



Josh Kaul
Wisconsin Attorney General

P.O. Box 7857
Madison, WI 53707-7857

NEWS FOR IMMEDIATE RELEASE

February 20, 2024

**Wisconsin to Receive \$24 Million After Arbitration Win in
Dispute with Cigarette Manufacturers**

MADISON, Wis. - Josh Kaul announced today that an arbitration panel of former judges has ruled in favor of the State of Wisconsin in its dispute with Philips Morris USA, Inc, RJ Reynolds Tobacco Company and other cigarette manufacturers. The win will result in Wisconsin receiving approximately \$24 million in disputed funds.

“This ruling means that tobacco companies are continuing to be held accountable to Wisconsinites,” said AG Kaul. “Thank you to the team that prevailed against tobacco companies in this important arbitration.”

The dispute involved the annual payments that tobacco manufacturers owe to the state under the landmark public health agreement, known as the Master Settlement Agreement (MSA), that Wisconsin and 45 other states reached with the tobacco companies in 1998.

The MSA provides a reduction in those annual payments based on the increase in market share of manufacturers who did not join the MSA. States, however, are not subject to that reduction if they can prove they diligently enforced a statute requiring tobacco companies that were not party to the MSA to put money into escrow on certain cigarettes sold in the state. To enforce this statute, Wisconsin tracked the sales and escrow payments of these companies and, if one of them failed to make the required payments, Wisconsin would step in and prohibit it from selling its products in the state.

The practice of the large tobacco companies has been to challenge each state's diligence. The state then must prove its diligence for each calendar year to secure its full MSA payment for that year.

This month a panel of three former federal judges ruled in favor of Wisconsin for years 2005, 2006 and 2007, finding that "Wisconsin had a comprehensive and well-coordinated program and that the State used its best efforts to successfully eradicate noncompliant [non-MSA] manufacturers."

Payments made under the MSA are applied to the Medical Assistance Trust Fund.