

Tobacco Settlement Monies Summary of Expenses by Fund ⁽¹⁾

Updated as of 8/31/2025

Tobacco Settlement Funds	2023	2024	2025	YTD 2026
Tobacco Settlement Program Fund	\$-	\$-	\$-	\$-
Arkansas Department of Health				
Tobacco Settlement Commission ⁽²⁾	\$265,243	\$259,969	\$258,186	\$46,800
Prevention and Cessation	\$7,615,399	\$8,213,203	\$10,142,886	\$1,281,582
Prevention & Cessation Minority Commission	\$1,753,624	\$1,440,043	\$2,649,492	\$1,715,461
Minority Health Initiative	\$1,002,665	\$1,083,535	\$1,228,639	\$213,924
University of Arkansas for Medical Sciences (UAMS)				
Donald W. Reynolds Center on Aging	\$1,436,588	\$1,851,420	\$1,616,289	\$2,048,435
Fay W. Boozman College of Public Health	\$3,067,074	\$2,402,134	\$2,290,642	\$2,459,688
Department of Human Services				
Area Health Education Centers	\$2,157,499	\$1,755,909	\$1,764,729	\$1,710,362
Medicaid Expansion ⁽³⁾	\$22,244,071	\$28,305,089	\$21,016,801	\$2,584,779
Arkansas State University - Biosciences Institute	\$3,677,064	\$3,327,863	\$2,932,274	\$378,223
University of Arkansas - Fayetteville - Biosciences Institute	\$1,962,206	\$1,775,860	\$1,564,761	\$50
University of Arkansas - Agriculture Division - Biosciences Institute	\$1,962,206	\$1,775,860	\$1,564,761	\$48,513
University of Arkansas for Medical Sciences - Biosciences Institute	\$5,265,601	\$4,457,429	\$4,859,440	\$2,710,437
Total	\$52,409,238	\$56,648,314	\$51,888,900	\$15,198,254

⁽¹⁾ Source: Arkansas Administrative Statewide Information System (AASIS)

⁽²⁾ Funded with interest earnings from the Program Fund

⁽³⁾ Source: Arkansas Treasurer's Office

The Tobacco Master Settlement Agreement (MSA):

- Was entered in November 1998, between the four largest United States tobacco companies and the attorneys general of 46 states.
- Philip Morris Inc., R. J. Reynolds, Brown & Williamson, and Lorillard
- The states settled their Medicaid lawsuits against the tobacco industry for:
 1. Recovery of their tobacco-related health-care costs
 2. Exempting the companies from private tort liability regarding harm caused by tobacco use
 3. The companies agreed to curtail or cease certain tobacco marketing practices
 4. The companies agreed to pay various annual payments to the states to compensate them for some of the medical costs of caring for persons with smoking-related illnesses.
 - In the MSA, the companies agreed to pay a minimum of \$206 billion over the first twenty- five years of the agreement.

Payments by the Participating Manufacturers (PMs)

- The amount of money that the PMs are required to annually contribute to the states varies according to several factors. All payments are based primarily on the number of cigarettes sold.

Payment Amount Summary

- Payments are determined in accordance with their relative market share as of 1997.
- The payment amount of a particular company is also dictated by the "Volume Adjustment," which compares the number of cigarettes sold in each payment year to the number of cigarettes sold in 1997.
- If the number of cigarettes sold by a company in a given year is less than the number it sold in 1997, the Volume Adjustment allows that company to reduce its payment to the settling states.
 - a) A reduction in the amount of cigarettes sold by the company results in the settling states receiving less money.

