
**Technology & Economic Development
Committee**

HB 2194

Brief Description: Creating a funding stream and program for cancer research, prevention, and care.

Sponsors: Representatives Hunter, Hansen, Carlyle, Johnson, Walkinshaw, Ryu and Santos.

Brief Summary of Bill

- Creates a new non-appropriated Life Science Discovery Fund (LSDF) account to be expended solely for the purposes of cancer research, prevention, and care.
- Creates new tobacco and cigarette taxes to fund the new LSDF account for cancer research, prevention, and care.
- Creates a new account within the state treasury to receive tax revenue from new tobacco and cigarette taxes.
- Expands the number of LSDF board members and committees.

Hearing Date: 4/1/15

Staff: Kirsten Lee (786-7133).

Background:

Life Sciences Discovery Fund.

In 2005 the Life Sciences Discovery Fund (LSDF) was created to promote life science research in Washington. The LSDF was authorized to receive tobacco settlement strategic contribution payments and leverage these state contribution payments by providing grant opportunities to support life sciences research and development. The LSDF is managed by the LSDF Authority, governed by a board of trustees consisting of four legislators and seven members appointed by the Governor. The LSDF Authority solicits and reviews grant applications.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Tobacco and Cigarette Taxes.

Washington imposes a tax on the distributor of tobacco products for the sale, use, consumption, handling, or distribution of cigars, pipe tobacco, chewing tobacco, and other forms of tobacco. Cigarettes are taxed separately. Tobacco products are taxed at the following rates:

- cigars, not including "little cigars" have a 95 percent tax on the taxable sales price of cigars, not to exceed \$0.65 per cigar;
- little cigars are taxed at the same rate per unit as cigarettes;
- moist snuff is taxed based on the net weight at a rate of \$2.526 per single unit of 1.2 ounces or less; and
- other tobacco products have a tax rate of 95 percent of the taxable sales price.

Washington imposes a tax for the sale, use, consumption, handling, possession, or distribution of cigarettes. Cigarettes are taxed at a rate of \$3.025 on a pack of 20 cigarettes, \$3.78125 on a pack of 25 cigarettes, or \$.12125 per cigarette. Cigarettes are also subject to sales and use taxes.

Summary of Bill:

Life Sciences Discovery Fund.

The Life Science Discovery Fund Authority (Authority) is provided a new purpose of cancer research, prevention, and care. Changes to the board of trustees are made and new committees are created.

The Authority's board of trustees is expanded to consist of 15 members. Governor appointed members must include two trustees nominated from the University of Washington and Washington State University, two trustees nominated from the Fred Hutchinson Cancer Research Center, Seattle Cancer Alliance, or Seattle Children's Research Institute, two trustees nominated from patient advocacy organizations, two trustees nominated by entities or systems that provide health care delivery services, one trustee nominated by any health sciences and service authority, and two members of the public. Trustees, with the exception of the chair, serve a term of four years. The Authority is additionally empowered to:

- use public monies and taxes created by this act, and leverage public and private monies, to promote life sciences research including cancer research;
- hold funds received in trust to promote cancer research;
- make grants to public and private entities to fund or reimburse the entities for cancer research to be conducted in Washington; and
- create one or more permanent or ad hoc advisory boards.

The Authority must establish at least one independent expert scientific review and advisory committee to:

- solicit and evaluate grant proposals for cancer research;
- advise the Authority during development and review of strategic plans for cancer research;
- advise the Authority on scientific and other matters in furtherance of cancer research purposes;
- advise the Authority on the recruitment of scientists; and
- advise the Authority regarding a statewide program for genetic analysis.

The Authority must also establish a committee to solicit and evaluate grant proposals for cancer research, consisting of at least 11 members with nationally recognized expertise in scientific, clinical, ethical, commercial, and regulatory aspects of cancer research, prevention, and care. Recommendations provided by the committee must be made by a majority vote. Recommendations must be approved by the board unless the recommendation is rejected by at least a two-thirds vote by the board.

The Authority must develop and annually update a plan for the allocation of projected funds, including allocation targets for funding pediatric cancer research. The Authority must issue an annual report to the public including grants awarded, grant funded work in progress, research accomplishments, cancer prevention and care activities, and the future program direction. The Authority must include in its annual report information regarding:

- number and dollar amounts of the grants issued;
- grantees from the prior year;
- the Authority's administrative expenses;
- an assessment of other funds available for cancer, research, prevention and care;
- a summary of research and findings;
- a list of areas for future investment; and
- state benefits from LSDF programs.

The Authority must request an audit by an independent auditor at least once every three years that produces recommendations to the Authority, the Governor, and the Legislature regarding improvements for the Authority's allocation of monies from the Fund.

Fund to Fight Cancer.

A new non-appropriated account, the Fund to Fight Cancer (Fund), is created under the Authority in the custody of state treasurer to be used for the purpose of funding LSDF cancer research, prevention, and care. Revenues to the Fund consist of receipts from new tobacco and cigarette taxes levied, gifts and grants, and earned interest. A new Fight Cancer Treasury Fund is created in the state treasury to receive tax revenue from the new tobacco and cigarette taxes. Revenue from the new tobacco and cigarette taxes levied must be appropriated from this account to the Fund. If the Fund has caused a state revenue decrease from imposition of the new tobacco and cigarette taxes, the Department of Revenue (DOR) must estimate the amount of the fiscal effect and the state treasurer must transfer the amount of decreased revenue determined by DOR from the Fund to the General Fund by July 1 of each year to offset the state revenue decrease.

Tobacco and Cigarette Taxes.

A new tax is created upon the sale, handling, or distribution of all tobacco products, except little cigars, of 10 percent, to be deposited into the Fight Cancer Treasury Fund. The tax is imposed at the time a distributor brings the product into the state, manufactures the product in this state, ships the product to retailers in this state, or handles the product for sale where no tax has already been imposed. The not-to-exceed cap on the tax of cigars applies. A new tax of \$0.025 per cigarette is also created to be deposited into the Fight Cancer Treasury Fund. Little cigars are taxed at the same rate as cigarettes.

Definitions.

Multiple definitions are provided including:

"Cancer research" means advanced and applied research and development relating to the causes, prevention, and diagnosis of cancer and care of patients including the development of tests, genetic analysis, medications, processes, services, and technologies to optimize cancer therapies and their manufacture and commercialization, and includes the costs of recruiting scientists and establishing and equipping research facilities.

"Prevention" means measures to prevent the development and progression of cancer, including education, vaccinations, and screening processes and technologies, and to reduce the risk of cancer.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.