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State of Florida

Economy / Budget / Debt

June 2019 Update

Cynthia Kelly, *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 are projected to grow by $1.7 billion, or 5.4%, in FY 2019; tenth consecutive year of growth
- FY 2020 Budget Priorities
- No budget gap for seventh consecutive year
- 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 $3.1 billion or 9.5% of GR at June 30, 2019, and projected to be $2.9 billion or 8.7% of GR at June 30, 2020
- Total Reserves expected to be $5.9 billion or 18.1% of General Revenue at June 30, 2019 and $5.4 billion or 16.1% of General Revenue at June 30, 2020
- BSF was fully restored in 2016, demonstrating State's financial discipline and commitment to rebuilding reserves; $91.2 million deposit to BSF in FY 2020 will increase total to $1.58 billion

Pension Funding

- Seventh consecutive year that budget fully funds the actuarially determined contribution based on plan assumptions
- Funded ratio remains strong; 83.9% based on actuarial value of assets and 86.7% based on market value of assets

Debt

- Debt outstanding reduced by $1.6 billion to $21.0 billion in FY 2018 and expected to be reduced by another $400 million to $20.6 billion by the end of FY 2019
- Moderate amount of new debt authorization in FY 2020 Budget
- Benchmark debt ratio (debt service to revenues) was flat at 5.59% in FY 2018, remaining under the 6% target for the fifth consecutive year

Economy Highlights

Housing

- Real estate values continue to increase, with property tax values projected to grow by a robust 5.6% in FY 2019
- The strength of housing starts is expected to continue as population and households increase
- Median home prices have posted positive growth rates since FY 2012, and increased 4.3% in the 12 months ending May 2019

Tourism

- Florida's popularity for both domestic and international tourist visitors continued with an estimated 130 million tourist visitors to the State in FY 2019
- In FY 2019, domestic tourists are anticipated to comprise about 89% of tourist visitors
- Growth in tourism is expected to continue in FY 2020 and FY 2021 with tourist visitors estimated to reach 135 million and 140 million, respectively

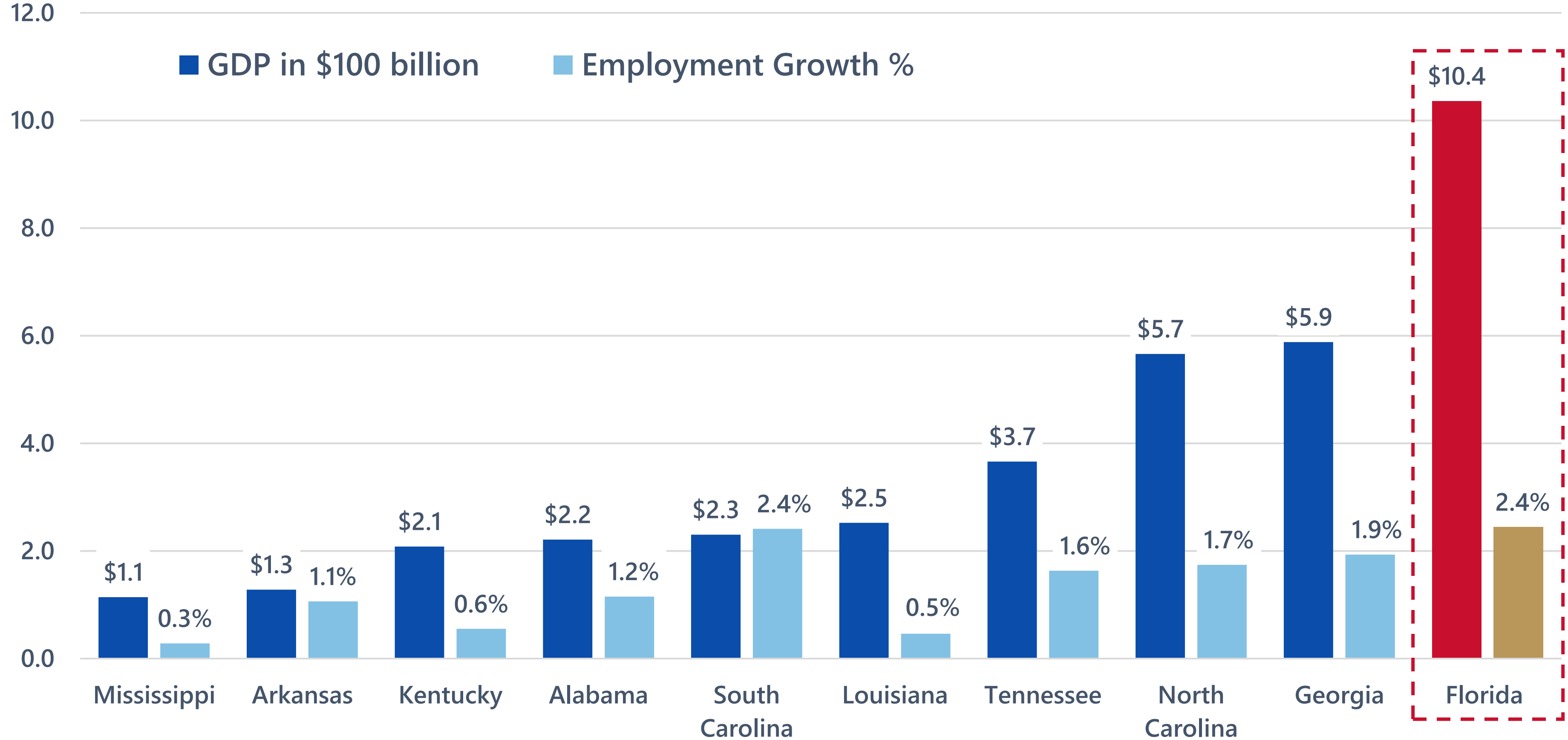
Population

- After a major slowdown during the recession, population growth returned and remains strong
- In the next five years, the average annual increase in population is expected to be 318,000
- The average annual increase in net migration is approaching pre-recession levels

Employment

- Florida's non-farm employment continues to rebound and has added over 1.7 million jobs since December 2010
- Hurricane Irma caused a temporary dip in job growth in non-farm employment in September 2017, but the State quickly returned to its long-term growth trend
- Florida's annual job growth rate has exceeded the nation's rate since May 2012
- Non-farm employment is expected to continue improving in FY 2020, adding another 189,700 jobs

