

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 633 (Delegate Rosenberg)
 Environment and Transportation and
 Health and Government Operations

Cigarette Restitution Fund - Use of Funds - Compliance With Watershed
 Implementation Plans

This bill establishes a Watershed Implementation Plan Fund (WIPF), administered by the Maryland Department of Agriculture (MDA), to provide financial assistance to farmers to assist with the requirements of State or local watershed implementation plans associated with the Chesapeake Bay Total Maximum Daily Load (TMDL). The primary source of revenue for the fund is revenue distributed from the Cigarette Restitution Fund (CRF). WIPF may not be used for administrative expenses and is not intended to take the place of funding that otherwise would be appropriated for financial assistance to farmers. MDA must (1) adopt regulations establishing criteria for distributing money from the fund and specifying the purposes for which the fund may be used and (2) report to the General Assembly by December 31 each year on the use of the fund during the calendar year.

The bill takes effect June 1, 2015, and is applicable to fiscal 2017 and each fiscal year thereafter.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$250,000 annually, beginning in FY 2017, to replace CRF funding distributed to WIPF under the bill. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	250,000	250,000	250,000	250,000
Net Effect	\$0	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None, assuming general funds are provided to replace CRF funds distributed to WIPF under the bill.

Small Business Effect: Meaningful.

Analysis

Current Law/Background:

Bay Restoration and State Financial Assistance to Farmers

The TMDL established by the U.S. Environmental Protection Agency sets the maximum amount of pollution the bay can receive and identifies specific pollution reduction requirements. All reduction measures must be in place by 2025, with at least 60% of the actions established by 2017. Various strategies to reduce pollution from agricultural operations are identified in the State's Phase II Watershed Implementation Plan (WIP), the State's roadmap to achieving the nutrient pollution limits required under the TMDL.

The State provides various forms of financial assistance aimed at limiting nutrient pollution from agricultural operations. The Maryland Agricultural Water Quality Cost Share Program administered by MDA provided farmers with \$27.3 million dollars in grants in fiscal 2014 for cover crops, manure management strategies, and other best management practices (BMPs). Funding in the Governor's proposed fiscal 2016 budget includes \$22.5 million for cover crops, \$1.1 million for the Manure Transport Program, \$2.0 million for other BMPs, \$2.5 million for the Animal Waste Technology Fund, and \$348,840 for nutrient management plan assistance.

Cigarette Restitution Fund

CRF was created in 1999 for payments received by the State from the Master Settlement Agreement with cigarette manufacturers. The Act establishing CRF specified nine health-and tobacco-related priorities (reduction in tobacco use by youth; tobacco control campaigns 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), to which no less than half of the funds must be appropriated annually. To support this goal, the General Assembly created the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program within the Prevention and Health Promotion Administration of the Department of Health and Mental Hygiene to address both the causes and effects of tobacco

use. The fund also supports existing health programs such as substance abuse treatment and Medicaid. The Governor's proposed fiscal 2016 budget includes \$188.5 million in spending from the fund, not accounting for statewide reductions.

State Expenditures: General fund expenditures increase by at least \$250,000 annually, beginning in fiscal 2017. This estimate assumes that:

- \$250,000 is the minimum amount of CRF revenues that need to be distributed to WIPF to provide meaningful financial assistance to farmers, whether supplementing existing financial assistance programs or establishing a new program;
- general funds increase by an equivalent amount to support programs that otherwise would have been funded by the redirected CRF revenues; and
- MDA can administer WIPF with existing resources.

Small Business Effect: Small business farmers benefit from additional funding made available to assist with meeting requirements implemented under the State's WIP.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Department of Health and Mental Hygiene, Maryland Department of the Environment, Howard and Montgomery counties, cities of Bowie and Takoma Park, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2015
mel/lgc

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510