

**GOT MONEY TO BURN?**  
**THE TOBACCO SETTLEMENT ADVISORY COMMITTEE**  
**AND SANTA BARBARA COUNTY'S**  
**HEALTH CARE COMMUNITY**

**Introduction**

For the last five years, a little known committee has recommended how to award approximately \$4 million annually to health care agencies in Santa Barbara County. This committee, the Tobacco Settlement Advisory Committee, meets in the fall to discuss how to best disburse funds resulting from the state's participation in the 1998 lawsuit against the tobacco industry. The Tobacco Settlement Advisory Committee may act with apparent largesse, but there really isn't money to burn.<sup>1</sup>

Santa Barbara County made the decision to use funds received from the lawsuit to address all health-related concerns. In so doing, the Santa Barbara County Public Health Department created a unique alliance with the private medical community. The "private-public partnership" between community hospitals, private doctors and the County Public Health Department is essential. These funds play a small but critical role in forestalling a health care crisis in the county.

**Background**

In November 1998 the United States Attorney General signed the Master Settlement Agreement (MSA) to resolve all outstanding lawsuits against the tobacco industry. The MSA included 46 states and five U.S. territories. Santa Barbara County elected to join the lawsuit in 1999. The intent of the lawsuit was to attempt to recover the costs of treatment of tobacco-related illnesses. From this lawsuit, Santa Barbara County is projected to receive about \$4 million a year through 2025. Contrary to the settlement's stipulation that the money go into local government general funds, the Santa Barbara Board of Supervisors voted to use the settlement funds for tobacco prevention and other health-related programs. *Santa Barbara is one of only three counties in California that did not place the tobacco settlement funds into their general fund for budget shortfalls in other programs.* (See Appendix A.) The Board also stipulated that 20% of monies received would go into an endowment fund for future health-related programs.

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<sup>1</sup> As part of a television campaign targeting smoking prevention among youth in Santa Barbara County, an ad asked, "Got Money to Burn?" The ad spoke of all the things young people could buy with the money not spent on cigarettes. The ad was paid for by the Tobacco Prevention, Treatment and Education program, which is funded by the Tobacco Settlement Advisory Committee.

Tobacco settlement funds should not be confused with taxes levied on the sales of cigarettes. Santa Barbara County's portion of the state tax on cigarettes and other tobacco products, resulting from Proposition 10, is used solely to fund the Santa Barbara County First 5 Children and Families Commission. This state tax money must be spent on programs for children under the age of 5 and their families. Because First 5 and the Tobacco Settlement Advisory Committee share so many common concerns, the same county supervisor is a member of both organizations.

The Board of Supervisors (BOS) created the Tobacco Settlement Advisory Committee (TSAC) so that they would make recommendations to the Board on how local tobacco settlement funds should be spent. The nine-member committee meets in October and November each year to review applications for funds and submit their recommendations to the BOS. The BOS makes the final decision on allocation of funds. The agencies funded in past fiscal years, with their amounts, and TSAC's recommendations for the upcoming year can be seen in Appendix B. The public can review TSAC's organization and history of funding on its website ([www.sbcphd.org/TSAC/default.html](http://www.sbcphd.org/TSAC/default.html)).

### **Investigation**

Members of the Grand Jury studied relevant documents, attended the TSAC meetings, and interviewed public health directors, program administrators and public officials.

### **Smoking Prevention and Education**

Up to this year, the largest single recipient of funds from TSAC has been the Tobacco Prevention Settlement Program (TPSP). It receives over \$800,000 a year to fund its direct anti-smoking efforts. TPSP, administered by the Santa Barbara County Public Health Department, was originally a grassroots community coalition before the lawsuit. It is now a fully-funded program under TSAC. Since TSAC's health care funding does not target only tobacco-related illnesses, prevention and education take on an important role.

