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STATE OF FLORIDA

Annual Update on Economy, Budget, & Debt

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JULY 2022

Overview

Florida Economy

- State's economy has surpassed pre-pandemic levels, driven by continued population growth and strong housing market
- Unemployment rate of 3.0% remains below national level, and tourism has quickly rebounded and is expected to surpass pre-pandemic peak in FY 2022

Revenues and Budget

- General Revenues ("GR") projected to grow by $7.7 billion, or 21%, in FY 2022 reaching new record of $44 billion; FY 2023 Budget is based on current forecast of revenues of $39 billion in FY 2023
- FY 2023 Budget priorities include educational support for students and teachers, environmental initiatives, and infrastructure funding
- Recurring revenues expected to exceed recurring expenditures

Reserves

- General Fund Reserves—Unspent General Revenue ("Unspent GR") plus the Budget Stabilization Fund ("BSF") and new Emergency Preparedness and Response Fund—expected to total $19.0 billion or 43.1% of GR for FY 2022, and projected to be $15.5 billion or 39.7% of GR for FY 2023
- Total Reserves projected at $21.8 billion or 49.7% of GR for FY 2022 and $17.5 billion or 44.9% of GR for FY 2023
- BSF untouched during COVID-19, demonstrating State's financial discipline and commitment to maintain strong reserves; BSF has increased to more than $3.1 billion in FY 2023

Pension Funding

- Tenth consecutive year that budget fully funds the actuarially determined contribution based on plan assumptions
- Funded ratio remains strong; 83.4% based on actuarial value of assets and 86.0% based on current market value of assets

Debt

- Debt outstanding reduced by $1.2 billion in FY 2021 and reduced by another estimated $1.3 billion in FY 2022. Current estimated debt outstanding of $17.1 billion at end of FY 2022 is lowest level since 2000
- Benchmark debt ratio (debt service to revenues) decreased to 4.30% in FY 2021 as a result of increased revenues; remained under the 6% target for the eighth consecutive year

Property Insurance

- State has enacted aggressive legislative agenda to address litigation and fraud in residential property insurance market
- Florida's longstanding property insurance entities provide an effective framework for continued market stability

SECTION 1 *Florida's Economy*

Economy Highlights

Population

- After a major slowdown during the Great Recession, population growth returned and remains strong, with net migration totaling just under 398,000 in FY 2021 and projected at nearly 375,000 for FY 2022
- Over the next five years, average annual increase in population is expected to be 309,000 (848 per day)
- Net migration is expected to gradually decrease to approximately 284,000 by 2026

Tourism

- Tourists declined from 129.1 million in FY 2019 to 96.5 million in FY 2021
- Domestic tourism has returned to its pre-pandemic quarterly peak of 32 million during the 2021 September quarter
- International and Canadian tourists are not anticipated to recover until 2028
- At 134.9 million visitors in FY 2022, tourism is expected to eclipse its pre-pandemic peak

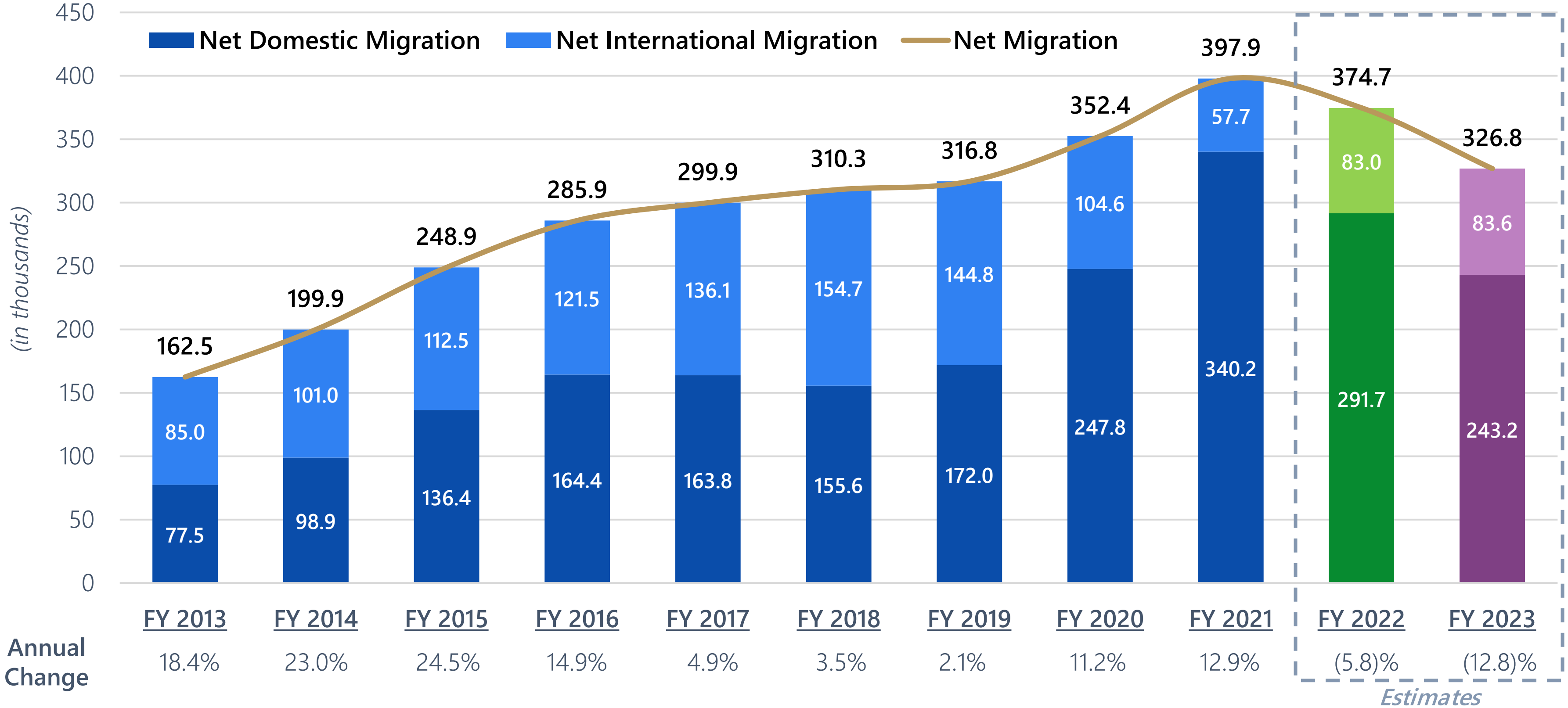
Housing

- Real estate values continue to increase, with property tax values projected to grow by a robust 7.6% in Calendar Year 2022
- Housing starts are expected to decline from the peak levels attained during the pandemic
- Home prices surged during the pandemic and are expected to grow at a more modest pace throughout the forecast

Employment

- Total employment has surpassed pre-pandemic peak, and Florida's unemployment rate of 3.0% in April 2022 continues to be below the national level (3.6% in April 2022)
- Leisure and hospitality – which accounted for more than half of the COVID induced decline – still remains slightly below that peak but expected to have re-attained pre-pandemic levels in latest quarter (2022 Q2)

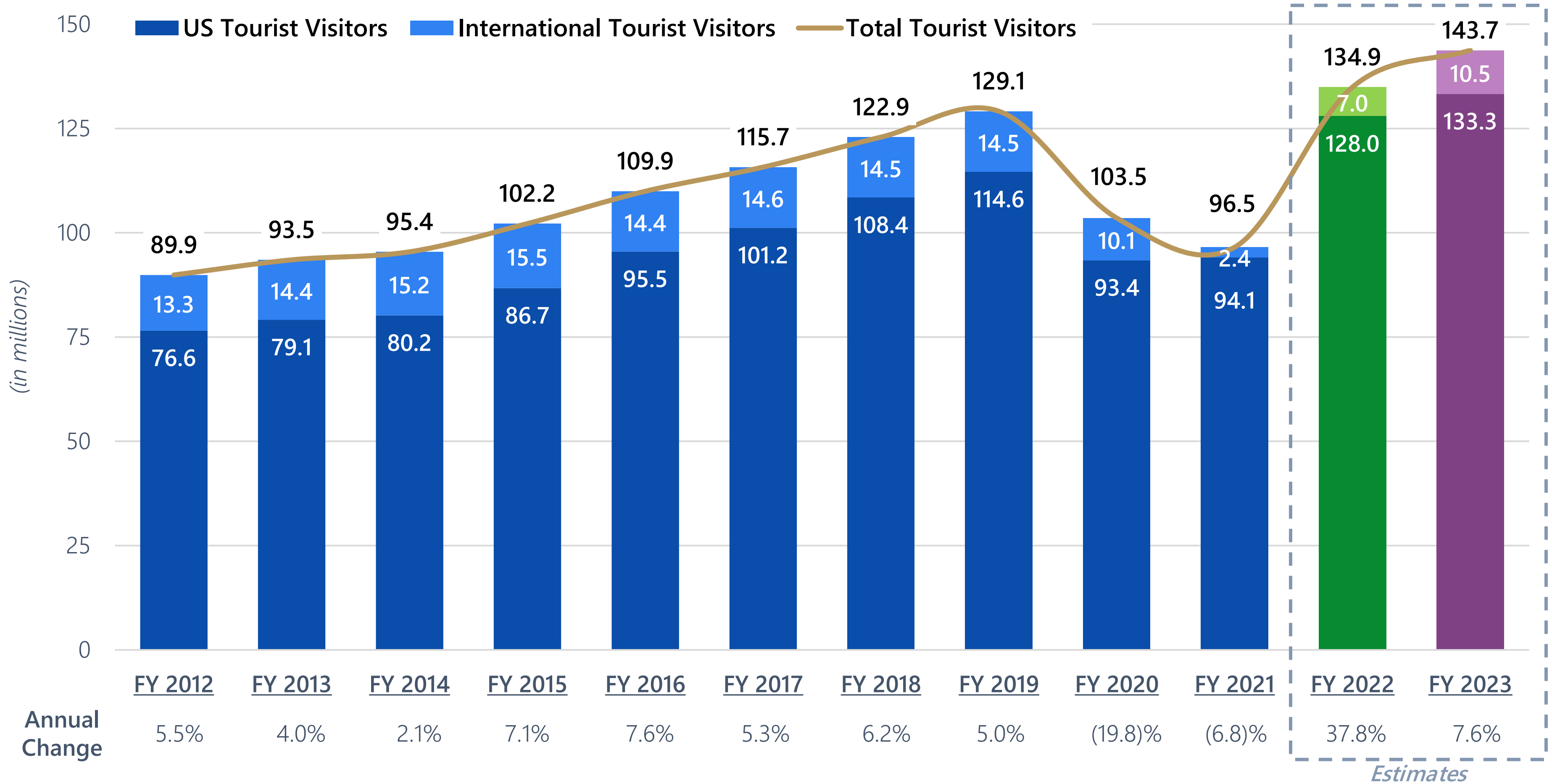
Florida Net Migration



- As a result of Florida's COVID response, net domestic migration almost doubled between FY 2019 and FY 2021, more than offsetting the decline in international migration that began in FY 2019
- This surge was accompanied by a significant increase in the net income shift to Florida from a traditional level of around $17 billion annually to almost $24 billion in 2020
- Net migration is expected to gradually decrease from its current peak to just under the 300,000 level by FY 2027
- Driven by net migration, Florida's population has grown at an average rate of 1.67% annually since 2015

Source: Florida Demographic Estimating Conference, December 2021. Net income migration based on data from Internal Revenue Service.

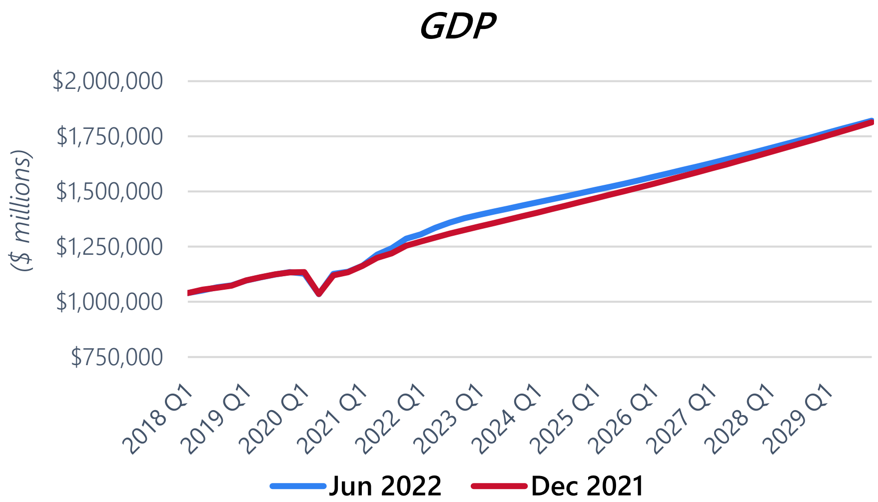
Florida Tourist Visitors

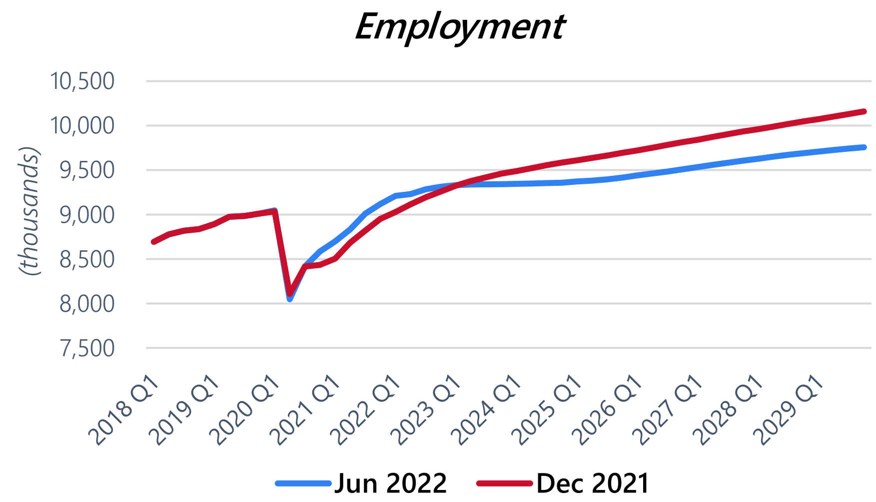


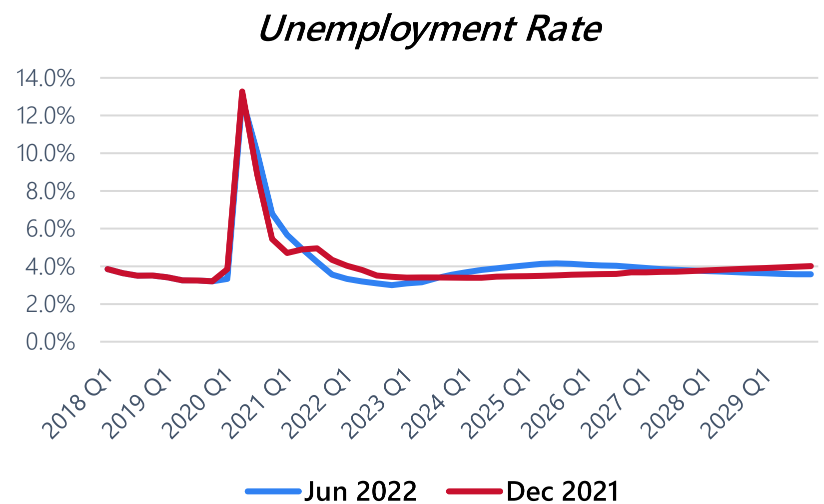
- Tourist visitors in the seven years ending FY 2019 grew at an average annual rate of 5.3%, peaking at 129.1 million visitors in FY 2019
- The pandemic's effect on travel led to an immediate loss of 25.5 million visitors in FY 2020 and an additional loss of 7.0 million in FY 2021
- Current projections are for total visitors to surpass pre-pandemic peak in FY 2022

Source: Florida Economic Estimating Conference, December 2021, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

