State of Florida
Long-Range Financial Outlook
Fiscal Year 2011-12 through 2013-14

Fall 2010 Report
As Adopted by the Legislative Budget Commission

Jointly prepared by the following:
The Senate Policy and Steering Committee on Ways and Means
The House Full Appropriations Council on Education & Economic Development
The House Full Appropriations Council on General Government & Health Care
The Legislative Office of Economic and Demographic Research

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Long-Range Financial Outlook

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 2010 Outlook is the fourth 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 more 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 projections primarily reflect current-law spending requirements and tax provisions. It also includes budgetary, economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: 2011-12, 2012-13, and 2013-14.

THE OUTLOOK DOES NOT PURPORT TO PREDICT THE 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 OR DISCRETIONARY SPENDING, MAKING THIS DOCUMENT SIMPLY A REASONABLE BASELINE OR A STARTING POINT. ANY ASSUMPTION REGARDING A CHANGE IN LEGISLATIVE DIRECTION IS CONFINED TO SPECIFICALLY DESIGNATED SCENARIOS. IN EACH SCENARIO, ALL UNSPENT FUNDS ARE STILL CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.

Who produced it?

The Outlook was jointly developed by the Senate Policy and Steering Committee on Ways and Means, the House Full Appropriations Council on Education & Economic Development, the House Full Appropriations Council on General Government & Health Care, 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 Class Size Reduction, were reviewed and individually analyzed.

- Forecasts of future workload and enrollment 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.

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

Understanding the Outlook

- The Outlook is structured into policy sections that correspond to the Appropriations Bill format required by the constitution. Also included are separate sections for Potential Constitutional Issues, Statewide Distributions / Administered Funds, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections and Composition, Debt Analysis and a comparison of costs versus revenues.

- Each policy section is based on projections of the applicable major state-supported programs, an identification of the assumptions behind the projections and a description of significant policy issues associated with the projections.

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

- Estimates for several ongoing programs historically funded with non-recurring funds are also included in the Outlook. Even though funded with non-recurring funds, these programs are viewed as annual "must funds" by most legislators and are therefore identified as major cost drivers.

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (lottery and slots proceeds devoted to education), the Principal State School Trust Fund and the Tobacco Settlement Trust Fund. Other trust funds have been estimated and discussed in the sections where they are relevant to the expenditure forecast.

- All revenue projections include recurring and non-recurring amounts.

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

- Budget Drivers have been categorized as either "*Critical Needs*" (annualizations of current year activities, mandatory increases based on estimating conferences, and other essential needs) and "*Other High Priority Needs*" (historically funded issues). *Critical Needs* can be thought of as the absolute minimum the state must do absent significant law or structural changes, and *Other High Priority Needs* in combination with the *Critical Needs* form a highly conservative continuation budget.

- For the purposes of this Outlook, prior expenditures from expiring federal stimulus dollars have been redirected to the General Revenue Fund when the underlying activities are ongoing in nature.

- The Fiscal Strategies section demonstrates the impact of varying policy decisions on the baseline projection. The unique assumptions used for these scenarios are not built into the rest of the Outlook.

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Since the March General Revenue Estimating Conference, underlying collections have been running above estimate for most months. Fiscal Year 2009-10 ended with a $228.8 million gain to the forecast or about 1.1 percent above the estimate for the year. In response, the Revenue Estimating Conference made modest adjustments to its near-term forecast. For Fiscal Year 2010-11, expected revenues were increased by $260.9 million or 1.1 percent above the earlier forecast. For Fiscal Year 2011-12, expected revenues were increased by $334.4 million or 1.4 percent above the earlier forecast. **However, these forecasts do not contain any projections related to the Deepwater Horizon oil spill, due to the lag in tax collection data.**

- The overall Revenue Estimating Conference changes had the effect of lowering the general revenue growth rates for future years, but the higher revenue base for Fiscal Year 2009-10 coupled with the 2010 legislative changes resulted in a higher nominal level for each year. The positive post-session adjustments largely came from the ratification of the Indian Gaming Compact and the passage of the Tax Amnesty legislation.

Fiscal Year	March Forecast	Post-Session Forecast	DIFF	New Forecast	Difference (New - Rev)	Incremental Growth	Growth
2005-06	27074.8	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	8.4%
2006-07	26404.1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-2.5%
2007-08	24112.1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-8.7%
2008-09	21025.6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-12.8%
2009-10	21056.9	21294.3	237.4	21523.1	228.8	497.5	2.4%
2010-11	22465.7	22706.1	240.4	22967.0	260.9	1443.9	6.7%
2011-12	24275.4	24338.3	62.9	24672.7	334.4	1705.7	7.4%
2012-13	25988.8	26121.7	132.9	26341.6	219.9	1668.9	6.8%
2013-14	27739.6	27877.7	138.1	27955.7	78.0	1614.1	6.1%

- The last official Financial Outlook Statement for the General Revenue Fund was adopted on July 15, 2010, by the Revenue Estimating Conference. Since then, there have been a number of changes that affect the bottom line. To give a more accurate projection of where the State stands for the next budget, the Legislative Office of Economic and Demographic Research (EDR) has made adjustments to the Financial Outlook Statement used for this document to incorporate this information. The adjustments are described below, and a copy of the EDR version of the Financial Outlook Statement can be found in Appendix A.

- The *Funds Available for 2010-11* has been adjusted for the increase in the balance forward from 2009-10, and all years have been adjusted for the change in the revenue estimates from the August Conference.

- The *Estimated Expenditures for 2010-11* have been adjusted to account for two items that became known after the Post-Session Outlook (Campaign Financing and Indian Gaming County Revenue Sharing).

• Moreover, the recent federal passage of the FMAP Extension has prompted a number of changes that will impact the 2010-11 bottom line and alter the outlook for future years. These changes have been incorporated into the Long-Range Financial Outlook.

- The Legislature has yet to act on the implementation of the FMAP Extension; however, the additional non-recurring dollars are targeted for the Medicaid Program. These funds will have the effect of reducing the need for general revenue spent on Human Services.

- During the 2010 Session, the Legislature appropriated $270 million in budget issues that were contingent on the passage of the FMAP extension. Several of these appropriations were related to other issues that were subsequently vetoed by the Governor. After eliminating these items, the remaining contingencies total $210 million. An adjustment has been made to the *Estimated Expenditures for 2010-11* to account for these appropriations.

Economic Development		20,000,000
Bright Futures		25,000,000
Innovation Incentive Program		75,000,000
Transportation Trust Fund		-
Low Income Pool		25,000,000
Hospital Inpatient Service		4,197,807
Hospital Outpatient Service		802,193
Sylvester Cancer Center		9,500,000
Shands Cancer Center		9,500,000
Braman Family Breast Cancer		1,000,000
Nursing Home Rates		-
Everglades Restoration		40,000,000
	TOTAL	210,000,000

- Finally, a preliminary reserve against the General Revenue Fund ($94.4 million) has been created to address the adjusted Medicaid shortfall for the current year.

- For Critical and Other High Priority Needs, the non-recurring general revenue funds are insufficient to meet the non-recurring needs identified in the expenditure outlook for Fiscal Years 2011-12, 2012-13 and 2013-14.

- Overall, the General Revenue Fund is solvent for Fiscal Year 2010-11, but has projected shortfalls in each of the three planning years despite the significant revenue growth projected for those years. The Long-Range Financial Outlook assumes that non-recurring solutions are used to address the shortfalls, meaning that the beginning balances for the subsequent years are zero; that is, the solutions have no impact on future years.

- The Educational Enhancement Trust Fund will have little long-term growth and mixed results in the near-term. The fund will see positive growth in 2011-12 relative to 2010-11, but the following two years will see fewer total dollars for expenditure than are available in Fiscal Year 2011-12.

- The Tobacco Settlement Trust Fund will have virtually no long-term growth and mixed results in the near-term. The fund will see a decline in 2011-12 relative to 2010-11 and will stay essentially flat for the following two years.

- The Principal State School Trust Fund will have little long-term growth and mixed results in the near-term. The fund will see positive growth in 2011-12 relative to 2010-11 largely due to a substantial balance forward from 2009-10, but the following two years will see significantly fewer total dollars for expenditure than are available in Fiscal Year 2011-12.

B. Key Aspects of the Expenditure Demands

- Critical Needs are annualizations of current year activities, mandatory increases based on estimating conferences and other essential items. The twenty-six Critical Needs drivers represent the minimum cost to fund the budget without significant programmatic changes. For the General Revenue Fund, the greatest shortfall occurs in Fiscal Year 2011-12.

- The twenty-nine Other High Priority Needs drivers are historically funded issues that are typically viewed as "must funds" in normal budget years. Like the Critical Needs, the greatest general revenue shortfall occurs in the first year.

**DOLLAR VALUE OF
CRITICAL AND OTHER HIGH PRIORITY NEEDS**

General Revenue Fund	FY 2011-12	FY 2012-13	FY 2013-14
Total Tier 1 - Critical Needs	3,221.6	1,560.7	718.0
Total - Other High Priority Needs	1,682.3	895.4	862.1
Total Tier 2 - Critical Needs Plus Other High Priority Needs	4,903.9	2,456.1	1,580.1

- In the first two years of the forecast period, Critical Needs represent a greater percentage of the projected expenditures than the Other High Priority Needs. The upward pressure on both years is caused by a substantial loss of federal funding in core program functions that has to be replaced. By the third year, Other High Priority Needs are greater than Critical Needs.

PERCENTAGE OF
TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

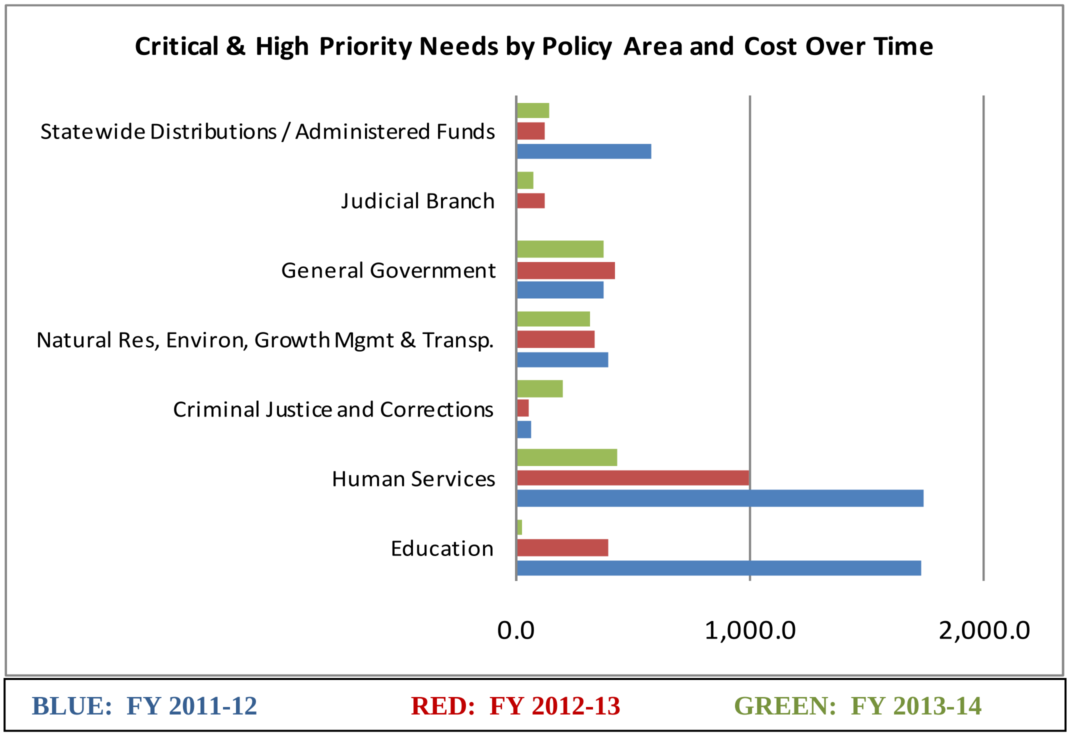
General Revenue Fund	FY 2011-12	FY 2012-13	FY 2013-14
Total Tier 1 - Critical Needs	65.7%	63.5%	45.4%
Total - Other High Priority Needs	34.3%	36.5%	54.6%

- Not only are the projected expenditures for Critical and Other High Priority Needs different over time, but the various policy areas also differ in their resource demands. The Education and Human Services policy areas have virtually the same need in Fiscal Year 2011-12, but Human Services dominates the second and third years of the Outlook forecast.

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

Policy Areas	FY 2011-12	FY 2012-13	FY 2013-14
Education	1,742.1	396.8	28.4
Human Services	1,745.9	995.4	435.8
Criminal Justice and Corrections	63.9	55.1	199.5
Natural Res, Environ, Growth Mgmt & Transp.	393.9	335.7	317.8
General Government	377.9	424.4	382.9
Judicial Branch	1.6	123.5	73.7
Statewide Distributions / Administered Funds	578.7	125.1	141.9
	4,903.9	2,456.1	1,580.1

[SEE CHART ON NEXT PAGE]



- 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. Because it is the only policy area to have double-digit percentages of the total in all three years of the Outlook, the Human Services policy area continues to stand out. Adding the three years together, it has 35.5 percent of the total.

POLICY AREA PERCENTAGE OF
TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

Policy Areas	FY 2011-12	FY 2012-13	FY 2013-14
Education	35.5%	16.2%	1.8%
Human Services	35.6%	40.5%	27.6%
Criminal Justice and Corrections	1.3%	2.2%	12.6%
Natural Res, Environ, Growth Mgmt & Transp.	8.0%	13.7%	20.1%
General Government	7.7%	17.3%	24.2%
Judicial Branch	0.0%	5.0%	4.7%
Statewide Distributions / Administered Funds	11.8%	5.1%	9.0%
TOTAL NEEDS	100%	100%	100%

- By itself, the Medicaid Program driver represents 30.3 percent of the 2011-12 projected expenditures for Critical and Other High Priority Needs. In 2012-13 and 2013-14, the shares are 36.5 percent and 13.4 percent. It is the single biggest driver in the first two years of the Outlook forecast.

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

- Fiscal Year 2011-12

  - Total general revenue available for appropriation is $25,216.0 million.

  - The base budget, repayment of the Budget Stabilization Fund, and Critical Needs funded with general revenue are estimated to cost $26,044.5 million, excluding any holdback for a reserve balance. This figure grows to a total of $27,726.7 million when the Other High Priority Needs are included.

  - Combined, recurring and non-recurring general revenue program needs – even without a minimum reserve – are greater than the available general revenue dollars, thereby creating a shortfall. The anticipated expenditures (excluding the reserve) outstrip available dollars by $828.4 million for Critical Needs, thereby creating a budget gap. When Other High Priority Needs are included, the gap grows to $2,510.7 million.

  - Fiscal Strategies will be required to keep the budget in balance as constitutionally required. By law, the available balance of $274.7 million in the Budget Stabilization Fund (BSF) cannot be used to address this gap prospectively when a budget is adopted, but can be used when revenues fall below actual appropriations for a fiscal year. Even if the BSF could be used prospectively, the available BSF balance is inadequate to eliminate the shortfall – an amount that approaches 9.1 percent of the projected spending requirements on all needs – and other actions will be needed.

OUTLOOK PROJECTION – FISCAL YEAR 2011-12 ***(in millions)***

	RECURRING	NON-RECURRING	TOTAL
AVAIL GR	**$24,565.7**	**$ 650.3**	**$25,216.0**
Base Budget	$22,608.4	$ 0.0	$22,608.4
Transfer to BSF	$ 0.0	$ 214.5	$ 214.5
Critical Needs	$ 3,054.3	$ 167.3	$ 3,221.6
High Priority	$ 936.0	$ 746.3	$ 1,682.3
TOTAL	**$26,598.7**	**$ 1,128.0**	**$27,726.7**
BALANCE	**$ -2,033.0**	**$ -477.7**	**$ -2,510.7**

NOTE: Some totals are affected by rounding.

- Fiscal Years 2012-13 and 2013-14:

    - o Fiscal Year 2012-13 and Fiscal Year 2013-14 both show projected budget needs significantly in excess of available revenue for Critical and Other High Priority Needs. Excluding the retention of a reserve in each year, Fiscal Year 2012-13 would have a maximum budget gap of $2,846.3 million and Fiscal Year 2013-14 would have a maximum budget gap of $1,930.3 million. For the *Critical Needs* alone, the projected gap is $1,015.0 million in Fiscal Year 2012-13 and a small positive balance in 2013-14.

    - o The available general revenue is insufficient to meet budget demands in the latter years of the planning horizon unless prior actions are taken to reduce the recurring budget needs or increase revenues.

    - o Because the required non-recurring adjustment to balance is greater than the non-recurring dollars currently available, one of three solutions would have to be implemented: (1) no new expenditures could be made from non-recurring dollars, (2) recurring expenditures would have to be reduced to generate funds for non-recurring expenditures, or (3) trust fund transfers or some other source of non-recurring revenue would be needed to offset the non-recurring need.

D. Analyzing the Result

- *Critical Needs*
  Absent any action to close the state's budget gap, projected general revenue growth (recurring plus non-recurring) is insufficient to support anticipated spending and minimal reserve requirements for Fiscal Years 2011-12 and 2012-13. Fiscal Year 2013-14 ends with a small positive balance, but at a level typically viewed to be inadequate for a minimal reserve. Corrective actions will be required to bring the budget into balance, even if all Other High Priority Needs are ignored.

- *Critical and Other High Priority Needs*
  Absent any action to close the state's budget gap, projected general revenue growth (recurring plus non-recurring) is insufficient to support anticipated spending and minimal reserve requirements for Fiscal Years 2011-12, 2012-13 and 2013-14. Corrective actions will be required to bring the budget into balance. Furthermore, RECURRING general revenue demands exceed the amount of RECURRING general revenue available in each year of the forecast. This indicates that a structural imbalance is occurring.

To fund all Critical and Other High Priority Needs, the combined total of needed non-recurring funds would be $7,287.3 million prior to taking into account a reserve balance. Reserves of this magnitude are currently not available.

Alternatively, any actions to close the budget gap on a *recurring* basis will positively impact the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years would be constrained by the amount of recurring expenditure reductions taken in prior years. Recurring revenue enhancements would similarly alter the negative ending balances in the subsequent years.

While a persistent budget gap still exists, the outlook has improved from last year's Long-Range Financial Outlook in several important respects. The table on the next page analyzes the key differences.

Comparison of This Year to Last Year's Estimates for Critical Needs & Other High Priorities:

2011-12 Budget Gap	(2,510.7)	This Year's Projection for 2011-12
	(5,473.2)	Last Year's Projection for 2011-12
	2,962.5	To the Good

1. Improved General Revenue Picture

2011-12 BENEFIT:	25,216.0	This Year's Projection for 2011-12
	(23,956.6)	Last Year's Projection for 2011-12
	1,259.4	
	43%	% of Difference

- Increases in the Forecast, including higher balance forward from last year
- Legislative changes from 2010 Session (primarily Indian Gaming Revenues & Tax Amnesty)

2. Reduced Expenditures

2011-12 BENEFIT:	(27,726.7)	This Year's Projection for 2011-12
	29,429.8	Last Year's Projection for 2011-12
	1,703.1	
	57%	% of Difference

- Significant reduction in the size of the base budget carried from 2010-11 (- $1.5 billion)
- Decrease in the cost of new Drivers (-$159 million)

GENERAL REVENUE OUTLOOK PREPARED BY EDR --- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 1 ISSUES - CRITICAL NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward (Post-Session Outlook)	0.0	955.8	955.8	0.0	462.0	462.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Surplus (2009-10)	0.0	227.5	227.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate (Post-Session Outlook)	22,371.3	334.8	22,706.1	24,235.6	102.7	24,338.3	25,972.6	149.1	26,121.7	27,739.3	138.4	27,877.7
New Estimate - August 2010	260.9	0.0	260.9	334.4	0.0	334.4	219.9	0.0	219.9	78.0	0.0	78.0
Non-operating Funds	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
Transfer From Trust Funds		367.5	367.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**22,627.9**	**1,971.2**	**24,599.1**	**24,565.7**	**650.3**	**25,216.0**	**26,188.2**	**234.7**	**26,422.9**	**27,813.0**	**224.0**	**28,037.0**
Estimated Expenditures:												
Base Budget				22,608.4	0.0	22,608.4	25,662.7	0.0	25,662.7	26,990.3	0.0	26,990.3
New Issues by GAA Section:												
Section 2 - Education	12,183.7	334.3	12,518.0	1,388.0	0.0	1,388.0	119.9	0.0	119.9	-257.8	0.0	-257.8
Section 3 - Human Services	6,063.2	636.0	6,699.2	1,506.0	0.0	1,506.0	916.1	0.0	916.1	373.3	0.0	373.3
Section 4 - Criminal Justice and Corrections	3,463.1	31.1	3,494.1	49.1	0.0	49.1	43.5	0.0	43.5	57.6	131.1	188.7
Section 5 - Natural Resources /Environment/Growth Management/Transportation	150.0	32.3	182.4	0.0	11.8	11.8	0.0	5.1	5.1	0.0	2.6	2.6
Section 6 - General Government	616.8	161.5	778.3	3.6	155.5	159.1	1.2	227.9	229.1	1.3	195.9	197.2
Section 7 - Judicial Branch	46.9	-	46.9	0.0	0.0	0.0	121.9	0.0	121.9	72.1	0.0	72.1
Statewide Distributions / Administered Funds	84.7	22.7	107.4	107.6	0.0	107.6	125.1	0.0	125.1	141.9	0.0	141.9
Total New Issues				3,054.3	167.3	3,221.6	1,327.7	233.0	1,560.7	388.3	329.7	718.0
Outlook Adjustments after Post-Session	-	6.3	6.3	-	-	-	-	-	-	-	-	-
Preliminary Reserve for Medicaid Shortfall	-	94.4	94.4	-	-	-	-	-	-	-	-	-
FMAP Contingent Approp Minus Vetoes	-	210.0	210.0	-	-	-	-	-	-	-	-	-
Transfer to Budget Stabilization Fund	-	-	-	-	214.5	214.5	-	214.5	214.5	-	214.5	214.5
Total Estimated Expenditures	**22,608.4**	**1,528.7**	**24,137.1**	**25,662.7**	**381.8**	**26,044.5**	**26,990.3**	**447.5**	**27,437.9**	**27,378.6**	**544.2**	**27,922.8**
Ending Balance	**19.5**	**442.5**	**462.0**	**-1,097.0**	**268.5**	**-828.4**	**-802.1**	**-212.8**	**-1,015.0**	**434.4**	**-320.2**	**114.2**

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

GENERAL REVENUE OUTLOOK PREPARED BY EDR --- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward (Post-Session Outlook)	0.0	955.8	955.8	0.0	462.0	462.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Surplus (2009-10)	0.0	227.5	227.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate (Post-Session Outlook)	22,371.3	334.8	22,706.1	24,235.6	102.7	24,338.3	25,972.6	149.1	26,121.7	27,739.3	138.4	27,877.7
New Estimate - August 2010	260.9	0.0	260.9	334.4	0.0	334.4	219.9	0.0	219.9	78.0	0.0	78.0
Non-operating Funds	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
Transfer From Trust Funds	0.0	367.5	367.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**22,627.9**	**1,971.2**	**24,599.1**	**24,565.7**	**650.3**	**25,216.0**	**26,188.2**	**234.7**	**26,422.9**	**27,813.0**	**224.0**	**28,037.0**
Estimated Expenditures:												
Base Budget				22,608.4	0.0	22,608.4	26,598.7	0.0	26,598.7	28,172.7	0.0	28,172.7
New Issues by GAA Section:												
Section 2 - Education	12,183.7	334.3	12,518.0	1,608.4	133.7	1,742.1	338.9	57.9	396.8	-29.5	57.9	28.4
Section 3 - Human Services	6,063.2	636.0	6,699.2	1,699.3	46.6	1,745.9	933.8	61.6	995.4	390.9	44.9	435.8
Section 4 - Criminal Justice and Corrections	3,463.1	31.1	3,494.1	50.2	13.7	63.9	44.6	10.5	55.1	58.7	140.8	199.5
Section 5 - Natural Resources /Environment/Growth Management/Transportation	150.0	32.3	182.4	49.5	344.4	393.9	8.5	327.2	335.7	0.0	317.8	317.8
Section 6 - General Government	616.8	161.5	778.3	4.3	373.6	377.9	1.2	423.2	424.4	1.3	381.6	382.9
Section 7 - Judicial Branch	46.9	-	46.9	0.0	1.6	1.6	121.9	1.6	123.5	72.1	1.6	73.7
Statewide Distributions / Administered Funds	84.7	22.7	107.4	578.7	0.0	578.7	125.1	0.0	125.1	141.9	0.0	141.9
Total New Issues				3,990.3	913.5	4,903.9	1,574.1	882.0	2,456.1	635.4	944.6	1,580.1
Outlook Adjustments after Post-Session	-	6.3	6.3	-	-	-	-	-	-	-	-	-
Preliminary Reserve for Medicaid Shortfall	-	94.4	94.4	-	-	-	-	-	-	-	-	-
FMAP Contingent Approp Minus Vetoes	-	210.0	210.0	-	-	-	-	-	-	-	-	-
Transfer to Budget Stabilization Fund	-	-	-	-	214.5	214.5	-	214.5	214.5	-	214.5	214.5
Total Estimated Expenditures	**22,608.4**	**1,528.7**	**24,137.1**	**26,598.7**	**1,128.0**	**27,726.7**	**28,172.7**	**1,096.5**	**29,269.2**	**28,808.2**	**1,159.1**	**29,967.3**
Ending Balance	**19.5**	**442.5**	**462.0**	**-2,033.0**	**-477.7**	**-2,510.7**	**-1,984.5**	**-861.8**	**-2,846.3**	**-995.2**	**-935.1**	**-1,930.3**

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

EDUCATIONAL ENHANCEMENT TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	78.4	78.4	0.0	97.8	97.8	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	1,382.6	-65.6	1,317.0	1,418.2	-23.4	1,394.8	1,438.1	-21.5	1,416.6	1,463.1	0.0	1,463.1
Non-operating Funds	3.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0	3.0
Total Funds Available	**1,385.6**	**12.8**	**1,398.4**	**1,421.2**	**74.4**	**1,495.6**	**1,441.1**	**-21.5**	**1,419.6**	**1,466.1**	**0.0**	**1,466.1**
Estimated Expenditures:												
Base Budget				1,300.6	0.0	1,300.6	1,495.6	0.0	1,495.6	1,419.6	0.0	1,419.6
Increase/Decrease				195.0	0.0	195.0	-76.0	0.0	-76.0	46.5	0.0	46.5
Total Estimated Expenditures	**1,300.6**	**0.0**	**1,300.6**	**1,495.6**	**0.0**	**1,495.6**	**1,419.6**	**0.0**	**1,419.6**	**1,466.1**	**0.0**	**1,466.1**
Ending Balance	**85.0**	**12.8**	**97.8**	**-74.4**	**74.4**	**0.0**	**21.5**	**-21.5**	**0.0**	**0.0**	**0.0**	**0.0**

PRINCIPAL STATE SCHOOL TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	65.1	65.1	0.0	88.5	88.5	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from Abandoned Property TF	141.8	-10.9	130.9	137.0	-10.9	126.1	141.3	0.0	141.3	145.6	0.0	145.6
Other Funds	3.1	0.0	3.1	3.3	0.0	3.3	3.8	0.0	3.8	3.8	0.0	3.8
Total Funds Available	**144.9**	**54.2**	**199.1**	**140.3**	**77.6**	**217.9**	**145.1**	**0.0**	**145.1**	**149.4**	**0.0**	**149.4**
Estimated Expenditures:												
Base Budget				110.6	0.0	110.6	217.9	0.0	217.9	145.1	0.0	145.1
Increase/Decrease				107.3	0.0	107.3	-72.8	0.0	-72.8	4.3	0.0	4.3
Total Estimated Expenditures	**110.6**	**0.0**	**110.6**	**217.9**	**0.0**	**217.9**	**145.1**	**0.0**	**145.1**	**149.4**	**0.0**	**149.4**
Ending Balance	**34.3**	**54.2**	**88.5**	**-77.6**	**77.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

TOBACCO SETTLEMENT TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	7.9	7.9	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0
Revenue Estimate	347.0	0.0	347.0	349.1	0.0	349.1	349.5	0.0	349.5	351.1	0.0	351.1
Non-operating Funds	15.7	0.0	15.7	15.7	0.0	15.7	15.7	0.0	15.7	15.7	0.0	15.7
Total Funds Available	**362.7**	**7.9**	**370.6**	**364.8**	**1.0**	**365.8**	**365.2**	**1.0**	**366.2**	**366.8**	**1.0**	**367.8**
Estimated Expenditures:												
Base Budget				369.6	0.0	369.6	364.8	0.0	364.8	365.2	0.0	365.2
Increase/Decrease				-4.8	0.0	-4.8	0.4	0.0	0.4	1.6	0.0	1.6
Total Estimated Expenditures	**369.6**	**0.0**	**369.6**	**364.8**	**0.0**	**364.8**	**365.2**	**0.0**	**365.2**	**366.8**	**0.0**	**366.8**
Ending Balance	**-6.9**	**7.9**	**1.0**	**0.0**	**1.0**	**1.0**	**0.0**	**1.0**	**1.0**	**0.0**	**1.0**	**1.0**

POTENTIAL CONSTITUTIONAL ISSUES

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1st 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 2010, the required number of valid signatures was 676,811.

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 s. 3, Art XI of the State Constitution." For the 2010 ballot, this meant that there were at least 67,683 valid and qualifying signatures. At the point 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 (s.100.371, Florida Statutes).

In addition to the petition initiative process, the Legislature may directly place proposals on the ballot for consideration. This is accomplished 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.

Originally, nine constitutional proposals were placed on the 2010 ballot through one of the two methods outlined above. However, three amendments have subsequently been removed from the ballot by the Florida Supreme Court.

Proposed Amendments for the 2010 Ballot

Initiative Name	Ballot # and Description
LEGISLATIVE... REPEAL OF PUBLIC CAMPAIGN FINANCING REQUIREMENT	**Ballot # 1:** Proposing the repeal of the provision in the State Constitution that requires public financing of campaigns of candidates for elective statewide office who agree to campaign spending limits.
LEGISLATIVE... HOMESTEAD AD VALOREM TAX CREDIT FOR DEPLOYED MILITARY PERSONNEL	**Ballot # 2:** Proposing an amendment to the State Constitution to require the Legislature to provide an additional homestead property tax exemption by law for members of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard who receive a homestead exemption and were deployed in the previous year on active duty outside the continental United States, Alaska, or

	Hawaii in support of military operations designated by the Legislature. The exempt amount will be based upon the number of days in the previous calendar year that the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the Legislature. The amendment is scheduled to take effect January 1, 2011.
LEGISLATIVE... PROPERTY TAX LIMIT FOR NONHOMESTEAD PROPERTY; ADDITIONAL HOMESTEAD EXEMPTION FOR NEW HOMESTEAD OWNERS	**Ballot # 3: Removed by the Florida Supreme Court**
Petition Initiative... *Referenda Required for Adoption and Amendment of Local Government Comprehensive Land Use Plans*	**Ballot # 4:** Establishes that before a local government may adopt a new comprehensive land use plan, or amend a comprehensive land use plan, the proposed plan or amendment shall be subject to vote of the electors of the local government by referendum, following preparation by the local planning agency, consideration by the governing body and notice. Conference adopted the following (2nd remand) Impact Statement: *The amendment's impact on local government expenditures cannot be estimated precisely. Local governments will incur additional costs due to the requirement to conduct referenda in order to adopt comprehensive plans or amendments thereto. The amount of such costs depends upon the frequency, timing and method of the referenda, and includes the costs of ballot preparation, election administration, and associated expenses. The impact on state government expenditures will be insignificant.*
Petition Initiative... *Standards for Legislature to Follow in Legislative Redistricting*	**Ballot # 5:** Legislative districts or districting plans may not be drawn to favor or disfavor an incumbent or political party. Districts shall not be drawn to deny racial or language minorities the equal opportunity to participate in the political process and elect representatives of their choice. Districts must be contiguous. Unless otherwise required, districts must be compact, as equal in population as feasible, and where feasible must make use of existing city, county and geographical boundaries. Conference adopted the following Impact Statement (1st remand): *The fiscal impact cannot be determined precisely. State government and state courts may incur additional costs if*

	litigation increases beyond the number or complexity of cases which would have occurred in the amendment's absence.
Petition Initiative... *Standards for Legislature to Follow in Congressional Redistricting*	**Ballot # 6:** Congressional districts or districting plans may not be drawn to favor or disfavor an incumbent or political party. Districts shall not be drawn to deny racial or language minorities the equal opportunity to participate in the political process and elect representatives of their choice. Districts must be contiguous. Unless otherwise required, districts must be compact, as equal in population as feasible, and where feasible must make use of existing city, county and geographical boundaries. Conference adopted the following Impact Statement (1st remand): *The fiscal impact cannot be determined precisely. State government and state courts may incur additional costs if litigation increases beyond the number or complexity of cases which would have occurred in the amendment's absence.*
LEGISLATIVE... STANDARDS FOR LEGISLATURE TO FOLLOW IN LEGISLATIVE AND CONGRESSIONAL REDISTRICTING	**Ballot # 7: Removed by the Florida Supreme Court**
LEGISLATIVE... REVISION OF THE CLASS SIZE REQUIREMENTS FOR PUBLIC SCHOOLS	**Ballot # 8:** The Florida Constitution currently limits the maximum number of students assigned to each teacher in public school classrooms in the following grade groupings: for prekindergarten through grade 3, 18 students; for grades 4 through 8, 22 students; and for grades 9 through 12, 25 students. Under this amendment, the current limits on the maximum number of students assigned to each teacher in public school classrooms would become limits on the average number of students assigned per class to each teacher, by specified grade grouping, in each public school. This amendment also adopts new limits on the maximum number of students assigned to each teacher in an individual classroom as follows: for prekindergarten through grade 3, 21 students; for grades 4 through 8, 27 students; and for grades 9 through 12, 30 students. This amendment specifies that class size limits do not apply to virtual classes, requires the Legislature to provide sufficient funds to maintain the average number of students required by this amendment, and schedules these revisions to take effect upon approval by the electors of this state and to operate retroactively to the beginning of the 2010-2011 school year.

