2024

State of Florida

Debt Report

Prepared by:
The Division of Bond Finance
December 2024

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Executive Summary

The State of Florida Debt Report (the "Report") is prepared annually by the Division of Bond Finance in accordance with Section 215.98, F.S. The Report reviews the State's debt position and how future debt service payments, projected debt issuance, and revenue projections will affect the State's benchmark debt ratio. The Report also provides information on matters important to the State's credit ratings such as pension liabilities and alternative financing techniques.

The debt affordability analysis contained in the Report is based on the ratio of debt service to revenues available to pay debt service. Legislative policy guidelines establish a 6% target and a 7% limit for the State's benchmark debt ratio.

The debt ratio remains well below the 6% target due to limited debt issuance and strong revenue growth. With significant debt capacity available to fund critical infrastructure needs, the State is well positioned financially. Economic strength, revenue growth, prudent financial management, and strong reserves are reflected in the State's AAA credit ratings. The State is well positioned to ensure stability through future economic cycles.

Debt and Debt Service Payments

The State has both direct and indirect debt. Direct debt is categorized as either tax-supported debt or self-supporting debt. State direct debt outstanding as of June 30, 2024, totaled $15.4 billion, a decrease of almost $1 billion from last fiscal year. This continues a trend of decreasing debt which began in 2011. Tax-supported debt, debt for programs supported by State tax revenues or tax-like revenues, totaled $11.1 billion, or 72.4% of direct debt. Self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.2 billion, or 27.6% of direct debt. Indirect State debt, debt secured by revenues not appropriated by the State or not secured by State revenues, was approximately $12.9 billion.

Approximately $2.9 billion of tax-supported debt is projected to be issued over the next ten years, primarily for transportation projects, and is $1 billion more than the projected issuance included in the 2023 Debt Report. While this report reflects an increase in projected debt, actual debt issuance over the past decade has decreased significantly, reflecting the State's priority of reducing its debt burden and reliance on debt to finance infrastructure. In Fiscal Year ("FY") 2014, projected debt issuance over the succeeding 10 years was $4.1 billion compared to the current projection of $2.9 billion.

Annual debt service payments totaled $1.6 billion in FY 2024, a decrease of approximately $130 million from FY 2023. Annual debt service payments are projected to continue declining to $1.4 billion in FY 2025 and to further decline annually thereafter.

Refundings and Strategies to Reduce State Debt

The Division reviews, analyzes, and manages the State's debt to strategically optimize refinancing transactions that are most advantageous for reducing the State's debt costs. Refinancings, also referred to as refundings, implemented by the Division over the past decade have resulted in gross debt service savings of $2.9 billion, or nearly $2.3 billion on a present value basis.

Restrained issuance of new money bonds over the past decade, combined with the rising interest rate environment, has resulted in a limited portfolio of viable refunding candidates in recent years. There is approximately $4.8 billion of debt available to be refunded over the next five years, however a sizable portion of that debt is outstanding at fairly low interest rates making the possibility of refinancing for savings less likely.

With limited refunding opportunities available, the State has been exploring new strategies to reduce its debt burden. The Governor and Legislature have funded a Debt Reduction Program over the last two fiscal years totaling $877 million from available General Revenues ("GR") and other sources to reduce outstanding debt and future interest costs.

In FY 2024, $200 million of GR was appropriated to retire outstanding taxable Public Education Capital Outlay ("PECO") and State Revolving Fund ("SRF") bonds. The Division defeased, or prepaid bonds, to retire the debt prior to its maturity. The defeasances were completed in July 2023 utilizing the $200 million of GR and $177.5 million in available PECO and SRF program funds (for a total of $377.5 million) to discharge future debt service costs of $411.4 million, consisting of a $399.5 million reduction in debt outstanding and the elimination of $11.9 million of future interest costs. The transactions saved the State approximately $33.9 million.

The Governor and Legislature provided additional funding for the Debt Reduction Program for FY 2025 with an appropriation totaling $500 million from a combination of General Revenues ($245 million), Turnpike general reserves ($165 million), and balances in the Right-of-Way Acquisition and Bridge Construction Trust Fund ($90 million). In October 2024, the Division executed a tender transaction utilizing $289.5 million of the appropriated funds to buy back $344.3 million of State bonds from investors. The tender transaction produced savings to the State of nearly $220 million, consisting of a purchase discount of $54.8 million and $165.0 million of avoided future interest payments. The Division is exploring additional opportunities to redeem, defease, purchase, or otherwise extinguish additional State debt with the remaining $210 million of the FY 2025 appropriation. The results of the FY 2025 Debt Reduction Program will be reflected in next year's Debt Report.

Revenues

Changes in revenues have a significant impact on the calculation of the State's debt ratio and available debt capacity. Over the last four years the State has experienced unprecedented growth in revenues available for debt service driven by strong sales tax collections. Revenues have grown by nearly 50% over the last 4 years increasing from $41.2 billion in FY 2020, to $61.0 billion in FY 2024. The revenue growth reflects the strength of Florida's economy and the Governor's policies during the pandemic, which was a catalyst for strong economic growth and substantial migration into the State.

Florida's economy remains strong, and revenues available to pay debt service in FY 2024 totaled more than $61 billion, an increase of $2 billion (or 3.4%) over FY 2023. General Revenue collections are projected to increase slightly by $174 million in FY 2025 while actual year-to-date collections have exceeded estimates by approximately $399 million, or 2.1%, as of October 2024. Florida's revenues are projected to continue to grow annually thereafter, benefitting the State's debt ratio when combined with a downward trend in debt and corresponding debt service requirements.

Benchmark Debt Ratio and Debt Capacity

The benchmark debt ratio has stayed below the 6% policy target for ten consecutive years. Continued economic strength and limited borrowing in FY 2024 resulted in a further decrease in the benchmark debt ratio to a record low of 2.62%. Projections show the benchmark debt ratio remaining well below 6% for the projection period but are dependent on conservative projected debt issuance.

Within the 6% policy target, debt capacity of approximately $57.8 billion is available over the next ten years. There is approximately $31.1 billion of debt capacity available in FY 2025 with additional debt capacity incrementally available as projected revenues grow. The debt capacity available is exponentially greater than any capital needs and is the result of the State's conservative approach to fiscal management. The takeaway for policymakers is that significant debt capacity is available should debt be needed to accelerate strategically important infrastructure projects.

Credit Factors

The State's economic strength and prudent financial management have earned the State AAA general obligation credit ratings with stable outlooks. The rating agencies anticipate the State will continue to maintain healthy reserves and a structural budget balance to support the AAA ratings.

Reserves

General Fund Reserves at the end of FY 2024 were $17.3 billion, or 35.9% of General Revenue, which rating agencies consider strong. General Fund Reserves are projected to be lower but still very strong with approximately $15.1 billion at the end of FY 2025. Trust fund balances also serve as an additional source of reserves, augmenting the State's financial flexibility.

Florida's Property Insurance Market

The State has taken steps to address the challenges impacting the insurance industry, with multi-prong legislative reforms enacted over the past several years. The steps taken were designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability. Although the full impact of these reforms will take time to evaluate, the benefits are already evident through new insurers looking to enter the Florida market and takeout requests at Citizens increasing.

Challenges in the property insurance market in Florida likely present the greatest threat to the underlying economic strength of the State and its credit ratings. However, the mechanisms (Cat Fund, Citizens and FIGA) created many years ago have functioned as designed to mitigate the inherent volatility of the insurance marketplace, notwithstanding devastating and costly hurricanes impacting Florida over the years. Of the three insurance entities, only FIGA has debt ($590.3 million) secured by an assessment (1%) in place to defray the cost of insurance company insolvencies. Moody's Ratings recently upgraded the credit ratings of each of the Florida insurance entities to "Aa2" from various lower ratings because of a change in their methodology for State credits recognizing the connectivity and importance to the State. The benefit of these upgrades is directly related to the State's AAA rating.

Pension Funding

The State's pension funding level, unfunded liability, actuarial assumptions, and annual contribution amounts are considered as part of the state's overall financial health by the ratings agencies.

Annual pension contributions are viewed as long-term fixed costs by rating agencies and, like debt service, can create a structural budget imbalance if not properly managed. Ratings agencies treat any unfunded pension liability as equivalent to state debt.

Florida's pension system remains well funded at 82.4% as of June 30, 2023, and the State has continued to fully fund its actuarially determined contribution each year since FY 2014. The State's share of the pension plan's unfunded liability (16.4%) was approximately $6.5 billion as of June 30, 2023, and has become an increasingly larger share of the State's overall long-term fixed cost burden as State debt outstanding has declined. Florida made important progress in lowering its investment return assumption over recent years from 7.75% to 6.7% and reduced the amortization period for the unfunded liability from 25 years to 20 years. No adjustments to funding policy assumptions were made this year.

Despite progress in implementing actuarial best practices for pension funding assumptions, the State continues to utilize a level percentage of payroll to amortize the unfunded actuarial liability which is not considered a "best practice" and has the effect of backloading or deferring required payments to later years and increasing the overall cost. Using a level dollar amortization methodology to pay the unfunded liability is a more prudent financial approach and should be considered by policymakers to strengthen the Florida Retirement System. Using a level dollar amortization policy more accurately reflects the true cost of providing a pension for employees and aligns with the State's policies for amortizing its debt and reducing its reliance on and cost of debt.

Introduction

The annual Debt Report is required by Section 215.98, F.S. and is presented to the President of the Senate, Speaker of the House, and the chair of each appropriation committee. The analysis included in the Debt Report is a tool to guide policymakers in assessing the impact of borrowing on the State's fiscal position and aide in informing prudent decision-making regarding financing proposals and capital spending priorities.

To encourage fiscal responsibility on matters pertaining to state debt, Section 215.98, F.S., establishes a 6% target and 7% limit as policy guidelines for the benchmark debt ratio. The ratio is determined using a financial model that measures the impact of changes in two variables: the State's annual debt service payments; and the amount of revenues available for debt service payments. The analysis compares the State's current debt position to relevant industry and peer metrics and evaluates the impact of issuing additional debt given current economic conditions reflected in revenue forecasts.

Additional debt causing the benchmark debt ratio to exceed the 6% target may be issued only if the Legislature determines that the authorization and issuance are in the best interest of the State. Additional debt causing the benchmark debt ratio to exceed 7% may be issued only if the Legislature determines that such debt is necessary to address a critical State emergency.

The Report provides information as of June 30, 2024, unless otherwise noted. Updates to the analysis occur as Revenue Estimating Conference ("REC") forecasts are revised to ensure the Legislature has the latest information available when making critical future borrowing decisions during the appropriations process.

The Report also provides an opportunity to review factors affecting the State's credit rating and debt position relative to other states.

Outstanding State Debt

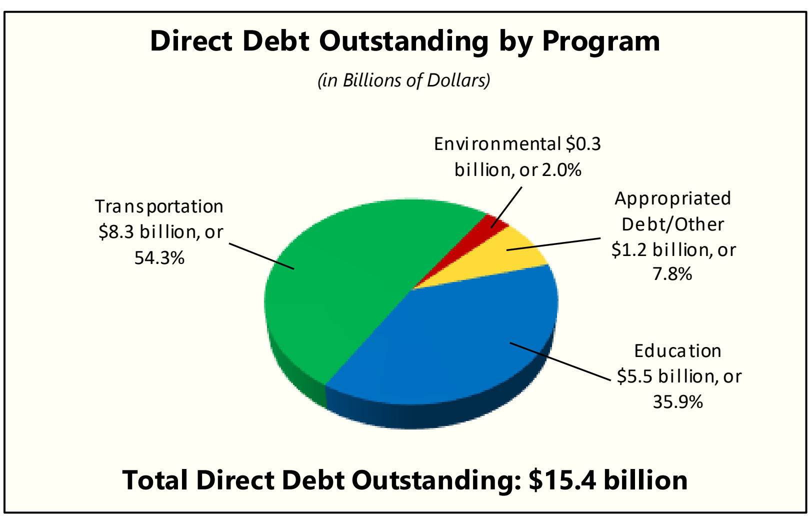
Florida has both direct and indirect debt. Direct debt is categorized as either tax-supported debt or self-supporting debt. Tax-supported debt is debt supported by State tax revenues or tax-like revenues. Self-supporting debt is debt secured by revenues generated from operating bond-financed facilities. Indirect State debt is debt secured by revenues not appropriated by the State or debt not secured by State revenues.

