State of Florida

Long-Range Financial Outlook

Fiscal Years 2019-20 through 2021-22

Draft Fall 2018 Report
As Submitted to the Legislative Budget Commission
September 7, 2018

Jointly prepared by the following:

The Senate Committee on Appropriations

The House Appropriations Committee

The Legislative Office of Economic and Demographic Research

Long-Range Financial Outlook

The Outlook: Production and Development

What is the Outlook?

In 2006, Florida voters adopted a constitutional amendment that requires the development of a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the Legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15th of each year. The 2018 Outlook is the twelfth document developed in accordance with the provisions of article III, section 19(c)(1) of the Florida Constitution.

Ultimately, the Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state’s fiscal position that integrates projections of the major programs driving Florida’s annual budget requirements with the revenue estimates. In this regard, the budget projections primarily reflect current-law spending requirements. The Outlook does not purport to predict the overall funding levels of future state budgets or the final amount of funds to be allocated to the respective budget areas. This is because very few assumptions are made regarding future legislative policy decisions on discretionary spending, making this document simply a reasonable baseline.

Estimated revenues and tax provisions are generally treated in the same way; however, a section was added for the first time in 2015 that shows the effects of continuing to make revenue adjustments similar in scope to those that have been made over the past three years.

The Outlook also includes economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three state fiscal years: in this version, 2019-20, 2020-21, and 2021-22. It does this by using anticipated revenues and expenditures in the current year (2018-19) as the baseline. Within each table, all funds remaining after the budget drivers and other key issues are fully funded for each year are carried forward into the following fiscal year. In contrast, negative ending balances are assumed to be resolved within the fiscal year in which they occur, as constitutionally required.

Who produced it?

The Outlook was developed jointly by the Senate Committee on Appropriations, the House Appropriations Committee, and the Legislative Office of Economic and Demographic Research.

How was the Outlook developed?

- All major programs that have historically driven significant increases in the state's budget like Medicaid and the Florida Education Finance Program, as well as constitutional requirements such as the Land Acquisition Trust Fund, were reviewed and individually analyzed.

- Forecasts of future workload increases were developed for each of the major cost drivers using a variety of methods including projections from consensus estimating conferences and historical funding averages. An additional round of summer estimating conferences was established specifically to facilitate the availability of up-to-date information.

- Costs were applied to the projected workload requirements based on recent legislative budget decisions.

- Exceptional funding needs—the fiscal impact of special issues outside of normal workload and caseload requirements—were identified and addressed when necessary for state operations.

- Official forecasts of available revenues were used with one exception. Separate tables and narrative discussion identify the impact of historical revenue adjustments affecting the General Revenue Fund (tax and fee changes, and trust fund transfers), assuming they are undertaken in the future at the same pace as the recent past.

- The various cost requirements were then aggregated by major fund type and compared to the final revenue estimates for those funds.

How is the Outlook structured?

- The Outlook contains budget drivers that are grouped by policy areas that roughly correspond to the appropriations bill format required by the Florida Constitution. Also included are separate sections for Potential Constitutional Issues, Significant Risks to the Forecast, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections, Debt Analysis, Key Revenue Adjustments to the General Revenue Fund, and comparisons of costs versus revenues.

- The descriptions for the various budget drivers contain projections for the applicable major state-supported programs, an identification of the assumptions behind the projections, and a description of any significant policy issues associated with the projections.

- Emphasis is placed on recurring budget programs, those programs that the state is expected or required to continue from year to year.

- Estimates for several ongoing programs historically funded with nonrecurring funds are also included in the Outlook. Even though funded with nonrecurring funds, these programs are viewed as annual "must funds" by most legislators and are therefore identified as major cost drivers. Similarly, several of the identified revenue adjustments assume that past levels of nonrecurring revenue adjustments (one-time tax holidays and trust fund transfers) continue each year.

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund. Other trust funds have been estimated and discussed in the areas where they are relevant to the expenditure forecast.

- All revenue projections separately identify recurring and nonrecurring amounts.

- The tables used to project fund balances (General Revenue, Educational Enhancement, State School, and Tobacco Settlement) include estimates for both anticipated revenue collections and expenditures. They summarize the information contained in and discussed throughout the document.

- Budget drivers have been categorized as either "Critical Needs" (mandatory increases based on estimating conferences and other essential needs) or "Other High Priority Needs" (historically funded issues). Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes; they present the lowest cost of continuing core government functions within the current policy framework. Other High Priority Needs in combination with the Critical Needs form a highly conservative continuation budget. The budget drivers do not include any assumptions regarding funding for new programs, expansion of current programs, or new funding levels for community-based initiatives.

- Any future revenue adjustments that differ from the current forecasts adopted by the Revenue Estimating Conference would require law changes or specific recognition in the appropriations-related budget documents.

- For the purposes of this Outlook, prior expenditures from depleted trust funds have been redirected to the General Revenue Fund when the underlying activities are ongoing in nature.

- The Fiscal Strategies section discusses the impact of different policy responses to identified problems and issues. The unique assumptions used for these potential scenarios are not built into the remainder of the Outlook.

What have previous Outlooks shown?

Each of the Outlooks provided the first look at the likely scenario facing the Legislature in its preparation of the budget for the following fiscal year. Because the initial projections are updated and refined through subsequent estimating conferences, the final projections used by the Legislature have differed from the initial results. Each succeeding Outlook is also affected by the decisions made in the preceding Session(s).

The Outlooks are primarily focused on the state's General Revenue Fund, the source for 56.9 percent of the state's planned expenditures from its own funds in Fiscal Year 2018-19. Because trust funds are dedicated to specific purposes, General Revenue is also the most flexible source to meet the state's needs. Starting with the first constitutionally required Outlook adopted in September 2007, the results at the time of adoption are shown below. All dollars are specific to the General Revenue Fund.

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	3,295.3	1,000.0
2014	Fiscal Year 2015-16	336.2	1,004.5	2,156.1	1,000.0
2015	Fiscal Year 2016-17	635.4	583.7	222.2	1,000.0
2016	Fiscal Year 2017-18	7.5	(1,300.9)	(1,897.7)	1,000.0
2017	Fiscal Year 2018-19	52.0	(1,146.2)	(1,639.6)	1,000.0

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Final collections for Fiscal Year 2017-18 came in $205.2 million above the estimate for the year, a gain of 0.7 percent and well within the plus or minus one percent range the Revenue Estimating Conference usually attributes to statistical noise. Of this amount, approximately $120.7 million, or nearly 59 percent, was associated with one-time events.

- The Conference met on August 16, 2018, to revise the General Revenue forecast. The relatively large nonrecurring portion of the Fiscal Year 2017-18 surplus, combined with the slightly weaker near-term National and Florida economic forecasts, resulted in a new forecast for General Revenue that is virtually unchanged from prior expectations. The anticipated revenues were revised downward by $13.1 million in Fiscal Year 2018-19 and by $19.5 million in Fiscal Year 2019-20, for a two-year total reduction of $32.6 million, a change of less than one-tenth of one percent.

- The revised Fiscal Year 2018-19 estimate exceeds the prior year's collections by $1.03 billion (or 3.3 percent). The revised forecast for Fiscal Year 2019-20 has projected growth of $1.09 billion (or 3.4 percent) over the revised Fiscal Year 2018-19 estimate. The expected growth rate for Fiscal Year 2020-21 was unchanged at 3.6 percent, and for Fiscal Year 2021-22, it was increased from 3.6 percent to 3.7 percent.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27,074.8				8.4%
2006-07	26,404.1				-2.5%
2007-08	24,112.1				-8.7%
2008-09	21,025.6				-12.8%
2009-10	21,523.1				2.4%
2010-11	22,551.6				4.8%
2011-12	23,618.8				4.7%
2012-13	25,314.6				7.2%
2013-14	26,198.0				3.5%
2014-15	27,681.1				5.7%
2015-16	28,325.4				2.3%
2016-17	29,594.5				4.5%
2017-18	31,013.0	31,218.2	205.2	1,623.7	5.5%
2018-19	32,256.9	32,243.8	(13.1)	1,025.6	3.3%
2019-20	33,354.2	33,334.7	(19.5)	1,090.9	3.4%
2020-21	34,568.1	34,544.2	(23.9)	1,209.5	3.6%
2021-22	35,806.5	35,827.4	20.9	1,283.2	3.7%
2022-23	37,031.6	37,086.9	55.3	1,259.5	3.5%
2023-24	n/a	38,349.1	n/a	1,262.2	3.4%

- The changes to the General Revenue estimate also affect the constitutionally required transfers to the Budget Stabilization Fund (BSF). Based on the August 2018 forecast, transfers of $89.3 million in Fiscal Year 2019-20, $41.2 million in Fiscal Year 2020-21, and $54.6 million in Fiscal Year 2021-22 will be required.

- The most recent official Financial Outlook Statement for the General Revenue Fund was adopted August 16, 2018, by the Revenue Estimating Conference. This document embeds changes that have altered the bottom line from what the Legislature knew at the time it adopted the General Appropriations Act for Fiscal Year 2018-19 (see Post-Session Outlook Statement dated May 30, 2018, for reference).

    - The *Funds Available for Fiscal Year 2017-18* have been increased to account for the additional revenue collections.

    - The *Funds Available for Fiscal Year 2018-19* have been adjusted to include the receipt of the first installment of Hurricane Irma reimbursements ($69.6 million) from the Federal Emergency Management Agency (FEMA).

    - The *Funds Available for Fiscal Years 2018-19 through 2021-22* have been adjusted to account for the results of the Revenue Estimating Conferences that were held during the Summer Conference Season.

- The 2019-20 starting point for the Long-Range Financial Outlook reflects two additional adjustments for issues identified since the release of the last official Financial Outlook Statement for the General Revenue Fund. Funds totaling $1.8 million have been set aside to address the following issues:

    (1) $1.7 million to address prior-year and current-year operating deficits in the Kidcare program, which were identified by the August 2018 Social Services Estimating Conference; and

    (2) $0.1 million for an approved budget amendment authorizing campaign finance matching funds for Governor and Cabinet offices during the 2018 election cycle pursuant to section 106.32, Florida Statutes. The Outlook includes all budget amendments that were approved as of August 24, 2018. Additional campaign finance matching budget amendments are anticipated to continue weekly until the 2018 General Election, but the exact amount of funding that will be required is unknown at this time.

- The revenue sources for the Educational Enhancement Trust Fund will have modest long-term growth beginning in Fiscal Year 2020-21; however, a large one-time balance forward of unspent funds from Fiscal Year 2018-19 into Fiscal Year 2019-20 ($99.6 million) has supplemented the trust fund revenues in Fiscal Year 2019-20. This is particularly important because nearly $250 million of nonrecurring funds were spent on recurring purposes (i.e., the Florida Education Finance Program) in the current year. Otherwise, the total funds available for expenditure are similar across years.

- The State School Trust Fund is projected to have a positive balance of $68.1 million at the end of Fiscal Year 2018-19. The transfers of unclaimed property to the trust fund are expected to decline by $22.5 million in Fiscal Year 2019-20 and then return to a level similar to Fiscal Year 2018-19. While the one-time balance forward of $68.1 million offsets this revenue decline in the first year of the Outlook, it also causes the trust fund to have more funds available for expenditure in Fiscal Year 2019-20 than in Fiscal Year 2020-21 or Fiscal Year 2021-22.

- The Revenue Estimating Conference has projected that the Tobacco Settlement Trust Fund will have a deficit of $29.1 million in Fiscal Year 2018-19. Because the Social Services Estimating Conference has also identified a General Revenue surplus for projected Medicaid expenditures in the current year, a fund shift between the two sources will clear the projected deficit. This will likely be accomplished by a budget amendment later in the year. Otherwise, the funds available in the trust fund for Fiscal Year 2019-20 are expected to be at the same level as Fiscal Year 2018-19, with more normal revenue growth returning in Fiscal Year 2020-21. However, please see the Significant Risks section regarding litigation affecting the future revenues for this trust fund.

B. Key Aspects of State Reserves

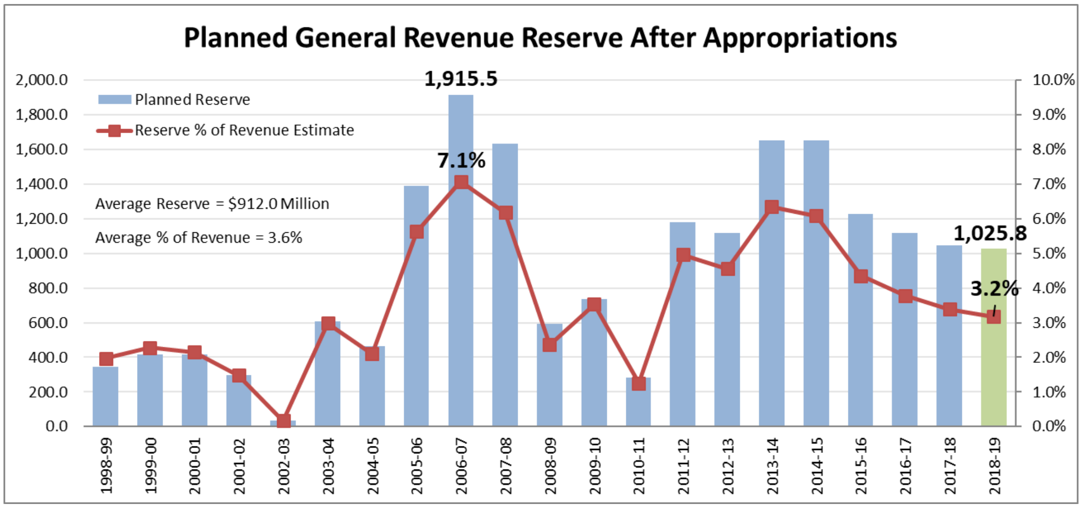
- Unallocated General Revenue, the Budget Stabilization Fund (BSF), and the Lawton Chiles Endowment Fund (LCEF) are generally considered to comprise the state's reserves. The following table shows the estimated total state reserves at the time each year's Outlook was adopted.

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Total Reserves	GR Summer Revenue Estimate*	% of GR Estimate
2011	2011-12	1,357.5	493.6	696.2	2,547.3	23,795.1	10.7%
2012	2012-13	1,577.7	708.1	426.1	2,711.9	24,631.6	11.0%
2013	2013-14	1,893.5	924.8	536.3	3,354.6	26,184.2	12.8%
2014	2014-15	1,589.0	1,139.2	629.3	3,357.5	27,189.4	12.3%
2015	2015-16	1,709.1	1,353.7	590.2	3,653.0	28,414.1	12.9%
2016	2016-17	1,414.2	1,384.4	637.5	3,436.1	29,732.8	11.6%
2017	2017-18	1,458.5	1,416.5	713.4	3,588.4	31,152.8	11.5%
2018	2018-19	1,226.1	1,483.0	763.1	3,472.2	32,270.5	10.8%

**The Summer Revenue Estimate for Fiscal Year 2018-19 includes the official estimated revenues for General Revenue and the annual payment from the BP Settlement Agreement.*

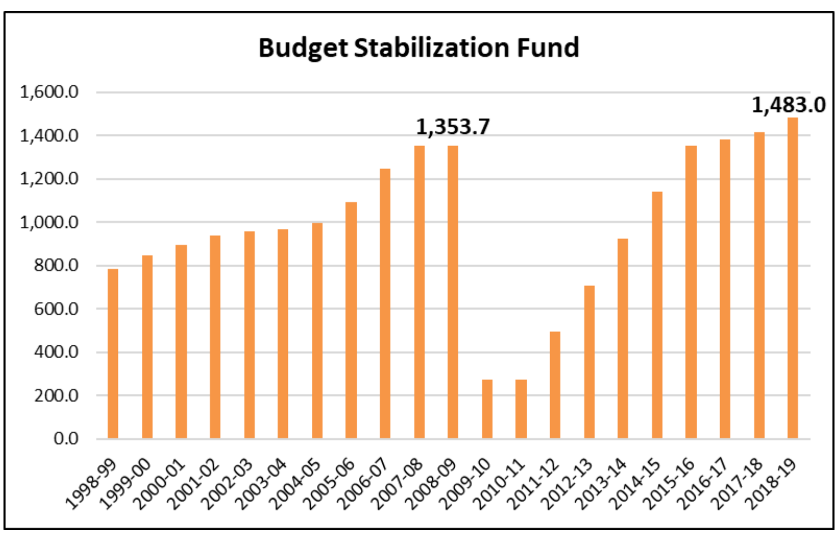
- The Long-Range Financial Outlook addresses the required payments to the BSF and LCEF, as well as the discretionary General Revenue portion of total state reserves. As has been done in each of the past seven plans, this year's Outlook sets aside a $1.0 billion General Revenue reserve in each year.

- The Legislature's planned levels of unallocated General Revenue, as shown in the following graph, have averaged approximately $912.0 million since Fiscal Year 1998-99, the first year the Florida Constitution required the full five percent distribution from General Revenue to the BSF.



- Prior to Florida's housing boom in Fiscal Years 2002-03 through 2005-06, the state's practice had been to maintain fairly low levels of planned General Revenue reserves. As the housing boom led to increased state revenue collections, the unallocated General Revenue reserve increased rapidly each year, peaking in Fiscal Year 2006-07 at $1.9 billion (7.1 percent of the Post-Session General Revenue estimate).

- After its creation in Fiscal Year 1994-95, the BSF grew steadily, topping $1.35 billion in Fiscal Year 2008-09. Following the collapse of the housing boom and Florida's slide into the Great Recession (Fiscal Years 2008-09 and 2009-10), the Legislature significantly reduced the General Revenue reserve and also transferred nearly $1.1 billion from the BSF into the General Revenue Fund in order to balance the state's budget. Since that time, the Legislature has deliberately increased the level of the planned General Revenue reserve, consistently staying above the long-run average. For Fiscal Year 2018-19, the Legislature left more than $1.0 billion unallocated (3.2 percent of the Post-Session General Revenue estimate). In addition, the BSF has been fully repaid and has now surpassed its prior peak.



- For Fiscal Year 2018-19, the BSF will have a balance of $1,483.0 billion. To develop a complete estimate of the state's current reserves, the Lawton Chiles Endowment Fund balance of $763.1 million (as of August 2018) must be added to this amount. Further, the Legislature's planned General Revenue reserve of $1,025.8 million must be updated to include the $205.2 million that came in above the annual forecast for Fiscal Year 2017-18. This raises the level of the planned General Revenue reserve to $1,226.1 million. In total, the current reserves for Fiscal Year 2018-19 are nearly $3.5 billion, or approximately 10.8 percent of the Fiscal Year 2018-19 General Revenue estimate.

- In addition, section 409.915(8), Florida Statutes, requires the full repayment of $304.7 million that was previously borrowed from the Lawton Chiles Endowment Fund. This Outlook includes the repayment from General Revenue in Fiscal Year 2021-22, which will increase the state's reserves.

- Within the Long-Range Financial Outlook, reserves have also been created for each of the three major trust funds (i.e., Educational Enhancement, State School, and Tobacco Settlement). The amounts have been calculated by applying a percentage to each fund's revenue estimate that is roughly equal to the $1.0 billion retained for the General Revenue Fund as a percentage of its revenue estimate for Fiscal Year 2019-20.

C. Key Aspects of the Expenditure Demands

- For the programs in the education and human services policy areas, the Outlook maximizes the use of all available state trust funds prior to using General Revenue. To accomplish this, adjustments are made to the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. This shifting of funds alters the need for General Revenue from year to year but does not affect the overall level of dollars estimated to be required for core education and human services programs.

- When historical funding averages are used for drivers, the Outlook relies on three-year pre-veto appropriations averages, unless otherwise noted. If the three-year average is negative, no change in funding is made. Exceptions have been made for Fiscal Year 2017-18 to accommodate the appropriations made in Special Session A and in Fiscal Year 2018-19 to recognize the significant appropriations contained in substantive bills for key policy areas. In these cases, the results for all relevant appropriations have been combined to achieve the data needed for the calculations.

- In the Tier 1 Table on page 20, only Critical Needs are shown. Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes, but they also present the lowest cost, within current policy parameters, of continuing essential government functions. The 17 Critical Needs drivers for this year's Outlook primarily reflect the first purpose: mandatory increases and adjustments originating from estimating conferences and constitutional or statutory requirements. However, a separate driver is included in Critical Needs that more directly addresses the second purpose of identifying the lowest state cost of providing essential government services. Because the Legislature has had an evolving policy regarding the appropriate split between state and local funds for the public school system, Driver #3 has been included to show the impact of using the Legislature's longer-term policy of maintaining the millage rate derived from the most recent certified roll for school purposes—in this case July 2018. This allows the Required Local Effort to increase with tax roll growth. However, this assumption is relaxed to reflect the specific policy adopted for Fiscal Year 2018-19 in Other High Priority Needs—Driver #19.

- Because of this assumption, the projected cost of the Critical Needs drivers is significantly less than the cost for the Other High Priority Needs drivers in all three years of the Outlook. Allowing the full value of the tax roll growth in Driver #3 decreases the need for state funding (as shown in the Critical Needs drivers) by $480 million in Fiscal Year 2019-20, $516.5 million in Fiscal Year 2020-21, and $529 million in Fiscal Year 2021-22.

- Given this interaction between Critical Needs and Other High Priority Needs, the remainder of the discussion will focus on Tier 2, which combines the issues.

DOLLAR VALUE OF CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Total Tier 1 - Critical Needs	35.5	609.9	283.3
Total - Other High Priority Needs	1,829.7	1,701.5	1,630.9
Total Tier 2 - Critical and Other High Priority Needs	1,865.2	2,311.4	1,914.2

- In the Tier 2 Table on page 21, Other High Priority Needs are added to the Critical Needs. The 30 Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Essentially, the total projected cost for the Critical Needs and Other High Priority Needs shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook.

- The various policy areas differ in their resource demands by year. Three large policy areas (Pre K-12 Education, Human Services, and Administered Funds – Statewide Issues) have greater General Revenue needs in the second year, requiring a significantly larger General Revenue infusion than in the first year of the Outlook. In the Pre K-12 Education and Administered Funds – Statewide Issues policy areas, this is driven in large part by the depletion of the trust fund balances that have built up from prior years or have expenditure growth that outpaced the available revenue. While this is also a factor in Human Services, the second-year increase is more affected by the overall estimating conference results and changing federal matching rates reflected in the Critical Needs for Kidcare. All other areas either have more balanced (Higher Education, Education Fixed Capital Outlay, and General Government) or declining needs (Criminal Justice, Transportation & Economic Development, and Natural Resources) across the three years of the Outlook.

GENERAL REVENUE FUND
DOLLAR VALUE OF CRITICAL AND
OTHER HIGH PRIORITY NEEDS BY POLICY AREA

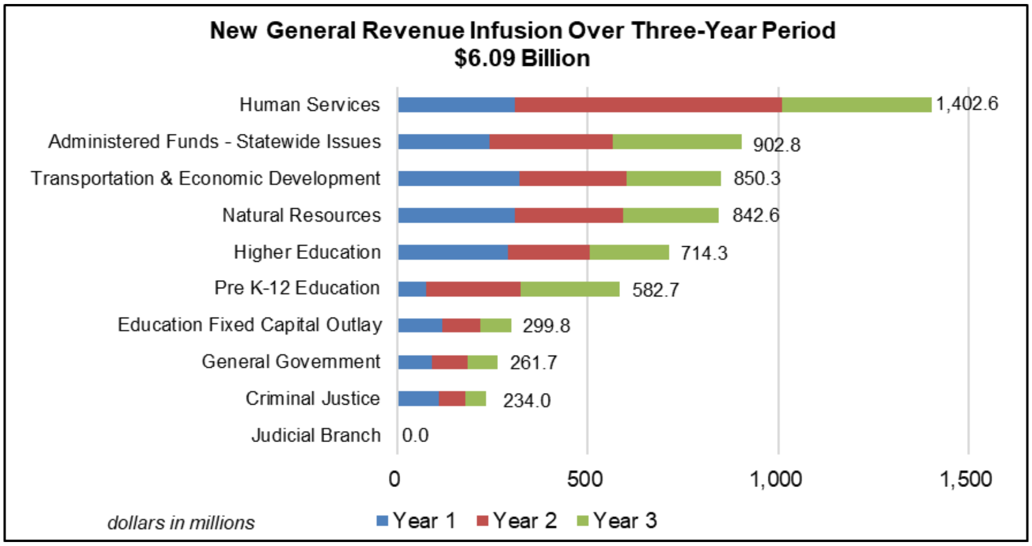
POLICY AREAS	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Pre K-12 Education	76.9	247.4	258.4
Higher Education	289.4	214.1	210.8
Education Fixed Capital Outlay	118.0	98.9	82.9
Human Services	309.1	700.6	392.9
Criminal Justice	110.3	68.2	55.5
Judicial Branch	0.0	0.0	0.0
Transportation & Economic Development	320.7	280.7	248.9
Natural Resources	309.1	282.8	250.7
General Government	90.6	94.0	77.1
Administered Funds - Statewide Issues	241.1	324.7	337.0
Total New Issues	1,865.2	2,311.4	1,914.2

- Another method of analyzing the projected expenditures for Critical and Other High Priority Needs is to look at the percentage of the total represented by each policy area. In Fiscal Year 2019-20, four policy areas (Transportation & Economic Development, Natural Resources, Human Services, and Higher Education) comprise nearly equal shares of two-thirds (65.9 percent) of the total need for General Revenue. By the second year of the Outlook, Human Services increases significantly to represent the largest share of the total need at 30.3 percent, while the other three areas decline to a combined one-third of the total need from nearly one-half of the total.

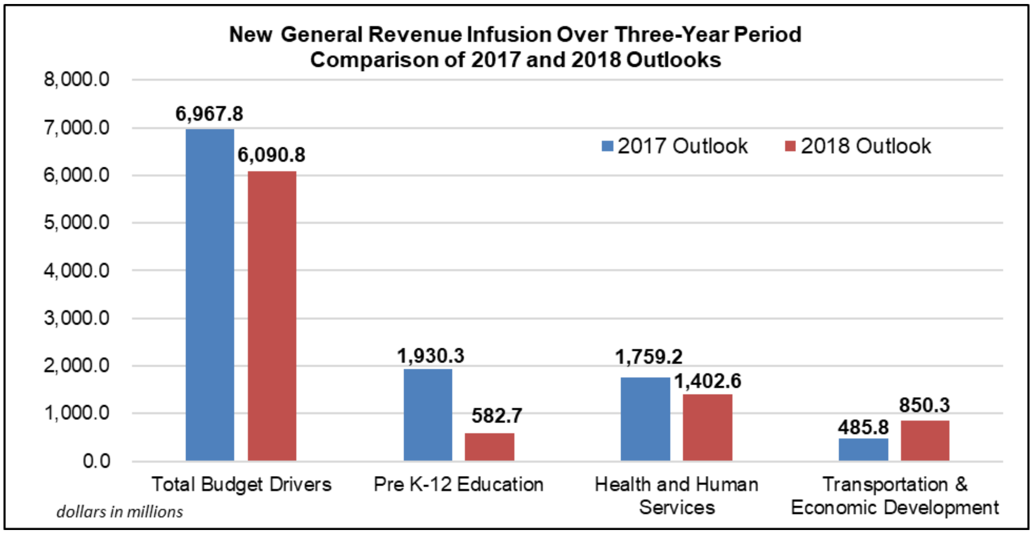
GENERAL REVENUE FUND
POLICY AREA PERCENTAGE OF TOTAL
CRITICAL AND OTHER HIGH PRIORITY NEEDS

POLICY AREAS	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Pre K-12 Education	4.1%	10.7%	13.5%
Higher Education	15.5%	9.3%	11.0%
Education Fixed Capital Outlay	6.3%	4.3%	4.3%
Human Services	16.6%	30.3%	20.5%
Criminal Justice	5.9%	3.0%	2.9%
Judicial Branch	0.0%	0.0%	0.0%
Transportation & Economic Development	17.2%	12.1%	13.0%
Natural Resources	16.6%	12.2%	13.1%
General Government	4.9%	4.1%	4.0%
Administered Funds - Statewide Issues	12.9%	14.0%	17.6%
Total New Issues	100.0%	100.0%	100.0%

- The total need for new infusions of General Revenue over the three years is $6.09 billion. Together, Human Services and Administered Funds – Statewide Issues represent almost 38 percent of the total.



- The total three-year driver need of $6.09 billion is lower than the $6.97 billion identified last year. The difference can be roughly attributed to three policy areas: Pre K-12 Education, Human Services, and Transportation & Economic Development. For Pre K-12 Education, last year's Outlook assumed that the Legislature would hold the Required Local Effort flat over the three years and increased total funds per FTE student by 1.79 percent per year. These assumptions have been updated to reflect actions taken by the 2018 Legislature; in this year's Outlook, the Required Local Effort is allowed to grow by the value of new construction, and the total funds per FTE student is increased by 1.16 percent per year. In the Human Services policy area, the expected state matching rate for Kidcare in the near term benefitted from a federal law change, and the approved rate changes for managed care came in less than expected as the annual change in medical inflation hit its lowest level this century in 2018. Offsetting the savings from these policy areas is an increase in expected expenditures for the Transportation & Economic Development policy area related to higher state match requirements for natural disasters. Most of these changes compound over time and alter the expenditure forecast.



- However, simply looking at the new infusions of General Revenue needed each year does not present a complete picture. Over the entire three-year period, 73.5 percent of the General Revenue infused each year has to be recurring to match the ongoing nature of the budget investment. Those expenditures cumulate and stack on top of each other in the subsequent years. As the table shows below, of the $1.87 billion needed for drivers in Fiscal Year 2019-20, $976.9 million will be needed in Fiscal Year 2020-21 (and again in Fiscal Year 2021-22) to continue those programs.

Recurring and Nonrecurring Driver Impact	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	TOTAL	Share of Grand Total
New Recurring Drivers for Each Year	976.9	1,442.9	1,157.5	3,577.3	
Continuation of Year 1 Recurring Drivers		976.9	976.9	1,953.8	
Continuation of Year 2 Recurring Drivers			1,442.9	1,442.9	
Cumulative Impact of Recurring Drivers	976.9	2,419.8	3,577.3	6,974.0	73.5%
Nonrecurring Drivers by Year	888.3	868.5	756.7	2,513.5	26.5%
Grand Total	**1,865.2**	**3,288.3**	**4,334.0**	**9,487.5**	

- This makes the actual dollar impact of the drivers identified in the Outlook larger than the displayed drivers alone suggest. In effect, the $6.09 billion in new infusions over the Outlook period cause $9.49 billion in additional costs over the period. Both effects are accounted for in the Outlook. While the first year's infusion of recurring dollars is displayed in the recurring column for each driver, the associated funds for the following years are combined and shown as the Recurring Impact of Prior Years' New Issues on the tables displayed on pages 20, 21, and 22.

D. Key Aspects of Revenue Adjustments to the General Revenue Fund

- In the Tier 3 Table on page 22, General Revenue Adjustments are added to the Critical and Other High Priority Needs drivers to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments include:

  Tax and Significant Fee Changes...These changes fall into two categories with different effects. The continuing tax and fee changes reflect adjustments to the funds otherwise available and build over time since the impact of each year's change is added to the recurring impacts from prior years. Conversely, the time-limited tax and fee changes are confined to each year and are held constant throughout the Outlook.

  Trust Fund Transfers (GAA)...The nonrecurring transfers are positive adjustments to the funds otherwise available and are held constant each year.

- A three-year average is used to develop the fiscal impact for each of the three types of specific adjustments. Unlike the budget drivers which are linked to identifiable issue areas, the revenue adjustments make no assumptions regarding the nature of the change (e.g., the specific amount by tax, fee, or trust fund source).

	2019-20			2020-21			2021-22		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Continuing Tax and Fee Changes	(104.8)	58.5	(46.3)	(104.8)	58.5	(46.3)	(104.8)	58.5	(46.3)
Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	(104.8)	0.0	(104.8)	(209.6)	0.0	(209.6)
Time-Limited Tax and Fee Changes	0.0	(43.9)	(43.9)	0.0	(43.9)	(43.9)	0.0	(43.9)	(43.9)
Trust Fund Transfers (GAA)	0.0	392.5	392.5	0.0	392.5	392.5	0.0	392.5	392.5
Total	**(104.8)**	**407.1**	**302.3**	**(209.6)**	**407.1**	**197.5**	**(314.4)**	**407.1**	**92.7**

- The continuing tax and fee adjustments do not include any impact associated with the levels of Required Local Effort (RLE) adopted by the Legislature as part of the annual appropriations for the Florida Education Finance Program (FEFP). While this annual decision affects the levy of property taxes, it has only budgetary implications for the General Revenue Fund. These implications are addressed in both Critical and Other High Priority Needs for Pre K-12 Education.

E. Putting the Revenues and Expenditure Demands Together – Key Findings

- Fiscal Year 2019-20
    - Total General Revenue available for appropriation is $34,685.0 million.
    - The base budget, transfers to the Budget Stabilization Fund, and Critical Needs funded with General Revenue are estimated to cost $31,934.2 million. Including a holdback for a reserve balance of $1.0 billion increases the total expenditure need to $32,934.2 million. This figure grows to a total of $34,763.9 million when Other High Priority Needs are included.
    - Combined, recurring and nonrecurring General Revenue Critical Needs—plus a minimum reserve of $1.0 billion—are significantly less than the available General Revenue, leaving a surplus of nearly $1.8 billion. However, when Other Priority Needs are added, the available General Revenue falls short of the projected total need by $78.9 million in Tier 2.
    - After accounting for the revenue adjustments included in Tier 3 of the Outlook, there is enough General Revenue to cover the Critical and Other High Priority Needs, leaving a small projected surplus of $223.4 million for discretionary issues—the projected surplus equates to just 0.6 percent of the General Revenue estimate for Fiscal Year 2019-20.

[SEE TABLE ON FOLLOWING PAGE]

OUTLOOK PROJECTION – FISCAL YEAR 2019-20 *(in millions)*	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**$33,031.1**	**$1,653.9**	**$34,685.0**
Base Budget	$31,809.4	$0.0	$31,809.4
Transfer to Lawton Chiles Endowment Fund	$0.0	$0.0	$0.0
Transfer to Budget Stabilization Fund	$0.0	$89.3	$89.3
Critical Needs	($87.3)	$122.8	$35.5
Other High Priority Needs	$1,064.2	$765.5	$1,829.7
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL EXPENDITURES	**$32,786.3**	**$1,977.6**	**$34,763.9**
TIER 2 ENDING BALANCE	**$244.8**	**($323.7)**	**($78.9)**
Revenue Adjustments	($104.8)	$407.1	$302.3
TIER 3 ENDING BALANCE	**$140.0**	**$83.4**	**$223.4**

- Fiscal Years 2020-21 and 2021-22
  - Fiscal Years 2020-21 and 2021-22 both show projected budget needs in excess of available revenue for Critical and Other High Priority Needs, although the shortfalls are somewhat muted when factoring in the potential revenue adjustments.
  - This means that the available General Revenue is insufficient to meet budget demands related to Tier 2 and Tier 3 in the second and third years of the planning horizon unless prior corrective actions are taken.

F. Analyzing the Results

Legislative actions during the 2011 and 2012 Sessions to close the projected budget gaps through *recurring* means positively impacted the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years were limited by the amount of recurring expenditure reductions taken in Fiscal Year 2011-12 and Fiscal Year 2012-13. This greatly improved the Long-Range Financial Outlook's bottom line through Fiscal Year 2013-14. Conversely, actions by the Legislature in the 2014, 2015, and 2016 Sessions to undertake increased recurring expenditures and negative revenue adjustments have reduced the projected surplus between available General Revenue dollars and anticipated expenditures relative to the prior year's Outlook for each year. The color-coded shading on the table on the following page for the 2013 through 2016 Outlooks traces the diminishing balances through the subsequent years (i.e., Year 3 on the 2013 Outlook becomes Year 2 on the 2014 Outlook and Year 1 on the 2015 Outlook).

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	**3,295.3**	1,000.0
2014	Fiscal Year 2015-16	336.2	**1,004.5**	**2,156.1**	1,000.0
2015	Fiscal Year 2016-17	**635.4**	**583.7**	**222.2**	1,000.0
2016	Fiscal Year 2017-18	**7.5**	**(1,300.9)**	(**1,897.7)**	1,000.0
2017	Fiscal Year 2018-19	**52.0**	**(1,146.2)**	(1,639.6)	1,000.0
2018	Fiscal Year 2019-20	**223.4**	(47.8)	(456.7)	1,000.0

Performing this analysis for the 2017 Outlook yields interesting results. The inclusion of the Indian Gaming reserve release and forecast change to recognize the revenue share payments associated with banked card games significantly improved the bottom line anticipated by the Legislature at the conclusion of the 2017 Regular Session and Special Session A. The table below shows the difference created by incorporating the additional Indian Gaming revenues during the 2017 Summer Conference Season. As shown, the small positive ending balance in Year 1 (Fiscal Year 2018-19) was entirely due to these changes.

Outlook Calculation	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
Without Indian Gaming Change	(498.7)	(1,365.7)	(1,809.5)	1,000.0
With Indian Gaming Change	52.0	(1,146.2)	(1,639.6)	1,000.0
Difference Due to Change	+550.7	+219.5	+165.1	n/a

*Note: Year 2 benefits in two ways: $167.5 million for Conference adjustment + unspent prior year ending balance ($52 million) that moves forward into the subsequent year.

For this year's Outlook, the net result is again better than anticipated by the 2016 and 2017 Outlooks. The improvement comes primarily from the combined effect of a lower appropriations base coming into Fiscal Year 2019-20 and a lower cost for the entire set of new drivers for Fiscal Year 2019-20. By far, the largest single component of the combined appropriations change is the 2018 Legislature's decision to allow Required Local Effort to grow by the value of new construction.

For revenue adjustments, the tax and fee changes are assumed to be modestly lower in this year's Outlook than in the 2017 Outlook, but the trust fund transfers are higher. In addition, the balance forward from Fiscal Year 2018-19 is greater than anticipated, largely due to unanticipated one-time events that occurred after the forecast used by the Legislature for budgeting Fiscal Year 2018-19.

Fiscal Year 2019-20	2017 Outlook	2018 Outlook	Difference	Effect on Bottom Line
Funds Available in Tier 3				
Balance Forward from 2018-19	1,052.0	1,224.3	172.30	Positive
Available General Revenue Adjusted by Measures	33,458.4	33,460.7	2.30	Positive
Trust Fund Transfers	323.6	392.5	68.90	Positive
Continuing Tax and Fee Changes	(89.5)	(46.3)	43.20	Positive
Time-Limited Tax and Fee Changes	(63.9)	(43.9)	20.00	Positive
Total Funds Available	34,680.6	34,987.3	306.70	Positive
			0.9%	
Projected Expenditures				
Base Budget for 2019-20	32,075.4	31,809.4	(266.00)	Positive
Total New Budget Drivers for 2019-20	2,678.5	1,865.2	(813.30)	Positive
Total Projected Expenditures	34,753.9	33,674.6	(1,079.30)	Positive
			-3.1%	
Additional Adjustments for Reserves				
BSF Transfer	72.9	89.3	16.40	
Reserve	1,000.0	1,000.0	-	
Bottom Line	**(1,146.2)**	**223.4**	**1,369.60**	

While improved in Tier 3 by the significant nonrecurring trust funds assumed in the Revenue Adjustments, the negative ending balances for Fiscal Year 2020-21 and Fiscal Year 2021-22 in Tier 3 indicates a looming problem remains. Particularly problematic is the fact that the *recurring* General Revenue demands exceed the amount of *recurring* General Revenue available in the two outer years for Tier 3. This indicates that a structural imbalance is still occurring—albeit improved from last year's Outlook. Similarly, if additional recurring expenditures of more than $116 million are added to Tier 2, it will display the same problem.

