

## PUBLIC HEALTH ADVISORY BOARD Incentives and Funding Subcommittee

**February 14, 2017**

**1:00-2:00 pm**

Portland State Office Building, 800 NE Oregon St., Room 918, Portland, OR 97232

Webinar: <https://attendee.gotowebinar.com/register/2359933864019205891>

Conference line: (877) 873-8017

Access code: 767068

Meeting Chair: Jeff Luck

Subcommittee Members: Silas Halloran-Steiner, Jeff Luck, Alejandro Queral, Akiko Saito, Tricia Tillman

### Meeting Objectives

- Receive update on CLHO Public Health Emergency Preparedness committee funding formula discussion
- Discuss existing tax revenue and potential future funding sources to support public health modernization
- Determine whether there is an ongoing need for the PHAB Incentives and Funding subcommittee to meet

**1:00-1:05 pm**

**Welcome and introductions**

- Approve December 13 meeting minutes

Jeff Luck,  
Meeting Chair

**1:05-1:10 pm**

**CLHO Public Health Emergency Preparedness (PHEP) committee discussion on public health modernization funding formula**

- Provide update on January CLHO PHEP committee discussion about whether to use the public health modernization funding formula to distribute PHEP funds

Akiko Saito

**1:10-1:40 pm**

**Existing tax revenue and future funding sources to support public health modernization**

- Review information on how current tax revenue is allocated
  - TMSA and tobacco tax
  - Recreational marijuana tax
- Review information on how future tax revenue included in the [Governor's Recommended Budget](#) would be allocated
  - Cigarette tax, other tobacco product tax, surcharge on distilled spirits
- Discuss potential future funding sources to support public health modernization

Subcommittee members

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- Sugary drink taxes in other states and jurisdictions
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**1:40-1:50 pm**

**Subcommittee business**

- Discuss whether there is an ongoing need for this subcommittee to meet
- If the subcommittee will continue to meet, set meeting schedule and agenda for next meeting
- Confirm that Jeff will give subcommittee report at Feb 16 PHAB meeting

Subcommittee members

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**1:50-2:00 pm**

**Public comment**

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**2:00 pm**

**Adjourn**

Jeff Luck,  
Meeting Chair

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Public Health Advisory Board (PHAB)

Incentives and Funding Subcommittee meeting minutes

**DRAFT**

December 13, 2016

1:00-3:00 pm

Welcome and roll call

Meeting Chair: Akiko Saito

PHAB members present: Silas Halloran-Steiner, Jeff Luck, Tricia Tillman

Oregon Health Authority (OHA) staff: Sara Beaudrault, Chris Curtis, Angela Rowland

Members of the public: none

November meeting minutes

The November 8th PHAB: Incentives and Funding meeting minutes were approved.

Implications of governor's recommended budget on modernization funding formula

The Governor's recommended budget was released on December 1<sup>st</sup> and did not include OHA's requested investment of \$30M for public health modernization. Therefore, OHA will not be advocating for public health modernization funding in the upcoming legislative session. As we work to secure public health funding as a long-term modernization strategy, OHA will also focus on identifying work that can begin now without additional funding. We are still required to meet deliverables in House Bill 3100. Subcommittee members discussed implications of public health modernization funding not being included in the Governor's recommended budget and what is known about whether CLHO or others intend to advocate for funding in 2017.

Subcommittee members questioned whether PHAB can advocate for funding. Subcommittee members asked whether PHAB can make a formal statement acknowledging disappointment and listing potential repercussions. Members also

suggested that PHAB can make a recommendation to the Oregon Health Policy Board (OHPB) to encourage OHPB to support identification of other funding sources.

**Action Item:** PHD staff will seek guidance on whether all Board members are able to make such statement and avoid any conflict of interest.

*Potential application of funding formula model*

Akiko proposed a pilot test to use the modernization funding formula for Public Health Emergency Preparedness (PHEP) funding distribution to local public health authorities. The Coalition of Local Health Officials (CLHO) PHEP committee determines how PHEP funds are distributed; the modernization funding formula model could be provided to them as one option. The CLHO PHEP subcommittee takes its recommended funding formula to full CLHO for approval.

Silas expressed concern that using the modernization funding formula for other funding streams could have negative repercussions. It could convey that the system can modernize without additional funding. Silas requested clarity on PHAB's role to advise on the whole public health system design and infrastructure as it relates to all public health funding. Related to the PHEP funding formula model, in order to make the modernization funding formula model palatable to local public health administrators, PHD should set it up so that all counties receive more money by adopting this model, which may mean shifting funds from state to local public health. Tricia encourages a deeper conversation about implications of changes to how public health funding is allocated and about how this funding formula should be considered and applied. She questioned whether it is in PHAB's current charge, whether PHAB is precluded from doing this and if there is a benefit for PHAB to do this.

Subcommittee members requested information on OHA's total budget and the amount of funding that is passed through to local public health.

**Action Items:** PHD staff will review PHAB charter and share OHA budget presentation from March PHAB meeting. Subcommittee members will bring this proposal to the full board and discuss concerns. A decision will be made about whether to give the modernization funding formula to the CLHO PHEP subcommittee as an option to consider until after the PHAB discussion.

### Funding formula review

Chris reviewed updates made to the funding formula since the November meeting.

- The funding formula model is now based on PSU population estimates rather than U.S. Census Bureau, American Communities Survey (ACS).
- Chris added a column for average award per population, in addition to average award per capita (Columns S and T). Subcommittee members recommend using the average award per population.
- The ACS supplemental poverty index that subcommittee members discussed at the November meeting is not available at the county level and cannot be used for the poverty indicator.
- Chris added poverty indicators for educational attainment and income inequality, in addition to the poverty indicator already included for the percent of the population living below the federal poverty level.

