# Florida:
# Long-Range Financial Outlook

October 14, 2021

Presented by:

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**Revenue Drivers**
Based on National and Florida Economic Forecasts;
Population Growth

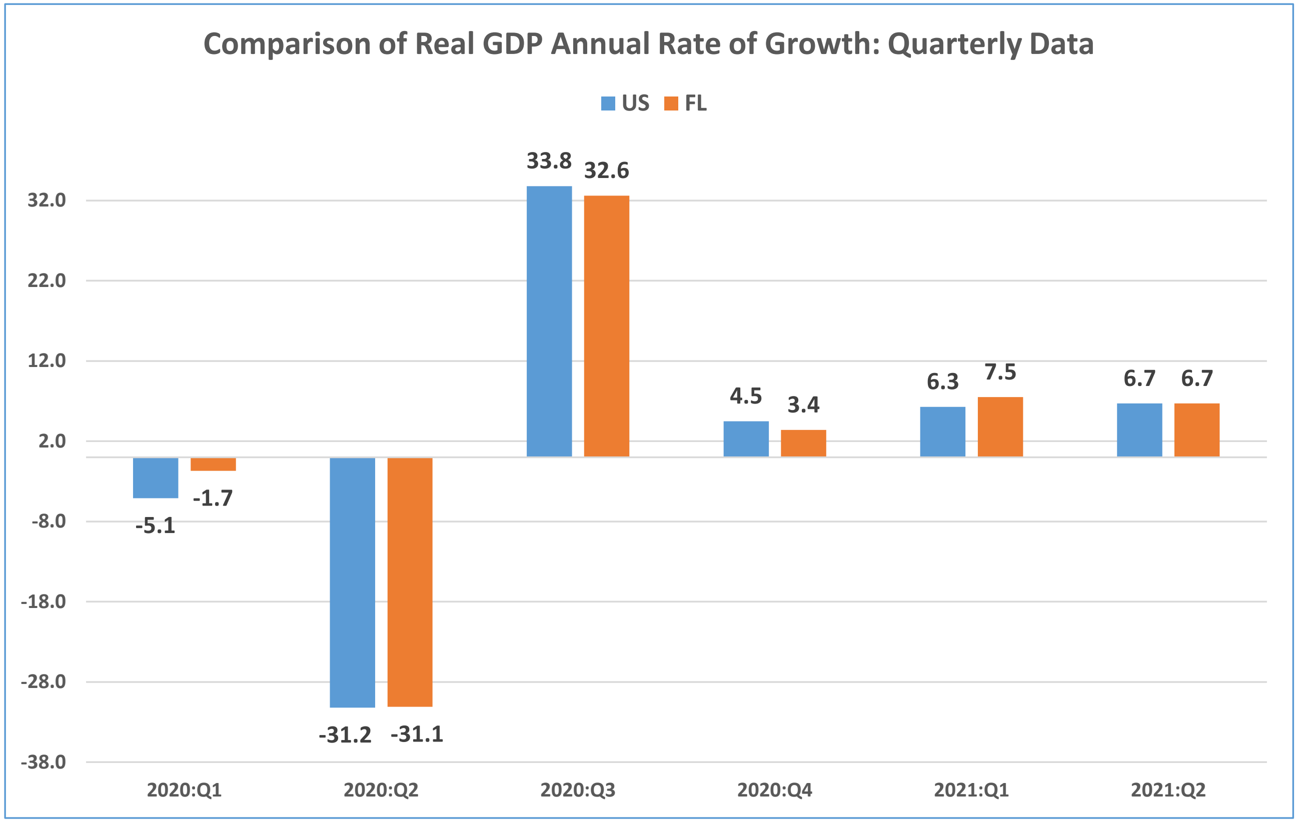
**Budget Drivers**
Based on Estimating Conferences;
Past Legislative Actions; and
Three-Year Averages

# Long-Range Financial Outlook

*Fifteenth document prepared since the constitutional requirement passed ~ nearly 100 Analysts were involved in the process over the Summer months*

**Fiscal Years Addressed**
2022-23
2023-24
2024-25

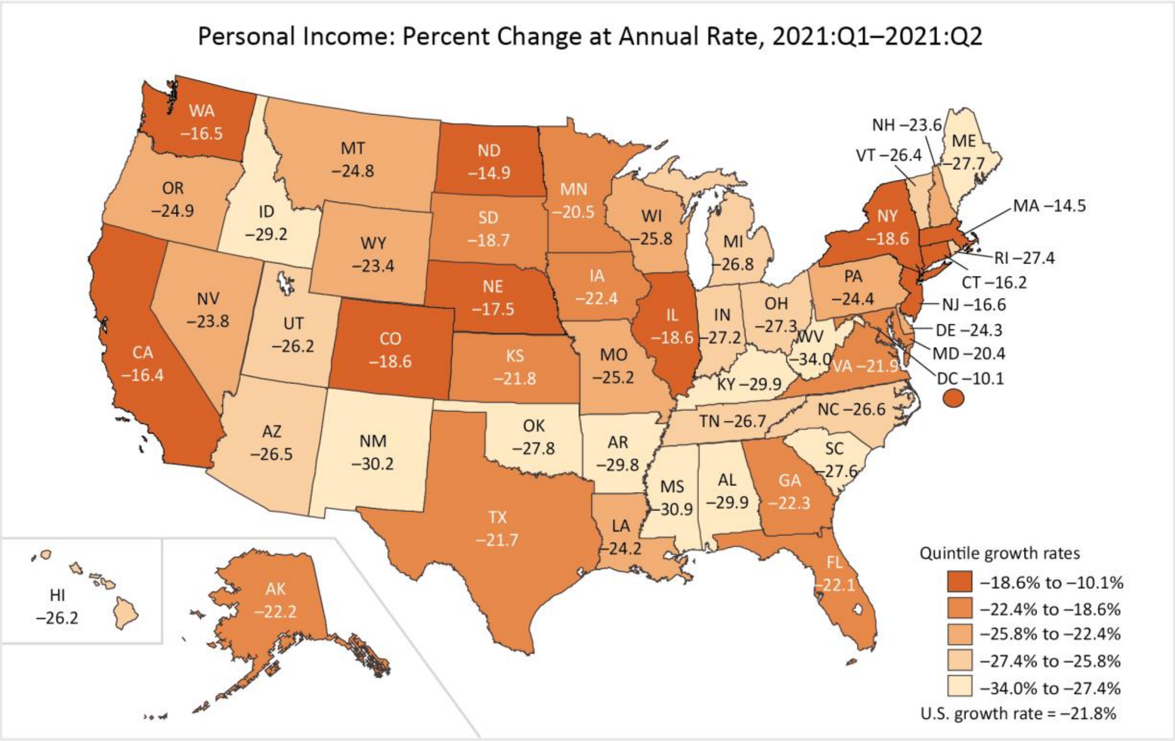
# Coronavirus Impact on Florida GDP...




