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NY POLITICS

New York Gets \$550 Million in Tobacco Deal

Agreement ends a decadelong dispute between New York and major tobacco companies



New York state's Attorney General Eric Schneiderman at a news conference in June 2014. *PHOTO: JOHN MINCHILLO/ASSOCIATED PRESS*

By **ERICA ORDEN**

Oct. 20, 2015 12:01 a.m. ET

An agreement ending a decadelong dispute between New York and major tobacco companies will deliver \$550 million to the state, New York City and other counties, Attorney General Eric Schneiderman is expected to announce on Tuesday.

New York state had been in arbitration over an earlier payment due in 2003 as a result of a landmark deal with the tobacco companies known as the 1998 Tobacco Master Settlement Agreement. Intended to help states pay for smoking-related public-health costs, it required tobacco companies to pay billions of dollars to states and territories

over 25 years.

That arbitration was completed in 2013 but unleashed only \$92 million in withheld funds for the 2003 year. To date more than \$12 billion has been paid to New York state as a result of the 1998 agreement, according to the attorney general's office.

This year, however, Mr. Schneiderman negotiated another settlement between New York and the tobacco companies that requires 90% of funds withheld from other years to be released. In addition, the settlement eliminates the possibility of future arbitration proceedings.

“Big Tobacco must pay for the damage it has done and continues to inflict on communities across New York State,” Mr. Schneiderman, a Democrat, said. “My office will continue to hold these companies accountable for the burden their addictive, deadly products impose on the taxpayers of this state, and we will act to ensure that the people of New York are compensated for the enormous harms they have suffered.”

Altria Group Inc., the parent company of the agreement's largest signatory, Philip Morris USA, declined to comment.

The state will receive about half of the \$550 million in settlement funds. One quarter will go to New York City, and the remaining quarter is to go to counties outside the city.

New York City Mayor Bill de Blasio applauded the deal, saying “big tobacco companies have abused the legal system to avoid giving New Yorkers the money they're owed for the health costs resulting from cigarette smoking.”

The state will use the settlement money to pay debt services, as stipulated by the terms of the original agreement. The city's plans for the money weren't immediately clear.

With respect to future payments required by the 1998 agreement, the deal negotiated by Mr. Schneiderman's office entitles the tobacco companies to a discount dependent on the in-state sale of untaxed cigarettes manufactured and sold on American Indian reservations.

It will be determined by “a neutral, unappealable third party,” according to the attorney general's office.

New York joined many states in selling tax-exempt bonds backed by payments from the settlement. Faster-than-expected declines in smoking have reduced those payments, and Moody's Investors Service in 2012 said about three-quarters of the tobacco bonds it rates may default if smoking continues to decline at 3% or 4% a year.

—*Aaron Kuriloff*
contributed to this article.

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