

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

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|----------------------|---------------|
| Bill Number: | SB 3-B |
| Revenue Area: | Tobacco Taxes |
| Economist: | Mazen Malik |
| Date: | 06/13/2007 |

Measure Description:

Creates Oregon Healthy Kids Program, which includes private health option to provide health care coverage to children. Establishes Oregon Healthy Kids Program Fund. Establishes Healthy Kids Safety Net Fund, and allocates money to Rural Healthcare revolving account fund. Allocates cigarette and other tobacco products taxes imposed by Oregon Constitution. Redistributes the revenue occurring from current tobacco taxes. Takes effect only if Senate Joint Resolution 4 (2007) is approved by people. Takes effect on January 1, 2008 if proposed constitutional amendment passes.

Revenue Impact:

This impact shows the revenue affected by the bill if SJR 4 passes. The amounts are 18 months because the implementation date is January 1, 2008. Prior to that date revenues will continue to be distributed under the current law statutes.

| \$ New Revenue | (starting 1/1/08) 2007-08 | 2008-09 | 2007-09 Biennium | 2009-11 Biennium |
|----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
| Health Plan (OHP) | \$ 7,312,952 | 26,802,832 | 34,115,784 | 50,704,975 |
| TURA | \$ 6,106,296 | 13,401,480 | 19,507,776 | 38,964,178 |
| Rural Health | \$ 458,878 | 1,681,843 | 2,140,722 | 3,181,672 |
| Kids Safety Net | \$ 1,198,518 | 4,392,709 | 5,591,227 | 8,310,025 |
| Healthy Kids Program | \$ 28,531,970 | 104,573,034 | 133,105,004 | 197,828,841 |
| Total | \$ 43,608,614 | \$ 150,851,898 | \$ 194,460,512 | \$ 298,989,691 |

| \$ Old Revenue | (starting 1/1/08) 2007-08 | 2008-09 | 2007-09 Biennium | 2009-11 Biennium |
|-----------------------------|------------------------------|-----------------------|-----------------------|-----------------------|
| State General Fund | \$ 37,760,703 | 63,116,462 | 100,877,165 | 127,423,832 |
| Health Plan (OHP) | \$ 88,755,658 | 154,045,604 | 242,801,262 | 314,416,828 |
| Local Government (Cities) | \$ 2,623,304 | 4,602,292 | 7,225,597 | 9,198,138 |
| Local Government (Counties) | \$ 2,623,304 | 4,602,292 | 7,225,597 | 9,198,138 |
| Local Government (Transit) | \$ 2,623,304 | 4,602,292 | 7,225,597 | 9,198,138 |
| Total | \$ 134,386,274 | \$ 230,968,943 | \$ 365,355,217 | \$ 469,435,073 |

Impact Explanation:

This bill will distribute the constitutionally raised tax increase on tobacco of 84.5 cents and 30% of wholesale price on the other tobacco products. This amount is on top existing taxes in statutes at the rate of \$1.18 for cigarettes and 65% for other tobacco products. The constitutional amendment will be dedicated to the healthy Kids program and other health,

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prevention and education programs. The dedication necessitated a new method of distribution for the current uses. The bill also imposes a floor tax.

Thus, if this bill takes effect after SJR 4 passes, it will distribute new revenue, and hold harmless the current uses depending on tobacco taxes.

The outline of the new distribution scheme is as follows:

Constitutional Tax increase 84.5 cents.

Dedicated to:

- Healthy Kids (72.34% for 07-09), (68.47% for 09-11).
- Kids Safety Net (3.04% for 07-09), (2.88% for 09-11).
- Rural Health (1.16% for 07-09), (1.10% for 09-11).
- TURA (4.918% for 07-09), (10% for 09-11).
- Oregon Heath Plan (OHP) (18.54% for 07-09), (17.55% for 09-11).
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Other Tobacco Products (OTP) increase (30 % of wholesale price)

Dedicated to:

- TURA (55.4% for 07-09), (43.0% for 09-11).
- Oregon Heath Plan (OHP) (44.6% for 07-09), (57% for 09-11).

The current tax in two pieces 58 cents and 60 cents: Combine as \$1.18 tax.

Distributed as:

- First (hold harmless) General Fund (GF) 21.69%,
- Cities 2.3 %,
- Counties 2.3 %,
- ODOT (Senior and Disabled Transportation) 2.3 %
- What is left (after hold harmless) then goes to OHP (71.41%).

OTP the original 65% of wholesale price to fill gaps:

- General Fund (78.7%)
- Oregon Heath Plan (21.3%)