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HOUSE BILL 2194

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State of Washington

64th Legislature

2015 Regular Session

By Representatives Hunter, Hansen, Carlyle, Johnson, Walkinshaw, Ryu, and Santos

Read first time 03/18/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to creating a funding stream and program for  
2 cancer research, prevention, and care; amending RCW 43.350.005,  
3 43.350.010, 43.350.020, and 43.350.040; reenacting and amending RCW  
4 43.79A.040; adding new sections to chapter 43.350 RCW; adding a new  
5 section to chapter 82.24 RCW; adding new sections to chapter 82.26  
6 RCW; creating new sections; providing an effective date; and  
7 declaring an emergency.

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

9 **Sec. 1.** RCW 43.350.005 and 2005 c 424 s 1 are each amended to  
10 read as follows:

11 INTENT. The legislature declares that promoting the health of  
12 state residents is a fundamental purpose of state government. The  
13 legislature declares it to be a clear public purpose and governmental  
14 function to promote life sciences research, including cancer research  
15 and prevention, to foster a preventive and predictive vision of the  
16 next generation of health-related innovations, to enhance the  
17 competitive position of Washington state in this vital sector of the  
18 economy, and to improve the quality and delivery of health care for  
19 the people of Washington.

20 Cancer is the leading cause of death in Washington and is the  
21 leading cause of childhood mortality due to disease. Many of the

1 state's high rates of cancer can be prevented and treated,  
2 particularly if detected early and patients have access to the most  
3 effective care. Washington has an existing infrastructure of world-  
4 class cancer research and care centers for children and adults that  
5 can develop and apply new techniques for the prevention of cancer and  
6 care of cancer patients throughout Washington.

7 The legislature finds that public support for and promotion of  
8 life sciences research, including cancer research, prevention, and  
9 care, will benefit the state and its residents through improved  
10 health status and health outcomes, economic development, and  
11 contributions to scientific knowledge, and such research will lead to  
12 breakthroughs and improvements that might not otherwise be discovered  
13 due to lack of existing market incentives, especially in the area of  
14 regenerative medicine.

15 The legislature finds that public support for and promotion of  
16 life sciences research, including cancer research, prevention, and  
17 care, has the potential to provide cures or new treatments for many  
18 debilitating diseases that cost the state millions of dollars each  
19 year.

20 It is appropriate and consistent with the intent of the master  
21 settlement agreement between the state and tobacco product  
22 manufacturers to invest a portion of the revenues derived therefrom  
23 by the state in life sciences research, to leverage the revenues with  
24 other funds, and to encourage cooperation and innovation among public  
25 and private institutions involved in life sciences research.

26 The purpose of this chapter is to establish a life sciences  
27 discovery fund authority, to grant that authority the power to  
28 contract with the state to receive revenues under the master  
29 settlement agreement, and to contract with other entities to receive  
30 other funds, and to disburse those funds consistent with the purpose  
31 of this chapter. The life sciences discovery fund is intended to  
32 promote the best available research in life sciences disciplines  
33 through diverse Washington institutions and to build upon existing  
34 strengths in the area of biosciences and biomanufacturing in order to  
35 spread the economic benefits across the state. The life sciences  
36 discovery fund is also intended to foster improved health care  
37 outcomes and improved agricultural production research across this  
38 state and the world.

39 The research investments of the life sciences discovery fund are  
40 intended to further the goals of the "Bio 21" report and to support

1 future statewide, comprehensive strategies to lead the nation in life  
2 sciences-related research and employment.

3 Further, this chapter is intended to establish a fund to fight  
4 cancer. The fund to fight cancer is intended to support sustained  
5 investment in cancer research, prevention, and care to reduce long-  
6 term health costs, save lives, and relieve the pain and suffering  
7 associated with cancer.

8 Sustained investment in cancer research, prevention, and care is  
9 critical to reducing long-term health costs, saving lives, and  
10 relieving pain and suffering. Unfortunately, federal funding and  
11 private philanthropy are not sufficient to support and advance cancer  
12 research, prevention, and care, and the lack of state funding further  
13 worsens critical gaps.

