



Tobacco Settlement
Revenue –
Investments in Youth

STATE INFRASTRUCTURE PROMISING PRACTICE PROFILES

Alabama Children First Trust Fund

SUMMARY

The Children First Trust Fund (CFTF) was established in 1999 to receive a portion of Alabama's annual Master Settlement Agreement (MSA) payments. Up to \$70 million in MSA funds are allocated to the CFTF annually, assuring long-term, strategic investments in programs and services supporting children, youth and families. Funds are divided among 12 agencies for specific programs as instructed by law. Funded programs are required to submit a Plan of Investment that identifies outcome measures for determining program effectiveness before funds can be spent. The CFTF operates within the Department of Children's Affairs and is overseen by the Alabama Children's Policy Council, allowing for a coordinated, comprehensive delivery system of programs and services and facilitating joint planning to improve outcomes.

For youth programs to be successful, policymakers, program leaders and intermediary organizations need access to flexible and sustainable sources of funding. State payments from the tobacco Master Settlement Agreement (MSA) currently fund a range of health, education, prevention, and other initiatives serving young people. This series of promising practice profiles focuses on the state infrastructure built to support the allocation MSA funds to programs and services that promote the healthy development of children and youth.

BACKGROUND

In the 1990s, the Children First Trust Fund (CFTF) was initiated by a group of advocates and legislators who wanted to improve the lives of children in Alabama. Initial financing efforts focused on increasing cigarette taxes to fund a wide array of needed programs and services. Concurrently, negotiations were being conducted between tobacco companies and the states to settle lawsuits stemming from the health costs of smoking. At the end of the legislative session in 1998, the tobacco Master Settlement Agreement (MSA) was signed, linking MSA funds to the CFTF. The existence of the fund is contingent upon the receipt of tobacco revenues by the state.

Alabama receives approximately \$100 million per year from the tobacco Master Settlement Agreement (MSA). MSA dollars are initially deposited into the 21st Century Fund, set up to receive the settlement dollars and distribute funds to pay for economic development bonds, medical care, programs for the elderly, and programs and services for children. The first \$13 million distributed from the 21st Century Fund is used for debt services on economic development bonds. The remaining tobacco dollars are then split between CFTF (approximately 52%),

Medicaid (approximately 31%), and several other small funds. Each year the legislature enacts a separate bill allocating MSA revenue to the CFTF. Funds are divided among 12 agencies for specific programs as instructed by law.

From 2000-2008, Alabama MSA revenues totaled over \$973 million. Payments ranged from \$94.5 to \$121.5 million annually. CFTF has received nearly \$500 million from 2000-2008.

IMPLEMENTATION

The Children’s First Trust Fund (CFTF) operates within the Alabama Department of Children’s Affairs and is overseen by the Alabama Children’s Policy Council. The Alabama Department of Children’s Affairs was established by the legislature in 1999 to provide state leadership to identify, analyze, streamline and coordinate services for the 1.2 million children ages 0-19 throughout Alabama. The Alabama Children’s Policy Council, also established in 1999, consists of 38 members including the head of every state agency that works with children, state children’s advocates, and political figures. The Commissioner of the Alabama Department of Children’s Affairs serves as Chairman, with the Chief Justice as the Vice Chair.

The Council files monthly written reports regarding all transactions with the permanent Joint Legislative Oversight Committee of the Children First Trust Fund. The Council also submits an annual report to the Governor and the Legislature detailing the expenditures and distributions of MSA funds from the CFTF, and the impact of each funded program. In addition, the Council makes annual recommendations to the Governor and the Legislature concerning the distribution of monies based upon the annual report. The Commissioner of Children’s Affairs assists the Council by identifying any unmet needs relating to children throughout the state and suggesting how available resources could be applied toward those needs.

Each year the legislature enacts a separate bill allocating up to \$70 million of the state’s annual MSA payments to the CFTF. Once funds are deposited into the Children First Trust Fund, they cannot be spent until appropriated by the Legislature. Up to \$225,000 per fiscal year is provided for administration of the trust fund. The remaining funds are divided among 12 agencies for specific programs as instructed by law (see below). Unspent money remains within the CFTF and individual departments accrue a balance.

