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**Memorandum**

To: Christopher Shea, Deputy Legislative Budget Assistant  
From: Edward R. Sisson, Attorney  
Department of Justice  
Date: May 22, 2020  
Re: Tobacco Master Settlement Agreement 2021 Payment

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Each year, New Hampshire receives an allocated payment from the Participating Manufacturers ("PM") in the Tobacco Master Settlement Agreement ("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 National Association of Attorneys General Center for Tobacco and Public Health has estimated a continued decline in tobacco sales in 2020 of 7% which will result in decreased payments in 2021. At this time, the estimate for the 2021 New Hampshire MSA payment is \$38.4 million.

The impact of Covid-19 on the domestic cigarette market is unknown at this time. If the decrease in PM sales volume is greater than 7% then the MSA payment will likely decrease further than this estimate. If NPM sales volume continues to increase then the MSA payment will likely decrease further than this estimate.