

Executive Summary

Since the November 1998 multi-state tobacco settlement, our organizations have issued regular 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 problem posed by tobacco use in the United States.

This year, we find that the states have made important progress by increasing funding for tobacco prevention and cessation programs by 20 percent to a total of \$717.2 million in fiscal year 2008, which is the highest level in six years. However, most states still fail to fund tobacco prevention programs at minimum levels recommended by the U.S. Centers for Disease Control and Prevention (CDC), and altogether, the states are providing less than half what the CDC has recommended.¹

The states' failure to do more to prevent and reduce tobacco use is especially troubling in light of recent national surveys indicating that the remarkable progress the United States has made in reducing smoking has stalled among both youth and adults. If the nation is to continue reducing smoking and other tobacco use, Congress and the states must resist complacency and redouble efforts to implement proven tobacco control measures. These include fully-funded tobacco prevention programs, higher tobacco taxes and smoke-free workplace laws at the state level and U.S. Food and Drug Administration (FDA) regulation of tobacco products, higher tobacco taxes and a national public education campaign at the federal level.

Entering the 10th year of the tobacco settlement, our public health organizations challenge the states to finally keep the promise of the tobacco settlement and fully fund tobacco prevention programs in every state at CDC-recommended levels.

Key findings of this report include:

- In the current budget year, Fiscal Year 2008, only three states – **Maine, Delaware** and **Colorado** – are funding tobacco prevention programs at CDC minimum levels. These were the only three states to do so last year as well. This is the sixth year in a row that Maine has ranked first in funding tobacco prevention programs.
- Only 17 other states are funding tobacco prevention programs at even half the minimum level recommended by the CDC.
- Thirty states and the District of Columbia are spending less than half the CDC's minimum amount. Connecticut is the only state that appropriated no funding for tobacco prevention this year.

¹ This report utilizes CDC recommendations for state funding of tobacco prevention programs that were issued in 1999. In October 2007, the CDC issued the first update since 1999 of its Best Practices recommendations for funding and implementing tobacco prevention programs, taking into account new scientific evidence, state experience in implementing programs and cost factors such as inflation and population growth since 1999. In most states, the new funding recommendations are significantly higher than current ones. Next year, this report will begin to assess the states based on these new recommendations.

- The combined amount the states have allocated for tobacco prevention this year – \$717.2 million – is an increase of 20 percent from the \$597.5 million allocated in Fiscal 2007, but it is still just 45 percent of the \$1.6 billion minimum the CDC has recommended.
- **Florida** accounts for nearly half the increase in tobacco prevention funding this year, with an increase from \$1 million last year to \$58 million this year. This is the result of a state constitutional amendment initiated by public health organizations and approved by voters in 2006 after the Legislature repeatedly cut funding for tobacco prevention. The constitutional amendment requires that Florida spend 15 percent of its annual tobacco settlement revenue on tobacco prevention. The amendment restored funding for what had been one of the nation's most effective and innovative tobacco prevention programs and gives Florida the opportunity to be a national leader again if it properly implements its program.
- Other states that have increased funding for tobacco prevention programs include **Indiana, Iowa, Oklahoma, South Dakota, Tennessee** and **Wisconsin**, although most are still well short of CDC recommendations (and in Indiana's case, it has yet to fully restore funding for a program that once was a national leader).
- The total amount states are spending on tobacco prevention amounts to less than three percent of the record \$24.9 billion in tobacco-generated revenue the states will collect this year from the tobacco settlement and tobacco taxes. It would take just 6.4 percent of this tobacco revenue to fund tobacco prevention programs in every state at CDC minimum levels.
- The amount states are spending on tobacco prevention programs pales in comparison to the \$13.4 billion a year the tobacco companies spend to market tobacco products, according to the latest tobacco marketing report of the Federal Trade Commission (for 2005). That means the tobacco companies spend nearly \$19 to market tobacco products for every one dollar the states spend to prevent kids from smoking and help smokers quit.
- The amount states are spending on tobacco prevention also pales in comparison to the huge health care costs caused by tobacco use, which total almost \$100 billion each year.
- There is more evidence than ever that tobacco prevention and cessation programs work to reduce smoking, save lives and save money. This year, the Institute of Medicine of the National Academies of Sciences, the President's Cancer Panel and the CDC all issued landmark reports that concluded there is overwhelming evidence that comprehensive state tobacco control programs substantially reduce tobacco use and recommended that every state fund such programs at CDC-recommended levels.
- Beginning in 2008, the states will have a critical second chance to adequately fund tobacco prevention programs. That is because of a little known provision of the 1998 multi-state tobacco settlement that calls for the 46 states, the District of Columbia and the U.S. territories that are parties to the settlement to receive "bonus" payments totaling almost \$1 billion per year. By allocating these new windfall funds to tobacco prevention and cessation programs, states can finally keep the promise of the tobacco settlement to confront the tobacco problem.

