
Cigarette Restitution Fund Fiscal 2005 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

March 2004

For further information contact: Suzanne M. Owen

Phone: (410) 946-5530

Analysis of the FY 2005 Maryland Executive Budget, 2004

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Cigarette Restitution Fund Overview

History of the Cigarette Restitution Fund

On November 23, 1998, the five major tobacco companies agreed to settle all outstanding litigation with 46 states, five territories, and the District of Columbia. Under the Master Settlement Agreement, the settling manufacturers will pay the litigating parties approximately \$206 billion over the next 25 years and beyond, as well as conform to a number of restrictions on marketing to youth and the general public.

The distribution of funds among the states was determined using a formula that assigned equal weight to the Medicaid and non-Medicaid smoking-related costs of each state; subsequent adjustments to this formula were made to allow smaller states to achieve economies of scale in providing tobacco prevention programs. According to this formula, Maryland will receive 2.26% of Master Settlement Agreement monies. In addition, the State will collect 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. Funds from these revenue streams, in addition to smaller payments related to the settlement, are estimated to result in annual variable payments of \$150 to \$200 million.

In anticipation of receiving tobacco settlement revenue, the State established the Cigarette Restitution Fund (CRF) in Chapter 173, Acts of 1999 as a special nonlapsing fund to be used for a variety of programs and initiatives. The Act specified nine health- and tobacco-related priorities, listed in **Exhibit 1**, to which no less than 50% of funds must be appropriated annually. To support this goal, the General Assembly created the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program as programs within the Family Health Administration (FHA) to address both the causes and effects of tobacco use. As these programs have grown, emphasis has shifted to these programs from other CRF recipients, such as primary and secondary education enhancements. The fund also supports existing health programs such as substance abuse treatment and Medical Assistance.

Exhibit 1
Spending Priorities in the Cigarette Restitution Act

- | | |
|--|--|
| 1. Reduction in tobacco use by youth | 6. Programs concerning cancer, heart disease, lung disease and tobacco control |
| 2. Tobacco control campaigns in schools | 7. Substance abuse treatment and prevention |
| 3. Smoking cessation programs | 8. Maryland Health Care Foundation |
| 4. Enforcement of tobacco sales restrictions | 9. Crop conversion |
| 5. Primary health care in rural areas | |

Source: Chapter 173, Acts of 1999

Impact of Attorney Fee Issue on Budget Decisions

In 1996, the State of Maryland entered into a contract with the Law Offices of Peter G. Angelos, P.C. to represent the State's interests in the case against the tobacco manufacturers. Subsequent to entering into contract with the law offices, many more states began to pursue litigation against the tobacco manufacturers, reducing the responsibilities of each state's individual counsel. The General Assembly passed legislation in April 1998 that simplified proof for the State's case and reduced the maximum amount of the contingency fee from 25 to 12.5%.

The State filed suit in Baltimore City Circuit Court in 1999 after the law offices refused to request attorneys' fees from the national arbitration panel established to compensate states for their legal costs. The circuit court ordered the State to place 25% of the proceeds received by the State under the Master Settlement Agreement in escrow pending a ruling on the case. Trial, scheduled for May 2002, was pre-empted by the Governor's announcement of a tentative settlement between the two parties. According to the terms of the settlement, approved by the Board of Public Works (BPW) in April 2002, the State agreed to pay \$30 million to the law offices each year beginning in fiscal 2002 and ending in fiscal 2006. In return, the law offices released all rights to legal fees awarded by the national arbitration panel, estimated at \$132 million over 20 years, and transferred \$4.7 million to the State that the tobacco industry had previously paid into escrow in reimbursement for the law offices' expenses.

The settlement made available \$123 million held in escrow pending settlement of attorneys' fees litigation. Of that amount, \$30 million was used to pay the first installment to the law offices in

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

April 2002. The remainder was distributed in accordance with provisions in the Budget Reconciliation and Financing Act (BRFA) of 2002, which stipulated that the monies in excess of the first settlement payment be used to increase the appropriation for the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program by \$20 million. The Act earmarked the next \$73 million to increase the appropriation for the Maryland Medical Assistance Program. Funds were distributed to the programs in accordance with law; however, tobacco and cancer funds were restricted and ultimately reverted to the CRF for use in fiscal 2004.

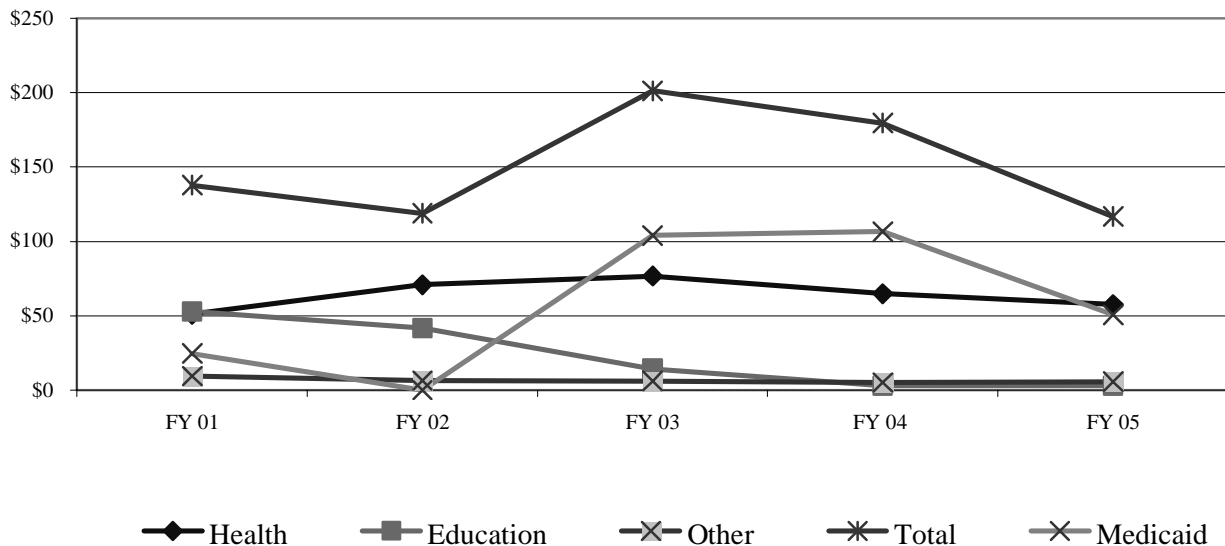
Fiscal 2003 Actual Spending

The fiscal 2003 legislative appropriation was developed prior to the State's settlement with outside counsel; however, funds from escrow were later distributed in accordance with provisions in the BRFA of 2002. The appropriation for the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program was increased by \$20 million. An additional \$73 million was used to increase the appropriation for Medicaid. Funds were distributed to the programs in accordance with law; however, tobacco and cancer funds were restricted and ultimately reverted to the CRF for use in fiscal 2004. CRF program spending reached its highest levels to date in fiscal 2003, detailed in **Exhibit 2**, the result of increases in tobacco settlement revenue, funds available from escrow, and reductions to CRF appropriations for education. This confluence of factors also allowed for significant appropriations to Medicaid, which was supported with \$104 million in CRF in fiscal 2003. With the availability of funding and initial implementation issues resolved, other health-related programs also increased their spending. In addition to the program expansions, BRFAs in 2002 and 2003 transferred \$3.8 million in surplus funds to the general fund.

