

Florida: Long-Range Financial Outlook

September 15, 2009

Presented by:



The Florida Legislature
Office of Economic and
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<http://edr.state.fl.us>

Key Budget Drivers...

Critical Needs

	FY 2010-11		FY 2011-12		FY 2012-13	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Critical Needs (Includes Annualizations, Mandatory Increases Based on Estimating Conferences, and Other Essential Needs)						
<i>Education - Stimulus Restoration</i>	0.0	0.0	1,216.9	0.0	0.0	0.0
<i>FEFP - Adj to Maintain Per Student Funding</i>	515.8	(18.8)	(7.9)	7.2	23.3	7.8
<i>Education - Misc</i>	39.0	(2.6)	18.3	(1.6)	2.8	22.9
<i>State Government Operations</i>	317.7	81.6	132.6	63.4	151.8	72.5
<i>Medicaid</i>	1,608.7	191.5	1,130.7	(324.7)	285.6	285.3
<i>Health & Human Services</i>	80.0	32.5	31.2	50.8	28.8	46.6
<i>Judiciary</i>	62.0	(62.0)	27.0	(27.0)	9.7	(9.7)
<i>Criminal Justice & Corrections</i>	154.7	0.0	234.2	0.0	299.1	0.0
<i>State Disasters</i>	9.8	0.0	9.1	0.0	7.1	0.0
<i>Unemployment Compensation</i>	0.0	0.0	126.9	0.0	199.4	0.0
<i>General Government</i>	39.7	3.9	22.7	1.3	20.9	1.3
Subtotal Critical Needs	2,827.4	226.1	2,941.7	(230.6)	1,028.6	426.6



Outlook for Critical Needs

GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES
TIER 1 ISSUES - CRITICAL NEEDS
NO FISCAL STRATEGIES --- NO RESERVE
(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	<u>20,879.6</u>	<u>982.8</u>	<u>21,862.4</u>	<u>22,068.0</u>	<u>506.0</u>	<u>22,574.0</u>	<u>23,906.6</u>	<u>103.8</u>	<u>24,010.4</u>	<u>25,875.3</u>	<u>99.7</u>	<u>25,975.0</u>
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	23,188.9	0.0	23,188.9	25,872.8	0.0	25,872.8
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	554.8	0.0	554.8	1,227.4	0.0	1,227.4	26.1	0.0	26.1
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,438.5	250.2	1,688.7	1,161.8	0.0	1,161.8	314.4	0.0	314.4
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	132.8	22.0	154.8	131.1	103.0	234.2	145.5	153.6	299.1
Section 5 - Natural Resources /Environment/Growth Management/Transportation	158.9	10.4	169.3	0.0	9.8	9.8	0.0	9.1	9.1	0.0	7.1	7.1
Section 6 - General Government	618.4	110.1	728.5	13.4	26.4	39.7	4.0	145.6	149.6	1.6	218.7	220.3
Section 7 - Judicial Branch	134.8	0.0	134.8	62.0	0.0	62.0	27.0	0.0	27.0	9.7	0.0	9.7
Administered Funds - Statewide Issues	<u>7.8</u>	<u>22.1</u>	<u>30.0</u>	<u>317.7</u>	<u>0.0</u>	<u>317.7</u>	<u>132.6</u>	<u>0.0</u>	<u>132.6</u>	151.8	0.0	151.8
Total New Issues				2,519.1	308.3	2,827.4	2,684.0	257.7	2,941.7	649.1	379.5	1,028.6
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (PSSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Total Estimated Expenditures	<u>20,669.7</u>	<u>811.3</u>	<u>21,481.0</u>	<u>23,188.9</u>	<u>308.3</u>	<u>23,497.2</u>	<u>25,872.8</u>	<u>472.2</u>	<u>26,345.1</u>	<u>26,522.0</u>	<u>594.0</u>	<u>27,115.9</u>
Ending Balance	209.9	171.5	381.4	-1,120.9	197.7	-923.2	-1,966.2	-368.4	-2,334.7	-646.7	-494.3	-1,140.9

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

* Principal State School Trust Fund (PSSTF), Risk Management Trust Fund and Voluntary Pre-Kindergarten (VPK)

Analyzing the Result

- Fiscal Strategies will be required to address the projected gap between revenues and expenditures for **Critical Needs**, beginning Fiscal Year 2010-11 and continuing through Fiscal Year 2012-13.
- If the Legislature chooses to fund the State's **Critical Needs** throughout the planning horizon and deploys no fiscal strategies other than those necessary to cover that gap, there would not be sufficient revenues to fund other high priority items.



