

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products
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## Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Department of Revenue	16,074,000	18,161,000	70,265,000	78,417,000	107,616,000	120,060,000
Liquor Control Board	538,092	5,380,925	562,820	5,628,200	562,820	5,628,200
<b>Total \$</b>	<b>16,612,092</b>	<b>23,541,925</b>	<b>70,827,820</b>	<b>84,045,200</b>	<b>108,178,820</b>	<b>125,688,200</b>

## Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	2.2	352,800	352,800	.9	130,200	130,200	.9	130,200	130,200
Liquor Control Board	12.4	1,061,422	1,061,422	14.0	928,136	928,136	14.0	928,136	928,136
Department of Health	1.0	0	4,818,000	.3	0	5,020,000	.3	0	5,020,000
<b>Total</b>	<b>15.6</b>	<b>\$1,414,222</b>	<b>\$6,232,222</b>	<b>15.2</b>	<b>\$1,058,336</b>	<b>\$6,078,336</b>	<b>15.2</b>	<b>\$1,058,336</b>	<b>\$6,078,336</b>

Local Gov. Courts *	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Loc School dist-SPI									
Local Gov. Other **									
Local Gov. Total									

## Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

<b>Prepared by:</b> Chris Stanley, OFM	<b>Phone:</b> (360) 902-9810	<b>Date Published:</b> Final 3/16/2015
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 41685

FNS029 Multi Agency rollout

# Judicial Impact Fiscal Note

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products	<b>Agency:</b> 055-Admin Office of the Courts
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.

Contact	Phone:	Date: 01/26/2015
Agency Preparation: Kitty Hjelm	Phone: 360-704-5528	Date: 01/28/2015
Agency Approval: Ramsey Radwan	Phone: 360-357-2406	Date: 01/28/2015
OFM Review: Cheri Keller	Phone: 360-902-0563	Date: 01/29/2015

Request # 1645(5573)-2

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill addresses youth substance use prevention associated with tobacco and drug delivery e-cigarettes and vapor products .

Sections with potential court impact:

New Section 112(2) would make selling or distributing a substance intended for use in a vapor product that does not satisfy the child-resistant effectiveness standards under 16 C.F.R. Sec. 1700 a class C felony.

New Section 219(1)(B) would make it a class C felony to sell vapor products without a distributors license or a retailer's license .

New Section 219(2)(c) would make it a gross misdemeanor to:

- Refuse to allow the Department of Health or the Liquor Control Board, on demand, to make a full inspection of any place of business where any of the vapor products taxed under this chapter are sold, stored, or handled, or otherwise hinder or prevent such inspection;

- Make, use, or present or exhibit to the Department of Health or the Liquor Control Board any invoice for any of the vapor products taxed under this chapter that bears an untrue date or falsely states the nature or quantity of the goods invoiced;

- Fail to produce on demand of the Department of Health or the Liquor Control Board all invoices of all the vapor products taxed under this chapter within five years prior to such demand unless the person can show by satisfactory proof that the nonproduction of the invoices was due to causes beyond the person's control.

It would also be a gross misdemeanor for any person, other than a licensed distributor or retailer, to transport vapor products for sale in this state for which the taxes imposed under this chapter have not been paid unless :

- Notice of the transportation has been given as required under section 214 of this act;

- The person transporting the vapor products actually possesses invoices or delivery tickets showing the true name and address of the consignor or seller, the true name and address of the consignee or purchaser, and the quantity and brands of vapor products being transported; and

- The vapor products are consigned to or purchased by a person in this state who is licensed under this chapter .

Section 219(3) would make it a misdemeanor for licensed distributors and retailers to operate in any other capacity unless additional appropriate licenses are secured.

Section 219(4) would make the penalties in Section 219 additional penalties to any other penalties provided by law for violating the provisions of this chapter or the rules adopted under this chapter .

New Section 222(7) would make any determination and order by the Liquor Control Board, and any order of suspension or revocation by the board of the license or licenses issued under this chapter, or refusal to reinstate a license or licenses after revocation is reviewable by an appeal to the superior court of Thurston County. The superior court must review the order or ruling of the board and may hear the matter de novo.

### II. B - Cash Receipts Impact

The new felonies, misdemeanors and gross misdemeanors created in this bill would result in some amount of fine revenues . However, there is no judicial data available to estimate the total amount of fines that would be collected.

### II. C - Expenditures

There is no data available to estimate how many new cases would be filed with the courts for these new felonies, gross misdemeanors and misdemeanors created in this bill. However, it is assumed that there would be case filings each year if this bill is passed .

There is no data available to estimate how many superior court appeals would result from Section 222(7). However, it is assumed that there would be appeals each year if this bill is passed .

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A \$50,000 expenditure level represents approximately 80 hours (0.08 FTE) of district court judicial officer time annually cumulative for all district courts in the state with associated support staff and operational costs. It is assumed, therefore, that this bill would require less than 80 hours of judicial officer time statewide on an annual basis and expenditure impact would be less than \$50,000.

