

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 589

(Senator Bailey, *et al.*)

Budget and Taxation

Environment and Transportation

**Tri-County Council for Southern Maryland - Southern Maryland Agricultural
 Development Commission - Funding**

This bill permanently extends a requirement beyond fiscal 2025 that the Governor include funding in the annual budget bill to the Tri-County Council for Southern Maryland (TCC) from the Cigarette Restitution Fund (CRF). The bill also increases the required annual appropriation from \$900,000 to \$1.0 million and authorizes, but does not require, the Governor to include in the annual budget bill an appropriation to TCC from CRF equal to 5% of the amount allocated to the State for that fiscal year under the cigarette Master Settlement Agreement (MSA). Other requirements related to the amount and use of the funds remain unchanged: (1) the appropriation must be in addition to, and may not supplant, any funding appropriated to TCC; and (2) TCC must use the funds for the activities of the Southern Maryland Agricultural Development Commission (SMADC). **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: Special fund expenditures for TCC increase by up to \$1.0 million annually beginning in FY 2026 due to the mandated appropriation, and potentially increase by an additional \$6.6 million annually beginning in FY 2026 due to discretionary funding. General fund expenditures potentially increase, by as much as \$7.6 million annually, beginning in FY 2026 to backfill funding for other CRF-supported programs. Revenues are not affected. **This bill permanently extends and increases a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	-	-	-	-
SF Expenditure	0	1.0	1.0	1.0	1.0
Net Effect	\$0.0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: No direct effect on local governmental operations or finances as TCC is a quasi-governmental entity; however, local governments currently receive funding under CRF that may be reallocated/backfilled under the bill.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Chapter 187 of 2022 required the Governor to include in the annual budget bill an appropriation of \$900,000 in fiscal 2024 and 2025 to TCC from CRF. The appropriation must be in addition to, and may not supplant, any funding appropriated to TCC. TCC must use the funds for the activities of SMADC. The budget bill must contain a separate section that includes the appropriation for TCC, and the budget books must contain a budget presentation that provides an overview of the proposed expenditures for TCC, including proposed expenditures for SMADC. The Act terminates June 30, 2025.

Tri-County Council for Southern Maryland – Generally

[TCC](#) is a cooperative planning and development unit for Calvert, Charles, and St. Mary's counties. The council initiates and coordinates plans and projects for the development of human and economic resources of the region as a Southern Maryland planning and development unit. Activities of TCC include research, information management, and the preparation of a regional plan. All of the activities of TCC are designed to assist federal, State, and county governments in better performing their respective duties.

TCC receives a combination of federal, State, and local funding. Calvert, Charles, and St. Mary's counties must each appropriate \$125,000 annually to the council to foster cooperative planning and development in the region.

Southern Maryland Agricultural Development Commission

[SMADC](#) is a division of TCC and was convened by TCC in 2000, when the State instituted a voluntary tobacco buy-out program to transition farms out of tobacco production. The commission has assisted farmers in transitioning from tobacco production to alternative crops and agricultural enterprises and works to promote local farm products.

TCC operates its agricultural programs through SMADC, which works with the council to develop programs to stabilize the region's agricultural economy as Maryland farmers transition away from tobacco production. Funds from CRF are appropriated annually to the Maryland Department of Agriculture, which then issues grants to TCC.

Cigarette Restitution Fund

Chapters 172 and 173 of 1999 established CRF, which is supported by payments made under the cigarette MSA. Through the agreement, settling tobacco manufacturers pay the litigating parties – 46 states, 5 territories, and the District of Columbia – substantial annual payments in perpetuity. The use of CRF funds is restricted by statute. For example, at least 30% of the annual appropriation must be used for Medicaid. More specific to this bill (1) CRF must be used to fund the activities of SMADC and (2) CRF must fund the implementation of the Southern Maryland Regional Strategy-Action Plan for Agriculture adopted by TCC with an emphasis on alternative crop uses for agricultural land now used for growing tobacco.

State Expenditures: Under current law, the Governor is not obligated to continue funding TCC or SMADC from CRF at a specific amount beyond fiscal 2025. The bill’s mandated appropriation ensures a minimum level of annual CRF funding, at a slightly enhanced level of \$1.0 million, beginning in fiscal 2026.

The bill also authorizes, but does not require, the Governor to include in the annual budget bill an appropriation to TCC from CRF equal to 5% of the amount allocated to the State for that fiscal year under the cigarette MSA. This provision is assumed to affect funding allocations beginning in fiscal 2026, at which point CRF is projected to have minimal or no fund balance. The [fiscal 2025 cigarette MSA allocation](#) to the State is \$133 million, as was the fiscal 2024 allocation; 5% of that amount is \$6.6 million. This estimate assumes general funds are provided to backfill any such additional funding provided to TCC.

Accordingly, to the extent that CRF funding would otherwise not be provided, or a lesser amount would be provided absent the bill, special fund expenditures for TCC increase by up to \$1.0 million annually beginning in fiscal 2026 due to the extension and enhancement of the current mandate. Special fund expenditures for TCC may further increase by approximately \$6.6 million annually beginning in fiscal 2026 if the Governor provides the discretionary 5% funding to TCC. General fund expenditures increase correspondingly (by as much as \$7.6 million) to backfill funding for other CRF-supported programs.

Small Business Effect: Small businesses that are farms in Southern Maryland may benefit from the ensured continuation, and potential enhancement, of SMADC’s programs beginning in fiscal 2026. SMADC provides support, grants, and marketing and promotion to area farmers.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 812 (Delegate J. Long, *et al.*) - Environment and Transportation.

Information Source(s): Maryland Department of Agriculture; Office of the Attorney General; Comptroller's Office; Department of Commerce; Charles and St. Mary's counties; Department of Legislative Services.

Fiscal Note History: First Reader - February 13, 2024
km/ljm Third Reader - March 15, 2024

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510