Progress Is At Risk Unless Congress and the States Step Up Fight Against Tobacco Use

This report is being released in the wake of recent surveys showing that the nation's progress in reducing smoking has slowed or stopped among both youth and adults. The CDC recently reported that 20.8 percent of adults smoked in 2006, about the same as the 20.9 percent who smoked in 2004 and 2005. This follows a steady decline between 1997 and 2004. High school smoking rates have similarly stalled after declining significantly from a high of 36.4 percent in 1997. According to the most recent CDC data, 23 percent of high school students still smoke.

The CDC has identified two trends as key contributors to this stalling of progress: Deep cuts in tobacco prevention funding and steep increases in tobacco marketing expenditures. The latter are now concentrated overwhelmingly in price discounts and other promotions that make cigarettes more affordable to children and deter smokers from quitting.

As our reports have shown, states cut funding for tobacco prevention programs by 28 percent between 2002 and 2005, from \$749.7 million to \$538.2 million. While states have increased funding for tobacco prevention programs in the last two years, this year's funding of \$717.2 million is still less than peak funding of \$749.7 million in 2002 and less than half the minimum amount the CDC has recommended. At the national level, the American Legacy Foundation had to reduce its highly successful truth® public education media campaign because most of its funding under the 1998 tobacco settlement ended after 2003.

In contrast, tobacco marketing expenditures have skyrocketed since the 1998 state tobacco settlement. From 1998 to 2005, tobacco marketing expenditures nearly doubled from \$6.9 billion to \$13.4 billion, according to the FTC's most recent report on tobacco marketing.

More than 80 percent of cigarette marketing is now concentrated on price discounts, which undermine state efforts to reduce smoking by increasing tobacco taxes and have the greatest impact on youth, who are the most price-sensitive customers. The tobacco companies persist in their price discounting despite knowing full well that increasing the price of cigarettes is one of the most effective ways to reduce smoking, especially among youth.

It is troubling news for America's health that progress has stalled in reducing tobacco use, the nation's number one preventable cause of death. It is also inexcusable that elected officials have not done more given the overwhelming scientific evidence of what works to reduce tobacco use. In their landmark reports this year, the Institute of Medicine (IOM) and the President's Cancer Panel agreed on the steps that Congress and the states must take to significantly reduce and eventually eliminate the tobacco epidemic:

- In addition to fully funding tobacco prevention and cessation programs at CDC-recommended levels, the states should further increase tobacco taxes and enact comprehensive smoke-free workplace laws.
- Congress should enact long-overdue legislation to grant the FDA authority over tobacco products. Among other things, the legislation would grant the FDA authority to crack down on tobacco marketing and sales to kids; require that tobacco companies disclose the contents of tobacco products and reduce or remove harmful ingredients; stop tobacco companies from misleading the public about the health risks of their products; and require larger, more effective health warnings on tobacco products. Congress should also significantly increase the federal cigarette tax, as called for in pending legislation to fund the

State Children's Health Insurance Program, and provide funding for a national public education campaign.

It is time for Congress and the states to combat the tobacco epidemic with a level of commitment and resources that matches the scope of the problem.

