

SB 185 -1 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

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Meeting Dates: 1/23

WHAT THE MEASURE DOES:

Modifies terms of Master Settlement Agreement. Prohibits a distributor from putting stamp on cigarettes or roll-your-own tobacco unless distributor certifies purchase with Attorney General. Allows tobacco product manufacturer to place funds in qualified escrow account and to assign any interest in funds to state. Specifies process for assignment of interest.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Allows a financial institution that holds a qualifying escrow account to petition the court for an order authorizing transfer of the fun to the state. Specifies process for order and transfer.

BACKGROUND:

In 1998, Oregon and 45 other states settled a long-running claim against the four largest tobacco manufacturers for smoking-related claims. Statutory items related to the settlement are found at ORS 323.800-806 and are referred to as the Master Settlement Agreement (MSA). Tobacco product manufacturers who were not one of the original four party to MSA have two options if they are selling tobacco products in Oregon: 1) Become a "Participating Manufacturer" and perform the obligations associated with the MSA, or 2) Place a specific portion of each unit sold in Oregon in a qualifying escrow account. If a manufacturer decides to use the escrow account process, the funds may be removed in order to pay a judgment or settlement on any released claim. If the amount placed in the escrow account is more than what would have been required that year if the manufacturer had joined the MSA, then the excess reverts to the manufacturer. After 25 years, any unused funds in the escrow account revert to the manufacturer. The manufacturer receives any interest or dividend earned by the fund in the escrow account. Manufacturers re required to certify the amount placed in escrow to the Attorney General on an annual basis.

Senate Bill 185 allows a manufacturer to assign the interest earned by funds in an escrow account to the state.

The measure requires that such assignments, if executed properly, are irrevocable and must be deposited into the Tobacco Settlement Fund Account. Additionally, it requires distributors of of tobacco products to certify to the Attorney General that a distributor has purchased cigarettes or roll-your-own tobacco directly from the manufacturer or importer prior to affixing a stamp to packages of cigarettes or roll-your-own tobacco.