**Part III: Expenditure Detail**

**Part IV: Capital Budget Impact**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/26/2015
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/29/2015
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/29/2015
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 01/29/2015

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

HB 1645 creates the essential public health services account. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period under review. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

For illustrative purposes, assume based on the November 2014 revenue forecast that approximately \$2,800 in FY 16, \$16,800 in FY 17, \$32,500 in FY 18, and \$35,000 in FY 19 in net earnings would be gained or lost annually for every \$1 million shift in average daily cash balances.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

HB 1645 creates the essential public health services account. Earnings from investments will be credited to the general fund.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

NONE

## Part IV: Capital Budget Impact

NONE

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
GF-STATE-State 00 - 00 -	4,601,000	14,217,000	18,818,000	73,409,000	112,064,000
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(738,000)	(1,820,000)	(2,558,000)	(2,931,000)	(4,147,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(54,000)	(132,000)	(186,000)	(213,000)	(301,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)	(3,000)	(4,000)	(5,000)	(7,000)
NEW-State 00 - 01 -	511,000	1,580,000	2,091,000	8,157,000	12,451,000
<b>Total \$</b>	4,319,000	13,842,000	18,161,000	78,417,000	120,060,000

### Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	3.4	0.9	2.2	0.9	0.9
<b>Account</b>					
GF-STATE-State 001-1	287,700	65,100	352,800	130,200	130,200
<b>Total \$</b>	287,700	65,100	352,800	130,200	130,200

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/26/2015
Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 01/29/2015
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/29/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/29/2015

Request # 1645-1-1



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Under current law, vapor products are not subject to tobacco taxes.

Vapor products currently available can generally be divided into two distinct categories:

- Electronic cigarettes (e-cigarettes) with the nicotine juice (e-juice) typically contained within, or affixed to, the smoking unit.
- Vapors/tanks/mods (VTMs) which typically consist of more complex, modular systems and paraphernalia and which provide users a variety of options, one of which is the use of a wide range of custom flavored products.

Currently, the only state tax revenue from these products is the business and occupation (B&O) tax and the retail sales tax.

This bill levies a tax, similar to the other tobacco products (OTP) tax, on the sale, use, consumption, handling, possession, or distribution of vapor products in this state. The tax rate will be 95 percent of the taxable sales price. This tax will also apply to preexisting inventories of vapor products.

Revenue from this new tax will be deposited as follows: 90 percent into the state general fund and 10 percent into the newly created essential public health services account. Money in this new account will be used for the following purposes: (a) To fund essential governmental public health services; (b) to fund tobacco control and prevention and other substance use prevention and education; and (c) to strengthen and support public health system capabilities, including accredited higher education public health programs.

The bill authorizes the governor to enter into vapor product tax contracts with Indian tribes in Washington. These contracts must provide that the tribal vapor product tax rate be 100 percent of the state vapor product tax and state and local sales and use taxes. The tribal vapor product tax is in lieu of the state vapor product tax and state and local sales and use taxes. Further, the bill specifically provides that any contract with the Puyallup Indian Tribe must require the tribe to impose a tribal vapor product tax equal to 90 percent of the state vapor product tax. The tribe must remit 30 percent of the tribal tax revenue on all vapor products sales to the state.

Other provisions of this bill:

- Bans online sales and mail order of vapor products for general consumers.
- Bans flavored vapor products (e.g. fruit, candy).
- Provides similar administrative and enforcement authority for Department of Revenue and Liquor Control Board as for tobacco products (RCW 82.26).
- Requires vapor products retailers and distributors to be licensed in a manner similar to tobacco products.

"Vapor product" means any noncombustible product that employs a mechanical heating element, battery, or electronic circuit regardless of shape or size that can be used to produce vapor from a liquid solution or other substance, including an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. "Vapor product" includes: (i) Any liquid solution or other substance in a cartridge or other container that is capable of being used with or in a vapor product to produce vapor; and (ii) any related accessories or equipment specifically designed or marketed to be used with a vapor product.

This bill is effective October 1, 2015.

## II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### ASSUMPTIONS

- Washington's share of vaping consumption is 2.2 percent of the U.S. total.
- Consumption of vapor products will be 25 percent less under this bill than otherwise.
- Seller markups total 45 percent currently, but will fall to 40 percent under this bill.
- Currently, 54 percent of sales are made at actual stores, not through other sources (e.g., Internet).
- Legal age for the purchase and use of vapor products is 18.
- Growth in vaping and the purchase of vapor products is similar to that found in the Wells Fargo forecast discussed below.
- E-juice represents 70 percent of total vapor product sales revenues.
- E-juices with characterizing flavors represent 65 percent of total e-juice sales.
- Vapors/tanks/mods currently make up about half of the vaping market with "e-cigarettes" making up the other half; the VTM share of the total vaping market will grow 12 percent annually and VTM will increasingly dominate the market.
- The annual compliance rates for e-cigarettes will be 50, 60, 70, and 80 percent (each year thereafter) respectively; these products are likely to be distributed by established OTP taxpayers who are familiar with the tobacco regulatory environment.
- The compliance rate for VTMs, on the other hand, will be 26, 39, and 52 percent (each year thereafter) respectively; these products and markets are not now subject to the type of regulatory environment embodied in this bill.

