

The Finance Project

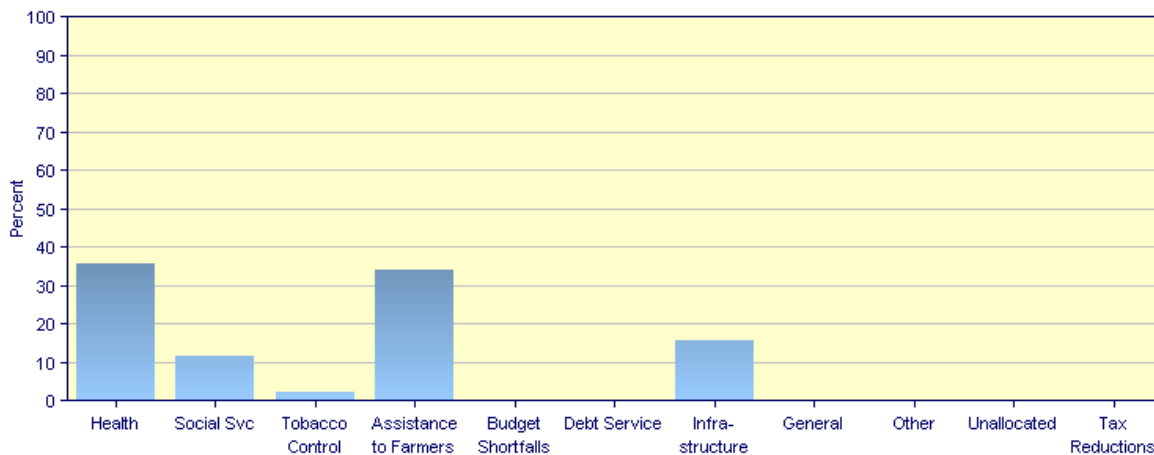
Tobacco Master Settlement Agreement State Profile: Kentucky

The Finance Project has developed state profiles to show how Master Settlement Agreement (MSA) funds have been allocated between 2000 and the present fiscal year. Profiles also highlight how states are using MSA funds to support programs and initiatives for youth.

Revenue Received by Year (Dollar amounts in thousands)

	Revenue Received	Securitized Revenue	TOTAL Revenue	Notes
2000/2001	\$248,000	\$0	\$248,000	
2002	\$132,777	\$0	\$132,777	
2003	\$130,829	\$0	\$130,829	
2004	\$109,483	\$0	\$109,483	
2005	\$112,242	\$0	\$112,242	
2006	\$103,039	\$0	\$103,039	
2007	\$107,850	\$0	\$107,850	
2008	\$115,137	\$0	\$115,137	
2009	\$126,500	\$0	\$126,500	
2010	\$105,494	\$0	\$105,494	
2011	\$99,821	\$0	\$99,821	
Total	\$1,391,173	\$0	\$1,391,173	

FY11 Allocation of Funds



Background

Kentucky's tobacco settlement payments are governed by a 2000 law that directed the funds into three accounts – 50 percent for tobacco growers and rural development initiatives; 25 percent for public health initiatives including tobacco prevention programs; and 25 percent for a comprehensive early childhood development program. Oversight boards were created to develop strategic plans for spending the funds and to oversee the resulting programs.

The Health Care Improvement Authority oversees the 25 percent earmarked for public health, which must be distributed as follows:

- 10 percent to discourage the use of "harmful substances" by minors, including tobacco. The funds are split between KY-ASAP (Kentucky Agency for Substance Abuse Policy) and the Department of Public Health's Tobacco Prevention and Cessation Program;
- 70 percent for a new health insurance program (a "high risk pool") for people with costly health conditions (17.5 percent of the total funds);
- 20 percent for lung cancer research at the University of Louisville and the University of Kentucky (5 percent of the total funds).

The Kentucky Agriculture Development Board – consisting of tobacco growers, agriculture experts and state officials – is charged with determining how to spend the 50 percent set aside for growers and agriculture.

The Early Childhood Development Authority oversees the 25 percent of the funds set aside for the early childhood development initiative, KIDS NOW.

* Kentucky was also part of a separately negotiated settlement with the tobacco industry that would have provided a total of \$5.15 billion to the National Tobacco Growers Settlement Trust Agreement. This settlement, called Phase 2, was intended to provide up to \$1.5 billion over 12 years directly to Kentucky tobacco growers. However, the tobacco quota buyout passed by Congress in 2004 ended the tobacco companies' legal obligation to continue the payments.

