

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 25, 2007

TO: Honorable David Swinford, Chair, House Committee on State Affairs

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2935 by King, Phil (Relating to the regulation of cigarettes; providing a penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2935, As Introduced: a positive impact of \$409,712 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$819,422
2009	(\$409,710)
2010	(\$409,710)
2011	\$796,532
2012	(\$398,266)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Change in Number of State Employees from FY 2007
2008	\$1,286,869	(\$467,447)	9.0
2009	\$13,065	(\$422,775)	9.0
2010	\$13,065	(\$422,775)	9.0
2011	\$1,219,307	(\$422,775)	9.0
2012	\$24,509	(\$422,775)	9.0

Fiscal Analysis

The bill would amend the Health and Safety Code to require testing to be conducted on cigarettes, prior to sale, to ensure that they meet certain performance standards related to fire safety. The bill would require cigarette manufacturers to certify to the State Fire Marshall's Office at the Texas Department of Insurance (TDI) that the cigarettes meet performance standards and the package must contain markings with this certification. Manufacturers would be required to maintain copies of reports of all testing conducted on cigarettes. The State Fire Marshall's Office would be authorized to adopt and enforce rules and would be required to make reports relating to the effectiveness of the testing. The Attorney General would be authorized to seek injunctive relief and collect civil penalties.

The bill would take effect September 1, 2007.

Methodology

It is assumed that the State Fire Marshall's Office at TDI would incur costs as a result of the bill. These costs would include salaries for 9 FTEs, two Program Specialist II, two Administrative Assistant III, and five Inspector IV in the amount of \$290,206 with associated benefit costs of \$82,099 each fiscal year. Other operating costs, including travel, telephone, and training costs, would be \$50,470 each fiscal year. There would be a one-time equipment cost in fiscal year 2008 of \$44,672.

The bill would require manufacturers to pay a certification fee for each new and renewal certification. Certification would be required to be renewed every three years. It is assumed the new and renewal certification fee would be set at an amount sufficient to cover the costs of implementing the bill and that fee revenue would be deposited to General Revenue. This analysis assumes that, based on estimates from TDI, 197 new certifications would be issued in fiscal year 2008, 2 new certifications would be issued each year in fiscal years 2009 and 2010, 197 renewal and 2 new certifications would be issued in fiscal year 2011, and 2 renewal and 2 new certifications would be issued in fiscal year 2012.

The bill would establish a General Revenue Account - Fire Prevention and Public Safety, which would consist of civil penalties collected under the bill. The bill provides that funds in the account could be appropriated to the state fire marshal to support fire safety and prevention programs. The amount of penalties that would be collected under the bill are not estimated in this analysis. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Based on the analysis of the Attorney General, duties and responsibilities at that agency associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

There would be a one-time technology impact at TDI of \$16,021 in fiscal year 2008 for computer hardware and software.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JOB, KJG, SK