

“Florida’s Budget and Financial Outlook 2017”

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National Economic Forecast

- * No Recession Currently Forecasted**
- * Current recovery 4th Longest Recovery of all times**
- * In 14 months this will be the 2nd Longest Recovery**
- * Economists are Waiting for Next Recession**
- * Recessions Cause Sales Tax to Decline**
- * Recessions Cause the Demands for State Funded Services to Increase**

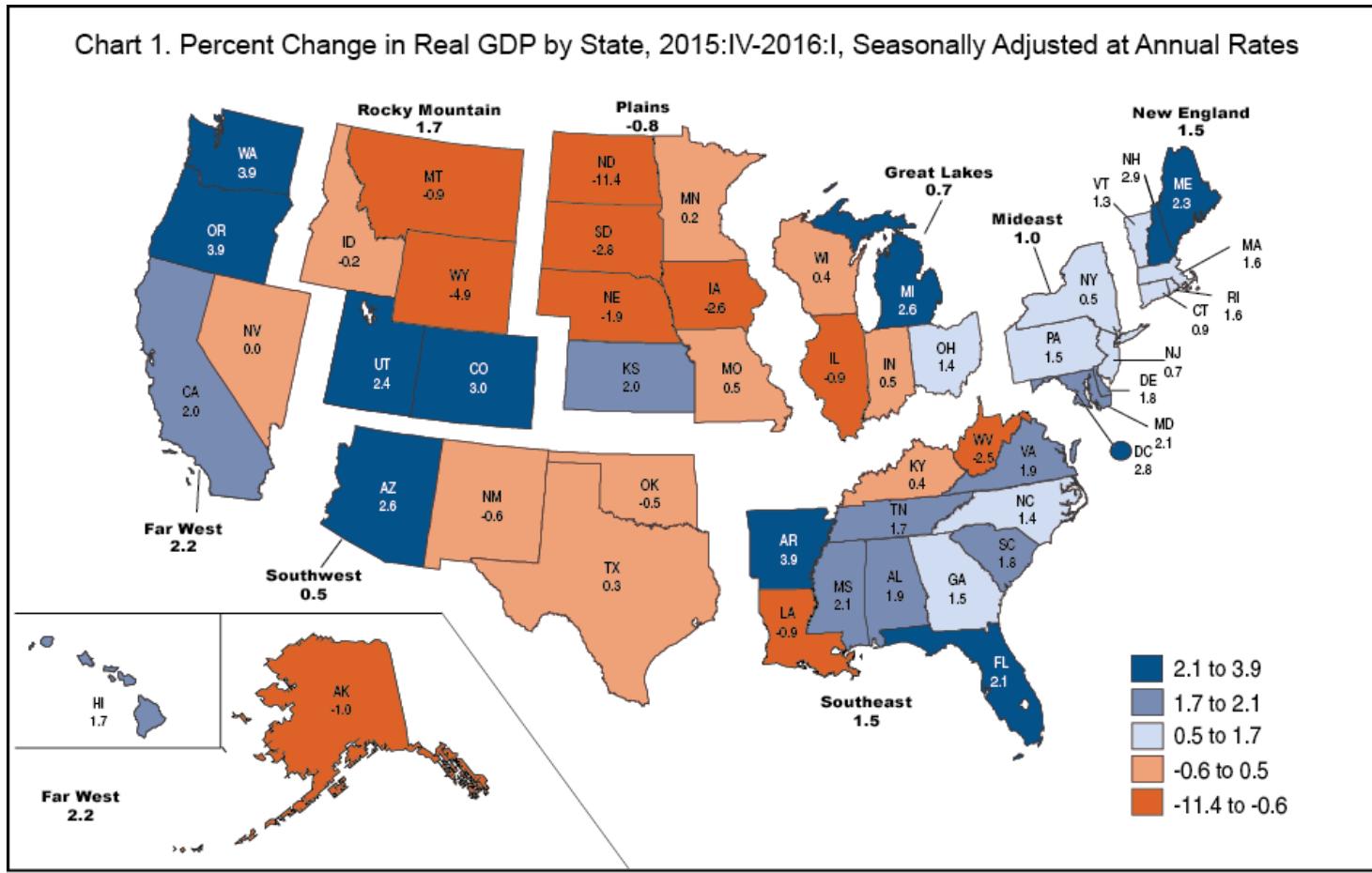
HISTORY OF 13 RECESSIONS SINCE THE GREAT DEPRESSION

	Contraction Peak - Trough	Contraction Rank	Decline GDP	Peak Unemployed	Recovery	Recovery Rank
Aug 1929 - Mar 1933	43m	1	-26.7%	24.9%	4Yr 2m	
1. May 1937 - Jun 1938	13m	4	-18.2%	19.0%	6Yr 8m	
2. Feb 1945 - Oct 1945	8m		-12.7%	5.2%	3Yr 1m	
3. Nov 1948 - Oct 1949	11m	5	-1.7%	7.9%	3Yr 9m	
4. Jly 1953 - May 1954	10m		-2.6%	6.1%	3Yr 3m	
5. Aug 1957 - Apr 1958	8m		-3.7%	7.5%	2Yr	
6. Apr 1960 - Feb 1961	10m		-1.6%	7.1%	8Yr 10m	2
7. Dec 1969 - Nov 1970	11m	5	-0.6%	6.1%	3Yr	
8. Nov 1973 - Mar 1975	16m	3	-3.2%	9.0%	4Yr 10m	
9. Jan 1980 - Jly 1980	6m		-2.2%	7.8%	1Yr	
10. Jly 1981 - Nov 1982	16m	3	-2.7%	10.8%	7Yr 8m	3
11. Jly 1990 - Mar 1991	8m		-1.4%	7.1%	10Yr	1
12. Mar 2001 - Nov 2001	8m		-0.3%	6.3%	6Yr 1m	
13. Dec 2007 - Jun 2009	18m	2	-5.1%	10.1%	7Yr 8m	3

Florida's Economy

- * Economist Project good growth through FY 17-18**
- * Florida 's Growth Projected to exceed the National Average**
 - * Economy Driven by Population Growth & Construction**
 - * Florida's low wage structure 87% of National Average**

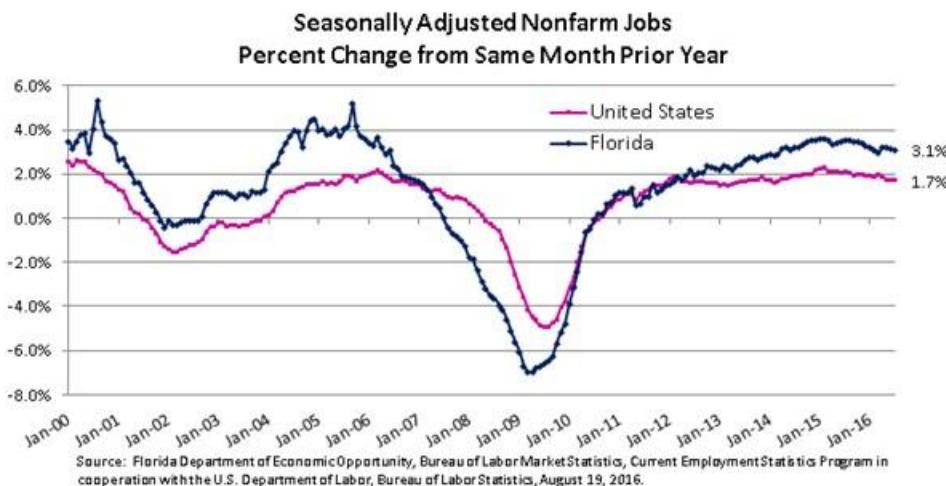
Economy Has Continued Growth...



