State of Florida

Long-Range Financial Outlook

Fiscal Years 2017-18 through 2019-20

Fall 2016 Report
As Adopted by the Legislative Budget Commission

Jointly prepared by the following:

The Senate Committee on Appropriations

The House Appropriations Committee

The Legislative Office of Economic and Demographic Research

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Long-Range Financial Outlook

The Outlook: Production and Development

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 2016 Outlook is the tenth 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 budget projections primarily reflect current-law spending requirements. The Outlook does not purport to predict the overall 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 on discretionary spending, making this document simply a reasonable baseline.

Estimated revenues and tax provisions are generally treated in the same way; however, a section was added for the first time in 2015 that shows the effects of continuing to make revenue adjustments similar in scope to those that have been made over the past three years.

The Outlook also includes economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: in this version, 2017-18, 2018-19, and 2019-20. It does this by using anticipated revenues and expenditures in the current year (2016-17) as the baseline. Within each table, all funds remaining after the budget drivers and other key issues are fully funded for each year are carried forward into the following fiscal year. In contrast, negative ending balances are assumed to be resolved within the fiscal year in which they occur, as constitutionally required.

Who produced it?

The Outlook was developed jointly by the Senate Committee on Appropriations, 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 increases were developed for each of the major cost drivers using a variety of methods including projections from Consensus Estimating Conferences and historical funding averages. An additional round of Summer Estimating Conferences was established specifically to facilitate the availability of up-to-date information.

- Costs were applied to the projected workload requirements based on recent legislative budget decisions.

- Exceptional funding needs—the fiscal impact of special issues outside of normal workload and caseload requirements—were identified and addressed when necessary for state operations.

- Official forecasts of available revenues were used with one exception. Separate tables and narrative discussion identify the impact of historical revenue adjustments affecting the General Revenue Fund (tax and fee changes, and trust fund transfers), assuming they are undertaken in the future at the same pace.

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

How is the Outlook structured?

- The Outlook contains budget drivers that are grouped by policy areas that roughly correspond to the appropriations bill format required by the Florida Constitution. Also included are separate sections for Potential Constitutional Issues, Significant Risks to the Forecast, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections, Debt Analysis, Key Revenue Adjustments to the General Revenue Fund, and comparisons 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 budget 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. Similarly, several of the identified revenue adjustments assume that past levels of nonrecurring revenue adjustments (one-time tax holidays and trust fund transfers) continue each year.

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (Lottery and Slot Machine 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 separately identify 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 in and discussed throughout the document.

- Budget drivers have been categorized as either “Critical Needs” (mandatory increases based on estimating conferences, and other essential needs) or “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. The budget drivers do not include any assumptions regarding funding for new programs, expansion of current programs, or new funding levels for community-based initiatives.

- Any future revenue adjustments that differ from the current forecasts adopted by the Revenue Estimating Conference would require law changes or specific recognition in the appropriations-related budget documents.

- For the purposes of this Outlook, prior expenditures from depleted trust funds have been redirected to the General Revenue Fund when the underlying activities are ongoing in nature.

- The Fiscal Strategies section demonstrates the impact of different policy responses to identified problems and issues. The unique assumptions used for these scenarios are not built into the remainder of the Outlook.

What have previous Outlooks shown?

Each of the Outlooks provided the first look at the likely scenario facing the Legislature in its preparation of the budget for the following fiscal year. Because the initial projections are updated and refined through subsequent estimating conferences, the final projections used by the Legislature have differed from the initial results. Each succeeding Outlook is also affected by the decisions made in the preceding Session(s).

Starting with the first constitutionally required Outlook adopted in September 2007, the results at the time of adoption were as follows:

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	3,295.3	1,000.0
2014	Fiscal Year 2015-16	336.2	1,004.5	2,156.1	1,000.0
2015	Fiscal Year 2016-17	635.4	583.7	222.2	1,000.0

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Following the January 2016 General Revenue Estimating Conference, underlying collections were virtually on forecast, ending the 2015-16 fiscal year with a gain of $50.6 million, or about 0.2 percent over the estimate for the year. However, this outcome masks differences between revenue sources that show one of the major sources significantly above and two others significantly below their respective estimates.

- The Revenue Estimating Conference met on August 15, 2016, to revise the General Revenue forecast. Given the slightly weaker National and Florida Economic Forecasts adopted in July, the Conference made downward adjustments to Sales and Documentary Stamp Taxes that eclipsed the remaining positive adjustments. Anticipated revenues were revised down by $131.9 million in Fiscal Year 2016-17 and by $135.1 million in Fiscal Year 2017-18, for a two-year total of $267.0 million.

- The revised Fiscal Year 2016-17 estimate exceeds the prior year's collections by slightly more than $1.0 billion (3.6 percent). The revised forecast for Fiscal Year 2017-18 has projected growth of $1.35 billion (4.6 percent) over the revised Fiscal Year 2016-17 estimate. The growth rates for Fiscal Years 2018-19 and 2019-20 were slightly increased from 3.7 to 4.1 percent and from 3.7 to 4.0 percent, respectively, with the resulting dollar levels staying similar to the prior forecast.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27,074.8	[redacted]	[redacted]	[redacted]	8.4%
2006-07	26,404.1	[redacted]	[redacted]	[redacted]	-2.5%
2007-08	24,112.1	[redacted]	[redacted]	[redacted]	-8.7%
2008-09	21,025.6	[redacted]	[redacted]	[redacted]	-12.8%
2009-10	21,523.1	[redacted]	[redacted]	[redacted]	2.4%
2010-11	22,551.6	[redacted]	[redacted]	[redacted]	4.8%
2011-12	23,618.8	[redacted]	[redacted]	[redacted]	4.7%
2012-13	25,314.6	[redacted]	[redacted]	[redacted]	7.2%
2013-14	26,198.0	[redacted]	[redacted]	[redacted]	3.5%
2014-15	27,681.1	[redacted]	[redacted]	[redacted]	5.7%
2015-16	28,274.8	28,325.4	50.6	644.3	2.3%
2016-17	29,464.7	29,332.8	(131.9)	1,007.4	3.6%
2017-18	30,822.0	30,686.9	(135.1)	1,354.1	4.6%
2018-19	31,974.0	31,948.2	(25.8)	1,261.3	4.1%
2019-20	33,150.2	33,223.9	73.7	1,275.7	4.0%
2020-21	34,390.7	34,395.1	4.4	1,171.2	3.5%
2021-22	n/a	35,614.9	n/a	1,219.8	3.5%

- The changes to the General Revenue estimate also affect the constitutionally required transfers to the Budget Stabilization Fund (BSF). Based on the August 2016 forecast, transfers of $31.9 million in Fiscal Year 2017-18, $50.3 million in Fiscal Year 2018-19, and $67.7 million in Fiscal Year 2019-20 will be required.

- The most recent official Financial Outlook Statement for the General Revenue Fund was adopted August 15, 2016, by the Revenue Estimating Conference. This document embeds changes that have altered the bottom line from what the Legislature knew at the time it adopted the General Appropriations Act for Fiscal Year 2016-17 (see Post-Session Outlook Statement dated June 23, 2016, for reference).

    - The *Funds Available for Fiscal Year 2015-16* have been increased to account for the additional revenue collections.

    - The *Funds Available for Fiscal Years 2016-17 through 2019-20* have been adjusted to account for the results of the revenue estimating conferences that were held during the Summer Conference Season.

    - The *Funds Available for Fiscal Years 2016-17 through 2019-20* have been adjusted to include the payments associated with the settlement reached in In re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, MDL No. 2179 (April 20, 2010). This settlement provides a total payment to the State of Florida of $2.0 billion over the period Fiscal Year 2016-17 through Fiscal Year 2032-33. The first payment of $400 million was received on July 1, 2016. Annual payments of $106.7 million begin in Fiscal Year 2018-19. Hereafter, the settlement is referred to as the BP Settlement Agreement.

    - The *Effective Appropriations for Fiscal Year 2016-17* have been adjusted to include the $26.2 million budget amendment associated with the state's emergency response to the Zika virus.

- The 2017-18 starting point for the Long-Range Financial Outlook reflects additional adjustments for issues identified since the release of the official Financial Outlook Statement for the General Revenue Fund. Funds totaling $1.0 million have been set aside to address projected current-year operating deficits identified by estimating conferences, including:

    - $0.8 million to offset a projected deficit in the Kidcare program; and

    - $0.2 million to offset a projected revenue shortfall in the State Courts Revenue Trust Fund relating to the reduced forecast for Article V fees.

- For Fiscal Year 2017-18, the estimated revenues are sufficient to meet all Critical and Other High Priority Needs identified in the Outlook. However, there are significant projected shortfalls in both Fiscal Year 2018-19 and 2019-20. The Long-Range Financial Outlook assumes that nonrecurring solutions are used to address the shortfalls, meaning that the beginning balances for the subsequent years are zero; that is, the solutions have no impact on future years.

- The revenue sources for the Educational Enhancement Trust Fund will have modest long-term growth and mixed results in the near-term. Because of a large one-time balance forward of unspent funds from Fiscal Year 2016-17 into Fiscal Year 2017-18 ($276.0 million), the trust fund will have more funds available for expenditure in Fiscal Year 2017-18 than in Fiscal Year 2018-19 or Fiscal Year 2019-20.

- Similarly, the State School Trust Fund will have modest long-term growth with mixed results in the near-term. Because of a large one-time balance forward of unspent funds from Fiscal Year 2016-17 into Fiscal Year 2017-18 ($46.6 million), the trust fund will have more funds available for expenditure in Fiscal Year 2017-18 than in Fiscal Years 2018-19 and 2019-20.

- The Tobacco Settlement Trust Fund will have little long-term growth. Because of a large one-time balance forward of unspent funds from Fiscal Year 2016-17 into Fiscal Year 2017-18 ($29.1 million), the trust fund will have more funds available for expenditure in Fiscal Year 2017-18 than in Fiscal Years 2018-19 and 2019-20.

B. Key Aspects of State Reserves

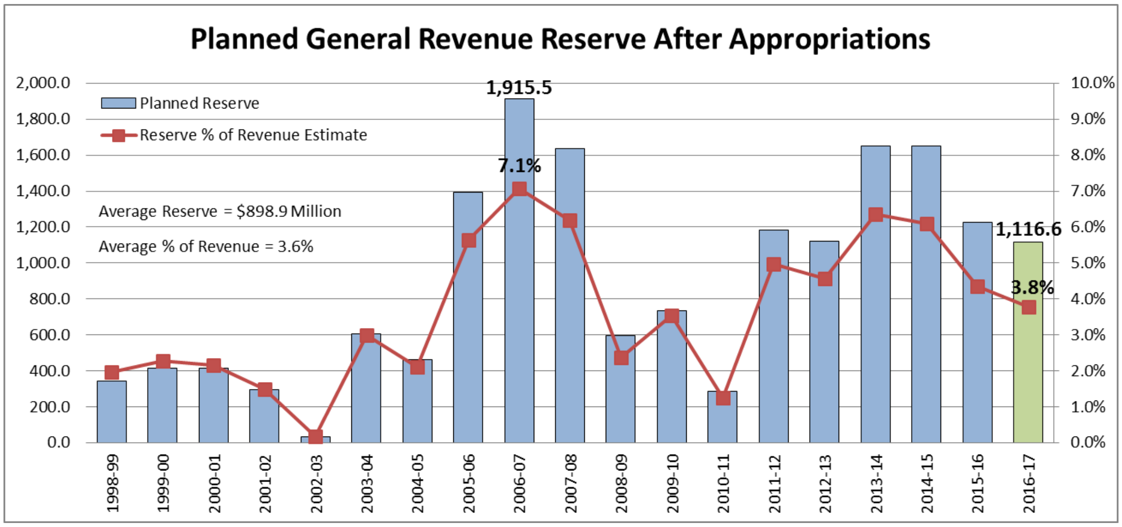
- Unallocated General Revenue, the BSF, and the Lawton Chiles Endowment Fund are generally considered to comprise the state's reserves. The following table shows the estimated total state reserves at the time each year's Outlook was adopted.

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Total Reserves	GR Summer Revenue Estimate*	% of GR Estimate
2011	2011-12	1,357.5	493.6	696.2	2,547.3	23,795.1	10.7%
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%

**Reflects the General Revenue forecast adopted by the Revenue Estimating Conference in the summer preceding the adoption of each Long-Range Financial Outlook. The Fiscal Year 2016-17 amount includes the $400 million payment associated with the BP Settlement Agreement.*

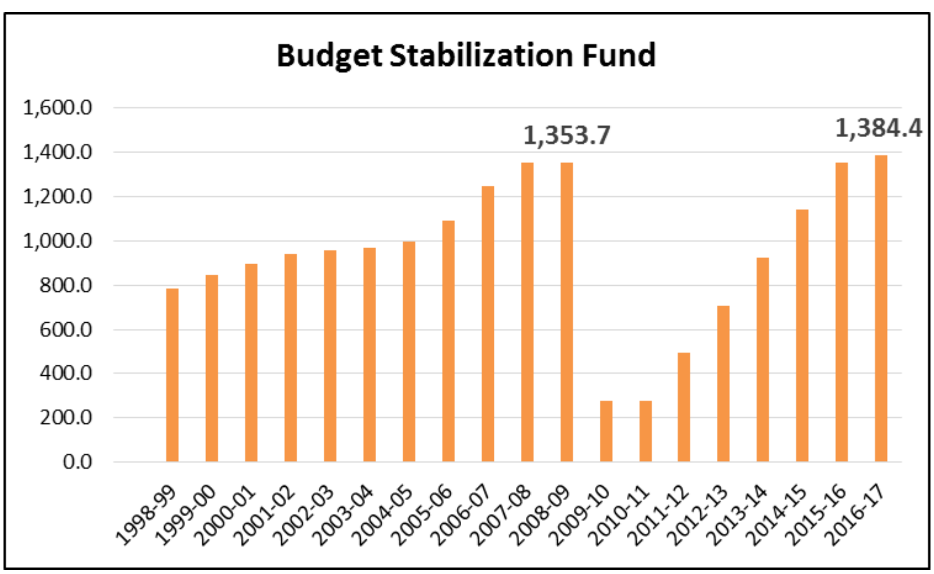
- The Long-Range Financial Outlook only addresses the General Revenue portion of total state reserves. As has been done in each of the past five plans, this year's Outlook sets aside a $1.0 billion General Revenue reserve in each year.

- The Legislature's planned levels of unallocated General Revenue, as shown in the chart on the following page, have averaged approximately $898.9 million since Fiscal Year 1998-99. This was the first year the Florida Constitution required the full five percent distribution from General Revenue to the BSF.



- Prior to Florida's housing boom in Fiscal Years 2002-03 through 2005-06, the state's practice had been to maintain fairly low levels of unallocated General Revenue. As the housing boom led to increased state revenue collections, the unallocated General Revenue reserve increased rapidly each year, peaking in Fiscal Year 2006-07 at $1.9 billion (7.1 percent of the Post-Session General Revenue estimate).

- After its creation in Fiscal Year 1994-95, the BSF grew steadily, topping $1.35 billion in Fiscal Year 2008-09. Following the collapse of the housing boom and Florida's slide into the Great Recession (Fiscal Years 2008-09 and 2009-10), the Legislature significantly reduced the General Revenue reserve and also transferred nearly $1.1 billion from the BSF into the General Revenue Fund in order to balance the state's budget. Since that time, the Legislature has increased the level of unallocated General Revenue, leaving more than $1.1 billion unallocated in Fiscal Year 2016-17 (3.8 percent of the Post-Session General Revenue estimate). In addition, the BSF has been fully repaid and has now surpassed its prior peak.



- For Fiscal Year 2016-17, the BSF will have a balance of almost $1.4 billion, and the Lawton Chiles Endowment Fund had a balance of $637.5 million as of August 2016. The total anticipated reserves for Fiscal Year 2016-17 are $3.4 billion, or approximately 11.6 percent of the Fiscal Year 2016-17 General Revenue estimate. Because payments associated with the BP Settlement Agreement were first included in the Official Financial Outlook Statement for the General Revenue Fund adopted in August, they are currently counted as part of the state's Fiscal Year 2016-17 General Revenue reserve of $1,414.2 million.

- Within the Long-Range Financial Outlook, reserves have also been created for each of the three major trust funds (i.e., Educational Enhancement, State School, and Tobacco Settlement). The amounts have been calculated by applying a percentage to each fund's revenue estimate that is roughly equal to the $1.0 billion retained for the General Revenue Fund as a percentage of its revenue estimate for Fiscal Year 2017-18.

C. Key Aspects of the Expenditure Demands

- For education and human services programs, the Outlook maximizes the use of all available state trust funds. Adjustments are made to General Revenue funds, 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. The shifting of funds alters the need for General Revenue funds from year to year but does not affect the overall level of dollars estimated to be the need for core education and human services programs.

- When historical funding averages are used for drivers, the Outlook relies on three-year pre-veto appropriations averages, unless otherwise noted. If the three-year average was negative, no change in funding was made.

- In the Tier 1 Table on page 20, only Critical Needs are shown. Critical Needs reflect mandatory increases based on estimating conferences and other essential items. The eighteen 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 2018-19 when projected expenditures jump sharply from Fiscal Year 2017-18. In part, this is due to the depletion of large one-time trust fund balances that ameliorated the recurring General Revenue need in Fiscal Year 2017-18.

- In the Tier 2 Table on page 21, Other High Priority Needs are added to the Critical Needs. 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. In contrast to Critical Needs, the General Revenue burden for the thirty Other High Priority Needs is spread fairly evenly across the fiscal years, but declines slightly over time.

DOLLAR VALUE OF CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Total Tier 1 - Critical Needs	484.9	1,493.0	1,087.1
Total - Other High Priority Needs	1,145.1	1,064.1	1,009.6
Total Tier 2 - Critical and Other High Priority Needs	1,630.0	2,557.1	2,096.7

- The Other High Priority Needs are a greater share of the total needs than the Critical Needs are for Fiscal Year 2017-18. However, in Fiscal Years 2018-19 and 2019-20, the Critical Needs are projected to be the larger share of the total need. This will give the Legislature less flexibility to address budget growth over time. Reductions in Other High Priority Needs are easier to achieve.

PERCENTAGE OF TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Total Tier 1 - Critical Needs	29.7%	58.4%	51.8%
Total - Other High Priority Needs	70.3%	41.6%	48.2%
Total Tier 2 - Critical and Other High Priority Needs	100.0%	100.0%	100.0%

- 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 by year. More than one-half of the policy areas, most notably Administered Funds - Statewide Issues and Natural Resources, have their largest needs in the first year, with a detectable drop-off in the subsequent years. Other areas, including the two largest policy areas of Education and Human Services, have a different pattern with greater needs in the second year of the Outlook, prior to stabilizing in the third year. These are the areas most affected by the depletion of the trust fund balances. They also face increasing costs over time.

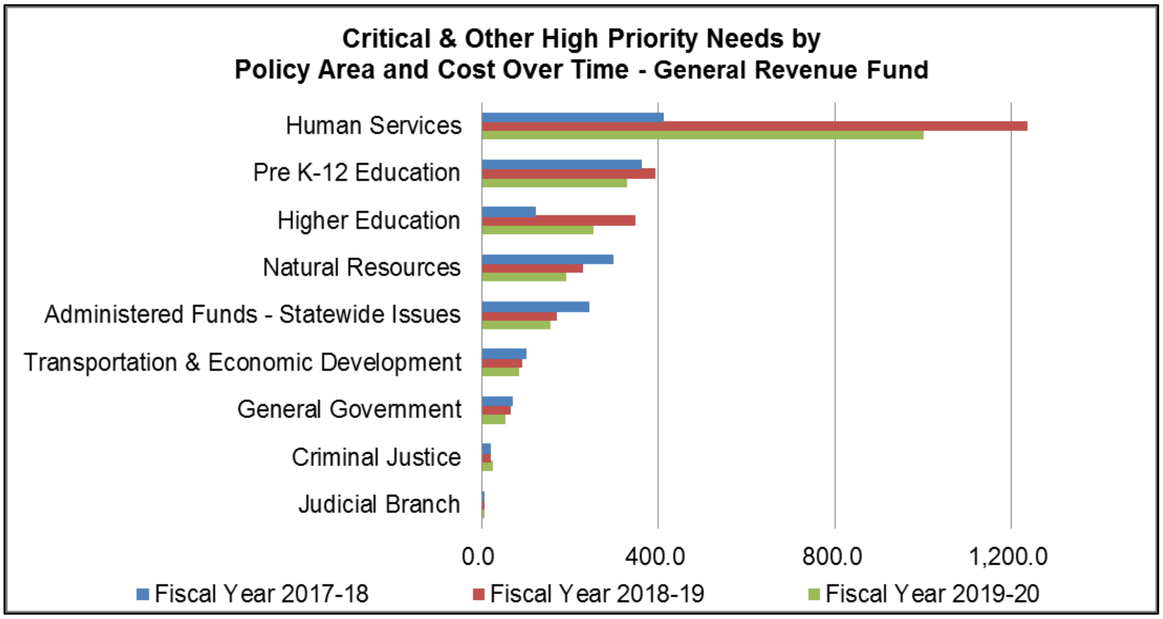
GENERAL REVENUE FUND
DOLLAR VALUE OF CRITICAL AND
OTHER HIGH PRIORITY NEEDS BY POLICY AREA

POLICY AREAS	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Pre K-12 Education	362.7	393.1	328.9
Higher Education	121.1	347.5	252.9
Human Services	412.6	1,235.6	1,000.9
Criminal Justice	19.1	19.5	24.1
Judicial Branch	5.0	4.7	5.0
Transportation & Economic Development	100.1	91.4	85.0
Natural Resources	297.0	229.8	191.8
General Government	70.1	66.4	53.7
Administered Funds - Statewide Issues	242.3	169.1	154.4
Total New Issues	1,630.0	2,557.1	2,096.7

- 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. Human Services has the largest share of the total needs in each of the three years of the Outlook, representing nearly half of the total need in Fiscal Years 2018-19 and 2019-20.

GENERAL REVENUE FUND
POLICY AREA PERCENTAGE OF TOTAL
CRITICAL AND OTHER HIGH PRIORITY NEEDS

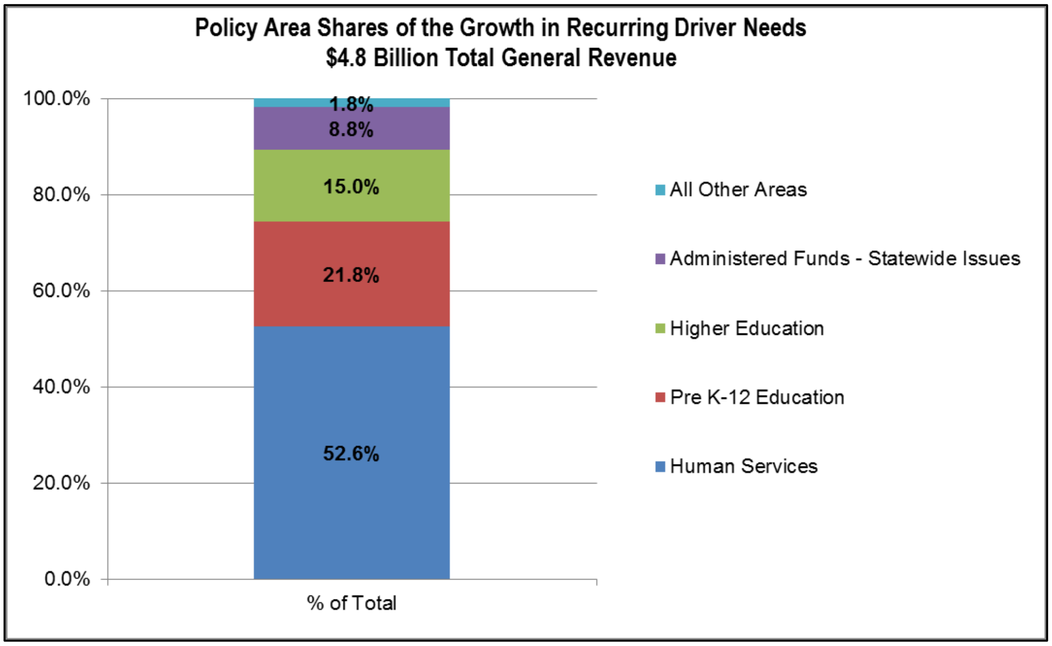
POLICY AREAS	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Pre K-12 Education	22.3%	15.4%	15.7%
Higher Education	7.4%	13.6%	12.1%
Human Services	25.3%	48.3%	47.7%
Criminal Justice	1.2%	0.8%	1.1%
Judicial Branch	0.3%	0.2%	0.2%
Transportation & Economic Development	6.1%	3.6%	4.1%
Natural Resources	18.2%	9.0%	9.1%
General Government	4.3%	2.6%	2.6%
Administered Funds - Statewide Issues	14.9%	6.6%	7.4%
Total New Issues	100.0%	100.0%	100.0%



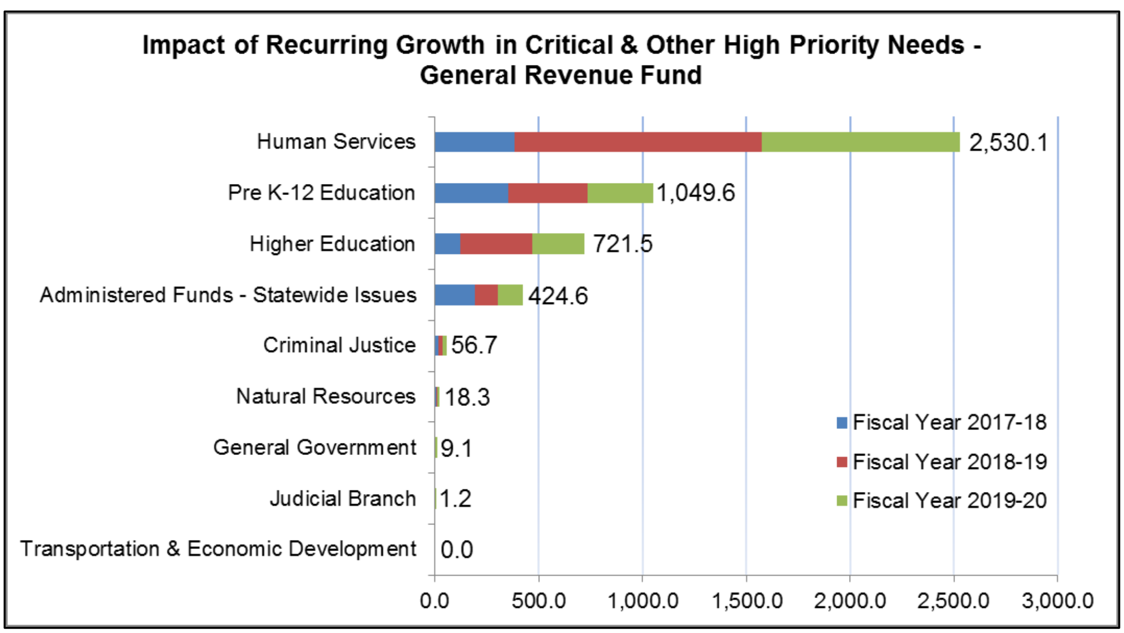
- Although Human Services is the largest policy area, the largest single Critical Needs driver in Fiscal Year 2017-18 is Workload and Enrollment for the Florida Education Finance Program. However, the structure of education funding requires an evaluation across multiple drivers; focus on any one driver in isolation is misleading.

- The Critical Needs driver for the Medicaid program is the second largest driver in the first year of the Outlook and is the largest driver in subsequent years, representing 55.5

percent of the total Critical Needs in Fiscal Year 2017-18, 69.9 percent in Fiscal Year 2018-19, and 66.1 percent in Fiscal Year 2019-20. Broadening the scope to include Other High Priority Needs drivers, the Medicaid program driver represents 16.5 percent, 40.8 percent, and 34.3 percent, respectively, of total needs, for each year of the Outlook.



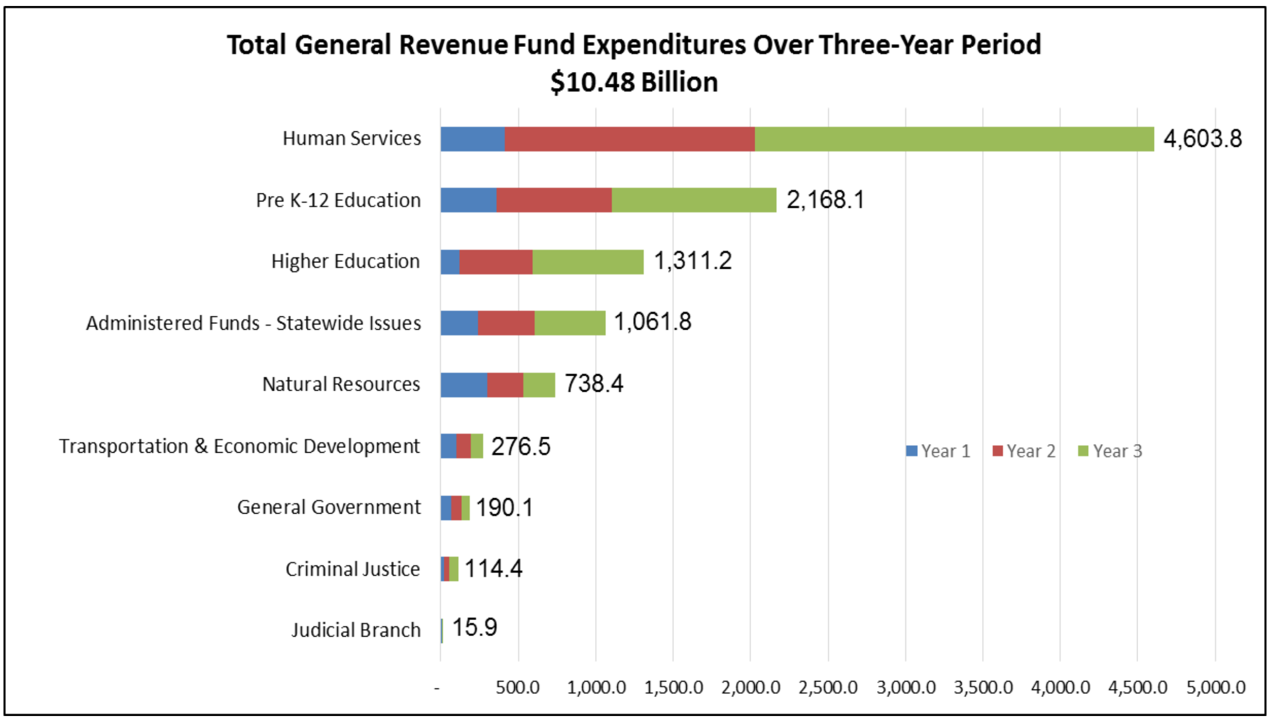
- The Human Services policy area, primarily driven by Medicaid expenditures, has the largest need for new recurring dollars, increasing more than $2.5 billion from the beginning of the period to the end. By itself, this area generates 52.6 percent of the total $4.8 billion recurring increase. The next largest area is Pre K-12 Education, which is projected to increase its need for recurring dollars by slightly more than $1.0 billion over the three-year period, or 21.8 percent of the total.



- Over the entire Outlook period, the combined recurring and nonrecurring drivers result in nearly $10.5 billion of General Revenue expenditures on Critical and Other High Priority Needs. This an increase of almost 26 percent over the expenditures included in the 2015 Outlook.

- Of the $10.5 billion total, nearly $1.5 billion will be spent on nonrecurring issues, or approximately 14 percent of the total.

- The remaining $9.0 billion results from a 16.3 percent increase in recurring expenditures from the starting point for Fiscal Year 2017-18 to the end of the plan. The magnitude of the expenditure is attributable to the recurring effects of each year's drivers continuing through the remaining years contained in the Outlook, with each new year adding to the prior year's recurring appropriations. While the first year's infusion of recurring dollars is displayed in the recurring column for the driver, the associated funds for the following years are shown as the Recurring Impact of Prior Years' New Issues on the tables displayed on pages 20, 21, and 22.



- Even though the official Financial Outlook Statement for the General Revenue Fund takes account of both received and expected payments related to the BP Settlement Agreement, this Outlook does not include an expenditure driver related to the agreement. At this point, the details of future legislative actions related to the appropriation of these funds are unknown, particularly as they relate to the size and nature of the appropriation. For the purpose of this document, the final policy decisions regarding the appropriation would either increase the total cost of the drivers already contained in the Outlook or deduct from the General Revenue portion of the state's total reserves.

D. Key Aspects of Revenue Adjustments to the General Revenue Fund

- In the Tier 3 Table on page 22, General Revenue Adjustments are added to the Critical and Other High Priority Needs drivers to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments 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 are positive adjustments to the funds otherwise available and are held constant each year.

- A three-year average is used to develop the fiscal impact for each of the three types of specific adjustments. 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).

- The continuing tax and fee adjustments do not include any impact associated with the lower Required Local Effort (RLE) level adopted by the Legislature as part of its Fiscal Year 2016-17 appropriations for the Florida Education Finance Program (FEFP). In setting this level, the Legislature assumed that there would be an accompanying reduction in the statewide unadjusted average millage rate from 4.984 (the prior year's certified rate) to 4.694 (based on the January 2016 Ad Valorem forecast). While this decision affects the ultimate levy of property taxes, it has only budgetary implications for the General Revenue Fund. The budgetary implications are addressed in the Critical Needs drivers for Pre K-12 Education where the practice is to assume the current year's certified millage rate as the starting point for projected expenditures in all subsequent years. In this regard, the Commissioner of Education established a statewide average millage rate of 4.638 on July 15, 2016, for Fiscal Year 2016-17.

	2017-18			2018-19			2019-20		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax and Fee Changes	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)
Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	(254.0)	0.0	(254.0)	(508.0)	0.0	(508.0)
Time-Limited Tax and Fee Changes	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)
Trust Fund Transfers (GAA)	0.0	242.5	242.5	0.0	242.5	242.5	0.0	242.5	242.5
Total	**(254.0)**	**234.9**	**(19.1)**	**(508.0)**	**234.9**	**(273.1)**	**(762.0)**	**234.9**	**(527.1)**

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

- Fiscal Year 2017-18

  - Total General Revenue available for appropriation is $32,195.7 million.

  - The base budget, transfers to the BSF, and Critical Needs funded with General Revenue are estimated to cost $30,024.0 million. Including a holdback for a reserve balance of $1.0 billion increases the total expenditure need to $31,024.0 million. This figure grows to a total of $32,169.1 million when Other High Priority Needs are included.

  - Combined, recurring and nonrecurring General Revenue budget needs—with a minimum reserve of $1.0 billion—are slightly less than the available General Revenue dollars in both Tiers 1 and 2, meaning there is no budget gap for Fiscal Year 2017-18. The anticipated expenditures (including the reserve) can be fully funded.

  - After accounting for the revenue adjustments included in Tier 3 of the Outlook, there is essentially no remaining General Revenue for discretionary issues—the projected surplus of $7.5 million equates to just 0.02 percent of the General Revenue estimate for Fiscal Year 2017-18.

  - Further, the projected recurring expenditures and revenue adjustments, in combination, outstrip the available recurring resources by $24.4 million.

OUTLOOK PROJECTION – FISCAL YEAR 2017-18 *(in millions)*			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**$30,808.0**	**$1,387.7**	**$32,195.7**
Base Budget	$29,507.2	$0.0	$29,507.2
Transfer to Budget Stabilization Fund	$0.0	$31.9	$31.9
Critical Needs	$439.9	$45.0	$484.9
Other High Priority Needs	$631.3	$513.8	$1,145.1
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL EXPENDITURES	**$30,578.4**	**$1,590.7**	**$32,169.1**
Revenue Adjustments	($254.0)	$234.9	($19.1)
ENDING BALANCE	**($24.4)**	**$31.9**	**$7.5**

- Fiscal Years 2018-19 and 2019-20

    - Fiscal Years 2018-19 and 2019-20 both show projected budget needs significantly in excess of available revenue for Critical and Other High Priority Needs. The shortfalls are even greater when factoring in the potential revenue adjustments.

    - The available General Revenue is insufficient to meet budget demands related to Tier 2 and Tier 3 in the second and third years of the planning horizon unless prior corrective actions are taken.

F. Analyzing the Results

Legislative actions during the 2011 and 2012 Sessions to close the projected budget gaps through *recurring* means positively impacted the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years were limited by the amount of recurring expenditure reductions taken in Fiscal Year 2011-12 and Fiscal Year 2012-13. This greatly improved the Long-Range Financial Outlook's bottom line through Fiscal Year 2013-14. Conversely, actions by the Legislature in the 2014, 2015, and 2016 Sessions to undertake increased recurring expenditures and negative revenue adjustments have reduced the projected surplus between available General Revenue dollars and anticipated expenditures relative to the prior year's Outlook for each year. The color-coded shading on the table below traces the diminishing balances through the subsequent years (i.e., Year 3 on the 2013 Outlook becomes Year 2 on the 2014 Outlook and Year 1 on the 2015 Outlook).

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	**3,295.3**	1,000.0
2014	Fiscal Year 2015-16	336.2	**1,004.5**	**2,156.1**	1,000.0
2015	Fiscal Year 2016-17	**635.4**	**583.7**	**222.2**	1,000.0
2016	Fiscal Year 2017-18	**7.5**	**(1,300.9)**	(1,897.7)	1,000.0

While revenues are sufficient to cover the Critical Needs in Tier 1, the large negative ending balances for Fiscal Year 2018-19 and Fiscal Year 2019-20 in both Tiers 2 and 3 indicate a looming problem—notwithstanding the small positive ending balances projected in both scenarios for Fiscal Year 2017-18. Particularly problematic is the fact that the *recurring* General Revenue demands exceed the amount of *recurring* General Revenue available in two of the three years for Tier 2 and in all three years for Tier 3. This indicates that a structural imbalance is occurring.

Since the increase in projected recurring expenditures (and negative revenue adjustments in Tier 3) in Fiscal Year 2017-18 clearly contributes to and worsens the problems in Fiscal Year 2018-19 and Fiscal Year 2019-20, fiscal strategies are advisable for all three years of the Outlook in order to manage the problems in the out-years.