States Lack Excuses for Failing to Fund Tobacco Prevention Programs

The states lack credible excuses for their failure to adequately fund programs to prevent kids from smoking and help smokers quit.

The states' funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the problem.

When the public health problems posed by tobacco are compared to other health problems, it is clear that the amount the states are spending on tobacco prevention pales in comparison to the enormity 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, murders, suicides, illegal drugs and fires combined. Tobacco use costs the nation nearly \$100 billion a year in health care bills. Every day, more than 1,000 kids become new regular smokers and another 1,200 Americans die because of tobacco use.

Every state has plenty of tobacco-generated revenue to fund a tobacco prevention program at CDC-recommended levels, and the states are about to get more because of tobacco settlement bonus payments.

The states this year will collect a record \$24.9 billion from the tobacco settlement and tobacco taxes. Just 6.4 percent of this total can fund tobacco prevention and cessation programs in every state at minimum levels the CDC has been recommending. However, the states are spending less than three percent of their tobacco revenue on tobacco prevention and cessation.

The states' tobacco-generated revenue continues to increase because, since January 1, 2002, 43 states, Puerto Rico and the District of Columbia have increased tobacco taxes, some more than once. These actions have increased the average state cigarette tax from 43.4 cents to \$1.112 a pack. Nine states now have cigarette tax rates of \$2 or more and 25 states and the District of Columbia have tax rates of \$1 or more.

The states will soon have even more tobacco-generated revenue to fund tobacco prevention programs. This is because of a little known provision of the 1998 multi-state tobacco settlement that calls for the 46 states, the District of Columbia and the U.S. territories that are parties to the settlement to receive "bonus payments" totalling almost a billion dollars per year beginning in April 2008. The bonus payments will continue for at least 10 years.

By allocating these new windfall funds to tobacco prevention and cessation, the states can finally keep the promise of the tobacco settlement to aggressively confront the tobacco problem. Rarely do elected officials get a second chance to keep a promise.

The evidence is conclusive that state 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 5 years, an estimated 5 million fewer people in this country would smoke. As a result, hundreds of thousands of premature deaths would be prevented. Longer-term investments would have even greater effects.

The strongest evidence that tobacco prevention programs work comes from the states themselves. Maine, which has ranked first in funding tobacco prevention programs for six years in a row, has reduced smoking by 64 percent among middle school students and by 59 percent among high school students since 1997. Washington state, with another well-funded prevention program, has cut smoking by 60 percent among sixth graders, 58 percent among eighth graders, 40 percent among tenth graders and 43 percent among twelfth graders.

These smoking declines translate into lives and health care dollars saved. The Maine Department of Health estimates that the state's smoking declines have prevented more than 26,000 youth from becoming smokers, saving more than 14,000 of them from premature, smoking-caused deaths, and have already saved more than \$416 million in future health care costs (savings estimates are based on research showing that smokers, on average, have \$16,000 more in long-term health care costs than non-smokers). The Washington State Department of Health estimates that the state's smoking declines translate into 65,000 fewer youth smokers, 230,000 fewer adult smokers and \$2.1 billion in long-term health care cost savings.

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. Lung cancer incidence has been declining four times faster in California than in the rest of the nation. Other studies have shown that California and Massachusetts, which started their tobacco prevention programs in 1990 and 1993 respectively, were saving as much as \$3 in smoking-caused health care costs for every dollar spent on tobacco prevention when their programs were adequately funded.

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. Continued progress will not occur, however, unless states use more of the billions of dollars they receive from the tobacco settlement and tobacco taxes to fund comprehensive tobacco prevention and cessation programs based on the recommendations of the CDC. It is also imperative that Congress provide much-needed leadership by enacting the legislation granting the FDA authority over tobacco products, significantly increasing the federal cigarette tax and funding a national public education campaign.

If national and state leaders step up the fight against tobacco use, the 1998 state tobacco settlement could yet mark a historic turning point in the battle to reduce tobacco's terrible toll. If they do not, it will be a tragic missed opportunity for the nation's health.