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**SUBSTITUTE SENATE BILL 5808**

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**State of Washington**

**64th Legislature**

**2015 Regular Session**

**By** Senate Health Care (originally sponsored by Senators Habib, Becker, Ranker, Llias, McAuliffe, Keiser, Hasegawa, and Frockt)

READ FIRST TIME 02/20/15.

1 AN ACT Relating to cancer research; reenacting and amending RCW  
2 43.79A.040; adding a new section to chapter 82.24 RCW; adding new  
3 sections to chapter 82.26 RCW; adding a new chapter to Title 43 RCW;  
4 creating new sections; providing an effective date; and declaring an  
5 emergency.

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

7 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. (1) The legislature  
8 finds the following:

9 (a) Cancer is the leading cause of death in Washington and is the  
10 leading cause of childhood mortality due to disease. Many of our  
11 state's high rates of cancer can be prevented and treated,  
12 particularly if detected early and patients have access to the most  
13 effective care. Washington has an existing infrastructure of world-  
14 class cancer research and care centers for children and adults that  
15 can develop and apply new techniques for the prevention of cancer and  
16 care of cancer patients throughout Washington;

17 (b) Sustained investment in cancer research, prevention, and care  
18 is critical to reducing long-term health costs, saving lives, and  
19 relieving pain and suffering. Unfortunately, federal funding and  
20 private philanthropy are not sufficient to support and advance cancer

1 research, prevention, and care, and the lack of state funding further  
2 worsens critical gaps;

3 (c) Promoting the health of state residents is a fundamental  
4 purpose of state government. It is a clear public purpose and  
5 governmental function to promote cancer research and prevention and  
6 to improve the quality and delivery of cancer care for the people of  
7 Washington, and to enhance the competitive position of Washington  
8 state in this vital sector of the economy; and

9 (d) With additional public resources deposited to a fund  
10 dedicated exclusively to cancer research, the fund to fight cancer  
11 authority will provide sustained investment in cancer research and  
12 the development of vital tools for cancer prevention and care that  
13 are available throughout the state.

14 (2) It is the intent of the legislature in enacting this act to:

15 (a) Optimize the use of public funds by giving priority to  
16 research utilizing the best science and technology with the greatest  
17 potential to improve health outcomes and leveraging the sizeable  
18 existing investment in facilities and research talent, as well as  
19 clinical and therapeutic resources, in Washington;

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

28 (c) Require strict fiscal and public accountability through  
29 mandatory independent audits, transparent review processes and  
30 consideration of funding proposals, open public meetings and  
31 hearings, and annual reports to the public; and

32 (d) Grow the Washington economy by creating jobs and encouraging  
33 investments that will generate new tax revenues in our state, and  
34 advance the biotech, medical device, and health care information  
35 technology industries in Washington to world leadership, as an  
36 economic engine for Washington's future.

37 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
38 section apply throughout this chapter unless the context clearly  
39 requires otherwise.

- 1 (1) "Authority" means the fund to fight cancer authority created  
2 in this chapter.
- 3 (2) "Board" means the governing board of trustees of the  
4 authority.
- 5 (3) "Cancer" means a group of diseases involving unregulated cell  
6 growth.
- 7 (4) "Cancer patient advocacy organizations" means groups with  
8 offices in the state that promote cancer prevention and advocate on  
9 behalf of cancer patients.
- 10 (5) "Cancer research" means advanced and applied research and  
11 development relating to the causes, prevention, and diagnosis of  
12 cancer and care of cancer patients including the development of  
13 tests, genetic analysis, medications, processes, services, and  
14 technologies to optimize cancer therapies and their manufacture and  
15 commercialization and includes the costs of recruiting scientists and  
16 establishing and equipping research facilities.
- 17 (6) "Commercial entity" means a for-profit entity located in the  
18 state that develops, manufactures, or sells goods or services  
19 relating to cancer prevention or care.
- 20 (7) "Committee" means an independent expert scientific review and  
21 advisory committee established pursuant to section 4 of this act.
- 22 (8) "Contribution agreement" means any agreement authorized under  
23 this chapter in which a private entity or a public entity other than  
24 the state agrees to provide to the authority contributions for the  
25 purpose of cancer research, prevention, or care.
- 26 (9) "Costs" means the costs and expenses associated with the  
27 conduct of research, prevention, and care including, but not limited  
28 to, the cost of recruiting and compensating personnel, securing and  
29 financing facilities and equipment, and conducting clinical trials.
- 30 (10) "Fund to fight cancer" means the fund created in section 9  
31 of this act.
- 32 (11) "Genetic analysis" means the use of DNA/RNA/protein  
33 sequencing methods to define potential mutations or patterns to  
34 assist prescribing physicians in determining anticancer medications  
35 or treatments that can be utilized to optimize cancer therapies.
- 36 (12) "Health care delivery system" means hospitals and clinics  
37 providing care to patients in the state.
- 38 (13) "Life sciences research" means advanced and applied research  
39 and development intended to improve human health, including  
40 scientific study of the developing brain and human learning and

