

# ARKANSAS TOBACCO SETTLEMENT COMMISSION

## Enabling Laws

Act 792 of 2007  
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, the Arkansas Department of Health, and the Department of Human Services.

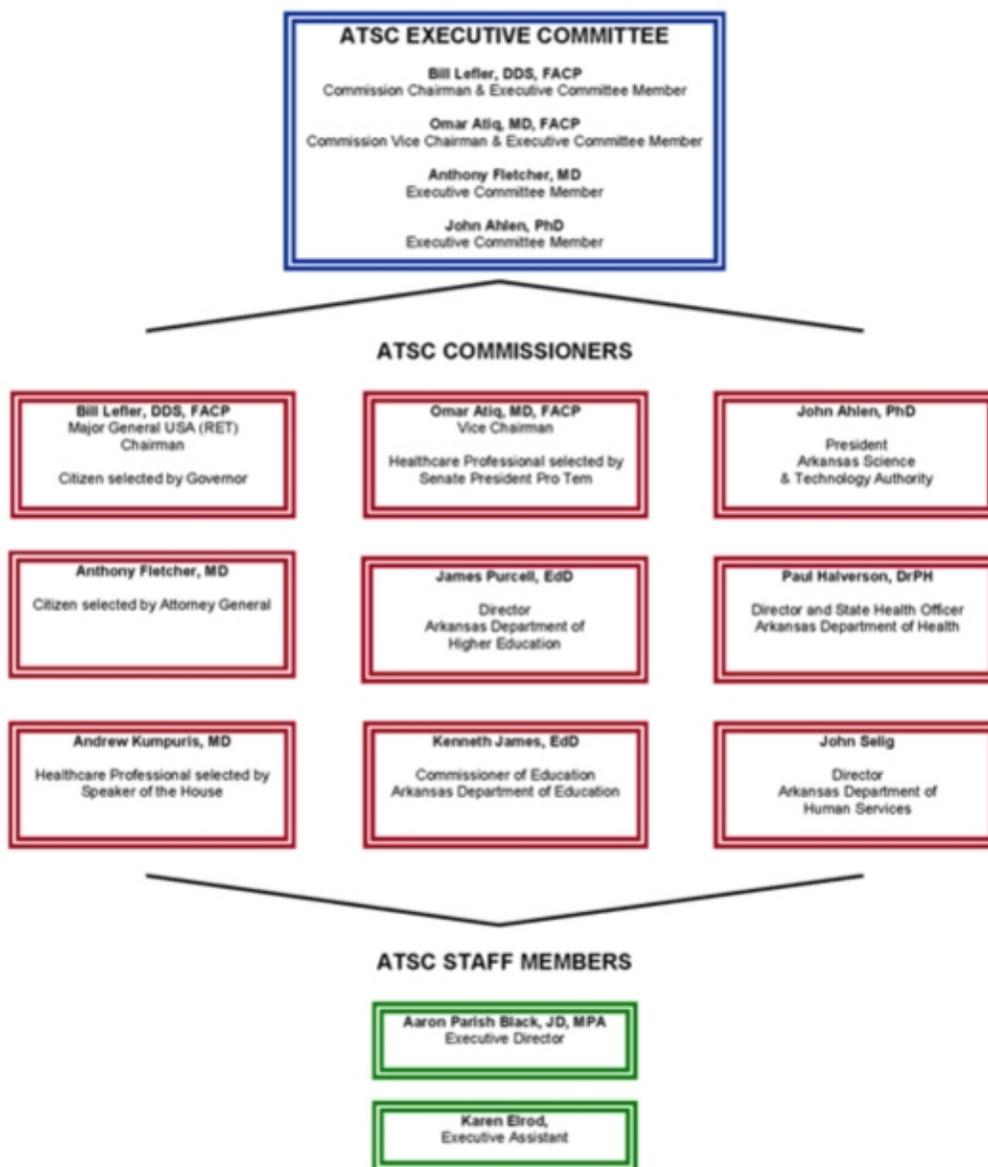
In accordance with Section 18 of the Act, The Commission was established to monitor and evaluate the program activities and expenditures from the program accounts of the Tobacco Settlement. The Tobacco Settlement Program Accounts are as follows:

- 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.

# ARKANSAS TOBACCO SETTLEMENT COMMISSION

Organizational Chart – July 1, 2008



## 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 Act states any funds not used for the purpose of operating the Commission should be used for these important health grants. Due to increased interest funds from the last two years of investment, the Commission has a balance in its account and is seeking additional appropriation in its grant appropriation to draw down this balance to a reasonable level.

The Commission is requesting an additional position be authorized during the next biennium. This position will be for a Grant Program Coordinator and will allow the Commission to successfully carry out the mandates of the Commission's Community Health Grant Program. Also, the Commission is interested in conducting a more stringent level of monitoring and evaluation of current and future grant awards. The Commission strongly believes these funds should be held to a very high level of accountability, and with the Commission's limited staffing capabilities, an additional position is greatly needed.

