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State of Florida

Economy / Budget / Debt

September 2020 Update

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Florida Overview

COVID-19 Response

- In response to the COVID-19 health crisis, Governor DeSantis declared a State of Emergency on March 9, 2020
- Numerous executive orders issued subsequently to reduce community spread and protect most vulnerable citizens
- State has been reopening in phases beginning May 14
- After a spike in cases after initial reopening, Florida case measures have been improving

Fiscal Year 2020 Results

- FY 2020 financial results were significantly affected by COVID-19
- General Revenues collections declined by $2 billion, or 6.1% from prior FY
- Decline in revenues was addressed through use of unspent GR balances
- Budget Stabilization Fund was untouched at $1.6 billion at 6/30/20
- Additional Trust Fund Reserves of $2.9 billion at fiscal year-end, including $877 million of Tobacco Reserves
- CARES Funds added to unspent GR available to support FY 2021 spending

Economy and Revenue Estimates

- FY 2021 GR projected collections reduced by $3.4 billion, or 9.9% from prior estimates
- Monthly GR collections – recent improvement in GR and Sales Tax collections
- After a 4.3% drop in FY 2021, Florida's GDP is expected to expand at an accelerated 4.2% in FY2022 and settle in the 2.5% to 3% range in the subsequent 5 years
- Revenue growth is expected to return to the historical annual average of $1.3 billion

Fiscal Year 2021 Budget

- Budget was adopted based on revenue forecasts prior to COVID-19 impacts
- Historic governor vetoes of $1 billion from FY 2021 budget and agency budgetary hold-backs implemented
- Strategies to strengthen future financial condition:
  - Maximize use of Federal Funds, most importantly CRF Funds
  - Reductions to agency budgets through hold-backs and legislative budget requests

Pension Funding

- Eighth consecutive year that budget fully funds the actuarially determined contribution based on plan assumptions
- Funded ratio remains strong; 84.2% based on actuarial value of assets and 88.4% based on market value of assets

Debt Position

- Estimated debt outstanding at end of Fiscal Year 2020 reduced to $19.2 billion; $1.4 billion, or 6.9% decrease from 2019
- Moderate amount of new debt authorization in FY 2021
- Benchmark debt ratio declined to 4.64% in FY 2019, remaining under the 6% target

Section 1

COVID-19 Response

Timeline of State Actions

March 1:	Governor DeSantis directed the Florida Department of Health to issue a Public Health Emergency
March 7:	Governor DeSantis activated the State Emergency Operations Center
March 9:	Governor DeSantis issued Executive Order 20-52, declaring a State of Emergency
March 17:	Executive Order 20-68 restricted bars, restaurants, and beaches
March 23:	Executive Order 20-80 restricted travel from the New York Tri-State area and other areas of substantial community spread
	Restrictions on Long Term Care Visitation
March 24:	Executive Order 20-83, Safer at Home, issued
April 20–24:	Governor DeSantis convened the Re-Open Florida Task Force
May 14:	Executive Order 20-131 brought all Florida counties into Phase 1
June 3:	Executive Order 20-139 brought 64 of the 67 Florida counties into Phase 2
June 26:	DPBR Emergency Order 2020-09 reintroduced restrictions on bars
July 6:	FDOE Emergency Order 2020-EO-06 provided guidance to school districts to reopen K-12 schools
August 14–26:	Governor DeSantis convened the Task Force on the Safe and Limited Re-Opening of Long-Term Care Facilities

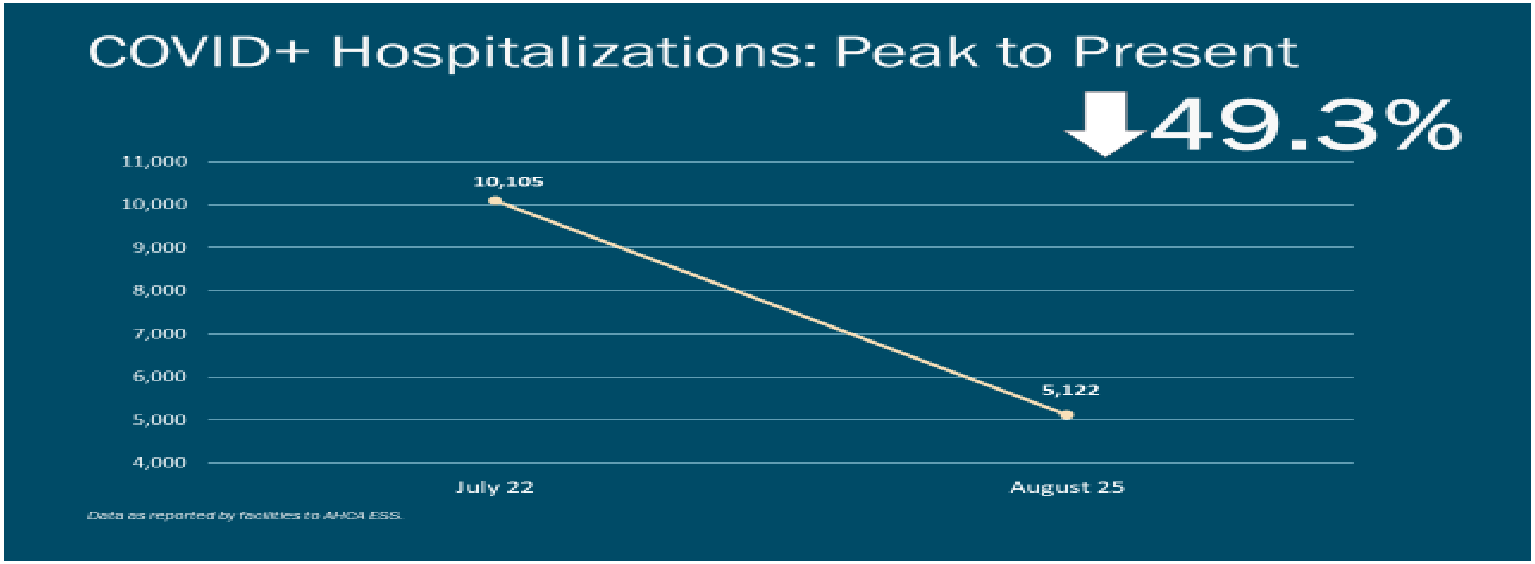
Actions Taken to Reopen Florida

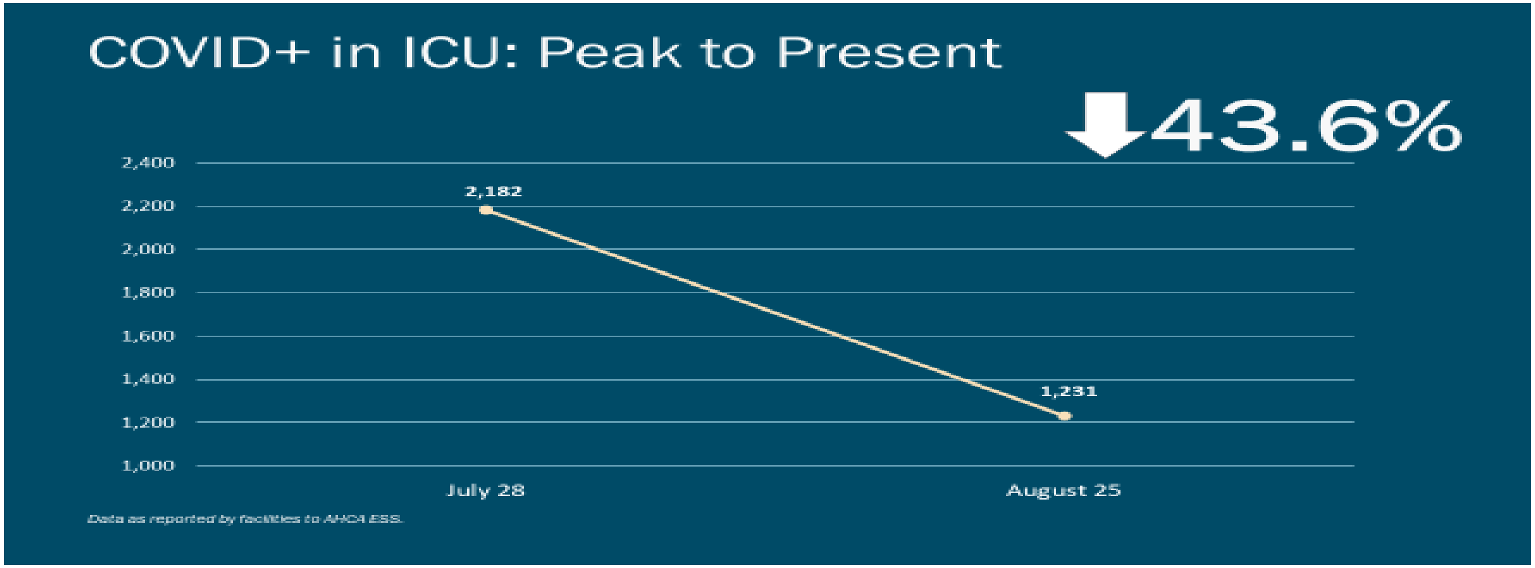
Phase 0 → Phase 1 → Phase 2 → Phase 3

- **Reopen Task Force - Safe Smart Step-by-Step Plan for Florida's Recovery**
    1. Public Health & Safety
    2. Protection of the Vulnerable
    3. Health Care System Readiness
    4. Economic Recovery
    5. Protection of Civil Liberties & Maintaining Individual Rights
    6. Public Confidence
    7. Partnership with Local Communities

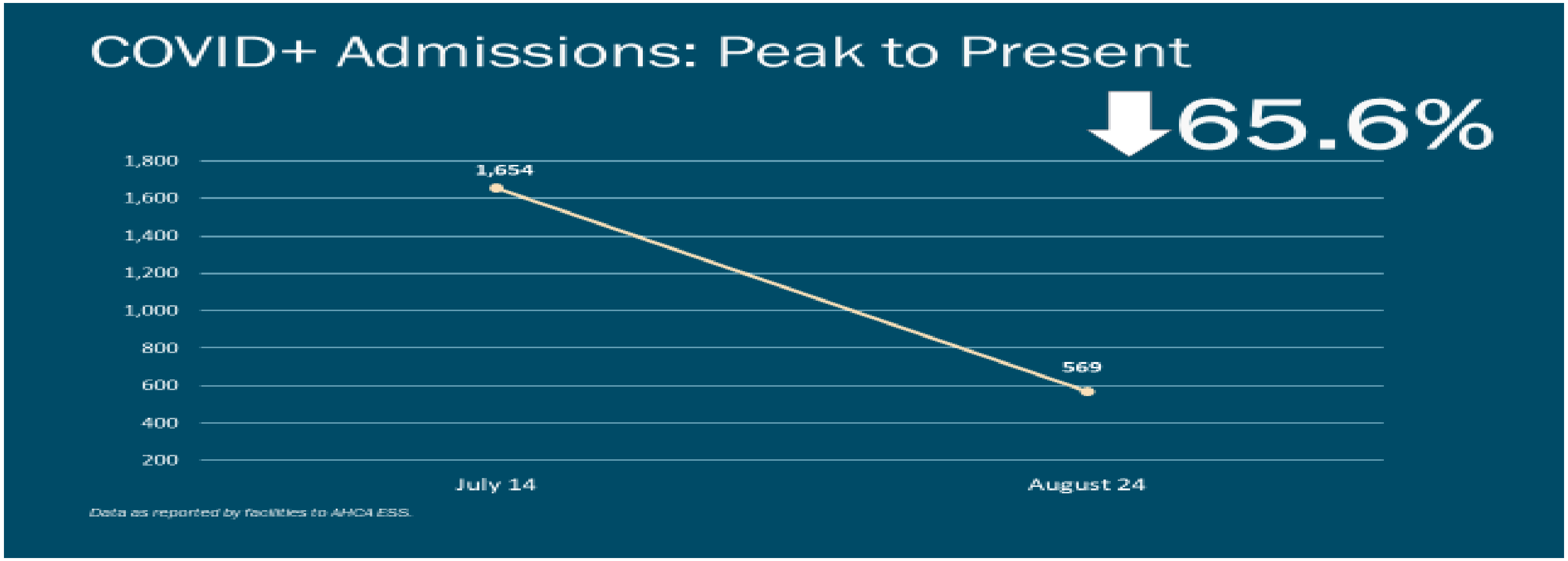
- **Actions to Reopen**
    1. Executive Order 20-131 – All 67 Counties in Phase 1 *[May 14]*
    2. Executive Order 20-139 – 64 Counties moved to Phase 2 *[June 3]*
        - Three South Florida Counties remain in Phase 1

