

## **Department of Planning and Budget**

### **2021 Fiscal Impact Statement**

**1. Bill Number:** HB2164

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

**2. Patron:** Hope

**3. Committee:** House Appropriations

**4. Title:** Tobacco retail licensing

**5. Summary:** The bill establishes a subfund of the Enterprise Fund, to be known as the Tobacco Retail Administration Subfund (Subfund).

The bill provides that all moneys deposited, less net profits, are subject to appropriation, for the payment of (i) the salaries and remuneration of the members, agents, and employees of the Board and; (ii) all costs and expenses incurred in establishing and maintaining government stores and in the administration of the provisions of this title, including the purchasing, building, leasing and operation of distilleries and the manufacture of alcoholic beverages; and (iii) all direct and indirect costs and expenses incurred in the administration of licenses and enforcement of laws under the newly created §§4.1-600 through 4.1-605 (Registration and Restrictions for Tobacco Retailers), which shall be accounted for from the Subfund.

The bill establishes that no tobacco retailer can operate a tobacco retail establishment, conduct business as a tobacco retailer, or otherwise sell or offer to sell tobacco products at retail unless such tobacco retailer has obtained a license from the Authority. Violations may result in a civil penalty of \$500 for a first offense and \$1,000 for a second or subsequent offense within a 36 month period. Any tobacco retailer may apply for a license to operate a tobacco retail establishment and conduct business as a licensee according to forms and procedures prescribed by the Authority. Licensees must display their license in a prominent place within the licensed business.

The bill prohibits any person from selling tobacco products or hemp products intended for smoking from a vending machine. In addition, the bill requires age verification for purchasers less than 30 years of age.

The bill defines “electronic smoking device” and redefines “tobacco product”.

**6. Budget Amendment Necessary:** See Line 8. Nongeneral fund appropriation will be needed.

**7. Fiscal Impact Estimates:** Preliminary (see Line #8)

- 8. Fiscal Implications:** According to the Virginia Alcoholic Beverage Control Authority (ABC), additional personnel will be needed to enforce the provisions of this bill. Data from ABC's Bureau of Law Enforcement suggest there may be as many as 4,000 new licenses requested from vape shops, tobacco shops and cigar shops as a result of this legislation.

ABC estimates an additional 7 license record technicians (\$342,363) and 12 special agents (initial cost of \$1,320,000, with an ongoing cost of \$819,289) will be required to meet the requirement of this bill. The initial cost for special agents includes equipment and training cost of \$500,711. In addition, information technology costs are expected to be incurred to create a tobacco license within the existing licensing system. Information technology costs are estimated to be \$225,000.

The bill provides that moneys in the Subfund, created by this bill, are to be used solely for the purpose of funding the Authority's direct and indirect costs of administration of licenses and enforcement of laws under Chapter 6 (Registration and Restrictions for Tobacco Retailers). Expenditures and disbursements from the Subfund can be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Chief Executive Officer of the Authority. The Authority will likely incur expenses for personnel and other operating expenses prior to collecting tobacco license revenue. The bill is silent as to how these expenses are to be covered.

According to the State Corporation Commission, the bill is not expected to create a material fiscal impact on agency operations.

- 9. Specific Agency or Political Subdivisions Affected:** Alcoholic Beverage Control Authority, and State Corporation Commission

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** None