Florida:
Long-Range Financial Outlook

December 15, 2016

Contains updated information indicated in "Red."

Presented by:

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Economy Recovering

Florida growth rates are generally returning to more typical levels and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. Overall, it will take another year to climb completely out of the hole left by the recession. In the various forecasts, normalcy has been largely achieved by the end of FY 2016-17. Overall...

- The recovery in the national economy is near completion on all fronts. While most areas of commercial and consumer credit have significantly strengthened – residential credit for home purchases still remains somewhat difficult for consumers to access with a weighted average credit score of 731 and a LTV of 78 percent on all closed loans in September. Student loans and recently undertaken auto debts appear to be affecting the ability to qualify for residential credit.

- By the close of the 2015-16 fiscal year, most measures of the Florida economy had returned to or surpassed their prior peaks.
  - All personal income metrics, about half of the employment sectors and all of the tourism counts had exceeded their prior peaks.
  - Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels.
  - In the current forecast, none of the key construction metrics show a return to peak levels until 2020-21.

Upside Risks...

Construction...

- 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 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.

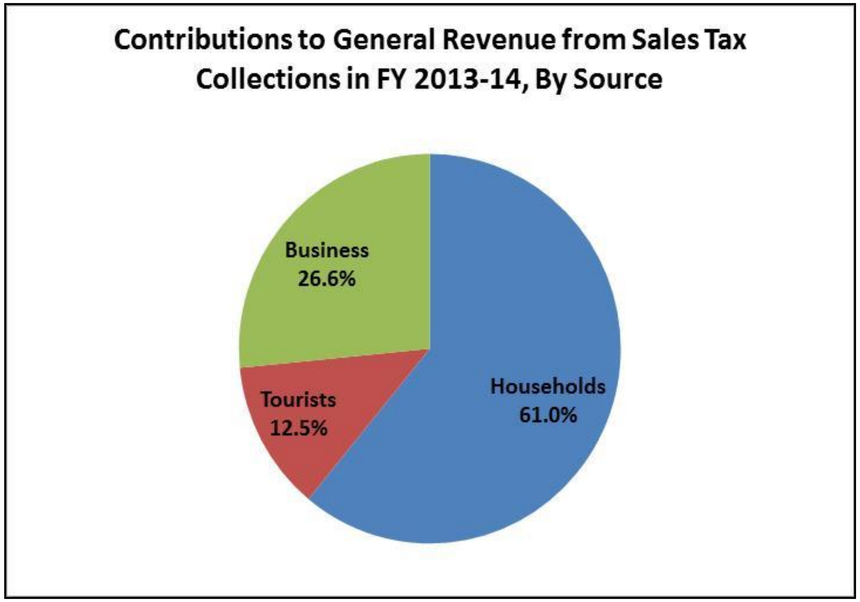
More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales went past the seven-year window generally needed to repair credit.
- While there is no evidence yet, atypical household formation will ultimately unwind—driving up the demand for housing.

Downside Risk...

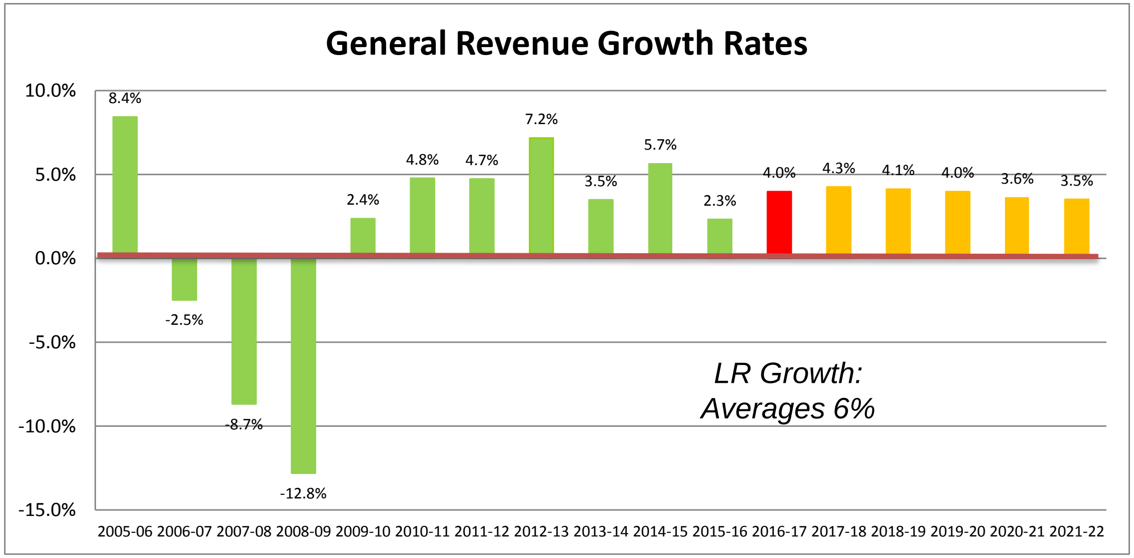
- The most recent sales tax forecast relies heavily on strong tourism growth. It makes no adjustments for Zika-related impacts and assumes no other events that have significant repercussions affecting tourism occur during the forecast window.
  - Currently, tourism-related revenue losses pose Zika's greatest potential risk to the economic outlook.
  - Previous economic studies of disease outbreaks and natural or manmade disasters have shown that tourism demand is very sensitive to such events.

