



## Legislative Fiscal Bureau

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May 10, 2001

Joint Committee on Finance

Paper #880

### **Grant Funding (Tobacco Control Board and DHFS -- Public Health)**

[LFB 2001-03 Budget Summary: Page 634, #2, Page 636, #4 and Page 372, #3]

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#### **CURRENT LAW**

1999 Wisconsin Act 9 (the 1999-01 biennial budget act) provided that the first \$23.5 million of the moneys received from the Attorney's General Master Tobacco Settlement Agreement (MSA) of November 23, 1998, be used to create a nonlapsible tobacco control trust fund. In fiscal year 2000-01, a total of \$20,808,000 SEG from the tobacco control fund is budgeted for grants. Of this funding, \$2.5 million is earmarked for: (a) research, prevention and cessation activities conducted by the University of Wisconsin-Madison tobacco research and intervention center (\$1.0 million); (b) the Thomas T. Melvin youth tobacco prevention and education program (\$1.0 million); and (c) tobacco use prevention and cessation activities at the Medical College of Wisconsin (\$500,000). The remainder of the funding (\$18,308,000) is available for grants for a variety of tobacco control activities.

#### **GOVERNOR**

Specify that the first \$12,006,400 in 2001-02 and \$21,169,200 in 2002-03 received from the MSA be deposited to the tobacco control fund to continue to fund the Board's grants and activities. Of this funding, \$11,654,000 in 2001-02 and \$20,808,000 in 2002-03 is budgeted for tobacco control grants.

Reduce funding for grants by \$9,154,000 SEG in 2001-02, to reflect that half of the total 2000-01 funding authorized under Act 9 for competitive grants (\$18,308,000) will not be expended in 2000-01 and instead, will be carried forward and available for expenditure in 2001-02.

Increase from \$1.0 million to \$1.5 million in 2001-02 and from \$1.0 million to \$2.0 million in 2002-03, the amount of grant funding the Board is required to provide to support the Thomas T. Melvin youth tobacco and prevention education program. Reduce GPR funding budgeted for the program in the Department of Health and Family Services (DHFS) by corresponding amounts, so that the program would be entirely funded from SEG tobacco control funds by 2002-03, but total funding for the program would remain the same, \$2 million per year (all funds).

## DISCUSSION POINTS

1. Under 1999 Act 9, the Board was authorized to award \$18,308,000 in competitive grants for activities to reduce and prevent tobacco use in the state, beginning July 1, 2000. The Board began awarding competitive grants on a calendar year basis, beginning January 1, 2001. Therefore, half of the funding budgeted for competitive grants in 2000-01, or a one-time surplus of \$9,154,000, will be carried forward to support grants in the 2001-03 biennium. The table below summarizes Tobacco Control Board grant expenditures for 2000-01, and the Governor's recommended levels for 2001-03.

### Tobacco Control Board Grant Funds 2000-01 through 2002-03

	<u>2000-01</u>	<u>Governor's Recommendation</u>	
		<u>2001-02</u>	<u>2002-03</u>
Thomas T. Melvin Youth Tobacco Prevention and Education Program	\$1,000,000	\$1,500,000	\$2,000,000
University of Wisconsin-Madison Tobacco Research and Intervention Center	1,000,000	1,000,000	1,000,000
Medical College of Wisconsin Competitive Grants	500,000	500,000	500,000
	<u>9,154,000*</u>	<u>17,808,000**</u>	<u>17,308,000</u>
Total	\$11,654,000	\$20,808,000	\$20,808,000

\*Reflects that amount that will actually be awarded in 2000-01. As noted above, because of the timing of awards, half of the funding available for competitive grants in 2000-01 will be carried over to the 2001-03 biennium.

\*\*Includes \$9,154,000 carried over from state fiscal year 2000-01.

2. Under the bill, the amounts deposited from the MSA to the tobacco control fund equal the total budget recommended for the Board in the 2001-03 biennium, including the funds budgeted for general operations of the Board.

