

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 685 (Senators Middleton and Dvson)

Budget and Taxation

Tobacco Settlement Moneys - Appropriation to Tri-County Council for Southern Maryland

This bill requires the Governor, in the fiscal 2001 through 2025 budgets, to include an appropriation to the Tri-County Council for Southern Maryland in an amount equal to 5% of the funds the State receives annually from the "Master Settlement Agreement" with the tobacco manufacturers. The funds will be used for the implementation of the Southern Maryland Regional Strategy - Action Plan for Agriculture. These payments will be separate from and in addition to any amounts paid by the tobacco manufacturers to tobacco growers to compensate tobacco growers for their losses.

Fiscal Summary

State Effect: General fund expenditures would increase by an amount equivalent to 5% of the funds the State receives from the tobacco settlement beginning in FY 2001. Revenues would not be affected.

Local Effect: The Tri-County Council of Southern Maryland would receive an amount equal to 5% of the State's annual tobacco settlement payments. This revenue will be distributed to Anne Arundel, Calvert, Charles, Prince George's, and St. Mary's counties.

Small Business Effect: Potential meaningful. The regional plan assists tobacco farmers, almost all small businesses, to remain in agriculture, and replaces income lost due to declines in tobacco consumption and sales. Therefore, small businesses will be significantly impacted.

Fiscal Analysis

Background:

The “Master Settlement Agreement”

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.

The Southern Maryland Agricultural Commission

The Southern Maryland Agricultural Commission was established by the Tri-County Council for Southern Maryland in 1988. The purpose of the commission is to address regional agricultural issues and make appropriate recommendations for action at the federal, State and local levels; otherwise known as the Southern Maryland Regional Strategy - Action Plan for Agriculture. The members of the commission represent five counties - Anne Arundel, Calvert, Charles, Prince George's, and St. Mary's.

State Effect: Beginning in fiscal 2001, under this bill 5% of the funds received from the recent settlement will go to the Tri-County Council for Southern Maryland. 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 a 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 one-half is assumed to be available for new programs, or will not be available due to federal recoupment. Under the bill, 5% of the revenues would go to the Southern Maryland Council.

Local Effect: The Tri-County Council of Southern Maryland would receive an amount equal to 5% of the State's annual tobacco settlement payments. The revenue will then be distributed to Anne Arundel, Calvert, Charles, Prince George's, and St. Mary's counties for the implementation of the Southern Maryland Regional Strategy - Action Plan. It is anticipated that the agricultural component of the plan will include help for tobacco farmers to convert to other crops, preserve agricultural land, research and development, and to achieve other goals related to the Action Plan.

Information Source(s): Tri-County Council for Southern Maryland, Department of Budget and Management, St. Mary's County

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