

HOUSE BILL REPORT

SSB 5359

As Reported By House Committee On:
Appropriations

Title: An act relating to moneys received by the state under litigation against the tobacco industry.

Brief Description: Managing moneys received under tobacco company litigation.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Thibaudeau, Deccio, Wojahn, Winsley, Franklin, Oke, Kohl-Welles and Fairley; by request of Governor Locke and Attorney General).

Brief History:

Committee Activity:

Appropriations: 4/1/99, 4/20/99 [DPA].

Brief Summary of Substitute Bill
(As Amended by House Committee)

- Establishes accounts to receive proceeds from the settlement with tobacco companies.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 31 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

Staff: Kristen Reiber (786-7148).

Background:

In June 1996, the state of Washington brought suit against major tobacco companies, seeking reimbursement for costs incurred in treating tobacco-related illnesses as well

as damages for violations of consumer protection and anti-trust laws. On November 23, 1998, the Attorneys General and other representatives of 46 states announced a proposed national settlement with the five largest tobacco manufacturers.

The settlement agreement includes restrictions on the marketing and advertising of tobacco products and industry activities such as trade associations and lobbying. Annual payments by the companies to the states are required, with the participating states receiving \$206 billion during the first 25 years of the agreement. The state of Washington is scheduled to receive approximately \$4.0 billion during the first 25 years, with \$323 million to be received during the 1999-01 fiscal biennium. The settlement agreement does not restrict the state's use of the moneys; the Legislature may direct the moneys to be expended for any purpose.

The settlement of Washington's case was approved by the King County Superior Court and the decision became final on December 24, 1998. The settlement agreement will not take effect until 80 percent of the states (representing 80 percent of the total payments) have approved the agreement (which must occur by June 30, 2000).

To the extent that payments to the states represent reimbursement of state Medicaid expenditures for tobacco-related illnesses, the federal government may seek to recoup a portion of the payments to reimburse the federal government for federal Medicaid matching funds.

Summary of Amended Bill:

Two new accounts are created in the state treasury: The Tobacco Settlement Account, and the Tobacco Prevention and Control Account. Both accounts require an appropriation for expenditure, and both accounts keep their own interest earnings. Moneys received by the state under the tobacco settlement must be deposited in the Tobacco Settlement Account.

Moneys in the Tobacco Settlement Account may be transferred to the Health Services Account (which funds the Basic Health Plan and other health care programs) and to the Tobacco Prevention and Control Account.

Amended Bill Compared to Substitute Bill: The \$100 million transfer to the Tobacco Prevention and Control Account is eliminated.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: The tobacco settlement money should be used for health initiatives, and the Governor's plan ensures this. The money should be transferred only to the Health Services Account and the Tobacco Prevention and Control Account. The transfer to the Tobacco Prevention and Control Account should be increased to the original \$155 million. The Task Force proposed in the governor's bill is a model for other states. Experts should decide how the money should be spent. Using the money for prevention gives the Legislature the opportunity to impact people's lives. Investments in prevention of smoking will pay off in reduced health care costs, especially for pregnant women and their infants. Thirty percent of hospitalizations are due to tobacco-related problems. Youth-driven public awareness campaigns work. Teens get addicted because of bad judgment, and prevention activities will counteract this. Cessation services need to be available for those of all ages. The Attorney General's Office is working to achieve a waiver of federal claims.

Testimony Against: None.

Testified: Christine Gregoire, Attorney General, Office of the Attorney General; Sue Crystal, Governor's Office; Maxine Hayes, Department of Health; Bob Jaffe, WATCH/ Washington State Medical Association/ Friends of BHP; Frederico Cruz, Tacoma/Pierce Heath Department; Anna Markee, SMOOTH; Kay Barmore, American Cancer Society; and Paul Zeman, Seattle-King County Department of Health.