Tier 1 Table – Critical Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 1 ISSUES - CRITICAL NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,444.7	1,444.7	0.0	1,224.3	1,224.3	0.0	1,750.8	1,750.8	0.0	4,047.8	4,047.8
3 Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	31,785.5	458.3	32,243.8	33,005.0	329.7	33,334.7	34,202.7	341.5	34,544.2	35,476.7	350.7	35,827.4
6 BP Settlement Agreement	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7 FEMA Reimbursement	0.0	69.6	69.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Non-operating Funds and Authorized Trust Fund Transfers	(1.5)	499.6	498.1	(0.6)	99.9	99.3	(0.6)	99.9	99.3	(0.7)	99.9	99.2
9 *Revenue Adjustments to the General Revenue Fund*												
10 Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 **Total Funds Available**	**31,810.7**	**2,472.2**	**34,282.9**	**33,031.1**	**1,653.9**	**34,685.0**	**34,228.8**	**3,192.2**	**37,421.0**	**35,502.7**	**5,498.4**	**41,001.1**
15												
16 **Estimated Expenditures:**												
17 Recurring Base Budget (Including Annualizations)				31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4
18 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	(87.3)	0.0	(87.3)	370.2	0.0	370.2
19												
20 **New Issues by GAA Section:**												
21 Section 2 - Pre K-12 Education	12,579.6	(134.6)	12,445.0	(374.7)	(103.9)	(478.6)	(341.4)	0.0	(341.4)	(343.7)	0.0	(343.7)
22 Section 2 - Higher Education	4,426.7	111.6	4,538.3	1.4	0.0	1.4	(9.8)	0.0	(9.8)	(12.7)	0.0	(12.7)
23 Section 2 - Education Fixed Capital Outlay	0.0	235.1	235.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24 Section 3 - Human Services	9,811.5	115.7	9,927.2	141.4	41.5	182.9	576.1	0.0	576.1	268.4	0.0	268.4
25 Section 4 - Criminal Justice	3,750.0	76.1	3,826.1	(13.4)	0.0	(13.4)	(0.7)	0.0	(0.7)	0.5	0.0	0.5
26 Section 7 - Judicial Branch	448.0	3.6	451.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27 Section 5 & 6 - Transportation & Economic Development	62.1	179.0	241.1	0.0	152.2	152.2	0.0	110.5	110.5	0.0	82.4	82.4
28 Section 5 - Natural Resources	139.4	299.9	439.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29 Section 6 - General Government	238.8	82.1	320.9	0.3	23.6	23.9	0.1	24.4	24.5	0.1	25.3	25.4
30 Section 2 & 6 - Administered Funds - Statewide Issues	318.0	106.0	424.0	157.7	9.4	167.1	233.2	17.5	250.7	245.2	17.8	263.0
31 **Total New Issues**				(87.3)	122.8	35.5	457.5	152.4	609.9	157.8	125.5	283.3
32												
33 Approved Budget Amendments	0.0	9.9	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Current Year Estimating Conference Operating Deficits	0.0	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35 Transfer to Budget Stabilization Fund	0.0	66.5	66.5	0.0	89.3	89.3	0.0	41.2	41.2	0.0	54.6	54.6
36 Transfer to Lawton Chiles Endowment Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	304.7	304.7
37 Reappropriations	0.0	131.9	131.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
38 **Total Estimated Expenditures**	**31,774.1**	**1,284.5**	**33,058.6**	**31,722.1**	**212.1**	**31,934.2**	**32,179.6**	**193.6**	**32,373.2**	**32,337.4**	**484.8**	**32,822.2**
39 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
40 **Ending Balance**	**36.6**	**1,187.7**	**1,224.3**	**1,309.0**	**441.8**	**1,750.8**	**2,049.2**	**1,998.6**	**4,047.8**	**3,165.3**	**4,013.6**	**7,178.9**

Tier 2 Table – Critical Needs and Other High Priority Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,444.7	1,444.7	0.0	1,224.3	1,224.3	0.0	0.0	0.0	0.0	0.0	0.0
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	*General Revenue Outlook Statement Components*												
5	Revenue Estimate	31,785.5	458.3	32,243.8	33,005.0	329.7	33,334.7	34,202.7	341.5	34,544.2	35,476.7	350.7	35,827.4
6	BP Settlement Agreement	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7	FEMA Reimbursement	0.0	69.6	69.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Non-operating Funds and Authorized Trust Fund Transfers	(1.5)	499.6	498.1	(0.6)	99.9	99.3	(0.6)	99.9	99.3	(0.7)	99.9	99.2
9	*Revenue Adjustments to the General Revenue Fund*												
10	Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**Total Funds Available**	**31,810.7**	**2,472.2**	**34,282.9**	**33,031.1**	**1,653.9**	**34,685.0**	**34,228.8**	**1,441.4**	**35,670.2**	**35,502.7**	**1,450.6**	**36,953.3**
15													
16	**Estimated Expenditures:**												
17	Recurring Base Budget (Including Annualizations)				31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4
18	Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	976.9	0.0	976.9	2,419.8	0.0	2,419.8
19													
20	**New Issues by GAA Section:**												
21	Section 2 - Pre K-12 Education	12,579.6	(134.6)	12,445.0	180.8	(103.9)	76.9	247.4	0.0	247.4	258.4	0.0	258.4
22	Section 2 - Higher Education	4,426.7	111.6	4,538.3	289.4	0.0	289.4	214.1	0.0	214.1	210.8	0.0	210.8
23	Section 2 - Education Fixed Capital Outlay	0.0	235.1	235.1	0.0	118.0	118.0	0.0	98.9	98.9	0.0	82.9	82.9
24	Section 3 - Human Services	9,811.5	115.7	9,927.2	199.7	109.4	309.1	634.3	66.3	700.6	326.6	66.3	392.9
25	Section 4 - Criminal Justice	3,750.0	76.1	3,826.1	100.3	10.0	110.3	65.1	3.1	68.2	55.5	0.0	55.5
26	Section 7 - Judicial Branch	448.0	3.6	451.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Section 5 & 6 - Transportation & Economic Development	62.1	179.0	241.1	0.0	320.7	320.7	0.0	280.7	280.7	0.0	248.9	248.9
28	Section 5 - Natural Resources	139.4	299.9	439.3	4.1	305.0	309.1	4.1	278.7	282.8	4.1	246.6	250.7
29	Section 6 - General Government	238.8	82.1	320.9	0.3	90.3	90.6	0.1	93.9	94.0	12.3	64.8	77.1
30	Section 2 & 6 - Administered Funds - Statewide Issues	318.0	106.0	424.0	202.3	38.8	241.1	277.8	46.9	324.7	289.8	47.2	337.0
31	**Total New Issues**				976.9	888.3	1,865.2	1,442.9	868.5	2,311.4	1,157.5	756.7	1,914.2
32													
33	Approved Budget Amendments	0.0	9.9	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	Current Year Estimating Conference Operating Deficits	0.0	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Transfer to Budget Stabilization Fund	0.0	66.5	66.5	0.0	89.3	89.3	0.0	41.2	41.2	0.0	54.6	54.6
36	Transfer to Lawton Chiles Endowment Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	304.7	304.7
37	Reappropriations	0.0	131.9	131.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
38	**Total Estimated Expenditures**	**31,774.1**	**1,284.5**	**33,058.6**	**32,786.3**	**977.6**	**33,763.9**	**34,229.2**	**909.7**	**35,138.9**	**35,386.7**	**1,116.0**	**36,502.7**
39	Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
40	**Ending Balance**	**36.6**	**1,187.7**	**1,224.3**	**244.8**	**(323.7)**	**(78.9)**	**(0.4)**	**(468.3)**	**(468.7)**	**116.0**	**(665.4)**	**(549.4)**

Tier 3 Table – Critical Needs, Other High Priority Needs, and Revenue Adjustments

LONG-RANGE FINANCIAL OUTLOOK

TIER 3 ISSUES - CRITICAL NEEDS, OTHER HIGH PRIORITY NEEDS, AND REVENUE ADJUSTMENTS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,444.7	1,444.7	0.0	1,224.3	1,224.3	0.0	223.4	223.4	0.0	0.0	0.0
3 Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	31,785.5	458.3	32,243.8	33,005.0	329.7	33,334.7	34,202.7	341.5	34,544.2	35,476.7	350.7	35,827.4
6 BP Settlement Agreement	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7 FEMA Reimbursement	0.0	69.6	69.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Non-operating Funds and Authorized Trust Fund Transfers	(1.5)	499.6	498.1	(0.6)	99.9	99.3	(0.6)	99.9	99.3	(0.7)	99.9	99.2
9 *Revenue Adjustments to the General Revenue Fund*												
10 Continuing Tax and Fee Changes	0.0	0.0	0.0	(104.8)	58.5	(46.3)	(104.8)	58.5	(46.3)	(104.8)	58.5	(46.3)
11 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(104.8)	0.0	(104.8)	(209.6)	0.0	(209.6)
12 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(43.9)	(43.9)	0.0	(43.9)	(43.9)	0.0	(43.9)	(43.9)
13 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	392.5	392.5	0.0	392.5	392.5	0.0	392.5	392.5
14 **Total Funds Available**	**31,810.7**	**2,472.2**	**34,282.9**	**32,926.3**	**2,061.0**	**34,987.3**	**34,019.2**	**2,071.9**	**36,091.1**	**35,188.3**	**1,857.7**	**37,046.0**
15												
16 **Estimated Expenditures:**												
17 Recurring Base Budget (Including Annualizations)				31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4	31,809.4	0.0	31,809.4
18 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	976.9	0.0	976.9	2,419.8	0.0	2,419.8
19												
20 **New Issues by GAA Section:**												
21 Section 2 - Pre K-12 Education	12,579.6	(134.6)	12,445.0	180.8	(103.9)	76.9	247.4	0.0	247.4	258.4	0.0	258.4
22 Section 2 - Higher Education	4,426.7	111.6	4,538.3	289.4	0.0	289.4	214.1	0.0	214.1	210.8	0.0	210.8
23 Section 2 - Education Fixed Capital Outlay	0.0	235.1	235.1	0.0	118.0	118.0	0.0	98.9	98.9	0.0	82.9	82.9
24 Section 3 - Human Services	9,811.5	115.7	9,927.2	199.7	109.4	309.1	634.3	66.3	700.6	326.6	66.3	392.9
25 Section 4 - Criminal Justice	3,750.0	76.1	3,826.1	100.3	10.0	110.3	65.1	3.1	68.2	55.5	0.0	55.5
26 Section 7 - Judicial Branch	448.0	3.6	451.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27 Section 5 & 6 - Transportation & Economic Development	62.1	179.0	241.1	0.0	320.7	320.7	0.0	280.7	280.7	0.0	248.9	248.9
28 Section 5 - Natural Resources	139.4	299.9	439.3	4.1	305.0	309.1	4.1	278.7	282.8	4.1	246.6	250.7
29 Section 6 - General Government	238.8	82.1	320.9	0.3	90.3	90.6	0.1	93.9	94.0	12.3	64.8	77.1
30 Section 2 & 6 - Administered Funds - Statewide Issues	318.0	106.0	424.0	202.3	38.8	241.1	277.8	46.9	324.7	289.8	47.2	337.0
31 **Total New Issues**				976.9	888.3	1,865.2	1,442.9	868.5	2,311.4	1,157.5	756.7	1,914.2
32												
33 Approved Budget Amendments	0.0	9.9	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Current Year Estimating Conference Operating Deficits	0.0	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35 Transfer to Budget Stabilization Fund	0.0	66.5	66.5	0.0	89.3	89.3	0.0	41.2	41.2	0.0	54.6	54.6
36 Transfer to Lawton Chiles Endowment Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	304.7	304.7
37 Reappropriations	0.0	131.9	131.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
38 **Total Estimated Expenditures**	**31,774.1**	**1,284.5**	**33,058.6**	**32,786.3**	**977.6**	**33,763.9**	**34,229.2**	**909.7**	**35,138.9**	**35,386.7**	**1,116.0**	**36,502.7**
39 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
40 **Ending Balance**	**36.6**	**1,187.7**	**1,224.3**	**140.0**	**83.4**	**223.4**	**(210.0)**	**162.2**	**(47.8)**	**(198.4)**	**(258.3)**	**(456.7)**

Summary of Major Trust Funds

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	336.5	336.5	0.0	99.6	99.6	0.0	60.4	60.4	0.0	61.5	61.5
Revenue Estimate	2,012.3	1.5	2,013.8	2,013.7	0.0	2,013.7	2,049.4	0.0	2,049.4	2,076.5	0.0	2,076.5
Non-operating Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**2,012.3**	**338.0**	**2,350.3**	**2,013.7**	**99.6**	**2,113.3**	**2,049.4**	**60.4**	**2,109.8**	**2,076.5**	**61.5**	**2,138.0**
Estimated Expenditures:												
Base Budget				2,005.2	0.0	2,005.2	2,013.7	0.0	2,013.7	2,048.3	0.0	2,048.3
Increase/Decrease				8.5	39.2	47.7	34.6	0.0	34.6	27.4	0.0	27.4
Total Estimated Expenditures	**2,005.2**	**245.5**	**2,250.7**	**2,013.7**	**39.2**	**2,052.9**	**2,048.3**	**0.0**	**2,048.3**	**2,075.7**	**0.0**	**2,075.7**
Ending Balance	**7.1**	**92.5**	**99.6**	**0.0**	**60.4**	**60.4**	**1.1**	**60.4**	**61.5**	**0.8**	**61.5**	**62.3**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	48.6	48.6	0.0	68.1	68.1	0.0	3.4	3.4	0.0	4.1	4.1
Revenue Estimate	136.9	0.0	136.9	114.4	0.0	114.4	137.6	0.0	137.6	141.8	0.0	141.8
Non-operating Funds	1.6	0.0	1.6	1.6	0.0	1.6	1.6	0.0	1.6	1.6	0.0	1.6
Total Funds Available	**138.5**	**48.6**	**187.1**	**116.0**	**68.1**	**184.1**	**139.2**	**3.4**	**142.6**	**143.4**	**4.1**	**147.5**
Estimated Expenditures:												
Base Budget				119.0	0.0	119.0	116.0	0.0	116.0	138.5	0.0	138.5
Increase/Decrease				(3.0)	64.7	61.7	22.5	0.0	22.5	4.7	0.0	4.7
Total Estimated Expenditures	**119.0**	**0.0**	**119.0**	**116.0**	**64.7**	**180.7**	**138.5**	**0.0**	**138.5**	**143.2**	**0.0**	**143.2**
Ending Balance	**19.5**	**48.6**	**68.1**	**0.0**	**3.4**	**3.4**	**0.7**	**3.4**	**4.1**	**0.2**	**4.1**	**4.3**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	2.7	2.7	0.0	0.0	0.0	0.0	10.3	10.3	0.0	11.5	11.5
Revenue Estimate	373.6	(33.7)	339.9	377.0	(34.7)	342.3	382.2	0.0	382.2	388.0	0.0	388.0
Non-operating Funds	5.9	0.0	5.9	5.9	0.0	5.9	6.1	0.0	6.1	6.3	0.0	6.3
Total Funds Available	**379.5**	**(31.0)**	**348.5**	**382.9**	**(34.7)**	**348.2**	**388.3**	**10.3**	**398.6**	**394.3**	**11.5**	**405.8**
Estimated Expenditures:												
Base Budget				377.6	0.0	377.6	379.4	0.0	379.4	380.9	0.0	380.9
Increase/Decrease				1.8	0.0	1.8	1.5	0.0	1.5	1.7	0.0	1.7
Forecast Adjustment to Medicaid		(29.1)	(29.1)	0.0	(41.5)	(41.5)	0.0	6.2	6.2	0.0	11.5	11.5
Total Estimated Expenditures	**377.6**	**(29.1)**	**348.5**	**379.4**	**(41.5)**	**337.9**	**380.9**	**6.2**	**387.1**	**382.6**	**11.5**	**394.1**
Ending Balance	**1.9**	**(1.9)**	**0.0**	**3.5**	**6.8**	**10.3**	**7.4**	**4.1**	**11.5**	**11.7**	**(0.0)**	**11.7**

Fiscal Strategies

The Tier 1, Tier 2, and Tier 3 tables shown on pages 20, 21, and 22 of the Long-Range Financial Outlook simply summarize the information contained and discussed within the rest of the Outlook document. In essence, each Tier presents a prognosis of the state's financial situation as a result of that scenario. As such, none of the Tiers purport to show the specific details of the final budget that the Legislature will ultimately pass in any given year. However, they do illuminate several issues facing the Legislature in the upcoming years since the levels are reasonable approximations of total expected spending under current law and administration.

The first issue has to do with the importance of shoring up the projections that currently exist. For example, the Outlook's results for all three years depend greatly on meeting the Indian Gaming revenue estimates (averaging slightly less than $343 million per year over the Outlook period). If this assumption fails, the current results in both Tier 2 and Tier 3 will significantly deteriorate. In this regard, the Settlement Agreement and Stipulation first entered into between the Seminole Tribe of Florida and the State of Florida in July 2017 requires that "...the state takes aggressive enforcement action against the continued operation of banked card games, including Designated Player Games that are operated in a banked game manner..." Assuming that this happens, the Revenue Estimating Conference recognizes all revenue share payments associated with banked card game activity. However, the Conference lacks sufficient certainty to make any of the payments recurring and has converted the entire future stream of annual payments to nonrecurring dollars.

The second issue relates to the need to clear the negative ending balances that exist in all three years in Tier 2 and in the two outer years in Tier 3. Because the root causes driving these negatives differ between the two Tiers, the selection of the most appropriate fiscal strategy will depend on a series of policy decisions starting with which Tier to use as the base.

Multi-Tier Comparison
GENERAL REVENUE FUNDS AVAILABLE PROJECTION
($ MILLIONS)

	Fiscal Year 2019-20			Fiscal Year 2020-21			Fiscal Year 2021-22		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Ending Balance Tier 1...Critical Needs	1,309.0	441.8	1,750.8	2,049.2	1,998.6	4,047.8	3,165.3	4,013.6	7,178.9
Ending Balance Tier 2...Critical Needs & Other High Priorities	244.8	(323.7)	(78.9)	(0.4)	(468.3)	(468.7)	116.0	(665.4)	(549.4)
Ending Balance Tier 3...All Needs Plus Revenue Adjustments	140.0	83.4	223.4	(210.0)	162.2	(47.8)	(198.4)	(258.3)	(456.7)

As the chart above shows, the negatives in Tier 2 are related to the high level of projected nonrecurring expenditures. While the recurring portion of the balance in Fiscal Year 2020-21 is essentially zero, the recurring expenditure growth can be addressed within the dollars forecasted for the Outlook period. This initially suggests that viable fiscal strategies can be limited to closing the budget gap on a year-by-year basis.

However, a recurring problem is clearly present in Tier 3. Although the projected bottom line for Fiscal Year 2019-20 is positive in all respects, the projections show recurring expenditures in the two outer years that outstrip the available recurring funds, indicating that a structural imbalance is still occurring.[1] This difference between Tiers is caused by the introduction of the recurring portion of the revenue adjustments contained in Tier 3. On the other hand, the switch to a positive result in the first year (Fiscal Year 2019-20) is brought about by the use of one-time trust fund transfers that are also only allowed in Tier 3 (assumed to be $392.5 million each year).

Pulling the information gleaned from both Tiers together helps identify the real underlying problem. Although the problem in Tier 2 appears to be the size of the nonrecurring expenditures, many of these investments are considered to be must-funds and essential by most legislators. Further, while the negative revenue adjustments in Tier 3 cause the specific recurring problem in the Outlook, introduction of any new or enhanced recurring programs in Fiscal Year 2019-20 totaling more than $116 million would cause a similar structural imbalance in Tier 2. Both of these factors indicate that a recurring issue exists in Tier 2—it is just masked. Likewise, to maintain all of the assumptions in Tier 3, a recurring reduction of $199 million would be needed to eliminate the structural imbalance in all years. Clearly the margin between the two Tiers—and the small variation in results—is tight. The difference in outcomes ranges between plus $116 million recurring (added to Tier 2) to negative $199 million recurring (subtracted from Tier 3).

This suggests that viable fiscal strategies should consider the recurring issues. Since the increase in negative revenue adjustments in Fiscal Year 2019-20 clearly contributes to and worsens the problems in Fiscal Year 2020-21 and Fiscal Year 2021-22, fiscal strategies are advisable for all three years of the Outlook to manage the problems in the out-years.

To meet the constitutional requirements for this document, appropriate strategies are required to be both identified and discussed. In this case, the number of possible permutations is too great to allow specific identification of each one. Among the many variables that need to be considered is the timing of the corrective action. While a fiscal strategy is required no later than Fiscal Year 2020-21 to address the projected gap between revenues and expenditures in Tier 3, less disruptive courses of action—as well as the results in Tier 2—argue for at least some level of deployment beginning in Fiscal Year 2019-20. Otherwise, there is the potential to increase funding for programs in Year 1 that would not survive Year 2.

Conceptually, there are five options to eliminate a proposed budget gap in any given year of the Outlook. With the exception of trust fund transfers or sweeps and reserve reductions, these options can be deployed on either a recurring or nonrecurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.

- Budget Reductions and Reduced Program Growth
- Reduction or Elimination of the Revenue Adjustments Affecting Taxes and Fees in Tier 3
- Revenue Enhancements and Redirections
- Trust Fund Transfers or Sweeps
- Reserve Reductions

[1] This result was also seen in the 2016 and 2017 Outlooks.

The recurring problem cannot be fixed by a simple reduction in the level of total reserves since a reserve can only be spent one time; once the reserve has been spent, it is gone. Further, by law, the Budget Stabilization Fund (BSF) cannot be used to address a budget gap prospectively and, therefore, is not available at the time the budget is developed and adopted. It can only be accessed when revenues fall below actual appropriations within a fiscal year.

Trust fund transfers or sweeps operate similarly to a drawdown of reserves. Once the money has been spent, it is not automatically replenished. Since Tier 3 already contemplates $392.5 million in transfers each year, ongoing transfers above this heightened level would have to be identified to have any effect on the bottom line budget gaps.

Because the effectiveness of trust fund transfers and reserve reductions is limited to closing a gap in a particular year and, as such, do not solve the recurring problem, the three remaining options will become the basis of the more meaningful strategies: (1) budget reductions and reduced program growth; (2) reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3; and (3) revenue enhancements and redirections. For the purpose of this discussion, (1) and (2) are assumed to produce the same bottom-line results, although (1) achieves this effect through expenditures and (2) achieves it through revenues. The third option either grows the size of the overall budget (revenue enhancement) or changes its composition (revenue redirection).

Since the Legislature has undertaken no significant revenue enhancements and only limited redirections over the past three years, the likely path of this option is not clear. Enhancements and redirections both affect revenues and the ability to make expenditures, but the consequences are different. At a minimum, revenue redirections require foregone expenditures elsewhere in the budget. As there is a continued reliance on significant one-time trust fund transfers, it is notable that a permanent redirect of some of the state's trust funded-sources to the General Revenue Fund could achieve the same or similar levels of available General Revenue but also address the structural imbalance. Where possible, targeted and appropriate conversion of nonrecurring dollars to recurring helps to resolve this problem.

While permanent redirects, recurring budget reductions, or reduced program growth totaling at least $199 million would eliminate the structural imbalance currently shown in Tier 3 (as would the reduction or elimination of the recurring portion of the revenue adjustments affecting taxes and fees), the true size of the structural imbalance is dependent on a number of factors and decisions that could differ from the assumptions made in this Outlook.

For example, the magnitude of the structural imbalance will be dependent on the specific policy the Legislature adopts for Required Local Effort (RLE) over the next three years. As demonstrated by the difference in results between the 2017 Outlook and this year, the future recurring needs for Pre K-12 Education are very sensitive to the assumptions made regarding RLE. Further, funding for this policy area is a significant component of Florida's overall General Revenue budget. Large swings between Outlooks may continue until a consistent policy on the funding split between state and local dollars is in place. The following table shows the statewide average millage rate for RLE as assumed by the Legislature in the First Calculation of the FEFP for each year, with the accompanying policy.

Fiscal Year as Budgeted	RLE: Statewide Average Millage Rate	Legislative Intended Policy Change (Beginning with First Calc for 2010 Roll)
2010-11	5.288	Assumed July 2009 Millage Rate
2011-12	5.380	Assumed July 2010 Millage Rate
2012-13	5.446	Assumed July 2011 Millage Rate
2013-14	5.295	Assumed July 2012 Millage Rate
2014-15	5.183	Assumed July 2013 Millage Rate
2015-16	5.089	Assumed July 2014 Millage Rate
2016-17	4.694	Held RLE Level Flat to Prior Year
2017-18	4.316	Held RLE Level Flat to Prior Year
2018-19	**4.091**	**Allowed RLE to Increase by New Construction**

Further, any decisions regarding the introduction of new programs or significant program enhancements will need to work in tandem with the final decision regarding the most appropriate combination of fiscal strategies. However, since the structural imbalance has significantly improved relative to last year's Outlook and the solutions are straight-forward policy decisions, no specific scenario mapping out the potential results has been included.

Significant Risks to the Forecast

While the Long-Range Financial Outlook uses the most current estimates and data available, there are risks that have the potential of altering key assumptions (both positively and negatively) were they to come to pass. Some of the more significant issues are described below.

State Costs for Hurricanes, the Florida Hurricane Catastrophe Fund, and Citizens Property Insurance Corporation

Florida's economic stability is vulnerable to the potential impacts of natural disasters, especially major hurricanes. This vulnerability can take several different forms, but one of the most immediate is to the state's long-term financial health.

After the 2004 and 2005 hurricanes, the Legislative Office of Economic and Demographic Research undertook an in-depth analysis of the revenue and budgetary impact on state government from weather events of this magnitude. Popular belief has spread the misconception that hurricanes are somehow beneficial to the state from an economic perspective. However, the reality is much more complicated. From past events, there appear to be four distinct phases of activity related to hurricanes—each of which has unique economic responses. The table on the following page describes each of these phases.

Contrary to the oft-repeated myth that government makes money during hurricanes, state government typically has expenditures greater than the incremental increase in the revenue estimate and becomes a net loser when all expenditures are taken into account. In reviewing the final impact of the 2004 and 2005 hurricanes, after the state's hurricane-related expenditures were subtracted from the estimated additional revenues, the bottom line for both years was clearly negative. This means that the state had to spend more than the generated revenues.

At this time, the final financial impact of Hurricane Irma, a Category 4 hurricane that hit Florida in September 2017, is not known. This is largely because information regarding the ultimate levels of required state matches for federal funds and FEMA reimbursements is still preliminary and incomplete. Early estimates of the state match for FEMA funds total $313.0 million from the General Revenue Fund (see Driver #12). And, as of August 16, 2018, the General Revenue Fund had only received $69.6 million of FEMA reimbursements against expenditures through budget amendments of $350.9 million. An additional $424.7 million in budget amendments (excluding double-budget and the expenditure of federal funds) approved expenditures from trust funds, bringing the combined total to $775.6 million. On top of the expenditures related to amendments, the Legislature authorized another $269.1 million in recovery-related appropriations and provided $16.9 million in directed tax relief from state funds. Offsetting all of these expenditures is only $353.5 million in additional sales taxes generated by rebuilding and other recovery activities through the end of this fiscal year (Fiscal Year 2018-19). This figure is net of the direct revenue losses experienced in September 2017 and the likely spending displacement caused by deductibles and uninsured expenses that come out of pocket. At this point, it appears clear that the state will spend far more on the preparations for and recovery from Irma than it generates in revenues, easily topping the $203.3 million net loss seen in 2005.

Hurricanes: Economic Phases

Phase	Defining Characteristics	Statewide Economic Consequences

Preparatory Phase *(approximately 72 hours in advance of the hurricane to landfall)*	• Purchase of Emergency Supplies (canned food, batteries, radios, candles, flashlights, charcoal, gas, propane, water, ice, shutters, boards / plywood, etc.)
	• Evacuation Expenses
	  ○ In-State...hotels and lodging, transport costs like rental cars and gas
	  ○ Out-of-State...leakage
		Demand...Localized increase in demand for specific items, and potential non-affected area increase in lodging demand, but largely undetectable
		
		State Budget...Shifting of costs from normally provided services to emergency management, as well as unanticipated overtime and shelter costs
		
		State Revenues...Slight uptick, but largely undetectable

Crisis Phase *(landfall to several weeks after landfall)*	• Rescue and relief efforts (largely public, charitable, or free) • Roads closed due to debris • Private structures and public infrastructure damaged • Utility disruptions • Businesses and non-essential parts of government closed • Temporary homelessness • Violence and looting	**Demand**...Localized decrease in overall demand; significance depends on the event **State Budget**...Government agencies provide goods and services and incur new expenditures that may or may not be matched at a later time by the federal government **State Revenues**...Detectable downtick; significance depends on the event

Recovery Phase *(subsequent to the Crisis Phase and generally lasting up to two or three years)*	• Increased spending related to deductibles, repair, and replacement
	  ○ Private Savings / Loans
	  ○ State Spending
	  ○ FEMA and Federal Spending
	  ○ Insurance Payments
	• Competition for scarce resources (contractors, roofers, supplies, construction workers, building materials, debris removal, etc.)
		Demand...Localized increase in overall demand, and prices likely increase for some items
		
		Employment...Will temporarily see gains as relief and recovery workers move into the area
		
		State Budget...Reallocation of state and local government spending to the affected area
		
		State Revenues...Discernible and significant uptick

Displacement Phase *(subsequent to the Recovery Phase and lasting from two to six years)*	• Reduction in normal purchasing behavior for items that were bought or replaced ahead of schedule • Demographic and labor shifts related to dislocated households and economic centers	**Demand**...Localized decrease in overall demand, but largely undetectable at the state level **State Revenues**...Slight downtick, but largely undetectable

In addition to the budgetary and revenue effects associated with hurricanes, there is an impact on state debt. Besides the direct tax-supported or self-supported debt normally undertaken by the state, Florida has indirect debt that represents debt either secured by revenues not appropriated by the state or debt obligations of a legal entity other than the state. A major component of the state's current indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and the Citizens Property Insurance Corporation's (Citizens) ability to cover possible future hurricane-related losses. According to the *2017 Debt Report* prepared by the Division of Bond Finance, these special purpose insurance entities comprised $4.9 billion or 48 percent of the state's total indirect debt on June 30, 2017. This particular debt consisted of pre-event financings to provide cash for payment of losses resulting from a hurricane.

For the 2018 storm season, the FHCF's maximum statutory obligation for mandatory coverage is no more than $17.0 billion. However, the FHCF's obligation by law is limited to the actual claims-paying capacity. The FHCF currently projects liquidity of $17.3 billion, consisting of $14.1 billion in projected cash by December 31, 2018; $1.0 billion of reinsurance; and, $2.2 billion in projected pre-event bonds. Given recent financial market conditions, it is estimated the FHCF would be able to bond for approximately $8.2 billion during the next 12 months if a large event occurs during the contract year. This estimated claims paying capacity is $6.3 billion above the total potential statutory maximum claims paying obligation of $17.0 billion.

The $17.0 billion translates to an approximate 1-in-48 year event (2.1 percent probability) or an event that causes $29.4 billion in insurance industry residential losses for the 2018 season. Because of the differences in the levels of coverage and where those FHCF coverages begin, the FHCF's probability of exhausting its $17.0 billion maximum limit would be much smaller, implying that the FHCF could survive a much larger event. In order for all insurance companies to exhaust the $17.0 billion maximum limit, the aggregate loss would have to be significantly larger than $17 billion.

For the 2018 storm season, Citizens' probable maximum loss for a 100-year storm event is $5.7 billion. Citizens currently has claims paying ability of approximately $10 billion consisting of a cash surplus of $6.4 billion, as well as funds from private market reinsurance and FHCF reimbursements. In addition, Citizens has the ability to levy broad-based assessments to support debt financing.

The ability of these quasi-governmental insurance entities to fulfill their financial responsibilities in the event of major hurricanes is highly dependent upon market conditions at the time that bonds would need to be issued. Though the FHCF and Citizens serve significant roles in Florida's property insurance market, their ultimate dependence on public assessments and access to credit markets may expose the state to a much greater potential financial liability for hurricane-related costs.

Disproportionate Share Hospital Program

Medicaid Disproportionate Share Hospital (DSH) payments were established by the federal Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) and are intended to provide additional reimbursement to hospitals serving disproportionate shares of Medicaid and uninsured individuals. While most federal Medicaid funding is provided on an open-ended basis, DSH allotments have been capped since 1993 and represent the maximum federal matching payments a state is permitted to claim. In Fiscal Year 2018-19, $321.9 million in DSH funding was appropriated by the Legislature, with $224.8 million being Florida's federal DSH allotment and the balance being the required state matching funds.

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) addressed DSH allotments, requiring the Secretary of the U.S. Department of Health and Human Services to develop a methodology to reduce the state allotments. The reductions were originally to have begun taking effect October 1, 2013, but were delayed by the Centers for Medicare and Medicaid Services (CMS) after the U.S. Supreme Court ruled in June 2012 that the federal government could not require states to expand Medicaid eligibility to include persons up to 138 percent of the federal poverty level, as was required in the PPACA. The CMS expects states that do not implement Medicaid expansion will have higher rates of uninsured and uncompensated care. Assuming this is the case, the reductions to the DSH allotments in the non-expanding states are required to be smaller than those for states that implement Medicaid expansion and have lower percentages of uninsured individuals.

The DSH reductions have been delayed several times, either by the CMS or by changes in federal law. Most recently, the CMS has published a proposed rule to delineate the DSH Health Reform methodology (DHRM) that will be used to implement the annual Medicaid allotment reductions identified in section 1923(f)(7) of the Social Security Act. The proposed DHRM relies on statutorily identified factors to determine the state-specific DSH allotment reductions. The methodology imposes larger reductions on states that have lower percentages of uninsured individuals; states that do not target their DSH payments to hospitals with high volumes of Medicaid inpatients; and states that do not target their DSH payments to hospitals with high levels of uncompensated care. Additional reduction factors include whether a state is currently a low-DSH or high-DSH state, as well as the extent to which a state's DSH allotment was included in the budget neutrality calculation for Medicaid coverage expansion as of July 2009. The proposed rule also limits the reduction to be applied to each state to 90 percent of its original unreduced allotment. Any excess reduction amounts called for by the reduction factors will be redistributed to other states' reduction amounts that do not exceed the reduction cap. The aggregate reduction amounts are set to begin in Federal Fiscal Year 2020 and will run through Federal Fiscal Year 2025.

The rule proposed by the CMS was published on July 28, 2017, and the public had until August 28, 2017, to submit comments on the proposed methodology. It is uncertain when the CMS will release its final rule or if it will revise the methodology based on public comment. No adjustments have been included in the Outlook to reduce the DSH funding allocated to Florida because it is unknown how the proposed CMS rule will ultimately affect Florida, nor how the Legislature will respond to any loss of these federal funds.

Prior and Current PECO Commitments

The Outlook assumes that no bonding for educational facilities will take place over the Outlook period, as well as a continuing cash infusion from General Revenue based on a three-year average of project totals in Driver #27. However, the unfunded obligation remaining from unfinished PECO projects is significant. The total obligation can be estimated based on the total state costs less the amount appropriated to date. Costs are estimated by the Board of Governors for the State University System and by the Department of Education for the Florida College System and Special Facilities. The total state funding needed to meet the unfunded obligation in subsequent years may change over time as costs change or the level of identified local funding changes. As of August 2018, the estimate of the unfunded obligation associated with PECO projects funded in prior years is approximately $732 million. PECO projects are typically funded in phases over a three-year period, and agencies are required to provide priority lists of projects that fit within the constraints of a three-year appropriation estimate provided by the Legislative Office of Economic and Demographic Research.

The amounts of additional General Revenue funding incorporated in this Outlook over the forecast period reflect a level of General Revenue typically appropriated by the Legislature over the past three years after taking into account the estimates of available PECO cash. Assuming the 2018-19 levels of funding for maintenance in all areas remains at $289.1 million each year, there would be an average of $176.6 million available each year to address the approximately $732 million unfunded obligation for 2019-20, 2020-21, and 2021-22. This would leave a remaining balance of $202.3 million of unfunded obligation at the end of the Outlook period.

Additionally, this Outlook does not incorporate the potential impact of legislation enacted by the 2018 Legislature that affects charter school capital outlay funding. Beginning in Fiscal Year 2019-20, the Legislature must choose between state and local funding of charter school capital outlay. If the state appropriation for charter school capital outlay does not meet the funding threshold (the Fiscal Year 2018-19 per full-time-equivalent level at $145.2 million, increased by the CPI and incorporating charter school enrollment growth), school districts will be required to share a portion of their local capital outlay revenue from the discretionary 1.5 millage levy authorized in section 1011.71(2), Florida Statutes, with charter schools. To the extent that PECO Trust Fund dollars are diverted from funding ongoing construction and renovation projects to meet the charter school threshold over the three years of this Outlook, there would be a corresponding increase in the $202.3 million unfunded obligation that carries beyond the three year forecast period.

Final legislative decisions on both of these issues may significantly alter the assumptions made in Driver #27.

Litigation Against the State

Numerous lawsuits against the state exist at any point in time. Some have the capacity to disrupt specific programs and services and to force changes and adjustments to the Outlook. These lawsuits relate to a broad cross-section of the state's activities including, but not limited to, education funding, environmental matters, Medicaid, agricultural programs, and state revenue sources. The state's Comprehensive Annual Financial Report (CAFR) (Note 16) contains a list of those legal matters which have significant associated loss contingencies.

In addition, summaries of the claimed fiscal impacts of significant litigation filed against the state are annually reported by the agencies in their legislative budget requests (LBR). In the LBRs, significant litigation includes only those cases where the amount claimed is more than $1.0 million or where a significant statutory policy is challenged. In some instances, those summaries are based on the amount claimed by the plaintiffs, which is typically higher than the amount to which the plaintiffs would actually be entitled if they were successful in the litigation.

Three ongoing cases warrant specific mention. The first relates to litigation seeking a determination that the state has violated the 2014 Water and Land Conservation constitutional amendment that sets aside 33 percent of the excise tax on documents for water and land conservation. From the funds set aside pursuant to this amendment since 2015, the Legislature has appropriated $3.3 billion for water and land conservation efforts. The trial judge has issued an order declaring unconstitutional certain appropriations for 2015 and 2016 totaling $426.4 million. Further, the judge's order states that funds identified in the constitutional amendment:

> *"must be expended, if at all, to acquire conservation lands or other conservation property interests, as defined by that provision, that the State of Florida did not own on the effective date of that amendment and thereafter, to improve, manage, restore natural systems thereon, and enhance public access or enjoyment of those conservation lands."*

This ruling is currently on appeal. If this ruling is upheld and the funds are restricted to the purchase of new conservation lands and the maintenance thereof, many appropriations within the Department of Environmental Protection, Department of Agriculture and Consumer Services, Department of State, and the Fish and Wildlife Conservation Commission will be affected going forward. Additionally, it is unclear what legislative action, if any, would have to be taken to address the use of those funds in Fiscal Years 2015-16 through 2018-19.

The second case relates to litigation seeking to establish liability for payments into the Tobacco Settlement Trust Fund that are associated with brands that have been sold by R.J. Reynolds, one of the original Settling Defendants, to ITG Brands. [See trust fund description on page 67.] On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). The trial court has ruled that R.J. Reynolds should continue to make all payments under the tobacco settlement agreement as if there had been no transfer of brands to ITG. In addition, a final judgment has been entered that specifies the precise liability calculation for the transferred brands; however, R.J. Reynolds filed an appeal to the final decision on August 29, 2018. During the appeal process, the state will continue to lose the use of a portion of the payment otherwise due to the trust fund, as it has since 2015. Although no repayment has been included in the forecast adopted by the Revenue Estimating Conference because the timing is unknown, the Conference expects the state will be fully compensated for its past and ongoing losses at some future point that may occur within the Outlook period.

The third case relates to litigation involving the public school system where the plaintiffs (now appellants) are seeking a declaration that the state violated its "paramount duty" to provide a "uniform, efficient . . . and high quality system of free public schools that allows students to obtain a high quality education," as required by or article IX, section 1(a) of the Florida Constitution. Among the specific issues being challenged is the appropriate funding of public schools which the plaintiffs claim is deficient. The First District Court of Appeal has affirmed the trial court's ruling denying relief on the basis that the appellants' arguments regarding the state's duty raise political questions not subject to judicial review, because the relevant constitutional text does not contain judicially discoverable standards by which a court can decide whether the state has complied with organic law. The case is now before the Florida Supreme Court and scheduled for oral argument on November 8, 2018.

Potential Constitutional Issues

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1 of each general election year in order to be eligible for ballot consideration. This has been interpreted to mean that all signatures have been certified by the local supervisors of election and that the other requirements for geographic distribution have been met by this date. For the 2018 ballot, the required number of valid signatures was 766,200.

Section 15.21, Florida Statutes, further requires the Secretary of State to "immediately submit an initiative petition to the Attorney General and to the Financial Impact Estimating Conference" once the certified forms "equal...10 percent of the number of electors statewide and in at least one-fourth of the congressional districts required by section 3, article XI of the State Constitution." Once an initiative petition is received, the Financial Impact Estimating Conference (FIEC) has 45 days to complete an analysis and financial impact statement to be placed on the ballot (section 100.371, Florida Statutes). Two petition initiatives with accompanying impact statements made it to this year's ballot.

In addition to the petition initiative process, the Legislature may directly place proposals on the ballot for consideration through a joint resolution agreed to by three-fifths of the membership of each house of the Legislature. Formal financial impact statements are not required for legislative proposals. There are three of these on this year's ballot.

The 2018 ballot also includes eight amendments proposed by the Constitution Revision Commission (CRC). The 37-member commission meets once every twenty years for the purpose of reviewing Florida's constitution and proposing changes for voter consideration.

The following legislative proposals, petition initiatives, and CRC revisions are currently on the ballot for the 2018 General Election. With the exception of Ballot #12, challenges to all CRC amendments are currently pending before the courts. A few are facing multiple challenges.

Proposed Amendments for 2018 General Election Ballot

Initiative Name	Ballot # and Description
LEGISLATIVE INCREASED HOMESTEAD PROPERTY TAX EXEMPTION	**Ballot #1**: Proposing an amendment to the State Constitution to increase the homestead exemption by exempting the assessed valuation of homestead property greater than $100,000 and up to $125,000 for all levies other than school district levies. The amendment shall take effect January 1, 2019.
LEGISLATIVE LIMITATIONS ON PROPERTY TAX ASSESSMENTS	**Ballot #2**: Proposing an amendment to the State Constitution to permanently retain provisions currently in effect, which limit property tax assessment increases on specified nonhomestead real property, except for school district taxes, to 10 percent each year. If approved, the amendment removes the scheduled repeal of such provisions in 2019 and shall take effect January 1, 2019.

Initiative Name	Ballot # and Description
PETITION INITIATIVE VOTER CONTROL OF GAMBLING IN FLORIDA	**Ballot #3**: This amendment ensures that Florida voters shall have the exclusive right to decide whether to authorize casino gambling by requiring that in order for casino gambling to be authorized under Florida law, it must be approved by Florida voters pursuant to article XI, section 3 of the Florida Constitution. Affects articles X and XI. Defines casino gambling and clarifies that this amendment does not conflict with federal law regarding state/tribal compacts. **FIEC Impact (5/19/2016)**: The amendment's impact on state and local government revenues and costs, if any, cannot be determined at this time because of its unknown effect on gambling operations that have not been approved by voters through a constitutional amendment proposed by a citizens' initiative petition process.
PETITION INITIATIVE VOTING RESTORATION AMENDMENT	**Ballot #4**: This amendment restores the voting rights of Floridians with felony convictions after they complete all terms of their sentence including parole or probation. The amendment would not apply to those convicted of murder or sexual offenses, who would continue to be permanently barred from voting unless the Governor and Cabinet vote to restore their voting rights on a case by case basis. **FIEC Impact (10/28/2016)**: The precise effect of this amendment on state and local government costs cannot be determined, but the operation of current voter registration laws, combined with an increased number of felons registering to vote, will produce higher overall costs relative to the processes in place today. The impact, if any, on state and local government revenues cannot be determined. The fiscal impact of any future legislation that implements a different process cannot be reasonably determined.
LEGISLATIVE SUPERMAJORITY VOTE REQUIRED TO IMPOSE, AUTHORIZE, OR RAISE STATE TAXES OR FEES	**Ballot #5**: Prohibits the legislature from imposing, authorizing, or raising a state tax or fee except through legislation approved by a two-thirds vote of each house of the legislature in a bill containing no other subject. This proposal does not authorize a state tax or fee otherwise prohibited by the Constitution and does not apply to fees or taxes imposed or authorized to be imposed by a county, municipality, school board, or special district.

Initiative Name	Ballot # and Description
CRC REVISION RIGHTS OF CRIME VICTIMS; JUDGES	**Ballot #6**: Creates constitutional rights for victims of crime; requires courts to facilitate victims' rights; authorizes victims to enforce their rights throughout criminal and juvenile justice processes. Requires judges and hearing officers to independently interpret statutes and rules rather than deferring to government agency's interpretation. Raises mandatory retirement age of state justices and judges from seventy to seventy-five years; deletes authorization to complete judicial term if one-half of term has been served by retirement age.
CRC REVISION FIRST RESPONDER AND MILITARY MEMBER SURVIVOR BENEFITS; PUBLIC COLLEGES AND UNIVERSITIES	**Ballot #7**: Grants mandatory payment of death benefits and waiver of certain educational expenses to qualifying survivors of certain first responders and military members who die performing official duties. Requires supermajority votes by university trustees and state university system board of governors to raise or impose all legislatively authorized fees if law requires approval by those bodies. Establishes existing state college system as constitutional entity; provides governance structure.
CRC REVISION SCHOOL BOARD TERM LIMITS AND DUTIES; PUBLIC SCHOOLS	**Ballot #8**: Creates a term limit of eight consecutive years for school board members and requires the legislature to provide for the promotion of civic literacy in public schools. Currently, district school boards have a constitutional duty to operate, control, and supervise all public schools. The amendment maintains a school board's duties to public schools it establishes, but permits the state to operate, control, and supervise public schools not established by the school board.
CRC REVISION PROHIBITS OFFSHORE OIL AND GAS DRILLING; PROHIBITS VAPING IN ENCLOSED INDOOR WORKPLACES	**Ballot #9**: Prohibits drilling for the exploration or extraction of oil and natural gas beneath all state-owned waters between the mean high water line and the state's outermost territorial boundaries. Adds use of vapor-generating electronic devices to current prohibition of tobacco smoking in enclosed indoor workplaces with exceptions; permits more restrictive local vapor ordinances.

[TABLE CONTINUES ON FOLLOWING PAGE]

Initiative Name	Ballot # and Description
CRC REVISION STATE AND LOCAL GOVERNMENT STRUCTURE AND OPERATION	**Ballot #10**: Requires legislature to retain department of veterans' affairs. Ensures election of sheriffs, property appraisers, supervisors of elections, tax collectors, and clerks of court in all counties; removes county charters' ability to abolish, change term, transfer duties, or eliminate election of these offices. Changes annual legislative session commencement date in even- numbered years from March to January; removes legislature's authorization to fix another date. Creates office of domestic security and counterterrorism within department of law enforcement.
CRC REVISION PROPERTY RIGHTS; REMOVAL OF OBSOLETE PROVISION; CRIMINAL STATUTES	**Ballot #11**: Removes discriminatory language related to real property rights. Removes obsolete language repealed by voters. Deletes provision that amendment of a criminal statute will not affect prosecution or penalties for a crime committed before the amendment; retains current provision allowing prosecution of a crime committed before the repeal of a criminal statute.
CRC REVISION LOBBYING AND ABUSE OF OFFICE BY PUBLIC OFFICERS	**Ballot #12**: Expands current restrictions on lobbying for compensation by former public officers; creates restrictions on lobbying for compensation by serving public officers and former justices and judges; provides exceptions; prohibits abuse of a public position by public officers and employees to obtain a personal benefit.
CRC REVISION ENDS DOG RACING	**Ballot #13**: Phases out commercial dog racing in connection with wagering by 2020. Other gaming activities are not affected.

The FIEC estimates for the petition initiatives were adopted in 2016 and were based on the most recent information available at that time. If the constitutional amendments are adopted, the Legislature may have different information available to it at the time of implementation.

Florida Economic Outlook

> *The Florida Economic Estimating Conference met on July 20, 2018, to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast is slightly weaker in several key respects, but generally shows little change from the assumptions made one year ago. Overall, Florida growth rates are at levels that are typical of solid growth and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. In the various forecasts, most measures of the Florida economy surpassed their peaks from the prior year and achieved new highs in Fiscal Year 2017-18.*

Beginning with Fiscal Year 2002-03 and running through Fiscal Year 2011-12, Florida was on an economic rollercoaster of extreme peaks and valleys. The recovery period from the collapse of the housing boom and the end of the Great Recession did not begin in earnest until Fiscal Year 2012-13, and—even now—some of the drags on Florida's economy are still ongoing. The reference periods used throughout this discussion are economically driven and centric to the somewhat unique Florida experience:

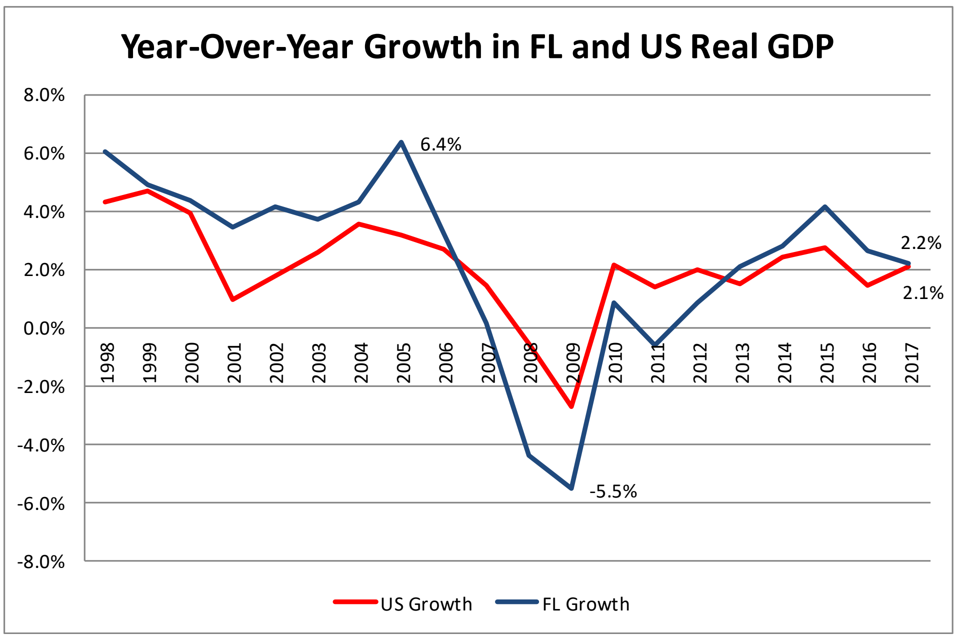
- Florida's Housing Boom...Fiscal Years 2002-03 through 2005-06
- Collapse of the Housing Boom...Fiscal Years 2006-07 and 2007-08
- Great Recession...Fiscal Years 2008-09 and 2009-10
- Fragile Growth...Fiscal Years 2010-11 and 2011-12
- Recovery Phase...Fiscal Years 2012-13 through 2015-16
- Return to Normalcy...Fiscal Years 2016-17 and beyond

As indicated last year, most measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year. One year later, progress continues. In this regard, all of the personal income metrics, over one-half of the employment measures, and the total tourism and domestic visitor counts have exceeded the peak levels seen during the housing boom. Still other measures are posting solid year-over-year improvements, even if they are not yet back to peak performance levels. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate the economic extremes the state faced to get to this point.

One economic measure for *comparing states* is the year-to-year change in real **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using the latest data revisions of this measure, Florida was one of the nation's faster growing states from 1998 to 2006, outperforming the nation during that entire period and reaching its peak growth in 2005. With the end of the housing boom and the beginning of the real estate market correction in 2006 and 2007, the state slipped into six years of nearly flat or negative growth (2007 through 2012). While Florida was not the only state to experience a significant deceleration in economic growth prior to the Great Recession (California, Nevada, and Arizona showed similar housing market trends), it was one of the hardest hit.

Florida's economy clearly regained its positive footing in 2013, registering 2.1 percent real growth over the prior year. Since then, that strength—at least, relative to the nation as a whole—has continued. Nevertheless, there are some signs of softening. For the entirety of the 2017 calendar year, State Gross Domestic Product (GDP) showed Florida with real growth of 2.2 percent, placing Florida just barely above the national average (reported as 2.1 percent for 2017). This is Florida's lowest delta to the U.S. average over the last five years of reported data.