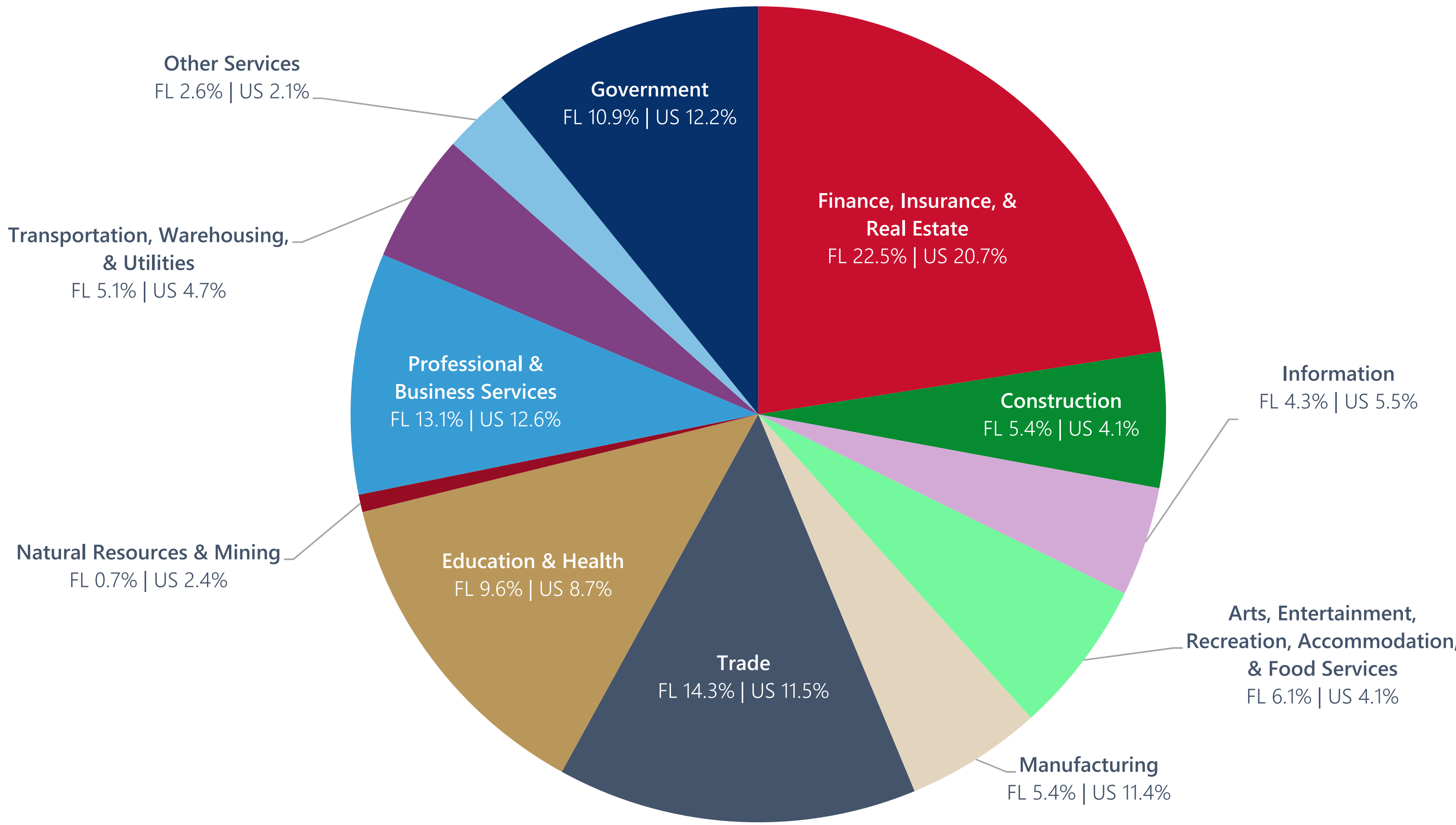
Southern State GDP & Employment Growth – CY 2018



- Florida's economy is the largest in the Southeast and one of the fastest growing in the region
- Florida's employment growth is one of the highest of the ten largest states and leads the Southeast
- Since December 2010, Florida has added nearly 1.7 million private sector jobs, representing a 29% increase