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 FY 2013-14, sales tax collections provided $19.7 billion dollars or 75% Florida's total General Revenue collections. Of this amount, an estimated 12.5% (nearly $2.5 billion) was attributable to purchases made by tourists.



New General Revenue Forecast

In FY 2014-15, General Revenue collections surpassed the prior peak in 2005-06 for the first time since then. After slowing in FY 2015-16, growth is expected to pick up during the 2016-17 through 2019-20 time period as the construction industry recovers, slowly shifting down to long-run growth of 3.5%.



Fiscal Year	Aug 2016 Forecast	Dec 2016 Forecast	Difference	Incremental Growth	Growth
2005-06	*27074.8*	*27074.8*	*0*		*8.4%*
2006-07	*26404.1*	*26404.1*	*0*	*-670.7*	*-2.5%*
2007-08	*24112.1*	*24112.1*	*0*	*-2292.0*	*-8.7%*
2008-09	*21025.6*	*21025.6*	*0.0*	*-3086.5*	*-12.8%*
2009-10	*21523.1*	*21523.1*	*0.0*	*497.5*	*2.4%*
2010-11	*22551.6*	*22551.6*	*0.0*	*1028.5*	*4.8%*
2011-12	*23618.8*	*23618.8*	*0.0*	*1067.2*	*4.7%*
2012-13	*25314.6*	*25314.6*	*0.0*	*1695.8*	*7.2%*
2013-14	*26198.0*	*26198.0*	*0.0*	*883.4*	*3.5%*
2014-15	*27681.1*	*27485.9*	*(195.2)*	*1287.9*	*5.7%*
2015-16	*28325.4*	*28325.4*	*0.0*	*644.3*	2.3%
2016-17	29,332.8	**29,452.1**	119.3	1126.7	4.0%
2017-18	30,686.9	**30,709.5**	22.6	1257.4	4.3%
2018-19	31,948.2	**31,978.9**	30.7	1269.4	4.1%
2019-20	33,223.9	**33,253.0**	29.1	1274.1	4.0%
2020-21	34,395.1	**34,465.3**	70.2	1212.3	3.6%
2021-22	35,614.9	**35,680.8**	65.9	1215.5	3.5%

The added dollar amounts through FY 2019-20 (totaling $201.7 million in the column labeled "Difference") are additive to the Long-Range Financial Outlook. Because the added money from the new forecast is largely front-loaded, the recurring benefit is much smaller. It starts with FY 2017-18 ($22.6 million); the $119.3 million in FY 2016-17 will be treated as nonrecurring.

Total State Reserves Are Strong...

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.*

- Unallocated General Revenue, the Budget Stabilization Fund, and the Lawton Chiles Endowment Fund are generally considered to comprise the state's reserves.

- At the time of adoption for each of the previous five Outlooks, total state reserves have ranged from 10.7% up to 12.9% of the General Revenue estimate. For the current year, total state reserves were projected to be $3,436.1 million or 11.6% of the General Revenue estimate for FY 2016-17.
  - ✓ Including the new forecast and other adjustments, the percentage has now edged up to 11.8%.

- When the Long-Range Financial Outlook was adopted in September, a projected remaining General Revenue balance of $1.41 billion in nonrecurring dollars was assumed to be available for use in FY 2017-18.
  - ✓ After taking account of the new revenue forecast and adjustments for budget amendments, this amount has increased by $70.4 million—the net benefit of adding $24.6 million from the final closeout of FY 2015-16; adding $119.3 million from the new forecast for 2016-17; and, subtracting $73.5 million for budget amendments.

