



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: Public Health
Department No.: 041
For Agenda Of: 10/17/2006
Placement: Administrative
Estimate Time: 30 minutes on 11/14/06
Continued Item: YES
If Yes, date from: 9/12/06
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s) Elliot Schulman, MD, MPH
Contact Info: 681-5105
SUBJECT: Report on Tobacco Settlement funding & revised TSAC funding recommendations for FY 2006-07

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):

Set hearing on November 14, 2006 for 30 minutes to consider recommendations pertaining to the Tobacco Settlement funding:

- A. Accept and a file a report on the Tobacco Settlement Funding
- B. Approve the revised funding allocations recommended by the Tobacco Settlement Advisory Committee (TSAC) for allocation of the FY 2006-07 tobacco settlement revenues.

Summary:

Allocation recommendations for tobacco settlement funding for 06-07 were received by the Board of Supervisors on February 7, 2006 and the final 06-07 tobacco settlement funding allocations were adopted by the Board during budget hearings on June 16, 2006.

Since adoption of the budget, the County was informed by the State Attorney General's Office that tobacco settlement funding would be \$416,346 less than projected. Per the Board's direction, this would result in a proportional decrease to each allocation to make up the shortfall.

The Tobacco Settlement Advisory Committee in its August 10, 2006 meeting, voted to bring forward an alternate solution to the Board that would involve utilizing unexpended FY 2005-06 funds (\$155,609) and FY 2006-07 Endowment interest (projected \$223,420) to reduce the shortfall from \$416,346 to \$37,317. The chart below illustrates the revised allocations for the funded agencies that TSAC has recommended if the Board approves redirecting this funding.

Report on Tobacco Settlement funding & revised TSAC funding recommendations for FY 2006-07

10/17/2006 Hearing Date

Page 2 of 4

Description	Original Board approved allocation	Reduced allocations due to \$416,346 funding shortfall	Allocations if Board approves redirected funding
Family Service Agency - 211 After-Hours Web-Based Access	94,845	86,136	94,064
Hospital/Emergency Room Care	915,750	831,667	908,214
Emergency Room Physician Care	217,800	197,802	216,008
Primary & Specialty Care	841,500	764,235	834,575
SB Regional Health Authority Foundation – Healthy KIDS	198,000	179,820	196,371
PHD –Child Health & Disability Prevention Dental Care	34,650	31,468	34,365
PHD – Medically Indigent Adult (MIA) Services	74,250	67,432	73,639
PHD – Specialty Clinic Care	59,400	53,946	58,911
PHD – Nursing Inequity Salary Adjustments	495,000	449,550	490,926
PHD – Staffing Infrastructure	138,897	126,144	137,754
PHD - Tobacco Prevention Settlement Program	684,090	621,278	678,460
Santa Barbara-Ventura Counties Dental Care Foundation	25,527	23,183	25,317
ADMHS – Psychiatric Crisis and Recovery Services	314,200	285,351	311,614
ADMHS – Psychiatric Nursing Inequity Salary Adjustments	128,700	116,883	127,641
Council on Alcohol and Drug Abuse – Detox Treatment	74,250	67,432	73,639
SB Neighborhood Clinics – Outreach and Hepatitis C	99,000	89,910	98,185
TSAC Administration Overhead and Evaluation	138,600	125,874	137,459
Grand Total	\$4,534,459	4,118,111	\$4,497,142

Background:

The Board voted to continue this item from the September 12, 2006 administrative agenda and requested that staff return with a more in-depth report on the tobacco settlement program.

Tobacco settlement funding is received by Santa Barbara County as a result of litigation against the tobacco industry to recover the costs of 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.

The funding shortfall is related to litigation that has been 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 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 has held approximately 12% in the “disputed payments” account (for FY 2006-07) withholding these funds from the counties and resulting in a shortfall to each county. Santa Barbara County’s share of the shortfall is \$416,346.

Performance Measures:

Detailed performance measures for programs and services funded through tobacco settlement funding can be found in Attachment B.

Fiscal and Facilities Impacts:

Budgeted: Yes No

Report on Tobacco Settlement funding & revised TSAC funding recommendations for FY 2006-07

10/17/2006 Hearing Date

Page 3 of 4

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
FY 06-07 TSAC funds	\$ 4,118,111		
FY 05-06 unused TSAC funds	\$ 155,609		
FY 06-07 projected TSAC			
Endowment Interest	\$ 223,420		
Other:			
Total	\$ 4,497,142	\$ -	\$ -

- A) There is no fiscal impact associated with the acceptance of this report.
- B) Approval of this recommendation will not increase the Public Health Department’s use of General Fund or Special Revenue Fund resources. As was discussed in the Executive Summary section, the TSAC is proposing to use the unused funds from FY 05-06 TSAC allocations and the projected interest earned on the TSAC Endowment Account to offset as much of the unanticipated funding shortfall as possible. Based on the current projections of Endowment interest, this could leave a minimal shortfall, estimated at \$37,317 (representing a 0.008% reduction in funding), for the FY 06-07 TSAC allocations. If the interest earned is higher, the shortfall could be less or even fully cured. In the event that the interest earned is less than anticipated, the FY 06-07 TSAC allocations will be reduced proportionally.

Should your Board not accept this recommendation, prior Board action directed that any prior year unused TSAC allocations be redirected to the Public Health and Alcohol, Drug, and Mental Health Departments in the percentage of 60%/40% to be used for infrastructure needs. Should your Board wish a different outcome for the \$155,609 of unused FY 05-06 TSAC, additional action should be taken.

There are no facilities impacts to this action.

Staffing Impact(s):

Legal Positions:

N/A

FTEs:

N/A

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**

Attachments:

Attachment A: TSAC Funding Analysis

Attachment B: Progress Report on TSAC-Funded Programs 2000-2006

Report on Tobacco Settlement funding & revised TSAC funding recommendations for FY 2006-07

10/17/2006 Hearing Date

Page 4 of 4

Authored by:

Michele Mickiewicz, Deputy Director
Public Health Department
681-5446

CC:

Tobacco Settlement Advisory Committee