

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 Regulated Industries

BILL: SB 662

INTRODUCER: Senator Young and others

SUBJECT: Cigarette Tax Collection Trust Fund

DATE: March 7, 2017

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Kraemer</u>	<u>McSwain</u>	<u>RI</u>	<u>Favorable</u>
2.	_____	_____	<u>AHS</u>	_____
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 662 amends the amount of the annual distribution to the H. Lee Moffitt Cancer Center and Research Institute (Moffitt Center) from the Cigarette Tax Collection Trust Fund. The bill increases the current distribution, 4.04 percent of net cigarette tax collections, to 6.13 percent of net cigarette tax collections. The increase is effective from July 1, 2017 through June 30, 2053.

The bill increases the minimum annual distribution under current law for the Moffitt Center from net cigarette tax collections. Current law provides the total distribution to the Moffitt Center in a fiscal year may not be less than the amount that would have been paid to it in Fiscal Year 2001-2002, if the method of calculation and the percentage applicable in the current fiscal year had been in place and applied to net cigarette tax collections in Fiscal Year 2001-2002.

According to the Revenue Estimating Impact Conference, the bill will increase the amount distributed to the Moffitt Center by \$8.1 million and will reduce revenues transferred to the General Revenue Fund by a corresponding amount, each fiscal year.

The bill provides an effective date of July 1, 2017.

II. Present Situation:

The H. Lee Moffitt Cancer Center and Research Institute

Section 1004.43, F.S., establishes the Moffitt Center at the University of South Florida (USF). The Moffitt Center is governed and operated by a not-for-profit corporation acting as an instrumentality of the state in accordance with an lease agreement with the Board of Governors of the State University System, which authorizes use of facilities on the USF campus.¹ A board of directors manages the corporation, and a chief executive officer, who serves at the pleasure of the board of directors, administers the Moffitt Center.²

¹ See s. 1004.43(1), F.S.

² See s. 1004.43(5), F.S.

The Moffitt Center is a statewide resource for basic and clinical research and multidisciplinary approaches to patient care whose sole mission is contributing to the prevention and cure of cancer.³ In 1999, the Moffitt Affiliate Network was established to further enhance the Moffitt Center's abilities to serve Florida communities by providing tertiary⁴ care, clinical trials, medical education, and community education and screening. The affiliate network consists of 14 Florida hospitals, plus one hospital in Georgia and one in Pennsylvania. The network also includes more than 400 community oncologists.⁵

The Moffitt Center is the only cancer research facility headquartered in Florida that is designated as a Comprehensive Cancer Center by the National Cancer Institute (NCI).⁶ The Mayo Clinic, which has a presence in (Jacksonville) Florida, Arizona, and Minnesota, is also designated by the NCI as a Comprehensive Cancer Center in Minnesota.⁷ According to the NCI, "the NCI-designated Cancer Centers are one of the anchors of the nation's cancer research effort."⁸

Cigarette Tax Revenues

Chapter 210, F.S., governs taxes on tobacco products. Cigarette tax collections received by the Division of Alcoholic Beverages and Tobacco (division) in the Department of Business and Professional Regulation (DBPR) are deposited into the Cigarette Tax Collection Trust Fund. Section 210.20, F.S., provides for the payment of monthly distributions as follows:

From the total amount of cigarette tax collections:⁹

- 8.0 percent service charge to the General Revenue Fund;¹⁰ and
- 0.9 percent to the Alcoholic Beverage and Tobacco Trust Fund.

From the remaining net collections:¹¹

- 2.9 percent to the Revenue Sharing Trust Fund for Counties;
- 29.3 percent to the Public Medical Assistance Trust Fund;
- 4.04 percent to the Moffitt Center;¹² and

³ See <https://moffitt.org/> (last visited Mar 6, 2017). See Moffitt Cancer Center, Affiliate Hospitals, at <http://www.moffitt.org/Site.aspx?spid=5CE54FA5D8EE4D27A5BD6C496C99028D> (last visited Mar 6, 2017).

⁴ The term "tertiary care" is defined as "highly specialized medical care usually over an extended period of time that involves advanced and complex procedures and treatments performed by medical specialists in state-of-the-art facilities." See <https://www.merriam-webster.com/dictionary/tertiary%20care> (last visited Mar 6, 2017).

⁵ See Moffitt Cancer Center, Affiliate Hospitals, at <http://www.moffitt.org/Site.aspx?spid=5CE54FA5D8EE4D27A5BD6C496C99028D> (last visited Mar 6, 2017).

⁶ See <https://www.moffitt.org/about-moffitt/frequently-asked-questions/> (last visited Mar 6, 2017).

⁷ See <https://www.cancer.gov/research/nci-role/cancer-centers/find/mayoclinic> (last visited Mar 6, 2017).

⁸ See National Institutes of Health, National Cancer Institute, Office of Cancer Centers., at <https://www.cancer.gov/research/nci-role/cancer-centers> (last visited Mar 6, 2017).

⁹ See s. 210.20(2)(a), F.S.

¹⁰ See s. 215.20(1), F.S. concerning the appropriation of the 8 percent service charge to the General Revenue Fund.

¹¹ See s. 210.20(2)(a), F.S.