Source: US Bureau of Labor Statistics and US Bureau of Economic Analysis, 2019

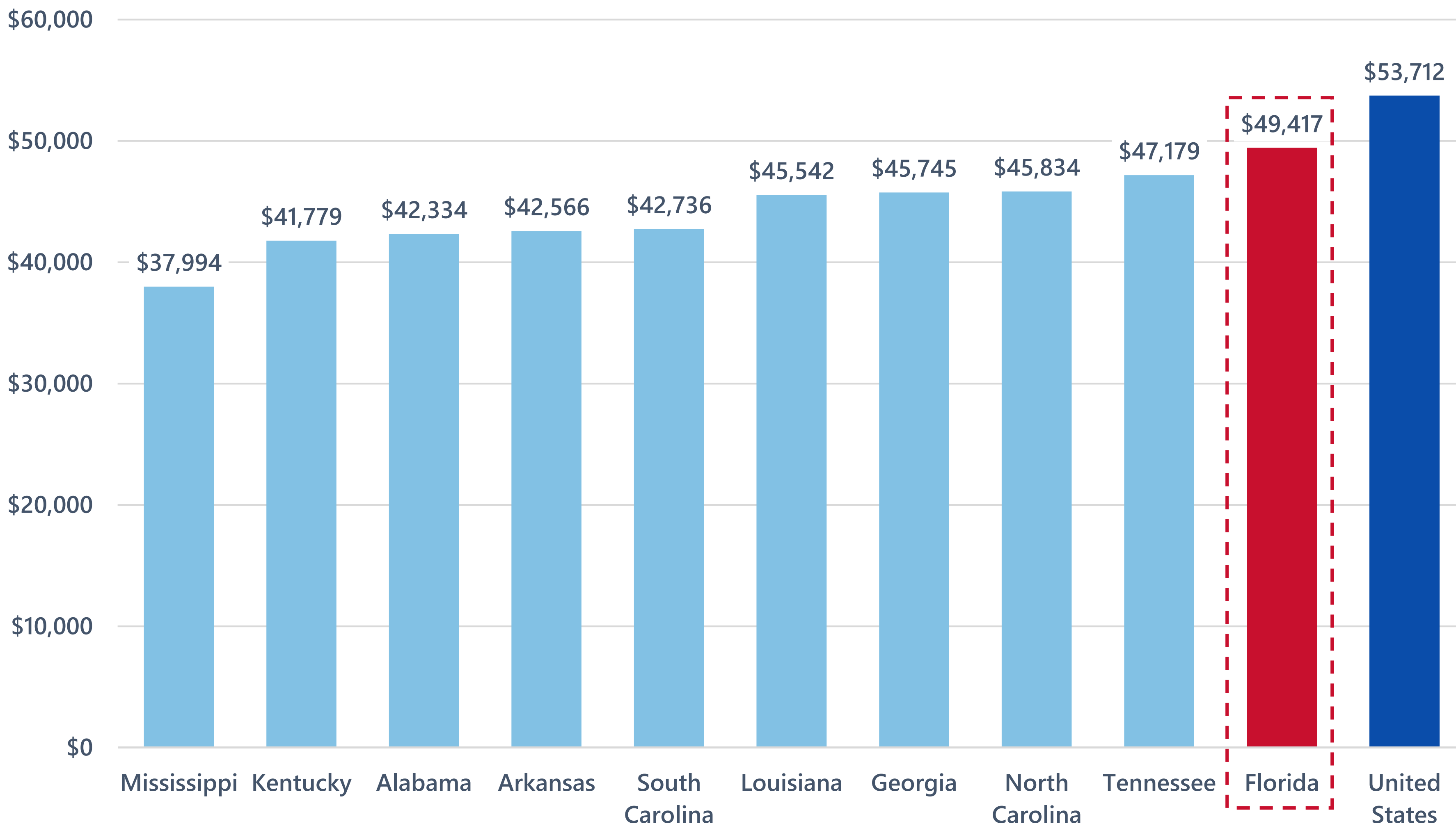
Florida GDP by Sector – 2018



- Florida's GDP is very diverse across many sectors
- Finance, Insurance, and Real Estate is the largest sector

Source: US Bureau of Economic Analysis, 2019

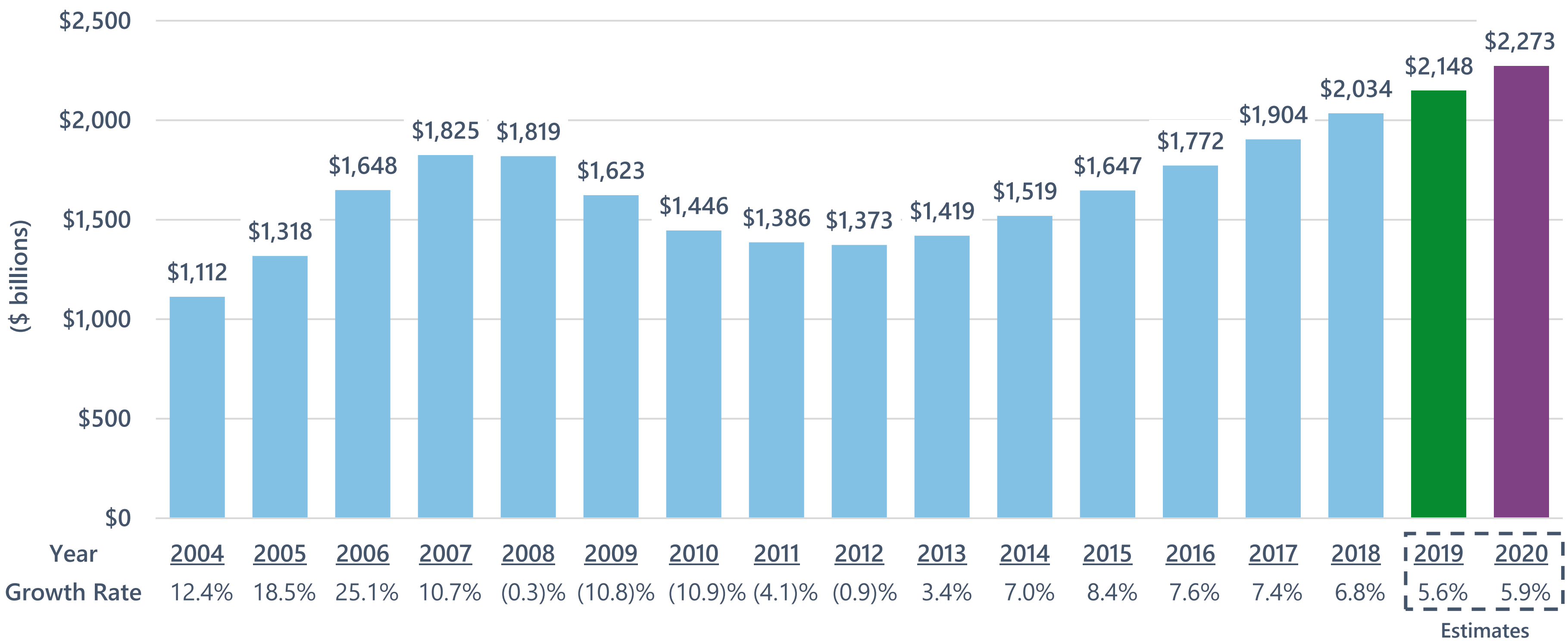
Southern State Per Capita Personal Income – 2018



- Florida has the highest personal income per capita in the Southeast
- Florida's income per capita grew 3.6% from 2017 to 2018