1 development, and other areas of scientific research and development  
2 vital to the state's economy.

3 (14) "Nonprofit cancer research institution" means a nonprofit  
4 institution located in the state that conducts cancer research.

5 (15) "Prevention" means measures to prevent the development and  
6 progression of cancer, including education, vaccinations, and  
7 screening processes and technologies, and to reduce the risk of  
8 cancer.

9 (16) "Public employee" means any person employed by the state of  
10 Washington or any agency or political subdivision thereof.

11 (17) "Public facilities" means any public institution, public  
12 facility, public equipment, or any physical asset owned, leased, or  
13 controlled by the state of Washington or any agency or political  
14 subdivision thereof.

15 (18) "Public funds" means any funds received or controlled by the  
16 state of Washington or any agency or political subdivision thereof  
17 including, but not limited to, funds derived from federal, state, or  
18 local taxes, gifts or grants from any source, public or private,  
19 federal grants or payments, or intergovernmental transfers.

20 NEW SECTION. **Sec. 3.** FUND TO FIGHT CANCER AUTHORITY. (1) The  
21 fund to fight cancer authority is created and constitutes a public  
22 instrumentality and agency of the state, separate and distinct from  
23 the state, exercising public and essential governmental functions.

24 (2)(a) The powers of the authority are vested in and must be  
25 exercised by a board of trustees consisting of thirteen members  
26 appointed by the governor. Except as set forth in (a)(viii) of this  
27 subsection, the trustees of the board of the authority must be  
28 replaced with trustees appointed as follows:

29 (i) Two trustees must be appointed from nominations submitted by  
30 the presidents of the University of Washington and Washington State  
31 University;

32 (ii) Two trustees must be appointed from nominations submitted by  
33 the Fred Hutchinson cancer research center, Seattle cancer care  
34 alliance, and the Seattle children's research institute;

35 (iii) Two trustees must be appointed from nominations submitted  
36 by patient advocacy organizations;

37 (iv) Two trustees must be appointed from nominations submitted by  
38 entities or systems that provide health care delivery services;

1 (v) One trustee must be appointed from a list of at least three  
2 nominated by the speaker of the house of representatives;

3 (vi) One trustee must be appointed from a list of at least three  
4 nominated by the majority leader of the senate;

5 (vii) One trustee must be appointed from nominations submitted by  
6 any health sciences and services authority established under chapter  
7 35.104 RCW;

8 (viii) The remaining two trustees must be members of the public  
9 appointed by the governor, one of whom must be appointed by the  
10 governor as chair of the authority and who must serve on the  
11 authority and as chair of the authority at the pleasure of the  
12 governor.

13 (b) In soliciting nominations and appointing trustees, the  
14 governor must seek to identify individuals from throughout the state  
15 having relevant knowledge, experience, and expertise with regard to  
16 (i) cancer research, prevention, and care; (ii) health care consumer  
17 issues; (iii) government finance and budget; and (iv) the life  
18 sciences commercial sector. In soliciting nominations and appointing  
19 trustees, the governor must seek individuals who will contribute to  
20 the geographic diversity of the board, with the goal that at least  
21 five board members be from counties with a population less than one  
22 million persons. The initial appointees under this act must be  
23 appointed on or before July 1, 2016.