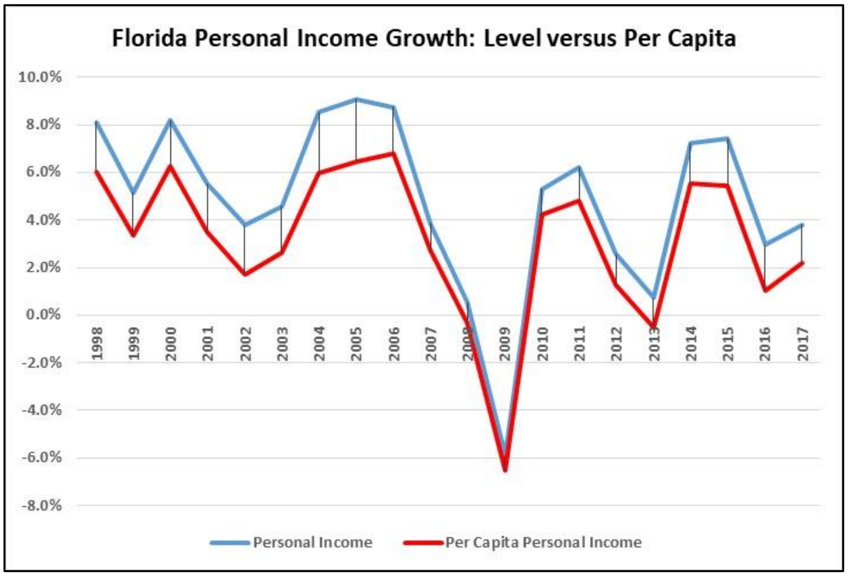
On a more positive note, Florida posted preliminary growth of 2.5 percent in the first quarter of 2018, surpassing the national average of 1.8 percent and ranking the state 11th in the country for real growth. Even so, the Legislative Office of Economic and Demographic Research projects further slowing for the period covering the 2018-19, 2019-20, 2020-21, and 2021-22 fiscal years.



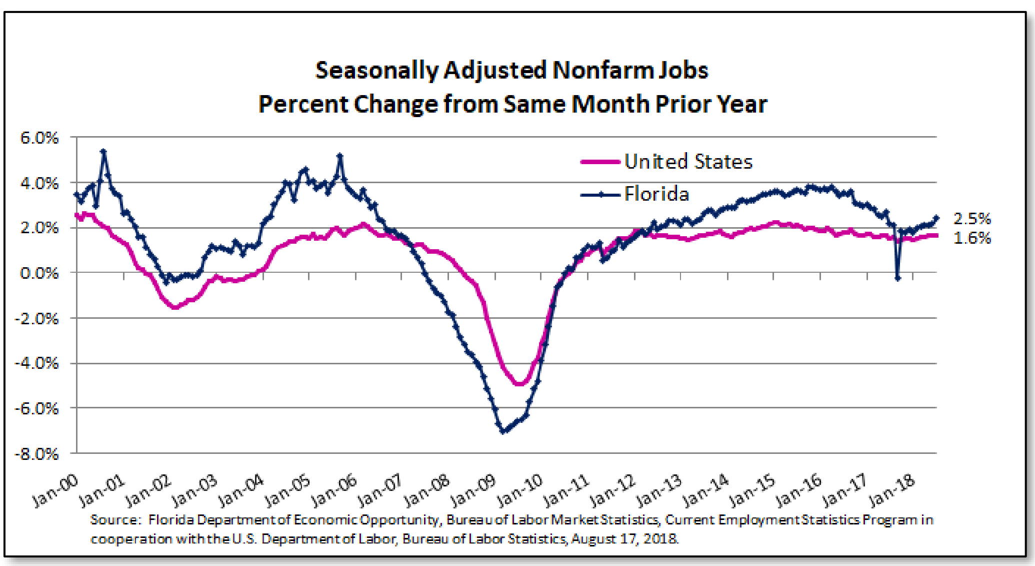
Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth**—primarily related to changes in salaries and wages. Using the latest revised series, a history similar to the one shown by the GDP data emerges. In the latest data for the 2017 calendar year, the preliminary numbers show that Florida's growth increased to 3.8 percent over the prior year, but essentially maintained the same relationship to the national average of 3.1 percent that it had in the prior year. However, Florida's per capita (population-adjusted) personal income continued to trail in performance in 2017, growing only 2.2 percent relative to the national average of 2.4 percent. This is the second consecutive year where the state lagged the nation in per capita growth. A similar polarization exists in a handful of other states; of the top 15 states in 2017 personal income growth, three grew less than the national average in per capita growth (Florida, South Carolina, and Oregon).

Newly released data for the first quarter of 2018 indicated that Florida ranked 13th in the country with 5.0 percent growth over the prior quarter for personal income growth; however, per capita personal income growth for Florida continued to lag behind the national average. The Economic

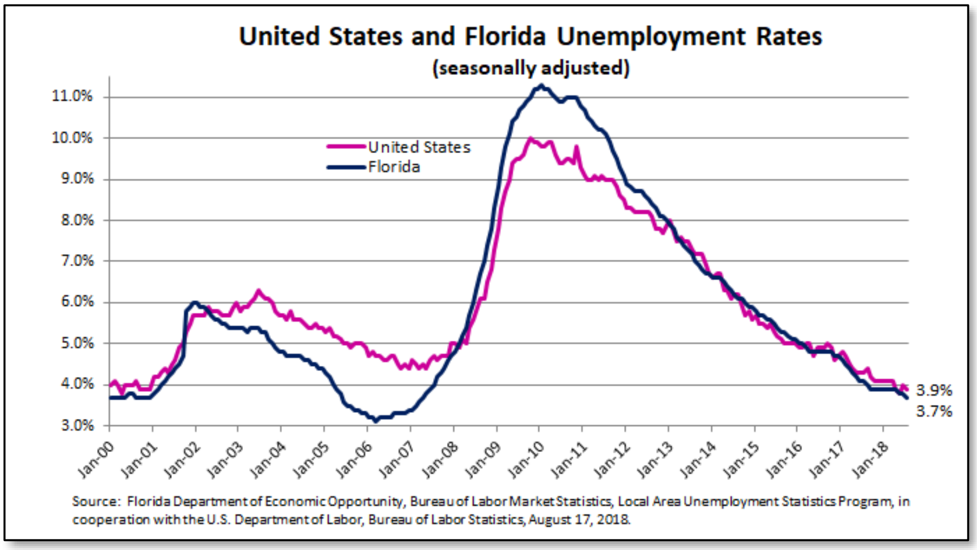
Estimating Conference projects that nominal personal income growth will average 4.7 percent per year for the period covering the 2018-19, 2019-20, 2020-21, and 2021-22 fiscal years, while real growth will average 2.5 percent and real per capita growth will average 1.0 percent.



The key measures of **employment** are typically *job growth* and the *unemployment rate*. While Florida led the nation on the good-side of these measures during the boom, the state performed worse than the national averages on *both* measures from February 2008 until July 2010 when Florida lost jobs at a slower rate than the nation as a whole. In August 2010, Florida experienced its first over-the-year increase in jobs since June 2007. Eight years later (July 2018), Florida's annual job growth rate has been positive for most of the past 96 months—the only exception being September 2017 when Florida lost jobs due to Hurricane Irma. The state passed its prior employment peak in May 2015.



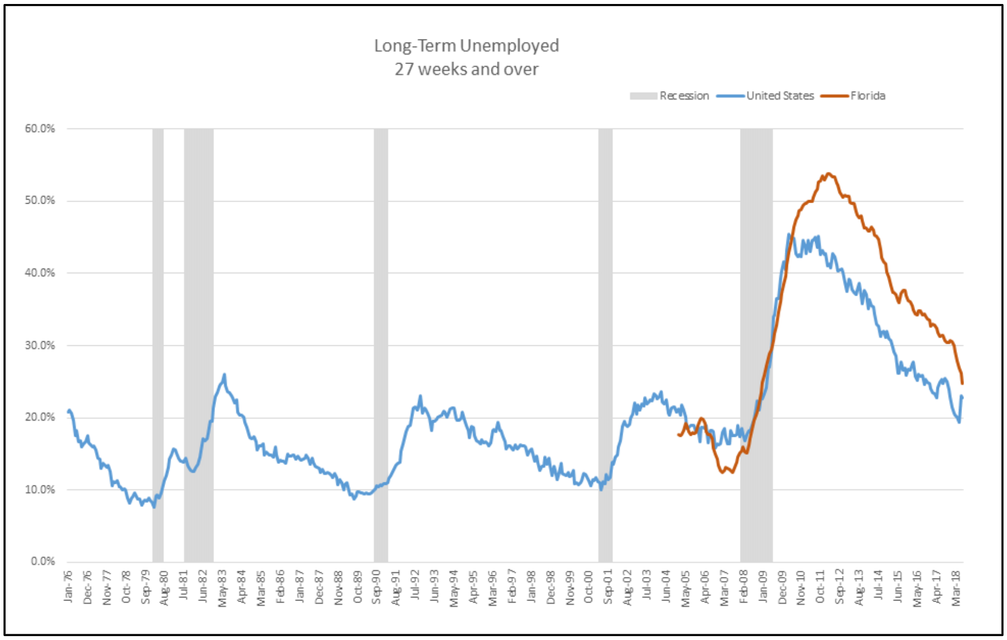
The state's unemployment rate in July was lower than the nation as a whole at 3.7 percent, with 382,500 jobless persons. To put this in context, the rate had been as low as 3.1 percent in March 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.3 percent in January 2010. Currently, the Economic Estimating Conference assumes Florida is below the "full employment" unemployment rate of about 4 percent.



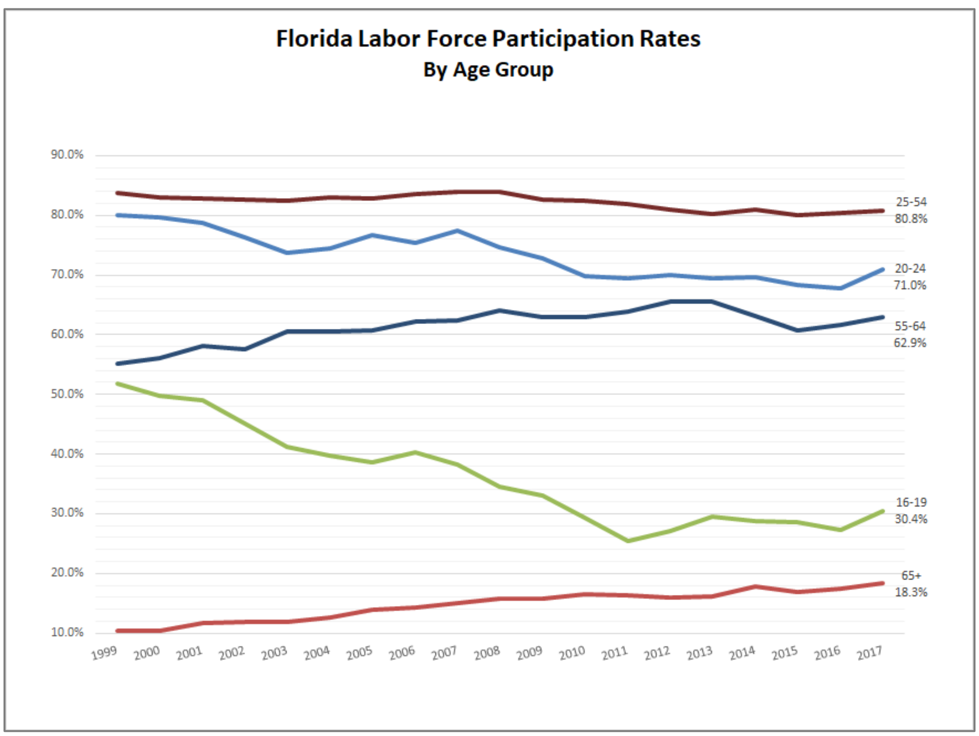
This achievement is not as economically meaningful as it has been in the past. Florida's labor force participation rate is still relatively subdued, and it is clear that a higher participation rate would imply a higher unemployment rate, at least in the short run. Florida's labor force participation rate last peaked at 64.1 percent from December 2006 to February 2007. Since then it has dropped as low as 58.8 percent, the lowest level in 32 years. For the latest reading (July 2018), it was 59.4 percent. By comparison, the same metric for the United States as a whole was 62.9 percent.

It is possible that the still noteworthy size and composition of the long-term unemployed group (97,000 persons or 24.8 percent of all unemployed in July) may be confounding some of the trend results. The equivalent percentage from the United States as a whole for July was 22.7 percent. Even though the share of the long-term unemployed is still relatively elevated compared to historical levels for this stage in the business cycle, the Florida rate has precipitously declined over the past few months.

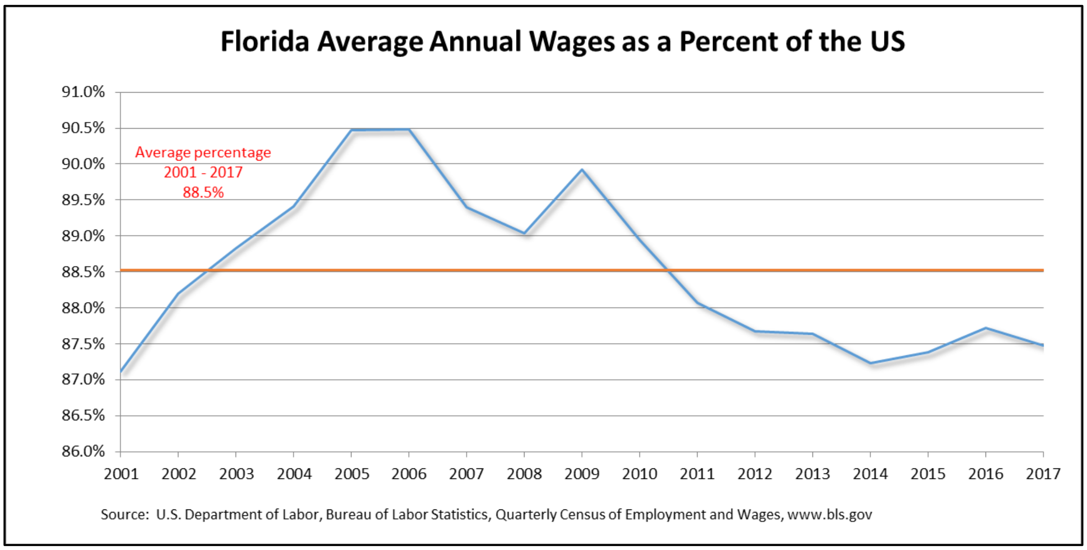
[SEE GRAPH ON FOLLOWING PAGE]



It is apparent that the composition of Florida's labor market has changed over the past decade. In the early 2000's, about 50 percent of young people aged 16-19 were either employed or looking for work. This rate declined to 27.2 percent in 2016, before rising slightly to 30.4 percent in 2017. A similar trend is evident with those aged 20-24, as the percentage in the labor force slid from around 80 percent to 67.8 percent in 2016, before rising slightly to 71.0 percent in 2017. In contrast, participation in the labor force by older workers (aged 55-64 and those aged 65 and over) has increased. Whether these labor market changes are permanent is not yet clear.



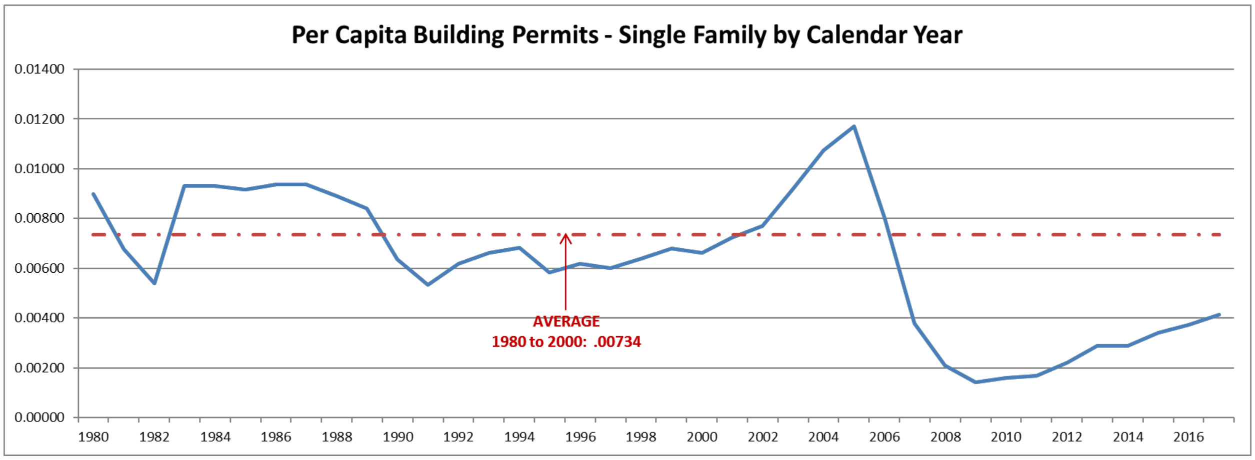
Florida's average annual wage has typically been below the national average. Since the beginning of this century, it has run about 88.5 percent of the United States as a whole; however, the ratio began dropping below this level as the nation began to recover from the Great Recession while Florida lagged behind. The preliminary data for the 2017 calendar year showed that Florida's average wage, relative to the U.S. average, fell slightly from 87.7 percent in 2016 to 87.5 percent. The ratio in 2014 (87.2 percent) was Florida's lowest percentage since 2001. In part, the lower than average wage gains has to do with the mix of jobs that have been growing the fastest in Florida and their average wages. For example, the Accommodation & Food Services employment sector is large, has the lowest average annual wage, and had up until this past year been growing faster than overall employment in the state. This industry sector is closely related to the health of Florida's tourism industry that had a record 120.5 million visitors in Fiscal Year 2017-18, an increase of 5.5 percent over Fiscal Year 2016-17. Effectively, these visitors were equivalent to over 2 million additional people being added to Florida's resident population.



The strong tourism growth continues throughout the years covered by the Outlook, albeit at a slightly slower pace than the recent past. The Economic Estimating Conference projects that the number of tourists will grow by 3.9 percent per year for the period covering the 2018-19, 2019-20, 2020-21, and 2021-22 fiscal years.

To a great extent, full recovery in the jobs sector has and will continue to be related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and at the end of July 2018 was still down 146,400 jobs (21.2 percent) from that level. In Fiscal Year 2017-18, single-family private housing starts only reached 83,500 or 45.2 percent of their peak level. And, collections from Documentary Stamp Taxes, a strong indicator of housing market activity, were only 61.8 percent of their prior peak as the fiscal year ended.

Overall, the housing market continues to move slowly forward. Single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for the past three years ran solidly above their individual periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015, by 11.1 percent in 2016, and by 13.5 percent in 2017. Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards—about half of the long-run per capita level. The slow but steady improvement continues today; recent data for the first six months of the 2018 calendar year indicates that single-family building permit activity increased by 11.4 percent over the prior year during this period.



Because construction activity continues to be subpar, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need. This market appears to be fully recovered. Existing home sales volume in the 2014, 2015, 2016, and 2017 calendar years all exceeded the 2005 peak year. The first six months of this calendar year (2018) looks on course to do the same. The story is similar for sales price. Florida's existing home price gains have roughly tracked national gains over the last three years; however, growth in the state's median home price for single family homes has generally stayed upwardly steady as the national median peaks and dips. The state's median price in June was 93.1 percent of the national median price, but exceeded the state's prior peak ($257,800 in June 2006) for the first time since then.

Countervailing some of the recent and expected improvements in the existing home market is the fact that the homeownership rate is still below normal. The 2016 percentage of 64.3 was well below the long-term average for Florida. Final data for 2017 shows a further decline to 64.1 percent. This rate is below the lowest homeownership rate previously recorded in Florida (64.4 percent in 1989) during the 34-year history of the series. However, preliminary data for the first half of the 2018 calendar year is showing some improvement.

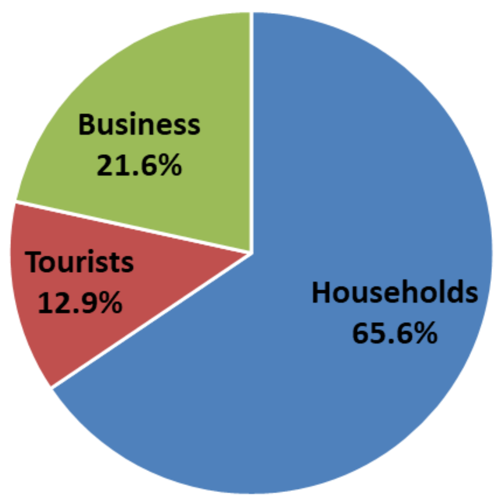
Only one of the key construction metrics has returned to its peak level. Private nonresidential construction expenditures first passed their prior peak in Fiscal Year 2016-17, but none of the key residential construction measures pass their prior peaks until Fiscal Year 2023-24 (private residential housing construction expenditures). The rest either do not return to their peak at all during the forecast horizon (single and multi-family starts) or very late in the period (construction employment in Fiscal Year 2025-26). Overall the risks (positive and negative) to this part of the forecast are fairly balanced and stable.

FORECAST RISKS AND IMPLICATIONS

Risk Associated with Reliance on Tourism

Since Florida's economic outlook relies heavily on strong tourism growth to compensate for the remaining weakness in the residential construction market, tourism-related revenue losses pose the greatest potential risk to the economic outlook. The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In Fiscal Year 2016-17, sales tax collections provided nearly $23.0 billion or 76.8 percent of Florida's total General Revenue collections. Of this amount, an estimated 12.9 percent (nearly $2.97 billion) was attributable to purchases made by tourists.

Contributions to General Revenue from Sales Tax (with CST) Collections in FY 2016-17, By Source



Threats to tourism can come from many different sources. The most likely sources are natural or manmade disasters, disease outbreaks, federal policy or administrative changes that make it harder or less attractive to travel, and heightened terrorist activity.

Throughout the summer months, toxic algae blooms have posed a threat to the state's public health, safety, and welfare; the environment; and, by direct extension, tourism, prompting the Governor to call a state of emergency in fourteen Florida counties. According to the narrative in a recent budget amendment:

> *The Governor issued Executive Orders 18-191 and 18-221, declaring a state of emergency. Executive Order18-191 issued on July 9, 2018, declared a state of emergency in Glades, Hendry, Lee, Martin, Okeechobee, Palm Beach, and St. Lucie counties due to*

the discharge of water from Lake Okeechobee into the Caloosahatchee River, St. Lucie River, and the Indian River Lagoon and estuaries resulting in wide-spread algae blooms. These toxic algae blooms threaten the environmental and fragile ecosystems, including rivers, beaches, and wildlife. The release of harmful water from Lake Okeechobee include overwhelming amounts of cyanobacteria (blue-green algae) which produce hazardous toxins, requiring that timely precautions are taken to protect communities, and the general welfare of the State of Florida. In response to this declaration, the Executive Office of the Governor has authorized the activation of the Small Business Emergency Bridge Loan Program to provide financial relief to businesses adversely impacted by the event. The Governor issued a second Executive Order 18-221 on August 13, 2018, declaring a state of emergency in Charlotte, Collier, Hillsborough, Lee, Pinellas, Manatee, and Sarasota counties due to red tide algae bloom development in the Gulf of Mexico off the coast of Southwest Florida. This red tide algae bloom has caused harm to marine life, including widespread fish kills, and has unreasonably interfered with the health, safety, and welfare of the State of Florida. The Department of Health has issued red tide advisories to beaches in the impacted areas. (Pinellas, Hillsborough, Manatee, Sarasota, Charlotte, Lee, and Collier).

Risk from Trade Wars

The Florida Economic forecast is underpinned by the National Economic forecast. The National Economic Estimating Conference met on July 12, 2018, and adopted the IHS Markit baseline forecast with caution. While the economy remains solid and the near-term outlook is close to the last forecast adopted in January, trade tensions are ratcheting up. Significant new developments occurring immediately after the release of the IHS Markit forecast prevented their inclusion in the IHS models. Because of this, the adopted forecast carries greater than normal risk. In this regard, the July forecast incorporates the effects of the 25 percent tariffs on $34 billion of imports of industrial goods from China and the 25 percent tariffs on the same amount of U.S. exports (mainly agricultural), as well as the expansion of tariffs on steel and aluminum from Mexico, Canada, and the European Union. Another $16 billion in tariffs on Chinese goods went into effect on August 23rd, bringing the imposed total to $50 billion. However, the latest announced tally of Chinese imports potentially subject to higher U.S. tariffs is $250 billion in goods, and the retaliatory measures by China on U.S. exports has climbed to $50 billion. Still other tariffs have been threatened against China and other trading partners; cumulatively, these tariffs—if implemented—would mean that close to one-third of all imported goods into the U.S. would be subject to higher tariffs. To the extent that they materialize, tariffs act like a tax increase, weakening the purchasing power of households and creating greater business uncertainty regarding the future demand for exports, the effects of increased cost pressures, and the continued operation of global supply chains. Rising trade tensions have also contributed to a sharp appreciation in the dollar, which has already appreciated 6 percent since April 2018. According to Moody's Analytics and Economy.com, a global trade war is among the biggest downside risks for U.S. growth this year and next. The Federal Open Market Committee also noted in their minutes from the July 31 - August 1 meeting that "all participants pointed to ongoing trade disagreements and proposed trade measures as an important source of uncertainty and risks."

Florida Demographic Projections

> *Understanding the underlying components of Florida's population growth and demographic composition helps shed light on the state's primary economic driver by providing insight into the needs and pressures that face the state. The Florida Demographic Estimating Conference is expecting population growth to remain fairly strong during the Outlook period, slowing slightly each year.*

Overall Population Growth

Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. While Florida's long-term annual growth rate between 1970 and 1995 was over three percent, the future will be different than the past.

During the 1990's, the number of people in the state rose by three million—only California and Texas grew by more during the decade.[2] This represented a 23.5 percent increase in Florida's population, and during the first years of the 21st century, it looked like this trend would continue. By 2006, the rapid build-up into the housing boom had produced two years with annual growth over the prior year very near or slightly exceeding 400,000 persons. Growth in each of the other four years topped 320,000 persons. However, the collapse of the housing market and the onset of the Great Recession began to take a toll on population growth in 2007.

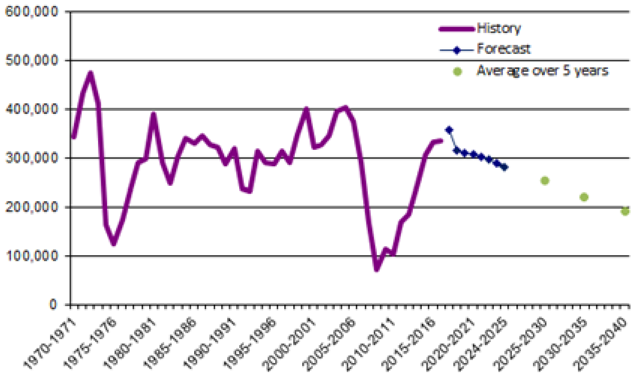
Ultimately, the Great Recession and its aftermath produced six consecutive years of less than one percent annual growth over the prior year (April 1, 2008, to April 1, 2013). Annual additions to population fell from the peak of 403,332 in 2005 to a low-point of 73,520 in 2009 before stopping the decline. This picture did not materially change until April 1, 2015, when Florida recorded growth of 1.58 percent (307,814 residents) over the prior year—the strongest percentage increase since 2007.

By the end of the 2015 calendar year, Florida broke the 20 million mark for its resident population, and it had surpassed New York earlier in the year to become the third most populous state. According to the Census Bureau's intercensal estimates, California, Texas, and Florida accounted for 27.3 percent of the nation's total population as of July 1, 2017.

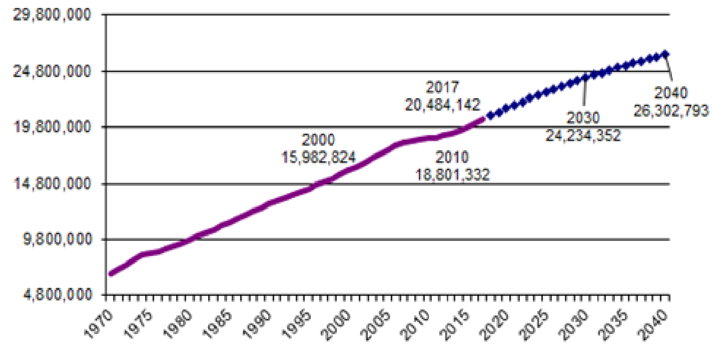
The most current estimates indicate that Florida grew by 1.74 percent between 2017 and 2018. This percentage change was boosted by the atypical immigration patterns resulting from Hurricane Maria. In the near-term, the state's population growth is expected to return to more typical patterns, but remain above 1.4 percent per year. Over the upcoming decade, both the annual growth rates and incremental additions to the population are expected to slow gradually. However, the state's growth rate is projected to stay above one percent per year, still exceeding the national average annual growth of 0.67 percent between 2017 and 2030. Sometime during the 2033 calendar year, Florida's resident population is projected to top 25 million.

[2] As reported by the U.S. Census Bureau decennial census for April 1, 1990 and April 1, 2000.

Florida's Incremental Population Growth



Florida's April 1 Population



Local Population Growth

Between 2000 and 2010, three of Florida's largest counties, Orange, Miami-Dade, and Hillsborough, each expanded by adding population roughly equivalent to the size of Orlando in 2010. Another four counties (Flagler, Sumter, Osceola, and St. Johns) experienced population growth rates above 50 percent. Two of these four, Flagler and Sumter, were among the fastest-growing counties in the United States, ranking third and eighth, respectively.[3] St. Lucie, Lake, and Lee closely followed with growth rates between 40.3 percent and 44.2 percent. In contrast, two counties lost population during this time period: Monroe and Pinellas.

While population increased in all Florida counties but two (Monroe and Pinellas) between 2000 and 2010, eight of Florida's counties experienced a net loss in resident population between April 1, 2010, and April 1, 2017. This was primarily caused by the recession-induced slower growth throughout the early part of this decade. On the other end of the spectrum, Miami-Dade County gained the most population between those years, followed by Orange and Hillsborough counties. In percentage terms, Sumter County grew the fastest followed by Osceola and St. Johns counties.

Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally according to the 2010 Census. In terms of total population, Lafayette is the smallest county in the state—Miami-Dade's population is more than 300 times Lafayette's population. The state encompasses still other differences in lifestyle: the most densely populated county is Pinellas with 3,513.5 people per square mile, while Liberty County only has 10.4 residents per square mile. As of April 1, 2017, 50.6 percent of Florida's residents lived in one of its 412 municipalities, leaving roughly half of the state's population in the unincorporated areas.

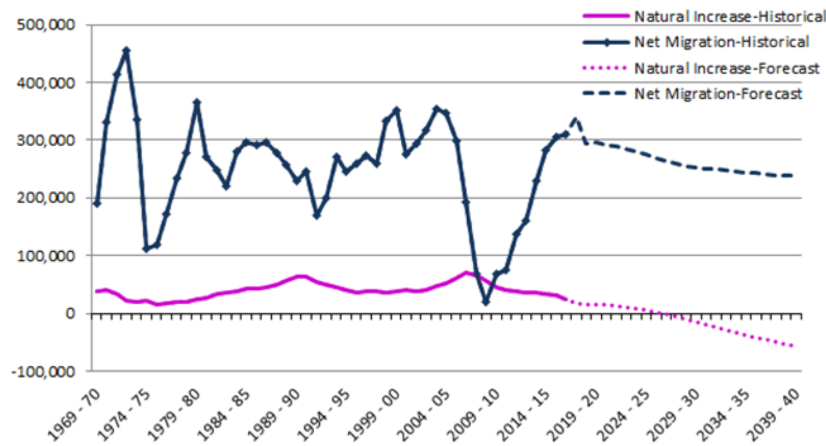
Sources of Growth

Population growth depends on two components: natural increase, which is the difference between births and deaths, and net migration, which is the difference between people moving into and out of the state. Typically, Florida's population growth depends mostly upon in-migration. This is evidenced by the fact that just over one-third (35.8 percent) of Floridians were actually born in the state.

[3] Based on counties with a population of at least 10,000 in 2000.

Between 2010 and 2017, net migration accounted for 85.1 percent of growth, while natural increase accounted for the remaining 14.9 percent. As shown below, during the Great Recession, net migration to the state slowed significantly. The low levels were largely due to national economic conditions, including weakened housing markets and other effects from the Great Recession that made it difficult for people to relocate.

Components of Population Change



As Florida moved away from the Great Recession, net migration rebounded, accounting for over 90 percent of the growth over the past year. Over the longer-term forecast horizon, net migration is likely to account for all of Florida's population growth, as natural increase is expected to turn negative (more deaths than births) in 2026.

Demographic Composition and Long-Term Trends

Florida's unique demographics will present challenging issues for the state's policy makers over the next three decades. The state is already seeing an increasingly diverse population in terms of race, ethnicity, and age.

Looking at race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the population was nonwhite; in 1990, 15.2 percent was nonwhite; and in 2000, 17.8 percent was nonwhite. Beginning with Census 2000, respondents were given the option of selecting more than one racial category. The percentage of White (alone) fell slightly from 78.0 percent to 75.0 percent between 2000 and 2010, while the percentages of Black or African American (alone) increased from 14.6 percent to 16.0 percent. A small but growing segment of the population, the percentage of Asian (alone) increased from 1.7 percent to 2.4 percent. One-year data for 2016 from the American Community Survey indicates that this shift is continuing with Black or African American (alone) increasing slightly to 16.1 percent and Asian (alone) increasing to 2.7 percent.

According to federal standards from the Office of Management and Budget and the Census Bureau, Hispanic origin refers to an ethnicity, not a race such as White or Black. In this regard, someone of Hispanic origin can be of any race. Nationally, Hispanic or Latinos represented 16.3

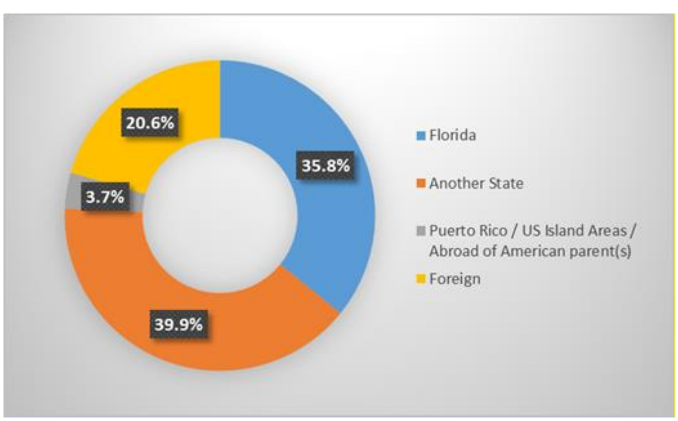
percent of the total population in 2010, up from 12.5 percent in 2000. By state, Hispanic or Latinos represented larger shares of the population in both California and Texas (tied at 37.6 percent) than in Florida (22.5 percent). However, the Hispanic or Latino population grew by 57.4 percent in Florida during this timeframe, faster than the United States (43.0 percent), Texas (41.8 percent), California (27.8 percent), and New York (19.2 percent). The 2016 American Community Survey indicated that Florida's Hispanic or Latino population continues to grow, representing 24.9 percent of Florida's total population. By 2030, 30.1 percent of Florida's population is forecast to be Hispanic.

Again based on the 2016 American Community Survey, 29.1 percent of Florida's Hispanic population indicated that they were of Cuban origin, while 20.8 percent were of Puerto Rican origin. By contrast, in the U.S., the majority of the Hispanic population was of Mexican origin (63.2 percent), while only 3.9 percent was of Cuban origin and 9.5 percent was of Puerto Rican origin. Over two-thirds of the nation's Hispanic population of Cuban origin lived in Florida, and two-thirds of Florida's Hispanic population of Cuban origin resided in Miami-Dade County.

The distribution of Florida's Hispanic or Latino population is widespread. In 2010, the county with the greatest percentage of Hispanic or Latino population was Miami-Dade (65.0 percent) while Baker had the smallest percentage (1.9 percent). The percent of Hispanic or Latino population increased in all but one (Sumter) of Florida's 67 counties between 2000 and 2010. Osceola County posted the largest gain in percentage, moving from 29.4 percent to 45.5 percent. The 2012-2016 American Community Survey five-year estimates continue to show Miami-Dade as having Florida's largest concentration of Hispanic or Latino population. The greatest percentage of Florida's Hispanic population of Cuban origin was in Miami-Dade County, while the greatest percent of Florida's Hispanic population of Puerto Rican origin was in Osceola County.

Florida's diverse racial and ethnic population is also evident by the number of Floridians (age five or older) who speak a language other than English at home (over 5.6 million). Of these Floridians, over 2.3 million spoke English less than "very well." In addition, in 2016, it was estimated that 20.6 percent of Florida's population was foreign born. Of Florida's foreign born, over half (55.1 percent) are naturalized U.S. citizens, and over half (56.8 percent) are of Hispanic or Latino origin.

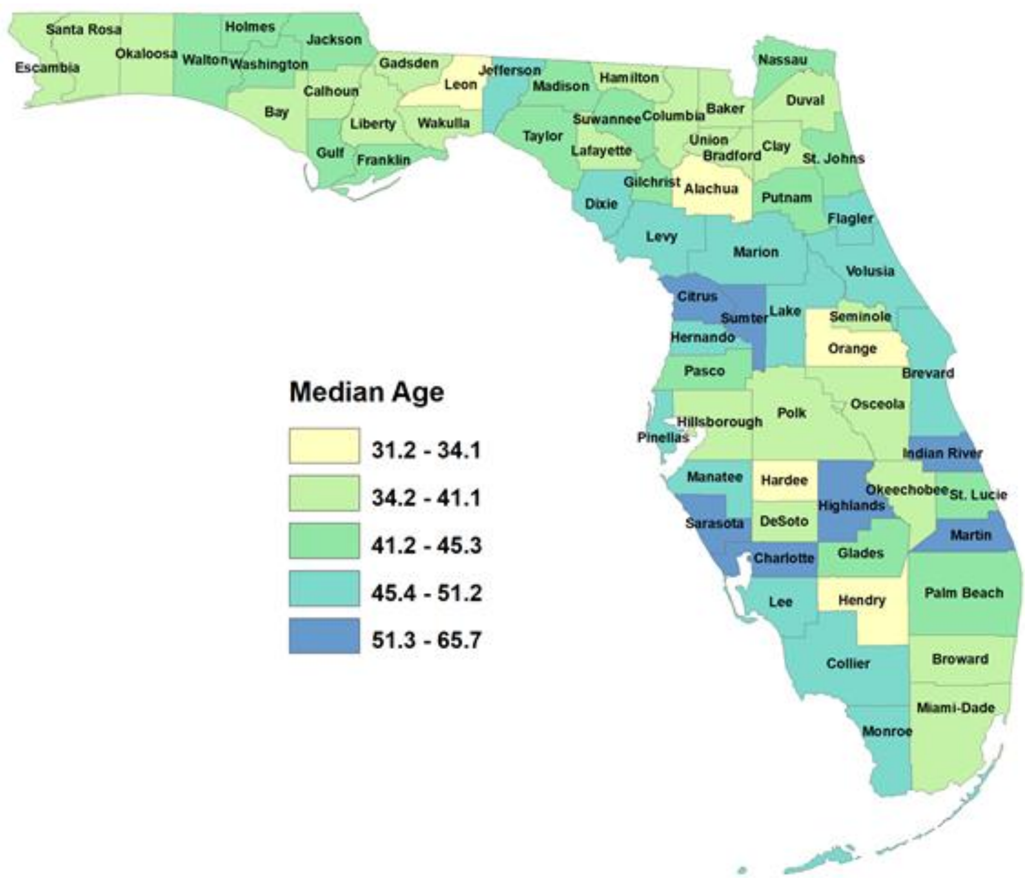
Florida Residents: Place of Birth (2016)



Florida’s population has also continued to age. The median age of the state has increased steadily from 31.2 in 1960, to 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to 37.2, up from 35.3 in 2000. As the Baby Boom population moves into retirement, the median age in both the United States and Florida will continue to increase. However, population aging has been more intense here than elsewhere. Based on the 2016 American Community Survey, the percentage of population aged 65 and older in Florida (19.8 percent) was greater than in any other state, surpassing the overall percentage in the nation (15.2 percent). Maine and West Virginia rank second and third in the percentage of population aged 65 and older (19.3 percent and 18.8 percent, respectively).

Florida’s median age is estimated to have risen slightly to 41.6 in 2017. The 2010 Census indicated that median ages varied across the state from a low of 29.6 in Leon County to a high of 62.7 in Sumter County. In 2017, it was estimated that there were seven Florida counties with a median age of 50 or older and that Alachua and Sumter counties had the lowest and highest median ages at 31.2 and 65.7, respectively.

Median Age by County: 2017



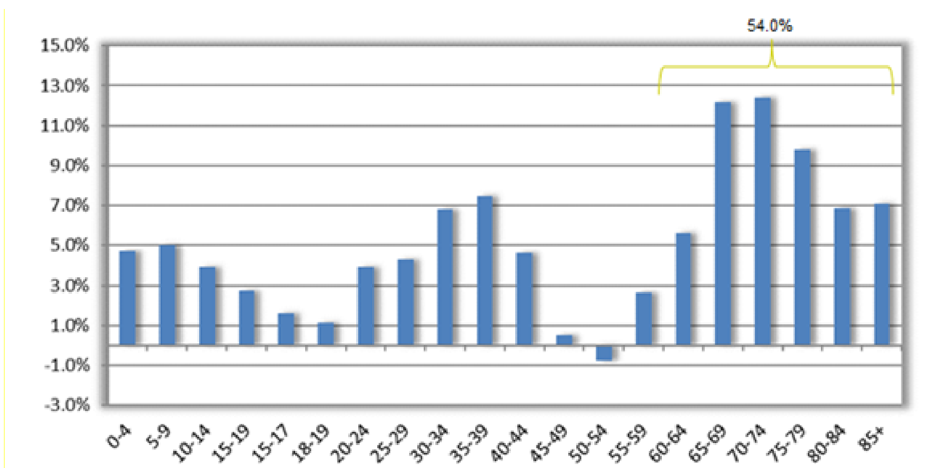
Population aged 65 and over is forecast to represent 24.3 percent of Florida’s population in 2030, compared to 19.8 percent in 2018. This shifting share of the population has consequences. In 2000, Florida’s prime working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population likely represented just 37.4

percent of Florida's total population in 2018 and is projected to represent only 35.9 percent by 2030.

As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging. The relationship of the prime working-age population (ages 25-54) relative to the retiree population (age 65 and over) is expected to change from 1.9 in 2018 to 1.5 by 2030. To some degree, this shift will occur in all states, but Florida will experience it more intensely.

Most of the state's growth will also come from the older population. Between 2010 and 2030, Florida's population is forecast to grow by 5.4 million, and 54.0 percent of those gains will come from the older population (age 60 and older).

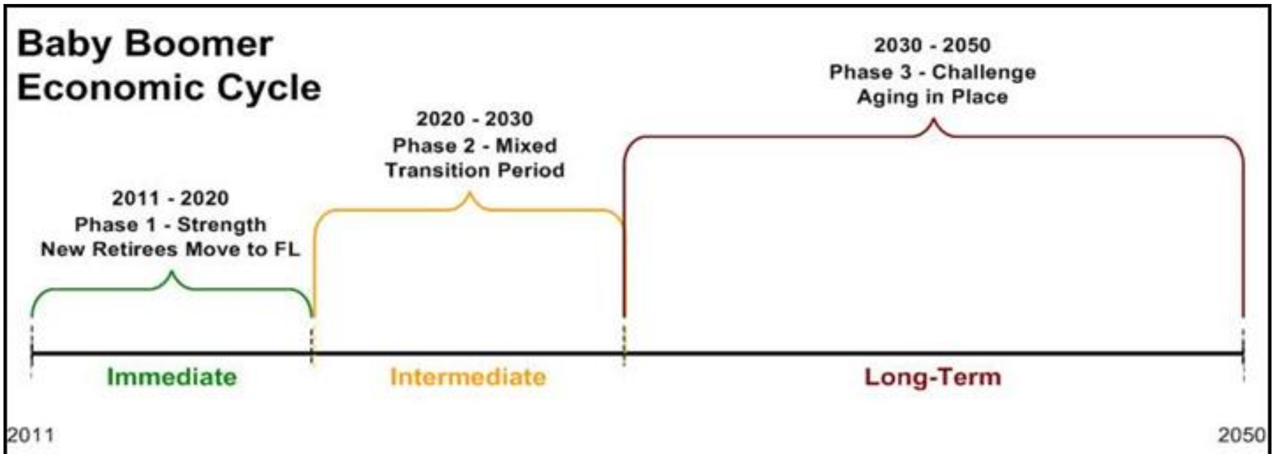
Distribution of Growth by Age Group between April 1, 2010 and April 1, 2030



Summary

Florida's population growth slowed substantially as a result of the economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. However, population growth appears to have remained relatively strong over the past few years, with levels and rates of growth above 300,000 and 1.5 percent, respectively. Growth is anticipated to remain fairly strong, but should slow slightly throughout the forecast horizon. While Florida will not return to its peak period of growth, averaging over 1,000 people per day, it is expected to average slightly under 850 persons per day between now and 2022.

Several demographic factors will present future challenges for the state's policy makers as the Baby Boom population continues to enter retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services. The changes related to the aging population will have vastly different effects over time, with the positive benefits coming early and the challenges developing over time.



OVER THE SHORTER-TERM ... (between now and 2020)
The Baby Boomers retiring to Florida will generally be financially better off than the average retiree; most will come with assets (at least from the sale of their homes).

Many will buy new homes in Florida and then outfit them --- generating additional tax revenues, largely as a result new money coming in to Florida from outside the state (earned elsewhere). New infusion of dollars has the greatest multiplier effect.

They will also tend to be younger retirees, and therefore healthier and more active --- meaning their demand for consumer services will be higher, strengthening the economy, while their demand for government services will be at its minimum.

OVER THE LONGER-TERM ... (between now and 2030)
As the Baby Boomers retire, they will be leaving vacant more jobs than there are workers to fill them.

The ability to create new jobs will be constrained by the numbers of qualified workers available to fill those jobs.

Both of these factors will lead to increased demand for workers and upward pressure on wages as the skilled supply of workers fails to keep pace with the demand.

Inflated wages will hurt economic growth, as well as make government services more costly to provide—just as the Boomers increase their need for government-supported services.

The increased cost of government services (due to higher prices and larger caseloads) and suppressed economic growth will make budget gaps worsen (diminished revenues and higher costs for the same services and more services being demanded). This situation will be exacerbated by the fact that retirees tend to spend more on services and less on taxable goods.

Revenue Projections

Throughout the summer, the Revenue Estimating Conference met to finalize numbers for Fiscal Year 2017-18 and to develop new forecasts for the upcoming years. Overall revenue projections continue to track closely to prior forecasts.