3. As shown in the table, total funding available for grants would remain \$20,808,000, as originally provided in 2000-01 under Act 9. However, of this funding, an additional \$500,000 in

2001-02 and \$1.0 million in 2002-03 from the tobacco control fund would be earmarked for the Thomas T. Melvin program, and GPR funding for the program would be reduced accordingly. The effect of this would be to reduce funding available for competitive grants to \$17,808,000 in 2001-02 and \$17,308,000 in 2002-03, and reduce total funding for tobacco control programs by \$500,000 in 2001-02 and \$1.0 million in 2002-03.

4. Under current law, the Board may distribute the competitive grants for the following purposes: (1) community-based programs to reduce tobacco use; (2) community-based programs to reduce the burden of tobacco-related diseases; (3) school-based programs relating to tobacco use cessation and prevention; (4) enforcement of local laws aimed at reducing exposure to secondhand smoke and restricting underage access to tobacco; (5) grants for partnerships among statewide organizations and businesses that support activities related to tobacco use cessation and prevention; (6) marketing activities that promote tobacco use cessation and prevention; (7) projects designed to reduce tobacco use among minorities and pregnant women; (8) other tobacco use cessation programs; (9) surveillance of indicators of tobacco use and evaluation of activities funded by the Board; and (10) development of policies that restrict access to tobacco products and reduce exposure to environmental tobacco smoke.

5. The statutory uses for the tobacco control funds were based on the Center for Disease Control and Prevention (CDC) recommended components for a comprehensive tobacco control program. According to the CDC, in order to be successful, programs must be comprehensive, sustained over time and utilize community partnerships.

6. On August 29, 2000, the Board approved a strategic plan using the CDC recommendations as a guideline for distributing the funding. Based on the plan, the Board awarded competitive grants for calendar year 2001 as follows: (1) media and countermarketing (\$6.5 million); (2) community coalitions (\$7.0 million); (3) youth-led movement (\$800,000); (4) cessation support (\$800,000); (5) statewide programs (\$1,499,200); (6) resource clearinghouse (\$200,000); and (7) monitoring and evaluation (\$1.5 million). The attachment to this paper provides a brief description of each of these components.

7. While nearly all of the funding budgeted for grants has been awarded in calendar year 2001, some of these funds are contracted at maximum amounts for levels of activities that may not be achieved under the contract period. For example, \$5 million is budgeted for activities for local coalitions. However, funding for the coalitions is based on three levels of functionality. Local coalitions receive a base grant for new coalitions, and higher grants for more advanced coalitions. As of January, 2001, \$2,555,400 of the \$5,000,000 had been awarded. While local coalitions can negotiate for higher level grants by advancing their coalitions to the next level through the end of May, all coalitions would not be expected to reach the highest level by that time. Therefore, not all of the grant funding budgeted for calendar year 2001 is expected to be spent, and additional funds will be carried forward under the program's continuing appropriation, which could be used to offset some of the reduction in competitive grant funding under the bill.

8. The Board's Executive Director indicates that, while all of the funds awarded for

grants in 2001 may not be expended under the current contracts, the program's budget reflects the minimum amount needed to meet the following goals by 2005: (1) reduce tobacco use among middle- and high school-age youth by 20%; (2) reduce tobacco use among adults by 20%; (3) reduce total tobacco consumption by 20%; (4) 100 municipalities will establish smoke-free restaurant ordinances; (5) 100% of municipal governments will have smoke-free government-owned buildings; (6) 90% of workplaces will establish smoke-free environments; and (7) 70% of homes will voluntarily establish smoke-free environments. Any grant funds that are unspent would be reapplied in the next round of grant awards to further efforts to accomplish these goals.

9. The CDC estimates a range of funding each state must provide to have a successful comprehensive tobacco control program. For 2001, the CDC recommends that Wisconsin expend between \$31,158,000 and \$82,381,000 for tobacco control activities.

10. The CDC indicates that Wisconsin funds its program at a level that represents approximately 75% of the recommended lowest funding level, and currently ranks 10<sup>th</sup> among states for tobacco control funding as measured as a percentage of the CDC recommended funding ranges. This analysis takes into consideration \$1,214,500 FED DHFS receives annually from the CDC for tobacco control and prevention programs and the \$1.0 million GPR currently budgeted in DHFS for the Thomas T. Melvin program, in addition to funding budgeted for the Board.

