

Tobacco Settlement Agreement Funds

February 2026



CABINET FOR HEALTH
AND FAMILY SERVICES

Introduction

This report was prepared by the Cabinet for Health and Family Services at the request of the Tobacco Settlement Agreement Fund Oversight Committee in advance of scheduled testimony on March 2, 2026. The information provided reflects State Fiscal Years (SFY) 2024 and 2025 data and program expenditures related to these funds.

Department for Community Based Services

The Department for Community Based Services (DCBS) received \$11,800,000 in Tobacco Settlement Funds in state fiscal year 2025. Of that amount, \$9,800,000 was appropriated to the Early Childhood Development Fund and \$2,000,000 was appropriated to the Early Childhood Adoption and Foster Care Supports Program. In state fiscal year 2024, DCBS received \$12,400,000 in Tobacco Settlement Funds. Of that amount, \$9,900,000 was appropriated to the Early Childhood Development Fund and \$2,500,000 was appropriated to the Early Childhood Adoption and Foster Care Supports Program. DCBS had carryforward funding from state fiscal year 2023 in the amount of \$1,697,163. Total Tobacco Settlement Funds spent in state fiscal year 2024 was \$14,097,163.

Kentucky All STARS

The Division of Child Care utilizes Tobacco Settlement Funds to operate Kentucky All STARS, the Commonwealth's five-star quality rating and improvement system for early childhood education programs. Participating providers demonstrate a commitment to quality in the following areas:

- Family and Community Engagement
- Classroom and Instructional Quality
- Staff Qualifications and Professional Development
- Administrative and Leadership Practices

Childcare providers can earn financial incentives based on specific criteria.

- Initial Achievement Award - a one-time monetary incentive granted the first time a licensed childcare provider attains a STAR level. The amount is tied to the level achieved.
- Annual Quality Enrollment Award - a recurring incentive paid each year a provider maintains its STAR level, verified during their renewal month. These awards recognize ongoing commitment to sustaining quality.
- Subsidy Enrollment Award - an annual incentive for providers rated STAR level 3 or higher that serve children participating in the Child Care Assistance Program (CCAP). These payments help support high-quality providers serving subsidized families.

In State Fiscal Year 2025, the department issued:

- 33 Initial Achievement Awards
- 406 Annual Quality Achievement Awards
- 268 Subsidy Enrollment Awards

Payments for these awards totaled approximately \$6.6 million in state fiscal year 2025 and \$5.1 million in state fiscal year 2024. Below is a chart showing the All STAR levels by provider type for state fiscal year 2025.

Provider Type	1	2	3	4	5
Licensed I	982	103	326	174	140
Licensed II	26	4	4	1	1
Certified	157	19	15	18	2

Non-College Scholarships

Tobacco Settlement Funds also support training for childcare providers. The department invested approximately \$816,200 in tobacco funding for non-college scholarships and financial support in state fiscal year 2025. This was slightly lower than the \$904,900 spent in state fiscal year 2024. Some examples include:

- Commonwealth Child Care Credential (CCCC) – initial professional credential covering \$500 for the first 60 hours.
- Child Development Associate (CDA) Credential – nationally recognized credential for early childhood professionals, signifying competency in working with young children covering \$500 for the first 60 hours.
- Pays \$1,000 total for 120 training hours through an approved training organization.

An additional \$515,000 in state fiscal year 2025 and \$726,950 in state fiscal year 2024 supported the Early Childhood Education Training Record and Information System (ECE-TRIS), the statewide professional development registry. Individuals working in regulated childcare must maintain an ECE-TRIS record to document completion of statutorily required annual training hours. \$44,000 in state fiscal year 2025 and \$39,800 in state fiscal year 2024 was spent on the Environment Rating Scale software used by the All STARs surveyors in the field. The department also utilized approximately \$4,300 in state fiscal year 2025 for materials to increase family awareness of the All STARS rating system. \$4,500 in state fiscal year 2025 was paid to the Auditor of Public Affairs for the 2024 tobacco settlement fund audit.

Provider Incentives and Quality Add-Ons

Tobacco Settlement Funds are awarded to enhance payments to providers offering specialized or expanded services.

Providers may receive:

- Up to an additional five dollars per day above the maximum rate for special care needs.
- Up to an additional ten dollars per day for nontraditional hours, including evenings, nights, or weekends.
- An additional five dollars per day, subject to available funding, for national accreditation through organizations such as the National Association for the Education of Young Children, National Early Childhood Program Accreditation, National Association for Family Child Care, or the Council on Accreditation.