Subcommittee members recommend including educational attainment and percent of population living below the federal poverty level, but not income inequality. Both included indicators will be weighted at 10% of total funds for funding formula indicators.

The subcommittee would like to continue exploring options for income inequality indicators in 2017. Jeff proposed using a scatter plot or other mechanism to compare different poverty indicators to inform the subcommittee's recommendations.

Subcommittee members are interested in revisiting BRFSS as the data source for health status in 2017.

Subcommittee members recommend sharing the funding formula model with the changes discussed today at Thursday's PHAB meeting, to be included in the statewide modernization plan.

Subcommittee members reviewed the funding formula overview for the statewide modernization plan. Jeff requested that the overview include a description of why each indicator was chosen.

Subcommittee Business

Akiko will provide the subcommittee report for the Dec 15<sup>th</sup> PHAB meeting.

Subcommittee members provided input for the 2017 work plan.

- Continue to develop indicators for poverty and health status.
- Joint meetings with the Accountability Metrics subcommittee to develop a mechanism for performance-based incentives.
- Other work related to public health funding more generally

Subcommittee members are in favor of moving these meetings to every other month for two hours, beginning in February.

Public Comment

No public testimony.

DRAFT

**PHAB Funding and Incentives Subcommittee**

Subcommittee Members: Silas Halloran-Steiner, Jeff Luck, Alejandro Queral, Akiko Saito, Tricia Tillman

February 14, 2017

**Tobacco Master Settlement Agreement and Tobacco Tax Funds in Oregon<sup>1</sup>**

**Tobacco Master Settlement Agreement (TMSA) funds:** In the 2015-17 biennium, Oregon allocated about \$158 million of TMSA funds. Table 1 below summarizes how the TMSA revenue is distributed for 2015-17. Of the \$158 million total, the legislature allocated about \$4.1 million (2.6%) to OHA to support tobacco prevention and cessation. Of this \$4.1 million, \$1.6 million went directly to local public health agencies and their partners to fund community level interventions through the Sustainable Relationships for Community Health (SRCH) and Strategies for Policy and Environmental Change, Tobacco-Free (SPArC) initiatives (see Oregon Tobacco Funding Map 2016). The remaining TMSA funds (\$2.5 million) went towards tobacco-related health communications interventions, cessation interventions, surveillance and accountability, and administration and management.

**Table 1. Oregon TMSA Allocation FY 2015-17**

OHSU Bonds	\$ 30,909,888	19.5%
OHP	\$ 101,800,000	64.3%
OHA--community mental health	\$ 16,000,000	10.1%
DoE--PE related grants	\$ 4,100,000	2.6%
OHA--TURA/TPEP	\$ 4,100,100	2.6%
DOJ-Enforcement	\$ 1,300,000	0.8%
<b>TOTAL</b>	<b>\$ 158,209,988</b>	<b>100%</b>
<i>Source: TMSA Budget Information Report, Oregon Legislative Fiscal Office. August 2016</i>		

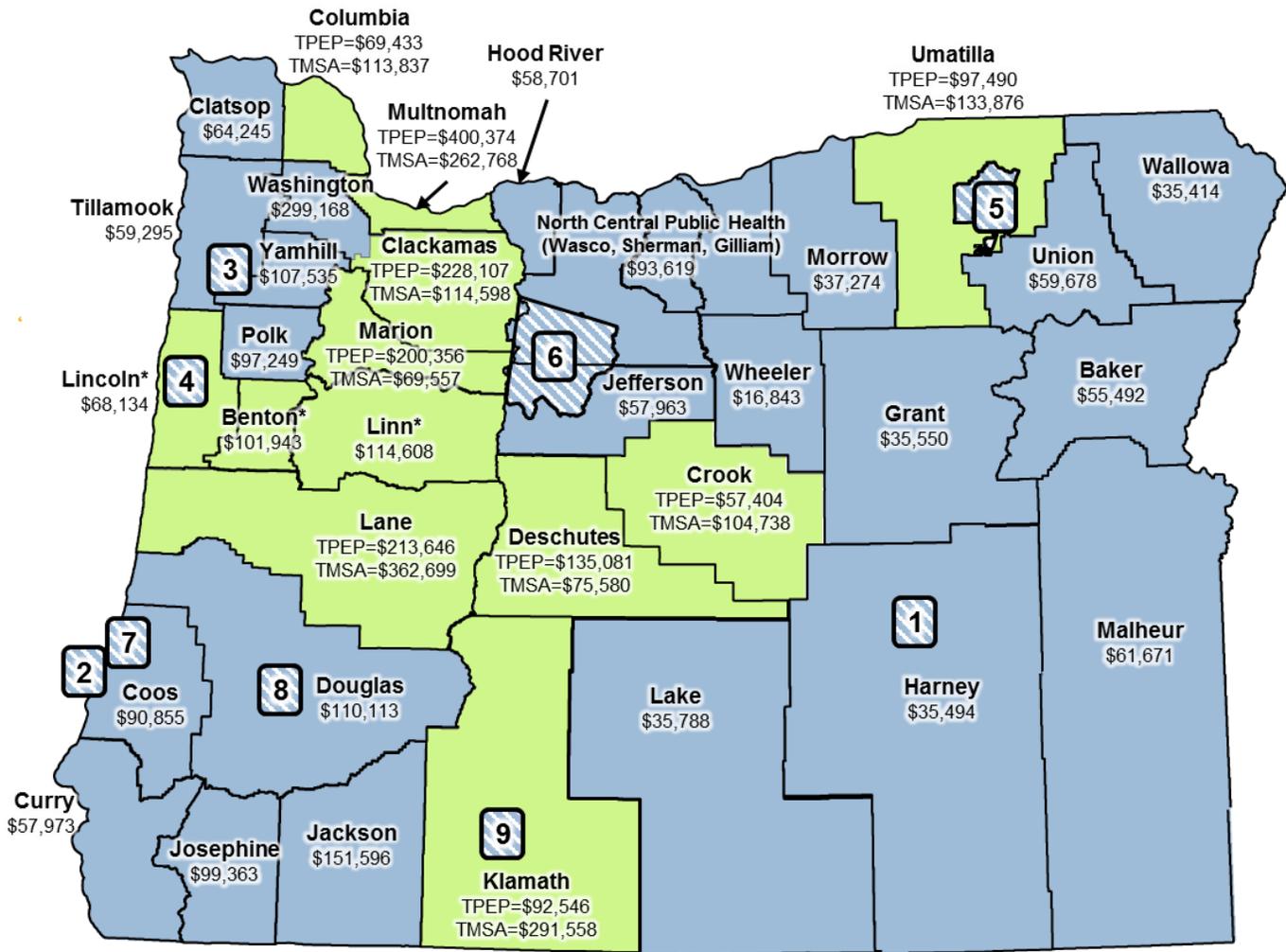
**Tobacco taxes:** For the 2015-17 biennium, state taxes on tobacco products brought in about \$532 million. Table 2 displays how the combined state (cigarette + tobacco product) tobacco tax revenues are currently distributed. Most of this revenue comes from cigarette taxes (78%), and the rest (22%) comes from taxes on other tobacco products. OHA’s Tobacco Prevention and Education Program (TPEP), receives funds from both cigarette and tobacco product taxes via the Tobacco Use Reduction Account (TURA). In 2015-17, TPEP received 3% of all tobacco tax revenues, equaling about \$16 million. The [TPEP program report](#) for FY 2015-17 describes how the TPEP monies are distributed. About two thirds (62%) goes directly into communities to