11. Only seven states meet or exceed the CDC recommended lower levels. According to a CDC 2001 study of state highlights in investments in tobacco control, the average level of investment among states in comprehensive tobacco control programs is at 59% of the CDC lower level recommendations for 2001.

12. The calculations used to determine the CDC recommended funding levels are not based on the cost to implement such a program in each state. Rather, the CDC calculations use base level and per capita amounts that are the same for each state. As a result, the main difference between states recommended funding levels is the population of the state.

13. In its report, "Investment in Tobacco Control: State Highlights 2001," the CDC indicates that states have witnessed reductions in tobacco use with less funding than the amounts recommended by the CDC. For example, Oregon's program, which is funded at 44% of the CDC lower recommendation, has experienced decreases in smoking among adults, pregnant women and youth. In addition, California, a state that has been at the forefront of tobacco control efforts, and has had an almost 50% decrease in per capita cigarette use from 1988 to 1999, has a tobacco control budget that represents approximately 71% of the CDC lower estimate of recommended tobacco control funding. States' success in reducing tobacco use may also be attributable to other factors, such as tobacco excise taxes. (California's cigarette tax rate is 87¢ per pack while Oregon's rate is 68¢ per pack.)

14. The level of spending needed to implement a successful, comprehensive tobacco control program depends on elements that are unique to each state, such as labor and supply costs, state geography and existing state infrastructure to support such services.

15. The CDC recommendations provide a good resource for guidance in developing a state tobacco prevention and cessation program and for comparison as to how other states are using dedicated funding sources to create tobacco control programs. However, states can have successful programs even if they do not fund tobacco control activities at the level suggested by the CDC guidelines.

16. Information on effectiveness of the programs funded by the Board in Wisconsin is not yet available. The Board is required by statute to report on the success of the program to the Governor and Legislature on July 1, 2001. However, based on the January 1, 2001, start-up date for grants, the July 1, 2001, report will most likely not include information on the program's effectiveness to date.

17. Many states have determined that, while tobacco control and prevention is a high priority, other priorities must also be met. In Wisconsin, the amount of funding deposited to the tobacco control fund has a dollar-for-dollar effect on the general fund, and as such, should be reviewed in the same manner as all other general purpose revenue expenditures.

18. Given that the national average funding level for comprehensive tobacco control programs is 59% of the CDC recommended lower funding recommendation, the Committee could reduce funding for the tobacco control program by \$4,491,600 in 2001-02 and \$4,000,400 in 2002-03, and still invest in tobacco control activities at the national average rate of the CDC lower estimate recommendations. Amounts transferred from the general fund to the tobacco control fund would be reduced accordingly, providing an additional \$8,492,000 in general purpose revenues over the biennium, while still maintaining a substantial budget for tobacco control activities of \$36.8 million over the biennium (\$18,383,300 annually), including federal CDC funds.

19. Another option the Committee could consider would be to transfer full funding for the Thomas T. Melvin program from GPR to the tobacco control fund beginning in 2001-02, instead of phasing in half of the funding in the first year of the biennium, as provided under the bill. This would reduce funding budgeted in DHFS by \$500,000 GPR in 2001-02.

20. The effect on tobacco control grants of fully funding the Thomas T. Melvin program from tobacco control funds in 2001-02 would be to reduce the amount of funding available for competitive grants in calendar year 2002 from \$17,308,000 to \$16,308,000. This is because \$9,154,000 of the funding available for the first year of the biennium is already committed for the last six months of the calendar year 2001 grants. Funding available for competitive grants for calendar year 2003 would continue to be \$17,308,000. Given that full awards may not be spent in calendar year 2001, as discussed above, some of the reduction for 2002 could be absorbed with the carryover spending.

