

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: SB 356

SPONSOR: Senator King

SUBJECT: Lawton Chiles Endowment Fund

DATE: February 3, 2000

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------------|----------------|-----------|------------------|
| 1. | <u>Peters</u> | <u>Hadi</u> | <u>FP</u> | <u>Favorable</u> |
| 2. | _____ | _____ | _____ | _____ |
| 3. | _____ | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |

I. Summary:

The bill provides that appropriations from the Lawton Chiles Endowment Fund be allocated on the basis of 50 percent for health and human services programs and 50 percent for biomedical research programs.

This bill amends section 215.5601, Florida Statutes.

II. Present Situation:

Section 215.5601, F.S., created the Lawton Chiles Endowment Fund to be administered by the State Board of Administration. The endowment serves as a clearing trust fund and is funded by settlement moneys received from the tobacco industry to enhance or support increases in clients served or in program costs in health and human services program areas. Funds are to be distributed by the board to the various state agency tobacco settlement trust funds in the amounts specified in the legislative appropriations.

The Legislative intent for the use of these funds is to:

- (1) provide a perpetual source of funding for the future of children's health programs, child welfare, community-based health and human service initiatives and biomedical research.
- (2) ensure that enhancement revenues will be available to finance these important initiatives.
- (3) use tobacco settlement moneys to ensure the financial security of vital health and human services programs.
- (4) encourage the development of community-based solutions to strengthen and improve the quality of life for Florida's most vulnerable citizens.
- (5) provide funds for cancer research and public health research for diseases linked to tobacco use.

Over four years beginning with fiscal year 1999-2000, a total of \$1.7 billion will be deposited into the endowment fund from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund (s. 17.41, F.S.). In fiscal year 1999-2000, the amount deposited is \$1.1 billion, with \$200 million being deposited in each of the next three years. The State Board of Administration invests the endowment funds, in accordance with an approved investment plan, as an annuity to protect the real value of the endowment principal and to provide a predictable source of non-recurring revenue.

The only funds available for distribution will be the earnings received on the endowment. No funds will be available for distribution until July 1, 2000. For FY 2000-2001, no more than a level of spending representing earnings of 3 percent; for FY 2001-2002, no more than a level of spending representing earnings of 4 percent; for FY 2002-2003, no more than a level of spending representing earnings of 5 percent; for FY 2003-2004 and thereafter, no more than a level of spending representing earnings of 6 percent.

Section 215.5602, F.S., created the Florida Biomedical Research Program within the endowment fund and provides that funds appropriated to the program will be devoted to competitive grants and fellowships in research relating to diagnosis and treatment of tobacco-related illnesses including cancer, cardiovascular disease, stroke and pulmonary disease. The Biomedical Research Advisory Council was established in the Department of Health to assist the Secretary in establishing criteria and guidelines for the competitive grant program. Grants and fellowships are to be awarded on the basis of scientific merit, as determined by an open, objective peer-review process. The council is required to submit an annual progress report to the Governor, Secretary of the Department of Health, President of the Senate and Speaker of the House by February 1 of each year.

III. Effect of Proposed Changes:

The bill amends section 215.5601 F.S., and provides that appropriations from the Lawton Chiles Endowment Fund be allocated on the basis of 50 percent for health and human services programs and 50 percent for biomedical research programs.

The bill provides for 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:

None.

C. Government Sector Impact:

There is no fiscal impact. The bill provides that appropriations from the Lawton Chiles Endowment Fund be allocated on the basis of 50 percent for health and human services programs and 50 percent for biomedical research programs.

The Governor's recommended budget for FY 2000-2001 appropriates \$27,006,000 of which \$6 million is appropriated for biomedical research.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.