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State of Florida

Update on Economy, Budget, & Debt

August 2021

Chris Spencer, *Budget Director*
Holger Ciupalo, *Policy Coordinator*
Ben Watkins, *Director of Bond Finance*

Florida Overview

Florida Economy

- State GDP and Personal Income
- Housing
- Tourism
- Population
- Employment

Revenues and Budget

- General Revenues ("GR") projected to grow by $600 million, or 1.7%, in FY 2022; above pre-pandemic estimates
- Two new recurring revenue sources
- FY 2022 Budget Priorities
- Recurring revenues expected to exceed recurring expenditures

Reserves

- General Fund Reserves—Unspent General Revenue ("Unspent GR") plus the Budget Stabilization Fund ("BSF")—expected to total $9.4 billion or 26.0% of GR at June 30, 2021, and projected to be $10.0 billion or 27.2% of GR at June 30, 2022
- Total Reserves projected at $12.6 billion or 34.9% of GR at June 30, 2021 and $12.0 billion or 32.6% of GR at June 30, 2022
- BSF untouched during COVID-19, demonstrating State's financial discipline and commitment to maintain strong reserves; transfer of tobacco reserves to BSF has increased total to $2.7 billion in FY 2022

Pension Funding

- Ninth consecutive year that budget fully funds the actuarially determined contribution based on plan assumptions
- Funded ratio remains strong; 82.0% based on actuarial value of assets and 100.7% based on market value of assets

Debt

- Debt outstanding reduced by $1.4 billion to $19.2 billion in FY 2020 and reduced by another estimated $1.2 billion to $18.0 billion at end of FY 2021
- Moderate amount of new debt authorization in FY 2022 Budget
- Benchmark debt ratio (debt service to revenues) saw slight increase to 5.49% in FY 2020 due to decrease in revenues and variability of P3 payments; remained under the 6% target for the seventh consecutive year

Section 1

Florida's Economy

Economy Highlights

Population

- After a major slowdown during the Great Recession, population growth returned and remains strong
- In the next five years, the average annual increase in population is expected to be 308k (845 per day)
- Net migration is expected to gradually decrease to 300k by 2025

Tourism

- Tourists declined from 129.1 million in FY 2019 to 93.4 million in FY 2021
- Domestic tourism recovered to its pre-pandemic quarterly peak of 30m during the 2021 June quarter
- International and Canadian tourists are not anticipated to recover until 2028
- At 129.4 million visitors in FY 2022, tourism is expected to eclipse its pre-pandemic peak

Housing

- Real estate values continue to increase, with property tax values projected to grow by a robust 5.8% in Calendar Year 2021
- Housing starts are expected to decline from the peak levels attained during the pandemic
- Home prices surged during the pandemic and are expected to grow at a more modest pace throughout the forecast

Employment

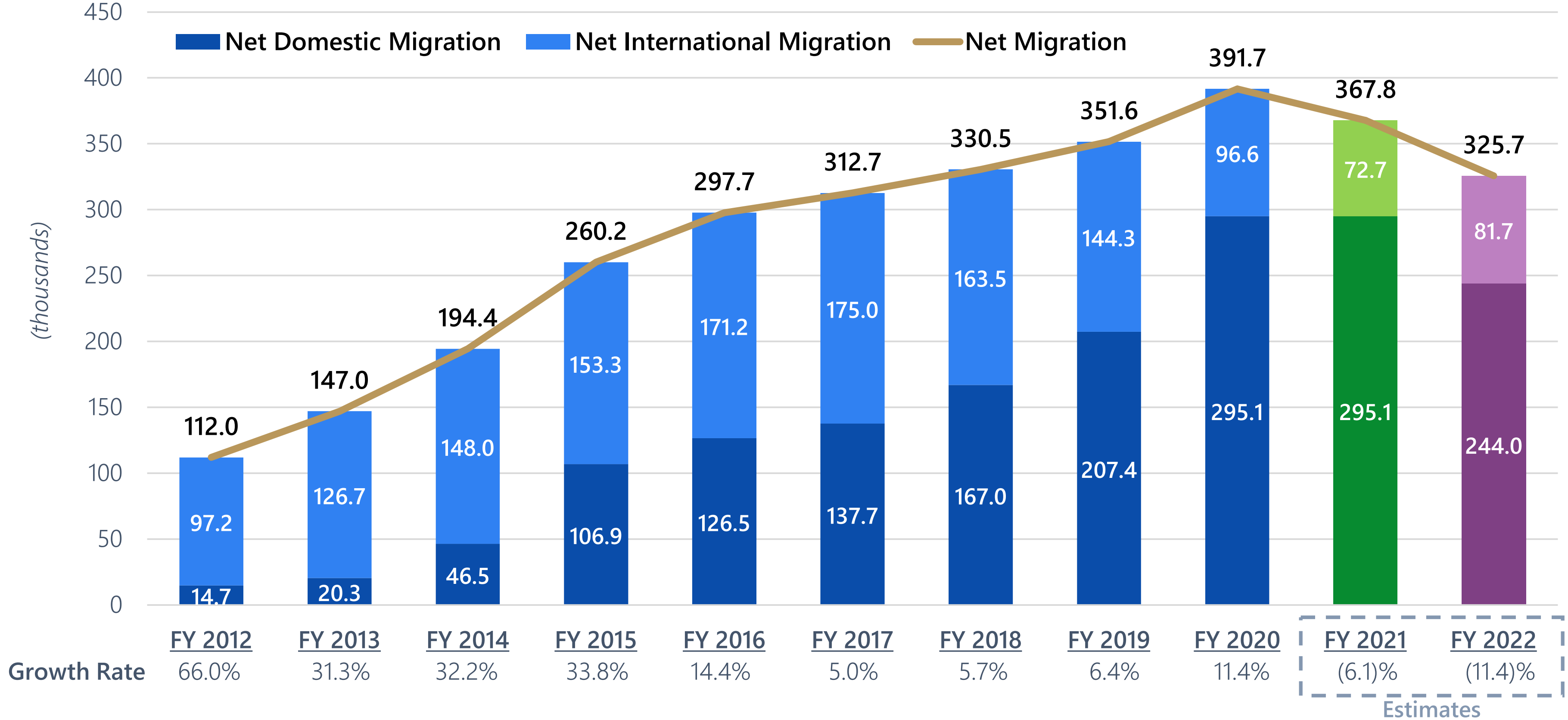
- Florida's employment declined by 1.7 million jobs in March and April 2020 but has regained 1.5 million jobs
- Over half of the decline was concentrated in the leisure and hospitality sector which has since recovered to 85% of its pre-pandemic level

COVID-19 Short-Term Florida Economic Experience

- Florida's initial economic lockdown to the pandemic outbreak was gradually lifted and fully suspended by the end of the June 2020 quarter

GDP:	a 30% second quarter 2020 decrease was followed by a 33% increase in the third quarter 2020
Employment:	March and April 2020 combined job loss of 1.7m was followed by a gain of 1.5m jobs through June 2021
Unemployment:	Unemployment Rate jumped from 3.3% in February 2020 to 14.2% in May and decreased to 5.0% by June 2021
Personal Income:	Personal Income increased as a result of federal stimulus and has remained elevated through June 2021
Tourist Visitors:	a 67% decrease in domestic visitors in the first half of 2020 was followed by a doubling in the September 2020 quarter and full restoration to the pre-pandemic level in the June 2021 quarter

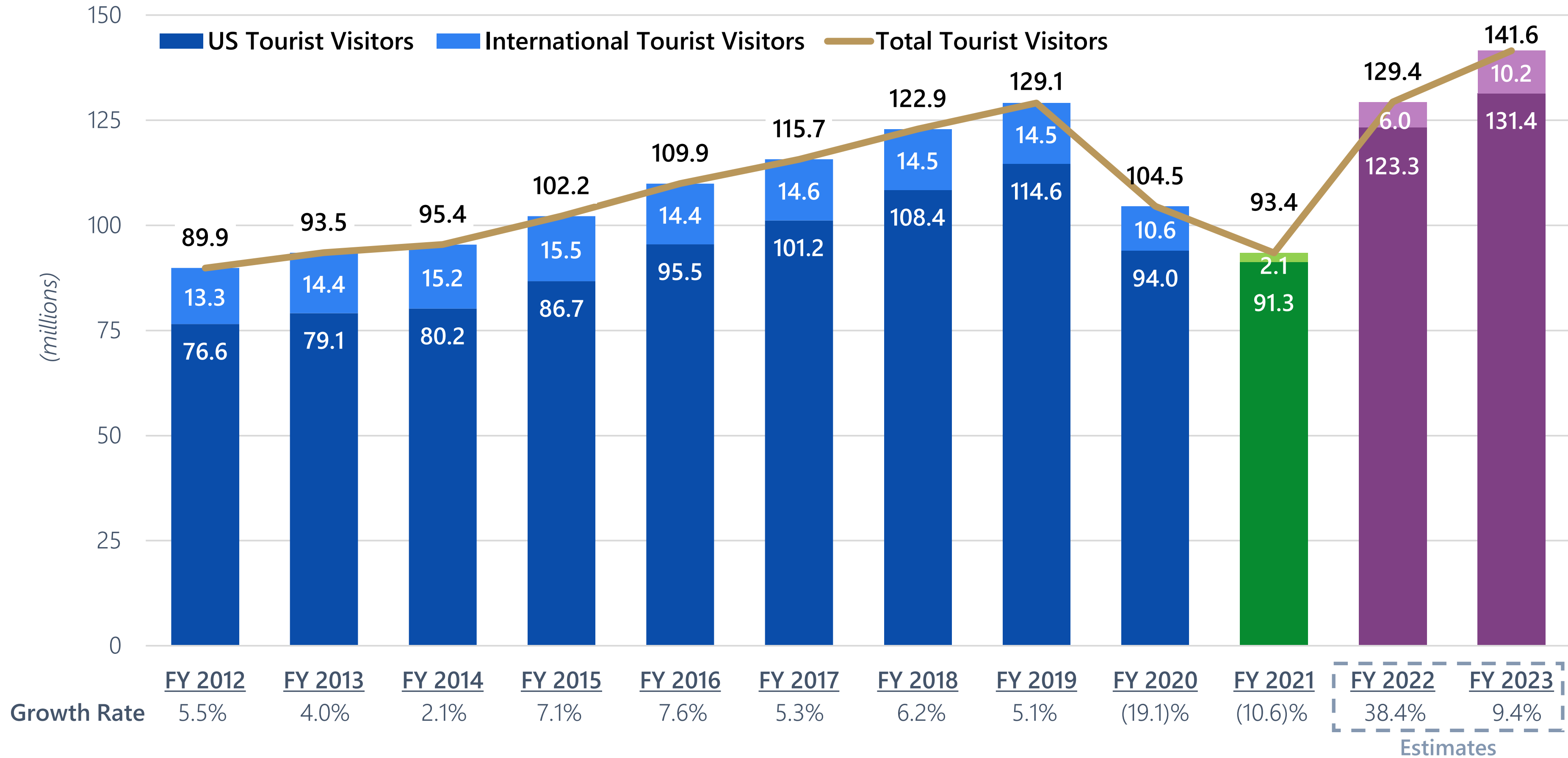
Florida Net Migration



- Driven by net migration, Florida's population since 2014 has grown at an average rate of 1.7% annually
- While international migration has declined beginning with FY 2018, gains in domestic migration more than offset the losses prior to the pandemic
- Net migration is expected to gradually decrease from its current peak to just above the 300,000 level by FY 2025

Source: Florida Demographic Estimating Conference

Florida Tourist Visitors

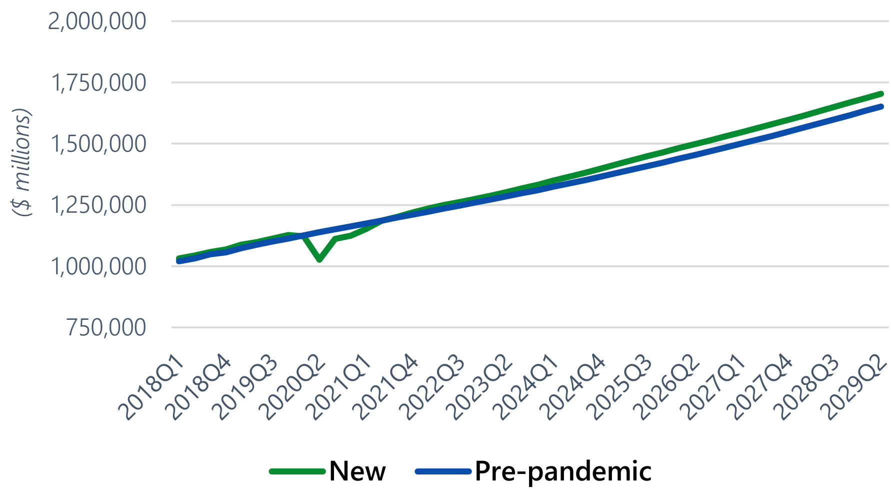


- Tourist visitors in the seven years ending FY 2019 grew at an average annual rate of 5.3% - peaking at 129.1 million visitors in FY 2019
- The pandemic's effect on travel led to an immediate loss of 24.6 million visitors in FY 2020 and an estimated additional 11.1 million loss in FY 2021
- Current projections are for total visitors to re-attain pre-pandemic peak in FY 2022

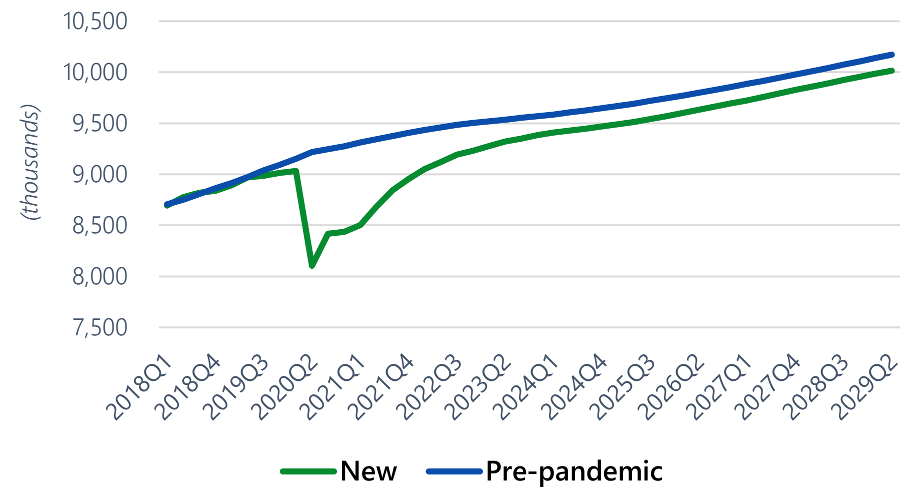
Source: Florida Economic Estimating Conference

