

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1278
Ways and Means

(Delegate Smith)

Maryland Positive Youth Development Commission and Fund - Establishment

This bill establishes the Maryland Positive Youth Development (MPYD) Commission in the Maryland State Department of Education (MSDE) and an MPYD Fund (administered by MSDE). The MPYD Fund may be used only as specified, but it is intended to provide grants to eligible organizations that provide positive youth development programming to youth, from birth through age 25. The MPYD Commission must annually report to the Governor and the General Assembly on (1) revenues deposited into the fund; (2) grants awarded and populations served by the grants; (3) the outcomes and impacts of the grants; and (4) recommendations for policy and funding changes to advance positive youth development in the State. MSDE must adopt regulations to carry out provisions of the bill related to the commission and the fund. **The bill takes effect July 1, 2026, contingent on the State receiving funds from specified litigation or settlement proceeds against a social media company. However, if notice that the State has received such funds is not provided by June 30, 2030, the bill is null and void.**

Fiscal Summary

State Effect: To the extent the State receives settlement or litigation proceeds from social media companies, those revenues are redirected from the Office of the Attorney General's (OAG) Division of Consumer Protection to a new MSDE special fund, increasing MSDE special fund revenues and expenditures. However, overall State finances are not materially affected, and MSDE administrative costs are assumed to be covered by the fund.

Local Effect: Local government entities, including local school systems, may benefit from an indeterminate amount of grant funding. To the extent, grant funds are received, local revenues and expenditures increase.

Small Business Effect: None. It is assumed that small businesses are not among organizations that are eligible to receive MPYD grant funding.

Analysis

Bill Summary: “Positive youth development programming” is defined in the bill as structured, developmentally appropriate programs or activities that (1) are grounded in evidence-based or evidence-informed practices; (2) include consistent, engaged adult mentors or youth development professionals; (3) are provided before school, after school, during summer, or at other times outside regular school hours; and (4) include programming designed to support family engagement. The organizations eligible to receive MPYD grant funding are specified as community-based organizations, statewide youth-serving organizations, local governments, and schools delivering youth programs outside regular school hours.

Maryland Positive Youth Development Commission

The bill specifies membership of the MPYD Commission. A member of the commission may not receive compensation as a member of the commission but is entitled to reimbursement for expenses. The MPYD Commission must meet at least twice annually and must:

- establish a grant application and review process for eligible organizations;
- award grants to support positive youth development programming across the State;
- monitor and evaluate grant recipients;
- ensure the quality and positive outcomes of a grant; and
- ensure meaningful engagement of youth in all aspects of its work.

Maryland Positive Youth Development Fund and Uses

The MPYD Fund is a special, nonlapsing fund. The fund consists of (1) all revenues received by the State from any source resulting, directly or indirectly, from any judgment against or settlement with social media companies found to have harmed youth; (2) money appropriated in the State budget; (3) interest earnings of the fund; and (4) any other money from any other source accepted for the benefit of the fund. The State Treasurer must invest the money of the MPYD Fund in the same manner as other State money may be invested. Any interest earnings of the fund must be credited to the fund. Expenditures from the fund may be made only in accordance with the State budget.

The fund may be used only as follows:

- up to 10% for OAG administrative costs for litigation against social media companies;
- up to 10% for administration costs associated with the commission and issuing the grants authorized by the commission, as specified; and
- the remainder for grants to eligible organizations.

Money expended from the fund is supplemental to and is not intended to supplant funding that otherwise would be appropriated for positive youth development programming to youths.

Effective Date and Contingency

The bill is contingent on the State receiving funds resulting from the execution of a final settlement agreement, judgment, or bankruptcy proceeding against a social media company related to harm against children. The bill takes effect on the date that a specified notice from the Attorney General is received by the Department of Legislative Services (DLS). If that notice is not received by June 30, 2030, the bill is null and void.

Current Law:

Cigarette Restitution Fund

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 the MSA, settling tobacco 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.

The use of CRF funds is restricted by statute. The Governor must include appropriations from CRF in the annual budget bill equivalent to the lesser of \$100.0 million or 90% of the funds estimated to be available to CRF in the fiscal year for which the appropriations are made. At least 30% of the appropriations must be made to Medicaid. At least 50% of the appropriations must be dedicated to the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; specified activities of the Southern Maryland Agricultural Development Commission; and other programs that serve specified purposes. For each fiscal year for which appropriations are made, 0.15% of CRF must be appropriated for the purposes of enforcement of Title 16, Subtitle 5 of the Business Regulation Article (which governs escrow requirements for nonparticipating tobacco product manufacturers). Any additional appropriations from CRF may be made for any lawful purpose.

Chapter 348 of 2023 requires CRF to include a separate account consisting of payments received by the State from any judgment, settlement, penalty, offer of compromise, or any other enforcement action related to the sale and marketing of electronic smoking devices. Distributions from the separate account may be used, consistent with any other provision of State law, to supplement general fund appropriations for specified programs that aim to reduce the use of tobacco products by individuals younger than age 21.

