

TOBACCO SETTLEMENT TRUST FUND

FINANCIAL OUTLOOK STATEMENT

Including Results of August 7, 2018 Revenue Estimating Conference and Other Adjustments as of August 9, 2018

FY 2017-18 through FY 2023-24

(\$ MILLIONS)

DATE: August 13, 2018

	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
FUNDS AVAILABLE 2017-18			
Balance Forward from 2016-17	0.0	20.5	20.5
Annual Settlement Payment (C)	338.7	0.0	338.7
Profit Adjustment Payment (C)	25.6	(25.6)	0.0
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	5.7	0.0	5.7
Interest Earnings	1.3	0.0	1.3
Total 2017-18 Funds Available	<u>371.6</u>	<u>(5.1)</u>	<u>366.5</u>
EFFECTIVE APPROPRIATIONS 2017-18			
Agency for Health Care Administration	296.2	0.0	296.2
Tobacco Prevention and Education	69.0	0.0	69.0
June 30 Reversions	(1.4)	0.0	(1.4)
Total 2017-18 Effective Appropriations	<u>363.8</u>	<u>0.0</u>	<u>363.8</u>
AVAILABLE RESERVES	7.8	(5.1)	2.7
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	0.0	2.7	2.7
Annual Settlement Payment Estimate (C)	337.0	0.0	337.0
Profit Adjustment Payment Estimate (C)	33.7	(33.7)	0.0
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	5.9	0.0	5.9
Interest Earnings	2.6	0.0	2.6
Total 2018-19 Funds Available	<u>379.5</u>	<u>(31.0)</u>	<u>348.5</u>
EFFECTIVE APPROPRIATIONS 2018-19			
Agency for Health Care Administration	307.2	0.0	307.2
Tobacco Prevention and Education	70.4	0.0	70.4
Total 2018-19 Effective Appropriations	<u>377.6</u>	<u>0.0</u>	<u>377.6</u>
AVAILABLE RESERVES (D)	1.9	(31.0)	(29.1)
FUNDS AVAILABLE 2019-20			
Balance Forward from 2018-19 (D)	0.0	0.0	0.0
Annual Settlement Payment Estimate (C)	339.0	0.0	339.0
Profit Adjustment Payment Estimate (C)	34.7	(34.7)	0.0
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	5.9	0.0	5.9
Interest Earnings	3.0	0.0	3.0
Total 2019-20 Funds Available (B)	<u>382.9</u>	<u>(34.7)</u>	<u>348.2</u>

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	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
FUNDS AVAILABLE 2020-21			
Annual Settlement Payment Estimate (C)	342.7	0.0	342.7
Profit Adjustment Payment Estimate (C)	35.8	0.0	35.8
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	6.1	0.0	6.1
Interest Earnings	3.4	0.0	3.4
Total 2020-21 Funds Available (B)	388.3	0.0	388.3
FUNDS AVAILABLE 2021-22			
Annual Settlement Payment Estimate (C)	347.3	0.0	347.3
Profit Adjustment Payment Estimate (C)	36.9	0.0	36.9
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	6.3	0.0	6.3
Interest Earnings	3.5	0.0	3.5
Total 2021-22 Funds Available (B)	394.3	0.0	394.3
FUNDS AVAILABLE 2022-23			
Annual Settlement Payment Estimate (C)	352.5	0.0	352.5
Profit Adjustment Payment Estimate (C)	38.0	0.0	38.0
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	6.5	0.0	6.5
Interest Earnings	3.4	0.0	3.4
Total 2022-23 Funds Available (B)	400.7	0.0	400.7
FUNDS AVAILABLE 2023-24			
Annual Settlement Payment Estimate (C)	357.9	0.0	357.9
Profit Adjustment Payment Estimate (C)	39.1	0.0	39.1
Liggett Settlement Payment	0.3	0.0	0.3
Transfer from Lawton Chiles Endowment Fund (A)	6.7	0.0	6.7
Interest Earnings	3.4	0.0	3.4
Total 2023-24 Funds Available (B)	407.4	0.0	407.4

FOOTNOTES

- (A) This financial outlook statement does not include the transfer from the Lawton Chiles Endowment Fund to the Biomedical Research Trust Fund under section 215.5601, Florida Statutes, nor does it include the appropriation from the trust fund. The transfer was \$0.5 million in FY 2017-18 and is projected to be \$0.6 million for each year of the forecast.
- (B) The funds available figures are not adjusted for any financial obligation related to the constitutional funding requirement for tobacco education and prevention. The amount of the financial obligation is estimated to be \$72.2 million for FY 2019-20, \$73.7 million for FY 2020-21, \$75.4 million for FY 2021-22; \$77.1 million for FY 2022-23; and \$78.9 million for FY 2023-24.

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FOOTNOTES, continued

- (C) On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). According to page 1 of the Motion, Florida was owed \$45 million (which had accumulated from June 2015 through the date of the filing) and would continue to suffer annual losses of approximately \$30 million absent the Court's enforcement of the settlement agreement. These projected annual losses are reflected as a \$15 million loss in Fiscal Year 2015-16 and a \$30 million additional loss in each of the years thereafter, including the forecasted years. As of this date, active discussions are underway to reach agreement on how the actual losses to the State should be calculated. While there seems to be agreement in concept as to the methodology and number—and it approximates the losses reflected in this document in total (including the missed profit adjustment due in April 2018)—the proposed final judgment has not yet been submitted to the Court. For this reason, the prior treatment of approximating the losses in this package has been maintained. At the point an agreement is accepted by the Court, a new Conference will be convened to reflect the actual losses in the adopted package. Because the likelihood that R.J. Reynolds will appeal the final decision is high despite any agreement among the parties as to methodology and numbers, the Conference has also removed the estimated profit adjustment payments due in April 2019 and April 2020 from the forecast to recognize the probable length of the appeal process. The estimated profit adjustment payments were left intact for all subsequent years. Since the Court has ruled and reaffirmed that R.J. Reynolds should continue to make all payments under the tobacco settlement agreement as if there had been no transfer of brands to ITG, the Conference assumes that the State will ultimately prevail. Although no dollars have been included in the forecast because the timing is unknown, the Conference further expects the State will be fully compensated for its losses.
- (D) It is assumed the deficit in FY 2018-19 will be resolved prior to the end of the fiscal year.