<sup>1</sup> The information in this document was provided by the Oregon Health Authority, Public Health Division, Health Promotion and Chronic Disease Prevention section. Additional information is available upon request.

support local initiatives; 12% goes in to health communications; 12% goes into cessation interventions; 10% goes into data and accountability; and 4% supports program administration and management. The attached map displays how much TPEP funding each county and tribe received in 2016-17.

<b>Table 2. Current (2017) distribution of state tobacco tax receipts</b>		
General Fund	\$ 131,008,093	24.6%
Oregon Health Plan	\$ 316,576,508	59.5%
Tobacco Use Reduction Account	\$ 16,079,067	3.0%
Cities	\$ 7,126,493	1.3%
Counties	\$ 7,126,493	1.3%
Department of Transportation	\$ 7,126,493	1.3%
Oregon Health Plan (mental health)	\$ 47,009,851	8.8%
<b>TOTAL</b>	<b>\$ 532,053,000</b>	<b>100%</b>

## Oregon tobacco funding map, fiscal year 2016-2017



- Tobacco Prevention and Education Program (TPEP) funded counties
- TPEP and Tobacco Master Settlement Agreement (TMSA) funded counties
- TPEP funded Oregon tribes

\* Benton, Linn and Lincoln counties collectively receive \$120,000 TMSA funding.

Oregon's federally recognized tribes	Tribal TPEP funding
1. Burns Paiute Tribe	\$35,449
2. Confederated Tribes of Coos, Lower Umpqua & Siuslaw Indians	\$40,768
3. Confederated Tribes of Grand Ronde	\$70,545
4. Confederated Tribes of the Siletz Indians	\$69,557
5. Confederated Tribes of the Umatilla Indian Reservation	\$53,666
6. Confederated Tribes of Warm Springs	\$70,604
7. Coquille Indian Tribe	\$40,080
8. Cow Creek Band of Umpqua Tribe of Indians	\$49,825
9. Klamath Tribes	\$69,506

# Tobacco Prevention and Education

Expanding our reach for a healthier Oregon

Program Report 2015–2017



Oregon  
Health  
Authority

This report provides a snapshot of current TPEP accomplishments. It also looks ahead to show how state support will further reduce Oregon's burden of tobacco-related diseases and make our communities healthier and safer.

## TPEP: 20 years of success

2017 marks the 20th year of the Oregon Tobacco Prevention and Education Program (TPEP). The program was started by Oregonians for Oregonians with the passage of Measure 44, which raised the price of tobacco and dedicated a portion of the increase to tobacco prevention and education. Since TPEP started, cigarette consumption in Oregon has declined by more than 50 percent.

Despite this good news, tobacco use remains Oregon's number-one preventable cause of death and disease. It is responsible for more than 7,000 deaths in our state each year. Secondhand smoke causes an additional 625 deaths.\* As a result, TPEP's work continues to be vital to Oregonians' health.

