

# TOBACCO MASTER SETTLEMENT FUND

## BUDGET UPDATE

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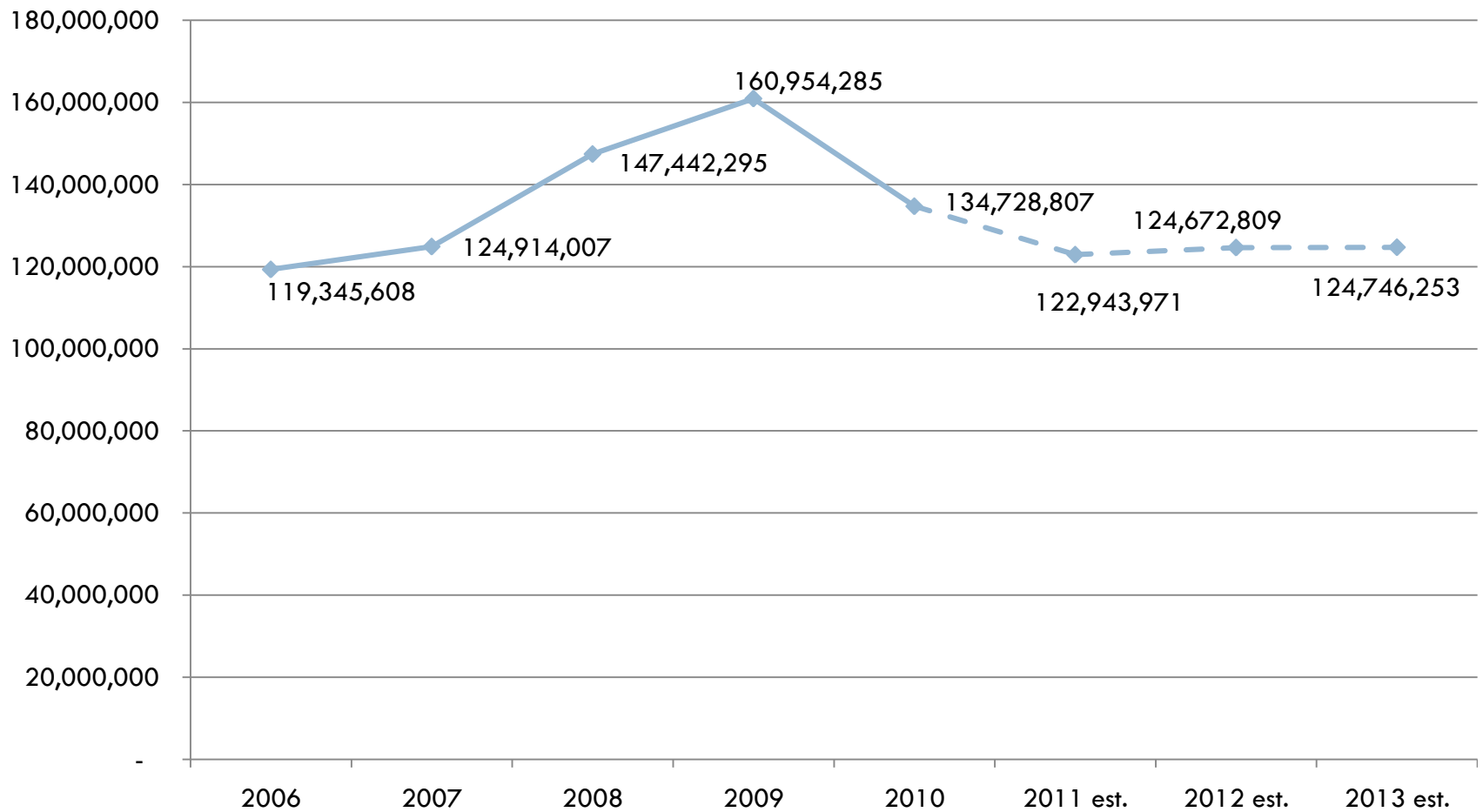
# Background on MSA

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- ❑ November 1998 - the AGs of 46 states and the nation's largest tobacco companies signed a comprehensive agreement
- ❑ Agreement calls for annual payments in perpetuity as reimbursement for past tobacco-related costs associated with healthcare costs
- ❑ Agreement imposes no restrictions on how states spend their MSA payments
- ❑ Indiana's allocable share is set at 2.039 percent of total annual payment to states
- ❑ Total annual MSA payment to states is adjusted annually based on the participating manufacturers' cigarette sales, market share, and rate of inflation
- ❑ In 1999, the General Assembly created the Tobacco Master Settlement Fund (TMSF)

# Revenues

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# Revenue Projections

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- ❑ The revenue projections are based on assumptions made by the National Association of Attorneys General about cigarette consumption and the rate of inflation over the next three years. The revenue estimates can change based on the actual participating manufacturers' cigarette sales, market share, and rate of inflation.
  - ❑ Cigarette consumption has decreased in recent years (9% in 2009)
  - ❑ Because of the overall economic climate, we received a 3% Inflation Adjustment (3% is the 'floor' provided in the MSA)