*For the 2018 calendar year, Florida had 3.8 percent growth in Real Gross Domestic Product (GDP). For 2019, Florida's growth slowed from the prior year, but remained above the national average (2.8 percent in Florida versus 2.2 percent in the US). Translating the data into the state's fiscal year, Florida grew 3.3 percent in Fiscal Year 2018-19 and was expected to grow 2.5 percent in Fiscal Year 2019-20 at the Conference held immediately before the pandemic. Through the first half of the 2019-20 fiscal year, the data showed that the state was on track to match that Conference projection.*

According to the latest date, after falling -1.7 percent in the first quarter of 2020 and -31.1 percent in the second quarter, Florida's real GDP rebounded by 32.6 percent in the third quarter and finished the calendar year with 3.4 percent growth in the fourth quarter. The entire 2020 year ended with a loss of -2.8 percent over the prior year. Florida came in at 7.5 percent for the first quarter of 2021 and at 6.7 percent for the second quarter, equaling the rate for the US as a whole and ranking 14th in the country. The latest Estimating Conference projections show an increase of 4.5 percent for Fiscal Year 2021-22. For the 2022-23, 2023-24 and 2024-25 fiscal years, annual growth will average a more characteristic 2.5 percent.

# Coronavirus Impact on FL Personal Income...




U.S. Bureau of Economic Analysis

*For the 2018 calendar year, Florida had 6.5 percent growth in personal income and 5.1 percent growth in per capita personal income. For 2019, Florida's personal income growth slowed slightly from the prior year, but remained above the national average (4.0 percent growth in Florida versus 3.9 percent in the US), while per capita personal income growth fell below the national growth rate (2.9 percent in Florida versus 3.5 percent in the US). Translating the data into the state's fiscal year, Florida grew 5.3 percent in personal income during Fiscal Year 2018-19 and was expected to grow 5.1 percent in Fiscal Year 2019-20 at the Conference held immediately before the pandemic. Through the first half of the 2019-20 fiscal year, the data showed that the state was on track to match that Conference projection.*

Normally, personal income growth is another important gauge of the state's economic health; however, its changes have been in stark contrast to GDP as federal dollars have flooded into many Florida households. For example, in the first quarter of 2021, Florida's personal income growth shot up 65.6 percent, largely due to the two most recent federal stimulus and relief programs converging in the quarter. As the federal support measures began to expire, the state's personal income receded at an annualized 22.1 percent in the second quarter of the 2021 calendar year to produce a projected growth rate for the 2020-21 fiscal year of around 8.5 percent. The Economic Estimating Conference expects personal income to increase by 1.5 percent in the current year based on the hope that, as furloughed and laid off workers return to their jobs or find new opportunities, wage growth will offset much of the loss of the massive government relief measures. Thereafter, the annual growth rates are expected to remain solidly above 4.0 percent.

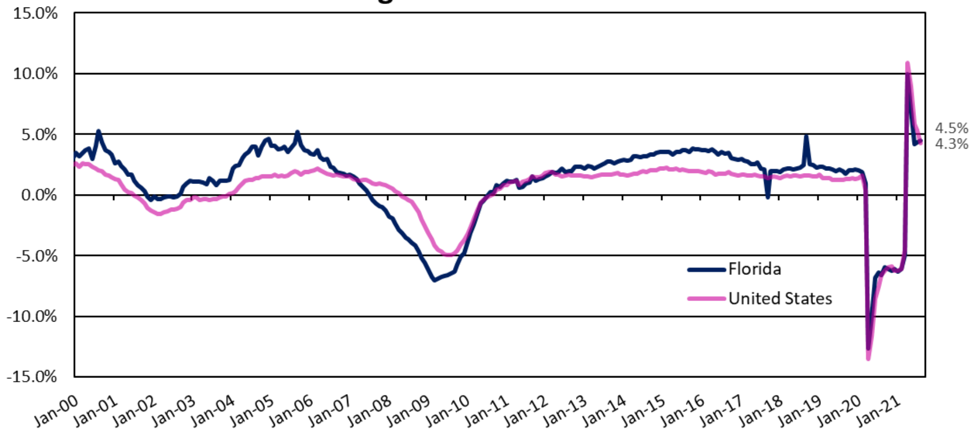
# Current Employment Conditions…

**<u>August 2021 Nonfarm Jobs (YOY)</u>**
US: 4.3%
FL: 4.5%
*Employment dropped by over 1.2 million jobs from February 2020 to April 2020, a decline of 14.0 percent. As of August, Florida has regained 974,300 jobs out of the 1,269,200 million lost, or almost 77%.*