Fiscal 2004 Working Appropriation

Total available revenue declined \$23 million in fiscal 2004, the result of scheduled reductions in tobacco settlement revenue. The reduction was partially offset by a sizable fund balance – \$51 million due to cost containment and prior year recoveries – and \$14 million from a reserve established after the State settled attorneys' fees litigation. Incremental reductions were made to nearly all programs funded by the CRF with the exception of Medicaid, funding for which increased to \$107 million in fiscal 2004.

Exhibit 2
Cigarette Restitution Fund Spending
Fiscal 2001 – 2005
(\$ in Millions)



Source: Maryland Operating Budget

The working appropriation for CRF tobacco and cancer programs was further reduced by BPW in July 2003 as part of cost containment efforts. Reductions totaling \$3.9 million included:

- a \$1.9 million reduction in the tobacco countermarketing contract, reducing the amount of the contract from \$6.0 million to \$4.0 million. Reductions affect the amount of media purchases;
- a \$1.2 million reduction for cancer prevention, screening, education, and treatment in Baltimore City as provided by the University of Maryland Medical Group (UMMG) and the Johns Hopkins Institutions. Funding for this program had increased from fiscal 2003 to 2004, reducing the impact of cost containment. The net reduction to this program between fiscal 2003 and 2004 was \$60,000;
- elimination of \$0.6 million in contingency funding for jurisdictions unable to pay for cancer treatment for cases found as part of the Cancer Prevention, Education, Screening, and Treatment program. Treatment will continue to be provided at the jurisdictional level as resources allow; and

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

- reduction of \$0.2 million for a cancer database, development of which will continue on a limited basis.

Funds reduced by BPW revert to the CRF for future use. The majority of funds, \$2.0 million, are redirected to FHA’s Breast and Cervical Cancer Program in a proposed fiscal 2004 deficiency appropriation to offset the cost of screening and treatment services.

Governor’s Proposed Budget

The fiscal 2005 allowance provides \$117 million for CRF-funded programs, \$63 million less than in fiscal 2004. Although tobacco settlement revenue is expected to decline 5% from fiscal 2004 to 2005, more significant reductions in revenue are attributable to the depletion of surplus and special reserve funds in fiscal 2004. **Exhibits 3** and **4** detail change in CRF revenue and expenditures since fiscal 2001.

Exhibit 3
Cigarette Restitution Fund Revenue
Fiscal 2001 – 2005

	FY 01	FY 02	FY 03	FY 04	FY 05
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>
				<u>Appropriation</u>	
Beginning Fund Balance	\$39.3	\$17.5	\$103.6	\$51.0	\$5.8
Settlement Payments	146.6	168.7	173.9	150.6	142.5
Less 25% in Escrow	-38.1	-43.1			
Available Revenue	\$147.9	\$143.1	\$277.5	\$201.6	\$148.3
Available from Escrow		\$123.1	\$4.7		
Payment to Law Offices		-30.0	-30.0	-30.0	-30.0
Prior Year Recoveries			3.9	0.3	1.3
To/From Special Reserve Fund		-13.5		13.5	
Total Available Revenue	\$147.9	\$222.7	\$256.1	\$185.4	\$119.6
Total Expenditures	\$130.4	\$119.0	\$201.4	\$179.6	\$116.8
Transfer to the General Fund			-3.8		
Ending Balance	\$17.5	\$103.6	\$51.0	\$5.8	\$2.8

Source: Maryland Operating Budget

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Exhibit 4
Cigarette Restitution Fund
Fiscal 2001 – 2005
(\$ in Millions)

	FY 01	FY 02	FY 03	FY 04	FY 05
	Actual	Actual	Actual	Working	FY 05
	<u>Spending</u>	<u>Spending</u>	<u>Spending</u>	<u>Appropriation</u>	<u>Allowance</u>
Health					
Management	\$0.0	\$0.0	\$0.4	\$0.6	\$0.4
Tobacco	7.3	16.9	19.6	14.3	9.5
Cancer	23.8	34.6	37.2	32.9	30.4
Substance Abuse	16.3	16.9	18.5	17.1	17.1
Mental Hygiene Administration	2.2	1.6	-	-	-
Maryland Health Care Foundation	1.5	1.0	1.0	-	-
Medicaid	24.6	-	104.0	106.6	50.5
Subtotal	\$75.7	\$71.0	\$180.7	\$171.5	\$107.9
Education					
Teachers Salaries	\$6.9	\$0.0	\$0.0	\$0.0	\$0.0
Baltimore City Partnership	8.0	3.2	-	-	-
Academic Intervention	12.0	19.1	-	-	-
Aid to Nonpublic Schools	5.0	4.9	3.6	3.0	3.0
Judy Hoyer Centers	4.0	2.9	4.0	-	-
Education Modernization	2.5	-	-	-	-
Teacher Mentoring	2.5	2.5	2.5	-	-
Teacher Certification	2.0	3.4	1.6	-	-
Technology Academy	1.6	1.7	1.7	-	-
Readiness and Accreditation	3.0	3.0	-	-	-
Subtotal	\$47.5	\$40.7	\$13.4	\$3.0	\$3.0
Higher Education					
MAITI Technology	\$3.7	\$0.0	\$0.0	\$0.0	\$0.0
Access/Success	1.0	1.0	1.0	-	-
Digital Library	0.5	-	-	-	-
Subtotal	\$5.2	\$1.0	\$1.0	\$0.0	\$0.0
Crop Conversion	\$9.0	\$6.3	\$6.3	\$5.1	\$5.7
Attorney General	\$0.4	\$0.1	\$0.0	\$0.0	\$0.2
Additional Reversion	-\$7.5	\$0.0	\$0.0	\$0.0	\$0.0
Total Expenses	\$130.4	\$119.0	\$201.4	\$179.6	\$116.6
Transfer to the General Fund			-3.8		

Note: Fiscal 2001 reversion represents funds encumbered at the end of the fiscal year and reverted in future fiscal years. The program from which funds were reverted is unknown.