LEGISLATIVE... HEALTH CARE SERVICES	**Ballot # 9: Removed by the Florida Supreme Court**

Known Threats and Significant Risks to the Forecast

The "Potential Constitutional Issues" and other considerations included within the expenditure sections present inherent risks to the forecasted budget; however, there are other risks whose ramifications are more statewide in nature which have the potential of altering key assumptions were they to come to pass. This section is usually reserved to describe those risks. This year, the Deepwater Horizon oil spill has elevated at least one of the potential risks to a known threat.

Deepwater Horizon Oil Spill

On the night of April 20, 2010, an offshore drilling platform, Deepwater Horizon, exploded in the Gulf of Mexico and set off a massive oil leak that was first detected by Coast Guard officials on April 24th. In recognition of the worsening reports in the first days after the leak's discovery, the disaster was officially designated a spill of national significance on April 29th with the Coast Guard warning that the oil leak could become the worst oil spill in U.S. history. After several unsuccessful attempts by BP to the plug the leak, BP was able to place a cap on top of the leaking wellhead on July 15th. Official tests conducted on August 5th indicated that the subsequent static kill and cementing procedures appeared to be working. The latest estimates from the National Incident Command indicate that 4.9 million barrels were spilled before the wellhead was capped --- over 19 times the official estimate for the *Exxon Valdez* disaster. As of the Long-Range Financial Outlook's publication deadline, Deepwater Horizon is no longer discharging oil in the Gulf, but the operation to permanently seal the well has yet to be completed.

While the immediate emergency response efforts have ended, the long-term potential damage to the economy and the environment is currently unknowable for the disaster that began barely four months ago. If lessons can be taken from the *Exxon Valdez* disaster, some of the answers may be many years away. Even looking backward is challenging. Hard data on the economic losses since the oil spill began is just now becoming available.

Because of this uncertainty, the revenue and resource-demand estimating conferences have consensed on a cautious approach to forecasting the overall fiscal impact of the spill. Unlike hurricanes where past experience has created some proficiency in predicting the likely path and magnitude of the economic consequences, the upper and lower bounds for a reasonable scenario are not yet discernible for the oil spill. These circumstances dictate building the overall estimate from the bottom up --- from the individual components --- over time.

For this reason, the estimating conferences used the summer season to shore up their baseline projections of the economy and key governmental programs operating in the absence of the oil spill. Because hard data lags actual activity by as much as several months, the variables used to drive the various forecasts were relatively untouched by recent events. An example is the sales tax estimate. Detailed sales tax data received in late July for the month of June actually reflected May activity. This is the latest data that influenced the estimate. Since the oil spill likely had no effect on behavior until May, little – if any – of the effect fed through to the new forecast.

Some external measures of the oil spill's spreading impact are already available. One of these measures comes from BP, itself. The company releases daily reports on the claiming process. The report for August 23, 2010, showed that 24,106 individual and business claim payments had been made to Florida for a total of $81.9 million. The payments were distributed among fifty-seven counties throughout the state, with ten counties receiving in excess of $1 million each --- the highest being Okaloosa at $22.7 million.

In addition to the $81.9 million received by individuals and businesses in Florida, the State has received $81.3 million in grant money from BP. To date, $61.4 million of this total has been spent by state agencies or disbursed to outside entities. Although a few advance-funding requests have been made, no official claims for damages have been filed on behalf of the State of Florida.

Florida Hurricane Catastrophe Fund and Citizen's Property Insurance

In addition to the known oil spill threat, Florida's financial 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.

Besides the direct tax-supported or self-supported debt normally undertaken by the state, Florida also has indirect debt. Indirect debt is that which is not secured by traditional state revenues or is the primary obligation of a legal entity other than the state. A major component of the indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and Citizen's Property Insurance Corporation's (Citizen's) ability to pay possible future hurricane losses. According to the 2009 Debt Affordability Report prepared by the Division of Bond Finance, these special purpose insurance entities represented $8.1 billion or 55 percent of total indirect debt.

For the 2010 storm season, the Florida Hurricane Catastrophe Fund's (FHCF) maximum statutory obligation comprised of mandatory and selected optional coverages is up to $18.7 billion based on $33.6 billion in industry losses. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects $9.5 billion of liquidity, consisting of $6 billion in projected cash by December 2010 and $3.5 billion in pre-event notes. Given recent financial market conditions, it is estimated the FHCF would be able to bond approximately $15.9 billion during the next 12 months if a large event occurs during the contract year. This would provide available liquidity and bonding potential at approximately $25.5 billion, which exceeds the $18.7 billion in selected coverage and its statutory obligation for 2010.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2010 contract year was approximately $26.1 billion. Of this amount, $17 billion is mandatory coverage, and $9.1 billion is optional coverage. Of the maximum optional coverage, $7.4 billion in capacity was not selected by insurers. Only $1.3 billion was selected out of the $8 billion for Temporary Increase in Coverage Limit (TICL) and only $411 million of approximately $1.1 billion for certain statutorily designated Limited Apportionment Companies (LAC) was purchased. The $18.7 billion in capacity selected translates to an approximate 1 in 43.5 year event or an event that causes $33.62 billion in industry losses.[1]

For the 2010 storm season, Citizen's probable maximum loss for a 100-year storm event is $20.6 billion. Citizen's currently has claims paying ability of approximately $13.8 billion consisting of $4.6 billion cash, $3.6 billion pre-event financing, and $5.6 billion FHCF reimbursements. In addition, Citizen's has the ability to levy broad-based assessments to support financing.[2]

With the ongoing national credit crisis and the overall economic environment, 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 Citizen's 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 much greater potential financial liability for hurricane-related costs.

[1] Florida Hurricane Catastrophe Fund, July 2010.
[2] Data provided by Citizen's Property Insurance Corporation July 2010.

Fiscal Strategies

As explained previously, the charts entitled "General Revenue Outlook Prepared by EDR – Comparison of Estimated Revenues to Estimated Expenditures" simply summarize the information contained and discussed within the overall Outlook document. In essence, they are baseline forecasts of the State's most pressing needs. As such, they do not purport to show the final budget that the Legislature will ultimately pass in any given year.

The "Potential Constitutional Issues," "Known Threats and Significant Risks to the Forecast," and other considerations included within the expenditure sections present inherent risks to the forecasted budget. In addition, the Legislature will need to choose among a number of fiscal strategies to balance the budget which will alter the forecast as well. To meet the constitutional requirements for this document, ***SCENARIO "A"*** and ***SCENARIO "B"*** *are included to demonstrate the potential impact of the most likely choices. The unique assumptions used for these scenarios are not built into the rest of the document.*

Fiscal Strategies will be required to address the projected gap between revenues and expenditures no later than Fiscal Year 2011-12. By law, the available reserve in the Budget Stabilization Fund (BSF) cannot be used to address this gap prospectively when a budget is adopted, but can be used when revenues fall below actual appropriations for a fiscal year. Even if the BSF could be used prospectively, the available BSF balance is inadequate to meet next year's shortfall – an amount that approaches 9.1 percent of the projected budget need – and actions will be needed to keep the budget in balance as constitutionally required.

Essentially, there are four types of strategies:

- Budget Reductions and Reduced Program Growth
- Trust Fund Transfers or Sweeps
- Revenue Enhancements and Redirections
- Any Combination of the Above

With the exception of trust fund transfers or sweeps that are reevaluated each year, these strategies can be deployed on a recurring or non-recurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.

Depending on the specific strategy selected, there may be a greater than one-to-one impact on subsequent years. For example, a budget reduction in year one that affects a single item in the budget that has been growing faster than the budget as a whole will further reduce the base budget growth beyond the initial impact of the reduction. Similarly, recurring revenue enhancements and redirections will likely have different impacts in subsequent years. Because this document does not address specific details of strategies, the scenarios do not attempt to treat these vagaries. This means that actual legislative actions may have different results from those shown here.

Within the Outlook window, at least some recurring adjustments are needed because the combined projected gaps range from at least $1.8 billion to a maximum of $7.3 billion, depending on the number of high priorities that are ultimately addressed. Non-recurring spending reductions and trust fund sweeps – in isolation – will not generate this level of relief.

Moreover, innovative bonding strategies will be of limited use. The Outlook assumes that all currently-authorized bonding programs will continue uninterrupted. With the projected benchmark ratio well above the 7 percent cap (it is projected to peak at 7.68 percent in 2011 before gradually improving), there is little room to do anything more in the near-term.

- I -

SCENARIO "A" assumes that the Legislature chooses to bank all unbudgeted dollars in Fiscal Year 2010-11, creating a carry forward balance for Fiscal Year 2011-12 of $462 million. It also takes into account the required restoration of the Budget Stabilization Fund by initiating five equal annual transfers from the General Revenue Fund. These payments begin in the third fiscal year following that in which the expenditure is made (Fiscal Year 2011-12).

Scenario "A" further assumes that the budget shortfalls are cleared in the first two fiscal years with a combination of recurring and non-recurring actions. In this regard, the Fiscal Year 2011-12 *recurring* shortfall is entirely addressed by *recurring* solutions, enabling the remaining non-recurring budget shortfall in the second year to be offset with a combination of available recurring dollars and non-recurring expenditure reductions. And finally, a minimum General Revenue Fund ending reserve requirement of $500 million is in place throughout the three years of the forecast.

A. Key Findings

- Fiscal Year 2011-12:
    - To develop the $500 million reserve in Fiscal Year 2010-11, the shortfall increases from the $2,510.7 million shown in the baseline scenario to $3,010.7 million.
    - Adjustments are made to completely eliminate the projected recurring and non-recurring shortfalls. As shown in the worksheet, the adjustments are

in the form of budget reductions and reduced program growth, the first of the four fiscal strategies shown above.

- An alternative to budget reductions and reduced program growth would be the deployment of revenue enhancements and redirections. The bottom line would be the same; however, the funds available would increase by the amount needed to fund the shortfall and no budget adjustments would be made.

SCENARIO "A" – FISCAL YEAR 2011-12 *(in millions)*			
	RECURRING	NON-RECURRING	TOTAL
FUNDS AVAILABLE	$24,565.7	$ 650.3	$25,216.0
EXPENDITURES	$26,598.7	$ 1,128.0	$27,726.7
ADJUSTMENT	$ -2,033.0	$ - 477.7	$ -2,510.7
ADJ FOR RESERVE	$ 0.0	$ -500.0	$ -500.0
BALANCE	$ 0.0	$ 500.0	$ 500.0

- Fiscal Years 2012-13 and 2013-14:

  - The recurring budget adjustment taken in Fiscal Year 2011-12 significantly reduces the adjustment that has to be taken in Fiscal Year 2012-13, limiting it to $813.4 million in *non-recurring* dollars.

  - In Fiscal Year 2013-14, no adjustments are needed. A reserve of $602.7 million is left as an ending balance at the end of the three-year planning horizon. This is $102.7 million more than the minimal reserve of $500 million.

B. Analyzing the Result

Deploying this scenario, the Legislature faces budget adjustments in two of the three years in the planning horizon. In the first year of the Outlook (2011-12), the total adjustment would be significant and recurring, but the second year's adjustment is limited to a non-recurring action. No further actions would be needed in the third year, since only the first two years of the Outlook period require special fiscal strategies.

- II -

SCENARIO "B" also assumes that the Legislature chooses to bank all unbudgeted dollars in Fiscal Year 2010-11, creating a carry forward balance for Fiscal Year 2011-12 of $462 million. It takes into account as well the required restoration of the Budget Stabilization Fund by initiating five equal annual transfers from the General Revenue Fund. These payments begin in the third fiscal year following that in which the expenditure is made (Fiscal Year 2011-12).

In contrast to Scenario "A", Scenario "B" heavily relies on the use of non-recurring dollars to reduce the shortfall. For each year, a calculation of three percent of the total funds available is made, and a recurring shortfall is allowed up to this level. The remaining reductions are achieved through *recurring* actions. And finally, a minimum General Revenue Fund ending balance reserve requirement of $500 million is in place throughout the three years of the forecast.

A. Key Findings

- Fiscal Year 2011-12:
  - To develop the $500 million reserve in Fiscal Year 2011-12, the shortfall increases from the $2,510.7 million shown in the baseline scenario to $3,010.7 million.
  - Based on the total funds available for Fiscal Year 2011-12, a three percent calculation is made to determine the allowable amount of non-recurring dollars that can be spent on recurring needs. The calculation yields $756.4 million.
  - In order to generate the appropriate ratio between the recurring and non-recurring ending balances, an adjustment of -$1,276.6 million is made to reduce the recurring shortfall to -$756.4 million. The remaining shortfall is addressed with a non-recurring adjustment of $1,734.1 million. As shown in the worksheet, the adjustments are in the form of budget reductions and reduced growth, the first of the four fiscal strategies shown above.
  - An alternative to budget reductions and reduced growth would be the deployment of revenue enhancements and redirections. The bottom line would be the same; however, the funds available would increase by the amount needed to fund the shortfall and no budget adjustments would be made. Similarly, trust fund transfers could be substituted for the non-recurring portion of the shortfall.

SCENARIO "B" – FISCAL YEAR 2011-12 *(in millions)*			
	RECURRING	**NON-RECURRING**	**TOTAL**
FUNDS AVAILABLE	**$24,565.7**	**$ 650.3**	**$25,216.0**
EXPENDITURES	**$26,598.7**	**$ 1,128.0**	**$27,726.7**
ADJUSTMENT	**$ -1,276.6**	**$ -1,234.1**	**$ -2,510.7**
ADJ FOR RESERVE	**$ 0.0**	**$ -500.0**	**$ -500.0**
BALANCE	**$ -756.4**	**$ 1,256.4**	**$ 500.0**

- Fiscal Years 2012-13 and 2013-14:
  - In the second year (2012-13), all *recurring* and *non-recurring* needs are addressed with *non-recurring* actions.
  - In the third year (2013-14), a *non-recurring* shortfall still exists. It has to be cleared with another round of *non-recurring* actions.
  - At the end of the three-year planning horizon, a reserve of $500.0 million is left after the initial repayment to the BSF; however, the reserve was only created by budget reductions within that year.

B. Analyzing the Result

Deploying this scenario, the Legislature faces budget adjustments in each of the three years in the planning horizon; however, the size of the *recurring* adjustment is much larger in Scenario A than in Scenario B. Under Scenario B, the Legislature must find ways to generate substantial amounts of *non-recurring* savings (or dollars) in all three years of the plan; however, the source of these savings (or dollars) is not apparent in this Outlook. In both scenarios, significant *recurring* reductions must be taken in Fiscal Year 2011-12.

Fiscal Strategies ~ Worksheets

SCENARIO "A"

GENERAL REVENUE OUTLOOK PREPARED BY EDR --- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

Fiscal Strategy #1 - Clear the Recurring Portion of the Budget Gap with Recurring Reductions in Year 1

($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward (Post-Session Outlook)	0.0	955.8	955.8	0.0	462.0	462.0	0.0	500.0	500.0	0.0	500.0	500.0
Revenue Surplus (2009-10)	0.0	227.5	227.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate (Post-Session Outlook)	22,371.3	334.8	22,706.1	24,235.6	102.7	24,338.3	25,972.6	149.1	26,121.7	27,739.3	138.4	27,877.7
New Estimate - August 2010	260.9	0.0	260.9	334.4	0.0	334.4	219.9	0.0	219.9	78.0	0.0	78.0
Non-operating Funds	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
Transfer From Trust Funds	0.0	367.5	367.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**22,627.9**	**1,971.2**	**24,599.1**	**24,565.7**	**650.3**	**25,216.0**	**26,188.2**	**734.7**	**26,922.9**	**27,813.0**	**724.0**	**28,537.0**
Estimated Expenditures:												
Base Budget				22,608.4	0.0	22,608.4	24,565.7	0.0	24,565.7	26,139.8	0.0	26,139.8
New Issues by GAA Section:												
Section 2 - Education	12,183.7	334.3	12,518.0	1,608.4	133.7	1,742.1	338.9	57.9	396.8	-29.5	57.9	28.4
Section 3 - Human Services	6,063.2	636.0	6,699.2	1,699.3	46.6	1,745.9	933.8	61.6	995.4	390.9	44.9	435.8
Section 4 - Criminal Justice and Corrections	3,463.1	31.1	3,494.1	50.2	13.7	63.9	44.6	10.5	55.1	58.7	140.8	199.5
Section 5 - Natural Resources /Environment/Growth Management/Transportation	150.0	32.3	182.4	49.5	344.4	393.9	8.5	327.2	335.7	0.0	317.8	317.8
Section 6 - General Government	616.8	161.5	778.3	4.3	373.6	377.9	1.2	423.2	424.4	1.3	381.6	382.9
Section 7 - Judicial Branch	46.9	-	46.9	0.0	1.6	1.6	121.9	1.6	123.5	72.1	1.6	73.7
Statewide Distributions / Administered Funds	84.7	22.7	107.4	578.7	0.0	578.7	125.1	0.0	125.1	141.9	0.0	141.9
Total New Issues				3,990.3	913.5	4,903.9	1,574.1	882.0	2,456.1	635.4	944.6	1,580.1
Outlook Adjustments after Post-Session	-	6.3	6.3	-	-	-	-	-	-	-	-	-
Preliminary Reserve for Medicaid Shortfall	-	94.4	94.4	-	-	-	-	-	-	-	-	-
FMAP Contingent Approp Minus Vetoes	-	210.0	210.0	-	-	-	-	-	-	-	-	-
Transfer to Budget Stabilization Fund	-	-	-	-	214.5	214.5	-	214.5	214.5	-	214.5	214.5
Adjustment to Balance with $500 Million Reserve	**-**	**-**	**-**	**-2,033.0**	**-977.7**	**-3,010.7**	**0.0**	**-813.4**	**-813.4**	**0.0**	**0.0**	**0.0**
Total Estimated Expenditures	**22,608.4**	**1,528.7**	**24,137.1**	**24,565.7**	**150.3**	**24,716.0**	**26,139.8**	**283.1**	**26,422.9**	**26,775.2**	**1,159.1**	**27,934.3**
Ending Balance	**19.5**	**442.5**	**462.0**	**0.0**	**500.0**	**500.0**	**48.5**	**451.6**	**500.0**	**1,037.8**	**-435.1**	**602.7**

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

SCENARIO "B"

GENERAL REVENUE OUTLOOK PREPARED BY EDR --- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

Fiscal Strategy #2 - Clear Budget Gap by Spending Non-Recurring Dollars on Recurring Programs (Up to Three Percent of Total Funds Available)

($ MILLIONS)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward (Post-Session Outlook)	0.0	955.8	955.8	0.0	462.0	462.0	0.0	500.0	500.0	0.0	500.0	500.0
Revenue Surplus (2009-10)	0.0	227.5	227.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate (Post-Session Outlook)	22,371.3	334.8	22,706.1	24,235.6	102.7	24,338.3	25,972.6	149.1	26,121.7	27,739.3	138.4	27,877.7
New Estimate - August 2010	260.9	0.0	260.9	334.4	0.0	334.4	219.9	0.0	219.9	78.0	0.0	78.0
Non-operating Funds	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
Transfer From Trust Funds	0.0	367.5	367.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**22,627.9**	**1,971.2**	**24,599.1**	**24,565.7**	**650.3**	**25,216.0**	**26,188.2**	**734.7**	**26,922.9**	**27,813.0**	**724.0**	**28,537.0**
Estimated Expenditures:												
Base Budget				22,608.4	0.0	22,608.4	25,322.1	0.0	25,322.1	26,896.2	0.0	26,896.2
New Issues by GAA Section:												
Section 2 - Education	12,183.7	334.3	12,518.0	1,608.4	133.7	1,742.1	338.9	57.9	396.8	-29.5	57.9	28.4
Section 3 - Human Services	6,063.2	636.0	6,699.2	1,699.3	46.6	1,745.9	933.8	61.6	995.4	390.9	44.9	435.8
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Section 5 - Natural Resources /Environment/Growth Management/Transportation	150.0	32.3	182.4	49.5	344.4	393.9	8.5	327.2	335.7	0.0	317.8	317.8
Section 6 - General Government	616.8	161.5	778.3	4.3	373.6	377.9	1.2	423.2	424.4	1.3	381.6	382.9
Section 7 - Judicial Branch	46.9	-	46.9	0.0	1.6	1.6	121.9	1.6	123.5	72.1	1.6	73.7
Statewide Distributions / Administered Funds	84.7	22.7	107.4	578.7	0.0	578.7	125.1	0.0	125.1	141.9	0.0	141.9
Total New Issues				3,990.3	913.5	4,903.9	1,574.1	882.0	2,456.1	635.4	944.6	1,580.1
Outlook Adjustments after Post-Session	-	6.3	6.3	-	-	-	-	-	-	-	-	-
Preliminary Reserve for Medicaid Shortfall	-	94.4	94.4	-	-	-	-	-	-	-	-	-
FMAP Contingent Approp Minus Vetoes	-	210.0	210.0	-	-	-	-	-	-	-	-	-
Transfer to Budget Stabilization Fund	-	-	-	-	214.5	214.5	-	214.5	214.5	-	214.5	214.5
Adjustment to Balance with $500 Million Reserve	-	-	-	-1,276.6	-1,734.1	-3,010.7	0.0	-1,569.8	-1,569.8	0.0	-653.7	-653.7
Total Estimated Expenditures	**22,608.4**	**1,528.7**	**24,137.1**	**25,322.1**	**-606.1**	**24,716.0**	**26,896.2**	**-473.3**	**26,422.9**	**27,531.6**	**505.4**	**28,037.0**
Ending Balance	**19.5**	**442.5**	**462.0**	**-756.4**	**1,256.4**	**500.0**	**-707.9**	**1,208.0**	**500.0**	**281.4**	**218.6**	**500.0**

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

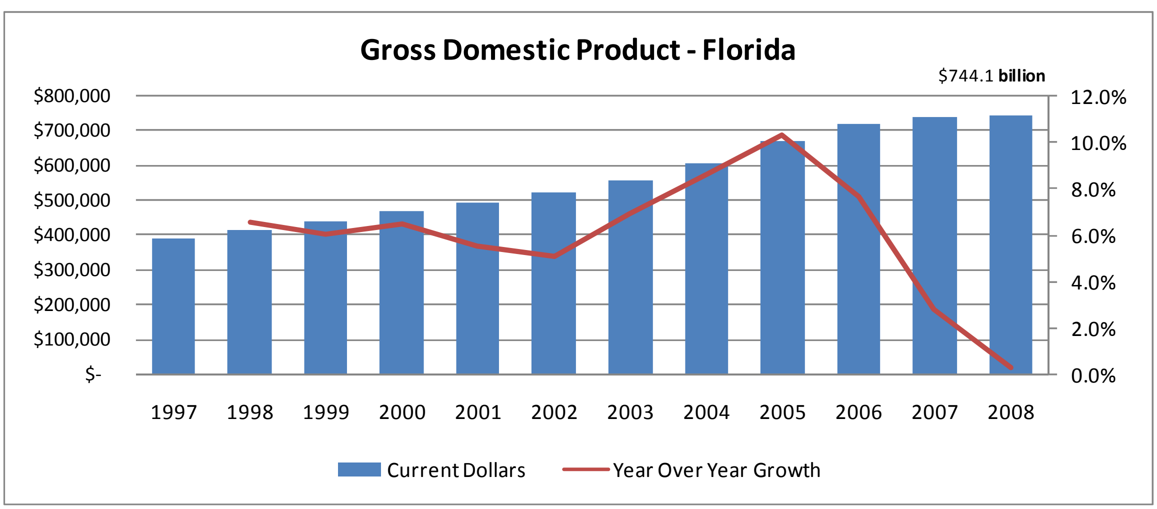
FLORIDA ECONOMIC OUTLOOK

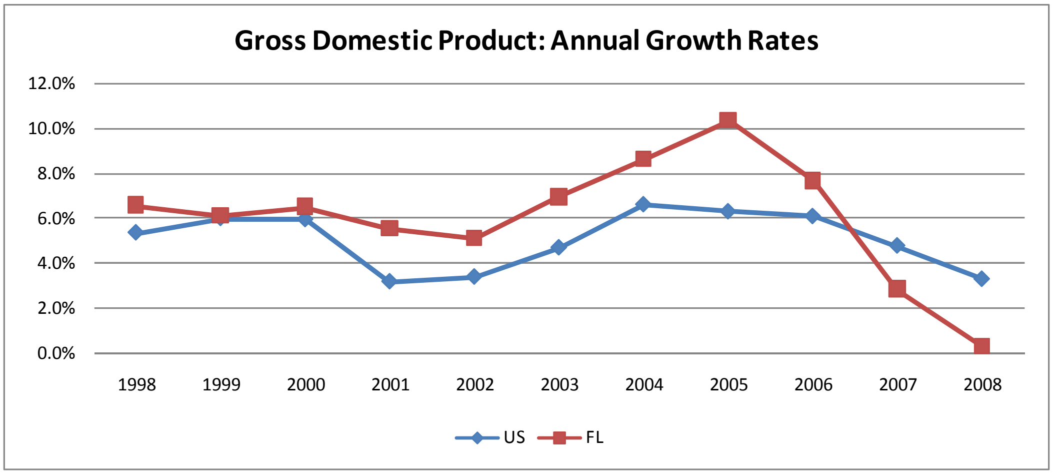
The Florida Economic Estimating Conference met in July of 2010 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast – absent any oil spill effects – is cautiously optimistic. Underlying the forecast is the assumption that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010. Months of modest growth are expected before full recovery begins in earnest in the spring of 2011. Along the way, some sputtering and false starts are to be expected.

RECAP ~ Recent History

Until three years ago, Florida was one of the nation's fastest growing states. With the end of the housing boom and the beginning of the real estate market correction, the state slipped to virtually no growth on a year-over-year basis. While Florida wasn't the only state to experience a significant deceleration in economic growth (California, Nevada and Arizona showed similar trends), it was one of the first and hardest hit. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate these changes.

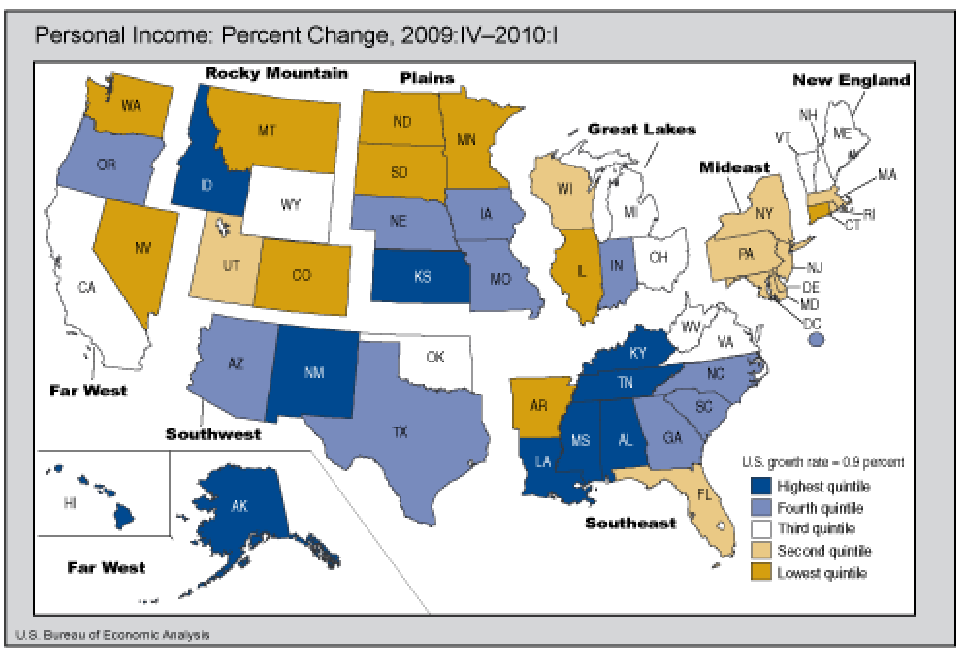
State Gross Domestic Product (GDP: all goods and services produced or exchanged within a state) is one of the key economic measures for the comparison of states. In this regard, the year-to-year change in GDP has become the standard. While Florida has outperformed the nation as a whole in nine of the past eleven years, two of these years (2004 and 2005) were greatly influenced by the activity sparked by the 2004 and 2005 storms (primarily through insurance payments). In 2006, Florida returned to the national growth level before dropping below it in 2007 (4.8 percent US versus 2.8 percent FL) and 2008 (3.3 percent US versus 0.3 percent FL). Florida's nominal GDP in 2008 was just over $744 billion.





After adjusting for inflation, Florida's *real* growth in GDP ranked it 48th in the nation in 2008 with an outright decline of -1.6 percent. By way of comparison, Florida ranked 2nd in the nation in 2005. For Arizona, Nevada and Florida, losses in the construction sector accounted for a significant portion of the decline – it subtracted more than one percentage point from real GDP growth in each of these states.

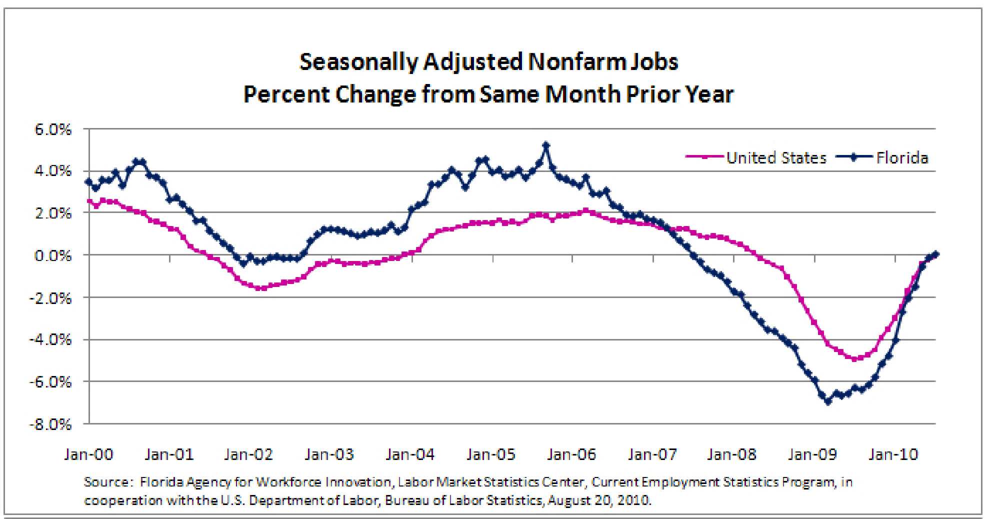
Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth –** primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Since the beginning of the 2009 calendar year, Florida has had a mixed record: in total, two quarters of negative growth and three weakly positive. The increase of 0.8 percent in the most recent quarter (Q1 of the 2010 calendar year) ranked Florida 35th in the country. This is noticeably better than last year's ranking at this time (Florida was 43rd).

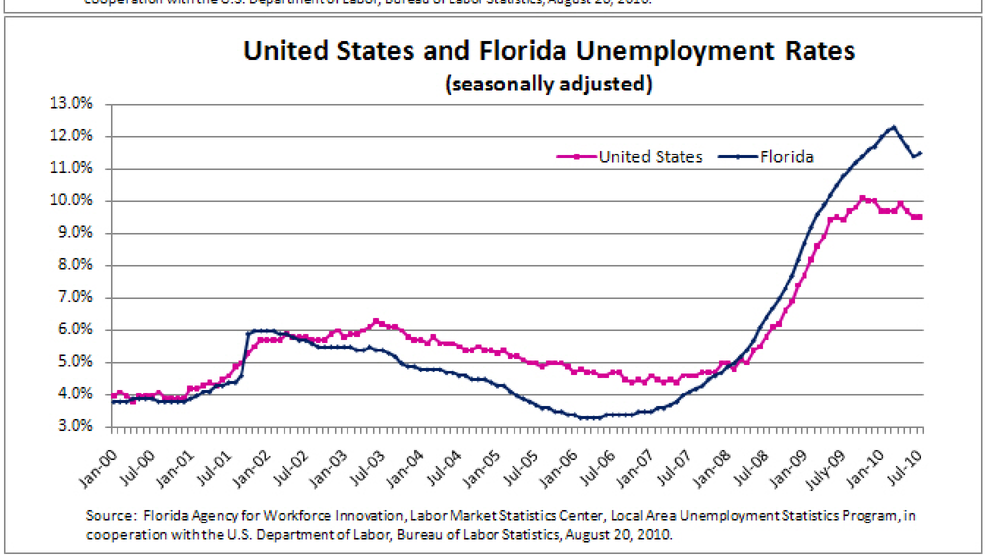


The key measures of employment are **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until July when Florida experienced its first over-the-year increase in jobs since June 2007. However, Florida is still 831,600 jobs below its peak during the boom. This tells us that rehiring, while necessary, will not be enough. At the current pace, a full recovery to the previous peak will not occur until 2014.

The state's unemployment rate in July was 11.5 percent, persistently staying higher than the national rate of 9.5 percent. At the time, Florida had 1.1 million unemployed people and was ranked 5th in the country for its unemployment rate. Even more troublesome, 49 of Florida's 67 counties had double-digit unemployment rates.

The problems have clearly been widespread. For the second year in row, the only sector to gain jobs among Florida's major industries was Education & Health Services. Virtually all of the increase was due to health services, primarily in ambulatory health care services.





Largely, these changes were related to Florida's ongoing housing market woes and the gloomy national and global outlooks that plagued most of the year. The growing inventory of unsold houses coupled with the sluggish credit crisis dampened residential construction activity throughout the entire year. Last July, the Florida Economic Estimating Conference (FEEC) had expected a meager 31,200 private housing starts for the year. In fact, new activity rose to 36,000 private housing starts. While better than expected, this figure represents just 13.3 percent of the 2005-06 level. Single family starts managed to post a positive gain, but multi-family starts worsened the percentage drop they made in 2008-09 over 2007-08. In yet another manifestation of the significant housing market adjustment still facing Florida, existing single family home sales ended the 2009-10 fiscal year nearly 30 percent below the peak volume of the 2005 banner year, while the median home price continued its decline.

Florida's economy has essentially moved through three waves of responses to financial shocks. First, the end of the housing boom brought lower activity and employment in the construction and financial fields, as well as spillover consumption effects in closely related industries: appliances, carpeting, and other durable goods used to equip houses. This began in the summer of 2005 when the volume of existing home sales started to decline in response to extraordinarily high prices and increasing mortgage rates. Closely linked to the housing industry, Florida's nonagricultural employment annual growth rate peaked in fall of 2005. By the summer of 2006, existing home prices began to fall, and owners started to experience negative wealth effects from the deceleration and losses in property value. Mortgage delinquencies and foreclosures became commonplace as property prices further tanked in 2007, and the unemployment rate began to climb as part of a slow slide into a national recession that was ultimately declared in December 2007. By the fall of 2008, Florida's homegrown problems with the housing market were giving way to several worldwide phenomena: a national recession that was spreading globally and a credit crisis that was threatening to bring down the world's largest financial institutions. As the subprime mortgage difficulties spread to the larger financial market, it became clear that any past projections of a relatively quick adjustment in the housing market were overly optimistic. Forecasts were dampened through the end of the fiscal year, and then again as the excess inventory of unsold homes was further swelled by foreclosures and slowing population growth arising from the national economic contraction. While small improvements were seen in late 2009 and early 2010 on both the state and national fronts, they seemed to sputter as the recovery struggled to take hold.