Direct Debt

The State had $15.4 billion in total direct debt outstanding as of June 30, 2024, a reduction of almost $1 billion from last fiscal year. Transportation debt remains the largest portion of direct debt, accounting for $8.3 billion or 54.3% of debt outstanding. Of that amount, $2.5 billion reflects the State's payment obligations for financing transportation infrastructure through Public Private Partnerships ("P3s"). Educational facilities, represent $5.5 billion or 35.9% of debt outstanding. The bulk of outstanding debt for educational facilities is comprised of PECO bonds, which accounts for $4.1 billion. The August 2024 PECO Estimating Conference estimated the current PECO borrowing capacity at approximately $12 billion; however, the legislature has not authorized new money PECO bonds since 2016.

Tax-supported debt consists of debt secured by state tax revenue or tax-like revenue. In addition to debt issued directly by the State, tax-supported debt also includes debt issued by non-State entities secured by allocations of State tax revenues, such as bonds issued for the H. Lee Moffitt Cancer Center secured by a portion of cigarette tax collections.

Self-supporting debt is secured by revenues generated from operating facilities financed with bonds. Because self-supporting debt is not secured with state tax revenues, it is not included in the State's benchmark debt ratio. The Turnpike Enterprise is the primary self-supporting debt program with $3.3 billion of outstanding debt. The remaining self-supporting debt relates to other toll facilities and university auxiliary enterprises, which primarily finance housing and parking facilities at State universities.



Direct Debt Outstanding by Type and Program

As of June 30, 2024

(In Millions Dollars)

Debt Type		Amount
Tax-Supported Debt		$11,113.1
Self-Supporting Debt		4,238.3
Total State Debt Outstanding		**$15,351.4**
Tax-Supported Debt		
Education		
Public Education Capital Outlay	$4,140.7	
Capital Outlay	33.0	
Lottery	317.5	
University System Improvement	48.3	
State (Community) Colleges	30.0	
Total Education		$4,569.5
Environmental		
Florida Forever Bonds	217.8	
Everglades Restoration Bonds	87.7	
Total Environmental		$305.5
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,852.9	
GARVEE	172.8	
DOT Financing Corporation	325.8	
P3 Obligations	2,500.2	
Florida Ports	190.3	
Total Transportation		$5,041.9
Appropriated Debt / Other		
Facilities	103.1	
Prisons	289.9	
Children & Families	26.0	
Moffitt Cancer Center	553.1	
Law Enforcement Communication	26.3	
Master Lease	5.9	
Energy Saving Contracts	7.6	
Sports Facility Obligations	184.3	
Total Appropriated Debt / Other		$1,196.1
Total Tax-Supported Debt Outstanding		**$11,113.1**
Self-Supporting Debt		
Education		
University Mandatory Fee		83.9
University Auxiliary Facility Revenue Bonds		$861.8
Toll Facilities		3,292.6
Total Self-Supported Debt Outstanding		**$4,238.3**

Indirect Debt

In addition to direct debt, the State has outstanding indirect debt which represents debt secured by revenues not appropriated by the State, or debt not secured by State revenues. In some cases, indirect debt may impact Florida citizens (e.g., assessments pledged to the Florida Hurricane Catastrophe Fund ("Cat Fund"), Citizens Property Insurance Corporation ("Citizens"), and the Florida Insurance Guaranty Association ("FIGA") debt). As indirect debt is not secured by state revenues, it is not included in the State's debt ratios or the analysis of the State's debt burden.

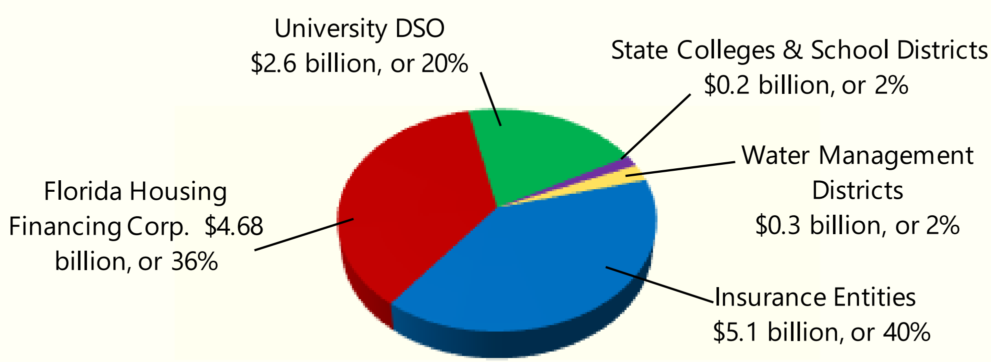
Indirect debt of the State totaled approximately $12.9 billion. The amount of indirect debt outstanding increased from $11 billion in the previous year, primarily due to additional debt for the Florida Housing Financing Corporation, Cat Fund, and FIGA. Pre-event liquidity financings for Cat Fund and bonds issued to fund claim payments for FIGA represent $5.1 billion or 40% of indirect debt. Cat Fund's debt outstanding totals $4.5 billion, including $1.0 billion that was issued in May 2024, while FIGA has $590 million in debt outstanding that was issued in July 2023. Citizens defeased its remaining $275 million of debt in December 2023.

Although the State views the insurance entities as independent and responsible for their own obligations, rating agencies consider the amount of debt outstanding by the State-sponsored insurance entities integral to the State's overall credit worthiness due to the fiscal impact that assessments levied by the insurance entities could have on Floridians and the State's economy. Please see "Florida's Property Insurance Market" section below for additional information.

Florida Housing Finance Corporation, which administers the State's affordable housing programs, accounted for $4.7 billion or 36% of indirect debt outstanding, which is an increase of approximately $1.1 billion from the previous year. University Direct Support Organizations ("DSOs") comprised nearly $2.6 billion or 20% of indirect debt, a 3.6% decrease from last year.

Total Indirect State Debt by Program

(in Billions of Dollars)



Indirect Debt Outstanding: $12.9 Billion

Total Indirect State Debt by Program		
(In Millions of Dollars)		
Insurance Entities		
Florida Hurricane Catastrophe Fund Finance Corporation	$ 4,500.0	
Florida Insurance Guaranty Association	590.3	
Citizens Property Insurance Corporation	-	
Total		$ 5,090.3
Florida Housing Finance Corporation		
Single Family Programs	2,723.0	
Multi-Family Programs	1,959.3	
Total		4,682.3
University Direct Support Organizations		
Shands Teaching Hospital & Affiliates	995.1	
University of Central Florida	289.9	
University of South Florida	315.5	
University of Florida	234.5	
Florida State University	215.0	
Florida Atlantic University	207.1	
Florida Gulf Coast University	144.7	
University of North Florida	94.3	
Other State Universities	84.2	
Total		2,580.3
Water Management Districts		311.7
School Districts		118.9
State (Community) Colleges and Foundations		83.7
Total State Indirect Debt		**$ 12,867.3**

Florida's Property Insurance Market

Florida has three entities that serve to stabilize the property insurance market in the State – Cat Fund, Citizens, and FIGA. Cat Fund provides a stable and recurring source of loss reimbursements for residential property insurers. Citizens acts as the insurer of last resort, absorbing and writing policies for properties that are not able to obtain policies in the private market. FIGA is responsible for the liabilities of insolvent insurance companies, ensuring orderly and timely payment of outstanding claims. All three entities have the authority to issue debt and have statutory authority to levy assessments on a broad range of insurance lines and products, which essentially function like a state-wide tax on insurance premiums. These mechanisms are in place to help stabilize the Florida property insurance market during periods of volatility. The size and health of these entities and their role in Florida's property insurance market have an impact on the State's economy and credit rating.

The State has taken steps to address the challenges impacting the insurance industry, with multi-prong legislative reforms enacted over the past several years. The steps taken were designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability. Although the full impact of these reforms will take time to evaluate, the benefits are already evident through new insurers looking to enter the Florida market and takeout requests at Citizens increasing.

In 2022, both FIGA and Cat Fund were impacted by Hurricane Ian. In July 2023, FIGA, through the Florida Insurance Assistance Interlocal Agency, issued $590 million in bonds to provide for the continuing payments of covered claims resulting from 10 insurance companies that became insolvent as a result of losses from Hurricane Ian and other recent storms. The Division assisted in the negotiated sale of FIGA's debt. Payouts related to Hurricane Ian also impacted Cat Fund which received approval to issue up to $3.8 billion in pre-event bonds to augment liquidity ahead of the 2024 hurricane season. In May 2024, Cat Fund, in coordination with the Division, issued $1 billion in pre-event bonds in preparation for the 2024 hurricane season.

Effective January 2024, as authorized by Florida law, Citizens Property Insurance merged its Personal, Commercial, and Coastal accounts into a single Citizens Account. To effectuate merging the accounts, Citizens defeased all outstanding bonds to remove debt covenants that restricted merging the accounts. The single account provides Citizens with greater liquidity and flexibility in claims-paying resources and streamlines any potential future surcharges and assessments.

The State saw additional storms during the 2024 hurricane season, including Hurricanes Helene and Milton. However, the impact of these storms on the future financing needs for Cat Fund, Citizens, and FIGA is currently unknown. Given their strong financial positions entering the 2024 hurricane season, it is not anticipated that Cat Fund or Citizens will need to issue post-event bonds secured by assessments to pay claims, but the potential need for additional pre-event financings to bolster liquidity for future seasons will be analyzed as better loss information develops. FIGA's future needs would be driven by additional insolvencies of property insurers and are inherently unpredictable.

In November 2024, Moody's upgraded the ratings for all three insurance entities to Aa2 based on a new methodology that incorporates the strong linkage of Cat Fund, Citizens, and FIGA to the State. Cat Fund was upgraded one notch, from Aa3 to Aa2, Citizens was upgraded two notches, from A1 to Aa2, and FIGA was upgraded three notches, from A2 to Aa2. The new ratings are notched-off the State's AAA rating and more accurately reflect the strength of the Florida economy and statewide assessment bases, the State's governance and oversight of each entity, and the essentiality of property insurance to the State's economy. These strong credit ratings will benefit each entity when accessing the capital markets for funding needs in the future.

Alternative Financing Techniques

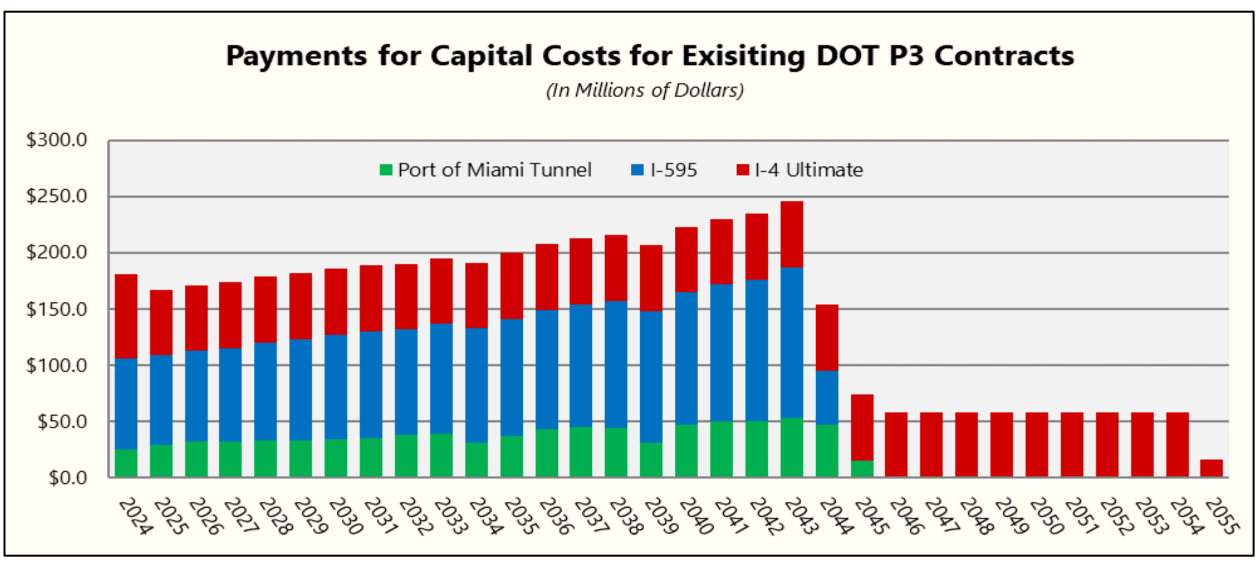
Alternative financing techniques provide funding for capital projects and utilize State resources for repayment. Alternative financing techniques used by the State are discussed below: Florida Department of Transportation ("DOT") long-term P3s; university P3s; debt issued through university DSOs; and charter school financings. Tracking and disclosing alternative financing transactions is important as they frequently commit future state resources but may not be reflected in State debt.