Opioid Restitution Fund

Chapter 537 of 2019 established the Opioid Restitution Fund (ORF), a special fund to retain any revenues received by the State relating to specified opioid judgments or settlements, which may be used only to provide funds for the purposes specified in settlement agreements, including:

- programs, services, supports, and resources for evidence-based substance use disorder (SUD) prevention, treatment, recovery, or harm reduction;
- community-based nonprofit recovery organizations that provide nonclinical substance abuse recovery support services in the State;
- addressing racial and socioeconomic disparities in access to prevention, harm reduction, treatment, and recovery support services;
- evidence-informed SUD prevention, treatment recovery, or harm reduction pilot programs or demonstration studies that are not evidence based if the advisory council determines that emerging evidence supports funding or that there is a reasonable basis for funding with the expectation of creating an evidence-based program and approves the use of money for the pilot program or demonstration study;
- evaluations of the effectiveness and outcomes reporting for SUD abatement infrastructure, programs, services, supports, and resources for which the fund is used;
- operating expenses and personnel costs for investigations and enforcement actions under the Opioids Enforcement Unit within OAG; and
- the buprenorphine training grant program.

Through the end of fiscal 2025, Maryland has received more than \$245.8 million from opioid settlements. By October 2038, the State is projected to receive more than \$670.8 million in opioid settlement revenue, which is split between local jurisdictions and ORF.

Under the National Opioid Settlement, Maryland's settlement revenues are directed into four distinct funding streams for expenditure; the amount in each stream must ultimately

reach a specified percentage of total awards, with only 75% flowing through ORF, as follows:

- **Local Direct Funds (25%):** Direct payments from settlement administrators to participating subdivisions. As of the end of fiscal 2025, this accounts for approximately \$53.6 million in revenues paid directly to local jurisdictions.
- **Targeted Abatement Grant Funds (45%):** Funds deposited into ORF that must be used for formula-based grants for participating subdivisions. As of the end of fiscal 2025, this accounts for approximately \$97.0 million in ORF revenues.
- **State Discretionary Abatement Fund (15%):** Funds that must be made available for competitive grants. As of the end of fiscal 2025, this accounts for approximately \$38.0 million in ORF revenues.
- **State Allocation Funds (15%):** Funds that may be spent at the State's discretion, within allowable parameters. As of the end of fiscal 2025, this accounts for approximately \$57.3 million in ORF revenues.

State Fiscal Effect: The bill does not directly affect the total amount of funds available to Maryland under any judgment or settlement; accordingly, it is not anticipated to materially affect overall State finances. However, absent the bill, any settlement or litigation proceeds received by the State from social media companies are assumed, for purposes of this analysis, to otherwise be received as special fund revenues within OAG's Division of Consumer Protection, with a portion potentially directed to the State's general fund. The bill instead establishes the MPYD Fund as a special, nonlapsing fund to receive such revenues and restricts their use primarily to grants supporting positive youth development programming. The bill also establishes the MPYD Commission within MSDE to administer the grant program and oversee the use of the funds.

The provisions establishing the fund and commission take effect only if the State receives funds from specified litigation or settlement proceeds against a social media company. If notice that the State has received such funds is not provided to DLS by June 30, 2030, the bill is null and void.

The bill requires the Comptroller to account for the MPYD Fund and the State Treasurer to hold the fund. The bill also specifies how monies in the fund may be used, including authorizing up to 10% of revenues for administrative costs of OAG related to litigation against social media companies and up to 10% for administration of the commission and grant program.

MSDE likely requires additional personnel and resources to administer the MPYD Fund, support the commission and oversee grants to eligible organizations. However, the bill authorizes up to 10% of fund revenues for administration of the commission and grant

program, which is assumed to be sufficient to cover these costs if substantial revenues accrue to the fund.

Local Fiscal Effect: To the extent that proceeds are received through litigation or settlement and accrue to the MPYD Fund and grants from the fund are budgeted and awarded by the MPYD Commission to local governments, including local school systems, local revenues and expenditures increase, potentially significantly.

Additional Comments: It is assumed that nonprofit organizations are among eligible MPYD grant recipients; thus, nonprofit organizations benefit to the extent that revenues are available, budgeted, and awarded as grants to nonprofit organizations by the MPYD Commission.

In October 2023, 41 states and the District of Columbia filed a 233-page complaint in the U.S. District Court for the Northern District of California against Meta Platforms, Inc.; Instagram, LLC; Meta Payments, Inc.; and Meta Platforms Technologies, LLC. The complaint generally alleges that Meta builds addictive features into its social media platforms (*e.g.*, Instagram and Facebook) that harm children, specifically the mental health of children.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 977 (Senator Harris) - Rules.

Information Source(s): Baltimore City; Calvert and Prince George's counties; Montgomery County Public Schools; Maryland State Department of Education; Governor's Office; Maryland Department of Health; Department of Juvenile Services; Department of Human Services; Office of the Attorney General; Department of Legislative Services

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Analysis by: Scott P. Gates

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