

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 Committee on Finance and Tax

BILL: SB 866

INTRODUCER: Senators Hooper and Rouson

SUBJECT: H. Lee Moffitt Cancer Center and Research Institute

DATE: March 10, 2021

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Looke</u>	<u>Brown</u>	<u>HP</u>	<u>Favorable</u>
2.	<u>Kim</u>	<u>Babin</u>	<u>FT</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 866 increases the share of cigarette tax revenues directed to the H. Lee Moffitt Cancer Center and Research Institute (Moffitt). Beginning July 1, 2021, and continuing through June 30, 2024, the share of the revenues directed to Moffitt is increased from 4.04 percent to 7 percent of certain net collections. Beginning July 1, 2024, and continuing through June 30, 2054, the share of the revenues directed to Moffitt is further increased to 10 percent of certain net collections.

The Revenue Estimating Conference determined the bill will reduce General Revenue Fund receipts by \$11.4 million in each of Fiscal Years 2021-2022, 2022-2023, and 2023-2024, and reduce General Revenue Fund receipts by \$22.9 million each fiscal year thereafter.

The bill is effective upon becoming a law.

II. Present Situation:

H. Lee Moffitt Cancer Center

Moffitt was established by the Legislature in 1981, began construction in 1983, and opened to patients on Oct. 27, 1986.¹ Moffitt began its research on cancer in 1993 and became a National Cancer Institute (NCI) designated cancer center in 1998. In 2001, Moffitt achieved an NCI Comprehensive Cancer Center designation, indicating that it is one of “the strongest institutions in the nation dedicated to scientific innovation and excellence; to interdisciplinary research, training and education; and to coordinated recognition and pursuit of new research opportunities.” Currently, Moffitt is the only NCI-designated Comprehensive Cancer Center based in Florida.²

¹ See <https://moffitt.org/about-moffitt/our-story/> (last visited Mar. 3, 2021).

² See <https://moffitt.org/about-moffitt/nci-designation/> (last visited Mar. 3, 2021).

Moffitt treats cancer patients and performs cancer research. Moffitt is Florida's largest multi-disciplinary medical group practice that is dedicated to cancer care. The Moffitt Medical Group (MMG), based at Moffitt Cancer Center, also provides services at other hospitals and clinics throughout the State of Florida and beyond. The MMG consists of 377 oncology specialists, including 221 board-certified physicians and 156 advanced practice professionals, as well as other staff who specialize in nearly 30 cancer programs and services.³ Additionally, Moffitt employs about 800 research faculty scientists, career staff scientists, postdocs, graduate students, and support staff dedicated to cancer research.⁴

Cigarette Tax

An excise tax is imposed upon cigarettes in Florida.⁵ The tax rate varies depending on the type and packaging of cigarettes. For a pack of 20 cigarettes of common size, the rate is 33.9 cents, with rates varying proportionately for cigarettes and packs of non-standard size.⁶ Additionally, a \$1 surcharge per pack of common-size cigarettes is imposed, with rates varying proportionately for cigarettes and packs of non-standard size.⁷

Cigarette tax revenues are collected from cigarette dealers by the Division of Alcoholic Beverages and Tobacco of the Department of Business and Professional Regulation and deposited into the Cigarette Tax Collection Trust Fund, which is then distributed according to a statutory formula.⁸

The following chart describes the distribution of cigarette tax revenues in Fiscal Year 2019-2020.⁹

³ See <https://moffitt.org/about-moffitt/nci-designation/> (last visited Mar. 3, 2021).

⁴ See <https://moffitt.org/about-moffitt/research/> (last visited Mar. 3, 2021).

