State of Florida
Long-Range Financial Outlook
Fiscal Year 2012-13 through 2014-15

Fall 2011 Report
As Adopted by the Legislative Budget Commission

Jointly prepared by the following:
The Senate Committee on Budget
The House Appropriations Committee
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 2011 Outlook is the fifth document developed in accordance with the provisions of Article III, Section 19(c)(1) of the Florida Constitution.

Ultimately, the Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. In this regard, the 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: 2012-13, 2013-14, and 2014-15. It does this by using anticipated revenues and expenditures in the current year (2011-12) as the starting point.

THE OUTLOOK DOES <u>NOT</u> 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. IN THIS REGARD, ALL FUNDS REMAINING AFTER THE BUDGET DRIVERS AND OTHER KEY ISSUES ARE FULLY FUNDED FOR THAT YEAR ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.

Who produced it?

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

How was the Outlook developed?

- All major programs that have historically driven significant increases in the State's budget like Medicaid and the Florida Education Finance Program, as well as constitutional requirements such as 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. Due to the tight schedule associated with the early 2012 Session, an abbreviated round of Summer Estimating Conferences was established specifically to facilitate the availability of up-to-date information in areas undergoing significant change.

- 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 contains budget drivers that are grouped by policy areas that roughly correspond to the Appropriations Bill format required by the constitution. Also included are separate sections for Potential Constitutional Issues, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections and the Census, Debt Analysis and a comparison of costs versus revenues.

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

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

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

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (lottery and slots proceeds devoted to education), the State School Trust Fund and the Tobacco Settlement Trust Fund.

Other trust funds have been estimated and discussed in the areas where they are relevant to the expenditure forecast.

- All revenue projections include recurring and nonrecurring amounts.

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

- Budget Drivers have been categorized as either "*Critical Needs*" (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 or depleted trust funds have been redirected to the General Revenue Fund when the underlying activities are ongoing in nature.

- Fiscal Strategies are discussed when necessary to close a projected budget gap. They demonstrate the impact of varying policy decisions on the baseline projection. When deployed, the unique assumptions used for these scenarios are not built into the rest of the Outlook.

The Current Year, Showing Deployed Strategies

A budget gap is the potential shortfall between revenues and expenditures in an upcoming fiscal year. As used in the Long-Range Financial Outlook, it is not a known deficit as that term is statutorily defined, but rather an indicator that significant policy changes are needed to balance future appropriations with revenues as constitutionally required. In the 2010 Long-Range Financial Outlook, a budget gap of just over $2.5 billion was initially identified for Fiscal Year 2011-12. As the Fall Conference Season progressed (used for the Governor's budget recommendations), this figure rose to $3.6 billion as revenue estimates declined and projected expenditures grew. In addition, legislative leaders responded to growing concerns about the adequacy of the state's emergency reserves by setting the planned level for unspent General Revenue at a minimum of $1 billion, bringing the total budget gap to $4.6 billion.

			(millions)	
Pre-Session...		**REC**	**N/R**	**TOTAL**
2010 LRFO	Funds Available - LRFO 2010	24565.7	650.3	25216.0
	2011-12 Base Budget	22608.4	0.0	22608.4
	Critical Needs - LRFO 2010	3054.3	167.3	3221.6
	Other High Priorities - LRFO 2010	936.0	746.2	1682.2
	Transfer to Budget Stabilization Fund	0.0	214.5	214.5
	BUDGET GAP - LRFO 2010	**-2033.0**	**-477.7**	**-2510.7**
Adjustments	Conference Adjustments to Revenue - Fall 2010	-615.1	-304.1	-919.2
	Conference Adjustments to Expenditures - Fall 2010	182.0	3.7	185.7
	BUDGET GAP - DECEMBER 2010	**-2830.1**	**-785.5**	**-3615.6**
	Planned Reserve from GR Unallocated	0.0	1000.0	1000.0
	BUDGET GAP WITH PLANNED RESERVE	**-2830.1**	**-1785.5**	**-4615.6**

As work commenced on the 2011-12 General Appropriations Act, further adjustments were made to both revenue and expenditure projections. The final result was $269.2 million in additional General Revenue dollars and various program reductions and initiatives designed to produce the cost-savings needed to close the remaining gap. Compared to the $27,912.4 million in estimated expenditures identified in the original Long-Range Financial Outlook and subsequent updates, the final effective General Appropriations Act for 2011-12 spent only $23,384.8 million, a difference of just over

$4.5 billion. Combined with the revenue adjustments, these savings produced $181.2 million more than was required to close the gap—including the $1 billion reserve balance for General Revenue. In terms of shares, 5.6 percent of the adjustment came on the revenue side, and 94.4 percent of the adjustment came from reduced expenditures.

			(millions)	
	Session 2011 Actions...	**REC**	**N/R**	**TOTAL**
Revenues	Conference Adjustments to Revenue - Spring 2011	-242.6	26.8	-215.8
	Change in Revenue Balance Forward on Outlook	0.0	44.7	44.7
	Removal of Reserve for Proj 2010-11 Medicaid Deficit	0.0	94.4	94.4
	Transfers from Trust Funds	0.0	388.5	388.5
	Final Measures Affecting Revenue	-90.0	47.4	-42.6
	Adjustments to LFRO Funds Available	-332.6	601.8	269.2
	Improved General Revenue---Percent of Final Position			5.6%
	REMAINING GAP	***-3162.7***	***-1183.7***	***-4346.4***
Budget	Final Effective Appropriations (GAA, Vetoes, Supps)	22799.3	585.5	23384.8
	Estimated Expenditures from LRFO (Plus Fall 2010 Incr)	26780.7	1131.7	27912.4
	Adjustments to LRFO Estimated Expenditures	-3981.4	-546.2	-4527.6
	Reduced Expenditures---Percent of Final Position			94.4%
	FINAL BALANCE	**818.7**	**-637.5**	**181.2**
	NOTE: Final General Revenue Reserve Balance (billions)			**1.181**

The final General Revenue reserve balance has since increased by $176.5 million, largely from greater than expected 2010-11 revenue collections. It is now projected to be $1,357.5 million for the fiscal year. Combined with the $493.6 million in the Budget Stabilization Fund and approximately $696.2 million in the Lawton Chiles Endowment Fund[1], the total across all sources that are traditionally mentioned as reserves is $2,547.3 million or 10.7 percent of General Revenue collections for Fiscal Year 2011-12.

Because the strategies taken for Fiscal Year 2011-12 were largely recurring in nature, the multi-billion dollar budget gaps initially suggested for the remaining years of the 2010 Long-Range Financial Outlook have also significantly improved.

[1] The value of the Lawton Chiles Endowment Fund is dependent on market conditions.

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 2010-11 ended with a $139.1 million gain to the forecast or about 0.6 percent above the estimate for the year.

- Because collections were running so close to the original estimates, the Revenue Estimating Conference did not meet during the Summer Conference Season to revise the General Revenue forecast; however, adjustments were made for legislative changes. The negative post-session adjustments (-$42.6 cash; -$90 million recurring in Fiscal Year 2011-12) largely came from the increase in the Corporate Income Tax exemption (from $5,000 to $25,000), the Sales Tax Holiday in August, and the removal of the distribution caps on the State Housing and Local Government Housing Trust Funds. These adjustments were reflected on the Financial Outlook Statement for the General Revenue Fund adopted June 29, 2011.

Fiscal Year	March Forecast	July* Forecast	Difference (July - March)	Incremental Growth	Growth
2005-06	27074.8				8.4%
2006-07	26404.1				-2.5%
2007-08	24112.1				-8.7%
2008-09	21025.6				-12.8%
2009-10	21523.1				2.4%
2010-11	22412.5	22551.6	139.1	1028.5	4.8%
2011-12	23844.7	23795.1	(49.6)	1243.5	5.5%
2012-13	25554.3	25495.1	(59.2)	1700.0	7.1%
2013-14	27140.2	27063.6	(76.6)	1568.5	6.2%
2014-15	28442.8	28340.9	(101.9)	1277.3	4.7%

*Post-Session and Summer Adjustments for End-of-Year & Forecast Changes

- The last official Financial Outlook Statement for the General Revenue Fund was adopted on July 27, 2011, by the Revenue Estimating Conference. There were several changes that altered the bottom line from the post-session outlook results.

    - The *Funds Available for 2010-11* were increased to account for the higher than anticipated revenue collections.

    - The *Funds Available for 2011-12* were adjusted downward to account for the results of two revenue estimating conferences that were held during the Summer Conference Season: Slot Machines, and Tobacco Tax and

Surcharge. There were also greater than anticipated reversions at the end of the fiscal year that impacted the outlook statement to the positive.

- The Long-Range Financial Outlook contains one additional adjustment: funds have been set-aside in Fiscal Year 2011-12 to address current-year operating deficits identified since the release of the last official Financial Outlook Statement for the General Revenue Fund. In total, the impact is $116.9 million—$62.5 million to offset the deficit in the State Courts Revenue Trust Fund projected by the Legislative Office of Economic and Demographic Research, and $54.4 million to offset the deficit in the Medicaid program projected by the Social Services Estimating Conference.

- For the first time since the adoption of the constitutional amendment requiring the development of Long-Range Financial Outlooks, sufficient funds exist to meet all Critical and Other High Priority Needs identified for the three years contained in the Outlook. This is true for both recurring and nonrecurring funds.

- Given the significant revenue growth projected for the Outlook period and the slowing economy, there is a **strong risk that the forecast for General Revenue will be lowered** by a future meeting of the Revenue Estimating Conference. This action would alter the projected results. See the discussion in the sections dealing with Significant Risks to the Forecast and the Florida Economic Outlook for additional information.

- The Educational Enhancement Trust Fund will have little long-term growth and mixed results in the near-term. The trust fund will have fewer funds available for expenditure in Fiscal Year 2012-13 than in 2011-12 and even less in Fiscal Year 2013-14, before gaining in Fiscal Year 2014-15.

- The Tobacco Settlement Trust Fund will have little long-term growth and mixed results in the near-term. The trust fund will have fewer funds available for expenditure in Fiscal Year 2012-13 than in 2011-12 and even less in Fiscal Year 2013-14, before gaining in Fiscal Year 2014-15.

- The State School Trust Fund will have little long-term growth and mixed results in the near-term. The trust fund will have fewer funds available for expenditure in Fiscal Year 2012-13 than in 2011-12 and even less in Fiscal Year 2013-14, before gaining in Fiscal Year 2014-15.

B. Key Aspects of the Expenditure Demands

- Critical Needs are mandatory increases based on estimating conferences and other essential items. The twenty Critical Needs drivers represent the minimum cost to fund the budget without significant programmatic changes. For the General Revenue Fund, the greatest burden occurs in Fiscal Year 2012-13.

- The twenty-six 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 burden occurs in the first year.

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

GENERAL REVENUE FUND	FY 2012-13	FY 2013-14	FY 2014-15
Total Tier 1 - Critical Needs	1,657.4	677.7	1,006.0
Total - Other High Priority Needs	886.9	801.1	839.2
Total Tier 2 - Critical Needs Plus Other High Priority Needs	2,544.3	1,478.8	1,845.2

- In the first and third years of the Outlook period, Critical Needs represent a greater percentage of the projected expenditures than the Other High Priority Needs. The upward pressure on both years is related to the Medicaid program: in Fiscal Year 2012-13, a significant infusion of General Revenue is needed to offset the remaining effects of losing the American Recovery and Reinvestment Act (ARRA) funds, and in Fiscal Year 2014-15, an additional infusion is needed to cover the state’s costs of Federal Health Care Reform.

**PERCENTAGE OF
TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS**

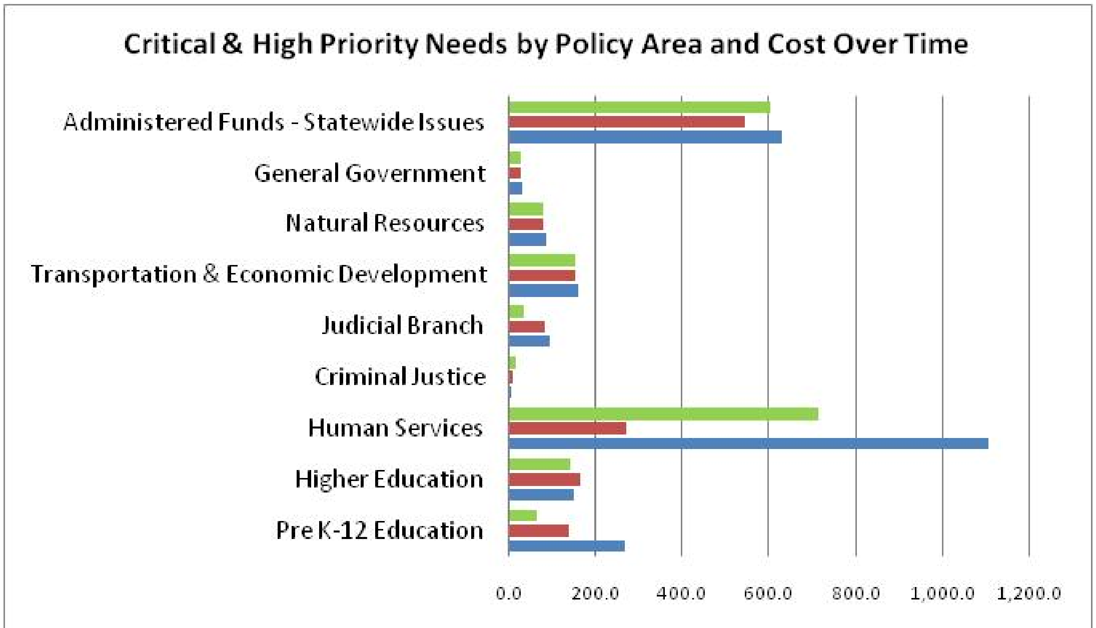
GENERAL REVENUE FUND	FY 2012-13	FY 2013-14	FY 2014-15
Total Tier 1 - Critical Needs	65.1%	45.8%	54.5%
Total - Other High Priority Needs	34.9%	54.2%	45.5%

- 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. Most areas are relatively balanced in magnitude over time, but the Human Services policy area has dramatically different needs across the three years. In the second year of the Outlook (2013-14), the Administered Funds – Statewide Issues need is larger than Human Services, primarily due to the driver across years that addresses the Unfunded Actuarial Liability in the Florida Retirement System.

[SEE CHART ON NEXT PAGE]

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

POLICY AREAS	FY 2012-13	FY 2013-14	FY 2014-15
Pre K-12 Education	270.0	139.2	66.4
Higher Education	152.4	163.5	141.8
Human Services	1,106.9	273.3	715.0
Criminal Justice	5.3	9.5	19.3
Judicial Branch	96.6	82.7	35.4
Transportation & Economic Development	162.4	155.7	154.4
Natural Resources	87.7	80.7	79.5
General Government	31.4	27.7	27.8
Administered Funds - Statewide Issues	631.6	546.3	605.7
	2,544.3	**1,478.8**	**1,845.2**



BLUE: FY 2012-13 **RED: FY 2013-14** **GREEN: FY 2014-15**

- 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. Only two policy areas have double-digit percentages of the total in all three years of the Outlook, the Human Services policy area and the Administered Funds – Statewide Issues area. Adding the three years together, they represent 66.1 percent of the total need (35.7 percent for Human Services, and 30.4 percent for Administered Funds – Statewide Issues).

POLICY AREA PERCENTAGE OF
TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

POLICY AREAS	FY 2012-13	FY 2013-14	FY 2014-15
Pre K-12 Education	10.6%	9.4%	3.6%
Higher Education	6.0%	11.1%	7.7%
Human Services	43.5%	18.5%	38.7%
Criminal Justice	0.2%	0.6%	1.0%
Judicial Branch	3.8%	5.6%	1.9%
Transportation & Economic Development	6.4%	10.5%	8.4%
Natural Resources	3.4%	5.5%	4.3%
General Government	1.2%	1.9%	1.5%
Administered Funds - Statewide Issues	24.8%	36.9%	32.8%
	100%	**100%**	**100%**

- The two Medicaid Program drivers represent 38.1 percent of the 2012-13 projected expenditures for Critical and Other High Priority Needs. In 2013-14 and 2014-15, the shares are 16.0 percent and 36.7 percent as the costs of Federal Health Care Reform begin to feed into the forecast. Combined, the two Medicaid drivers form the single biggest driver in the first and third years of the Outlook forecast.

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

- Fiscal Year 2012-13
    - Total General Revenue available for appropriation is $26,817.0 million.
    - The base budget, repayment of the Budget Stabilization Fund, and Critical Needs funded with General Revenue are estimated to cost $24,656.2 million. Including a holdback for a reserve balance of $1 billion grows the total expenditure need to $25,656.2 million. This figure grows to a total of $26,543.1 million when the Other High Priority Needs are included.
    - Combined, recurring and nonrecurring General Revenue program needs – with a minimum reserve of $1 billion – are less than the available General Revenue dollars, meaning there is no budget gap for Fiscal Year 2012-13. The anticipated expenditures (including the reserve) can be fully funded.
    - Fiscal Strategies will not be required; the budget is in balance as constitutionally required.
    - An additional balance of $273.8 million would be available to roll over to the next fiscal year.

OUTLOOK PROJECTION – FISCAL YEAR 2012-13 *(in millions)*			
	RECURRING	**NON-RECURRING**	**TOTAL**
AVAIL GR	**$25,271.5**	**$ 1,545.5**	**$26,817.0**
Base Budget	$22,784.3	$ 0.0	$22,784.3
Transfer to BSF	$ 0.0	$ 214.5	$ 214.5
Critical Needs	$ 1,623.9	$ 33.5	$ 1,657.4
High Priority	$ 625.1	$ 261.8	$ 886.9
Reserve	$ 0.0	$ 1,000.0	$ 1,000.0
TOTAL	**$25,033.3**	**$ 1,509.8**	**$26,543.1**
BALANCE	**$ 238.2**	**$ 35.6**	**$ 273.8**

NOTE: Some totals are affected by rounding.

- Fiscal Years 2013-14 and 2014-15:
  - Fiscal Year 2013-14 and Fiscal Year 2014-15 both show projected budget needs within the available revenue for Critical and Other High Priority Needs, including the set-aside of a $1 billion reserve in each year.

D. Analyzing the Result

Legislative actions during the 2011 Session to close the projected budget gap through *recurring* means positively impacted the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years were constrained by the amount of recurring expenditure reductions taken in Fiscal Year 2011-12. This has greatly improved the Long-Range Financial Outlook's bottom line.

- *Critical Needs*
  No fiscal strategies are needed since there is no budget gap, and the reserve is fully funded for all years of the Outlook.

- *Critical and Other High Priority Needs*
  No fiscal strategies are needed; however, the positive budget outlook is heavily reliant on the projected balance forward levels being available and the $1 billion reserve not being used. If more than $273.8 million of the projected carry forward amount of $1,240.6 from Fiscal Year 2011-12 becomes unavailable for any reason, a budget gap will develop in 2012-13. There is a strong risk that a reduction in the forecast for General Revenue could produce this result. Similarly, if the $1 billion reserve is fully used in Fiscal Year 2012-13, a budget gap of $307.9 million would develop in Fiscal Year 2013-14.

LONG-RANGE FINANCIAL OUTLOOK FOR GENERAL REVENUE

TIER 1 ISSUES - CRITICAL NEEDS

$1 BILLION RESERVE - NO FISCAL STRATEGIES

($ MILLIONS)

		FY 2011-12			FY 2012-13			FY 2013-14			FY 2014-15		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	433.0	433.0	0.0	1,240.6	1,240.6	0.0	1,160.7	1,160.7	0.0	3,005.3	3,005.3
3	Unused Reserve From Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	Revenue Estimate	23,615.3	179.8	23,795.1	25,275.8	219.3	25,495.1	26,871.9	191.7	27,063.6	28,261.1	79.8	28,340.9
5	Non-operating Funds	-4.3	129.5	125.2	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
6	Transfer From Trust Funds	0.0	388.5	388.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**Total Funds Available**	**23,611.0**	**1,130.8**	**24,741.8**	**25,271.5**	**1,545.5**	**26,817.0**	**26,867.6**	**2,438.0**	**29,305.6**	**28,256.8**	**4,170.7**	**32,427.5**
8													
9	**Estimated Expenditures:**												
10	Recurring Base Budget				22,799.3	0.0	22,799.3	24,408.2	0.0	24,408.2	25,048.6	0.0	25,048.6
11	Annualization of Cost Savings From Prior Year				-15.0	0.0	-15.0						
12													
13	**New Issues by GAA Section:**												
14	Section 2 - Pre K-12 Education	8,635.1	0.9	8,636.0	250.5	0.0	250.5	125.4	5.2	130.6	57.4	0.0	57.4
15	Section 2 - Higher Education	3,219.3	20.4	3,239.8	-11.0	0.0	-11.0	-1.4	0.0	-1.4	-29.3	0.0	-29.3
16	Section 3 - Human Services	6,925.0	32.4	6,957.5	983.4	0.0	983.4	245.0	0.0	245.0	688.6	0.0	688.6
17	Section 4 Criminal Justice	3,209.3	7.1	3,216.3	0.0	1.0	1.0	4.2	1.0	5.2	13.9	1.0	14.9
18	Section 7 - Judicial Branch	44.6	0.0	44.6	96.2	0.0	96.2	82.3	0.0	82.3	35.0	0.0	35.0
19	Section 5 & 6 - Transportation & Economic Development	203.7	178.4	382.1	0.0	6.2	6.2	0.0	4.7	4.7	0.0	2.9	2.9
20	Section 5 - Natural Resources	134.0	52.7	186.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	Section 6 - General Government	218.9	33.5	252.4	2.4	26.4	28.8	0.8	26.4	27.2	0.9	26.4	27.3
22	Section 2 & 6 - Administered Funds - Statewide Issues	209.5	45.5	255.1	302.4	0.0	302.4	184.2	0.0	184.2	209.3	0.0	209.3
23	**Total New Issues**				1,623.9	33.5	1,657.4	640.4	37.3	677.7	975.7	30.3	1,006.0
24													
25	Appropriations Placed in Reserve		(0.5)	(0.5)									
26													
27	Current Year Operating Deficits (Medicaid, State Courts)		116.9	116.9									
28													
29	Transfer to Budget Stabilization Fund	0.0	214.5	214.5	0.0	214.5	214.5	0.0	214.5	214.5	0.0	214.5	214.5
30													
31	**Total Estimated Expenditures**	**22,799.3**	**701.9**	**23,501.2**	**24,408.2**	**248.0**	**24,656.2**	**25,048.6**	**251.8**	**25,300.4**	**26,024.3**	**244.8**	**26,269.1**
32	Reserves					1,000.0	1,000.0		1,000.0	1,000.0		1,000.0	1,000.0
33	**Ending Balance**	**811.7**	**428.9**	**1,240.6**	**863.3**	**297.4**	**1,160.7**	**1,819.0**	**1,186.3**	**3,005.3**	**2,232.5**	**2,925.9**	**5,158.3**

LONG-RANGE FINANCIAL OUTLOOK FOR GENERAL REVENUE

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

$1 BILLION RESERVE - NO FISCAL STRATEGIES

($ MILLIONS)

		FY 2011-12			FY 2012-13			FY 2013-14			FY 2014-15		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	433.0	433.0	0.0	1,240.6	1,240.6	0.0	273.8	273.8	0.0	692.1	692.1
3	Unused Reserve From Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	Revenue Estimate	23,615.3	179.8	23,795.1	25,275.8	219.3	25,495.1	26,871.9	191.7	27,063.6	28,261.1	79.8	28,340.9
5	Non-operating Funds	-4.3	129.5	125.2	-4.3	85.6	81.3	-4.3	85.6	81.3	-4.3	85.6	81.3
6	Transfer From Trust Funds	0.0	388.5	388.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**Total Funds Available**	**23,611.0**	**1,130.8**	**24,741.8**	**25,271.5**	**1,545.5**	**26,817.0**	**26,867.6**	**1,551.1**	**28,418.7**	**28,256.8**	**1,857.5**	**30,114.3**
8													
9	**Estimated Expenditures:**												
10	Base Budget				22,799.3	0.0	22,799.3	25,033.3	0.0	25,033.3	26,214.0	0.0	26,214.0
11	Annualization of Cost Savings From Prior Year				-15.0	0.0	-15.0						
12													
13	**New Issues by GAA Section:**												
14	Section 2 - Pre K-12 Education	8,635.1	0.9	8,636.0	270.0	0.0	270.0	134.0	5.2	139.2	66.4	0.0	66.4
15	Section 2 - Higher Education	3,219.3	20.4	3,239.8	149.0	3.4	152.4	160.1	3.4	163.5	138.4	3.4	141.8
16	Section 3 - Human Services	6,925.0	32.4	6,957.5	1,095.1	11.8	1,106.9	252.0	21.3	273.3	693.7	21.3	715.0
17	Section 4 Criminal Justice	3,209.3	7.1	3,216.3	0.9	4.4	5.3	5.1	4.4	9.5	14.8	4.5	19.3
18	Section 7 - Judicial Branch	44.6	0.0	44.6	96.2	0.4	96.6	82.3	0.4	82.7	35.0	0.4	35.4
19	Section 5 & 6 - Transportation & Economic Development	203.7	178.4	382.1	3.8	158.6	162.4	0.0	155.7	155.7	0.0	154.4	154.4
20	Section 5 - Natural Resources	134.0	52.7	186.8	0.0	87.7	87.7	0.0	80.7	80.7	0.0	79.5	79.5
21	Section 6 - General Government	218.9	33.5	252.4	2.4	29.0	31.4	0.8	26.9	27.7	0.9	26.9	27.8
22	Section 2 & 6 - Administered Funds - Statewide Issues	209.5	45.5	255.1	631.6	0.0	631.6	546.3	0.0	546.3	605.7	0.0	605.7
23	**Total New Issues**				2,249.0	295.3	2,544.3	1,180.7	298.1	1,478.8	1,554.8	290.4	1,845.2
24													
25	Appropriations Placed in Reserve		(0.5)	(0.5)									
26													
27	Current Year Operating Deficits (Medicaid, State Courts)		116.9	116.9									
28													
29	Transfer to Budget Stabilization Fund	0.0	214.5	214.5	0.0	214.5	214.5	0.0	214.5	214.5	0.0	214.5	214.5
30													
31	**Total Estimated Expenditures**	**22,799.3**	**701.9**	**23,501.2**	**25,033.3**	**509.8**	**25,543.1**	**26,214.0**	**512.6**	**26,726.6**	**27,768.9**	**504.9**	**28,273.7**
32	Reserves					1,000.0	1,000.0		1,000.0	1,000.0		1,000.0	1,000.0
33	**Ending Balance**	**811.7**	**428.9**	**1,240.6**	**238.2**	**35.6**	**273.8**	**653.6**	**38.5**	**692.1**	**487.9**	**352.6**	**840.6**

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	FY 2011-12			FY 2012-13			FY 2013-14			FY2014-15		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	104.0	104.0	0.0	50.1	50.1	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	1,350.8	-34.9	1,315.9	1,367.7	-24.8	1,342.9	1,386.4	0.0	1,386.4	1,409.7	0.0	1,409.7
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	**1,353.8**	**69.1**	**1,422.9**	**1,370.7**	**25.3**	**1,396.0**	**1,389.4**	**0.0**	**1,389.4**	**1,412.7**	**0.0**	**1,412.7**
Estimated Expenditures:												
Base Budget				1,346.9	0.0	1,346.9	1,396.0	0.0	1,396.0	1,389.4	0.0	1,389.4
Increase/Decrease				49.1	0.0	49.1	-6.6	0.0	-6.6	23.3	0.0	23.3
Total Estimated Expenditures	**1,346.9**	**25.9**	**1,372.8**	**1,396.0**	**0.0**	**1,396.0**	**1,389.4**	**0.0**	**1,389.4**	**1,412.7**	**0.0**	**1,412.7**
Ending Balance	**6.9**	**43.2**	**50.1**	**-25.3**	**25.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	FY 2011-12			FY 2012-13			FY 2013-14			FY2014-15		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	120.0	120.0	0.0	55.7	55.7	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from Abandoned Property TF	152.6	-10.9	141.7	160.6	0.0	160.6	165.6	0.0	165.6	170.8	0.0	170.8
Other Funds	3.3	159.8	163.1	3.8	0.0	3.8	3.8	0.0	3.8	3.8	0.0	3.8
Total Funds Available	**155.9**	**268.9**	**424.8**	**164.4**	**55.7**	**220.1**	**169.4**	**0.0**	**169.4**	**174.6**	**0.0**	**174.6**
Estimated Expenditures:												
Base Budget				145.1	0.0	145.1	169.4	0.0	169.4	169.4	0.0	169.4
Increase/Decrease				24.3	50.7	75.0	0.0	0.0	0.0	5.2	0.0	5.2
Total Estimated Expenditures	**145.1**	**224.0**	**369.1**	**169.4**	**50.7**	**220.1**	**169.4**	**0.0**	**169.4**	**174.6**	**0.0**	**174.6**
Ending Balance	**10.8**	**44.9**	**55.7**	**-5.0**	**5.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	FY 2011-12			FY 2012-13			FY 2013-14			FY2014-15		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	24.4	24.4	0.0	9.5	9.5	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	363.7	0.0	363.7	368.2	0.0	368.2	370.5	0.0	370.5	374.5	0.0	374.5
Non-operating Funds	14.6	0.0	14.6	14.2	0.0	14.2	14.2	0.0	14.2	14.2	0.0	14.2
Total Funds Available	**378.3**	**24.4**	**402.7**	**382.4**	**9.5**	**391.9**	**384.7**	**0.0**	**384.7**	**388.7**	**0.0**	**388.7**
Estimated Expenditures:												
Base Budget				378.0	0.0	378.0	382.4	0.0	382.4	384.7	0.0	384.7
Increase/Decrease				4.4	9.5	13.9	2.3	0.0	2.3	4.0	0.0	4.0
Total Estimated Expenditures	**378.0**	**15.2**	**393.2**	**382.4**	**9.5**	**391.9**	**384.7**	**0.0**	**384.7**	**388.7**	**0.0**	**388.7**
Ending Balance	**0.3**	**9.2**	**9.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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 2012, the required number of valid signatures is 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 2012 ballot, this means that there are 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.