The Commission's Independent Evaluator (RAND) has recommended additional appropriation be secured to assist in providing technical training and assistance to the Commission from a separate vendor. In order to comply, the Commission is seeking an increase in Professional Fees to assist in providing the recommended technical training and quality management development as specified in the RAND report.

Operating expenses are sufficient at the present to absorb the costs of additional equipment for a new employee, and to cover anticipated increases in supply and technology costs. This request is supported by recommendations advanced in both the 2005, 2006, 2007 and 2008 Rand Corp. Evaluations of Programs and Arkansas Tobacco Settlement Commission activities.

The Commission also believes it is important to note that if all of these additional appropriations are secured and spent over the next biennium, the Commission will still retain a more than adequate fund balance in its account to cover future operations, professional service contract costs, and maintain a significantly increased level of grant awards.

## **Audit Findings**

### DIVISION OF LEGISLATIVE AUDIT

#### AUDIT OF :

#### ARKANSAS TOBACCO SETTLEMENT COMMISSION

FOR THE YEAR ENDED JUNE 30, 2007

#### Findings

Review of expenditures revealed excessive personal cell phone use by Chiquita Munir-Webb, the Agency's former director, and an unauthorized professional service contract to a vendor of \$98,064. The Agency entered into the contract without the approval of Legislative Council or the Joint Budget Committee as required by the State's financial management guide and did not have appropriation sufficient to pay the cost of the contract. The vendor has filed a complaint with the Arkansas State Claims Commission in the amount of the contract.

#### Recommendations

Review and comply with State guidelines regarding professional services contract and restrict cell phone use for business purposes only. Determine and request reimbursement for the personal cell phone use.

## Employment Summary

	Male	Female	Total	%
White Employees	1	1	2	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
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 Program activities.

## Agency Position Usage Report

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
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	2	0	2	0	0.00 %	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 (ATSC) 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 regular 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.

Base Level salaries for classified positions reflect the recommendations of the Pay Plan Study and unclassified positions reflect similar adjustments in line item salaries. A 2.3% Cost of Living Allowance is reflected in the second year of the biennium. The Base Level request for Regular Salaries may include board member Stipend payments and Career Service payments for eligible employees. Personal Services Matching includes a \$75 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$425.

The Commission's Base Level request includes two (2) positions as well as appropriation in the amount of \$1,183,682 in FY2010 and \$1,186,460 in FY2011.

The Commission's Change Level request includes appropriation in the amount of \$2,047,311 in FY2010 and \$2,048,279 in FY2011 and is comprised of the following:

An increase in Regular Salaries appropriation of \$35,554 in FY2010 and \$36,371 in FY2011 plus related Personal Services Matching for one (1) Grants Program Coordinator. This position will be utilized to carry out the mandates of the Commission's Community Health Grant Program and to monitor and evaluate current and future grant awards.

The Commission also requests an increase of \$250,000 each year of the biennium in Professional Fees. RAND (Research AND Development), the Commission's independent third party evaluator as required by Initiated Act I of 2000 has observed that data collection and analysis is not adequate to fully track the effects of the programs or to determine quality deficiencies and what to do about them. RAND has recommended that technical expertise be utilized to train program staffs to develop data collection and analysis plans and implement these plans. The increase in Professional Fees is also requested to execute another RAND recommendation urging the ATSC to develop a Total Quality Management system, for all Tobacco Settlement Programs, which ranges from establishing explicit criteria for quality performance to formulating quality recommendations.

The Commission also requests an increase in appropriation for Grants and Aid of \$1,750,000 in each year of the biennium. As authorized in the Tobacco Settlement Proceeds Act, the Commission is authorized to make grants to nonprofit and community based organizations for long-term projects to improve the health of Arkansans.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

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

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	100,015	100,115	71,919	102,436	137,990	137,990	104,777	141,148	141,148
<b>#Positions</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>
Personal Services Matching	5010003	28,632	27,082	22,965	29,376	41,133	41,133	29,813	41,721	41,721
Operating Expenses	5020002	31,868	48,870	48,870	48,870	48,870	48,870	48,870	48,870	48,870
Conference & Travel Expenses	5050009	143	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	315,015	500,000	500,000	500,000	750,000	750,000	500,000	750,000	750,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	500,000	500,000	500,000	500,000	2,250,000	2,250,000	500,000	2,250,000	2,250,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>975,673</b>	<b>1,179,067</b>	<b>1,146,754</b>	<b>1,183,682</b>	<b>3,230,993</b>	<b>3,230,993</b>	<b>1,186,460</b>	<b>3,234,739</b>	<b>3,234,739</b>
<b>Funding Sources</b>										
Fund Balance	4000005	2,221,225	4,756,506		6,726,265	6,726,265	6,726,265	6,644,098	6,644,098	6,644,098
Transfer from Tobacco Settlement	4000590	3,510,954	3,148,826		1,101,515	3,148,826	3,148,826	1,100,547	3,148,826	3,148,826
<b>Total Funding</b>		<b>5,732,179</b>	<b>7,905,332</b>		<b>7,827,780</b>	<b>9,875,091</b>	<b>9,875,091</b>	<b>7,744,645</b>	<b>9,792,924</b>	<b>9,792,924</b>
Excess Appropriation/(Funding)		(4,756,506)	(6,726,265)		(6,644,098)	(6,644,098)	(6,644,098)	(6,558,185)	(6,558,185)	(6,558,185)
<b>Grand Total</b>		<b>975,673</b>	<b>1,179,067</b>		<b>1,183,682</b>	<b>3,230,993</b>	<b>3,230,993</b>	<b>1,186,460</b>	<b>3,234,739</b>	<b>3,234,739</b>

