

House Select Committee on Tobacco Settlement Funds
(Corrected Minutes)
March 18, 1999
Room 527-S. Statehouse

Members Present

Representative David Adkins, Chairperson
Representative Garry Boston
Representative Marti Crow
Representative Phyllis Gilmore
Representative Henry Helgerson
Representative Ed McKechnie
Representative Melvin Neufeld
Representative Rocky Nichols
Representative Shari Weber

Note: The minutes have been corrected to show that Representative Marti Crow attended the meeting.)

Staff Present

Alan Conroy, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes

Conferee

John Campbell, Senior Deputy Attorney General

Mr. Campbell's review of the tobacco settlement included the following major features:

- Payments will be made in perpetuity, but a calculation has been made that the total through the year 2025 will be \$206 billion. Payments are subject to an annual inflation factor of 3 percent or the increase in the Consumer Price Index, whichever is greater. These increases have been figured into the estimated state payments shown below only for the years through FY 2004:
 - FY 2000-\$20 million
 - FY 2001-\$53 million
 - FY 2002-\$57 million
 - FY 2003-\$69 million
 - FY 2004-\$70 million

- FY 2005-2008—\$58 million per year
 - FY 2009-2018—\$59 million per year
 - FY 2019 and thereafter—\$66 million per year
- Disbursements will not be made until 80 percent of the states that represent 80 percent of the payments have reached "state specific finality" or June 30, 2000, whichever comes first. (State specific finality is when a state court has approved the settlement and a 30-day period for appeals has expired. Kansas reached state specific finality on December 3, 1998.) According to Mr. Campbell, because there are appeals in several large states that represent a large portion of the settlement, including New York and California, it is increasingly likely that payments will not begin until June 30, 2000. Even then, states probably would not receive the actual payments until July 3 or July 5, 2000. At that time, states would receive their payments for both FY 1999 and FY 2000. There currently is in escrow in New York \$2.4 billion for state payments in FY 1999.
 - Following the initial payment, most likely in July, 2000, states would receive payments for the next four years in two allotments (January and April). After that, payments would be annual in April.
 - In addition to the settlement amounts, for the years 2008 through 2017, the tobacco industry must pay a total of \$8.6 million into a "strategic contribution fund" that will be allocated to states bases on each state's contribution toward resolution of the state lawsuits against tobacco companies. A preliminary distribution formula would allocate Kansas \$133 million in even amounts over the ten-year period that begins in 2008.
 - Tobacco settlement money, including the strategic contribution fund, could be affected by a variety of factors, including inflation, a decline in smoking or profits from the sale of tobacco, local units obtaining judgements which would come out of the settlement money, or bankruptcy of participating companies. (Participating companies represent 99.8 percent of the domestic tobacco market.)
 - Enforcement issues are being looked at by states and national groups and organizations. For example, the possibility that tobacco products could be purchased inexpensively outside the United States and sold at a higher price inside the country is a possibility. Under terms of the settlement, tobacco industry funds will be used to pay for some enforcement efforts.

The meeting ended with a discussion about what Committee members wanted the Committee to accomplish. Among the ideas presented were that the Committee should establish overall policy and parameters that would dictate how settlement proceeds would be used. Some members expressed support for establishing a specific fund or place for the money and said that specific purposes for the money should be identified.