

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Higher Education Committee

BILL: CS/SB 1964

INTRODUCER: Higher Education Committee and Senator Haridopolos and others

SUBJECT: Cigarette Tax Revenue

DATE: March 12, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	Fav/CS
2.			HP	
3.			FT	
4.			HI	
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

The bill requires a total of 4.06 percent of cigarette tax proceeds to be distributed annually to the H. Lee Moffitt Cancer Center and Research Institute until 2038 for the purpose of constructing, furnishing, and equipping cancer research, treatment, and related facilities in Florida. The center must use the cigarette tax proceeds to pay for the facilities and may pledge the funds to pay bonds and related financial products issued or incurred in connection with the financing of the facilities. The Legislature is obligated to provide alternative funding sources to the center if the cigarette tax is amended or repealed or if the distribution is modified in such a way as to adversely affect the bonds issued to pay for the facilities.

According to the Revenue Estimating Conference, the bill reduces General Revenue by \$5.2 million in 2008-2009, and \$10.2 million in subsequent years until 2016-17 when the impact to General Revenue would be 16.1 million. The reduction in General Revenue will continue annually until 2038.

This bill amends sections 210.20 and 210.201, Florida Statutes.

II. Present Situation:

The H. Lee Moffitt Cancer Center and Research Institute

Section 1004.43, F.S., establishes the H. Lee Moffitt Cancer Center and Research Institute (center) at the University of South Florida (USF). A not-for-profit corporation governs the center in accordance with an agreement with the State Board of Education for the use of facilities on the campus of the University of South Florida. The not-for-profit corporation, acting as an instrumentality of the state, operates the center in accordance with an agreement between the Board of Governors¹ and the corporation. A board of directors manages the corporation, and a chief executive officer, who serves at the pleasure of the board of directors, administers the center.

The Statewide Presence of the H. Lee Moffitt Cancer Center and Research Institute

The center is the only cancer research facility in Florida that is designated as a Comprehensive Cancer Center by the National Cancer Institute (NCI). According to NCI, the Comprehensive Cancer Centers “are expected to initiate and conduct early phase, innovative clinical trials and to participate in the NCI’s cooperative groups by providing leadership and recruiting patients for trials.”² Comprehensive Cancer Centers must conduct outreach and educational activities for healthcare professionals and the public. The center operates a clinical care and research network called Total Cancer Care (TCC) in collaboration with 15 medical center affiliates in Florida and one in Georgia. The TCC project provides personalized therapy in a large research project with patients who consent for the center to follow them over their lifetime. The TCC network increases access to the center’s cancer care and research expertise, including genetic profiling of patient specimens leading to personalized therapies, for patients being treated at one of the affiliated medical centers. In January 2008, the center, Shands HealthCare, and the University of Florida announced that they will work together to develop programs in cancer care, research, and prevention. The TCC model will be integrated with the cancer program at Shands, and the center will seek to integrate the University of Florida and Shands cancer programs into the center’s NCI comprehensive cancer center designation.³

Cigarette Tax Revenues

Chapter 210, F.S., governs taxes on tobacco products. Cigarette tax collections received by the Division of Alcoholic Beverages and Tobacco in the Department of Business and Professional Regulation are deposited into the Cigarette Tax Collection Trust Fund. Section 210.20(2), F.S., provides for two distributions of the revenues to the H. Lee Moffitt Cancer Center and Research Institute. The statute provides for a distribution of 2.59 percent which expires December 31, 2008, and a distribution of 1.47 percent which expires in 2016. The statute requires both

¹ Under revisions to the statute made by ch. 2007-217, L.O.F., the original agreement between the State Board of Education and the center is now overseen by the Board of Governors.

² National Institutes of Health, National Cancer Institute, “NCI-designated Cancer Centers”. See <https://cissecure.nci.nih.gov/factsheet/FactsheetSearchResult.aspx?PubLnk=1.2&States='FL'&CancerCenterType=1>

³ Shands HealthCare Marketing & Public Relations, “Moffitt Cancer Center, Shands HealthCare, University of Florida Partner to Improve Cancer Care,” January 23, 2008. See <http://www.shands.org/news/archive/newsDetails.asp?ID=400>

distributions to be used to construct, furnish, and equip a cancer research facility at the University of South Florida adjacent to the H. Lee Moffitt Cancer Center and Research Institute.

After the required distributions and after payment of a service charge required of trust funds under s. 215.20, F.S., the amount remaining in the Cigarette Tax Collection Trust Fund is deposited in the General Revenue Fund.

III. Effect of Proposed Changes:

The bill amends the current requirements for distribution of cigarette tax proceeds to the H. Lee Moffitt Cancer Center and Research Institute and establishes the purpose of those funds as follows:

- A total of 4.06 percent of cigarette tax proceeds must be distributed annually to the center until 2038 for the purpose of constructing, furnishing, and equipping cancer research, treatment, and related facilities in Florida;
- The center must use the cigarette tax proceeds to pay for, or secure bonds or other forms of indebtedness to pay for, constructing, furnishing, and equipping cancer research, treatment, and related facilities;
- The center is authorized to pledge the funds to pay bonds and related financial products issued or incurred in connection with the financing of the facilities; and
- The Legislature is obligated to provide alternative funding sources to pay debt service on the center's indebtedness that is secured by the cigarette tax revenues if the cigarette tax is amended or repealed or if s. 210.20(2)(b), F.S., is modified in such a way as to adversely affect the bonds issued to pay for the facilities.

The center proposes construction of a research facility on 30 acres currently owned by the center in Hillsborough County, approximately one mile from the USF campus. Cancer research will be conducted at the new facility.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

The estimated total cigarette tax funds disbursed to the Moffitt Center in fiscal year 2007-2008 is \$15,900,000. This amount is comprised of two statutorily required distributions, of 2.59 percent and 1.47 percent of the cigarette tax revenues to the center. Without this bill, approximately 10.2 million of that amount would be deposited in the General Revenue Fund in 2009 and each year thereafter, with the expiration of the requirement for a distribution of 2.59 percent of the cigarette tax revenues to the center. The bill requires the 2.59 percent and the 1.47 percent distributions to the center to continue until 2038.

B. Private Sector Impact:

None.

C. Government Sector Impact:

In a February 13, 2008, analysis of the fiscal impact of HB 847 which is identical to SB 1964, the Revenue Estimating Conference determined a fiscal impact to General Revenue of \$5.2 million in 2008-2009 and a recurring impact of \$10.2 million annually until 2016-2017 when the impact to General Revenue would be 16.1 million. The reduction in General Revenue would continue annually until 2038. This impact would be caused by the bill's deletion of the December 2008 expiration date for the 2.59 percent of cigarette tax collections that are currently transferred to the center; the extension of the 2.59 percent transfer from 2008 until 2038; and the extension of the 1.47 percent transfer from 2016 until 2038.

The bill provides legislative intent that, should the cigarette tax be amended or repealed or the requirement for the distribution of cigarette tax proceeds to the center be modified in a way that would adversely affect the bonds issued to pay for the facilities, the Legislature would have to provide alternative funding sources in an amount sufficient to pay the debt service. Based on an estimated annual distribution of \$15 million to the center,⁴ the total fiscal impact of the bill would be approximately \$450 million over the 30-year period of the state's obligation.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

⁴ According to the 2007 Florida Tax Handbook, in the past four fiscal years, the annual distribution of cigarette tax proceeds to the H. Lee Moffitt Cancer Center and Research Institute has been more than \$15 million.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

The committee substitute specifies that the research facility would be built in Florida.

- B. **Amendments:**

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