Florida Economic Forecast

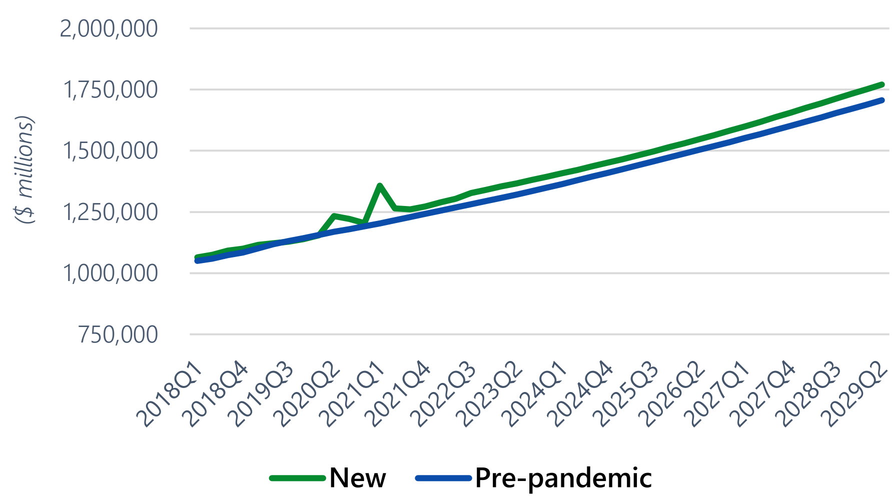
GDP



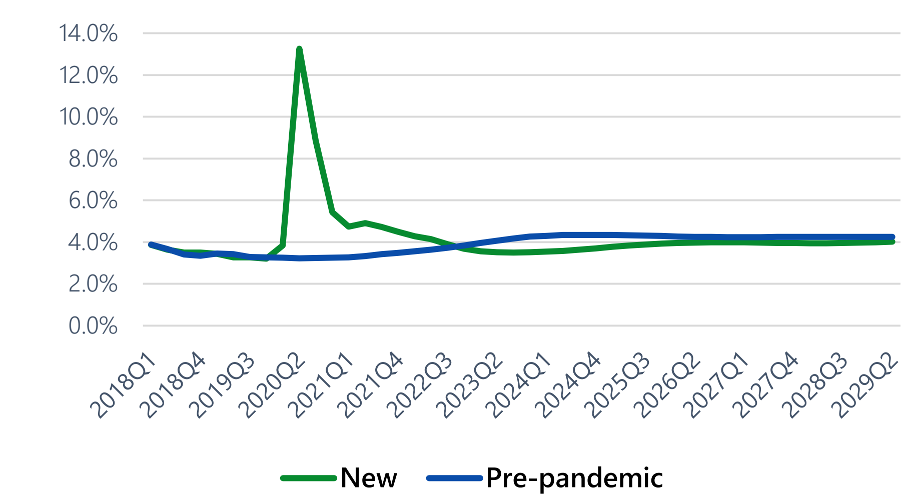
Employment



Personal Income

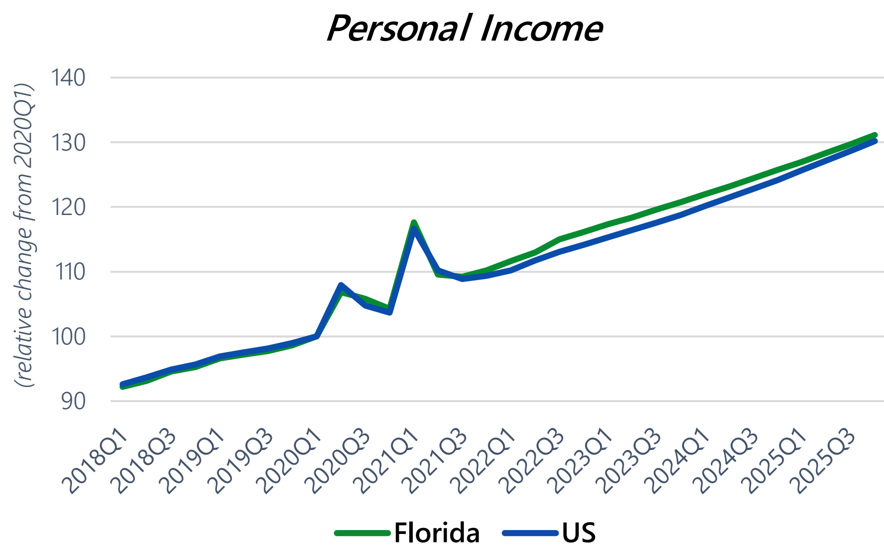


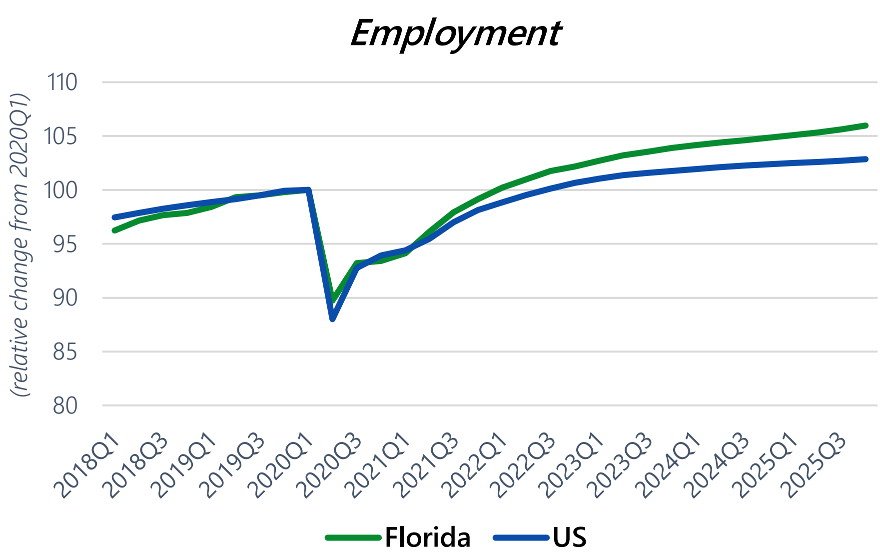
Unemployment Rate

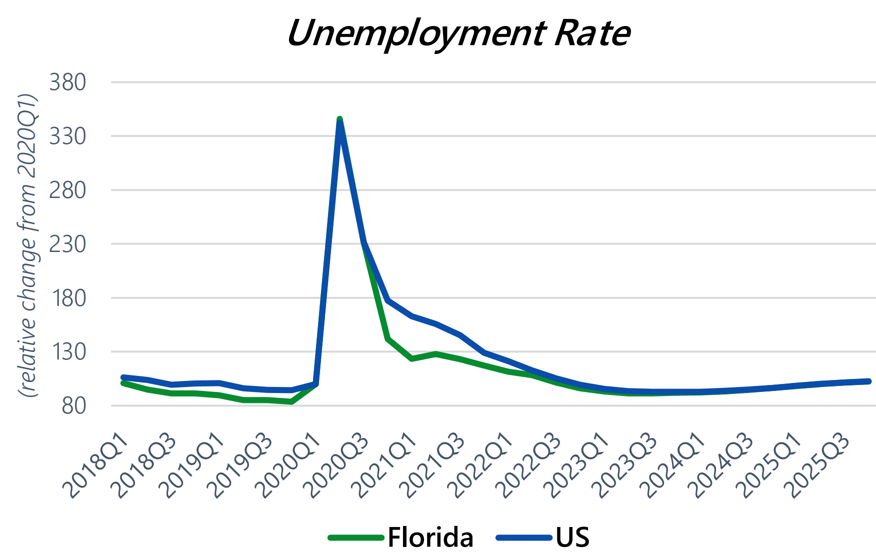


Source: Florida Economic Estimating Conference

Florida vs US

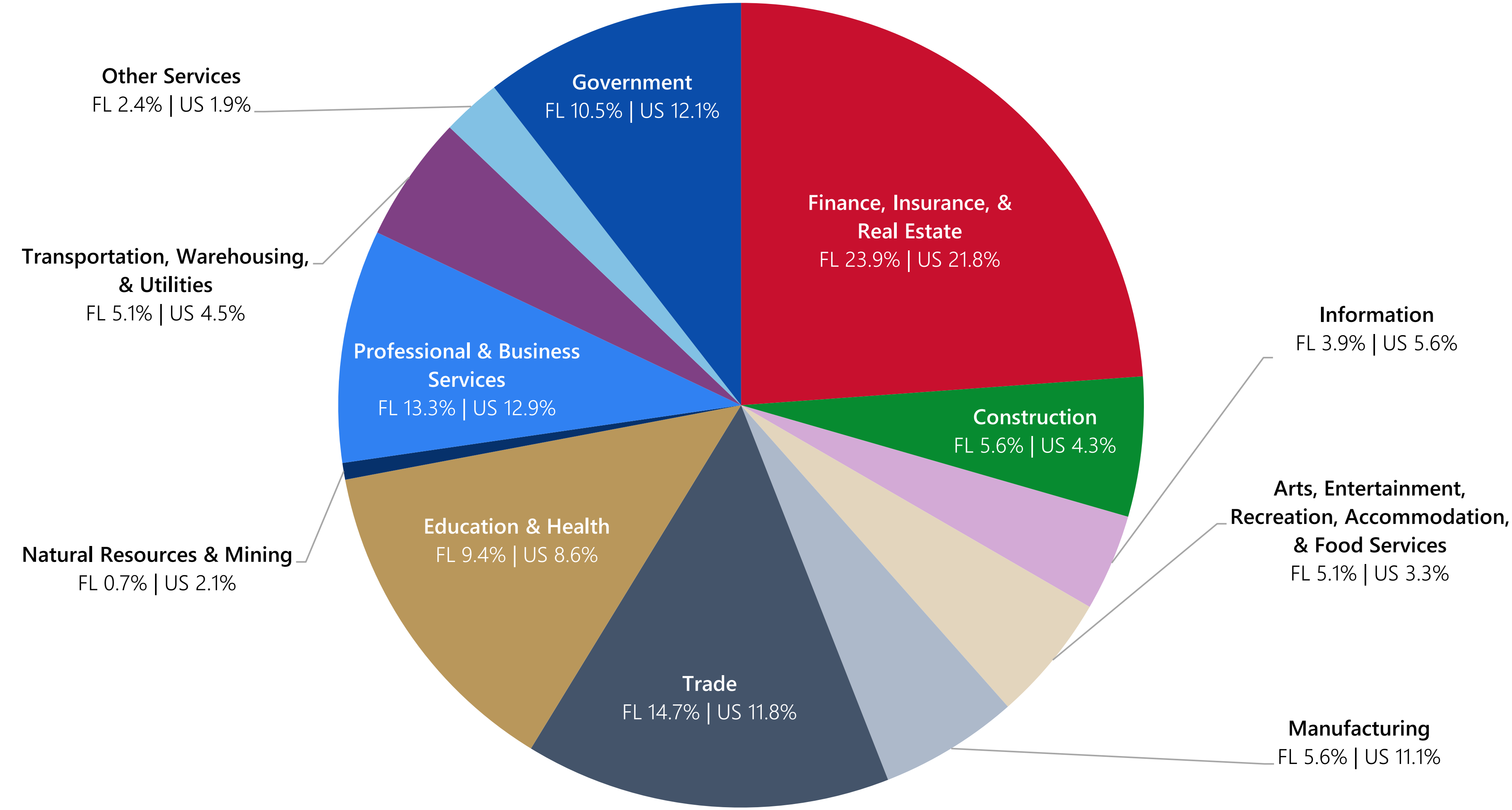






Source: Florida Economic Conference and National Economic Conference

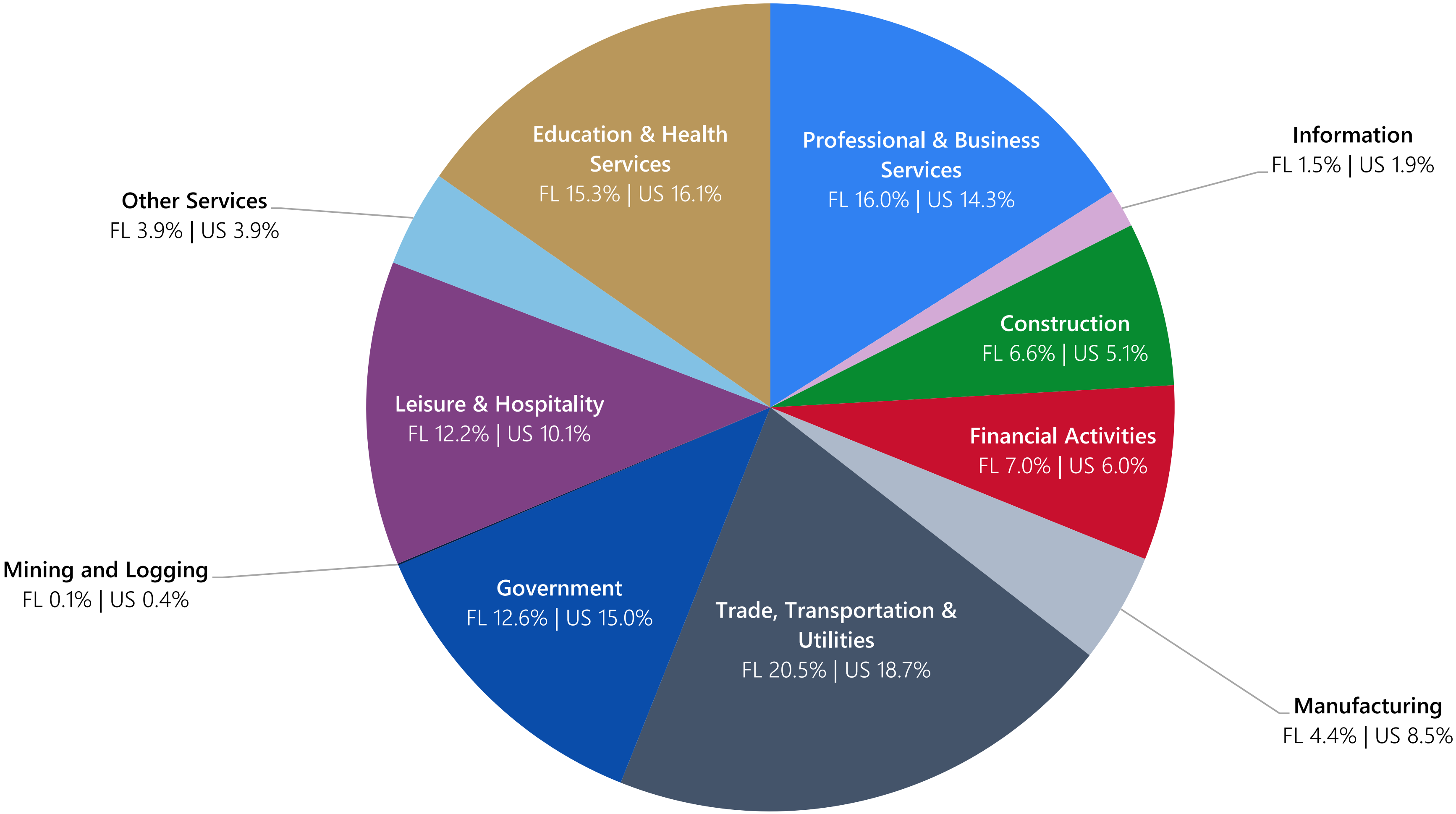
Florida GDP by Sector – 2021 Q1



- Finance, Insurance, and Real Estate ("FIRE") at 23.9% is the largest sector
- FIRE, Trade, and Professional & Business Services make for more half of Florida's GDP

Source: US Bureau of Economic Analysis

Florida Employment by Sector – June 2021



- Fewer than 1 in 8 Floridians are employed in Leisure and Hospitality sector (4th largest private sector)
- The share of employees in the Leisure and Hospitality, Trade, Construction, FIRE, and Professional & Business Services sectors exceeds the US average

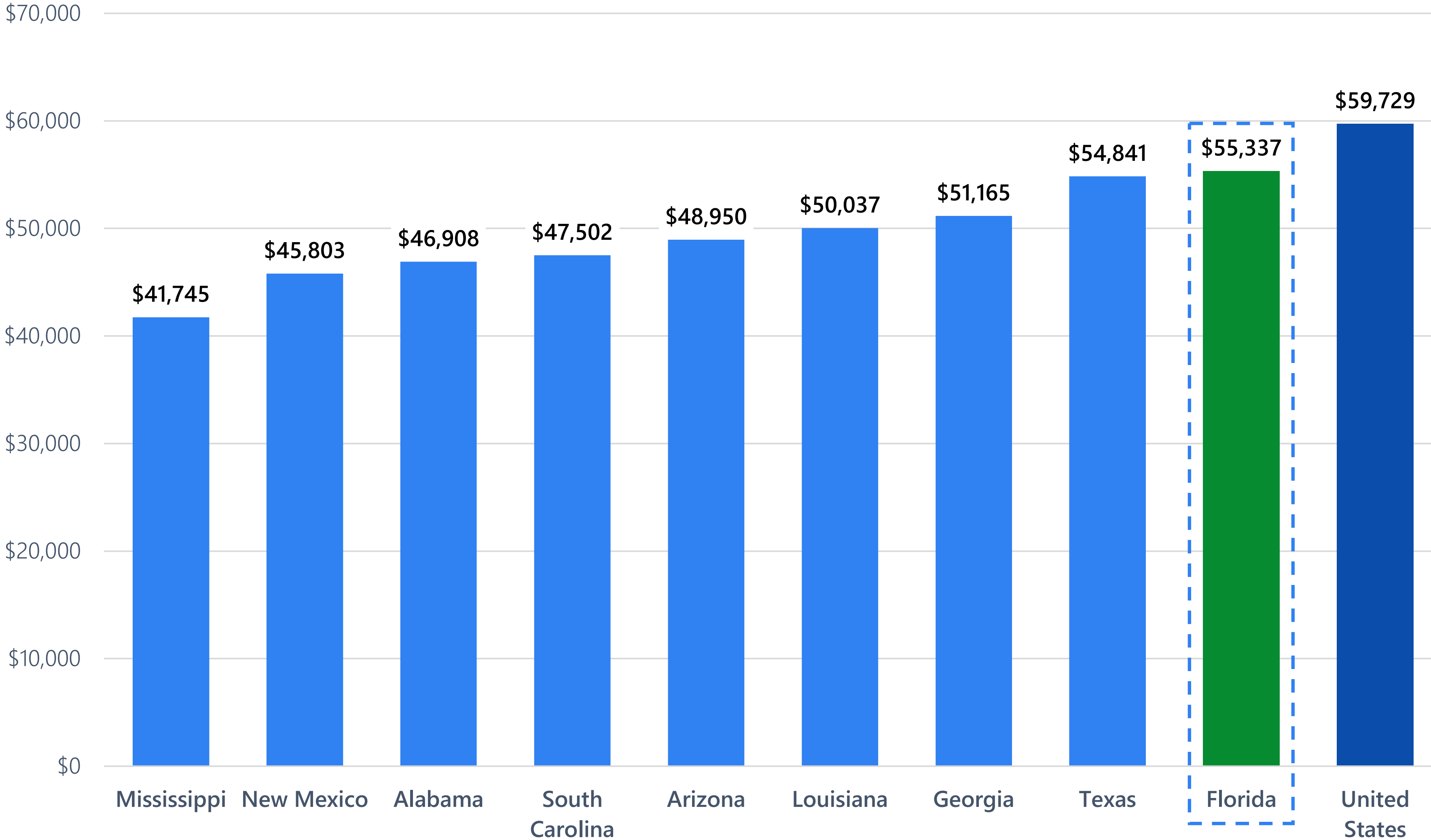
Source: US Bureau of Labor Statistics

Employment Growth

- Florida lost 216k private sector jobs between June 2019 and June 2021, a decrease of 2.8%
- The losses were concentrated in Leisure & Hospitality, the fourth largest sector employing about 1 in 8 Floridians. At just over 1 million, employment remains 194k (15%) below its pre-pandemic level
- The combined loss in all other sectors amounted to 22k (0.3%). Gains in the construction and financial sectors were more than offset by declines in trade and other services
- Labor Force Participation has steadily improved from its April 2020 low of 55.5% reaching 58.3% in June 2021 but remaining short of the 59.3% pre-pandemic level
- Florida's 17% decline in jobs in March and April 2020 mirrored the national experience of a 16% loss
- Following an 18.4% growth, Florida's employment in July 2021 falls just 1.6% shy off its pre-pandemic level while US employment falls short by 3.8%
- Florida's unemployment rate of 5.1% in July 2021 continues to be below the national level

