
Cigarette Restitution Fund Fiscal 2002 Budget Overview

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Executive Summary

During the 2000 legislative session, the new tobacco settlement funds presented the General Assembly with both unprecedented opportunities and dilemmas. The end result was a budget forged by intense debate over the most appropriate use of funds. While the fiscal 2001 budget provides a framework for the upcoming budget decisions, there are many unresolved issues that will likely dominate discussions over the legislative session. The primary issues are as follows:

- **Spending Priorities:** The fiscal 2002 allowance follows many of the spending priorities established in the fiscal 2001 budget. The General Assembly always has the option of asserting other spending priorities.
- **Planning for the 25% in Escrow in Fiscal 2001:** Until the outside attorney fee dispute is resolved, 25% of all tobacco settlement payments are being held in escrow. Since the fiscal 2001 budget was based on the assumption that attorney fees were only 6.25%, full funding for the appropriation is not available. As a result, funds are oversubscribed by almost \$13 million. Although the Governor has discretion in where to hold funds, the General Assembly may want to voice its own priorities.
- **Planning for the 25% in Escrow in Fiscal 2002:** While the Governor has only planned for attorney fees of about 9% in the allowance, there is contingency language in the budget in case the 25% in escrow is not released. The language restricts \$19 million in health programs, \$3.6 million in school wiring, and \$4.2 million in higher education. The General Assembly may want to consider outlining its own plan to restrict budgeted funds.
- **Implementation of New Tobacco and Cancer Control Programs:** The Cigarette Restitution Fund (CRF) supported the establishment of many new programs in the health, agriculture, and education arenas. There will likely be close scrutiny to ensure that the programs comply with legislative intent, particularly the tobacco and cancer programs mandated by SB 896/HB 1425.
- **Crop Conversion:** The CRF supported the establishment of a crop conversion program. There will probably be debate on whether the funds budgeted for this purpose should be used for revenue bonds and whether the current level of funding is sufficient to support the buy-out program.
- **Nonpublic School Textbooks:** Although fiscal 2001 funding was billed as a one-time only grant, the fiscal 2002 allowance contains \$8 million for nonpublic school textbooks. There will likely be discussion on whether this funding should continue.

History of the Cigarette Restitution Fund

The Master Settlement Agreement was a watershed in the long history of tobacco litigation. On November 23, 1998, five major tobacco companies agreed to settle all outstanding litigation with 46 states, 5 territories, and the District of Columbia. Under this unprecedented agreement, the settling manufacturers will pay the litigating parties approximately \$206 billion over the next 25 years and beyond, as well as conform to a plethora of restrictions on marketing to youth and the general public.

In anticipation of receiving tobacco settlement monies, the General Assembly established the CRF in Chapter 173, Acts of 1999. The statute directs the Governor to propose a budget with at least 50% of funds allocated to the nine health- and tobacco-related priorities listed in **Exhibit 1**. The Governor's fiscal 2002 proposal meets this requirement, with \$100 million, or 65%, of the settlement funds allocated to health- and tobacco-related programs.

Exhibit 1

Spending Priorities in the Cigarette Restitution Act

1. Reduction in tobacco use by youth
2. Tobacco control campaigns in schools
3. Smoking cessation programs
4. Enforcement of tobacco sales restrictions
5. Primary health care in rural areas
6. Programs concerning cancer, heart disease, lung disease, and tobacco control
7. Substance abuse treatment/prevention
8. Maryland Health Care Foundation
9. Crop conversion

Source: Chapter 173, Acts of 1999

Overview of the Governor's CRF Proposal

Impact of Attorney Fee Issue on Budget Decisions

Making decisions about the Governor's proposed budget would be easier if the attorney fee issue could be resolved. Until there is resolution, 25% of tobacco settlement payments are being held in escrow. Thus, there are fewer funds available for health, crop conversion, and education programs.

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Originally, it was expected that the case would be heard by the Circuit Court for Baltimore City in January 2001. Therefore, there was some hope that legislators could have the court decision in hand before voting on the budget. However, this hope has faded because of a dispute over where the case will be heard.

This past year, the circuit court ruled that the Board of Contract Appeals had jurisdiction over the case. In response, the Office of the Attorney General requested that the Court of Appeals make a final ruling on where the case is to be heard. In November 2000, the Court of Appeals agreed to hear oral arguments concerning the case's appropriate jurisdiction in March 2001. Once the court has made its decision, either the circuit court or the Board of Contract Appeals will hold a hearing on the merits of the case.

In the meantime, the Attorney General is preparing to go before the arbitration panel, which was established by the Master Settlement Agreement. The panel decides how much an outside attorney should be paid from a separate fund under the agreement. However, the arbitration panel may not be willing to make this decision yet, since the outside attorney has not agreed to this avenue of payment.

Fiscal 2001 Working Appropriation

It is important to look back to the fiscal 2001 working appropriation because it is the basis for the fiscal 2002 allowance. As shown in **Exhibit 2**, the Governor has adjusted the legislative appropriation since last session. The three adjustments in fiscal 2001 are as follows:

- **Availability of Teachers Retirement Funds:** With the enactment of Chapter 493, Acts of 2000, the General Assembly established the Teachers Salary Challenge, a program which can be funded by a mix of general funds, teachers retirement funds, and CRF. Since more funding was available from the teachers retirement fund than originally anticipated, the Governor reduced CRF by \$6.1 million.
- **Adjustment for Funds Held in Escrow:** The fiscal 2001 budget assumes that attorney fees will only be 6.25%. Since 25% of payments are being held in escrow until the matter is resolved, there is not sufficient funding for the legislative appropriation. At first, the Governor addressed the projected \$12.6 million shortfall by restricting funds for the statewide academic health centers under the cancer program, the Maryland Applied Information Technology Initiative (MAITI), and the digital library. However, it is anticipated that those funds will be released. The new proposal is to restrict \$1.4 million in school wiring and expect that \$11.2 million will be reverted from other programs. Some of the reverted funds will likely come from the tobacco and cancer programs because they are experiencing implementation delays.
- **Attorney General:** The Governor has requested a deficiency appropriation of \$0.4 million to cover outside counsel for the Angelos case.

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Exhibit 2

**Cigarette Restitution Fund
Adjustments to the Fiscal 2001 Appropriation
(\$ in Millions)**

	FY 01 Legislative Appropriation	FY 01 Working Appropriation	Change Difference
Revenues without the 25% held in Escrow			
Fund Balance	\$39.4	\$39.4	\$0.0
Payments, Interest, and Tax Refund	106.1	106.1	0.0
Total Available Revenue	\$145.5	\$145.5	\$0.0
Expenses			
Health/Tobacco			
Medicaid	\$24.6	\$24.6	\$0.0
Tobacco	18.1	18.1	0.0
Cancer	30.8	30.8	0.0
Substance Abuse	18.5	18.5	0.0
Maryland Health Care Foundation	1.5	1.5	0.0
Crop Conversion	9.0	9.0	0.0
Subtotal Health/Tobacco	\$102.5	\$102.5	\$0.0
Education (K-12)			
Teachers Salaries	\$13.0	\$6.9	(\$6.1)
Baltimore City Partnership	8.0	8.0	0.0
Academic Intervention	11.6	11.6	0.0
Academic Intervention -- Headquarters	0.4	0.4	0.0
Aid to Nonpublic Schools	6.0	6.0	0.0
Judy Hoyer Center	4.0	4.0	0.0
School Wiring	1.4	1.4	0.0
Educational Modernization	2.5	2.5	0.0
Teacher Mentoring	2.5	2.5	0.0
Teacher Certification	2.0	2.0	0.0
Technology Academy	1.7	1.7	0.0
School Readiness and Accreditation	3.0	3.0	0.0
Subtotal Education (K-12)	\$56.1	\$50.0	(\$6.1)
Higher Education			
MAITI Technology	\$3.7	\$3.7	\$0.0
Access/Success	1.0	1.0	0.0
Digital Library	0.5	0.5	0.0
Subtotal Higher Education	\$5.2	\$5.2	\$0.0
Attorney General's Office		\$0.4	\$0.4
Withheld School Wiring Funds		(\$1.4)	(1.4)
Unallocated Reverted/Withheld Funds		(\$11.2)	(11.2)
Total Expenses	\$163.8	\$145.5	(\$18.3)
Fund Balance	(\$18.3)	\$0.0	\$0.0

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<u>FY 01 Legislative Appropriation</u>	<u>FY 01 Working Appropriation</u>	<u>Change Difference</u>
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Source: Department of Budget and Management

Fiscal 2002 Allowance

Although Exhibit 2 includes the allowance, it does not show a complete picture of fiscal 2002. To understand the full implications of the allowance, each step of the budgeting process must be examined.

