

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 394 (Senator Ruben. *et al.*)

Finance and Budget and Taxation

Maryland Tobacco Control Foundation

This bill establishes a nonprofit Maryland Tobacco Control Foundation to be managed by a 13-member board of trustees. The foundation will receive 1/3 of the funds received by the State from the Master Tobacco Settlement Agreement between the states and the tobacco manufacturers and will use these funds to create a comprehensive statewide tobacco control program for the purpose of studying methods to help decrease smoking in the State and funding anti-smoking campaigns and programs.

Fiscal Summary

State Effect: General fund expenditures would increase by 1/3 of the funds received from the tobacco settlement beginning in FY 2000. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses conducting research or operating anti-smoking programs, may potentially receive a significant amount of funds from the foundation.

Fiscal Analysis

Bill Summary: The Maryland Tobacco Control Foundation will get 1/3 of the funds received by Maryland from any source as a direct or indirect result of any judgement 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 claim made or prosecuted by the State to recover damages for violation of State laws. The foundation will also be able to solicit and accept any gift, grant, legacy, or endowment of

money, including in-kind services, from the federal government, State government, a local government, or any private source.

The funds received by the foundation will be deposited as directed by the board of trustees in any State or national bank or federally or State-insured savings and loan association located in the State. The foundation must develop a comprehensive statewide tobacco control program and perform specified functions towards the implementation of this program.

The trustees must appoint an executive director who will serve as the chief administrator of the foundation. The director may employ additional staff with the approval of the board of trustees. The foundation, in exercising its powers, is exempt from the provisions of: the State Procurement System, the State Personnel and Pensions laws, the State Personnel Management System, and Article 78A of the Maryland Code. However, if the foundation receives funds from the State, the foundation is subject to the provisions of the State Finance and Procurement system when using these funds.

For informational purposes only, the foundation will submit a capital and operating budget to the Senate Budget and Taxation Committee and the House Appropriations Committee. Also, the foundation will report its activities of the preceding year to the Governor and General Assembly, including an evaluation of its activities and appropriate recommendations to further the foundation's purposes. In addition, the foundation must create a system of financial accounting, controls, and reports which will be subject to audit by the State.

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 \$4.6 billion of the settlement funds. The fiscal 2000 budget has recognized the first installment of \$54.3 million as general funds.

State Effect: Under this bill, 1/3 of the funds received from the recent settlement will go to this foundation. The expected recovery amount in fiscal 2000 for Maryland is \$175.0 million, of which \$54.3 million has been appropriated in the proposed fiscal 2000 budget to the Dedicated Purpose Fund in the State Reserve Fund. This \$54.3 million will be allocated by budget amendment with the approval of the Legislative Policy Committee for: education and awareness programs to discourage children from using alcohol, tobacco, and other drugs; programs designed to reduce class size and enhance after-school programs; cancer research and facilities; programs to assist tobacco growers and to promote alternative agricultural uses; and other community-wide plans that focus on increased opportunities for children.

Future year revenues from the tobacco settlement are in the Administration's general fund budget forecast at \$224 million in fiscal 2001, \$142 million in fiscal 2002, and \$138 million in fiscal 2003. The budget forecast assumes that one-half of subsequent tobacco settlement revenues will be available for ongoing purposes. The other 1/2 is assumed to be available for new programs, or will not be available due to federal recoupment. Under the bill, 1/3 of the revenues would go to the Maryland Tobacco Control Foundation.

The salaries of the executive director and additional staff will be paid for by the foundation. Also, State agencies that provide supplies and office space will be reimbursed by the foundation for these expenses.

Information Source(s): Comptroller of the Treasury (Alcohol and Tobacco Tax Unit),
Department of Legislative Services

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Analysis by: Joanna Rooney

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