24 (c) The term of the trustees, other than the chair, is four years  
25 from the date of their appointment. A trustee may be appointed to not  
26 more than two full consecutive terms. A trustee appointed by the  
27 governor may be removed by the governor for cause under RCW 43.06.070  
28 and 43.06.080. The appropriate official must fill any vacancy on the  
29 board by appointment for the remainder of the unexpired term. The  
30 trustees may not be compensated but may be reimbursed, solely from  
31 the funds of the authority, for expenses incurred in the discharge of  
32 their duties under this chapter, subject to RCW 43.03.050 and  
33 43.03.060.

34 (3) Seven members of the board constitute a quorum.

35 (4) The trustees must elect a treasurer and secretary annually,  
36 and other officers as the trustees determine necessary, and may adopt  
37 bylaws or rules for their own government.

38 (5) Meetings of the board must be held in accordance with the  
39 open public meetings act, chapter 42.30 RCW, and at the call of the  
40 chair or when a majority of the trustees so requests. Meetings of the

1 board may be held at any location within or out of the state, and  
2 trustees may participate in a meeting of the board by means of a  
3 conference telephone or similar communication equipment under RCW  
4 23B.08.200.

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

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

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

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

1        NEW SECTION.    **Sec. 5.**    AUTHORITY—TRUST POWERS. In addition to  
2 other powers and duties prescribed in this chapter, the authority is  
3 empowered to:

4        (1) Use public moneys in the fund to fight cancer, leveraging  
5 those moneys with amounts received from other public and private  
6 sources in accordance with contribution agreements, to promote life  
7 sciences research including funding costs of cancer research and the  
8 administrative costs of the authority;

9        (2) Use amounts in the fund to fight cancer derived from the  
10 taxes authorized by this act and other amounts deposited therein to  
11 fund the costs of cancer research and the related administrative  
12 costs of the authority. However, an aggregate amount equal to not  
13 more than five percent of the amount available to fund cancer  
14 research pursuant to this act may be used to pay administrative costs  
15 of the authority allocable to cancer research, prevention, and care,  
16 including the oversight of the grant-making process and the  
17 operations of the board and the committee;

18        (3) Solicit and receive gifts, grants, and bequests, and enter  
19 into contribution agreements with private entities and public  
20 entities, including commercial entities, in order to use those moneys  
21 to fund the costs of cancer research, prevention, and care. Nonstate  
22 moneys received by the authority for the purpose of cancer research  
23 must be deposited in the fund to fight cancer created in section 9 of  
24 this act;

25        (4) Hold funds received by the authority for deposit in the fund  
26 to fight cancer exclusively in trust dedicated, pursuant to this act,  
27 to promote cancer research;

28        (5) Manage its funds, obligations, and investments as necessary  
29 and as consistent with its purpose including the segregation of  
30 revenues into separate funds and accounts;

31        (6)(a) Make grants to public and private entities, including  
32 commercial entities, to fund or reimburse the entities pursuant to  
33 contract for the promotion of life sciences research or for cancer  
34 research to be conducted in the state. Grant agreements must specify  
35 deliverables to be provided by the recipient pursuant to the grant.  
36 The authority must solicit requests for funding and evaluate the  
37 requests by reference to factors such as: (i) The quality of the  
38 proposed research or program; (ii) its potential to improve health  
39 outcomes, with particular attention to the likelihood that it will  
40 also lower health care costs, substitute for a more costly diagnostic

1 or treatment modality, or offer a breakthrough treatment for a  
2 particular disease or condition or cancer; (iii) its potential for  
3 leveraging additional funding; (iv) its potential to provide health  
4 care benefits or benefit human learning and development; (v) its  
5 potential to stimulate cancer prevention and health care delivery,  
6 biomedical manufacturing, and related employment in the state; (vi)  
7 the geographic diversity of the grantees within Washington; (vii)  
8 evidence of potential royalty, sales, or licensing revenue, or other  
9 commercialization-related revenue and contractual means to recapture  
10 such income for purposes of this chapter; and (viii) evidence of  
11 public and private collaboration.