### DATA SOURCES

The estimate (and certain information herein) is based primarily from data taken directly from, or derived from, a major study done by Wells Fargo Securities on vaping. Many other industry sources were also used.

### REVENUE ESTIMATES

This bill will increase state revenues by \$18.2 million in the 2015-17 Biennium and \$78.4 million in the 2017-19 Biennium.

Much of this revenue may actually be tax revenue that was lost from reduced sales of conventional cigarettes. The literature shows that the vast majority of vapor product users are current tobacco users. Hence, it is likely that there is some reduction in consumption of conventional cigarettes because of this fact.

If the federal government begins to regulate vapor products to the same extent and with the same rigor as it does regular cigarettes, the estimate shown may no longer hold.

If and when there is a tribal vapor product tax contract between the state and the Puyallup Indian Tribe, the state is expected to receive the equivalent of two percent of the net revenue impact of this fiscal note as additional revenue. This is the 30 percent tribal tax revenue remittance required of the Puyallup Indian Tribe.

The impact to local government will be a revenue decrease of \$0.9 million in the 2015-17 Biennium and \$1.0 million in the 2017-19 Biennium. The decrease in sales tax revenues results from the buyer response to the higher retail price after the tax imposition.

### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2016 - \$ 4,319

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FY 2017 -	\$ 13,842
FY 2018 -	\$ 28,271
FY 2019 -	\$ 50,146
FY 2020 -	\$ 57,102
FY 2021 -	\$ 62,958

Local Government, if applicable (cash basis, \$000):

FY 2016 -	\$ (262)
FY 2017 -	\$ (645)
FY 2018 -	\$ (645)
FY 2019 -	\$ (394)
FY 2020 -	\$ (601)
FY 2021 -	\$ (869)

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

### ASSUMPTIONS

There will be 6,700 taxpayers affected by this proposal.

### INITIAL COSTS

The Department will incur costs of \$4,400 in Fiscal Year 2015 that are NOT included in the six-year expenditure impact for this fiscal estimate. These start-up costs include:

Object Costs - \$4,400.  
- Print and mail special notices.

### FIRST YEAR COSTS

The Department will incur total costs of \$287,700 in Fiscal Year 2016. These costs include:

Labor Costs - Time and effort equates to 3.40 FTEs.  
- Amend one administrative rule.  
- Program and test computer system changes.  
- Resolve additional error and out of balance and amended returns; prepare refunds and assessments; and respond to secure messages, correspondence, and telephone calls.  
- Investigate, assess and collect additional taxes.  
- Perform field audits.

Object Costs - \$2,500  
- Printing and mailing inventory addendums.

### SECOND YEAR COSTS

The Department will incur total costs of \$65,100 in Fiscal Year 2017. These costs include:

Labor Costs - Time and effort equates to 0.9 FTEs.  
- Resolve additional error and out of balance and amended returns; prepare refunds and assessments; and respond to secure messages, correspondence, and telephone calls.  
- Investigate, assess and collect additional taxes.  
- Perform field audits.

## ONGOING COSTS

Ongoing costs for the 2017-19 Biennium equal \$130,200 and include similar activities described in the second year costs. Time and effort equates to 0.9 FTEs

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	3.4	0.9	2.2	0.9	0.9
A-Salaries and Wages	167,300	40,900	208,200	81,800	81,800
B-Employee Benefits	50,200	12,200	62,400	24,400	24,400
E-Goods and Other Services	45,200	10,000	55,200	20,000	20,000
G-Travel	2,300	500	2,800	1,000	1,000
J-Capital Outlays	22,700	1,500	24,200	3,000	3,000
<b>Total \$</b>	<b>\$287,700</b>	<b>\$65,100</b>	<b>\$352,800</b>	<b>\$130,200</b>	<b>\$130,200</b>

**III. B - Detail:** List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
ADM ASST 5	47,014	0.0		0.0		
EMS BAND 4	103,896	0.0		0.0		
EMS BAND 5	121,645	0.0		0.0		
EXCISE TAX EX 2	42,583	1.4	0.5	1.0	0.5	0.5
EXCISE TAX EX 3	50,563	0.2	0.2	0.2	0.2	0.2
EXCISE TAX EX 4	55,839	0.1		0.1		
HEARINGS SCHEDULER	32,688	0.0		0.0		
IT SPEC 4	63,195	0.3		0.1		
IT SPEC 5	69,756	0.3		0.2		
REVENUE AGENT 2	47,014	0.5	0.1	0.3	0.1	0.1
REVENUE AUDITOR 2	48,164	0.5	0.1	0.3	0.1	0.1
TAX POLICY SP 2	61,628	0.0		0.0		
TAX POLICY SP 3	69,756	0.1		0.0		
TAX POLICY SP 4	75,080	0.0		0.0		
<b>Total FTE's</b>	<b>888,821</b>	<b>3.4</b>	<b>0.9</b>	<b>2.2</b>	<b>0.9</b>	<b>0.9</b>

## Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

None.

## Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the standard process to amend WAC 458-20-185, titled: "Tax on tobacco products." Persons affected by this rule making would include sellers of vapor products.

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products	<b>Agency:</b> 195-Liquor Control Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
General Fund-State 001-1	256,682	281,410	538,092	562,820	562,820
Youth Tobacco Prevention Account-State 235-1	2,310,143	2,532,690	4,842,833	5,065,380	5,065,380
<b>Total \$</b>	2,566,825	2,814,100	5,380,925	5,628,200	5,628,200

### Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	10.9	14.0	12.4	14.0	14.0
<b>Account</b>					
General Fund-State 001-1	597,354	464,068	1,061,422	928,136	928,136
<b>Total \$</b>	597,354	464,068	1,061,422	928,136	928,136

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/26/2015
Agency Preparation: Colin O'Neill	Phone: (360) 664-1675	Date: 03/13/2015
Agency Approval: Michael Kashmar	Phone: 360-664-1690	Date: 03/13/2015
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 03/16/2015

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

#### UNDERAGE ACCESS TO VAPOR PRODUCTS

Section 105(1)(b) would require that the Department of Health design and produce signs stating that the sale of tobacco products and vapor products to persons under 18 is prohibited by state law. The Liquor Control Board ("Board") would be required to provide the signs to licensees free of charge.

Section 110(c) specifies that the Board would be required to designate criteria and a process for certifying independent laboratories authorized to perform testing of nicotine content.

Section 117 (1&2)- The Board currently has the authority to suspend or revoke a tobacco retailer's license for violations. This section would extend that authority to vapor product retailer's licenses (see section 215 of this act). This section also gives the Board authority to assess monetary penalties on vapor product retailers and increases the tobacco product retailer monetary penalties to match.

For violations of RCW 26.28.080 (selling tobacco or vapor product to minor under 18), RCW 70.155.020 (display of prohibition sign) sections 111 through 114 of this act, or 21 C.F.R. Sect 1140.14 ("Code of Federal Regulations"), and violations of RCW 70.155.040 (cigarettes required to be sold in the original package)

- \$200 for the first violation within any three-year period (for tobacco, this is an increase from the current \$100 and two-year period)

- \$600 for the second violation within any three-year period (for tobacco, this is an increase from the current \$300 and two-year period)

- \$2,000 for the third violation within any three-year period and a six-month suspension of the license (for tobacco, this is an increase from the current \$1,000 and two-year period)

- \$3,000 for the fourth violation within any three-year period and a twelve-month suspension of the license (for tobacco, this is an increase from the current \$1,500 and two-year period)

- Revocation of the license with no possibility of reinstatement for a period of five years for the fifth or more violation within any three-year period (for tobacco, this is an increase from the current two-year period)

For violations of RCW 70.155.030 (tobacco vending machines prohibited where minors are allowed):

- \$200 per day upon which the violation occurred (for tobacco, this is an increase from the current \$100 per day)

For violations of RCW 70.155.050 (tobacco sampling prohibited) or section 111 of this act:

- \$600 per violation (for tobacco, this is an increase from the current \$300 per violation)

For violations of RCW 70.155.070 (coupon prohibitions):

- \$2,000 per violation (for tobacco, this is an increase from the current \$1,000 per violation)

Section 117(3&4) - The Board may impose monetary penalties on persons other than authorized cigarette or vapor product retailers for violations of RCW 26.28.080 (selling tobacco or vapor product to minor under 18), RCW 70.155.020 through RCW 70.155.070 or sections 112 through 114 of this act.

For violations of RCW 26.28.080 (selling tobacco or vapor product to minor under 18), RCW 70.155.020 (display of prohibition sign), or sections 112 to 114 of this act:

- \$100 for the first violation and \$200 for each subsequent violation (for tobacco, this is an increase from the current \$100 per violation)

For violations of RCW 70.155.030 (tobacco vending machines prohibited where minors are allowed):

- \$200 per day upon which the violation occurred (for tobacco, this is an increase from the current \$100 per day)

For violations of RCW 70.155.040 (cigarettes required to be sold in the original package):

- \$200 per violation (for tobacco, this is an increase from the current \$100 per violation)

For violations of RCW 70.155.050 (tobacco sampling prohibited) or section 111 of this act:

- \$600 per violation (for tobacco, this is an increase from the current \$300 per violation)

For violations of RCW 70.155.070 (coupon prohibitions):

- \$2,000 per violation (for tobacco, this is an increase from the current \$1,000 per violation)

Section 118 - Liquor Control Board enforcement officers are granted power and authority to enter any place of business where vapor products are sold for purposes of enforcing the provisions of this chapter, and may detain minors under 18 when reasonable grounds exist to believe that the minor has purchased, attempted to purchase, or is in possession of vapor products. Vapor products in the possession of persons under 18 are considered contraband and may be seized by an enforcement officer of the Board.

