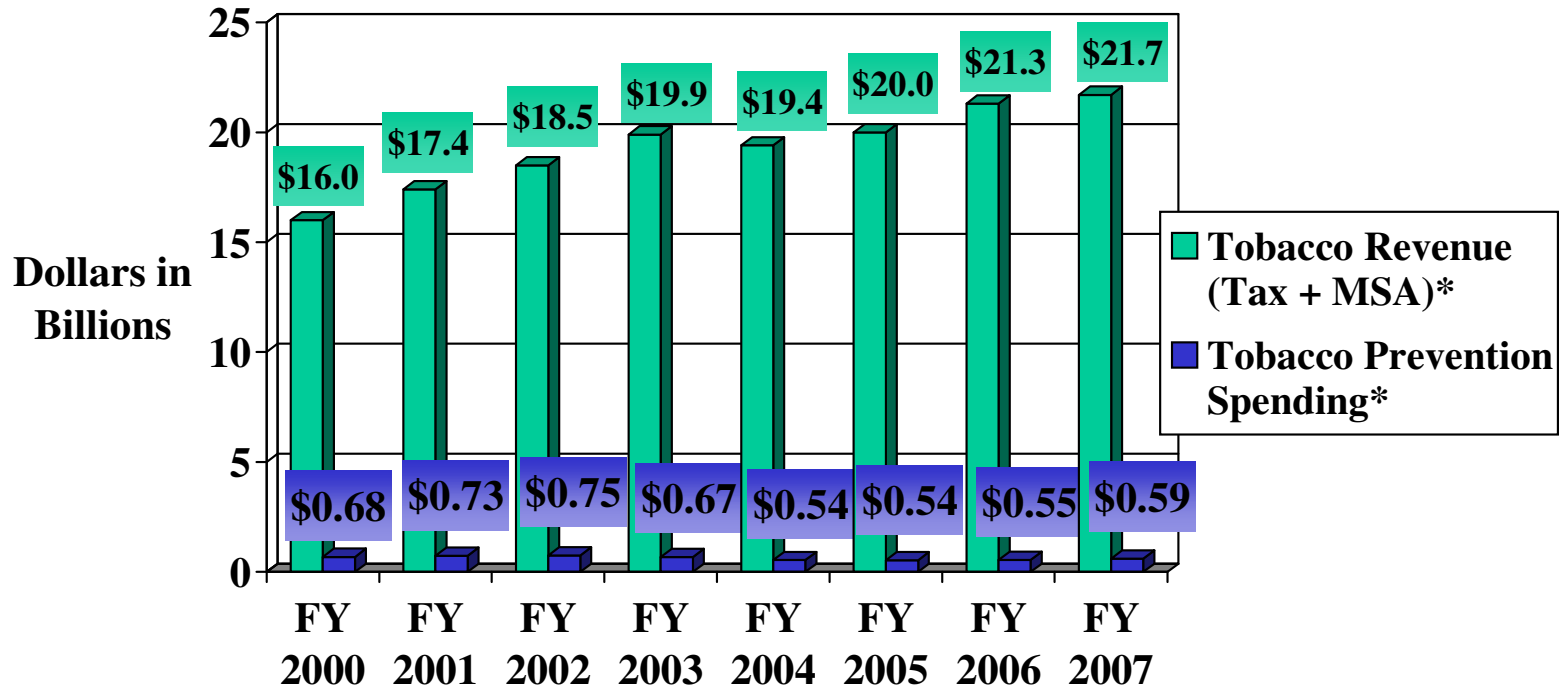
TRENDS IN STATE TOBACCO-PREVENTION SPENDING vs. STATE TOBACCO REVENUES

All amounts are in millions of dollars per year

	Tobacco Prev. Spending FY2007	Tobacco Prev. Spending FY2006	Tobacco Prev. Spending FY2005	Tobacco Prev. Spending FY2004	Tobacco Prev. Spending FY2003	Total Annual State Rev. From Tobacco FY2007 (est.)	Total Annual State Rev. From Tobacco FY2006 (est.)	Total Annual State Rev. From Tobacco FY2005 (est.)	Total Annual State Rev. From Tobacco FY2004	Total Annual State Rev. From Tobacco FY2003	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	Prev. Spending as % of Tobacco Revenue FY2003
States Total	595.4	\$551.0	\$538.2	\$542.8	\$674.4	\$21,736.1	\$21,283.9	\$19,966.5	\$19,403.0	\$19,886.2	2.7%	2.6%	2.6%	2.8%	3.6%
Alabama	\$0.7	\$0.3	\$0.4	\$0.4	\$0.4	\$256.7	\$258.2	\$258.4	\$168.1	\$156.1	0.3%	0.1%	0.1%	0.2%	0.2%
Alaska	\$6.2	\$5.7	\$4.2	\$3.8	\$5.0	\$86.5	\$83.3	\$77.8	\$68.8	\$66.5	7.2%	6.8%	5.4%	5.5%	7.5%
Arizona	\$25.5	\$23.1	\$23.1	\$23.0	\$18.3	\$403.0	\$384.2	\$384.8	\$374.0	\$304.2	6.3%	6.0%	6.0%	6.1%	6.0%
Arkansas	\$15.1	\$17.5	\$17.6	\$18.5	\$16.4	\$194.7	\$196.5	\$200.3	\$200.3	\$147.0	7.8%	8.9%	8.8%	9.2%	11.1%
California	\$84.0	\$79.7	\$74.0	\$90.1	\$88.4	\$1,734.0	\$1,741.6	\$1,891.6	\$1,858.6	\$1,815.2	4.8%	4.6%	3.9%	4.8%	4.9%