Budget Drivers...

- Tier 1 – Includes only Critical Needs, which are mandatory increases based on estimating conferences and other essential items. The **18** 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 FY 2018-19 when projected expenditures jump sharply from FY 2017-18, largely due to the depletion of one-time trust fund balances that reduce the General Revenue need in FY 2017-18.

- Tier 2 – 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 **30** Other High Priority Needs is spread fairly evenly across the fiscal years but declines slightly over time.

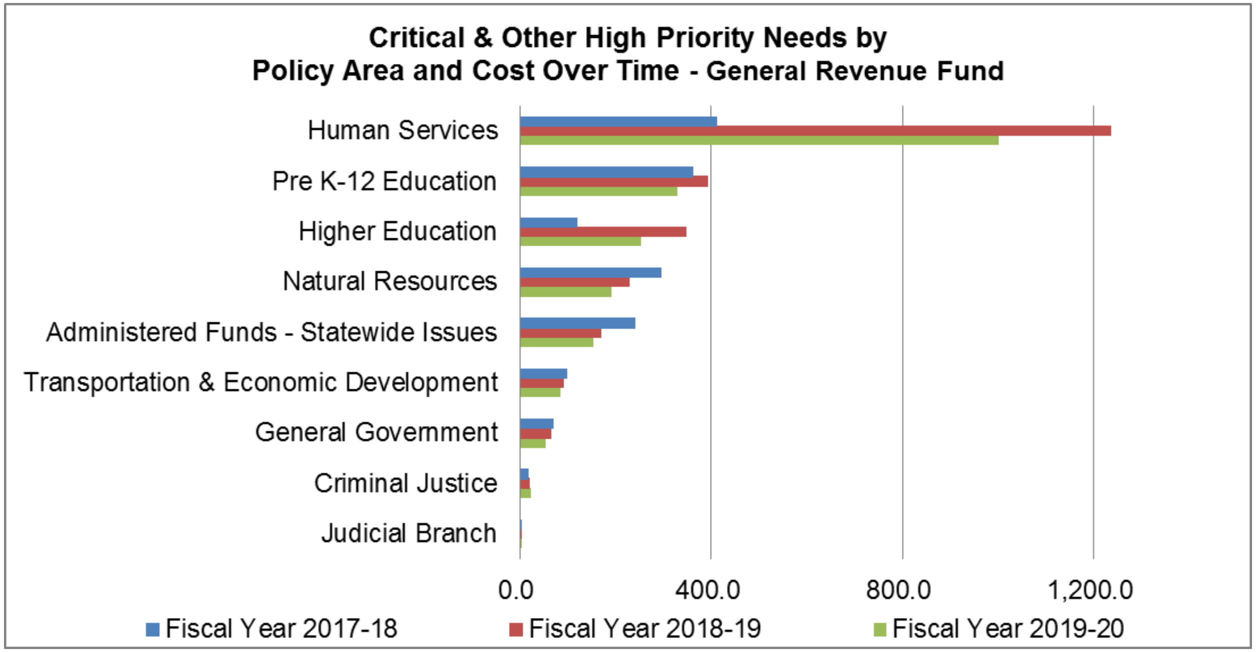
DOLLAR VALUE OF CRITICAL AND OTHER HIGH PRIORITY NEEDS