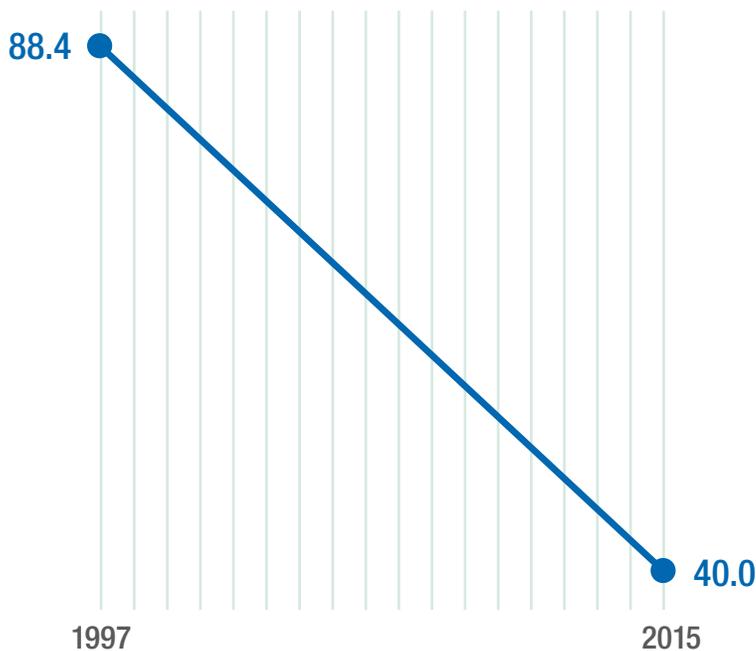
## Goals

TPEP's four goals for making Oregon communities safer and healthier:

1. Eliminate exposure to secondhand smoke
2. Prevent youth from initiating tobacco use
3. Identify and eliminate tobacco-related disparities in all populations
4. Help smokers quit



## Per capita cigarette pack sales in Oregon, 1997 and 2015



*Since TPEP started, Oregon's per capita cigarette pack sales have declined by more than 50%.*

\* This number is an estimate from the 7,270 Oregon deaths in 2014 from tobacco (see Oregon death certificates) and updated data on number of tobacco-related deaths and deaths from secondhand smoke from chapter 12 of the latest surgeon general report (<http://www.surgeongeneral.gov/library/reports/50-years-of-progress/>).

## How TPEP works

The Tobacco Prevention and Education Program partners with local public health authorities, tribes and regional health equity coalitions to prevent and reduce tobacco-related deaths in every Oregon community. More than 85 percent of Oregon's TPEP funding flows directly into communities working to reduce tobacco-related illness and death across the state.

TPEP supports proven strategies to reduce tobacco use, including:

- Increasing the price of tobacco
- Promoting smoke-free environments
- Improving access to affordable and effective cessation services
- Warning of tobacco's dangers
- Reducing youth exposure to tobacco marketing

## The cost of tobacco use

Tobacco use is a major risk factor for developing asthma, lung, liver, colorectal and other forms of cancer, arthritis, heart disease, stroke and diabetes. Tobacco use also worsens symptoms for people already living with chronic diseases.

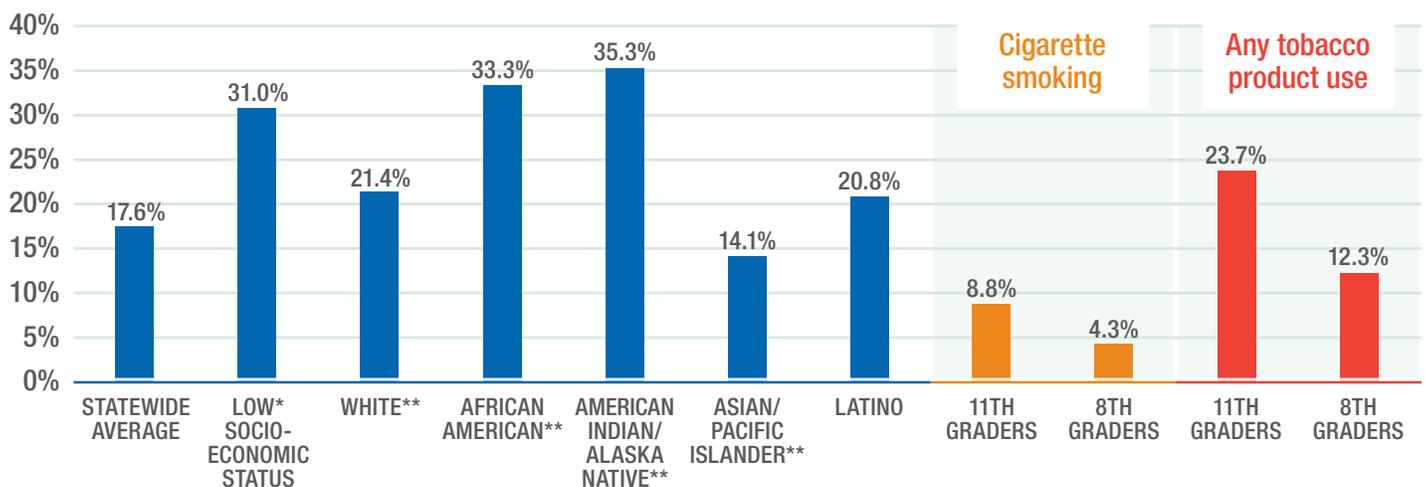
This burden falls hardest on lower-income Oregonians and certain racial and ethnic communities that use tobacco at higher rates and experience the harshest consequences.

All people in Oregon pay the price of tobacco use. Medical expenses and lost wages that result from tobacco-related disease and premature death cost Oregon \$2.5 billion each year, or \$1,600 for every Oregon household in our state.

Most TPEP funding comes from state taxes on tobacco products. However, in 2013, for the first time, the Legislature allocated funds from the Tobacco Master Settlement Agreement to support tobacco prevention efforts.

