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STATE OF FLORIDA

Annual Update on Economy, Budget, & Debt

Chris Spencer, Director of Policy and Budget
Holger Ciupalo, Governor's Chief Economist
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JUNE 2023

Overview

Florida Economy

- Extraordinary growth in FY 2022 and FY 2023 due to Governor’s approach to managing through the pandemic. Economic activity expected to flatten in FY 2024 but remain strong going forward driven by population growth and the return of tourism activity
- Unemployment rate of 2.6% remains below national level

Revenues and Budget

- General Revenues (“GR”) in FY 2023 highest ever at $46.3 billion surpassing FY 2022 record of $44 billion; FY 2024 Budget is conservatively based on forecasted revenues of $45.3 billion, $1 billion or 2.1% less than FY 2023
- FY 2024 Budget priorities include educational support, environmental initiatives, transportation infrastructure and affordable housing
- Recurring revenues expected to exceed recurring expenditures

Reserves

- General Fund Reserves – expected to total $17.2 billion or 37.1% of GR for FY 2023, and projected to be $13.7 billion or 30.2% of GR for FY 2024; stabilizing from peak but remaining at historic levels
- Total Reserves projected at $20.3 billion or 43.9% of GR for FY 2023 and $15.5 billion or 34.3% of GR for FY 2024
- BSF has increased to more than $4.1 billion in FY 2024

Pension Funding

- Eleventh consecutive year that budget fully funds the actuarially determined contribution based on plan assumptions
- Funded ratio remains strong; 82.4% based on actuarial value of assets and 86.0% based on current market value of assets

Debt

- Debt outstanding reduced by $1.1 billion in FY 2023. Current estimated debt outstanding of $16.0 billion at end of FY 2023 is lowest level since FY 1999
- Benchmark debt ratio (debt service to revenues) decreased to 3.78% in FY 2022 as a result of increased revenues and remained under the 6% target for the nineth consecutive year

Property Insurance

- Florida’s longstanding property insurance entities help stabilize the property insurance market during periods of volatility
- State has enacted reforms to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability

SECTION 1 *Florida's Economy*

Economy Highlights

Population

- Population growth returned after the Great Recession and remains strong, with net migration surpassing 400,000 in FY 2022 and projected at over 350,000 for FY 2023
- Net migration is expected to ease to just under 300,000 by the end of the decade
- Over the next five years, average annual increase in population is expected to be 293,000 (814 per day)

Tourism

- Tourist visitors rebounded to 133.7 million in FY 2022 following declining from 128.4 million in FY 2019 to 96.6 million in FY 2021, Domestic tourism returned to its pre-pandemic quarterly peak of 32 million in the fall of 2021
- Canadian tourism is expected to recover by late 2024, while international tourism expected to lag until 2033
- Expected at 142.4 million visitors in FY 2023, tourism is set to eclipse its pre-pandemic peak by 11%

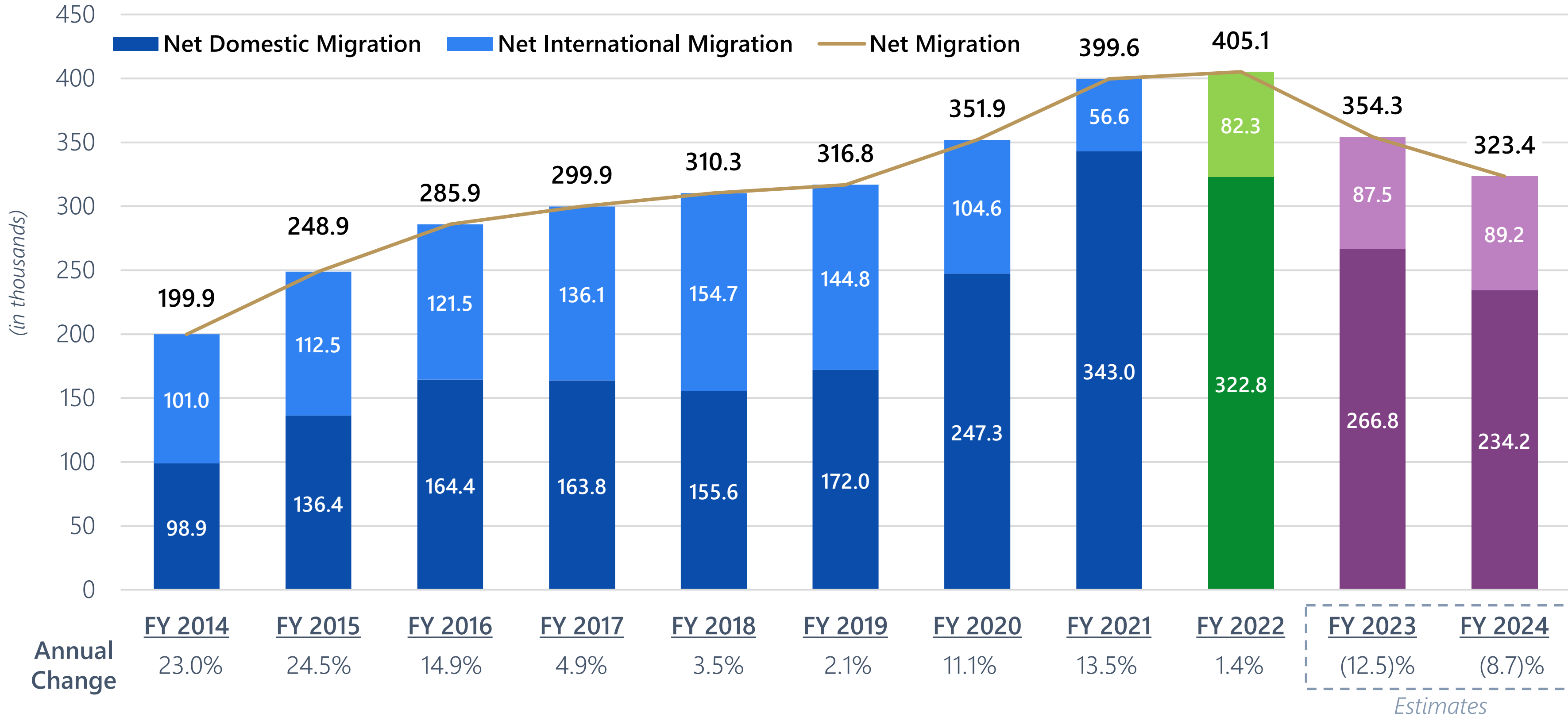
Employment

- Total employment has surpassed pre-pandemic peak, and Florida's unemployment rate of 2.6% in April 2023 continues to be below the national level (3.4% in April 2023 and 3.7% in May 2023)
- Leisure and hospitality – which accounted for more than half of the COVID induced decline – was the final sector to surpass its pre-pandemic peak in the spring of 2023

Housing

- Real estate values soared in 2021 and 2022, resulting in property tax roll growth of by 20% and 12%, respectively, for a combined increase of 35%
- Home prices surged during the pandemic and are expected to fall by about 10% before rising again at a more modest pace throughout the forecast
- Housing starts are expected to drop back to the pre-pandemic levels

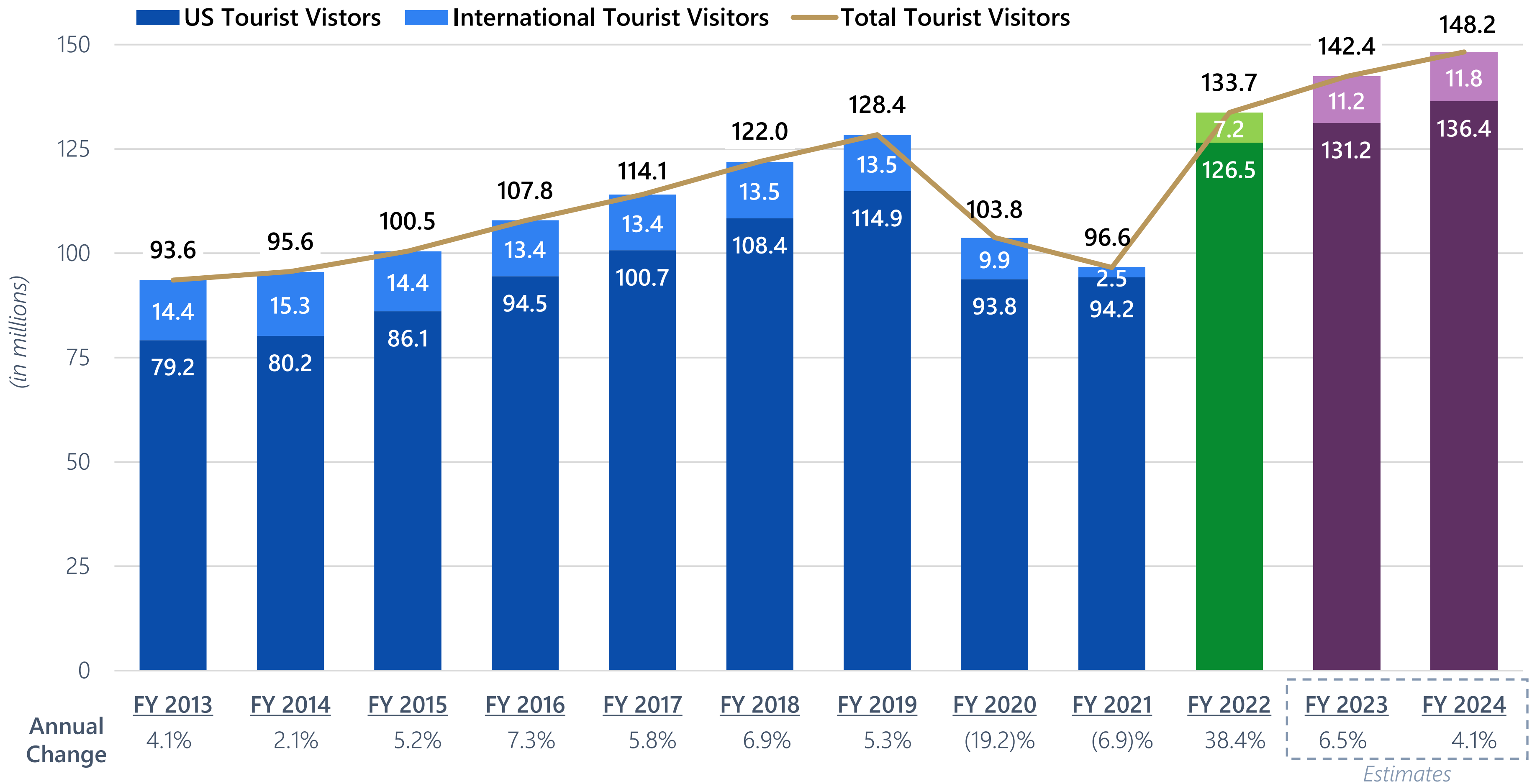
Florida Net Migration



- As a result of Florida's COVID policies, net domestic migration almost doubled between FY 2019 and FY 2021, more than offsetting the decline in international migration that began in FY 2019
- This surge was accompanied by a significant increase in the net income shift into Florida from a traditional level of around $17 billion annually to almost $24 billion in 2020 and $39 billion in 2021
- Net migration is expected to gradually decrease from its current peak to just over 300,000 by FY 2029
- Driven by net migration, Florida's population is expected to grow at an average rate of 1.25% annually through 2030

 Source: Florida Demographic Estimating Conference, February 2023. Net income migration based on data from Internal Revenue Service.

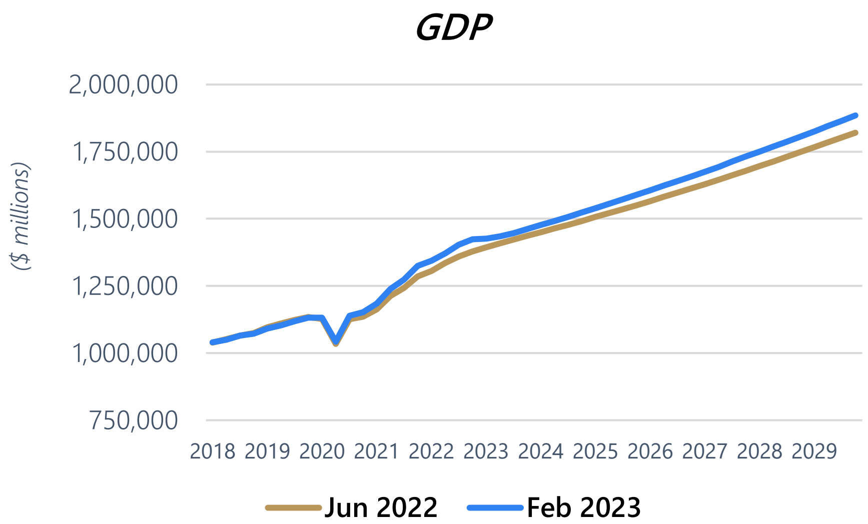
Florida Tourist Visitors

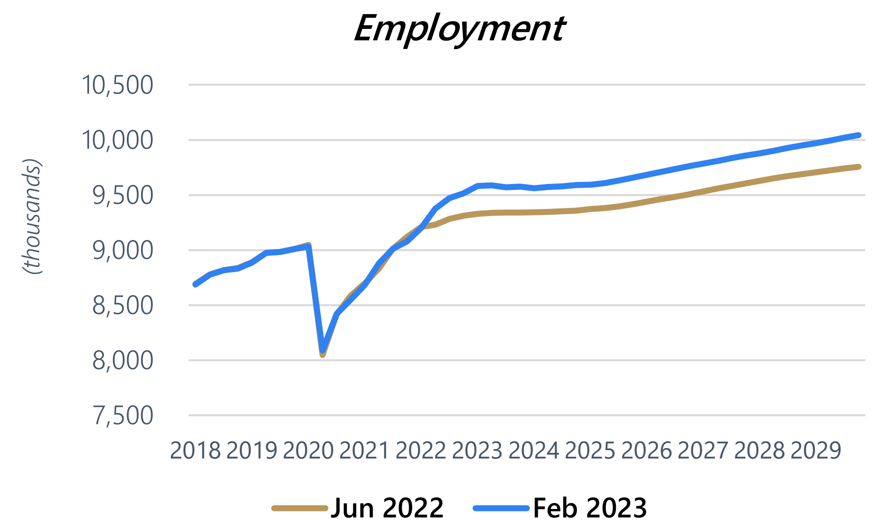


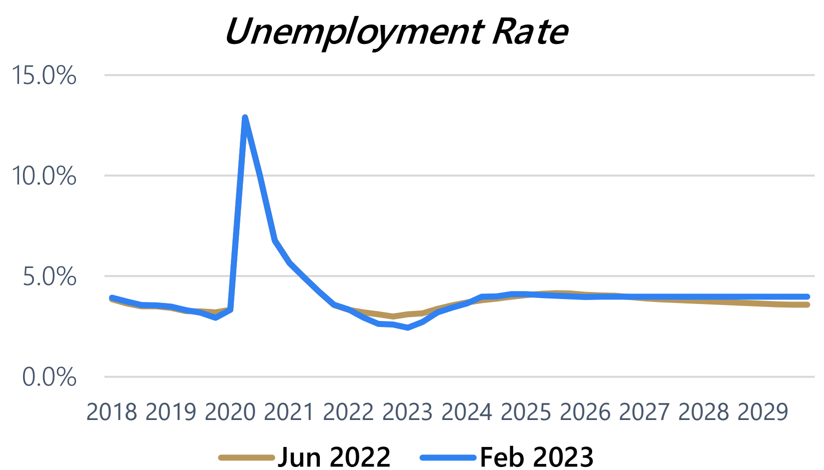
- Explosive snap-back growth in 2022 by 40%
- Tourist visitors in the seven years ending FY 2019 grew at an average annual rate of 5.2%, peaking at 128.4 million visitors in FY 2019
- The pandemic's effect on travel led to an immediate loss of 24.7 million visitors in FY 2020 and an additional loss of 7.2 million in FY 2021
- Total visitors surpassed pre-pandemic peak in FY 2022 and are forecasted to grow at an annual average rate of 4.1% over the next 5 years