Source: Department of Budget and Management

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Tobacco Use Prevention and Cessation Program

Funding for the Tobacco Use Prevention and Cessation Program declines one-third from the fiscal 2004 working appropriation. This program, established by Chapter 17, Acts of 2000 is charged with developing initiatives to reduce tobacco use in Maryland and otherwise benefit public health. This and the Cancer Prevention, Education, Screening, and Treatment program are the basis of the State’s CRF Program. Program reductions are detailed in **Exhibit 5**. Significant changes occur in the following programs:

Exhibit 5
Tobacco Use Prevention and Cessation
Fiscal 2001 – 2005
(\$ in Millions)

	FY 01	FY 02	FY 03	FY 04	FY 05
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>
				<u>Approp.</u>	
Surveillance and Evaluation	\$1.2	\$1.4	\$2.5	\$0.0	\$0.0
Local Public Health	4.0	8.8	9.1	8.0	7.0
Statewide Public Health					
Minority outreach and technical assistance	1.5	1.4	1.0	1.5	0.9
Statewide enforcement	0.0	0.0	0.2	0.0	0.0
University of Maryland School of Law	0.0	0.2	0.4	0.3	0.2
Maryland Occupational Safety and Health Administration	0.0	0.0	0.1	0.0	0.0
Subtotal	\$1.5	\$1.6	\$1.8	\$1.8	\$1.1
Countermarketing	0.0	4.3	5.7	4.0	1.0
Administration	0.6	0.8	0.6	0.5	0.4
Total	\$7.3	\$16.9	\$19.6	\$14.3	\$9.5

Source: Maryland Operating Budget; Department of Health and Mental Hygiene

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

- ***Surveillance and Evaluation:*** The fiscal 2004 allowance did not provide funding for tobacco surveillance and evaluation. Section 13-1004 of the Health-General Article, requiring annual studies of tobacco use, was amended by the BRFA of 2003 to allow the department to postpone such studies until fiscal 2005, after which time studies would be conducted biennially. The Governor's proposed budget does not provide funds for such studies in fiscal 2005. The Budget Reconciliation Act (BRA) of 2004 proposes further postponing departmental studies of tobacco use until fiscal 2006, with additional studies required biennially thereafter.
- ***Minority Outreach and Technical Assistance:*** Funding for minority outreach and technical assistance was increased by the General Assembly in fiscal 2004 with a transfer of \$1 million from the tobacco transition program. The transfer increased the appropriation for the program to \$1.5 million, though the department has targeted \$0.5 million for reversion to the CRF in fiscal 2004, reducing the amount of difference between the fiscal 2004 and 2005 appropriations for this program. **The department should comment on the planned reversion of minority outreach and technical assistance funds in fiscal 2004.**
- ***Countermarketing:*** The countermarketing component of the Tobacco Use Prevention and Cessation Program supports development of media campaigns to counteract tobacco industry advertising. In addition to program development, funds provide for purchase of print space and air time. The fiscal 2005 allowance provides \$1 million for countermarketing, a 75% reduction in funds from fiscal 2004 levels. With the reduction in funds, the program will reduce the amount devoted to campaigns targeting certain populations and will reduce media purchases.

Funding for the Tobacco Use Prevention and Cessation Program totals \$9.5 million in fiscal 2005, significantly less than the amount recommended by the Centers for Disease Control and Prevention (CDC). The CDC recommends a minimum amount of spending of \$5.55 per capita for tobacco prevention activities, a total of \$30.3 million in Maryland. The Governor's proposed budget provides 31% of the total amount of CDC recommended funding in fiscal 2005.

State law requires the Governor to include \$21 million annually for tobacco prevention activities as recommended by the CDC. The majority of funding for this purpose is provided with CRF, though smaller amounts are appropriated in FHA. The BRFA of 2003 reduced the amount the Governor is required to provide for tobacco prevention activities to \$18 million in fiscal 2004 only. The BRA of 2004 proposes permanently reducing the amount the Governor is required to appropriate for these purposes to \$12 million. Contingency language in this year's budget bill authorizes the transfer of \$8.6 million from the CRF cancer program to the tobacco program should budget reconciliation language fail. **The department should comment on reductions to the Cancer Prevention, Education, Screening, and Treatment program in the event that budget reconciliation language is not adopted by the General Assembly.**

Cancer Prevention, Education, Screening, and Treatment Program

Funding for the Cancer Prevention, Education, Screening, and Treatment Program comprises 26% of appropriations from CRF in fiscal 2005. This program, established by Chapter 17, Acts of 2000 is charged with developing initiatives to reduce morbidity and mortality rates for cancer- and tobacco-related diseases and otherwise benefit public health. This and the Tobacco Use Prevention and Cessation program are the basis of the State's CRF Program.

Funding for the Cancer Prevention, Education, and Screening Program declines 18% from fiscal 2004 levels. Changes are detailed in **Exhibit 6**. Reductions to the cancer program, though significant, are not of the magnitude of reductions to the tobacco program. Changes occur in the following programs:

- **Local Public Health:** This program provides funds to local health departments in each of the 23 counties to provide services to complement existing cancer screening and treatment programs, with emphasis on ensuring that the uninsured and underinsured receive appropriate treatment. Funding for this program declines \$1.1 million to \$7.5 million in fiscal 2005, a lower amount of funding than expended in the first year of the program. Impacts will vary across jurisdictions but may include reduction in treatment services, elimination of treatment services, or staff reductions.
- **Statewide Academic Health Centers:** Funding for the academic health centers, the University of Maryland Medical Group and the Johns Hopkins Institutions, declines 8% to \$15.3 million. The impact of reductions will not be fully known until the centers submit their fiscal 2005 grant proposals but may include reductions in research grants, purchase of medical equipment, and community outreach.
- **Baltimore City Public Health:** Funding for the Baltimore City public health program coordinated by the University of Maryland Medical Group and the Johns Hopkins Institutions declines 13%, consistent with reductions made to county public health programs. Current law requires a minimum of \$4 million, divided between the institutions, to be budgeted for this program. Given the reduced availability of funds, language proposed in the BRA of 2004 would require a minimum of 9.5% of local public health cancer grants to be appropriated to each of the institutions.

The majority of cancer program funds are awarded after a grant proposal and review process. The full impact of reductions to this program will not be known until the local health departments and health centers responsible for administering these programs submit their fiscal 2005 grant applications.