Tier 1 Table – Critical Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 1 ISSUES - CRITICAL NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,776.6	1,776.6	0.0	1,413.2	1,413.2	0.0	1,171.7	1,171.7	0.0	1,831.8	1,831.8
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 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	29,362.2	(29.4)	29,332.8	30,701.5	(14.6)	30,686.9	31,947.8	0.4	31,948.2	33,225.2	(1.3)	33,223.9
6 BP Settlement Agreement	106.7	293.3	400.0	106.7	(106.7)	0.0	106.7	0.0	106.7	106.7	0.0	106.7
7 Non-operating Funds and Authorized Trust Fund Transfers	(0.2)	352.2	352.0	(0.2)	95.8	95.6	(0.2)	95.8	95.6	(0.2)	95.8	95.6
8 *Revenue Adjustments to the General Revenue Fund*												
9 Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 **Total Funds Available**	**29,468.7**	**2,392.7**	**31,861.4**	**30,808.0**	**1,387.7**	**32,195.7**	**32,054.3**	**2,267.9**	**34,322.2**	**33,331.7**	**2,926.3**	**36,258.0**
14												
15 **Estimated Expenditures:**												
16 Recurring Base Budget (Including Annualizations)				29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2
17 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	439.9	0.0	439.9	1,889.8	0.0	1,889.8
18												
19 **New Issues by GAA Section:**												
20 Section 2 - Pre K-12 Education	11,318.3	187.6	11,505.9	158.9	0.0	158.9	201.6	0.0	201.6	114.4	0.0	114.4
21 Section 2 - Higher Education	4,006.2	57.9	4,064.1	(137.2)	0.0	(137.2)	101.8	0.0	101.8	8.2	0.0	8.2
22 Section 2 - Education Fixed Capital Outlay	0.0	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Section 3 - Human Services	9,368.7	109.0	9,477.7	232.1	0.0	232.1	1,042.0	0.0	1,042.0	810.2	0.0	810.2
24 Section 4 - Criminal Justice	3,599.1	51.2	3,650.3	1.0	0.0	1.0	1.1	0.0	1.1	5.5	0.0	5.5
25 Section 7 - Judicial Branch	412.1	19.2	431.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26 Section 5 & 6 - Transportation & Economic Development	76.0	92.9	168.9	0.0	20.5	20.5	0.0	17.4	17.4	0.0	11.4	11.4
27 Section 5 - Natural Resources	148.4	213.7	362.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28 Section 6 - General Government	240.3	70.2	310.5	(0.5)	24.5	24.0	0.2	25.7	25.9	0.2	23.0	23.2
29 Section 2 & 6 - Administered Funds - Statewide Issues	298.5	30.2	328.7	185.6	0.0	185.6	103.2	0.0	103.2	114.2	0.0	114.2
30 **Total New Issues**				439.9	45.0	484.9	1,449.9	43.1	1,493.0	1,052.7	34.4	1,087.1
31												
32 Approved Budget Amendments	0.0	26.2	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Current Year Estimating Conference Operating Deficits	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Transfer to Budget Stabilization Fund	0.0	30.7	30.7	0.0	31.9	31.9	0.0	50.3	50.3	0.0	67.7	67.7
35 Reappropriations	0.0	75.8	75.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36 **Total Estimated Expenditures**	**29,467.6**	**980.6**	**30,448.2**	**29,947.1**	**76.9**	**30,024.0**	**31,397.0**	**93.4**	**31,490.4**	**32,449.7**	**102.1**	**32,551.8**
37 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
38 **Ending Balance**	**1.1**	**1,412.1**	**1,413.2**	**860.9**	**310.8**	**1,171.7**	**657.3**	**1,174.5**	**1,831.8**	**882.0**	**1,824.2**	**2,706.2**

Tier 2 Table – Critical Needs and Other High Priority Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,776.6	1,776.6	0.0	1,413.2	1,413.2	0.0	26.6	26.6	0.0	0.0	0.0
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 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	29,362.2	(29.4)	29,332.8	30,701.5	(14.6)	30,686.9	31,947.8	0.4	31,948.2	33,225.2	(1.3)	33,223.9
6 BP Settlement Agreement	106.7	293.3	400.0	106.7	(106.7)	0.0	106.7	0.0	106.7	106.7	0.0	106.7
7 Non-operating Funds and Authorized Trust Fund Transfers	(0.2)	352.2	352.0	(0.2)	95.8	95.6	(0.2)	95.8	95.6	(0.2)	95.8	95.6
8 *Revenue Adjustments to the General Revenue Fund*												
9 Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 **Total Funds Available**	**29,468.7**	**2,392.7**	**31,861.4**	**30,808.0**	**1,387.7**	**32,195.7**	**32,054.3**	**1,122.8**	**33,177.1**	**33,331.7**	**1,094.5**	**34,426.2**
14												
15 **Estimated Expenditures:**												
16 Recurring Base Budget (Including Annualizations)				29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2
17 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	1,071.2	0.0	1,071.2	3,125.2	0.0	3,125.2
18												
19 **New Issues by GAA Section:**												
20 Section 2 - Pre K-12 Education	11,318.3	187.6	11,505.9	351.0	11.7	362.7	381.4	11.7	393.1	317.2	11.7	328.9
21 Section 2 - Higher Education	4,006.2	57.9	4,064.1	121.1	0.0	121.1	347.5	0.0	347.5	252.9	0.0	252.9
22 Section 2 - Education Fixed Capital Outlay	0.0	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Section 3 - Human Services	9,368.7	109.0	9,477.7	382.2	30.4	412.6	1,190.3	45.3	1,235.6	957.6	43.3	1,000.9
24 Section 4 - Criminal Justice	3,599.1	51.2	3,650.3	17.1	2.0	19.1	17.5	2.0	19.5	22.1	2.0	24.1
25 Section 7 - Judicial Branch	412.1	19.2	431.3	0.5	4.5	5.0	0.2	4.5	4.7	0.5	4.5	5.0
26 Section 5 & 6 - Transportation & Economic Development	76.0	92.9	168.9	0.0	100.1	100.1	0.0	91.4	91.4	0.0	85.0	85.0
27 Section 5 - Natural Resources	148.4	213.7	362.1	7.0	290.0	297.0	5.8	224.0	229.8	5.5	186.3	191.8
28 Section 6 - General Government	240.3	70.2	310.5	(0.5)	70.6	70.1	0.9	65.5	66.4	8.7	45.0	53.7
29 Section 2 & 6 - Administered Funds - Statewide Issues	298.5	30.2	328.7	192.8	49.5	242.3	110.4	58.7	169.1	121.4	33.0	154.4
30 **Total New Issues**				1,071.2	558.8	1,630.0	2,054.0	503.1	2,557.1	1,685.9	410.8	2,096.7
31												
32 Approved Budget Amendments	0.0	26.2	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Current Year Estimating Conference Operating Deficits	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Transfer to Budget Stabilization Fund	0.0	30.7	30.7	0.0	31.9	31.9	0.0	50.3	50.3	0.0	67.7	67.7
35 Reappropriations	0.0	75.8	75.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36 **Total Estimated Expenditures**	**29,467.6**	**980.6**	**30,448.2**	**30,578.4**	**590.7**	**31,169.1**	**32,632.4**	**553.4**	**33,185.8**	**34,318.3**	**478.5**	**34,796.8**
37 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
38 **Ending Balance**	**1.1**	**1,412.1**	**1,413.2**	**229.6**	**(203.0)**	**26.6**	**(578.1)**	**(430.6)**	**(1,008.7)**	**(986.6)**	**(384.0)**	**(1,370.6)**

Tier 3 Table – Critical Needs, Other High Priority Needs, and Revenue Adjustments

LONG-RANGE FINANCIAL OUTLOOK

TIER 3 ISSUES - CRITICAL NEEDS, OTHER HIGH PRIORITY NEEDS, AND REVENUE ADJUSTMENTS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,776.6	1,776.6	0.0	1,413.2	1,413.2	0.0	7.5	7.5	0.0	0.0	0.0
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 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	29,362.2	(29.4)	29,332.8	30,701.5	(14.6)	30,686.9	31,947.8	0.4	31,948.2	33,225.2	(1.3)	33,223.9
6 BP Settlement Agreement	106.7	293.3	400.0	106.7	(106.7)	0.0	106.7	0.0	106.7	106.7	0.0	106.7
7 Non-operating Funds and Authorized Trust Fund Transfers	(0.2)	352.2	352.0	(0.2)	95.8	95.6	(0.2)	95.8	95.6	(0.2)	95.8	95.6
8 *Revenue Adjustments to the General Revenue Fund*												
9 Continuing Tax and Fee Changes	0.0	0.0	0.0	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)
10 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(254.0)	0.0	(254.0)	(508.0)	0.0	(508.0)
11 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)
12 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	242.5	242.5	0.0	242.5	242.5	0.0	242.5	242.5
13 **Total Funds Available**	**29,468.7**	**2,392.7**	**31,861.4**	**30,554.0**	**1,622.6**	**32,176.6**	**31,546.3**	**1,338.6**	**32,884.9**	**32,569.7**	**1,329.4**	**33,899.1**
14												
15 **Estimated Expenditures:**												
16 Recurring Base Budget (Including Annualizations)				29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2
17 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	1,071.2	0.0	1,071.2	3,125.2	0.0	3,125.2
18												
19 **New Issues by GAA Section:**												
20 Section 2 - Pre K-12 Education	11,318.3	187.6	11,505.9	351.0	11.7	362.7	381.4	11.7	393.1	317.2	11.7	328.9
21 Section 2 - Higher Education	4,006.2	57.9	4,064.1	121.1	0.0	121.1	347.5	0.0	347.5	252.9	0.0	252.9
22 Section 2 - Education Fixed Capital Outlay	0.0	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Section 3 - Human Services	9,368.7	109.0	9,477.7	382.2	30.4	412.6	1,190.3	45.3	1,235.6	957.6	43.3	1,000.9
24 Section 4 - Criminal Justice	3,599.1	51.2	3,650.3	17.1	2.0	19.1	17.5	2.0	19.5	22.1	2.0	24.1
25 Section 7 - Judicial Branch	412.1	19.2	431.3	0.5	4.5	5.0	0.2	4.5	4.7	0.5	4.5	5.0
26 Section 5 & 6 - Transportation & Economic Development	76.0	92.9	168.9	0.0	100.1	100.1	0.0	91.4	91.4	0.0	85.0	85.0
27 Section 5 - Natural Resources	148.4	213.7	362.1	7.0	290.0	297.0	5.8	224.0	229.8	5.5	186.3	191.8
28 Section 6 - General Government	240.3	70.2	310.5	(0.5)	70.6	70.1	0.9	65.5	66.4	8.7	45.0	53.7
29 Section 2 & 6 - Administered Funds - Statewide Issues	298.5	30.2	328.7	192.8	49.5	242.3	110.4	58.7	169.1	121.4	33.0	154.4
30 **Total New Issues**				1,071.2	558.8	1,630.0	2,054.0	503.1	2,557.1	1,685.9	410.8	2,096.7
31												
32 Approved Budget Amendments	0.0	26.2	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Current Year Estimating Conference Operating Deficits	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Transfer to Budget Stabilization Fund	0.0	30.7	30.7	0.0	31.9	31.9	0.0	50.3	50.3	0.0	67.7	67.7
35 Reappropriations	0.0	75.8	75.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36 **Total Estimated Expenditures**	**29,467.6**	**980.6**	**30,448.2**	**30,578.4**	**590.7**	**31,169.1**	**32,632.4**	**553.4**	**33,185.8**	**34,318.3**	**478.5**	**34,796.8**
37 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
38 **Ending Balance**	**1.1**	**1,412.1**	**1,413.2**	**(24.4)**	**31.9**	**7.5**	**(1,086.1)**	**(214.8)**	**(1,300.9)**	**(1,748.6)**	**(149.1)**	**(1,897.7)**

Summary of Major Trust Funds

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	156.4	156.4	0.0	276.0	276.0	0.0	58.8	58.8	0.0	60.3	60.3
Revenue Estimate	1,780.7	94.9	1,875.6	1,783.7	0.0	1,783.7	1,833.9	0.0	1,833.9	1,826.8	0.0	1,826.8
Non-operating Funds	9.6	17.6	27.2	11.2	0.0	11.2	13.0	0.0	13.0	14.2	0.0	14.2
Total Funds Available	**1,790.3**	**268.9**	**2,059.2**	**1,794.9**	**276.0**	**2,070.9**	**1,846.9**	**58.8**	**1,905.7**	**1,841.0**	**60.3**	**1,901.3**
Estimated Expenditures:												
Base Budget				1,739.6	0.0	1,739.6	2,012.1	0.0	2,012.1	1,845.4	0.0	1,845.4
Increase/Decrease				272.5	0.0	272.5	(166.7)	0.0	(166.7)	(4.1)	0.0	(4.1)
Total Estimated Expenditures	**1,739.6**	**43.6**	**1,783.2**	**2,012.1**	**0.0**	**2,012.1**	**1,845.4**	**0.0**	**1,845.4**	**1,841.3**	**0.0**	**1,841.3**
Ending Balance	**50.7**	**225.3**	**276.0**	**(217.2)**	**276.0**	**58.8**	**1.5**	**58.8**	**60.3**	**(0.3)**	**60.3**	**60.0**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	76.9	76.9	0.0	46.6	46.6	0.0	5.7	5.7	0.0	6.0	6.0
Transfers from Abandoned Property TF	161.8	18.9	180.7	175.1	0.0	175.1	184.3	0.0	184.3	182.4	0.0	182.4
Non-operating Funds	2.4	1.9	4.3	2.8	0.0	2.8	3.2	0.0	3.2	3.4	0.0	3.4
Total Funds Available	**164.2**	**97.7**	**261.9**	**177.9**	**46.6**	**224.6**	**187.5**	**5.7**	**193.2**	**185.8**	**6.0**	**191.8**
Estimated Expenditures:												
Base Budget				163.1	0.0	163.1	218.9	0.0	218.9	187.2	0.0	187.2
Increase/Decrease				55.8	0.0	55.8	(31.7)	0.0	(31.7)	(1.3)	0.0	(1.3)
Total Estimated Expenditures	**163.1**	**52.2**	**215.3**	**218.9**	**0.0**	**218.9**	**187.2**	**0.0**	**187.2**	**185.9**	**0.0**	**185.9**
Ending Balance	**1.1**	**45.5**	**46.6**	**(41.0)**	**46.6**	**5.7**	**0.3**	**5.7**	**6.0**	**(0.1)**	**6.0**	**5.9**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	1.4	1.4	0.0	29.1	29.1	0.0	12.0	12.0	0.0	12.1	12.1
Revenue Estimate	359.7	0.0	359.7	363.1	0.0	363.1	366.6	0.0	366.6	370.4	0.0	370.4
Non-operating Funds	0.3	1.8	2.1	0.4	0.0	0.4	0.5	0.0	0.5	0.6	0.0	0.6
Total Funds Available	**360.0**	**3.2**	**363.2**	**363.5**	**29.1**	**392.6**	**367.1**	**12.0**	**379.1**	**371.0**	**12.1**	**383.1**
Estimated Expenditures:												
Base Budget				334.1	0.0	334.1	363.1	0.0	363.1	367.0	0.0	367.0
Increase/Decrease				29.0	17.5	46.5	3.9	0.0	3.9	3.9	0.0	3.9
Total Estimated Expenditures	**334.1**	**0.0**	**334.1**	**363.1**	**17.5**	**380.6**	**367.0**	**0.0**	**367.0**	**370.9**	**0.0**	**370.9**
Ending Balance	**25.9**	**3.2**	**29.1**	**0.4**	**11.6**	**12.0**	**0.1**	**12.0**	**12.1**	**0.1**	**12.1**	**12.2**

Fiscal Strategies

The Tier 1, Tier 2, and Tier 3 tables shown on pages 20, 21, and 22 of the Long-Range Financial Outlook simply summarize the information contained and discussed within the rest of the Outlook document. In essence, each Tier presents a prognosis of the state's financial situation as a result of that scenario. As such, none of the Tiers purport to show the specific details of the final budget that the Legislature will ultimately pass in any given year. However, they do illuminate several issues facing the Legislature in the upcoming years because the levels are reasonable approximations of total expected spending under current law and administration.

The scenarios presented in Tiers 2 and 3 indicate that a structural imbalance is beginning to occur. Since the increase in projected recurring expenditures and negative revenue adjustments[1] in Fiscal Year 2017-18 clearly contributes to and worsens the problems in Fiscal Year 2018-19 and Fiscal Year 2019-20, fiscal strategies are advisable for all three years of the Outlook to manage the problems in the out-years.

To meet the constitutional requirements for this document, appropriate strategies are required to be both identified and discussed. When budget gaps between revenues and expenditures occurred in the past, each of the three years of the plan was affected, and they displayed negatives of similar magnitude. This had the practical effect of limiting the number of potential strategies because any strategy deployed to cure the problem in the first year had ripple effects throughout the remaining years of the plan. In those instances, the strategies were discretely identified and laid out. In this case, only the two outer years reveal actual shortfalls. This necessitates a different treatment because the number of possible permutations is too great to allow specific identification of each one. Among the many variables that should be considered is the timing of the corrective action. While a fiscal strategy is required no later than Fiscal Year 2018-19 to address the projected gap between revenues and expenditures, less disruptive courses of action would argue for at least some level of deployment beginning in Fiscal Year 2017-18. Otherwise, there is the potential to increase funding for programs in Year 1 that would not survive Year 2.

Conceptually, there are five options to eliminate a proposed budget gap in any given year of the Outlook. With the exception of trust fund transfers or sweeps and reserve reductions, these options can be deployed on either a recurring or nonrecurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.

- Budget Reductions and Reduced Program Growth
- Reduction or Elimination of the Revenue Adjustments Affecting Taxes and Fees in Tier 3
- Revenue Enhancements and Redirections
- Trust Fund Transfers or Sweeps
- Reserve Reductions

[1] Revenue adjustments only exist in Tier 3.

While the level of the state's total reserves[2] could be reduced, the problem in this case is that the recurring General Revenue demands exceed the amount of recurring General Revenue available in two of the three years for Tier 2 and in all three years for Tier 3. This recurring problem cannot be fixed by a simple reduction in the level of total reserves since a reserve can only be spent one time; once the reserve has been spent, it is not automatically replenished the following year. Further, by law, the Budget Stabilization Fund (BSF) cannot be used to address a budget gap prospectively and, therefore, is not available at the time the budget is developed and adopted. It can only be accessed when revenues fall below actual appropriations within a fiscal year.

Trust fund transfers or sweeps operate similarly to a drawdown of reserves. Once the money has been spent, it is not automatically replenished. Further, Tier 3 already contemplates $242.5 million in transfers each year, so transfers above this level would have to be identified to have any effect on Tier 3's bottom line.

Since the effectiveness of trust fund transfers and reserve reductions is limited to closing a gap in a particular year and, as such, do not solve the recurring problem, the three remaining options will become the basis of the more meaningful strategies: (1) budget reductions and reduced program growth; (2) reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3; and, (3) revenue enhancements and redirections. For the purpose of this discussion, (1) and (2) above are assumed to produce the same bottom-line results, although (1) achieves this effect through expenditures and (2) achieves it through revenues. Since the Legislature has undertaken no significant revenue enhancements or redirections over the past three years, the likely path of this option is not clear; enhancements and redirections both affect revenues and the ability to make expenditures, but the consequences are different. At a minimum, revenue redirections would require foregone expenditures elsewhere in the budget.

Two basic scenarios related to the overall timing of the strategies are explored below, both of which take full advantage of the upcoming Session to improve the outlook for the two subsequent years. Other scenarios that focus more on the second year are also feasible, but to the extent the corrective actions are delayed, they will result in a more intense and concentrated effort to produce the required savings in Fiscal Year 2018-19. At the extreme edge of this subset of options would be a total delay of corrective actions until Year 2 (Fiscal Year 2018-19) which results in the need to clear the projected shortfalls of $1 billion or $1.3 billion, depending on the selected Tier. The splits between recurring and nonrecurring are shown below:

FY 2018-19 Projected Ending Balances			
	Recurring	***Nonrecurring***	***Total***
Tier 2	(578.1)	(430.6)	(1008.7)
Tier 3	(1086.1)	(214.8)	(1300.9)

[2] The term "total reserves" refers to the combined dollar total of Unallocated General Revenue, the Budget Stabilization Fund, and the Lawton Chiles Endowment Fund. See the discussion entitled "Key Aspects of State Reserves" beginning on page 9. For the purpose of this paragraph, if the total reserve percentage of 11.6 percent of General Revenue collections in Fiscal Year 2016-17 were reduced to the 10.7 percent level used in Fiscal Year 2011-12, $253.7 million of Unallocated General Revenue could be redirected to other purposes in Fiscal Year 2016-17.

Depending on the specific strategy selected by the Legislature, there may be a greater than one-to-one impact on subsequent years. For example, a budget reduction in Year 1 that affects a single item in the budget that has been growing faster than the budget as a whole will further reduce the base budget growth beyond the initial impact of the reduction. Similarly, recurring revenue enhancements and redirections will likely have different impacts in subsequent years. Because this document does not address specific details of the strategies, the scenarios below do not attempt to treat these vagaries. This means that actual legislative actions may have different results from those shown here.

The timing scenarios discussed below address the projected shortfalls shown in Tier 3. Tier 2 adjustments would be similar, but of lesser amounts, since the decision to forego future revenue adjustments is inherent in that Tier.

- A -

TIMING SCENARIO "A" assumes that the Legislature chooses to clear the projected budget shortfalls in both Fiscal Year 2018-19 and Fiscal Year 2019-20 by beginning action in the first year and using an equal adjustment level in each of the three years to smooth the transition between years.

- Equal annual adjustments are made to completely eliminate the projected *recurring* and *nonrecurring* shortfalls by the end of the plan's third year (Fiscal Year 2019-20). These annual adjustments are equal to approximately $483 million per year (a reduction of $582.9 million recurring with a conversion of nearly $100 million to nonrecurring).

- While displayed as one line (shown in red on row 38 of the table) in the Estimated Expenditure section of the accompanying worksheet, the adjustments could be the form of (1) budget reductions and reduced program growth or (2) reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3, or (3) a combination of both.

- The smoothed approach in this scenario produces the least disruptive pattern of all likely options to clear all identified problems during the three-year period.

FY 2017-18
Adjustment and Revised Ending Balance

	Recurring	Nonrecurring	Total
Adj	**(582.9)**	**99.6**	**(483.3)**
End Bal	558.5	(67.7)	490.8

FY 2018-19
Adjustment and Revised Ending Balance

	Recurring	Nonrecurring	Total
Adj	**(582.9)**	**99.6**	**(483.3)**
End Bal	79.7	168.9	248.6

FY 2019-20
Adjustment and Revised Ending Balance

	Recurring	Nonrecurring	Total
Adj	**(582.8)**	**99.5**	**(483.3)**
End Bal	0.0	0.0	0.0

- B -

TIMING SCENARIO "B" assumes that the Legislature chooses to clear the projected *recurring* budget shortfall in Fiscal Year 2018-19 by beginning action in the first year and using an equal adjustment level in each of the first two years to smooth the transition. As a result, the projections for the third year are significantly improved.

- Equal annual adjustments are made in the first two years to completely eliminate the projected recurring shortfall in the plan's second year (Fiscal Year 2018-19). These annual recurring adjustments are equal to approximately $543 million per year in Fiscal Year 2017-18 and Fiscal Year 2018-19.

- While displayed as one line (shown in red on row 38 of the table) in the Estimated Expenditure section of the accompanying worksheet, the adjustments could be the form of (1) budget reductions and reduced program growth or (2) reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3, or (3) a combination of both.

- Essentially, this scenario spreads the burden of the second year corrective action (Fiscal Year 2018-19) over the first two years of the plan in order to minimize the disruption. However, both a structural imbalance and a negative ending balance are still visible in the third year (Fiscal Year 2019-20).

FY 2017-18
Adjustment and Revised Ending Balance

	Recurring	*Nonrecurring*	*Total*
Adj	**(543.1)**	**0.0**	**(543.1)**
End Bal	518.7	31.9	550.6

FY 2018-19
Adjustment and Revised Ending Balance

	Recurring	*Nonrecurring*	*Total*
Adj	**(543.0)**	**0.0**	**(543.0)**
End Bal	0.0	328.3	328.3

FY 2019-20
Adjustment and Revised Ending Balance

	Recurring	*Nonrecurring*	*Total*
Adj	**0.0**	**0.0**	**0.0**
End Bal	(662.5)	179.2	(483.3)

Both timing scenarios ("A" and "B") imply that only Critical Needs issues could be fully funded, thereby eliminating most of the available funds for the identified Other High Priorities. An alternative would be to fund some or all of the additional Other High Priorities by reducing the existing expenditure base by commensurate amounts.

Fiscal Strategies Worksheets

Timing Scenario A - Clear Budget Shortfalls in Both Fiscal Years 2018-19 and 2019-20 by Taking Smoothed Actions Over Three Years

LONG-RANGE FINANCIAL OUTLOOK

TIER 3 ISSUES - CRITICAL NEEDS, OTHER HIGH PRIORITY NEEDS, AND REVENUE ADJUSTMENTS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,776.6	1,776.6	0.0	1,413.2	1,413.2	0.0	490.8	490.8	0.0	248.6	248.6
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	*General Revenue Outlook Statement Components*												
5	Revenue Estimate	29,362.2	(29.4)	29,332.8	30,701.5	(14.6)	30,686.9	31,947.8	0.4	31,948.2	33,225.2	(1.3)	33,223.9
6	BP Settlement Agreement	106.7	293.3	400.0	106.7	(106.7)	0.0	106.7	0.0	106.7	106.7	0.0	106.7
7	Non-operating Funds and Authorized Trust Fund Transfers	(0.2)	352.2	352.0	(0.2)	95.8	95.6	(0.2)	95.8	95.6	(0.2)	95.8	95.6
8	*Revenue Adjustments to the General Revenue Fund*												
9	Continuing Tax and Fee Changes	0.0	0.0	0.0	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)
10	Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(254.0)	0.0	(254.0)	(508.0)	0.0	(508.0)
11	Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)
12	Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	242.5	242.5	0.0	242.5	242.5	0.0	242.5	242.5
13	**Total Funds Available**	**29,468.7**	**2,392.7**	**31,861.4**	**30,554.0**	**1,622.6**	**32,176.6**	**31,546.3**	**1,821.9**	**33,368.2**	**32,569.7**	**1,578.0**	**34,147.7**
14													
15	**Estimated Expenditures:**												
16	Recurring Base Budget (Including Annualizations)				29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2
17	Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	488.3	0.0	488.3	1,959.4	0.0	1,959.4
18													
19	**New Issues by GAA Section:**												
20	Section 2 - Pre K-12 Education	11,318.3	187.6	11,505.9	351.0	11.7	362.7	381.4	11.7	393.1	317.2	11.7	328.9
21	Section 2 - Higher Education	4,006.2	57.9	4,064.1	121.1	0.0	121.1	347.5	0.0	347.5	252.9	0.0	252.9
22	Section 2 - Education Fixed Capital Outlay	0.0	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	Section 3 - Human Services	9,368.7	109.0	9,477.7	382.2	30.4	412.6	1,190.3	45.3	1,235.6	957.6	43.3	1,000.9
24	Section 4 - Criminal Justice	3,599.1	51.2	3,650.3	17.1	2.0	19.1	17.5	2.0	19.5	22.1	2.0	24.1
25	Section 7 - Judicial Branch	412.1	19.2	431.3	0.5	4.5	5.0	0.2	4.5	4.7	0.5	4.5	5.0
26	Section 5 & 6 - Transportation & Economic Development	76.0	92.9	168.9	0.0	100.1	100.1	0.0	91.4	91.4	0.0	85.0	85.0
27	Section 5 - Natural Resources	148.4	213.7	362.1	7.0	290.0	297.0	5.8	224.0	229.8	5.5	186.3	191.8
28	Section 6 - General Government	240.3	70.2	310.5	(0.5)	70.6	70.1	0.9	65.5	66.4	8.7	45.0	53.7
29	Section 2 & 6 - Administered Funds - Statewide Issues	298.5	30.2	328.7	192.8	49.5	242.3	110.4	58.7	169.1	121.4	33.0	154.4
30	**Total New Issues**				1,071.2	558.8	1,630.0	2,054.0	503.1	2,557.1	1,685.9	410.8	2,096.7
31													
32	Approved Budget Amendments	0.0	26.2	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Current Year Estimating Conference Operating Deficits	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	Transfer to Budget Stabilization Fund	0.0	30.7	30.7	0.0	31.9	31.9	0.0	50.3	50.3	0.0	67.7	67.7
35	Reappropriations	0.0	75.8	75.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36	**Total Estimated Expenditures**	**29,467.6**	**980.6**	**30,448.2**	**30,578.4**	**590.7**	**31,169.1**	**32,049.5**	**553.4**	**32,602.9**	**33,152.5**	**478.5**	**33,631.0**
37													
38	**Timing Scenario "A" Fiscal Strategy**				**(582.9)**	**99.6**	**(483.3)**	**(582.9)**	**99.6**	**(483.3)**	**(582.8)**	**99.5**	**(483.3)**
39	Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
40	**Ending Balance**	**1.1**	**1,412.1**	**1,413.2**	**558.5**	**(67.7)**	**490.8**	**79.7**	**168.9**	**248.6**	**0.0**	**0.0**	**0.0**

Timing Scenario B - Clear Recurring Budget Shortfall in Fiscal Year 2018-19 and Improve Shortfall in Fiscal Year 2019-20 by Taking Smoothed Actions Over Two Years

LONG-RANGE FINANCIAL OUTLOOK

TIER 3 ISSUES - CRITICAL NEEDS, OTHER HIGH PRIORITY NEEDS, AND REVENUE ADJUSTMENTS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,776.6	1,776.6	0.0	1,413.2	1,413.2	0.0	550.6	550.6	0.0	328.3	328.3
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 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	29,362.2	(29.4)	29,332.8	30,701.5	(14.6)	30,686.9	31,947.8	0.4	31,948.2	33,225.2	(1.3)	33,223.9
6 BP Settlement Agreement	106.7	293.3	400.0	106.7	(106.7)	0.0	106.7	0.0	106.7	106.7	0.0	106.7
7 Non-operating Funds and Authorized Trust Fund Transfers	(0.2)	352.2	352.0	(0.2)	95.8	95.6	(0.2)	95.8	95.6	(0.2)	95.8	95.6
8 *Revenue Adjustments to the General Revenue Fund*												
9 Continuing Tax and Fee Changes	0.0	0.0	0.0	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)	(254.0)	59.9	(194.1)
10 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(254.0)	0.0	(254.0)	(508.0)	0.0	(508.0)
11 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)	0.0	(67.5)	(67.5)
12 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	242.5	242.5	0.0	242.5	242.5	0.0	242.5	242.5
13 **Total Funds Available**	**29,468.7**	**2,392.7**	**31,861.4**	**30,554.0**	**1,622.6**	**32,176.6**	**31,546.3**	**1,881.7**	**33,428.0**	**32,569.7**	**1,657.7**	**34,227.4**
14												
15 **Estimated Expenditures:**												
16 Recurring Base Budget (Including Annualizations)				29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2	29,507.2	0.0	29,507.2
17 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	528.1	0.0	528.1	2,039.1	0.0	2,039.1
18												
19 **New Issues by GAA Section:**												
20 Section 2 - Pre K-12 Education	11,318.3	187.6	11,505.9	351.0	11.7	362.7	381.4	11.7	393.1	317.2	11.7	328.9
21 Section 2 - Higher Education	4,006.2	57.9	4,064.1	121.1	0.0	121.1	347.5	0.0	347.5	252.9	0.0	252.9
22 Section 2 - Education Fixed Capital Outlay	0.0	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Section 3 - Human Services	9,368.7	109.0	9,477.7	382.2	30.4	412.6	1,190.3	45.3	1,235.6	957.6	43.3	1,000.9
24 Section 4 - Criminal Justice	3,599.1	51.2	3,650.3	17.1	2.0	19.1	17.5	2.0	19.5	22.1	2.0	24.1
25 Section 7 - Judicial Branch	412.1	19.2	431.3	0.5	4.5	5.0	0.2	4.5	4.7	0.5	4.5	5.0
26 Section 5 & 6 - Transportation & Economic Development	76.0	92.9	168.9	0.0	100.1	100.1	0.0	91.4	91.4	0.0	85.0	85.0
27 Section 5 - Natural Resources	148.4	213.7	362.1	7.0	290.0	297.0	5.8	224.0	229.8	5.5	186.3	191.8
28 Section 6 - General Government	240.3	70.2	310.5	(0.5)	70.6	70.1	0.9	65.5	66.4	8.7	45.0	53.7
29 Section 2 & 6 - Administered Funds - Statewide Issues	298.5	30.2	328.7	192.8	49.5	242.3	110.4	58.7	169.1	121.4	33.0	154.4
30 **Total New Issues**				1,071.2	558.8	1,630.0	2,054.0	503.1	2,557.1	1,685.9	410.8	2,096.7
31												
32 Approved Budget Amendments	0.0	26.2	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Current Year Estimating Conference Operating Deficits	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Transfer to Budget Stabilization Fund	0.0	30.7	30.7	0.0	31.9	31.9	0.0	50.3	50.3	0.0	67.7	67.7
35 Reappropriations	0.0	75.8	75.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36 **Total Estimated Expenditures**	**29,467.6**	**980.6**	**30,448.2**	**30,578.4**	**590.7**	**31,169.1**	**32,089.3**	**553.4**	**32,642.7**	**33,232.2**	**478.5**	**33,710.7**
37												
38 **Timing Scenario "B" Fiscal Strategy**				**(543.1)**	**0.0**	**(543.1)**	**(543.0)**	**0.0**	**(543.0)**	**0.0**	**0.0**	**0.0**
39 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
40 **Ending Balance**	**1.1**	**1,412.1**	**1,413.2**	**518.7**	**31.9**	**550.6**	**0.0**	**328.3**	**328.3**	**(662.5)**	**179.2**	**(483.3)**

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 throughout the Outlook.

State Costs for Hurricanes, the 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.

After the 2004 and 2005 hurricanes, the Legislative Office of Economic and Demographic Research undertook an in-depth analysis of the revenue and budgetary impact on state government from weather events of this magnitude. Popular belief has spread the misconception that hurricanes are somehow beneficial to the state from an economic perspective. However, the reality is much more complicated. From past events, there appear to be four distinct phases of activity related to hurricanes—each of which has unique economic responses. The table on the following page details the unique effect of each phase.

Contrary to the oft-repeated myth that government makes money during hurricanes, state government typically has expenditures greater than the incremental increase in the revenue estimate and becomes a net loser when all expenditures are taken into account. In reviewing the final impact of the 2004 and 2005 hurricanes, after the state's hurricane-related expenditures were subtracted from the estimated additional revenues, the bottom line for both years was clearly negative. This means that the state had to spend more than the generated revenues.

In addition to the budgetary and revenue impacts, there is an impact on state debt. Besides the direct tax-supported or self-supported debt normally undertaken by the state, Florida also has indirect debt. A major component of the state's current indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and the Citizen's Property Insurance Corporation's (Citizen's) ability to pay possible future hurricane losses. According to the *2015 Debt Affordability Report* prepared by the Division of Bond Finance, these special purpose insurance entities represented $6.2 billion or 53 percent of total indirect debt. In this case, the indirect debt is not secured by traditional state revenues, and it is the primary obligation of a legal entity other than the state.

[SEE TABLE ON FOLLOWING PAGE]

Hurricanes: Economic Phases

Phase	Defining Characteristics	Statewide Economic Consequences

Preparatory Phase *(approximately 72 hours in advance of the hurricane to landfall)*	• Purchase of Emergency Supplies (canned food, batteries, radios, candles, flashlights, charcoal, gas, propane, water, ice, shutters, boards / plywood, etc.)
	• Evacuation Expenses
	  ○ In-State...hotels and lodging, transport costs like rental cars and gas
	  ○ Out-of-State...leakage
		Demand...Localized increase in demand for specific items, and potential non-affected area increase in lodging demand, but largely undetectable
		
		State Budget...Shifting of costs from normally provided services to emergency management, as well as unanticipated overtime and shelter costs
		
		State Revenues...Slight uptick, but largely undetectable

Crisis Phase *(landfall to several weeks after landfall)*	• Rescue and relief efforts (largely public, charitable, or free) • Roads closed due to debris • Private structures and public infrastructure damaged • Utility disruptions • Businesses and non-essential parts of government closed • Temporary homelessness • Violence and looting	**Demand**...Localized decrease in overall demand; significance depends on the event **State Budget**...Government agencies provide goods and services and incur new expenditures that may or may not be matched at a later time by the federal government **State Revenues**...Detectable downtick; significance depends on the event

Recovery Phase *(subsequent to the Crisis Phase and generally lasting up to two or three years)*	• Increased spending related to deductibles, repair, and replacement
	  ○ Private Savings / Loans
	  ○ State Spending
	  ○ FEMA and Federal Spending
	  ○ Insurance Payments
	• Competition for scarce resources (contractors, roofers, supplies, construction workers, building materials, debris removal, etc.)
		Demand...Localized increase in overall demand, and prices likely increase for some items
		
		Employment...Will temporarily see gains as relief and recovery workers move into the area
		
		State Budget...Reallocation of state and local government spending to the affected area
		
		State Revenues...Discernible and significant uptick

Displacement Phase *(subsequent to the Recovery Phase and lasting from two to six years)*	• Reduction in normal purchasing behavior for items that were bought or replaced ahead of schedule • Demographic and labor shifts related to dislocated households and economic centers	**Demand**...Localized decrease in overall demand, but largely undetectable at the state level **State Revenues**...Slight downtick, but largely undetectable

For the 2016 storm season, the FHCF's maximum statutory obligation comprised of mandatory coverage is no more than $17.0 billion. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects liquidity of $17.4 billion, consisting of $13.7 billion in projected cash by December 31, 2016, $1.0 billion of reinsurance, and $2.7 billion in projected pre-event bonds. Given recent financial market conditions, it is estimated the FHCF would be able to bond for approximately $7.5 billion during the next 12 months if a large event occurs during the contract year. This estimated claims paying capacity is $7.9 billion above the total potential statutory maximum claims paying obligation of $17.0 billion.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2016 contract year was approximately $17.0 billion. The $17.0 billion in capacity selected translates to an approximate 1-in-51 year event (2.0 percent probability) or an event that causes $28.2 billion in insurance industry residential losses for the 2016 season. Because of the differences in the levels of coverage and where those FHCF coverages begin, the FHCF's probability of exhausting its $17.0 billion maximum limit would be much smaller, implying that the FHCF could survive a much larger event. In order for all insurance companies to exhaust the $17.0 billion maximum limit, the aggregate loss would have to be significantly larger than $17 billion in losses.

For the 2016 storm season, Citizen's probable maximum loss for a 100-year storm event is $8.5 billion. Citizen's currently has claims paying ability of approximately $12.6 billion consisting of a cash surplus of $7.4 billion, as well as funds from private market reinsurance and FHCF reimbursements. In addition, Citizen's has the ability to levy broad-based assessments to support financing.

With the current economic environment, the ability of these quasi-governmental insurance entities to fulfill their financial responsibilities in the event of major hurricanes is highly dependent upon market conditions at the time that bonds would need to be issued. Though the FHCF and Citizen's serve significant roles in Florida's property insurance market, their ultimate dependence on public assessments and access to credit markets may expose the state to much greater potential financial liability for hurricane-related costs.

Zika

This Outlook uses a revenue forecast that contains no adjustments for Zika-related impacts. Similarly, it contains no budget drivers related to Zika. According to the Department of Health's Daily Zika Update for August 23, 2016, there were 550 reported cases of Zika in Florida, and the Governor had committed a total of $26.2 million in emergency funding for Zika preparedness, prevention, and response. In effect, the Outlook assumes that the number of cases does not significantly increase and that the costs of control and treatment attributable to the state stay within reasonable levels.

Of the total reported cases, only 42 were the result of local mosquito transmissions; however, the Centers for Disease Control and Prevention has advised that "pregnant women and their partners who are concerned about being exposed to Zika may want to consider postponing nonessential travel to all parts of Miami-Dade County." Currently, tourism-related revenue losses pose the greatest potential risk to the Outlook from Zika. In an unrelated study, the Legislative Office of Economic and Demographic Research performed an empirical analysis of the source of the state's sales tax collections. In Fiscal Year 2013-14, sales tax collections provided $19.7 billion dollars or 75 percent of Florida's total General Revenue collections. Of this amount, an estimated 12.5 percent (nearly $2.5 billion) was attributable to purchases made by tourists. Previous economic studies of disease outbreaks and natural or manmade disasters have shown that tourism demand is very sensitive to such events.

Administrative Liabilities

The State of Florida has an ongoing liability associated with the underlying cost of compensated absences. As of June 30, 2015, the state had 160,704 established positions in various personnel systems.[3] 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, in the state's financial statements, which are commonly referred to as the Comprehensive Annual Financial Report (CAFR).[4] The CAFR separately distinguishes liabilities for governmental activities (all governmental funds and internal service funds), business-type activities (or enterprise funds which include the Florida Turnpike Enterprise, the Lottery, the Florida Hurricane Catastrophe Fund, the Florida Prepaid College Program, and the Unemployment Compensation Fund), and discretely presented component units (e.g., state universities and Florida colleges).

In accordance with Governmental Accounting Standards Board Statements 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, 2015, are shown in the following table.

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[3] Fiscal Year 2014-15 Annual Workforce Report, Department of Management Services, page 15.
[4] Note 10, 2015 Florida Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2015 (http://www.myfloridacfo.com/division/aa/reports/2015CAFR.pdf).

Compensated Absences	Balance 6/30/2015 ($ Thousands)	Due Within One Year - Current ($ Thousands)
Governmental Activities	$775,112	$201,187[5]
Business-type Activities	$22,644	$4,996
Component Units	$677,755	$80,299
Total:	$1,475,511	$286,482

No separate appropriation is made for payment of compensated leave. Currently, these obligations are paid out of existing agency appropriations on an annual basis. Therefore, this liability is not included as a specific driver in the Outlook.

Low Income Pool and Intergovernmental Transfers

The Low Income Pool was established by the state effective July 1, 2006, as part of the five-year Medicaid Reform pilot project authorized by federal waiver and section 409.91211, Florida Statutes (2006). The original purpose of the Low Income Pool (LIP) was to provide additional financial support for providers serving the uninsured, underinsured, and Medicaid populations. Through Fiscal Year 2013-14, the LIP consisted of a capped annual allotment of $1.0 billion, which was used for supplemental payments to hospitals, clinics, or other provider types for uncompensated medical care, as well as financial support for specific local programs offering coverage to the uninsured or innovative service delivery models. For Fiscal Year 2014-15, the LIP was funded at $2.167 billion based on a one-year extension of LIP waiver authority.

Following discussions and negotiations in 2015 between Florida and the federal Centers for Medicare & Medicaid Services (CMS) regarding an extension of the LIP for Fiscal Year 2015-16, CMS granted a two-year extension of LIP waiver authority that will expire June 30, 2017, in conjunction with the expiration of the statewide Medicaid managed care waiver. With the extension, LIP spending authority reverted to $1 billion for Fiscal Year 2015-16, which was distributed using methodologies similar to those used in the Fiscal Year 2014-15 LIP. For Fiscal Year 2016-17, however, total funding was reduced to $608 million, and CMS required a revised distribution methodology based solely on the volume of provider uncompensated charity care.

Intergovernmental transfers (IGTs) consist of qualified donations from local governments, such as counties, hospital taxing districts, and other state agencies (e.g., Florida Department of Health). These sources have provided a large majority of the funding for the nonfederal share of LIP distributions. The 2016-17 General Appropriations Act includes LIP spending authority for $450,000 in General Revenue, $236.5 million in IGTs, and $370.8 million in federal funds.

The Agency for Health Care Administration has indicated it will not seek an extension of the LIP beyond the current expiration of LIP waiver authority at the end of Fiscal Year 2016-17. Without a LIP extension for 2017-18 and subsequent years, hospitals will lose access to approximately $370 million in federal Medicaid funds currently dedicated to compensate hospitals for charity care. The $236.5 million in IGTs currently authorized for LIP may still be available to hospitals

[5] Actual cash payouts for employees separating from state employment for Fiscal Year 2015-16 totaled $63.3 million based on data provided by the Department of Financial Services, August 2016.

within the donor counties and taxing districts, but access to those funds will be lost by hospitals located outside of those donor boundaries. The full impact of the loss of these funds to the Medicaid program is currently unknown.

Disproportionate Share Hospital Program

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) addressed Disproportionate Share Hospital (DSH) allotments, requiring the secretary of the Department of Health and Human Services to develop a methodology to reduce the state allotments. The reductions were originally to have begun taking effect October 1, 2013, but were delayed by CMS after the U.S. Supreme Court ruled in June 2012 that the federal government could not require states to expand Medicaid eligibility to include persons up to 138 percent of the federal poverty level, as was required in the PPACA. The CMS expects states that do not implement the Medicaid expansion to have higher rates of uninsured and uncompensated care. As such, the DSH reductions in those states may be smaller compared to states that implement the Medicaid expansion. The DSH reductions have been delayed several times, either by CMS or by changes in federal law. Most recently, the Medicare Access and Children's Health Insurance Program Reauthorization Act was enacted in April 2015, and under this act, the DSH reductions have been delayed until October 1, 2017.

No adjustments have been included in the Outlook to amend the amount of DSH funding allocated to Florida because there are certain unknowns: whether the methodology ultimately announced by CMS will result in a reduction of DSH funding to Florida, and whether Florida decides to expand Medicaid if the new methodology penalizes states that do not expand.

Litigation Against the State

Numerous lawsuits against the state exist at any point in time. Some have the capacity to disrupt specific programs and services and to force changes and adjustments to the Outlook. These lawsuits relate to a broad cross-section of the state's activities including, but not limited to, education funding, environmental matters, Medicaid, agricultural programs, and state revenue sources. The state's CAFR (Note 16) contains a list of those legal matters which have significant associated loss contingencies.

In addition, 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 cases where the amount claimed is more than $1.0 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.

The status of three cases seeking compensation for residential citrus trees removed under the former Citrus Canker Eradication Program referenced in the state's 2014-15 CAFR and in the Department of Agriculture and Consumer Services' 2016-17 legislative budget request has significantly changed and could be fiscally material. The Legislature typically does not address court judgments until all litigation and appeals in a case are resolved. The Lee County judgment awarding compensation and attorneys' fees and costs was affirmed by the Second District Court of Appeal. The Orange County judgment awarding compensation was affirmed by the Fifth District Court of Appeal; as yet there is no judgment as to attorneys' fees and costs. Additionally, the appeal on the application of section 11.066, Florida Statutes, (requiring a specific appropriation to pay a judgment against the state) to the judgments in Broward County has concluded.

Potential Constitutional Issues

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1 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 the 2016 ballot, the required number of valid signatures was 683,149.

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 section 3, Article XI of the State Constitution." For the 2016 ballot, this means that there were at least 68,314 valid and qualifying signatures. Once 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 (section 100.371, Florida Statutes).

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

There was one amendment adopted as part of the Primary Election held August 30, 2016. There are two additional legislative proposals and two petition initiatives on the 2016 General Election ballot.

Amendment Adopted from 2016 Primary Ballot; Legislation Will Be Needed to Implement:

Initiative Name	Description
LEGISLATIVE . . . SOLAR DEVICES OR RENEWABLE ENERGY SOURCE DEVICES; EXEMPTION FROM CERTAIN TAXATION AND ASSESSMENT	**Adopted**: Proposing an amendment to the State Constitution to authorize the Legislature, by general law, to exempt from ad valorem taxation the assessed value of solar or renewable energy source devices subject to tangible personal property tax, and to authorize the Legislature, by general law, to prohibit consideration of such devices in assessing the value of real property for ad valorem taxation purposes. This amendment takes effect January 1, 2018, and expires on December 31, 2037.

