

SENATE BILL REPORT

SB 6485

As of January 26, 1998

Title: An act relating to the recovery of the cost of tobacco-related health care.

Brief Description: Providing for the disbursement of funds gained from a tobacco-related health care settlement.

Sponsors: Senators West, Deccio, Swecker, Hale, Morton, Strannigan, Benton, Schow, Johnson, Anderson, McCaslin, Hochstatter, Roach, Wood, Prince, Sellar, Horn, McDonald and Oke.

Brief History:

Committee Activity: Ways & Means: 1/20/98.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: The state of Washington, like many other states, has initiated legal action against cigarette manufacturers to recover moneys that have been spent by the state for health care for tobacco-related injuries and disease. Several states have recently agreed to out-of-court settlements with the tobacco companies, and a national settlement, which would require the approval of the U.S. Congress and the President, has been proposed and is awaiting consideration by Congress.

Under the proposed national settlement, payments from the tobacco companies to the state of Washington have been estimated to be between \$100 and \$150 million per year for a period of twenty years or more. Depending on the terms of the final settlement, some of these moneys may be earmarked for specific tobacco-related health programs.

The state of Washington may participate in the proposed national settlement or may proceed to trial (or settlement) in its own legal action.

Any litigation proceeds received by the state would likely be deposited in the state general fund, which is subject to the state expenditure limit under Initiative 601. Other funds and accounts are not subject to the expenditure limit.

Summary of Bill: To the maximum extent permitted by the terms of any legal settlement or federal law, the proceeds from the state's tobacco litigation are made subject to legislative appropriation. Two-thirds of any moneys received by the state is directed to be deposited in a new education enhancement account to be used to improve the state's K-12 education programs. The account cannot be used (1) to replace existing state and local education funding; (2) to meet the Legislature's constitutional obligation to fund basic education programs; or (3) to increase the compensation of K-12 employees.

One-third of the proceeds from the tobacco litigation is directed to be deposited in the health services account to fund health care coverage for eligible persons under the state's Basic Health Plan.

The Attorney General is directed to seek a legal resolution of the tobacco litigation that is consistent with the terms of the act.

The Secretary of State is directed to submit the act to a vote of the people at the next general election.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Thirty days after the election at which it is approved.

Testimony For: To the extent that the bill will provide funds for the Health Services Account, the state will be able to expand much-needed services through the Basic Health Plan, which provides medical coverage for needy persons. These health-care costs are directly related to the purposes of the state's suit against the tobacco companies. The state should resist any attempts by the federal government to capture the proceeds of the lawsuits brought by at least 40 states to recover damages from the tobacco companies, and the National Conference of State Legislatures is actively opposed to federal efforts to participate in the proceeds.

Testimony Against: Legislative action is premature because the state has not won or settled its case against the tobacco companies. The Attorney General is seeking maximum flexibility for the states to use the litigation proceeds, but the money should be used for public health purposes, consistent with the purposes of the lawsuit. The Attorney General has brought the suit on grounds of consumer protection violations, anti-trust law, and illegal competition. These legal causes go beyond the recovery of state tax dollars, and the use of the litigation proceeds for non-health purposes may be viewed as inappropriate. The funds should be used for public health purposes and tobacco prevention programs because tobacco is the major cause of preventable deaths and disease.

Testified: David Walsh, Elaine Rose, Attorney General's Office; Rep. Phil Dyer; David Allen, American Cancer Society; Robert Jaffe, MD, Washington State Medical Association; Nick Federici, Lung Association of Washington.; Lisa Thatcher, Providence Health System; Majken Ryherd Keira, Friends of the Basic Health Plan; David Freihert, Tacoma/Pierce County Health Department.