Executive Summary

This year marks the 20th anniversary of the landmark 1998 legal settlement between 46 states and the major tobacco companies (the Master Settlement Agreement or MSA), which required the companies to compensate the states for tobacco-related health care costs, restricted some forms of tobacco marketing and provided funding for a national public education campaign to prevent youth tobacco use. The MSA, along with earlier settlements with four individual states, requires tobacco companies to make annual payments to the states in perpetuity, with payments estimated at $246 billion over the first 25 years. The states also collect billions each year in tobacco taxes.

Over the past two decades, our organizations have issued annual reports assessing how well the states have kept their promise to use a significant portion of their settlement funds to combat tobacco use in the United States. This year's report finds that, once again, most states get a failing grade and are spending a small fraction of their tobacco revenues to fight tobacco use and the enormous public health problems it causes.

In the current budget year, Fiscal Year 2019, the states will collect $27.3 billion in revenue from the tobacco settlement and tobacco taxes. But they will spend only 2.4 percent of it – $655 million – on programs to prevent kids from smoking and help smokers quit. This means the states are spending less than three cents of every dollar in tobacco revenue to fight tobacco use.

Over the past 20 years, from FY2000 to FY2019, the states have spent just 2.6 percent of their total tobacco-generated revenue on tobacco prevention and cessation programs. During this time, the states have received $453.4 billion in tobacco revenue – $156.7 billion from the tobacco settlement and $296.7 billion from tobacco taxes. They have allocated $11.8 billion to tobacco prevention and cessation programs.

The states' failure to adequately fund tobacco prevention and cessation programs is hindering the nation's efforts to reduce tobacco use – still the leading preventable cause of death in the country and the killer of more than 480,000 Americans each year. It is also indefensible given the conclusive evidence that such programs work to curtail smoking, save lives and reduce tobacco-related health care costs. These costs total about $170 billion a year in the United States, according to the Centers for Disease Control and Prevention (CDC).[1]

Other key findings of this year's report include:

- The states continue to fall far short of CDC-recommended spending levels for tobacco prevention programs.[2] The $655 million allocated by the states amounts to less than 20 percent of the $3.3 billion the CDC recommends for all states combined. **Not a single state currently funds tobacco prevention programs at the CDC-recommended level.**

[1] Xu, Xin, "Annual Healthcare Spending Attributable to Cigarette Smoking," *Am J Prev Med*, published online: December 09, 2014, http://www.ajpmonline.org/article/S0749-3797%2814%2900616-3/abstract

[2] U.S. Centers for Disease Control and Prevention (CDC), *Best Practices for Comprehensive Tobacco Control Programs – 2014*, Atlanta, GA: U.S. Department of Health and Human Services (HHS), January 2014.

- Only two states – **Alaska** and **California** – provide even 70 percent of the CDC-recommended funding. Twenty-eight states and the District of Columbia are spending less than 20 percent of what the CDC recommends. **Connecticut** (for the third year in a row), **West Virginia** (for the second year in a row) and **Tennessee** have allocated no state funds for tobacco prevention programs this year.

- The states' funding of tobacco prevention programs is dwarfed by the billions of dollars tobacco companies spend to market their deadly and addictive products. According to the latest Federal Trade Commission (FTC) data, the major cigarette and smokeless tobacco companies spent $9.5 billion in 2016 – more than $1 million *every hour* – on marketing.[3] This means the tobacco companies spend more than $14 to market tobacco products for every $1 the states spend to reduce tobacco use.

- States with well-funded, sustained tobacco prevention programs continue to see significant progress, adding to the evidence that these programs work. Florida, with one of the longest-running programs, reduced its high school smoking rate to 3.6 percent in 2018, one of the lowest ever reported by any state.[4]

As a complement to separate policy actions, including higher tobacco taxes and comprehensive smoke-free laws, the settlement has played an important role in driving down smoking rates to record-lows in the United States – in 2017, just 14 percent of adults and 7.6 percent of high school students still smoked.[5]

This progress shows that the battle against tobacco is entirely winnable if proven strategies are fully implemented. But enormous challenges remain. The latest data show that 34.3 million U.S. adults still smoke and 47 million – about 1 in 5 adults – still use some form of tobacco.[6] There are large disparities in who still smokes and who suffers from tobacco-related disease, with especially high smoking rates among people with lower income and less education and other specific populations. In addition, the youth e-cigarette epidemic, driven by the skyrocketing popularity of Juul, is an urgent challenge that must be addressed to prevent yet another generation from becoming addicted to nicotine.

On the 20th anniversary of the tobacco settlement, it is time for a renewed national commitment to finish the fight against tobacco and eliminate the death and disease it causes.

