

# Regulatory Fee Assessments: Nutrition-Related Municipal Services

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# Regulatory Fees

- Like business license fees
  - Levy on business that cause or is likely to cause harm
    - Liquor stores to prevent nuisance & criminal activity
    - Billboards to protect aesthetics & safety
    - Rental homes for rent control administration
    - Solid waste for recycling programs
    - Tobacco retailers for tobacco control enforcement



# Distinguishing Fees from Taxes

- Both collect revenue . . . . But . . . .
- Fees are different because:
  - Earmarked for specific programs
  - “Reasonably commensurate” with operating costs of the programs
  - Apportioned so there is a “reasonable relationship” to payors burdens & benefits
  - Simple majority of vote by elected officials to pass
- Shute, Mihaly can provide additional legal analysis



# Obesity-Related Businesses

- Fees could be levied on:
  - “Sweetened beverages”
    - Soda, sugar added fruit drinks, sports drinks, etc.
  - Restaurants
    - Not just fast food restaurants are implicated in the science
    - Added fat, portion size problems
- Both categories have link to obesity



# *Sample Municipal Programs*

- Access to healthy food choices
  - Farmers' markets
  - Improved offerings at existing small markets
    - Economic development/small biz opportunities
- Improved physical activity opportunities
  - Safe parks
  - Pedestrian and bike improvements
- Other related programs possible
  - *So long as related to obesity prevention*



# Calculating a Regulatory Fee: *Model* for Restaurants

- Levy modest fee
  - Ranges from .10% - 0.17% of gross receipts
- Categorize based on annual sales
- Model created four size categories with flat fee based on size
  - Small: grossing < \$999,999; fee = \$550
  - Medium: grossing \$1 - 1.9 m; fee = \$2000
  - Large: grossing \$2 –2.9 m; fee = \$4,000
  - Extra large: grossing \$3+ m; fee = \$8,000



# Calculating a Regulatory Fee: *Model* for Sweetened Beverages

- Levy modest fee
  - Ranges from .10% - 0.28% of gross receipts
- Categorize based on type of retailer
  - Supermarkets & drugstores
    - Small: grossing < \$999,999; fee = \$2,500
    - Medium: grossing \$1 – 4.9 m; fee = \$7,500
    - Large: grossing \$5 – 9.9 m; fee = \$15,000
    - Extra large: grossing \$10 m+; fee = \$25,000
  - Convenience stores: fee = \$2,500
  - Vending machines: fee = \$1,000
  - Big box retailers: fee = \$75,000



# Assumptions of Models

- *Models* are illustrative only
  - All variables are malleable
    - Target of fees
    - Amount of fees
    - Use of fees
- Based on population of 100,000
- Revenue fee per capita = \$6.23
- EPS can provide additional modeling



# For More Information

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