

# SENATE BILL 513

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8lr1603  
CF 8lr1345

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By: **Senators McFadden, Forehand, Garagiola, Jones, King, Lenett, Madaleno, Muse, Pinsky, Raskin, Robey, and Rosapepe**  
Introduced and read first time: February 1, 2008  
Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Cigarette Restitution Fund – Tobacco Prevention – Funding**

3 FOR the purpose of altering the amount the Governor is required to include in the  
4 annual budget for certain fiscal years for certain activities aimed at reducing  
5 tobacco use; requiring that certain tobacco tax revenues be distributed to the  
6 Cigarette Restitution Fund for certain purposes; requiring certain revenues to  
7 be appropriated for certain activities aimed at reducing tobacco use; altering the  
8 tobacco tax rate for certain tobacco products; and generally relating to the  
9 Cigarette Restitution Fund and funding for tobacco prevention.

10 BY repealing and reenacting, with amendments,  
11 Article – Health – General  
12 Section 13–1015  
13 Annotated Code of Maryland  
14 (2005 Replacement Volume and 2007 Supplement)

15 BY repealing and reenacting, with amendments,  
16 Article – State Finance and Procurement  
17 Section 7–317  
18 Annotated Code of Maryland  
19 (2006 Replacement Volume and 2007 Supplement)

20 BY adding to  
21 Article – Tax – General  
22 Section 2–1602.1  
23 Annotated Code of Maryland  
24 (2004 Replacement Volume and 2007 Supplement)

25 BY repealing and reenacting, with amendments,  
26 Article – Tax – General

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.  
[Brackets] indicate matter deleted from existing law.



1 Section 2–1603  
 2 Annotated Code of Maryland  
 3 (2004 Replacement Volume and 2007 Supplement)

4 BY repealing and reenacting, with amendments,  
 5 Article – Tax – General  
 6 Section 12–105(b)  
 7 Annotated Code of Maryland  
 8 (2004 Replacement Volume and 2007 Supplement)  
 9 (As enacted by Chapter 6 of the Acts of the General Assembly of the 2007  
 10 Special Session)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article – Health – General**

14 13–1015.

15 (a) For fiscal year 2007 and each fiscal year thereafter **UNTIL FISCAL YEAR**  
 16 **2012**, the Governor shall include at least \$21,000,000 in the annual budget in  
 17 appropriations for activities aimed at reducing tobacco use in Maryland as  
 18 recommended by the Centers for Disease Control and Prevention, including:

19 (1) Media campaigns aimed at reducing smoking initiation and  
 20 encouraging smokers to quit smoking;

21 (2) Media campaigns educating the public about the dangers of  
 22 secondhand smoke exposure;

23 (3) Enforcement of existing laws banning the sale or distribution of  
 24 tobacco products to minors;

25 (4) Promotion and implementation of smoking cessation programs;  
 26 and

27 (5) Implementation of school–based tobacco education programs.

28 (b) For fiscal year [2006] **2012 AND EACH FISCAL YEAR THEREAFTER**, the  
 29 Governor shall include [at least \$10,000,000] in the annual budget [in] appropriations  
 30 for the purposes described in subsection (a) of this section **IN AN AMOUNT THAT**  
 31 **MEETS OR EXCEEDS THE APPROPRIATION RECOMMENDED BY THE CENTERS**  
 32 **FOR DISEASE CONTROL AND PREVENTION FOR COMPREHENSIVE TOBACCO**  
 33 **CONTROL PROGRAMS IN THE STATE.**

34 **Article – State Finance and Procurement**

1 7-317.

2 (a) There is a Cigarette Restitution Fund.

3 (b) (1) The Fund is a continuing, nonlapsing fund that is not subject to §  
4 7-302 of this subtitle.

5 (2) There shall be credited to the Fund all revenues consisting of funds  
6 received by the State from any source resulting, directly or indirectly, from any  
7 judgment against or settlement with tobacco product manufacturers, tobacco research  
8 associations, or any other person in the tobacco industry relating to litigation,  
9 administrative proceedings, or any other claims made or prosecuted by the State to  
10 recover damages for violations of State law.

11 (3) There shall be credited to the Fund all moneys collected under §  
12 24-508 of the Health - General Article or § 5-608 of the Labor and Employment  
13 Article.

14 (4) **THERE SHALL BE CREDITED TO THE FUND ALL MONEYS**  
15 **DISTRIBUTED TO THE FUND UNDER § 2-1602.1 OF THE TAX - GENERAL**  
16 **ARTICLE.**

17 (c) The Treasurer shall:

18 (1) invest and reinvest the Fund in the same manner as other State  
19 funds; and

20 (2) credit any investment earnings to the Fund.

21 (d) Expenditures from the Fund shall be made by an appropriation in the  
22 annual State budget.

23 (e) (1) The Fund shall be expended subject to any restrictions on its use or  
24 other limitations on its allocation that are:

25 (i) expressly provided by statute;

26 (ii) required as a condition of the acceptance of funds; or

27 (iii) determined to be necessary to avoid recoupment by the  
28 federal government of money paid to the Fund.

29 (2) Disbursements from the Fund to programs funded by the State or  
30 with federal funds administered by the State shall be used solely to supplement, and  
31 not to supplant, funds otherwise available for the programs under federal or State law  
32 as provided in this section.

