

## 2019 Agency Legislative Concept Request

Agency #/Concept #:

Placeholder?  Yes  No

Date:

**(TEXT BOXES EXPAND AS NEEDED)**

**Agency:** Oregon Health Authority

**Division/Program:** PHD/HPCDP

**Concept Subject or Title:** Increase the price of tobacco products

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### 1. Problem (Completely describe the problem you propose to solve.)

Tobacco use is the No.1 preventable cause of death and disease in Oregon, claiming almost 8,000 lives per year and costing Oregonians over \$2.5 billion in medical spending, lost productivity, and early death. Consequences of tobacco use include heart disease, asthma, emphysema, cancers and low-birth weight babies. Oregon spends much more treating these diseases than it receives from tobacco taxes.

Tobacco products are cheap, sweet, and easy to get in Oregon. The tobacco industry continues to develop and aggressively market products that avoid existing taxes and appeal to youth and minority communities, including African-Americans, American Indian/Alaska Natives, and sexual minorities. Oregon's tobacco prevention, cessation, and education efforts are underfunded, especially relative to tobacco industry marketing. This means the program does not have the capacity to effectively counter massive industry expenditures designed to increase tobacco use and reinforce existing disparities in Oregon.

Together, these conditions create an environment where youth continue to become addicted to tobacco, people lack the resources to help them quit, and minority and low-income communities suffer from tobacco-related diseases at higher rates.

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### 2. Proposed Solution (Completely describe what the concept does to fix the problem. Do not include proposed statute changes here.)

Price increases are the most effective policy tool to reduce tobacco use. Oregon has not significantly increased the price of tobacco since 1996. Previous price increases have helped lower tobacco use, but price increases have not kept up with inflation or industry innovation. The price of tobacco in Oregon is still not high enough to deter youth from starting to use tobacco or provide a strong incentive to overcome the power of addiction.

This legislative concept proposes a \$2.00 per pack price increase for cigarettes, which will reduce cigarette consumption among youth (under age 18) by 24%, adults by 14%, and Oregon Health Plan (OHP) members by 17%. The price increase would particularly benefit low-income smokers on the OHP who are more sensitive to prices. The reduction in OHP smokers would result in over \$52 million annually in direct OHP health care cost savings.

This concept also raises the tax on other tobacco products by an equivalent amount, removes the tax cap on cigars, and proposes a new tax on inhalant delivery systems that would put the price of these products on par with cigarettes. These price increases would reduce use of these products. Combined with the cigarette tax increase, these changes would lead to meaningful overall decreases in tobacco use and the resulting health, social, and economic burdens in Oregon.

This concept also increases the amount of funding dedicated to tobacco and chronic disease prevention. According to the Centers for Disease Control and Prevention (CDC), when a portion of tobacco tax revenue is dedicated to science-based tobacco prevention and education, tobacco use is reduced even further. The new tax revenue would increase tobacco program activities for the Oregon Health Authority's Tobacco Prevention and Education Program. Activities would mirror the comprehensive approach recommended by the CDC for tobacco control and fund both local grants and statewide support for local efforts.

Reductions in adult smoking since the beginning of the Tobacco Prevention and Education Program translate to almost 200,000 fewer adult smokers in Oregon today. The tobacco-related cancer death rate also has dropped 12 percent since the start of the program. Increasing funding for TPEP would result in fewer smokers and greater savings in medical costs over these smokers' lifetimes.

In summary, increasing the price of tobacco will result in a reduction in tobacco use and future tobacco-related health care costs. The benefits of a price increase can be magnified when a portion of tobacco tax revenue is dedicated to science-based tobacco prevention and education.

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**3. Proposed Changes to Statute (Please attach your best attempt at proposing changes to statute to accomplish your goal; however, Legislative Counsel may draft alternate language.)**

See attached

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- 4. Has this been introduced in a prior session?**  No  Yes Years(s) Bill#(s)  
**Does this amend current law or programs?**  No  Yes (Specify) ORS 323.505 & 323.625 (for OTP)  
**Is this related to a legal decision?**  No  Yes (Case cite, AGO No. date, etc. – *attach copies*)

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**5. Equity Analysis (Describe any known racial or ethnic inequities associated with the problem and how the proposed statutory changes are culturally and linguistically appropriate and specifically address the inequities.)**

In Oregon, African-Americans, American Indian/Alaska Natives, sexual minorities, and low-income people use tobacco higher rates than other groups in Oregon and, in turn, bear a proportionally higher burden of tobacco-related illnesses. Smoking rates among African-Americans and American Indian/Alaska Natives are 60% higher than among whites. People of low socioeconomic status are more than twice as likely to smoke, and those with less than a high school education are five times as likely to smoke compared to college graduates. More than 60% percent of current African-American smokers attempted to quit in the past year, while 50% of white smokers did the same. Although African-American smokers are more likely than white smokers to have made a quit attempt in the previous year, they are less likely to successfully quit smoking.

The tobacco industry continues to develop and aggressively market products that avoid existing taxes and appeal to youth and minority communities, including African-Americans, American Indian/Alaska Natives, and sexual minorities. The higher rates of some tobacco-related diseases in these populations may partly result from greater use of menthol cigarettes, which have been heavily marketed to minority communities. Among current cigarette smokers, 57% of African American adults and 17% of American Indian or Alaska Native adults currently smoke menthol cigarettes.

Tobacco product price increases are one of the most effective strategies for improving health and equity. The U.S. Surgeon General identifies raising the price of tobacco products is one of the most effective strategies for reducing tobacco use, and price increases are particularly effective in reducing smoking among African Americans, youths, males, and persons in low-income households. For example, a 10 percent increase in cigarette prices will reduce overall youth smoking by about seven percent but will reduce smoking among African-American male teenagers by 16 percent.

The health and equity benefits of tax increases will be amplified by the availability of additional resources for Oregon's Regional Health Equity Coalitions and Tribes to work with community partners to develop and implement culturally specific tobacco prevention and education. Additional resources can support the development of culturally appropriate communications materials and the statewide provision of tailored trainings and technical assistance.

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**6. Stakeholders and/or Other Affected Agencies who are Aware of Your Concept**

**Agency:**

**Contact Person:**

**Phone:**

**7. Known Support or Opposition (Please elaborate.)**

Likely to support: American Cancer Society, American Lung Association, American Heart Association, Upstream Public Health, Oregon Medical Association, Oregon Nurses Association, Oregon Association of Hospitals and Health Systems, Oregon Public Health Association, Coalition of Local Health Officials.

Likely to oppose: Tobacco industry, Oregon Grocers Association, Oregon convenience store owners and associations

**8. Increases fees or assessments?**  No  Yes Provide Form – 107BF22

**Concept has other fiscal, revenue or position (FTE) impacts?**  No  Yes Provide Fiscal Form

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**9. For PLACEHOLDERS – ALL additional substantive information is due to DAS no later than June 24. This concept is a PLACEHOLDER.**  No  Yes (approximate delivery date)

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**10. Additional Information or Attachments (Briefly describe attachments - draft language, opinions, etc.)**

Attached is a proposed bill that raises the tax on cigarettes by \$2.00 per pack, raises the taxes on other tobacco products by an equivalent amount, and directs 10% of the increase to OHA for tobacco and chronic disease prevention. Draft language for an inhalant delivery system tax has not been developed.

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**11. Approved for Drafting:**

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Governor's Office

\_\_\_\_\_  
Date

\_\_\_\_\_  
Department of Administrative Services

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Date