14 Specifically, resources of the fund to fight cancer are intended  
15 to provide the additional funding required to support and advance  
16 cancer research, prevention, and care. The legislature intends to  
17 accomplish these goals by:

18 (1) Optimizing the use of public funds by giving priority to  
19 research using the best science and technology with the greatest  
20 potential to improve health outcomes and leveraging the sizeable  
21 existing investment in facilities and research talent, as well as  
22 clinical and therapeutic resources, in Washington;

23 (2) Protecting and benefiting Washington taxpayers by funding  
24 proposals for cancer research that are reviewed by an independent  
25 scientific panel subject to established ethical standards and  
26 procedures that yield fair, equitable, informed, and unbiased  
27 consideration; by reducing future state health care costs; and by  
28 providing an opportunity for the state to benefit from royalty,  
29 sales, or licensing revenue, or other commercialization-related  
30 revenue that results from the research;

31 (3) Requiring strict fiscal and public accountability through  
32 mandatory independent audits, transparent review processes and  
33 consideration of funding proposals, open public meetings and  
34 hearings, and annual reports to the public; and

35 (4) Growing the Washington economy by creating jobs and  
36 encouraging investments that will generate new tax revenues in the  
37 state, and advance the biotech, medical device, and health care  
38 information technology industries in Washington to world leadership,  
39 as an economic engine for Washington's future.

1       **Sec. 2.** RCW 43.350.010 and 2005 c 424 s 2 are each amended to  
2 read as follows:

3       DEFINITIONS. The definitions in this section apply throughout  
4 this chapter unless the context clearly requires otherwise.

5       (1) "Authority" means the life sciences discovery fund authority  
6 created in this chapter.

7       (2) "Board" means the governing board of trustees of the  
8 authority.

9       (3) "Cancer" means a group of diseases involving unregulated cell  
10 growth.

11       (4) "Cancer patient advocacy organizations" means groups with  
12 offices in the state that promote cancer prevention and advocate on  
13 behalf of cancer patients.

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

21       (6) "Commercial entity" means a for-profit entity located in the  
22 state that develops, manufactures, or sells goods or services  
23 relating to cancer prevention or care.

24       (7) "Committee" means an independent expert scientific review and  
25 advisory committee established pursuant to section 6 of this act.

26       (8) "Contribution agreement" means any agreement authorized under  
27 this chapter in which a private entity or a public entity other than  
28 the state agrees to provide to the authority contributions for the  
29 purpose of promoting life sciences research.

30       (~~(4)~~) (9) "Costs" means the costs and expenses associated with  
31 the conduct of research, prevention, and care including, but not  
32 limited to, the cost of recruiting and compensating personnel,  
33 securing and financing facilities and equipment, and conducting  
34 clinical trials.

35       (10) "Fund authority" means the life sciences discovery fund to  
36 fight cancer authority.

37       (11) "Genetic analysis" means the use of DNA/RNA/protein  
38 sequencing methods to define potential mutations or patterns to  
39 assist prescribing physicians in determining anticancer medications  
40 or treatments that can be used to optimize cancer therapies.

1        (12) "Health care delivery system" means hospitals and clinics  
2 providing care to patients in the state.

3        (13) "Life sciences research" means advanced and applied research  
4 and development intended to improve human health, including  
5 scientific study of the developing brain and human learning and  
6 development, and other areas of scientific research and development  
7 vital to the state's economy.

8        ~~((+5))~~ (14) "Master settlement agreement" means the national  
9 master settlement agreement and related documents entered into on  
10 November 23, 1998, by the state and the four principal United States  
11 tobacco product manufacturers, as amended and supplemented, for the  
12 settlement of litigation brought by the state against the tobacco  
13 product manufacturers.

14        ~~((+6))~~ (15) "Nonprofit cancer research institution" means a  
15 nonprofit institution located in the state that conducts cancer  
16 research.

17        (16) "Prevention" means measures to prevent the development and  
18 progression of cancer, including education, vaccinations, and  
19 screening processes and technologies, and to reduce the risk of  
20 cancer.

21        (17) "Public employee" means any person employed by the state of  
22 Washington or any agency or political subdivision thereof.

23        ~~((+7))~~ (18) "Public facilities" means any public institution,  
24 public facility, public equipment, or any physical asset owned,  
25 leased, or controlled by the state of Washington or any agency or  
26 political subdivision thereof.

27        ~~((+8))~~ (19) "Public funds" means any funds received or  
28 controlled by the state of Washington or any agency or political  
29 subdivision thereof, including, but not limited to, funds derived  
30 from federal, state, or local taxes, gifts or grants from any source,  
31 public or private, federal grants or payments, or intergovernmental  
32 transfers.

33        ~~((+9))~~ (20) "State agreement" means the agreement authorized  
34 under this chapter in which the state provides to the authority the  
35 strategic contribution payments required to be made by tobacco  
36 product manufacturers to the state and the state's rights to receive  
37 such payments, pursuant to the master settlement agreement, for the  
38 purpose of promoting life sciences research.

1       (~~(10)~~)   (21) "Strategic contribution payments" means the  
2 payments designated as such under the master settlement agreement,  
3 which will be made to the state in the years 2008 through 2017.