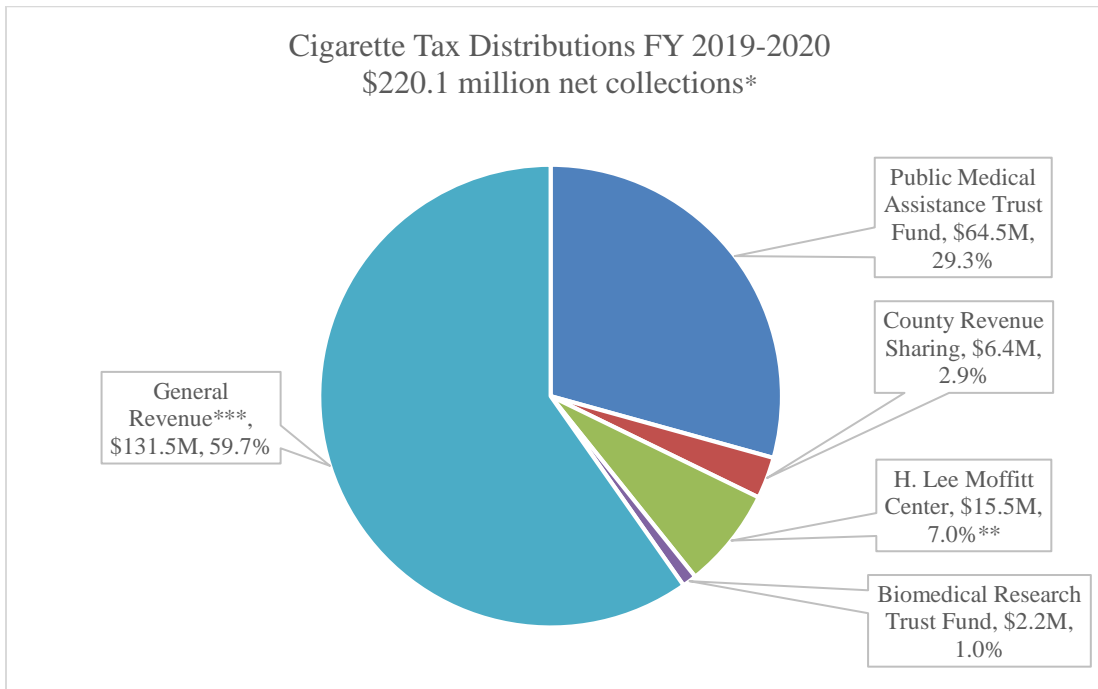
⁵ Section 210.02, F.S.

⁶ *Id.*

⁷ See s. 210.011, F.S. Cigarette surcharge revenues are deposited in the Health Care Trust Fund pursuant to s. 210.011(9), F.S.

⁸ Sections 210.02(6) and 210.20, F.S.

⁹ Data from Office of Economic and Demographic Research, The Florida Legislature, Tobacco Tax and Surcharge Conference Results, November 2020, *available at* <http://www.edr.state.fl.us/Content/conferences/tobaccotaxsurcharge/TobaccoTaxForecast.pdf> (last visited Mar. 3, 2021).



* As used in s. 210.20, F.S., net collections is the amount after subtracting the 8 percent General Revenue service charge in s. 215.20, F.S., and the 0.9 percent amount deposited into the Alcoholic Beverage and Tobacco Trust Fund pursuant to s. 210.20, F.S.

** Pursuant to s. 210.20(2)(b), F.S., Moffitt is paid the greater of 4.04 percent of net collections each fiscal year or 4.04 percent of Fiscal Year 2001-2002 net collections (\$383.7M). Moffitt’s share of \$15.5M represents 4.04 percent of Fiscal Year 2001-2002 net collections and 7 percent of Fiscal Year 2019-2020 net collections.

*** Pursuant to s. 210.20(3), F.S., the balance of revenue after making all other distributions is deposited in the General Revenue Fund.

Moffitt’s Cigarette Tax Revenue

The distribution of cigarette tax revenue to Moffitt is the greater of 4.04 percent of cigarette tax net collections each fiscal year or 4.04 percent of cigarette tax net collections in Fiscal Year 2001-2002.¹⁰ This provision continues through June 30, 2053.

Cigarette tax net collections have generally declined over time and are substantially lower than in Fiscal Year 2001-2002.¹¹ In Fiscal Year 2019-2020, cigarette tax net collections were \$220.1 million compared to \$383.7 million in Fiscal Year 2001-2002.¹² In the preceding 11 fiscal years, Moffitt’s share has been calculated based on Fiscal Year 2001-2002 net collections.¹³ Since

¹⁰ Section 210.20(2)(b), F.S., provides in relevant part: “In fiscal years 2004-2005 and thereafter, the appropriation to the H. Lee Moffitt Cancer Center and Research Institute authorized by this paragraph shall not be less than the amount that would have been paid to the H. Lee Moffitt Cancer Center and Research Institute in Fiscal Year 2001-2002, had this paragraph been in effect.”

¹¹ See, e.g., *supra* note 9, for a history of net collections for the past 13 fiscal years.

¹² Fiscal Year 2001-2002 data from Revenue Estimating Conference, Tobacco Tax and Surcharge Executive Summary, August 2009, available at <http://www.edr.state.fl.us/Content/conferences/tobaccotaxsurcharge/archives/090810tobaccotaxsurcharge.pdf> (last visited Mar. 3, 2021).

