

BUDGET REPORT AND MEASURE SUMMARY

CARRIER: Sen. Bates

Joint Committee On Ways and Means

Action: Do Pass The A-Eng Bill.

Action Date: 06/29/15

Vote:

Senate

Yeas: 12 - Burdick, Devlin, Girod, Hansell, Johnson, Monroe, Roblan, Shields, Steiner Hayward, Thomsen, Whitsett, Winters

House

Yeas: 10 - Buckley, Gomberg, Huffman, Komp, Nathanson, Rayfield, Smith, Whisnant, Whitsett, Williamson

Exc: 2 - McLane, Read

Prepared By: R Mark Miedema, Department of Administrative Services

Reviewed By: Linda Ames, Legislative Fiscal Office

Agency: Department of Administrative Services

Biennium: 2015-17

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). House Bill 5039 allocates the funds available from the account. The amounts outlined in this bill are based on resources projected to be available for the 2015-17 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:

- \$30,909,888 is allocated to the DAS, Oregon Health and Science University Bond Fund to pay debt service and administrative fees on the Oregon Opportunity Bonds
- \$4,120,000 is allocated to the Department of Education for physical education related grants authorized by ORS 329.501
- \$4,120,000 is allocated to the Oregon Health Authority for tobacco prevention and cessation programs
- \$16,000,000 is allocated to the Oregon Health Authority for community mental health programs
- \$101,760,000 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 2015-17 budget includes \$1,356,365 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.