**<u>August 2021 Unemployment Rate</u>**
US: 5.2%
FL: 5.0% (529,500 jobless persons)
*The Revenue Estimating Conference assumes the "full employment" unemployment rate is about 4 percent.*

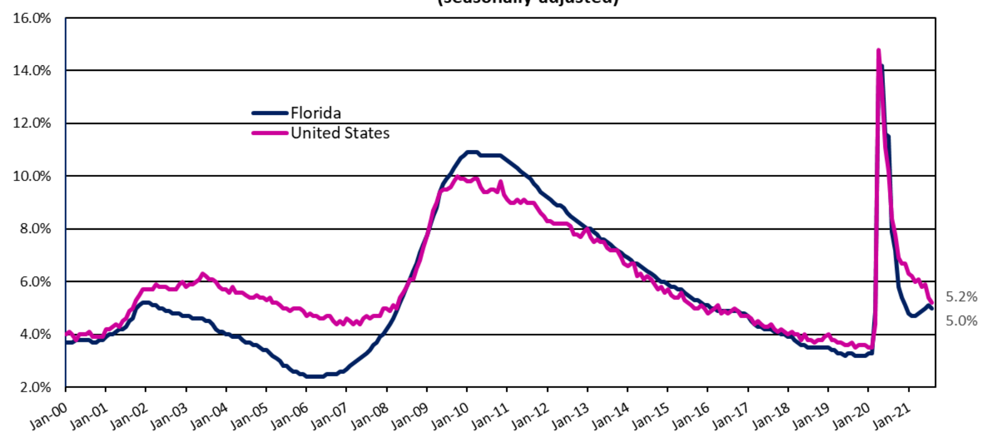
Florida's unemployment rate had been hovering around 3.3 percent from April 2019 through February 2020. With the onset of the pandemic, the unemployment rate spiked to 14.2 percent in May 2020, handily surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession. Given the short period over which the change from ultra low to ultra high occurred, it was stunning.

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



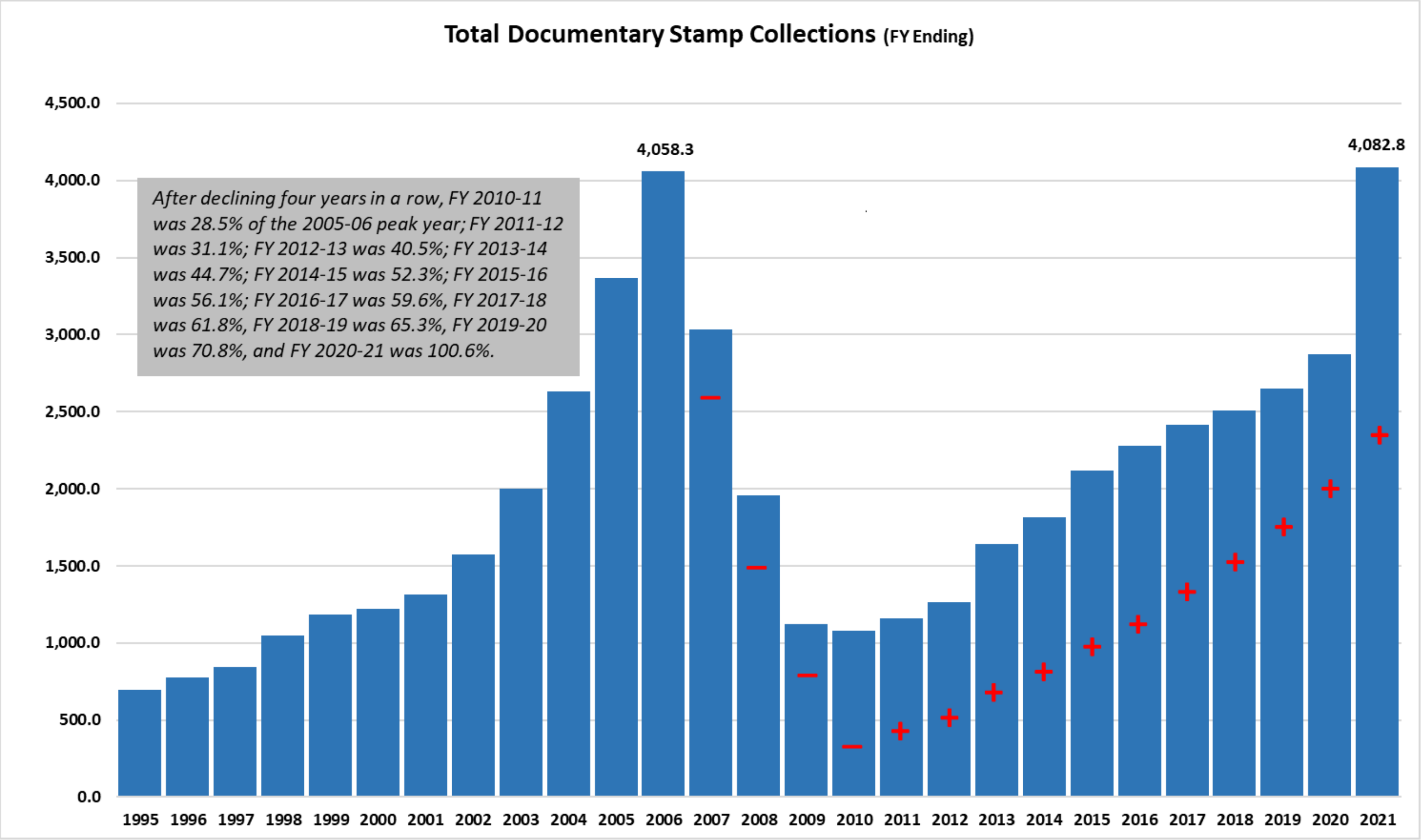

Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, September 17, 2021.

