

Master Settlement Agreement Background

In 1998, Pennsylvania's Attorney General joined the Attorneys General of 46 states, 5 territories and commonwealths, and the District of Columbia, in the Tobacco Master Settlement Agreement (MSA) with the five major tobacco manufacturers representing almost 99% of the tobacco industry's revenues. The MSA has no termination date and provides a perpetual reimbursement to states for the costs incurred as a result of tobacco use. Pennsylvania's share of the MSA funds for the first 25 years of the agreement is estimated to be approximately \$11 billion. The Commonwealth is slated to receive annual payments of between \$397 million and \$459 million between 1999 and 2025. Annual computed adjustments to the amount Pennsylvania is to receive under the agreement will alter the actual amount the Commonwealth will receive. Adjustments will depend upon levels of inflation and domestic shipping volume each year.

With the concurrence of the General Assembly, Governor Tom Ridge, through his Health Investment Plan, has positioned Pennsylvania as a leader among states and a competitor among nations by earmarking tobacco settlement funds for initiatives designed to improve the health of its citizens. The following five principles were developed to guide the Commonwealth's use of the tobacco settlement funds:

- Make Pennsylvanians healthier.
- Set aside a portion of the funds so that future generations of Pennsylvanians can benefit from the settlement.
- Direct the settlement funds to programs and initiatives that can easily be adjusted given the likely fluctuation in payment amounts.
- Focus on fulfilling or enhancing State government's existing service areas before creating new ones.
- Focus on initiatives that do not require the significant growth or expansion of government bureaucracies.

PA Legislation

(1) The general assembly hereby appropriates funds in the fund in accordance with the following percentages based on actual funds received in each year or upon receipt of the final annual payment:

- (i) eight percent for deposit into the health account pursuant to this chapter, which shall be deposited immediately upon receipt.
- (ii) thirteen percent for home and community-based services pursuant to chapter 5. For fiscal year 2001-2002, up to \$13.5 million may be used for expanded counseling, area agency on aging training and education, assistive technology and for reducing waiting lists for services in the department of aging.
- (iii) twelve percent for tobacco use prevention and cessation programs pursuant to chapter 7.
- (iv) eighteen percent for health and related research pursuant to section 906 and one percent for health and related research pursuant to section 909.
- (v) ten percent for the uncompensated care payment program pursuant to chapter 11.
- (vi) thirty percent for health investment insurance pursuant to chapter 13 and for the purchase of Medicaid benefits for workers with disabilities pursuant to chapter 15.
- (vii) eight percent for the expansion of the PACENET program pursuant to chapter 23.