I. General Revenue Fund

A. Forecast Overview

Final collections for Fiscal Year 2017-18 came in $205.2 million above the estimate for the year, a gain of 0.7 percent and well within the plus or minus one percent range the Revenue Estimating Conference usually attributes to statistical noise. Of this amount, approximately $120.7 million, or nearly 59 percent, was associated with one-time events. The relatively large nonrecurring portion of the Fiscal Year 2017-18 surplus, combined with the slightly weaker near-term National and Florida economic forecasts, resulted in a new forecast for General Revenue that is virtually unchanged overall. The anticipated revenues were revised downward by $13.1 million in Fiscal Year 2018-19 and by $19.5 million in Fiscal Year 2019-20, for a two-year total reduction of $32.6 million, a change of less than one-tenth of one percent.

The revised Fiscal Year 2018-19 estimate exceeds the prior year's collections by $1.03 billion (or 3.3 percent). The revised forecast for Fiscal Year 2019-20 has projected growth of $1.09 billion (or 3.4 percent) over the revised Fiscal Year 2018-19 estimate. The expected growth rate for Fiscal Year 2020-21 was unchanged at 3.6 percent, and for Fiscal Year 2021-22, it was increased from 3.6 percent to 3.7 percent.

Most of the changes to the individual revenue sources were minor, with positives and negatives across the sources essentially offsetting each other. However, several issues have altered the forecast for individual revenue sources. The most significant adjustments are discussed below:

- **Corporate Income**... The Conference increased the estimate by $86.0 million in Fiscal Year 2018-19 and by $76.9 million in Fiscal Year 2019-20 to reflect the heightened collection activity at the end of the 2017-18 fiscal year. The projected increase for the current year will not trigger any of the tax rate and refund provisions in HB 7093 as passed by the 2018 Legislature.

- **Insurance Premium Tax**... Receipts from this source for the 2017 tax year came in higher than expected across all lines of insurance. In response, the Conference revised the premium volume growth rates upward. This led to an increase in the estimate of $75.4 million in the current year and of $70.9 million in Fiscal Year 2019-20.

- **Earnings on Investments**... The estimate for expected earnings was decreased by $86.8 million in Fiscal Year 2018-19 and by $95.6 million in Fiscal Year 2019-20. This change reflects the lower effective earnings rate seen over the past year.

- **Sales Tax**... Hurricane Irma suppressed collections during the initial emergency in September 2017, but boosted collections in the recovery months as rebuilding began in earnest. An infusion ($117.8 million) of hurricane-related activity has been retained in the forecast for Fiscal Year 2018-19. In total, the sales tax forecast was revised downward by $21.3 million in Fiscal Year 2018-19 and by $56.8 million in Fiscal Year 2019-20.

Several of the revisions to the forecast were the results of earlier conferences. Summaries for most of these Conference results are provided below in alphabetical order. An exception is the state sales tax component of the Communications Services Tax, which can be found in the discussion on the Gross Receipts Tax and Communications Services Tax.

B. Article V Fees & Transfers

Revenue collections for Article V Fees and Transfers during the 2017-18 fiscal year came in slightly above the estimates adopted by the Revenue Estimating Conference on January 11, 2018, after adjustments for Measures Affecting Revenues. Among the stronger performers, Clerks' total Fines, Fees, and Charges came in $16.9 million (4.3 percent) above estimate. Altogether, Article V revenues achieved 102.6 percent of the forecast for the period. Actual Fiscal Year 2017-18 revenue performance was used to adjust the forecast base.

Of note, the final level of foreclosure filings in Fiscal Year 2016-17 (55,367) fell decidedly below the annual average (68,605) between Fiscal Year 1999-00 and Fiscal Year 2005-06. In recent years, the Conference has adopted forecasts that took into account both the decline in the actual number of homes in foreclosure status and the crowding out of future foreclosures caused by the heightened activity coming out of the collapse of the Housing Boom and the Great Recession. Further, Fiscal Year 2017-18 actuals were impacted by both temporary court office closings and various private and public mortgage assistance programs available to homeowners who were in the path of Hurricane Irma. While much of the activity that was delayed as a result of Hurricane Irma will be restored over time, the underlying forecast itself was reduced during the January 2018 Conference. Although Fiscal Year 2017-18 filings were 3,985 filings (or 8.4 percent) below the January 2018 estimate, the Conference only made a minor change to the forecast for Fiscal Year 2018-19 and no changes to the rest of the forecast horizon. The following table depicts the changes to forecasted filings:

Foreclosure Filings	January 2018 REC	August 2018 REC	Difference
2018-19	50,288	50,300	12
2019-20	44,400	44,400	--
2020-21	43,800	43,800	--
2021-22	42,600	42,600	--
2022-23	42,000	42,000	--
2023-24	--	42,000	--

In addition, the Conference had separate discussions regarding two new issues involving the clerks of the court. Pursuant to section 28.37(3), Florida Statutes, certain revenues in excess of those needed to fund the combined authorized budget amount for the clerks of the court during the previous county fiscal year are transferred to General Revenue on January 25th of each year. The forecasted amount of these funds in Fiscal Year 2018-19 is $13.8 million. Added to this amount is $3.6 million from chapter 2008-111, Laws of Florida, fees that were retained by Hillsborough, Pasco, Lee, and Santa Rosa counties. While these funds will ultimately transfer to General Revenue, the timing and mechanism will differ from prior years. Transfers to General Revenue in all years after Fiscal Year 2018-19 simply reflect the chapter 2008-111, Laws of Florida, fees as calculated on a new schedule that has been added to the conference package.

Cumulatively, the Article V changes result in an increase to the forecast of $14.6 million in Fiscal Year 2018-19 and $21.4 million in Fiscal Year 2019-20; however, the impact on specific funds varies in both size and direction. For the major funds, the new forecast of direct receipts results in the following changes:

- General Revenue
    - Fiscal Year 2018-19: -$3.6 million (3.3 percent decrease)
    - Fiscal Year 2019-20: -$3.1 million (3.0 percent decrease)

- State Courts Revenue Trust Fund
    - Fiscal Year 2018-19: $4.2 million (5.7 percent increase)
    - Fiscal Year 2019-20: $4.7 million (6.4 percent increase)

- Clerks of Court Trust Fund
    - Fiscal Year 2018-19: -$4.0 million (100 percent decrease)
    - Fiscal Year 2019-20: -$2.0 million (100 percent decrease)

- Clerks’ Fine and Forfeiture Funds
    - Fiscal Year 2018-19: $17.6 million (4.5 percent increase)
    - Fiscal Year 2019-20: $21.2 million (5.4 percent increase)

In addition to direct receipts, the General Revenue Fund is impacted by the following transfers:

- Chapter 2018-118, Laws of Florida, directed that the first $1.5 million from foreclosure filings between $50,000 and $250,000 be transferred to the Miami-Dade County Clerk of Court for Fiscal Year 2018-19. This amount otherwise would have been deposited into and retained by the General Revenue Fund.

- As discussed above, pursuant to section 28.37(3), Florida Statutes, certain revenues in excess of those needed to fund the combined authorized budget amount for the clerks of the court during the previous county fiscal year are transferred to General Revenue on January 25th of each year. The forecasted amount of these funds in Fiscal Year 2018-19 is $13.8 million.

- Additionally, the transfers to the General Revenue Fund pursuant to section 28.37(3), Florida Statutes, will include $3.6 million in Fiscal Year 2018-19 and $4.8 million in

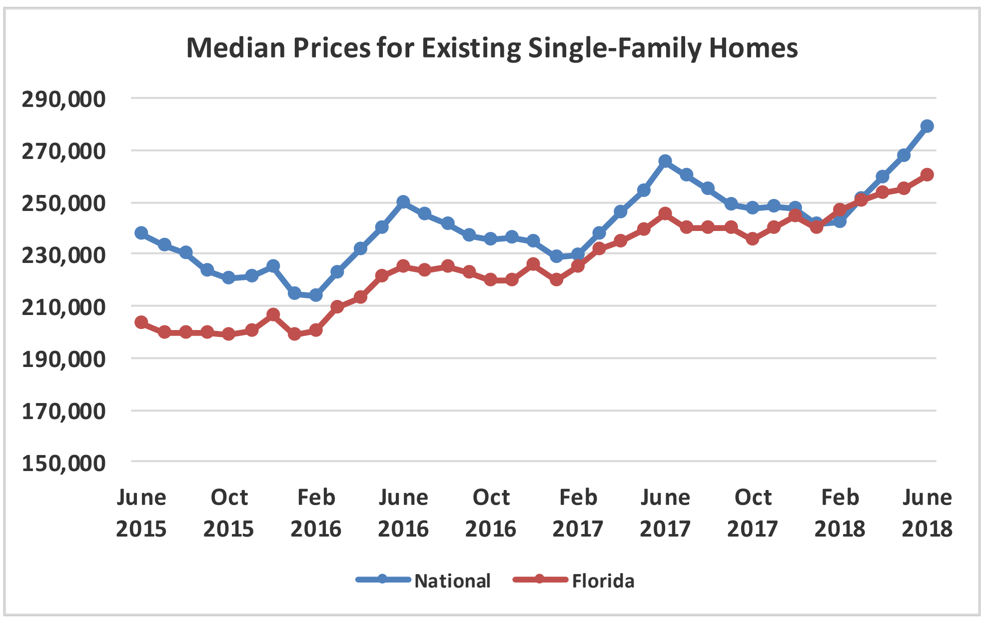
Fiscal Year 2019-20 from chapter 2008-111, Laws of Florida, fees that were retained by Hillsborough, Pasco, Lee, and Santa Rosa counties.

Once these transfers are taken into account, the forecasted change to the General Revenue Fund turns positive with $13.8 million (12.8 percent) projected for Fiscal Year 2018-19 and $1.7 million (1.6 percent) in Fiscal Year 2019-20.

C. Documentary Stamp Tax

The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the ***construction industry*** to revive fully. Because construction activity continues to be subpar, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need.

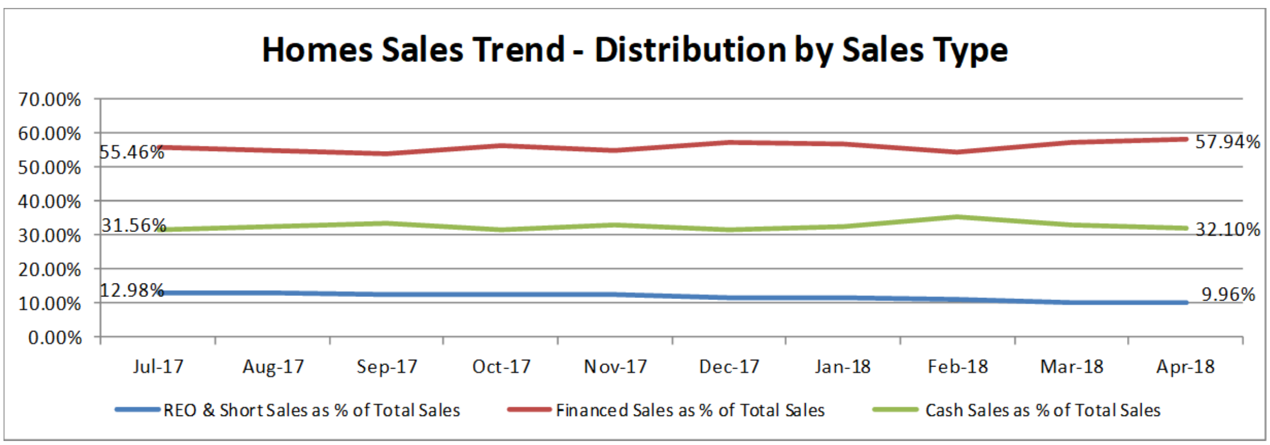
All of these metrics point to an existing home market that appears to be fully recovered. Existing home sales volume in the 2014, 2015, 2016, and 2017 calendar years all exceeded the 2005 peak year. The first six months of this calendar year (2018) looks on course to do the same. The story is similar for sales price. Florida's existing home price gains have roughly tracked national gains over the last three years; however, growth in the state's median home price for single family homes has generally stayed upwardly steady as the national median peaks and dips. The state's median price in June was 93.1 percent of the national median price, but exceeded the state's prior peak ($257,800 in June 2006) for the first time since then.



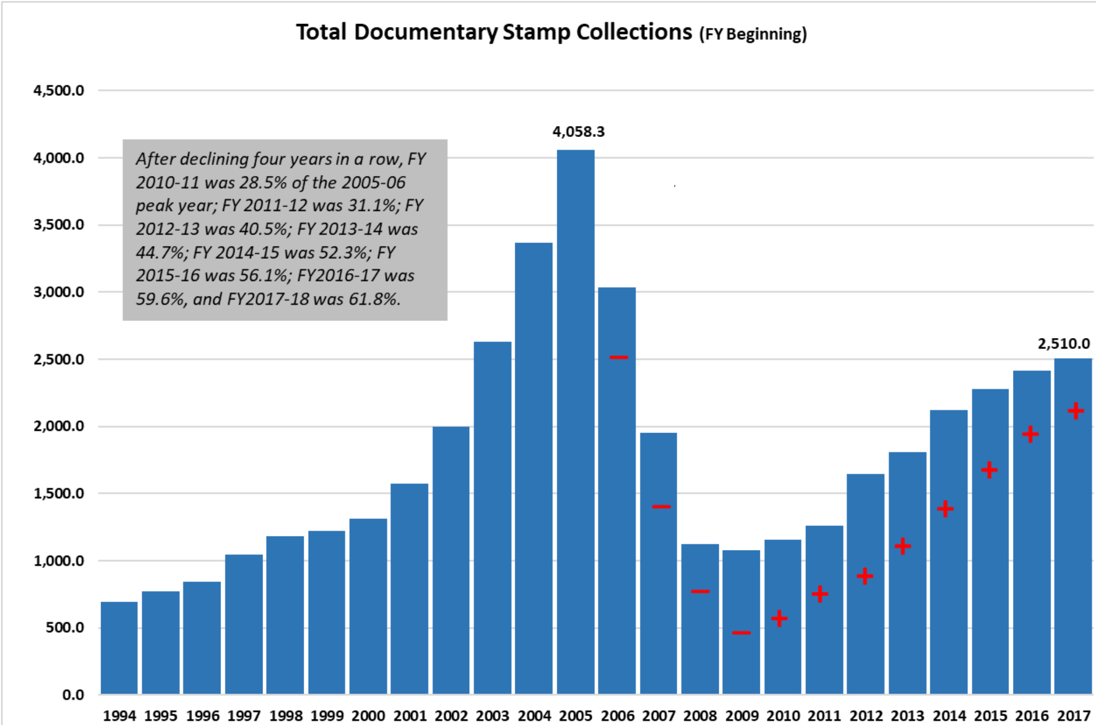
The recent upward pressure on prices has likely been caused—at least in part—by tightened supply as the excess number of homes coming into the market from the foreclosure process finally comes to an end. Part of the past difference in strength between sales volume and price was attributable to the fact that the supply of existing homes for sale in Florida was inflated over the last eight years by the atypically large number of homes coming out of the lengthy foreclosure process and into the market. As these homes returned to the available sales inventory, they dampened some of the price changes suggested by the increased demand. This foreclosure effect is unwinding and expected to finish in Fiscal Year 2018-19.

In regard to the construction industry, single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for the past three years ran solidly above their individual periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015, by 11.1 percent in 2016, and by 13.5 percent in 2017. Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards—about half of the long-run per capita level. The slow but steady improvement continues today; recent data for the first six months of the 2018 calendar year indicates that single-family building permit activity increased by 11.4 percent over the prior year during this period.

Even with a fully recovered existing home market, Documentary Stamp Tax collections were only 61.8 percent of their prior peak as the 2017-18 fiscal year ended. For the 2018-19 fiscal year, this percentage is expected to improve only modestly to 64.4 percent. This raises a question about the source of the continued drag. Part of the answer lies in the still subdued construction market described above, but another part lies in the distinction between deeds and notes in the tax base. While financed sales continue to gain as a percentage of all sales, ending April 2018 with a higher share than this segment had in April 2017 (57.94 percent versus 51.13 percent), the share for cash sales remains elevated. A cash sale results in a deed; it does not result in a note. This means that the feed-through to Documentary Tax Stamp taxes is muted.



Overall, Documentary Stamp Tax collections in Fiscal Year 2018-19 are expected to be \$2.62 billion, with a slightly stronger growth rate than Fiscal Year 2017-18. Growth rates are expected to be between 3.9 percent and 3.5 percent in the earlier years of the forecast, before settling in at 3.0 percent annual growth at the end of the 10-year forecast period. The prior peak level of nearly \$4.1 billion is not expected to be reached until Fiscal Year 2032-33 in the long-term outlook.



The following table shows both the new forecast for total collections from Documentary Stamp Tax and the constitutionally required distribution to the Land Acquisition Trust Fund (LATF).

Documentary Stamp Tax Total Collections
Long Term Forecast ($ Million)

Fiscal Year	Total Doc Stamps	Percent Change	Total to LATF	Debt Service	Remainder LATF
2018-19	**2,615.44**	**4.20%**	859.9	*163.5*	*696.4*
2019-20	**2,717.44**	**3.90%**	893.5	*163.6*	*729.9*
2020-21	**2,815.27**	**3.60%**	925.8	*163.5*	*762.4*
2021-22	**2,916.62**	**3.60%**	959.3	*142.1*	*817.2*
2022-23	**3,015.79**	**3.40%**	992.0	*131.1*	*860.9*
2023-24	**3,115.31**	**3.30%**	1,024.8	*111.0*	*913.8*
2024-25	**3,215.00**	**3.20%**	1,057.7	*111.0*	*946.7*
2025-26	**3,314.66**	**3.10%**	1,090.6	*87.7*	*1,002.9*
2026-27	**3,417.42**	**3.10%**	1,124.5	*67.3*	*1,057.2*
2027-28	**3,519.94**	**3.00%**	1,158.4	*49.8*	*1,108.5*
2028-29	**3,625.54**	**3.00%**	1,193.2	*30.3*	*1,162.9*
2029-30	3,734.30	3.00%	1,229.1	*6.9*	*1,222.2*
2030-31	3,846.33	3.00%	1,266.1	*6.9*	*1,259.1*
2031-32	3,961.72	3.00%	1,304.1	*6.9*	*1,297.2*
2032-33	4,080.57	3.00%	1,343.4	*3.4*	*1,339.9*
2033-34	4,202.99	3.00%	1,383.8	*3.4*	*1,380.3*
2034-35	4,329.08	3.00%	1,425.4	*3.4*	*1,421.9*
2035-36	4,458.95	3.00%	1,468.2	*3.4*	*1,464.8*
2036-37	4,592.72	3.00%	1,512.4	*3.4*	*1,508.9*

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2018). The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The long-run forecast assumes the Legislature continues this treatment beyond that date.

D. Highway Safety Fees

Adopted July 27, 2018, the new forecast for Highway Safety Licenses and Fees is higher in total and mostly positive by fund relative to the previous forecast adopted January 2018 and adjusted for Measures Affecting Revenues. Across the various types of transactions, positive changes to a few categories (Red Light Cameras, For Hire Vehicles, and Trucks/Tractors) dominated the small or negative adjustments to the remainder. Overall, each of the first five years of the forecast has a combined increase ranging from a low of $19.7 million (Fiscal Year 2022-23) to a high of $26.1 million (Fiscal Year 2019-20).

The revised estimates by category resulted in slightly higher projections than the prior forecast for two of the major benefiting funds: the Highway Safety Operating Trust Fund and the State Transportation Trust Fund. The General Revenue Fund saw a relatively larger increase to its forecast, mostly due to increased red light camera violations. The revisions are shown below:

- General Revenue
    - Fiscal Year 2018-19: $6.4 million (1.2 percent increase)
    - Fiscal Year 2019-20: $14.7 million (2.7 percent increase)

- Highway Safety Operating Trust Fund
    - Fiscal Year 2018-19: $1.3 million (0.3 percent increase)
    - Fiscal Year 2019-20: $1.4 million (0.3 percent increase)

- State Transportation Trust Fund
    - Fiscal Year 2018-19: $9.3 million (0.8 percent increase)
    - Fiscal Year 2019-20: $7.1 million (0.6 percent increase)

E. Indian Gaming Revenues

The Revenue Estimating Conference met on August 9, 2018, to adopt new estimates for Indian Gaming revenues. The underlying net win forecast was increased each year; however, early receipt of a portion of the expected Fiscal Year 2017-18 true-up payment (due in August 2018) shifted $51.7 million from Fiscal Year 2018-19 into Fiscal Year 2017-18. This shift between years makes it appear that Fiscal Year 2018-19 loses money relative to the prior forecast.

While the final portion of the Fiscal Year 2017-18 true-up payment had not been received at the time of the Conference, total net win for Fiscal Year 2017-18 was anticipated to grow 8.9 percent over the prior fiscal year instead of the 5.6 percent rate estimated at the last Conference. Expectations for net win in Fiscal Year 2018-19 and the remainder of the forecast are higher based on the most recent quarterly financial report which reflected strong activity in the second half of the year. Going forward, the Conference projects growth in net win that reflects a blended rate of population growth and total visitors to the state.

The following table compares the January 2018 and August 2018 forecasts, showing the increases in projected revenues by year.

Indian Gaming Revenues (Millions of $)									
	Receipts			Local Distribution			Net General Revenue		
	January 2018	August 2018	Difference	January 2018	August 2018	Difference	January 2018	August 2018	Difference
2018-19	391.1	365.3	-25.8	8.7	10.3	1.6	382.4	355.0	-27.4
2019-20	328.2	345.8	17.6	12.0	11.2	-0.7	316.3	334.6	18.3
2020-21	334.1	353.3	19.2	9.9	10.4	0.5	324.2	342.9	18.7
2021-22	339.9	360.8	21.0	10.0	10.6	0.6	329.8	350.2	20.4
2022-23	345.5	368.6	23.1	10.2	10.8	0.6	335.3	357.7	22.4
2023-24	351.0	376.4	25.5	10.4	11.1	0.7	340.6	365.4	24.8

Note: All future revenue share payments, including those formerly placed in reserve, have been treated as nonrecurring revenues because the continuation of these payments depends on actions by the state and the Seminole Tribe that cannot be anticipated with sufficient certainty. Distributions may not sum to the totals due to rounding.

F. Tobacco Tax and Surcharge

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on August 7, 2018. The Conference decreased the forecast for Cigarette Tax and Surcharge in all years relative to the estimates adopted in January 2018. The estimates for the Other Tobacco Products Tax have been adjusted upwards in all years, but this has more to do with an administrative change relating to the treatment of refunds rather than strength in the underlying forecast. The estimates for the Other Tobacco Products Surcharge were decreased in the current year (Fiscal Year 2018-19), but increased in the remaining years.

Revenues for both the Cigarette Tax and Cigarette Surcharge came in lower than expected in Fiscal Year 2017-18. The Conference believes that the overall downward trend in cigarette consumption over the past ten years is likely to strengthen in the short term and continue in the out-years. For the Other Tobacco Products forecast, the Conference increased the expected growth rates from the January Conference, given the stronger than expected results in Fiscal Year 2017-18. As a result of litigation regarding the calculation of the wholesale sales price before July 1, 2016, a large volume of potential refund payments is still outstanding. The new Potential Estimated Refund Liability reported by the Department of Business and Professional Regulation was $85.77 million. After adding back $5.52 million in refunds already approved for payment in the current year, the distribution number used by the Conference was $91.29 million. This number was reduced to reflect the likelihood of reaching the payment stage. The refund forecast assumes that only $59.1 million will make this stage, reduced from $66.4 million in the January forecast. The Conference then distributed the potential refunds across a three-year period, with a refund schedule of 50 percent in Fiscal Year 2018-19, 30 percent in Fiscal Year 2019-20, and 20 percent in Fiscal Year 2020-21.

The following table summarizes the changes in collections and distributions since the last forecast.

[SEE TABLE ON FOLLOWING PAGE]

Tobacco Tax and Surcharge
Comparison of the January 2018 and August 2018 Forecasts (in millions)

COLLECTIONS						
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Cigarette Tax						
January 2018	263.6	259.0	254.5	250.0	245.7	N/A
August 2018	256.8	251.6	247.2	242.9	238.6	234.4
Difference	-6.8	-7.4	-7.3	-7.1	-7.1	
Cigarette Surcharge						
January 2018	788.9	775.1	761.5	748.2	735.0	N/A
August 2018	768.3	752.9	739.7	726.7	714.0	701.5
Difference	-20.6	-22.2	-21.8	-21.5	-21.0	
OTP Tax*						
January 2018	30.6	32.3	33.1	37.8	38.6	N/A
August 2018	37.3	38.5	39.6	40.4	41.3	42.1
Difference	6.7	6.2	6.5	2.6	2.7	
OTP Surcharge						
January 2018	73.9	77.9	79.6	90.7	92.5	N/A
August 2018	68.8	80.0	86.6	97.1	99.0	101.0
Difference	-5.1	2.1	7.0	6.4	6.5	

DISTRIBUTIONS						
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Health Care Trust Fund						
January 2018	792.9	784.0	773.1	771.7	761.3	N/A
August 2018	768.4	765.3	759.5	757.9	748.0	738.3
Difference	-24.5	-18.7	-13.6	-13.8	-13.3	
General Revenue Service Charge						
January 2018	91.0	89.7	88.4	87.2	85.9	N/A
August 2018	89.2	87.7	86.6	85.3	84.1	83.0
Difference	-1.8	-2.0	-1.8	-1.9	-1.8	
General Revenue Excise Tax						
January 2018	144.7	142.1	139.3	136.5	133.9	N/A
August 2018	140.8	137.5	134.8	132.3	129.6	127.0
Difference	-3.9	-4.6	-4.5	-4.2	-4.3	
OTP General Revenue Tax*						
January 2018	30.6	32.3	33.1	37.8	38.6	N/A
August 2018	37.3	38.5	39.6	40.4	41.3	42.1
Difference	6.7	6.2	6.5	2.6	2.7	
Total GR Distributions						
January 2018	266.3	264.1	260.8	261.5	258.4	N/A
August 2018	267.3	263.7	261.0	258.0	255.0	252.1
Difference	1.0	-0.4	0.2	-3.5	-3.4	
All Other Funds						
January 2018	97.8	96.2	94.8	93.5	92.1	N/A
August 2018	95.5	94.0	92.6	91.2	89.9	88.6
Difference	-2.3	-2.2	-2.2	-2.3	-2.2	

*The magnitude of the difference between forecasts in the General Revenue portion of OTP is related to the refunds being paid from a different revenue source than anticipated, rather than a change in the underlying forecast.

II. Educational Enhancement Trust Fund, Lottery, and Slots

Dedicated to educational programs, the Educational Enhancement Trust Fund (EETF) contains revenue primarily derived from Lottery ticket sales and taxes on Slot Machine revenues. Because these sources are so different, they are estimated separately.

The Revenue Estimating Conference reviewed **Lottery** revenues on August 1, 2018. Total ticket sales were $134.0 million over estimate for Fiscal Year 2017-18, mostly due to strength in scratch-off ticket and Mega Millions sales.

The Conference increased the overall sales forecast by $147.3 million in Fiscal Year 2018-19 and increased the forecast by $221.2 million to $226.5 million in subsequent fiscal years. While not exclusively related to sales activity, the final transfers to the EETF were increased by $12.2 million in Fiscal Year 2018-19, and by $22.5 million to $27.0 million in the remaining fiscal years.

The high-level changes to the forecast are shown in the following tables.

Summary of Lottery Sales (Millions of $)				
		Jan 2018	**Aug 2018**	**Diff.**
Instant Sales	**2018-19**	4,751.5	4,883.7	132.2
	2019-20	4,858.7	5,073.7	215.0
	2020-21	4,943.8	5,169.5	225.7
	2021-22	5,030.3	5,253.1	222.8
	2022-23	5,105.7	5,328.8	223.1
	2023-24	N/A	5,404.1	
Terminal Sales	**2018-19**	1,980.6	1,995.7	15.0
	2019-20	2,002.0	2,008.2	6.2
	2020-21	2,023.1	2,023.9	0.8
	2021-22	2,043.4	2,043.1	-0.3
	2022-23	2,063.2	2,062.7	-0.5
	2023-24	N/A	2,083.5	
Total Game Sales	**2018-19**	6,732.1	6,879.4	147.3
	2019-20	6,860.7	7,081.9	221.2
	2020-21	6,966.9	7,193.4	226.5
	2021-22	7,073.7	7,296.2	222.6
	2022-23	7,168.9	7,391.5	222.5
	2023-24	N/A	7,487.5	

Totals may not add due to rounding.

[SEE TABLE ON FOLLOWING PAGE]

Summary of Lottery Revenues to the EETF (Millions of $)				
		Jan 2018	**Aug 2018**	**Diff.**
EETF Receipts from Ticket Sales	**2018-19**	1,722.1	1,732.9	10.8
	2019-20	1,707.6	1,728.0	20.4
	2020-21	1,737.1	1,759.4	22.3
	2021-22	1,762.2	1,783.0	20.8
	2022-23	1,782.8	1,807.6	24.8
	2023-24	N/A	1,857.4	
Other Income	**2018-19**	11.7	11.9	0.2
	2019-20	11.8	12.0	0.2
	2020-21	11.9	12.1	0.2
	2021-22	12.0	12.2	0.2
	2022-23	12.0	12.3	0.3
	2023-24	N/A	12.4	
80% unclaimed prizes	**2018-19**	55.9	57.0	1.2
	2019-20	57.0	58.8	1.9
	2020-21	57.9	59.8	1.9
	2021-22	58.8	60.7	1.9
	2022-23	59.6	61.5	1.9
	2023-24	N/A	62.3	
Distribution to EETF from Lottery Receipts	**2018-19**	1,789.7	1,801.8	12.2
	2019-20	1,776.4	1,798.9	22.5
	2020-21	1,806.9	1,831.4	24.5
	2021-22	1,833.0	1,855.9	22.9
	2022-23	1,854.4	1,881.4	27.0
	2023-24	N/A	1,932.1	

Totals may not add due to rounding.

The Revenue Estimating Conference reviewed **Slot Machine** revenues on August 9, 2018. Tax collections through Fiscal Year 2017-18 were on estimate, coming in at $191.9 million. After reviewing the year-over-year activity for each individual facility, slight positive adjustments were adopted for the out year growth rates. Annual growth for Fiscal Year 2018-19 was increased from 2.1 percent to 2.2 percent while the out years were adjusted upward by 0.1 percent for a constant 1.3 percent.

This forecast does not include any impact from the expansion of the Seminole Hard Rock Casino in Hollywood, expected to be completed no sooner than fall of 2019. The introduction of new slot machines at this site is likely to decrease slot machine gaming activity at the pari-mutuel facilities in Broward and Miami-Dade counties to an extent that is presently unknown, lowering state revenues and associated transfers to the EETF. To the extent that the gaming activity shifts to one of the Tribe's facilities, payments made to the state by the Seminole Tribe under the 2010 Compact and deposited into General Revenue will increase, albeit by an amount lower than the direct loss attributable to the pari-mutuel facilities due to the difference between the tax rate on slot machine activity and the Tribe's revenue sharing agreement.

The details of the forecast and the changes are shown in the following table.

Slot Machines Tax Collections (Millions of $)			
	Jan 2018	**Aug 2018**	**Difference**
2018-19	196.0	196.1	0.1
2019-20	198.3	198.7	0.4
2020-21	200.6	201.2	0.6
2021-22	202.9	203.7	0.8
2022-23	205.3	206.3	1.0
2023-24	N/A	208.9	

For Fiscal Year 2018-19, the **EETF** has a projected positive balance of $99.6 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact, which are deposited in the General Revenue Fund. Excluding the $99.6 million that will be carried forward into Fiscal Year 2019-20, revenues in the EETF are expected to remain at approximately the same level in Fiscal Year 2019-20 before increasing in Fiscal Years 2020-21 and 2021-22 by $35.7 million and $27.1 million, respectively.

III. State School Trust Fund and Unclaimed Property

Used exclusively to meet public school needs, the State School Trust Fund (SSTF) contains revenue primarily derived from unclaimed property (sometimes referred to as abandoned property). The projection of receipts from unclaimed property and the subsequent distribution into the SSTF were revised July 17, 2018, by the Revenue Estimating Conference.

The Conference reviewed actual state receipts and refunds to owners of abandoned property for Fiscal Year 2017-18. Receipts totaled $507.8 million, which was $59.8 million (13.3 percent) above the estimate of $448.0 million. Refunds totaled $317.9 million, which was $11.7 million (3.8 percent) above the estimate of $306.2 million. The transfer to the SSTF (receipts minus refunds) was $178.5 million, which was $48.8 million (37.6 percent) above the estimated transfer of $129.7 million.

For receipts, the Conference adopted a modest increase over the prior forecast. Although the receipts for Fiscal Year 2017-18 were significantly higher than anticipated, data are not yet available to determine whether there are any additional anomalous payments beyond the $24.5 million identified by the Department of Financial Services. Because it is unclear at this time whether the higher level of receipts in Fiscal Year 2017-18 can be expected to continue, the Conference adopted a baseline estimate of $470 million in receipts for Fiscal Year 2018-19, incorporating the results of the two prior years of actual receipts. An additional $2.1 million was added to the forecast as a one-time atypical payment expected as the result of litigation. Beginning in Fiscal Year 2019-20, the Conference assumed annual growth rates equal to Florida population growth rates, which are projected to range from 1.5 percent to 1.3 percent throughout the forecast period.

For refunds to owners, the Conference discussed in detail the current calculation of the refunds ratio, which is based on the average of the two prior years of receipts (excluding atypical receipts). Additional information was requested for consideration at the next Conference in order to better understand the relationship between refunds, regular receipts, atypical receipts, and staff efficiency in processing refund requests. The forecast for Fiscal Year 2018-19 refunds was based on a 72.3 percent refunds ratio, which is equivalent to the average ratio of the prior three years. The refunds ratio was reduced by approximately one-half percentage point each fiscal year thereafter, decreasing to 70.0 percent by the end of the forecast. This decay factor was used to recognize there is likely an upper bound for the level of refunds that can be processed each year.

Using these assumptions, the Conference adopted an estimate of $472.1 million in receipts and $328.2 million in refunds for Fiscal Year 2018-19 and $476.9 million in receipts and $354.8 million in refunds for the 2019-20 fiscal year. On net, this produced projected transfers to the SSTF of $136.4 million for Fiscal Year 2018-19 and $113.9 million for Fiscal Year 2019-20. Including the higher than expected transfer in Fiscal Year 2017-18, the transfers to the SSTF were increased by a total of $68.2 million across the three fiscal years, as shown in the following table.

SSTF Transfers (Millions of $)	Jan 2018	Jul 2018	Difference
2017-18 Unclaimed Property Receipts	448.0	507.8	59.8
2017-18 Unclaimed Property Refunds	306.2	317.9	11.7
2017-18 Transfer to State School Trust Fund	**129.7**	**178.5**	**48.8**
2018-19 Unclaimed Property Receipts	441.8	472.1	30.3
2018-19 Unclaimed Property Refunds	312.8	328.2	15.4
2018-19 Transfer to State School Trust Fund	**120.4**	**136.4**	**16.0**
2019-20 Unclaimed Property Receipts	448.5	476.9	28.4
2019-20 Unclaimed Property Refunds	329.4	354.8	25.4
2019-20 Transfer to State School Trust Fund	**110.5**	**113.9**	**3.4**
NET DIFFERENCE			**68.2**

For Fiscal Year 2018-19, the **SSTF** has a projected positive balance of $68.1 million after accounting for all available funds and anticipated expenditures. Excluding the $68.1 million that will be carried forward into Fiscal Year 2019-20, revenues in the SSTF are expected to decrease by $22.5 million Fiscal Year 2019-20, increase by $23.2 million in Fiscal Year 2020-21, and increase slightly by $4.2 million in Fiscal Year 2021-22.

IV. Tobacco Settlement Trust Fund

The Revenue Estimating Conference met on August 7, 2018, to affirm the final results for Fiscal Year 2017-18 and adopt a new forecast of Tobacco Settlement payments for the 2018-19 through 2032-33 fiscal years.

Tobacco settlement payments accrue to the state from a legal settlement agreement made on August 25, 1997, in response to a lawsuit between the State of Florida and several major tobacco companies. An annual payment is due by December 31 of each year, and a profit adjustment payment is made following the end of the participating companies' fiscal years. Both payments continue in perpetuity.

On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). According to page 1 of the Motion, Florida was owed $45 million (which had accumulated from June 2015 through the date of the filing) and would continue to suffer annual losses of approximately $30 million absent the Court's enforcement of the settlement agreement. These projected annual losses are reflected as a $15 million loss in Fiscal Year 2015-16 and a $30 million additional loss in each of the years thereafter, including the forecasted years. Since the Conference met, a final judgment has been entered that specifies the precise liability calculation for the transferred brands, and it approximates the losses reflected in the forecast adopted by the Conference in total (including the missed profit adjustment due in April 2018).

A new Conference will be convened to reflect the actual losses in the adopted package. Because the Conference considered that the likelihood R.J. Reynolds would appeal the final decision was high despite any agreement among the parties as to methodology and numbers, the Conference removed the estimated profit adjustment payments due in April 2019 and April 2020 from the forecast to recognize the probable length of the appeal process.[4] The estimated profit adjustment payments were left intact for all subsequent years. Since the Court has ruled and reaffirmed that R.J. Reynolds should continue to make all payments under the tobacco settlement agreement as if there had been no transfer of brands to ITG, the Conference assumes that the state will ultimately prevail. Although no dollars have been included in the forecast because the timing is unknown, the Conference further expects the state will be fully compensated for its losses.

The new forecast was adjusted based on the National Economic Estimating Conference results from July 12, 2018, and an updated Consumer Price Index series was used in the calculation beginning in Fiscal Year 2018-19. Other adjustments to the forecast since the January 2018 Conference include an increase in the annual percent change in U.S. Cigarette Volume for Fiscal Year 2018-19 through Fiscal Year 2019-20.

The table below shows the new projected amounts of settlement payments to the State of Florida and the change from the previous estimate.

	August 2018 Estimated Combined Payments Liability (Millions)	**Change From Previous Estimate (Millions)**
FY 2018-19	337.3	-32.8
FY 2019-20	339.3	-34.7
FY 2020-21	378.8	0.2
FY 2021-22	384.5	0.4
FY 2022-23	390.8	0.5
FY 2023-24	397.3	0.6

[4] R.J. Reynolds appealed the final decision on August 29, 2018.

For a detailed discussion of issues affecting future trust fund receipts, see the discussion of litigation against the state included on page 33 in the "Significant Risks" section of the Outlook.

V. State Transportation Trust Fund and Transportation Revenue

The Revenue Estimating Conference met on August 3, 2018, to consider the forecast of revenues flowing into the State Transportation Trust Fund (STTF). Including the estimates for Fiscal Year 2018-19, overall revenues to the STTF during the work program period ending in Fiscal Year 2023-24 were decreased by $220.3 million or about 0.9 percent. The total receipts for the work program are projected to be nearly $4.2 billion.

For revenues from fuel taxes, the overall forecast was shaped by recent changes in all of the following: the consumption of motor fuel and other fuels (diesel, aviation, and off-highway fuel); the projected fuel tax rates; technological advancements in fuel efficiency and the implementation of the Corporate Average Fuel Economy (CAFE) Standards; and aviation fuel refund activity. The projection for revenues from all types of fuel was decreased by $240.2 million or 1.6 percent over the entire work program. Within the total for fuel-related taxes, Highway Fuel Sales Tax saw the largest dollar decrease in the new forecast, causing 58 percent of the total reduction. These revenues were reduced by $139.6 million or 1.4 percent, primarily due to fuel economy improvements. Revenues from the SCETS Fuel Tax and Fuel Use Tax were also decreased relative to the previous forecast, while those from Off-Highway Fuel Sales Tax and Aviation Fuel Tax were revised upward by $3.2 million (3.9 percent) and by $1.0 million (1.0 percent), respectively. A fallout of some of the other forecast changes, the Local Option Distribution over the work program was decreased by $5.8 million or 2.0 percent from the prior forecast.

Finally, the forecast for the Rental Car Surcharge was decreased by $3.4 million or 0.4 percent. This reduction primarily reflects the increasing use of Uber and other transportation network companies that are not subject to the Rental Car Surcharge.

The forecasts for motor vehicle license and registration related fees were previously adopted by the Highway Safety Licenses and Fees Conference held July 27, 2018. In this work program period, receipts to the STTF from motor vehicle related licenses and fees were increased by $29.1 million or 0.4 percent over the entire work program. While Motor Vehicle Licenses are up by $52.4 million, all of the other contributing sources are down: Initial Registrations by $16.8 million, Title Fees by $4.1 million, and Motor Carrier Compliance Penalties by $2.4 million over the work program period.

VI. Other Revenue Sources that Primarily Support Education

A. Ad Valorem Assessments (Property Tax Roll)

Estimates of the statewide property tax roll are primarily used in the appropriations process to approximate the Required Local Effort (RLE) millage rate. This is the rate local school districts must levy in order to participate in the Florida Education Finance Program. The 2018 certified school taxable value came in at $2,033.79 billion or virtually on estimate (0.2 percent higher than forecast). The new projection for 2019 is $2,148.46 billion. It is $114.67 billion or 5.64 percent higher than the 2018 actual number, and $1.86 billion more than the previous estimate of $2,146.60 billion adopted in January 2018. At 96 percent, the value of one mil is projected to be $2,062.52 million. As a result, the shape of the new forecast was essentially unchanged from the January forecast, with only modest adjustments to the projected growth rates.

Florida's housing market continues to drive the shape of the overall forecast. Recent residential data from the Federal Housing Finance Agency price index shows significant value growth in all parts of the state. The new forecast is premised on the belief this value growth will continue, although the pace will moderate in the out years. This expectation is in line with the forecast adopted by the Florida Economic Estimating Conference.

County (non-school) taxable value is lower than school taxable value due to the greater number of exemptions available to property owners. In recent years, the Revenue Estimating Conference has been forecasting county taxable value separately from school taxable value. County taxable value on January 1, 2019, is projected to be $2,045.92 billion. On an annual basis, this represents an increase of $182.57 billion or a 9.80 percent increase from the 2018 actual ($1,863.35 billion).

July 1, 2018 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2018 Certified School Taxable Value	January 2018 Estimate of July 1, 2019 Certified School Taxable Value	July 2018 Estimate of July 1, 2019 Certified School Taxable Value	Change in Estimates (July 2018 vs January 2018)	Change from 2018 Actual	% Change from 2018 Actual
School Taxable Value	2,033.79	2,146.60	2,148.46	1.86	114.67	5.64%
Real Property	1,908.66	2,020.92	2,018.32	-2.60	109.66	5.75%
Personal Property	123.46	123.79	128.39	4.61	4.94	4.00%
Centrally Assessed Property	1.68	1.76	1.73	-0.03	0.05	3.00%
Value of one mill at 96 percent	1.95	2.06	2.06	0.00	0.11	5.64%

**Total school taxable value includes Value Adjustment Board changes and other tax roll adjustments. Components do not add up to the total.*

January 1, 2018 County Taxable Value

(billions of dollars)	Actual January 1, 2018 County Taxable Value	January 2018 Estimate of January 1, 2019 County Taxable Value	July 2018 Estimate of January 1, 2019 County Taxable Value	Change in Estimates (July 2018 vs January 2018)	Change from 2018 Actual	% Change from 2018 Actual
County Taxable Value	1,863.35	2,045.66	2,045.92	0.26	182.57	9.80%
Real Property	1,738.22	1,919.98	1,915.80	-4.18	177.58	10.22%
Personal Property	123.46	123.79	128.39	4.61	4.94	4.00%
Centrally Assessed Property	1.68	1.76	1.73	-0.03	0.05	3.00%

**Total county taxable value includes Value Adjustment Board changes and other tax roll adjustments. Components do not add up to the total.*

Certified School Taxable Value Growth Rates

Year	January 2018	July 2018
2018	6.61%	6.84%
2019	5.77%	5.64%
2020	5.83%	5.78%
2021	5.81%	5.63%
2022	5.57%	5.51%
2023	5.54%	5.49%
2024	N/A	5.42%

B. Gross Receipts Tax and Communications Services Tax

The Revenue Estimating Conference met on July 27, 2018, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. For Fiscal Year 2018-19, projected collections for the Gross Receipts Tax (derived from the tax on electricity, gas, and communications) were decreased by $14.65 million, and for the State Sales Tax on Communications Services, projections were little changed with an increase of $3.28 million. Compared to the January conference results, the new forecast for the Gross Receipts Tax is lower throughout the forecast period, primarily driven by lower expected collections from electricity (including the separate 2.6 percent tax on the commercial component) and—to a lesser extent—communications services. The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. The State Sales Tax on Communications Services supports the General Revenue Fund. Conference highlights are detailed below.

	Gross Receipts Tax – All Sources ($ in millions)				Communications Services Tax – State Sales Tax Component* ($ in millions)		
Fiscal Year	***July Estimate***	***Diff from March Forecast***	***Growth Rate Forecast***		***July Estimate***	***Diff from March Forecast***	***Growth Rate Forecast***
2018-19	1,177.00	-14.65	2.02%		645.88	3.28	-0.45%
2019-20	1,190.97	-26.45	1.19%		646.09	1.34	0.03%
2020-21	1,204.51	-36.47	1.14%		648.26	1.33	0.34%
2021-22	1,219.52	-44.42	1.25%		651.06	0.83	0.43%
2022-23	1,241.18	-49.14	1.78%		654.56	0.50	0.54%
2023-24	1,267.77	-48.95	2.14%		659.48	0.96	0.75%

**The CST State Tax Component Includes Direct-to-Home Satellite*

Gross Receipts Tax on Utilities... Residential and commercial prices for electricity came in higher than anticipated for Fiscal Year 2017-18, while industrial prices ended the year close to forecast. The elevated prices are expected to normalize in future years as lower input prices for the generation of electricity (primarily natural gas and coal) feed through the series. However, the consumption forecast is weaker throughout—in part caused by continued efficiency gains and changing consumption patterns.

Residential consumption of natural gas was significantly higher than expectations for Fiscal Year 2017-18, mainly due to a colder January. The price forecasts for both residential and commercial use maintain a cyclical pattern tied to the spot and future prices of natural gas. However, the projections for consumption are lower throughout the forecast. Primarily, it is this latter effect that produces the slight downward revisions to the expected collections from gas fuels.

State Communications Services Tax, Including Direct-to-Home Satellite Service (CST)... The overall estimates for Gross Receipts CST and Sales CST are built up from a lower level analysis. Essentially, the forecast relies on generating separate growth rates for the cable, wireless, landline (residential and commercial), miscellaneous services, and direct-to-home satellite tax bases.