Source: US Bureau of Economic Analysis, 2019

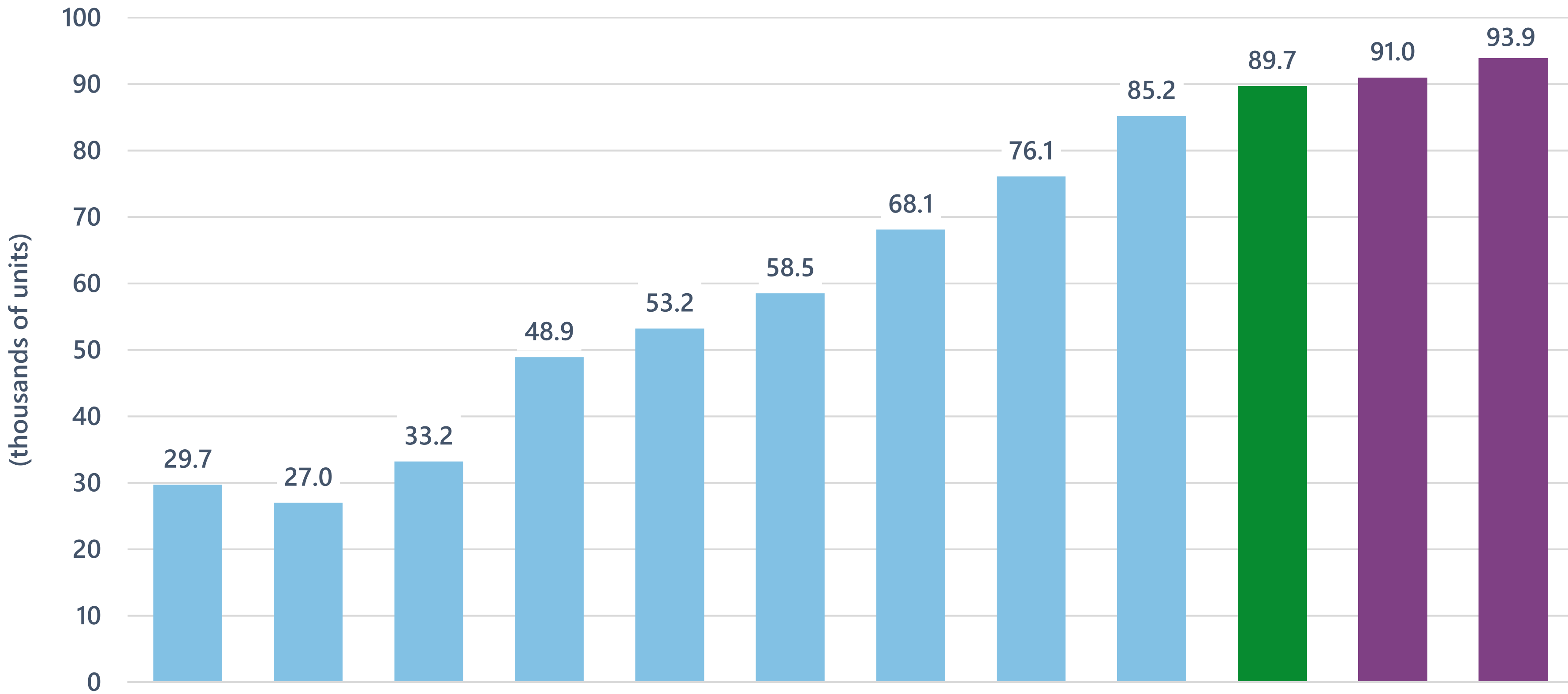
Statewide Property Tax Roll – School Taxable Value



- The statewide property tax roll declined 25% between 2007 and 2012, but recovered to 2007 levels in 2017 – 10 years later
- Property taxable value increased by 6.8% in 2018 and is forecast to increase by 5.6% in 2019 and 5.9% in 2020
- The 2019 taxable value reflects a $2.4 billion reduction in counties affected by Hurricane Michael
- The 2019 property values are expected to be 56% higher than the low in 2012
- The total property tax roll is expected to grow at an average annual rate of almost 5.5% over the next five years

Source: Florida Ad Valorem Estimating Conference, March 2019

Florida Single-Family Housing Starts



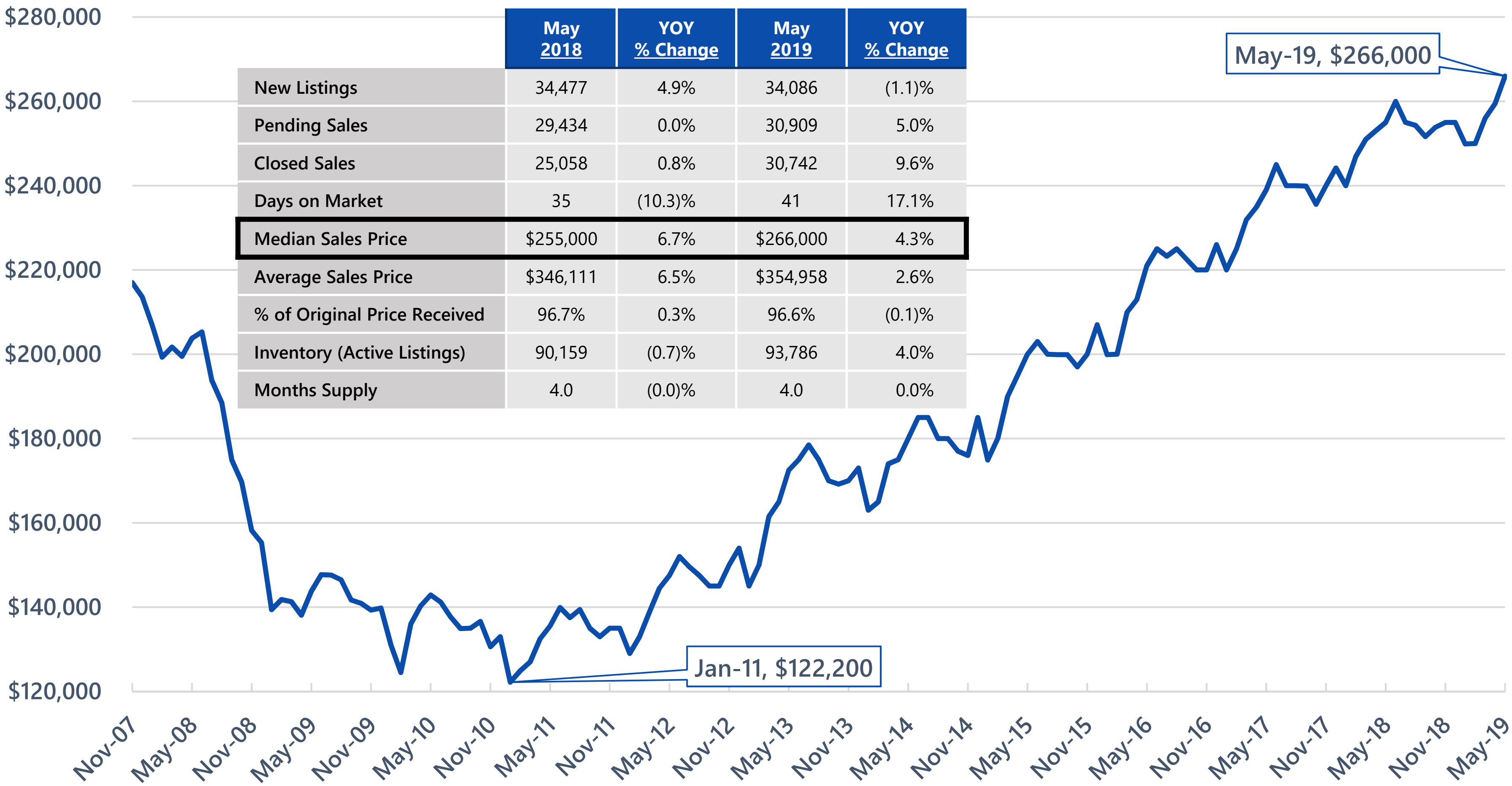
Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Growth Rate	16.1%	(9.1)%	23.0%	47.3%	8.8%	10.0%	16.4%	11.7%	12.0%	5.3%	1.4%	3.1%