Key Budget Drivers...

Other High Priorities

	FY 2010-11		FY 2011-12		FY 2012-13	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
<i>Statewide Buildings</i>	44.8	15.3	48.4	15.3	43.8	15.3
<i>Transportation & Environment</i>	201.2	5,831.3	236.5	5,827.1	212.4	5,952.4
<i>Environmental Land Acquisition</i>	0.0	300.0	0.0	300.0	0.0	300.0
<i>General Government</i>	120.8	42.9	110.8	38.9	100.3	22.7
<i>Education - Stimulus Restoration</i>	0.0	0.0	133.6	0.0	0.0	0.0
<i>FEFP - Enhancement</i>	498.5	0.0	516.6	0.0	551.0	0.0
<i>Education - Misc</i>	360.8	0.0	318.7	0.0	306.2	0.0
<i>State Government Operations</i>	133.7	63.5	137.0	65.0	140.3	66.6
<i>Medicaid -MEDS AD & Medically Needy</i>	250.2	424.0	582.8	784.2	582.8	784.2
<i>Health & Human Services</i>	72.7	84.7	12.0	19.5	22.2	24.1
<i>Criminal Justice & Corrections</i>	17.2	0.0	17.6	0.0	14.6	0.0
<i>Judiciary</i>	8.0	0.0	7.8	0.0	7.1	0.0
Subtotal Other High Priority Needs	1,707.9	6,761.8	2,121.6	7,050.0	1,980.8	7,165.3



Outlook for Critical & High Priority Needs

GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	-30.5	7.2	-23.3	-61.0	7.2	-53.8	-91.5	7.2	-84.3
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	20,879.6	982.8	21,862.4	22,037.5	513.2	22,550.7	23,845.6	111.0	23,956.6	25,783.8	106.9	25,890.7
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	24,152.0	0.0	24,152.0	27,895.4	0.0	27,895.4
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	1,303.5	110.5	1,414.0	2,085.7	110.5	2,196.2	772.9	110.5	883.3
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,502.7	530.2	2,032.8	1,173.8	604.0	1,777.8	336.6	604.0	940.6
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	144.2	39.4	183.6	142.9	121.0	263.9	154.1	169.1	323.2
Section 5 - Natural Resources /Environment/Growth Management/Transportation	158.9	10.4	169.3	1.1	217.5	218.6	35.4	219.9	255.3	0.0	229.7	229.7
Section 6 - General Government	618.4	110.1	728.5	13.4	147.1	160.5	4.0	256.3	260.4	1.6	319.0	320.6
Section 7 - Judicial Branch	134.8	0.0	134.8	66.0	8.5	74.4	32.0	8.2	40.2	13.7	6.1	19.7
Administered Funds - Statewide Issues	7.8	22.1	30.0	451.5	0.0	451.5	269.6	0.0	269.6	292.1	0.0	292.1
Total New Issues				3,482.3	1,053.1	4,535.4	3,743.4	1,319.9	5,063.3	1,571.1	1,438.3	3,009.4
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (PSSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Total Estimated Expenditures	20,669.7	811.3	21,481.0	24,152.0	1,053.1	25,205.1	27,895.4	1,534.4	29,429.8	29,466.5	1,652.8	31,119.3
Ending Balance	209.9	171.5	381.4	-2,114.5	-539.9	-2,654.4	-4,049.8	-1,423.4	-5,473.2	-3,682.7	-1,545.9	-5,228.6

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

* Principal State School Trust Fund (PSSTF), Risk Management Trust Fund (RMTF) and Voluntary Pre-Kindergarten (VPK)

Analyzing the Result

- Overall, projected general revenue growth is insufficient to support anticipated spending and minimal reserve requirements for Fiscal Years 2010-11, 2011-12 and 2012-13.
- Furthermore, RECURRING general revenue demands exceed the amount of RECURRING general revenue available in each year of the forecast. This indicates that a structural imbalance is occurring between expenditures and revenues.
- Fiscal Strategies will be required to address the projected gap between revenues and expenditures beginning Fiscal Year 2010-11 and continuing through Fiscal Year 2012-13 to deal with the projected annual budget shortfalls.



