

**SB 5543**  
**Tobacco Master Settlement Fund Transfers**

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SB 5543 authorizes the transfer of Tobacco Master Settlement Funds.

Revenues received by Oregon resulting from the Master Settlement Agreement between major tobacco companies and 46 states reached in 1998 are deposited to the Tobacco Settlement Funds Account. Based on this bill, the Department of Administrative Services (DAS) will transfer money from the Tobacco Settlement Funds Account to pay debt service on the Oregon Appropriation Bonds of \$28.9 million, and \$31.3 million to pay debt service on the Oregon Opportunity Bonds.

After the debt service transfers have been satisfied, DAS will transfer \$116.1 million to the Oregon Health Authority for expenses of the Oregon Health Plan, and funds to the Oregon Department of Justice for tobacco enforcement. Additional transfers include \$4 million to the Oregon Health Authority for tobacco prevention and cessation programs, and \$4 million to the Oregon Department of Education for physical education related grants.

The Other Funds expenditure limitations for the revenues transferred in this bill are contained in agency budget bills.

The Capital Construction Subcommittee recommends SB 5543 be amended and reported out do pass, as amended.

**77<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2013 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**JOINT COMMITTEE ON WAYS AND MEANS**

**MEASURE: SB 5543-A**

**Carrier – House: Rep. Smith**

**Carrier – Senate: Sen. Bates**

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**Action:** Do Pass as Amended and be Printed A-Engrossed

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** R. Mark Miedema, Department of Administrative Services

**Reviewed By:** Linda Ames, Legislative Fiscal Office

**Meeting Date:** July 6, 2013

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Agency

Department of Administrative Services

Biennium

2013-15

**Budget Summary**\*

	2011-13 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
No Expenditure Limitation	\$	0 \$	0 \$	0 \$	0

**Summary of Revenue Changes**

On November 23, 1998 46 states and the four largest United States tobacco manufacturers, Philip Morris Incorporated, R. J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company, collectively known as the Original Participating Manufacturers (OPMs) entered into an agreement known as the Master Settlement Agreement (MSA). For release from past and present smoking- related claims by the states and for a continuing release of future smoking-related claims, the OPMs agreed to make annual payments to the states in perpetuity. The MSA requires that the MSA Escrow Agent distribute the annual payments on or before April 15 of each calendar year. The size of the annual payments is subject to numerous adjustments as outlined in the MSA. The OPMs also agreed to the imposition of certain tobacco advertising and marketing restrictions.

The State of Oregon revenues are deposited to the Tobacco Settlement Funds Account administered by the Department of Administrative Services (DAS). Senate Bill 5543 allocates the funds available from the account. The amounts outlined in this bill are based on resources projected to be available for the 2013-15 biennium. As actual amounts vary, the allocations or distributions set forth within could also vary.

The Subcommittee approved the following allocations from the Tobacco Settlement Funds Account:

- \$28,905,905 is allocated to the DAS, Oregon Appropriation Bond Fund to pay debt service and administrative expenses on the Oregon Appropriation Bonds.
- \$31,273,716 is allocated to the DAS, Oregon Health and Science University Bond Fund to pay debt service and administrative fees on the Oregon Opportunity Bonds.
- \$4,000,000 is allocated to the Department of Education for physical education related grants authorized by ORS 329.501.
- \$4,000,000 is allocated to the Oregon Health Authority for tobacco prevention and cessation programs.
- \$116,100,000 is allocated to the Oregon Health Authority for the Oregon Health Plan.

ORS 293.537 authorizes DAS to transfer sufficient funds from the Tobacco Settlement Funds Account for the enforcement of ORS 180.400 to 180.455. The Department of Justice’s 2013-15 budget includes \$1,269,870 Other Funds expenditure limitation for this enforcement of the Non-

Participating Manufacturing requirements under the MSA. The Department of Justice can request further resources for the enforcement activities, but must get approval of DAS and an increase in expenditure limitation approved by the legislature or Emergency Board.

### **Summary of Capital Construction Subcommittee Action**

No expenditure limitation is given with this bill. The expenditure limitation for the Tobacco Settlement revenues allocated in this bill are contained in the identified agency budgets and expended as Other Funds.

SB 5543-2  
(LC 9543)  
6/7/13 (TR/ps)

**PROPOSED AMENDMENTS TO  
SENATE BILL 5543**

1 In line 19 of the printed bill, delete “\$120,000,000” and insert  
2 “\$116,100,000”.

3 After line 19, insert:

4 “(4) To the Department of  
5 Education for physical education  
6 related grants authorized  
7 by ORS 329.501..... \$ 4,000,000

8 (5) To the Oregon Health  
9 Authority for tobacco  
10 prevention and cessation  
11 programs..... \$ 4,000,000”.

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