

Tobacco Master Settlement Agreement (MSA) and Fund for a Healthy Maine: Commonly Asked Questions

About the MSA

What is the Tobacco Master Settlement Agreement?

The Master Settlement Agreement (MSA) is an agreement established on November 23, 1998 between 46 states, Washington DC, and 5 US territories, and seven tobacco companies. It represents a settlement of the lawsuit these states and territories brought against the tobacco companies to recover some of the Medicaid costs associated with treating smokers.

What did the agreement require the tobacco companies to do?

Four major activities: (1) Change some of their marketing practices; (2) provide funds to the states and territories; (3) provide funds to tobacco farmers and others who stand to lose financially as a result of the MSA; and (4) provide funds to establish a national organization (American Legacy Foundation).

How much do the states and territories get, and for how long?

The companies are required to make annual payments, from 1999 in perpetuity.

Do all states and territories get the same amount?

No. There is a funding formula that uses estimated Medicaid tobacco-related expenditures, the number of smokers in each state, and other factors.

What did the states and territories have to do to receive the money?

A trial court judge in each state had to approve the Master Settlement Agreement in order to receive funds.

Are there any restrictions placed on states regarding how they use the MSA funds?

No.

About the MSA and Maine

Where does Maine put the MSA funds it receives?

Maine created the Fund for a Healthy Maine in 1999 as a repository for the MSA funds and any other funds related to tobacco use prevention or cessation. The funds are invested to minimize risk and maximize returns.

What can the Fund be used for?

Maine law requires that the money from the Fund be used for the following 8 activities. In all of these activities, priority is given to lower income citizens:

- Smoking prevention, cessation & control activities
- Prenatal and young children's care
- Child care and after-school care
- Health care costs, especially to maximize federal matching dollars
- Prescription drugs for elderly and disabled
- Dental and oral health
- Substance abuse prevention
- Coordinated school health programs, including the funding of school-based health centers.