---

[3] U.S. Federal Trade Commission (FTC), *Cigarette Report for 2016*, 2018, https://www.ftc.gov/system/files/documents/reports/federal-trade-commission-cigarette-report-2016-federal-trade-commission-smokeless-tobacco-report/ftc_cigarette_report_for_2016_0.pdf [data for top 5 manufacturers only]; FTC, *Smokeless Tobacco Report for 2016*, 2018, https://www.ftc.gov/system/files/documents/reports/federal-trade-commission-cigarette-report-2016-federal-trade-commission-smokeless-tobacco-report/ftc_smokeless_tobacco_report_for_2016_0.pdf [Data for top 5 manufacturers only].

[4] Florida Department of Health. Bureau of Epidemiology, Division of Disease Control and Health Protection. 2018 Florida Youth Tobacco Survey: http://www.floridahealth.gov/statistics-and-data/survey-data/florida-youth-survey/florida-youth-tobacco-survey/FYTSStateTables2018FINAL.pdf.

[5] CDC, "Tobacco Product Use Among Adults—United States, 2017," MMWR 67(44): 1225-1232, November 9, 2018, https://www.cdc.gov/mmwr/volumes/67/wr/pdfs/mm6744a2-H.pdf; CDC; Tobacco Product Use Among Middle and High School Students—United States, 2011- 2017," MMWR 67(22): 629-634, June 8, 2018 https://www.cdc.gov/mmwr/volumes/67/wr/mm6722a3.htm.

[6] CDC, "Tobacco Product Use Among Adults—United States, 2017," MMWR 67(44): 1225-1232, November 9, 2018, https://www.cdc.gov/mmwr/volumes/67/wr/pdfs/mm6744a2-H.pdf.

Impact of the Tobacco Settlement

The MSA contributed in significant ways to reducing smoking, but also represents a missed opportunity to achieve even more. The settlement's impact includes:

Cigarette price increases: The settlement, along with subsequent state and federal cigarette tax increases, resulted in significant increases in the price of cigarettes, which is one of the most effective ways to reduce smoking, especially among kids. The settlement itself led the major cigarette companies to increase prices by more than $1.10 per pack from 1998 to 2000. In addition, the average combined federal-state cigarette tax increased from 63 cents per pack in 1998 to $2.79 today.

Tobacco marketing restrictions: The settlement curtailed some forms of tobacco marketing. It prohibited tobacco transit ads and billboards, the use of cartoon characters to promote tobacco products, most tobacco brand-name merchandise (such as hats and t-shirts) and most tobacco brand-name sponsorship of concerts, sports and other events (these restrictions were strengthened and expanded by the 2009 federal Family Smoking Prevention and Tobacco Control Act, which authorized the Food and Drug Administration to regulate tobacco products). However, the MSA's restrictions applied only to cigarettes and smokeless tobacco and not to other products popular with kids today – e-cigarettes and cigars.

Despite these restrictions, tobacco companies subsequently increased their marketing expenditures, especially in retail stores. In 1998, tobacco companies spent $6.9 billion to market cigarettes and smokeless tobacco in the U.S. From 1999 to 2016, they spent an average of $10.7 billion per year on marketing – more than $29 million every day – according to annual FTC reports. Most of this spending is on price discounting schemes, which undermine tobacco tax increases and make tobacco products more affordable for price-sensitive kids.

Funding for national public education campaigns: The settlement provided about $300 million a year for five years to create a national foundation, initially named the American Legacy Foundation and now Truth Initiative, to conduct national public education campaigns to reduce tobacco use. Funding at that level depended on the market share of the major cigarette manufacturers so that it only lasted five years. The foundation used the funds to create the iconic truth® campaign. The latest evidence shows the truth® campaign prevented over 2.5 million youth and young adults from smoking from 2015 to 2018 – and many millions more over the life of the campaign, which began in 2000. The campaign continues today at a still robust level, but below what it would have been had the original funding continued beyond five years.

Funding for state tobacco prevention and cessation programs: While overall funding for such programs did increase, especially in the first few years after the MSA, many states subsequently cut funding and almost every state failed to provide adequate funding, as our reports have shown.

Great Progress and Big Challenges

In addition to the tobacco settlement, other key factors that have driven down smoking rates include tobacco tax increases, public education campaigns and widespread adoption of state and local smoke-free laws. In 1998, only California had a statewide law that prohibited smoking in restaurants and bars; today, 25 states and Washington, D.C., and hundreds of localities have comprehensive smoke-

free laws that apply to all restaurants, bars and other workplaces, protecting nearly 60 percent of the U.S. population.[7]

Other strong measures implemented in recent years include the 2009 law granting the FDA authority over tobacco products, expanded health insurance coverage for smoking cessation treatments, a growing number of state and local laws raising the tobacco sale age to 21, and the strongest and most sustained media campaigns to reduce tobacco use in the nation's history, including campaigns by the CDC, FDA and Truth Initiative.