Source: Florida Department of Economic Opportunity

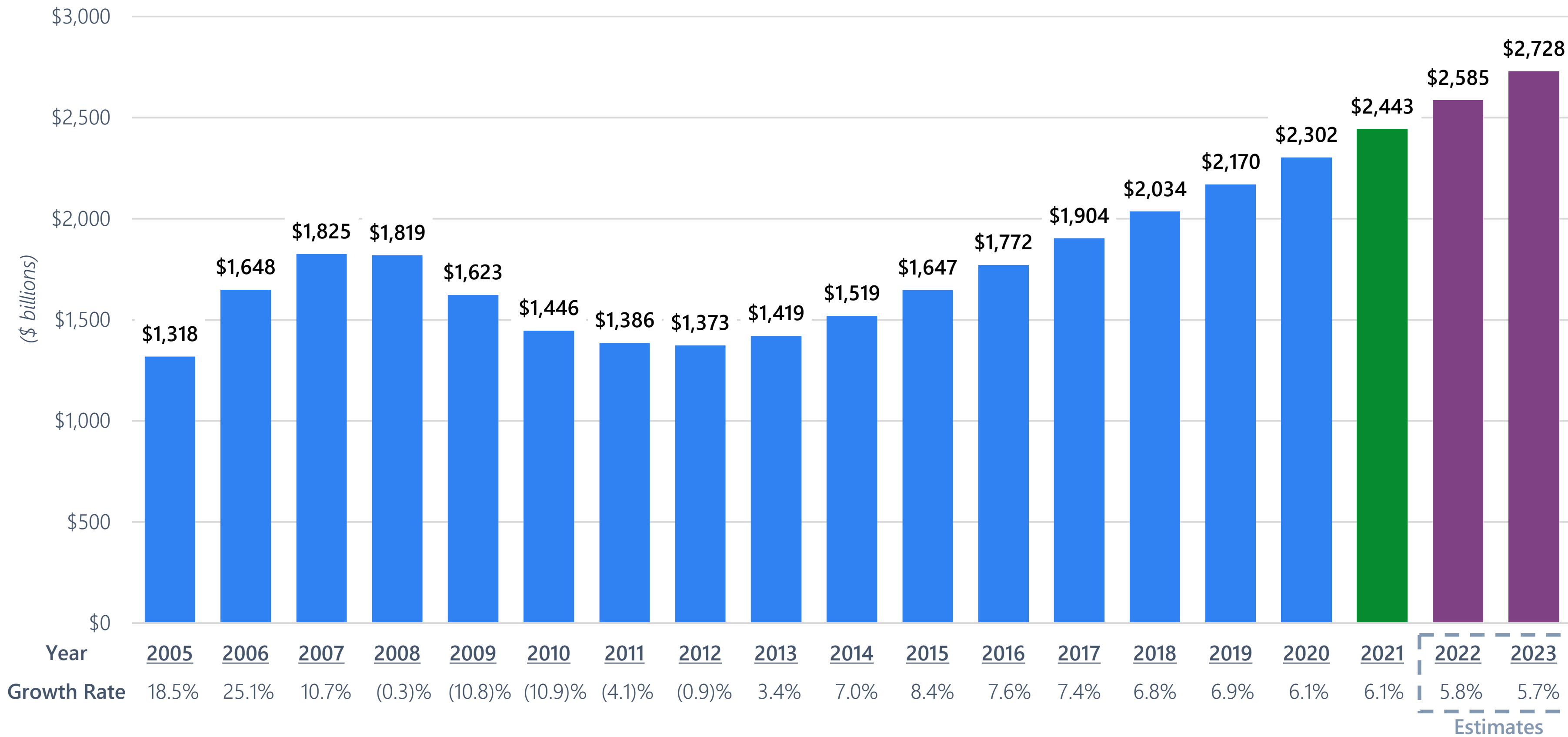
Sunbelt State Per Capita Personal Income – 2020



- Florida has the highest personal income per capita in the Sunbelt
- Florida's income per capita is 7.4% below the national level

Source: US Bureau of Economic Analysis

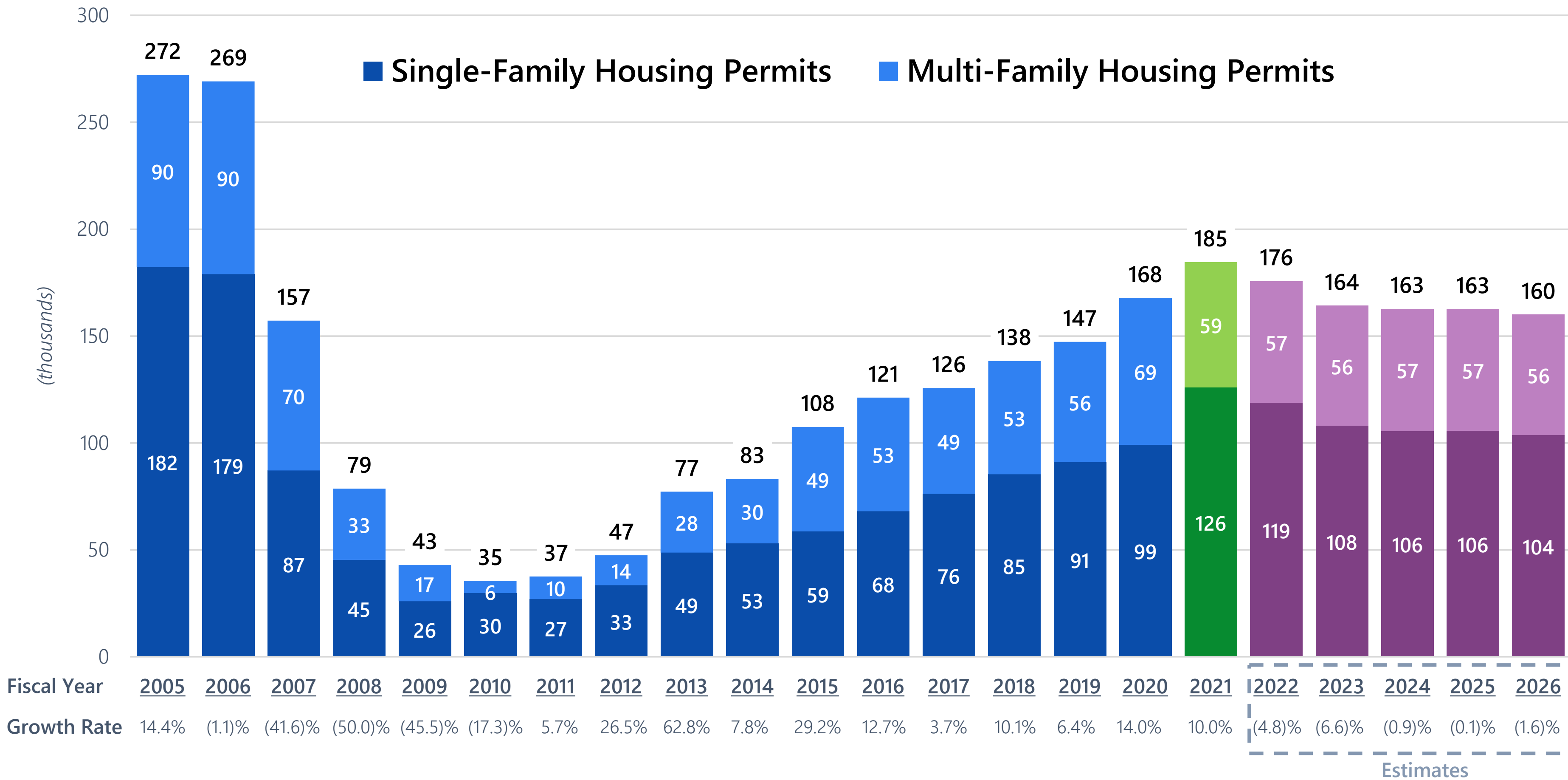
Statewide Property Tax Roll – School Taxable Value



- The statewide property tax roll declined 25% between 2007 and 2012, but recovered to the 2007 peak in 2017 – 10 years later
- The tax roll is forecasted to grow by an average annual rate of 5.3% over the next 5 years
- Residential sector values increased at more than twice the prior year's rate during 2020, while non-residential properties appreciated only marginally

Source: Florida Ad Valorem Estimating Conference

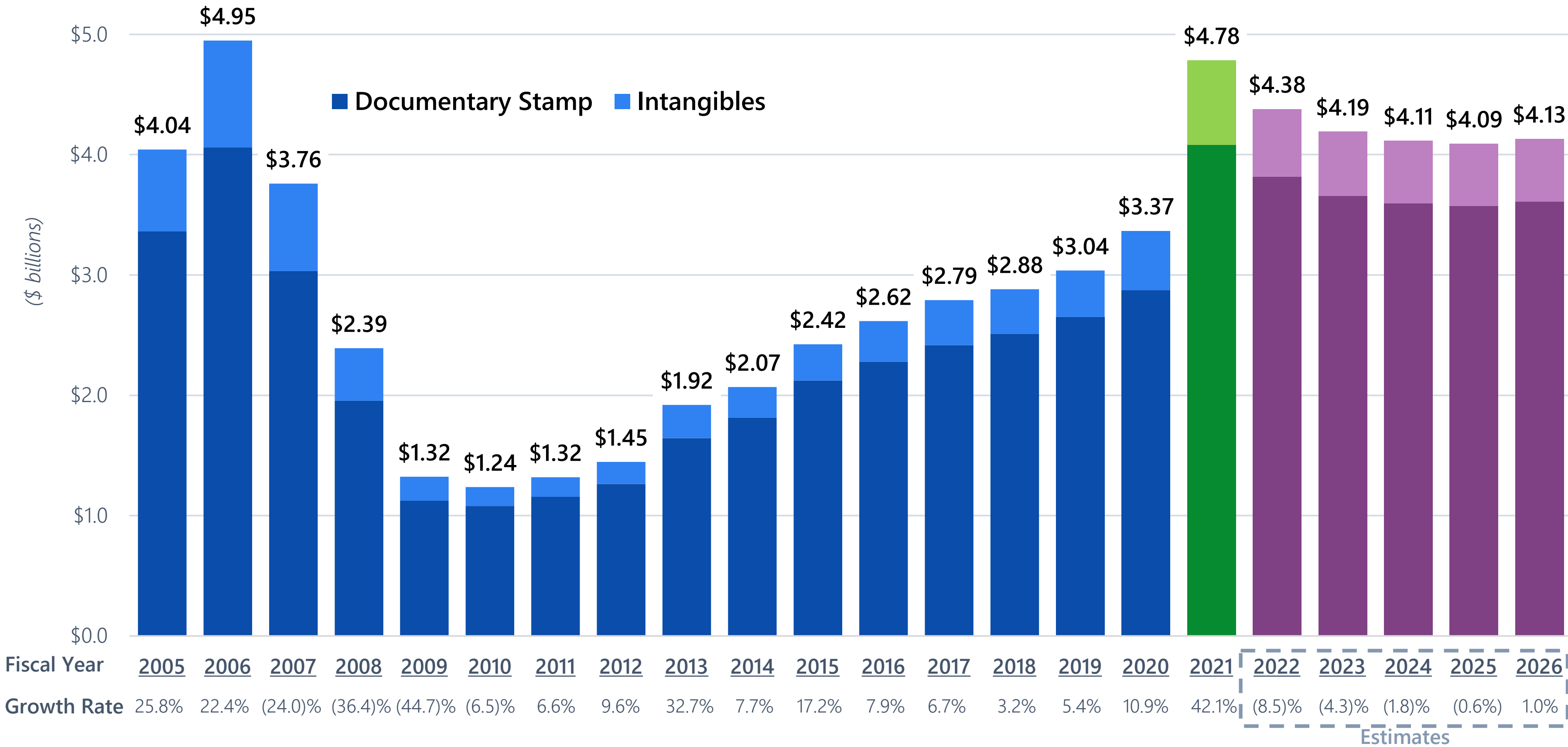
Florida Housing Starts



- Total private housing starts remain well below the peak FY 2005 level of 272,000 units
- Housing starts are forecasted to decline slightly in FY 2022 and FY 2023 after high pandemic activity
- Housing starts are expected to decrease to just under 150,000 by the end of the decade

Source: Florida Economic Estimating Conference

Documentary Stamp and Intangibles Tax Collections



- Documentary Stamp and Intangibles tax collections approached the FY 2006 peak of $4.9 billion in FY 2021
- Low mortgage rates and a strong housing sector are driving collections
- Collections are expected to adjust to rising interest rates, declining for 4 years before returning to modest growth

Source: General Revenue Estimating Conference

Section 2

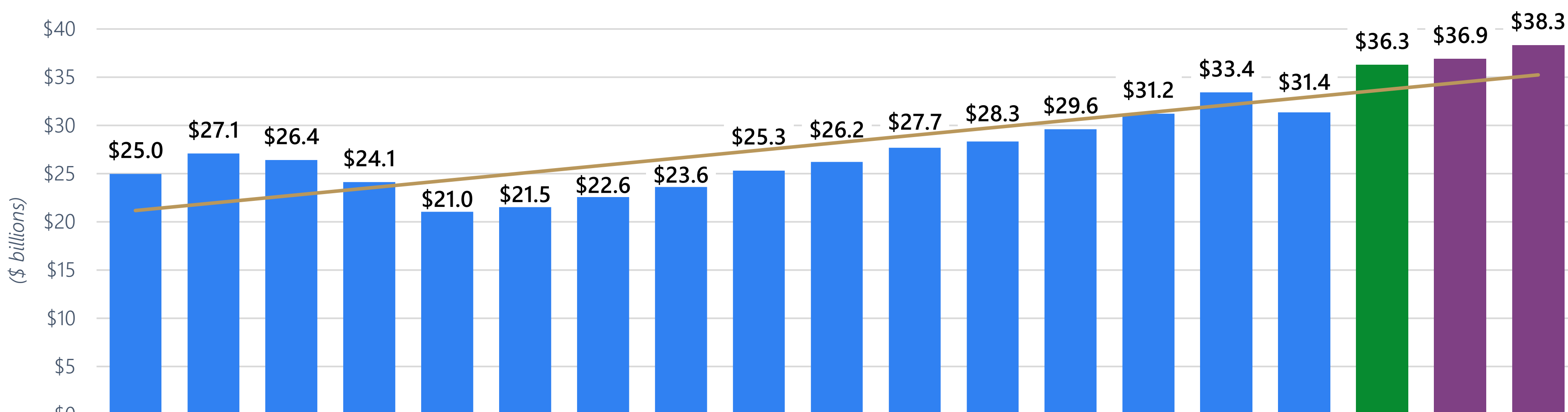
State Revenues

Revenue Highlights

- After revenue drop in FY 2020 caused by lock-down to address COVID-19 spread, General Revenue collections rebounded dramatically in FY 2021
- Strong General Revenue collections driven by Sales, Corporate, and Documentary Stamp taxes
- General Revenue collections for FY 2020 and FY 2021 combined met the pre-pandemic estimate
- Two new sources of recurring revenues totaling approximately $1.6 billion annually
- As of July 1, 2021, out-of-state retailers and marketplace providers with substantial sales into Florida are required to collect the Florida sales tax
- The State of Florida and the Seminole Tribe of Florida have entered into a Gaming Compact guaranteeing minimum payments of $2.5 billon over 5 years
- The corporate income tax rate is temporarily reduced to 3.53% for tax years beginning after January 1, 2021 and before December 31, 2021 and will rise to the standard 5.5% rate thereafter