In state fiscal year 2025, approximately \$1.2 million supported these quality improvement incentives compared to \$4.8 million in state fiscal year 2024.

Another \$560,000 in state fiscal year 2025 assisted with childcare rates for eligible Child Care Assistance Program participants.

Children’s Advocacy Centers

Approximately \$1.6 million in state fiscal year 2025 and \$2.3 million in state fiscal year 2024 funded per diem payments to foster parents and relative or fictive kin caregivers. The funds assist with housing, food, clothing, school supplies, personal incidentals, daily supervision and the creation of stable, supportive routines for children who cannot safely return home.

An additional \$370,800 in state fiscal year 2025 and \$174,990 in state fiscal year 2024 supported the Children’s Advocacy Centers (CACs), which provide trauma-informed, child-focused services for children and families affected by abuse. Services include:

- Forensic interviews
- Medical evaluations
- Mental health services
- Victim and family advocacy, including assistance navigating investigative and legal process, crisis support, and referrals.
- Caregiver education to strengthen a child’s healing and recovery

All services are provided at no cost in safe, child-friendly environments designed to minimize re-traumatization.

Department for Public Health

The Department for Public Health (DPH) was appropriated Tobacco Settlement Funds in the amounts of \$12,200,000 in SFY 2024 and \$10,103,300 in SFY 2025 for a total of \$22,303,300. Of this amount, \$12,634,000 was appropriated for the Health Access Nurturing Development Services (HANDS) program, \$1,600,000 for Healthy Start initiatives, \$1,600,000 for Early Childhood Mental Health, \$1,600,000 for Early Childhood Oral Health, \$1,000,000 for Lung Cancer Screening, and \$3,869,300 for Smoking Cessation.

HANDS (\$7,000,000 in SFY 24; \$5,634,000 in SFY 25)

HANDS is a voluntary home visiting program recognized nationally as an evidence-based model for home visitation services. The goals of HANDS are to support positive pregnancy outcomes, promote optimal child growth and development, ensure children live in healthy and safe homes, and encourage family self-sufficiency. Services are available in all 120 counties.

- Tobacco Settlement Funds support local implementing agencies, primarily local health departments, to enroll families in services and collect data for nineteen (19) measures

across six (6) performance benchmarks. Data is reported to the U.S. Health Resources and Services Administration which evaluates the state's performance and uses this data to identify areas for improvement, share information and generate new research, and highlight ways to strengthen early childhood systems across the country.

- **In SFY 24:**
 - 6,293 families received a total of 139,943 services.
- **In SFY 25:**
 - 6,715 families received a total of 143,261 services.
- In Federal Fiscal Year 2024 (10/1/23-9/30/24) HANDS exceeded the national average for ten (10) of the nineteen (19) performance measures. Successes include:
 - 94% performance rate for women receiving postpartum care.
 - 78% of children receive well-child health visits.
 - 94% of children have a parent or family member that reads with them daily.

Healthy Start (\$900,000 in SFY 24; \$700,000 in SFY 25)

The Tobacco Settlement Funds appropriated to DPH are passed through to the Department for Community Based Services for program implementation.

- Tobacco Settlement Funds support the Healthy Start in Child Care initiative by funding qualified, trained consultants through local health departments to provide health, safety, and nutrition expertise to childcare providers.
- Child Care Health Consultants (CCHC) work in collaboration with childcare providers across the commonwealth to deliver support and training that will increase the health and safety of children. This includes training about physical education for children, completing playground assessments, and supporting facility cleanliness.
- This year, the CCHCs launched the Better Together Learning Collaborative which offers live virtual sessions on physical education for childcare providers.

Early Childhood Mental Health (\$900,000 in SFY 24; \$700,000 SFY 25)

Tobacco Settlement Funds support both early childhood mental health specialists and early childhood consultants. The DPH receives the funding and contracts with the Department for Behavioral Health, Developmental and Intellectual Disabilities for program implementation.

- Early childhood mental health services are designed to meet the mental health needs of young children and their families. Funds support early childhood mental health specialists in fourteen (14) regional community mental health centers (CMHC). Funds in the amount of \$50,000 per year are provided to each CMHC to support a portion of the salary for one (1) full-time early childhood mental health specialist.
- Services include direct mental health support, professional development opportunities for early care and education staff, and consultation with school personnel.
 - **In SFY 24:**
 - 3,464 children received a direct mental health service.
 - 3,232 hours of care were billed to Medicaid and private insurance.
 - 2,267 early care and education staff attended 100 professional development opportunities.