- **Baseline Spending Priorities:** The fiscal 2001 budget is the starting point for the fiscal 2002 base budget. Most programs are either level-funded or include funds to annualize a full year's cost as demonstrated in **Exhibit 3**. The notable exceptions are as follows:
 - There is no funding for teachers salaries because of the availability of teachers retirement funds;
 - There is \$8 million for nonpublic schools textbooks. It was expected that the \$6 million in fiscal 2001 was one-time-only funding;
 - The crop conversion program was reduced from \$9 million to \$6.3 million because of Joint Chairmen's narrative that requested funding be 5% of available revenue. Less revenue is available because of the funds in escrow; and
 - As expected, there is no funding for a Medicaid deficiency.
- **Allowance:** The allowance is the same as the base budget with one difference, as shown in **Exhibit 4**. The Governor assumes that the tobacco and cancer programs will not spend \$2.8 million because of implementation delays. Therefore, the Governor has reduced the Department of Health and Mental Hygiene's (DHMH) appropriation for the cancer program, although DHMH may choose to reallocate some of the reduction to the tobacco program. It is likely that the reductions will be made in grants to local jurisdictions, tobacco countermarketing, surveillance, or administrative expenses.
- **Anticipated Working Appropriation:** With 25% of the tobacco payments in escrow, there may not be enough funding to support the fiscal 2002 allowance, which was built on the assumption of about 9% in outside attorney fees. To prepare for this possibility, the proposed budget bill contains language that makes portions of the appropriation contingent on the availability of funds, including about \$19 million in DHMH, \$3.6 million in public education, and \$4.2 million in higher education. Although it is not written into the contingency language, it is clear that the Governor has plans on how to allocate the withheld funds among programs in each budget code.

Asserting Legislative Priorities for CRF in Fiscal 2001 and 2002

Although the legislature is constitutionally prohibited from increasing an appropriation, the General Assembly can assert its spending priorities through several types of budget bill language. The following

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outlines the General Assembly's options.

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Exhibit 3

**Comparison of Fiscal 2001 and 2002
(\$ in Millions)**

	FY 01 Working <u>Appropriation</u>	FY 02 <u>Allowance</u>	<u>Change Difference</u>
Expenses			
Health/Tobacco			
Medicaid	\$24.6	\$0.0	\$(24.6)
Tobacco	18.1	30.7	12.6
Cancer	30.8	43.0	12.2
Substance Abuse	18.5	18.5	0.0
Maryland Health Care Foundation	1.5	1.5	0.0
Crop Conversion	9.0	6.3	<u>(2.7)</u>
Subtotal Health/Tobacco	\$102.5	\$100.0	\$(2.5)
Education (K-12)			
Teachers Salaries	\$6.9	\$0.0	\$(6.9)
Baltimore City Partnership	8.0	3.2	(4.8)
Academic Intervention	11.6	19.1	7.5
Academic Intervention -- Headquarters	0.4	0.4	0.0
Aid to Nonpublic Schools	6.0	8.0	2.0
Judy Hoyer Center	4.0	4.0	0.0
School Wiring	1.4	3.6	2.2
Educational Modernization	2.5	0.0	(2.5)
Teacher Mentoring	2.5	2.5	0.0
Teacher Certification	2.0	2.0	0.0
Technology Academy	1.7	1.7	0.0
School Readiness and Accreditation	3.0	3.0	0.0
Subtotal Education (K-12)	\$50.0	\$47.5	\$(2.5)
Higher Education			
MAITI Technology	\$3.7	\$3.7	\$0.0
Access/Success	1.0	1.0	0.0
Digital Library	0.5	0.5	0.0
Subtotal Higher Education	\$5.2	\$5.2	\$0.0
Attorney General's Office	\$0.4	\$0.2	\$(0.2)
Total Expenses	\$158.1	\$152.9	\$(5.2)

Source: Department of Budget and Management

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Exhibit 4

**Cigarette Restitution Fund
Fiscal 2002 Allowance
(\$ in Millions)**

	<u>FY 02</u> <u>Base</u>	<u>FY 02</u> <u>Anticipated</u> <u>Reversions</u>	<u>FY 02</u> <u>Allowance</u>	<u>FY 02</u> <u>Contingent</u> <u>Funds</u>	<u>FY 02</u> <u>Anticipated</u> <u>Working</u> <u>Approp.</u>
Revenues without the 25% held in Escrow					
Fund Balance	\$0.0		\$0.0		\$0.0
Payments, Interest, and Tax Refund	125.8		125.8		125.8
Total Available Revenue	\$125.8		\$125.8		\$125.8
Expenses					
Health/Tobacco					
Medicaid	\$0.0		\$0.0		\$0.0
Tobacco	30.7		30.7	(10.7)	20.0
Cancer	45.8	(\$2.8)	43.0	(8.0)	35.0
Substance Abuse	18.5		18.5		18.5
Maryland Health Care Foundation	1.5		1.5	(0.5)	1.0
Crop Conversion	6.3		6.3		6.3
Subtotal Health/Tobacco	\$102.8		\$100.0		\$80.8
Education (K-12)					
Teachers Salaries	\$0.0		\$0.0		\$0.0
Baltimore City Partnership	3.2		3.2		3.2
Academic Intervention	19.1		19.1		19.1
Academic Intervention -- Headquarters	0.4		0.4		0.4
Aid to Nonpublic Schools	8.0		8.0		8.0
Judy Hoyer Center	4.0		4.0		4.0
School Wiring	3.6		3.6	(\$3.6)	0.0
Educational Modernization	0.0		0.0		0.0
Teacher Mentoring	2.5		2.5		2.5
Teacher Certification	2.0		2.0		2.0
Technology Academy	1.7		1.7		1.7
School Readiness and Accreditation	3.0		3.0		3.0
Subtotal Education (K-12)	\$47.5		\$47.5		\$43.9
Higher Education					
MAITI Technology	\$3.7		\$3.7	(\$3.7)	\$0.0
Access/Success	1.0		1.0		1.0
Digital Library	0.5		0.5	(0.5)	0.0
Subtotal Higher Education	\$5.2		\$5.2		\$1.0
Attorney General's Office	\$0.2		\$0.2		\$0.2
Total Expenses	\$155.7	(\$2.8)	\$152.9	(\$27.0)	\$125.9
Fund Balance	(\$29.9)		(\$27.0)		\$0.0

Source: Department of Budget and Management

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Fiscal 2001

Since the budget bill for fiscal 2001 has already been enacted, the Governor has discretion on where to withhold approximately \$12.6 million in CRF. **However, the General Assembly could place intent language that outlines legislative priorities for fiscal 2001 in the fiscal 2002 budget bill.**

Fiscal 2002

The General Assembly may want to influence how funds are allocated in fiscal 2002. There are three portions of the appropriation that could be redirected: (1) base funding; (2) the reversion of \$2.75 million that has already been taken out of the cancer program's allowance; or (3) the \$27 million that the Governor plans to withhold because of the funds in escrow. The legislature has the following options to assert its own priorities:

- The General Assembly could reduce a program's appropriation. If the General Assembly would like the funds to be spent on another program, they could request the Governor to add funds in a supplemental budget.
- The General Assembly could authorize the transfer of CRF from one budget code to another budget code. This is within Constitutional limits because the General Assembly is not actually mandating an increase in an appropriation.
- The General Assembly could change the distribution of funding within a budget code. For example, funding for the cancer program, tobacco program, and the Maryland Health Care Foundation is in one lump sum in the budget bill under the Community and Public Health Administration (CPHA). This means that the General Assembly could add language which directs how this lump sum is distributed. In this way, legislators could alter the Governor's proposal for allocated base funding, anticipated reversions, and withheld funds for any program in CPHA.

Tobacco Use Prevention and Cessation Program

The Tobacco Use Prevention and Cessation Program was established by SB 896/HB 1425 during the 2000 legislative session. As shown in **Exhibit 5**, all funds are budgeted under CPHA of the Department of Health and Mental Hygiene (DHMH). Although a large portion of these funds will be disbursed to local jurisdictions, DHMH retains responsibility for overseeing the program.

Statute mandates the structure of the program, the formula for distributing funding to jurisdictions, the process for awarding funds, and reporting requirements. This program is to operate in conjunction with the tobacco control program that existed prior to the legislation. The previous program, supported by a mix of general and federal funds, built the infrastructure for the new expanded program. Funds for the previous program are not reduced because the Cigarette Restitution Act mandates that CRF not supplant existing funds.

Exhibit 5

**Funding of Tobacco Control Programs in Fiscal 2002
(\$ in Millions)**

	<u>FY 2001 Budget</u>	<u>FY 2002 Allowance</u>	<u>FY 2002 Withheld Funds</u>
Tobacco Use Prevention and Cessation			
Surveillance and Evaluation	\$3.0	\$2.6	
Local Public Health	7.0	14.0	(4.8)
Statewide Public Health	2.3	2.9	
Countermarketing	5.0	10.0	(5.5)
Administration	<u>0.8</u>	<u>1.2</u>	<u>(0.4)</u>
Total	\$18.1	\$30.7	(\$10.7)
Previously Existing Tobacco Control Programs¹	\$2.3	\$2.5	

¹Previously existing programs are funded by a mix of general and federal funds. In fiscal 2002 general funds decrease by \$0.2 million and federal funds increase by \$0.4 million.

Source: Department of Health and Mental Hygiene

The program is comprised of five components: (1) surveillance and evaluation; (2) local public health; (3) statewide public health; (4) countermarketing; and (5) administration. In fiscal 2001 the total funding of \$18.1 million was below the estimated annual program cost of \$30 million because of an expected delay in implementation. The legislation required the department to complete a baseline study before most programmatic funds were spent.

Although the allowance contains the full annual amount of \$30 million for the program, some funds may not be available because they are contingent upon release of settlement payments in escrow. Exhibit 5 demonstrates that DHMH expects to withhold most funds in the local public health and countermarketing areas. Since the contingency language in the budget bill does not specify where funds should be withheld, funds could be withheld from other tobacco program components and CRF programs under CPHA.