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

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%

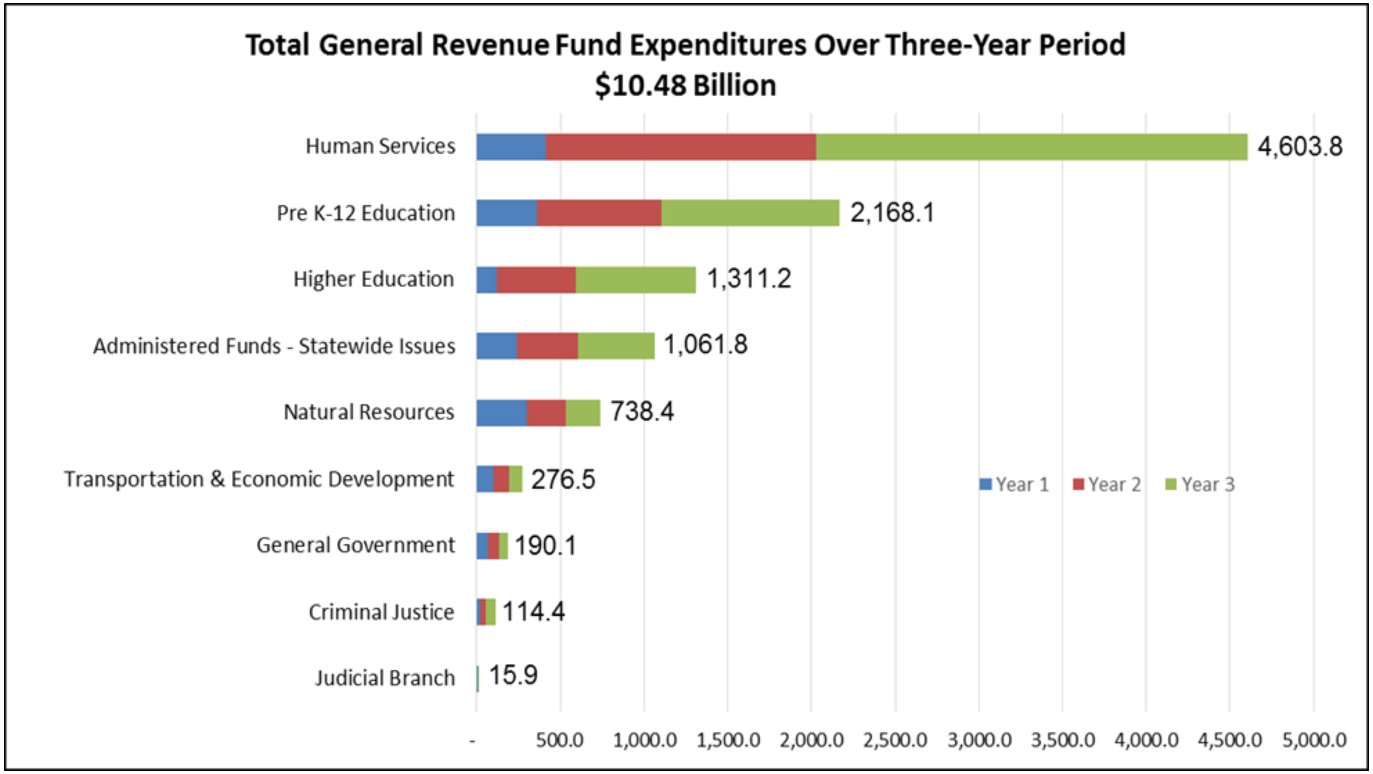
GR Drivers by Policy Area...



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

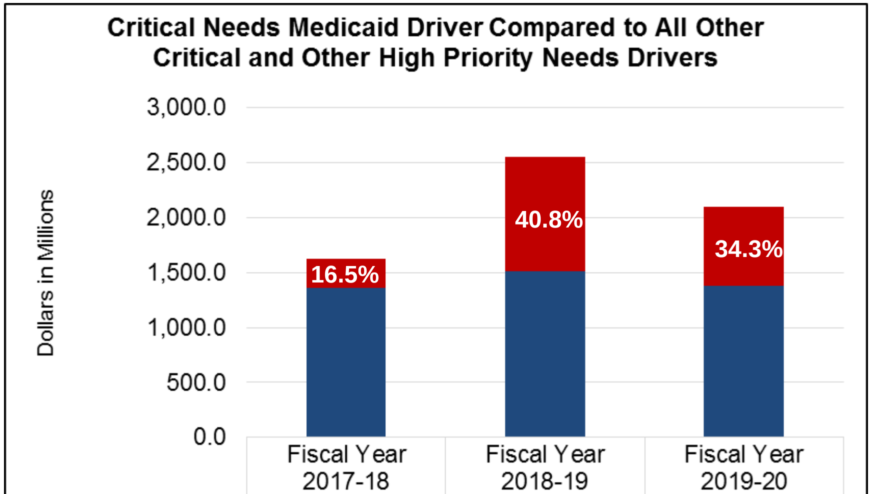
About ½ of the policy areas, in particular Administered Funds / Statewide Issues and Natural Resources, have the largest needs in the 1st year with a detectable drop off in the subsequent years. Human Services and Education have a different pattern with greater needs in the 2nd year of the Outlook, prior to stabilizing in the 3rd year. These two areas are most affected by the depletion of available trust fund balances in FY 2017-18.