U.S. Bureau of Economic Analysis

In the final quarter of 2015, the pace of Florida's economic growth increased relative to other states, ranking Florida 5th in the country. For the entirety of the 2015 calendar year, State Gross Domestic Product (GDP) showed Florida with real growth of 3.1%, moving Florida above the national average (indicating 2.4% in 2015) for the third year in a row. In the first quarter of 2016, Florida grew 2.1% at an annual rate, ranking it 10th in the country.

Current Employment Conditions...



July Nonfarm Jobs (YOY)

US	1.7%
FL	3.1%
YR:	250,200 jobs
Peak:	+306,000 jobs over Prior Peak [Prior Employment Peak passed in May 2015]

July Unemployment Rate

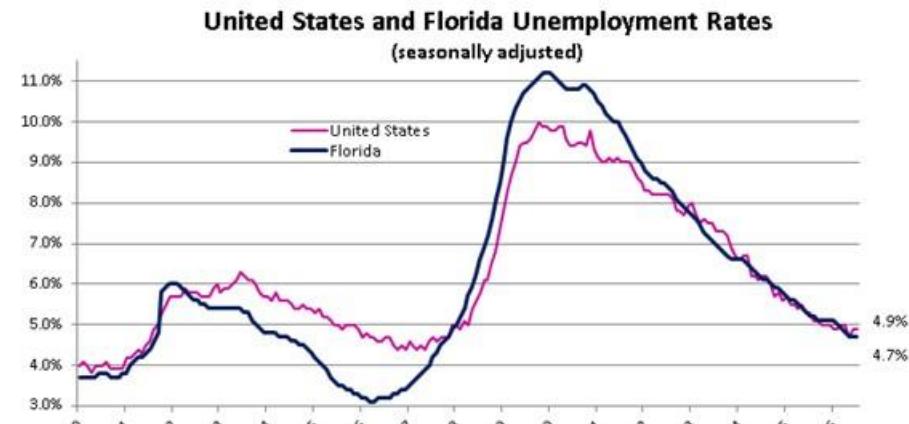
US 4.9%
FL 4.7% (456,000 people)

Highest Monthly Rate

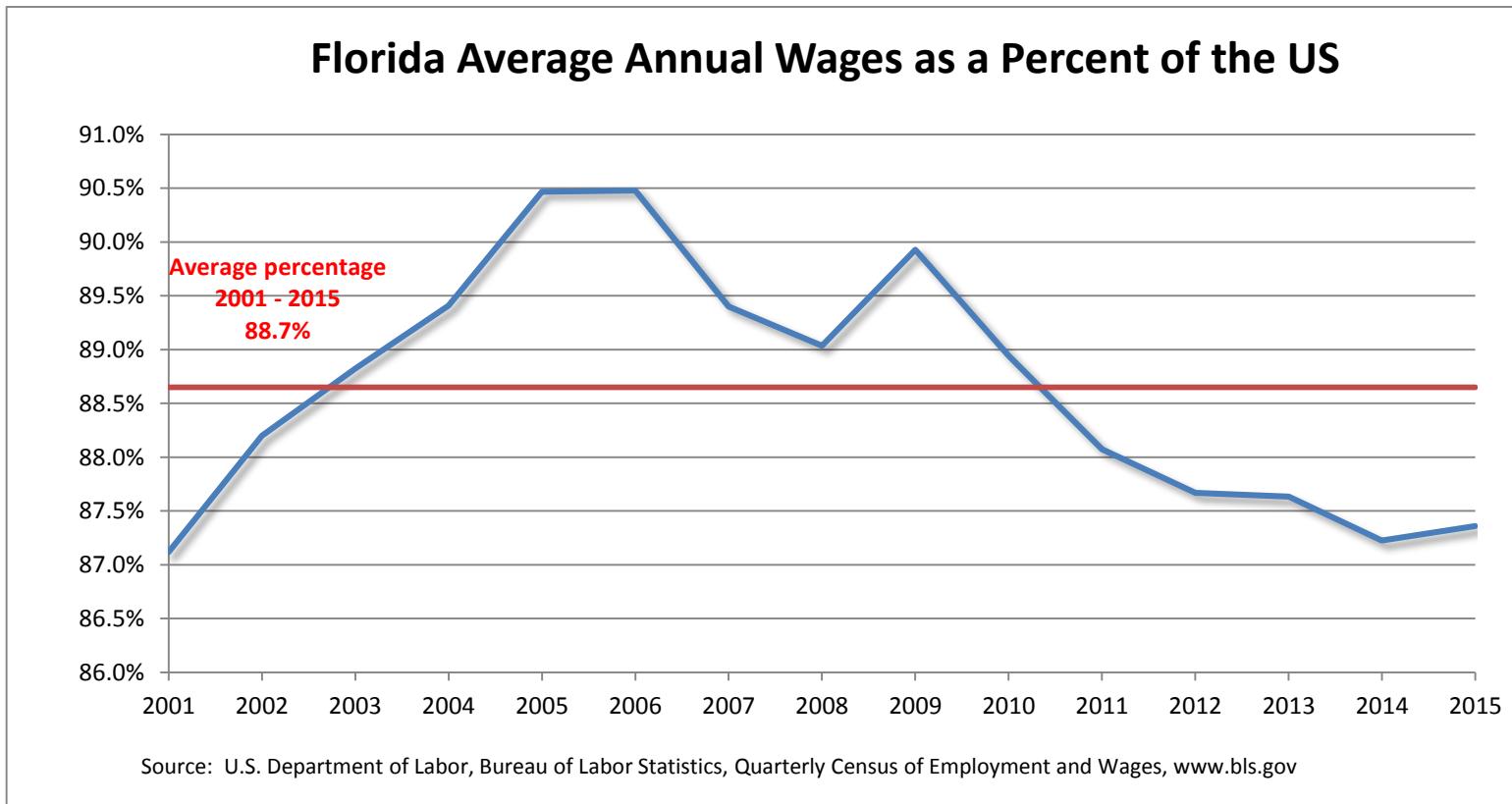
11.2% (November 2009 through January 2010)

Lowest Monthly Rate

3.1% (March through April 2006)



Wage Gap Stopped its Decline in 2015



Florida's average annual wage has typically been below the US average. The preliminary data for the 2015 calendar year showed that it improved very slightly to 87.4% of the US average. The posting in 2014 was 87.2%, Florida's lowest percentage since 2001.