Section 119(1) - the Youth Tobacco Prevention Account is renamed the Youth Tobacco and Vapor Products Prevention Account and 90% of fees collected from (in addition to tobacco), section 215 of this act (vapor product licenses), and Board imposition of monetary penalties must be deposited into this account, and 10% into the State General Fund.

Section 119(3) - the Department of Health must enter into interagency agreements with the Liquor Control Board ("Board") to pay the costs (with up to 30% of the funds available from the Youth Tobacco & Vapor Products Prevention Account) in carrying out its enforcement responsibilities under this chapter.

Section 121 - prohibits the sale of vapor products through the mail or over the internet to a consumer.

## TAX ON VAPOR PRODUCTS

Section 202 - a 95% tax is levied and collected on the sale, use, consumption, handling, possession, or distribution of all vapor products in the state. This tax is collected by the Department of Revenue.

Section 212 - The Department of Revenue must authorize Liquor Control Board enforcement officers to enforce provisions of this chapter (tax collections and licensing).

Section 215 - The Liquor Control Board ("Board") will issue vapor product distributor licenses and vapor product retailer licenses. The Board must perform criminal background checks on all persons applying for vapor product distributor licenses or vapor product retailer licenses.

Section 216 - A vapor product distributor's license fee is \$650 annually, with an additional \$115 fee required for each additional place of business the distributor sells vapor products.

Section 217 - A vapor product retailer's license fee is \$250 annually, with a separate license required for each separate location operated by the retailer.

Section 218 - The Board must maintain a current record of all vapor product distributors and vapor product retailers and the status of their licenses, updated monthly and posted on the Board's official internet website.

Section 224 - Vapor products forfeited as a result of an investigation must be sold by the Board at public auction. The balance of the proceeds after payment of vapor product taxes and expenses related to the investigation have been paid, are to be deposited in the General Fund.

Section 231 - Cigarette retailer license annual license fees are increased from \$93 per year to \$250 per year.

Section 236 - Other Tobacco Product (OTP) retailer license annual license fees are increased from \$93 per year to \$250 per year.

Section 404 - This act takes effect October 1, 2015.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

The agency assumes:

### **Vapor Products**

500 Distributors x \$650 annual license fee = \$325,000 per year

6,000 Retailers x \$250 annual license fee = \$1,500,000 per year

### **Tobacco Retailers**

6,300 x \$157 = \$989,100 per year (difference between current \$93/year and proposed \$250/year). FY 2016 is at 75% (\$741,825). The bill takes effect October 1st, 2015 - the assumption is that these are existing tobacco retailers and 75% of them would renew during FY 2016 at the new rate (25% of them already having renewed during July-September).

90% of license fee collections are to be deposited in the Youth Tobacco Prevention Account (renamed the Youth Tobacco and Vapor Products Prevention Account) and the remaining 10% in the General Fund.

Note: Section 224 requires that net proceeds from selling forfeited vapor products at auction (after vapor product taxes and investigation expenses have been paid), are to be deposited in the General Fund. It is unknown what the net proceeds would be from selling forfeited vapor products at auction.

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Enforcement Division costs:



## REVISION EXPLANATION:

After further analysis with stakeholders, the Washington State Liquor Control Board must set forth a strong enforcement component to effectively combat youth access in this new regulatory commercial setting. The Board perceives the tobacco retailer's licensing fee increase as a method to establish a strong enforcement priority in reducing youth access and shifting expectations for tobacco/vapor product retailers to take all reasonable steps to prevent sales to minors. The agency intends to conduct at least one to two checks to each of the 6,500 vapor product retailers/distributors and has identified 4 FTEs and resources, for compliance checks and/or premises checks such as buy money and investigative aides (minors). With "certain and swift" enforcement, the Board intends to gain early voluntary compliance and opportunity to help increase awareness with retailers. The previous proposal was a conservative start-up with 1 Liquor Enforcement Officer that would not have resulted in effectively achieving voluntary compliance or deterrence. The Board also expects a significant increase in the staff workload associated with child-resistant packaging safety, labeling & advertising requirements, and other health concerns. Lastly, the revised proposal adds needed resources to ban internet sales of vapor and tobacco products to minors.

In addition, Vapor Tax Compliance has been shifted to the General Fund to reflect it as the likely funding source (given that the Tobacco Tax unit was funded out of the General Fund in the past).