4       **Sec. 3.** RCW 43.350.020 and 2005 c 424 s 3 are each amended to  
5 read as follows:

6       LIFE SCIENCES DISCOVERY FUND AUTHORITY BOARD MEMBERS ADDED. (1)  
7 The life sciences discovery fund authority is created and constitutes  
8 a public instrumentality and agency of the state, separate and  
9 distinct from the state, exercising public and essential governmental  
10 functions.

11       (2)(a) The powers of the authority are vested in and shall be  
12 exercised by a board of trustees consisting of: Two members of either  
13 the house appropriations committee or the house committee dealing  
14 with technology issues, one from each caucus, to be appointed by the  
15 speaker of the house of representatives; two members of either the  
16 senate committee on ways and means or the senate committee dealing  
17 with technology issues, one from each caucus, to be appointed by the  
18 president of the senate; and (~~seven~~) eleven members appointed by  
19 the governor with the consent of the senate, one of whom shall be  
20 appointed by the governor as chair of the authority and who shall  
21 serve on the board and as chair of the authority at the pleasure of  
22 the governor. Members appointed by the governor must include:

23       (i) Two trustees from nominations submitted by the presidents of  
24 the University of Washington and Washington State University;

25       (ii) Two trustees from nominations submitted by the Fred  
26 Hutchinson cancer research center, Seattle cancer care alliance, and  
27 the Seattle children's research institute;

28       (iii) Two trustees from nominations submitted by patient advocacy  
29 organizations;

30       (iv) Two trustees from nominations submitted by entities or  
31 systems that provide health care delivery services;

32       (v) One trustee from nominations submitted by any health sciences  
33 and services authority established under chapter 35.104 RCW; and

34       (vi) The remaining two trustees must be members of the public,  
35 one of whom must be appointed by the governor as chair of the  
36 authority and who must serve on the authority and as chair of the  
37 authority at the pleasure of the governor.

38       (b) The respective officials shall make (~~the initial~~) any new  
39 appointments required by chapter..., Laws of 2015 (this act) no later

1 than thirty days after (~~May 12, 2005~~) the effective date of this  
2 section. The term of the trustees, other than the chair, is four  
3 years from the date of their appointment, except that the terms of  
4 three of the initial gubernatorial appointees, as determined by the  
5 governor, are for two years from the date of their appointment. A  
6 trustee appointed by the governor may be removed by the governor for  
7 cause under RCW 43.06.070 and 43.06.080. The appropriate official  
8 shall fill any vacancy on the board by appointment for the remainder  
9 of the unexpired term. The trustees appointed by the governor shall  
10 be compensated in accordance with RCW 43.03.240 and may be  
11 reimbursed, solely from the funds of the authority, for expenses  
12 incurred in the discharge of their duties under this chapter, subject  
13 to RCW 43.03.050 and 43.03.060. The trustees who are legislators  
14 shall be reimbursed for travel expenses in accordance with RCW  
15 44.04.120.

16 (3) (~~Seven~~) Eight members of the board constitute a quorum.

17 (4) The trustees shall elect a treasurer and secretary annually,  
18 and other officers as the trustees determine necessary, and may adopt  
19 bylaws or rules for their own government.

20 (5) Meetings of the board shall be held in accordance with the  
21 open public meetings act, chapter 42.30 RCW, and at the call of the  
22 chair or when a majority of the trustees so requests. Meetings of the  
23 board may be held at any location within or out of the state, and  
24 trustees may participate in a meeting of the board by means of a  
25 conference telephone or similar communication equipment under RCW  
26 23B.08.200.

27 (6) The authority is subject to audit by the state auditor.

28 (7) The attorney general must advise the authority and represent  
29 it in all legal proceedings.

30 NEW SECTION. **Sec. 4.** AUTHORITY—POWERS—FUND TO FIGHT CANCER  
31 DUTIES. In addition to other powers and duties prescribed in this  
32 chapter, the authority is empowered to:

33 (1) Use public moneys in the fund to fight cancer, leveraging  
34 those moneys with amounts received from other public and private  
35 sources in accordance with contribution agreements, to fund costs of  
36 cancer research and the administrative costs of the authority;

37 (2) Use amounts in the fund to fight cancer created in section 8  
38 of this act to fund the costs of cancer research and the related  
39 administrative costs of the authority. However, the authority may use

1 an amount equal to not more than five percent of the amount in the  
2 fund to fight cancer to pay administrative costs of the authority  
3 allocable to cancer research, prevention, and care, including the  
4 oversight of the grant-making process and the operations of the board  
5 and the committee;