Florida Economic Forecast



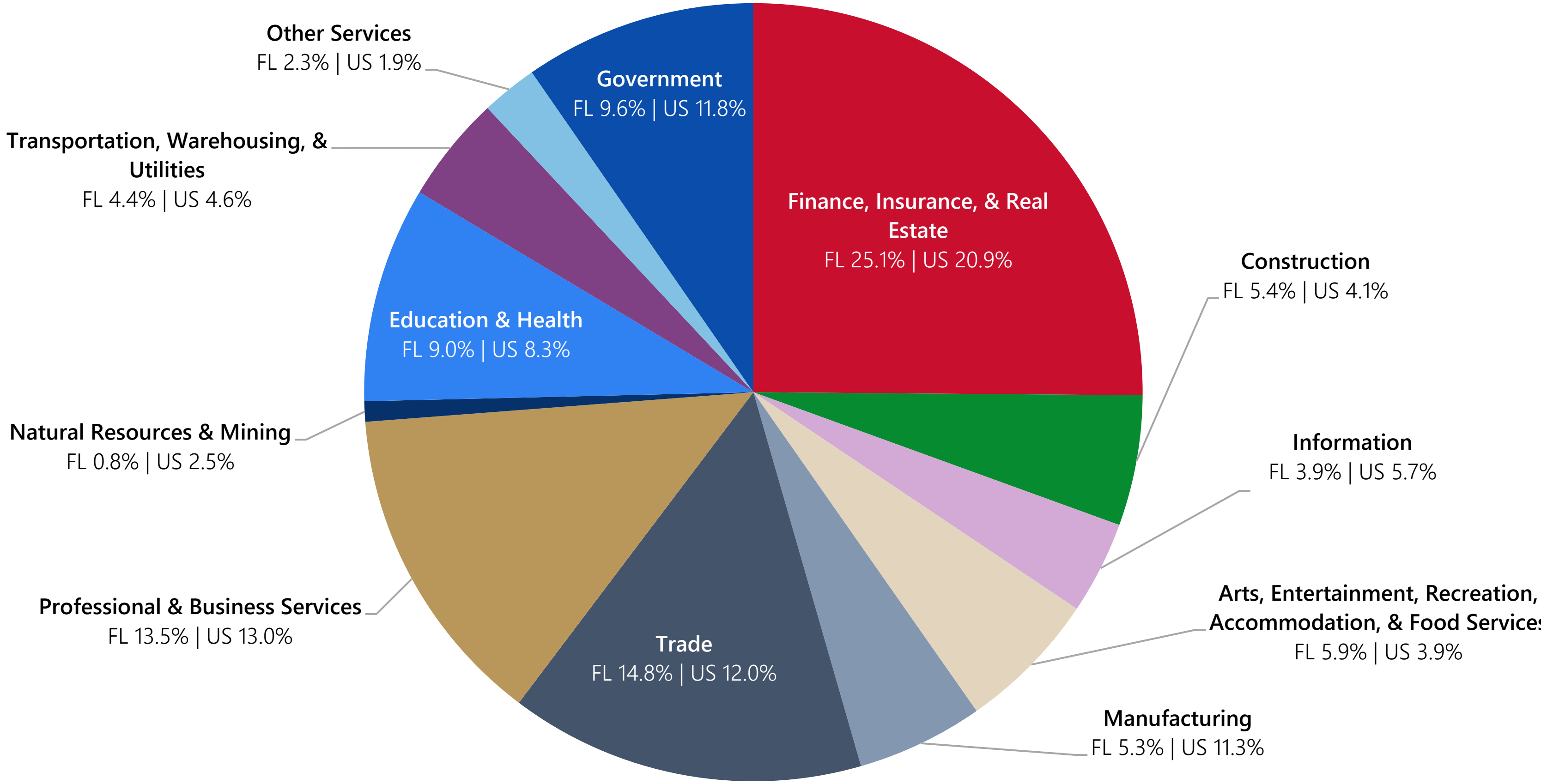




- Florida's economy is extremely well positioned to weather the upcoming headwinds
- GDP and Personal Income are expected to trend at or above the levels previously forecasted
- Employment is expected to trend lower beginning in the summer of 2023, causing the unemployment rate to be slightly higher through 2027

 Source: Florida Economic Estimating Conference, December 2021, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

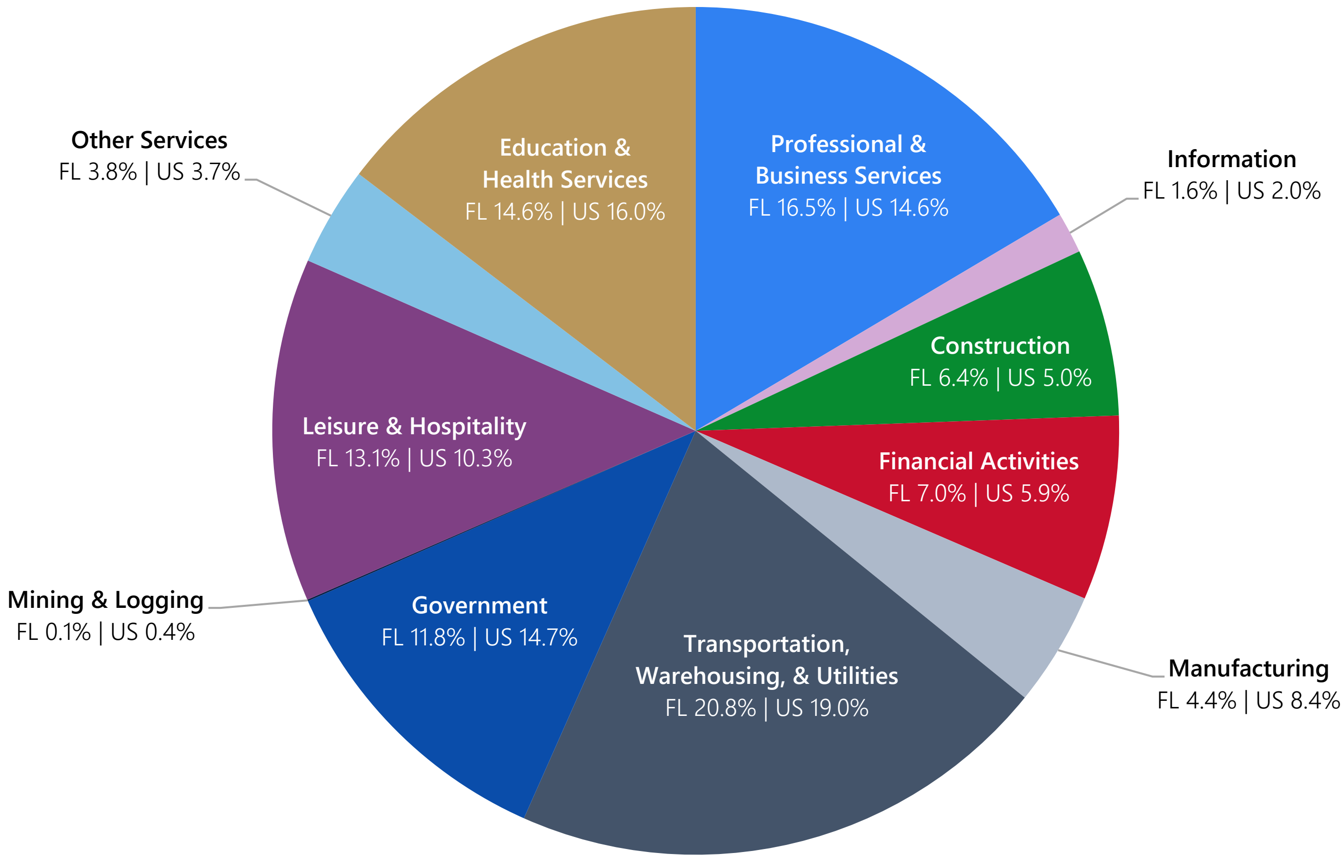
Florida GDP – 2021 Q4



- Finance, Insurance, and Real Estate ("FIRE") at 25.1% is the largest sector
- FIRE, Trade, and Professional & Business Services make up more than half of Florida's GDP
- Tourism is largely reflected in Arts, Entertainment, Recreation, Accommodation, and Food Services, which accounts for less than 6% of state GDP

 Source: US Bureau of Economic Analysis.

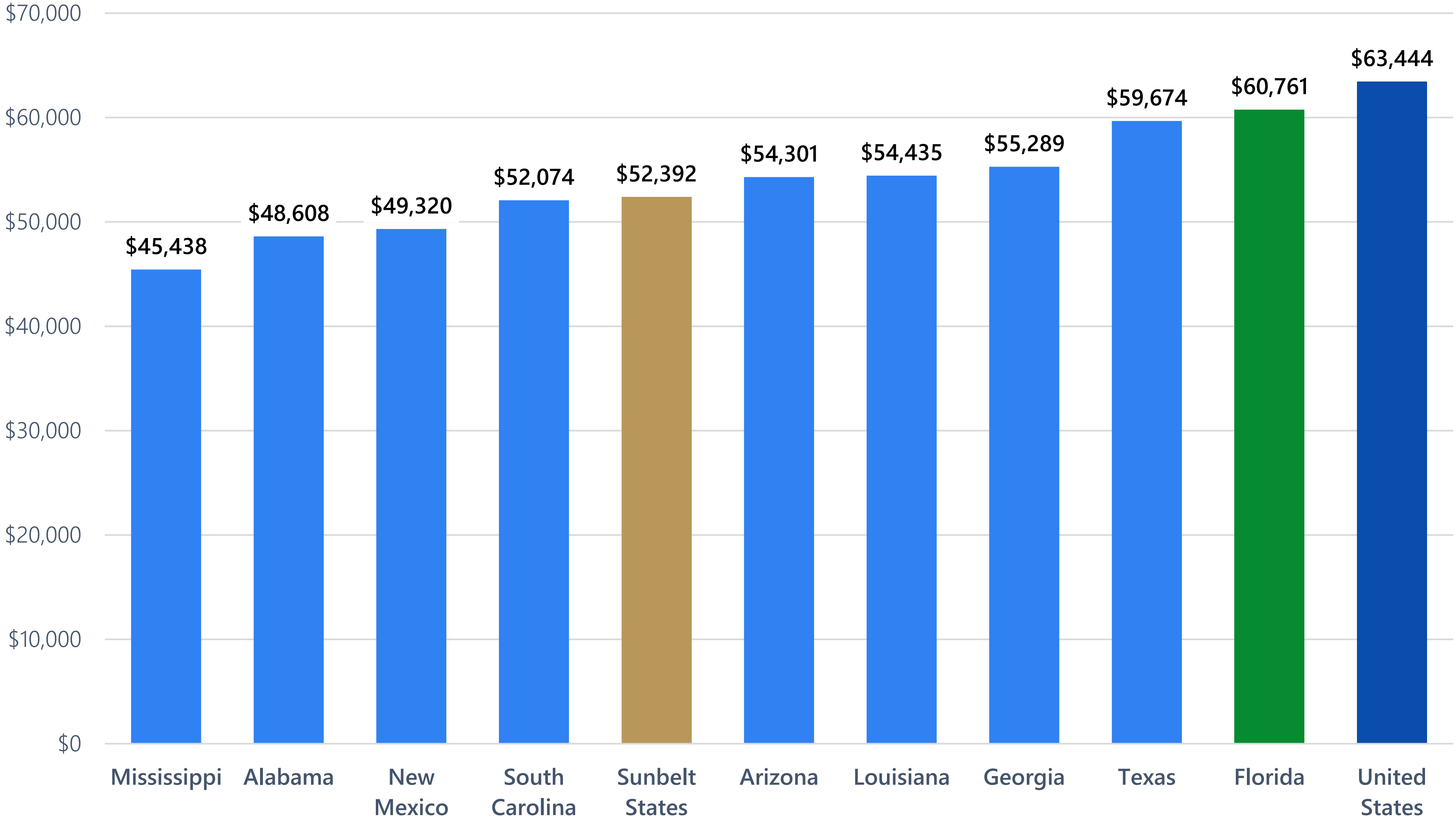
Florida Employment – April 2022



- Total employment surpassed the pre-pandemic peak in the spring of 2022 and the labor force participation rate is approaching its pre-pandemic level
- Florida's unemployment rate of 3% in May 2022 continues to remain well below the national level of 3.6%
- Between April 2021 and April 2022 Florida gained approximately 514,000 private sector jobs, an increase of 6.7%
- Fewer than 1 in 7 Floridians are employed in Leisure and Hospitality sector (4th largest private sector) – sector expected to have re-attained pre-pandemic levels in latest quarter (2022 Q2)

 Source: US Bureau of Labor Statistics.

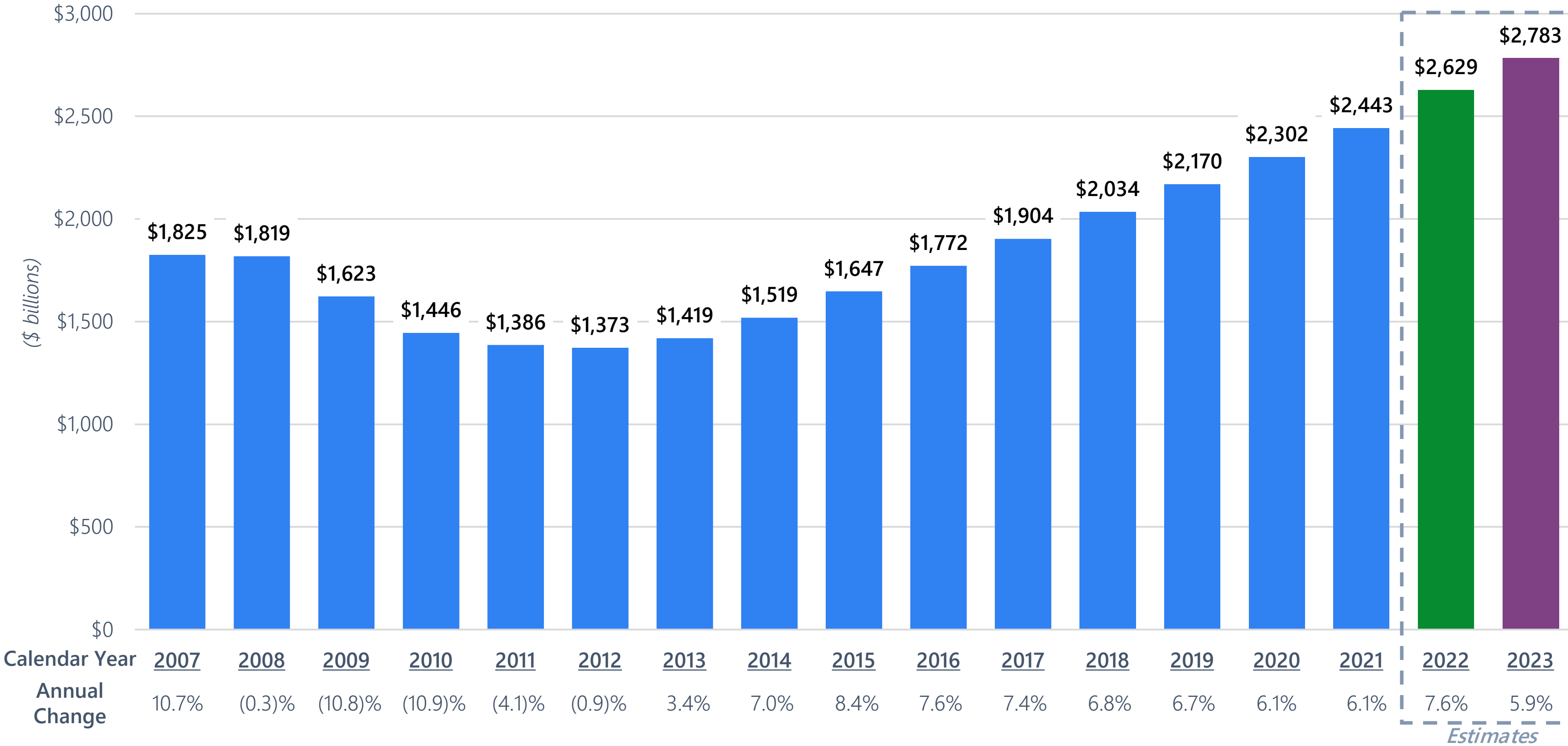
Sunbelt State Per Capita Personal Income – 2021



- Florida has the highest personal income per capita in the Sunbelt, and is nearly 16% higher than the average of the other Sunbelt states
- Florida's income per capita is only 4.2% below the national level, and State's per capita income growth has outpaced the US in recent years

Source: US Bureau of Economic Analysis.

