

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 [signature]
Chief Financial Officer

DATE: November 19, 2004

SUBJECT: Fiscal Impact Statement: "Prevention of Tobacco Sales to Minors Amendment Act of 2004"

REFERENCE: Draft Legislation to be Introduced - No Bill Number Available

Conclusion

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan because no additional staff or resources will be required. **A failure to implement certain measures contained within the bill will jeopardize federal substance abuse block grant dollars received by the District Department of Health (DOH). The amount could be approximately \$2 million dollars.**

Background

The proposed legislation deletes provisions in the law that allow the free distribution of cigarettes or tobacco products no matter the circumstance or venue. The proposed legislation prohibits tobacco sales to persons under the age of 16 years and requires vendors to require identification from persons under 27 years of age. The bill describes acceptable forms of identification and requires employee training. The proposed legislation establishes civil penalties of \$100 and/or 30-days imprisonment for the first or second offense, and \$1,000 and/or 90-days imprisonment for a third offense.

The proposed legislation establishes a special purpose fund to be the repository of fines and fees collected as a result of civil penalties for violations of the provisions of the proposed legislation. The Tobacco Enforcement and Training Fund will be a non-lapsing, non-reverting proprietary fund retaining all balances without regard to fiscal year limitations. Funds deposited into the Tobacco Enforcement and Training Fund are subject to appropriation for expenditure purposes.

The proposed legislation increases the annual license fee for a wholesale distributor of tobacco products from \$50 to \$300, the annual retailers license fee from \$15 to \$50, and the annual vending machine license fee from \$15 to \$50.

The proposed legislation makes numerous other additions and amendments to the law regulating the possession, sale and distribution of tobacco products in the District of Columbia.

Financial Plan Impact

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan. No additional staff or resources will be required to implement the provisions of the proposed legislation. The Chief Financial Officer cannot estimate at this time amounts that would be collected for the Tobacco Enforcement and Training Fund. DOH and other District agencies will be required to implement the bill's provisions from existing staff and resources. Federal and local anti-deficiency laws¹ prohibit District officers and employees from exceeding appropriations in any fiscal year. If funding is available to absorb any additional costs, then the fiscal impact would be zero. For subsequent years, the additional expenditures must be included in the budget and financial plan.

The proposed legislation contains certain federal compliance measures. A failure on the part of the District of Columbia to implement certain aspects of the proposed legislation will result in the loss of 40 percent of federal substance abuse block grant dollars. This amount could be approximately \$2 million. These funds are used to support local treatment and substance abuse services.

¹31 USC § 1341 (2000) and D.C. Official Code § 47-355.01 *et sequitor* (2003).