Colorado	\$25.0	\$27.0	\$4.3	\$3.8	\$7.6	\$301.4	\$304.0	\$217.5	\$150.4	\$143.1	8.3%	8.9%	2.0%	2.5%	5.3%
Connecticut	\$2.0	\$0.0	\$0.1	\$0.5	\$0.6	\$376.3	\$379.3	\$376.2	\$395.0	\$361.3	0.5%	0.0%	0.0%	0.1%	0.2%
Delaware	\$10.3	\$9.2	\$9.3	\$10.1	\$5.0	\$106.9	\$108.0	\$107.6	\$97.2	\$59.0	9.6%	8.5%	8.6%	10.4%	8.5%
Dist. Columbia	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$57.7	\$57.1	\$59.0	\$59.2	\$55.1	0.9%	0.0%	0.0%	0.0%	0.0%
Florida	\$5.6	\$1.0	\$1.0	\$1.0	\$37.5	\$845.8	\$848.8	\$883.4	\$814.9	\$991.6	0.7%	0.1%	0.1%	0.1%	3.8%
Georgia	\$2.3	\$3.1	\$11.5	\$12.6	\$19.1	\$389.9	\$392.2	\$408.0	\$388.3	\$226.4	0.6%	0.8%	2.8%	3.2%	8.4%
Hawaii	\$9.1	\$5.8	\$8.9	\$8.9	\$10.3	\$126.6	\$121.3	\$123.6	\$116.8	\$107.3	7.2%	4.8%	7.2%	7.6%	9.5%
Idaho	\$0.9	\$0.5	\$1.9	\$1.6	\$1.3	\$73.2	\$73.8	\$74.8	\$74.6	\$50.4	1.2%	0.7%	2.5%	2.1%	2.5%
Illinois	\$8.5	\$11.0	\$11.0	\$12.0	\$12.0	\$913.4	\$920.5	\$953.4	\$1,036.2	\$928.0	0.9%	1.2%	1.2%	1.2%	1.3%
Indiana	\$10.9	\$10.8	\$10.8	\$10.8	\$32.5	\$469.4	\$473.6	\$474.5	\$471.3	\$470.8	2.3%	2.3%	2.3%	2.3%	6.9%
Iowa	\$6.5	\$5.6	\$5.1	\$5.1	\$5.1	\$147.8	\$148.8	\$151.6	\$149.0	\$145.4	4.4%	3.8%	3.4%	3.4%	3.5%
Kansas	\$1.0	\$1.0	\$0.8	\$0.5	\$0.5	\$169.9	\$171.3	\$175.8	\$176.7	\$168.3	0.6%	0.6%	0.4%	0.3%	0.3%
Kentucky	\$2.2	\$2.7	\$2.7	\$2.6	\$3.0	\$288.2	\$289.9	\$162.2	\$130.0	\$122.2	0.8%	0.9%	1.7%	2.0%	2.5%