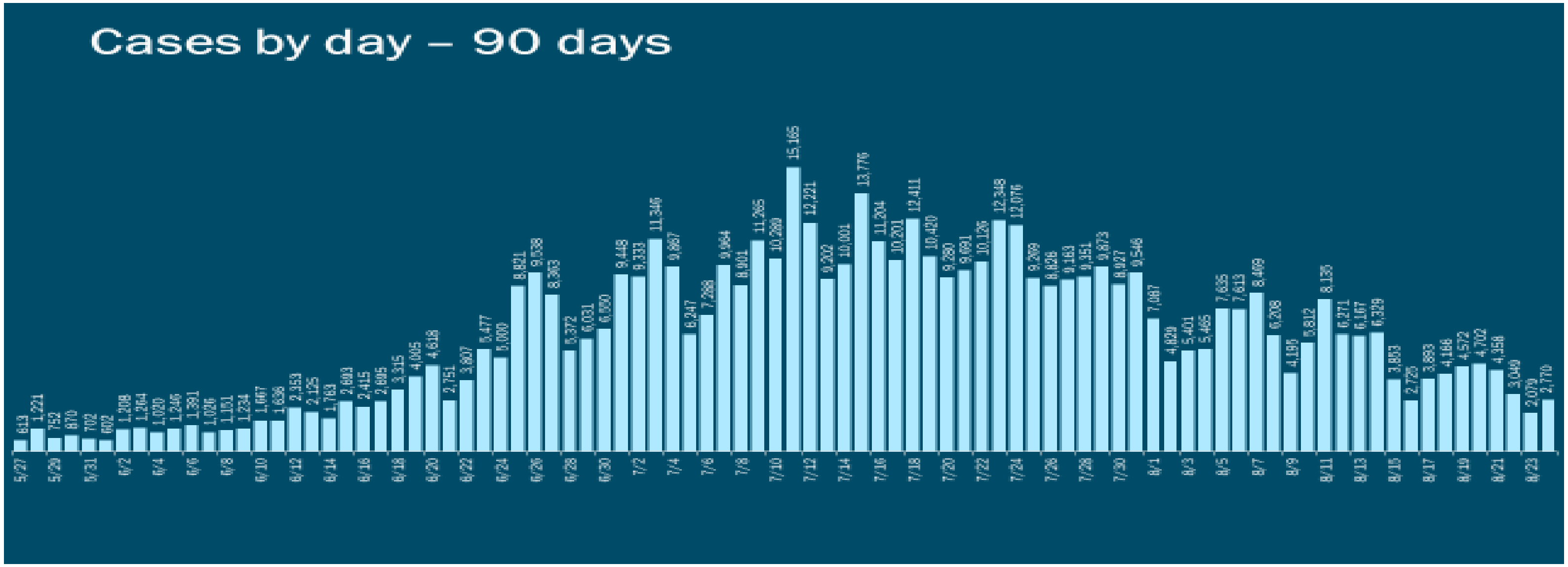
Hospitalizations & ICU Counts Declining



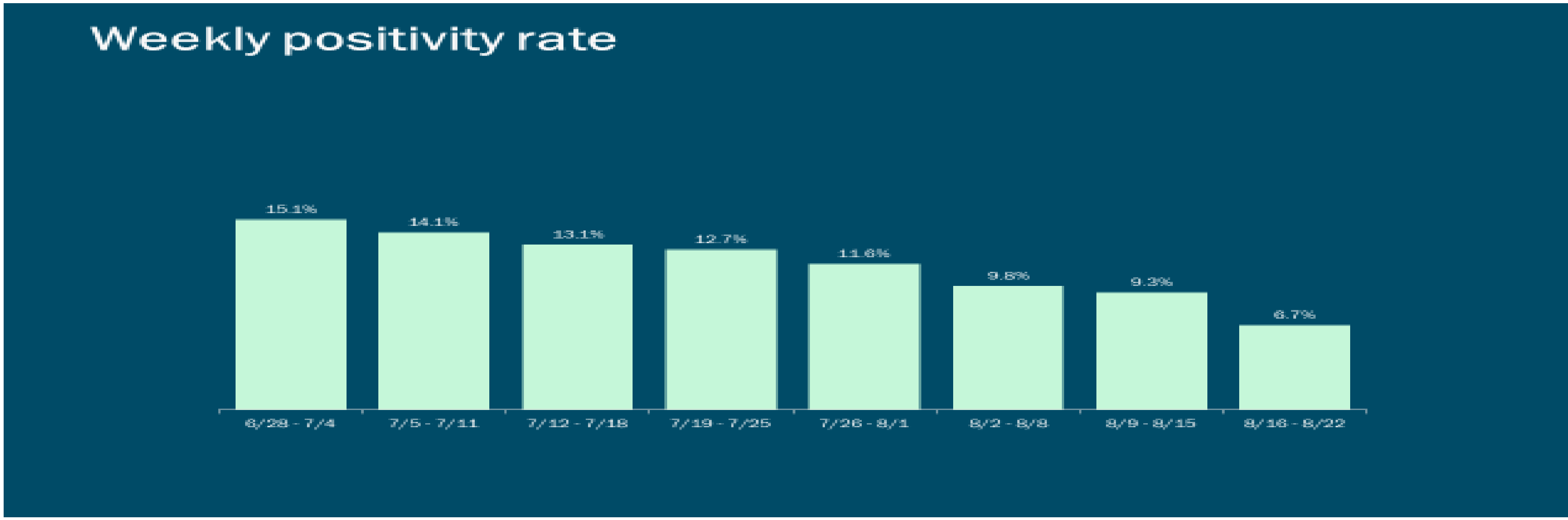


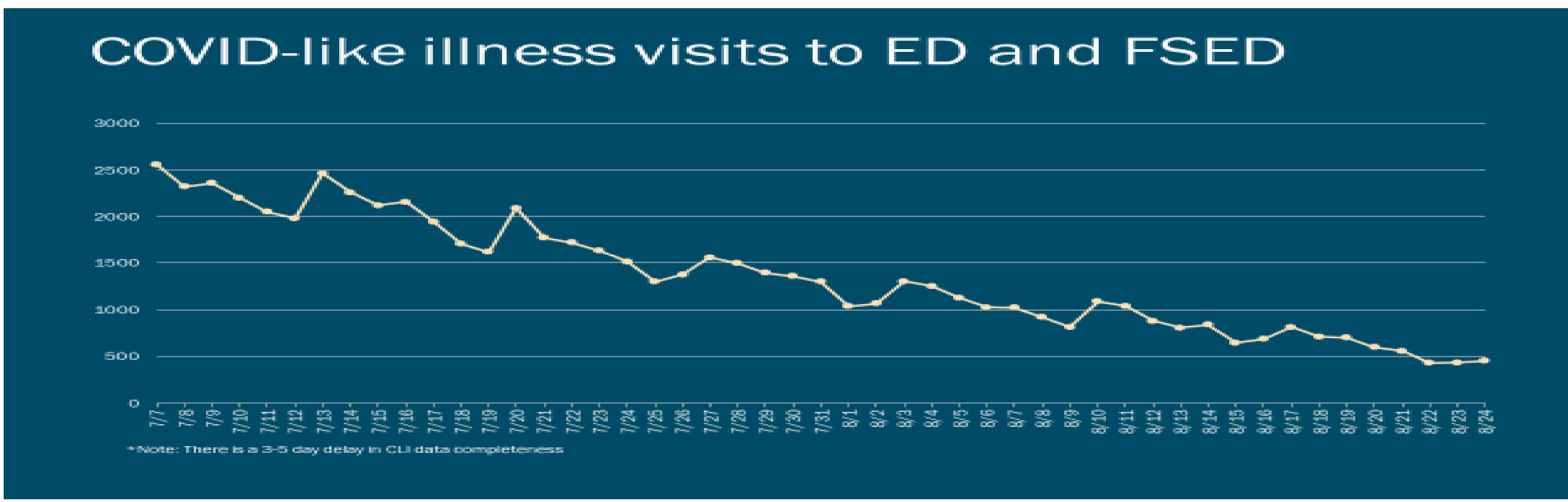
Cases Declining in Florida





Positivity Rates on Decline in Florida





Section 2

Fiscal Year 2020 Results

FY 2020 General Revenue Highlights

- During Fiscal Year 2020, total General Revenue (GR) collections declined by $2.0 billion, or 6.1%, from the prior fiscal year to $31.4 billion
- Through March of Fiscal Year 2020, GR collections showed steady growth with year-over-year increases and collections in excess of the estimate in every month, resulting in collections that were approximately $200 million over estimate
- The COVID-19 pandemic-induced economic contraction resulted in GR shortfalls versus the estimate of 29%, 26%, and 13% in April, May, and June respectively, totaling $2.1 billion (23%) – Improvements in monthly decline each month since April
- For April through June, Sales Tax collections fell $1.6 billion (24%) short of the estimate driven by the decline in tourism ($845 million or 53%) and consumer nondurables ($355 million or 18%)
- The construction sector benefitted from increased home improvement activities during the shutdown and contributed an additional $50 million (12%) in GR sales tax collections
- Corporate Income Taxes fell $387 million or 33% short of the estimate, driven by a decrease in estimated payments and a delay of payments into July 2020
- Decline in revenues was addressed through use of unspent GR reserves; Budget Stabilization Fund remained untouched at $1.6 billion at fiscal year-end

FY 2020 General Revenue Results

Fiscal Year 2020 Unspent GR Balance	Amount *($ millions)*
Projected Ending Balance as of January 15, 2020	$1,933.6
Hurricane Budget Actions	41.3
COVID Budget Actions	(510.8)
Year End Reversions (including FMAP Reversions of $650 million)	833.9
Supplemental Appropriations in the GAA and Substantive Bills	(159.1)
Variety of Revenue Adjustments	29.7
Revenue Adjustment due to COVID-19	(1,883.1)
Sub-Total Ending Balance for Fiscal Year 2020	**$285.5**
Coronavirus Relief Fund (CRF) *(less Local Government Funds of $318.8)*	$5,537.0
Total Ending Balance for Fiscal Year 2020	**$5,822.5**

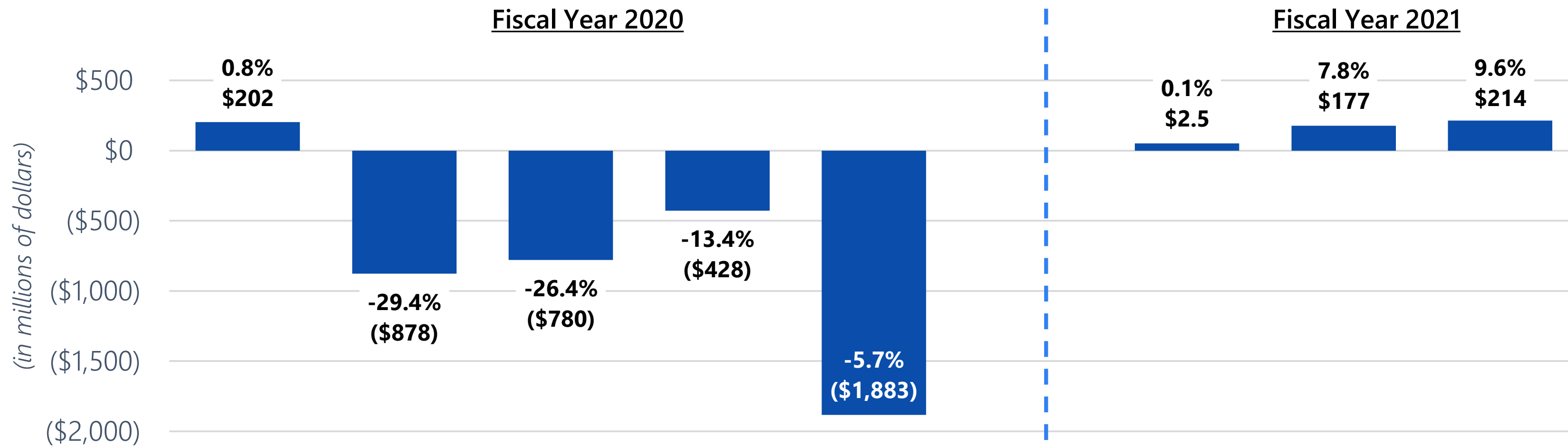
- Decline in General Revenue collections was addressed through the use of unspent General Revenue reserves; BSF was not utilized and remained fully funded at $1.6 billion at 6/30/20
- Net CARES Act Funds received of $5.5 billion have been added to unspent General Revenue balance (total $5.86 billion received less approximately $319 million distributed to local governments)

Source: Revenue Estimating Conference for General Revenue Fund and Financial Outlook Statement, August 14, 2020

General Revenue Collections

- Through March, FY 2020 General Revenue collections showed steady growth with year-over-year increases and collections in excess of the estimate in every month, resulting in collections that were $200 million over estimate for the first nine months of the Fiscal Year
- For April, May and June, General Revenue collections were $2.1 billion under estimate, resulting in total collections for FY 2020 of $31.4 billion, which were $1.9 billion, or 5.7%, less than estimates
- Decline in General Revenue collections has continued to improve each month since April 2020
  - July 2020 collections were slightly over January 2020 projections due to Corporate Income Tax and Filing Fees coming in $169 million over estimate which offset Sales Tax collections that were $165 million under estimate
  - August 2020 General Revenue collections were approximately $177 million, or 7.8%, over the new estimates from the August 2020 Revenue Estimating Conference
  - Preliminary General Revenue collections for September 2020 are $214 million, or 9.6%, over estimate

Monthly Net General Revenue Collections vs. Estimates[1]



	Jul-19-Mar-20	Apr-20	May-20	Jun-20	Total FY 2020	Jul-20	Aug-20	Sep-20[2]
Estimates	$24,117.9	$2,984.3	$2,956.3	$3,190.8	$33,249.3	$2,697.2	$2,286.1	$2,240.4
Actual Collections	24,320.3	2,106.2	2,176.8	2,763.0	31,366.2	2,699.7	2,463.3	2,454.5
Over/Under Estimate	**$202.4**	**($878.1)**	**($779.5)**	**($427.8)**	**($1,883.1)**	**$2.5**	**$177.2**	**$214.1**
% Under Estimate	**0.8%**	**(29.4%)**	**(26.4%)**	**(13.4%)**	**(5.7%)**	**0.1%**	**7.8%**	**9.6%**

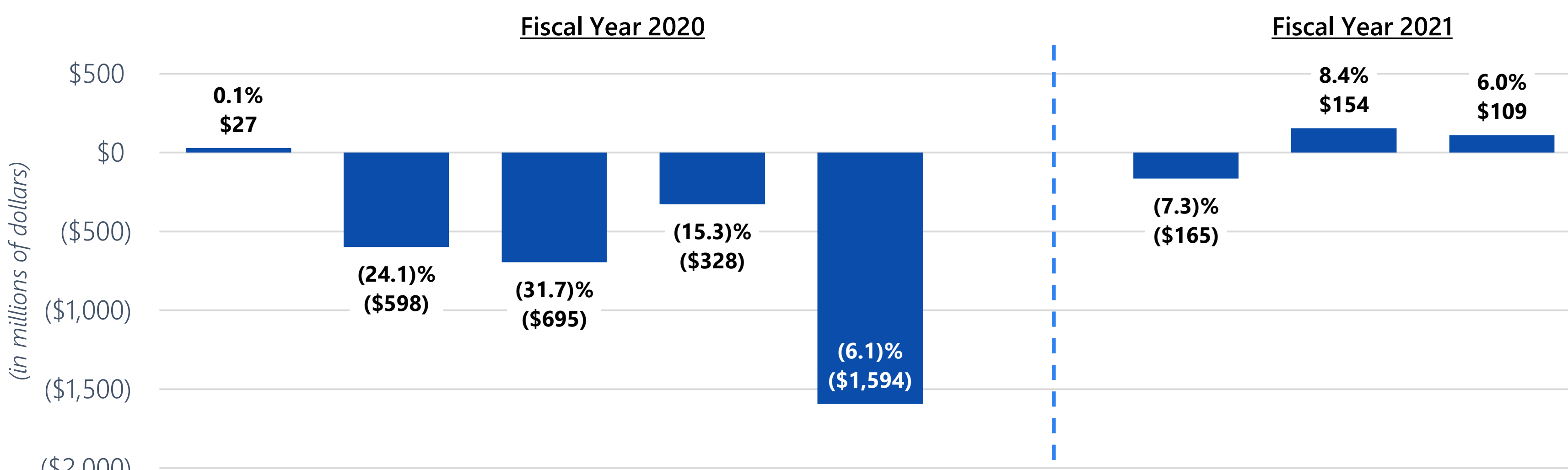
[1] August 2020 and September 2020 collections are compared to the new monthly estimate from the August 2020 Revenue Estimating Conference. All prior months are compared to the estimates from the January 2020 Revenue Estimating Conference.

[2] September 2020 actual collections are estimated based on preliminary collection data for the three largest sources of General Revenues (Sales Tax, Corporate Income Tax, and Documentary Stamp Tax). The monthly estimate shown for September 2020 represents the combined monthly estimate for only those three sources.

Sales Tax Collections

- Since May 2020, Sales Tax collections have improved relative to estimates in each month
- Sales Tax collections lag by one month (e.g., July collections represent June sales activity)
- August 2020 Sales Tax collections were approximately $154 million, or 8.4%, higher than the new estimates from the August 2020 Revenue Estimating Conference and preliminary September 2020 Sales tax collections are $109 million, or 6.0%, above estimate

Monthly Sales Tax (General Revenue) Collections vs. Estimates[1]



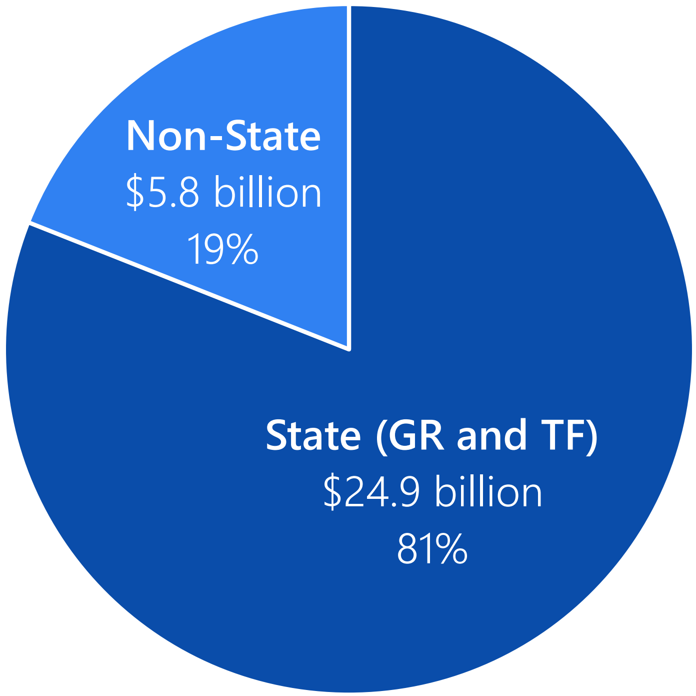
	Jul-19-Mar-20	Apr-20	May-20	Jun-20	Total FY 2020	Jul-20	Aug-20	Sep-20[2]
Estimates	$19,360.1	$2,484.4	$2,190.9	$2,150.2	$26,185.6	$2,250.5	$1,825.8	$1,808.1
Actual Collections	19,387.4	1,886.2	1,495.5	1,822.2	$24,591.3	2,085.3	$1,979.6	1,917.4
Over/Under Estimate	**$27.3**	**($598.2)**	**($695.4)**	**($328.0)**	**($1,594)**	**($165.2)**	**$153.8**	**$109.3**
% Under Estimate	**0.1%**	**(24.1%)**	**(31.7%)**	**(15.3%)**	**(6.1%)**	**(7.3%)**	**8.4%**	**6.0%**

[1] August 2020 and September 2020 collections are compared to the new monthly estimate from the August 2020 Revenue Estimating Conference. All prior months are compared to the estimates from the January 2020 Revenue Estimating Conference.
[2] September 2020 actual collections are estimated based on preliminary Sales Tax collection data.