DOT Long-Term P3 Projects

Pursuant to Section 334.30, F.S., DOT has executed three agreements with private partners to advance construction of the I-595 Corridor Improvement, the Port of Miami Tunnel, and I-4 through Orlando. These projects have original combined construction costs of $4.5 billion: $1.3 billion for the I-595, $543 million for the Port of Miami Tunnel, and $2.7 billion for I-4.

P3 projects are funded through milestone payments and availability payments. Milestone payments are tied to construction and are paid as the construction reaches certain levels of progress or "milestones". The capital costs and operations/maintenance expenses of these P3 projects are paid through "availability payments" or mandatory, scheduled payments that commence when construction is complete and continue for 30 to 35 years. The capital portion of the required payments for DOT's P3 projects total $4.6 billion over the next 31 years are included as outstanding debt of the State. P3 payments for FY 2024 were $181 million. Future payments are scheduled to steadily increase to a maximum projected payment of $246 million in FY 2043 and then reduce significantly after as the debt for the I-595 project is retired.

Section 334.30, F.S., requires DOT to commit no more than 15% of available federal and state funding in the State Transportation Trust Fund in any given year be obligated to required P3 debt service payments. This is a very liberal limit, potentially allowing DOT to incur substantial debt. Total debt capacity available if the limit were met would exceed $ 5.1 billion.

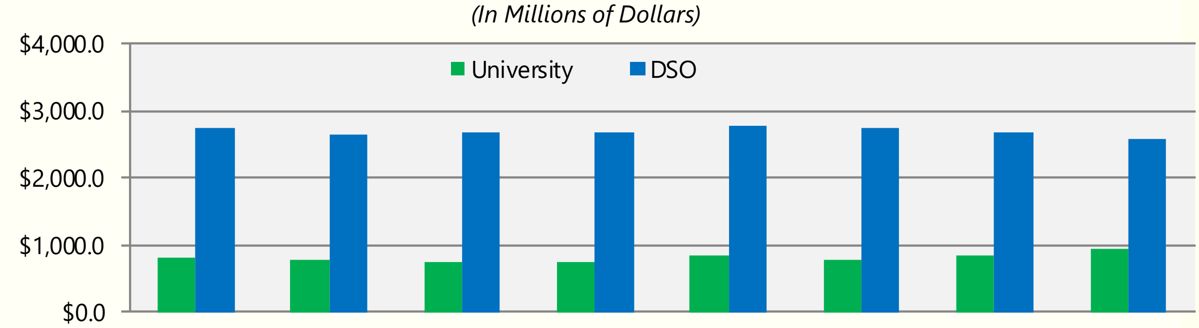


University DSO Obligations and P3 Agreements

State universities utilize their DSOs to support various auxiliary functions (e.g., athletics, healthcare, fundraising, research activities, etc.). DSOs can also serve as a conduit issuer for universities to finance capital projects, including campus housing, parking, and athletic facilities. DSO transactions are approved by DSO Boards of Directors, universities' Boards of Trustees, and the Board of Governors ("BOG") and the legislature. Unlike transactions managed by the Division, DSO transactions do not require approval by the Governor and Cabinet. The amount of University DSO debt obligations outstanding this year was $2.6 billion, which represented 73% of total university debt.

University and DSO Outstanding Debt Obligations

(In Millions of Dollars)



	2017	2018	2019	2020	2021	2022	2023	2024
University	$ 823.6	$ 771.5	$ 761.8	$ 744.6	$ 853.8	$ 791.9	$ 860.6	$ 945.7
DSO	$ 2,757.2	$ 2,657.0	$ 2,661.5	$ 2,666.8	$ 2,779.9	$ 2,740.0	$ 2,672.1	$ 2,580.3
Total Debt	$ 3,580.8	$ 3,428.5	$ 3,423.3	$ 3,411.4	$ 3,633.7	$ 3,531.9	$ 3,532.7	$ 3,525.9

In addition to student housing and parking projects, recently Universities have been utilizing DSO debt for significant financing of athletics facilities. Universities are also exploring options to expand housing capacities for students as well as provide affordable housing for staff and faculty. Universities with medical programs are looking to build/enhance facilities to expand the research and residency opportunities for students and offer services to the public.

Universities have also entered into P3 agreements for certain projects. Each University P3 transaction is analyzed by BOG and Division staff, prior to execution, for compliance with state law and the BOG P3 Guidelines. The debt is often secured by revenues of the project being financed but non-recourse to other revenues of the State or University. However, rating agencies incorporate the debt obligations of University P3's in their credit analysis of the University.

Since the debt is not secured by State revenues, University P3 and DSO debt are excluded from State direct debt in this report; if they were included, direct debt outstanding would be approximately 23.0% higher.

Charter Schools

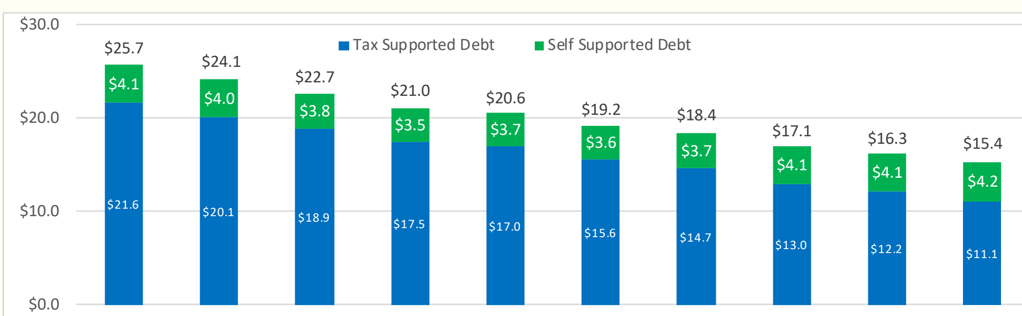
According to the Department of Education, there were 730 charter schools educating approximately 398,000 students in Florida in FY 2024, an enrollment increase of 4% from FY 2023. Students enrolled in charter schools represent approximately 14% of Florida's total PK-12 enrollment of approximately 2.9 million. Like Florida public schools, charter schools receive funding for operations from the State on a per student basis. Although there is no official source for monitoring charter school debt, the Division estimates that approximately $751 million in bonds have been issued in the past five years to fund charter school construction. The structuring of the charter school model and professional operators have contributed to the development of a specialized municipal bond market for financing charter schools and has led to the proliferation of unrated debt issuance to finance or refinance charter school construction. Charter school debt is not a direct obligation of the State and municipal market participants evaluate charter school obligations based on the success of the school and operator, therefore it is not treated as State direct debt and is excluded from the benchmark debt ratio calculation.

Debt Outstanding

The trend in the State's outstanding debt is important in evaluating how debt levels have changed over time. Direct debt outstanding has decreased significantly, by over $10 billion, over the last 10 years. In FY 2024, direct debt continued the trend and decreased by almost $1 billion. For the second consecutive year the Governor and Legislature have authorized additional funding to pay down debt early and reduce the cost of the State's debt burden. See Debt Reduction below for additional details.

Direct Debt Outstanding

(In Billions of Dollars)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10-year Change
Tax Supported Debt	$21.6	$20.1	$18.9	$17.5	$17.0	$15.6	$14.7	$13.0	$12.2	$11.1	**($10.5)**
Annual Change	$1.6	($1.5)	($1.2)	($1.4)	($0.6)	($1.3)	($1.0)	($1.7)	($0.8)	($1.1)	-
% Change	8.1%	(7.0%)	(6.0%)	(7.3%)	(3.2%)	(7.9%)	(6.1%)	(11.5%)	(6.2%)	(8.8%)	**(48.6%)**
Self Supported Debt	$4.1	$4.0	$3.8	$3.5	$3.7	$3.6	$3.7	$4.1	$4.1	$4.2	**$0.14**
Annual Change	($0.1)	($0.1)	($0.2)	($0.3)	$0.2	($0.1)	$0.1	$0.4	$0.0	$0.1	-
% Change	(2.9%)	(2.4%)	(6.0%)	(6.9%)	4.8%	(2.4%)	3.6%	10.5%	0.4%	2.9%	**3.30%**
Total Direct Debt	$25.7	$24.1	$22.7	$21.0	$20.6	$19.2	$18.4	$17.1	$16.3	$15.4	**($10.4)**
Annual Change	$1.5	($1.6)	($1.4)	($1.6)	($0.4)	($1.4)	($0.8)	($1.3)	($0.8)	($0.9)	-
% Change	6.2%	(6.3%)	(6.0%)	(7.3%)	(1.9%)	(6.9%)	(4.3%)	(7.1%)	(4.6%)	(5.8%)	**(40.4%)**

Debt Reduction

With limited refunding opportunities available, the State has been exploring new strategies to reduce its debt burden. The Governor and Legislature have funded a Debt Reduction Program from available General Revenues ("GR") and other sources during the last two fiscal years to reduce outstanding debt and future interest costs.

In FY 2024, $200 million of GR was appropriated to retire outstanding taxable Public Education Capital Outlay ("PECO") and State Revolving Fund ("SRF") bonds prior to maturity. The Division utilized defeasances, or "prepayment" of debt service in full, to legally and financially, discharge the debt. The defeasances were completed in July 2023 utilizing the $200 million of GR and $177.5 million in available PECO and SRF program funds (for a total of $377.5 million) to discharge future debt service costs of $411.4 million, consisting of a $399.5 million reduction in debt outstanding and the elimination of $11.9 million of future interest costs. The transactions result in savings of approximately $33.9 million to the State.

The Governor and Legislature provided additional funding for the Debt Reduction Program for FY 2025. A total of $500 million was appropriated from a combination of General Revenues ($245 million), Turnpike general reserves ($165 million), and balances in the Right-of-Way Acquisition and Bridge Construction Trust Fund ($90 million). In October 2024, the Division executed a tender transaction utilizing $289.5 million of the appropriated funds to buy back $344.3 million of State bonds from investors. The tender transaction produced savings to the State of approximately $220 million, consisting of a discount to par of approximately $55 million and approximately $165 million of avoided future interest payments.

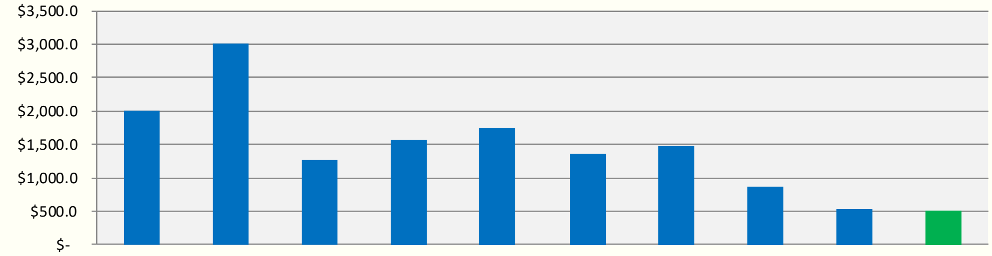
The Division is exploring additional opportunities to redeem, defease, purchase, or otherwise extinguish additional State debt with the remaining amount ($210 million) of the FY 2025 appropriated funds. The results of the FY 2025 Debt Reduction Program will be reflected in next year's Debt Report.

