

**SB 587 B BUDGET REPORT and MEASURE SUMMARY**

**Carrier:** Rep. Wilde

**Joint Committee On Ways and Means**

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**Action Date:** 06/16/21

**Action:** Do Pass the B-Eng bill.

**House Vote**

**Yeas:** 9 - Bynum, Gomberg, Leif, McLain, Nosse, Rayfield, Sanchez, Sollman, Stark

**Exc:** 2 - Drazan, Smith G

**Senate Vote**

**Yeas:** 10 - Anderson, Frederick, Golden, Gorsek, Hansell, Johnson, Knopp, Lieber, Steiner Hayward, Taylor

**Nays:** 2 - Girod, Thomsen

**Prepared By:** Patrick Heath, Department of Administrative Services

**Reviewed By:** Zane Potter, Legislative Fiscal Office

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**Oregon Health Authority**

**2021-23**

**Department of Revenue**

**2021-23**

**Budget Summary\***

	2019-21	2021 - 23	2021-23	Committee Change from 2019-21	
	Legislatively Approved Budget <sup>(1)</sup>	Current Service Level	Committee Recommendation	Leg. Approved	
				\$ Change	% Change
<b>Department of Revenue</b>					
Other Funds Limited	\$ -	\$ -	\$ 1,174,046	\$ 1,174,046	100.0%
<b>Oregon Health Authority</b>					
Other Funds Limited	\$ -	\$ -	\$ 2,061,726	\$ 2,061,726	100.0%

\* Excludes Capital Construction expenditures

**Position Summary**

<b>Department of Revenue</b>				
Authorized Positions	0	0	5	5
Full-time Equivalent (FTE) positions	0.00	0.00	4.50	4.50
<b>Oregon Health Authority</b>				
Authorized Positions	0	0	12	12
Full-time Equivalent (FTE) positions	0.00	0.00	7.74	7.74

<sup>(1)</sup> Includes adjustments through January 2021

**Summary of Revenue Changes**

Senate Bill 587 will generate Other Funds revenues from fees imposed by the Oregon Department of Revenue (DOR) and the Oregon Health Authority (OHA) on approximately 4,000 cigarette, tobacco, and inhalant delivery system retailers in the state. Fees are not to exceed the cost of administration. For start-up and position expenditures beginning on October 1, 2021 through December 31, 2021, OHA will use Tobacco Use Reduction Account (TURA) Other Funds dollars of \$361,241.

The bill requires OHA and DOR to enter into an interagency agreement for DOR to collect OHA’s fee and transfer the fee revenue to the Oregon Health Authority Fund. Local public health authorities may also impose fees and civil penalties on these retailers to be collected and distributed

by DOR, and are restricted to the regulation of retailers of tobacco and inhalant delivery devices. Civil penalty revenue received by either Department is deposited into the General Fund.

### **Summary of General Government Subcommittee Action**

Senate Bill 587 prohibits the retail sale of tobacco products or inhalant delivery systems in Oregon, unless the retailer is licensed by the Department of Revenue (DOR) or they hold a license with a city or local public health authority. The bill allows DOR to revoke, suspend, or refuse to issue or renew a license. The measure also authorizes DOR to establish fees, impose civil penalties, and to share licensing information with the Department of Justice (DOJ), OHA, and local public health authorities. The bill requires OHA to establish fees to regulate retailers of tobacco products and inhalant delivery systems. OHA is also required to establish a database on compliance and customer complaints, provide technical assistance to local public health authorities, and assess the effectiveness of state and local programs for regulating the retail sale of tobacco products and inhalant delivery systems. OHA is required to ensure retailers of tobacco or inhalant delivery systems are inspected at least once a year. The bill allows local public health authorities (LPHA) to establish their own more stringent regulations for these retailers. Finally, the measure authorizes LPHAs to enforce local standards for regulating the retail sale of these products and systems or enforce state standards and to establish fees, impose civil penalties, and share information. The regulatory provisions of the bill are effective January 1, 2022, and the agencies are authorized to take action to implement the provisions of the bill prior to its effective date.