Estimates

- Housing starts have grown significantly following the Great Recession
- Total private housing starts are still well below the peak FY 2005 level of 182,000 units
- Housing starts are expected to continue to grow going forward, but at a slower rate

Source: Florida Economic Estimating Conference, February 2019

Single-Family Homes – Median Sales Price

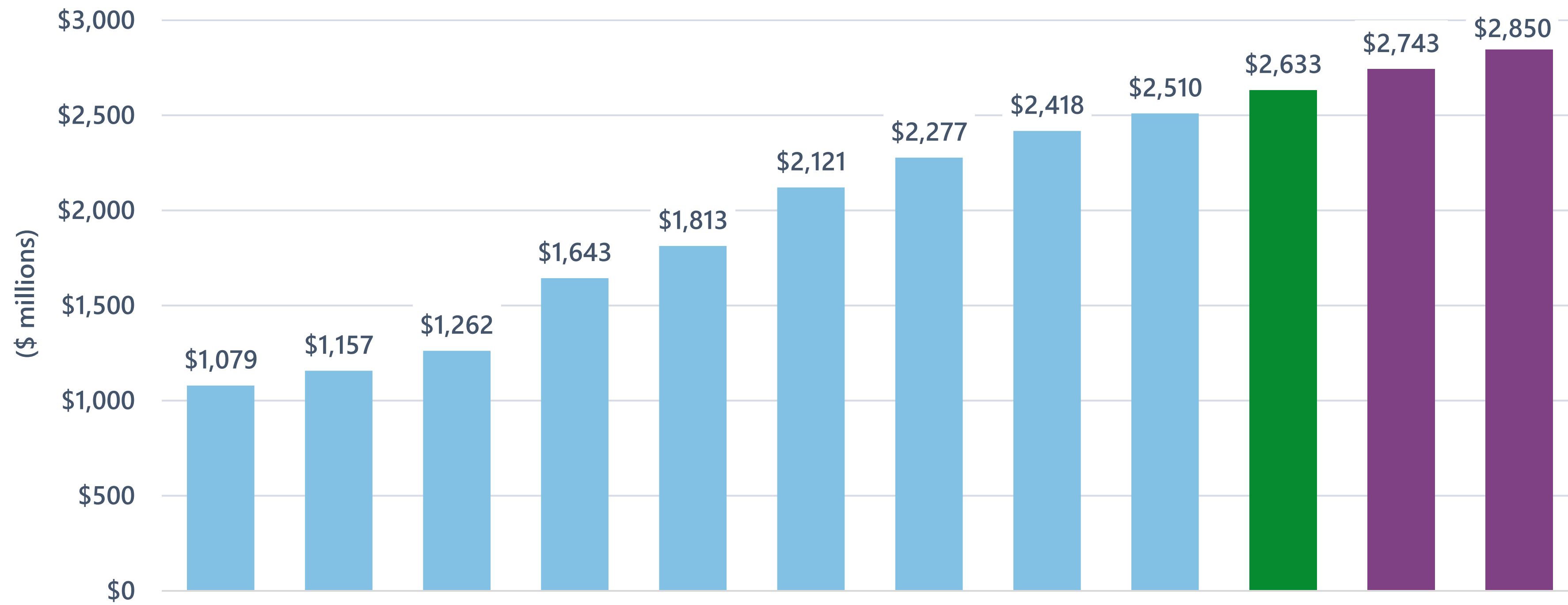


	May 2018	YOY % Change	May 2019	YOY % Change
New Listings	34,477	4.9%	34,086	(1.1)%
Pending Sales	29,434	0.0%	30,909	5.0%
Closed Sales	25,058	0.8%	30,742	9.6%
Days on Market	35	(10.3)%	41	17.1%
Median Sales Price	$255,000	6.7%	$266,000	4.3%
Average Sales Price	$346,111	6.5%	$354,958	2.6%
% of Original Price Received	96.7%	0.3%	96.6%	(0.1)%
Inventory (Active Listings)	90,159	(0.7)%	93,786	4.0%
Months Supply	4.0	(0.0)%	4.0	0.0%

- Metrics show healthy growth reflecting underlying strength in Florida's real estate market
- Median home prices have posted positive annual growth rates since 2012 and grew by 4.3% over the 12 months ending May 2019
- Sales of single family homes increased by 9.6% in the 12 months ending May 2019

Source: Florida Association of Realtors

Documentary Stamp Tax Collections



Fiscal Year	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Growth Rate	(3.9)%	7.2%	9.1%	30.3%	10.3%	17.0%	7.4%	6.2%	3.8%	4.9%	4.2%	3.9%

Estimates

- Documentary Stamp Tax collections continue to grow but remain well below the FY 2006 peak of $4.1 billion
- Hurricane Irma temporarily disrupted the Florida real estate market, resulting in suppressed Documentary Stamp Tax collections from September 2017 through November 2017. However, total collections in FY 2018 still posted positive year-over-year growth of 3.8%
- Documentary Stamp Tax collections are indicative of Florida's home price and sales volume improvements