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




Source: Florida Department of Economic Opportunity, 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, September 17, 2021.

# Florida Housing Market Soared During Pandemic...



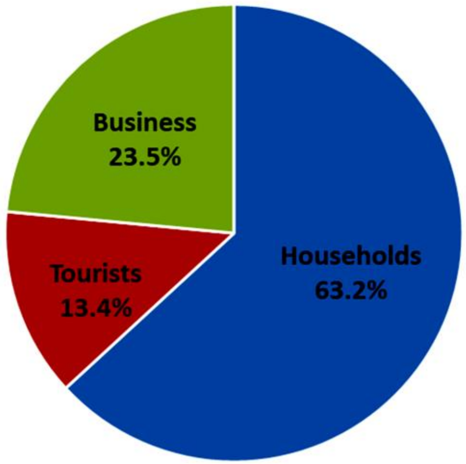

Documentary Stamp Tax collections in FY 2020-21 topped the FY 2005-06 peak reached at the height of Florida's housing boom. This milestone was particularly remarkable considering the prior year (FY 2019-20) registered only 70.8 percent of that level after steadily increasing for ten years from a low of 26.6 percent. The market environment supporting this result primarily resulted from the record low interest rates resulting from the Federal Reserve's actions to stem the severity of the pandemic's economic disruption in the second quarter of 2020.

# Florida-Based Downside Risk

While all Florida industries were impacted by the pandemic-induced economic contraction, Florida's leisure and hospitality industry bore the brunt of the longer-term consequences. Previous economic studies of disease outbreaks have shown that it can take as long as 12 to 15 months after the outbreak ends for tourism to return to pre-disease levels. The magnitude of this event is greater, and the timing is less clear due to the surging Delta variant of COVID-19. The total number of tourists declined 69 percent from the prior year in the second quarter of 2020. After that dramatic drop, tourism managed to recover to 68 percent of the last full pre-COVID quarter by the first quarter of 2021, buttressed by the increased number of domestic visitors travelling to Florida by car. Several industry groups have already predicted that it will take at least two years to reach full recovery from this pandemic. Current expectations are that leisure driving vacations will recover first, and then—in order—business travel, domestic air travel, and international travel. The timing will be influenced by the actual course of the disease over the next few months, as well as the widespread distribution of vaccines globally. Even so, the Conference expects robust growth during Fiscal Year 2021-22, with a projected overall increase of 38.4 percent from the extremely suppressed level in Fiscal Year 2020-21. The growth rate moderates thereafter. While the new forecast levels never exceed the pre-pandemic forecast levels, they come close in the latter part of the 10-year forecast horizon

*The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2017-18, sales tax collections provided over $24.1 billion dollars or 76.4% of Florida's total General Revenue collections. Of this amount, an estimated 13.4% (over $3.2 billion) was directly attributable to purchases made by tourists. Preliminary data for FY 2018-19 indicates that the visitor share rose to 14.5% for nearly $3.7 billion dollars.*

**Contributions to General Revenue from Sales Tax (with CST) Collections in FY 2017-18, By Source**



# General Revenue Forecast Comparison…

| Fiscal Year | Post Session Forecast | August 2021 Forecast | Difference | 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* | *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 | 35,491.6 | **36,901.0** | 1,409.4 | 620.1 | 1.7% |
| 2022-23 | 37,136.4 | **38,336.8** | 1,200.4 | 1,435.8 | 3.9% |
| 2023-24 | 38,634.8 | **39,889.5** | 1,254.7 | 1,552.7 | 4.1% |
| 2024-25 | 40,382.1 | **41,471.8** | 1,089.7 | 1,582.3 | 4.0% |
| 2025-26 | 41,518.1 | **42,504.2** | 986.1 | 1,032.4 | 2.5% |
| 2026-27 | - | **44,091.2** | - | 1,587.0 | 3.7% |

Coincidentally, the state's overall General Revenue collections also move notably above the pre-pandemic forecasted levels for FY 2021-22 and FY 2022-23 by approximately $1.2 billion each year; however, about one-half of the annual difference is attributable to the addition of Indian Gaming Revenues and retained online sales tax dollars, which were previously not included.

After Florida's economy shrank 0.5 percent in FY 2019-20, it appears to have grown 2.0 percent in FY 2020- 21. The turnaround was led by a stronger than anticipated response to the back-to-back federal stimulus packages in December 2020 and March 2021, coupled with a faster than expected reopening of the economy in the last quarter of the fiscal year.

Through June 2021, revenue collections had gained $2.3 billion to the Conference expectations in April, with July 2021 expected to add to the overage. Because the economy is largely returning to normal, the Revenue Estimating Conference has gained confidence in adding to the prior forecast for FY 2021-22 and FY 2022-23, even though some areas will be backing down from heightened activity levels associated with the federal response to the pandemic. As a result, the Conference made sizeable adjustments to the forecast adopted in April. Anticipated revenues were revised upward by $1.4 billion in FY 2021-22 and by $1.2 billion in FY 2022-23, for a two-year combined increase of $2.6 billion. These changes reflect increases over the previous estimates of 4.0 percent in FY 2021-22 and 3.2 percent in FY 2022-23.