State Liquidity

- Florida Treasury Investment Pool had a balance of $30.7 billion at June 30, 2020
- State Share totaled $24.9 billion (including $5.9 billion in CARES Act funds)
- State liquidity not a concern

Florida Treasury Investment Balance
As of June 30, 2020



Source: Florida Treasury

Section 3

Economy and Revenue Estimates

COVID-19 Florida Economic Impact

- Florida's Real GDP declined by 36.9% in the second quarter of 2020
- Loss of 2.0 million jobs between February 2020 and April 2020 (20%)
- Unemployment rate spiked from 2.8% in February 2020 to 13.8% in April 2020
- Personal income decreased by 6.6% in the second quarter of 2020
- Impact is significant but temporary
- Reflects shutdown, not fundamental or structural change in drivers of Florida economy

Florida Demographic Forecast

- Slowing growth expected even before COVID-19 because of underlying demographics

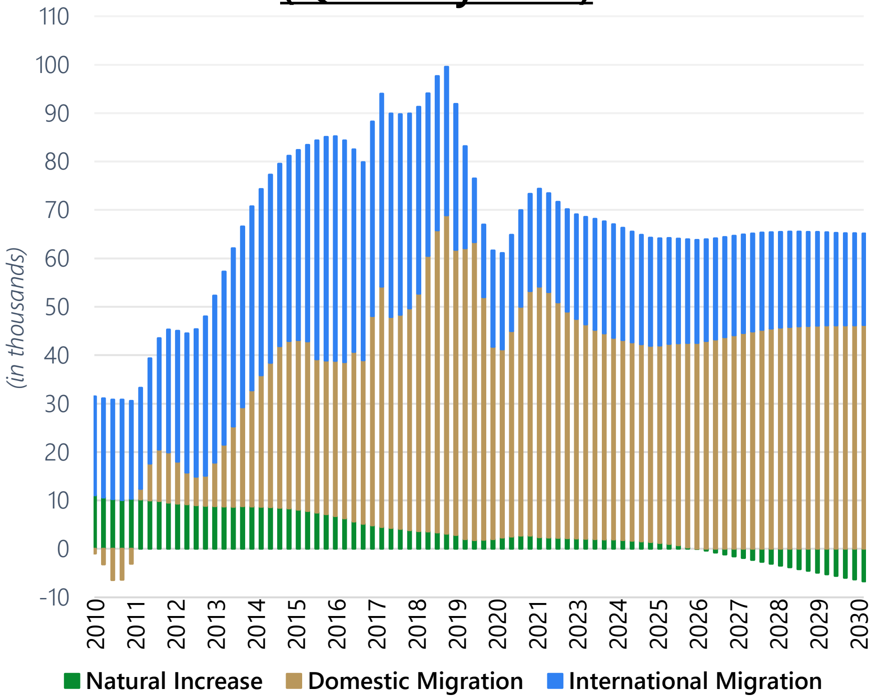
Florida Population

- Permanent slowdown in growth driven by significant contraction of international migration

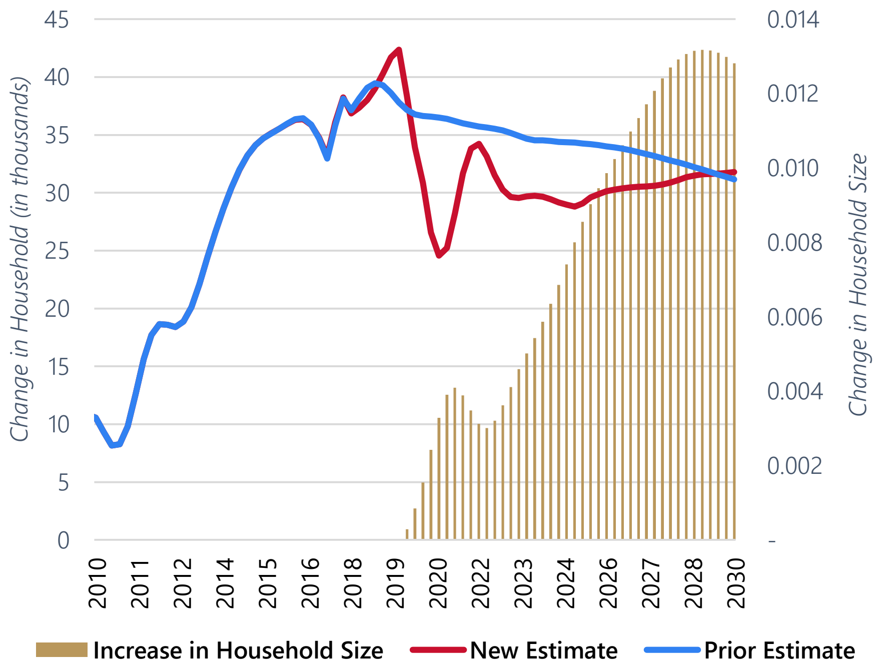
Florida Households

- Dampened growth driven by slower population growth and increase in household size

Change in Population (Quarterly Data)



Change in Households (Quarterly Data)

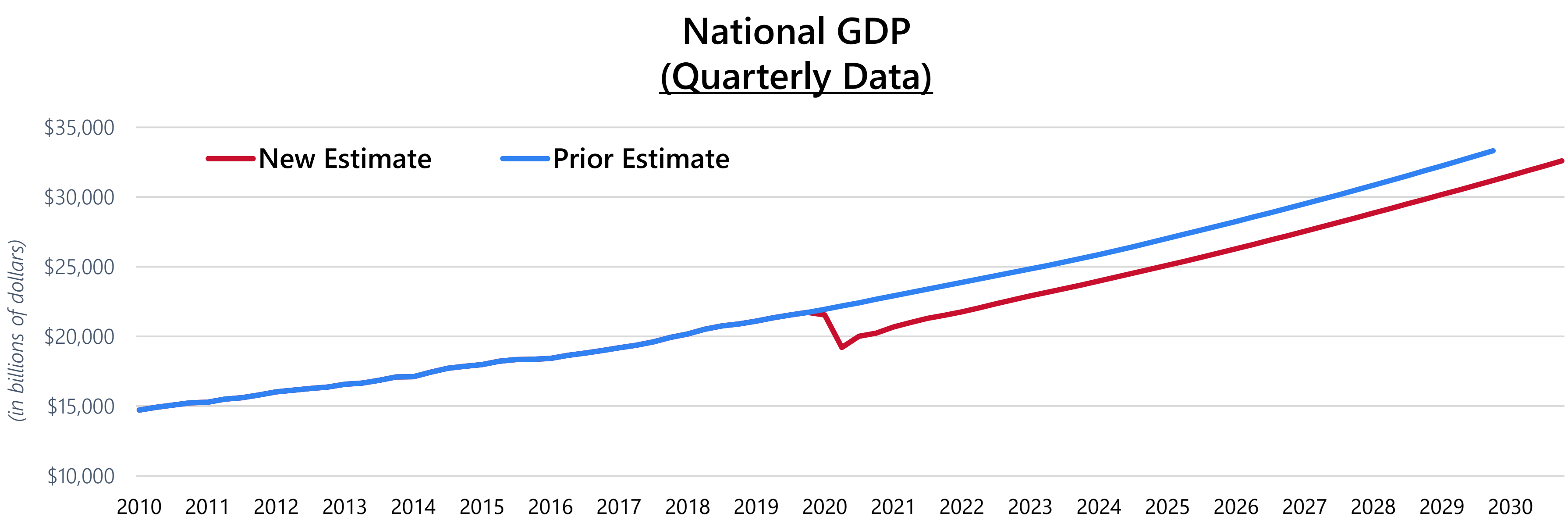


Source: Florida Demographic Estimating Conference, July 13, 2020

National Economic Forecast

National Economy

- IHS/Markit July 2020 Economic Outlook
- Mix of 85% Baseline and 15% Pessimistic Scenario driven by June/July national resurgence of virus
- Assumptions
    - Trough reached in April 2020
    - Deeper initial contraction, slower reopening pace, less success in virus containment than in baseline
    - Rebound constrained by widespread availability of vaccine not until sometime in Fiscal Year 2021 or 2022
- Outlook: Persistent 1.5% loss of potential GDP
    - lower capital stock due to cyclical decline in capital investment
    - Reduction in labor supply
    - Decreased productivity of capital in socially dense industries

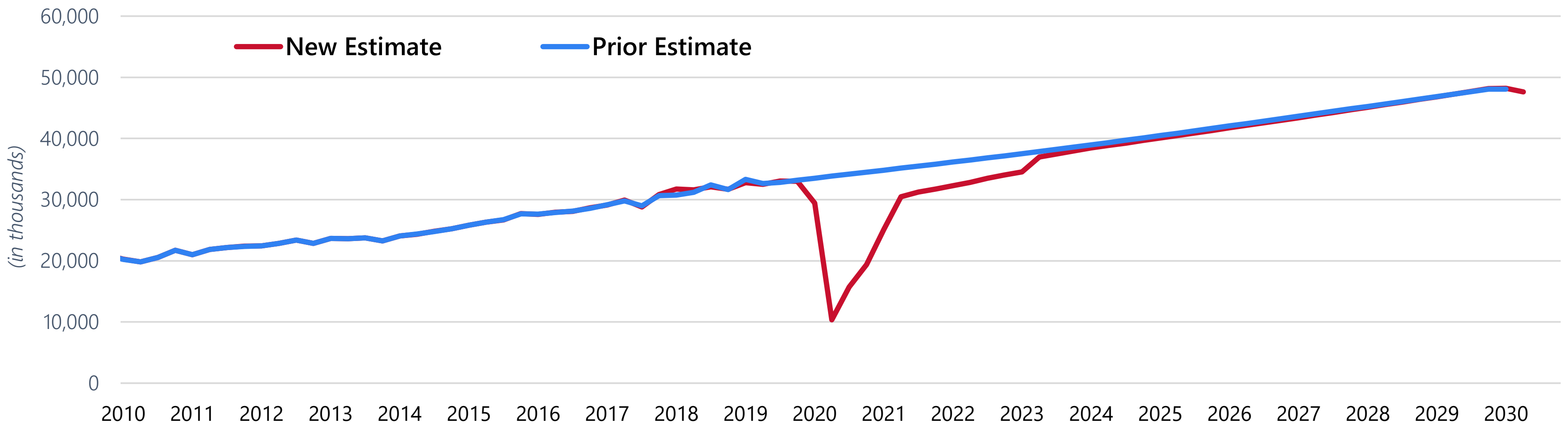


Source: National Economic Estimating Conference, July 10, 2020

Florida Tourism Forecast

- Tourism vulnerable to long-term effect of pandemic
- Not expected to recover to pre-pandemic levels for several years
- Persistent change in business and conference travel due to increased and accelerated adoption of remote technology
- Gradual increase in domestic travel to prior anticipated levels by the third quarter of 2023
- Gradual increase in international leisure travel but falling short of prior anticipated levels throughout the end of the decade
- New forecast levels never exceed the prior forecast levels but come close towards the end of the decade

Total Visitors
(Quarterly Data)

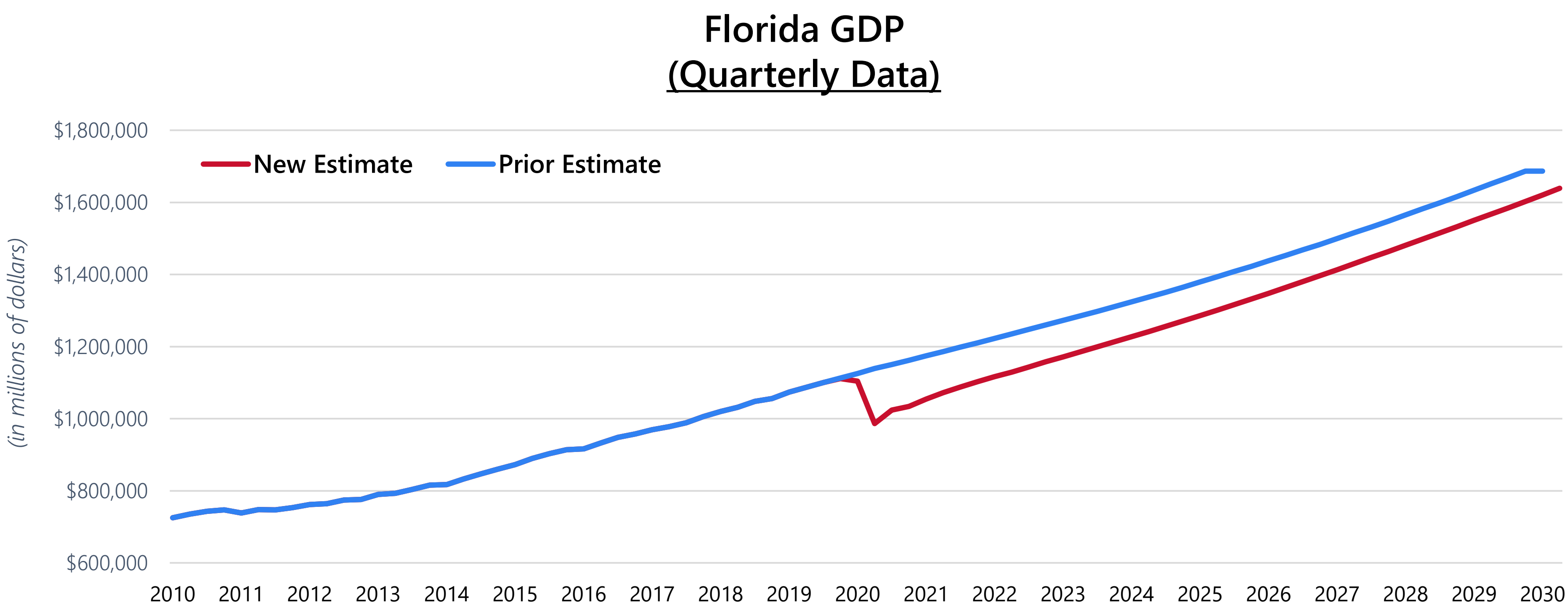


Source: Florida Economic Estimating Conference, July 17, 2020

Florida Economic Forecast

Florida Economy

- Growth rates overall return to their pre-COVID19 paths
- Economy does not recover to the levels expected prior to the pandemic even by the end of the decade
- While some measures (employment, construction spending) recover their pre-COVID19 peaks after two or three fiscal years, others never reach them at all
- Leisure and Hospitality sector is expected to bear the brunt of the long-term consequences

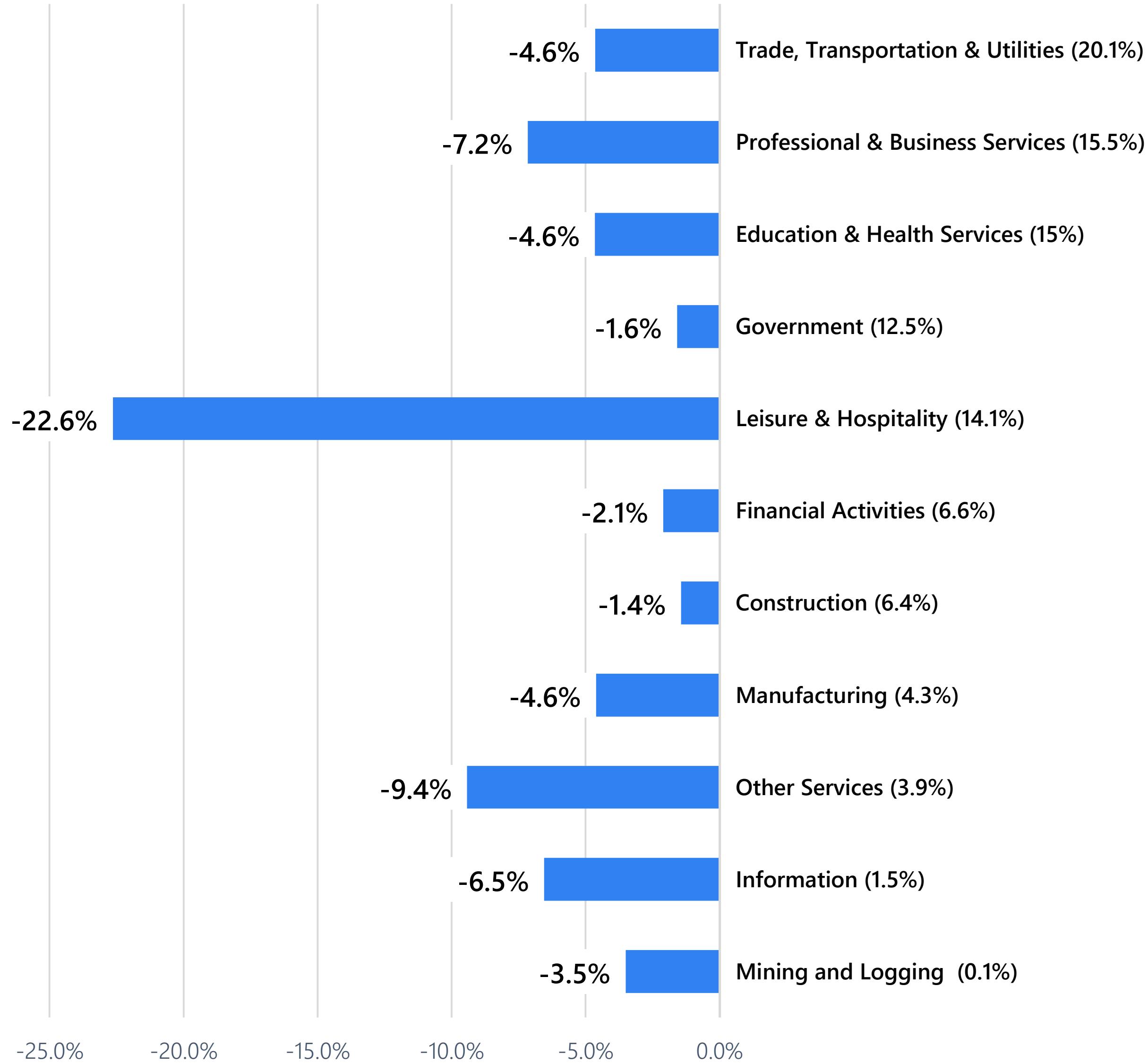


Source: Florida Economic Estimating Conference, July 17, 2020

Florida Employment

Job Losses by Sector

- Non-Farm Employment fell by 644k (7.1%) between December 2019 and June 2020
- 45% of the losses were concentrated in the Leisure & Hospitality sector which lost 287k jobs (22.6%)
- Construction, financial services, and government remained fairly unscathed

