



# Public Health Finance

Alternative Revenue Options



# Sources of Current State- and Local-Generated Public Health Revenues

## ■ General revenues:

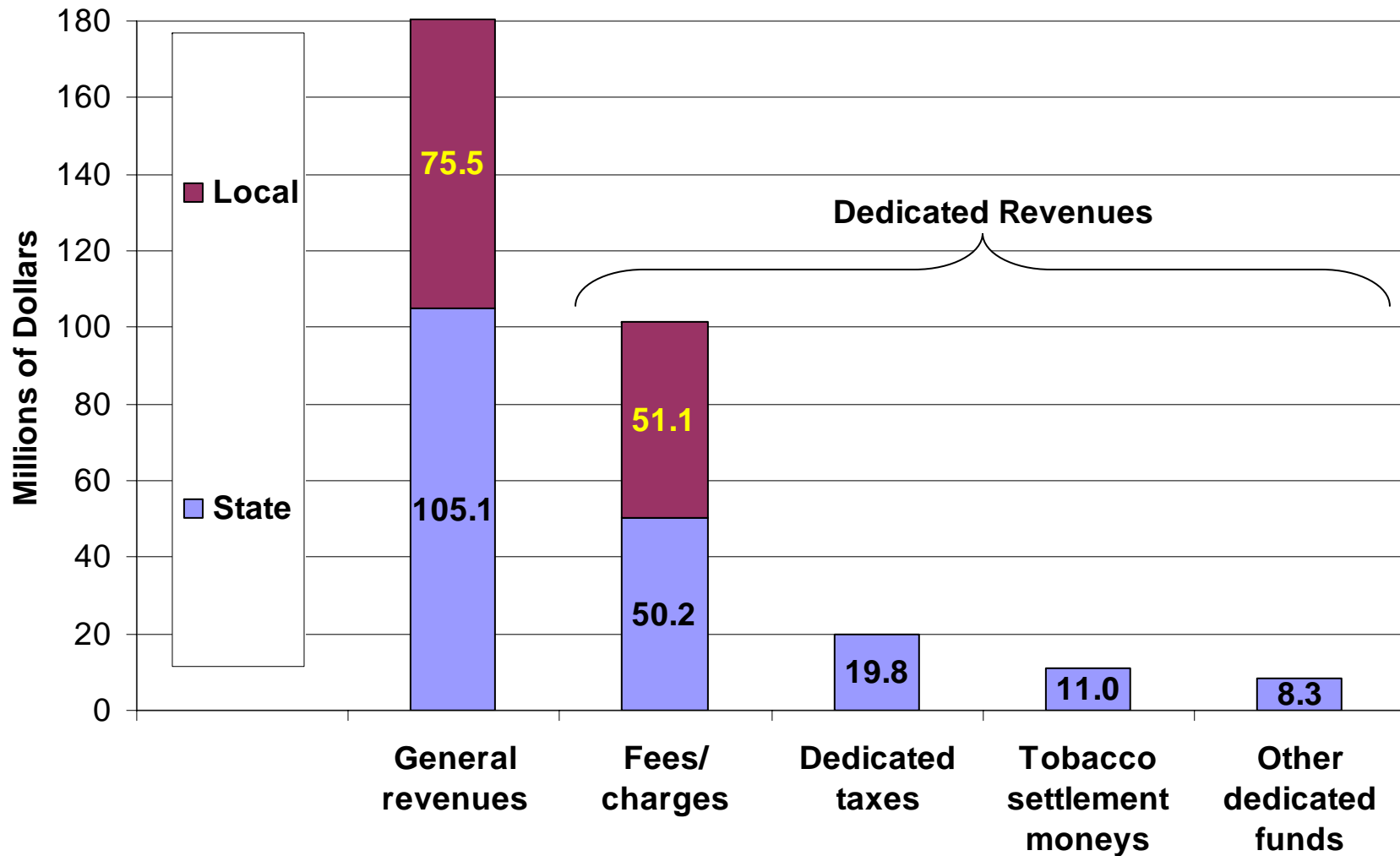
- Property taxes,
- Sales taxes, etc.