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Exhibit 6
Cancer Prevention, Education, Screening, and Treatment
Fiscal 2001 – 2005
(\$ in Millions)

	FY 01	FY 02	FY 03	FY 04	FY 05
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>
				<u>Approp.</u>	
Surveillance and evaluation	\$0.3	\$0.8	\$1.6	\$1.4	\$1.2
Local public health	8.4	10.9	12.2	8.6	7.5
Statewide academic health centers					
University of Maryland Medical Group					
Tobacco-related disease research	0.0	3.0	3.0	2.3	2.0
Cancer research	7.1	9.0	9.0	8.6	8.0
Statewide network	2.6	4.0	4.0	3.2	3.0
Baltimore City public health	1.5	1.4	1.4	1.4	1.2
Subtotal	\$11.2	\$17.4	\$17.4	\$15.5	\$14.2
The Johns Hopkins Institutions					
Cancer research	2.2	3.0	3.0	2.6	2.4
Baltimore City public health	1.2	1.4	1.4	1.4	1.2
Subtotal	\$3.4	\$4.4	\$4.4	\$4.0	\$3.6
Administration	0.4	1.0	1.0	1.0	1.0
Cancer screening database	0.0	0.0	0.6	0.4	0.4
Breast and Cervical Cancer Program	0.0	0.0	0.0	2.0	2.5
Total	\$23.8	\$34.6	\$37.2	\$32.9	\$30.4

Source: Maryland Operating Budget; Department of Health and Mental Hygiene

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Other Cigarette Restitution Fund Initiatives

In addition to the tobacco and cancer programs, CRF provides funding for other health priorities established in statute. Significant changes to these programs include:

- **Medicaid:** CRF funding for Medicaid decreases to \$51 million in the fiscal 2005 allowance. The difference, \$56 million, will be offset by an increase in general funds for the program. Funding for Medicaid, supported with funds from escrow in previous years, was reduced based on the availability of funds.
- **Breast and Cervical Cancer Program:** This program, administered by FHA, supports breast and cervical cancer screening, diagnosis, and treatment for women with incomes below 250% of the federal poverty level. Both of these cancers are among the seven targeted cancers established in the CRF statute. A proposed fiscal 2004 deficiency appropriation would provide \$2 million in CRF to this program. The fiscal 2005 allowance continues CRF support for this project at \$2.5 million.
- **Attorney General:** Chapter 455, Acts of 2003 requires 0.15% of appropriations from the CRF to be distributed to the Attorney General for enforcement of provisions of the Master Settlement Agreement relating to nonparticipating manufacturers. Funding, \$0.2 million in fiscal 2005, will allow for enforcement of criminal and civil penalties for those manufacturers that do not comply with reporting requirements.

Audit Findings

Two audits by the Department of Legislative Services' (DLS) Office of Legislative Audits (OLA) disclosed findings related to appropriations from the CRF. Among the findings of an audit of the University of Maryland, Baltimore (UMB), DLS found that UMB requested and received \$0.9 million in grant funds before the related costs were incurred, contradicting grant agreements that stated that funds would be provided on a cost-reimbursable basis. DLS also found that UMB charged payments of \$4,500 for sporting events and dining services to encourage participation in oral cancer screenings. UMB could not document that the tickets were used as intended.

A second audit, requested in the fiscal 2004 budget bill, required OLA to audit the accounts and transactions of the Maryland Health Care Foundation, a CRF grant recipient, to determine the source of any money remaining in the foundation's accounts. The Maryland Health Care Foundation was to return any unspent State funds uncovered by the auditors to the CRF. The audit disclosed that the department owed the foundation at least \$0.2 million for CRF program and Medbank expenditures that were not reimbursed. The department's review of documentation related to the foundation independently confirmed the auditors' findings; the department paid \$0.2 million to the foundation at the end of last year.

Future Tobacco Settlement Revenue

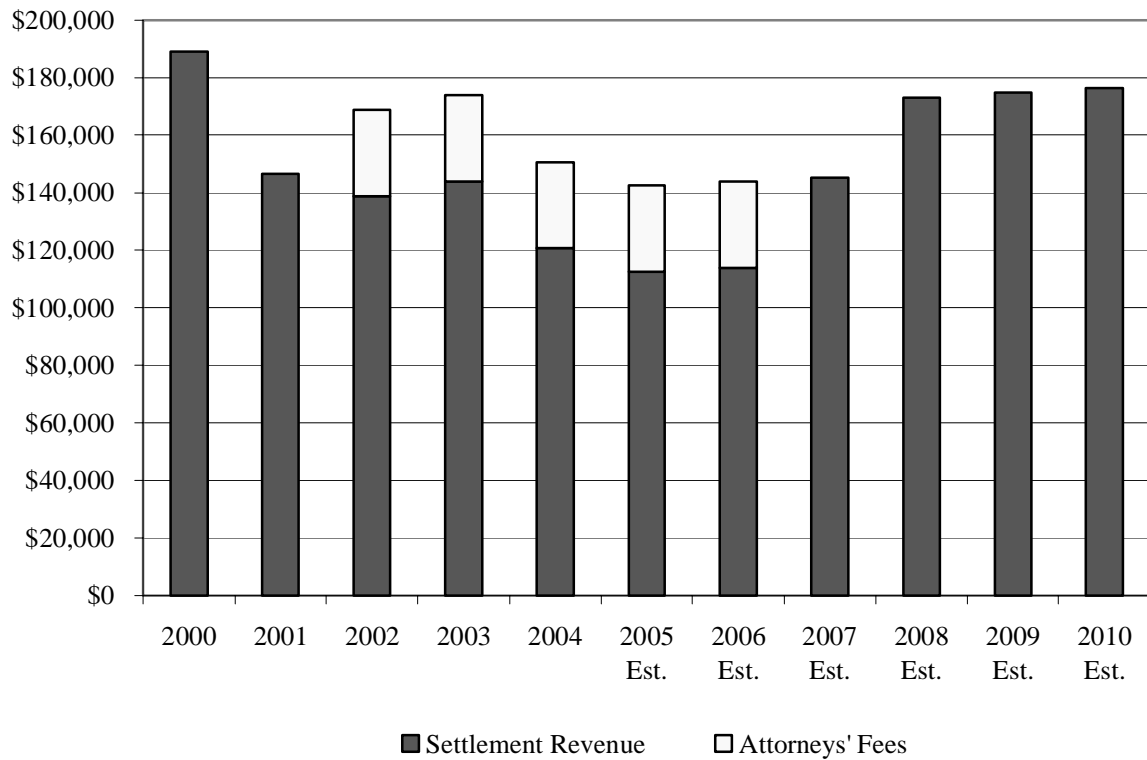
The Master Settlement Agreement established three types of payments: initial, annual, and strategic contribution payments.

- **Initial payments** are scheduled from fiscal 1999 through 2003. Maryland received initial payments of approximately \$60 million annually for each of five years.
- **Annual payments** began in fiscal 2000 and will continue as long as the settling manufacturers continue to ship tobacco products domestically. These payments are adjusted annually based on domestic consumption of tobacco products and inflation. Maryland's annual payment is expected to vary from \$140 to \$150 million in the near future.
- **Strategic contribution payments**, beginning in fiscal 2008 and continuing through fiscal 2017, reflect states' legal contributions to the tobacco settlement. Maryland's share of these payments is estimated at \$28 million annually.

In addition to these three payment streams, the national arbitration panel established by the Master Settlement Agreement to compensate states for their legal costs is expected to award the State \$132 million for the State's contribution to the legal settlement. Annual award payments, which began in fiscal 2003, are estimated between \$5 and \$7 million over the next 20 years.