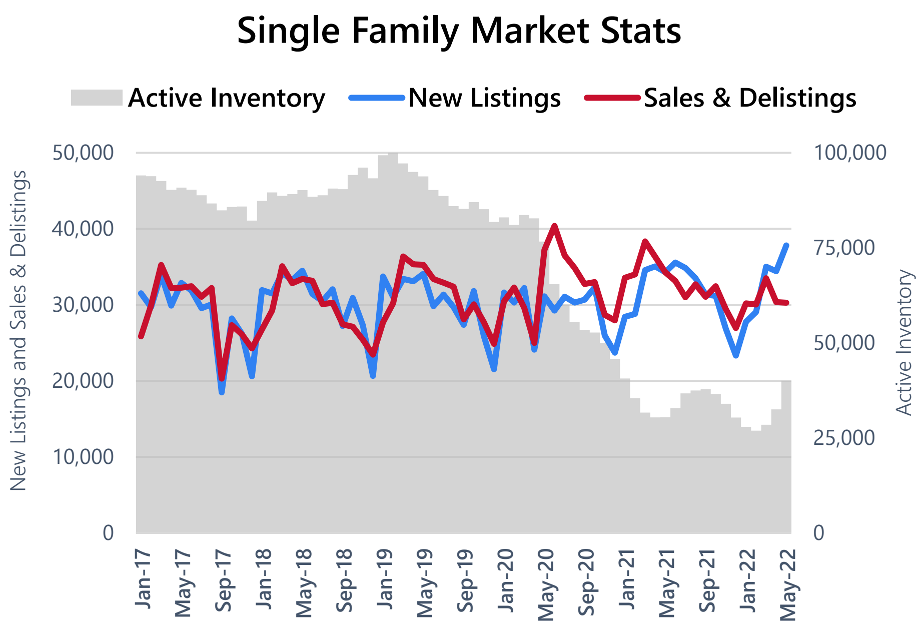
Statewide Property Tax Roll – School Taxable Value

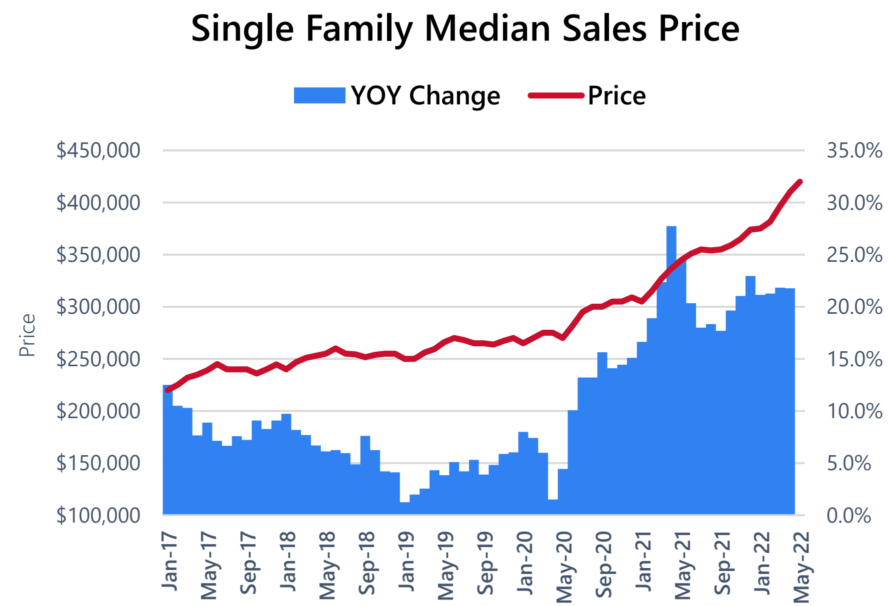


- The statewide property tax roll declined 25% between 2007 and 2012 and did not recover to the 2007 peak until 2017 – 10 years later
- By contrast, over last 5 years the property tax roll has grown by 33%
- Moderating, the tax roll is forecasted to grow by an average annual rate of 5.8% over the next 5 years

Source: Florida Ad Valorem Estimating Conference, January 2022.

Florida Real Estate Market

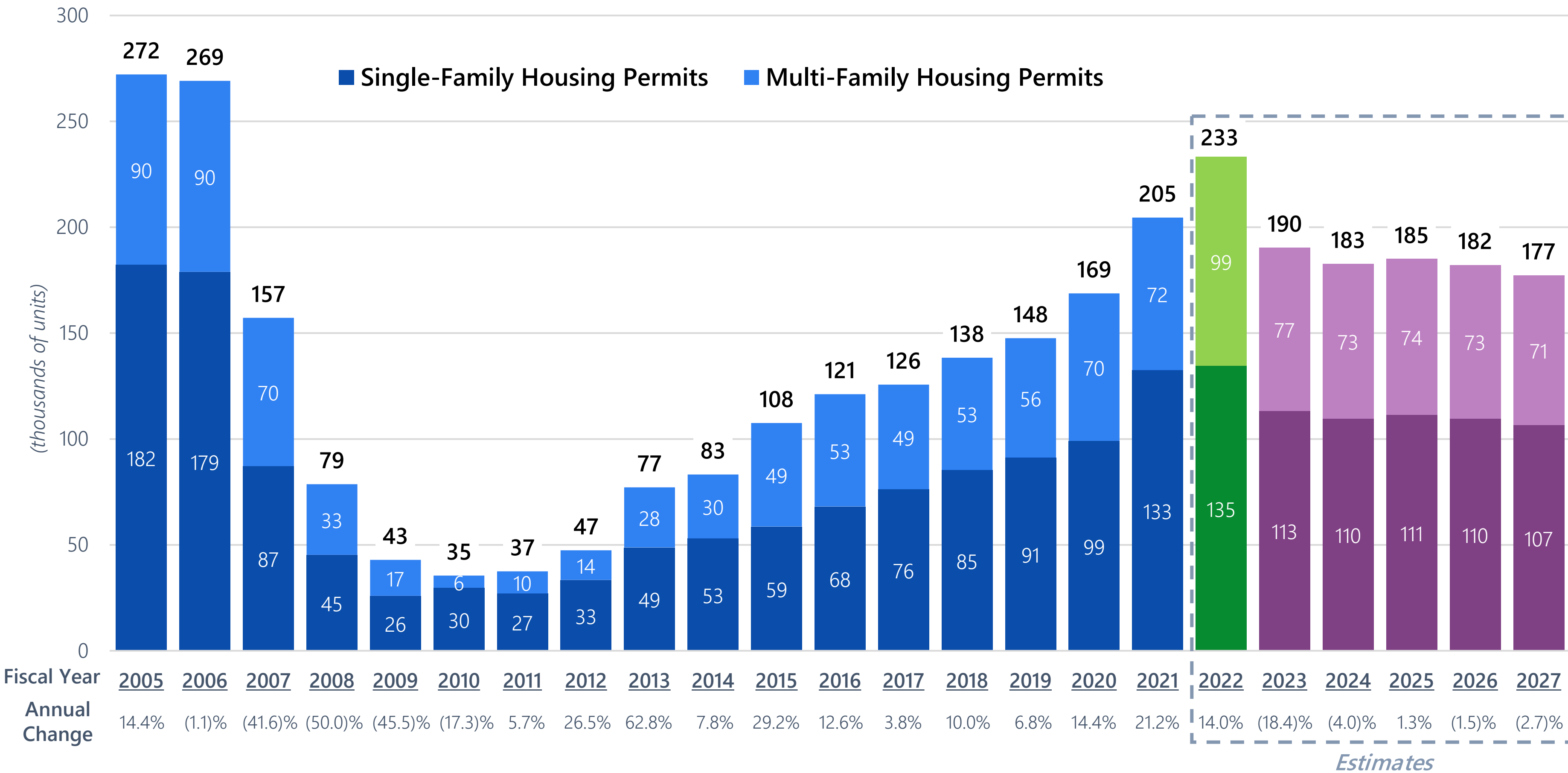




- Since the Spring 2020 onset of COVID19, sales of existing homes outpaced new listings, driving inventory to a low of just under one month of sales volume by March 2022
- Median sales prices for existing homes accelerated steeply beginning in Spring 2020 when the year-over-year growth rate more than doubled (from an average rate of 7% to 22%), leading prices to increase by over 50%
- The combination of higher prices and increased borrowing costs is expected to exert downward pressure on sales, leading to an increase in inventory levels and a leveling off of prices

 Source: Florida Realtors.

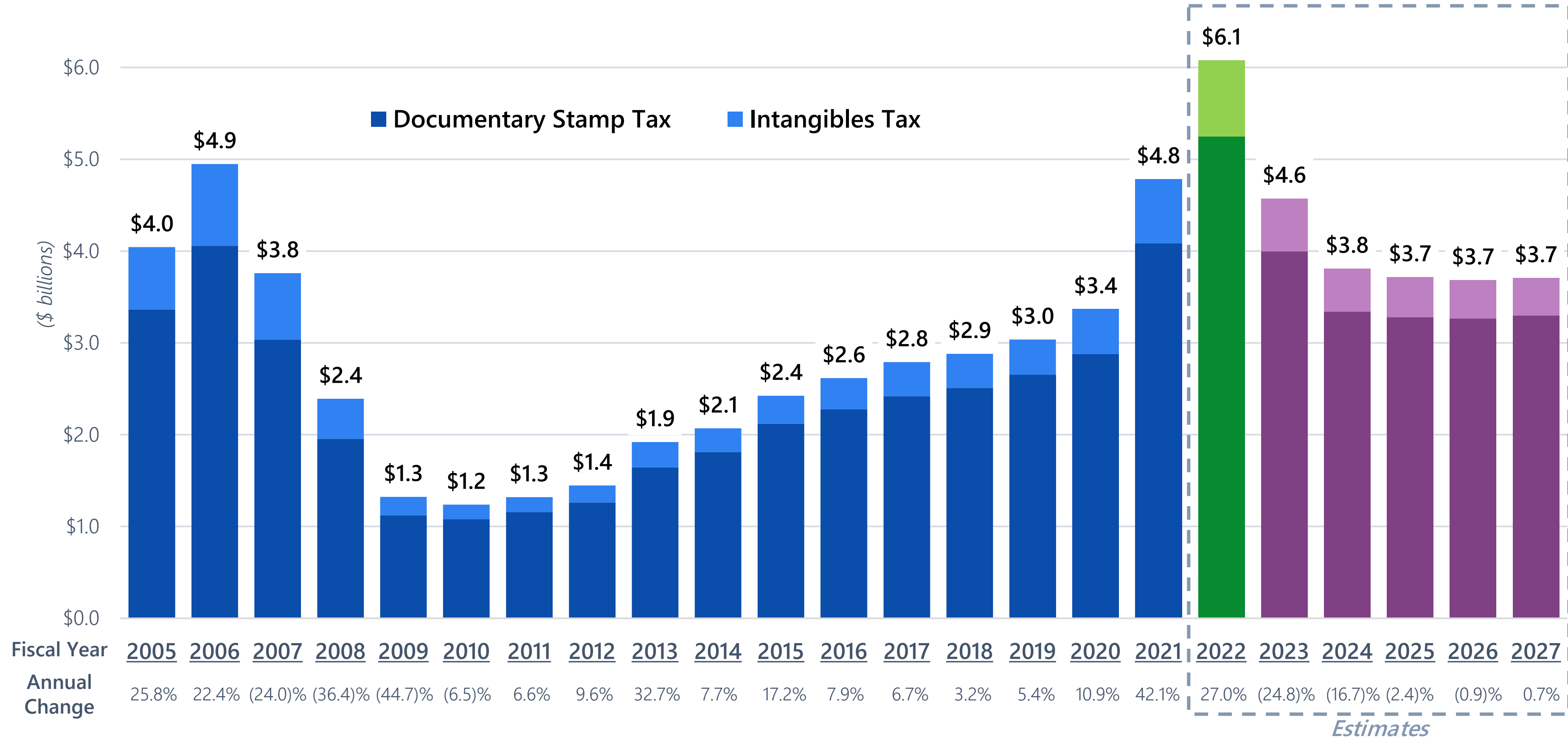
Florida Housing Starts



- Total private housing starts peaked in FY 2005 at approximately 272,000 units, equivalent to one unit per 66 residents
- Total private housing starts of approximately 233,000 units in FY 2022, equivalent to one unit per 91 residents, remain below the FY 2005 peak
- Housing starts are forecasted to decline slightly in FY 2023 and FY 2024 after high pandemic activity and are expected to decrease to just under 180,000 by the end of the decade

Source: Florida Economic Estimating Conference, December 2021, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

Documentary Stamp and Intangibles Tax Collections



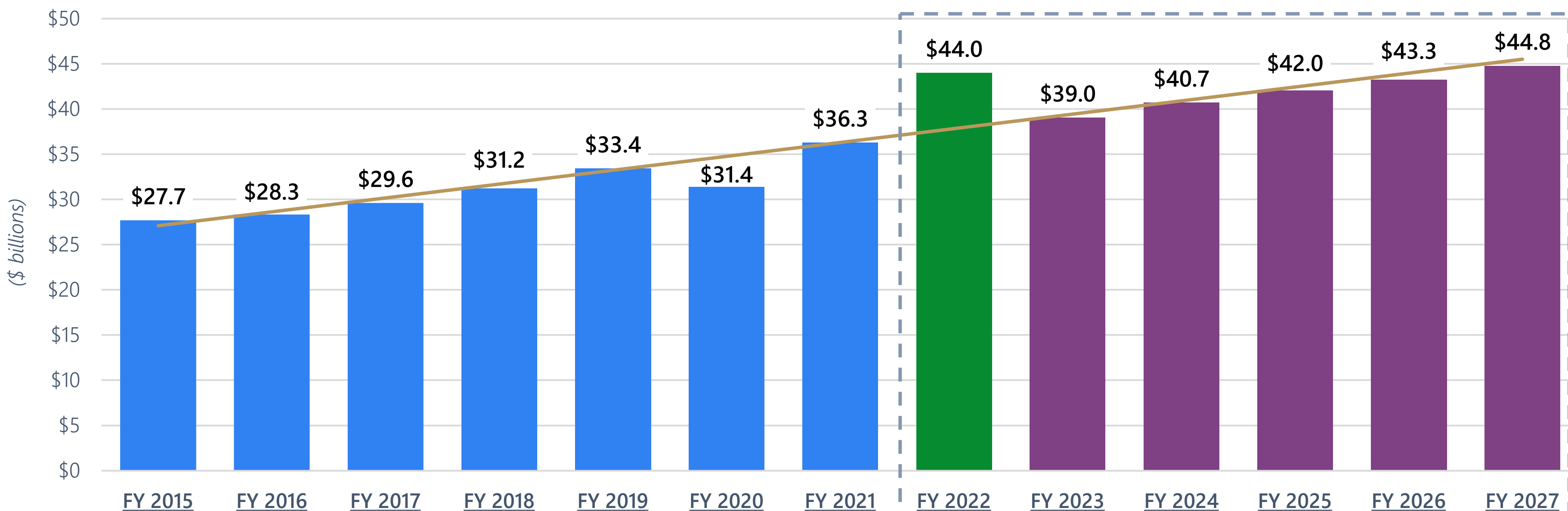
- Documentary Stamp tax collections are a proxy for health of Florida's real estate market
- Documentary Stamp and Intangibles tax collections of $6.1 billion in FY 2022 vastly exceeded the prior peak of $4.9 billion in FY 2006
- Low mortgage rates and a strong housing sector driving collections
- Collections are expected to adjust to rising interest rates, declining for 4 years before returning to modest growth thereafter

Source: Documentary Stamp Tax Collections and Distributions Estimating Conference, January 2022, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

SECTION 2 *State Revenues*

General Revenue Collections

- Phenomenal growth in GR collections of 15.7% in FY 2021 and 21.2% in FY 2022 as a result of State's COVID policies
- Driven by strong economy and collections across all tax sources, GR collections are expected to have reached $44 billion in FY 2022
- The current forecast, adopted in January 2022 and underlying the FY 2023 Budget, assumes collections of $39 billion for the budget year – 11.2% below the collections received in FY 2022
- The forecast will be revised on August 16, 2022, to reflect the most recent experiences and latest economic projections, but no adjustment to adopted FY 2023 Budget
- Current expectations are for the new estimates to be at or above the January 2022 levels