General Revenue Collections

- FY 2020 GR collections fell by $2.0 billion or 6.1% as a result of the COVID-19 pandemic
- Driven by Sales Tax and Corporate Income Tax, GR collections increased by $4.9 billion or 15.7% in FY 2021, reversing the prior year loss and generating collections in excess of the pre-pandemic forecast
- General Revenue drop (peak to trough) in Great Recession was approximately $6.0 billion or 22.3%; collections did not recover to prior peak for 6 years – COVID-19 impacts have been significantly smaller in magnitude and shorter in duration
- A one-year reduction in the corporate income tax rate combined with reductions in sources sensitive to changes in interest-rates reduces the growth of collections to $620 million or 1.7% in FY 2022
- Estimates in FY 2023 and beyond revert closer to historical trend with annual growth of about $1.5 billion or 4%



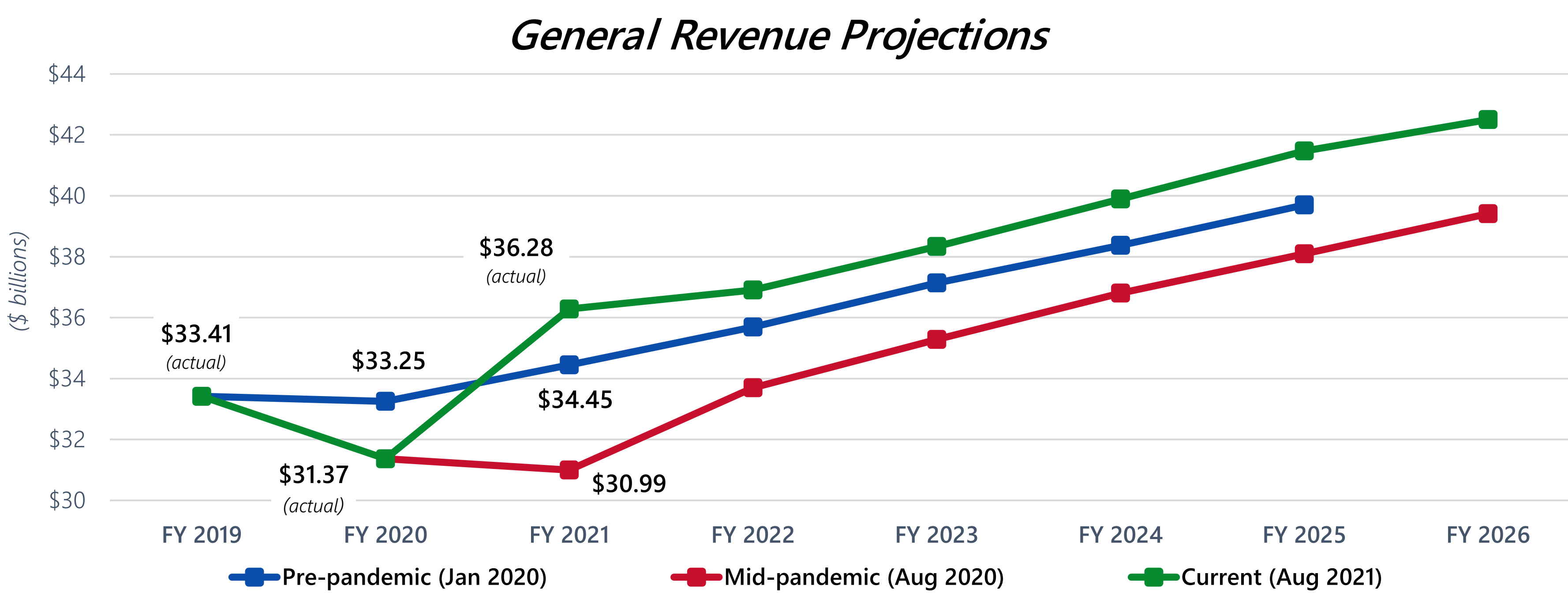
Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Growth Rate	14.4%	8.4%	(2.5)%	(8.7)%	(12.8)%	2.4%	4.8%	4.7%	7.2%	3.5%	5.7%	2.3%	4.5%	5.5%	7.0%	(6.1)%	15.7%	1.7%	3.9%
$ Change (in billions)	$3.1	$2.1	$(0.7)	$(2.3)	$(3.1)	$0.5	$1.0	$1.1	$1.7	$0.9	$1.5	$0.6	$1.3	$1.6	$2.2	$(2.0)	$4.9	$0.6	$1.4

Estimates

Source: General Revenue Estimating Conference

General Revenue Projections

- FY 2020 actual collections were $1.9 billion lower than the pre-pandemic projections
- Initial estimates regarding the impact of the COVID-19 pandemic on General Revenue collections called for a follow-up loss of $3.5 billion in FY 2021 relative to pre-pandemic projections, and a recurring loss of $1.6 billion thereafter
- After dramatic increase in FY 2021 actual collections, the total for FY 2020 and FY 2021 combined to produce a loss of only $60 million versus the pre-pandemic forecast
  - $1.9 billion loss relative to estimate for FY 2020 almost entirely offset by $1.8 billion overage for FY 2021
- Current estimates project collections to exceed the pre-pandemic forecast by $1.2 billion in FY 2022 growing to $1.8 billion by FY 2025

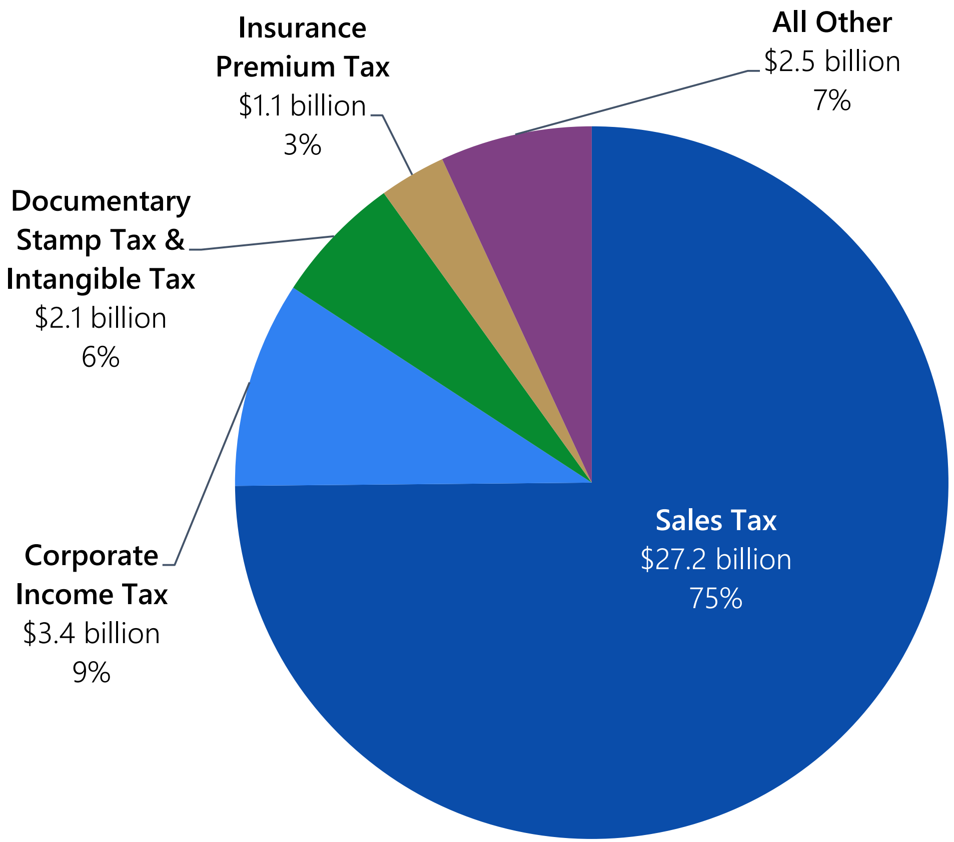


Source: General Revenue Estimating Conferences

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

FY 2021 General Revenue Sources

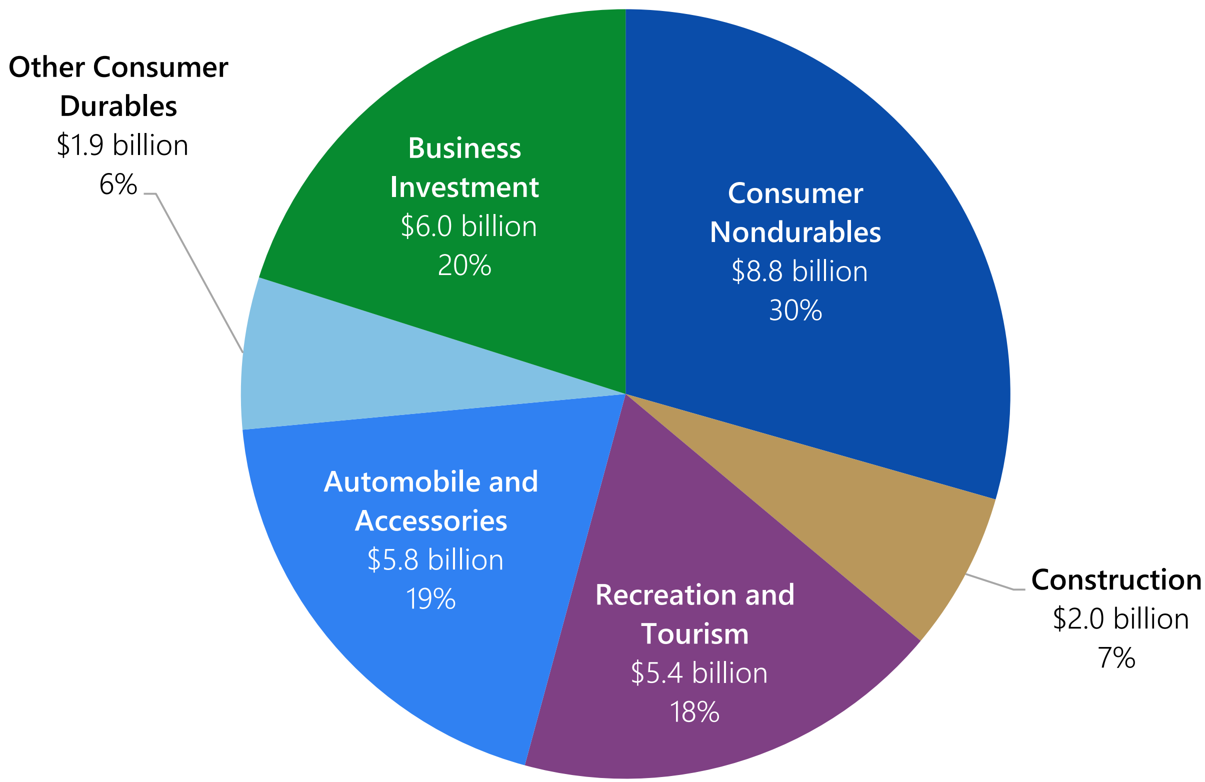


Source: General Revenue Estimating Conference

Sales Tax

- Significant interruption caused by COVID-19 pandemic
- Tourism had the greatest impact. Recovery in tourism expected in FY 2022
- Growth expected to revert back to the historical long-term average of 3% by FY 2027

FY 2021 Sales Tax Breakdown

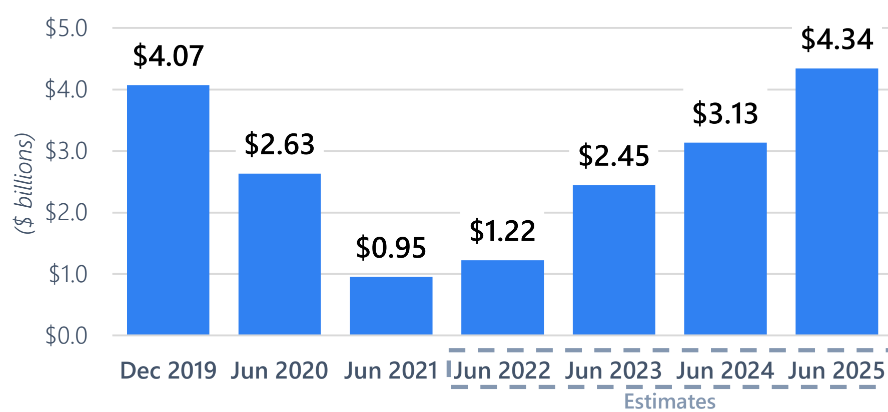


Source: General Revenue Estimating Conference

Remote Sales Tax

- Florida passed legislation in 2021 requiring out-of-state retailers and marketplace providers with substantial sales to Florida to collect Florida sales tax
- Collections are expected to exceed $1.1 billion annually
- The initial $3.4 billion in associated revenues estimated to be distributed to the Unemployment Compensation Trust Fund (UCTF) through fall 2024 to restore the balance to its pre-pandemic level
  - Florida entered 2020 in a strong position, with a balance of over $4 billion in the Unemployment Compensation Trust Fund
  - Effects of COVID-19 on employment reduced the balance, but Florida's balance remained positive at $951 million at end FY 2021 with no Trust Fund loans outstanding
- Under current law, subsequent collections will be used to offset a reduction in the sales tax rate on commercial rent from 5.5% to 2.0% set to begin after UCTF distributions end

Unemployment Compensation Trust Fund Balances



Source: Unemployment Compensation Trust Fund Conference

Seminole Gaming Compact

- After making its April 2019 payment, the Tribe ceased all revenue sharing with the State
- The Governor and the Seminole Tribe of Florida signed a new Compact on April 23, 2021. The Compact was deemed approved by the U.S. Department of the Interior on August 6, 2021
- In addition to the previously authorized games, including banked card games and slot machine gaming, the new Compact adds craps & roulette, sports betting, and fantasy sports contests
- The gaming compact has guaranteed minimum payments of $1.5 billion over three years and $2.5 billion over five years
- The Revenue Estimating Conference in August estimated that the compact will generate $318 million in FY 2022 and $451 million in FY 2023

