



Testimony in Opposition to House Bill 2430
House Appropriations Committee

June 1, 2017

Chairman Waymaster and members of the committee:

The American Cancer Society Cancer Action Network, American Heart Association, American Lung Association, Healthy Communities Wyandotte, Oral Health Kansas, and Tobacco Free Kansas Coalition oppose HB 2430 and other efforts to securitize the Master Settlement Agreement (MSA) proceeds. **Selling off any portion of the state's settlement agreement puts at risk future funding for essential programs – including tobacco prevention and cessation. Furthermore, securitization is a short-sighted scheme that can only make our state's budget problems worse.**

The primary purpose of the MSA is “to decrease youth smoking and promote public health”ⁱ. Supporting tobacco prevention and cessation is an important component to supporting the health of all Kansans – and saving the state millions of dollars in health care costs as well as lost productivity. Smoking remains the number one preventable cause of death in the United States.ⁱⁱ

Securitization of future receipts will mean Kansas gets just cents on the dollar of future, reliable, annual payments.

Kansas can't outsmart Wall Street. As the Campaign for Tobacco Free Kids has noted:

*Some state officials think that securitization eliminates the risk that future state settlement payments might shrink or disappear because of reduced nationwide cigarette sales or cigarette company bankruptcies. But the financial institutions that broker the securitization deals know all about those risks and fully take them into account when calculating how much the state will receive. If there were a significant danger that future state settlement payments would dwindle away or disappear, there would be no market for tobacco settlement bonds and states would get even fewer cents per future dollar sold, if they could securitize at all. But thanks to fees they charge, the only real winners when a state securitizes are the financial firms that manage the deal*ⁱⁱⁱ.

Kansas' tobacco settlement payments should be used to address state tobacco problems.

The settlement money that flows through the Kansas Endowment for Youth (KEY) and Children's Initiatives Fund (CIF) is currently the only state-level source of tobacco prevention and cessation funding for our state. Kansas spends just \$847,041 on tobacco prevention - just 3.0% of the Centers for Disease Control (CDC) recommended level necessary for effective prevention and cessation.^{iv}

Tobacco use remains a major problem in our state. Each year, **Kansas spends more than \$1.1 billion on smoking-related health-care costs – \$237.4 million coming directly from taxpayers for the state Medicaid program.** Each Kansas household – whether they use tobacco or not – pays an average of \$779 annually to cover the government-paid expenditures caused by smoking.^v

There are more fiscally responsible ways to address Kansas' budget shortfall.

Instead of a risky securitization proposal, **we urge the legislature to pass legislation that can bring in reliable, recurring revenue, reduce future health care costs to the state and save lives.** Increasing tobacco excise taxes is an evidence-based policy approach to accomplishing the critical public health goals of reducing the number of current and future smokers. A cigarette tax increase of \$1.00 or more per pack – with comparable tax on other tobacco products – will improve the health of Kansans while providing a predictable, ongoing source of revenue for state investments in health.

The money from the MSA is not tax revenue – this is private settlement money that is due to the state because of the serious health consequences related to tobacco use. For these reasons, our organizations oppose HB 2430 and the efforts to dismantle the KEY and CIF.

Tanya Dorf Brunner, Executive Director, Oral Health Kansas

Hilary Gee, Kansas Government Relations Director, American Cancer Society Cancer Action Network

Gretchen Kunkel, Policy Chair, Healthy Communities Wyandotte

Leah Martin, Director of Advocacy – Tobacco Control, American Lung Association

Becky Tuttle, Board President, Tobacco Free Kansas Coalition

Kevin Walker, Regional Vice President of Advocacy, American Heart Association

ⁱ The Master Settlement Agreement: An Overview, Tobacco Control Legal Consortium

ⁱⁱ CDC: Smoking & Tobacco Use

ⁱⁱⁱ Campaign for Tobacco Free Kids: Problems with Securitizing State Tobacco Settlements

^{iv} ACS CAN: How Do You Measure Up 2016

^v Campaign for Tobacco Free Kids: Toll of Tobacco in Kansas