## ■ Dedicated revenues:

- User fees and license/permit charges,
- Dedicated state taxes (e.g. cigarette tax),
- Tobacco settlement funds,
- Other (e.g. certain traffic fines).

# State and Local Revenues for Public Health

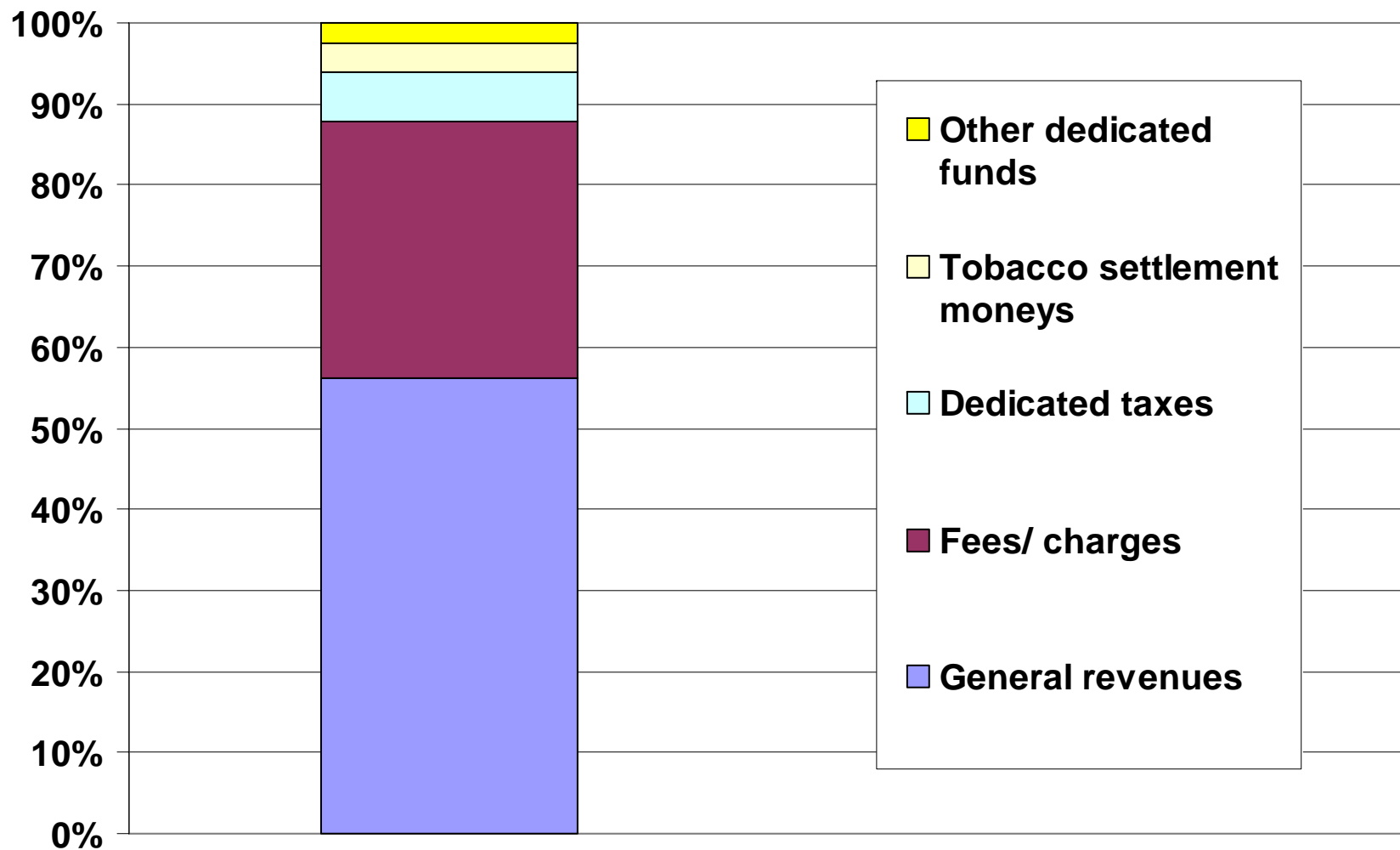
FY 2004, Excludes Federal Dollars\*



Federal \$ = \$269 M in FY04  
4/24/2006

OPR/SCS

## Share of State and Local Public Health Funds, by Source for FY 2004 (Excludes Federal Funds\*)



Federal \$ = 46% of all funds, FY04  
4/24/2006

OPR/SCS



# Current Dedicated Revenue Sources for Public Health

- Cigarette tax:

- 10% of Receipts of the 60¢ per pack tax imposed by I-773 are dedicated to tobacco prevention and control.

- Hazardous substances tax:

- Deposited to the State and Local Toxics Control Accounts, which are used in part for local solid and hazardous waste program grants.



# Current Dedicated Revenue Sources for Public Health

- Tobacco settlement funds:

- Initial \$100 million of funds received from the settlement of the state legal action against tobacco product manufacturers was set aside for tobacco prevention and control.
- At current spending levels, the initial set-aside will be depleted in about four years.



# Past Dedicated Revenue Sources for Public Health

- Motor Vehicle Excise Tax (MVET):
  - In 1993, 2.95% of MVET receipts were reallocated from cities to counties and dedicated to public health.
- Local property tax:
  - Before 1977, certain counties were required to levy a property tax for prevention and control of tuberculosis.

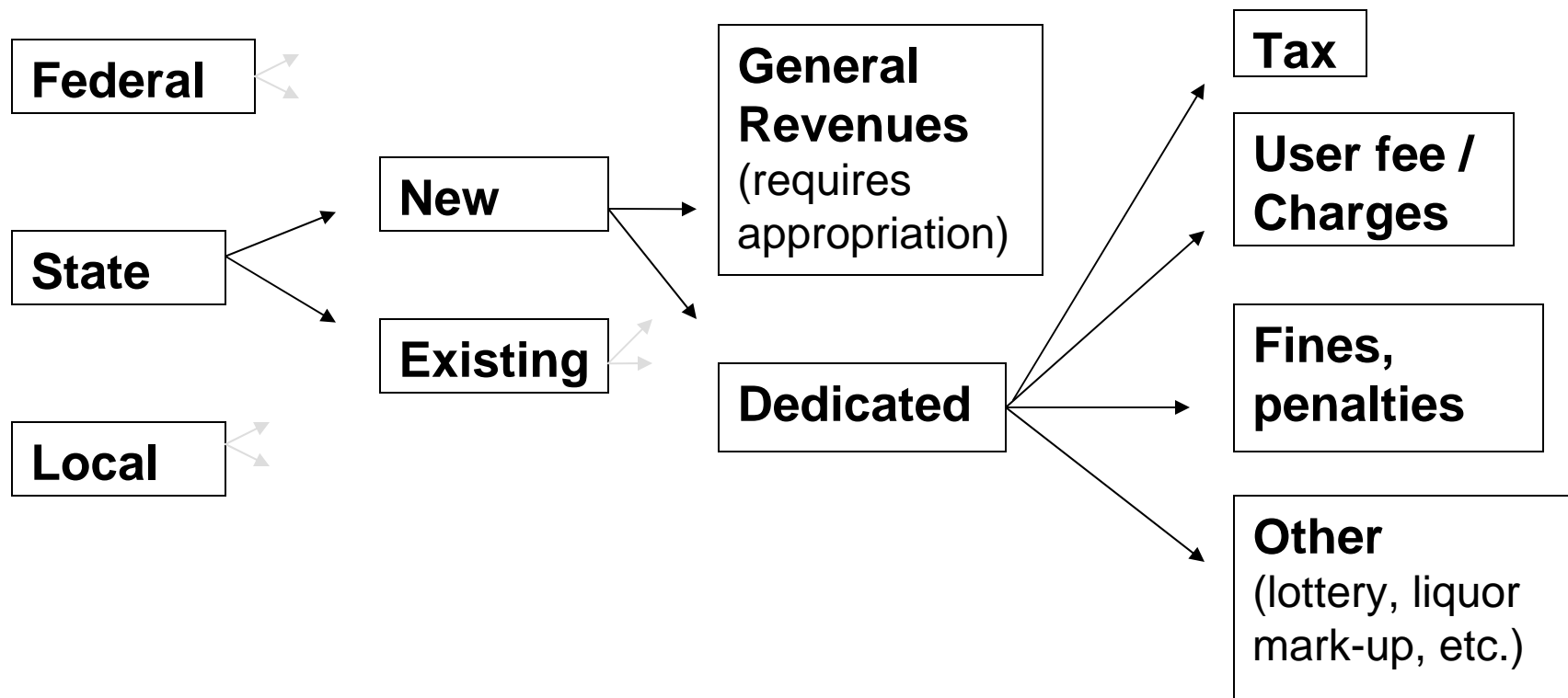


# Funding for Public Health in Other States

- Mostly: general revenues, fees and charges, and federal categorical funds.
- Dedicated revenues, if any, tend to be portions of tobacco product taxes or alcohol taxes.
- There are a few exceptions.
  - E. g. Michigan dedicates sales taxes on computer software to AIDS education.



# Key Decision Points Regarding Additional Funding





# Considerations Regarding Potential New Revenue Sources

- Amount to be raised
- Tax/fee base (What specifically is being taxed?)
- Tax/fee rate
- Administration
- Growth potential



# Considerations Regarding Potential New Revenue Sources

- Viability (How risky? Has it been done before?)
- Stability (How volatile?)
- Equity (Does it affect people differently?)
- Accountability (Should a public vote/ referendum be required?)
- Distribution mechanism



# Potential Funding Alternatives

- Basic approaches:
  - Use part of existing state tax;
  - Increase existing state appropriation;
  - New dedicated state tax or fee;
  - Repeal an existing state tax exemption;
  - New local option tax.
- Next five slides provide hypothetical illustrations of these.



# Potential Alternative:

## Use Part of an Existing Tax

- Approach: allocate a portion of the proceeds of an existing tax to fund public health.
