



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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TOBACCO SETTLEMENT FINANCIAL SUMMARY

REVENUES

The state of Montana receives revenue from a Master Settlement Agreement (MSA) that was reached between 60 tobacco companies and 46 states that ended a four-year legal battle regarding tobacco related health care costs.

Currently, Montana is eligible to receive on-going annual payments on April 15 made in perpetuity. In addition, Montana received strategic contribution payments from FY 2008 through FY 2017 that were additional payments allocated between states that participated in the litigation that led to the MSA as a type of bonus payment. The MSA places no restrictions on how states spend the money.

The total amount of tobacco settlement funds available to Montana may be affected by adjustments for inflation and volume of cigarettes shipped nationally. Most states have a reduction for participating manufacturers' loss of market share as participating tobacco companies have been allowed to withhold a certain amount of the payment which is placed in a disputed payments escrow account as they challenge the amount of their annual assessments, creating a potential shortfall in the amount states receive. However, Montana no longer has this reduction.

Most years since the 2004 inception of the MSA a portion of Montana's payment in the amount of approximately \$3-\$4 million had been placed in the disputed payments account. In FY 2021 Montana prevailed in a lawsuit that released all disputed payments since 2004 as well as interest earnings. This totaled \$53.5 million. Additionally, Montana will no longer have disputed payments withheld. If a tobacco company wishes to dispute a portion of the payment, they must first prevail in court to receive the funds.

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
2017	3.343	12.157	9.725	5.167	30.392	6.495	0.722	7.217
2018	2.778	10.101	8.080	4.293	25.252	6.533	0.726	7.259
2019	3.034	11.032	8.826	4.689	27.581	6.981	0.776	7.757
2020	2.654	9.652	7.721	4.102	24.130	6.952	0.772	7.725
2021	13.196	31.820	25.456	13.524	83.997	7.352	0.817	8.169
2022	3.426	12.458	9.966	5.295	31.144	9.256	1.028	10.284

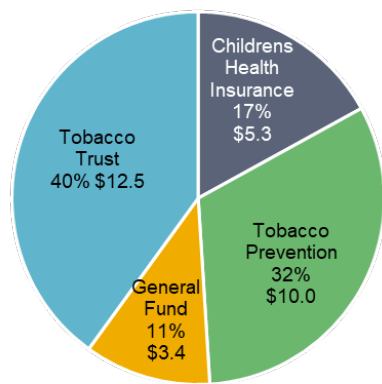
The table above shows the revenue Montana has received through FY 2022.

DISTRIBUTION

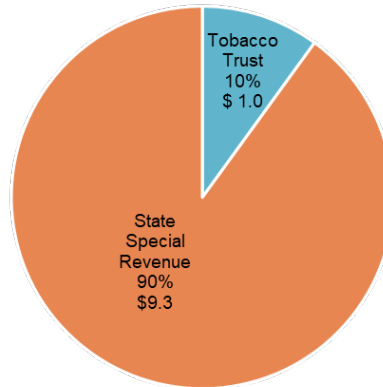
The pie chart on the left shows the distribution of annual tobacco settlement payments. The legislature is required to dedicate not less than 40% of tobacco settlement money to a permanent tobacco trust fund. The remaining revenue is distributed between the general fund (11%), the Children’s Health Insurance Program (CHIP) state special revenue fund (17%), and the Tobacco Prevention state special revenue fund (32%).

The following charts show the FY 2022 distribution of the tobacco settlement funds.

Tobacco Settlement Distribution
FY 2022 = \$31.1 (millions)



Tobacco Trust Interest Distribution
FY 2022 = \$ 10.3 (millions)



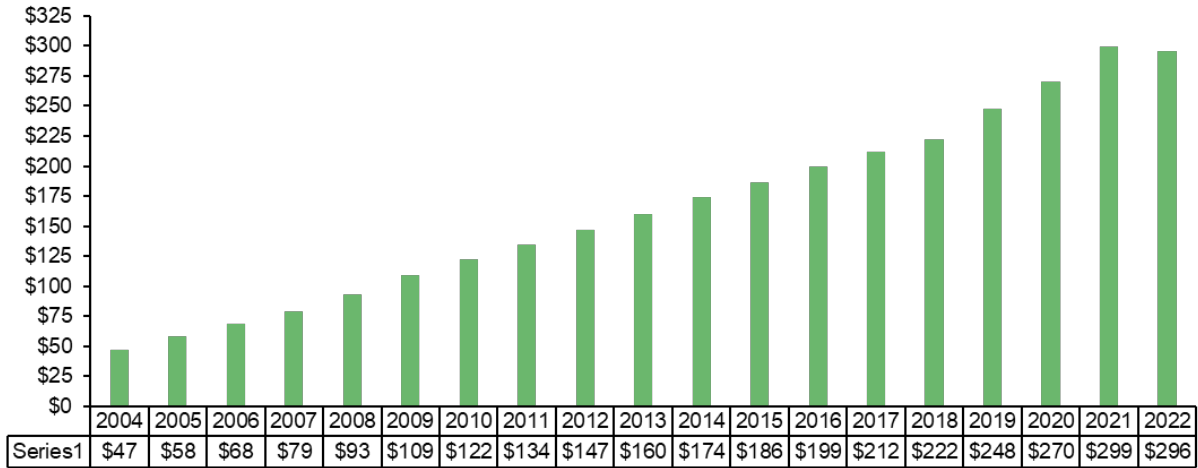
Allowable uses of the 32% Tobacco Prevention distribution include tobacco prevention/cessation programs and chronic disease programs. Money not appropriated within two years is transferred to the tobacco trust fund.

The pie chart on the right shows the distribution of Tobacco Trust interest earnings. As stipulated in the Montana Constitution, interest earnings from the tobacco trust fund are to be distributed as follows:

- 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.

TOBACCO TRUST

Tobacco Trust Balance
(\$ millions)



The tobacco trust fund began receiving deposits of settlement proceeds and interest earnings in FY 2001. The chart above shows the fiscal year end fund balances through FY 2022. 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 the following:

- State matching funds for the federal Children’s Health Insurance Program (CHIP) grant and Medicaid services
- Tobacco use prevention and cessation
- Chronic disease prevention
- Suicide prevention
- Family health services

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 FY 2022 Actual Expenditures (\$ Millions)	
<u>Tobacco Trust Interest</u>	
<u>Tobacco Trust Interest- Fund 02987</u>	<u>\$6.72</u>
<u>Department of Public Health and Human Services</u>	
Public Health & Safety Division	
Injury and disease prevention; immunization	\$0.67
Behavioral Health and Developmental Disabilities Division	
Medicaid services; suicide prevention	\$1.20
Health Resources Division	
Medicaid services	\$2.83
Senior and Long Term Care	
Medicaid Services	\$1.11
Early Childhood and Family Support	
Genetics program; Part C Early Intervention	\$0.91
<u>Tobacco Settlement</u>	
<u>Tobacco Prevention - Fund 02790</u>	<u>\$8.23</u>
Department of Justice	
Litigation	\$0.13
Department of Revenue	
Enforcement	\$0.31
Department of Public Health and Human Services	
Tobacco prevention; chronic illness; home visiting	\$7.79
<u>Childrens health insurance (CHIP/HMK) - Fund 02789</u>	<u>\$9.02</u>
Public Health and Human Services	
Healthy Montana Kids (CHIP)	<u>\$9.02</u>
Total	<u>\$23.97</u>