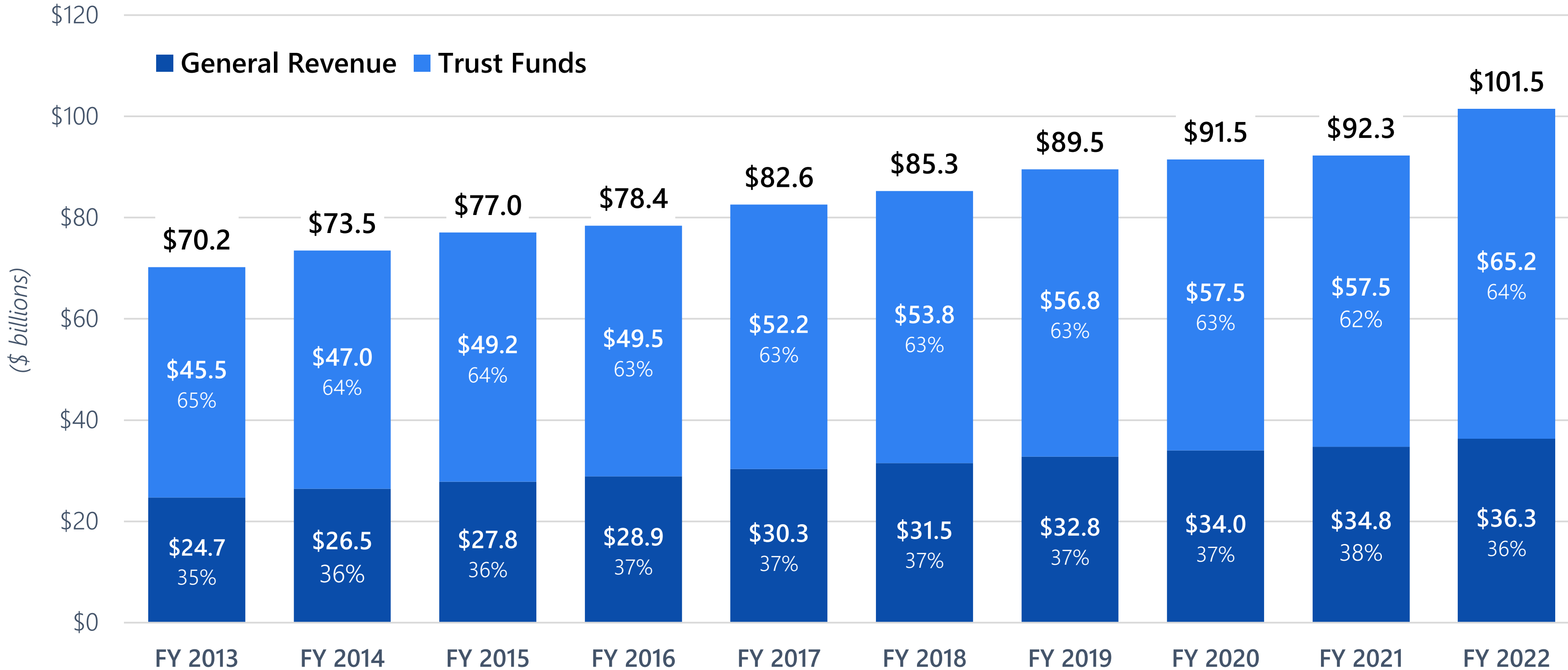
Section 3

Fiscal Year 2022 Budget

Fiscal Year 2022 Budget Highlights

- As a result of Governor DeSantis' leadership, Florida's economy has rebounded to pre-pandemic levels, allowing for key investments in Education and the Environment in the FY 2022 budget
  - Maintain an overall increase in Education to support our teachers and students
    - **Mental Health Initiatives:** $20 million increase, for a total of $120 million
    - **Minimum Teacher Salary of $47,500:** $50 million increase, for a total of $550 million, to continue towards goal
    - **Literacy Initiatives:** Over $435 million in funding, of which $215 million is federal relief funding
    - **Florida's Universities:** Historic $1.3 billion in State operating funding
    - **Florida's State Colleges:** Historic $2.8 billion in State operating funding
  - Prioritizes Environmental investments by providing more than $625 million in record funding for Everglades restoration and the protection of water resources
    - This continues to keep Florida on track to meet Governor DeSantis' commitment of $2.5 billion over four years for the protection of Florida's water resources
  - Over $11 billion for the State Transportation Work Program to complete critical infrastructure projects, which includes up to $1.75 billion from federal COVID-19 relief funding
  - Transferred $1 billion balance of the Lawton Chiles Endowment Fund into Florida's Budget Stabilization Fund

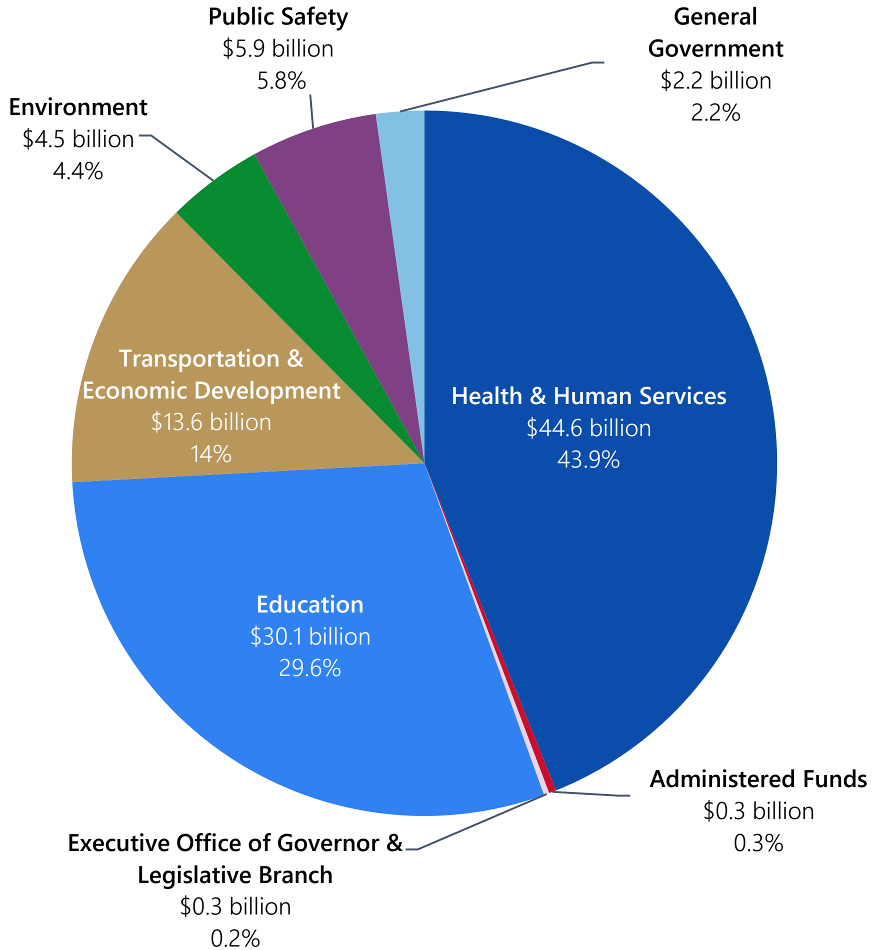
History of Total Appropriations



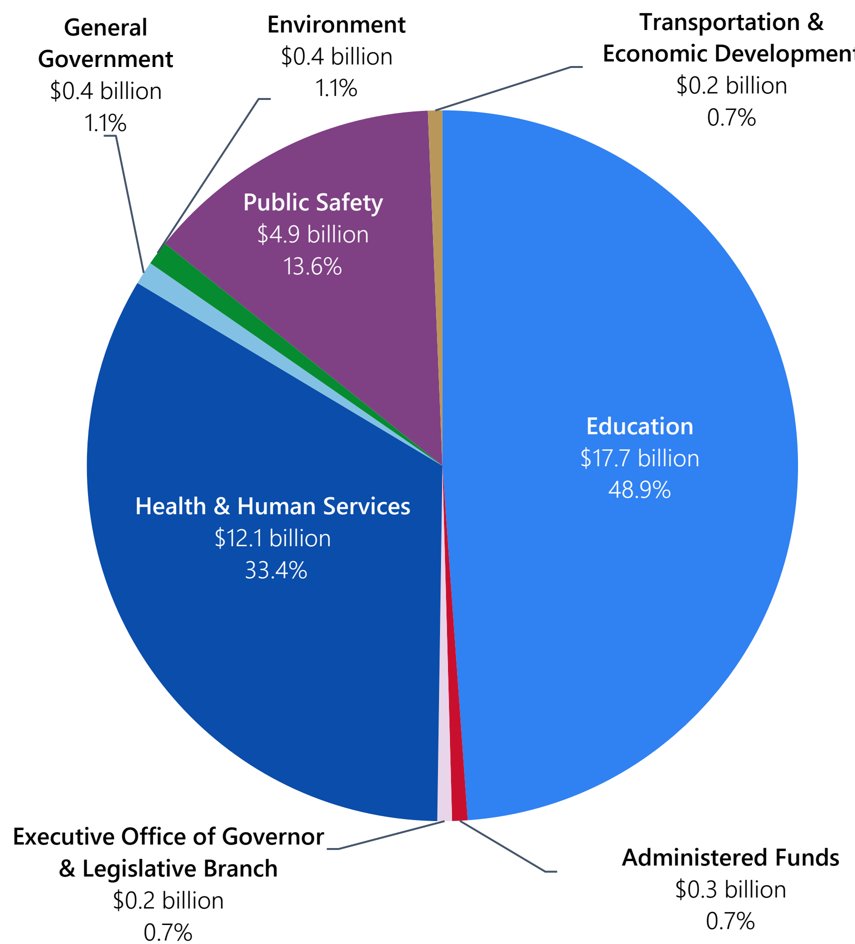
- FY 2022 appropriations totaling $101.5 billion are about $9.2 billion or 10% above FY 2021
- $6.9 billion, or 75%, of the $9.2 billion increase over FY 2021 is in federal funding
  - A majority of the $6.9 billion increase is due to federal funds received by the state for COVID-19 relief
- Majority of total State budget funded from Trust Funds (64% in FY 2022)

Fiscal Year 2022 Budget

Total Budget - $101.5 billion



General Revenue - $36.3 billion



- Largest component of total budget is Health and Human Services (43.9%)
- Largest component of GR budget is Education (48.9%)

Major Budget Changes for FY 2022

Fiscal Year 2022 Budget Increases	
Policy Area	**Amount** *($ millions)*
Health and Human Services	$5,246.2
Education	3,312.8
Environment	33.9
Transportation & Economic Development	246.2
Public Safety	252.8
Various	121.0
Total Difference = $9.2 Billion	

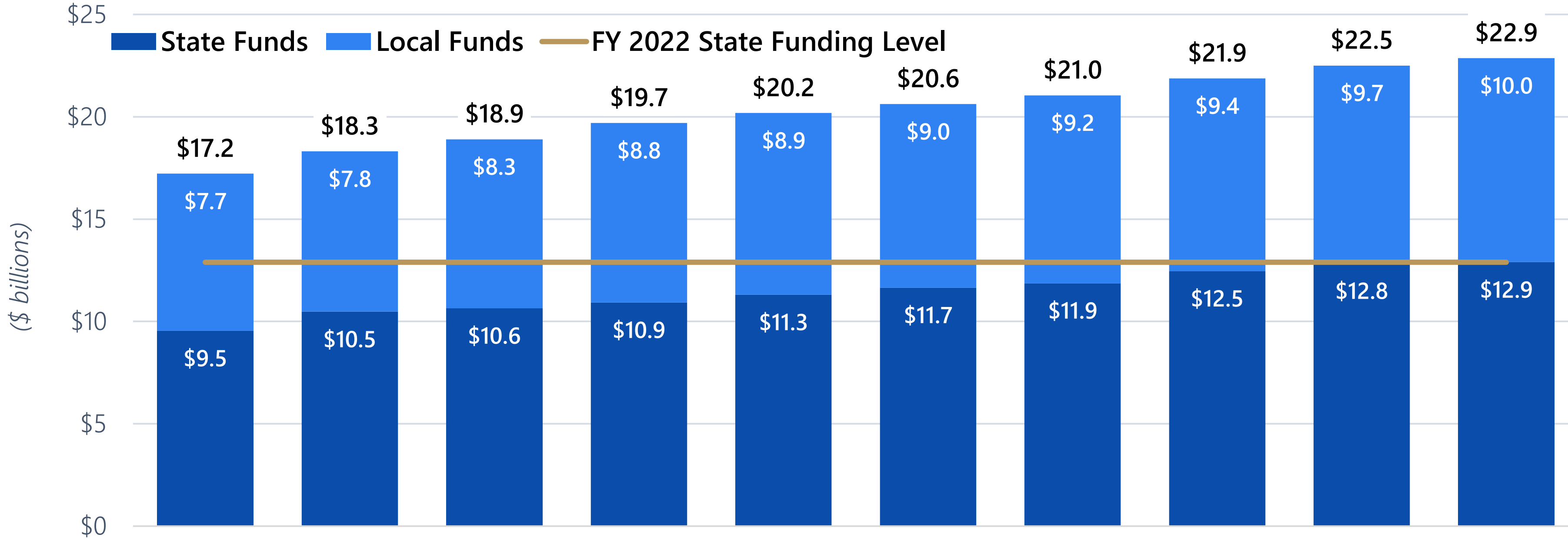
- $6.9 billion, or 75%, of the $9.2 billion total increase over FY 2021 is in federal funds
  - $3.6 billion of the $5.2 billion increase in Health and Human Services is due to an increase in Medicaid, with the majority attributable to the COVID-19 pandemic
  - $2.8 billion of the $3.3 billion increase in Education funding is authority for Federal Coronavirus Relief Grants *(ESSER 2, ESSER 3, GEER, CCDF, CRRSA, etc)*

Florida's Environmental Priorities

- Governor DeSantis called for a **$2.5 billion** investment in Everglades restoration and protection of water resources over four years
  - FY 2022 Budget includes more than $791 million for the protection of Florida's water resources
- Over **$4.44 billion** invested in Florida's environment in FY 2022, including $1.85 billion of Federal American Rescue Plan Act of 2021 funds

Fiscal Year 2022 Environmental Funding	
Major Issues Funded	**Amount** *($ millions)*
Targeted Water Quality Improvements	$846
Resilient Florida	629
Everglades Restoration	522
Land Acquisition	402
Beaches	100
Springs Restoration	75
Innovative Solutions to Algae	10
FWC Center for Red Tide Research	4

K-12 Schools – Funding & Enrollment

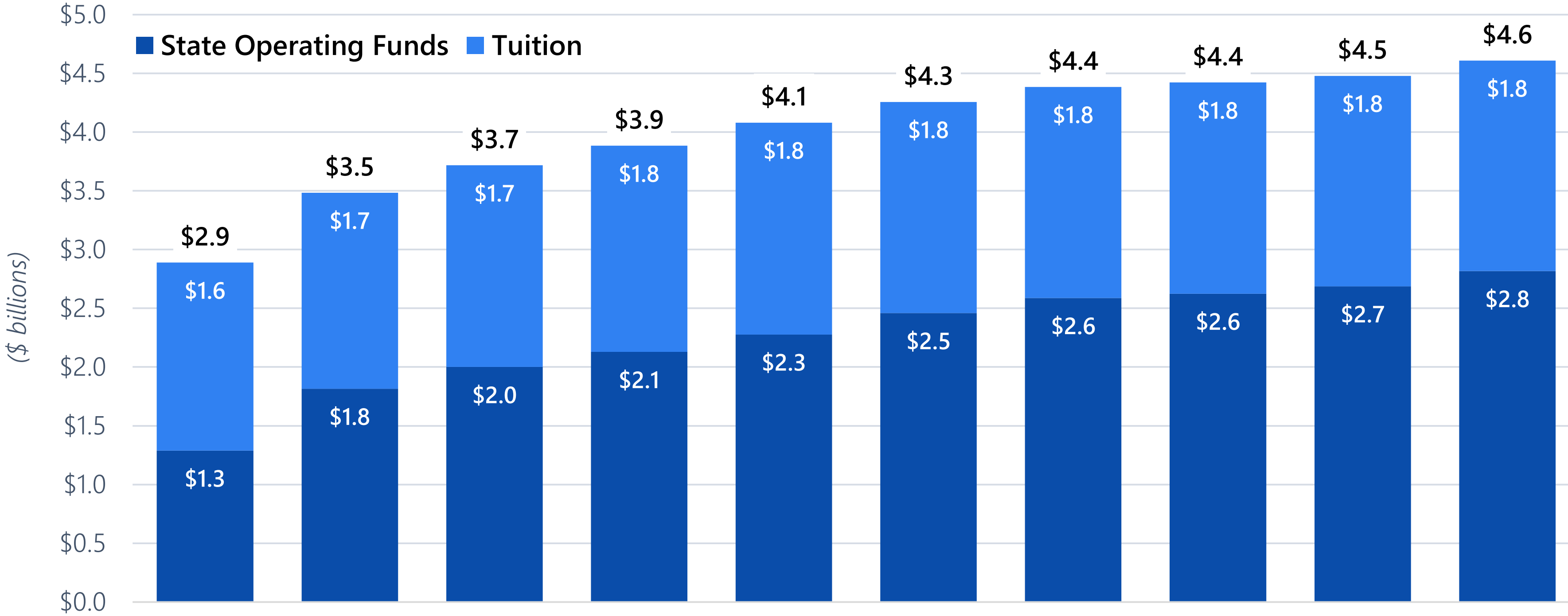


	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FTE Student Enrollment	2,700,982	2,705,148	2,743,239	2,778,915	2,804,865	2,822,733	2,831,913	2,860,469	2,814,129	2,868,389
Per Student Funding	$6,377	$6,769	$6,891	$7,090	$7,197	$7,307	$7,433	$7,650	$7,998	$7,973