Total GR Expenditures - $10.5 Billion

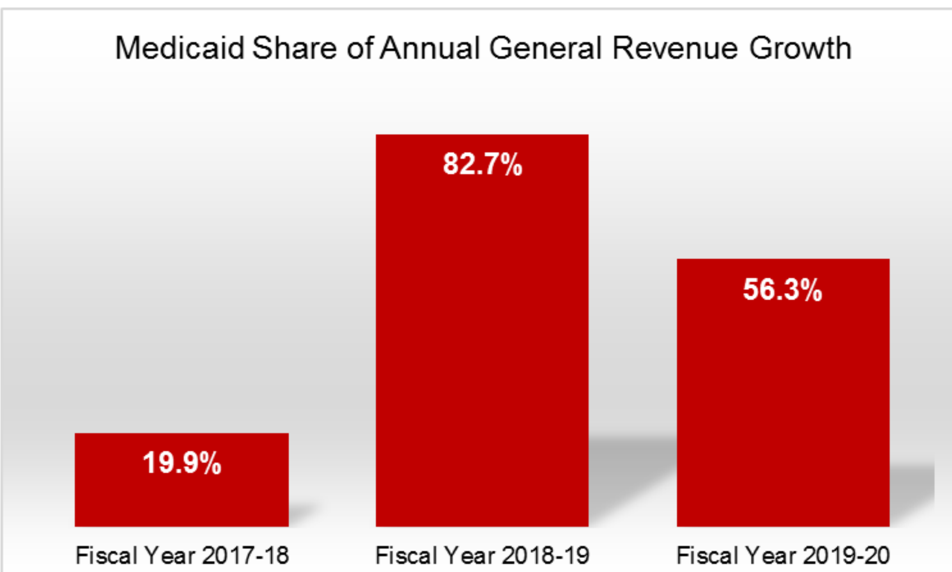


Over the entire Outlook period, the combined recurring and nonrecurring drivers result in nearly $10.5 billion of actual General Revenue expenditures on Critical and Other High Priority Needs. Of the $10.5 billion total, nearly $1.5 billion will be spent on nonrecurring issues, or approximately 14% of the total. The remaining $9.0 billion results from a 16.3% increase in recurring expenditures from the starting point in FY 2017-18 to the end of the three-year period.

Medicaid Driver Dominates...



	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Medicaid Driver	269.1	1,043.3	718.5
All Other Drivers	1,360.9	1,513.8	1,378.2



Although the Critical Needs driver for the Medicaid Program is the second largest driver in the 1st year of the Outlook, it is the largest driver in subsequent years, representing 69.9% of the total Critical Needs in FY 2018-19 and 66.1% in FY 2019-20. When including all Critical Needs and Other High Priority Needs, the Medicaid program driver represents 16.5%, 40.8%, and 34.3%, respectively, of total needs for each year of the Outlook.

Over the three-year period covered by the Outlook, the additional Medicaid need each year consumes an average of 53.0% of the expected General Revenue growth for that year.

Medicaid Conference Results...

- ✓ While still growing strongly, projected caseload was significantly reduced.

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Old	3,970,742	4,145,027	4,350,384	4,551,370	4,751,070	N/A
New	3,967,169	4,045,610	4,186,492	4,326,375	4,468,729	4,608,561
Change	*(3,574)*	*(99,417)*	*(163,892)*	*(224,995)*	*(282,341)*	*N/A*
New Growth		*1.98%*	*3.48%*	*3.34%*	*3.29%*	*3.13%*

- ✓ While still growing faster than caseload and medical trends, projected Medicaid expenditures were reduced overall. Part of the savings due to a lower caseload forecast was offset because projected annual managed care rate increases were higher based on the 2016 actual increase.

Medicaid Expenditures	FY 17-18	FY 18-19	FY 19-20	TOTAL
Original Long-Range Financial Outlook Need	$269.1	$1,043.3	$718.5	$2,030.9
Adjusted Long-Range Financial Outlook Need	$174.5	$988.8	$803.9	$1,967.3
LRFO Difference	($94.6)	($54.5)	$85.4	($63.6)

Rate Forecast - Medicaid Prepaid Health Plans (before program changes)

	OLD (Used for LRFO)	NHE Projection	Difference
Sep-16	3.7%	3.0%	0.7
Oct-17	4.2%	3.2%	1.0
Oct-18	4.9%	4.1%	0.8
Oct-19	5.2%	4.7%	0.5
Oct-20	N/A	4.9%	N/A

Rate Forecast - Medicaid Prepaid Health Plans (before program changes)

	New (Adopted)	NHE Projection	Difference
Sep-16	5.8%	3.0%	2.80
Oct-17	5.15%	3.2%	1.95
Oct-18	5.35%	4.1%	1.25
Oct-19	5.50%	4.7%	0.80
Oct-20	5.65%	4.9%	0.75

PreK-12 Conference Results...