## TPEP reduces tobacco's harm to Oregonians

### Percentage of adult Oregonians who smoke, among selected groups; and teen smoking rates



Source: Oregon Behavioral Risk Factor Surveillance System (2015). BRFSS race-oversample (2010–2011), Oregon Healthy Teens (2015).

Note: Estimates are age-adjusted.

\* Low socio-economic status includes having less than a high school education or being at 100% or less of the federal poverty level.

\*\* Non-Latino

# TPEP budget | 2015–2017

## TPEP delivers comprehensive, evidence-based tobacco prevention and education programs to all people in Oregon.

More than two-thirds of TPEP's \$15.86 million biennial budget supports public and private organizations' programs and services.

Funds support local public health authorities, tribes and community-based and not-for-profit organizations.

More than \$10 million of TPEP's budget goes to communities across the state.

## Community programs

TPEP provides funding to:

- All 34 of Oregon's local public health authorities;
- All nine federally recognized tribes; and
- Six coalitions of community-based organizations that represent people who are traditionally underserved and experience health disparities.

Communities use these funds to reduce tobacco use where people live, work, play and learn.

## Public awareness and education

TPEP's statewide education campaigns include advertising on television, radio, digital and social media and in newspapers across Oregon.



PUBLIC HEALTH DIVISION

Tobacco Prevention and Education Program (TPEP)

800 N.E. Oregon St., Suite 730

Portland, Oregon 97232

Telephone: 971-673-0984

Fax: 971-673-0994

[public.health.oregon.gov/PreventionWellness/TobaccoPrevention](http://public.health.oregon.gov/PreventionWellness/TobaccoPrevention)

TPEP also promotes news stories and editorials to raise Oregonians' awareness of the dangers of secondhand smoke and the benefits of quitting tobacco.

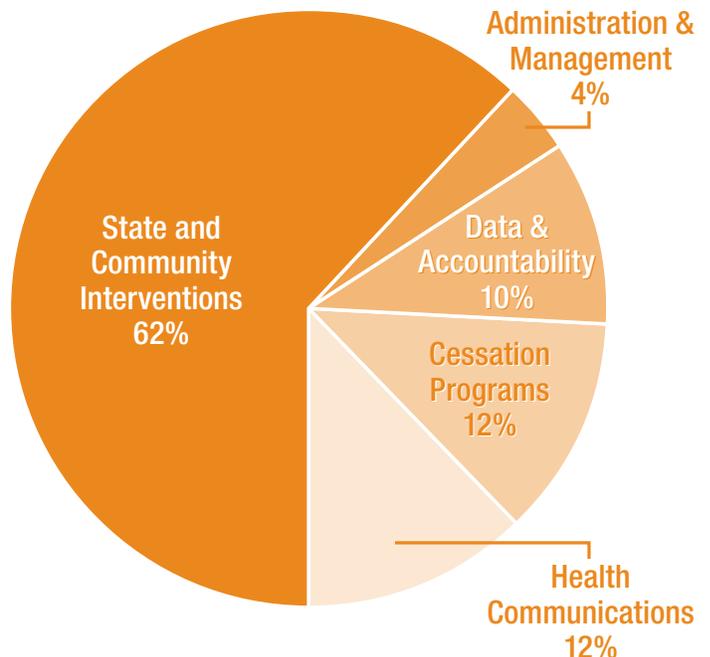
## Oregon Tobacco Quit Line

The Oregon Tobacco Quit Line gives free help and coaching to all people in Oregon who want to quit using tobacco. It is also available to their friends, family and health care providers.

## Data and accountability

TPEP tracks, measures and analyzes tobacco-related data on Oregon adults and youth to ensure programs are appropriate and effective.

TPEP measures effectiveness by comparing national and Oregon data and trends during the same period.



You can get this document in other languages, large print, braille or a format you prefer. Contact the Public Health Division at 971-673-0372. We accept all relay calls or you can dial 711.

# PUTTING TOBACCO MASTER SETTLEMENT AGREEMENT (TMSA) DOLLARS TO WORK HELPING PEOPLE QUIT

## OREGON'S INVESTMENT IN TOBACCO PREVENTION & EDUCATION

Despite declines in tobacco use, it remains the No. 1 preventable cause of death and disease in Oregon, killing 7,000 people each year. Tobacco use is a major risk factor for developing asthma, arthritis, diabetes, cardiovascular disease, stroke, tuberculosis and ectopic pregnancy—as well as lung, liver, colorectal and other forms of cancer. It also worsens symptoms for people already battling chronic diseases. This burden falls hardest on lower-income Oregonians and certain racial and ethnic communities who use tobacco at higher rates and suffer the harshest consequences.

**ALL OREGONIANS  
PAY THE PRICE OF  
TOBACCO USE. MEDICAL  
EXPENSES AND LOST  
WAGES THAT RESULT  
FROM TOBACCO-  
RELATED DISEASE AND  
PREMATURE DEATH COST  
OREGON \$2.5 BILLION  
EACH YEAR, OR \$1,600  
FOR EVERY HOUSEHOLD  
IN OUR STATE.**



## NEW TMSA FUNDING

The majority of Tobacco Prevention and Education Program (TPEP) funding comes from state taxes on tobacco products. However, in 2013, the Legislature for the first time directed a portion of funds from the Tobacco Master Settlement Agreement (TMSA) to support tobacco prevention efforts. This \$4 million commitment funded:

- Community interventions to reduce tobacco use and encourage adults to quit
- Health education and communications
- Data collection and program evaluation
- Training for public health, health care and community partners
- Technical assistance to support community health
- The Oregon Tobacco Quit Line, available 24/7 by phone and online

## QUIT LINE SUCCESS

This investment has increased callers to the Oregon Tobacco Quit Line by 136% from January 2015 compared to January 2014. In January 2015, a total of 1,156 people called for help—the highest number of callers Oregon has ever seen in one month. Web traffic to the Quit website increased from 510 views for the first week of December 2014 to 9,361 views for the last week in December 2014.