The FY2009 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary adjustments during the 2007-2009 biennium.

Special Language provides for the carryforward of unused appropriation. Carry forward amounts into FY2009: Regular Salaries \$2,495.76; Personal Services Matching \$1,546.21; Operating Expenses \$17,002.38; Conference and Travel Expenses \$2,857.00; Professional Fees \$184,985.40

## Change Level by Appropriation

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

### Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>1,183,682</b>	<b>2</b>	<b>1,183,682</b>	<b>100.0</b>	<b>1,186,460</b>	<b>2</b>	<b>1,186,460</b>	<b>100.0</b>
C01	Existing Program	2,047,311	1	3,230,993	273.0	2,048,279	1	3,234,739	272.6

### Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>1,183,682</b>	<b>2</b>	<b>1,183,682</b>	<b>100.0</b>	<b>1,186,460</b>	<b>2</b>	<b>1,186,460</b>	<b>100.0</b>
C01	Existing Program	2,047,311	1	3,230,993	273.0	2,048,279	1	3,234,739	272.6

### Justification

C01	The Commission is requesting one (1) new Grant Program Coordinator position with associated appropriation in Regular Salaries of \$35,554 in FY2010 and \$36,371 in FY2011 with related Personal Services Matching. The position will be utilized to monitor and evaluate current and future grant awards. The Commission also requests to increase Professional Fees appropriation by \$250,000 in each year of the biennium to provide technical training and quality management development as recommended by the Commission's Independent Evaluator. Finally the Commission is requesting an increase in appropriation of \$1,750,000 in each year of the biennium for Grants and Aid to utilize the current fund balance. This increase of appropriation will allow for more 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.
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**CARRY FORWARD OF ANY UNEXPENDED BALANCE OF APPROPRIATION AND/OR FUNDING FROM FISCAL YEAR 2008 TO FISCAL YEAR 2009**

Agency: Tobacco Settlement Commission

Program: Operations

Act #: 792 of 2007 Section(s) #: 2 & 3

Estimated Carry Forward Amount \$ 37,000.00 Appropriation  Funds

Funding Source: Tobacco Settlement

**Accounting Information:**

Business Area: 0334 Funds Center: 468 Fund: TSC Functional Area: ADMN

Line Item	Commitment Item	Estimated Carry Forward Amount	Actual Carry Forward Amount
Regular Salaries	5010000	2,000.00	2,495.76
Personal Services Matching	5010003	1,500.00	1,546.21
Operating Expenses	5020002	15,000.00	17,002.38
Conference & Travel Expenses	5050009	2,500.00	2,857.00
Professional Fees	5060010	16,000.00	184,985.40
Total		\$ 37,000.00	\$ 208,886.75

Current law requires a written statement be submitted to the DFA Office of Budget stating the reason(s) to carry forward appropriation and/or funding for a program or a specific line item within a program from the first fiscal year of the biennium to the second fiscal year of the biennium.

**Justification for carry forward of unexpended balance of appropriation and/or funding:**

The Carry Forward is necessary to continue the normal operations of the Commission and specifically to ensure that the Arkansas Tobacco Settlement Commission has adequate resources to provide for the Professional Services Contract with the Independent Evaluator, as authorized in the Initiated Act. The current Evaluator's contract extends over the fiscal year and a new Request for Proposal (RFP) is being let to seek a new Evaluator. The contract process should be complete in the middle of the next fiscal year.

Actual Funding Carry Forward Amount \$ 0.00

**Current status of carry forward appropriation/funding:**

The ATSC is completing a current Professional Services Contract with the Commission's Independent Evaluator, as authorized in the Initiated Act. The current Evaluator's contract extends over the fiscal year and a new Request for Proposal (RFP) is being let to seek a new Evaluator, and the new Evaluator's contract will begin in the current fiscal year. Operations line items for this Carry Forward are also still required for normal operation of the Commission, as well as for special projects related to the Commission's technology plan and physical changes to the Commission's office.

Aaron Black  
Executive Director

08-14-2008  
Date