



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Protect Youth From Harms of Vaping & Nicotine.
Bill Number: House Bill 430 (First Edition)
Sponsor(s): Rep. Loftis, Rep. Campbell, Rep. Ross, and Rep. Willis

SUMMARY TABLE

FISCAL IMPACT OF H.B. 430, V.1 (\$ in millions)					
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund Revenue	2.03	6.69	7.36	8.09	8.90
Less Expenditures	-	-	-	-	-
General Fund Impact	2.03	6.69	7.36	8.09	8.90
ABC Commission Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	1.52	0.27	0.28	0.29	0.30
ABC Commission Impact	(1.52)	(0.27)	(0.28)	(0.29)	(0.30)
DOR Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	0.19	0.18	0.19	0.20	0.21
DOR Impact	(0.19)	(0.18)	(0.19)	(0.20)	(0.21)
ALE Impact					
General Fund Revenues	-	-	-	-	-
Less Expenditures	4.25	2.26	2.28	2.36	2.43
ALE Impact	(4.25)	(2.26)	(2.28)	(2.36)	(2.43)
NET STATE IMPACT	(3.93)	3.98	4.61	5.24	5.96
ABC Commission Positions	3.0	3.0	3.0	3.0	3.0
DOR Positions	2.0	2.0	2.0	2.0	2.0
ALE Positions	23.0	23.0	23.0	23.0	23.0
STATE POSITIONS	28.0	28.0	28.0	28.0	28.0
TECHNICAL CONSIDERATIONS: See Technical Considerations Section					

FISCAL IMPACT SUMMARY

Section 1 of this bill provides for regulation of the retail sales of tobacco products – including vapor and consumable products – in North Carolina and is the only bill section with an anticipated fiscal impact. The estimated recurring costs to the Alcoholic Beverage Control (ABC) Commission, the Department of Revenue (DOR), and the Division of Alcohol Law Enforcement (ALE) for regulating and enforcing the tobacco product industry totals approximately \$2.8 million each year, on average. Together, these entities are also expected to incur \$1.3 million in non-recurring start-up costs in FY 2025-26. The tobacco retailer permitting requirements in this bill take effect on March 1, 2026. As such, this analysis accounts for partial year revenues from the permitting fees in FY 2025-26, though assumes that full year costs will be incurred in this first year as the regulating and enforcing entities prepare to be fully operational by March 1, 2026.

While the fees established in this bill would likely generate around \$33 million in General Fund revenue over the next five fiscal years, the bill does not direct any of that revenue to the entities charged with regulating and enforcing the tobacco laws established in this proposed legislation. As such, the estimated costs to the Commission and ALE for carrying out the functions prescribed in this bill would have to be covered by existing funding at those respective entities.

Table 1. Summary of Total Costs and Revenues

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Costs	\$5,964,282	\$2,712,791	\$2,749,248	2,848,961	\$2,937,446
Permitting Staff	\$268,693	\$269,710	\$280,685	\$290,572	\$299,318
Permitting System	\$1,250,000	\$-	\$-	\$-	\$-
Revenue Staff	\$193,211	\$183,840	\$192,804	\$202,058	\$210,516
Enforcement Staff	\$4,252,378	\$2,259,241	\$2,275,759	\$2,356,331	\$2,427,612
Revenues	\$2,026,667	\$6,688,000	\$7,356,800	\$8,092,480	\$8,901,728
Permitting Fees	\$2,026,667	\$6,688,000	\$7,356,800	\$8,092,480	\$8,901,728
Net	\$(3,937,615)	\$3,975,209	\$4,607,552	5,243,519	\$5,964,282

FISCAL ANALYSIS

Section 1

This section of the bill amends the General Statutes by adding a new Chapter 18D to regulate retail sales activity for tobacco products in the State. The proposed chapter would establish the Alcoholic Beverage Control (ABC) Commission as the regulating authority and the division of Alcohol Law Enforcement (ALE) as the enforcement authority for the provisions of this bill.