# GR Outlook Balance…

**FY 2020-21…**

| | |
|---|---|
| Beginning Balance | 6,352.2 |
| Estimated Revenues | 36,280.9 |
| Stimulus Funds | 6,351.5 |
| Net Miscellaneous Receipts | 1,039.0 |
| Total Revenues | 50,023.6 |
| | |
| Total Appropriations, GAA Actions & Substantive Appropriations | 34,865.0 |
| Required Transfer to BSF | 100.0 |
| Budget Amendments through June 30, 2021 | 3,483.2 |
| Legislative Reversions | (1,949.6) |
| Re-Employment Assistance Tax Refunds | 289.1 |
| Total Effective Appropriations | 36,787.7 |
| | |
| **Unallocated General Revenue** | **13,235.9** |

**FY 2021-22…**

| | |
|---|---|
| Beginning Balance | 13,235.9 |
| Estimated Revenues | 36,901.0 |
| Net Miscellaneous Receipts through August 16, 2021 | 210.4 |
| Total Revenues | 50,347.3 |
| | |
| Total Appropriations, GAA Actions & Substantive Appropriations | 37,354.1 |
| Budget Amendments through August 16, 2021 | 3,207.3 |
| Pending State Fiscal Recovery Fund Budget Amendments | 2,279.0 |
| July Re-Employment Assistance Tax Refunds | 93.4 |
| Estimated August Re-employment Assistance Tax Refunds | 89.5 |
| Total Effective Appropriations | 43,023.3 |
| | |
| **Unallocated General Revenue** | **7,324.0** |

*Official Outlook adopted 8/17/2021.*

# Total State Reserves...

| Outlook Year | Baseline Fiscal Year | Unallocated General Revenue | Budget Stabilization Fund | Lawton Chiles Endowment Fund* | Total Reserves | GR Summer Revenue Estimate** | % of GR Estimate |
|---|---|---|---|---|---|---|---|
| 2012 | 2012-13 | 1,577.7 | 708.1 | 426.1 | 2,711.9 | 24,631.6 | 11.0% |
| 2013 | 2013-14 | 1,893.5 | 924.8 | 536.3 | 3,354.6 | 26,184.2 | 12.8% |
| 2014 | 2014-15 | 1,589.0 | 1,139.2 | 629.3 | 3,357.5 | 27,189.4 | 12.3% |
| 2015 | 2015-16 | 1,709.1 | 1,353.7 | 590.2 | 3,653.0 | 28,414.1 | 12.9% |
| 2016 | 2016-17 | 1,414.2 | 1,384.4 | 637.5 | 3,436.1 | 29,732.8 | 11.6% |
| 2017 | 2017-18 | 1,458.5 | 1,416.5 | 713.4 | 3,588.4 | 31,152.8 | 11.5% |
| 2018 | 2018-19 | 1,226.1 | 1,483.0 | 763.1 | 3,472.2 | 32,270.5 | 10.8% |
| 2019 | 2019-20 | 1,452.9 | 1,574.2 | 773.6 | 3,800.7 | 32,970.0 | 11.5% |
| 2020 | 2020-21 | 1,366.6 | 1,674.2 | 867.2 | 3,908.0 | 31,016.8 | 12.6% |
| 2021 | 2021-22 | 7,324.0 | 2,723.5 | - | 10,047.5 | 36,927.5 | 27.2% |

*House Bill 5011 (Ch. 2021-43, L.O.F.) directs the State Board of Administration (SBA) to liquidate the assets in the Lawton Chiles Endowment Fund by June 30, 2022. The bill also terminates the fund, effective July 1, 2022, and directs the SBA to transfer all balances remaining to the Budget Stabilization Fund. As of July 8, 2021, $1,049.3 million was transferred to the Budget Stabilization Fund.

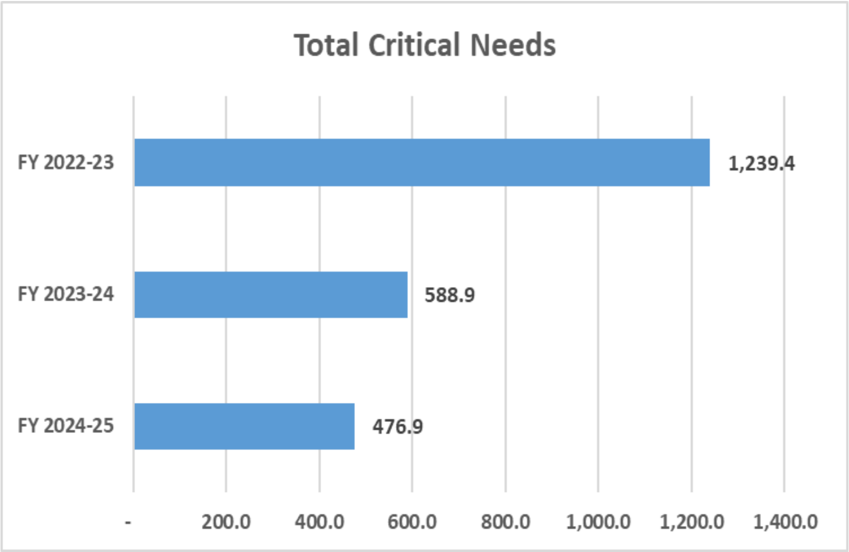
**The Summer Revenue Estimate reflects the General Revenue for Fiscal Year 2021-22 includes the official estimated revenues for General Revenue and the annual payment from the BP Settlement Agreement.

- Unallocated General Revenue and the Budget Stabilization Fund are now generally considered to compose the state's reserves.

- At the time of adoption for each of the previous nine Outlooks, total state reserves have ranged from 11.0% to 12.6% of the General Revenue estimate.

- For the current year, total state reserves are $10,047.5 million or 27.2% of the General Revenue estimate for FY 2021-22, resulting in large part from the wide array of federal actions to bolster the country during the pandemic.

# Critical Needs Drivers...




Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes. In some instances, they also present the lowest cost, within current policy parameters, of continuing essential government functions. In this Outlook, there are **15** Critical Needs drivers. In total, the Critical Needs are 77.9 percent more costly in Year 1 this year than last year, but lower in each of the subsequent years. A funding strategy was deployed that significantly reduced the need for General Revenue in the early years of the Outlook.