6 (3) Solicit and receive gifts, grants, and bequests, and enter  
7 into contribution agreements with private entities and public  
8 entities, including commercial entities, in order to use those moneys  
9 to fund the costs of cancer research, prevention, and care. Nonstate  
10 moneys received by the authority for the purpose of cancer research  
11 must be deposited in the fund to fight cancer created in section 8 of  
12 this act;

13 (4) Hold funds received by the authority for deposit in the fund  
14 to fight cancer exclusively in trust dedicated, pursuant to section 8  
15 of this act, to promote cancer research;

16 (5) Subject to chapter 39.58 RCW, manage its funds, obligations,  
17 and investments as necessary and as consistent with its purpose  
18 including the segregation of revenues into separate funds and  
19 accounts;

20 (6)(a) Make grants to public and private entities, including  
21 commercial entities, to fund or reimburse the entities pursuant to  
22 contract for the promotion of cancer research to be conducted in the  
23 state. Grant agreements must specify deliverables to be provided by  
24 the recipient pursuant to the grant. The authority must solicit  
25 requests for funding and evaluate the requests by reference to  
26 factors such as: (i) The quality of the proposed research or program;  
27 (ii) its potential to improve cancer outcomes, with particular  
28 attention to the likelihood that it will also lower health care  
29 costs, substitute for a more costly diagnostic or treatment modality,  
30 or offer a breakthrough treatment for cancer; (iii) its potential for  
31 leveraging additional funding; (iv) its potential to provide cancer  
32 care benefits; (v) its potential to stimulate cancer prevention and  
33 health care delivery; (vi) the geographic diversity of the grantees  
34 within Washington; (vii) evidence of potential royalty, sales, or  
35 licensing revenue, or other commercialization-related revenue and  
36 contractual means to recapture such income for purposes of this  
37 chapter; and (viii) evidence of public and private collaboration.

38 (b) Grant agreements must set forth the terms and conditions of  
39 the grant and must include, but not be limited to: (i) Deliverables  
40 to be provided by the recipient pursuant to the grant; (ii) the

1 circumstances under which the grant amount would be required to be  
2 repaid or the manner under which royalty, sales, or licensing  
3 revenue, or other commercialization-related revenue would be required  
4 to be shared; and (iii) indemnification, dispute resolution, and any  
5 other terms and conditions as are customary for grant agreements or  
6 are deemed reasonable by the board. The authority may negotiate with  
7 any grantee the costs associated with performing scientific  
8 activities funded by grants;

9 (7) Create one or more permanent or ad hoc advisory boards  
10 composed of scientists, clinicians, industrialists, and others  
11 familiar with cancer research, prevention, and care; and

12 (8) Adopt policies and procedures to facilitate the orderly  
13 process of grant application, review, and reward.

14 **Sec. 5.** RCW 43.350.040 and 2005 c 424 s 5 are each amended to  
15 read as follows:

16 AUTHORITY—GENERAL POWERS. The authority has all the general  
17 powers necessary to carry out its purposes and duties and to exercise  
18 its specific powers. In addition to other powers specified in this  
19 chapter, the authority may: (1) Sue and be sued in its own name; (2)  
20 make and execute agreements, contracts, and other instruments, with  
21 any public or private person or entity, in accordance with this  
22 chapter; (3) employ, contract with, or engage independent counsel,  
23 financial advisors, auditors, other technical or professional  
24 assistants, and such other personnel as are necessary or desirable to  
25 implement this chapter; (4) establish such special funds, and  
26 controls on deposits to and disbursements from them, as it finds  
27 convenient for the implementation of this chapter; (5) enter into  
28 contracts with public and private entities for life sciences research  
29 to be conducted in the state; (6) adopt rules, consistent with this  
30 chapter; (7) delegate any of its powers and duties if consistent with  
31 the purposes of this chapter; (8) exercise any other power reasonably  
32 required to implement the purposes of this chapter; ~~((and))~~ (9) hire  
33 staff and pay administrative costs; and (10) subject to appropriate  
34 agreements, advance funds to defray charges for materials to be  
35 furnished or services to be rendered by grant recipients pursuant to  
36 authority rule permitting advances, in amounts no greater than the  
37 estimated charges, where the advances would be in the best interests  
38 of the authority.