Source: General Revenue Estimating Conference, March 2019

Florida Tourist Visitors

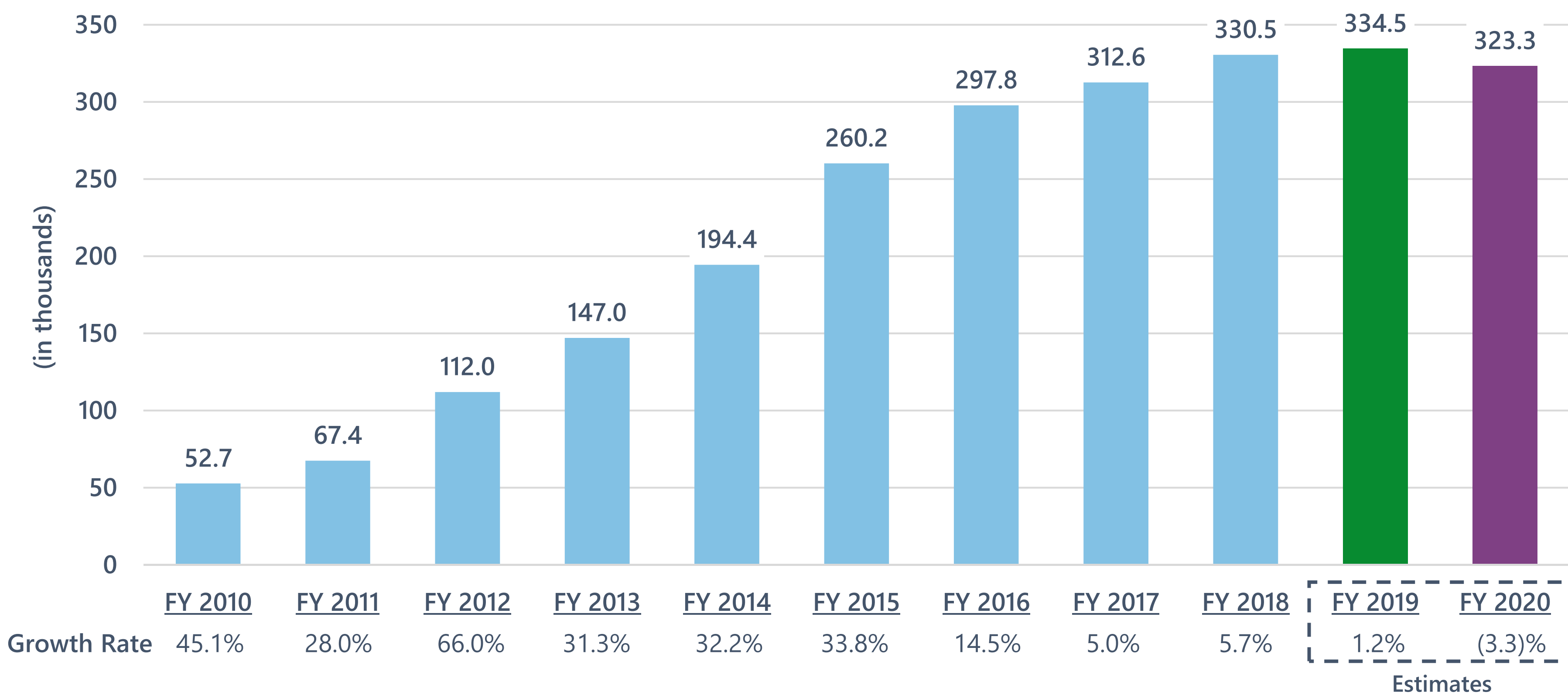
Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Growth Rate	1.6%	5.0%	5.5%	4.0%	2.1%	7.1%	7.4%	5.5%	5.2%	6.3%	4.2%	4.0%

Estimates

- Tourist visitors are expected to grow by 7.7 million, or 6.3%, in FY 2019
- Total tourist visitors expected to reach 130 million in FY 2019, 135 million in FY 2020, and 140 million in FY 2021

Source: Florida Economic Estimating Conference, February 2019

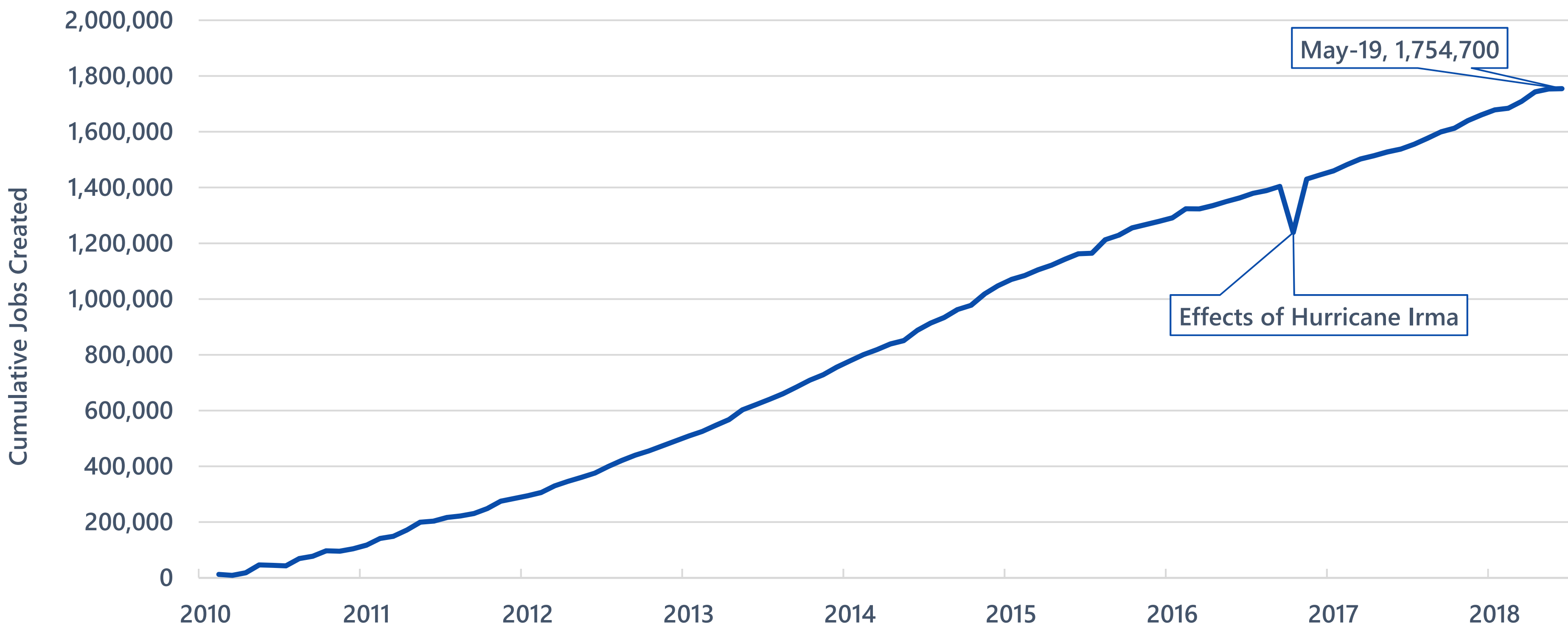
Florida Net Migration



- Since 2014, Florida's population has continued to grow at 1.5% annually, in large part due to net migration which has recovered and reached pre-recession levels
- Over 53,000 Puerto Ricans are included in the estimate for FY 2018
- Net migration before the Great Recession peaked in FY 2004 at 354,690
- Florida remains the 3rd largest state in the nation after surpassing New York in 2014