Estimates

- Under Governor DeSantis' leadership, Florida schools remained open during the 2020-21 academic year
- Florida schools' FY 2021 funding was held harmless, allowing for modality flexibility to continue to provide a high-quality education for every student
- Key investments include a $50 million increase, for a total of $550 million, to continue toward the goal of a $47,500 minimum teacher salary; and a $20 million increase, for a total of $120 million, for mental health initiatives

State University System – Funding & Enrollment



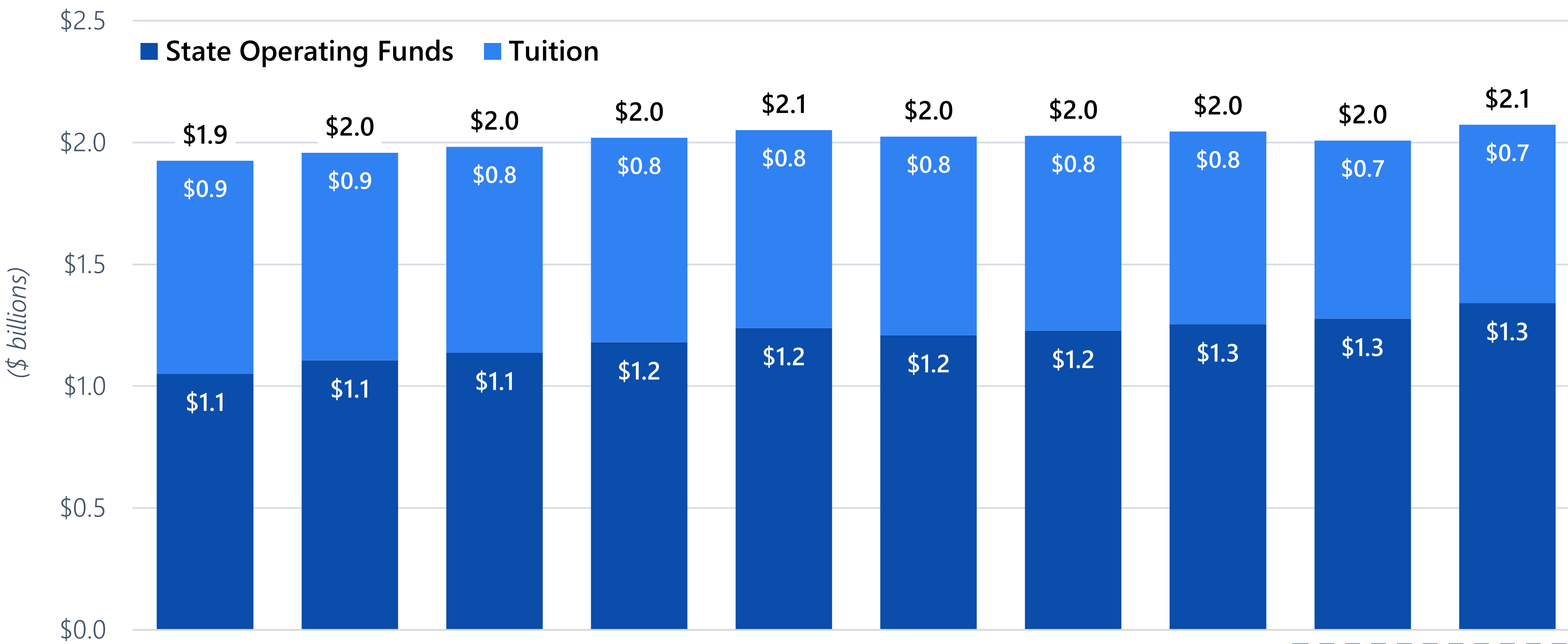
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FTE Student Enrollment	295,882	293,519	294,777	299,484	305,556	311,970	315,239	323,180	323,950	326,140
Per Student Funding	$9,764	$11,869	$12,610	$12,968	$13,356	$13,645	$13,910	$13,683	$13,827	$14,132

Estimates

- Record level of operating funding for State Universities in FY 2022
- State appropriations funding level continues to grow, while tuition is held constant
- Performance funding of $560 million – 20% of total state university operating funding ($265 million state investment and $295 million institutional investment)

Excludes appropriations and FTE students for Moffitt, UF-IFAS, health science centers, and medical schools.

College System – Funding & Enrollment



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FTE Student Enrollment	350,109	340,556	334,178	327,992	320,900	320,043	320,302	316,276	296,925	311,526
Per Student Funding	$5,499	$5,750	$5,933	$6,156	$6,391	$6,326	$6,329	$6,466	$6,764	$6,654

Estimates

- Record level of operating funding for State Colleges in FY 2022
- State appropriations funding level continues to grow, while tuition is held constant
- State colleges provide critical access for job training and higher education for Florida students

Federal COVID-19 Relief Funding

Coronavirus Relief Fund (“CRF”)

- Total Florida CRF Award for Florida Governments = $8.3 billion
  - Direct State Aid: $4.6 billion
  - County Aid: $3.7 billion ($1.2 billion administered by State, $2.5 billion directly to counties)

American Rescue Plan (“ARP”)

- Total Florida ARP Award for Florida Governments = $15.9 billion
  - Direct State Aid: $8.8 billion
    - ➢ First Tranche of $4.4 billion received
      - Final FY 2022 budget appropriates $5.3 billion of ARP funding, contingent upon receipt. Distribution of first tranche was prorated between the appropriations
    - ➢ Second tranche of $4.4 billion expected by May 2022
      - After approximately $900 million of remaining FY 2022 contingent appropriations are made, $3.5 billion of ARP funds will remain available for future appropriations
  - Local Governments ARP Award = $7.1 billion
    - ➢ $4.2 billion directly to counties
    - ➢ $1.5 billion directly to cities
    - ➢ $1.4 billion administered by the State: first tranche of $708.2 million received and distributed by State to nearly 350 non-entitlement units of government. Second expected by May 2022

Federal Recovery Project Structure

- Overall, the federal government has made over $214.6 billion in COVID-19 relief funding available in Florida since FY 2020
  - Includes aid to governments, stimulus payments, paycheck protection program, etc.

Executive Office of the Governor, Office of Policy & Budget
Roles: Executive Sponsor, Fund Administrator, Mission Implementation

Federal Relief Acts Project Governance
Roles: Project Administration, Multi-Agency Coordination, Support, Reporting, Measurement

Emergency Management

Small County Program: Award funding and manage grant to counties with population less thank 500k

Agency Coordination

Agency Executive Liaisons

Agency Budget Liaisons

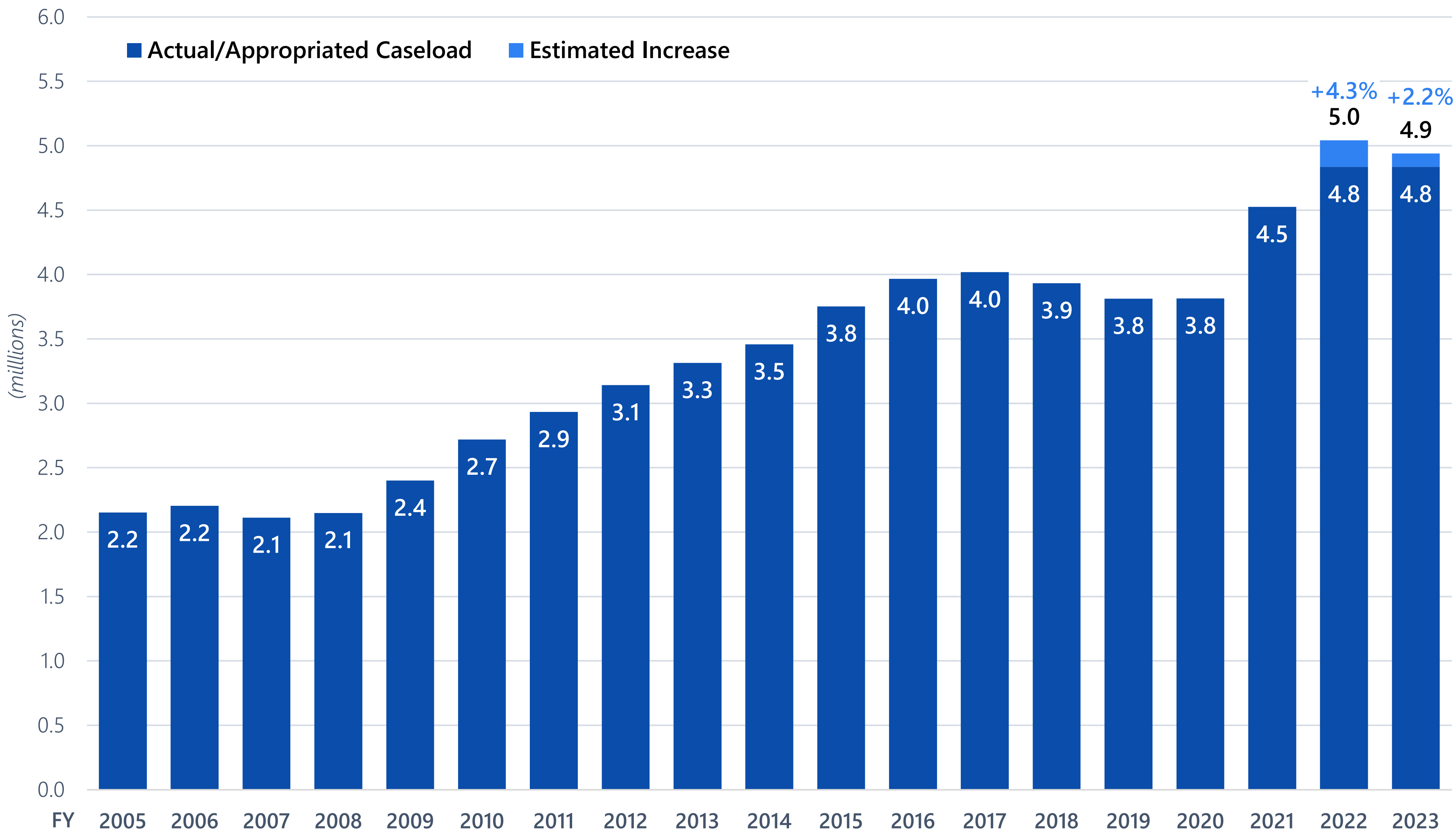
Program Areas

Agency Technical Support

OIG Team: Risk Readiness Review, Compliance Monitoring, Reporting

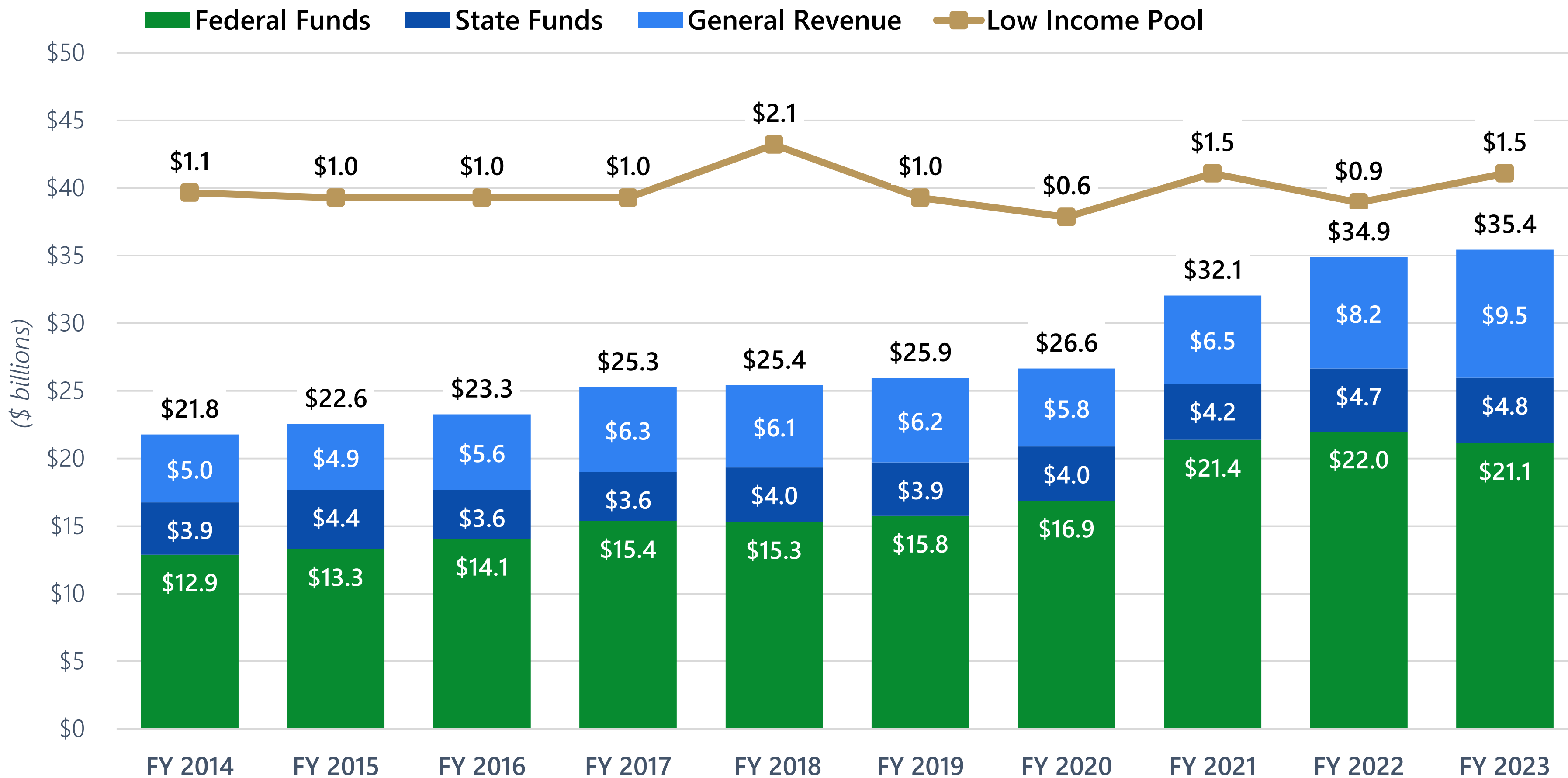
Source: Federal Funds Information for States (FFIS)

Medicaid – Historical Enrollment



Source: Caseload Social Services Estimating Conference. FY 2023 Actual/Appropriated Caseload equals FY 2022 Actual/Appropriated Caseload

Medicaid – Historical Services & LIP Expenditures



- The Directed Payment Program ("DPP") will provide approximately $1.8 billion in funding to hospitals who provide services to Medicaid eligible patients to support the difference between the cost of providing care and the payments received for services
- Florida will receive enhanced Federal Medicaid Assistance Percentage ("FMAP") through at least December 31, 2021, producing total estimated general fund savings of nearly $1.6 billion from FY 2020 through FY 2022

Source: Social Services Estimating Conference for Medicaid Caseloads and Expenditures

Fiscal Year 2021 General Revenue Results

- State developed strategies in advance of potential financial disturbance resulting from COVID-19 in FY 2021
  - Governor vetoed $1 billion from FY 2021 spending plan and instituted agency budgetary hold-backs
  - State agencies were also required to plan for stair-stepped budget reductions in Legislative Budget Requests (8.5% in FY 2021 and 10% in FY 2022)
- Based on August 2020 revenue estimates, recurring expenditures were projected to exceed recurring revenues by $2.5 billion in FY 2021; non-recurring CRF moneys would be used to balance FY 2021 Budget
- Actual FY 2021 General Revenue collections were significantly higher than August 2020 projections
  - As a result, FY 2021 Budget was structurally balanced with recurring revenues exceeding recurring appropriations by over $2.7 billion

FY 2021 GR Outlook *($ millions)*	**August 2020 Estimates**	**Actual Results**	**Difference**
Recurring Funds Available	$31,568.9	$36,816.5	$5,247.6
Recurring Effective Appropriations	$(34,081.8)	$(34,081.8)	-
Ending General Revenue Balance	**($2,512.9)**	**$2,734.7**	**$5,247.6**