As detailed in **Exhibit 7**, the State's tobacco settlement revenue is at a low from the end of the initial payment stream in fiscal 2003 to the beginning of the strategic contribution payment stream in fiscal 2008. The release of funds previously held in escrow for attorneys' fees moderated the financial impact of the end of the initial payments; however, the infusion of escrow funds was a one-time occurrence and is insufficient to maintain current spending levels. Lower-than-anticipated receipt of tobacco settlement revenue in fiscal 2004 starts a series of shortfalls that continue through fiscal 2007. Shortfalls are exacerbated by settlement payments to the Law Offices of Peter Angelos, P.C. of \$30 million annually continuing through fiscal 2006.

Exhibit 7
Net Tobacco Settlement Revenue Less Attorneys' Fees
Fiscal 2000 – 2010
(\$ in Thousands)



Source: Department of Budget and Management

Statewide Academic Health Centers

The purpose of the CRF Cancer Prevention, Education, Screening, and Treatment Program is to support public health initiatives that reduce mortality and morbidity rates for cancer and tobacco-related diseases. Since fiscal 2001 nearly two-thirds of all Cancer Prevention, Education, Screening, and Treatment Program funds have been allocated to the Statewide Academic Health Centers, the University of Maryland Medical Group and the Johns Hopkins Institutions, to implement initiatives that support the goals of the program. As fiscal 2005 grant awards have not yet been determined, the text references the fiscal 2004 budget approved for each of the institutions.

Statewide Academic Health Center Research Grant

The Department of Health and Mental Hygiene (DHMH) distributes statewide academic health center cancer research grants to the University of Maryland and the Johns Hopkins Institutions to support research that may lead to a cure of one of the seven tobacco-related cancers: breast, cervical, colorectal, lung, oral, prostate, and skin. In addition, the department supports research of other tobacco-related diseases with grant funding to the University of Maryland. Funding of these research initiatives totals \$13.5 million in fiscal 2004, detailed in **Exhibit 8**. Comprehensive plans for the use of funds are reviewed annually by the department; additionally, an institution's plan and research awards are subject to review by an external advisory group. As required by law, both institutions have attested that CRF grant funds will not be used to supplant other sources of funding for existing research activities.

Exhibit 8 Fiscal 2004 Research Expenses

	University of <u>Maryland</u>	Johns <u>Hopkins</u>	Tobacco- related <u>Disease</u>
Salaries and benefits	\$5,743,757	\$1,598,847	\$1,647,250
Equipment	1,293,785	0	0
Renovations	1,000,000	0	0
Research grants	331,864	800,000	350,000
Operating expenses and indirect costs	258,594	191,153	290,750
Total	\$8,628,000	\$2,590,000	\$2,288,000

Source: Department of Health and Mental Hygiene; Department of Legislative Services

University of Maryland Medical Group Cancer Research Grant

The department awarded the University of Maryland Medical Group – comprised of the School of Medicine, UMB, and the University of Maryland Medical System – \$8.6 million for cancer research in fiscal 2004. With fiscal 2004 grant funds, the university will continue to recruit and retain faculty with research interests involving the seven targeted cancers. Research in these areas is intended to improve early detection and diagnosis of the targeted cancers and increase clinical trials of treatment advances. In addition, funds provide for new capital equipment and facility renovation for the researchers supported by grant funds.

Research funds support faculty members and researchers in more than 30 discrete research areas. In addition, funds support nearly 50 full-time equivalent support staff to assist faculty in their research, coordinate services related to clinical trials, and administer the grant for the university. Salaries and benefits for faculty comprise approximately 40% of the cancer research budget; salaries and benefits for support staff comprise an additional 25%.

The university continues to develop the clinical capacity to support faculty research. In fiscal 2004 the university has budgeted \$1.3 million for equipment, namely a Positron Emission Topography CT scanner to detect the metabolic activities of certain cancers and a linear accelerator to more accurately target radiation to cancer sites. Funds also support continued lease of proteomics core equipment for use in identifying and sequencing proteins. In addition, \$1 million has been dedicated to renovation of the ninth floor of the Bressler Research Building. This second phase of renovations, scheduled for completion in December 2003, will update facilities and improve use of shared space.

Johns Hopkins Institutions Cancer Research Grant

The department awarded the Johns Hopkins Institutions, comprised of the Johns Hopkins University and the Johns Hopkins Health System, \$2.6 million for cancer research in fiscal 2004. Like research conducted at the University of Maryland, funding is used to recruit and retain faculty with research interests in the reduction of cancer morbidity and mortality. The State also indirectly supports this research through the capital budget, appropriating \$5 million in general obligation bonds in fiscal 2004 for the Broadway Research Building. The State has appropriated \$24 million for the project since fiscal 2001, 17% of the total project cost.

In the first three years of the program, the Johns Hopkins Institutions have recruited 14 new faculty; an estimated three faculty members will be recruited in fiscal 2004. Funds provide for salaries of recruited faculty as well as related support staff such as technicians, post-doctoral fellows, and graduate students. Funding also provides for the costs of establishing a laboratory for the faculty member's research, including supplies and equipment. The Johns Hopkins Institutions estimate that the average biomedical research faculty member requires a two- to three-year commitment of \$0.4 million to establish a research program. Once established, it is expected that these faculty will be able to leverage funding from other sources to support their ongoing research.

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

It is goal of the Johns Hopkins Institutions to retain as well as recruit faculty who contribute to community-focused cancer research. Funds have supported the retention of 12 such faculty in the first three years of the program. Candidates are required to submit a research proposal to the internal advisory committee and a sponsoring letter from the candidate's department director. The directors of the cancer research program at the Johns Hopkins Institutions consider the recommendations of the internal advisory committee in awarding faculty retention funds. In fiscal 2004, funds will support retention of one additional faculty member.

In addition to faculty recruitment and retention funds, the Johns Hopkins Institutions award competitive research grants. Requests are reviewed by an internal committee based on the proposed hypothesis, the research plan, and the plan's relevance to the goals of the program. In the first three years of the program, researchers requested twice the amount of available funding. Over the course of three years, 30% of awards have supported laboratory research, 19% have supported clinical research, and 51% have supported population-based research. The program supports approximately 20 projects during the first three years, with an additional eight projects estimated in fiscal 2004.

The Johns Hopkins Institutions have negotiated a three-year grant award with DHMH to maintain continuity for faculty members and grant recipients. At the end of the fiscal year, the Johns Hopkins Institutions may grant an additional two-year grant award to current grantees to allow them to continue their research in the coming fiscal years. The institutions have budgeted \$0.5 million for recruitment, retention, and grant awards for fiscal 2004, with an additional \$1.6 million available for maintaining this same research in fiscal 2005 and 2006.

The Johns Hopkins Institutions have requested expanding their research to include a greater number of cancers; currently their research is limited to the seven tobacco-related cancers identified in legislation. According to the institutions' grant plan, the targeted cancers represent 55% of Maryland cancer deaths. Adding the additional cancer sites would address the cancers responsible for 68% of Maryland cancer mortality.