12 (b) Grant agreements must set forth the terms and conditions of  
13 the grant and must include, but not be limited to: (i) Deliverables  
14 to be provided by the recipient pursuant to the grant; (ii) the  
15 circumstances under which the grant amount would be required to be  
16 repaid or the circumstances under which royalty, sales, or licensing  
17 revenue, or other commercialization-related revenue would be required  
18 to be shared; and (iii) indemnification, dispute resolution, and any  
19 other terms and conditions as are customary for grant agreements or  
20 are deemed reasonable by the board. The authority may negotiate with  
21 any grantee the costs associated with performing scientific  
22 activities funded by grants;

23 (7) Create one or more permanent or ad hoc advisory boards  
24 composed of scientists, clinicians, industrialists, and others  
25 familiar with life sciences research or cancer research, prevention,  
26 and care; and

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

29 NEW SECTION. **Sec. 6.** AUTHORITY—GENERAL POWERS. The authority  
30 has all the general powers necessary to carry out its purposes and  
31 duties and to exercise its specific powers. In addition to other  
32 powers specified in this chapter, the authority may: (1) Sue and be  
33 sued in its own name; (2) make and execute agreements, contracts, and  
34 other instruments, with any public or private person or entity,  
35 including commercial entities, in accordance with this chapter; (3)  
36 employ, contract with, or engage independent counsel, financial  
37 advisors, auditors, other technical or professional assistants, and  
38 such other personnel as are necessary or desirable to implement this  
39 chapter; (4) establish such special funds, and controls on deposits

1 to and disbursements from them, as it finds convenient for the  
2 implementation of this chapter; (5) enter into contracts with public  
3 and private entities, including commercial entities, for cancer  
4 research, prevention, or care to be conducted in the state, including  
5 interagency contracts for administrative or other services; (6) adopt  
6 rules, consistent with this chapter; (7) delegate any of its powers  
7 and duties if consistent with the purposes of this chapter; (8)  
8 exercise any other power reasonably required to implement the  
9 purposes of this chapter; (9) hire staff and pay administrative  
10 costs; and (10) advance funds to defray charges for materials to be  
11 furnished or services to be rendered by grant recipients pursuant to  
12 authority rule permitting advances, in amounts no greater than the  
13 estimated charges, where the advances would be in the best interests  
14 of the authority.

15 NEW SECTION. **Sec. 7.** FUND TO FIGHT CANCER PLAN AND STANDARDS.

16 (1) The board must develop a plan for the allocation of projected  
17 amounts in the fund to fight cancer, which it must update annually,  
18 following at least one annual public hearing. The plan must provide  
19 for appropriate funding continuity and take into account the  
20 projected speed at which revenues will be available and amounts that  
21 can be spent during the plan period.

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

30 (3) The authority must issue an annual report to the public that  
31 sets forth its activities with respect to the fund to fight cancer,  
32 including grants awarded, grant-funded work in progress, research  
33 accomplishments, prevention, and care activities, and future program  
34 directions with respect to cancer research, prevention, and care.  
35 Each annual report regarding activities with respect to the fund to  
36 fight cancer must include, but not be limited to, the following: The  
37 number and dollar amounts of grants; the grantees for the prior year;  
38 the authority's administrative expenses; an assessment of the  
39 availability of funding for cancer research, prevention, and care

1 from sources other than the authority; a summary of research,  
2 prevention, and care-related findings, including promising new areas  
3 for investment; and a report on the benefits to Washington of its  
4 programs to date.

5 (4) The authority must include as an addendum to the first annual  
6 report, a proposed operating plan for the design, implementation, and  
7 administration of an endowment program supporting the purposes of the  
8 authority. The authority must submit the operating plan to the  
9 governor, the legislature, and the stakeholders of the authority at  
10 the time the first annual report is published.

