Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 703 (Delegate Rosenberg)
Appropriations

Public Health - Tobacco Control Funding

This bill requires the Governor to include at least $21.0 million in annual funding for the Tobacco Use Prevention and Cessation Program beginning in fiscal 2018.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by $11.0 million annually beginning in FY 2018, as discussed below. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2019.**

($ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	$0	$0	$0	$0	$0
GF Expenditure	11.0	11.0	11.0	11.0	11.0
Net Effect	($11.0)	($11.0)	($11.0)	($11.0)	($11.0)

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

Local Effect: Local health departments may receive additional funding beginning in FY 2018 due to increased funding for the Tobacco Use Prevention and Cessation Program.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Chapters 172 and 173 of 1999 established the Cigarette Restitution Fund (CRF), which is supported by payments made under the Master Settlement Agreement (MSA). Through MSA, the settling manufacturers pay the litigating parties – 46 states, 5 territories, and the District of Columbia – substantial annual payments in perpetuity. The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA monies, which are adjusted for inflation, volume, and prior settlements. In addition, the State collects 3.3% of monies from the Strategic Contribution Fund, distributed according to each state's contribution toward resolution of the state lawsuits against the major tobacco manufacturers; however, this payment ends in fiscal 2017.

Additionally, civil penalties collected for violations of the Clean Indoor Air Act (under the Health-General Article) and for smoking in indoor places of employment (under the Labor and Employment Article) are also paid into CRF.

The use of CRF is restricted by statute. Activities funded through CRF include the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; substance abuse treatment and prevention; the Breast and Cervical Cancer Program; Medicaid; tobacco production alternatives; legal activities; and nonpublic school textbooks.

The Tobacco Use Prevention and Cessation Program aims to reduce the use of tobacco products and to reduce the burden of tobacco-related morbidity and mortality in the State. Over the past several years, the State's fiscal difficulties have prompted reductions to the mandated funding levels for various programs funded by CRF. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) reduced annual appropriations for tobacco use prevention and cessation activities to $6.0 million in each of fiscal 2011 and 2012 and $10.0 million annually beginning in fiscal 2013. Prior to these reductions, $21.0 million was mandated for these activities annually.

State Expenditures: A bill may establish or alter a mandated appropriation no earlier than the fiscal year following the budget year currently under consideration by the General Assembly. In practical terms, this means no mandated appropriations may be established or altered earlier than fiscal 2019 for bills considered in the 2017 legislative session. As such, this analysis assumes that the bill's mandated appropriation provision does not apply until fiscal 2019.

While the bill does not increase a mandated appropriation until fiscal 2019, this analysis assumes that the Governor appropriates the minimum required amount of $21.0 million annually beginning in fiscal 2018. Additionally, although the Tobacco Use Prevention and Cessation Program is funded by CRF, nearly the entirety of the fund's revenue is allocated each year to various programs under funding mandates. Therefore, it is assumed that general funds are necessary either to meet the bill's funding mandate or to backfill for funding reallocated from CRF programs.

Consequently, general fund expenditures increase by $11.0 million annually beginning in fiscal 2018 to ensure a total of $21.0 million in annual tobacco cessation program funding. The Department of Health and Mental Hygiene (DHMH) advises that the increased funding would be expended on contracts for statewide tobacco prevention ($4.5 million), health communication activities ($1.1 million), and evaluation activities ($1.0 million). In addition, DHMH anticipates hiring additional staff ($427,000) and providing $3.9 million to local health departments for tobacco prevention and control activities.

Additional Information

Prior Introductions: Legislation with similar funding provisions was introduced in the 2016 and 2015 sessions. SB 514 of 2016 and SB 37 of 2015 each received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Their cross files, HB 71 of 2016 and HB 108 of 2015, each received a hearing in the House Ways and Means Committee, but no further action was taken. Legislation with similar funding provisions was also introduced in the 2014 session.

Cross File: SB 113 (Senator McFadden) - Budget and Taxation.

Information Source(s): Department of Budget and Management; Department of Health and Mental Hygiene; Department of Legislative Services

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md/ljm

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