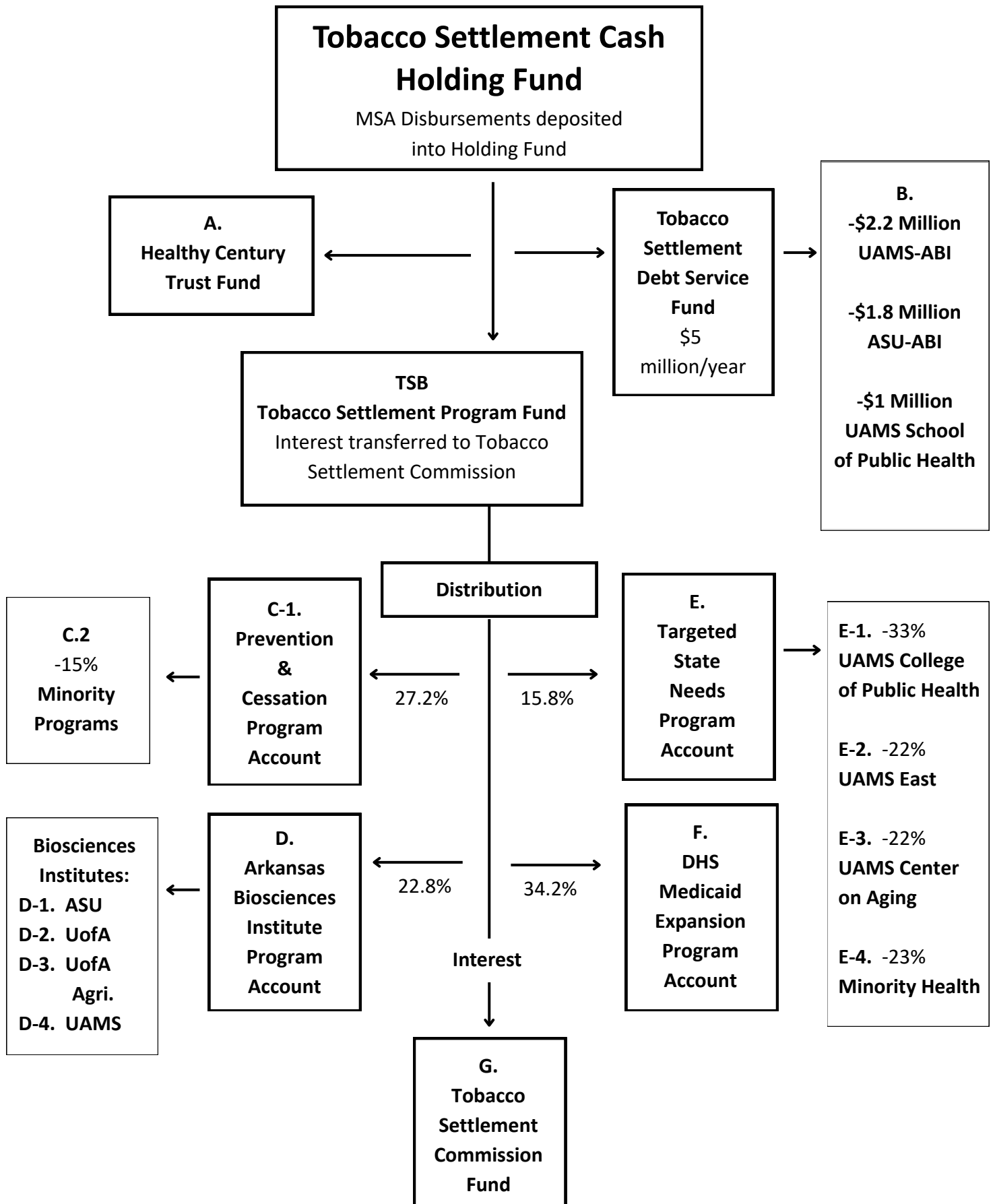
Receipts by the States / Arkansas

- States are to receive over \$206 billion over 25 years.
- Arkansas has received \$1.4 billion from 2001 to 2025.
 - a) An average of the last five years receipts is \$66.1 million

Distribution of Funds for Arkansas

- Arkansas Code 19-12-101 through 19-12-119 (Tobacco Settlement Proceeds Act) created by Initiated Act 1 of 2000 established the methodology for the distribution of Tobacco Settlement receipts.
 - a) The General Assembly can amend this methodology with a 2/3rds vote.

Initiated Act 1 - Breakdown of Tobacco Settlement Funding



Tobacco Settlement Funding

Tobacco Settlement Proceeds Act, Arkansas Code 19-12-101 through 19-12-119.

A. (TSA) Healthy Century Trust Fund: Received the first \$100 million from Tobacco Settlement plus interest to be held for future use.

- Arkansas Code 19-12-104(d) provided that Master Settlement Agreement receipts shall first be deposited into the Arkansas Healthy Century Trust Fund in the amount necessary to bring the principal amount of the Arkansas Healthy Century Trust Fund to \$100 million dollars.
 - Special Language from Act 1496 of 2013 transferred all the interest accumulated or funding in excess of \$100 million dollars to DHS Medical Services to be used for Medicaid Expansion Program funded with Tobacco Settlement funds in FY2014.
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B. Debt Service Payments: The first \$5 million received annually from Tobacco Settlement funds is used to pay debt service on bonds issued for UAMS- Biosciences, ASU Biosciences and the School of Public Health. Original debt services expire in 2021 and new debt service begins 2021 through 2046

- Arkansas Code 19-12-104(d)(1) provides that the first five million dollars (\$5,000,000) received as an Master Settlement Agreement Disbursement in each calendar year beginning in 2002 shall be transferred from the Tobacco Settlement Cash Holding Fund to the Tobacco Settlement Debt Service Fund.
 - Proceeds from the Series 2001 bonds provides capital improvement funding for the Biosciences Research Building, the School of Public Health at the University of Arkansas for Medical Sciences and for the Biosciences Research Building at Arkansas State University in Jonesboro. Proceeds from the Series 2006 bonds provide capital improvement funding for the Arkansas Cancer Research Center on the campus of the University of Arkansas for Medical Sciences. The Series 2006 bonds are capital appreciation bonds, with the first debt service payments due July 1, 2021.
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C. Prevention and Cessation: Of the program funds received annual and after \$5 million is deducted for debt service the Health Department receives 27.2% (was 31.6% until 2015) of the funds available for tobacco prevention and cessation programs. Of the 27.2% funding received 15% is transferred to UAPB for minority community grants.

