

SENATE BILL REPORT

SB 6541

As Passed Senate, February 13, 2006

Title: An act relating to appeal bond requirements involving judgments against signatories of the tobacco master settlement agreement.

Brief Description: Regarding appeal bond requirements against signatories of the tobacco master settlement agreement.

Sponsors: Senators Prentice and Zarelli.

Brief History:

Committee Activity: Ways & Means: 1/26/06, 1/30/06 [DP].

Passed Senate: 2/13/06, 45-2.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Brandland, Pflug, Pridemore, Rasmussen, Regala, Roach and Schoesler.

Staff: Steve Jones (786-7440)

Background: In 1996, the state of Washington brought suit against the major tobacco manufacturing companies, seeking reimbursement for costs incurred in treating tobacco-related illnesses as well as damages for violations of consumer protection and anti-trust laws. In 1998, 46 states, including Washington, reached a national settlement with the five largest tobacco manufacturers. The national master settlement agreement requires annual payments by the companies to the participating states; up to \$206 billion will be received during the first 25 years of the agreement. In 2002, the Legislature created the Tobacco Settlement Authority to securitize a portion of the state's tobacco settlement revenues by selling revenue bonds backed by a portion of the settlement proceeds.

Under statute and court rules, a defendant in a civil proceeding may stay the execution of a civil judgement, pending an appeal, by posting with the court a surety bond in double the amount of the court judgement.

Summary of Bill: In any civil litigation involving a tobacco manufacturer participating in the national master tobacco settlement agreement, the surety bond to be required to stay execution of judgement shall not exceed one hundred million dollars, regardless of the value of the judgement, unless the court finds that the party is dissipating assets to avoid payment of the judgement.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: The bill protects the state's revenue stream from the national tobacco settlement by reducing the possibility of a bankruptcy filing by one or more of the participating tobacco manufacturers. In this state and other states, there are many large class action lawsuits pending against the tobacco manufacturers. A recent Illinois class action suit resulted in an appeals bond of \$6.8 billion, which could have forced the defendant into bankruptcy in order to pursue its appeal rights if the bond had not been reduced. Thirty-three states have enacted similar legislation.

Testimony Against: None.

Who Testified: PRO: Joe Daniels and Keith Teel, Phillip Morris USA.

House Amendment(s): The House amendment deletes the emergency clause. The bill will take effect 90 days following adjournment of the Legislature.