Louisiana	\$8.0	\$8.0	\$11.3	\$10.7	\$8.0	\$270.2	\$271.0	\$299.6	\$285.9	\$254.8	3.0%	3.0%	3.8%	3.7%	3.1%
Maine	\$14.7	\$14.2	\$14.2	\$14.5	\$15.2	\$216.0	\$202.8	\$145.4	\$144.4	\$142.5	6.8%	7.0%	9.8%	10.0%	10.6%
Maryland	\$18.7	\$9.2	\$9.5	\$14.8	\$30.0	\$405.7	\$408.6	\$419.7	\$411.8	\$397.6	4.6%	2.3%	2.3%	3.6%	7.5%
Massachusetts	\$8.3	\$4.3	\$3.8	\$2.5	\$4.8	\$658.5	\$662.6	\$680.8	\$683.8	\$677.2	1.3%	0.6%	0.6%	0.4%	0.7%
Michigan	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,388.1	\$1,402.8	\$1,404.7	\$1,146.4	\$1,090.9	0.0%	0.0%	0.0%	0.0%	0.0%
Minnesota	\$21.7	\$22.1	\$18.7	\$20.4	\$32.3	\$620.5	\$607.2	\$356.8	\$365.2	\$446.4	3.5%	3.6%	5.2%	5.6%	7.2%
Mississippi	\$0.0	\$20.0	\$20.0	\$20.0	\$20.0	\$181.0	\$180.7	\$172.9	\$168.0	\$225.2	0.0%	11.1%	11.6%	11.9%	8.9%
Missouri	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$245.5	\$245.9	\$255.3	\$251.7	\$238.6	0.0%	0.0%	0.0%	0.0%	0.0%
Montana	\$6.9	\$6.8	\$2.5	\$2.5	\$0.4	\$110.3	\$111.4	\$89.8	\$72.3	\$43.2	6.3%	6.1%	2.8%	3.5%	0.9%
Nebraska	\$3.0	\$3.0	\$2.9	\$0.4	\$7.0	\$104.7	\$105.4	\$110.1	\$109.5	\$97.9	2.9%	2.8%	2.6%	0.4%	7.1%
Nevada	\$3.8	\$4.2	\$4.4	\$4.3	\$4.3	\$170.8	\$172.5	\$175.5	\$167.0	\$102.9	2.2%	2.4%	2.5%	2.6%	4.2%
New Hamp.	\$0.0	\$0.0	\$0.0	\$0.0	\$3.0	\$177.7	\$179.4	\$135.4	\$139.1	\$142.0	0.0%	0.0%	0.0%	0.0%	2.2%

