

FINAL BILL REPORT

SB 6828

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Synopsis as Enacted

Brief Description: Securitizing a portion of the state's revenue from the tobacco litigation national master settlement agreement.

Sponsors: Senators Brown and Swecker.

Senate Committee on Ways & Means

Background: In June 1996, the state of Washington brought suit against the 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 national settlement with the five largest tobacco manufacturers. The settlement of Washington's case was approved by the King County Superior Court and the decision became final on December 24, 1998.

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. The state of Washington is scheduled to receive approximately \$4.0 billion during the first 25 years, with \$323 million 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. During the 1999-01 and 2001-03 biennia, the moneys have been used to support a tobacco prevention and control program in the Department of Health and to support the Basic Health Plan and other health programs funded by the Health Services Account.

Summary: The Tobacco Settlement Authority is established as a state agency, governed by a five-member board appointed by the Governor, with administrative support provided by the staff of the state Housing Finance Commission, an existing state agency.

The Governor is authorized to sell to the Tobacco Settlement Authority the right to receive a portion of the state's annual share of the revenue from the national master tobacco settlement agreement in order to generate \$450 million net proceeds to the state General Fund.

To raise the revenue necessary to purchase the share of the state's tobacco revenues, the Tobacco Settlement Authority is authorized to issue revenue bonds. These bonds are not general obligations of the state of Washington and are backed solely by the revenues received from the tobacco manufacturers.

Votes on Final Passage:

Senate 25 24

House 50 46 (House amended)
Senate 25 23 (Senate concurred)

Effective: April 4, 2002