The Settlement Program continues to encourage the BOS to honor the original intent of the lawsuit - decrease healthcare costs by actively discouraging smoking. It does so by promoting smoking prevention and cessation, advocating smoking restrictions, reaching youth through an anti-smoking media campaign, and offering nicotine replacement therapy. For example, this funding has helped to create and maintain successful programs at the Santa Barbara Neighborhood Clinics, Isla Vista Parks and Recreation, Sansum Clinics and Santa Barbara City College. In addition, the settlement program has worked with the District Attorney and County Counsel to implement local tobacco retail licensing laws. Crackdowns on stores selling cigarettes to minors were initiated in the City of Santa Barbara. This enforcement program is unique in California.

All applicants for tobacco settlement funds must present a needs paper to detail how funds will be used and what their programs have accomplished. In allocating funds, one of the prime criteria is based on the reduction of the use of tobacco and related illnesses. As a result of the strong emphasis on tobacco prevention efforts within TSAC,

some applicants now also include smoking surveys or cessation efforts as part of their services.

### Smoke Rings

Although available to anyone in the county, only a small segment of the health care community has applied for the use of tobacco settlement funds. This can be seen in the list of the same 9-12 recipients in the first years. However, it is worthy to note that the circle of grantees has grown larger in the last year.

More agencies are applying for TSAC funding and bringing with them new services that can benefit residents of Santa Barbara County. These new services for 2005-2006 include:

- A detox center in the City of Santa Barbara, proposed by the Council on Alcohol and Drug Abuse (CADA)
- An emergency bed facility for the mentally ill in North County (Project CARES)
- Health insurance to all low-income children in the County (Healthy Kids)
- A 24-hour emergency hotline and web access for people in distress (2-1-1)

In-Home Support Services was added as a TSAC recipient in 2004. This program provides personal care assistance to the blind, disabled and aged so that they can remain in their own homes.

This expansion in funded programs is a positive step, as the application process may appear to solicit only a small group of informed agencies. The process is not as open or widely advertised in the health care community at large as it could be. About half of the applicants for funds are represented on TSAC in some form of association. There is less interaction with agencies that have no such inside track. Moreover, the hearings do not attract members of the public. The public comment period at the hearings, it was observed, is no more than an occasion for applicants to promote their cause. The quick turnaround time – three to four weeks between the call for applications and the deadline – also favors more of an in-house process. The limited nature of the application process leaves out agencies that could benefit from first-time tobacco settlement funds.

Another feature of the close-knit health care community represented on TSAC became evident this past autumn. All but three committee members had some conflict of interest and were precluded from discussing or voting on some applications for funding. While most committee members had been on the committee since its inception, the conflict of interest was enforced for the first time this year. This large proportion of precluded votes reflected the small circle of committee members and agencies.

**Finding 1:** The Tobacco Settlement Advisory Committee receives applications from a small field of applicants.

**Recommendation 1:** The Tobacco Settlement Advisory Committee should encourage new applications with the goals of broadening the pool of applicants and making sure the process does not favor a small field of agencies.

**Finding 2:** The composition of the committee has remained basically the same since its creation. When committee members and grant applicants are from the same agencies, conflict of interest is inevitable.

**Recommendation 2:** The Board of Supervisors should consider term limits for membership on the Tobacco Settlement Advisory Committee and should select persons from other sectors of the health care community. The Board should also add North and South County representatives from the general public.

### **Primary Care Filters**

About half of the \$4 million for TSAC funding goes to area physicians and hospitals. The money does not go to members of the public who need care, but to those who provide the care. When Santa Barbara County closed its county hospital, the responsibility for treating all members of the public – whether insured or not, whether able to pay or not – fell on the community hospitals. Local doctors and hospitals are in constant deficit when such costs are not met. Should hospitals and doctors' offices close because of people without insurance or people who cannot pay, a sizable segment of Santa Barbara County would not have access to medical care. It is estimated that 20% of adults and 16% of youth in the county – roughly one in five - do not have medical insurance. Santa Barbara County has the highest rate of uninsured children in the state. To keep doctors and hospital emergency rooms solvent and open to treating all members of the public, the Public Health Department works to keep them viable, in part through TSAC funds. Thus Santa Barbara County's Public Health Department is in the unique position of supporting private physicians. As one representative of the hospitals stated at the TSAC public hearing, "The provision of healthcare for our communities is based on the relationship and goodwill of the public-private partnership. Your support is essential."