University of Maryland Tobacco-related Diseases Research Grant

The tobacco-related diseases research grant, administered by the University of Maryland Medical Group, is designed to advance early intervention, diagnosis, and treatment of tobacco-related diseases such as tobacco addiction, infant mortality, chronic pulmonary disease, and asthma. As established by law, these research activities may take three forms:

- ***Health Services Research:*** Development of best practices related to delivering service to diverse populations and increasing participation in clinical trials.
- ***Translational Research:*** The process by which research findings are applied to development of new tests and treatments.
- ***Clinical Research:*** Testing of research developments in human subjects and clinical trials.

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

In the first two years of the program, fiscal 2002 and 2003, this grant has supported 7 faculty members and 31 new faculty research projects. In fiscal 2004 the program will continue to recruit faculty in the three research areas, supported by \$2.3 million in CRF. Additional plans include establishing a center for research of tobacco-related disease disparities, implementing a Western Maryland telemedicine program, and increasing recruitment of diverse populations for clinical research trials.

University of Maryland Medical Group Statewide Health Network

The University of Maryland Medical Group administers the Statewide Health Network to support prevention, education, screening, and treatment programs related to the seven targeted cancers and tobacco-related diseases. As established by law, the network supports these goals by providing the following programs and services:

- support services aimed at increasing participation of diverse populations in clinical trials;
- development of best practices models to address targeted cancers and tobacco-related diseases; and
- coordination among local hospitals, community clinics, physicians, and other health care providers in different geographic areas of the State.

The Statewide Health Network has established three regional offices and two satellite offices to implement programs addressing the goals established in law. The network maintains offices serving Baltimore City, Western Maryland, and the Eastern Shore. The program shares certain functions and personnel with the University of Maryland Medical Group's tobacco-related disease grant program. The network's fiscal 2004 budget of \$3.1 million is detailed in **Exhibit 9**.

Regional Offices

The Baltimore City regional office, with a budget of \$0.2 million, has developed several initiatives to increase public health awareness. The network has developed partnerships with local organizations to deliver public health messages relating to cancer and tobacco-related diseases at health fairs and media events. Network representatives have worked with faith-based and other local organizations to sponsor programming for community members and health care professionals on topics such as healthy diets and lifestyle, smoking cessation, and chronic disease.

Exhibit 9
Fiscal 2004 Statewide Health Network Expenses

Salaries and benefits	\$1,559,550
Telemedicine	517,638
Telephone survey	299,029
Rent and utilities	236,540
Regional subcontractors	205,000
Consultants	89,100
Operating expenses and indirect costs	235,143
Total	\$3,142,000

Note: Telemedicine and survey items include additional personnel and benefits.

Source: Department of Health and Mental Hygiene; Department of Legislative Services

The Eastern Shore is served by a regional office in Salisbury and a satellite office in Chester. These sites are served by a fiscal 2004 budget of \$0.3 million. The Eastern Shore offices work primarily with health care providers to offer continuing medical education on a variety of tobacco- and cancer-related topics. The network acts as a resource to local health departments and community groups for staff development and education. In collaboration with various organizations and hospital programs, the network has also supported community education programs related to cancer risk assessment and screening.

In Western Maryland the network operates a regional office in LaVale and a satellite office in Hagerstown on a budget of \$0.3 million. The network has established partnerships with local hospitals and health departments to expand education activities on cancer prevention and screening to local students and community members. Prostate, oral, and skin cancer screening programs have been provided in collaboration with local health departments, hospitals, and community organizations. Continuing education initiatives have been provided with use of the network's teleconferencing equipment.

Statewide Initiatives

The network has connected its central and regional offices through a videoconferencing system. Since fiscal 2001 the network has invested \$2 million in personnel, equipment, and operating charges related to establishing 21 telemedicine sites – eight in Baltimore City, six in Western Maryland, and seven on the Eastern Shore – to facilitate provider education and remote physician

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

consultation. In fiscal 2003 the network used 600 telemedicine hours for these purposes. Five employees and \$0.5 million support the initiative's continued operation in fiscal 2004.

To provide information on access to health care and health-related behaviors, the network is sponsoring a telephone survey of the 13 jurisdictions in its service area. The survey includes 215 questions related to health status and awareness, insurance coverage, and diet and lifestyle; more than 5,000 interviews have been completed. Data will be used as a resource in mapping health care needs and access to services. Resources will be targeted to underserved areas identified by the survey. Six positions and \$0.3 million are dedicated to the project in fiscal 2004.

The network is also using its resources in an attempt to increase participation in clinical trials to determine the effects of Vitamin E and selenium on prostate cancer prevention. The Baltimore City and Eastern Shore regional offices have presented information on clinical trials to several hundred men in these areas; the network has recruited 20 men to participate in the trial. Through continued partnership with community- and faith-based organizations in these areas the network will continue to increase awareness of and participation in clinical trials.

Baltimore City Public Health Grant

The local public health component of the CRF program relies on local health coalitions to design public health programs to provide cancer prevention, education, screening, and treatment services in each jurisdiction. In each of the State's 23 counties, these programs have been designed with community input and implemented by the local health department. In Baltimore City, State law provides that these services are provided by the University of Maryland Medical Group and the Johns Hopkins Institutions.

The academic health centers, in collaboration with the Baltimore City Health Department, formed a community coalition to develop a comprehensive plan for screening and treatment services. While the other local health coalitions elected to focus their efforts on colorectal cancer, the Baltimore City coalition elected to focus its efforts on four of the seven targeted cancers: breast, cervical, oral, and prostate. These cancers were selected for their relatively high incidence in minority populations in Baltimore City. The University of Maryland has focused its efforts on breast, cervical, and oral cancers; the Johns Hopkins Institutions have focused their efforts on prostate cancer.

The academic health centers have been appropriated collectively \$2.8 million for cancer prevention, education, screening, and treatment in fiscal 2004, detailed in **Exhibit 10**. This amount is equally divided between the institutions with the exception of \$10,000 directly awarded to the Baltimore City Health Department at the request of the academic health centers. The sum awarded to the health department will cover costs associated with maintaining, convening, and managing the community health coalition required by law. All other services are coordinated by the academic health centers.

Exhibit 10
Fiscal 2004 Baltimore City Public Health Expenses

	University of <u>Maryland</u>	Johns <u>Hopkins</u>
Salaries and benefits	\$809,979	\$594,065
Screening	245,000	29,195
Diagnosis and treatment	211,221	286,805
Community sites	0	250,000
Training	0	50,000
Rent and utilities	47,400	33,673
Operating expenses and indirect costs	81,400	151,262
Total	\$1,395,000	\$1,395,000

Source: Department of Health and Mental Hygiene; Department of Legislative Services

University of Maryland Medical Group

The University of Maryland Medical Group screens eligible Baltimore City residents for breast, cervical, and oral cancers. Participants in the program must be uninsured Baltimore City residents at least 40 years of age with family incomes at or below 250% of the federal poverty level. Residents previously diagnosed with cancer are ineligible for the program. State law requires providers of CRF local public health programs to provide necessary treatment or linkages to treatment for uninsured individuals diagnosed with cancer as part of these programs.

