

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 254

(Senator McFadden)

Budget and Taxation

**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 2020. **The bill takes effect July 1, 2018.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$11.0 million annually beginning in FY 2020, as discussed below. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	11.0	11.0	11.0	11.0
Net Effect	\$0.0	(\$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 2020 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, five 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.

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 support.

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:** 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 2020 to ensure a total of \$21.0 million in annual tobacco cessation program funding. The Maryland Department of Health (MDH) advises that the increased funding would be expended on contracts for statewide tobacco prevention (\$4.6 million), health communication activities (\$1.1 million), and evaluation activities (\$1.0 million). In addition, MDH anticipates hiring additional staff (\$464,800) and providing \$3.9 million to local health departments for tobacco prevention and control activities.

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### **Additional Information**

**Prior Introductions:** SB 113 of 2017 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 703, received a

hearing in the House Appropriations Committee, but no further action was taken. Legislation with similar funding provisions was also introduced in the 2016 session. SB 514 of 2016 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 71, 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 2015 and 2014 sessions.

**Cross File:** Although not designated as a cross file, HB 606 (Delegate Rosenberg, *et al.* – Appropriations) is identical.

**Information Source(s):** Maryland Department of Health; Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2018  
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