

# ARKANSAS TOBACCO SETTLEMENT COMMISSION

## Enabling Laws

Act 417 of 2005

A.C.A. § 19-12-117

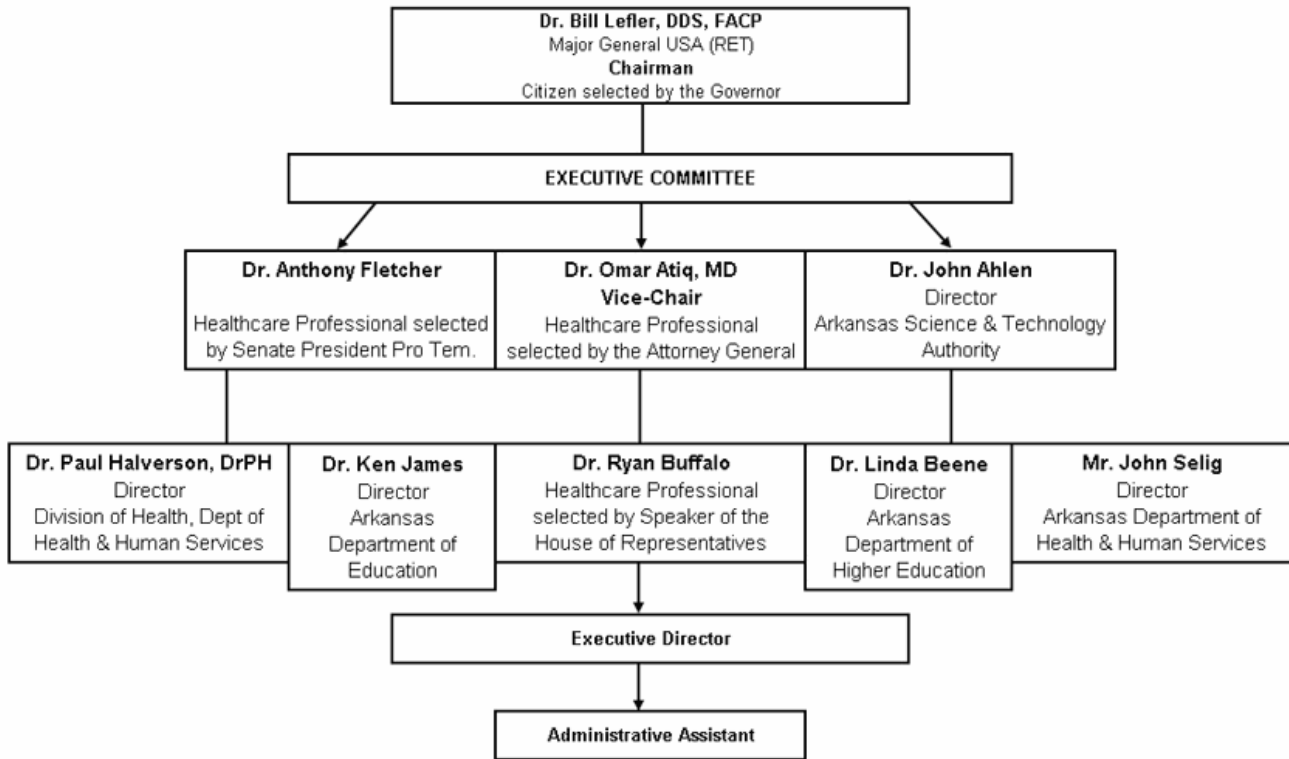
## History and Organization

In accordance with Section 17 of the Tobacco Settlement Proceeds Act of 2000, the Arkansas Tobacco Settlement Commission (ATSC) was established October 30, 2001. The purpose of the Commission is to monitor and evaluate programs established in Sections 13, 14, 15, and 16 of the Tobacco Proceeds Act. The Commission shall consist of 9 members that include two citizens (appointed by the Governor, and Attorney General), two healthcare professionals (appointed by the Speaker of the House and the President Pro Tempore of the Senate), and five state agency and division directors of the following agencies: Arkansas Department of Education, Arkansas Science and Technology Authority, Arkansas Department of Higher Education, and the Arkansas Department of Health and Human Services. During the 2005 legislative session the Department of Health and the Department of Human Services was consolidated into one agency; as a result of the opinion of the Attorney General, the director of the Division of Health within the Department of Health and Human Services still serves as a member.

In accordance with Section 18 of the Act, The Commission was established to monitor and evaluate the program activities and expenditures from the program accounts of the Tobacco Settlement. The Tobacco Settlement Program Accounts are as follows:

- Tobacco Prevention and Cessation Programs (§13)
- Fay W. Boozman College of Public Health (§14-c)
- Delta Area Health Education Center (§14-d)
- Arkansas Aging Initiative (§14-e)
- Minority Health Initiative (§14-f)
- Arkansas Biosciences Institute (§15)
- Medicaid Expansion Program (§16)

The Commission is directed to report the progress of these programs to the Governor and General Assembly preceding a legislative session for future appropriation decisions. The Commission is also authorized to administer grants, if the funds exceed the amount necessary to conduct the above-mentioned activities, to non-profit and community-based organizations.