Source: Florida Demographic Estimating Conference, February 2019

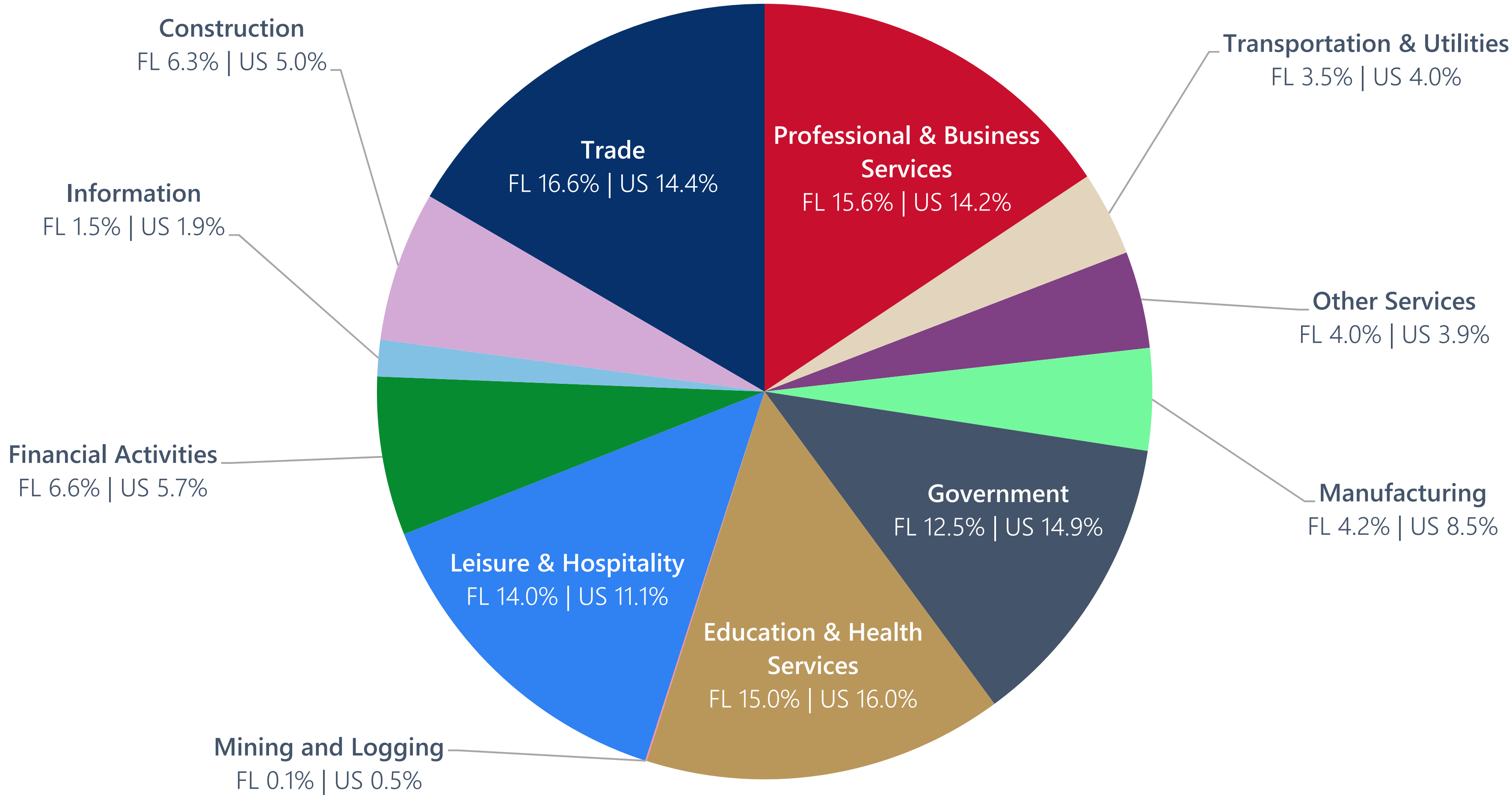
Private Sector Jobs Created since December 2010



- Since December 2010, Florida has added over 1.7 million private sector jobs
- Hurricane Irma caused a temporary loss of 170,000 jobs in non-farm employment in September 2017, however the State quickly returned to its long-term growth trend in following months
- Florida ranked second in job growth rate and third in the number of jobs created among the ten largest states in the nation

Source: Florida Department of Economic Opportunity, May 2019. May 2019 employment number is preliminary.

