

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1374 (Delegate Guns)

Environmental Matters

Cigarette Restitution Fund - Legislative Review of Proposed Plan for Expenditures

This bill provides that expenditures from the Cigarette Restitution Fund may only be made for fiscal years beginning on or after July 1, 2001.

The bill also requires the Governor, on or before October 1, 2000, to prepare a statewide plan for accessing funds made available to the State under the Master Tobacco Settlement Agreement, and to submit the plan to the House Appropriations and Ways and Means committees and Senate Budget and Taxation and Finance committees for their review.

After reviewing the plan, and on or before January 1, 2001, the reviewing committees are required to consult with the House Economic Matters and Environmental Matters committees and the Senate Economic and Environmental Affairs Committee, and issue a joint report to the members of the General Assembly that contains recommendations for amendments to the plan and legislation to be introduced in the 2001 legislative session. The legislative recommendations are to cover further refinements and limitations relating to the purposes of the Cigarette Restitution Fund and the funding of projects through the fund.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: The FY 2001 budget includes \$153.5 million in expenditures from the Cigarette Restitution Fund. If these monies were not expended there would be a special fund expenditure decrease of \$153.5 million in FY 2001. Future years would depend on the proposed spending plan for each fiscal year.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: See below.

Background: In response to the 1998 tobacco settlement agreement, Chapters 172 and 173 of 1999 created the Cigarette Restitution Fund for settlement payments. All payments received by the State which are related to the tobacco settlement are to be placed into this nonlapsing fund. Monies in the fund can be spent only through appropriations in the annual State budget, and a minimum of \$100 million, or 90% of the funds available, must be appropriated. In addition, 50% of the funds must be appropriated for the following specific purposes:

- reduction in tobacco use by youth;
- tobacco control programs in schools;
- smoking cessation programs;
- enforcement of tobacco sales restrictions;
- primary health care in rural areas;
- programs concerning cancer, heart disease, lung disease, and tobacco control;
- substance abuse treatment and prevention;
- Maryland Health Care Foundation; and
- crop conversion.

For each program receiving funds, statements of vision, mission, goals, and objectives, along with performance indicators, are to be included with the budget submission, and an annual report is required evaluating the effectiveness of the prior year's spending.

State Fiscal Effect: The Cigarette Restitution Act of 1999 outlined nine legislative spending priorities (mentioned above) for the Cigarette Restitution Fund addressing health- and tobacco-related issues. While the statute mandates that at least 50% of the spending should be focused on the nine priority areas, the Governor has considerable latitude in constructing a budget proposal for the use of the funds. The Governor's proposed fiscal 2001 budget (including Supplemental Budget No.1) meets the statutory requirements, with \$90.5 million, or 59% of the settlement funds, allocated to health- and tobacco-related programs. The total fiscal 2001 allowance for the Cigarette Restitution Fund is \$153.5 million.

If the intent of the bill is to delay expenditures from the Cigarette Restitution Fund until fiscal 2002, special fund expenditures would decrease by \$153.5 million in fiscal 2001.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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jir/jr

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