As mentioned previously, the legislature could always use budget bill language to direct the allocation of funds if its spending priorities are different. To allow the legislature to make an informed decision, DHMH should comment on three issues:

- **if implementation delays will result in a reversion in fiscal 2001, given that the Governor may be planning to use such a reversion to make-up for the shortfall in available funds;**
- **if there will be implementation delays in fiscal 2002, regardless of funding issues. If these delays will occur, the program will not need full funding; and**

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- **if the program can be fully implemented in fiscal 2002, how will the withholding of funds effect its progress.**

Surveillance and Evaluation Component

Under the surveillance and evaluation component, DHMH is responsible for determining tobacco use trends and measuring the effectiveness of all activities under the program.

Baseline Data/Annual Surveys

DHMH was required to submit a baseline study to the General Assembly by January 2001, but problems in analyzing data have delayed the report. However, DHMH expects to release the report in February. The report will be used for the following two purposes:

- **Long-term Surveillance:** Future tobacco use rates will be compared to baseline data to determine the impact of the program; and
- **Distribution of Local Public Health Funds:** To distribute funds to jurisdictions under the local public health component, data is needed for the statutory formula.

To collect baseline data, DHMH used two survey instruments: (1) the Adult Tobacco Survey; and (2) the Youth Tobacco Survey. Under the Adult Tobacco Survey, a contractor collected telephone data from about 15,000 adults. Administered by the Maryland State Department of Education, the Youth Tobacco Survey was a written questionnaire filled out by about 53,000 students. To conduct both surveys in the early part of fiscal 2001, DHMH had to overcome many administrative obstacles.

DHMH will continue to collect annual data, as required by statute. For adult data, DHMH plans to use the Adult Tobacco Survey because it will allow for comparisons to past Maryland surveys and similar surveys in other states. However, youth data will be collected by different surveys in alternating years, which is permitted by statute. After using the Youth Tobacco Survey for baseline data in fiscal 2001, DHMH plans to use the Maryland Adolescent Survey in fiscal 2002. The survey, which has been conducted in Maryland schools for a number of years, collects information on tobacco use as well as other high-risk activities, such as alcohol consumption.

DHMH plans to use the baseline data collected in fiscal 2001 as the basis for allocating funds to local jurisdictions in fiscal 2001 and in following years. By not using the more recent data in future years, DHMH's allocations will not reflect changes in tobacco use rates. **DLS recommends DHMH explain why funding allocations will not be based on the most recent data.**

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Evaluation

Once the Tobacco Use Prevention and Cessation Program is more fully implemented, DHMH is responsible for assessing the effectiveness of individual projects. To fulfill this requirement, the department plans to issue a request for proposals to outside contractors. This arrangement makes sense because the tobacco control program, prior to legislation, did not have a strong evaluation component. Rather than creating a new infrastructure, it may be quicker and more effective for an outside contractor to perform this function.

The legislation requires both the tobacco and cancer programs to conduct an overall evaluation of CRF programs and report to the General Assembly in fiscal 2004. Although this evaluation is three years away, DHMH is planning ahead by allocating \$150,000 for this purpose in fiscal 2002. Starting early will allow DHMH to build a system to collect the data that it will need for the overall evaluation. At this time, DHMH is not able to estimate the cost of the overall evaluation in future fiscal years.

Another tool for evaluation will be the department's annual Managing for Results Plan (MFR). As required by the 2000 *Joint Chairmen's Report*, DHMH submitted a MFR for fiscal 2001 with short and long-term goals. This plan was followed by an updated one in the fiscal 2002 budget request. Both plans laid out clear goals and objectives for each component of the program. However, at this point, most of the goals are merely guesses. Without more experience in the program, it is difficult to estimate its annual impact. However, there are recent national studies, such as the one in California, which suggest that comprehensive tobacco control programs do have an impact.

Local Public Health Component

The purpose of the local public health component is to fund the tobacco control activities of local communities. To receive funds, local jurisdictions must form coalitions that will develop and implement a tobacco-control plan. These coalitions are to be inclusive of every population in the area, particularly those groups targeted by the tobacco industry. Coordinated by the local health department, the coalitions must develop a comprehensive spending plan for CRF that reflects the *CDC's Best Practices Guide*. CDC emphasized that local activities must include education, cessation, and enforcement of tobacco restrictions. Unless they can justify an alternative plan, DHMH has directed local coalitions to allocate their funds as follows: 43% for community education, 32% for school-based programs, 14% for cessation, and 11% for enforcement.

The distribution of funding to local jurisdictions is to be determined by a formula as mandated in statute. One-half of the available funding will be distributed according to the portion of minors who use tobacco in each jurisdiction, as compared to the total number of minors who use tobacco in the State. The other half of the funds will be distributed according to the portion of individuals who use tobacco in each jurisdiction, as compared to the total number of individuals who use tobacco in the State.

DHMH received funds from the American Legacy Foundation in fiscal 2001 to bolster youth participation in coalitions. The American Legacy Foundation was established and funded by the Master Settlement Agreement. DHMH may receive more funds from the foundation in fiscal 2002.

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Appendix 1 contains the proposed distribution of funding to local jurisdictions. DHMH expects that it will receive most coalitions' applications during this month of February. This means that the bulk of fiscal 2001 funds will be distributed by mid-spring. With such a late start, some coalitions will undoubtedly return funds.

Statewide Public Health Component

Overview

Under the statewide public health component, DHMH is required to implement projects that have a broad impact. DHMH has proposed the following allocation for \$2.9 million in fiscal 2002:

- **Ensuring African American Representation on Community Coalitions (\$1.5 Million):** Through a consultant, examine if both tobacco and cancer control coalitions and their plans are inclusive of the African American community;
- **Statewide Enforcement(\$500,000):** Support activities that enforce restrictions on tobacco use by youth;
- **Telephone Quitline (\$350,000):** Fund a 1-800 number that provides information to people who want to quit using tobacco;
- **University of Maryland School of Law (\$350,000):** Provide legal assistance to local coalitions on tobacco control issues; and
- **Smoke-free Work Environments (\$150,000):** Fund the Maryland Occupational Safety and Health Administration to enforce policies on smoking in the workplace.

African American Participation

There should be more discussion on the spending plan for the evaluation of African American participation in tobacco and cancer control. The original plan for the \$1.5 million appropriation in fiscal 2001 was to increase African American participation during the start-up phase of the community coalitions. However, most coalitions will be well-established before any funds are spent. Therefore, DHMH has shifted the fiscal 2001 and 2002 focus to determining if coalitions and their plans are representative. **DHMH should address the following two issues: (1) the reasons for the delay in using fiscal 2001 funds; and (2) why DHMH needs the same level of funding in fiscal 2002, given that fiscal 2001 funds may be sufficient to cover the up-front costs of the evaluation.**

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Enforcement of Restrictions on Youth Tobacco Use

There should also be some dialogue about how DHMH uses funds to support enforcement activities in both the local and statewide public health components. These activities are necessary for another part of DHMH, the Alcohol and Drug Abuse Administration (ADAA), to maintain federal block grant funding. A federal regulation, known as the Synar Amendment, requires ADAA to meet certain targets in reducing the number of retailers who will sell to youth. While ADAA can conduct false-buys with youth, it does not have the legal authority to enforce sanctions. Only law enforcement agencies can fine retailers who violate restrictions on tobacco sales. However, law enforcement usually directs their resources to more serious crimes.

The tobacco control program and ADAA share similar enforcement goals. Therefore, it makes sense for them to work together to help ADAA meet the requirements of the Synar Amendment. Therefore, the General Assembly should consider budget bill language that directs the department to address ADAA's needs in the tobacco enforcement program.

Countermarketing Component

The purpose of the countermarketing component is to counteract the influence of the tobacco industry's advertising campaigns. Given that the tobacco industry targets certain groups with advertising, the countermarketing component is mandated to ensure that its efforts reach these targeted groups. DHMH was supposed to report on its countermarketing plan by January 2001, but the report was delayed because the department was focused on the baseline study.

Statute also directs DHMH to save money by using materials developed by other states and organizations, if feasible. Before this is done, the department plans to test any materials to ensure that they are appropriate. However, DHMH may be restricted from using other state's materials if the executive branch requires all anti-tobacco advertisements to bear the Governor and Lieutenant Governor's names. Many states will not approve the use of their names because the anti-tobacco advertisement may be perceived as a political endorsement.

The General Assembly may want to consider budget bill language that directs DHMH to use appropriate media materials from other states, even if it means not including the names of the Governor and Lieutenant Governor on the material. This language would allow DHMH to save money by fully utilizing appropriate materials developed by other states.

Administration Component

The administration component is the infrastructure of the Tobacco Use Prevention and Cessation Program. The component includes funds for 11 program staff and 9.5 administrative staff. Many of the positions remain vacant because the existing program staff have been focused on completing the baseline. The administration expects to fill most positions in fiscal 2002.

Cancer Prevention, Education, Screening, and Treatment Program

Along with the Tobacco Use Prevention and Cessation Program, the Cancer Prevention, Education, Screening, and Treatment Program was established by SB 896/HB 1425 during the 2000 legislative session. Although a significant portion of the funds are to be distributed to local jurisdictions and statewide academic health centers, DHMH retains ultimate responsibility for the program since all funds are budgeted under CPHA.

Like the tobacco control program, statute mandates the structure of the cancer control program, the formula for distributing funding to jurisdictions, the process for awarding funds, and reporting requirements. This program will be adjacent to existing cancer control programs, including: (1) the Maryland Cancer Registry; (2) the State Cancer Council; (3) the Breast and Cervical Cancer Screening Program; and (4) the Breast and Cervical Cancer Treatment Program. The general and federal funds that support these programs should not be supplanted by CRF, as stipulated in the legislation.