Source: Florida Economic Estimating Conference, February 2023, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

Florida Economic Forecast



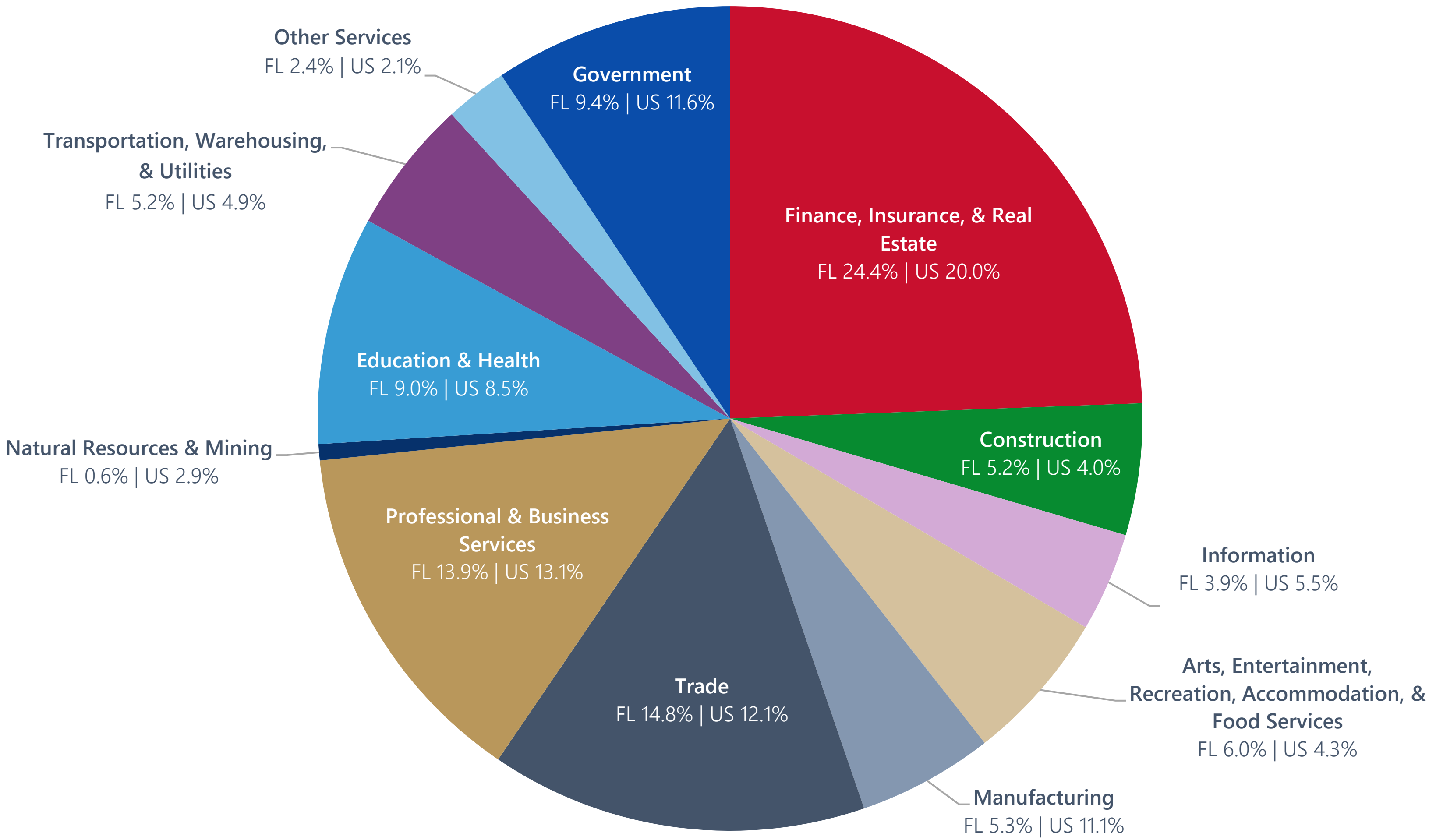




- Continued growth but at slower pace than post pandemic snap-back
- Having emerged stronger than expected from the COVID interruption, Florida's economy has slowed down in CY2023; annual GDP growth is set to rebound to the low 4% growth in late 2023
- GDP, Personal Income, and Employment are expected to trend at or above prior forecast
- April 2023 unemployment rate of 2.6% close to early 2006 all-time low of 2.4% but expected to gradually increase to long term rate of 4% by early 2024 as growth normalizes

Source: Florida Economic Estimating Conference, February 2023, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference. Graphs represent the first quarter of each year.

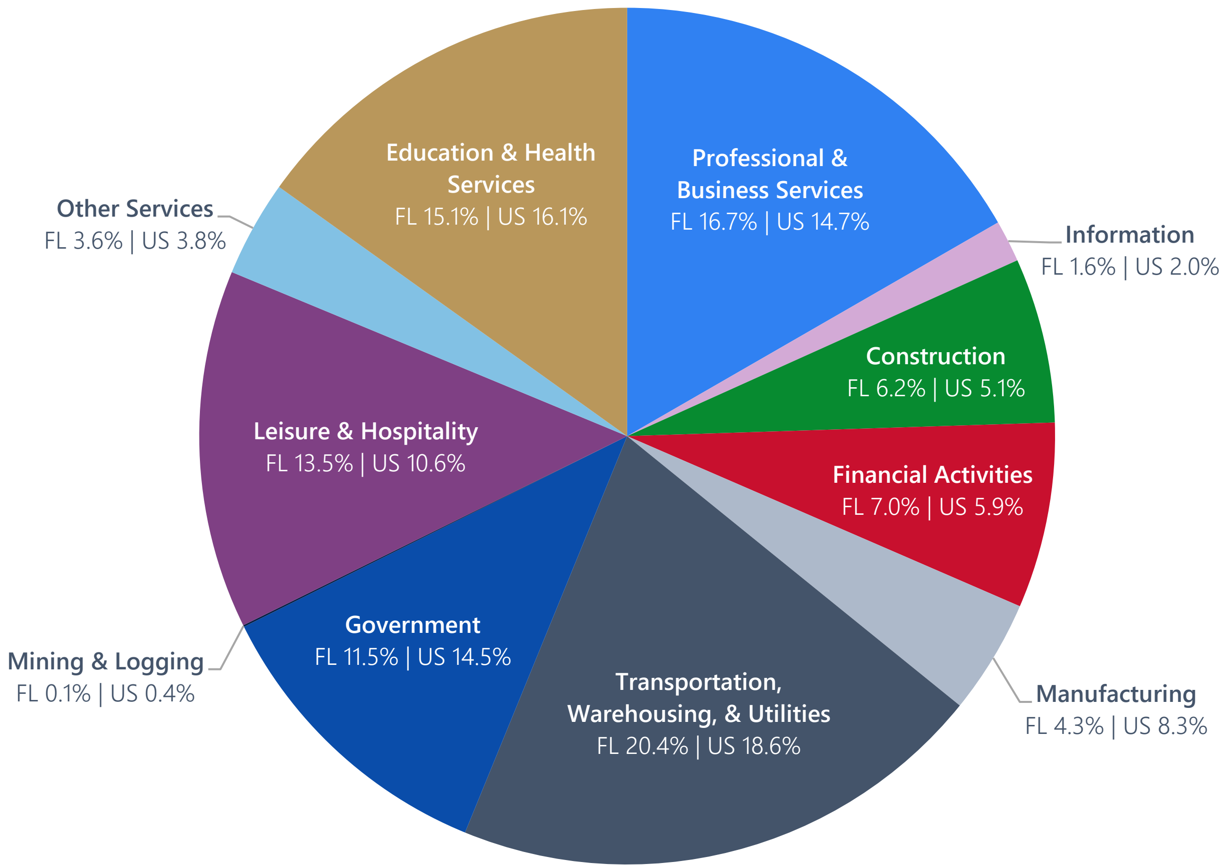
Florida GDP – 2022 Q4



- Finance, Insurance, and Real Estate ("FIRE") at 24.4% is the largest sector
- FIRE, Trade, and Professional & Business Services make up more than half of Florida's GDP
- Tourism is largely reflected in Arts, Entertainment, Recreation, Accommodation, and Food Services, which accounts for 6% of state GDP

Source: US Bureau of Economic Analysis.

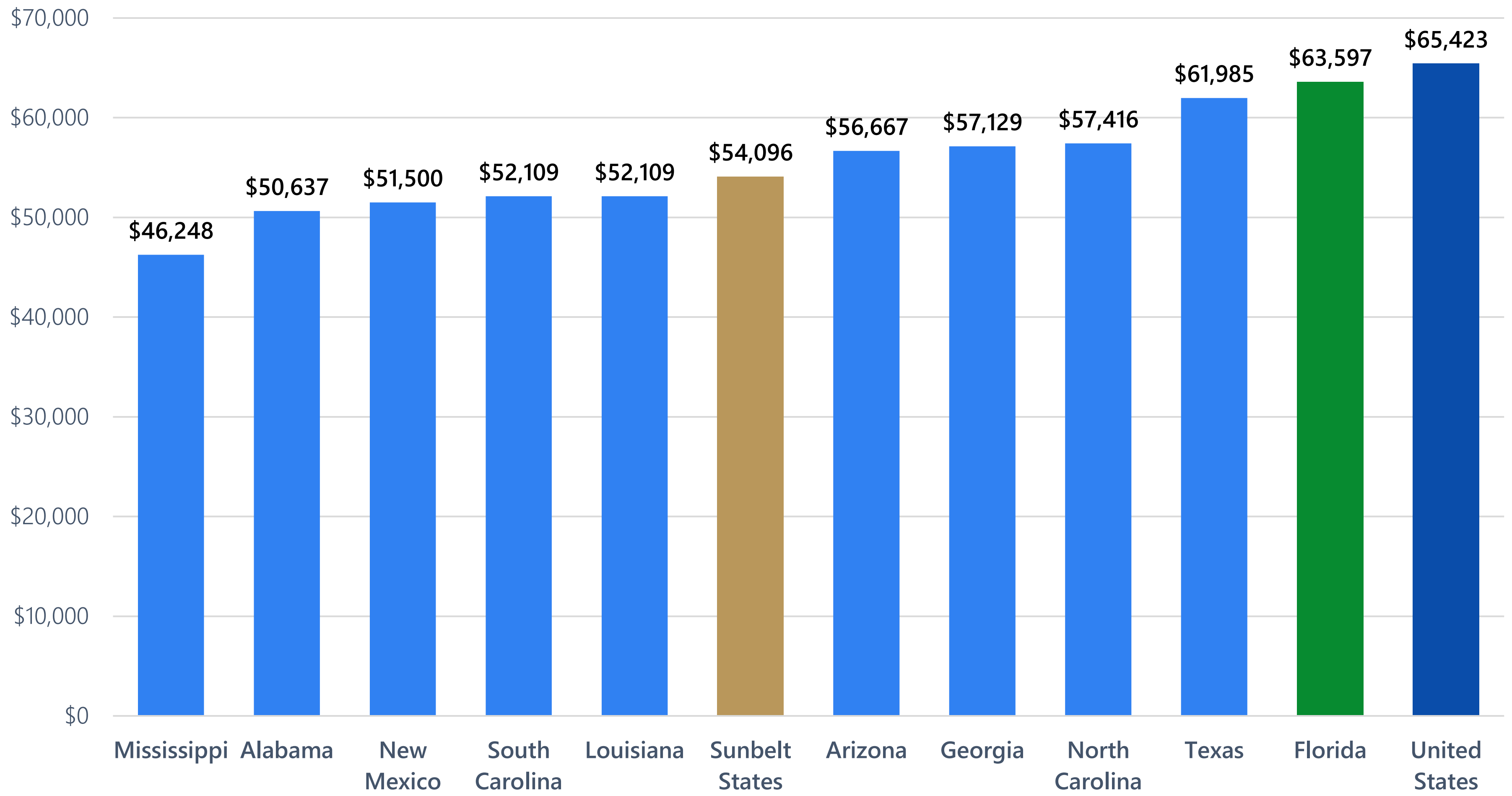
Florida Employment – April 2023



- Total employment surpassed the pre-pandemic peak in the spring of 2022 and the labor force participation rate is approaching its pre-pandemic level
- Florida's unemployment rate of 2.6% in April 2023 continues to remain well below the national level of 3.4%
- Between April 2022 and April 2023 Florida gained 336,200 private sector jobs, an increase of 4.1%.
- Fewer than 1 in 7 Floridians are employed in Leisure and Hospitality sector (4th largest private sector) – the last sector to surpass its pre-pandemic level
- The share of employees in the Trade, Professional & Business Services, Leisure and Hospitality, FIRE, and Construction sectors exceeds the US average

 Source: US Bureau of Labor Statistics.