11 (5) Periodically, but not less often than every three years, the  
12 authority must conduct a request for proposals and retain the  
13 services of an independent auditor with experience in performance  
14 auditing of research granting entities similar to the authority. The  
15 independent auditor must review the strategic plan of the authority  
16 for the allocation of projected amounts in the fund to fight cancer  
17 and its performance against such plan and publish a report assessing  
18 the performance of the authority. The independent auditor must make  
19 recommendations to the authority, the governor, and the legislature  
20 regarding improvements to the authority's performance for the  
21 allocation of projected amounts in the fund to fight cancer. The  
22 authority must hold at least one public hearing at which the results  
23 of each audit are presented and discussed.

24 (6) The authority must establish standards for grants made from  
25 the fund to fight cancer that may require that contracts for cancer  
26 research, prevention, or care contain provisions that balance the  
27 opportunity of the state or its public universities to derive benefit  
28 from the intellectual or tangible property that result from cancer  
29 research, prevention, or care activities performed subject to this  
30 act with the need to assure that essential research is not  
31 unreasonably hindered.

32 (7) It is essential that the personal interests of authority  
33 trustees, staff, and agents do not impede their judgment or  
34 compromise their objectivity. Even the perception of a conflict of  
35 interest has the potential to erode the public's confidence in the  
36 authority's work. The authority must adopt policies to ensure that  
37 all potential conflicts have been disclosed and that all conflicts  
38 have been eliminated or mitigated.

39 (8) The authority must establish standards to ensure that  
40 recipients of grants for cancer research, prevention, or care

1 purchase goods and services from Washington suppliers to the extent  
2 reasonably possible.

3 NEW SECTION. **Sec. 8.** LIMITATION OF LIABILITY. Members of the  
4 board and persons acting on behalf of the authority, while acting  
5 within the scope of their employment or agency, are not subject to  
6 personal liability resulting from carrying out the powers and duties  
7 conferred on them under this chapter. Neither the state nor the  
8 authority is liable for any loss, damage, harm, or other consequence  
9 resulting directly or indirectly from grants made by the authority or  
10 cancer research, prevention, or care funded by such grants.

11 NEW SECTION. **Sec. 9.** FUND TO FIGHT CANCER. (1) The fund to  
12 fight cancer is created as a special trust fund in the custody of the  
13 state treasurer. This special trust fund is of a proprietary nature,  
14 and is held and dedicated exclusively for the specific purpose of  
15 funding cancer research as provided in this act. An appropriation is  
16 not required for expenditures from or payment of obligations of the  
17 fund to fight cancer pursuant to this act.

18 (2) The board must develop and approve an annual budget for the  
19 expenditure of funds on deposit in the fund to fight cancer. Only the  
20 board or the board's designee may authorize expenditures from the  
21 fund pursuant to its annual budget.

22 (3) In years one through four of the fund to fight cancer, the  
23 amount to be deposited under this section must be the amount  
24 necessary to offset the state revenue decrease directly resulting  
25 from imposition of the additional taxes imposed by sections 10 and 11  
26 of this act, determined as follows: (a) The department of revenue  
27 must determine within one year of the effective date of this section,  
28 and twice annually thereafter, the effect that the additional tax  
29 imposed on cigarettes by section 10 of this act, and the additional  
30 taxes on tobacco products imposed by section 11 of this act, have on  
31 the consumption of cigarettes and tobacco products in this state; and  
32 (b) to the extent that a decrease in consumption is determined by the  
33 department of revenue to be a direct result of the additional tax  
34 imposed by section 10 of this act, or a direct result on the  
35 additional taxes on tobacco products imposed by section 11 of this  
36 act, the department of revenue must determine the fiscal effect the  
37 decrease in consumption has on state revenues and must certify to the  
38 board the amount of the fiscal effect, together with supporting

1 documentation, for the board's acceptance, which acceptance may not  
2 be unreasonably withheld.

