



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name:
Department No.: 041
For Agenda Of: 1/9/2007
Placement: Administrative
Estimate Time: 20 minutes on 1/23/07
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s) Elliot Schulman, MD, MPH, Director and Health Officer
Public Health Department
Contact Info: Michele Mickiewicz, MPH, Deputy Director of Administration
Public Health Department
SUBJECT: Tobacco Settlement Advisory Committee (TSAC) Funding Recommendations for FY 2007-08 for consideration during budget deliberations

County Counsel Concurrence:

As to form: Yes No N/A

Auditor-Controller Concurrence:

As to form: Yes No N/A

Other Concurrence: N/A

As to form: Yes No N/A

Recommended Action(s):

That the Board of Supervisors:

Set a hearing on January 23, 2007 to consider recommendations regarding Tobacco Settlement Advisory Committee (TSAC) Funding for FY 2007-2008.

- A. Conceptually approve the recommendations from TSAC for allocation of the FY 2007-08 tobacco settlement revenues (estimated at \$3,793,248) and a loan from the endowment in the amount of \$908,199 for a total of \$4,701,447 as indicated in the summary section below. Final approval of tobacco settlement funding recommendations and use of endowment funding will be made by the Board during the budget hearings for FY 2007-08.
- B. Receive a recommendation to decrease funding proportionately for allocations recommended in Section A in the event that the tobacco settlement funding received for FY 2007-08 is less than \$3,793,248.
- C. Receive a recommendation to allocate into the tobacco settlement endowment any funding received above projected amounts or any unexpended funding.

Tobacco Settlement Advisory Committee (TSAC) Funding Recommendations for FY 2007-08 for consideration during budget deliberations

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Summary:

Santa Barbara County and other parties to the master settlement agreement received less tobacco settlement funding than the Attorney General's projections for 2006-07 due to litigation that was initiated by the tobacco industry against the Attorney General's Office. The lawsuit contends that the Attorney General's Office has not ensured that new tobacco companies are in compliance with the terms of the Master Settlement Agreement and that as a result, the parties to the original settlement agreement have suffered a decrease in market share.

The litigation may take a few years to resolve. In the meantime, lawsuits are expected to be filed annually that will divert funds each year to a "disputed payments" account. The Attorney General withheld approximately 12% (\$416,346) into the "disputed payments" account for Santa Barbara County in FY 2006-07. At the November 14, 2006 meeting, the Board approved allocating interest from the endowment along with unexpended funding from prior year allocations to make up this shortfall.

It is unknown how much of the \$4.45 million Santa Barbara County is projected to receive for 2007-08 will be held back in the disputed payments account. TSAC made its funding recommendations for FY 2007-08 conservatively assuming an 18% withhold which, if accurate, would result in \$800,125 less in tobacco settlement funding for Santa Barbara County.

It is not certain whether or when the funding that was withheld in the disputed payments account for both FY 2006-07 and 2007-08 will be returned to Santa Barbara County pending the outcome of the legal action described above. In the meantime, TSAC is recommending a loan from the tobacco settlement endowment be made to make up for the funding withheld. Any funding recovered when the legal action described above is resolved, would be returned to the endowment in repayment of the loan.

FY 07-08 Final Allocation Recommendations

1. Public Health Department - Medically Indigent Adult Services	\$100,000
2. Public Health Department - Specialty Care	75,000
3. Community Specialists - Primary & Specialty Care	900,000
4. Local Hospitals - Hospital & Emergency Room Care	908,214
5. Emergency Room Physician Groups - Emergency Physician Care	216,008
6. Public Health Department - Unfunded Clinic Operations	628,680
7. Public Health Department - Dental Care – Child Health & Disability Prevention (CHDP)	50,000
8. Santa Barbara Regional Health Authority - Healthy Kids	200,000
9. Local Dental Providers - Dental Care Services	100,000
10. Family Service Agency - 211 After Hours Web-based Access-Helpline	95,000
11. Council on Alcoholism & Drug Abuse - Detox Program	80,000
12. ADMHS – Psychiatric Crisis & Recovery Services (Project CARES)	400,000
13. Santa Barbara Neighborhood Clinics - Hepatitis C & Outreach Programs	100,000
14. Public Health Department - Tobacco Settlement Prevention Program	668,545
15. <u>TSAC Administration Overhead and Evaluation (4%)</u>	<u>180,000</u>

Allocation Total **4,701,447**

FY 07-08 Funding

Total Projected Amount Available for FY 07-08	3,793,248
<u>Loan from Endowment</u>	<u>908,199</u>

Funding Total **4,701,447**

Background:

Each year in December or January, the Tobacco Settlement Advisory Committee (TSAC) seeks preliminary approval by the Board of its allocation recommendations for Tobacco Settlement Funding. Final approval occurs during budget hearings in June.

Tobacco settlement funding is received by Santa Barbara County as a result of litigation against the tobacco industry to recover the costs of treating tobacco-related illness. These funds were directed by the Board to be used for county health needs and programs. In addition, the Board directed an endowment be created and that 20% of tobacco settlement revenues be placed into the endowment for 12 years with the principal and interest not used during this 12 year period; however since 2003-04, TSAC made recommendations which were subsequently approved by the Board to allocate 100% of tobacco settlement funding to meet health needs in Santa Barbara County. If the Board approves the loan from the endowment, the endowment balance is estimated to be \$4,682,758 on June 30, 2007.

There are no mandates regarding the allocation and use of tobacco settlement funds. TSAC allocations are used to enhance access to care and support the safety net of services that the County is mandated to provide for the uninsured or under-insured.

Performance Measures:

Performance measures related to the Tobacco Settlement Funds can be reviewed at page D-173 of the FY 2006-07 Santa Barbara County Operating Plan.

Fiscal and Facilities Impacts:

Budgeted: Yes No

Fiscal Analysis:

<u>Funding Sources</u>	<u>FY 2007-08 Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund	\$ -	\$ -	\$ -
State	-	-	-
Federal	-	-	-
Fees	-	-	-
Other:	-	-	-
Tobacco Settlement Fund	3,793,248	-	3,793,248
TSAC Endowment	908,199	-	908,199
Total	\$ 4,701,447	-	\$ 4,701,447

Approval of this action will not increase the Public Health Department's use of General Fund or Special Revenue Fund resources. In addition, the direct and indirect costs for the administration of the Tobacco Settlement Funds, particularly the utilization management cost of reviewing and paying eligible hospital and physician claims, are estimated at \$180,000 (including estimated county A87 costs of \$13,798) for FY 2007-08. These costs will be fully funded through Tobacco Settlement funds.

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As mentioned in the Executive Summary, should the amounts made available for the proposed FY 2007-08 TSAC allocations fall below \$3,793,248 the funding recommendations listed in item A will be decreased proportionately. Should the amounts made available be more than \$3,793,248 the funds will be allocated into the tobacco settlement endowment.

Staffing Impact(s):

Legal Positions:

None

FTEs:

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Special Instructions:

Please return a copy of the minute order to PHD Contracts Unit, 300 North San Antonio Road, Building 8, Santa Barbara, CA 93110 **Attn: Margaret Granger (805) 681 5367**

_____ **Authored by:**

Michele Mickiewicz, MPH, Deputy Director of Administration, Public Health Department **681-5446**