21. The National Association of Attorneys General has warned states that reducing the amount of the MSA that is dedicated to tobacco prevention and public health may jeopardize future proceeds. This relates to legislation sought and obtained by the states to prohibit the federal Department of Health and Human Services from securing a portion of the state's proceeds from the

MSA to offset the federal government's share of health care costs related to tobacco use. Testimony from the states in support of retaining the proceeds indicated that it would be invested in tobacco prevention and public health programs. If Congress finds that states are not following through with this commitment, it may enact legislation to allow the federal government to recoup some of those payments. While the state would be protected from reductions in future MSA payments, under the Governor's securitization proposal, proponents claim that since the state is receiving funds due to the lawsuit filed to recoup expenses for all residents who have used tobacco, the funds should continue to be used for tobacco prevention and cessation programs.

22. In addition, it could be argued that given the demonstrated social and economic costs to the state of tobacco use, reducing state funding for the Board at this time could increase future level of spending for social and economic costs.

23. For these reasons, if the Committee wishes to maintain the state's current level of spending for tobacco control and prevention, the Committee could continue to provide \$1,000,000 SEG annually for the Thomas T. Melvin program. This would require an additional \$500,000 GPR in 2001-02 and \$1,000,000 GPR in 2002-03 budgeted in DHFS. Under this proposal, competitive grant funding would continue at its current level of \$18,308,000 annually.

24. In its 2001-03 biennial budget request, the Tobacco Control Board requested an additional \$2.0 million, beginning in 2002-03, to increase funding for cessation services and resources targeted at high-risk populations. The Board indicates that such funds are needed in order to: (1) support an increase in demand for cessation services and activities that will result from the Board's first year of grant activities raising awareness of the health implications of tobacco use; and (2) increase activities aimed at high-risk populations.

25. The Committee could increase the amount of funds transferred to the tobacco control fund in 2002-03 by \$2.0 million to allow the Board to increase funding for cessation support programs and programs targeted at high-risk populations. This would increase SEG funding from the tobacco control fund by \$2.0 million in 2002-03 and reduce available general purpose revenues by the same amount.

26. However, it could be argued that as awareness of the dangers and implications of tobacco use is elevated through the Board's outreach and educational activities, the Board should shift the some level of funding provided for those activities to increased cessation support. Further, the Board has the ability to target more if its current grants to fund programs for high-risk populations.

27. As noted above, by July 1, 2001, and each year thereafter, the Board is required to submit a report to the Governor and Legislature evaluating the success of programs funded from the tobacco control funds. Because the Board awards grants on a calendar year basis, the Committee may want to modify the deadline for the report so that in future years, information on the progress and success of programs receiving tobacco control funds would be available for the Legislature's biennial budget deliberations. The Committee could modify the deadline for the annual report to

provide a deadline April 15th to ensure that such information would be available.

28. The revenue transfer in the 1999-01 biennium to the tobacco control fund was a one-time transfer. Because the Tobacco Control Board is considered a base agency for Joint Finance Committee deliberations, a vote must be taken to transfer revenue in 2001-03 to the tobacco control fund in order to fund 2001-03 Tobacco Control Board grants and operations.

## ALTERNATIVES TO BASE

### A. Overall Grant Funding

1. Approve the Governor's recommendation to: (1) specify that \$11,654,000 in 2001-02 and \$20,808,000 in 2002-03 in proceeds from the MSA be transferred to the tobacco control fund to fund tobacco control grants; and (2) reduce funding for grants by \$9,154,000 SEG in 2001-02 to reflect that half of the total 2000-01 funding authorized under Act 9 for competitive grants (\$18,308,000) will not be expended in 2000-01 and instead, will be carried forward and available for expenditure in 2001-02. Total amounts available for tobacco control fund grants would be \$20,808,000 annually.

<u>Alternative A1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2001-03 REVENUE</b> (Change to Base) <i>[Change to Bill]</i>	- \$32,462,000 \$0	\$32,462,000 \$0	\$0 \$0]
<b>2001-03 FUNDING</b> (Change to Base) <i>[Change to Bill]</i>	\$0 \$0	- \$9,154,000 \$0	- \$9,154,000 \$0]

2. Fund the tobacco control program at the national average level of 59% of the CDC recommended lower level. Modify the base as follows: (1) transfer \$7,162,400 in 2001-02 and \$16,807,600 from the proceeds from the MSA to the tobacco control fund to fund tobacco control fund grants; and (2) reduce funding for grants by \$9,154,000 SEG in 2001-02 to reflect that half of the total 2000-01 funding authorized under Act 9 for competitive grants (\$18,308,000) will not be expended in 2000-01 and instead, will be carried forward and available for expenditure in 2001-02. Total funding available for grants would be \$16,316,200 in 2001-02 and \$16,807,600 in 2002-03.