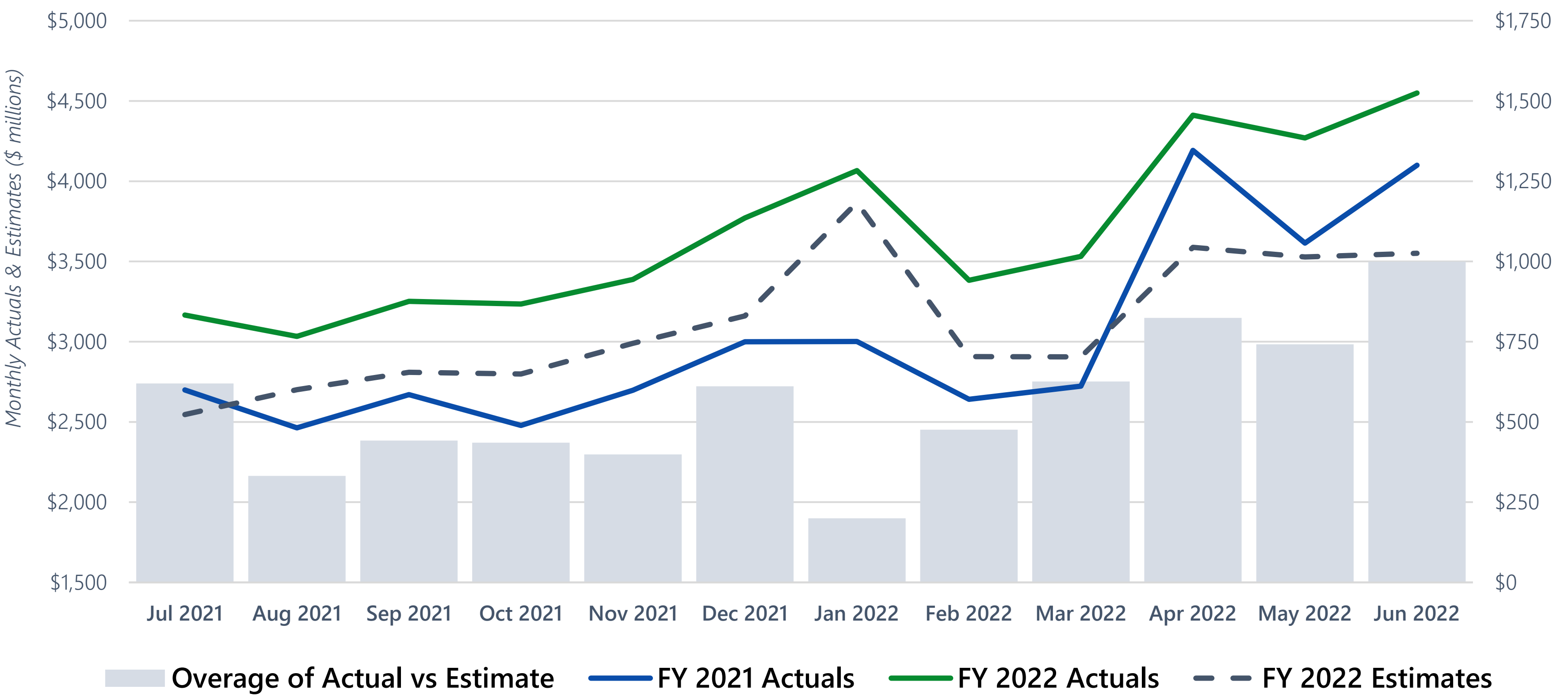
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
% Change	5.7%	2.3%	4.5%	5.5%	7.0%	(6.1)%	15.7%	21.2%	(11.2)%	4.2%	3.3%	2.9%	3.5%
$ Change (in billions)	$1.5	$0.6	$1.3	$1.6	$2.2	$(2.0)	$4.9	$7.7	$(4.9)	$1.6	$1.3	$1.2	$1.5

Preliminary (FY2022) / Estimates (FY 2023-FY 2027)

Source: Historical collections from Office of Economic & Demographic Research. FY 2022 collections are preliminary and subject to change. Projections for FY 2023 to FY 2027 from General Revenue Estimating Conference, January 2022..

General Revenue Collections

- During FY 2022, GR collections consistently exceeded both the prior year levels as well as the current year estimates in every month
- Monthly overages of actual collections relative to estimates ranged between $200 million to more than $1 billion, for a cumulative fiscal year total of $6.7 billion
- The overages were driven by robust spending of both consumers and businesses, increased corporate profitability, and a strong real estate market

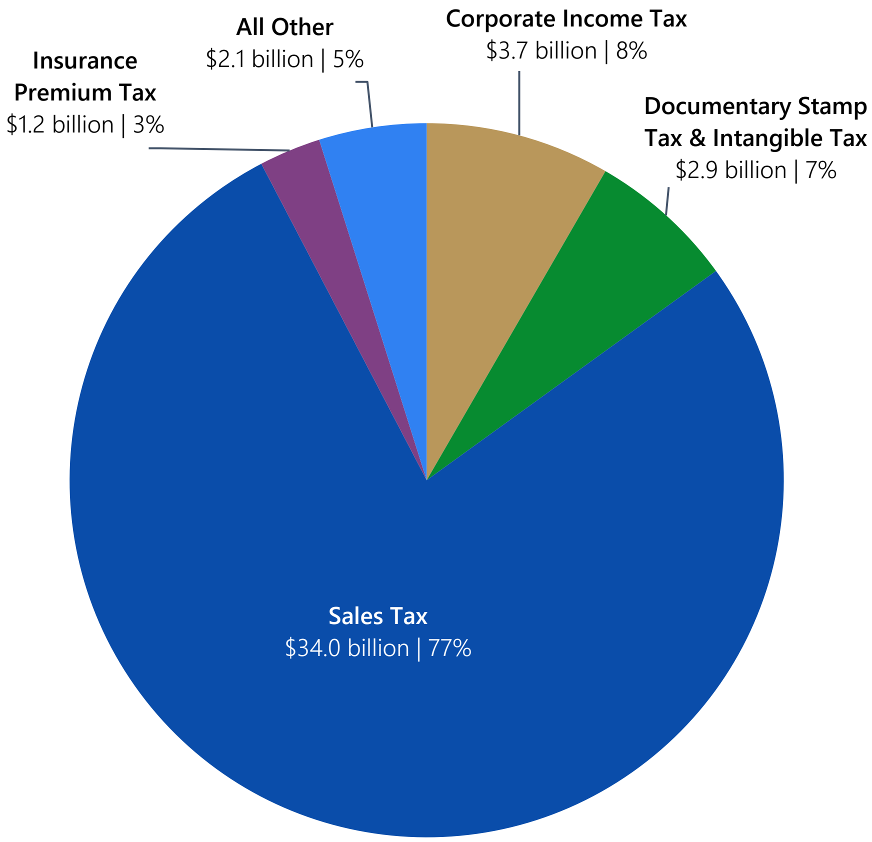


Source: General Revenue Estimating Conference, April 2021 (adjusted for legislative changes), Office of Economic & Demographic Research Monthly Revenue Reports, and Governor's Office of Policy and Budget. FY 2022 full year numbers and June 2022 collections are based on preliminary data and final amounts are subject to change.

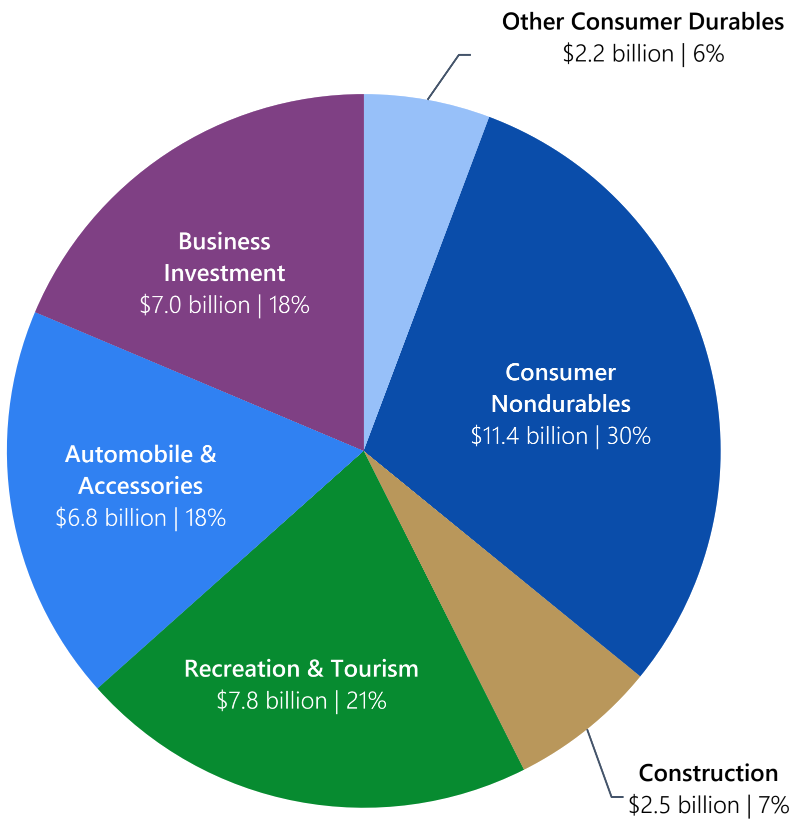
General Revenue Sources & Sales Tax Breakdown

- The four biggest drivers of the State's General Revenues are:
  1. Sales Tax
  2. Corporate Income Tax
  3. Documentary Stamp Tax & Intangibles Tax
  4. Insurance Premium Tax

FY 2022 General Revenue Sources



FY 2022 Sales Tax Breakdown



Source: General Revenue Estimating Conference, January 2022, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference. Documentary Stamp Taxes & Intangible Tax Collections shown above are after statutorily dedicated distributions to various State trust funds.

SECTION 3 *Fiscal Year 2023 Budget*

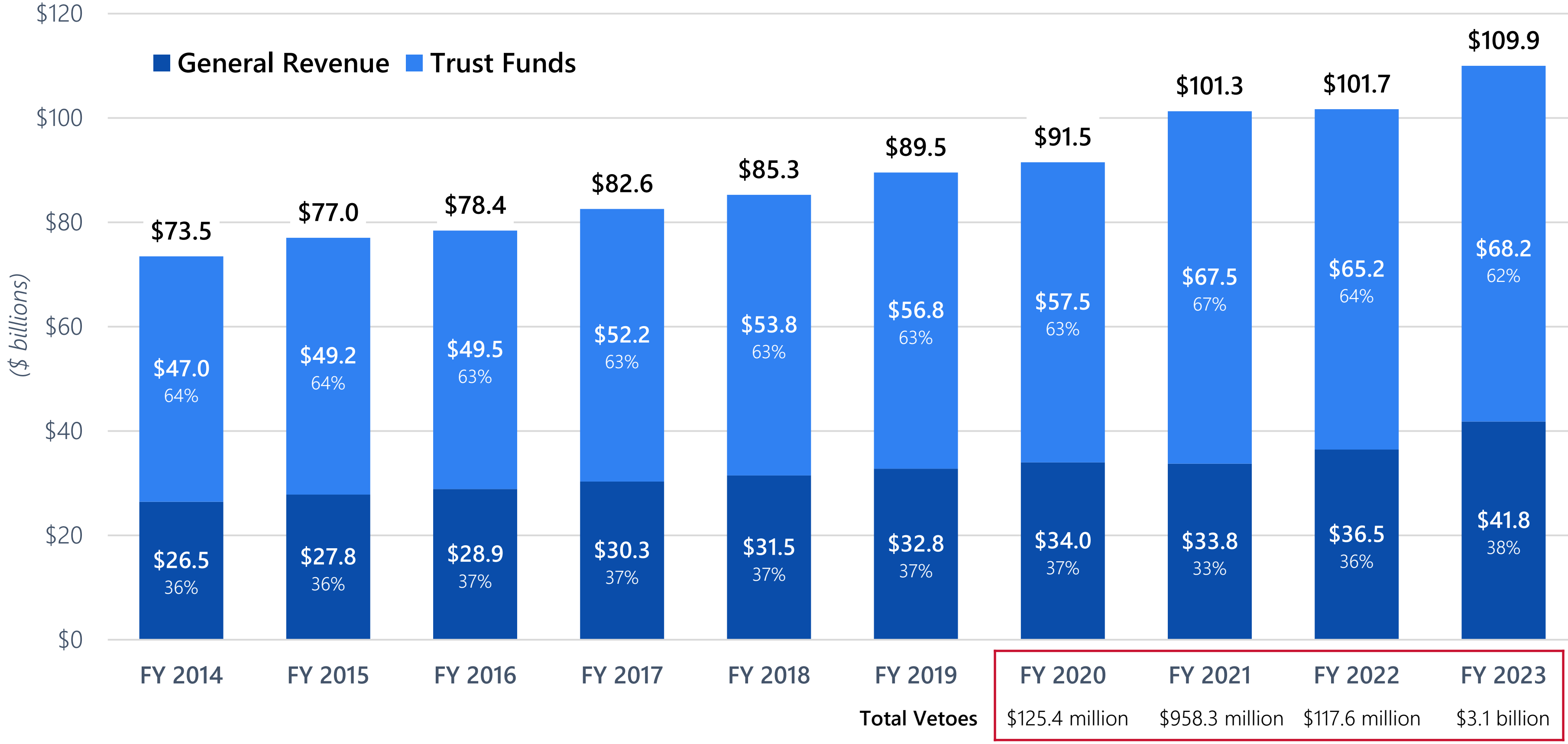
Fiscal Year 2023 Budget Highlights

- As a result of Governor DeSantis' leadership, Florida's economy has rebounded to pre-pandemic levels, allowing for key investments in Education and the Environment in the FY 2023 Budget, while maintaining historic reserves
  - Maintains an overall increase in Education to support our teachers and students
    - **Mental Health Initiatives:** $20 million increase, for a total of $140 million
    - **Minimum Teacher Salary of $47,500:** $250 million increase, for a total of $800 million, to continue towards goal
    - **Literacy Initiatives:** $202.5 million in funding
    - **Florida's Universities:** Historic $3.0 billion in State operating funding
    - **Florida's State Colleges:** Historic $1.5 billion in State operating funding
  - Prioritizes Environmental investments by providing more than $1.0 billion in record funding for Everglades restoration and the protection of water resources, for a four-year total of more than $3.0 billion
    - This funding exceeds Governor DeSantis' commitment of $2.5 billion over four years for the protection of Florida's water resources by $500 million, doubling the investment of the previous four years
  - Transfer of $410 million into Florida's Budget Stabilization Fund, bringing total to $3.1 billion which is more than double the balance when Governor DeSantis took office in 2019
  - Reserves $2 billion for the Reinsurance to Assist Policyholders program

Fiscal Year 2023 Budget Highlights (continued)

- Governor DeSantis' signed the FY 2023 Budget making necessary investments in infrastructure, public safety, healthcare, and affordable housing, including:
  - Historic funding level of over $11.7 billion for the State Transportation Work Program to complete critical infrastructure projects
  - The biggest ever pay package for State employees, including 5.38% across the board pay raises and increase to $15 minimum wage for all State employees
  - Historic pay package for Florida's law enforcement to address recruitment and retention, amounting to a 15% average increase for State sworn law enforcement officers
  - Investment in Florida's healthcare workforce, with $1 billion for providers serving individuals in institutional and community-based settings
  - Full funding for Affordable Housing – $363 million investment in affordable housing initiatives including $100 million for the Hometown Heroes Program providing down payment assistance for educators, first responders, and other public servants
  - A 3% increase in the employer contribution for State employees enrolled in Florida's defined contribution Investment Retirement Plan
  - Creation of the $500 million Emergency Preparedness and Response Fund for the Governor to access during declared states of emergencies
- Florida's historic FY 2023 balanced budget is not reliant on federal COVID-19 relief funds, and the State's $8.8 billion in federal American Rescue Plan funds were all appropriated and used for strategic non-recurring initiatives