Source: General Revenue Fund Outlook Statements

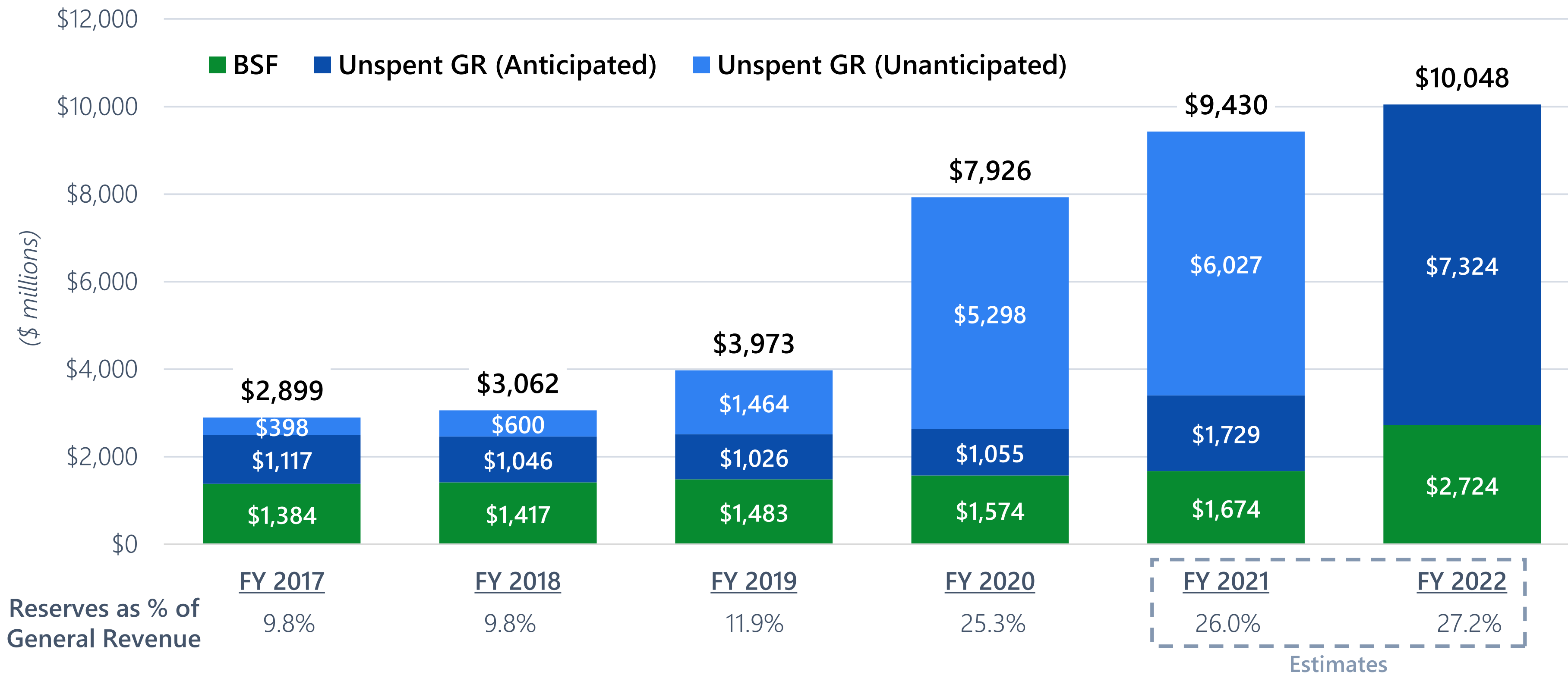
Fiscal Year 2022 General Revenue Outlook

FY 2022 GR Outlook *($ millions)*	Recurring	Non-Recurring	Total
Beginning Balance	-	$13,235.9	$13,235.9
Funds Available	$38,213.5	(1,102.1)	37,111.4
Total General Revenue Available	**$38,213.5**	**$12,133.8**	**$50,347.3**
Fiscal Year 2022 GR Appropriations	$(34,959.7)	$(2,947.1)	$(37,906.8)
ARP State Fiscal Recovery Fund	-	(4,408.3)	(4,408.3)
ARP Local Fiscal Recovery Fund	-	(708.2)	(708.2)
Ending General Revenue Balance	**$3,253.8**	**$4,070.2**	**$7,324.0**

- FY 2022 is structurally balanced (recurring revenues estimated to exceed recurring appropriations by $3.3 billion)
- FY 2022 General Revenue estimates have increased by $3.2 billion since the worst-case scenario estimates were adopted in August 2020
- General Revenue collections have consistently come in higher than the adopted estimates
  - Collections received between April and July exceeded the adopted April 2021 estimate by over $2 billion
- Florida's General Revenue collections exceeded the estimates adopted prior to the COVID-19 pandemic at the end of FY 2021

Source: General Revenue Fund Financial Outlook Statement

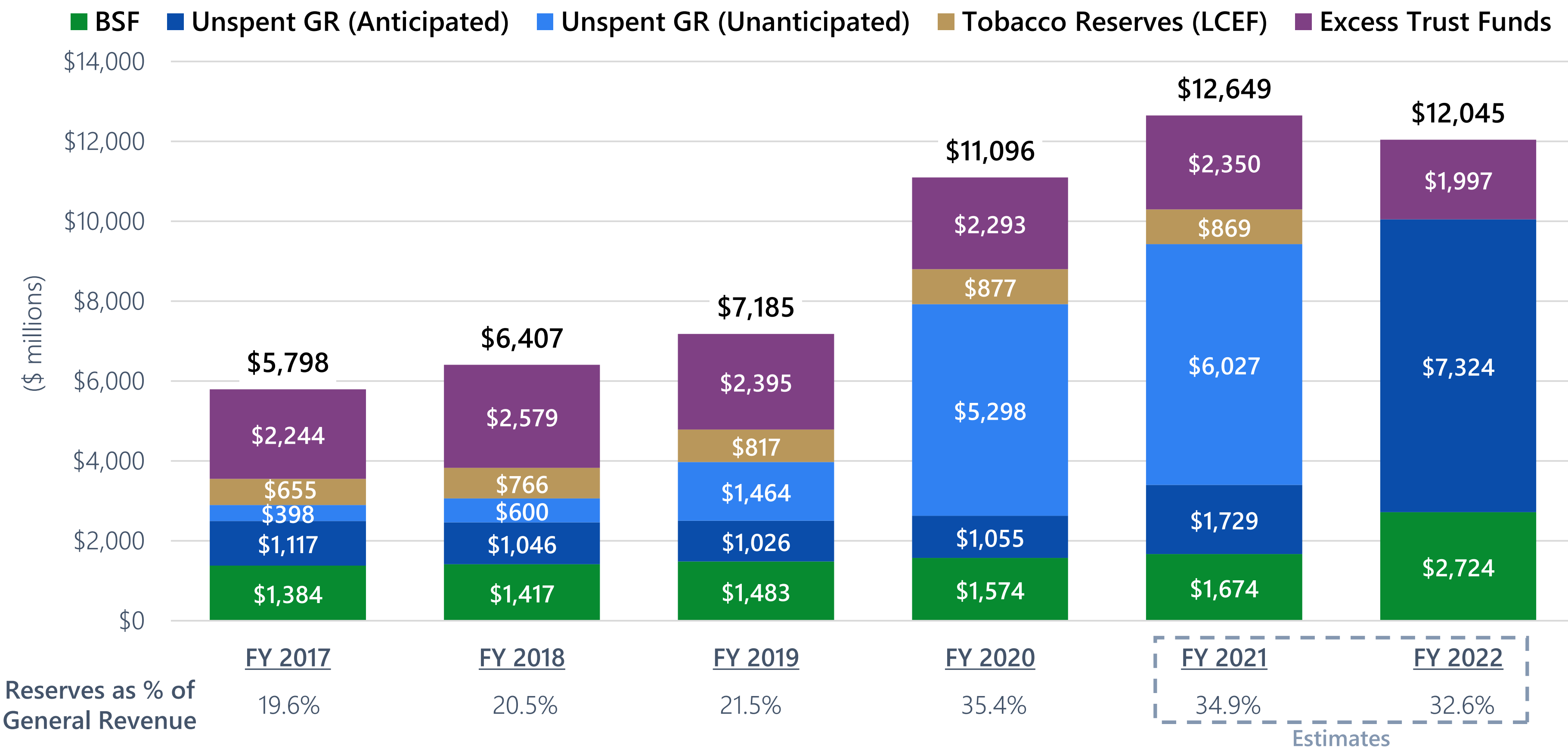
General Fund Reserves



- General Fund Reserves (Unspent GR plus BSF) expected to total $9.4 billion or 26.0% of GR estimated at June 30, 2021 and $10.0 billion or 27.2% of GR at June 30, 2022
- Florida did not touch the BSF during the COVID-19 pandemic, and transferred $1 billion balance of the Lawton Chiles Endowment Fund ("LCEF") into the BSF in FY 2022
- Targeted Unspent GR remained above informal policy of $1 billion

Source: General Revenue Fund Financial Outlook Statements and Financial Retrospects. FY 2021 and FY 2022 amounts are estimates and subject to adjustments. FY 2020 balance includes CRF moneys; FY 2021 and FY 2022 balances exclude ARP moneys.

Total State Reserves



- Historic level of State Reserves in FY 2021 and FY 2022 at over $12 billion
- The balance of CARES Act Funds received in FY 2020 are included in FY 2020 reserve balances
- ARP funds received in FY 2021 are not reflected in FY 2021 reserve balances; all ARP funds received to date appropriated in FY 2022

Source: General Revenue Fund Financial Outlook Statements and Financial Retrospects. FY 2021 and FY 2022 amounts are estimates and subject to adjustments. FY 2020 balance includes CRF moneys; FY 2021 and FY 2022 balances exclude ARP moneys.

Disaster Declaration Budget Impacts

Estimated Disaster Costs & Reimbursements [1] *($ millions)*	
Category	**General Revenue**
Total Disaster Expenditures	$2,826.1
Total Received FEMA Reimbursements	(491.3)
Total Anticipated FEMA Reimbursements	(2,151.1)
Total Net Costs	**$183.7**
Total *COVID-19* Expenditures	$1,773.6
Total Received *COVID-19* FEMA Reimbursements	(143.3)
Total Anticipated *COVID-19* FEMA Reimbursements – 100%	(1,630.3)
Total *Hurricane* Expenditures	1,052.5
Total Received *Hurricane* FEMA Reimbursements	(348.0)
Total Anticipated *Hurricane* FEMA Reimbursements	(520.8)

- 100% Federal Cost Share for COVID-19 eligible costs incurred January 2020 to September 31, 2021
- Florida has received $143.3 million in FEMA reimbursements for eligible COVID-19 expenditures, and has authorized the State Department of Emergency Management to utilize FEMA expedited funding to offset the need for additional General Revenue
- Florida anticipates receiving over $520 million from eligible costs incurred due to Hurricanes Irma (2017), Michael (2018), Dorian (2019), and Sally (2020) in the future – these expected reimbursements are not included in reserve estimates

[1] *Estimates as of August 2021*

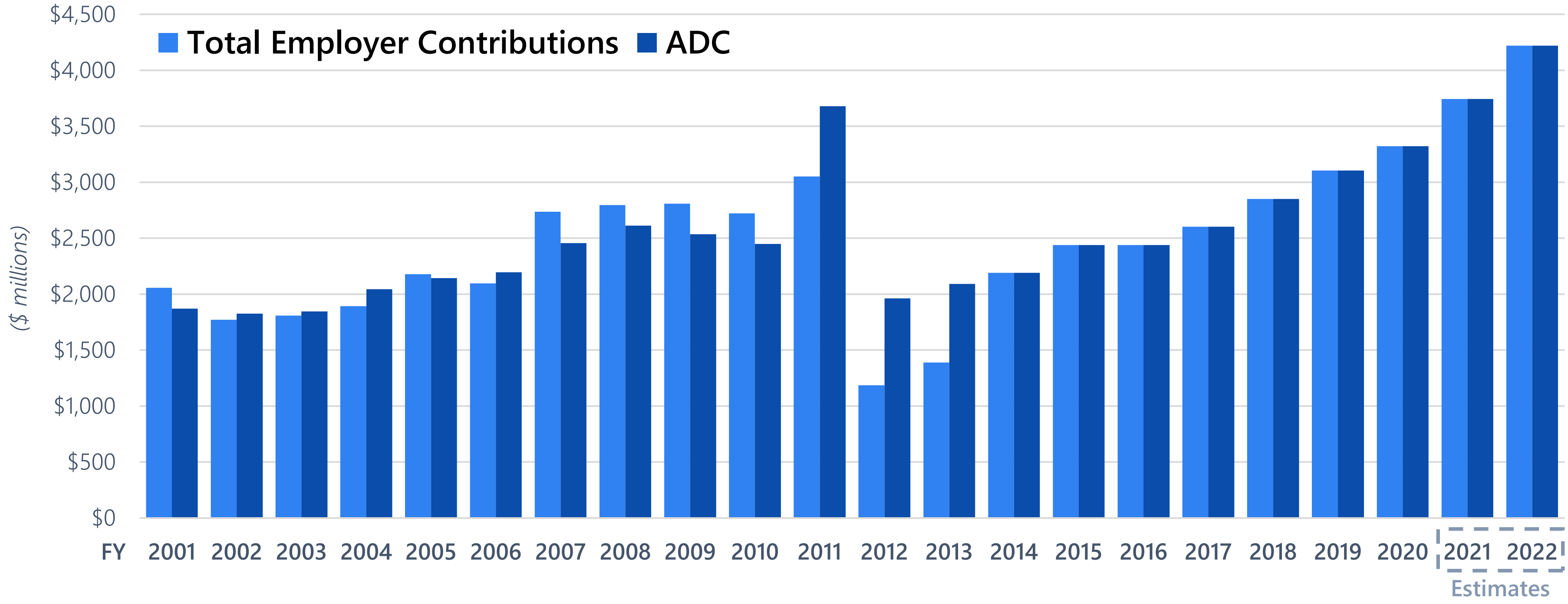
Section 4

Pension Funding & OPEB

Pension Funding & OPEB

- Legislature again fully funded the Actuarially Determined Contribution ("ADC") for FY 2022
- Funded ratio based on actuarial value of assets ($164.3 billion) at July 1, 2020 was 82.0%
- Funded ratio based on market value of assets (estimated $201.7 billion) as of August 17, 2021 was 100.7%
- State's share of the Net Pension Liability ("NPL") is approximately 17.0% based on percent of total employer contributions in FY 2020
  - As of June 30, 2020, State's 17.0% allocable share of NPL totaled $6.1 billion using actuarial value of assets
- Investment return assumption for calculating pension contribution (ADC) of 7.00%, but 6.80% for financial reporting (CAFR)
- State continues to make progress towards more conservative pension assumptions and methodologies, including a "reasonable" investment return assumption by lowering the investment return assumption
  - Over the last seven years, the investment return assumption has been lowered from 7.75% to 7.00%
- Other Postemployment Benefits ("OPEB") liability totaled $12.7 billion as of June 30, 2020 (State's share is approximately 74%) ; however, consists of implicit subsidy only with no legal entitlement or constitutional protection of health benefits

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 nine years (FY 2014 through FY 2022), 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.