	Tobacco Prev. Spending FY2007	Tobacco Prev. Spending FY2006	Tobacco Prev. Spending FY2005	Tobacco Prev. Spending FY2004	Tobacco Prev. Spending FY2003	Total Annual State Rev. From Tobacco FY2007 (est.)	Total Annual State Rev. From Tobacco FY2006 (est.)	Total Annual State Rev. From Tobacco FY2005 (est.)	Total Annual State Rev. From Tobacco FY2004	Total Annual State Rev. From Tobacco FY2003	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	Prev. Spending as % of Tobacco Revenue FY2003
New Jersey	\$11.0	\$11.5	\$11.0	\$10.5	\$30.0	\$1,027.3	\$1,011.8	\$1091.1	\$980.7	\$873.4	1.1%	1.1%	1.1%	1.1%	3.6%
New Mexico	\$7.7	\$6.0	\$5.0	\$5.0	\$5.0	\$100.6	\$101.3	\$103.0	\$101.6	\$58.8	7.7%	5.9%	4.9%	4.9%	8.5%
New York	\$85.5	\$43.4	\$39.5	\$37.0	\$40.0	\$1,693.6	\$1,700.6	\$1,788.5	\$1,795.7	\$1,773.3	5.0%	2.6%	2.2%	2.1%	2.3%
North Carolina	\$17.1	\$15.0	\$15.0	\$10.9	\$6.2	\$394.8	\$336.8	\$192.1	\$188.7	\$178.2	4.3%	4.5%	7.8%	5.8%	3.5%
North Dakota	\$3.1	\$3.1	\$3.1	\$3.0	\$2.5	\$43.8	\$43.9	\$44.0	\$43.2	\$41.3	7.1%	7.1%	7.1%	6.9%	6.1%
Ohio	\$45.0	\$47.2	\$53.3	\$38.0	\$34.0	\$1,297.6	\$1,310.0	\$903.5	\$870.5	\$853.5	3.5%	3.6%	5.9%	4.4%	4.0%
Oklahoma	\$10.0	\$8.9	\$4.8	\$2.5	\$2.5	\$408.8	\$405.3	\$192.8	\$136.8	\$130.6	2.4%	2.2%	2.5%	1.8%	1.9%
Oregon	\$3.5	\$3.5	\$3.5	\$2.9	\$11.1	\$326.0	\$329.2	\$316.9	\$336.7	\$309.7	1.1%	1.0%	1.1%	0.8%	3.6%
Pennsylvania	\$30.3	\$32.9	\$46.1	\$52.6	\$52.0	\$1,354.1	\$1,366.3	\$1,395.3	\$1,315.0	\$1,162.5	2.2%	2.4%	3.3%	4.0%	4.5%
Rhode Island	\$1.0	\$2.1	\$2.5	\$2.7	\$3.3	\$121.6	\$122.4	\$177.4	\$157.4	\$135.8	0.8%	1.7%	1.4%	1.7%	2.4%
South Carolina	\$2.0	\$0.0	\$0.0	\$0.0	\$2.0	\$100.8	\$100.6	\$106.1	\$103.0	\$96.2	2.0%	0.0%	0.0%	0.0%	2.1%
South Dakota	\$0.7	\$0.7	\$1.5	\$0.8	\$0.8	\$61.6	\$49.6	\$50.0	\$49.3	\$41.7	1.1%	1.4%	3.0%	1.5%	1.8%
Tennessee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$265.2	\$265.6	\$276.4	\$270.8	\$253.5	0.0%	0.0%	0.0%	0.0%	0.0%
Texas	\$5.2	\$7.0	\$7.4	\$7.4	\$12.5	\$1,380.7	\$1,094.7	\$1,071.2	\$1,045.2	\$1,268.9	0.4%	0.6%	0.7%	0.7%	1.0%
Utah	\$7.2	\$7.2	\$7.2	\$7.2	\$7.0	\$85.4	\$86.0	\$89.6	\$87.1	\$80.4	8.4%	8.4%	8.0%	8.3%	8.7%
Vermont	\$5.1	\$4.9	\$4.7	\$4.5	\$5.2	\$86.8	\$73.2	\$75.0	\$77.8	\$69.6	5.9%	6.7%	6.2%	5.8%	7.5%
Virginia	\$13.5	\$12.8	\$13.0	\$17.4	\$22.2	\$303.2	\$304.8	\$245.6	\$143.2	\$132.6	4.5%	4.2%	5.3%	12.2%	16.7%
Washington	\$27.1	\$27.2	\$27.2	\$26.2	\$26.2	\$557.4	\$562.8	\$484.9	\$477.1	\$478.6	4.9%	4.8%	5.6%	5.5%	5.5%
West Virginia	\$5.4	\$5.9	\$5.9	\$5.9	\$5.9	\$164.1	\$165.3	\$160.2	\$160.2	\$98.4	3.3%	3.6%	3.7%	3.7%	5.9%
Wisconsin	\$10.0	\$10.0	\$10.0	\$10.0	\$15.5	\$434.0	\$437.6	\$442.2	\$436.2	\$429.9	2.3%	2.3%	2.3%	2.3%	3.6%
Wyoming	\$5.9	\$5.9	\$3.8	\$3.0	\$3.0	\$38.7	\$38.9	\$39.9	\$31.7	\$23.0	15.3%	15.2%	9.5%	9.5%	13.0%

