

## **Tobacco Master Settlement Agreement (MSA) and Program Funding**

In 1998, the MSA settled claims by states against the tobacco industry for the companies' conduct in the sales, advertising, and marketing of cigarettes, and health effects and resulting costs to the states. Vermont sued the companies under public health and consumer protection laws. The MSA established the American Legacy Foundation to carry out a nationwide program to counter youth tobacco use. The MSA also limits tobacco companies' marketing strategies. Finally, the MSA requires the participating companies to make annual payments to the states, in perpetuity. The agreement states that these payments are "for the advancement of public health, [and] the implementation of important tobacco-related public health measures." The MSA provides a formula for calculation of each year's payment, based on factors including inflation and the volume of tobacco sales. The Vermont Legislature established two special funds in 1999:

### **The Tobacco Litigation Settlement Fund**

32 VSA §435a was established for the support of tobacco use prevention, cessation and control, and for other health care purposes. All monies received by the state in connection with the MSA, and any interest that accrues on the balance of such monies, must be deposited in this fund.

### **The Tobacco Trust Fund**

18 VSA §9502 was established in the Office of the State Treasurer "for the purposes of creating a self-sustaining, perpetual fund for tobacco cessation and prevention which is not dependent upon tobacco sales volume." It was funded through initial appropriation by the legislature in 1999 of \$19.2 million from the MSA payment which was reserved "for the sole purpose of long-term sustainable tobacco education, prevention, cessation, and control programs." The statute provides for unencumbered balance in the litigation settlement fund to be transferred to the trust fund annually. Appropriations from the trust fund are limited to a maximum of 7 percent of the balance of the fund. Interest earned shall remain in the fund.

## **Strategic Contribution Fund (SCF) Payments to Vermont**

Under the MSA, 10 years of extra payments annually totaling \$861 million from April 2008 to April 2017, are to recognize individual states for their strategic contributions to the litigation, settlement negotiations, and tobacco control efforts. Vermont was awarded a large share in recognition of its leadership in these areas. Vermont's share is approximately \$12 million per year (subject to adjustments). Vermont's final Strategic Contribution Fund payment (SCF) will be received in 2017.