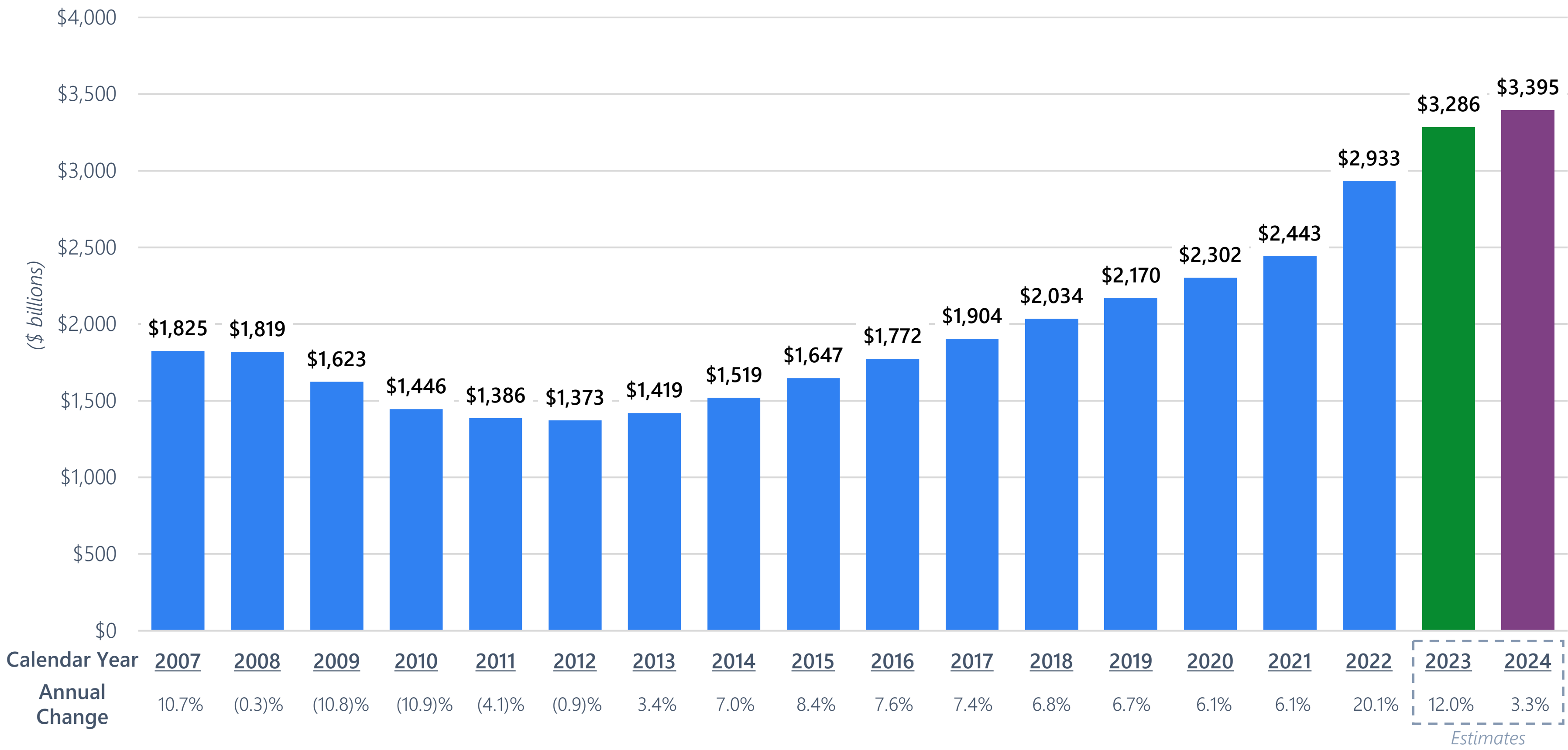
Sunbelt State Per Capita Personal Income – 2022



- Florida has the highest personal income per capita in the Sunbelt - nearly 18% higher than the average of the other Sunbelt states
- Florida's income per capita is less than 3% below the national level closing the gap, and the state's per capita income growth has outpaced the US in recent years

 Source: US Bureau of Economic Analysis.

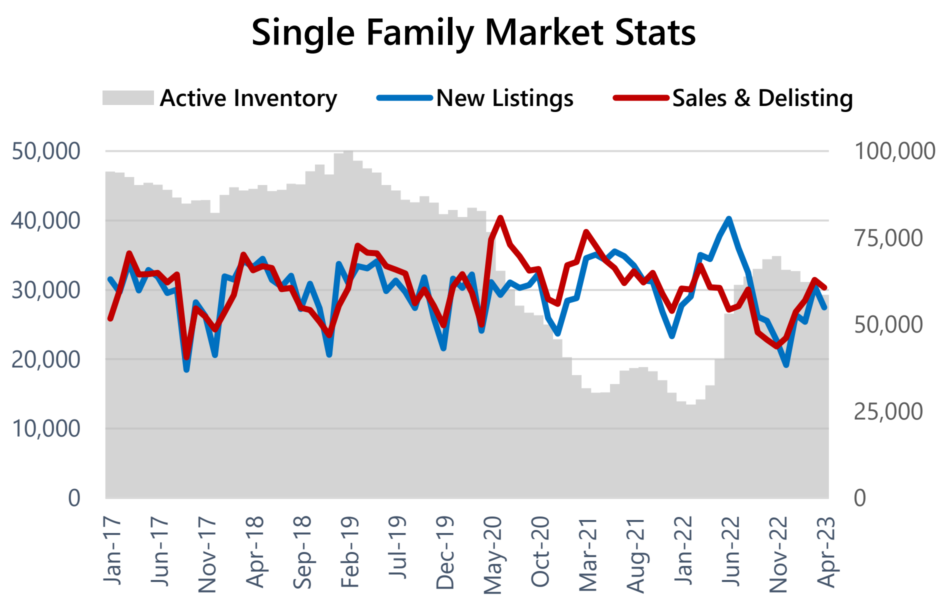
Statewide Property Tax Roll – School Taxable Value

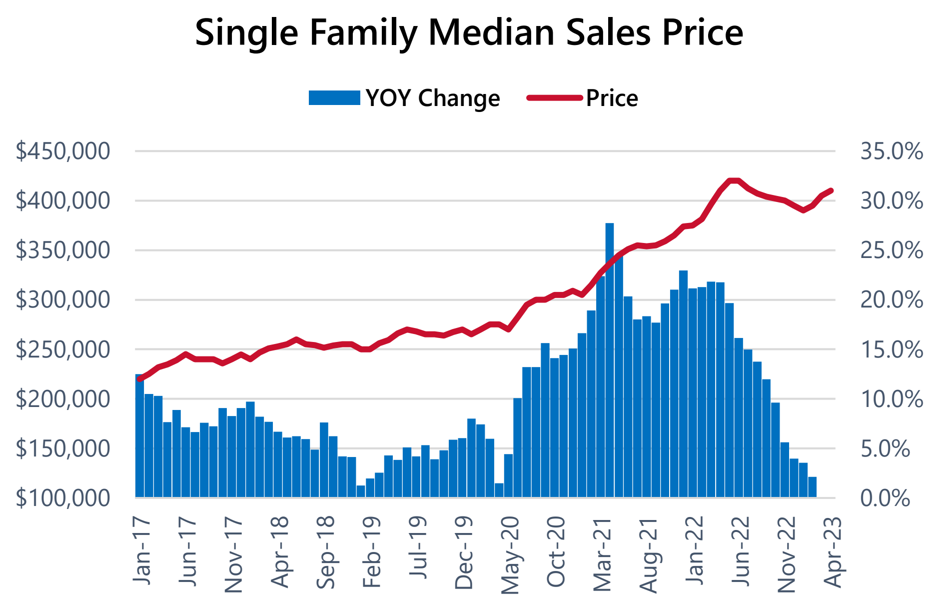


- The statewide property tax roll declined 25% between 2007 and 2012 and did not recover to the 2007 peak until 2017 – 10 years later
- The 2022 tax roll growth of 20% is eclipsed only by the 2006 tax roll growth of 25%
- Starting with the 2024 tax roll, growth is expected to moderate to an average annual rate of 5.4% over the subsequent 5 years

Source: Florida Ad Valorem Estimating Conference, March 2023.

Florida Real Estate Market

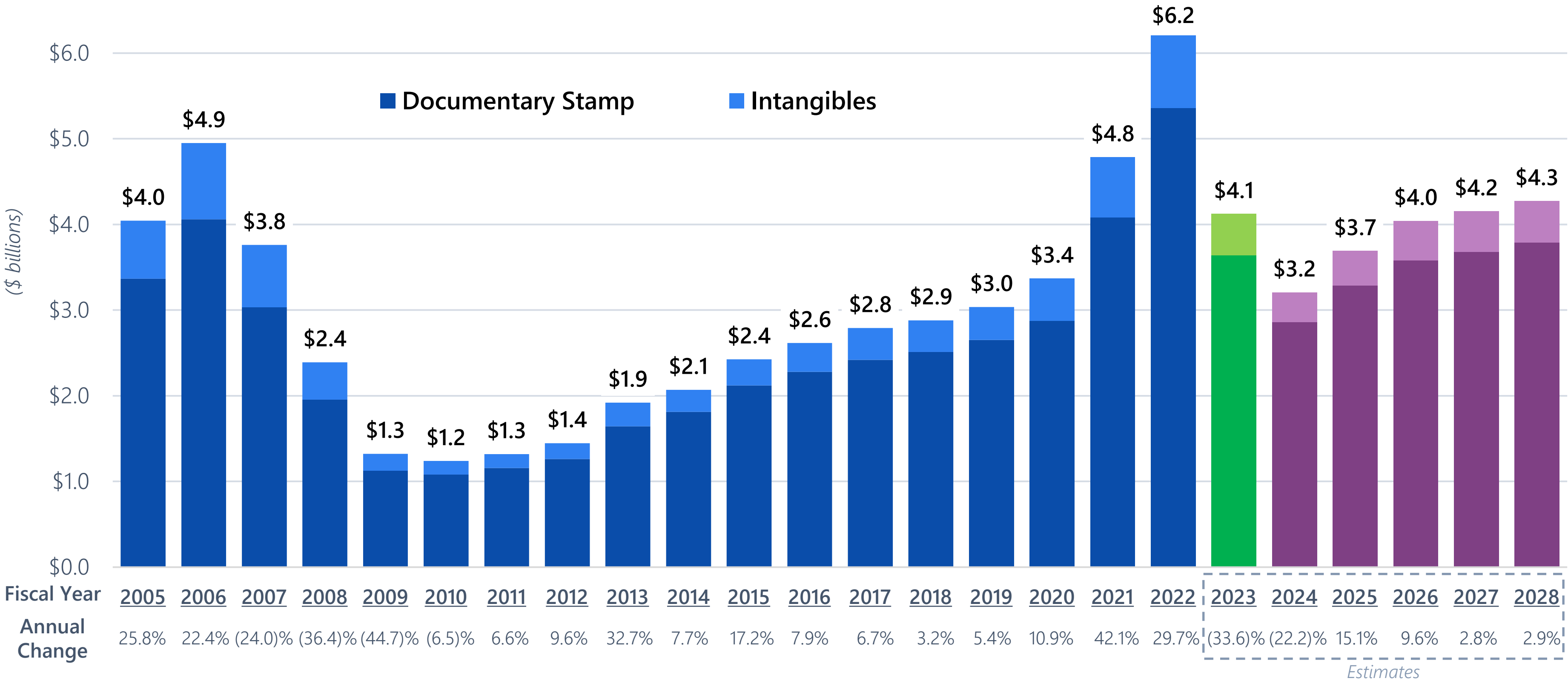




- With the Spring 2020 onset of COVID, sales of existing homes outpaced new listings, driving inventory from a healthy 3-5 months of sales volume to just under one month by March 2021 and remaining there until Spring 2022
- Consequently, median sales prices for existing homes accelerated sharply, causing the average price to soar by 53% from $275k in May 2020 to $420k by May 2022
- Beginning in May 2022, a slowdown in sales brought on by rising borrowing costs led inventories to increase back to a 3-4 month level and prices to drop slightly to $395k by December 2022
- The availability of sufficient new listings to meet the seasonal sales uptick in Spring 2023 only modestly decreased inventory and raised the median price to $410k by April 2023 - identical to the April 2022 level

 Source: Florida Realtors.

Documentary Stamp & Intangibles Tax Collections



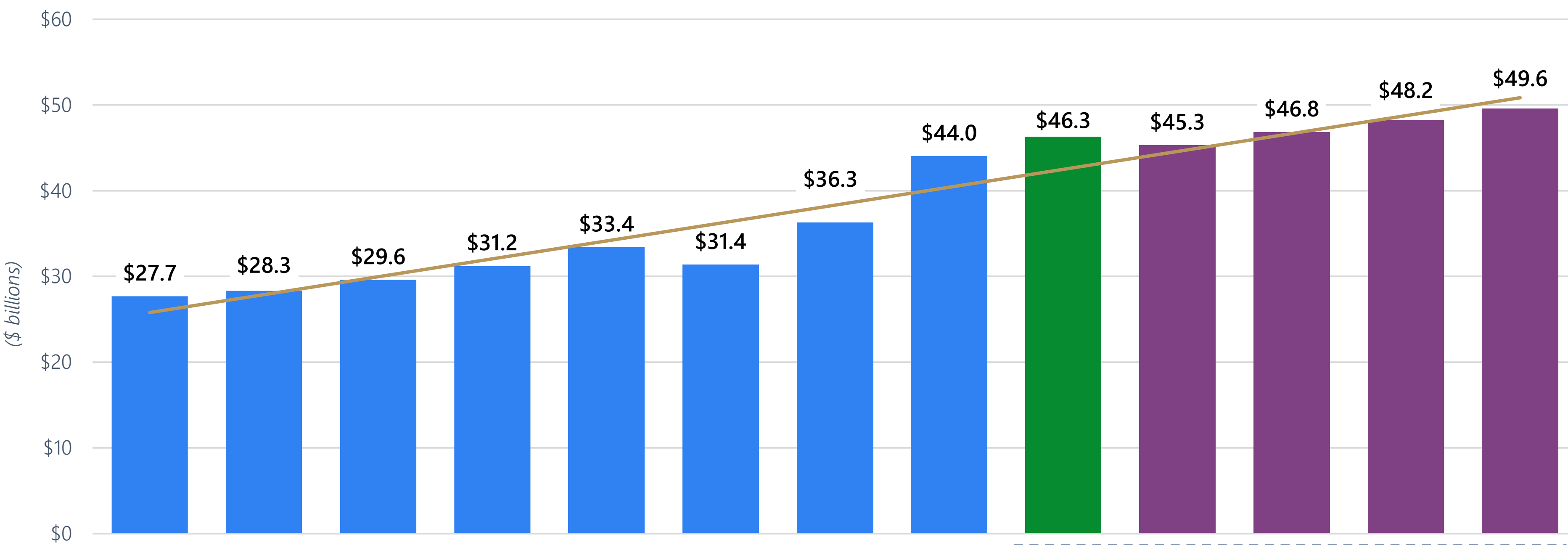
- Documentary Stamp tax collections are a proxy for the health of Florida's real estate market
- Documentary Stamp and Intangibles tax collections of $6.2 billion in FY 2022 vastly exceeded the prior peak of $4.9 billion in FY 2006
- Low mortgage rates and a strong housing sector drove collections
- Collections are expected to decline in FY 2023 and FY 2024 as the real estate market adjusts to rising interest rates before returning to modest growth thereafter

Source: Documentary Stamp Tax Collections and Distributions Estimating Conference, March 2023, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference.

