



NORTH CAROLINA ALLIANCE FOR HEALTH

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

What is the MSA?

On November 23, 1998, the participating cigarette manufacturers, along with 46 states, including North Carolina, entered into what is called the Master Settlement Agreement (MSA), the largest civil litigation settlement in U.S. history. As outlined in the MSA, each of the Settling States gave up any future legal claims based on the cigarette companies' actions at issue in the settled lawsuits. This did not include the individual claims of their residents. In exchange, the participating companies signing the MSA agreed to make annual payments in perpetuity to the Settling States to compensate them for taxpayer money spent for health-care costs connected to tobacco-related illness. The MSA clearly states that its primary purpose is to decrease youth smoking and promote public health, but it does not contain any provisions requiring states to allocate MSA revenues to tobacco use prevention and cessation. As a result, state legislatures are responsible for deciding how the money is spent.

So what happened?

Per legislation passed by the N.C. General Assembly, 25% of the MSA funds were allocated to the Health and Wellness Trust Fund (HWTF) from 2001 to 2012, including up to \$17.3 million annually that went to teen tobacco use prevention programs. North Carolina's teen tobacco use prevention programs were award winning, and the teen tobacco use fell from 38.3% in 2000 to 25.8% in 2009. Then, in FY 2011-12, the Health and Wellness Trust Fund was abolished and funding for teen tobacco use prevention programs was eliminated. MSA monies that had been earmarked for the HWTF were redirected to the state's general fund. Almost immediately teen tobacco use began to rise, increasing more than 15% in just two years.

Why is this important?

Every April, North Carolina still receives approximately \$140 million in MSA payments. Yet, none of this funding is going towards preventing youth from becoming daily smokers. Thus, with the lack of tobacco use prevention funding and the increased marketing of new and emerging tobacco products, including electronic cigarettes, tobacco use among North Carolina youth is once again on the rise. By spending just a fraction of MSA funds on tobacco use prevention programming, North Carolina could save on future medical costs caused by tobacco-related illnesses and save thousands of youth from becoming daily smokers.

By the numbers

- **3 in every 10** high school students are current tobacco users. Overall, tobacco use among North Carolina high school students increased from **25.8% to 28.8%** from 2011 to 2017.
- Use of electronic cigarettes by North Carolina high school students increased **894%** between 2011 and 2017.
- In 2017, **23.3%** of North Carolina high school students said they were considering using electronic cigarettes in the next year.
- Each year, **14,200** deaths in North Carolina are attributed to tobacco use
- There are currently **180,000** youth alive in North Carolina who will die prematurely from smoking.
- Smoking directly causes **\$3.81 billion in health care costs** in North Carolina every year.
- Medicaid costs caused by smoking in North Carolina are more than **\$931 million** yearly.
- North Carolinians pay an extra **\$874 per household** in taxes due to smoking-caused government expenditures.
- Smoking causes **\$4.24 billion** in productive losses in North Carolina every year.
- The tobacco industry spends **\$377.9 million** each year to market their products in North Carolina.

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