

Executive Summary

Since the states settled their lawsuits against the tobacco companies in November 1998, our organizations have issued annual reports assessing whether the states are keeping their promise to use a significant portion of their settlement funds – expected to total \$246 billion over the first 25 years – to attack the enormous public health problems posed by tobacco use in the United States.

In addition to the billions of dollars they receive each year from the tobacco settlement, the states collect billions more in tobacco taxes. In the current budget year, Fiscal Year 2013, the states will collect a record \$25.7 billion in revenue from the tobacco settlement and tobacco taxes.

This year, our report finds that states continue to spend only a miniscule portion of their tobacco revenues to fight tobacco use. The states have also failed to reverse deep cuts to tobacco prevention and cessation programs that have undermined the nation's efforts to reduce tobacco use.

Overall conclusions of this year's report include:

- In Fiscal Year 2013, the states will collect \$25.7 billion in revenue from the tobacco settlement and tobacco taxes, but will spend only 1.8 percent of it – \$459.5 million – on programs to prevent kids from smoking and help smokers quit. **This means the states are spending less than two cents of every dollar in tobacco revenue to fight tobacco use.**
- States have failed to reverse deep cuts that reduced tobacco prevention funding by 36 percent, or \$260.5 million, from FY 2008 to FY 2012. The \$459.5 million the states have allocated this year represents essentially flat funding compared to the \$456.7 budgeted in FY 2012. It is still far below the \$717.2 million spent in fiscal 2008 and the second lowest amount states have spent on tobacco prevention programs since 1999, when they first received tobacco settlement funds.
- States are falling woefully short of recommended funding levels for tobacco prevention programs set by the U.S. Centers for Disease Control and Prevention (CDC). The \$459.5 million the states have budgeted amounts to just 12.4 percent of the \$3.7 billion the CDC recommends for all the states combined. It would take less than 15 percent of total state tobacco revenues to fund tobacco prevention programs at CDC-recommended amounts in every state.

The states' failure to use more of their tobacco money to fight the tobacco problem is especially troubling in light of recent national surveys indicating that smoking declines in the U.S. have slowed. The nation's progress against tobacco use – the number one cause of preventable death – is at risk unless states increase funding for tobacco prevention and cessation programs. Given the deep cutbacks in state programs, it is more critical than ever that the federal government also step up its tobacco prevention and cessation efforts, both through support for state and community programs and through expansion of the unprecedented national media campaign launched this year by the CDC.

As the nation implements health care reform, the states are also missing a golden opportunity to reduce tobacco-related health care costs, which total \$96 billion a year in the United States. There is growing evidence (summarized in Appendix E) that tobacco prevention and cessation programs not only reduce smoking and save lives, but also save money by reducing tobacco-related health care costs. A December 2011 study in the *American Journal of Public Health* found that between 2000 and 2009, Washington state saved more than \$5 in health care costs for every \$1 spent on its tobacco prevention and cessation program by reducing hospitalizations for heart disease, strokes, respiratory diseases and cancer caused by tobacco use.¹

Given such a strong return on investment, states are being truly penny-wise and pound-foolish in shortchanging tobacco prevention and cessation programs. Even in these difficult budget times, tobacco prevention is one of the smartest and most fiscally responsible investments that states can make.

Additional Findings

Our report assesses and ranks the states based on whether they are funding tobacco prevention programs at levels recommended by the CDC. Here's where the states stand this year:

- Counting both state and federal funding, only two states – **Alaska** and **North Dakota** – currently fund tobacco prevention programs at the CDC-recommended levels.
- Only three other states – **Delaware**, **Wyoming** and **Hawaii** – are funding tobacco prevention programs at even half the CDC-recommended levels.
- Eleven states are funding tobacco prevention programs at between 25 and 50 percent of CDC-recommended levels.
- 29 states and Washington, DC, are providing less than a quarter of the CDC-recommended amounts (of these, 18 states and DC are providing less than 10 percent of the CDC-recommended amounts).²
- Four states – **New Hampshire**, **New Jersey**, **North Carolina** and **Ohio** – have allocated no state funds for tobacco prevention programs in FY 2013.
- Budget cuts have decimated some of the most effective state tobacco prevention programs. This year, state funding for **North Carolina's** program has been eliminated. In recent years, effective programs have been cut by more than 90 percent in **Washington State**, by more than 75 percent in **Maryland**, and by more than half in **Maine**, **Massachusetts**, **New York**

¹ Dilley, Julia A., et al., "Program, Policy and Price Interventions for Tobacco Control: Quantifying the Return on Investment of a State Tobacco Control Program," *American Journal of Public Health*, February 2012.

² For the second year in a row, Alabama's tobacco prevention program budget was not available when this report went to press. Alabama historically has provided minimal funding for tobacco prevention. In FY2011, Alabama budgeted \$860,000, which is just 1.5 percent of the CDC's recommendation.

and **Wisconsin**. For the third year in a row, **Ohio** is providing zero state funding for what was once a very successful program.

