

CONCURRENCE IN SENATE AMENDMENTS

AB 573 (Rogers)

As Amended September 04, 2025

Majority vote

SUMMARY

Requires a tobacco retailer to pay a fee to cover the reasonable regulatory costs of the California Department of Tax and Fee Administration (CDTFA), not to exceed \$600, for the issuance or renewal of a license to sell those tobacco products. Requires the Legislative Analyst (LAO), on or before December 1, 2027, and again on or before December 1, 2029, in collaboration with specified agencies, to prepare and submit reports to the Legislature on the adequacy of funding for the tobacco retailer licensing program and the rate of inspection of retailers. Repeals those reporting requirements on January 1, 2034.

Senate Amendments

- 1) Set the fee to apply for a license to sell tobacco products at \$450 on or after July 1, 2026;
- 2) Authorize CDTFA to adjust through regulations both application and renewal fees after July 1, 2026 to an amount not exceeding \$600 per retail location;
- 3) Specify that the LAO report include information regarding the tobacco retailer enforcement landscape, including enforcement of California's flavor, youth access, taxation, and licensing laws; and,
- 4) Make other technical and conforming changes.

COMMENTS

Background. In 2022, California voters upheld the state law, SB 793 (Hill), Chapter 34, Statutes of 2020, which prohibits a tobacco retailer, or any of the tobacco retailer's agents or employees, from selling, offering for sale, or possessing with the intent to sell or offer for sale, most flavored tobacco products including flavored e-cigarettes and menthol cigarettes, as well as tobacco product flavor enhancers in retail locations. The following year, Governor Newsom signed into law AB 935 (Connolly), Chapter 135, Statutes of 2023, which strengthens the enforcement of the flavored tobacco retail law and broadening the definition of a retail location. In 2024, SB 1230 (Rubio), Chapter 462, Statutes of 2024 was signed into law. This bill increased STAKE Act penalties for retailers who sell to minors and strengthened CDTFA's enforcement authority by allowing them to seize illegal flavored tobacco products found during inspections. Last year, Governor Newsom signed AB 3218 (Wood), Chapter 849, Statutes of 2024, which required the creation of the Unflavored Tobacco List by the California Attorney General to clearly define which products are legally allowed to be sold by retailers, wholesalers, distributors and delivery sellers in California. The law also updates existing definitions in law and increases penalties on retailers who possess or sell illegal flavored tobacco products. The CDTFA is responsible for ensuring that tobacco retailers comply with the state's tobacco excise tax and licensing laws. CDTFA was recently given additional authority to seize illegal flavored tobacco products.

Youth and flavored tobacco products. A 2024 study by the Centers for Disease Control and Prevention found that, among middle school and high school students who currently use e-cigarettes, nearly 9 in 10 use flavored e-cigarettes. Illegal flavored e-cigarettes still comprise

39.8% of total e-cigarette sales in California. Disposable e-cigarettes represent 90.9% of sales of prohibited flavored e-cigarettes in California. In 2024, California tobacco retailers still sold tobacco to underage buyers at a rate of 18.9%. In addition to CDTFA, the Office of Youth Enforcement in the Department of Public Health (DPH), the Department of Justice, and local entities all play a role in enforcing the flavored tobacco law and restricting youth access. However, there is currently no systemic cooperation amongst the various enforcement agencies. This bill requires LAO to complete a study of the tobacco retailer enforcement landscape and make recommendations for better coordination among the enforcing agencies, as well as an appropriate fee to ensure maximum compliance by all of California's retailers.

Demographics of tobacco use. African-American youth and young adults have significantly lower prevalence of cigarette smoking than Hispanics and whites, and although the prevalence of cigarette smoking among African-American and white adults is the same, African-Americans smoke fewer cigarettes per day. On average, African-Americans initiate smoking at a later age compared to whites; however, they are more likely to die from smoking-related diseases than whites. American Indian/Alaska Native youth and adults have the highest prevalence of cigarette smoking among all racial/ethnic groups in the U.S, however, it is important to note that some American Indians use tobacco for ceremonial, religious, or medicinal purposes. Regional variations in cigarette smoking exist among American Indians/Alaska Natives, with lower prevalence in the Southwest and higher prevalence in the Northern Plains and Alaska.

Hispanic/Latin adults generally have lower prevalence of cigarette smoking and other tobacco use than other racial/ethnic groups, with the exception of Asian-Americans. However, prevalence varies among sub-groups within the Hispanic population. For example, 50% of Cuban men and more than 35% of Cuban women report smoking 20 or more cigarettes per day, and Mexican men and women are less likely than other Hispanic/Latinx groups to report that they smoke 20 or more cigarettes per day. Although Asian-Americans, Native-Hawaiians, and Pacific-Islanders are often combined together as one group in survey data due to smaller numbers of the individual groups surveyed, they are actually three distinct groups. Cigarette smoking among Asian-American/Pacific-Islander adults is lower than other racial ethnic groups, however, prevalence among Asian sub-groups varies and can be higher than that of the general population.

Like many other minority groups, the LGBTQ+ community has been the target of tobacco industry marketing for several decades. As a result, smoking rates are disproportionately higher among LGBTQ+ individuals than the general population. About one in four LGBTQ+ adults smoke cigarettes compared with about one in six heterosexual/straight adults. More than twice as many LGBTQ+ students report having smoked a cigarette before the age of 13 compared to heterosexual students.