At this point, no petition initiatives have received the required signatures to be placed on the 2012 ballot; however, seven constitutional proposals have been placed on the ballot by the Legislature.

Proposed Amendments for the 2012 Ballot

Initiative Name	Ballot # and Description
LEGISLATIVE... HEALTH CARE SERVICES	**Ballot # 1:** Proposing an amendment to the State Constitution to prohibit laws or rules from compelling any person or employer to purchase, obtain, or otherwise provide for health care coverage; permit a person or an employer to purchase lawful health care services directly from a health care provider; permit a health care provider to accept direct payment from a person or an employer for lawful health care services; exempt persons, employers, and health care providers from penalties and taxes for paying directly or accepting direct payment for lawful health care services; and prohibit laws or rules from abolishing the private market for health care coverage of any lawful health care service. Specifies that the amendment does not affect which health care services a health care provider is required to perform or provide; affect which health care services are

	permitted by law; prohibit care provided pursuant to general law relating to workers' compensation; affect laws or rules in effect as of March 1, 2010; affect the terms or conditions of any health care system to the extent that those terms and conditions do not have the effect of punishing a person or an employer for paying directly for lawful health care services or a health care provider for accepting direct payment from a person or an employer for lawful health care services; or affect any general law passed by two-thirds vote of the membership of each house of the Legislature, passed after the effective date of the amendment, provided such law states with specificity the public necessity justifying the exceptions from the provisions of the amendment. The amendment expressly provides that it may not be construed to prohibit negotiated provisions in insurance contracts, network agreements, or other provider agreements contractually limiting copayments, coinsurance, deductibles, or other patient charges.
LEGISLATIVE... VETERANS DISABLED DUE TO COMBAT INJURY; HOMESTEAD PROPERTY TAX DISCOUNT	**Ballot # 2:** Proposing an amendment to Section 6 of Article VII and the creation of Section 32 of Article XII of the State Constitution to expand the availability of the property discount on the homesteads of veterans who became disabled as the result of a combat injury to include those who were not Florida residents when they entered the military and schedule the amendment to take effect January 1, 2013.
LEGISLATIVE... STATE GOVERNMENT REVENUE LIMITATION	**Ballot # 3:** This proposed amendment to the State Constitution replaces the existing state revenue limitation based on Florida personal income growth with a new state revenue limitation based on inflation and population changes. Under the amendment, state revenues, as defined in the amendment, collected in excess of the revenue limitation must be deposited into the budget stabilization fund until the fund reaches its maximum balance, and thereafter shall be used for the support and maintenance of public schools by reducing the minimum financial effort required from school districts for participation in a state-funded education finance program, or, if the minimum financial effort is no longer required, returned to the taxpayers. The Legislature may increase the state revenue limitation through a bill approved by a super majority vote of each house of the Legislature. The Legislature may also submit a proposed increase in the state revenue limitation to the voters. The Legislature must implement this proposed amendment by general law. The amendment will take effect upon approval by the electors and will first apply to the 2014-2015 state fiscal year.
LEGISLATIVE... PROPERTY TAX LIMITATIONS; PROPERTY VALUE DECLINE; REDUCTION FOR	**Ballot # 4:** (1) This would amend Florida Constitution Article VII, Section 4 (Taxation; assessments) and Section 6 (Homestead exemptions). It also would amend Article XII, Section 27, and add Sections 32 and 33, relating to the Schedule for the amendments. (2) In certain circumstances, the law requires the assessed value of homestead and specified

NONHOMESTEAD ASSESSMENT INCREASES; DELAY OF SCHEDULED REPEAL	nonhomestead property to increase when the just value of the property decreases. Therefore, this amendment provides that the Legislature may, by general law, provide that the assessment of homestead and specified nonhomestead property may not increase if the just value of that property is less than the just value of the property on the preceding January 1, subject to any adjustment in the assessed value due to changes, additions, reductions, or improvements to such property which are assessed as provided for by general law. This amendment takes effect upon approval by the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012 general election, shall take effect January 1, 2013. (3) This amendment reduces from 10 percent to 5 percent the limitation on annual changes in assessments of nonhomestead real property. This amendment takes effect upon approval of the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012 general election, takes effect January 1, 2013. (4) This amendment also authorizes general law to provide, subject to conditions specified in such law, an additional homestead exemption to every person who establishes the right to receive the homestead exemption provided in the Florida Constitution within 1 year after purchasing the homestead property and who has not owned property in the previous 3 calendar years to which the Florida homestead exemption applied. The additional homestead exemption shall apply to all levies except school district levies. The additional exemption is an amount equal to 50 percent of the homestead property's just value on January 1 of the year the homestead is established. The additional homestead exemption may not exceed an amount equal to the median just value of all homestead property within the county where the property at issue is located for the calendar year immediately preceding January 1 of the year the homestead is established. The additional exemption shall apply for the shorter of 5 years or the year of sale of the property. The amount of the additional exemption shall be reduced in each subsequent year by an amount equal to 20 percent of the amount of the additional exemption received in the year the homestead was established or by an amount equal to the difference between the just value of the property and the assessed value of the property determined under Article VII, Section 4(d), whichever is greater. Not more than one such exemption shall be allowed per homestead property at one time. The additional exemption applies to property purchased on or after January 1, 2011, if approved by the voters at a special election held on the date of the 2012 presidential preference primary, or to property purchased on or after January 1, 2012, if approved by the voters at the 2012 general election. The additional exemption is not available in the sixth and subsequent years after it is first received. The amendment shall take effect upon approval by the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012

	general election, takes effect January 1, 2013. (5) This amendment also delays until 2023, the repeal, currently scheduled to take effect in 2019, of constitutional amendments adopted in 2008 which limit annual assessment increases for specified nonhomestead real property. This amendment delays until 2022 the submission of an amendment proposing the abrogation of such repeal to the voters.
LEGISLATIVE... STATE COURTS	**Ballot # 5:** Proposing a revision of Article V of the State Constitution relating to the judiciary. The State Constitution authorizes the Supreme Court to adopt rules for the practice and procedure in all courts. The constitution further provides that a rule of court may be repealed by a general law enacted by a two-thirds vote of the membership of each house of the Legislature. This proposed constitutional revision eliminates the requirement that a general law repealing a court rule pass by a two-thirds vote of each house, thereby providing that the Legislature may repeal a rule of court by a general law approved by a majority vote of each house of the Legislature that expresses the policy behind the repeal. The court could readopt the rule in conformity with the public policy expressed by the Legislature, but if the Legislature determines that a rule has been readopted and repeals the readopted rule, this proposed revision prohibits the court from further readopting the repealed rule without the Legislature's prior approval. Under current law, rules of the judicial nominating commissions and the Judicial Qualifications Commission may be repealed by general law enacted by a majority vote of the membership of each house of the Legislature. Under this proposed revision, a vote to repeal those rules is changed to repeal by general law enacted by a majority vote of the legislators present. Under current law, the Governor appoints a justice of the Supreme Court from a list of nominees provided by a judicial nominating commission, and appointments by the Governor are not subject to confirmation. This revision requires Senate confirmation of a justice of the Supreme Court before the appointee can take office. If the Senate votes not to confirm the appointment, the judicial nominating commission must reconvene and may not renominate any person whose prior appointment to fill the same vacancy was not confirmed by the Senate. For the purpose of confirmation, the Senate may meet at any time. If the Senate fails to vote on the appointment of a justice within 90 days, the justice will be deemed confirmed and will take office. The Judicial Qualifications Commission is an independent commission created by the State Constitution to investigate and prosecute before the Florida Supreme Court alleged misconduct by a justice or judge. Currently under the constitution, commission proceedings are confidential until formal charges are filed by the investigative panel of the commission. Once formal charges are filed, the formal charges and all further proceedings of the commission are public. Currently, the constitution authorizes the House of Representatives to impeach a justice or judge. Further, the Speaker of the House of Representatives may request, and the Judicial Qualifications

	Commission must make available, all information in the commission's possession for use in deciding whether to impeach a justice or judge. This proposed revision requires the commission to make all of its files available to the Speaker of the House of Representatives but provides that such files would remain confidential during any investigation by the House of Representatives and until such information is used in the pursuit of an impeachment of a justice or judge. This revision also removes the power of the Governor to request files of the Judicial Qualifications Commission to conform to a prior constitutional change. This revision also makes technical and clarifying additions and deletions relating to the selection of chief judges of a circuit and relating to the Judicial Qualifications Commission, and makes other nonsubstantive conforming and technical changes in the judicial article of the constitution.
LEGISLATIVE... PROHIBITION ON PUBLIC FUNDING OF ABORTIONS; CONSTRUCTION OF ABORTION RIGHTS	**Ballot # 6:** This proposed amendment provides that public funds may not be expended for any abortion or for health-benefits coverage that includes coverage of abortion. This prohibition does not apply to an expenditure required by federal law, a case in which a woman suffers from a physical disorder, physical injury, or physical illness that would place her in danger of death unless an abortion is performed, or a case of rape or incest. This proposed amendment provides that the State Constitution may not be interpreted to create broader rights to an abortion than those contained in the United States Constitution. With respect to abortion, this proposed amendment overrules court decisions which conclude that the right of privacy under Article I, Section 23 of the State Constitution is broader in scope than that of the United States Constitution.
LEGISLATIVE... RELIGIOUS FREEDOM	**Ballot # 7:** Proposing an amendment to the State Constitution to provide, consistent with the United States Constitution, that no individual or entity may be denied, on the basis of religious identity or belief, governmental benefits, funding, or other support and to delete the prohibition against using revenues from the public treasury directly or indirectly in aid of any church, sect, or religious denomination or in aid of any sectarian institution.

Significant Risks to the Forecast

While the Long-Range Financial Outlook uses the most current estimates and data available, there are risks that have the potential of altering key assumptions (both positively and negatively) were they to come to pass. Some of the more significant issues are described below; however, they are not included in the official projections used in the rest of the Outlook.

<u>Deepwater Horizon Oil Spill</u>

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 plug the leak, BP was able to place a temporary 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. After the well was permanently sealed from the bottom, the federal government deemed it "effectively dead" on September 19, 2010.

One estimate from the National Incident Command indicated 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, any persistent or long-term economic and environmental effects from the spill are still unknown. If lessons can be taken from the *Exxon Valdez* disaster, some of the answers may be many years away.

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 reasonable scenarios are just now becoming discernible for the oil spill. These circumstances dictate building the overall estimate from the bottom up --- from the individual components --- over time. In this regard, the Revenue Estimating and Social Services Estimating Conferences have begun to meet for the purpose of adopting specific impacts to be included in the State's claim(s) against BP. Whether there will be one claim or multiple claims and the date(s) of submission are yet to be determined. This means that the timing of the State's receipt of claim payments from BP is also unknown, and no projections have been included in this Outlook.

However, some external measures of the oil spill's impact are already available. One of these measures comes from the Gulf Coast Claims Facility (GCCF), the official entity acting for and on behalf of BP Exploration & Production, Inc. GCCF releases daily reports on the claiming process for businesses and individuals. The report for August 5, 2011, showed that there have been 87,450 unique Florida claimants paid a total of just under $2 billion. The payments were distributed among sixty-six of the state's sixty-seven counties, with seven counties receiving in excess of $100 million each --- the highest being Okaloosa at $473.2 million. While the ultimate amount of the claim(s) remains unknown, these numbers seem to suggest that the magnitude of the State's claim(s) will be significant.

Florida Hurricane Catastrophe Fund and Citizen's Property Insurance

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 comprised of liabilities that are not secured by traditional state revenues or are the primary obligation of a legal entity other than the state. A major component of Florida's 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 2010 Debt Affordability Report prepared by the Division of Bond Finance, these special purpose insurance entities represented $10.1 billion or 62 percent of total indirect debt.

For the 2011 storm season, the Florida Hurricane Catastrophe Fund's (FHCF) maximum statutory obligation arising from mandatory and selected optional coverages is up to $18.551 billion based on $31.7 billion in industry losses. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects $10.745 billion of liquidity, consisting of $7.245 billion in projected cash by December 2011 and $3.5 billion in pre-event notes. However, since the pre-event notes mature in October 2012, the FHCF is not depending on this liquidity for the 2011 storm season. Given recent financial market conditions, it is estimated the FHCF would be able to bond approximately $12.0 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 $19.245 billion, which exceeds the $18.551 billion in selected coverage.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2011 contract year was approximately $24.0 billion. Of this amount, $17 billion is mandatory coverage, and $7.0 billion is optional coverage. Of the maximum optional coverage, $5.45 billion in capacity was not selected by insurers. Only $1.14 billion was selected out of the $6 billion for Temporary Increase in Coverage Limit and only $411 million of the approximately $1.0 billion which was available for certain statutorily designated companies participating as Limited Apportionment Companies or companies participating in the Insurance Capital Build Up Incentive Program. The $18.551 billion in capacity selected translates to an approximate 1 in 52.3 year event (1.9 percent probability) or an event that causes $31.7 billion in industry losses.

For the 2011 storm season, Citizen's probable maximum loss for a 100-year storm event is $24.6 billion. Citizen's currently has claims paying ability of approximately $16.7 billion consisting of $5.8 billion cash, $3.8 billion pre-event financing, $575 million from private market reinsurance, and $6.6 billion FHCF reimbursements. In addition, Citizen's has the ability to levy broad-based assessments to support financing.

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 large potential financial liability for hurricane-related costs.

Unemployment Compensation Interest Payment

In August 2009, the Unemployment Compensation Trust Fund became insolvent. Since that time, the State has received repayable advances from the Federal Unemployment Account. Interest began accruing on the outstanding balance on January 1, 2011. According to current federal regulations, the first interest payment (estimated to be $57.7 million) is due to the federal government on September 30, 2011. The current forecast indicates that a second payment (estimated to be $63.1 million) will be required in Fiscal Year 2012-13. While repayment of the principal amount is made from unemployment compensation taxes, federal regulation prohibits payment of the interest costs from the tax collections. In response, the Florida Legislature passed a bill at the beginning of the 2010 Session (CS/HB 7033, or ch. 2010-1, L.O.F.) that requires a special assessment of employers to pay the interest due on the outstanding federal advances. To date, the assessment has produced sufficient revenue to cover the 2011 interest payment. Because the State is ultimately liable for future payments, any owed amount above the receipts collected from the assessment will likely fall to the General Revenue Fund. Even though such an event is unlikely to occur, the issue is retained as a risk.

Low Income Pool

The Low Income Pool was established by the state and approved by a waiver from the federal government effective July 1, 2006. The purpose of the Low Income Pool (LIP) is to ensure continued government support for health care services to Medicaid, underinsured and uninsured populations. The low-income pool consists of a capped annual allotment of $1 billion. These funds may be used for health care expenditures such as medical care costs or premiums incurred by the state, by hospitals, clinics, or by other provider types for uncompensated medical care costs as well as for any Medicaid funding shortfalls. Local governments, such as counties, hospital taxing districts and other state agencies (e.g. Florida Department of Health) provide funding for the non-federal share of the $1 billion in LIP distributions.

The Outlook assumes federal approval of the state's request to continue operating LIP at a $1 billion level over the three-year Outlook period. The state Agency for Health Care Administration was recently notified by the Centers for Medicare and Medicaid Services (CMS) that CMS and the federal Office of Management and Budget (OMB) were evaluating an early sunset date for supplemental federal funding pools such as Florida's Low Income Pool Program. This would have the impact of reducing Florida's supplemental funding by $500 million in Fiscal Year 2013-14 and $1 billion in Fiscal Year 2014-15 and could significantly impact the funding for hospitals and other health care providers accessing funds through this pool. These reductions will also impact Florida's Hospital Exemptions program, however the amount of impact to this program is indeterminate.

Litigation Against the State

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.

Administrative Liabilities

The State of Florida has an ongoing liability associated with the underlying cost of compensated absences. As of June 30, 2010, the State of Florida had 167,797 established positions in various personnel systems.[2] These state employment systems include the State Personnel System, the State University System, the Justice Administration System, the State Courts System, the Legislature, the Florida Lottery, and other pay plans such as the Governor's Office, the School for the Deaf and the Blind, and the Florida National Guard.

The state's financial statements prepared by the Chief Financial Officer report a liability for compensated absences that describe paid time off made available to employees in connection with regular leave, sick leave, and similar benefits. For financial reporting purposes, compensated absences are limited to leave that is attributable to services already rendered and is not contingent on a specific event outside the control of the employer and employee. The state's liability for such compensated absences is reported in Note 10, Changes in Long Term Liabilities, of the State's financial statements which

[2] Fiscal Year 2009-2010 Annual Workforce Report, Department of Management Services

are commonly referred to as the Comprehensive Annual Financial Report (CAFR).[3] The CAFR separately distinguishes liabilities for governmental activities (all governmental funds and internal service funds), business-type activities (or enterprise funds which include the Agency for Workforce Innovation, the Lottery, the Florida Hurricane Catastrophe Fund, and the Division of Bond Finance), and discretely presented component units (state universities and community colleges).

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 16 and 34, the liability for compensated absences is calculated on both a short term and long term basis. The long term calculation reflects the compensated absences liability that would result if all employees were to separate from the State. The short term calculation (due within one year) is calculated using the current and two previous fiscal years actual compensated absences that were used by current employees or were paid out as employees separated from the State. The three-year average of the annual percentage of actual used and paid compensated absences to the total amount calculated for the long term liability is used to determine the short term liability. The short term and long term liabilities for compensated absences, as reported in the CAFR, as of June 30, 2010, are:

Compensated Absences	Balance 6/30/2010*	Due Within One Year* (Current)
Governmental Activities	861,176	233,667[4]
Business-type Activities	21,460	5,098
Component Units	638,834	64,919
Total:	1,521,470	303,684

* in thousands

Currently, these obligations are paid out of existing agency appropriations on an annual basis. Therefore, this liability is not included as a specific driver to the Outlook.

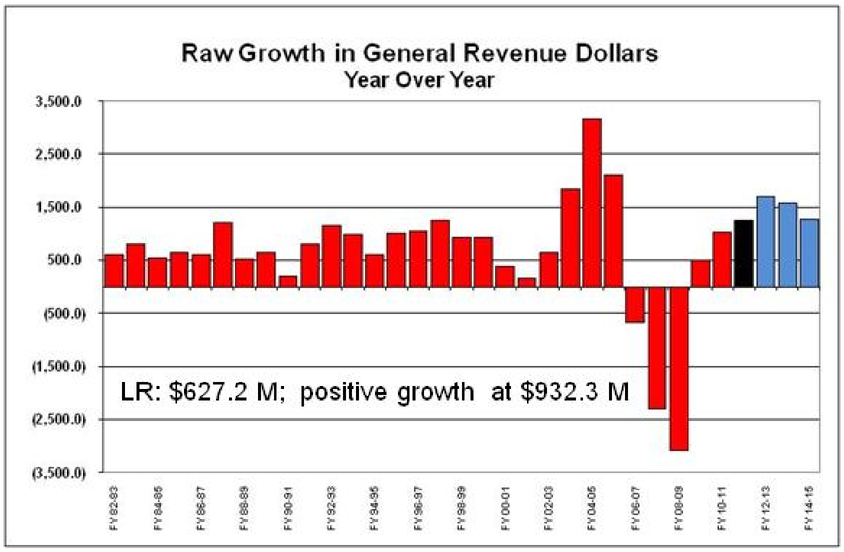
Slowing Economy and Reduced Revenue Forecasts

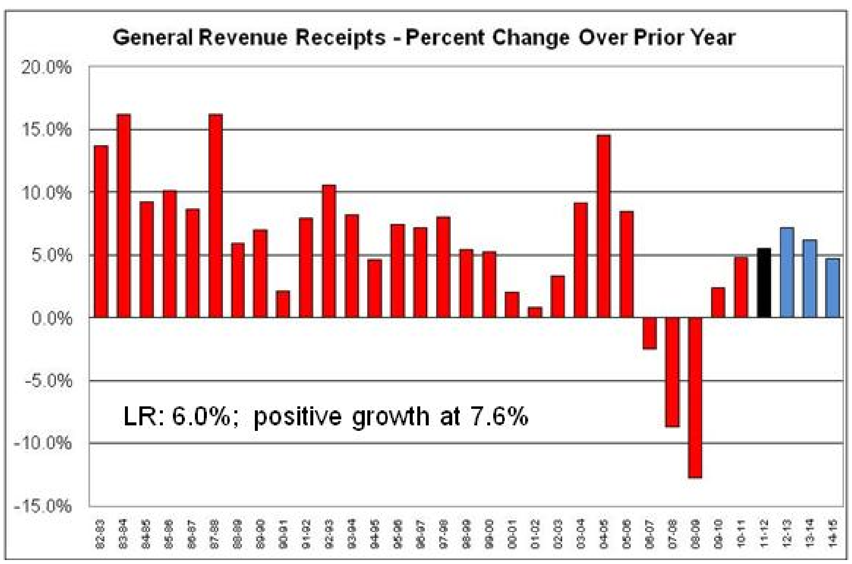
As discussed elsewhere in this document, the forecast for General Revenue collections contains strong growth rates for all years of the Outlook period, including the 2011-12 starting point. A significant part of this growth is attributable to existing Florida residents spending more, rather than the effect of increased population. For this assumption to hold, consumer confidence has to remain strong.

Historically, the long-run average annual growth in dollars over the prior year is $627.2 million. When the three negative-growth years of the most recent recession are excluded, average growth rises to $932.3 million per year. In contrast, the General Revenue

[3] Note 10, 2010 Florida Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2010 (http://www.myfloridacfo.com/aadir/statewide_financial_reporting/1entirecafr10.pdf)
[4] Actual cash payouts for employees separating from state employment for Fiscal Year 2009-2010 totaled $47.2m based on data provided by the Department of Financial Services, August 2011.

forecast currently projects growth ranging between $1.2 billion and $1.7 billion per year—significantly higher than history appears to suggest. This is particularly so since some of the prior years contained tax increases which inflated collections over typical growth patterns. Evaluating the percentage change instead of the dollar change, a slightly different picture emerges. The forecast numbers translate into percentage changes ranging from 4.7 percent to 7.1 percent over the prior year. With a long-run average of 6 percent and an average of 7.6 percent for all positive-growth years (again removing the negative-growth years associated with the recession), these percentages fall within acceptable ranges, albeit at the high end given Florida's projected population growth over this period. Moreover, much of the growth is back-loaded—building on prior gains and increasing each quarter.





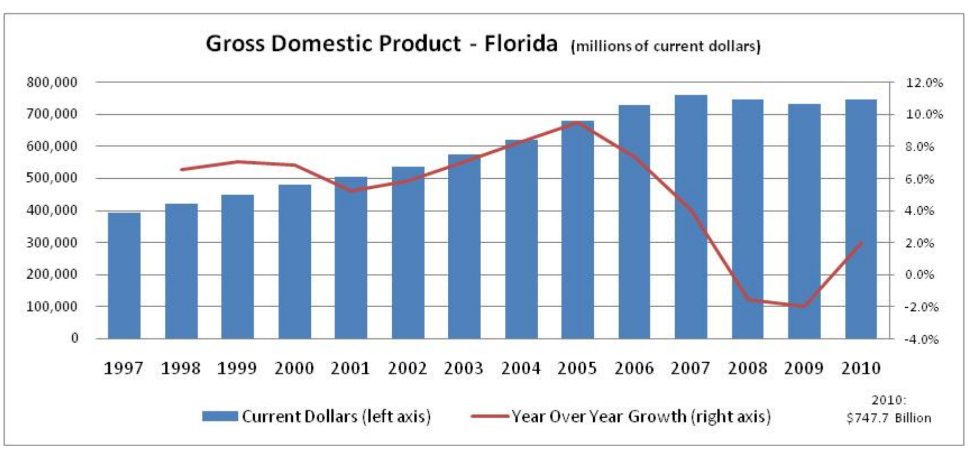
With the economy currently showing signs of much slower growth than expected coupled with plummeting consumer confidence, there is a **strong risk** that General Revenue growth rates will be lowered at a future conference. This change would negatively alter the forecast. To the extent that the forecast is reduced and the current year falls below expectations, some or all of the balance anticipated to be carried forward into Fiscal Year 2012-13 from Fiscal Year 2011-12 would become unavailable and worsen the revenue balance for the subsequent years. Each of those years carries a similar risk. If growth rates are lowered for multiple years, the impact compounds across the years. Such a change has become almost a certainty.

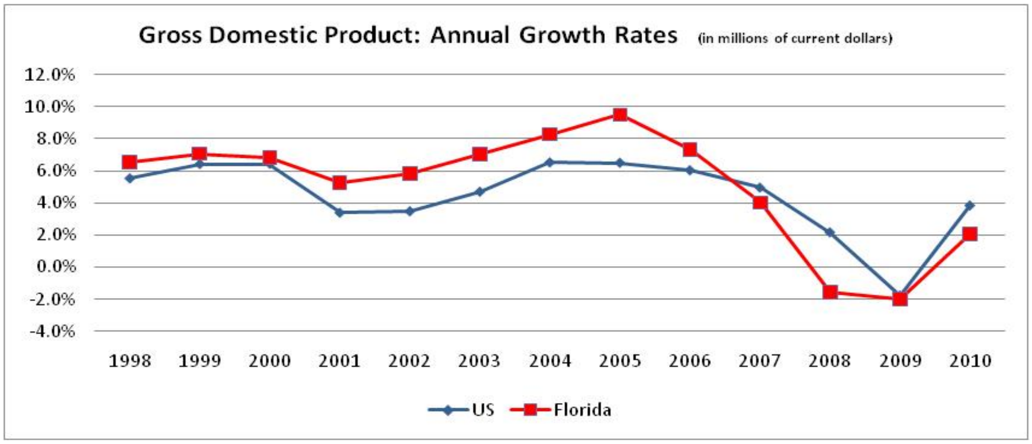
Florida Economic Outlook

The Florida Economic Estimating Conference met in February of 2011 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast is cautiously optimistic that the recovery will continue, albeit at a slower pace. 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. In the forecast, months of modest growth are expected before full recovery begins in earnest sometime in the 2012 calendar year. Risks that this forecast will be weakened even further have heightened in recent weeks.

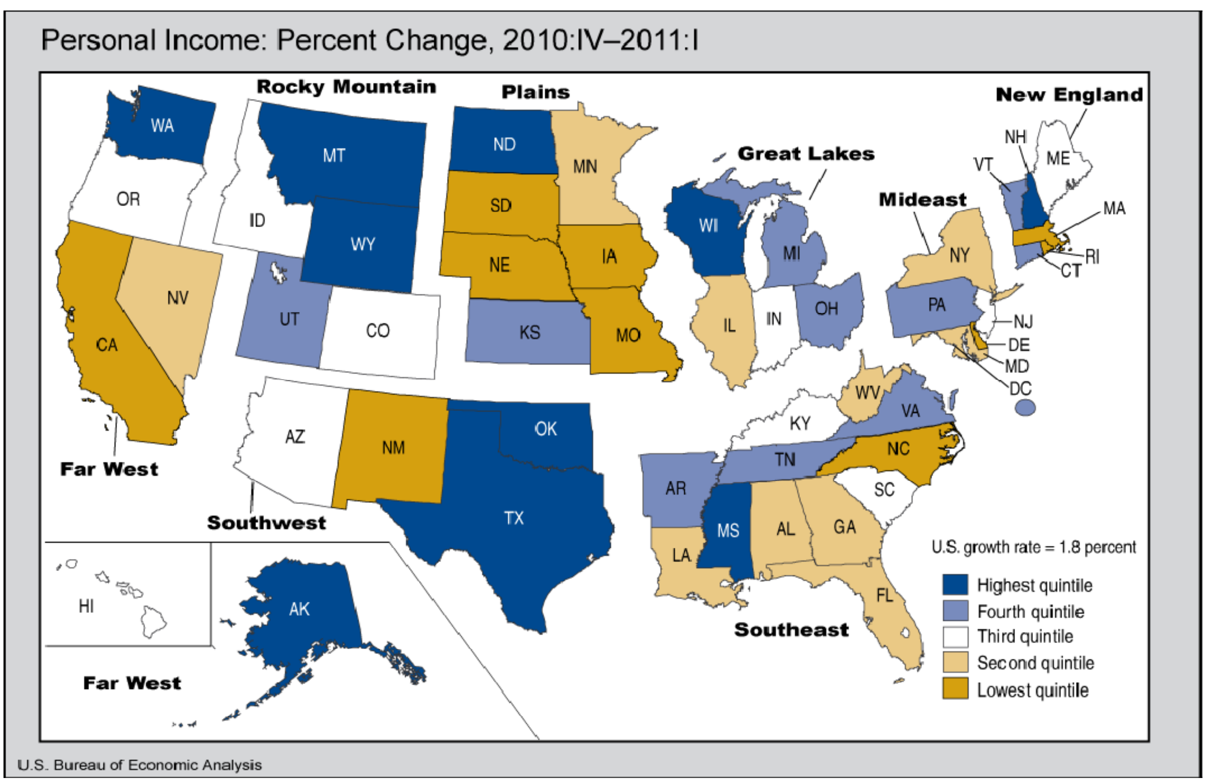
With the exception of employment-related statistics, most measures of the Florida economy were beginning to show signs of life by the beginning of the 2010 calendar year. However, the state's highest unemployment rate on record actually came later that year—reaching 12 percent in December 2010. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate the economic extremes the state faced to get to this point.

One economic measure for comparing states is the year-to-year change in the **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using this measure, Florida was one of the nation's fastest growing states from 1997 to 2006, reaching almost double-digit growth in 2005 and outperforming the nation in the first nine of the last thirteen years. With the end of the housing boom and the beginning of the real estate market correction, the state slipped into two years of negative growth (2008 and 2009). 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. By 2009, national GDP had also fallen negative as the Great Recession gripped the country. As the recession ended and the slow recovery began in 2010, Florida's economy regained its footing, registering 2 percent growth over the prior year in current dollars, and 1.4 percent growth in inflation-adjusted dollars. The state was ranked 40th in the country in real growth.





