



Colorado General Assembly
Joint Budget Committee

JOINT BUDGET COMMITTEE STAFF FY 2017-18 BUDGET BRIEFING SUMMARY *Tobacco Master Settlement Agreement*

The Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream which is directed via a statutory formula to a wide variety of programs. Revenue from the Tobacco Master Settlement Agreement is the result of a 1998 legal settlement between tobacco manufacturers and the states who sued tobacco manufacturers to recover the Medicaid and other health-related costs incurred by the states as a result of treating smoking related illnesses. Colorado received \$92.2 million in Tobacco MSA revenue in April 2016. Programs receiving Tobacco MSA allocations in FY 2016-17 include the Nurse Home Visitor Program (26.7% of allocations), the Children's Basic Health Plan Trust (18% of allocations), and the University of Colorado Health Sciences Center (15.5% of allocations), among others.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

TOBACCO MASTER SETTLEMENT AGREEMENT OVERVIEW: The 1998 Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream from Participating Manufacturers as a result of legal action taken by Settling States to recover state expenses incurred for the treatment of illnesses resulting from tobacco use. Tobacco Master Settlement Agreement money is distributed to certain programs based on a statutory formula. This issue provides an overview of the Tobacco Master Settlement Agreement including what comprises the Tobacco Master Settlement Agreement annual payment to Colorado, disputed payments, and arbitration of disputed payments.

HOUSE BILL 16-1408 DISTRIBUTION CHANGES AND FY 2017-18 ALLOCATIONS: The strategic contribution payment for Colorado will end after the April 2017 Tobacco Master Settlement Agreement payment. Therefore, the April 2018 payment will be approximately \$15.0 million lower than the April 2017 payment. Section 24-75-1104.5 (1.3) (a.5) (II), C.R.S., requires the amount of money received in April 2017 and allocated to programs be reduced by \$15.0 million in order to reduce the accelerated payment. It does not appear that any department as part of their November 1 request accounted for the reduction in revenues available for appropriation in FY 2017-18.

FOR MORE INFORMATION

JBC STAFF ANALYST: Megan Davisson
(303) 866-2062
megan.davisson@state.co.us

TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2017-18_tobbrf.pdf