

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1390 (Delegates Rosenberg and Hubbard)

Health and Government Operations and
Appropriations

**Tobacco Use Prevention and Cessation Program and Cancer Prevention,
Education, Screening, and Treatment Program - Funding**

This bill reduces the Cigarette Restitution Fund (CRF) mandated funding level for the Tobacco Use Prevention and Cessation Program in fiscal 2011, but increases the level beginning in fiscal 2012 before resetting to the mandated level in current law in fiscal 2017. The bill also eliminates the CRF mandated funding level for various statewide Academic Health Center grants in fiscal 2011 and 2012, then increases those levels in fiscal 2013 and 2014 only. The bill also authorizes the Secretary of Budget and Management to redistribute funding appropriated for specified grants among the grants.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Special fund expenditures decrease by \$10.9 million in FY 2011 to reduce the mandated appropriation for the Tobacco Use Prevention and Cessation Program from \$7 million to \$6 million and to eliminate funding for various statewide Academic Health Center grants. Future year expenditures reflect an increase in the mandated appropriation level for the program, as well as the elimination of health center grant funding again in FY 2012, before it is increased above currently mandated levels in FY 2013 and 2014 only. No effect on revenues. **This bill modifies a mandated appropriation beginning in FY 2011.**

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	(10.9)	(11.4)	0	0	0
GF/SF Exp.	0	0	25.5	25.5	4.0
Net Effect	\$10.9	\$11.4	(\$25.5)	(\$25.5)	(\$4.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The CRF Program receives a majority of its funding from payments made under the Master Settlement Agreement (MSA). Through MSA, tobacco manufacturers participating in the settlement pay 46 states, 5 territories, and the District of Columbia about \$206 billion for 25 years. In Maryland, funds in CRF must be used to support eight health- and tobacco-related priorities specified in statute. CRF revenues are expected to total \$176 million in fiscal 2011, as shown in **Exhibit 1**.

The Tobacco Use Prevention and Cessation Program aims to reduce the use of tobacco products and to reduce the burden of tobacco-related morbidity and mortality in the State. CRF funding for statewide Academic Health Centers supports grants to State institutions for the purpose of enhancing cancer research that may lead to a cure for a targeted cancer and increases the rate at which cancer research translates into treatment protocols in the State.

However, over the past several years, the State fiscal crisis has prompted reductions to the mandated funding levels for various CRF programs. For example, the Budget Reconciliation and Financing Act (BRFA) of 2003 reduced the required amount for activities aimed at reducing tobacco from \$21 to \$18 million for fiscal 2004.

Most recently, the BRFA of 2009 reduced the mandated funding level for tobacco use prevention and cessation activities for fiscal 2010 and 2011 from \$21 million to \$7 million, and reduced the mandated funding level for statewide Academic Health Centers for fiscal 2010 and 2011 from \$15.4 million to \$9.9 million. Therefore, currently, mandated CRF funding for the Tobacco Use Prevention and Cessation Program is \$7 million in fiscal 2011 and \$21 million in subsequent years. Mandated CRF funding for statewide Academic Health Center grants is \$9.9 million in fiscal 2011 and \$15.4 million in subsequent years.

Exhibit 1
Cigarette Restitution Fund Budget
Fiscal 2009-2011
(\$ in Millions)

	2009	2010	2011
	<u>Actual</u>	<u>Working</u>	<u>Proposed</u>
			Governor's
			Budget
Beginning Fund Balance	\$9.6	\$9.1	\$0.8
Settlement Payments	150.3	144.0	139.1
NPM and Other Shortfalls in Payments ¹	-11.6	-12.0	-12.0
Awards from Disputed Account	12.2	0.0	12.0
Other Adjustments ²	37.6	36.9	36.9
Subtotal	\$198.1	\$178.0	\$176.7
Prior Year Recoveries	\$3.7	\$1.0	\$0.5
Total Available Revenue	\$201.8	\$179.0	\$177.2
Health			
Tobacco	\$16.3	\$4.1	\$4.0
Cancer	21.8	11.5	14.4
Substance Abuse	17.1	17.1	19.5
Medicaid	125.4	117.5	112.2
Administration	0.9	1.0	1.0
Breast and Cervical Cancer		14.6	15.2
Subtotal	\$181.6	\$165.8	\$166.3
Other			
Aid to Nonpublic School	\$3.7	\$4.5	\$4.5
Crop Conversion	7.0	7.0	5.0
Attorney General	0.4	1.0	1.0
Subtotal	\$11.1	\$12.5	\$10.5
Total Expenses	\$192.7	\$178.3	\$176.9
Ending Fund Balance	\$9.1	\$0.8	\$0.4

¹The nonparticipating manufacturer adjustment represents the bulk of this total adjustment.

²Other adjustments include the strategic contribution payments and the National Arbitration Panel award.

NPM: nonparticipating manufacturer

Note: Totals reflect fiscal 2010 deficiencies and fiscal 2011 contingent reductions. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services; Department of Budget and Management

The BRFA of 2010 proposes to make the reduction in mandated funding levels for tobacco use prevention and cessation activities permanent. Also, under the BRFA of 2010, the reduction in mandated funding levels for statewide Academic Health Centers would carry forward to fiscal 2012; thereafter, mandated funding would reset at the fiscal 2010 level (\$9.9 million) rather than the pre-fiscal 2010 level of \$15.4 million.

State Expenditures: Special fund expenditures decrease by \$10.85 million in fiscal 2011 to reduce the mandated appropriation for the Tobacco Use Prevention and Cessation Program by \$1 million and to eliminate funding for various statewide Academic Health Center grants, which are also eliminated in fiscal 2012. Future year expenditures (special and/or general funds) reflect an increase in the mandated appropriation level for the Tobacco Use Prevention and Cessation Program before it resets to the \$21 million mandated in current law in fiscal 2017. Also, mandated appropriation levels for various statewide Academic Health Center grants are increased in fiscal 2013 and 2014 only. **Exhibit 2** provides a more detailed comparison of how the bill changes the mandated funding levels compared to current law.

Exhibit 2
Modifications in Mandated CRF Appropriations
(\$ in Millions)

<u>HB 1390</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Tobacco Promotion and Cessation	\$6	\$25	\$25	\$25	\$25
AHCG – Cancer Research	0	0	21	21	10.4
AHCG – Tobacco-related Diseases Research	0	0	6.825	6.825	2
AHCG – Network	0	0	9.1	9.1	3
<u>Current Law</u>					
Tobacco Promotion and Cessation	\$7	\$21	\$21	\$21	\$21
AHCG – Cancer Research	6.7	10.4	10.4	10.4	10.4
AHCG – Tobacco-related Diseases Research	1.25	2	2	2	2
AHCG – Network	1.9	3	3	3	3
<u>Difference</u>					
Tobacco Promotion and Cessation	(\$1)	\$4	\$4	\$4	\$4
AHCG – Cancer Research	(6.7)	(10.4)	10.6	10.6	0
AHCG – Tobacco-related Diseases Research	(1.25)	(2)	4.825	4.825	0
AHCG – Network	(1.9)	(3)	6.1	6.1	0
Total Difference	(\$10.85)	(\$11.4)	\$25.525	\$25.525	\$4

AHCG = Academic Health Center Grants

Legislative Services advises that, since the entire CRF budget is projected to be spent in fiscal 2011 and will likely continue this way in future years, either funding for other CRF funded programs (such as Medicaid), general funds, or both will have to be used to cover the bill's mandate beginning in fiscal 2013.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Health and Mental Hygiene, University of Maryland Medical System, Department of Legislative Services

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mlm/ljm

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