



MEASURE: SB 692  
EXHIBIT: A  
Senate Finance and Revenue 76<sup>th</sup> Session  
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April 15, 2011

Honorable Ginny Burdick, Chair  
Senate Committee on Finance and Revenue  
Oregon State Capitol  
Salem, OR 97301

Chair Burdick,

The League of Oregon Cities represents *all* 242 cities across the state. In communities large and small, this is roughly 70% of Oregon's population. Principle to these cities is retaining local control in the decision making process.

*To that, I write to express the League's concern over city exclusion from SB 692.*

SB 692 lifts the prohibition against imposition of taxes by counties on cigarette and tobacco products. The League respectfully requests that SB 692 include cities so that they may have greater authority in their revenue raising abilities. Rescinding the preemption on imposing taxes on cigarette and tobacco products provides access to is a vital tool local governments haven't had access to in decades. Instead, the cigarette tax has been part of the State Shared Revenue System, imposed by the State, with a percentage distributed to local governments

Oregon's first Cigarette Tax (4 cents per pack) was passed by a vote of the people in 1966; however, cigarette taxes failed on the Oregon ballot six times previously and passed only after local dedication was added. A significant factor, according to news stories of the time, was that tax proceeds were aimed both directly and indirectly at property tax relief. The 1966 Ballot explanation stated the cigarette tax "would be an additional source of revenue for cities and counties" and was considered compensation for preempting local government's authority to tax tobacco products.

This measure originally dedicated 25% (1 cent) for cities; 25% (1 cent) for counties; and 2 cents (50 percent) for state property tax relief, but local government cigarette tax percentage has decreased substantially since the vote in 1966. Today, cities receive only 1.7% of the state tax.

The cigarette tax helps fund critical basic services in communities, but cities in Oregon are experiencing budgetary shortfalls in nearly every aspect of their revenue. Cities are making deep cuts in public safety, workforce, fire protection, and other public services in order to close the gap. The inclusion of cities in SB 692 removing the cigarette tax preemption would provide an important tool to meet local community demands.

The League appreciates your attention to our concerns.

Michael Novak  
Intergovernmental Relations  
League of Oregon Cities

*"Getting it done for Oregon's cities!"*