FORECAST ~ Long-Term Trends

For Florida, it appears that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010. Months of modest growth are expected before full recovery begins in earnest in the spring of 2011. The remaining questions focus on the actual pace of recovery, the degree of remaining turbulence, and the risk of a double-dip.

Employment Conditions Retreating from High Levels of Distress...According to the latest nationwide data, Florida (an annual job growth rate of +0.04 percent in July) is matching and slightly bettering the national jobs picture (a job growth rate of -0.04 percent in July). Overall employment is projected to gain 1.1 percent in Fiscal Year 2010-11 and then increase by 2.1 percent in Fiscal Year 2011-12, 2.9 percent in Fiscal Year 2012-13, and 2.4 percent in 2013-14. Job restoration in the construction, information and financial activities sectors will lag behind the other areas – not returning to positive annual growth until Fiscal Year 2011-12.

The unemployment rate is expected to peak at 11.8 percent in the third and fourth quarters of 2010, producing an annual level of 11.7 percent for the fiscal year before very slowly returning to more normal levels. The unemployment rate for Fiscal Year 2011-12 is projected to be 10.8 percent, followed by 9.2 percent in Fiscal Year 2012-13 and 8.2 percent in Fiscal Year 2013-14. Over time, the Florida forecast begins to converge to the national forecast, except that Florida's job growth is stronger throughout the forecast horizon.

The outlook for wages and salaries has weakened slightly. Florida's long-term growth prospects essentially mimic the national forecast; however, Florida's average annual wages largely fall below the nation as a whole. In 2009, the state's average annual wage for all industries was only 89.9 percent of the national average.

FLORIDA AVERAGE ANNUAL WAGES AS A PERCENT OF THE U.S.

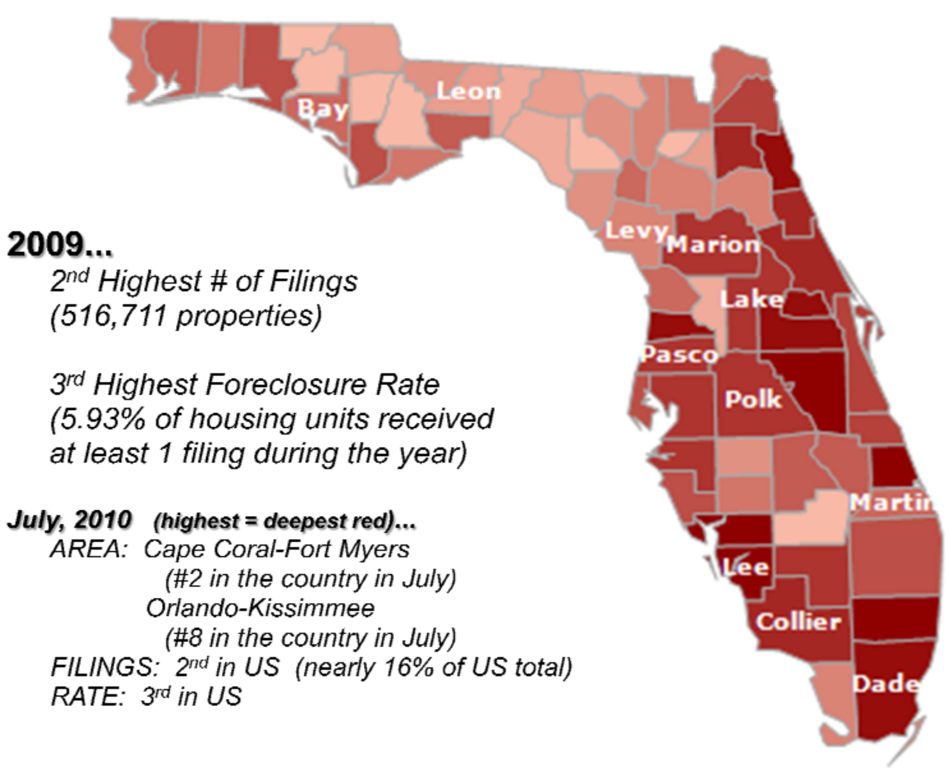
	2005	2006	2007	2008	2009 preliminary
Total All Industries	90.5%	90.5%	89.4%	89.0%	89.9%
Total Private	89.1%	89.1%	87.8%	87.3%	88.2%
Agriculture, Forestry, Fishing and Hunting	91.9%	94.2%	89.4%	85.8%	82.7%
Mining, Quarrying, and Oil and Gas Extraction	68.2%	69.0%	69.3%	64.2%	64.0%
Utilities	89.0%	82.8%	81.9%	86.5%	90.0%
Construction	91.0%	91.6%	89.0%	85.7%	84.1%
Manufacturing	88.1%	88.9%	88.7%	89.4%	91.3%
Wholesale Trade	95.5%	96.3%	94.5%	94.4%	94.8%
Retail Trade	103.6%	103.8%	101.5%	100.8%	101.8%
Transportation and Warehousing	96.2%	97.2%	96.4%	97.0%	98.9%
Information	84.1%	83.4%	82.3%	82.2%	82.9%
Finance and Insurance	80.7%	78.5%	75.9%	75.2%	78.9%
Real Estate and Rental and Leasing	99.1%	94.6%	91.8%	89.3%	90.1%
Professional and Technical Services	85.3%	85.9%	84.8%	84.1%	83.8%
Management of Companies and Enterprises	94.3%	94.0%	93.2%	87.3%	90.0%
Administrative and Waste Services	96.8%	97.2%	95.3%	94.7%	95.9%
Educational Services	88.1%	88.9%	89.1%	88.2%	87.9%
Health Care and Social Assistance	103.3%	103.2%	102.9%	102.0%	101.9%
Arts, Entertainment, and Recreation	104.6%	102.0%	101.9%	103.2%	101.6%
Accommodation and Food Services	111.4%	111.8%	111.5%	109.7%	108.9%
Other Services, except Public Administration	99.6%	100.2%	99.7%	99.3%	102.0%
Total Government	99.2%	99.3%	99.4%	99.7%	99.6%
Federal Government	95.7%	95.7%	95.3%	95.5%	95.7%
State Government	88.0%	90.0%	91.1%	87.3%	88.4%
Local Government	104.9%	104.3%	104.4%	105.6%	105.1%

Construction Continues to Drag...Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Florida particularly vulnerable to the decelerating housing market and interest rate risks. In

2006, almost 47 percent of all mortgages in the state were considered "innovative" (interest only and pay option ARM). With the ease of gaining access to credit, long-term homeownership rates were inflated to historic levels – moving Florida from a long-term average of 66.3 percent to a high of over 72 percent. Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes that previously would have been denied.

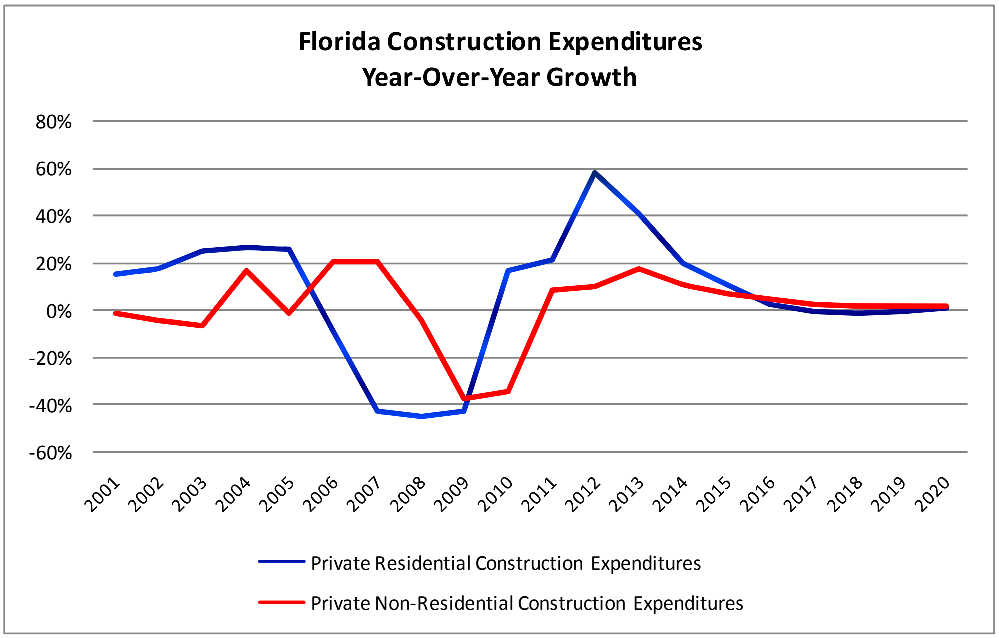
The surging demand for housing led many builders to undertake massive construction projects that were left empty when the market turned. The national inventory of homes is now close to 9 months. In Florida, the picture is worse. Based on the most recent data, the ***excess*** supply of homes is approaching 450,000. At any given point in time, an inventory of roughly 50,000 is good – the 450,000 figure is on top of that level. Subtracting the "normal" inventory and using the most recent sales experience, the state will need significant time to work off the current excess – at least until the end of the 2011 calendar year (halfway through Fiscal Year 2011-12), likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas.

Foreclosures have further swelled Florida's unsold inventory of homes. Originally related to mortgage resets and changes in financing terms that placed owners in default, recent increases have been boosted by the continually growing number of unemployed. Private sector data from July shows that Florida was tracking the 2009 calendar year result – second highest state in the country for filings, and third highest for the rate of foreclosure.

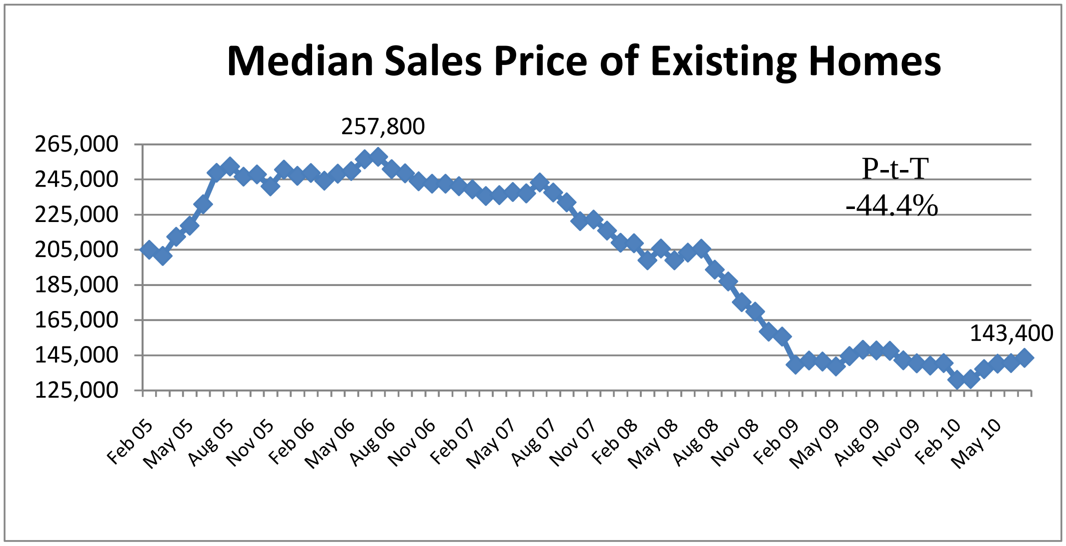


The Florida economy is unlikely to turn around until new construction comes back to life, and that won't happen until the inventory is reduced. With the meltdown in the mortgage market and the subsequent credit crunch, housing starts went into a significant decline that showed little improvement until this year. A strong rebound does not occur until Fiscal Year 2011-12; however, it lasts through the remainder of the planning horizon. Total construction expenditures follow a similar pattern, never returning to the 2005-06 level during the forecast period.

As the availability of financing for commercial real estate tightens and loan losses mount, growth in private nonresidential construction expenditures is projected to fall another 13.6 percent this year after last seeing positive growth in Fiscal Year 2007-08. The market is expected to stabilize next year, and then return to stronger growth in the out-years. Similarly, after posting a 20.7 percent gain in Fiscal Year 2007-08, public construction activity posted back-to-back declines over the past two years. In Fiscal Year 2010-11, normal growth is expected to return.



During the past nineteen months, existing home sales have grown by double-digit rates over the same month in the prior year. In the last six months, the sales volume has reached just over 69 percent of the level achieved in the 2005 banner year. Much of the sales increase has been driven by the increasing number of distressed sales. This can be seen in the continuing price declines. In 2008, the median price of an existing home declined 20 percent and in 2009, it declined another 24 percent. To date, 2010 is averaging a decline of 3 percent. From an economic perspective, significant price declines are a precursor to recovery, but they are still painful. The inventory of unsold homes suggests that prices will continue to fall or stay relatively flat through most of 2011. From the peak in June 2006 to June 2010, the state had already seen a 44.4 percent decline in median price for existing homes. This level was slightly down from a peak decline of 49.2 percent in January 2010.



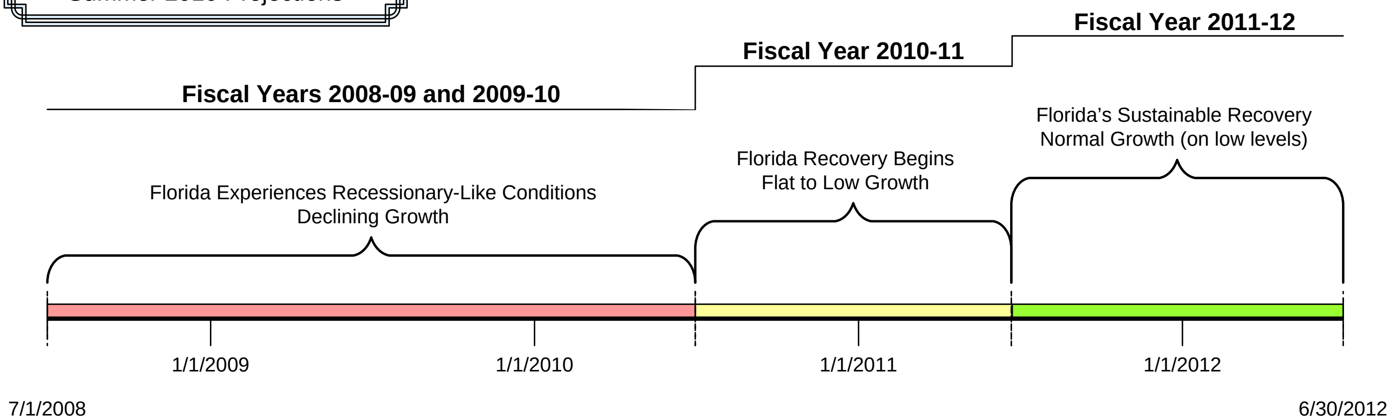
Population Growth Slower But Steady...Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. The national economic contraction significantly slowed Florida's population gains, but this was not unexpected. Over 80 percent of the state's population growth comes from positive net migration, primarily from people moving into Florida from other states. From past studies, it is clear that people are reluctant to move during recessions – first, because of the inability to sell their homes, and second, because of the difficulty in finding new jobs. Florida's strong international migration, which – until recently – had been a bulwark, is also being affected by the global economic slowing.

Population growth hovered between 2.0 percent and 2.6 percent from the mid 1990's to 2006, then began slowing before crossing into negative territory in 2009 and flattening out in 2010. In 2011, growth is expected to reflect mostly the state's natural increase (positive births minus deaths) with 77,492 new residents. The extremely low rate of growth seen over the past few years is unprecedented in Florida's modern history. Over the forecast horizon, population growth will moderately rebound – persisting above 1.1 percent after 2013. While this is still significant growth – Florida was adding a city roughly the size of Miami every year; in the future, it will be a city more like St. Petersburg – it is markedly lower than the average of the annual growth rates between 1970 and 1995 (3.04 percent). [Note: Additional demographic information can be found in the next section.]

Summary...Combining information from all of the key drivers, a timeline to recovery emerges that is shown on the next page. This economic forecast and recovery timeline does not account for any oil spill effects. The economic fallout from the Deepwater Horizon spill comprises a significant threat to the adopted forecast.

Florida Recovery Timeline

Summer 2010 Projections



Fiscal Year 2009-10

National GDP has negative growth in 2008-09 and less than 1% growth in 2009-10.

National consumer spending has negative growth in 2008-09 and turns weakly positive in 2009-10.

National job growth sees decreases in both years.

National Wages & Salaries declines in both years.

Florida has negative population growth in both years.

Florida personal income declines in both years

Florida employment declines in both years

Florida unemployment rate moves into double-digits.

Florida housing starts decline in both years.

Florida Visitors decline in 2008-09 and turns weakly positive in 2009-10.

Fiscal Year 2010-11

National GDP has 3% growth.

Florida population has very low growth.

Florida personal income has weak growth.

Florida employment has weak growth.

Florida unemployment rate is only slightly off the peak.

Florida private housing starts enter positive territory.

Florida Visitors has weak growth.

Fiscal Year 2011-12

Most Florida measures return to normal or accelerated growth rates.

Florida population growth is still weak, but begins to slowly accelerate.

Florida unemployment rate improves slowly.

FLORIDA DEMOGRAPHIC PROJECTIONS AND COMPOSITION

The Florida Demographic Estimating Conference last met in January 2010 to revise the forecast for the state's resident population growth. While the Conference projected slightly positive population growth between April 1, 2009 and April 1, 2010, annual growth will remain at less than 1 percent growth through April 1, 2012. Because population growth continues to be the primary engine of Florida's economic growth, this data leads to subdued expectations regarding the pace of Florida's recovery from the recession.

Florida's Resident Population

Florida experienced phenomenal growth over the last half of the twentieth century. Even the devastating 2004 hurricane season appeared to have little impact as Florida continued to grow at record numbers. The 445,224 new residents during the 2004 banner year were exceeded only by the historic expansion in 1973 (476,200). Growth remained above the 400,000 mark in each of the next two years, finally slowing to 331,235 in 2007 and 126,852 in 2008.

As the recession took hold, Florida's population growth came to a virtual standstill, losing 56,736 net residents between April 1, 2008 and April 1, 2009. The most recent preliminary data from April 1, 2009 to April 1, 2010 indicates that the state's population has risen slightly less than the expected gain of 22,873. The recent recession has caused more Floridians to leave the state in search of employment or more affordable living conditions than to move in.

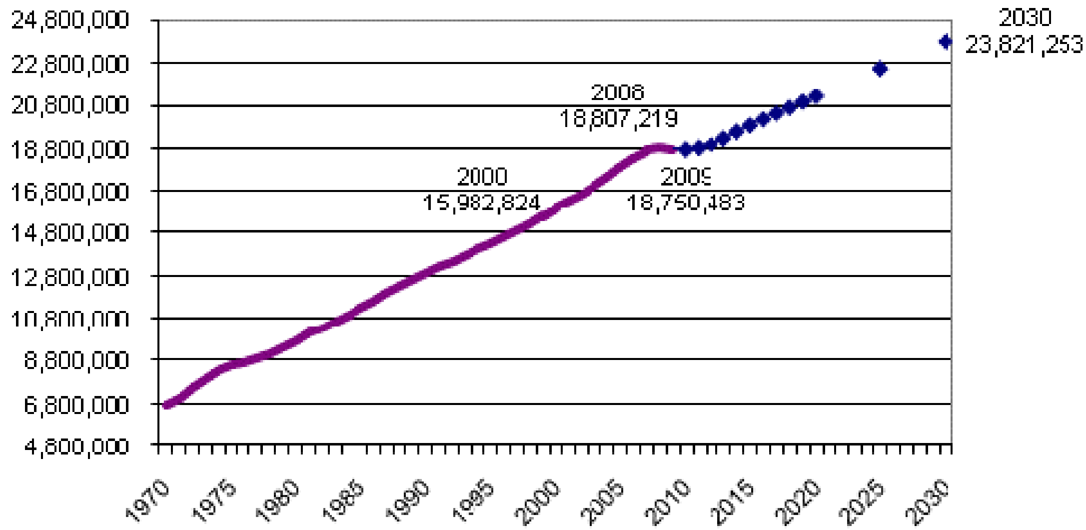
Outside of the recession impact, Florida was ranked second according to *The Harris Poll* (August 2009) as the state where U.S. adults would choose to live if they could live in any state outside of their own. Florida had topped the list of the most popular states every year from 1997 to 2001. California jumped to the number one position in 2002 and has remained there ever since. Florida's overall popularity was reflected in the first-place ranking given the state by Generation X'ers (ages 33 through 44) and mature adults (ages 64+); while the other age groups (Echo Boomers and Baby Boomers) both ranked Florida second behind California.

Long-Term Trends

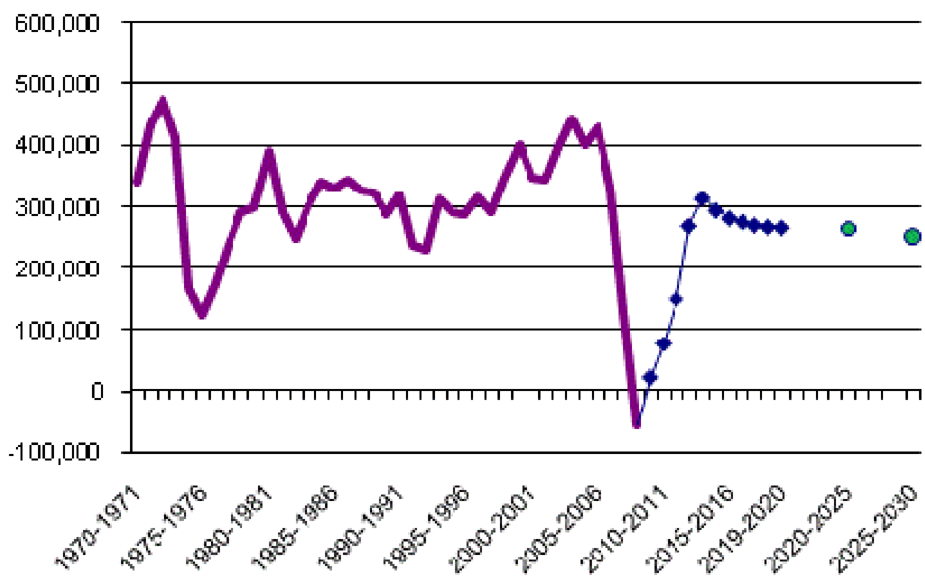
Florida is still on track to break the 20 million mark by the end of 2015, surpassing New York to become the third most populous state sometime before then. However, the state will do this with much lower growth rates in the future than those typically seen in the past. While the annual growth rate between 1970 and 1995 was over 3 percent, Florida will average well less than one-half of those levels over the next two decades – averaging just 1.1 percent between 2025 and 2030. Even so, annual growth rates in excess of 1 percent are still healthy relative to other states.

Florida's consistent past and future upward growth trajectory is readily apparent on the graph immediately below. Yet, significant changes are detectable in the increment of net new residents being added each year.

Florida's April 1 Population

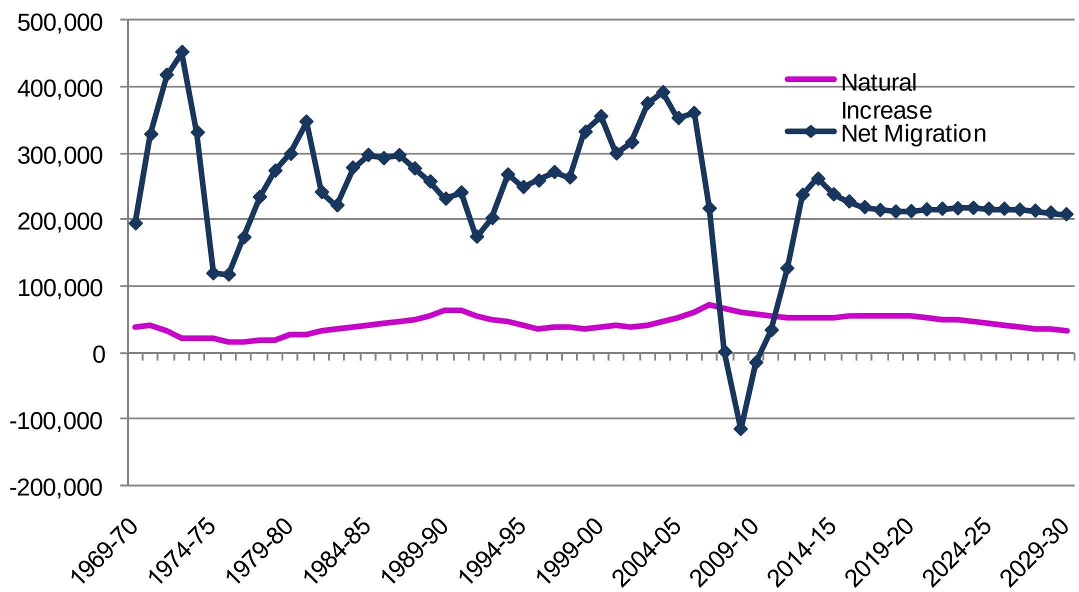


Florida's Incremental Population Growth



The down-shifting growth increment is at least partially explained by changes in the number of people projected to move into the state. In modern history, net migration (the number of residents moving in minus those moving out) has been the key to Florida's population growth, representing between 75.3 and 95.5 percent of Florida's population growth from Fiscal Year 1970-71 to Fiscal Year 2006-07. The graph below shows historical and projected levels of population growth through the end of Fiscal Year 2029-30.

Components of Florida's Population Change



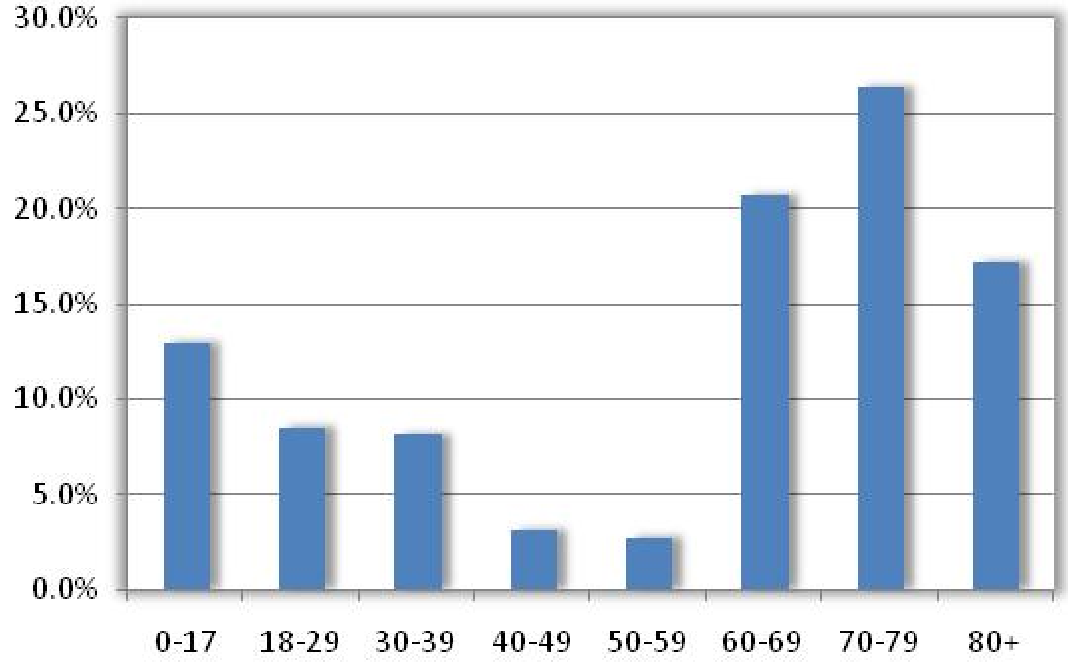
Statewide, net migration accounted for 83.1 percent of the population growth between April 1, 2000 and April 1, 2009. In 2030, net migration is expected to represent 86.4 percent of Florida's population growth.

Demographic Composition

Based on the 2009 population estimates from the U.S. Department of Commerce, Bureau of the Census, Florida's median age was 40.0 years. This ranked Florida fifth in the nation in terms of median age, with higher median ages recorded only in Maine, Vermont West Virginia, and New Hampshire; however, the actual number of people driving the median age is larger in Florida.

Between 2009 and 2030, Florida's population is forecast to grow by almost 5.1 million people. Additions to the older population (age 60 and older) will account for most of Florida's population growth, representing 64.4 percent of the gains. Florida's younger population (age 0-17) will account for just 13.0 percent of the gains.

Percent of Population Growth by Age Group
April 1, 2009 to April 1, 2030



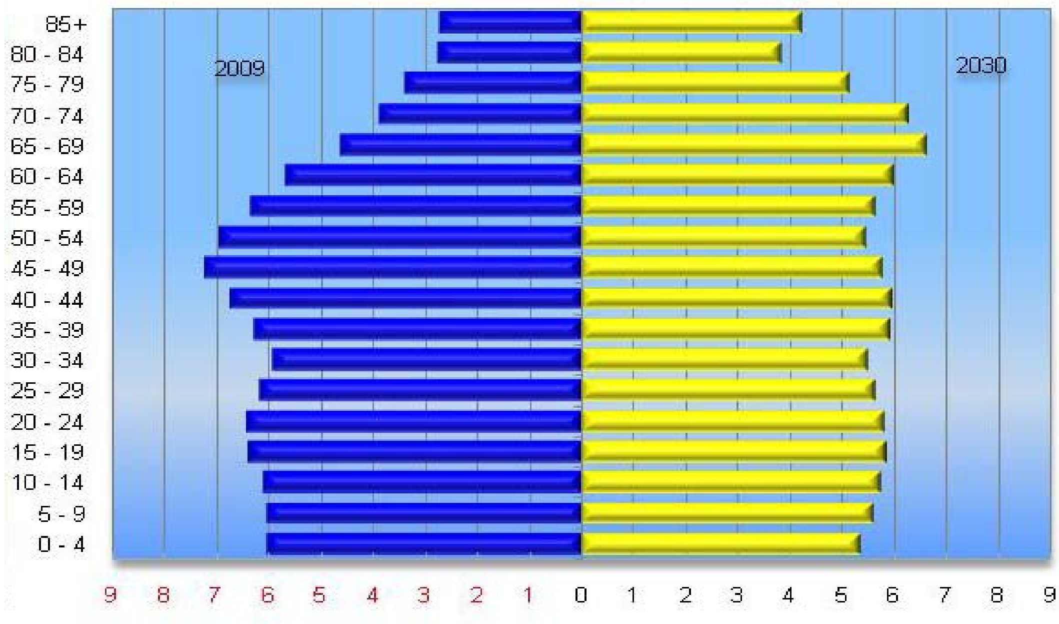
The number of school age children in Florida (ages 5-17) is currently hovering around the 3,000,000 mark, representing about 16.1 percent of total population. This percentage peaked in the mid-to-late 1960's, reflecting the end of the baby boom generation's birth cycle. Since then, school age population gradually declined as a percentage of the total population, reaching a low of 15.5 percent at the end of Fiscal Year 1988-89. Overall, the number of school age children is expected to grow slowly, with its percent of total population slipping to 14.8 percent by 2030.

The percentage of prime working age residents (aged 25-54) is expected to decline over the forecast horizon, falling from 39.4 percent in 2009 to 34.1 percent by 2030. As the percentage of prime working age residents continue its decline, labor force and other-related issues will present serious challenges for the future.

As the baby boom generation ages into retirement, the percentage of residents age 65 and older is expected to continue to grow steadily, rising from last year's 17.5 percent to 26 percent of the total population by the end of the forecast horizon. The baby boom generation consists of people born between 1946 and 1964, and the first significant wave of retirees from this cohort is expected to hit in 2011.

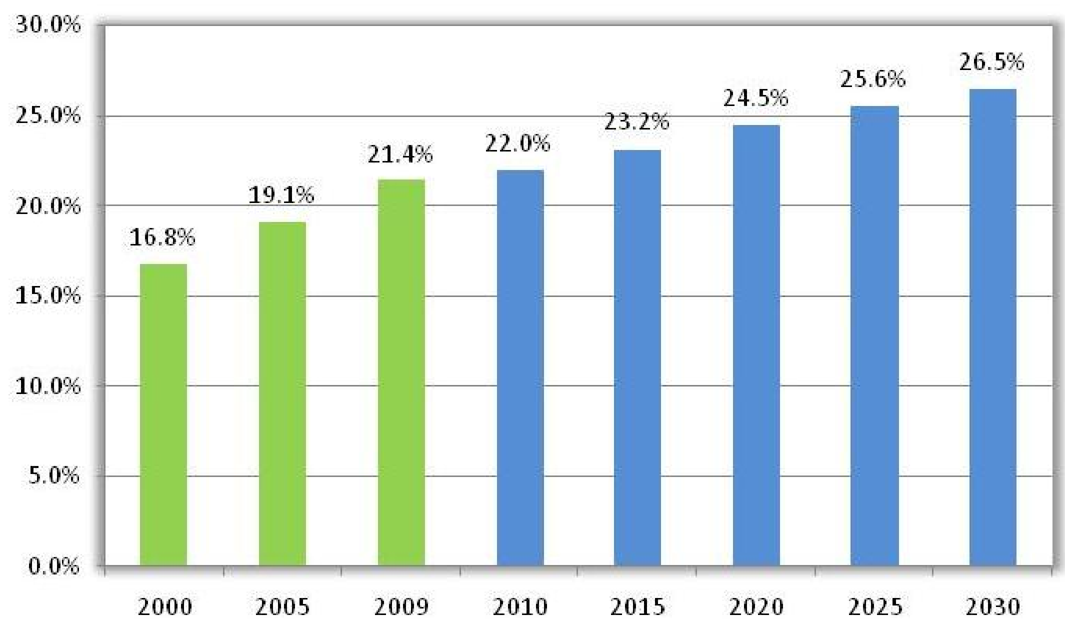
The following chart displays the changes in Florida's population by age group between 2009 and 2030.