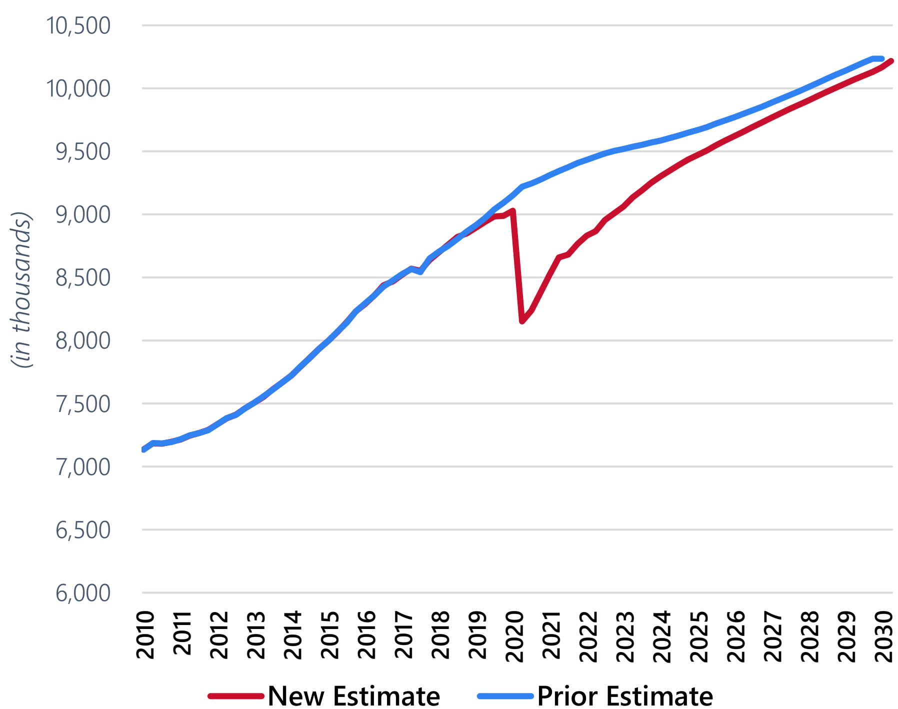


Florida Employment

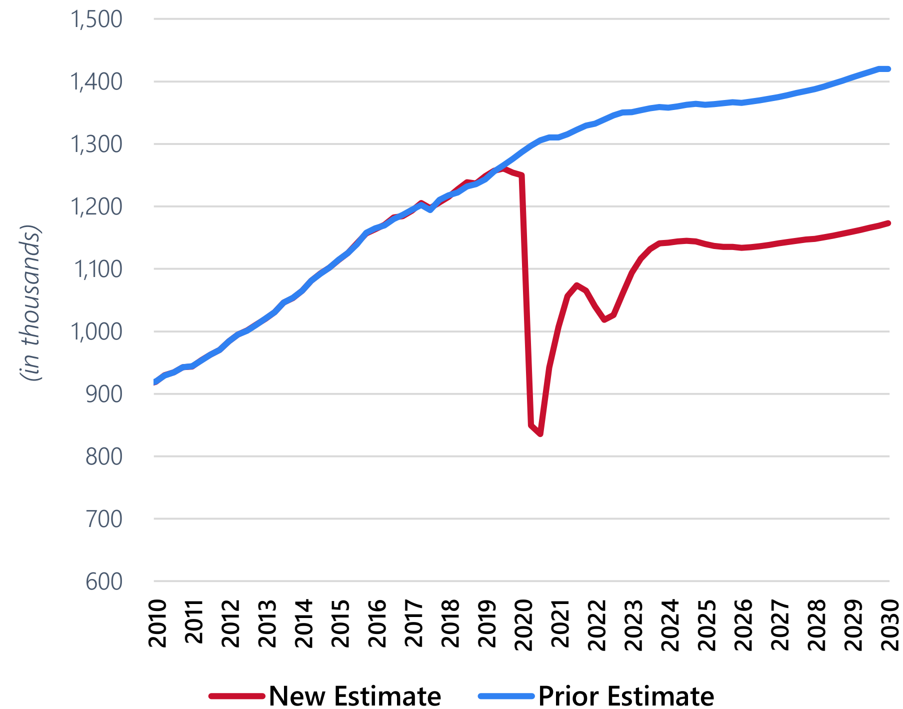
Job Growth

- Florida overall employment is expected to reach its prior peak in first quarter of 2023
- Some sectors are expected to reach their prior peaks and attain levels higher than previously expected by the middle of the decade
- Tourism and trade dependent employment well remains short of the prior peak throughout the end of the decade

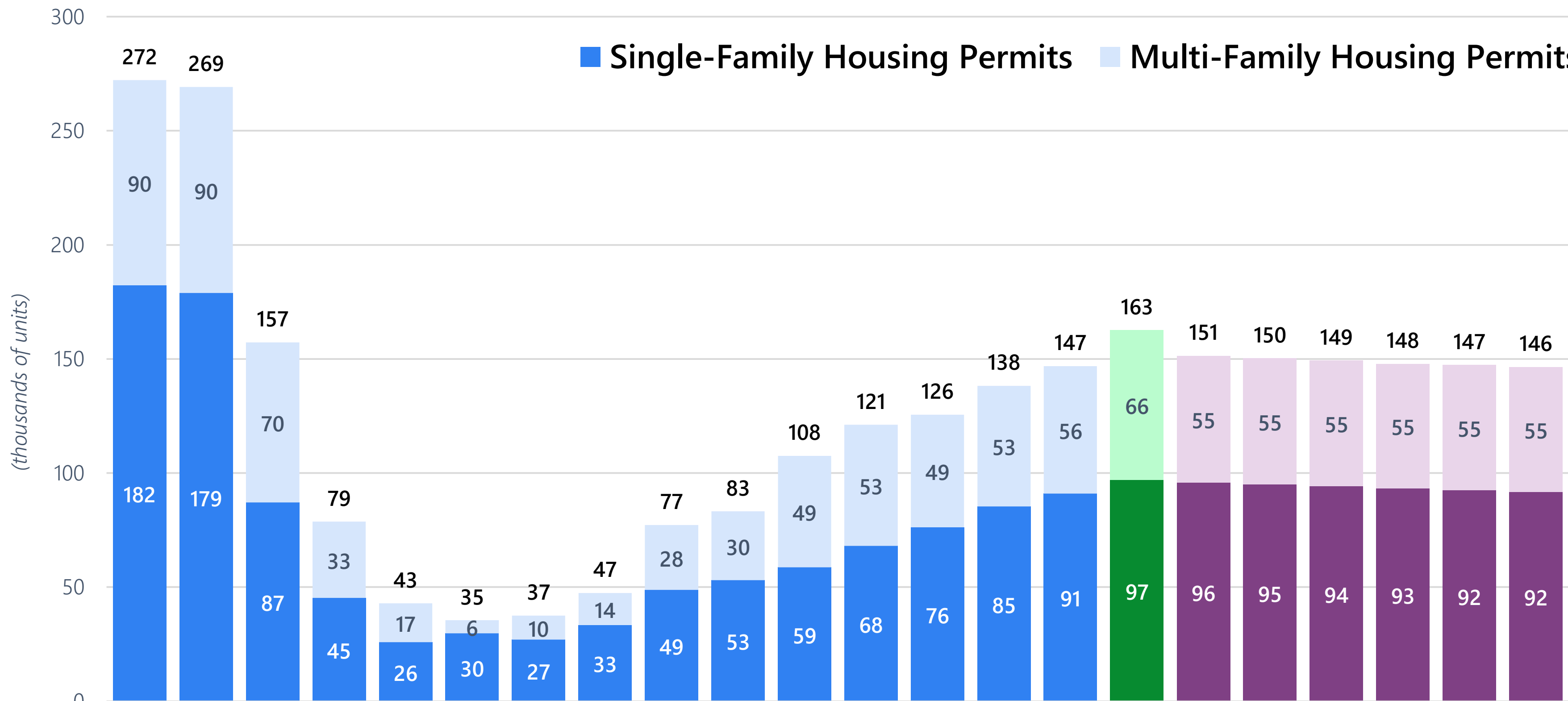
Total Employment (Quarterly Data)



Leisure & Hospitality Employment (Quarterly Data)



Florida Housing Starts



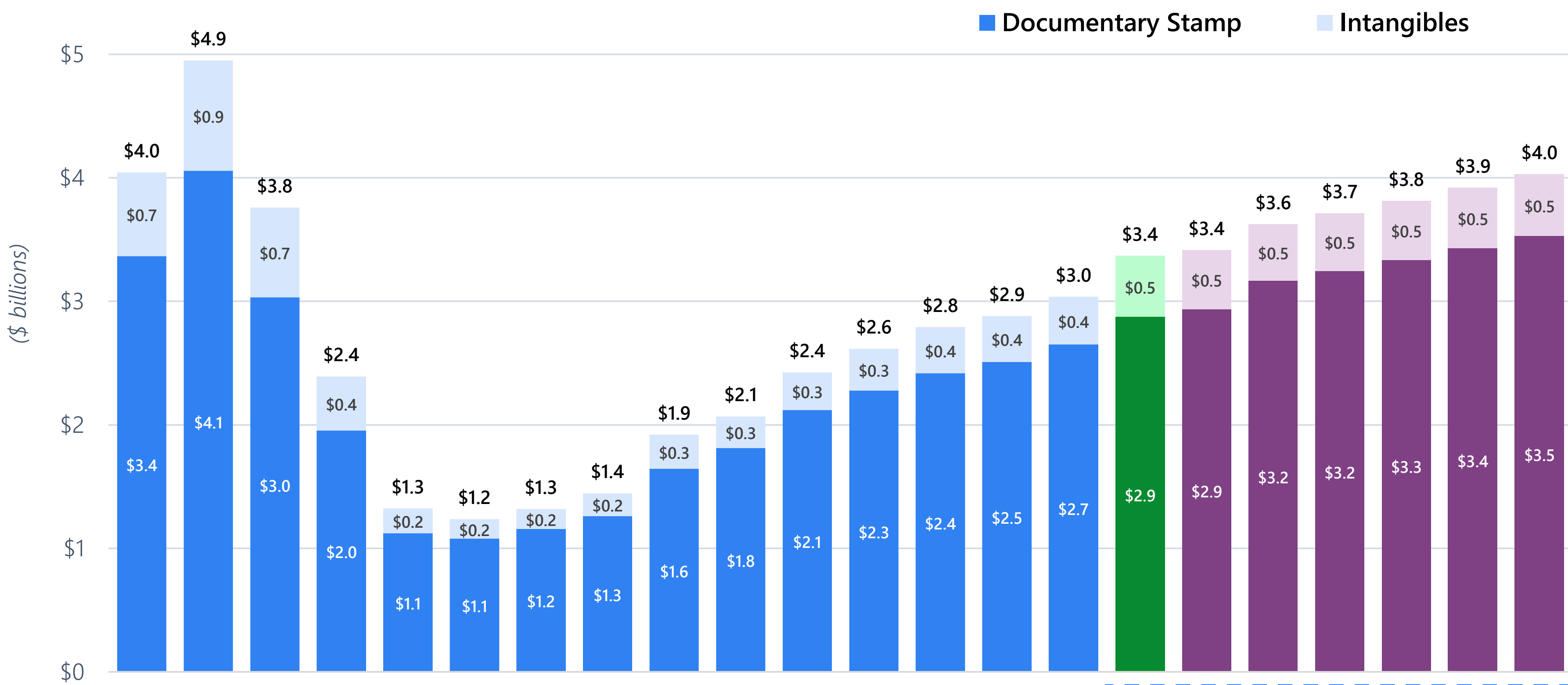
Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Growth Rate	14.4%	(1.1%)	(41.6%)	(50.0%)	(45.5%)	(17.3%)	5.7%	26.5%	62.8%	7.8%	29.2%	12.7%	3.7%	10.1%	6.2%	10.8%	(6.9%)	(0.7%)	(0.6%)	(1.0%)	(0.3%)	(0.6%)

Estimates

- Total private housing starts remain well below the peak Fiscal Year 2005 level of 272,000 units
- Housing starts have stabilized and are forecasted to decline slightly in Fiscal Years 2021 and 2022
- Housing starts are expected to stay in the 140,000 range through the end of the decade

Source: Florida Economic Estimating Conference, July 2020

Documentary Stamp and Intangibles Tax Collections



Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Growth Rate	25.8%	22.4%	(24.0%)	(36.4%)	(44.7%)	(6.5%)	6.6%	9.6%	32.7%	7.7%	17.2%	7.9%	6.7%	3.2%	5.4%	10.9%	1.4%	6.1%	2.5%	2.7%	2.7%	2.8%

Estimates

- Documentary Stamp and Intangibles tax collections remain well below the Fiscal Year 2006 peak of $4.9 billion
- Low mortgage rates and a strong housing sector are driving collections
- Documentary Stamp and Intangibles tax collections are indicative of Florida's continued home price and sales volume improvements

Source: General Revenue Estimating Conference, August 2020

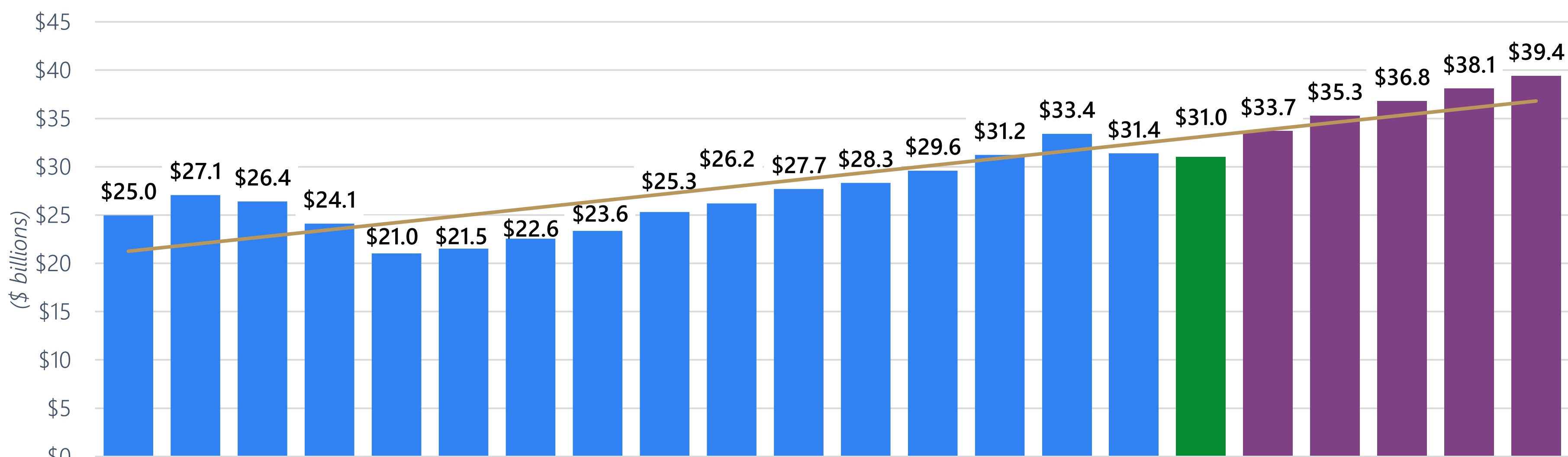
General Revenue Projections

Fiscal Year 2021

- Projected General Revenue collections were reduced by $3.4 billion (9.9%) by the August 2020 Revenue Estimating Conference
- Decline driven by Sales Tax ($2.8 billion decrease) and Corporate Income Taxes ($500 million decrease)
- FY 2021 estimated General Revenue collections total $31.0 billion, which is $376 million, or 1.2% lower than FY 2020 collections
- General Revenue drop (peak to trough) in Great Recession was approximately $6.0 billion, or 22.3%; COVID-19 drop estimated to total $2.4 billion, or 7.3%