The result has been large declines in smoking among both youth and adults. From 2000 to 2017, the smoking rate fell by 73 percent among high school students (from 28 percent to 7.6 percent) and by 40 percent among adults (from 23.2 percent to 14 percent).

However, there are large disparities in who still smokes, and smoking rates vary greatly by population groups and region:[8]

- **Income:** 21.4 percent of adults with annual household incomes under $35,000 smoke.

- **Education:** Among adults 25 and older, 23.1 percent who do not graduate from high school and 36.8 percent with a General Education Development (GED) certificate smoke, compared to 7.1 percent of those with a college education and 4.1 percent of those with a graduate degree.

- **Region:** Smoking rates are highest at 16.9 percent in the Midwest and 15.5 percent in the South, compared to 11.2 percent in the Northeast and 11 percent in the West. A 2017 report by Truth Initiative – "Tobacco Nation" – identified a group of 12 contiguous states, stretching from the upper Midwest to the South, with high smoking rates similar to those of the most tobacco-dependent countries in the world. In these states – Alabama, Arkansas, Indiana, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Ohio, Oklahoma, Tennessee and West Virginia – high smoking rates contribute to poorer overall health, including lower average life-expectancy and higher death rates from cancer and heart disease.

- **Racial and ethnic disparities:** American Indians and Alaska Natives have the highest smoking rate of any racial/ethnic group at 24 percent. While African-American and white adults smoke at about the same rate (14.9 and 15.2 percent, respectively), African Americans are less likely to quit smoking, and both incidence and death rates for lung cancer are higher among African-American men. African Americans are much more likely to smoke menthol cigarettes, which the FDA has found leads to increased smoking initiation among youth and young adults, greater addiction and decreased success in quitting smoking. The FDA recently proposed prohibiting menthol cigarettes.

- **Health insurance status:** 24.5 percent of Medicaid enrollees and 24.7 percent of uninsured individuals smoke, compared to 10.5 percent with private insurance coverage.

---

[7] American Nonsmokers' Rights (ANR) Foundation https://no-smoke.org/wp content/uploads/pdf/WRBLawsMap.pdf.

[8] CDC, "Tobacco Product Use Among Adults—United States, 2017," *MMWR*, 67(44): 1226-1232, November 9, 2018, https://www.cdc.gov/mmwr/volumes/67/wr/mm6744a2.htm.

- **Sexual orientation**: 20.3 percent of lesbian, gay and bisexual adults smoke, compared to 13.7 percent of heterosexual adults.

- **Mental health:** 35.2 percent of adults with serious psychological distress smoke, compared to 13.2 percent of other adults. Other surveys have found smoking is much more common among adults with mental illness than among the general population.

These disparities underscore that reducing tobacco use among all Americans is a critical element of achieving health equity in the United States.

In another urgent challenge, new CDC and FDA data show that youth e-cigarette use has reached epidemic levels. From 2017 to 2018, current (past 30 day) e-cigarette use increased by 78 percent among high school students (to 20.8 percent) and by 48 percent among middle school students (to 4.9 percent). In 2018, more than 3.6 million middle and high school students were e-cigarette users – an alarming increase of 1.5 million in just one year.[9] This increase has been driven by the popularity of Juul, a sleek, high-tech e-cigarette that is small and easy to hide, comes in sweet flavors that appeal to youth and delivers a powerful dose of nicotine.

Winning the Fight Against Tobacco

To win the fight against tobacco use, policymakers at all levels must fully implement the scientifically proven strategies that have driven our progress and ensure they reach all Americans. The 2014 Surgeon General's report on smoking and health, *The Health Consequences of Smoking – 50 Years of Progress*,[10] and other public health authorities provide a roadmap of these strategies, including:

- State tobacco prevention and cessation programs funded at CDC-recommended levels;

- Significant tobacco tax increases to prevent kids from using tobacco and encourage smokers to quit;

- Comprehensive smoke-free air laws that protect all Americans from secondhand smoke;

- Hard-hitting mass media campaigns;

- Barrier-free insurance coverage for tobacco cessation treatments;

- Tobacco 21 laws raising the age of sale for all tobacco products;

- Prohibition or restrictions on the sale of flavored tobacco products, including menthol cigarettes.