Florida's Population Growth

- * Florida is the 3rd largest state with 20.5 m residents**
- * Every 3 years Florida will grow by 1m residents**
- * Every 3 years Florida will see 690,000 births**
- * Baby Boomer's will increase 65+ age group by 33%**
- * All age groups increase significantly every year**

Components of Florida's Population Growth

	FY 15-16	FY16-17	FY 17-18
1. Population	20,207,682	20,521,500	20,832,378
2. Pop Change	313,595	313,818	310,878
3. Births	226,051	231,031	235,975
4. Deaths	(195,030)	(201,088)	(206,421)
5. Net Natural	31,021	29,943	29,554
6. Net Migration	282,574	283,875	281,324

Florida's Net Migration History

1950-2015

Decades	Yearly Net Migration
1950	163,438
1960	136,933
1970	274,305
1980	273,829
1990	261,253
Average	221,952

Fiscal Year	Net Migration
2000-01	274,847
2001-02	295,109
2002-03	315,858
2003-04	354,690
2004-05	348,040
2005-06	298,954
2006-07	192,828
2007-08	68,507
2008-09	19,285
2009-10	68,362
2010-11	74,424
2011-12	138,518
2012-13	159,216
2013-14	231,544
2014-15	279,759
2015-16	282,574
2016-17	283,875
2017-18	281,324

Florida's Population In Poverty

- * Federal Poverty Level for family of 4 is \$24,250**
- * 3.2 M Floridians live in Poverty**
- * Residents living in Poverty increased from 12.6% in 2006 pre-recession to 16.6% in 2014**
- * 953,406 Children live in Poverty (24.1%)**
- * 353,406 over 65 live in Poverty (10.2%)**

2016 Federal Poverty Level Chart*

The Department of Health & Human Services (HHS) issues poverty guidelines that are often referred to as the “federal poverty level” (FPL). Federally-facilitated Marketplaces will use the [2016 guidelines](#) when making calculations for the insurance affordability programs starting November 1, 2015.

Household Size	100%	138%	150%	200%	250%	300%	400%
1	\$11,770	\$16,242	\$17,655	\$23,540	\$29,425	\$35,310	\$47,080
2	\$15,930	\$21,983	\$23,895	\$31,860	\$39,825	\$47,790	\$63,720
3	\$20,090	\$27,724	\$30,135	\$40,180	\$50,225	\$60,270	\$80,360
4	\$24,250	\$33,465	\$36,375	\$48,500	\$60,625	\$72,750	\$97,000
5	\$28,410	\$39,205	\$42,615	\$56,820	\$71,025	\$85,230	\$113,640
6	\$32,570	\$44,946	\$48,855	\$65,140	\$81,425	\$97,710	\$130,280
7	\$36,730	\$50,687	\$55,095	\$73,460	\$91,825	\$110,190	\$146,920
8	\$40,890	\$56,428	\$61,335	\$81,780	\$102,225	\$122,670	\$163,360

*Chart is for 48 contiguous states and the District of Columbia; for Hawaii and Alaska please visit the website of the HHS Assistant Secretary for Planning and Evaluation (ASPE): <http://aspe.hhs.gov/poverty/14poverty.cfm>.

**Dollar amounts are calculated based on 100% column; rounding rules may vary across federal, state, and local programs.

Every year, the perimeters of the [Federal Poverty Level](#) (FPL) increase based on the cost of living. Families need to understand where they fall on the FPL so they know whether they are eligible for Medicaid in their state or whether they are eligible for a federal subsidy because they earn between 100 and 400 percent of the FPL, or whether they are eligible for a tax credit because they purchased a Silver plan and earn less than 250 percent of the FPL.

To qualify for Cost-Sharing, one must be enrolled in a Silver level plan through a Marketplace

Cost-sharing reductions are not available for coverage purchased outside of the Marketplace.

Individuals and families with household incomes generally up to 250% of the FPL may be eligible to receive cost-sharing reductions. Household income is determined by calculating a consumer's modified adjusted gross income (MAGI). Members of federally recognized tribes may qualify for additional cost-sharing benefits.

Florida's Population in Poverty...

Population for whom poverty is determined (18,946,215)

Adults (14,989,964)

- 14.7% of adults are in poverty (2,205,911)
- Poverty rates for adults:

Age Group	Percent of Age Group in Poverty
18-24	25.1%
25-34	17.4%
35-44	14.9%
45-54	13.3%
55-64	12.9%
65-74	9.7%
75+	10.9%

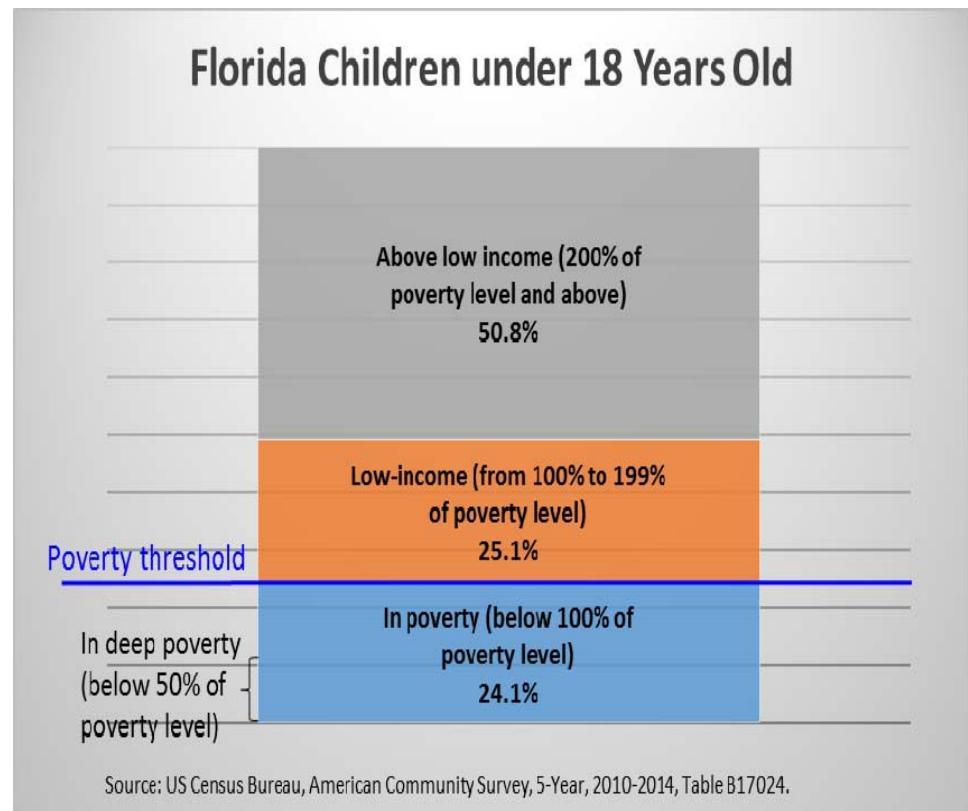
Children (3,956,251)

- 24.1% of children are in poverty (953,348)
- Poverty rates for children:

Age Group	Percent of Age Group in Poverty
0-5	26.8%
6-11	24.3%
12-17	21.3%

Children in Poverty...

- In Florida, 24.1% of all children under 18 years for whom poverty is determined are in poverty (953,348 children).
 - Of the children in poverty, 44.3 percent are in deep poverty (below 50% of poverty threshold).
 - This means that 10.7 percent of all children in the state are in deep poverty.