While emergency rooms, hospitals and Medi-Cal doctors in California have operated in the red for many years now, representatives from the local medical community say that the situation in Santa Barbara is acute. The medical workforce here is aging, and new MD graduates are rejecting practice in Santa Barbara because of high housing costs. This adds to the costs of recruitment. As local doctors receive less reimbursement from Medicare and Medi-Cal, stated as one of the lowest rates in the state, their incomes are declining. The risk of losing those doctors who serve patients who are indigent or unable to pay is all too real for the Public Health Department. The Public Health Department strives to maintain support of local hospitals and doctors who are a critical element of the local safety net. With its additional reimbursements, TSAC funds rescue those who rescue others. Such funding signals the precarious state of health care in our nation, our state, and especially our county.

### **Packing a Punch**

Use of TSAC funding is the only area of county financing that is not audited. The TSAC committee to date has not faced any outside criticism, although one County Supervisor recently asked for more performance indicators. So far there has been no cause to doubt the proper use of TSAC funds.

TSAC created five performance measures for recipients of tobacco settlement funds. (See Appendix C.) Agencies generally report on these measures, as well as those tailored to their program, in quarterly reports. A program summary in the form of a spreadsheet is submitted to committee members annually. It is in essence their performance review. These spreadsheets were not commented on during the TSAC meetings, where emphasis was on future spending, not past accountability. In fact, deliberations as to how to allocate the \$4 million take only a few hours every year. However, one committee member proposed meeting mid-year in order to provide more oversight of the programs funded.

Of potential concern is the self-perpetuating nature of TSAC funding. It is noted in the continued support of the same agencies or health care providers, and it can also be seen in the amounts funded in spite of other funding available. For example, the recently approved Proposition 63 (a 1% surcharge on personal incomes over \$1 million) provides millions of dollars in funding for mental health services, beginning in the fiscal year 2004-2005. Also, funds will be available to local hospitals, surgeons and physicians through the recently voted SB 635, known as the Maddy Fund (a \$5 penalty for every \$10 violation of the Vehicle Code and a \$2.50 added penalty for every parking offense, with the city of Santa Barbara adding another \$2.50). The Maddy Fund will distribute just over \$1 million to hospitals and physicians for non-reimbursed expenses over the next two years. TSAC funding should be supplemental to funds from Proposition 63, the Maddy Fund and any others available.

An additional mid-year meeting could review other outside funding or possible matching funds as well as program accountability. A public health care director even challenged the committee to find ways to assist emergency rooms in local hospitals other than just bailing them out financially from year to year. The fact that the TSAC committee decided to fund doctors, clinics and programs at the same levels as before demonstrates its judgment that the health care community in Santa Barbara County is in a dire financial situation.

**Finding 3:** There are general performance measures for agencies receiving funds. However, the Tobacco Settlement Advisory Committee only briefly reviews them in the two meetings in the fall of the year.

**Recommendation 3:** The Tobacco Settlement Advisory Committee should hold a mid-year meeting to review program accountability. Performance measures should be followed to insure that tobacco settlement money is going to those agencies that are most effective.

**Finding 4:** Funding from other sources is often available to those receiving Tobacco Settlement Advisory Committee funding.

**Recommendation 4:** Tobacco settlement money should supplement, not substitute for, other funding. Agencies should demonstrate an effort to obtain other funding during the application process.

