November 3, 2020 General Election

Initiative Referendum #402

“ Increases cigarette and cigar taxes. Establishes tax on e-cigarettes and nicotine vaping devices. Funds health programs. ”

Estimate of Financial Impact:

This referral increases taxes on cigarettes and cigars and establishes a tax on e-cigarettes and vaping devices and dedicates the revenues to health programs at the Oregon Health Authority. The measure will increase net state revenues by $111.1 million in 2019-21 and $331.4 million in 2021-23. The measure dedicates 90 percent of the revenue from the increased cigarette tax and the e-cigarette and vaping device tax to support the Oregon Health Plan and other medical assistance programs and 10 percent to tobacco use prevention and cessation programs. The direct expenditure impact of the measure is the cost of administering the tax increases, estimated at $1.0 million in 2019-21 and $1.3 million in 2021-23.

Local governments, the state’s General Fund, and mental health programs at the Oregon Health Authority could see a decline in revenue if the measure passes. The current cigarette tax and the proposed tax are dedicated to different purposes. Although the state would receive more revenue from the higher tax, fewer packs of cigarettes are expected to be sold if the proposed measure passes which would decrease the distributions received from the current tax. The table below shows the impact of the reduction in packs of cigarettes sold on the current recipients:

<table>
<thead>
<tr>
<th>All dollars in millions</th>
<th>2019-21 Impact</th>
<th>2021-23 Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>-$4.3</td>
<td>-$16.5</td>
</tr>
<tr>
<td>Mental Health Programs</td>
<td>-$2.9</td>
<td>-$11.2</td>
</tr>
<tr>
<td>Local Governments</td>
<td>-$1.3</td>
<td>-$5.2</td>
</tr>
</tbody>
</table>

Beyond the cost of administration, the impact of the revenue increases and decreases on state and local government expenditures is indeterminate and will depend on decisions made by the governing bodies of those governments.
Certification:
We, the undersigned, hereby certify that, pursuant to ORS 250.127(3), we have prepared the statement described under “Estimate of Financial Impact.”

Bev Clarno, Secretary of State  
Date  
7/13/2020

Tobias Read, State Treasurer  
Date  
7/8/2020

Katy Coba, Director,  
Department of Administrative Services  
Date  
7/8/2020

Satish Upadhyay, Interim Director,  
Department of Revenue  
Date  
7/9/2020

Tim Collier, City, County, or District representative  
Date