Percent of Total Population by Age Group



Florida's population continues to become more diverse. The 2000 Census showed that 16.8 percent of Florida's population was Hispanic or Latino. Today, this percentage has increased to 21.4 percent. By 2030, the percentage will be 26.5 percent as Florida becomes increasingly more Hispanic. Since the designation of being a person of Hispanic Origin refers to ethnicity, the person can be of any race.

Florida's Hispanic Population



Whites comprised 82.2 percent of Florida's population in 2000, while blacks accounted for 15.4 percent. By 2030, these percentages are expected to be 79.4 percent for whites and 17.1 percent for blacks.

Compared to other states, Florida's high rate of migration sets it apart. Most residents have moved to the state, with only 34 percent of the state's population comprised of Floridians that were born in the state. Almost one-fifth of Florida's population is foreign born, and about one-fourth of Floridians aged 5 and over indicated that they speak a language other than English at home. Only a few states have a larger percentage of residents aged 5 and over indicating that they speak a language other than English at home: California, New Mexico, Texas, New York, Arizona, New Jersey, and Nevada.

Almost 30 percent of Florida's Hispanic population is Cuban and most of Florida's foreign born population is from Latin America, with the greatest number from Cuba. Miami-Dade is currently the only county in Florida where the majority of the population aged 5 or older (62.4 percent in 2007) speak Spanish at home. Overall, 19.1 percent of Floridians aged 5 and older speak Spanish at home, compared to 12.3 percent nationwide.

<u>Summary</u>

Florida's population growth has slowed substantially due to the economic recession; specifically its impact on job creation and the ability of people to migrate into the state. Over the forecast horizon, population growth is anticipated to rebound, but to more moderate levels of growth. Several demographic factors will present challenges for the state's policy makers over the forecast years as the baby boom population begins to enter retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services, as well as long-term labor force issues.

REVENUE PROJECTIONS

Throughout the spring and summer, the Revenue Estimating Conference met to revise estimates for Fiscal Year 2009-10 and to develop new forecasts for the upcoming years. Notwithstanding statutory changes passed by the Legislature, revenue projections were generally increased relative to the prior forecasts, especially in the early years. Unlike prior years, significant amounts of trust fund reserves no longer exist to buffer errors in the forecast or other downturns in the economy; however, an unexpended balance of $1.183 billion existed in the General Revenue Fund at the end of Fiscal Year 2009-10 and a significant, but slightly smaller, balance is also expected for the end of Fiscal Year 2010-11.

General Revenue Fund:
Since the March General Revenue Estimating Conference, underlying collections have been running above estimate for most months. Fiscal Year 2009-10 ended with a $228.8 million gain to the forecast or about 1.1 percent above the estimate for the year. In response, the Revenue Estimating Conference made modest adjustments to its near-term forecast. For Fiscal Year 2010-11, expected revenues were increased by $260.9 million or 1.1 percent above the earlier forecast. For Fiscal Year 2011-12, expected revenues were increased by $334.4 million or 1.4 percent above the earlier forecast. **However, these forecasts did not contain any projections related to the Deepwater Horizon oil spill, largely due to the lag in tax collection data.**

The new Fiscal Year 2010-11 revenue estimate was slightly more than $1.4 billion or 6.7 percent above final collections for Fiscal Year 2009-10. The Fiscal Year 2011-12 forecast remained positive with projected growth of 7.4 percent over the revised Fiscal Year 2010-11 estimate.

Overall, the adjustments to the forecast were indicative of an economy that is in the early stages of a gradual recovery. In this regard, the revisions fine-tuned the previous revenue projections, taking into account the overages received since the last forecast – and recognizing the adjustments to the economic forecast over the next few years. Specifically, revenue collections were affected in the following ways:

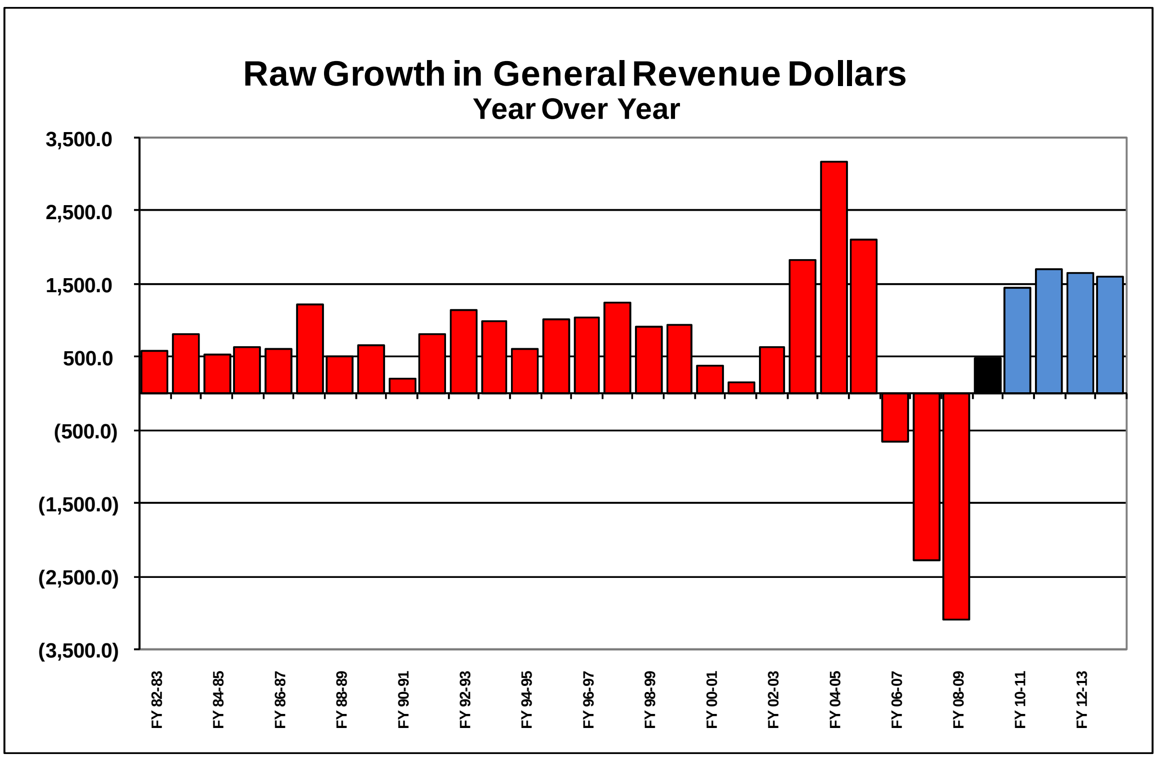
- **Corporate Income Tax...** Anticipated receipts from the Corporate Income Tax were increased in response to strengthening in the underlying forecast for corporate profits.

- **Documentary Stamp and Intangibles Taxes…** Residential sales concentrated at lower price points are limiting the benefit from the higher than expected number of sales, prompting minor downward adjustments to the near-term Documentary Stamp Tax forecast. Because credit conditions for deeds and notes are still tight, the Intangibles Tax was reduced in each year of the forecast. The credit market, while much improved, remains sluggish and difficult to access.

- **Medical & Hospital Fees…** Medical and hospital fees are reimbursements from county governments for certain services provided to county residents through Florida's Medicaid program. Collections were increased primarily to reflect the addition of the Medically Needy and MEDS AD eligibility groups to the underlying caseload forecast adopted by the Social Services Estimating Conference.

Several of the revisions to General Revenue (notably Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) are based on results from earlier conferences. Additional information regarding these sources will be found later in this section.

Overall, the Conference remained cautiously optimistic. Underlying the forecast was the assumption that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010. Months of modest growth are expected before full recovery begins in earnest in the spring of 2011. Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 banner year until Fiscal Year 2013-14.



Note: Several years had tax increases or decreases which distort year-over-year changes.

Article V Fees & Transfers:

The Revenue Estimating Conference for Article V Fees and Transfers was held July 21, 2010. Actual revenue collections for Fiscal Year 2009-10 were used to adjust the revenue base estimate for Fiscal Year 2010-11.

The Conference discussed several economic variables that have direct bearing on the new forecast. For example, although the number of Florida mortgages in various stages of default continued to be very high, the number of foreclosure filings actually declined to a moderate level over the final quarter of Fiscal Year 2009-10. The Conference decided to extend the decline of circuit civil case filings, led by the number of real property foreclosure and contract dispute filings, over the forecast period; however, the decline in foreclosure filings was reduced to a slower pace in the second and third year of the forecast relative to the previous forecast. This resulted in an increase in the revenues forecast for the State Court Revenue Trust Fund for those two years.

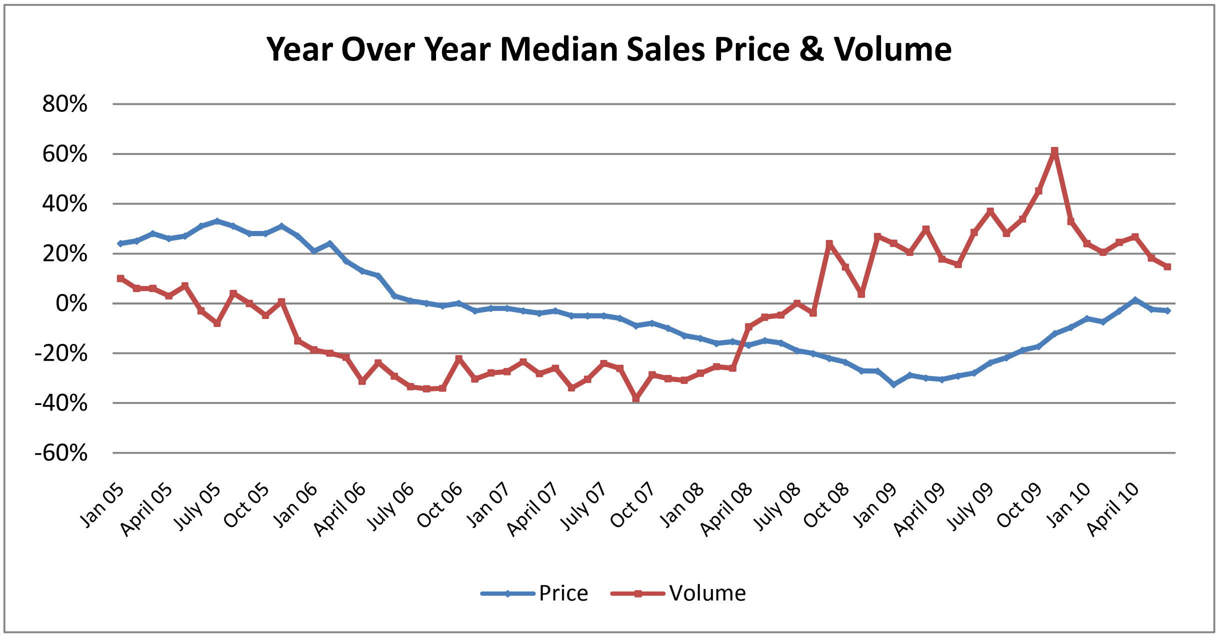
Traffic fine revenues, which have declined in recent years, were projected to level off and remain relatively steady over the period. However, the Conference made a modest upward adjustment to traffic assessment, fee and court cost revenues based on the issuance of uniform traffic citations to red light camera violators who do not pay the initial violation in a timely manner. The direct revenues (base fines) resulting from red light camera violations were forecast in the Highway Safety and Motor Vehicle License and Fees Revenue Estimating Conference.

Overall, for Fiscal Year 2010-11, the forecast for the State Court Revenue Trust Fund was reduced by $43.9 million, the Clerk of Court Trust Fund by $28.8 million and the General Revenue Fund by $6.6 million. For Fiscal Year 2011-12, the forecast for the State Court Revenue Trust Fund was increased by $58.7 million, while the Clerk of Court Trust Fund and General Revenue Fund were reduced by $17.8 and $4.9 million respectively, compared to the previous estimate. State Court Revenue Trust Fund revenues continued above the previous forecast in Fiscal Year 2012-13, while Clerk of Court Trust Fund and General Revenues continued below that forecast. In Fiscal Year 2013 -14, revenues in all three funds were reduced from the previous estimates.

Documentary Stamp Taxes:

The new forecast reflects conditions that continue to prove that Florida is well below normal patterns of construction and real-estate activity. While improving, these conditions are generally expected to last throughout calendar year 2010 and the first half of calendar year 2011, before returning to more robust growth patterns in the latter half of 2011. In this regard, Fiscal Year 2010-11 receipts will only achieve 27.8 percent of the collection level at its height – the 2005-06 boom year. As the primary driver of the five-year run-up in total documentary stamp tax collections, the state of Florida’s housing market is inextricably linked to this revenue source.

The boom, characterized by double-digit growth in home sales and price appreciation, played a significant role in Florida’s past collection performance. Current data shows a mixed picture, with year-over-year sales of existing homes achieving the nineteenth month of double-digit increases in June, while the average monthly sales comprised only 70.9 percent of the 2005 level for the same month. However, it appears that one-half of the sales involved distressed and foreclosed properties. Median sales prices have declined by 3 percent since last June, affecting three-quarters of the state's metropolitan statistical areas. The peak to trough decline in the median home price for an existing home had reached its worst point at 49.2 percent in January 2010, and now stands at 44.4 percent.



According to the latest Florida Economic Conference, housing starts – although exhibiting positive growth – will persist at low levels through calendar year 2010 and the first half of calendar year 2011 before beginning a more significant rebound in the second half of 2011. Total construction expenditures follow a similar pattern. They do not return to the 2005-06 level within the long-range forecast horizon. Growth in private nonresidential construction is projected to stay in negative territory for the 2010-11 fiscal year.

Documentary Stamp tax collections are expected to experience sluggish growth in the near-term as the adjustment to stricter lending standards and tighter credit conditions continues. Prices will begin to stabilize – but still exert downward pressure on collections until the current housing inventory begins to clear. With the increasing level of foreclosures, this is not expected until near the end of the 2011 calendar year.

Total annual collections were greatest in Fiscal Year 2005-06 at $4.1 billion. In comparison, the forecast for this year is only $1.1 billion. Even so, this represents a 4.5 percent increase over last year, marking the end of four years of decline. Positive growth is expected throughout the rest of the forecast (2011-12 at 15.9 percent, followed by even stronger growth in Fiscal Year 2012-13) with more typical levels for the remainder of the forecast.

The Executive Summary released immediately after the conference indicated: "Residential sales concentrated at lower price points are limiting the benefit from the higher than expected number of sales, prompting minor downward adjustments to the near-term Documentary Stamp Tax forecast. The credit market, while much improved, remains sluggish and difficult to access."

Highway Safety Licenses and Fees:
The Conference for Highway Safety Licenses and Fees was held on August 2, 2010. For the first time since the incorporation of significant changes last fall, the new forecast relied on actual revenue collections from the prior year to adjust the revenue base estimate. Special care was also used in the treatment of the unusually high number of biennial registrations that occurred in July and August 2009, just prior to the fee increases becoming effective. Finally, consensus growth rates based on the Florida Economic Conference results for motor vehicle initial registrations, titles, and other motor vehicle revenues were applied to the motor vehicle related revenue variables.

It is not possible to determine whether the number of transactions increased or decreased in "Transcripts and Records" from the prior forecast due to a change in the method of recording transactions. However, of the remaining revenue variables, the number of transactions projected for Fiscal Year 2010-11 declined from the previous forecast in all but three instances: Commercial Drivers Licenses; Titles; and For Hire.

Even so, for Fiscal Year 2010-11, General Revenue increased by $60.4 million, from $923.6 million to $984.0 million, over the previous forecast. Of that amount, $55.7 million results from two issues: $28.5 million in new revenue from red light camera violation fines, and $27.2 million from biennial motor vehicle registrations that occurred in Fiscal Year 2009-10 for Fiscal Year 2010-11.

The forecast for State Transportation Trust Fund revenues increased by $33.6 million, from $667.6 to $701.2 million; the forecast for the Highway Safety Operating Trust Fund revenues increased by $2 million from $350.2 million to $352.2 million; the forecast for the Transportation Disadvantaged Trust Fund increased by $1.3 million, from $19.9 million to $21.2 million; the forecast for the Department of Education Trust Fund increased by $1.6 million, from $119.6 to $121.2 million; and, the forecast for the "Other" funds decreased by $158.8 million, from $257.4 million to $98.6 million over the previous forecast.

Two factors appear to have contributed to the significant decrease in Other funds revenue. They are: 1) the removal of revenues that are locally retained by Tax Collector Offices and transferred to non-state government entities; and, 2) a more refined methodology for distributing revenues to the appropriate funds in the forecasting process.

The forecasts for Fiscal Years 2011-12 through 2013-14 increased for General Revenue, the State Transportation Trust Fund, Transportation Disadvantaged Trust Fund and Department of Education Trust Fund and decreased for the Highway Safety Operating Trust Fund and Other funds over the previous estimate.

NEW --- Indian Gaming Revenues:

In the future, a separate conference will be created to estimate Indian Gaming Revenues. The current forecast is based on the analysis adopted by the Impact Conference during the 2010 Session for Senate Bill 622, which ratified and approved the latest compact executed by the Seminole Tribe of Florida and the Governor. As a result, $287.5 million of collections received in advance of the compact's ratification have been deposited in the General Revenue Fund. The State of Florida expects to receive $150 million per year in Fiscal Years 2010-11 and 2011-12, and $233 million per year in Fiscal Years 2012-13 and 2013-14. All funds will be placed in the General Revenue Fund, but 3 percent of each year's allotment will be further distributed to specified local governments.

Tobacco Settlement Trust Fund:

On August 25, 1997, the State of Florida and several major American tobacco companies (Philip Morris Incorporated; R. J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company) entered into a *Settlement Agreement* that included both non-monetary and monetary provisions related to Florida's financial losses as a result of smokers in the state's Medicaid program. In the Agreement, the tobacco companies agreed to discontinue certain forms of advertising and to support certain legislative initiatives. These included prohibiting the sale of cigarettes in vending machines and strengthening civil penalties related to the sale of tobacco products to children and possession of tobacco products by children. The tobacco companies also agreed to make annual payments in perpetuity, with the payments structured to be about $11.3 billion over the first 25 years, subject to certain annual adjustments, primarily for shipment volume and the Consumer Price Index.

The Tobacco Settlement Trust Fund (TSTF) receives the settlement payments. The funds are currently used for programs in the Health and Human Services area. The current year (2010-11) funds available estimate for the TSTF is $370.6 million. An additional $1.3 million goes directly to the Biomedical Research Trust Fund. In Fiscal Year 2011-12, $349.1 million is expected from payments and profit adjustments, and $13.7 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (non-recurring) funds from this year of $1.0 million and $2.0 million in interest earnings, a total of $365.8 million will be available for expenditure. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation for Fiscal Year 2010-11 will be deducted from the trust fund as an expenditure and is estimated to be $62.7 million.

Settlement payments are expected to grow slowly in the future, but will be negatively affected if nationwide consumption of cigarettes falls more rapidly than expected. Conversely, settlement payments will be positively affected if general price inflation is more rapid than currently projected.

Tobacco Tax and Surcharge:

The Revenue Estimating Conference addressed Tobacco Tax and Surcharge revenues on July 7, 2010. The Conference reduced projected collections for Fiscal Year 2010-11 by $14.6 million, recognizing a lower than previously projected growth rate for the year. For subsequent fiscal years, reductions in projections for overall collections were made in the amounts of $15.8 million (2011-12), $15.7 million (2012-13), and $15.1 million (2013-14). The tables below summarize the changes in collections and distributions since the February forecast.

Tobacco Tax and Surcharge Conference
Comparison of the February 2010 and July 2010 Forecasts

COLLECTIONS					
	2009-10	2010-11	2011-12	2012-13	2013-14
Cigarette Tax					
February 2010	305.8	319.2	316.6	314.4	312.8
July 2010	300.5	315.1	312.6	310.4	308.7
Difference	-5.2	-4.1	-4.1	-4.0	-4.2
Cigarette Surcharge *					
February 2010	928.7	955.0	947.4	940.7	936.0
July 2010	953.6	942.8	935.2	928.7	923.6
Difference	24.9	-12.2	-12.1	-12.0	-12.4
OTP Tax					
February 2010	24.9	25.5	26.5	27.3	27.9
July 2010	25.6	25.9	26.6	27.4	28.4
Difference	0.7	0.5	0.1	0.1	0.4
OTP Surcharge *					
February 2010	60.7	61.1	63.6	65.5	67.0
July 2010	63.1	62.3	63.8	65.7	68.0
Difference	2.5	1.2	0.3	0.3	1.0

DISTRIBUTIONS					
	2009-10	2010-11	2011-12	2012-13	2013-14
Health Care Trust Fund					
February 2010	910.2	934.8	930.0	925.7	922.8
July 2010	929.7	924.6	919.1	914.9	912.3
Difference	19.5	-10.2	-10.9	-10.8	-10.5
General Revenue Service Charge					
February 2010	103.6	106.8	106.2	105.6	105.3
July 2010	105.0	105.6	104.9	104.4	104.0
Difference	1.4	-1.2	-1.3	-1.3	-1.2
General Revenue Excise Tax					
February 2010	183.3	191.5	189.9	188.7	187.7
July 2010	180.2	189.0	187.5	186.1	185.1
Difference	-3.0	-2.5	-2.4	-2.6	-2.7
OTP General Revenue Tax					
February 2010	24.9	25.5	26.5	27.3	27.9
July 2010	25.6	25.9	26.6	27.4	28.4
Difference	0.7	0.5	0.1	0.1	0.4
Total GR Distributions					
February 2010	311.7	323.8	322.5	321.6	320.9
July 2010	310.8	320.6	319.0	317.9	317.4
Difference	-0.9	-3.3	-3.6	-3.7	-3.5
All Other Funds					
February 2010	98.0	102.1	101.3	100.7	100.2
July 2010	96.7	100.9	100.1	99.4	98.9
Difference	-1.3	-1.2	-1.2	-1.2	-1.3

*** 2009-10 figures include floor tax**

Transportation Revenue and the State Transportation Trust Fund:
The Revenue Estimating Conference met on August 4, 2010, to consider the forecast for revenues flowing into the State Transportation Trust Fund (STTF). Including the estimates for Fiscal Year 2010-11, overall revenues to the STTF were increased by $37.7 million or about 0.21 percent during the work program period ending Fiscal Year 2015-16. (The changes in the forecast discussed below all refer to the work program period running from Fiscal Year 2010-11 to Fiscal Year 2015-16).

For revenues from fuel taxes, the overall forecast was shaped by recent changes in consumption of motor fuel and other fuels (diesel, aviation fuel and off-highway fuel), as well as the relatively soft economic activity contained in the National and Florida economic forecasts. The projection for revenues from highway fuel consumption, which includes the Highway Fuel Sales Tax and the SCETS Tax, was decreased by $288.1 million or -2.4 percent. Projected tax rates remained relatively stable (slightly lower from Fiscal Year 2011-12 on), with the decrease in the forecast for revenues attributable to the combination of indexed tax rate changes and weak consumption of motor fuel. These negative factors overwhelmed the stronger forecasts for diesel and aviation fuel.

Expected revenues from Special Fuel Use taxes and fees were increased by $26.6 million or 33.9 percent, while the distribution from Local Option Tax Service Charge showed a $4.1 million decrease or -1.5 percent. The Special Fuel Use taxes and fees were primarily responding to the increased forecast for diesel fuel consumption. The Local Option Tax Service Charge reflected changes in the combined motor fuel and diesel fuel forecasts.

The Aviation Fuel Tax forecast was increased by $31.2 million or 11.9 percent, and the projection for the Rental Car Surcharge was increased by $26.4 million or 4.3 percent. Both the Aviation Fuel Tax forecast and the Rental Car Surcharge forecast were better than the February estimates. However, compared to the actual revenues in Fiscal Year 2008-09, both sources showed significant reductions in Fiscal Year 2009-10 that are explained by the weakness seen in the state's economy in general and in population growth and tourism in particular. The forecast for Off-Highway Fuel Sales Tax was increased by $1.4 million or 2.2 percent, due to better collections in recent months and anticipated improvement in the construction sector.

For motor vehicle license and registration related fees, the new forecasts were adopted by the Highway Safety Licenses and Fees Conference on August 2, 2010. While the Highway Safety Licenses and Fees Conference reports results by year, the Transportation Conference cumulates the results over the multi-year work program. In this work program period, receipts to the STTF from Motor Vehicle License revenues were expected to increase by $268.0 million or 8.4 percent higher than the February forecast. The forecast for Initial Registration Fees was decreased by $51.7 million or -7.6 percent, while the forecast for Title Fees was increased by $28.0 million or 4.8 percent.

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 July 1, 2011 certified school taxable value is projected to be $1,456.2 billion. This represents an increase of $10.6 billion or a 0.7 percent increase from the July 1, 2010 certified level.

During the 2010 Session, the Legislature passed House Bill 5101 which changes the statutorily required discount factor for RLE calculations from 95 percent to 96 percent. At 96 percent, the value of one mil is projected to be 1,398.0 million. The actual RLE millage rate will be set after the legislative session.

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, 2011 is projected to be $1,346.5 billion. On an annual basis, this represents a slight decrease (-$0.1 billion) from the January 1, 2010 tax roll.

July 1, 2011 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2010 Certified School Taxable Value	March 2010 Estimate of July 1, 2010 Certified School Taxable Value	August 2010 Estimate of July 1, 2011 Certified School Taxable Value	Change in Estimates (March vs. August)	Change from Actual	Percentage Change from Actual
School Taxable Value	1,445.621	1,469.134	1,456.230	-12.904	10.609	0.7%
Real Property	1,345.221	1,384.310	1,353.811	-30.499	8.590	0.6%
Personal Property	99.286	103.722	101.272	-2.450	1.986	2.0%
Centrally Assessed Property	1.114	1.328	1.114	-0.214	0.000	0.0%
Value of one mill at 96 percent	1.388	1.410	1.398	-0.012	0.010	0.007

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

January 1, 2011 County Taxable Value

(billions of dollars)	Preliminary 2010 Taxable Value	March 2010 Estimate of July 1, 2011 County Taxable Value	August 2010 Estimate of July 1, 2011 County Taxable Value	Change in Estimates (March vs. August)	Change from Actual	Percentage Change from Actual
County Taxable Value	1,346.664	1,364.869	1,346.545	-18.324	-0.119	0.0%
Real Property	1,246.264	1,227.045	1,244.126	17.081	-2.138	-0.2%
Personal Property	99.286	103.722	101.272	-2.450	1.986	2.0%
Centrally Assessed Property	1.114	1.328	1.114	-0.214	0.000	0.0%

Gross Receipts Tax, Communications Services and PECO:
The Revenue Estimating Conference met on July 23, 2010 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. In the four

months since the February conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were $4.7 million above the estimate, while collections of the State Sales Tax on Communications Services were $14.6 million below the estimate. Compared to the February conference result, the new forecast for the Gross Receipts Tax showed a small increase in all future years except for Fiscal Year 2012-13 and Fiscal Year 2016-17. On the other hand, the forecast for the State Sales Tax on Communications Services has a reduction in Fiscal Year 2010-11, but matches the February forecast thereafter. The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. The new forecast is shown below.

	Gross Receipts Tax All Sources	Gross Receipts Tax on Electricity	Gross Receipts Tax on Gas	Communications Services Tax-Gross Receipts Component	Communications Services Tax-State Tax Component	Additional State Tax on Direct-to-Home Satellite	Local Communications Service Tax
FY 10-11	1130.61	639.46	31.31	459.84	1098.68	57.29	858.15
FY 11-12	1153.93	665.70	27.10	461.13	1108.56	58.91	845.68
FY 12-13	1197.94	702.22	26.53	469.19	1137.92	60.67	859.61
FY 13-14	1242.86	735.73	27.20	479.93	1171.68	62.43	878.78
FY 14-15	1292.44	770.91	28.31	493.22	1211.80	64.37	902.93
FY 15-16	1339.28	803.60	29.84	505.84	1249.44	66.30	925.71
FY 16-17	1385.39	836.00	30.86	518.53	1286.80	68.29	948.56
FY 17-18	1429.83	867.47	32.31	530.05	1321.03	70.34	969.00
FY 18-19	1472.06	897.11	33.63	541.32	1354.28	72.45	988.88
FY 19-20	1509.82	921.99	34.90	552.93	1388.14	74.62	1009.36

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the four months since the last conference (electricity and gas combined) were $13.9 million above the current estimate, leading to an error of about 7.5 percent over the four-month period. The overage was mainly due to abnormal weather conditions in Florida, inducing greater consumption from December to May.

The new forecast has considered factors affecting both the price of and demand for electricity: from 2010 on, fuel cost stabilizes and the demand for electricity increases gradually. The new combination of price and consumption drive a forecast for Fiscal Year 2010-11 that is $8.3 million higher than the current estimate. From Fiscal Year 2011-12 on, collections are projected to be somewhat higher than those in the earlier forecast as both demand and price stabilize at a level slightly higher than what was originally anticipated (except for Fiscal Year 2012-13).

Gross Receipts Tax on Gas Fuels... Natural gas prices decreased significantly in Fiscal Year 2009-10 and will further decrease in Fiscal Year 2010-11, but the lagged DOR gas price index has helped stabilize the tax collections on gas fuels. In this regard, actual collections in Fiscal Year 2009-10 were $4 million higher than the level expected in the February forecast. In keeping with the lagged nature of the DOR price index and future gas price changes, the new estimates for Fiscal Year 2010-11 and Fiscal Year 2011-12 are $4.2 million and $0.7 million higher than the current estimates, respectively. From Fiscal Year 2012-13 on, the new forecast is slightly lower than the February forecast.

Communications Services Tax... For the four months since the last forecast, the Gross Receipts Tax component of the CST was $9.1 million (about 6.2 percent) lower than forecast. For the past five months, the State Sales Tax component was $14.6 million (about 3.2 percent) lower than expected. For Fiscal Year 2010-11, collections for the Gross Receipt Tax component of the CST are projected to be $4.3 million lower, and the collections for the State Sales Tax component of the CST are $9.5 million lower than those of the February forecast. Thereafter, each of the future years has an estimate that matches the February estimate for both of these tax sources.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Service Tax... The conference final package also includes estimates for the additional state tax on Direct-to-Home Satellite Services (DHSS) and the Local Communications Service Tax. Collections from DHSS are distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. For the entire forecast period, DHSS collections are expected to be lower than those of the February estimates except for Fiscal Years 2017-18, 2018-19, and 2019-20. The formula-driven Local CST forecast adds between $11.6 million and $15.1 million to its collections each year except for Fiscal Year 2010-11 where the addition is only about $0.6 million.

Public Education Capital Outlay and Debt Service Trust Fund... The Public Education Capital Outlay Program addresses educational facilities construction and fixed capital outlay needs for school districts, community colleges, and universities. The Revenue Estimating Conference met on July 29, 2010 to project the maximum dollars available for appropriation from the Public Education Capital Outlay (PECO) and Debt Service Trust Fund.

	Maximum PECO Appropriations	Estimated PECO Bonding
FY 2010-11	731.3	304.8
FY 2011-12	**657.6**	**442.5**
FY 2012-13	534.6	330.9
FY 2013-14	957.2	726.6

The Conference increased the forecast of the maximum amount available for appropriation from the PECO Trust Fund for Fiscal Year 2011-12 by $279.2 million, to $657.6 million in total. Of this total amount, $442.5 million is from the sale of bonds, an increase of $249.2 million from the February 2010 estimate, after adjusting for law changes. Slightly higher collections for the Gross Receipts Tax for Fiscal Year 2009-10, along with a modest increase in the recently revised Fiscal Year 2011-12 and 2012-13 estimates, provide an increase in the bonding capacity for next year of $143.6 million. A bond sale occurring since the last estimating conference was able to be completed with a mixed issuance of regular tax exempt bonds and the special Build America Bonds supported by the American Recovery and Reinvestment Act of 2009, resulting in substantial savings in the interest cost. Furthermore, a more favorable interest rate environment for upcoming sales which have already been authorized from the current and prior year spending plans is translating into additional bonding capacity in the new estimate for Fiscal Year 2011-12. Funds available for appropriation as cash are projected to be $215.1 million in Fiscal Year 2011-12, higher by $30.0 million.

A tax law change (Senate Bill 2024) affecting the distribution of the Communications Services Tax resulted in additional receipts being made available to the PECO Trust Fund which could be used to support the sale of additional bonds. Appropriations which utilized this additional bonding capacity were made during the 2010 legislative session, but a significant number of projects were vetoed, reducing the effective appropriation. Any unused bonding capacity resulting from the vetoes is presumed to be available for project appropriation in Fiscal Year 2011-12 in the new forecast.

Principal State School Trust Fund & Abandoned Property:
Used exclusively to meet public school needs, the Principal State School Trust Fund contains revenue primarily derived from unclaimed property. The projection of receipts from abandoned property and the subsequent distribution into the Principal State School Trust Fund were revised July 15, 2010 by the Revenue Estimating Conference. Remittances of abandoned property to the State for Fiscal Year 2009-10 were $358.1 million, $78.1 million above estimate. A portion of this revenue surplus was attributable to a one-time payment of approximately $29 million from the Federal Deposit Insurance Corporation (FDIC) which was related to the failure of a large national bank in 2008. The Conference discussed the fact that remittances from the FDIC may only be held for a ten-year period, after which any remaining property that has not been claimed must be returned to the FDIC. The Conference also adopted growth rates in future abandoned property receipts of 3 percent.

The estimate of the proportion of property returned to owners was generally set at 62 percent -- the exception being the payment related to the FDIC which garnered a higher refund level. For Fiscal Year 2010-11, the estimate of the transfer to the State School Trust Fund was increased by $23.4 million from the previous forecast. This increase, combined with an estimated balance forward from Fiscal Year 2009-10 of $65.1 million, leaves a projected surplus for the current fiscal year of $88.5 million. Future revenues are expected to grow from the 2010-11 level.

Lottery, Slots & the Educational Enhancement Trust Fund:
Dedicated to educational programs, lottery and slots dollars are used to fund the Educational Enhancement Trust Fund (EETF). Because these sources are so different, they are typically estimated separately.

The Revenue Estimating Conference met on July 20, 2010, to address **Lottery** revenues. The Conference increased expected distributions to the Educational Enhancement Trust Fund (EETF) by $17.8 million in Fiscal Year 2010-11 and $40.7 million in Fiscal Year 2011-12. These figures translate into growth rates -5.0 percent in 2010-11 and 3.0 percent in 2011-12. Distributions are then expected to increase by 1.2 percent in 2012-13 and 1.6 percent in 2013-14.