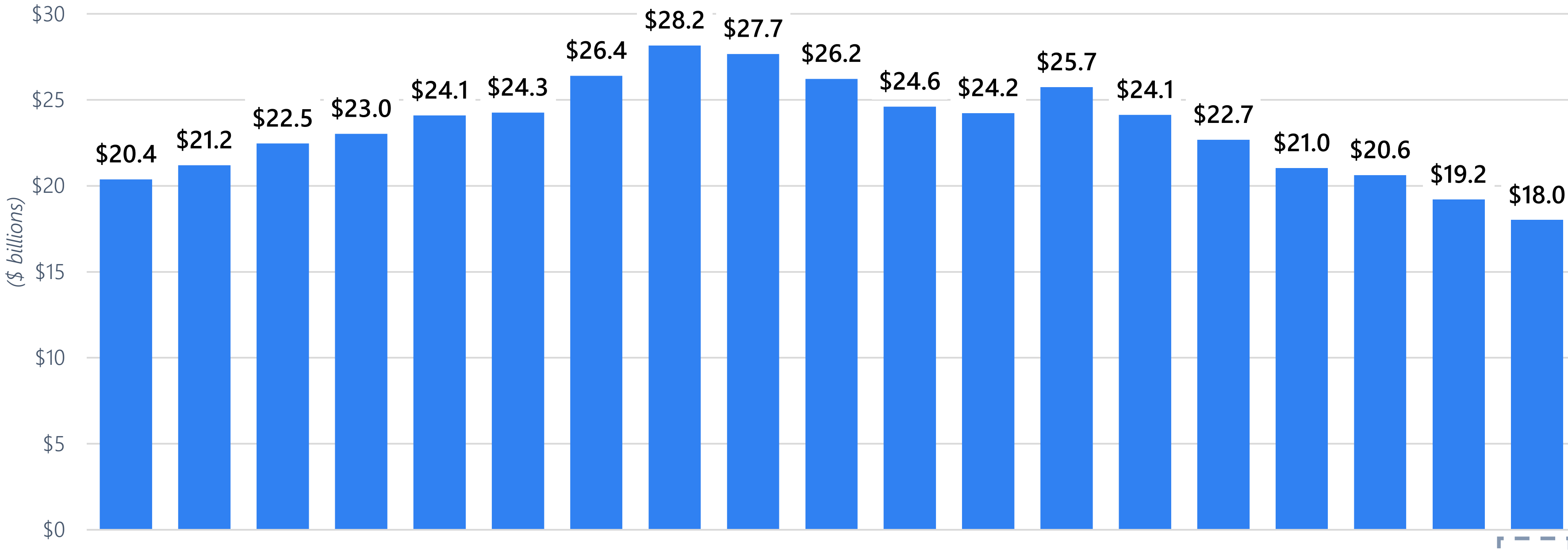
Section 5

Debt Position

Debt Position

- Balance sheet has improved significantly over last decade
  - Unemployment Compensation Trust Fund loan fully repaid in 2013 and deficits eliminated without using bonds; no deficit resulting from COVID-19 with positive fund balance of $951 million as June 30, 2021 and a dedicated funding source to rebuild to pre-pandemic balance over next 3 years
- Florida Hurricane Catastrophe Fund's ("Cat Fund") balance sheet remains strong after 2020A pre-event bond issue, with estimated total resources of $14.9 billion for the current season (projected fund balance of $11.4 billion and pre-event bond proceeds of $3.5 billion)
  - Cat Fund resources are net of $2.5 billion in additional loss reserves for Hurricanes Irma and Michael ($9.25 billion current loss estimates as of June 2021 less $6.8 billion in combined losses paid through July 31, 2021)
- Citizens Property Insurance ("Citizens") continues to anticipate the ability to withstand 1-in-100 year storm without need to issue bonds or levy assessments
  - From 2012 to 2019, Citizens depopulation program reduced policies by 70% (1.5 million to 442,000) and total exposure by 78% ($511 billion to $111 billion)
  - Starting in 2020 trend reversed and Citizens has since had its policies increase by 100k in each of the last 2 years to 661,000 and exposure increased to $194 billion as of July 31, 2021, though both remain well below prior peak
- Since peaking in 2010, outstanding debt has declined by nearly $10.2 billion, or 36%, notwithstanding the inclusion of the $2.7 billion obligation from I-4 Ultimate long-term Public Private Partnership ("P3")
- Benchmark debt ratio increased from 4.64% to 5.49% from FY 2019 to FY 2020 due to decreased revenues and variability in P3 payments but remains below 6% policy target; projected to remain below 6% target in FY 2021 and thereafter
- Debt obligations remain manageable at a relatively low level and contingent liabilities pose less risk

History of Outstanding Debt



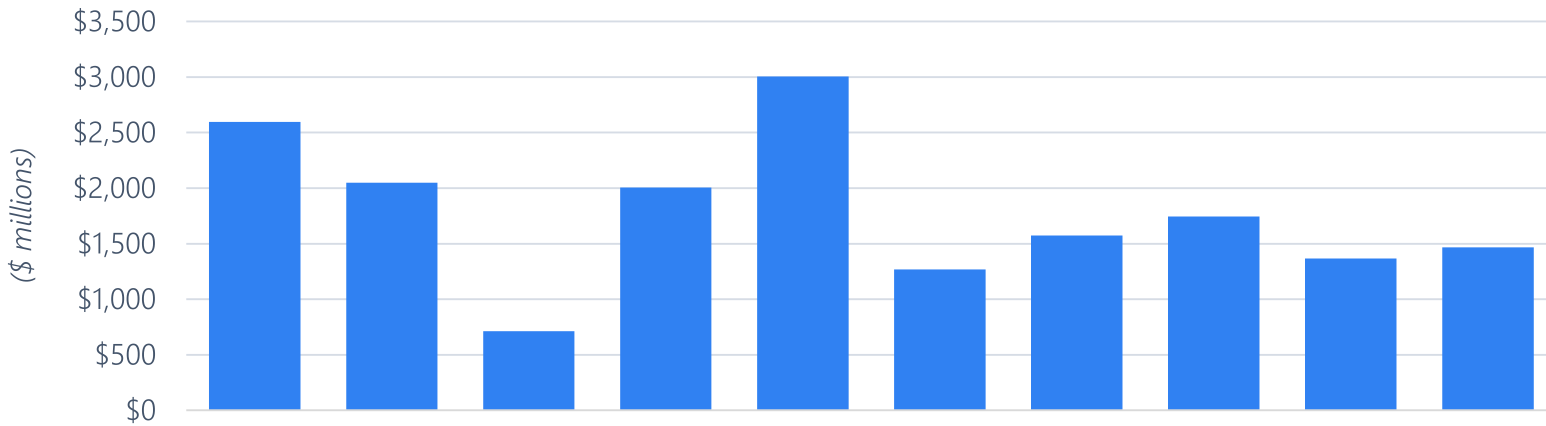
FY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
$ Change (in billions)	$1.2	$0.8	$1.3	$0.6	$1.1	$0.2	$2.1	$1.8	$(0.5)	$(1.4)	$(1.6)	$(0.4)	$1.5	$(1.6)	$(1.4)	$(1.6)	$(0.4)	$(1.4)	$(1.2)

Estimate

- Total direct debt outstanding is estimated to be $18.0 billion at the end of FY 2021, a $1.2 billion or 6.2% decrease from FY 2020
- State reversed long history of increasing debt beginning in 2011
- Total direct debt is estimated to have decreased by nearly $10.2 billion, or 36%, since peak in 2010, primarily a result of principal repayments on existing debt exceeding new money debt issuance

Source: State of Florida Debt Reports

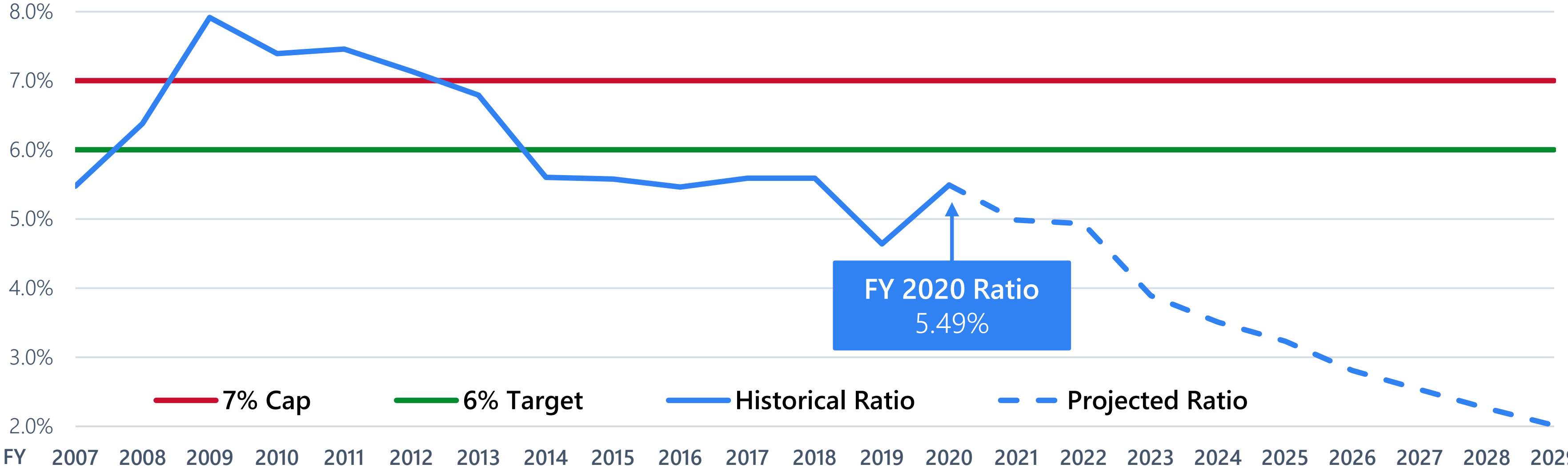
Refinancing Activity for Debt Service Savings



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Refunding Transactions	20	10	9	14	13	14	12	13	11	16	132
Refunding Par	$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	$1,466.1	$17,787.0
Refunding Savings:											
Gross Savings	$450.9	$515.6	$99.1	$376.9	$618.8	$303.6	$380.5	$267.3	$341.4	$362.0	$3,716.4
PV Savings	$366.2	$406.1	$87.0	$311.1	$380.5	$247.0	$296.5	$210.4	$282.0	$335.0	$2,922.0

- 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 $3.7 billion and over $2.9 billion of debt service savings on a present value basis
- Nearly 99% of the State's debt portfolio has been refinanced over the last ten years; indicative of conservative debt issuance practices (traditional 10-year par calls, no derivatives, etc.)
- Refundings are typically structured term-to-term with no extension of debt and level savings
- Debt service savings from refundings helps reduce cost of debt burden

Benchmark Debt Ratio



Benchmark Debt Ratio												
	Actual		Projected									
Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Benchmark Debt Ratio	4.64%	5.49%	4.98%	4.93%	3.89%	3.51%	3.23%	2.81%	2.53%	2.26%	2.01%	1.85%

- 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, but has improved steadily since peaking in FY 2009 due to the combination of revenue growth and declining debt service
- The ratio substantially declined in FY 2014 following retirement of the Preservation 2000 bonds
- Benchmark debt ratio increased in FY 2020 due to combined effect of lower revenues and increasing annual debt service payments (due to variability in P3 payments)
- Ratio is projected to continue to remain below 6% target throughout the projection period (FY 2030)

Source: State of Florida Debt Reports

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

Resources

- FY 2022 spending plan includes more than $4.44 billion in environmental funding, including $791 million for the protection of Florida's water resources

Emergency Response

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

Leadership

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

Regulatory Programs and Planning

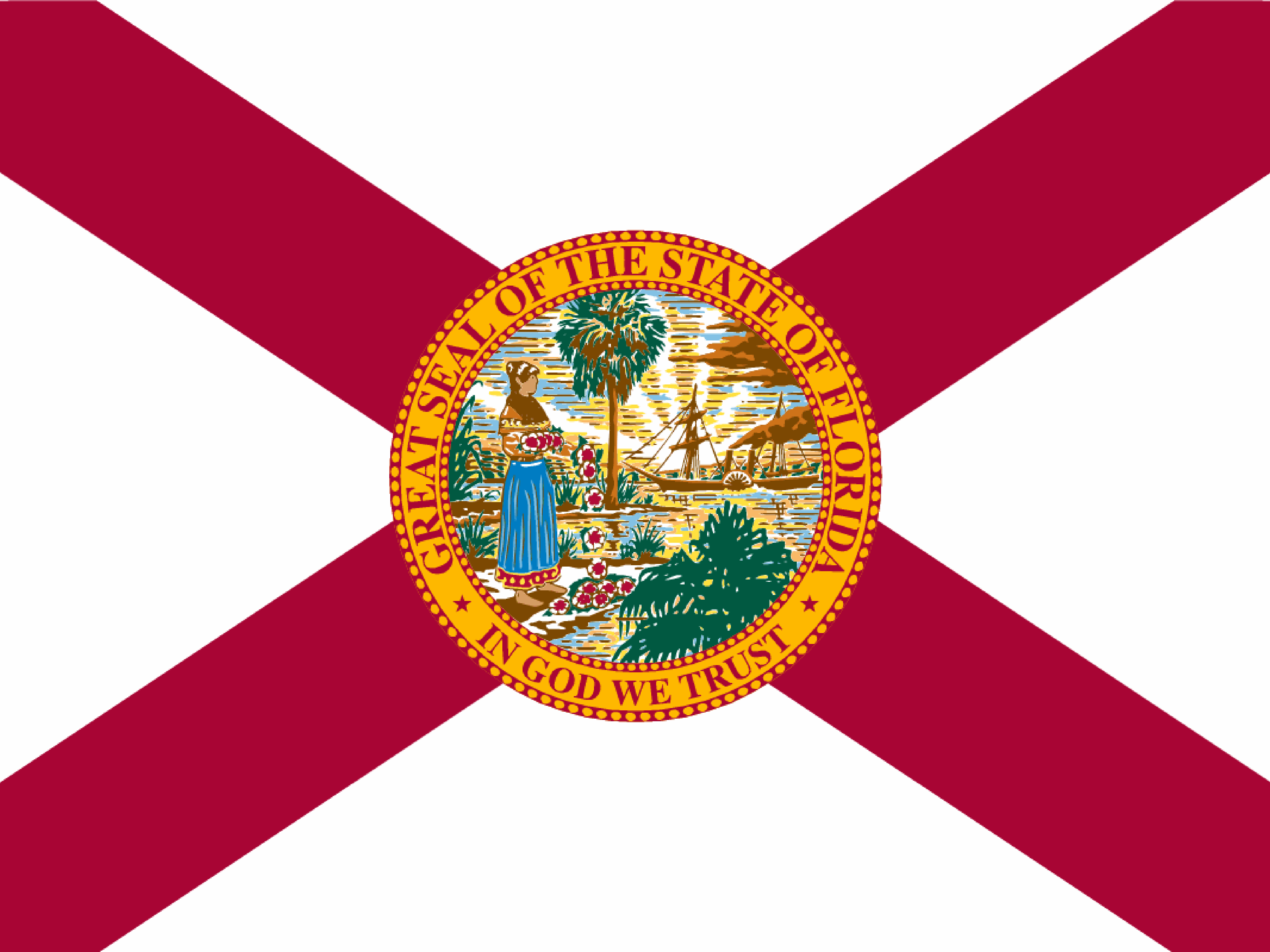
- Statewide hurricane building codes to harden infrastructure and "coastal building zone" imposes strict construction standards for coastal areas with higher risks of environmental impacts
- Mandated sea level impact projection (SLIP) studies prior to commencing construction of a coastal structure for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

Cyber Security

- Legislature passed the State Cybersecurity Act ("CSA") which became effective on July 1, 2021 and creates a comprehensive framework for addressing cybersecurity issues
- CSA creates the Florida Digital Service ("FDS") within the Department of Management Services to establish standards and processes consistent with best practices for IT security across all State agencies
- FDS is responsible for assessing cybersecurity risks and determining appropriate security measures for all state agencies
- CSA requires the FDS to create a statewide cybersecurity strategic plan that includes security goals and objectives and performance monitoring
- The statewide cybersecurity strategic plan will include identification and mitigation of cybersecurity risks, proactive protection against threats, tactical risk detection, threat reporting and response and recovery protocols for cyber incidents
- FDS, in collaboration with the Florida Department of Law Enforcement, is required to develop and implement a process for detecting, reporting and responding to cybersecurity incidents, breaches and threats
- FDS responsibilities include developing guidelines and processes for IT that meets the National Institute for Standards and Technology Cybersecurity Framework, providing cybersecurity training and operating a Cybersecurity Operations Center
- CSA creates a Chief Information Security Officer responsible for developing, operating and overseeing cybersecurity for state technology systems, including operating the Cybersecurity Operations Center
- Current Fiscal Year 2022 includes 15 FTEs for cybersecurity positions and $30 million to implement any recommendations
- All State Agencies are required to, at a minimum, designate a security manager for cybersecurity, establish a cybersecurity response team, report all cyber incidents to FDS, prepare a strategic and operational cybersecurity plan for its agency, internal audit verification of cybersecurity policies and procedures, cybersecurity training for all employees

Conclusions

- Strong rebound in Florida's economy since negative COVID-19 impact in FY 2020
- General Revenue collections increased dramatically in FY 2021, increasing by $4.9 billion or 15.7% over FY 2020. Latest estimates above pre-pandemic projections
- Significant federal funding has helped strengthen financial position; provided funding for strategically important non-recurring investments in State priorities like environment, resiliency, and transportation
- A combination of federal funding and rapidly recovering General Revenue allowed State budget to be structurally balanced in FY 2021 and FY 2022
- State has prudently rebuilt reserves to record levels. General Fund reserves at June 30, 2021 were $9.4 billion or 26% of GR and total reserves were $12.6 billion or 35% of GR
- Projected reserve levels for the end of FY 2022 are anticipated to be consistent with FY 2021 levels
- Pension funded ratio strong as State continued to fund the ADC in FY 2022 and make prudent adjustments to actuarial assumptions and methodologies
- Outstanding debt decreased again in FY 2021 to $18.0 billion, down nearly 36% from peak of $28.2 billion in FY 2010
- Unemployment Compensation Trust Fund and other contingent liabilities (Cat Fund & Citizens) being managed prudently to mitigate potential impact
- Long history of conservative financial management practices have positioned State well to deal with economic disruption caused by COVID-19 and make strategically important investments in infrastructure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IN GOD WE TRUST