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JANE E. YOUNG
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To: Christopher Shea, Deputy Legislative Budget Assistant
From: Edward R. Sisson, Assistant Attorney General
Date: January 21, 2021
Re: Tobacco Master Settlement Agreement Payments 2021-2023

This memorandum is being submitted in response to your January 15, 2021 request for an updated estimate of New Hampshire's future Tobacco Master Settlement Agreement ("MSA") payments. The National Association of Attorneys General Center for Tobacco and Public Health estimates that tobacco sales volume continued to decline in 2020 which will result in decreased MSA payments for all states in 2021. New Hampshire's estimated 2021 MSA payment is \$38.4 million. Estimated future MSA payments are \$38.2 million in 2022 and \$36.3 million in 2023.

For background, each year New Hampshire receives an allocated payment from the Participating Manufacturers ("PM") in the MSA. Consistent with the terms of the MSA, the amount that New Hampshire receives is a function of changes in the domestic marketplace for cigarettes. The payments are adjusted upwards at an agreed rate of inflation. The payments are adjusted downward based on decreases in the national market for cigarettes and downward again to reflect the market's movement away from premium-branded cigarettes towards discounted-branded Non-Participating Manufactures ("NPM") who have not joined the MSA.

In 2020, New Hampshire received an annual total payment of \$42,599,194.61. This payment was a decrease from the 2019 payment of \$44,596,908.73. This decrease was due in part to an approximately 7% decrease in cigarette sales volume in 2019.

The impact of Covid-19 on the domestic cigarette market continues to be unknown. If the decrease in PM sales volume is greater than 7%, then the MSA payment will likely be less than \$38.4 million. If NPM sales volume continues to increase then the MSA payment will likely be less than \$38.4 million.