For the programs in the education and human services policy areas, the Outlook **maximizes the use of all available state trust funds prior to using General Revenue**. To accomplish this, adjustments are made to the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. This shifting of funds alters the need for General Revenue from year to year, but does not affect the overall level of dollars estimated to be required for core education and human services programs. Across both education policy areas, the effect of these fund shifts can be seen in two discrete drivers (#1 and #5) that together total $541.0 million in Fiscal Year 2022-23, $104.5 million in Fiscal Year 2023-24, and $35.0 million in Fiscal Year 2024-25.

# Other High Priority Needs Drivers...

- Because of the use of trust fund balances, the projected General Revenue cost of the Critical Needs drivers in Fiscal Year 2022-23 is significantly less than it would have been. Reversing this adjustment makes it clear that the less flexible Critical Needs (regardless of fund source) are the largest expenditure component in the plan, by far.

- In part, this is because the Critical Needs funding for the Medicaid program is significantly greater in the first year of the Outlook as a result of the pandemic-induced economic contraction and the accompanying federal response—even though caseloads are expected to decline in the out years as the unemployment rate improves and the federal Public Health Emergency (PHE) is lifted.

- In Tier 2, Other High Priority Needs are added to the Critical Needs. The **28** Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Essentially, the total projected cost for the Critical Needs and Other High Priority Needs shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook.

| General Revenue Fund<br>Dollar Value of Critical Needs and<br>Other High Priority Needs ($Millions) | Fiscal Year 2022-23 | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|---|
| Critical Needs | 1,239.4 | 588.9 | 476.9 |
| Other High Priority Needs | 1,176.5 | 1,311.1 | 1,298.4 |
| Critical Needs plus Other High Priority Needs | 2,415.9 | 1,900.0 | 1,775.3 |

# GR Drivers by Policy Area...

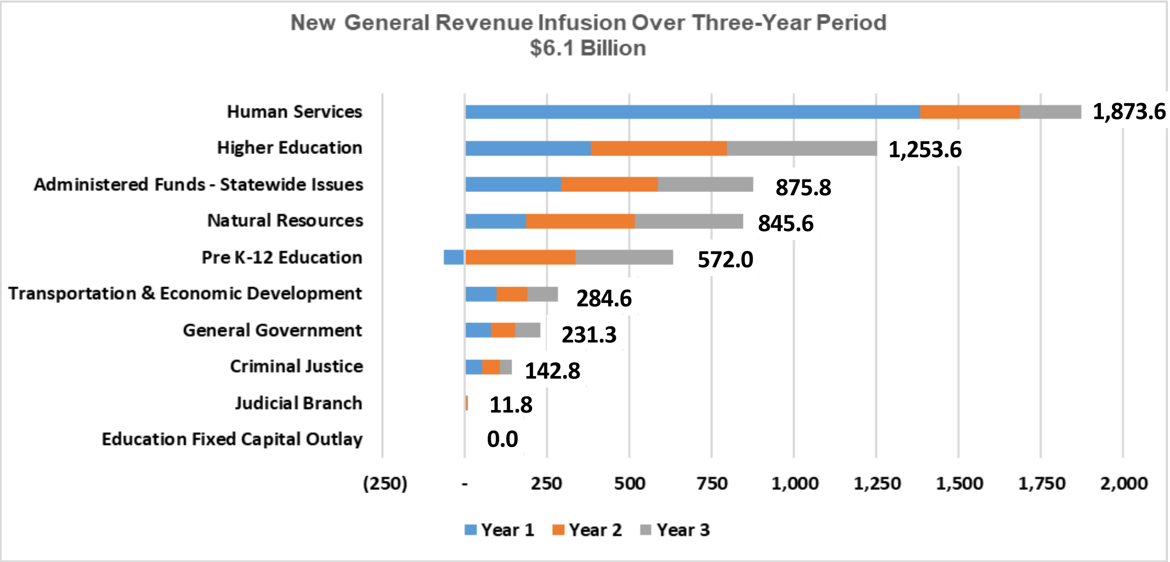
In Fiscal Year 2022-23, three policy areas (Higher Education, Human Services, and Statewide Issues) compose more than 85 percent of the total need for General Revenue.

By the second year of the Outlook, the Pre K-12 Education, Higher Education, and Natural Resources needs increase, while other areas decline or stay the same.  As a result, Education represents the largest share of the total need in that year at 39.4 percent, while Human Services declines by more than 41 percent.

| General Revenue Fund<br>Total Critical Needs and Other High Priority Needs by Policy Area ($Millions) | Fiscal Year 2022-23 | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|---|
| Pre K-12 Education | (62.7) | 336.3 | 298.4 |
| Higher Education | 383.6 | 412.7 | 457.2 |
| Human Services | 1,381.4 | 302.9 | 189.3 |
| Criminal Justice & Judicial Branch | 57.3 | 57.3 | 40.0 |
| Transportation & Economic Development | 95.6 | 93.4 | 95.6 |
| Natural Resources | 185.6 | 329.8 | 330.2 |
| General Government | 80.5 | 74.0 | 76.8 |
| Administered Funds - Statewide Issues | 294.5 | 293.5 | 287.8 |
| **Total New Issues** | **2,415.9** | **1,900.0** | **1,775.3** |