Long Term

- General Revenue (GR) growth of 8.7% in FY 2022, 4.7% in FY 2023, 4.3% in FY 2024, 3.5% thereafter
- Reversion to historical trend of approximately $1.3 billion annual growth



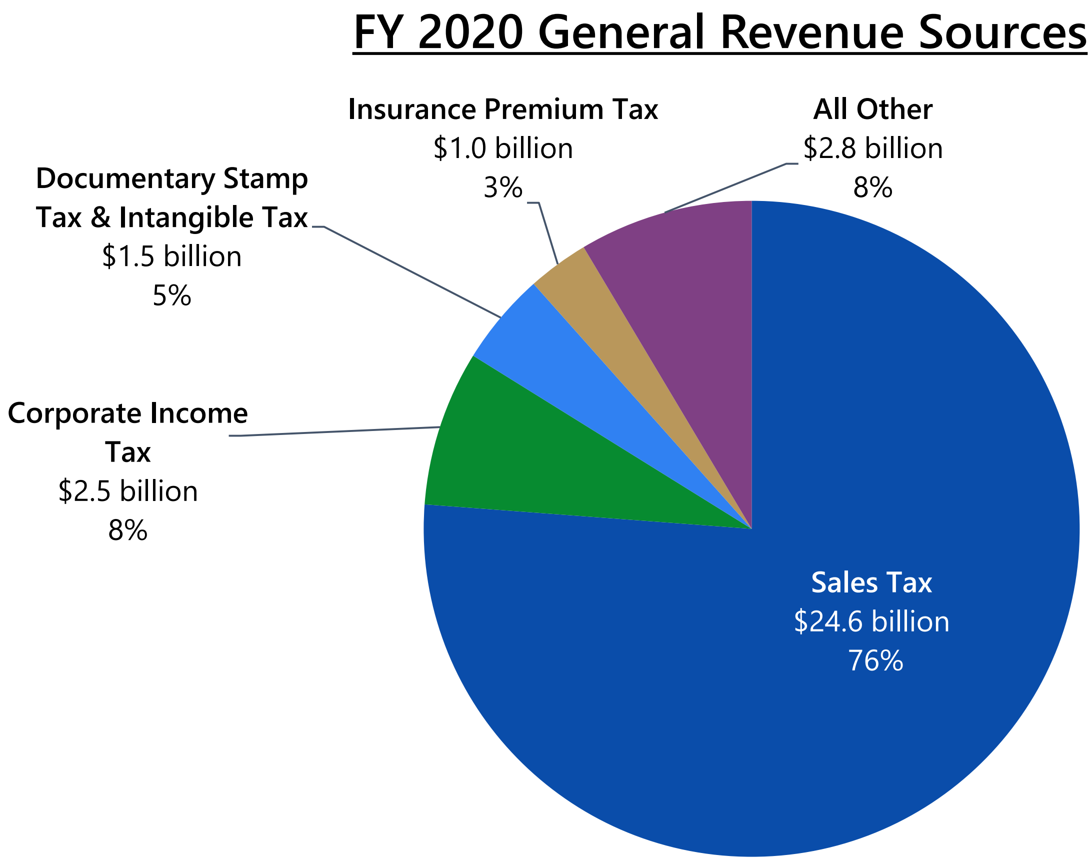
Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Growth Rate	14.4%	8.4%	(2.5%)	(8.7%)	(12.8%)	2.4%	4.8%	4.7%	7.2%	3.5%	5.7%	2.3%	4.5%	5.5%	7.0%	(6.1%)	(1.2%)	8.7%	4.7%	4.3%	3.5%	3.5%

Estimates

Source: General Revenue Estimating Conference, August 14, 2020.

General Revenue 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

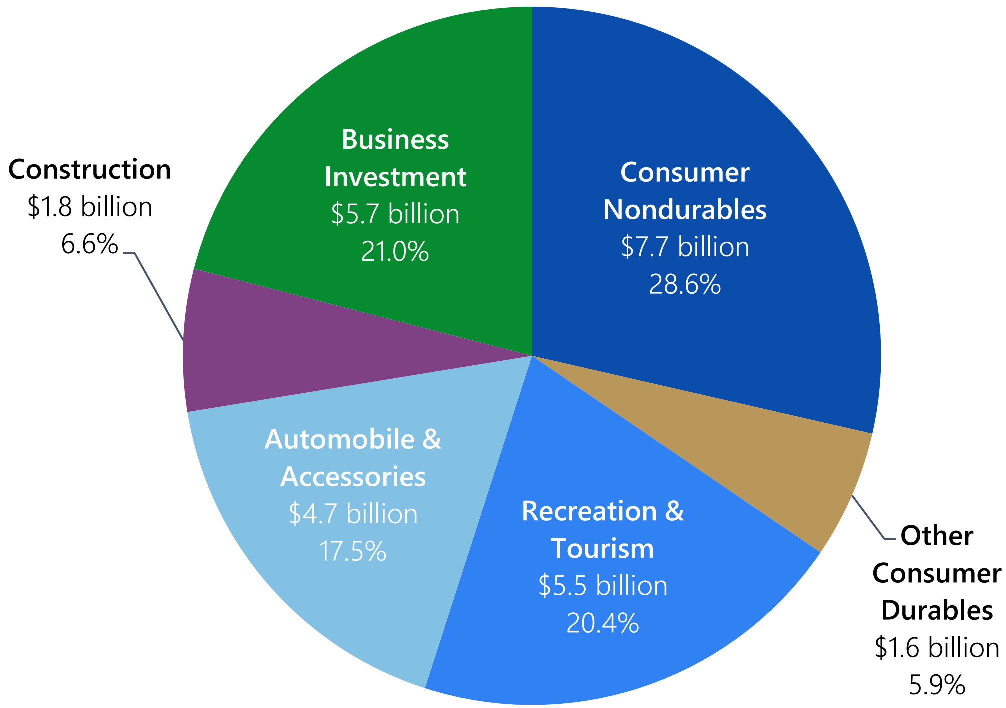


Source: Office of Economic and Demographic Research. Amounts and percentages are based on gross General Revenue collections.

Sales Tax Liability

- Significant interruption caused by COVID-19 pandemic
- Tourism had the greatest impact. Recovery in tourism expected in Fiscal Year 2022
- Growth expected to revert back to the historical long-term average of 3% by Fiscal Year 2025

FY 2020 Sales Tax Breakdown



Sales Tax Liability Annual Percentage Change

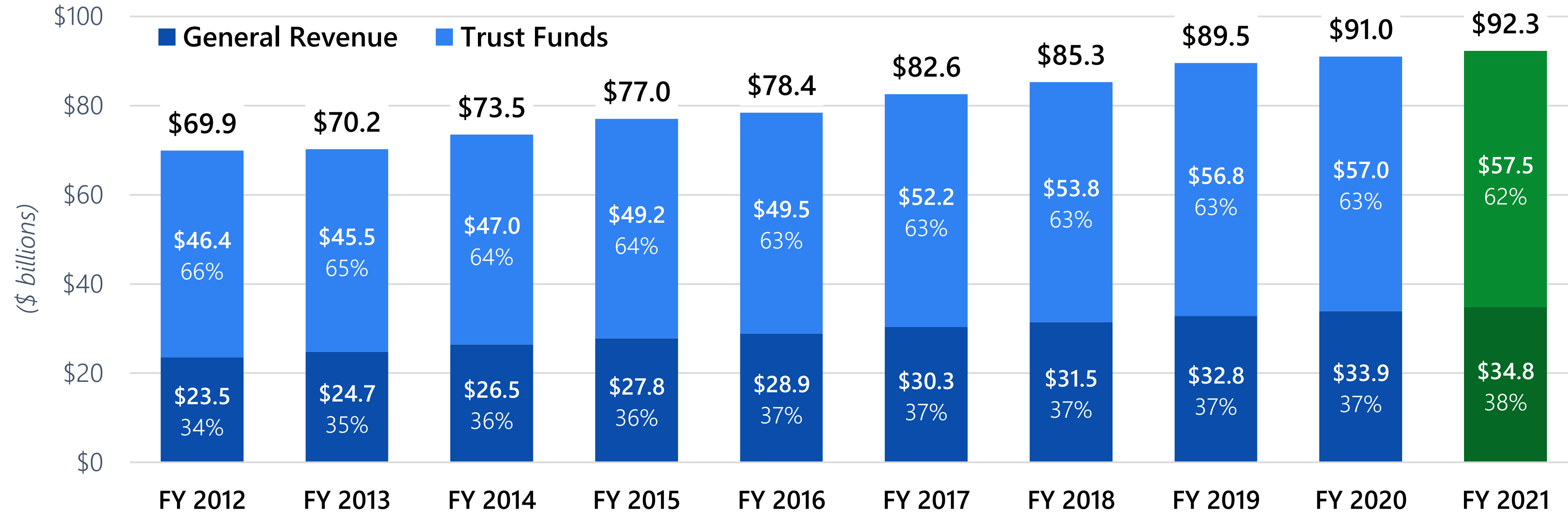
	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Consumer Nondurables	6.0%	1.4%	4.3%	4.1%	4.3%	-2.7%	5.5%	6.0%	4.0%	4.2%	3.7%
Recreation and Tourism	8.4%	6.1%	4.3%	6.5%	5.3%	-11.1%	-10.8%	25.6%	7.1%	6.9%	4.6%
Automobile and Accessories	9.4%	7.9%	4.8%	3.6%	3.3%	-0.2%	0.9%	8.2%	3.2%	3.4%	3.4%
Other Consumer Durables	8.1%	5.1%	1.0%	4.4%	0.4%	-3.9%	-3.2%	1.6%	0.8%	0.1%	-0.3%
Construction	9.6%	8.9%	6.5%	7.4%	7.6%	0.9%	-3.0%	1.3%	3.1%	3.1%	3.1%
Business Investment	7.6%	7.9%	6.3%	7.6%	9.4%	1.3%	-1.4%	4.8%	3.2%	3.0%	2.2%
Total Liability	7.7%	5.4%	4.7%	5.4%	5.3%	-3.2%	-1.2%	9.2%	4.1%	4.1%	3.3%

[1] *Source: General Revenue Estimating Conference, August 2020*

Section 4

Fiscal Year 2021 Budget

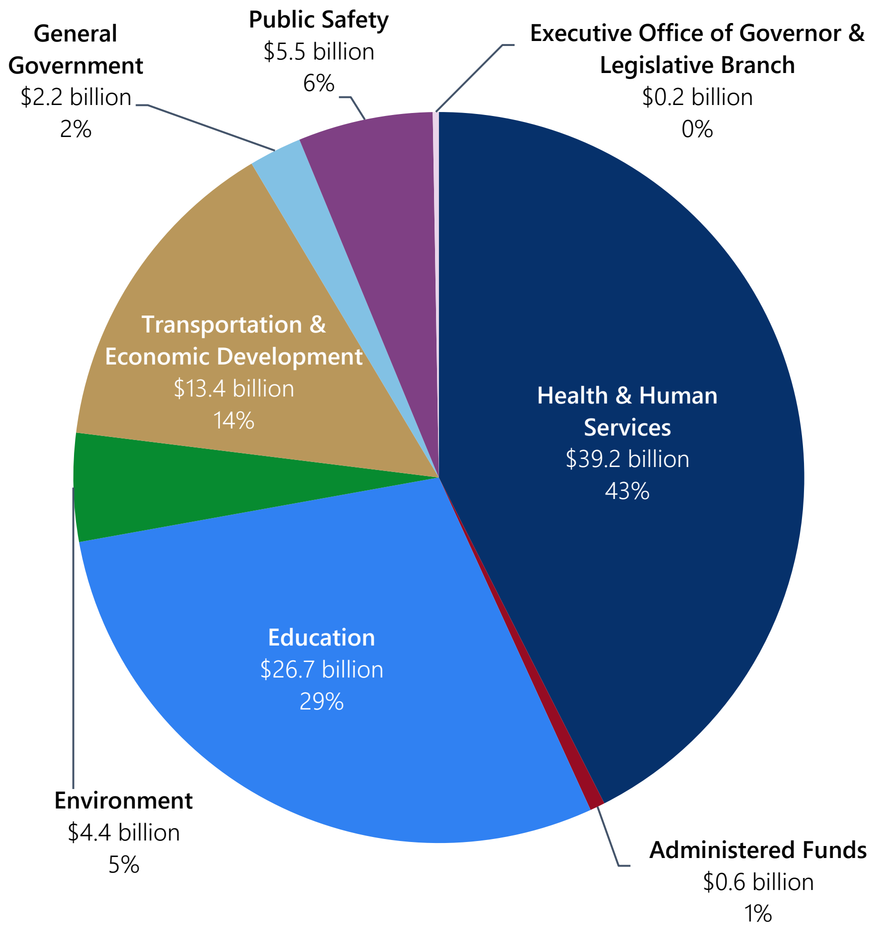
History of Total Appropriations



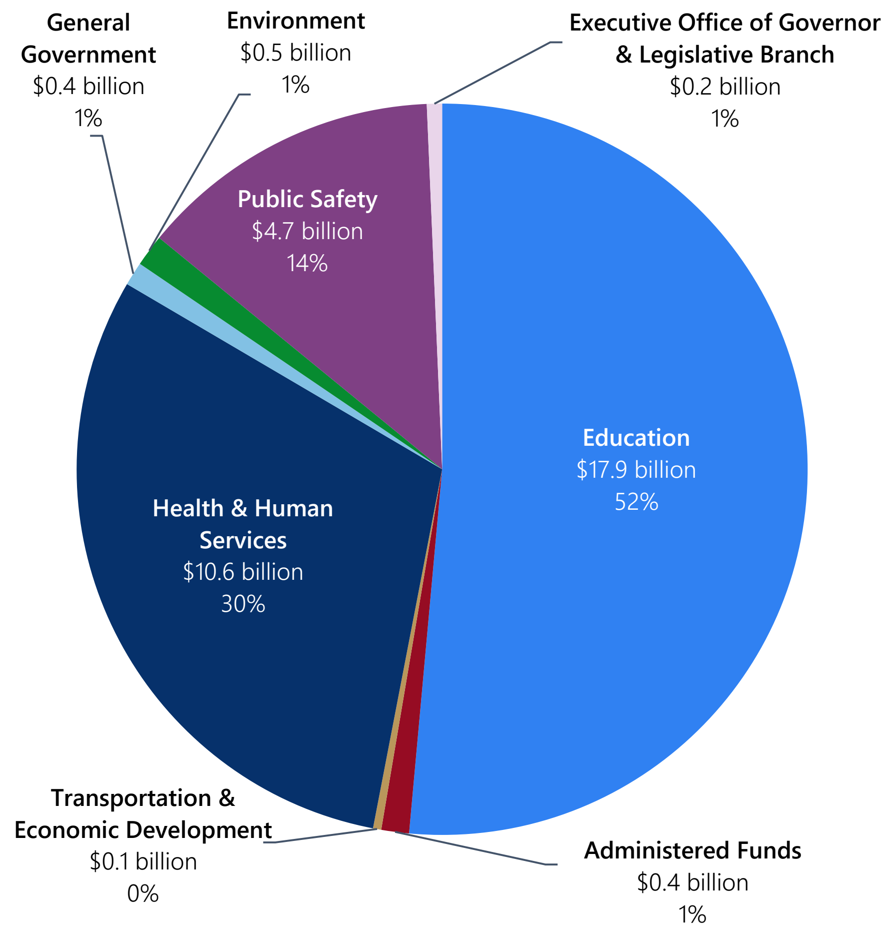
- Fiscal Year 2021 appropriations totaling $92.3 billion are about $1.3 billion or 1.4% above Fiscal Year 2020
- Largest portion of total State budget funded from Trust Funds (62% in FY 2021)
- Fiscal Year 2021 budget was adopted by Legislature largely without consideration of COVID-19 impacts, which were not estimated at the time
- Governor cut $1 billion from the Fiscal Year 2021 spending plan approved by the legislature ($487.8 million of the vetoes affected General Revenue spending) and instituted agency budgetary hold-backs