Proposed Amendments for 2016 General Election Ballot:

Initiative Name	Ballot # and Description
PETITION INITIATIVE . . . RIGHTS OF ELECTRICITY CONSUMERS REGARDING SOLAR ENERGY CHOICE	**Ballot #1**: This amendment establishes a right under Florida's constitution for consumers to own or lease solar equipment installed on their property to generate electricity for their own use. State and local governments shall retain their abilities to protect consumer rights and public health, safety and welfare, and to ensure that consumers who do not choose to install solar are not required to subsidize the costs of backup power and electric grid access to those who do. **FIEC Impact (11/30/15)**: The amendment is not expected to result in an increase or decrease in any revenues or costs to state and local government.
PETITION INITIATIVE . . . USE OF MARIJUANA FOR DEBILITATING MEDICAL CONDITIONS	**Ballot #2**: Allows medical use of marijuana for individuals with debilitating medical conditions as determined by a licensed Florida physician. Allows caregivers to assist patients' medical use of marijuana. The Department of Health shall register and regulate centers that produce and distribute marijuana for medical purposes and shall issue identification cards to patients and caregivers. Applies only to Florida law. Does not immunize violations of federal law or any non-medical use, possession or production of marijuana. **FIEC Impact (10/21/15)**: Increased costs from this amendment to state and local governments cannot be determined. There will be additional regulatory costs and enforcement activities associated with the production, sale, use and possession of medical marijuana. Fees may offset some of the regulatory costs. Sales tax will likely apply to most purchases, resulting in a substantial Increase in state and local government revenues that cannot be determined precisely. The impact on property tax revenues cannot be determined.

Initiative Name	Ballot # and Description
LEGISLATIVE . . . TAX EXEMPTION FOR TOTALLY AND PERMANENTLY DISABLED FIRST RESPONDERS	**Ballot #3**: Proposing an amendment to the State Constitution to authorize a first responder, who is totally and permanently disabled as a result of injuries sustained in the line of duty, to receive relief from ad valorem taxes assessed on homestead property, if authorized by general law. If approved by voters, the amendment takes effect January 1, 2017.
LEGISLATIVE . . . HOMESTEAD TAX EXEMPTION FOR CERTAIN SENIOR, LOW-INCOME, LONG-TERM RESIDENTS; DETERMINATION OF JUST VALUE	**Ballot #5**: Proposing an amendment to the State Constitution to revise the homestead tax exemption that may be granted by counties or municipalities for property with just value less than $250,000 owned by certain senior, low-income, long-term residents to specify that just value is determined in the first tax year the owner applies and is eligible for the exemption. The amendment takes effect January 1, 2017, and applies retroactively to exemptions granted before January 1, 2017.

Florida Economic Outlook

> *The Florida Economic Estimating Conference met in July 2016 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 continues to provide clear signs of progress towards full recovery, but at a slightly slower pace than previously expected. Underlying the forecast is the assumption that the recovery has been underway since the late spring of 2010, but still has a few years to go to regain normalcy across-the-board. While most measures have returned to healthy growth patterns by the end of Fiscal Year 2016-17, new construction still presents the notable exception. The upside and downside risks to the construction and housing-related forecasts are fairly balanced; however, the risks from the potential spread of active transmission Zika are uniformly to the downside.*

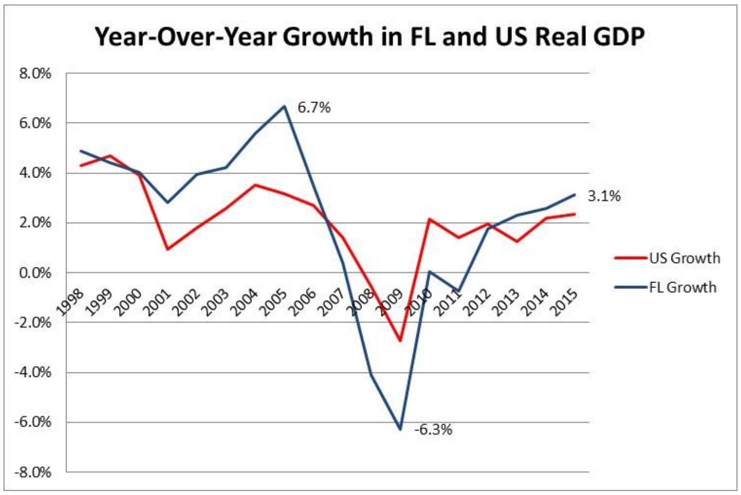
Beginning with Fiscal Year 2002-03 and running through Fiscal Year 2011-12, Florida was on an economic rollercoaster of extreme peaks and valleys. The recovery period from the collapse of the housing boom and the end of the Great Recession did not begin in earnest until Fiscal Year 2012-13, and—even now—some of the drags on Florida's economy are still ongoing. The reference periods used throughout this discussion are economically driven and centric to the Florida experience:

- Florida's Housing Boom...Fiscal Years 2002-03 through 2005-06
- Collapse of the Housing Boom...Fiscal Years 2006-07 and 2007-08
- Great Recession...Fiscal Years 2008-09 and 2009-10
- Fragile Growth...Fiscal Years 2010-11 and 2011-12
- Recovery Phase...Fiscal Years 2012-13 through 2015-16
- Return to Normalcy...Fiscal Years 2016-17 and beyond

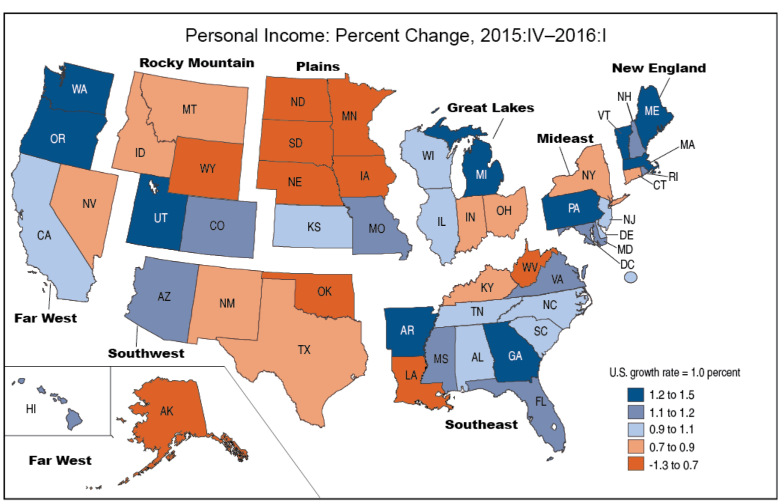
As indicated above, most measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2015-16 fiscal year. In this regard, all of the personal income metrics, about half of the employment sectors, and all of the tourism counts had topped the levels last seen during the housing boom. Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels. 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 real **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using the latest data revisions of this measure, Florida was one of the nation's faster growing states from 2000 to 2006, outperforming the nation during that entire period and reaching its peak growth in 2005. With the end of the housing boom and the beginning of the real estate market correction in 2006 and 2007, the state slipped into four years of flat or negative growth (2008 through 2011). While Florida was not the only state to experience a significant deceleration in economic growth prior to the Great Recession (California, Nevada, and Arizona showed similar housing market trends), it was one of the hardest hit.

Florida's economy regained its positive footing in 2012, registering 1.8 percent real growth over the prior year. For the entirety of the 2015 calendar year, State Gross Domestic Product (GDP) showed Florida with real growth of 3.1 percent, moving Florida above the national average (reported as 2.4 percent in 2015) for the third year in a row. In the first quarter of 2016, Florida grew 2.1 percent at an annual rate, ranking it 10th in the country. In terms of current dollars, Florida's gross domestic product reached $882.8 billion in 2015, well above its housing boom peak in 2007.

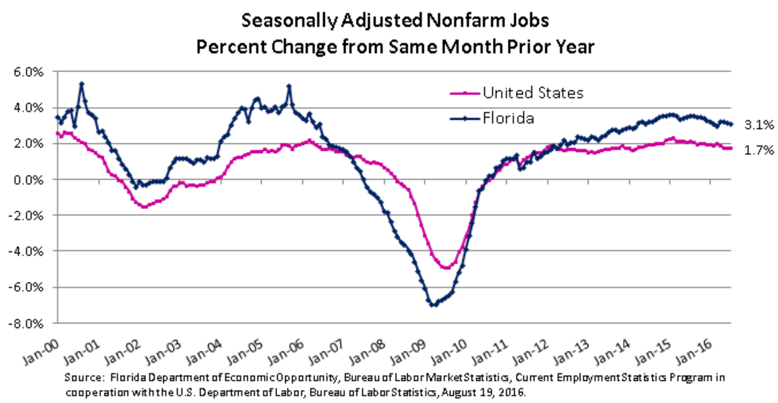


Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth**—primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Using the latest revised series, a story very similar to the GDP data emerges. Florida's pace for the 2015 calendar year was stronger than 2014, even though personal income for all states grew at the same rate as in 2014. In this regard, Florida's 2015 growth was above the national average of 4.4 percent, registering 5.2 percent and ranking 6th in the country for the percent change from the prior year. However, the state's per capita income was below the nation as a whole and ranked Florida 28th in the United States. Newly released data for the first quarter of 2016 indicated some slowing in Florida relative to other states, dropping Florida to a ranking of 16th in the country.

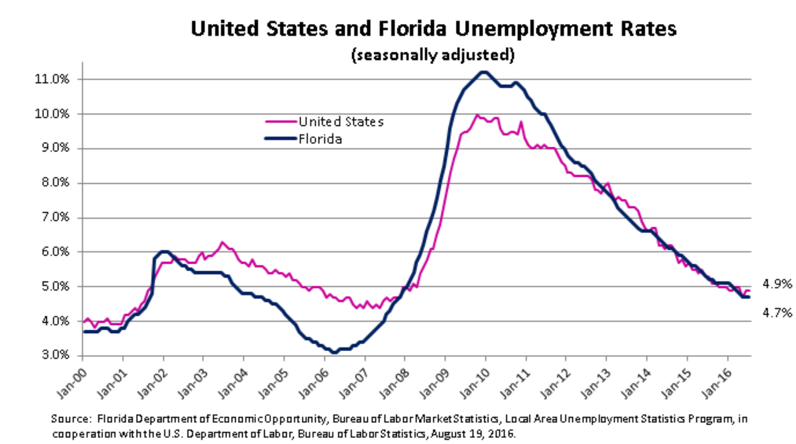


U.S. Bureau of Economic Analysis

The key measures of **employment** are typically *job growth* and the *unemployment rate*. While Florida led the nation on the good-side of these measures during the boom, the state performed worse than the national averages on *both* measures from February 2008 until July 2010 when Florida lost jobs at a slower rate than the nation as a whole. In August 2010, Florida experienced its first over-the-year increase in jobs since June 2007. Six years later (July 2016), Florida's annual job growth rate has been positive for the past 72 months. Florida's job market is still recovering, but—after eight years—it finally passed the housing-related employment peak that occurred in March 2007. However, passing the previous peak does not mean the same thing today as it did then. Florida's prime working-age population (aged 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007. In this regard, it would take the creation of an additional 920,000 jobs for the same percentage of the total population 16 years and over to be working as was the case at the peak. However, a significant number of older Floridians who are currently out of the labor force may never return to work because they are now on disability and / or they are nearing retirement age. If the universe is instead limited to the prime working-age population (aged 25-54), then 370,000 jobs would need to be created for the same percentage of that age group to be working as was the case at the peak.

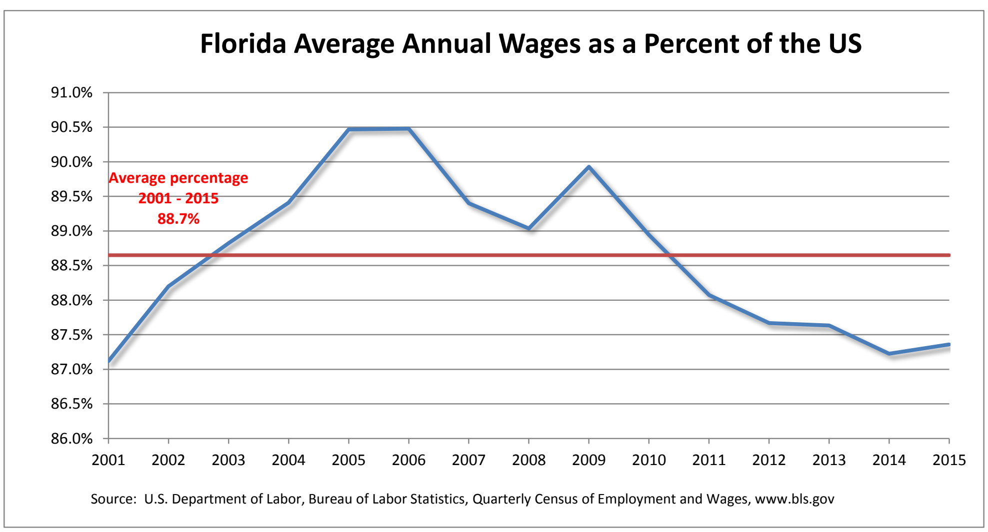


The state's unemployment rate in July was lower than the nation as a whole at 4.7 percent, with 456,000 jobless persons. To put this in context, the rate had been as low as 3.1 percent in both March and April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.2 percent from November 2009 through January 2010.



Several years ago, a conundrum appeared after reviewing this data: if job creation had been relatively stable, why had Florida seen a marked decline in its unemployment rate? The answer appeared to lie in the *labor force participation rate*. Florida's labor force participation rate most recently peaked at 64 percent from November 2006 to March 2007. Since then, the participation rate has been generally declining. This decline initially suppressed the unemployment rate as people dropped out of the labor force or delayed entrance, excluding them from the unemployment rate calculation. While the reported participation rate was still a subdued 58.5 percent in July 2016, the underlying details were positive. Most importantly, among all unemployed, the share of those reentering the labor force increased from 28.4 percent in July 2015 to 32.0 percent in July 2016. The share of all unemployed also increased for new entrants from 10.7 percent in July 2015 to 12.2 percent in July 2016, reversing a decline that has been seen for most of the past year. Currently, it is not clear what this data suggests. The increase in the share of reentrants is generally encouraging, while the past decline in new entrants sent mixed signals. The data series is limited, but there is some reason to believe that Florida's underlying employment picture is improving overall and may be returning to historic norms. However, the significant size and composition of the long-term unemployed group (35 percent of all unemployed in July) may be confounding some of the trend results. Florida's long-term unemployed share of all the state's unemployed persons ranked it 4th among states for the 2015 calendar year.[6]

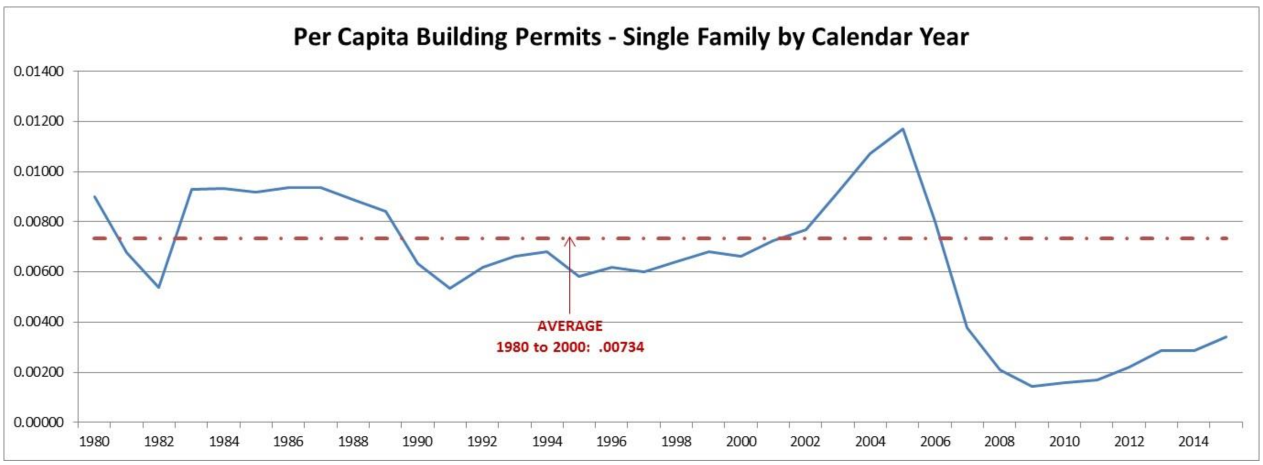
Florida's average annual wage has typically been below the national average. The preliminary data for the 2015 calendar year showed that it improved very slightly to 87.4 percent of the US average. In 2014, the similar calculation was 87.2 percent, marking Florida's lowest percentage since 2001. In part, the lower than average wage gains has to do with the mix of jobs that are growing the fastest in Florida. Not only is the Leisure and Hospitality employment sector large, it has seen some of the fastest growth. This sector is closely related to the health of Florida's tourism industry. Final estimates for Fiscal Year 2015-16 indicate that a record 109 million visitors came to Florida for an increase of 6.6 percent over Fiscal Year 2014-15.



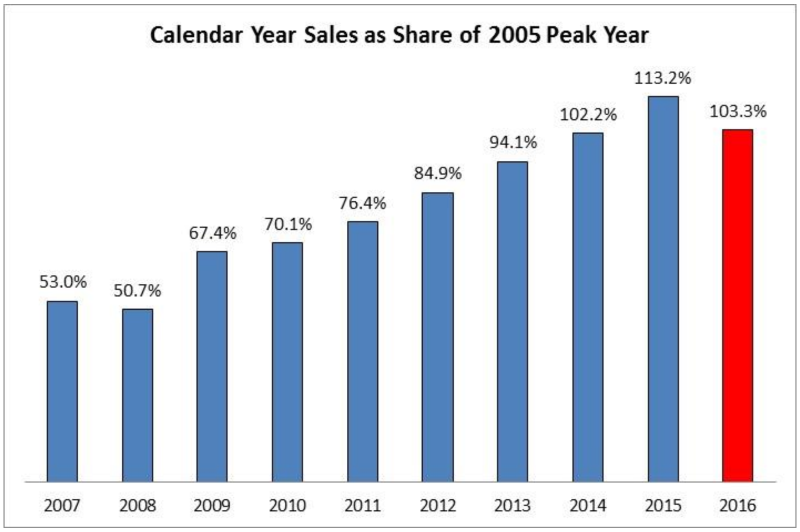
6 Using unpublished data from the U.S. Bureau of Labor Statistics, Current Population Survey, 2015 annual averages.

To a great extent, the long recovery period for 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 691,900 jobs and at the end of July 2016 was still down 234,600 jobs (33.9 percent) from that level. In Fiscal Year 2015-16, single-family private housing starts only reached 69,900 or 38.4 percent of their peak level. And, Documentary Stamp Taxes, a strong indicator of housing market activity, were only 56.1 percent of their prior peak as the fiscal year ended.

Overall, the housing market continues to trudge forward, but at an uneven pace. Single-Family building permit activity, another indicator of new construction, remains in positive territory, showing strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for 2015 ran well above the same period in 2014; single family data was higher than the prior year by 20.3 percent. Despite the strong percentage growth rates in three of the last four calendar years, the level is still low by historic standards—not quite half of the long-run per capita level. For the first seven months of the 2016 calendar year, single-family building permit activity was running 14.5 percent over the same period in the prior year, falling below the 2015 annual growth rate.

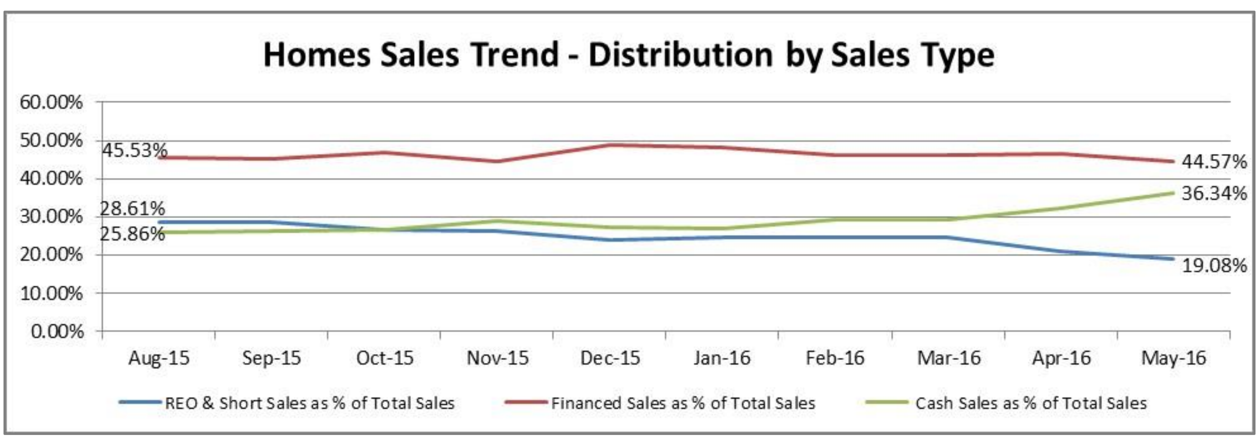


Because construction activity continues to be subpar, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need. The message here has also been mixed. While existing home sales volume in the 2015 calendar year exceeded its 2005 peak, the sales activity in the first six months of 2016 has been sluggish relative to last year. For this period, Florida is running well below its 2015 pace. In contrast, Florida's existing home price gains have roughly tracked national gains over the first six months of 2016, with the state's improvements relative to the U.S. as a whole staying at about the same ratio. The state's median price in June was 90.1 percent of the national median price and within 87.3 percent of its own peak reached during the housing boom. So far, the price increases have not led to a surge in the number of listings.



NOTE: 2016 percentage is projected based on six months of data.

The large inventory of unsold houses coming out of foreclosure coupled with the still difficult credit market for residential loans continue to dampen both residential construction activity and existing home sales. Further exacerbating the situation, the cumulative burden of student loans and recently undertaken auto debts appear to be affecting potential buyers' ability to qualify for residential credit. Since a healthy housing market relies heavily on mortgages, these challenges have a chilling effect. Financed sales ended May 2016 with a only slightly higher share of total sales than this segment had in May 2015 (44.6 percent versus 44.0 percent), and even this improved share is low by historical standards. While the share for REO and Short Sales has drifted steadily downward over this period, the share for Cash Sales has exhibited some recent upward pressure after initially declining.



Interest rates continue to be low; a 30-year note averaged 3.87 for closed notes in July. When coupled with expected future growth in prices, a subdued interest rate environment leads to a new concern or, more accurately, the return of an old one. According to RealtyTrac, "States with the highest share of flips in 2015 were Nevada (8.8 percent); **Florida (8.0 percent)**; Alabama

(7.4 percent); Arizona (7.1 percent); and Tennessee (6.9 percent)." The national average for 2015 was 5.5 percent of all single family home and condo sales; the peak was reached in 2005 at 8.2 percent. The Miami metro area had the most homes flipped of any market in the nation in 2015, with 10,658, representing 8.6 percent of all Miami-area home sales for the year and up 4 percent as a share of all sales from 2014.

FORECAST RISKS AND IMPLICATIONS

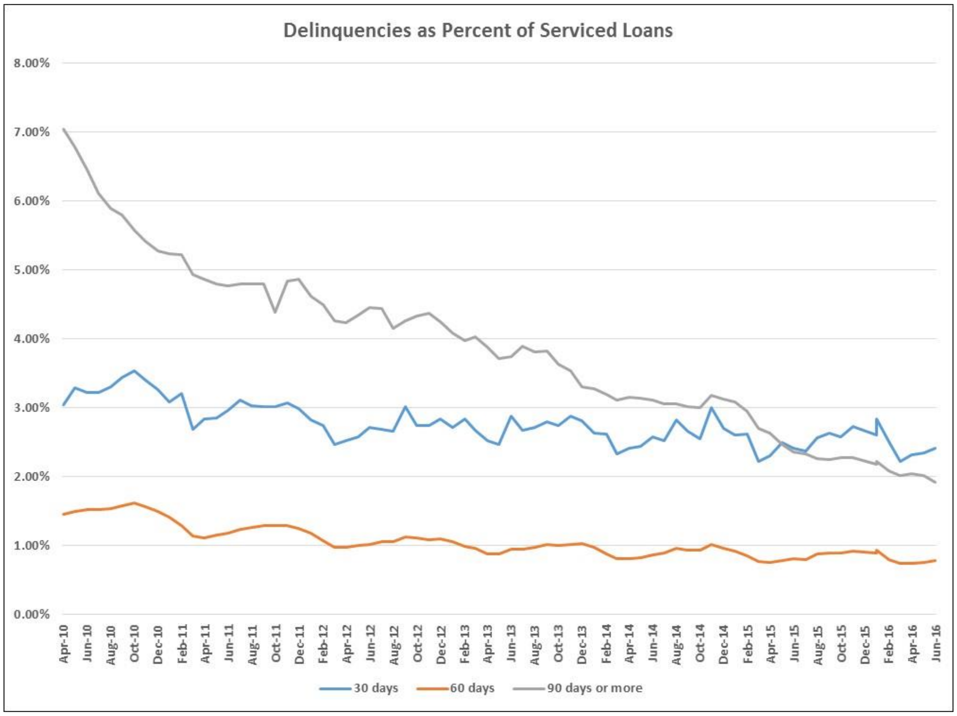
With the residential construction market still expected to temper the growth of Florida's economy over the next few years, the risks focus on the actual pace of its recovery relative to the moderately optimistic forecast adopted by the Economic Estimating Conference, especially in light of future rate increases by the Federal Open Market Committee (FOMC). In this regard, the upside and downside risks are fairly balanced; however, the risks from the potential spread of active transmission Zika are uniformly to the downside. Further, ongoing financial market developments are still a source of concern.

Florida's Pace of Recovery Has Upside Risks, as well as Downside

The actual pace of Florida's recovery will be driven in large measure by the time it takes the ***construction industry*** to revive. While the national inventory of unsold homes has declined year-over-year for the past 14 months, the situation is more complicated in Florida. Over the past several years, homes coming out of the foreclosure process have boosted the state's unsold inventory of homes and will continue to do so in the near-term. Private sector data for the 2015 calendar year showed Florida had the second highest foreclosure rate among states, and second quarter data of the 2016 calendar year indicated that Florida's foreclosure activity was still 26 percent above pre-recession levels.

Part of the reason for the Florida difference lies within the length of time to process a foreclosure. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. At the end of the first quarter in the 2016 calendar year, a foreclosure took 1,018 days to process (about 2.8 years), compared to the national average of 625 days. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market—and in the interim, the potential bubble of viable homes that will ultimately hit the market continues to build. This atypical future increase to supply is not reflected in measures of current inventory. Moreover, a significant share of the remaining foreclosable homes have been delinquent for a long time and—according to Black Knight, 37 percent of loans more than 5 years delinquent in Florida are not yet actively involved in the foreclosure process.

However, there is promising news. Florida has been helped by decreasing delinquencies and non-current loans which limit the incoming pipeline, rising home values and employment, and reduced numbers of "underwater" homes. Florida's "underwater" homes declined from a high of 50 percent of all residential mortgages to less than nine percent in the most recent data. While much improved, this level (about 8.5 percent of all Florida loans in June) is still high when compared to the country as a whole.

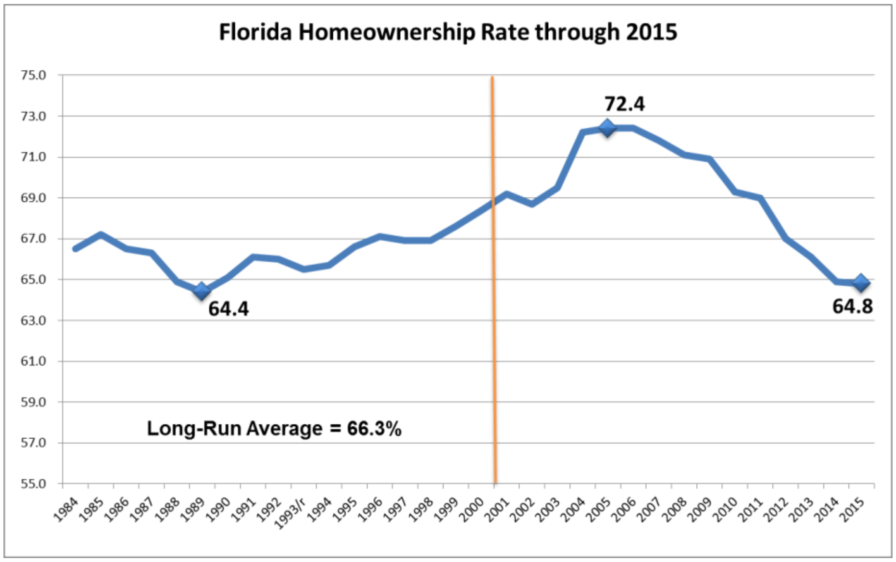


Currently, the key housing market metrics do not show a return to their peak levels until 2020-21 (total construction expenditures), 2021-22 (median sales price for existing homes) and 2022-23 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; single and multi-family starts) or very late in the period (private nonresidential construction expenditures).

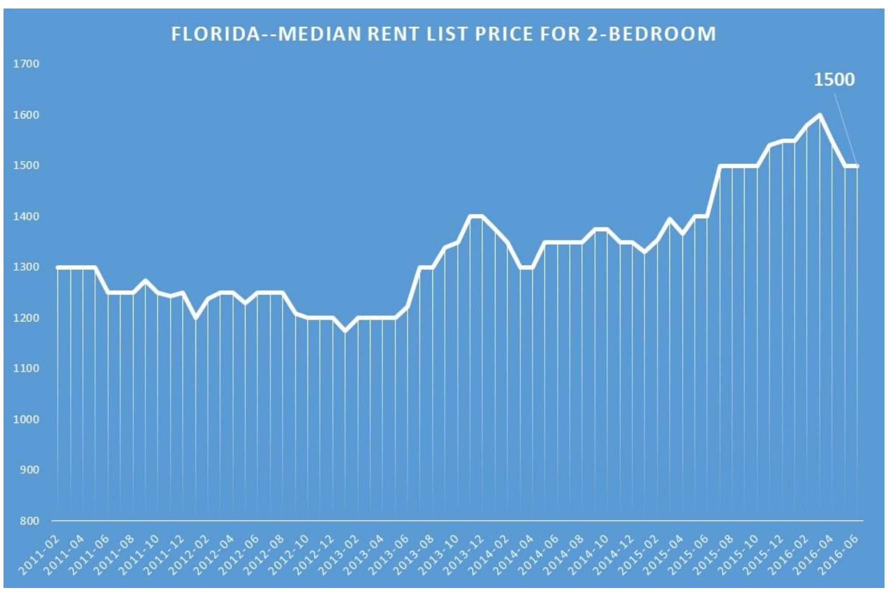
Perversely, properties that have been in the foreclosure process for a long time pose a potential upside risk for the new construction forecast if rising mortgage rates and construction loan costs do not put the brakes on recent activity. The "shadow inventory" of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of "ghost" homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the supply has essentially become two-tiered—viable homes and seriously distressed homes. To the extent that the number of viable homes is limited, new construction may come back quicker than expected.

Further, more buyers are poised to enter the market—maybe more than anticipated in the forecast. In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit. And, while there is no evidence yet, atypical household formation that has persisted since the Great Recession will ultimately unwind—driving up the demand for housing.

Assuming neither of the upside risks come to fruition, the rental market will continue to be stressed. In large part, this has to do with the restructured housing demand. After peaking at a 72.4 homeownership rate at the height of the boom, the rate has steadily declined. The 2015 percentage of 64.8 is the lowest since 1989, and it is below the long-term average for Florida. Second-quarter data for 2016 shows a further decline to 63.8 percent. If this level holds for the year, it will be the lowest level for Florida in the 32-year history of the state series.



The diverted homeowners, coupled with shifting preferences among Millennials, have caused residential rental vacancies to tighten strongly in 2015 and early 2016. While Florida's long-run average rental vacancy rate is 10.7 percent, the second quarter data for the 2016 calendar year has dropped to 7.6 percent. Moving in tandem with the reduced supply, rental price pressure is now starting to appear. At the point the previous owner-occupied homes have been fully converted to occupied rental housing, rental affordability—especially for lower income levels—will reemerge as an issue.

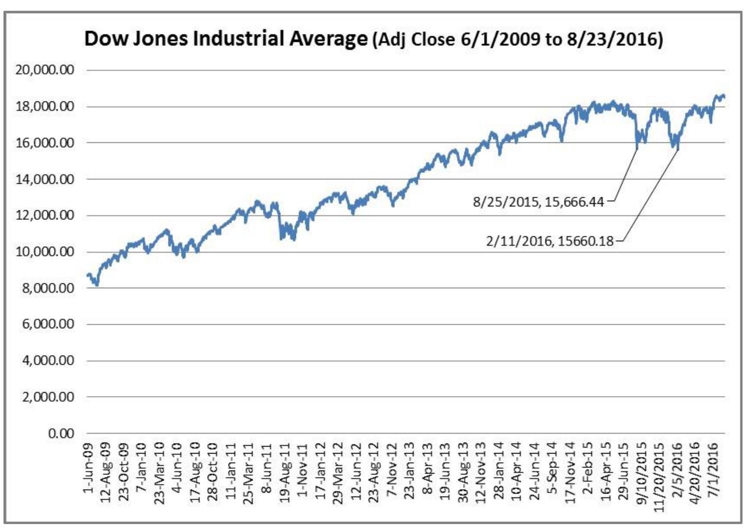


Zillow Rental Data: Median Rent List Price, 2-bedroom

While the new construction and housing markets provide both upside and downside risks to Florida's economic outlook and, therefore, to expected revenues, the spread of active transmission Zika has uniformly downside risks. Of the 550 total reported cases on August 23, 2016, only 42 were the result of local mosquito transmissions; however, the Centers for Disease Control and Prevention has advised that "pregnant women and their partners who are concerned about being exposed to Zika may want to consider postponing nonessential travel to all parts of Miami-Dade County." Currently, tourism-related revenue losses pose the greatest potential risk to the economic outlook from Zika. In an unrelated study, the Legislative Office of Economic and Demographic Research performed an empirical analysis of the source of the state's sales tax collections. In Fiscal Year 2013-14, sales tax collections provided $19.7 billion dollars or 75 percent of Florida's total General Revenue collections. Of this amount, an estimated 12.5 percent (nearly $2.5 billion) was attributable to purchases made by tourists. Previous economic studies of disease outbreaks and natural or manmade disasters have shown that tourism demand is very sensitive to such events.

Risk from Financial Market Developments

The current expansionary period in the United States is now over seven years old. The beginning of the expansion phase roughly coincided with the bottoming out of stock prices in 2009 and the start of their subsequent rally. The Dow Jones Industrial Average more than doubled in value from June 2009 to August 2016, leading to questions of sustainability and the likelihood of a market correction. Many market pundits were highlighting areas of apparent overvaluation well before the China-induced correction began in late August 2015. Since the development of last year's Long-Range Financial Outlook, two periods of sharp declines have already occurred. However, the markets recovered quickly after both adjustments, and the major stock market indexes hit record highs in August. IHS Economics now points to a significant stock market correction as a key risk to the national forecast.



If a significant market correction does occur, it would influence the U.S. economy through the wealth effect—meaning that stock market losses could lead Americans to cut back their spending. In turn, this would affect Florida's projections for sales tax collections.

Florida Demographic Projections

> *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 population growth to remain strong during the Outlook period, but begin to slow thereafter.*

<u>Overall Population Growth</u>

Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. While Florida's long-term growth rate between 1970 and 1995 was over three percent, the future will be different than the past.

During the 1990's, the number of people in the state rose by three million—only California and Texas grew by more during the decade. This represented a 23.5 percent increase in Florida's population. These trends seemed like they would continue at the beginning of the 21st century. By 2005, the rapid build-up into the housing boom had produced three years with annual growth over the prior year near or slightly exceeding 400,000 persons. The other three years each topped 320,000 persons. Florida's population grew faster in the early 2000's than in the latter part of the decade as the collapse of the housing boom and the entry of the Great Recession began to take its toll.

The Great Recession and its aftermath produced six consecutive years of less than one percent annual growth over the prior year (April 1, 2008, to April 1, 2013). Annual additions to the population fell from the peak of 403,332 in 2005 to a low-point of 73,520 in 2009 before stopping the decline. However, the picture did not materially change until April 1, 2015, when Florida recorded growth of 1.58 percent (307,814 residents) over the prior year—the strongest percentage increase since 2007.

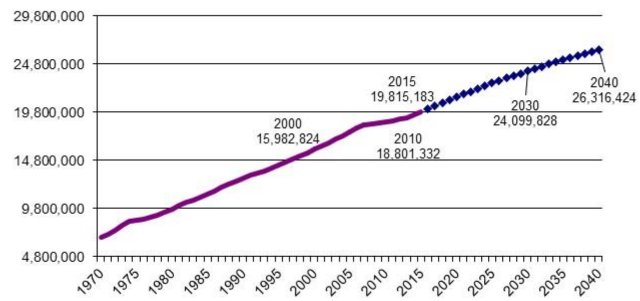
According to the Census Bureau's intercensal estimates, California, Texas, and Florida accounted for 27 percent of the nation's population as of July 1, 2015. By the end of the 2015 calendar year, Florida broke the 20 million mark for its resident population. It had surpassed New York earlier in the year to become the third most populous state.

Florida's population growth is expected to remain above 1.5 percent over the next few years. In the near-term, Florida is expected to grow by 1.58 percent between 2015 and 2016—and average 1.52 percent annually between 2015 and 2020. For the next decade, both the annual growth rates and incremental additions to the population are expected to slow. However, the state's growth rate will stay above one percent per year, still exceeding the national average annual growth of 0.75 percent between 2015 and 2030. By first quarter of calendar year of 2034, Florida's resident population is projected to top 25 million.

[SEE GRAPHS ON FOLLOWING PAGE]

Florida's Incremental Population Growth

Florida's April 1 Population



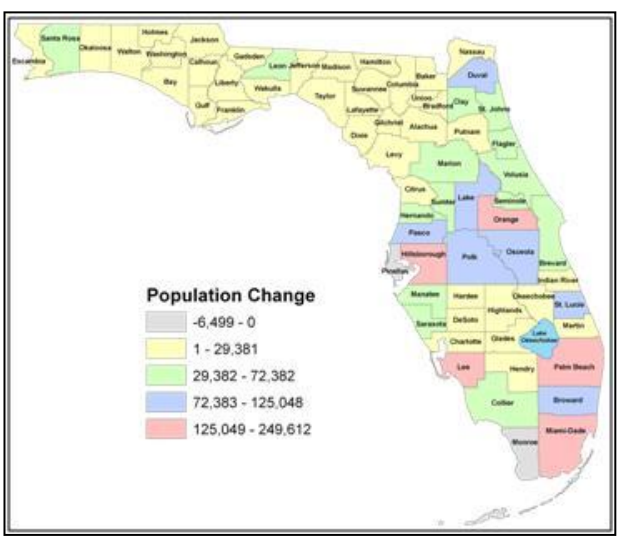
Local Population Growth

Between 2000 and 2010, Florida's three largest counties, Orange, Miami-Dade, and Hillsborough, each expanded by adding population equivalent to a city about the size of Orlando's population in 2010. 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. St. Lucie, Lake, and Lee, each of which posted growth rates between 40.3 percent and 44.2 percent, closely followed these counties. Flagler and Sumter 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).

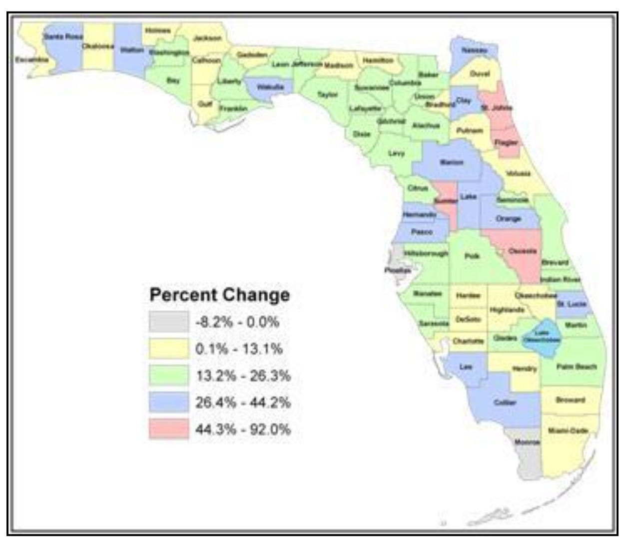
Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally according to the 2010 Census. In 2015, 50.6 percent of Florida's residents lived in one of its 411 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most densely populated county is Pinellas, while Liberty County has the fewest number of residents per square mile. In terms of total population, Lafayette is the smallest county in the state—Miami-Dade is home to about 300 times Lafayette's population.

April 1, 2000 to April 1, 2010

Population Change (level)



Population Growth (percent)



Between 2000 and 2010, population increased in most Florida counties (with the exception of Monroe and Pinellas). In contrast, between April 1, 2010, and April 1, 2015, 15 of Florida's counties experienced a net loss in resident population. This was primarily caused by the recession-induced slower growth throughout the early part of this decade. On the other end of the spectrum, Miami-Dade County gained the most population between those years, followed by Orange and Hillsborough counties, respectively. In percentage terms, Sumter County grew the fastest followed by Osceola and St. Johns counties, respectively.

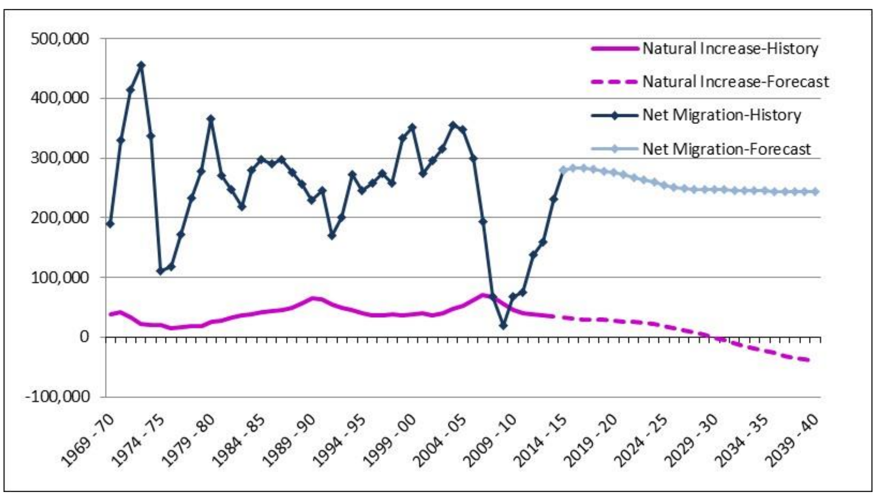
Growth Sources

Population growth depends on two components: natural increase, which is the difference between births and deaths, and net migration, which is the difference between people moving into and out of the state. Typically, Florida's population growth depends upon in-migration. This is evidenced by the fact that just over one-third (36.1 percent) of Floridians were actually born in the state.

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.

Between 2010 and 2015, net migration accounted for 81.3 percent, while natural increase has accounted for 18.7 percent of the growth. As shown below, during the Great Recession, net migration to the state slowed significantly. The low levels were largely due to national economic conditions, including weakened housing markets and other effects from the Great Recession that made it difficult for people to relocate.

Components of Population Change



As Florida moved further away from the Great Recession, net migration rebounded, accounting for over 90 percent of the growth over the past year. Over the longer-term forecast horizon, net migration will account for all of Florida's population growth, as natural increase is expected to turn negative (more deaths than births) by 2030.

Florida tops the list of states where most U.S. adults would choose to live if they did not live in their own states. According to the Harris Poll, November 2015, Florida ranked first, followed by California and Hawaii.[7] Baby Boomers (ages 51-69) ranked Florida first, while Generation X (ages 36-50), Millennials (ages 18-35), and Matures (ages 70+) all ranked Florida second. It is clear from these results that Florida remains an attractive migration state, which will likely fuel population growth in the future.

