



# Tobacco Master Settlement Agreement: Background

*Invest in Health care. Reduce Tobacco Use. Restore the Public's Trust.*

## Tobacco Master Settlement Agreement History

In 1998, 46 states and the “Big 4” tobacco companies entered into a \$221 billion settlement to compensate states for past and future smoking-caused expenditures. The intent was clear: Prevent and reduce tobacco use, especially among children, and lessen the financial toll of tobacco on states.<sup>i</sup>

*“WHEREAS, the Settling States and Participating Manufacturers...have agreed to settle their respective lawsuits and potential claims pursuant to terms which will achieve for the Settling States and their citizens significant funding for the advancement of public health, [and] the implementation of important tobacco-related public health measures...”<sup>ii</sup>*

It turns out, settlement payments from tobacco companies cover only \$0.07<sup>iii</sup> of each \$1.00<sup>iv</sup> that Oregonians spend treating smoking-related conditions. **At the same time, not one penny of the \$1 billion Oregon has received in payments has gone towards tobacco prevention.**<sup>v</sup>

## The Public Voice: Use Funds for Prevention and Cessation Programs

When the settlement dollars reached Oregon in 2000, voters decisively defeated two ballot initiatives that spent the funds without prevention and cessation investments. At the time, 85 percent of Oregonians supported spending Tobacco MSA funds on prevention and cessation programs.<sup>vi</sup> Despite the clear public voice, the funds were not put toward the intended purpose.

## Using Funds for Other Purposes has Already Cost Us

In 2003, two credit agencies downgraded Oregon’s credit rating in part due to plans to use the Tobacco MSA funds to plug budget shortfalls. “...the poorer credit rating means [we] will end up paying millions of dollars in interest over the next 10 to 20 years,” said (State Treasurer Randall) Edwards.<sup>vii</sup>

## The Costs of Tobacco

Tobacco use has a price. The state of Oregon incurs the following costs from tobacco use:

- \$563 per Oregon household in state & federal tax burden from smoking-caused government expenditures;<sup>viii</sup>
- \$374 million in Oregon’s Medicaid costs;<sup>ix</sup>
- **\$1.25 billion in total direct medical expenditures.**<sup>x</sup>

These costs can be decreased if public health and tobacco cessation programs are funded. For instance, there are now 182,000 fewer adult smokers since the Tobacco Prevention & Education Program (TPEP) began in 1997. **TPEP yields a return on investment of \$5 for every \$1 spent.**<sup>xi</sup>

## References

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