

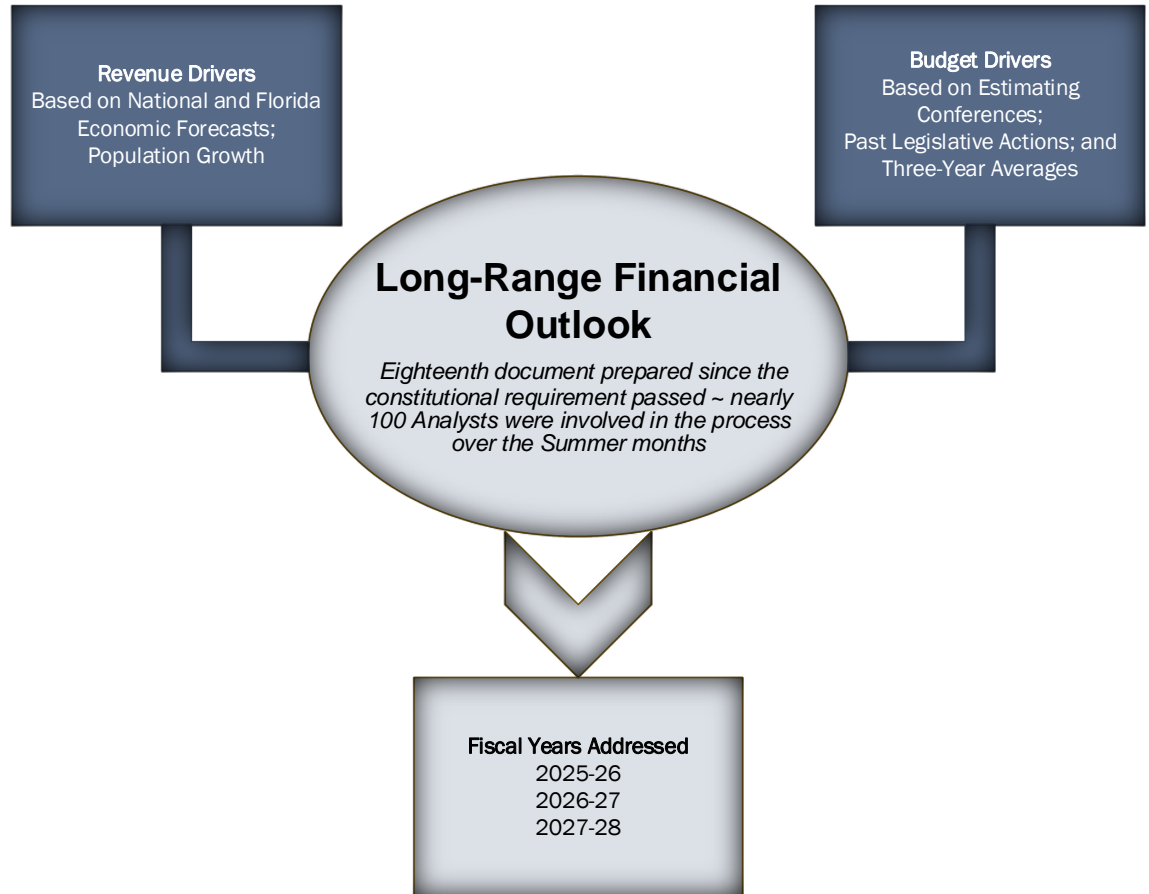
Florida: Long-Range Financial Outlook

September 6, 2024

Presented by:

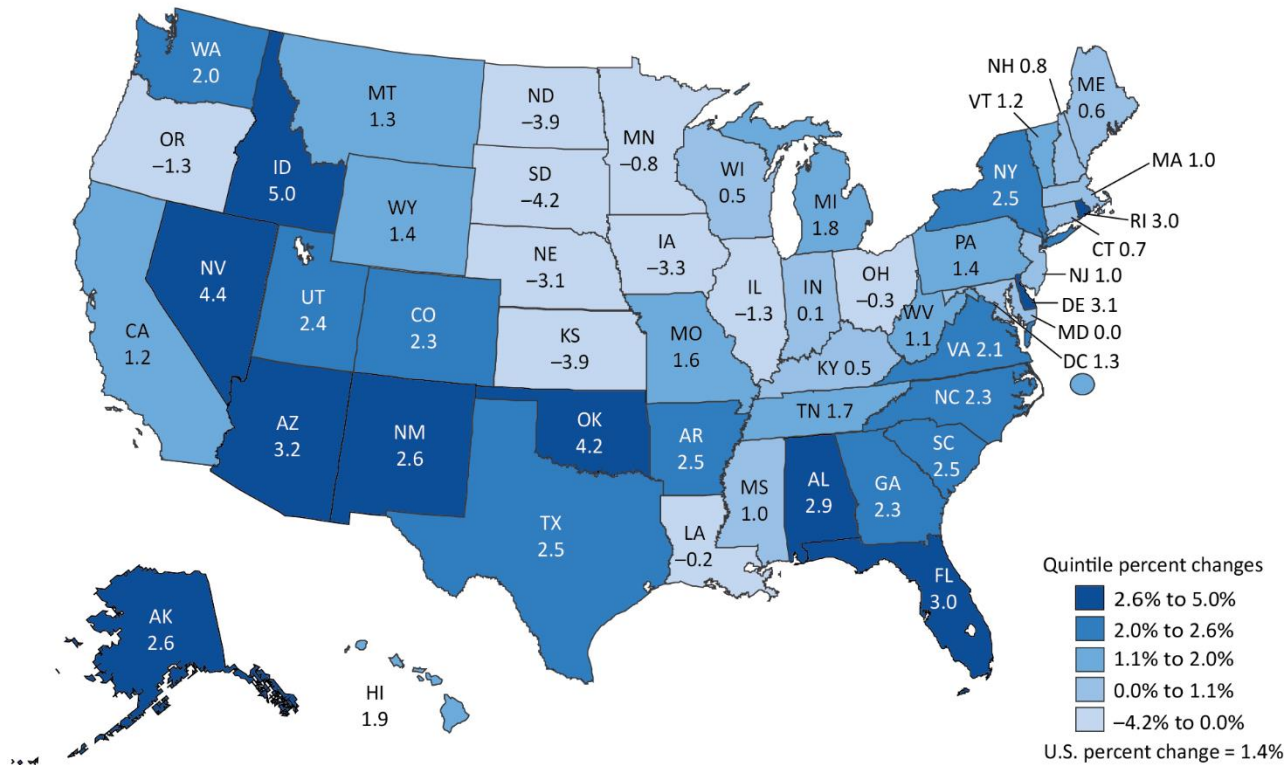


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Florida's GDP Growth...

Real GDP: Percent Change at Annual Rate, 2023:Q4–2024:Q1



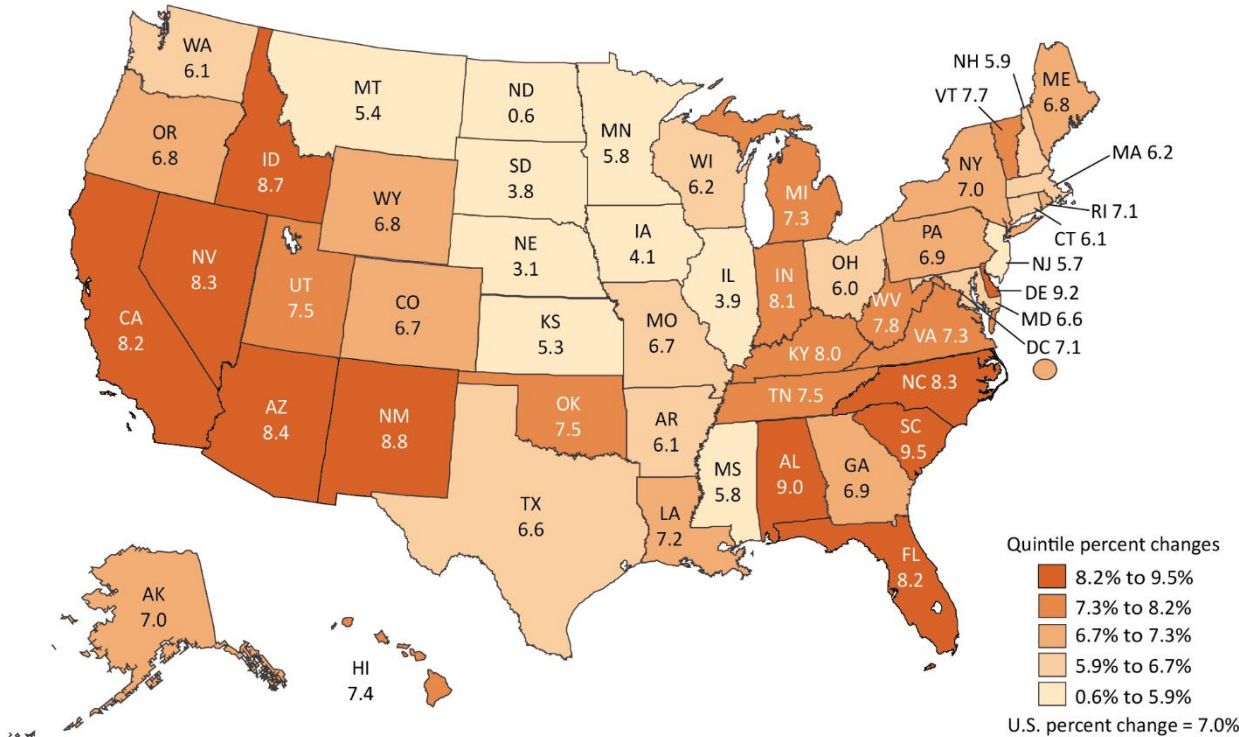
In the 1st Quarter of 2024, Florida's real economic growth was ranked 6th in the nation with a 3.0 percent change at an annual rate. The United States as a whole had quarterly growth of 1.4 percent.