## Agency Commentary

The Arkansas Tobacco Settlement Proceeds Act (Initiated Act 1 of 2000) established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement with certain tobacco manufacturers. The Arkansas Tobacco Settlement Commission was created pursuant to Section 17 of the Act to monitor and evaluate expenditures made from the program accounts also established in the Act.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited on April 15 of each year, accruing interest until July 1. The Commission is authorized to hire an independent third-party evaluator (RAND Corporation) to monitor and evaluate program account expenditures and prepare a biennial report for the General Assembly and Governor by each August 1 preceding a general session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit, community-based organizations.

The Commission will request two additional positions be authorized during the next biennium. These positions will allow the Commission to successfully carry out activities necessary to effectively monitor program fiscal activities and assure good fiscal stewardship of tobacco settlement dollars. The Commission is also requesting two extra help positions to hopefully eliminate costs associated with hiring through temporary agencies for special projects, and to help in the transition of unanticipated staff turnover. An increase in Professional Fees is being requested to also carry out the monitoring activities, continue the contract with RAND, and develop a new contractual agreement to address total quality management issues identified in the RAND report. Supporting operating expenses are included in the request for Tobacco Settlement monitoring activities, including but not limited to providing technical support to programs, additional administrative fees, postage, printing,

technology, and data processing expenses.

This request is supported by recommendations advanced in both the 2005 and 2006 Rand Corp. Evaluations of Programs and Arkansas Tobacco Settlement Commission activities.

The Commission is requesting special language to ensure that the intent of the Act is met through the ability to transfer appropriation from the Grants line item to other line item appropriations when there is insufficient appropriation available to carry out the responsibilities of the Commission. The Commission is still a relatively new agency, and as we proceed there may be a need to implement new components to carry out the monitoring, total quality management, and governance of Act-funded programs.

## **Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS TOBACCO SETTLEMENT COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2005

Findings	Recommendations
None	None

## **Employment Summary**

	Male	Female	Total	%
White Employees	0	1	1	50 %
Black Employees	0	1	1	50 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	50 %
Total Employees			2	100 %

## Publications

### A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
ATSC Biennial Report	A.C.A. 19-12-117	Y	Y	200	Required by law
ATSC Quarterly Report	Special Language	N	Y	75	Required to keep Public Health Welfare & Labor informed of Tobacco Prog. activities.

**Agency Position Usage Report**

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
2	1	1	2	0	50.00%	2	2	0	2	0	0.00%	2	2	0	2	0	0.00%

## **Analysis of Budget Request**

**Appropriation:** 468 - Operations

**Funding Sources:** TSC - Tobacco Settlement Commission

The Tobacco Settlement Proceeds Act (Initiated Act 1 of 2000) established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement with certain tobacco manufacturers. The Arkansas Tobacco Settlement Commission was created pursuant to Section 17 of this act to monitor and evaluate expenditures made from the four program accounts. Those program accounts are the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program Account and the Medicaid Expansion Program Account.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited as trust funds into the Arkansas Tobacco Settlement Commission Fund. The Commission is authorized to hire an independent third-party to monitor and evaluate program account expenditures and prepare a biennial report for the General Assembly and Governor by each August 1 preceding a general session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit and community-based organizations.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Agency requests increases in Regular Salaries of \$58,788 each yr., Extra Help of \$50,000 each yr. and Personal Services Matching of \$24,160 each year for the addition of two (2) regular positions, a Management Project Analyst II and an Internal Auditor, both Grade 20, and two (2) Extra Help positions. These positions, and the below appropriation requests, will allow implementation of Rand Corp. recommendations that the Commission increase monitoring and evaluation of, and support to, the Tobacco Settlement funded programs and will assist in processing various tobacco funded program and grant reports, monitoring of activities, auditing and tracking expenditures, and in developing an on-line expenditure reporting system.

The Agency requests an increase of \$63,000 each year in Operating Expenses for the purchase of computers, software, and web-site development services to develop an on-line financial reporting system and for increased office rent, printing and postage costs. Also, the Agency requests an increase in Conference & Travel Expense of \$8,000 each year for staff development for the implementation of a quality management program to monitor and evaluate Tobacco Settlement funded programs and Community Grant programs.

The Agency requests an increase in Professional Fees of \$700,000 each year for costs of increased monitoring, support, and evaluation of Tobacco Settlement Programs, continuing third-party

assessment of all tobacco funded programs, and additional contractual services to develop a Total Quality Management system for Tobacco Settlement programs.

The Agency requests increases of \$1,000,000 each year in the Grants and Aid appropriation for grants to nonprofit and community based organizations for long-term projects to improve the health of Arkansans, should there be available funding, as authorized by the Tobacco Settlement Proceeds Act.