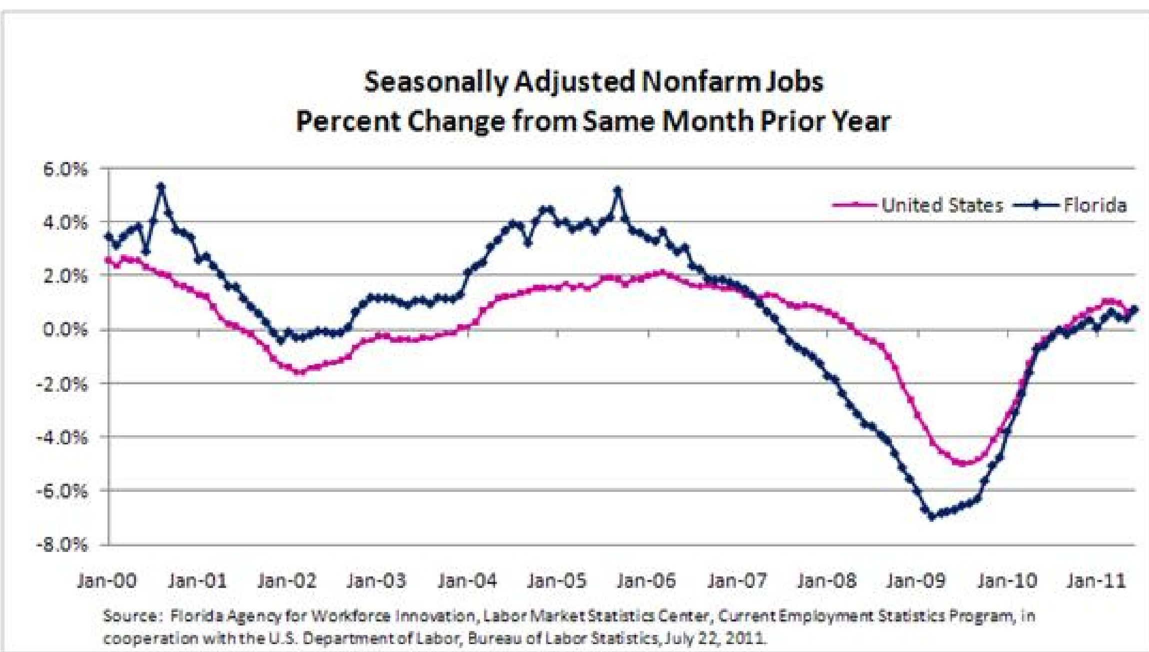
Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth –** primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income. The increase of 1.6 percent in the most recent quarter (Q1 of the 2011 calendar year) ranked Florida 38th in the country, lagging slightly behind the nation's growth of 1.8 percent.

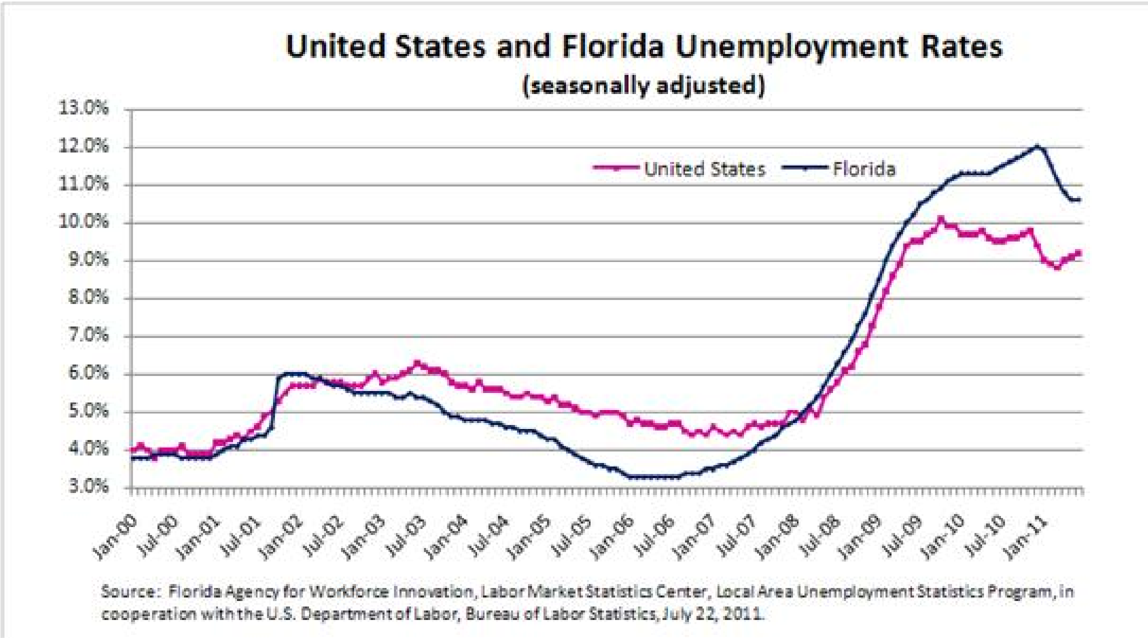


The key measures of employment are **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until October 2010 when Florida experienced its first over-the-year increase in jobs since June 2007. By June 2011, Florida had seen nine consecutive months of positive over-the-year job growth. However, Florida is still 824,200 jobs below its peak during the boom. This tells us that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak employment level will not occur until the end of Fiscal Year 2015-16 at the earliest. Since population has continued to grow, the reality is actually worse than it appears---it would take the creation of about 1.0 million jobs for the same percentage of the total population to be working as was the case at the peak.

The state's unemployment rate in June was 10.6 percent, persistently staying higher than the national rate of 9.2 percent. At the time, Florida had 982,000 unemployed people and was ranked 4th in the country for its unemployment rate. Even more troublesome, 38 of Florida's 67 counties still had double-digit unemployment rates. If discouraged workers are included, the rate moves up to 11.6 percent—and if the discouraged, all other marginally attached, and workers employed part-time involuntarily are included, the rate would be 18.7 percent.

However, there are signs of improvement. The preliminary data suggest that one-half of the state's twelve major job sectors showed year-over-year growth in Fiscal Year 2010-11 compared to only one sector in Fiscal Year 2009-10: Natural Resources & Mining; Wholesale & Retail Trade; Professional & Business Services; Education & Health Services; Leisure & Hospitality; and, Other Services.





To a great extent, the slow recovery in the jobs sector is related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 687,200 jobs and has lost 350,300 jobs (-51.0 percent) since then. The growing inventory of unsold houses coupled with the still sluggish credit market dampened residential construction activity throughout the entire 2010-11 fiscal year. In July 2010, the Florida Economic Estimating Conference (FEEC) had expected a meager 36,700 private housing starts for the fiscal year. In fact, new activity is likely to have fallen slightly below that level. Portending continuing problems, building permits for one-family houses are running 10.3 percent below last year at the same time (January to June 2011 compared to January to June 2010). In yet another manifestation of the significant housing market adjustment still facing Florida, existing single family home sales ended the 2010 calendar year at 30 percent below the peak volume of the 2005 banner year, while the median home price continued its decline.

In the final analysis, 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 price deceleration and accompanying 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 the 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. After the recession officially ended in June 2009, initial improvements on both the state and national fronts sputtered 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 sometime in calendar year 2012. The remaining questions focus on the actual pace of recovery, the degree of remaining turbulence, and the risk of a second recession. Each of these issues is discussed separately below.

Pace of Recovery...

The pace of Florida's recovery will be driven in large measure by the time it takes for the ***construction industry*** to revive. 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 adjustable-rate mortgages). 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 who 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. While the national inventory of unsold homes had improved to a fairly stable six months in June 2011, the picture is much different in Florida. Foreclosures have further swelled the state's unsold inventory of homes and will continue to do so in the near-term. Originally related to mortgage resets and changes in financing terms that placed owners in default, more recent increases have been boosted by the persistently high levels of unemployed persons facing financial ruin. Private sector data for the first six months of the year shows that Florida was the second highest state in the country for foreclosure filings, and eighth highest for the rate of foreclosure. While legal issues regarding the processing of foreclosure documents have considerably slowed the pace of foreclosure completions and placement on the market, this is a temporary lull. The actual backlog is continuing to build.

Foreclosures & Shadow Inventory

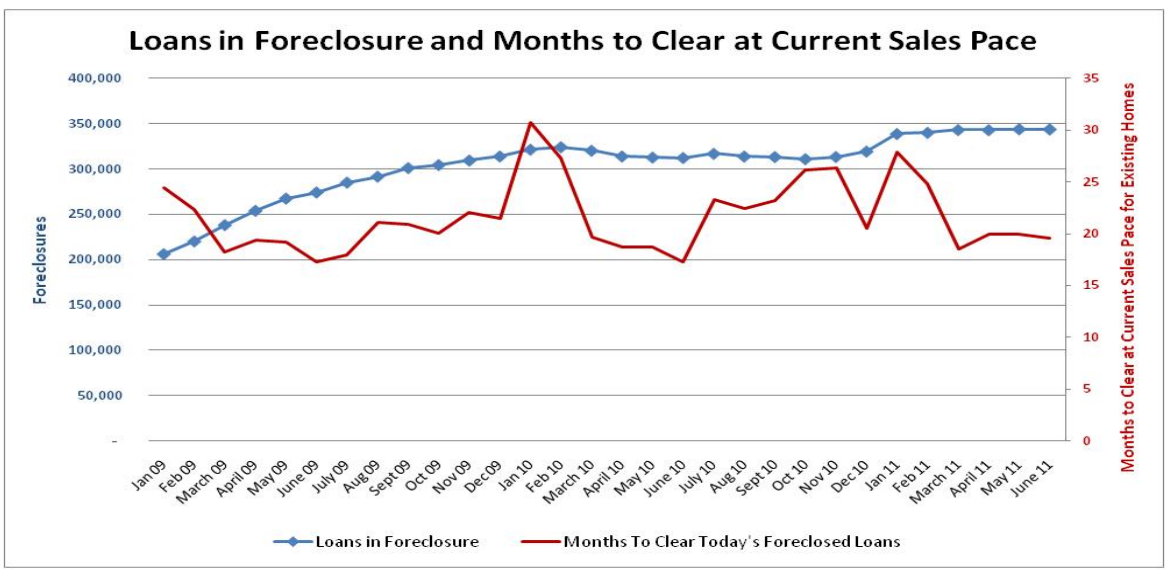
State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
FL	8.8%	13.9%	22.7%	64%
NV	10.9%	7.7%	18.6%	142%
MS	[illegible]	3.4%	17.0%	397%
NJ	[illegible]	7.1%	14.5%	104%
GA	11.0%	3.1%	14.0%	355%
IL	7.6%	[illegible]	13.9%	121%
OH	8.6%	4.9%	13.5%	177%
IN	8.8%	4.7%	[illegible]	188%
LA	9.7%	3.6%	[illegible]	269%
RI	8.6%	4.6%	13.2%	190%
MD	9.4%	3.1%	12.6%	[illegible]
TN	10.1%	2.4%	12.5%	415%
SC	8.7%	3.7%	12.5%	233%
NY	7.5%	5.0%	12.5%	151%
AL	10.3%	1.8%	12.1%	564%
WV	9.5%	2.6%	12.1%	370%
MI	9.1%	2.9%	12.0%	316%

State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
ME	7.0%	4.9%	11.9%	143%
AZ	8.1%	3.8%	11.9%	214%
CT	7.5%	4.2%	11.7%	180%
CA	8.5%	3.2%	11.7%	266%
DE	7.5%	4.1%	11.6%	184%
NC	8.5%	2.9%	11.4%	292%
PA	7.8%	3.2%	11.0%	242%
KY	7.4%	3.5%	10.9%	210%
HI	6.1%	4.7%	10.8%	128%
WI	6.4%	4.1%	10.4%	156%
AR	[illegible]	[illegible]	[illegible]	[illegible]
OK	[illegible]	[illegible]	[illegible]	[illegible]
MA	[illegible]	[illegible]	[illegible]	[illegible]
MO	[illegible]	[illegible]	[illegible]	[illegible]
DC	[illegible]	[illegible]	[illegible]	[illegible]
NM	[illegible]	[illegible]	[illegible]	[illegible]
TX	[illegible]	[illegible]	[illegible]	[illegible]

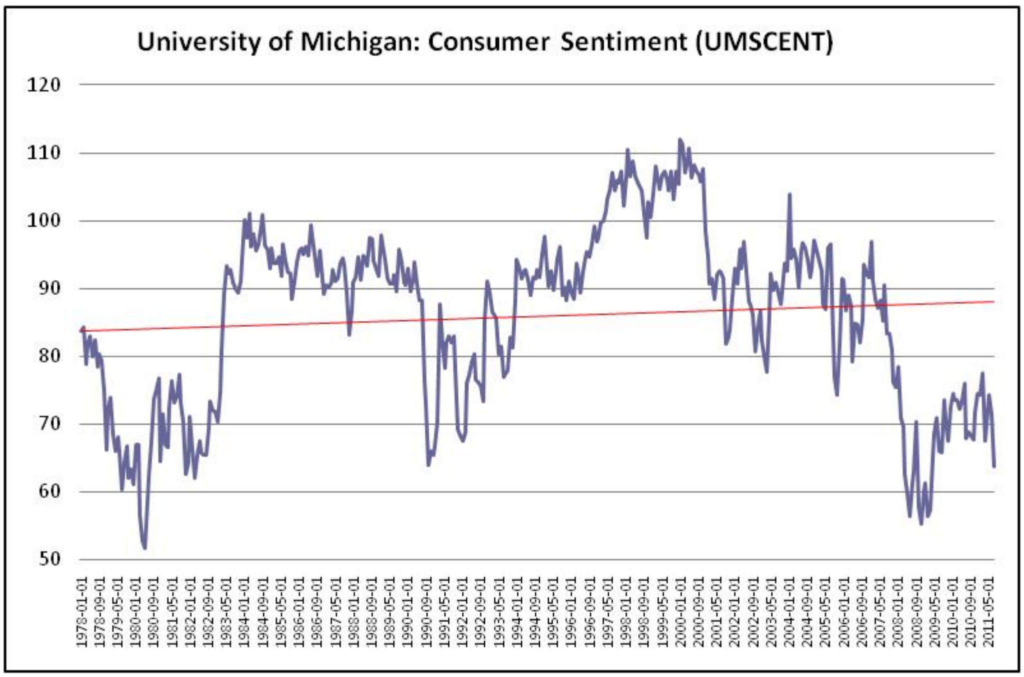
State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
WA	6.7%	2.5%	9.2%	266%
NH	6.7%	2.1%	8.8%	317%
UT	6.7%	2.2%	8.8%	303%
KS	6.5%	2.2%	8.8%	292%
ID	5.9%	2.7%	8.6%	219%
OR	5.4%	3.1%	8.5%	174%
VA	6.4%	1.9%	8.3%	329%
IA	5.2%	2.9%	8.1%	177%
VT	4.7%	3.2%	7.9%	148%
MN	5.0%	2.1%	7.1%	235%
[illegible]	[illegible]	[illegible]	6.8%	270%
[illegible]	[illegible]	[illegible]	6.7%	360%
[illegible]	[illegible]	[illegible]	6.5%	214%
[illegible]	[illegible]	[illegible]	5.8%	329%
[illegible]	[illegible]	[illegible]	5.6%	395%
[illegible]	[illegible]	[illegible]	5.0%	227%
[illegible]	[illegible]	[illegible]	4.0%	255%

State	Del %	FC %	Non-Curr %
National	7.97%	4.14%	12.11%
FL	8.8%	13.9%	22.7%

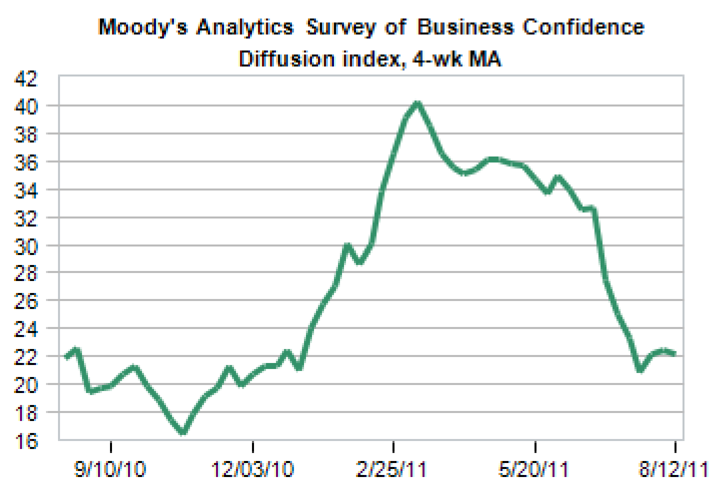
Based on the most recent data, the ***excess*** supply of homes in Florida continues to grow. Subtracting the "normal" inventory of approximately 50,000 and using the most recent sales experience, the state will need significant time to work off the current excess – at least two years in the optimistic scenario, likely longer (see below). Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced.



Degree of Remaining Turbulence...The path to full recovery will be far from smooth. Evaluating the ramifications of the evolving Eurozone sovereign debt crisis, dealing with domestic shocks like the Standard & Poor's downgrade of U.S. Treasuries, and coming to grips with the glacial pace of recovery will all wreak havoc on consumer confidence. Even though perceptions are generally improving from their lows, consumer sentiment remains extremely fragile and shaky. Not long from the worst recession since the Great Depression, many consumers are still risk adverse and quick to react strongly to evolving events—sometimes in perverse ways. Paradoxically, the immediate public response to the Standard & Poor's downgrade of U.S. Treasuries was a strong rally in U.S. Treasuries.



Moody's Analytics' *Survey of Business Confidence* has displayed a pattern similar to consumer sentiment since the official end of the recession.



In some cases, the shifting is unwarranted. Much of the economic data comes with a significant lag. Events that appear to be unfolding with great rapidity really occurred three to six months ago or longer. Because people lived in the intervening time with a false—and sometimes unrealistic—impression, the actual data appears as a reversal of fortune, a belief that isn't justified. Moreover, some events that are being hailed as harbingers of worse times to come are really indicators of unrelated economic phenomenon. For example, several leading economists have been warning for a while that the stock market is overvalued given the underlying economic conditions. Yet any correction is seen by some as another sign that the economy is tanking. Given all this, it appears that turbulence and continued turmoil will be a fact of life for the near-term.

Risk of a Second Recession...

In spite of the recent turmoil and lurching markets, mainstream economists and major forecasting firms do not believe a decline into a second recession is the most likely scenario. The forecasts of two of these firms form the basis of much of the analytical work conducted by the Legislative Office of Economic and Demographic Research on the national economy. While recognizing that the economy is barely growing in his control forecast, Nigel Gault of IHS Global Insight has included a second recession in his pessimistic scenario, placing the probability at 40 percent. He notes that the United States is "extremely vulnerable to shocks which potentially could push our economy over the edge into recession." Mark Zandi, representing Moody's Analytics and the associated publication *Dismal Scientist*, believes that the risk of a second recession is low given the better economic fundamentals and improvement since the end of the Great Recession. However, he indicates that the probability of a second recession has risen in recent weeks to one in three (33 percent), higher than at any time since the recovery began two years ago.

A USA TODAY survey of 39 leading economists shows a 30 percent chance of a recession in the median estimate, while Nouriel Roubini, one of the first economists to predict that the United States would enter the Great Recession, is now saying that the US and other advanced economies are "odds-on for a second severe recession."

Florida's Demographic Projections and the Census

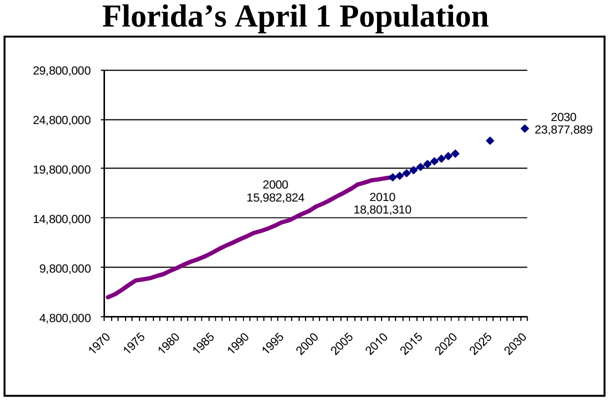
Understanding the underlying components of Florida's population growth and demographic composition helps shed light on the state's primary economic driver by providing insight into the needs and pressures that face the state. The Florida Demographic Estimating Conference is expecting slow to moderate population growth over the next few years, as the state gradually recovers from the recession.

Overall Population Growth

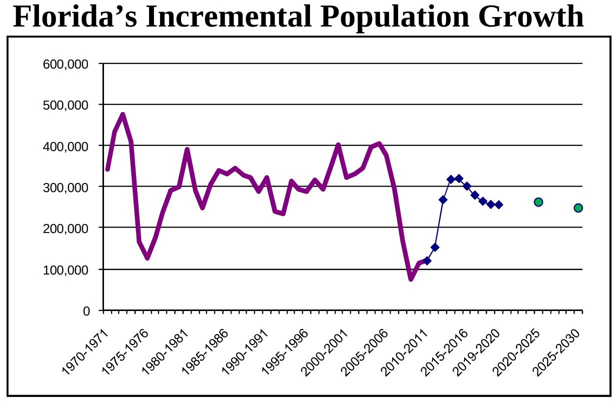
During the 1990's, the number of people in the state rose by 3 million—only California and Texas grew by more during the decade. This represented a 23.5 percent increase in Florida's population. Even with slower growth during the first decade of the 21st century, Florida continued to rank third in the number of net new residents with a 17.6 percent increase over 2000. Today, Florida remains the fourth largest state behind California with 37.3 million residents, Texas with 25.1 million residents and New York with 19.4 million residents. However, Florida is still on track to break the 20 million mark by the end of 2015, becoming the third most populous state sometime before then – surpassing New York. Nationally, the United States also had slower growth over the past decade, growing by 13.2 percent between 1990 and 2000 and 9.7 percent between 2000 and 2010.

Florida's April 1, 2010 Census count of 18,801,310 represented an increase of 2,818,486 persons over the Census 2000 count of 15,982,824. As suspected, Florida's population grew faster in the early 2000's than in the latter part of the decade. Annually between April 1, 2007 and April 1, 2010, Florida's population growth slowed to less than 1.0 percent per year. Over the next few years, Florida's population growth is expected to be slow to moderate.

Florida's April 1 Population



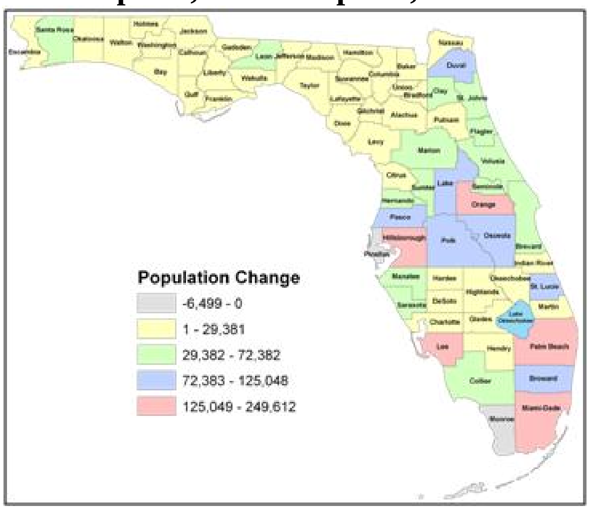
Florida's Incremental Population Growth



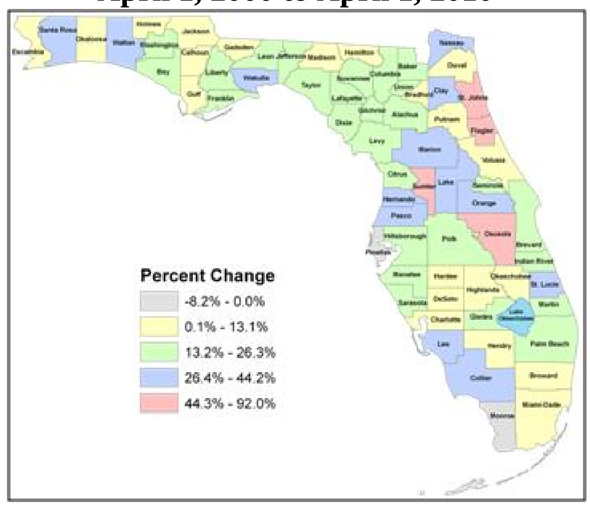
Over the past decade, three Florida counties expanded by adding population equivalent to a city about the size of Orlando: Orange, Miami-Dade and Hillsborough. During this time, only two counties lost population: Monroe and Pinellas. In contrast, four counties (Flagler, Sumter, Osceola and St. Johns) experienced population growth rates above 50 percent. They were closely followed by St. Lucie, Lake, and Lee, each of whom posted growth rates between 40.3 percent and 44.2 percent. Flagler and Sumter counties were among the fastest-growing counties in the United States, ranking third and eighth, respectively (based on counties with a population of at least 10,000 in 2000).

Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally after the Census was completed. In 2010, 50.3 percent of Florida's residents lived in one of its 411 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most dense county is Pinellas, while its least dense county is Liberty. In terms of population, Liberty is also the smallest county in the state—Miami-Dade holds 298 times Liberty's population.

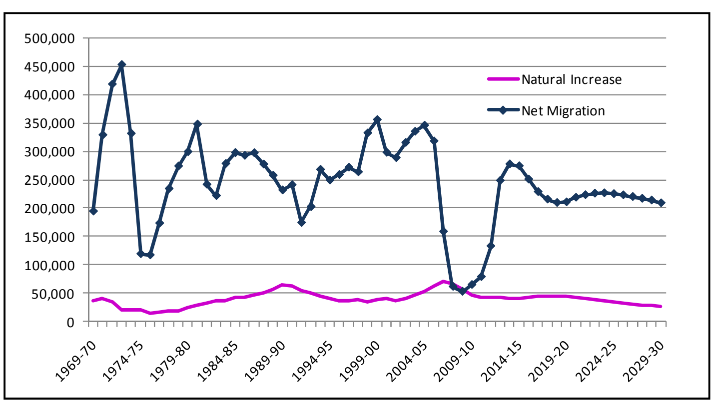
Population Change
April 1, 2000 to April 1, 2010



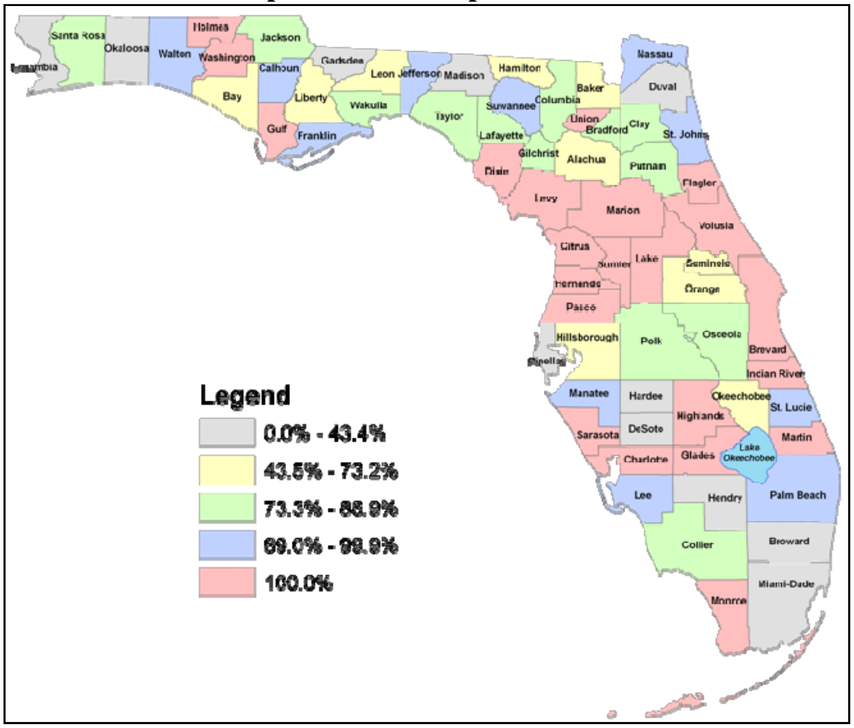
Population Growth
April 1, 2000 to April 1, 2010



Population growth depends on two components -- natural increase, which is the difference between births and deaths, and migration, both domestic and international. During the 1990's, natural increase accounted for 14.7 percent of the growth and net migration accounted for 85.3 percent. From April 1, 2000 to April 1, 2010, natural increase accounted for 18.4 percent of Florida's growth while net migration accounted for 81.6 percent.



Net Migration by County
April 1, 2000 to April 1, 2010



Florida's population growth depends upon in-migration, as just over one-third (35.3 percent) of Floridians were born in the state. Between April 1, 2000 and April 1, 2010 there were 22 counties in the state where all of the population growth was due to net migration.

During the recent recession net migration to the state slowed significantly, but is forecast to rebound over the forecast horizon with net migration representing 88.6 percent of Florida's population growth in 2030.

While Florida continues to be one of the top destinations for in-migration, it recently slipped from its second-place ranking as the state where most U.S. adults would choose to live if they did not live in their own states to third (*The Harris Poll*, October 2010)—falling behind California and Hawaii. From 1997 through 2001, Florida had actually topped the list of states to which people would like to move. Among Baby Boomers (ages 46 to 64), Florida is still the second most popular state. It's clear from these results that Florida remains attractive to pre-retirees, which will likely fuel population growth in the future.

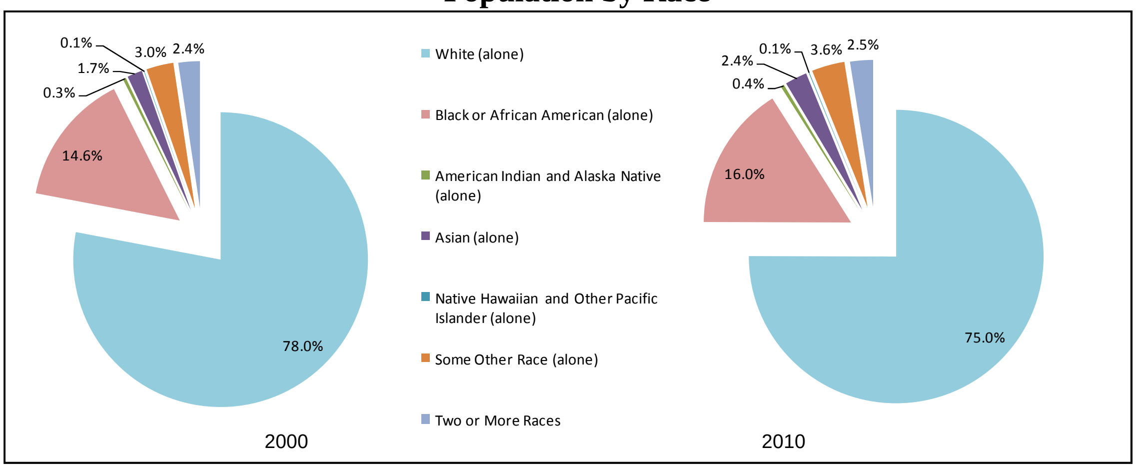
<u>Demographic Composition and Long-Term Trends</u>

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

In terms of race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the enumerated population was nonwhite; in 1990, 15.2 percent was nonwhite, and in 2000 (using the same definitions of race as in previous years) 17.8 percent was nonwhite.

