



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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TOBACCO SETTLEMENT FINANCIAL SUMMARY

REVENUES

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with 60 tobacco companies that ended a four year legal battle that included 46 states. The lawsuit and subsequent settlement were regarding tobacco-related health care costs. Currently, Montana is eligible for two types of payments: 1) on-going annual payments (to be received April 15th); and 2) strategic contribution payments (from FY 2008 through FY 2017). The MSA places no restrictions on how states are to spend the money.

The total amount of tobacco settlement funds available to Montana may be affected by adjustments for inflation, volume of cigarettes shipped nationally, and participating manufacturers' (PM) loss of market share.

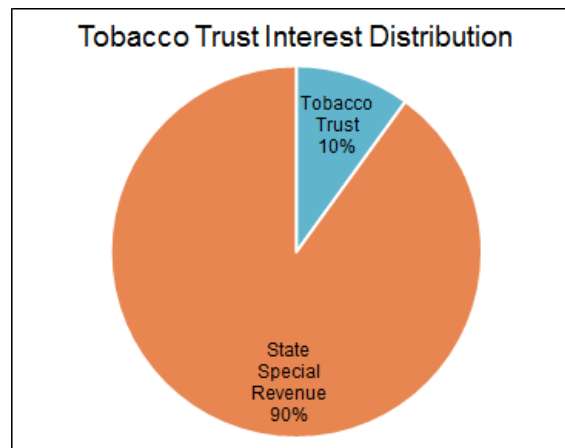
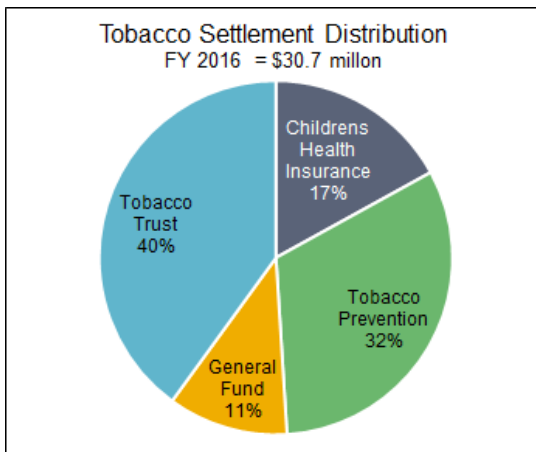
The first table shows the revenue Montana has received through FY 2016. The increase in revenue beginning FY 2008, due to larger payments by tobacco companies and the start of the strategic contribution payments, masks the reduction caused by the anticipation that PM will withhold a portion of their payments until the cause of the loss of market share is proven.

Tobacco Settlement & Tobacco Trust Revenue & Distribution									
(\$ Millions)									
FY	Tobacco Settlement Revenue Allocation					Tobacco Trust Interest Earnings Allocation			
	General Fund	Trust Fund	Tobacco Prevention	CHIP	Total	State Special Revenue	Trust Fund	Total	
2004	2.934	10.669	8.535	4.534	26.672	2.403	0.267	2.670	
2005	2.978	10.828	8.663	4.602	27.071	2.882	0.320	3.202	
2006	2.734	9.940	7.952	4.225	24.851	3.049	0.339	3.388	
2007	2.861	10.324	8.324	4.422	25.931	3.787	0.421	4.208	
2008	3.808	13.846	11.077	5.884	34.614	4.091	0.455	4.546	
2009	4.128	15.009	12.008	6.379	37.524	4.343	0.483	4.825	
2010	3.469	12.613	10.091	5.361	31.533	5.039	0.560	5.599	
2011	3.259	11.850	9.480	5.036	29.625	5.556	0.617	6.173	
2012	3.322	12.081	9.665	5.134	30.203	6.031	0.670	6.701	
2013	3.321	12.078	9.662	5.133	30.194	5.873	0.653	6.526	
2014	3.646	13.257	10.605	5.634	33.142	5.933	0.659	6.592	
2015	3.225	11.727	9.382	4.984	29.319	6.224	0.692	6.916	
2016	3.371	12.260	9.808	5.210	30.650	6.308	0.701	7.009	

DISTRIBUTION

The legislature is required to dedicate not less than 40% of tobacco settlement money to a permanent tobacco trust fund. The remaining revenue is distributed between the general fund, the Children’s Health Insurance Program (CHIP) state special revenue fund, and the Tobacco Prevention state special revenue fund.

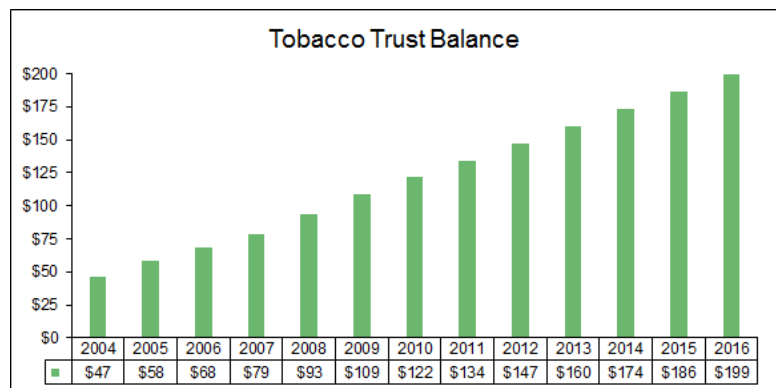
The following charts show the FY 2016 distribution of the tobacco settlement funds.