U.S. Bureau of Economic Analysis

Buffeted by a series of economic shocks, the state's GDP dipped to near zero (0.4 percent) in Fiscal Year 2019-20, bounced back to 4.7 percent in Fiscal Year 2020-21, and surged to 7.0 percent in Fiscal Year 2021-22, more than double the pre-pandemic-year growth rate and exceeding the prior peak growth rate of 6.6 percent in Fiscal Year 2004-05. The state's economy expanded by 4.4 percent in Fiscal Year 2022-23 and 4.5 percent in Fiscal Year 2023-24, but the Conference expects growth to decelerate to 2.1 percent and 1.9 percent over the current and next fiscal years as businesses and consumers transition from a high inflation / high interest rate environment to more normal conditions. Beginning in Fiscal Year 2026-27, the economy will stabilize at its characteristic 2.0 to 2.1 percent per year.

Florida's Personal Income...

Personal Income: Percent Change at Annual Rate, 2023:Q4–2024:Q1

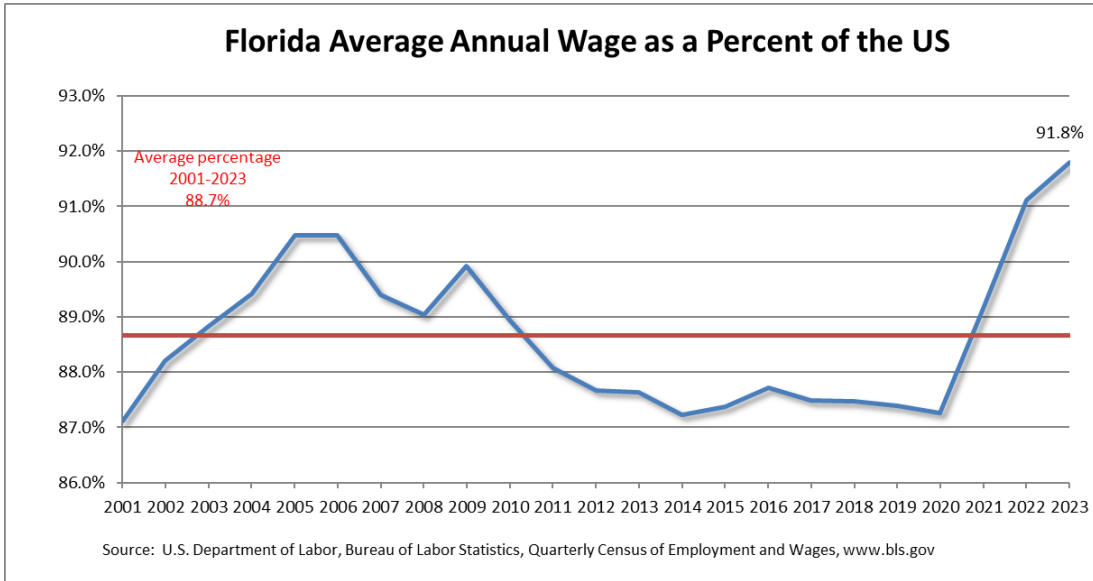


In the 1st Quarter of 2024, Florida's personal income growth was ranked 10th in the nation with an 8.2 percent change at an annual rate. The United States as a whole had quarterly growth of 7.0 percent.

U.S. Bureau of Economic Analysis

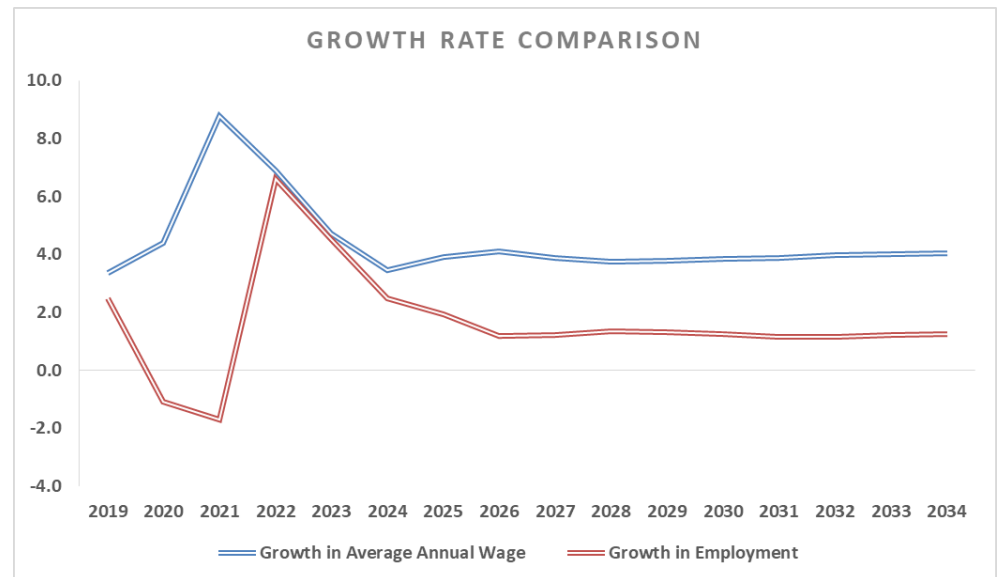
Buttressed during the pandemic by an infusion of federal dollars into Florida's households, the final growth rate for the state's 2020-21 fiscal year was 10.3 percent and for the 2021-22 fiscal year was 6.6 percent. Personal income growth then accelerated to 7.7 percent in Fiscal Year 2022-23 as workers and employers chased historic levels of inflation and leveraged the tight labor market into better paying opportunities. Largely on the continuing strength of wage growth, Florida had still high growth of 5.3 percent in Fiscal Year 2023-24, with the current year expected to slightly exceed that percentage at 5.6 percent. After five additional years at or above 5 percent growth (Fiscal Year 2025-26 through Fiscal Year 2029-30), annual growth rates begin to stabilize at 4.9 percent.

Wage Gap Continues to Narrow in 2023...



In the first two decades of this century, Florida's average annual wage was below the US average. The most recent data shows that the state's average percentage fell from 2016 when it was 87.7% to 87.3% in 2020. This picture changed in 2021 when Florida moved above its longer run average of 88.7% to 89.2%. The state's percentage further rose in 2022 to 91.1%.

Preliminary data for 2023 suggests that the ratio continues to converge with Florida moving to 91.8%, the highest ratio over the past two decades. Based on Conference projections of average annual wage growth of 3.8 percent or above each year—following a 3.9 percent increase in the current year and 4.1 percent in FY 2025-26—the higher wages are likely here to stay.



Current Employment Conditions...