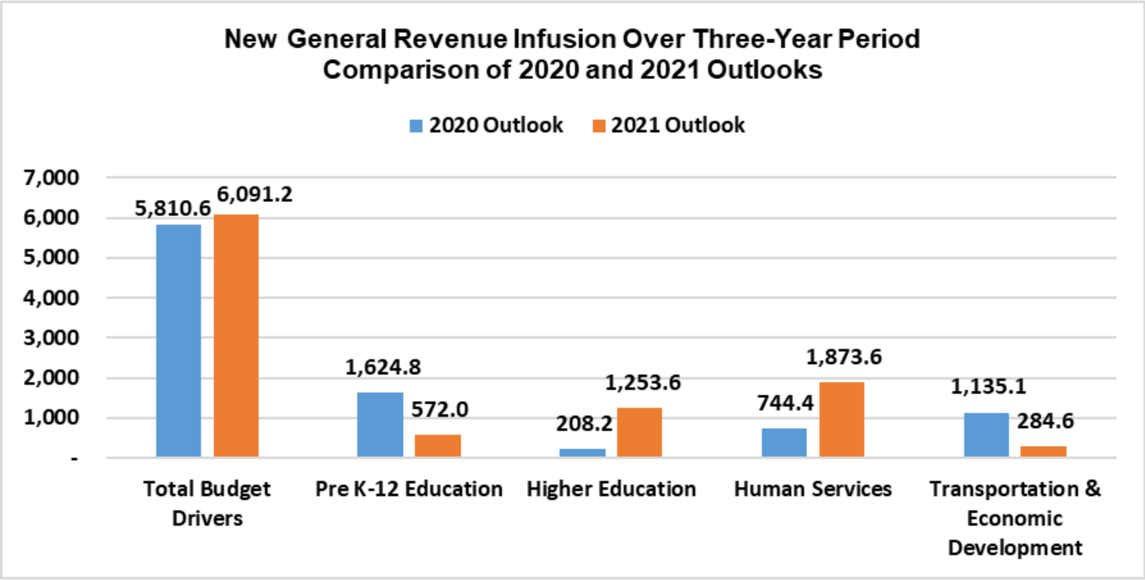
| General Revenue Fund<br>Percentage of Total Critical Needs and Other High Priority Needs by Policy Area ($Millions) | Fiscal Year 2022-23 | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|---|
| Pre K-12 Education | -2.6% | 17.7% | 16.8% |
| Higher Education | 15.9% | 21.7% | 25.8% |
| Human Services | 57.2% | 15.9% | 10.7% |
| Criminal Justice & Judicial Branch | 2.4% | 3.0% | 2.3% |
| Transportation & Economic Development | 4.0% | 4.9% | 5.4% |
| Natural Resources | 7.7% | 17.4% | 18.6% |
| General Government | 3.3% | 3.9% | 4.3% |
| Administered Funds - Statewide Issues | 12.2% | 15.4% | 16.2% |
| **Total New Issues** | 100.0% | 100.0% | 100.0% |

# Total New GR Infusion = $6.1 Billion




The total need for new infusions of General Revenue over the three years is $6.1 billion. Together, Human Services and Higher Education issues represent 51.3 percent of the total.

The total three-year driver need of $6.1 billion is higher than the $5.81 billion identified last year, but the composition is different. Six of ten policy areas either stayed about the same level or went down in need; four went up.



# Total GR Expenditures = $10.72 Billion

| General Revenue Fund Recurring and Nonrecurring Budget Driver Impact | Fiscal Year 2022-23 | Fiscal Year 2023-24 | Fiscal Year 2024-25 | Three-Year Total | % of Three-Year Total |
|---|---|---|---|---|---|
| New Recurring Drivers for Each Year | 1,881.1 | 866.3 | 748.4 | 3,495.9 | |
| Continuation of Year 1 Recurring Drivers | | 1,881.1 | 1,881.1 | 3,762.2 | |
| Continuation of Year 2 Recurring Drivers | | | 866.3 | 866.3 | |
| Cumulative Impact of Recurring Drivers | 1,881.1 | 2,747.4 | 3,495.9 | 8,124.4 | 75.8% |
| | | | | | |
| Nonrecurring Drivers for Each Year | 534.8 | 1,033.7 | 1,026.9 | 2,595.3 | 24.2% |
| **Grand Total** | **2,415.9** | **3,781.1** | **4,522.8** | **10,719.7** | |

Simply looking at the new infusions of General Revenue needed each year does not present a complete picture. Over the entire three-year period, 75.8 percent of the General Revenue infused each year must be recurring to match the ongoing nature of the budget investment. Those expenditures cumulate and stack on top of each other in the subsequent years. As the table shows, of the $2.42 billion needed for drivers in Fiscal Year 2022-23, $1.88 billion will be needed in Fiscal Year 2023-24 (and again in Fiscal Year 2024-25) to continue those programs.

This makes the actual dollar impact of the drivers identified in the Outlook larger than the displayed drivers alone suggest. In effect, the $6.1 billion in new infusions over the Outlook period support $10.72 billion in additional costs over the period. Both effects are accounted for in the Outlook.

# Revenue Adjustments

- Revenue Adjustments to the General Revenue Fund are again included in the Outlook to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments are based on historic averages and 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.

- Unlike the budget drivers which are linked to identifiable issue areas, the revenue adjustments make no assumptions regarding the nature of the change (e.g., the specific amount by tax, fee, or trust fund source).

| | 2022-23 | | | 2023-24 | | | 2024-25 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rec | NR | Total | Rec | NR | Total | Rec | NR | Total |
| Continuing Tax and Fee Changes | (45.7) | 27.9 | (17.8) | (45.7) | 27.9 | (17.8) | (45.7) | 27.9 | (17.8) |
| Recurring Impact of Prior Years' Tax and Fee Changes | 0.0 | 0.0 | 0.0 | (45.7) | 0.0 | (45.7) | (91.4) | 0.0 | (91.4) |
| Time-Limited Tax and Fee Changes | 0.0 | (66.8) | (66.8) | 0.0 | (66.8) | (66.8) | 0.0 | (66.8) | (66.8) |
| Trust Fund Transfers (GAA) | 0.0 | 152.1 | 152.1 | 0.0 | 152.1 | 152.1 | 0.0 | 152.1 | 152.1 |
| **Total** | **(45.7)** | **113.2** | **67.5** | **(91.4)** | **113.2** | **21.8** | **(137.1)** | **113.2** | **(23.9)** |