Refinancing Activity

The State executed three refinancing transactions in FY 2024 generating gross debt service savings of $50.3 million or $38.6 million on a present value basis. The majority of debt issuance in the past several years has been to refinance debt at lower interest rates and reduce annual debt service payments. Since FY 2015, the State has executed 111 refinancings totaling $14.3 billion, generating gross debt service savings of $2.9 billion over the remaining life of the bonds or $2.3 billion on a present value basis.

Refinancing Activity

(In Millions of Dollars)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Number of Transactions	14	13	14	12	13	11	16	8	7	3	111
Refunding Par	$2,004.2	$3,003.6	$1,267.8	$1,575.0	$1,746.0	$1,366.0	$1,466.1	$ 862.7	$ 524.1	$ 500.5	**$ 14,315.9**
Refunding Savings:											
Gross Savings	$ 376.8	$ 618.8	$ 303.6	$ 380.8	$ 267.3	$ 341.4	$ 362.0	$ 127.0	$ 79.9	$ 50.3	**$ 2,907.9**
Present Value Savings	$ 311.1	$ 380.5	$ 247.0	$ 296.8	$ 210.4	$ 282.0	$ 335.0	$ 114.8	$ 59.5	$ 38.6	**$ 2,275.6**

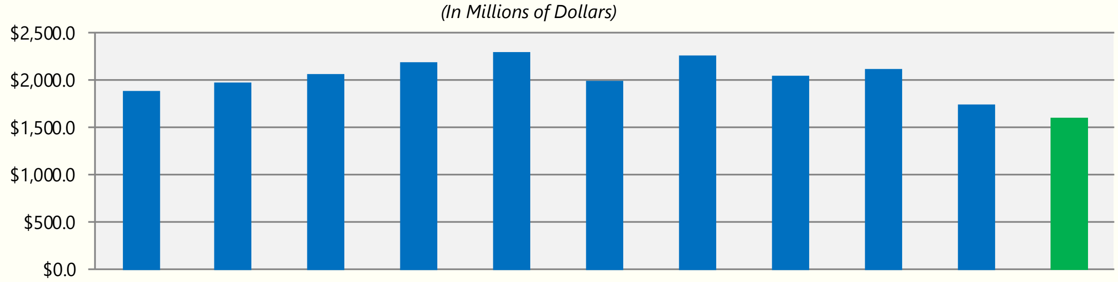
The Division continues to actively evaluate the State's debt portfolio for refunding opportunities to take advantage of favorable interest rates and lower the interest cost on the State's borrowings. However, the rise in interest rates combined with limited new bond issuance over the past decade has reduced the State's inventory of viable refunding candidates. While there is approximately $4.8 billion of debt available to be refunded over the next five years, a sizable portion of that debt is outstanding at fairly low interest rates making the possibility of refinancing for savings less likely.

Annual Debt Service Payments

Annual debt service payments for the State's existing tax-supported debt totaled approximately $1.6 billion in FY 2024. From a budgetary perspective, measuring the change in annual debt service indicates how much of the State's resources are obligated for paying debt service before providing for other essential government services. Importantly, there was a significant decrease in the annual debt service payments in FY 2024 of more than $130 million or 7.6%.

Historical Tax-Supported Debt Service

(In Millions of Dollars)

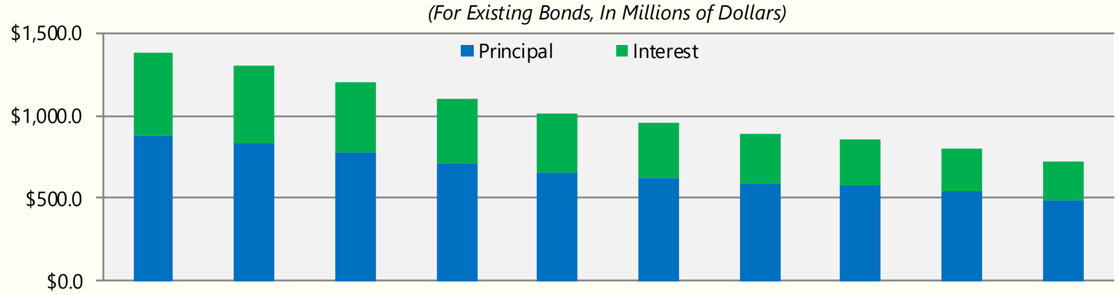


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt Service	$1,887	$1,971	$2,053	$2,178	$2,295	$1,989	$2,263	$2,041	$2,116	$1,733	$1,600

Based on currently outstanding debt, the favorable trend of decreased debt payments will continue into FY 2025 and beyond. Debt service payments on existing outstanding tax-supported debt total $10.2 billion over the next ten years, with principal payments of $6.7 billion accounting for 65% of payments. The State structures its debt with level annual debt service payments. Similar to a mortgage, interest payments constitute a majority of the annual payment for a bond issue in the early years with smaller principal payments, while that relationship inverses over the life of a bond issue. The significant weighting of principal to overall debt service payments over the next ten years illustrates the aging of outstanding debt coupled with the reduced issuance of new money bonds over the past decade. More importantly, annual debt service payments for existing outstanding debt decreases significantly over the next ten years, from $1.4 billion in FY 2025 to approximately $724 million in FY 2034.

Existing Annual Tax-Supported Debt Service

(For Existing Bonds, In Millions of Dollars)



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Totals
Principal	$ 876.1	$ 838.2	$ 779.5	$ 713.7	$ 653.8	$ 621.2	$ 590.4	$ 581.8	$ 544.2	$ 493.2	$ 6,692.2
Interest	499.7	463.4	425.8	391.5	360.2	330.8	303.7	275.9	251.3	231.0	3,533.2
Total	$ 1,375.8	$ 1,301.7	$ 1,205.2	$ 1,105.2	$ 1,013.9	$ 952.0	$ 894.1	$ 857.7	$ 795.6	$ 724.2	$ 10,225.4

Projected Debt Issuance

Projected debt issuance is provided by State agencies that receive proceeds under authorized bond programs. Approximately $2.9 billion in tax-supported debt issuance is projected over the next ten years for transportation. The projected issuance increased by 53% from the $1.9 billion projected in the 2023 Report. As State debt issuance has declined, the projection of future issuance is now primarily for transportation projects for DOT, which is the only agency that currently projects future borrowings. DOT's projected debt is provided through their 10-year bond plan which, as part of the Work Program, is approved annually through the General Appropriations Act.

Projected Debt Issuance By Program

(In Millions of Dollars)

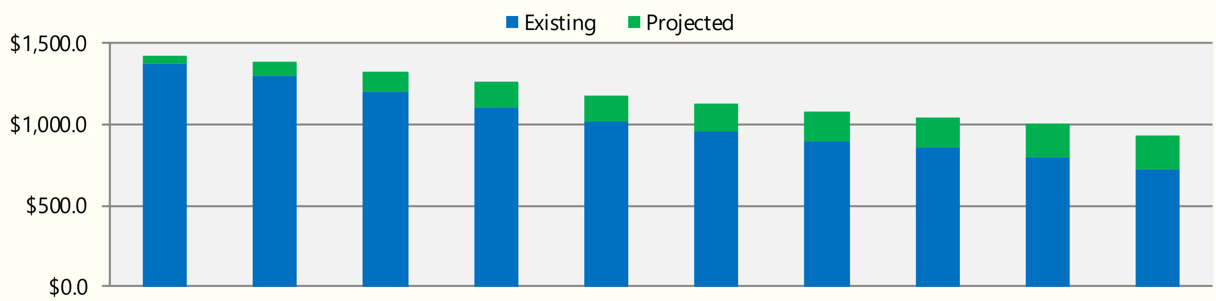
Fiscal Year	ROW	GARVEE	DOT Fin. Corp	Total Issuance
2025	$ 350.0	$ 200.0	$ -	$ 550.0
2026	350.0	-	170.0	520.0
2027	400.0	-	150.0	550.0
2028	400.0	-	208.0	608.0
2029	150.0	-	-	150.0
2030	60.0	-	-	60.0
2031	130.0	-	-	130.0
2032	135.0	-	-	135.0
2033	70.0	135.0	-	205.0
2034	-	-	-	-
Total	$ 2,045.0	$ 335.0	$ 528.0	$ 2,908.0

Projected Tax-Supported Debt Service

If debt is issued as projected above, the annual debt service on existing and projected tax supported debt in FY 2025 will be $1.4 billion, which is still a decrease from the actual $1.6 billion paid in FY 2024. Projected debt service continues to decline annually thereafter. The declining projected annual debt service payments provide the State with significant debt capacity available to fund strategic infrastructure investments above and beyond the current projected debt issuance.

Projected Annual Tax-Supported Debt Service

(Includes Existing and Projected Bonds, In Millions of Dollars)



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Existing	$ 1,375.8	$ 1,301.7	$ 1,205.2	$ 1,105.2	$ 1,013.9	$ 952.0	$ 894.1	$ 857.7	$ 795.6	$ 724.2
Projected	43.0	77.8	114.6	155.3	165.3	169.4	178.1	187.1	205.0	205.0
Total	$ 1,418.8	$ 1,379.5	$ 1,319.9	$ 1,260.5	$ 1,179.3	$ 1,121.3	$ 1,072.1	$ 1,044.8	$ 1,000.6	$ 929.2

Revenue Forecasts

Revenue available to pay debt service for state tax-supported debt is one of two variables used to calculate the benchmark debt ratio. General Revenue, as well as specific tax revenues pledged to various bond programs, are available for debt service payments. Examples of tax revenues specifically designated to pay bonds include gross receipts taxes pledged to PECO bonds, motor fuel taxes pledged to Right-of-Way bonds, and dedicated percentages of documentary stamp tax collections pledged to environmental bonds. State General Revenues are the majority of the total revenue available, accounting for approximately 79%.

Driven by a robust economy, General Revenue for FY 2024 exceeded those of FY 2023 and reached a record high $48.3 billion, a 2.1% increase over the prior year. Currently, General Revenues for FY 2025 are projected to total $48.5 billion, representing a more modest increase of 0.4% when compared to the average annual increase of 12% over the past four years. While the projected increase for FY 2025 is lower than recent years, it is important to note these estimates were last calculated in August 2024 and actual General Revenues year-to-date are $399 million above projections. Additionally, total General Revenues have exceeded forecasted estimates each fiscal year for the past five fiscal years, with strong sales tax revenues being the predominant contributor.