July 2024 Nonfarm Jobs (YOY)

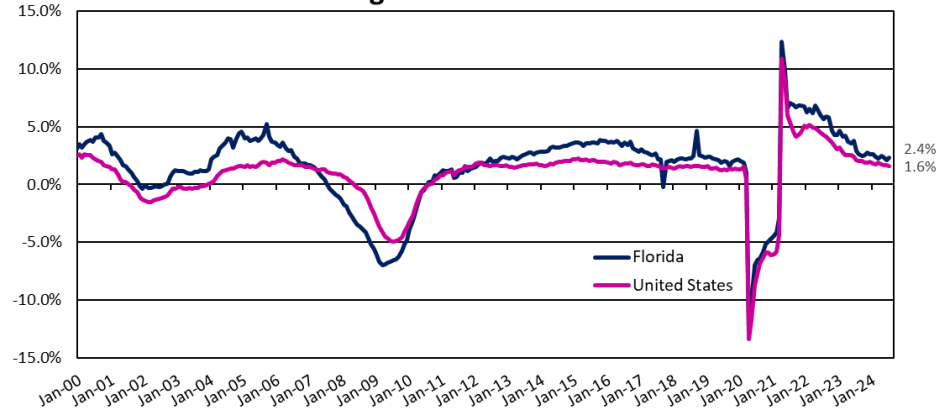
US: 1.6%

FL: 2.4%

At the onset of the pandemic, employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a decline of 14.1 percent. In July 2024, Florida exceeded the pre-pandemic level (February 2020) by 902,700 jobs, a gain of 9.9 percent.

The Conference expects growth to decelerate from 2.5 percent in Fiscal Year 2023-24 to 1.9 percent in Fiscal Year 2024-25 and 1.2 percent in Fiscal Year 2025-26 as the nation's economy softens due to the Federal Reserve's efforts to fight inflation. Job growth essentially stabilizes at this percentage level through Fiscal Year 2033-34.

**Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year**



Source: Florida Department of Commerce, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, August 16, 2024

July 2024 Unemployment Rate

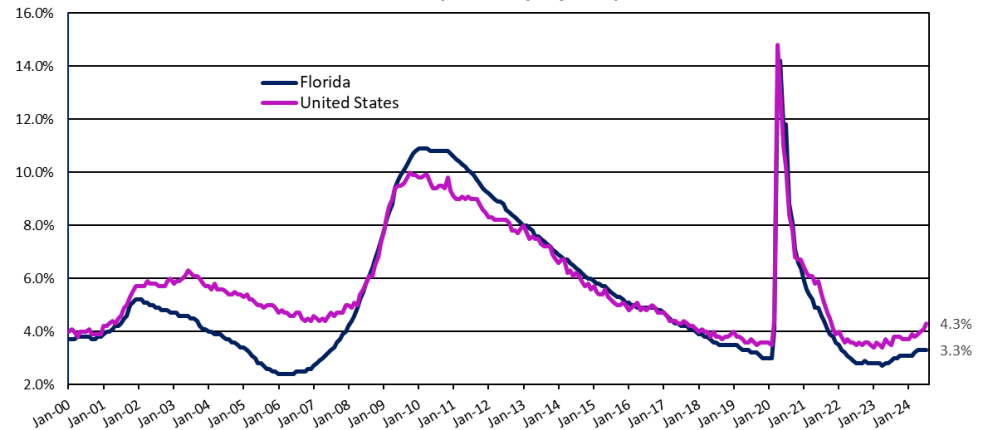
US: 4.3%

FL: 3.3% (366,500 jobless persons)

The Economic Estimating Conference assumes the “full employment” unemployment rate is about 4 percent.

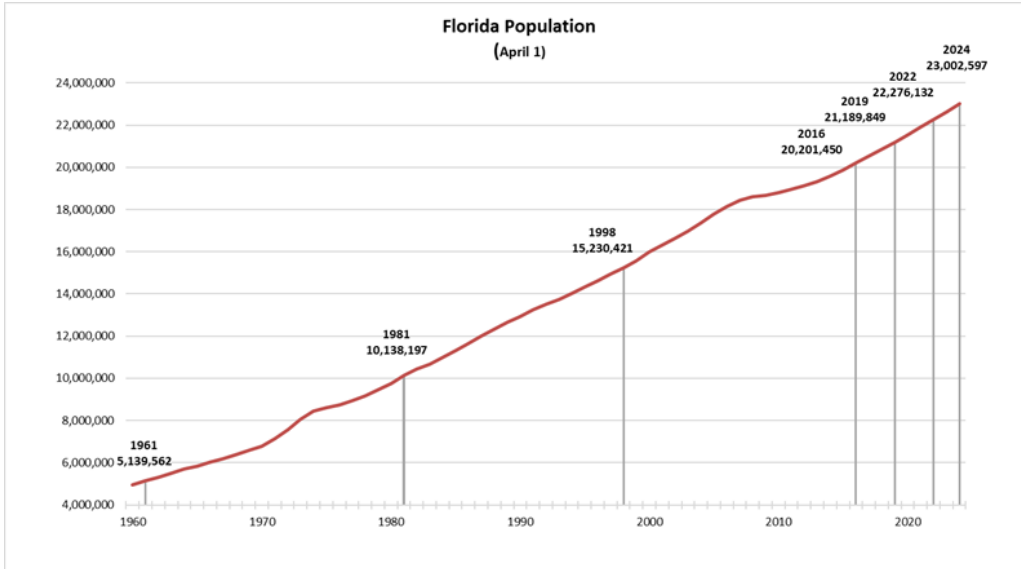
Florida's monthly unemployment rate dropped to 2.8 percent for the entire 2022-23 fiscal year, not far from the lowest recorded rate in modern times (the first half of 2006 when it was 2.4 percent). Given the Federal Reserve's actions to cool off the economy through higher interest rates, the annual unemployment rate drifted up to 3.1 percent in Fiscal Year 2023-24. The Conference expects the rate to peak at 4.6 percent in Fiscal Year 2026-27 and Fiscal Year 2027-28, after which it slightly retreats and then plateaus at 4.0 percent.

**United States and Florida Unemployment Rates
(seasonally adjusted)**



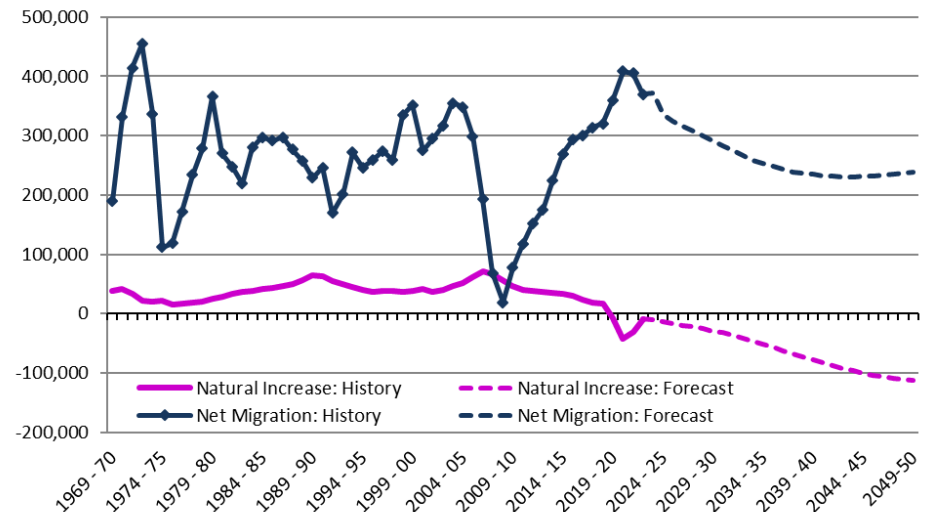
Source: Florida Department of Commerce, Bureau of Workforce Statistics and Economic Research, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, August 16, 2024.

Florida's Population Topped 23 million in 2024...



Florida's strongest April-over-April growth rate in this century was the year 2000 at 2.58%, but the largest numerical change occurred in 2005 (+403,332), immediately prior to the collapse of the housing boom and the beginning of the Great Recession. Just before and during the pandemic era, the April 1st growth rates were: 1.64% (+348,338) for 2020, 1.67% (+360,758) for 2021, and 1.72% (+377,187) for 2022. For 2023, growth was 1.61% (+358,735).

Between 2024 and 2030, Florida's growth is expected to average 1.24% per year compared to the national average of 0.42% during the same period. Going forward, net migration will produce all of Florida's population growth, as natural increase is anticipated to remain negative with deaths outnumbering births.