Following the guidance of the legislation, DHMH selected targeted cancers by determining which cancers could be detected and treated effectively. Using these criteria, the department has decided to focus on lung and bronchus, colorectal, breast, prostate, oral, melanoma, and cervical cancers.

The program is comprised of five components: (1) surveillance and evaluation; (2) local public health; (3) statewide public health; (4) statewide academic health centers; and (5) administration. In fiscal 2001 the total funding of \$30.8 million was below the estimated annual program cost because of an expected delay in implementation. The legislation required the department to complete a baseline study before most programmatic funds were spent.

Although the allowance contains the full annual amount for the program, some funds may not be available because they are contingent upon release of settlement payments in escrow. **Exhibit 6** demonstrates that DHMH expects to withhold most funds in the local public health program and the program to build capacity in Montgomery and Prince George's counties. Since the contingency language in the budget bill does not specify where funds should be withheld, funds could be withheld from other cancer program components or other CRF programs in CPHA.

As mentioned previously, the legislature could always use budget bill language to direct the allocation of funds if its spending priorities are different. To allow the legislature to make an informed decision, DHMH should comment on three issues:

- **if implementation delays will result in a reversion in fiscal 2001, given that the Governor may be planning to use such a reversion to make-up for the shortfall in available funds;**
- **if there will be implementation delays in fiscal 2002, regardless of funding issues. If these delays will occur, the program will not need full funding; and**
- **if the program can be fully implemented in fiscal 2002, how will the withholding of funds affect its progress.**

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Exhibit 6

Funding of Cancer Programs in Fiscal 2002
(\$ in Millions)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2002 Withheld Funds</u>
Cancer Prevention, Education, Screening, and Treatment			
Surveillance and Evaluation	\$2.2	\$2.4	
Local Public Health	12.8	17.0	(6.0)
Building Capacity in Montgomery and Prince George's Counties	0.0	2.0	(2.0)
Statewide Public Health	0.0	0.0	
Statewide Academic Health Centers			
University of Maryland Medical Group (UMMG)			
Tobacco-related Disease Research	0.0	3.0	
Cancer Research	7.1	9.0	
Statewide Network	2.6	4.0	
Baltimore City Public Health	<u>1.5</u>	<u>2.0</u>	
Subtotal	11.2	18.0	
Hopkins			
Cancer Research	2.3	3.0	
Baltimore City Public Health	<u>1.5</u>	<u>2.0</u>	
Subtotal	3.8	5.0	
Administration	0.7	1.4	
Unallocated Reversion	<u>0.0</u>	<u>(2.8)</u>	
Total	\$30.7	\$43.0	(\$8.0)
Previously Existing Cancer Control Programs	\$19.1	\$19.8	

Note: Previously existing programs are funded by a mix of general and federal funds.

UMMG includes the University of Maryland Medical System Corporation, the University of Maryland Medical School, and the University of Maryland, Baltimore.

Hopkins means The Johns Hopkins University and The Johns Hopkins Health System.

Source: Department of Budget and Management

Surveillance and Evaluation Component

The purpose of the surveillance and evaluation component is twofold: (1) monitor morbidity and mortality from cancer; and (2) determine the effectiveness of different activities within the CRF program.

Surveillance

In August 2000 DHMH released its baseline study on mortality and morbidity data from targeted cancers. The National Center for Health Statistics was the primary source for mortality data, while the Maryland Cancer Registry provided the morbidity data. With this data, DHMH computed the distribution of local public health funds and established the baseline against which the program's progress will be measured. Now that the baseline study is finished, DHMH plans to embark on several projects to improve the Maryland Cancer Registry. These projects include:

- **Quality of Data:** Although the Maryland Cancer Registry recently received "gold" certification from the North American Association of Central Cancer Registries, DHMH has identified several areas to be improved, including training for tumor registrars and increasing access by developing web-based data entry for physicians' offices and ambulatory surgery centers.
- **Adding a Survival Data Component:** Currently, the Maryland Cancer Registry only collects information about the incidence of cancers. With \$500,000 in fiscal 2002, DHMH plans to add a survival data component to the database to monitor long-term outcomes.

Evaluation

After the program is fully implemented, DHMH must evaluate the effectiveness of individual projects. Unlike the tobacco control program which plans to hire a consultant for this task, the cancer control program will conduct the evaluation in-house. This arrangement is feasible because DHMH already has the evaluation infrastructure with the Maryland Cancer Registry and the Breast and Cervical Cancer Screening Program.

The evaluation of long-term outcomes will be conducted in two ways. First, the cancer control program has set aside \$150,000 to start the process for the total CRF program evaluation, due in fiscal 2004. These funds match the amount that the tobacco control program has allocated for the same purpose. Second, the program's outcomes will be evaluated through the MFR process. As required by the 2000 *Joint Chairmen's Report*, DHMH submitted a MFR for fiscal 2001 with short- and long-term goals. An updated plan was included in the fiscal 2002 budget request. There are several important items to note about the plan:

- **Difficulty in Establishing Screening and Treatment Goals:** Since DHMH has just begun to award funds to local jurisdictions for screening and treatment, it is difficult to predict how many individuals will benefit from the program. This information should be easier to obtain after one year of experience with the program.

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- **Long-term Goals to Lower Cancer Rates May Be Unrealistic:** DHMH used *Healthy People 2010* as a guideline for setting long-term goals to lower mortality and morbidity rates in targeted cancers. While these goals are laudable, they are probably unrealistic because funding levels are not sufficient. For example, DHMH plans decrease the number of cancer deaths from 175 deaths per 100,000 people in 1997 to 103 deaths per 100,000 people in 2010. This would eliminate approximately 4,000 deaths a year. It is not clear if the program's reach is great enough to make this kind of a difference.

Given that DHMH's MFR goals will be used to evaluate future budget requests, DHMH should discuss if using *Healthy People 2010* provides the most realistic goals.

Local Public Health Component

Under the local public health component, DHMH will fund community coalitions for prevention, education, screening, and treatment activities. This component includes all jurisdictions, except for Baltimore City because its program is under the statewide academic health center component. UMMG and Hopkins are to have primary fiduciary responsibility for the Baltimore City local public health program.

Organized through the local health departments, coalitions should include representatives from community groups and organizations. In Montgomery, Prince George's, and Baltimore counties, the legislation specified that coalitions should also include a major community hospital. Coalitions are responsible for developing a comprehensive cancer plan as part of the grant application to DHMH. The requirements of the grant application are outlined in the legislation and have been further delineated by DHMH.

Funds are to be distributed to local jurisdictions according to a statutory formula. One-half of the funds are to be allocated according to the number of cases of targeted cancers in a jurisdiction, as compared to the rest of the State (not including Baltimore City). The other half is to be distributed according to the number of deaths from targeted cancers in a jurisdiction, as compared to the rest of the State (not including Baltimore City). **Appendix 2** demonstrates the levels of funding for each jurisdiction in fiscal 2001.

With the exception of planning grants, no cancer funds were distributed until the baseline was completed. To date, DHMH has awarded cancer grants to 21 jurisdictions. DHMH is being meticulous in ensuring that the coalitions' plans meet the legislative requirements.

Although DHMH has made substantial progress in implementing the local public health component, there are three unresolved issues that could significantly impede further progress: (1) finding enough resources to support treatment; (2) developing and implementing medical protocols; and (3) creating a program to enhance treatment capacity in Montgomery and Prince George's counties.

The Treatment Conundrum -- Finding Enough Resources

Legislation stipulates that treatment must be provided for any cancers identified in a CRF screening program. **Finding funds to support treatment is the biggest challenge that faces the cancer program.** Local programs must either support treatment with CRF funds or provide linkages to other funding sources.

In fiscal 2001 DHMH asked local jurisdictions to take the lead in managing treatment resources. Most jurisdictions are paying for treatment out of their CRF grant awards. Since treatment is costly, this arrangement could greatly reduce funds for screening. It is difficult to estimate how much treatment will cost without more program experience. Unknown factors include the number of people who need treatment, the number of people who are uninsured, and the average cost of treatment. In agreeing to fund treatment, local jurisdictions inherit some financial risk if the cost of treatment should exceed their total grant award. If funds run out, jurisdictions may discontinue paying for treatment and possibly screening.

Since many local jurisdictions are not equipped to handle the administrative burden of paying for treatment, DHMH is considering hiring a third party to handle payments. This arrangement probably makes more administrative sense, but it would also raise some questions. Right now, local jurisdictions can only use their grant awards to fund treatment. If funding for treatment was centralized, it would not be clear if each jurisdiction had a limit on funding.

It is essential that the program identify funding for all aspects of treatment. Treatment costs include three factors: (1) hospital or other facility costs; (2) provider costs, which are primarily physician charges; and (3) wraparound services, which includes transportation and other supportive services. There are different potential sources of funding for each of these costs. These sources are as follows:

- **Cigarette Restitution Funds:** As mentioned previously, many jurisdictions are primarily relying on their CRF grant to fund all treatment costs. This arrangement could quickly deplete resources for screening, prevention, and education services.
- **Third-party Payors:** Some jurisdictions have chosen only to provide screening services to the uninsured, while other jurisdictions may provide limited low-cost screening to the insured. By screening some insured individuals, a jurisdiction could expand the program's impact. CRF could support the uninsured, while third-party payors cover the costs for the insured.
- **Uncompensated Care System:** The uncompensated care system for hospitals is managed by the Health Services Cost Review Commission. Hospitals can recoup uncompensated care costs by building the cost into their rates or by receiving a portion of the Uncompensated Care Fund. The fund is supported by all hospitals in Maryland to reimburse those hospitals with a disproportionate amount of uncompensated care.