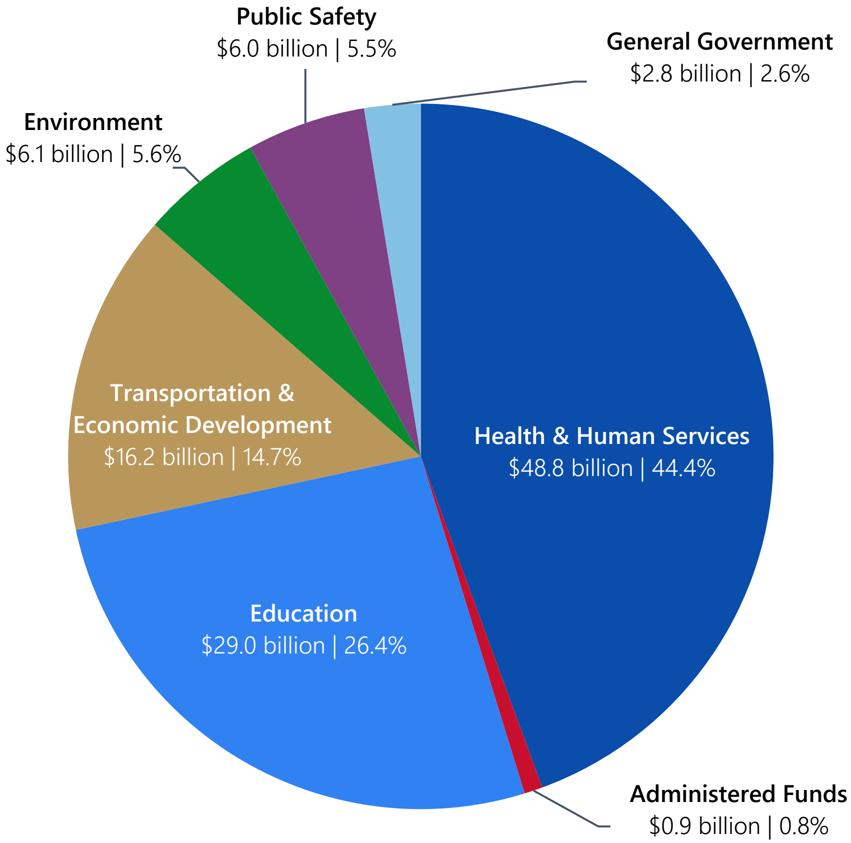
History of Total Appropriations



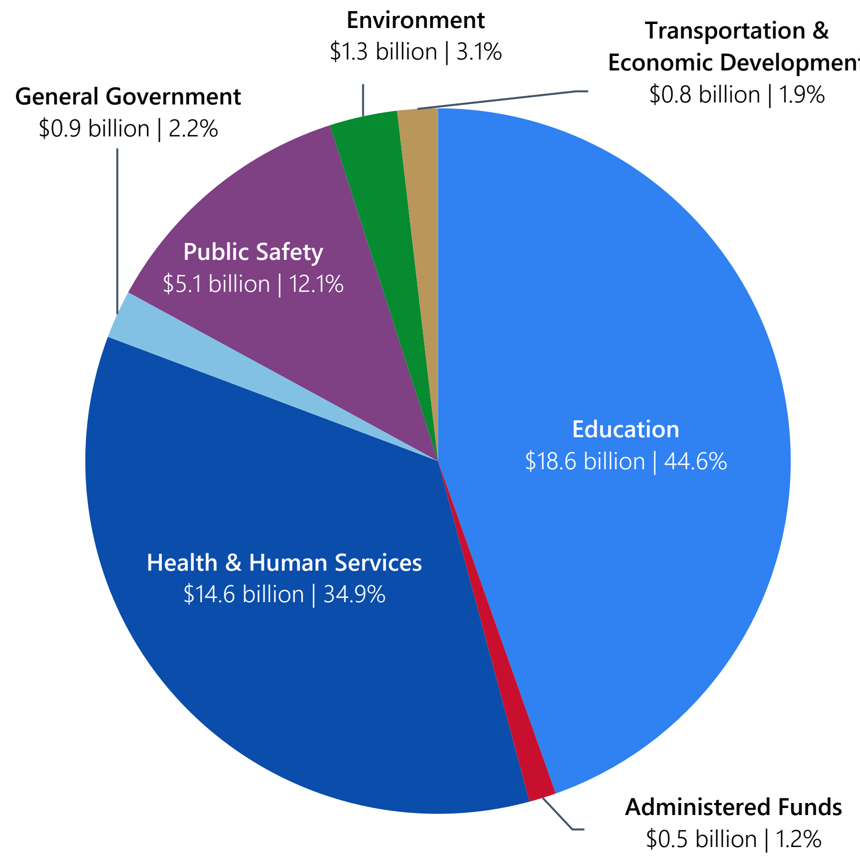
- FY 2023 appropriations totaled $109.9 billion after more than $3.1 billion in vetoes, representing an $8.3 billion or 8.2% increase from FY 2022
- Majority of total State budget funded from Trust Funds (62% in FY 2023)
- Total appropriations shown above do not include any State Fiscal Recovery Funds received from the American Rescue Plan – those federal dollars were used for targeted non-recurring priorities

Fiscal Year 2023 Budget

Total Budget - $109.9 billion



General Revenue - $41.8 billion



- Largest component of total budget is Health and Human Services (44.4%)
- Largest component of GR budget is Education (44.6%)

Florida's Environmental Priorities

- Governor DeSantis called for a **$2.5 billion** investment in Everglades restoration and protection of water resources over four years
- FY 2023 Budget includes more than **$1.0 billion** for the protection of Florida's water resources, bringing the four-year total to over **$3.0 billion**, doubling the investment of the previous four years
- Over **$4.2 billion** invested in Florida's environment in FY 2023, including $658 million of Federal American Rescue Plan Act of 2021 funds

Fiscal Year 2023 Environmental Funding

Major Issues Funded	Amount *($ millions)*
Targeted Water Quality Improvements	$558
Resilient Florida (Resiliency Infrastructure)	500
Everglades Restoration	500
Land Acquisition for Conservation	468
Beaches	50
Springs Restoration	75
Innovative Solutions to Algae/Red Tide Response	15
FWC Center for Red Tide Research	4.2

Building Resiliency and Sustainability

- In addition to significant funding for the environment in the FY 2023 Budget, the State continues to take actions to address climate change, sea-level rise, inland flooding, hurricanes, and attendant consequences

Emergency Response

- Robust Division of Emergency Management (DEM) to plan, coordinate and manage emergency response
- Statewide Hazard Mitigation Plan and routine proactive coordination with local governments and first responders

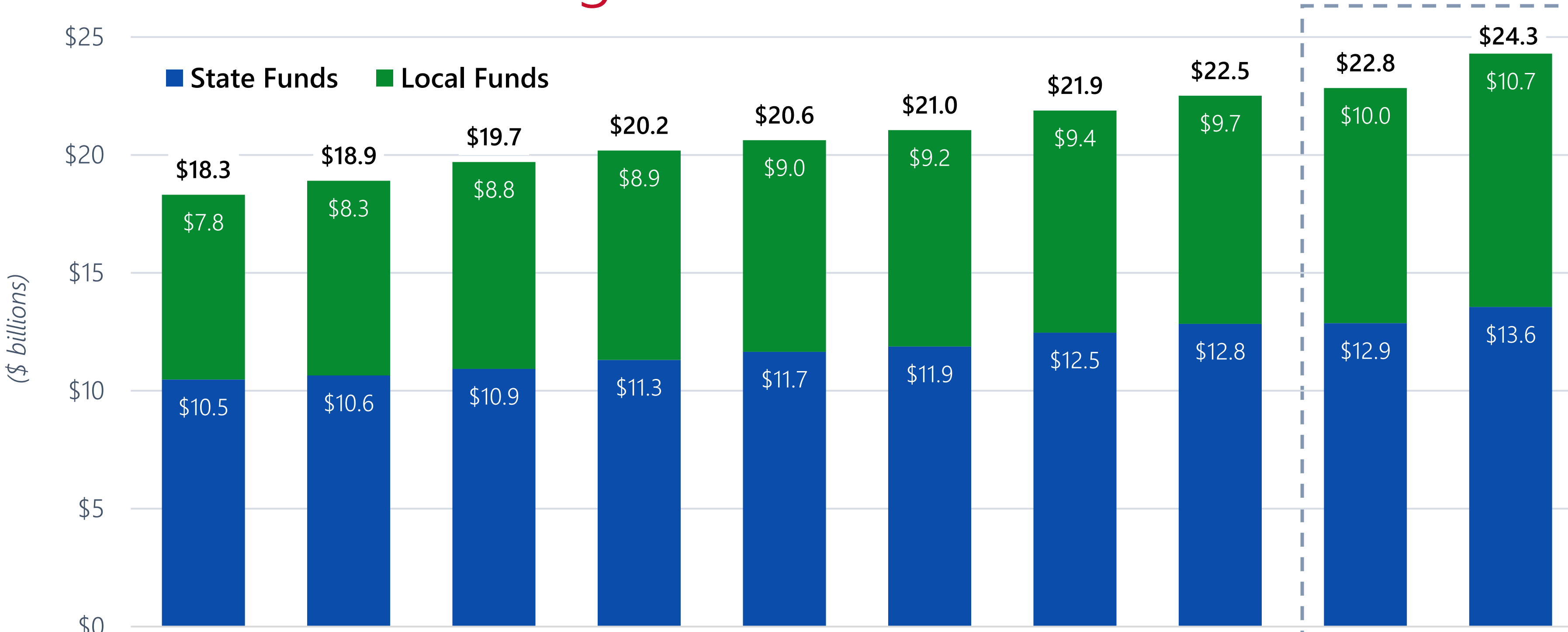
Leadership

- Office of Environmental Accountability and Transparency, led by Chief Science Officer, to conduct scientific research on current and emerging environmental concerns
- The Chief Resilience Officer consults with the Chief Science Officer to assess environmental impact from a scientific perspective

Regulatory Programs and Planning

- Statewide hurricane building codes to harden infrastructure and "coastal building zone" imposes strict construction standards for coastal areas with higher risks of environmental impacts
- Mandated sea level impact projection (SLIP) studies prior to commencing construction of a coastal structure for governmental entities
- Resilient Florida Grant Program to provide grants to locals for community resilience planning
- Developing Comprehensive Statewide Flood Vulnerability and Sea Level Rise Data Set and Assessment, including statewide sea level rise projections

K-12 Schools – Funding & Enrollment



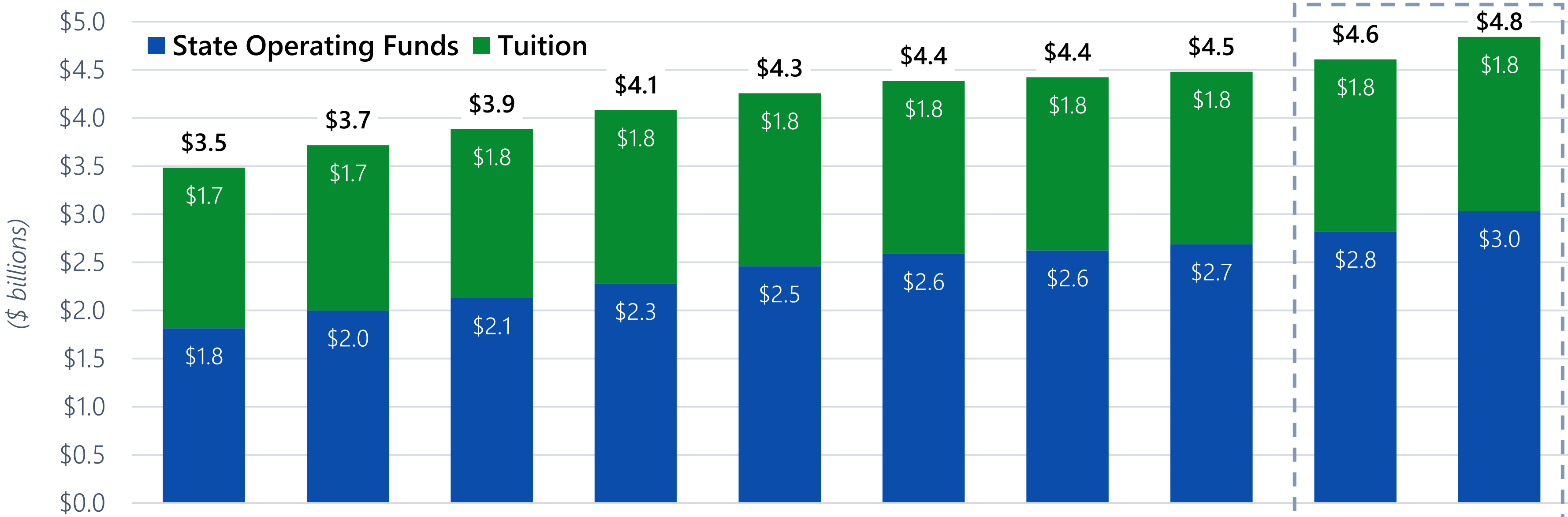
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FTE Student Enrollment	2,705,148	2,743,239	2,778,915	2,804,865	2,822,733	2,831,913	2,860,469	2,814,129	2,868,389	2,983,465
Per Student Funding	$6,769	$6,891	$7,090	$7,197	$7,307	$7,433	$7,650	$7,998	$7,973	$8,143

Estimates (FY 2022 – FY 2023)

- Unlike the states that chose to close schools, Florida's students are not experiencing any exacerbated learning losses
- Key investments include a **<u>$250 million</u>** increase, for a total of **<u>$800 million</u>**, to continue toward the goal of a $47,500 minimum teacher salary; a **<u>$20 million</u>** increase, for a total of **<u>$140 million</u>**, for mental health initiatives; and a **<u>$30 million</u>** increase for a historic total of **<u>$210 million</u>** for safe school initiatives

Source: PreK-12 Enrollment Education Estimating Conference & Governor's Office. FY 2021 State funding was held harmless despite drop in FTE student enrollment, which increased the per student funding amount for FY 2021 in the table above. FY 2022 estimate based on 4th Calc, and FY 2023 estimate based on Conference Calc .

State University System – Funding & Enrollment



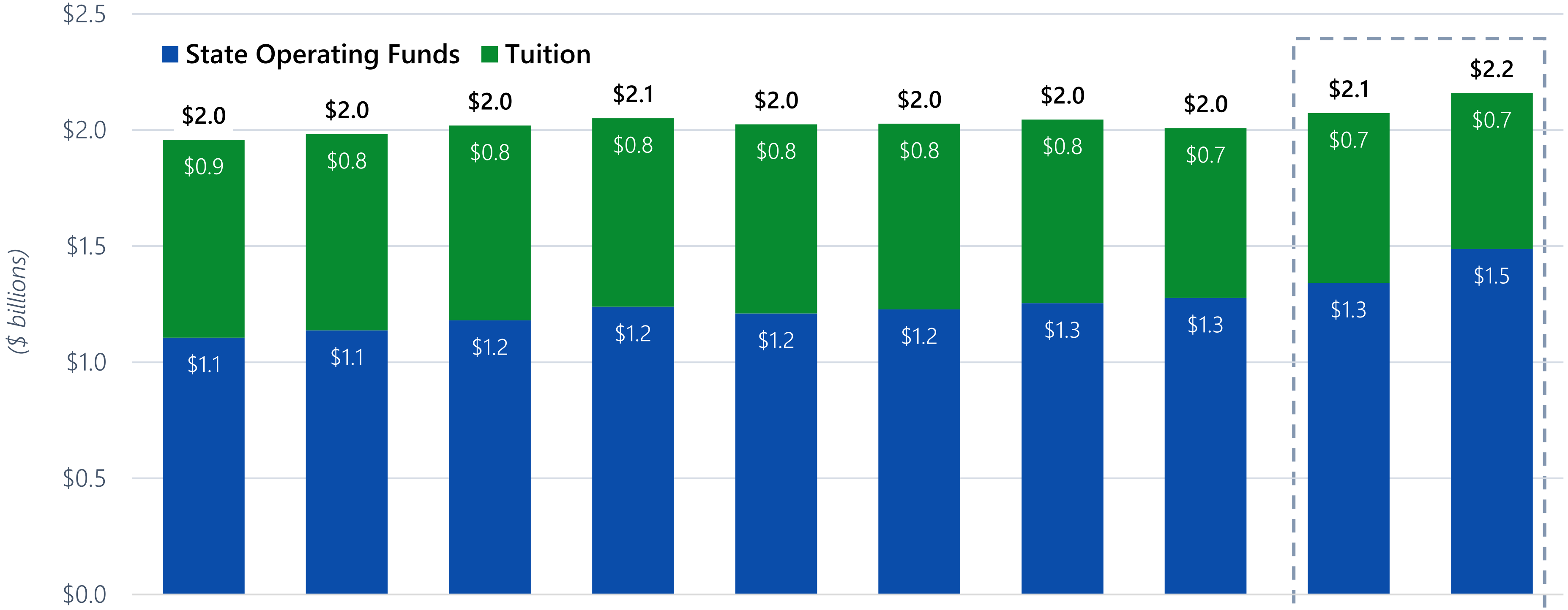
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FTE Student Enrollment	293,519	294,777	299,484	305,556	311,970	315,239	323,387	327,440	329,410	331,930
Per Student Funding	$11,869	$12,610	$12,968	$13,356	$13,645	$13,910	$13,674	$13,680	$13,992	$14,587

Estimates

- Record level of operating funding for State Universities in FY 2023
- State appropriations funding level continues to grow, while tuition is held constant to help keep higher education affordable
  - Florida public universities have the 2nd lowest tuition in the United States and average annual tuition and fees of $6,366 is 52% lower than national average
- Performance funding of $560 million – 11.6% of total state university operating funding
- State also appropriated nearly $1 billion in FY 2023 for non-recurring fixed capital outlay to address deferred maintenance needs and fund new capital projects

Excludes appropriations and FTE students for Moffitt, UF-IFAS, health science centers, and medical schools. Source for Tuition and Fee Comparisons: College Board, Annual Survey of Colleges, November 2021. Average tuition and fee prices are weighted by full-time enrollment.

