

OFFICE OF FISCAL ANALYSIS

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<http://www.cga.ct.gov/ofa>

sSB-985

AN ACT CONCERNING THE SALE OF FLAVORED ELECTRONIC NICOTINE DELIVERY SYSTEMS AND VAPOR PRODUCTS AND CHILDREN'S HEALTH.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Revenue Services	GF - Revenue Loss	Up to 1.9 million	Up to 2.5 million
Department of Revenue Services	GF - Cost	Up to 155,942	Up to 160,620
State Comptroller - Fringe Benefits ¹	GF - Cost	Up to 64,404	Up to 66,336
Mental Health & Addiction Serv., Dept.	GF - Potential Cost	65,910	67,887
State Comptroller - Fringe Benefits	GF - Potential Cost	27,221	28,037

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which generally² bans flavored e-cigarette or vapor products and requires the Department of Revenue Services (DRS) to enforce its provisions, results in: 1) a General Fund revenue loss of up to \$1.9 million in FY 22 and up to \$2.5 million in FY 23; and 2) a cost to the DRS of up to \$220,346 in FY 22 and up to \$226,956 in FY 23 for

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 41.3% of payroll in FY 22 and FY 23.

² Under the bill, e-cigarette dealers are exempt from this ban if they prohibit anyone under age 21 from entering the establishment and post notice of the prohibition clearly at all of the establishment's entrances.

salary and fringe benefit costs associated with as many as two Revenue Agent positions.³ To the extent the Department of Mental Health and Addiction Services is required to conduct compliance checks to enforce the bill's provisions, the agency would incur increased costs for a Special Investigator (\$65,910 in FY 22 and \$67,887 in FY 23 with associated fringe benefit costs of \$27,221 and \$28,037, respectively).

The revenue estimate assumes up to a 55% drop in e-cigarette revenue based on data indicating that flavored products comprise just over half the vaping market. It is not anticipated that any potential civil penalties levied by the DRS pursuant to the bill's provisions would appreciably offset the loss of tax revenue from e-cigarette and vapor products.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Centers for Disease Control and Prevention Morbidity and Mortality Weekly Report 9/18/2020
US Department of Health and Human Services*

³ The actual number of Revenue Agents needed will depend on the volume of necessary enforcement actions.