

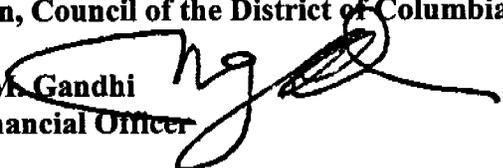
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: NOV 14 2005

SUBJECT: Fiscal Impact Statement: "Department of Health Functions Clarification Amendment Act of 2005"

REFERENCE: Bill Number 16-293 as Introduced

Conclusion

Funds are not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation. As introduced, the legislation would require additional expenditures of approximately \$300,000 in FY 2006 and a total of \$3.0 million for the period of FY 2006 through FY 2009.

Background

Bill 16-293 would ban smoking in all enclosed public places and places of employment, including vehicles, upon enactment. It would require the District of Columbia Department of Health to conduct inspections of all affected places to verify compliance with the ban. The effect of the ban would be delayed until January 1, 2007 for brew pubs, clubs, nightclubs, taverns, and the bars and bar areas of restaurants. The ban would not apply to hotel rooms, stores that primarily sell tobacco products, cigar bars, and facilities conducting smoking research or smoking cessation programs. The bill would authorize the Mayor to grant waivers under certain conditions for businesses that experience undue financial hardship from the ban.

The bill would impose fines on affected businesses and their patrons for smoking or permitting smoking in violation of the ban, for destroying or otherwise obscuring required "no smoking" signs,

or for failing to notify a smoking person to desist. The fines would be \$500 per day for some offenses, and as high as \$1000 per day for others.

Financial Plan Impact

Funds are not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation. The fines provided in the bill are high enough to assure high compliance with the ban and, therefore, would likely generate minimal revenue. The preponderant result in published econometric studies of the effects of smoking bans on overall sales tax revenue is that such effects are not significant. Assuming that annual inspections would be required for each establishment covered by the bill, the annual cost for inspections is estimated to be about \$1 million and the total for the first four years would be about \$3 million.

Impact to the Financial Plan					
(\$ in millions)					
	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Expenditures: Inspections	.3	.7	1.0	1.0	3.0