

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 746 (Senator Bromwell)
Finance

Consumer Protection - Prizes and Gifts

This bill alters current law relating to the prohibition against the offer of prizes or gifts conditioned on a purchase, or participation or submission to a sales promotion. The bill also alters an exception to this prohibition.

The bill provides that such an offer is prohibited only if it is made to a specific person and not to the general public. The exception to the prohibition, involving certain retail promotions offering consumer savings, is altered so that: (1) the mention of the offer of gifts and prizes is eliminated from the exception; (2) the exception applies whether or not unlike merchandise or services are combined in a single promotion; (3) the exception is expanded to include manufacturer’s or retailer’s “free-with-purchase sales”; and (4) the exception, as it applies to “cents-off” coupon promotions, is specified to mean retailer’s “cents-off” coupons.

Fiscal Summary

State Effect: General fund expenditures would increase by \$77,900 in FY 1997. Future years reflect annualization and inflation. The potential for revenue increases stemming from an applicable cost recovery provision is indeterminate and not reflected in this table (see below). Absent that potential, revenues would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	-	-	-	-	-
GF Expenditures	\$77,900	\$88,600	\$91,000	\$93,400	\$96,000
Net Effect	(\$77,900)	(\$88,600)	(\$91,000)	(\$93,400)	(\$96,000)

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

Local Effect: None.

Fiscal Analysis

Background: The Consumer Protection Division of the Office of the Attorney General receives approximately 1,000 written complaints and thousands of telephone inquiries annually regarding advertisements offering prizes. At present, the division refers to the provision this bill amends in order to make a prompt initial assessment of the legality of the advertisement.

State Revenues: Indeterminate. The Attorney General is entitled to recover the costs of bringing an unfair and deceptive trade practice action for the use of the State. Revenues could increase to the extent this bill leads to an increase in deceptive advertisements, and the Attorney General brings additional actions and seeks cost recovery. The amount of cost recovery cannot be quantified at this time.

State Expenditures: The Consumer Protection Division advises that this bill would require the gathering of additional information in order to determine whether an advertisement, about which there has been an inquiry or complaint, is an unfair and deceptive trade practice under other existing laws. The division also believes that this bill could lead to a substantial increase in the number of necessary investigations and enforcement actions.

Accordingly, general fund expenditures could increase by an estimated \$77,904 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Complaint Supervisor, one part-time contractual Assistant Attorney General, one-part-time contractual Investigator, and one part-time contractual Office Secretary. It includes salaries of \$48,692, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$58,313
Operating Expenses	<u>19,591</u>
Total FY 1997 State Expenditures	\$77,904

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

Information Source(s): Office of the Attorney General (Consumer Protection Division),
Department of Fiscal Services

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