

Brief Overview of the Tobacco Settlement

In November 1998, 46 states and the tobacco industry settled the states' Medicaid lawsuits for recovery of their tobacco-related health care costs. The industry committed to paying the states approximately \$206 billion over the next 25 years in its Master Settlement Agreement (MSA). This settlement was entitled Phase I.

In addition, payments of \$5 billion will be made to 14 states, including NC, to compensate them for potential harm to their tobacco-producing communities. This separate settlement was entitled Phase II.

Four states (Mississippi, Texas, Florida and Minnesota) settled their tobacco lawsuits separately for a total of \$40 billion over the next 25 years.

Phase I

North Carolina: Under the terms of the Master Settlement Agreement (MSA), North Carolina is estimated to receive \$4.6 billion to be paid over 25 years.

Total Estimated NC Receipts Per Year (millions)

Year 1	\$56
Year 2	\$150
Year 3	\$161
Year 4	\$191
Year 5	\$196
Year 6-9	\$163
Year 10-19	\$166
Year 20-25	\$186

National: Further, the MSA established a National Foundation responsible for coordinating and supporting a national public education and research to reduce tobacco use and substance abuse among youths.

Funding: 1) \$250 million over the next 10 years for Foundation infrastructure, training conferences, grants program, etc.; 2) \$1.45 billion between 2000 and 2003 for the national public education campaign

Website: www.americanlegacy.org

NC Legislation for the Settlement

Content Summary of SB 6--New State Tobacco Settlement Law (Passes in long session of 1999).

1. **50 percent** for a Community Foundation for Economic Development in tobacco Dependent communities--recently named the Golden LEAF Foundation.
 - Governed by 15 member Board of Directors: Board appointments: 5 by the Governor, 5 by the Speaker of the House and 5 by the Senate Pro Tempore. (Health representative(s) may be appointed to the Board of Directors)
2. **25 percent** to a Trust fund established by the General Assembly for the benefits of health, with the trust to be governed by a board of trustees comprised of a broad representation of health interests.
3. **25 percent** to a Trust Fund established by a General Assembly for the benefit of tobacco producers, tobacco allotment holders, persons engaged in tobacco-related businesses.

Content Summary of HB 1431: Health Trust Legislation (passes in short session of 2000).

Overview

Over the next 25 years, 25% of the Tobacco Settlement monies (approximately **\$1.15 billion**) create a Health and Wellness Trust Fund, established in the Office of the State Treasurer.

Fund Purposes:

Moneys from the fund may be used for any of the following purposes:

- ◆ To address the health needs of vulnerable and underserved populations in NC
- ◆ To fund programs and initiatives that include research, education, prevention, and treatment of health problems in NC and to increase the capacity of communities to respond to the public's health needs.
- ◆ To develop a comprehensive, community-based plan with goals and objectives to improve the health and wellness of the people of NC with a priority on preventing, reducing, and remedying the health effects of tobacco use and with an emphasis on reducing youth tobacco use. The plan shall include measurable health and wellness objectives and a proposed timetable for achieving these objectives. In developing the plan, the commission shall consider all facets of health, including prevention, education, research and related areas.

Creation of Health and Wellness Trust Fund Commission

A Trust Board (known as a Commission) will be comprised of 18 people. Appointments are as follows: 6 each by the Governor, President Pro Tempore of the Senate and the Speaker of the House.

The Governor shall make the following appointments:

- ◆ A person involved in public health
- ◆ A person involved in the operation of health care delivery systems
- ◆ A health care practitioner
- ◆ 3 members at-large

The President Pro Tempore of the Senate shall make the following appointments:

- ◆ A person involved in health research
- ◆ A person involved in tobacco-related health care issues
- ◆ A person involved in health promotion and disease prevention
- ◆ 3 members at-large

The Speaker of the House shall make the following appointments:

- ◆ A person involved in health policy trends
- ◆ A person involved with health care for underserved populations
- ◆ A person involved in child health care
- ◆ 3 members at-large

It is the intent of the General Assembly that the appointing authorities, in appointing members, shall appoint members who represent the geographic, political, gender, and racial diversity of the State.

The Commission shall have a staggered membership as detailed in the law and no member may serve more than two full consecutive 4-year terms.

The Commission shall elect from its membership a chair, vice-chair and other officers.

Commission Meetings:

The Governor shall call the initial meeting of the Commission. The Commission shall meet at least twice per year and may hold special meetings at the call of the chair or the majority of the voting members. The Office of the Treasurer shall provide meeting space.

Staffing and Contracts:

The Commission is authorized to hire staff or contract for expertise for the administration of the Fund.

Expenditure of Funds:

The Commission may expend all the funds for the settlement payment years (1998, 1999 and 2000)--approximately \$50 million for grants and programs. In the years 2001 through 2025 the bill provides that 1/2 of the funds can be used as nonreserved funds for grants and programs and the other 1/2 will create a reserve fund--an endowment. Any unexpended or unencumbered portion of the nonreserved portion of each annual payment for the years 2001 through 2025 that has not been expended or encumbered by the third June 30th following the date of receipt of the payment shall be reserved. The Commission may expend the investment earnings on the reserved funds. Further, the Commission may expend the investment earnings on the nonreserved funds in the year in which the investment earnings are received by the fund.

No more than 2 1/2 % of the annual receipts of the Fund for the fiscal year beginning July 1 or the sum total of \$1 million dollars, whichever is less, may be used each fiscal year for administration and operating expenses of the Commission and staff.

Commission Powers and Duties:

- ◆ Allocate moneys from the Fund as grants. A grant may be awarded only for a program or initiatives that satisfies the criteria and furthers the purposes of the Fund.
- ◆ Develop the criteria for awarding the grants. This includes types of programs and initiatives to be funded, including short-term and long-term health and wellness of the citizens of NC.
- ◆ Develop the criteria by which to measure the outcomes of funded programs to evaluate the extent to which those programs achieved the goals for which the funds were awarded.
- ◆ Develop a mechanism with which to evaluate individual applications.
- ◆ Ensure that good faith efforts are made to achieve federal mandates targeting the reduction of youth access to tobacco products.
- ◆ Administer the provisions of the Trust Fund.
- ◆ Adopt rules to implement the Trust Fund.

The Commission shall appoint an Advisory Committee including the Secretary of NC Department of Health and Human Services, State Health Director and the Dean of the UNC School of Public Health, as well as others considered necessary.

Eligible Grant Applicants:

Any of the following:

- ◆ A State agency
- ◆ A local government or other political subdivision of the state or a combination of such entities
- ◆ A nonprofit corporation which has a significant purpose in promoting the public's health, limiting youth access to tobacco products, or reducing the health consequences of tobacco use.

Reporting:

The chair of the Commission shall report each year to the Joint Legislative Committee on Governmental Affairs and to the chairs of the Joint Legislative Health Care Oversight Commission regarding implementation of the Fund.

Open Meetings and Public Records Requirement:

The Commission shall follow the Open Meetings Law and the Commission shall be subject