FLORIDA'S CONSTITUTIONAL BALANCE OF POWERS

Broad Delegation of Powers Governor vs. Legislature

Governor

- 1. Recommend a Balanced Budget (revenue/appropriations measures)**
- 2. Recommend changes to Florida's Constitution and Statutes**
- 3. Appoint Agency Heads (Senate confirmation), Judges & Boards**
- 4. Veto Appropriation line items and enacted legislation**
- 5. Executive orders**

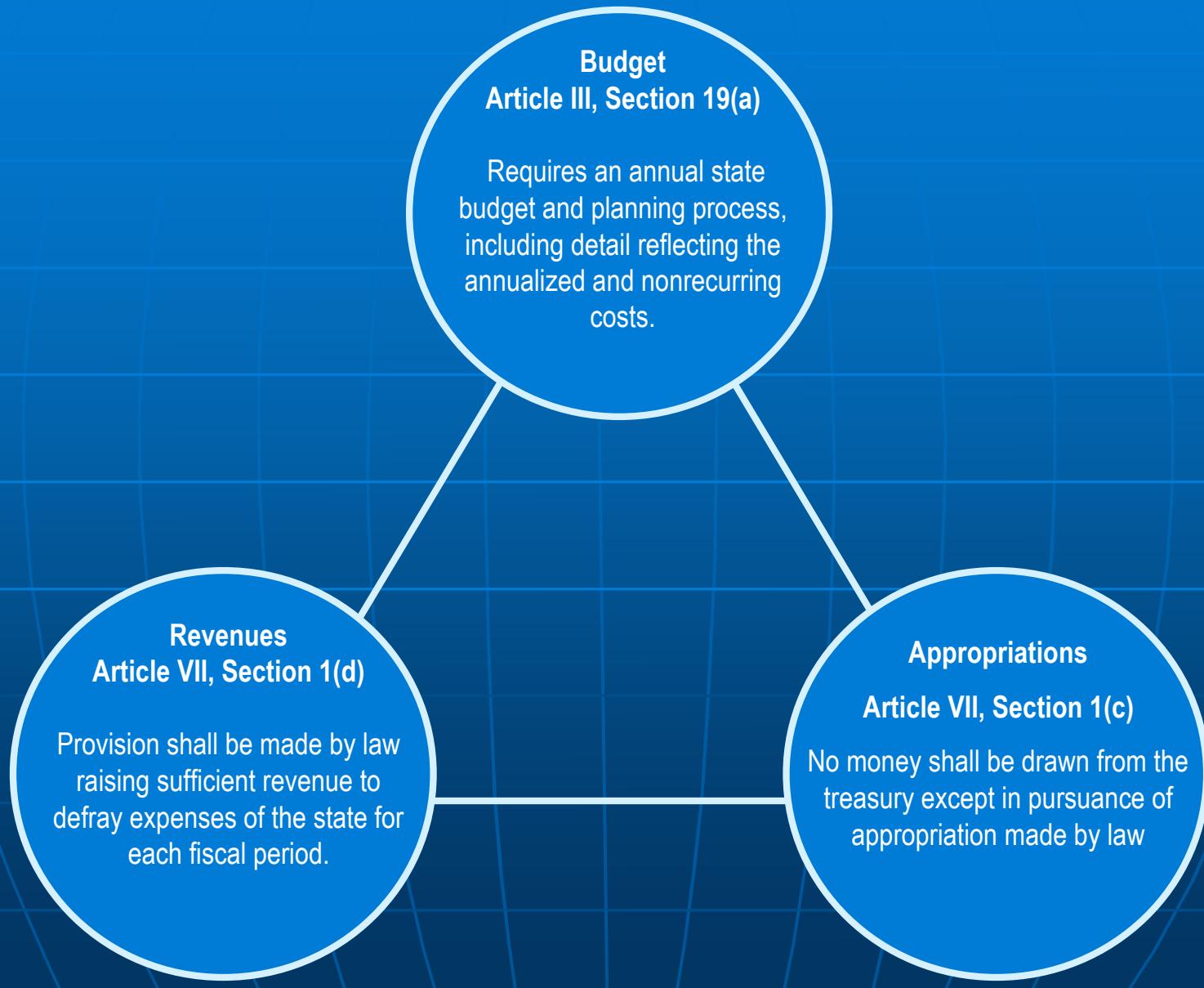
Legislature

- 1. Adopt a Balanced Budget**
- 2. Place Constitutional Amend. on the ballot & enact changes in Statutes**
- 3. Confirm selected Governor's Appointments**
- 4. Over ride Vetoes**

Cabinet – Governor, Chief Financial Officer, Attorney General, Agricultural Commissioner

Joint Legislative Budget Commission

CONSTITUTIONAL REQUIREMENTS



Funding Florida's Budget

- * General Revenue fund - 36.8%**
- * Federal Funds - 34.0%**
- * State Trust - 26.5%**
- * Sales & Corporate - 85% of GR**
- * Public Schools - \$8.8b in Property Tax Not in Budget**

PRIMARY FUNDING SOURCES

4

GENERAL REVENUE

- State Tax Revenues Available to the Governor and Legislature for any use
- These are the revenues that programs compete for and the Governor and Legislature must allocate between programs

Both have revenues that are recurring and non-recurring

TRUST FUNDS

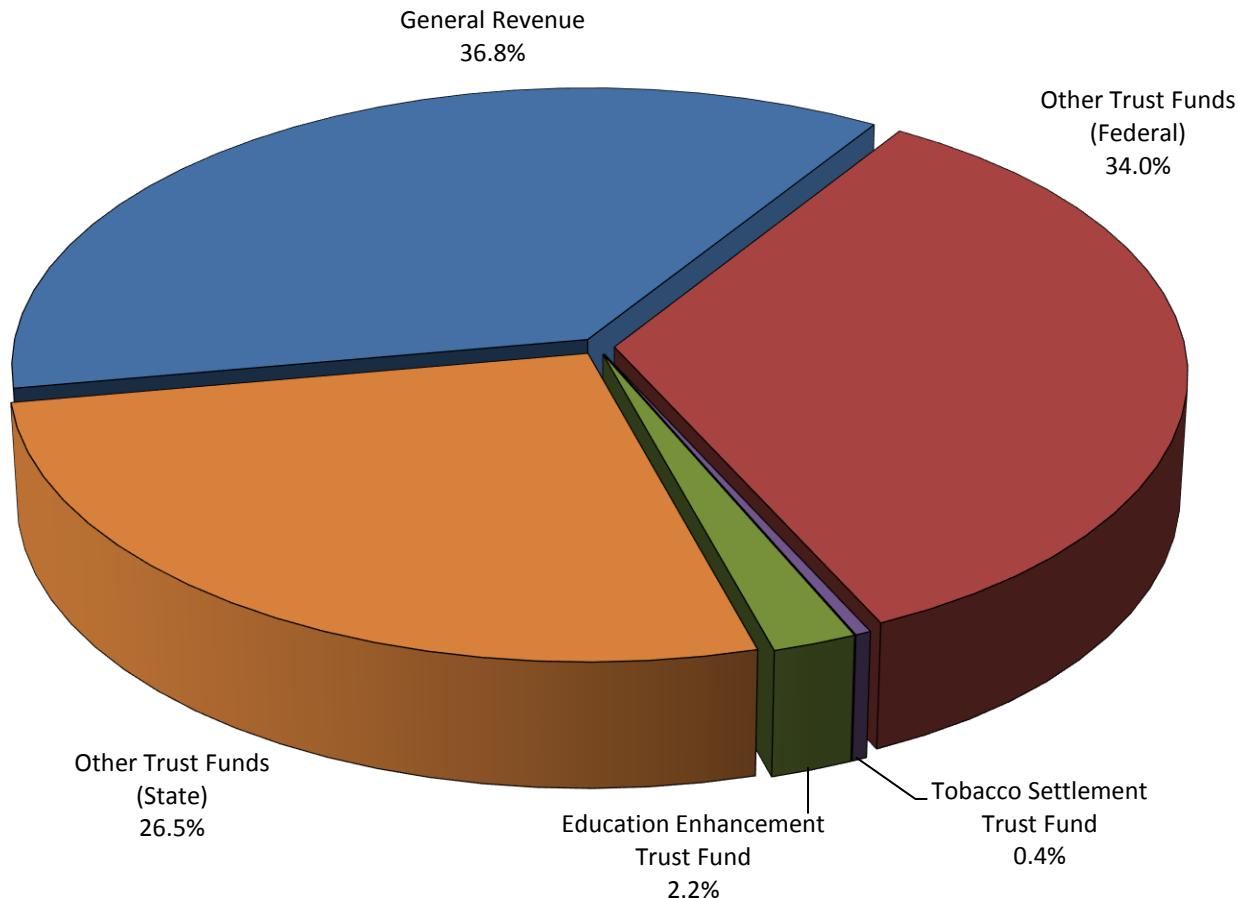
- Monies that are earmarked by law for specific purposes
- Governor and Legislature has little discretion in allocating among programs, unless the law is changed