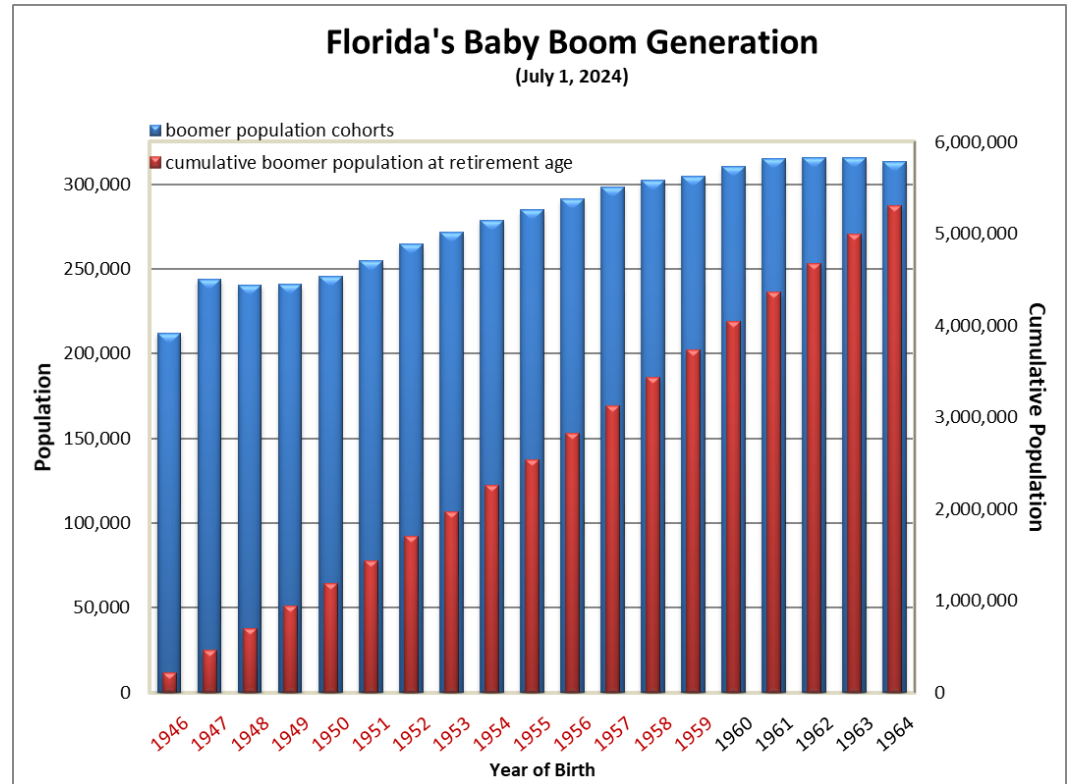


Baby Boomers Now in the Forecast Horizon...

The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Fourteen of nineteen cohorts have now entered the retirement phase. This represents slightly over 70% of all Baby Boomers.

Population aged 65 and over will represent about one quarter of Florida's total population in 2030, compared with 21.2 percent in 2020 and 17.3 percent in 2010.

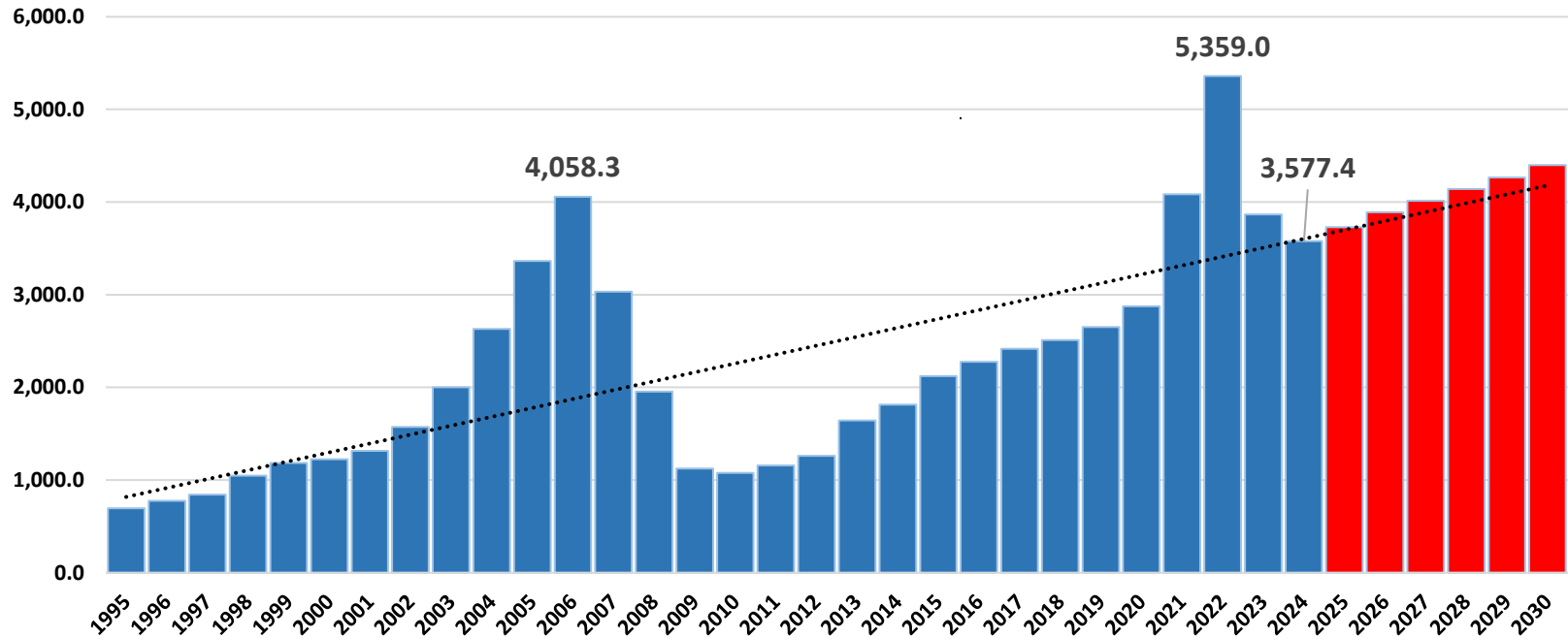
The sheer size of this aging population will have knock-on effects for Florida's future economy, as well as implications for labor force issues, housing, health care services, modes of service delivery, and overall tax collections. The effects will vary over time, with the positive benefits nearing their end over this decade and the challenges still ahead.



Most of the estimating conferences held during the summer either added the 2029-30 fiscal year to their forecast horizon (5-year forecasts) or had already included it (10-year forecasts). Since the end of the decade continues to be a population inflection point with the entry of the final baby boomer cohorts into retirement, this brings the expected future changes into the immediate planning horizon. About the same time (starting in 2031), the oldest baby boomers will begin to turn 85.

Florida Housing Market Payback for Prior Surge...

Total Documentary Stamp Collections with Forecast (FY Ending)



Documentary Stamp Tax collections in FY 2023-24 came in lower than the prior year for the second consecutive year. The Conference views this period as a correction from the interest rate-fueled surge during the height of pandemic which inflated collections in FY 2020-21 and FY 2021-22. While the Conference had expected a drop of -10.6 percent in FY 2023-24, the final decline of -7.4 percent was better than expected for the year.

With affordability challenges, a high volume of cash sales, a payback for pre-buying during the pandemic, and lower interest rates all in the background, Documentary Stamp Tax collections in FY 2024-25 are expected to increase a solid 4.2 percent to \$3.73 billion. One last year of stronger growth is projected for FY 2025-26 (4.3 percent), before the remaining years of the forecast downshift to annual growth between 3.0 and 3.2 percent.

General Revenue Forecast...

Fiscal Year	Jan 2024 Adj Forecast	August 2024 Forecast	Difference	Incremental YOY 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	22551.6				4.8%
2011-12	23618.8				4.7%
2012-13	25314.6				7.2%
2013-14	26198.0				3.5%
2014-15	27681.1				5.7%
2015-16	28325.4				2.3%
2016-17	29594.5				4.5%
2017-18	31218.2				5.5%
2018-19	33413.8				7.0%
2019-20	31366.2				-6.1%
2020-21	36280.9				15.7%
2021-22	44035.7				21.4%
2022-23	47327.8				7.5%
2023-24	48342.0				2.1%
2024-25	47,581.6	48,515.9	934.3	173.9	0.4%
2025-26	48,596.9	49,697.1	1,100.2	1,181.2	2.4%
2026-27	50,405.0	51,829.0	1,424.0	2,131.9	4.3%
2027-28	51,797.9	53,000.5	1,202.6	1,171.5	2.3%
2028-29	53,253.2	54,336.2	1,083.0	1,335.7	2.5%
2029-30	n/a	55,754.4	n/a	1,418.2	2.6%

Adj = Incorporating Measures Affecting Revenues

Key variables from the new state and national economic forecasts adopted in July 2024 were very similar to those adopted in December 2023, meaning the worst of the economic distortions have eased. This stabilizes the forecasting environment. From here, improving—but normal—conditions are generally expected over the forecast horizon.