1        NEW SECTION.    **Sec. 6.**    INDEPENDENT EXPERT SCIENTIFIC COMMITTEES  
2 RELATED TO THE FUND TO FIGHT CANCER. (1) In addition to any advisory  
3 boards the authority determines to establish under RCW 43.350.030(7)  
4 or section 4(7) of this act, the authority must establish one or more  
5 independent expert scientific review and advisory committees for the  
6 purposes of: (a) Soliciting and evaluating grant proposals for cancer  
7 research and recommending grants to be made from the fund to fight  
8 cancer; (b) advising the authority during the development and review  
9 of its strategic plans for cancer research; (c) advising the  
10 authority on scientific and other matters in furtherance of the  
11 cancer research purposes of RCW 43.350.040 and sections 4, 6, and 7  
12 of this act; (d) advising the authority on the recruitment of  
13 scientists in the fields of cancer research, prevention, and  
14 treatment; and (e) advising the authority regarding a statewide  
15 program for the genetic analysis of patient tumors to optimize cancer  
16 therapies.

17        (2) A committee to solicit and evaluate grant proposals for  
18 cancer research and recommend grants to be made from the fund to  
19 fight cancer is created and must consist of eleven individuals or  
20 such larger number as the board determines, with nationally  
21 recognized expertise in the scientific, clinical, ethical,  
22 commercial, and regulatory aspects of cancer research, prevention,  
23 and care. A majority of the committee must reside out of the state.  
24 The board must appoint members of the committee. The committee must  
25 report to the board. Preliminary review of grant proposals may be  
26 made by a panel of such committee or an independent contractor chosen  
27 by the board upon recommendation of the committee, but all  
28 recommendations for grants to be made from the fund to fight cancer  
29 may be made only upon majority vote of the committee. A  
30 recommendation to the board by the committee to fund a grant proposal  
31 must be approved by the board unless the recommendation is rejected  
32 by a two-thirds vote of the entire board.

33        NEW SECTION.    **Sec. 7.**    FUND TO FIGHT CANCER PLAN AND STANDARDS.  
34 (1) The board must develop a plan for the allocation of projected  
35 amounts in the fund to fight cancer, which it must update annually,  
36 following at least one annual public hearing. The plan must provide  
37 for appropriate funding continuity and take into account the  
38 projected speed at which revenues will be available and amounts that  
39 can be spent during the plan period.

1 (2) Allocation targets must be developed in the plan for funding  
2 targeted to pediatric cancer research. The plan with respect to  
3 funding cancer research must seek to provide that no less than ten  
4 percent of the funding is granted to areas outside the Puget Sound  
5 region in part to build and diversify research capacity. However, all  
6 grants for research meet the highest standards for scientific  
7 research and are based on ethical standards and procedures that yield  
8 fair, equitable, informed, and unbiased consideration.

9 (3) The authority must issue an annual report to the public that  
10 sets forth its activities with respect to the fund to fight cancer,  
11 including grants awarded, grant-funded work in progress, research  
12 accomplishments, prevention, and care activities, and future program  
13 directions with respect to cancer research, prevention, and care.  
14 Each annual report regarding activities with respect to the fund to  
15 fight cancer must include, but not be limited to, the following: The  
16 number and dollar amounts of grants; the grantees for the prior year;  
17 the authority's administrative expenses; an assessment of the  
18 availability of funding for cancer research, prevention, and care  
19 from sources other than the authority; a summary of research,  
20 prevention, and care-related findings, including promising new areas  
21 for investment; and a report on the benefits to Washington of its  
22 programs to date.

23 (4) The authority must include as an addendum to the first annual  
24 report, a proposed operating plan for the design, implementation, and  
25 administration of an endowment program supporting the purposes of the  
26 authority. The authority must submit the operating plan to the  
27 governor, the legislature, and the stakeholders of the authority at  
28 the time the first annual report is published.

29 (5) Periodically, but not less often than every three years, the  
30 authority must conduct a request for proposals and retain the  
31 services of an independent auditor with experience in performance  
32 auditing of research granting entities similar to the authority. The  
33 independent auditor must review the strategic plan of the authority  
34 for the allocation of projected amounts in the fund to fight cancer  
35 and its performance against such plan and publish a report assessing  
36 the performance of the authority. The independent auditor must make  
37 recommendations to the authority, the governor, and the legislature  
38 regarding improvements to the authority's performance for the  
39 allocation of projected amounts in the fund to fight cancer. The

1 authority must hold at least one public hearing at which the results  
2 of each audit are presented and discussed.

3 (6) The authority must establish standards for grants made from  
4 the fund to fight cancer that may require that contracts for cancer  
5 research, prevention, or care contain provisions that balance the  
6 opportunity of the state or its public universities to derive benefit  
7 from the intellectual or tangible property that result from cancer  
8 research, prevention, or care activities performed subject to RCW  
9 43.350.040 and sections 4, 6, and 7 of this act with the need to  
10 assure that essential research is not unreasonably hindered.

