Securitization of Tobacco Funds not the Answer

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Now that the election and associated campaign posturing are over, state lawmakers are faced with the immediate and unenviable task of identifying new sources of revenue against the backdrop of Nevada's ever-widening budget shortfall and an economy that's gone from bad to worse.

From Assembly Speaker Barbara Buckley's town hall circuit to Chancellor Jim Rogers' weekly missives on the budget situation and higher education to Governor Gibbons' recent declaration that "everything is on the table," a number of constructive revenue-generating ideas have begun to emerge to address the state's budget crisis.

One spectacularly bad idea gaining traction among state policymakers and the chattering class is the proposed "securitization" of tobacco settlement dollars.

In 1998, the Attorneys General of 46 states, including then-AG Frankie Sue Del Pappa, signed the Master Settlement Agreement (MSA) with the largest tobacco companies, who agreed to make annual payments to states in perpetuity to treat tobacco related diseases.

The original MSA imposed no restrictions on how states spend settlement dollars. Nevada decided that 50% would go to the Fund for a Healthy Nevada to support a wide range of health programs, including tobacco control and treatment activities, and 40% would be dedicated to Millennium Scholarships. The remaining 10% would be allocated to the Trust Fund for Public Health, which has supported health promotion and disease prevention activities, research on issues related to public health, and the delivery of medical care to underserved to children and senior citizens across the state.

A key advocate of securitization is former State Treasurer and current Lieutenant Governor Brian Krolicki. Under securitization plans proposed by Krolicki, the state would sell bonds and pay investors back with interest over a 20 year period. The revenue generated through securitization would then be used to cover current debts and budget shortfalls in lieu of raising taxes or any further spending cuts. The bonds would be repaid from Nevada's annual MSA payments (about $50 million in 2008) through 2025.

Leaving aside the dubious long-term fiscal merits of securitization and the fact that, as recently as 2003, then-Treasurer Krolicki argued that tobacco securitization should not be used to "balance today's budget," there is the disturbing prospect that the tantalizing lump sum of revenue generated through securitization would be used by lawmakers to fill current budget holes at the expense of programs and purposes to which those dollars were originally intended.

In previous columns, I have lamented the sorry state of public funding in Nevada for tobacco control and prevention. We currently spend less than 15% of the minimum amount recommended by the Centers for Disease Control to implement an effective, comprehensive tobacco prevention program in the state, despite the fact that our recent progress in reducing smoking among both youths and adults has stalled.

Presently, over one in five adult Nevadans smoke and we annually incur an estimated $565 million in tobacco-related health care costs.

I have also taken issue with lawmaker's recent evisceration of the Trust Fund for Public Health. In the past year, over $40 million were reverted from the trust to the state's general fund, including the Trust Fund's entire accumulated principal and all estimated receipts for the current fiscal year. Projects supported by the Trust Fund constitute vital efforts to reverse our state's perennially poor ranking among US states on numerous population health indicators and to address the ongoing toll of tobacco on the state's health and pocket books.

Again, for all intents and purposes the Trust Fund for Public Health no longer exists.

Tobacco control efforts and other public health activities in Nevada supported by MSA dollars for the past decade represent our state's attempt to honor the spirit and aim of the original agreement to offset past tobacco-related public health and health care costs.

These efforts would be jeopardized by the securitization of tobacco dollars, since future lawmakers would be under no obligation to restore funding or replace revenue streams for programs that never enjoyed strong support in the first place.

There are many ideas and proposals that deserve an honest hearing if the state is to reconcile current and projected budget deficits. Given the numerous fiscal hits taken by public health over the past year and the state's historic underinvestment in public health services, the proposed securitization of future tobacco settlement payments is not one of them.

For the sake of the public's health in Nevada, enough is enough.

John Packham, PhD is Director of Health Policy Research at the University of Nevada School of Medicine. He currently serves as the President of the Nevada Public Health Association.