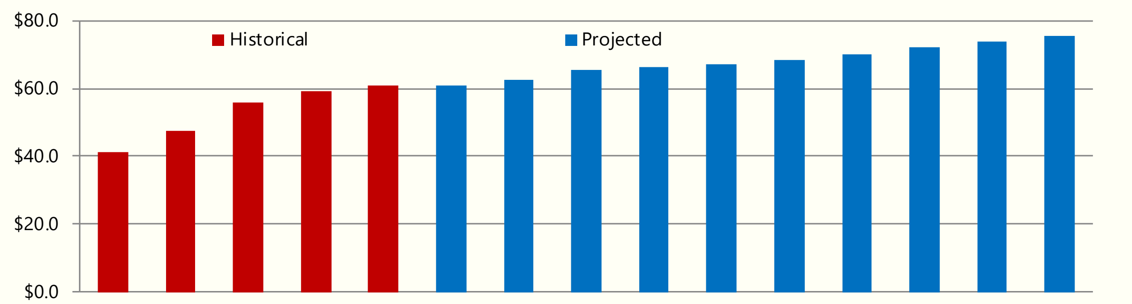
Projected Revenue Available for State Tax-Supported Debt

(In Millions of Dollars)

	Actual		Projection		
Fiscal Year	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue Available:					
General Revenue	$ 47,327.8	$ 48,342.0	$ 48,515.9	$ 49,697.1	$ 51,829.0
Less : Documentary Stamp Tax Included Below	(1,357.9)	$ (1,257.0)	(1,325.7)	(1,413.1)	(1,481.2)
Net General Revenue	$ 45,969.9	$ 47,085.0	$ 47,190.2	$ 48,284.0	$ 50,347.8
Specific Tax Revenue					
Gross Receipts	$ 1,375.0	$ 1,404.4	$ 1,363.4	$ 1,315.5	$ 1,319.6
Motor Vehicle License	868.0	848.7	945.5	953.3	959.9
Lottery	2,374.0	2,403.0	2,094.8	2,157.6	2,177.0
Documentary Stamp Tax	3,864.8	3,577.4	3,728.7	3,889.4	4,014.7
Motor Fuel Tax	1,640.6	1,889.9	1,950.4	2,022.6	2,075.3
Motor Vehicle License-Surcharge	24.5	24.6	25.0	25.2	25.4
Tax on Pollutants-IPTF	256.8	272.8	-	-	-
University Net Bldg Fees & Cap. Impr. Fees	58.8	57.8	58.1	58.4	58.7
Community College Cap. Impr.Fees	31.6	33.8	33.8	33.8	33.8
Title Fees	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,396.1	3,212.2	3,308.3	3,508.7	4,126.8
Other Sources	93.1	-	-	-	-
Total State Revenue Available	**$ 59,153.2**	**$ 61,009.6**	**$ 60,898.2**	**$ 62,448.5**	**$ 65,338.9**

Revenues Available for Debt Service

(In Billions of Dollars)



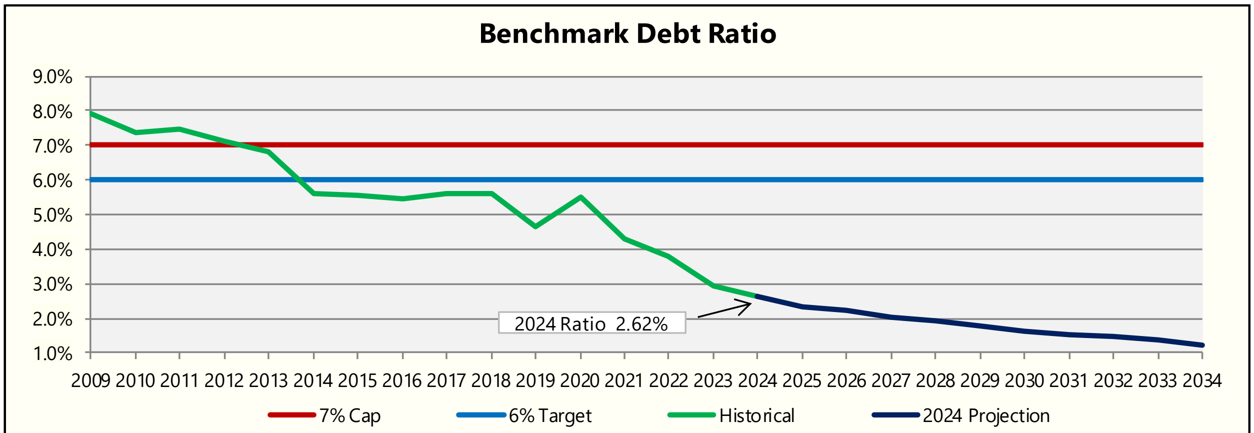
August 2024	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Available Revenues	$ 41.2	$ 47.5	$ 56.0	$ 59.2	$ 61.0	$ 60.9	$ 62.5	$ 65.3	$ 66.1	$ 67.2	$ 68.6	$ 70.2	$ 72.0	$ 73.9	$75.3

Benchmark Debt Ratio

The debt affordability analysis is based on the ratio of debt service to revenues available to pay debt service. The policy guidelines established by the Legislature include a 6% target and a 7% limit for the benchmark debt ratio. Since FY 2009, the benchmark debt ratio has followed a downward trend, with one notable exception in FY 2020 when the ratio temporarily increased to 5.49% due to pandemic-induced revenue declines. The significant decline in the benchmark ratio to a record low of 2.62% in FY 2024 is a result of a 7.6% decline in the annual debt service payments, coupled with a 3.1% increase in General Revenue for the fiscal year. Based on projected debt service to projected revenues over the next ten years, the debt ratio is expected to decline even further.

Notably, this year's benchmark debt ratio is a record low 2.62%. Over the last four years, the State has experienced significant and substantial growth in revenues. This is evident in record high sales tax collections, which contribute to the declining benchmark debt ratio. The Governor's policies during the pandemic were a catalyst for strong economic growth and migration into the State.

Given the combined impact of declining debt and growing revenues, it may be appropriate for the Legislature to consider recalibrating the benchmark debt ratio.



	Actual 2023	Actual 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
2024 Projection	2.93%	**2.62%**	2.33%	2.21%	2.02%	1.91%	1.76%	1.64%	1.53%	1.45%	1.36%	1.23%

Debt Capacity

The final step in the debt affordability analysis is estimating future debt capacity. Debt capacity is based on projected debt issuance over the next ten years and the most recent revenue projections from August 2024. Debt capacity can change significantly with changes in revenue estimates reflecting changes in the economic environment. With the benchmark debt ratio significantly below the 6% policy target, a substantial amount of debt capacity is available for future bonding.

As shown previously, projected debt issuance under existing bond programs is approximately $2.9 billion for the next ten fiscal years leaving $54.9 billion of net debt capacity available within the 6% target over the next ten years. Based on the REC's current projections, there is approximately $31.1 billion of debt capacity available within the policy target in FY 2025. Debt capacity could be impacted, either up or down, if actual revenues come in above or below the current projections. Debt capacity is calculated using an assumed 6% interest rate, which is higher than the current EDR adopted rate assumption of 5.25%. While it is not anticipated that the interest rate assumption used for this analysis will change in the near term, the validity of the assumed rate is reviewed annually.

Debt Capacity Projection

6% Target; 7.0% Cap

(In Millions of Dollars)

	6% Target	**7% Cap**
Total Debt Capacity Available	$ 57,785.6	$ 58,456.3
Estimated Bond Issuance	2,908.0	2,908.0
Net Debt Capacity Available	$ 54,877.6	$ 55,548.3

Projections in this report indicate the benchmark debt ratio will remain consistently well below the 6% target through 2034 which provides flexibility for the State to issue additional debt while maintaining compliance with the policy target. Additionally, debt capacity is subject to significant variability because it is dependent on realizing projected revenue growth.

Florida Compared to Other States

Municipal bond market participants evaluate a government's debt position using four primary debt ratios:

- Debt service to revenues;
- Debt per capita;
- Debt to personal income; and
- Net tax-supported debt ("NTSD") as a percentage of a state's gross domestic product ("GDP").

For comparability, these ratios are calculated based on audited financials and therefore the data lags by a year. The FY 2023 ratios, as calculated and reported by Moody's, showed that Florida improved in two of the four debt metrics - debt service to revenues and NTSD as a percentage of state GDP. Florida's debt ratios are compared to national and peer group medians where the State's peer group is comprised of Florida and the 9 other most populous states. The State's metric for net tax-supported debt as a percentage of revenues declined from 1.72% to 1.38%, while net tax-supported debt per capita increased slightly moving Florida from first place to third place among its peer group as a result of Moody's inclusion of outstanding capital leases in the State's NTSD amount. The State's outstanding capital leases as reported in the audited financials recently increased significantly due to changes in accounting rules. Since capital leases are short-term obligations in Florida and add no value to evaluating trends in long-term debt this apparent increase in the debt per capita metric can be ignored and is not used for the analysis in this Debt Report. As a percentage of GDP, Florida lowered its ratio from 1.10% to 1.00%, retained its third-place ranking.

Debt Ratios
2023 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	1.38%	$711	1.00%	1.00%
Peer Group Mean	2.25%	$1,807	2.60%	2.20%
National Median	2.61%	$1,189	2.00%	1.80%

2023 Debt Ratios Comparison of Ten Most Populous States*									
	Rank	Net Tax-Supported Debt Service as % of Revenues	Rank	Net Tax-Supported Debt Per Capita	Rank	Net Tax-Supported Debt as a % of Personal Income	Rank	Net Tax-Supported Debt as a % of State GDP	General Obligation Ratings Fitch/Moody's/S&P
North Carolina	1	1.22%	1	$635	3	1.20%	2	0.90%	AAA/Aaa/AAA
Texas	2	1.27%	2	$654	2	1.10%	1	0.80%	AAA/Aaa/AAA
Michigan	3	1.33%	4	$1,020	4	1.50%	4	1.50%	AA+/Aa1/AA
Florida	**4**	**1.38%**	**3**	**$711**	**1**	**1.00%**	**3**	**1.00%**	**AAA/Aaa/AAA**
Pennsylvania	5	2.27%	6	$1,523	6	2.40%	6	2.00%	AA-/Aa3/A+
Georgia	6	2.32%	5	$1,100	5	2.00%	4	1.50%	AAA/Aaa/AAA
California	7	2.94%	8	$2,515	8	3.20%	8	2.50%	AA/Aa2/AA-
New York	8	2.97%	10	$3,453	10	4.50%	9	3.10%	AA+/Aa1/AA+
Ohio	9	3.09%	7	$1,558	7	2.80%	7	2.10%	AAA/Aa1/AA+
Illinois	10	3.70%	9	$2,869	9	4.20%	10	3.30%	A-/A3/A-
Median		**2.30%**		**$1,312**		**2.20%**		**1.75%**	
Mean		**2.25%**		**$1,604**		**2.39%**		**1.87%**	
National Median		**2.61%**		**$1,189**		**2.00%**		**1.80%**	

Note: Moody's State Debt Medians reported figures may result in states having the same value for a given metric, which will be ranked as a tie.

Pension Liability and Funding

The State's pension system had a funded ratio of 82.4% as of June 30, 2023, representing a 0.5% decline from FY 2022's funded ratio of 82.9%. The State's pension is considered to be well-funded. Florida has fully funded its actuarially determined contribution to the pension system since FY 2014.

Annual pension contributions are considered long-term fixed costs by rating agencies. Similar to debt service, they potentially limit other expenditures and, if not properly managed, can create structural budget imbalances. As a result, management and funding of the pension system are important aspects of evaluating Florida's credit rating. Rating agencies have developed quantitative methodologies to evaluate states' pension liabilities and integrate them into their credit analysis. Moody's and Fitch each employ various "adjustments" to reported pension liabilities for greater comparability across the state sector including application of a common investment return assumption. The State's share of the pension plan's unfunded liability (16.4%) was approximately $6.5 billion as of June 30, 2023. This amount is approximately $600 million more than FY 2022, and $1.1 billion more than FY 2021, illustrating that the unfunded liability has become an increasingly larger share of the State's overall long-term fixed cost burden. In contrast, over the same 2-year period, the State has reduced the amount of State direct debt outstanding from $18.4 to $15.4 billion, an overall reduction of $3.0 billion.

Additionally, for multi-employer plans like Florida's, the rating agencies allocate the unfunded liability to all participating governments, attributing only a portion to the State. The pension liabilities are analyzed relative to the economic metrics used to evaluate debt obligations among Florida's peer group. According to Moody's medians, Florida's adjusted pension liability of $17.3 billion falls significantly below the median of $29.4 billion for the most populous states and ranks fourth lowest in the peer group. Florida continues to rank lowest in the peer group for the measures of Adjusted Net Pension Liability ("ANPL") per capita and as a percent of personal income. This year, Florida also ranks lowest in ANPL as percent of State GDP.

2023 Pension Metrics Comparison											
Adjusted Net Pension Liabilities ("ANPL") and Medians*											
State	Rank	ANPL (in Millions)	Rank	APNL as % of Own-Source Revs	Rank	ANPL Per Capita	Rank	APNL as % of Personal Income	Rank	ANPL as % of State GDP
North Carolina	1	$9,498	2	22.3%	2	$877	3	2.2%	2	1.2%
Ohio	2	12,660	4	29.0%	3	1,074	4	2.4%	3	1.4%
Georgia	3	12,870	5	34.2%	4	1,167	2	2.0%	5	1.5%
Florida	**4**	**17,275**	**3**	**23.2%**	**1**	**794**	**1**	**1.6%**	**1**	**1.1%**
New York	6	30,317	1	18.5%	5	1,549	4	2.4%	3	1.4%
Michigan	5	28,547	6	62.7%	6	2,844	6	7.6%	6	4.2%
Pennsylvania	7	69,303	9	113.5%	9	5,347	9	10.6%	9	7.1%
Texas	8	107,243	8	95.1%	7	3,516	6	7.6%	6	4.2%
California	9	202,587	7	88.1%	8	5,199	8	9.5%	8	5.2%
Illinois	10	225,478	10	317.6%	10	17,967	10	33.7%	10	24.9%
Median		**$ 29,432**		**48.5%**		**$ 2,197**		**5.0%**		**2.9%**
Mean		**$ 71,578**		**80.4%**		**$ 4,033**		**8.0%**		**5.2%**
National Median		**$ 9,259**		**54.6%**		**$ 2,522**		**5.2%**		**3.4%**
Note: Moody's Medians Pension and OPEB reported figures may result in states having the same value for a given metric, which will be ranked as a tie.											

