

December 8, 1997

## **ESTIMATES OF EACH STATE'S SHARE OF MONEY FROM THE PROPOSED TOBACCO RESOLUTION**

The Proposed Tobacco Resolution requires tobacco manufacturers to pay \$368.5 billion in the first 25 years after Congress passes the necessary legislation. The attorneys general who negotiated the Resolution have made a number of recommendations for the way in which the money should be spent, and they have suggested that Congress send much of the money to the states. Specifically, the September 12, 1997 Report of the Attorneys General Allocation Subcommittee concluded that in the initial 25 years, \$193.5 billion should be made available to the states, paid as follows:

Upon signing the legislation	\$7 billion
In year 1	\$4 billion
2	\$4.5 billion
3	\$5 billion
4	\$6.5 billion
5	\$6.5 billion
In years 6 through 25	<u>\$8 billion</u>
Total	\$193.5 billion

The attorneys general recommend that the total be divided among the states based on two variables, one that estimates a state's smoking-related Medicaid costs and one that estimates a state's other claims against the tobacco industry. Combining these, the Subcommittee developed two allocation proposals that differ only slightly, because one considers disproportionate share hospital (DSH) costs under Medicaid and one does not. The attached chart, which shows the amounts of money the attorneys general suggest should go to each state, relies on the allocation that does not consider DSH costs.

The first column of the attached chart presents the Allocation Subcommittee's proposed percentage share for each state or territory of the total available. Each state or territory's share can be calculated merely by multiplying the percentage in column one by the amount to be paid in a given year. By way of example, the second column of the attached chart calculates each jurisdiction's share of the initial payment that will be due upon the signing of the legislation implementing the Proposed Resolution. The last column shows the attorneys general's estimates of each jurisdiction's share of the total payments over 25 years.

It should be kept in mind that these are only estimates, which could change significantly based on Congress' actions. Also, the amounts may increase because every year an inflation factor is applied, which is the greater of the increase in the Consumer Price Index or 3 percent. The amounts could also decrease if tobacco sales volumes decrease.

Finally, the tobacco industry is taking no position on how the amounts it pays under the Proposed Resolution should be divided. The chart reflects recommendations of the attorneys general, not the tobacco industry.

**TNWL 0051963**