The Executive Recommendation provides for Base Level.

## Appropriation

**Appropriation:** 468 Operations  
**Funding Sources:** TSC - Tobacco Settlement Commission

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	63,771	69,128	75,521	69,128	127,916	69,128	69,128	127,916	69,128
<b>#Positions</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>
Extra Help	5010001	0	0	0	0	50,000	0	0	50,000	0
<b>#Extra Help</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>
Personal Services Matching	5010003	20,475	21,677	21,878	22,399	46,559	22,399	22,399	46,559	22,399
Operating Expenses	5020002	27,509	30,870	30,870	30,870	93,870	30,870	30,870	93,870	30,870
Conference & Travel Expenses	5050009	414	500	500	500	8,500	500	500	8,500	500
Professional Fees	5060010	289,546	300,000	300,000	300,000	1,000,000	300,000	300,000	1,000,000	300,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	51,816	211,942	211,942	211,942	1,211,942	211,942	211,942	1,211,942	211,942
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>453,531</b>	<b>634,117</b>	<b>640,711</b>	<b>634,839</b>	<b>2,538,787</b>	<b>634,839</b>	<b>634,839</b>	<b>2,538,787</b>	<b>634,839</b>
<b>Funding Sources</b>										
Fund Balance	4000005	293,677	832,666		2,393,782	2,393,782	2,393,782	3,258,943	1,354,995	3,258,943
Transfer from Tobacco Settlmnt	4000590	992,520	2,195,233		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Total Funding</b>		<b>1,286,197</b>	<b>3,027,899</b>		<b>3,893,782</b>	<b>3,893,782</b>	<b>3,893,782</b>	<b>4,758,943</b>	<b>2,854,995</b>	<b>4,758,943</b>
Excess Appropriation/(Funding)		(832,666)	(2,393,782)		(3,258,943)	(1,354,995)	(3,258,943)	(4,124,104)	(316,208)	(4,124,104)
<b>Grand Total</b>		<b>453,531</b>	<b>634,117</b>		<b>634,839</b>	<b>2,538,787</b>	<b>634,839</b>	<b>634,839</b>	<b>2,538,787</b>	<b>634,839</b>

Special Language allows for the carryforward of unused appropriation; the actual amount carried forward into FY 2007 is \$184,566.



## Change Level by Appropriation

**Appropriation:** 468-Operations  
**Funding Sources:** TSC - Tobacco Settlement Commission

### Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>634,839</b>	<b>2</b>	<b>634,839</b>	<b>100.0</b>	<b>634,839</b>	<b>2</b>	<b>634,839</b>	<b>100.0</b>
C01	Existing Program	1,865,948	2	2,500,787	393.9	1,865,948	2	2,500,787	393.9
C08	Technology	38,000	0	2,538,787	399.9	38,000	0	2,538,787	399.9

### Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>634,839</b>	<b>2</b>	<b>634,839</b>	<b>100.0</b>	<b>634,839</b>	<b>2</b>	<b>634,839</b>	<b>100.0</b>
C01	Existing Program	0	0	634,839	100.0	0	0	634,839	100.0
C08	Technology	0	0	634,839	100.0	0	0	634,839	100.0

### Justification

C01	The Agency requests increases in Regular Salaries of \$58,788 each yr., Extra Help of \$50,000 each yr. and Personal Services Matching of \$24,160 each year for the addition of two (2) regular positions, a Management Project Analyst II and an Internal Auditor, both Grade 20, and two (2) Extra Help positions; an increase in Operating Expense of \$25,000 each year; an increase in Conference & Travel Expense of \$8,000 each year; and an increase in Professional Fees of \$700,000 each year. These positions and supporting Maintenance and Operations appropriation will allow implementation of Rand Corp. recommendations that the Commission increase monitoring, evaluation, and support to, the Tobacco Settlement funded programs by allowing the agency to process and evaluate reports from tobacco funded programs and grants, by providing traveling for monitoring of activities and assisting programs, for auditing and tracking expenditures and developing a Total Quality Management Program, and for increases in rent, printing, and postage costs. The increase in Grants & Aid appropriation of \$1,000,000 each year will allow for grants to nonprofit and community based organizations for long-term projects to improve the health of Arkansans, should there be available funding, as authorized by the Tobacco Settlement Proceeds Act – or be transferred to allow additional expenditures to achieve agency goals should the Special Language allowing approval of transfers be adopted.
C08	The Agency requests an increase of \$38,000 each year in Operating Expenses for the purchase of computers, software, and telecommunications assistance and services to develop an on-line financial reporting system for the monitored Tobacco Settlement funded programs. This will allow the Agency to implement the Rand Corp. recommendation to increase monitoring, evaluation, and support to, the Tobacco Settlement funded programs by allowing the Agency to efficiently collect, evaluate, and report financial information from the various programs and grants.