¹² See s. 210.20(2)(b), F.S. The distribution of cigarette tax funds to the Moffitt Center was initiated in 1998, using 2.59 percent for the calculation on net cigarette tax collections. See ch. 98-286, Laws of Fla. The last adjustment to the percentage for the calculation occurred in 2014, when the percentage was set at the current 4.04 percent from July 1, 2014 through June 30, 2017. See s. 8 of ch. 2014-38., Laws of Fla.

- 1.0 percent to the Biomedical Research Trust Fund in the Department of Health.¹³

After the above distributions are made, the remaining balance of net cigarette tax collections is deposited in the General Revenue Fund.¹⁴

Section 210.20, F.S., further provides that the distribution to the Moffitt Center each fiscal year, beginning in Fiscal Year 2004-2005 and thereafter, may not be less than the amount that would have been paid to it in Fiscal Year 2001-2002, if the method of calculation and the percentage amount applicable in the current fiscal year had been in place and applied to net cigarette tax collections in Fiscal Year 2001-2002.¹⁵

Use of Cigarette Tax Funds by the Moffitt Center

Section 210.20(b), F.S., which provides for the current 4.04 percent distribution to the Moffitt Center, specifies that the funds are to be used for:

- Constructing, furnishing, equipping, financing, operating, and maintaining cancer research and clinical and related facilities (facilities);
- Furnishing, equipping, operating, and maintaining other property owned or leased by the Moffitt Center (properties); and
- Paying costs incurred related to the purchasing, financing, operating, and maintaining all such equipment, facilities, and properties.

III. Effect of Proposed Changes:

Section 1 amends s. 210.20,(2)(b), F.S., to increase the current monthly distribution of 4.04 percent of the net cigarette tax collections payable to the Moffitt Center to 6.13 percent of net cigarette tax collections. The increase is effective from July 1, 2017 through June 30, 2053.

The calculation of the distribution to the Moffitt Center is based on the amount of cigarette taxes collected pursuant to s. 210.02, F.S., less these required deductions:

- 8.0 percent for the service charge required by s. 215.20, F.S., and paid to the General Revenue Fund; and
- 0.9 percent of the amount collected which is paid to the Alcoholic Beverage and Tobacco Trust Fund.¹⁶

The bill retains the procedure in current law that requires the division to certify monthly to the Chief Financial Officer (CFO) the amount to be paid to the Board of Directors of the Moffitt Center by warrant drawn by the CFO.

¹³ Pursuant to s. 210.20(2)(c), F.S. these funds (constituting 1.0 percent of net collections) are appropriated in an amount up to \$3 million annually during the period of July 1, 2013 to June 30, 2033, to the Department of Health and the Sanford-Burnham Medical Research Institute for the purpose of those entities working to establish activities and grant opportunities relating to biomedical research.

¹⁴ See s. 210.20(b), F.S.

¹⁵ The DBPR estimates that, based on Fiscal Year 2001-2002 revenue data and the currently applicable percentage of 4.04 percent for the distribution calculation, the distribution to the Moffitt Center must be at least \$15,524,023 annually. See *2017 Agency Legislative Bill Analysis (AGENCY: Department of Business and Professional Regulation)* for SB 662, dated Feb. 27, 2017 (on file with Senate Committee on Regulated Industries) at page 2.

¹⁶ See s. 210.20(2)(b), F.S.

The bill makes technical changes to conform to bill drafting conventions.

Section 2 of the bill provides an effective date of July 1, 2017.

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:

None.

B. Private Sector Impact:

SB 662 increases the distribution payable to the H. Lee Moffitt Cancer Center and Research Institute (Moffitt Center) from net cigarette tax collections by more than \$8 million annually. The increase is effective from July 1, 2017 through June 30, 2053.

C. Government Sector Impact:

SB 662 increases the minimum annual distribution under current law for the Moffitt Center from net cigarette tax collections. Current law provides the total distribution to the Moffitt Center in a fiscal year may not be less than the amount that would have been paid to it in Fiscal Year 2001-2002, if the method of calculation and the percentage applicable to the current fiscal year had been in place and applied to net cigarette tax collections in Fiscal Year 2001-2002. The Department of Business and Professional Regulation (DBPR) indicates that the current minimum net cigarette tax distribution to the Moffitt Center is \$15.5 million, based on the 4.04 percent of the net cigarette tax revenue, if that percentage had been in effect in state fiscal year 2001-2002.¹⁷

The Revenue Estimating Impact Conference estimates the increase in the percentage to be distributed to the Moffitt Center (6.13 percent rather than 4.04 percent), will increase

¹⁷ See 2017 Agency Legislative Bill Analysis (AGENCY: Department of Business and Professional Regulation) for SB 662, dated Feb. 27, 2017 (on file with Senate Committee on Regulated Industries) at page 2.

annual funding of the Moffitt Center by \$8.1 million, with a corresponding decrease in General Revenue.¹⁸

The Department of Financial Services indicates the bill has no impact on that department.¹⁹

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 210.20 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.

¹⁸ See <http://www.edr.state.fl.us/Content/conferences/revenueimpact/archives/2017/pdf/Impact0224.pdf>, at pages 53-54 (last visited Mar. 6, 2017).

¹⁹ See *2017 Agency Legislative Bill Analysis by the Department of Financial Services* for SB 662, dated Feb. 27, 2017 (on file with Senate Committee on Regulated Industries).