

SENATE BILL REPORT

SB 6354

As Reported By Senate Committee On:
Health & Long-Term Care, January 23, 1998
Ways & Means, February 9, 1998

Title: An act relating to moneys received by the state pursuant to litigation or settlements with the tobacco industry.

Brief Description: Requiring that moneys received through settlements with the tobacco industry be deposited into the health services account.

Sponsors: Senators Deccio, Wojahn, Benton, Thibaudeau, Wood, Franklin, Sellar, West, Hale, Anderson, Kohl, Winsley, Haugen, Patterson and Goings.

Brief History:

Committee Activity: Health & Long-Term Care: 1/20/98, 1/23/98 [DP-WM].
Ways & Means: 2/3/98, 2/9/98 [DPS, DNPS].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Deccio, Chair; Benton, Fairley and Strannigan.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6354 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Hochstatter, Long, McDonald, Roach, Rossi, Schow, Swecker, Winsley and Zarelli.

Minority Report: Do not pass substitute.

Signed by Senators Bauer, Fraser, Loveland, B. Sheldon, Snyder, Spanel and Thibaudeau.

Staff: Steve Jones (786-7440)

Background: Washington is one of 40 states that has sued the nation's largest tobacco companies for consumer protection and antitrust law violations and to recover the costs to the state of treating injuries and illnesses caused by smoking. In June, 1997 the states' Attorneys General and these companies reached a settlement agreement, which is now subject to approval by Congress and the president. If approved, it is estimated that Washington will receive approximately \$150 million per year for 25 years, amounting to over \$3.5 billion.

Pending approval of the settlement, the state is moving ahead with its lawsuit, with a trial date set for September, 1998.

Damages recovered by the state through legal action are typically deposited into the general fund, where they are subject to appropriation by the Legislature consistent with the spending limitations imposed by Initiative 601.

Money deposited into the health services account is also subject to appropriation, but is not subject to the limitations of Initiative 601. Money in the account may only be appropriated for: (1) maintaining and expanding health services access for low-income residents; (2) maintaining and expanding the public health system; (3) maintaining and improving the capacity of the health care system; (4) containing health care costs; and (5) the regulation, planning, and administering of the health care system.

Summary of Substitute Bill: Unless otherwise directed by Congress, or in the case of a lawsuit, the ensuing settlement or judicial determination, any money recovered by the state in an action against the tobacco industry, exclusive of costs and fees, is to be divided equally among (1) the health services account for funding eligible enrollments in the Basic Health Plan (BHP), including a smoking cessation plan benefit, and (2) the education enhancement account, a new state account created to increase state funding of enhancements to the K-12 education system.

Substitute Bill Compared to Original Bill: The original bill earmarked all of the litigation proceeds for the health services account.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For (Health & Long-Term Care): Addressing the health care needs of the state, particularly those caused by smoking, is an appropriate use for money received from the tobacco settlement.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): Elaine Rose, Office of the Attorney General; PRO: David Allen, American Cancer Society; Majken Kiera, Friends of BHP; Ken Bertrand, Group Health; Nick Federici, Lung Association of Washington.

Testimony For (Ways & Means): Many public health programs in the schools can benefit from the funding dedicated in this bill, including health education programs, and increasing services from school nurses. Preventive health education programs are very beneficial and effective and could be expanded with this new funding.

Testimony Against (Ways & Means): The Attorney General supports the original bill and believes that the litigation proceeds should be earmarked exclusively for public health

purposes and not for education. The health services account needs a dedicated revenue source to meet public health needs, including school health programs.

Testified: Elaine Rose, Office of the Attorney General; Majken Kiera, Friends of BHP; **PRO:** Duane Slate, School Directors' Association; Jennifer Priddy, SPI; Barbara Mertens, Association of School Administrators; Judy Hartmann, Washington Education Association; Joseph Olchefski, Seattle School District.