11 (7) It is essential that the personal interests of authority  
12 trustees, staff, and agents do not impede their judgment or  
13 compromise their objectivity. Even the perception of a conflict of  
14 interest has the potential to erode the public's confidence in the  
15 authority's work. The authority must adopt policies to ensure that  
16 all potential conflicts have been disclosed and that all conflicts  
17 have been eliminated or mitigated.

18 (8) The authority must establish standards to ensure that  
19 recipients of grants for cancer research, prevention, or care  
20 purchase goods and services from Washington suppliers to the extent  
21 reasonably possible.

22 NEW SECTION. **Sec. 8.** FUND TO FIGHT CANCER CREATED AS  
23 NONAPPROPRIATED ACCOUNT. (1) The fund to fight cancer is created in  
24 the custody of the state treasurer.

25 (2) Revenues to the fund consist of: (a) Revenues appropriated by  
26 the legislature from the fight cancer treasury fund created in  
27 section 9 of this act from taxes levied in sections 10 and 11 of this  
28 act; (b) moneys received by the authority from gifts, grants,  
29 bequests, contribution agreements, royalty, sales, or licensing  
30 revenue, or other commercialization-related revenue, grant  
31 remittances, and other sources; and (c) interest earned on the fund.

32 (3) Expenditures from the fund may be made solely for the  
33 purposes of funding cancer research as provided in RCW 43.350.040 and  
34 sections 4, 6, and 7 of this act. Only the board or the board's  
35 designee may authorize expenditures from the fund. The fund is  
36 subject to the allotment procedures of chapter 43.88 RCW, but an  
37 appropriation is not required for expenditure.

38 (4) The board must develop and approve an annual budget for  
39 expenditures from the fund to fight cancer.

1        NEW SECTION.    **Sec. 9.**    FIGHT CANCER TREASURY FUND CREATED TO  
2 RECEIVE TAX REVENUE. (1) The fight cancer treasury fund is created in  
3 the state treasury. Revenues to the fund consist of taxes levied  
4 pursuant to sections 10 and 11 of this act, subject to the provisions  
5 of subsection (2) of this section. Moneys in the fund may be expended  
6 solely after appropriation. The legislature must appropriate all  
7 revenues to the fund into the fund to fight cancer created in section  
8 8 of this act subject to the provisions of subsection (2) of this  
9 section.

10        (2)(a) Each fiscal year the amount to be deposited into the fight  
11 cancer treasury fund created in this section must be reduced by the  
12 amount necessary to offset the state revenue decrease to other state  
13 accounts directly resulting from imposition of the additional taxes  
14 imposed by sections 10 and 11 of this act, determined as follows: (i)  
15 The department of revenue must determine by January 31, 2016, and by  
16 each January 31st thereafter, the effect that the additional tax  
17 imposed on cigarettes by section 10 of this act, and the additional  
18 taxes on tobacco products imposed by section 11 of this act, have on  
19 the consumption of cigarettes and tobacco products in this state; and  
20 (ii) to the extent that a decrease in consumption is determined by  
21 the department of revenue to be a direct result of the additional  
22 taxes imposed by sections 10 and 11 of this act, the department of  
23 revenue must determine the fiscal effect the decrease in consumption  
24 has on state revenues to other state accounts and must provide the  
25 state treasurer by March 1, 2016, and by each March 1st thereafter,  
26 the amount of decreased revenues as determined in this subsection.

27        (b) The state treasurer must transfer the amount of decreased  
28 revenue determined by the department of revenue in (a) of this  
29 subsection from the fight cancer treasury fund to the general fund by  
30 July 1, 2016, and by each July 1st thereafter.

31        NEW SECTION.    **Sec. 10.**    A new section is added to chapter 82.24  
32 RCW to read as follows:

33        CIGARETTE TAX. (1) In addition to the tax imposed upon the sale,  
34 use, consumption, handling, possession, or distribution of cigarettes  
35 set forth in RCW 82.24.020 and 82.24.026, there is imposed a tax in  
36 an amount equal to 2.5 cents per cigarette, which must be levied and  
37 collected, beginning July 1, 2015.

38        (2) Taxes received pursuant to this section must be deposited in  
39 the fight cancer treasury fund created in section 9 of this act and

1 used exclusively for the purposes set forth in RCW 43.350.040 and  
2 sections 4, 6, and 7 of this act.

