

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 279

(Senator Hayes)

Finance

Economic Matters

**Baltimore City - Cigarettes, Other Tobacco Products, and Electronic Smoking
Devices - Enforcement and Licensure**

This bill authorizes a special enforcement officer in a Baltimore City agency to enforce provisions of law regulating the sale and distribution of cigarettes, other tobacco products (OTP), and electronic smoking devices (ESD). The Executive Director of the Alcohol, Tobacco, and Cannabis Commission (ATCC) may reprimand a licensee or suspend or revoke a license for a violation identified by a special enforcement officer. An applicant for an initial or renewal county cigarette, OTP, or ESD license in Baltimore City must request a licensure authorization from the Mayor and City Council, pay a specified fee, and provide a licensure authorization to the clerk. The Mayor and City Council (1) may establish and charge a fee for a licensure authorization request and establish a process to approve or deny such requests and (2) must remit 50% of licensure authorization request fees to the Comptroller, to be distributed to the Family League of Baltimore City, Inc. Uncodified language prohibits issuance of a licensure authorization for an initial licensure applicant between October 1, 2026, and October 1, 2027.

Fiscal Summary

State Effect: General fund revenues are affected and special fund revenues and expenditures increase, as discussed below. ATCC and the Office of the Comptroller can handle any additional workload using existing budgeted resources. Minimal increase in Judiciary general fund expenditures for one-time programming expenses.

Local Effect: Baltimore City expenditures are assumed to increase by an indeterminate amount for enforcement and to issue licensure authorizations, as discussed below. Baltimore City revenues are not affected, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Licensure Authorization Request

In Baltimore City, before applying for an initial or renewal county cigarette, OTP, or ESD license, a person must request a licensure authorization from the Mayor and City Council.

The Mayor and City Council may (1) establish and charge a fee for the request and (2) establish a process to accept and approve or deny requests. Any authorization process must include (1) a requirement that an applicant is in compliance with all relevant State and local laws and otherwise entitled to be licensed and (2) a mechanism for including the basis for any denial of a licensure authorization request that is referred to the Executive Director of ATCC. If an applicant is denied a licensure authorization, the Executive Director may review the basis for the denial.

In Baltimore City, in addition to current requirements for licensure, an applicant for an initial or renewal county cigarette, OTP, or ESD license must provide the clerk a licensure authorization.

Distribution of Fees

The Comptroller must distribute licensure authorization request fees received from the Mayor and City Council to the Family League of Baltimore City, Inc. in a manner (1) consistent with the process established by the Mayor and City Council and (2) proportional to the number of licensees operating in each legislative district.

Current Law:

Definitions

“ESD” is defined as a device that can be used to deliver aerosolized or vaporized nicotine to an individual inhaling from the device. It includes (1) an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, an electronic hookah, a vape pen, and vaping liquid and (2) any component, part, or accessory of such a device regardless of whether or not it is sold separately, including any substance intended to be aerosolized or vaporized during use of the device. “ESD” excludes a drug, device, or combination product authorized for sale by the U.S. Food and Drug Administration (FDA) under the Food, Drug, and Cosmetic Act or a battery or battery charger when sold separately.

“OTP” is defined as any product that is intended for human consumption or likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled, or ingested in any manner that is made of, derived from, or contains tobacco or nicotine, with specified exclusions. “OTP” (1) includes cigars, premium cigars, pipe tobacco, snuff, snus, filters, rolling papers, pipes, and hookahs and (2) excludes cigarettes, ESD, tobacco pipes (as defined in the Tax – General Article), or drugs, devices, or combination products authorized for sale by the FDA under the federal Food, Drug, and Cosmetic Act.

Licensing and Regulation

Titles 16, 16.5, and 16.7 of the Business Regulation Article govern tobacco licensing and the sale and distribution of cigarettes, OTP, and ESD. ATCC issues manufacturer, wholesaler, storage warehouse, and vending machine operator licenses. The clerks of the circuit courts issue retail licenses (county licenses).

License to Sell Cigarettes at Retail in Counties: Under Title 16, Subtitle 3 of the Business Regulation Article, a license to sell cigarettes at retail in counties is issued by the clerks of the circuit court. To obtain a license to sell cigarettes at retail in a county, a person must (1) submit an application to the clerk and (2) pay the clerk a license fee of \$300. The licensee must obtain a county license for each place of business and each vending machine, if the applicant sells cigarettes through a vending machine.

From each license fee, the clerk must distribute (1) \$25 to the Executive Director of ATCC and (2) \$275 to the Maryland Department of Health ((MDH) or to Montgomery County for licenses issued in the county) to be used to enforce existing laws prohibiting the sale or distribution of tobacco, tobacco products, or ESD to individuals younger than 21. The Executive Director must pay all license fees collected to the general fund.

OTP Retailer License: Under Title 16.5, Subtitle 2 of the Business Regulation Article, an OTP retailer license is issued by the clerks of the circuit court. To obtain a license to sell OTP at retail, a person must (1) obtain a county license by submitting an application to the clerk and (2) pay the clerk a fee of \$15 (with the exception of a licensed cigarette retailer, which is not required to pay the license fee). A license to act as an OTP retailer is required for each permanent or temporary place of business located in the same enclosure and operated by the same applicant. All license fees collected by the counties are subject to specified distribution provisions, and the Executive Director must pay all license fees collected to the general fund.