- The amount states are spending on tobacco prevention programs pales in comparison to the \$8.5 billion a year that major cigarette and smokeless tobacco companies spend to market tobacco products, according to the latest tobacco marketing reports of the Federal Trade Commission (for 2010). That means the tobacco companies spend more than \$18 to market tobacco products for every one dollar the states spend to reduce tobacco use.
- Federal grants have helped to cushion the impact of state tobacco prevention cuts, but funds provided by the 2009 economic stimulus law have run out and funding from the Prevention and Public Health Fund, created by the health care reform law, was cut by 30 percent this year and could face additional cuts. In FY 2013, the federal government is providing \$108 million in state and community grants to reduce tobacco use.

Progress Is At Risk Unless States and Federal Government Step Up Fight against Tobacco

This report is being released in the wake of national surveys showing that the nation's progress in reducing smoking has slowed.

The CDC recently reported that the adult smoking rate in 2010 was 19 percent – only a small decline since 2005 when 20.9 percent smoked. While smoking among high school students has declined by more than half from a high of 36.4 percent in 1997, 18.1 percent of high school students still smoke and declines have slowed in recent years, according to the CDC.

This slowing of progress has coincided with deep cuts to state tobacco prevention and cessation programs. As this report demonstrates, states cut funding for tobacco prevention programs by 36 percent from FY 2008 to FY 2012, and they have failed to increase funding this year.

If the nation is to continue reducing smoking and other tobacco use, elected officials at all levels of government must resist complacency and redouble efforts to implement scientifically proven measures to reduce tobacco use. Recent landmark reports by the Institute of Medicine (IOM), the President's Cancer Panel and the U.S. Surgeon General have agreed on the steps that the federal government and the states must take to win the fight against tobacco.³ Recommended actions include the following:

- The states must implement three proven strategies to reduce tobacco use: fund tobacco prevention and cessation programs at CDC-recommended levels, increase tobacco taxes and enact smoke-free workplace laws. In addition to restoring funding for tobacco prevention programs, the states must step up the pace in enacting tobacco tax increases and smoke-free laws, both of which have slowed in recent years.

³ Institute of Medicine, *Ending the Tobacco Problem: A Blueprint for the Nation*, National Academy of Sciences, 2007; U.S. Department of Health and Human Services, *Promoting Healthy Lifestyles: Policy, Program and Personal Recommendations for Reducing Cancer Risk*, 2006-2007 Annual Report, President's Cancer Panel. HHS, *Preventing Tobacco Use Among Youth and Young Adults, A Report of the Surgeon General*, 2012.

- At the federal level, the deep cuts to state programs underscore the importance of preserving the Prevention and Public Health Fund created by the health care reform law. This fund is a critical source of support for tobacco prevention and cessation efforts, including state and community grants, telephone quitlines and the unprecedented national media campaign, *Tips from Former Smokers*, that the CDC launched earlier this year. The CDC campaign was highly successful, more than doubling the number of smokers seeking assistance from smoking cessation quitlines (1-800-QUIT-NOW) and leading to a 428 percent increase in visitors to the www.smokefree.gov website.⁴ It is encouraging that the CDC has indicated it plans a similar campaign next year.

Other federal priorities include ensuring that health insurance plans provide the coverage for smoking cessation treatments, without cost sharing, required by the health care reform law.

It is also imperative that the Food and Drug Administration effectively exercise the authority to regulate tobacco products that it received under a landmark 2009 law. The FDA has eliminated the sale of candy and fruit-flavored cigarettes, imposed new restrictions on tobacco marketing and sales to kids, ended the use of the deceptive cigarette labels “light” and “low-tar,” and required larger warning labels on smokeless tobacco products. The FDA must continue to mount a rigorous legal defense of the graphic cigarette warnings that have been challenged by tobacco companies. The FDA also has broad authority to regulate the contents of tobacco products and to review new and changed tobacco products before they are allowed on the market.

States Have the Resources and the Evidence to Fund Tobacco Prevention Programs

The evidence compels elected leaders to do more to protect our children from tobacco and help smokers quit. First, the problem has not been solved – tobacco use remains the nation’s leading cause of preventable death. Second, despite budget shortfalls, the states are collecting huge sums in revenue from the tobacco settlement and tobacco taxes; it would take just a small portion of their tobacco money to fund tobacco prevention programs at CDC-recommended levels, leaving most of it for other purposes. Third, there is more evidence than ever that tobacco prevention and cessation programs work, especially when part of a comprehensive strategy that also includes higher tobacco taxes and smoke-free workplace laws.

The states’ funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the problem: Tobacco use is the number one cause of preventable death in the United States, claiming more lives every year – more than 400,000 – than AIDS, alcohol, car accidents, illegal drugs, murders and suicides combined. Cigarette smoking costs the nation \$193 billion a year in economic losses, including \$96 billion in health care costs and \$97 billion

⁴ CDC, “Increases in Quitline Calls and Smoking Cessation Website Visitors During a National Tobacco Education Campaign – March 19-June 10, 2012,” *MMWR* 61(34):667-670, August 31, 2012.
http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6134a2.htm?s_cid=mm6134a2_w

in productivity losses, according to the CDC. Every day, another 1,000 kids become new regular smokers and another 1,200 Americans die because of tobacco use.⁵

Despite their budget woes, every state has plenty of tobacco-generated revenue to fund a tobacco prevention program at CDC-recommended levels: As this report shows, the states this year will collect \$25.7 billion from the tobacco settlement and tobacco taxes. It would take less than 15 percent of this total to fund tobacco prevention programs in every state at levels recommended by the CDC. Tobacco tax increases would readily provide more revenues to help fund tobacco prevention and meet other budgetary needs.