3 (4) The following must be deposited into the fund to fight  
4 cancer: (a) The taxes authorized in this act; (b) moneys received by  
5 the authority from gifts, grants, bequests, contribution agreements,  
6 royalty, sales or licensing revenue, or other commercialization-  
7 related revenue, grant remittances, and other sources; and (c)  
8 interest earned on the fund.

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

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

16 (2) Taxes received pursuant to this section and from the  
17 subsequent increase in tax to moist snuff and little cigars in RCW  
18 82.26.020(1) (c) and (d) must be deposited in the fund to fight  
19 cancer created in section 9 of this act and used exclusively for the  
20 purposes set forth in this act.

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

23 TOBACCO TAX. (1) In addition to the tax levied and collected in  
24 RCW 82.26.020, and without regard to any limitations set forth in RCW  
25 82.26.020, including without limitation the not-to-exceed cap on the  
26 tax on cigars under RCW 82.26.020(1)(a), there is levied and  
27 collected a tax upon the sale, handling, or distribution of all  
28 tobacco products in this state at the following rates, beginning July  
29 1, 2015:

30 (a) For cigars except little cigars, a rate equal to ten percent  
31 of the taxable sales price of cigars; and

32 (b) For all tobacco products except those covered under separate  
33 provisions of this subsection, a rate equal to ten percent of the  
34 taxable sales price.

35 (2) Taxes under this section must be imposed at the time the  
36 distributor (a) brings, or causes to be brought, into this state from  
37 without the state tobacco products for sale, (b) makes, manufactures,  
38 fabricates, or stores tobacco products in this state for sale in this

1 state, (c) ships or transports tobacco products to retailers in this  
2 state, to be sold by those retailers, or (d) handles for sale any  
3 tobacco products that are within this state but upon which tax has  
4 not been imposed.

5 (3) Taxes received pursuant to this section must be deposited in  
6 the fund to fight cancer created in section 9 of this act and used  
7 exclusively for the purposes set forth in this act.

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

10 PAYMENT OF TAXES. (1) For any other tobacco products on which a  
11 tax pursuant to this chapter has already been paid that is in the  
12 possession or control of a distributor or retailer or any other  
13 person in the business of distributing or selling tobacco products on  
14 the effective date of the additional tax on that tobacco product  
15 under section 11 of this act, the distributor, retailer, or any other  
16 person must, to fully comply with the additional tax, make a tax  
17 payment on tobacco products in his or her possession or control equal  
18 to the new tax rate on tobacco products, taking into account the  
19 additional tax, minus the amount of tax already paid on that tobacco  
20 product.

21 (2) For any cigarettes on which a tax pursuant to RCW 82.24.020  
22 and 82.24.026 has already been paid, and that are in the possession  
23 or control of a distributor, wholesaler, retailer, or any other  
24 person in the business of distributing or selling cigarettes on the  
25 effective date of the additional tax on the sale, use, consumption,  
26 handling, possession, or distribution of cigarettes under section 10  
27 of this act, the distributor, wholesaler, retailer, or other person  
28 must, to fully comply with the additional tax, make a tax payment  
29 equal to the tax rate on the cigarettes, taking into account the  
30 additional tax, minus the amount of tax already paid on those  
31 cigarettes.

32 (3) These payments must be made to the department within thirty  
33 days of the effective date of the tax rate increase due to the  
34 additional taxes under section 10 or 11 of this act and must be  
35 submitted along with a report, in such a form as the department may  
36 prescribe, describing all the subject cigarettes or tobacco products  
37 in the possession or control of the distributor, retailer, or other  
38 person on the effective date of the tax rate increase due to the  
39 additional taxes and showing the related tax payments due.

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

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

11 (4) Taxes received pursuant to this section must be deposited in  
12 the fund to fight cancer created in section 9 of this act and used  
13 exclusively for the purposes set forth in this act.

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

16 MANAGEMENT—INCOME—INVESTMENT INCOME ACCOUNT—DISTRIBUTION. (1)  
17 Money in the treasurer's trust fund may be deposited, invested, and  
18 reinvested by the state treasurer in accordance with RCW 43.84.080 in  
19 the same manner and to the same extent as if the money were in the  
20 state treasury, and may be commingled with moneys in the state  
21 treasury for cash management and cash balance purposes.