Chart 1
House Bill 5001, Chapter 2016-66, Laws of Florida
Appropriations by Fund Source for Fiscal Year 2016-17
Adjusted for Vetoes and Supplementals
(Dollars in Millions)

Funding Source	Dollars	Percent
General Revenue	30,314.5	36.8%
Other Trust Funds (Federal)	28,007.0	34.0%
State Trust Funds		
Tobacco Settlement Trust Fund	334.1	0.4%
Education Enhancement Trust Fund	1,783.0	2.2%
Other Trust Funds (State)	21,846.3	26.5%
Total State Trust Funds	23,963.4	29.1%
Total	82,284.9	100.0%

Note: Subtotals and totals may not add due to rounding.

APPROPRIATIONS BY FUND SOURCE



General Revenue Tax Sources

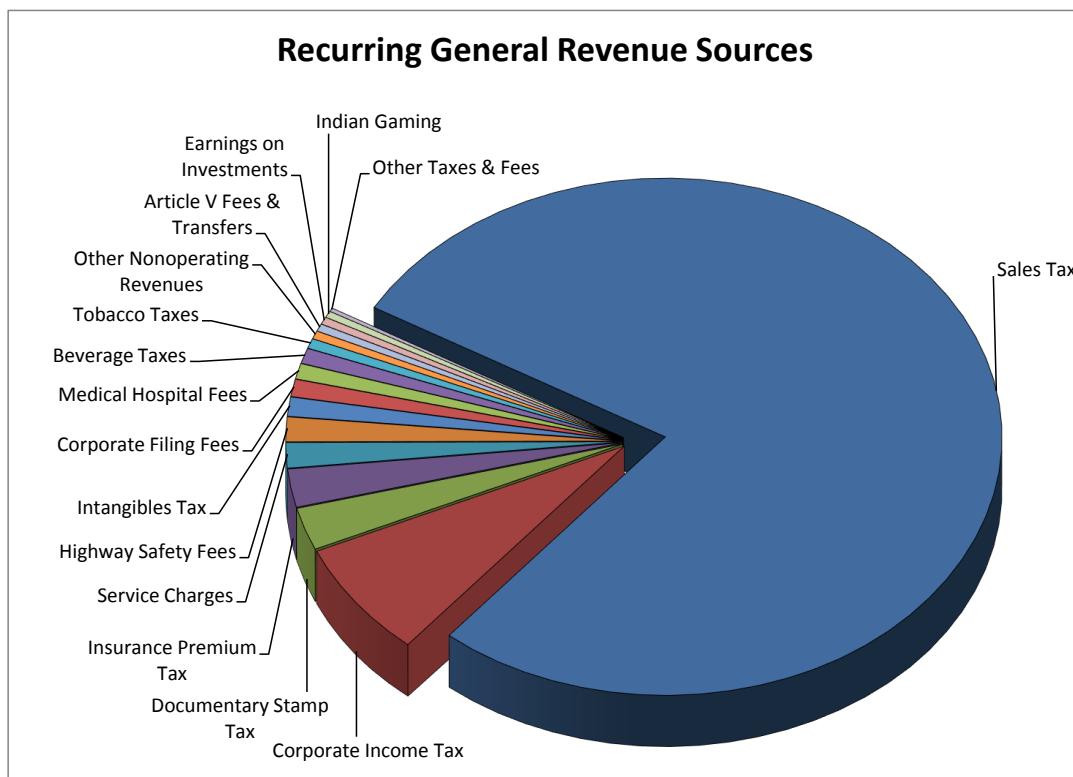
- * Florida's tax structure one of the most restrictive**
- * Florida has significant constitutional limitations**
- * No income tax, no estate tax, no inheritance tax**
- * Florida statute limits sales tax and corporate tax**
- * Sales tax and corporate income tax 85% of GR**
- * Sales tax and corporate income tax decline significantly during recessions**

Chart 9
Projected FY 2016-17 Recurring General Revenue Sources
Adjusted for Measures Affecting Revenue
(Dollars In Millions)

Funding Source	Dollars	Percent
Sales Tax	23,254.1	77.8%
Corporate Income Tax	2,163.6	7.2%
Documentary Stamp Tax	791.8	2.6%
Insurance Premium Tax	712.9	2.4%
Service Charges	472.1	1.6%
Highway Safety Fees	459.2	1.5%
Intangibles Tax	356.1	1.2%
Corporate Filing Fees	323.0	1.1%
Medical Hospital Fees	288.6	1.0%
Beverage Taxes	284.5	1.0%
Tobacco Taxes	183.5	0.6%
Other Nonoperating Revenues	148.8	0.5%
Article V Fees & Transfers	138.5	0.5%
Earnings on Investments	135.5	0.5%
Indian Gaming	119.9	0.4%
Other Taxes & Fees	67.0	0.2%
Total Recurring General Revenue	29,899.1	100.0%
Less: Refunds	(385.7)	
Net Recurring General Revenue	29,513.4	

Note: As displayed here, recurring General Revenue sources do not include any Outlook adjustments for federal funds interest payments.

Note: The sources listed represent the top 15 revenue sources in descending order of size. "Other Taxes & Fees" also includes Parimutuels Tax and Severance Tax which contribute 0.1% or less each. Subtotals and totals may not add due to rounding.