Tobacco Revenue and Prevention Spending FY 2000-FY 2007



*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 the following programmatic elements: public education efforts, community and school based programs, cessation programs, enforcement efforts, and monitoring and evaluation.¹

The empirical evidence regarding the effectiveness of comprehensive tobacco prevention and cessation programs is vast and growing. 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 fourteen 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.²

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% compared to 20%). 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% instead of 9% between 1994 and 2000 had all states fully funded tobacco prevention programs.³

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.⁴

¹ CDC. *Best Practices for Comprehensive Tobacco Control Programs* – August 1999. Atlanta, GA: U.S. Department of Health and Human Services, August, 1999.

² Tauras, JA, et al., "State Tobacco Control Spending and Youth Smoking," *American Journal of Public Health*, February, 2005.

³ Farrelly, M.C., et al., "The Impact of Tobacco Control Program Expenditures on Aggregate Cigarette Sales: 1981-2000." *Journal of Health Economics* (22) 843-859, 2003.

⁴ 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*, March 2006.

Additionally, the Surgeon General and the Institute of Medicine have reviewed the evidence on comprehensive statewide tobacco control efforts and concluded that comprehensive programs are effective at reducing tobacco use among both adults and youth.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.⁶

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 22.8% in 1988 to 14.0% in 2005, resulting in more than two million fewer smokers.⁷ If every state had California's current smoking rate, there would be more than 14 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.⁸ 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.⁹
- 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.¹⁰

⁵ Inst. of Medicine, *State Programs Can Reduce Tobacco Use*, Nat'l Academy of Sciences, 2000; U.S. Department of Human Services, *Reducing Tobacco Use: A Report of the Surgeon General*, 2000.

⁶ This factsheet focuses on the extensive public health benefits obtained by state tobacco prevention programs. Other Campaign factsheets show that these programs also reduce smoking-caused costs, including those incurred by state Medicaid programs. See, e.g., *Comprehensive Statewide Tobacco-Prevention Programs Save Money*, <http://tobaccofreekids.org/research/factsheets/pdf/0168.pdf>.

⁷ Adult Smoking Prevalence, California Department of Health Services, Tobacco Control Section, 2006 <http://www.dhs.ca.gov/tobacco>

⁸ Cigarette Consumption, California Department of Health Services, Tobacco Control Section, 2005. <http://www.dhs.ca.gov/tobacco>

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

¹⁰ *California's Tobacco Control Program: Preventing Tobacco Related Disease and Death*; Tobacco Control Section, California Department of Health Services, April 3, 1998.

- 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.¹¹ Surveillance, Epidemiology, and End Results (SEER) data associated lower lung cancer incidence with California's program.¹²
- According to the California Student Tobacco Survey, from 1996 to 2004, smoking declined by more than 60% 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.¹³

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.¹⁴

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.¹⁵ 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. As the data below demonstrate, Washington's comprehensive program is working.

- Washington's tobacco prevention efforts have cut smoking by 57 percent among sixth graders, 49 percent among eighth graders, 48 percent among tenth graders, and 44 percent among twelfth graders.¹⁶ Because of these declines, there are 65,000 fewer youth smokers in Washington, and the state has saved more than \$1 billion in long-term health care costs.

¹¹ Cowling DW, et al. Declines in lung cancer rates: California, 1988-1997. *Morbidity and Mortality Weekly Report*. 2000;49:1066-1069, 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/2004TCSupdate.pdf>

¹² 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/2004TCSupdate.pdf>

¹³ California Department of Health Services, Tobacco Control Section, California Tobacco Control Update, 2004.

<http://www.dhs.ca.gov/tobacco/documents/2004TCSupdate.pdf>

¹⁴ Pierce, J.P., et al., "Has the California Tobacco Control Program Reduced Smoking?," *JAMA* 280(10): 893-899, September 9, 1998.

¹⁵ *Maine 2005 Youth Risk Behavior Survey*, Maine Department of Human Services, November, 2005.