Overall the forecast for ticket sales was increased by $98.2 million in Fiscal Year 2010-11 and $87.1 million in Fiscal Year 2011-12. The largest change in the sales forecast was to the projection for scratch-off games, which was increased by $62.9 million in 2010-11 and $67.8 million in 2011-12. The projections for all on-line games with the exception of the Raffle were also increased. The forecast for Raffle sales was reduced because the Department is expecting to have only one raffle-type game in Fiscal Year 2010-11.

The projections for non-ticket income were reduced by $4.3 million in Fiscal Year 2010-11 and by $6.5 million in 2011-12. The forecast for 80 percent unclaimed prizes available for immediate transfer to EETF was reduced slightly based on the most recent experience.

EETF transfers were negatively affected by several other changes to the forecast: the prize payout percentage was slightly increased for both scratch-off tickets and on-line tickets, and the projected administrative appropriation was increased.

Summary of All games				
		Feb 2010	**July 2010**	**Difference**
EETF from Ticket sales	**2009-10**	1097.2	1146.5	49.3
	2010-11	1093.9	1116.1	22.2
	2011-12	1102.3	1150.4	48.1
Other Income	**2009-10**	24.3	46.8	22.5
	2010-11	19.3	15.0	-4.3
	2011-12	21.5	15.0	-6.5
80% unclaimed Prizes	**2009-10**	44.0	43.8	-0.2
	2010-11	44.3	44.2	-0.1
	2011-12	46.0	45.1	-0.9
TOTAL EETF	**2009-10**	1165.5	1237.1	71.6
	2010-11	1157.5	1175.3	17.8
	2011-12	1169.8	1210.5	40.7

Because there was little change since the last forecast, the Conference did not meet during the summer on **slot machine** tax revenues. This means that the current forecast was actually adopted in February; however, the estimates have since been updated to reflect statutory changes passed during the Legislative Session. The adjusted transfers to the Educational Enhancement Trust Fund are as follows:

Slot Machines Tax Collections			
Millions of $			
	Feb-10 Estimate	Post-Session Estimate	Difference
2009-10	129.6	129.6	n/a
2010-11	166.7	141.7	-25.0
2011-12	189.4	184.3	-5.1
2012-13	193.8	191.0	-2.8
2013-14	199.0	218.1	+19.1

Since the last forecast, collections have been running close to the estimate, which assumes that Miami Jai-Alai will open around March 1, 2011. The post-session estimate shown above reflects legislative action:

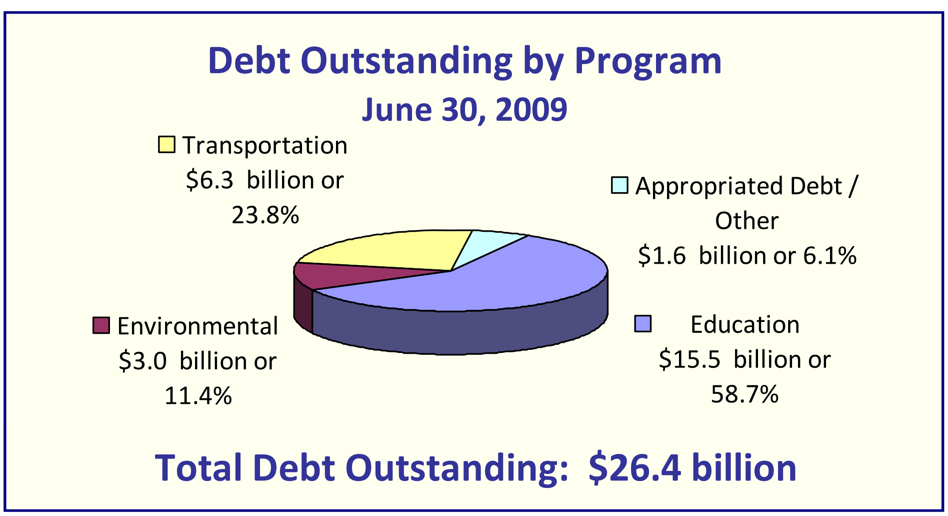
- To reduce the tax rate from 50 percent to 35 percent effective July 1, 2010;
- To allow Hialeah to begin offering slots midway during the 2011-12 fiscal year, and
- To allow the facilities to pay on a monthly rather than a weekly basis beginning July 1, 2012.

For Fiscal Year 2010-11, the **Educational Enhancement Trust Fund** has a projected positive balance of $97.8 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact which will be deposited in the General Revenue Fund.

FLORIDA DEBT ANALYSIS

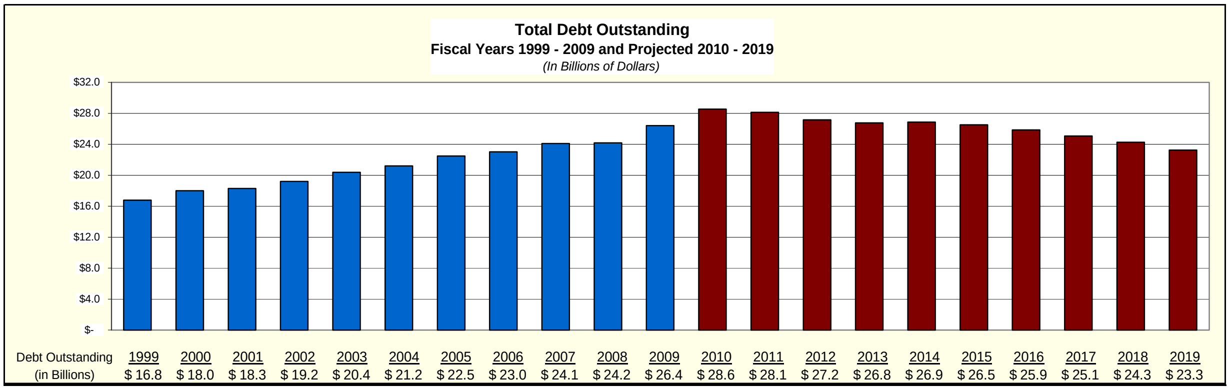
Florida law requires an ongoing analysis of the State's debt position. This requirement enables lawmakers to consider the impact of future bond issuances on the State's debt position during the decision-making process. If the State has too much debt relative to its expected revenues, any additional debt financings could impact the State's credit rating and its borrowing cost. To implement this analysis, Florida law designates a benchmark debt ratio and establishes a 6 percent target, as well as a 7 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 discussion below reflects the key points of the *2009 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2008 to June 30, 2009. However, ***the August 2010 Revenue Estimating Conference results have been considered in the projection of the benchmark ratio*** of debt service to revenues available. The next report will be released in December 2010.

Debt Outstanding
Total State debt outstanding at June 30, 2009 was $26.4 billion, approximately $2.1 billion more than at June 30, 2008. Net tax-supported debt totaled $22.4 billion for programs supported by State tax revenues or tax-like revenues. Self-supporting debt totaled $4.0 billion, representing debt secured by revenues generated from operating bond-financed facilities. One new program was added during 2009 as the Department of Transportation implemented Public /Private Partnership projects and incurred long-term mandatory payment obligations referred to as "availability payments". Additionally, indirect State debt at June 30, 2009 was approximately $14.7 billion, $1.9 billion less than the prior year-end. Indirect debt decreased primarily due to $2.8 billion of debt redeemed by insurance-related entities, i.e., Florida Hurricane Catastrophe Fund Finance Corporation and Citizens Property Insurance Corporation; however, indirect debt is not a component of State debt ratios or the debt affordability analysis.



Growth in Debt

Total State Debt has increased nearly $9.6 billion over the last ten years from $16.8 billion to $26.4 billion. Based on existing borrowing plans, debt outstanding is expected to peak and begin to slowly decline as annual debt retirement increases with less expected debt issuance.

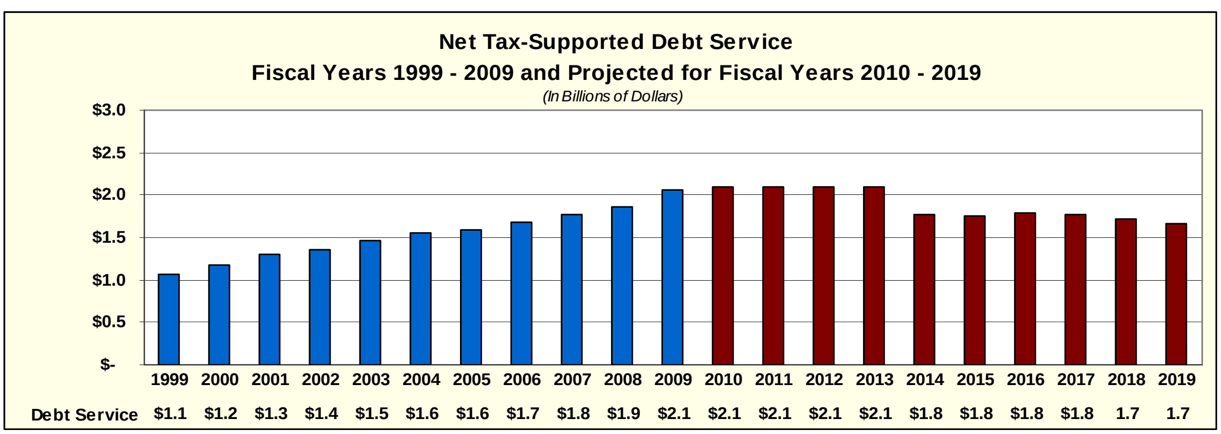


Estimated Debt Issuance

Approximately $10.2 billion of debt is expected to be issued over the next ten years for all of the State's currently authorized financing programs. This estimate is approximately $3.2 billion or 24 percent less than the previous projection of expected debt issuance. The decrease in expected debt issuance is because additional environmental bonding has been excluded. According to the Division of Bond Finance, additional environmental bonds cannot be issued without modifying the existing bond program because of the significant decline in documentary stamp taxes which are pledged to pay the bonds.

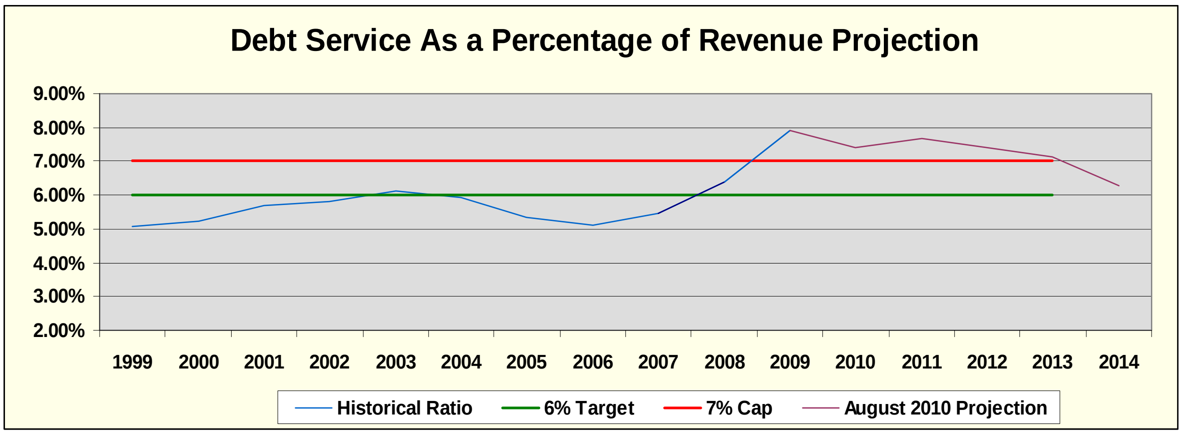
Estimated Annual Debt Service Requirements

Debt service payments now total approximately $2.1 billion per year. During Fiscal Year 2008-09, annual debt service requirements increased by $160.4 million over the prior year, approximately 62 percent more than the average annual increase over the last ten years. The State's policy of using a level debt structure is apparent in the chart below. Based on projected bond issuance, annual debt service payments are estimated to continue at the existing $2.1 billion level through Fiscal Year 2012-13 and then drop to approximately $1.8 billion in 2014.



Debt Ratios

The State's benchmark debt ratio has been updated to reflect the August, 2010 revenue estimates. The benchmark debt ratio exceeds the 7 percent policy limit which is projected to continue through 2013. The benchmark debt ratio of debt service to revenues available to pay debt service has decreased from 7.9 percent for Fiscal Year 2008-09 to approximately 7.4 percent for Fiscal Year 2009-10. The improvement in the benchmark debt ratio is due to the inclusion of a new revenue source pledged for the GARVEE transportation bond program. The benchmark debt ratio is projected to peak at 7.68 percent for 2011 and then begin to improve based on projected growth in revenues. The benchmark debt ratio could increase further if revenue growth is not realized as projected.



Benchmark Ratio Estimated August 2010

Fiscal Year	2010	2011	2012	2013	2014
Debt Service as % of Revenue	7.40%	7.68%	7.40%	7.12%	6.26%

Note: Revenue estimates used in projecting the benchmark debt ratio represent current available estimates as of August 2010. Revenue forecasts are from the Revenue Estimating Conferences held as of August 2010 and from current agency estimates for those revenues pledged to specific bond programs which are not part of the revenue estimating conference process.

A comparison of 2009 debt ratios to national and peer-group averages indicate that Florida's debt ratios are generally higher than the national averages but lower than the peer group averages as shown in the Moody's Investors Service *2010 State Debt Medians Report*. The State's ranking in the ten state peer-group improved slightly from 2006 but remains in the middle of the peer-group.

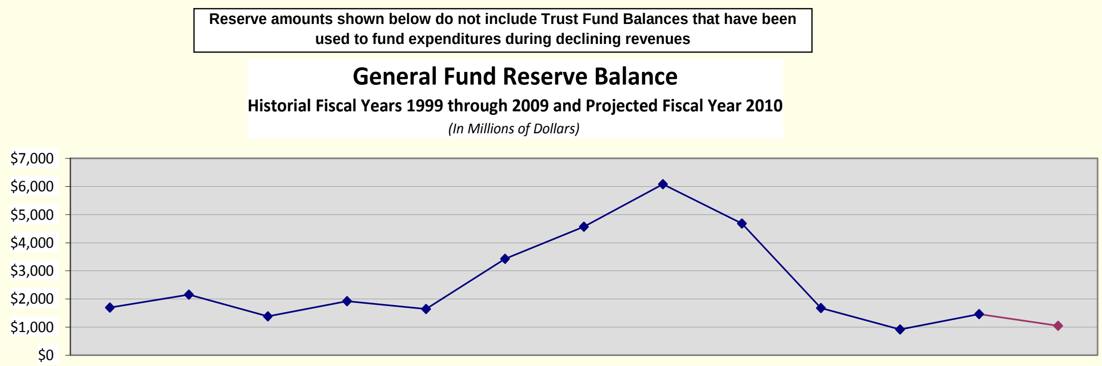
2009 Comparison of Florida to Peer Group and National Medians

	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt Per Capita	Net Tax Supported Debt as a % of Personal Income
Florida	7.91%	$1,192	3.16%
Peer Group Mean	Not Available	$1,647	3.84%
National Median[1]	Not Available	$936	2.50%

[1]Source: Moody's Investors Service *2010 State Debt Medians Report*

Reserves

One of the most important indicators of a government's financial strength is its general fund reserves. The State's general fund reserves have been reduced significantly over the last four fiscal years to offset revenue declines. Adequate reserves have been critical in providing the financial flexibility to respond to the deteriorating economic environment, but as reserves have been exhausted the State's future financial flexibility has been severely impaired. The preliminary amount of general fund reserve at June 30, 2010 shows an increase in reserves from the prior year; however, reserves are anticipated to decline again in 2011 based on the budgeted expenditures for 2010-11.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund Reserves	$ 1,694.3	$ 2,155.9	$ 1,382.7	$ 1,925.1	$ 1,641.3	$ 3,423.6	$ 4,569.8	$ 6,081.2	$ 4,682.1	$ 1,674.6	$ 912.7	$ 1,464.6	$ 1,047.7
Reserves as % of Revenues	9.5%	11.5%	7.2%	10.0%	8.2%	15.7%	18.3%	22.5%	17.7%	6.9%	4.3%	6.8%	4.6%

Source: Office of Economic and Demographic Research. Reserve amounts shown include the Budget Stablization Fund

Overview of the State's Credit Ratings

Even though confronted with the worst economic downturn in decades, the State was able to maintain its high credit ratings over the past year. The Legislature's timely balancing of the current year budget and prompt response in making the difficult but necessary budget adjustments was instrumental to maintaining the State's credit rating. The State's credit rating benefitted from an industry-wide move to a uniform rating scale for municipal bonds and corporate bonds. Municipal general obligation bonds were recalibrated upward to reflect the unique characteristics and credit strengths relative to corporate credits. Fitch recalibrated the State's rating from "AA+" with a negative outlook to "AAA" with a negative outlook. Moody's rating remained at "Aa1", but the negative outlook was changed to a stable outlook. Standard and Poor's rating remained the same at "AAA" with a negative outlook.

The current ratings reflect the State's conservative financial management practices, moderate debt burden, well-funded pension system, large and diverse economy and still significant reserves. However, the State's current credit ratings remain vulnerable and the rating agencies will be carefully monitoring future economic and budgetary developments. According to the Division of Bond Finance, the credit challenges facing the State are its economy and further weakness causing revenue declines, failure to address the drop-off of federal stimulus moneys included in the budget, reliance on one-time revenues to balance the budget, and the inability to restore and maintain adequate reserves.

General Appropriations Act - All Sections

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	22,608.4	26,598.7	28,172.7	28,808.2
change		3,990.3	1,574.1	635.4
% change		17.6%	5.9%	2.3%
Educational Enhancement TF	1,300.6	1,495.6	1,419.6	1,466.1
change		195.0	-76.0	46.5
% change		15.0%	-5.1%	3.3%
State School TF	110.6	217.9	145.1	149.4
change		107.3	-72.8	4.3
% change		97.0%	-33.4%	3.0%
Tobacco Settlement TF	369.6	364.8	365.2	366.8
change		-4.8	0.4	1.6
% change		-1.3%	0.1%	0.4%
TOTAL	24,389.2	28,677.0	30,102.6	30,790.5
change		4,287.8	1,425.7	687.8
% change		17.6%	5.0%	2.3%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	1,218.0	913.6	882.0	944.6
Educational Enhancement TF	0.0	0.0	0.0	0.0
State School TF	0.0	0.0	0.0	0.0
Tobacco Settlement TF	0.0	0.0	0.0	0.0
TOTAL	1,218.0	913.6	882.0	944.6

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	23,826.4	27,512.2	29,054.8	29,752.8
budget impact		4,903.9	2,456.1	1,580.1
Educational Enhancement TF	1,300.6	1,495.6	1,419.6	1,466.1
budget impact		195.0	-76.0	46.5
State School TF	110.6	217.9	145.1	149.4
budget impact		107.3	-72.8	4.3
Tobacco Settlement TF	369.6	364.8	365.2	366.8
budget impact		-4.8	0.4	1.6
TOTAL	25,607.2	29,590.5	30,984.7	31,735.1
budget impact		5,201.3	2,307.7	1,632.5

KEY BUDGET DRIVERS

Long Range Financial Outlook Issues Summary
FY 2011-12 through FY 2013-14

	FY 2011-12		FY 2012-13		FY 2013-14	
	Total GR	**Total Major TF**	**Total GR**	**Total Major TF**	**Total GR**	**Total Major TF**
Critical Needs (Includes Annualizations, Mandatory Increases Based on Estimating Conferences, and Other Essential Needs)						
Restore Federal Stimulus Funds from General Revenue - Education Core Instructional Programs	1,215.9	98.9	0.0	0.0	0.0	0.0
Education Adjustments to Maintain Current Budget	183.8	90.5	75.1	(75.1)	(44.4)	44.4
Voluntary Prekindergarten - Workload and Enrollment	4.8	0.0	9.2	0.0	4.4	0.0
Florida Education Finance Program (FEFP) - Adjustment to Maintain Per Student Funding	(21.8)	107.3	35.5	(72.8)	(217.9)	4.3
Bright Futures - Workload at Current Award Levels	0.0	5.6	0.0	(0.9)	0.0	2.1
Annualize Prior Year New Space in Florida Colleges and State Universities	5.3	0.0	0.0	0.0	0.0	0.0
Annualizations - Human Services	(14.0)	(17.7)	0.0	0.0	0.0	0.0
Medicaid Program	1,483.6	1,627.3	895.5	31.9	212.1	296.7
Federal Health Care Reform	0.0	0.0	0.0	0.0	142.5	1,884.3
Kidcare Program	22.5	56.3	21.0	48.8	20.3	47.4
TANF (Temporary Assistance for Needy Families) Cash Assistance	9.1	0.0	0.0	(5.3)	0.0	(10.3)
Tobacco Awareness Constitutional Amendment	0.0	1.1	0.0	1.3	0.0	1.2
Tobacco Settlement Trust Fund Outlook	4.8	(4.8)	(0.4)	0.4	(1.6)	1.6
Increase in Criminal Justice Estimating Conference (CJEC) Prison System Population	36.4	0.0	43.5	0.0	57.6	0.0
Annualization of Department of Corrections FY 2010-11 Budget Reductions	(5.2)	0.0	0.0	0.0	0.0	0.0
Criminal Justice - Increased Capacity/Planning and Site Acquisition	0.0	0.0	0.0	0.0	131.1	0.0
Judicial - Due Process Costs	17.9	0.0	0.0	0.0	0.0	0.0
State Disaster Funding (Declared Disasters)	11.8	0.0	5.1	0.0	2.6	0.0
Unemployment Compensation Trust Fund-Interest on Federal Loans	123.0	0.0	193.0	0.0	161.0	0.0
Restore Federal Stimulus Funds for Child Support Enforcement	2.5	0.0	0.0	0.0	0.0	0.0
Special Pensions & Benefits	1.1	0.0	1.2	0.0	1.3	0.0
Fiscally Constrained Counties - Property Tax & Conservation	32.5	0.0	34.9	0.0	34.9	0.0
Annualizations - Health and Life Insurance	19.7	12.1	0.0	0.0	0.0	0.0
Risk Management Insurance	0.8	0.3	3.9	1.7	3.9	1.7
Increases in Employer-Paid Benefits for State Employees	87.1	18.1	121.2	57.8	138.0	65.8
Court System Funding Required to Offset Decline in Court Fee Revenues	0.0	0.0	121.9	(121.9)	72.1	(72.1)
Subtotal Critical Needs	**3,221.6**	**1,995.0**	**1,560.7**	**(134.1)**	**718.0**	**2,267.1**
Other High Priority Needs (Includes Other Historically Funded Issues)						
Maintenance, Repairs, and Capital Improvements - Statewide Buildings	33.1	21.9	35.7	21.1	35.0	21.1
Restore Federal Stimulus Funds from General Revenue - Education Non-Core Programs	58.8	0.0	0.0	0.0	0.0	0.0
Education Adjustments to Maintain Current Budget	59.7	(30.1)	32.0	(32.0)	34.7	(34.7)
Voluntary Prekindergarten - Increase Funds per FTE	1.3	0.0	1.3	0.0	1.3	0.0
Florida Education Finance Program (FEFP) - Increase Funds per FTE	55.2	0.0	56.7	0.0	58.2	0.0
Public Schools - Other Issues	0.1	0.0	0.1	0.0	0.1	0.0
Florida Colleges - Workload and Enrollment	65.7	0.0	70.6	0.0	74.0	0.0
State Universities - Workload and Enrollment	49.4	0.0	53.8	0.0	54.5	0.0
State Universities - Other Issues	2.3	0.0	0.0	0.0	0.0	0.0
Challenge Grants for Florida Colleges and State Universities	57.9	0.0	57.9	0.0	57.9	0.0
Other Education Priorities	3.8	0.0	4.5	0.0	5.5	0.0
Bright Futures - Adjust payment levels for tuition increases	0.0	30.1	0.0	32.0	0.0	34.7
Developmentally Disabled Services	43.8	56.5	5.1	3.9	5.2	3.8
Children and Family Services	112.9	12.9	42.1	13.5	25.3	13.5
Health Services	53.4	64.7	2.4	0.6	2.4	0.6
Human Services Information Technology/Infrastructure	0.0	5.0	0.0	5.0	0.0	5.0
Health and Human Services Community Programs	7.2	6.3	7.2	6.3	7.2	6.3
Shared Detention Cost - Fiscally Constrained Counties	5.9	0.0	5.9	0.0	5.7	0.0
Department of Juvenile Justice - Prevention and Intervention Programs	4.3	0.0	1.9	0.0	2.4	0.0
State Attorney, Public Defender, and Regional Counsel Workload	1.1	0.0	1.1	0.0	1.1	0.0
Environmental Programs Funded with Documentary Stamp Tax	81.4	29.7	33.5	89.9	18.3	108.7
Environmental Land Acquisition	235.8	0.0	235.8	0.0	235.8	0.0
Other Agriculture & Environmental Programs	59.1	111.0	52.3	104.2	51.6	104.9
Department of Transportation Adopted Work Program FY 2011-2015	0.0	5,826.0	0.0	5,826.0	0.0	5,826.0
Other Transportation and Economic Development Priorities	0.3	9.0	0.3	9.0	0.3	9.0
Other General Government Priorities	12.2	20.9	2.9	3.7	1.6	0.0
Economic Development Programs	138.4	5.0	138.4	5.0	138.4	5.0
Cultural, Historical, Workforce, and Highway Safety Priorities	68.2	2.5	54.0	2.5	45.7	2.5
Increase in Employer-paid Contributions for the Florida Retirement System to Fund the Unfunded Actuarial Liability (State, Universities, Community Colleges,and School Boards)	471.1	93.2	0.0	0.0	0.0	0.0
Subtotal Other High Priority Needs	1,682.3	6,264.6	895.4	6,090.6	862.1	6,106.4
Total Tier 1 - Critical Needs	3,221.6	1,995.0	1,560.7	(134.1)	718.0	2,267.1
Total Tier 2 - Critical Needs Plus Other High Priority Needs	4,903.9	8,259.5	2,456.1	5,956.5	1,580.1	8,373.5

General Appropriations Act Sections 1 & 2 - Education

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	12,183.7	13,792.1	14,131.0	14,101.5
change		1,608.4	338.9	-29.5
% change		13.2%	2.5%	-0.2%
Educational Enhancement TF	1,300.6	1,495.6	1,419.6	1,466.1
change		195.0	-76.0	46.5
% change		15.0%	-5.1%	3.3%
State School TF	110.6	217.9	145.1	149.4
change		107.3	-72.8	4.3
% change		97.0%	-33.4%	3.0%
TOTAL	13,594.9	15,505.6	15,695.7	15,717.0
change		1,910.6	190.1	21.3
% change		14.1%	1.2%	0.1%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	334.3	133.7	57.9	57.9
Educational Enhancement TF	0.0	0.0	0.0	0.0
State School TF	0.0	0.0	0.0	0.0
TOTAL	334.3	133.7	57.9	57.9

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	12,518.0	13,925.8	14,188.9	14,159.4
budget impact		1,742.1	396.8	28.4
Educational Enhancement TF	1,300.6	1,495.6	1,419.6	1,466.1
budget impact		195.0	-76.0	46.5
State School TF	110.6	217.9	145.1	149.4
budget impact		107.3	-72.8	4.3
TOTAL	13,929.3	15,639.3	15,753.6	15,774.9
budget impact		2,044.4	248.0	79.2

SECTIONS 1 AND 2 - EDUCATION

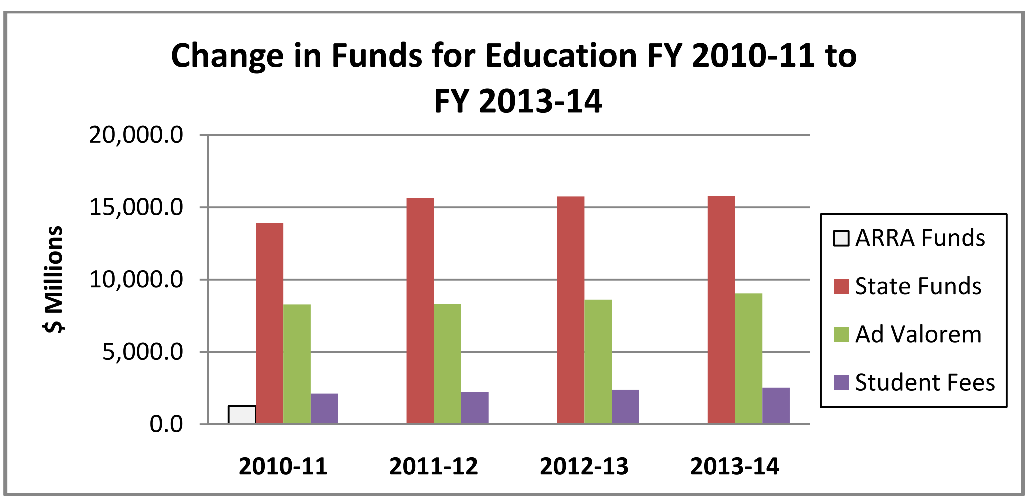
SUMMARY

Funding for Florida's education budget is provided in sections 1 and 2 of the General Appropriations Act and includes programs for early learning (voluntary prekindergarten education), K-12 public schools, workforce education, Florida colleges, and state universities, as well as financial assistance to students and private colleges. These programs are funded with a combination of state general revenue, the Educational Enhancement Trust Fund (EETF – composed of lottery and slot machine revenues), other state trust funds, federal funds, and higher education student tuition and fees. State public school appropriations also recognize the local property taxes generated for school operational support; however these local funds are not appropriated in the General Appropriations Act.

CRITICAL NEEDS

Restore Federal Stimulus Funds from General Revenue for Education Core Instructional Programs

Most of the growth in recurring expenditures over the three year forecast period is projected to come from state funds, with a large portion of the state funds increase ($1.4 billion in total) due to restoration of the non-recurring federal stimulus funds (ARRA stabilization funds) in Fiscal Year 2011-12 as recurring general revenue in the core instructional programs. Core instructional programs include the Voluntary Prekindergarten Education Program, the Florida Education Finance Program, the Florida School for the Deaf and the Blind, the Workforce Development Program, the Community College Program Fund, and State University Education and General Activities, and the state university medical schools.



Education Adjustments to Maintain Current Budget

Recurring general revenue funds are included in the forecast to replace non-recurring general revenue funds for education core instructional programs and to replace EETF when needed based on projected revenue changes over the three year forecast period from the July 2010 Revenue Estimating Conference.

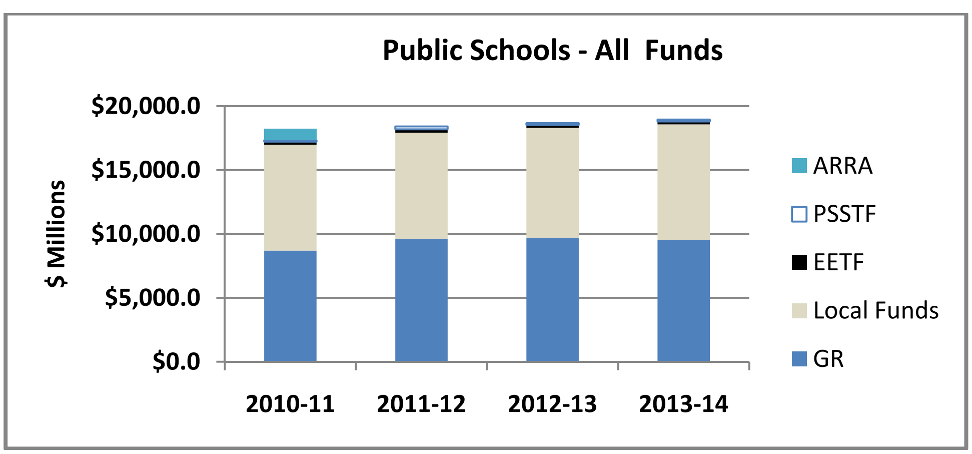
Voluntary Prekindergarten Workload and Enrollment

Critical needs funding is projected for the Voluntary Prekindergarten Education Program for enrollment increases as determined by the August 2010 Early Learning Programs Estimating Conference. Enrollment growth over the three year forecast period is estimated to be 6,570 students.

Florida Education Finance Program (FEFP) Adjustment to Maintain Per Student Funding

Funding projections for the FEFP are based on maintaining the Fiscal Year 2010-11 legislatively authorized millage rates (i.e., 5.380 required and .748 potential discretionary) throughout the three year forecast period. The amount of recurring general revenue in the FEFP formula is adjusted in each of the three forecast years to offset projected losses or increases in ad valorem revenues to support public schools. Over the three year forecast period, there is a net increase in ad valorem revenues. The tax rolls for 2011 through 2013 were projected by the August 2010 Ad Valorem Estimating Conference.

General revenue and available Principal State School Trust Fund revenues are provided as critical needs funding for projected enrollment growth in the FEFP and Class Size Reduction. Total funds per student are maintained at the Fiscal Year 2010-11 level of \$6,836.26 (2nd FEFP Calculation July 2010). Enrollment growth for the three forecast years is based on estimates from the July 2010 Public Schools Enrollment Estimating Conference. Enrollment growth over the three years is estimated to be 87,287 students.



Bright Futures Workload at Current Award Levels

Critical needs funding includes sufficient budget to fund Bright Futures Scholarship payments based on the number of eligible recipients projected by the Office of Economic and Demographic Research and to maintain current award amounts.

Annualize Prior Year New Space in Florida Colleges and State Universities

Critical needs funding includes the projected cost to annualize prior year new space operations for Florida colleges and state universities.

OTHER HIGH PRIORITY NEEDS

Restore Federal Stimulus Funds from General Revenue for Non-core Education Programs

Non-recurring general revenue funds are included in Fiscal Year 2011-12 as other high priority needs to restore non-recurring federal stimulus (ARRA stabilization) funds provided to non-core education programs.

Education Adjustments to Maintain Current Budget

Recurring general revenue funds are included in other high priority needs to replace non-recurring general revenue funds for non-core education programs and to replace EETF shortfalls caused by the projected tuition increase costs for the Bright Futures Scholarship Program.

Voluntary Prekindergarten Increase in Funds per Student Full-time Equivalent (FTE)

Other high priority needs funding is provided to increase the base student allocation using the four-year average percentage increase per FTE in the FEFP (0.31 percent in each of the three forecast years).

