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AOC | Association of Oregon Counties

HOUSE BILLS 2134 AND 2074 – BROADENING THE DEFINITION OF TOBACCO PRODUCTS

Comments by Gil Riddell, AOC Policy Director, before the House Revenue Committee, April 6, 2015

The Association of Oregon Counties represents all 36 counties in the state. Without exception, Oregon's counties consider the health and safety of their citizens as top priorities. This is reflected in their budgets and relative spending on the array of critical public services counties provide. The two bills under consideration add e-cigarettes and other appropriate products to the definition of tobacco products that should be controlled and taxed. AOC will very shortly discuss these bills with the high likelihood of joining the proponents. Our history of support for these kinds of measures permits me to speak with assurance.

At this hearing AOC wishes to take the opportunity to address our State-county shared services and revenues relationship, which has brought efficiency and good public policy to the people of Oregon as its reward.

Over the years, Oregon counties have worked in good faith with the State of Oregon to create a financial system that has worked well for all the residents of the state. Several agreements have been entered into that include the sharing of revenues. Often, counties agreed to give up their right to regulate or establish taxes or fees on an activity in exchange for a promise by the state of a share of revenue from its regulation or taxation of the activity.

Too often, when the state falls on hard economic times, one of the first places the Legislature and state agencies look for new revenue is the revenue-sharing arrangements with counties – forgetting the agreements that put these formulas in place.

The cigarette tax is an example of a partnership left behind.

The 1965 Legislative Assembly, with the critical support of counties and cities, referred a cigarette tax to the voters. It taxed $0.04 on every standard pack of cigarettes. This provided one cent per pack each to counties and cities to offset the costs of state mandates, *compensate for preemption of local taxing authority*, and partially offset city fire suppression and county public health costs. The result was a 50-50 sharing between the state and local governments. The referendum passed decisively by a 63 percent majority.

Despite this understanding of 50-50 sharing, over the years the Legislature has ignored the arrangement by increasing the tax and retaining the new proceeds for the Oregon Health Plan, to fill state revenue shortfalls, and fund elderly transportation. Today, instead of the original 25 percent share, counties receive a mere 1.8 percent share. All of these uses of the proceeds are good things; it would be hard to argue against them. But the point AOC wants to make is to request, in particular when new resources are available because of growth in tobacco products, that the Legislature steer its direction of revenue sharing back toward the original understanding.

The county share of the cigarette tax is distributed to each county based on population. The tax is used to support county general fund services including sheriff's patrol, jails, and health services. Statewide the county annual share is on the order of $3.6 million.