



Maryland

**DEPARTMENT OF BUDGET
AND MANAGEMENT**

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HOUSE BILL 732 Electronic Smoking Devices, Other Tobacco Products, and Cigarettes – Taxation and Regulation (Luedtke and Pena-Melnyk)

STATEMENT OF INFORMATION

DATE: February 18, 2020

COMMITTEE: House Ways & Means Committee and House Economic Matters Committee

SUMMARY OF BILL: HB 732 increases the statutory allocation in the Cigarette Restitution Fund for tobacco use prevention and cessation activities from \$10 million to \$21 million; and increases the cigarette tax from \$2 to \$4 per pack and applies the tax to electronic smoking devices.

EXPLANATION: The Cigarette Restitution Fund (CRF) annual appropriations are limited by funds received in each fiscal year related to the tobacco settlement. At least 50% of the appropriations must be for:

- The reduction of tobacco use by minors;
- Implementation of the agriculture plan adopted by the Tri-County Council for Southern Maryland;
- Public and school education campaigns to decrease tobacco use;
- Smoking cessation programs;
- Enforcement of laws regarding tobacco sales;
- Support for programs that expand access to health care for the uninsured;
- Primary health care in rural areas and those targeted by tobacco companies;
- Prevention, treatment, and research, including capital projects, concerning cancer, heart disease, lung disease, and tobacco use and control; and
- Abuse treatment and prevention programs.

Thirty percent of appropriations funded by the CRF must be for the Medicaid program. The remainder of the CRF may be appropriated for any public purpose.

FY 2021 funding for activities as outlined in Title 13, Subtitle 10 of the Health-General Article meet the annual \$10 million in existing law through the combination of \$7.7 million for tobacco use and cessation, \$2.0 million for tobacco enforcement, and \$900,000 for anti-tobacco marketing, totaling \$10.8 million. Because the funds for each fiscal year are capped, and because the appropriations toward Medicaid already approach the mandated 30%, any increase in mandated tobacco cessation programs through the CRF would have to be offset by reductions in CRF funding to other programs. The other programs that could see a reduction primarily include alcohol and drug abuse programs in Behavioral Health, cancer treatment and prevention programs in Prevention and Disease Control, and aid to education.

Any such reduction in CRF funding to those programs would require a General Fund offset or a reduction of services. Any revenue raised by the proposed taxes on tobacco products would not flow into or through the CRF and thus further action must be taken in order to use those funds to offset the increased mandate.

As shown below, any additional General Fund revenues will first go toward reducing the \$701 million budget deficit forecast for FY 2022.

General Fund Budget Outlook
Fiscal 2022 - 2025

	Est. 2022	Est. 2023	Est. 2024	Est. 2025
Cash Balance	-\$833	-\$1,135	-\$1,201	-\$1,298
Structural Balance	-\$701	-\$905	-\$984	-\$1,071

Department of Legislative Services, January 2020 Fiscal Briefing

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