ESD Retailer or Vape Shop Vendor: Under Title 16.7, Subtitle 2 of the Business Regulation Article, a license to act as an ESD retailer or a vape shop vendor is issued by the clerks of the circuit court. To obtain a county license, a person must (1) submit an application to the clerk and (2) pay the clerk a license fee of \$300.

From each license fee, the clerk must distribute (1) \$25 to the Executive Director of ATCC and (2) \$275 to MDH to be used to enforce existing laws prohibiting the sale or distribution of tobacco, tobacco products, or ESD to individuals younger than 21. The Executive Director must pay all license fees collected to the general fund.

Unpackaged Cigarettes

“Unpackaged cigarette” means any cigarette not contained in a sealed package of 20 or more cigarettes that are designed and intended to be sold as a unit. A person who holds a county license may not sell an unpackaged cigarette.

An enforcement officer of the Tobacco Use Prevention and Cessation Program in the Baltimore City Health Department may enforce this provision by entering and inspecting, at a reasonable time, the premises of a county license holder. The officer must report a violation to a State’s Attorney.

State Revenues: Under the bill, the Mayor and City Council may establish and charge a fee for a licensure authorization request. Of the fees received, 50% must be remitted to the Comptroller and distributed to the Family League of Baltimore City, Inc. This analysis assumes that those fees are treated as special funds; thus, special fund revenues (and expenditures) increase beginning as early as fiscal 2027 by an indeterminate amount. However, as the bill requires all other license fees collected (with the exception of existing specified distributions) to be paid by the Executive Director to the general fund, this analysis assumes that the remaining 50% must be remitted to ATCC and that it accrues to the general fund. Therefore, general fund revenues increase by an indeterminate amount beginning as early as fiscal 2027 from receipt of 50% of the fees collected for licensure authorization requests in Baltimore City. The amount of such revenues depends on the fee charged and the number of licensure authorization requests received and cannot be reliably estimated at this time.

To the extent the bill results in a reduction in the sale of tobacco products, State general fund revenues may be affected due to forgone tax revenues collected from the sale of these products. Any such impact, however, cannot be reliably predicted.

State Expenditures:

Alcohol, Tobacco, and Cannabis Commission

The bill authorizes the Executive Director of ATCC (subject to hearing provisions) to reprimand a licensee or suspend or revoke a license for a violation identified by a special enforcement officer in a Baltimore City agency. ATCC advises that it can apply its current review process to such cases under this bill, if and when they occur. To the extent the bill

results in a significant number of cases being referred to ATCC, additional staff may be required to oversee and prosecute such cases. The cost associated with additional staff cannot be reliably estimated and depends on the number of cases referred.

Office of the Comptroller

The Office of the Comptroller advises that it can receive a portion of licensure authorization request fees from the Mayor and City Council and distribute such fees to the Family League of Baltimore City, Inc. as specified under the bill using existing budgeted resources. However, as noted above, any such distribution is assumed to be treated as special funds; thus, special fund expenditures increase by an indeterminate amount beginning as early as fiscal 2027.

Judiciary

General fund expenditures increase by an indeterminate but likely minimal amount in fiscal 2027 for the Judiciary to implement one-time programming changes.

Local Fiscal Impact: The bill authorizes a special enforcement officer in a Baltimore City agency to enforce provisions regulating the sale and distribution of cigarettes, OTP, and ESD, including by entering and inspecting, at a reasonable time, the premises of a county license holder. The bill also requires an applicant for an initial or renewal county cigarette, OTP, or ESD license in Baltimore City to request a licensure authorization from the Mayor and City Council. **Baltimore City did not respond to multiple requests for information on the fiscal impacts of the bill, as amended, on the city.**

Nevertheless, the Department of Legislative Services assumes that Baltimore City expenditures increase by an indeterminate amount beginning in fiscal 2027 for additional enforcement by special enforcement officers and to issue licensure authorizations for any *renewal* county cigarette, OTP, or ESD licenses. The bill establishes a *de facto* moratorium on the issuance of any *initial* county cigarette, OTP, or ESD licenses – in effect through October 1, 2027, as an initial applicant may not be issued a licensure authorization through that date; thereafter, any initial license applicant may also request and must receive a licensure authorization.

Although Baltimore City may charge a fee for the licensure authorization request, this analysis assumes that any revenues collected are *not* retained by the city. Instead, with regard to distribution of the fee revenues, the bill treats them as license fees and establishes that 50% of such revenues must be remitted to the Comptroller for distribution to the Family League of Baltimore City, Inc. Accordingly, the other 50% is assumed to be required to be remitted to the Executive Director of ATCC.

Small Business Effect: Small business cigarette, OTP, and ESD retailers operating in Baltimore City (approximately 1,200 according to ATCC) must obtain a licensure authorization from the Mayor and City Council in order to obtain or renew a county license, including paying a fee. Initial applicants for a county license will be unable to obtain a licensure authorization (and, thus, a county license) from October 1, 2026, through October 1, 2027, under the bill’s moratorium. Additionally, such licensees are subject to reprimand, suspension, or revocation of a license for violations identified by a special enforcement officer in a Baltimore City agency.

Additional Comments: Under an alternate set of assumptions, Baltimore City retains 50% of the licensure authorization request fees collected and they do not accrue to the general fund.

Additional Information

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

Designated Cross File: HB 918 (Delegate Young, *et al.*) - Economic Matters.

Information Source(s): Maryland Association of County Health Officers; Baltimore City; Alcohol, Tobacco, and Cannabis Commission; Comptroller’s Office; Judiciary (Administrative Office of the Courts); Department of Legislative Services

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