- Arkansas Code 19-12-113 provides establishment and administration of prevention and cessation programs through the Department of Health.
 - Arkansas Code 19-12-113 (b) provides that within thirty days of receipt of moneys into the Prevention and Cessation Program Account, fifteen percent (15%) of those moneys shall be deposited into a special account to be expended for tobacco prevention and cessation in minority communities as directed by the Director of the Department of Health in consultation with the Chancellor of the University of Arkansas at Pine Bluff, the President of the Arkansas Medical, Dental and Pharmaceutical Association, and the League of United Latin American Citizens.
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D. Biosciences Institute: Of the program funds received annual and after \$5 million is deducted for debt service 22.8% of the funds available shall be made available for ASU- Jonesboro, U of A Fayetteville, U of A Fayetteville Agriculture Division, and UAMS for agricultural research, bioengineering research, tobacco-related research, nutritional research and other related research.

- Arkansas Code 19-12-115 provides establishment and administration of the Arkansas Biosciences Institute for the educational and research purposes to encourage and foster the conduct of research through the University of Arkansas, Division of Agriculture, the University of Arkansas for Medical Sciences, University of Arkansas at Fayetteville, Arkansas Children's Hospital and Arkansas State University. The Arkansas Biosciences Institute is part of a broad program to address health issues with specific emphasis on smoking and the use of tobacco products.
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E. Targeted State Needs: Of the program funds received annual and after \$5 million is deducted for debt service 15.8% of the funds available are distributed in the following percentages for the entities listed;

1. 33% for the School of Public Health,
 2. 22% for UAMS East,
 3. 22% for UAMS Center on Aging and
 4. 23% for the Minority Health Initiative.
- Arkansas Code 19-12-114 provides establishment and administration of the Targeted State Needs Program through the University of Arkansas for Medical Sciences to establish the Targeted State Needs Programs and to administer such programs for:
 - College of Public Health of the University of Arkansas for Medical Sciences;
 - Area Health Education Center (located in Helena);
 - Donald W. Reynolds Center on Aging; and
 - Minority Health Initiative administered by the Minority Health Commission.
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F. The Medicaid Expansion Program: Of the program funds received annual and after \$5 million is deducted for debt service 34.2% (was 29.8% until 2015) of the funds available are distributed for the Medicaid Expansion Program through the Department of Human Services - Division of Medical Services.

- The expanded Medicaid programs are as follows:
 1. Expansion of Medicaid coverage and benefits to pregnant women with incomes up to 200 percent of the Federal Poverty Level (approved for implementation November 1, 2001);
 2. Expansion of inpatient and outpatient hospital reimbursements and benefits to adults age 19 to 64 to reduce coinsurance payment from 22 percent to 10 percent of the cost of the first Medicaid covered day of each admission and cover additional medically necessary days in the hospital from 20 days up to 24 allowed days per State Fiscal Year (approved for implementation November 1, 2001);
 3. Expansion of non-institutional coverage and benefits to adults aged 65 and over. Referred to as ARSeniors, this program extends full Medicaid benefits to adults age 65 and over who have been identified as Qualified Medicare Beneficiaries (QMB) and meet specific income limits (approved for implementation October 1, 2002). The Alternatives Plus (A+) Program is an extension of the non-institutional coverage by facilitating the transition of low care Medicaid enrollees age 65 and older from nursing facilities, to home and community based services (implemented in August 2011);
 4. Age 19 to 64 Expansion (ARHealthNetworks) – The ARHealthNetworks program **expired on 12/31/13**. Recipients were notified in September to apply for coverage via Healthcare.gov or Access.Arkansas.gov depending on their income level. Claims will continue to be paid on prior period services but such claims will be extremely limited by FY2015 as providers will have billed for care over the last six months of SFY2014.
 - This program provided a limited benefits package to adults age 19 to 64. The ARHealthNetworks Program was implemented in January 2007. Every 12 months ARHealthNetworks covers 7 inpatient days, 2 major outpatient services including emergency room and major services performed in the office, 6 provider visits, 2 prescriptions per month maximum annual benefit of \$100,000.
- Arkansas Code 19-12-116 provides establishment and administration of Medicaid Expansion Program through the Department of Human Services as a separate and distinct component of the state Medicaid program currently administered by the Department of Human Services.

G. Tobacco Settlement Commission is funded through interest earnings from the Program Fund to conduct monitoring and evaluation of the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program Account and the Medicaid Expansion Program Account to ensure optimal impact on improving the health of Arkansans and fiscal stewardship of the Tobacco Settlement.

- Arkansas Code 19-5-1117 establishes the Arkansas Tobacco Settlement Commission Fund and provides that the fund shall consist of investment earnings transferred from the Tobacco Settlement Program Fund.
- Arkansas Code 19-12-117 provides establishment of the Arkansas Tobacco Settlement Commission and necessary staff.