¹³ Based on a review of data in *supra* note 9.

Fiscal Year 2014-2015, when Moffitt's share percentage was increased to its current level,¹⁴ the Moffitt distribution amount has been \$15.5 million each fiscal year,¹⁵ which is equal to 4.04 percent of the Fiscal Year 2001-2002 net collections amount of \$383.7 million. The above chart shows that the \$15.5 million share represents 7 percent of Fiscal Year 2019-2020 net collections.

Moffitt is authorized to use cigarette tax revenue, among other purposes, to secure financing to pay costs related to constructing, furnishing, equipping, operating, and maintaining cancer research and clinical and related facilities; furnishing, equipping, operating, and maintaining other leased or owned properties; and paying costs incurred in connection with purchasing, financing, operating, and maintaining such equipment, facilities, and properties.¹⁶ Such financing may include the issuance of tax-exempt bonds or other forms of indebtedness by a local authority, municipality, or county pursuant to parts II and III of chapter 159, F.S.¹⁷ Moffitt currently has three series of bonds outstanding which are secured by cigarette tax revenue.¹⁸

III. Effect of Proposed Changes:

The bill increases the percentage of cigarette tax net collections that is paid from month to month to Moffitt. Beginning July 1, 2021, and continuing through June 30, 2024, the percentage is increased from the current percentage of 4.04 percent to 7 percent of certain net collections. Beginning July 1, 2024, and continuing through June 30, 2054, the percentage is further increased to 10 percent.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Not applicable. The bill does not require counties and municipalities to spend funds, limit their ability to raise revenue, or reduce the percentage of a state tax shared with them. Therefore, the mandates provisions of Article VII, s. 18 of the State Constitution do not apply.

B. Public Records/Open Meetings Issues:

None.

¹⁴ Beginning July 1, 2014, the percentage of Moffitt's share was increased from 2.75 percent to 4.04 percent. Chapter 2014-38, s. 8, Laws of Fla.

¹⁵ *Supra* note 9.

¹⁶ Sections 210.20(2)(b) and 210.201, F.S.

¹⁷ Section 210.201, F.S.

¹⁸ Series 2012A, 2016A, and 2020A Cigarette Tax Allocation Bonds. *See, e.g.,* H. Lee Moffitt Cancer Center & Research Institute, Inc. and Subsidiaries, *Consolidated Financial Statements and Report of Independent Certified Public Accountants*, June 30, 2019 and 2018, 20-22, available at <https://moffitt.org/media/11952/h-lee-moffitt-cancerresearch-2019-fs.pdf> (last visited Mar 3., 2021); and Moody's Investors Service, *Moody's assigns A1 to Florida State's Cigarette Tax Allocation Bonds (H. Lee Moffitt Cancer Center), Ser. 2020A; outlook stable*, available at https://www.moody.com/research/Moodys-assigns-A1-to-Florida-States-Cigarette-Tax-Allocation-Bonds--PR_906431431 (last visited Mar. 3, 2021).

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

The bill does not create or raise state taxes or fees. Therefore, the requirements of Article VII, s. 19 of the State Constitution do not apply.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference determined the bill will reduce General Revenue Fund receipts by \$11.4 million in each of Fiscal Years 2021-2022, 2022-2023, and 2023-2024, and reduce General Revenue Fund receipts by \$22.9 million each fiscal year thereafter.

B. Private Sector Impact:

The Revenue Estimating Conference determined the bill will increase the funds directed to Moffitt from \$15.5 million annually to \$26.9 million (an \$11.4 million increase over the current year) from Fiscal Year 2021-2022 through Fiscal Year 2023-2024. Starting in Fiscal Year 2024-2025, the funds directed to Moffitt are estimated to be \$38.4 million annually (a \$22.9 million increase over the current year). Such amounts would be available pursuant to s. 210.201, F.S., to secure financing, including the issuance of bonds or other forms of indebtedness, for purposes authorized in that statute. The estimate assumes that cigarette tax net collections will continue declining, meaning that Moffitt's share of cigarette tax revenues would continue to be calculated based on Fiscal Year 2001-2002 net collections.¹⁹

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

¹⁹ Revenue Estimating Conference analysis of SB 866, Jan. 29, 2021, *available at* <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2021/pdf/page19-21.pdf> (last visited Mar. 3, 2021).

VIII. Statutes Affected:

This bill substantially amends section 210.20 of the Florida Statutes.

This bill reenacts section 210.205 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

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