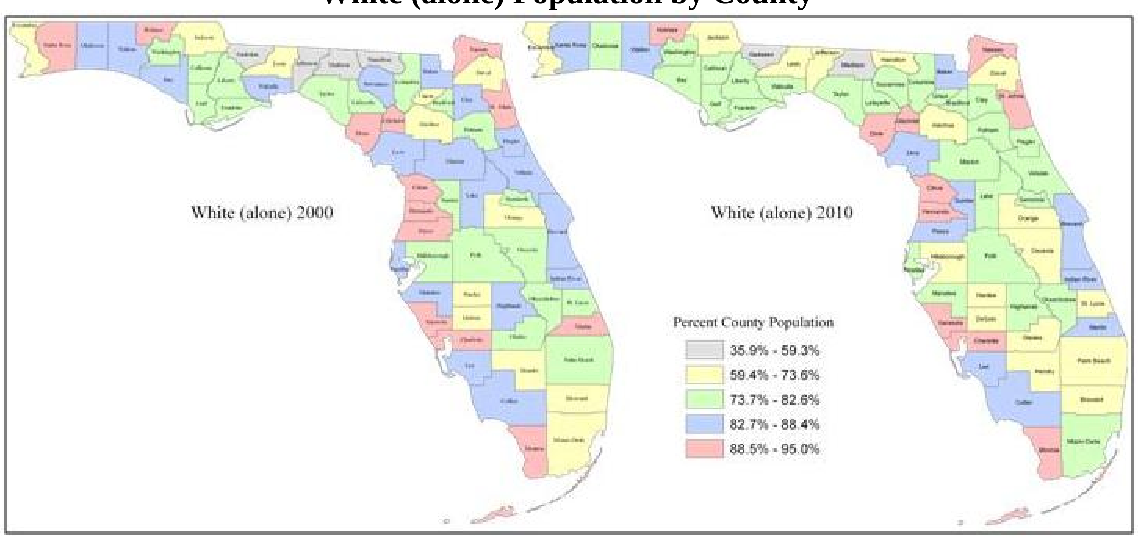
Beginning with Census 2000, respondents were given the option of selecting more than one racial category. The percentage of white (alone) fell slightly from 78.0 percent to 75.0 percent between 2000 and 2010. During this time period, the percentages of Black or African American (alone) increased from 14.6 percent to 16.0 percent, while the percentage of Asian (alone) increased from 1.7 percent to 2.4 percent.

Population by Race



The maps below show changes in the percentage of white (alone) by county from 2000 to 2010. In 53 of Florida's 67 counties, the percentage of white (alone) declined over the decade. The county with the greatest percentage of white (alone) was Citrus, while the county with the smallest percentage was Gadsden.

White (alone) Population by County



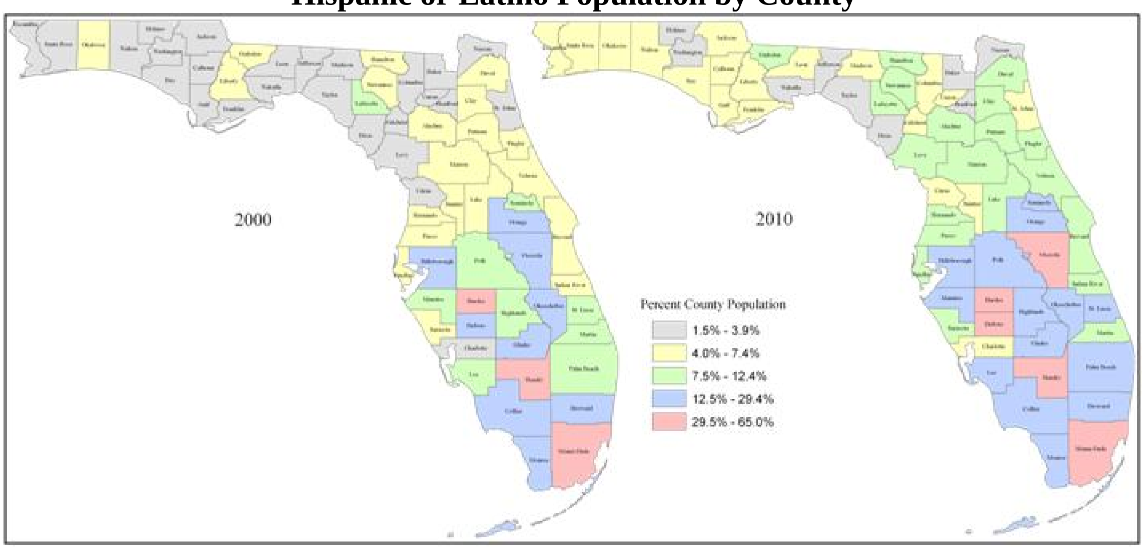
In contrast, only five of Florida's counties reported a decline in the percentage of Asian (alone) between 2000 and 2010. The largest increase in the percentage of Asian (alone) occurred in Alachua, Orange, Duval, Hillsborough, and Seminole counties.

As used in federal standards from the Office of Management and Budget and the Census Bureau, being of Hispanic origin refers to an ethnicity, not a race. These are separate and distinct concepts. Someone of Hispanic origin can be of any race. In Florida, the Hispanic or Latino population continues to grow, representing 22.5 percent of total population in 2010, up from 16.8 percent in 2000. Nationally Hispanic or Latinos represented 16.3 percent in 2010, up from 12.5 percent in 2000.

Relative to the top three most populous states, Hispanic or Latinos represented a larger percentage of the total population (37.6 percent) in both California and Texas, while in New York they represented 17.6 percent. Between 2000 and 2010, the percentage of Hispanic or Latinos grew by 57.4 percent in Florida, faster than the United States (43.0 percent), Texas (41.8 percent), California (27.8 percent), and New York (19.2 percent). According to the 2010 Census, 28.7 percent of Florida's Hispanic population indicated that they were of Cuban origin, with 70.5 percent of this population group residing in Miami-Dade County.

The distribution of Florida's Hispanic or Latino population is shown in the map below. In 2010, the county with the greatest percentage of Hispanic or Latino population was Miami-Dade (65.0 percent), while Baker had the smallest percentage (1.9 percent). The percent of Hispanic or Latino population increased in all but one (Sumter) of Florida's 67 counties between 2000 and 2010. Osceola County posted the largest gain in percentage, moving from 29.4 percent to 45.5 percent.

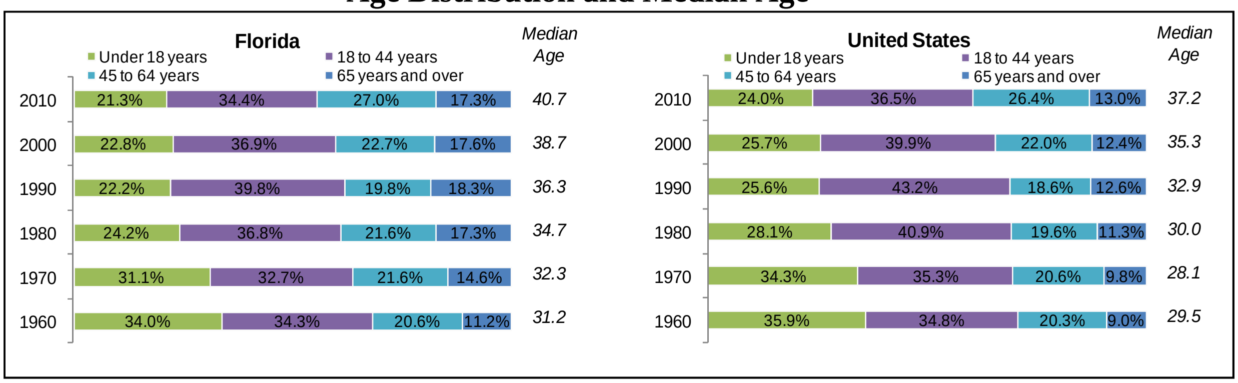
Hispanic or Latino Population by County



Florida's diverse racial and ethnic population is also evident by the number of Floridians (age 5 or older) that spoke a language other than English at home (4.6 million). Of these

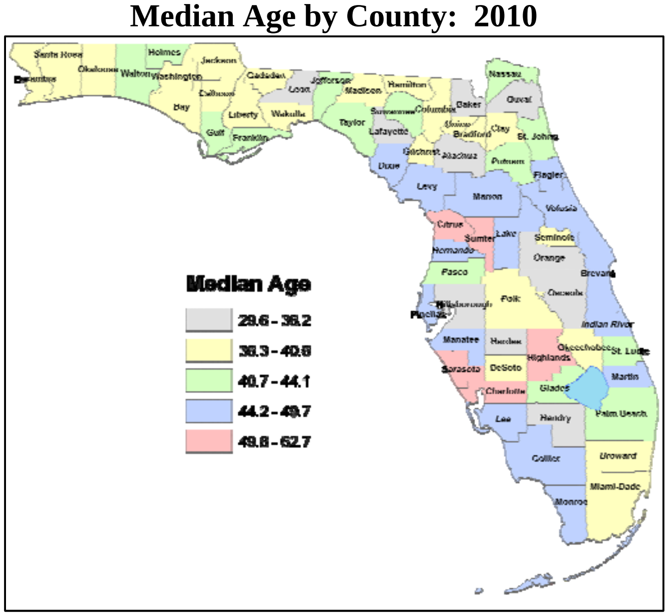
Floridians, about 2.0 million spoke English less than "very well." In addition, in 2009 it was estimated that 18.8 percent of Florida's population was foreign born.
Florida's population has continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960 and 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to a new high of 37.2, up from 35.3 in 2000. The aging of the Baby Boom population into the older age groups has been contributing to the increase in the median age in both the United States and Florida. However, the "graying" of the population has been more intense here than elsewhere. The percentage of population aged 65 and older in Florida (17.3 percent) is greater than in any other state, surpassing the overall percentage in the nation (13.0 percent). West Virginia and Maine rank second and third in the percentage of population aged 65 and older (16.0 percent and 15.9 percent, respectively).

Age Distribution and Median Age



In 2010 there were four states where the median age was higher than Florida: Maine (42.7), Vermont (41.5), West Virginia (41.3) and New Hampshire (41.1). Median ages vary across the state from a low of 29.6 in Leon County to a high of 62.7 in Sumter County. In 2010, there were five Florida counties with a median age of 50 and older.

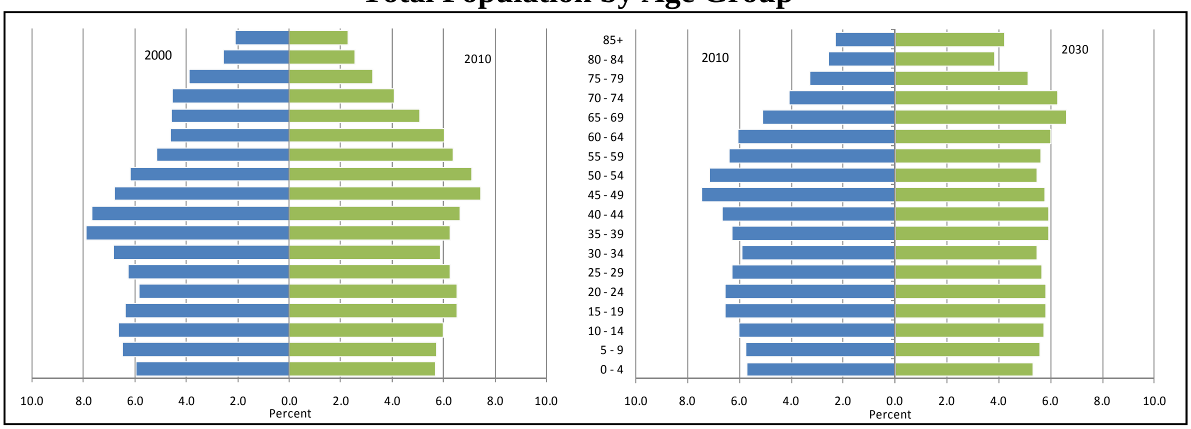
Median Age by County: 2010



Five of Florida's cities were among the locations with the highest median ages in the country – Clearwater (43.8), Cape Coral (42.4), Fort Lauderdale (42.2), Hialeah (42.2), and St. Petersburg (41.6). These cities were ranked as having the second through sixth highest median ages. At the other edge of the spectrum, two of Florida's cities [Gainesville (24.9) and Tallahassee (26.1)] were ranked as places with the lowest median ages in the country (second and fourth lowest, respectively). These rankings reflected the university population that is included in the 2010 Census count.

In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 39.7 percent of Florida's total population and is expected to represent just 34.1 percent by 2030. Population aged 65 and over is forecast to represent 26.0 percent in 2030, compared to 17.3 percent in 2010. Most of the growth in the state will come from Florida's older population. As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues become more challenging.

Total Population by Age Group



<u>Summary</u>

Florida's population growth has slowed substantially due to the economic recession, specifically the recession's 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 with 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 enters retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services.

Revenue Projections

Throughout the spring and summer, the Revenue Estimating Conference met to revise estimates for Fiscal Year 2010-11 and to develop new forecasts for the upcoming years. Notwithstanding statutory changes passed by the Legislature, revenue projections were generally reduced relative to prior forecasts. Unlike prior years, significant amounts of surplus trust fund reserves no longer exist to buffer errors in the forecast or other downturns in the economy; however, the current outlook for General Revenue expects that there will be an unexpended balance of over $1.3 billion in the General Revenue Fund at the end of 2011-12.

General Revenue Fund:
Because there was little change since the last forecast, the Conference did not meet during the summer to adopt new estimates for General Revenue. This means that the current forecast was actually adopted in March; however, the estimates have since been updated to reflect statutory changes passed during the Legislative Session, as well as changes resulting from holding two other conferences: Slot Machines Tax and Tobacco Tax and Surcharge. The net result of the statutory changes and changes from other conferences was slightly negative; otherwise, the March forecast remains unchanged. Fiscal Year 2010-11 revenue collections were $1,028.5 million or about 4.8 percent above final collections for Fiscal Year 2009-10. The adjusted Fiscal Year 2011-12 forecast remains positive with projected growth of 5.5 percent over Fiscal Year 2010-11 collections. The summary from the March forecast follows immediately below.

SUMMARY FROM MARCH 18, 2011...
Since the December 2010 General Revenue Estimating Conference, underlying revenue sources have displayed mixed results, with overall collections running slightly above estimate. While most sources increased over collections during the same months last year, some were significantly below the official estimates. Further, the pace of the housing and employment recovery has slowed, as reflected in the economic forecast for Florida released on February 21, 2011. Consequently, the Revenue Estimating Conference has lowered elements of its near-term forecast, while recognizing the previous gains. For Fiscal Year 2010-11, expected revenues were increased by $31.2 million or 0.1 percent above the earlier forecast. For Fiscal Year 2011-12, expected revenues were decreased by $215.8 million or 0.9 percent below the earlier forecast. These forecasts do not specifically identify any losses related to the Deepwater Horizon oil spill.

Overall, the adjustments to the forecast indicate an economy that is still in the early stages of an abnormally slow recovery. Even though the Conference increased the estimate for the current year, the estimate for future years was lowered based on the slower recovery indicated by the new economic forecast. Revenue estimates are primarily affected in the following ways:

- **Sales Tax...** For the rest of Fiscal Year 2010-11, Sales Tax collections were adjusted upwards in all categories with the exception of business investment. For next year, the growth in Sales Tax collections was lowered from the December 2010 forecast in four of the six categories. Because this revenue source is so large, even modest adjustments cumulate to large numbers. In total, Sales Tax estimates were lowered by $170.6 million in Fiscal Year 2011-12.

- **Corporate Income Tax...** Anticipated receipts from the Corporate Income Tax were decreased in response to the losses to the estimate experienced in Fiscal Year 2010-11 and the lower U.S. corporate profits forecast.

- **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 decreased to reflect the fact that this source has been regularly below the estimate.

Several of the revisions to General Revenue (notably Tobacco Taxes, Article V Fees & Transfers, Indian Gaming Revenues, and Highway Safety Licenses & Fees) are based on results of earlier conferences. Additional information regarding these sources can be found on the Legislative Office of Economic and Demographic Research's website: http://edr.state.fl.us/.

Overall, the Conference remains cautiously optimistic in spite of rising fuel and food prices, as well as other global economic disruptions. Underlying the forecast is the assumption that recovery has been underway since the late spring of 2010, but with growth rates that were more anemic than originally anticipated. Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 banner year until Fiscal Year 2013-14.

Article V Fees & Transfers:

The Conference did not meet during the summer to revise the Article V Fees & Transfers estimate, meaning that the current forecast was actually adopted in February. Fiscal Year 2010-11 transfers to General Revenue from Article V Fees were $165.3 million, $0.8 million above the February forecast. The summary from the February forecast follows immediately below.

SUMMARY FROM FEBRUARY 14, 2011...

Actual revenue collections for the first seven months of Fiscal Year 2010-11 as well as contemporaneous events were used to adjust the revenue base estimate for Fiscal Year 2010-11 and to incorporate the adjustments into out-year forecasts.

The Conference discussed several economic variables that have direct bearing on the new forecast. For example, the number of foreclosure case filings dropped precipitously for the period from November 2010 through January 2011, even though the number of Florida mortgages in various stages of default continues to be very high and filings are expected to return to very high levels again in the future. This situation is thought to be a result of delays in the review of existing filed cases and an increase in the time it takes to prepare a case for filing arising from the discovery of financial irregularities in mid-October 2010. As a result, for the second consecutive conference, foreclosure revenues were decreased significantly in Fiscal Year 2010-11 and correspondingly increased in the out-years.

Another seemingly contradictory situation involves traffic fines. While the number of traffic citations issued during the period increased slightly from the previous period, fine revenue receipts actually declined over the period. This appears to be the result of more citations for lesser offenses, thereby resulting in smaller fines and overall less revenue. To accommodate this change in behavior, the traffic fine revenue base was decreased in Fiscal Year 2010-11 which carries over into the out-years.

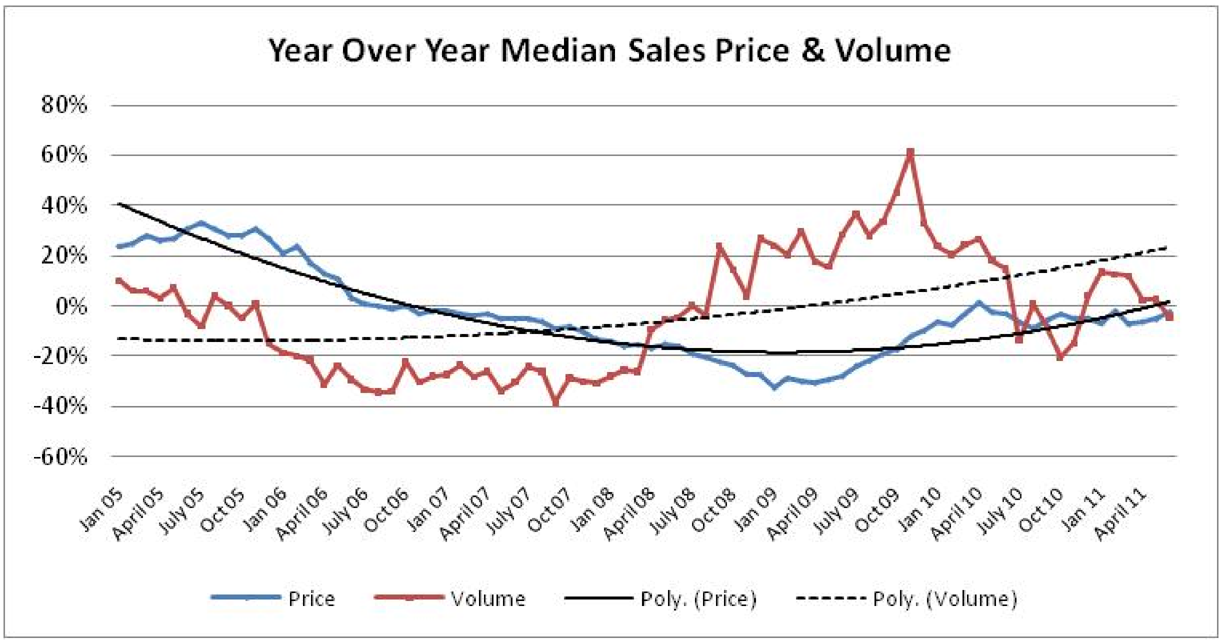
Probate, circuit civil, counterclaim, and county civil case filings were down since the Estimating Conference held on November 15, 2010, resulting in a decrease in those revenues over the forecast period. Since the bulk of Clerks of the Court fines, fees and charges and chapter 2008-111, L.O.F, revenues are sensitive to increases and decreases in overall court activities, the estimates for these revenues were similarly reduced in Fiscal Year 2010-11 and increased in Fiscal Year 2011-12 to mimic the foreclosure pattern for those years.

Overall, for Fiscal Year 2010-11, the forecast for the State Courts Revenue Trust Fund is reduced by $95.7 million, the Clerks of Court Trust Fund by $33.7 million and the General Revenue Fund by $23.0 million. For Fiscal Year 2011-12, the forecast for the State Courts Revenue Trust Fund is increased by $63 million, the Clerks of Court Trust Fund by $3.0 million and the General Revenue Fund by $10.2 million compared to the previous estimate.

Documentary Stamp Taxes:

The latest forecast (adopted March 18, 2011) 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 2011, before returning to more robust growth patterns in calendar year 2012. In this regard, Fiscal Year 2010-11 receipts only achieved 29.2 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 showing three months of double-digit increases at the beginning of the calendar year, followed by two months of low single-digits and one negative. Average monthly sales comprised 74.5 percent of the 2005 level for the same period. However, over 55 percent of the sales involved distressed and foreclosed properties. In keeping with the heavy discounting that goes with these types of property sales, median sales prices have declined by 2 percent since last June, affecting all but three 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 46.5 percent.



According to the latest Florida Economic Conference, housing starts – although exhibiting positive growth – will persist at low levels through the first half of Fiscal Year 2011-12 before beginning a more significant rebound in the second half. 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 return to positive territory in the 2011-12 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 2011-12 fiscal year.

Total annual collections were greatest in Fiscal Year 2005-06 at $4.1 billion. In contrast, the forecast for Fiscal Year 2011-12 is only $1.3 billion. Even so, this represents a 12.5 percent increase over last year. Positive growth is expected throughout the rest of the forecast (2012-13 at 18.7 percent, followed by moderating growth in Fiscal Years 2013-14 and 2014-15).

Highway Safety Licenses and Fees:

The Conference did not meet during the summer to revise the Highway Safety Licenses and Fees (HSMV) forecast, meaning that the current estimate was developed in March. For the 2010-11 fiscal year, total General Revenue receipts from this source were $965.5 million, $11.7 million (1.2 percent) below the March estimate. The summary from the March conference follows immediately below.

> **<u>SUMMARY FROM MARCH 4, 2011...</u>**
>
> Actual revenue collections for the first seven months of Fiscal Year 2010-11 and the results of the February 21, 2011 Florida Economic Forecast were applied to the December 2, 2010 forecast to adjust the base revenue estimate for fiscal years 2010-11 through 2014-15.
>
> Overall, HSMV revenues collected in the first seven months of Fiscal Year 2010-11 were slightly below the revenue estimate adopted on December 2, 2010. Because the underlying areas were moving in different directions, only modest changes were made to the forecast.
>
> Red light camera revenues did not achieve the higher levels predicted to begin in January 2011, even though the number of local governments remitting revenues nearly doubled since September 2010, when local governments first began consistently remitting these revenues. As a result, the timeline was adjusted and some revenues originally forecast for Fiscal Year 2010-11 were shifted to Fiscal Year 2011-12. Also, late civil penalty revenues which result from an additional fee paid when persons violating traffic laws do not submit payment in a timely manner were below estimate. This was thought to be the result of the greater availability of payment plans offered by the clerks of court to these persons resulting from enactment of recent legislation.
>
> Commercial and private drivers' license revenues continued to exceed forecasted amounts. The Department of Highway Safety and Motor Vehicles believes that commercial original issuances are ahead of forecast as a result of the slowly improving economy, while private license renewals are up as a result of a higher percentage of persons renewing licenses over historical levels. As a result, drivers' license revenues were increased in the current and subsequent two out-years.
>
> Finally, the various growth rates relating to motor vehicle initial registrations, titles, and motor vehicle license revenues were revised as a result of actual revenue collections over the first seven months of Fiscal Year 2010-11 and revisions made to the Florida Economic Forecast on February 21, 2011.

These revisions resulted in a slight increase in initial registration revenues in the current year and a decrease in each of the out-years; an increase in title revenues in the current fiscal year and in each the out years; and, a mix of increases and decreases in motor vehicle license revenues depending on particular vehicle category, with private vehicle revenues increasing over the previous estimate for each year of the forecast period and heavy trucks and for hire vehicles decreasing over the previous forecast.

Overall, these changes to the underlying transactions resulted in the following revenue adjustments to major funds:

- General Revenue
  - Fiscal Year 2010-11: $16.8 million
  - Fiscal Year 2011-12: $27.3 million
- Highway Safety Operating Trust Fund
  - Fiscal Year 2010-11: $-3.4 million
  - Fiscal Year 2011-12: $-3.1 million
- State Transportation Trust Fund
  - Fiscal Year 2010-11: $-19.7 million
  - Fiscal Year 2011-12: $-15.1 million

Indian Gaming Revenues:
In February, the Revenue Estimating Conference meeting on Indian Gaming revenues adopted revised estimates for revenues from Indian Gaming operations for fiscal years 2010-11 through 2013-14, and adopted an initial estimate for 2014-15. The annual estimates of transfers to the General Revenue Fund were unchanged from the previous (November 2010) estimate; only the distribution between months was revised. Fiscal Year 2010-11 receipts came in as expected by the conferees in February.

Indian Gaming Revenues									
Millions of $									
	Receipts			Local Distribution			Net General Revenues		
	Nov. 2010	Feb. 2011	Diff.	Nov. 2010	Feb. 2011	Diff.	Nov. 2010	Feb. 2011	Diff.
2010-11	140.4	140.4	0.0	0.8	0.8	0.0	139.7	139.7	0.0
2011-12	150.0	150.0	0.0	4.5	4.5	0.0	145.5	145.5	0.0
2012-13	226.1	226.1	0.0	4.9	4.9	0.0	221.2	221.2	0.0
2013-14	233.0	233.0	0.0	7.0	7.0	0.0	226.0	226.0	0.0
2014-15		233.9			7.0			226.9	

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 (2011-12) funds available estimate for the TSTF is $402.7 million. In Fiscal Year 2012-13, $368.2 million is expected from payments and profit adjustments, and $12.2 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (nonrecurring) funds from this year of $9.5 million and $2.0 million in interest earnings, a total of $391.9 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 2012-13 will be deducted from the trust fund as an expenditure and is estimated to be $63.8 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 met concerning Tobacco Tax and Surcharge revenues on July 14, 2011. Based on recent trends in collections relative to the February 2011 estimate, the conference reduced the forecast for Cigarette Tax and Surcharge collections, but increased the forecast for Other Tobacco Products Tax and Surcharge collections. The table below summarizes the changes in collections and distributions since the February Forecast.

[SEE NEXT PAGE FOR TABLE]

Comparison of the February 2011 and July 2011 Forecasts

COLLECTIONS	2010-11	2011-12	2012-13	2013-14	2014-15
Cigarette Tax					
February 2011	319.2	315.6	313.5	312.6	311.8
July 2011	303.3	304.9	302.4	301.2	300.0
Difference	-15.9	-10.7	-11.1	-11.4	-11.8
Cigarette Surcharge					
February 2011	955.1	944.3	938.2	935.5	933.0
July 2011	924.2	912.2	904.9	901.3	897.7
Difference	-30.9	-32.1	-33.3	-34.2	-35.3
OTP Tax					
February 2011	25.2	25.6	26.1	26.8	27.3
July 2011	27.3	27.2	27.8	28.4	29.0
Difference	2.0	1.6	1.6	1.7	1.7
OTP Surcharge					
February 2011	60.5	61.5	62.7	64.3	65.6
July 2011	63.7	65.3	66.6	68.2	69.7
Difference	3.2	3.8	3.9	4.0	4.1

DISTRIBUTIONS	2010-11	2011-12	2012-13	2013-14	2014-15
Health Care Trust Fund					
February 2011	934.4	925.3	920.8	919.8	918.7
July 2011	911.7	899.3	893.8	891.9	889.9
Difference	-22.7	-26.1	-27.0	-27.8	-28.8
General Revenue Service Charge					
February 2011	106.8	105.7	105.2	105.0	104.8
July 2011	104.1	102.6	101.9	101.7	101.4
Difference	-2.7	-3.1	-3.2	-3.3	-3.4
General Revenue Excise Tax					
February 2011	191.6	189.3	188.1	187.5	187.0
July 2011	186.2	182.7	181.2	180.4	179.7
Difference	-5.4	-6.6	-6.9	-7.1	-7.3
OTP General Revenue Tax					
February 2011	25.2	25.6	26.1	26.8	27.3
July 2011	27.3	27.2	27.8	28.4	29.0
Difference	2.0	1.6	1.6	1.7	1.7
Total GR Distributions					
February 2011	323.6	320.7	319.3	319.3	319.1
July 2011	317.5	312.5	310.9	310.5	310.1
Difference	-6.0	-8.2	-8.5	-8.7	-9.0
All Other Funds					
February 2011	102.1	101.0	100.4	100.1	99.9
July 2011	99.5	97.8	97.0	96.7	96.3
Difference	-2.6	-3.2	-3.4	-3.5	-3.6

Transportation Revenue and the State Transportation Trust Fund:
Since the Conference did not meet concerning revenues to the State Transportation Trust Fund during the summer, the current estimate was adopted in March. For Fiscal Year 2010-11, revenues came in $5.3 million (or 0.2 percent) below the March estimate. The summary from the March conference follows immediately below.

