

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number:	HB 2128 - B
Revenue Area:	Tobacco Tax and Oregon Health Authority Fund
Economist:	Dae Baek
Date:	06/02/2023

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

Measure Description:

Replaces an escrow deposit system with a direct payment to the state for a nonparticipating tobacco manufacturer for purposes of the Master Settlement Agreement. Requires that such direct payments be deposited in the Oregon Health Authority Fund (OHA Fund) to be used for the Oregon Health Plan (OHP). Stipulates that amounts that are equivalent to the accumulated escrow payments since the inception of the escrow system be deposited in the OHA Fund. Directs that such deposits be used for the OHP.

Revenue Impact:

Additional deposits to the Oregon Health Authority Fund are expected but timing of deposits is yet to be known.

Impact Explanation:

SB 792 (1999) required any manufacturer selling tobacco products to consumers in Oregon to either become a participating manufacturer (PM) and meet its financial obligations under the Master Settlement Agreement or to deposit specified amounts into a qualified escrow account as a non-participating manufacturer (NPM).

This measure replaces the current escrow deposit system for NPMs with a direct payment to the state. The direct payments are to be used for expenses of the Oregon Health Plan (OHP). The measure also stipulates that amounts that are equivalent to the accumulated escrow payments since the inception of the escrow system be deposited in the Oregon Health Authority Fund (OHA Fund) and directs that such deposits be used for the OHP.

Based on escrow deposit history in recent years, annual direct payments are estimated to be \$4.0 million per year. Considering a downward trend in tobacco product consumption in general, the annual direct payment is likely to be less than \$4 million in any year, going forward.

Department of Justice reports that the accumulated escrow deposits from the current system are about \$41 million before accounting for deposits based on year 2023 sales. After adjustment for over- or under-payment, amounts equivalent to the remaining deposits will be sent to the OHA Fund and used for the OHP.

The measure may face a court challenge regarding the changes. Section 6 of the measure addresses the potential. As a result, the timing of the deposits to the OHA Fund is subject to the outcome of the challenge.

Creates, Extends, or Expands Tax Expenditure: Yes No

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