---

[9] Centers for Disease Control and Prevention (CDC), "Use of Electronic Cigarettes and Any Tobacco Product Among Middle and High School Students—United States, 2011-2018," *Morbidity and Mortality Weekly Report (MMWR*), 67(45): 1276-1277. https://www.cdc.gov/mmwr/volumes/67/wr/mm6745a5.htm?s_cid=mm6745a5_w

[10] U.S. Department of Health and Human Services. *The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General.* Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

At the federal level, the FDA has an especially critical role to play and should take several powerful actions that can accelerate progress:

- Implement its plan to limit nicotine in cigarettes to minimally addictive or non-addictive levels, and apply this limit to other combustible tobacco products;

- Prohibit menthol cigarettes and flavored cigars, as the FDA recently proposed, and strengthen its plan to address the youth e-cigarette epidemic by stopping sales of all flavored e-cigarettes that have not been subject to public health review by the agency. Until the FDA stops the sale of all flavored products, states and localities should continue their growing efforts to do so;

- Require graphic health warnings covering at least half of cigarette packs, as the 2009 Tobacco Control Act mandated and a federal judge recently ordered the FDA to expedite;

- Foster development of innovative new products that can help more smokers quit and increase the effective use of existing smoking cessation products.

No Excuses: Tobacco Prevention Programs Save Lives and Save Money

State tobacco prevention and cessation programs are an essential component of a comprehensive strategy to reduce tobacco use. There is conclusive evidence that these programs work. Every scientific authority that has studied the issue – including the Surgeon General, the CDC, the Institute of Medicine, the President's Cancer Panel and the National Cancer Institute – has concluded that when properly funded, implemented and sustained, tobacco prevention and cessation programs reduce smoking among both kids and adults. (See Appendix C and Appendix D for a full summary of this evidence).

Through their youth prevention and other community-based activities, public education efforts and programs and services to help smokers quit, state programs play a critical role in helping to drive down tobacco use rates and serve as a counter to the ever-present tobacco industry.

The 2014 Surgeon General's report found, "States that have made larger investments in comprehensive tobacco control programs have seen larger declines in cigarettes sales than the nation as a whole, and the prevalence of smoking among adults and youth has declined faster, as spending for tobacco control programs has increased." The report concluded that long-term investment is critical: "Experience also shows that the longer the states invest in comprehensive tobacco control programs, the greater and faster the impact."[11]

The strongest evidence that tobacco prevention programs work and are a good return on investment comes from the states themselves:

- **Florida**'s high school smoking rate fell to a historically low 3.6 percent in 2018. Florida has cut its high school smoking rate by over 86 percent since 1998.[12] Launched in 2007 and based

[11] U.S. DHHS. *The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General.* Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.
[12] Florida Youth Tobacco Survey http://www.floridahealth.gov/statistics-and-data/survey-data/fl-youth-tobacco-survey/index.html.

on CDC Best Practices, the Tobacco-Free Florida program is a key contributor to these declines. The program implements community-based efforts including the youth-led Students Working Against Tobacco (SWAT), hard-hitting media campaigns and help for smokers trying to quit. Florida voters approved a constitutional amendment in 2006 requiring the state to spend 15 percent of its tobacco settlement funds on tobacco prevention.

- **Washington** state, which had a well-funded prevention program before funding was virtually eliminated in FY2012, reduced adult smoking by one-third and youth smoking by half from the initiation of its program in 1999 to 2010.[13] A December 2011 study in the *American Journal of Public Health* found that from 2000 to 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.[14]

- **California**, with 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. California has reduced lung and bronchus cancer rates twice as fast as the rest of the United States.[15] By 2013, the lung cancer death rate in California was 28 percent lower than the rest of the country.[16] A February 2013 study in the scientific journal *PLOS ONE* found that, from 1989 to 2008, California's tobacco control program reduced health care costs by $134 billion, far more than the $2.4 billion spent on the program.[17] After sharp declines in tobacco prevention funding in recent years, California is on track to make significant progress again due to a $2 tobacco tax increase approved by voters in November 2016 (Proposition 56) and the related boost in tobacco prevention and cessation funding.

We have the tools to win the fight against tobacco, but continued progress is not inevitable. With bold action, our nation can finally end this entirely preventable epidemic and make the next generation tobacco-free.

---

[13] Washington State Department of Health, Tobacco Prevention and Control Program, *Progress Report*, March 2011
[14] 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*, Published online ahead of print December 15, 2011.
[15] California Department of Public Health, California Tobacco Control Program, California Tobacco Facts and Figures 2018, Sacramento, CA 2018, https://www.cdph.ca.gov/Programs/CCDPHP/DCDIC/CTCB/CDPH%20Document%20Library/ResearchandEvaluation/FactsandFigures/CATobaccoFactsFigures2018_Printers.pdf
[16] Pierce, JP, et al., "Trends in lung cancer and cigarette smoking: California compared ot the rest of the UInited States, *Cancer Prevention Research*, October 2018.
[17] Lightwood, J and Glantz SA, "The Effect of the California Tobacco Control Program on Smoking Prevalence, Cigarette Consumption, and Healthcare Costs: 1989-2008," *PLOS ONE* 8(2), February 2013.