3 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.26  
4 RCW to read as follows:

5 TOBACCO TAX. (1) In addition to the tax levied and collected in  
6 RCW 82.26.020, and without regard to any limitations set forth in RCW  
7 82.26.020, including without limitation the not-to-exceed cap on the  
8 tax on cigars under RCW 82.26.020(1)(a), there is levied and  
9 collected a tax upon the sale, handling, or distribution of all  
10 tobacco products in this state at the following rates, beginning July  
11 1, 2015:

12 (a) For cigars except little cigars, a rate equal to ten percent  
13 of the taxable sales price of cigars;

14 (b) For all tobacco products except those covered under separate  
15 provisions of this subsection, a rate equal to ten percent of the  
16 taxable sales price;

17 (c) For moist snuff, a rate equal to ten percent of the tax under  
18 RCW 82.26.020; and

19 (d) For little cigars, a rate per cigar equal to ten percent of  
20 the cigarette tax under chapter 82.24 RCW.

21 (2) Taxes under this section must be imposed at the time the  
22 distributor (a) brings, or causes to be brought, into this state from  
23 without the state tobacco products for sale, (b) makes, manufactures,  
24 fabricates, or stores tobacco products in this state for sale in this  
25 state, (c) ships or transports tobacco products to retailers in this  
26 state, to be sold by those retailers, or (d) handles for sale any  
27 tobacco products that are within this state but upon which tax has  
28 not been imposed.

29 (3) Taxes received pursuant to this section must be deposited in  
30 the fight cancer treasury fund created in section 9 of this act and  
31 used exclusively for the purposes set forth in RCW 43.350.040 and  
32 sections 4, 6, and 7 of this act.

33 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.26  
34 RCW to read as follows:

35 PAYMENT OF TAXES. (1) For any other tobacco products on which a  
36 tax pursuant to this chapter has already been paid that is in the  
37 possession or control of a distributor or retailer or any other  
38 person in the business of distributing or selling tobacco products on

1 the effective date of the additional tax on that tobacco product  
2 under section 11 of this act, the distributor, retailer, or any other  
3 person must, to fully comply with the additional tax, make a tax  
4 payment on tobacco products in his or her possession or control equal  
5 to the new tax rate on tobacco products, taking into account the  
6 additional tax, minus the amount of tax already paid on that tobacco  
7 product.

8 (2) For any cigarettes on which a tax pursuant to RCW 82.24.020  
9 and 82.24.026 has already been paid, and that are in the possession  
10 or control of a distributor, wholesaler, retailer, or any other  
11 person in the business of distributing or selling cigarettes on the  
12 effective date of the additional tax on the sale, use, consumption,  
13 handling, possession, or distribution of cigarettes under section 10  
14 of this act, the distributor, wholesaler, retailer, or other person  
15 must, to fully comply with the additional tax, make a tax payment  
16 equal to the tax rate on the cigarettes, taking into account the  
17 additional tax, minus the amount of tax already paid on those  
18 cigarettes.

19 (3) These payments must be made to the department within thirty  
20 days of the effective date of the tax rate increase due to the  
21 additional taxes under section 10 or 11 of this act and must be  
22 submitted along with a report, in such a form as the department may  
23 prescribe, describing all the subject cigarettes or tobacco products  
24 in the possession or control of the distributor, retailer, or other  
25 person on the effective date of the tax rate increase due to the  
26 additional taxes and showing the related tax payments due.

27 (a) Any tax payments pursuant to this section made later than  
28 thirty days after the effective date of the tax rate increase due to  
29 the additional taxes under section 10 or 11 of this act must also pay  
30 interest at the rate of two percent per month or fraction of a month  
31 from the date the tax payment was due until the date that the tax  
32 payment is received by the department.

33 (b) Any tax payments pursuant to this section received by the  
34 department within twenty days of the tax rate increase due to the  
35 additional taxes under section 10 or 11 of this act may be reduced by  
36 one percent.

37 (4) Taxes received pursuant to this section must be deposited in  
38 the fight cancer treasury fund created in section 9 of this act and  
39 used exclusively for the purposes in RCW 43.350.040 and sections 4,  
40 6, and 7 of this act.

1       **Sec. 13.** RCW 43.79A.040 and 2013 c 251 s 5 and 2013 c 88 s 1 are  
2 each reenacted and amended to read as follows:

3       MANAGEMENT—INCOME—INVESTMENT INCOME ACCOUNT—DISTRIBUTION. (1)  
4 Money in the treasurer's trust fund may be deposited, invested, and  
5 reinvested by the state treasurer in accordance with RCW 43.84.080 in  
6 the same manner and to the same extent as if the money were in the  
7 state treasury, and may be commingled with moneys in the state  
8 treasury for cash management and cash balance purposes.

9       (2) All income received from investment of the treasurer's trust  
10 fund must be set aside in an account in the treasury trust fund to be  
11 known as the investment income account.

