

# Tobacco Retail Licensing: Economic Impact

In January 2018, Oregon increased the age to purchase tobacco and nicotine products from age 18 to 21 (Tobacco 21). Tobacco Retail Licensing (TRL) is a policy we can adopt in Clackamas County to enforce laws like Tobacco 21. Combined, TRL and Tobacco 21 are part of Clackamas County's plan to prevent youth from using nicotine and end tobacco-related disease.

TRL requires every business that sells tobacco and nicotine products, like gas stations and grocery stores, to have a license. A license to sell tobacco and nicotine products is similar to the licenses required to sell alcohol and marijuana. Tobacco Retail Licensing is a necessary tool to enforce existing federal, state, and local laws.

Clackamas County Public Health Division asked the Northwest Economic Research Center (NERC) to look at the potential economic impacts of a county-wide TRL to inform decision makers and stakeholders.

## What is the cost of a license? How will the fee be used?

A Tobacco Retail License may cost \$500 - \$600 each year. Specifically, the funds will be used to:

- Identify retailers, track compliance with laws, and enforce penalties if tobacco is sold to persons under the age of 21.
- Provide education to retailers and personalized technical assistance about laws and consequences if tobacco is sold illegally.
- Perform twice annual compliance checks.

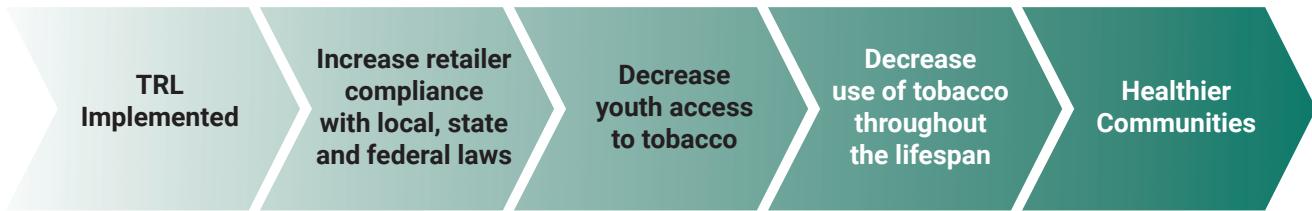
## How will the fee impact the economy?

Tobacco Retail License fees are not likely to have a big impact on the Clackamas County economy. If implemented, the County may see a total loss of 4.12 full-time jobs out of the 7,127 full-time employees in the impacted industries. Total loss in wages from TRL is estimated to be \$129,185. This is a small fraction of the nearly \$205 million in labor income represented by employees in the impacted industries.

The table below shows the potential loss in full-time equivalent (FTE) employment positions and income (Labor Income) for each jurisdiction within Clackamas County.

| Jurisdiction   | FTE   | Labor Income |
|----------------|-------|--------------|
| Canby          | -0.23 | -\$6,930     |
| Colton         | -0.02 | -\$704       |
| Estacada       | -0.13 | -\$3,601     |
| Gladstone      | -0.10 | -\$3,306     |
| Happy Valley   | -0.12 | -\$3,677     |
| Lake Oswego    | -0.30 | -\$9,869     |
| Milwaukie      | -0.79 | -\$24,737    |
| Molalla        | -0.13 | -\$4,109     |
| Oregon City    | -0.61 | -\$17,556    |
| Oregon Trail   | -0.47 | -\$13,445    |
| West Linn      | -0.24 | -\$6,571     |
| Wilsonville    | -0.22 | \$6,129      |
| Unincorporated | -0.79 | -\$28,551    |
| Total County   | -4.12 | -\$129,185   |

## Not included in the analysis and worth noting



### Dynamic Price Adjustment

Tobacco, like many addictive products, does not see a very big change in demand to any increase in price. Demand only decreases by 0.4% for a 1% increase in price. This means that retailers actually make more money by increasing the price of a product than they would lose from any loss in demand. The annual license fee of \$500-\$600 would cost \$1.37-\$1.64 per day. A small increase in price of tobacco and nicotine products is one way that retailers can offset the cost of a TRL.

### Long Term Health Effects

If stores comply with tobacco rules and regulations, TRL has the potential to improve quality of life for future generations. Tobacco is associated with cancer, respiratory diseases, and cardiovascular diseases which, are known to increase medical costs and decrease quality of life. Additionally, chronic disease and early death caused by tobacco contribute to work absenteeism and decreased economic activity. Using TRL to enforce laws like Tobacco 21, youth will have less access to tobacco products and will smoke less over their lifespan resulting in decreased tobacco-related disease and long-term medical care costs.

### About NERC

NERC is based at Portland State University in the College of Urban and Public Affairs. The Center focuses on economic research that supports public-policy decision-making, and relates to issues important to the Pacific Northwest and the Portland Metropolitan Area. NERC serves the public, nonprofit, and private sector with economic analysis.