The uncompensated care system could potentially pay for hospital costs of CRF program participants by raising rates to all payors. However, the system is not really designed to absorb these costs. In the rate system, a hospital may raise its rates for uncompensated care based on its Medicaid and emergency room volumes. Since most jurisdictions are targeting only uninsured individuals, hospitals

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are unlikely to experience an increase in their Medicaid and emergency room volumes. Thus, they cannot increase the uncompensated care factor in their rates.

Even if the uncompensated care system could support treatment costs, it could have a significant impact on the insured population. Since the cost of caring for CRF clients would be supported by higher rates, the cost could eventually be passed to the insured through higher premiums.

Using the system could also have a negative impact on CRF clients. Uninsured individuals would have to be billed by the hospital and get a bad credit rating, before being considered for uncompensated care.

It should also be noted that the uncompensated care system cannot cover the costs of providers and wraparound services. Thus, other funding arrangements would have to be made.

- **Volunteers:** Some physicians may volunteer to provide services for free or at a reduced cost.
- **Breast and Cervical Cancer Treatment Program:** This general fund program covers hospital and provider costs for any eligible woman who needs treatment. However, some of the client base may eventually shift to Medicaid because federal legislation has expanded eligibility. Women who are screened through a federal program may receive treatment under Medicaid, even if they normally would not be eligible. If Maryland expands Medicaid to include these women, then the general fund program may be able to accommodate CRF clients. However, the federal government may not allow the State to include CRF clients if the treatment program's dollars are considered a match for federal Medicaid dollars.
- **General Funds:** In future fiscal years, the budget could supplement CRF with additional general funds.
- **Funding from Outside Organizations:** There may be funding available, particularly for wraparound services, from private organizations. This funding could supplement funding available from other sources.

The treatment issue is not likely to be resolved during this legislative session because it is too complex. Therefore, the General Assembly should consider budget bill language that establishes an interim task force to study the treatment issue. The task force could make recommendations on how to ensure that CRF clients receive treatment, without using a large portion of CRF. Thus, funding would still be available for screening, prevention, and education activities. Under the direction of DHMH, the task force could include local health departments, hospitals, providers, State health regulatory commissions, and community representatives.

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Implementing Statewide Medical Protocols

Local coalitions can choose any of the seven targeted cancers, depending on local need. Although much is known about screening and treatment for each of these cancers, it can be difficult to wade through the research to determine the most appropriate course of action. Medical protocols can offer guidance to individuals who are managing the care of participants in the CRF cancer program. These protocols can also ensure that an individual in any jurisdiction receives the same level of appropriate care.

Before the CRF program was established, DHMH already had developed screening and treatment protocols for breast and cervical cancers. DHMH also recently developed screening and treatment protocols for colorectal cancer, since this cancer is the focus of many local coalitions. However, there are no DHMH medical protocols for prostate, skin, oral, and lung cancers. This means that there could be wide disparities in the screening and treatment of these cancers by local jurisdictions. The lack of protocols also makes it more difficult for DHMH to evaluate those programs.

Given the importance of medical protocols, DHMH should discuss its plans for developing protocols for prostate, skin, oral, and lung cancers.

Building Capacity in Montgomery and Prince George's Counties

Fiscal 2002 marks the first year that this section of the legislation will be funded. However, the \$2 million allowance is earmarked for deferral. If funding is released, the budget will support local coalitions in enhancing capacity at major community hospitals in conjunction with the statewide academic health centers. It is not clear if DHMH intends to hold the coalitions or the statewide academic health centers responsible for this activity. The legislation states:

In Montgomery and Prince George's counties, the community health coalition, acting jointly and in consultation with the statewide academic health centers, shall develop a specific plan . . .

Since there is confusion who is responsible for building capacity, the General Assembly should consider budget bill language that directs DHMH to be the intermediary between the community coalitions, major community hospitals, and statewide academic health centers.

Statewide Academic Health Center Component

The purpose of the statewide academic health center component is threefold: (1) bolster cancer and tobacco-related disease research; (2) expand the Statewide health network; and (3) support the local public health program in Baltimore City.

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UMMG

The fiscal 2002 allowance contains funding for the following research and network development grants:

- **Cancer Research (\$9 Million):** UMMG must meet three requirements to receive this grant: (1) submit a cancer research plan to DHMH; (2) develop a Memorandum of Understanding (MOU) with State agencies on how the State may financially benefit from CRF research; and (3) establish an independent peer group to review research proposals. Although UMMG is still finalizing its grant application, it has met the other two requirements.

UMMG plans to use the grant to recruit new faculty, research personnel, and administrative support. Costs for new faculty include salaries and benefits, laboratory space, and laboratory equipment. New faculty will be required to seek outside funds, so that their CRF support can eventually be used to leverage additional funding. UMMG estimates that this process will take two to three years. **UMMG should be prepared to report on how new faculty have used the CRF grant to leverage other funds after the program has been in place for two full years.**

New personnel will support three types of initiatives: (1) clinical services; (2) translational research; and (3) scientific infrastructure. The funding distribution among these initiatives has not been determined, but DHMH must approve the budget in UMMG's grant application. DHMH plans to limit indirect costs to 7%, which is the same budget cap for all DHMH grantees.

The clinical services initiative focuses on expanding clinical trials and treatment for the cancers targeted by DHMH. Although plans have not been finalized, a draft of the 2001 grant application indicates that initial hiring will focus on surgical oncology and bone marrow transplant research.

The translational research initiative centers on rapidly implementing new research findings in a clinical setting. The draft grant application outlines UMMG's plans to hire researchers in the area of pharmacology, drug resistance, human papilloma virus, molecular biology, bone marrow transplants, and population studies.

Scientific infrastructure means developing programs that can support different types of research. UMMG's draft grant application highlights the focus on biostatistics and genetics.

- **Statewide Network Development (\$4 Million):** The purpose of this grant is to create an infrastructure to accomplish the following two goals: (1) allow local providers to tap into the clinical expertise of UMMG; and (2) expand participation, particularly among minority communities, in research trials. To accomplish these tasks, UMMG will establish field offices in Baltimore City, Allegany, Dorchester, and Calvert counties.

During last year's budget hearings, UMMG reported that it would phase in other jurisdictions over a ten-year period. However, UMMG does not yet have a phase-in plan because it must first obtain outside funds to support expansion. **UMMG should be prepared to comment upon when the network may obtain enough outside funding to expand to other jurisdictions.**

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- **Tobacco-related Disease Research (\$3 Million):** Fiscal 2002 will be the first year for this grant, since it was not funded in fiscal 2001. Similar to the cancer research program, UMMG will be required to submit a comprehensive plan to DHMH, develop an MOU on the State's financial share of any research profits, and select an independent peer review group. UMMG has not yet developed a detailed plan on how these funds will be spent. **Therefore, UMMG should be prepared to comment upon its proposal for tobacco-related disease research.**

Hopkins

Hopkins is eligible to receive a \$3 million cancer research grant in fiscal 2002 under the same statutory requirements as UMMG. Hopkins is still finalizing its grant application, the MOU on intellectual property rights, and the independent peer review committee. However, a draft grant application indicates that Hopkins plans to fund the following activities under its cancer grant:

- **Faculty Recruitment and Retention:** The grant will be used as seed money to recruit and retain faculty in fields of behavioral sciences, genetic epidemiology, cancer epidemiology, molecular genetics, viral vaccine development, and community-focused research. Funds will be used to support salaries and benefits, laboratory space, and laboratory equipment. Like UMMG, Hopkins expects that these faculty will identify other research funds within two to three years. **Hopkins should be prepared to report on how new faculty have used the CRF grant to leverage other funds after the program has been in place for two full years.**
- **Researching Causes of Cancer in Maryland:** The grant will support epidemiologic research into the causes of cancer. Hopkins plans to support existing personnel in developing a comprehensive list of cancer-causing agents, mapping the sources of exposure, and establishing a prostate demonstration project. Linked to the local public health program in Baltimore City, the prostate demonstration project will use epidemiological data to improve screening and treatment in high-risk areas.

Baltimore City Local Public Health

Baltimore City's local public health program is under the statewide academic health centers because UMMG and Hopkins share fiduciary responsibility. As specified by statute, the fiscal 2002 allowance is set at \$4 million, which will be split equally between UMMG and Hopkins. **Since the Department of Budget and Management (DBM) indicates that funds will be withheld from the local public health programs, DHMH should be prepared to comment if this action will impact Baltimore City's funding.**

As in other jurisdictions, Baltimore City must form a community coalition to develop its grant application to DHMH. The Baltimore City Health Department, UMMG, and Hopkins will share the responsibility for the coalition, and UMMG and Hopkins will develop the comprehensive plan. Other members of the coalition include Sinai Hospital, which was selected as the major community hospital, and community representatives. However, Baltimore City has experienced some difficulty in establishing a representative coalition, as reported at a House Appropriations Committee briefing in November.

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Although the coalition has made some progress, it has generally lagged behind other jurisdictions. **Therefore, DHMH, UMMG, and Hopkins should update the committees on their progress in developing a coalition that represents the community as well as present a timeline for completion and implementation of a comprehensive cancer plan.**

Statewide Public Health Component

Although the statewide public health component is part of the legislation, there has been no funding in fiscal 2001 or 2002. If funded, the component would support statewide cancer control activities, including toll-free help lines and public education.

The lack of funding may be a little misleading since the tobacco control program's \$1.5 million to increase African American participation can also be used for cancer community coalitions. Since most coalitions are already formed, DHMH plans to use these funds for mostly evaluation purposes.