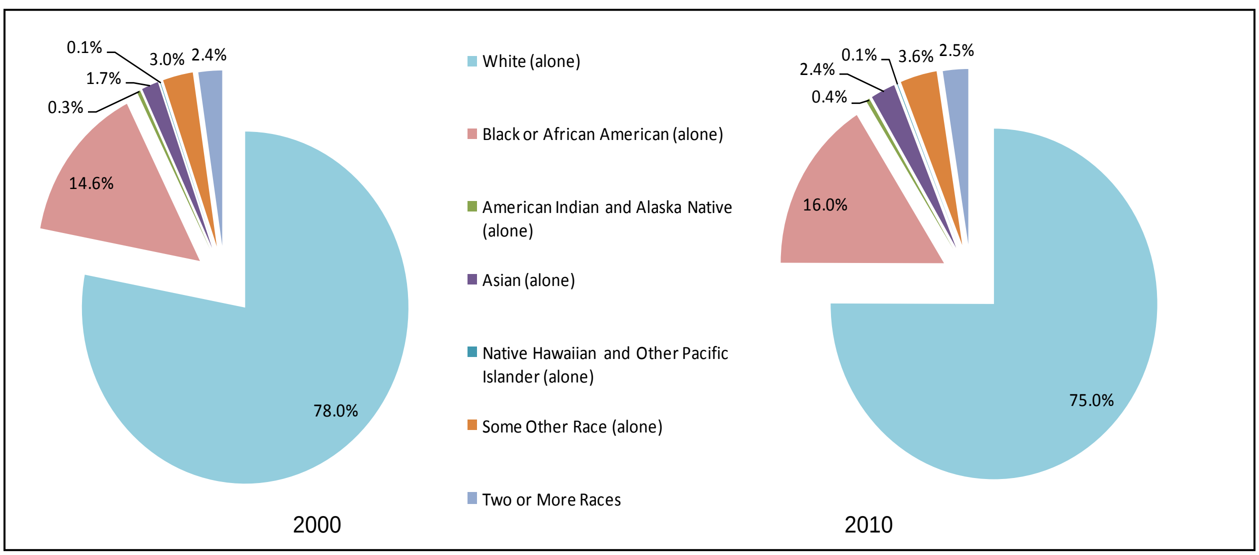
Demographic Composition and Long-Term Trends

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

Looking at race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the population was nonwhite; in 1990, 15.2 percent was nonwhite; and in 2000, 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.

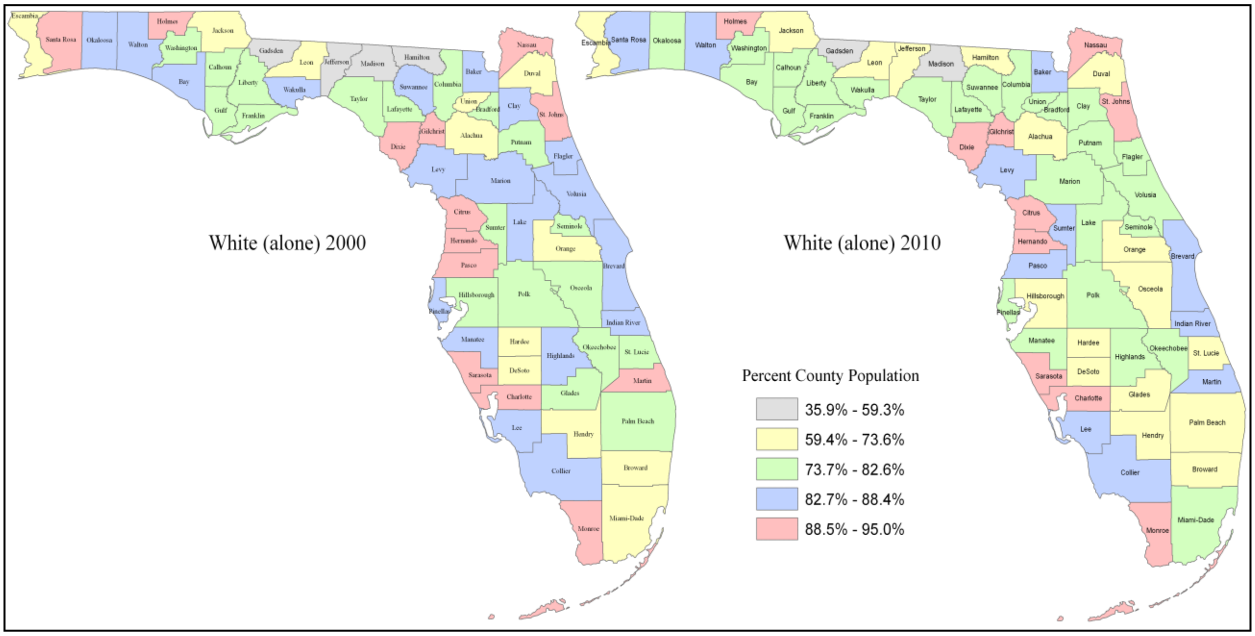
Population by Race



[7] Prior to 2015, Florida topped the list of states to which people would like to move from 1997 to 2001.

The following map shows 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. In 2010, 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



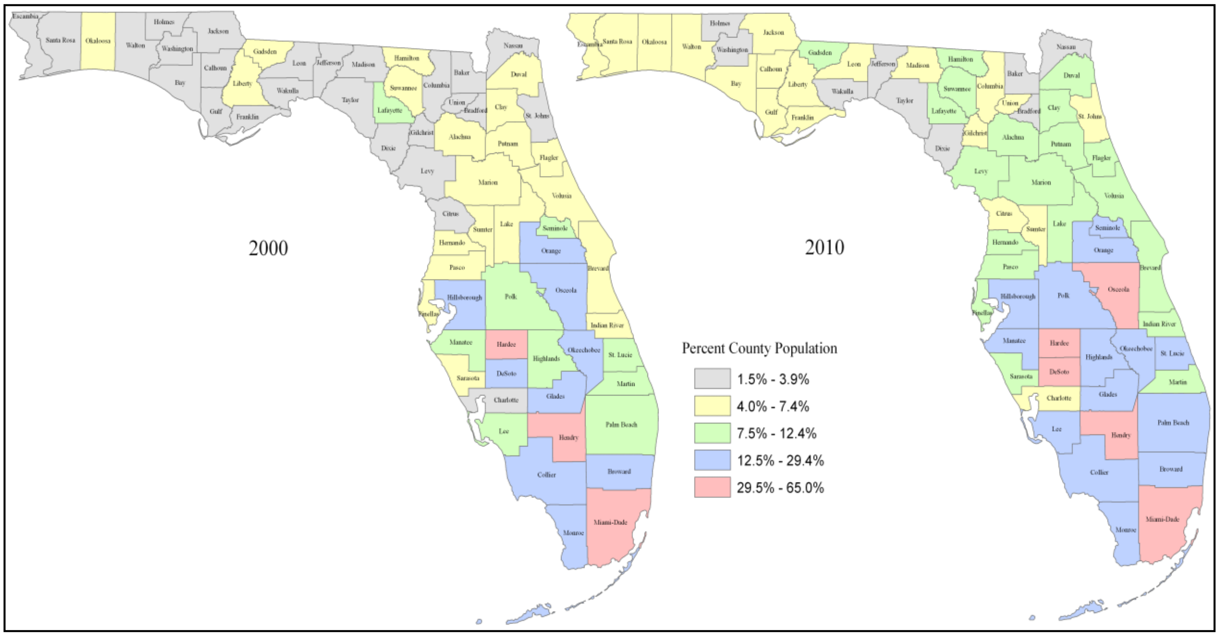
In contrast, only five of Florida's counties reported a decline in the percentage of Asian (alone) between 2000 and 2010. The largest increases in the percentage of Asian (alone) occurred in Alachua, Orange, Duval, Hillsborough, and Seminole counties, respectively.

According to federal standards from the Office of Management and Budget and the Census Bureau, Hispanic origin refers to an ethnicity, not a race such as White or Black. In this regard, someone of Hispanic origin can be of any race. Nationally, Hispanic or Latinos represented 16.3 percent of the population 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 than in Florida (22.5 percent) while in New York they represented only 17.6 percent. In Florida, the Hispanic or Latino population continues to grow. By 2030, 29.1 percent of Florida's population will be Hispanic.

Between 2000 and 2010, the Hispanic or Latinos population 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, while 20.1 percent were of Puerto Rican origin. In contrast, in the U.S., the majority of the Hispanic population was of Mexican origin (63 percent), while only 3.5 percent was of Cuban origin in 2010. Over two-thirds of the nation's Hispanic population of Cuban origin lived in Florida with 70.5 percent of Florida's Hispanic population of Cuban origin residing in Miami-Dade County.

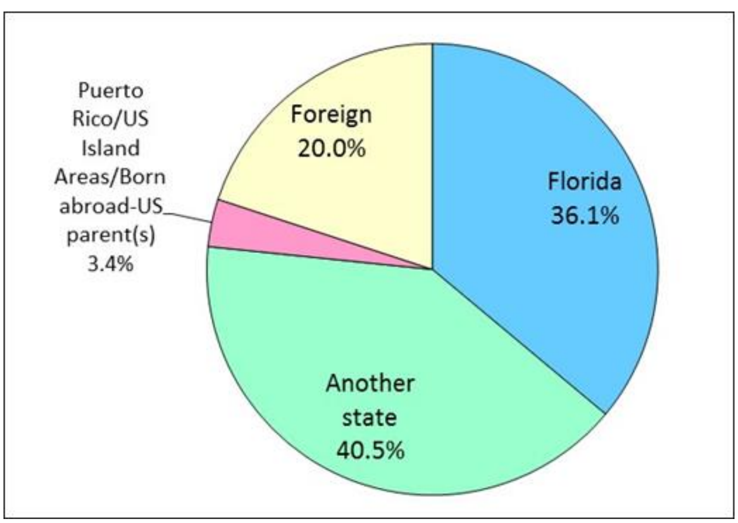
The distribution of Florida’s Hispanic or Latino population is shown in the map below. In 2010, the county with the greatest percentage of Hispanic or Latino population was Miami-Dade (65.0 percent) while Baker had the smallest percentage (1.9 percent). The percent of Hispanic or Latino population increased 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



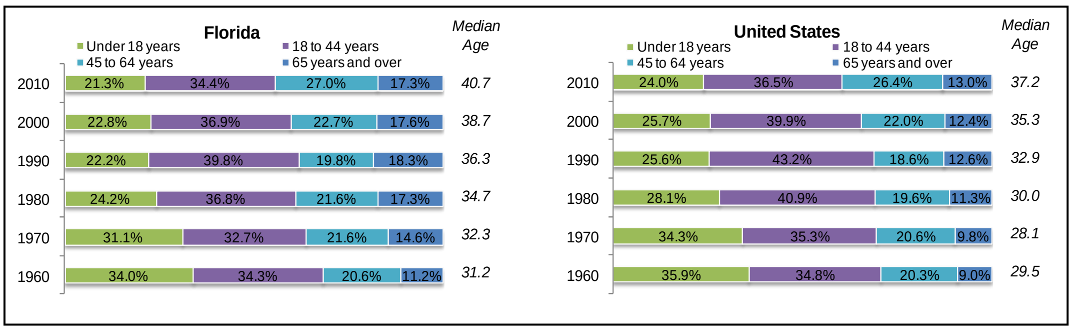
Florida’s diverse racial and ethnic population is also evident by the number of Floridians (age 5 or older) that speak a language other than English at home (over 5 million). Of these Floridians, about 2.2 million spoke English less than “very well.” In addition, in 2014, it was estimated that 20.0 percent of Florida’s population was foreign born.

Florida Residents: Place of Birth (2014)



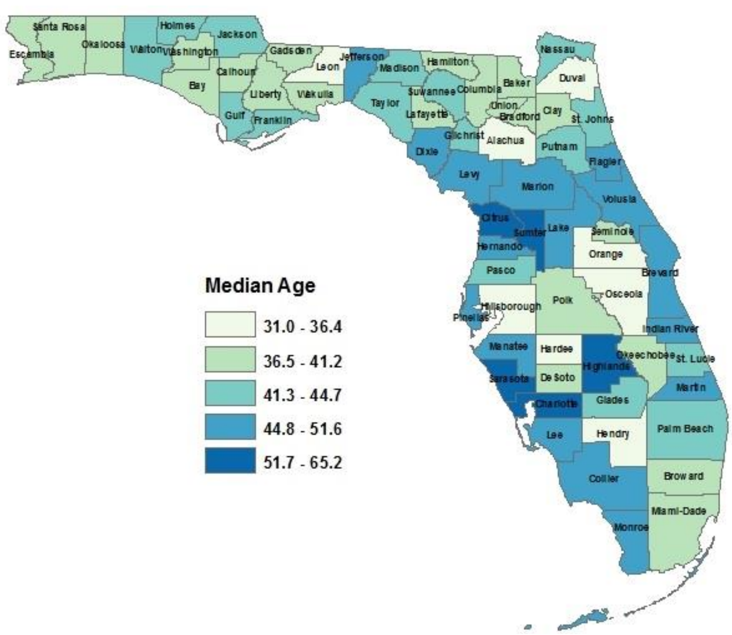
Florida's population has also continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960 and 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to 37.2, up from 35.3 in 2000. As the Baby Boom population moves into retirement, the median age in both the United States and Florida will both continue to increase. However, population aging has been more intense here than elsewhere. The percentage of population aged 65 and older in Florida (17.3 percent) in 2010 was greater than in any other state, handily 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



Florida's median age is estimated to have risen slightly to 41.5 in 2015. The 2010 Census indicated that median ages varied across the state from a low of 29.6 in Leon County to a high of 62.7 in Sumter County. In 2015, it was estimated that there were seven Florida counties with a median age of 50 or older and that Leon and Sumter counties still had the lowest and highest median ages at 31.0 and 65.2, respectively.

Median Age by County: 2015

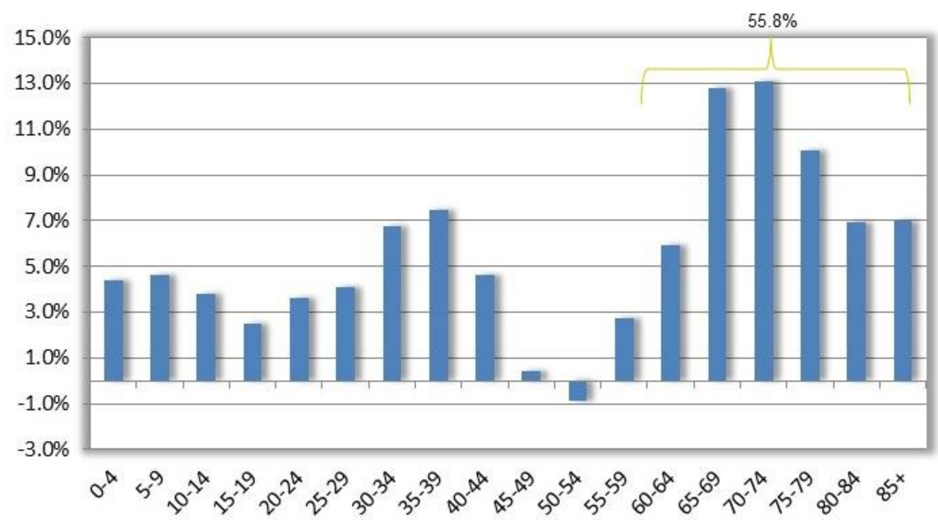


In 2010, five of Florida's cities were among the locations with the highest median ages in the country: Clearwater (43.8), Cape Coral (42.4), Fort Lauderdale (42.2), Hialeah (42.2), and St. Petersburg (41.6). These cities were ranked as having the second through sixth highest median ages. At the other end 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 prime working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population is expected to represent 38.0 percent of Florida's total population in 2016 and is projected to represent just 35.9 percent by 2030. Population aged 65 and over is forecast to represent 24.5 percent in 2030, compared to 19.2 percent in 2016.

Most of the growth in the state will come from Florida's older population. Between 2010 and 2030, Florida's population is forecast to grow by 5.3 million, and 55.8 percent of those gains will come from Florida's older population (age 60 and older). As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging. The ratio of the prime working-age population (ages 25-54) relative to the retiree population (age 65 and over) is expected to drop from 2.0 in 2016 to 1.5 by 2030. To some degree, this shift will occur in all states, but Florida will experience it more intensely.

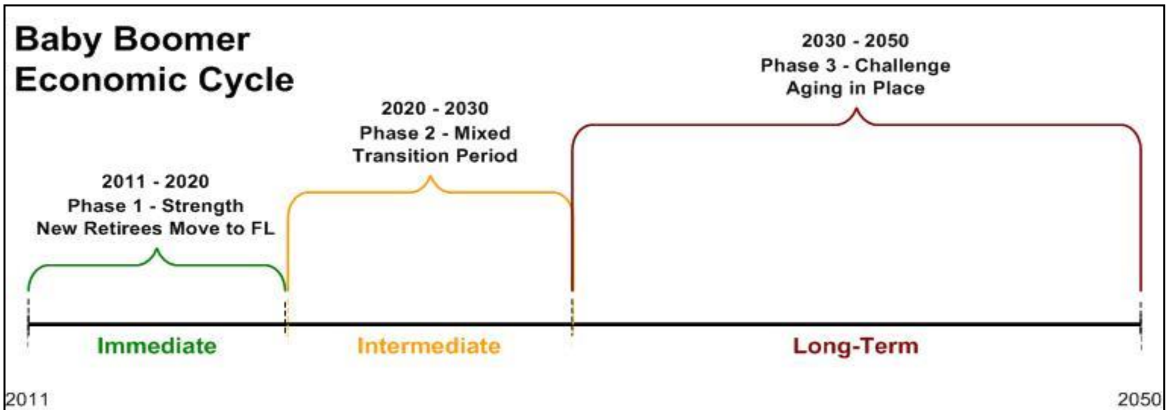
Distribution of Growth by Age Group between April 1, 2010 and April 1, 2030



<u>Summary</u>

Florida's population growth slowed substantially as a result of the economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. However, population growth appears to have strengthened further over the past year and is anticipated to continue to rebound with more moderate levels of growth relative to historic levels over the forecast horizon. While Florida will not return to its peak period of over 1,000 people per day moving into the state, it is expected to average over 850 persons per day between now and 2020.

Several demographic factors will present future challenges for the state's policy makers 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. These changes will have vastly different effects over time.



OVER THE SHORTER-TERM ... (between now and 2020)
The Baby Boomers retiring to Florida will generally be financially better off than the average retiree; most will come with assets (at least from the sale of their homes).

Many will buy new homes in Florida and then outfit them --- generating additional tax revenues, largely as a result new money coming in to Florida from outside the state (earned elsewhere). New infusion of dollars has the greatest multiplier effect.

They will also tend to be younger retirees, and therefore healthier and more active --- meaning their demand for consumer services will be higher, strengthening the economy, while their demand for government services will be at its minimum.

OVER THE LONGER-TERM ... (between now and 2030)
As the Baby Boomers retire, they will be leaving vacant more jobs than there are workers to fill them.

The ability to create new jobs will be constrained by the numbers of qualified workers available to fill those jobs.

Both of these factors will lead to increased demand for workers and upward pressure on wages as the skilled supply of workers fails to keep pace with the demand.

Inflated wages will hurt economic growth, as well as make government services more costly to provide—just as the Boomers increase their need for government-supported services.

The increased cost of government services (due to higher prices and larger caseloads) and suppressed economic growth will make budget gaps worsen (diminished revenues and higher costs for the same services and more services being demanded). This situation will be exacerbated by the fact that retirees tend to spend more on services and less on taxable goods.

Revenue Projections

Throughout the summer, the Revenue Estimating Conference met to finalize numbers for Fiscal Year 2015-16 and to develop new forecasts for the upcoming years. Overall revenue projections were remarkably similar to prior forecasts, indicating that predictable patterns have continued. The current outlook for General Revenue projects that there will be an unexpended balance of more than $1.4 billion in the General Revenue Fund at the end of Fiscal Year 2016-17. This includes $400 million from the BP Settlement Agreement.

General Revenue Fund

Forecast Overview:

For the 2015-16 fiscal year, total collections were virtually on forecast, ending the year $50.6 million or 0.2 percent above estimate; however, this outcome masks differences between revenue sources that show one of the major sources significantly above and two others significantly below their respective estimates. Given the slightly weaker National and Florida Economic Forecasts that were previously adopted, the Conference made downward adjustments to Sales and Documentary Stamp Taxes that eclipsed the remaining positive adjustments. Anticipated revenues were revised down by $131.9 million in Fiscal Year 2016-17 and by $135.1 million in Fiscal Year 2017-18, for a two-year total of $267.0 million.

The revised Fiscal Year 2016-17 estimate exceeds the prior year's collections by slightly more than $1 billion (or 3.6 percent). The revised forecast for Fiscal Year 2017-18 has projected growth of $1.35 billion (or 4.6 percent) over the revised Fiscal Year 2016-17 estimate. The growth rate for Fiscal Year 2018-19 was increased from 3.7 to 4.1 percent and increased for Fiscal Year 2019-20 from 3.7 to 4.0 percent, with the resulting dollar levels staying similar to the prior forecast.

The most significant changes to the forecast are shown below:

- **Sales Tax...** The forecast reductions of $229.0 million in Fiscal Year 2016-17 and $205.9 million in Fiscal Year 2017-18 reflect the lower-than-expected collections in three of the six categories during the last six months, and the relatively minor gains in two of the remaining categories. Only the Business Investment category demonstrated any strength at the end of the state's fiscal year. Taking into account the somewhat weaker National and Florida Economic Forecasts, the Conference made downward adjustments to five of the six categories in Fiscal Year 2016-17 and to four of the six categories in Fiscal Year 2017-18.

- **Corporate Income Tax...** The forecast revisions of $84.7 million in Fiscal Year 2016-17 and $102.2 million in Fiscal Year 2017-18 reflect higher-than-expected recent collections and the slightly stronger corporate profits forecast adopted by the National Economic Estimating Conference in July. The Conference noted that the opposing forces of slower economic growth in the short-term coupled with the strong performance coming out of

Fiscal Year 2015-16 introduce a greater than normal degree of uncertainty to this forecast.

- **Real Estate Taxes (Documentary Stamp Tax and Intangibles Tax)...** The combined estimate was adjusted downward. Together, the decreases to General Revenue collections are $25.2 million in Fiscal Year 2016-17 and $35.7 million in Fiscal Year 2017-18. These changes primarily reflect the lower-than-expected activity since the last forecast, as well as the changes to the economic forecasts and expected slowing of future refinancing activity.

The Conference made other adjustments to fine-tune the estimates across sources or to recognize discrete changes to key forecast assumptions.

Summaries for Selected Sources that Benefit General Revenue
(in alphabetical order)

<u>Article V Fees & Transfers:</u>

For the 2015-16 fiscal year, total Article V revenue collections were slightly below the December 2015 forecast, ending the year $9.0 million or 1.4 percent below estimate. Most of weakness occurred among the variables that affect the Clerk Fines, Fees, and Forfeitures revenue distribution, which was $7.1 million or 1.8 percent below the estimate for the state fiscal year. Foreclosure filings were also below the estimate by 2,058 or 3 percent. Looking across all distributions, Article V revenue collections ended the year $44.9 million or 6.9 percent below Fiscal Year 2014-15, with the largest year-over-year declines in the Clerk Fines, Fees, and Forfeitures distribution (down $20.2 million or 45.0 percent of the total) and in the General Revenue distribution (down $12.3 million or 27.4 percent of the total).

The lower than expected collections in the Clerk Fines, Fees, and Forfeitures category was attributed by the Clerks to the following factors:

- *Decline in new traffic cases* – Year-over-year growth from September through May was down 5.6 percent from the previous year.
- *Decline in new criminal cases* – Year-over-year growth from September through May was down 8.4 percent from the previous year.
- *Decline in new circuit civil cases* – Year-over-year growth from September through May was down 2.2 percent from the previous year.
- *Decline in circuit reopen cases* – Year-over-year growth from September through May was down 31.0 percent from the previous year.
- *Decline in collection performance related to payments over time* – County criminal collection activity was below the 40 percent standard, as was traffic collection performance.

In response to this, the new foreclosure estimates discussed below, and other incoming data related to traffic court transactions, the Conference reduced revenue distributions related to Clerk

Fines, Fees, and Forfeitures by $9.1 million in Fiscal Year 2016-17 and $12.3 million in Fiscal Year 2017-18. However, no single forecast variable directly reflects lowered collection performance.

The Conference also adopted a new foreclosure estimate that took into account both the decline in the actual number of homes in foreclosure status and the crowding out of future foreclosures caused by the heightened activity coming out of the Great Recession. The estimate for foreclosure filings in Fiscal Year 2016-17 was reduced by 2,600 filings and in Fiscal Year 2017-18 by 1,223 filings. This translated into a reduction in foreclosure fees of $2.5 million in Fiscal Year 2016-17 and $1.2 million in Fiscal Year 2017-18. The following table depicts the changes to the foreclosure filings forecast.

Foreclosure Filings	December 2015 REC	July 2016 REC	Difference
2015-16	69,667	67,609	(2,058)
2016-17	68,000	65,400	(2,600)
2017-18	65,000	63,777	(1,223)
2018-19	62,000	62,000	0
2019-20	59,000	59,000	0
2020-21	59,000	59,000	0
2021-22		59,000	

Because only minor adjustments were made to the remaining variables, the revisions to the overall forecast reflect primarily these changes. The total estimate was revised down by $17.2 million in Fiscal Year 2016-17 and by $19.8 million in Fiscal Year 2017-18.

The new forecast resulted in the following changes to the various funds: the General Revenue Fund was reduced by $3.6 million in Fiscal Year 2016-17 and $2.0 million in Fiscal Year 2017-18; the State Courts Revenue Trust Fund was reduced by $0.2 million in Fiscal Year 2016-17 and by $0.3 million in Fiscal Year 2017-18; the Clerks of Court Trust Fund was decreased by $3.0 million annually in Fiscal Year 2016-17 and Fiscal Year 2017-18; and the Clerks' Fine and Forfeiture Funds were decreased by $9.1 million in Fiscal Year 2016-17 and by $12.3 million in Fiscal Year 2017-18.

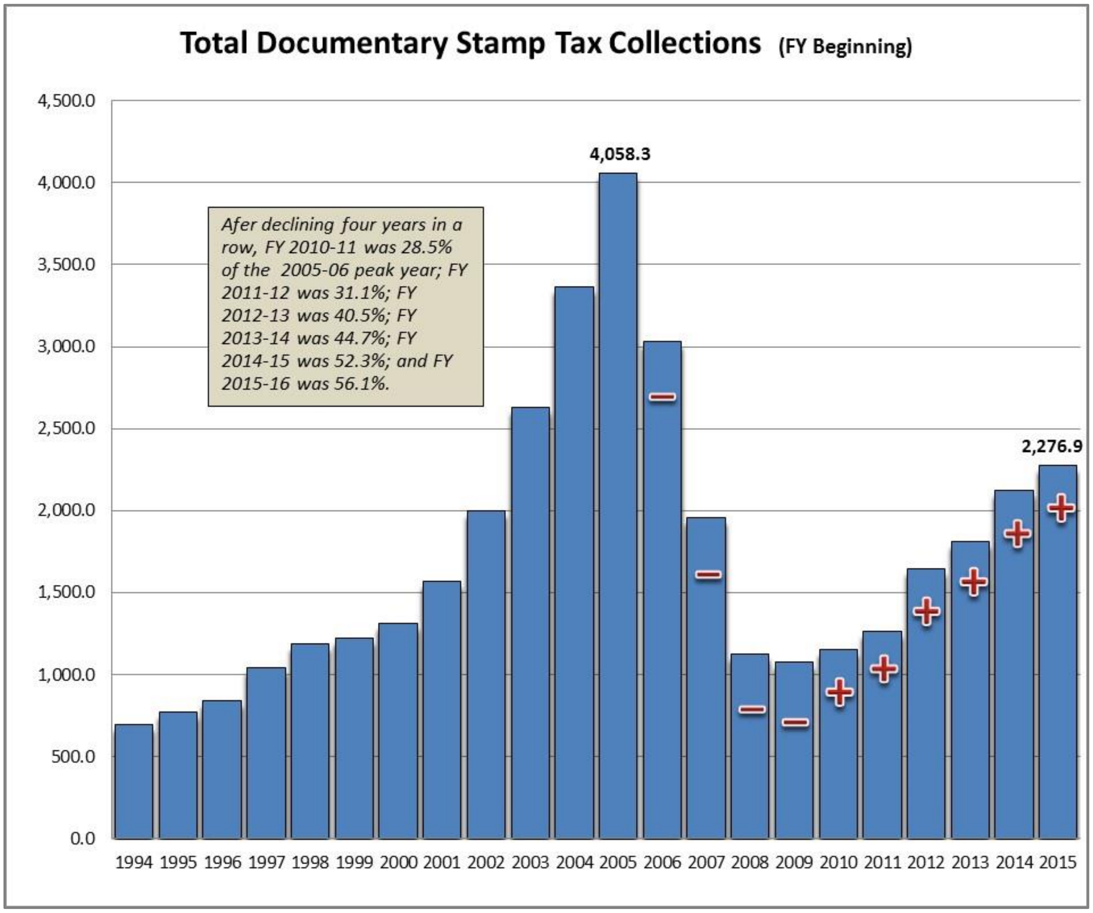
Documentary Stamp Tax:

The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the ***construction industry*** to revive fully. Due to the subdued activity in that area, recent attention has focused more on the market for existing homes as an upstream indicator. However, gains in existing home sales were lower than expected during Fiscal Year 2015-16.

Single-family building permit activity, an indicator of new construction, is back in positive territory, showing a strong growth of 20.3 percent in the calendar year 2015, after a modest 1.6

percent growth in the calendar year 2014. Despite the positive percentage growth in both years, the level is still low by historic standards.

As a result of the still relatively low construction activity and lower-than-expected home sales, Documentary Stamp Tax collections were only 56.1 percent of their prior peak as the 2015-16 fiscal year ended. Even so, this was an improvement over the two previous years which saw collections at 44.7 percent and 52.3 percent of the 2005-06 peak year, respectively.



Currently, the key housing market metrics do not show a return to their peak levels until 2020-21 (total construction expenditures), 2021-22 (median sales price for existing homes) and 2022-23 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; single and multi-family starts) or very late in the period (private nonresidential construction expenditures).

The Conference decreased the forecast for Fiscal Year 2016-17 by $90.5 million from the previous estimate to $2.4 billion. Positive growth is expected to continue throughout the three-year period of the Outlook (2017-18 at 5.6 percent, 2018-19 at 5.0 percent, and 2019-20 at 4.3 percent). These combined growth rates produce anticipated collections of nearly $2.8 billion in Fiscal Year 2019-20. The prior peak level of $4.1 billion is not expected to be reached until Fiscal Year 2031-32.

The following table shows both the new forecast for total collections from the Documentary Stamp Tax and the constitutionally required distribution to the Land Acquisition Trust Fund (LATF).

Documentary Stamp Tax Total Collections					
Long Term Forecast ($ Million)					
Fiscal Year	**Total Doc Stamps**	**Percent Change**	**Total to LATF**	**Debt Service**	**Remainder LATF**
2009-10	1,078.60	-3.93%			
2010-11	1,156.50	7.22%			
2011-12	1,261.60	9.09%			
2012-13	1,643.40	30.26%			
2013-14	1,812.50	10.29%			
2014-15	2,120.80	17.01%			
2015-16	2,276.87	7.36%			
2016-17	**2,415.80**	**6.10%**	794.0	*171.3*	*622.7*
2017-18	**2,551.10**	**5.60%**	838.6	*171.4*	*667.2*
2018-19	**2,678.60**	**5.00%**	880.7	*171.5*	*709.2*
2019-20	**2,793.80**	**4.30%**	918.7	*171.6*	*747.1*
2020-21	**2,891.60**	**3.50%**	951.0	*171.6*	*779.4*
2021-22	**2,989.90**	**3.40%**	983.4	*150.2*	*833.2*
2022-23	**3,100.50**	**3.70%**	1,019.9	*139.3*	*880.6*
2023-24	**3,213.50**	**3.64%**	1,057.2	*119.2*	*938.0*
2024-25	**3,326.90**	**3.53%**	1,094.6	*119.2*	*975.4*
2025-26	**3,437.00**	**3.31%**	1,131.0	*93.8*	*1,037.2*
2026-27	**3,545.00**	**3.14%**	1,166.6	*73.6*	*1,093.1*
2027-28	3,656.39	3.14%	1,203.4	*54.6*	*1,148.8*
2028-29	3,771.29	3.14%	1,241.3	*30.3*	*1,211.0*
2029-30	3,889.79	3.14%	1,280.4	*6.9*	*1,273.5*
2030-31	4,012.02	3.14%	1,320.7	*6.9*	*1,313.8*
2031-32	4,138.09	3.14%	1,362.3	*6.9*	*1,355.4*
2032-33	4,268.12	3.14%	1,405.3	*3.4*	*1,401.8*
2033-34	4,402.23	3.14%	1,449.5	*3.4*	*1,446.1*
2034-35	4,540.57	3.14%	1,495.2	*3.4*	*1,491.7*
2035-36*	4,683.24	3.14%	1,542.2	*3.4*	*1,538.8*
2036-37*	4,830.40	3.14%	1,590.8	*3.4*	*1,587.4*

Highway Safety Fees:

For the 2015-16 fiscal year, total Highway Safety and Motor Vehicle (HSMV) Licenses and Fees revenue collections were mostly on target with the January 2016 forecast, ending the year $11.3 million or 0.5 percent above estimate. This better-than-expected performance came largely from the For Hire Vehicles Base Tag Fees (up $6.2 million or 5.6 percent), Motor Vehicle License Ancillary Fees (up $6.9 million or 4.1 percent), and Red Light Camera revenues (up $9.4 million or 15.5 percent). The overage in Motor Vehicle Ancillary Fees was related mostly to the Trucks/Tractors and For Hire sub-categories.

The weakest categories relative to the estimates were Reinstatements (down $4.9 million or 9.1 percent), Initial Registrations (down $3.9 million or 1.5 percent) and HSMV Plates (down $4.8 million or 2.7 percent). The department attributed the Reinstatement shortfall to an internal programming issue that has since been corrected. The weakness seen in Initial Registrations and HSMV Plates (and to a lesser extent, Private Vehicle Base Tags) reflects the weaker economic outlook for New Private Automobile sales.

The Conference adopted slightly higher revenue estimates in total than the ones adopted in January. The forecast increases the estimate in Fiscal Year 2016-17 by $14.9 million or 0.6 percent and $7.3 million or 0.3 percent in Fiscal Year 2017-18. This positive result was primarily driven by increases in two categories that more than offset the large continuing reduction to HSMV Plates: Red Light Camera and Motor Vehicle License Ancillary Fees. The Conference increased the Red Light Camera category by $9.8 million or 15.9 percent in Fiscal Year 2016-17 and $10.2 million or 16.3 percent in Fiscal Year 2017-18 based on the Fiscal Year 2015-16 receipts. The Motor Vehicle License Ancillary Fees category was increased by $8 million or 4.7 percent in Fiscal Year 2016-17 and by $8.4 million or 4.9 percent in Fiscal Year 2017-18.

The new forecast resulted in the following changes to the three largest funds:

- After adjusting for timing differences and incorporating correcting entries to move $19.3 million of the distribution otherwise due to General Revenue in Fiscal Year 2015-16 to the actual receipt date in Fiscal Year 2016-17, General Revenue was increased by $33.9 million in Fiscal Year 2016-17 and by $6.2 million in Fiscal Year 2017-18;

- Highway Safety Operating Trust Fund was reduced by $2.7 million in Fiscal Year 2016-17 and by $6.5 million in Fiscal Year 2017-18; and

- State Transportation Trust Fund was increased by $24.4 million in Fiscal Year 2016-17 and by $17.2 million in Fiscal Year 2017-18.

Note: Subsequent to the Highway Safety Fees Conference, the Legislative Office of Economic and Demographic Research determined that the Fiscal Year 2015-16 distribution to the State Transportation Trust Fund should have been $9.2 million higher than the amount adopted by the Conference. This adjustment will be made to the appropriate conference packages during the Fall conference season.

Indian Gaming Revenues:

The Revenue Estimating Conference met on July 27, 2016, to adopt new estimates for Indian Gaming revenues. The Conference increased the estimate of Net Win for Fiscal Year 2015-16 based on the most recent quarterly financial reports available from the Tribe. This will result in an additional $2.0 million in revenue share, but it will be received in Fiscal Year 2016-17 as a true-up payment. In addition, growth rates for Net Win in Fiscal Years 2016-17 through 2018-19 were increased slightly, while long-term growth thereafter remains the same as the prior forecast. This results in annual increases to General Revenue of $4.2 million to $5.4 million throughout the forecast. The $5.1 million increase in Fiscal Year 2016-17 consists of two pieces: $3.1 million due to the expected increase in activity level and the $2.0 million true-up payment mentioned above.

The Compact provides that if the authorization for banked card games expires, revenue share payments from all banked card games and all Broward activity shall cease. It also provides that the Tribe has 90 days to cease operation of banked card games. The banked card games authorization expired on July 31, 2015, and the grace period ended October 31, 2015. The adopted forecast includes revenue sharing for banked card games and all Broward activity during the 90-day grace period. Thereafter, it excludes any revenues associated with Broward County and discontinues the receipt of revenue from the operation of banked card games.

At the time of the Conference, the Tribe had continued to operate banked card games and has indicated to staff of the Legislative Office of Economic and Demographic Research that it will continue to submit revenues to the state as though the authorization for banked card games still existed. Accordingly, the Tribe has made revenue share payments in an amount equal to $19.5 million each month and expects to make a true-up payment in the summer. Funds received in excess of the adopted forecast are being held in reserve by the state until the resolution of the current legal dispute regarding the operation of banked card games.

The following table compares the July 2016 and December 2015 forecasts, showing increases in projected revenues each year.

Indian Gaming Revenues (Millions of $)

	Receipts			Local Distribution			Net General Revenue		
	Dec 2015	Aug 2016	Difference	Dec 2015	Aug 2016	Difference	Dec 2015	Aug 2016	Difference
2015-16	215.4	215.4	0.0	7.7	7.7	0.0	207.7	207.7	0.0
2016-17	126.2	131.3	5.1	6.3	6.3	0.0	119.9	125.0	5.1
2017-18	124.4	128.7	4.4	3.7	3.8	0.2	120.7	124.9	4.2
2018-19	126.4	131.4	5.1	3.7	3.9	0.1	122.6	127.5	4.9
2019-20	128.3	133.5	5.2	3.8	3.9	0.2	124.5	129.6	5.1
2020-21	130.3	135.6	5.3	3.9	4.0	0.2	126.5	131.6	5.1
2021-22	132.4	137.7	5.3	3.9	4.1	0.2	128.5	133.6	5.1

Distributions may not sum to the totals due to rounding.
Fiscal Year 2015-16 includes revenues from banked card games during the 90-day grace period.

Tobacco Tax and Surcharge:

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on August 5, 2016, and increased the forecast for both Cigarette revenues and Other Tobacco Products (OTP) revenues from the December 2015 estimates.

Cigarette Tax and Surcharge revenues were $7.3 million over estimate for Fiscal Year 2015-16, resulting in positive year-over-year growth of 1.3 percent compared to Fiscal Year 2014-15. The Conference does not believe that the recent growth in these revenues will persist, as the overall downward trend in cigarette consumption over the past ten years is expected to continue in the future. The adopted forecast keeps revenues in Fiscal Year 2016-17 at about the same level as they were in Fiscal Year 2015-16, which takes into account some users of alternative products switching back to traditional cigarettes in response to the recently enacted federal regulation of e-cigarettes. Revenues thereafter are expected to decline, although at a slower rate than forecast at the December 2015 conference for the 2017-18 and 2018-19 fiscal years.

Other Tobacco Products Tax and Surcharge revenues were $2.3 million over estimate for Fiscal Year 2015-16, resulting in year-over-year growth of 7.5 percent compared to Fiscal Year 2014-15. Even so, the Conference decreased the growth rate in Fiscal Year 2016-17 because it believes that most of the growth spurred by the consumption of premium OTP products (in lieu of less expensive products) had already been realized in Fiscal Year 2015-16. The Conference kept the growth rates in Fiscal Years 2017-18 through 2021-22 the same as the previous forecast. Applied to the now higher base, these growth rates result in $1.6 million to $1.7 million in additional revenues each fiscal year. The following table summarizes the changes in collections and distributions since the last forecast.

[SEE TABLE ON FOLLOWING PAGE]

Tobacco Tax and Surcharge Conference
Comparison of the December 2015 and August 2016 Forecasts

COLLECTIONS							
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Cigarette Tax							
December 2015	274.9	272.7	268.6	264.5	260.6	256.6	
August 2016	280.3	276.2	274.2	270.8	266.7	262.7	258.8
Difference	5.4	3.5	5.6	6.3	6.1	6.1	
Cigarette Surcharge							
December 2015	822.6	815.8	803.6	791.5	779.6	767.9	
August 2016	824.4	826.6	820.5	810.2	798.0	786.1	774.3
Difference	1.8	10.8	16.9	18.7	18.4	18.2	
OTP Tax							
December 2015	31.8	33.2	34.0	34.7	35.4	36.1	
August 2016	32.5	34.2	34.4	35.1	35.8	36.6	37.3
Difference	0.7	1.0	0.4	0.4	0.4	0.5	
OTP Surcharge							
December 2015	76.3	79.7	81.4	83.0	84.8	86.5	
August 2016	77.9	80.3	82.6	84.3	86.0	87.7	89.5
Difference	1.6	0.6	1.2	1.3	1.2	1.2	

DISTRIBUTIONS							
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Health Care Trust Fund							
December 2015	827.0	824.0	814.2	804.6	795.3	786.0	
August 2016	830.0	834.4	830.8	822.9	813.3	803.9	811.1
Difference	3.0	10.4	16.6	18.3	18.0	17.9	
General Revenue Service Charge							
December 2015	93.9	93.4	92.3	91.1	90.0	89.0	
August 2016	94.6	94.6	94.2	93.2	92.1	90.9	89.8
Difference	0.7	1.2	1.9	2.1	2.1	1.9	
General Revenue Excise Tax							
December 2015	151.7	150.3	147.8	145.3	142.9	140.5	
August 2016	155.0	152.5	151.2	149.1	146.7	144.2	141.8
Difference	3.3	2.2	3.4	3.8	3.8	3.7	
OTP General Revenue Tax							
December 2015	31.8	33.2	34.0	34.7	35.4	36.1	
August 2016	32.5	34.2	34.4	35.1	35.8	36.6	37.3
Difference	0.7	1.0	0.4	0.4	0.4	0.5	
Total GR Distributions							
December 2015	277.4	276.9	274.1	271.2	268.3	265.6	
August 2016	282.1	281.2	279.8	277.5	274.6	271.7	268.9
Difference	4.7	4.3	5.7	6.3	6.3	6.1	
All Other Funds							
December 2015	101.3	100.6	99.3	98.0	96.8	95.6	
August 2016	102.8	101.7	101.0	100.0	98.7	97.5	96.2
Difference	1.5	1.1	1.7	2.0	1.9	1.9	

Major Trust Funds

Educational Enhancement Trust Fund, Lottery, and Slots:

Dedicated to educational programs, the Educational Enhancement Trust Fund (EETF) contains revenue primarily derived from Florida Lottery ticket sales and taxes on Slot Machine revenues. Because these sources are so different, they are estimated separately.