Fiscal Year 2021 Budget

Total Budget - $92.3 billion



General Revenue - $34.8 billion



- Largest component of total budget is Health and Human Services (43%)
- Largest component of GR budget is Education (52%)
- Largest shares reflect importance of those issues for the State
  - Priority given to Education, Environment and Economic Development initiatives

Fiscal Year 2021 Budget Highlights

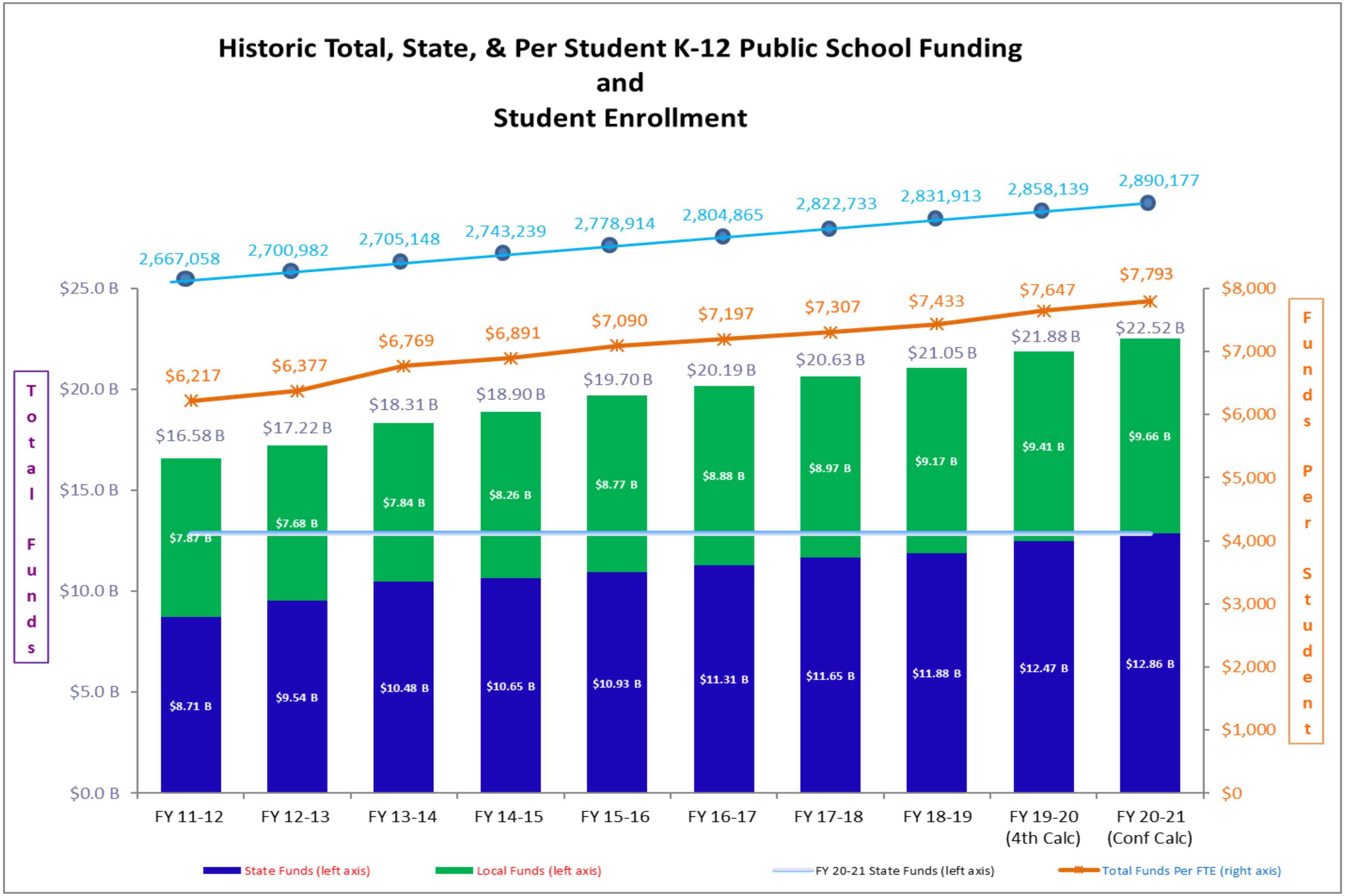
- Despite the unprecedented circumstances due to COVID-19, Florida was able to:
  - Maintain an overall increase in Education to support our teachers and students
    - K-12 public schools have the highest total and state funding of all time with **$22.5 billion** in total funding and $12.9 billion in state funding
    - This brings K-12 per student funding to **$7,793** exceeding the current year's record funding by $137 per student
  - Maintain Environmental investments by providing more than **$625 million** in record funding for Everglades restoration and the protection of water resources
    - This continues Governor DeSantis' commitment to achieving **$2.5 billion** over four years for the protection of Florida's water resources
  - Expedite Transportation projects to take advantage of traffic reductions during the efforts to combat COVID-19
    - DOT accelerated **$2.1 billion** worth of projects during Phase 1
    - Significant portions of the I-4 Ultimate Project in Orlando were accelerated to complete by Summer 2020, with interchange ramps opening three months ahead of schedule and five new I-4/SR 408 flyover ramps opening ahead of schedule
    - More than 40 critical transportation projects were accelerated by at least 650 total contract days, while also providing essential jobs
  - Strengthen Florida's pension funding approach through the adoption of more conservative actuarial assumptions underlying the annual pension plan valuation by:
    - Reducing the investment return assumption by 20 bps to 7.2%
    - Moving from the ultimate to the individual entry age normal (EAN) cost allocation method
    - Updating the demographic assumptions based on the findings of the 2019 Experience Study

Major Budget Changes for FY 2021

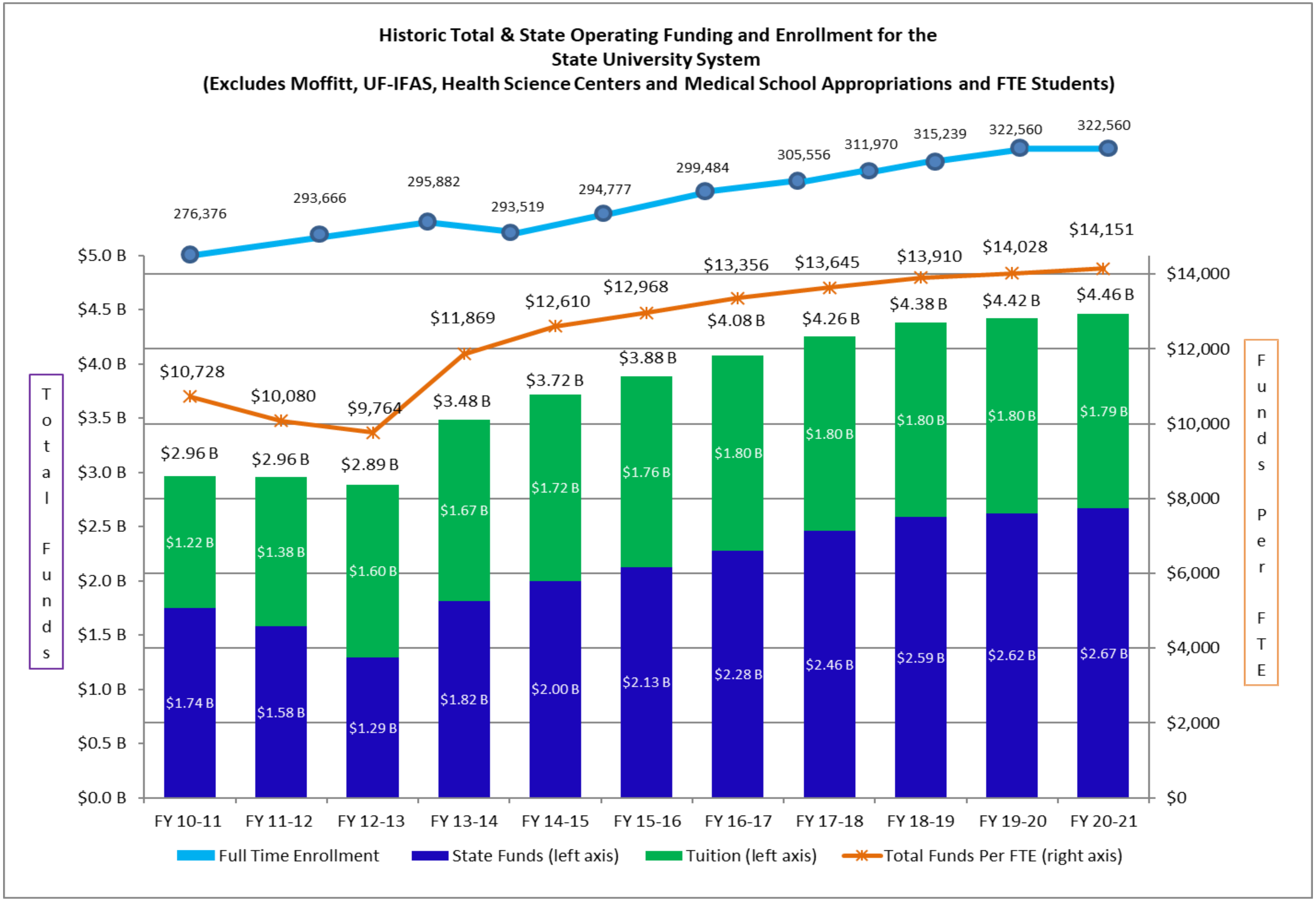
Fiscal Year 2021 Budget Increases	
Policy Area	**Amount** *($ millions)*
Health and Human Services	$1,557.6
Education	$716.6
Environment	$411.6
State Employee Pay Increases	$185.2
Transportation and Economic Development	($1,755.3)
Various	$161.5
Total Difference = $1.3 Billion	

- Education funding of $500 million to raise teacher starting salaries to the Top 5 in the Nation
- Medicaid Services increased over $1.4 billion
- Environment funding for increase of over $300 million
- Emergency Management and Community Based funding decreased after several years of hurricane recovery efforts, as well as a decrease in the Housing Program and the DOT Work Program

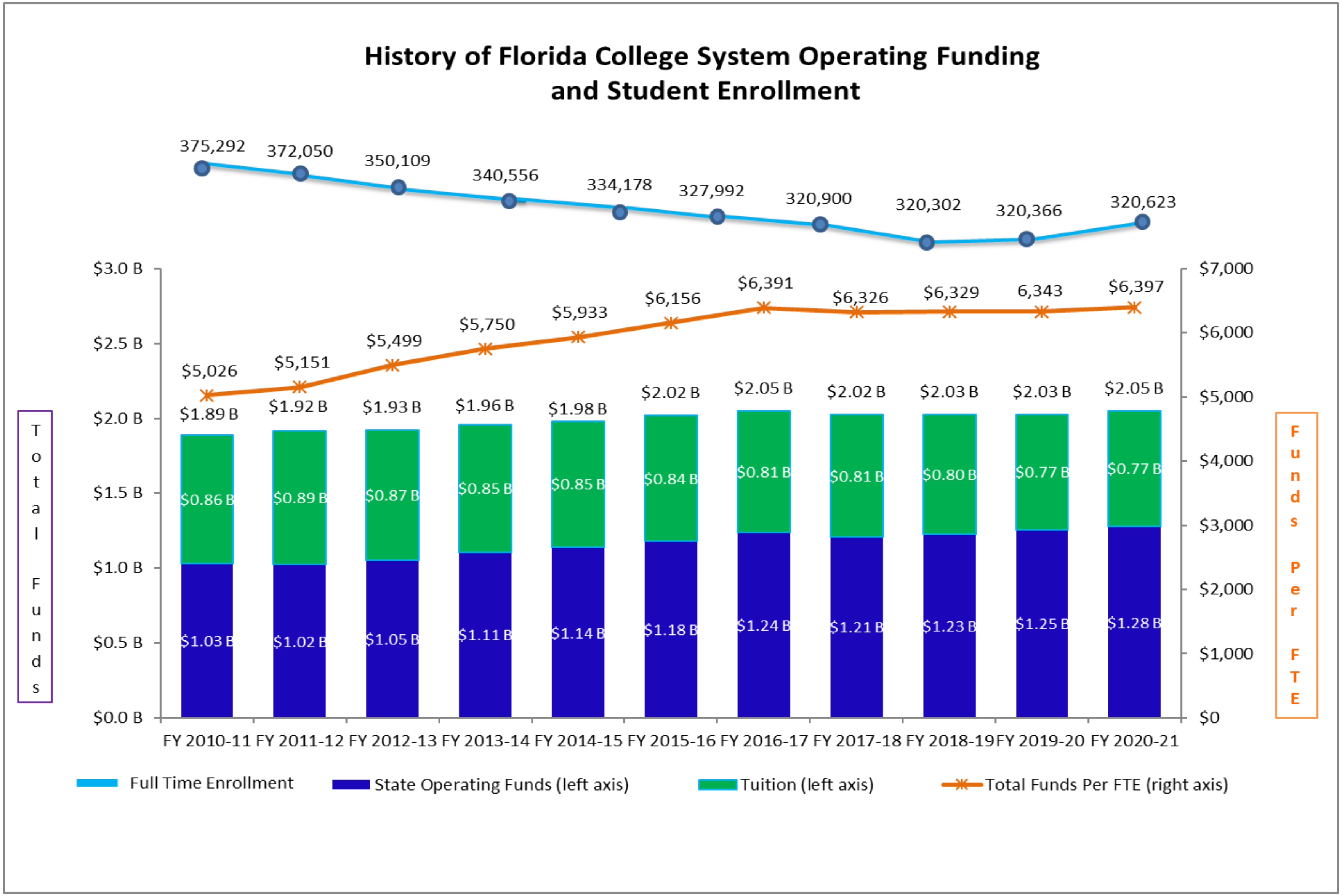
Fiscal Year 2021 – Per Student Funding



Fiscal Year 2021 – SUS Funding



Fiscal Year 2021 – College System Funding



Budgetary Strategies for Addressing GR Shortfall

- Fiscal Year 2021 Hold-backs
  - 1.5% per quarter (6% annual) - $750 million

- State Agency Legislative Budget Requests
  - Schedule VIIIB-1 Reductions (8.5%) for Fiscal Year 2021 - $2.5 billion
  - Schedule VIIIB-2 Reductions (10%) for Fiscal Year 2022 - $2.9 billion

- Increase in Federal Medical Assistance Percentage (FMAP)
  - $140.9 million in anticipated Fiscal Year 2021 General Revenue savings through December 2020
  - Savings could be as much as $900 million if the increase is extended through 6/30/2021