1 (f) (1) The Cigarette Restitution Fund shall be used to fund:

2 (i) the Tobacco Use Prevention and Cessation Program  
3 established under Title 13, Subtitle 10 of the Health – General Article;

4 (ii) the Cancer Prevention, Education, Screening, and  
5 Treatment Program established under Title 13, Subtitle 11 of the Health – General  
6 Article; and

7 (iii) other programs that serve the following purposes:

8 1. reduction of the use of tobacco products by minors;

9 2. implementation of the Southern Maryland Regional  
10 Strategy–Action Plan for Agriculture adopted by the Tri–County Council for Southern  
11 Maryland with an emphasis on alternative crop uses for agricultural land now used for  
12 growing tobacco;

13 3. public and school education campaigns to decrease  
14 tobacco use with initial emphasis on areas targeted by tobacco manufacturers in  
15 marketing and promoting cigarette and tobacco products;

16 4. smoking cessation programs;

17 5. enforcement of the laws regarding tobacco sales;

18 6. the purposes of the Maryland Health Care  
19 Foundation under Title 20, Subtitle 5 of the Health – General Article;

20 7. primary health care in rural areas of the State and  
21 areas targeted by tobacco manufacturers in marketing and promoting cigarette and  
22 tobacco products;

23 8. prevention, treatment, and research concerning  
24 cancer, heart disease, lung disease, tobacco product use, and tobacco control, including  
25 operating costs and related capital projects;

26 9. substance abuse treatment and prevention programs;

27 and

28 10. any other public purpose.

29 (2) The provisions of this subsection may not be construed to affect the  
30 Governor’s powers with respect to a request for an appropriation in the annual budget  
31 bill.

32 (g) (1) Amounts may only be expended from the Fund through  
33 appropriations in the State budget bill as provided in this subsection.

1           (2) The Governor shall include in the annual budget bill  
2 appropriations from the Fund equivalent to the lesser of \$100,000,000 or 90% of the  
3 funds estimated to be available to the Fund in the fiscal year for which the  
4 appropriations are made.

5           (3) For each fiscal year for which appropriations are made, at least  
6 50% of the appropriations shall be made for those purposes enumerated in subsection  
7 (f)(1)(i), (ii), and (iii)1 through 9 of this section subject to the requirement of subsection  
8 (e)(2) of this section.

9           (4) For each fiscal year for which appropriations are made, at least  
10 30% of the appropriations shall be made for the purposes of the Maryland Medical  
11 Assistance Program.

12           (5) For each fiscal year for which appropriations are made, 0.15% of  
13 the Fund shall be appropriated for the purposes of enforcement of Title 16, Subtitle 5  
14 of the Business Regulation Article.

15           **(6) FOR EACH FISCAL YEAR FOR WHICH APPROPRIATIONS ARE**  
16 **MADE, THE FOLLOWING REVENUES SHALL BE APPROPRIATED FOR ACTIVITIES**  
17 **AIMED AT REDUCING TOBACCO USE IN THE STATE AS RECOMMENDED BY THE**  
18 **CENTERS FOR DISEASE CONTROL AND PREVENTION AS PROVIDED FOR IN §**  
19 **13-1015 OF THE HEALTH – GENERAL ARTICLE:**

20           **(I) ANY REVENUE REALIZED BY THE FUND FROM**  
21 **STRATEGIC CONTRIBUTION PAYMENTS RESULTING FROM THE STATE’S LEGAL**  
22 **CONTRIBUTIONS TO THE MASTER SETTLEMENT AGREEMENT; AND**

23           **(II) TOBACCO TAX REVENUE COLLECTED FROM OTHER**  
24 **TOBACCO PRODUCTS DISTRIBUTED TO THE FUND UNDER § 2-1602.1 OF THE**  
25 **TAX – GENERAL ARTICLE.**

26           **[(6)] (7)** Any additional appropriations, not subject to [paragraph (3),  
27 paragraph (4), or paragraph (5)] **PARAGRAPHS (3) THROUGH (6)** of this subsection,  
28 may be made for any lawful purpose.

29           (h) For each program, project or activity receiving funds appropriated under  
30 subsection (g)(3) of this section, the Governor shall:

31           (1) develop appropriate statements of vision, mission, key goals, key  
32 objectives, and key performance indicators and report these statements in a discrete  
33 part of the State budget submission, which shall also provide data for key performance  
34 indicators; and

1 (2) report annually, subject to § 2-1246 of the State Government  
2 Article, to the General Assembly no later than October 1 on:

3 (i) total funds expended, by program and subdivision, in the  
4 prior fiscal year from the Fund established under this section; and

5 (ii) the specific outcomes or public benefits resulting from that  
6 expenditure.

7 **Article - Tax - General**

8 **2-1602.1.**

9 **AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1601 AND**  
10 **2-1602 OF THIS SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE THE**  
11 **TOBACCO TAX REVENUE RECEIVED UNDER § 12-105(B) OF THIS ARTICLE TO**  
12 **THE CIGARETTE RESTITUTION FUND FOR THE PURPOSES SPECIFIED UNDER §**  
13 **13-1015 OF THE HEALTH - GENERAL ARTICLE.**

14 2-1603.

15 After making the distributions required under §§ 2-1601 [and 2-1602]  
16 **THROUGH 2-1602.1** of this subtitle, the Comptroller shall distribute the remaining  
17 tobacco tax revenue to the General Fund of the State.

18 12-105.

19 (b) The tobacco tax rate for other tobacco products is [15%] **25%** of the  
20 wholesale price of the tobacco products.

21 **SECTION 2. AND BE IT FURTHER ENACTED,** That this Act shall take effect  
22 July 1, 2008.