- **In SFY 25:**
 - 3,125 children received a direct mental health service.
 - 3,422 hours of care were billed to Medicaid and private insurance.
 - 3,080 early care and education staff attended 134 professional development opportunities.
- Early childhood consultants provide trauma-informed, evidence-based interventions for infants, young children, and their families impacted by addiction. DPH provides \$58,000 per year to fourteen (14) CMHCs to support a portion of the salary for one (1) full-time early childhood consultant in each regional CMHC.
- These funds support direct services for pregnant or parenting women, and children, as well as consultation and connection to other services.
 - **In SFY 24:**
 - 1,166 pregnant and parenting women and 440 children received services.
 - 3,000 hours of service billed to Medicaid and private insurance.
 - **In SFY 25:**
 - 1,755 pregnant and parenting women and 562 children received services.
 - 2,472 hours of service billed to Medicaid and private insurance.

Early Childhood Oral Health (\$900,000 in SFY 24; \$700,000 in SFY 25)

Tobacco Settlement Funds are used to provide dental varnish services, including supplies, to Public Health Dental Hygiene program offered through local health departments.

- Dental varnish is a quick and effective treatment used to strengthen tooth enamel and prevent tooth decay. Dental varnishes are provided by thirty-six (36) Local Health Departments.
 - **In SFY 24:**
 - 23,365 dental varnishes provided.
 - **In SFY 25:**
 - 21,628 dental varnishes provided.
- Funds support the expansion of public health dental hygiene teams for a total of fourteen (14) teams in SFY 25.
- Funding is used to support workforce initiatives.
 - **In SFY 24:**
 - Twenty (20) training sessions for over 200 public health nurses.
 - Eight (8) recent dental school graduates received loan repayment support.
 - **In SFY 25:**
 - Trained thirty-four (34) public health nurses to complete dental screenings.
 - Ten (10) recent dental school graduates received loan repayment support.
- Sixteen (16) water systems that serve less than 3,000 customers received funding for upgrades through the Tobacco Settlement Funds.

Lung Cancer Screening (\$500,000 in SFYs 24 and 25)

In 2022, Kentucky became the first state in the nation to pass legislation creating a lung cancer screening program. Governor Beshear signed House Bill 219 establishing the program to increase lung cancer screening, reduce morbidity and mortality from lung cancer, and eventually reduce healthcare costs associated with the treatment of lung cancer. Additionally, the legislation established an advisory committee composed of stakeholders, advocates, and experts in the state to provide guidance and strategic direction for the program.

- The Lung Cancer Screening program officially launched in 2024. Tobacco Settlement Funds (\$138,040) were used to support one (1) full-time Health Program Administrator responsible for establishing the program and promoting program visibility.
- In SFY 25, Tobacco Settlement Funds supported seven (7) programs aimed at engaging local communities to address lung health and lung cancer screenings. Activities include outreach and education, training and technical assistance, and linking patients to services in their local communities.
- Community events reached approximately 23,000 individuals and over 5,000 health care providers.
- Direct funding for uninsured and underinsured Kentuckians was provided at eight (8) health care facilities.
- Over 300 health care providers and partners have participated in at least one (1) learning collaborative session on lung cancer screening quality improvement initiatives.
- Sixteen (16) health care facilities have enrolled in the QUILS quality improvement program, a nationally recognized initiative to raise lung cancer screening rates.
- Funds in the amount of \$212,050 continue to support one (1) full-time Health Program Administrator and one (1) part-time Epidemiologist.

Smoking Cessation (\$2,000,000 in SFY 24; \$1,869,300 in SFY 25)

The Tobacco Prevention and Cessation Program utilize Tobacco Settlement Funds to support a number of projects designed to help people quit smoking. The program receives requests from schools, students and communities to address youth vaping and nicotine use. Tobacco Settlement Funds support evidence-based prevention resources in schools by providing training for school staff and other community partners who can then provide the training.

- Tobacco Settlement Funds support InDepth mini-grants awarded to local health departments to implement youth vaping interventions through alternative-to-suspension programming in schools in the 2024-2025 school year.
- Funds continue to support outreach to youth and schools on vaping prevention. This work includes disseminating quit kits, strengthening youth advisory boards, providing education around the harms of flavored tobacco products, which mask the harshness of tobacco and often appeal to youth despite being as dangerous as non-flavored tobacco products, and utilizing regional college facilitators to connect with school-age youth.

