



THE MAJOR CIGARETTE COMPANIES' PHASE II PAYMENTS TO THE TOBACCO-GROWING STATES

As a follow-up to the Multistate Settlement Agreement, the major U.S. cigarette companies agreed to make \$5.15 billion in Phase II payments to the tobacco states over 12 years to compensate tobacco farmers and quota holders for economic harms caused by reductions to the U.S. tobacco support program's tobacco-growing quotas. The companies' annual Phase II payments to the states are subject to various adjustments (e.g., for declines in domestic cigarette shipments and for inflation) and will decline on a dollar-for-dollar basis if the federal government makes any new charges against the cigarette companies to finance any initiatives to help tobacco growers or quota holders. The states are free to establish their own formulas for distributing the Phase II payments to tobacco farmers and quota holders within their state.

State	Percentage of Total Payments	Total Unadjusted Payment (millions)	Unadjusted Annual Avg. Payment (millions)	Unadjusted Payment 1999 (millions)	Base Amount 2000 (millions)	Base Amount 2001 (millions)	Base Amount 2002-2008 (millions)	Base Amount 2009 (millions)	Base Amount 2010 (millions)
Alabama	0.05%	\$2.58	\$0.21	\$0.19	\$0.14	\$0.20	\$0.25	\$0.15	\$0.15
Florida	1.13%	\$58.20	\$4.85	\$4.29	\$3.16	\$4.52	\$5.65	\$3.33	\$3.33
Georgia	5.85%	\$301.28	\$25.11	\$22.23	\$16.38	\$23.40	\$29.25	\$17.26	\$17.26
Indiana	1.16%	\$59.74	\$4.98	\$4.41	\$3.25	\$4.64	\$5.80	\$3.42	\$3.42
Kentucky	29.66%	\$1,527.49	\$127.29	\$112.71	\$83.05	\$118.64	\$148.30	\$87.50	\$87.50
Maryland	0.62%	\$31.93	\$2.66	\$2.36	\$1.74	\$2.48	\$3.10	\$1.83	\$1.83
Missouri	0.42%	\$21.63	\$1.80	\$1.60	\$1.18	\$1.68	\$2.10	\$1.24	\$1.24
N. Carolina	37.95%	\$1,954.43	\$162.87	\$144.21	\$106.26	\$151.80	\$189.75	\$111.95	\$111.95
Ohio	1.36%	\$70.04	\$5.84	\$5.17	\$3.81	\$5.44	\$6.80	\$4.01	\$4.01
Pennsylvania	0.43%	\$22.15	\$1.85	\$1.63	\$1.20	\$1.72	\$2.15	\$1.27	\$1.27
S. Carolina	6.94%	\$357.41	\$29.78	\$26.37	\$19.43	\$27.76	\$34.70	\$20.47	\$20.47
Tennessee	7.57%	\$389.86	\$32.49	\$28.77	\$21.20	\$30.28	\$37.85	\$22.33	\$22.33
Virginia	6.58%	\$338.87	\$28.24	\$25.00	\$18.42	\$26.32	\$32.90	\$19.41	\$19.41
W. Virginia	0.28%	\$14.42	\$1.20	\$1.06	\$0.78	\$1.12	\$1.40	\$0.83	\$0.83
TOTAL	100.00%	\$5,150.00	\$429.17	\$380.00	\$280.00	\$400.00	\$500.00	\$295.00	\$295.00

Campaign for Tobacco-Free Kids, September 26, 2000

Naftzger, D, National Conference of State Legislatures, "National Tobacco Grower Settlement Trust"; Kentucky Tobacco Settlement Trust Corporation, <http://kytobaccotrust.state.ky.us>; Website for North Carolina & South Carolina Phase II programs.

For more information, see Campaign for Tobacco-Free Kids website's grower-related pages, http://www.tobaccofreekids.org/facts_issues/fact_sheets/misc/farming/.

* The cigarette companies like to say that Phase II is compensating quota holders and tobacco farmers for economic losses caused by U.S. smoking declines prompted by the Multistate Settlement Agreement. But it is firmly established that the recent sharp declines in quota have been primarily caused by the cigarette companies' reduced purchases of American-grown tobacco, which is a direct result of the companies' ongoing shift to foreign-grown leaf and overseas cigarette manufacturing. At most, U.S. smoking declines can account for only a tiny fraction of the major cigarette companies' rapidly shrinking purchases of American-grown tobacco leaf and the related quota cuts. For more detail and information, see the Campaign for Tobacco-Free Kids Factsheet, *The Big Cigarette Companies (Not Smoking Declines) Are Hurting American Tobacco Farmers*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0112.pdf>.