- ✓ FTEs...While still growing strongly, the number of projected FTEs was reduced by approximately one-half of one percent per year.

July 2016 and December 2016 Forecasts			
	July 2016 Forecast	December 2016 Forecast	LRFO Difference
2015-16 4th vs Final Calc	2,780,132.90	2,778,914.83	
2016-17 Appropriated vs 3rd Calc Adj	2,807,961.85	2,801,408.03	
2017-18	2,838,889.12	2,828,202.04	-10,687.08
2018-19	2,861,814.75	2,850,053.34	-11,761.41
2019-20	2,886,657.54	2,872,224.90	-14,432.64
2020-21	2,915,914.29	2,901,655.53	
2021-22	2,946,955.11	2,931,889.40	

- ✓ Ad Valorem...Taxable value increased; however, the impact is unknown. During the 2016 Session, the Legislature made the policy decision to hold Required Local Effort (RLE) to the FY 2015-16 level. The LRFO convention is to assume that the current year's certified millage rate is the starting point for projected expenditures in all subsequent years. In this regard, the statewide average millage rate was 4.638 on July 15, 2016, for Fiscal Year 2016-17. This was used in the LRFO, allowing projected taxable value increases to feed through the plan. The Legislature may not agree, and may instead choose to hold the level flat again. To hold the level flat would require an additional GR infusion.

Original Cost to Hold RLE Level		Taxable Value Increased			
	Summer Impact Add'l GR Need	August 2016 Forecast	Growth Rates	December 2016 Forecast	Growth Rates
2017-18	427.60	1,876,030	5.88%	1,887,990	6.56%
2018-19	438.27	1,981,646	5.63%	1,995,651	5.70%
2019-20	446.71	2,089,006	5.42%	2,102,065	5.33%

Other Conference Results...

	Key Conference Results *(FY 2017-18 to FY 2018-19)*	*LRFO Impact* *(Relative to Assumptions)*
Health & Human Services	Kidcare...caseload up & expenditures mixed but up overall.	More costly.
	TANF...caseload up & expenditures up.	More costly.
Education	VPK...enrollment down, but still growing.	Less costly.
	College System Enrollment...enrollment slightly increased, but still declining.	No change—program cost remains the same, implying reduced funds per FTE.
	Student Financial Aid...overall projections for students and costs are down, particularly in Bright Futures.	Less costly.
Criminal Justice	Prison Population...projections are further down.	No change—LRFO does not assume reductions.
Administered Funds & Statewide Issues	Florida Retirement System (FRS)...assumptions were changed.	Less costly overall than placeholder included in LRFO.
	Risk Management Insurance...the Fund is now expected to be negative in FY 2018-19, one year earlier than anticipated in the Summer.	More costly.
	State Employees' Health Insurance...projections for ending cash balances improved; still turns negative in FY 2019-20.	Less costly.
Revenue	Public Education Capital Outlay (PECO)...projected cash / bonding capacity are reduced throughout.	Not included in LRFO.
	State School Trust Fund (SSTF)...projected receipts are down throughout.	Since used in lieu of GR, increases the need for GR in K-12.
	Educational Enhancement Trust Fund (EETF)...projected receipts are down overall; Lottery ticket sales are down throughout and mixed up and down for Slots.	Since used in lieu of GR, increases the need for GR in Education.
	Land Acquisition Trust Fund (LATF)...projected receipts are down throughout.	Increases demand for GR in Natural Resources.

Revenue Adjustments...

- Revenue Adjustments to the General Revenue Fund are again included in the Outlook to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments are based on three-year averages and include:
  - *Tax and Significant Fee Changes*...These changes fall into two categories with different effects. The continuing tax and fee changes reflect adjustments to the funds otherwise available and build over time since the impact of each year's change is added to the recurring impacts from prior years. Conversely, the time-limited tax and fee changes are confined to each year and are held constant throughout the Outlook.
  - *Trust Fund Transfers (GAA)*...The nonrecurring transfers are positive adjustments to the funds otherwise available and are held constant each year.