¹⁶ Washington State Department of Health. Tobacco Prevention and Control Program, Progress Report, March 2005. Data are from Healthy Youth Survey.

http://www.doh.wa.gov/tobacco/program/reports/tocp_progprt_3-05_web.pdf

- Since the tobacco control program was implemented, adult smoking has declined by 20 percent, from 22.4 percent in 1999 to 17.8 percent in 2005, one of the lowest smoking rates in the country.¹⁷ According to the Washington Department of Health, this decline translates to about 205,000 fewer smokers in the state.

Program Success – New York

The New York State Tobacco Control program was implemented in 1999 with funds from the Master Settlement Agreement and revenue from the state cigarette tax. As the data below demonstrate, New York's comprehensive program is working.

- Between 1999 and 2005, smoking among high school students declined by 40 percent, (from 27.4 percent to 16.2 percent).¹⁸
- Between 2001 and 2004, adult smoking declined by 15 percent, moving New York's smoking rate from the 26th highest in the nation to the 13th highest in the nation.¹⁹

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.²⁰ Data indicate that this comprehensive approach was working when the program was fully funded.²¹

- 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.²²

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

¹⁷ CDC, *Behavioral Risk Factor Surveillance System (BRFSS)*. <http://apps.nccd.cdc.gov/brfss/list.asp?cat=TU&yr=2005&qkey=4396&state=UB>.

¹⁸ CDC, *Youth Risk Behavior Surveillance, 1999 and 2005*.

¹⁹ CDC, *Behavioral Risk Factor Surveillance System (BRFSS)*, <http://apps.nccd.cdc.gov/brfss/list.asp?cat=TU&yr=2005&qkey=4396&state=UB>.

²⁰ Indiana Tobacco Prevention and Cessation, Annual Report, 2001-2002, <http://www.in.gov/itpc/images/annual.pdf>.

²¹ Youth Tobacco Survey, 2000 and 2004. http://www.in.gov/itpc/files/research_52.pdf

²² McAlister, AL, et al., "Settlement-Funded Tobacco Control in Texas: 2000-2004 Pilot Project Effects on Cigarette Smoking," *Public Health Reports*, May-June, 2006.

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).²³
- From 1995 to 2001, current smoking among Massachusetts high school students dropped by 27 percent (from 35.7% to 26%), while the nationwide rate dropped by 18 percent (34.8% to 28.5%)²⁴
- Between 1993 and 2000, adult smoking prevalence dropped from 22.6 percent to 17.9 percent, resulting in 228,000 fewer smokers.²⁵ Nationally, smoking prevalence dropped by just 7 percent over this same time period.²⁶
- Between 1990 and 1999, smoking among pregnant women in Massachusetts declined by more than 50 percent (from 25% to 11%). Massachusetts had the greatest percentage decrease of any state over the time period (the District of Columbia had a greater percent decline).²⁷

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.²⁸

- 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.

Campaign for Tobacco-Free Kids. October 12, 2006 / Meg Gallogly

²³ Abt Associates Inc, *Independent Evaluation of the Massachusetts Tobacco Control Program, Seventh Annual Report - January 1994 to June 2000.*

²⁴ *Massachusetts Youth Risk Behavior Survey: 2001; National Youth Risk Behavior Survey.*

²⁵ Abt Associates Inc, *Seventh Annual Report - January 1994 to June 2000.*

²⁶ National Health Interview Survey, 1993 and 2000.

²⁷ Abt Associates Inc, *Seventh Annual Report - January 1994 to June 2000.*

²⁸ Sbarra, Cheryl, Massachusetts Association of Health Boards, Abstract, March 2004.

<http://www.mahb.org/tobacco/sales%20to%20minors%20study%20abstract.pdf>

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 more than \$900 million in additional, new funding each year. These substantial increases to the annual MSA payments will start April 2008, in fiscal year 2007-08.

These additional payments come, in part, from a small increase in the 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 Strategic Contribution Fund bonus payments end, the continuing unadjusted core MSA base payment amounts are scheduled to increase, which will keep the annual payments to the states at substantially higher levels than today.