College System – Funding & Enrollment



	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FTE Student Enrollment	340,556	334,178	327,992	320,900	320,043	320,302	316,276	293,493	277,279	278,139
Per Student Funding	$5,750	$5,933	$6,156	$6,391	$6,326	$6,329	$6,466	$6,843	$7,258	$7,761

Estimates

- Record level of operating funding for State Colleges in FY 2023
- State appropriations funding level continues to grow, while tuition is held constant
- State colleges provide critical access for job training and higher education for Florida students

Federal COVID-19 Relief Funding

American Rescue Plan ("ARP") – State Fiscal Recovery Fund

- Florida received $8.8 billion in direct state aid, with first tranche of $4.4 billion received in May 2021 and second tranche of $4.4 billion received in May 2022
- Funding used for strategic investments in non-recurring initiatives
- FY 2022 Budget appropriated:
  - $5.3 billion, contingent upon receipt. Distribution of first tranche was prorated between 28 nonrecurring initiatives
    - $562.2 million for Education
    - $1.8 billion for Environment
    - $2.4 billion for Transportation and Economic Development
    - $150 million for Government Efficiency
    - $350 million for Statewide Deferred Maintenance Projects
- FY 2023 Budget appropriates:
  - $938.2 million for the prorated initiatives funded above
  - $3.4 billion for strategic investments in 20 nonrecurring initiatives
    - $1.4 billion for Education
    - $674 million for Environment
    - $934 million for Transportation and Economic Development
    - $195 million for Government Efficiency
    - $200 million for Fuel Tax Relief

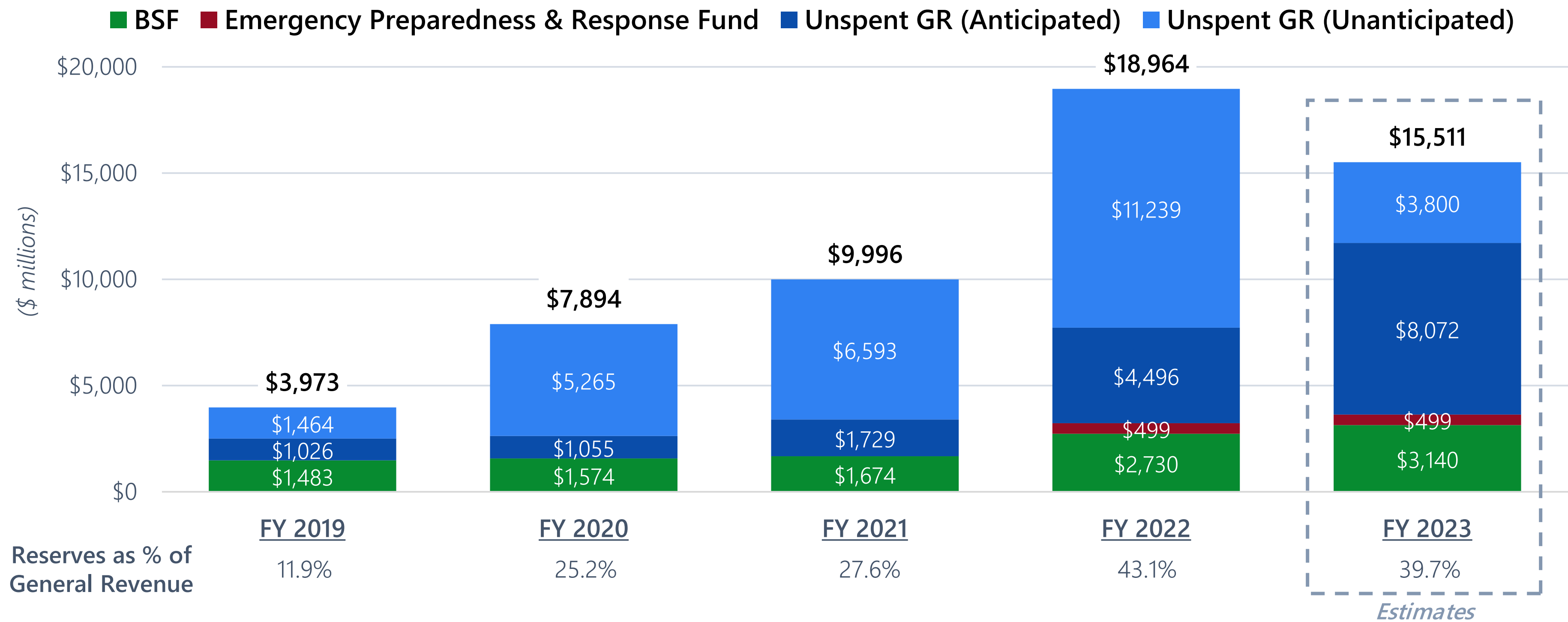
Fiscal Year 2023 General Revenue Outlook

FY 2023 GR Outlook *($ millions)*	Recurring	Non-Recurring	Total
Beginning Balance	-	$11,971.9	$11,971.9
Fiscal Year 2022 GR Revenue Over Estimates	-	3,800.0	3,800.0
Funds Available	$39,149.7	(415.5)	38,734.2
Total General Revenue Available	**$39,149.7**	**$15,356.4**	**$54,506.1**
Fiscal Year 2023 GR Appropriations	$(39,050.8)	$(6,091.0)	$(45,141.8)
Fiscal Year 2023 Transfer to BSF		(410.0)	(410.0)
Governor Veto Action	88.2	2,829.3	2,917.5
Ending FY 2023 General Revenue Balance	**$187.1**	**$11,684.7**	**$11,871.8**

- FY 2023 Budget is structurally balanced (recurring revenues estimated to exceed recurring appropriations by $187 million)
- General Revenue collections for FY 2022 are now expected to be more than $3.8 billion above the most recent official estimates in January 2022 – this overage is treated as non-recurring revenue in the table above
- $8.8 billion in ARP State Fiscal Recovery Funds were not used to balance Florida's budget in any fiscal year

Source: General Revenue Fund Financial Outlook Statement, adjusted by Governor's Office of Policy and Budget to reflect the latest available information.

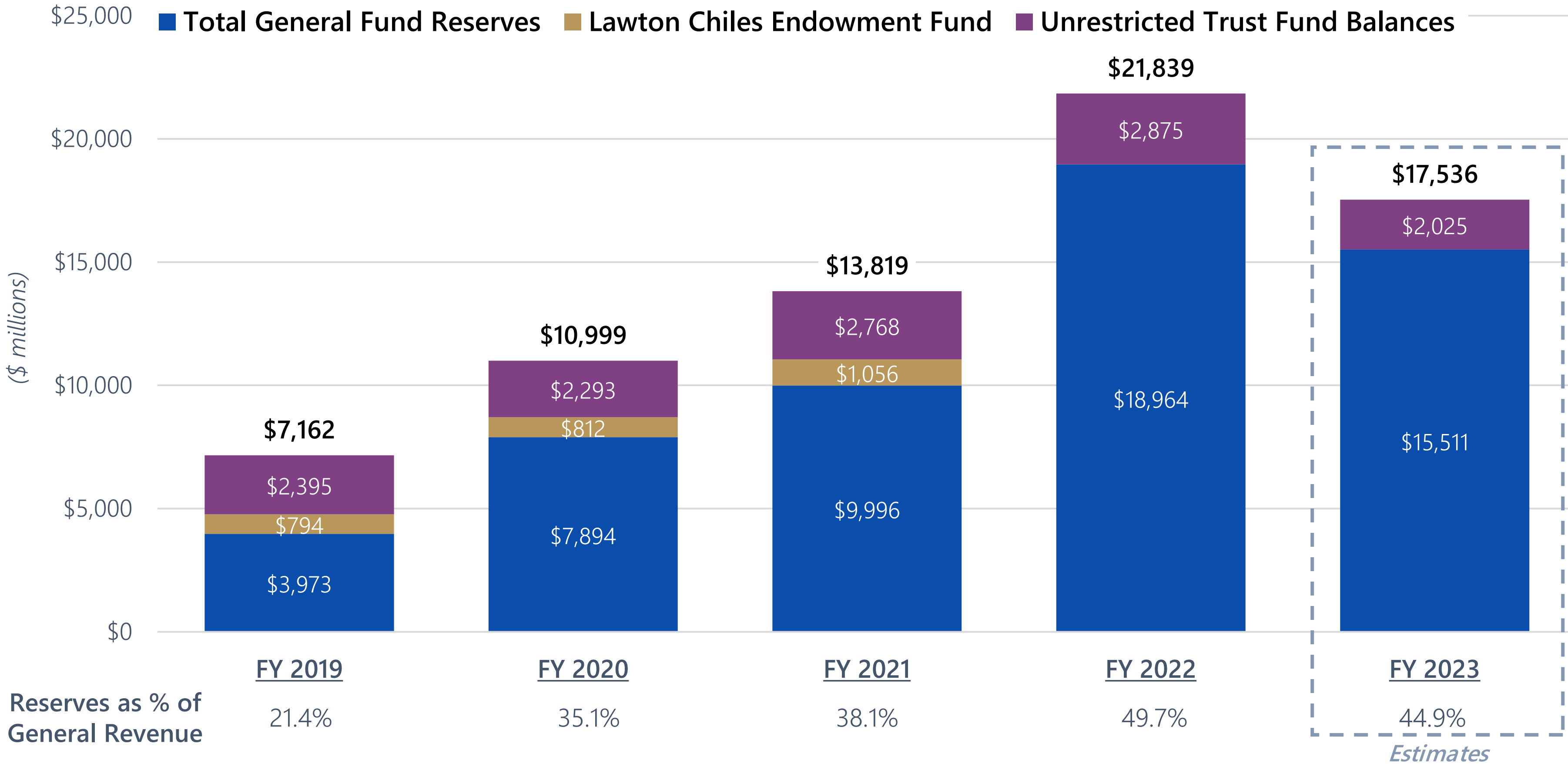
General Fund Reserves



- Aggregate General Fund reserves expected to total approximately $19.0 billion or 43.1% of GR at end of FY 2022 and estimated at $15.5 billion or 39.7% of GR at end of FY 2023
- Unspent GR remains above informal policy of $1.5 billion (3.9% of FY 2023 estimated GR collections)
- Budget Stabilization Fund ("BSF") was untouched during COVID-19 pandemic and has grown to $3.1 billion in FY 2023 following transfer of $1 billion balance of Lawton Chiles Endowment Fund ("LCEF") to the BSF in FY 2022 and additional transfer of $410 million to the BSF in the FY 2023 Budget – equals over 8% of current FY 2023 projected GR collections
- State also created the $500 million Emergency Preparedness and Response Fund in FY 2022 to provide dedicated source of funding for Governor to respond to declared states of emergencies
- $8.1 billion in Unspent GR (Anticipated) for FY 2023 includes $2 billion reserve for the Reinsurance to Assist Policyholders program

Source: General Revenue Fund Financial Outlook Statements and Retrospects. FY 2022 is preliminary; subject to change. FY 2023 estimates have been adjusted by Governor's Office of Policy and Budget to reflect new information since latest General Revenue Estimating Conference. FY 2020 balance includes CRF moneys; FY 2021-FY 2023 balances exclude ARP moneys.

Total State Reserves



- State expects to end FY 2022 with historic balance of more than $21.8 billion in total reserves (General Fund reserves plus unrestricted trust fund balances) – equal to nearly 50% of GR collections
- Lawton Chiles Endowment Fund (tobacco reserves) eliminated in FY 2021 and balance transferred to BSF
- ARP funds received in FY 2021 and FY 2022 are not reflected in FY 2021 and FY 2022 reserve balances

Source: General Revenue Fund Financial Outlook Statements and Retrospects. FY 2022 is preliminary; subject to change. FY 2023 estimates have been adjusted by Governor's Office of Policy and Budget to reflect new information since latest General Revenue Estimating Conference. FY 2020 balance includes CRF moneys; FY 2021-FY 2023 balances exclude ARP moneys.

Disaster Declaration Budget Impacts

Estimated Disaster Costs & Reimbursements [1] *($ millions)*	
Category	**General Revenue**
Total *COVID-19* Expenditures	$(1,773.6)
Total *Hurricane & Other Disaster* Expenditures	$(1,055.8)
Total Disaster Expenditures	**$(2,829.4)**
Total Received *COVID-19* FEMA Reimbursements	$284.4
Total Received *Hurricane & Other Disaster* FEMA Reimbursements	$446.4
Total Received FEMA Reimbursements	**$730.8**
Total Anticipated *COVID-19* FEMA Reimbursements	$814.0
Total Anticipated *Hurricane & Other Disaster* FEMA Reimbursements	$408.0
Total Anticipated FEMA Reimbursements	**$1,222.0**

- 100% Federal Cost Share for COVID-19 eligible costs incurred January 2020 to July 1, 2022
- Florida has received $284.4 million in FEMA reimbursements for eligible COVID-19 expenditures, and has authorized the State Department of Emergency Management to utilize FEMA expedited funding to offset the need for additional General Revenue
- Florida anticipates receiving over $400 million from eligible costs incurred due to Hurricanes Irma (2017), Michael (2018), Dorian (2019), and Sally (2020), and other declared disasters (2021 and 2022) in the future
- Expected reimbursements are not included in reserve estimates.