Allowable uses of the 32% Tobacco Prevention distribution include tobacco prevention/cessation programs and chronic disease programs. The 17% CHIP allocation also funds programs of the Montana Comprehensive Health Association (MCHA). Money from both allocations can be used for tobacco disease prevention and to fund the Tobacco Prevention Advisory Board. Money not appropriated within two years is transferred to the tobacco trust fund. The remaining 11% of the MSA money is deposited to the general fund. Senate Bill 485 authorized the one-time transfer of \$5,831,360 in FY 2004 and \$6,057,600 in FY 2005 from the account receiving the 32% allocation to a newly created prevention and stabilization state special revenue account. The table below shows actual settlement amounts distributed to the general fund, tobacco trust fund, and state special revenue accounts through FY 2012.

As stipulated in the Montana Constitution, interest earnings from the tobacco trust fund are to be distributed:

- 90% for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana; and
- 10% to the tobacco trust. The table shows actual amounts.



TOBACCO TRUST

The tobacco trust fund began receiving deposits of settlement proceeds and interest earnings in FY 2001.

The chart to the right shows the fiscal year end fund balances through FY 2016. Money in the tobacco trust fund can be spent if approved by 2/3 of each house of the legislature. Appropriations of principal, income, or interest from the trust fund cannot be used to replace state or federal money that supports tobacco disease prevention programs that existed on December 31, 1999.

EXPENDITURES

The state special revenue from the tobacco settlement provides funding to four departments: the Department of Health and Human Services (DPHHS), Department of Justice, the State Auditor's Office and the Department of Revenue. DPHHS uses tobacco settlement revenues for:

- State matching funds for the federal Children's Health Insurance Program (CHIP) grant and Medicaid services
- Tobacco use prevention and cessation
- Adolescent vaccinations, new- born screening and follow up
- Health professional recruitment
- Emergency medical services
- HIV treatment

The state special revenue funds provided by the tobacco settlement for the Department of Justice in the Gambling Control Division support activities related to enforcement of the Master Settlement Agreement.

The Department of Revenue utilizes the revenues generated by the tobacco settlement for tobacco tax compliance.

Tobacco Settlement State Special Revenue Expenditures FY 2016 (\$ Millions)			
Fund Name	Agency	Function	Expenditures
02789 CHIP/MCHA Tobacco Settlement Fund	State Auditor	Insurance Department	
	State Auditor	Insurance Services	
	DPHHS	Healthy MT Kids Grant Adnin	0.084
	DPHHS	Healthy MT Kids Grant Benefits	3.988
	DPHHS	Prog 11 Indirects Out	0.041
Subtotal			4.113
02790 6901-Statewide Tobacco Settlement	Justice	GCD Tobacco MOU	0.103
	Justice	GCD Bozeman regional office	0.027
	Revenue	Directors Office Expenditures	0.117
	Revenue	Tobacco Program Attorney	
	Revenue	Business & Income Tax Division	0.000
	Revenue	Tobacco Settlement	(0.012)
	Revenue	Business Valuation & Tax	0.204
	DPHHS	Breast & Cervical Health Admin	0.196
	DPHHS	Breast & Cervical Health Benefits	0.218
	DPHHS	Cardiovascular Disease	0.607
	DPHHS	Chronic Illness Admin	0.140
	DPHHS	Diabetes Cont and Immun	0.833
	DPHHS	MIAMI General Fund Benefits	0.399
	DPHHS	Tobacco Set Admin	3.565
	DPHHS	Tobacco Settlement Benefits	2.552
	DPHHS	Tumor Registry	0.008
	DPHHS	PHSD Asthma Admin	0.521
	DPHHS	PHSD National Cancer Admin	0.316
	DPHHS	PHSD National Cancer Benefit	0.455
DPHHS	Prog 07 Indirects Out	0.457	
Subtotal			10.706
02987 - Tobacco Interest	DPHHS	Medicaid Benefits	3.267
	DPHHS	Child Mental Health	0.195
	DPHHS	CSB Admin Expenses	0.051
	DPHHS	Developmentally Disability	0.600
	DPHHS	Family & Community Health	0.075
	DPHHS	Aids Prevention Benefits	0.084
	DPHHS	Emerg Medical Serv Admin	0.140
	DPHHS	FOSB Benefits	
	DPHHS	Immunization Benefits	0.400
	DPHHS	MIAMI General Fund Benefits	
	DPHHS	MSB Benefits	
	DPHHS	Women, Infants & Child Benefits	0.007
	DPHHS	Managed Care	0.680
	DPHHS	Medicaid Benefits	0.028
	DPHHS	Newborn Screening	0.278
	DPHHS	Management Overhead Cost Allocated	
	DPHHS	SLTC Home Based Services	
	DPHHS	SLTC Nursing Homes	0.832
	DPHHS	SLTC Community Based Services	0.261
	DPHHS	Prog 07 Indirects Out	0.040
Subtotal			6.937
Total			\$21.756