

Revenue Estimating Conference for Tobacco Settlement Payments

Executive Summary

July 26, 2024

The Revenue Estimating Conference met on July 26, 2024, to revise the forecast of Tobacco Settlement payments for FY 2024-25 through FY 2033-34.

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.

Several updates have shaped the new forecast. First, a lower-than-expected profit adjustment payment was received in April 2024. This payment came in \$27.0 million below the estimate adopted in January 2024. In addition, two forecast components have been updated by other conferences held earlier in July. First, the CPI forecast has been revised to reflect the results from the National Economic Estimating Conference held on July 12, 2024. Second, the forecast for domestic cigarette units has been adjusted to mirror the Tobacco Tax and Surcharge Conference results from July 23, 2024. Of the three items, the profit adjustment payment had by far the greatest impact on the new forecast.

After a round of inflation-related price changes, the Conference assumes that the original settling manufacturers will be able to break two consecutive year-over-year profit declines with a 6 percent increase in FY 2024-25. Believing that the projected annual declines in cigarette consumption will make it progressively more challenging to defend profits in later years, the Conference dropped future projected profit growth by 0.1 percentage point each year throughout the remainder of the forecast. This leads to expected profit growth in FY 2033-34 of 5.1 percent. Expectations for the Liggett payments are unchanged.

After incorporating the new information, combined cash payments of \$354.4 million are now expected for the 2024-25 fiscal year, a decrease of \$33.9 million (-8.7 percent) from the January 4, 2024, forecast. The table below shows the newly estimated settlement payments to the State of Florida and the change from the previous forecast.

	Prior Forecast January 2024	July 2024 Expected Payments Forecast with Liggett	Difference
FY 2023-24	379.3	352.2	-27.1
FY 2024-25	388.3	354.4	-33.9
FY 2025-26	397.3	359.6	-37.7
FY 2026-27	406.0	365.3	-40.7
FY 2027-28	414.4	371.3	-43.1
FY 2028-29	422.4	377.7	-44.7
FY 2029-30	429.7	384.5	-45.2
FY 2030-31	436.9	391.6	-45.3
FY 2031-32	444.4	398.7	-45.7
FY 2032-33	452.9	406.5	-46.4
FY 2033-34	461.9	414.7	-47.2