# HELPING PEOPLE WIN AGAINST TOBACCO

In collaboration with the Conference of Local Health Officials (CLHO), the Tobacco Reduction Advisory Committee, representatives from Coordinated Care Organizations (CCOs), and the Governor's Office, the TPEP funded six local health departments with TMSA money.

## COMMUNITY INTERVENTION—SOUTHWEST OREGON:

Southwest Oregon has some of the highest adult smoking rates in the state, particularly among low-income community members and people with substance use disorders. A strong partnership between public health, primary care and substance abuse prevention and treatment forms the backbone of TMSA efforts in Douglas and Coos counties. TMSA funding helped integrate comprehensive tobacco prevention and cessation interventions into medical and dental care campuses in Douglas and Coos counties, and engaged CCO-affiliated clinics in an intensive assessment and planning process to strengthen the delivery of nicotine dependence treatment.



## COMMUNITY INTERVENTION—LANE COUNTY:

Eugene and Springfield comprise the second-largest urban area in the state, but outside of this metropolitan area, Lane County is primarily rural, and its large size and geographic diversity creates differences in health outcomes. TMSA funds allowed Lane County to focus on public health policies in the urban Eugene area as well as in rural areas of Lane County. In December 2014, the Lane County Board of Commissioners passed a tobacco ordinance that protects youth from new and emerging tobacco products, prohibits free sampling and coupon redemption for tobacco products, reduces the number of retailers near kid-friendly places over time, and offers health information at the point of sale.

“ There is no simple solution to the problem of tobacco use, but we know what works to prevent young people from starting and to help people quit. This TMSA investment has allowed us to mobilize local action to apply what works to address the enormous health burden of tobacco use in Douglas and Coos counties. ”

—Marilyn Carter, SPARc  
(Strategies for Policy And  
enviRonmental Change)  
Coordinator



## SUPPORT

**TRAINING AND TECHNICAL ASSISTANCE:** In partnership with the Coordinated Care Organization 2014 Summit, TPEP sponsored a half-day training for health care providers. Participants learned techniques to make sure that every patient is asked if they use tobacco, advised to quit if they do, and referred to support such as the Quit Line if they are interested in quitting. OHA is working with the Oregon Primary Care Association to provide cessation training to health workers at federally qualified health centers.

**HEALTH EDUCATION AND COMMUNICATIONS:** Oregon Health Authority kicked off its English and Spanish cessation campaign using multiple media channels across the state to reach audiences with the highest tobacco use rates. In areas where local health authorities received TMSA dollars for community interventions, OHA targeted additional cessation ads to pregnant women who continue to smoke. Counties include Benton, Coos, Douglas, Klamath, Lincoln, Linn and Yamhill. The campaign began in December 2014 and runs through June 2015, achieving more than 12 million views.

# PUTTING TOBACCO MASTER SETTLEMENT AGREEMENT (TMSA) DOLLARS TO WORK TOBACCO IN THE RETAIL ENVIRONMENT

## OREGON'S INVESTMENT IN TOBACCO PREVENTION & EDUCATION

Oregon's Tobacco Prevention and Education Program (TPEP) works in partnership with local public health authorities, tribes and community-based organizations to engage communities in promoting smokefree environments and reducing the influence of tobacco marketing on the most vulnerable among us, particularly kids.

## NEW TMSA FUNDING

The majority of TPEP funding comes from state taxes on tobacco products. However, in 2013, the Legislature for the first time directed a portion of funds from the Tobacco Master Settlement Agreement (TMSA) to support tobacco prevention efforts. This \$4 million commitment funded:

- Community interventions to reduce tobacco use and encourage adults to quit
- Health education and communications
- Data collection and program evaluation
- Training for public health, health care and community partners
- Technical assistance to support community health
- The Oregon Tobacco Quit Line, available 24/7 by phone and online



Multnomah and Lane counties were awarded grants to implement innovative retail policies to reduce the number of Oregon youth who become addicted to tobacco.

## SWEET, CHEAP & EASY TO GET

Addiction to tobacco starts in adolescence; in fact, nine of ten adults who smoke report that they started smoking before turning 18. Kids in Oregon are under constant pressure to start using tobacco. It is cheap, readily available and easy to get, and it's heavily promoted and marketed in stores that kids go to. Tobacco products come in every size, shape, color, flavor and price—often displayed at young kids' eye level (three feet or lower) and near candy.

Youth who live or go to school in neighborhoods with the highest density of tobacco outlets or retail advertising have higher smoking rates compared to youth in neighborhoods with fewer tobacco outlets. While consumption of cigarettes has decreased among Oregon teens, use of flavored little cigars and e-cigarettes has remained steady or increased—in fact, use of non-cigarette tobacco products (18 percent) is twice that of cigarettes (9 percent).



