

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 623** HLS 26RS 1231

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|---------|------------------------------|
| Date: April 21, 2026 | 4:47 PM | Author: HENRY, CHANCE |
| Dept./Agy.: Revenue: Alcohol and Tobacco Control | | Analyst: Darynn Hoppe |
| Subject: Tiered Permitting for Tobacco and Vapor | | |

TOBACCO/TOBACCO PRODUCTS OR +\$6,016,730 GF EX See Note Page 1 of 2
Provides for a three-tier system of permitting for the producers, manufacturers, and wholesalers of tobacco and vapor products

Present Law provides for a the issuance of permits for producers, manufacturers, and wholesalers of tobacco and vapor products.

Proposed Law retains current law and establishes a three tier system for the issuance and monitoring of tobacco and vapor permits. Proposed law sets limits on financial interest between manufacturers and retailers, and prevents retailers from holding both a wholesaler and retail permit. Proposed law additionally sets limits purchasing limits and creates a digital product registry and chain of custody tracking system.

| EXPENDITURES | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| State Gen. Fd. | \$6,016,730 | \$2,211,444 | \$2,249,173 | \$2,288,034 | \$2,328,060 | \$15,093,441 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$6,016,730 | \$2,211,444 | \$2,249,173 | \$2,288,034 | \$2,328,060 | \$15,093,441 |
| REVENUES | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 5 -YEAR TOTAL |
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

Proposed law is expected to increase SGF expenditures by \$4.3 M to \$6.0 M in FY 27 and \$1.6M to \$2.2 M in subsequent years.

Proposed law requires creation of a digital registry and chain of custody tracking system, and provides for a three-tier system of permits for manufacturers, wholesalers (distributors), or retailers of tobacco and alternative nicotine products. Additionally The bill prevents overlap between permit tiers.

Alcohol and Tobacco Control (ATC) anticipates significant increases to agency expenditures to implement the provisions of proposed law. ATC reports that in order to develop the proposed framework, ATC would need to develop new licensing applications, renewal procedures, verification protocols, and compliance review processes. In order to integrate the licensing provision of proposed law, the agency will require substantial professional services, including system redesign, database expansion, workflow modification, and integration with regulatory components. Using historical data from past similar projects, ATC estimates initial IT and professional services costs between \$250,000 and \$500,000, with ongoing maintenance costs of \$100,000 to \$200,000 annually.

In order to create a comprehensive chain of custody tracking system, ATC anticipates the need for an additional \$2.5 M to \$4.0 M in SGF funds to complete initial system design, software development, data architecture, and integration. Furthermore additional operating, cybersecurity, and vendor support expenses, are expected to be accrued in the range of \$250,000 to \$750,000 annually.

Expenditure Explanation Continued on Page 2

REVENUE EXPLANATION

Proposed law is anticipated to increase SGR revenues by and indeterminable amount. The bill creates penalties for individuals operating without the proper permit, with all fines collected to be retained by the commissioner of ATC. A first offense shall result in a fine of not less than \$5,000 nor more than \$25,000, and a second offense shall result in revocation of the permit.

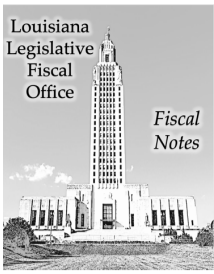
ATC reports that currently there are 6,810 active retail tobacco dealer permits, 50 active tobacconist permits, 319 vending machine permits, 80 vending machine operator permits, and 97 tobacco wholesaler permits. ATC is unable to determine the number of licenses affected by proposed law which may affect eligibility and revenue collection. Any losses to revenue collections from permits, may offset by the increased fees proposed, but the extent to which these revenues accrue is indeterminable.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger

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Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

ATC believes that implementation of the provisions of proposed law will require extensive training for agency personnel and external stakeholders on reporting requirements, system use, and compliance obligations. The agency also anticipates significant enforcement and administrative costs associated with verifying manufacturer compliance, conducting additional field inspections, processing new license types, and managing increased data submissions. In order to complete these operations, ATC reports that they would require an additional 15 full-time positions. A full breakdown of costs can be found in the table below.

Positions

| | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Paralegal (1) | | | | | |
| Salary | \$ 55,578 | \$ 57,245 | \$ 58,962 | \$ 60,731 | \$ 62,553 |
| Attorney 2 (2) | | | | | |
| Salary | \$ 178,548 | \$ 183,904 | \$ 189,420 | \$ 195,104 | \$ 200,956 |
| Tax Analyst (2) | | | | | |
| Salary | \$ 83,158 | \$ 85,652 | \$ 88,222 | \$ 90,868 | \$ 93,594 |
| ATC Agent 1/2/3 (6) | | | | | |
| Salary | \$ 389,004 | \$ 400,674 | \$ 412,692 | \$ 425,070 | \$ 437,826 |
| Administrative Coordinator 2 (4) | | | | | |
| Salary | \$ 135,784 | \$ 139,856 | \$ 144,052 | \$ 148,372 | \$ 152,824 |
| Subtotal | \$ 842,072 | \$ 867,334 | \$ 893,354 | \$ 920,155 | \$ 947,759 |
| Estimated Benefits (45%) | \$ 379,932 | \$ 390,300 | \$ 402,009 | \$ 414,069 | \$ 426,491 |
| Total | \$ 1,222,004 | \$ 1,257,634 | \$ 1,295,363 | \$ 1,334,224 | \$ 1,374,250 |

NOTE: The LFO cannot corroborate that the provisions of proposed law would require the resources identified by Alcohol and Tobacco Control, but acknowledges that a workload increase will be necessitated for implementation. To the extent that the workload may be greater or less than the estimate provided by Alcohol and Tobacco Control, costs may be higher or lower than the estimate provided.

Other Costs Estimated by ATC (Upper Estimation)

| | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
|-------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Regulatory Framework Implementation | \$ 500,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Custody Tracking System | \$ 4,000,000 | \$ 750,000 | \$ 750,000 | \$ 750,000 | \$ 750,000 |
| Equipment | \$ 294,726 | \$ 3,810 | \$ 3,810 | \$ 3,810 | \$ 3,810 |
| Total | \$ 4,794,726 | \$ 953,810 | \$ 953,810 | \$ 953,810 | \$ 953,810 |

Other Costs Estimated by ATC (Lower Estimation)

| | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
|-------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Regulatory Framework Implementation | \$ 250,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Custody Tracking System | \$ 2,500,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 |
| Equipment | \$ 294,726 | \$ 3,810 | \$ 3,810 | \$ 3,810 | \$ 3,810 |
| Total | \$ 3,044,726 | \$ 353,810 | \$ 353,810 | \$ 353,810 | \$ 353,810 |

NOTE: The ATC's response assumed all equipment costs as recurring. The LFO assumes most of the list included in its equipment estimate would be one time or periodic in nature and adjusted years 2 - 5 accordingly.

ATC assumed the upper estimation for purposes of this fiscal note. If the lower estimation is realized, the total SGF costs reflected in the expenditure table on page one would change as follows:

| | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Cost with Lower Estimation | \$4,266,730 | \$1,611,444 | \$1,649,173 | \$1,688,034 | \$1,728,060 |

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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