

**TOBACCO SETTLEMENT TRUST FUND**  
**FINANCIAL OUTLOOK STATEMENT**  
Including Adjustments as of December 12, 2018  
FY 2018-19 through FY 2023-24  
(\$ MILLIONS)

DATE: December 13, 2018

|  | <u>RECURRING</u> | <u>NON-<br/>RECURRING</u> | <u>TOTAL</u> |
|--|------------------|---------------------------|--------------|
| <b>FUNDS AVAILABLE 2018-19</b>                 |                  |                           |              |
| Balance Forward from 2017-18                   | 0.0              | 3.1                       | 3.1          |
| 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) | 6.0              | 0.0                       | 6.0          |
| Interest Earnings                              | 2.7              | 0.0                       | 2.7          |
| Total 2018-19 Funds Available                  | 379.7            | (30.6)                    | 349.1        |
| <b>EFFECTIVE APPROPRIATIONS 2018-19</b>        |                  |                           |              |
| 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         | 377.6            | 0.0                       | 377.6        |
| <b>AVAILABLE RESERVES (D)</b>                  | 2.1              | (30.6)                    | (28.5)       |
| <b>FUNDS AVAILABLE 2019-20</b>                 |                  |                           |              |
| 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) | 6.2              | 0.0                       | 6.2          |
| Interest Earnings                              | 3.0              | 0.0                       | 3.0          |
| Total 2019-20 Funds Available (B)              | 383.2            | (34.7)                    | 348.5        |
| <b>FUNDS AVAILABLE 2020-21</b>                 |                  |                           |              |
| 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) | 6.5              | 0.0                       | 6.5          |
| Interest Earnings                              | 3.4              | 0.0                       | 3.4          |
| Total 2020-21 Funds Available (B)              | 388.7            | 0.0                       | 388.7        |
| <b>FUNDS AVAILABLE 2021-22</b>                 |                  |                           |              |
| 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) | 6.8              | 0.0                       | 6.8          |
| Interest Earnings                              | 3.4              | 0.0                       | 3.4          |
| Total 2021-22 Funds Available (B)              | 394.7            | 0.0                       | 394.7        |
| <b>FUNDS AVAILABLE 2022-23</b>                 |                  |                           |              |
| 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) | 7.1              | 0.0                       | 7.1          |
| Interest Earnings                              | 3.4              | 0.0                       | 3.4          |
| Total 2022-23 Funds Available (B)              | 401.3            | 0.0                       | 401.3        |

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|  | <u>RECURRING</u> | <u>NON-<br/>RECURRING</u> | <u>TOTAL</u> |
|--|------------------|---------------------------|--------------|
| <b>FUNDS AVAILABLE 2023-24</b>                 |                  |                           |              |
| 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) | 7.4              | 0.0                       | 7.4          |
| Interest Earnings                              | 3.4              | 0.0                       | 3.4          |
| Total 2023-24 Funds Available (B)              | 408.1            | 0.0                       | 408.1        |

**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 is projected to be \$0.6 million for FY 2018-19, FY 2019-20, and FY 2020-21 and \$0.7 million for FY 2021-22, FY 2022-23, and FY 2023-24.
- (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, \$74.0 million for FY 2020-21, \$75.4 million for FY 2021-22; \$77.0 million for FY 2022-23; and \$78.8 million for FY 2023-24.
- (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 currently 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. A Final Judgment has since been entered by the Florida Circuit Court reflecting agreement on how the losses to the State should be calculated. A new Conference will be convened to show the actual impact on the adopted package once new documents are released by PricewaterhouseCoopers reflecting the Final Judgment. Even though R.J. Reynolds has agreed to the methodology for how the impact should be calculated, it has appealed the Final Judgment based on other reasons.
- (D) It is assumed the deficit in FY 2018-19 will be resolved prior to the end of the fiscal year. During both the August 2018 and December 2018 Social Services Estimating Conferences for Medicaid Expenditures, the Conference used a projected General Revenue surplus to offset the expected shortfall from the Tobacco Settlement Trust Fund. A budget amendment to realign appropriations between General Revenue and the Tobacco Settlement Trust Fund is expected to be submitted in the near future.