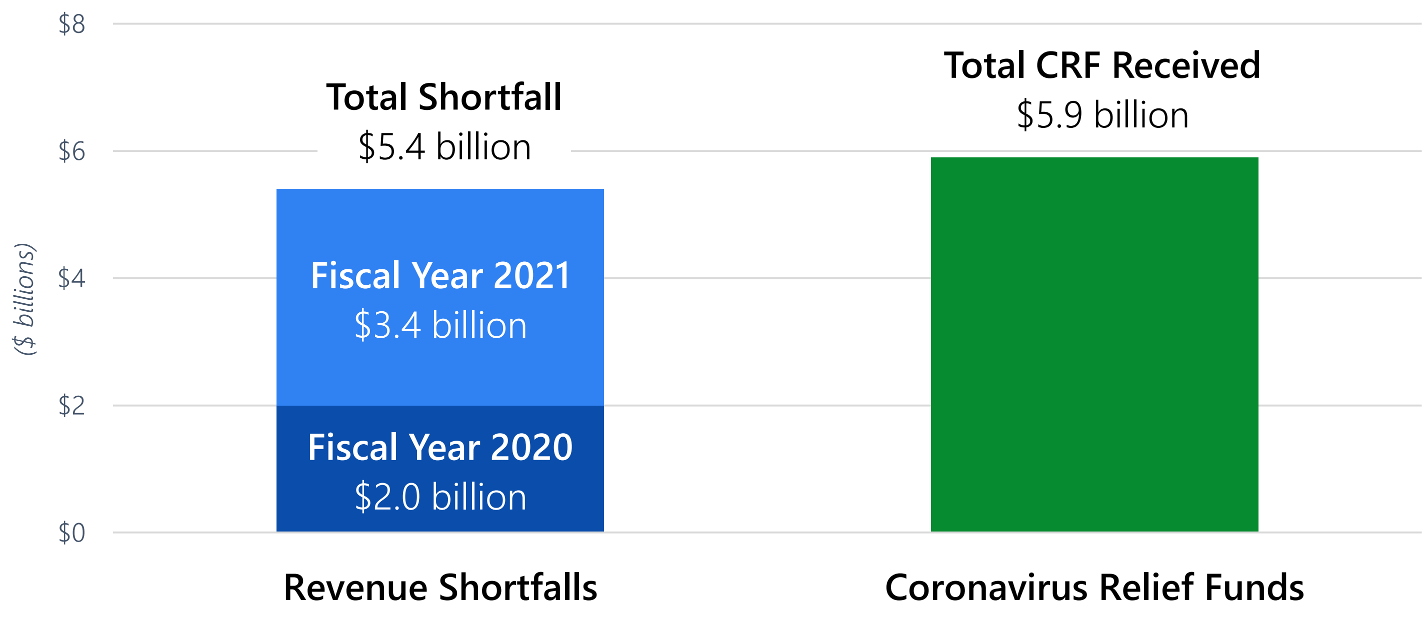
Maximize Federal Funding

- Under the CARES Act, more than $17 billion was received by Florida to support over an 70 programs statewide
- Direct Federal Support to Agencies, including:
  - H.R. 6074 – Coronavirus Preparedness and Response Supplemental Appropriations Act
  - H.R. 6201 – Families First Coronavirus Response Act
  - H.R. 6074 – Coronavirus Aid, Relief, and Economic Security Act (CARES)

Coronavirus Relief Fund (CRF)	
State Share	$4.6 billion
Unallocated Share for Locals *(<500k population)*	$1.3 billion
Total CRF Received	**$5.9 billion**
Allocated for Rent/Mortgage Assistance	$250 million
Distributed to Local Governments *(25% x $1.3 billion)*	$319 million
Remaining CRF	**$5.3 billion**
Pure State Remaining CRF *(State Share less Rent/Mortgage Assistance)*	**$4.3 billion**

Fiscal Impact of COVID-19 on Budget Shortfall

- Fiscal impact of COVID-19 on FY 2021 Budget shortfall
  - Budget cuts (vetoes) totaling $1.0 billion
  - Hold-backs totaling $750 million
  - Legislative Budget Requests with stair-stepped budget reductions (8.5% in FY 2021 to 10% in FY 2022)
  - Coronavirus Relief Funds (CRF): OPB unit stood-up to identify, accumulate, and document qualified expenditures totaling $5.5 billion



Fiscal Year 2021 GR Outlook

FY 2021	Recurring	Non-Recurring	Total
Beginning Balance		$5,822.6	$5,822.6
Funds Available	$31,568.9	(232.7)	31,336.2
Total Revenue Available	**$31,568.9**	**$5,589.9**	**$37,158.8**
Fiscal Year 2020-2021 Appropriations	$(34,076.2)	$(669.0)	$(34,745.2)
COVID-19 Budget Actions		(896.2)	(896.2)
Transfer to the BSF		(100.0)	(100.0)
Reappropriations in the GAA and Supplemental Bills with Appropriations	(5.6)	(45.1)	(50.7)
Ending Balance	**($2,512.9)**	**$3,879.6**	**$1,366.7**

- Beginning GR balance includes net CARES funds of $5.5 billion ($5.86 billion less $319 million distributed to local governments)
- CRF money used to balance Fiscal Year 2021 Budget
- Implementing budgetary strategies to address financial disturbance resulting from COVID-19
- Structural budget imbalance to be addressed in Fiscal Year 2022 – stair-stepped budget reductions through LBRs of 8.5% in FY 2021 and 10% in FY 2022

Reduction to Agency Budgets

Budgetary Hold-Backs

$745.7 Million Potential General Revenue Savings

- Florida law allows for a quarterly release of appropriations to state agencies and development of agency financials plans by August 1
- During economic down turns, Florida has successfully implemented a quarterly release plan that holds-back a percentage of budget
- Allows Florida to take prudent steps in managing state expenditures
- Fiscal Year 2021 budgetary hold-back is 1.5% per quarter, aggregating 6% for the year (with certain exceptions)
- These funds are available to the Legislature to make budgetary reductions in either special session or as a current year reduction during the 2021 Session in March

Reduction to Agency Budgets

Schedule VIIIB-1

$2.5 Billion Potential General Revenue Savings for Fiscal Year 2021

Schedule VIIIB-2

$2.9 Billion Potential General Revenue Savings for Fiscal Year 2022

- As part of their Legislative Budget Request for Fiscal Year 2022, agencies are required to submit a Schedule VIIIB-1 (identifying reductions for appropriations in current budget Fiscal Year 2021) and Schedule VIIIB-2 (identifying reductions in appropriations for Fiscal Year 2022) which will be considered in addressing potential revenue shortfalls in Fiscal Years 2021 and 2022
- Schedule VIIIB-1 must contain reductions for Fiscal Year 2021 appropriations totaling at least 8.5% of their General Revenue funds and at least 8.5% of their State trust funds
- Schedule VIIIB-2 must contain reductions for Fiscal Year 2022 appropriations totaling at least 10% of their General Revenue funds and at least 10% of their State trust funds

Maximize Federal Funding

- Federal Emergency Management Agency (FEMA) – Stafford Act
  - Public Assistance Projections - $1.7 billion
  - Public Assistance General Revenue Budget Amendments - $1.1 billion

- Coronavirus Relief Fund (CRF)
  - Remaining CRF Available - $5.3 billion
  - State intends to fully utilize CRF funds received and has established a team that is working with state agencies to identify expenditures that comply with expenditure requirements through December 30, 2020
  - March 1 to June 30, 2020 expenditures preliminarily identified - $1.1 billion
  - The first quarterly report covering the period of March 1 through June 30, 2020, is due by September 21, 2020. Thereafter, quarterly reporting will be due no later than 10 days after the end of each quarter

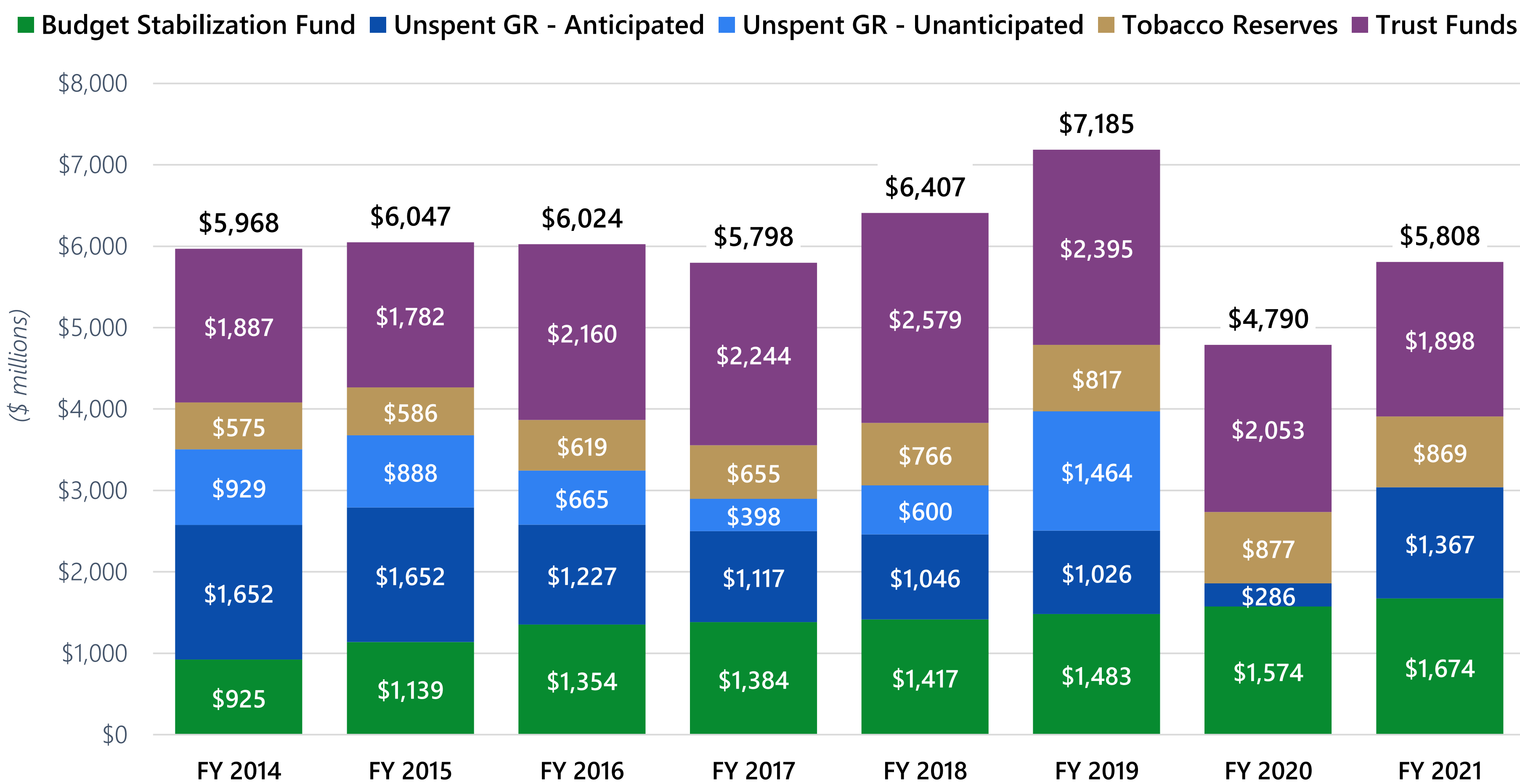
- Direct Federal Funds
  - Almost an additional $10 billion of federal funds are provided to state agencies
  - Federal Grants Tracking System (FGTS)
    - 62 projects/awards submitted in the system to date

FMAP Changes

Federal Medical Assistance Percentage (FMAP)

- The Families First Coronavirus Response Act, signed into law on March 18, provided states and territories with a temporary 6.2% increase in the regular FMAP
- The temporary increase in the FMAP is effect from January 1, 2020, through the last day of the calendar quarter in which the public health emergency declared by the secretary of the Department of Health and Human Services (HHS) terminates
- Fiscal Year 2020 General Revenue savings associated with the FMAP increase was $649.8 million
- Fiscal Year 2021 General Revenue savings is anticipated to be $140.9 million through December 2020
  - Savings could be as much as $900 million if the FMAP enhancement is extended through June 30, 2021
- Future savings in the General Revenue Fund are expected to be significant

Total State Reserves



- The $5.9 billion of CARES Act Funds received in FY 2020 are not included in FY 2020 reserve balances
- CARES Act Funds will be utilized to cover shortfall in FY 2021
- Plan to begin rebuilding reserves

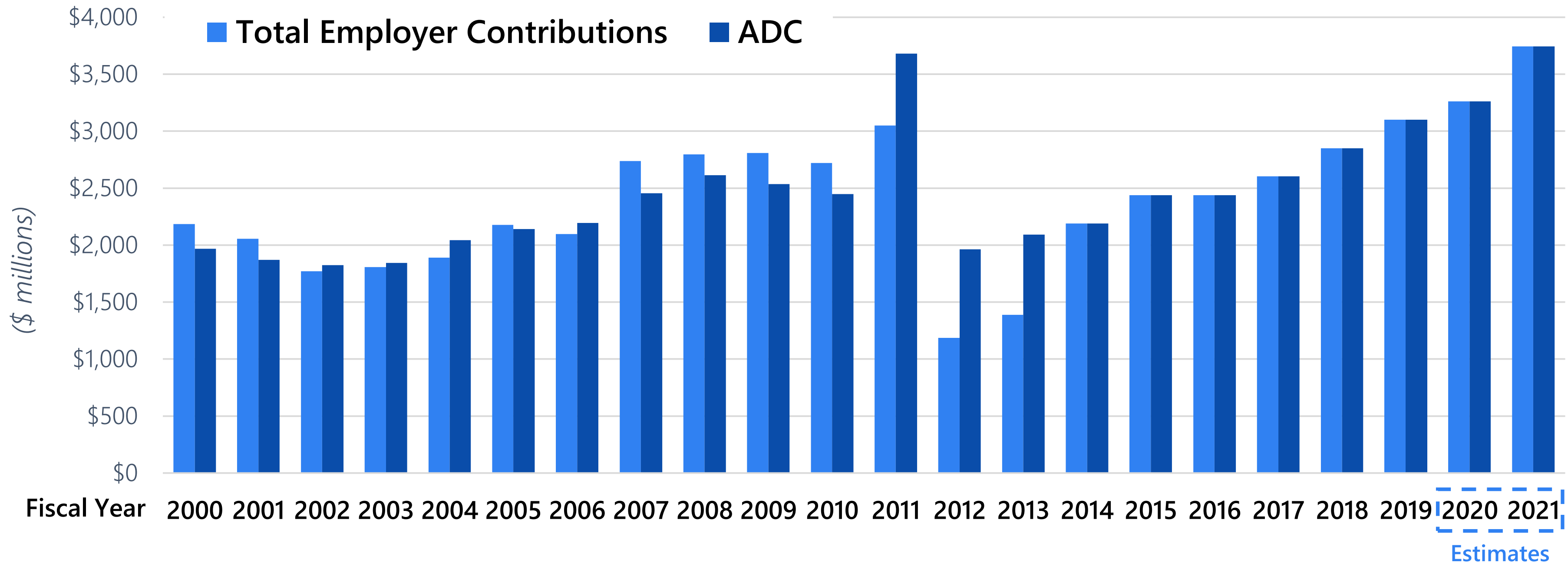
Section 5

Pension Funding

Pension Funding

- Legislature again fully funded the Actuarially Determined Contribution ("ADC") for FY 2020-21
- Funded ratio based on actuarial value of assets ($161.0 billion) at July 1, 2019 was 84.2%
- Funded ratio based on market value of assets (est. $169.1 billion) as of August 17, 2020 was 88.4%
- State's share of the Net Pension Liability ("NPL"), including State agencies only, is approximately 17.5% based on percent of total contributions in FY 2019
- State's 17.5% allocable share of NPL was $5.3 billion as of June 30, 2019 using actuarial value of assets
- Investment return assumption for calculating pension contribution (ADC) of 7.20%, but 6.90% for financial reporting (CAFR)
- State continues to make progress towards a "reasonable" investment return assumption by lowering the investment return assumption
- Over the last six years, the investment return assumption has been lowered from 7.75% to 7.20%

FRS Employer Contributions vs the ADC



- 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
- For the last eight years (FY 2014 through FY 2021), 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.