The two primary positive drivers of growth in CST are the Cable and Other categories. Despite the drop in subscribers, the Cable forecast is buoyed by growth in the price of subscriptions. The forecast remains close to the January conference results, gradually declining in annual growth from 2.68 percent to 2.21 percent. The second positive forecast driver, Other, assumes strong near-term growth in streaming entertainment—ranging from a high of 7.10 percent in the current year to 3.05 percent ten years out. However, the Wireless and Landline forecasts counter the positive growth seen in Cable and Other. Wireless has been declining in large part due to the unbundling of communication services tied to cellphone plans. While an overall decline for both Wireless and Landline has been built into all recent forecasts, the pace has been significantly accelerated in the new forecast. The forecast for Satellite, or DHSS, is little changed from the prior estimates.

Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37 percent is applied to the cable, wireless, landline, and miscellaneous services tax bases. Second, an additional tax rate of 0.15 percent is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 18 percent of total direct-to-home satellite collections, comprise total Gross Receipts CST collections.

The tax rate for Sales CST is currently set at 4.92 percent. Sales CST Collections are generated by applying the tax rate against the cable, wireless, landline, and miscellaneous services tax bases, coupled with 44.32 percent of total direct-to-home satellite collections. The landline tax base is further reduced by the residential household telephone exemption for Sales Tax CST. Because the weakening landline base impacts Gross Receipts CST to a greater degree than Sales CST, Sales CST has stronger growth rates.

The tax rate for direct-to-home satellite service is currently set at 11.44 percent. The tax revenue is distributed between Gross Receipts CST, Sales CST, and local governments.

C. Public Education Capital Outlay and Debt Service (PECO) Trust Fund

Funded by the Gross Receipts Tax, the PECO program provides funding for educational facilities construction and fixed capital outlay needs for school districts, the Florida College System, the

State University System, and other public education programs. The Revenue Estimating Conference met to adopt new estimates on August 1, 2018.

The August 2018 PECO forecast was updated to include actual revenues and expenditures through June 2018, the July 2018 Gross Receipts Tax revenue forecast, a revised debt service schedule, adjusted expected project disbursements, and updated interest rates.

The following tables show the estimated amounts available for appropriation to the PECO program under two different scenarios. The first scenario shows maximum cash appropriations assuming no new bonding. The second scenario shows the maximum bonding capacity.

Maximum Possible PECO Trust Fund Appropriation – No Bonding

$ in millions		Jan 2018 REC No Bonding	Aug 2018 REC No Bonding	Difference
FY18-19	Actual Appropriation	372.3	372.3	-
	Bonds	-	-	-
	Cash	372.3	372.3	-
FY19-20	Cash Available	396.0	347.7	(48.3)
FY20-21	Cash Available	403.9	366.8	(37.1)
FY21-22	Cash Available	426.5	382.8	(43.7)
FY22-23	Cash Available	496.4	448.0	(48.4)
FY23-24	Cash Available	603.7	554.0	(49.7)

Totals may not add due to rounding.

[SEE TABLE ON FOLLOWING PAGE]

Maximum Possible PECO Trust Fund Appropriation – With Maximum Bonding

$ in millions		Jan 2018 REC Maximum Bonding	Aug 2018 REC Maximum Bonding	Difference
FY18-19	Actual Appropriation	3,034.3	372.3	(2,662.0)
	Bonds	2,781.9	-	(2,781.9)
	Cash	252.4	372.3	119.9
FY19-20	Maximum Available	652.1	3,102.2	2,450.1
	Bonds	365.3	2,875.5	2,510.2
	Cash	286.8	226.7	(60.0)
FY20-21	Maximum Available	646.1	487.1	(159.0)
	Bonds	386.5	251.6	(134.9)
	Cash	259.6	235.4	(24.2)
FY21-22	Maximum Available	595.1	396.6	(198.5)
	Bonds	358.6	195.8	(162.8)
	Cash	236.5	200.8	(35.7)
FY22-23	Maximum Available	1,115.7	937.0	(178.6)
	Bonds	878.1	735.9	(142.2)
	Cash	237.6	201.1	(36.4)
FY23-24	Maximum Available	2,000.2	1,842.3	(158.0)
	Bonds	1,740.6	1,602.8	(137.8)
	Cash	259.6	239.5	(20.2)

Totals may not add due to rounding.

Florida Debt Analysis

> *In the past, Florida has issued bonds to finance a variety of facilities and infrastructure needs. Total state direct debt outstanding as of June 30, 2017, was $22.7 billion, a $1.4 billion decrease from the prior fiscal year.*

Florida law requires an ongoing analysis of the state's debt position. This requirement enables lawmakers to consider the impact of future bond issuances during the decision-making process. If the state's debt service payments are too high relative to its expected revenues, any new debt financings could affect the state's credit rating and its borrowing costs. As a component of this analysis, Florida law designates a benchmark debt ratio, calculated as the annual debt service as a percentage of available revenues, and establishes a six percent target as well as a seven percent maximum cap. To exceed the target, the Legislature must determine that additional debt is in the best interest of the state. To exceed the cap, the Legislature must make a declaration of critical state emergency.

The Legislative Office of Economic and Demographic Research has extracted highlights from the *2017 Debt Report* prepared by the Division of Bond Finance that are the most meaningful to the issues addressed in the Outlook.[5] Florida's peer group and national median comparisons have been updated by the Division of Bond Finance to reflect more current information. The Division will release the *2018 Debt Report* in December 2018.

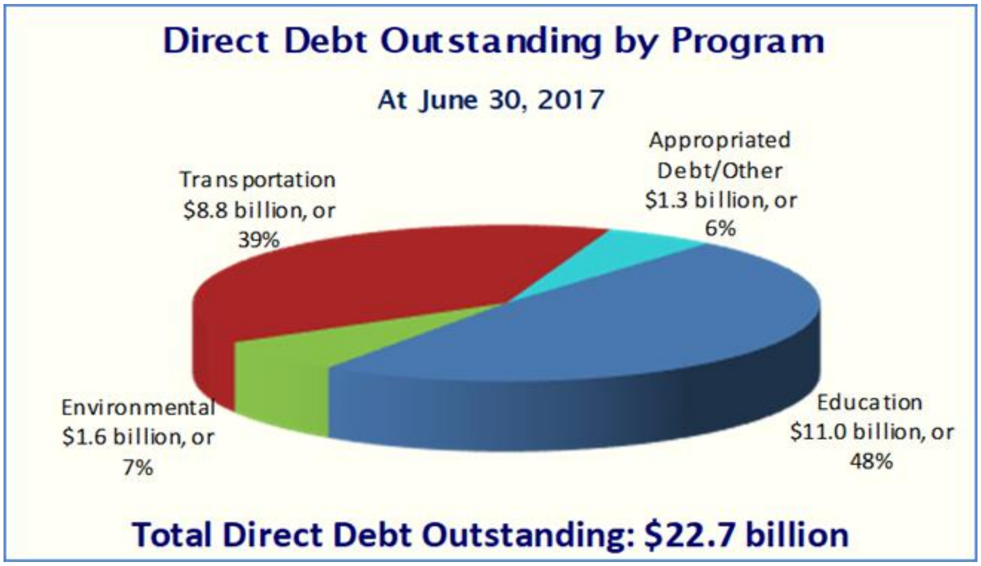
Overview of the State's Credit Ratings

Moody's Investors Service upgraded the state's rating from Aa1 to Aaa in June of 2018, with a stable outlook. For the first time, the state is rated triple-A by all three rating agencies: Fitch, Moody's, and Standard and Poor's. In their reports, the rating agencies recognized the state's conservative fiscal management, budgeting practices, and adequate reserves as credit strengths. In the future, rating agencies will continue to monitor Florida's economic environment and the state's ability to maintain adequate reserves, a structural budget balance, and pension funding levels.

Direct Debt Outstanding

Total state direct debt outstanding was $22.7 billion as of June 30, 2017; approximately $1.4 billion less than the previous year-end. Net tax-supported debt for programs supported by state tax revenues or tax-like revenues totaled $18.9 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $3.8 billion. Collectively, educational facilities are the largest state investment financed with bonds with $11.0 billion or 48 percent of the debt outstanding, of which $8.3 billion is comprised of Public Education Capital Outlay (PECO) bonds.

[5] The complete 2017 report, covering the period June 30, 2016, to June 30, 2017, can be found at the following link: https://www.sbafla.com/BondFinance/portals/BondFinance/ItemsofInterest/DAR2017.pdf



During the 2014 Session, the Legislature reduced the sales tax rate for electrical power by 2.65 percentage points and increased the gross receipts tax rate on electricity by 2.6 percentage points. This change increased PECO bonding capacity, which is currently in excess of $2.8 billion; however, no additional issuance was factored into the projected issuance or benchmark debt ratio analysis included in the *2017 Debt Report.*

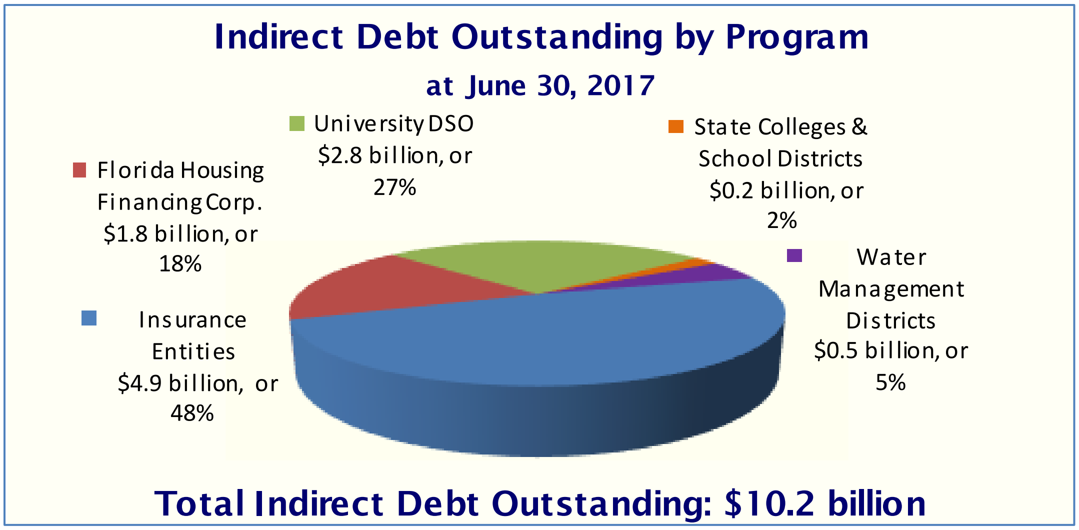
Transportation infrastructure is the second largest infrastructure investment funded with debt at $8.8 billion or 39 percent of total debt outstanding. The largest part of transportation debt reflects the state's payment obligations ($4.3 billion) for financing transportation infrastructure through public private partnerships (P3s).

Environmental program bonding is the third largest component of state debt, with $1.2 billion of bonds outstanding for Florida Forever, Everglades Restoration, and Inland Protection programs.

<u>Indirect Debt Outstanding</u>

Indirect state debt outstanding as of June 30, 2017, was approximately $10.2 billion, $1.6 billion less than the previous year-end. Indirect debt is either not secured by traditional state revenues or is an obligation of a legal entity other than the state. Borrowings by insurance-related entities such as Citizens Property Insurance Corporation (Citizens) and the Florida Hurricane Catastrophe Fund Finance Corporation (CAT Fund) comprise almost half of indirect debt and are increasingly emphasized in the state's overall credit analysis due to the potential economic and financial consequences of hurricanes on the state. Other categories of indirect debt are State University Direct Support Organizations (27 percent), the Florida Housing Finance Corporation (18 percent), and other (7 percent). Indirect debt is excluded from state debt ratios and the debt affordability analysis.

[SEE GRAPH ON FOLLOWING PAGE]

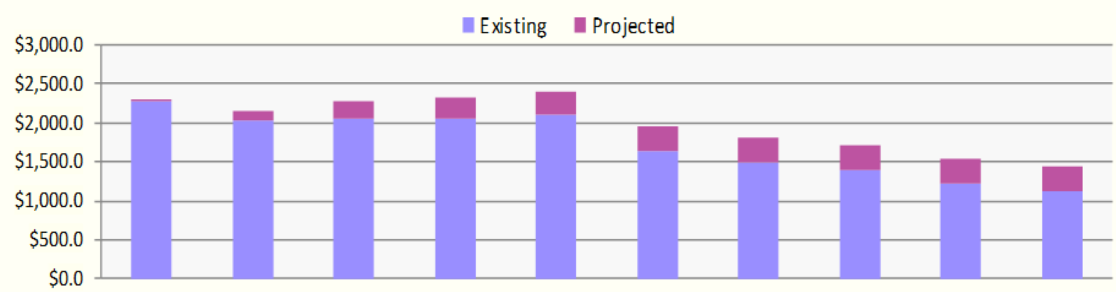


Estimated Annual Debt Service Requirements

Annual debt service was projected to be approximately $2.3 billion in Fiscal Year 2017-18 and is projected to decrease in Fiscal Year 2018-19 to approximately $2.2 billion. The uneven pattern over the next few years reflects the variability in mandatory payments for the Department of Transportation's existing long-term P3 contracts, including the I-4 Ultimate contract.

Projected Annual Debt Service Next Ten Years

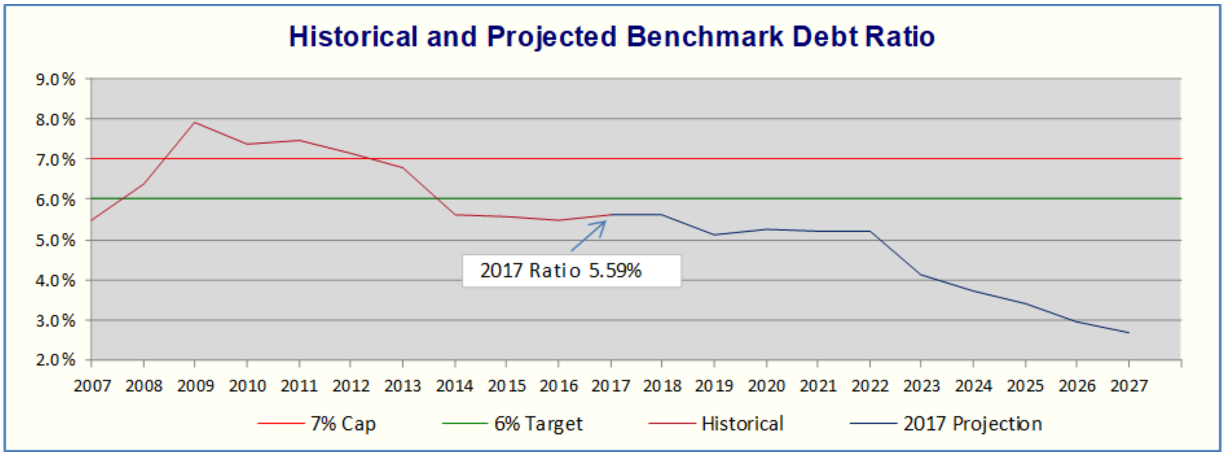
(In Millions of Dollars)



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Existing	$ 2,274.5	$ 2,032.3	$ 2,054.3	$ 2,049.4	$ 2,108.4	$ 1,646.5	$ 1,499.2	$ 1,400.3	$ 1,215.1	$ 1,114.8
Projected	30.6	126.5	227.8	283.0	297.4	308.4	319.5	323.7	323.7	323.7
Total	$ 2,305.1	$ 2,158.8	$ 2,282.1	$ 2,332.4	$ 2,405.8	$ 1,954.9	$ 1,818.7	$ 1,724.0	$ 1,538.8	$ 1,438.5

Debt Ratios

The state's benchmark debt ratio of debt service to revenues available to pay debt service was 5.59 percent for Fiscal Year 2016-17. The benchmark debt ratio is expected to remain below the 6 percent policy target through Fiscal Year 2026-27. However, the projected benchmark debt ratio could increase if revenues do not grow as anticipated or additional debt is authorized.



Benchmark Debt Ratio Projection

	Actual 2016	Actual 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2017 Projection	5.46%	**5.59%**	5.63%	5.13%	5.25%	5.20%	5.21%	4.11%	3.70%	3.41%	2.95%	2.67%

A comparison of debt ratios to national and peer group averages indicates that Florida's net tax-supported debt service as a percentage of revenues is higher than the national and peer group averages, but lower than the national and peer group averages across all other metrics. The state's ranking among the eleven-state peer group has improved over the last ten years. From 2016 to 2017, the state remained sixth highest for the ratio of debt service to revenues within the peer group; improved from seventh to eighth highest in debt per capita; and remained at eighth highest for debt as a percentage of personal income. The state also moved from being sixth to seventh highest for the ratio of net tax-supported debt as a percentage of State Gross Domestic Product (GDP), an additional metric used for comparison.

Debt Ratios
2017 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.59%	$925	1.96%	2.02%
Peer Group Mean	5.53%	$1,682	3.19%	2.77%
National Median	4.20%	$987	2.30%	2.05%

Planned Expenditures Growth over the Prior Year

Recurring ($ millions)	2018-19	2019-20	2020-21	2021-22
General Revenue	31,774.1	31,774.1	31,809.4	31,809.4
annualization		*35.3*	*976.9*	*2,419.8*
change from drivers		*976.9*	*1,442.9*	*1,157.5*
growth over prior year		*1,012.2*	*1,442.9*	*1,157.5*
Educational Enhancement TF	2,005.2	2,005.2	2,005.2	2,005.2
annualization		0.0	8.5	43.1
change from drivers		*8.5*	*34.6*	*27.4*
growth over prior year		*8.5*	*34.6*	*27.4*
State School TF	119.0	119.0	119.0	119.0
annualization		0.0	(3.0)	19.5
change from drivers		*(3.0)*	*22.5*	*4.7*
growth over prior year		*(3.0)*	*22.5*	*4.7*
Tobacco Settlement TF	377.6	377.6	377.6	377.6
annualization		0.0	1.8	3.3
change from drivers		*1.8*	*1.5*	*1.7*
growth over prior year		*1.8*	*1.5*	*1.7*
TOTAL	34,275.9	35,295.4	36,796.9	37,988.2
recurring growth over prior year		*1,019.5*	*1,501.5*	*1,191.3*

Nonrecurring ($ millions)	2018-19	2019-20	2020-21	2021-22
General Revenue	1,284.5	977.6	909.7	1,116.0
Educational Enhancement TF	245.5	39.2	0.0	0.0
State School TF	0.0	64.7	0.0	0.0
Tobacco Settlement TF	(29.1)	(41.5)	6.2	11.5
TOTAL	1,500.9	1,040.0	915.9	1,127.5

TOTAL ($ millions)	2018-19	2019-20	2020-21	2021-22
General Revenue	33,058.6	33,763.9	35,138.9	36,502.7
minus nonrecurring		*(1,284.5)*	*(977.6)*	*(909.7)*
plus annualization		*35.3*	*976.9*	*2,419.8*
plus driver impact		*1,865.2*	*2,311.4*	*2,218.9*
plus BSF impact		*89.3*	*41.2*	*54.6*
growth over prior year		705.3	1,375.0	1,363.8
Educational Enhancement TF	2,250.7	2,052.9	2,048.3	2,075.7
minus nonrecurring		*(245.5)*	*(39.2)*	*0.0*
plus annualization		*0.0*	*8.5*	*43.1*
plus driver impact		*47.7*	*34.6*	*27.4*
growth over prior year		(197.8)	(4.6)	27.4
State School TF	119.0	180.7	138.5	143.2
minus nonrecurring		*0.0*	*(64.7)*	*0.0*
plus annualization		*0.0*	*(3.0)*	*19.5*
plus driver impact		*61.7*	*22.5*	*4.7*
growth over prior year		61.7	(42.2)	4.7
Tobacco Settlement TF	348.5	337.9	387.1	394.1
minus nonrecurring		*29.1*	*41.5*	*(6.2)*
plus annualization		*0.0*	*1.8*	*3.3*
plus driver impact		*(39.7)*	*7.7*	*13.2*
growth over prior year		(10.6)	49.2	7.0

Key Budget Driver Worksheet – Critical Needs

Long-Range Financial Outlook Issues Summary Fiscal Year 2019-20 through Fiscal Year 2021-22	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Critical Needs (Includes Mandatory Increases Based on Estimating Conferences and Other Essential Needs)						
PRE K - 12 EDUCATION						
1 Maintain Current Budget - Florida Education Finance Program	(100.4)	100.4	(29.8)	29.8	(14.1)	14.1
2 Enrollment Growth - Florida Education Finance Program	94.2	0.0	200.1	0.0	201.7	0.0
3 Adjustment to Allow Required Local Effort to Increase with Tax Roll Growth - Florida Education Finance Program	(480.0)	0.0	(516.5)	0.0	(529.0)	0.0
4 Enrollment Growth - Voluntary Prekindergarten Education Program	7.6	0.0	4.8	0.0	(2.3)	0.0
HIGHER EDUCATION						
5 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased/Disabled Veterans	0.7	9.7	0.7	16.8	0.7	4.6
6 Educational Enhancement Trust Fund Adjustment	0.7	(0.7)	(10.5)	10.5	(13.4)	13.4
HUMAN SERVICES						
7 Medicaid Program	143.1	(735.2)	502.6	802.0	240.3	710.2
8 Kidcare Program	50.3	13.3	73.4	(19.4)	28.0	22.8
9 Temporary Assistance for Needy Families Cash Assistance	(10.5)	0.0	0.1	0.0	0.1	0.0
10 Tobacco Awareness Education Program	0.0	1.8	0.0	1.5	0.0	1.7
CRIMINAL JUSTICE						
11 Criminal Justice Estimating Conference - Prison Population Adjustments	(13.4)	0.0	(0.7)	0.0	0.5	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
12 State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)	152.2	0.0	110.5	0.0	82.4	0.0
GENERAL GOVERNMENT						
13 Non-Florida Retirement System Pensions and Benefits	0.3	0.0	0.1	0.0	0.1	0.0
14 Fiscally Constrained Counties - Property Tax	23.6	0.0	24.4	0.0	25.3	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
15 Risk Management Insurance	9.4	5.4	17.5	10.0	17.8	10.2
16 Division of Administrative Hearings Assessments	(0.3)	0.4	0.0	0.0	0.0	0.0
17 Increases in Employer-Paid Benefits for State Employees	158.0	65.8	233.2	122.4	245.2	130.8
Subtotal Critical Needs	**35.5**	**(539.1)**	**609.9**	**973.6**	**283.3**	**907.8**

Key Budget Driver Worksheet – Other High Priority Needs

Long-Range Financial Outlook Issues Summary Fiscal Year 2019-20 through Fiscal Year 2021-22	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
PRE K - 12 EDUCATION						
18 Increase Total Funds per FTE Student - Florida Education Finance Program	237.2	0.0	239.3	0.0	249.3	0.0
19 Increase Total Amount of the Required Local Effort by the Value of New Construction Only - Florida Education Finance Program	289.2	0.0	315.0	0.0	320.5	0.0
20 Additional Cost Required to Implement Both Increase Total Funds per Student and Increase Total Amount of the Required Local Effort by the Value of New Construction Only - Florida Education Finance Program	9.7	0.0	15.1	0.0	12.9	0.0
21 Workload and Enrollment - Other Pre K-12 Programs	19.4	0.0	19.4	0.0	19.4	0.0
HIGHER EDUCATION						
22 Maintain Current Budget - Higher Education	64.8	0.0	0.0	0.0	0.0	0.0
23 Workload - District Workforce	0.5	0.0	0.5	0.0	0.5	0.0
24 Workload - Florida Colleges	14.1	0.0	14.1	0.0	14.1	0.0
25 Workload - State Universities	158.5	0.0	158.5	0.0	158.5	0.0
26 Workload and Adjustments - Other Higher Education Programs	50.1	0.0	50.8	0.0	50.4	0.0
EDUCATION FIXED CAPITAL OUTLAY						
27 Education Fixed Capital Outlay	118.0	0.0	98.9	0.0	82.9	0.0
HUMAN SERVICES						
28 Medicaid Services	45.3	71.7	45.3	71.7	45.3	71.7
29 Children and Family Services	54.7	40.7	53.8	36.8	53.8	36.8
30 Health Services	3.4	7.7	3.4	7.7	3.4	7.7
31 Developmental Disabilities	11.6	15.8	11.6	15.8	11.6	15.8
32 Veterans' Services	1.3	12.3	1.3	6.7	1.3	2.3
33 Elderly Services	5.4	0.3	5.4	0.3	5.4	0.3
34 Human Services Information Technology/Infrastructure	4.5	23.9	3.7	22.3	3.7	22.3

Continued on the following page.

Long-Range Financial Outlook Issues Summary Fiscal Year 2019-20 through Fiscal Year 2021-22	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
CRIMINAL JUSTICE						
35 Justice Administration Entities - Due Process and Conflict Case Costs	17.8	0.0	5.7	0.0	5.7	0.0
36 Department of Corrections - Inmate Health Services	100.2	0.0	57.5	0.0	43.6	0.0
37 Department of Juvenile Justice - Residential Commitment Beds	5.7	0.0	5.7	0.0	5.7	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
38 Department of Transportation Adopted Work Program (Fiscal Years 2019-2022)	0.0	8,642.3	0.0	8,130.7	0.0	8,407.1
39 Economic Development and Workforce Programs	116.0	0.0	116.0	0.0	116.0	0.0
40 National Guard Armories and Military Affairs Priorities	5.2	0.0	5.2	0.0	3.2	0.0
41 Library, Cultural, Historical, and Election Priorities	47.3	0.0	49.0	0.0	47.3	0.0
NATURAL RESOURCES						
42 Water and Land Conservation	121.2	162.7	98.3	193.9	75.1	226.5
43 Other Agricultural and Environmental Programs	187.9	4.6	184.5	4.6	175.6	4.6
GENERAL GOVERNMENT						
44 Other General Government Priorities	7.2	17.3	44.6	17.9	26.8	18.5
45 State Building Pool - General Repairs and Maintenance	59.5	13.5	24.9	13.5	24.9	13.5
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
46 State Employee Pay Issues	44.6	33.6	44.6	33.6	44.6	33.6
47 Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	29.4	13.9	29.4	13.9	29.4	13.9
Subtotal Other High Priority Needs	**1,829.7**	**9,060.3**	**1,701.5**	**8,569.4**	**1,630.9**	**8,874.6**
Total Tier 1 - Critical Needs	35.5	(539.1)	609.9	973.6	283.3	907.8
Total - Other High Priority Needs	1,829.7	9,060.3	1,701.5	8,569.4	1,630.9	8,874.6
Total Tier 2 - Critical Needs Plus Other High Priority Needs	1,865.2	8,521.2	2,311.4	9,543.0	1,914.2	9,782.4

Key Budget Drivers

For each policy area, a specific analysis is provided for each of the key budget drivers. The numbering convention used below matches the numbers applied to each of the drivers on the Key Budget Driver Worksheet. As on the Worksheet, Critical Needs are discussed first. They are followed by the Other High Priority Needs.

Critical Needs

Pre K-12 Education (Drivers #1 - #4)

For Fiscal Year 2018-19, the Florida Education Finance Program (FEFP) provides $7,407.03[6] in total funds per unweighted full-time equivalent (FTE) student. Together, Key Budget Drivers #1 through #3 reflect the total state funding necessary to maintain the Fiscal Year 2018-19 level of funding per FTE student throughout the forecast period, assuming that the Required Local Effort and Discretionary Taxes from the 0.748 levy are allowed to increase with tax roll growth.

1. Maintain Current Budget – Florida Education Finance Program

The Florida Education Finance Program (FEFP) is the state's formula to allocate funds appropriated to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education and is an allocation model based on student enrollment in educational programs. To ensure equalized funding per student, the FEFP is composed of state and local funds and takes into account the individual educational needs of students; the local property tax base; the costs of educational programs; district cost differentials; and sparsity of student population.

State FEFP revenues are derived from the following three fund sources:

- The General Revenue Fund - comprised of several state taxes and selected fees; the state's sales tax is the primary source of General Revenue.
- The Educational Enhancement Trust Fund (EETF) - comprised of net proceeds from lottery ticket sales and slot machine revenues; the EETF is appropriated for both the public K-12 and higher education systems.
- The State School Trust Fund (SSTF) - comprised of revenue from unclaimed property that has escheated to the state; the SSTF is appropriated exclusively for the public K-12 education system.

Local FEFP revenues are derived from property taxes levied by Florida's 67 school districts. To participate in the state allocation of FEFP funds, a school district must levy the millage rate set for its Required Local Effort (RLE) from property taxes. The Legislature sets the aggregate

[6] As of the 2018-19 FEFP 2nd Calculation which is available here: http://fldoe.org/core/fileparse.php/7507/urlt/18192ndCalc.pdf

amount of the RLE in the General Appropriations Act. Each school district's share of this amount is based on the school district's certified property tax valuations and each school district's required millage rate as established by the Commissioner of Education. In addition to the RLE millage, each school district board may levy a nonvoted current operating discretionary millage. The Legislature annually prescribes in the General Appropriations Act the maximum amount of millage a district may levy through this means; the current maximum amount is 0.748 mills.

Revenue Estimating Conferences project the funds available for the SSTF and the EETF, which are utilized to offset the need for General Revenue in the public K-12 system and Higher Education (see Driver #6 for additional details on EETF adjustments). This year, those conferences were held in July and August 2018.

Consistent with recent practice, for Fiscal Year 2019-20, the Outlook assumes a one year only fund shift of any available nonrecurring SSTF and EETF funds less a reserve amount. For Fiscal Year 2019-20, $103.9 million in nonrecurring funds ($64.7 million from the SSTF and $39.2 million from the EETF) is available to fund shift with General Revenue for the K-12 system. In addition, the recurring General Revenue need for the FEFP is aligned with the available recurring SSTF and EETF funds. As a result, for Fiscal Year 2019-20, an additional $3.5 million of recurring General Revenue is needed. Increases in SSTF and EETF estimates reduce the need for recurring General Revenue by $29.8 million in Fiscal Year 2020-21, and by $14.1 million in Fiscal Year 2021-22.

2. Enrollment Growth – Florida Education Finance Program

General Revenue is provided as Critical Needs funding for projected enrollment growth in the Florida Education Finance Program.

Enrollment growth for the three forecast years is based on estimates from the July 2018 Education Estimating Conference. For Fiscal Year 2019-20, the projected enrollment growth is an additional 13,680 FTE above the appropriated level in Fiscal Year 2018-19, which results in an estimated $94.2 million necessary to maintain the current level of $7,407.03 in total funds per student. For the additional 27,019 FTE in Fiscal Year 2020-21, an estimated $200.1 million is needed, and $201.7 million is needed for the additional 27,230 FTE in Fiscal Year 2021-22. Over the three-year forecast period, enrollment for funding purposes is estimated to increase in total by 67,929 FTE.

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Enrollment Growth – FEFP	$94.2 million	$200.1 million	$201.7 million

3. Adjustment to Allow Required Local Effort to Increase with Tax Roll Growth – Florida Education Finance Program

The Florida Education Finance Program (FEFP) allocates funding to school districts for K-12 public school operations based on shares of state funds and of local funds generated from ad valorem tax revenues. In order to ensure equalized funding, the FEFP takes into account the local property tax base while adjusting state funding to each district based on the district's ability to generate local ad valorem tax revenues. As discussed in Driver #1, each school district participating in the state allocation of funds for the current operation of schools must levy the millage rate set for its Required Local Effort (RLE) from property taxes. The Legislature establishes the total statewide amount for the RLE annually in the General Appropriations Act. Each district's millage rate is subsequently determined by the Commissioner of Education based on the statewide average following certification of the school taxable value by the Department of Revenue.

Funding projections for this FEFP Driver are based on maintaining the Fiscal Year 2018-19 certified millage rates (i.e., 4.075 mills for statewide RLE and 0.748 mills for nonvoted discretionary) throughout the three-year forecast period. The tax rolls for Fiscal Years 2019-20 through 2021-22, as projected by the July 2018 Revenue Estimating Conference, provide increased taxable value. As a result, the forecast includes increases in property tax revenue for public schools with a commensurate reduction in state funds as shown in the table below.

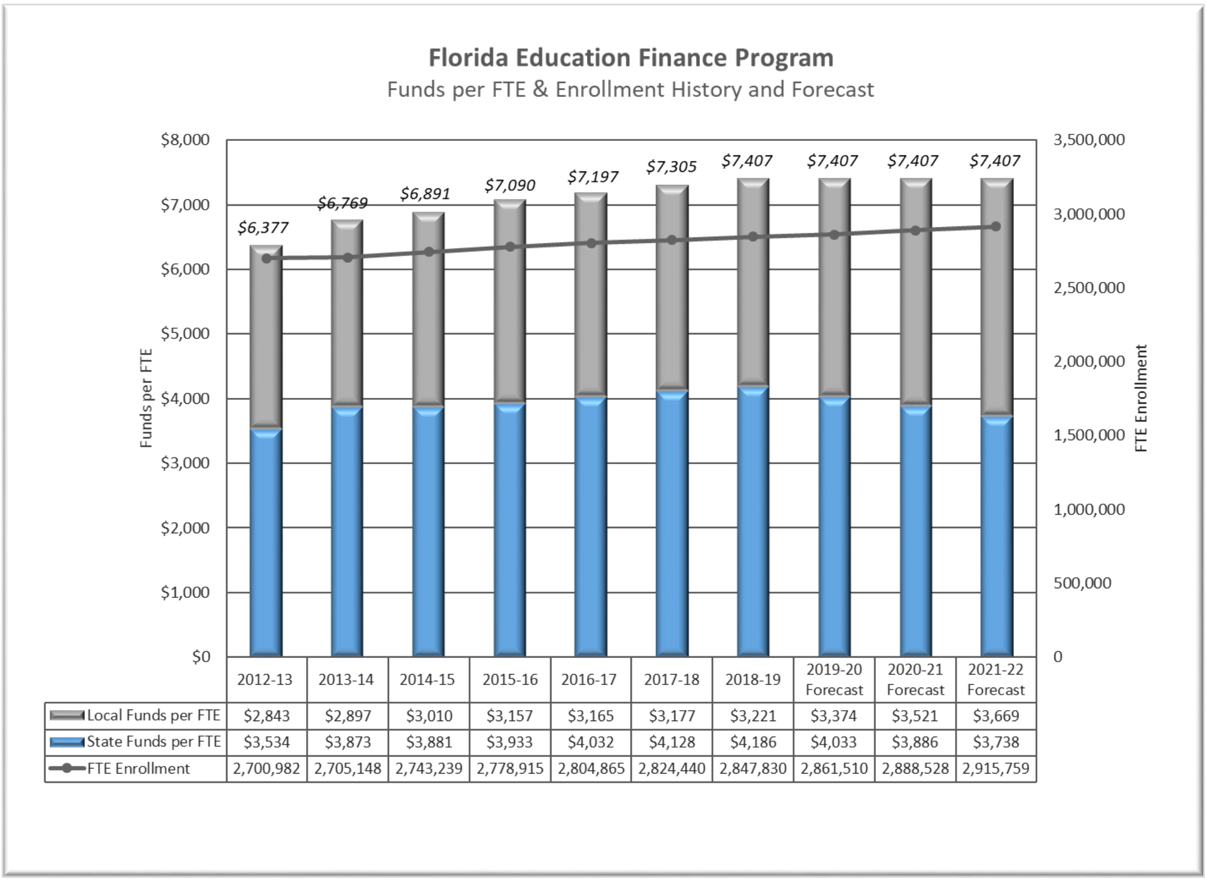
Ad Valorem Revenue	**Fiscal Year 2018-19***	**Fiscal Year 2019-20**	**Fiscal Year 2020-21**	**Fiscal Year 2021-22**
School Taxable Value Growth		5.64%	5.78%	5.63%
FEFP Property Tax Revenue	$9,174 million	$9,654 million	$10,170 million	$10,699 million
Increase in Property Tax Revenue		$480.0 million	$516.5 million	$529.0 million
Adjustment to Allow RLE to Increase with Tax Roll Growth (State Funds)		($480.0) million	($516.5) million	($529.0) million

**2018-19 is based on the FEFP 2nd calculation using the certified school taxable value and millage rate.*

The combination of Key Budget Drivers #1 through #3 maintains the level of total funds per student for Fiscal Years 2019-20 through 2021-22, with the assumption that the RLE and discretionary millage rates remain constant, allowing local FEFP revenue to grow.

Key Budget Drivers #1 - #3 Impact on State Funds	**Fiscal Year 2019-20**	**Fiscal Year 2020-21**	**Fiscal Year 2021-22**
1. Maintain Current Budget	$0.0 million	$0.0 million	$0.0 million
2. Enrollment Growth	$94.2 million	$200.1 million	$201.7 million
3. Adjustment to Allow RLE to Increase with Tax Roll Growth	($480.0) million	($516.5) million	($529.0) million
FEFP State Funds Needed in the Outlook	**($385.8) million**	**($316.4) million**	**($327.3) million**

The following graph displays the enrollment and state and local funds per student history for the FEFP. The total funds per student are maintained at the Fiscal Year 2018-19 amount of $7,407.03 for each of the forecast years.



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Local Funds per FTE	$2,843	$2,897	$3,010	$3,157	$3,165	$3,177	$3,221	$3,374	$3,521	$3,669
State Funds per FTE	$3,534	$3,873	$3,881	$3,933	$4,032	$4,128	$4,186	$4,033	$3,886	$3,738
FTE Enrollment	2,700,982	2,705,148	2,743,239	2,778,915	2,804,865	2,824,440	2,847,830	2,861,510	2,888,528	2,915,759

Note: 2018-19 FTE are shown at the appropriated level.

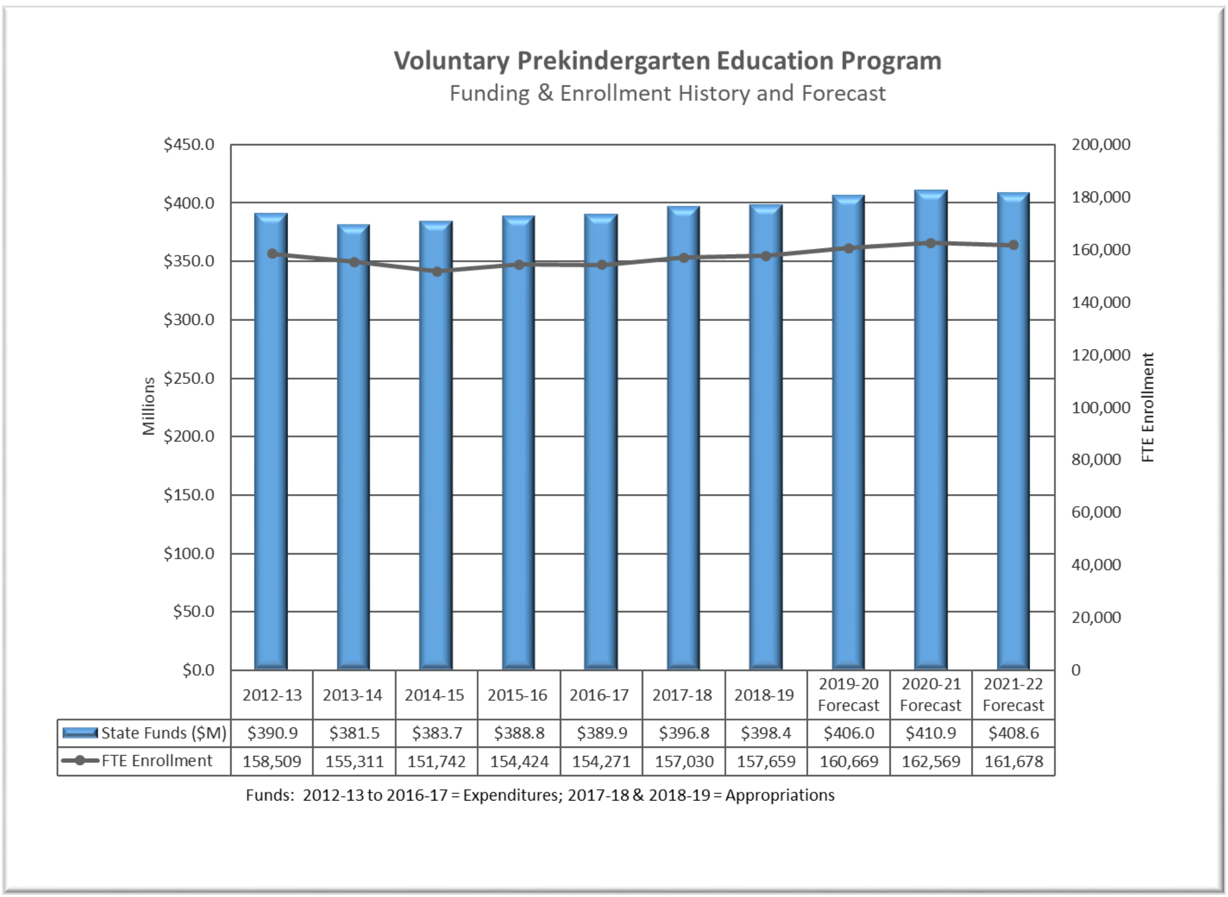
4. Enrollment Growth – Voluntary Prekindergarten Education Program

The Voluntary Prekindergarten Education (VPK) program is a free prekindergarten education program established by the Legislature in 2004 pursuant to the Florida Constitution. Enrollment is voluntary, and the program is offered by public schools and private providers to eligible Florida resident four-year-old or five-year-old children. Effectiveness of the program is determined by a kindergarten screening that assesses the readiness of each child upon entry to kindergarten. Each early learning coalition receives funds appropriated for the VPK program by assigning either a summer or regular school year base student allocation to the number of FTE students forecasted to be served in that region. This amount is then adjusted by a cost differential and a four percent administrative factor.

Critical Needs funding from state funds is projected for enrollment increases in the VPK program, as determined by the August 2018 Early Learning Programs Estimating Conference. Enrollment changes are estimated to cost $7.6 million based on a projected increase of 3,010

FTE over the prior year's appropriated level in Fiscal Year 2019-20,[7] $4.8 million for an additional 1,900 FTE in Fiscal Year 2020-21, and a reduction of $2.3 million for 891 fewer FTE in Fiscal Year 2021-22. Total enrollment growth over the three-year forecast period is estimated to be 4,019 FTE for funding purposes.

The following graph displays enrollment and funding history for the VPK program. For Fiscal Years 2012-13 to 2016-17, funds are represented by expenditures; for Fiscal Years 2017-18 and 2018-19, funds are equal to the appropriation. Funding per student for each of the forecast years is maintained at the Fiscal Year 2018-19 base student allocation (BSA) amount of $2,437 for the school year program and $2,080 for the summer program, as well as the 4 percent add-on for administrative and other program costs.



Note: Fiscal Years 2012-13 through Fiscal Year 2016-17 are final enrollment numbers adopted by the Early Learning Programs Estimating Conference. Fiscal Years 2017-18 and 2018-19 are held to the appropriated level for the purposes of this graph. Based on the August 2018 Conference, the forecasted enrollment is 153,871 FTE for Fiscal Year 2017-18 and 157,419 FTE for Fiscal Year 2018-19.

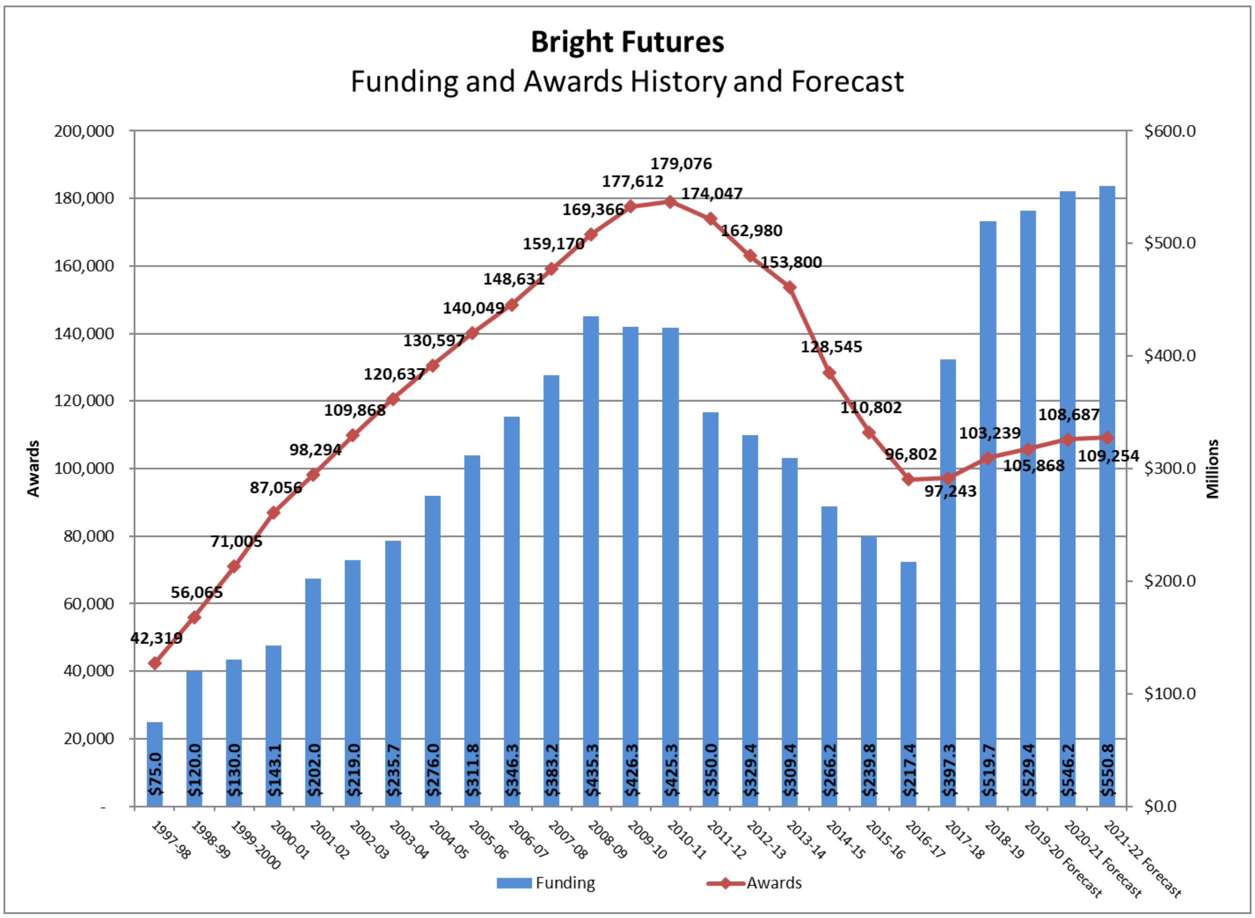
[7] Projected Fiscal Year 2018-19 VPK FTE enrollment was subsequently reduced by the Conference. The revised year-over-year growth between Fiscal Year 2018-19 and Fiscal Year 2019-20 is projected to be 3,250 FTE.

