



## **States' efforts to maintain Big Tobacco's market share pure hypocrisy...**

The Council of State Governments (CSG) Trends Alert publication reports a shift in tobacco consumption away from MSA participating manufacturers, inadequate enforcement of the MSA, and an increase in tobacco manufacturing and consumption "under the radar" threaten an important revenue stream.

### **THE TOBACCO SETTLEMENT**

Current trends indicate **states will experience a \$14 billion decrease in projected tobacco settlement revenue over the next nine years.** To date, states have collected \$1.6 billion less than projections made in the Master Settlement Agreement (MSA). Losses are attributed to two main factors: **decline in consumption of cigarettes and a decrease in market share by the four largest cigarette manufacturers.**

### **THE CAUSES**

The two main reasons for this loss in revenue are decreasing numbers of smokers and a shift in market share among cigarette manufacturers resulting in a **loss in market share by certain cigarette companies.** Manufacturers that did not sign the MSA, **known as Non-Participating Manufacturers (NPMs), have gained an estimated 0.8 percent in market share each year since the MSA has been in effect.** This includes most Tribal tobacco manufacturers.

Payments mandated by the MSA resulted in participating MSA manufacturers raising prices for a pack of cigarettes while, **NPMs have kept prices at or near pre-MSA levels, creating a price spread of as much as \$17 per carton between NPM brands and participating MSA premium brands.** This is one of the reasons for the increased sales of NPMs like Tribal tobacco manufacturers.

### **AN ACT OF PURE HYPOCRISY**

The supposed primary purposes for MSA funding to the states involved Medicaid services for smoking-related illnesses, and educational programs to reduce underage smoking. Inevitably the temptation to **treat MSA revenues as a "cookie jar" to be tapped for budget shortfalls** was irresistible. Since 2002 the **number of states using tobacco revenue to support general state government funding has doubled to 36** of the 46 states that signed the MSA.

Reduced MSA funding to the states due to the shifting of market share from Big Tobacco companies to lower priced Tribal tobacco products has led to the **states going to work for the major cigarette manufacturers** to ensure that they maintain their market share, and preserve their state MSA payments. The states' tactic has been to use the MSA to **keep Big Tobacco in business, while working to eliminate Tribal tobacco operations,** whose **sovereign immunity is a threat to the profitable business partnership between the states and Big Tobacco.**

For additional information on the "Trends Alert: Tobacco Settlement And Declining State Revenues" publication from the Council of State Governments [click here](#).