Administrative Penalties

Under Article 1 of the proposed chapter, the Commission is authorized to impose administrative penalties for violations of the tobacco retail sales laws established in Chapter 18D. For such violations, the Commission may take any of the following actions:



- Suspend the violator's permit for up to 3 years
- Revoke the violator's permit
- Impose a fine on the violator according to the schedule outlined in Table 2 below
- Suspend the violator's permit for up to 3 years *and* impose a fine according to the schedule below

Table 2. Administrative Penalties for Tobacco Retailer Violations

Violation	Penalty
First	Up to \$500
Second within 3 years of the first	Up to \$750
Third within 3 years of the first	Up to \$1,000
<i>In lieu of license suspension, the Commission may accept a payment of up to \$5,000 from the violator. In lieu of license revocation, the Commission may accept a payment of up to \$5,000 and license suspension from the violator.</i>	

Article 6 of the proposed chapter also includes penalties for violations of certification requirements for vapor and consumable products. Manufacturers are subject to a \$10,000 fine for each instance where they are responsible for a consumable or vapor product not being listed in the directory as required by G.S. 143B-245.12. Retailers, distributors, and wholesalers are subject to the penalties outlined in the table below:

Table 3. Administrative Penalties for Vapor and Consumable Product Registry Violations

Violation	Penalty
First	Warning
Second within 1 year of the first	\$500 - \$750 fine and 30-day license suspension
Third within 1 year of the first	\$1,000 - \$1,500 fine and license revocation

Administrative Penalty Revenue

The clear proceeds of any civil penalty collected by the Commission pursuant to the provisions of this bill would be remitted to the Civil Penalty and Forfeiture Fund (CPFF) in accordance with G.S. 115C-457.2. Since tobacco retail sales is not currently subject to State permitting, there is no historic data available to use as a basis for estimating potential civil penalty remittances which may result from this legislation. As such, this analysis does not estimate civil penalty remittances.

Permitting Fees

Article 2 of the proposed Chapter 18D requires tobacco product retailers to obtain and annually renew a permit issued by the Commission. Article 3 sets forth the eligibility criteria and guidance for permit issuances, including the permit fee schedule. **The cost for a permit to sell tobacco products is \$400.** Any retail, delivery, or remote seller of tobacco products who obtains an initial permit must also renew the permit annually. **The cost to renew a tobacco sales permit is also \$400.**

All permitting fees are collected by the Commission and remit to the State Treasurer for deposit into the General Fund.

Permitting Fee Revenue

Data from records kept by the Office of the Secretary of State suggests that there are approximately 12,000 retail shops that primarily sell tobacco products in North Carolina. Estimates also suggest that there could be anywhere from 1,400 to 5,000 additional unregistered and unknown retailers across the State who may sell tobacco products. Adding the median amount of these potential unregistered entities to the pool of likely known entities generates a total possible retailer population of 15,200.

Figure 1. Potential Tobacco Product Retailer Population

12,000 registered tobacco and vape retailers + **3,200** estimated unregistered retailers =
15,200 potential tobacco product retailers in NC

Table 4 below outlines the estimated revenues that may be generated by tobacco retailer permit issuances and renewals beginning in FY 2025-26. Of note, this proposed legislation provides that the Commission may begin issuing permits on March 1, 2026. As such, the projected revenue for FY 2025-26 reflects anticipated permit fee collections for only one third of the fiscal year. FY 2026-27 represents the first full fiscal year of permit fee collections. Further, a 10% growth rate is applied to the estimated number of permitted establishments in each year.

Table 4. Projected Revenue from Tobacco Retailer Permitting

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
# of Establishments	15,200	16,720	18,392	20,231	22,254
Fee Amount*	\$400	\$400	\$400	\$400	\$400
Total Revenue	\$6,080,000/ 3 = \$2,026,667	6,688,000	7,356,800	8,092,480	\$8,901,728
<i>*Retail license renewals carry the same fee as initial licenses.</i>					

Based on the assumed number of retail entities selling tobacco products, **the Commission can be expected to collect a total of more than \$33 million in permitting revenues over the next five fiscal years that will remit to the State's General Fund. This is approximately \$7.4 million per year, on average.**

The Commission is also authorized to charge a \$10 fee for duplicate permits issued when an existing permit has been lost or damaged, or the name of a permittee or their business has changed. It is not possible to know how many instances will occur in which this \$10 fee is charged, though this analysis assumes that this additional fee revenue will be de minimis relative to that collected from initial permit and renewal fees. **Therefore, the revenue estimates provided likely underestimate actual revenues by some minimal amount.**

The Commission may also charge and retain a fee of up to \$5 per instance for any costs incurred by processing forms and/or accepting payments electronically. It is not known how many instances of this fee will be charged by the Commission, so it is not known how much revenue may be generated by this fee. **Fiscal Research anticipates this fee to have a net neutral fiscal**

impact due to its intended purpose for covering incurred costs, but there is not sufficient information to estimate this impact.