Fiscal Strategies

- Essentially, there are four types of strategies:
 - Budget Reductions and Reduced Funding Growth
 - Trust Fund Transfers or Sweeps
 - Revenue Enhancements and Redirections
 - Any Combination of the Above
- With the exception of trust fund transfers or sweeps that are reevaluated each year, these strategies can be deployed on a recurring or non-recurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.



Use of Non-Recurring Dollars

- The entire general revenue shortfall cannot be addressed within the parameters of the constitutional amendment limiting the amount of non-recurring general revenues that can be spent on recurring programs unless an extraordinary vote of the legislature is taken or historical practice is changed.
- Assuming sufficient non-recurring revenues were available, the extraordinary vote would have to be taken in every year of the plan. The combined total of needed non-recurring funds would range from at least \$4.3 billion to a maximum of \$13.3 billion depending on the number of other high priorities that are addressed. Reserves of this magnitude are currently unavailable.



Scenario “A”

- Assumes that the Legislature chooses to fully clear the Fiscal Year 2009-10 deficits with non-recurring support from the General Revenue Fund, leaving an ending balance of \$381.4 million.
- Assumes that the budget shortfalls are cleared over three fiscal years with a combination of recurring and non-recurring actions.
 - In this regard, all future recurring shortfalls are fully addressed by recurring solutions; however, non-recurring expenditures are simply limited to the amount of available non-recurring revenue.
- And finally, a minimum reserve requirement of \$200 million is in place throughout the three years of the forecast.



Scenario "A" Outlook

SCENARIO "A"

GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

Fiscal Strategy #1 - Clear Budget Shortfalls Over Three Years with a Combination of Recurring and Non-Recurring Actions
(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	200.0	200.0	0.0	200.0	200.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	-30.5	7.2	-23.3	-61.0	7.2	-53.8	-91.5	7.2	-84.3
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	20,879.6	982.8	21,862.4	22,037.5	513.2	22,550.7	23,845.6	311.0	24,156.6	25,783.8	306.9	26,090.7
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	21,837.5	0.0	21,837.5	23,645.6	0.0	23,645.6
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	1,303.5	110.5	1,414.0	2,085.7	110.5	2,196.2	772.9	110.5	883.3
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,502.7	530.2	2,032.8	1,173.8	604.0	1,777.8	336.6	604.0	940.6
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	144.2	39.4	183.6	142.9	121.0	263.9	154.1	169.1	323.2
Section 5 - Natural Resources /Environment/Growth Management/Transportation	158.9	10.4	169.3	1.1	217.5	218.6	35.4	219.9	255.3	0.0	229.7	229.7
Section 6 - General Government	618.4	110.1	728.5	13.4	147.1	160.5	4.0	256.3	260.4	1.6	319.0	320.6
Section 7 - Judicial Branch	134.8	0.0	134.8	66.0	8.5	74.4	32.0	8.2	40.2	13.7	6.1	19.7
Administered Funds - Statewide Issues	7.8	22.1	30.0	451.5	0.0	451.5	269.6	0.0	269.6	292.1	0.0	292.1
Total New Issues				3,482.3	1,053.1	4,535.4	3,743.4	1,319.9	5,063.3	1,571.1	1,438.3	3,009.4
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (PSSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Adjustment to Balance with \$200 Million Reserve	0.0	0.0	0.0	-2,314.5	-539.9	-2,854.4	-1,935.3	-1,223.4	-3,158.7	0.0	-1,345.9	-1,345.9
Total Estimated Expenditures	20,669.7	811.3	21,481.0	21,837.5	513.2	22,350.7	23,645.6	311.0	23,956.6	25,216.7	306.9	25,523.6
Ending Balance	209.9	171.5	381.4	200.0	0.0	200.0	200.0	0.0	200.0	567.1	0.0	567.2

