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TOBACCO SETTLEMENT REVENUES AND PROGRAMS

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Colorado will receive annual payments in perpetuity as a result of the 1998 settlement agreement with the tobacco industry. The payments were awarded on the basis that the tobacco industry violated consumer protection and antitrust laws. This issue brief describes how much the state is expected to receive from the settlement for the next five years and summarizes the General Assembly's decisions on how the money will be allocated.

Tobacco Moneys are Divided Between Two Funds

The state is expected to receive approximately \$597 million in tobacco settlement moneys through 2005. Each year's payment will be divided between a trust fund and a cash fund. The portion of the payment deposited into the trust fund will be invested for future use. Moneys in the cash fund are available to be appropriated by the General Assembly. Any money in the cash fund not spent at the end of a fiscal year is transferred to the trust fund. Table 1 shows the payment received in FY 1999-00 and those expected to be received during the next five years.

Table 1

Estimated Payments and Distribution Among Funds
(Dollars in Millions)

Fiscal Year	Payment	Trust Fund	Cash Fund/ Total Spent
1999-00	\$112.2	\$61.0	\$51.2
2000-01	85.6	29.4	56.2
2001-02	102.8	37.5	65.3
2002-03	105.8	38.5	67.3
2003-04	94.5	27.9	66.6
2004-05	96.3	26.9	69.5
Total	\$597.3	\$221.3	\$376.1

FY 1999-00 payment is actual. Estimates are based on high-end forecasts for inflation and national cigarette sales volume. Totals may not sum due to rounding.

The Tobacco Litigation Settlement Trust Fund. The first \$33 million of the payment received in FY 1999-00 and 20 percent of the remainder comprises the current principal

of the trust fund. Beginning in FY 2000-01, 21 percent of each payment will be deposited into the trust fund. The interest earnings from the trust fund cannot be spent until the principal is large enough to provide enough interest to fully fund all of the tobacco programs. That is not expected to occur for more than a decade.

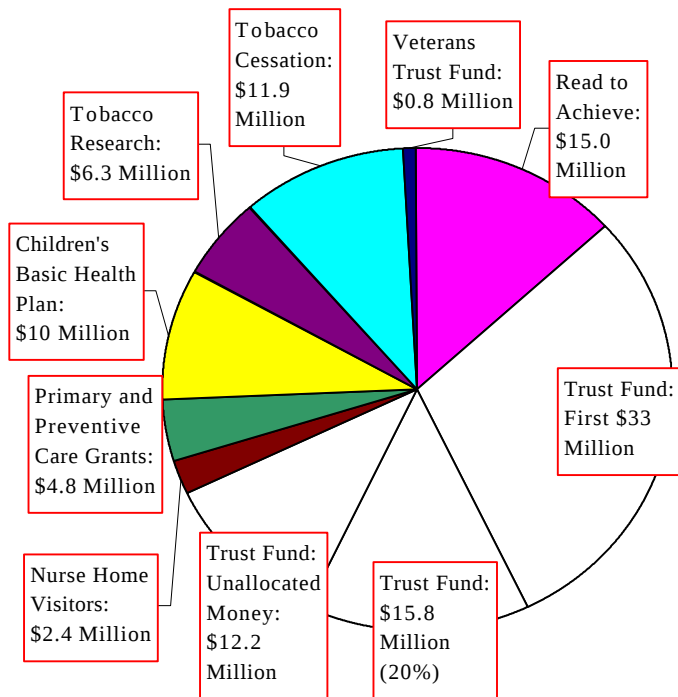
The Tobacco Litigation Settlement Cash Fund. After the appropriate amount has been deposited into the trust fund, the rest of each year's payment will be deposited into the cash fund and appropriated therefrom to the tobacco programs. The programs and the proportion of each year's payment allocated to each are shown in Table 2. In FY 1999-00, \$63.4 million was deposited into the cash fund. Of this, \$51.2 million was appropriated to programs to fund their operations during FY 2000-01, and the remaining \$12.2 million was transferred to the trust fund at the end of the year. Chart 1 on page 2 shows the way in which the payment received in FY 1999-00 was allocated among the trust fund and each of the programs.

