CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 25, 2008

S. 2685
Truth in Cigarette Labeling Act of 2008

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 15, 2008

S. 2685 would prohibit cigarette manufacturers from making certain claims based on data derived from a cigarette testing method developed by the Federal Trade Commission (FTC). The bill would authorize the FTC to enforce this new prohibition.

The cigarette testing method developed by the FTC is used by manufacturers to determine the relative levels of tar, nicotine, and carbon monoxide produced by a cigarette. Based on the results of those tests, cigarette manufacturers make claims about a product—that it is "low tar" or "light," for example. S. 2685 would prohibit this practice.

Based on information from the FTC, CBO estimates that implementing the provisions of S. 2685 would not significantly increase spending subject to appropriation. Under current law, the FTC enforces certain laws governing both warnings printed on cigarette labels and advertising claims made by cigarette manufacturers, including claims about tar and nicotine ratings. The new prohibition created by S. 2685 would not add a significant new burden to the FTC's enforcement efforts.

Enacting S. 2685 could increase federal revenues from civil monetary penalties on cigarette manufacturers for violations of the new prohibition; CBO estimates that the effect would not be significant. Enacting the bill would not affect direct spending.

The bill would impose a private-sector and intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) on manufacturers of cigarettes and certain other tobacco products, including certain Indian tribes, by prohibiting them from making any claims or representations based on the level of tar and nicotine as measured by the FTC test method. Based on information from tobacco companies and tribal manufacturers of cigarettes, CBO expects that the aggregate costs of complying with the mandate would not exceed the annual thresholds established in UMRA ($136 million in 2008 for private-sector mandates and $68 million in 2008 for intergovernmental mandates, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs), Elizabeth Cove (for the state and local impact), and MarDestinee Perez (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.