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

* Principal State School Trust Fund (PSSTF), Risk Management Trust Fund (RMTF) and Voluntary Pre-Kindergarten (VPK)

Scenario A's Outcome

- Adjustments are made to completely eliminate the projected recurring and non-recurring shortfalls. As shown in the worksheet, the adjustments are in the form of budget reductions and reduced funding growth, the first of the four fiscal strategies previously discussed.
- An alternative to budget reductions and reduced growth would be the deployment of revenue enhancements and redirections. The ending balance would be the same; however, the funds available would increase by the amount of the shortfall, and no budget adjustments would be made. Similarly, trust fund transfers could be substituted for the non-recurring portion of the shortfall.



Scenario “B”

- Assumes that the Legislature chooses to fully clear the Fiscal Year 2009-10 deficits with non-recurring support from the General Revenue Fund, leaving an ending balance of \$381.4 million.
- Assumes that the budget shortfalls are fully cleared over two fiscal years with **recurring solutions** (even the non-recurring portion).
 - This means that – early on – recurring dollars are used to offset the non-recurring problems.
- And finally, a minimum reserve requirement of \$200 million is in place throughout the three years of the forecast.



Scenario "B" Outlook

SCENARIO "B"
GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES
TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS
Fiscal Strategy #2 - Clear Budget Shortfalls Over Two Years Using Recurring Actions
(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	200.0	200.0	0.0	200.0	200.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	-30.5	7.2	-23.3	-61.0	7.2	-53.8	-91.5	7.2	-84.3
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	20,879.6	982.8	21,862.4	22,037.5	513.2	22,550.7	23,845.6	311.0	24,156.6	25,783.8	306.9	26,090.7
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	21,297.6	0.0	21,297.6	22,422.2	0.0	22,422.2
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	1,303.5	110.5	1,414.0	2,085.7	110.5	2,196.2	772.9	110.5	883.3
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,502.7	530.2	2,032.8	1,173.8	604.0	1,777.8	336.6	604.0	940.6
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	144.2	39.4	183.6	142.9	121.0	263.9	154.1	169.1	323.2
Section 5 - Natural Resources /Environment/Growth Management/Transportation	158.9	10.4	169.3	1.1	217.5	218.6	35.4	219.9	255.3	0.0	229.7	229.7
Section 6 - General Government	618.4	110.1	728.5	13.4	147.1	160.5	4.0	256.3	260.4	1.6	319.0	320.6
Section 7 - Judicial Branch	134.8	0.0	134.8	66.0	8.5	74.4	32.0	8.2	40.2	13.7	6.1	19.7
Administered Funds - Statewide Issues	7.8	22.1	30.0	451.5	0.0	451.5	269.6	0.0	269.6	292.1	0.0	292.1
Total New Issues				3,482.3	1,053.1	4,535.4	3,743.4	1,319.9	5,063.3	1,571.1	1,438.3	3,009.4
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (PSSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Adjustment to Balance with \$200 Million Reserve	0.0	0.0	0.0	-2,854.4	0.0	-2,854.4	-2,618.8	0.0	-2,618.8	0.0	0.0	0.0
Total Estimated Expenditures	20,669.7	811.3	21,481.0	21,297.6	1,053.1	22,350.7	22,422.2	1,534.4	23,956.6	23,993.3	1,652.8	25,646.1
Ending Balance	209.9	171.5	381.4	739.9	-539.9	200.0	1,423.4	-1,223.4	200.0	1,790.5	-1,345.9	444.7

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

* Principal State School Trust Fund (PSSTF), Risk Management Trust Fund (RMTF) and Voluntary Pre-Kindergarten (VPK)

Scenario B's Outcome

- Deploying this scenario, the Legislature faces budget adjustments in only two of the three years in the planning horizon; however, the size of the recurring adjustment is much larger in Scenario B than in Scenario A.
- Under Scenario A, the Legislature spread the size of the total adjustment over three years (2010-11, 2011-12 and 2012-13).
- In Scenario B, the Legislature increases the need for significant, recurring budget reductions or revenue enhancements in the first two years (2010-11 and 2011-12) – but moves cleanly into Fiscal Year 2012-13 without the need for further actions.

