

**2007 Innovations Awards Program
APPLICATION**

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ID # (assigned by CSG): 07-S-29OKTOBACCOSTRUST

Please provide the following information, adding space as necessary:

State: Oklahoma

Assign Program Category (applicant): Government Operations_ (Use list at end of application)

1. Program Name
 - a. Oklahoma Tobacco Settlement Endowment Trust Fund
2. Administering Agency
 - a. Oklahoma Tobacco Settlement Endowment Trust
3. Contact Person (Name and Title)
 - a. Tracey Strader, Executive Director
4. Address
 - a. 3700 N. Classen Blvd., Suite 215, Oklahoma City, OK 73118
5. Telephone Number
 - a. 405-525-8738
6. FAX Number
 - a. 405-525-6104
7. E-mail Address
 - a. traceys@tset.ok.gov
8. Web site Address
 - a. www.tset.ok.gov
9. Please provide a two-sentence description of the program.
 - a. A majority of the state's Master Tobacco Settlement payments are placed into a constitutionally protected endowment trust fund under the direction of a Board of Investors and Board of Directors. Only the earnings from the endowment's investments may be used for health and human services programs, particularly programs for the benefit of children and senior adults. Oklahoma is the only state to have protected the settlement money through a constitutional amendment.
10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on April 2, 2007, to be considered.

- a. Oklahoma voters approved the Constitutional amendment November 2000. Although the Board of Directors and Board of Investors began work in 2001, the TSET did not become a fully functioning state agency until August 2002, when the first staff person was hired.
11. Why was the program created? What problem[s] or issue[s] was it designed to address?
 - a. The program was created as a result of the Master Settlement Agreement reached by 46 states and the tobacco industry. Tobacco use remains the leading cause of preventable death in Oklahoma and in the nation. It was the intent of the settlement that states would use the funding to prevent and control tobacco use, however many states have used the funds for other purposes. The Constitutionally established endowment was intended to assure that the funds were used for reducing tobacco use and addressing other public health and social services needs in the State of Oklahoma.
 12. Describe the specific activities and operations of the program in chronological order.
 - a. To date the TSET has funded the Oklahoma Tobacco Helpline, which has provided assistance to over 40,000 Oklahomans interested in quitting tobacco. Sixteen grantees are also providing comprehensive tobacco control programs within 25 counties and three tribal nations. Another four grantees are addressing tobacco among specific populations at high risk for tobacco use and tobacco-related disease. Funds have also supported media campaigns designed to counter tobacco industry marketing to youth and young adults.
 13. Why is the program a new and creative approach or method?
 - a. It is new and creative because the endowment was established to protect the funds through a Constitutional amendment. In addition, the Board of Directors is currently using 100% of the available earnings to address our state's leading cause of preventable death. Eventually the annual earnings from the endowment's investments will be greater than the annual deposits from the settlement payments.
 14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)
 - a. Start up costs were negligible, because the issue was addressed in legislation and through a ballot measure. Administrative costs for the agency have been approximately \$500,000 or less each year.
 15. What are the program's annual operational costs?
 - a. Program costs increase each year as additional earnings become available and additional programs are funded. In FY 2002 approximately \$500,000 was available for programs. The program budget for FY 2007 is approximately \$8 million.
 16. How is the program funded?
 - a. Earnings from the investments made using funds from the Master Tobacco Settlement Agreement.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.
 - a. Yes, State Question 619 (Section X, Article 40 of the Oklahoma Constitution), and the Oklahoma Tobacco Settlement Endowment Trust Fund Act (Oklahoma Statutes, Section 2301 through 2310 of Title 62).

18. What equipment, technology and software are used to operate and administer this program?
 - a. The program does not require equipment, technology, or software beyond personal computers, a server for the agency, a copy machine, and Microsoft Office products.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address. Yes.
 - a. The driving forces behind the Constitutional amendment were Attorney General Drew Edmondson, the Treasurer at the time, Robert Butkin, and the then Representative Jari Askins (currently the state's Lieutenant Governor). Attorney General Drew Edmondson may be reached at the Office of the Attorney General, 2300 N. Lincoln Blvd., Suite 112 Oklahoma City, OK 73105, (405) 522-4396, or Drew.Edmondson@oag.state.ok.us. Robert Butkin may be reached at the University of Tulsa, 600 South College, Tulsa, OK 74104, 918-631-2000, or RButkin@aol.com. Lt. Governor Jari Askins may be reached at State Capitol Building, 2300 N. Lincoln Blvd. Room 211, Oklahoma City, OK 73105, (405) 521-2161, or jari.askins@ltgov.state.ok.us.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?
 - a. No. Other states have set aside funding for tobacco control, but none have done this through a Constitutional amendment. In many of the states that have set the money aside for tobacco control, the state legislatures have ultimately used the funds for other purposes.

21. Has the program been fully implemented? If NO, what actions remain to be taken?
 - a. Yes and No. The agency is funding all of the programs possible based on the current amount of funding available. However, the programs funded from the endowment's investment earnings will only grow over time as the earnings continue to grow in perpetuity.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.
 - a. The pros are that an independent board directs expenditures from the earnings and the funds cannot be used for purposes other than those stated in the Constitution. An appointed board makes program funding decisions independent of political influence and based on the merits of the proposal and the needs of the state. If the legislature or any other entity wanted to use the corpus or the earnings, a Constitutional amendment would be required. The cons are that the payout specified in legislation is limited to interest and dividends only. This is contrary to the way payouts are structured for private foundations and limits the amount of funding available for programs. In

addition the earnings are state dollars and are subject to all of the legal requirements that apply to state funding. This means that the TSET cannot operate with all the flexibility and accessibility of a private foundation; however, the board of directors embraces the need for accountability and fairness, and strives to create programs and processes that blend the best of both private and public sectors.

23. How has the program grown and/or changed since its inception?
 - a. The program has grown through the Board of Investors management of the investments to yield more revenue for program funding. The program has also grown through the decisions of the Board of Directors to focus on reducing tobacco use in the initial years and strategically fund programs that will yield measurable outcomes.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?
 - a. Other states may already have used their tobacco settlement funds for other purposes; however, this approach may be utilized if a state increases the tobacco tax, or has another type of windfall from a settlement or other revenue generating activity.