Rating agencies also evaluate the reasonableness of assumptions used to calculate the pension liability and required contributions. S&P has published guidelines which indicated 6% is a sustainable investment return assumption. The actuarial methodologies, which vary across plans, are also assessed. The assumptions used to calculate the required contribution to the Florida Retirement System ("FRS") are set by the FRS Actuarial Assumption Conference ("Conference"). The assumptions and actuarial methodologies set by the Conference are used to calculate the pension liability and, more importantly, the annual required contribution.

The Conference has made significant progress in recent years in lowering the investment return assumption and moving to "best practices" for prudent financial management. The investment return assumption was lowered from 7.75% to 6.7% incrementally over a nine-year period through FY 2022. The conference also previously adopted the "best practice" of using "individual entry age," which produces a more realistic estimate of the cost and required contributions and shortening the amortization period for the unfunded liability to 20 years from 25 years. The significant progress made in recent years helps to secure the long-term health of the FRS for retirees and is viewed as a credit strength by rating agencies.

However, there is additional progress to be made in moving to "best practices." The most notable would be to amortize the unfunded liability on a level dollar basis, instead of a level percentage of pay. Ratings agencies treat unfunded pension liabilities as state debt. As state debt, amortizing the unfunded pension liability on a level percentage of pay is inconsistent with State debt management policy and practices. State debt is structured to produce level annual debt service payments (functionally equivalent to level dollar) to minimize the cost of debt over time while the pension liability is currently amortized to produce smaller payments in the short-term with ballooning payments in later years (level percentage of pay). While amortizing the unfunded liability on a level percentage of pay basis is an acceptable actuarial methodology, it is not "best practice" and could lead to significant budgetary pressures to meet promised pension obligations in future years.

Making adequate contributions to the FRS is increasingly important. As the plan matures and new employee participation increasingly shifts to the defined contribution plan, the defined benefit plan will become increasingly net cash flow negative as benefit payments to retirees will outpace contributions for current employees. Therefore, less invested assets are available to appreciate and fund benefit payments over time. The two factors make adequate funding of the defined benefit plan imperative so that accumulated assets are sufficient to pay for benefits promised.

Reserves

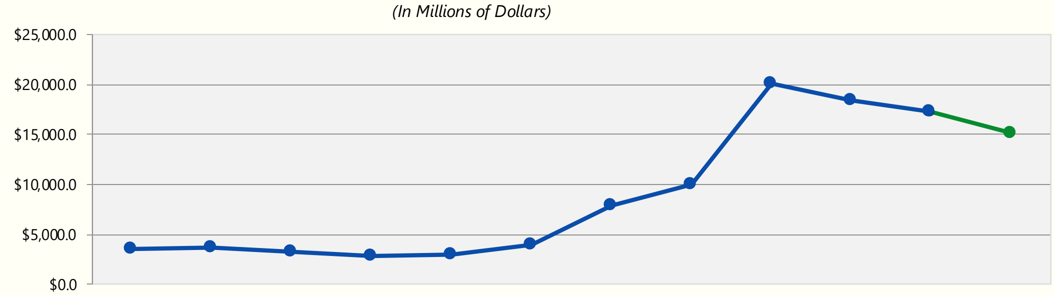
An important measure of financial health and ability to respond to unforeseen financial challenges is the level of the State's general fund reserves. Unspent General Revenue combined with the Budget Stabilization Fund are collectively referred to as the "General Fund Reserves." Given that Florida's financial health is highly dependent on sales tax collections, which are sensitive to economic cycles, as well as the State's exposure to unpredictable costs from hurricanes, investors and ratings analysts expect a higher level of reserves in the State's credit assessment. Historically, Florida's level of reserves has resulted from conservative financial management and budgetary practices. The traditional measure used by credit analysts, investors, and rating agencies to assess the strength of the State's financial position is the ratio of General Fund Reserves to General Revenues, expressed as a percentage.

General Fund Reserves

The State has continued to maintain exceptional reserve levels, with General Fund Reserves totaling $17.3 billion, or 35.9% of General Revenue, at the end of FY 2024. This level of reserves positions the State well to weather future economic cycles and unpredictable expenses while continuing to invest in infrastructure and key initiatives. General Fund Reserves are currently projected to be $15.1 billion at the end of FY 2025. The State's continued near-record General Fund Reserves are recognized by the rating agencies as a credit strength and reflect the State's prudent financial management.

General Fund Reserves

(In Millions of Dollars)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025[1]
General Fund Reserves	$3,506.0	$3,679.0	$3,245.5	$2,898.9	$3,062.4	$3,972.8	$7,894.1	$9,995.7	$20,060.6	$18,482.4	**$17,348.0**	$15,149.7
Reserves as % of Revenues	13.4%	13.3%	11.5%	9.8%	9.8%	11.9%	25.2%	27.6%	45.6%	39.1%	**35.9%**	31.2%

Source: Office of Economic and Demographic Research Outlook and Retrospect Statements. Reserve amounts shown include the Budget Stablization Fund. FY 2020 balance includes CARES Act monies recevied by the State, which were subsequently allocated to qualifying expenditures. FY 2021 through FY 2025 balances exclude ARPA monies.

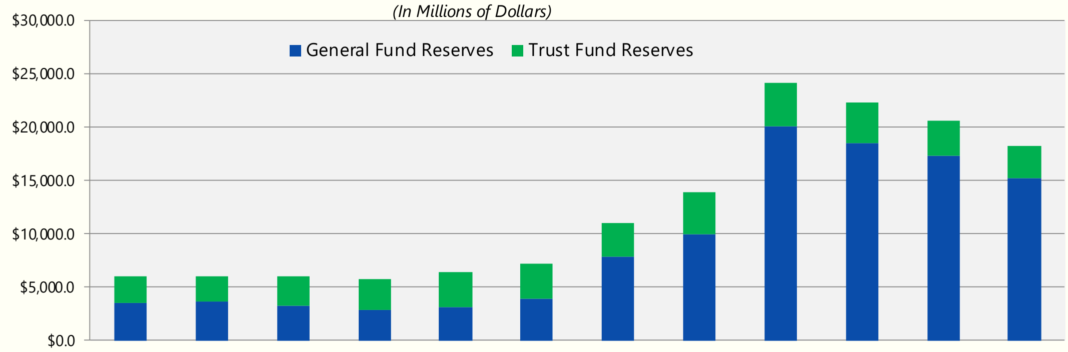
[1] Estimate

Trust Fund Reserves

The State has historically established and utilized trust funds to allocate specific revenues for designated purposes. Well over half of the State's budget is comprised of trust-funded programs and activities. Established budgetary practices identify excess trust fund balances that are available and can be used for other purposes if directed by the Legislature, and the Legislature has routinely swept available trust fund balances to supplement the general fund budget during periods of economic weakness to offset declining revenue collections. Therefore, including trust fund balances in the reserve analysis provides a more holistic and realistic picture of the State's financial flexibility. The inclusion of excess trust fund balances increases total reserves at the end of FY 2024 to approximately $20.5 billion, or 42.5% of General Revenues. This level of reserves is considered extremely strong by the rating agencies. Total reserves are projected to decrease in FY 2025 but remain at near historic highs at approximately $18.2 billion, or 37.5% of projected General Revenues.

General Fund Plus Trust Fund Reserves

(In Millions of Dollars)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025[1]
General Fund Reserves	$ 3,506.0	$ 3,679.0	$ 3,245.5	$ 2,898.9	$3,062.4	$3,972.8	$ 7,894.1	$ 9,995.7	$ 20,060.6	$ 18,482.4	**$17,348.0**	$ 15,149.7
Trust Fund Reserves	$ 2,461.9	$ 2,369.0	$ 2,778.9	$ 2,899.0	$3,345.0	$3,189.0	$ 3,105.0	$ 3,823.5	$ 3,992.3	$ 3,854.0	**$ 3,198.0**	$ 3,041.1
Total Reserves	$ 5,967.9	$ 6,048.0	$ 6,024.4	$ 5,797.9	$6,407.4	$7,161.8	$10,999.1	$13,819.2	$ 24,052.9	$ 22,336.4	**$20,546.0**	$ 18,190.8
Reserves as % of Revenues	22.8%	21.8%	21.3%	19.6%	20.5%	21.4%	35.1%	38.1%	54.6%	47.2%	**42.5%**	37.5%

[1] Estimate

Credit Ratings

The State's credit rating is an assessment of its willingness and ability to timely repay debt obligations. Credit ratings play an integral role in the municipal bond market and are a critical factor affecting the State's borrowing cost on debt issues. Each rating agency considers four primary factors in its analysis: governance, debt and liability profile, budget and financial management, and economic indicators. The four factors are assessed on a quantitative and qualitative basis relative to the state's peers within its rating category. Despite the standardization of credit factors, each are evaluated somewhat differently based on the agency's published criteria.

Florida is rated in the highest rating category, AAA, by each of the three major credit rating agencies. The State's ratings reflect conservative financial management, low debt burden, increased reserves and continued economic growth. The State has enacted measures to enhance its financial flexibility to respond to financial emergencies, and these proactive measures position the State well for the future. In their reports, the rating agencies expect Florida to maintain its history of structural budget balance and strong reserves to continue to support the AAA ratings.

Florida General Obligation Credit Ratings		
	Rating	**Outlook**
S&P Global	AAA	Stable
Fitch Ratings	AAA	Stable
Moody's Ratings	Aaa	Stable

The State does face some potential credit challenges, which include environmental risks associated with hurricanes and sea-level rise and the health of the State's property insurance market. The State is well positioned to withstand these risks and economic cycles in the future without immediate rating pressure.

Conclusion

Florida's debt position improved in FY 2024. The Division has effectively used the funds allocated by the Governor and Legislature for the Debt Reduction Program to reduce outstanding debt. This and strategic refinancings have produced savings of future interest costs and reduced debt service. Due to reduced debt and the growth of State revenues, the debt ratio decreased this year to a record low of 2.62%, well below the 6% target. Additionally, there are ample resources available to fund infrastructure needs, reducing the necessity to issue debt. However, with a debt ratio as low as 2.62%, the State has significant debt capacity to fund priority infrastructure investments if needed.

The State's conservative financial management and ample reserves have been recognized by rating agencies with AAA credit ratings for Florida. Rating agencies expect that Florida will continue its sound financial management practices, make adequate pension contributions, and remain well positioned to financially absorb any potential impacts associated with environmental risks or property insurance market in order to maintain its credit ratings.

In conclusion, Florida is well positioned to effectively deal with future economic cycles or extraordinary financial exigencies or to leverage available revenues and debt capacity to fund any needed infrastructure now and in future years.

State of Florida

2025 Update

to the

2024 Debt Report

Revised to include the
February and March 2025 Revenue Estimating Projections

Prepared by the Division of Bond Finance

2024 DAR Recap

Debt Affordability Statistics Quick Reference			
(In Billions)		**FY 2024**	**% Change from Prior Year**
Revenues (Available to Pay Debt Service)	$	61.0	**3.1%**
Direct Debt Outstanding	$	15.4	**-5.8%**
Tax Supported Debt	$	11.1	**-8.8%**
Self Supported Debt	$	4.2	**2.9%**
Debt Service Pmt Total (Tax Supported)	$	1.6	**-7.6%**
Reserves*			
General Fund Reserves	$	17.3	**-6.1%**
Trust Fund Reserves	$	3.2	**-17.0%**
Total Reserves	$	20.5	**-8.0%**
Total Reserves as a % of GR		42.5%	**-10.0%**
Pension Funding			
Funded %		82.4%	**-0.6%**
Unfunded Liability (State Portion)	$	6.5	**12.6%**
Benchmark Debt Ratio		**2.62%**	**-10.6%**
Florida General Obligation Credit Ratings			
S&P Global		AAA/Stable	
Fitch		AAA/Stable	
Moody's Ratings		Aaa/Stable	

*While there is a decrease in reserves, the State's reserves at 42.5% of GR are considered strong by rating agencies and contribute to the State's AAA/Stable ratings.