While total revenue collections exceeded expectations since the last conference by \$1.1 billion (or 2.3 percent), nearly 60 percent of the revenue gain was related to two sources: Corporate Income Tax and Earnings on Investments. For FY 2024-25 and FY 2025-26, the two-year combined increase across all sources is just over \$2.0 billion. Assuming this amount is budgeted next year, about one half of this will be non-recurring. That said, considerable economic uncertainty still exists. For this reason, the forecast changes were comparatively modest given the size of the General Revenue Fund. The new forecast reaches nearly \$50 billion in FY 2025-26.

GR Outlook Balance...

FY 2023-24

Beginning Balance	21,252.1
Estimated Revenues	48,342.0
Indian Gaming Revenue	179.3
Net Miscellaneous Receipts	1,510.1
Total Revenues	71,283.5
Total Appropriations, GAA Actions & Substantive Appropriations	55,633.9
Transfer to BSF	1,000.0
Budget Amendments through June 30, 2024	178.6
Legislative Reversions	(30.7)
Total Effective Appropriations	56,781.8
Unallocated General Revenue - August 2024 REC Outlook	14,501.7

FY 2024-25

Beginning Balance	14,501.7
Estimated Revenues	48,515.9
Net Miscellaneous Receipts through August 9, 2024	325.1
Total Revenues	63,342.7
Total Appropriations, GAA Actions & Substantive Appropriations	53,098.0
Transfer to BSF	300.0
Contingency Reserves for RAP and FORA Programs	2,190.1
Total Effective Appropriations	55,588.1
Unallocated General Revenue - August 2024 REC Outlook	7,754.6
Projected Deficits and Shortfalls not on Outlook Statement	(26.7)
Unallocated General Revenue	7,727.8

Totals may not add due to rounding.

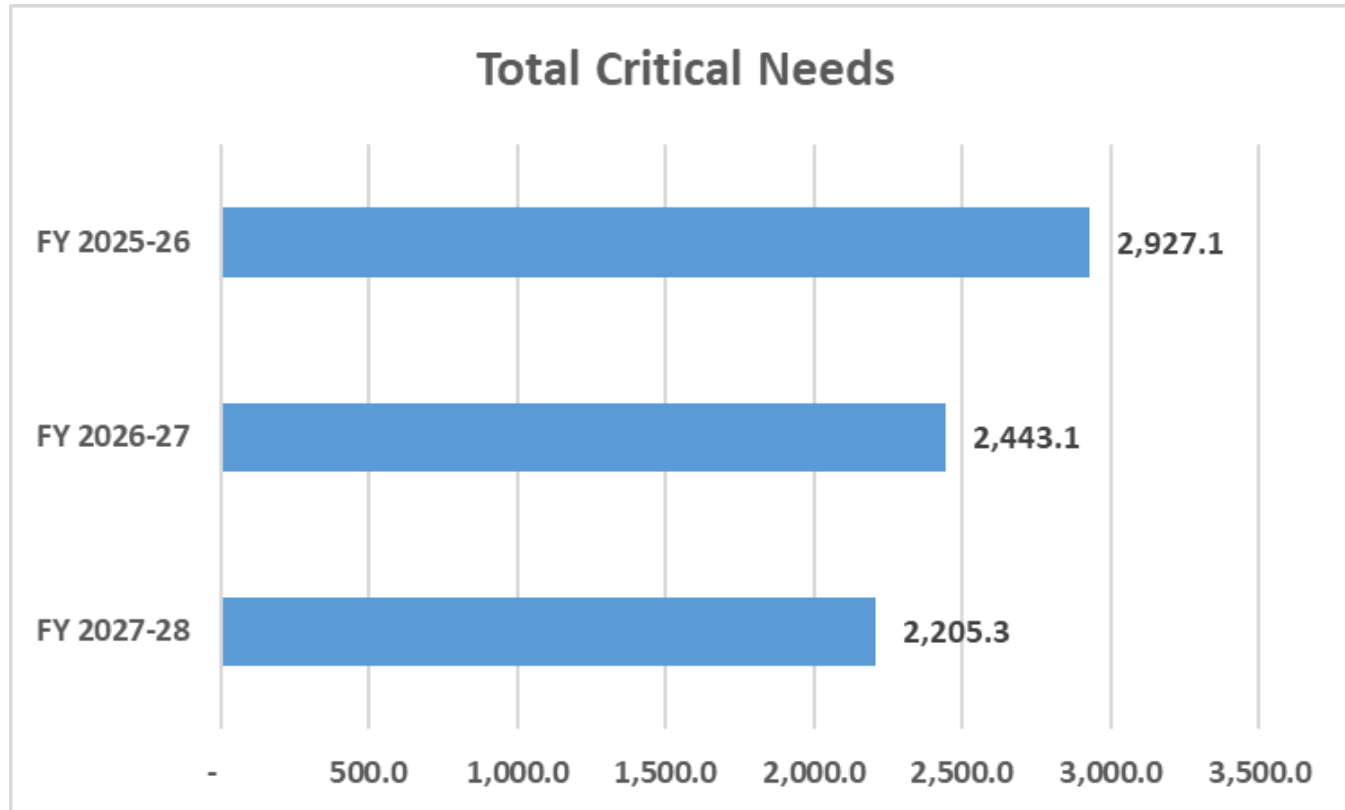
Total State Reserves...

10-Year History

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Emergency Preparedness & Response Fund	Total Reserves	GR Summer Revenue Estimate	% of GR Estimate
2014	2014-15	1,589.0	1,139.2	629.3	-	3,357.5	27,189.4	12.3%
2015	2015-16	1,709.1	1,353.7	590.2	-	3,653.0	28,414.1	12.9%
2016	2016-17	1,414.2	1,384.4	637.5	-	3,436.1	29,332.8	11.7%
2017	2017-18	1,458.5	1,416.5	713.4	-	3,588.4	30,926.0	11.6%
2018	2018-19	1,226.1	1,483.0	763.1	-	3,472.2	32,243.8	10.8%
2019	2019-20	1,452.9	1,574.2	773.6	-	3,800.7	32,943.3	11.5%
2020	2020-21	1,366.6	1,674.2	867.2	-	3,908.0	30,990.1	12.6%
2021	2021-22	7,324.0	2,723.5	-	-	10,047.5	36,901.0	27.2%
2022	2022-23	13,719.4	3,140.2	-	499.0	17,358.6	41,998.2	41.3%
2023	2023-24	8,800.9	4,140.2	-	681.2	13,622.3	45,664.4	29.8%
2024	2024-25	7,754.6	4,440.5	-	497.1	12,692.2	48,515.9	26.2%

- At the time each of the previous nine Outlooks was adopted, total state reserves ranged from 10.8% to 41.3% of the General Revenue estimate.
- Based on the state's records at the time of this Outlook, total state reserves are \$12.7 billion or 26.2% of the General Revenue estimate for FY 2024-25.
- The Budget Stabilization Fund is now close to its constitutional maximum.

Critical Needs...



Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes. In this Outlook, there are a total of **14** Critical Needs drivers. Relative to the 2023 Outlook, the total across the three years is nearly 41 percent higher, and the pattern is different, with the greatest need now in the first year.

Critical Needs Drivers...

Across the three years addressed in the Outlook, four drivers explain 97 percent of the expected expenditures for Critical Needs. Of those, the top two explain nearly 72 percent.