SECTION 2 *State Revenues*

General Revenue Collections

- Phenomenal growth in GR collections of 15.7% in FY 2021 and 21.2% in FY 2022 as a result of State's COVID policies
- Driven by strong economy, GR collections are expected to peak at $46.3 billion in FY 2023 before flattening in FY 2024 and resuming more moderate trend line growth
- The current forecast, adopted in March 2023 and underlying the FY 2024 Budget, assumes collections of $45.3 billion for the budget year – a loss of $1 billion or 2.1% from the collections expected in FY 2023
- Decrease in FY 2024 is driven by a slowdown in housing market and weakness in automotive sales, partially offset by increased corporate profitability



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
% Change	5.7%	2.3%	4.5%	5.5%	7.0%	(6.1)%	15.7%	21.4%	5.1%	(2.1)%	3.4%	2.9%	2.9%
$ Change (in billions)	$1.5	$0.6	$1.3	$1.6	$2.2	$(2.0)	$4.9	$7.8	$2.2	($1.0)	$1.5	$1.4	$1.4

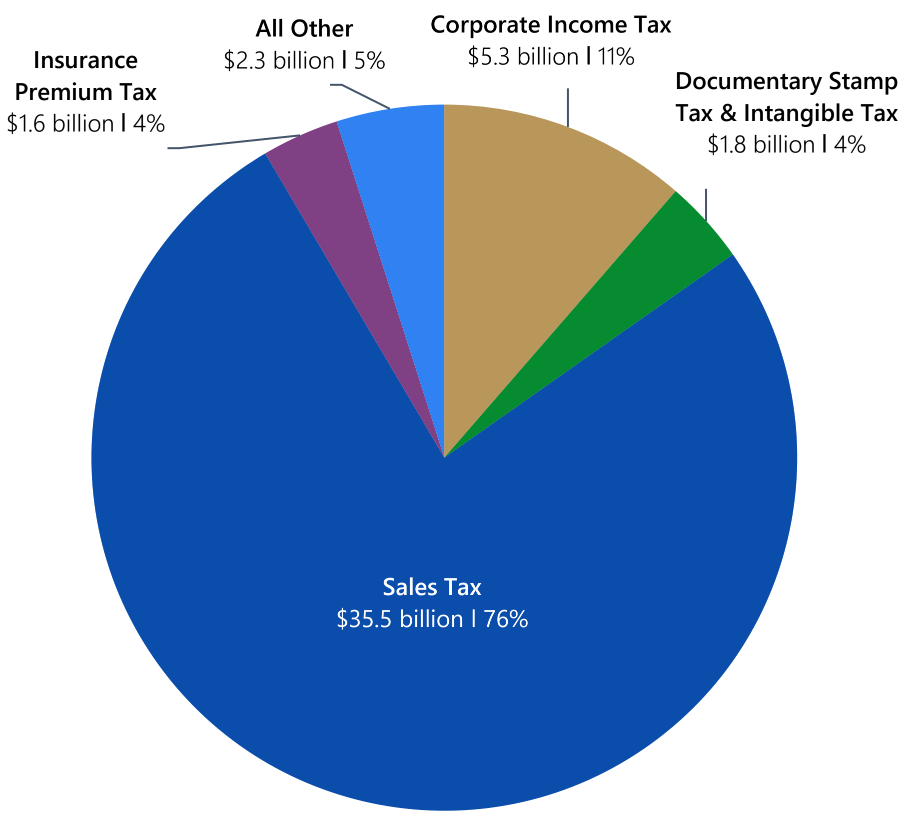
Estimates

Source: Historical collections from Office of Economic & Demographic Research. FY 2023 collections are preliminary and subject to change. Projections for FY 2024 to FY 2027 from General Revenue Estimating Conference, March 2023.

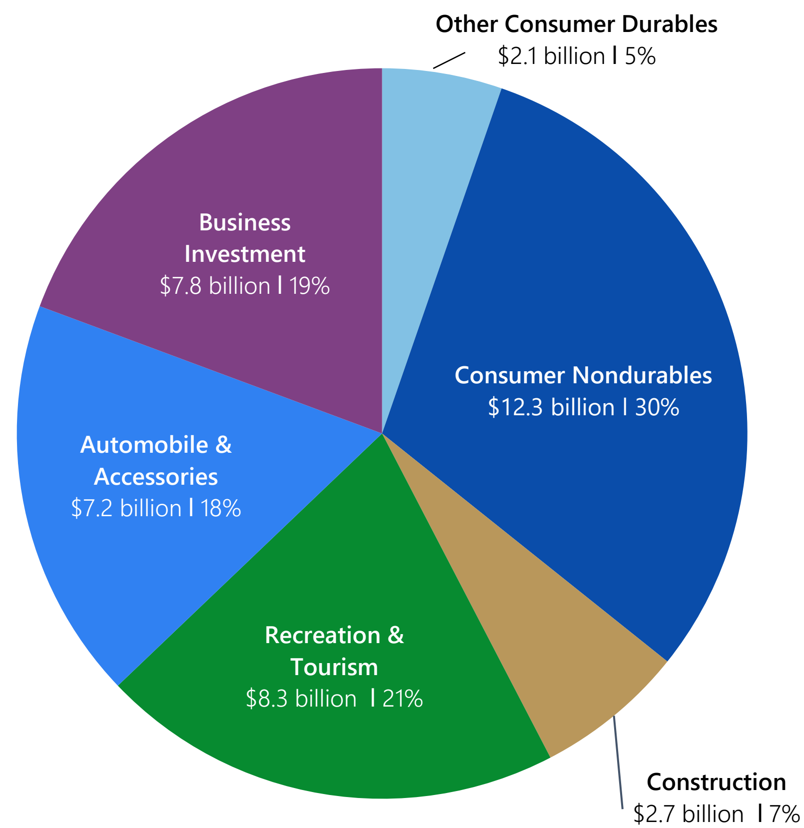
General Revenue Sources & Sales Tax Breakdown

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

FY 2023* General Revenue Sources



FY 2023* Sales Tax Breakdown



** Preliminary. Source: General Revenue Estimating Conference, March 2023, as adjusted by Governor's Office of Policy and Budget to reflect new information since latest conference. Documentary Stamp Taxes & Intangible Tax Collections shown above are after statutorily dedicated distributions to various State trust funds.*

SECTION 3 *Fiscal Year 2023 Budget*

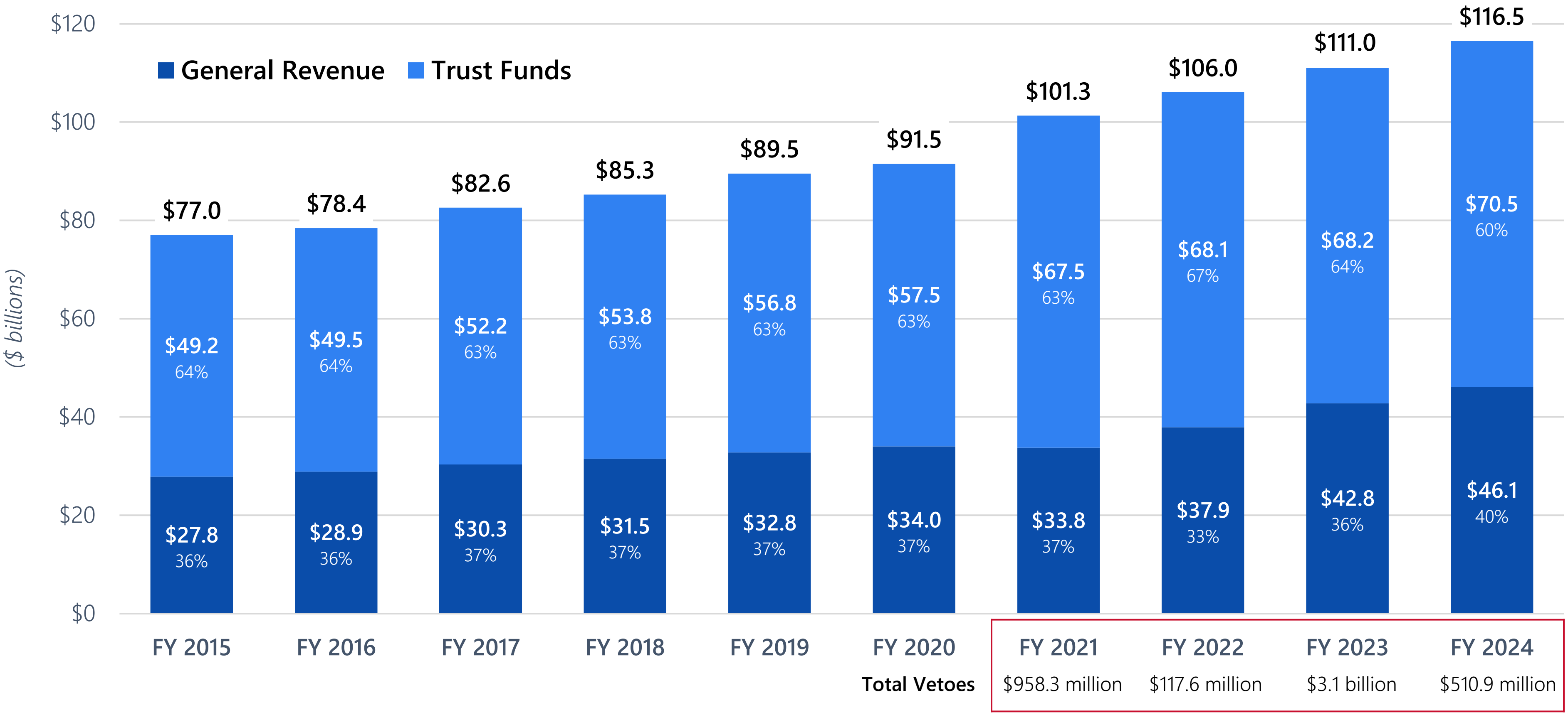
Fiscal Year 2024 Budget Highlights

- As a result of Governor DeSantis' leadership, Florida's economy quickly rebounded to pre-pandemic levels, allowing for key investments in Education and the Environment in the FY 2024 Budget, while maintaining historic reserves
  - Maintains an overall increase in Education to support our teachers and students
    - **Mental Health Initiatives:** $20 million increase, for a total of $160 million
    - **Minimum Teacher Salary of $47,500:** Over $250 million increase, for a total of $1.1 billion for teacher salary increases
    - **Florida's Universities:** Historic $3.7 billion in State operating funding
    - **Florida's State Colleges:** Historic $1.7 billion in State operating funding
  - Prioritizes Environmental investments by providing more than $1.6 billion in record funding for Everglades restoration and the protection of water resources, as the first year towards the Governor's $3.5 billion goal over his second term
    - Governor DeSantis surpassed his first term goal of $2.5 billion for the protection of Florida's water resources, securing over $3.3 billion over his first four years
  - Transfer of $1 billion into Florida's Budget Stabilization Fund further enhancing the State's structural reserves, bringing total to $4.1 billion

Fiscal Year 2024 Budget Highlights (continued)

- Governor DeSantis' signed the FY 2024 Budget making important investments in infrastructure, public safety, healthcare, and affordable housing, including:
  - Historic funding level of $13.9 billion for the State Transportation Work Program to complete critical infrastructure projects
    - A $4 billion investment for the Moving Florida Forward Initiative to address the challenge of congestion on Florida's highways and roads due to the state's historic growth
  - Second consecutive year with an enhanced pay package for State employees, including 5% across the board pay raises
  - Investment in Florida's healthcare workforce, with $400 million for providers serving individuals in institutional and community-based settings
  - Full funding for Affordable Housing – Record $711 million investment in affordable housing initiatives including $100 million for the second year of the Hometown Heroes Housing Program, providing down payment assistance for educators, first responders, and other public servants
  - A 2% increase in the employer contribution for State employees enrolled in Florida's defined contribution Investment Retirement Plan
    - Combined with last year's 3% increase, the two-year 5% increase will provide members with more financial security upon retirement
  - $500 million to the Emergency Preparedness and Response Fund for the Governor to access during declared states of emergencies

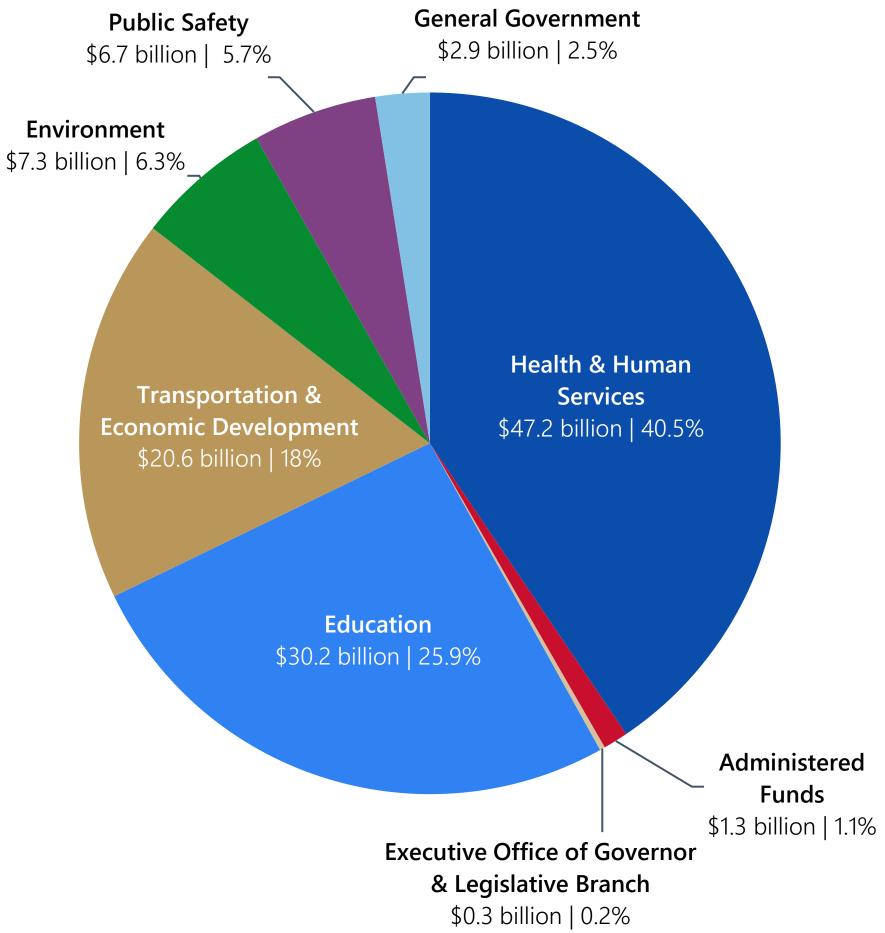
History of Total Appropriations



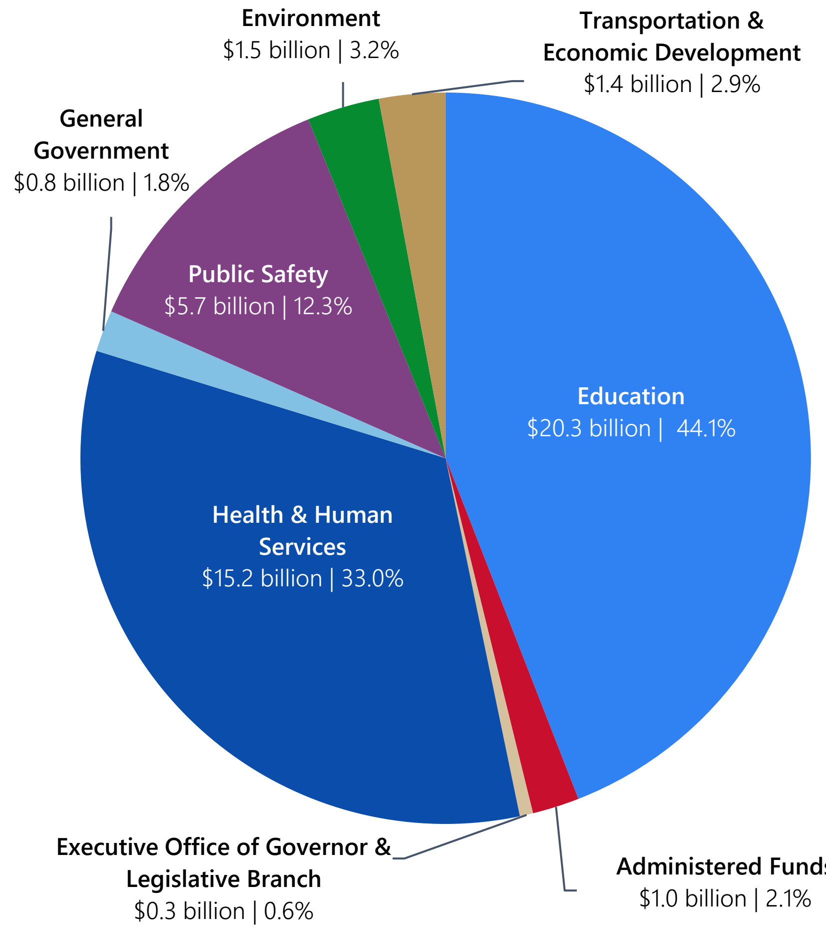
- FY 2024 appropriations total $116.5 billion, representing an $5.5 billion or 5.0% increase from FY 2023
- Majority of total State budget funded from Trust Funds (60% in FY 2024)
- Total appropriations shown above do not include any State Fiscal Recovery Funds received from the American Rescue Plan – those federal dollars were used for targeted non-recurring priorities

