

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3534 - 5

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Date: April 17, 2015

Measure Description:

Requires premises where person makes retail sales of tobacco products and inhalant delivery systems to be licensed by Oregon Liquor Control Commission.

Government Unit(s) Affected:

Oregon Liquor Control Commission (OLCC)

Summary of Expenditure Impact:

See Analysis below

Local Government Mandate:

This bill ~~may~~ does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The bill requires retail businesses selling tobacco products or inhalant delivery systems (vaping products) to be licensed by the Oregon Liquor Control Commission (OLCC) in order to operate. The bill specifies that such businesses must have a physical address that is not a pharmacy or residential address and they cannot be within 1,000 feet of a school. The measure provides definitions and specifies licensure requirements and qualifications. The measure also specifies prohibitions regarding the sale of tobacco and vaping products. Currently, inhalant delivery systems are unregulated in Oregon.

The bill authorizes OLCC to adopt rules relating to licensure and to establish fees on licenses to generate sufficient revenue to pay for administration of the requirements under the bill. The measure creates the Tobacco Control Fund which would be composed of revenue generated from the new fees and from civil penalties that OLCC may impose on violations of the requirements under the measure. The measure also requires OLCC to enter into an agreement with the Oregon Health Authority (OHA) regarding regulation of cigar bars and smoke shops. OHA does not anticipate a fiscal impact for this requirement of the measure.

The measure also authorizes OLCC to inspect the premises of licensees and requires the Oregon State Police, county sheriffs, and other police officers to assist in implementing the requirements of the bill. While the additional workload and cost of this specific provision is indeterminate, in general, the requirements for law enforcement under the measure are within the scope of their current duties and are not likely to result in significant new costs.

While the measure does not take effect until July 1, 2017, OLCC is authorized to begin taking actions in 2015-17 in order to begin full implementation of the measure at the start of the next biennium. OLCC estimates such costs at \$521,671 and is assuming that these costs would be covered by borrowing resources from the Liquor Fund at 2% interest since there will be not yet be funds in the Tobacco Control Fund. This action will require legislative approval. The startup costs include legal assistance from the Department of Justice, hiring of staff, and other administrative costs. OLCC anticipates needing 10 new positions (2.25 FTE in 2015-17, 9.00 FTE in 2017-19), which would be hired late in

2015-17 to implement the requirements of the measure. In addition, there may be a need to update technology systems to implement the law. These costs are indeterminate at this time.

Most 2015-17 costs will continue in 2017-19 and OLCC will also have other costs related to implementation, including inspections, which will begin when the program becomes effective. OLCC anticipates costs of \$1,385,737 in 2017-19. There are a number of factors that will drive costs which are indeterminate at this time, including the number of inhalant delivery system retailers in Oregon; however, OLCC estimates that the measure will generate revenues in the amount of \$2,192,400 from an annual license fee of \$300 per licensee and \$365,500 from penalties to be imposed. They estimate 365 penalties at \$1,000 each. This amount of revenue (a total of \$2,557,400) would be sufficient to cover the costs of the program for 2015-17 and 2017-19. The measure requires OLCC to report to legislative committees on the actions taken to implement the bill.

The Legislative Fiscal Office believes this measure warrants a subsequent referral to the Joint Committee on Ways and Means Committee for consideration of the measure's budgetary impact.