The University of Maryland Medical Group has promoted its cancer screening program through health fairs, community organizations, and media advertising. In addition to referrals from these sources, the university program receives referrals through health care providers, DHMH, and other social service organizations.

The University of Maryland Medical Group employs case managers and schedulers to determine eligibility and coordinate screening, diagnosis, and treatment services for eligible individuals. Screening and treatment for breast and cervical cancer program participants is provided by the University of Maryland Medical Group and Sinai Hospital, which contracts with the university to provide these services. Oral cancer screening is provided under a similar agreement with the Baltimore City Health Department.

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

The university estimates that it will screen 437 women for breast cancer in fiscal 2004, with nearly half of those women requiring follow-up for abnormal findings; similarly, more than half of 248 cervical cancer screens are expected to require follow-up services. The budget for screening and diagnosis of these individuals is \$0.1 million in fiscal 2004, but with demand exceeding expectations the university has increased its screening budget to \$0.2 million, offset by a reduction in budgeted funds for diagnosis and treatment. Oral cancer screening will be provided to 725 individuals at a cost of \$50,000.

Johns Hopkins Institutions

The Johns Hopkins Institutions provide prostate cancer education, screening, and treatment to low-income Baltimore City residents. Participants must be uninsured men 50 years of age or older without a history of prostate cancer. High-risk men, including African American men and those with a family history of the disease, may begin screening at age 45. The Johns Hopkins Institutions provide treatment to men diagnosed with prostate cancer under the program as required by law.

The Johns Hopkins Institutions contract with organizations to provide prostate cancer outreach and education to the communities they serve. The seven sites – five serving the African American community and one each serving the Latino and Korean communities – recruit men to participate in the program and follow up with participants with abnormal findings as needed.

Prostate cancer screening was provided at each of the community sites until 2003. At that time, the Johns Hopkins Institutions reorganized the program to provide screening at two central sites: St. Joseph Hospital and Urban Medical Institute. In providing screening at the seven community sites, program administrators found that the sites lacked the medical infrastructure necessary to efficiently provide services; however, cancer education and outreach continue to be provided at the seven original community sites. The regional plan now in place has allowed for standardization of administrative and diagnostic processes.

The Johns Hopkins Institutions use the standards of prostate cancer screening, diagnosis, and treatment developed by DHMH. According to these minimum clinical elements, a prostate-specific antigen (PSA) test is administered along with a digital rectal exam (DRE) to detect prostate cancer. For fiscal 2004, the institutions have budgeted for 250 of each examination at a total cost of \$29,125; an estimated 31 men will require further diagnosis at a cost of \$66,805. Four men are projected to require treatment at a cost of \$0.2 million. Screening levels will be adjusted over the course of the fiscal year as required to provide sufficient funds for treatment.

Issues

Several issues arise in the administration of these grants, many of which span institutions and grant programs. Among them are choice of targeted cancers and definition of administrative costs.

Choice of Targeted Cancers

As required by law, each jurisdiction established a local community health coalition in anticipation of receiving CRF. The University of Maryland Medical Group and the Johns Hopkins Institutions collaborated with the Baltimore City Health Department to establish such a coalition in Baltimore City. While the other 23 local health coalitions elected to focus their efforts on colorectal cancer, the Baltimore City coalition elected to focus its efforts on four of the seven targeted cancers: breast, cervical, oral, and prostate. Several issues arise due to the choice of cancers:

- **Breast and Cervical Cancers** – Six of the 12 cancer patients identified by the University of Maryland Medical Group in fiscal 2003 were referred to the FHA’s Breast and Cervical Cancer Diagnosis and Treatment Program, the State’s general fund treatment program for women referred from private providers. The University of Maryland Medical Group estimates that the cost of treating six breast cancer cases ranges between \$0.2 million and \$0.5 million, depending on the cancer’s progress. While the obligation to treat individuals identified through these programs is clear, the general fund diagnosis and treatment program is not funded sufficiently to treat patients screened through alternate programs. Concerns include:
 - ***Program Is Duplicative of Existing State Programs:*** FHA administers a complement of programs to provide breast and cervical cancer screening and treatment to low-income, uninsured women.
 - ***Program Does Not Make Use of Federal Funds for Screening and Treatment:*** The Breast and Cervical Cancer Screening Program makes federal funds available for screening of low-income uninsured women. Women diagnosed with cancer through this program are eligible for treatment through the Medical Assistance program, which provides a 65% match to State funds. Federal participation is not available for women treated through other programs.
 - ***Program Burdens General Fund Programs:*** FHA maintains the Breast and Cervical Cancer Diagnosis and Treatment Program to provide treatment for low-income women with a documented abnormal finding. This program, supported entirely by general funds, provides treatment for women ineligible for treatment through Medical Assistance. As many of the women diagnosed through the University of Maryland Medical Group are referred to this program, the State general fund shoulders much of the cost of treatment. With deficits in the general fund program, the State is not funded sufficiently to support alternate screening programs.

The department and the University of Maryland Medical Group should comment on the apparent duplication of effort in their breast and cervical cancer screening efforts. The department should also comment on the cost-effectiveness of University of Maryland Medical Group referrals to the Breast and Cervical Cancer Diagnosis and Treatment Program, including an estimated impact on program costs. Finally, DHMH and the

University of Maryland Medical Group should discuss the feasibility of the University of Maryland Medical Group funding the treatment of all individuals identified through its screen program.

- **Prostate Cancer** – According to the minimal elements developed by DHMH for screening, diagnosis, and treatment of prostate cancer, “[n]o one is sure yet whether getting a DRE and PSA test every year will reduce the number of deaths from prostate cancer, but some information now suggests that these screening tests may lower the number of deaths.” With an uncertain connection between screening and mortality rates, other cancer screening programs may be able to make more productive use of these screening funds.

Definition of Administrative Costs

Health-General Article § 13-1119 stipulates that the Statewide Academic Health Centers, like other components of the CRF program, may not use more than 7% of funds to cover administrative costs. DHMH has defined these costs to include accounting, reporting, procurement, personnel, and payroll services. Indirect costs are also included in this definition.

The academic health centers adhere to the standards established by the department in budgeting administrative costs in their grant application; however, the definition used by the department may be narrower than originally intended by the General Assembly. As an example, the Baltimore City Public Health Grant administered by the Johns Hopkins Institutions devotes less than 2% of grant funds to prostate cancer screening with an additional 20% reserved for treatment. Of a total of \$1.4 million budgeted for this program, less than half the amount is dedicated to clinical purposes.

The State should consider following the example of the Breast and Cervical Cancer Screening Program in establishing minimum standards for cancer screening. The program, supported with funds from CDC, makes federal funds available for breast and cervical cancer screening services for low-income women. As a condition of the federal award, the State must dedicate a minimum of 60% of its award for cancer screening and follow-up. By contrast, the academic health centers have collectively budgeted 28% of their fiscal 2004 funds for screening, follow-up, and treatment.

