FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 663 – A11**
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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Measure Description:
Requires retail businesses selling tobacco products or inhalant delivery systems to receive a permit from the Department of Revenue.

Government Unit(s) Affected:
Department of Revenue (DOR), Oregon Health Authority (OHA)

Summary of Expenditure Impact:
See Analysis below

Local Government Mandate:
This bill 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 receive a permit from the Department of Revenue (DOR) in order to operate. The bill specifies terms and qualifications and provides an exemption for medical marijuana facilities. The bill also restricts local government authority to adopt ordinances regarding such licensure. DOR is granted authority to charge a one-time filing fee of up to $25 for the issuance of a permit and specifies that permit holders may not be required to renew permits. The measure also does the following:

- Requires DOR to maintain a database of information regarding such licenses,
- Authorizes DOR to conduct, or to enter into agreements with the United States Food and Drug Administration (USFDA) to conduct inspections of licensed premises,
- Requires DOR and the Oregon Health Authority (OHA) to enter into an agreement regarding inspections of licensed premises, and
- Grants DOR disciplinary and civil penalty authority to enforce the provisions of the bill.

While the measure does not take effect until July 1, 2017, DOR and OHA are authorized to begin taking actions in 2015-17 in order to begin full implementation of the measure at the start of the next biennium. DOR is assuming that, at least initially, they will not increase their staffing levels in order to implement the bill, but will have existing staff absorb the new requirements into their current workload. The agency does estimate a cost of up to $350,000 in 2015-17 to implement technology system changes that would be necessary.

At this time, there are a number of factors which are indeterminate that could result in additional costs, including the number of inhalant delivery system retailers in Oregon, the scope of the mandatory agreement with OHA, and whether or not an optional agreement with the USFDA is determined to be needed. DOR assumes that there will be sufficient revenue generated from the permit fee and civil penalties to cover their costs for implementation of the bill; however, if costs do exceed available revenue, General Fund may be needed. Even if revenue is sufficient, it is possible that there will be the need for additional expenditure limitation for DOR and/or OHA to cover expenses once the new program is fully operational.