SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/CS/CS/SB 2446

SPONSOR: Fiscal Policy, Comprehensive Planning, Local and Military Affairs Committee, Agriculture and Consumer Services Committee and Senator Mitchell

SUBJECT: Tobacco Production Relief

DATE: April 26, 2000 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Poole	Poole	AG	Favorable/CS
2.	Cooper	Yeatman	CA	Favorable/CS
3.	Hendon	Hadi	FP	Favorable/CS
4.				
5.				

I. Summary:

The committee substitute for CS/CS for Senate Bill 2446 appropriates $5 million from the General Revenue Fund to the Department of Agriculture and Consumer Services for the purchase of equipment associated with the production of tobacco. Requirements of the sellers are provided. The Department of Management Services is authorized to resell the equipment to persons or entities not producing tobacco in Florida. Proceeds from the resale of such equipment may be used to continue purchasing equipment or to assist tobacco farmers to remain productive agricultural entities.

This bill creates an undesignated section of the Florida Statutes.

II. Present Situation:

In 1933, the United States Congress passed the Agricultural Adjustment Act and since 1938, with the exception of one year, farmers in Florida produced tobacco under a federally controlled quota system that regulates the volume of production. There are now approximately 290 tobacco quota holders in the state. Florida tobacco farmers produce flue-cured tobacco which requires a large investment of capital to purchase quota as well as the infrastructure such as land and specialized equipment.

Chapter 94-251, L.O.F., amended the “Medicaid Third-Party Liability Act” effectively removing defenses in tortious litigation by the state against tobacco companies. On August 25, 1997, the State of Florida and the tobacco companies reached a settlement in the case of the *State of Florida, et al. v. American Tobacco Company, et al.*, with the tobacco companies agreeing to pay the state $11.3 billion over 25 years. Due to a “Most Favored Nation Status” clause being included in the Florida settlement, the amount the tobacco industry will pay the state has increased by $1.7 billion, bringing the total amount to an estimated $13 billion. In addition to Florida, Texas, Mississippi, and Minnesota each separately sued and reached settlements with the tobacco industry. The remaining 46 states joined together in a suit, resulting in what is known as the Master Settlement Agreement. Since that time there has been a decline in demand for tobacco, and the Florida quota has been reduced 18 percent, 17 percent, and 18.5 percent, in 1998, 1999, and 2000 production years, respectively, dramatically reducing income opportunities for growers.

To ameliorate this hardship, a Phase II National Tobacco Grower's Settlement Trust was established with approximately $4.3 million being mailed to Florida farmers and quota holders earlier this year, with an additional $3.7 million expected to be distributed to farmers and quota holders from the United States Department of Agriculture during the 2000 growing season. Under the "Phase II agreement," Florida growers are scheduled to receive a total of $58.5 million over a 12-year period.

III. Effect of Proposed Changes:

The WHEREAS clauses outline the history and significance of tobacco farming in the U.S., the capital investment necessary to grow and process tobacco, the recent legal activity against the national tobacco industry, the impact of this activity on Florida farmers, other state's actions to assist tobacco farmers in their states, and the need for Florida to assist its tobacco farmers in diversifying and retooling.

Section 1. The bill appropriates $5 million from the General Revenue Fund to the Department of Agriculture and Consumer Services for the purchase of equipment associated with the production of tobacco at fair market value. Persons or entities can qualify for such purchase if they were using the equipment for the production of tobacco between April 1 and October 1, 2000 and sign a binding agreement to cease tobacco production in the state within 12 months. The Department of Agriculture and Consumer Services may adopt rules for the purchase program.

Equipment purchased by the Department of Agriculture and Consumer Services may be resold by the Department of Management Services as long as such equipment is not used to produce tobacco in Florida. Proceeds from the resale of such equipment may be used to continue purchasing equipment or to assist tobacco farmers to remain productive agricultural entities..

Section 2. The bill provides an effective date of July 1, 2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Tobacco farmers would be able to sell equipment used in tobacco production at fair market value to assist in minimizing their debt.

C. Government Sector Impact:

The bill appropriates $5 million in General Revenue to fund the purchase of equipment used in the production of tobacco.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.