

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

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Action: Do pass with amendments and be printed engrossed

Vote: 3-2-0

Yeas: Burdick, Monroe, Deckert

Nays: G. George, Starr

Exc.:

Prepared By: Mazen Malik, Economist

Meeting Dates: 6/8, 6/11

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**WHAT THE BILL DOES:** 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.

**ISSUES DISCUSSED:**

- The healthy kids initiative
- Children health care costs, and health care costs in general.
- Federal Poverty line
- Illegal immigration and proof of citizenship.
- Federally mandated requirements, and Social Security number requirements.
- Large amount of money to DHS.
- Smoking Reduction by education verses price increase.
- Changes in current statutes to compensate the losses for current uses, “Hold Harmless” provisions.

**EFFECT OF COMMITTEE AMENDMENTS:** The amendment distributes the revenues coming from the constitutional amendment according to the constitutional dedications. The amounts coming from current tax rates are redistributed to allow the other uses to be held harmless from the reduction in number of cigarettes.

**BACKGROUND:**

This bill will distribute the constitutionally raised tax increase on tobacco of 84.5 cents and 30% of whole price on the other tobacco products. This amount is on top what exists in statutes today 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, prevention and education programs. The dedication necessities that a different method of distribution need to be adopted in order to keep the current uses from losing. This new method is defined in sections 23 to 38. The bill also defines a floor tax. Thus, if this bill takes affect 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 (and 30 % OTP)

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 Health Plan (OHP) (18.54% for 07-09), (17.55% for 09-11). 30 % OTP increase Dedicated to TURA (55.4% for 07-09), (43.0% for 09-11). Oregon Health 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. Distribute as: First (hold harmless) General Fund (GF) 21.69%, for Cities (2.3 % ), Counties (2.3 %), ODOT (2.3 %) What is left (after hold harmless) then goes to OHP (71.41%). Use OTP the original 65% to fill gaps: GF (78.7%). OHP (21.3%)

Simplify the ORS by deleting the Collection/ Tobacco Task Force Language.

6/13/2007 8:39:52 AM

*This summary has not been adopted or officially endorsed by action of the committee.*