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

MSA Payment Increases From 2007 to 2008 (All Amounts in Millions of Dollars)

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Projected Actual Payments 2007	Projected Actual Payments 2008	Projected New Funds Available 2008	Tobacco Control Funding 2007	CDC Minimum Recommended Funding
Alabama	\$113.2	\$121.9	\$107.6	\$115.9	\$8.3	\$682,000	\$26.7
Alaska	\$23.9	\$39.1	\$22.7	\$37.2	\$14.5	\$6.2	\$8.1
Arizona	\$103.2	\$131.6	\$98.1	\$125.1	\$27.0	\$25.5	\$27.8
Arkansas	\$58.0	\$65.6	\$55.1	\$62.4	\$7.3	\$15.1	\$17.9
California	\$894.0	\$956.3	\$849.9	\$909.2	\$59.2	\$84.0	\$165.1
Colorado	\$96.0	\$118.2	\$91.3	\$112.4	\$21.1	\$25.0	\$24.6
Connecticut	\$130.0	\$161.1	\$123.6	\$153.2	\$29.6	\$2.0	\$21.2
Delaware	\$27.7	\$34.7	\$26.3	\$33.0	\$6.7	\$10.3	\$8.6
Washington, DC	\$42.5	\$49.9	\$40.4	\$47.4	\$7.0	\$500,000	\$7.5
Florida	Not in MSA					\$5.6	\$393.6
Georgia	\$171.9	\$183.4	\$163.4	\$174.3	\$10.9	\$2.3	\$42.6
Hawaii	\$42.2	\$63.3	\$40.1	\$60.2	\$20.2	\$9.1	\$10.8
Idaho	\$25.4	\$32.4	\$24.2	\$30.9	\$6.7	\$908,000	\$11.0
Illinois	\$326.0	\$355.8	\$309.9	\$338.3	\$28.4	\$8.5	\$64.9
Indiana	\$142.9	\$168.5	\$135.8	\$160.2	\$24.4	\$10.9	\$34.8
Iowa	\$60.9	\$85.5	\$57.9	\$81.3	\$23.4	\$6.5	\$19.4
Kansas	\$58.4	\$75.5	\$55.5	\$71.8	\$16.2	\$1.0	\$18.1
Kentucky	\$123.4	\$132.3	\$117.3	\$125.8	\$8.5	\$2.2	\$25.1
Louisiana	\$158.0	\$183.7	\$150.2	\$174.7	\$24.5	\$8.0	\$27.1
Maine	\$53.9	\$66.4	\$51.2	\$63.1	\$11.9	\$14.7	\$11.2
Maryland	\$158.3	\$189.8	\$150.5	\$180.4	\$29.9	\$18.7	\$30.3

