

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 484

As Recommended by Senate Committee on
Federal and State Affairs

Brief*

SB 484 would approve and adopt by reference as state law the compact relating to cigarette and tobacco sales, taxation, and escrow collection between the Prairie Band Potawatomi Nation and the State of Kansas. The bill would require the Secretary of State to publish the compact in the *Kansas Register*.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Federal and State Affairs following publication of the compact in the Senate and House of Representatives journals on March 2, 2016.

The compact would provide the State with the information necessary to enforce the escrow requirements, the ability to verify sales data, the ability to provide documentation to the participating manufacturers of the Master Settlement Agreement (MSA), and the ability to require continued certification and compliance of the Kansas MSA statutes by manufacturers.

Those appearing before the Senate Committee as proponents of the bill included the Chief Deputy Attorney

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

General; the Assistant Attorney General for the Tobacco Enforcement Unit; the Interim Executive Director of Kansas Native American Affairs, Office of the Governor; legislative counsel for the Prairie Band Potawatomi Nation; and the Chairperson of the Prairie Band Potawatomi Nation.

There was no opponent or neutral testimony provided at the Senate Committee hearing.

The Senate Committee recommended the bill be placed on the Consent Calendar.

The fiscal note prepared by the Division of the Budget states the Department of Revenue indicates passage of the bill would have no fiscal effect on agency operations. The Attorney General indicates the bill would allow the State to resolve a dispute with tobacco companies and would allow the State to continue to be eligible for payments under the MSA from the 1998 tobacco settlement. Under the MSA, most tobacco companies have agreed to make annual cash payments to the State of Kansas. At the same time, Kansas agreed to diligently enforce its obligations under the MSA, including accounting for cigarette sales within the State. In 2012, Kansas resolved a long-standing dispute with tobacco companies, which had accused the State, among other things, of failing to live up to its diligent enforcement obligations under the MSA by not accounting for tobacco sales on qualified tribal lands. The Attorney General indicates the compact is designed to improve accounting for cigarettes and other tobacco products sold on tribal lands. The compact would significantly improve cooperation between the Prairie Band Potawatomi Nation and the State to prevent the illicit shipment of untaxed and unaccounted-for cigarettes from other states for sale on qualified tribal lands in Kansas. If the compact is not approved, approximately \$60.0 million in annual tobacco payments to Kansas could be at risk.