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Special Section Devoted To The Cigarette Tax Election

Here is Background on Cigarette Tax Election

By Thomas C. Enright
OSEA Executive Secretary

The people of Oregon will vote at a special election January 18th on whether or not to increase the state's tax on cigarettes from four cents to nine cents a pack.

The present tax, approved by a vote of the people in a statewide election in 1966, is lower than the tax in most states. For example, the tax in California is 12-cents and in Washington 16-cents.

OSEA's Board of Directors at its November 20 meeting voted unanimously to give support to passage of the increased cigarette tax top priority as an Association program.

It is of the opinion that state employes can expect the following effects if the cigarette tax increase measure is defeated:

(1) Loss of 1972 mid-biennium pay raises for classified, unclassified and academic employes.
(2) Cut-backs in state programs and layoffs of both classified and academic employes.
(3) Further deterioration in the quality of state service and employment.
(4) Increased local property taxes for the state employe taxpayer.
(5) Lessening of state services received by the state employe as a citizen.
(6) Increases in the tuition that sons and daughters of state employes will pay for community college or higher education.
(7) Reduction of property tax relief voted in the 1971 legislature for senior and lower income citizens (including many state employes).
(8) Decreased capacity of the state to improve employe pay and benefits in the coming legislative sessions.

They Scheduled Meetings to Explain Cigarette Tax

Following a decision by OSEA's Board of Directors that the Association support the proposed cigarette tax increase, staff members Thomas C. Enright (right) and Everett B. Stiles scheduled a series of meetings throughout the state to discuss the tax with public employes. In addition, they prepared material for distribution to members and chapters which outlined the effects defeat of the tax would have on state government and employes.

The 1971 legislature faced a crisis in state financing, compounded by a seeming resistance by citizens to taxes of almost any kind. Although some recommended otherwise, it took a conservative approach and refused to consider enactment of any new tax programs. Whether any changes in the tax system could have survived referral and defeat by the people is debatable.

The most meaningful piece of tax legislation enacted was a bill to provide local property tax relief to senior and low income citizens. For its financing, the legislature turned to the one tax source which the people of Oregon, who in recent elections had defeated both income and sales tax proposals, appeared by previous vote to find acceptable. It voted a modest five-cents per pack increase in the cigarette tax.

Cigarette machine operators and others spoke against the cigarette tax increase during the session. Faced, however, with the facts about the state's financial condition and the need for property tax relief for elderly and low income citizens, they agreed after passage of the increase bill not to petition for its referral.

The low Oregon tax on cigarettes has been a bonanza for certain cigarette wholesalers, located mainly in Portland, who have sold their product in huge quantities to out-of-state people who come across the border to buy cigarettes at a saving of $1.20 per carton. These dealers, using solicitors paid illegally for securing petition signatures, sponsored referral of the tax increase to a vote of the people and are now sponsoring an expensive campaign to defeat the budget-balancing measure.

Filing of the referral petition and setting of a November 1972 vote by the people immediately halted expected cigarette tax revenues, estimated at about $1.5 million a month. The revenue loss for 14 months would result even if the people later approved the tax measure.

At about the same time, it became apparent that legislation about to be passed by the U.S. Congress would result in a $13 million revenue loss to Oregon because of the tie of the state's income tax to the federal system. It was also discovered that state liquor income revenues were declining at a rate that would result in $3.5 million less than estimated for the 1971-73 biennium.

The $35 million drop in expected income caused by the cigarette tax referral and the other two events forced the governor to call a special session of the legislature.

The special session cut $11.9 million from already bare bone state budgets. This was no easy task when higher education, for instance, already was facing a $5 million deficit that was forcing cutbacks in programs and layoffs of academic and classified employes, and mental health and corrections budgets were so low that employes and parents and relatives of patients were holding mass meetings to demand adequate staffing at state institutions.

To try to recoup the losses in cigarette and income tax expected revenues, the legislature scheduled a vote on the cigarette tax at a special election on January 18 and passed a bill divorcing the state from the tie with the federal tax system. If the "divorcement" bill is referred by petition to a vote of the people, it will be voted upon at the primary election in May.

It is significant that the special session did not take the $4.3 million set aside in the Emergency Board for classified and unclassified salary adjustments in July 1972, or funds appropriated for academic adjustments at the same time, to offset the budget deficit. However, it is extremely unlikely that these funds could be saved if there is a tax measure defeat and the governor calls another special session.

House Bill 3064, passed in the special session, provides that if the cigarette tax fails on January 18, all general fund appropriations will automatically be cut by two per cent beyond the cuts already suffered in the special session. This would actually be closer to four per cent, because it will come mainly out of the second year of the 1971-73 biennium. If the "divorcement" measure is referred and fails, there would be another automatic cut of the same amount.

HB 3064 has been taken by some as a legislative "threat" which somehow would not materialize if the tax measures fail. Some state employes say they have been threatened before, but the legislature has always managed to "find" the money to bail itself out.

It is true that in some past times of crisis, there have been upswings in the economy or other happenings which have lessened expected impacts. However, each of the emergencies has had some bad effects for some employes and services even if not felt by all.

A news reporter on a television show recently told of the custodian at the Capitol he talked to before the income tax election a few years ago. The state employe said he was going to vote against the tax; that nothing would happen if the state didn't get the tax money. The next time the reporter saw him, the man was out of a job.

Every indicator shows that this time the state is down to its financial bottom. There are no fiscal windfalls that reasonably can be foreseen to stop the devastating effect the loss of the tax measures would have on state programs and state employes. If a way can be found whereby the state could put off some of its obligations or borrow on thenext biennium, the adverse effects would be carried over into the next legislative session and make it more difficult then to obtain benefits that ordinarily could be expected.

Governor McCall has said some state general fund programs cannot stand any part of HB 3064's automatic cuts, and if the cigarette tax fails he will call another special session. There is no guarantee that he could get the kinds of agreements from legislators needed to put a session together, or that such a session would vote anything other than the automatic cuts it previously voted. If some cuts were reduced, other cuts would have to be increased to make up for them.

OSEA legislative representatives believe that the present fiscal crisis is real; that the automatic cuts in HB 3064 are no mere threat. As Governor McCall has said, defeat of the cigarette tax would be a disaster. The disaster can be averted if the 97,000 non-federal public employes in Oregon and their families vote "yes" on January 18.