Table 2

Tobacco Programs and Funding Allocations

Program	Proportion of Payment
Nurse Home Visitor	3% up to \$3 million in FY 2000-01, plus another 2% up to \$2 million each year until FY 2008-09, then 19% up to \$19 million each year thereafter.
Read to Achieve	19% up to \$19 million each year through FY 2004-05
Veterans Trust Fund	1% up to \$1 million each year
Children's Basic Health Plan	\$10,000,000 each year
Tobacco Research	8% up to \$8 million each year
Tobacco Cessation	15% up to \$15 million each year
Primary and Preventive Care	6% up to \$6 million each year

Chart I
FY 1999-00 Payment Allocations
 Total Payment = \$112.2 Million



Programs Funded with Tobacco Moneys

Nurse Home Visitor Program. The program will provide in-home nursing services to first-time mothers whose family income does not exceed 200 percent of the federal poverty level (\$34,100 for a family of four). Nurses will assist and educate mothers in providing care for their children and improving their children's health. Services will be provided only with the mother's consent, during her pregnancy, and through her child's second birthday. The program will be administered by entities such as nonprofit organizations, local health departments, and existing nurse visiting programs which have been selected by the State Board of Health.

Read to Achieve. Read to Achieve grants will fund literacy programs for students in the second or third grades or between the third and fourth grades. Any public school, including charter schools, may apply for grants to fund programs for students whose literacy and reading comprehension skills are below grade level. Programs may include after-school literacy programs, summer school clinics, and one-on-one tutoring services. The Read to Achieve Board is created and will recommend which proposals the State Board of Education will approve. The program is repealed on July 1, 2005.

Colorado State Veterans Trust Fund. The trust fund was created to help pay for capital improvements and amenities for state veterans nursing homes and costs incurred

by veterans cemeteries and outreach programs. The director of the State and Veterans Nursing Homes or the director of the Division of Veterans Affairs must apply for these funds and the Board of Veterans Affairs will vote to determine which proposals are funded.

Children's Basic Health Plan. The health plan is an established health insurance program for children of low-income families. Eligible children are under 19 years of age, live in a family earning less than 185 percent of the federal poverty level (\$31,543 for a family of four), and are not eligible for Medicaid. Families earning more than 100 percent of the federal poverty level (\$17,050 for a family of four) pay a monthly premium for covered benefits. The federal government matches state funding for the program at a two-to-one ratio.

Tobacco- and Substance-Abuse-Related Research Grant Program. The research grant program will be operated by the Office of the University of Colorado's President. Its purpose is to support mental health research and basic scientific research into tobacco- and substance-abuse-related disease, illness, education, evaluation, cessation, and prevention. Projects funded through the program may include research to find cures for the aforementioned diseases, research on the effectiveness of pharmaceutical cessation aids, and development of more effective prevention programs for children. All of the research moneys will be awarded by a peer-review panel in an open, competitive process.

Tobacco Education, Prevention, and Cessation Grant Program. The program will provide funding for community-based and statewide tobacco education programs. Funded programs will include projects designed to reduce initiation of tobacco use by children and youth, promote cessation of tobacco use among youth and adults, and reduce exposure to second-hand smoke. The State Board of Health will make grant funding decisions, and the program will be administered by the Department of Public Health and Environment's Emergency Medical Services and Prevention Division.

Comprehensive Primary and Preventive Care Grant Program. The program was created in the Department of Health Care Policy and Financing to fund care for uninsured and medically indigent Coloradans. The type of care which may be funded includes primary health care, maternity care, emergency care, and pharmaceutical services. Grants can only be used to increase access to primary and preventive care services, create new services or augment existing services to the target population, or establish new provider sites for medically underserved populations. The grant awards cannot be used to supplant federal funding, for real estate investments, or to finance an existing debt.