Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 855 (Delegate Korman, *et al.*)
Environment and Transportation

The Smoke-Free Multifamily Housing Promotion Act

This bill establishes the Smoke-Free Multifamily Housing Grant Program within the Department of Housing and Community Development (DHCD) to provide financial assistance to owners of multifamily housing properties (or the governing bodies of a condominium or co-op property) who obtain smoke-free certification as established under the bill. The bill expresses the intent of the General Assembly that the Governor appropriate sufficient funds from the Cigarette Restitution Fund (CRF) to reimburse grants awarded under the program. DHCD must adopt regulations to implement the bill.

Fiscal Summary

State Effect: Special fund expenditures from CRF increase by $375,000 in FY 2018 and by $500,000 annually thereafter to reimburse for/provide grants awarded under the program. General fund expenditures for DHCD to administer the program increase by $203,300 in FY 2018; future year administrative expenditures reflect annualization and ongoing costs. To the extent that CRF expenditures are diverted from other authorized uses, including for the Medicaid program, either existing programs receive less CRF funding or general fund expenditures increase to backfill the diverted funds; any such effect is not reflected in the box below. Revenues are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	$0	$0	$0	$0	$0
GF Expenditure	203,300	236,300	246,900	258,100	269,900
SF Expenditure	375,000	500,000	500,000	500,000	500,000
Net Effect	($578,300)	($736,300)	($746,900)	($758,100)	($769,900)

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

Local Effect: Local government revenues and expenditures may decrease, potentially significantly, as funds from CRF are redirected to the grant program established under the bill.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: An owner of a multifamily housing property or the governing body of a condominium or co-op property may apply to DHCD for smoke-free certification. DHCD must identify the conditions and procedures for obtaining certification, including:

- the posting of "no smoking" signs in indoor and outdoor public areas;
- requiring that a prohibition against smoking be included in all rental and purchase agreements; and
- making infrastructure improvements, including the cleaning or replacement of ventilation systems.

An applicant is eligible for a grant only if smoke-free certification is obtained and DHCD verifies that the property changed from an environment where smoking occurred to smoke free on or after October 1, 2017. The bill requires DHCD to conduct periodic inspections or spot checks of smoke-free certified properties. If DHCD finds that a property no longer meets the conditions for smoke-free certification, the grant recipient must repay the grant.

Finally, the bill amends the relevant provision in statute to allow CRF funds to be used for the program.

Current Law/Background: CRF was established by Chapters 172 and 173 of 1999 and is supported by payments made under the Master Settlement Agreement (MSA). Through the MSA, the settling tobacco manufacturers pay the litigating parties – 46 states (Florida, Minnesota, Mississippi, and Texas had previously settled litigation), 5 territories, and the District of Columbia – substantial annual payments in perpetuity as well as conform to a number of restrictions on marketing to youth and the general public.

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, for fiscal 2008 through 2017, 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. This payment, however, ended with fiscal 2017.

The use of CRF is restricted by statute. Activities funded through CRF in the Governor's proposed fiscal 2018 budget 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 support.

State Fiscal Effect: Although the bill does not require a specific amount of funding to be appropriated from CRF, this analysis assumes a minimal level of $500,000 annually ($375,000 in the first year) is required in order to operate the grant program under the bill – at least for the first several years of program operation (in the out-years, fewer properties are eligible for a grant, as it appears to be a one-time grant due to its connection to obtaining smoke-free certification). The Department of Legislative Services (DLS) notes that the bill does not establish any parameters for the use or amount of grants that may be distributed. Thus, it is assumed that sizeable grants may be provided and that there is strong interest in obtaining a grant – although any property that is already smoke free before October 1, 2017, does not qualify. Accordingly, special fund expenditures from CRF increase by $375,000 in fiscal 2018 and by $500,000 annually thereafter in order to provide grants under the program. The bill specifies that CRF be used to *reimburse* the program for grants awarded; however, this analysis assumes a CRF appropriation is used directly to provide such grants. Otherwise, either funding for other purposes within DHCD must be diverted to award grants under this program, with CRF later reimbursing for such awards, or additional general funds have to be appropriated to the program initially.

In addition, general fund administrative expenditures for DHCD increase by $203,300 in fiscal 2018, which accounts for the bill's October 1, 2017 effective date and the assumption of strong interest in obtaining smoke-free certification in order to receive a grant. This estimate reflects the cost of hiring one program manager, one administrator, and one administrative specialist to administer the grant program established by the bill. The program manager is responsible for general oversight, including establishing the criteria for grant awards and fiscal management. The administrator is responsible for processing grant applications and conducting spot inspections of grantees, as required by the bill. The administrative specialist provides general office support. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	$170,224
Vehicle Purchase and Operation	17,750
Other Operating Expenses	15,326
Total FY 2018 Administrative Expenditures	**$203,300**

Future year administrative expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

As noted above, CRF monies support the State's Medicaid program and numerous other drug treatment and smoking cessation programs. The current DLS forecast assumes that available CRF funds are fully subscribed in the out-years; thus, any CRF monies used to implement the bill are likely diverted from other authorized activities, including Medicaid. To the extent that funding for Medicaid or other authorized purposes is affected due to such diversions, either those programs receive less funding or general fund expenditures increase to backfill the diverted funds (which would be required in the case of Medicaid). Any such impacts are not accounted for in this estimate.

Local Fiscal Effect: The Department of Health and Mental Hygiene advises that it awards funds from CRF to local health departments every year to support evidence-based programs and services to reduce the impact of tobacco use and cancer in the State. Thus, to the extent that funds otherwise used to provide funding to local health departments are channeled from CRF to the grant program established by the bill, local revenues decrease, potentially significantly. To the extent that local health departments must reduce spending as a result of the shift of CRF funds, local expenditures may also decline.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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