

Revenue Estimating Conference for Tobacco Settlement Payments

Executive Summary

January 4, 2024

The Revenue Estimating Conference met on January 4, 2024, to revise the forecast of Tobacco Settlement payments for the 2023-24 through 2033-34 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.

When the Conference last convened in July 2023, the final payment for the 2022-23 fiscal year was already known. Since then, the December 2023 payment has been received, coming in \$40.8 million below the projection made in the summer. This was largely the combined result of a greater than expected decline in national domestic cigarette units sold and a large drop in Florida's share of sales by the original settling manufacturers. It is not clear that the second payment of the year (expected in April 2024) will be affected since cigarette companies have been aggressively raising prices to defend their profits. As a result, the Conference has maintained the profit adjustment payment for the current year previously adopted at the July Conference.

After making adjustments to incorporate the new information, combined cash payments of \$378.9 million are now expected for the 2023-24 fiscal year. This total is 9.7 percent below the amount previously forecasted. While most other assumptions are very similar to the prior forecast, the lower base of qualifying sales in FY 2023-24, feed through the outer years of the forecast. The downward revisions range from \$40.5 million in FY 2024-25 to \$37.6 million in FY 2033-24. Expectations for the Liggett payments are unchanged.

The table below shows the newly estimated settlement payments to the State of Florida and the change from the previous forecast.

	Prior Forecast July 2023	January 2024 Expected Payments Forecast with Liggett	Difference
FY 2022-23	385.1	385.1	0.0
FY 2023-24	420.1	379.3	-40.8
FY 2024-25	428.8	388.3	-40.5
FY 2025-26	437.4	397.3	-40.1
FY 2026-27	445.8	406.0	-39.8
FY 2027-28	453.9	414.4	-39.5
FY 2028-29	461.5	422.4	-39.1
FY 2029-30	468.5	429.7	-38.8
FY 2030-31	475.5	436.9	-38.6
FY 2031-32	482.7	444.4	-38.3
FY 2032-33	490.8	452.9	-37.9
FY 2033-34	499.5	461.9	-37.6