SUMMARY FROM MARCH 11, 2011...
The Revenue Estimating Conference met on March 11, 2011, 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 decreased (relative to the December 2010 estimate) by $236.1 million or about -1.3 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 from Fiscal Year 2010-11 to Fiscal Year 2015-16).

For revenues from fuel taxes, the overall forecast responded to combined factors of recent changes in consumption of motor fuel and other fuels (diesel, aviation fuel and off-highway fuel), as well as the weak economic activity contained in the National and Florida economic forecasts adopted in February 2011. The projection for revenues from highway fuel consumption, which includes the Highway Fuel Sales Tax and the SCETS Tax, was decreased by $98.7 million, or -0.8 percent. Projected tax rates remained relatively stable, with the decrease in the forecast for revenues being due to the combination of the indexed tax rate change and overall weak consumption of motor fuel.

Expected revenues from Special Fuel Use taxes and fees were decreased by $5.1 million, or -4.5 percent, while the distribution from Local Option Tax Service Charge had a $2.6 million decrease, or -1.0 percent. These changes were mainly responding to the adjustments in the combined motor fuel and diesel fuel forecasts.

The Aviation Fuel Tax forecast was decreased by $15.4 million or -5.2 percent, and the Rental Car Surcharge projection was increased by $7.8 million or a little over 1.2 percent. The decrease of the Aviation Fuel Tax mainly reflected weak collections in the months leading up to the new forecast, while the increase in the Rental Car Surcharge was largely due to improved tourist activity.

The forecast for Off-Highway Fuel Sales Tax was decreased by $0.5 million or -.7 percent due to the actual collection experience since the prior forecast and dampened improvement in the construction sector.

For motor vehicle license and registration related fees, the new forecasts were adopted prior to the STTF Conference by the Highway Safety Licenses and Fees Conference on March 4, 2011. In this work program period, receipts to the STTF from Motor Vehicle License revenues were decreased by $114.3 million, 3.3 percent lower than the December estimate. The forecast for Initial Registration Fees was decreased by $6.5 million, or -1.1 percent, while the forecast for Title Fees was decreased by $0.8 million, or -0.1percent.

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, 2012 certified school taxable value is now estimated to be $1,403.9 billion. This represents an increase of $18 billion or 1.3 percent from the July 1, 2011 certified level. At 96 percent, the value of one mil is projected to be $1,347.7 million.

The conference met to adopt the 2011 certified roll as a baseline for projecting July 1, 2012 certified school taxable value. The forecast for 2012 was adjusted primarily due to changes in the distribution of the different property types from the prior year, as well as the lower than expected overall value. The conference also decided to further evaluate the impact of Value Adjustment Board changes to the certified school taxable value.

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, 2012 is projected to be $1,301.8 billion. On an annual basis, this represents an increase of $14.08 billion from the January 1, 2011 tax roll.

July 1, 2012 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2011 Certified School Taxable Value	March 2011 Estimate of July 1, 2012 Certified School Taxable Value	August 2011 Estimate of July 1, 2012 Certified School Taxable Value	Change in Estimates (March vs. August)	Change from Actual	Percentage Change from Actual
School Taxable Value	1,385.847	1,435.947	1,403.862	-32.085	18.015	1.3%
Real Property	1,287.864	1,329.579	1,303.908	-25.671	16.044	1.2%
Personal Property	96.781	105.193	98.716	-6.477	1.935	2.0%
Centrally Assessed Property	1.202	1.175	1.238	0.063	0.036	3.0%
Value of one mill at 96 percent	1.330	1.379	1.348	-0.031	0.017	0.013

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

January 1, 2012 County Taxable Value

(billions of dollars)	Actual 2011 Taxable Value	March 2011 Estimate of January 1, 2012 County Taxable Value	August 2011 Estimate of January 1, 2012 County Taxable Value	Change in Estimates (March vs. August)	Change from Actual	Percentage Change from Actual
County Taxable Value	1,287.710	1,331.029	1,301.785	-29.244	14.075	1.1%
Real Property	1,189.727	1,231.681	1,208.849	-22.832	19.122	1.6%
Personal Property	96.781	105.193	98.716	-6.477	1.935	2.0%
Centrally Assessed Property	1.202	1.175	1.238	0.063	0.036	3.0%

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

Gross Receipts Tax, Communications Services and PECO:
Because there was little change since the last forecast, the Conference did not meet during the summer on the Gross Receipts Tax and Communications Services Tax estimates. This means that the current forecast was actually adopted in February. Total Gross Receipts tax collections for Fiscal Year 2010-11 came in $15.5 million (1.4 percent) below the February estimate, while the Sales Tax component of Communications Services Tax came in virtually on estimate. The summary from the February forecast follows immediately below.

SUMMARY FROM FEBRUARY 28, 2011...

The Revenue Estimating Conference met on February 28, 2011 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. In the three months since the December 2010 conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were $5.37 million below the estimate, while collections of the State Sales Communications Service Tax were $10.7 million lower than the level estimated at the last conference. Compared to the December conference result, the new forecast for Gross Receipts Tax shows a decrease of about 1 percent in each of the future years, while the new State Sales Tax on Communications Services forecast has a reduction of roughly 1.2 percent to 2 percent in all out years. In addition, a special Communications Service tax refund of $158.15 million is expected to take place in Fiscal Year 2011-12. This special refund will have a negative impact on the available dollars of Gross-Receipts Communications Service Tax (CST), State Sales Tax on Communications Services, and Local CST.

The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. The highlights are detailed 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	1087.17	618.39	32.64	436.14	1000.60	56.48	808.99
FY 11-12	1085.93*	643.96	26.35	415.62*	933.01*	57.91	751.45*
FY 12-13	1150.61	677.75	25.92	446.94	1030.32	59.50	816.73
FY 13-14	1199.53	715.29	27.07	453.17	1065.03	61.38	834.93
FY 14-15	1243.99	747.40	28.37	468.22	1100.42	63.22	854.69
FY 15-16	1289.50	781.08	29.62	478.79	1134.12	65.11	873.44
FY 16-17	1335.05	814.25	30.74	490.06	1168.96	67.07	893.50
FY 17-18	1377.50	845.04	31.74	500.72	1201.90	69.08	912.28
FY 18-19	1421.06	877.07	32.72	511.26	1234.24	71.15	930.77
FY 19-20	1463.39	907.77	33.65	521.97	1266.56	73.29	949.50

*The impact of the special refund is included.

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the three months since the last conference (for electricity and gas combined) were $4.65 million below the last estimate, leading to an error of about 3 percent over the three-month period. The shortage was mainly due to weakened consumption and stabilized prices for electricity.

The new forecast has considered factors affecting both the price of and demand for electricity: from 2010 on, the generation fuel cost will continue to stabilize, and the electricity demand will decrease in Fiscal Year 2010-11 and then increase gradually thereafter. The combination of price and consumption drives a revenue forecast for Fiscal Year 2010-11 that is $4.83 million lower than the last estimate. From Fiscal Year 2011-12 on, collections for all years are projected to be slightly lower than those of the last estimate, with the annual reductions ranging from $0.17 million to $8.47 million (with Fiscal Year 2019-20 being an exception with a collection that is $3.36 million higher than the December estimate). During this period, both demand and price stabilize at levels lower than those anticipated at the December conference.

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 tax collections. In keeping with the lagged nature of the DOR price index and future gas price changes, the new estimates are very close to the last estimates for the entire forecast period, with the forecast difference being less than $1 million in all forecast years except Fiscal Year 2019-20.

Communications Services Tax (CST)... For the three months since the last forecast, the Gross Receipts Tax component of the CST was $0.72 million (about 0.7 percent) lower and the State Sales Tax component was $10.7 million (about 4.1 percent) lower than expected. In Fiscal Year 2010-11, collections for the Gross Receipts Tax component of the CST are projected to be $4.36 million lower, and the collections for the State Sales Tax component of the CST are projected to be $11.52 million lower than the December forecast expectations. In Fiscal Year 2011-12, the expected impact of the special refund will be $26.15 million against the Gross-Receipts CST and $75 million against the State Sales CST, making that year's collections of Gross-Receipts CST $30.65 million lower and the State-Sales CST $90.18 lower, than the December estimates. Thereafter, each year shows a reduction of around 1 percent to 2 percent for the both the Gross Receipts Tax component and the State Sales Tax component of the CST, from the level projected by the December conference. The reduced collections are mainly attributable to the competition in the wireless market, as well as the refund-related correction that has reduced the tax base for the Communications Service Tax.

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 slightly lower than those expected in the last forecast, while the Local CST forecast deducts about $17 million to $27 million from the December estimates for each out-year in the forecast period. Fiscal Year 2011-12 is further skewed by the inclusion of the $57 million refund in that year.

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 table below shows the estimated amount available for appropriation to the Public Education Capital Outlay (PECO) program. These amounts reflect the results of the March 7, 2011 Revenue Estimating Conference, with adjustment for legislative action during the 2011 Session and executive vetoes.

	Maximum PECO Appropriations	Estimated PECO Bonding
Fiscal Year 2010-11	731.3	304.8
Fiscal Year 2011-12	**119.7**	**0.0**
Fiscal Year 2012-13	380.8	206.7
Fiscal Year 2013-14	903.6	684.0
Fiscal Year 2014-15	904.8	650.9
Fiscal Year 2015-16	827.1	559.1
Fiscal Year 2016-17	818.2	544.8
Fiscal Year 2017-18	844.0	544.3
Fiscal Year 2018-19	821.8	527.8
Fiscal Year 2019-20	822.9	518.8

At the March conference, the Revenue Estimating Conference reduced the forecast of the maximum amount available for appropriation from the PECO Trust Fund for Fiscal Year 2011-12 by 236.0 million, to $120.3 million in total. The total amount available for appropriation is from the cash, as the new Gross Receipts Tax forecast is reduced to a level which does not provide sufficient capacity to issue new bonds in Fiscal Year 2011-12. Lower projections for the Gross Receipts Taxes in the recently revised estimate also resulted in a significant reduction in the bonding capacity in Fiscal Year 2012-13.

This forecast recognizes the impact of a large pending gross receipts tax refund request in the amount of $26.15 million. This amount was noted in the December 2010 forecast, but at that time there was insufficient information to incorporate the effect of the refund on the calculation of debt service capacity.

2011 Session action- Legislation was passed into law which provided for the exclusion of the refund request mentioned in the prior paragraph from the bonding calculation. This action, in combination with project vetoes in the amount of $129.6 million from the 2011

General Appropriations Act, results in moving bonding capacity from Fiscal Year 2013-14 and Fiscal Year 2011-12 into Fiscal Year 2012-13. Final appropriations after vetoes for the upcoming fiscal year amounted to $119.7 million. The estimated maximum available for appropriation for Fiscal Year 2012-13 is $380.8 million, or $157.9 million more than the March 2011 forecast.

State School Trust Fund & Abandoned Property:
Used exclusively to meet public school needs, the State School Trust Fund contains revenue primarily derived from unclaimed property. The projection of receipts from unclaimed property and the subsequent distribution into the State School Trust Fund were revised July 26, 2011 by the Revenue Estimating Conference.

Remittances of abandoned property to the State for Fiscal Year 2010-11 were $346.3 million, $7.3 million above estimate. The Conference adopted annual growth rates of 3 percent in future unclaimed property receipts, and the estimate of the proportion of property returned to owners was set at 57 percent.

The Conference was briefed regarding remittances from the FDIC bank closures. These remittances may only be held by the state for a ten-year period, after which any remaining property that has not been claimed must be returned to the FDIC. FDIC remittances amounted to $43.1 million over the 2009-10 and 2010-11 fiscal years.

For Fiscal Year 2011-12 the estimate of the transfer to the State School Trust Fund was increased by $15.6 million from the previous forecast. This increase, combined with an estimated balance forward from Fiscal Year 2010-11 of $120.0 million leaves a projected surplus for the current fiscal year of $55.7 million.

Abbreviated Funds Available Statement for Fiscal Year 2012-13 ($ Millions)

FUNDS AVAILABLE 2012-13	
Balance forward from 2011-12	55.7
Estimated transfers from Unclaimed Property TF	160.6
Nonoperating revenue	3.8

Total 2012-13 funds available	220.1

Lottery, Slots & the Education 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 Conference did not meet on **Lottery** revenues during the summer, so the current estimate was adopted in February. Transfers to the Educational Enhancement Trust Fund from Lottery activity during Fiscal Year 2010-11 were $43.0 million (3.8 percent) above the February estimate. The summary from the February conference follows immediately below.

SUMMARY FROM FEBRUARY 8, 2011...

The Revenue Estimating Conference met concerning Lottery revenues on February 8, 2011. The conference reduced expected distributions to the Educational Enhancement Trust Fund (EETF) from current projections by $39.8 million in 2010-11 and by $12.0 million in 2011-12. These figures translate into growth rates of -8.5 percent in 2010-11 and 2.9 percent in 2011-12. Distributions are then expected to increase by 1.7 percent in 2012-13, 1.6 percent in 2013-14, and 1.6 percent in 2014-15.

Overall the forecast for ticket sales was decreased by $7.6 million in 2010-11, and increased by $17.1 million in 2011-12. The largest reduction in the sales forecast was to the projection for Powerball, which was reduced by $33.2 million in 2010-11 and $25.1 million in 2011-12. There were also reductions in the projections for Lotto, Mega Money, and Lucky Lines. On the positive side, projected sales of scratch-off games were increased by $28.6 million in 2010-11 and $40.0 million in 2011-12, while smaller positive adjustments were made to sales projections for Fantasy 5 and Cash 3. The outlook for Play 4 and Raffle sales remains unchanged.

The projections for non-ticket income were reduced by $1.0 million in 2010-11 and left unchanged in 2011-12. The forecast for 80 percent unclaimed prizes available for immediate transfer to EETF was reduced by $11.0 million in 2010-11 and $4.1 million in 2011-12, due to recent experience in the percentage of prizes which are unclaimed.

Summary of All games				
		November 2010	February 2011	Difference
EETF from Ticket sales	2010-11	1121.6	1093.8	-27.8
	2011-12	1126.0	1118.1	-7.9
	2012-13		1136.3	
Other Income	2010-11	14.3	13.3	-1.0
	2011-12	15.0	15.0	0.0
	2012-13		15.0	
80% unclaimed prizes	2010-11	44.9	33.9	-11.0
	2011-12	45.0	40.9	-4.1
	2012-13		42.2	
TOTAL EETF	2010-11	1180.8	1141.0	-39.8
	2011-12	1186.0	1174.0	-12.0
	2012-13		1193.5	

The Revenue Estimating Conference meeting on **Slot Machine** revenues on July 26, 2011, adopted revised estimates for tax revenues from slot machine operations for fiscal years 2011-12 through 2014-15. The estimates of transfers to the Educational Enhancement Trust Fund were affected as follows:

Slot Machines Tax Collections			
Millions of $			
	February 2011	July 2011	Difference
2006-07	48.2	48.2	0.0
2007-08	122.3	122.3	0.0
2008-09	104.4	104.4	0.0
2009-10	136.5	136.5	0.0
2010-11	123.2	127.7	4.5
2011-12	142.3	139.3	-3.0
2012-13	152.9	149.4	-3.6
2013-14	164.5	174.2	9.7
2014-15	167.2	178.7	11.5

The forecast reflects updated tax collections data and information concerning the number of machines in the currently operating facilities. Collections since the last conference (held in February of 2011) have been running ahead of estimate, ending the 2010-11 fiscal year $4.5 million over estimate. The conference expects that for the currently operating facilities and Miami Jai-Alai, revenue will be above the February estimate by $5.9 million in 2011-12, with a growth rate for the existing facilities of 4.0 percent over the prior year. The previous forecast anticipated that Miami Jai-Alai would open on January 1, 2012 with 1,032 machines and Hialeah would open on the same date with 800 machines. There has been no change for Miami Jai-Alai, but for Hialeah, the expected opening date has been delayed to January 1, 2013, resulting in a loss of $8.9 million in 2011-12 and $10.1 million in 2012-13, relative to the previous forecast. As a result, the overall 2011-12 loss from the previous forecast is $3.0 million.

For 2012-13, although expected collections are higher in total for all the facilities with the exception of Hialeah, tax collections are expected to be lower than the previous forecast by $3.6 million due to the $10.1 million Hialeah loss. In 2013-14 and 2014-15 when all facilities are operating for the full years, collections are expected to be $9.7 million and $11.5 million higher, respectively, than in the previous forecast.

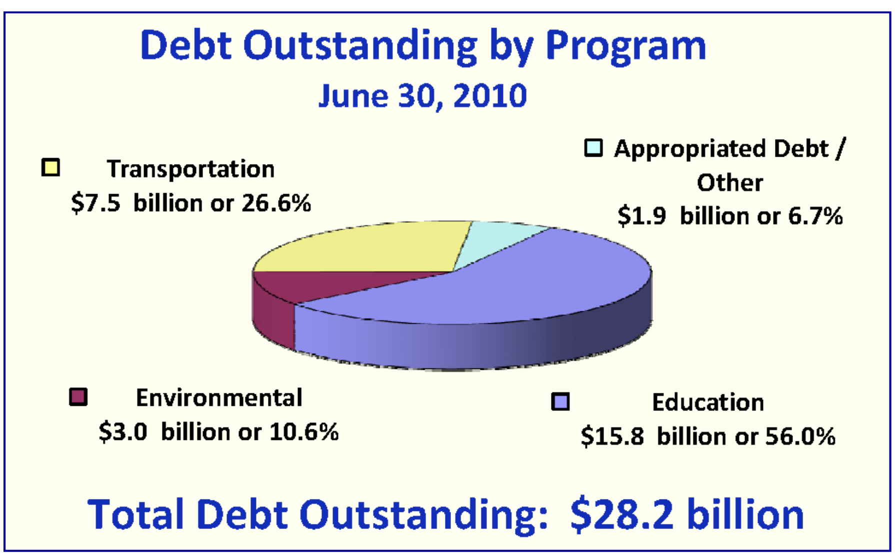
For Fiscal Year 2011-12, the **Educational Enhancement Trust Fund** has a projected positive balance of $50.1 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact which will be deposited in the 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 supplement 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 *2010 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2009 to June 30, 2010. However, ***the March 2011 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 2011.

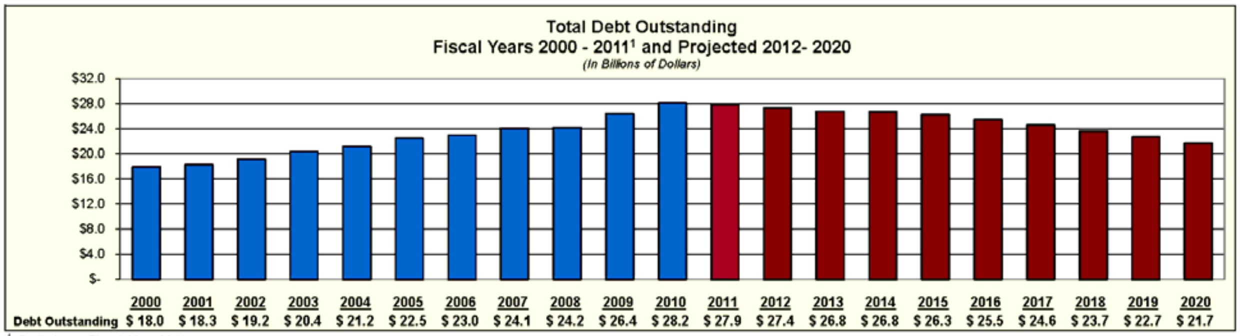
Debt Outstanding

Total State debt outstanding at June 30, 2010 was $28.2 billion, approximately $1.8 billion more than at June 30, 2009. Net tax-supported debt totaled $23.6 billion for programs supported by State tax revenues or tax-like revenues. Self-supporting debt totaled $4.6 billion, representing debt secured by revenues generated from operating bond-financed facilities. Additionally, indirect State debt at June 30, 2010 was approximately $16.4 billion, $1.7 billion more than the prior year-end. The increase in indirect debt primarily relates to $2.4 billion of debt issued by 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 by $10.2 billion over the last ten years from $18.0 billion to $28.2 billion. Based on existing borrowing plans, debt outstanding is expected to begin to slowly decline as annual debt retirement increases with less expected debt issuance.



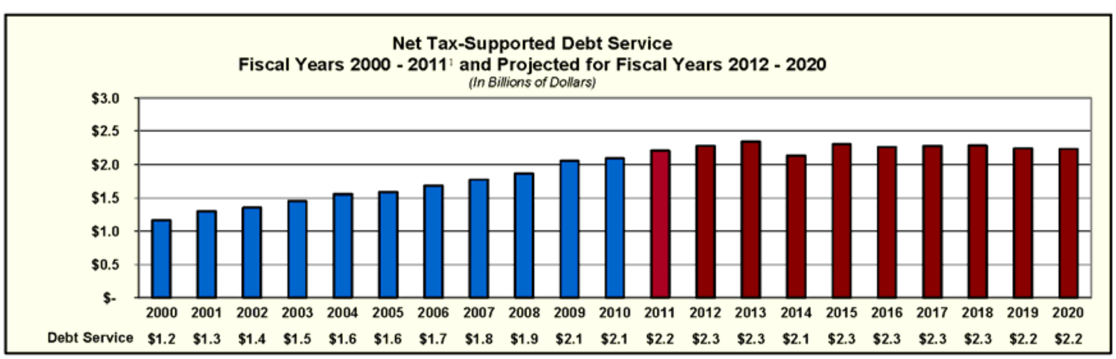
[1] Preliminary Fiscal Year 2011

Estimated Debt Issuance

Approximately $7.2 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 $3.0 billion or 29 percent less than the previous projection of expected debt issuance. The decrease in expected debt issuance is due to higher than normal issuance in Fiscal Year 2009-10 ($2.5 billion) and DOT's elimination of $1.1 billion from projected GARVEE bond issuance. According to the Division of Bond Finance, expected issuance is predominately for financing educational facilities (Public Education Capital Outlay, "PECO") and to a lesser extent transportation infrastructure (Right-of-Way Acquisition and Bridge Construction).

Estimated Annual Debt Service Requirements

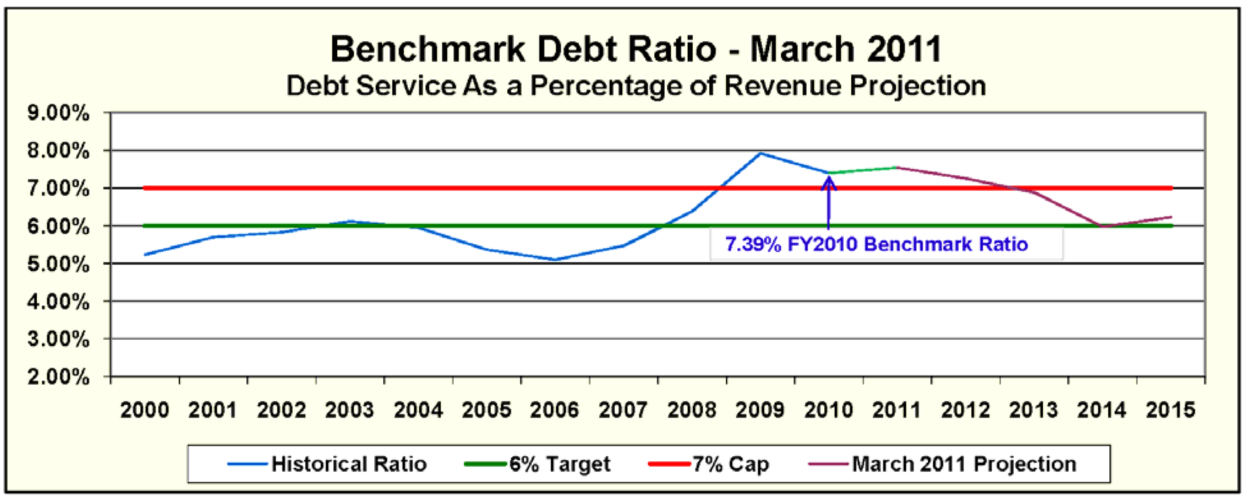
Debt service payments now total approximately $2.2 billion per year. During Fiscal Year 2009-10, annual debt service requirements increased by $37 million over the prior year, less than the average annual increase of $93 million over the last ten years. The State's policy of using a level debt structure is apparent in the chart below. Based on projected bond issuance, annual debt service payments approximate $2.3 billion between 2012 and 2020. The State's annual debt service payments drop in 2014 by $275 million due to the final maturity of Preservation 2000 bonds.



[1] Preliminary Fiscal 2011

Debt Ratios

The State's benchmark debt ratio has been updated to reflect the March, 2011 revenue estimates and revised capacity for the PECO bond program. The benchmark debt ratio exceeds the 7 percent policy limit which is projected to continue through 2012. The benchmark debt ratio of debt service to revenues available to pay debt service has increased from 7.4 percent for Fiscal Year 2009-10 to approximately 7.5 percent for Fiscal Year 2010-11. The increase in the benchmark debt ratio is primarily driven by the large amount of issuance in Fiscal Year 2009-10 which was slightly mitigated by a modest growth in revenue. The benchmark debt ratio is projected to peak at 7.54 percent for 2010-11 and then begin to improve based on projected growth in revenues. The benchmark debt ratio is projected to drop below 7% but exceed the 6% target in 2012-13 and improve to 6% in 2013-14 due to the retirement of the Preservation 2000 bonds before Public/Private Partnership obligations begin in 2014-15. The benchmark debt ratio could increase further if revenue growth is not realized as projected.



Benchmark Ratio Estimated March 2011

Fiscal Year	2010	2011	2012	2013	2014	2015
Debt Service as % of Revenue	7.39%	7.54%	7.25%	6.88%	5.97%	6.23%

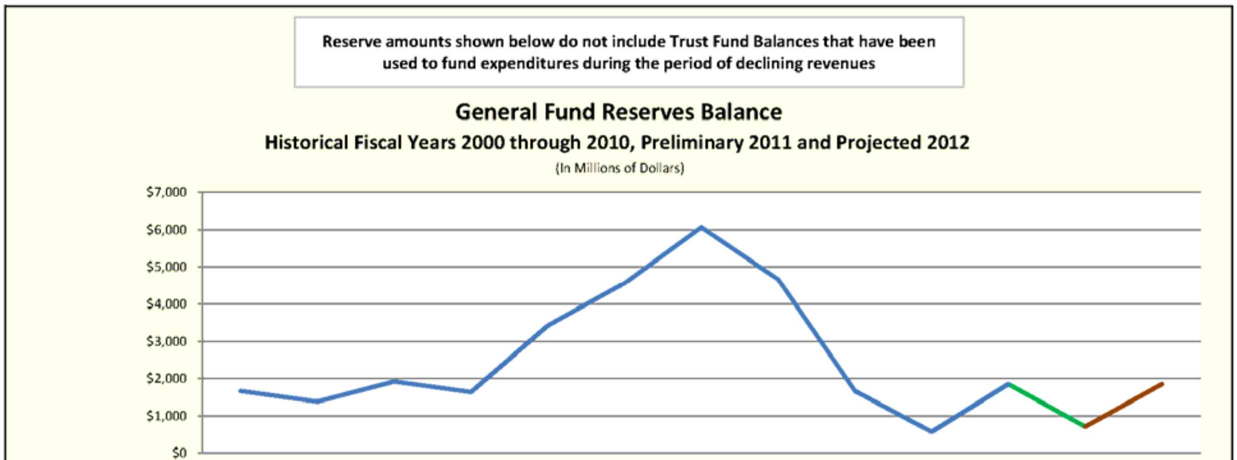
A comparison of 2010 debt ratios to national and peer-group averages indicate that Florida's debt ratios are generally higher than the national averages but lower than the peer group averages as shown in the Moody's Investors Service *2011 State Debt Medians Report*. The State's ranking in the ten state peer-group improved slightly from 2006 but remains in the middle of the peer-group.

2010 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	7.39%	$1,150	3.00%
Peer Group Mean	Not Available	$1,772	4.20%
National Median[1]	Not Available	$1,066	2.80%

[1]Source: Moody's Investors Service *2011 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 five 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 utilized the State's future financial flexibility has been impaired. The preliminary amount of general fund reserve at June 30, 2011 shows a decrease from the prior year; however, reserves are anticipated to increase in 2011-12 based on the budgeted expenditures and projected revenues for Fiscal Year 2011-12.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund Reserves	$ 1,666.1	$ 1,383.0	$ 1,925.1	$ 1,641.3	$ 3,423.6	$ 4,566.4	$ 6,068.1	$ 4,670.8	$ 1,665.8	$ 575.0	$ 1,854.5	$ 714.3	$ 1,851.1
Reserves as % of Revenues	8.86%	7.21%	9.95%	8.22%	15.70%	18.27%	22.42%	17.69%	6.91%	2.73%	8.62%	3.17%	8.21%

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

Overview of the State's Credit Ratings
Florida has experienced substantial economic weakness over the past four to five years primarily resulting from a severe downturn in the housing market and its sluggish and uneven recovery over the past 12 months. Despite the ongoing revenue weakness the State has faced over the past year, the State's credit ratings were maintained at the highest levels. S&P affirmed the State's AAA rating and returned the outlook to "stable" from "negative" while Moody's continued to maintain its Aa1 rating and stable outlook. Although Fitch affirmed the AAA rating on the state's general obligation credit, the rating remained on "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 willingness to increase reserves. However, the State's current credit ratings remain vulnerable should General Fund reserves deteriorate or long term economic forecasts reverse course. Additionally, with imminent Federal budget cuts, credit analysts will continue to monitor how spending reductions at the federal level affect the State's operations. The credit challenges facing the State are a prolonged economic recovery causing further revenue weakness, failure to address the potential drop-off of federal transfer payments, and the inability to maintain adequate reserves.