### **Department of Revenue**

The Subcommittee recommended \$1,174,046 Other Funds expenditure limitation and the establishment of five positions (4.50 FTE) for DOR to establish its licensing and enforcement program. This includes two permanent, full-time Compliance Specialist 1 positions (1.50 FTE) to perform investigations and seize contraband; one permanent, full-time Program Analyst 1 position (1.00 FTE) to manage license applications and renewals; and two permanent, full-time Public Service Representative 4 positions (2.00 FTE) to handle suspended payments, assist with Revenue Online Registration and outreach, handle account maintenance, process new applications, and test new GenTax configuration of licensing and retail dealer accounts. These positions will work with existing staff to develop a communications plan to provide information to approximately 4,000 retailers of cigarette, tobacco, and inhalant delivery system products; write administrative rules; and develop and implement the licensing program.

Included in the subcommittee recommendation is \$455,807 Other Funds expenditure limitation for services and supplies costs, which includes \$283,800 approved on a one-time basis for information technology upgrades required by the bill; \$37,201 for rent; \$45,000 for Attorney General charges; \$7,032 for postage; and \$82,774 in services and supplies costs for personnel related expenses, as well as \$36,570 Other Funds in Capital Outlay for one-time office furniture and equipment expenditures.

## **Oregon Health Authority**

The Subcommittee recommended \$2,061,726 Other Funds expenditure limitation and 12 positions (7.74 FTE) for OHA to carry out the provisions of the bill. Specifically, OHA received one permanent, part-time Principal Executive/Manager D position (0.75 FTE) to manage the regulatory program; three permanent, full-time Compliance Specialist 3 positions (2.25 FTE) to inspect retailers and ensure compliance; one permanent, full-time and one limited duration, part-time Operations and Policy Analyst 3 positions (1.38 FTE) to provide policy development, rulemaking, and outreach and communications related to the program; one permanent, full-time Operations and Policy Analyst 2 position (0.88 FTE) to provide technical assistance and training to internal staff and local public health authorities; one permanent, full-time Research Analyst 3 (0.88 FTE) to perform data analysis and assess the effectiveness of the Department's efforts; three permanent, part-time Student Office Worker positions (1.14 FTE) to assist with underage inspection activities; and one permanent, part-time Administrative Specialist 1 position (0.46 FTE) to provide administrative support to the other staff, as well as position-related services and supplies costs. Additional services and supplies expenditures include \$96,000 for IT system maintenance fees, \$38,000 for Attorney General charges, and \$35,602 for travel costs.

The measure requires OHA to ensure state standards are administered and enforced consistently throughout the state. The measure directs OHA to: (1) establish a database or other mechanism for collecting information from local public health authorities and the general public regarding the regulation of the retail sale of tobacco products and inhalant delivery systems, including any information related to complaints about a person that makes retail sales of tobacco products or inhalant delivery systems; (2) provide technical assistance to local public health authorities regarding the regulation of the retail sale of tobacco products and inhalant delivery systems; and (3) assess the effectiveness of state and local programs for regulating the retail sale of tobacco products and inhalant delivery systems. The measure authorizes local public authorities to enforce standards for regulating the retail sale of tobacco products and inhalant delivery systems; however, in the absence of local enforcement, the work falls on OHA. The expenditure authority included in this measure assumes no local public health authorities will choose to conduct the enforcement. OHA estimates approximately 4,000 tobacco product and inhalant delivery system retailers operating in the state. OHA anticipates conducting 9,200 inspections annually, assuming a 15% retailer violation rate.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

Department of Revenue and Oregon Health Authority  
 Patrick Heath - 503-983-8670

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<b>Department of Revenue</b>									
<u>SUBCOMMITTEE ADJUSTMENTS</u>									
<b>SCR 006 - Business Services</b>									
Personal Services	\$ -	\$ -	\$ 681,669	\$ -	\$ -	\$ -	\$ 681,669	5	4.50
Services and Supplies	\$ -	\$ -	\$ 455,807	\$ -	\$ -	\$ -	\$ 455,807		
Capital Outlay	\$ -	\$ -	\$ 36,570	\$ -	\$ -	\$ -	\$ 36,570		
<b>Oregon Health Authority</b>									
<u>SUBCOMMITTEE ADJUSTMENTS</u>									
<b>SCR 030-005 - Public Health</b>									
Personal Services	\$ -	\$ -	\$ 1,803,924	\$ -	\$ -	\$ -	\$ 1,803,924	12	7.74
Services and Supplies	\$ -	\$ -	\$ 257,802	\$ -	\$ -	\$ -	\$ 257,802		
<b>TOTAL SUBCOMMITTEE ADJUSTMENTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,235,772</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,235,772</b>	<b>17</b>	<b>12.24</b>