Fiscal Year 2024 Budget

Total Budget - $116.5 billion



General Revenue - $46.1 billion



- Largest component of total budget is Health and Human Services (40.5%)
- Largest component of GR budget is Education (44.1%)

Florida's Environmental Priorities

- Governor DeSantis called for a **<u>$2.5 billion</u>** investment in Everglades restoration and protection of water resources over his first four years, an increase of **<u>$1 billion</u>** over the previous four years
- The Governor surpassed that goal by securing over **<u>$3.3 billion</u>** during his first term
- Governor DeSantis now builds on that historic investment by calling for **<u>$3.5 billion</u>** over the next four years
- The Fiscal Year 2024 budget includes more than **<u>$1.6 billion</u>** towards his commitment

Fiscal Year 2024 Environmental Funding	
Major Issues Funded	**Amount** *($ millions)*
Targeted Water Quality Improvements	$797
Indian River Lagoon	*100*
Resilient Florida (Resiliency Infrastructure)	300
Everglades Restoration	695
Land Acquisition	976
Beaches	156
Springs Restoration	50
Innovative Solutions to Algae/Red Tide Response	10
FWC Center for Red Tide Research	4.2

Prioritizing Water Quality

- In addition to significant funding for the environment in the FY 2024 Budget, the State continues to prioritize water quality and the conservation of Florida's natural resources. Governor DeSantis signed CS/CS/HB 1379, pledging historic commitment to addressing key issues that degrade our quality of water and threaten our wildlife

Water Quality

- Created the Indian River Lagoon Protection Program with $100 million in the budget to identify and fund projects that improve water quality in the Indian River Lagoon
- Expanded the Wastewater Grant Program, renaming it the Water Quality Improvement Grant Program, broadening project eligibility to now include stormwater projects and others that previously had limited grant funding opportunities
- Strengthened Basin Management Action Plans by requiring achievable 5-year milestones that outline the list of projects necessary to reach targeted total maximum daily loads
- Requires local governments within a Basin Management Action Plan to include a list of water quality projects necessary to reach nutrient loads within their comprehensive plan

Conservation

- Streamlines the land acquisition process by increasing the dollar threshold for which Florida Forever projects may be purchased without a Board of Trustees review as well as the threshold for a required second appraisal to expedite purchases for the states premier land conservation program
- Dedicates $100 million annually to DEP from the Land Acquisition Trust Fund for the acquisition of lands through the Florida Forever Program, fulfilling the Governor's promise to protect the State's remaining wild landscapes within the Florida Wildlife Corridor

Resiliency Framework

- The State has an established framework to address impacts from climate change, sea-level rise, inland flooding, hurricanes, and attendant consequences

Emergency Response

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

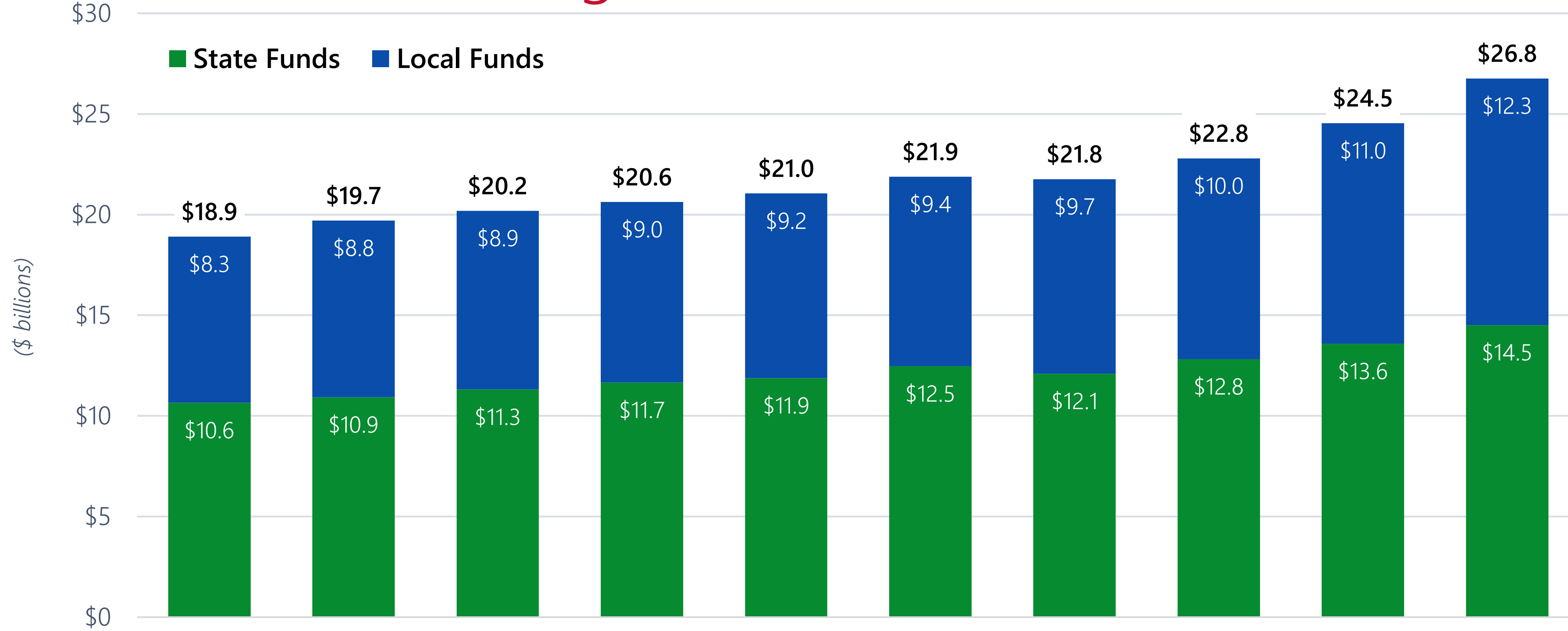
Leadership

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

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
- Expansion of mandated sea level impact projection ("SLIP") studies prior to commencing construction of a coastal structure for governmental entities
  - Studies now required within any area that is at risk due to sea level rise, not just areas within the coastal building zone
- Expansion of the Resilient Florida Grant Program to provide grants to locals and Water Management Districts in support locals for community resilience feasibility and planning
- Developing Comprehensive Statewide Flood Vulnerability and Sea Level Rise Data Set and Assessment, including statewide sea level rise projections

K-12 Schools – Funding & Enrollment



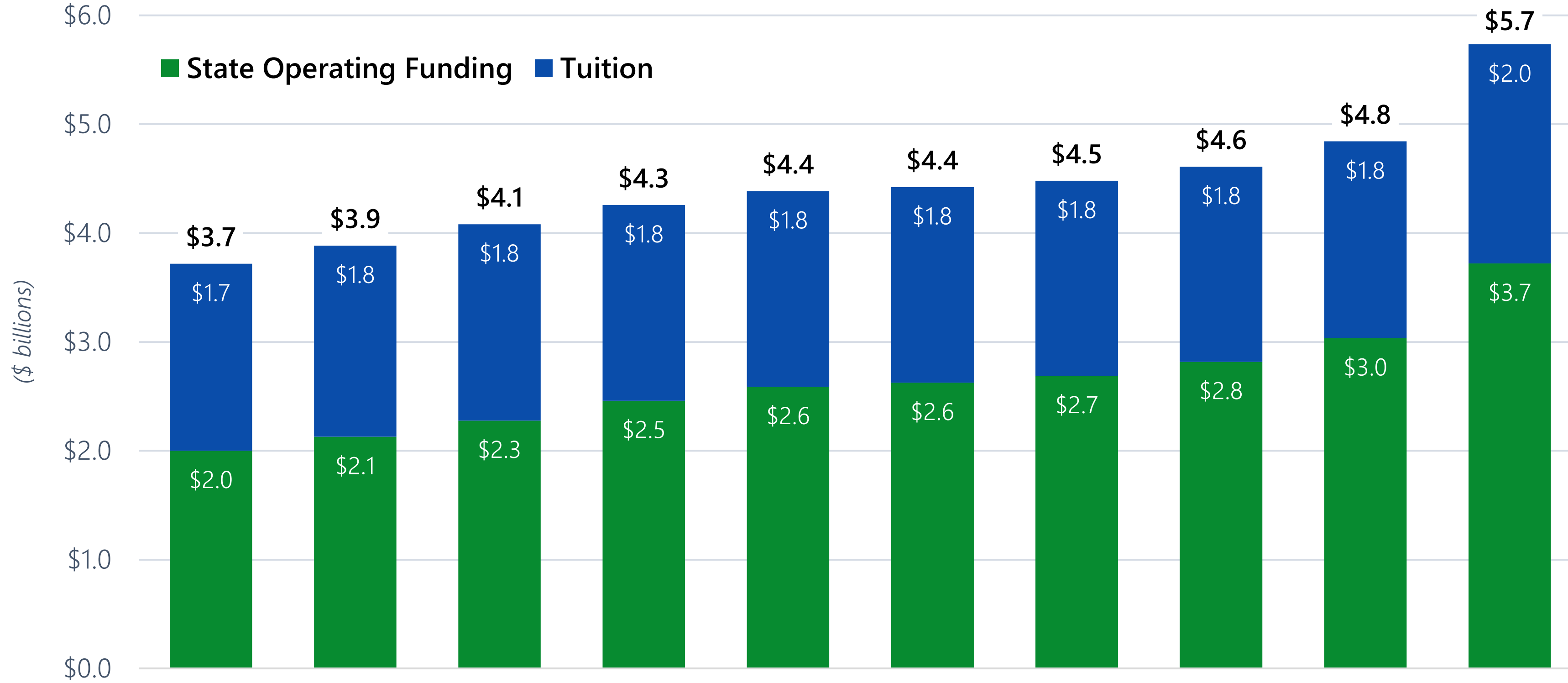
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Without EO)	FY 2022	FY 2023	FY 2024
FTE Student Enrollment	2,743,239	2,778,915	2,804,865	2,822,733	2,831,913	2,860,469	2,801,508	2,917,322	2,977,710	3,095,082
Per Student Funding	$6,891	$7,090	$7,197	$7,307	$7,433	$7,650	$7,769	$7,813	$8,243	$8,648

Estimates

- Key investments include over **$250 million** increase, for a total of **$1.1 billion**, to continue raising teacher salaries; a **$20 million** increase, for a total of **$160 million**, for mental health initiatives; and a **$40 million** increase for a historic total of **$250 million** for safe school initiatives

Source: PreK-12 Enrollment Education Estimating Conference & Governor's Office. FY 2022 State funding was held harmless, FY 2023 estimate based on 4th Calc, and FY 2024 estimate based on Conference Calc .

State University System – Funding & Enrollment



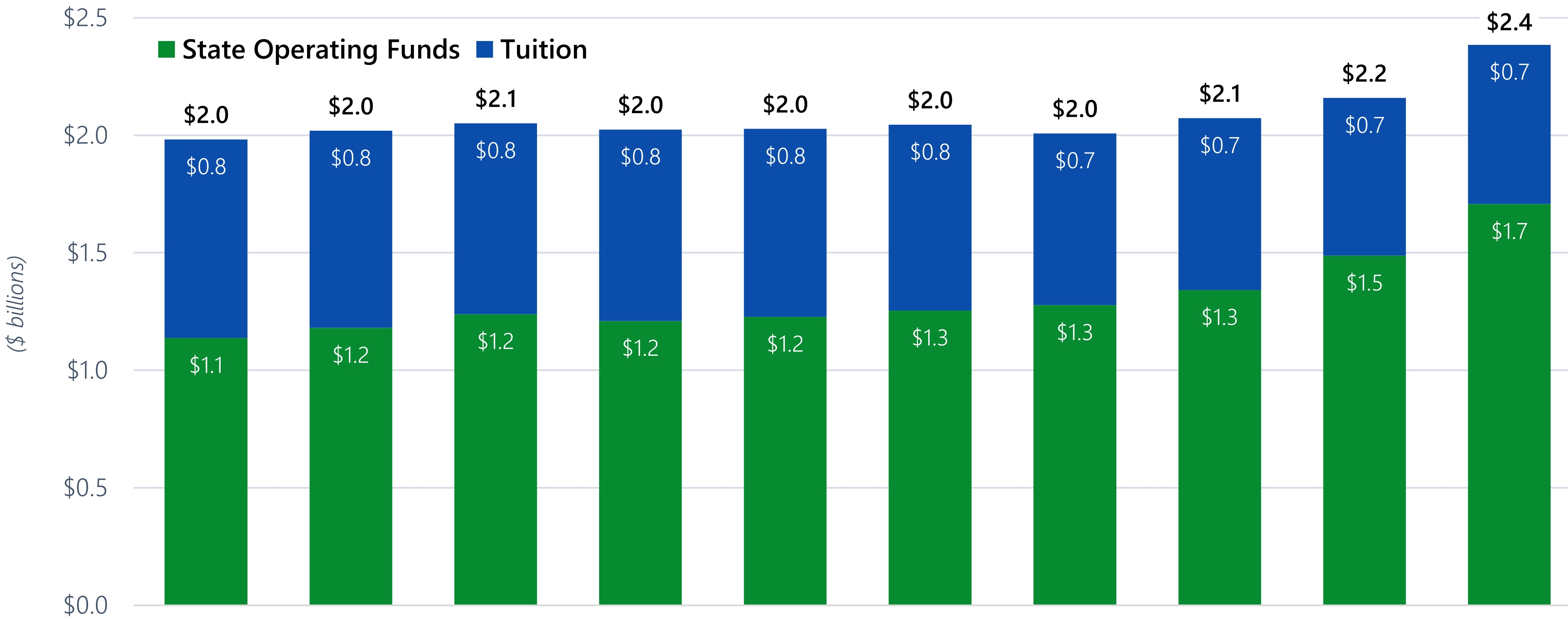
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
FTE Student Enrollment	294,775	277,881	282,508	288,100	293,181	297,156	303,713	297,340	295,624	296,820
Per Student Funding	$12,610	$13,976	$14,446	$14,775	$14,956	$14,881	$14,749	$15,501	$16,378	$19,314

Estimates (FY 2023 – FY 2024)

- Record level of operating funding for State Universities in FY 2024
- State appropriations funding level continues to grow, while tuition is held constant to help keep higher education affordable
  - Florida public universities have the lowest tuition in the United States and average annual tuition and fees of $6,370 is 42% lower than national average
- Performance funding of $645 million – 37.9% of total state university operating funding

FTE based on U.S. definition; prior year FTEs have been updated from prior presentations. Excludes appropriations and FTE students for Moffitt, UF-IFAS, health science centers, and medical schools. Source for Tuition and Fee Comparisons: College Board, Annual Survey of Colleges, November 2021. Average tuition and fee prices are weighted by full-time enrollment.

