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April 26, 2001

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Tricia Knight  
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code 9005, we have reviewed the proposed initiative related to smoking cessation services (File No. SA2001RF0013).

**Proposal**

The proposed measure would require tobacco retailers statewide to provide information on smoking cessation services to customers who purchase tobacco products. It would require the Department of Health Services (DHS) to produce a card containing smoking cessation information and to distribute this card to retailers for them to use. The initiative would also authorize the state to assess penalties—ranging from \$100 to \$200—on retailers who do not comply with the measure. Finally, it provides that the state cost of producing and distributing the smoking cessation information would be funded from the Cigarette and Tobacco Products Surtax (C&TPS) fund (Proposition 99).

**Fiscal Effects**

The initiative would result in a first-year state cost of about \$100,000 for production and distribution of the information card to retailers and ongoing annual costs of about

\$25,000 for reproduction of the information card and annual mailings. We believe that the cost of enforcement activities that would be required by the initiative could be absorbed within the existing budget of DHS. As a result of this measure, there could also be indirect costs for other state-administered smoking cessation services such as the help line, counseling, and treatment. The costs are unknown but potentially significant.

The proposed new program would be funded by the C&TPS fund, which is a declining revenue source. The initiative has the potential to further reduce state expenditures for certain other programs, such as indigent health care and smoking prevention programs, which are currently funded by the C&TPS fund. That is because funds that would otherwise be available for these programs would effectively be redirected to implement this initiative.

The state cost could be partially or completely offset by penalties assessed on tobacco retailers who fail to comply with the measure. We have no basis for estimating the revenue from such penalties. We would note, however, that the measure does not specify that revenues from penalties would be used to backfill for the Proposition 99 funds used to implement the initiative.

Finally, we would note that there would also be a cost to retailers of tobacco products for complying with the law.

### **Summary**

This measure would result in first-year costs of about \$100,000 and ongoing annual costs of about \$25,000 from the C&TPS fund. There could also be unknown, but potentially significant, costs for other smoking cessation services. These costs could be partially or fully offset by penalties.

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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B. Timothy Gage  
Director of Finance