Implications for Youth Programs

MSA funds currently support programs and services for youth, including:

- scholarships;
- child advocacy center staff;
- tobacco prevention; and
- early childhood development initiatives.

Highlights

- The Early Childhood Mental Health Program (ECMH) is one component of the early childhood KIDS NOW initiative. ECMH provides mental health consultation for early childhood programs and assessment and therapeutic services for young children and their families. For more information, see the Promising Practice Profile on the [Early Childhood Mental Health Program](#).

Legislative Proposals

None listed

Allocation of Funds (Dollar amounts in thousands)

	Health	Social Services/ Education	Tobacco Control	Assistance to Tobacco Farmers/ Economic Development	Budget Shortfalls	Debt Service on Securitized Funds	Infra-structure	General Purpose/ Rainy Day Reserves	Other	Unallocated Funds	Tax Reduction	Total
2000/2001	\$21,473	\$97,500	\$5,027	\$124,000								\$248,000
2002	\$27,660	\$13,500	\$5,540	\$54,343	\$29,735		\$2,000					\$132,778
2003	\$47,124	\$9,962	\$5,715	\$56,688	\$5,229		\$6,112					\$130,829
2004	\$43,624	\$5,962	\$4,964	\$43,434			\$11,116	\$383				\$109,483
2005	\$38,461	\$10,909	\$4,942	\$48,196			\$6,117	\$3,617				\$112,242
2006	\$38,370	\$10,909	\$4,933	\$33,541			\$15,110	\$175				\$103,039
2007	\$37,708	\$11,621	\$4,509	\$35,995			\$17,843	\$175				\$107,850
2008	\$43,520	\$11,087	\$2,874	\$39,633			\$17,847	\$175				\$115,137
2009	\$47,426	\$12,723	\$2,963	\$47,696			\$15,417	\$275				\$126,500
2010	\$38,626	\$11,520	\$2,464	\$33,498			\$19,112	\$275				\$105,494
2011	\$35,807	\$11,663	\$2,317	\$34,049			\$15,739	\$247				\$99,821

*GAO did not obtain information on allocations for budget shortfalls for FY2000-2001.

Allocation of Funds (Percentages)

	Health	Social Services/ Education	Tobacco Control	Assistance to Tobacco Farmers/ Economic Development	Budget Shortfalls	Debt Service on Securitized Funds	Infra-structure	General Purpose/ Rainy Day Reserves	Other	Unallocated Funds	Tax Reduction
2000/2001	9%	39%	2%	50%							
2002	21%	10%	4%	41%	22%		2%				

2003	36%	8%	4%	43%	4%		5%			
2004	40%	5%	5%	40%			10%	0%		
2005	34%	10%	4%	43%			5%	3%		
2006	37%	11%	5%	33%			15%	0%		
2007	35%	11%	4%	33%			17%	0%		
2008	38%	10%	2%	34%			16%	0%		
2009	37%	10%	2%	38%			12%	0%		
2010	37%	11%	2%	32%			18%	0%		
2011	36%	12%	2%	34%			16%	0%		

ALLOCATION CATEGORIES: The allocation categories used in these charts were developed by the U.S. Government Accountability Office (GAO).

Sources

- McKinley, L. Dixon, and A. Devore. National Conference of State Legislatures, *State Management and Allocation of Tobacco Settlement Revenue 2003* (September 2003)
- Campaign for Tobacco-Free Kids, *A Broken Promise to Our Children: The 1998 State Tobacco Settlement Nine Years Later* (December 2007)
- United States Government Accountability Office, *Report to Congressional Requesters, GAO-03-407, Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments* (February 2003)
- United States Government Accountability Office, *Report to Congressional Requesters, GAO-04-518, Tobacco Settlement: States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments* (March 2004).
- United States Government Accountability Office, *Report to Congressional Requesters, GAO-05-312, Tobacco Settlement: States' Allocations of Fiscal Year 2004 and Expected Fiscal Year 2005 Payments* (March 2005)
- United States Government Accountability Office, *Report to Congressional Requesters, GAO-06-502, Tobacco Settlement: States' Allocations of Fiscal Year 2005 and Expected Fiscal Year 2006 Payments* (April 2006)
- 2006-2010 data provided by the Kentucky Office of State Budget Director, Governor's Office for Policy Research