## Butting up against Resistance

Tobacco settlement funds will no longer be available after 2025. Funding recipients will need to confront the problem of sustained income on a level other than through TSAC. In 1998 the Santa Barbara County Board of Supervisors voted to keep 20% of the yearly tobacco settlement funds and place it into an endowment fund to be available for future health-related programs. Once the 20%, between \$800,000 and \$1,000,000, is added to the endowment fund, it cannot be touched. Last year, the BOS diverted \$800,000 earmarked for the endowment in order to use the money for other budgetary purposes, leaving only \$50,426 for the endowment. Repayment is scheduled for August 2006. Though called "borrowing," such action undermines the commitment of the BOS to future health care programs.

This past year a member of the TSAC committee made a pre-emptive motion that all tobacco funds be disbursed to health care concerns and none moved into the endowment. The proposal to not set aside 20% for the endowment fund was said to be "defensible," as a result of the pressing needs in the health care community. The motion appears more defensive in nature: to allocate all the tobacco settlement funds so that the BOS could not again borrow money to settle any imbalance in the County's general fund. The other members of the TSAC committee agreed, and in so challenging the BOS and County Administrator, they are effectively saying that tobacco settlement funds will not be a band-aid for the county budget. TSAC reconfirmed their dedication to health care concerns and in doing so, reminded the BOS of their higher purpose.

Yet in disbursing all the funds, TSAC and the BOS have ceased contributing to the endowment fund. The fund will not grow as originally planned. The Board needs to reevaluate how money is allocated to the endowment fund and how to keep the fund viable as a source for future funding of critical health care programs.

**Finding 5:** Last year the Board of Supervisors borrowed \$800,000 of the endowment portion of the settlement and placed it in the County General Fund.

**Recommendation 5:** The Board of Supervisors should return this money to the endowment fund in August 2006 as promised.

**Finding 6:** The Tobacco Settlement Advisory Committee has recommended not funding the endowment fund this year. The endowment fund is not being supported as originally intended.

**Recommendation 6:** The Board of Supervisors should maintain the 20% level of funding to the endowment fund, as agreed to in 1998-1999.

### Conclusion

The Tobacco Settlement has provided a small pot of gold for some health care agencies in Santa Barbara County. Santa Barbara County Supervisors are to be commended for honoring their original commitment to health-related programs. The Grand Jury is favorably impressed with the way Santa Barbara County implements the Tobacco Settlement Program. It is also pleased to note that there is no cause to doubt the proper use of funds by the receiving agencies and organizations. Yet the Tobacco Settlement Advisory Committee could play an even more active role in the oversight of the funded health care programs. It could also work to inform the larger health care community of its funding. Greater outreach to North County and additional non-profits could expand the benefits of TSAC funding. Of course, the Tobacco Settlement Advisory Committee and the Board of Supervisors do not want to give the impression that all local health care agencies can have money to burn. Another smoking prevention ad said, "Everything has a price." The price of health care is escalating. The tobacco settlement funds can help pay the price of health care only if our elected officials remain dedicated to this purpose.

### Affected Agencies

#### Tobacco Settlement Advisory Committee

Findings 1, 2, 3, 4, 6

Recommendations 1, 2, 3, 4, 6

#### **Santa Barbara County Board of Supervisors**

Findings 2, 5, 6

Recommendations 2, 5, 6

## Appendix A

### Funding Philosophy and Criteria

The TSAC Funding Philosophy and Criteria were adopted unanimously by the Tobacco Settlement Advisory Committee on May 22, 2000 as a preamble to the TSAC recommendations.

1. Address the highest priority health needs – uninsured, underinsured, and access to care.
2. Environmental needs and capital needs should receive one-time funding with the possibility for some health care programs to receive multi-year funding.
3. Strong emphasis on prevention, especially anti-tobacco efforts.
4. Address needs of special populations.
5. Geographic distribution.
6. Ability to leverage other funds.
7. Ability to achieve desired results.
8. Consider programs that have few or no other funding resources.
9. Develop tracking and evaluation system.

