

STATES DIVIDED ON USES FOR TOBACCO CASH

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Money raining down on state legislatures from the \$246 billion tobacco settlement threatens to cause a ruckus over how to spend it.

State legislatures meeting across the country already are deep in debate over budgeting the money, even though the first payment is not scheduled to arrive until June 2000 and the payments will be spread over 25 years. Plans range from providing health care for children to building juvenile detention centers; from expanding health insurance to the working poor to paying down the state debt; from providing college scholarships to building water control projects; from bailing out tobacco farmers and supporting rural communities to funding anti-smoking campaigns.

But there's one thing on which all the states agree: The federal government should keep its mitts off their money. In a unanimous statement, the 50 governors said the federal government should just butt out.

And by a 71-29 vote, the Senate agreed by killing a proposal that would have placed limits on how the money could be spent so that at least half of it would be directed to health care, smoking cessation and tobacco farmer relief.

That was a blow to the Clinton administration, which says the federal government has a claim to 57 percent of the money under Medicaid and wants to be sure that money that comes from suits based on the health dangers of smoking should be used to pay for health and anti-smoking programs.

"Most governors have proposed endowments or trust funds where the money will be deposited until the legislatures can decide how to spend it," said Joan Henneberry of the National Governors Association.

But with so much money on the table, the competition to spend it is great. Already, more than 350 bills related to the tobacco settlement have been introduced in state legislatures.

"I'm getting letters from the Cancer Society and the March of Dimes and every organization you can imagine wanting a cut of this," said South Dakota Gov. William Janklow. "This money belongs to state government."

So far, health care seems to be the top target for this money, but the ways to spend it on health are as varied as the number of states.

New Jersey Gov. Christine Todd Whitman proposed using the state's \$7.6 billion share for better health care for urban children, especially prenatal and infant survival programs, mental health services for prisoners, assistance to the elderly to stay in their communities and for supplement state worker health benefits.

Florida Gov. Jeb Bush wants to earmark more than \$1 billion of the tobacco settlement money to establish a trust fund dedicated to children's health and community care for the elderly.

And Arizona Gov. Jane Dee Hall has proposed a major health initiative that includes a new

state mental health hospital, a new health laboratory, rural health facilities and a program to teach parenting skills, all paid for out of a \$2.9 billion health-care trust fund created from tobacco settlement money.

But the temptations also are great to spend the windfall on programs not related to health care or anti-smoking campaigns.

North Dakota Gov. Ed Schafer has proposed that the lion's share of that state's tobacco money go toward education and property tax relief while only 10 percent would go toward public health and smoking cessation programs.

But now the governor is fighting legislators who have their own agendas, ranging from putting all of the money into health care to using half of it for water projects.

In Oklahoma, one proposal calls for giving the money to the state's turnpike authority to get rid of the tolls, said Patrick Johnson, who is tracking the bills for the National Conference of State Legislatures.

In California, there's a proposal to use some of the money for sidewalks, he said, and in Louisiana the governor wants to sell the rights to the money to the banks, which would pay off the state's debt and free up money for teachers' salaries.

In the major tobacco-growing states of Virginia, North Carolina and Kentucky, at least half of the money appears to be heading toward tobacco farmers, who stand to lose their livelihoods if the cigarette industry declines, and to rural communities.

Michigan Gov. John Engler wants to commit a large portion of his state's \$8.5 billion to a Michigan Merit Award Trust Fund that would give each of the state's high school graduates a \$2,500 scholarship to the Michigan school of their choice.

Minnesota Gov. Jesse Ventura said the tobacco windfall was a "once-in-a-lifetime opportunity to invest in ourselves and our future." He proposed the creation of four trust funds from his state's share that will amount to \$1.3 billion just in the first five years.

One would provide help to families and individuals to reduce their dependence on government, he said. A second would endow a network of local public health facilities. A third would support training and professional programs for health-care professionals, while a fourth would support teaching hospitals and clinics that are doing medical research.

The fight in the Rhode Island Legislature became heated after Gov. Lincoln Almond proposed using the \$63 million first installment from the tobacco settlement to balance the state's budget rather than to combat smoking and improve public health.

Margaret Kane, director of the American Lung Association of Rhode Island told a state finance committee hearing that if the money is used for anything but smoking cessation and health care, "the tobacco industry will have won again."