

## Executive Summary

Since the November 1998 multi-state tobacco settlement, 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 every year from the tobacco settlement, the states collect billions more in tobacco taxes. In 2009 alone, 14 states and the District of Columbia have increased tobacco taxes.

**This year, our report finds that states are collecting more tobacco-generated revenue than ever before, but are spending less of it on programs to prevent kids from smoking and help smokers quit. Overall conclusions of this year's report include:**

- In the current budget year, Fiscal Year 2010, the states will collect \$25.1 billion from the tobacco settlement and tobacco taxes. They will spend just 2.3 percent of it – \$567.5 million – on tobacco prevention and cessation programs.
- In the past year, states have cut funding for tobacco prevention programs by \$103.4 million, or 15.4 percent. Including a new round of cuts approved December 2, New York has made the largest cut to its program – \$25.2 million, or 31 percent. Even as this report is released, several states are considering further cuts to their programs. *NOTE: This executive summary and the chart ranking states (p. vii-viii) have been updated to reflect the latest cuts to New York's program. Other materials in this report went to press November 30.*
- States are falling woefully short in meeting recommended funding levels for tobacco prevention programs set by the U.S. Centers for Disease Control and Prevention (CDC). Counting the \$567.5 million in state funds and \$62 million in federal grants, total funding for state tobacco prevention programs this year is \$629.5 million. This amounts to 17 percent of the \$3.7 billion the CDC recommends for all the states combined. It would take less than 15 percent of their total tobacco revenue for every state to fund a tobacco prevention program at CDC-recommended amounts.

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

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 the remarkable progress the United States has made in reducing smoking has slowed and even stalled.

The CDC recently reported that the adult smoking rate in 2008 was 20.6 percent – essentially unchanged since 2004 when 20.9 percent smoked. This is a troubling development after decades of progress in reducing adult smoking rates. While smoking among high school students has declined by 45 percent from a high of 36.4 percent in 1997, 20 percent of high school students still smoke and declines have slowed in recent years, according to the CDC.

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) and the President's Cancer Panel have agreed on the steps that the federal government and the states must take to win the fight against tobacco. Recommended actions include the following:

- The states must step up efforts to implement three proven strategies to reduce tobacco use: fund tobacco prevention and cessation programs in every state at CDC-recommended levels, increase tobacco taxes and enact smoke-free workplace laws. As this report details, most states have woefully under-funded tobacco prevention programs, and many have cut them substantially in the past year. Rather than take these backward steps, states should increase tobacco taxes to help fill budget gaps and use some of the revenue to fund tobacco prevention programs. In addition, every state should enact a comprehensive smoke-free law that covers all workplaces and public places, including restaurants and bars. To date, 26 states and the District of Columbia have enacted smoke-free laws that include restaurants and bars (South Dakota has also enacted such a law, but it is on hold pending a November 2010 ballot initiative).
- At the federal level, the pending health care reform legislation presents Congress with an immediate opportunity for action. It is vital that health care reform include robust funding for community-based prevention initiatives, including tobacco prevention and cessation, that prevent costly diseases. Congress should also require health care coverage for smoking cessation medication and counseling, including for everyone in Medicaid. The House-passed health care reform bill achieves these goals, and the Senate bill that is currently being debated should as well. Going forward, Congress and the Administration should also provide funding for a national tobacco prevention and cessation campaign. These steps would build on the important progress that Congress and President Obama made this year by approving a 62-cent increase in the federal cigarette tax and enacting the new law granting the U.S. Food and Drug Administration the authority to regulate tobacco products and marketing.

## Key Findings

Our reports assess and rank 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:

- Only one state – **North Dakota** – currently funds its tobacco prevention program at the CDC-recommended level. This is the result of a ballot initiative approved by North Dakota voters in November 2008 that required such funding.
- Only nine other states are funding tobacco prevention programs at even half the CDC-recommended levels. In order of ranking, these states are **Alaska, Delaware, Montana, Wyoming, Maine, Hawaii, Vermont, Arkansas** and **South Dakota**.
- Nine states are funding tobacco prevention programs at between 25 and 50 percent of CDC-recommended levels.

- 31 states and DC are providing less than a quarter of the CDC-recommended amounts, and 14 of those states are providing less than 10 percent of the CDC-recommended amounts.
- New Hampshire is the only state to provide no state funding for tobacco prevention programs (the state does receive a \$1 million federal grant for tobacco prevention).
- In the past year, 34 states and DC have cut funding for tobacco prevention programs. Only nine states have increased funding. New York has made the largest cut to its tobacco prevention program – \$25.2 million. Other states making large cuts include Colorado (\$15.3 million), Maryland (\$14.1 million), Pennsylvania (\$14.4 million) and Washington (\$11.4 million).
- The amount states are spending on tobacco prevention programs pales in comparison to the \$12.8 billion a year the tobacco companies spend to market tobacco products, according to the latest tobacco marketing reports of the Federal Trade Commission (for 2006). That means the tobacco companies spend \$20 to market tobacco products for every one dollar the states spend to prevent kids from smoking and help smokers quit.

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

Elected leaders lack credible excuses for failing 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 effort to reduce tobacco use that also includes higher tobacco taxes and smoke-free workplace laws.

The current budget crisis should not be an excuse for states to cut tobacco prevention programs. The evidence is clear that these programs not only reduce smoking and save lives, but also save money by reducing tobacco-related health care costs. Even in these difficult budget times, tobacco prevention is one of the smartest and most fiscally responsible investments that states can make.

**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 No. 1 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. Cigarette smoking costs the nation \$193 billion a year in economic losses, including \$96 billion in health care costs and \$97 billion 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.

**Despite their budget woes, every state has plenty of tobacco-generated revenue to fund a tobacco prevention program at CDC-recommended levels:** The states this year will collect \$25.1 billion from the tobacco settlement and tobacco taxes. It would take less than 15 percent of this total to fund tobacco prevention and cessation programs in every state at levels recommended by the CDC. However, the states are spending just 2.3 percent of their tobacco revenue on tobacco prevention and cessation.

In April 2008, the states began receiving even more tobacco settlement revenue that could be used 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 \$1 billion dollars per year. 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.

Tobacco tax increases provide the states with another source of revenue to fund tobacco prevention programs – and help balance budgets. As noted earlier, 14 states and the District of Columbia increased tobacco taxes in 2009. As they grapple with large budget deficits, numerous states are expected to consider tobacco tax increases in 2010.

**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, 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 from 2002 to 2007, has reduced smoking by 71 percent among middle school students and by 64 percent among high school students since 1997. Washington state, which had a well-funded prevention program before cutting funding by 42 percent this year, has cut adult smoking by 30 percent and overall youth smoking by 50 percent since its program began in 2000.

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 saved more than \$416 million in future health care costs (savings estimates are based on research showing that smokers, on average, have \$17,500 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, 295,000 fewer adult smokers and \$2.8 billion in future 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. Between 1988 and 2001, lung and bronchus cancer rates in California declined three times faster than the rest of the United States. A peer-reviewed study published in August 2008 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 stall in smoking declines is a clear warning to Congress and the states that it is premature to declare victory over tobacco and much more must be done at all levels 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 a level of leadership and resources that match the scope of the problem.