12       (3) The investment income account may be utilized for the payment  
13 of purchased banking services on behalf of treasurer's trust funds  
14 including, but not limited to, depository, safekeeping, and  
15 disbursement functions for the state treasurer or affected state  
16 agencies. The investment income account is subject in all respects to  
17 chapter 43.88 RCW, but no appropriation is required for payments to  
18 financial institutions. Payments must occur prior to distribution of  
19 earnings set forth in subsection (4) of this section.

20       (4)(a) Monthly, the state treasurer must distribute the earnings  
21 credited to the investment income account to the state general fund  
22 except under (b), (c), and (d) of this subsection.

23       (b) The following accounts and funds must receive their  
24 proportionate share of earnings based upon each account's or fund's  
25 average daily balance for the period: The Washington promise  
26 scholarship account, the Washington advanced college tuition payment  
27 program account, the accessible communities account, the community  
28 and technical college innovation account, the agricultural local  
29 fund, the American Indian scholarship endowment fund, the foster care  
30 scholarship endowment fund, the foster care endowed scholarship trust  
31 fund, the contract harvesting revolving account, the Washington state  
32 combined fund drive account, the commemorative works account, the  
33 county enhanced 911 excise tax account, the toll collection account,  
34 the developmental disabilities endowment trust fund, the energy  
35 account, the fair fund, the family leave insurance account, the food  
36 animal veterinarian conditional scholarship account, the fruit and  
37 vegetable inspection account, the future teachers conditional  
38 scholarship account, the game farm alternative account, the GET ready  
39 for math and science scholarship account, the Washington global  
40 health technologies and product development account, the grain

1 inspection revolving fund, the industrial insurance rainy day fund,  
2 the juvenile accountability incentive account, the law enforcement  
3 officers' and firefighters' plan 2 expense fund, the local tourism  
4 promotion account, the multiagency permitting team account, the  
5 pilotage account, the produce railcar pool account, the regional  
6 transportation investment district account, the rural rehabilitation  
7 account, the stadium and exhibition center account, the youth  
8 athletic facility account, the self-insurance revolving fund, the  
9 children's trust fund, the Washington horse racing commission  
10 Washington bred owners' bonus fund and breeder awards account, the  
11 Washington horse racing commission class C purse fund account, the  
12 individual development account program account, the Washington horse  
13 racing commission operating account, the fund to fight cancer, the  
14 life sciences discovery fund, the Washington state heritage center  
15 account, the reduced cigarette ignition propensity account, the  
16 center for childhood deafness and hearing loss account, the school  
17 for the blind account, the Millersylvania park trust fund, the public  
18 employees' and retirees' insurance reserve fund, and the radiation  
19 perpetual maintenance fund.

20 (c) The following accounts and funds must receive eighty percent  
21 of their proportionate share of earnings based upon each account's or  
22 fund's average daily balance for the period: The advanced right-of-  
23 way revolving fund, the advanced environmental mitigation revolving  
24 account, the federal narcotics asset forfeitures account, the high  
25 occupancy vehicle account, the local rail service assistance account,  
26 and the miscellaneous transportation programs account.

27 (d) Any state agency that has independent authority over accounts  
28 or funds not statutorily required to be held in the custody of the  
29 state treasurer that deposits funds into a fund or account in the  
30 custody of the state treasurer pursuant to an agreement with the  
31 office of the state treasurer (~~shall~~) must receive its  
32 proportionate share of earnings based upon each account's or fund's  
33 average daily balance for the period.

34 (5) In conformance with Article II, section 37 of the state  
35 Constitution, no trust accounts or funds (~~shall~~) may be allocated  
36 earnings without the specific affirmative directive of this section.

37 NEW SECTION. **Sec. 14.** Sections 4 and 6 through 9 of this act  
38 are each added to chapter 43.350 RCW.

1        NEW SECTION.    **Sec. 15.**    CONSTRUCTION. This act, being necessary  
2 for the welfare of the state and its inhabitants, must be liberally  
3 construed.

4        NEW SECTION.    **Sec. 16.**    SEVERABILITY. If any provision of this  
5 act or its application to any person or circumstance is held invalid,  
6 the remainder of the act or the application of the provision to other  
7 persons or circumstances is not affected.

8        NEW SECTION.    **Sec. 17.**    APPLICATION. This act applies only with  
9 respect to tax liability incurred under chapter 82.24 or 82.26 RCW on  
10 or after July 1, 2015, for the sale, handling, or distribution of  
11 cigarettes or tobacco products.

12       NEW SECTION.    **Sec. 18.**    EFFECTIVE DATE. This act is necessary for  
13 the immediate preservation of the public peace, health, or safety, or  
14 support of the state government and its existing public institutions,  
15 and takes effect July 1, 2015.

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