Permitting Costs

This bill requires the Commission to administer the permitting functions of Chapter 18D, and as such, the Commission anticipates needing additional staff and resources to execute those functions. The Commission anticipates a one-time cost of \$1 - \$1.5 million to acquire a system for tobacco permitting. This estimate utilizes a cost of \$1.25 million for this purpose. Further, the Commission suggests that three new Full Time Equivalent (FTE) positions are needed to fulfill the permitting requirements of this bill. These new positions would carry a recurring cost of approximately \$260,000 for salary and benefits plus a one-time non-recurring cost of approximately \$10,000 for equipment and other start-up expenses. In the 5-year summary included in the Fiscal Impact Summary section of this analysis, recurring position costs are adjusted for inflation in each year. The table below outlines the non-recurring and baseline recurring costs associated with the FTE that the Commission would hire to fulfill the functions of this bill:

Table 5. Position Costs for ABC Commission Permitting Staff

Position	# of FTE	Year 1 Non-Recurring Costs	Annual Recurring Costs
Lead Permitting Specialist	1	\$3,333	\$96,327
Permitting Specialist	2	\$6,667	\$162,366
Total	3	\$10,000	\$258,693

The bill also requires DOR to receive fee remittances from the Commission and deposit those revenues into the General Fund. The DOR anticipates needing two additional Revenue Officer positions to perform the duties assigned to DOR by this bill. These positions primarily perform non-compliance and/or fraud reviews for funds remitting to the General Fund. The table below outlines the non-recurring and baseline recurring costs associated with the FTE that DOR would likely hire to fulfill its role according to this bill:

Table 6. Position Costs for ABC Commission Permitting Staff

Position	# of FTE	Year 1 Non-Recurring Costs	Annual Recurring Costs
Revenue Officer II	2	\$18,000	\$175,211
Total	2	\$18,000	\$175,211

Enforcement

The Commission is charged with enforcing the provisions set forth in this bill in conjunction with ALE. ALE's role in enforcement would include inspecting newly permitted businesses, educating permittees and their employees on the minimum age requirements to purchase tobacco, investigating and closing unpermitted businesses, and investigating complaints of underage tobacco sales or other criminal activity at permitted businesses.

Existing ALE agents already conduct such inspections on ABC Commission permittees, and those agents are expected to also participate in enforcement activities for tobacco product permittees. However, ALE estimates that it will require approximately 22 additional sworn law enforcement personnel and one non-sworn support position to fully enforce new tobacco permit laws. These new positions will carry a recurring cost of approximately \$2.2 million for salary and benefits costs plus a one-time non-recurring cost of approximately \$2.1 million for equipment and other start-up expenses. The table below outlines the non-recurring and baseline recurring costs associated with the FTE that ALE would likely hire to fulfill the functions of this bill:

Table 7. Position Costs for ALE Enforcement Staff

Position	# of FTE	Year 1 Non-Recurring Costs	Annual Recurring Costs
Special Agent	17	\$1,591,957	\$1,380,276
Assistant Special Agent in Charge (ASAC)	5	\$471,225	\$701,959
Administrative Specialist II	1	\$23,013	\$83,948
Total	23	\$2,086,195	\$2,166,183

Combined with existing ALE capacity, these additional staff would likely be sufficient to enforce the provisions of this bill across the State.

TECHNICAL CONSIDERATIONS

This bill does not provide any State General Fund appropriations for the functions that it establishes. While the bill will generate State General Fund revenue, it does not direct any of that funding to the agencies that are expected to incur costs associated with administering the provisions of this legislation. As such, the Commission, DOR, and ALE will be responsible for covering costs out of their existing budget capacities unless additional appropriations or receipt transfers are provided by the General Assembly.

DATA SOURCES

ABC Commission; ALE Division; Department of Revenue

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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