Higher Education (Drivers #5 & #6)

5. Workload and Enrollment – Bright Futures and Children and Spouses of Deceased/ Disabled Veterans

Bright Futures

The Bright Futures Scholarship program provides merit-based college scholarships to students who achieve certain academic levels in high school. Critical Needs funding for the Bright Futures program is based on the number of awards expected to be funded each year of the Outlook, as projected by the August 2018 Student Financial Aid Estimating Conference. The forecast projects 6,015 additional awards for Bright Futures over the three-year period, with 2,629 additional awards in Fiscal Year 2019-20; 2,819 additional awards in Fiscal Year 2020-21; and 567 additional awards in Fiscal Year 2021-22. These changes in expected awards result in an increase in EETF funding needed for the program of $9.7 million in Fiscal Year 2019-20, $16.8 million in Fiscal Year 2020-21, and $4.6 million in Fiscal Year 2021-22. These projections also account for initially eligible students enrolling in the summer term immediately following high school graduation. Prior to the reintroduction of summer funding in Fiscal Year 2017-18, these students were not eligible for funding until the fall term following high school graduation.



Children and Spouses of Deceased/Disabled Veterans
The Children and Spouses of Deceased/Disabled Veterans (CSDDV) Scholarship program provides scholarships for dependent children or unremarried spouses of Florida veterans or service members who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or who have been certified by the Florida Department of Veterans' Affairs as having service-connected 100 percent permanent and total disabilities. An additional 438 students are projected to be eligible for funding over the next three years. The anticipated number of CSDDV eligible recipients results in an increase in recurring General Revenue funding of $681,533 in Fiscal Year 2019-20, $667,301 in Fiscal Year 2020-21, and $660,120 in Fiscal Year 2021-22. The funding levels are based on the latest enrollment projections adopted by the August 2018 Student Financial Aid Estimating Conference.

6. Educational Enhancement Trust Fund Adjustment

The Long-Range Financial Outlook anticipates changes in Educational Enhancement Trust Fund (EETF) revenues and budget requirements for funding the Bright Futures program (Driver #5) in each year of the plan. The amount of nonrecurring EETF available for Fiscal Year 2019-20, after maintaining approximately a $60 million reserve balance, was utilized in the FEFP as a one year only fund shift with General Revenue (see Driver #1 for additional details). Based on the recurring EETF funds available for Fiscal Year 2019-20, a total of $1.1 million is shifted from the EETF to recurring General Revenue in other education program areas. Of the total fund shift from the EETF to General Revenue, $654,244 is in Higher Education and $457,375 is in Pre K-12 Education (included in Driver #1). Due to an increase in the EETF in Fiscal Year 2020-21, $17.8 million is available to be shifted from General Revenue to EETF ($10.5 million in Higher Education and $7.3 million in Pre K-12 Education). In addition, due to an increase in EETF revenues in Fiscal Year 2021-22, $22.8 million ($13.4 million in Higher Education and $9.4 million in Pre K-12 Education) is available to be shifted from General Revenue to EETF.

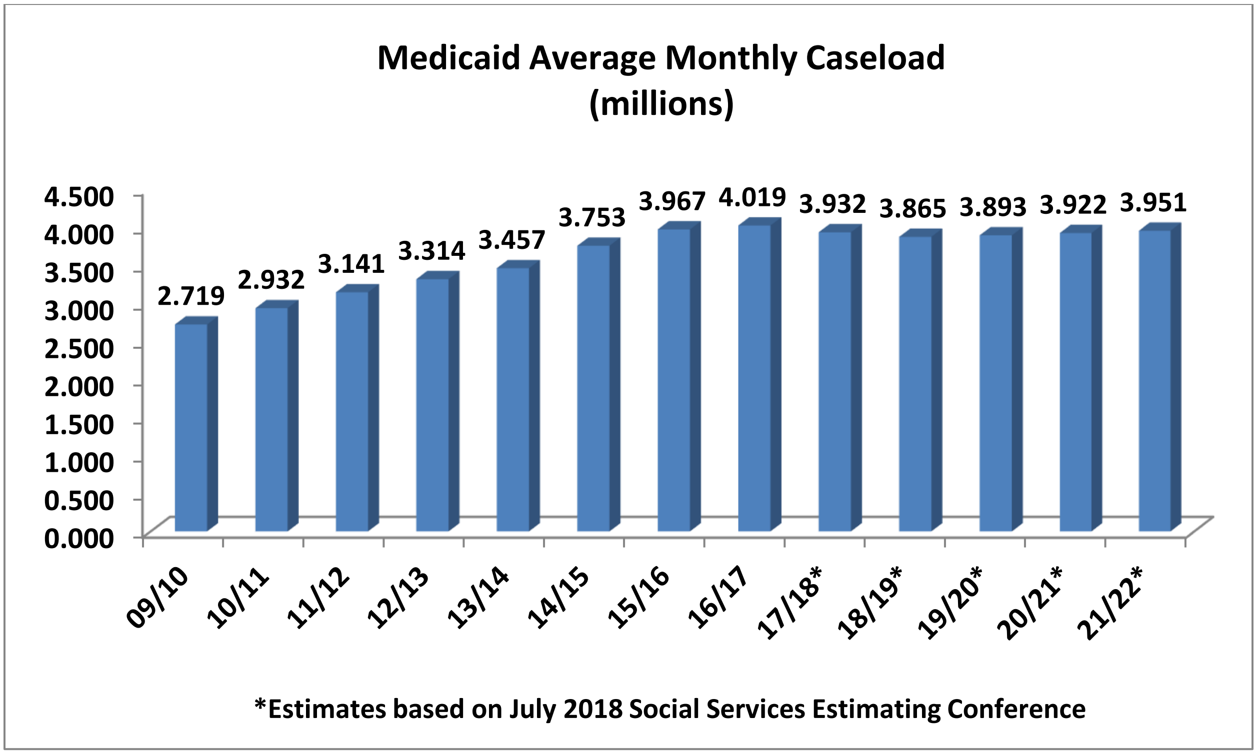
Human Services (Drivers #7 - #10)

7. Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income children, elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. It is the largest single program in the state budget, representing 31.7 percent of the total state budget, and is also the largest source of federal funding for the state.

<u>Caseload</u> – In Fiscal Year 2018-19, Medicaid enrollment is expected to decrease by 66,704 to 3.87 million beneficiaries, a 1.70 percent decrease from Fiscal Year 2017-18.

Enrollment is projected to increase by less than one percent in each of the forecast years as illustrated in the graph and table on the following page.

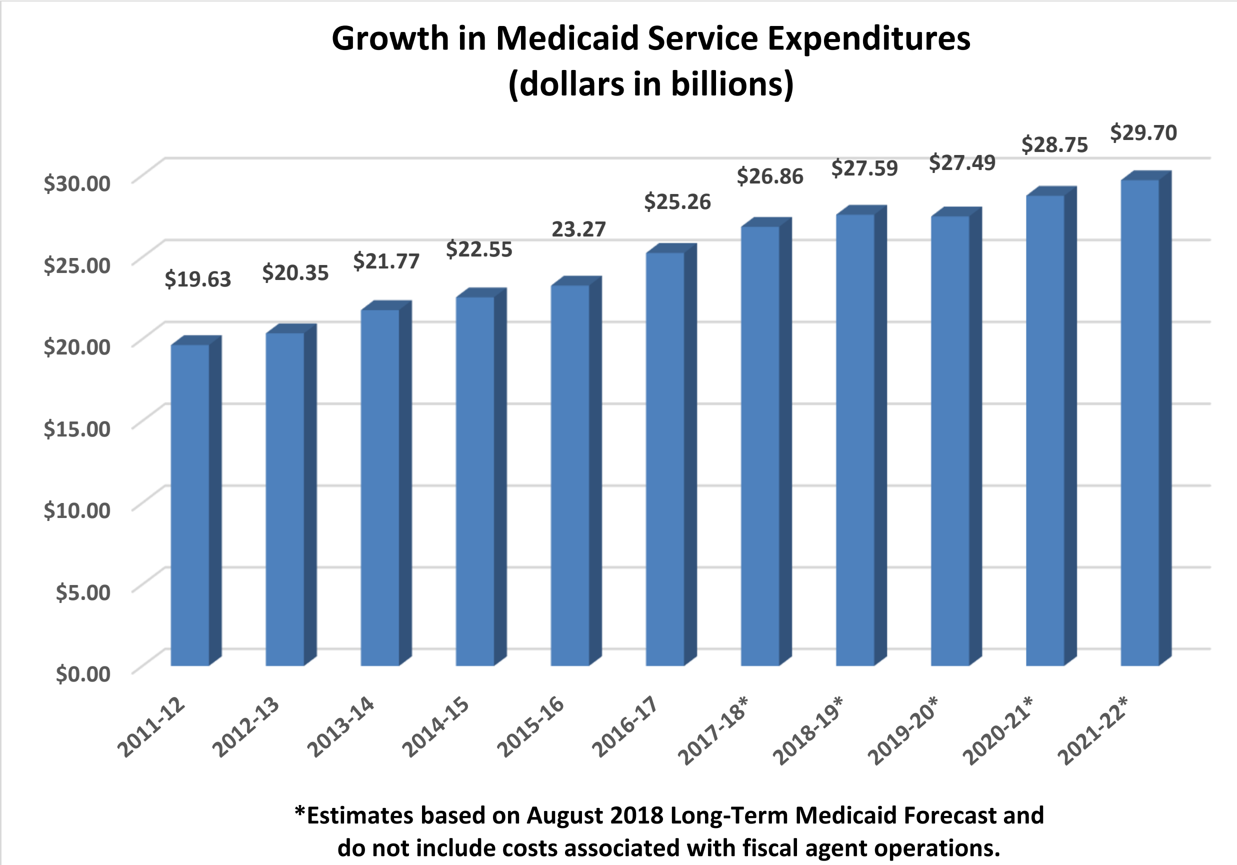


Medicaid Caseload Estimates

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Caseload	3,865,083	3,893,429	3,922,048	3,950,663
Increase		28,346	28,619	28,615
Percent		0.73%	0.74%	0.73%

Expenditures – In Fiscal Year 2018-19, Medicaid service expenditures are expected to reach $27.6 billion. Total expenditures are expected to decrease to $27.5 billion in Fiscal Year 2019-20, a 0.4 percent decline from the previous fiscal year. In Fiscal Year 2020-21, Medicaid service expenditures are expected to increase to $28.8 billion, a 4.6 percent increase, and expenditures of $29.7 billion are expected for Fiscal Year 2021-22, an increase of 3.3 percent over Fiscal Year 2020-21.

[SEE GRAPH AND TABLE ON FOLLOWING PAGE]



Medicaid Expenditure Estimates for General Revenue*
(dollars in millions)

	Appropriation Base**	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
FMAP Rate***	61.10%	60.84%	61.12%	61.54%
Expenditures				
General Revenue	**$6,780.0	****$6,920.0	$7,384.4	$7,629.7
Increase		$140.0	$505.9	$245.3
Percent		2.06%	7.35%	3.32%

* Estimate based on August 2018 Social Services Estimating Conference and does not include $3,109,028 in state matching funds in other departments for Fiscal Year 2019-20 and ($3,348,184) in Fiscal Year 2020-21 and ($5,022,277) for Fiscal Year 2021-22.
** Reflects the Fiscal Year 2018-19 recurring appropriation plus annualizations.
*** Reflects the State Fiscal Year real-time FMAP blend agreed upon at the August 2018 Social Services Estimating Conference.
**** Includes $41.5 million in nonrecurring general.

In keeping with the total need for Medicaid funding in Fiscal Year 2019-20 increasing by $592.1 million over the base budget, the Outlook includes an increase in recurring General Revenue for Medicaid expenditures of $98.5 million as well as $41.5 million in nonrecurring in Fiscal Year 2019-20. The recurring amount is due to reduced Tobacco Surcharge revenues in other state trust funds that have traditionally been used in lieu of General Revenue as well as a lower FMAP rate that requires additional General Revenue. The total need of $41.5 million of nonrecurring

General Revenue is the result of a change made by the Revenue Estimating Conference to the expected receipts in the Tobacco Settlement Trust Fund.

The August 2018 Revenue Estimating Conference for the Tobacco Settlement Trust Fund forecasted a reduction in Tobacco Settlement payments of $41.5 million in Fiscal Year 2019-20. The Social Services Estimating Conference reflected this adjustment in Fiscal Year 2019-20 estimated expenditures by increasing General Revenue by the same amount. The Outlook shows $41.5 million in nonrecurring General Revenue to reflect this adjustment. Further adjustments to General Revenue in the out-year forecasts were based on projected funds available in the Tobacco Settlement Trust Fund. The Outlook also maintains a reserve of Tobacco Settlement funds of $10.3 million for Fiscal Year 2019-20, $11.5 million for Fiscal Year 2020-21, and $11.7 million for Fiscal Year 2021-22.

The Outlook also includes increases in recurring General Revenue of $505.9 million in Fiscal Year 2020-21, which is inclusive of restoring the $41.5 million in nonrecurring dollars, and $245.3 million in Fiscal Year 2021-22. When the Medicaid state matching funds that are budgeted in other Health and Human Services departments are included, the recurring General Revenue increases total $101.6 million in Fiscal Year 2019-20, $502.6 million in Fiscal Year 2020-21, and $240.3 million in Fiscal Year 2021-22.

Major policy assumptions and projections for Critical Needs related to Medicaid expenditures for the forecast period were derived from the Social Services Estimating Conference that met in August 2018. The estimated costs for caseload, service utilization, Federal Medical Assistance Percentage (FMAP), and medical inflation are projected based on historical trends and other forecasting methodologies.

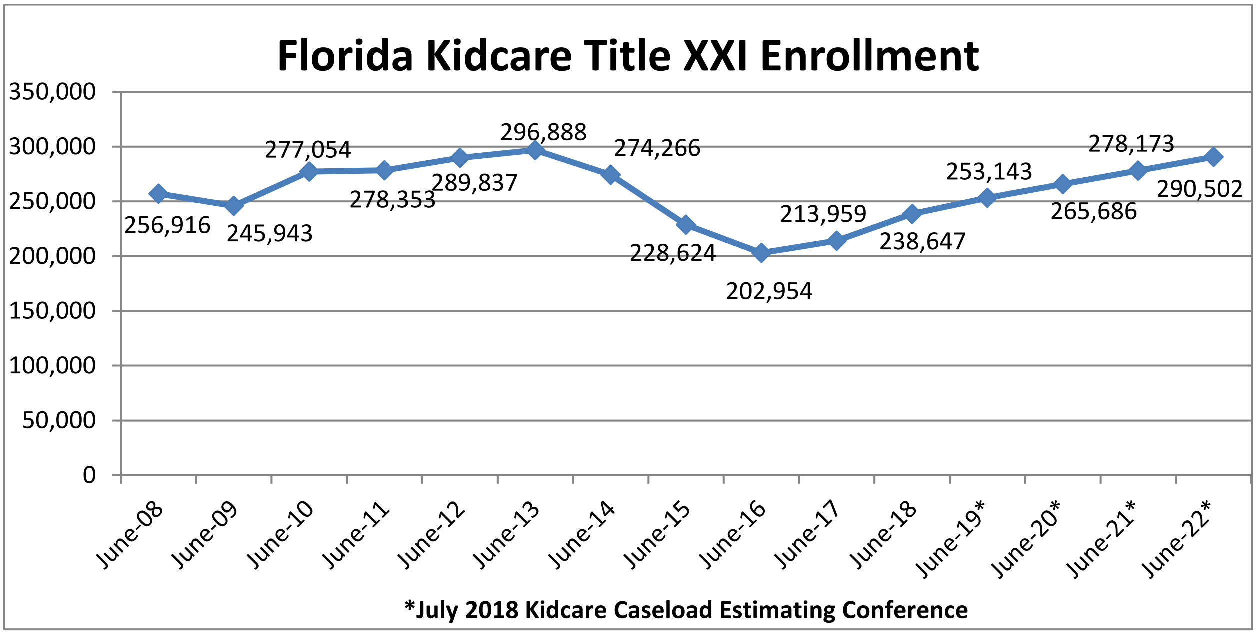
8. Kidcare Program

The federal Children's Health Insurance Program (CHIP – Title XXI of the Social Security Act) has been implemented in Florida as the Kidcare program, which provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the Family Poverty Level (FPL). In 2018, 200 percent of the FPL is $50,200 for a family of four. The CHIP is a federal and state matching program. The required state financial participation for Florida is 4.39 percent for Fiscal Year 2018-19, generating a federal share of 95.61 percent for each dollar spent. The Title XXI caseload as of June 2018 was 216,306. There were 22,341 additional children enrolled in the program who are non-Title XXI eligible, for a total program enrollment of 238,647.

The Patient Protection and Affordable Care Act (PPACA) provides that, effective October 1, 2015, through September 30, 2019, the FMAP for children enrolled in the Kidcare program is increased by 23 percentage points but will not exceed 100 percent. The increased Kidcare FMAP has been in place since Fiscal Year 2015-16, causing a significant reduction in the state funds required for the Kidcare program. This special treatment was scheduled to continue through Fiscal Year 2018-19. On January 22, 2018, Congress passed a six-year extension of CHIP funding. The Healthy Kids Act (H.R. 195, Division C) provides federal funding for CHIP through September 30, 2023, and provides an 11.5 percentage point increase to the regular CHIP

Enhanced FMAP for October 1, 2019, through September 2020. The combined effect of the two laws causes Florida's weighted Kidcare FMAP to be an estimated 86.96 percent in Fiscal Year 2019-20. However, the weighted Kidcare FMAP will decrease to 75.66 percent in Fiscal Year 2020-21 and further decrease to 73.08 percent in Fiscal Year 2021-22. A weighted FMAP is used because the months of the state fiscal year do not comport with the months of the federal fiscal year.

The following graph reflects caseload numbers as of June 30 of each year, while the expenditures shown in the table reflect estimates adopted by the SSEC.



Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Caseload	253,143	265,686	278,173	290,502
Increase		12,543	12,487	12,329
Percent		4.95%	4.70%	4.43%

	Appropriation Base*	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
FMAP Rate**	95.77%	86.96%	75.66%	73.08%
Expenditures				
General Revenue	$20.29	$70.58	$143.96	$171.93
Increase		$50.29	$73.38	$27.97
Percent		247.68%	103.97%	19.43%

* Reflects the Fiscal Year 2018-19 recurring appropriation plus annualizations.
** Weighted FMAP

The Outlook includes an increase in recurring General Revenue for Kidcare expenditures of $50.3 million in Fiscal Year 2019-20, an increase of $73.4 million in Fiscal Year 2020-21, and an increase of $28.0 million in Fiscal Year 2021-22.

Major policy assumptions and projections for Critical Needs related to Kidcare expenditures for the forecast period were derived from the Social Services Estimating Conference that met in August 2018. The estimated costs for caseload, utilization, FMAP, and medical inflation are projected based on historical trends and other forecasting methodologies.

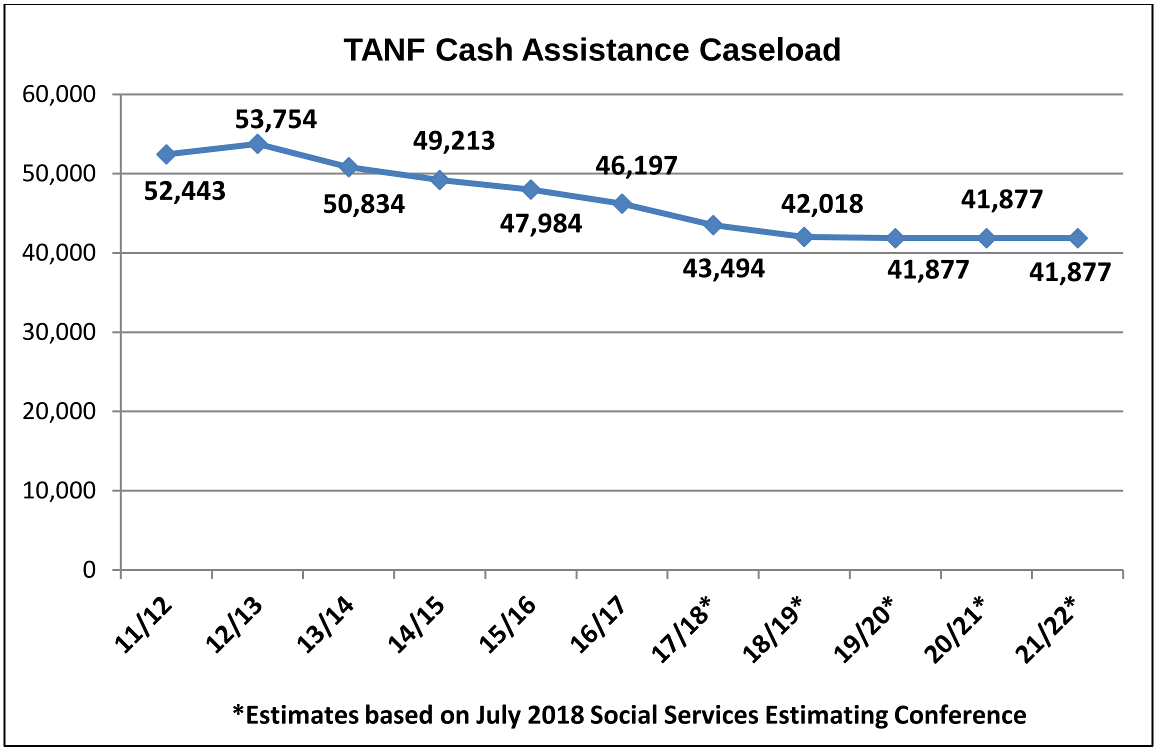
9. Temporary Assistance for Needy Families Cash Assistance

The federal welfare reform legislation of 1996 ended the federal entitlement to assistance and created the Temporary Assistance for Needy Families (TANF) block grant that provides assistance and work opportunities to needy families. Florida's federal block grant allotment is $560.5 million for Fiscal Year 2019-20, which represents a $1.9 million decrease due to federal budgetary action included in the Consolidated Appropriations Act of 2017 (P.L. 115-31). This legislation develops a new component of the TANF program for projects that move welfare recipients into work activities, and transfers 0.33 percent of the total TANF appropriation (referred to as the "state family assistance grant" – SFAG) to fund this new initiative. Florida's share of the transfer from SFAG is $1.9 million. The next TANF reauthorization, or extension, will determine whether the reductions in SFAG continue beyond Fiscal Year 2019-20.

The Outlook includes a decrease in recurring General Revenue for TANF expenditures of $10.5 million in Fiscal Year 2019-20 and increases of $0.1 million in both Fiscal Year 2020-21 and Fiscal Year 2021-22. These fluctuations are due to minimal inflationary adjustments in projected payments.

Chapter 2018-103, Laws of Florida, created the Guardianship Assistance Program that will accompany the existing Relative Caregiver Program and TANF Child-only as guardianship options available to provide financial assistance to eligible caregivers. The Guardianship Assistance Program will take effect July 1, 2019. Individuals currently receiving subsidies under the Relative and Nonrelative caregiver programs will continue in these programs, while new caregivers will be able to select from the Relative/Nonrelative or Guardianship Assistance Programs. It is currently unknown which option prospective caregivers will choose, given each program has specific requirements and offers different levels of support. Future SSEC forecasts will need to consider these programmatic and law changes once they are fully implemented.

[SEE GRAPH AND TABLE ON FOLLOWING PAGE]



Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Caseload	42,019	41,877	41,877	41,877
Increase/(Decrease)		(142)	0	0
Percent		(0.3%)	0%	0%

	Appropriation Base*	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Total Program Expenditures	$144.1	$133.6	$133.7	$133.8
Increase/(Decrease)		($10.5)	$0.1	$0.1
Percent		(7.3%)	0.1%	0.1%

*Reflects the Fiscal Year 2018-19 recurring appropriation plus annualizations.
Source: July 2018 Social Services Estimating Conference
Note: Totals may not add due to rounding.

Major policy assumptions and projections of Critical Needs relating to TANF cash assistance for the forecast period were derived from the Social Services Estimating Conference that met in July 2018. The estimated costs for cash assistance are projected based on historical trends and other forecasting methodologies used by the SSEC.

10. Tobacco Awareness Education Program

Since 2007, the Florida Constitution has required the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program. The program uses tobacco settlement money primarily to target youth and other at-risk Floridians. The annual funding requirement is 15 percent of the 2005 Tobacco Settlement payments to Florida, adjusted annually for inflation using the Consumer Price Index. The Department of Health is required to operate the Comprehensive Statewide Tobacco Education and Use Prevention Program.

Tobacco Education and Use Prevention Program Estimates
(dollars in millions)

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Expenditures	$70.4	$72.2	$73.7	$75.4
Increase		$1.8	$1.5	$1.7
Percent		2.6%	2.1%	2.3%

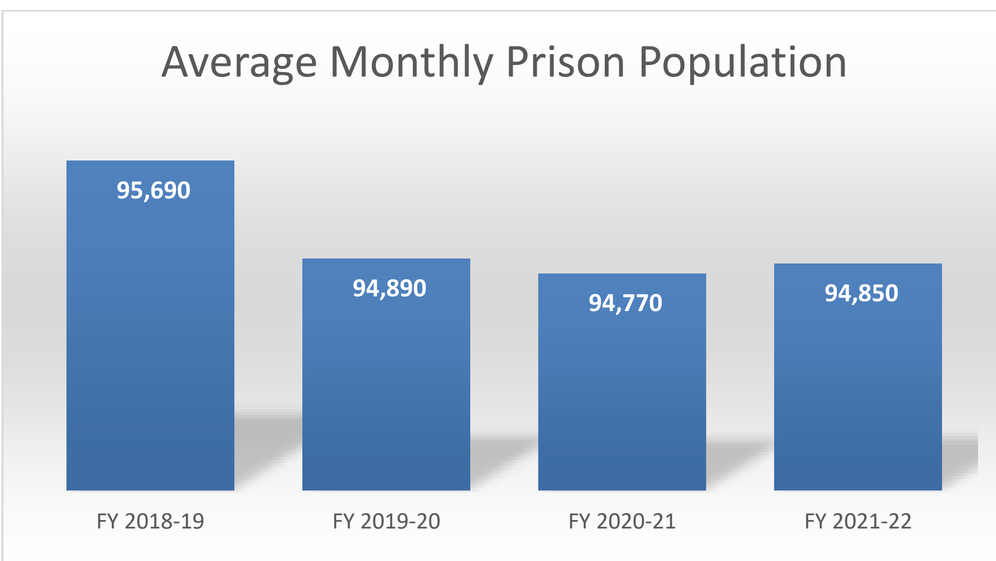
Note: Totals may not add due to rounding.

Major policy assumptions and projections of Critical Needs relating to the tobacco awareness program for the forecast period were derived from the estimated tobacco expenditures from the August 2018 Revenue Estimating Conference as adjusted by applying the Consumer Price Index from the July 2018 National Economic Estimating Conference.

Criminal Justice (Driver #11)

11. Criminal Justice Estimating Conference – Prison Population Adjustments

The Criminal Justice Estimating Conference (CJEC) provides various estimates related to Florida's prison population. Averaging the estimated number of prisoners for each month produces an average monthly prison population for the year. This metric shows that Florida's prison population will decrease by approximately 0.9 percent over the next three fiscal years.



Source: Criminal Justice Estimating Conference (July 24, 2018)

Operational cost drivers include prison security and institutional operations, food service, inmate health services, and educational and substance abuse programming for inmates. To calculate projected costs, the annual population change is applied to an incremental per-diem calculation. The incremental per-diem rates for Fiscal Year 2018-19 are $15.81 for a population change of 1 to 499 inmates, which reflects variable cost increases, $31.66 for every 500 beds, which reflects dorm or work camp operating costs, and $54.44, which reflects full operating costs for 1,500 beds. These per-diems only include security and institutional costs and are adjusted annually based on cost and population changes.

While the most recent CJEC estimate for Fiscal Year 2018-19 is 95,690, this is lower than the forecast used to appropriate funds for the current year. At the time the budget was developed, the estimate was 96,206. The CJEC projected average daily prison population for Fiscal Year 2019-20 is 94,890, a reduction of 1,316 inmates from the budgeted prison population for the prior year. The projected prison population decreases in Fiscal Year 2020-21 by 120 inmates to 94,770 and increases in Fiscal Year 2021-22 by 80 inmates to 94,850. To reflect the changes in operational costs, the Outlook reduces General Revenue funding by $13.4 million for Fiscal Year 2019-20 and $0.7 million for Fiscal Year 2020-21, and increases such funding by $0.5 million for Fiscal Year 2021-22.

Transportation and Economic Development (Driver #12)

12. State Match for Federal Emergency Management Agency Funding – State Disaster Funding (Declared Disasters)

When a federally declared disaster occurs, the federal government provides grant funds to repair damage and protect areas from future potential disasters. Florida is required to provide up to 25 percent of the total cost of the grant as state match. State matching funds for federally declared disasters vary significantly from one year to the next. The amount of General Revenue required in any given year is dependent on the number and severity of disasters, the federally required percentage of state match, and the timing of the required match. Based on the most recent quarterly estimate from the Division of Emergency Management, the Outlook includes $152.2 million of nonrecurring General Revenue in Fiscal Year 2019-20, $110.5 million in Fiscal Year 2020-21, and $82.4 million in Fiscal Year 2021-22 to meet the outstanding state obligation for all open federally declared disasters.

Not included in the Outlook calculations are estimates for natural disasters yet to occur or for which damage assessments have not been conducted as of the date this Outlook was written. Damage assessments and claims processing through the Division of Emergency Management can span several fiscal years. Due to the volatility of natural disasters, in terms of both frequency and severity, it is not possible to estimate the costs to the state for these future events.

General Government (Drivers #13 & #14)

13. Non-Florida Retirement System Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services (DMS) is responsible for administering non-FRS pension and benefit programs, such as those for the Florida National Guard and disabled justices and judges. The funding adjustments included in the Outlook are related to the Florida National Guard and are based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits, and growth in the number of participants. The Outlook includes funds for the non-FRS pension and benefit programs based on estimates provided by the DMS, Division of Retirement, as follows: an increase of $0.3 million in recurring General Revenue for Fiscal Year 2019-20, an increase of $0.1 million in recurring General Revenue for Fiscal Year 2020-21, and an additional $0.1 million in recurring General Revenue for Fiscal Year 2021-22.

14. Fiscally Constrained Counties – Property Tax

Section 218.12, Florida Statutes, directs the Legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the constitutional amendment approved in the Special Election held in January 2008. In addition, section 218.125, Florida Statutes, provides a distribution to fiscally constrained counties to offset the constitutional amendment approved in November 2008 authorizing an ad valorem tax exemption for real property dedicated in perpetuity for conservation purposes. The Outlook includes funds for the fiscally constrained counties based on the Revenue Estimating Conference held on August 9, 2018; $23.6 million in nonrecurring General Revenue for Fiscal Year 2019-20; $24.4 million for Fiscal Year 2020-21; and $25.3 million for Fiscal Year 2021-22.

Administered Funds and Statewide Issues (Drivers #15 - #17)

15. Risk Management Insurance

The Outlook includes funds for the state's Risk Management Insurance Program. The program is administered by the Department of Financial Services and provides workers' compensation, general liability, federal civil rights, auto liability, off-duty law enforcement vehicle property damage, and property insurance coverage to state agencies. The state is self-insured for these types of coverage, and agencies are assessed premiums on an annual basis for the coverage. The Outlook uses data available from the Self-Insurance Estimating Conference held on July 23, 2018, to estimate costs and determine General Revenue and trust fund allocations to the various agencies. In Fiscal Year 2018-19, the Legislature provided $20 million from the General Revenue Fund to resolve the deficit in the Risk Management Trust Fund that resulted from Hurricane Irma and the subsequent insurance claims. Additional funds are needed in each of the Outlook years for projected deficits. The Outlook includes $9.4 million in nonrecurring General Revenue and $5.4 million from nonrecurring trust funds for Fiscal Year 2019-20, $17.5 million in nonrecurring General Revenue and $10 million from nonrecurring trust funds for Fiscal Year

2020-21, and $17.8 million in nonrecurring General Revenue and $10.2 million from nonrecurring trust funds for Fiscal Year 2021-22.

16. Division of Administrative Hearings Assessments

The Outlook includes funds to support the operations of the Division of Administrative Hearings. The division resolves disputes brought by individuals and groups such as state agencies and contracted entities for hearing by an administrative law judge. The division's funding is derived by assessing state agencies and other entities for services based on the prior year's hearing hours. The hours vary from year to year, and each agency has different funding sources. Agencies range from paying all of the assessments with trust funds to agencies paying all with General Revenue, with a few agencies using a mix of both General Revenue and trust funds to pay the assessment. Based on actual hearing hours utilized by agencies in Fiscal Year 2017-18, a decrease of $285,555 of recurring General Revenue and an increase of $356,479 of recurring trust funds are included in the Outlook for Fiscal Year 2019-20.

17. Increases in Employer-Paid Benefits for State Employees

Health Insurance – Total expenses associated with the state employee health insurance program are expected to increase by $272.6 million in Fiscal Year 2019-20, $334.0 million in Fiscal Year 2020-21, and $383.5 million in Fiscal Year 2021-22. Historically, when the Legislature appropriates additional funds to maintain the solvency of the program, approximately 61 percent of employer-funded premium increases are funded from the General Revenue Fund and 39 percent from various trust funds.

The increases in expenses are based on assumptions that the health insurance program will experience a 4.8 percent average annual increase in Health Maintenance Organization (HMO) premium payments, 8.1 percent average annual growth in HMO medical claims, 15 percent average annual growth in HMO pharmacy claims, 8.1 percent average annual growth in Preferred Provider Organization (PPO) medical claims, and 15 percent average annual growth in PPO pharmacy claims.

On the revenue side of the state employee health insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered through premium increases paid by the employing agencies. Generally, these costs have been funded through this mechanism.

In order to meet expenses and maintain a small positive balance in the State Employees' Group Health Insurance Trust Fund at the end of the three-year period, the Outlook assumes an 11.0 percent annual increase in employer-paid premium contributions on December 1, 2019, December 1, 2020, and December 1, 2021. The mid-year start of the premium increases causes an annualization effect in the subsequent year that is also addressed by this driver. Under these assumptions, state contributions are expected to increase by $86.4 million from the General Revenue Fund and $55.7 million from trust funds in Fiscal Year 2019-20, $161.6 million from the General Revenue Fund and $112.3 million from trust funds in Fiscal Year 2020-21, and $173.6 million from the General Revenue Fund and $120.7 million from trust funds in Fiscal

Year 2021-22. No changes to the benefits offered under the insurance program or to employee-paid premium contributions are assumed in the Outlook.

Florida Retirement System (FRS) – Since Fiscal Year 2013-14, the Legislature has provided full funding for the normal cost and amortization of unfunded actuarial liabilities of the FRS. As a result, if the assumptions used during the FRS Annual Actuarial Valuation are achieved and remain unchanged and no additional benefits are enacted, no additional expenditures would be needed. The results of the 2018 FRS Actuarial Assumptions Conference and the 2017-18 Annual Actuarial Valuation are not available in preparation of this Outlook. Therefore, the Outlook assumes a three-year average of the increase in appropriations needed to fully fund the actuarially calculated contribution rates. The three-year average increase of $71.6 million from the General Revenue Fund and $10.1 million from trust funds was due in large part to changes in the assumed investment rate of return for the FRS. The assumed rate was lowered five basis points in 2016 and ten basis points in 2017.

Conference	**2013**	**2014**	**2015**	**2016**	**2017**
Investment Return Assumption	7.75%	7.65%	7.65%	7.60%	7.50%
Basis Point Change from Prior Year		10.0	0.0	5.0	10.0

Other High Priority Needs

Pre K-12 Education (Drivers #18 - #21)

18. Increase Total Funds per FTE Student – Florida Education Finance Program

A 1.16 percent increase in total funds per FTE student is provided in Other High Priority Needs funding for the Florida Education Finance Program (FEFP) based on the three-year average of the percentage increase in funds appropriated per FTE student, excluding Florida Retirement System adjustments. In order to implement a 1.16 percentage increase, a total of $237.2 million, $239.3 million, and $249.3 million of recurring General Revenue is provided for the FEFP for Fiscal Years 2019-20, 2020-21, and 2021-22, respectively. This issue works in combination with the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3) to achieve the desired level of funding.

19. Increase Total Amount of the Required Local Effort by the Value of New Construction Only – Florida Education Finance Program

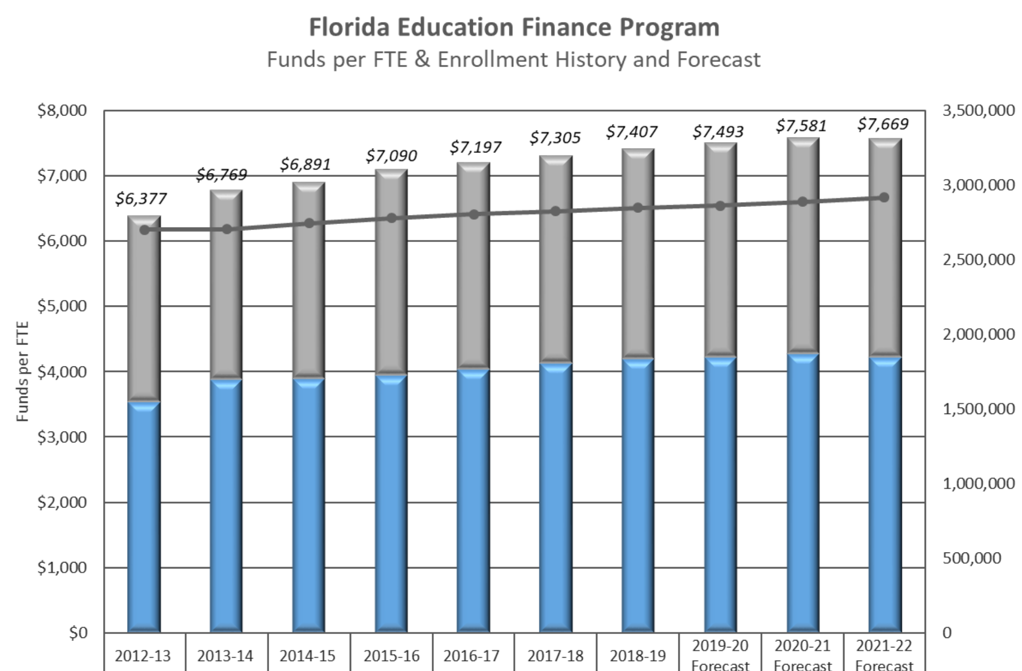
As Florida's economy has rebounded, aggregate property values have increased, resulting in a situation where the same Required Local Effort (RLE) millage rate would generate more in property tax revenue in subsequent years. For the past three years, the Legislature has adopted funding policies to limit the growth in RLE. Specifically, for Fiscal Years 2016-17 and 2017-18, the Legislature adopted a policy to maintain the total RLE dollars at the prior year's level by providing additional state funds in lieu of allowing the RLE to increase due to the increased property valuations. For Fiscal Year 2018-19, the Legislature allowed the RLE to increase by the value associated with new construction only.

Continuing the most recent legislative policy regarding RLE, Other High Priority Needs funding is provided for the Florida Education Finance Program (FEFP) based on increasing the Fiscal Year 2018-19 total RLE amount by the value of new construction only. This requires an estimated $289.2 million, $315 million, and $320.5 million of recurring state funds for Fiscal Years 2019-20, 2020-21, and 2021-22, respectively, to buy back part of the full ad valorem increase allowed in Critical Needs Driver #3. Overall, this issue works in combination with the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3) to achieve the desired level of funding.

20. Additional Cost Required to Implement Both Increase Total Funds per Student and Increase Total Amount of the Required Local Effort by the Value of New Construction Only – Florida Education Finance Program

Other High Priority Needs funding is provided for the Florida Education Finance Program (FEFP) based on implementing both Driver #18 (increasing the total funds per FTE student) and Driver #19 (limiting the total Required Local Effort [RLE] growth to the value of new construction only). The amount of state funds needed to increase the total funds per FTE student, in part, is a function of the amount of the RLE. The cost to increase total funds per FTE student is higher to the state if the RLE growth is limited. As a result, additional state funds are needed for Driver #19 when limiting the growth in the total amount of the RLE. Driver #20 provides the additional $9.7 million, $15.1 million, and $12.9 million of recurring state funds for Fiscal Years 2019-20, 2020-21, and 2021-22, respectively, to implement both Drivers #18 and #19. This issue works in combination with the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3) to achieve the desired level of funding.

The following graph displays the enrollment and split between state and local funds per student, both historically and in the forecasted years after taking into account all Critical and Other High Priority Needs for the FEFP. Relative to the graph following Driver #3, the total funds per student are increased, and the split between state and local funds shifts to a higher concentration of state funds.



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Local Funds per FTE	$2,843	$2,897	$3,010	$3,157	$3,165	$3,177	$3,221	$3,273	$3,312	$3,352
State Funds per FTE	$3,534	$3,873	$3,881	$3,933	$4,032	$4,128	$4,186	$4,221	$4,269	$4,217
FTE Enrollment	2,700,982	2,705,148	2,743,239	2,778,915	2,804,865	2,824,440	2,847,830	2,861,510	2,888,528	2,915,759

21. Workload and Enrollment – Other Pre K-12 Programs

Other High Priority Needs funding is provided for the Florida School for the Deaf and the Blind. The school is a fully accredited state public school located in St. Augustine for approximately 1,000 PreK through grade 12 deaf/hard of hearing, blind/visually impaired, and special needs students who are either residential, day, or out-reach students. Funds are provided based on the three-year average increase of appropriations for school operations in the amount of $440,557 of recurring General Revenue for each of the three forecast years.

In addition, Other High Priority Needs funding is provided for the Florida Best and Brightest Teacher and Principal Scholarship Program.

Florida's Best and Brightest Teacher and Principal Scholarship Program provides: (1) scholarships to teachers based on high academic achievement and highly effective classroom instruction; (2) scholarships to principals serving at least two consecutive years at a school with a required percentage of best and brightest classroom teachers; and (3) through Fiscal Year 2019-20, yearly bonuses for classroom teachers rated highly effective and effective. Because the yearly bonus program expires after Fiscal Year 2019-20, funds are provided based on the three-year average increase of appropriations for the scholarships for teachers and principals in the amount of approximately $18.9 million in recurring General Revenue for each of the three forecast years.

Higher Education (Drivers #22 - #26)

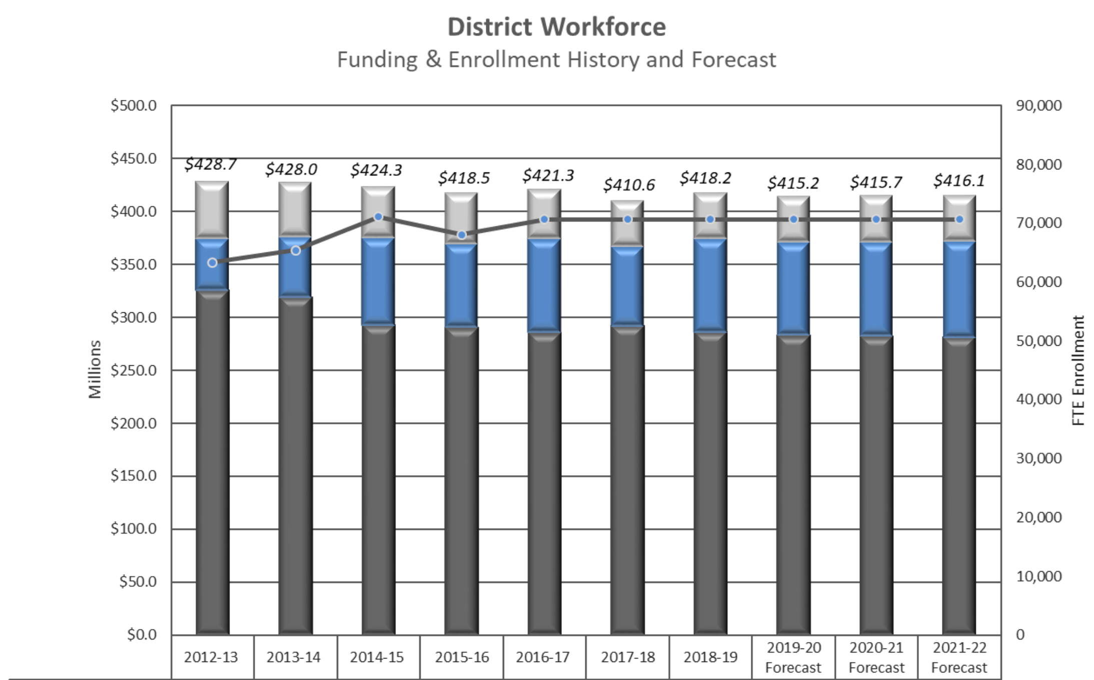
22. Maintain Current Budget – Higher Education

In order to maintain the Fiscal Year 2018-19 budget, Other High Priority Needs funding includes $64.8 million in recurring General Revenue to restore nonrecurring appropriations in Fiscal Year 2018-19 for critical programmatic and policy issues related to Florida College System institutions, State University System institutions, the Effective Access to Student Education Grant (EASE), and the Access to Better Learning Grant (ABLE). Specifically, $10 million is provided to colleges to restore performance funding for earned industry certifications; $30 million is provided to colleges to restore performance funding for college programs that result in successful student outcomes; $2.5 million is provided to colleges to restore operating funds allocated through a statewide equity-based funding model; $12.7 million is provided to universities to restore performance funding for university programs that result in successful student outcomes; and $9.6 million is provided to restore student award amounts for the EASE and ABLE grant programs.

23. Workload – District Workforce

Other High Priority Needs funding includes increases for school district workforce education programs based on the three-year average increase of appropriation of $450,891 for each forecasted year of the Outlook. For each fiscal year included in the three-year average calculation, the appropriation change excludes appropriations for projects as defined in Joint Rule 2. The following graph provides historical funding and enrollment data for district workforce and funding projections for the 2019-20, 2020-21, and 2021-22 fiscal years. Tuition revenue projections and enrollment are held constant over the three-year forecast period.

