

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2038

Chapter 342, Laws of 2003

58th Legislature
2003 Regular Session

TOBACCO MANUFACTURERS--MASTER SETTLEMENT AGREEMENT

EFFECTIVE DATE: 7/27/03

Passed by the House April 11, 2003
Yeas 88 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 17, 2003
Yeas 47 Nays 0

BRAD OWEN

President of the Senate

Approved May 16, 2003.

GARY LOCKE

Governor of the State of Washington

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2038** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER

Chief Clerk

FILED

May 16, 2003 - 4:30 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2038

Passed Legislature - 2003 Regular Session

State of Washington 58th Legislature 2003 Regular Session

By House Committee on Finance (originally sponsored by Representatives Gombosky and McIntire; by request of Attorney General)

READ FIRST TIME 04/07/03.

1 AN ACT Relating to refunds from escrow for certain tobacco
2 manufacturers; amending RCW 70.157.020; and adding a new section to
3 chapter 70.157 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 70.157.020 and 1999 c 393 s 3 are each amended to read
6 as follows:

7 Any tobacco product manufacturer selling cigarettes to consumers
8 within the State (whether directly or through a distributor, retailer
9 or similar intermediary or intermediaries) after May 18, 1999, shall do
10 one of the following:

11 (a) become a participating manufacturer (as that term is defined in
12 section II(jj) of the Master Settlement Agreement) and generally
13 perform its financial obligations under the Master Settlement
14 Agreement; or

15 (b)(1) place into a qualified escrow fund by April 15 of the year
16 following the year in question the following amounts (as such amounts
17 are adjusted for inflation)--

18 1999: \$.0094241 per unit sold after May 18, 1999;

19 2000: \$.0104712 per unit sold;

1 for each of 2001 and 2002: \$.0136125 per unit sold;
2 for each of 2003 through 2006: \$.0167539 per unit sold;
3 for each of 2007 and each year thereafter: \$.0188482 per unit
4 sold.

5 (2) A tobacco product manufacturer that places funds into escrow
6 pursuant to paragraph (1) shall receive the interest or other
7 appreciation on such funds as earned. Such funds themselves shall be
8 released from escrow only under the following circumstances--

9 (A) to pay a judgment or settlement on any released claim brought
10 against such tobacco product manufacturer by the State or any releasing
11 party located or residing in the State. Funds shall be released from
12 escrow under this subparagraph (i) in the order in which they were
13 placed into escrow and (ii) only to the extent and at the time
14 necessary to make payments required under such judgment or settlement;

15 (B) to the extent that a tobacco product manufacturer establishes
16 that the amount it was required to place into escrow on account of
17 units sold in the state in a particular year was greater than the
18 ~~((State's allocable share of the total payments that such manufacturer~~
19 ~~would have been required to make in that year under the Master~~
20 ~~Settlement Agreement (as determined pursuant to section IX(i)(2) of the~~
21 ~~Master Settlement Agreement, and before any of the adjustments or~~
22 ~~offsets described in section IX(i)(3) of that Agreement other than the~~
23 ~~Inflation Adjustment))) Master Settlement Agreement payments, as
24 determined pursuant to section IX(i) of that Agreement including after
25 final determination of all adjustments, that such manufacturer would
26 have been required to make on account of such units sold, had it been
27 a Participating Manufacturer, the excess shall be released from escrow
28 and revert back to such tobacco product manufacturer; or~~

29 (C) to the extent not released from escrow under subparagraphs (A)
30 or (B), funds shall be released from escrow and revert back to such
31 tobacco product manufacturer twenty-five years after the date on which
32 they were placed into escrow.

33 (3) Each tobacco product manufacturer that elects to place funds
34 into escrow pursuant to this subsection shall annually certify to the
35 Attorney General that it is in compliance with this subsection. The
36 Attorney General may bring a civil action on behalf of the State
37 against any tobacco product manufacturer that fails to place into

1 escrow the funds required under this section. Any tobacco product
2 manufacturer that fails in any year to place into escrow the funds
3 required under this section shall--

4 (A) be required within 15 days to place such funds into escrow as
5 shall bring it into compliance with this section. The court, upon a
6 finding of a violation of this subsection, may impose a civil penalty
7 to be paid to the general fund of the state in an amount not to exceed
8 5 percent of the amount improperly withheld from escrow per day of the
9 violation and in a total amount not to exceed 100 percent of the
10 original amount improperly withheld from escrow;

11 (B) in the case of a knowing violation, be required within 15 days
12 to place such funds into escrow as shall bring it into compliance with
13 this section. The court, upon a finding of a knowing violation of this
14 subsection, may impose a civil penalty to be paid to the general fund
15 of the state in an amount not to exceed 15 percent of the amount
16 improperly withheld from escrow per day of the violation and in a total
17 amount not to exceed 300 percent of the original amount improperly
18 withheld from escrow; and

19 (C) in the case of a second knowing violation, be prohibited from
20 selling cigarettes to consumers within the State (whether directly or
21 through a distributor, retailer or similar intermediary) for a period
22 not to exceed 2 years.

23 Each failure to make an annual deposit required under this section
24 shall constitute a separate violation. The violator shall also pay the
25 State's costs and attorney's fees incurred during a successful
26 prosecution under this paragraph (3).

27 NEW SECTION. **Sec. 2.** A new section is added to chapter 70.157 RCW
28 to read as follows:

29 If this act is held by a court of competent jurisdiction to be
30 unconstitutional, then RCW 70.157.020(b)(2)(B) shall be repealed in its
31 entirety. If RCW 70.157.020(b)(2) shall thereafter be held by a court
32 of competent jurisdiction to be unconstitutional, then this act shall
33 be repealed, and RCW 70.157.020(b)(2)(B) be restored as if no
34 amendments had been made. Neither any holding of unconstitutionality
35 nor the repeal of RCW 70.157.020(b)(2)(B) shall affect, impair, or
36 invalidate any other portion of RCW 70.157.020 or the application of

1 that section to any other person or circumstance, and the remaining
2 portions of RCW 70.157.020 shall at all times continue in full force
3 and effect.

Passed by the House April 11, 2003.

Passed by the Senate April 17, 2003.

Approved by the Governor May 16, 2003.

Filed in Office of Secretary of State May 16, 2003.