- As of January 1, 2026, forty-four (44) communities have smoke-free ordinances, covering 20.9% of Kentucky's population. Notably, Louisville lost comprehensive status with the implementation of a cigar bar exemption.
- In addition, funds were used to add mindfulness training for healthcare providers to assist patients with tobacco cessation, create specialized media messaging for four (4) healthcare facilities, and launch a quarterly newsletter.
- Tobacco Settlement Funds are the sole funding source for QuitNow Kentucky tobacco quit line. Using services through a quit line like QuitNow Kentucky doubles a person's chances of being able to quit successfully and stay quit.
 - **In SFY 24:**
 - 4,500 Kentucky residents enrolled in QuitNow Kentucky.
 - **In SFY 25:**
 - 6,305 calls were made to the quit line.
 - 2,248 orders of nicotine replacement therapy were made.

Department for Behavioral Health, Developmental and Intellectual Disabilities

The Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID) was appropriated \$1,400,000 in Tobacco Settlement funds for state fiscal year 2024 and \$1,300,000 in Tobacco Settlement funds for state fiscal year 2025. Appropriations are targeted for substance use prevention and treatment for pregnant women with a history of addiction.

DBHDID also utilizes prior-year carryforward of unspent Tobacco Settlement funds, as well as a combination of General, Federal, and Restricted funds, in this effort. A partnership with the Justice and Public Safety Cabinet provides the Restricted funds for Neonatal Abstinence Syndrome (NAS) initiatives to support pregnant women.

In SFY 25, DBHDID spent a total of \$6,888,927 for program initiatives, including \$2,817,724 in Tobacco Settlement funds, \$707,498 in Federal Substance Use Disorder Block Grant funding, \$486,100 in General funds, and \$2,877,605 in NAS Restricted funds.

In SFY 24, DBHDID spent a total of \$6,131,395 for program initiatives, including \$2,807,479 in Tobacco Settlement funds, \$797,159 in Federal Substance Use Disorder Block Grant funding, \$220,000 in General funds, and \$2,326,757 in NAS Restricted funds.

Substance Abuse Prevention and Treatment for Pregnant Women (\$1,400,000 TF in SFY 24; \$1,300,000 in SFY 25)

Tobacco Settlement funds support programs that focus on providing a comprehensive continuum of care. Areas of focus include:

Prevention & Early Identification

- Screening, brief intervention, and referral to treatment.
- Addiction prevention education.
- Plan of Safe Care and overdose prevention, family planning, and education.

Treatment & Recovery Services

- Medications for opioid use disorder (MOUD).
- Outpatient and residential addiction treatment.
- Care coordination through pregnancy and postpartum.
- Recovery housing and transitional living.

Workforce & Community Infrastructure

- Provider training and consultation.
- Support services such as housing, childcare, transportation, and employment assistance.

Family & Early Childhood Supports

- Trauma-informed early childhood intervention.
- Parenting education and family stabilization services.

Structure

Programming is delivered through partnerships with community mental health centers (CMHC), not-for-profit entities, and other community partners. DBHDID provides oversight and accountability to ensure quality services and responsible use of public funds.

Partner selection criteria focuses on:

- Proven expertise in perinatal substance use prevention and treatment.
- Demonstrated outcomes and evidence-based practices.
- Capacity to serve high-risk populations statewide.
- Strong compliance and performance history.
- Community mental health centers serve as the statewide safety net due to mandated coverage and infrastructure to serve all Kentuckians.

DBHDID provides regular oversight and accountability through:

- Regular performance and fiscal monitoring.
- Designated staff assigned for contract monitoring.
- Ongoing technical assistance.
- Ensuring that all partners are in good standing.

Outcomes

Investing in prevention, treatment, and family-centered recovery improves outcomes while reducing long-term public system costs.

Health and Cost Impact

- \$21,000–\$46,000 estimated lifetime savings per treated mother–infant pair.
- Reduced neonatal intensive care unit (NICU) stays and maternal complications.
- Lower child welfare and criminal justice involvement.

Strong Economic Returns

- Treatment benefit-to-cost ratios range from up to 10:1.
- Prevention strategies yield even higher long-term savings.

System-Level Benefits

- Reduced Medicaid expenditures.
- Improved maternal and infant health outcomes.
- Stronger family stability and workforce participation.