[1] *Estimates as of June 2022.*

SECTION 4 *Liabilities & Debt Position*

Summary of Liabilities & Debt Position

- Balance sheet has improved significantly over last decade
- Unemployment Compensation Trust Fund loan fully repaid in 2013 and deficits eliminated without using bonds; no deficit resulting from COVID-19 with projected positive fund balance of $1.6 billion at end of FY 2022 and a dedicated funding source to rebuild back to pre-pandemic balance of $4.1 billion over next 2-3 years
- Pension remains well funded with State consistently fully funding the ADC and steadily progressing towards more conservative underlying assumptions
- Since peaking in 2010, outstanding debt has declined by more than $11 billion, or nearly 40%, notwithstanding the inclusion of the $2.7 billion obligation from I-4 Ultimate long-term Public Private Partnership (“P3”)
- Benchmark debt ratio decreased from 5.49% to 4.30% from FY 2020 to FY 2021, due to increased revenues following short-term impact of COVID in FY 2020 and remains well below 6% policy target; projected to remain below 6% target in FY 2022 and thereafter
- Insurance entities (FHCF & Citizens) well funded and being managed prudently to mitigate potential impact of storm losses
- Debt and other obligations remain manageable at a relatively low level and contingent liabilities pose less risk

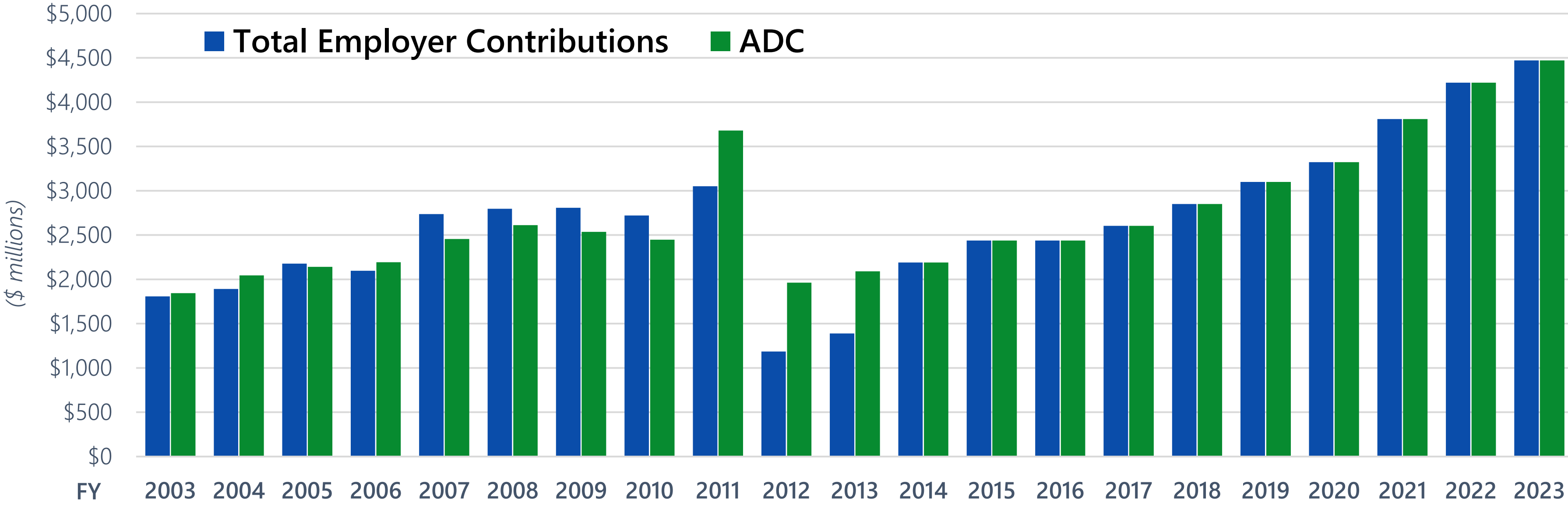
Source: Information on debt outstanding ad benchmark debt ratio from Florida Debt Reports. Unemployment Compensation Trust Fund information from Unemployment Compensation Trust Fund Estimating Conference, January 2022.

Pension Funding & OPEB

- Pension liabilities remain manageable, funded ratio is strong, and underlying assumptions are reasonable
  - Funded ratio based on actuarial value of assets ($174.9 billion) as of July 1, 2021 was 83.4%
  - Funded ratio based on market value of assets (estimated $180.3 billion) as of June 30, 2022 was 86.0%
- State's share of the Net Pension Liability ("NPL") is approximately 16.2% based on percent of total employer contributions in FY 2021
  - As of June 30, 2021, State's allocable share of NPL totaled $5.6 billion using actuarial value of assets
- State continues to make progress towards more conservative pension assumptions and methodologies
  - Over the last eight years, the investment return assumption has been lowered from 7.75% to 6.80%. Investment return assumption of 6.80% both for calculating pension contribution (ADC) and financial reporting (ACFR)
  - In 2021, the State reduced the amortization period for unfunded liability from 25 years to 20 years
- Other Postemployment Benefits ("OPEB") liability totaled $10.3 billion as of June 30, 2021 (State's share is approximately 70%); however, consists of implicit subsidy only with no legal entitlement or constitutional protection of health benefits

Source: State of Florida ACFR, Florida Retirement System Pension Plan and Other State Administered Systems ACFRs, and State Board of Administration.

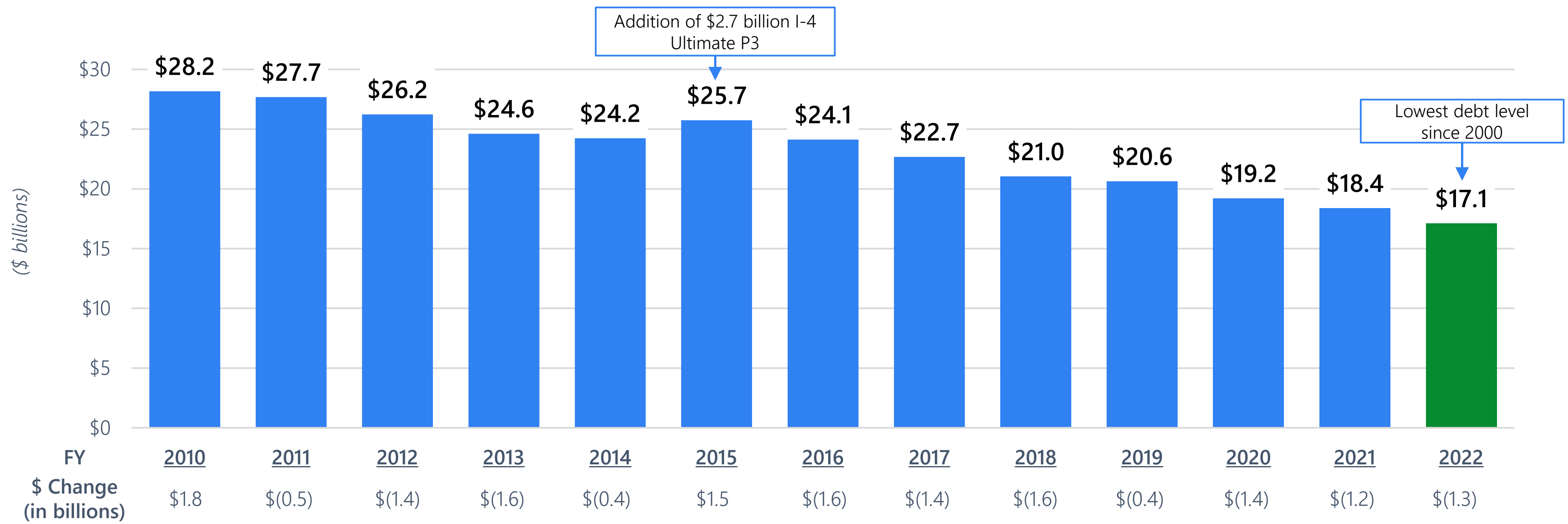
FRS Employer Contributions vs the ADC



- Legislature again fully funded the Actuarially Determined Contribution ("ADC") for FY 2023
- Prior to the recession, the State was diligent about contributing the ADC to the pension plan
- In FY 2011 the ADC increased significantly due to smoothing of market losses and an increased Unfunded Actuarial Liability ("UAL")
- Pension reform effective July 1, 2011 included requiring employees to contribute 3% of salary, prospectively eliminating the Cost of Living Adjustment benefit, and extending vesting period
- Reforms helped constrain growing liability and pension cost, but ADC has been increasing as State implements more conservative actuarial assumptions
- For the last ten years (FY 2014 through FY 2023), the State has budgeted contributions sufficient to fully fund the ADC based on the FRS plan assumptions

Source: Florida Retirement System Pension Plan and Other State Administered Systems CAFRs and Blended Rate Studies. Employer contributions exclude FRS Investment Plan Contributions. Prior to FY 2014, the Annual Required Contribution (ARC) under GASB 27 is shown.

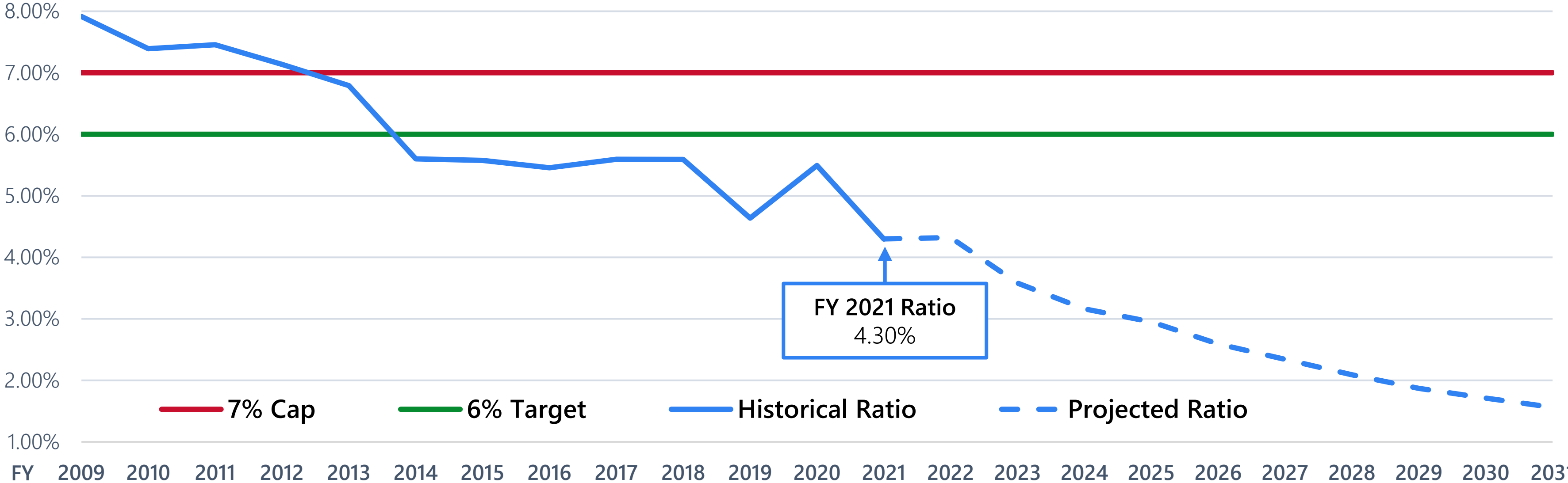
History of Outstanding Debt



- Total direct debt outstanding is estimated to be $17.1 billion at the end of FY 2022, representing a $1.3 billion or 7.0% decrease from FY 2021
- State reversed long history of increasing debt beginning in 2011
- Total direct debt is estimated to have decreased by over $11 billion, or nearly 40%, since peak in 2010, primarily a result of principal repayments on existing debt exceeding new money debt issuance
- Over the last 10 years the State has taken advantage of historically low interest rates to reduce cost of debt burden, issuing over $16 billion of refunding bonds, generating $3.4 billion in debt service gross savings and $2.7 billion on a present value basis
- While State's economy, revenues, and population have grown significantly over the last 20 years, State now has less debt outstanding than it did in 2000

Source: State of Florida Debt Reports. FY 2022 amount is a preliminary estimate; subject to change.

Benchmark Debt Ratio



Benchmark Debt Ratio												
	Actual		Projected									
Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Benchmark Debt Ratio	5.49%	4.30%	4.32%	3.58%	3.16%	2.95%	2.59%	2.34%	2.09%	1.87%	1.71%	1.56%

- State's benchmark debt ratio is annual debt service to revenues available to pay
- Debt ratio has improved steadily since peaking in FY 2009 due to the combination of revenue growth and declining debt service
- The ratio substantially declined in FY 2014 following retirement of the Preservation 2000 bonds
- Benchmark debt ratio increased in FY 2020 due to combined effect of lower revenues and increasing annual debt service payments (due to variability in P3 payments)
- Ratio decreased in FY 2021 as revenues recovered, and is projected to continue to remain below 6% target throughout the projection period (FY 2031)

 Source: State of Florida Debt Report, 2021.

SECTION 5 *Property Insurance Market*

Property Insurance Market

- Florida has mechanisms in place to stabilize the property insurance market that have proven effective during periods of volatility
- Florida's residential property insurance market is currently under pressure, with companies reducing coverage and increasing rates with some facing insolvency
- Primarily driven by litigation, fraud, and social inflation rather than storm activity, with property insurers in Florida facing a significantly disproportionate level of litigation relative to the number of claims
  - In 2020, Florida represented 8.8% of total homeowners' claims nationally but a staggering 79.2% of homeowners' lawsuits
  - Total number of lawsuits filed annually has increased nearly 4x, from approximately 27,000 in 2013 to almost 100,000 in 2021
  - Severity of claims has also increased due to recent court decisions
- Plaintiff attorneys, public adjusters, and contractors have taken advantage of statutes designed to protect consumers, at the expense of all Floridians
  - Third-party assignment of benefits, one-way attorney fees, 3-year statute of limitations for filing first notice of loss, and mandatory replacement cost coverage for roofs
- State has taken steps to address the issue, with multi-prong legislative agenda enacted over the past several years designed to combat litigation abuse and promote long-term market stability

Source: Percentage of Florida claims and lawsuits relative to rest of US and annual number of lawsuits based on data from Florida Office of Insurance Regulation and Citizens Property Insurance Corporation.

Market Framework Provides Stability

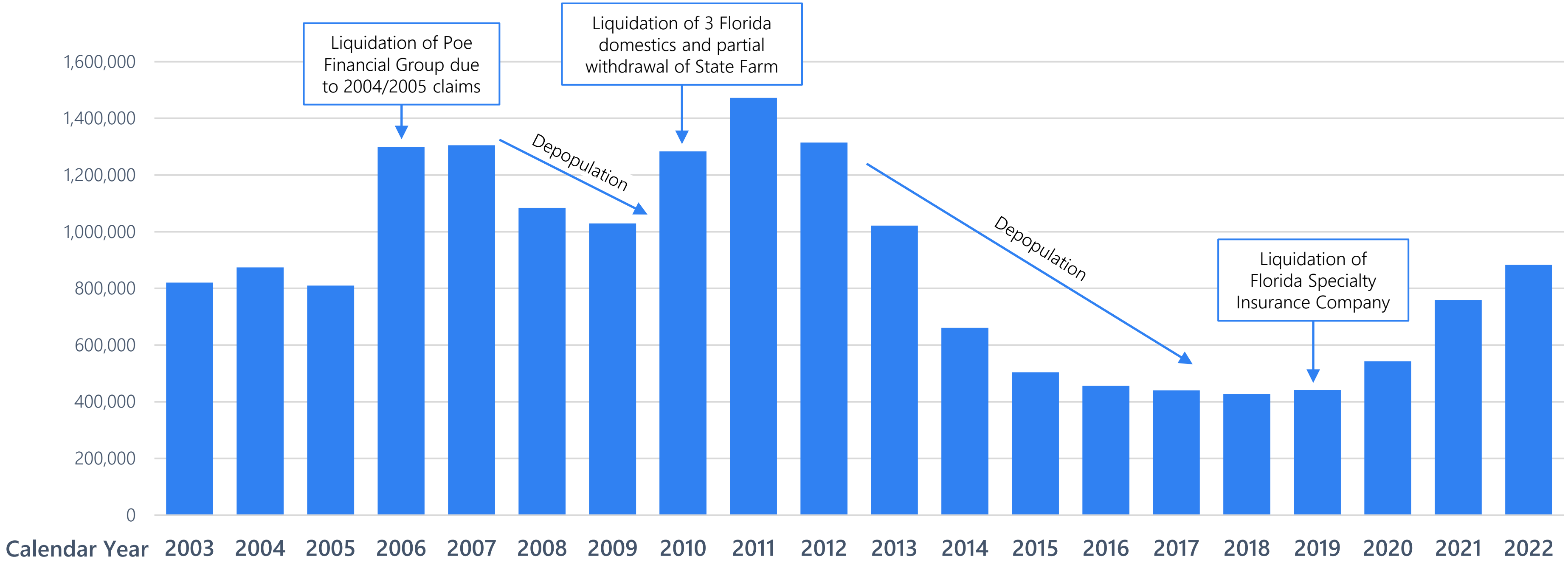
- Florida Hurricane Catastrophe Fund ("FHCF") continues to function as the backbone of the Florida insurance market by providing a stable, predictable, and recurring source of loss reimbursements for residential property insurers
- Citizens Property Insurance Corporation ("Citizens") acts as the insurer of last resort, absorbing policies that the private market is unable or unwilling to place, with proven mechanisms in place to shift policies back to private insurers when market is stable
- Florida Office of Insurance Regulation ("OIR") provides ongoing monitoring of financial health of insurers and works with industry stakeholders to explore solutions for troubled companies
- Florida Insurance Guaranty Association ("FIGA") handles the liabilities of insolvent companies, ensuring orderly and timely payment of outstanding claims
- Reinsurance to Assist Policyholders ("RAP") program established by legislature in 2022 to help private market insurers obtain reinsurance and mitigate rate increases
  - Provides additional $2 billion layer of State-funded reinsurance below the FHCF for the current storm season or, for insurers who already placed coverage, the next storm season

Financial Impact

- The growth in litigation has resulted in significant adverse loss development and weakening financial condition of the Florida property insurance market, with significant aggregate net income losses and net underwriting losses in the Florida market over last two years
  - Primary recourse for insurers is to increase rates (which has a lagged effect) and/or reduce policies, coverage, and exposure
- As the global reinsurance market has hardened, Florida insurers have also faced an outsized impact resulting from the uncertainty around litigation costs
  - Availability of reinsurance coverage has eroded, and the coverage that is available is significantly more expensive
- OIR diligently monitors the market and focuses on identifying companies that are facing financial difficulties and facilitating positive resolutions
  - Preferred option is to place polices with another private market insurer
  - When OIR is unable to help stabilize financial position, an insurer faces insolvency
- Florida has a total of approximately 7.8 million residential insurance policies and displaced policies represent a small and manageable percentage of total market
  - Since October 2019, seven insurers writing an aggregate of approximately 421,000 policies in Florida have been declared insolvent
  - Policies of insolvent companies are transferred to Citizens, with liabilities transferred to FIGA – no disruption to coverage or payment of outstanding claims for policyholders

Source: Information on residential insurance policies and insolvencies from Florida Office of Insurance Regulation.