College System – Funding & Enrollment



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY2024
FTE Student Enrollment	334,178	327,992	320,900	320,043	320,302	316,276	293,493	271,916	268,785	270,627
Per Student Funding	$5,933	$6,156	$6,391	$6,326	$6,329	$6,466	$6,843	$7,474	$8,026	$8,811

Estimates

- Record level of operating funding for State Colleges in FY 2024
- 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

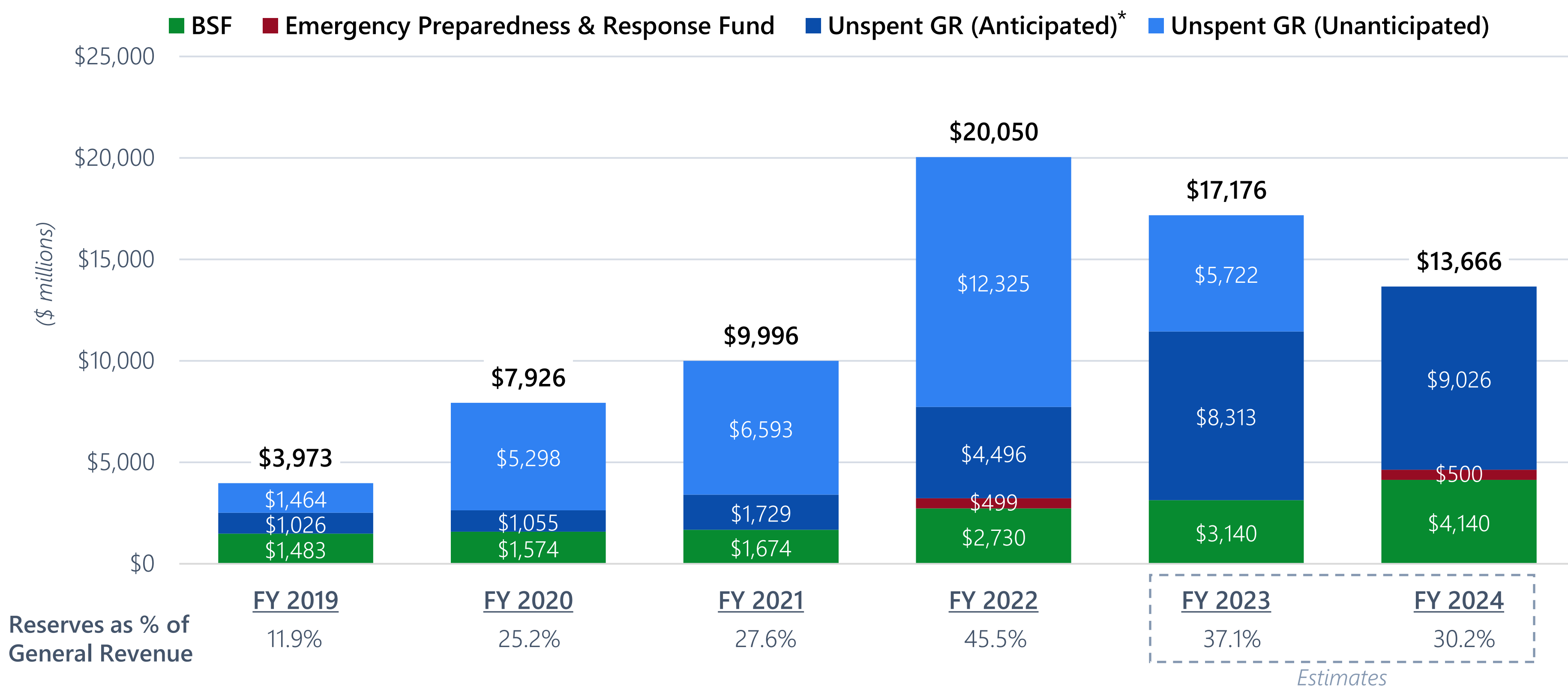
Fiscal Year 2024 General Revenue Outlook

FY 2024 GR Outlook *($ millions)*	**Recurring**	**Non-Recurring**	**Total**
Beginning Balance	-	$15,711.2	$15,711.2
Funds Available	$45,107.2	323.0	45,430.2
Total General Revenue Available	**$45,107.2**	**$16,034.2**	**$61,141.4**
Fiscal Year 2023 GR Revenue Over Estimates	-	$600.0	$600.0
Fiscal Year 2023 Actions (back of bill)	-	(4,480.2)	(4,480.2)
Fiscal Year 2024 GR Appropriations	$(41,600.9)	(4,903.7)	(46,504.6)
Fiscal Year 2024 Transfer to BSF	-	(1,000.0)	(1,000.0)
Fiscal Year 2024 Debt Defeasance	-	(200.0)	(200.0)
Fiscal Year 2024 Supplemental Actions	(566.9)	(2,608.8)	(3,175.7)
Governor Veto Action	2.1	438.0	440.1
Ending FY 2024 General Revenue Balance	**$2,941.5**	**$3,879.5**	**$6,821.0**

- FY 2024 Budget is structurally balanced
- $8.8 billion in American Recovery Plan (“ARP”) State Fiscal Recovery Funds were not used to balance Florida’s budget in any fiscal year

Source: General Revenue Fund Financial Outlook Statement, adjusted by Governor’s Office of Policy and Budget to reflect new information since latest General Revenue Estimating Conference.

General Fund Reserves

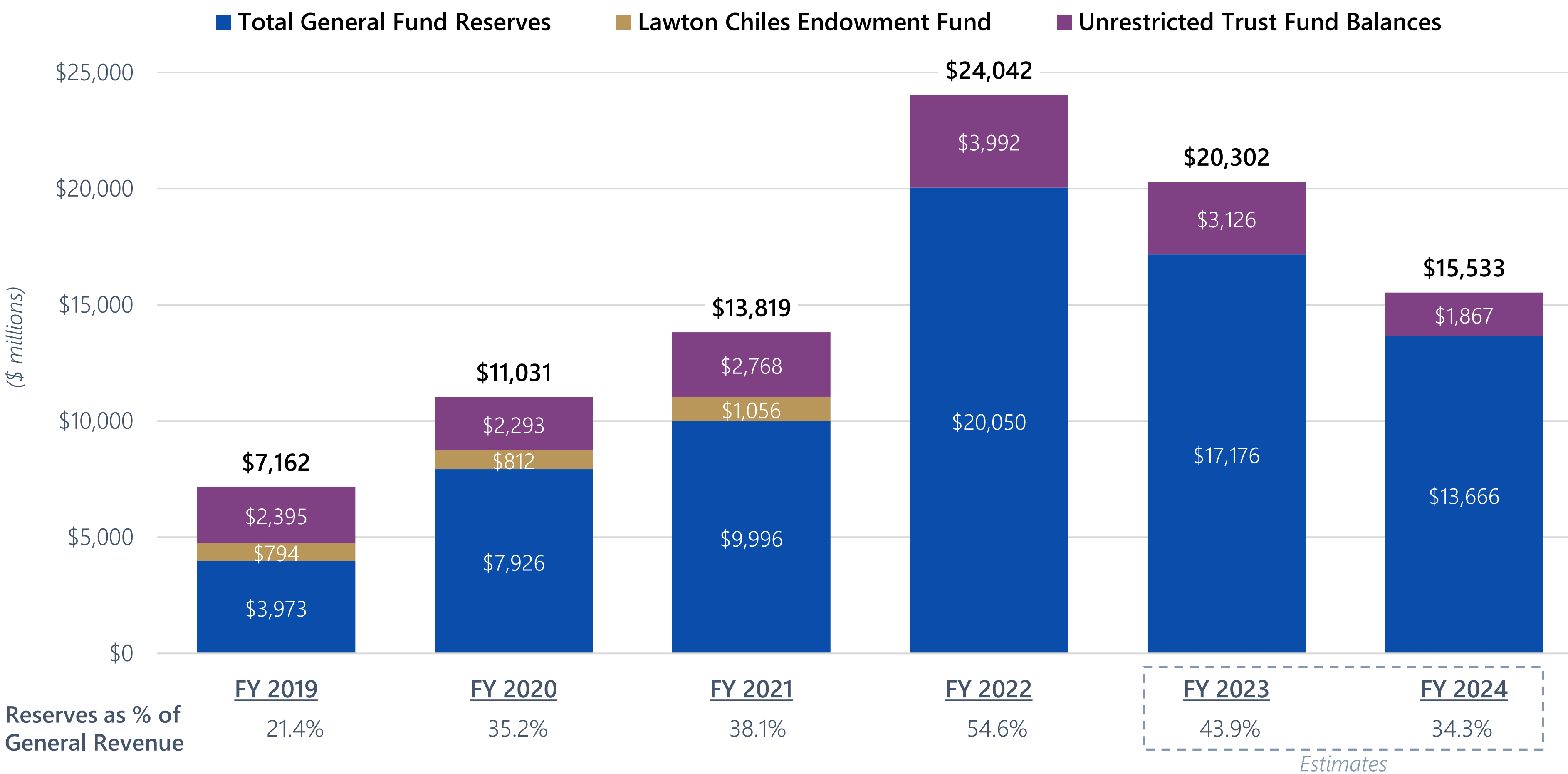


- Aggregate General Fund reserves expected to total approximately $17.2 billion or 37.1% of GR at end of FY 2023 and estimated at $13.7 billion or 30.2% of GR at end of FY 2024
- Budget Stabilization Fund ("BSF") was untouched during COVID-19 pandemic and has grown to $4.1 billion in FY 2024 following transfer of $1 billion to the BSF in the FY 2024 Budget – equals over 9% of current FY 2024 projected GR collections
- $500 million appropriated to the Emergency Preparedness and Response Fund to provide dedicated source of funding for Governor to respond to declared states of emergencies

** Includes RAP and FORA in FY 2023 and FY 2024. See slide 45 for additional details.*

FY 2023 is preliminary and FY 2024 is estimated; subject to change. Source: General Revenue Fund Financial Outlook Statements and Retrospects. FY 2023 and FY 2024 estimates have been adjusted by Governor's Office of Policy and Budget to reflect new information since latest General Revenue Estimating Conference. FY 2020 balance includes CRF moneys; FY 2021 and FY 2022 balances exclude ARP moneys.

Total State Reserves



- State expects to end FY 2024 with healthy balance of more than $15 billion in total reserves (General Fund reserves plus unrestricted trust fund balances) – equal to over 34% of GR collections
- ARP funds received in FY 2021 and FY 2022 are not reflected in FY 2021 and FY 2022 reserve balances

** FY 2023 is preliminary and FY 2024 is estimated. Source: General Revenue Fund Financial Outlook Statements and Retrospects. FY 2023 and FY 2024 estimates have been adjusted. FY 2020 balance includes CRF moneys; FY 2021 and FY 2022 balances exclude ARP moneys.*

Disaster Declaration Budget Impacts

Estimated Disaster Costs & Reimbursements[1]			
Event	**Total Expended**	**Total Reimbursement Received**	**Total Remaining Reimbursement Expected**
Prior Events[2]	$1.1 billion	$568.0 million	$400 million
COVID-19	$1.8 billion	$562.8 million	$800 million
Hurricane Ian	$3.9 billion	$420.5 million	$1.5 billion
Hurricane Nicole	$216.9 million	n/a	$110.8 million
Total	**$7 billion**	**$1.6 billion**	**$2.8 billion**

- 100% Federal Cost Share for Hurricane Ian for first 90 days of storm
- 100% Federal Cost Share for COVID-19 eligible costs incurred from January 2020 toJuly 1, 2022
- Expected reimbursements are not included in reserve estimates

[1] *Estimates as of June 2023.*
[2] *Storms Irma, Michael, Dorian, Sally, Elsa, and Ida, and Surfside.*

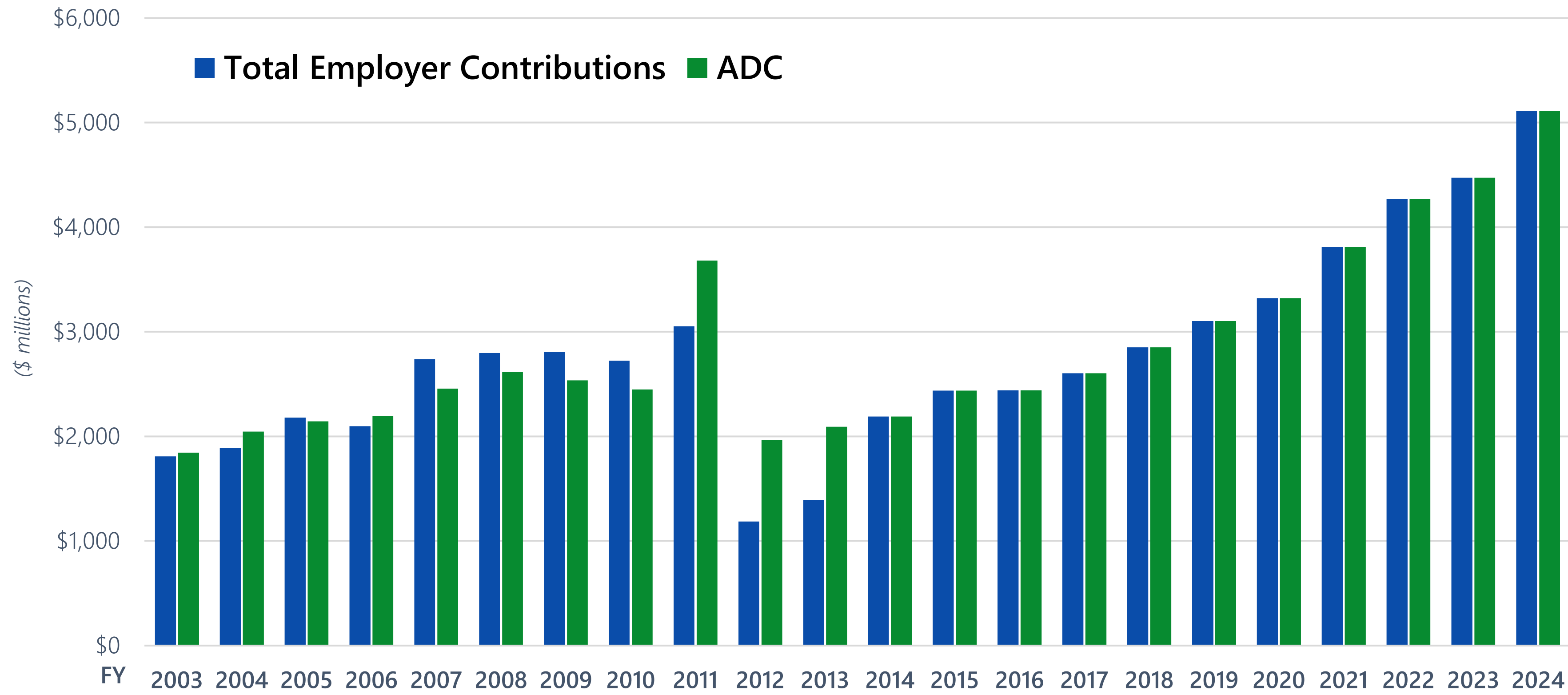
SECTION 4 *Pension Funding & OPEB*

Pension Funding & OPEB

- Pension liabilities remain manageable, funded ratio is strong, and underlying assumptions are reasonable
  - Funded ratio based on actuarial value of assets ($179.2 billion) was 82.4% as of July 1, 2022
  - Funded ratio based on market value of assets (estimated $187.0 billion) was 86.0% as of June 15, 2023
- State's share of the Net Pension Liability ("NPL") is approximately 15.5% based on percent of total employer contributions in FY 2022
  - As of June 30, 2022, State's allocable share of NPL totaled $5.9 billion using actuarial value of assets
- State continues to make progress towards more conservative pension assumptions and methodologies
  - Over the last nine years, the investment return assumption has been lowered from 7.75% to 6.70%. Investment return assumption of 6.70% both for calculating pension contribution (ADC) and financial reporting (ACFR)
  - In 2021, the State reduced the amortization period for unfunded liability from 25 years to 20 years
- Other Postemployment Benefits ("OPEB") liability totaled $10.4 billion as of June 30, 2022 (State's share is approximately 69%); however, consists of implicit subsidy only with no legal entitlement or constitutional protection of health benefits