## INTERAGENCY AGREEMENT WITH DEPARTMENT OF HEALTH:

The interagency agreement with the Department of Health (specified in sect (119(3) of the bill) will reimburse the agency for all costs relating to underage access compliance and enforcement of the ban on internet sales. This interagency agreement will reimburse the agency for \$700,956 in costs in FY16 and \$759,807 each year thereafter. This is shown as object S in the Expenditure Detail section of the fiscal note (Part III.A). All costs begin October 1, 2015 (the effective date of the bill). This includes:

**UNDERAGE ACCESS COMPLIANCE:** (\$532,671 in FY16, \$571,932 each year thereafter - detailed below)

4 Liquor Enforcement Officers (LEO2). FY16 costs would be \$375,797 (\$233,565 in salaries and benefits, \$55,440 in goods & services and travel, \$86,792 in one-time costs), and \$385,340 each year after (\$311,420 in salaries and benefits, \$73,920 in goods & services and travel).

1 FTE of investigative aides (Administrative Intern 1). FY16 costs in salaries and benefits would be \$22,005, and \$29,340 each year thereafter.

Buy money used by the investigative aides when attempting to purchase items is anticipated to be \$9,000 in FY16 and \$12,000 each year thereafter.

Additionally, with increased enforcement activities, the Board identifies the need to sustain evidence resources and is requesting one FTE to dedicate to the handling, logging, and storage of evidence resulting from cases. The costs associated with the Evidence Custodian in FY16 is \$59,193 (\$42,912 in salary and benefits, \$13,951 in goods & services and travel, \$2,330 in one-time costs) and \$75,815 each year thereafter (\$57,215 in salary and benefits, \$18,600 in goods & services and travel).

The Board is required (by section 110 and study requirement in section 124) to coordinate with the Department

of Health to provide informational materials and programs to enable manufacturers to meet requirements. The Board has identified one FTE (a Program Specialist 2) for this purpose and to coordinate with any packaging (section 112), labeling, and advertisement actions resulting from this legislation. The costs for this FTE in FY16 are \$51,456 (\$43,858 in salary and benefits, \$1,920 in goods & services and travel, and \$5,678 in one-time costs) and \$61,037 each year thereafter (\$58,477 in salary and benefits, \$2,560 in goods & services and travel).

The Board will have costs related to certified mailings for hearings. This is anticipated to cost \$6,300 in FY16, and \$8,400 each year thereafter.

The Board will have costs associated with mailing the signs produced by the Department of Health (section 105 of the bill) - this is estimated to be a one-time cost of \$3,920 in FY16.

The Board is required by section 110 of the bill to designate criteria and a process to certify independent laboratories authorized to perform testing of nicotine content. The agency intends to contract with a consultant to create the criteria and process (similar to what was done with the implementation of recreational marijuana). This is estimated to be a one-time cost of \$5,000 in FY16.

**BAN ON TOBACCO INTERNET SALES:** (\$168,285 in FY16, \$187,875 each year thereafter - detailed below)

The Board will have costs associated with the internet sales ban of vapor products sales to youth established by section 121 and intends to utilize one Liquor Enforcement Officer (LEO2) and support staff (Administrative Assistant 3). In conjunction with the Office of the Attorney General, the Board will develop protocols to provide enforcement aimed at on-line websites that fail to prevent sales to minors.

Liquor Enforcement Officer 2: \$93,951 in FY16 (\$58,392 in salary and benefits, \$13,861 in goods & services and travel, and \$21,698 in one-time costs), and \$96,335 each year thereafter (\$77,855 in salary and benefits, \$18,480 in goods & services and travel).

Administrative Assistant 3: \$49,647 in FY16 (\$42,049 in salary and benefits, \$1,920 in goods & services, and \$5,678 in one-time costs), and \$58,625 each year thereafter (\$56,065 in salary and benefits, \$2,560 in goods & services).

Buy money used in attempting to purchase items over the internet is anticipated to be \$9,469 in FY16 and \$12,625 each year thereafter.

The Board anticipates billings by the Attorney General's office to be \$15,218 in FY16 and \$20,290 each year thereafter.

\*\*\*End of Department of Health Interagency Agreement\*\*\*

#### VAPOR PRODUCTS TAX COMPLIANCE

The interagency agreement with the Department of Health will not cover the tax compliance costs, therefore the agency is requesting funding for the following:

The Enforcement Division proposes to inspect between 5%-10% of the vapor product licensees for tax compliance annually. Based on these objectives, the agency estimates that 5 Liquor Enforcement Officers (4 Liquor Enforcement Officer 2's and a Liquor Enforcement Officer 4) would be needed, beginning in October 2015. FY16 costs would be \$456,542 (\$298,476 in salaries and benefits, \$49,576 in goods & services and travel, \$108,490 in one-time costs), and \$464,068 each year thereafter (\$397,968 in salaries and benefits, \$66,100 in goods & services and travel).