General Appropriations Act - All Sections

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2011-12	2012-13	2013-14	2014-15
General Revenue	22,799.3	25,033.3	26,214.0	27,768.9
Annualizations		-15.0		
change		2,249.0	1,180.7	1,554.8
% change		9.9%	4.7%	5.9%
Educational Enhancement TF	1,346.9	1,396.0	1,389.4	1,412.7
change		49.1	-6.6	23.3
% change		3.6%	-0.5%	1.7%
State School TF	145.1	169.4	169.4	174.6
change		24.3	0.0	5.2
% change		16.7%	0.0%	3.1%
Tobacco Settlement TF	378.0	382.4	384.7	388.7
change		4.4	2.3	4.0
% change		1.2%	0.6%	1.0%
TOTAL	24,669.3	26,981.1	28,157.5	29,744.9
change		2,311.7	1,176.4	1,587.4
% change		9.4%	4.4%	5.6%

Nonrecurring	2011-12	2012-13	2013-14	2014-15
General Revenue	371.0	295.3	298.1	290.4
Educational Enhancement TF	25.9	0.0	0.0	0.0
State School TF	224.0	50.7	0.0	0.0
Tobacco Settlement TF	15.2	9.5	0.0	0.0
TOTAL	636.1	355.5	298.1	290.4

TOTAL	2011-12	2012-13	2013-14	2014-15
General Revenue	23,170.4	25,328.6	26,512.1	28,059.2
budget impact		2,544.3	1,478.8	1,845.2
Educational Enhancement TF	1,372.8	1,396.0	1,389.4	1,412.7
budget impact		49.1	-6.6	23.3
State School TF	369.1	220.1	169.4	174.6
budget impact		75.0	0.0	5.2
Tobacco Settlement TF	393.2	391.9	384.7	388.7
budget impact		13.9	2.3	4.0
TOTAL	25,305.5	27,336.6	28,455.6	30,035.2
budget impact		2,682.3	1,474.5	1,877.7

KEY BUDGET DRIVER WORKSHEET

Long-Range Financial Outlook Issues Summary
FY 2012-13 through FY 2014-15

	FY 2012-13		FY 2013-14		FY 2014-15	
	Total GR	**Total Major TF**	**Total GR**	**Total Major TF**	**Total GR**	**Total Major TF**
Critical Needs (Includes Mandatory Increases Based on Estimating Conferences and Other Essential Needs)						
PRE K - 12 EDUCATION						
1. Maintain Current Budget - Florida Education Finance Program (FEFP)	133.1	90.9	49.5	1.2	(15.8)	21.0
2. Workload and Enrollment - Florida Education Finance Program (FEFP)	108.4	0.0	76.9	0.0	68.8	0.0
3. Workload and Enrollment - VPK	9.0	0.0	4.1	0.0	4.4	0.0
HIGHER EDUCATION						
4. Maintain Current Budget - Higher Education	18.9	7.1	0.0	0.0	0.0	0.0
5. Workload and Enrollment - Bright Futures (BF) and Children and Spouses of Deceased / Disabled Veterans (CSSDV)	0.6	(4.3)	0.8	(10.0)	1.0	(22.8)
6. EETF Adjustment - Bright Futures Workload - Higher Education	(30.5)	30.5	(2.2)	2.2	(30.3)	30.3
HUMAN SERVICES						
7. Medicaid Program	968.3	(967.9)	94.7	377.4	169.4	302.3
8. Federal Health Care Reform	0.0	0.0	141.2	1,870.2	507.5	3,494.8
9. Kidcare Program	5.4	20.3	12.8	32.5	15.4	30.5
10. Temporary Assistance for Needy Families (TANF)	9.6	0.0	(3.7)	0.0	(3.7)	0.0
11. Tobacco Awareness Constitutional Amendment	0.0	1.2	0.0	1.1	0.0	1.2
CRIMINAL JUSTICE						
12. Increase in Criminal Justice Estimating Conference (CJEC) Prison System Population	0.0	0.0	4.2	0.0	13.9	0.0
13. Judicial - Due Process Costs	1.0	0.0	1.0	0.0	1.0	0.0
JUDICIAL BRANCH						
14. Court System Funding Required to Offset Decline in Court Fee Revenues	96.2	0.0	82.3	0.0	35.0	0.0
TRANSPORATION AND ECONOMIC DEVELOPMENT						
15. State Disaster Funding (Declared Disasters)	6.2	0.0	4.7	0.0	2.9	0.0
GENERAL GOVERNMENT						
16. Restore Recurring Funding to DOR Positions	1.7	0.7	0.0	0.0	0.0	0.0
17. Non-FRS Pensions and Benefits	0.7	0.0	0.8	0.0	0.9	0.0
18. Fiscally Constrained Counties - Property Tax & Conservation Lands	26.4	0.0	26.4	0.0	26.4	0.0
ADMINISTERED FUNDS & STATEWIDE ISSUES						
19. Risk Management Insurance	0.0	0.0	8.6	3.7	7.4	3.2
20. Increases in Employer-Paid Benefits for State Employees	302.4	98.2	175.6	83.8	201.9	96.3
Subtotal Critical Needs	**1,657.4**	**(723.4)**	**677.7**	**2,362.0**	**1,006.0**	**3,956.8**

	FY 2012-13		FY 2013-14		FY 2014-15	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
PRE K - 12 EDUCATION						
21. Maintain Current Budget - Other PreK-12 Discretionary Programs	11.7	0.0	0.0	0.0	0.0	0.0
22. EETF Adjustment - Bright Futures Tuition Increases - Florida Education Finance Program (FEFP)	7.8	(7.8)	8.7	(8.7)	9.0	(9.0)
HIGHER EDUCATION						
23. Maintain Current Budget - Higher Education Discretionary Programs	10.7	0.0	0.0	0.0	0.0	0.0
24. Workload and Enrollment - Florida Colleges	71.9	0.0	77.0	0.0	82.4	0.0
25. Workload and Enrollment - Universities	39.9	0.0	40.3	0.0	40.3	0.0
26. Bright Futures - Adjust Award Levels for Tuition Increases	0.0	22.6	0.0	25.2	0.0	26.4
27. EETF Adjustment - Bright Futures Tuition Increases - Higher Education	14.8	(14.8)	16.6	(16.6)	17.3	(17.3)
28. Anticipated New Space Costs for Colleges & Universities	22.6	0.0	27.7	0.0	27.7	0.0
29. Challenge Grants for Florida Colleges and State Universities	3.4	0.0	3.4	0.0	3.4	0.0
HUMAN SERVICES						
30. Developmentally Disabled Services	27.5	34.9	0.0	0.0	0.0	0.0
31. Children and Family Services	74.6	17.2	10.4	11.2	8.5	12.8
32. Health Services	12.0	36.1	8.5	30.7	8.5	30.7
33. Human Services Information Technology/Infrastructure	0.2	5.2	0.2	5.2	0.2	5.2
CRIMINAL JUSTICE						
34. Shared Detention Cost - Fiscally Constrained Counties	0.9	0.0	0.9	0.0	0.9	0.0
35. Department of Juvenile Justice - Prevention and Intervention Programs	0.8	0.0	0.8	0.0	0.8	0.0
TRANSPORATION AND ECONOMIC DEVELOPMENT						
36. Department of Transportation Adopted Work Program FY 2012-2016	0.0	5,709.7	0.0	5,851.4	0.0	5,174.3
37. Other Transportation and Community Development Priorities	2.5	6.9	2.5	6.9	2.5	6.9
38. Economic Development and Workforce Programs	118.2	7.7	113.3	7.7	113.3	7.7
39. National Guard Armories and Military Affairs Priorities	6.9	0.0	6.9	0.0	6.9	0.0
40. Library, Cultural, Historical, and Election Priorities	28.7	0.0	28.3	0.0	28.7	0.0
NATURAL RESOURCES						
41. Environmental Programs Funded with Documentary Stamp Tax	12.7	108.6	5.7	112.4	4.5	109.7
42. Environmental Land Acquisition and Restoration	36.2	0.0	36.2	0.0	36.2	0.0
43. Other Agriculture & Environmental Programs	37.7	0.0	37.7	0.0	37.7	0.0
GENERAL GOVERNMENT						
44. Other General Government Priorities	2.6	3.6	0.5	0.0	0.5	0.0
ADMINISTERED FUNDS & STATEWIDE ISSUES						
45. Increase in Employer-paid Contributions for the Florida Retirement System to Fund the Unfunded Actuarial Liability (State, Universities, Community Colleges, and School Boards)	329.2	69.4	362.2	76.3	396.4	83.9
46. Maintenance, Repairs, and Capital Improvements - Statewide Buildings	13.3	23.6	13.3	23.6	13.4	23.6
Total Tier 1 - Critical Needs	1,657.4	(723.4)	677.7	2,362.0	1,006.0	3,956.8
Total - Other High Priority Needs	886.9	6,022.8	801.1	6,125.3	839.2	5,454.8
Total Tier 2 - Critical Needs Plus Other High Priority Needs	2,544.3	5,299.4	1,478.8	8,487.4	1,845.2	9,411.6

Key Budget Drivers
Critical and Other High Priority Needs

Beginning with this volume of the Long-Range Financial Outlook, the narrative sections have been changed from a general discussion of each policy area found in the budget to a specific analysis linked to each of the key budget drivers. The numbering convention used below matches the numbers applied to each of the drivers on the Key Budget Driver Worksheet. As on the Worksheet, Critical Needs are discussed first. They are followed by the Other High Priority Needs.

CRITICAL NEEDS

PRE K – 12 EDUCATION (Drivers #1 - #3)

1. Maintain Current Budget – Florida Education Finance Program (FEFP)

The Florida Education Finance Program (FEFP) is the funding formula adopted by the Florida Legislature in 1973 to allocate funds appropriated by the Legislature to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education and is an allocation model based on student enrollment in educational programs. In order to ensure equalized funding, the FEFP is comprised of state and local funds and takes into account the local property tax base; the costs of educational programs; district cost differentials; and sparsity of student population.

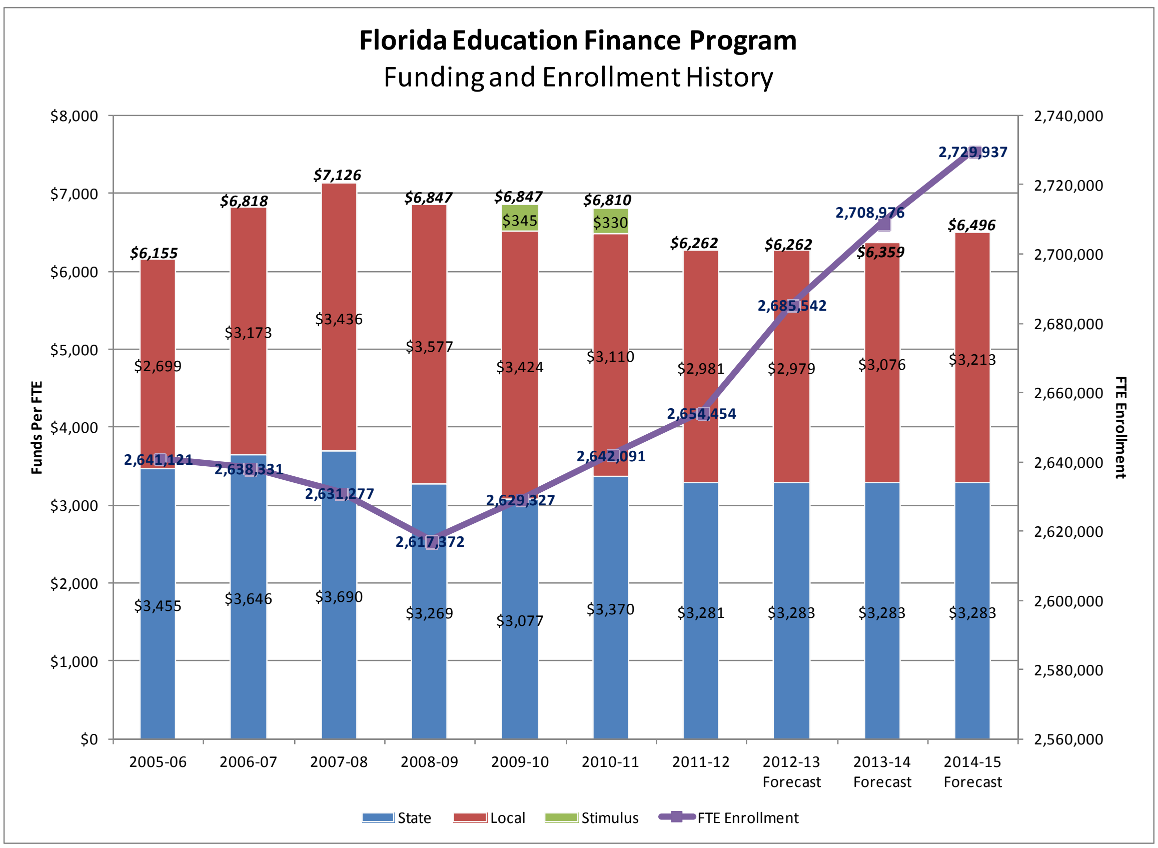
In order to maintain the funding in the FEFP from the 2011-12 fiscal year, funds are provided as critical needs to restore $224 million in nonrecurring State School Trust Fund (SSTF) revenues as recurring General Revenue in the FEFP for FY 2012-13. Additional adjustments are made to General Revenue, Education Enhancement Trust Fund and SSTF based on projected revenue changes over the three-year forecast period from the July 2011 Revenue Estimating Conference held to adopt new outlook statements. The shifting of funds nets to zero and maintains funding levels for education core instructional programs.

2. Workload and Enrollment – Florida Education Finance Program (FEFP)

State funds, both General Revenue and available State School Trust Fund revenues, are provided as critical needs funding for projected enrollment growth in the Florida Education Finance Program (FEFP) and Class Size Reduction. Funds are provided for the FEFP to maintain state funds per student compared to the prior year.

Funding projections for the FEFP are based on maintaining the Fiscal Year 2011-12 legislatively authorized millage rates (i.e., 5.446 required local effort and .748 potential discretionary) throughout the three-year forecast period. The required local effort millage is certified to school districts based on the ad valorem revenues set in the General Appropriations Act. School districts are authorized to levy up to the maximum discretionary millage rate for operations, which is included in the FEFP local funds per student. The tax rolls for 2012 through 2014 as projected by the August 2011 Ad Valorem Estimating Conference provide increased taxable value. As a result, over the three-year forecast period, there is an increase in ad valorem revenue for public schools.

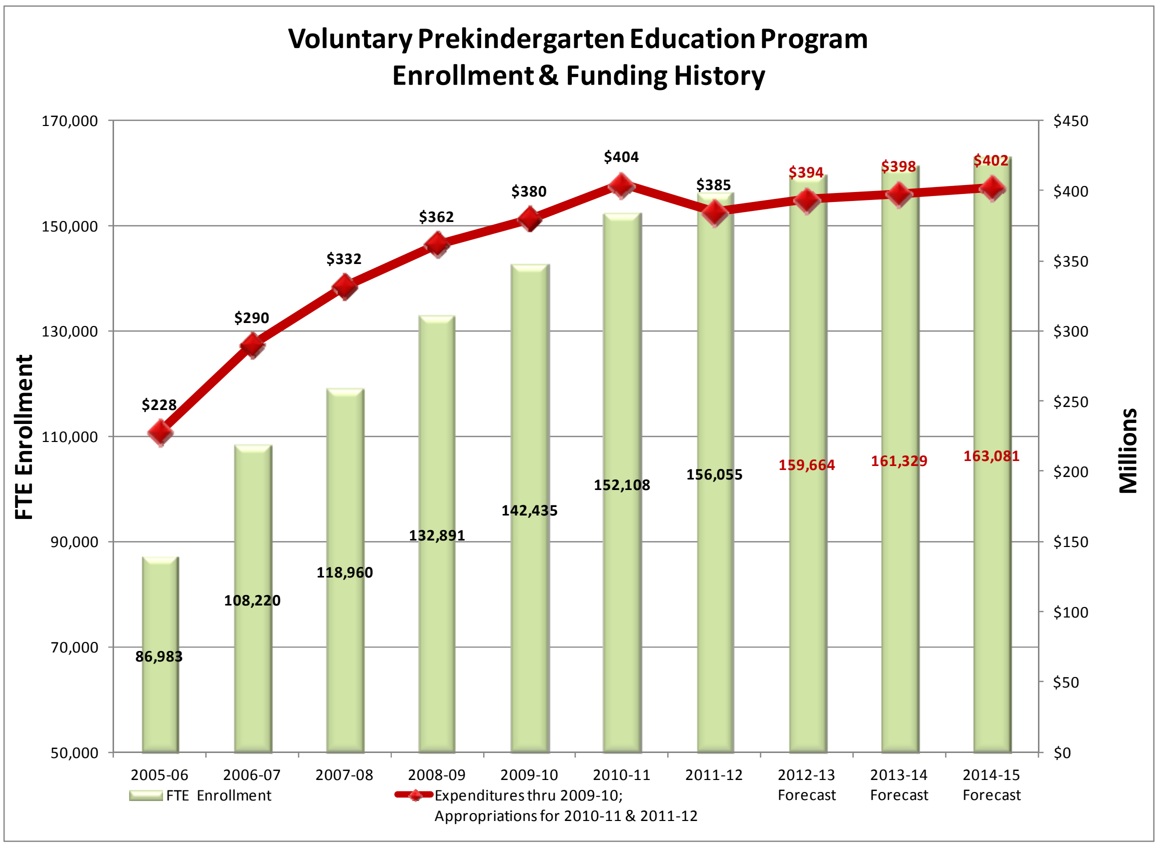
Enrollment growth for the three forecast years is based on estimates from the June 2011 Public Schools Enrollment Estimating Conference. Enrollment growth over the three years is estimated to be 75,483 full-time equivalent (FTE) students.



3. Workload and Enrollment – VPK

The Voluntary Prekindergarten Education Program (VPK) is a free prekindergarten education program established by the Legislature in 2004 pursuant to a constitutional amendment. Enrollment is voluntary but the program is offered to all eligible Florida resident four-year-old children by public schools or private providers. Effectiveness of the program is determined by a kindergarten screening that assesses the readiness of each child upon entry to kindergarten. Appropriated funds are allocated based on the number of FTE students in each region and then adjusted by a cost differential and a 4 percent administrative factor.

Critical needs funding is projected for the VPK Program for enrollment increases as determined by the March 2011 Early Learning Programs Estimating Conference. Enrollment growth over the three-year forecast period is estimated to be 7,026 FTE students. Funding per student is maintained at the prior year level.



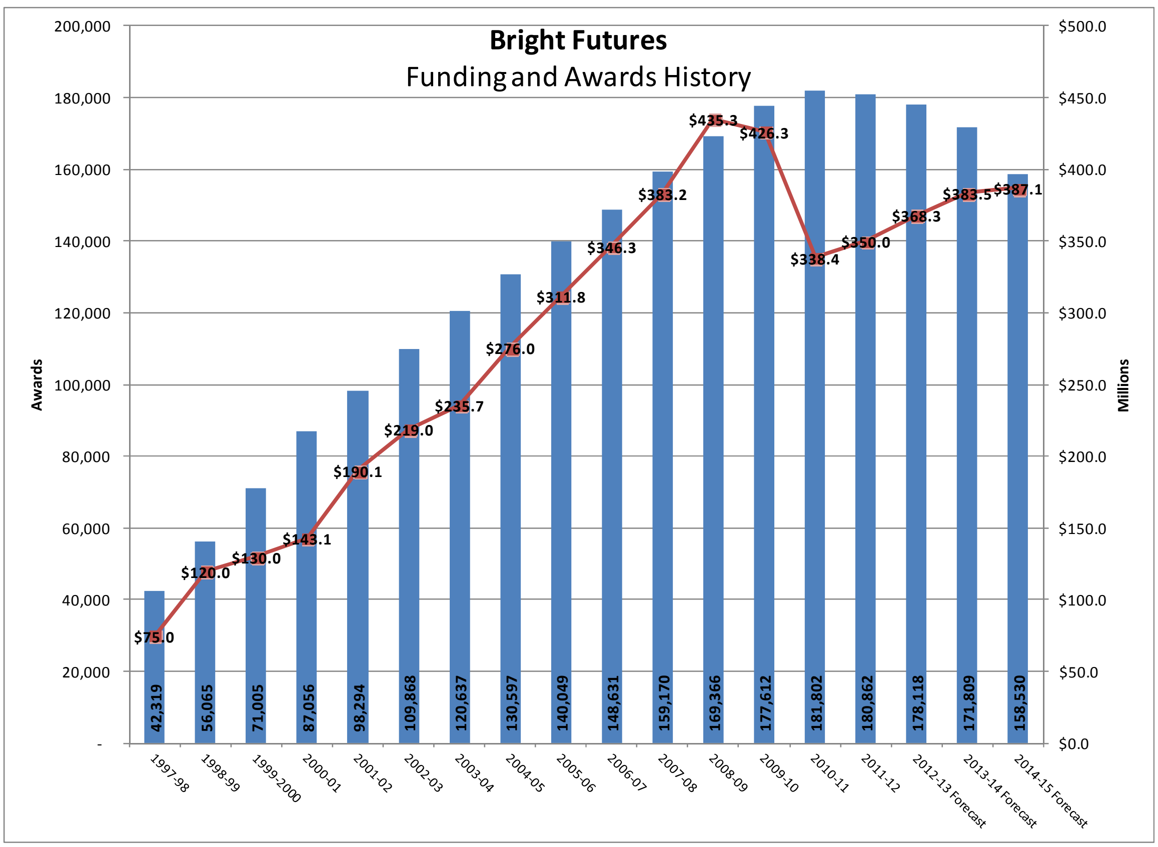
HIGHER EDUCATION (Drivers #4 – #6)

4. Maintain Current Budget – Higher Education

Recurring General Revenue and lottery funds are included in the Outlook to replace nonrecurring funds provided for universities and for Bright Futures scholarships in the 2011-12 fiscal year in order to maintain the current level of funding.

5. Workload and Enrollment - Bright Futures (BF) and Children and Spouses of Deceased / Disabled Veterans (CSDDV)

The Bright Futures Scholarship Program is a merit-based scholarship program designed to provide college scholarships to students who achieve certain academic levels in high school. The Children and Spouses of Deceased/Disabled Veterans (CSDDV) Scholarship Program provides scholarships for dependent children or unremarried spouses of Florida veterans or service members: (1) who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty, or (2) who have been certified by the Florida Department of Veterans Affairs as having service-connected 100% permanent and total disabilities. Critical needs funding is provided for both the Bright Futures and CSDDV scholarship programs based on the number of eligible recipients projected by the Office of Economic and Demographic Research (EDR). EDR estimates that there will be 22,332 fewer eligible students for Bright Futures over the three-year forecast period due to the increasingly difficult eligibility requirements for the awards. Funding for CSDDV payments is based on four-year average appropriations provided for increased participation in the program.



6. EETF Adjustment - Bright Futures Workload - Higher Education

Additional Educational Enhancement Trust Fund (EETF) dollars are available for redistribution due to the decline in eligible students in the Bright Futures scholarship program. These funds are distributed based on the proportional share of appropriated

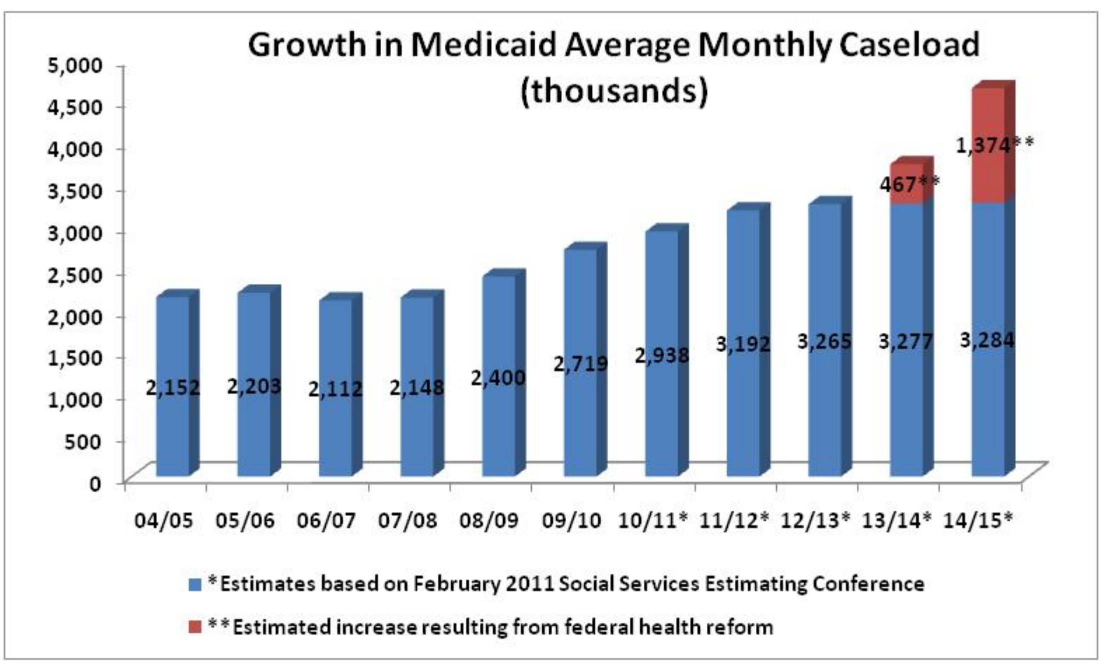
EETF funds in Fiscal Year 2011-12 with a commensurate reduction of the equivalent amount of General Revenue dollars.

HUMAN SERVICES (Drivers #7 - #11)

7. Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income elderly, disabled, or families with dependent children through a federal and state matching program. It is the largest single program in the state budget, representing 31 percent of the total state budget, and is the largest source of federal funding for the state.

<u>Caseload</u>—Largely as a result of the economic recession, Medicaid caseloads grew by 13.3 percent in Fiscal Year 2009-10 and continued to increase by 8.1 percent in Fiscal Year 2010-11 for a total of 2.9 million beneficiaries. Enrollment growth is estimated to increase by another 8.6 percent in Fiscal Year 2011-12 and grow to 3.19 million beneficiaries. Enrollment growth is forecast to continue growing in Fiscal Year 2012-13 to 3.3 million beneficiaries, an increase of 2.3 percent from the previous year. Enrollment growth strengthens, reaching 3.7 million beneficiaries in Fiscal Year 2013-14 (a 14.7 percent increase over the previous year) because of the impact of federal health care reform. Medicaid caseload will then peak in Fiscal Year 2014-15 at 4.7 million beneficiaries as 65 percent of the anticipated caseload increase related to federal health care reform is realized, a 24.4 percent increase in caseload over the previous year.



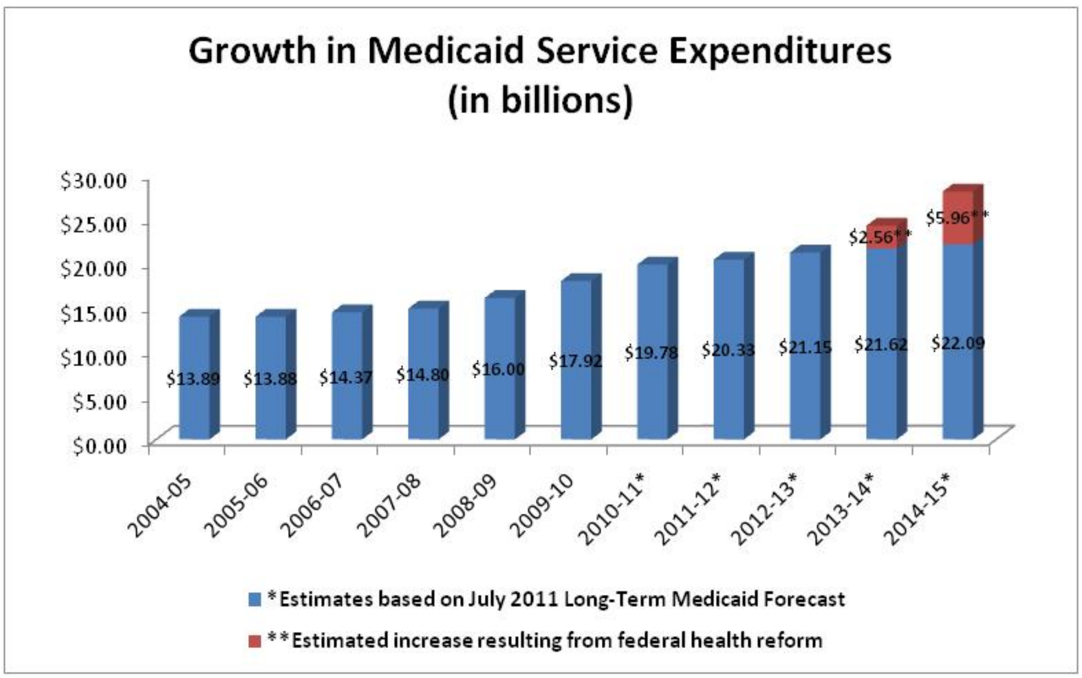
Without federal health care reform, Medicaid caseloads were forecast to grow modestly in Fiscal Year 2013-14 by 0.4 percent and by 0.2 percent in Fiscal Year 2014-15.

Medicaid Caseload Estimates

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Caseload	3,191,710	3,264,691	3,744,198	4,657,926
Increase		72,981	479,507*	913,728*
Percent		2.29%	14.69%	24.40%

*Includes additional caseload associated with federal health care reform implementation.

Expenditures—Medicaid expenditure grew by 8.1 percent in Fiscal Year 2008-09 as the state began to experience the impacts of the recession. The growth rate for Fiscal Year 2009-10 was 12 percent with expenditures of approximately $17.92 billion. Medicaid expenditures likely grew in Fiscal Year 2010-11 to $19.78 billion, primarily as a result of the continuing caseload growth resulting from the recession, a 10.4 percent increase over Fiscal Year 2009-10. Actual expenditures for Fiscal Year 2010-11 will not be available until after September 30, 2011.



The Medicaid program is increasingly serving populations with very serious and expensive health care needs—frail seniors, people with human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), ventilator-dependent children, and other individuals with serious mental and physical disabilities. While the elderly and disabled represent an estimated 31 percent of the total Medicaid caseload, they account for almost 60 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, growth in Medicaid program expenditures is forecast to continue to increase—reaching a peak of $28.05 billion in Fiscal Year 2014-15 as a result of implementing federal health care reform, a 16.0 percent increase over the Fiscal Year 2013-14 estimated expenditure level of $24.18 billion.