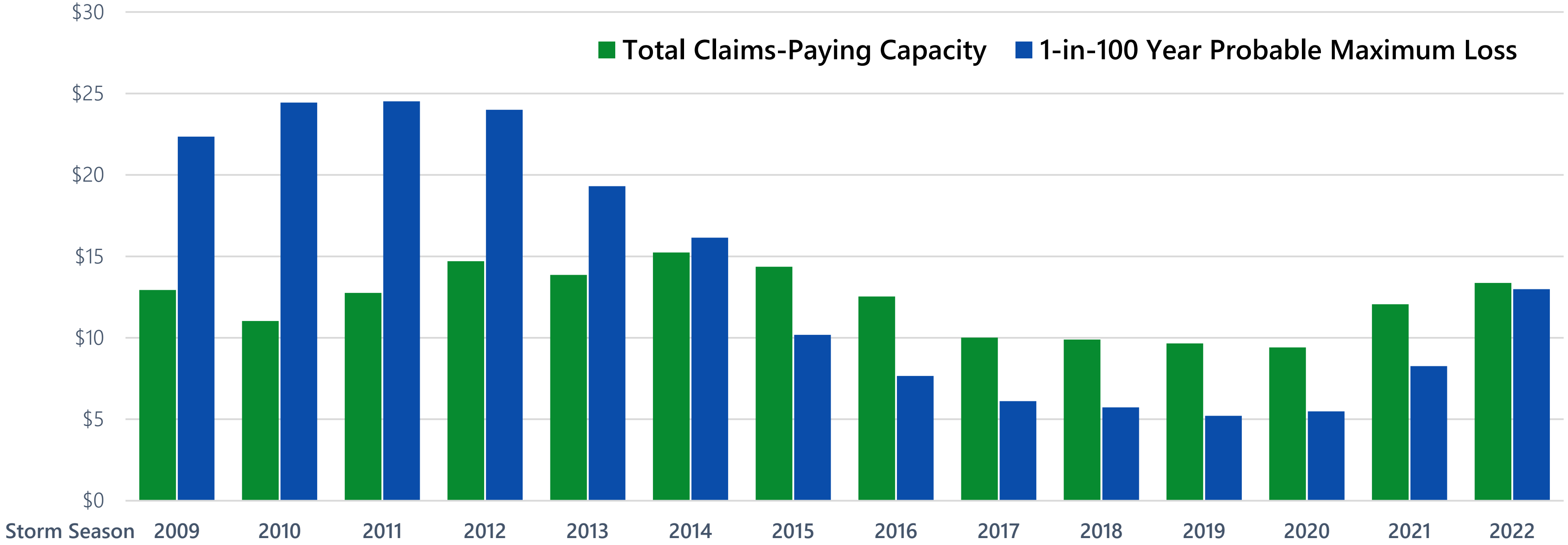
Citizens Policy Count Moves with the Market



- Citizens' policy count historically expands and contracts in direct relation to industry profitability
  - Number of policies grows during periods of volatility, then industry profitability improves, then depopulation resumes until Citizens returns to a reasonable residual market level
- From 2012 to 2019, Citizens' depopulation program reduced policies by 70% (1.5 million to 420,000) and total exposure by 78% ($511 billion to $111 billion)
- Citizens is growing again as a result of recent litigation trends and losses suffered by Florida insurers, with more than 880,000 policies and total exposure of $294 billion as of May 2022
- Citizens current market share of 11.7% remains below the prior peak of 23% in 2011

Source: Citizens Property Insurance Corporation.

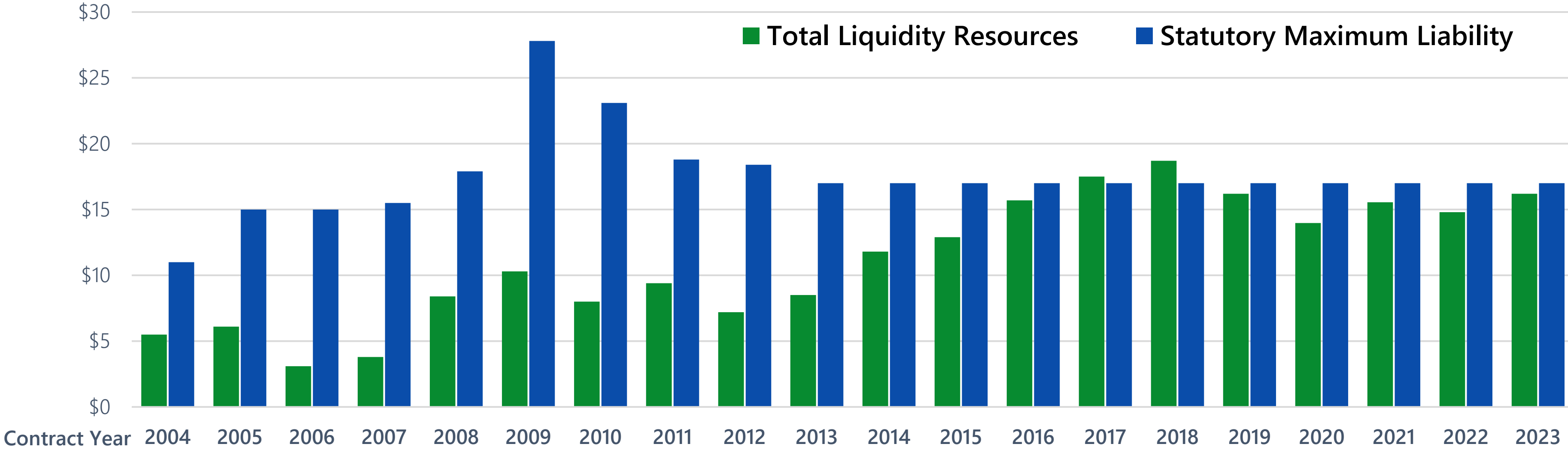
Citizens Remains Well Capitalized



- Citizens remains in a strong financial position with estimated total claims-paying capacity going into the 2022 storm season of $13.3 billion for all three accounts (Coastal, Personal Lines, and Commercial Lines)
  - $6.7 billion of surplus, $4.1 billion of FHCF coverage, and $2.5 billion of private risk transfer
- Current combined probable maximum loss for all three accounts resulting from a 1-in-100 year storm is projected at $13.0 billion for 2022
- Citizens collects premiums like a typical insurance company, but also has the authority to levy surcharges on its policyholders as well as assessments on a broad base of property and casualty insurance policies in the State (similar to FHCF)
  - Assessments have previously been successfully implemented, most recently in 2005

Source: Citizens Property Insurance Corporation. Probable maximum losses above are generally projected at beginning of storm season. Comparisons of claims-paying capacity relative to 1-in-100 year probable maximum losses are provided on a combined basis for the three accounts and are approximations only, as each account has its own projected loss development, claims-paying resources, and liquidity.

FHCF's Financial Strength Mitigates Need for Assessments



- FHCF maintains significant estimated total liquid resources of $16.2 billion relative to its statutory maximum liability of $17 billion for the 2022 storm season (contract year ending May 31, 2023)
  - FHCF's liquid resources consist of $12.7 billion of accumulated cash and $3.5 billion of pre-event bond proceeds, and are net of $9.25 billion in paid losses and loss reserves related to Hurricanes Irma and Michael
  - More than $1 billion in annual reimbursement premium revenues due to mandatory participation of property insurers in the State
  - Strong and diverse statewide assessment base consisting of most property and casualty lines of insurance in Florida, which functions like an insurance premium tax on all assessable policies. Charged directly to policyholders, not insurance companies, with mechanism successfully utilized from FY 2007-2015
  - FHCF also has estimated Post-Event bonding capacity of $8.0 billion based on May 2022 bonding capacity estimates

Source: Florida Hurricane Catastrophe Fund. Total Liquidity Resources in graph are based on projections from the October bonding capacity report in each year except for Contract Year 2023 projections, which are based on projections from the May 2022 bonding capacity estimates.

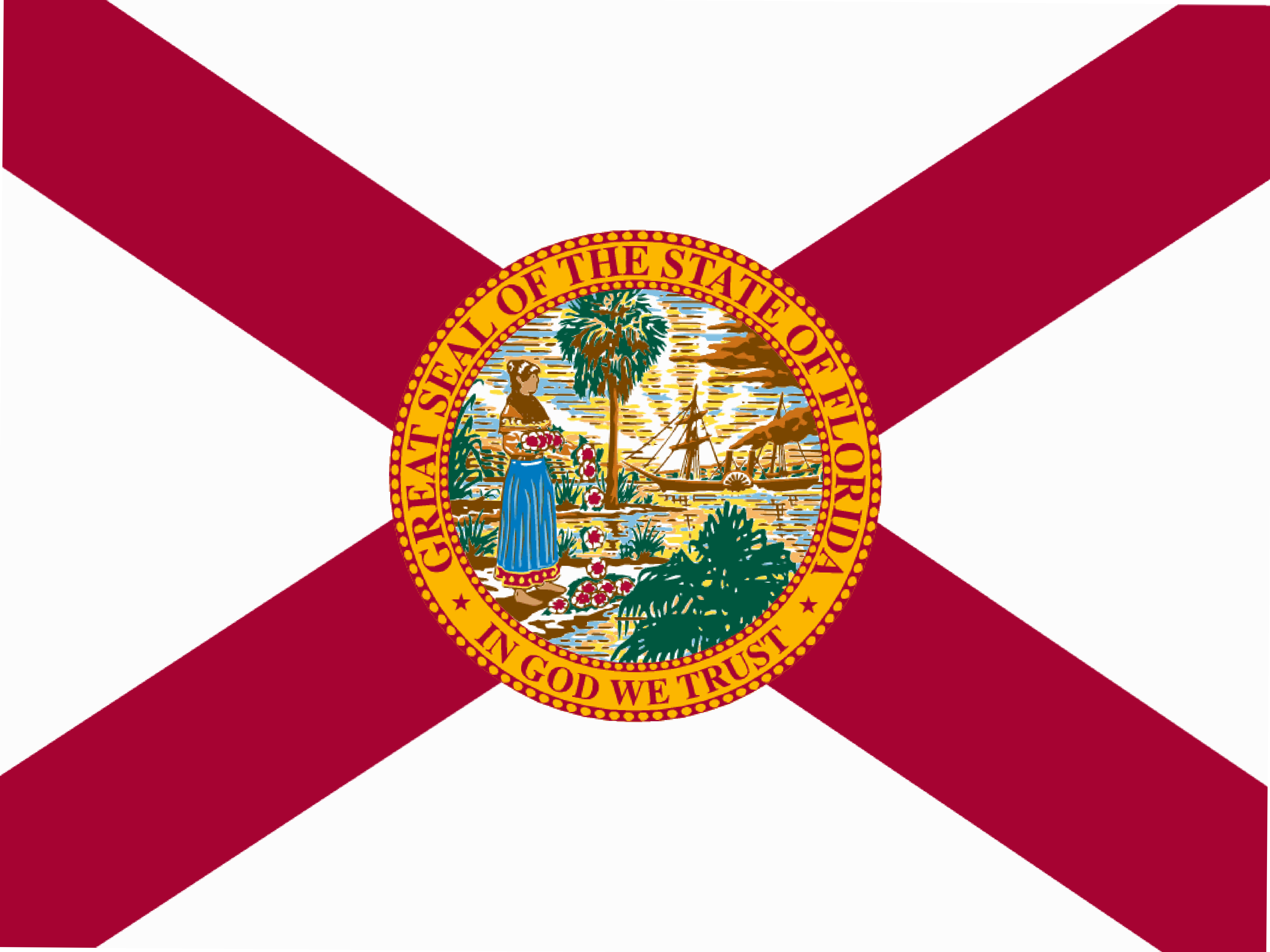
Legislative Reforms

- Florida's legislature has passed an aggressive set of reforms in recent years to address the litigation issues affecting the property insurance market
- Benefits of reform may take time to fully realize, and Florida's longstanding property insurance entities and structures are well positioned to bridge the gap by maintaining market stability
- Importantly, legislature did not alter structure or credit of FHCF or Citizens when addressing property insurance market issues

2019: HB 7065	2021: SB 76	2022: SB 2-D
- Designed to limit abuses related to assignment of benefit ("AOB") contracts - In an AOB contract, a policyholder grants a third-party, like a contractor, permission to bill insurer directly - AOB was meant to make claims process easier for policyholder, but prone to inflated damage claims - Disputing fraudulent AOB claims leads to costly litigation for insurers	- Intended to eliminate abusive advertising practices used by lawyers, contractors, and public adjusters to encourage policyholders to file fraudulent claims, including offers of gift cards and other inducements - Decreased time to file initial claims, added mandatory pre-suit notice requirements, and limited certain attorney fees - Statute includes fines up to $10,000 per violation	- Added further AOB limitations, including restriction of assignment of right to obtain attorney fees in AOB cases - Returns attorney fee multipliers to "rare and exceptional" standard - Civil remedy actions against property insurers must establish a breach of contract by insurer

Conclusions

- Strong rebound in Florida's economy since negative COVID-19 impact in FY 2020
- General Revenue collections increased dramatically in FY 2021 and FY 2022, with FY 2022 collections of $44 billion representing an increase of $12.6 billion, or 40%, over FY 2020
- Rapid recovery in General Revenue has allowed State budget to be structurally balanced in FY 2021, FY 2022, and FY 2023 and build reserves to record levels
- General Fund reserves in FY 2022 estimated at $19.0 billion or 43.1% of GR and total reserves estimated at $21.8 billion or 49.7% of GR. Projected reserve levels for the end of FY 2023 are anticipated to decline as a result of non-recurring spending but remain historically healthy
- Pension funded ratio strong as State continues to fund the ADC in FY 2023 and make prudent adjustments to actuarial assumptions and methodologies
- Outstanding debt decreased again in FY 2021 to $17.1 billion, down nearly 39% from peak of $28.2 billion in FY 2010
- Unemployment Compensation Trust Fund and other contingent liabilities (FHCF & Citizens) being managed prudently to mitigate potential impact
- Strong revenue growth combined with conservative financial management has strengthened financial position and provided opportunity for State to continue funding strategically important investments like education, environment, resiliency, and transportation


GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST