

OFFICE OF FISCAL ANALYSIS

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SB-469

AN ACT CONCERNING INFORMATION TO BE FURNISHED BY AN INSURANCE COMPANY RELATIVE TO FIRE OR EXPLOSION LOSS.

AMENDMENT

LCO No.: 4500

File Copy No.: 522

Senate Calendar No.: 327

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Consumer Protection, Dept.	GF - Revenue Gain	Up to 30,000	Up to 15,000
Department of Emergency Services and Public Protection	Consumer Fireworks Account - Revenue Gain	350,000	475,000
Department of Revenue Services	Various - Revenue Gain	375,000	500,000
Department of Revenue Services	GF - Cost	60,000	None
Dept. of Administrative Services	GF - Cost	56,263	56,263
State Comptroller - Fringe Benefits ¹	GF - Cost	20,440	20,440
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund; Various=Various

Municipal Impact: None

Explanation

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

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5/1/18
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This amendment expands the type of fireworks that may be sold and used in the state and results in a cost to the Department of Revenue Services, Department of Administrative Services (DAS), and the State Comptroller as well as a revenue gain to the state. In FY 19 the total cost to the state is approximately \$137,000 and the total revenue gain is approximately \$755,000.

Sections 501 and 502 result in an approximately \$30,000 revenue gain in FY 19 and \$15,000 revenue gain in FY 20 to the Department of Consumer Protection (DCP) due to two new licensing fees for entities who sell consumer fireworks (a \$5,000 initial fee and \$2,500 annual renewal fee). It's anticipated that few entities will apply for the license due to the high fees and the requirement to also have a federal fireworks license.

Section 503 results in a revenue gain of \$350,000 in FY 19 and \$475,000 annually thereafter by applying a 5% excise tax on consumer fireworks. The revenue generated in this section would be deposited in a "consumer fireworks account" established in Section 504 of the amendment.

The amendment will result in a sales tax revenue gain of \$375,000 in FY 19 and \$500,000 annually thereafter by expanding the types of fireworks that may be sold. This revenue would be deposited in the General Fund and other state funds² that receive sales tax transfers, not the "consumer fireworks account."

This section results in a one-time cost of \$60,000 in FY 19 to the Department of Revenue Services to establish the new excise tax within the online Taxpayer Service Center (\$25,000) and for programming costs to warehouse the tax form data in the agency's Integrated Tax Administration System (\$35,000).

² Current law requires a diversion of a portion of the sales tax generated into (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account beginning in FY 20. The general sales and use tax rate, from which the diversion occurs, remains at 6.35%.

Section 504 results in a revenue gain to the Department of Emergency Services and Public Protection, as the amendment requires that the funds within the newly created consumer fireworks account are to be disbursed to the firefighter's cancer relief account and the state fire school training and education extension account.

Section 505 consists of technical changes and results in no fiscal impact.

Section 506 requires the State Fire Marshal to conduct an inspection of the premises where consumer fireworks are to be sold, stored and offered for sale prior to any person offering such consumer fireworks for sale to the public at retail. The Department of Administrative Services (DAS) will require one Fire & Life Safety Specialist (\$56,263 for salary and \$20,440 for fringe benefits) to administer these new safety measures.

Section 507 results in potential revenue gain from enforcing new violations associated with the sale, possession, and use of fireworks. Any potential revenue gain will be partially offset by revenue loss from current laws, which makes it illegal to sell or use consumer fireworks. In FY 17, there were 40 violations that resulted in \$1,000 of fines.

This section also makes any violation of section 501 subsection (a) of this amendment an unfair trade practice and results in no impact to the state. Few violations are expected and DCP has the expertise to investigate these claims.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.