

**Revenue Estimating Conference for Tobacco Settlement Payments**  
**December 2, 2020**  
**Executive Summary**

The Revenue Estimating Conference met on December 2, 2020, to adopt a new forecast of Tobacco Settlement payments for the 2020-21 through 2032-33 fiscal years.

Tobacco settlement payments accrue to the state from a formal settlement agreement entered on August 25, 1997, in response to a lawsuit between the State of Florida and several major tobacco companies. An annual payment is due by December 31 of each year, and a profit adjustment payment is made following the end of each participating company's fiscal year. Both payments continue in perpetuity.

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 the State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). On August 18, 2018, the Circuit Court entered a final judgment specifying the principal sum and interest due from R.J. Reynolds to the State of Florida for the period June 12, 2015, through April 30, 2018, as well as providing guidance on how any future unpaid liability to the State should be calculated. In addition, the final judgment reflected the court's rulings issued December 27, 2017, and May 24, 2018, collectively known as the "Liability Orders." R.J. Reynolds subsequently appealed the lower court's decision regarding its liability. On July 29, 2020, the District Court of Appeal unanimously affirmed the lower court's final judgment in all respects, and on September 18, 2020, denied the Appellant's motion for rehearing, rehearing en banc, and certification to the Florida Supreme Court. In response, R.J. Reynolds paid the State of Florida \$192,869,589.86 million to cover the full amount of the outstanding judgment (inclusive of principal and interest). This amount was deposited into the General Revenue Fund on October 6, 2020. Notwithstanding this payment, R.J. Reynolds filed Notice to Invoke Discretionary Jurisdiction of the Florida Supreme Court on October 15, 2020, seeking review of the District Court of Appeal's opinion. As of December 2, 2020, the Florida Supreme Court had yet to decide whether to grant discretionary review for this case. Because of this, the forecast is shaped by an assumption that new unpaid liability will begin to accrue in tandem with the upcoming December payment.

For estimated total liability, the new forecast was adjusted based on the National Economic Estimating Conference results from November 13, 2020. Other adjustments to the forecast since the August 2020 Conference include the annual percent change in U.S. Cigarette Volume beginning in FY 2020-21. This amount was revised upward in FY 2020-21 to reflect a more gradual decline in sales since the August 2020 Conference forecast. The adjusted forecast for expected payments is in keeping with the Conference's belief that R.J. Reynolds will continue to accrue unpaid liability each year until the litigation has ended.

In the conference package, the two *Outstanding Lawsuit-Related Loss* columns were removed and a new column *Payment Difference from Liability (annual loss)* was added to reflect the dollar difference between the *Estimated Combined Payments Liability (minus Liggett)* and the *Expected Payments from Original Settling Manufacturers*. Expected payments to the state are still assumed to be 89.3 percent of the estimated payments.

The table below shows the new projected amounts of settlement payments to the State of Florida and the change from the previous estimate.

**Tobacco Settlement Payments to Florida for Outlook Purposes  
Old vs. New Forecast of Total Payments (\$ Millions)**

	Expected Payments from Original Settling Manufacturers	December 2020 Expected Payments Forecast with Liggett	August 2020 Expected Payments Forecast with Liggett	Difference from August 2020 Expected Payments	Outstanding Lawsuit-Related Loss (cumulative with interest as of 12/02/2020)
FY 1997-98					
FY 1998-99					
FY 1999-00					
FY 2000-01					
FY 2001-02					
FY 2002-03					
FY 2003-04					
FY 2004-05					
FY 2005-06					
FY 2006-07					
FY 2007-08					
FY 2008-09					
FY 2009-10					
FY 2010-11					
FY 2011-12					
FY 2012-13					
FY 2013-14					
FY 2014-15					
FY 2015-16					
FY 2016-17					
FY 2017-18					
FY 2018-19					
FY 2019-20	335.0	335.3	335.3	0.0	<i>Addressed by Settlement Payment 10/6/2020</i>
FY 2020-21	344.5	344.8	341.8	3.0	
FY 2021-22	349.3	349.6	346.6	3.0	
FY 2022-23	357.6	357.9	354.9	3.0	
FY 2023-24	366.3	366.7	363.6	3.1	
FY 2024-25	375.4	375.8	372.7	3.1	
FY 2025-26	384.9	385.3	382.1	3.2	
FY 2026-27	394.9	395.3	392.0	3.3	
FY 2027-28	405.3	405.6	402.4	3.2	
FY 2028-29	416.1	416.4	413.1	3.3	
FY 2029-30	427.4	427.8	424.5	3.3	
FY 2030-31	439.3	439.7	436.4	3.3	
FY 2031-32	451.8	451.8	448.4	3.4	
FY 2032-33	464.9	464.9	461.4	3.5	