

SQ 814: DECREASE TOBACCO SETTLEMENT ENDOWMENT TRUST FUND PAYMENTS AND FUND MEDICAID PROGRAM AMENDMENT

THE GIST

State Question 814 would amend the Oklahoma Constitution to change the way Oklahoma's tobacco settlement money is distributed.

Every year, Oklahoma receives a payout from the 1998 tobacco lawsuit settlement. Seventy-five percent of the funds are placed in the Tobacco Settlement Endowment Trust (TSET), and the other 25 percent is split between the Legislature and the Attorney General.

SQ 814 would switch the percentages, with 75 percent going to the Legislature and 25 percent going into the endowment fund. It would also mandate that the funds directed to the Legislature be used to help fund the state's Medicaid program. Funds going to the Attorney General would continue to come out of the Legislative portion.

State Question 814

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BACKGROUND INFORMATION

In 1998, Oklahoma and 45 other states were part of a lawsuit that ended with tobacco companies agreeing to make annual payments to states as long as tobacco is sold nationally. Voters in 2000 decided to constitutionally mandate that most of the annual payments go into a trust fund, and Oklahoma is the only state to handle the funds this way.

These annual payments are tens of millions of dollars, and the 75 percent that goes to TSET is invested. The interest is used to fund research and healthy living grants, tobacco cessation initiatives, and rural physician programs. Through these efforts, TSET says it has saved 42,000 lives and \$1.24 billion in health spending. The other 25 percent from the annual payment goes to the Legislature for appropriation and the Attorney General for enforcement of the settlement. If the measure passes and the percentages are switched, legislation passed in 2020 would ensure that the Attorney General receives roughly the same amount moving forward.

Medicaid expansion is projected to cost the state between \$123 and \$164 million annually. The Legislature is constitutionally mandated to find a way to fund the expansion.

In 2020, the Legislature voted to put SQ 814 to a vote of the people.

...OVER

SUPPORTERS SAY...



This change could generate close to \$50 million annually, which could help fund Medicaid expansion without raising revenues.



The endowment fund currently has over \$1 billion dollars, so TSET should be able to continue funding research, prevention, and health initiatives in Oklahoma even if this change is implemented.



Using the settlement payments to help fund health care in Oklahoma could help keep the state from having to cut existing patient services or reduce the amount paid to health care providers.

OPPONENTS SAY...



TSET is funding important health initiatives, and over time, this ability will diminish, as a smaller deposit to the trust fund will mean lower interest earnings in the future. Voter approval of Medicaid expansion shouldn't mean another public health measure loses funding, especially when strong health infrastructure is more important than ever.



The language does not specify that the funds must be used for Medicaid expansion, leading to concerns that the funds could be used to replace existing Medicaid funding and leave the state without a way to fund expansion.



There are other ways to fund expansion without a tax increase, including reductions in tax incentives, an increase on hospital fees, and retaining a fee on insurance plans.

BALLOT LANGUAGE



This measure amends Section 40 of Article 10 of the Oklahoma Constitution. It modifies the amount of the annual tobacco settlement payments to the state to be deposited into the Tobacco Settlement Endowment Trust Fund. It modifies the amount of the annual tobacco settlement payments to the state to be deposited into the Tobacco Settlement Fund for appropriation by the Oklahoma Legislature. It specifies that deposits into the Tobacco Settlement Fund shall be appropriated and expended to draw down federal matching funds for the Medicaid program.