General Revenue Fund Significant Critical Needs Budget Drivers (\$Millions)	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Three- Year Total
Driver #2 – Workload and Enrollment - Florida Education Finance Program	994.1	820.9	1,054.7	2,869.7
Driver #6 – Medicaid Program	1,201.0	892.1	466.9	2,559.9
Driver #12 – State Match for Federal Emergency Management Agency (FEMA) Funding	238.1	160.0	142.9	541.0
Driver #14 – Increases in Employer-Paid Benefits for State Employees	421.2	467.2	477.3	1,365.6
Grand Total	2,854.3	2,340.2	2,141.7	7,336.2

Driver #2 funds enrollment growth of 138,171.41 full-time-equivalent students, including both public school students and Family Empowerment Scholarship students, over the three-year forecast period, as projected by the July 2024 Education Estimating Conference, and increases the total funds per student based on a three-year average increase of 4.21 percent. State funding projections are based on maintaining the prior year millage rate for the Required Local Effort at 3.087 mills and maintaining the nonvoted discretionary millage of 0.748 mills;. The program is expected to serve 3.2 million students in Fiscal Year 2024-25.

Driver #6 funds the caseload and expenditures estimates adopted by the July 2024 Social Services Estimating Conferences. Caseloads are expected to be 4.44 million in Fiscal Year 2025-26; 4.46 million in Fiscal Year 2026-27; and 4.47 million in Fiscal Year 2027-28. The program is expected to serve 4.41 million eligible Floridians in Fiscal Year 2024-25. The estimated costs for caseload, service utilization, Federal Medical Assistance Percentage, and medical inflation are projected based on historical trends and other forecasting methodologies.

Adding Other High Priority Needs...

The **28** Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Relative to the 2023 Outlook, the total across the three years is nearly 42 percent higher, and the pattern is different here as well—the greatest need is now in the first year.

Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Essentially, the total projected cost for the Critical Needs and Other High Priority Needs shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook.

General Revenue Fund Dollar Value of Critical Needs and Other High Priority Needs (\$Millions)	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Three-Year Total
Critical Needs	2,927.1	2,443.1	2,205.3	7,575.5
Other High Priority Needs	4,618.6	4,437.5	4,408.6	13,464.7
Critical Needs plus Other High Priority Needs	7,545.7	6,880.6	6,613.9	21,040.2

General Revenue Fund Percentage of Total Critical Needs and Other High Priority Needs	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Three-Year Total
Critical Needs	38.8%	35.5%	33.3%	36.0%
Other High Priority Needs	61.2%	64.5%	66.7%	64.0%
Critical Needs plus Other High Priority Needs	100.0%	100.0%	100.0%	100.0%

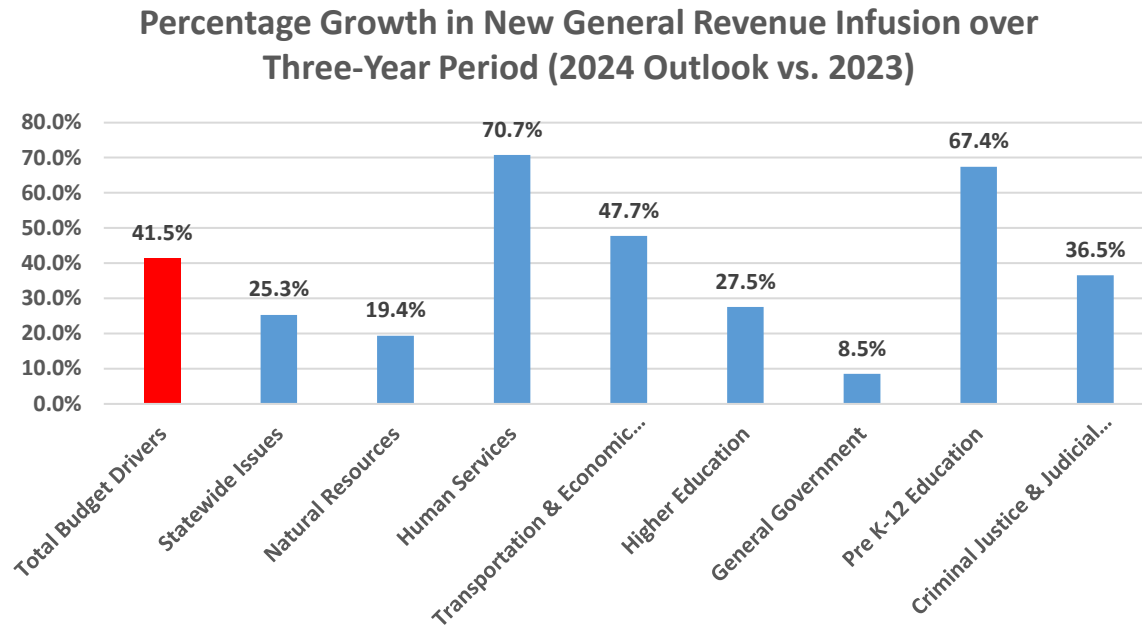
GR Drivers by Policy Area...

General Revenue Fund Total Critical Needs and Other High Priority Needs by Policy Area (\$Millions)	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28
Pre K-12 Education	1,276.0	1,179.8	1,381.5
Higher Education	988.8	911.5	913.2
Human Services	1,966.3	1,693.4	1,266.3
Criminal Justice & Judicial Branch	64.6	64.6	64.6
Transportation & Economic Development	707.0	708.8	707.0
Natural Resources	1,284.9	1,100.2	1,066.1
General Government	191.4	187.6	187.7
Administered Funds - Statewide Issues	<u>1,066.7</u>	<u>1,034.6</u>	<u>1,027.5</u>
Total New Issues	7,545.7	6,880.6	6,613.9

General Revenue Fund Total Critical Needs and Other High Priority Needs by Policy Area (\$Millions)	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28
Pre K-12 Education	16.9%	17.1%	20.9%
Higher Education	13.1%	13.2%	13.8%
Human Services	26.1%	24.6%	19.1%
Criminal Justice & Judicial Branch	0.9%	0.9%	1.0%
Transportation & Economic Development	9.4%	10.3%	10.7%
Natural Resources	17.0%	16.0%	16.1%
General Government	2.5%	2.7%	2.8%
Administered Funds - Statewide Issues	<u>14.1%</u>	<u>15.0%</u>	<u>15.5%</u>
Total New Issues	100.0%	100.0%	100.0%

In Fiscal Year 2025-26, three policy areas (Human Services, Pre K-12 Education, and Natural Resources) compose 60 percent of the total need for General Revenue. By the second year of the Outlook, the projected costs for all three of these policy areas decline, even though their combined share of the total stays roughly the same (58 percent). By the third year, the projected needs for Pre K-12 Education are starting to climb again, raising its share of the total (20.9 percent) above Human Services (19.1 percent) for the first time.

Total New GR Infusion = \$21.0 Billion



Elevated fund balances since Fiscal Year 2021-22 have allowed the Legislature to make significant recurring and nonrecurring investments in several policy areas, including education and state infrastructure. As a result, the budget drivers that are based on three-year averages included in this forecast are considerably higher than previous Outlooks.

The total need for new infusions of General Revenue over the three years is \$21.0 billion. This total three-year driver need is 41.5 percent higher than the \$14.87 billion identified last year, with all eight policy areas included in the plan going up in need. The greatest differences are in Human Services and Pre K-12 Education—both up by roughly 70 percent over last year's Outlook. Excluding those areas, the remaining policy areas are up by an average of 26.6 percent.

Total GR Expenditures = \$32.0 Billion

General Revenue Fund Recurring and Nonrecurring Budget Driver Impact (\$Millions)	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Three-Year Total	% of Three- Year Total
New Recurring Drivers for Each Year	3,803.2	3,360.7	3,147.4	10,311.3	
Continuation of Year 1 Recurring Drivers		3,803.2	3,803.2	7,606.3	
Continuation of Year 2 Recurring Drivers			3,360.7	3,360.7	
Cumulative Impact of Recurring Drivers	3,803.2	7,163.9	10,311.3	21,278.3	66.5%
Nonrecurring Drivers for Each Year	3,742.5	3,519.9	3,466.6	10,728.9	33.5%
Grand Total	7,545.7	10,683.8	13,777.8	32,007.3	

Focusing solely on the total General Revenue increases needed each year does not present a complete picture of the expenditure impacts on the state's long-term budget. Over the entire three-year period, over 66.5 percent of the new General Revenue funding must be recurring to support the ongoing nature of the expenditure. Those recurring expenditures accumulate, or stack on top of each other, in the subsequent years. For example, of the \$7.5 billion needed for the budget drivers in Fiscal Year 2025-26, \$3.8 billion will also be needed in Fiscal Year 2026-27 (and again in Fiscal Year 2027-28) to continue those programs.

