

# History of the Master Settlement Agreement (MSA) in North Carolina

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The 1998 State Tobacco Settlement, also known as the Master Settlement Agreement (MSA), calls for states to invest MSA funds to “prevent and reduce tobacco use”:

- In 1998, the Master Settlement Agreement (MSA) settled the states’ Medicaid lawsuits against the major tobacco companies for recovery of their tobacco-related health-care costs.
- As part of the MSA, the companies agreed to curtail or cease certain marketing practices (transit ads, billboards, cartoon characters).
- Tobacco companies also agreed to pay, **in perpetuity**, various annual payments to the states for compensation related to smoking-related illnesses.  
**Every April, approximately \$140 million in MSA payments come to NC.**
- MSA contains explicit language that shows the parties to the MSA that it is expected and intended that the payments to the states would be used to prevent and reduce tobacco use, especially among children.

## Excerpts from the MSA

...the undersigned Settling State officials believe that entry into this agreement ... is necessary in order to further the Settling States’ policies **designed to reduce youth smoking, to promote the public health** and to secure monetary payments to the Settling States;

the Settling States and the 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, the implementation of important tobacco-related public health measures...**

## NC MSA Allocation History

- Per legislation passed by the NC General Assembly, 25 percent of NC MSA funds were allocated to the Health and Wellness Trust Fund (HWTF) from 2001-2012.
  - Investments in tobacco prevention and cessation increased from \$6.2m to \$19.2m (08-09) for tobacco prevention and cessation.
  - In 2004, the NCGA scheduled \$350m for HWTF to pay in bonds that the state issued for capital construction unrelated to prevention and cessation services.
  - This debt service reduced the amount available for tobacco prevention and cessation to about \$15 million in 2009-10.
  - HWTF was abolished in 11-12, with the remainder of funds coming to NC DPH to complete the tobacco prevention and cessation obligations for the year (\$17.3 million).
  - The FY 2013 budget allocated just \$2.7 million from a federal block grant and no state funds were dedicated to tobacco prevention and cessation programs.
- ***And yet, every April, approximately \$140 million in MSA payments come to NC.***

## Other Components of NC’s MSA:

- Fifty percent was designated by the NCGA to go to the Golden Leaf Foundation (per the consent decree) for community economic development in tobacco dependent communities. <http://www.goldenleaf.org/>
- Twenty-five percent was designated by the NCGA to go to the Tobacco Trust Fund Commission <http://www.tobaccotrustfund.org/>
- The remaining 25 percent was designated by the NCGA to go to the Health and Wellness Trust Fund, which was abolished by the General Assembly in the FY 2012. These funds now go into the General Fund.