Medicaid Expenditure Estimates*
(dollars in millions)

	Fiscal Year 2011-12**	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
FMAP Rate	55.94%	56.53%	56.77%	56.84%
Expenditures				
General Revenue	$4,252.0**	$5,229.7	$5,470.3	$6,132.2
Increase		$977.7	$240.7***	$661.8***
Percent		22.99%	4.60%	12.10%

* Estimate based on August, 2011 Social Services Estimating Conference and does not include ($9.4) million state matching funds in other departments for Fiscal Year 2012-13; ($3.8) million for Fiscal Year 2013-14; and ($1.1) million in Fiscal Year 2014-15.
** Base budget adjusted for nonrecurring funds and annualizations.
*** Includes additional state funds required for federal health care reform implementation.

The Outlook includes an increase in General Revenue funds for Medicaid expenditures of $977.7 million in Fiscal Year 2012-13, $98.5 million in Fiscal Year 2013-14 and $170.5 million in Fiscal Year 2014-15. Federal health care reform adds an additional $142.2 million to these costs for a total of $240.7 million in Fiscal Year 2013-14 and an additional $491.3 million for a total cost of $661.8 million in Fiscal Year 2014-15. In addition, Medicaid state matching funds are budgeted in other health and human services departments, and the Outlook includes reductions in General Revenue funds for these agencies in the amounts of ($9.4) million in Fiscal Year 2012-13, ($3.8) million for Fiscal Year 2013-14 and ($1.1) million in Fiscal Year 2014-15 due to changes in the Federal Medical Assistance Program (FMAP) rate.

Major policy assumptions and projections for critical needs related to Medicaid expenditures for the three-year 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 February 2011 Social Services Estimating Conference. The July 2011 Social Services Estimating Conferences updated the February 2011 forecast based on legislative changes contained in chapter 2011-69, Laws of Florida.

- **Federal Medical Assistance Percentage (FMAP)—**The Outlook uses a blended estimated federal matching rate of 55.94 percent for Fiscal Year 2011-12; 56.53 percent for Fiscal Year 2012-13; 56.77 percent for Fiscal Year 2013-14; and 56.84 percent for Fiscal Year 2014-15.

- **Medicaid Managed Care**-Chapter 2011-134, Laws of Florida directs the Agency for Health Care Administration to implement a Medicaid managed care program as a statewide, integrated managed care program for all covered medical assistance services and long term care services. Implementation begins January 1, 2013 with full implementation anticipated by October 1, 2014. The Social Services Estimating Conference did not include any adjustments or modification to anticipated Medicaid expenditures as a result of this legislation in the long range forecast. Any potential fiscal impacts of this legislation will be evaluated at future conferences.

8. 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.

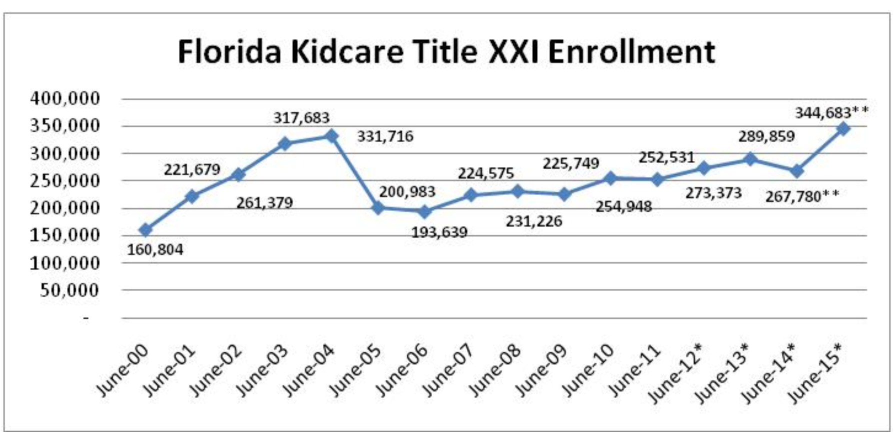
The Congressional Budget Office (CBO) estimates that the legislation will reduce the number of uninsured by 32 million in 2019 at a net cost of $938 billion over ten years. Further, the CBO projects that 29 million individuals will obtain coverage in the newly created state health insurance exchanges and an additional 16 million individuals will enroll in state Medicaid and Children's Health Insurance (Kidcare) programs.

This new federal law requires states to create a 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 the rate 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 2016-17. 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. In this forecast, it is estimated that the number of Medicaid and Children's Health Insurance Program (CHIP) beneficiaries associated with federal health reform will increase by 431,381 beneficiaries in Fiscal Year 2013-14. Of this amount, the new eligibility group for persons with incomes up to 133 percent of federal poverty level will result in an additional 282,971 persons enrolling in Medicaid. There will also be an additional 148,410 persons who will enroll in Medicaid or CHIP. This additional enrollment will be made up of persons who were previously eligible for Medicaid or CHIP, but not enrolled in the programs and persons who are currently enrolled in private insurance or the CHIP program who will now qualify for Medicaid because of the expansion of eligibility to those under 133 percent of the federal poverty level. The cost for serving these additional Medicaid participants is forecast to be $1.52 billion, of which $141.2 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 $486.6 million, bringing the total cost for federal health care reform for Florida Medicaid to $2.01 billion in Fiscal Year 2013-14. In Fiscal Year 2014-15 it is estimated that there will be a 1.4 million total increase in Medicaid and CHIP beneficiaries for a total cost of $6.0 billion of which $648.7 million is state funds. This estimate represents approximately 65 percent of the expected caseload increase due to federal health care reform being realized in Fiscal Year 2014-15.

9. 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 ($44,700 for a family of four in 2011). CHIP is a federal and state matching program. The state participation for Florida is 30.77 percent and the federal participation is 69.23 percent for Fiscal Year 2011-12. Unlike Medicaid, Kidcare is not an entitlement program and the federal allotment is capped. Florida's federal allotment for Federal Fiscal Year 2011 is $324.9 million. The program is funded at $520.96 million in Fiscal Year 2011-12, of which $156.4 million is state matching funds ($61.4 million of General Revenue and $94.9 million of Tobacco Settlement funds). The Title XXI caseload as of June 2011 was 252,531. (There were 26,858 additional children enrolled in the program who are non-Title XXI eligible for a total program enrollment of 279,389.)



*July 2011 Kidcare Estimating Conference
** Caseloads adjusted to reflect impact of federal health care reform implementation.

Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Caseload	273,373	289,859	267,780	344,683
Increase		16,486	(22,079)**	76,903**
Percent		6.03%	(7.62%)	28.72%

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Expenditures				
State Funds	$155.4*	$160.8	$172.6***	$204.2***
Increase		$5.4	$11.8	$31.6
Percent		3.47%	7.36%	18.31%

* Adjusted for nonrecurring and annualizations.
**Caseloads adjusted to reflect impact of federal health care reform implementation.
***Includes additional state funds required for federal health care reform implementation.

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

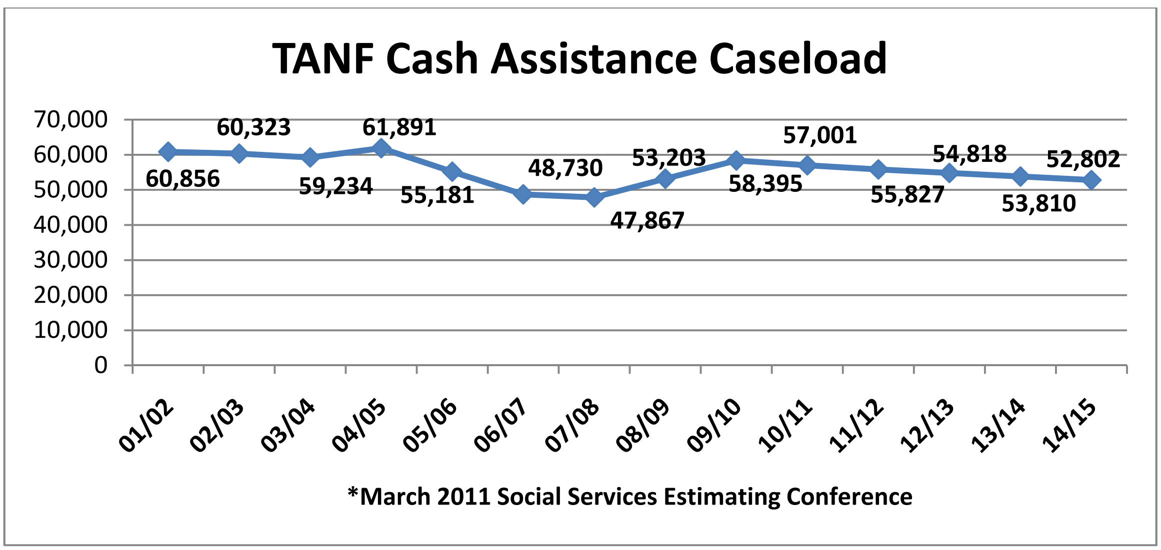
- **Social Services Estimating Conference—**The estimated costs for caseload growth, utilization and inflation were projected based on historical trends and methodologies used by the February 2011 Social Services Estimating Conference. The July 2011 Social Services Estimating Conference updated the February 2011 forecast based on legislative changes contained in chapter 2011-69, Laws of Florida. Caseload projections were also updated to reflect actual programmatic enrollment through June 2011.

- **Federal Medical Assistance Percentage (FMAP)—**The federal matching rate for Fiscal Year 2011-12 is 69.23 percent. The Outlook uses the federal matching rate of 69.42 percent for State Fiscal Year 2012-13 and 69.19 percent for Fiscal Years 2013-14 and 2014-15.

- **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 2011 allotment of $324.9 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).

10. Temporary Assistance for Needy Families (TANF) 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 $617.5 million for Fiscal Year 2010-11, including supplemental grant funds of $55.1 million. It is anticipated that Florida will no longer receive the supplemental grant funds provided in Fiscal Year 2010-11 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). This will reduce Florida's block grant allotment to $562.3 million in Fiscal Year 2011-12. In addition, $13.3 million of TANF funds used in the Fiscal Year 2011-12 appropriation are nonrecurring. 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 will increase by 5 percent or $24.5 million.



[SEE NEXT PAGE FOR TABLE]

Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Caseload	55,827	54,818	53,810	52,802
Increase/(Decrease)		(1,009)	(1,008)	(1,008)
Percent		(0.02%)	(0.02%)	(0.02%)

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Total Program Expenditures	$164.2*	$173.8	$170.1	$166.4
Increase/(Decrease)		$9.6	($3.7)	($3.7)
Percent		5.85%	(2.13%)	(2.18%)

Source: March 2011 Social Services Estimating Conference
*Adjusted for nonrecurring revenues of $13.3 million

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 March 2011 Social Services Estimating Conference. The cash assistance appropriation for Fiscal Year 2011-12 is $177.5 million, of which $135.4 million is General Revenue and $42.1 million is TANF funds. The Outlook replaces the nonrecurring TANF with recurring General Revenue funds and adjusts the General Revenue total by the projected reduction in cash assistance based on the March 2011 Social Services Estimating Conference estimates.

- **Reauthorization—**In November 2010, Congress extended the Temporary Assistance for Needy Families (TANF) block grant through September 30, 2011, as part of H.R. 4783, the Claims Resolution Act of 2010 (P.L. 111-291). However, the bill funded the TANF Supplemental Grants only through June 2011 and only partially. Unless an extension is passed by Congress, Florida and 16 other states that rely on Supplemental Grants will receive only 66 percent of the funding generally received for the 2011 fiscal year. For Florida, this is $40.0 million compared to $60.4 million in previous years. Due to the uncertainty with the Supplemental Grant, $60.0 million in funding ($20 million for the Department of Children and Families and $40 million for the Agency for Workforce Innovation) is contingent on the receipt of this grant. Using carry forward balances from prior years, the Legislature was able to reduce contingent funding to $40.2 million for the 2011-12 fiscal year. The Outlook assumes continuation of the TANF Block Grant at the historical funding levels of $562.3 million for the regular block grant and no funding for the Supplemental Grant for Fiscal Years 2012-13 through 2014-15. It also assumes that Florida will continue to meet the work participation requirements and only be required to provide MOE at the 75 percent level. If work participation rates are not met, Florida would have to increase MOE by 5 percentage points.

11. 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 2011-12 was $62.6 million in trust funds.

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

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Expenditures	$62.6	$63.8	$64.9	$66.1
Increase/(Decrease)		$1.2	$1.1	$1.2
Percent		1.92%	1.72%	1.85%

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

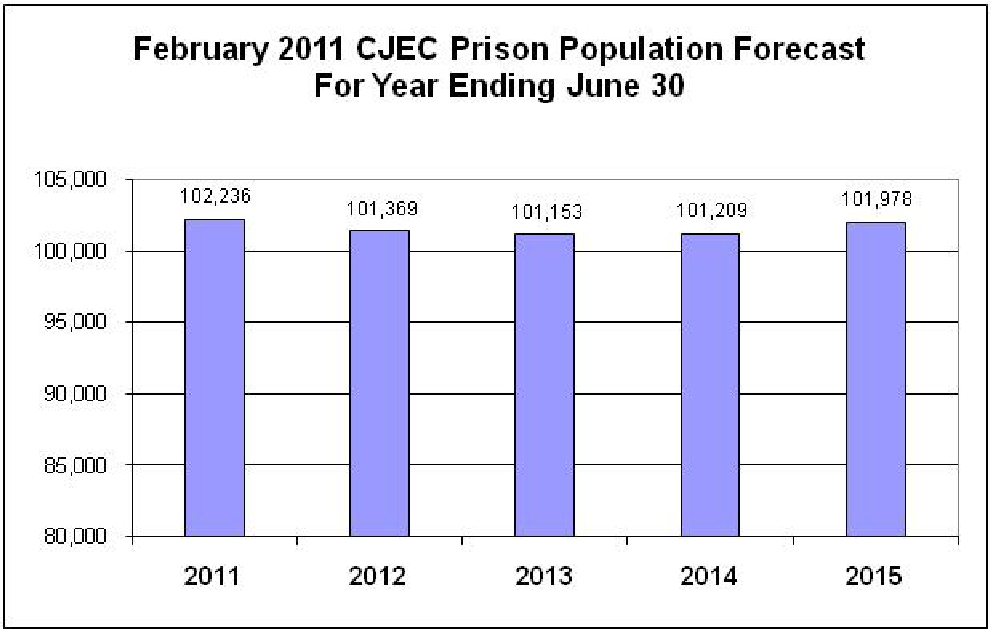
- **National Economic Estimating Conference—**The estimated tobacco expenditures from the February 2011 Revenue Estimating Conference were adjusted by applying the Consumer Price Index from the February 2011 National Economic Estimating Conference.

- **Expenditures—**Over the three-year forecast period, the Outlook provides for adjustments related to the statewide Tobacco Education and Use Prevention program: $1.2 million increase in Fiscal Year 2012-13, $1.1 million increase in Fiscal Year 2013-14 and $1.2 million increase in Fiscal Year 2014-15.

CRIMINAL JUSTICE (Drivers #12 & #13)

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

The Criminal Justice Estimating Conference estimates an increase of approximately 609 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. While construction for increased capacity is usually an additional issue, it is not during this Outlook period because DOC prison bed capacity exceeds the projected prison population.



Operational cost drivers include security and institutional operations, health services, and educational and substance abuse programming for inmates. To calculate projected costs, a baseline average daily rate was calculated using Fiscal Year 2011-12 appropriations for Security/Institutional Operations, Health Services, Education and Programs, and that rate was divided by the average of the year's projected end of month populations. The average per-diem rate was then applied to the projected increase in inmate population over the next three fiscal years.

To account for rising health care costs, a chained price index for health consumption produced by IHS Global Insight was applied to the Health Services Program. The price index is based on increases in health care costs which on a national level are generally higher than price level increases for household goods and services. DOC's Health Services Program is particularly vulnerable to escalating costs due to its use of community hospital and ambulatory care in emergency situations, and the rising costs of prescription drugs.

The 2011 Legislature directed DOC to outsource the provision of health services in Regions I, II and III, and the operations of DOC facilities in Region IV at a required savings of at least seven percent from DOC's current costs. The department is required by law to bring the successful bids before the Legislative Budget Commission (LBC) for approval before the contract may be executed. The total savings from these privatization efforts will not be known until DOC brings the winning bids before the LBC; however, for the Region IV operation privatization, the 2011 Legislature reduced

DOC's Fiscal Year 2011-12 budget by $11 million in estimated savings for a portion of that fiscal year. Savings for future years from the privatization of Region IV will be determined after LBC review. No reductions were taken for the outsourcing of health services for Regions I, II, and III in Fiscal Year 2011-12 or in future years. The savings from the outsourcing of health services will also be determined after LBC review.

13. 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. In the past, the Legislature spent nonrecurring General Revenue to address the increase in demand for these services. However, the 2011 Legislature appropriated $17.9 million of recurring General Revenue for due process cost based on expenditures. Due to the uncertainty of the level of expenditures for Fiscal Year 2011-12, the Outlook uses a placeholder of $1 million of nonrecurring General Revenue for each year of the Outlook period.

JUDICIAL BRANCH (Driver #14)

14. Court System Funding Required to Offset Decline in Court Fee Revenues

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. Under the Florida Constitution, the counties are responsible for providing facilities, security, communications and information technology to the trial courts. The state is responsible for the remaining costs of the trial courts and all costs of the Supreme Court and five district courts of appeal.

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. During Fiscal Year 2011-12, the court fee revenues dropped below the official revenue estimate and the Legislature provided $38.9 million in nonrecurring General Revenue to address that loss and fund the court system. If the current year appropriation of $378.8 million continues as the courts funding level for fiscal years 2012-13 through 2014-15, the court's trust fund will experience a shortfall based on the February 2011 revenue forecast. The Outlook assumes a need for recurring General Revenue in the amount of $96.2 million beginning in Fiscal Year 2012-13, $82.3 million in Fiscal Year 2013-14 and $35 million in Fiscal Year 2014-15.

TRANSPORATION AND ECONOMIC DEVELOPMENT (Driver #15)

15. State Disaster Funding (Declared Disasters)

When a federally declared disaster occurs, the Federal government provides grant funds to repair damage and protect areas from future potential disasters. Depending on the disaster, Florida is required to provide up to 25 percent of the total cost of the grant as state match. State matching funds for federally declared disasters vary tremendously from one year to the next. The actual 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 Outlook contains an estimate of the General Revenue required to meet the outstanding state obligation for all open federally declared disasters.[5]

GENERAL GOVERNMENT (Drivers #16 - #18)

16. Restore Recurring Funding to Department of Revenue (DOR) Positions

The Fiscal Year 2011-12 General Appropriations Act funds 52 positions in the Department of Revenue with nonrecurring General Revenue funds. The 52 positions are allocated within the department as follows: 25 in the General Tax Administration; 21 in Child Support Enforcement; and 6 in the Executive Direction/Administration. The Outlook provides for an increase in recurring General Revenue of $1,660,251 in Fiscal Year 2012-13 to provide the positions with recurring funding.

17. Non FRS Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services is also responsible for administering non FRS pension and benefit programs, such as the pension for the Florida National Guardsmen. The funding increases shown as critical needs are based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits and growth in the number of retired participants. Based on historical growth, the Outlook provides for an increase in recurring General Revenue funds of $700,000 in Fiscal Year 2012-13, $800,000 in Fiscal Year 2013-14, and $900,000 in Fiscal Year 2014-15 for the non FRS pension and benefit programs.

18. Fiscally Constrained Counties – Property Tax & Conservation Lands

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. In addition, chapter 2009-157, Laws of Florida, implemented the constitutional amendment (passed by the voters in November

[5] Chapter 2011-142, Laws of Florida transfers disaster response and recovery from the Department of Community Affairs, Division of Emergency Management, to the Executive Office of the Governor.

2008) granting an ad valorem tax exemption for real property dedicated in perpetuity for conservation purposes.

Based on estimates provided by the Office of Tax Research in the Department of Revenue and the Office of Economic and Demographic Research, the Outlook provides nonrecurring General Revenue of $26.4 million in Fiscal Year 2012-13, $26.4 million in Fiscal Year 2013-14, and $26.4 million in Fiscal Year 2014-15.

ADMINISTERED FUNDS & STATEWIDE ISSUES (Drivers #19 & #20)

19. Risk Management Insurance

The Outlook includes funds for the state's Risk Management Insurance Program. Funding for this program is based on detailed calculations for each state agency. The state's Risk Management Program, administered by the Department of Financial Services, provides coverage for workers' compensation, general liability, federal civil rights, auto liability, off-duty law enforcement vehicle property damage, and property insurance to state agencies. The state is self-insured for these types of coverage, and agencies are assessed premiums on an annual basis for the coverage. The Outlook uses data available from the March 2011 Risk Management Estimating Conference to estimate costs and determine General Revenue and trust fund allocations to the various agencies. Additional funds are not needed for Fiscal Year 2012-13; however, an additional $8.6 million in recurring General Revenue and $3.7 million in trust funds for Fiscal Year 2013-14 and $7.4 million in recurring General Revenue and $3.2 million in trust funds for Fiscal Year 2014-15 are required.

20. Increases in Employer-Paid Benefits for State Employees

Health Insurance**—**Total expenses associated with the state employee health insurance program are expected to increase by $254.4 million in Fiscal Year 2012-13, $397.6 million in Fiscal Year 2013-14, and $436.2 million in Fiscal Year 2014-15. When the Legislature appropriates additional funds for the program, approximately 67.7 percent of employer-funded premium increases are funded with General Revenue funds and 32.3 percent with trust funds.

The increases in expenses 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 9.2 percent annual growth in pharmacy claims, and an average increase in health maintenance contract costs of 10 percent.

On the revenue side of the health insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered via premium increases paid by the state and its employees. Generally, these costs have been funded through this mechanism. In Fiscal Year 2011-12, a portion of the anticipated costs were funded through continuation of increases in out-of-pocket expenditures (co-payments, deductibles, and coinsurance) paid by active employees and retirees, as well as an increase in employee contributions for employees previously exempt from premium contributions that were implemented in Fiscal Year 2010-11.

In order to meet expenses and maintain a small working balance in the Trust Fund, the Outlook assumes a 15 percent annual increase in state and employee premium contributions effective on July 1, 2012, 2013 and 2014. Under these assumptions, state contributions are expected to increase by $224.7 million in Fiscal Year 2012-13, $259.4 million in Fiscal Year 2013-14, and $298.2 million in Fiscal Year 2014-15. (No changes in the insurance program are assumed.)

The Department of Management Services has recently completed procurements for Health Maintenance Organization (HMO) employee benefit services and pharmacy benefit services. While official numbers were not available at the time this Outlook was developed, the Division of State Group Insurance states that potential savings are likely to be significant and may ultimately result in much lower funding needs than are projected. However, adding further uncertainty to the situation, the contract award for HMO benefit services has been protested by a number of vendors, the outcome of which cannot be predicted.

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 FRS. 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. The 2010 actuarial valuation indicated that the FRS continued in an underfunded status. The 2011 actuarial valuation is not complete; however, the fund is expected to continue in an underfunded status.

The 2011 Legislature passed Senate Bill (SB) 2100 that made a number of changes to the FRS resulting in significant decreases to the employer contribution rates required to fund the Normal Cost of the FRS. Major changes attributable to the bill are as follows:

- Requires a 3-percent of salary employee contribution, effective July 1, 2011.
- Reduces the annual interest rate on Deferred Optional Retirement Plan (DROP) accounts from 6.5 percent to 1.3 percent for all members entering DROP on or after July 1, 2011.
- Eliminates the Cost of Living Adjustment (COLA) on service earned on or after July 1, 2011.
- Makes the following changes for members initially enrolled on or after July 1, 2011:
    - Increases normal retirement age from 55 to 60, and years of service from 25 to 30 years for Special Risk Class members and from 62 to 65 and 30 to 33 for all other class members.

- Increases vesting period from 6 to 8 years.
- Increases Average Final Compensation (AFC) calculation period from 5 to 8 years.

At the time the legislation passed, employer contribution rates enacted in the bill were based upon individual studies of each modification to the FRS as there was insufficient time to obtain a study of the combined impact of the modifications. The Study was ultimately completed on July 1, 2011.

The Outlook assumes that the Legislature will enact actuarially determined Normal Cost rates for Fiscal Years 2012-13, 2013-14, and 2014-15 as calculated by the *Study Reflecting the Impact to the Florida Retirement System of SB 2100* released on July 1, 2011. The cost was calculated by comparing the employer contribution rates enacted by SB 2100 to those contained in the Study. Under this assumption, total employer costs are expected to increase by approximately $176.0 million beginning in Fiscal Year 2012-13. Approximately, $150.3 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

PRE K - 12 EDUCATION (Drivers #21 & #22)

21. Maintain Current Budget - Other PreK-12 Discretionary Programs

Recurring General Revenue funds are included in Fiscal Year 2012-13 as other high priority needs for the purpose of restoring nonrecurring funds provided to discretionary PreK-12 programs in the 2011-12 fiscal year including $10.8 million to maintain Assessment and Evaluation programs and services; $400,000 to maintain funding for Take Stock in Children to provide college scholarships for low-income 6th through 9th grade students; and $500,000 to maintain funding for the Florida Channel for Year Round Coverage to support the production of programming covering the Legislature, the Governor’s Office, the Supreme Court, education, statewide emergencies, and other programming.

22. EETF Adjustment - Bright Futures Tuition Increases - Florida Education Finance Program (FEFP)

Educational Enhancement Trust Fund (EETF) adjustments are provided as other high priority needs to increase Bright Futures awards to pay for annual tuition increases. An increase in Bright Futures awards results in less EETF available for the Florida Education Finance Program (FEFP), resulting in fund shifts to replace EETF funds with General Revenue in the FEFP.

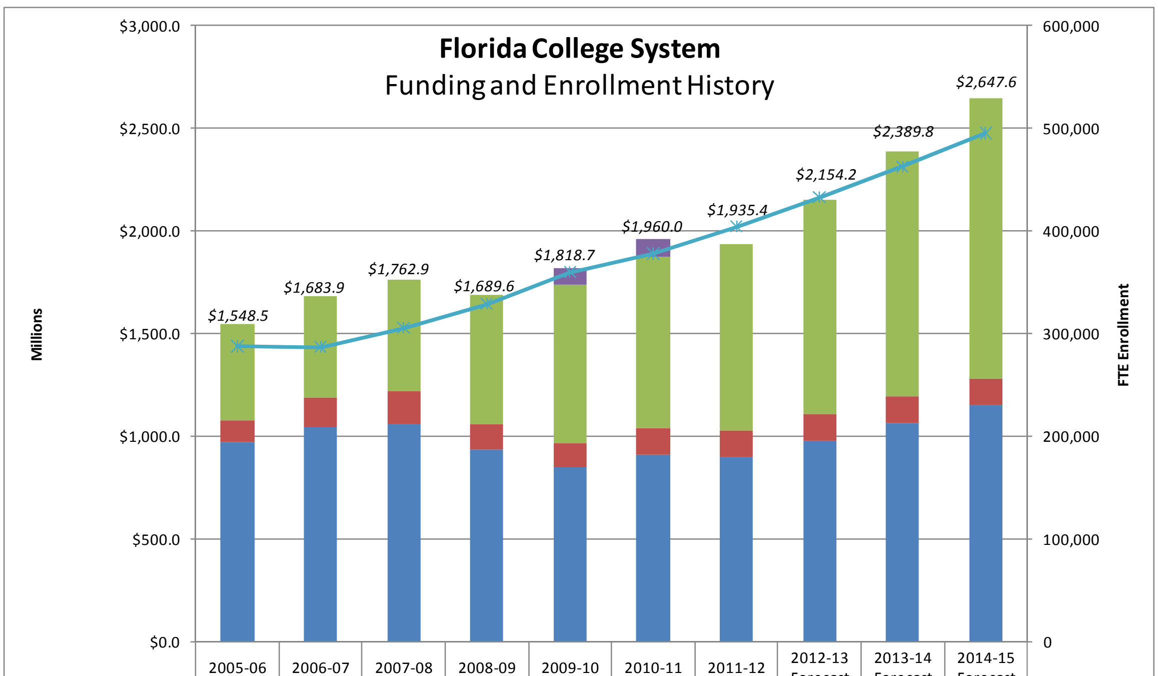
HIGHER EDUCATION (Drivers #23 - #29)

23. Maintain Current Budget – Higher Education Discretionary Programs

Recurring General Revenue funds are included in Fiscal Year 2012-13 as other high priority needs to restore nonrecurring funds provided to discretionary higher education programs in the 2011-12 fiscal year including $3.2 million for the Florida Resident Access Grant and $3 million for the 2+2 Public Private Partnerships. Other programs receiving restorations of nonrecurring funding include Ready to Work, Florida's Academic Counseling and Tracking for Students (FACTS), Historically Black Private Colleges, and Florida Education Fund McKnight Fellowships totaling an additional $4.5 million.