Administration Component

The administration component is the infrastructure of the cancer program. The component includes funds for 28 program staff and 9.5 administrative staff. Many of the positions remain vacant because the existing program staff have been focused on completing the baseline report, developing grant guidelines, and reviewing grant applications. The administration expects to fill most positions in fiscal 2002.

Other Health Programs

The fiscal 2002 allowance contains CRF for programs beyond those established by SB 896/HB 1425. While the merits of these proposals will be discussed in their respective budget analyses, the following is a brief description of the projects:

- **Substance Abuse Treatment (\$18.5 Million):** This is the same amount of funding in the fiscal 2001 budget of the Alcohol and Drug Abuse Administration (ADAA). Since the department did not have a concrete spending plan during the 2000 session, the General Assembly withheld these funds until ADAA, in consultation with the Lieutenant Governor's Drug Treatment Task Force, had submitted a comprehensive plan. After careful review of ADAA's plan, the budget committees released about \$17.5 million. Most of the funding will be used to fill regional treatment gaps, particularly in detoxification and residential services. The budget committees decided to continue holding just over \$1 million for information systems until ADAA has submitted a better developed plan.
- **Maryland Health Care Foundation (\$1.5 Million):** Included in CPHA's budget as a grant to the foundation, this is the second year of a grant to support programs that increase access to health care. As DBM indicates, \$0.5 million of the fiscal 2002 budget will be withheld because of the funds held in escrow. In the first year, funds were withheld until the foundation and DHMH had submitted a MFR plan. The plan outlined how funds would be used to support programs involving: dental health

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(\$400,000), rural health (\$400,000), prescriptions (\$384,000), case management and prevention (\$100,000), employed uninsured (\$100,000), and evaluation/administration (\$116,000).

The foundation plans to use fiscal 2002 funds to continue its fiscal 2001 programs. However, there may be a delay in establishing the employed uninsured project, which encourages small employers to provide affordable insurance, because of regulatory or statutory obstacles. **If there are significant delays, full funding for this project may not be necessary. Therefore, DHMH should be prepared to comment on the progress in establishing the employee uninsured project.**

Crop Conversion Program

The purpose of the crop conversion program is to transition farmers out of growing tobacco. Supported entirely by CRF, the program is budgeted under the Maryland Department of Agriculture (MDA). However, the administration of the program will be managed by the Tri-County Council (TCC) of Southern Maryland, which will receive the funds through an MDA grant.

Under TCC's current plan, funds will provide farmers with the following two options:

- **Buyout Plan:** Participants in the tobacco buyout program will receive payments of \$1.00 per pound for ten years from the date of sign-up. Payments will be based on the farmer's average sales records for tobacco produced in 1996, 1997, and 1998. Payments are not based on acres of tobacco produced. To be eligible for the program, the participant must have been a tobacco landowner or grower in 1998. In exchange for payments, the participant must agree to the following conditions: keep the land in agricultural production while the grower is receiving program payments; not have any interest whatsoever in the production of tobacco; and if the participant owns land, the participant must place a covenant on the land that prohibits any future owner from growing tobacco on the land for a period of ten years from the date of sign-up.
- **Transition Plan:** The tobacco transition program will pay participants \$1.50 per pound of reduced tobacco production for up to a 10% per year reduction for ten years from the date of sign-up. Payments will be based on the participant's average sales record for tobacco produced in 1996, 1997, and 1998. Participants will have the option to convert to the buyout program beginning in the third year of enrollment in the transition program. In exchange for participating in the program, the participant must agree to keep the land in agricultural production while in the program and agree to certain tobacco production restrictions.

Fiscal 2001

For the crop conversion program, the fiscal 2001 budget includes a \$9 million for fiscal 2001 and a \$2.5 million deficiency for fiscal 2000. The General Assembly restricted \$11.4 million of the \$11.5 million of the total funds until the following conditions had been met: (1) no funds would be used to promote

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the sale of tobacco; (2) MDA and TCC had signed an MOU outlining their respective responsibilities; (3) a plan was submitted to the General Assembly on spending, the number of farmers who will participate, alternative crops, and proposals for revenue bonds.

In September 2000 the budget committees reviewed the report submitted by the TCC and MDA and determined that about \$5.8 million of the restricted funds should be released to cover the expenses of the buyout and transition programs, administrative costs, and development of alternative crops. The remaining \$5.6 million is being withheld until the exact number of participants who signed up for the buyout this year is known. A preliminary survey of tobacco farmers seemed to indicate that the buyout program would be oversubscribed as budgeted by the TCC.

Fiscal 2002

Funding

The Governor has funded the crop conversion program at a level of \$6.3 million in fiscal 2002. This level of funding is based on committee narrative in the 1999 *Joint Chairmen's Report*, which directed that 5% of available revenues in the CRF be dedicated to the crop conversion program. The \$6.3 million represents 5% of the settlement payments after a deduction of 25% for funds held in escrow. If the attorney fee issue is settled before the end of fiscal 2002, some of the funds in escrow could be released. In that case, the current appropriation for crop conversion would be less than 5% of available revenue from the CRF for fiscal 2002.

Questions about Eligibility

In the legislation authorizing the crop conversion program and in documents produced by the TCC and various task forces and commissions, there has been only one eligibility requirement: the farmer must have been a tobacco landowner or grower in 1998. TCC and MDA had originally intended to limit the program to only those tobacco farmers in St. Mary's, Charles, Calvert, Anne Arundel, and Prince George's counties. However, the TCC have reversed this position by passing a resolution to accept applicants from all parts of the State. This will allow the estimated 15 farmers outside of these counties to apply the program. **Despite the resolution, DLS still believes budget bill language is necessary to clarify that all eligible Maryland tobacco farmers, regardless of geographic location, should be able to participate in the buyout and transition programs.**

Proposed Legislative Changes to the Tobacco Buyout Program

Legislation is being introduced this session as SB 532 that will allow approximately \$55 million in 15-year revenue bonds to be sold and interest repaid with revenues from the tobacco settlement. If the budget for crop conversion exceeds the required debt service in future fiscal years, the TCC plans to fund infrastructure and land preservation programs.

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With the current fiscal 2002 allowance of \$6.3 million, only the current buyout program can be funded. No infrastructure or land preservation programs are possible. Also, this level of appropriation casts doubt on the ability of the TCC to afford the debt service on any proposed revenue bonds. Furthermore, should the funds available from the CRF decline significantly due to market conditions or other fluctuations, the State may face paying the debt service on any revenue bonds.

The legislation as originally reported would offer two new options for buyout:

- an up-front lump sum payment currently estimated to be \$7.74 per pound (the present value of ten annual payments of \$1 per pound); or
- an annual \$1 per pound payment for ten years guaranteed by an annuity purchased by the State.

According to the Governor's office, after funding all buyout options, approximately \$20 million would remain for a targeted agricultural land preservation initiative that would purchase the development rights for independently-assessed values, and require a restriction that tobacco could not be grown on lands covered by preservation easements. First priority of these monies would be lands in Southern Maryland that were in full or partial tobacco production in 1998.

The Governor's proposal is currently in a state of flux because of the uncertainty surrounding the tax treatment for farmers of the ten-year buyout. MDA has received advice that for tax purposes, there may be no difference between a lump sum payment and the ten-year payout -- farmers may still have to pay the taxes for the entire amount in year one.

DLS recommends that MDA and the TCC brief the committees on the impact of the proposed fiscal 2002 allowance for Crop Conversion. The TCC should give the committees a revised budget that reflects the fiscal 2002 allowance and a revised MFR Plan that reflects the current state of the crop conversion. MDA should also be prepared to update the committees on the feasibility of the Governor's plan to secure buyout payments to farmers and the tax treatment of any buyout payments. MDA should also brief the committees on the details of SB 532.

If the Governor's proposal for revenue bonds is enacted, DLS recommends budget bill language that restricts the purchase of revenue bonds until the TCC and MDA obtain a written ruling from the United States Internal Revenue Service defining the tax treatment for buyout payments.

If the Governor's proposal for revenue bonds is not enacted, DLS recommends budget bill language that prohibits the use of settlement payments for revenue bonds without specific statutory authority.

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Education Programs (K-12)

The fiscal 2002 allowance contains \$47.5 million in CRF for education programs (K-12), which is below the \$50 million budgeted in fiscal 2001. The decrease is not a reduction in the education programs' budgets, rather it represents a shift in funding sources. **Appendix 3** demonstrates the original plan for fiscal 2002 as compared to the allowance.

Programs No Longer Supported by CRF in Fiscal 2002

In general, the fiscal 2002 allowance supports the same CRF programs as the fiscal 2001 budget. The exceptions are the Teachers Salary Challenge and the Education Modernization programs, which are now being supported by other funding, as described below:

- **Teachers Salary Challenge:** The program supports another 5% increase in pay in fiscal 2002 for teachers in eligible jurisdictions. In fiscal 2001, the Governor used \$28.1 million in teacher retirement reimbursement funds and \$6.9 million in CRF. The original appropriation of \$13.1 million in CRF was reduced because more retirement funds were available. When combined, the retirement funds and CRF cover the first 1% of pay increases for jurisdictions that could come up with a 4% match. In fiscal 2002 the Governor has proposed using \$39.1 million in general funds and \$46.1 million in teacher retirement reimbursement funds to pay for the program. No CRF is budgeted for fiscal 2002.
- **Education Modernization:** This program provides schools with access to on-line computer resources and the capacity for data, voice, and video equipment. The legislature dedicated \$2.5 million in CRF for education modernization in fiscal 2001. In fiscal 2002, the Governor has proposed using \$2.5 million in general funds for education modernization instead of CRF.