<u>Alternative A2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2001-03 REVENUE</b> (Change to Base) <i>[Change to Bill]</i>	- \$23,970,000 \$8,492,000	\$23,970,000 - \$8,492,000	\$0 \$0]
<b>2001-03 FUNDING</b> (Change to Base) <i>[Change to Bill]</i>	\$0 \$0	- \$17,646,000 - \$8,492,000	- \$17,646,000 - \$8,492,000]

3. Fund tobacco control grants at the Governor's recommended level, and provide an additional \$2 million in 2002-03 for grants for cessation activities and programs targeted at high-

risk populations. Specify that: (1) \$11,654,000 in 2001-02 and \$22,808,000 in 2002-03 in proceeds from the MSA be transferred to the tobacco control fund to fund tobacco control grants; (2) funding for grants would be reduced by \$9,154,000 SEG in 2001-02 to reflect that half of the total 2000-01 funding authorized under Act 9 for competitive grants (\$18,308,000) will not be expended in 2000-01 and instead, will be carried forward and available for expenditure in 2001-02; and (3) funding for grants would be increased by \$2,000,000 in 2002-03 for cessation activities and programs targeted at high-risk populations. Total funding for grants would be \$20,808,000 in 2001-02 and \$22,808,000 in 2002-03.

<b>Alternative A3</b>	<b>GPR</b>	<b>SEG</b>	<b>TOTAL</b>
<b>2001-03 REVENUE</b> (Change to Base)	- \$34,462,000	\$34,462,000	\$0
<i>[Change to Bill]</i>	- \$2,000,000	\$2,000,000	\$0]
<b>2001-03 FUNDING</b> (Change to Base)	\$0	- \$7,154,000	- \$7,154,000
<i>[Change to Bill]</i>	\$0	\$2,000,000	\$2,000,000]

**B. Thomas T. Melvin Youth Tobacco Prevention and Education**

1. Approve the Governor’s recommendation to increase from \$1.0 million SEG to \$1.5 million SEG in 2001-02 and from \$1.0 million SEG to \$2.0 million SEG in 2002-03, the amount of grant funding the Board is required to provide to support the Thomas T. Melvin youth tobacco and prevention education program. Reduce GPR funding budgeted for the Thomas. T. Melvin program in DHFS by \$500,000 GPR in 2001-02 and \$1.0 million in 2002-03. Funding for tobacco control competitive grants would be reduced by \$500,000 in 2001-02 and \$1,000,000 in 2002-03.

<b>Alternative B1</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	- \$1,500,000
<i>[Change to Bill]</i>	\$0]

2. Increase from \$1,000,000 SEG to \$2,000,000 SEG annually, the amount of grant funding the Board is required to provide to support the Thomas T. Melvin youth tobacco and prevention education program. Reduce GPR funding budgeted in DHFS by \$1,000,000 annually. Funding for tobacco control competitive grants would be reduced by \$1,000,000 annually.

<b>Alternative B2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	- \$2,000,000
<i>[Change to Bill]</i>	- \$500,000]



3. Maintain current law. SEG funding for the Thomas T. Melvin program would remain at \$1,000,000 annually, and GPR funding for the program would remain at \$1,000,000 GPR annually. Funds available for tobacco control board competitive grants would remain at \$18,308,000 annually.

<b>Alternative B3</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$0
<i>[Change to Bill</i>	<i>\$1,500,000]</i>

**C. Annual Report**

1. Beginning in 2002, require the Board to submit its annual report to the Governor and Legislature by April 15, rather than July 1, as provided under current law.