The Revenue Estimating Conference reviewed Lottery revenues on July 27, 2016. Total ticket sales were $288.4 million over estimate for Fiscal Year 2015-16 primarily due to excess sales associated with a record-setting Powerball jackpot. Most other games were also slightly over estimate by between $5.0 million and $16.6 million, with the exception of the daily games (Cash 3 and Play 4), which were under estimate by $15.0 million. The Conference increased the overall sales forecast by $95.3 million in Fiscal Year 2016-17 and by $47.8 million to $55.8 million in subsequent fiscal years. This equates to an increase in transfers to the EETF from ticket sales of $55.2 million in Fiscal Year 2016-17 and between $31.7 million and $33.8 million thereafter. There is also a one-time adjustment to the EETF transfer because the normal June 2016 EETF transfer did not occur due to a processing error; the transfer will be made in July 2016, which shifts $90.6 million from Fiscal Year 2015-16 to Fiscal Year 2016-17.

Scratch-off ticket sales were $6.4 million over estimate for Fiscal Year 2015-16, resulting in 6.2 percent growth over prior fiscal year, which was very close to the 6.0 percent growth projected in the December forecast. The growth rates going forward remain much more modest at around the 1.5 percent level, as the Conference continues to believe that the very strong growth rates seen over the past several years are not sustainable long-term.

Actual Powerball ticket sales were $254.4 million over estimate for Fiscal Year 2015-16 due to excess sales attributed to a record-setting jackpot amount. Ticket sales in Fiscal Year 2016-17 are expected to be much lower compared to Fiscal Year 2015-16, as the Conference cannot count on the recurrence of a jackpot of that size within any specific future year. The adopted forecast does increase sales by between $33.6 million and $35.4 million for the 2016-17 through 2020-21 fiscal years compared to prior forecast. Mega Millions ticket sales were $16.6 million over estimate for Fiscal Year 2015-16, also due to a relatively large jackpot in June which is continuing to roll into July and Fiscal Year 2016-17—leading the Conference to increase the forecast in Fiscal Year 2016-17 by $24.8 million and then grow at a modest 1.0 percent thereafter.

Lotto ticket sales for Fiscal Year 2015-16 were $13.4 million over estimate, which resulted in a much lower year-over-year decline in the game than previously expected. The Conference added about $6 million each fiscal year to the lotto forecast as it continues to try to find the new steady state level of sales for this game. Ticket sales for Lucky Money and Fantasy Five were $5.0 and $5.7 million over estimate for Fiscal Year 2015-16. The Conference kept the current forecast growth rates for both games, resulting in an additional $5.0 to $5.8 million in sales each year.

Beginning August 1, 2016, the Lottery is launching a new family of Pick Games that includes Cash 3 and Play 4 which will be renamed Pick 3 and Pick 4 and introduces two similar new games called Pick 2 and Pick 5. The Conference forecasted all of the Pick Games together as a group, essentially first looking baseline level of sales, which was reduced due to recent lower levels of sales in Cash 3 and Play 4 and then considering the net new sales that would result from the additional games. The result is actually an increase in sales of $6.5 million in Fiscal Year 16-17 and then a slight decrease in sales thereafter. The details of the forecast and changes are shown in the following table.

EETF Receipts from Ticket Sales	**2015-16**	1472.7	1511.4	38.7
	2016-17	1484.8	1630.0	145.1
	2017-18	1506.1	1539.2	33.1
	2018-19	1553.6	1586.2	32.6
	2019-20	1539.4	1575.8	36.4
	2020-21	1565.1	1596.2	31.1
	2021-22		1565.1	
Other Income	**2015-16**	11.0	12.3	1.3
	2016-17	10.8	11.1	0.3
	2017-18	10.6	11.1	0.5
	2018-19	10.6	11.1	0.5
	2019-20	10.6	11.1	0.5
	2020-21	10.6	11.1	0.5
	2021-22		11.1	
80% unclaimed prizes	**2015-16**	38.1	58.3	20.2
	2016-17	38.8	39.1	0.4
	2017-18	39.3	39.5	0.2
	2018-19	39.8	40.0	0.2
	2019-20	40.4	40.5	0.2
	2020-21	40.9	41.0	0.1
	2021-22		41.5	
Distribution to EETF from Lottery Receipts	**2015-16**	1521.8	1582.0	60.1
	2016-17	1534.4	1680.2	145.8
	2017-18	1556.0	1589.8	33.8
	2018-19	1604.0	1637.3	33.3
	2019-20	1590.4	1627.4	37.0
	2020-21	1616.6	1648.3	31.7
	2021-22		1716.2	

The Revenue Estimating Conference reviewed slot machine revenues on July 27, 2016. Tax collections for Fiscal Year 2015-16 were $3.7 million below estimate. While revenues generated at most facilities met or exceeded expectations, there were two exceptions. Revenues generated by the newly re-opened Dania facility were significantly below the forecast, and the anticipated revenue growth at Pompano did not materialize as anticipated. Accordingly, the Conference decreased projections from the December 2015 conference by between $4.3 million and $5.2 million in Fiscal Years 2016-17 through 2020-21, reflecting the expectation that the lower revenues from Dania and Pompano will persist into the future. The details of the forecast and changes are shown in the following table.

Slot Machines Tax Collections			
Millions of $			
	December 2015	July 2016	Difference
2015-16	191.0	187.3	-3.7
2016-17	195.4	191.1	-4.3
2017-18	198.7	193.9	-4.8
2018-19	201.5	196.6	-5.0
2019-20	204.4	199.4	-5.0
2020-21	207.2	202.0	-5.2
2021-22		204.4	

For Fiscal Year 2016-17, the **EETF** has a projected positive balance of $276.0 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact, which are deposited in the General Revenue Fund. Excluding the $276.0 million that will be carried forward into Fiscal Year 2017-18, all other revenues in the EETF are expected to increase modestly in Fiscal Years 2017-18 and 2018-19 before decreasing slightly in Fiscal Year 2019-20.

State School Trust Fund and Unclaimed Property:

Used exclusively to meet public school needs, the State School Trust Fund (SSTF) contains revenue primarily derived from unclaimed property (sometimes referred to as abandoned property). The projection of receipts from unclaimed property and the subsequent distribution into the SSTF were revised July 21, 2016, by the Revenue Estimating Conference.

The Conference reviewed actual state receipts and refunds to owners of abandoned property for Fiscal Year 2015-16. Receipts totaled $471.5 million, which is $44.4 million (10.4 percent) over the estimate of $427.1 million. Most of the overage is the result of a one-time receipt of $37.7 million associated with the federal Independent Foreclosure Review. Refunds were also higher than expected by $3.1 million. The transfer to the SSTF was $175.6 million, an increase of $19.0 million over the estimate of $156.6 million. Because the large payment referenced above was received in late June, the Department of Financial Services ended the year with $33.9 million in reserve, which is $18.9 million more than the allowable $15 million ending balance. The forecast assumes the excess retained funds will be transferred to the SSTF in Fiscal Year 2016-17.

For Fiscal Year 2016-17 and thereafter, the Conference assumed 5.0 percent annual growth in receipts and increased the refunds rate to 66.4 percent based on Fiscal Year 2015-16 actual refunds. The refunds rate is applied to the average of the two prior years of receipts (excluding atypical receipts). Using these assumptions, the Conference adopted an estimate of $455.4 million in receipts and $285.7 million in refunds for Fiscal Year 2016-17 and $478.1 million in receipts and $295.1 million in refunds for the 2017-18 fiscal year. On net, this produced projected transfers to the SSTF that were very similar to the old forecast, but Fiscal Year 2016-17 will see an additional bump from the transfer of the excess retained funds from Fiscal Year 2015-16.

The current year (2016-17) funds available estimate for the trust fund is $261.9 million. In Fiscal Year 2017-18, $175.1 million is expected to be transferred from the Unclaimed Property Trust Fund to the SSTF. Including unspent (nonrecurring) funds from Fiscal Year 2016-17 of approximately $46.6 million and $2.8 million in nonoperating revenue and interest earnings, a total of $224.6 million will be available for expenditure in Fiscal Year 2017-18.

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 receives the settlement payments; funds are currently used for programs in the Health and Human Services area. The Revenue Estimating Conference met on August 5, 2016, to adopt a new forecast of settlement payments. At the previous Conference, an anomaly had been noted in the Fiscal Year 2015-16 calculation of the Florida Volume Share of the U.S. Volume that was carried throughout the forecast period, causing a reduction in future expected payments. In the intervening time, the Legislative Office of Economic and Demographic Research has worked with the Office of the Attorney General to determine that the annualized value of the underlying problem is expected to be $30 million per year. Currently, the Attorney General's Office is seeking a mechanism to recover those dollars; however, due to the lack of an immediate resolution, the Conference has removed those dollars from the forecast each year.

After taking account of this and all other changes (most of which are modest), the overall forecast for settlement payments was reduced by $16.5 million in Fiscal Year 2016-17, and by similar amounts each year thereafter. The current year (2016-17) funds available estimate for the trust fund is $363.2 million. In Fiscal Year 2017-18, $359.4 million is expected from all payments and profit adjustments as well as $3.7 million in transfers from the Lawton Chiles Endowment Fund. Including $29.1 million of unspent (nonrecurring) funds from Fiscal Year 2016-17 and $0.4 million in interest earnings, a total of $392.6 million will be available for expenditure in Fiscal Year 2017-18. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation will be deducted from the trust fund as an expenditure and is estimated to be $68.9 million for Fiscal Year 2017-18.

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 stronger than currently projected.

State Transportation Trust Fund and Transportation Revenue:

The Revenue Estimating Conference met on August 5, 2016, to consider the forecast of revenues flowing into the State Transportation Trust Fund (STTF). Including the estimates for Fiscal Year 2016-17, overall revenues to the STTF Work Program period ending in Fiscal Year 2021-22 were increased by $88.5 million or 0.4 percent. This increase in the estimate is mainly driven by the updated MVL-Related estimates that were adopted by the July 28, 2016, Highway Safety Fees Conference.

For revenues from fuel taxes, the overall forecast was shaped by recent changes in the consumption of motor fuel and other fuels (diesel, aviation, and off-highway fuel), changes in the projected fuel tax rates, decreases in fuel prices and changes to the Aviation Fuel Refund forecast for Fiscal Year 2016-17 and forward. The projection for revenues from all types of fuel was decreased by $33.0 million or 0.2 percent over the entire work program. Within the total for fuel-related taxes, Highway Fuel Sales Tax saw the largest single-source decrease; these revenues were reduced by $12.8 million or 0.1 percent, mostly due to changes in the fuel tax rate. Revenues from the Aviation Fuel Tax and the Off-Highway Fuel Sales Tax were both revised downward for a combined loss of $21.9 million or 7.9 percent to the prior estimate over the work program period. Expected receipts from the SCETS Tax were virtually unchanged, but slightly positive.

The Local Option Distribution over the work program was increased by $0.6 million or 0.2 percent over the prior forecast. These changes primarily reflect the new motor fuel and diesel fuel forecasts. The Rental Car Surcharge projection was increased by $19.7 million (2.2 percent) over the work program period.

For motor vehicle license and registration related fees, the forecasts were previously adopted by the Highway Safety Fees Conference held July 28, 2016. In this work program period, all receipts to the STTF from motor vehicle related licenses and fees were increased by $101.2 million or 1.4 percent over the entire work program. Motor Vehicle Licenses are up by $101.9 million, Initial Registrations are down $6.4 million, Title Fees are down $3.5 million, and Motor Carrier Compliance Penalties are up $9.3 million over the work program period.

Other Revenue Sources that Primarily Support Education

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 2017 certified school taxable value is now estimated to be $1,876.03 billion. This represents an addition of $14.84 billion or a 0.8 percent increase from the December 2015 forecast ($1,861.19 billion) and reflects the stronger than anticipated level of taxable value for school purposes reported on July 11, 2016. At 96 percent, the value of one mill in 2017 is projected to be $1,800.99 million.

Florida's housing market continues to drive the shape of the overall forecast. Recent residential data from the Federal Housing Finance Agency price index shows significant value growth in all parts of the state, especially in south and central region. The new forecast is premised on the belief this value growth will continue, although the pace will notably moderate over the next few years. While starting from lower gains in 2016, nonresidential appreciation is expected to have a very similar shape. Conversely, new construction is expected to strengthen slightly in the near-term before stabilizing over the remainder of the forecast period. These expectations are in line with the forecast adopted by the Florida Economic Estimating Conference.

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, 2017 is projected to be $1,709.7 billion. On an annual basis, this represents an increase of $11.88 billion or a 0.7 percent increase from the December 2015 forecast ($1,697.82 billion).

July 1, 2017 Certified School Taxable Value

(*billions of dollars*)	Actual July 1, 2016 Certified School Taxable Value	Dec 2015 Estimate of July 1, 2017 Certified School Taxable Value	Aug 2016 Estimate of July 1, 2017 Certified School Taxable Value	Change in Estimates (Dec 15 vs Aug 16)	$ Change from Actual	% Change from Actual
School Taxable Value	1,771.79	1,861.19	1,876.03	14.84	104.24	5.88%
Real Property	1,659.45	1,742.99	1,761.96	18.97	102.51	6.18%
Personal Property	110.76	116.60	112.42	-4.18	1.66	1.50%
Centrally Assessed Property	1.57	1.60	1.64	0.05	0.07	4.50%
Value of one mill at 96 percent	1.70	1.79	1.80	0.01	0.10	5.88%

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

January 1, 2017 County Taxable Value

(billions of dollars)	Actual 2016 Taxable Value	Dec 2015 Estimate of January 1, 2017 County Taxable Value	Aug 2016 Estimate of January 1, 2017 County Taxable Value	Change in Estimates (Dec 15 vs Aug 16)	$ Change from Actual	% Change from Actual
County Taxable Value	1,608.28	1,697.82	1,709.70	11.88	101.41	6.31%
Real Property	1,495.95	1,579.62	1,595.63	16.01	99.68	6.66%
Personal Property	110.76	116.60	112.42	-4.18	1.66	1.50%
Centrally Assessed Property	1.57	1.60	1.64	0.05	0.07	4.50%

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

<u>Gross Receipts Tax and Communications Services Tax</u>

The Revenue Estimating Conference met on July 28, 2016, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. For Fiscal Year 2015-16, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were equal to projections and collections of the State Sales Tax on Communications Services were nearly $9.0 million higher than expected. Compared to the December 2015 conference results, the new forecast for the Gross Receipts Tax is slightly lower for Fiscal Years 2016-17 and 2017-18, but then exceeds the prior estimates throughout the remainder of the forecast period. The revisions for both Fiscal Year 2016-17 and Fiscal Year 2017-18 are heavily influenced by the settlement reached in In re: AT&T Mobility Wireless Data 265 Services Sales Litigation, 270 F.R.D. 330, (Aug. 11, 2010). This settlement addresses the refunding of certain taxes on internet access services collected and remitted by AT&T from November 1, 2005, through September 7, 2012. The overall cash impact of the pending refund requests totals $145.0 million. They will reduce the Gross Receipts Tax receipts by $23.97 million, the State Communications Services Tax receipts by $68.76 million, and the Local Communications Services Tax receipts by $52.27 million.

The changes to the Gross Receipts Tax feed directly into the dollars available for appropriation from the Public Education Capital Outlay and Debt Service (PECO) Trust Fund. The new forecasts are detailed in the table on the following page.

[SEE TABLE ON FOLLOWING PAGE]

Gross Receipts Tax – All Sources ($ in millions)				Communications Services Tax – State Sales Tax Component* ($ in millions)		
Fiscal Year	July Estimate	Diff from Dec Forecast	% Change from Dec Forecast	July Estimate	Diff from Dec Forecast	% Change from Dec Forecast
2016-17	1,145.38	-21.41	-1.83%	600.00	-39.45	-6.17%
2017-18	1,180.64	-0.68	-0.06%	638.75	4.12	0.65%
2018-19	1,208.41	4.05	0.34%	649.42	18.87	2.99%
2019-20	1,233.05	6.46	0.53%	647.57	20.14	3.21%
2020-21	1,257.73	9.63	0.77%	646.18	21.12	3.38%
2021-22	1,282.51	12.34	0.97%	645.46	21.85	3.50%

The CST State Tax Component Includes Direct-to-Home Satellite

Gross Receipts Tax on Utilities... In the preliminary data for Fiscal Year 2015-16, total electricity consumption was higher than initially expected. The residential sector appeared to grow at an annual rate of 1.29 percent, while the commercial sector had a slightly faster pace of 1.54 percent. The consumption forecasts for these sectors in Fiscal Year 2016-17 assume growth of 2.19 percent and 1.94 percent, respectively. Conversely, downward adjustments were made to industrial consumption and prices in all three sectors that continued throughout the forecast horizon. Over the longer-term, the positive consumption changes largely outweighed the negative price adjustments.

For natural gas, consumption appeared to be close to forecast in Fiscal Year 2015-16 with a decline of 3.77 percent in the residential sector and growth of 1.00 percent in the commercial sector. For Fiscal Year 2016-17, the estimates assume growth in these sectors of 0.46 percent and 2.20 percent, respectively. Prices in Fiscal Year 2016-17 are expected to move in opposing directions—increasing 1.69 percent in the residential sector and declining 6.69 percent in the commercial sector. Over the longer-term, prices for both sectors were reduced. For Fiscal Year 2016-17, the electricity forecast for the component subject to the 2.50 percent tax rate was decreased by $1.56 million; revenue from the recent legislation affecting commercial electricity was reduced by $1.27 million; and, the gas forecast was decreased by $1.71 million.

State Communications Services Tax, Including Direct-to-Home Satellite Service (CST)... Last year, the Revenue Estimating Conference made a number of adjustments to the conference package to more closely align the different services with the process used to develop the forecast. The estimates for Gross Receipts CST and Sales CST are now produced by examining the major CST tax bases. Essentially, the overall forecast relies on generating separate growth rates for the cable, wireless, landline (residential and commercial), miscellaneous services, and direct-to-home satellite tax bases.

The cable base, given its relative size and projected growth ranging between 2.16 percent and 1.86 percent, is the primary positive driver of CST growth. Conversely, wireless growth rates are expected to stay negative in accordance with the current trend data. The weakest base is landline, which is forecasted to decline 3.50 percent in Fiscal Year 2016-17 and then around 3.50 percent to 3.15 percent per annum. The tax base for miscellaneous services is expected to experience higher growth (4.18 percent in Fiscal Year 2016-17) than the cable base. The base for direct-to-home satellite services is forecasted to grow moderately over the longer term (averaging 1.84 percent), after faster short-term growth of 3.21 percent and 2.96 percent in Fiscal Year 2016-17 and Fiscal Year 2017-18. Ultimately, growth is expected to move in a narrow band between 1.33 percent and 1.57 percent annually.

Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37 percent is applied to the cable, wireless, landline, and miscellaneous services tax bases. Second, an additional tax rate of 0.15 percent is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 18 percent of total direct-to-home satellite collections, comprise total Gross Receipts CST collections.

The tax rate for Sales CST was recently reduced from 6.65 percent to 4.92 percent. Sales CST Collections are generated by applying a recently reduced tax rate of 4.92 percent against the cable, wireless, landline and miscellaneous services tax bases, coupled with 44.32 percent of total direct-to-home satellite collections. The landline tax base is reduced by the residential household telephone exemption for Sales Tax CST. Because the weakening landline base impacts Gross Receipts CST to a greater degree than Sales CST, Sales CST has stronger growth rates.

Direct-to-home satellite service is taxed at an 11.44 percent rate, recently reduced from 13.17 percent. The tax revenue is distributed between Gross Receipts CST, Sales CST, and local governments.

Local Communications Service Tax... The local CST forecast applies an average local CST tax rate of 5.0 percent to the four major bases (cable, wireless, landline, and miscellaneous services). Like the CST forecasts for Gross Receipts and Sales, the local forecast is expected to decline because of the reduction in the wireless base.

Public Education Capital Outlay and Debt Service (PECO) Trust Fund:

The PECO program provides funding for educational facilities construction and fixed capital outlay needs for school districts, the Florida College System, the State University System, and other public education programs. The Revenue Estimating Conference met to adopt new estimates on August 19, 2016.

During the 2016 Session, the Legislature appropriated a total of $678.54 million in PECO projects, $350.24 million from cash and $328.30 million from bonds. Subsequently, $53.25 million of the projects were vetoed, resulting in a total appropriation amount of $625.29 million. The vetoes were taken from the bonding amount, rather than cash, so the resulting breakdown after vetoes is $275.05 million in bonds and $350.24 million in cash. The Fiscal Year 2016-17 General Appropriations Act is the first budget to authorize new PECO bonding since 2010.

The August 2016 PECO forecast was updated to include actual revenues and expenditures through June 2016, the July 2016 Gross Receipts Tax revenue forecast, revised expected project disbursements, updated bond rates and interest rates, and the latest debt service schedule that includes savings from refinancing activity and issuance of the first piece of the new money bonds.

The following tables show the estimated amount available for appropriation to the PECO program under two different scenarios. The first scenario shows maximum cash appropriations assuming no new bonding. The second scenario shows the maximum bonding capacity.

Maximum Possible PECO Trust Fund Appropriation – No Bonding

$ in millions		Jan 2016 REC No Bonding	Aug 2016 REC No Bonding	difference
FY16-17	Actual Appropriation	368.9	625.3	256.4
	Bonds	-	275.1	275.1
	Cash	368.9	350.2	(18.7)
FY17-18	Cash Available	353.1	372.8	19.8
FY18-19	Cash Available	371.6	371.2	(0.4)
FY19-20	Cash Available	394.7	397.1	2.4
FY20-21	Cash Available	398.9	404.4	5.4
FY21-22	Cash Available	412.1	420.3	8.3

Maximum Possible PECO Trust Fund Appropriation – With Maximum Bonding

$ in millions		Jan 2016 REC Maximum Bonding	Aug 2016 REC Maximum Bonding	difference
FY16-17	Actual Appropriation	2,793.2	625.3	(2,167.9)
	Bonds	2,566.1	275.1	(2,291.0)
	Cash	227.1	350.2	123.1
FY17-18	Maximum Available	232.5	2,868.6	2,636.1
	Bonds	-	2,623.5	2,623.5
	Cash	232.5	245.1	12.6
FY18-19	Maximum Available	434.1	311.9	(122.2)
	Bonds	197.5	62.6	(134.9)
	Cash	236.6	249.3	12.7
FY19-20	Maximum Available	483.5	483.4	(0.1)
	Bonds	254.8	228.8	(26.0)
	Cash	228.7	254.6	25.9
FY20-21	Maximum Available	491.0	664.8	173.9
	Bonds	294.2	445.7	151.5
	Cash	196.8	219.1	22.4
FY21-22	Maximum Available	470.3	535.5	65.2
	Bonds	285.8	336.1	50.3
	Cash	184.5	199.4	14.9

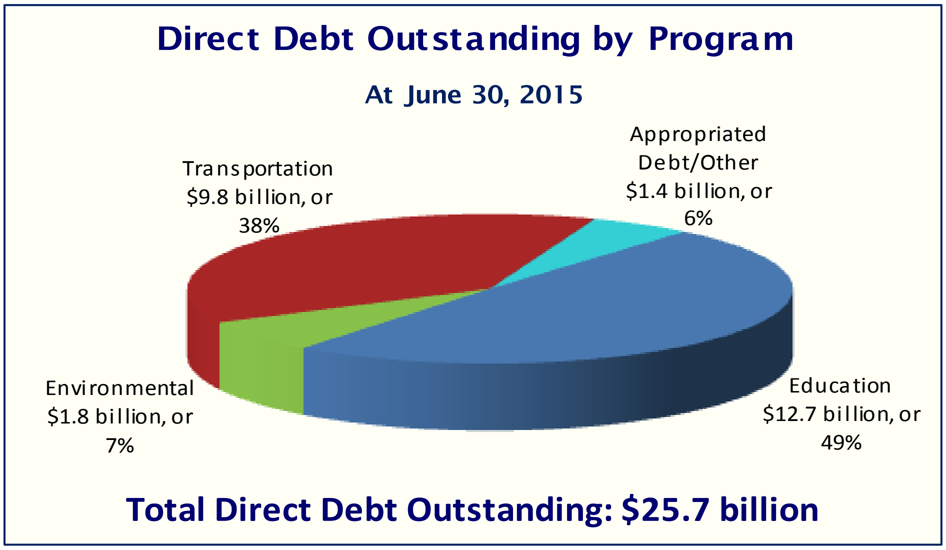
Florida Debt Analysis

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's debt service payment is too high relative to its expected revenues, any additional debt financings could impact the state's credit rating and its borrowing cost. As a component of this analysis, Florida law designates a benchmark debt ratio, calculated as the annual debt service as a percentage of available revenues, and establishes a six percent target as well as a seven 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 *2015 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2014, to June 30, 2015. Florida's peer group and national median comparisons have been updated to reflect more current information. The Division of Bond Finance will release the *2016 Debt Affordability Report* in December 2016.

Debt Outstanding

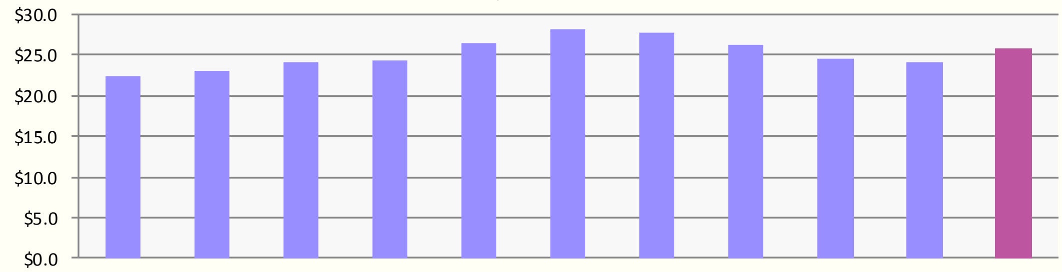
Total state direct debt outstanding was $25.7 billion at June 30, 2015; approximately $1.5 billion more than the prior fiscal year due to the I-4 Ultimate public-private partnership project. Net tax-supported debt for programs supported by state tax revenues or tax-like revenues totaled $21.6 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.1 billion. Additionally, indirect state debt at June 30, 2015, was approximately $11.6 billion, $600 million less than the previous year-end. Indirect debt is either not secured by traditional state revenues or is an obligation of a legal entity other than the state. Indirect debt has become a more significant part of the state's overall debt profile due to borrowings by insurance-related entities such as Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund Finance Corporation; however, indirect debt is not included in state debt ratios or the debt affordability analysis.



Decrease in Debt

Total state debt increased from $21.2 billion in Fiscal Year 2003-04 to $28.2 billion in Fiscal Year 2009-10. Reversing the long-term trend of increases, total state debt declined by approximately $4.0 billion to $24.2 billion over the four-year period running from July 2010 to June 2014: $500 million in Fiscal Year 2010-11, $1.5 billion in Fiscal Year 2011-12, $1.6 billion in Fiscal Year 2012-13, and $400 million in Fiscal Year 2013-14. However, total state direct debt outstanding at June 30, 2015, increased to $25.7 billion. This was $2.5 billion less than the $28.2 billion in Fiscal Year 2009-10.

Historical Total Direct Debt Outstanding
Fiscal Years 2005 through 2015
(In Billions of Dollars)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Outstanding	$22.5	$23.0	$24.1	$24.3	$26.4	$28.2	$27.7	$26.2	$24.6	$24.2	$25.7
Annual Change	-	0.6	1.1	0.2	2.1	1.8	(0.5)	(1.4)	(1.6)	(0.4)	1.5
% Change	-	2.5%	4.6%	0.7%	8.8%	6.7%	(1.7)%	(5.2)%	(6.2)%	(1.5)%	6.2%

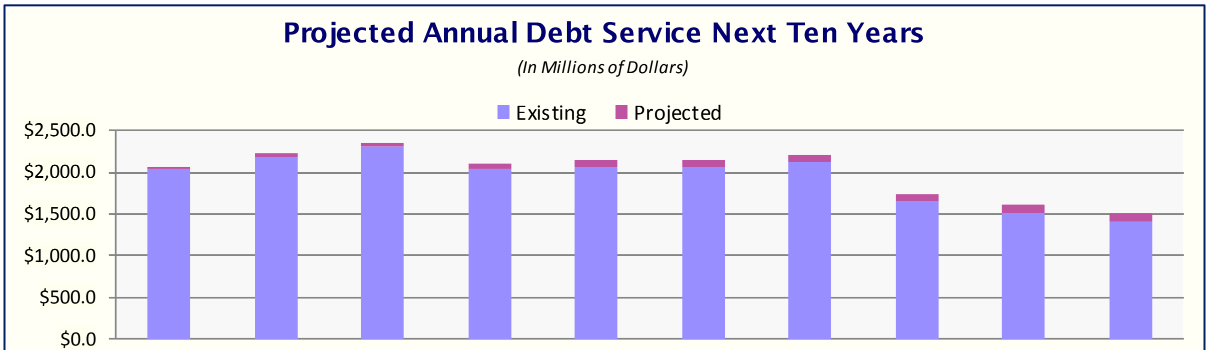
Estimated Debt Issuance

Approximately $1.3 billion of debt was projected to be issued over the next ten years for all of the state's currently authorized financing programs in the *2015 Debt Affordability Report*. This estimate was approximately $2.8 billion less than future debt issuance projected at June 30, 2014. The decrease primarily resulted from moving the I-4 Project from "projected" to actual state debt as the P3 Agreement was signed in Fiscal Year 2014-15.

During the 2014 Session, the Legislature passed House Bill 5601, which reduces the sales tax rate for electrical power by 2.65 percent and increases the gross receipts tax rate on electricity by 2.6 percent. This change increases PECO bonding capacity; however no additional issuance is factored into the projected issuance or benchmark debt ratio analysis included in the *2015 Debt Affordability Report* notwithstanding the subsequent legislative approval to issue $275 million in PECO bonds in the 2016 Legislative Session. (See the PECO discussion in the Revenue Projections section of the Outlook for additional detail.)

Estimated Annual Debt Service Requirements

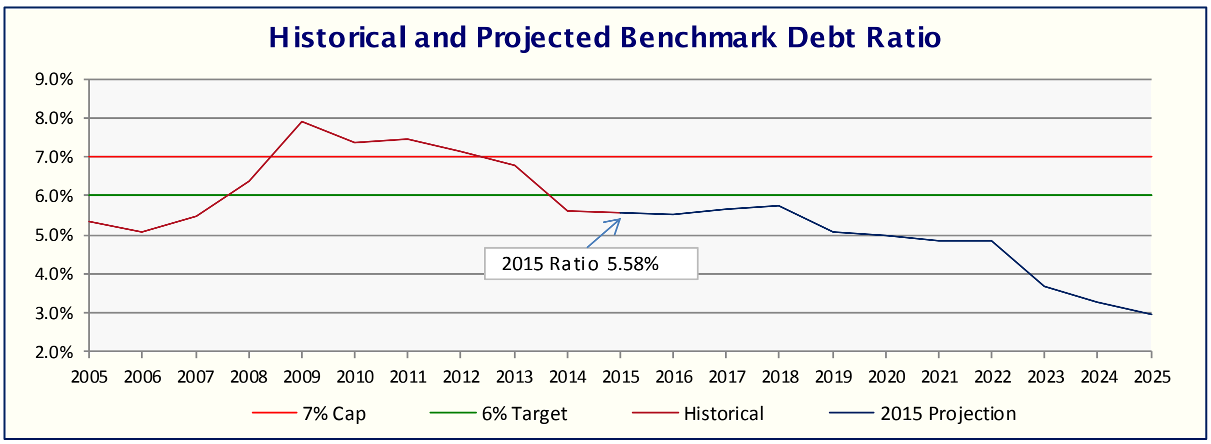
Annual debt service is expected to remain at approximately $2.0 billion in Fiscal Year 2015-16 and increase in Fiscal Year 2016-17 to approximately $2.2 billion and to approximately $2.3 billion in Fiscal Year 2017-18, reflecting an increase in mandatory payments on the Department of Transportation's existing long-term P3 contracts including the I-4 Ultimate contract.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Existing	$ 2,044.2	$ 2,186.8	$ 2,300.8	$ 2,043.5	$ 2,065.4	$ 2,069.8	$ 2,128.9	$ 1,646.5	$ 1,517.9	$ 1,416.4
Projected	6.6	30.6	53.6	62.4	70.3	76.6	84.7	84.7	84.8	84.7
Total	$ 2,050.8	$ 2,217.4	$ 2,354.4	$ 2,105.9	$ 2,135.8	$ 2,146.4	$ 2,213.6	$ 1,731.2	$ 1,602.6	$ 1,501.1

Debt Ratios

The state's benchmark debt ratio of debt service to revenues available to pay debt service remained at 5.6 percent for Fiscal Year 2014-15. As projected, the benchmark debt ratio is expected to remain below the six percent policy target through Fiscal Year 2019-20. The projected benchmark debt ratio could increase if revenues do not grow as anticipated or additional debt is authorized.



Benchmark Debt Ratio Projection

	Actual 2014	Actual 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015 Projection	5.60%	5.58%	5.51%	5.68%	5.76%	5.07%	4.99%	4.83%	4.83%	3.66%	3.28%	2.97%

A comparison of debt ratios to national and peer group averages indicates that Florida's debt ratios are generally higher than the national average but lower than the peer group averages across all metrics. The state's ranking among the eleven-state peer group has steadily improved over the last ten years. The state moved from fifth to seventh highest for the ratio of debt service to revenues within the peer group; moved from sixth to eighth highest in debt per capita; and moved from sixth to seventh highest for debt as a percentage of personal income. The state remained ranked fifth highest for the ratio of net tax-supported debt as a percentage of State Gross Domestic Product (GDP), an additional metric for comparison.

2015 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.58%	$1,085	2.46%	2.51%
Peer Group Mean	5.47%	$1,647	3.40%	2.94%
National Median	5.30%	$1,012	2.60%	2.21%

Source: *Moody's 2016 State Medians Report* for all states except Florida which is from the 2015 Debt Affordability Study analysis

Overview of the State's Credit Ratings

The state maintained its credit ratings during the past year: Standard and Poor's affirmed the state's General Obligation rating at AAA, Fitch Ratings affirmed the state's rating at AAA, and Moody's Investors Service affirmed the state's rating of Aa1, all with stable outlooks. Rating agencies continue to recognize the state's conservative fiscal management and budgeting practices and adequate reserves as credit strengths. Over the near term, rating agencies will continue to monitor how Florida's economic recovery affects revenue estimates and the state's ability to maintain adequate reserves, structural budget balance, and the state's adherence to responsibly funding the pension system.

The rating agencies and investors continue to place increasing awareness on the financial challenges presented by defined benefit retirement systems. The status of pension funding continues to be an important aspect of credit rating analysis and assigning credit ratings. The metrics used by the rating agencies to evaluate pension liabilities are similar to the traditional metrics used to evaluate debt obligations. Moody's Investors Service published a report on adjusted pension liabilities for states in January 2016. Florida compared favorably to other states in all Moody's metrics as one of the lowest for the adjusted net pension liability (ANPL). One of Moody's most important points was that contributions remain low in most cases relative to amounts needed to begin reducing unfunded liabilities under assumed investment return conditions.

In a recently released publication, Fitch Ratings also notes that the median funded ratio for major statewide systems remain nearly unchanged in 2014 at 71.5 percent, remaining well under the prerecession high of 84.7 percent. Although Florida did not fully fund the actuarially required contribution in Fiscal Year 2012-13, it restored full funding for Fiscal Years 2013-14, 2014-15, 2015-16, and 2016-17. In the same article, Fitch reports that the median calculation for states' long-term liabilities (when combining net tax-supported debt and the unfunded pension liability) is 5.8 percent of each state's personal income. This metric for Florida is 3.3 percent, well below the national median and ranking Florida 10th among the states.

General Fund Reserves

The ratings agencies characterize the state's level of reserves as satisfactory (Fitch) to strong (Moody's and S&P). Maintenance of adequate reserves is an important part of the state's rating; however, since Florida's General Revenue is primarily dependent upon sales tax which tends to be more sensitive to economic weaknesses, maintaining strong reserves is also fiscally prudent.

Recently, Moody's and S&P have published reports on fiscal resilience of U.S. states and ability to withstand recession scenarios. S&P reported that states with more volatile revenue bases, such as Florida, necessitate relatively larger budget reserves to achieve the same budgetary protection from recessionary conditions as states with more stable revenues. According to S&P, although economic indicators in Florida would drop by relatively wide margins under a recession stress simulation, the state's accumulation of strong budgetary reserves bolsters its position in the event of a downturn. Additionally, Fitch revised their rating criteria for state ratings in January 2016 and incorporated a revenue sensitivity model into their analysis. The results of Fitch's model indicate that Florida would sustain a fairly steep drop-off in revenues in a moderate recession scenario, which would suggest maintenance of adequate reserve levels as an important credit factor.

The Director of Florida's Division of Bond Finance has noted that in each of the last two fiscal years, the level of the state's total reserves has been reduced to fund the state's budget. His belief is that continuing to maintain adequate reserves in the future is prudent given the potential volatility in state revenues and the importance to the state's credit rating.

Planned Expenditures from Estimated Funds

Recurring ($ millions)	2016-17	2017-18	2018-19	2019-20
General Revenue	29,467.6	30,578.4	32,632.4	34,318.3
annualization		*39.6*	*0.0*	*0.0*
change from drivers		*1,071.2*	*2,054.0*	*1,685.9*
Educational Enhancement TF	1,739.6	2,012.1	1,845.4	1,841.3
change from drivers		*272.5*	*(166.7)*	*(4.1)*
State School TF	163.1	218.9	187.2	185.9
change from drivers		*55.8*	*(31.7)*	*(1.3)*
Tobacco Settlement TF	334.1	363.1	367.0	370.9
change from drivers		*29.0*	*3.9*	*3.9*
TOTAL	31,704.4	33,172.5	35,032.0	36,716.4
change from drivers & ann.		*1,468.1*	*1,859.5*	*1,684.4*

Nonrecurring ($ millions)	2016-17	2017-18	2018-19	2019-20
General Revenue	980.6	590.7	553.4	478.5
Educational Enhancement TF	43.6	0.0	0.0	0.0
State School TF	52.2	0.0	0.0	0.0
Tobacco Settlement TF	0.0	17.5	0.0	0.0
TOTAL	1,076.4	608.2	553.4	478.5

TOTAL ($ millions)	2016-17	2017-18	2018-19	2019-20
General Revenue	30,448.2	31,169.1	33,185.8	34,796.8
minus nonrecurring		*(980.6)*	*(590.7)*	*(553.4)*
plus annualization		*39.6*	*0.0*	*0.0*
plus driver impact		*1,630.0*	*2,557.1*	*2,096.7*
plus BSF impact		*31.9*	*50.3*	*67.7*
net budget impact		720.9	2,016.7	1,611.0
Educational Enhancement TF	1,783.2	2,012.1	1,845.4	1,841.3
minus nonrecurring		*(43.6)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*272.5*	*(166.7)*	*(4.1)*
budget impact		228.9	(166.7)	(4.1)
State School TF	215.3	218.9	187.2	185.9
minus nonrecurring		*(52.2)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*55.8*	*(31.7)*	*(1.3)*
budget impact		3.6	(31.7)	(1.3)
Tobacco Settlement TF	334.1	380.6	367.0	370.9
minus nonrecurring		*0.0*	*(17.5)*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*46.5*	*3.9*	*3.9*
budget impact		46.5	(13.6)	3.9

Key Budget Driver Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2017-18 through Fiscal Year 2019-20	Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20	
	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	27.9	169.2	102.3	(102.3)	6.5	(6.5)
2 Workload and Enrollment - Florida Education Finance Program	619.0	0.0	599.1	0.0	615.5	0.0
3 Adjustment to Offset Tax Roll Changes - Florida Education Finance Program	(494.4)	0.0	(506.7)	0.0	(515.4)	0.0
4 Workload and Enrollment - Voluntary Prekindergarten Education Program	6.4	0.0	6.9	0.0	7.8	0.0
HIGHER EDUCATION						
5 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased / Disabled Veterans	0.7	(5.3)	0.9	4.8	0.8	8.5
6 Educational Enhancement Trust Fund Adjustment	(137.9)	164.4	100.9	(100.9)	7.4	(7.4)
HUMAN SERVICES						
7 Medicaid Program	269.1	466.2	1,043.3	1,225.9	718.5	1,370.9
8 Kidcare Program	1.8	58.7	1.3	43.9	93.8	(43.9)
9 Temporary Assistance for Needy Families Cash Assistance	(10.6)	0.0	(0.4)	0.0	0.1	0.0
10 Tobacco Settlement Trust Fund Adjustment	(28.2)	28.2	(2.2)	2.2	(2.2)	2.2
11 Tobacco Awareness Constitutional Amendment	0.0	0.8	0.0	1.7	0.0	1.7
CRIMINAL JUSTICE						
12 Criminal Justice Estimating Conference Adjustment	1.0	0.0	1.1	0.0	5.5	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
13 State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)	20.5	0.0	17.4	0.0	11.4	0.0
GENERAL GOVERNMENT						
14 Non-Florida Retirement System Pensions and Benefits	(0.5)	0.0	0.2	0.0	0.2	0.0
15 Fiscally Constrained Counties - Property Tax	24.5	0.0	25.7	0.0	23.0	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
16 Risk Management Insurance	0.0	0.0	0.0	0.0	4.2	2.4
17 Division of Administrative Hearings Assessments	(0.1)	0.1	0.0	0.0	0.0	0.0
18 Increases in Employer-Paid Benefits for State Employees	185.7	53.2	103.2	67.0	110.0	71.3
Subtotal Critical Needs	**484.9**	**935.5**	**1,493.0**	**1,142.3**	**1,087.1**	**1,399.2**

Long-Range Financial Outlook Issues Summary Fiscal Year 2017-18 through Fiscal Year 2019-20	Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20	
	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						
19 Workload and Enrollment - Florida Education Finance Program	153.7	0.0	141.3	0.0	164.1	0.0
20 Workload and Enrollment - Other Pre K-12 Programs	50.1	0.0	50.2	0.0	50.4	0.0
HIGHER EDUCATION						
21 Workload - Florida Colleges	50.4	0.0	50.4	0.0	50.4	0.0
22 Workload - State Universities	172.4	0.0	172.4	0.0	172.4	0.0
23 Workload - Other Higher Education Programs	29.1	0.0	16.5	0.0	15.5	0.0
24 Anticipated New Space Costs for Colleges and Universities	6.4	0.0	6.4	0.0	6.4	0.0
HUMAN SERVICES						
25 Medicaid Services	71.1	105.5	71.1	105.5	71.1	105.5
26 Children and Family Services	53.7	52.1	69.5	34.6	69.5	34.6
27 Health Services	24.5	3.5	24.5	3.5	24.5	3.5
28 Developmental Disabilities	18.7	28.2	18.7	28.2	18.7	28.2
29 Veterans' Services	1.5	0.0	1.5	0.0	1.5	0.0
30 Elderly Services	8.1	0.0	5.4	0.0	5.4	0.0
31 Human Services Information Technology/Infrastructure	2.9	9.1	2.9	7.8	0.0	6.0
CRIMINAL JUSTICE						
32 Justice Administration Commission - Due Process Increases	3.0	0.0	3.0	0.0	3.0	0.0
33 Department of Corrections - Fleet Replacement of Vans, Buses, and Vehicles	2.0	0.0	2.0	0.0	2.0	0.0
34 Department of Corrections - Inmate Health Services	5.9	0.0	5.9	0.0	5.9	0.0
35 Department of Juvenile Justice - Prevention and Intervention Programs	7.2	0.0	7.2	0.0	7.2	0.0
36 Department of Juvenile Justice - Shared Detention Cost	0.0	0.0	0.3	0.0	0.5	0.0
JUDICIAL BRANCH						
37 State Courts Revenue Trust Fund Shortfall	0.5	0.0	0.2	0.0	0.5	0.0
38 Small County Courthouses	4.5	0.0	4.5	0.0	4.5	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
39 Department of Transportation Adopted Work Program (Fiscal Years 2017-2020)	0.0	7,840.7	0.0	7,824.5	0.0	7,045.1
40 Economic Development and Workforce Programs	2.7	63.4	2.7	63.4	2.7	63.4
41 National Guard Armories and Military Affairs Priorities	7.9	0.0	1.9	0.0	1.9	0.0
42 Library, Cultural, Historical, and Election Priorities	69.0	0.0	69.4	0.0	69.0	0.0
NATURAL RESOURCES						
43 Water and Land Conservation	140.4	141.2	72.6	208.9	42.0	239.5
44 Other Agriculture and Environmental Programs	156.6	0.0	157.2	0.0	149.8	7.6
GENERAL GOVERNMENT						
45 Other General Government Priorities	27.5	21.2	21.9	21.7	11.9	22.1
46 State Building Pool - General Repairs and Maintenance	18.6	9.8	18.6	9.8	18.6	9.8
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
47 State Employee Pay Issues	7.2	7.1	7.2	7.1	7.2	7.1
48 Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	49.5	43.6	58.7	23.6	33.0	23.6
Subtotal Other High Priority Needs	**1,145.1**	**8,325.4**	**1,064.1**	**8,338.6**	**1,009.6**	**7,596.0**
Total Tier 1 - Critical Needs	484.9	935.5	1,493.0	1,142.3	1,087.1	1,399.2
Total - Other High Priority Needs	1,145.1	8,325.4	1,064.1	8,338.6	1,009.6	7,596.0
Total Tier 2 - Critical Needs Plus Other High Priority Needs	1,630.0	9,260.9	2,557.1	9,480.9	2,096.7	8,995.2

Key Budget Drivers

Beginning with the Fiscal Year 2012-13 volume of the Long-Range Financial Outlook, the narrative sections were 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 - #4)

The Fiscal Year 2016-17 General Appropriations Act provides funding through the Florida Education Finance Program (FEFP) in the amount of $7,184[8] in total funds per unweighted full-time equivalent (FTE) student. Key Budget Drivers #1 through #3 reflect the total state funding necessary to maintain the Fiscal Year 2016-17 level of state funding per student ($4,028) throughout the forecast period.