2025 Update

- The 2025 Update reflects an increase in projected revenues from the February and March 2025 Revenue Estimating Conferences. The upward revisions indicate Florida's economic growth is outpacing original projections, but do not materially impact the debt affordability analysis provided in the 2024 Debt Report.

- FY 2025 projected revenues available to pay debt service increased by $848 million, or 1.4%, over those used for the 2024 Debt Report.

- The most recent revenue estimates do not materially change the projected benchmark debt ratio, which is expected to remain well below the 6% target over the 10-year projection period. Further reductions in the debt ratio will be reflected in next year's Debt Affordability Report as the Division continues to reduce outstanding debt using the funds appropriated for the Debt Reduction Program.

- The 2025 Update provides a comparison of Florida's debt outstanding to Federal debt outstanding and the debt per capita for the State and Federal government. The update also compares the State's benchmark debt ratio to the same metric for the Federal government. Lastly, the update contrasts Florida's growing reserves with the Federal government's deficit spending.

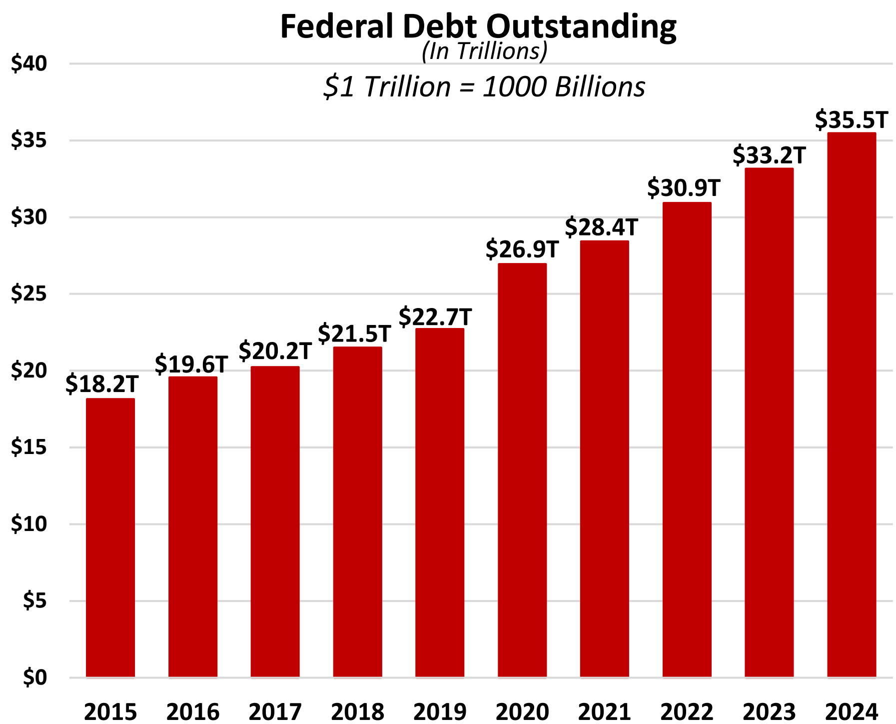
Projected Revenue Available for State Tax-Supported Debt - 2024 Report

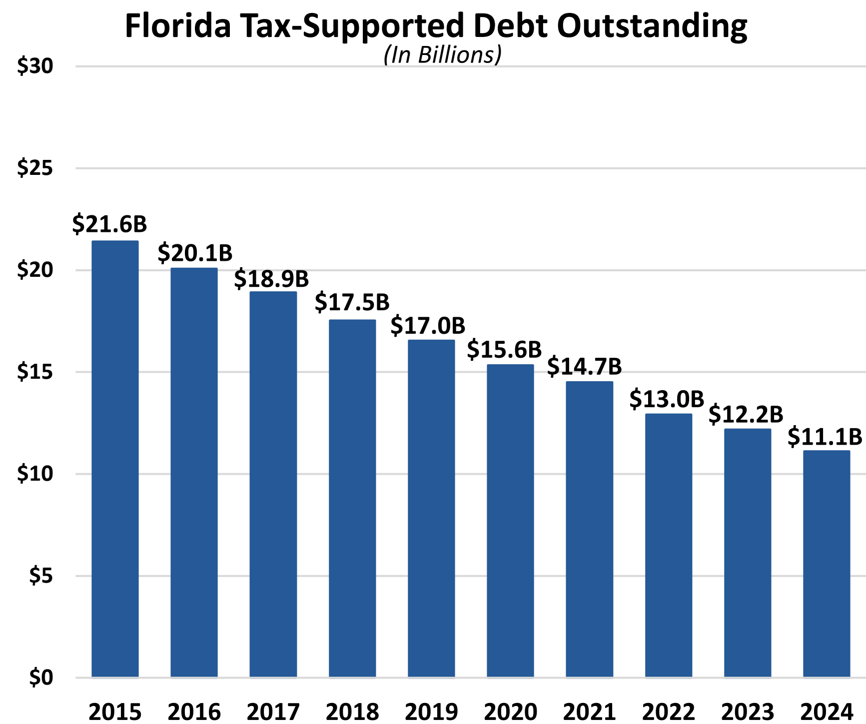
Fiscal Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue Available *(In Millions)* **:**										
General Revenue	$ 48,515.9	$ 49,697.1	$ 51,829.0	$ 53,000.5	$ 54,336.2	$ 55,754.4	$ 57,318.2	$ 58,925.4	$ 60,577.2	$ 62,159.1
Less: Doc Stamp Distribution	(1,325.7)	(1,413.1)	(1,481.2)	(1,550.1)	(1,617.9)	(1,689.9)	(1,761.5)	(1,835.4)	(1,911.5)	(1,874.2)
Net General Revenue	47,190.2	48,284.0	50,347.8	51,450.4	52,718.3	54,064.5	55,556.7	57,090.0	58,665.7	60,284.9
Specific Tax Revenue										
Gross Receipts	1,363.4	1,315.5	1,319.6	1,336.1	1,340.5	1,341.9	1,345.4	1,357.3	1,370.2	1,382.4
Motor Vehicle License	945.5	953.3	959.9	966.4	975.3	982.9	990.6	998.3	1,006.1	1,014.0
Lottery	2,094.8	2,157.6	2,177.0	2,191.1	2,214.3	2,269.2	2,249.2	2,261.1	2,284.1	2,303.2
Documentary Stamp Tax	3,728.7	3,889.4	4,014.7	4,141.5	4,266.3	4,398.8	4,503.7	4,666.6	4,806.6	4,950.8
Motor Fuel Tax	1,950.4	2,022.6	2,075.3	2,140.6	2,196.5	2,254.2	2,314.2	2,365.8	2,420.1	2,478.5
Motor Vehicle License-Surcharge SLERSTF	25.0	25.2	25.4	25.5	25.7	25.9	26.0	26.2	26.4	26.5
SUS Net Bldg Fees & Cap. Impr.Fees	58.1	58.4	58.7	59.0	59.3	59.6	59.9	60.2	60.5	60.8
State (Community) College Cap. Impr.Fees	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	3,308.3	3,508.7	4,126.8	3,535.1	3,130.4	2,886.5	2,831.7	2,913.3	2,904.8	2,904.8
Other Sources	-	-	-	-	-	-	-	-	-	-
Total State Revenue Available	**$ 60,898.2**	**$ 62,448.5**	**$ 65,338.9**	**$ 66,079.4**	**$ 67,160.4**	**$ 68,517.2**	**$ 70,111.1**	**$ 71,972.6**	**$ 73,778.2**	**$ 75,639.6**

Projected Revenue Available for State Tax-Supported Debt - 2025 Update to 2024 Report

Fiscal Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue Available *(In Millions)* **:**										
General Revenue	$ 49,284.2	$ 50,200.6	$ 51,968.3	$ 53,187.9	$ 54,668.2	$ 56,180.1	$ 57,667.3	$ 59,193.3	$ 60,759.4	$ 62,256.3
Less: Doc Stamp Distribution	(1,304.8)	(1,357.2)	(1,414.9)	(1,490.8)	(1,565.1)	(1,639.9)	(1,710.1)	(1,782.4)	(1,856.9)	(1,823.5)
Net General Revenue	47,979.4	48,843.4	50,553.4	51,697.1	53,103.1	54,540.2	55,957.2	57,410.9	58,902.5	60,432.8
Specific Tax Revenue										
Gross Receipts	1,387.5	1,417.2	1,407.0	1,400.1	1,396.9	1,396.7	1,398.5	1,403.7	1,409.7	1,415.4
Motor Vehicle License	945.5	953.3	959.9	966.4	975.3	982.9	990.6	998.3	1,006.1	1,014.0
Lottery	2,175.6	2,228.6	2,248.8	2,263.6	2,287.9	2,344.8	2,379.6	2,393.6	2,418.3	2,439.0
Documentary Stamp Tax	3,688.3	3,786.6	3,892.7	4,032.3	4,169.2	4,306.8	4,436.0	4,569.0	4,706.1	4,847.3
Motor Fuel Tax	1,944.6	2,018.4	2,089.8	2,165.8	2,223.4	2,271.1	2,335.1	2,394.8	2,449.3	2,512.1
Motor Vehicle License-Surcharge SLERSTF	25.0	25.2	25.4	25.5	25.7	25.9	26.0	26.2	26.4	26.5
SUS Net Bldg Fees & Cap. Impr.Fees	58.1	58.4	58.7	59.0	59.3	59.6	59.9	60.2	60.5	60.8
State (Community) College Cap. Impr.Fees	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	3,308.3	3,508.7	4,126.8	3,535.1	3,130.4	2,886.5	2,831.7	2,913.3	2,904.8	2,904.8
Other Sources	-	-	-	-	-	-	-	-	-	-
Total State Revenue Available	**$ 61,746.1**	**$ 63,073.6**	**$ 65,596.2**	**$ 66,378.6**	**$ 67,605.0**	**$ 69,048.2**	**$ 70,648.3**	**$ 72,403.8**	**$ 74,117.4**	**$ 75,886.3**
Change in Revenue Projection	**$ 847.9**	**$ 625.1**	**$ 257.3**	**$ 299.2**	**$ 444.6**	**$ 531.0**	**$ 537.2**	**$ 431.3**	**$ 339.1**	**$ 246.8**
Percentage Change in Revenue Projection	**1.4%**	**1.0%**	**0.4%**	**0.5%**	**0.7%**	**0.8%**	**0.8%**	**0.6%**	**0.5%**	**0.3%**

