

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 740
Appropriations

(Delegate Wood)

Budget and Taxation

Cigarette Restitution Fund - Appropriations From Fund

This bill requires that at least 5% of the estimated funds available in the Cigarette Restitution Fund (CRF) in each fiscal year be appropriated to implement the Southern Maryland Regional Strategy-Action Plan for Agriculture. The bill also provides that the payment of principal and interest on general obligation bonds issued to support the plan counts toward the 5% requirement.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None. The bill codifies existing practice.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Implementation of the Southern Maryland Regional Strategy-Action Plan is one of the purposes for which CRF funds may be appropriated. There is no statutory requirement that 5% of the estimated funds available in the CRF be appropriated for implementation of the plan.

Chapter 103 of 2001 authorized \$5 million annually in general obligation bond issuance in fiscal 2003 through 2008, for a total issuance of \$30 million, with the proceeds of the

bonds used as a grant to the Tri-County Council of Southern Maryland to assist in implementing the Southern Maryland Regional Strategy-Action Plan for Agriculture. The Maryland Department of Agriculture must repay the general fund within eight years of issuance for the principal and interest costs of any debt issued. The authorization is to be included in the debt limit recommended by the Capital Debt Affordability Committee.

Background: In November 1998, Maryland along with other states entered into the Master Settlement Agreement (MSA) with tobacco manufacturers. Under the agreement the State will receive annual payments on April 15 of each year for perpetuity or until cigarettes are no longer shipped in the United States for consumption. Through fiscal 2003, the State will also receive an annual payment on January 11 of each year. Beginning in fiscal 2008, and through 2017, the State will receive strategic contribution payments. Currently the legal fees for the outside counsel are in dispute. Until the legal fees are resolved, 25% of every payment is being held in escrow.

Joint Chairmen's Report language for the fiscal 2000 budget provides that in future years (after fiscal 2001), 5% of the funds available to the CRF are to be appropriated annually for implementation of the Southern Maryland Strategy-Action Plan for Agriculture.

The Southern Maryland Regional Strategy-Action Plan currently has four basic components: buyout programs; infrastructure; agricultural land preservation; and administration. The current plan uses most of the funding for buyout plans. However, the Tri-County Council can change the plan at any time.

State Fiscal Effect: Assuming that all the estimated funds available each year are appropriated, there would be no change in the total amount of expenditures from the CRF. The Department of Budget and Management advises that the bill codifies the existing understanding/commitment to provide 5% of any tobacco settlement receipts for crop conversion.

Additional Information

Prior Introductions: None.

Cross File: SB 736 (Senators Middleton and Dyson) – Budget and Taxation.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2002
lsc/cer Revised - House Third Reader - March 28, 2002

Analysis by: Christine A. Scott

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