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

FRS Employer Contributions vs the ADC



- Legislature again fully funded the Actuarially Determined Contribution ("ADC") for FY 2024
- For the past eleven years (FY 2014 through FY 2024), the State has budgeted contributions sufficient to fully fund the ADC based on the FRS plan assumptions
- Pension reform effective July 1, 2011, included requiring employees to contribute 3% of salary, prospectively eliminating the Cost-of-Living Adjustment benefit, and extending vesting period
- Reforms helped constrain growing liability and pension cost, but ADC has been increasing as State implements more conservative actuarial assumptions

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.

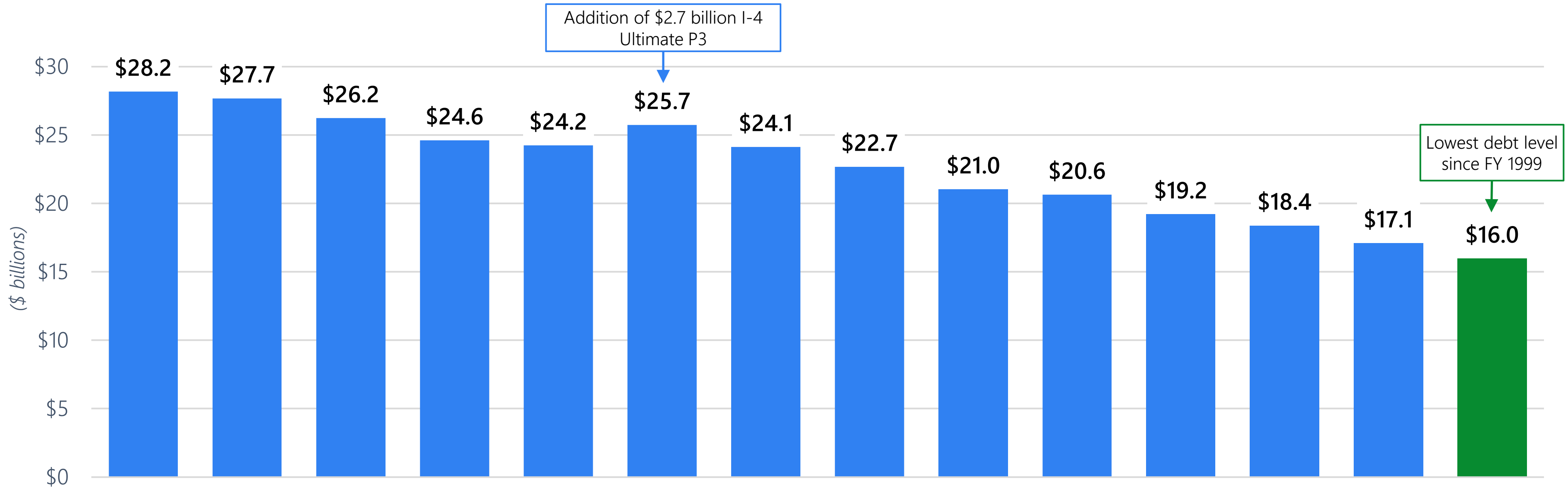
SECTION 5 *Debt Position*

Debt Position

- Since peaking in 2010, outstanding debt has declined by more than $12 billion, or over 43%
- Benchmark debt ratio for 2023 will be less than half of what it was in 2010
- Benchmark debt ratio decreased from 4.30% in FY 2021 to 3.78% in FY 2022, due to increased revenues and remains well below 6% policy target; projected to remain below 6% target in FY 2023 and thereafter
- Pension remains well funded with State consistently fully funding the ADC and steadily progressing towards more conservative underlying assumptions (investment return) and methodologies (amortization period)
- Debt obligations remain manageable at a relatively low level and contingent liabilities pose less risk

Source: Information on debt outstanding and benchmark debt ratio from Florida Debt Reports. Unemployment Compensation Trust Fund information from Unemployment Compensation Trust Fund Estimating Conference, March 2023.

History of Outstanding Debt

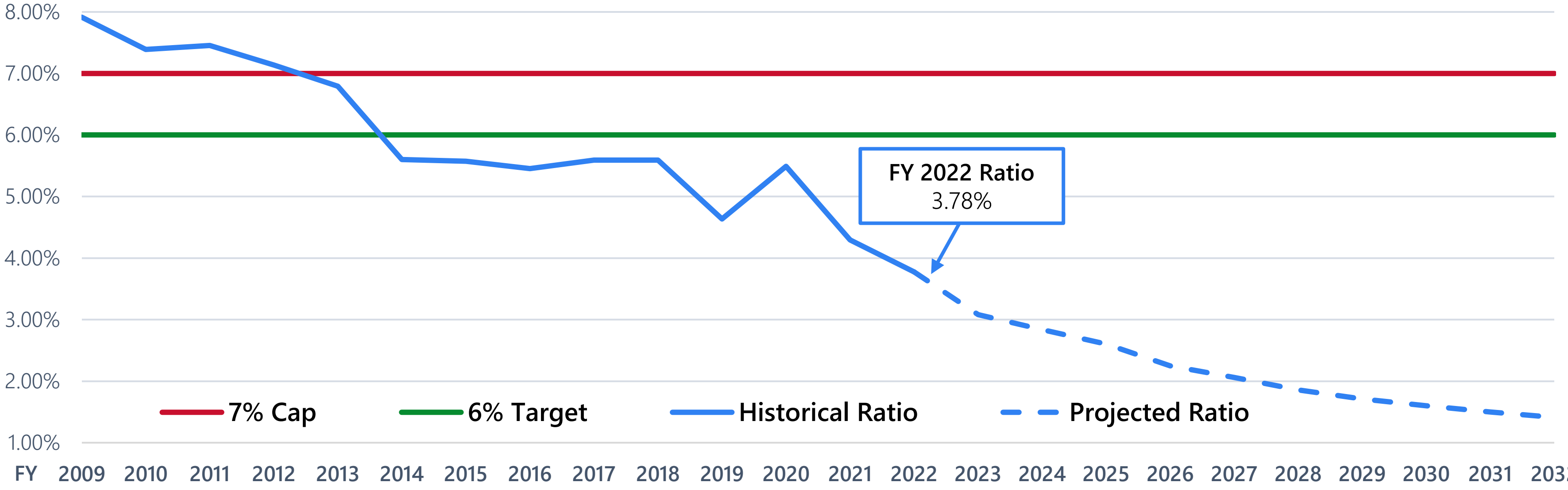


FY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$ Change (in billions)	$1.8	$(0.5)	$(1.4)	$(1.6)	$(0.4)	$1.5	$(1.6)	$(1.4)	$(1.6)	$(0.4)	$(1.4)	$(0.8)	$(1.3)	$(1.1)

- Total direct debt outstanding is estimated to be $16.0 billion at the end of FY 2023, representing a $1.1 billion or 6.5% decrease from FY 2022
- Total direct debt is estimated to have decreased by over $12 billion, or nearly 43%, since peak in 2010, primarily a result of principal repayments on existing debt exceeding new money debt issuance
- The State appropriated $200 million for FY 2024 for additional debt reduction
  - The funds will be invested to defease outstanding taxable PECO and SRF bonds
  - Defeasances will be effectuated in early July 2023
- While State's economy, revenues, and population have grown significantly over the last 24 years, State now has less debt outstanding than it did in FY 1999

Source: State of Florida Debt Reports. FY 2023 amount is a preliminary estimate; subject to change.

Benchmark Debt Ratio



Benchmark Debt Ratio												
	Actual		Projected									
Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Benchmark Debt Ratio	4.30%	3.78%	3.08%	2.84%	2.60%	2.25%	2.06%	1.86%	1.71%	1.60%	1.50%	1.41%

- State's benchmark debt ratio is annual debt service to revenues available to pay
- Debt ratio has improved steadily since peaking in FY 2009 due to the combination of revenue growth and declining debt service
- The ratio substantially declined in FY 2014 following retirement of the Preservation 2000 bonds
- Benchmark debt ratio increased in FY 2020 due to combined effect of lower revenues and increasing annual debt service payments (due to variability in P3 payments)
- Ratio decreased in FY 2022 as revenues reflected the ongoing economic expansion in Florida, and is projected to continue to remain below 6% target throughout the projection period (FY 2032)

Source: State of Florida Debt Report, 2022.

Florida's ESG Prohibitions

On May 2, 2023, Governor DeSantis signed into law prohibitions against the environmental, social, and corporate governance (ESG) movement

Designated Bonds or Labeled

- Florida issuers are now prohibited from offering ESG designated or labeled bonds, either self-designated or third party designated, or paying for a third-party verifier to certify bonds as Green, Social or ESG, etc.
- The change in law does not impact the purposes for which bonds may be issued
- Nothing in this law should change the way Florida issuers approach market disclosure

Rating Agencies

- Florida issuers are now prohibited from contracting with any rating agency that publishes an ESG score that has a direct negative impact to the issuer's credit rating
- Current rating agency criteria regarding ESG scores indicate that ESG scores are an output of general credit analysis and do not independently influence credit ratings
    - The discussion of risk factors relating to ESG in rating reports does not trigger this contracting prohibition
    - Rating actions taken following impacts from an environmental event or factor, like a hurricane, do not trigger the contracting prohibition
    - The change in law has not impacted any of the Division's contracts with rating agencies
- If a rating agency ever changes this paradigm and begins mapping ESG scores directly to credit ratings, issuers in the State will be prohibited from doing business with that rating agency

Florida Municipal Underwriting

- Nothing in this law limits or prohibits a financial institution from underwriting bonds issued by Florida governmental entities

SECTION 6 *Property Insurance Market*

Property Insurance Market

- Florida has a total of approximately 7.3 million residential insurance policies and displaced policies represent a small and manageable percentage of total market
  - Since October 2019, ten property insurers writing an aggregate of approximately 441,000 policies in Florida have been declared insolvent. Policies of insolvent companies are transferred to other private insurers or Citizens, with liability for outstanding claims transferred to FIGA – no disruption to coverage or payment of outstanding claims for policyholders
- Primarily driven by litigation, fraud, and social inflation rather than storm activity, property insurers in Florida have faced a disproportionate level of litigation relative to the number of claims
  - In 2021, Florida represented 6.9% of total homeowners' claims nationally but 76% of homeowners' lawsuits
  - Uncertainty surrounding litigation expenses has contributed to increasing cost and decreasing availability of reinsurance coverage for Florida property insurers
- Florida has mechanisms in place to help stabilize the property insurance market during periods of volatility, and has recently implemented additional temporary State programs to help insurers procure reinsurance
- The State has also taken steps to address the challenges impacting the insurance industry, with a multi-prong legislative agenda enacted over the past two years designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability

Source: Percentage of Florida claims and lawsuits relative to rest of US and annual number of lawsuits based on data from Florida Office of Insurance Regulation and Citizens Property Insurance Corporation. Total number of residential policies from Office of Insurance Regulation as of December 31, 2022.