24. Workload and Enrollment - Florida Colleges

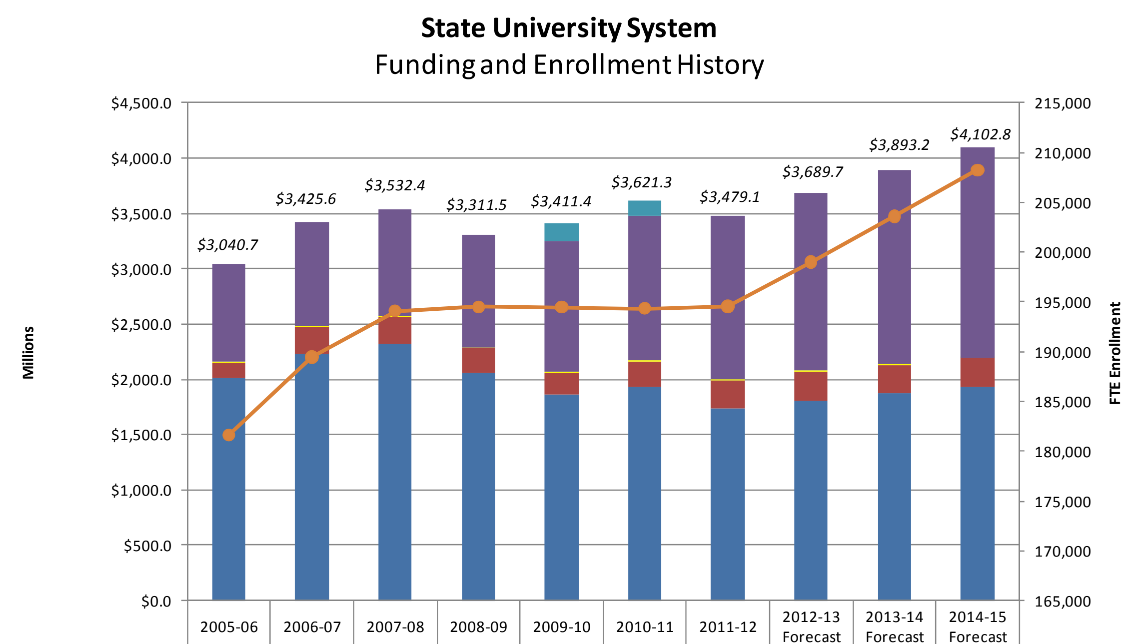
Other high priority needs funding includes workload increases for Florida colleges based on the four-year average enrollment growth of 7 percent for each year during the three-year forecast period. Enrollment growth over the three years is estimated to be 90,981 FTE students.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
Stimulus					$83.3	$83.0				
Tuition	$469.6	$495.6	$545.2	$632.3	$767.1	$840.0	$907.8	$1,044.1	$1,195.5	$1,363.8
EETF	$106.8	$140.0	$161.4	$124.8	$117.0	$127.0	$130.4	$134.9	$130.7	$134.4
General Revenue	$972.1	$1,048.3	$1,056.3	$932.5	$851.3	$910.0	$897.2	$975.2	$1,063.6	$1,149.4
FTE Enrollment	287,714	286,755	305,535	329,052	359,900	377,832	404,280	432,580	462,860	495,261

25. Workload and Enrollment - Universities

Other high priority needs funding includes workload increases for state universities based on the four-year average enrollment growth of 2.3 percent for each year during the three-year forecast period. Enrollment growth over the three years is estimated to be 13,734 students. Over the forecast period, $5.1 million is also included for the phase-in of Florida International University and the University of Central Florida medical schools.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
Stimulus					$161.3	$146.9				
Tuition	$884.1	$942.6	$962.7	$1,022.1	$1,180.1	$1,303.7	$1,480.4	$1,611.5	$1,754.2	$1,903.0
Phosphate TF	$7.0	$7.1	$7.3	$7.3	$7.3	$7.3	$7.3	$7.3	$7.3	$7.3
EETF	$138.2	$241.2	$239.0	$219.4	$201.2	$230.7	$253.9	$262.1	$254.6	$261.4
General Revenue	$2,011.4	$2,234.7	$2,323.4	$2,062.7	$1,861.5	$1,932.7	$1,737.5	$1,808.8	$1,877.1	$1,931.1
FTE Enrollment	181,619	189,443	194,097	194,518	194,458	194,325	194,535	199,009	203,587	208,269

The projections in the Outlook for higher education are based on annual tuition increases of 7.5 percent for workforce education, Florida 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 additional revenues for universities choosing to implement the tuition differential in the three-year forecast period.

26. Bright Futures - Adjust Award Levels for Tuition Increases

Other high priority needs funding includes sufficient Educational Enhancement Trust Fund (EETF) revenues to increase Bright Futures awards to account for annual tuition increases of 7.5 percent. The 7.5 percent rate is based on the four-year average increase in legislatively approved state tuition rates.

27. EETF Adjustment – Bright Futures Tuition Increases – Higher Education

General Revenue funds are provided as a fund shift from the Educational Enhancement Trust Fund (EETF) to offset the increased funds needed for the Bright Futures program to cover annual tuition increases. The fund shifts increase the General Revenue need while decreasing the availability of EETF and are distributed between the Florida colleges and universities based on the proportionate share of appropriated EETF funds in Fiscal Year 2011-12.

28. Anticipated New Space Costs for Colleges & Universities

General Revenue funds are provided in other high priority needs for operational costs associated with the phase-in of new physical space. Facility construction projects funded through Public Education Capital Outlay appropriations and capital challenge grants programs are underway and anticipated to come on-line during the three-year Outlook period. Estimates are based on a four-year appropriations average.

29. Challenge Grants for Florida Colleges and State Universities

General Revenue funds are provided in other priority needs to match prior private donations through the capital challenge grant programs for Florida colleges and universities based on a four-year appropriations average.

HUMAN SERVICES (Drivers #30 - #33)

30. Developmentally Disabled Services

Other high priority needs for the home and community-based waivers include funds to handle potential deficits resulting from utilization increases and recurring shortfalls resulting from the delayed implementation of cost savings measures adopted by the Legislature. The projected increase in General Revenue funds is $27.5 million for Fiscal Year 2012-13. This estimate is based on a four-year average of monthly costs for this waiver program compared to recurring appropriation amounts.

31. Children and Family Services

Funding is provided to restore nonrecurring funds for maintenance adoption subsidies, community based care, Healthy Families, community projects, and mental health and substance abuse services. The Outlook also provides workload increases for community based care and Medicaid waiver services based on four-year averages. In addition, the Outlook provides funding for anticipated increases in the Sexually Violent Predator Program. The increase in General Revenue funds is $74.6 million for Fiscal Year 2012-13, $10.4 million for Fiscal Year 2013-14 and $8.5 million for Fiscal Year

2014-15. The increase attributable to the Tobacco Settlement Trust Fund is $7.2 million for Fiscal Year 2012-13, $1.2 million for Fiscal Year 2013-14 and $2.8 million for Fiscal Year 2014-15.

32. Health Services

For Fiscal Year 2012-13, the Outlook includes $8.8 million in recurring General Revenue funds to restore nonrecurring funds for various Department of Health operational programs such as Traumatic Brain Injury; Poison Control; Primary Care Program; Minority Health Initiatives; Medical Services for Abused and Neglected Children; and Drugs, Vaccines and Biologicals; as well as $5.5 million in nonrecurring Tobacco Settlement Trust Fund dollars to restore TANF related programs such as Children's Medical Services Early Steps and Family Health in Fiscal Year 2012-13. The Outlook also provides $5.5 million in nonrecurring General Revenue funds for this purpose in Fiscal Years 2013-14 and Fiscal Year 2014-15. Additional recurring funds in the amount of $8.7 million are provided in Fiscal Years 2012-13, 2013-14 and 2014-15 for growth in Medicaid waivers in the Department of Elder Affairs and the Department of Health. Finally, the Outlook includes $25 million in trust fund dollars for cancer research that is supported by the $1 tobacco surcharge for Fiscal Year 2012-13 as required by chapter 2011-98, Laws of Florida.

33. Human Services Information Technology/Infrastructure

Other high priority needs 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 $0.2 million from recurring General Revenue funds and $5.2 million from nonrecurring trust funds for Fiscal Years 2012-13, 2013-14 and 2014-15.

CRIMINAL JUSTICE (Drivers #34 & #35)

34. 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, Florida Statutes. 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. In the past, the Legislature provided nonrecurring General Revenue to fund these grants. However, the 2011 Legislature provided $4.6 million in recurring

General Revenue. Future funding projections for juvenile detention costs for fiscally constrained counties are based on a four-year average appropriation.

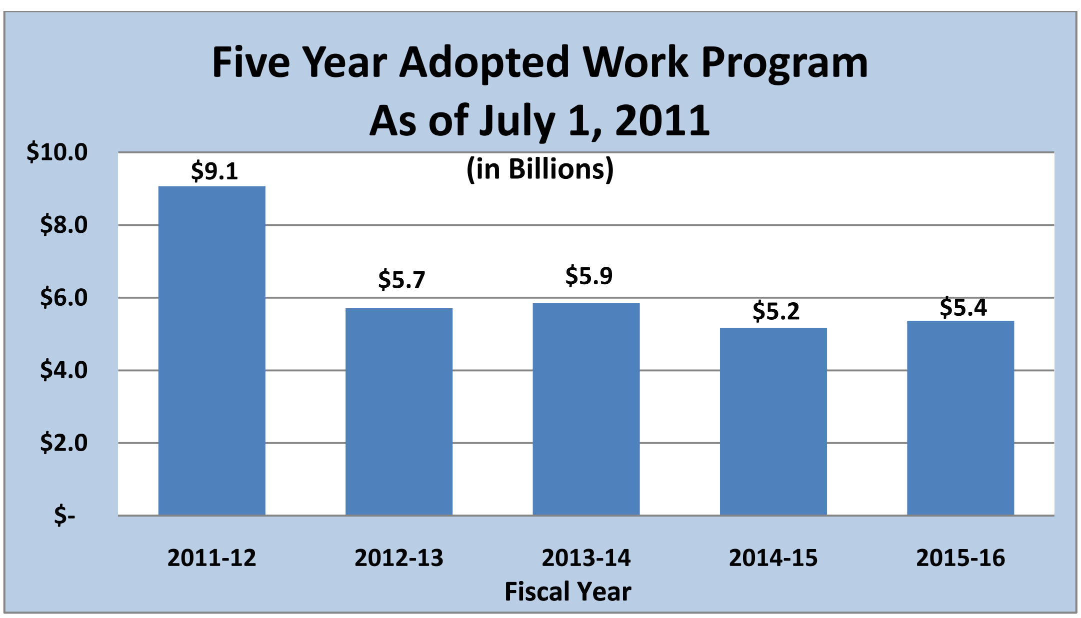
35. Department of Juvenile Justice - Prevention and Intervention Programs

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.

TRANSPORATION AND ECONOMIC DEVELOPMENT (Drivers #36 - #40)

36. Department of Transportation Adopted Work Program (Fiscal Year 2012-2016)

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 March 2011 Transportation Revenue Estimating Conference (see following chart) and the March 2011 Revenue Estimating Conference adjusted for the 2011 legislative session.



**Fiscal Year 2011-12 includes $2.2 billion in roll forward budget from Fiscal Year 2010-11.*

Changes in project commitments and revenue estimates after July 1, 2011, will be programmed into the Work Program in February 2012 for legislative consideration.

The DOT Transportation Work Program varies from year to year. The Outlook assumes funding of $6.9 billion in trust fund revenues based on the first year (Fiscal Year 2011-12) of the DOT Five-Year Adopted Work Program, as of July 1, 2011.

37. Other Transportation and Community Development Priorities

The Outlook assumes funding for environmental site restoration and capital renewal projects at various Department of Transportation (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 Outlook includes $6.9 million per year in State Transportation Trust Fund revenues.

Also included in the Outlook is $2.5 million in nonrecurring General Revenue for Regional Planning Councils within the Department of Community Affairs. The Regional Planning Councils are responsible for preparing and adopting a Strategic Regional Policy Plan addressing five issue areas: Affordable Housing, Economic Development, Emergency Preparedness, Natural Resources of Regional Significance and Regional Transportation. These councils assist the local governments within their jurisdiction through coordination of growth policy and by providing technical assistance.[6]

38. Economic Development and Workforce Programs

Enterprise Florida, Inc. (EFI), a not-for-profit corporation created in the Florida Statutes, is the lead economic development entity in Florida. EFI works in concert with the Governor's Office of Tourism, Trade and Economic Development to develop and implement economic development policy. Economic development activities include: marketing the state as business friendly, providing financial incentives to attract and grow business, offering grants and loans for low-income and rural areas, and granting funding for innovation and research activities. In addition, the State has structured some incentive programs to promote specific industries that have a large impact on Florida's economy, such as the tourism, space and defense industries. These focused efforts include funding for tourism marketing provided to VISIT FLORIDA, operational and business development funding for Space Florida and military base protection funding for the protection and expansion of the defense industry. Since the amount of future nonrecurring funds cannot be predicted, the Outlook mostly relies on

[6] Chapter 2011-142, Laws of Florida transfers funding for Regional Planning Councils from the Department of Community Affairs to the Department of Economic Opportunity.

four-year historical funding averages. The Outlook includes a total of $115.1 million of General Revenue funds for economic development programs.[7]

Key Economic Development Programs:

- Qualified Targeted Industry and Defense Contractor Programs - Provide tax rebates for approved businesses based on the number of new jobs created.

- High-Impact Performance Incentives – Provides a cash grant to business projects in designated high-impact industries that make large capital investments within Florida.

- Quick Action Closing Fund - Provides a cash grant to a business project to help bridge the gap between Florida's incentive package and our competition.

- Innovation Incentive Program – Provides a cash grant to research and development entities and large-scale business projects locating in Florida.

- Rural Community Development Grants and Loans - Provides grants and low-interest loans to designated rural communities in Florida to assist them with economic development efforts.

- Military Base Protection – Provides grants and technical assistance to help foster Florida's Defense Industry and support defense-dependent communities.

Workforce Florida, Inc., is the State's designated workforce policy board. In addition to coordinating overall workforce activities, the board manages specific workforce programs to assist in the growth of Florida's economy. The Quick Response Training (QRT) program is one such program, providing skills training to new or expanding companies that are tailored to meet the specific company's training needs. Typically, QRT grants are awarded as one piece of an overall economic development incentive package geared toward the recruitment or expansion of a business. Based on a four-year historical average, the Outlook includes $2 million in General Revenue funding for the Quick Response Training program.[8] The vast majority of other workforce programs is federally funded, and therefore is not reflected in the Outlook.

39. National Guard Armories and Military Affairs Priorities

The Florida Armory Revitalization Plan is intended to renovate Florida's aging Readiness Centers (armories) using the Capital Improvement Plan. The program concept is to assess, design, and renovate as many facilities per year as possible using a prioritized list contingent on the availability of state funding. The Legislature has

[7] Chapter 2011-142, Laws of Florida transfers Economic Development programs from the Office of Tourism, Trade and Economic Development to the Department of Economic Opportunity.
[8] Chapter 2011-142, Laws of Florida transfers workforce programs from the Agency for Workforce Innovation to the Department of Economic Opportunity.

provided over $55 million of funding since Fiscal Year 2005-06 in support of the National Guard Armory Renovations. To date, 31 of Florida's 55 armories have received funding to begin the planned repairs. No funding was provided for armory renovations in Fiscal Years 2009-10 and 2010-11; however, the Legislature appropriated $15 million in Fiscal Year 2011-12. The Outlook includes $4.5 million based on a four-year funding average.

The Department of Military Affairs (DMA) receives funding for two Florida National Guard community support programs that target at-risk youth and young adults, and the Outlook includes $2 million based on a four-year funding average. The About Face Program began in 1997 and is held at local National Guard Armories throughout the State. This program provides life skills and drug awareness training, including mentoring assistance to youth between the ages of 13 and 17. The Forward March Program began in 1999 and provides job readiness services for the Florida Work and Gain Economic Self-Sufficiency (WAGES) program participants. This is a life skills training program in which clients participate in an activity-based curriculum designed for participants to practice life skills in a real life setting. Participants must meet eligibility requirements for both programs.

Section 250.34, Florida Statutes, provides for medical attention, necessary hospitalization and pay for troops who become injured while on state active duty, and specifies that the Department of Financial Services, Division of Risk Management process benefits to certain severely injured or disabled troops who have claims past one year from the date of injury or disability. In January each year, the Division of Risk Management provides the DMA an invoice of payments and associated legal costs made during the prior calendar year, and the Outlook includes $0.4 million based on a four-year funding average for these claims.

40. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for the following Department of State programs based on four-year historical funding averages. Collectively, these programs have received approximately $28.7 million annually.

The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. The two biggest programs obtaining additional funding from the Legislature include State Aid to Libraries and Library Cooperative Grants. The State Aid encourages local governments to establish and continue development of free library service to all residents of Florida and the Cooperative grants fund multi-type library cooperatives for the continuing maintenance of the statewide database of library materials. The four-year average historical funding for library grants is $23 million.

The Division of Cultural affairs administers grant programs supporting the arts and culture in Florida. Grant programs provide funding for science museums, youth and children's museums, historical museums, local arts agencies, state service organizations, and organizations that have cultural program activities. The four-year average historical funding for cultural/museum grants is $2.9 million.

The Division of Historical Resources administers two grant programs which assist in the identification, excavation, protection and rehabilitation of historic and archaeological sites; provide public information and museum exhibits on the history of Florida; and encourage preservation in smaller cities and rural areas. The four-year average historical funding for historical grants is $0.7 million.

Finally, the Division of Elections administers the Florida Election Code, Chapters 97 through 106, Florida Statutes, which regulates all state and county elections. Portions of the election code also pertain to municipalities and special districts in the state and to federal elections. Elections are conducted in Florida almost every week of the year by county supervisors of elections or city clerks. Major state and county elections are held in even-numbered years. The Division is required by law to pay for: the costs of special elections; the costs of statewide litigation relating to elections lawsuits; and the cost to advertise constitutional amendments. These costs are considered in developing the Outlook.

NATURAL RESOURCES (Drivers #41 - #43)

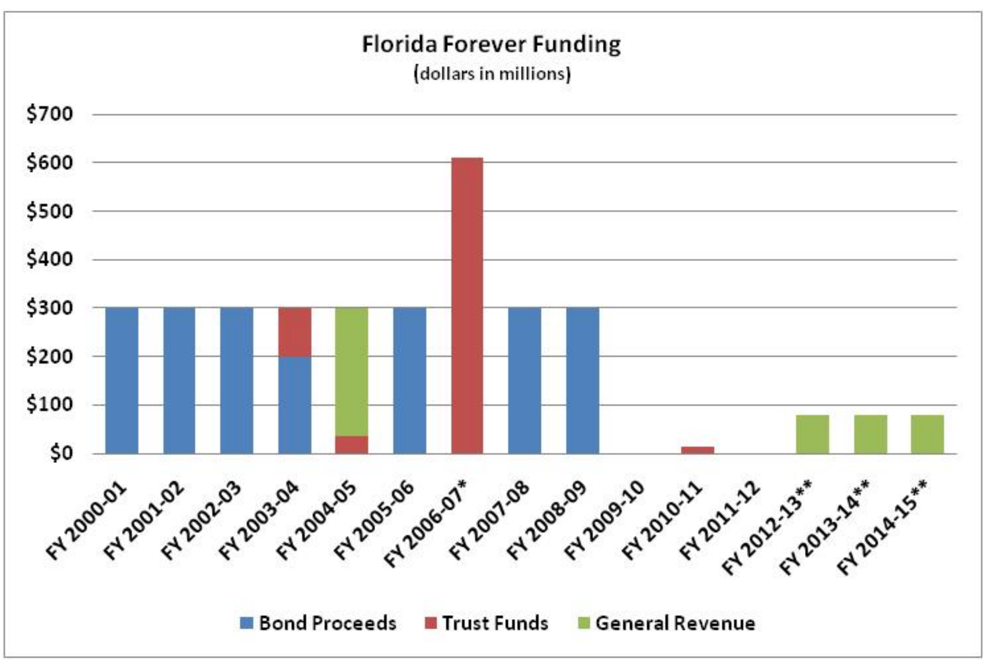
41. Environmental Programs Funded with Documentary Stamp Tax

The Outlook assumes continued funding for programs with documentary stamp tax revenues within the Department of Agriculture and Consumer Services, Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. The majority of funds are directed toward land acquisition and management of recreation, conservation, water areas and related resources, including construction, improvement, enlargement, extension, operation and maintenance of capital improvements and facilities. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which includes water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, and public education programs on nonpoint source management. In addition, funds are used for invasive plant control, which eliminates or reduces aquatic or non-native plants destructive to the state's natural ecosystems and lake restoration, which includes freshwater aquatic habitat enhancement. Funds are also used for beach restoration, which serves to repair and restore the state's critically eroded beaches. Finally, a small portion of the distribution is used to fund oyster management and restoration programs in Apalachicola Bay and other oyster harvest areas in the state, including the relaying and transplanting of live oysters and shell planting to construct or rehabilitate oyster bars. The funding level is based on the current statutory distribution levels projected by the March 2011 Revenue Estimating Conference adjusted for the 2011 legislative session action—$87.6 million for Fiscal Year 2012-13, $91.4 million for Fiscal Year 2013-14, and $88.7 million for Fiscal Year 2014-15.

As a result of 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 Outlook provides nonrecurring General Revenue funds for a portion of beach restoration. In addition, a 4-year historical funding average methodology using current policy and administration creates deficits in the trust fund in years two and three of the Outlook. The amounts used in the Outlook—$11.9 million for Fiscal Year 2012-13, $4.9 million for Fiscal Year 2013-14, and $3.7 million for Fiscal Year 2014-15—represent the difference between the 4-year funding average, the estimated documentary stamp tax revenue, and the funds necessary to prevent deficits in the trust fund from which this program is funded.

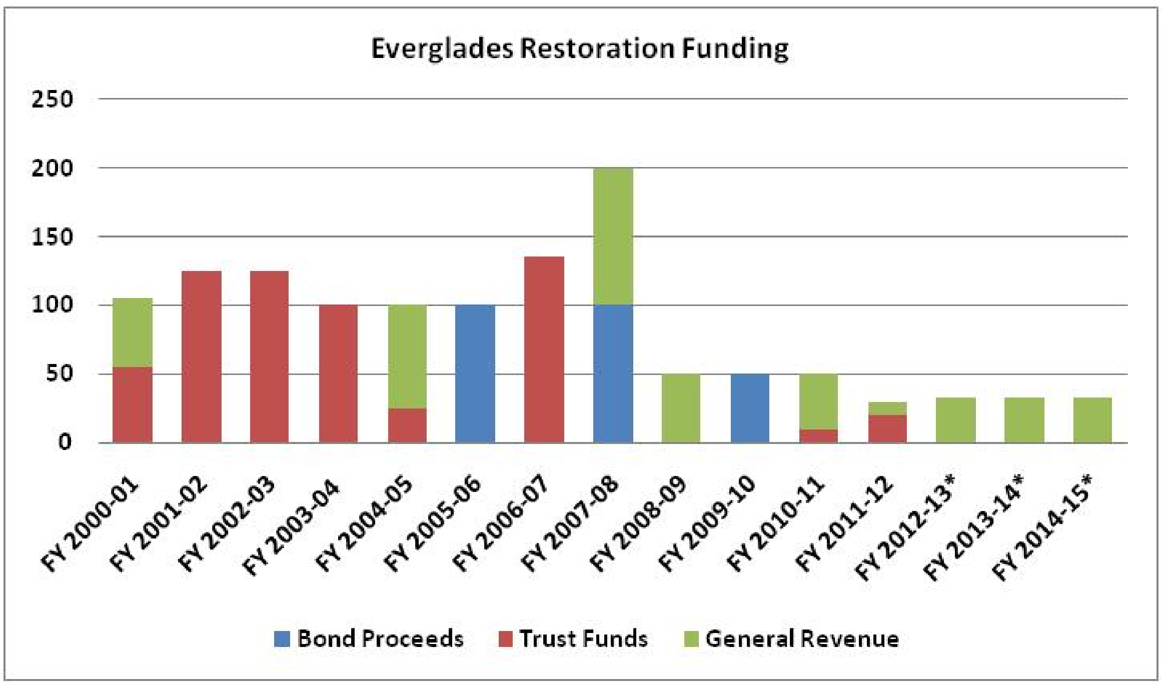
42. Environmental Land Acquisition and Restoration

Florida Forever Program—In 1998, Florida voters amended the state constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded with the 10-year $3 billion Florida Forever Program to acquire and manage land for conservation. This was extended another 10 years in 2008 for a total of $6 billion. Originally, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of documentary stamp tax revenue. As revenues declined, however, the Legislature appropriated nonrecurring General Revenue funds and trust fund balances to fund the program in lieu of authorizing the full $300 million annual debt (see graph below). Unless the Legislature pledges additional recurring revenue as security, there is no more capacity for issuing bonds. The Outlook assumes funding of $3.8 million each year from nonrecurring General Revenue funds for Fiscal Years 2012-13 through 2014-15 based on a 4-year historical funding average methodology.



*includes $310 million for the cash purchase of Babcock Ranch **projected funding sources

Everglades Restoration—The Comprehensive Everglades Restoration Plan (CERP) is a large, comprehensive, long-term 50-50 partnership with the federal government to restore the Everglades. The plan originally approved in the 2000 federal Water Resources Development Act includes more than 60 projects, that will take more than 30 years to complete and will cost an estimated $13.5 billion. In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership—bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007, the Florida Legislature expanded the use of the Save Our Everglades Trust Fund and bonds issued for Everglades Restoration to include the Lake Okeechobee Watershed Protection Plan and the River Watershed Protection Plans through Fiscal Year 2019-2020. The Legislature has authorized bond proceeds and appropriated nonrecurring General Revenue funds and trust fund sources to support this restoration program (see graph below). Similarly to the Florida Forever Program, there is no more capacity for issuing bonds. The Outlook assumes funding of $32.5 million each year for the Everglades Restoration plan from nonrecurring General Revenue funds based on a 4-year historical funding average methodology.



***projected funding sources**

43. Other Agriculture and Environmental Programs

The 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 Outlook includes funding for traditional water projects. These projects were historically funded by a statutory sales tax distribution based on the work of the Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes a 4-year historical funding level of $16.9 million funded from nonrecurring General Revenue funds for each fiscal year for the duration of the three-year forecast period.

Drinking Water and Wastewater Revolving Loan Programs—The Outlook provides a state match to all estimated federal dollars available to maximize low interest loans to the state's local governments for needed infrastructure. For the duration of the three-year forecast period, nonrecurring General Revenue funds of $16.1 million are provided for each fiscal year to match federal funding.

Other Agricultural Programs—Agriculture continues to be an important industry in Florida. Based on historical funding averages, $4.7 million in nonrecurring General Revenue funds is included for each fiscal year of the Outlook. This includes funding for aquaculture research grants that develop and implement innovative production techniques, including ornamental fish and aquatic plant production and biotechnology. In addition, funds will be used for the replacement of critical wildfire suppression equipment such as dozers with enclosed cabs, plows and transports. Funds will also be used for integrated marketing and promotional campaigns for agricultural commodities through the Florida Agriculture Promotion Campaign also known as "Fresh from Florida." Finally, a portion of the funds will be used for the distribution of food to needy families through emergency feeding organizations like food pantries, soup kitchens, and shelters.

GENERAL GOVERNMENT (Driver #44)

44. Other General Government Priorities

Child Support Enforcement—The Outlook continues to provide funds for the completion of the Child Support Automated Management System (CAMS). The funding is based on the Department of Revenue's implementation schedule and maximizes all available trust fund resources. The project is scheduled to be completed in Fiscal Year 2012-13. For the 2012-13 fiscal year, $1.9 million in nonrecurring General Revenue is included in the Outlook.

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 2011-12 General Appropriations Act directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook continues this policy and, for the 2012-13 fiscal year, provides $700,000 in nonrecurring General Revenue, $500,000 in the 2013-14 fiscal year, and $500,000 in the 2014-15 fiscal year.

Child Support Enforcement Annual Fee—The federal government requires an annual $25 fee from each non-public assistance parent utilizing the services of the Department of Revenue's Child Support Enforcement Program. The Legislature has covered the cost of the annual $25 fee for parents utilizing child support enforcement services. The Fiscal Year 2011-12 General Appropriations Act included base budget funding of $1,989,000 in recurring General Revenue and $1,049,598 in nonrecurring trust funds due to the increased child support case load. The Outlook continues the current policy and includes $1,626,991 nonrecurring General Revenue to cover the case load increase.

ADMINISTERED FUNDS & STATEWIDE ISSUES (Drivers #45 & #46)

45. 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 Florida Retirement System (FRS) determined that the fund had an Unfunded Actuarial Liability (UAL) as of July 1, 2009. The UAL continued in 2010, and while incomplete, it is expected that the 2011 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 2012-13 and future years, the contribution rates should include the cost to amortize the UAL as calculated in the actuarial study mentioned previously in addition to funding the Normal Cost. Under this assumption, the annual liability associated with the UAL for Fiscal Year 2012-13 is $398.6 million, of which $329.6 million is General Revenue. Based upon recommendation from the FRS' actuary, the annual amount required to fund the UAL is projected to increase by 10 percent for each of the next two fiscal years.

46. Maintenance, Repairs, and Capital Improvements – Statewide Buildings

Human Services—Maintenance and repair projects are based on four-year appropriation averages of maintenance and repair costs for state-owned facilities which include mental health facilities, senior citizen centers, county health departments, rural hospitals and veteran's nursing and domiciliary homes. Nonrecurring General Revenue in the amount of $9.2 million and $23.6 million from nonrecurring trust funds is provided for each of the three fiscal years 2012-13, 2013-14 and 2014-15.

Criminal Justice—The Department of Corrections (DOC) and the Department of Juvenile Justice operate numerous facilities, many of which are over 30 years old and require regular maintenance to preserve the state's investment. Maintenance and repair projections are based on 4-year average appropriations for maintenance and repair, environmental deficiencies, and other increased fixed capital needs. Nonrecurring General Revenue in the amount of $2.4 million is provided for each of the three fiscal years 2012-13, 2013-14 and 2014-15.

Another anticipated maintenance issue will be the consolidation, and closing of prisons. Due to excess prison bed capacity, DOC has closed two institutions, a road prison, and a boot camp, and will likely close more facilities if the inmate population trend continues as estimated. There will be a cost associated with maintaining and securing the closed institutions to protect the state's assets from falling into disrepair; however, the department has not yet determined what level of maintenance and security will be necessary for each institution. For planning purposes, DOC has estimated the annual cost to be approximately $50,000 per facility for a total cost of $200,000 for Fiscal Year 2012-13. This plan assumes one more prison will be closed each year, increasing the funding to $250,000 for Fiscal Year 2013-14 and $300,000 for Fiscal Year 2014-15. These estimates are subject to change once the department finalizes the costs of maintaining the closed prisons.

Judicial Branch—The state is responsible for the facility needs of the Supreme Court and District Courts of Appeal. Future funding projections are based on a four-year appropriation average; the Outlook assumes a need of nonrecurring General Revenue in the amount of $404,720 for Fiscal Years 2012-13 through 2014-15.

Natural Resources—The Outlook assumes funding for repairs and construction for agricultural infrastructure located throughout the state. These building improvements include forestry wildfire prevention facilities and state farmers markets. Based on a 4-year historical funding average, the Outlook includes $1.1 million in nonrecurring General Revenue funds in each fiscal year for the duration of the three-year Outlook period.