

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Fiscal Note  
REVISED**

**BILL NUMBER:** House Bill 367 (First Edition)

**SHORT TITLE:** NC Consumer Fireworks Safety Act.

**SPONSOR(S):** Representatives Brody, Bumgardner, Hager, and Waddell

<b>FISCAL IMPACT</b>					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Impact</b>					
General Fund Revenues:	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000
General Fund Expenditures:	\$515,000	\$240,000	\$243,550	\$247,542	\$251,191
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:	3.0	3.0	3.0	3.0	3.0
<b>NET STATE IMPACT</b>	<b>\$135,000</b>	<b>\$410,000</b>	<b>\$406,450</b>	<b>\$402,458</b>	<b>\$398,809</b>
<b>Local Impact</b>					
Revenues:	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Expenditures:					
<b>NET LOCAL IMPACT</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Insurance; Department of Revenue					
<b>EFFECTIVE DATE:</b> July 1, 2015 or when becomes law.					
<b>TECHNICAL CONSIDERATIONS:</b> None					

**Revision note:** This note includes projected tax revenues to be generated by the expansion of consumer fireworks products to be sold in North Carolina that were not included in the original note issued.

This fiscal note addresses the potential fiscal impact of the policy changes included in this bill. A separate incarceration note will be prepared to address the potential fiscal impact of new or increased criminal penalties included in the proposed legislation.

## **BILL SUMMARY**

Recodifies portions of GS 58. Enacts a new Part 2, Consumer Fireworks, as follows:

Places the following conditions on the possession and use of consumer fireworks: (1) the person possessing or using the consumer fireworks must be at least 18 years old; (2) the use of consumer fireworks may occur only between the hours of 10 am and 10 pm except for other specified times on July 4th and December 31st and the following January 1st; (3) the discharge of consumer fireworks is prohibited in or on the premises of a public or private primary or secondary school or on the campus of a college or university, unless the person has received written authorization from the college or university and within 500 feet of a hospital, veterinary hospital, licensed child care center, fireworks retailer, fireworks distributor, gas station, or bulk storage facility for petroleum products or other explosive or flammable substances; and (4) the possession or discharge of consumer fireworks is prohibited in or on the premises of any public park or public space, except as otherwise permitted by the person, state agency, or unit of local government owning or otherwise controlling the park, property, or space. Allows a county or city to prohibit the possession or use of consumer fireworks. Prohibits selling consumer fireworks without a permit from a county or city authorized to issue retail fireworks permits. Sets out conditions that must be included in the retailer or temporary retailer permit and establishes permit fees.

Prohibits a county or municipality from restricting or excluding the transportation of consumer fireworks across or through the county or municipality when the transportation is solely for the purpose of supplying consumer fireworks retailers permitted under the statute. Sets out provisions concerning permit holder financial responsibility, the power of the Commissioner of Insurance to exclude certain categories of pyrotechnics from the definition consumer fireworks, and prohibiting the use of consumer fireworks during hazardous forest fire conditions. GS 14-415 (violations of the prohibition on the manufacture, sale and use of pyrotechnics) and GS 58-2-70 (Civil penalties or restitution for violations; administrative procedure) apply to violations of this Part.

Enacts new GS 153A-130.1 and GS 160A-190.1 allowing counties and cities to, by ordinance, regulate the possession, use, and, sale of consumer fireworks to the public. Amends GS 14410 to define consumer fireworks to all consumer fireworks to be advertised, sold, used, transported, handled, or discharged in accordance with new Part 2. Effective July 1, 2015.

## **ASSUMPTIONS AND METHODOLOGY:**

### **Revenue**

Consumer fireworks are subject to State and local sales and use tax under G.S. 105. By allowing additional consumer fireworks to be sold legally within North Carolina, the bill expands the State's sales tax base and may generate additional sales tax revenue for the State and for local governments. The Fiscal Research Division obtained state-level fireworks sales data from the State of Michigan. The total revenue was adjusting using population data to estimate North Carolina's potential annual consumer fireworks sales revenue and the resulting State and local sales tax revenue.

Fiscal Research estimates that the State may realize up to \$1.3 million in sales taxes from consumer fireworks sales. However, because consumer purchasing behavior cannot be reliably predicted, and because some fireworks are already sold legally in this State, it is uncertain how much increase in fireworks sales will occur. For example, consumers may purchase more

fireworks than they currently do or they may change the types of fireworks that they purchase. Additionally we cannot determine the gains and losses from border state sales that will occur. Given these uncertainties we estimate that the maximum new revenue under this bill will be less than \$1.3 million, and conservatively forecast the revenue will be closer to 50% of the maximum potential, or \$650,000 per fiscal year for the State and \$100,000 for local governments.

Lastly, local governments who choose to issue permits will receive \$100 for issuing a permit to temporary retailer, \$1,000 for a permanent retailer, and \$1,500 for a distributor. The amount of revenues to be generated from the issuances of permits is not known and no estimate is available. Any permitting revenues would remain with the permitting authority to offset costs associated with those activities.

### **Expenditures**

Although cities and counties will issue the permits, the Department of Insurance will develop rules for the permitting. There are costs to the Department of Insurance for developing the rules and processes, and for (ii) investigating and reporting illegalities regarding transport and distribution of fireworks.

- An estimated two administrative staff would be needed for developing rules, issuing guidelines for seller permits and managing information technology databases/websites.
- An estimated one investigator position would be needed to monitor fireworks shipped into North Carolina.
- The total cost for three staff is estimated at \$165,000.
- In addition to staff, there are expected to be one-time and recurring costs for IT development, website upgrades, and program development costs. The Department of Insurance estimates that approximately \$350,000 will be needed for initial one time information technology and program development costs and \$75,000 for ongoing program costs.

**SOURCES OF DATA:** Department of Insurance; Office of State Budget and Management, State Demographer's Division; State of Michigan Licensing and Regulatory Affairs, 2014 Annual Report on the Consumer Fireworks Program

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** July 24, 2015



**Signed Copy Located in the NCGA Principal Clerk's Offices**