# Receipt of Revenues

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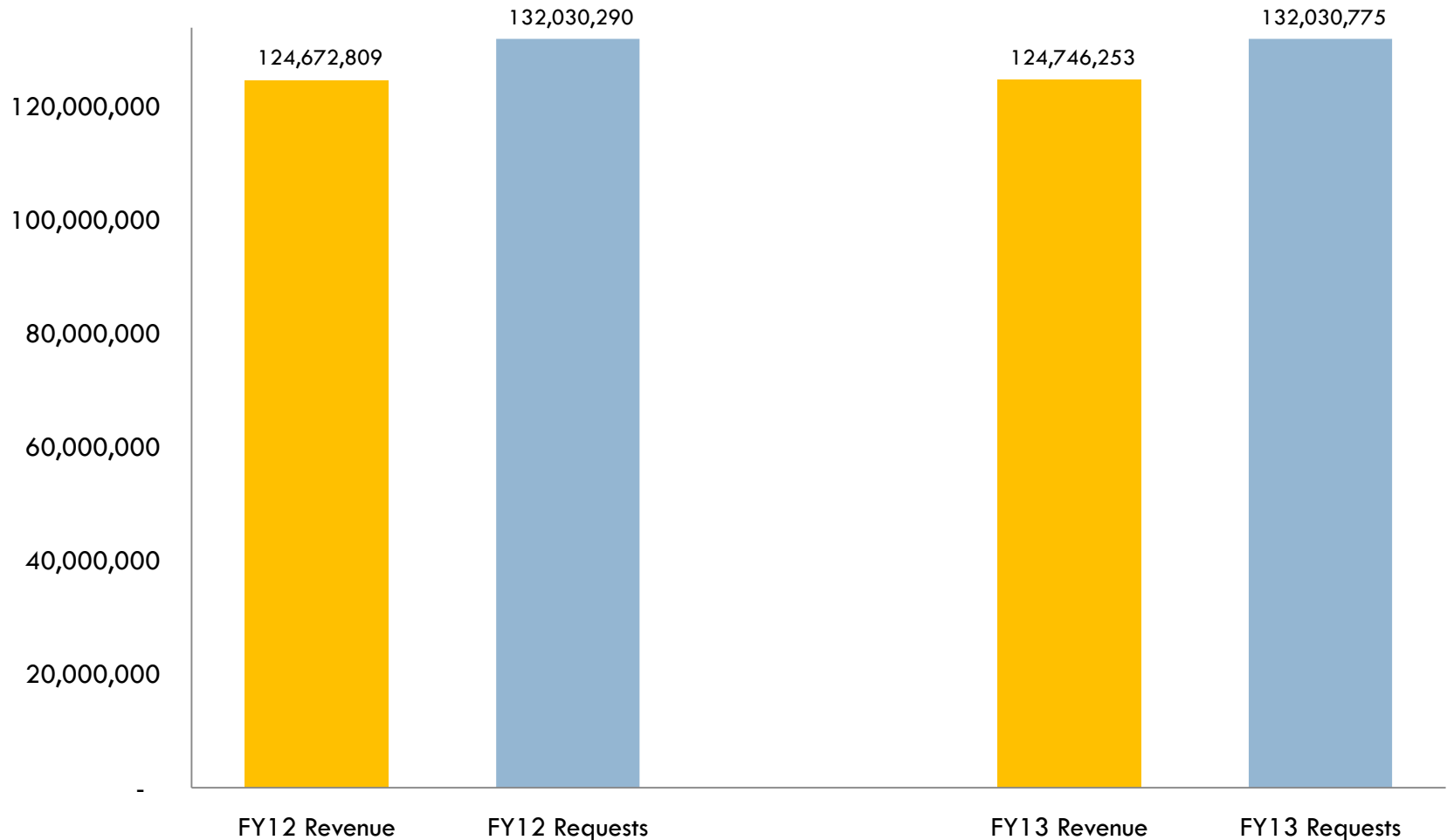
- Actual TMSF revenues for a given fiscal year are not known until April 15<sup>th</sup>, the date set in the MSA when the annual payments are distributed to states
- Indiana has spent more than 75 percent of estimated revenues prior to receiving the payments - if the payments come in below estimates, as they often have in the past, then the spending cannot be “undone”
- Thus, it is prudent to maintain a reserve

# Requested Appropriations

- ❑ The State of Indiana is committed to dedicating the proceeds from the MSA to funding healthcare related programs, anti-smoking programs, and tobacco control programs implemented by ISDH, FSSA, and ITPC
- ❑ In the requested appropriations for FY 2012 and FY 2013, 99% of the TMSF budget would be used for HHS programs
  - ❑ In the last two biennium budgets, this was also greater than 95%
  - ❑ In the two biennium budgets prior to that, HHS-use was approximately 75%
- ❑ The only non-HHS requested appropriations are for the Office of the Attorney General and the Rural Economic Development Fund

# Projected Revenue vs. Budget Request

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Questions?