The evidence is conclusive that tobacco prevention and cessation programs work to reduce smoking, save lives and save money by reducing tobacco-caused health care costs: Every scientific authority that has studied the issue, including the IOM, the President's Cancer Panel, the National Cancer Institute, the CDC and the U.S. Surgeon General, has concluded that when properly funded, implemented and sustained, these programs reduce smoking among both kids and adults.

In its May 2007 report, the IOM concluded:

The committee finds compelling evidence that comprehensive state tobacco control programs can achieve substantial reductions in tobacco use. To effectively reduce tobacco use, states must maintain over time a comprehensive integrated tobacco control strategy. However, large budget cutbacks in many states' tobacco control programs have seriously jeopardized further success. In the committee's view, states should adopt a funding strategy designed to provide stable support for the level of tobacco control funding recommended by the Centers for Disease Control and Prevention.

The CDC reached similar conclusions in October 2007 when it released updated recommendations to the states for funding and implementing comprehensive tobacco control programs, in a document entitled *Best Practices for Comprehensive Tobacco Control Programs – 2007*. Summarizing state experiences and new scientific evidence since it last issued this report in 1999, the CDC concluded:

We know how to end the epidemic. Evidence-based, statewide tobacco control programs that are comprehensive, sustained, and accountable have been shown to reduce smoking rates, tobacco-related deaths, and diseases caused by smoking.... Implementing a comprehensive tobacco control program structure at the CDC-recommended levels of investment would have a substantial impact. For example, if each state sustained its recommended level of funding for five years, an estimated five million fewer people in this country would smoke. As a result,

⁵ Substance Abuse and Mental Health Services Administration (SAMHSA), HHS, *Results from the 2010 National Survey on Drug Use and Health, NSDUH: Summary of National Findings*, 2011. For more data and cites on the toll of tobacco go to: http://www.tobaccofreekids.org/facts_issues/toll_us/.

hundreds of thousands of premature deaths would be prevented. Longer-term investments would have even greater effects.

Tobacco Prevention Programs Deliver a Strong Return on Investment

The strongest evidence that tobacco prevention programs work comes from the states themselves. Maine, which ranked first in funding tobacco prevention programs from 2002 to 2007, reduced smoking among high school students by 61 percent between 1997 and 2011.⁶ Washington state, which had a well-funded prevention program before funding was virtually eliminated in FY 2012, reduced adult smoking by one-third and overall youth smoking by more than half between 1999, when it started its program, and 2010.⁷

These smoking declines translate into lives and health care dollars saved. A study conducted for the Washington State Department of Health estimated that the state's tobacco prevention and cessation program has prevented 13,000 premature deaths.⁸

As noted already, a December 2011 study in the *American Journal of Public Health* found that between 2000 and 2009, Washington state saved more than \$5 in health care costs for every \$1 spent on its tobacco prevention and cessation program by reducing hospitalizations for heart disease, strokes, respiratory diseases and cancer caused by tobacco use. Over the 10-year period, the program prevented nearly 36,000 hospitalizations, saving \$1.5 billion compared to \$260 million spent on the program. The 5:1 return on investment is conservative because the cost savings reflect only the savings from prevented hospitalizations. The researchers indicated that the total cost savings could more than double if factors such as physician visits, pharmaceutical costs and rehabilitation costs were included.

Studies show that California, which has the nation's longest-running tobacco prevention and cessation program, has saved tens of thousands of lives by reducing smoking-caused birth complications, heart disease, strokes and lung cancer. Between 1988 and 2004, lung and bronchus cancer rates in California declined nearly four times faster than the rest of the United States. An August 2008 study in the medical journal *PLoS Medicine* found that California's tobacco control program saved \$86 billion in health care costs in its first 15 years, compared to \$1.8 billion the state spent on the program, for a return on investment of nearly 50:1.

Our nation has made significant progress in reducing tobacco use with a comprehensive approach that includes well-funded tobacco prevention and cessation programs, tobacco tax increases and smoke-free workplace laws. However, the recent slowing of smoking declines is a clear warning to elected officials at all levels that it is premature to declare victory over tobacco and much more must be done to win the fight against the nation's leading preventable cause of death. Tobacco's toll in health, lives and dollars is far too steep to allow backsliding. What's needed today is the political will to combat the tobacco epidemic with the leadership and resources that match the scope of the problem.

⁶ National Youth Risk Behavior Survey, 1997 and 2011.

⁷ Washington State Department of Health, Tobacco Prevention and Control Program, Progress Report, March 2011

⁸ Dilley, Julia A., et al., "Program, Policy and Price Interventions for Tobacco Control: Quantifying the Return on Investment of a State Tobacco Control Program," *American Journal of Public Health*, February 2012.