

**2007 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 2143

**STATUS:** B Engrossed

**SUBJECT:** Modifies biennial transfer from Tobacco Settlement Funds Account to Tobacco Enforcement Fund, removes cap on administrative costs, and declares emergency.

**GOVERNMENT UNIT AFFECTED:** Department of Justice, Department of Administrative Services

**PREPARED BY:** Tim Walker

**REVIEWED BY:** Doug Wilson, Dallas Weyand

**DATE:** June 15, 2007

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	<u><b>2007-2009</b></u>	<u><b>2009-2011</b></u>
<b>EXPENDITURES:</b>		
Other Funds (Limited)	\$	\$
Service and Supplies	\$ 228,064	\$ _____
	\$ 228,064	\$ _____

**EFFECTIVE DATE:** On passage.

**GOVERNOR'S BUDGET:** This bill is not anticipated by the Governor's recommended budget.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**COMMENTS:** This bill removes the \$700,000 cap on costs reimbursable from the Tobacco Settlement Funds Account to the Tobacco Enforcement Fund and changes the timing of the funds transfer from June 1 of each odd numbered year to July 1 of each odd numbered year. The change in the timing of the funds transfer requires Department of Justice (DOJ) to project the expenses of tobacco enforcement activities, related to the Non-Participating Manufacturer (NPM) statutes, for the next biennium instead of being reimbursed for actual expenses. Removing the cap on expenses allows DOJ to be reimbursed at the actual rate of expenditure instead of using the cap established in statute. The budget passed by the Joint Ways and Means Committee projects that in the 07-09 biennium, expenses will be \$128,064 in excess of the \$700,000 cap. Currently, DOJ expends nearly the entire cap during a biennium. If potential expenditures were to exceed the \$700,000 cap, then DOJ would not pursue cases that would cause expenditures to exceed the limitation.

Any increase in the use of tobacco funds for the NPM enforcement effort could mean fewer resources available for other programs funded with tobacco funds depending on the balances in the Tobacco Settlement Account. Failure to provide for diligent enforcement of the NPM statutes by DOJ jeopardizes the revenue stream from the Master Settlement Agreement with tobacco companies.