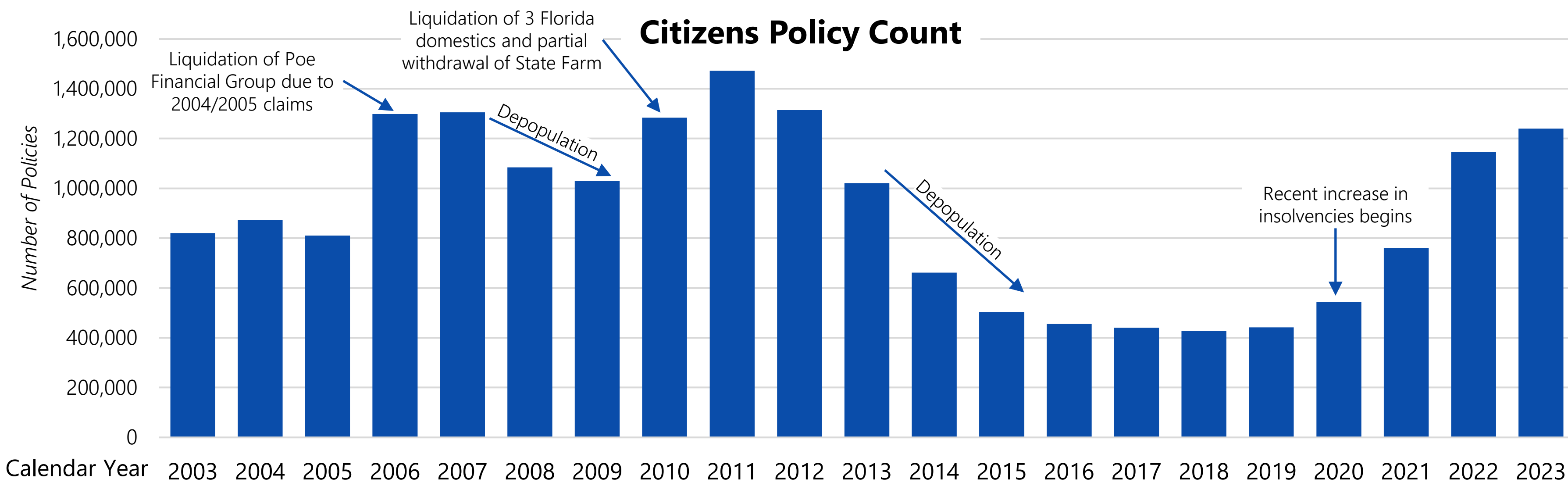
Market Framework Provides Stability

- The insurance market in Florida is subject to regulatory oversight, and the State has well established entities in place that continue to serve vital roles in Florida's residential property insurance ecosystem
  - **Florida Office of Insurance Regulation ("OIR")** – State regulatory agency that provides oversight of insurance industry and ongoing monitoring of the financial health of insurers
  - **Florida Department of Financial Services ("DFS")** – State agency that serves as receiver for any property insurer declared insolvent by OIR. The Division of Rehab and Liquidation at DFS manages receiverships and ensures an orderly transition of coverage and outstanding claims
  - **Florida Insurance Guaranty Association ("FIGA")** – Statutorily created to handle the liabilities of insolvent insurance companies, ensuring orderly and timely payment of outstanding claims
  - **Florida Hurricane Catastrophe Fund ("FHCF")** – State entity that provides stable, predictable, and reliable source of reinsurance for a portion of Florida residential property insurers' hurricane losses
  - **Citizens Property Insurance Corporation ("Citizens")** – Statutorily created insurer of last resort, absorbing policies that are not able to be placed in the private market, with proven depopulation mechanisms in place to shift policies back to private insurers over time

Regulatory Oversight

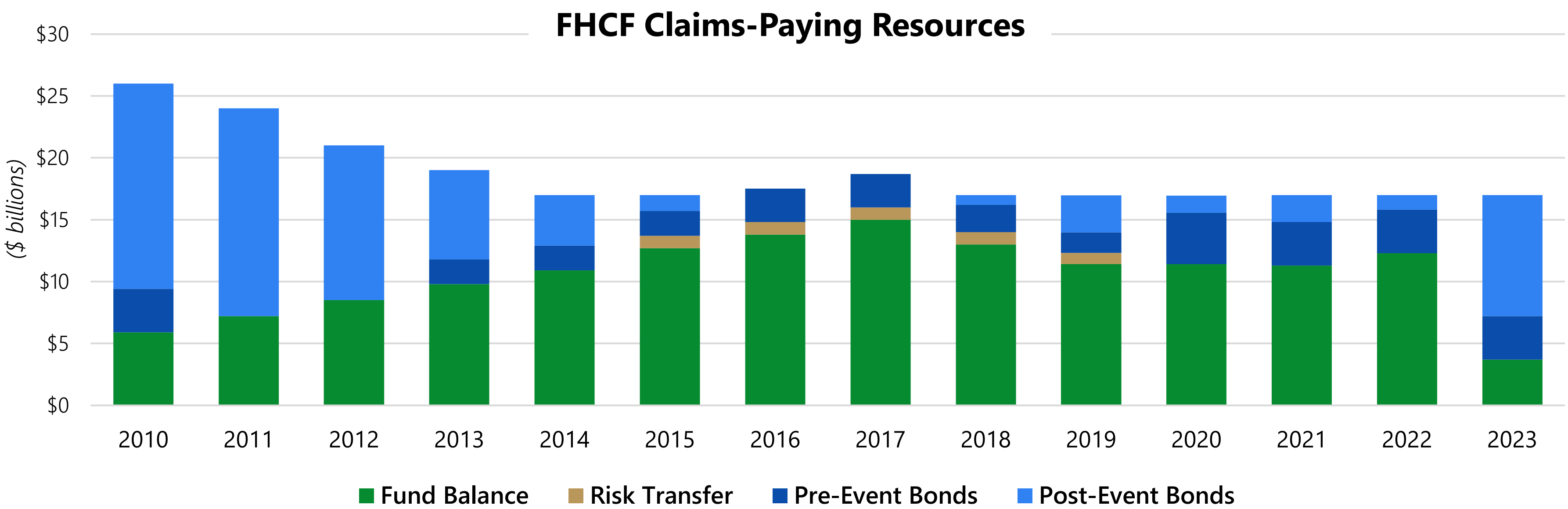
- OIR closely and consistently monitors the financial condition and operational results of insurers doing business in Florida
- OIR conducts the Annual Reinsurance Data Call and Catastrophic Stress Test to evaluate reinsurance programs that companies have in place. Results are used to estimate insurer's surplus amounts following modeled storm events and determine if the insurer would be able to continue to meet its minimum surplus requirements
- The Property Insurer Stability Unit ("Stability Unit") aids in the detection and prevention of property insurer insolvencies. The Stability Unit provides enhanced monitoring whenever OIR identifies significant concerns about an insurer's solvency, rates, proposed contracts, claims handling, litigation practices and outcomes, or any other issue related to compliance with the insurance code
- Certain events outlined in statute automatically trigger a referral to the Stability Unit
    - These events include requesting rate increases in excess of 15%, violating the ratio of actual or projected annual written premiums, filing notice with OIR that they intend to nonrenew more than 10,000 residential policies in a 12-month period, filing financial statements which demonstrate an unsound financial condition, failing to file timely financials, or entering into a reinsurance agreement that does not meaningfully transfer the risk of loss
- Stability Unit supervisors review all referrals to determine whether enhanced monitoring is appropriate
    - 24 insurers referred to the Stability Unit in the second half of 2022, but only 6 were deemed appropriate
    - As of January 1, 2023, 19 property insurers (approximately 12% of property insurers in the State) were subject to the Stability Unit's enhanced monitoring

Citizens Property Insurance Corporation



- Citizens' policy count historically expands and contracts in direct relation to industry profitability
  - Number of policies grows during periods of volatility, then industry profitability improves, then depopulation resumes until Citizens returns to a reasonable residual market level
  - From 2012 to 2019, Citizens' depopulation program reduced policies by 70% (1.5 million to 420,000) and total exposure by 78% ($511 billion to $111 billion)
  - Citizens' policy count has been growing as a result of conditions in the Florida property insurance market. As of March 31, 2023, Citizens had 1.2 million policies in-force (63% increase since end of 2021) and total exposure of $479 billion (106% increase since end of 2021)
- As of March 31, 2023, modeled losses from Hurricane Ian for Citizens total $3.6 billion, with projected recoveries from FHCF and private risk transfer of $1.0 billion and a net loss to Citizens of $2.6 billion. This estimate is preliminary, based primarily on models, and may change materially as losses continue to develop
- Citizens has sufficient capital and surplus to satisfy claims from Ian without any borrowing
- Recent legislation included several reforms aimed at strengthening Citizens' financial standing and encouraging policies to shift back to or remain in the private market

Florida Hurricane Catastrophe Fund



- FHCF provides a stable recurring source of reinsurance for Florida residential property insurers
- FHCF relies on a combination of accumulated reimbursement premiums, assessment authority and bonding capacity to fund losses
- FHCF enters the 2023 hurricane season with greater reliance on assessment authority and bonding capacity to fund its maximum liability
- FHCF was well positioned to absorb losses from Hurricane Ian with over $12 billion in fund balance
- Current estimated losses from Hurricane Ian can be funded with no debt issuance
- FHCF has ample liquidity entering the 2023 hurricane season after reserving for Hurricane Ian losses
- FHCF's ultimate loss reserve for Hurricane Ian is currently $10 billion – based on company loss reporting to date, modeled loss indications, and historical loss development patterns

Additional State Support

- Insurance companies utilize reinsurance as a key component of their capital structures, and the coverage serves as an essential tool to help manage risks and losses
- While the global reinsurance market has hardened, Florida insurers have faced an outsized impact resulting from the uncertainty around litigation costs. Availability of reinsurance coverage for carriers in the State has eroded, and the available coverage is significantly more expensive
- Substantial state funding provided for additional reinsurance in support of the insurance market
- Notwithstanding pressure on the insurance market, legislative actions focused on Tort Reform and did not alter market framework or the structure and assessment authority of FIGA, FHCF, or Citizens
- The State created two temporary programs in special legislative sessions held in 2022 designed to assist private market insurers in obtaining reinsurance. Both programs are administered by the State Board of Administration
  - **Reinsurance to Assist Policyholders ("RAP")** – provided $2 billion layer of State-funded reinsurance coverage below the FHCF for allocation across the 2022 and 2023 hurricane seasons. Approximately $885 million of RAP coverage was utilized for the 2022 season, with the remaining $1.1 billion of coverage available for the 2023 season
  - **Florida Optional Reinsurance Assistance ("FORA")** – works in conjunction with RAP by providing additional optional reinsurance coverage from the State below the FHCF coverage layer funded by up to $1 billion of general revenue for the 2023 hurricane season

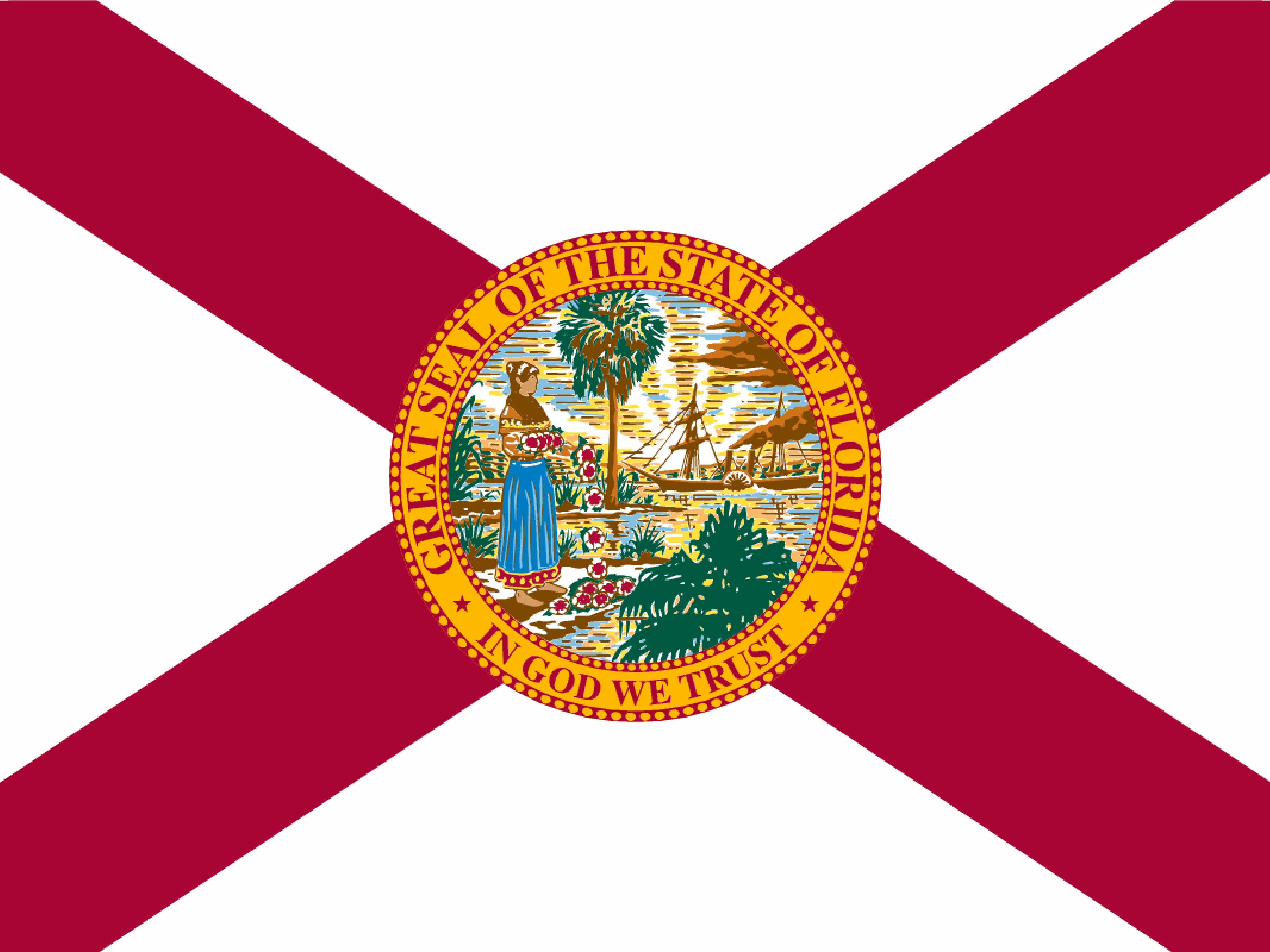
Legislative Reforms

- Florida's legislature has passed unprecedented and aggressive reforms in the last two years targeting abusive litigation that has adversely affected the property insurance market
- Benefits of reform already being seen – new insurers looking to enter market and takeout requests at Citizens increasing

Assignment of Benefits	Prohibited the assignment of benefits (granting a third-party, such as a contractor, ability to bill an insurer directly) on all residential and commercial property insurance policies
One-way Attorney Fees	One-way attorney fee statutes in Florida no longer apply to suits related to residential or commercial property insurance policies
Offer of Judgment	Reinstated civil offer of judgment statute to civil actions under a residential or commercial property insurance policy. Allows joint offers of settlement in property insurance litigation, contingent on acceptance of all joint offerees
Bad Faith Litigation	Requires an adverse adjudication that an insurer has breached an insurance contract before an insured can file bad faith litigation; provides a safe harbor within which an insurer may correct alleged bad faith acts and attempt settlement
Claims Timing	Claim filing deadline reduced from 2 years to 1 year for new or reopened claims, and from 3 years to 18 months for a supplemental claim. Revises prompt pay laws to shorten the times for investigation and payment of claims by insurers
Citizens	Increased eligibility thresholds for coverage, with policyholders now ineligible for Citizens coverage if the difference in the cost of comparable private-market coverage is 20% or less. Citizens rates must be actuarially sound and non-competitive with admitted market rates. Institutes flood insurance requirements for all residential Citizens policies, with a phased in approach through 2027
Insurer Accountability	Enhanced OIR oversight and established best practices for insurance claims handling processes

Conclusions

- Florida's economy remains strong following unprecedented growth coming out of the pandemic
- General Revenue collections increased in FY 2023 to $46.3 billion representing an increase of $14.9 billion, or 47%, over pandemic induced low of FY 2020
- Continued high levels of General Revenue collections have allowed the State extraordinary budget flexibility to address strategic investment in State infrastructure and priorities and to maintain structural balance following the disruption in FY 2020
- General Fund reserves in FY 2023 estimated at $17.2 billion or 37.1% of GR and total reserves estimated at $20.3 billion or 43.9% of GR. Projected reserve levels beginning to normalize but remain historically high and at a healthy level
- Pension funded ratio strong as State continues to fund the ADC in FY 2024 and make prudent adjustments to actuarial assumptions and methodologies
- Outstanding debt decreased again in FY 2023 to $16.0 billion, down more than 43% from peak of $28.2 billion in FY 2010
- Mechanisms in place to stabilize the property insurance market and healthy and functioning as intended. State has passed several reforms designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability
- Strong revenue growth combined with conservative financial management has strengthened financial position and provided opportunity for State to continue funding strategically important investments like education, environment, and transportation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