The Board estimates that 4,800 licenses would need background checks. Charges for background checks and Program Specialist 2 staff time mean processing each license application is estimated to cost approximately \$29.34. This works out to 800 hours of staff time (\$22,929 in salaries, benefits, and goods & services) and \$117,617 in system costs and background check charges. Total one-time costs for FY16 are estimated at \$140,812.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	10.9	14.0	12.4	14.0	14.0
A-Salaries and Wages	553,844	716,880	1,270,724	1,433,760	1,433,760
B-Employee Benefits	209,635	271,460	481,095	542,920	542,920
C-Professional Service Contracts	5,000		5,000		
E-Goods and Other Services	334,731	136,935	471,666	273,870	273,870
G-Travel	113,950	98,600	212,550	197,200	197,200
J-Capital Outlays	81,150		81,150		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements	(700,956)	(759,807)	(1,460,763)	(1,519,614)	(1,519,614)
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	<b>\$597,354</b>	<b>\$464,068</b>	<b>\$1,061,422</b>	<b>\$928,136</b>	<b>\$928,136</b>

#### III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
Administrative Assistant 3	40,524	0.8	1.0	0.9	1.0	1.0
Administrative Intern 1	26,544	0.8	1.0	0.9	1.0	1.0
Liquor Enforcement Officer 2	55,836	6.8	9.0	7.9	9.0	9.0
Liquor Enforcement Officer 4	63,192	0.8	1.0	0.9	1.0	1.0
Program Specialist 2	42,588	1.1	1.0	1.1	1.0	1.0
Property & Evidence Custodian	41,508	0.8	1.0	0.9	1.0	1.0
<b>Total FTE's</b>	<b>270,192</b>	<b>10.9</b>	<b>14.0</b>	<b>12.5</b>	<b>14.0</b>	<b>14.0</b>

### Part IV: Capital Budget Impact

NONE

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 107 - requires the Liquor Control Board ("Board" to adopt rules that allow an exception to the requirement that vapor product vending machines be located not less than ten feet from an entrance/exit to a licensed premises if it is architecturally impractical.

Section 121 - the Board will need to set rules around the enforcement of the ban on internet sales.

Section 123 - specifies that the Board may adopt rules to implement and enforce the requirements of this chapter.

Section 215 - Board may adopt rules regarding the regulation of vapor product distributor licenses and vapor product retailer licenses.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1645 HB	<b>Title:</b> E-cigarettes, vapor products	<b>Agency:</b> 303-Department of Health
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	1.3	0.7	1.0	0.3	0.3
<b>Account</b>					
Youth Tobacco Prevention Account-State 235-1	2,305,000	2,513,000	4,818,000	5,020,000	5,020,000
<b>Total \$</b>	2,305,000	2,513,000	4,818,000	5,020,000	5,020,000

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/26/2015
Agency Preparation: Sheri Spezze	Phone: (360) 236-4557	Date: 03/13/2015
Agency Approval: Kristin Bettridge	Phone: (360) 236-4530	Date: 03/13/2015
OFM Review: Bryce Andersen	Phone: (360) 902-0580	Date: 03/13/2015

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

The rules and regulations currently applicable to tobacco products are extended to vapor products in this bill. It requires the Department of Health (department) to work with the Liquor Control Board (LCB) to conduct a study and provide a report to the Legislature about labeling and disclosure requirements.

Section 105: Requires the department to update signs provided to retailers regarding selling or giving tobacco products to a person less than eighteen years of age to include language regarding vapor products. The signs will be distributed by the Liquor Control Board (LCB).

Section 110: The department must adopt rules regulating the labeling and advertising of vapor products. If the results from the study required in Section 124 to determine that harmful vapor product constituents other than nicotine should be disclosed, then rules must include those recommendations.

Section 114: Selling a vapor product that contains a substance that increases the absorption of nicotine is prohibited; the determination that a substance does this is made by the department.

Section 119: The department is directed to enter into an interagency agreement with LCB to pay the costs incurred, up to 30 percent of available funds, for enforcement activities.

Section 124: The department, in collaboration with the LCB, is directed to study and make recommendations to the legislature by December 1, 2016, as to:

- Whether required labeling and disclosures should include information regarding aerosol constituents other than nicotine; and
- Whether the sale of vapor products with flavors other than those prohibited in the bill, such as menthol, mint, and wintergreen, should be prohibited.

Section 203: Creates the essential public health services account, which is subject to appropriation, and requires the department to work with representatives of local health jurisdictions to arrive at a mutually acceptable allocation and distribution of the funds in the account, and determine the best accountability measures to ensure efficient and effective use of funds.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

We are assuming the Youth Tobacco Prevention Account as the fund source for this work. This bill amends the statute for this account, RCW 70.155.120, to be renamed the Youth Tobacco and Vapor Products Prevention Account. Funding appropriated from this account is for implementation of this chapter, including entering into an interagency agreement with LCB to cover costs they incur in carrying out their work set forth in this chapter.

Section 105: Requires the department to update signs provided to retailers regarding selling or giving tobacco products to a person less than 18 years of age to include language regarding vapor products. The tobacco program already orders these signs as needed by retailers, but the department assumes that ordering updated signs for all retailers at once will have additional fiscal impact of one-time cost of \$8,000 to print 6,000 signs in fiscal year 2016.

