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**Advisory Letter of the
 Nebraska Health and Human Services System (HHSS)
 Tobacco Settlement Funds
 July 1, 2001 through June 30, 2002**

Report Highlights

Issued April 2003

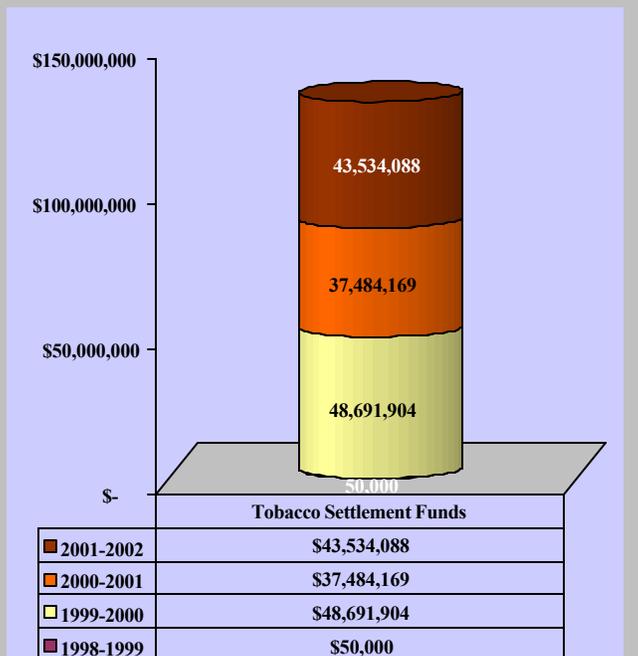
Nebraska was among a group of 46 states that agreed to a \$246 billion settlement with the tobacco industry. The 1998 settlement was a result of the states' efforts to recoup money spent to care for ill smokers. Nebraska's share of the settlement is estimated at approximately \$1.2 billion over a 25-year period.

In 1998, the State Legislature approved a plan distributing Nebraska's tobacco settlement funds to health care needs through a competitive grant process. The Legislature amended its plans for distributing the funds in 2000 by allocating \$21 million over three years for tobacco use prevention and cessation efforts. In 2001, the Governor and Legislature approved LB 692, which authorized the distribution of \$50 million annually to designated health care needs. The \$50 million would be a combination of principal and interest from Nebraska's share of the tobacco settlement. Under LB 692, the tobacco settlement proceeds are allocated to behavioral health services, mental health and substance abuse treatment, juvenile services, minority health, developmental disabilities, emergency protective care, respite care, and biomedical research. LB 692 also provides for competitive health care grants and public health grants awarded by the Nebraska Health Care Council.

Tobacco settlement funds are deposited to the Tobacco Settlement Trust Fund, which is invested by the State Investment Officer. Annually, the State Treasurer shall transfer a total of \$50 million from the Nebraska Medicaid Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund to the Nebraska Health Care Cash Fund. The State Investment Officer shall advise the State Treasurer on the amounts to be transferred from each fund.

See the Advisory Letter on our website at www.auditors.state.ne.us.

Tobacco Settlement Funds Received
 July 1, 1998 through June 30, 2002 (unaudited)



Disposition of Available Tobacco Settlement Funds
 July 1, 1998 through June 30, 2002 (unaudited)

