

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 639 (Senator Bromwell)

Budget and Taxation

Tobacco Settlement Moneys - Appropriation to the University of Maryland Medical System Greenebaum Cancer Center

This bill requires the Governor, in the fiscal 2001 through 2026 budgets, to include a \$10 million appropriation to the University of Maryland Medical System Greenebaum Cancer Center from the funds the State receives annually from the "Master Settlement Agreement" with the tobacco manufacturers.

The Greenebaum Cancer Center of the University of Maryland Medical System will dedicate these funds for cancer research and treatment.

Fiscal Summary

State Effect: General fund expenditures would increase by \$10.0 million annually from the tobacco settlement payments beginning in FY 2001. Revenues would not be affected.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

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.

The agreement settles all antitrust, consumer protection, common law negligence, statutory, common law and equitable claims for monetary, restitutionary, equitable and injunctive relief alleged by any of the settling states with respect to the year of payment or earlier years and cannot be modified in any way unless all the parties agree to the modification.

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: Beginning in fiscal 2001, under this bill \$10.0 million of the funds received from the recent settlement will go to the University of Maryland Medical System Greenebaum Cancer Center. 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.

Information Source(s): Department of Legislative Services

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