1. Maintain Current Budget – Florida Education Finance Program

The FEFP is the funding formula used by the Legislature to allocate funds appropriated 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 per student, the FEFP is composed of state and local funds and takes into account the individual educational needs of students; the local property tax base; the costs of educational programs; district cost differentials; and sparsity of student population. State funds are directly appropriated, while local funds are specified in proviso.

Recurring state funds are provided as Critical Needs funding in Fiscal Year 2017-18 to restore $197 million in nonrecurring funds appropriated for the FEFP in Fiscal Year 2016-17.

In addition, the revenue estimating conferences held in July 2016 projected revenue increases in both the Educational Enhancement Trust Fund (EETF) and the State School Trust Fund (SSTF). The SSTF is appropriated exclusively for the K-12 system whereas EETF funds are distributed across both the K-12 and higher education systems. For Driver #1, the increase in estimated revenue, as compared to recurring appropriations, results in a reduced need for General Revenue funds in the K-12 system in Fiscal Year 2017-18 of $169.2 million to offset adjustments made from the EETF appropriations of approximately $113.4 million[9] and the SSTF appropriations of $55.8 million.

[8] As of the 2016-17 FEFP 2nd Calculation available here: http://fldoe.org/core/fileparse.php/7507/urlt/16172ndCalc.pdf

[9] The EETF adjustment for the FEFP includes approximately $17.0 million to restore nonrecurring EETF from Fiscal Year 2016-17 along with approximately $96.3 million provided in Driver #6.

2. Workload and Enrollment – Florida Education Finance Program

State funds, including General Revenue and available EETF and SSTF revenues, are provided as Critical Needs funding for projected enrollment growth in the FEFP. The associated level of local funds is part of the total calculation, but not included in the driver.

Enrollment growth for the three forecast years is based on estimates from the July 2016 Education Estimating Conference. Enrollment growth is estimated to cost $124.6 million for the additional 30,927 FTE in Fiscal Year 2017-18, $92.4 million for the additional 22,926 FTE in Fiscal Year 2018-19, and $100.1 million for the additional 24,843 FTE in Fiscal Year 2019-20. Enrollment over the three-year forecast period is estimated to increase in total by 78,696 FTE.

Further, additional funding is provided for the FEFP to offset the reduction in state funding as a result of the growth in ad valorem revenues (Driver #3) for each of the three years in the Outlook in order to maintain the total state funds per student compared to the prior year, including forecasted enrollment growth, as shown in the table below.

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Workload and Enrollment – FEFP	$619.0 million	$599.1million	$615.5 million

3. Adjustment to Offset Tax Roll Changes – Florida Education Finance Program

The FEFP allocates funding to school districts for K-12 public school operations based on shares of state funds and local funds generated from ad valorem revenues. In order to ensure equalized funding, the FEFP takes into account the local property tax base while adjusting state funding to each district based on the district's ability to generate local ad valorem revenues. Each school district participating in the state allocation of funds for the current operation of schools must levy the millage set for its Required Local Effort (RLE) from property taxes. The Legislature establishes the total statewide amount for the RLE annually in the General Appropriations Act. Each district's millage rate is subsequently determined by the Commissioner of Education based on the statewide average following certification of the school taxable value by the Department of Revenue.

Funding projections for the FEFP are based on maintaining the Fiscal Year 2016-17 certified millage rates (i.e., 4.638 for RLE and .748 for potential discretionary) throughout the three-year forecast period. The tax rolls for Fiscal Years 2017-18 through 2019-20, as projected by the August 2016 Revenue 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, even at the constant millage rate, with a commensurate reduction in state funds, as shown in the following table.

[SEE TABLE ON FOLLOWING PAGE]

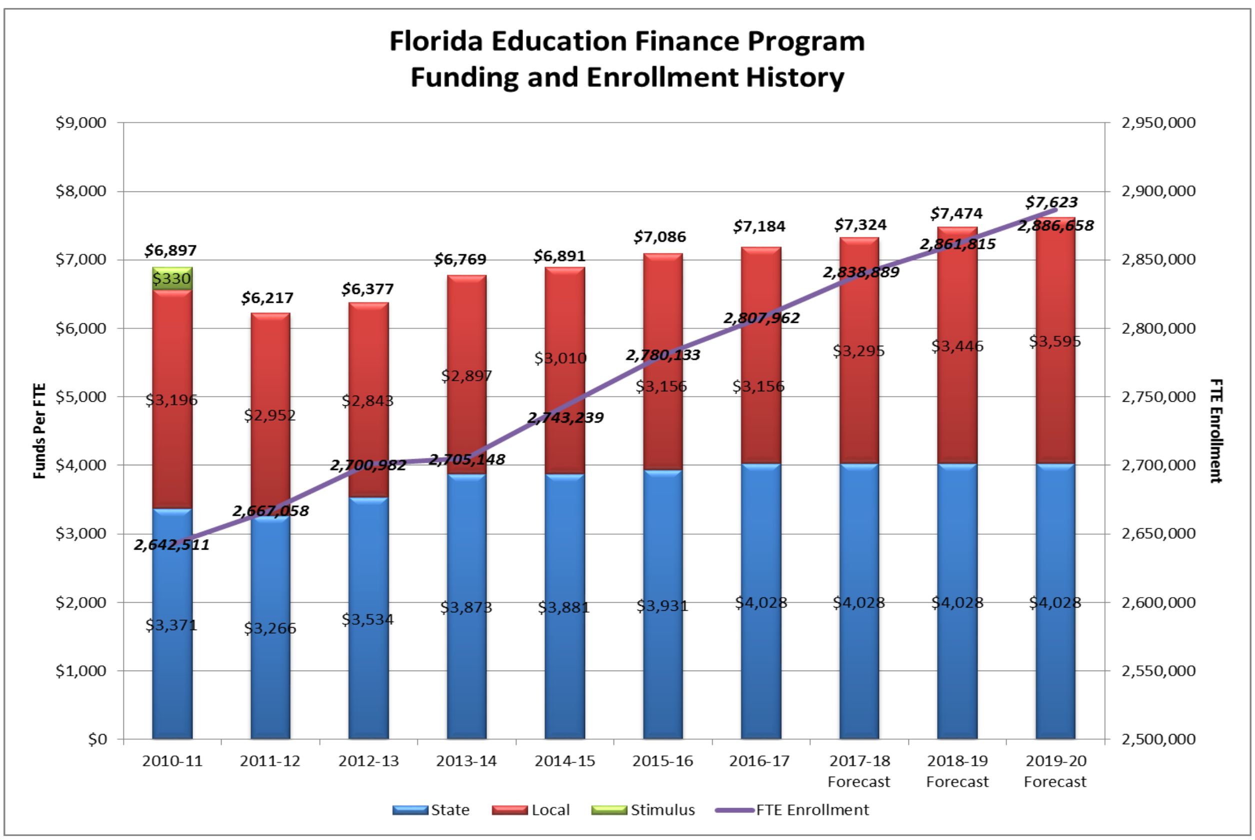
Ad Valorem Revenue	Fiscal Year 2016-17*	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
School Taxable Value Growth		5.88%	5.63%	5.42%
FEFP Ad Valorem Revenue	$8,861 million	$9,355 million	$9,862 million	$10,378 million
Increase in Ad Valorem Revenue		$494.4 million	$506.7 million	$515.4 million
Recurring Adjustments to State Funds to Offset Tax Roll Changes		($494.4) million	($506.7) million	($515.4) million

**2016-17 is based on the FEFP 2nd calculation using the certified school taxable value and millage rate.*

However, because Workload and Enrollment (Driver #2) provides funding to maintain state funds per student in the forecast fiscal years, the implied reduction in state funding is offset. The combination of Key Budget Drivers #1 through #3 maintains the level of total state funds per student for Fiscal Years 2017-18 through 2019-20, as shown in the following table.

Key Budget Drivers #1 - #3 Results	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
1. Maintain Current Budget	$197.0 million	$0	$0
2. Workload and Enrollment	$619.0 million	$599.1 million	$615.5 million
3. Adjustment to Offset Tax Roll Changes	($494.4) million	($506.7) million	($515.4) million
FEFP State Funds Needed in the Outlook	**$321.6 million**	**$92.4 million**	**$100.1 million**

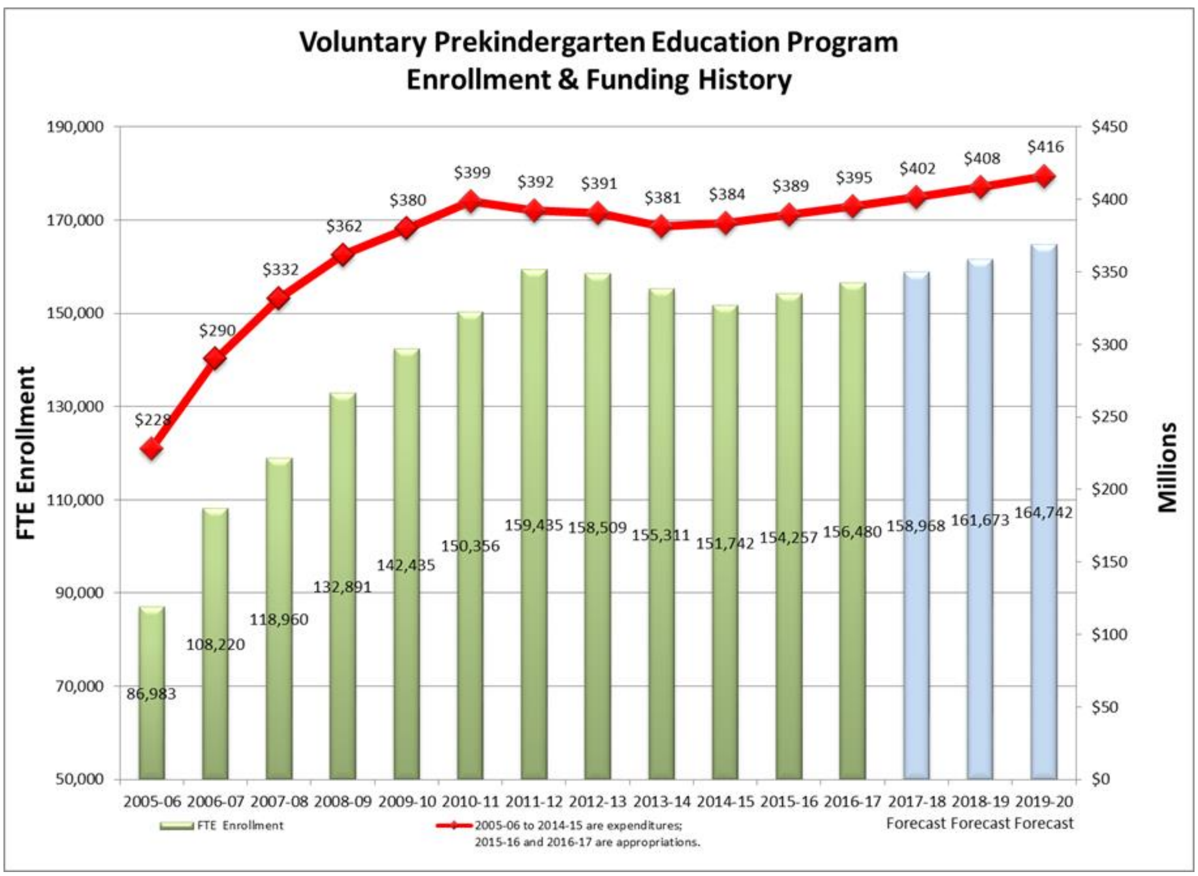
The following chart shows the enrollment and state and local funds per student for the FEFP. The state funds per student are maintained at the 2016-17 amount of $4,028 each year of the Outlook while the growth in taxable value provides an increase in local funds per student.



4. Workload and Enrollment – Voluntary Prekindergarten Education Program

The Voluntary Prekindergarten Education (VPK) program is a free prekindergarten education program established by the Legislature in 2004 pursuant to an amendment to the Florida Constitution. Enrollment is voluntary, and the program is offered to eligible Florida resident four-year-old children by either 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. Each readiness coalition receives appropriated funds for the VPK program based on the number of students served. The reimbursement is calculated from the child's assignment to either the summer or regular school-year program, hours served, any applicable cost differential, and a four percent administrative factor.

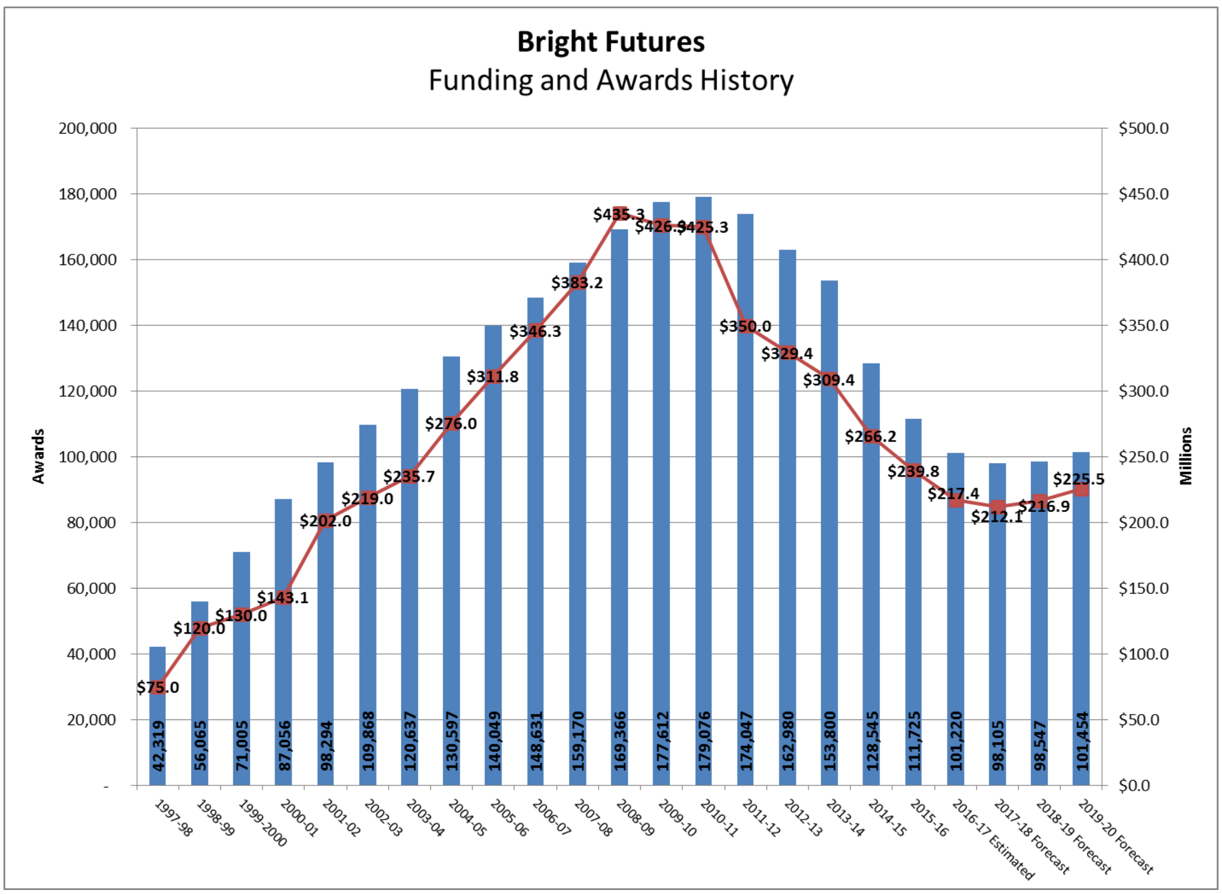
Critical Needs funding from state sources is projected for enrollment increases in the VPK program, as determined by the August 2016 Early Learning Programs Estimating Conference. Enrollment changes are estimated to cost $6.4 million based on a projected increase of 2,487 FTE (over the appropriated level for Fiscal Year 2016-17) in Fiscal Year 2017-18, $6.9 million for an additional 2,705 FTE in Fiscal Year 2018-19, and $7.8 million for an additional 3,070 FTE in Fiscal Year 2019-20. Total enrollment growth over the three-year forecast period is estimated to be 8,262 FTE. Funding per student is maintained at the Fiscal Year 2016-17 base student allocation (BSA) amount of $2,437 for the school year program and $2,080 for the summer program for each of the forecast years.



Higher Education (Drivers #5 & #6)

5. Workload and Enrollment – Bright Futures and Children and Spouses of Deceased/ Disabled Veterans

The Bright Futures Scholarship program is a merit-based scholarship program that provides college scholarships to students who achieve certain academic levels in high school. Critical Needs funding is projected for the Bright Futures program based on the number of eligible recipients projected by the July 2016 Student Financial Aid Estimating Conference through Fiscal Year 2019-20. The forecast projects 234 additional eligible students for Bright Futures over the three-year period. There is a projected decrease in eligible students in Fiscal Year 2017-18, with projected increases in eligible students in the 2018-19 and 2019-20 fiscal years. These changes in eligible enrollment result in a decrease of EETF funding needed for the program of $5.3 million in Fiscal Year 2017-18, with subsequent increases of $4.8 million in Fiscal Year 2018-19, and $8.5 million in Fiscal Year 2019-20.



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 who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or who have been certified by the Florida Department of Veterans' Affairs as having service-connected 100 percent permanent and total disabilities. An additional 594 students are projected to be eligible for funding over the next three years. These additional CSDDV eligible recipients will require an increase in recurring General Revenue funding of $701,227 in Fiscal Year 2017-18, $894,550 in Fiscal Year 2018-19, and $845,356 in Fiscal Year 2019-20. The funding levels are based on increased enrollment projections adopted by the July 2016 Student Financial Aid Estimating Conference.

6. Educational Enhancement Trust Fund Adjustment

The Long Range Financial Outlook anticipates changes in EETF revenues and budget requirements for funding the Bright Futures program (Driver #5) in each year of the plan. For Fiscal Year 2017-18, after maintaining a $58.8 million reserve balance, reducing the Bright Futures appropriation by $5.3 million in reduced need, and restoring $43.5 million in nonrecurring EETF core funding from Fiscal Year 2016-17 (including approximately $17.0 million in the FEFP and $13.25 million each in the Florida College and State University budgets), an additional $234.2 million in EETF is available to be shifted from General Revenue to the EETF. The fund shifts from General Revenue to the EETF are $137.9 million in higher education and approximately $96.3 million in the K-12 system. Approximately $217.2 million of total EETF funds available are nonrecurring and will not be available beyond Fiscal Year 2017-18.

Although EETF revenues are anticipated to increase slightly in Fiscal Year 2018-19, less EETF funding is available to fund growth in the Bright Futures program ($4.8 million) and to continue to fund other education programs because a portion of the funds available in Fiscal Year 2017-18 is nonrecurring. This will require a fund shift of $171.5 million from EETF to General Revenue in Fiscal Year 2018-19. The fund shifts are distributed to K-12 and higher education programs based on the proportionate share of appropriated EETF funds in Fiscal Year 2017-18. In the higher education system, $100.9 million is shifted from EETF to General Revenue with the remaining balance of $70.6 million being shifted from EETF in the K-12 system. In Fiscal Year 2019-20, with a slight decline in EETF revenues, and after providing for growth in the Bright Futures program ($8.5 million), a $12.6 million fund shift from EETF to General Revenue is necessary to keep funding for other education programs level. The fund shifts from EETF to General Revenue are $7.4 million in higher education and $5.2 million in the K-12 system.

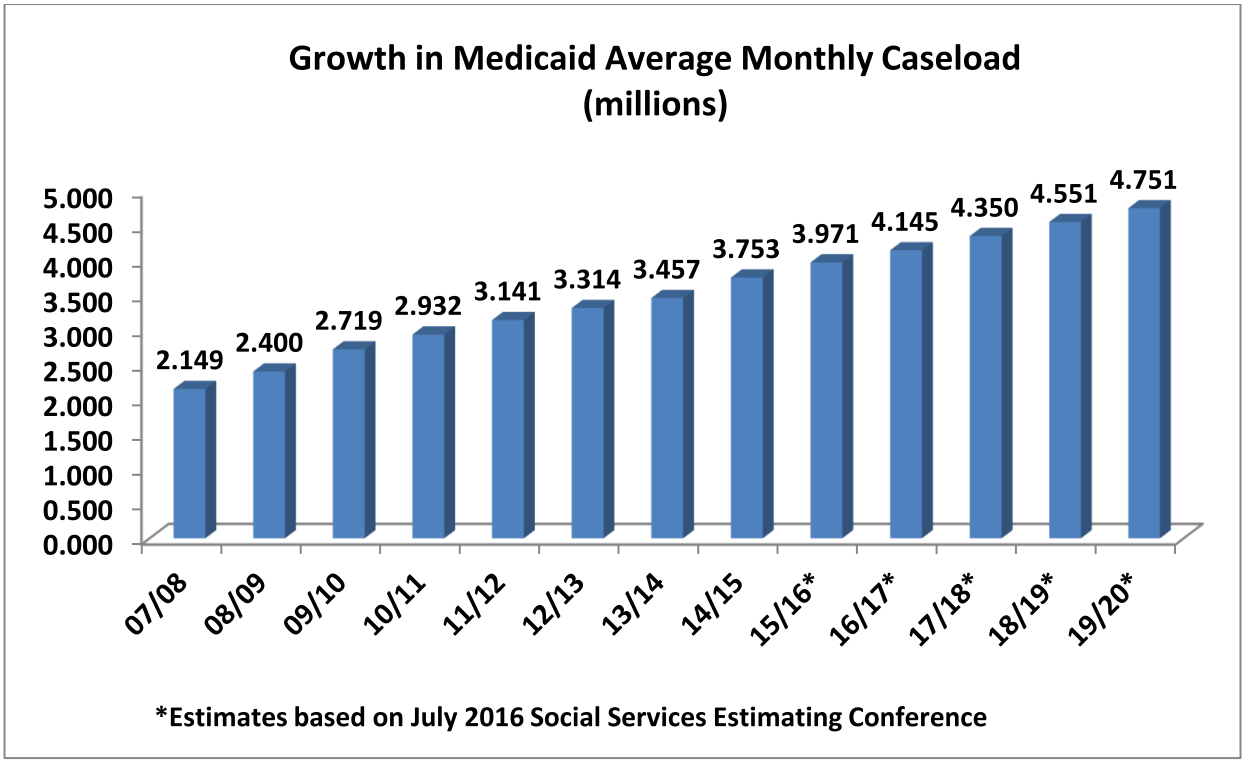
Human Services (Drivers #7 - #11)

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 children, elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. It is the largest single program in the state budget, representing 31.28 percent of the total state budget, and is also the largest source of federal funding for the state.

Caseload – In Fiscal Year 2016-17, Medicaid caseloads enrollment is expected to grow by 174,276 to just over 4.14 million beneficiaries, a 4.39 percent increase from Fiscal Year 2015-16.

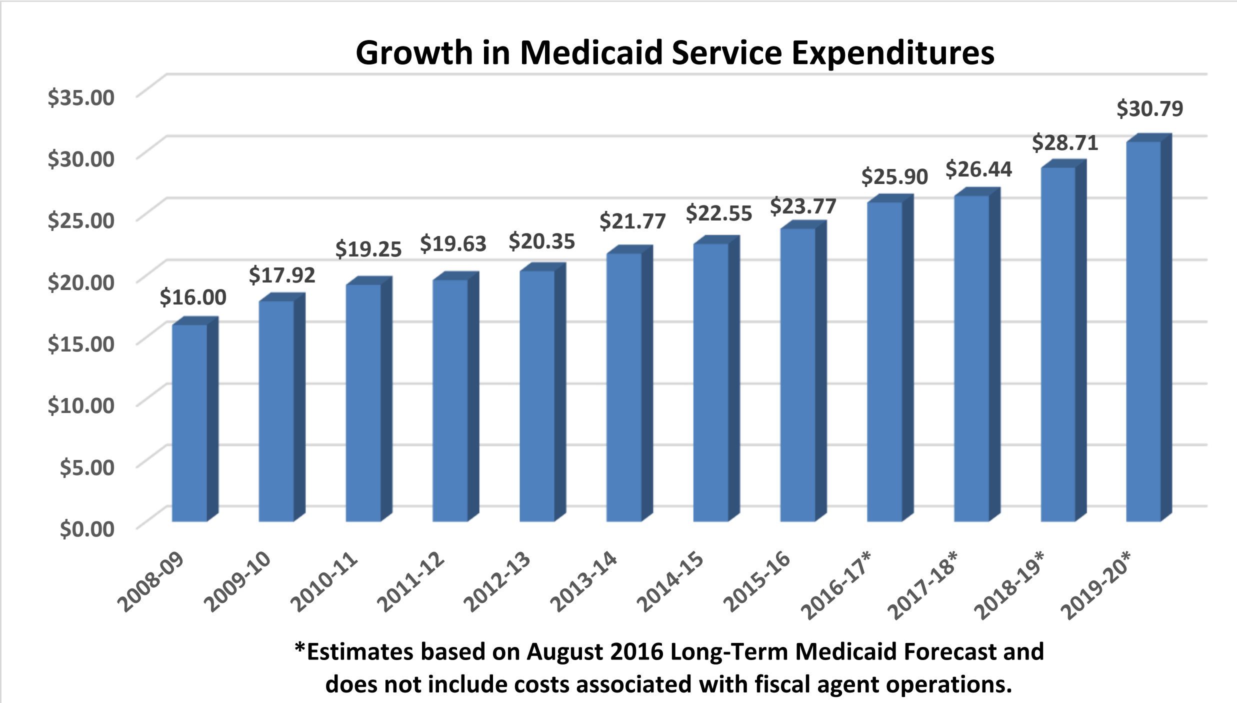
Enrollment is expected to continue increasing in the forecast years at slightly higher rates than in the 2016-17 fiscal year but at slowly diminishing rates during the forecast years. Enrollment in Fiscal Year 2017-18 is forecast to rise to 4.35 million beneficiaries, an increase of 4.95 percent from the previous year. Enrollment is forecast to increase to 4.55 million beneficiaries in Fiscal Year 2018-19, a 4.62 percent increase over the previous year. Medicaid enrollment is expected to increase again in Fiscal Year 2019-20 to over 4.75 million beneficiaries, a 4.39 percent increase over the previous year.



Medicaid Caseload Estimates

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Caseload	4,145,027	4,350,384	4,551,370	4,751,070
Increase		205,357	200,986	199,700
Percent		4.95%	4.62%	4.39%

Expenditures – In Fiscal Year 2016-17, Medicaid service expenditures are expected to increase to $25.9 billion. Total Medicaid expenditures are expected to increase to $26.4 billion in Fiscal Year 2017-18, a 2.1 percent increase from the previous fiscal year. In Fiscal Year 2018-19, expenditures are expected to increase to $28.7 billion, an 8.6 percent increase, and expenditures of $30.8 billion are expected for Fiscal Year 2019-20, an increase of 7.3 percent over Fiscal Year 2018-19.



Medicaid Expenditure Estimates for General Revenue*
(dollars in millions)

	Appropriation Base**	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
FMAP Rate* **	60.99%	61.24%	61.39%	61.69%
Expenditures				
General Revenue	$6,487.4**	$6,759.2	$7,804.2	$8,526.2
Increase		$271.8	$1,045.0	$722.0
Percent		4.19%	15.46%	9.25%

* Estimate based on August 2016 Social Services Estimating Conference and does not include ($2,631,976) in state matching funds in other departments for Fiscal Year 2017-18; ($1,716,505) adjustment for Fiscal Year 2018-19; and ($3,433,010) in Fiscal Year 2019-20. *Additionally, expenditures include increased costs associated with Fiscal Agent operations.*
** Reflects the Fiscal Year 2016-17 recurring appropriation plus annualizations.
*** Reflects the State Fiscal Year real-time FMAP blend agreed upon at the July 2016 Social Services Estimating Conference.

The Outlook includes an increase in recurring General Revenue funds for Medicaid expenditures of $271.8 million in Fiscal Year 2017-18, $1,045.0 million in Fiscal Year 2018-19, and $722.0 million in Fiscal Year 2019-20. When the Medicaid state matching funds that are budgeted in other health and human services departments are included, the recurring increases total $269.1 million in Fiscal Year 2017-18, $1,043.3 million in Fiscal Year 2018-19, and $718.5 million in Fiscal Year 2019-20. The net increase in expenditures includes a reduction in recurring General Revenue funds for these agencies in the amounts of $2,631,976 in Fiscal Year 2017-18, a reduction of $1,716,505 for Fiscal Year 2018-19, and a reduction of $3,433,010 in Fiscal Year

2019-20, due to changes in the Federal Medical Assistance Percentage (FMAP) rate, which is the federal financial participation rate.

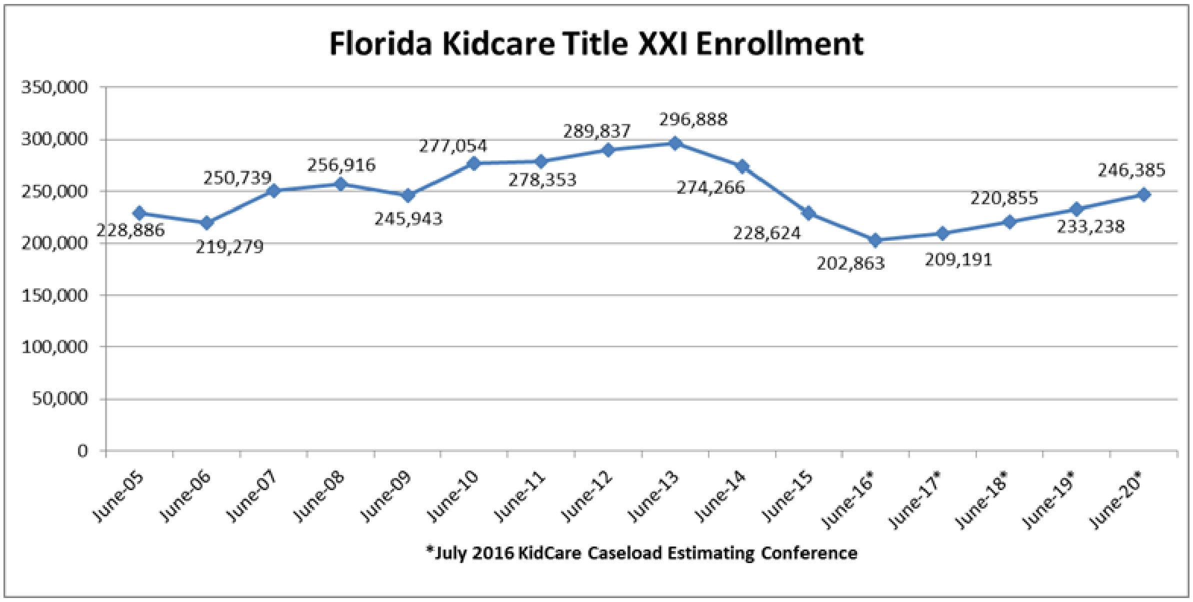
Major policy assumptions and projections for Critical Needs related to Medicaid expenditures for the forecast period are described below:

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, fiscal agent operations, and inflation are projected based on historical trends and methodologies used by the August 2016 Social Services Estimating Conference (SSEC). The increased use of managed care arrangements in Florida Medicaid, as required under the Statewide Medicaid Managed Care program pursuant to Part IV of chapter 409, Florida Statutes, presented unique challenges in forecasting Medicaid caseloads and expenditures. The SSEC adopted revised methodologies to refine caseload and expenditure forecasts. These included:
    - Forecasting caseload and expenditure projections at a sub-state or super-region level to capture the effects of regional variations in caseload growth, case mix, and managed care contracted rates.
    - Realigning caseload eligibility categories and consolidating expenditure categories to recognize the increase in managed care, as well as the decrease in the fee-for-service population.
    - Refining the methodology for forecasting managed care rate increases in out-years.

8. Kidcare Program

The federal Children's Health Insurance Program (CHIP – Title XXI of the Social Security Act) has been implemented in Florida as the Kidcare program, which provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the FPL ($48,600 for a family of four in 2016). The CHIP is a federal and state matching program. The state participation for Florida is 4.23 percent for Fiscal Year 2016-17, and the federal participation is 95.77 percent for federal Fiscal Year 2016-17. The Title XXI caseload as of June 2016 was 184,583. There were 18,280 additional children enrolled in the program who are non-Title XXI eligible, for a total program enrollment of 202,863.

The Patient Protection and Affordable Care Act (PPACA) provides that, effective October 1, 2015, through September 30, 2019, the FMAP for children enrolled in the Kidcare program is increased by 23 percentage points but will not exceed 100 percent. This causes Florida's weighted Kidcare FMAP to increase to an estimated 95.70 percent in Fiscal Year 2016-17, 95.87 percent in Fiscal Year 2017-18, and 95.98 percent in Fiscal Year 2018-19. A weighted FMAP is used because the state fiscal year does not comport with federal fiscal years. These increases in the Kidcare FMAP will be accompanied by significant reductions in the state funds required for the Kidcare program during those years. However, in Fiscal Year 2019-20, the PPACA's increase to the Kidcare FMAP will expire after the first quarter of the state's fiscal year, which will cause the federal share to decrease to an estimated 78.94 percent for that year, accompanied by a corresponding increase in state expenditures. The chart on the following page reflects caseload numbers as of June 30 of each year, while the expenditures shown in the table reflect estimates adopted by the SSEC.



Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Caseload	209,191	220,855	233,238	246,385
Increase		11,664	12,383	13,147
Percent		5.58%	5.61%	5.64%

	Appropriation Base*	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Expenditures				
FMAP Rate**	95.70%	95.87%	95.98%	78.94%
General Revenue	$16.29	$18.06	$19.35	$113.17
Increase/(Decrease)		$1.77	$1.29	$93.82
Percent		10.82%	7.16%	489.89%

* Reflects the Fiscal Year 2016-17 recurring appropriation plus annualizations.
** Weighted FMAP

The Outlook includes an increase in recurring General Revenue funds for Kidcare expenditures of $1.77 million in Fiscal Year 2017-18, an increase of $1.29 million in Fiscal Year 2018-19, and an increase of $93.82 million in Fiscal Year 2019-20.

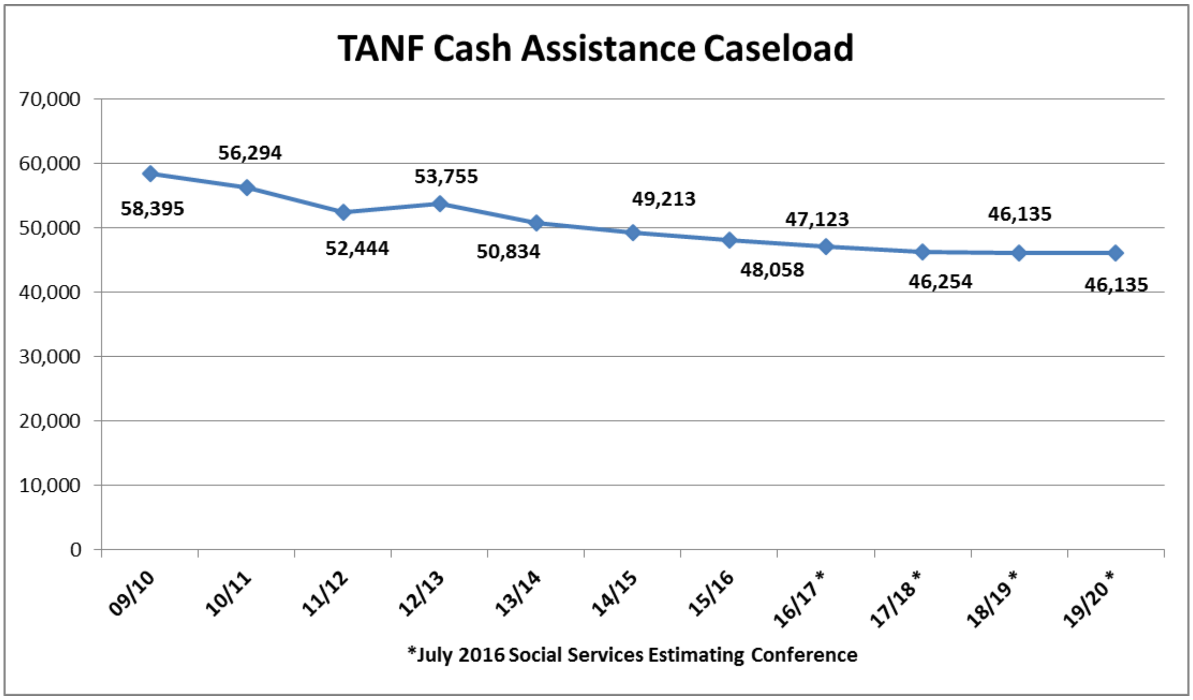
Major policy assumptions and projections for Critical Needs related to Kidcare expenditures for the forecast period are described below:

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, and inflation are projected based on historical trends and methodologies used by the July 2016 Caseload SSEC and the August 2016 Expenditure SSEC.

9. Temporary Assistance for Needy Families Cash Assistance

The welfare reform legislation of 1996 ended the federal entitlement to assistance and created the Temporary Assistance for Needy Families (TANF) block grant that provides assistance and work opportunities to needy families. Florida's federal block grant allotment is $562.3 million for Fiscal Year 2016-17.

The Outlook includes a decrease in recurring General Revenue funds for TANF expenditures of $10.6 million and $0.4 million in Fiscal Year 2017-18 and Fiscal Year 2018-19, respectively, and an increase of $0.1 million in Fiscal Year 2019-20. The decreases are primarily due to a projected decline in caseload.



Cash Assistance Estimates (dollars in millions)

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Caseload	47,123	46,254	46,135	46,135
Increase/(Decrease)		(869)	(119)	0
Percent		(1.8%)	(0.3%)	(0.0%)

	Appropriation Base*	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Total Program Expenditures	$158.9	$148.3	$147.9	$148.0
Increase/(Decrease)		($10.6)	($0.4)	$0.1
Percent		(6.66%)	(0.28%)	0.05%

*Reflects the Fiscal Year 2016-17 recurring appropriation plus annualizations.
Source: July 2016 Social Services Estimating Conference

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

- **Social Services Estimating Conference** – Estimates for cash assistance are projected based on historical trends and methodologies used by the July 2016 SSEC.

10. Tobacco Settlement Trust Fund Adjustment

The Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds based on projected funds available in the Tobacco Settlement Trust Fund over the three-year forecast period. The Outlook also maintains a reserve of $12.0 million for Fiscal Year 2017-18, $12.1 million for Fiscal Year 2018-19, and $12.2 million for Fiscal Year 2019-20. This adjustment is distributed within the Health and Human Service program area.

11. Tobacco Awareness Constitutional Amendment

A constitutional amendment passed during the November 2006 General Election that required the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program. The program uses tobacco settlement money primarily to 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 requires the Department of Health to operate the tobacco program.

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

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Expenditures	$68.1	$68.9	$70.5	$72.2
Increase		$0.8	$1.7	$1.7
Percent		1.2%	2.5%	2.4%

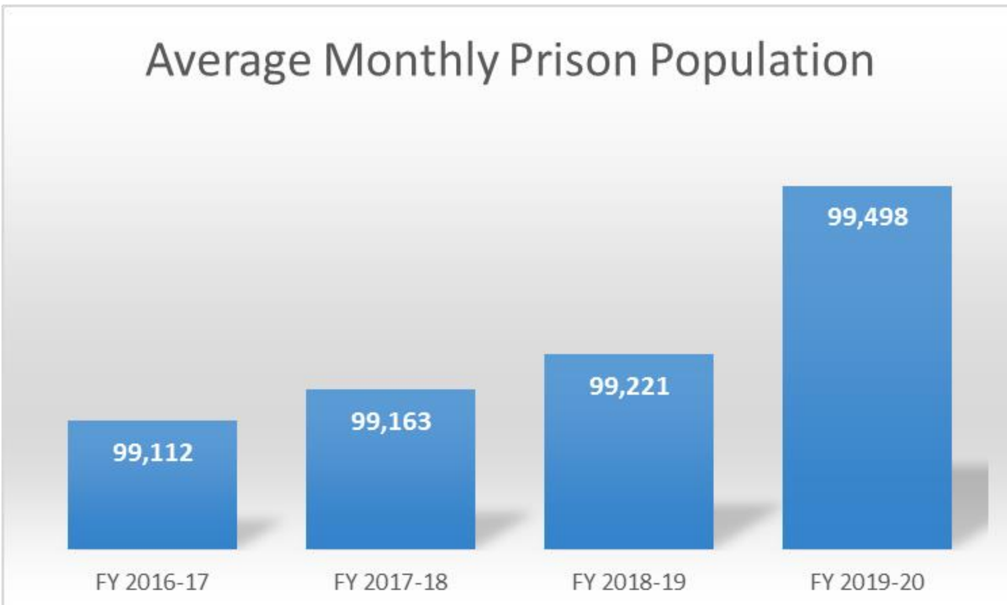
Major policy assumptions and projections for the forecast period are described below:

- **National Economic Estimating Conference** – The estimated tobacco expenditures from the August 2016 Revenue Estimating Conference are adjusted by applying the Consumer Price Index from the July 2016 National Economic Estimating Conference.