Florida's Budget Overview

- * Education - \$15.5b (51.4% of GR)**
- * Education funded with GR, Property Tax and Tuition**
- * Human Services - \$9.5% (31.3% of GR)**
- * Human Services funded with GR and Federal Funds**
- * Criminal Justice - \$3.7b (12.0% GR)**

Agencies that Serve These Populations Consumes 76% of The Total State Budget and 95% of the General Revenue Budget

Indigent Children

Indigent Elderly

Indigent Blind and Disabled

Children and Young Adults in the Public Education System

Incarcerated Juveniles and Adults

Chart 2
House Bill 5001, Chapter 2016-66, Laws of Florida
Appropriations by Program Area for Fiscal Year 2016-17
Adjusted for Vetoes and Supplements
(Dollars in Millions)

Program Area (Section of General Appropriations Act)	Dollars	Percent
Education	23,884.7	29.0%
Human Services	34,305.1	41.7%
Judicial Branch	521.7	0.6%
Criminal Justice and Corrections	4,450.4	5.4%
Natural Resources/ Environment/ Growth Management/ Transportation	14,572.4	17.7%
General Government	4,550.7	5.5%
Total	82,284.9	100.0%

Note: Subtotals and totals may not add due to rounding.

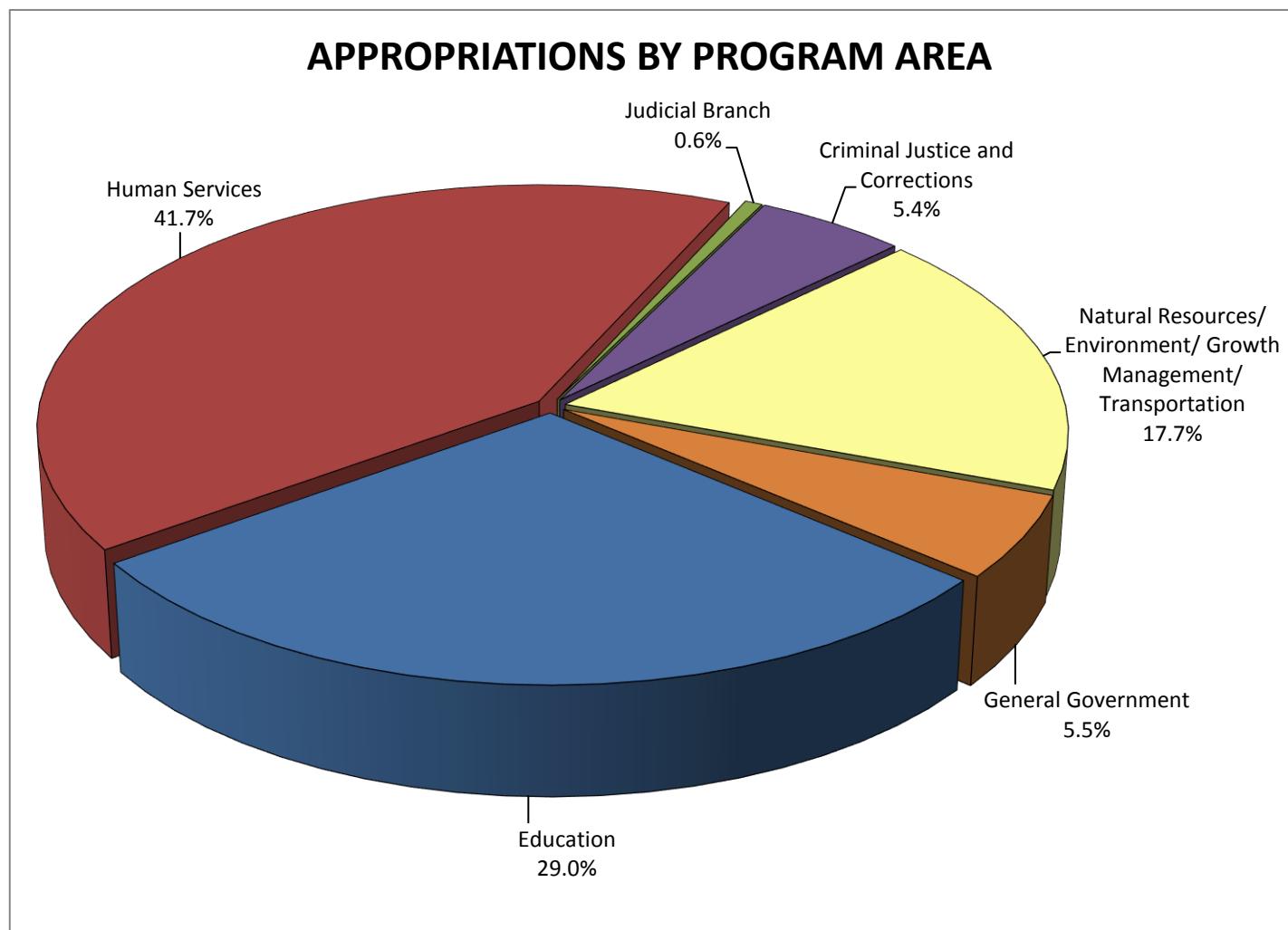


Chart 7
House Bill 5001, Chapter 2016-66, Laws of Florida
General Revenue Appropriations by Program Area for Fiscal Year 2016-17
Adjusted for Vetoes and Supplementals
(Dollars in Millions)

Program Area (Section of General Appropriations Act)	Dollars	Percent
Education	15,585.0	51.4%
Human Services	9,477.7	31.3%
Judicial Branch	431.3	1.4%
Criminal Justice and Corrections	3,650.3	12.0%
Natural Resources/ Environment/ Growth Management/ Transportation	357.2	1.2%
General Government	813.0	2.7%
Total	30,314.5	100.0%

Note: Subtotals and totals may not add due to rounding.