Programs Supported by CRF in Fiscal 2002

The following programs are budgeted under and administered by the Maryland State Department of Education or Interagency Committee for School Construction:

- **Baltimore City Partnership -- Remedy Plan (\$3.2 Million):** The program is part of the State's plan to restructure and improve the management of the Baltimore City Schools. Whereas the State dedicated \$8.0 million from the CRF for the remedy plan in fiscal 2001, the Governor proposes using only \$3.2 million in CRF and allocating an additional \$17.3 million in general funds to the remedy plan in fiscal 2002.
- **Academic Intervention (\$19.5 Million):** This program assists students with deficiencies in reading and mathematics. The State dedicated \$12.0 million in CRF monies to this program, including the administrative component at headquarters, in fiscal 2001. The Governor has proposed dedicating \$19.5 million in CRF monies in fiscal 2002.
- **Aid to Nonpublic Schools (\$8 Million):** This new program used almost \$5.0 million of the

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\$6.0 million CRF monies appropriated in fiscal 2001 to provide over 77,000 nonpublic school students with textbooks. The Governor has proposed using \$8.0 million in CRF monies to pay for a second year of the program. **DLS recommends deleting this \$8.0 million for two reasons: (1) during last year's budget hearings, the executive branch stressed that it was only a one-year program; and (2) eliminating the funding will curb growth in State government and help the legislature meet the Spending Affordability Committee's guidelines.**

- **Judy Hoyer Centers (\$4 Million):** This program establishes neighborhood centers that offer a range of services, including early childhood development, parenting skills, literacy training, job placement, and health care. The fiscal 2002 allowance contains the same amount of CRF support as the fiscal 2001 working appropriation. A \$4 million expansion of the program is financed with general funds.
- **School Wiring (\$3.6 Million):** The Governor's allowance provides \$3.6 million in CRF monies for paying for the loan for school wiring as opposed to the \$1.4 million provided in fiscal 2001. **The \$3.6 million reserved for lease repayment is held in escrow until sufficient CRF monies are available, but DLS recommends reducing the appropriation by \$2.8 million. Thus, only \$0.8 million would be contingent upon the availability of funds. The reduction is justified because delays in wiring projects necessitate the State only using \$787,000 of this \$3.6 million in fiscal 2002.**
- **Teacher Mentoring (\$2.5 Million):** This program will assist newly hired teachers and teachers with less than five years experience by pairing them with a more experienced teacher who can help them with classroom management, pedagogy, curriculum, and school agendas. The Governor has proposed using \$2.5 million in CRF for teacher mentoring, the same amount appropriated in fiscal 2001.
- **Teacher Certification (\$2 Million):** This program provides and expands professional development opportunities for teachers for the purpose of reducing the number of provisionally certified teachers in the State's public schools. The Governor has proposed using \$2.0 million in CRF for teacher certification, the same amount appropriated in fiscal 2001.
- **Technology Academy (\$1.7 Million):** The program provides three-to-five-week summer sessions in which elementary and high school teachers learn how to use technology in the classroom. The Governor has proposed using \$1.7 million in CRF for technology academies, the same amount appropriated in fiscal 2001.
- **School Readiness and Accreditation (\$3 Million):** The program allows the Maryland State Department to review early education preparation and curriculum. The Governor has proposed allocating \$3.0 million in CRF monies for school readiness and accreditation, the same amount appropriated in fiscal 2001, plus an additional \$1.5 million in general funds.

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

Higher Education

In the fiscal 2002 allowance, \$5.18 million in CRF funds are earmarked for pass-through grants from the Maryland Higher Education Commission (MHEC) to support three special higher education initiatives. The three initiatives are: Access and Success (\$1 million), MAITI (\$3.68 million), and the Digital Library (\$.5 million). With the exception of the Access and Success program, the CRF funds contained in the fiscal 2002 allowance (\$4.18 million) have been restricted pending the availability of CRF funds.

- **Access/Success Grants (\$1 Million):** The Access/Success program, which began in fiscal 1999, provides grants of an equal share to the four historically black institutions to develop campus-based initiatives to improve the retention and graduation rates of African American students. In fiscal 1999 and 2000 the grant was funded at \$2 million annually. In fiscal 2001 the grant increased to a total of \$3 million, of which \$1 million is CRF. The fiscal 2002 allowance provides a total of \$4.5 million for the program. The increase of \$1.5 million over fiscal 2001 is due to additional general funds necessitated by a commitment made in the Office for Civil Rights agreement.
- **MAITI (\$3.68 Million):** MAITI was established in fiscal 1999 as a five-year effort to address the critical shortage of an Information Technology workforce. The initiative is sponsored by MHEC, coordinated by Department of Business and Economic Development, and administered by a program office located at University of Maryland College Park. MAITI brings together a coalition of public and private institutions seeking to increase the number of graduates in the information technology field. The grants are awarded to institutions on a competitive basis.

In fiscal 1999 and 2000, the grant initiative was funded at \$1.32 million annually. In fiscal 2001 the grant increased to a total of \$5 million, of which \$3.68 million is CRF. Earlier in fiscal 2001, the Governor withheld the \$3.68 million because of the escrow fund issue. As a result, MHEC secured a short-term funding alternative through University System of Maryland (USM). Since funds are being released, MHEC is obligated to repay USM. The fiscal 2002 allowance provides again for a total of \$5 million for MAITI, of which \$3.68 million in CRF funds have been restricted pending availability.

- **Digital Library (\$500,000):** This grant will be used to enhance the linkage of digital libraries in Maryland. By enhancing linkage, the State will improve access to information statewide and make effective use of funding for the acquisition (cooperative licensing) and creation of digital resources.

In fiscal 2000 the initiative was funded at \$400,000 for a development study. In fiscal 2001 the CRF provided \$500,000 as a start-up grant. Since funds were being withheld because of the escrow issue, MHEC secured a loan from University of Maryland College Park to pay for invoices and contracts for electronic databases. Also, MHEC borrowed funds from the University System of Maryland for associated hardware and software expenses. Now that funds have been released, MHEC must pay back the borrowed amounts. The fiscal 2002 allowance provides for \$500,000 for the Digital Library pending the availability of CRF funds.

Attorney General's Office

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

The fiscal 2002 allowance includes a \$0.4 million deficiency appropriation to cover the cost of outside counsel for the Angelos case. It is expected that the supplemental budget will include \$0.2 million for fiscal 2002.

Budget Bill Language and Reductions to Consider

The following is a summary on the budget bill language and reductions that the General Assembly may want to consider. Actual recommendations for the language will be presented in budget hearings for CPHA, MDA, MDE, and the Interagency Committee for School Construction.

Fiscal 2001 Withheld Funds

The General Assembly may want to consider intent language that outlines spending priorities for fiscal 2001. If funds need to be withheld because of the settlement payments held in escrow, this language would request the Governor to withhold CRF from certain programs in a manner consistent with the General Assembly's priorities.

Fiscal 2002 Appropriation

The General Assembly may want to influence how funds are allocated in fiscal 2002. There are three portions of the appropriation that could be redirected: (1) base funding; (2) the reversion of \$2.75 million that has already been taken out of the cancer program's allowance; or (3) the \$27 million that the Governor plans to withhold because of the funds in escrow. The legislature has the following options to assert its own priorities:

- The General Assembly could reduce a program's appropriation. If the General Assembly would like the funds to be spent on another program, they could request the Governor to add funds in a supplemental budget.
- The General Assembly could authorize the transfer of CRF from one budget code to another budget code. This is within Constitutional limits because the General Assembly is not actually mandating an increase in an appropriation.
- The General Assembly could change the distribution of funding within a budget code. For example, funding for the cancer program, tobacco program, and the Maryland Health Care Foundation is in one lump sum in the budget bill under CPHA. This means that the General Assembly could add language which directs how this lump sum is distributed. In this way, legislators could alter the Governor's proposal for allocated base funding, anticipated reversions, and withheld funds for any program in CPHA.

Tobacco Use Prevention and Cessation Program

- **Assisting ADAA with Meeting Requirements of Syнар:** The tobacco control program and ADAA share similar enforcement goals. Therefore, it makes sense for them to work together to help ADAA

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

meet the requirements of the Synar Amendment. Therefore, the General Assembly should consider budget bill language that directs the department to address ADAA's needs in the tobacco enforcement program.

- **Utilizing Media Materials from Other States:** The General Assembly may want to consider budget bill language that directs DHMH to use appropriate media materials from other states, even if it means not including the names of the Governor and Lieutenant Governor on the material. This language would allow DHMH to save money by fully utilizing appropriate materials developed by other states.

Cancer Prevention, Education, Screening, and Treatment Program

- **Task Force to Study Treatment:** The treatment issue is not likely to be resolved during this legislative session because it is too complex. Therefore, the General Assembly should consider budget bill language that establishes an interim task force to study the treatment issue. The task force could make recommendations on how to ensure that CRF clients receive treatment, without using a large portion of CRF. Thus, funding would still be available for screening, prevention, and education activities. Under the direction of DHMH, the task force could include local health departments, hospitals, providers, State health regulatory commissions, and community representatives.
- **Building Capacity in Montgomery and Prince George's Counties:** Since there is confusion who is responsible for building capacity, the General Assembly should consider budget bill language that directs DHMH to be the intermediary between the community coalitions, major community hospitals, and statewide academic health centers.