	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)**

Reported Results from LRFO...

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**

- Combined, recurring and nonrecurring General Revenue program needs before the Fall Conference season—including a minimum reserve of $1 billion—are less than the available General Revenue dollars, meaning there is no budget gap for FY 2017-18. Anticipated expenditures, potential revenue adjustments, and the reserve can be fully funded and the budget will be in balance as constitutionally required.
- Although there is no budget gap in the first year, there is essentially no remaining General Revenue for discretionary issues—the projected surplus of $7.5 million equates to just 0.02% of the General Revenue estimate for FY 2017-18.
- Further, the projected recurring expenditures and revenue adjustments, in combination, outstrip the available recurring resources by $24.4 million.

Outlook Projections Over Time

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

- For the first time since the 2010 Outlook, there is a projected budget gap, or potential shortfall between revenues and expenditures during the three-year period.
- FY 2018-19 and FY 2019-20 (Years 2 and 3 of the Outlook) 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 Bottom Line...

2016 Outlook	For the Period Beginning Fiscal Year 2017-18	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
Tier 1	***Critical Needs***	$1,171.7	$1,831.8	$2,706.2	$1,000.0
Tier 2	***Critical Needs & Other High Priority Needs***	$26.6	($1,008.7)	($1,370.6)	$1,000.0
Tier 3	***Critical Needs, Other High Priority Needs & Revenue Adjustments***	$7.5	($1,300.9)	($1,897.7)	$1,000.0

- While revenues are sufficient to cover the Critical Needs in Tier 1 for all three years of the Outlook, the large negative ending balances for FY 2018-19 and FY 2019-20 in both Tiers 2 and 3 indicate a looming problem—notwithstanding the small positive ending balances projected in both scenarios for FY 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 between expenditures and revenues.
- Since the increase in projected recurring expenditures (and negative revenue adjustments in Tier 3) in FY 2017-18 clearly contributes to and worsens the problems in FY 2018-19 and FY 2019-20, Fiscal Strategies are advisable for all three years of the Outlook in order to manage the problems in the out-years.

Net Impact...

- ✓ The Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. It 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. Particularly in regard to Other High Priorities, the specifics will begin to change as the Legislature moves through its decision-making process.

- ✓ The changes coming out of the Fall Conference season indicate a modest reduction in the overall pressure, but do not change the original conclusions. The greatest impact of the Fall changes is on the first two years (FY 2017-18 and FY 2018-19).

- ✓ Some significant policy decisions with spending implications have yet to be made:

  - Section 288.8013, Florida Statutes, establishes Triumph Gulf Coast, Inc., and the Recovery Fund for the benefit of disproportionately affected counties by the Deepwater Horizon Disaster. If the Legislature places 75% of the funds recovered in FY 2016-17 (.75 x $400 million) into the fund, that $300 million would be a reduction in the funds otherwise assumed to be available in the plan. This would offset most of the more significant gains coming out of the Fall Conference season.

  - A decision to hold the RLE flat would have an even greater effect (~ $400 million).

  - A decision to ratify a new Indian Gaming Compact, depending on the provisions of the implementing legislation, would likely add revenue.

Timing of Corrective Action...

- When budget gaps between revenues and expenditures occurred in the past, each of the three years of the Outlook 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 year's Outlook, 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 FY 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 FY 2017-18. Otherwise, there is the potential to increase funding for programs in Year 1 that would not survive Year 2. Further, 61.2% of the recurring growth comes from Tier 1—Critical Needs, which are the most difficult for the Legislature to tackle without significant redesign and substantive legislation.

Fiscal Strategies...

- Conceptually, there are five options to eliminate a proposed budget gap in any given year of the Outlook.
    - Budget Reductions and Reduced Program Growth
    - Reduction or Elimination of Revenue Adjustments Affecting Taxes and Fees in Tier 3
    - Revenue Enhancements and Redirections
    - Trust Fund Transfers or Sweeps
    - Reserve Reductions
- 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.
- The magnitude of the recurring shortfall cannot be fixed by nonrecurring solutions alone. A simple reduction in the level of reserves or added trust fund transfers or sweeps (in excess of those included in Tier 3) will close the gap in a particular year; however, these strategies do not solve the recurring problem.
- The other three options will become the basis of more meaningful strategies.