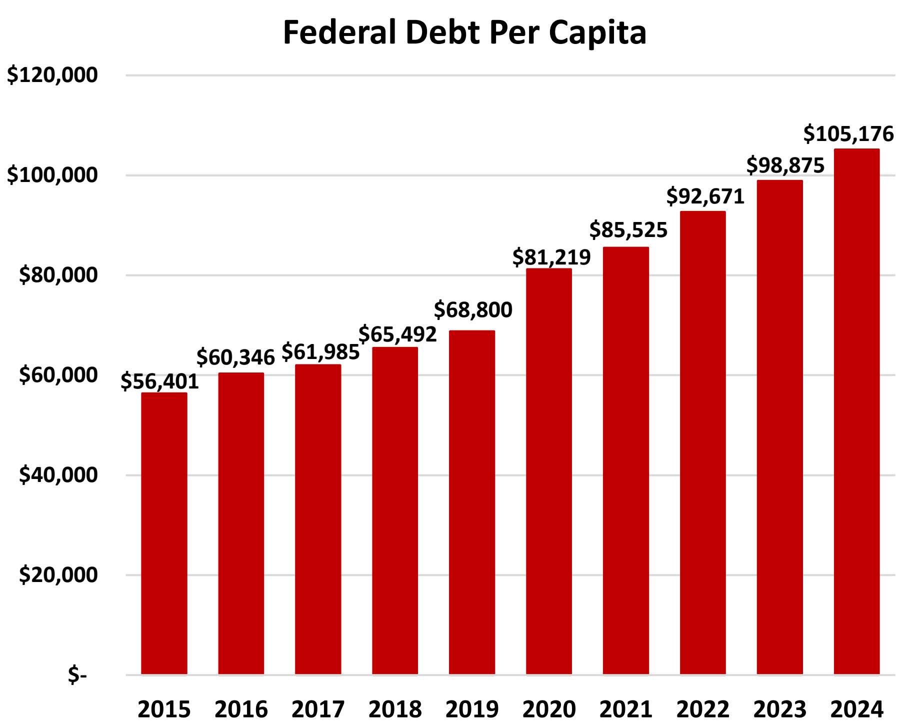
Federal vs State Debt

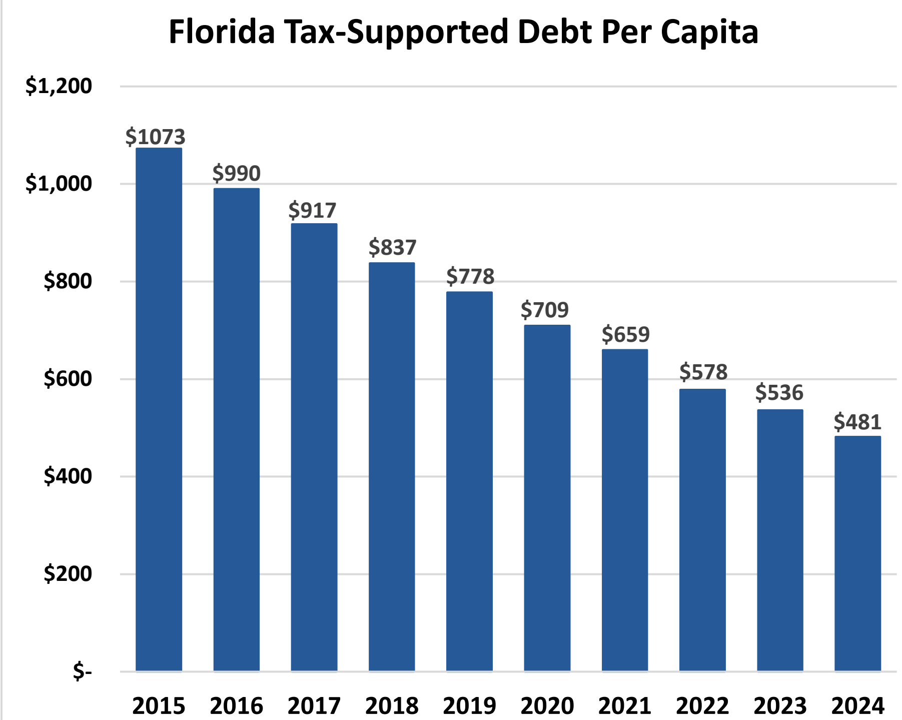




- Federal debt has almost doubled from $18.2 trillion to $35.5 trillion (increase of $17.3 trillion or 95.4%) over the last 10 years.
- By contrast, Florida's tax-supported debt has decreased by $10.3 billion or 48% since 2015.
- Federal government debt is used to finance deficit spending but in Florida debt is used to finance long-lived physical assets, i.e., infrastructure.

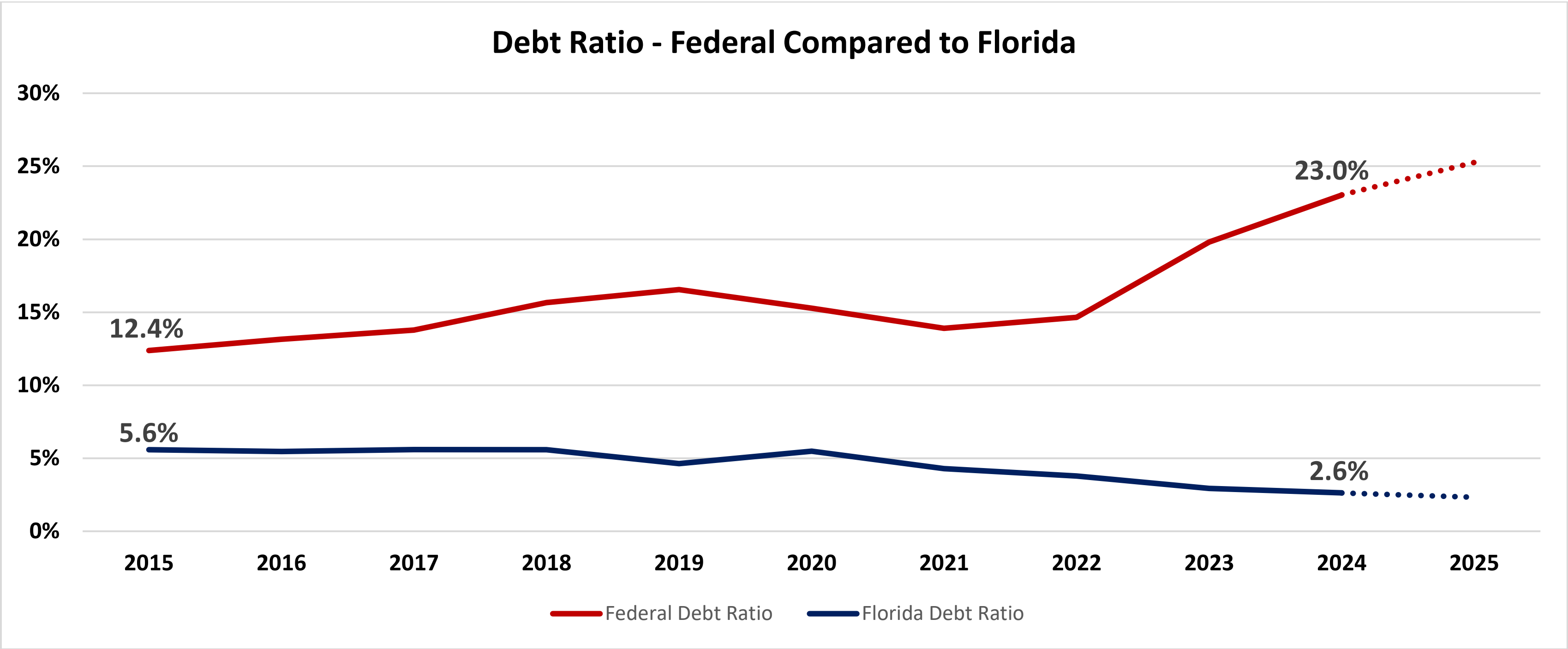
Federal vs State Debt Per Capita





- Federal debt per capita exceeds $105,000, while Florida's debt per capita is $481.
- Federal debt per capita is nearly 220 times greater than Florida's debt per capita.
- The Federal debt burden is 145% of the U.S. median personal income ($72,425), while Florida's debt burden is .7% of Florida's median personal income ($70,390).

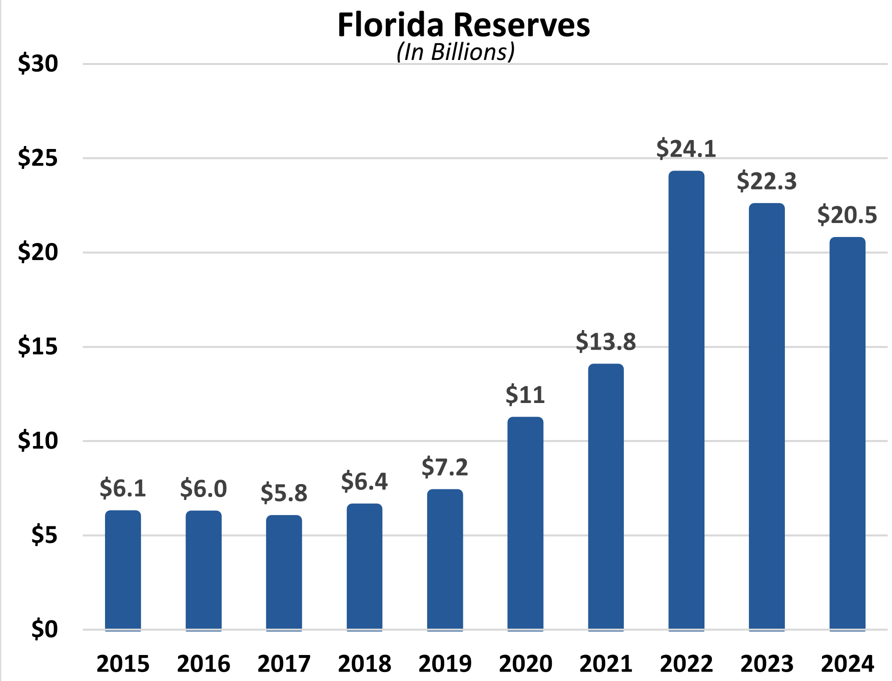
Federal Debt Service to Revenues vs Florida's Benchmark Debt Ratio

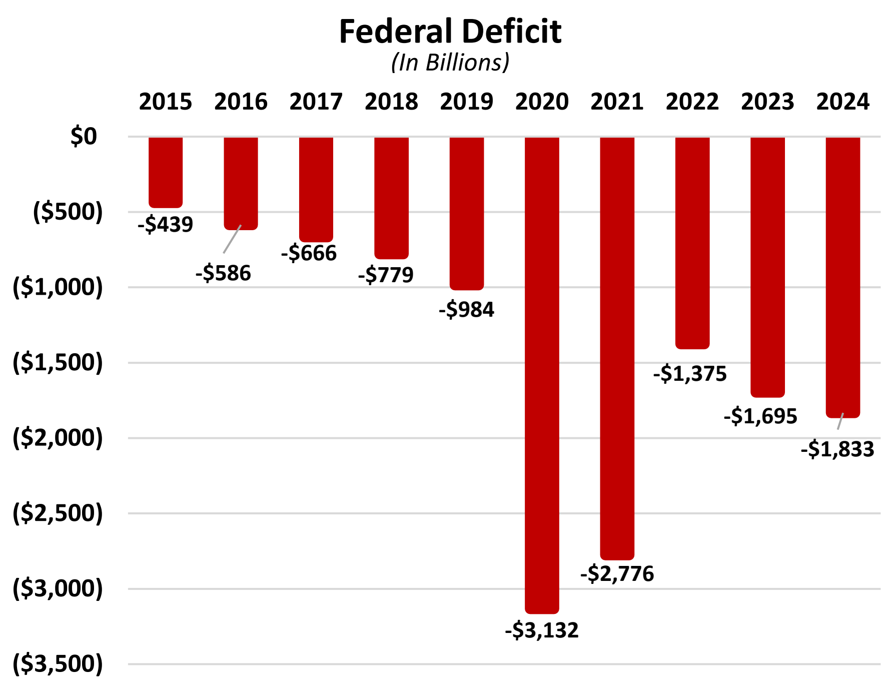


- Federal debt, due to deficit spending funded with borrowed money, has increased by 86% since 2015, from 12.4% to 23.0%.
- Interest on the Federal debt is projected to be over 25% of federal tax revenues in FY 2025.
- Florida's benchmark debt ratio has decreased by over 50% since 2015 (from 5.6% to 2.6%) due to decreasing debt and growing revenues.

Federal Deficit vs Florida's Reserves

- Florida's FY 2024 reserves are $20.5 billion, or a strong 42.5% of General Revenues.
- The reserves reflect Florida's strong, conservative fiscal management helping the state earn the highest credit ratings (AAA/Aaa Stable).
- The reserves position Florida well to withstand any future economic uncertainty.





- Federal government deficit spending is recurring and has increased over the last 10 years.
- The cumulative deficit over the last 10 years is $14.2 trillion, requiring additional borrowing.
- In FY 2024 $.27 of every Federal dollar spent was from borrowed money.
- Credit ratings of the federal government were downgraded by two agencies, with a third agency lowering its outlook from "Stable" to "Negative."