

## Department of Planning and Budget 2016 Fiscal Impact Statement

**1. Bill Number:** HB502

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Kory

**3. Committee:** Commerce and Labor

**4. Title:** Humane Cosmetics Act; civil penalties.

**5. Summary:** This bill prohibits testing cosmetics on animals in the Commonwealth effective July 1, 2017. The bill also prohibits the sale in the Commonwealth effective July 1, 2019, of any cosmetic that was developed or manufactured using animal testing on or after July 1, 2017. Violations are subject to a civil penalty not to exceed \$10,000.

**6. Budget Amendment Necessary:** Yes, Item 96 of HB30. See Item 8, below.

**7. Fiscal Impact Estimates:** Preliminary.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$876,000	2.0	General Fund
2018	\$336,000	2.0	General Fund
2019	\$957,000	10.00	General Fund
2020	\$957,000	10.00	General Fund
2021	\$957,000	10.00	General Fund
2022	\$957,000	10.00	General Fund

**7b. Revenue Impact:** Indeterminate.

**8. Fiscal Implications:** This bill prohibits a person from conducting or contracting for cosmetic animal testing in the Commonwealth effective July 1, 2017, and prohibits a person from selling, offering for sale, or transporting any cosmetic product that was developed or manufactured using cosmetic animal testing effective July 1, 2019. While the bill does not explicitly state that the Department of Agriculture and Consumer Services (VDACS) is responsible for enforcement of these provisions, the bill does require that the Commission of VDACS certify a final order for a violation of the bill's provisions. Because of the scope of potential entities impacted and the size of the proposed civil penalty, the department assumes this bill is establishing an enforcement program and this is reflected in the fiscal impact estimates. As such, this bill is anticipated to have an expenditure impact on the agency. The revenue resulting from the civil penalties, which will be deposited to the Weights and Measures Fund, is indeterminate. Under the provisions of the bill, the administration of this new effort cannot be paid from the Weights and Measures Fund.

VDACS estimates that the bill will have a fiscal impact of approximately \$876,000 in the first year of implementation in order to build the program infrastructure. In the first year, a one-time cost of \$700,000 is expected to develop a database to track inspections and investigations. In addition, in FY 2017, VDACS believes that one compliance inspector and one supervisor are required to begin program implementation, including researching training, operational and regulatory requirements. The cost of these positions is estimated at \$176,000, which brings the total impact for FY 2017 to \$876,000.

In the second year, FY 2018, the fiscal impact is estimated at \$336,000, which includes \$176,000 tied to the two positions and \$160,000 for annual maintenance of the database system.

Beginning in FY 2019, all sales of cosmetics developed or manufactured using cosmetic animal testing will be prohibited. At this time, the number of retailers requiring inspection is unknown; however, it is likely to encompass any retailer who sells cosmetics. As such, to conduct inspections at retail locations to ensure compliance and investigate violations, VDACS estimates that an additional eight compliance inspector positions will be necessary, bringing the total costs associated with salary, benefits, and other operational costs for this program to \$797,000. This figure is based on salary and operating costs of existing positions in the agency's other regulatory programs. With these positions and the annual maintenance costs for the database system, the anticipated cost in FY 2019 and onward is \$957,000.

The bill provides for civil penalties, up to \$10,000 per violation, to be paid to the Weights and Measures Fund. The Weights and Measures Fund, as established by §3.2-5628, Code of Virginia, "shall be used only for the purposes of administering and enforcing [Chapter 56] and Chapter 57 (§ 3.2-5700 et seq.) of this title." As written, the provisions of this bill would not be part of the aforementioned chapters and, as such, moneys in the Weights and Measures Fund cannot be used to enforce the provisions of the bill. At this time, the revenue impact related to civil penalties is unknown.

**9. Specific Agency or Political Subdivisions Affected:** Department of Agriculture and Consumer Services; local courts.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.