## COMMUNITY INTERVENTION— MULTNOMAH COUNTY:

Multnomah County Health Department, in partnership with the Oregon Health Equity Alliance (OHEA), focused on a policy strategy to curb youth access to and use of tobacco. Multnomah County and OHEA assessed 411 tobacco retail venues and presented the results to the Multnomah Board of County Commissioners. County health department leaders conducted a series of presentations to the Board, culminating in three policy options under consideration:

- Prohibit e-cigarette sales to, and use by, minors
- Include use of e-cigarettes in the Multnomah County Smoke-free Workplace law
- License retailers who sell tobacco and e-cigarette products

## COMMUNITY INTERVENTION – LANE COUNTY:

In December 2014, the Lane County Board of Commissioners passed a tobacco ordinance that achieves the following:

- Bans the sale of e-cigarettes to minors
- Requires tobacco and e-cigarette retailers to be licensed in unincorporated areas of the county
- Prohibits free samples of tobacco products
- Prohibits the redemption of tobacco industry coupons and other price discounting practices like multi-pack discounts
- Prohibits tobacco retailers within 1,000 feet of places that serve children, like schools, child care centers, libraries, playgrounds, youth centers, recreation facilities or parks
- Prohibits self-service displays and mobile vending
- Requires posting of health warnings and Quit Line information in each retailer

# SUPPORT

**TRAINING AND TECHNICAL ASSISTANCE:** With the help of Oregon Health Authority staff, all local public health authorities completed a tobacco retail assessment to determine tobacco product availability, price, promotion and placement.

OHA staff trained local public health authorities on proven tobacco prevention retail strategies. These strategies work to reduce (or restrict) the number, location, density and types of tobacco retail outlets; increase the cost of tobacco products; implement prevention and cessation messaging; and other point-of-sale strategies including a ban on the sale of flavored tobacco.

**HEALTH EDUCATION AND COMMUNICATIONS:** The Smokefree Oregon education campaign informs local communities about the retail practices of the tobacco industry and highlights retailers, students and policy makers across Oregon who have taken a stand against the tobacco industry.



# Marijuana Tax

## An overview of Oregon's recreational marijuana taxes

- The state tax rate is 17 percent.
- Municipalities can enact an additional tax of up to 3 percent with the approval of voters.
- Only retailers licensed by the Oregon Liquor Control Commission (OLCC) can sell recreational marijuana.
  - Estimates indicate approximately 350 licensed retailers in 2015–17 and approximately 550 licensed retailers in 2017–19.
- Our rules require monthly payments. Payments are due on the last day of each month for retail sales from the previous month. For example, the tax for January's sales is due by February 28.
- Payments are accepted by check, money order, cashier's check, bank account transfer, credit or debit card, or cash. Cash payments are by appointment only at the Revenue building in Salem only.
- Taxpayers can keep 2 percent of the state tax to cover their administrative costs.
- Returns are due on the last day of the month following the quarter's end (January 31, April 30, July 31, October 31).
- Returns are only accepted electronically through Revenue Online at [www.oregon.gov/dor](http://www.oregon.gov/dor).

## Revenue disbursement

Per House Bill 2041 (2015), we'll use marijuana tax revenue to cover our costs for administering the marijuana tax. After that, money will be distributed as follows:

- Common School Fund: 40 percent.
- Mental Health, Alcoholism, and Drug Services Account (ORS 430.380): 20 percent.
- State Police: 15 percent.
- Cities, for local law enforcement: 10 percent.
- Counties, for local law enforcement: 10 percent.
- Oregon Health Authority, for alcohol and drug abuse prevention, early intervention, and treatment services: 5 percent.

Disbursements will be determined by the number of licenses issued by OLCC in a given area. Areas that prohibit recreational marijuana facilities won't receive any marijuana tax revenue.

## **Information on local taxes**

In November 2016, voters in some municipalities approved local marijuana taxes of 3 percent. Many of those municipalities decided to have us collect those taxes on their behalf. A [list of those municipalities](#) is available on our website.

**Starting in with February's payment for taxes collected in January:** Businesses located in municipalities where we're responsible for the collection of the tax will include both state and local taxes in their monthly payment. Businesses located in a municipality that's collecting its own taxes should contact the municipality to find out how to file and pay their local taxes. They're still required to make monthly payments and quarterly filings to the Department of Revenue for their state taxes, regardless of how the local tax is being administered.

For more information on marijuana taxes, visit [www.oregon.gov/dor/marijuana](http://www.oregon.gov/dor/marijuana).

2017 - 2019

# GOVERNOR'S BUDGET

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STATE OF OREGON



Governor Kate Brown

*Kate Brown*

# REVENUES

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## Revenue Summary

### CURRENT LAW PROJECTION

The Department of Administrative Services Office of Economic Analysis projects General Fund revenue of \$19,454.1 million for 2017-19. A beginning balance of \$64.6 million is anticipated for the new biennium, after a transfer of \$180.7 million is made to the Rainy Day Fund.

Personal income tax makes up the largest share of the General Fund. It accounts for about 89 percent of projected revenues. Corporate income taxes are about five percent of the total revenue amount. Other sources make up the remainder. The largest of the other sources are insurance taxes, estate taxes, and liquor apportionment transfer.

Personal income tax revenues in the 2017-19 Current Law Forecast total \$17,340.4 million, and corporate income tax revenues are expected to be \$988.8 million for the biennium.

New state Lottery revenues for the biennium are forecast to be \$1,232.2 million. The budget anticipates a beginning balance of \$46.7 million. Interest on the Education Stability Fund and Economic Development Fund provide an additional \$2 million of resources. Total resources are expected to be \$1,280.9 million for the 2017-19 biennium.

Dedicated distributions for the Education Stability Fund, the Parks and Natural Resources Fund, county economic development, county fairs, and problem gambling treatment will total \$465.3 million. There are two new dedicated distributions that were passed by the voters at the November 2016 general election. A dedicated distribution to the Veterans' Services Fund of 1.5 percent of net lottery proceeds, or \$18.5 million, is the result of the passage of Ballot Measure 96. The second new dedication is the result of the passage of Ballot Measure 99 where four percent, or \$22 million per year, is dedicated to the Outdoor Education Account. Funds dedicated for debt service on Lottery bonds will total \$270 million. In addition to these distributions, \$481.1 million will be available for allocation to education and economic development activities in the 2017-19 biennium.