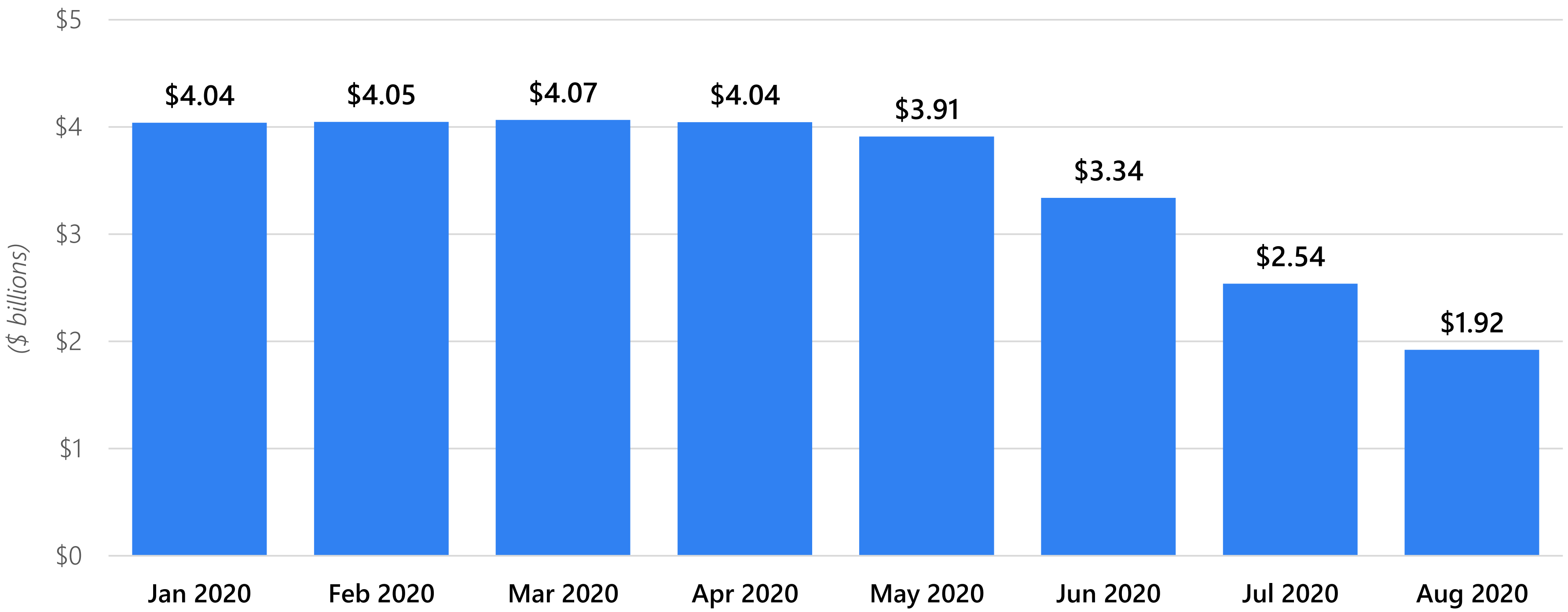
Section 6

Debt Position

Debt Position

- Balance sheet has improved significantly over last ten years
  - Unemployment Compensation Trust Fund loan fully repaid in 2013 and deficits eliminated without using bonds; fund balance of $1.9 billion as 8/1/2020
  - Other Postemployment Benefits ("OPEB") liability totaled $10.6 billion as of June 30, 2019 (State's share is approximately 74%) but consists of implicit subsidy only; no legal entitlement or constitutional protection of health benefits
- Florida Hurricane Catastrophe Fund's ("Cat Fund") funding remains strong after Hurricanes Irma and Michael, with estimated total resources of $12.0 billion for the upcoming season ($11.38 billion in cash and $0.65 billion in pre-event bond proceeds)
  - Cat Fund is in the process of issuing approximately $2.25 billion of taxable pre-event bonds, which would bring total funding to $14.3 billion ($2.7 billion below maximum statutory exposure of $17 billion)
  - Cat Fund resources are net of $2.5 billion additional loss reserves for Hurricanes Irma and Michael ($7.95 billion current loss estimates as of 6/30/20 less $5.5 billion in loses paid through 7/31/20
- Citizens Property Insurance ("Citizens") has also improved, reducing policies and exposure through depopulation program
  - Following Hurricanes Irma and Michael, Citizens still anticipates ability to withstand 1-in-100 year storm without need to issue bonds or levy assessments
  - Since end of 2011, Citizens has reduced total policies by over 67% (1.5 million to 486,000), and reduced total exposure by 76% ($513 billion to $126 billion)
- Since 2010, debt has declined by nearly $9.0 billion, or 32%, notwithstanding the inclusion of the $2.7 billion obligation from I-4 Ultimate long-term Public Private Partnership ("P3")
- Benchmark debt ratio decreased from 5.59% to 4.64% from FY 2018 to FY 2019 and is below 6% policy target; projected to remain below 6% target in FY 2020 and thereafter
- Debt obligations remain manageable at a relatively low level and contingent liabilities pose less risk

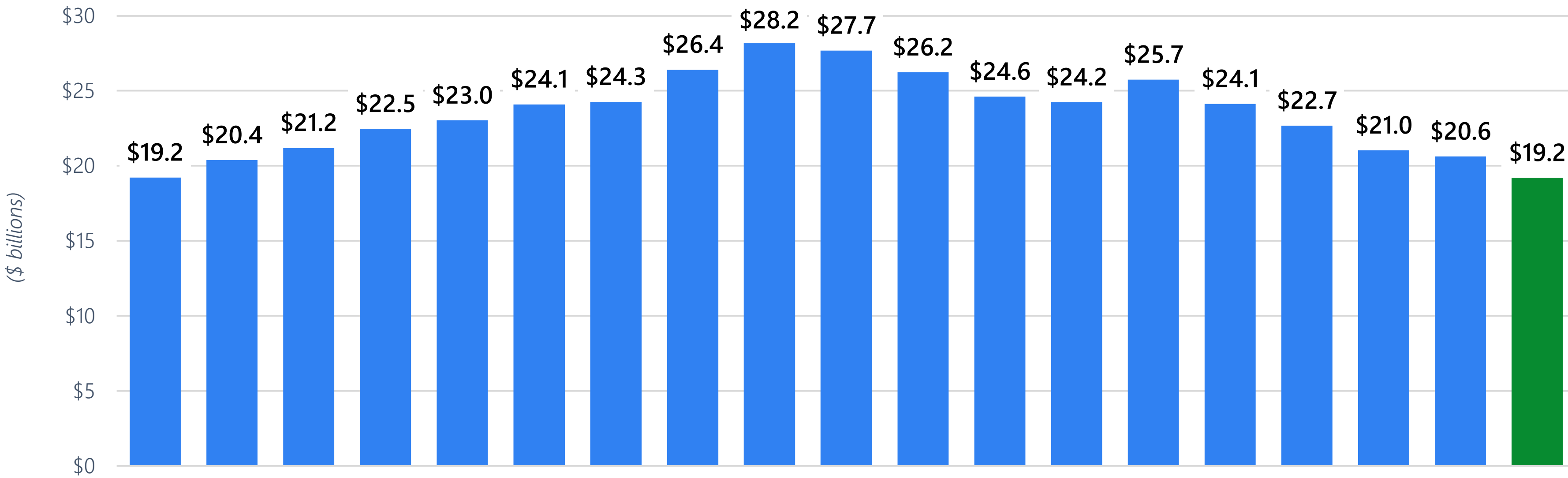
Unemployment Compensation Trust Fund



- Florida entered 2020 in a strong position, with a balance of over $4 billion in the Unemployment Compensation Trust Fund at January 1, 2020
- Effects of COVID-19 on employment has reduced the balance, but Florida's balance remains positive at $1.9 billion as of August 1, 2020 with no Trust Fund loans outstanding

Source: Department of Economic Opportunity

History of Outstanding Debt



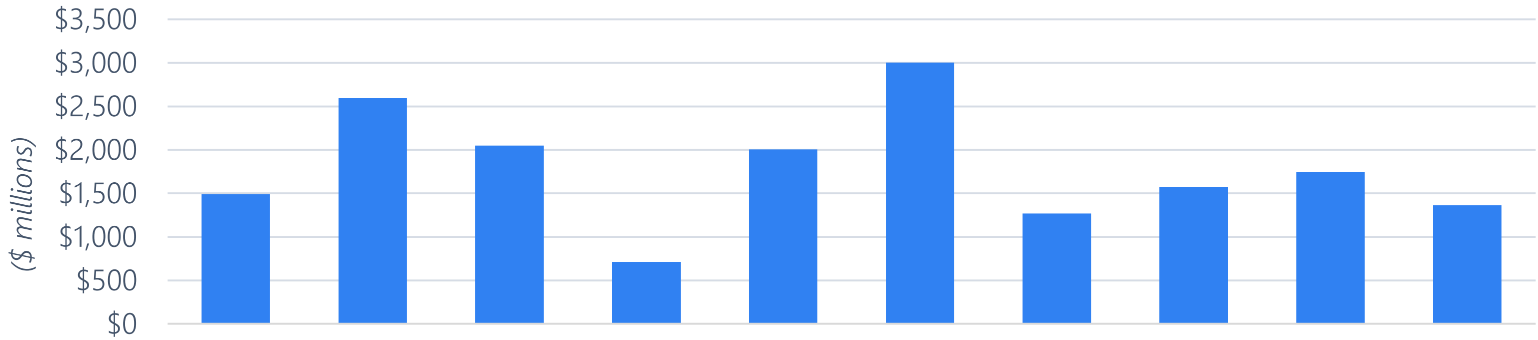
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
$ Change (in billions)	$1.0	$1.2	$0.8	$1.3	$0.6	$1.1	$0.2	$2.1	$1.8	$(0.5)	$(1.4)	$(1.6)	$(0.4)	$1.5	$(1.6)	$(1.4)	$(1.6)	$(0.4)	$(1.4)
Growth Rate	5.2%	6.0%	4.0%	6.0%	2.5%	4.6%	0.7%	8.8%	6.7%	(1.7)%	(5.2)%	(6.2)%	(1.5)%	6.2%	(6.3%)	(6.0)%	(7.3%)	(1.9)%	(6.9)%

Estimate

- Total direct debt outstanding is estimated to be $19.2 billion at the end of FY 2020, a $1.4 billion or 6.9% decrease from FY 2019
- State reversed long history of increasing debt beginning in 2011
- Total direct debt is estimated to have decreased by nearly $9.0 billion, or 32%, since peak in 2010, primarily a result of principal repayments on existing debt exceeding new money debt issuance

Source: State of Florida Debt Reports

Refinancing Activity for Debt Service Savings

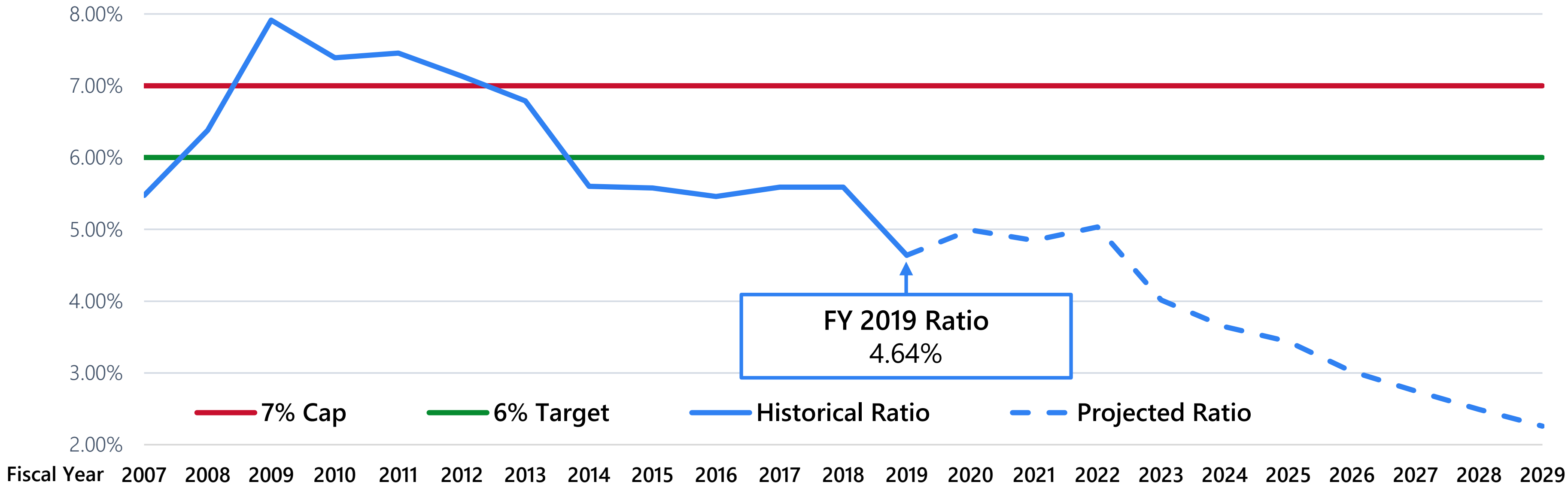


	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Refunding Transactions	12	20	10	9	14	13	14	12	13	11	128
Refunding Par	$1,491.1	$2,595.0	$2,049.4	$713.9	$2,004.2	$3,003.6	$1,267.8	$1,570.2	$1,746.0	$1,366.0	$17,812.0
Refunding Savings:											
Gross Savings	$193.3	$450.9	$515.6	$99.1	$376.9	$618.8	$303.6	$380.5	$267.3	$341.4	$3,547.7
Present Value Savings	$162.4	$366.2	$406.1	$87.0	$311.1	$380.5	$247.0	$296.5	$210.4	$282.0	$2,749.5

- The State continues to execute a significant amount of refundings to take advantage of historically low interest rates, though loss of advance refundings has reduced flexibility
- Par amount of refundings over the last ten fiscal years totals over $17.8 billion
  - Aggregate gross debt service savings of over $3.5 billion and over $2.7 billion of debt service savings on a present value basis
- Over 90% of all State debt has been refinanced over the last ten years
- Refundings are typically structured term-to-term with no extension of debt
- Debt service savings from refundings helps reduce cost of debt burden

Source: Florida Division of Bond Finance

Benchmark Debt Ratio



Benchmark Debt Ratio

	Actual		Projected									
Fiscal Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Benchmark Debt Ratio	5.59%	4.64%	4.99%	4.85%	5.03%	4.02%	3.64%	3.44%	3.02%	2.75%	2.49%	2.26%

- State's benchmark debt ratio is annual debt service to revenues available to pay
- Debt ratio increased from FY 2006 through FY 2009 primarily due to declining revenues
- Benchmark has improved steadily since peaking in FY 2009 due to the combined effects of rising revenues and decreasing debt service
- The ratio substantially declined in FY 2014 following retirement of the Preservation 2000 bonds
- Benchmark debt ratio decreased from FY 2018 to FY 2019, and has been below 6% policy target since FY 2014
- Ratio is projected to continue to remain below 6% target throughout the projection period (FY 2029)

Source: State of Florida 2019 Debt Report, January 2020 Update

Environmental, Social, and Governance (ESG)

- "S" & "G" of ESG have favorable long-term characteristics, supporting State's credit fundamentals
- Vulnerability around "E"
- Actions taken to address climate change, global warming, sea-level rise and attendant consequences
  - Statewide Hurricane building codes to harden infrastructure
  - Robust Division of Emergency Management (DEM) to plan, coordinate and manage emergency response
  - Coastal set-backs among other regulatory actions to protect development in vulnerable areas
  - Statewide Hazard Mitigation Plan and routine proactive coordination with local governments and first responders
- Governor DeSantis high priority to enhance and protect Florida's environment
  - Actions taken to address environmental matters
  - Chief Resiliency Officer
  - Chief Science Officer
  - Statewide Sea-level Rise Task Force to develop consensus baseline projections for sea level rise to serve as official estimates for planning
    - Make recommendations to Environmental Regulation Commission regarding sea level rise
    - Gather scientific data to inform decision making
- Funding for environmental spending $600 million+ per year x 4 years = $2.5 billion

Conclusions

- Continued decline in Florida's COVID-19 cases since spike in mid-July
- State General Revenue declines have been improving monthly since April 2020 after significant impact from COVID-19 response
- The reduction in GR was offset with unspent GR Reserves, leaving approximately $285 million balance of unspent GR at 6/30/20; BSF not tapped
- The Budget Stabilization Fund remains fully funded at $1.6 billion at fiscal year-end
  - Additional reserves at 6/30/20 include $2.9 billion in Trust Funds, including $877 million in Tobacco Reserves
- CRF funds received provide substantial liquidity and help support FY 2021 spending
- Governor made historic vetoes to the adopted spending plan for FY 2021 and instituted agency budgetary hold-backs
- The State has a robust process in place to ensure maximum utilization of CRF Funds in accordance with expenditure requirements
- Strategies are in place for strengthening financial condition, including reductions to agency budgets and ability to use reserves, if needed
- Pension funded ratio strong as State continues to fund the ADC in FY 2021
- Outstanding debt decreased again in FY 2020 to $19.2 billion, down nearly 32% from peak of $28.2 billion in FY 2010
- Conservative financial management practices resulting in strong reserves position the State well to deal with economic disruption caused by COVID-19
- Proactive and phased approach to implementing budget reductions and focus on restoring structural balance demonstrates continued prudent financial management policies and practices