

**SB 5541 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Reviewed By:** Tom MacDonald, Legislative Fiscal Office

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**Department of Administrative Services**

**2021-23**

**Oregon Health Authority**

**2021-23**

**Department of Education**

**2021-23**

**Department of Justice**

**2021-23**

PRELIMINARY

## **Summary of Revenue Changes**

On November 23, 1998, 46 states and the four largest United States tobacco manufacturers, Philip Morris, R. J. Reynolds, Brown & Williamson, and Lorillard, entered into an agreement known as the Master Settlement Agreement (MSA). For release from past and present smoking-related claims by the states and for a continuing release of future smoking-related claims, these four companies, which are collectively known as the Original Participating Manufacturers (OPM), agreed to make annual payments to the states in perpetuity. The MSA requires an escrow agent to distribute the annual payments on or before April 15 of each year. The size of the annual payments is subject to numerous adjustments as outlined in the MSA. The OPMs also agreed to tobacco advertising and marketing restrictions, the disbandment of specific tobacco-related organizations, and efforts to reduce youth smoking, among other provisions.

MSA payments to Oregon are deposited in the Tobacco Settlement Funds Account administered by the Department of Administrative Services (DAS). Senate Bill 5541 allocates these funds according to the purposes stated in the bill and are based on resources projected to be available for the 2021-23 biennium. As actual amounts vary, the allocations or distributions set forth could also vary.

Senate Bill 5541 includes the following MSA allocations from the Tobacco Settlement Funds Account for 2021-23:

- \$30,912,380 to the Higher Education Coordinating Commission, XI-L Oregon Health and Science University Bond Fund to pay debt service and administrative fees on Oregon Opportunity Bonds.
- \$100,209,000 to the Oregon Health Authority for the Oregon Health Plan.
- \$12,960,000 to the Oregon Health Authority for community mental health programs.
- \$3,344,000 to the Department of Education for physical education related grants authorized by ORS 329.501.
- \$750,000 to the Department of Justice for required MSA enforcement activities.

The use of MSA revenue for these programs has not changed from prior biennia. This revenue has already been budgeted in the primary agency budget bills for these programs to support current service levels in 2021-23; there are no program enhancements or reductions resulting from these revenue allocations.

## **Summary of Capital Construction Subcommittee Action**

No expenditure limitation is established by this bill. The expenditure limitation for MSA revenues allocated in this bill are contained in the identified agency budgets and expended as Other Funds.