

The Finance Project

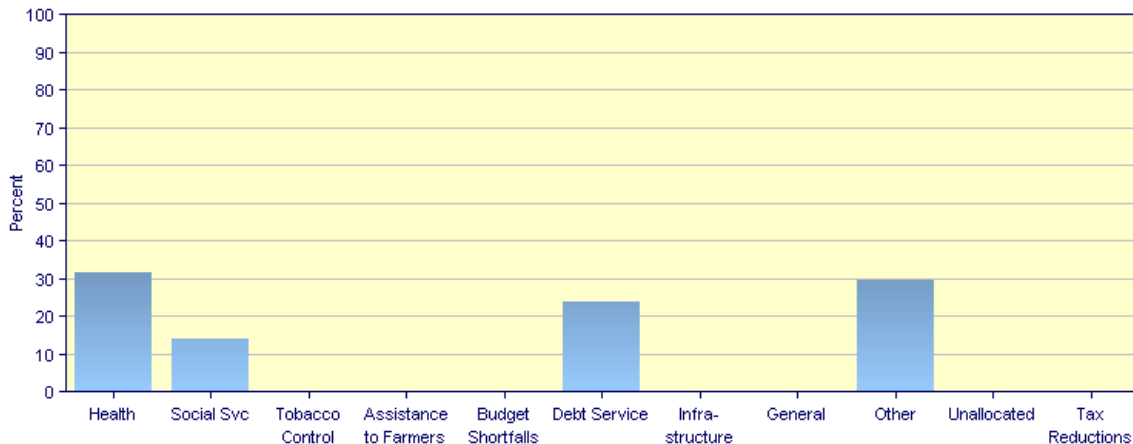
Tobacco Master Settlement Agreement State Profile: Michigan

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	\$610,424	\$0	\$610,424	
2002	\$328,200	\$0	\$328,200	
2003	\$318,400	\$0	\$318,400	
2004	\$270,540	\$0	\$270,540	
2005	\$277,443	\$0	\$277,443	
2006	\$251,500	\$0	\$251,500	
2007	\$266,506	\$0	\$266,506	
2008	\$251,452	\$38,707	\$290,159	Plus a carryforward of \$10,245,700.
2009	\$279,044	\$39,333	\$318,377	Plus a carryforward of \$5,808,102, prior year expenditure correction of \$321,978 and \$900,000 in interest.
2010	\$201,645	\$64,062	\$265,707	Plus a carryforward of \$30,617,300 and interest of \$900,000 assumed.
2011	\$190,669	\$60,575	\$251,244	Plus estimated interest of \$900,000.
Total	\$3,245,823	\$202,677	\$3,448,500	

FY11 Allocation of Funds



Background

Through 1999 legislation, Michigan committed settlement revenue to two trust funds: the Michigan Merit Award Trust Fund and the Tobacco Settlement Trust Fund. (The latter trust fund was abolished by legislation in 2005.) The Michigan Merit Award Trust Fund supports a variety of health and education programs.

In 2002, the state transferred \$82.5 million in unexpended balances to the general fund to make up for revenue shortfalls. Between 2003 and 2005, state budgets adhered to the 1999 law splitting the money between the two trust funds. In 2007, however, a portion of the MSA payments were securitized and the lump sum payment was used to address a state budget deficit.

Legislation enacted in August 2007 allocates \$75 million of tobacco settlement revenues (that have not already been securitized), annually from 2008 through 2015, into the 21st Century Jobs Trust Fund. For the fiscal year

ending in 2016 only, \$30 million of MSA funds will be deposited into the 21st Century Jobs Trust Fund.

Implications for Youth Programs

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

- Scholarships for higher education students;
- Michigan Educational Assessment Program testing for K-12 students;
- Nursing scholarships;
- Michigan Education Savings Plan; and
- General higher education support.

Highlights

- The Michigan Promise scholarship program provides up to \$4,000 to high school graduates for successfully completing two years of postsecondary education. The scholarship program is funded through the tobacco Master Settlement Agreement (MSA) revenues received by the state annually, and accounts for nearly 40% of the state's student financial aid. Since 2000, over 400,000 students have received scholarships, significantly increasing access to post-secondary education in the state. For more information, see the Promising Practice Profile on the [Michigan Promise scholarship](#).

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	\$177,700	\$366,700								\$90,900		\$635,300
2002	\$135,600	\$148,500	\$2,000		\$159,000					\$47,600		\$492,700
2003	\$101,600	\$115,800	\$2,000		\$165,900			\$300		\$2,733		\$388,333
2004	\$107,700	\$104,900			\$64,000			\$400		\$9,200		\$286,200
2005	\$185,100	\$99,300			\$7,000			\$368				\$291,768
2006	\$100,700	\$151,700						\$400				\$252,800
2007	\$135,200	\$130,100						\$400		\$800		\$266,500
2008	\$74,150	\$106,382				\$38,707		\$358	\$75,000	\$5,808		\$300,405
2009	\$76,977	\$102,194				\$39,333		\$386	\$75,000	\$30,617		\$324,507
2010	\$18,431	\$36,900				\$64,062	\$9,000	\$38,519	\$28,500	\$101,813		\$297,225
2011	\$80,001	\$35,528				\$60,575		\$1,040	\$75,000			\$252,144

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

*Total allocations for FY02-08 include carry-over funds and interest earned from payments received in prior fiscal years.

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	28%	58%								14%	
2002	28%	30%	0%		32%					10%	
2003	26%	30%	1%		43%				0%	1%	
2004	38%	37%			22%				0%	3%	
2005	63%	34%			2%				0%		
2006	40%	60%							0%		

2007	51%	49%						0%		0%	
2008	25%	35%				13%		0%	25%	2%	
2009	24%	31%				12%		0%	23%	9%	
2010	6%	12%				22%	3%	13%	10%	34%	
2011	32%	14%				24%		0%	30%		

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)
- 2006-2011 data provided by the Michigan Department of Treasury.