[SEE GRAPH ON FOLLOWING PAGE]

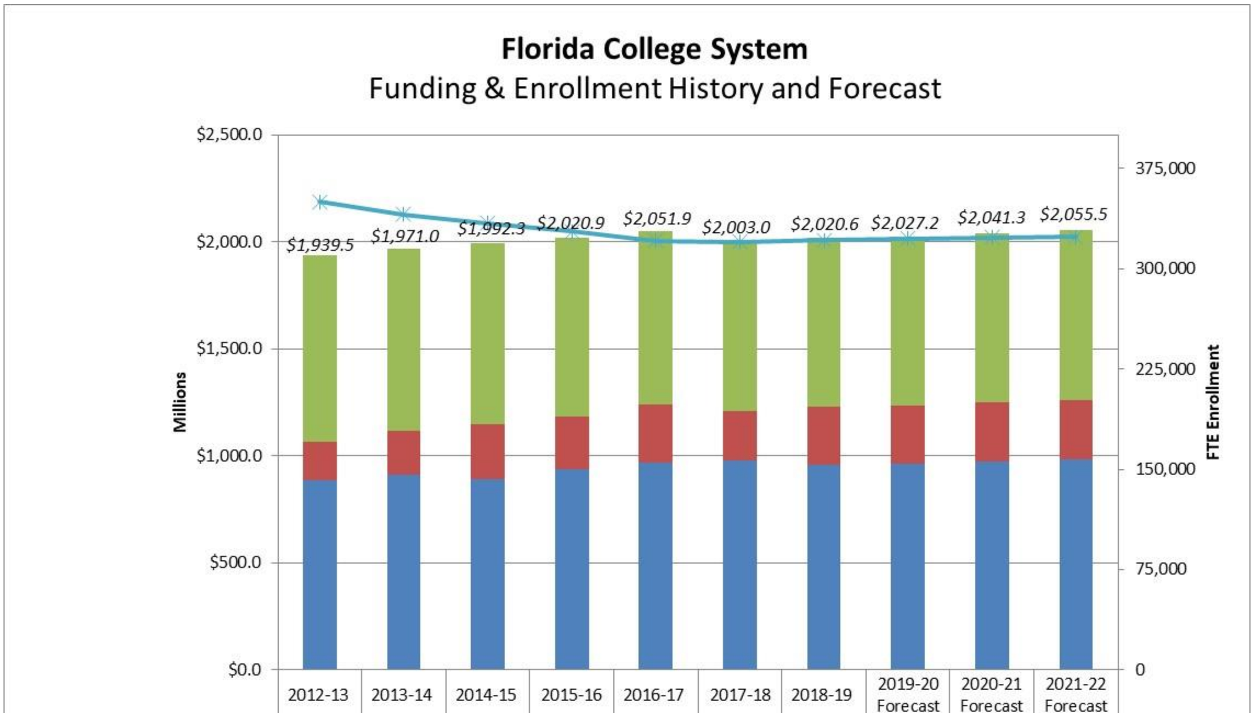


	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Tuition	$54.2	$51.5	$48.9	$48.3	$46.7	$43.4	$43.8	$43.8	$43.8	$43.8
EETF	$48.7	$57.4	$82.4	$79.2	$88.5	$74.9	$88.0	$87.9	$89.2	$90.8
General Revenue	$325.8	$319.1	$293.0	$291.0	$286.1	$292.3	$286.5	$283.5	$282.7	$281.5
FTE Enrollment	63,351	65,462	71,120	68,084	70,693	70,693	70,693	70,693	70,693	70,693

24. Workload – Florida Colleges

Other High Priority Needs funding includes increases for Florida colleges based on the three-year average increase of appropriations of $14.1 million for each forecasted year of the Outlook. The calculated average appropriation does not include Florida Retirement System adjustments, which are accounted for as a separate driver in the Outlook. In addition, for each fiscal year included in the three-year average, the appropriation change excludes appropriations for projects as defined in Joint Rule 2. The following graph provides historical funding and enrollment data for Florida colleges and funding projections for the 2019-20, 2020-21, and 2021-22 fiscal years. The enrollment for Fiscal Year 2017-18 reflects the actual enrollment adopted by the August 2018 Education Estimating Conference. For the subsequent fiscal years displayed in the following graph, the enrollments reflect system-wide enrollment projections as adopted by the conference. Tuition revenue projections are held constant over the three-year forecast period.

[SEE GRAPH ON FOLLOWING PAGE]



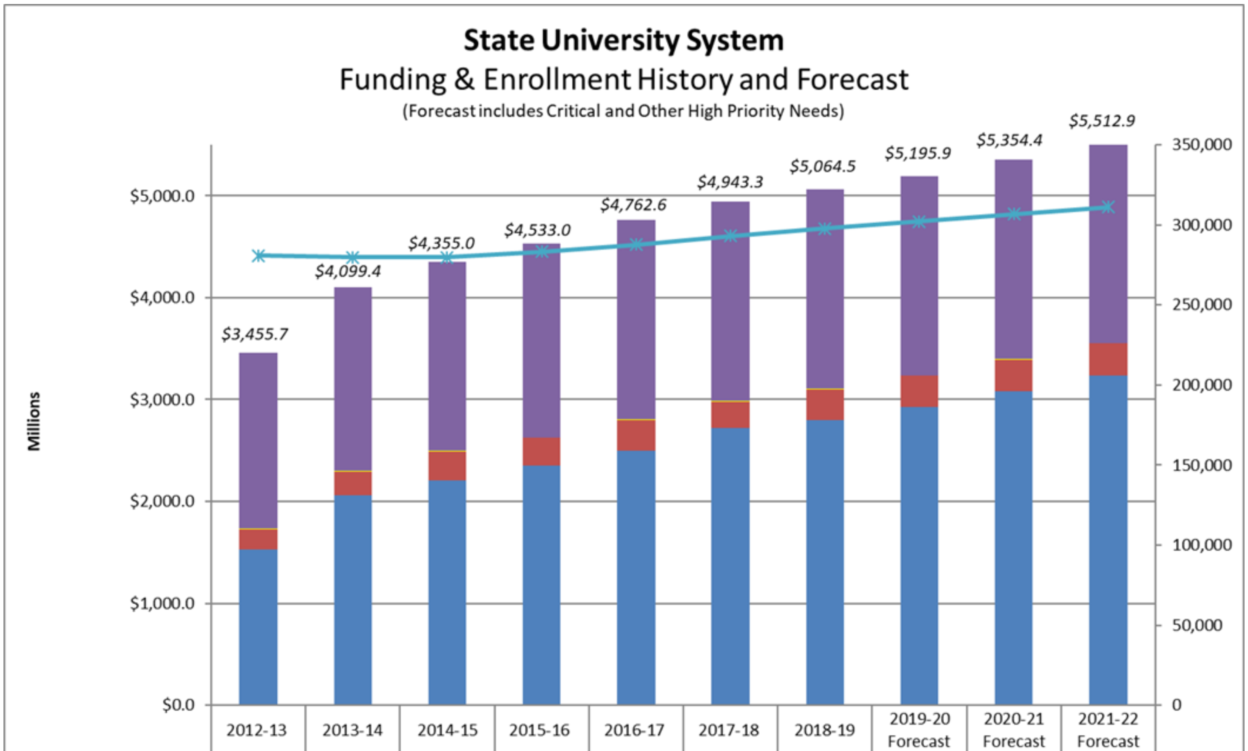
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Tuition	$873.3	$852.0	$845.2	$839.0	$811.9	$792.0	$792.0	$792.0	$792.0	$792.0
EETF	$180.8	$204.9	$255.0	$244.9	$273.8	$231.8	$272.2	$271.9	$275.8	$280.8
General Revenue	$885.4	$914.1	$892.1	$937.0	$966.2	$979.2	$956.4	$963.2	$973.5	$982.6
FTE Enrollment	350,109	340,556	334,178	327,992	320,900	320,043	321,477	322,604	323,464	323,952

25. Workload – State Universities

Other High Priority Needs funding includes workload increases for the State University System (SUS) based on the three-year average increase of appropriations of $158.5 million for each forecasted year of the Outlook. This average increase consists of an approximately $154.2 million workload increase for Education and General activities, a $4.0 million workload increase for the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida, and a $328,188 workload increase for the Florida Postsecondary Comprehensive Transition Program (FPCTP). The FPCTP was enacted in 2016 (chapter 2016-2, Laws of Florida), and it expands and enhances postsecondary education opportunities for individuals with unique abilities, including scholarships for eligible students. Administration and statewide coordination of information regarding programs and services for students is provided by the Florida Center for Students with Unique Abilities at the University of Central Florida.

The calculated average increases of appropriations do not include Florida Retirement System adjustments, which are accounted for as a separate driver in the Outlook. In addition, for each fiscal year included in the three-year average, the appropriation change excludes appropriations for projects as defined in Joint Rule 2. The three-year average increase of appropriations includes only the incremental increases related to new funding issues for each of the three prior fiscal years. The following graph provides historical funding and enrollment data for the State University System, and funding projections for the 2019-20, 2020-21, and 2021-22 fiscal years.

The enrollment projections are provided by the Board of Governors, and the estimated tuition revenues are held constant over the three-year forecast period.



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Tuition	$1,724.4	$1,802.6	$1,861.2	$1,902.3	$1,957.5	$1,957.5	$1,957.5	$1,957.5	$1,957.5	$1,957.5
Phosphate TF	$5.0	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1
EETF	$199.9	$234.8	$284.8	$273.6	$304.4	$257.6	$302.6	$302.3	$306.6	$312.2
General Revenue	$1,526.4	$2,057.0	$2,203.9	$2,352.0	$2,495.6	$2,723.1	$2,799.3	$2,931.0	$3,085.2	$3,238.1
FTE Enrollment	280,974	279,742	279,893	283,385	287,753	293,260	297,930	302,260	306,810	311,290

26. Workload and Adjustments – Other Higher Education Programs

Other High Priority Needs funding includes General Revenue increases for merit and need-based student financial assistance, and other tuition assistance programs for students attending Florida’s public and private colleges and universities. The plan includes combined annual increases of $50.1 million, $50.8 million, and $50.4 million, respectively for the 2019-20, 2020-21, and 2021-22 fiscal years for these programs. Specific program increases are detailed below.

Florida Student Access Grant (FSAG)
The plan includes annual General Revenue increases of $40.2 million for the FSAG program, which is a state-funded need-based financial assistance program for students attending public or private postsecondary institutions in Florida. These funding increases are based on the three-year average appropriations increase for the program.

Effective Access to Student Education (EASE) and Access to Better Learning (ABLE) Grants
The Outlook includes annual increases of General Revenue appropriations of $7.4 million for the EASE and ABLE Grant programs, which are tuition assistance programs for students attending

eligible private colleges and universities. These funding increases are based on the historical three-year average increases of appropriations for each of the programs.

Benacquisto Scholarship Program
The Benacquisto Scholarship Program is a merit scholarship program for high school graduates who earn recognition as National Merit or National Achievement Scholars and choose to attend a Florida postsecondary institution. The scholarship is equal to the cost of attendance (including tuition and fees, room and board, and other expenses) at a Florida public postsecondary educational institution, less the combined amount of the student's Bright Futures Scholarship and National Merit Scholarship or National Achievement Scholarship.

An additional 524 students are projected to be eligible for funding over the next three years, with 181 additional students eligible in Fiscal Year 2019-20, 186 additional students in Fiscal Year 2020-21, and 157 additional students in Fiscal Year 2021-22. The additional Benacquisto Scholars results in an increase in recurring General Revenue of $2.5 million in Fiscal Year 2019-20, $3.2 million in Fiscal Year 2020-21, and $2.8 million in Fiscal Year 2021-22. The funding levels are based on the latest enrollment projections adopted by the August 2018 Student Financial Aid Estimating Conference.

Education Fixed Capital Outlay (Driver #27)

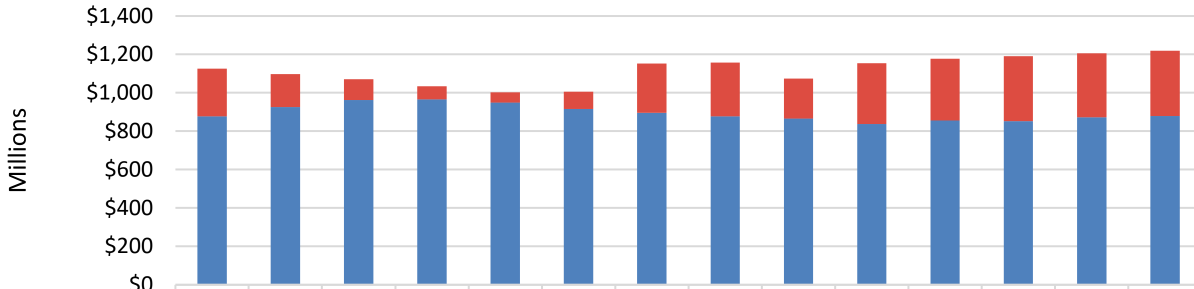
27. Education Fixed Capital Outlay

The Public Education Capital Outlay and Debt Service (PECO) Trust Fund is established in the Florida Constitution to fund public education capital outlay projects. Revenues to the PECO Trust Fund are from Gross Receipts Tax collections. In recent years, additional state funds from the General Revenue Fund and the Educational Enhancement Trust Fund have been appropriated to supplement the PECO Trust Fund in order to provide the desired level of funding for education fixed capital outlay projects.

In Fiscal Year 2009-10, gross receipts tax revenues began to decline until leveling out in Fiscal Year 2013-14. The resulting revenue decline negatively impacted the ability of the state to pay debt service solely from the PECO Trust Fund for previously issued bond obligations and prevented the issuance of an additional $250 million in previously authorized bonds. The revenue decline also eliminated the ability to undertake any new bonding from Fiscal Year 2011-12 through Fiscal Year 2013-14. In Fiscal Year 2014-15, legislation was enacted to improve the overall fiscal health of the PECO Trust Fund. Revenues were increased and a reserve for debt service was established to ensure payment of debt service prior to other obligations. The capacity to bond PECO Trust Fund revenues returned in Fiscal Year 2014-15, but the Legislature has authorized bonding only once (Fiscal Year 2016-17) since then.

[SEE GRAPH ON FOLLOWING PAGE]

PECO Gross Receipts Revenues Compared to Actual PECO Bond Debt Service Levels

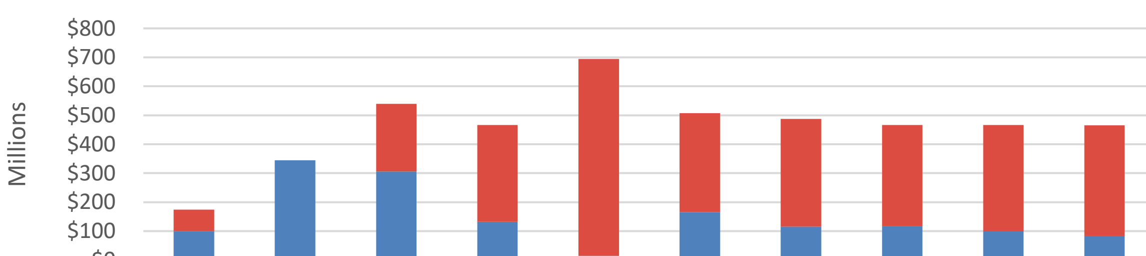


	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 est	2019-20 est	2020-21 est	2021-22 est
Total	$1,126	$1,098	$1,072	$1,034	$1,003	$1,005	$1,152	$1,158	$1,074	$1,154	$1,177	$1,191	$1,205	$1,220
Available for New Projects	$248	$172	$109	$68	$54	$89	$257	$280	$209	$316	$321	$339	$333	$340
Debt Service	$878	$926	$963	$966	$950	$916	$895	$878	$865	$838	$856	$852	$872	$879

The August 1, 2018, PECO estimate provides for two funding scenarios, one that maximizes bonding ($3,102.2 million for Fiscal Year 2019-20, $487.1 million for Fiscal Year 2020-21, and $396.6 million for Fiscal Year 2021-22) and one that does not bond ($347.7 million, $366.8 million, and $382.8 million, respectively). Given that the Legislature has authorized bonding only one time in the past eight years, this Outlook assumes that non-bonded PECO Trust Fund revenue will be supplemented by General Revenue dollars over the course of the forecast period to produce a total annual appropriation that is similar to those seen in the recent past.

Estimates of the amounts of General Revenue needed during each year of the forecast period are based on a three-year average of project totals funded by the Legislature that would not have been defined as appropriations projects pursuant to Joint Rule 2. This average is compared to the August 1, 2018, estimate of PECO cash available for appropriation during the three years of the forecast. As a result, the Outlook assumes additional nonrecurring General Revenue of $118 million in Fiscal Year 2019-20, $98.9 million in Fiscal Year 2020-21, and $82.9 million in Fiscal Year 2021-22.

PECO APPROPRIATION BY FUND SOURCE (PRE-VETO)



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Total	$174	$345	$539	$466	$694	$507	$487	$466	$466	$466
PECO TF	$74	$0	$233	$334	$679	$342	$372	$348	$367	$382
GR/Other	$100	$345	$306	$132	$15	$165	$115	$118	$99	$83

Human Services (Drivers #28 - #34)

28. Medicaid Services

The Outlook includes additional funding for Medicaid Waiver slots for the elderly and for Medicaid provider rate increases based on three-year averages. These Other High Priority Needs provide the Agency for Health Care Administration and the Department of Elder Affairs with $45.3 million ($34.5 million nonrecurring) in General Revenue each year for Fiscal Years 2019-20, 2020-21, and 2021-22.

29. Children and Family Services

The Outlook uses three-year averages of appropriations to determine the funding needs for the anticipated growth of the following: maintenance adoption subsidies; Community-Based Care (CBC) lead agencies that provide child welfare services; grants to sheriffs that perform child abuse investigations in lieu of the department; cost-of-living increases for foster care parents and mental health facilities; homeless coalitions providing direct services to transient populations; state mental health facilities' initiatives; prevention efforts and services to victims of domestic violence; child welfare legal services; and substance abuse and mental health initiatives administered through community-based providers.

These Other High Priority Needs increase General Revenue funding for the Department of Children and Families by $54.7 million ($24.9 million nonrecurring) for Fiscal Year 2019-20. For Fiscal Year 2020-21 and Fiscal Year 2021-22, the General Revenue amount decreases to $53.8 million ($23.3 million nonrecurring).

The forecast for the Other High Priority Needs for Children and Family Services does not reflect the impacts to foster care services that may result from the expiration of the state's Title IV-E waiver on September 30, 2019, and the implementation of the federal Family First Prevention Services Act (FFPSA) on October 1, 2019. The waiver relaxed federal restrictions on traditional Title IV-E funding, allowing Florida to have a broader range of child welfare services. A return to the traditional, pre-waiver requirements is expected to impact the type of services that are eligible for federal Title IV-E funding. A reduction of Title IV-E federal earnings will create a need for additional state General Revenue to maintain funding levels.

In addition, FFPSA, a part of the 2018 Bipartisan Budget Act enacted by Congress, will bring about sweeping changes to states' child welfare policies. In the past, Title IV-E funds were used to reimburse states only for child welfare services that were delivered after a child was removed from his or her home. Effective October 2019, states are eligible to receive reimbursement for providing evidence-based programs and services aimed at keeping children safely at home with their families rather than being removed and placed in foster care. Eligible services include mental health services, substance abuse treatment, and in-home parenting classes. Although FFPSA places an emphasis on keeping families together, the new law will significantly limit funding for congregate or group home care for foster children. Federal funding will be limited to reimbursing foster care group home costs for two weeks of a child's stay. As of June 30, 2018, 2,076 foster children, or 8.6 percent of Florida's foster care population, were residing in group homes. Under FFPSA, a state may elect to delay implementation of the group home provisions for up to two years; however, a state that opts for the extension will not be eligible during that time for Title IV-E matching funds for prevention services. FFPSA requires a state to make its election by November 6, 2018.

30. Health Services

The Outlook includes additional funding for the Early Steps program, the Mary Brogan Breast and Cervical Cancer Early Detection program, the Office of Medical Marijuana Use, the Newborn Screening program, and biomedical research based on three-year averages of appropriations. All of these programs are described below:

- The Early Steps program is Florida's early intervention system that offers support services to families and caregivers with infants and toddlers with significant delays or a condition likely to result in a developmental delay.
- The Mary Brogan Breast and Cervical Cancer Early Detection program provides cancer screenings for medically underserved women between the ages of 50 and 64 whose incomes are below 200 percent of the federal poverty level.
- The Office of Medical Marijuana Use is the state's regulatory office charged with adopting and implementing the rules for medical marijuana including licensure of dispensaries and registering qualified patients and caregivers.
- The Newborn Screening program screens all newborns born in this state for metabolic, hereditary, and congenital disorders known to result in significant impairment of health or intellect.
- The biomedical research funding encompasses several statewide initiatives through grant opportunities and supplemental funding. These programs include the James and Esther King Biomedical Research Program, Bankhead-Coley Cancer Research Program, Ed and Ethel Moore Alzheimer's Disease Research Program, and the Live Like Bella Pediatric Cancer Research Initiative.

These Other High Priority Needs increase General Revenue funding for the Department of Health by $3.4 million ($1.2 million nonrecurring) each year for Fiscal Years 2019-20, 2020-21, and 2021-22.

31. Developmental Disabilities

The Outlook uses three-year averages of appropriations to determine the funding needs for reducing the waitlist for Developmental Disabilities Waiver services provided by the Agency for Persons with Disabilities, additional administrative resources to manage growth in Waiver services, the agency's supported employment and internship programs, and rate increases for Medicaid Waiver providers. These Other High Priority Needs increase General Revenue funding for the Agency for Persons with Disabilities by $11.6 million ($1.4 million nonrecurring) each year for Fiscal Years 2019-20, 2020-21, and 2021-22.

The Agency for Persons with Disabilities may pose a risk to the forecast due to a potential Fiscal Year 2017-18 deficit in the Home and Community Based Services Category that is not included in the calculation of Other High Priority Needs. Florida law (section 393.0661, Florida Statutes) requires iBudget waiver expenditures to be limited to the funds appropriated by the Legislature. If at any time an analysis by the Agency for Persons with Disabilities indicates that the cost of services is expected to exceed the amount appropriated, the agency is required to submit a corrective action plan to the Legislature and the Executive Office of the Governor to adjust fees, reimbursement rates, lengths of stay, number of visits, and number of services; limit enrollment; or make any other adjustment necessary to remain within the amount appropriated. No corrective action plan has been provided to the Legislature for Fiscal Years 2017-18 or 2018-19.

32. Veterans' Services

The Outlook includes funding for Florida is for Veterans, Inc., for the Entrepreneurship Program designed to connect business leaders with veterans seeking to become entrepreneurs, and the Veterans Workforce Training Grant Program, which provides funding for educational programs to businesses hiring and training veterans. These Other High Priority Needs are based on three-year averages of appropriations and increase General Revenue funding for the Department of Veterans' Affairs by $1.3 million nonrecurring each year for Fiscal Years 2019-20, 2020-21, and 2021-22.

The Outlook also includes funding for initial staffing operations at two new state veterans' nursing homes. According to the Florida Department of Veterans' Affairs, a new state veterans' nursing home is fully occupied and operational two years after opening. The two new homes are expected to open February and December 2019 and therefore require funding for staffing and operations through the Outlook period. The Outlook includes an increase of $4.5 million in trust fund authority for the Lake Baldwin State Veterans' Nursing Home in Orange County and $7.8 million in trust fund authority for the Ardie Copas State Veterans' Nursing Home in St. Lucie County for Fiscal Year 2019-20.

33. Elderly Services

The Outlook includes funding for reducing the waitlist for the Community Care for the Elderly program and the Home Care for the Elderly program within the Department of Elder Affairs and to provide respite services for the department's Alzheimer's clients based on the three-year appropriations averages. Additionally, the Outlook includes funding for Public Guardianship services and Aging Resource Centers to assist the elderly. These Other High Priority Needs increase General Revenue funding for the Department of Elder Affairs by $5.4 million ($0.9 million nonrecurring) each year for Fiscal Years 2019-20, 2020-21, and 2021-22.

34. Human Services Information Technology/Infrastructure

The Outlook includes funding for Other High Priority Needs for human services information technology and infrastructure. The funding addresses the costs for the completion of the Agency for Persons with Disabilities' Client Data Management System, the Florida Medicaid Management Information System (FMMIS) transition and facility regulation issues in the Agency for Health Care Administration, new veterans' nursing home equipment, and restoration of nonrecurring funds for cloud conversion for the Department of Children and Families' Florida

Safe Families Network (FSFN). The Outlook provides $4.5 million of General Revenue ($3.7 million nonrecurring) for Fiscal Year 2019-20, and $3.7 million of nonrecurring General Revenue for Fiscal Years 2020-21 and 2021-22.

Criminal Justice (Drivers #35 - #37)

35. Justice Administration Entities – Due Process and Conflict Case Costs

The Justice Administrative Commission is responsible for administering funds provided for due process and conflict case costs for the judicial system totaling over $93.6 million in Fiscal Year 2017-18. These costs include court-appointed attorneys' fees in criminal conflict, child dependency and civil conflict cases, attorney payments over the flat fees established for those cases, legal representation for dependent children with special needs, registry attorneys for post-conviction capital collateral cases, and due process costs for state attorneys and public defenders. Due process costs include court reporting and interpreting services, expert witness fees, and costs associated with medical/mental health evaluations. In recent years, several of these categories of expenditures have exceeded the original appropriations provided, and the Legislature has consistently addressed the shortfalls. In order to provide sufficient funding for projected expenditures, the Outlook includes an increase of $17.8 million in recurring General Revenue in Fiscal Year 2019-20. This amount is based on actual expenditures in Fiscal Year 2017-18 for those categories experiencing shortfalls and the average increase in those appropriations over the last three fiscal years. In addition, the Fiscal Year 2019-20 funding calculation restores a recurring reduction taken in Fiscal Year 2018-19 to the Criminal Conflict Case Costs category. The Outlook also includes an increase of $5.7 million in recurring General Revenue for Fiscal Years 2020-21 and 2021-22, based on the average increase in the impacted categories over the last three fiscal years.

36. Department of Corrections – Inmate Health Services

The Florida Department of Corrections is constitutionally required to provide comprehensive health care services to the approximately 96,000 inmates in its custody. Health care services, including mental health services, must at least meet the level of care available to individuals in the community. There are five cost components of this driver: Disability Rights Florida (DRF), Inc. - Inmates with Mobility, Hearing and Vision Disabilities; DRF, Inc. – Inmate Mental Health Treatment; Treatment of Inmates Infected with Hepatitis C Virus; Contracted Inmate Health Services; and General Pharmaceutical Drugs – Compliance with Standards of Care.

Disability Rights Florida, Inc. – Inmates with Mobility, Hearing, and Vision Disabilities

The Florida Department of Corrections (FDC) entered into a settlement agreement with Disability Rights Florida, Inc. (DRF) to end a lawsuit relating to the accommodations for inmates with mobility, hearing, and vision disabilities. Under the settlement, inmates with a mobility disability will be placed in prisons that comply with the Americans with Disabilities Act (ADA) standards. The FDC will provide inmates with hearing disabilities increased access to interpreters, hearing aids, and video remote interpreting. Inmates with vision disabilities will receive probing canes and other accommodations to enable them to participate in FDC services and programs. Finally, inmates who need services will be evaluated when they enter the correctional system and reevaluated annually. FDC was provided $6.4 million in General Revenue ($2.0 million recurring and $4.4 nonrecurring) for Fiscal Year 2018-19. The Outlook includes an increase of $1.7 million ($1.2 million recurring and $0.5 million nonrecurring) in Fiscal Year 2019-20, and $150,000 nonrecurring General Revenue for Fiscal Year 2020-21.

Disability Rights Florida, Inc., - Inmate Mental Health Treatment

The Florida Department of Corrections entered into a settlement agreement with Disability Rights Florida, Inc., to end a lawsuit relating to the accommodations for inmates with mental health treatment needs that are housed in the department's correctional facilities. Services provided to inmates must meet or exceed the level of care available to individuals in the community. As a result, the department must adopt new treatment protocols for inmates as those protocols change in the community. Under the settlement, the department will house inmates with mental health treatment needs in prisons that can provide a constitutional level of mental health treatment services. New funding will be used to hire additional security and treatment staff at these prisons and to modify dorms to meet treatment standards of care. The Outlook includes an increase of $54.9 million in General Revenue ($45.4 million recurring and $9.5 million nonrecurring) for Fiscal Year 2019-20 and $13.7 million ($10.6 million recurring and $3.1 million nonrecurring) for Fiscal Year 2020-21. At this time, it is anticipated that no additional funding will be needed for Fiscal Year 2021-22.

Treatment of Inmates Infected with the Hepatitis C Virus

The 11th U.S. District Court released an order directing the Florida Department of Corrections (FDC) to test all inmates for the Hepatitis C Virus (HCV) and to treat all infected inmates with direct-acting antiviral (DAA) medication, beginning with those inmates in later stages of the disease. DAA treatments are far more effective at treating and curing HCV and are the current standard of care, but are also expensive at upwards of $30,000 per inmate treated. As the inmate population is tested, the number of inmates requiring treatment is also increasing. FDC was provided $14.6 million in General Revenue ($9.2 million recurring and $5.5 million nonrecurring) for Fiscal Year 2018-19. The Outlook includes $18.1 million in recurring General Revenue for each year based on a two-year funding average.

Contracted Inmate Health Services

Centurion of Florida currently provides inmate medical services for all four regions of the state. In June 2018, the department signed a one-year contract with Centurion not to exceed $375 million for Fiscal Year 2018-19. The Outlook includes an increase of $24.6 million in recurring General Revenue each year based on a projected 7.0 percent increase in contracted inmate health services over the Fiscal Year 2018-19 funding level, based on three-year average percentage changes in expenditures: Fiscal Year 2015-16 (0.9 percent); Fiscal Year 2016-17 (13.0 percent); and Fiscal Year 2017-18 (7.1 percent).

General Pharmaceutical Drugs – Compliance with Standards of Care

The Department of Corrections must adopt new treatment protocols for inmates as those protocols change in the community. New drugs are continually coming to market to treat illnesses. The cost of the newer pharmaceuticals, such as biologicals (a vaccine or drug derived from biological sources), HIV, and flu vaccines, is greater than that of the older treatments. In addition, pharmaceutical manufacturers have increased the prices of insulin and thyroid medications. The Outlook includes an increase of $0.8 million in recurring General Revenue each year based on a three-year funding average for general pharmaceutical drugs.

The following table summarizes the fiscal impact of the Inmate Heath Services driver:

Fiscal Year	**FY 2019-20**		**FY 2020-21**		**FY 2021-22**	
Inmate Health Services Issue ***Dollars in millions***	**Recurring**	**NR**	**Recurring**	**NR**	**Recurring**	**NR**
DRF, Inc. - Inmates with Disabilities	1.2	0.5	0.2	-	-	-
DRF, Inc. - Inmate Mental Health Treatment	45.4	9.5	10.6	3.1	-	-
Inmates Infected with Hepatitis C	18.1	-	18.1	-	18.1	-
Contracted Inmate Health Services	24.6	-	24.6	-	24.6	-
General Pharmaceutical Drugs	0.8	-	0.8	-	0.8	-
Total	**90.1**	**10.0**	**54.3**	**3.1**	**43.5**	**-**

**Note: The totals shown on the table do not match the amount shown for Driver #36 due to rounding.*

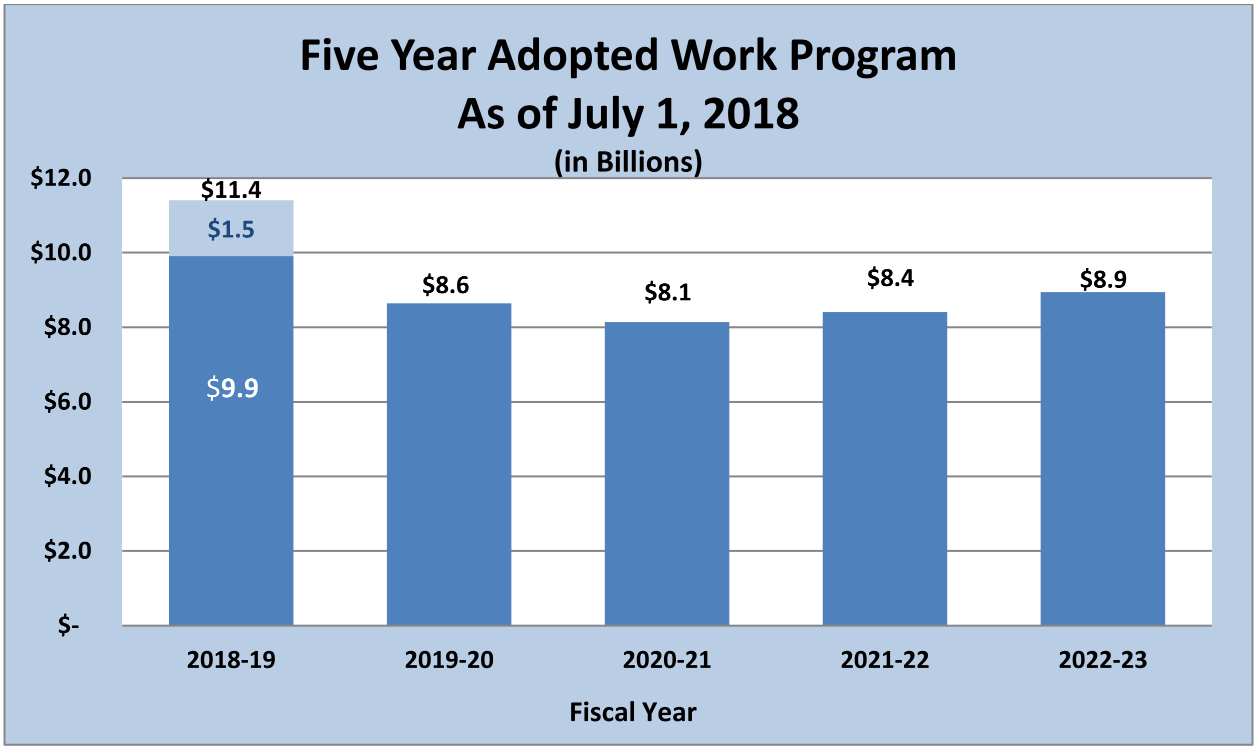
37. Department of Juvenile Justice – Residential Commitment Beds

The Department of Juvenile Justice needs additional residential commitment beds to meet the supervision, counseling, and rehabilitative treatment needs of adjudicated youth in the juvenile justice system. Having a sufficient number of beds will ensure youth receive necessary services and are not spending additional time in detention waiting for a vacant commitment bed. As of July 2018, there were 278 youth adjudicated to residential commitment programs, but waiting for an actual assignment to a residential facility. The average length of time between adjudication and commitment placement for youth on the waiting list is 53 days. In accordance with chapter 2017-164, Laws of Florida, youth awaiting placement in residential facilities are assigned to secure detention pending availability of a bed. Placing these youth in the appropriate residential program will ensure they begin their treatment as soon as possible. The Outlook includes an increase of $5.7 million in recurring General Revenue each year for these residential commitment beds based on the average increase for these programs over the last two fiscal years.

Transportation and Economic Development (Drivers #38 - #41)

38. Department of Transportation Adopted Work Program (Fiscal Years 2019-2022)

The Department of Transportation develops a Work Program, which is the department’s list of transportation projects planned for the following five years. It is supported by a balanced five-year financial outlook with a three-year cash forecast of receipts and expenditures. Funding to support the Work Program comes from a variety of trust fund sources, including federal, state, and local funds, bond proceeds, toll collections, and miscellaneous other receipts. Funding projections for each year of the Adopted Five Year Work Program are currently based on estimates from the Revenue Estimating Conferences held in February 2018 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2018, will be programmed into the Tentative Work Program in February 2019 for legislative consideration.



**Fiscal Year 2018-19 includes $1.5 billion in anticipated roll forward budget from Fiscal Year 2017-18. Each year, a portion of the prior year's budget rolls forward and is added to the current year appropriation. This amount averages approximately $1.4 billion annually.*

Based on the current Adopted Work Program, the Outlook includes funding of $8.6 billion in Fiscal Year 2019-20, $8.1 billion in Fiscal Year 2020-21, and $8.4 billion in Fiscal Year 2021-22 from trust fund revenues.

39. Economic Development and Workforce Programs

The Department of Economic Opportunity is the state's single economic development agency whose purpose is to implement economic development policy. Enterprise Florida, Inc., a not-for-profit corporation created by Florida law to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with the department. Economic development activities include: marketing the state as business friendly, providing financial incentives to attract and grow business, offering grants and loans for low-income and rural areas, and funding innovation and research activities and workforce training. In addition, the state has structured some programs to promote specific industries that have a large impact on Florida's economy such as the tourism, space, and defense industries. These focused efforts include funding for tourism marketing provided to VISIT FLORIDA, operational and business development funding for Space Florida, and military base protection and defense industry-related grant funding to protect and expand the defense industry. Because the amount of future nonrecurring appropriations cannot be predicted, the Outlook relies on three-year appropriations averages. The Outlook includes a total projection of $116.0 million of nonrecurring General Revenue for economic development and workforce programs for each year of the Outlook.

Chapter 2017-233, Laws of Florida, created the Job Growth Grant Fund to provide grants for projects in public infrastructure or workforce training that promote economic opportunity, as well as to provide infrastructure funding to accelerate the rehabilitation of the Herbert Hoover Dike. The law establishes a public infrastructure project as a project that promotes economic recovery in a specific region, economic diversification, or economic enhancement in a targeted industry by funding land acquisition and fixed capital expenditures for facilities. The law defines a workforce training project as a project that supports a program at a state college or technical center that provides participants with transferable, sustainable workforce skills applicable to many employers. The Job Growth Grant Fund differs from traditional economic development programs in that funds are prohibited from exclusively benefiting a single business. Of the $116.0 million in the Outlook for economic development and workforce programs, $65 million is based on the three-year appropriations average for this program.

The Outlook further contains a three-year appropriations average for the following traditional economic development programs.

> Qualified Targeted Industry and Qualified Defense and Space Contractor Tax Refunds - Provides a cash award equivalent to certain paid taxes for an approved business based on the number of new jobs created.
>
> High-Impact Business Performance Grant - Provides a cash grant to a business project in a designated high-impact industry that makes large capital investments within Florida.
>
> Brownfield Redevelopment Tax Refund *and* Bonus Refund - Provides a cash award for each job that an eligible business creates in a brownfield area under rehabilitation.

The average costs associated with these programs are based on payments to be made to businesses that meet the performance requirements of previously awarded contracts entered into by the department with the businesses under the programs. Outside of these programs and the Job Growth Grant Fund, the Outlook does not contemplate new funding for economic development programs.

40. National Guard Armories and Military Affairs Priorities

The Legislature has provided $116.4 million of General Revenue funding between Fiscal Years 2003-04 and 2017-18 in support of renovating Florida’s aging armories. As funding for the Armory Renovation Priority List was completed, the Legislature began providing $1.7 million of nonrecurring General Revenue funding annually for ongoing maintenance and repairs to Florida armories beginning in Fiscal Year 2015-16. No appropriation for ongoing maintenance and repair was made in Fiscal Year 2018-19. Based upon three-year appropriations averages, the

Outlook includes $1.1 million for armory maintenance and repair efforts, and further contains $2.0 million of nonrecurring General Revenue for Fiscal Years 2019-20 and 2020-21 to complete the final two years of a four-year security enhancement plan. The Legislature has provided $2.0 million of General Revenue funding in both Fiscal Year 2016-17 and Fiscal Year 2017-18 in support of the requested security enhancements.

The Department of Military Affairs receives funding for two statutorily-created Florida National Guard community support programs that target at-risk youth and young adults; the Outlook includes nearly $1.9 million of nonrecurring General Revenue each year based on the three-year appropriations average for these programs. The About Face program began in 1997 and is held at local National Guard Armories throughout the state. This program provides life skills and drug awareness training, including mentoring assistance to youth between the ages of 13 and 17. The Forward March program began in 1999 and provides job readiness services for Florida Work and Gain Economic Self-Sufficiency (WAGES) program participants. This is a life skills training program in which clients participate in an activity-based curriculum designed for participants to practice life skills in a real life setting. Participants must meet eligibility requirements for both programs.

Section 250.34, Florida Statutes, provides for medical attention, necessary hospitalization, and pay for troops who become injured while on state active duty, and specifies that the Department of Financial Services, Division of Risk Management, processes benefits to certain severely injured or disabled troops who have claims past one year from the date of injury or disability. In January each year, the Division of Risk Management provides the Department of Military Affairs with an invoice for payments and associated legal costs made during the prior calendar year for this purpose. The Outlook includes approximately $0.1 million based on the three-year appropriations average for these claims.

41. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for certain Department of State programs based on a three-year average of appropriations. Collectively, the Outlook includes approximately $47.3 million of nonrecurring General Revenue for these programs in Fiscal Year 2019-20, $49.0 million in Fiscal Year 2020-21, and $47.3 million in Fiscal Year 2021-22.

The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. Historically, the program obtaining the most additional funding from the Legislature is State Aid to Libraries, which encourages local governments to establish and continue development of free library service to all residents of Florida. The Outlook includes nearly $5.4 million in nonrecurring General Revenue for State Aid to Libraries based on a three-year appropriations average of total General Revenue funding for this program. In order to receive the Library Services and Technology Act federal grant funds, the state is required to meet its maintenance of effort (MOE) funding of $20.3 million. The Outlook's $5.4 million, which is nonrecurring, in addition to $17.3 million recurring funding for State Aid to Libraries, will allow the state to meet the MOE. The Outlook also includes $1.0 million based on the three-year average of appropriations for Public Library Construction Grants to encourage the growth of public libraries.

The Division of Cultural Affairs administers four types of grant programs: Cultural and Museum Grants, Specific Cultural Project Grants, Cultural Endowment Grants, and Cultural Facility Grants. Cultural and Museum and Cultural Project grant programs provide funding for science museums, youth and children’s museums, historical museums, local arts agencies, state service organizations, and organizations that have cultural program activities. Cultural Endowment grants create an endowment matching fund program to provide operating resources to not-for-profit Florida corporations in good standing with the Florida Division of Corporations. In addition, Cultural Facility grants provide state support for the acquisition, renovation, and construction of cultural facilities such as performing art centers and museums. The three-year average of appropriations for cultural/museum and facility grants is approximately $28.3 million.

The Division of Historical Resources administers two grant programs that assist in the identification, excavation, protection, and rehabilitation of historic and archaeological sites; provide public information and museum exhibits on the history of Florida; and encourage preservation in smaller cities and rural areas. The three-year average of appropriations for these two historic grant programs is approximately $11.0 million.

The Division of Elections administers the Florida Election Code, chapters 97 through 106, Florida Statutes, which regulates all state and county elections. Portions of the election code also pertain to municipalities and special districts in the state and to federal elections. Elections are conducted in Florida almost every week of the year by county supervisors of elections or city clerks. Major state and county elections are held in even-numbered years. The division is required by law to pay for the costs of special elections; the costs of statewide litigation relating to elections lawsuits; and the cost to advertise constitutional amendments. These costs are considered in developing the Outlook. The three-year appropriations average funding for statewide litigation issues is $0.2 million, with another $1.5 million in nonrecurring General Revenue for special elections reimbursements. The Outlook also includes an average of $1.8 million for advertising constitutional amendments in even-numbered election years, based upon the average funding in the two most recent general election years.

Natural Resources (Drivers #42 & #43)

42. Water and Land Conservation

Article X, section 28 of the Florida Constitution requires that starting on July 1, 2015, for 20 years, 33 percent of the net revenues derived for the existing excise tax on documents must be deposited into the Land Acquisition Trust Fund (LATF).

Article X, section 28 of the Florida Constitution also requires that funds in the LATF be expended only for the following purposes:

1) As provided by law, to finance or refinance: the acquisition and improvement of land, water areas, and related property interests, including conservation easements, and resources for conservation lands including wetlands, forests, and fish and wildlife habitat; wildlife management areas; lands that protect

water resources and drinking water sources, including lands protecting the water quality and quantity of rivers, lakes, streams, springsheds, and lands providing recharge for groundwater and aquifer systems; lands in the Everglades Agricultural Area (EAA) and the Everglades Protection Area, as defined in article II, section 7(b); beaches and shores; outdoor recreation lands, including recreational trails, parks, and urban open space; rural landscapes; working farms and ranches; historic or geologic sites; together with management, restoration of natural systems, and the enhancement of public access or recreational enjoyment of conservation lands.

2) To pay the debt service on bonds issued pursuant to article VII, section 11(e).

The 2015 Legislature amended section 201.15, Florida Statutes, (section 9, chapter 2015-229, Laws of Florida), to provide the 33 percent distribution to the LATF required by the Florida Constitution. Based on the August 2018 Revenue Estimating Conference, the revenue to be distributed to the LATF over the three years of the Outlook is estimated to be $893.5 million for Fiscal Year 2019-20, $925.8 million for Fiscal Year 2020-21, and $959.3 million for Fiscal Year 2021-22 (see pages 58 - 60 for a more detailed discussion). The Outlook assumes a reserve within the Fiscal Year 2018-19 LATF distribution similar to reserves established for the General Revenue Fund and other trust funds.

The 2015 Legislature in chapter 2015-229, Laws of Florida, also eliminated the distributions to other environmental trust funds whose purposes were consistent with the constitutional amendment. These trust funds include the Conservation and Recreation Lands Trust Fund, Conservation and Recreation Lands Program Trust Fund, Ecosystem Management and Restoration Trust Fund, General Inspection Trust Fund, Invasive Plant Control Trust Fund, State Game Trust Fund, Water Management Lands Trust Fund, and Water Quality Assurance Trust Fund. In the Fiscal Year 2015-16 General Appropriations Act, the Legislature also shifted appropriations from those trust funds to the LATF where appropriate and consistent with the constitutional amendment.

In 2016, the Legislature passed House Bill 989 (chapter 2016-201, Laws of Florida), which designated that a portion of funds deposited into the LATF be appropriated for Everglades restoration projects. The provision requires that a minimum of the lesser of 25 percent or $200 million from the LATF be appropriated for Everglades restoration projects, which implement the Comprehensive Everglades Restoration Plan (CERP), including the Central Everglades Planning Project, the Long-Term Plan, and the Northern Everglades and Estuaries Protection Program. The legislation also requires that a minimum of the lesser of 7.6 percent or $50 million be appropriated annually for spring restoration, protection, and management projects. Finally, the legislation requires that $5 million be appropriated annually through the 2025-26 fiscal year for projects dedicated to the restoration of Lake Apopka.