Section 110: The department must adopt a rule regulating the labeling and advertising of vapor products. Rulemaking must include results from a study required in Section 124 of the bill regarding vapor product ingredients. This cost will not be incurred until completion of the study due December 1, 2016. Based on prior rule making costs, it is estimated that two meetings, \$50 each, will be held in Tumwater and four mailings will notify potential meeting participants and other concerned parties. The printing costs and postage for these mailings are estimated at \$11,000 in FY 16. Related staff workload costs are assumed to be minimal and will be accomplished within the existing resources.

After rules have been adopted, the department is directed to coordinate with the LCB to provide informational materials and programs to enable vapor product manufacturers to meet the requirements of the rules adopted by the department. The LCB will mail the materials to the manufacturers and will recover those costs from the department through an interagency agreement.

The LCB is required to designate criteria and a process for certifying independent laboratories to be authorized to perform testing of nicotine content, the LCB will recover the costs for this from the department through an interagency agreement.

Section 119:

The LCB underage enforcement activities are anticipated to results in hearings requests which will require certified mailings. The LCB will recover the costs for both enforcement activities and mailings from the department through an interagency agreement.

LCB will be reimbursed for costs related to sections 105, 110 and 119 from the department via interagency agreement. The total cost of the interagency agreement including indirects is:

FY 2016 -\$709,000

FY 2017 and on-going - \$769, 000

The costs below is the breakdown of what will be incurred by LCB (they are noted in object N):

- Distribute signs - \$4,000 one-time in FY 16
- Designate labs to test nicotine content - \$5,000 one-time in FY 16
- Underage enforcement activities (including DOH Indirects) - \$694,000 in FY 16, and \$761,000 for FY 2017 and on-going
- Mailings for hearings - \$6,000 in FY 16 and \$8,000 FY 17 and on-going

Additionally in accordance with RCW 70.155.120, the department will pay LCB for costs incurred "up to thirty percent of available funds". In order to fully cover these increased enforcement related costs the departments appropriation will need to increase so that the other 70 percent of available funds can provide grants to local

health departments and other local community agencies to develop and implement coordinated tobacco and vapor product intervention strategies to prevent and reduce use by youth. Totals including indirects for this increase are:

FY 16 - \$1,437,000 and .3 FTE

FY 17 - \$1,720,000 and .3 FTE

FY 18 and on-going - \$1,741,000 and .3 FTE

Section 114 and Section 124:

To determine which substances increase the absorption of nicotine, perform the study to determine whether labeling and disclosures should disclose information regarding harmful vapor product constituents other than nicotine, and to make a recommendation as to whether the sale of vapor products with flavors other than menthol, mint, and wintergreen should be prohibited, will require the following resources:

- 0.3 FTE Epidemiologist 2 for eighteen months to conduct a literature review and provide analysis for the required reports;
- 0.2 FTE Health Services Consultant 2 for eighteen months to assist with the literature review and write the required reports; and
- 0.5 FTE Toxicologist 3 for eighteen months to acquire a list of chemicals in vapor products from the industry and do a thorough evaluation of how those chemicals react within the body, and assist in drafting the required reports

The one-time staffing cost including indirects is 1.0 FTE \$140,000 in fiscal year 2016, and .4 FTE \$24,000 in fiscal year 2017.

NOTE: Section 203: Creates the essential public health services account, which is subject to appropriation, and requires the department to work with representatives of local health jurisdictions to arrive at a mutually acceptable allocation and distribution of the funds in the account, and determine the best accountability measures to ensure efficient and effective use of funds. Costs are not reflected here, however appropriation based on estimated revenues would need to be included in the 2015-2017 budget if this section is enacted.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	1.3	0.7	1.0	0.3	0.3
A-Salaries and Wages	88,000	26,000	114,000	24,000	24,000
B-Employee Benefits	27,000	8,000	35,000	8,000	8,000
E-Goods and Other Services	65,000	19,000	84,000	28,000	28,000
J-Capital Outlays	2,000		2,000		
N-Grants, Benefits & Client Services	2,121,000	2,460,000	4,581,000	4,960,000	4,960,000
T-Intra-Agency Reimbursements	2,000		2,000		
<b>Total:</b>	\$2,305,000	\$2,513,000	\$4,818,000	\$5,020,000	\$5,020,000

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>
EPIDEMIOLOGIST 2	82,896	0.3	0.1	0.2		
(NON-MEDICAL) HEALTH SERVICES	54,504	0.5	0.6	0.6	0.3	0.3
CONSULTANT 2 TOXICOLOGIST 3	84,984	0.5		0.3		
<b>Total FTE's</b>	<b>222,384</b>	<b>1.3</b>	<b>0.7</b>	<b>1.0</b>	<b>0.3</b>	<b>0.3</b>

**Part IV: Capital Budget Impact**

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 110: The department must adopt a rule regulating the labeling and advertising of vapor products.