

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**

Senate Bill 412 (Senator Harris, *et al.*)  
Budget and Taxation

---

**Maryland Health Care Foundation Tobacco Cessation Fund**

---

This bill requires the Comptroller to distribute the proceeds from the sales of contraband tobacco products to the Maryland Health Care Foundation to use for tobacco cessation programs.

The bill takes effect July 1, 2001.

---

**Fiscal Summary**

**State Effect:** General fund revenue decrease of \$350,000 to \$500,000 annually beginning in FY 2002, based on previous sales of contraband tobacco products, with a corresponding increase in revenues and expenditures for the Maryland Health Care Foundation.

**Local Effect:** None.

**Small Business Effect:** None.

---

**Analysis**

**Current Law:** The Comptroller is required to sell contraband tobacco products that are seized and forfeited to a State institution, a nonprofit charitable institution, a licensed cigarette wholesaler, or a licensed cigarette manufacturer in a manner determined by the Comptroller.

**Background:** The Comptroller's Office confiscated 183,162 packs of unstamped cigarettes in fiscal 2000. It is estimated that 200,000 packs will be confiscated in fiscal 2001 and 220,000 in fiscal 2002.

The Field Enforcement Division holds auctions for contraband cigarettes. Bids are solicited from licensed cigarette wholesalers and licensed manufacturers. Since July 1, 1999 there have been two sales of contraband cigarettes. In the first sale 79,633 packs were sold for \$198,695, and in the second sale 82,400 packs were sold for \$177,219, for a total of \$375,914.

The Maryland Health Care Foundation was created by Chapter 180 of the Acts of 1997. The purpose of the foundation is to act as a charitable, nonprofit organization "to promote public awareness of the need to provide more timely and cost-effective health care for Marylanders without health insurance and to receive monies that can be used to provide financial support to programs that expand access to health care services for uninsured Marylanders."

The Maryland Health Care Foundation is a non-budgeted agency that receives grants from the federal, State, and local governments. The proposed fiscal 2002 budget includes \$1.5 million for the foundation with \$500,000 of the allowance contingent upon resolution of legal fee issues.

**State Fiscal Effect:** The actual amount received from the sale of contraband tobacco products depends upon the number and size of contraband seizures and the bids received at auction. Contraband tobacco products may be sold to various State institutions, nonprofit organizations, and licensed cigarette wholesalers or manufacturers. Recently, however, only licensed cigarette wholesalers and licensed manufacturers have taken part in the auction process. The revenue resulting from these sales goes to the State general fund. Based on prior years' experience and the contraband cigarettes in the possession of the Comptroller of the Treasury, an estimated \$350,000 to \$500,000 will be realized at auction each year. Therefore, it is estimated that distributing the funds from the sale of contraband tobacco products to the Maryland Health Care Foundation would result in an annual general fund revenue loss of \$350,000 to \$500,000 beginning in fiscal 2002.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller of the Treasury (Field Enforcement Division), Maryland Health Care Foundation, Department of Legislative Services

**Fiscal Note History:** First Reader – February 11, 2001  
ef/jr

---

Analysis by: Michael Sanelli

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