2. Maintain current law. The deadline for the annual report would continue to be July 1.

Prepared by: Carri Jakel  
Attachment

**ATTACHMENT**

**Wisconsin Tobacco Control Board  
Calendar Year 2001 Allocations**

<b>Plan Component</b>	<b>Contractor/Grant Recipient</b>	<b>Project Description</b>	<b>Funding</b>
<b>Media and Countermarketing</b>	<b>BVK/McDonald</b>	<b>Comprehensive statewide media campaign, working in collaboration with other TCB programs, to support tobacco use prevention and cessation and elimination of second-hand smoke.</b>	<b>\$6,500,000</b>
<b>Community Coalitions Total - \$7,000,000</b>			
• Community Coalition Grants	Health and Family Services-- Division of Public Health	To develop community-based programs to reduce tobacco use and change attitudes and norms regarding tobacco. Encourage policies that promote and support tobacco-free lifestyles.	5,000,000
• School Grants	Department of Public Instruction	A competitive grant program to support school programs to prevent tobacco use and addiction.	1,250,000
• Training and Technical Assistance	Health and Family Services-- Division of Public Health	Provide regional training and technical assistance for community coalitions.	750,000
<b>Youth-led Movement</b>	<b>The Nixon Group and Strive Media Institute</b>	<b>Wisconsin Teens Take on Big Tobacco – statewide summit for 300 youth, and youth-led advocacy initiative.</b>	<b>\$800,000</b>
<b>Cessation Support</b>	<b>Center for Tobacco Research and Intervention</b>	<b>To administer the state quit smoking helpline.</b>	<b>\$800,000</b>
<b>Statewide Programs Total - \$1,499,244</b>			
• Ethnic Network and Local Grants to Communities of Color	DPH Minority Health Program, Great Lakes Inter-Tribal Council, Black Health Coalition of WI, WI Mutual Assistance Association, United Migrant Opportunities Service	Wisconsin Ethnic Network Collaborative to implement tobacco control strategies in ethnic communities and monitor the effect of programs and policies on communities of color.	600,000
• Youth Adult Pilot Studies	University of Wisconsin-Oshkosh	Develop campus strategies to promote nonsmoking, cessation and clean indoor air.	181,000
	University of Wisconsin – Madison School of Pharmacy	Pharmacy- and work-site- based smoking cessation programs.	
• Pregnant Smokers Pilot Studies	Wisconsin Women's Health Foundation	To help pregnant women stop smoking through counseling, support groups and educational materials.	244,242
• Youth Cessation Pilot Studies	American Lung Association	"Not On Tobacco" (NOT) program to expand youth cessation programs.	298,918
<b>Resource Clearinghouse</b>	<b>Wisconsin Clearinghouse for Prevention Resources</b>	<b>Provide a centralized source for current and accurate information on tobacco control resources, research and technical assistance.</b>	<b>\$200,000</b>

<b>Plan Component</b>	<b>Contractor/Grant Recipient</b>	<b>Project Description</b>	<b>Funding</b>
<b>Monitoring and Evaluation</b>	<b>University of Wisconsin Comprehensive Cancer Center</b>	<b>Monitor trends in state tobacco use, evaluate state programs and policies, assist local coalitions in program evaluation, and communicate findings to state and local leaders.</b>	<b>\$1,500,000</b>
<b>Statutory Requirement</b>	<b>Medical College of Wisconsin</b>	<b>For education, outreach, cessation and research programs to prevent individuals from smoking and assisting smokers to quit.</b>	<b>\$500,000</b>
<b>Statutory Requirement</b>	<b>UW-Madison Center for Tobacco Research and Intervention</b>	<b>To conduct an annual survey tracking tobacco use in the state, partner with the Women's Health Foundation to reach adolescent girls, provide education and outreach, and administer mini-grants.</b>	<b>\$1,000,000</b>
<b>Statutory Requirement</b>	<b>Health and Family Services-- Division of Public Health - Thomas T. Melvin Program</b>	<b>Mass media, community and school programs aimed preventing tobacco use among children ages 11-14.</b>	<b>\$1,000,000</b>
<b>TOTAL AWARDS</b>			<b>\$20,799,244</b>