

Department of Legislative Services  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 334 (Senator Green)

Budget and Taxation

---

**Cigarette Restitution Fund**

---

This bill creates a Cigarette Restitution Fund that consists of funds received from the "Master Settlement Agreement" with tobacco manufacturers. The bill specifies that the Governor shall include in the annual budget bill appropriations from the fund equal to the lesser of 90% or \$100 million of the funds available, and that 50% of the appropriations must be for specified purposes.

The bill is effective July 1, 1999.

---

**Fiscal Summary**

**State Effect:** Special fund expenditures would increase by an indeterminate amount. Revenues would not be affected.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small businesses conducting research or operating any programs in accordance with the provisions of this bill, may potentially receive a significant amount of funds from the Cigarette Restitution Fund.

---

**Fiscal Analysis**

**Bill Summary:** The Cigarette Restitution Fund will be a continuing non-lapsing fund. All revenues consisting of funds received by the State from any source resulting, directly or indirectly, from any judgment against or settlement with tobacco product manufacturers, tobacco research associations, or any other person in the tobacco industry relating to litigation, administrative proceedings, or any other claims made or prosecuted by the State to

recover damages for violations of State law shall be credited to the fund. The funds shall only be used solely to supplement, and not to supplant, funds otherwise available for programs under federal and State law.

The funds credited to the Cigarette Restitution Fund will be expended for the purposes of: (1) reducing the use of tobacco products by minors; (2) implementing the Southern Maryland Regional Strategy-Action Plan for agriculture adopted by the Tri-County Council for Southern Maryland with an emphasis on alternative crop uses for agricultural land no longer used for growing tobacco; (3) public and school education campaigns to decrease tobacco use with initial emphasis on areas targeted by tobacco manufacturers in marketing and promoting cigarette and tobacco products; (4) smoking cessation programs; (5) enforcing the laws regarding tobacco sales; (6) the Maryland Health Care Foundation; (7) primary health care in rural areas of the State and areas targeted by tobacco manufacturers in marketing and promoting cigarette and tobacco products; (8) the prevention, treatment, and research concerning cancer, heart disease, lung disease, tobacco product use, and tobacco control, including operating costs and related capital projects; (9) substance abuse treatment and prevention programs; and (10) any other public purpose.

The Governor is required to include in the annual budget bill appropriations from the fund equivalent to the lesser of \$100 million or 90% of the funds estimated to be available to the fund in the fiscal year for which the appropriations are made. For each year for which appropriations are made, at least 50% of the appropriations shall be used on the first nine items listed above. Any available funds in excess of those appropriated by the Governor for the nine items may be spent on any other purpose permitted by law.

The Joint Chairmen's Report states that it is the intent of the General Assembly that a deficiency appropriation of not less than \$2.5 million from the Cigarette Restitution Fund shall be provided for implementing the Southern Maryland Regional Strategy-Action Plan for agriculture adopted by the Tri-County Council for Southern Maryland in fiscal 2000 and an appropriation of not less than \$9 million shall be provided for implementing the plan in fiscal 2001. In subsequent years not less than 5% of funds received by the State under the Master Settlement Agreement shall be provided for the Southern Maryland Regional Strategy-Action Plan.

The bill also requires the Governor to provide detailed information on how the funds going to the Cigarette Restitution Fund will be used and the expected outcomes resulting from using these funds to the General Assembly no later than January 1, 2000.

The bill applies to any funds estimated in the fiscal 2000 State budget and appropriated to the Dedicated Purpose Fund.

**Background:** On November 23, 1998 the Attorneys General and other representatives of 46 states, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Guam, and the District of Columbia signed an agreement with the five largest tobacco manufacturers (Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company, Phillip Morris Incorporated, R.J. Reynolds Tobacco Company, and Liggett & Myers), ending a four-year legal battle between the states and the industry that began in 1994 when Mississippi became the first state to file a civil suit against the tobacco companies. Four states (Florida, Minnesota, Mississippi, and Texas) had previously settled with tobacco manufacturers.

Over the next 25 years, states will receive over \$206 billion from the settlement. Maryland is expected to receive \$4.9 billion of the settlement funds.

**State Effect:** Under this bill the Governor shall include in the annual State budget the lesser of \$100 million or 90% of any funds received from the recent “Master Settlement Agreement” for the Cigarette Restitution Fund with 50% appropriated for specific purposes. The expected recovery amount in fiscal 2000 for Maryland is \$175.0 million. The fiscal 2000 budget bill includes a \$54.3 million appropriation to the Dedicated Purpose Fund contingent on the receipt of funds from the tobacco settlement. Contingent on the enactment of this legislation, however, the \$54.3 million would be credited to the Cigarette Restitution Fund.

Future year revenues from the tobacco settlement are projected to be \$122.6 million in fiscal 2001, \$141.8 million in fiscal 2002, and \$137.5 million in fiscal 2003.

---

**Information Source(s):** Department of Legislative Services, Department of Budget and Management, Office of the Attorney General

**Fiscal Note History:** First Reader - February 15, 1999  
mld/jr Revised - Correction - February 16, 1999  
Revised - Senate Third Reader - April 9, 1999  
Revised - Clarification - May 3, 1999

---

Analysis by: Joanna Rooney

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510