# Putting It Together for the First Year

| OUTLOOK PROJECTION – FISCAL YEAR 2022-23 *(in millions)* | RECURRING | NON RECURRING | TOTAL |
|---|---|---|---|
| **AVAILABLE GENERAL REVENUE** | **$38,926.3** | **$6,873.5** | **$45,799.8** |
| | | | |
| Recurring Base Budget | $34,960.5 | $0.0 | $34,960.5 |
| Transfer to Budget Stabilization Fund | $0.0 | $0.0 | $0.0 |
| Critical Needs | $1,496.1 | ($256.7) | $1,239.4 |
| Other High Priority Needs | $385.0 | $791.5 | $1,176.5 |
| Reserve | $0.0 | $1,500.6 | $1,500.6 |
| **TOTAL EXPENDITURES** | **$36,841.6** | **$2,035.4** | **$38,877.0** |
| | | | |
| **ENDING BALANCE AFTER EXPENDITURES** | **$2,084.7** | **$4,838.1** | **$6,922.8** |
| | | | |
| Revenue Adjustments | ($45.7) | $113.2 | $67.5 |
| | | | |
| **PROJECTED ENDING BALANCE** | **$2,039.0** | **$4,951.3** | **$6,990.3** |

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 and a $1.5 billion Reserve are added, the General Revenue projected surplus is $6.99 billion.

After accounting for the revenue adjustments, the projected General Revenue surplus is almost $7.0 billion, but 70.8 percent of this is nonrecurring dollars.

# Outlook Projection Compared to Last Year

| Fiscal Year 2022-23 | 2020 Outlook | 2021 Outlook | Difference | Effect on Bottom Line |
|---|---|---|---|---|
| **Funds Available** | | | | |
| Balance Forward from 2021-22 | 1,000.0 | 7,324.0 | 6,324.0 | Positive |
| Available General Revenue | 35,403.6 | 38,475.8 | 3,072.2 | Positive |
| Trust Fund Transfers | 312.4 | 152.1 | (160.3) | Negative |
| Tax and Fee Changes | (153.4) | (84.6) | 68.8 | Positive |
| Total Funds Available | 36,562.6 | 45,867.3 | 9,304.7 | Positive |
| | | | 25.4% | |
| **Projected Expenditures** | | | | |
| Base Budget for 2022-23 | 35,687.0 | 34,960.5 | (726.5) | Positive |
| Total New Budget Drivers for 2022-23 | 1,774.7 | 2,415.9 | 641.2 | Negative |
| Total Projected Expenditures | 37,461.7 | 37,376.4 | (85.3) | Positive |
| | | | -0.2% | |
| **Additional Adjustments for Reserves** | | | | |
| BSF Transfer | - | - | - | |
| Reserve | 1,000.0 | 1,500.6 | 500.60 | Negative |
| **Bottom Line** | **(1,899.1)** | **6,990.3** | **8,889.4** | |

The effects of the stimulus-infused economy and the faster than expected reopening in the last quarter of Fiscal Year 2020-21 provided significantly better results for Fiscal Year 2022-23 than anticipated by the 2020 Outlook.

The greatest difference is in the funds available—25.4 percent higher than expected—a positive effect. Also a positive effect is the overall reduction in projected expenditures resulting from reductions to the base budget, which was greater than the amount needed for the new budget drivers.

# The Bottom Line...

**General Revenue Funds Available**

($ millions)

| | Fiscal Year 2022-23 | | | Fiscal Year 2023-24 | | | Fiscal Year 2024-25 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recur | NR | Total | Recur | NR | Total | Recur | NR | Total |
| Ending Balance...Critical Needs | 2,469.7 | 5,629.6 | 8,099.3 | 2,998.2 | 8,022.6 | 11,020.8 | 4,056.0 | 11,092.8 | 15,148.8 |
| Ending Balance...Critical Needs & Other High Priorities | 2,084.7 | 4,838.1 | 6,922.8 | 2,230.1 | 5,918.1 | 8,148.3 | 2,920.7 | 7,289.2 | 10,209.9 |
| Ending Balance...All Needs Plus Revenue Adjustments | 2,039.0 | 4,591.3 | 6,630.3 | 2,138.7 | 6,098.8 | 8,237.5 | 2,783.6 | 7,491.7 | 10,275.3 |

- Overall, the projected General Revenue growth (recurring and nonrecurring) is sufficient to support anticipated spending and minimal reserve requirements for all three fiscal years of the Outlook.

- No fiscal strategies are required because a projected budget gap does not exist in the three years covered by the Outlook; however, the significant amount of nonrecurring dollars will require careful management to prevent future problems.

# Former Black Swans Seem More Likely...

*"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.*

- A severe natural disaster(s) that completely exhausts the state's reserves (risk is internal to Florida).
  - The active 2021 Hurricane Season is still ongoing.
  - For Fiscal Year 2021-22, the Budget Stabilization Fund will have a balance of $2,723.5 billion.

- While economic activity has rebounded from its pandemic depths, it continues to be constrained by successive waves of infection (most recently from the Delta strain) and the efforts to contain them. Another significant mutation that breaks through current vaccines would bring back many of the previous problems, as well as continue the pandemic's more persistent effects on economy.
  - Supply-chain disruptions are still with us, causing increased inflation expectations in the near term.
  - The consumption mix of goods and services is still off-kilter, benefiting sales tax collections but harming employment in the service sector.
  - Tourist activity is still atypical.
  - Researchers presenting to the Center for Global Development estimate the annual probability of a pandemic on the scale of COVID-19 in any given year to be between 2.5 to 3.3 percent, which means a 47 to 57 percent chance of another global pandemic as deadly as COVID in the next 25 years.

- Co-occurring risks that could be handled individually, but not in combination.