In effect, the \$21.0 billion in new funding over the Outlook period ultimately results in \$32.0 billion in additional costs over the three-year forecast period. Both effects are accounted for in the Outlook.

Revenue Adjustments...

- Revenue Adjustments to the General Revenue Fund are incorporated in the Outlook to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These include:
 - Tax and Significant Fee Changes... These changes fall into two categories with different effects. The continuing tax and fee changes reflect adjustments to the funds otherwise available and build over time since the impact of each year's change is added to the recurring impacts from prior years. Conversely, the time-limited tax and fee changes are confined to each year and are held constant throughout the Outlook.*
 - Trust Fund Transfers (GAA)... The nonrecurring transfers to the General Revenue Fund are positive adjustments to the dollars otherwise available and are held constant each year.*
- In magnitude, the continuing tax changes are slightly larger than the adjustments used in last year's Outlook; however, the time-limited adjustments are significantly larger, increasing by \$212 million or 39 percent.
- The expected average trust fund transfer for the Outlook period is shown as zero.

	2025-26			2026-27			2027-28		
	REC	NR	Total	REC	NR	Total	REC	NR	Total
Continuing Tax and Fee Changes	(138.2)	26.5	(111.7)	(138.2)	26.5	(111.7)	(138.2)	26.5	(111.7)
Recurring Impact of Prior Years' and Fee Changes	-	-	-	(138.2)	-	(138.2)	(276.4)	-	(276.4)
Time-Limited Tax and Fee Changes	-	(753.5)	(753.5)	-	(753.5)	(753.5)	-	(753.5)	(753.5)
Trust Fund Transfers (GAA)	-	-	-	-	-	-	-	-	-
TOTAL	(138.2)	(727.0)	(865.2)	(276.4)	(727.0)	(1,003.4)	(414.6)	(727.0)	(1,141.6)

Putting It Together for the First Year

OUTLOOK PROJECTION – FISCAL YEAR 2025-26 <i>(in millions)</i>			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	49,833.4	7,752.4	57,585.8
Recurring Base Budget	45,138.7	0.0	45,138.7
Transfer to Budget Stabilization Fund	0.0	0.0	0.0
Critical Needs	2,312.1	614.9	2,927.1
Other High Priority Needs	1,491.1	3,127.6	4,618.6
TOTAL EXPENDITURES	48,941.9	3,742.5	52,684.4
ENDING BALANCE AFTER EXPENDITURES	891.5	4,009.9	4,901.4
Revenue Adjustments	(138.2)	(727.0)	(865.2)
Reserve	0.0	1,944.5	1,944.5
PROJECTED ENDING BALANCE	753.3	1,338.4	2,091.7

Combined, the costs of recurring and nonrecurring General Revenue Critical Needs are significantly less than the available General Revenue dollars. When Other High Priority Needs are added, the General Revenue projected surplus is \$4.9 billion.

After accounting for the revenue adjustments and a \$1.94 billion Reserve, the projected General Revenue surplus is \$2.09 billion, but 64 percent of this is nonrecurring dollars.

Outlook for FY 2025-26 Compared to Last Year

Fiscal Year 2025-26	Presented in 2023 Outlook	Presented in 2024 Outlook	Difference	Effect on Bottom Line
Funds Available				
Balance Forward from 2024-25	8,882.5	7,727.8	(1,154.7)	Negative
Available General Revenue	48,724.8	49,858.0	1,133.2	Positive
Trust Fund Transfers	19.7	-	(19.7)	Negative
Tax and Fee Changes	(781.3)	(865.2)	(83.9)	Negative
Total Funds Available	56,845.7	56,720.6	(125.1)	Negative
			-0.2%	
Projected Expenditures				
Base Budget for 2024-25	44,257.6	45,138.7	881.1	Negative
Total New Budget Drivers for 2025-26	5,327.9	7,545.7	2,217.8	Negative
Total Projected Expenditures	49,585.5	52,684.4	3,098.9	Negative
			6.2%	
Additional Adjustments for Reserves				
BSF Transfer	-	-	-	
Reserve	1,900.3	1,944.5	44.20	Negative
Bottom Line	5,359.9	2,091.7	(3,268.2)	
Bottom Line Composition				
Recurring	976.0	753.3	(222.7)	-22.8%
Nonrecurring	4383.9	1338.4	(3,045.5)	-69.5%
	5359.9	2091.7	(3,268.2)	-61.0%

Even though expectations for the total funds available in FY 2025-26 are nearly identical to those anticipated by the 2023 Outlook, the significant increases in base budget expenditures and the new budget drivers for Fiscal Year 2025-26 produce an overall 6.2 percent increase in projected expenditures. This creates a bottom line that is 61.0 percent lower than last year's projection for the same year, with the greatest difference in nonrecurring dollars.

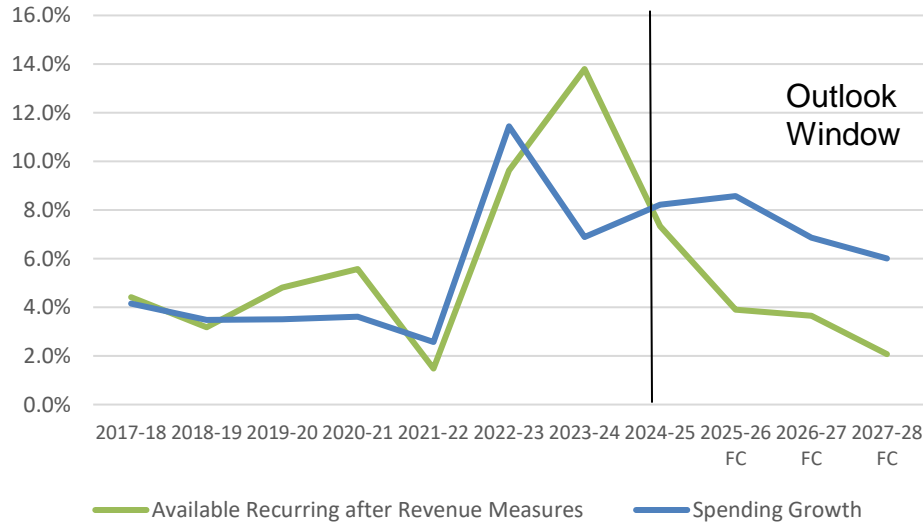
The Bottom Line For All Three Years...

2024 Long-Range Financial Outlook Summary General Revenue Fund (\$Millions)		Year 1 FY 2025-26	Year 2 FY 2026-27	Year 3 FY 2027-28
Revenues Available		49,858	51,992	53,163
Unused Reserve from Prior Year		7,728	4,036	2,028
Expenditures	Reserves	(1,945)	(2,028)	(2,073)
	Recurring Base Budget	(45,139)	(48,942)	(52,303)
	Critical Needs Budget Drivers	(2,927)	(2,443)	(2,205)
	Other High Priority Needs Budget Drivers	(4,619)	(4,438)	(4,409)
	Ending Balance After Expenditures	2,957	(1,822)	(5,800)
Revenue Adjustments	Tax and Fee Changes	(865)	(1,003)	(1,142)
	Trust Fund Transfers	-	-	-
	Revenue Adjustments	(865)	(1,003)	(1,142)
Surplus / (Deficit)		2,092	(2,825)	(6,941)
<i>Recurring Surplus / (Deficit)</i>		753	(788)	(2,863)
<i>Nonrecurring Surplus / (Deficit)</i>		1,338	(2,038)	(4,078)

The Outlook projects a surplus for each year of the forecast period based on funding Critical Needs drivers only. When the Other High Priority Needs drivers and Revenue Adjustments are included, the Outlook continues to project a surplus for Year 1 but shows projected deficits for Years 2 and 3 of the Outlook period. Further, the \$6.9 billion deficit in Year 3 assumes that the \$2.8 billion deficit projected for Year 2 will be cleared prior to the start of the new year. The bottom line is that the revenue forecast will not support spending at its recent rate of growth, meaning fiscal strategies are needed.

Post-Session Growth Rate Analysis...