Crop Conversion

- **Revenue Bonds:** If the Governor's proposal for revenue bonds is enacted, the General Assembly should consider budget bill language that restricts the purchase of revenue bonds until the TCC and MDA obtain a written ruling from the United States Internal Revenue Service defining the tax treatment for buyout payments. If the Governor's proposal for revenue bonds is not enacted, the General Assembly should consider budget bill language that prohibits the use of settlement payments for debt service on revenue bonds.
- **Eligibility for Buyout Program:** The General Assembly should consider budget bill language clarifying that all eligible Maryland tobacco farmers, regardless of geographic location, should be able to participate in the buyout and transition programs.

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

Education (K to 12)

- **Aid to Nonpublic Schools:** The General Assembly should consider deleting the \$8.0 million appropriation for two reasons: (1) during last year's budget hearings, the executive branch stressed that it was only a one-year program; and (2) eliminating the funding will curb growth in State government and help the legislature meet the Spending Affordability Committee's guidelines.
- **School Wiring:** The General Assembly should consider reducing the appropriation from \$3.6 million to \$0.8 million to reflect the newest estimates for lease payments.

Other Issues to Discuss

Tobacco Use Prevention and Cessation Program

DHMH should address the following issues:

- **Fiscal 2001 Implementation Delays:** Implementation delays could result in a reversion in fiscal 2001. The Governor may be planning to use such a reversion to make-up for the shortfall in available funds. DHMH should comment upon the likelihood of such delays.
- **Fiscal 2002 Implementation Delays:** If there are continued implementation delays, the program may not need full funding in fiscal 2002. Thus, the program could absorb some of the impact of the \$2.75 million reversion built into the cancer program's allowance or the withholding of \$10.7 million in contingency funds. However, the built-in reversion and contingent funds could seriously affect DHMH's ability to implement the program. DHMH should comment upon the possibility that there will be continued implementation delays and the effect of the built-in reversion and contingent funds on the program.
- **Future Funding Allocations not Based on Most Recent Data:** DHMH plans to use the baseline data collected in fiscal 2001 as the basis for allocating funds to local jurisdictions in fiscal 2001 and in following years. By not using more recent data in future years, DHMH's allocations will not reflect changes in tobacco use rates. DLS recommends DHMH explain why funding allocations will not be based on the most recent data.
- **Statewide Program to Ensure African American Participation:** DHMH should address the following two issues: (1) the reasons for the delay in using fiscal 2001 funds to help local coalitions with start-up; and (2) why DHMH needs the same level of funding in fiscal 2002, given that fiscal 2001 funds may be sufficient to cover the up-front costs.

Cancer Prevention, Education, Screening, and Treatment Program

- **Fiscal 2001 Implementation Delays:** Implementation delays could result in a reversion in fiscal 2001. The Governor may be planning to use such a reversion to make-up for the shortfall in available funds. DHMH should comment upon the likelihood of such delays.
- **Fiscal 2002 Implementation Delays:** If there are continued implementation delays, the program may not need full funding in fiscal 2002. Thus, the program could absorb the impact of the \$2.75 million reversion built into the allowance or the withholding of \$8 million in contingency funds. However, the built-in reversion and contingent funds could seriously affect DHMH's ability to implement the program. DHMH should comment upon the possibility that there will be continued implementation delays and the effect of the built-in reversion and contingent funds on the program.

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

- **Managing for Results:** DHMH should address whether the *Healthy People 2010* goals are realistic.
- **Statewide Medical Protocols:** Given the importance of medical protocols for the local public health programs, DHMH should discuss its plans for developing protocols for prostate, skin, oral, and lung cancers.
- **Faculty Recruitment at the Statewide Academic Health Centers:** UMMG and Hopkins should be prepared to report on how new faculty have used CRF to leverage funds after the program has been in place.
- **UMMG's Network Development Grant:** UMMG should comment upon when the network may obtain enough outside funding to expand to other jurisdictions.
- **UMMG's Tobacco-related Research Grant:** UMMG should comment upon its proposal for tobacco-related research.
- **Baltimore City Local Public Health Funding:** DHMH should indicate if the withheld funds in fiscal 2002 will affect the local health program in Baltimore City.
- **Baltimore City Local Public Health Plan:** DHMH, UMMG, and Hopkins should update the committees on their progress in developing a coalition that represents the community as well as present a time for completion and implementation of a comprehensive cancer plan.

Maryland Health Care Foundation

- **Program for the Uninsured Employees:** DHMH should address whether the grant program will be delayed because of regulatory or statutory obstacles. If there will be a significant delay, DHMH should address whether or not full funding is needed in fiscal 2002.

Crop Conversion

- **Fiscal 2002 Plans:** MDA and the TCC should brief the committees on the impact of the proposed fiscal 2002 allowance for crop conversion. The TCC should give the committees a revised budget that reflects the fiscal 2002 allowance and a revised MFR Plan that reflects the current state of the crop conversion. MDA should also be prepared to update the committees on the feasibility of the Governor's plan to secure buyout payments to farmers, any potential revenue bond legislation, and the tax treatment of any buyout payments.

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

Education (K-12)

- **School Wiring:** The Interagency Committee for School Construction should comment upon the impact of funds being withheld in fiscal 2001 and 2002.

Higher Education

- **MAITI:** MHEC should comment upon the impact of funds being withheld in fiscal 2001 and 2002.
- **Digital Library:** MHEC should address how withheld funds affect fiscal 2001 and 2002.

**Tobacco Use Prevention and Cessation Program
Allocation of Cigarette Restitution Funds to Local Jurisdictions¹
Fiscal 2001**

<u>County</u>	<u>Total Award</u>
Allegany	\$124,999
Anne Arundel	732,703
Baltimore City	931,571
Baltimore County	969,758
Calvert	139,458
Caroline	62,363
Carroll	237,885
Cecil	146,989
Charles	209,471
Dorchester	48,632
Frederick	316,898
Garrett	48,925
Harford	368,266
Howard	276,865
Kent	32,370
Montgomery	811,773
Prince George's	814,668
Queen Anne's	69,650
Somerset	41,062
St. Mary's	138,910
Talbot	44,900
Washington	218,492
Wicomico	137,725
Worcester	\$75,666
Total	\$7,000,000

¹DHMH may not award all funds because of implementation delays.

Source: Department of Health and Mental Hygiene

**Cancer Prevention, Education, Screening, and Treatment Program
Allocation of Cigarette Restitution Funds to Local Jurisdictions
Fiscal 2001**

<u>County</u>	<u>Total Award</u>
Local Public Health Component:	
Allegany	\$328,460
Anne Arundel	1,414,416
Baltimore County	2,653,872
Calvert	171,361
Caroline	114,522
Carroll	427,148
Cecil	257,190
Charles	279,130
Dorchester	134,955
Frederick	449,366
Garrett	85,257
Harford	546,459
Howard	433,811
Kent	78,056
Montgomery	2,064,737
Prince George's	1,759,173
Queen Anne's	123,754
St. Mary's	212,936
Somerset	114,508
Talbot	148,310
Washington	428,858
Wicomico	326,987
Worcester	196,734
Total	\$12,750,000
Baltimore City	\$3,000,000

Note: Baltimore City is not included in the Local Public Health Component because funding is budgeted under the Statewide Academic Health Center Component.

Source: Department of Health and Mental Hygiene

Cigarette Restitution Fund - Fiscal 2002 Budget Overview

**Education Programs
Supported by Cigarette Restitution Fund
Changes in Funding Sources
(\$ in Millions)**

	FY 2002 Plan ⁽¹⁾				FY 2002 Allowance				Difference			
	<u>CRF</u>	<u>GF</u>	<u>TRF</u>	<u>Total</u>	<u>CRF</u>	<u>GF</u>	<u>TRF</u>	<u>Total</u>	<u>CRF</u>	<u>GF</u> ⁽²⁾	<u>TRF</u>	<u>Total</u>
Teachers Salary Challenge	\$43.6		\$38.5	\$82.1	\$0.0	\$39.1	\$46.1	\$85.2	(\$43.6)	\$39.1	\$7.6	\$3.1
City Partnership -- Remedy Plan	8.0			8.0	3.2	17.3		20.5	(4.8)	17.3		12.5
Academic Intervention	19.5			19.5	19.5			19.5				
Aid to Nonpublic Schools	0.0			0.0	8.0			8.0	8.0			8.0
Judy Hoyer Centers	4.0			4.0	4.0	4.0		8.0		4.0		4.0
School Wiring	8.0			8.0	3.6			3.6	(4.4)			(4.4)
Educational Modernization	2.5	10.8		13.3	0.0	13.3		13.3	(2.5)	2.5		
Teacher Mentoring	2.5	2.5		5.0	2.5	2.5		5.0				
Teacher Certification	2.0			2.0	2.0			2.0				
Technology Academy	1.7	0.2		1.9	1.7	0.2		1.9				
School Readiness/Accreditation	3.0			3.0	3.0	1.0		4.0		1.0		1.0
Total	\$94.8	\$13.5	\$38.5	\$146.8	\$47.5	\$77.4	\$46.1	\$171.0	(\$47.3)	\$63.9	\$7.6	\$24.2

⁽¹⁾ FY 2002 plan is based on Governor's original plan for funding education programs from the Cigarette Restitution Fund in fiscal 2002 adjusted by provisions of the Teachers Salary Challenge legislation.

⁽²⁾ Additional general funds represents \$46.4 million shifted from the CRF and \$17.5 million in enhancements.

CRF -- Cigarette Restitution Funds

GF -- General Funds

TRF -- Teachers Retirement Reimbursement Funds