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

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

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

36 (b) The following accounts and funds must receive their  
37 proportionate share of earnings based upon each account's or fund's  
38 average daily balance for the period: The Washington promise  
39 scholarship account, the Washington advanced college tuition payment

1 program account, the accessible communities account, the community  
2 and technical college innovation account, the agricultural local  
3 fund, the American Indian scholarship endowment fund, the foster care  
4 scholarship endowment fund, the foster care endowed scholarship trust  
5 fund, the contract harvesting revolving account, the Washington state  
6 combined fund drive account, the commemorative works account, the  
7 county enhanced 911 excise tax account, the toll collection account,  
8 the developmental disabilities endowment trust fund, the energy  
9 account, the fair fund, the family leave insurance account, the food  
10 animal veterinarian conditional scholarship account, the fruit and  
11 vegetable inspection account, the future teachers conditional  
12 scholarship account, the game farm alternative account, the GET ready  
13 for math and science scholarship account, the Washington global  
14 health technologies and product development account, the grain  
15 inspection revolving fund, the industrial insurance rainy day fund,  
16 the juvenile accountability incentive account, the law enforcement  
17 officers' and firefighters' plan 2 expense fund, the local tourism  
18 promotion account, the multiagency permitting team account, the  
19 pilotage account, the produce railcar pool account, the regional  
20 transportation investment district account, the rural rehabilitation  
21 account, the stadium and exhibition center account, the youth  
22 athletic facility account, the self-insurance revolving fund, the  
23 children's trust fund, the Washington horse racing commission  
24 Washington bred owners' bonus fund and breeder awards account, the  
25 Washington horse racing commission class C purse fund account, the  
26 individual development account program account, the Washington horse  
27 racing commission operating account, the fund to fight cancer, the  
28 life sciences discovery fund, the Washington state heritage center  
29 account, the reduced cigarette ignition propensity account, the  
30 center for childhood deafness and hearing loss account, the school  
31 for the blind account, the Millersylvania park trust fund, the public  
32 employees' and retirees' insurance reserve fund, and the radiation  
33 perpetual maintenance fund. The earnings to be distributed from the  
34 fund to fight cancer must first be reduced by the allocation to the  
35 state treasurer's service fund pursuant to RCW 43.08.190.

36 (c) The following accounts and funds must receive eighty percent  
37 of their proportionate share of earnings based upon each account's or  
38 fund's average daily balance for the period: The advanced right-of-  
39 way revolving fund, the advanced environmental mitigation revolving  
40 account, the federal narcotics asset forfeitures account, the high

1 occupancy vehicle account, the local rail service assistance account,  
2 and the miscellaneous transportation programs account.

3 (d) Any state agency that has independent authority over accounts  
4 or funds not statutorily required to be held in the custody of the  
5 state treasurer that deposits funds into a fund or account in the  
6 custody of the state treasurer pursuant to an agreement with the  
7 office of the state treasurer (~~shall~~) must receive its  
8 proportionate share of earnings based upon each account's or fund's  
9 average daily balance for the period.

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

13 NEW SECTION. Sec. 14. Sections 1 through 9 of this act  
14 constitute a new chapter in Title 43 RCW.

15 NEW SECTION. Sec. 15. CONSTRUCTION. This act, being necessary  
16 for the welfare of the state and its inhabitants, must be liberally  
17 construed.

18 NEW SECTION. Sec. 16. SEVERABILITY. If any provision of this  
19 act or its application to any person or circumstance is held invalid,  
20 the remainder of the act or the application of the provision to other  
21 persons or circumstances is not affected.

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

26 NEW SECTION. Sec. 18. EFFECTIVE DATE. This act is necessary for  
27 the immediate preservation of the public peace, health, or safety, or  
28 support of the state government and its existing public institutions,  
29 and takes effect July 1, 2015.

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