

HB 491 -- TOBACCO MASTER SETTLEMENT AGREEMENT

SPONSOR: Diehl

COMMITTEE ACTION: Voted "do pass" by the Committee on General Laws by a vote of 9 to 4.

This bill changes the requirements regarding when funds can be released from escrow accounts under the Tobacco Master Settlement Agreement. Funds can be released to the extent a tobacco manufacturer establishes that the amount it was required to place into escrow based on units sold in Missouri in a particular year is greater than the payments from the agreement that the manufacturer would have been required to make based on the units sold if the manufacturer had been a participating manufacturer.

The bill contains an emergency clause.

FISCAL NOTE: Estimated Net Income on General Revenue Fund of \$46,044 in FY 2012, \$42,539 in FY 2013, and \$43,054 in FY 2014. No impact on Other State Funds in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters say that the current escrow provision has an unintended loophole that needs to be closed. All other states have already done so. Companies who are taking advantage of this loophole are only paying approximately 2% of their settlement payments.

Testifying for the bill were Representative Diehl; Jon Rand; Lewis, Rice and Fingersh, LLC; American Cancer Society; Dave Rickard, Premier Manufacturing; Department of Revenue; Office of the Attorney General; Missouri Hospital Association; March of Dimes, Greater Missouri Chapter; Missouri Retailers Association; American Lung Association of the Plains-Gulf Region; and Associated Industries of Missouri.

OPPOSERS: Those who oppose the bill say that Missouri is currently fully compliant with the Tobacco Master Settlement Agreement. The bill is attempting to force a non-participating member to be a part of an agreement in which it was not initially a party. The current language was not an unintended loophole. The bill will lead to increased prices on the value-brand products and will hurt growth opportunities of these Missouri businesses.

Testifying against the bill were Ryan McNutt, Midwest Petroleum Company; Mike Jones, Jones Oil; LeAnne Moore, National Tobacco Company, L.P.; UGAS, Incorporated; Keith Burdick, Xcaliber International, Ltd.; and Chuck Hatfield, Cheyenne International, LLC.