**Appendix B**  
**TSAC Funding Allocations by Category**

<b>Description</b>	<b>2000-2001 Allocation</b>	<b>2001-2002 Allocation</b>	<b>2002-2003 Allocation</b>	<b>2003-2004 Allocation</b>	<b>2004-2005 Allocation</b>	<b>2005-2006 Requested Allocation</b>
Alcohol, Drug & Mental Health: Programs	\$170,000	\$170,000	\$150,000	\$145,795	\$80,000	\$80,000
Infrastructure	\$626,362	\$140,203	\$315,470	\$21,412	\$291,592	
Multi-Agency Integrated System of Care	\$500,000	\$500,000	\$500,000	\$437,386	\$280,000	\$100,000
Adult & Aging Network	\$100,000	\$100,000	\$50,000	\$48,598	\$40,000	\$75,000
Air Pollution Control District	\$85,000	\$85,000	\$85,000	\$82,617	\$30,000	\$0
Dental Care	\$100,000	\$100,000	\$100,000	\$97,197	\$100,000	\$100,000
Hospital/ Emergency Rooms	\$500,000	\$500,000	\$500,000	\$777,575	\$730,000	\$950,00
Emergency Room Care			\$100,000	\$194,394	\$180,000	\$220,000
Primary & Specialty Care/ Testing	\$500,000	\$500,000	\$650,000	\$777,575 \$150,000	\$730,000	\$850,000
Project Clean Water	\$600,000	\$600,000	\$259,000	\$50,542	\$37,000	\$37,000
Tobacco Prevention & Education	\$815,000	\$815,000	\$806,000	\$783,407	\$811,000	\$811,000
SB Neighbor- Hood Clinics			\$100,000	\$97,196	\$95,000	\$100,000
In-Home Support				Allocation Not spent	\$194,394	\$200,000
Project CARES Emerg. beds					\$150,000	\$317,374
CADA Detox Center					\$40,000	\$75,000
2-1-1 Hotline					\$40,000	\$92,675
Healthy Kids Insurance					\$39,766	\$200,000
TB Isolation Facility						\$50,000
<b>Endowment</b>	\$856,440	\$947,567	\$1,006,062	<b>\$50,426</b>	<b>\$0</b>	<b>\$0</b>
<b>Loan to County</b>				\$800,000		

## Appendix C

### Tobacco Funds Allocation Criteria and Procedures

#### ***Health Related Needs and Programs***

The Board of Supervisors unanimously decided on 11/2/99 that the tobacco settlement funds shall be spent on County health needs and programs. The following criteria for health needs and programs were approved by the Santa Barbara County Board of Supervisors on 1/25/00 for the use of the tobacco settlement funds.

#### ***Funding Priorities***

The Board directed that the portion of the tobacco settlement funding that is not placed in an endowment shall be used to fund current health care funding shortfalls and top priority health problems facing county citizens as follows:

#### **Preventive Services**

Includes primary, secondary, and tertiary prevention measures for heart disease, cancer, stroke, prenatal complications, immunization, chlamydia, diabetes, hepatitis C, teenage pregnancy, diet, exercises, and obesity

#### **Treatment Services**

Including services for indigent/uninsured people, inpatient services, ambulatory services, x-ray and/or prescription needs at clinics, hospitals, physician offices and field staff

#### **Infrastructure**

Including facilities, information technology, diagnostic equipment, surveillance systems (data collection, tracking client health), and personnel

#### **Other Health Impacts**

This was not specified in the board letter but would include such health-related impacts as dental health, environmental health, animal health, and injury prevention.

#### ***Performance Measures***

The Board directed that the investment in the above areas be monitored by performance measures using health status indicators as benchmarks including at the minimum:

- Reduction of tobacco-related illnesses and corresponding savings
- Reduction of the use of tobacco and other drugs and corresponding savings
- Improvement of access to care
- Increased prevention and education efforts
- Improved health status of vulnerable populations and corresponding savings

#### ***Other***

Funds may be used to leverage funding from other sources.

While it may be ideal for these funds to be used to supplement current health funding, depending on future legislation, litigation, and/or County fiscal challenges, it may be necessary to supplant current health funding.