

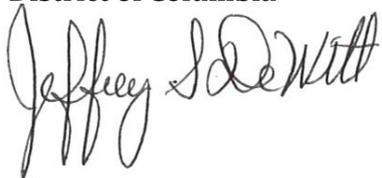
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: September 21, 2016

SUBJECT: Fiscal Impact Statement – Prohibition Against Selling Tobacco Products to Individuals Under 21 Amendment Act of 2016

REFERENCE: Bill 21-152, Draft Committee Print sent to the Office of Revenue Analysis on September 6, 2016

Conclusion

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost \$1.3 million to implement in fiscal year 2017 and \$5 million to implement over the four-year financial plan.

Background

The bill increases¹ the age at which a person can buy tobacco products from 18 to 21. Sales clerks will have to ask for proof of age from any person who appears to be younger than 30. Currently clerks need proof of age for anyone under 27 years old.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost \$1.3 million to implement in fiscal year 2017 and \$5 million to implement over the four-year financial plan.

The bill will reduce tax revenue the District receives from purchases of tobacco products. The District collects approximately \$30 million a year from taxes on tobacco sales, and the Office of Revenue Analysis projects that sales would decrease by 4.5 percent if people aged 18 to 20 could no longer buy tobacco products, because 18 to 20 year olds make up 4.5 percent of all adult smokers in

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.)

The Honorable Phil Mendelson

FIS: Bill 21-152, "Prohibition Against Selling Tobacco Products to Individuals Under 21 Amendment Act of 2016," Draft Committee Print sent to the Office of Revenue Analysis on September 6, 2016

the District.² A 4.5 percent decrease in tax revenue from tobacco sales would amount to a loss of about \$1.3 million a year. The loss decreases slightly over time since we project tobacco sales will continue to decrease, as they have the past several years.

Fiscal Impact of B21-152, the Prohibition Against Selling Tobacco Products to Individuals Under 21 Amendment Act of 2016, FY 2017 - FY 2020					
	FY 2017	FY 2018	FY 2019	FY 2020	Four-Year Total
Tax revenue estimate for tobacco sales ¹	\$29,397,755	\$28,310,038	\$27,460,737	\$26,636,915	\$111,805,444
Fiscal Impact: Cost of 4.5% decrease in tobacco sales²	(\$1,322,899)	(\$1,273,952)	(\$1,235,733)	(\$1,198,661)	(\$5,031,245)

Table Notes

¹ From the June 2016 revenue estimate from the Office of Revenue Analysis.

² Assumes 4.5 percent of adult tobacco users in D.C. are aged 18-20, a percentage we calculated using tobacco use rates of different age groups in D.C. from the Centers for Disease Control and Prevention and estimates of the D.C. population by age from the Census Bureau.

The Department of Health (DOH) regulates tobacco sales but does not need additional resources to enforce a higher age for tobacco purchases. Both DOH and the Department of Behavioral Health publish educational materials about tobacco use, and may have to make changes to some of them, but both agencies can make the changes without additional resources.

It is possible that the increase in age for purchasing tobacco could lead to fewer smokers in D.C. and better health outcomes for District residents, but we are not able to reliably estimate the impact of this on the District government because of the difficulty in predicting human behavior and complexity of factors influencing an individual's health. It could be, for instance, that young adults who can no longer purchase tobacco products in D.C. go elsewhere to buy tobacco products. Or, some people could begin smoking at 21 instead of 18 but still experience the same adverse health effects later in life.

² We calculated this percentage using the tobacco use rates of different age groups in D.C. from the Centers for Disease Control and Prevention (see <http://bit.ly/2cSczw> and <http://bit.ly/2cQtheP>) and estimates of the D.C. population by age from the Census Bureau (see <http://bit.ly/1HL7lIH>).