GENERAL REVENUE APPROPRIATIONS BY PROGRAM AREA

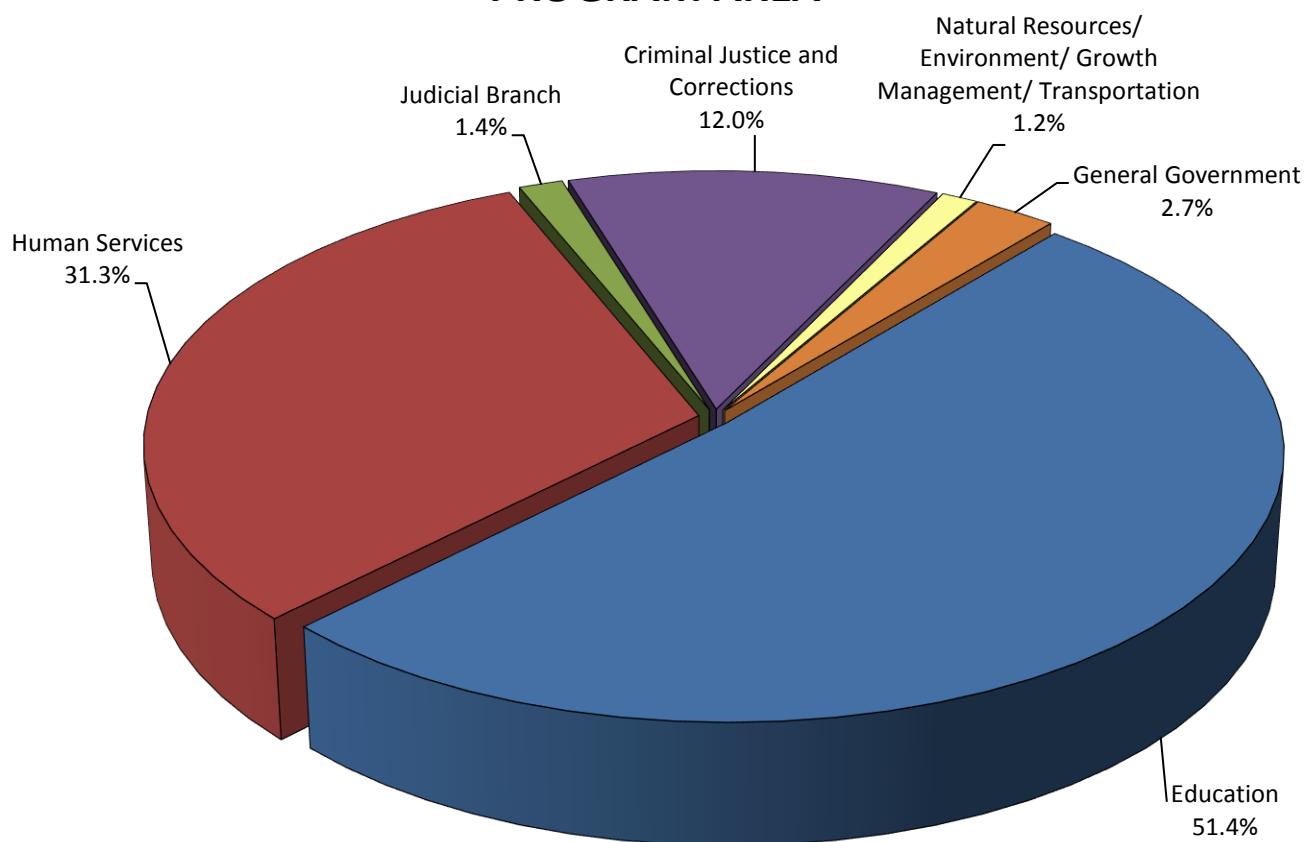
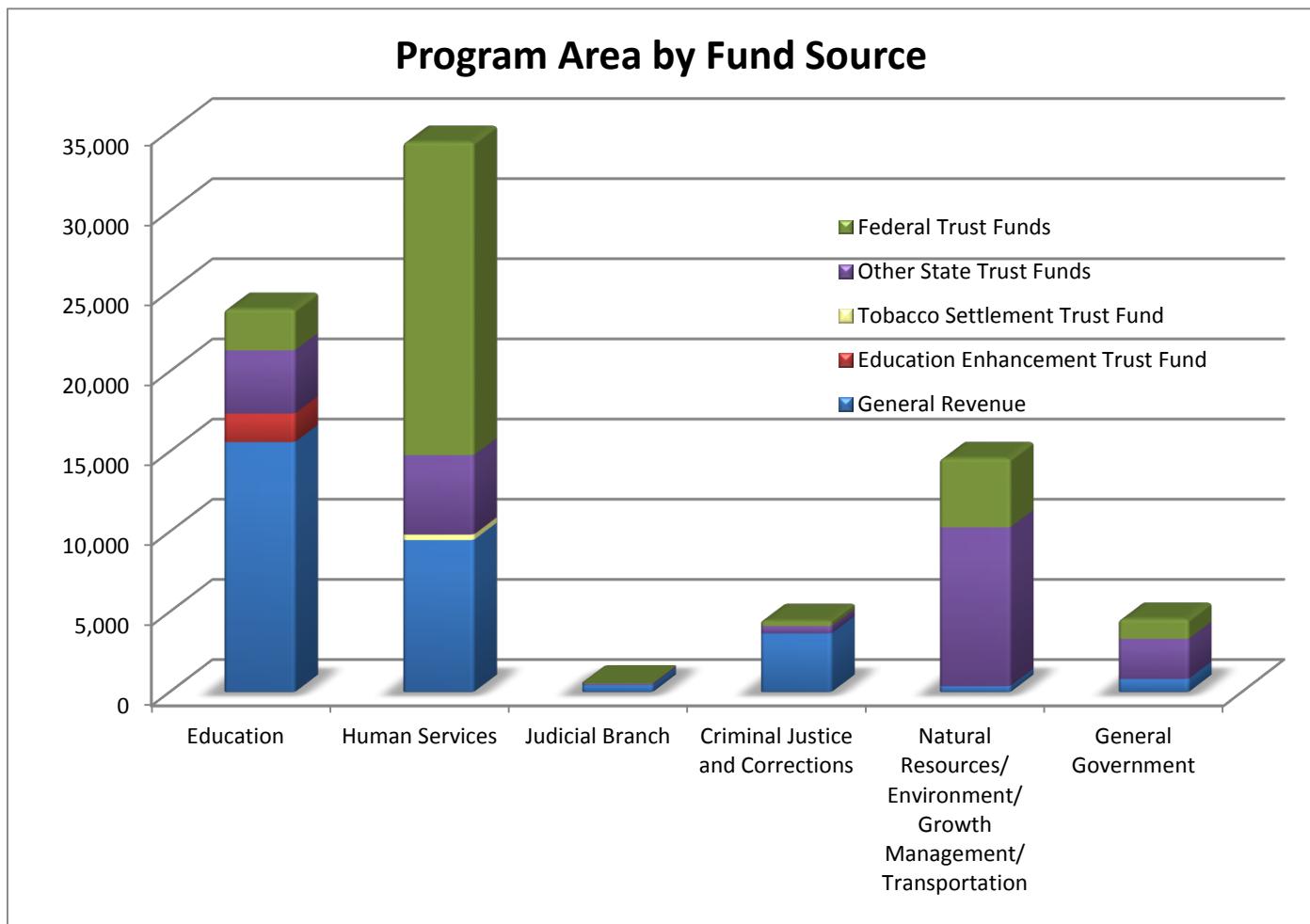


Chart 6
House Bill 5001, Chapter 2016-66, Laws of Florida
Appropriations by Program Area by Fund Source for Fiscal Year 2016-17
Adjusted for Vetoes and Supplements
(Dollars in Millions)

Program Area (Section of General Appropriations Act)	General Revenue	Education Enhancement Trust Fund	Tobacco Settlement Trust Fund	Other State Trust Funds	Federal Trust Funds	All Funds
Education	15,585.0	1,783.0	-	3,941.3	2,575.4	23,884.7
Human Services	9,477.7		334.1	4,958.9	19,534.3	34,305.1
Judicial Branch	431.3	-	-	80.0	10.3	521.7
Criminal Justice and Corrections	3,650.3	-	-	459.7	340.4	4,450.4
Natural Resources/ Environment/ Growth Management/ Transportation						
General Government	813.0	-	-	2,496.5	1,241.2	4,550.7
Total	30,314.5	1,783.0	334.1	21,846.3	28,007.0	82,284.9

Note: Subtotals and totals may not add due to rounding.



Florida's 3 Year Financial Outlook

- * Critical Needs**
- * High Priority**
- * Historic Tax Relief**
- * Reserves**

Reported Results from LRFO...

OUTLOOK PROJECTION – FISCAL YEAR 2017-18 <i>(in millions)</i>			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	\$30,808.0	\$1,387.7	\$32,195.7
<i>Base Budget</i>	\$29,507.2	\$0.0	\$29,507.2
<i>Transfer to Budget Stabilization Fund</i>	\$0.0	\$31.9	\$31.9
<i>Critical Needs</i>	\$439.9	\$45.0	\$484.9
<i>Other High Priority Needs</i>	\$631.3	\$513.8	\$1,145.1
<i>Reserve</i>	\$0.0	\$1,000.0	\$1,000.0
TOTAL EXPENDITURES	\$30,578.4	\$1,590.7	\$32,169.1
<i>Revenue Adjustments</i>	(\$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.