States	Unadjusted Base Payments 2007	Unadjusted Base Payments 2008	Projected Actual Payments 2007	Projected Actual Payments 2008	Projected New Funds Available 2008	Tobacco Control Funding 2007	CDC Minimum Recommended Funding
Massachusetts	\$282.9	\$329.9	\$269.0	\$313.7	\$44.7	\$8.3	\$35.2
Michigan	\$304.8	\$333.0	\$289.8	\$316.6	\$26.8	\$0.0	\$54.8
Minnesota	Not in MSA					\$21.7	\$182.6
Mississippi	Not in MSA					\$0.0	\$121.7
Missouri	\$159.3	\$175.8	\$151.5	\$167.2	\$15.7	\$0.0	\$32.8
Montana	\$29.8	\$39.3	\$28.3	\$37.4	\$9.1	\$6.9	\$9.4
Nebraska	\$41.7	\$49.0	\$39.6	\$46.6	\$7.0	\$3.0	\$13.3
Nevada	\$42.7	\$52.4	\$40.6	\$49.9	\$9.2	\$3.8	\$13.5
New Hampshire	\$46.6	\$55.3	\$44.3	\$52.6	\$8.2	\$0.0	\$10.9
New Jersey	\$270.8	\$300.7	\$257.5	\$285.9	\$28.4	\$11.0	\$45.1
New Mexico	\$41.8	\$51.2	\$39.7	\$48.7	\$8.9	\$7.7	\$13.7
New York	\$893.9	\$958.8	\$849.8	\$911.6	\$61.8	85.5	\$95.8
North Carolina	\$163.4	\$183.3	\$155.3	\$174.3	\$19.0	\$17.1	\$42.6
North Dakota	\$25.6	\$41.1	\$24.4	\$39.1	\$14.7	\$3.1	\$8.2
Ohio	\$352.8	\$383.8	\$335.4	\$364.9	\$29.4	\$45.0	\$61.7
Oklahoma	\$72.6	\$100.9	\$69.0	\$95.9	\$26.9	\$10.0	\$21.8
Oregon	\$80.4	\$102.8	\$76.4	\$97.7	\$21.3	\$3.5	\$21.1
Pennsylvania	\$402.5	\$438.5	\$382.7	\$416.9	\$34.3	\$30.3	\$65.6
Rhode Island	\$50.4	\$60.8	\$47.9	\$57.8	\$9.9	\$950,000	\$9.9
South Carolina	\$82.4	\$95.5	\$78.3	\$90.8	\$12.5	\$2.0	\$23.9
South Dakota	\$24.4	\$31.4	\$23.2	\$29.9	\$6.6	\$708,000	\$8.7
Tennessee	\$171.0	\$180.9	\$162.5	\$171.9	\$9.4	\$0.0	\$32.2
Texas	Not in MSA					\$5.2	\$519.4
Utah	\$31.2	\$47.5	\$29.6	\$45.2	\$15.5	\$7.2	\$15.2
Vermont	\$28.8	\$45.0	\$27.4	\$42.8	\$15.4	\$5.1	\$7.9
Virginia	\$143.2	\$152.6	\$136.2	\$145.0	\$8.9	\$13.5	\$38.9
Washington	\$143.8	\$196.3	\$136.7	\$186.6	\$49.9	\$27.1	\$33.3
West Virginia	\$62.1	\$82.9	\$59.0	\$78.8	\$19.8	\$5.4	\$14.2
Wisconsin	\$145.1	\$170.5	\$138.0	\$162.1	\$24.2	\$10.0	\$31.2
Wyoming	\$17.4	\$24.2	\$16.5	\$23.0	\$6.5	\$5.9	\$7.4
Am. Samoa	\$1.1	\$1.1	\$1.01	\$1.03	\$0.02	NA	NA
Guam	\$1.5	\$1.6	\$1.46	\$1.49	\$0.03	NA	NA
No. Mariana	\$0.6	\$0.6	\$0.56	\$0.57	\$0.01	NA	NA
Puerto Rico	\$78.5	\$80.1	\$74.7	\$76.1	\$1.5	NA	NA
Virgin Islands	\$1.2	\$1.2	\$1.16	\$1.18	\$0.02	NA	NA
All States	\$7.0 bill.	\$8.0 bill.	\$6.7 bill.	\$7.6 bill.	\$930 mill.	\$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 1, 2006 / 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.ⁱ

- 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.ⁱⁱ

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.ⁱⁱⁱ

- 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.

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.^{iv}
- 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.^v
- 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 by 22 percent.^{vi} As more time passes, the situation is likely to get much worse – unless program funding is restored.

Campaign for Tobacco-Free Kids. November 10, 2005 / Meg Gallogly

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

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- ⁱ See, e.g., Pierce, J.P., et al., "Has the California Tobacco Control Program Reduced Smoking?," *JAMA* 280(10): 893-899, September 9, 1998.
- ⁱⁱ 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>
- ⁱⁱⁱ Sbarra, Cheryl, Massachusetts Association of Health Boards, Abstract, March 2004. <http://www.mahb.org/tobacco/sales%20to%20minors%20study%20abstract.pdf>
- ^{iv} 2005 Florida Youth Tobacco Survey. http://www.doh.state.fl.us/disease_ctrl/epi/FYTS/Fact_Sheet1_Cigarette_Use.pdf
- ^v 2004 Florida Youth Tobacco Survey. http://www.doh.state.fl.us/disease_ctrl/epi/FYTS/2004_FYTS.htm
- ^{vi} "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>

December 6,