

Master Settlement Agreement

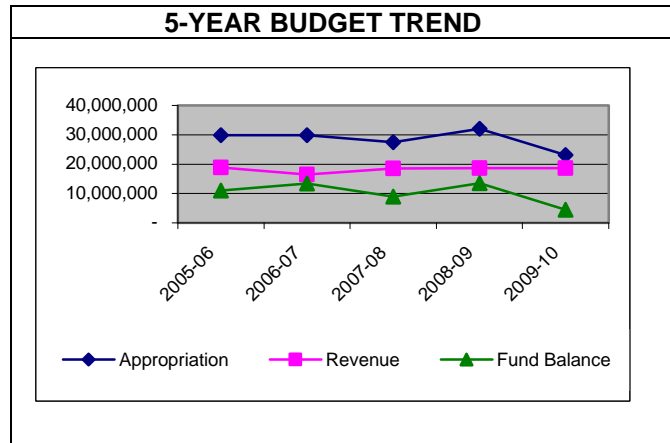
DESCRIPTION OF MAJOR SERVICES

This budget unit accounts for proceeds received from the tobacco lawsuit Master Settlement Agreement (MSA). In late 1998 a settlement was reached in a lawsuit filed by states against the tobacco industry. In California, the proceeds of the settlement are to be divided equally between the state and local governments who partnered in the lawsuit. Payments to local governments are based on a formula involving total tobacco sales and each local entity's population.

A majority of the county's total proceeds are used each year to finance a portion of the Arrowhead Regional Medical Center debt.

There is no staffing associated with this budget unit.

BUDGET HISTORY



PERFORMANCE HISTORY

	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Modified Budget	2008-09 Estimate
Appropriation	15,000,000	19,000,000	15,000,000	32,084,079	32,084,079
Departmental Revenue	17,438,142	18,440,431	19,549,193	18,600,000	23,056,356
Fund Balance				13,484,079	

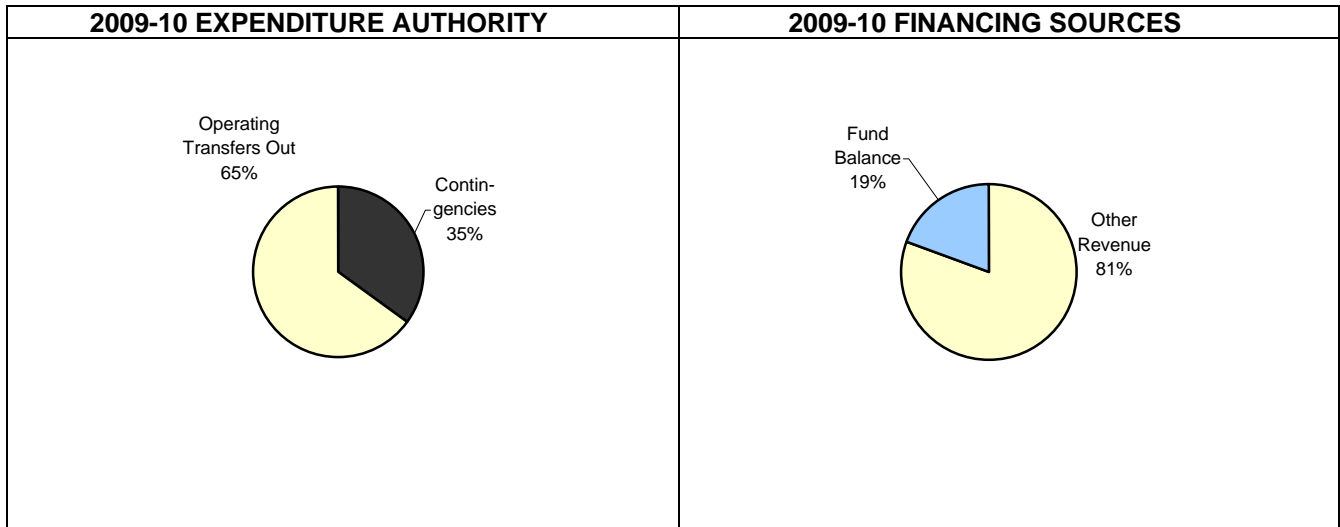
On March 17, 2009, the Board of Supervisors authorized the use of Master Settlement Agreement Contingencies, in the amount of \$17,084,079 to help fund the Arrowhead Regional Medical Center, Medical Office Building Project (ARMC-MOB). It was originally intended that Health Realignment fund balances be used to fund the ARMC-MOB. However, due to the significant decline in vehicle license fees and sales tax, the two sources of Realignment funding, it was recommended that the available balance within the Master Settlement Agreement budget unit be utilized for the project. At such time as Realignment revenues become available again, Realignment funds will be substituted for Master Settlement Agreement expenditures, where allowable, to offset the usage of Master Settlement Agreement fund balance.

Additionally, in 2008-09, approximately \$1.5 million of the total amount received was related to distributions from a Disputed Payments Account. These payments are distributions of monies that had previously been held in escrow. Certain participating manufacturers of the Master Settlement Agreement dispute that their share of the annual payments made between 2003 and 2007 should have been reduced as a result of loss of market share. As such, the companies placed monies into a Disputed Payments Account until such time as the courts resolved the issue. The monies distributed during 2008-09 were related to sales year 2005.

It should be noted, however, that the distribution does not signify that a resolution was reached regarding 2005 sales and ensuing payments. The money is still under dispute, but was simply released in an effort to advance resolution of the dispute. Should the tobacco manufacturers prevail, the monies will be returned to the manufacturers, via reduced settlement payments in the future.



ANALYSIS OF PROPOSED BUDGET



GROUP: Health Care
DEPARTMENT: Health Care Administration
FUND: Master Settlement Agreement

BUDGET UNIT: RSM MSA
FUNCTION: Health and Sanitation
ACTIVITY: Hospital Care

	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Estimate	2008-09 Final Budget	2009-10 Proposed Budget	Change From 2008-09 Final Budget
Appropriation							
Other Charges	-	4,000,000	-	-	-	-	-
Contingencies	-	-	-	-	17,084,079	8,056,356	(9,027,723)
Total Appropriation	-	4,000,000	-	-	17,084,079	8,056,356	(9,027,723)
Operating Transfers Out	15,000,000	15,000,000	15,000,000	32,084,079	15,000,000	15,000,000	-
Total Requirements	15,000,000	19,000,000	15,000,000	32,084,079	32,084,079	23,056,356	(9,027,723)
Departmental Revenue							
Use Of Money and Prop	479,359	689,674	651,795	600,000	600,000	600,000	-
Other Revenue	16,958,783	17,750,757	18,897,398	22,456,356	18,000,000	18,000,000	-
Total Revenue	17,438,142	18,440,431	19,549,193	23,056,356	18,600,000	18,600,000	-
Fund Balance					13,484,079	4,456,356	(9,027,723)

Contingencies of \$8,056,356 are decreased by \$9,027,723 to reflect anticipated available fund balance.

Operating transfers out of \$15.0 million reflect a transfer to the General Fund which is then used to fund the local cost within the Health Care Administration budget unit. Health Care Administration uses that local cost to fund the \$4.3 million realignment local match requirement and \$10.7 million of net debt service lease payment for Arrowhead Regional Medical Center.

Other revenue of \$18.0 million reflects anticipated revenue received from the major tobacco companies to the Master Settlement Agreement budget unit.