Florida Education Finance Program (FEFP) Increase in Funds per Student (FTE)

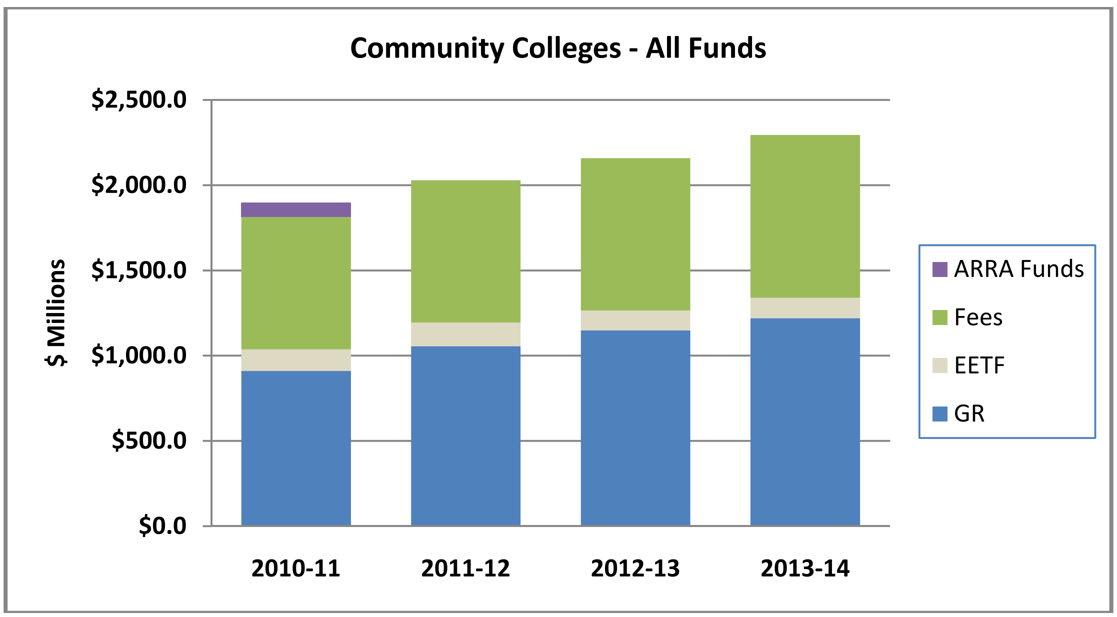
Other high priority needs projections include an increase in funding for the FEFP based on the four-year average percentage increase in FEFP funds per FTE (0.31 percent for each of the forecast years).

Public Schools Other Issues

Funds are provided in other high priority needs for the Florida School for the Deaf and the Blind based on the four-year average percentage increase in funds per FTE for the FEFP (0.31 percent for each of the forecast years).

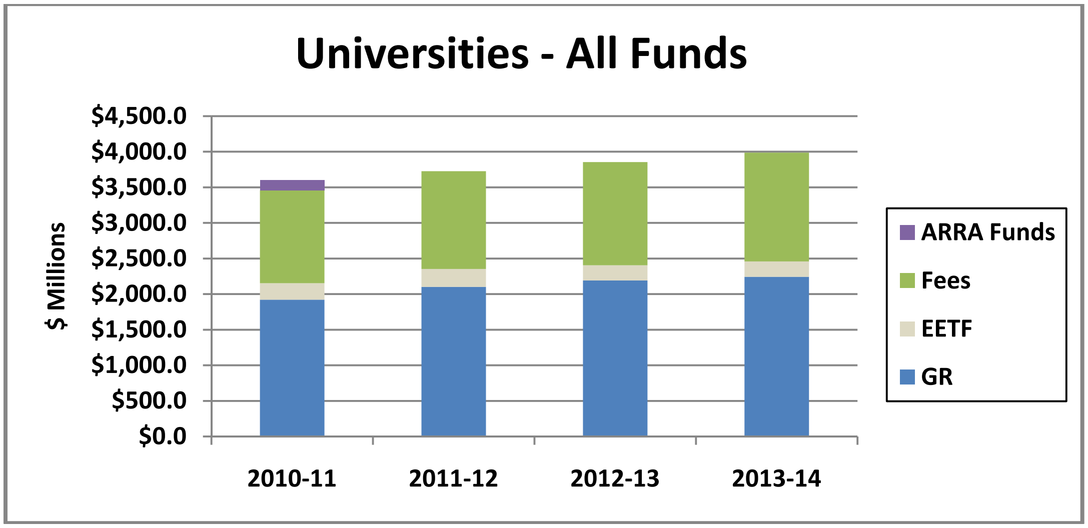
Florida Colleges Workload and Enrollment

Other high priority needs funding includes workload increases based on the four-year average enrollment growth of 5.4 percent for each year during the forecast period. Enrollment growth over the three years is estimated to be 62,607 students. Funds are also provided in other high priority needs for the phase-in of new physical space operations based on a four-year appropriations average.



State Universities Workload and Enrollment

Other high priority needs funding includes workload increases based on the four-year average increase in enrollment of 2.1 percent for each year during the forecast period. Enrollment growth over the three years is estimated to be 12,504 students. Funds are also provided in other high priority needs for the phase-in of new physical space operations based on the four-year appropriation average.



State Universities Other Issues

Other priority needs includes funding for the continued phase-in of the FIU and UCF medical schools based on each program's phase-in plan.

Challenge Grants for Florida Colleges and State Universities

Funds are provided in other priority needs to match private donations through the operating and capital challenge grant programs for Florida colleges and state universities based on a four-year appropriation average.

Other Education Priorities

Other high priority needs includes funds based on a four-year appropriation average for need-based student financial aid and student financial aid for Children and Spouses of Deceased and Disabled Veterans.

Bright Futures Adjust Payment Levels for Tuition Increases

Other high priority needs funding includes sufficient EETF revenues to increase Bright Futures awards to pay for annual tuition increases of 6.8 percent. The 6.8 percent rate is based on the four-year average increase in legislatively approved state tuition rates.

Recurring general revenue funds are included in the forecast to replace funds from the EETF when needed. Replacement is necessary to address the projected costs of the Bright Futures Scholarship Program because EETF proceeds vary during the forecast period.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some issues that could significantly alter key assumptions. The issues include:

- The Outlook does not contain funds from recent federal awards. Florida has received notice of awards from the federal Education Jobs Fund (Ed Jobs) program, the Race to the Top (RTTT) competition, and the Statewide Longitudinal Data System grant program. Florida has been allocated $554.8 million for Ed Jobs (full funding available in 2010-11, school district may expend through September 30, 2012), $700 million for RTTT (funding spread over four years), and $12.4 million for Statewide Longitudinal Data System (grant runs through June 30, 2013).

- Targeted funding for federal programs provided through the American Recovery and Reinvestment Act of 2009 is not included in the projections and is not replaced with general revenue. The programs funded with targeted federal dollars include Title I, Individuals with Disabilities Education (IDEA), Education Technology, Education for Homeless Children and Youths, School Lunch Program, Vocational Rehabilitation Services, Independent Living Services, and Services for Older Blind Individuals.

- The projections in the Outlook for higher education are based on annual tuition increases of 6.8 percent for workforce education, community colleges, and state universities. Section 1009.24, Florida Statutes, authorizes state universities to charge a tuition differential for undergraduate courses. The sum of tuition and the tuition differential cannot increase by more than 15 percent each year. The Outlook does not assume any additional revenues for universities choosing to implement the tuition differential in the three forecast years.

- The Outlook is based on a limited number of major cost drivers. Historically, the Legislature has funded many other issues in addition to these drivers. Consequently, the expenditure projections in the Outlook may be conservative.

General Appropriations Act Section 3 - Human Services

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	6,063.2	7,762.4	8,696.2	9,087.1
change		1,699.3	933.8	390.9
% change		28.0%	12.0%	4.5%
Tobacco Settlement TF	369.6	364.8	365.2	366.8
change		-4.8	0.4	1.6
% change		-1.3%	0.1%	0.4%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	636.0	46.6	61.6	44.9
Tobacco Settlement TF	0.0	0.0	0.0	0.0

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	6,699.2	7,809.0	8,757.8	9,132.0
budget impact		1,745.9	995.4	435.8
Tobacco Settlement TF	369.6	364.8	365.2	366.8
budget impact		-4.8	0.4	1.6

SECTION 3 – HUMAN SERVICES

SUMMARY

The Human Services section of the General Appropriations Act includes the following agencies: Agency for Health Care Administration; Agency for Persons with Disabilities; Department of Children and Family Services; Department of Elder Affairs; Department of Health; and Department of Veterans' Affairs. These agencies are funded with a combination of state general revenue, tobacco trust funds, federal funds, private grants and state trust funds. Many health and human services programs are eligible to earn federal matching funds. Maximization of federal funds has been a state priority for many years; however, it is important to note that most federal funding requires state matching funds, and therefore, total federal receipts vary based on the availability of state match. See Appendix B for a chart showing budget totals for Section 3 of the Fiscal Year 2010-11 budget.

Below is a description of each key budget driver associated with this section of the budget.

CRITICAL NEEDS

Annualizations – Human Services

The Outlook includes a net reduction of $31.7 million ($14.0 million in general revenue) to annualize the following budget reductions taken in Fiscal Year 2010-11: a Children's Medical Services targeted case management fee reduction; a freeze in Florida Healthy Kids Corporation capitation rates; a limit on Medicaid private duty nursing services; a Medicaid managed care fraud and abuse capitation adjustment; Medicaid health maintenance organization rate reductions; and a cap on services in the Agency for Persons with Disabilities. Annualizations also include increases for: start-up of the new St. Johns Veterans' Nursing Home; a workload increase for appeals hearings in the Department of Children and Family Services; additional slots for the Program for All Inclusive Care for the Elderly (PACE); and additional funds for disposable incontinence supplies for children enrolled in Medicaid.

Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. Medicaid is the second largest single program in the state budget behind public education, representing 28 percent of the total state budget, and is the largest source of federal funding for the state.

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a temporary increase in the Federal Medical Assistance Percentage (FMAP) from October 1, 2008 through June 30, 2011 to assist state Medicaid programs with the effects of the recession. During an economic downturn, increased unemployment results in increased Medicaid enrollment and associated spending increases. At the same time, increased unemployment has a negative impact on state revenues making it more difficult to pay the state's share of Medicaid spending increases. Under ARRA, there are three factors used to calculate a state's FMAP increase:

1) a hold-harmless provision to prevent states from receiving a reduction in their Fiscal Year 2009 FMAP based on the formula;

2) a 6.2 percent increase after application of the hold-harmless provision through December 31, 2010 after which it will drop to 3.2 percent for 3 months and then to 1.2 percent for the final quarter of the 2010-11 state fiscal year; and

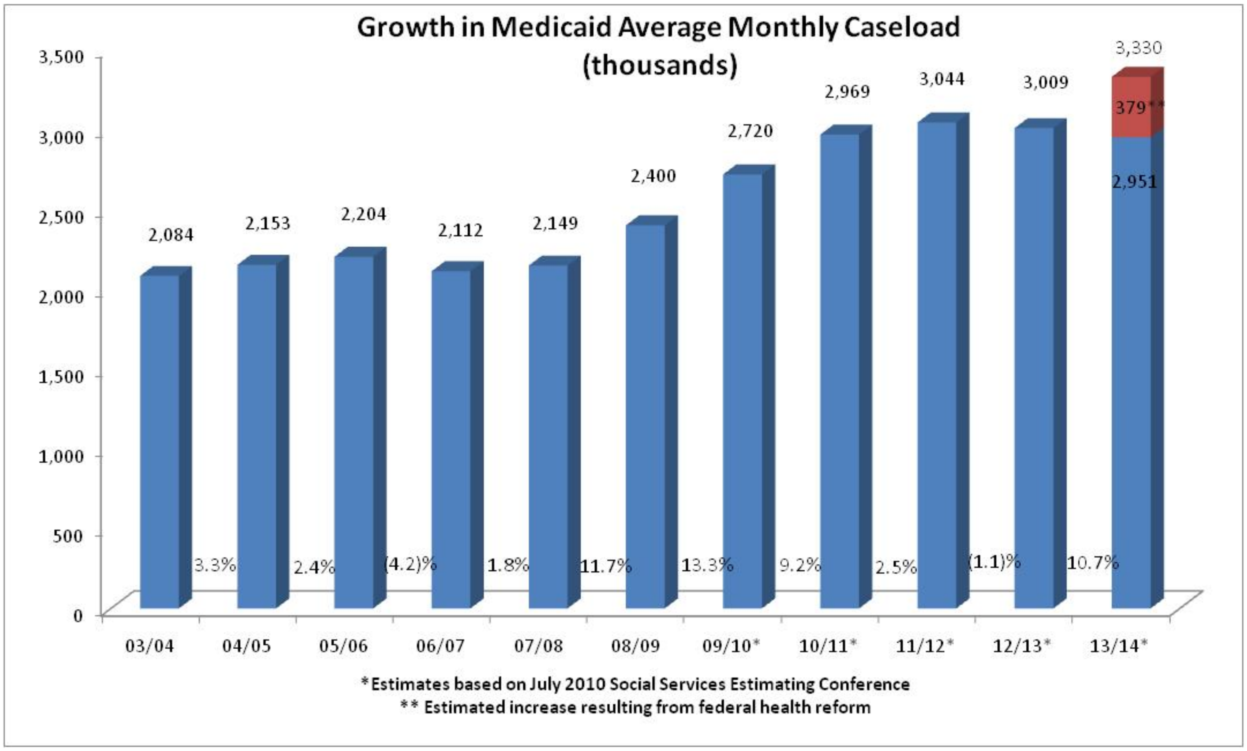
3) a 5.5 percent, 8.5 percent or 11.5 percent reduction in the state share of Medicaid costs for states with significant increases in quarterly unemployment over a base rate.

To be eligible for the enhanced federal funding, states may not have eligibility standards, methods or procedures that are more restrictive than those effective on July 1, 2008. The maintenance of effort (MOE) on eligibility helped to preserve eligibility for the program; however, reductions were necessary in provider payment rates and benefits to curtail Medicaid spending. Even as the economy starts to rebound, the effects on unemployment and Medicaid enrollment will lag and continue to rise at the same time that ARRA funds will expire, resulting in further pressures on the state budget.

Caseload

Medicaid caseloads grew by 11.7 percent in Fiscal Year 2008-09 and continued to increase by 13.3 percent in Fiscal Year 2009-10 for a total of 2.7 million beneficiaries as a result of the economic recession. Enrollment growth is estimated to continue to increase by 9.2 percent in Fiscal Year 2010-11 and grow to 2.969 million beneficiaries. Enrollment growth is forecast to peak in 2011-12 at just over 3 million beneficiaries, an increase of 2.5 percent from the previous year, and then is forecast to decline slightly by 1.1 percent in fiscal year 2012-13. However, enrollment is forecast to increase to 3.3 million beneficiaries in fiscal year 2013-14 (a 10.7 percent increase over the previous year) because of the impact of federal health care reform.

[SEE CHART ON NEXT PAGE]



Over the three-year forecast period, Medicaid caseloads are projected to continue growing in Fiscal Year 2011-12 with a growth rate of 2.5 percent and then begin a gradual reduction in growth of 1.1 percent in Fiscal Year 2012-13, followed by a 10.7 percent increase in growth in Fiscal Year 2013-14 because of the effects of federal health care reform. Without federal health care reform, Medicaid caseloads were forecast to decline in Fiscal Year 2013-14 by (1.9 percent).

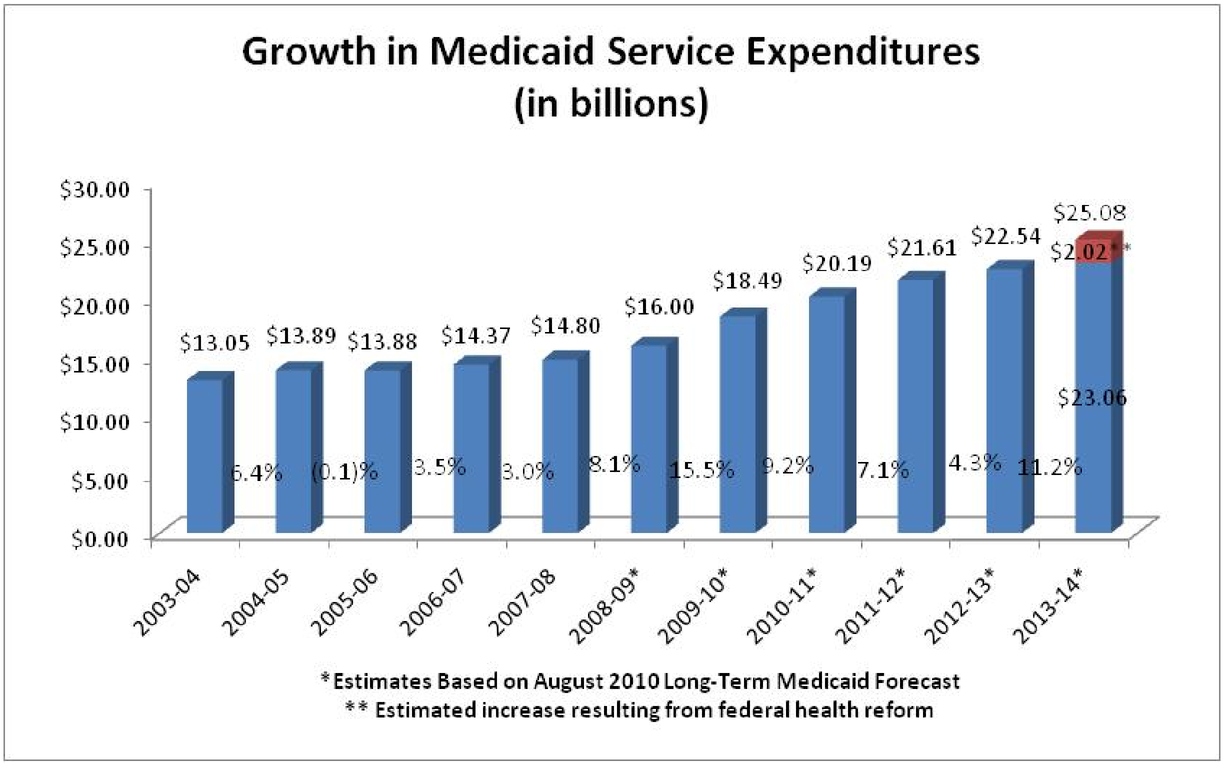
Medicaid Caseload Estimates

	Fiscal Year 2010-11	**Fiscal Year 2011-12**	**Fiscal Year 2012-13**	**Fiscal Year 2013-14**
Caseload	2,968,660	3,044,418	3,009,139	3,330,341
Increase		75,758	(35,279)	321,202
Percent		2.5%	(1.1%)	10.7%

Expenditures

Expenditure growth rates in Medicaid averaged more than 8 percent per year during Fiscal Years 2007-08 and 2008-09 as the state began to experience the impacts of the recession. The growth rate for Fiscal Year 2009-10 is estimated to be 15.5 percent with expenditures of approximately $18.49 billion. Medicaid expenditures are forecast to continue to grow in Fiscal Year 2010-11 to more than $20 billion, primarily as a result of caseload growth resulting from the recession.

The Medicaid program is increasingly serving populations with very serious and expensive health care needs—frail seniors, people with HIV/AIDS, ventilator-dependent children, and other individuals with serious mental and physical disabilities. While the elderly and disabled represent an estimated 32.5 percent of the total Medicaid caseload, they account for almost 61 percent of Medicaid spending. Medicaid provides expensive chronic care and long-term care services that are largely unavailable anywhere else in the health care system. Demographic trends suggest that these cost pressures will continue to increase. With a growing elderly population, it is critical to control long-term care spending.



Over the three-year forecast period, gradual growth in current Medicaid program expenditures is forecast for Fiscal Years 2011-12 and 2012-13, reaching a peak of $22.6 billion before beginning to decline in Fiscal Year 2013-14 as the recession ends. However, as a result of the impact of the federal health reform law, overall Medicaid expenditures are forecast to increase to just over $25 billion in Fiscal Year 2013-14, an 11.2 percent increase.

[SEE CHART ON NEXT PAGE]

Medicaid Expenditure Estimates*
(dollars in millions)

	Fiscal Year 2010-11**	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
FMAP Rate	64.83%	56.31%	57.29%	57.40%
Expenditures				
General Revenue	$3,431.4**	$4,835.9	$5,744.1	$6,103.4
Increase		$1,404.5	$908.2	$359.3***
Percent		40.93%	18.78%	6.26%

* Estimate based on August, 2010 Social Services Estimating Conference and does not include $79.1 million state matching funds in other departments for Fiscal Year 2011-12; ($12.7) million for Fiscal Year 2012-13; and ($4.7) million in Fiscal Year 2013-14. Fiscal Year 2011-12 estimate includes adjustment for ARRA stimulus funds.

** Base budget adjusted for non-recurring funds and annualizations.

*** Includes $142.5 million for federal health care reform costs.

The Outlook includes an increase in general revenue funds for Medicaid expenditures of $1,404.5 million in Fiscal Year 2011-12, $908.2 million in Fiscal Year 2012-13 and $216.8 million in Fiscal Year 2013-14 (federal health care reform adds an additional $142.5 million to these costs for a total of $359.3 million.) In addition, Medicaid state matching funds are budgeted in other health and human services departments, and the Outlook includes additional general revenue funds for these agencies in the amounts of $79.1 million in Fiscal Year 2011-12, and a reduction of ($12.7) million for Fiscal Year 2012-13 and ($4.7) million in Fiscal Year 2013-14 due to the change in the FMAP rate.

Major policy assumptions and projections for critical needs related to Medicaid expenditures for the forecast period are described below:

- **Social Services Estimating Conference—**The estimated costs for caseload growth, utilization and inflation were projected based on historical trends and methodologies used by the July 2010 Social Services Estimating Conference. The estimates hold the unit costs flat for hospitals, nursing homes, county health departments, community intermediate care facilities for the developmentally disabled, and prepaid health plans for Fiscal Year 2010-11, in accordance with chapter 2008-143, Laws of Florida. The estimates include normal growth for price level increases for these services in fiscal years 2011-12, 2012-13, and 2013-14.

- **Federal Medical Assistance Percentage—**The American Recovery and Reinvestment Act (ARRA) provides a *temporary* increase in the federal medical assistance percentage (FMAP) from October 1, 2008 through June 30, 2011. Based on the ARRA calculations, the federal matching rate for Fiscal Year 2008-09 was 64.94 percent (up from the base rate of 55.46 percent) and 67.64 percent for Fiscal Year 2009-10. The Outlook uses the estimated federal matching rate of 64.83 percent for Fiscal Year 2010-11; 56.31 percent for Fiscal Year 2011-12;

57.15 percent for Fiscal Year 2012-13; and 57.46 percent for Fiscal Year 2013-14.

- **American Recovery and Reinvestment Act of 2009—**The American Recovery and Reinvestment Act will make additional trust funds available that will reduce the expected Medicaid funding need in Fiscal Year 2011-12 by $606.2 million.

Federal Health Care Reform

The Patient Protection and Affordable Care Act was signed into law on March 23, 2010. This comprehensive legislation contains a wide range of measures to reform the nation's health care system including Medicaid.

The Congressional Budget Office (CBO) estimates that the legislation will reduce the number of uninsured by 32 million in 2019 at a net cost of $938 billion over ten years. Further, the CBO projects that 24 million individuals will obtain coverage in the newly created state health insurance exchanges and that 16 million individuals will enroll in state Medicaid and Children's Health Insurance (Kidcare) programs.

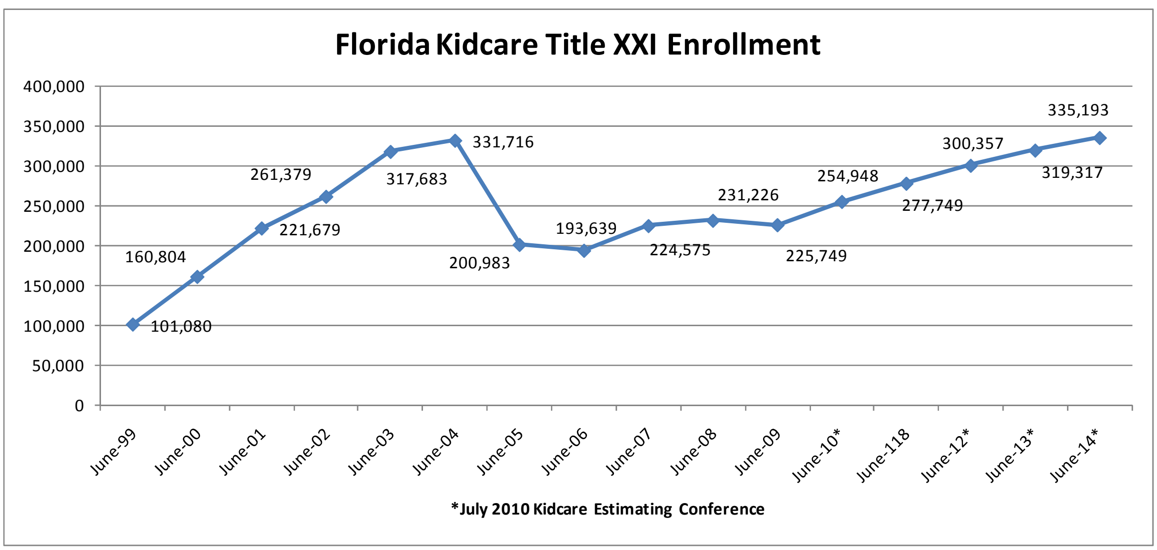
This new federal law requires states to create a new Medicaid eligibility category for persons with an income up to 133 percent of the federal poverty level, effective January 1, 2014. Initially, this new eligibility group is funded at a match rate of 100 percent federal funds, but it phases down over time to a 90 percent federal – 10 percent state match in future years. The phase down of federal funds begins in Fiscal Year 2014-15. In addition, the new federal law imposes penalties on persons who fail to obtain health insurance by 2014, and thus it is anticipated that persons who are currently eligible for Medicaid but not enrolled in the program will begin to enroll in the program in 2014. The match rate for these persons is the regular Medicaid matching rate. Finally, the new federal law requires states to increase physician reimbursement rates for specified primary care services up to 100 percent of the Medicare reimbursement rate effective January 1, 2014. The match rate for this reimbursement increase is 100 percent federally funded for the first year.

Florida's Social Services Estimating Conference (SSEC) estimated the impact of this new federal law on Florida's Medicaid program beginning in Fiscal Year 2013-14 as follows. It is estimated that the new eligibility group for persons with incomes up to 133 percent of federal poverty level will result in an additional 241,569 persons enrolling in Medicaid in Fiscal Year 2013-14. In addition, it is forecast that an additional 137,705 persons will enroll in Medicaid who were eligible under existing eligibility categories, for a total increase in Medicaid beneficiaries associated with federal health reform in Fiscal Year 2013-14 of 379,274 beneficiaries. The cost for serving these additional Medicaid participants is forecast to be $1.6 billion, of which $142 million is state funds. As stated, the additional cost for increasing primary care reimbursement rates is funded by the federal government for Fiscal Year 2013-14 and is forecast to be $472 million, bringing the total cost for federal health care reform for Florida Medicaid to $2.03 billion in Fiscal Year 2013-14.

Kidcare Program

Kidcare is the state's children's health insurance program provided under the federal Children's Health Insurance Program (CHIP) - Title XXI of the Social Security Act. The Kidcare program provides health insurance primarily targeted to uninsured low-income children under age 19 whose family income is at or below 200 percent of the federal poverty level ($44,100 for a family of four in 2010). CHIP is a federal and state matching program. The state participation for Florida is 31.18 percent and the federal participation is 68.82 percent for Fiscal Year 2010-11. Unlike Medicaid, Kidcare is not an entitlement program and the federal allotment is capped. Florida's federal allotment for Federal Fiscal Year 2010 is $356.1 million. The program is funded at $501.0 million in Fiscal Year 2010-11, of which $153.6 million is state matching funds ($66.0 million of general revenue and $87.6 million of tobacco settlement funds).

The Title XXI caseload as of June 2010 was 254,948. (There were 23,602 additional children enrolled in the program who are non-Title XXI eligible for a total program enrollment of 278,550.)



Over the three-year forecast period, caseload growth is projected to be 8.14 percent for Fiscal Year 2011-12, 6.25 percent for Fiscal Year 2012-13 and 5.03 percent for Fiscal Year 2013-14. This growth will provide for increased enrollment of 22,608 children in Fiscal Year 2011-12; 18,780 children in Fiscal Year 2012-13; and 16,056 children in Fiscal Year 2013-14. The Outlook includes an increase in state funds for the Kidcare program of $22.5 million in Fiscal Year 2011-12, $21.0 million in Fiscal Year 2012-13 and $20.3 million in Fiscal Year 2013-14.

Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Caseload	277,749	300,357	319,137	335,193
Increase		22,608	18,780	16,056
Percent		8.14%	6.25%	5.03%

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Expenditures				
State Funds	$152.6*	$175.1	$196.1	$216.4
Increase		$22.5	$21.0	$20.3
Percent		14.76%	12.01%	10.33%

* Adjusted for non-recurring and annualizations

Major policy assumptions and projections for critical needs related to Kidcare expenditures for the forecast period are described below:

- **Social Services Estimating Conference—**The estimated costs for caseload growth, utilization and inflation were projected based on historical trends and methodologies used by the July 2010 Social Services Estimating Conference. The conference adopted caseload increases in the Florida Kidcare growth rates of 8.14 percent for Fiscal Year 2011-12; 6.25 percent for Fiscal Year 2012-13; and 5.03 percent for Fiscal Year 2013-14.

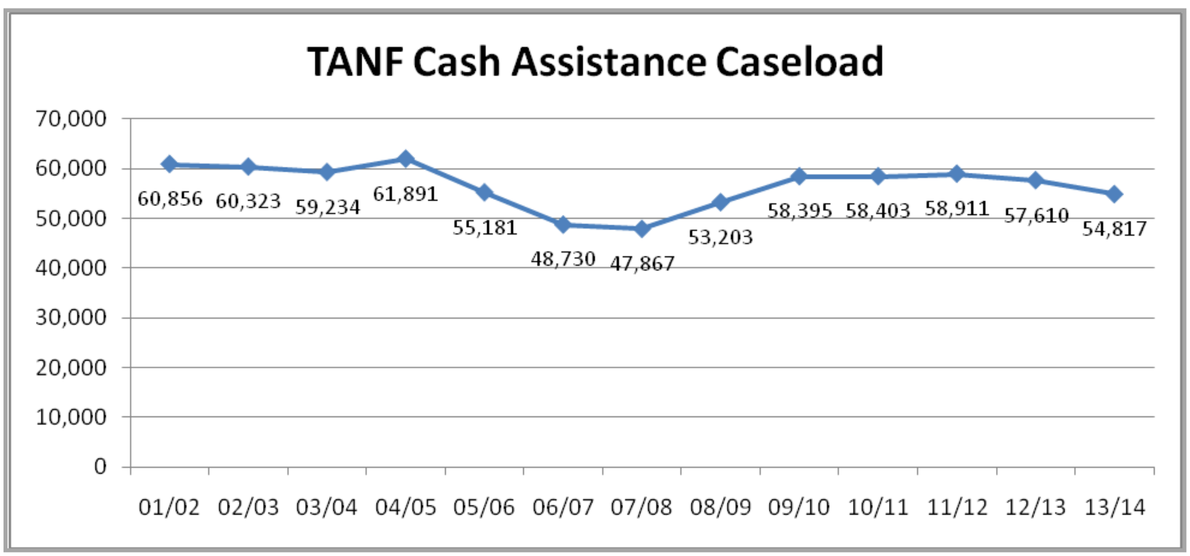
- **Federal Medical Assistance Percentage—**The federal matching rate for Fiscal Year 2010-11 is 68.49 percent. The Outlook uses the federal matching rate of 68.82 percent for State Fiscal Years 2011-12, 2012-13, 2013-14.

- **Reauthorization—**The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) reauthorized and funded the CHIP program for four and a half years—through federal fiscal year 2013. The Outlook uses the federal fiscal year 2010 allotment of $356.1 million for State Fiscal Years 2011-12, 2012-13 and 2013-14. Beginning with the 2009 allotment, funds are available for two years only (previously they were available to be spent over three years).

TANF (Temporary Assistance for Needy Families) Cash Assistance

The 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 was $622.7 million for Fiscal Year 2009-10, including supplemental grant funds of $60.4 million. The TANF block grant has an annual cost-sharing requirement referred to as maintenance of effort or MOE. States are required to spend 80 percent of the state funds expended under the former Aid to Families with Dependent Children (AFDC) program or 75 percent if federal work participation requirements are met (50 percent all-family rate and 90 percent two-parent family rate). Because Florida has always met the work participation requirements since the inception of the TANF program, the required minimum MOE has been $368.4 million, or 75 percent. Should Florida fail to meet the federal work participation requirements, the MOE would increase by 5 percent or $24.5 million.

The American Recovery and Reinvestment Act of 2009 (ARRA) created a new TANF Emergency Contingency Fund under which states are eligible to receive 80 percent federal funding in Federal Fiscal Years 2009 and 2010 for increased expenditures in three categories: basic assistance, non-recurring short-term payments, and subsidized employment. Florida is expected to receive a total of $201.28 million from this fund: $45.1 million for basic assistance, $16.51 for non-recurring short-term payments and $139.66 million for subsidized employment. The law also authorized states to use carryover TANF funds from prior years for any purpose permissible for TANF spending through September 30, 2010. Under current law, carryover funds could only be spent on basic assistance.



Source: July 2010 Social Services Estimating Conference

Over the three-year forecast period, cash assistance caseload growth is projected to increase slightly by .87 percent in Fiscal Year 2011-12 and decline by 2.21 percent for Fiscal Year 2012-13 and 4.85 percent for Fiscal Year 2013-14. The Outlook includes adjustments to cash assistance as follows: an increase of $31.6 million in general revenue funds to replace Fiscal Year 2010-11 non-recurring funds and a decrease of $22.5 million for a net increase of $9.1 million in general revenue for Fiscal Year 2011-12; a reduction of $5.3 million in TANF funds for Fiscal Year 2012-13; and a reduction of $10.3 million in TANF funds for Fiscal Year 2013-14.

Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Caseload	58,403	58,911	57,610	54,817
Increase/(Decrease)		508	(1,301)	(2,793)
Percent		.87%	(2.21%)	(4.85%)

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Total Program Expenditures	$179.5	$188.6	$183.3	$173.0
Increase/(Decrease)		$9.1	($5.3)	($10.3)
Percent		5.07%	(2.81%)	(5.62%)

Source: July 2010 Social Services Estimating Conference

Major policy assumptions and projections for TANF cash assistance for the forecast period are described below:

- **Social Services Estimating Conference—**Estimates for cash assistance were projected based on historical trends and methodologies used by the July 2010 Social Services Estimating Conference. The cash assistance appropriation for Fiscal Year 2010-11 is $211.1 million, of which $135.4 million is general revenue, $9 million is non-recurring unreserved trust fund cash and $22.6 million is non-recurring ARRA funds. The Outlook replaces the non-recurring ARRA and trust fund cash with recurring general revenue funds and adjusts the general revenue by the projected reduction in cash assistance based on the July 2010 Social Services Estimating Conference estimates.

- **Reauthorization—**After expiring in 2002 and being extended through several continuing resolutions, the TANF program was reauthorized in early 2006 as part of the Deficit Reduction Act of 2005 and extended through September 30, 2010. The TANF supplemental grant program was extended under the American Recovery and Reinvestment Act of 2009 (ARRA) through September 30, 2010. Congress is expected to extend both grants by continuing resolution. The Outlook assumes continuation of the TANF Block Grant at the historical funding levels of $562.3 million for the regular block grant and $60.4 million for the supplemental grant and no funding from the TANF Emergency Fund for Fiscal Years 2011-12, 2012-13 and 2013-14.

Tobacco Awareness Constitutional Amendment

A constitutional amendment passed on the November 2006 ballot that required the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program, using tobacco settlement money to primarily 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 2007 Legislature enacted chapter 2007-65, Laws of Florida, which required the Department of Health to operate the tobacco program. The amount required for Fiscal Year 2010-11 was $61.3 million.

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

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Expenditures	$61.3	$62.4	$63.7	$64.9
Increase/(Decrease)		$1.1	$1.3	$1.2
Percent		1.8%	2.0%	1.8%

Major policy assumptions and projections for the forecast period are described below:

- **National Economic Estimating Conference**—The estimated tobacco expenditures from the February 2010 Revenue Estimating Conference were adjusted by applying the Consumer Price Index from the January 2010 National Economic Estimating Conference.

- **Expenditures**— Over the three-year forecast period, the Outlook provides for adjustments related to the statewide Tobacco Education and Use Prevention program: $1.1 million increase in Fiscal Year 2011-12, $1.3 million increase in Fiscal Year 2012-13 and $1.2 million increase in Fiscal Year 2013-14.

Tobacco Settlement Trust Fund Outlook

The 2010 Legislature appropriated $369.6 million from the Tobacco Settlement Trust Fund to fund health and human services programs. This was a recurring reduction of $0.3 million from the previous fiscal year primarily because of declining tobacco settlement payments and lower Lawton Chiles Endowment interest earnings.

Tobacco Settlement Trust Fund Estimates
(dollars in millions)

	Fiscal Year 2010-11	Fiscal year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Expenditures	$369.6	$364.8	$365.2	$366.8
Increase/(Decrease)		($4.8)	$0.4	$1.6
Percent		(1.3%)	0.1%	0.4%

Major policy assumptions and projections related to expenditures from tobacco settlement trust funds for the forecast period are described below:

- **Revenue Estimating Conference—**The estimated revenues were projected based on historical trends and methodologies used by the March 2010 Revenue Estimating Conference, updated for 2010 legislative actions.

- **Expenditures—**The Outlook assumes that the $4.8 million reduction in tobacco settlement revenue in Fiscal Year 2011-12 will be replaced with general revenue funds, but the increases in tobacco settlement revenue in Fiscal Years 2012-13 and 2013-14 will replace general revenue funds. The expenditure estimates also include the required adjustments for the Tobacco Education and Use Prevention program for Fiscal Years 2011-12, 2012-13 and 2013-14.

OTHER HIGH PRIORITY NEEDS

Developmentally Disabled Services

Other high priority needs projections for the home and community-based waivers include funds to handle potential deficits resulting from utilization increases and the delayed implementation of the four-tiered waiver system as a result of litigation allowing individuals to maintain the same level of services while awaiting the outcome of individual hearings to review changes to their services based on tier assignments. The projected increase in general revenue funds is $43.8 million for Fiscal Year 2011-12, $5.1 million for Fiscal Year 2012-13 and $5.2 million for Fiscal Year 2013-14.

Children and Family Services

The projections restore non-recurring funds for maintenance adoption subsidies, community projects, and mental health and substance abuse services. The Outlook provides workload increases for child protection investigations, community based care, maintenance adoptions, and independent living based on four-year averages. The increase in general revenue funds is $112.9 million for Fiscal Year 2011-12, $42.1 million for Fiscal Year 2012-13 and $25.3 million for Fiscal Year 2013-14.

Health Services

For Fiscal Year 2011-12, the Outlook includes $53.4 million in recurring general revenue funds to restore non recurring funds for community programs and Department of Health operational funds, and to restore funds vetoed for Shands Hospital. Additional recurring general revenue funds - in the amount of $2.4 million- are provided in Fiscal Years 2011-12, 2012-13 and 2013-14 for growth in Medicaid waivers in the Department of Elder Affairs and the Department of Health and for AIDS programs. The Outlook also includes recurring restoration of $50 million recurring funds for cancer research from the $1 tobacco surcharge for Fiscal Year 2011-12, as required by chapter 2010-161, Laws of Florida.

Human Services Information Technology/Infrastructure

Other high priority needs projections are based on four-year appropriation averages and include costs for human services information technology and infrastructure, and re-engineering costs for certain information systems. The Outlook provides $5.0 million from non-recurring trust funds for Fiscal Years 2011-12, 2012-13 and 2013-14.

Maintenance, Repairs, and Capital Improvements

Other high priority needs projections are based on four-year appropriation averages of maintenance and repair costs for state-owned facilities which include, mental health facilities, developmentally disabled facilities, county health departments, rural hospitals and veteran’s nursing and domiciliary homes. Non-recurring general revenue in the amount of $22.5 million is provided for each of the three fiscal years 2011-12, 2012-13 and 2013-14.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. One of those risks and its potential ramification relates to the TANF program. The Outlook assumes that the federal government will reauthorize the TANF program beyond Fiscal Year 2011 and continue to provide supplemental grant funds. It also assumes that Florida will continue to meet the work participation requirements and only be required to provide MOE at the 75 percent amount. If work participation rates are not met, Florida would have to increase MOE by 5 percentage points.

General Appropriations Act Section 4 - Criminal Justice/Corrections

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	3,463.1	3,513.3	3,557.9	3,616.6
change		50.2	44.6	58.7
% change		1.4%	1.3%	1.6%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	31.1	13.7	10.5	140.8

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	3,494.1	3,526.9	3,568.4	3,757.3
budget impact		63.9	55.1	199.5

SECTION 4 – CRIMINAL JUSTICE AND CORRECTIONS

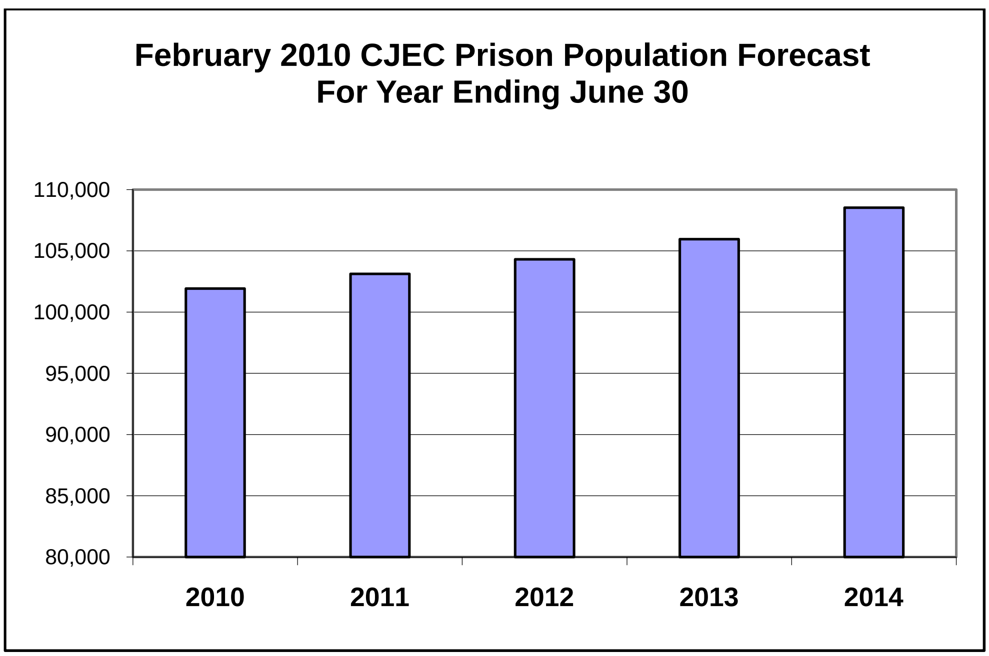
SUMMARY

Section 4 of the General Appropriations Act (GAA) includes funding for the Department of Corrections, the Department of Legal Affairs, the Department of Law Enforcement, the Department of Juvenile Justice, the Parole Commission, and Justice Administration.

CRITICAL NEEDS

Increase in Criminal Justice Estimating Conference (CJEC) Prison System Population

The Criminal Justice Estimating Conference estimates an increase of approximately 5,398 inmates in Florida's prison population over the next three fiscal years. Major cost drivers for the Department of Corrections (DOC) include operational costs for care of the projected additional inmate population, and construction for the projected increased capacity.



Source: Criminal Justice Estimating Conference

Operational cost drivers include security and institutional operations, health services, and educational and substance abuse programming for incarcerated inmates. To calculate projected costs, a baseline average daily per-diem rate was calculated using Fiscal Year 2010-11 appropriations for Security/Institutional Operations, Health Services, Education and Programs, divided by the average of the year's projected end of month populations.

The average daily per-diem rate was then applied to the projected increase in inmates anticipated over the next three fiscal years.

The three-year projections include price level adjustments based on the national consumer price index (CPI). To account for rising costs in providing necessary services to inmates, two separate CPI calculations were used in developing projections: 1) a CPI adjustment based on increases in consumer goods and services was applied to Security and Institutional Operations and Education and Programs; 2) a CPI adjustment based on increases in health care services, generally higher than normal goods and services, was applied to the Health Services Program. The Health Services Program is particularly vulnerable to escalating costs due to increased utilization of community hospital and ambulatory care in emergency situations, as well as increased drug costs.

Annualization of Department of Corrections Fiscal Year 2010-11 Budget Reductions

The 2010 Legislature reduced the Department of Corrections' operating budget for office leased space, work release programs, and prison institution costs by $5.8 million in Fiscal Year 2010-11. The additional $5.2 recurring general revenue reduction for Fiscal Year 2011-12 represents the remaining amount needed for a full twelve month reduction over two fiscal years.

Criminal Justice - Increased Capacity/Planning and Site Acquisition

Three-year Fixed Capital Outlay (FCO) funding projections for the Department of Corrections include funding for construction of new facilities to meet an increased capacity of approximately 5,398 inmates, or an average of 1,799 inmates per year for the next three years, as estimated by the Criminal Justice Estimating Conference. These projections also include funding for planning, development and permitting for future facilities.

The Department of Corrections' capacity reports and the results from the most recent Criminal Justice Estimating Conference held in February 2010, indicate that previously funded prisons scheduled to come on-line during the next three years should be adequate to provide for the increased population. Based on these documents, there is a projected surplus of 4,097 beds at the end of Fiscal Year 2011-12; a surplus of 2,225 beds in June 2012; and 2,245 beds in June 2013. According to the current phase-in schedule for new beds, bed capacity will not be in a deficit until September 2015. However, since prisons require approximately 18 to 24 months to construct, capacity must be addressed and construction started in 2013. Funding for planning activities, which may include land purchase, permitting, architectural design, site planning and development must begin even earlier.

In order to address the capacity deficit in 2015, approximately 2,800 beds will need to be initiated in 2013. Actual appropriations to cover these needs could vary widely depending on the specific construction options used, and whether the facilities are purchased with cash or through debt service. For example, a new 1,500 to 2,000 bed prison costs approximately $120,000,000 while the construction of four work camps which would hold approximately the same number of beds would cost approximately $56,000,000. What beds are constructed is also dependent upon the type of beds that are needed, such as secure housing units or dormitories.

Based on correctional facility construction projects authorized by the Legislature over the past five years, the average construction cost per bed was $44,671. Adjusted for inflation using the July 2010 National Economic Estimating Conference estimates for state and local construction spending, the cost per bed would increase to $45,207 in Fiscal Year 2012-13 and $46,834 in Fiscal Year 2013-14. Assuming the same ratio of bed-types were constructed, the fixed capital outlay funding for 2,800 correctional facility beds in Fiscal Year 2013-14 would be approximately $131,136,000.

Judicial - Due Process Costs

Due process costs are defined in this document as private attorney fees, court reporting costs, the cost of expert witnesses and the travel costs of regular witnesses for indigent persons involved in the state court system. Under revision 7 to Article V of the Florida Constitution, the cost of these services became the responsibility of the state beginning in Fiscal Year 2004-05. The most costly services involve the payment of attorney fees for private court-appointed counsel for criminal defendants when the public defender cannot represent them due to an ethical conflict and for indigent parents involved in state-instituted dependency proceedings. The Legislature has recently spent non-recurring general revenue to address the increase in demand for these services. The Outlook uses the Fiscal Year 2009-10 expenditures as the level of service required and plans for $17.9 million in recurring general revenue for Fiscal Year 2011-12.

OTHER HIGH PRIORITY NEEDS

Shared Detention Cost – Fiscally Constrained Counties

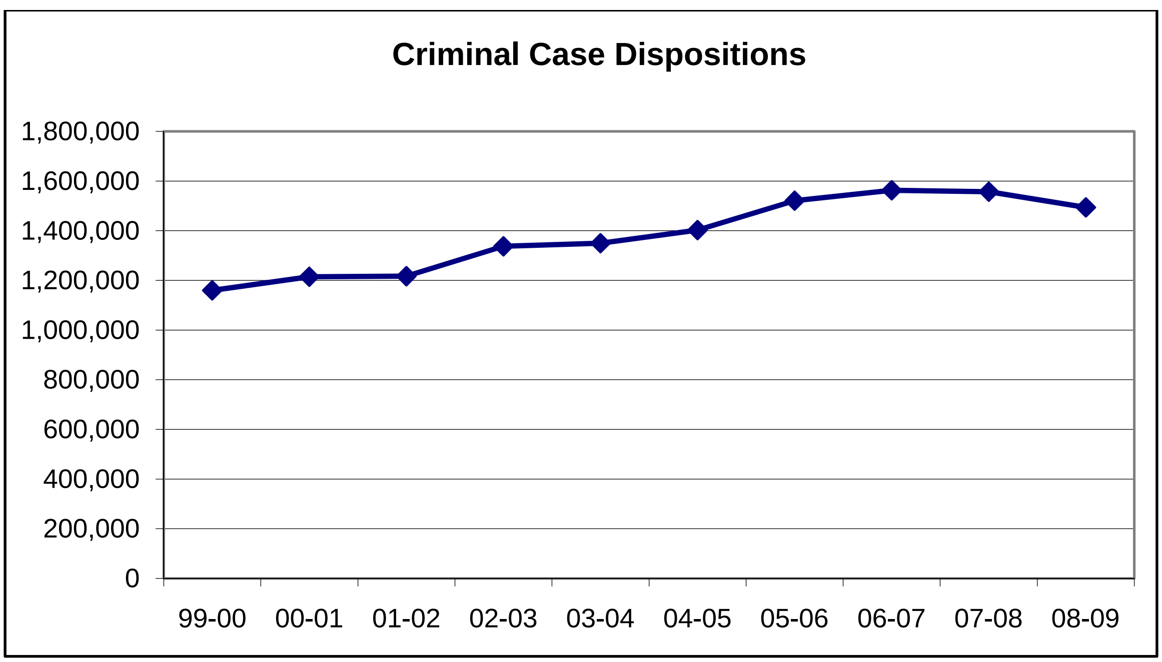
The 2004 Legislature passed Senate Bill 2564 (Chapter 2004-263, Laws of Florida) that requires joint financial participation of the state and counties in the provision of juvenile detention. Costs allocated to counties are associated with the time juveniles from those counties spend in detention before being adjudicated. Costs allocated to the state are associated with the time spent in detention by any juvenile who has no known residence, whose residence is out of state, or who has been adjudicated. The bill also recognized that this will be a burden on counties with a “fiscally constrained county” designation, defined as a rural area of critical economic concern under s. 288.0656, F.S. To alleviate the burden on the counties experiencing those economic conditions, and subject to appropriation, the state provides grant funds to 30 of the 67 counties. Future funding projections for juvenile detention costs for fiscally constrained counties are based on a four-year average appropriation.

Department of Juvenile Justice - Prevention and Intervention Programs

The Prevention and Intervention Programs in the Department of Juvenile Justice (DJJ) are considered “front-end” services that aim to divert juveniles from institutional or “deep-end” services. The majority of these programs are implemented by local community providers that normally have a better understanding of which programs are the most effective in diverting juveniles from residential programs. The Legislature has increased funding for front-end services to reduce the need for more costly deep-end services over the past few years. Future funding projections for these programs are based on a four-year appropriation average.

State Attorney, Public Defender, and Regional Conflict Counsel Workload

Over the past ten years, the total number of criminal case dispositions (cases closed) has increased an average of 2.8 percent each year. The growth of criminal cases causes increases in due process costs and a need for new staff for the state attorney and public defender offices.



Source: Office of State Court Administrator, SRS data.

The Outlook uses the average workload funding over the last four years. This would increase funding for state attorneys by $700,000 each year, for public defenders by $300,000 each year, and for regional conflict counsel by $100,000 each year.

Department of Corrections FCO – Maintenance and Repair, Environmental Deficiencies

The Department of Corrections (DOC) is responsible for the upkeep and care of over 140 facilities statewide, which include correctional institutions, work camps, work release centers and road prisons. Approximately 35 percent of DOC's facilities are at least 30 years old. The Legislature recognizes the importance of keeping its facilities safe and functional by funding repair and maintenance needs. Future funding projections for repair and maintenance for these facilities are based on a four-year appropriations average.

Department of Juvenile Justice FCO – Maintenance and Repair

DJJ is responsible for the upkeep and care of a large number of facilities statewide. A majority of these facilities operate residential programs that house juveniles twenty-four hours a day and seven-days a week. With this operating stress, the Legislature recognizes the importance of keeping these facilities safe and functional for the juveniles who receive services by funding the repair and maintenance needs for DJJ's facilities. Future funding projections for repair and maintenance for these facilities are based on a four-year appropriation average.

General Appropriations Act Section 5 - Natural Resources / Environment / Growth Management / Transportation

Tier 2 Issues - Critical and Other High Priority Needs
Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	150.0	199.5	208.1	208.1
change		49.5	8.5	0.0
% change		33.0%	4.3%	0.0%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	32.3	344.4	327.2	317.8

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	182.4	543.9	535.3	525.9
budget impact		393.9	335.7	317.8

SECTION 5 – NATURAL RESOURCES, ENVIRONMENT, GROWTH MANAGEMENT, AND TRANSPORTATION

SUMMARY

The Natural Resources, Environment, Growth Management and Transportation section of the General Appropriation Act includes the following agencies: Department of Agriculture and Consumer Services; Department of Community Affairs; Department of Environmental Protection; Fish and Wildlife Conservation Commission; and Department of Transportation. These agencies are funded with a combination of state general revenue, federal funds, and state trust funds. Several programs in this section are eligible to earn federal matching funds. Maximization of federal funds has been a state priority for many years; however, it is important to note that most federal funding requires state matching funds, and therefore, total federal receipts vary based on the availability of state match. See Appendix B for a chart showing budget totals for Section 5 of the Fiscal Year 2010-11 budget.

Below is a description of each key budget driver associated with this section of the budget.

CRITICAL NEEDS

State Disaster Funding (Declared Disasters)

State matching funds for federally declared disasters vary tremendously from one year to the next. The amount of general revenue funds required in any given year is dependent on the number and severity of disasters, as well as the federally required percentage of state participation. The financial outlook contains an estimate of the general revenue required to meet the outstanding state obligation for all open federally declared disasters.

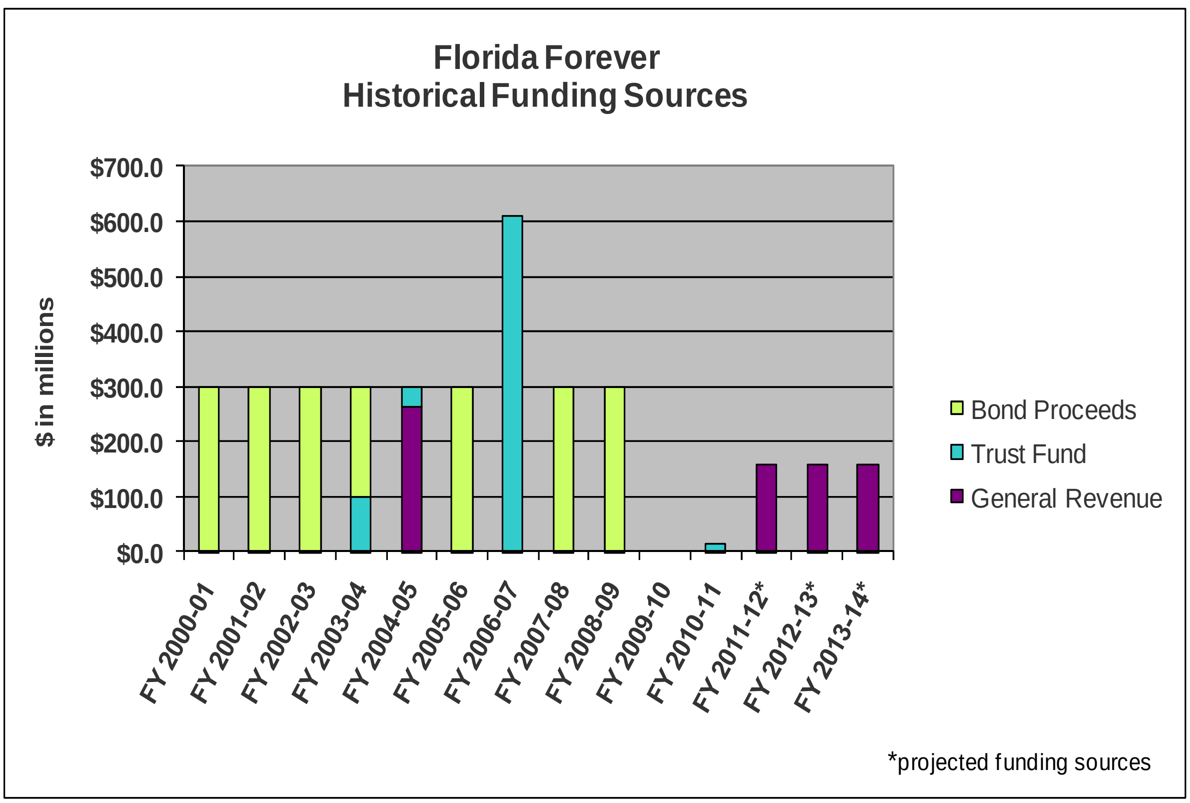
OTHER HIGH PRIORITY NEEDS

Environmental Programs Funded with Documentary Stamp Tax

The financial outlook assumes continued funding for programs with documentary stamp tax revenues within the Department of Agriculture and Consumer Services, Department of Community Affairs, Department of Environmental Protection, Department of Transportation, and the Fish and Wildlife Conservation Commission. The financial outlook provides spending for best management practices, non-point source pollution prevention, parks, land management, oyster relaying, invasive plant control, lake restoration, beach restoration, affordable housing initiatives, transportation projects, and technical assistance relating to local comprehensive planning. The funding level is based on the current statutory distribution levels projected by the August 2010 Revenue Estimating Conference. Due to the decline in documentary stamp tax revenues and the targeted redirects from trust funds to the General Revenue Fund over the last several years, the financial outlook funds Total Maximum Daily Loads and a portion of land management, state park repairs and maintenance, and beach restoration from general revenue. The amount of documentary stamp tax revenue does not fully support the programs' projected needs.

Environmental Land Acquisition and Restoration

The financial outlook assumes funding of $158.3 million each for Fiscal Years 2011-12 through 2013-14 for the Florida Forever land acquisition program, and $77.5 million each year for the Everglades restoration plan from non-recurring general revenue. A four-year historical funding average is the funding methodology for these programs. Historically, bonds have been authorized for the state's land acquisition programs. However, in Fiscal Years 2003-04, 2004-05, 2006-07, and 2010-11, the General Appropriations Act provided non-recurring general revenue and trust fund balances to fund the program in lieu of authorizing the full $300 million annual debt. In Fiscal Year 2009-10, Florida Forever was not funded. For Everglades restoration, bond proceeds, non-recurring general revenue, and trust fund sources have also been provided to support the appropriation.



Other Agriculture and Environmental Programs

The financial outlook includes funding for major programs within the Departments of Environmental Protection and Agriculture and Consumer Services based on historical funding levels. These programs include:

Water Projects – The financial outlook includes funding for traditional water projects. These projects were historically funded by the statutory sales tax distribution based on the Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to general revenue. The financial outlook assumes a four-year historical funding level of $28.4 million funded from non-recurring general revenue for each fiscal year for the duration of the financial outlook.

Drinking Water and Wastewater Revolving Loan Programs – The financial outlook provides a state match to all estimated federal dollars available in order to maximize low interest loans to the state's local governments for needed infrastructure. For the duration of the financial outlook, non-recurring general revenue ranging from $22.6 million in Fiscal Year 2011-12 to $20.4 million in Fiscal Year 2013-14 is provided for each fiscal year to match federal funding ranging from $113.1 million in Fiscal Year 2011-12 to $101.8 million in Fiscal Year 2013-14.

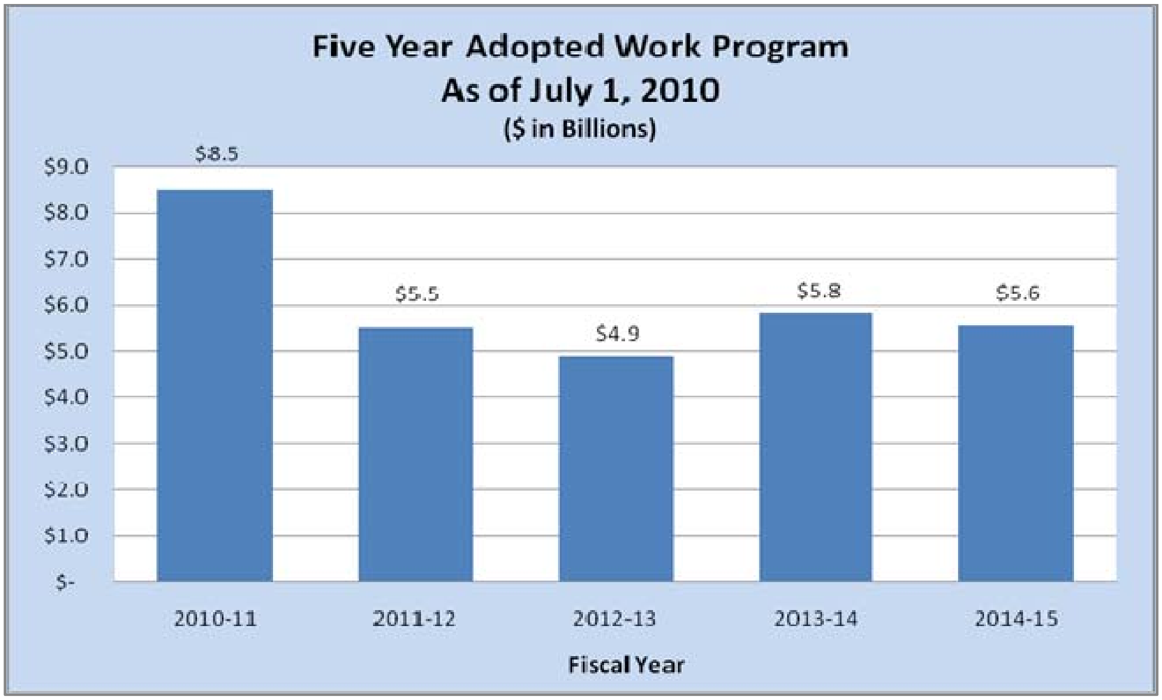
Trust Fund Deficits in the Environmental Programs – Due to a decline in revenue sources, several trust funds within the Department of Environmental Protection that support water resource management programs are projecting deficits. These trust funds include the Permit Fee Trust Fund, the Water Quality Assurance Trust Fund, and the Minerals Trust Fund. The financial outlook continues funding for base program operations by providing recurring general revenue of $5.2 million in Fiscal Year 2011-12, and $.7 million in Fiscal Year 2012-13.

Other Agricultural Programs – Agriculture continues to be an important industry in Florida. The financial outlook provides funding for: aquaculture research grants, wildfire suppression equipment, the Florida Agriculture Promotion Campaign, and the distribution of food to needy families. Based on historical funding averages, $2.8 million in non-recurring general revenue is included for each fiscal year.

Department of Transportation Adopted Work Program (Fiscal Year 2011-2015)

The Department of Transportation (DOT) 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, local, bond proceeds, toll collections, and miscellaneous other receipts. Funding projections for each year of the Adopted Five Year Work Program are based on the estimates from the February 2010 Transportation

Revenue Estimating Conference (see following chart) and the March 2010 Documentary Stamp Distribution Estimating Conference. Changes in project commitments and revenue estimates after July 1, 2010, will be programmed into the Work Program in February 2011 for legislative consideration.



******Fiscal Year 2010-11 includes $2.6 billion in roll forward budget from FY 09-10.*

The DOT Transportation Work Program varies from year to year. The financial outlook assumes funding of $5.8 billion in trust fund revenues based on the first year (Fiscal Year 2010-11) of the DOT Five-Year Adopted Work Program, as of July 1, 2010, and is used for Fiscal Years 2011-12 through 2014-15.

Other Transportation and Economic Development Priorities

The financial outlook assumes funding for environmental site restoration and capital renewal projects at various DOT facilities located throughout the state. The 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 or additions to DOT statewide facilities. Based on a four-year average of historical funding, the financial outlook includes $9 million per year in State Transportation Trust Fund revenues. Also, included is funding in the Department of Community Affairs for the Civil Legal Assistance Program. The purpose this program is to provide civil legal assistance and education to eligible clients related to family and juvenile law, entitlements to federal government benefits, protection from domestic violence, elder and child abuse, and immigration. The financial outlook includes $300,000 per year in non-recurring general revenue and is based on historical four-year averages.

Maintenance, Repairs, and Capital Improvements

The financial outlook assumes funding for repairs and construction for agricultural infrastructure located throughout the state. These building improvements include forestry wildfire prevention facilities, state farmers markets, agriculture promotion and education facilities, and agriculture interdiction station ramp renovations. Based on historical funding, the financial outlook includes funding ranging from $5.6 million to $9.3 million in non-recurring general revenue in each fiscal year for the duration of the financial outlook.

General Appropriations Act Section 6 - General Government

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	616.8	621.0	622.2	623.5
change		4.3	1.2	1.3
% change		0.7%	0.2%	0.2%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	161.5	373.6	423.2	381.6

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	778.3	994.6	1,045.5	1,005.2
budget impact		377.9	424.4	382.9

SECTION 6 – GENERAL GOVERNMENT

SUMMARY

The General Government section of the General Appropriations Act includes the following agencies: Agency for Workforce Innovation; Department of Business and Professional Regulation; Department of Citrus; Department of Financial Services; Executive Office of the Governor; Department of Highway Safety and Motor Vehicles; Legislative Branch; Department of Lottery; Department of Management Services; Department of Military Affairs; Public Service Commission; Department of Revenue; and Department of State.[3] These agencies are funded with a combination of state general revenue, federal funds, and state trust funds. Several general government programs are eligible to earn federal matching funds. Maximization of federal funds has been a state priority for many years; however, it is important to note that most federal funding requires state matching funds, and therefore, total federal receipts vary based on the availability of state match. See Appendix B for a chart showing budget totals for Section 6 of the Fiscal Year 2010-11 budget.

Below is a description of each key budget driver associated with this section of the budget.

CRITICAL NEEDS

Unemployment Compensation Trust Fund – Interest on Federal Advances

During August 2009, the Unemployment Compensation (UC) Trust Fund fell into deficit. In July 2009, because of the projected deficit, the Governor applied for repayable advances to the State Unemployment Trust Fund from the Federal Unemployment Account. Forecasts of the Unemployment Insurance (UI) tax revenues and unemployment benefit payments indicate that the fund deficit will deepen and federal advances will continue to escalate over the span of the Long-Range Financial Outlook. According to the current federal regulations, interest will begin to accumulate on any outstanding advance balance in January 2011, and the first interest payment will become due to the federal government in September 2011. Repayment of the principal amount will be made from the UI taxes, but federal regulation prohibits payment of the interest costs from the UI tax collections. Therefore, the financial outlook includes payments from the General Revenue Fund of $123.0 million in Fiscal Year 2011-12, $193.0 million in Fiscal Year 2012-13, and $161.0 million in Fiscal Year 2013-14 to cover the interest costs. However, the Florida Legislature passed a bill at the beginning of the 2010 Session (CS/HB 7033 or 2010-1, L.O.F.) that requires employers to be specially assessed to pay the interest due on the outstanding federal advances. Because the first assessment will

[3] Administered Funds excluded.

not be made and collected until the spring of 2011, the driver has been retained. All interest expenses are based on estimated outstanding loan balances.

Employers are required to submit annual Federal Unemployment Tax Act (FUTA) tax payments in addition to their quarterly state unemployment insurance (UI) tax payments. The FUTA tax rate is 6.2 percent. Under normal conditions, employers who pay their state UI taxes in a timely manner receive a credit of up to 5.4 percent toward their FUTA taxes, so they pay their FUTA tax at a rate of 0.8 percent. Current federal law provides that employers will experience a partial loss of the federal UI tax credit beginning on January 1, 2012, due to the existence of the outstanding advances. However, the value of the lost credit (the amount of the increased federal taxes) will be used to offset the state's outstanding advance balance. The credit continues to be reduced until such time as the state's advance is fully repaid. (The overall credit is reduced in increments of 0.3 percent each year from 5.4 to 5.1 to 4.8 to 4.5 percent, etc.) There are some actions the state can take to avoid the automatic federal tax increase (reduction of the FUTA credit), but these would involve future legislative actions that are beyond the purview of the Long-Range Financial Outlook.