The components of the Statewide Academic Health Center program vary in the amount of grant funds that directly serve their dedicated purposes. These programs can not operate without a certain amount of administrative support, but the current reading of the administrative cost limit would not seem to maximize the availability of funds for cancer research, screening, and treatment. The General Assembly may want to consider establishing a definition of administrative cost that is inclusive of a greater variety of general operating expenses.

Tobacco Transition Program

Under the legislation, the CRF is to fund the “...implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by the Tri-County Council for Southern Maryland (TCC) with an emphasis on alternative crop uses for agricultural land now used for growing tobacco.” Funds are appropriated to the Maryland Department of Agriculture (MDA), which then issues grants to the TCC. The TCC is a nonprofit, quasi-governmental body that works with the Southern Maryland Agricultural Development Commission to develop programs to stabilize the region’s agricultural economy as Maryland growers transition away from tobacco production.

The TCC’s Strategy Action Plan has three main components: the tobacco buyout, infrastructure/agricultural development, and agricultural land preservation.

- **The tobacco buyout** component is a voluntary program that provides funds to (a) support all eligible Maryland tobacco growers who choose to give up tobacco production forever while remaining in agricultural production; and (b) restrict the land from tobacco production for 10 years should the land transfer to new ownership.
- **The infrastructure/agricultural development** program seeks to foster profitable natural resource based economic development for Southern Maryland by assisting farmers and related businesses to diversify and develop and/or expand market-driven agricultural enterprises in the region through economic development and education.
- **The agricultural land preservation** component seeks to provide an incentive to tobacco farmers to place land in agricultural preservation, enhance participation in existing preservation programs, and assist in the acquisition of land for farmers’ markets.

Tobacco Transition Program Fiscal 2005 Funding

The fiscal 2005 allowance includes a total of \$10,653,000 for the tobacco transition program. Funds are spread among three different areas of the allowance:

- \$1,000,000 in special funds in the operating budget for administrative expenses (\$332,000) and non-capital grants for infrastructure/agricultural development programs (\$668,000);
- \$4,653,000 in special funds in the PAYGO budget for the tobacco buyout and land preservation programs; and
- \$5,000,000 in general obligation bonds in the capital budget for the tobacco buyout and land preservation programs.

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Program Progress

The tobacco buyout program has been more successful than originally anticipated, as illustrated in **Exhibit 11**. To date, 6.8 million pounds of tobacco (82% of cumulative total) and 712 growers (70% of cumulative total) have been taken out of tobacco production for human consumption. The last date that growers could indicate their intent to take the buyout was July 15, 2003, and approximately 90 people expressed interest. MDA advises that a majority of the growers not participating in the buyout are members of the Amish community.

Exhibit 11
Tobacco Buyout Program
Fiscal 2001 – 2005

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Goal</u>	<u>Goal</u>
Growers Out of Tobacco					
Cumulative Number	558	654	712	779	869
Cumulative %	55	64	70	76	85
Pounds of Eligible Tobacco Out of Production (Millions)					
Cumulative Number	5.44	6.41	6.79	7.33	7.74
Cumulative %	66	78	82	89	94

Source: Tri-County Council for Southern Maryland

Growers who participate in the buyout program are paid \$1.00 per pound of tobacco that they grew on average in the past for 10 years. **Exhibit 12** illustrates tobacco buyout program funding trends. Fiscal 2005 buyout payments are projected for 7.74 million pounds of tobacco which requires \$7.8 million to fund. However, the estimated fiscal 2005 CRF revenues are only \$5.7 million which is less than what is needed for the buyout and other programs. MDA intends to address this shortfall by supplementing the program with \$5.0 million in general obligation (GO) bonds. Legislation enacted in 2001, Chapter 103, Acts of 2001, authorizes \$5.0 million annually in GO bonds for six years beginning in 2003 – a total authorization of \$30 million. However, the bonds are to be issued each year only if CRF funds are not sufficient to implement the Strategy Action Plan.

Exhibit 12
Tobacco Buyout Allocations
Fiscal 2001 – 2005
(\$ in Millions)

<u>Fiscal Year</u>	<u>Budget</u>
2001	\$5.4
2002	6.4
2003	6.8
2004	7.3
2005	7.8

Source: Tri-County Council for Southern Maryland

Impact on Tobacco Production

The tobacco buyout has had a significant impact on Maryland tobacco production. As illustrated in **Exhibit 13**, the pounds sold and acreage grown of tobacco are approximately 70% less than they were two years ago. This dramatic shift has prompted the closing of four tobacco warehouses since 1998 – only two warehouses remain.

Exhibit 13
Maryland Tobacco Industry Statistics
Crop Years 1997 –2002

<u>Crop Year</u>	<u>Acreage</u>	<u>Pounds Per Acre</u>	<u>Net Pounds Sold (Millions)</u>	<u>Total Dollar Value (Millions)</u>	<u>Average Dollar Value Per lb.</u>
1997	8,000	1,500	11.9	\$20.5	\$1.72
1998	6,500	1,472	9.5	15.6	1.63
1999	6,500	1,452	9.4	15.6	1.66
2000	6,000	1,347	8.0	13.6	1.69
2001	2,500	1,430	3.5	6.0	1.68
2002	1,700	1,375	2.3	3.4	1.48

Notes: The table above identified tobacco production and sales for the crop year. Thus, figures for a given year reflect tobacco produced in the year but sold the following year. Estimates for the 2003 crop year are not yet available.

Source: Maryland Tobacco Authority

Cigarette Restitution Fund – Fiscal 2005 Budget Overview

Since the TCC has contractual obligations to buyout program participants, funding for the buyout program should be a top priority. In light of the State's current fiscal constraints, other tobacco transition programs should share the fiscal burden just as other State programs are doing. However, the fiscal 2005 allowance is not consistent with this approach. The PAYGO and GO bond allowance includes a total of \$1.85 million for agricultural land preservation – approximately 50% more than was provided in fiscal 2004. This increase is provided in spite of the fact that there are other land preservation programs available to Southern Maryland farmers. Funding agricultural land preservation through the TCC may be duplicative, may result in unnecessary overhead costs, and may not be strategic in light of the State's fiscal situation.

Language and Reductions for Consideration

- **Delete Funding for the Nonpublic Student Textbook Program:** This program falls outside the core mission of Maryland State Department of Education to provide effective systems of public education. Due to the current fiscal crisis, funds for this program should be deleted. The CRF budgeted for the program should be transferred to the general fund through the budget reconciliation legislation.
- **Consider Language to Require Minimum Amounts of Clinical Spending for Local Public Health Programs:** Although administrative costs are capped at 7%, there is no current requirement on the amount of local public health funds that must be dedicated to clinical cancer services. DLS recommends language would require grant recipients to dedicate at least 60% of grant awards to the cost of screening, diagnosis, and treatment, consistent with federal Breast and Cervical Cancer Program guidelines.