### GOVERNOR'S RECOMMENDED REVENUE CHANGES

The Governor recommends continuing 10 corporate and personal income tax credits set to end in 2017-19. Several do not have a substantive effect on the General Fund and cumulate to about \$4.8 million.

The Governor's Budget proposes to increase the Cigarette Tax from \$1.33 per pack to \$2.18 per pack effective January 1, 2018. The increase is estimated to generate an estimated \$21.5 million for the General Fund per the Department of Revenue. The distribution formula will be in exact proportion to the existing distributions. The Governor's Budget also proposes to increase taxes on Other Tobacco Products, generating an estimated \$13.7 million for the General Fund, in the following ways:

- Increase the per cigar cap from \$0.50 to \$1.00;
- Increase the rate on moist snuff by \$0.89 per ounce; and,

- Increase the rate on all other tobacco products from 65 percent of the wholesale price to 75 percent of the wholesale price.
- The distribution formula will be in exact proportion to the existing distributions and are proposed to take effect in January 1, 2018.

The Governor proposes to eliminate the “Partnership Pass-through” which allows lower tax rates for non-passive partner income as well as the Interest Charge – Domestic International Sales Corporation (IC-DISC) dividend subtraction. The Department of Revenue estimates that the Partnership Pass-through elimination will increase Personal Income Tax revenue by \$177.0 million. Elimination of the IC-DISC dividend subtraction will result in an additional \$6.0 million in Personal Income Taxes. These changes are proposed to take effect January 1, 2018.

Finally, the Governor’s Budget proposes to increase General Fund revenue raised by the Oregon Liquor Control Commission by \$39.1 million in the following ways:

- Increase the surcharge on distilled spirits from \$0.50 per bottle to \$1.00 per bottle beginning July 1, 2017 and extending through June 30, 2019. On August 19, 2016, the Commission voted to extend its 50-cent surcharge on distilled spirits through June 30, 2019. This proposal doubles the surcharge and generates an estimated \$33.8 million in revenues dedicated to the General Fund.
- Increase alcohol licensing fees while maintaining the current fee for server permits. Fee’s would increase by 100 percent on July 1, 2017 and are anticipated to generate an additional \$5.3 for the General Fund.

The budget includes expected costs for the issuance of Tax Anticipation Notes (TANs). These notes are used by the State Treasurer during the biennium to help with General Fund cash flow. The total cost for the biennium is estimated at \$20.2 million.

When the Governor’s recommended revenue changes are incorporated into the revenue forecast, total General Fund revenues for 2015-17 will be \$19,772.7 million. This is a 9.7 percent increase over the latest forecast of General Fund resources for the 2015-17 biennium.

## PHAB Funding and Incentives Subcommittee

Subcommittee Members: Silas Halloran-Steiner, Jeff Luck, Alejandro Queral, Akiko Saito, Tricia Tillman

February 14, 2017

### Sugary Drink Taxes Update<sup>1</sup>

#### 2015-2019 State Health Improvement Plan: Population Interventions

Strategy 1: Increase the price of sugary drinks

Tax advocates have won seven of the past seven tax campaigns. The beverage industry spent over \$42 million this year alone to defeat taxes on sugary drinks. The total number of people benefitting from sugary drink taxes across the nation is over 8 million people.

<u>Location</u>	<u>Passed</u>	<u>Amount</u>	<u>Revenue Use</u>	<u>Est. annual revenue (\$1,000,000)</u>
Berkely, CA Measure D	74% Oct. 2014	1 cent/oz	Health programs in schools and communities	\$1.5
Philadelphia, PA- Council	13-4 June 2016	1.5 cents/oz	Pre-k, schools, parks, recreation centers, libraries	\$91.0
Albany, CA Measure O1	71% Nov. 2016	1 cent/oz  Exemption for distributors serving businesses with less than \$100,000 in gross receipts per year	Measure didn't specify where the money would go, meaning they needed only a simple majority. Backers of the taxes vowed to use the proceeds for health-related purposes, even if that wasn't written into the measures.	\$0.2
Oakland, CA Measure HH	61% Nov. 2016	1 cent/oz	" "	\$7
San Francisco, CA Measure V	62% Nov. 2016	1 cent/oz	" "	\$15.0
Boulder, CO Measure 2H	54% Nov. 2016	2 cents/oz	Health and nutrition programs	\$3.8
Cook County, IL (Chicago)- Commission	9-8 Nov. 2016	1 cent/oz  Exemption for sugary	Public health and safety programs	\$223.8

<sup>1</sup> The information in this document was provided by the Oregon Health Authority, Public Health Division, Health Promotion and Chronic Disease Prevention section.

<u>Location</u>	<u>Passed</u>	<u>Amount</u>	<u>Revenue Use</u>	<u>Est. annual revenue (\$1,000,000)</u>
		beverages paid for w/SNAP		

Combined, the seven Bay Area, Philadelphia, Boulder, and Cook County taxes will bring in estimated revenues of over \$342 million per year. <sup>i</sup>

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<sup>i</sup> [http://www.healthyfoodamerica.org/cook\\_county\\_makes\\_soda\\_taxes\\_5\\_for\\_5\\_this\\_week](http://www.healthyfoodamerica.org/cook_county_makes_soda_taxes_5_for_5_this_week)