Florida's Financial Outlook FY 17-18

FUNDS AVAILABLE 2017-18	Non-Recurring		Total
	Recurring	Recurring	
1. Balance Forward from 2017-18 (D)	\$ -	\$ 1,413.2	\$ 1,413.2
2. Estimated Revenues	\$ 30,701.5	\$ (14.6)	\$ 30,686.9
3. BP Settlement Agreement	\$ 106.7	\$ (106.7)	\$ -
4. Unused Appropriations/Reversions	\$ -	\$ 93.8	\$ 93.8
5. Fixed Capital Outlay Reversions	\$ -	\$ 2.0	\$ 2.0
6. Federal Funds Interest Earnings Rebate	\$ (0.2)	\$ -	\$ (0.2)
Historic Tax Relief			
7. Tax and Fee reductions	\$ (254.0)	\$ 59.9	\$ (194.1)
8. Time Limited Tax	\$ -	\$ (67.5)	\$ (67.5)
9. Trust Fund Sweeps	\$ -	\$ 242.5	\$ 242.5
Total 2017-18 Funds Available (A) (B) (C)	\$ 30,554.0	\$ 1,622.6	\$ 32,176.6

Estimated Expenditures 2017-18

10. Recurring Base Budget	29,507.2	0.00	29,507.2
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Critical Needs - Must Fund

11. Pre K-12	\$ 158.9	\$ -	\$ 158.9
12. Higher Education	\$ (137.2)	\$ -	\$ (137.2)
13. Human Services	\$ 232.1	\$ -	\$ 232.1
14. Criminal Justice	\$ 1.0	\$ -	\$ 1.0
15. Judicinal Branch	\$ -	\$ -	\$ -
16. DOT & Economic Development	\$ -	\$ 20.5	\$ 20.5
17. Natural Resources	\$ -	\$ -	\$ -
18. General Government	\$ (0.5)	\$ 24.5	\$ 24.0
19. Administered funds/Satelitewide issues	\$ 185.6	\$ -	\$ 185.6
20. Budget Stabilization	\$ -	\$ 31.9	\$ 31.9
Total Critical Needs	\$ 439.9	\$ 76.9	\$ 516.8

Less: Historically Funded

21. Pre K-12	\$ 192.1	\$ 11.7	\$ 203.8
22. Higher Education	\$ 258.3	\$ -	\$ 258.3
23. Human Services	\$ 150.1	\$ 30.4	\$ 180.5
24. Criminal Justice	\$ 16.1	\$ 2.0	\$ 18.1
25. Judicial	\$ 0.5	\$ 4.5	\$ 5.0
26. DOT & Economic Development	\$ -	\$ 79.6	\$ 79.6
27. Natural resources	\$ 7.0	\$ 290.0	\$ 297.0
28. General Government	\$ -	\$ 46.1	\$ 46.1
29. Administered Funds	\$ 7.2	\$ 49.5	\$ 56.7
30. Budget Reduction	\$ 631.3	\$ 513.8	\$ 1,145.1

Total Estimated Expenditures 2017-18

	30,578.4	590.7	31,169.10
31. Reserves	-	1000.0	1,000.0
32. Ending Balance	(24.4)	31.90	7.50

Florida's Financial Outlook FY 18-19

	Non- Recurring	Recurring	Total
FUNDS AVAILABLE 2018-19			
1. Balance Forward from 2017-18 (D)	\$ 1,007.5	\$ -	\$ 1,007.5
2. Estimated Revenues	\$ 31,948.2	\$ 31,947.8	\$ 31,948.2
3. BP Settlement Agreement	\$ 106.7	\$ -	\$ 106.7
4. Unused Appropriations/Reversions	\$ 93.8	\$ -	\$ 93.8
5. Fixed Capital Outlay Reversions	\$ 2.0	\$ -	\$ 2.0
6. Federal Funds Interest Earnings Rebate	\$ (0.2)	\$ -	\$ (0.2)
Historic Tax Relief			
7. Tax and Fee reductions	\$ (448.1)	\$ (508.0)	\$ (508.0)
8. Time Limited Tax	\$ (67.5)	\$ -	\$ (67.5)
9. Trust Fund Sweeps	\$ 242.5	\$ -	\$ 242.5
Total 2018-19 Funds Available (A) (B) (C)	\$ 32,844.9	\$ 1,338.6	\$ 31,546.3
Estimated Expenditures 2018-19			
10 a. Recurring Base Budget	29,507.2	0.00	29,507.2
10.b Recurring Impact of Prior Year New Issues	1,071.2	0.00	1,071.2
Critical Needs - Must Fund			
11. Pre K-12	\$ 201.6	\$ -	\$ 201.6
12. Higher Education	\$ 101.8	\$ -	\$ 101.8
13. Human Services	\$ 1,042.0	\$ -	\$ 1,042.0
14. Criminal Justice	\$ 1.1	\$ -	\$ 1.1
15. Judician Branch	\$ -	\$ -	\$ -
16. DOT & Economic Development	\$ 17.4	\$ -	\$ 17.4
17. General Government	\$ 25.9	\$ 0.2	\$ 25.7
18. Administered funds/Satelitewide issues	\$ 103.2	\$ -	\$ 103.2
19. Budget Stabilization	\$ 50.3	\$ -	\$ 50.3
Total Critical Needs	\$ 1,543.3	\$ 93.4	\$ 1,449.9
Less: Historically Funded			
20. Pre K-12	\$ 191.5	\$ 179.8	\$ 179.8
21. Higher Education	\$ 245.7	\$ 245.7	\$ 245.7
22. Human Services	\$ 193.6	\$ 148.3	\$ 148.3
23. Criminal Justice	\$ 18.4	\$ 16.4	\$ 16.4
24. Judicial	\$ 4.7	\$ 0.2	\$ 0.2
25. DOT & Economic Development	\$ 74.0	\$ -	\$ 74.0
26. Natural resources	\$ 229.8	\$ 5.8	\$ 5.8
27. General Government	\$ 40.5	\$ 0.7	\$ 0.7
29. Administered Funds	\$ 65.9	\$ 7.2	\$ 7.2
	\$ 1,064.1	\$ 460.0	\$ 604.1
Total Estimated Expenditures 2018-19	32,114.60	553.4	32,632.4
30. Reserves	1,000.0	-	1,000.0
31. Ending Balance	(1,300.90)	(214.80)	(1,086.1)

Analysis of Florida Reserves

Baseline Fiscal Year	Unallocated GR	Budget Stabilization	Lawton Chiles Endowment	Total Reserves	General Revenue Est.	% of GR Est.
2011-12	1,357.50	493.6	696.2	2,547.3	23,795.1	10.70%
2012-13	1,577.70	708.1	426.1	2,711.9	24,631.6	11.00%
2013-14	1,893.50	924.8	536.3	3,354.6	26,184.2	12.80%
2014-15	1,589.00	1,139.20	629.3	3,357.5	27,189.4	12.30%
2015-16	1,709.10	1,353.70	590.2	3,653.0	28,414.1	12.90%
2016-17	1,414.20	1,384.40	637.5	3,436.1	29,732.8	11.60%

**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.*