Tobacco harms. Cigarette smoking causes more than 480,000 deaths each year in the United States (U.S.), or nearly one in five deaths. Smoking causes more deaths each year than the following causes combined: Human immunodeficiency virus, illegal drug use, alcohol use, motor vehicle injuries, and firearm-related incidents. More than 10 times as many U.S. citizens have died prematurely from cigarette smoking than have died in all the wars fought by the United States. Smoking causes about 90% (or nine out of 10) of all lung cancer deaths. More women die from lung cancer each year than from breast cancer. Smoking causes about 80% (or eight out of 10) of all deaths from chronic obstructive pulmonary disease. Cigarette smoking increases the risk for death from all causes in men and women. In California, smoking-related health care

costs \$13.29 billion per year and smoking-related losses in productivity totals \$10.35 billion per year.

Flavored tobacco ban enforcement and funding. There are approximately 30,000 tobacco retailers in California. Currently CDTFA inspects about 3,300 a year (11% of tobacco retailers). According to CDTFA absent additional funding of the state tobacco license, those inspection numbers will continue to decline. Effective January 1, 2025, AB 3218 (Wood), Chapter 849, Statutes of 2024 and SB 1230 (Rubio), Chapter 462, Statutes of 2024 enacts the Unflavored Tobacco Product List and includes enforcement authority for flavored tobacco products and tobacco product flavor enhancers. To address the workload associated with the passage of AB 3218 and SB 1230, CDTFA is requesting \$3.5 million in 2025-26 from the Cigarette and Tobacco Products Compliance Fund (Compliance Fund), for the implementation and ongoing administration of the Cigarette and Tobacco Products Licensing Program. Once CDTFA evaluates the actual impact resulting from the legislation, particularly regarding enforcement, CDTFA will recommend and request the necessary resources such as fee adjustments and additional spending authority. At this point, CDTFA states it has identified workload costs of \$3.3 million in 2024-25, \$5.5 million in fiscal year 2025-26 and 2026-27, and \$3.1 million in 2027-28 and ongoing from the Compliance Fund. Resources for implementation work of \$3.3 million in 2024-25 and \$2 million in 2025-26, will be absorbed by CDTFA, thereby reducing the request for the identified workload costs. As per CDTFA's analysis of AB 3218, lower than expected penalty revenues may create pressure to increase licensing fees or obtain other General Fund support. This bill will address that issue.

According to the Author

Despite recent efforts by the Legislature to pass comprehensive laws banning access to flavored tobacco products, these products are still getting into the hands of young people at an alarmingly high rate. Even though they are illegal, flavored e-cigarettes still comprise almost 40% of total e-cigarette sales in California. In 2024, 18.9% of California tobacco retailers still sold tobacco to underage buyers. Nationwide, 90% of middle school and high school e-cigarette users report preferring flavored products. Clearly, more must be done to bring retailers into compliance with the law and protect young people from getting hooked on tobacco products. The author states that CDTFA is tasked with enforcing the flavored tobacco ban on the retail level, but they have limited resources and only inspect about 11% of retailers every year. This bill provides CDTFA with more funding to maintain and enhance tobacco enforcement operations by increasing the state tobacco retailer license annual fee from \$265 to \$450.

Arguments in Support

The American Cancer Society Cancer Action Network, the American Heart Association, American Lung Association, and the Campaign for Tobacco-Free Kids are the co-sponsors of this bill, and were cosponsors of SB 793 (Hill), which restricts the sale of flavored tobacco products. However, like any law, it can only be effective if fully enforced, and this will provide necessary funding to maintain CDTFA's flavored tobacco product seizure and enforcement operations.

The co-sponsors point to the fact that CDTFA is currently only able to visit 11% of tobacco retailers each year. Without additional funding of the state tobacco license, those inspection numbers will continue to decline. The co-sponsors argue that despite implementation of SB 793 in December 2022, flavored illegal tobacco products, especially flavored e-cigarettes, still remain

on store shelves and illegal flavored e-cigarettes make up nearly 40% of total e-cigarette sales in California.

Arguments in Opposition

None.

FISCAL COMMENTS

According to the Senate Appropriations Committee:

- 1) CDTFA estimates costs of \$179,000 in 2025-26, \$74,000 in 2026-27, and \$14,000 in 2027-28 and ongoing thereafter for state administration (Cigarette and Tobacco Products Compliance Fund). CDTFA also estimates an increase of approximately \$5.5 million in retailer licensing fee revenues in 2026-27 due to the fee increase from \$265 to \$450.*
- 2) The LAO's funding comes from the Legislature's budget, which is capped by Proposition 140 (1990). Thus, to the extent the LAO would be required to perform the duties required by the bill, less resources would be available for other LAO workload.*
- 3) The California Department of Public Health (CDPH) anticipates minor and absorbable costs.*

VOTES:

ASM HEALTH: 13-0-3

YES: Bonta, Addis, Aguiar-Curry, Rogers, Carrillo, Flora, Mark González, Krell, Patel, Celeste Rodriguez, Schiavo, Sharp-Collins, Stefani

ABS, ABST OR NV: Chen, Patterson, Sanchez

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache

ABS, ABST OR NV: Sanchez, Dixon, Ta, Tangipa

ASSEMBLY FLOOR: 63-1-15

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NO: DeMaio

ABS, ABST OR NV: Castillo, Chen, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

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