Restore Federal Stimulus Funds for Child Support Enforcement

A provision within the American Recovery and Reinvestment Act of 2009 (federal stimulus) allowed federal child support incentive funds to be used as part of the state's match of federal dollars that support state Child Support Enforcement Programs. The Florida Department of Revenue's Child Support Enforcement Program was eligible to receive a total of $25.7 million over a three year period. These resources replaced state general revenue funds on a non-recurring basis. The financial plan for the 2011-12 fiscal year replaces the final allocation of $2.5 million in federal stimulus funds with recurring general revenue in order to maintain the current level of support to families utilizing the Child Support Enforcement Program for disbursement of child support payments.

Special Pensions and Benefits

In addition to the Florida Retirement System, the Department of Management Services is also responsible for administering other special pension and benefits programs, such as the special pension for the Florida National Guardsmen. Based on historical growth, the financial outlook provides for an increase in recurring general revenue funds of $1.1 million in Fiscal Year 2011-12, $1.2 million in Fiscal Year 2012-13, and $1.3 million in Fiscal Year 2013-14 for the special pension.

Fiscally Constrained Counties – Property Tax and Conservation

Chapters 2007-339 and 2008-173, Laws of Florida, direct the legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the property tax cap initiative. Based on estimates provided by the Office of Tax Research in the Department of Revenue, the financial outlook provides non-recurring general revenue of $32.5 million in Fiscal Year 2011-12, $34.9 million in Fiscal Year 2012-13, and $34.9 million in Fiscal Year 2013-14.

OTHER HIGH PRIORITY NEEDS

Other General Government Priorities

Child Support Enforcement – the financial outlook continues to provide funds for the completion of the Child Support Automated Management System (CAMS).   The funding is based on the department's implementation schedule and maximizes all available trust fund resources. The project is scheduled to be completed in Fiscal Year 2012-13. For the 2011-12 fiscal year, $10.8 million in non-recurring general revenue is included in the financial outlook, as well as $1.9 million for Fiscal Year 2012-13.

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. The Fiscal Year 2010-11 General Appropriations Act directed the department to provide aerial photographs for counties with a population of 50,000 or less. The financial outlook continues this policy and, for the 2011-12 fiscal year, provides $500,000 in non-recurring general revenue, $700,000 in the 2012-13 fiscal year, and $500,000 in the 2013-14 fiscal year.

Economic Development Programs

Since the level of future non-recurring funds for these programs cannot be predicted, the financial outlook relies on projections based on four-year historical averages for all economic development programs.

Cultural, Historical, Workforce, and Highway Safety Priorities

Cultural and Historical – The Department of State administers the state's Cultural and Historical programs. The financial outlook includes general revenue funding for Historical Preservation, Historical Museum, and Cultural Museum grants based on four-year historical averages. Also, included is $24.2 million of non-recurring general revenue funding for State Aid to Libraries based on a four year historical average.

Workforce Services – The Agency for Workforce Innovation administers the state's Workforce and Early Learning programs. State and federal funding is provided to the twenty-four Regional Workforce Boards and thirty-one Early Learning Coalitions for workforce initiatives and for school readiness (including voluntary pre-kindergarten), respectively. General revenue funding to replace non-recurring federal funding to the Regional Workforce Boards and Early Learning Coalitions is included for a continuation of the current year level for workforce services. However, non-recurring federal stimulus funds are not restored from general revenue in the financial outlook. During Fiscal Year 2010-11, the Legislature provided funding from non-recurring state trust funds and non-recurring general revenue. If the programs are to continue at the current-year level, $2.7 million from general revenue would be needed for school readiness and $3.3 million from general revenue for the Regional Workforce Boards.

Highway Safety – The Department of Highway Safety and Motor Vehicles (DHSMV) is responsible for the state's safe driving environment through law enforcement, public education and service, titling and registering motor vehicles and vessels, and licensing drivers. Due to a decline in revenue collections from fees for a variety of services, the Highway Safety Operating Trust Fund within the DHSMV is projected to experience a deficit. The financial outlook provides general revenue funding to restore the future estimated loss of state trust fund revenue from this decline. Based on current revenue projections, the financial outlook includes non-recurring general revenue of $23 million in Fiscal Year 2011-12, $10 million in Fiscal Year 2012-13, and $2 million in Fiscal year 2013-14. This level of funding assumes the department's current operational needs.

General Appropriations Act Section 7 - Judicial

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	46.9	46.9	168.8	240.9
change		0.0	121.9	72.1
% change		0.0%	259.7%	42.7%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	0.0	1.6	1.6	1.6

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	46.9	48.5	170.4	242.5
budget impact		1.6	123.5	73.7

SECTION 7 – JUDICIAL BRANCH

SUMMARY

Funding for the judicial branch in Section 7 of the General Appropriations Act includes dollars and positions for the Supreme Court, the Office of State Courts Administrator, the District Courts of Appeal, and the trial courts which consist of circuit and county courts. Other court system entities, such as state attorneys and public defenders, are funded in Section 4 of the General Appropriations Act. The judicial branch's core mission is to resolve civil disputes and criminal charges. Most of the cost of the judicial budget is made up of judges, associated staff, and expenses. The state is responsible for funding nearly the entire judicial branch. Under revision 7 to Article V of the Florida Constitution, the state became responsible for additional court associated costs. Prior to 2004, these costs were the responsibility of the county governments. New costs included the cost of due process services, such as private attorney fees, court reporting, and expert witnesses. Today, the counties retain the responsibility of providing facilities, security, communications and information technology to the court system.

CRITICAL NEEDS

Courts System Funding Required to Offset Decline in Court Fee Revenues

The 2009 and 2010 Legislatures changed the funding of the state court system by increasing the use of court fees from the State Courts Revenue Trust Fund and decreasing the amount of general revenue. The 2009 Legislature created a graduated filing fee for real property or mortgage foreclosure cases. Beginning in Fiscal Year 2012-13, the Revenue Estimating Conference has projected a decline in fee revenues due to the expected decline in mortgage foreclosures cases. The Outlook plans for subsidizing the drop in trust fund revenues with $121.9 million recurring general revenue beginning in Fiscal Year 2012-13 and $72.1 million in Fiscal Year 2013-14.

OTHER HIGH PRIORITY NEEDS

FCO - Supreme Court and District Courts of Appeal

The state is responsible for the facility needs of the appellate courts, including the Supreme Court and District Courts of Appeal. The Outlook uses the average for the last four years of appropriations as the amount needed for future fixed capital outlay in the courts. In addition, the 1st District Court of Appeal will occupy its new building during the Fiscal Year 2010-11 and will begin paying rent as the new building is in the

Department of Management Services building pool. An amount of $768,994 in trust funds is included for this in Fiscal Year 2011-12 in the Outlook.

General Appropriations Act - Statewide Distributions / Administered Funds

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2010-11	2011-12	2012-13	2013-14
General Revenue	84.7	663.4	788.5	930.4
change		578.7	125.1	141.9
% change		683.6%	18.9%	18.0%

Nonrecurring	2010-11	2011-12	2012-13	2013-14
General Revenue	22.7	0.0	0.0	0.0

TOTAL	2010-11	2011-12	2012-13	2013-14
General Revenue	107.4	663.4	788.5	930.4
budget impact		578.7	125.1	141.9

Statewide Distributions / Administered Funds

SUMMARY

The Statewide Distributions / Administered Funds section of the Outlook addresses two different types of issues as follows:

- Salaries and Benefits, including additional adjustments for state employee insurance offerings, as well as Florida Retirement System benefits.

- Lump sum appropriations of funds for future distribution to agencies that are formula-driven statewide issues, including the state's Risk Management Insurance Program.

CRITICAL NEEDS

Annualizations – Health and Life Insurance

The outlook includes an annualization of a 5 percent increase to employer premium contributions for state employee (including universities) health insurance which was effective December 1, 2010, for Fiscal Year 2011-12. The annualization includes $21.1 million in general revenue and $13.4 million of trust funds. In addition, the life insurance benefit for state employees (including universities) was fixed at $25,000 for all employees, effective January 1, 2010. The change resulted in a decrease in state premium contributions. The annualization of the cost savings for Fiscal Year 2011-12 is ($1.3) million in general revenue and ($1.3) million in trust funds.

Risk Management Insurance

The financial outlook includes funds for the state's Risk Management Insurance Program. This program requires a detailed distribution to state agencies. The state's Risk Management Program, administered by the Department of Financial Services, 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 financial outlook uses data available from the March 2010 Risk Management Estimating Conference to estimate costs and determine general revenue and trust fund allocations to the agencies. These estimated increases in costs over the base include $0.8 million in recurring general revenue and $0.3 million in trust funds for Fiscal Year 2011-12, $3.9 million in recurring general revenue and $1.7 million in trust funds for Fiscal Year 2012-13 and $3.9 million in recurring general revenue and $1.7 million in trust funds for Fiscal Year 2013-14.

Increases in Employer-Paid Benefits for State Employees

Health Insurance – Costs associated with the state employee health insurance program are expected to increase by $175.0 million in Fiscal Year 2011-12, $232.5 million in Fiscal Year 2012-13, and $267.5 million in Fiscal Year 2013-14. When determined necessary, approximately 67.8 percent of state funded premium increases are funded with General Revenue Funds.

The increases in costs are based on assumptions that the state's self insured plan will experience a 9.5 percent annual growth in medical claims, an average of 9.7 percent annual growth in pharmacy claims, and health maintenance contract costs that increase by a legislative mandated cap of 3 percent for Plan Year 2011, and then by 10.5 percent for the next two years.

On the revenue side of the health insurance program, the financial outlook assumes the additional medical and pharmacy costs will be covered via premium increases paid by the state and employees. Generally, these costs have been funded through this mechanism. For Fiscal Year 2010-11; however, a portion of the anticipated costs have been funded by increases in out-of-pocket expenditures (co-payments, deductibles, and coinsurance) by active employees and retirees, as well as an increase in employee contributions for employees previously exempt from premium contributions.

In order to meet expenses and maintain a small working balance in the Trust Fund, the Outlook assumes a 5 percent increase in state premium contributions effective December 1, 2011, a 16 percent increase effective December 1, 2012 and a 20 percent increase effective December 1, 2013. Under these assumptions, state contributions are expected to increase by $42.7 million in Fiscal Year 2011-12, $179.0 million in Fiscal Year 2012-13, and $203.8 million in Fiscal Year 2013-14. (No changes in the insurance program are assumed.)

Florida Retirement System – The Florida Retirement System (FRS) had experienced an actuarial surplus for many years that was used to reduce the contribution rates paid by participating employers (the state, universities, county school boards, counties, cities electing to participate, and other miscellaneous governmental entities) or to increase benefits paid to certain members of the System. However, upon completion of the 2009 actuarial valuation, the fund was no longer fully funded (the actuarial liabilities exceeded the actuarial value of the assets), primarily due to declining market conditions. While incomplete, it is expected that the 2010 actuarial valuation will indicate that the FRS continues in an underfunded status. As a surplus is no longer available to reduce contribution rates, it is necessary for rates to return to the Normal Cost (the actuarially determined cost of the system over the long term) of the FRS.

The 2010 Legislature passed HB 5607 that would have increased the employer contribution rates to the Normal Cost, as determined in the 2010 actuarial valuation for Fiscal Year 2010-11. The rates were also adjusted to account for a decrease in the interest paid on Deferred Retirement Optional Plan (DROP) accounts included in the bill.

However, the Governor vetoed the bill, which resulted in the employer contribution rates reverting to the rates set in law to go into effect July 1, 2010 absent any legislative changes. The statutory rates were lower than the proposed rates, in general. For example, the Fiscal Year 2010-11 statutory rate for the Regular Class is 9.63 percent, while the actuarially established Normal Cost contribution rate, included in the vetoed legislation, for Fiscal Year 2010-11 was 9.76 percent.

The financial outlook assumes that the Legislature will enact actuarially determined Normal Cost rates for Fiscal Years 2011-12, 2012-13, and 2013-14. Under this assumption, total employer costs are expected to increase by approximately $62.4 million in Fiscal Year 2011-12. Approximately, $58.2 million of this amount is funded by the General Revenue Fund. No additional out-year costs are currently anticipated within the planning horizon to fund changes in Normal Costs.

OTHER HIGH PRIORITY NEEDS

Increase in Employer-paid Contributions for the Florida Retirement System to Fund the Unfunded Actuarial Liability (State, Universities, Community Colleges, and School Boards)

As noted previously, the 2009 actuarial valuation of the FRS determined that the fund had an Unfunded Actuarial Liability (UAL), as of July 1, 2009, primarily due to declining market conditions. While incomplete, it is expected that the 2010 actuarial valuation will indicate that the FRS continues to have a UAL. Consequently, in order for the Florida Retirement System to be funded on an actuarially sound basis for Fiscal Year 2011-12 and future years, the contribution rates should include the cost to amortize the UAL, in addition to the Normal Cost. The annual liability associated with the UAL for Fiscal Year 2011-12 is assumed to increase by 10 percent over the projected amount for Fiscal Year 2010-11 to $564.3 million, of which $471.1 million is General Revenue.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. One of those risks and its potential ramifications is as follows:

- Numerous lawsuits against the state exist at any point in time, only a few of which are reflected in this document. While the Chief Financial Officer has noted that such lawsuits are not expected to materially affect the state's overall financial position, they do have the capacity to disrupt specific programs and services and to force changes and adjustments to any fiscal outlook.

A summary of the claimed fiscal impact of significant litigation filed against the state is annually reported by the agencies in their legislative budget requests. Significant litigation includes only cases where the amount claimed is more than $1 million and cases challenging significant statutory policies. In some cases, 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 won.

APPENDIX A

GENERAL REVENUE FUND
ADJUSTED FINANCIAL OUTLOOK STATEMENT
PREPARED BY LEGISLATIVE OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH
including results of the August 12, 2010 Revenue Estimating Conference
FY 2009-10 through FY 2013-14
($ MILLIONS)

DATE: 9-Sep-2010

	RECURRING	NON-RECURRING	TOTAL
FUNDS AVAILABLE 2009-10			
Balance forward from 08-09	0.0	631.4	631.4
Estimated revenues	21,476.4	46.7	21,523.1
Transfers from trust funds	0.0	598.6	598.6
FCO reversions	0.0	12.1	12.1
Federal funds interest earnings rebate	(0.6)	0.0	(0.6)
Total 2009-10 funds available	21,475.8	1,288.8	22,764.6
ESTIMATED EXPENDITURES 2009-10			
Operations	9,728.4	452.2	10,180.6
Aid to local government	10,887.5	58.5	10,946.0
Fixed capital outlay	52.7	14.8	67.5
Reappropriations	0.0	16.5	16.5
Supplemental Appropriations H5001 (2010)	0.0	399.4	399.4
Dept. of Corrections reversion (EOG #0607)	0.0	(35.6)	(35.6)
Special appropriations	0.3	1.6	1.9
Budget amendment/oil spill bridge loan (EOG #0776)	0.0	5.0	5.0
Total 2009-10 estimated expenditures	20,668.9	912.4	21,581.3
ENDING BALANCE (A)	806.9	376.4	1,183.3
FUNDS AVAILABLE 2010-11			
Balance forward from 2009-10	0.0	1,183.3	1,183.3
Estimated revenues	22,632.2	334.8	22,967.0
Transfers from trust funds	0.0	367.5	367.5
Unused appropriations/reversions	0.0	83.6	83.6
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	(4.3)	0.0	(4.3)
Total 2010-11 funds available	22,627.9	1,971.2	24,599.1
EFFECTIVE APPROPRIATIONS 2010-11			
HB5001 as appropriated	22,616.4	1,173.3	23,789.7
Special apropriations	2.2	56.2	58.4
Vetoes	(10.1)	(11.6)	(21.7)
Transfer to Campaign Financing TF	0.0	5.2	5.2
Indian Gaming county revenue sharing	0.0	1.1	1.1
Total 2010-11 effective appropriations	22,608.5	1,224.2	23,832.7
ENDING BALANCE (A)	19.4	747.0	766.4

FOOTNOTES

(A) The cash balance in the Budget Stabilization Fund (not shown here) at the time of this statement was $274.7 million. This figure does not include the full repayment of hurricane-related budget amendments transferring funds to the Casualty Insurance Risk Management TF (EOG #2004-0483 for $11.0 million and EOG #2005-0205 for $11.8 million). At the time of this statement $6.6 million remains to be repaid.

(B) The amount of $1,072.4 million was transferred out of the Budget Stabilization Fund to the General Revenue Fund in FY 2008-09. Section 215.32(3) F.S. stipulates that repayments to the fund are appropriated in five equal installments beginning in the third year following the year in which the expenditure was made, unless otherwise established by law. Per the aforementioned statute, repayment would begin in FY2011-12 with annual installments in the amount of $214.5 million.

(C) This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions which might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any deficits in any spending programs unless specifically stated.

GENERAL REVENUE FUND
ADJUSTED FINANCIAL OUTLOOK STATEMENT
PREPARED BY LEGISLATIVE OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH
including results of the August 12, 2010 Revenue Estimating Conference
FY 2009-10 through FY 2013-14
($ MILLIONS)

DATE: 9-Sep-2010

	RECURRING	NON-RECURRING	TOTAL
FUNDS AVAILABLE 2011-12			
Balance forward from 2010-11	0.0	766.4	766.4
Estimated revenues	24,570.0	102.7	24,672.7
Unused appropriations/reversions	0.0	83.6	83.6
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	(4.3)	0.0	(4.3)
Total 2011-12 funds available (B) (C)	24,565.7	954.7	25,520.4
FUNDS AVAILABLE 2012-13			
Balance forward from 2011-12	0.0	0.0	0.0
Estimated revenues	26,192.5	149.1	26,341.6
Unused appropriations/reversions	0.0	83.6	83.6
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	(4.3)	0.0	(4.3)
Total 2012-13 funds available (B) (C)	26,188.2	234.7	26,422.9
FUNDS AVAILABLE 2013-14			
Balance forward from 2012-13	0.0	0.0	0.0
Estimated revenues	27,817.3	138.4	27,955.7
Unused appropriations/reversions	0.0	83.6	83.6
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	(4.3)	0.0	(4.3)
Total 2013-14 funds available (B) (C)	27,813.0	224.0	28,037.0

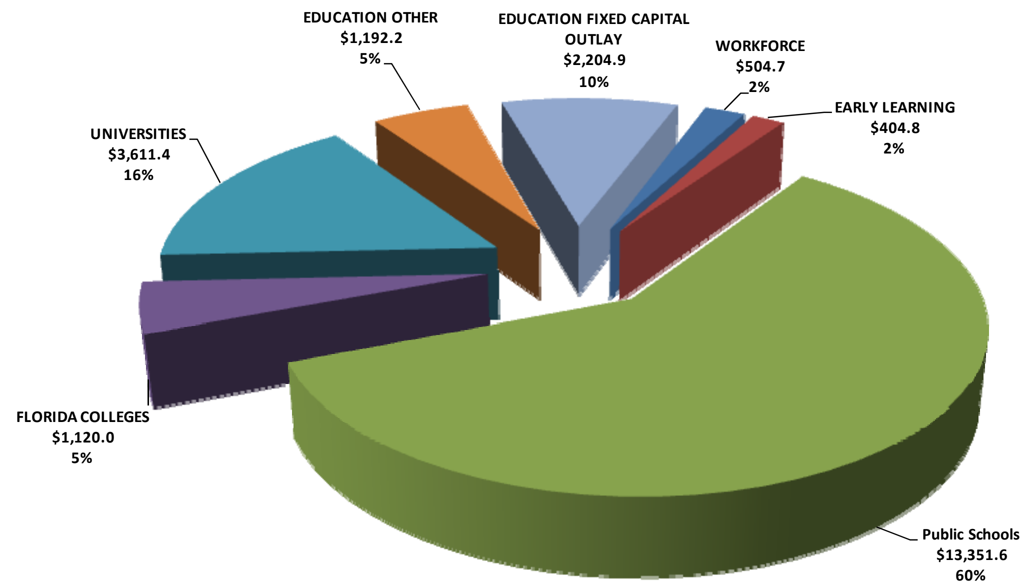
FOOTNOTES

(B) The amount of $1,072.4 million was transferred out of the Budget Stabilization Fund to the General Revenue Fund in FY 2008-09. Section 215.32(3) F.S. stipulates that repayments to the fund are appropriated in five equal installments beginning in the third year following the year in which the expenditure was made, unless otherwise established by law. Per the aforementioned statute, repayment would begin in FY2011-12 with annual installments in the amount of $214.5 million.

(C) Legislation relating to the Indian Gaming Compact provides for sharing of revenues from Indian Gaming with county governments. These amounts are not included here. Revenue sharing amount would be $4.5 million for FY 2011-12 and $7.0 million for FY 2012-13 and FY 2013-14.

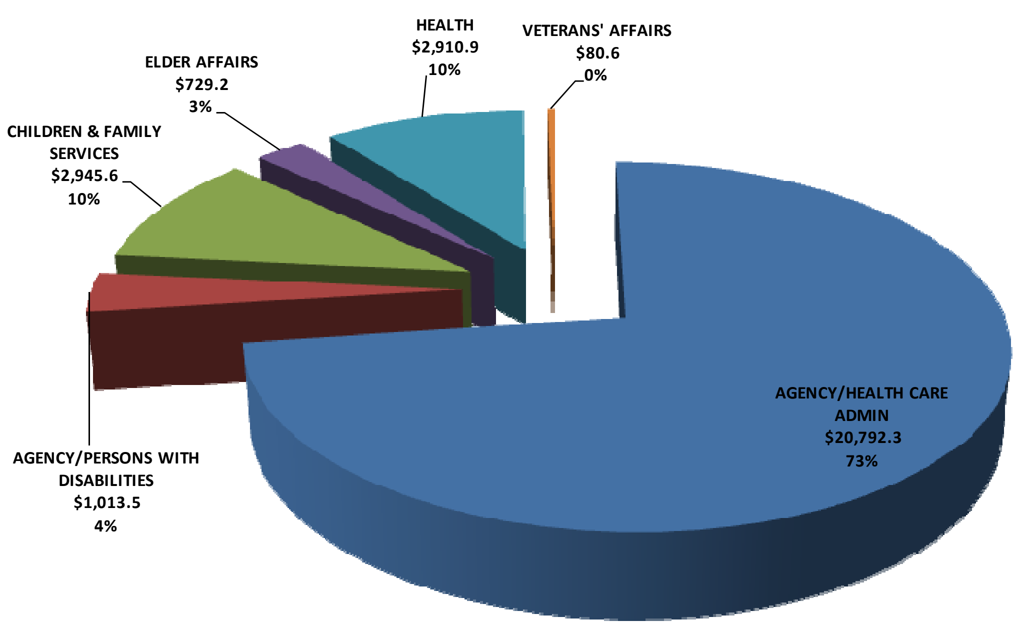
APPENDIX B

Sections 1 & 2 - Education Enhancement and Education
FY 2010-11
Total Funds - $22,389.6 Million

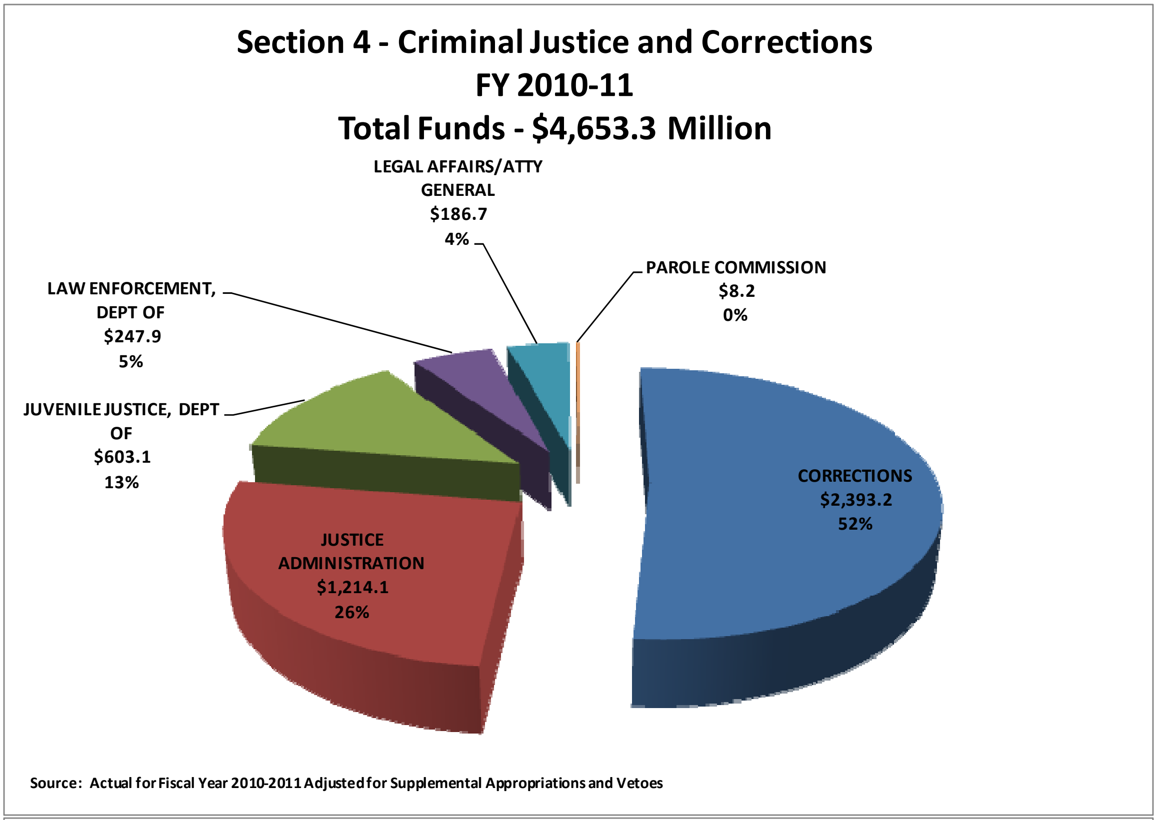


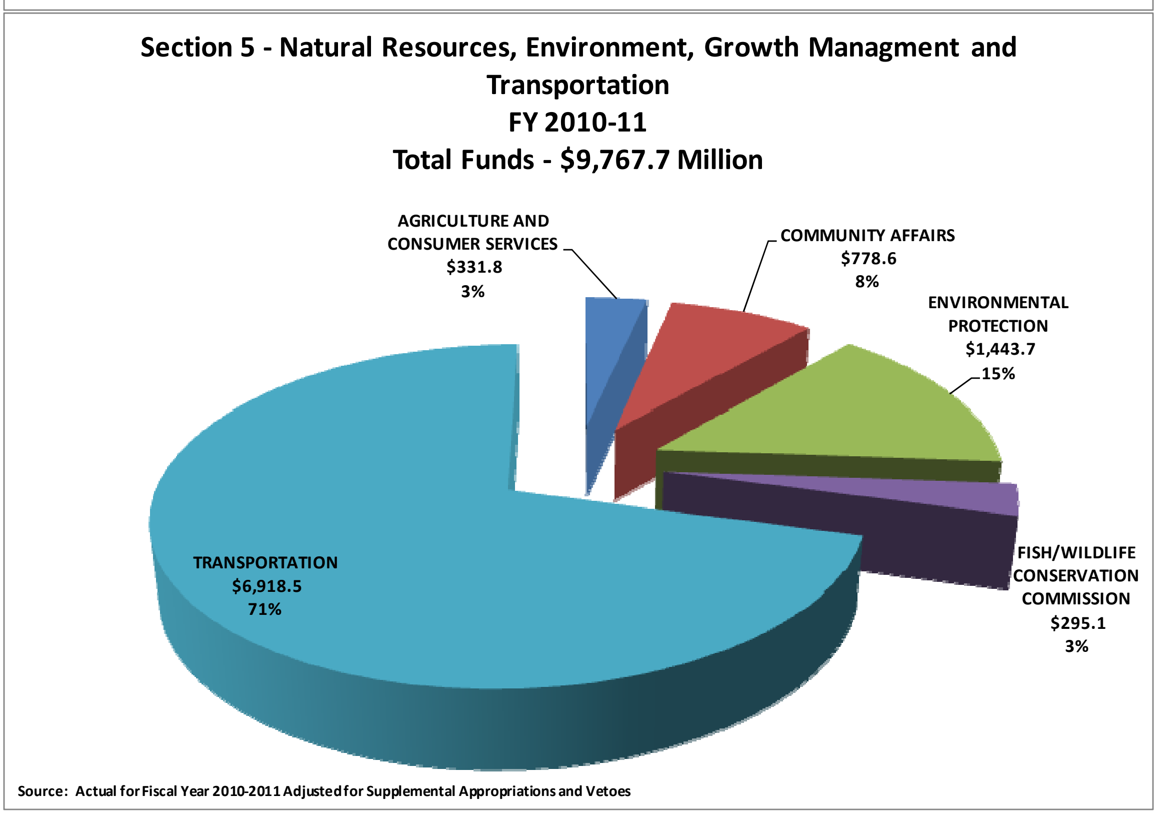
Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes

Section 3 - Human Services
FY 2010-11
Total Funds - $28,472.2 Million

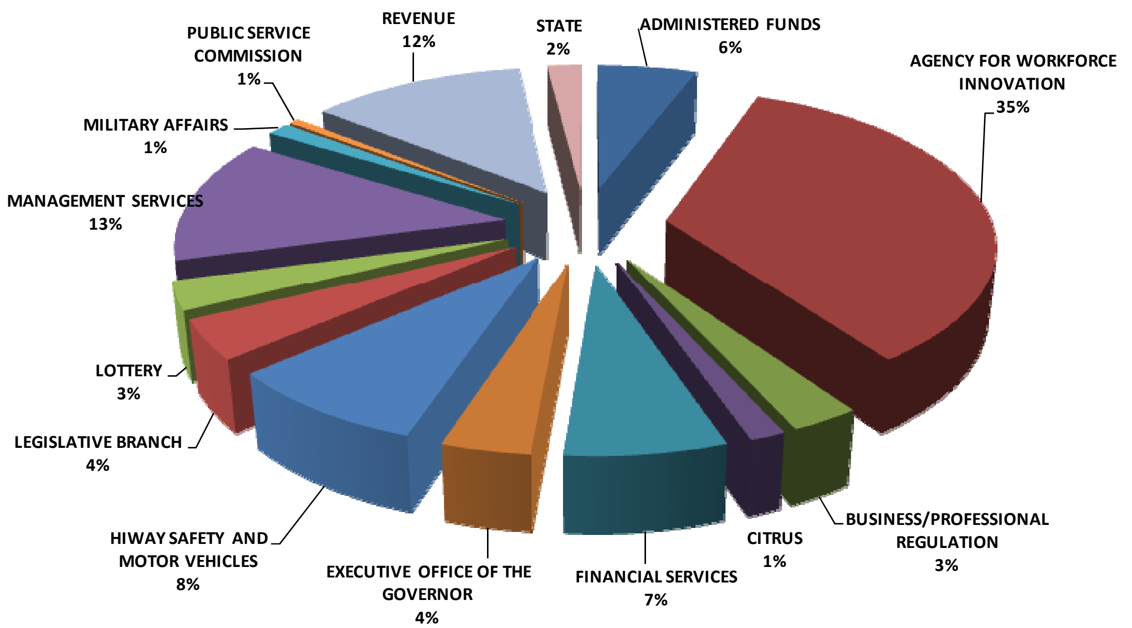


Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes


Section 4 - Criminal Justice and Corrections
FY 2010-11
Total Funds - $4,653.3 Million
LEGAL AFFAIRS/ATTY GENERAL
$186.7
4%
PAROLE COMMISSION
$8.2
0%
LAW ENFORCEMENT, DEPT OF
$247.9
5%
JUVENILE JUSTICE, DEPT OF
$603.1
13%
CORRECTIONS
$2,393.2
52%
JUSTICE ADMINISTRATION
$1,214.1
26%
Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes

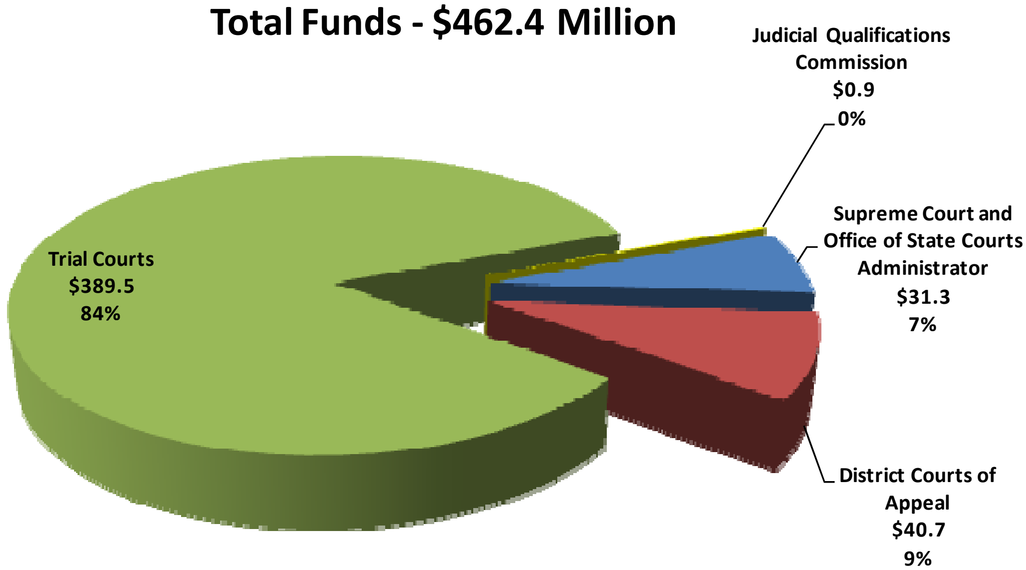

Section 5 - Natural Resources, Environment, Growth Managment and Transportation
FY 2010-11
Total Funds - $9,767.7 Million
AGRICULTURE AND CONSUMER SERVICES
$331.8
3%
COMMUNITY AFFAIRS
$778.6
8%
ENVIRONMENTAL PROTECTION
$1,443.7
15%
TRANSPORTATION
$6,918.5
71%
FISH/WILDLIFE CONSERVATION COMMISSION
$295.1
3%
Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes

Section 6 - General Government, Statewide Distributions and Administered Funds
FY 2010-11
Total Funds - $4,513.9 Million



Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes

Section 7 - Judicial Branch
FY 2010-11
Total Funds - $462.4 Million



Source: Actual for Fiscal Year 2010-2011 Adjusted for Supplemental Appropriations and Vetoes