

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 526 (Delegate Hurson, et al.)
Environmental Matters

Smokeless Tobacco - License - Sale or Distribution

This bill requires any person who sells or distributes smokeless tobacco to obtain a license from the Comptroller. The license fee is \$2,500, and the license is valid for one year. Violators are subject to a fine not exceeding \$5,000, imprisonment not exceeding one year, or both.

Fiscal Summary

State Effect: General fund revenues could increase an estimated \$18.2 million in FY 1997, and expenditures could increase by \$33,600. Out-year estimates reflect stable numbers of licenses and inflation in operating expenditures.

(\$ in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$18,185	\$11,485	\$11,485	\$11,485	\$11,485
GF Expenditures	34	26	27	28	29
Net Effect	\$18,151	\$11,459	\$11,458	\$11,457	\$11,456

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

Local Effect: Indeterminate increase in revenues and expenditures due to the bill's penalty provisions.

Fiscal Analysis

State Revenues: General fund revenue could increase by an estimated \$18.2 million in fiscal 1997. This estimate assumes that licenses would be required beginning October 1, and that a prorated license fee would be paid. Licenses would presumably be renewed May 1, when cigarette licenses are renewed. Both of these payments would be in fiscal 1997. Currently, there are six cigarette manufacturing licensees, 62 cigarette wholesaling licensees,

and about 9,120 cigarette retailing licensees. Assuming all these businesses sell smokeless tobacco, 9,188 smokeless tobacco licenses would be required. Because the fee is \$2,500, however, many businesses would no longer sell smokeless tobacco (the retail cigarette license is \$30). Assuming one-half of those outlets currently selling cigarettes would continue to sell smokeless tobacco, revenues would increase by \$18.2 million in fiscal 1997, and \$11.5 million on a continuing basis.

The bill does not state the use to which these funds will be put, so it is assumed they would be credited to the general fund. Cigarette license fees are credited to the general fund, and are intended to be used to administer the regulation of cigarette sales and enforce the Maryland Cigarette Sales Below Cost Act.

General fund revenues could increase under the bill's monetary penalty provision for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

State Expenditures: General fund expenditures could increase by an estimated \$33,600 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Fiscal Clerk II to administer the smokeless tobacco licenses. It includes salaries of \$12,626, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$18,550
One-time Expenses	14,150
Operating Expenses	<u>900</u>
Total FY 1997 State Expenditures	\$33,600

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

General fund expenditures could increase as a result of the bill's incarceration penalty due to increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

Persons serving a sentence of one year or less are sentenced to a local detention facility. The State reimburses counties for part of the per diem rate after a person has served 90 days. State per diem reimbursements are estimated to range from \$10 to \$48 per inmate, depending upon the jurisdiction. Persons sentenced in Baltimore City are incarcerated in the Baltimore City Detention Center (BCDC), a State operated facility. The per diem cost for fiscal 1997 is estimated at \$43 per inmate.

Local Revenues: Revenues could increase under the bill's monetary penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

Local Expenditures: Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$19 to \$96 per inmate in fiscal 1997.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Unit), Department of Fiscal Services

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Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710