Criminal Justice (Driver #12)

12. Criminal Justice Estimating Conference Adjustment

The Criminal Justice Estimating Conference provides various estimates related to Florida's prison population. Averaging the estimated number of prisoners for each month produces an average monthly prison population for the year. This metric shows that Florida's prison population will increase by approximately 0.39 percent over the next three fiscal years. Major cost drivers for the Department of Corrections (DOC) typically include operational costs to care for the additional inmate population and construction for the projected increased capacity. Although the average monthly prison population is projected to be 386 higher in Fiscal Year 2019-20 than in Fiscal Year 2016-17, construction of new facilities will not be required during that time period due to the current surplus of prison beds.



Source: Criminal Justice Estimating Conference (July 26, 2016)

Operational cost drivers include prison security and institutional operations, food service, inmate health services, and educational and substance abuse programming for inmates. To calculate projected costs, a baseline average annual rate was calculated by dividing DOC's Fiscal Year 2016-17 approved budget for Security and Institutional Operations, Health Services, and Education and Programs by the projected Fiscal Year 2016-17 population of 99,112 as funded in the General Appropriations Act. This resulted in an average rate of $54.26 per inmate per day (General Revenue only). This per-diem only includes security and institutional costs. The agency-wide administrative costs allocated to security and institutional operations for Fiscal Year 2015-16 are $1.66 per inmate per day.

As a consequence of the forecasted increase in average monthly population for the next three fiscal years, the Outlook provides increased funding of $1.0 million in Fiscal Year 2017-18, $1.1 million in Fiscal Year 2018-19, and $5.5 million in Fiscal Year 2019-20.

Transportation and Economic Development (Driver #13)

13. State Match for Federal Emergency Management Agency Funding – 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 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. Based on the most recent quarterly estimate from the Division of Emergency Management, the Outlook includes $20.5 million of nonrecurring General Revenue in Fiscal Year 2017-18, $17.4 million in Fiscal Year 2018-19, and $11.4 million in Fiscal Year 2019-20, to meet the outstanding state obligation for all open federally declared disasters.

Not included in the Outlook calculations are estimates for natural disasters yet to occur, or for which damage assessments have not been conducted as of the date this Outlook was written. Damage assessments and claims processing through the Division of Emergency Management can span several fiscal years. Due to the volatility of natural disasters, in terms of both frequency and severity, it is not possible to estimate the costs to the state for these future events.

General Government (Drivers #14 & #15)

14. Non-Florida Retirement System Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services (DMS) is responsible for administering non-FRS pension and benefit programs, such as those for the Florida National Guard and disabled justices and judges. The funding adjustments included in the Outlook are related to the Florida National Guard and are based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits, and growth in the number of participants. The Outlook includes funds for the non-FRS pension and benefit programs based on estimates provided by the DMS, Division of Retirement, as follows: a reduction of $0.5 million in recurring General Revenue for Fiscal Year 2017-18, an additional $0.2 million in recurring General Revenue for Fiscal Year 2018-19, and an additional $0.2 million in recurring General Revenue for Fiscal Year 2019-20.

15. Fiscally Constrained Counties – Property Tax

Section 218.12, Florida Statutes, directs the Legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the constitutional amendment approved in the Special Election held in January 2008. In addition, section 218.125, Florida Statutes, provides a distribution to fiscally constrained counties to offset the constitutional amendment approved in November 2008 authorizing an ad valorem tax exemption for real property dedicated in perpetuity for conservation purposes.

The Outlook includes funds for the fiscally constrained counties based on the Revenue Estimating Conference held on August 9, 2016: $24.5 million in nonrecurring General Revenue for Fiscal Year 2017-18; $25.7 million for Fiscal Year 2018-19; and $23.0 million for Fiscal Year 2019-20.

Administered Funds and Statewide Issues (Drivers #16 - #18)

16. Risk Management Insurance

The Outlook includes funds for the state's Risk Management Insurance Program. The program is administered by the Department of Financial Services and provides workers' compensation, general liability, federal civil rights, auto liability, off-duty law enforcement vehicle property damage, and property insurance coverage to state agencies. The state is self-insured for these types of coverage, and agencies are assessed premiums on an annual basis for the coverage. The Outlook uses data available from the Self-Insurance Estimating Conference held on July 19, 2016, to estimate costs and determine General Revenue and trust fund allocations to the various agencies. Additional funds are not needed for the 2017-18 and 2018-19 fiscal years; however, an additional $4.2 million in recurring General Revenue and $2.4 million from recurring trust funds for Fiscal Year 2019-20 are included in the Outlook.

17. Division of Administrative Hearings Assessments

The Outlook includes funds to support the operations of the Division of Administrative Hearings. The division resolves disputes brought by individuals and groups such as state agencies and contracted entities for hearing by an administrative law judge. The division's funding is derived by assessing state agencies and other entities for services based on the prior year's hearing hours. The hours vary from year to year, and each agency has different funding sources. Agencies range from paying all of the assessments with trust funds to agencies paying all with General Revenue, with a few agencies using a mix of both General Revenue and trust funds to pay the assessment. Based on actual hearing hours utilized by agencies in Fiscal Year 2015-16, a reduction of $148,054 of recurring General Revenue and an increase of $148,057 of recurring trust funds are both included in the Outlook for Fiscal Year 2017-18.

18. Increases in Employer-Paid Benefits for State Employees

<u>Health Insurance</u> – Total expenses associated with the state employee health insurance program are expected to increase by $233 million in Fiscal Year 2017-18, $282.6 million in Fiscal Year 2018-19, and $333 million in Fiscal Year 2019-20. When the Legislature appropriates additional funds to maintain the solvency of the program, approximately 61 percent of employer-funded premium increases are funded with General Revenue funds and 39 percent with trust funds.

The increases in expenses are based on assumptions that the plan will experience a 6.5 percent average annual increase in Health Maintenance Organization (HMO) premium payments, 7.5 percent average annual growth in HMO medical claims, 15.4 percent average annual growth in

HMO pharmacy claims, 7.0 percent average annual growth in Preferred Provider Organization (PPO) medical claims, and 15.2 percent average annual growth in PPO pharmacy claims.

On the revenue side of the state employee health insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered via premium increases paid by the state. Generally, these costs have been funded through this mechanism.

In order to meet expenses and maintain a working balance of approximately $150 million in the State Employees' Group Health Insurance Trust Fund at the end of the three-year period, the Outlook assumes a 7.0 percent annual increase in employer paid premium contributions on December 1, 2017, December 1, 2018, and December 1, 2019. Under these assumptions, state contributions are expected to increase by $57.4 million of General Revenue and $37.3 million from trust funds in Fiscal Year 2017-18, $103.2 million of General Revenue and $67.0 million from trust funds in Fiscal Year 2018-19, and $110 million of General Revenue and $71.3 million from trust funds in Fiscal Year 2019-20. No changes to the insurance program or to employee paid premium contributions are assumed in the Outlook.[10]

Florida Retirement System – No additional expenditures are projected for Normal Costs during the Outlook period. The 2016 Actuarial Valuation, due December 1, 2016, may result in an adjustment to this projection. Because the investment return on the assets of the FRS Pension Plan during Fiscal Year 2015-16 was below the investment return assumption for the FRS Pension Plan, the Unfunded Actuarial Liability of the FRS Pension Plan that will be reported in the 2016 Actuarial Report likely will increase. Though the final amount is unknown at this time, based upon recent investment return rates and other actuarial information, increased expenditures of $128.3 million from General Revenue and $15.9 million from trust funds are included as a placeholder. These are the amounts that would amortize the Unfunded Actuarial Liability during Fiscal Year 2017-18, based on the Fiscal Year 2015-16 results.

Any significant changes to the major actuarial assumptions or actuarial methods used for the FRS could potentially have a significant impact on the FRS contribution rates proposed by the Actuary, and thus the projected monetary needs for the FRS as included in this forecast.

[10] Beginning January 1, 2020, PPACA imposes an excise tax of 40 percent on the cost of health care coverage (the "Cadillac" tax) that exceeds a certain annual limit ($10,200 for individual coverage and $27,500 for family coverage). The tax was initially scheduled to be implemented on January 1, 2018, but was delayed by congressional action. The Outlook does not include an estimate of any liability for the "Cadillac" tax. The Division of State Group Insurance does not know whether the state employee health insurance program will be subject to the tax and is retaining a consultant to review it and its implications, but does not expect that any tax that would result would be due and payable before the 2020-21 fiscal year (i.e. outside the three-year period of the Outlook). Nevertheless, federal health care policy can and does shift without legislation. Also, additional legislation could delay further the implementation of the tax.

Other High Priority Needs

Pre K-12 Education (Drivers #19 & #20)

19. Workload and Enrollment – Florida Education Finance Program

Other High Priority Needs funding is provided to increase the total funds per FTE in the FEFP, not including FRS adjustments, based on the appropriated three-year average percent increase. This is equivalent to a 2.73 percent increase. The associated level of local funds is part of the total calculation, but not included in the driver. To achieve the state portion of this increase per FTE, an additional $153.7 million, $141.3 million, and $164.1 million of recurring General Revenue is required for Fiscal Years 2017-18, 2018-19, and 2019-20, respectively. This funding supplements the Critical Needs funding in Drivers #1, #2, and #3 (see results table in Driver #3).

20. Workload and Enrollment – Other Pre K-12 Programs

Other High Priority Needs funding is provided for the VPK program based on the three-year average percent increase in the summer and regular school year base student allocations, which is equivalent to a 0.82 percent increase. The resulting base student allocations of $2,097, $2,114, and $2,131 for the summer program and $2,457, $2,477, and $2,497 for the regular school-year program require $3.3 million, $3.4 million, and $3.5 million of recurring General Revenue for Fiscal Years 2017-18, 2018-19, and 2019-20, respectively. This funding supplements the Critical Needs funding provided in Driver #4.

Other High Priority Needs funding is also provided for the Florida School for the Deaf and the Blind. The school is a fully accredited state public school located in St. Augustine for approximately 1,000 Pre K and K-12 deaf/hard of hearing, blind/visually impaired, and special needs students who are either residential, day, or out-reach students. Funds are provided based on the three-year average increase of appropriations for school operations of approximately $1.4 million of recurring General Revenue for each of the three forecast years.

In addition, Other High Priority Needs funding is provided for the Gardiner Scholarship Program, the Standard Student Attire Incentive Program, and the Florida Best and Brightest Teacher Scholarship Program.

The Gardiner Scholarship Program allows parents to personalize the education of their children with unique abilities by enabling them to use the funds for a combination of services and programs. These may include tuition and fees, therapy, curriculum, technology, and college savings accounts. Funds are provided based on the three-year average increase of appropriations for scholarships in the amount of $24.4 million of recurring General Revenue for each of the three forecast years.

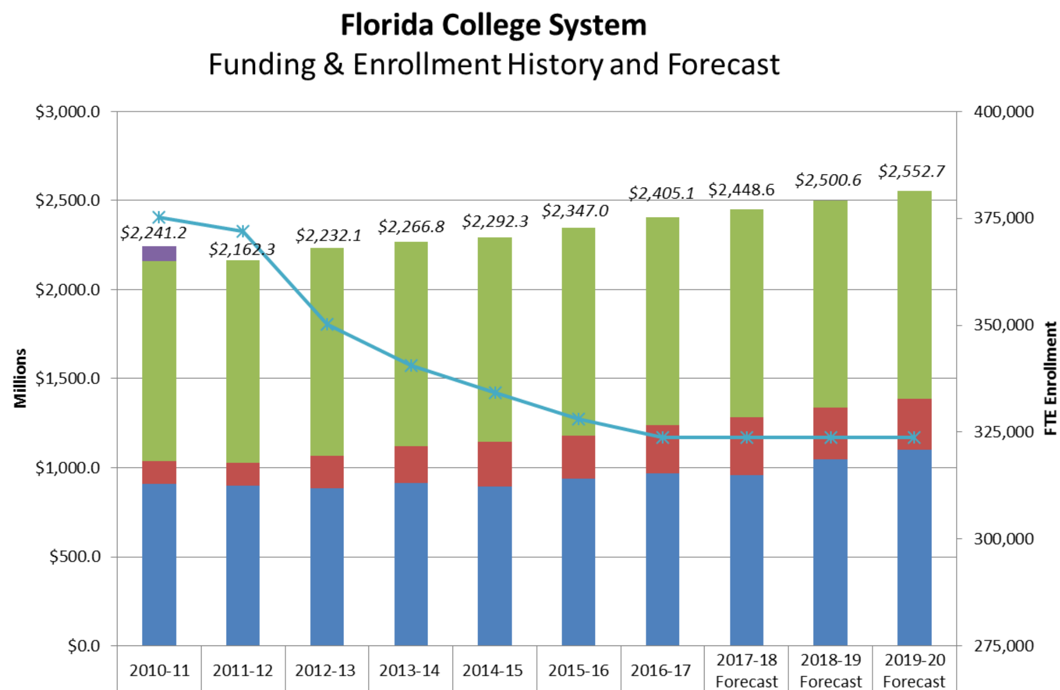
The Standard Student Attire Incentive Program provides incentive payments to school districts and charter schools if they implement a standard attire policy for all students in kindergarten through eighth grade. Funds are provided based on the three-year average increase of appropriations for the program in the amount of $4.7 million of recurring General Revenue for each of the three forecast years.

The Florida Best and Brightest Teacher Scholarship Program provides scholarships to teachers based on high academic achievement and highly effective classroom instruction. Funds are provided based on the three-year average increase of appropriations for scholarships in the amount of $16.3 million, including $11.7 million of nonrecurring, General Revenue funds for each of the three forecast years.

Higher Education (Drivers #21 - #24)

21. Workload – Florida Colleges

Other High Priority Needs funding includes increases for Florida colleges based on the three-year average appropriation increase of $50.4 million for each year of the Outlook. The three-year average appropriation does not include FRS adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2017-18 and 2019-20. These issues are accounted for as separate drivers in the Outlook. The chart below provides historical funding and enrollment data for Florida colleges, as well as funding projections for the 2017-18, 2018-19, and 2019-20 fiscal years. The enrollment for Fiscal Year 2016-17 reflects the projection adopted by the Education Estimating Conference on August 2, 2016. Tuition revenue projections and enrollment are held constant over the three-year forecast period.



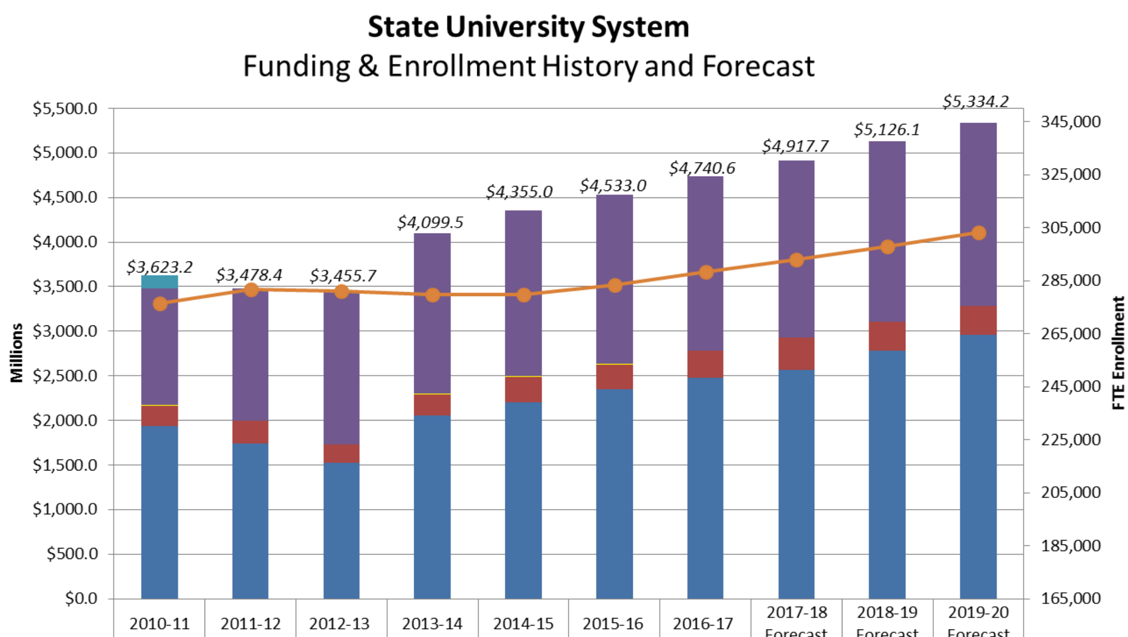
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Stimulus	$83.0									
Tuition	$1,121.2	$1,134.7	$1,165.9	$1,147.8	$1,145.2	$1,165.1	$1,165.1	$1,165.1	$1,165.1	$1,165.1
EETF	$127.0	$130.4	$180.8	$204.9	$255.0	$244.9	$273.8	$325.0	$287.5	$284.8
General Revenue	$910.0	$897.2	$885.4	$914.1	$892.1	$937.0	$966.2	$958.5	$1,048.0	$1,102.8
FTE Enrollment	375,292	372,050	350,109	340,556	334,178	327,992	323,659	323,659	323,659	323,659

Note: General Revenue amounts for the forecast years include the funds provided in Driver #24.

22. Workload – State Universities

Other High Priority Needs funding includes workload increases for the State University System (SUS) based on the three-year average appropriation increase of $172.4 million for each year of the Outlook. This average increase consists of approximately a $161.1 million workload increase for Education and General activities, an $8.7 million workload increase for the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida, and a $2.7 million workload increase for the Florida Postsecondary Comprehensive Transition Program (FPCTP). FPCTP is a new program that expands and enhances postsecondary education opportunities for individuals with unique abilities, including scholarships for eligible students. Administration and statewide coordination of information regarding programs and services for students is provided by the Florida Center for Students with Unique Abilities at the University of Central Florida.

The calculated average appropriations increases do not include FRS adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2017-18 and 2019-20. These issues are accounted for as separate drivers in the Outlook. The three-year average appropriations increase includes only the incremental increases related to new funding issues for each of the three prior fiscal years. The chart below provides historical funding and enrollment data for the State University System, as well as funding projections for the 2017-18, 2018-19, and 2019-20 fiscal years. The enrollment projections are provided by the Board of Governors, and the estimated tuition revenues are based on these projections.



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Stimulus	$146.9									
Tuition	$1,303.7	$1,480.4	$1,724.4	$1,802.6	$1,861.2	$1,902.3	$1,957.5	$1,988.1	$2,019.3	$2,050.1
Phosphate TF	$7.3	$7.3	$5.0	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1
EETF	$230.7	$253.9	$199.9	$234.8	$284.8	$273.6	$304.4	$361.3	$319.6	$316.6
General Revenue	$1,934.6	$1,736.8	$1,526.4	$2,057.0	$2,203.9	$2,352.0	$2,473.6	$2,563.2	$2,782.1	$2,962.4
FTE Enrollment	276,376	281,785	280,971	279,742	279,890	283,377	288,180	293,070	298,050	303,110

Note: General Revenue amounts for the forecast years include the funds provided in Driver #24. The FTE enrollment reflects a new methodology for calculating enrollment. Two factors have changed: (1) state employees receiving waivers are consistently included in the FTE for all universities; and (2) total credit hours required to equate to a full-time equivalent (FTE) has changed from 40 to 30. Historical FTE counts have been converted to reflect these changes.

23. Workload – Other Higher Education Programs

Other High Priority Needs funding includes General Revenue increases for merit and need-based student financial assistance, and other tuition assistance programs for students attending Florida's public and private colleges and universities.

Specifically, the plan includes annual General Revenue increases of approximately $4.9 million for Florida Student Assistance Grants (FSAG), a need-based financial assistance program for students attending public and private postsecondary institutions, and $9.1 million for Florida Resident Access Grants (FRAG) and Access to Better Learning and Education (ABLE) Grants, which are tuition assistance programs for students attending eligible private colleges and universities. The increased funding estimates, included in each year of the Outlook, are based on the three-year average appropriations increase for these programs.

The plan also includes $9.7 million in recurring General Revenue in Fiscal Year 2017-18 to replace $9.7 million currently appropriated from the Student Loan Operating Trust Fund for the FSAG program. Revenues for the trust fund have diminished over recent years and can no longer be leveraged to fund FSAG. Replacing the trust fund appropriation with General Revenue is necessary to maintain Fiscal Year 2016-17 funding levels for FSAG.

Other High Priority Needs funding also includes General Revenue increases for the Benacquisto Scholarship Program of $5.3 million in Fiscal Year 2017-18, $2.4 million in Fiscal Year 2018-19, and $1.4 million in Fiscal Year 2019-20. An additional 472 students are projected to be eligible for funding over the next three years. The Benacquisto Scholarship Program is a merit scholarship program for high school graduates who earn recognition as a National Merit or National Achievement Scholar. The scholarship is equal to the cost of attendance (including tuition and fees, room and board, and other expenses) at a public postsecondary educational institution, minus the amount of the student's Bright Futures Scholarship and National Merit Scholarship or National Achievement Scholarship. The funding levels are based on increased enrollment projections adopted by the July 2016 Student Financial Aid Estimating Conference.

24. Anticipated New Space Costs for Colleges and Universities

General Revenue funds are provided in Other High Priority Needs for operational costs associated with the phase-in of new physical space operations, which include costs related to utilities and janitorial services. Facility construction projects approved by the Legislature through the education capital outlay process are anticipated to come on-line during the Outlook period. An estimated $6.4 million, including $1.6 million for Florida colleges, and $4.8 million for state universities, is included for each year of the Outlook based on a three-year appropriations average.

Human Services (Drivers #25 - #31)

25. Medicaid Services

The Outlook includes additional funding for Medicaid Waiver slots for the elderly, for individuals with brain and spinal cord injuries, and for Medicaid provider rate increases based on three-year averages. These Other High Priority Needs provide the Agency for Health Care Administration, the Department of Health, and the Department of Elder Affairs with $71.1 million ($0.3 million nonrecurring) in General Revenue funds for Fiscal Years 2017-18, 2018-19, and 2019-20.

26. Children and Family Services

The Outlook restores nonrecurring funds in Fiscal Year 2017-18 for the final payment of a claim bill and uses three-year appropriations averages to determine the funding needs for the anticipated growth of the following: Children's Community Action Teams (CATs) that provide wrap-around mental health services for youth and adolescents; Family Intensive Treatment (FIT) Teams that provide comprehensive services to families in the child welfare system with parental substance abuse; central receiving facilities grant program; maintenance adoption subsidies; Community-Based Care (CBC) lead agencies that provide child welfare services; child protection and abuse investigations; grants to sheriffs that perform child abuse investigations in lieu of the department; foster care cost of living increases; homeless coalitions providing direct services to transient populations; state mental health facilities initiatives; and, substance abuse and mental health initiatives through community-based providers.

These Other High Priority Needs increase General Revenue funds for the Department of Children and Families by $53.7 million ($7.9 million nonrecurring) for Fiscal Year 2017-18. The Outlook also includes $17.5 million in nonrecurring Tobacco Settlement Trust Funds for Fiscal Year 2017-18. For Fiscal Year 2018-19 and Fiscal Year 2019-20, the General Revenue amount increases to $69.5 million ($23.7 million nonrecurring), including $17.5 million to replace the nonrecurring Tobacco Settlement Trust Funds and a reduction of $1.7 million associated with the claim bill, for which the funding requirements will have been satisfied.

27. Health Services

The Outlook includes additional funding for the Early Steps program, biomedical research, pregnancy support services, and Alzheimer's research based on three-year appropriations averages. The Outlook also restores nonrecurring funding for poison control centers and federally qualified health centers based on three-year appropriations averages for these programs. All of these programs are described below:

- The Early Steps program is Florida's early intervention system that offers support services to families and caregivers with infants and toddlers with significant delays or a condition likely to result in a developmental delay.
- The biomedical research funding encompasses several statewide initiatives through grant opportunities and supplemental funding. These programs include the James and Esther

King Biomedical Research Program, Bankhead-Coley Cancer Research Program, H. Lee Moffitt Cancer Center and Research Institute, Sylvester Cancer Center at the University of Miami, Shands Cancer Hospital at the University of Florida, Sanford Burnham Prebys Medical Discovery Institute, Torrey Pines Institute for Molecular Studies, Vaccine and Gene Therapy Institute of Florida, Scripps Research Institute, and Roskamp Institute for Oncology.

- The poison control center funding provides poison prevention and confidential management information through a toll-free hotline to three poison control centers located in Jacksonville, Miami, and Tampa.
- The Florida Pregnancy Support Services Program's network of centers provides free pregnancy tests, peer counseling and referrals, and classes on pregnancy, childbirth, parenting, and life skills statewide.
- The Ed and Ethel Moore Alzheimer's Disease Research Program awards grants for research relating to the prevention, diagnosis, treatment, and cure of Alzheimer's disease.
- Florida's Federally Qualified Health Centers are non-profit health care organizations that serve all populations and provide primary and preventive medical, dental, and behavioral services throughout the state.

These Other High Priority Needs increase General Revenue funds for the Department of Health by $24.5 million ($16.4 million nonrecurring) for Fiscal Years 2017-18, 2018-19, and 2019-20.

28. Developmental Disabilities

The Outlook includes funding for reducing the wait list for Developmental Disabilities Waiver services provided by the Agency for Persons with Disabilities, the agency's supported employment and internship programs, and a rate increase for Medicaid Waiver providers, based on the three-year appropriations averages. These Other High Priority Needs increase General Revenue funds for the Agency for Persons with Disabilities by $18.7 million ($0.5 million nonrecurring) for Fiscal Years 2017-18, 2018-19, and 2019-20.

29. Veterans' Services

The Outlook includes funding for Veterans Florida for the Entrepreneurship Program designed to connect business leaders with veterans seeking to become entrepreneurs, and the Veterans Training Grants Program which provides funding for educational programs to businesses hiring and training veterans. These Other High Priority Needs are based on three-year appropriations averages and increase General Revenue funds for the Department of Veterans' Affairs by $1.5 million nonrecurring for Fiscal Years 2017-18, 2018-19, and 2019-20.

30. Elderly Services

The Outlook includes funding for reducing the wait list for the Community Care for the Elderly program within the Department of Elder Affairs and respite services for the department's Alzheimer's clients based on the three-year appropriations averages. These Other High Priority Needs increase General Revenue funds for the Department of Elder Affairs by $5.4 million ($0.9 million nonrecurring) for Fiscal Years 2017-18, 2018-19, and 2019-20. The Outlook also provides a General Revenue increase of $2.7 million recurring for FMAP modifications for the Comprehensive Assessment and Review for Long-Term Care Services (CARES) staff for Fiscal Year 2017-18.

31. Human Services Information Technology/Infrastructure

The Outlook includes funding for Other High Priority Needs for human services information technology and infrastructure. Included are re-engineering costs for the Agency for Persons with Disabilities' Client Management System, the fiscal agent reprocurement related to the Florida Medicaid Management Information System (FMMIS) in the Agency for Health Care Administration, and the substance abuse and mental health information technology system in the Department of Children and Families. The Outlook provides $2.9 million from nonrecurring General Revenue funds for Fiscal Year 2017-18 and $2.9 million ($2.0 million nonrecurring) for Fiscal Year 2018-19.

Criminal Justice (Drivers #32 - #36)

32. Justice Administration Commission – Due Process Increases

The Justice Administration Commission is responsible for paying due process costs for the judicial system totaling over $80 million annually. The due process category includes costs for court-appointed attorneys, court interpreting and court reporting services, witness fees, and medical/mental health evaluations. The Outlook includes a $3.0 million increase in recurring General Revenue each year based on the average increase in due process appropriations over the last three fiscal years.

33. Department of Corrections – Fleet Replacement of Vans, Buses, and Vehicles

The Department of Corrections' (DOC) fleet has approximately 2,900 vehicles, and the majority of the vehicles are not in acceptable condition according to the Department of Management Services' (DMS) disposal criteria. The fleet has an average age of 16 years and average mileage in excess of 159,000 miles with approximately 75 percent of the fleet eligible for disposal. More specifically, 41 of the 43 transport buses in the DOC's fleet exceed DMS's disposal criteria of 10 years or 110,000 miles. The Outlook includes $2.0 million nonrecurring General Revenue each year based on the three-year appropriations average.

34. Department of Corrections – Inmate Health Services

The DOC is required to provide comprehensive health care services for the 99,000 inmates in its custody. Medical services are currently provided by Wexford Health Sources and Centurion of Florida. Wexford provides services for nine institutions (all DOC-operated institutions in Region 4 and two institutions in Region 3), and Centurion provides services for the remainder of the state. Centurion replaced Corizon Healthcare in April 2016 after Corizon terminated its contract, which was scheduled to expire in January 2018.

The DOC is in the process of procuring new contracts for inmate health services. In December 2015, separate Invitations to Negotiate were issued for institutional medical services (with separate bids to provide services statewide, in Regions 1 and 2, and in Regions 3 and 4), medical and hospital operations at Reception and Medical Center, statewide inpatient and outpatient mental health services, and statewide dental services.

The procurement timeline calls for the notice of which vendors will be invited for negotiations to be posted in October 2016, the intended awards to be posted in July 2017, and the new contracts to begin in January 2018. The Outlook includes an additional $5.9 million recurring General Revenue each year based on the three-year appropriations average.

35. Department of Juvenile Justice – Prevention and Intervention Programs

The Prevention and Intervention programs in the Department of Juvenile Justice are considered “front-end” services that aim to divert juveniles from institutional, residential, or “deep-end” services. The majority of these programs are implemented by local community providers. The Legislature has increased funding for front-end (community-based) services to reduce the need for more costly deep-end (residential) services over the past few years. The Outlook includes $7.2 million recurring General Revenue each year for these programs based on the three-year appropriations average.

36. Department of Juvenile Justice – Shared Detention Cost

The 2004 Legislature passed Senate Bill 2564 (chapter 2004-263, Laws of Florida) that required joint financial participation of the state and counties in the provision of juvenile detention. Under the 2004 legislation, costs allocated to counties were associated with the time juveniles from those counties spend in detention before being adjudicated. Costs allocated to the state were 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 2004 legislation recognized that cost-sharing would be a burden on counties with a “fiscally constrained county” designation, defined as a rural area of critical economic concern under section 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. The Legislature appropriated $3.9 million in recurring General Revenue in each of the last five years.

The 2016 Legislature enacted Senate Bill 1322 (chapter 2016-152, Laws of Florida) to simplify the method for determining the share of detention costs that must be paid by each non-fiscally constrained county. The new law does not use pre-adjudication and post-adjudication status as a factor in determining cost sharing. Instead, each non-fiscally constrained county’s cost share is based on the percentage of detention care days for its juveniles as a proportion of the number of detention care days for juveniles from all non-fiscally constrained counties. For Fiscal Year 2016-17, the county’s cost share is determined by multiplying the county’s percentage of use by $42.5 million; in future years, the cost share will be determined by multiplying the county’s percentage of use by the actual total costs of detention care for juveniles from all non-fiscally constrained counties.

The Outlook for the subsequent years is built on the assumption that total out-year costs will increase relative to the $42.5 million in the current year and provides increased General Revenue funding of $300,000 in Fiscal Year 2018-19 and $500,000 in Fiscal Year 2019-20.

Judicial Branch (Drivers #37 & #38)

37. State Courts Revenue Trust Fund Shortfall

The judicial branch's core mission is to resolve civil disputes and criminal charges. Most of the costs of the judicial budget are expenditures related to 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 Legislature changed the funding sources for the state courts system in 2009 and 2010 by adjusting filing fees for real property and mortgage foreclosure cases, increasing the use of court fees to fund the State Courts Revenue Trust Fund and decreasing the amount of General Revenue. However, since 2010, actual court fee revenues have been lower than the Revenue Estimating Conference forecasts and insufficient to support appropriations from the State Courts Revenue Trust Fund. To address trust fund deficits, the 2012 Legislature appropriated $274 million in recurring General Revenue for Fiscal Year 2012-13; $15.4 million in Fiscal Year 2014-15; $18.5 million in Fiscal Year 2015-16; and $8.5 million in Fiscal Year 2016-17. Based on results from the Revenue Estimating Conference held on July 20, 2016, the State Courts Revenue Trust Fund will be short $500,000 in Fiscal Year 2017-18, $200,000 in Fiscal Year 2018-19 and $500,000 in Fiscal Year 2019-20, if appropriations remain at current levels.

38. Small County Courthouses

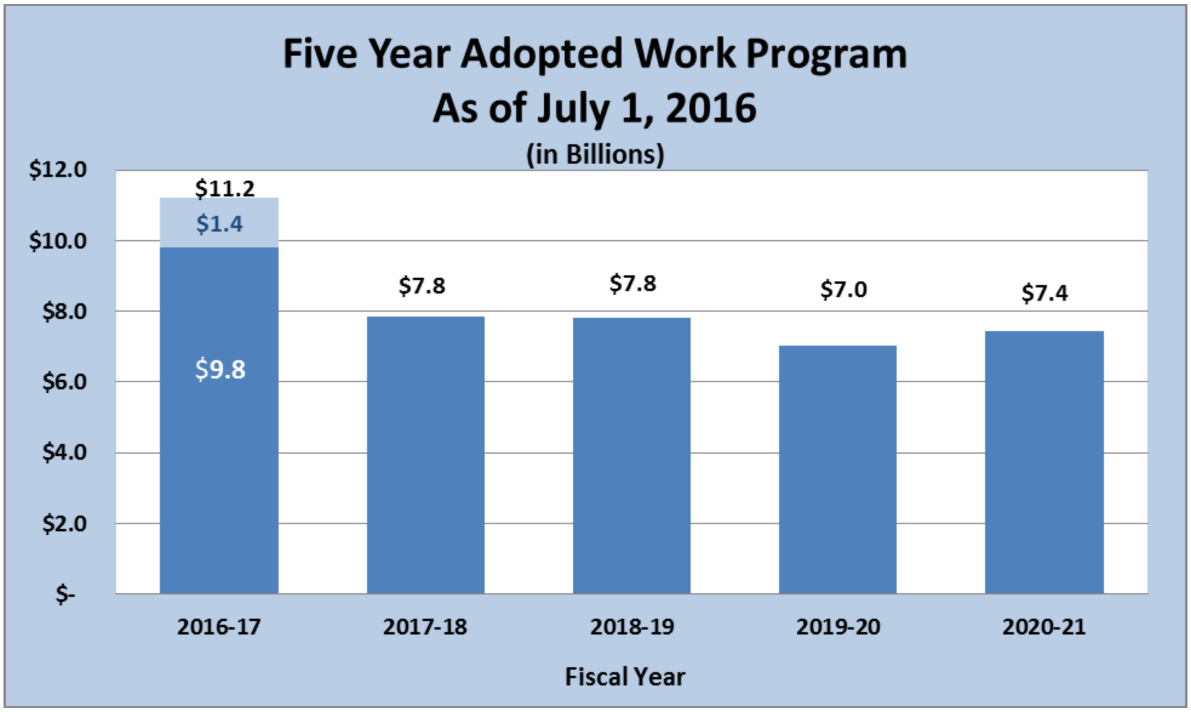
While the counties are responsible for the facility needs of the trial courts, the Legislature has historically provided additional funding to counties with populations of fewer than 75,000 to renovate and repair trial court buildings. The Outlook includes $4.5 million non-recurring General Revenue each year based on the three-year appropriations average.

Transportation and Economic Development (Drivers #39 - #42)

39. Department of Transportation Adopted Work Program (Fiscal Years 2017-2020)

The Department of Transportation 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 currently based on estimates from the

Revenue Estimating Conferences held in January 2016 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2016, will be programmed into the Tentative Work Program in February 2017 for legislative consideration.



**Fiscal Year 2016-17 includes $1.4 billion in anticipated roll forward budget from Fiscal Year 2015-16. Each year, a portion of the prior year's budget rolls forward and is added to the current year appropriation. This amount averages approximately $1.3 billion annually.*

Based on the current Adopted Work Program, the Outlook includes funding of $7.8 billion in Fiscal Year 2017-18, $7.8 billion in Fiscal Year 2018-19, and $7.0 billion in Fiscal Year 2019-20 from trust fund revenues.

40. Economic Development and Workforce Programs

The Department of Economic Opportunity is the state's single economic development agency whose purpose is to implement economic development policy. Enterprise Florida, a not-for-profit corporation created by Florida law to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with the department. 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 providing 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 to protect and expand the defense industry. Since the amount of future nonrecurring appropriations cannot be predicted, the Outlook relies on three-year appropriations averages. The Outlook includes a total projection of $2.7 million of General Revenue funds and $63.4 million of trust funds for economic development and workforce programs for each year of the Outlook.

Chapter 2011-138, Laws of Florida, created the State Economic Enhancement and Development (SEED) Trust Fund to fund: strategic transportation facility investments; affordable housing programs and projects; economic development incentives for job creation and capital investment; workforce training associated with attracting new businesses to the state and retaining existing businesses; and tourism promotion and marketing. The SEED Trust Fund was appropriated for the first time in Fiscal Year 2012-13 to fund a variety of economic development activities in place of General Revenue. The Outlook funds the needs for economic development programs from the SEED Trust Fund based upon the three-year appropriations average of the total funding provided for these programs.

Key Economic Development Programs:

> Qualified Targeted Industry *and* Qualified Defense Contractor and Space Flight Business Programs - Provides cash awards equivalent to certain paid taxes for approved businesses based on the number of new jobs created.
>
> High-Impact Performance Incentives - Provides cash grants to business projects in designated high-impact industries that make large capital investments within Florida.
>
> Quick Action Closing Fund - Provides cash grants to business projects to help Florida compete effectively for high-impact businesses that can provide widespread economic benefits in the state.
>
> Innovation Incentive Program - Provides cash grants 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 support Florida's Defense Industry and defense-dependent communities.

41. National Guard Armories and Military Affairs Priorities

The Florida Armory Revitalization Plan is intended to renovate Florida's aging Readiness Centers (armories) in accordance with 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 provided $103.4 million of General Revenue funding since Fiscal Year 2005-06 in support of the National Guard Armory Renovations. To date, 51 of Florida's 55 armories have received funding to begin the planned repairs, and construction has been completed on 45 armories. (Three of the 55 armories are not owned by the State of Florida.) The Legislature provided $3.0 million in Fiscal Year 2016-17.

With the Armory Renovation Priority List nearing completion, the Legislature also recognized the need for ongoing maintenance and repair for the renovated facilities and provided $1.7 million in Fiscal Year 2015-16 and in Fiscal Year 2016-17.

Based on actual cost projections, the Outlook includes $6.0 million nonrecurring General Revenue in Fiscal Year 2017-18 to renovate the last remaining armory on the Armory Renovation Priority List; and $1.7 million for the maintenance and repairs of Florida's armories. Additionally, for Fiscal Year 2018-19 and Fiscal Year 2019-20, the Outlook includes $1.7 million nonrecurring General Revenue for ongoing maintenance and repairs to Florida armories.

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 Department of Military Affairs with an invoice for payments and associated legal costs made during the prior calendar year for this purpose. The Outlook includes nearly $0.2 million based on the three-year appropriations average for these claims.

42. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for certain Department of State programs based on three-year appropriations averages. Collectively, the Outlook includes $69.0 million of nonrecurring General Revenue funds for these programs in Fiscal Years 2017-18 and 2019-20, and $69.4 million of nonrecurring General Revenue in Fiscal Year 2018-19.

The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. Historically, the program obtaining the most additional funding from the Legislature is State Aid to Libraries, which encourages local governments to establish and continue development of free library service to all residents of Florida. Funding for State Aid to Libraries reflected in previous Outlooks as nonrecurring funds is no longer included because the Legislature has provided recurring General Revenue funds of $22.3 million for this purpose since Fiscal Year 2013-14. However, the Outlook includes $1.8 million for State Aid to Libraries based on a three-year appropriations average of nonrecurring General Revenue funds supplementing this program. The Outlook also includes $3.0 million based on the three-year appropriations average for Public Library Construction Grants to encourage the growth of public libraries.

The Division of Cultural Affairs administers four types of grant programs: Cultural and Museum Grants, Specific Cultural Project Grants, Cultural Endowment Grants, and Cultural Facility Grants. Cultural and Museum and Cultural Project 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. Cultural Endowment grants create an endowment matching fund program to provide operating resources to not-for-profit Florida corporations in good standing with the Florida Division of Corporations. In addition, Cultural Facility grants provide state support for the acquisition, renovation, and construction of cultural facilities such as performing art centers and museums. The three-year appropriations average for cultural/museum and facility grants is approximately $47.3 million.

The Division of Historical Resources administers two grant programs that 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 three-year appropriations average for these two historic grant programs is $15.1 million.

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. The three-year appropriations average funding for special elections and statewide litigation issues is $1.8 million and an average of $0.4 million is included for advertising constitutional amendments in even-numbered, election years.

Natural Resources (Drivers #43 & #44)

43. Water and Land Conservation

In 2014, Florida voters approved a constitutional amendment to provide a dedicated funding source for water and land conservation and restoration. The amendment created Article X, section 28 of the Florida Constitution.

Article X, section 28 of the Florida Constitution requires that starting on July 1, 2015, for 20 years, 33 percent of the net revenues derived for the existing excise tax on documents must be deposited into the Land Acquisition Trust Fund (LATF).

Article X, section 28 of the Florida Constitution also requires that funds in the LATF be expended only for the following purposes:

1) As provided by law, to finance or refinance: the acquisition and improvement of land, water areas, and related property interests, including conservation easements, and resources for conservation lands including wetlands, forests, and fish and wildlife habitat; wildlife management areas; lands that protect water resources and drinking water sources, including lands protecting the water quality and quantity of rivers, lakes, streams, springsheds, and lands providing recharge for groundwater and aquifer systems; lands in the Everglades Agricultural Area and the Everglades Protection Area, as defined in Article II, Section 7(b); beaches and shores; outdoor recreation lands, including recreational trails, parks, and urban open space; rural landscapes;

working farms and ranches; historic or geologic sites; together with management, restoration of natural systems, and the enhancement of public access or recreational enjoyment of conservation lands.

2) To pay the debt service on bonds issued pursuant to Article VII, Section 11(e).

The 2015 Legislature amended section 201.15, Florida Statutes, (section 9, chapter 2015-229, Laws of Florida), to provide the 33 percent distribution to the LATF required by the Florida Constitution. Based on the August 2016 Revenue Estimating Conference, the revenue to be distributed to the LATF over the three years of the Outlook is estimated to be $838.63 million for Fiscal Year 2017-18, $880.70 million for Fiscal Year 2018-19, and $918.72 million for Fiscal Year 2019-20 (see pages 61-63 for a more detailed discussion). The Outlook assumes a reserve within the Fiscal Year 2017-18 LATF distribution similar to reserves established for the General Revenue Fund and other trust funds.