- Hypothetical Example: dedicate portions of the existing public utility tax on water/sewer.
- Implications:
  - Reduces \$ to GF-S or Public Works Assistance Acct.
  - Does not increase tax burden on individuals/businesses.
  - Outside the appropriations process.



# Potential Alternative:

## Increase Existing Appropriation

- Approach: Increase the amount of GF-S or Health Services Account funding in the budget to fund public health.
- Implications:
  - Maximizes profile and likely legislative adjustment.
  - Public health would “compete” with other interests for funding in each budget cycle.
  - Consistent with current approach for backfilling the MVET.



# Potential Alternative:

## New dedicated tax or fee

- Approach: Impose new tax or fee on activity with some nexus to public health.
- Hypothetical Example: Impose new 0.5% sales tax on restaurant food/beverages.
- Implications:
  - Would increase tax/fee burden on individuals and/or businesses.
  - Sales tax rate is already relatively high.
  - Outside the appropriations process.



## Potential Alternative:

### Repeal an existing exemption

- Approach: Repeal an exemption on an activity with nexus to public health.
- Hypothetical Example: Repeal the sales and use tax exemption on candy and gum.
- Implication:
  - Would increase tax burden on individuals that consume candy or gum.
  - Outside the appropriation process.





# Potential Alternative:

## New local option sales tax

- Approach: Enact a new optional county sales and use tax for public health.
- Implication:
  - Would allow utilization where public health is deemed a local priority.
  - May not be realistic in areas w/ high tax rates, distressed economies, or near the Oregon border.
  - Would not ensure equitable provision of services across the state.



# Potential Alternatives: Other Considerations

## ■ Local Participation:

- To what extent should local jurisdictions be required to help provide additional funding?

## ■ Distribution mechanism:

- How should funding be distributed?
- What accountability requirements should be put in place?



# Key Decisions for Next Meeting

- Of the major revenue approaches presented, are there ones the Committee definitely would or would not recommend, and why?
- Are there specific revenue sources the Committee would like to have estimated and evaluated for discussion at the next meeting?