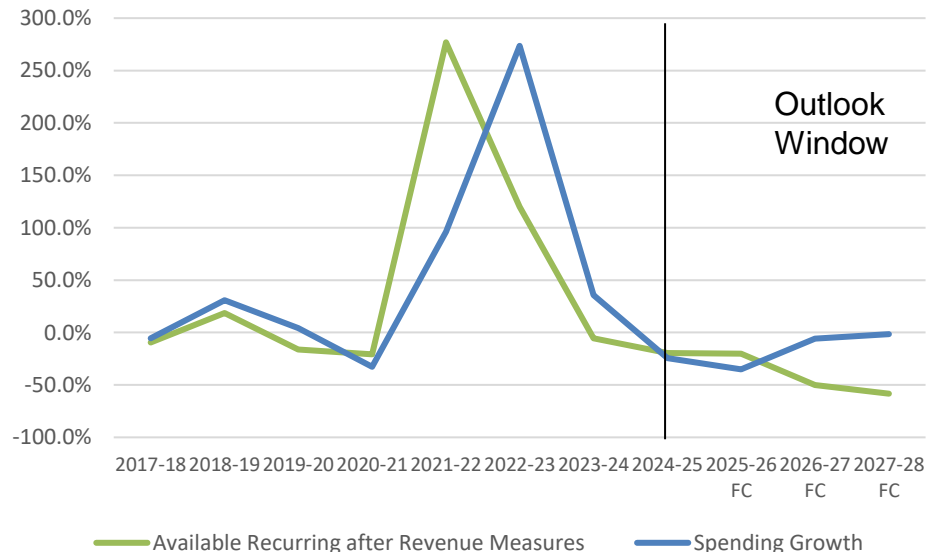
Recurring Analysis



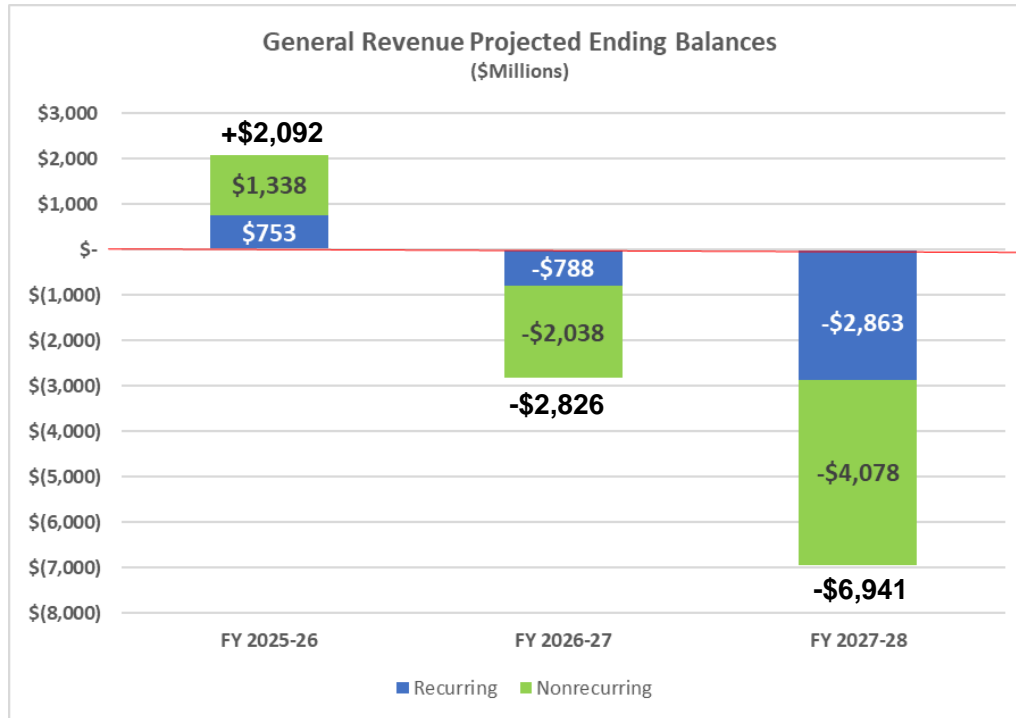
The growth in recurring expenditures have generally been in line with the recurring growth within the General Revenue Fund. In the Outlook window, however, this noticeably reverses as recurring expenditures are projected to grow faster than the available recurring dollars.

Nonrecurring expenditures surged, even though they remained well below the available nonrecurring dollars. In the Outlook window, this pattern reverses in Year 3 when the level of expected expenditures stays flat, but the available nonrecurring dollars continue to fall significantly.

Nonrecurring Analysis



Fiscal Strategies...



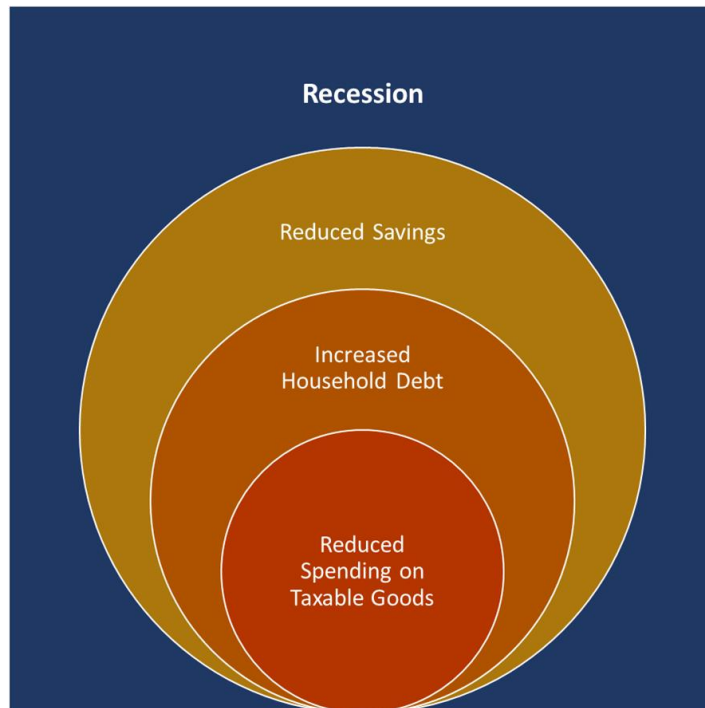
The decision about when to implement the fiscal strategies is essential to calculating the total level of needed adjustments. For the 2024 Outlook, there is a projected surplus for Fiscal Year 2025-26; however, implementing fiscal strategies beginning in Year 1 would reduce the impact of adjustments needed in the following two years.

For example, adjustments totaling \$2.3 billion (\$1.0 billion recurring; \$1.3 billion nonrecurring) made in each year of the Outlook period would resolve both recurring and nonrecurring projected deficits for all three years. In the alternative, fiscal strategies could be deferred until Year 2, when the first projected deficit appears in the Outlook. Delaying implementation of any mitigating strategies until Fiscal Year 2026-27 would result in greater total adjustments needed in each of the two out years. In this case, adjustments totaling nearly \$4.2 billion (\$1.4 billion recurring; \$2.7 billion nonrecurring) per year would be needed in both out years to resolve the projected deficits—assuming expenditures and revenue adjustments stayed within the projected levels for Year 1.

Black Swans...

“Black Swans” are typically low probability, high impact events, but the term also refers to ideas that are perceived impossibilities that may later be disproven. The events below are relative to the current estimating conference forecasts.

- The realization of co-occurring risks that could be handled individually, but not in combination. This would be a stress not just on reserves, but also on human capital and technical resources.
- The Federal Reserve has waited too long to cut rates and overshot the mark, causing a deep recession when at least a portion of the economy is poorly equipped to handle it.



“The time has come for policy to adjust...We do not seek or welcome further cooling in labor market conditions.”

Speech by Jerome Powell, Jackson Hole, Wyoming; August 23, 2024.

Even if the Federal Reserve starts rate cuts in September, it will likely take a while for the economy to feel the impact: “Interest-rate movements typically have a little bit of a long and variable lag.”

Cedric Chehab, Managing Director and Global Head of Country Risk at BMI, a part of the Fitch Group; August 2024.

“But with the Fed’s policy rate in the 5.25%-5.50% range for more than a year, the impact of relatively high borrowing costs on the economy may still be building and could take time to unwind even if the central bank starts cutting - a dynamic that could put hopes for a “soft landing” of controlled inflation alongside continued low unemployment at risk.”

Howard Schneider, Thomson Reuters; August 2024

The latest estimates of overall pandemic excess savings remaining in the U.S. economy have turned negative, suggesting that American households fully spent their pandemic-era savings as of March 2024.”

Federal Reserve Bank of San Francisco; May 3, 2024.

As of the second quarter of 2024, household debt is at a new record high.
Federal Reserve Bank of New York.