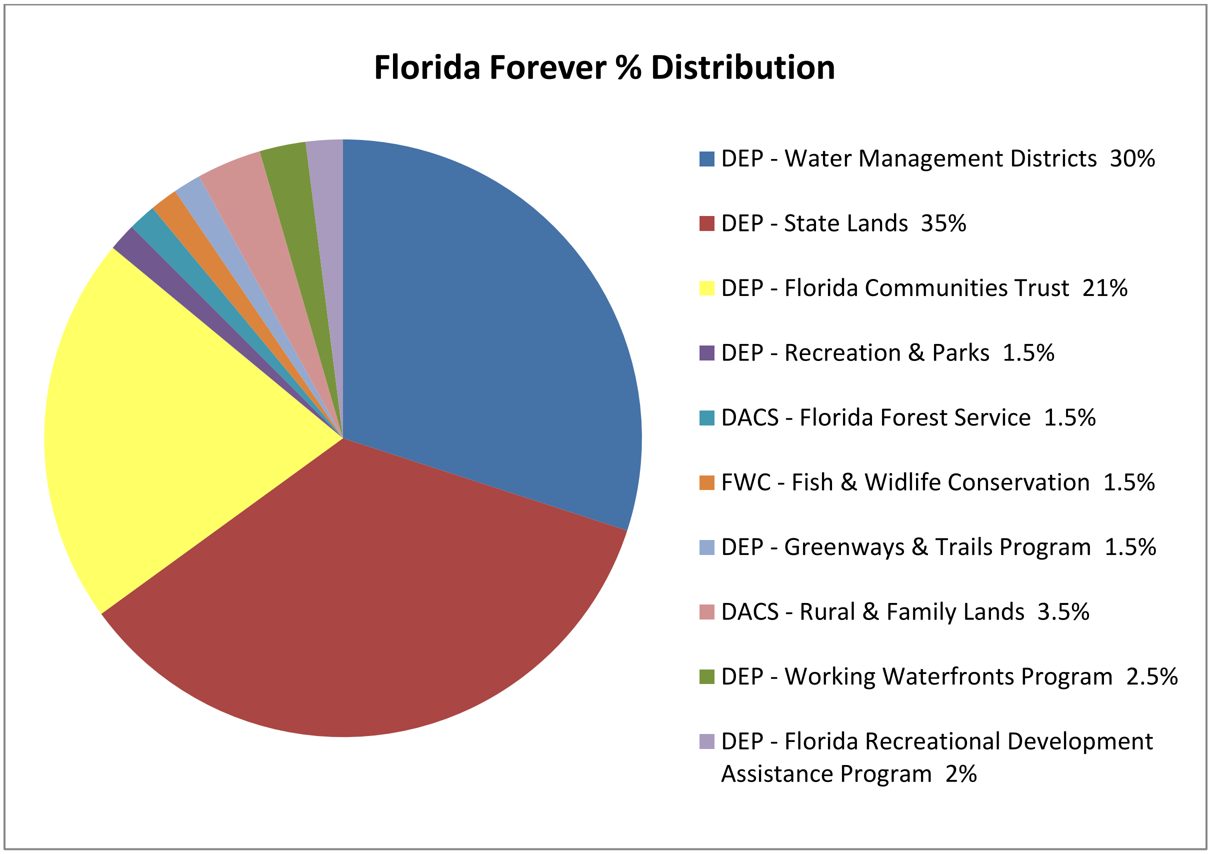
The 2015 Legislature in chapter 2015-229, Laws of Florida, also eliminated the distributions to other environmental trust funds whose purposes were consistent with the constitutional amendment. These trust funds include the Conservation and Recreation Lands Trust Fund, Conservation and Recreation Lands Program Trust Fund, Ecosystem Management and Restoration Trust Fund, General Inspection Trust Fund, Invasive Plant Control Trust Fund, State Game Trust Fund, Water Management Lands Trust Fund, and Water Quality Assurance Trust Fund. In the Fiscal Year 2015-16 General Appropriations Act, the Legislature also shifted appropriations from those trust funds to the LATF where appropriate, consistent with the constitutional amendment.

In 2016, the Legislature passed House Bill 989 (chapter 2016-201, Laws of Florida), which designated that a portion of funds deposited into the LATF be appropriated for Everglades restoration projects. The provision requires that a minimum of the lesser of 25 percent or $200 million from the LATF be appropriated for Everglades restoration projects, which implement the Comprehensive Everglades Restoration Plan (CERP), including the Central Everglades Planning Project subject to congressional authorization, the Long-Term Plan, and the Northern Everglades and Estuaries and Protection Program. The legislation also requires that a minimum of the lesser of 7.6 percent or $50 million be appropriated annually for spring restoration, protection, and management projects. Finally, the legislation requires that $5 million be appropriated annually through the 2025-26 fiscal year for projects dedicated to the restoration of Lake Apopka.

Components of water and land conservation include, but are not limited to, the Florida Forever Program; Everglades restoration; springs protection, restoration, and preservation; Lake Apopka restoration, and, land management. Each of these areas is discussed below. Where the estimates exceed the amounts available from the LATF for the various water and land conservation programs, the Outlook assumes that the LATF projected shortfall will be supplemented by General Revenue based on legislative appropriations in prior years.

<u>Florida Forever Program</u> – In 1998, voters amended the Florida Constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded by creating the 10-year $3.0 billion Florida Forever program to acquire and manage land for conservation. In 2008, this program was extended. Funds appropriated to the Florida

Forever program are distributed as authorized in section 259.105, Florida Statutes, to various agencies and programs. The statutory distribution is displayed on the following chart.



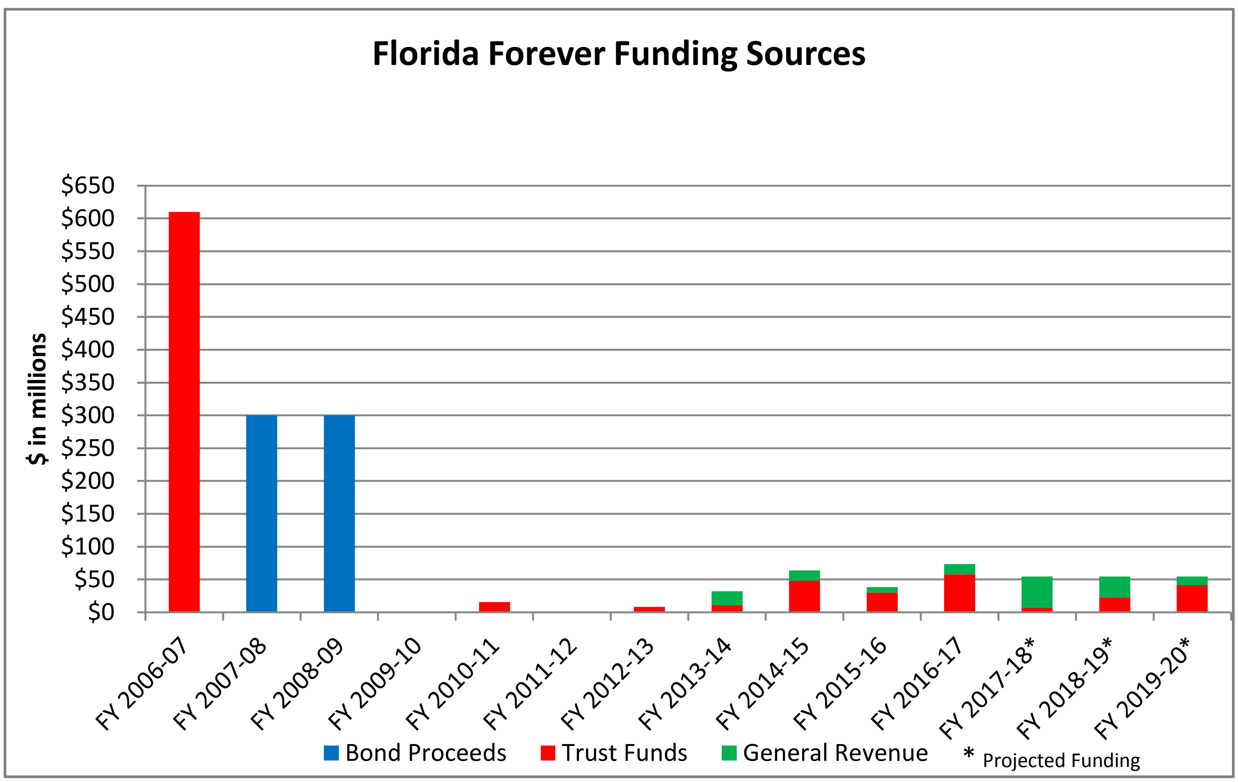
Previously, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of Documentary Stamp Tax revenue or paid for purchases with General Revenue funds or trust fund cash balances. The debt service required for environmental bonds decreased by $230.6 million in Fiscal Year 2013-14 because certain environmental bonds (Preservation 2000) had been retired. The bonding capacity for the Florida Forever program is statutorily limited to total annual debt service of no more than $300.0 million. The annual debt service for outstanding Florida Forever bonds is approximately $146.2 million in Fiscal Years 2016-17 through 2020-21 and declines thereafter.

The 2016 Legislature amended section 259.105, Florida Statutes, to require that at least $5 million of the 35 percent of the funds distributed to the Department of Environmental Protection under the Florida Forever Program be allocated for land acquisition within the Florida Keys Area of Critical State Concern. This distribution begins in the 2017-18 fiscal year and continues through the 2026-27 fiscal year.

The graph on the following page represents the historical funding levels for Florida Forever. As Documentary Stamp Tax revenues declined, the Legislature limited the distribution of funds to conservation lands within State Lands, Rural and Family Lands, and local parks funding assistance programs. Based on a three-year appropriations average, the Outlook includes the historical distributions for acquisition of conservation lands and the following programs:

> *Rural and Family Lands* – This program was created in 2001 as an agricultural land preservation program. Section 259.105(3), Florida Statutes, provides a distribution of Florida Forever bond proceeds or cash of 3.5 percent for the program. Rural and Family Lands is designed to protect agricultural lands through the acquisition of permanent land conservation easements while allowing agricultural operations to continue.
>
> *Florida Recreational Development Assistance Program* – The Florida Recreation Development Assistance Program (FRDAP) is a competitive grant program that receives a Florida Forever distribution of two percent. The FRDAP provides grants to local governments for the acquisition or development of land for public outdoor recreation use or to construct or renovate recreation trails. Applications are reviewed and ranked by the Department of Environmental Protection on an annual basis.

Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes a three-year appropriations average of approximately $47.1 million from nonrecurring General Revenue and $7.2 million of funding from the LATF for Fiscal Year 2017-18; $31.4 million of nonrecurring General Revenue and $23.0 million of funding from the LATF for Fiscal Year 2018-19; and $13 million from nonrecurring General Revenue and $41.3 million of funding from the LATF for Fiscal Year 2019-20. This funding is in addition to the recurring funding of $20.5 million from the LATF provided in the Fiscal Year 2016-17 General Appropriations Act.



Everglades Restoration – The Florida Everglades, the "River of Grass," is a mosaic of sawgrass marshes, freshwater ponds, prairies, and forested uplands that supports a rich plant and wildlife community. The Everglades once covered almost 11,000 square miles of South Florida. Because of efforts to drain the marshland for flood control, agriculture, and development, the Everglades today is half the size it was a century ago.

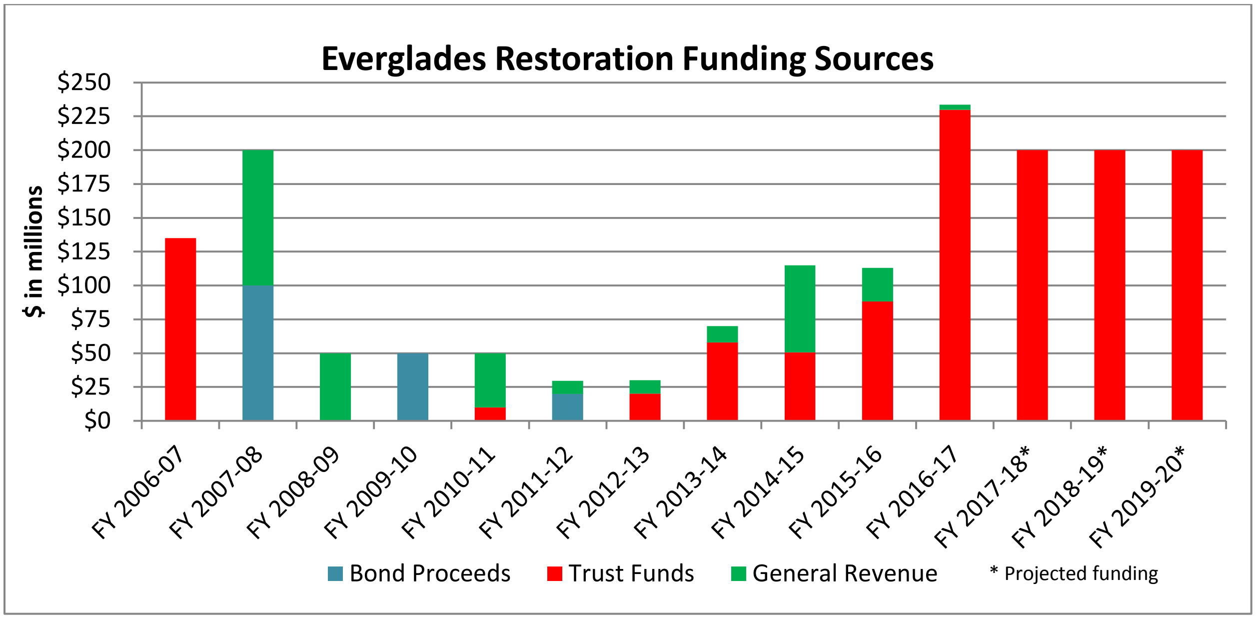
To restore and protect the greater Everglades ecosystem, the Florida Legislature established the State of Florida's responsibilities in a series of statutes under the Florida Water Resources Act (chapter 373, Florida Statutes). In addition to authorizing the South Florida Water Management District (SFWMD) to serve as the local sponsor for the majority of restoration efforts, the Legislature directed the roles and responsibilities of both the Department of Environmental Protection and the SFWMD for plans authorized through the Everglades Forever Act, the Comprehensive Everglades Restoration Plan, the Northern Everglades and Estuaries Protection Program, and the Everglades Restoration Investment Act.

The Comprehensive Everglades Restoration Program (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, through cash or bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007 and 2008, the 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, the River Watershed Protection Plans, and the Keys Wastewater Plan.

In 2007, the Legislature enacted the Northern Everglades and Estuaries Protection Act (NEEPA) to restore and protect Lake Okeechobee and its downstream estuaries, the Caloosahatchee and St. Lucie River watersheds. The Outlook includes funding for nutrient reduction and water retention projects at the basin, sub-basin, and farm levels in the Lake Okeechobee watershed.

In 2012, the Department of Environmental Protection and the SFWMD, in consultation with U.S. Environmental Protection Agency, developed a technical plan to meet water quality standards, which includes additional stormwater treatment areas and storage reservoirs at a cost of $880 million over a 13-year period. A total of $500.7 million in funds will be provided by the SFWMD with the balance to be provided by the state. The 2013 Legislature appropriated $32 million on a recurring basis to support the implementation of the technical water quality plan.

Excluding the technical water quality plan recurring funding initiated in the 2013-14 fiscal year, the Legislature has authorized bond proceeds and appropriated General Revenue and trust funds for Everglades Restoration projects as shown in the graph on the following page. Bonds may be issued in an amount not to exceed $100.0 million per fiscal year, unless specifically approved by the Legislature. The annual debt service for outstanding bonds is $25.5 million for Fiscal Years 2016-17 through 2024-25 and declines thereafter. It is unknown whether the Legislature will authorize additional bonding. Based on the requirements of chapter 2016-201, Laws of Florida, and the recurring funding of $95.8 million provided in the Fiscal Year 2016-17 General Appropriations Act, the Outlook assumes additional funding of $104.2 million from nonrecurring LATF for a total of $200 million for Everglades restoration projects.



Springs Protection – Florida is home to one of the largest concentrations of freshwater springs in the world. The Florida Springs Initiative is a comprehensive, coordinated program to improve spring water quality and flow through improved research, monitoring, education, landowner assistance, and conservation. Based on the requirement in chapter 2016-201, Laws of Florida, the Legislature appropriated $50 million of recurring funds from the LATF for Fiscal Year 2016-17. Therefore, no additional funds are included in the Outlook for Fiscal Years 2017-18 through 2019-20 for spring restoration, protection, and management projects.

Lake Apopka – Lake Apopka, the fourth-largest lake in Florida, was once a world-class bass fishery. Over many decades, impacts to the lake have led to its designation as Florida's most polluted large lake. The St. John's River Water Management District (SJRWMD) and its partners have been working to reduce the total phosphorus and other solids in the water to improve water quality, and to restore wildlife habitat and wetlands. Based on the requirement in chapter 2016-201, Laws of Florida, the Outlook assumes funding of $5 million each year from the LATF for Fiscal Years 2017-18 through 2019-20.

Land Management – More than 9.8 million acres of conservation and recreation lands in Florida[11] are managed by four primary state agencies: the Department of Agriculture and Consumer Services, the Department of Environmental Protection, the Fish and Wildlife Conservation Commission, and the Department of State. These agencies provide recreational opportunities, preserve the state's forestry resources, provide wildlife and habitat protection, provide law enforcement, and preserve historical and archaeological resources for all of Florida's

[11] Department of Environmental Protection, State of Florida Land Management Uniform Accounting Council 2015 Annual Report (Fiscal Year 2014-15).

residents and visitors. Land management plans are developed, adopted, and reviewed every ten years to ensure that the short- and long-term goals by which the lands were acquired are being fulfilled.

In Fiscal Year 2016-17, the Legislature provided an additional $61.2 million for land management activities, including construction, improvement, enlargement, extension, and operation and maintenance of capital improvements and facilities from the General Revenue Fund and the LATF. The Outlook assumes an appropriation of $1.5 million of recurring and $36.1 million of nonrecurring General Revenue funds and $14.6 million of funding from the LATF for Fiscal Year 2017-18 and $1.5 million of nonrecurring General Revenue funds and $50.7 million from the LATF for Fiscal Years 2018-19 and 2019-20.

The Outlook assumes continued funding for other water and land programs from the LATF revenues within the Department of Agriculture and Consumer Services, the Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which include water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, threshold limits on pollutants in surface waters, 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. The Outlook does not specifically address beach restoration for future tropical storms, hurricanes, or other natural disaster damages yet to occur. The Outlook includes funding of $3.7 million from recurring General Revenue, as well as $52 million of nonrecurring General Revenue for Fiscal Year 2017-18, $3.7 million from recurring General Revenue and $36.0 million from nonrecurring General Revenue for Fiscal Year 2018-19, and $3.7 million from recurring General Revenue and $23.8 million of nonrecurring General Revenue for Fiscal Year 2019-20. The Outlook also assumes $10.2 million of funding from the LATF for Fiscal Year 2017-18, $26.2 million from LATF for Fiscal Year 2018-19, and $38.4 million from LATF for Fiscal Year 2019-20.

44. Other Agriculture and Environmental Programs

The Outlook includes funding for programs within the Departments of Environmental Protection and Agriculture and Consumer Services and the Fish and Wildlife Conservation Commission based on three-year appropriations averages. The major programs include:

<u>Water Projects</u> – The Outlook includes funding for traditional water projects. These projects historically were funded by a former statutory Sales Tax distribution projected by the General Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes the three-year appropriations average of $81.2 million funded from nonrecurring General Revenue each fiscal year during the three-year period contained in the Outlook.

Drinking Water and Wastewater Revolving Loan Programs – The Outlook includes 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 three-year forecast period, the Outlook includes nonrecurring General Revenue as the fund source. For the 2017-18 fiscal year through the 2019-20 fiscal year, $7.3 million is included for the drinking water program, and $7.0 million for the wastewater program.

Florida Keys – The Legislature designated the Florida Keys (Monroe County and its municipalities) and the City of Key West as Areas of Critical State Concern in 1975 as a result of the area's environmental sensitivity and mounting development pressures. The 2008 Legislature authorized an additional amount of Everglades bonds not to exceed $200 million, and limited to $50 million per fiscal year, specifically for the purpose of funding the Florida Keys Area of Critical State Concern protection program. The Legislature authorized the issuance of $50 million in Everglades Restoration bonds in Fiscal Year 2012-13 and Fiscal Year 2014-15 to fund wastewater treatment efforts in the Florida Keys.

The 2016 Legislature amended section 215.619, Florida Statutes, (chapter 2016-225, Laws of Florida), to expand the use of Everglades restoration bonds for projects that protect, restore, or enhance near shore water quality and fisheries, including stormwater or canal restoration projects and projects that protect water resources available to the Florida Keys. The Legislature also amended section 259.105, Florida Statutes, to require that at least $5 million of the 35 percent of the funds distributed to the Department of Environmental Protection under the Florida Forever Program be allocated for land acquisition within the Florida Keys Area of Critical State Concern beginning in the 2017-18 fiscal year and continuing through the 2026-27 fiscal year. The Legislature provided $5 million nonrecurring funds from the General Revenue Fund to construct sewage and stormwater treatment facilities; canal restoration and muck remediation projects; projects protecting and enhancing water supply in the Florida Keys or City of Key West Areas of Critical State Concern; or land acquisition within the Florida Keys Area of Critical State Concern. The Outlook assumes a three-year appropriations average of $18.3 million from nonrecurring General Revenue for Fiscal Years 2017-18 and 2018-19. For Fiscal Year 2019-20, the Outlook assumes $10.8 million in nonrecurring General Revenue and $7.6 million of nonrecurring funding from the LATF.

Agricultural Programs – Agriculture continues to be an important industry in Florida. Based on the three-year appropriations averages, $28.2 million in nonrecurring and approximately $1.8 million in recurring General Revenue are included for each fiscal year in the Outlook. This includes funding for water quality improvement initiatives and water conservation and supply planning. The Outlook also includes aquaculture research grants to develop and implement innovative production techniques, including ornamental fish and aquatic plant production and biotechnology. Funds are also included for the replacement of critical wildfire suppression equipment, promotional campaigns for agricultural commodities, citrus greening research and citrus health management areas, agricultural promotional and educational facilities, and the distribution of food to needy families through food pantries, soup kitchens, and shelters. Finally, the Outlook assumes the use of General Revenue funds to support the Agricultural Emergency Eradication Trust Fund. Section 570.1912, Florida Statutes, requires an appropriation from the General Revenue Fund to the Agriculture Emergency Eradication Trust Fund in an amount equal to the previous year's transfer into the trust fund from fuel tax collections. Based on the results of the August 2016 Transportation Revenue Estimating Conference, the Outlook includes nonrecurring General Revenue of $11.9 million in Fiscal Year 2017-18, $12.3 million in Fiscal Year 2018-19, and $12.8 million in Fiscal Year 2019-20.

Fish and Wildlife Conservation Programs – The mission of the Fish and Wildlife Conservation Commission (FWC) is to manage fish and wildlife resources for their long-term well-being and the benefit of people. Fish and wildlife conservation is important to the economy, environment and ecology in Florida. The Outlook includes funding for two programs within the FWC—lionfish reduction and black bear conflict reduction. Lionfish are an invasive species that have a negative impact on native species and habitat. The funding for lionfish has focused on outreach to facilitate the removal and reduction of this invasive species' population. Increasing human-bear conflicts are a concern in Florida as both human and bear populations increase, occupied bear ranges expand, and human development continues to reduce bear habitat. The funding for black bear conflict reduction has focused on education and outreach, direct interventions, and work in communities to address waste management. Based on the three-year appropriations averages, approximately $0.7 million from nonrecurring General Revenue for the combined programs is included in each year in the Outlook.

General Government (Drivers #45 & #46)

45. Other General Government Priorities

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. Historically, the Legislature has provided General Revenue funds to cover the cost of the annual $25 fee for parents utilizing child support enforcement services. The Department of Revenue will use existing trust fund cash to supplement base budget funding for Fiscal Year 2017-18 to pay the annual fee. The Outlook includes $693,882 in recurring General Revenue for Fiscal Year 2018-19 and $923,131 in recurring General Revenue for Fiscal Year 2019-20 for this purpose.

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. Over the last several years, the Legislature has directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook assumes the continuation of this policy and provides nonrecurring General Revenue of $167,299 in Fiscal Year 2017-18, $1,174,040 in Fiscal Year 2018-19, and $265,870 in Fiscal Year 2019-20.

Florida Interoperability Network and Mutual Aid – The state has developed and implemented the Florida Interoperability Network (FIN) and Mutual Aid (MA) channels. These systems provide local public safety emergency responders the ability to communicate on the Statewide Law Enforcement Radio Network, both in and outside their respective jurisdictions. Network construction is complete, and the Outlook provides funding for continued operations. Historically, funding for the development and maintenance of the FIN and MA systems has been provided from federal domestic security grants; however, this funding source is no longer available. For each year of the three-year forecast, the Outlook includes approximately $1.4 million for FIN and approximately $1.2 million for MA of nonrecurring General Revenue.

Florida Accounting Information Resource (FLAIR) Replacement – The Department of Financial Services has begun the planning and design for the next generation accounting system to replace FLAIR. This is a multi-year project, and $8.5 million from nonrecurring trust fund resources was provided in Fiscal Year 2016-17. Based upon the department's business case to replace the system, the Outlook includes $24.1 million nonrecurring General Revenue and $21.2 million from trust funds in the Fiscal Year 2017-18, $16.8 million nonrecurring General Revenue and $21.7 million from trust funds for Fiscal Year 2018-19 and $22.1 million nonrecurring from trust funds for Fiscal Year 2019-20.

Compulsive Gambling – Section 551.118, Florida Statutes, requires the Department of Business and Professional Regulation (DBPR) to contract with a private provider for a compulsive and addictive gambling prevention program and funds the program from the annual $250,000 fee assessed to each slot machine licensee. The Outlook includes a three-year average of $0.3 million from nonrecurring General Revenue for each of the Fiscal Years 2017-18 through 2019-20 to continue the funding level appropriated in Fiscal Year 2016-17.

Legal Costs – The DBPR, Division of Alcoholic Beverages and Tobacco, is currently engaged in several tax litigation cases. These tax cases generally regard the interpretation of an appellate decision concerning the taxation of Other Tobacco Products, the determination of whether all cigar wraps are categorized as Other Tobacco Products for tax purposes, and whether Florida's tax and surcharge on Other Tobacco Products is constitutional. These cases are anticipated to continue, and the Outlook includes nonrecurring General Revenue of $0.4 million for each of the Fiscal Years 2017-18 through 2019-20.

Statewide Law Enforcement Radio System (SLERS) – The Department of Management Services is responsible for the administration of the statewide radio communications system for law enforcement and first responders. Due to the expiration of the current 20-year contract in 2021, the department is in the process of developing a procurement to replace the system. It is anticipated that the replacement of the current system will require a four-year transition period and include overlap of costs. Based upon the department's business case to replace the system, the Outlook includes $7.6 million recurring General Revenue beginning in Fiscal Year 2019-20.

46. State Building Pool – General Repairs and Maintenance

The Outlook assumes funding for general repairs and maintenance of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of general building repair deficiencies totals approximately $210.1 million. General repairs and maintenance projects include roofs, windows, doors, facades, HVAC, electrical, plumbing, and office space renovations. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes a three-year average of funding of $18.6 million from nonrecurring General Revenue and $9.8 million from nonrecurring trust fund resources for each of the Fiscal Years 2017-18 through 2019-20 for general building repairs (see related Driver #48 that funds critical life safety deficiency repairs).

Administered Funds & Statewide Issues (Driver #47 & #48)

47. State Employee Pay Issues

The Outlook includes funding for state employees pay issues of $7.2 million of recurring General Revenue and $7.1 million of recurring trust fund expenditures based upon the three-year average historical funding levels for competitive pay adjustments and merit and retention pay adjustments, including adjustments for targeted groups of employees.

48. Maintenance, Repairs, and Capital Improvements – Statewide Buildings – Critical

Human Services – Maintenance and repair projects are based on critical life safety issues for state-owned facilities which include state laboratories and state institutions. The Outlook includes funding for the Department of Health, the Department of Veterans' Affairs, the Department of Children and Families, and the Agency for Persons with Disabilities totaling $7.4 million from nonrecurring General Revenue and $19.0 million from trust funds for Fiscal Year 2017-18 through Fiscal Year 2019-20, based on the three-year appropriations average. In addition to the anticipated costs for the maintenance and repair of state-owned facilities, the Department of Veterans' Affairs will require additional trust fund authority to complete the construction of the seventh state veterans' nursing home of $20 million for Fiscal Year 2017-18.

Criminal Justice – The Department of Corrections (DOC) is responsible for the major repair and renovation needs of over 80 facilities statewide. Many of these facilities are old, and the physical plant systems are well past their original operational life expectancy. DOC's projection for the next five years includes an estimated need of $150 million to address major maintenance issues as well as environmental concerns, Americans with Disabilities Act (ADA) compliance, and security improvements. The Outlook includes $10.8 million nonrecurring General Revenue each year based on the three-year appropriations average.

The Department of Juvenile Justice (DJJ) is responsible for the upkeep and care of 94 residential and detention facilities. The Legislature recognizes the importance of keeping these facilities safe and functional. DJJ's projection for the next five years includes an estimated need of $35 million to address critical repairs and renovations for the safety and functionality of these facilities. The Outlook includes $4.4 million nonrecurring General Revenue each year based on the three-year appropriations average.

Judicial Branch – The state is responsible for the facility needs of the Supreme Court and district courts of appeal. The Outlook includes $4.4 million nonrecurring General Revenue each year based on the average funding over the last three years.

Department of Transportation – The Outlook includes funding for environmental site restoration and capital renewal projects affecting critical life, health, and safety issues at various Department of Transportation facilities located throughout the state. 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 to statewide facilities for code compliance and mitigating health and welfare concerns. Based on a projection of code correction issues for the coming year, and a three-year appropriations average for environmental site restoration, the Outlook includes $4.2 million per year in State Transportation Trust Fund revenues.

<u>Natural Resources</u> – The Outlook includes funding for life and safety repairs for agricultural and wildlife conservation infrastructure located throughout the state. These improvements include state offices and laboratories, forestry wildfire prevention facilities, and state farmers markets. The Outlook includes nonrecurring General Revenue of $8.1 million for Fiscal Year 2017-18, $2.3 million for Fiscal Year 2018-19, and $1.6 million for Fiscal Year 2019-20.

<u>General Government</u> – The Outlook includes funding for life safety and ADA repairs of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of deficiencies related to critical life safety and ADA issues is approximately $158.8 million. Life safety projects include fire sprinklers, fire alarms, elevators, smoke control systems, and other systems critical to the safety of occupants.

ADA compliance is dictated by standards set in the Code of Federal Regulations and is administered by the U.S. Department of Justice. The most recent update in 2012 required compliance surveys and transition plans for all public buildings. The current list of ADA compliance projects for the Florida Facilities Pool is a result of updated surveys and serves as the transition plan for the updated 2012 regulations. Projects include restroom renovations, elevator lobby modifications, outdoor pavilion upgrades, sidewalk improvements, and any other project needed to improve accessibility. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes.

The Outlook includes nonrecurring General Revenue of $14.4 million and $0.4 million of nonrecurring trust fund resources for Fiscal Year 2017-18, nonrecurring General Revenue of $29.4 million and $0.4 million of nonrecurring trust fund resources in Fiscal Year 2018-19, and nonrecurring General Revenue of $4.4 million and $0.4 million of nonrecurring trust fund resources in Fiscal Year 2019-20, for life safety and ADA deficiencies.

Tier 3 Adjustments to the General Revenue Fund

Based on historical tax and fee changes as well as historical trust fund transfers.

Recurring ($ millions)	2016-17	2017-18	2018-19	2019-20
Revenue Estimate	29,362.2	30,701.5	31,947.8	33,225.2
BP Settlement Agreement	106.7	106.7	106.7	106.7
Non-Operating Funds	(0.2)	(0.2)	(0.2)	(0.2)
change from tax and significant fee changes				
• continuing tax and fee changes		*(254.0)*	*(254.0)*	*(254.0)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(254.0)*	*(508.0)*
• time-limited tax and fee changes		*0.0*	*0.0*	*0.0*
change from trust fund transfers (GAA)		*0.0*	*0.0*	*0.0*
Balance Forward from Prior Year	0.0	0.0	0.0	0.0
Unused Reserve from Prior Year	0.0	0.0	0.0	0.0
TOTAL	29,468.7	30,554.0	31,546.3	32,569.7
net change from revenue adjustments		*(254.0)*	*(508.0)*	*(762.0)*

Nonrecurring ($ millions)	2016-17	2017-18	2018-19	2019-20
Revenue Estimate	(29.4)	(14.6)	0.4	(1.3)
BP Settlement Agreement	293.3	(106.7)	0.0	0.0
Non-Operating Funds	352.2	95.8	95.8	95.8
change from tax and significant fee changes				
• continuing tax and fee changes		*59.9*	*59.9*	*59.9*
• time-limited tax and fee changes		*(67.5)*	*(67.5)*	*(67.5)*
change from trust fund transfers (GAA)	*0.0*	*242.5*	*242.5*	*242.5*
Balance Forward from Prior Year	1,776.6	1,413.2	7.5	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL	2,392.7	1,622.6	1,338.6	1,329.4
net change from revenue adjustments		*234.9*	*234.9*	*234.9*

TOTAL ($ millions)	2016-17	2017-18	2018-19	2019-20
Revenue Estimate	29,332.8	30,686.9	31,948.2	33,223.9
BP Settlement Agreement	400.0	0.0	106.7	106.7
Non-Operating Funds	352.0	95.6	95.6	95.6
change from tax and significant fee changes				
• continuing tax and fee changes		*(194.1)*	*(194.1)*	*(194.1)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(254.0)*	*(508.0)*
• time-limited tax and fee changes		*(67.5)*	*(67.5)*	*(67.5)*
change from trust fund transfers (GAA)	*0.0*	*242.5*	*242.5*	*242.5*
Balance Forward from Prior Year	1,776.6	1,413.2	7.5	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL GR Available	31,861.4	32,176.6	32,884.9	33,899.1
net change from revenue adjustments		(19.1)	(273.1)	(527.1)

Key Revenue Adjustments to the General Revenue Fund Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2017-18 through Fiscal Year 2019-20	Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Revenue Adjustments						
1 Tax and Significant Fee Reductions						
1a Continuing Tax and Fee Changes	(194.1)	0.0	(194.1)	0.0	(194.1)	0.0
1b Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	(254.0)	0.0	(508.0)	0.0
1c Time-Limited Tax and Fee Changes	(67.5)	0.0	(67.5)	0.0	(67.5)	0.0
2 Trust Fund Transfers (GAA)*	242.5	0.0	242.5	0.0	242.5	0.0
Total Tier 3 - Revenue Adjustments	**(19.1)**	**0.0**	**(273.1)**	**0.0**	**(527.1)**	**0.0**

**Note: There would be a corresponding deduct from trust funds; however, the specific trust funds from which transfers would be made are currently unknown and may not include the major trust funds.*

Key Revenue Adjustments to the General Revenue Fund

> *Continuing the structural changes made last year, this volume of the Long-Range Financial Outlook includes revenue adjustments that reflect legislative actions which alter the revenue-side of the state's fiscal picture. They are identified on the Key Revenue Adjustments to the General Revenue Fund Worksheet and described below.*

Tax and Significant Fee Changes

Every year, the Legislature adopts a number of statutory changes that affect state and local government revenues. Some increase or reduce revenues, while others transfer funds between different funds or levels of government without affecting state revenue receipts. After the Legislature adjourns, the Revenue Estimating Conference produces fiscal impacts for each measure, and these are compiled in a document entitled *Measures Affecting Revenues*. The document is published by the Legislative Office of Economic and Demographic Research and is available on its website.[12]

The Outlook includes a three-year average of state tax and fee changes that affect the General Revenue Fund. While a small number of these measures were positive, most resulted in savings to the affected payers and reduced state revenues. The average is a net number and—regardless of composition—is used in the Outlook to reflect the overall level of expected change.

Some of the impacts embedded in the measures were time-limited, nonrecurring changes that only affected a single year (e.g., sales tax holidays), while others were continuing, recurring changes that affect all future years. Because continuing changes to taxes usually have delayed effective dates, the effect of the changes on the first fiscal year of implementation is less than a full year's effect. For example, a continuing $50 million tax reduction that affects revenue collections for only half of the first year reduces state revenues by $50 million per year in the out-years, but has less than the full effect in the first year. In that year, state revenues are only reduced by $25 million and $25 million is converted into nonrecurring revenue and remains available to be spent on a one-time basis. This explains the directional difference (negative recurring; positive non-recurring) typically seen in the first year of tax breaks.

The first table on the following page shows the fiscal impact of tax and fee measures adopted by the Legislature in the last three years. It separates those items that are continuing from those items that are time-limited and shows them in two rows. The second table immediately below calculates the three-year average for this period.

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[12] http://edr.state.fl.us/Content/revenues/reports/measures-affecting-revenues/index.cfm

	2014-15			2015-16			2016-17		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax and Fee Changes	(450.0)	97.8	(352.2)	(248.7)	24.3	(224.4)	(63.4)	57.7	(5.7)
Time-Limited Tax and Fee Changes	0.0	(48.6)	(48.6)	0.0	(117.4)	(117.4)	0.0	(36.6)	(36.6)
Total	**(450.0)**	**49.2**	**(400.8)**	**(248.7)**	**(93.1)**	**(341.8)**	**(63.4)**	**21.1**	**(42.3)**

	Three-Year Average		
	Rec	NR	Total
Continuing Tax and Fee Changes	(254.0)	59.9	(194.1)
Time-Limited Tax and Fee Changes	0.0	(67.5)	(67.5)
Total	**(254.0)**	**(7.6)**	**(261.6)**

In each of the three years, the largest time-limited impacts were the back to school sales tax holidays. For Fiscal Year 2015-16, college textbooks were also exempt from sales tax. The largest continuing impacts were the motor vehicle fee reductions in Fiscal Year 2014-15, the state Communications Services Tax rate reduction in Fiscal Year 2015-16, and the permanent sales tax exemption for the purchase of machinery and equipment related to manufacturing in Fiscal Year 2016-17.

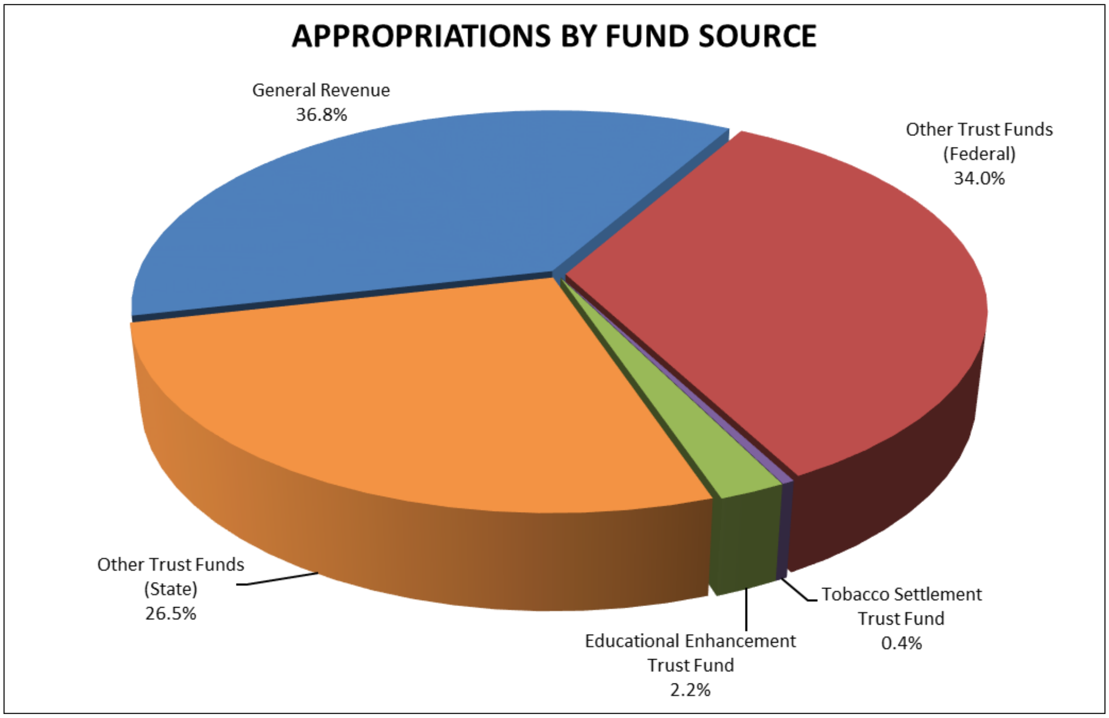
The Tier 3 Table on page 22 includes the three-year averages of tax and fee changes (both continuing and time-limited) for each of the Outlook years in order to show the effects of the Legislature continuing this policy. The average time-limited impact of $67.5 million is discretely added to each year of the Outlook, while the continuing tax and fee impacts reflect the cumulative or stacking effects of prior year changes as the years progress.

The table below shows how the cumulative impact of the continuing items is calculated.

	2017-18			2018-19			2019-20		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Year 1 Annual Effects	(254.0)	59.9	(194.1)	(254.0)	0.0	(254.0)	(254.0)	0.0	(254.0)
Year 2 Annual Effects	-	-	-	(254.0)	59.9	(194.1)	(254.0)	0.0	(254.0)
Year 3 Annual Effects	-	-	-	-	-	-	(254.0)	59.9	(194.1)
Total	**(254.0)**	**59.9**	**(194.1)**	**(508.0)**	**59.9**	**(448.1)**	**(762.0)**	**59.9**	**(702.1)**

Trust Fund Transfers (GAA)

For various reasons, trust funds are created to set aside or earmark a portion of state revenue for particular uses. Typically, trust funds are used to dedicate special purpose funds, segregate federal assistance monies, transfer funds to local government, or isolate bond proceeds. For Fiscal Year 2016-17, appropriations were made from 172 different trust funds, totaling $52 billion. Approximately $28 billion was appropriated from federal revenue sources and $24 billion from state revenue sources. On the following chart, state trust fund appropriations comprise 26.5 percent of the total state budget; once the Educational Enhancement Trust Fund and the Tobacco Settlement Trust Fund are included, the percentage rises to 29.1 percent.



In modern budgeting, the annual General Appropriations Act has typically included transfers of unobligated fund balances from trust funds to the General Revenue Fund. The Outlook includes a three-year average of trust fund transfers as an adjustment to available General Revenue funds.

The average is calculated exclusive of transfers related to constitutional amendments (e.g., conforming changes related to Amendment 1 that passed in 2014); transfers associated with consensus estimating conferences; and transfers related to federal stimulus funds. The three-year average transfer using this calculation methodology is $242.5 million, which is included as a nonrecurring adjustment to available General Revenue in each year of the Outlook.

	Fiscal Year 2014-15	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**	**3-year Average**
Total Trust Fund Transfers to General Revenue	$281.8 M	$230.3 M	$307.9 M	$273.3 M
Excluded Transfers	($60.0) M	($32.5) M	($0.0) M	($30.8) M
Total with Exclusions	**$221.8 M**	**$197.8 M**	**$307.9 M**	**$242.5 M**