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

Fitzroy Lee
Interim Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Fitzroy Lee** **Interim Chief Financial Officer**
DATE:	**June 8, 2021**
SUBJECT:	**Fiscal Impact Statement – Flavored Tobacco Product Prohibition Amendment Act of 2021**
REFERENCE:	**Bill 24-20, Draft Committee Print as provided to the Office of Revenue Analysis on June 7, 2021**

Conclusion

Funds are not sufficient in the proposed fiscal year 2022 through fiscal year 2025 budget and financial plan to implement the bill. The bill will reduce District revenues by approximately $3 million in fiscal year 2022 and $11.6 million over the four-year financial plan. The Department of Consumer and Regulatory Affairs (DCRA) requires $572,000 in fiscal year 2022 and $1.78 million over the financial plan to implement the bill. The total cost of the bill is $3.6 million in fiscal year 2022 and $13.9 million over the financial plan.

The bill's implementation is subject to the required fiscal resources being included in an approved budget and financial plan.

Background

The bill bans[1] the purchase, sale, manufacture, and distribution of flavored tobacco products and flavored synthetic products containing nicotine. In addition, the bill bans the sale of any electronic smoking device within ¼ mile of a middle school or high school. Violations of either ban are subject to a civil penalty of $25 if the person in violation is an individual, and up to $10,000 if the ban is

[1] By amending An act to prohibit the sale of tobacco to minors under sixteen years of age in the District of Columbia, approved February 7, 1891 (26 Stat. 736; D.C. Official Code § 7-1721.01 et seq.).

violated by a firm or organization. Violations may also result in the suspension of a license to sell tobacco products.

Financial Plan Impact

Funds are not sufficient in the proposed fiscal year 2022 through fiscal year 2025 budget and financial plan to implement the bill. The bill will reduce District revenues by approximately $3 million in fiscal year 2022 and $11.6 million over the four-year financial plan. DCRA requires $572,000 in fiscal year 2022 and $1.78 million over the financial plan to implement the bill. The total cost of the bill is $3.6 million in fiscal year 2022 and $13.9 million over the financial plan.

The bill's sales restrictions are expected to lead some current users of flavored products to quit using such products, while others will substitute a non-flavored product. The reduction of electronic smoking products due to the school proximity ban is included in the reduced sales estimate for the flavored product ban. In total, the District's cigarette tax revenue is expected to decline 13.5 percent.

Enforcing the bill's new bans will require DCRA to conduct education and outreach to affected retailers and to conduct additional inspections of retailers. DCRA will need to hire three investigators to impose fines and license suspensions and represent DCRA in hearings for those appealing violations. DCRA will also hire a program analyst to monitor compliance and outreach. DCRA must also purchase an application that maps out ¼ mile radius around each middle and high school in the District for enforcement purposes.

Bill 24-20 - Flavored Tobacco Product Prohibition Amendment Act of 2021 Total Costs (in $1,000s)					
	FY 2022	FY 2023	FY 2024	FY 2025	Total
Estimated Reduction in Revenue	$3,032	$2,950	$2,871	$2,793	$11,646
Salary[(a)]	$422	$430	$437	$445	$1,734
Fringe[(b)]	$105	$107	$110	$112	$434
IT Upgrade	$45	$0	$0	$0	$45
Total Cost	$3,604	$3,487	$3,418	$3,350	$13,859

Table Notes:

(a) Assumes three Grade-12, Step-10 Investigators, one Grade-12, Step 10 Program Analyst, and annual salary growth of 1.75 percent.

(b) Assumes fringe benefit rate of 24.8 percent and a cost growth rate of 2.375 percent.