Children’s First Trust Fund Allocations		
Department/Agency	Statutory Allocation	Programs/Services Funded in 2007
Department of Education	22%	Alternative schools and safety programs
Department of Human Resources	20%	Therapeutic foster care services, child foster care board payments, child advocacy centers, multi-assessment tool
Department of Youth Services	17%	Increase beds for committed youth, community based alternatives to state DYS commitment, local juvenile detention centers and substance abuse treatment
Administration Office of Courts	10%	State and County juvenile probation services
Department of Public Health	10%	SCHIP and community tobacco grants
Department of Child Abuse and Neglect	5%	Community-based child abuse and neglect prevention program grants

Department of Mental Health and Retardation	5%	Mental health juvenile court liaisons; intensive community-based services to youth and families; psychiatric, early intervention, adolescent substance abuse, and in-home intervention and case management services
Multiple Needs Child Office	5%	Wraparound, crisis intervention, and residential services
Medicaid	3.5%	No expenditures in 2007, but anticipate expenditures for well-child check-ups, immunizations, and dental services in 2008
Alcoholic Beverage Control Board	1%	Merchant training, compliance checks, and other activities to prevent the sale of tobacco products to minors
Department of Forensic Sciences	1%	Education, training, equipment to increase effectiveness and provision of child autopsy services
Department of Rehabilitation Services	0.5%	Child Death Review

EVALUATION

Beginning in 2004, all agencies funded by the Children's First Trust Fund (CFTF) are required to have a Plan of Investment approved by the Commissioner of the Department of Children's Affairs before they are allowed to spend the money appropriated to them. This planning process requires agencies to identify outcome measures for determining the effectiveness of agency programs receiving CFTF financing to ensure that funds appropriated are invested in viable programs, leveraged, and coordinated to reduce unnecessary expenditures and duplication of efforts.

The Plan of Investment must include a minimum of four quality assurance items. Quality assurance items can include the number of children receiving service, an identifiable measure of success of services provided, and a prioritized standard of successful measures for future plans of investment. Approved plans are reported to the Joint Interim Legislative Oversight Committee and the Alabama Children's Policy Council. Periodic quality assurance reports are submitted to and audited by the Examiners of Public Accounts.

KEYS TO SUCCESS

- ✓ State advocates and legislators **created an infrastructure to ensure long-term, strategic investments of MSA funds** for effective programs and services supporting children, youth, and families.
- ✓ With **representation across key government agencies**, the **Children's Policy Council helps govern the use of CFTF funds to promote a coordinated, comprehensive delivery system and facilitate joint planning to improve outcomes.**
- ✓ A **Plan of Investment is required** by all CFTF funded programs **to ensure that funds appropriated are invested in viable programs, leveraged, and coordinated** to reduce unnecessary expenditures and duplication of efforts.

RESOURCES

Websites

- Alabama Children First Trust Fund: <http://www.dca.state.al.us/Default.aspx?catid=7>
- Alabama Children's Policy Council, <http://children.alabama.gov/Default.aspx?catid=1&subid=6>
- Alabama Department of Children's Affairs - <http://www.dca.state.al.us/>
- The Finance Project's Tobacco Settlement Revenue - Investments in Youth Initiative, <http://www.financeproject.org/tobacco>

Publications

- American Lung Association State Legislated Actions on Tobacco Issues (SLATI) Report on Alabama (Updated 1/09), <http://slati.lungusa.org/state-templ.asp?id=1>
- 2008 Children First Trust Fund Annual Report, [http://www.dca.state.al.us/CMS/Files/Downloads/2008 Annual Report.pdf](http://www.dca.state.al.us/CMS/Files/Downloads/2008%20Annual%20Report.pdf)
- Alabama Department of Children's Affairs, Functional Analysis & Records Disposition Authority (2006), <http://www.archives.alabama.gov/officials/rdas/children'sAffairs.pdf>
- The Finance Project, *Tobacco Settlement Agreement State Profile-Alabama* (2009). Available online at: <http://www.financeproject.org/tobacco/factsheet.cfm?abbr=AL>
- Tobacco Master Settlement Agreement, Available online at: http://www.naag.org/backpages/naag/tobacco/msa/msa-pdf/1109185724_1032468605_cigmsa.pdf

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This Profile is part of a series of resources developed by The Finance Project intended to provide key state decision makers and opinion leaders with the information and tools necessary to consider how tobacco Master Settlement Agreement revenues can support initiatives that promote the positive development of youth, including the prevention of smoking and the adoption of healthy behaviors. The Finance Project has not conducted program evaluations of the initiatives profiled and does not endorse particular policies, practices, or programs. This Profile was developed under a grant from Underage Tobacco Prevention: Philip Morris USA, an Altria Company. For more information, visit www.financeproject.org/tobacco or email tobacco@financeproject.org.