In 2017, the Legislature passed Senate Bill 10 (chapter 2017-10, Laws of Florida), which appropriates, beginning in Fiscal Year 2018-19, $64 million to the EAA reservoir project, which is known as Component G of the Comprehensive Everglades Restoration Plan and is located in the Everglades Agricultural Area. Any funds remaining in a fiscal year from that project are made available for Phase II of the C-51 reservoir project or the Everglades restoration projects passed in chapter 2016-201, Laws of Florida, in addition to the lesser of $200 million or 25 percent of LATF already available for Everglades restoration projects.

Components of water and land conservation include, but are not limited to: the Florida Forever Program; Everglades restoration; springs protection, restoration, and preservation; Lake Apopka restoration; and land management. Each of these areas is discussed below. Where the estimates exceed the amounts available from the LATF for the various water and land conservation programs, the Outlook assumes that the LATF projected shortfall will be supplemented by General Revenue based on legislative appropriations in prior years.

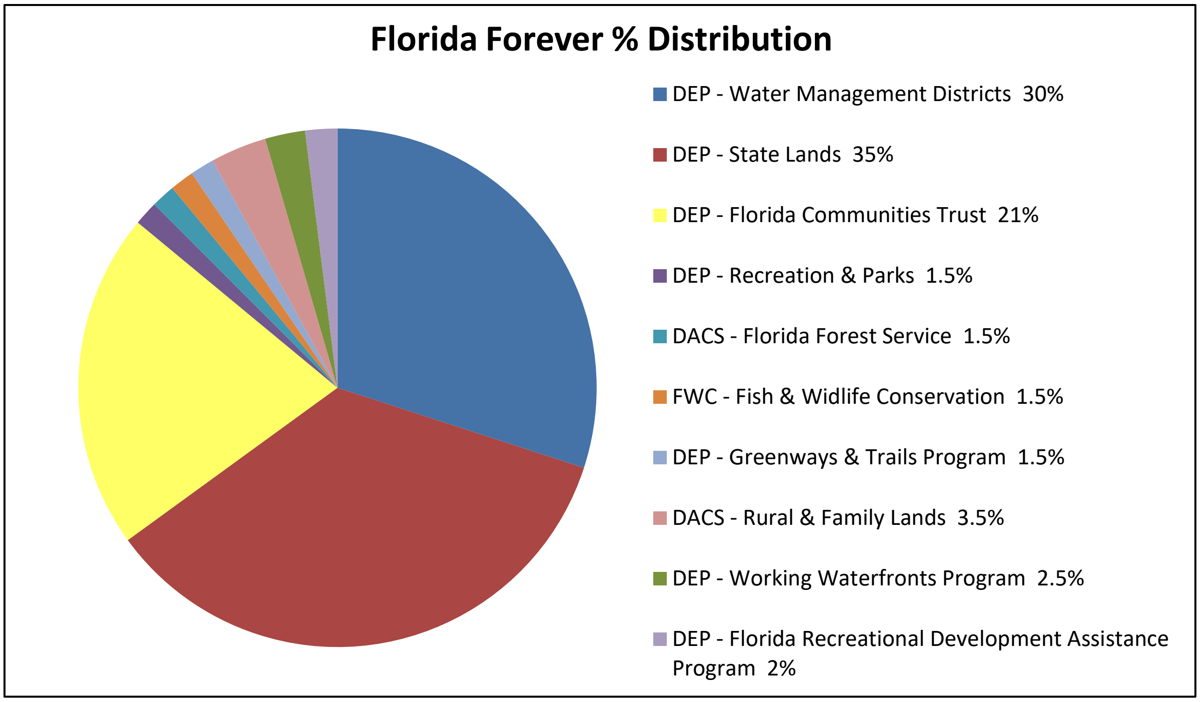
As noted in the Significant Risks section, there is pending litigation that warrants specific mention. A case seeks determination that the state has violated the 2014 Water and Land Conservation constitutional amendment that sets aside 33 percent of excise tax on documents for water and land conservation. From the funds set aside pursuant to this amendment since 2015, the Legislature has appropriated $3.3 billion for water and land conservation efforts. The trial judge has issued an order declaring unconstitutional certain appropriations for 2015 and 2016 totaling $426.4 million. Further, the judge's order states that funds identified in the constitutional amendment:

> *"must be expended, if at all, to acquire conservation lands or other conservation property interests, as defined by that provision, that the State of Florida did not own on the effective date of that amendment and thereafter, to improve, manage, restore natural systems thereon, and enhance public access or enjoyment of those conservation lands."*

This ruling is currently on appeal. If this ruling is upheld and the funds are restricted to the purchase of new conservation lands and maintenance thereof, many appropriations within the Department of Environmental Protection, Department of Agriculture and Consumer Services, Department of State, and the Fish and Wildlife Conservation Commission will be affected going forward. Additionally, it is unclear what remedy, if any, would have to be taken to address Fiscal Years 2015-16 through 2018-19.

<u>Florida Forever Program</u> – In 1998, voters amended the Florida Constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded by creating the 10-year $3.0 billion Florida Forever program to acquire and manage land for conservation. In 2008, this program was extended. Funds appropriated to the Florida Forever program are distributed as authorized in section 259.105, Florida Statutes, to various agencies and programs. The statutory distribution is displayed on the following graph.

[SEE GRAPH ON FOLLOWING PAGE]



Previously, the state's land acquisition programs have been funded by bonds authorized by the Legislature and secured by a pledge of Documentary Stamp Tax revenue or by appropriations of moneys from the General Revenue Fund or trust fund cash balances; however, the Legislature has not authorized a new series of bonds since Fiscal Year 2008-09. The debt service required for environmental bonds decreased by $230.6 million in Fiscal Year 2013-14 because certain environmental bonds (Preservation 2000) had been retired. The bonding capacity for the Florida Forever program is statutorily limited to total annual debt service of no more than $300.0 million. Based on the most recent available information from the Revenue Estimating Conference, the annual debt service for outstanding Florida Forever bonds is approximately $139.73 million in Fiscal Year 2018-19 and declines thereafter.

The 2016 Legislature amended section 259.105, Florida Statutes, to require that at least $5 million of the 35 percent of the funds distributed to the Department of Environmental Protection under the Florida Forever program be allocated for land acquisition within the Florida Keys Area of Critical State Concern. This distribution continues through the 2026-27 fiscal year.

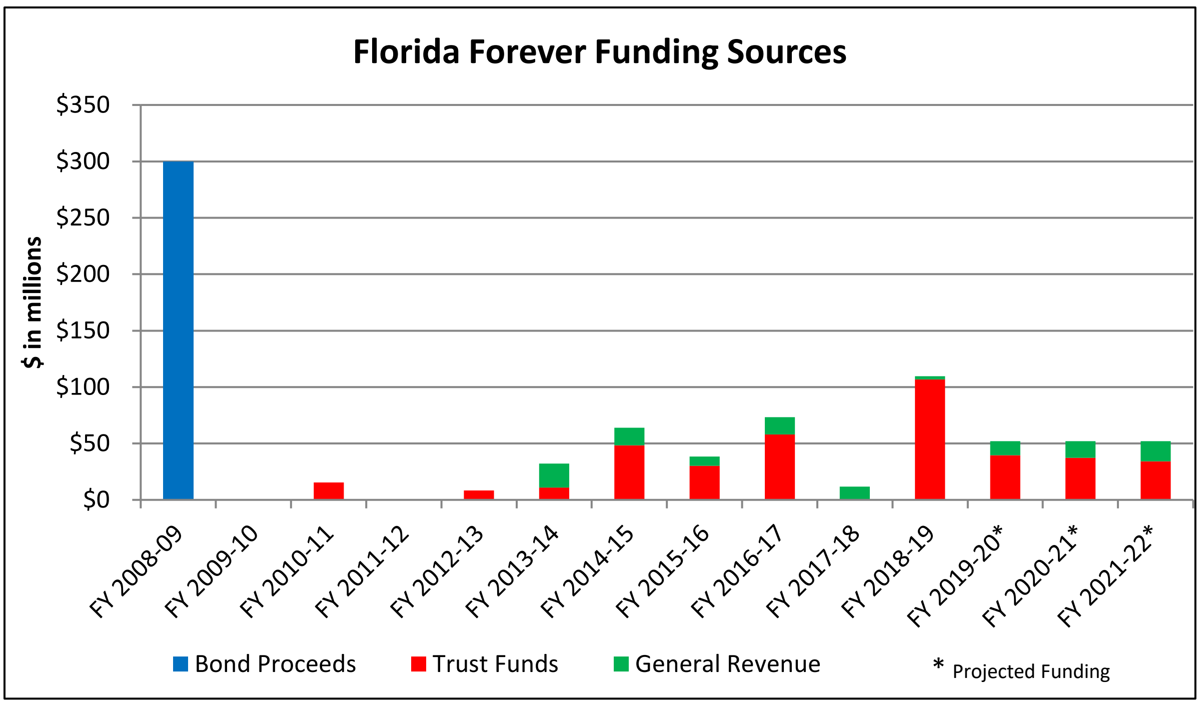
The graph on the following page represents the historical funding levels for Florida Forever. As Documentary Stamp Tax revenues declined during the collapse of the housing market and the Great Recession, the Legislature limited the distribution of funds to conservation lands within State Lands, Rural and Family Lands, and local parks funding assistance programs. Based on a three-year appropriations average, the Outlook includes the historical distributions for acquisition of conservation lands and the following programs:

> *Rural and Family Lands* – This program was created in 2001 as an agricultural land preservation program. Section 259.105(3), Florida Statutes, provides a distribution of Florida Forever bond proceeds or cash of 3.5 percent for the program. Rural and Family

Lands is designed to protect agricultural lands through the acquisition of permanent land conservation easements while allowing agricultural operations to continue.

Florida Recreational Development Assistance Program – The Florida Recreation Development Assistance Program (FRDAP) is a competitive grant program that receives a Florida Forever distribution of 2.0 percent. The FRDAP provides grants to local governments for the acquisition or development of land for public outdoor recreation use or to construct or renovate recreation trails. Applications are reviewed and ranked by the Department of Environmental Protection on an annual basis.

Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes a three-year average of appropriations of nonrecurring General Revenue of $39.6 million and $12.3 million from state trust funds for Fiscal Year 2019-20, $37.4 million in nonrecurring General Revenue and $14.5 million from state trust funds for Fiscal Year 2020-21, and $32.5 million in nonrecurring General Revenue and $19.4 million from state trust funds for Fiscal Year 2021-22 for the Florida Forever Program.



Everglades Restoration – The Florida Everglades, the "River of Grass," is a mosaic of sawgrass marshes, freshwater ponds, prairies, and forested uplands that supports a rich plant and wildlife community. The Everglades once covered almost 11,000 square miles of South Florida. Because of efforts to drain the marshland for flood control, agriculture, and development, the Everglades today is half the size it was a century ago.

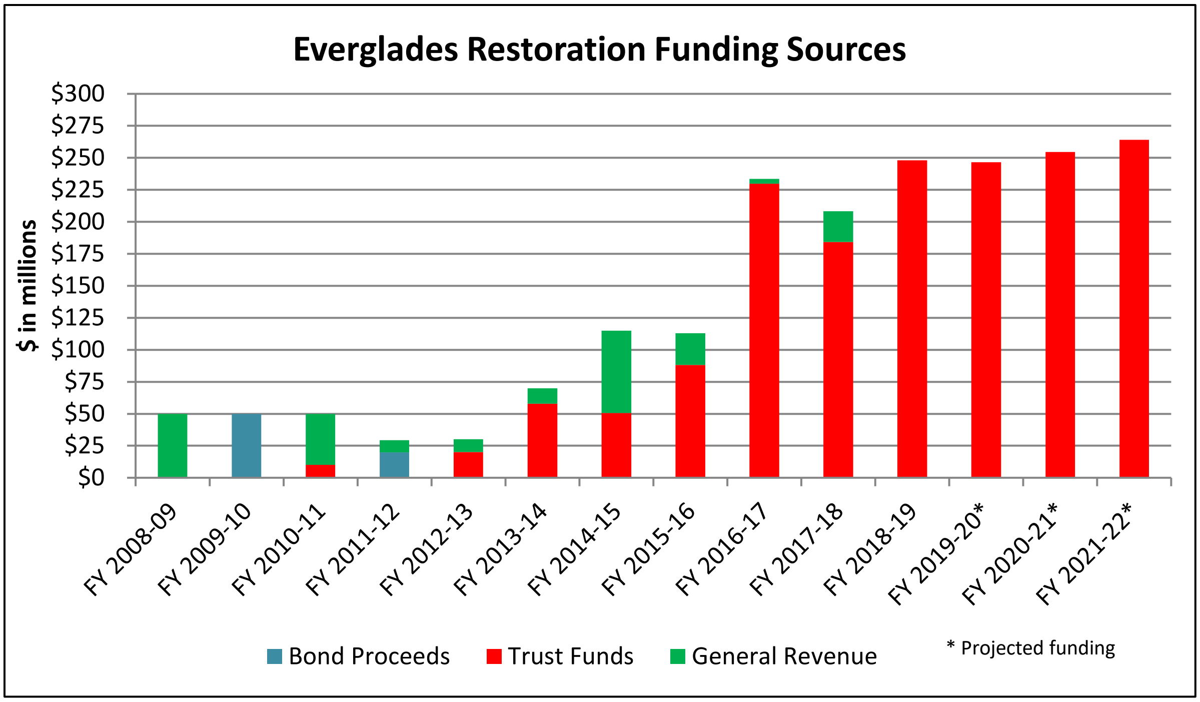
To restore and protect the greater Everglades ecosystem, the Florida Legislature established the State of Florida's responsibilities in a series of statutes under the Florida Water Resources Act (chapter 373, Florida Statutes). In addition to authorizing the South Florida Water Management District (SFWMD) to serve as the local sponsor for the majority of restoration efforts, the Legislature directed the roles and responsibilities of both the Department of Environmental Protection and the SFWMD for plans authorized through the Everglades Forever Act, the Comprehensive Everglades Restoration Plan, the Northern Everglades and Estuaries Protection Program, and the Everglades Restoration Investment Act.

The Comprehensive Everglades Restoration Program (CERP) is a large, comprehensive, long-term 50-50 partnership with the federal government to restore the Everglades. The plan, originally approved by the 2000 federal Water Resources Development Act, includes more than 60 projects that will take more than 30 years to complete and will cost an estimated $13.5 billion. In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership, through cash or bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007 and 2008, the Legislature expanded the use of the Save Our Everglades Trust Fund and bonds issued for Everglades Restoration to include the Lake Okeechobee Watershed Protection Plan, the River Watershed Protection Plans, and the Keys Wastewater Plan.

In 2007, the Legislature enacted the Northern Everglades and Estuaries Protection Act (NEEPA) to restore and protect Lake Okeechobee and its downstream estuaries, the Caloosahatchee and St. Lucie River watersheds. The Outlook includes funding for nutrient reduction and water retention projects at the basin, sub-basin, and farm levels in the Lake Okeechobee watershed.

In 2012, the Department of Environmental Protection and the SFWMD, in consultation with U.S. Environmental Protection Agency, developed a technical plan to meet water quality standards, which includes additional stormwater treatment areas and storage reservoirs at a cost of $880 million over a 13-year period. A total of $500.7 million in funds will be provided by the SFWMD with the balance to be provided by the state. The 2013 Legislature appropriated $32 million on a recurring basis to support the implementation of the technical water quality plan.

Excluding the recurring funding for the technical water quality plan initiated in the 2013-14 fiscal year, the Legislature has authorized bond proceeds and appropriated General Revenue and trust funds for Everglades Restoration projects as shown in the following graph. Bonds may be issued in an amount not to exceed $100.0 million per fiscal year, unless specifically approved by the Legislature. Based on the most recent available information from the Revenue Estimating Conference, the annual debt service for outstanding bonds is approximately $24 million for Fiscal Years 2019-20 through 2024-25 and declines thereafter. It is unknown whether the Legislature will authorize additional bonding. Based on the requirements of chapters 2016-201 and 2017-10, Laws of Florida, the Outlook assumes additional funding from state trust funds of $117.3 million for Fiscal Year 2019-20, $125.4 million for Fiscal Year 2020-21, and $134.8 million for Fiscal Year 2021-22 for Everglades restoration projects. The Outlook also assumes a three-year average of $7.7 million in nonrecurring General Revenue and $0.6 million recurring General Revenue for each year.



Springs Protection – Florida is home to one of the largest concentrations of freshwater springs in the world. The Florida Springs Initiative is a comprehensive, coordinated program to improve spring water quality and flow through improved research, monitoring, education, landowner assistance, and conservation. Based on the requirement in section 375.041, Florida Statutes, the Legislature appropriated $50 million of recurring funds from the LATF for Fiscal Year 2016-17. Therefore, no additional funds are included in the Outlook for Fiscal Years 2019-20 through 2021-22 for spring restoration, protection, and management projects.

Lake Apopka – Lake Apopka, the fourth-largest lake in Florida, was once a world-class bass fishery. Over many decades, impacts to the lake have led to its designation as Florida's most polluted large lake. The St. John's River Water Management District (SJRWMD) and its partners have been working to reduce the total phosphorus and other solids in the water to improve water quality and to restore wildlife habitat and wetlands. Based on the requirement in section 375.041, Florida Statutes, the Outlook assumes funding of $5 million each year from the LATF for Fiscal Years 2019-20 through 2021-22.

St. Johns River/Keystone Heights Lake Region – The Keystone Heights Lake Region in southern Clay County contains numerous lakes that have struggled to maintain healthy water levels. In Fiscal Year 2017-18, the Legislature provided $5.5 million in recurring LATF appropriations and $7.8 million in nonrecurring General Revenue to help restore and protect these lakes and the St. Johns River and its tributaries. In Fiscal Year 2018-19, the Legislature provided $17.3 million in nonrecurring General Revenue and $2.2 million in nonrecurring LATF. The Outlook assumes a three-year average of appropriations of $8.4 million of nonrecurring funding from General Revenue and $2.6 million from the LATF.

Land Management – More than 10.2 million acres of conservation and recreation lands in Florida[8] are managed by four primary state agencies: the Department of Agriculture and Consumer Services, the Department of Environmental Protection, the Fish and Wildlife Conservation Commission, and the Department of State. These agencies provide recreational opportunities, preserve the state's forestry resources, provide wildlife and habitat protection, provide law enforcement, and preserve historical and archaeological resources for all of Florida's residents and visitors. Land management plans are developed, adopted, and reviewed every ten years to ensure that the short- and long-term goals by which the lands were acquired are being fulfilled.

In Fiscal Year 2018-19, the Legislature provided an additional $45.8 million for land management activities, including construction, improvement, enlargement, extension, and operation and maintenance of capital improvements and facilities from the General Revenue Fund and state trust funds. The Outlook assumes funding of $40.7 million of nonrecurring General Revenue for Fiscal Year 2019-20, $20.4 million of nonrecurring General Revenue and $20.4 million from the LATF for Fiscal Year 2020-21, and $2.1 million nonrecurring General Revenue and $38.7 million from the LATF for Fiscal Year 2021-22.

The Outlook assumes continued funding for other water and land programs from the LATF revenues within the Department of Agriculture and Consumer Services, the Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which include water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, threshold limits on pollutants in surface waters, and public education programs on nonpoint source management. In addition, funds are used for invasive plant control, which eliminates or reduces aquatic or non-native plants destructive to the state's natural ecosystems, and lake restoration, which includes freshwater aquatic habitat enhancement. Funds are also used for beach restoration, which serves to repair and restore the state's critically eroded beaches. However, the Outlook does not specifically address beach restoration caused by future tropical storms, hurricanes, or other natural disaster damages yet to occur. The Outlook includes General Revenue funding of $24.3 million for Fiscal Year 2019-20 and $23.8 million for Fiscal Years 2020-21 and 2021-22.

43. Other Agricultural and Environmental Programs

The Outlook includes funding for programs within the Departments of Environmental Protection and Agriculture and Consumer Services and the Fish and Wildlife Conservation Commission based on three-year appropriations averages. The major programs include:

Water Projects – The Outlook includes funding for traditional water projects. These projects historically were funded by a former statutory sales tax distribution. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes the three-year average of appropriations of $56.1 million funded from nonrecurring General Revenue each fiscal year during the three-year period contained in the Outlook.

[8] Florida Natural Areas Inventory, February 2018 Summary of Florida Conservation Lands

Drinking Water and Wastewater Revolving Loan Programs – The Outlook includes a state match to all estimated federal dollars available to maximize low interest loans to the state's local governments for needed infrastructure. For the three-year forecast period, the Outlook includes nonrecurring General Revenue as the fund source. The Outlook includes $11.1 million in Fiscal Year 2019-20, $8.7 million in Fiscal Year 2020-21, and $8.7 million in Fiscal Year 2021-22 for the Drinking Water Revolving Loan Program. The Outlook also includes $12.3 million in Fiscal Year 2019-20, $10.8 million in Fiscal Year 2020-21, and $10.8 million in Fiscal Year 2021-22 for the Wastewater Revolving Loan Program.

Florida Keys – The Legislature designated the Florida Keys (Monroe County and its municipalities) and the City of Key West as Areas of Critical State Concern in 1975 as a result of the area's environmental sensitivity and mounting development pressures. The 2008 Legislature authorized an additional amount of Everglades bonds not to exceed $200 million in total, and limited to $50 million per fiscal year, specifically for the purpose of funding the Florida Keys Area of Critical State Concern protection program. The Legislature authorized the issuance of $50 million in Everglades Restoration bonds in Fiscal Year 2012-13 and Fiscal Year 2014-15 to fund wastewater treatment efforts in the Florida Keys.

The 2016 Legislature amended section 215.619, Florida Statutes, (chapter 2016-225, Laws of Florida), to expand the use of Everglades restoration bonds for projects that protect, restore, or enhance near shore water quality and fisheries, including stormwater or canal restoration projects and projects that protect water resources available to the Florida Keys. The Outlook assumes a three-year average of appropriations of $7.7 million from nonrecurring General Revenue for each year of the Outlook.

Herbert Hoover Dike – The Herbert Hoover Dike is a 143-mile embankment that was built around Lake Okeechobee to protect the adjacent communities from floods during periods of heavy rain. Over the years, seepage occurred and weakened the levee. To address this, the Legislature appropriated nonrecurring General Revenue of $50.0 million in Fiscal Year 2017-18 to the Florida Department of Economic Opportunity to accelerate the rehabilitation of the Herbert Hoover Dike. The funding was provided to the United States Army Corps of Engineers via the South Florida Water Management District. An additional $50 million in nonrecurring General Revenue was provided in Fiscal Year 2018-19 to further these efforts. The Outlook assumes a three-year average of appropriations of $33.3 million from nonrecurring General Revenue for each year of the Outlook.

Agricultural Programs – Agriculture continues to be an important industry in Florida. Based on the three-year appropriations averages, $30.5 million in nonrecurring General Revenue and $0.4 million in recurring General Revenue are included for each fiscal year in the Outlook for a group of programs. This includes funding for water quality improvement initiatives and water conservation and supply planning. Funds are also included for the replacement of critical wildfire suppression equipment, promotional campaigns for agricultural commodities, citrus greening research and citrus health management areas, agricultural promotional and educational facilities, and the distribution of food to needy families through food pantries, soup kitchens, and shelters. In addition to the operating programs described above, the Outlook assumes the use of General Revenue to support the Agricultural Emergency Eradication Trust Fund. Section 570.1912, Florida Statutes, requires an appropriation from the General Revenue Fund to the Agriculture Emergency Eradication Trust Fund in an amount equal to the previous year's transfer into the trust fund from fuel tax collections. Based on the results of the August 2018 Transportation Revenue Estimating Conference, the Outlook includes nonrecurring General Revenue of $12.9 million in Fiscal Year 2019-20, $13.3 million in Fiscal Year 2020-21, and $13.6 million in Fiscal Year 2021-22.

Citrus Canker Eradication Litigation – Final judgments have been rendered for cases seeking compensation for residential citrus trees removed under the former Citrus Canker Eradication Program in Broward, Lee, Palm Beach, and Orange counties. The 2017 Legislature appropriated $20,941,328 for the Broward County judgments and $16,475,800 for the Lee County judgments. These appropriations were subsequently vetoed by the Governor. During the 2018 Session, the Legislature appropriated $22,049,046 for the Broward County judgments and $30,045,125 for the Palm Beach County judgments. The Outlook assumes the use of nonrecurring General Revenue to satisfy the remaining judgments in Lee and Orange counties. Based on historical funding, the Outlook includes $22,856,657 in Fiscal Years 2019-20 and 2021-22, and $13,622,415 in Fiscal Year 2021-22, which resolves all citrus canker final judgments.

Fish and Wildlife Conservation Programs – The mission of the Fish and Wildlife Conservation Commission (FWC) is to manage fish and wildlife resources for their long-term well-being and the benefit of people. Fish and wildlife conservation is important to the economy, environment, and ecology in Florida. The Outlook includes funding for two programs within the FWC: nonnative species reduction and black bear conflict reduction. Nonnative species are invasive species that have a negative impact on native species and habitat. The funding for nonnative species has included lionfish, pythons, and tegus. Increasing human-bear conflicts are a concern in Florida as both human and bear populations increase, occupied bear ranges expand, and human development continues to reduce bear habitat. The funding for black bear conflict reduction has focused on education and outreach, direct interventions, and work in communities to address waste management. Based on the three-year appropriations averages, approximately $0.6 million from nonrecurring General Revenue and $0.2 million from recurring General Revenue for the combined programs are included in each year of the Outlook.

General Government (Drivers #44 & #45)

44. Other General Government Priorities

Child Support Enforcement Annual Fee – The federal government currently requires an annual $25 fee from each non-public assistance parent utilizing the services of the Department of Revenue's (DOR) Child Support Enforcement program. Historically, the Legislature has provided General Revenue to cover the cost of the annual $25 fee for parents utilizing child support enforcement services. Between Fiscal Years 2013-14 and 2017-18, the General Appropriations Act included $2,080,000 in recurring General Revenue to cover the cost of this annual fee. In Fiscal Year 2018-19, the General Appropriations Act included an increase to the base funding of $334,017 (bringing the total appropriated to $2,414,017) in recurring General Revenue to cover additional costs associated with an increasing caseload.

In February 2018, the U.S. Congress passed and the President signed the Bipartisan Budget Act of 2018 (Section 53117 of Public Law 115-123), which increases the annual collection fee for child support cases from $25 to $35. Based on the new federal requirements, estimates provided by the DOR indicate an increased need of recurring General Revenue for future years to cover the fee for parents utilizing DOR child support enforcement services. The Outlook includes an increase of $140,701 in recurring General Revenue for Fiscal Year 2019-20, an increase of $1,371,380 in recurring General Revenue for Fiscal Year 2020-21, and an increase of $1,484,940 in recurring General Revenue for Fiscal Year 2021-22 for this purpose.

Aerial Photography – The Department of Revenue assists small county property appraisers by providing aerial photographs for counties with a population of 25,000 or less. Over the last several years, the Legislature has directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook assumes the continuation of this policy and provides nonrecurring General Revenue of $272,571 in Fiscal Year 2019-20, $167,371 in Fiscal Year 2020-21, and $1,174,040 in Fiscal Year 2021-22.

Florida Interoperability Network and Mutual Aid – The state has developed and implemented the Florida Interoperability Network (FIN) and Mutual Aid (MA) channels. These systems provide local public safety emergency responders the ability to communicate on the Statewide Law Enforcement Radio Network, both in and outside their respective jurisdictions. Network construction is complete, and the Outlook provides funding for continued operations. Historically, funding for the development and maintenance of the FIN and MA systems has been provided from federal domestic security grants; however, this funding source is no longer available. For each year of the three-year forecast, the Outlook includes approximately $1.3 million for FIN and approximately $0.5 million for MA of nonrecurring General Revenue.

Florida Accounting Information Resource (FLAIR) Replacement – The Department of Financial Services has completed the planning and design phase for the next generation accounting system to replace FLAIR. The department has named the new system Florida Planning, Accounting, and Ledger Management (Florida PALM). The department was provided $21.9 million in nonrecurring trust funds for Fiscal Year 2017-18 and $32.5 million in nonrecurring trust funds in Fiscal Year 2018-19 for the initial contract and system replacement and an additional $6 million in recurring trust funds for system replacement staffing needs. In July 2018, the department executed a contract with a provider for a system replacement. The total replacement contract cost over nine years will be $180 million. In addition, the PALM project will have an estimated $3.7 million annual expenditures for project administration, staff augmentation, and independent verification and validation (IV&V). Based upon the new contract, the Outlook includes $4.7 million nonrecurring General Revenue and $17.3 million from nonrecurring trust funds in Fiscal Year 2019-20, $8.3 million nonrecurring General Revenue and $17.9 million from nonrecurring trust funds for Fiscal Year 2020-21, and $9.9 million nonrecurring General Revenue and $18.5 million from nonrecurring trust funds for Fiscal Year 2021-22.

Compulsive Gambling – Section 551.118, Florida Statutes, requires the Department of Business and Professional Regulation to contract with a private provider for a compulsive and addictive gambling prevention program and funds the program from the annual $250,000 fee assessed to each slot machine licensee. The Outlook includes a three-year average of $0.3 million from nonrecurring General Revenue for each of the Fiscal Years 2019-20 through 2021-22 to continue the funding level appropriated in Fiscal Year 2018-19.

Statewide Law Enforcement Radio System (SLERS) – The Department of Management Services is responsible for the administration of the statewide radio communications system for law enforcement and first responders. The current 20-year contract for the operation of the SLERS System (set to expire on June 30, 2021) is currently funded in the Fiscal Year 2018-19 General Appropriations Act at $20.2 million. The funding to support the $20.2 million appropriation is derived from two fees established in statute. The fees include: 1) a $1 surcharge collected from the general public on motor vehicle and vessel registrations as provided in section 320.0802, Florida Statutes; and 2) a $3 fee per criminal offense and for all noncriminal moving traffic violations as established in section 318.18(17), Florida Statutes, to provide for system enhancements of the SLERS network. However, the $3 fee established in section 318.18(17), Florida Statutes, is set to expire July 1, 2021.

The DMS has concluded the procurement process for a replacement system that implements a new mission critical P25 Phase 2 service delivery, resulting in improved and expanded coverage, reliability, and audio clarity. It is anticipated that the replacement of the current system will require a multi-year transition period. Based upon the department's pending contract award (currently under protest) to replace the current system, the Outlook includes no additional costs in Fiscal Year 2019-20. However, the Outlook includes $32.7 million in nonrecurring General Revenue in Fiscal Year 2020-21 (and $20.2 million from trust funds for the current contract) and $12.2 million in recurring General Revenue and $20.5 million from trust funds in Fiscal Year 2021-22.

45. State Building Pool – General Repairs and Maintenance

The Outlook assumes funding for general repairs and maintenance of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current 5-year projection for general building repair deficiencies totals approximately $209.3 million. General repairs and maintenance projects include roofs, windows, doors, facades, HVAC, electrical, plumbing, and office space renovations. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes a three-year average of funding of $24.9 million from nonrecurring General Revenue and $13.5 million from nonrecurring trust fund resources for each of the Fiscal Years 2019-20 through 2021-22 for general building repairs (see related Driver #47 that funds critical life safety deficiency repairs). In addition, the Fiscal Year 2019-20 estimate includes $34.7 million from nonrecurring General Revenue for the replacement of the Waller Park Plaza (Capitol Complex).

Administered Funds and Statewide Issues (Drivers #46 & #47)

46. State Employee Pay Issues

The Outlook includes funding for state employees pay issues of $44.6 million of recurring General Revenue and $33.6 million of recurring trust fund expenditures based upon the three-year average historical funding levels for competitive pay adjustments and merit and retention pay adjustments, including adjustments for targeted groups of employees.

47. Maintenance, Repairs, and Capital Improvements – Statewide Buildings – Critical

Human Services – Maintenance and repair projects are based on critical life safety issues for state-owned facilities, which include state laboratories and state institutions. The Outlook includes funding for the Department of Health, the Department of Veterans' Affairs, the Department of Children and Families, and the Agency for Persons with Disabilities totaling $3.1 million each year from nonrecurring General Revenue and $5.1 million from trust funds for Fiscal Year 2019-20 through Fiscal Year 2021-22, based on the three-year appropriations average.

Criminal Justice – The Florida Department of Corrections is responsible for the major repair and renovation needs of over 80 facilities statewide. Many of these facilities are old, and the physical plant systems are well past their original operational life expectancy. The Outlook includes $9.9 million each year from nonrecurring General Revenue for maintenance, repairs, and capital improvements based on the average funding over the last three years.

The Department of Juvenile Justice is responsible for the upkeep and care of 94 residential and detention facilities. The Legislature recognizes the importance of keeping these facilities safe and functional. The Outlook includes $5.6 million each year for this purpose from nonrecurring General Revenue based on the average funding over the last three years.

Judicial Branch – The state is responsible for the facility needs of the Supreme Court and district courts of appeal. The Outlook includes $3.5 million in nonrecurring General Revenue each year for these needs based on the average funding over the last three years.

Department of Transportation – The Outlook includes funding for environmental site restoration and capital renewal projects affecting critical life, health, and safety issues at various Department of Transportation facilities located throughout the state. Environmental site restoration is a remediation effort to restore facilities to an environmentally uncontaminated, clean, and safe condition based on the Federal Resource Conservation and Recovery Act. Capital renewal projects include repairs, replacement, renovation, and improvements to statewide facilities for code compliance and mitigating health and welfare concerns. Based on a projection of code correction issues for the coming year, and a three-year appropriations average for environmental site restoration, the Outlook includes $4.6 million per year in State Transportation Trust Fund revenues.

Natural Resources – The Outlook includes funding for life and safety repairs for agricultural and wildlife conservation infrastructure located throughout the state. These improvements include state offices and laboratories, forestry wildfire prevention facilities, and state farmers markets. The Outlook includes a three-year average funding of $2.4 million of nonrecurring General Revenue and $3.8 million from trust funds for each of the Fiscal Years 2019-20 through 2021-22.

General Government – The Outlook includes funding for life safety and ADA repairs of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current five-year projection of deficiencies related to critical life safety and ADA issues is approximately $43.3 million. Life safety projects include fire sprinklers, fire alarms, elevators, smoke control systems, and other systems critical to the safety of occupants.

ADA compliance is dictated by standards set in the Code of Federal Regulations and is administered by the U.S. Department of Justice. The most recent update in 2012 required compliance surveys and transition plans for all public buildings. The current list of ADA compliance projects for the Florida Facilities Pool is a result of updated surveys and serves as the transition plan for the updated 2012 regulations. Projects include restroom renovations, elevator lobby modifications, outdoor pavilion upgrades, sidewalk improvements, and any other project needed to improve accessibility. The state facilities must be maintained in order to preserve the state’s assets and for bond coverage purposes.

The Outlook includes a three-year average of funding of $4.9 million from nonrecurring General Revenue and $0.4 million of nonrecurring trust fund resources for each of the Fiscal Years 2019-20 through 2021-22, for life safety and ADA deficiencies.

Tier 3 Adjustments to the General Revenue Fund

Based on historical tax and fee changes as well as historical trust fund transfers.

Recurring ($ millions)	2018-19	2019-20	2020-21	2021-22
Revenue Estimate	31,785.5	33,005.0	34,202.7	35,476.7
BP Settlement Agreement	26.7	26.7	26.7	26.7
Release of Indian Gaming Reserve	0.0	0.0	0.0	0.0
Non-Operating Funds	(1.5)	(0.6)	(0.6)	(0.7)
change from tax and significant fee changes				
• continuing tax and fee changes		*(104.8)*	*(104.8)*	*(104.8)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(104.8)*	*(209.6)*
• time-limited tax and fee changes		*0.0*	*0.0*	*0.0*
change from trust fund transfers (GAA)		*0.0*	*0.0*	*0.0*
Balance Forward from Prior Year	0.0	0.0	0.0	0.0
Unused Reserve from Prior Year	0.0	0.0	0.0	0.0
TOTAL	31,810.7	32,926.3	34,019.2	35,188.3
net change from revenue adjustments		*(104.8)*	*(209.7)*	*(314.4)*

Nonrecurring ($ millions)	2018-19	2019-20	2020-21	2021-22
Revenue Estimate	458.3	329.7	341.5	350.7
BP Settlement Agreement	0.0	0.0	0.0	0.0
FEMA Reimbursements	69.6	0.0	0.0	0.0
Non-Operating Funds	499.6	99.9	99.9	99.9
change from tax and significant fee changes				
• continuing tax and fee changes		*58.5*	*58.5*	*58.5*
• time-limited tax and fee changes		*(43.9)*	*(43.9)*	*(43.9)*
change from trust fund transfers (GAA)	*0.0*	*392.5*	*392.5*	*392.5*
Balance Forward from Prior Year	1,444.7	1,224.3	223.4	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL	2,472.2	2,061.0	2,071.9	1,857.7
net change from revenue adjustments		*407.1*	*407.1*	*407.1*

TOTAL ($ millions)	2018-19	2019-20	2020-21	2021-22
Revenue Estimate	32,243.8	33,334.7	34,544.2	35,827.4
BP Settlement Agreement	26.7	26.7	26.7	26.7
FEMA Reimbursements	69.6	0.0	0.0	0.0
Non-Operating Funds	498.1	99.3	99.3	99.2
change from tax and significant fee changes				
• continuing tax and fee changes		*(46.3)*	*(46.3)*	*(46.3)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(104.8)*	*(209.6)*
• time-limited tax and fee changes		*(43.9)*	*(43.9)*	*(43.9)*
change from trust fund transfers (GAA)	*0.0*	*392.5*	*392.5*	*392.5*
Balance Forward from Prior Year	1,444.7	1,224.3	223.4	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL GR Available	34,282.9	34,987.3	36,091.1	37,046.0
net change from revenue adjustments		302.3	197.5	92.7

Key Revenue Adjustments to the General Revenue Fund Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2019-20 through Fiscal Year 2021-22	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Revenue Adjustments						
1 Tax and Significant Fee Reductions						
1a Continuing Tax and Fee Changes	(46.3)	0.0	(46.3)	0.0	(46.3)	0.0
1b Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	(104.8)	0.0	(209.6)	0.0
1c Time-Limited Tax and Fee Changes	(43.9)	0.0	(43.9)	0.0	(43.9)	0.0
2 Trust Fund Transfers (GAA)*	392.5	0.0	392.5	0.0	392.5	0.0
Total Tier 3 - Revenue Adjustments	**302.3**	**0.0**	**197.5**	**0.0**	**92.7**	**0.0**

**Note: There would be a corresponding deduct from trust funds; however, the specific trust funds from which transfers would be made are currently unknown, but typically do not include the major trust funds tracked in the Outlook.*

Key Revenue Adjustments to the General Revenue Fund

Continuing the structural changes begun three years ago, this volume of the Long-Range Financial Outlook includes revenue adjustments that reflect legislative actions which alter the revenue-side of the state's fiscal picture. They are identified on the Key Revenue Adjustments to the General Revenue Fund Worksheet and described below.

Tax and Significant Fee Changes

Every year, the Legislature adopts a number of statutory changes that affect state and local government revenues. Some increase or reduce revenues, while others transfer moneys between different funds or levels of government without affecting state revenue receipts. After the Legislature adjourns, the Revenue Estimating Conference produces fiscal impacts for each measure, and these are compiled in a document entitled *Measures Affecting Revenues*. The document is published by the Legislative Office of Economic and Demographic Research and is available on its website.[9]

The Outlook includes a three-year average of state tax and fee changes that affect the General Revenue Fund. While a small number of these measures were positive, most resulted in savings to the affected payers and reduced state revenues. The average is a net number and is used in the Outlook to reflect the overall level of expected change.

Some of the impacts embedded in the measures were time-limited, nonrecurring changes that only affected a single year (e.g., sales tax holidays), while others were continuing, recurring changes that affect all future years. Because continuing changes to taxes often have delayed effective dates, the effect of the changes on the first fiscal year of implementation can be less than a full year's effect. For example, a continuing $50 million tax reduction that affects revenue collections for only half of the first year reduces state revenues by $50 million per year in the out-years, but has less than the full effect in the first year. In that year, state revenues are only reduced by $25 million. The remaining $25 million is converted into nonrecurring revenue and is available to be spent on a one-time basis. This explains the directional difference (negative recurring; positive nonrecurring) often seen in the first year of tax breaks that continue into the future.

The first table on the following page shows the fiscal impact of tax and fee measures adopted by the Legislature in the last three years. It separates into two rows those items that are continuing and those that are time-limited. The second table (immediately below the first) calculates the three-year average for this period.

[9] http://edr.state.fl.us/Content/revenues/reports/measures-affecting-revenues/index.cfm

	2016-17			2017-18			2018-19		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax and Fee Changes	(63.4)	57.7	(5.7)	(111.3)	72.8	(38.5)	(139.6)	45.0	(94.6)
Time-Limited Tax and Fee Changes	0.0	(36.6)	(36.6)	0.0	(37.7)	(37.7)	0.0	(57.4)	(57.4)
Total	**(63.4)**	**21.1**	**(42.3)**	**(111.3)**	**35.1**	**(76.2)**	**(139.6)**	**(12.4)**	**(152.0)**

	Three-Year Average		
	Rec	NR	Total
Continuing Tax and Fee Changes	(104.8)	58.5	(46.3)
Time-Limited Tax and Fee Changes	0.0	(43.9)	(43.9)
Total	**(104.8)**	**14.6**	**(90.2)**

In each of the three years, the largest time-limited impacts were the back-to-school sales tax holidays. The largest continuing impacts were the permanent sales tax exemption for the purchase of machinery and equipment related to manufacturing in Fiscal Year 2016-17, the 0.2 percentage point reduction to the sales tax on commercial rents in Fiscal Year 2017-18, and the two new scholarship credit programs (Florida Sales Tax Credit Program and the Hope Scholarship) in Fiscal Year 2018-19.

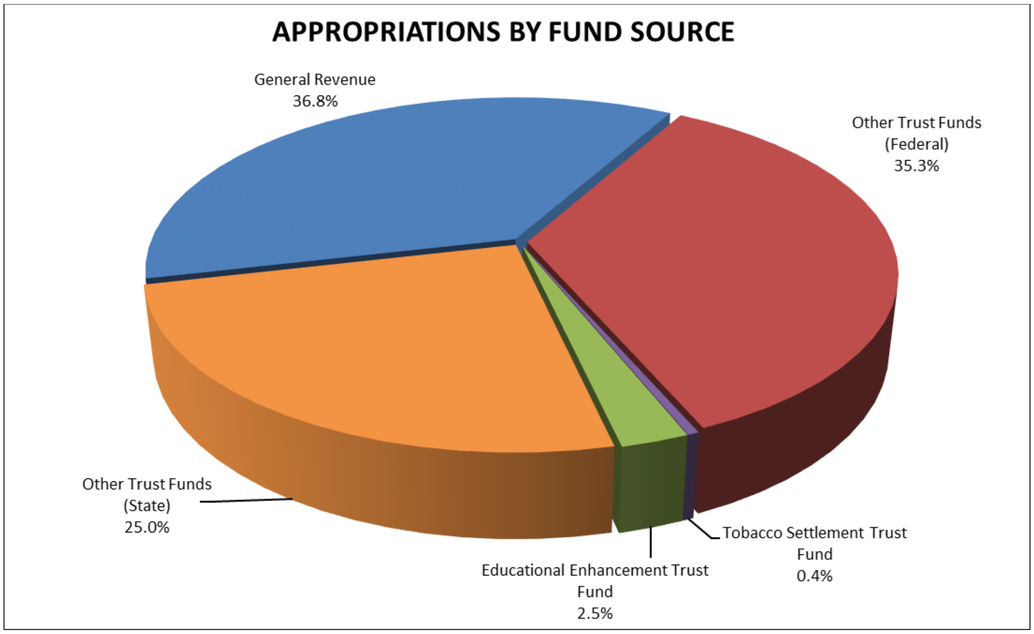
The Tier 3 Table on page 22 includes the three-year averages of tax and fee changes (both continuing and time-limited) for each of the Outlook years in order to show the effects of the Legislature continuing this policy. The average time-limited impact of $43.9 million is discretely added to each year of the Outlook, while the continuing tax and fee impacts also reflect the cumulative or stacking effects of prior year changes as the years progress.

The table below shows how the cumulative impact of the continuing items is calculated.

	2019-20			2020-21			2021-22		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Year 1 Annual Effects	(104.8)	58.5	(46.3)	(104.8)	0.0	(104.8)	(104.8)	0.0	(104.8)
Year 2 Annual Effects	-	-	-	(104.8)	58.5	(46.3)	(104.8)	0.0	(104.8)
Year 3 Annual Effects	-	-	-	-	-	-	(104.8)	58.5	(46.3)
Total	**(104.8)**	**58.5**	**(46.3)**	**(209.6)**	**58.5**	**(151.1)**	**(314.4)**	**58.5**	**(255.9)**

Trust Fund Transfers (GAA)

For various reasons, trust funds are created to set aside or earmark a portion of state revenue for particular uses. Typically, trust funds are used to dedicate special purpose funds, segregate federal assistance monies, transfer funds to local government, or isolate bond proceeds. For Fiscal Year 2018-19, appropriations were made from 168 different trust funds, totaling $56.5 billion. Approximately $31.5 billion was appropriated from federal revenue sources and $24.9 billion from state revenue sources. On the following graph, state trust fund appropriations comprise 25.0 percent of the total state budget; once the Educational Enhancement Trust Fund and the Tobacco Settlement Trust Fund are included, the percentage increases to nearly 28.0 percent.



In modern budgeting, the annual General Appropriations Act has typically included transfers of unobligated fund balances from trust funds to the General Revenue Fund. The Outlook includes a three-year average of trust fund transfers as an adjustment to available General Revenue.

The average is calculated using pre-veto levels. It is also exclusive of transfers related to constitutional amendments (e.g., conforming changes related to Amendment 1 that passed in 2014); transfers associated with consensus estimating conferences; and transfers related to permanent law changes significantly affecting a trust fund identified with a sweep that passed during the same session. The three-year average transfer using this calculation methodology is $392.5 million, which is included as a nonrecurring adjustment to available General Revenue in each year of the Outlook.

	Fiscal Year 2016-17	**Fiscal Year 2017-18**	**Fiscal Year 2018-19**	**3-year Average**
Total Trust Fund Transfers to General Revenue	$307.9 M	$542.3 M	$404.3 M	$418.2 M
Excluded Transfers	($0.0) M	($77.0) M	($0.0) M	($25.7) M
Total with Exclusions	**$307.9 M**	**$465.3 M**	**$404.3 M**	**$392.5 M**