Florida Employment by Sector – April 2019

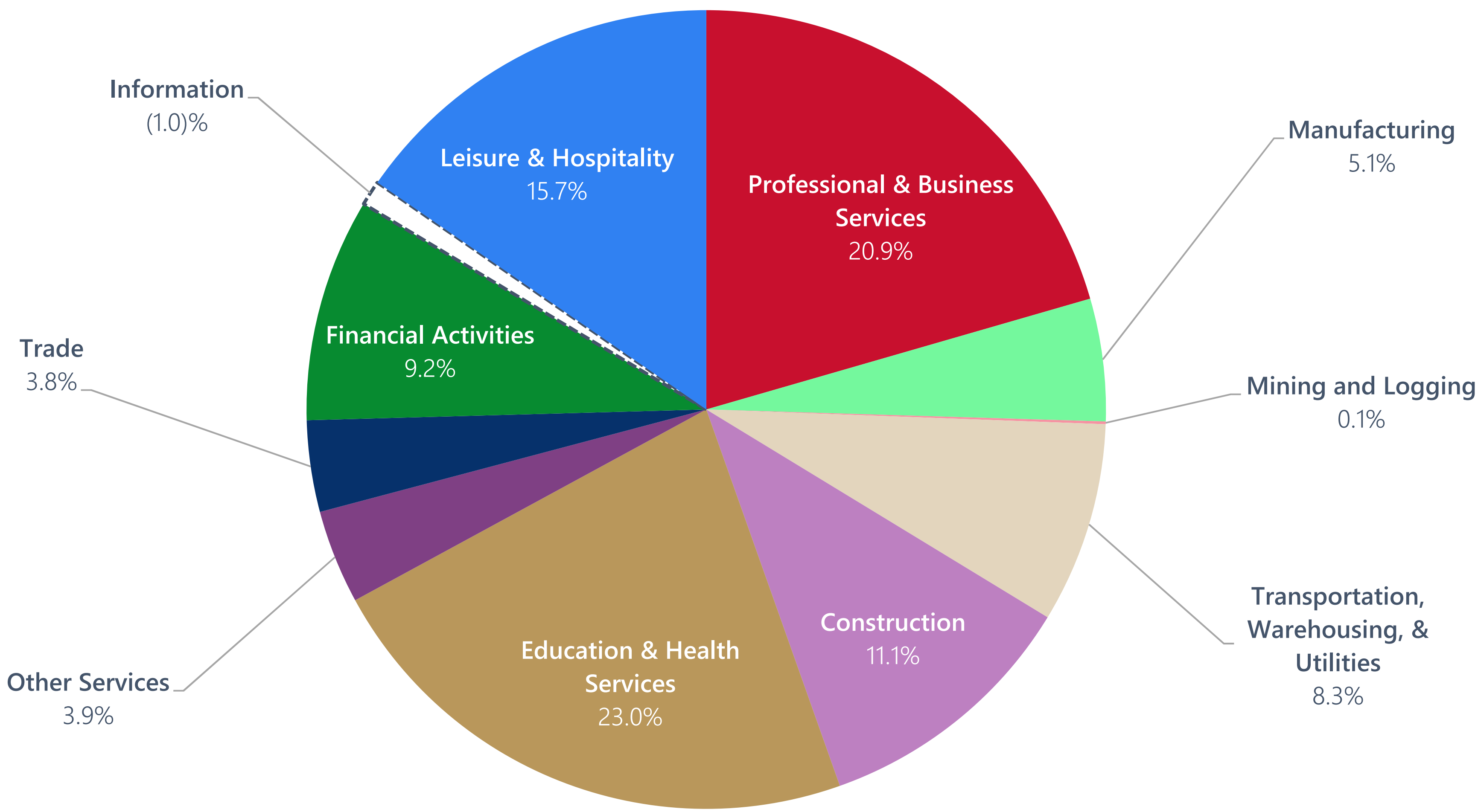


- Florida's employment base, like its economy, is well diversified
- Fewer than 1 in 7 Floridians are employed in Leisure and Hospitality sector
- Leisure and Hospitality, Trade, Construction, Financial Activities, and Professional and Business Services all exceed the US average

Source: US Bureau of Labor Statistics, April 2019

Florida's Distribution of Private Sector Job Growth

April 2018 to April 2019



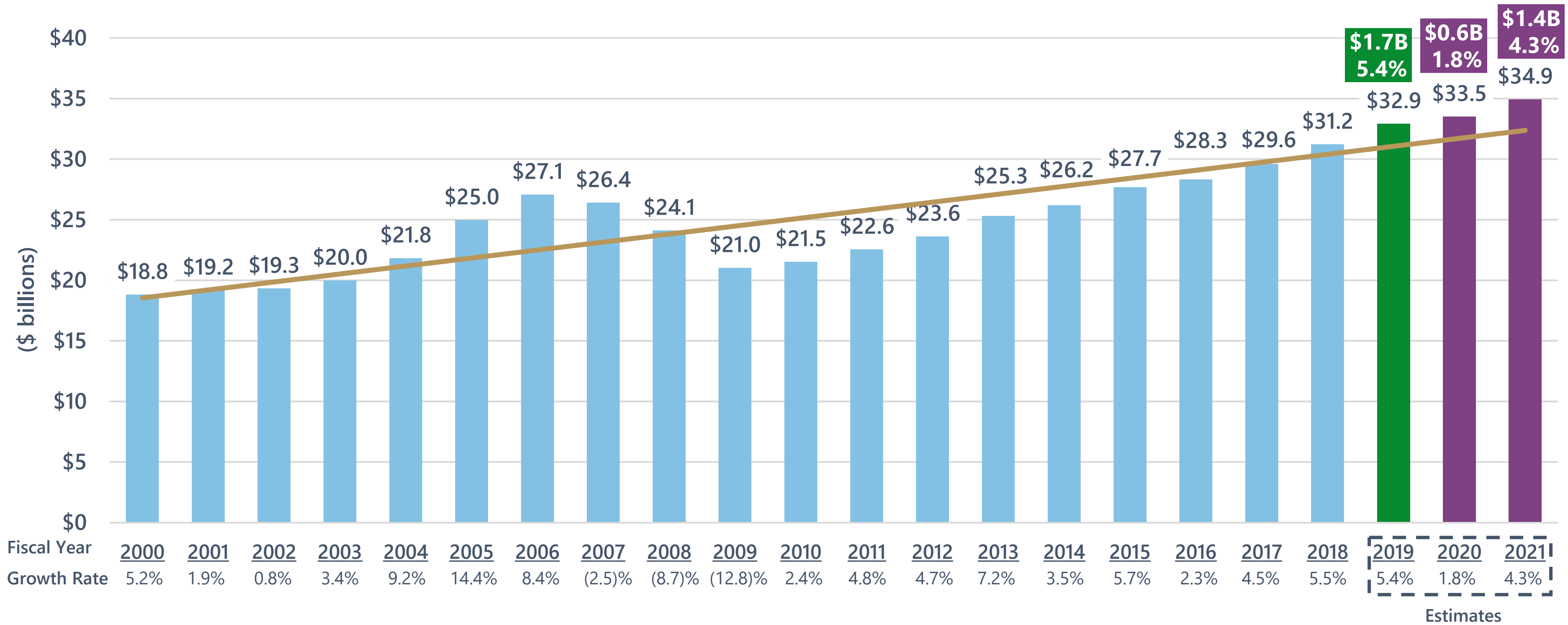
- Broad based job growth occurred across most sectors from April 2018 to April 2019, with the exception of the Information sector (1.0% decline year-over-year)
- Education and Health Services had the highest share of job growth at 23%

Source: Florida Department of Economic Opportunity, April 2019

Revenue Highlights

- General Revenues are expected to have grown by $1.7 billion, or 5.4%, in FY 2019
- General Revenues are forecast to grow by $0.6 billion, or 1.8%, in FY 2020 and $1.4 billion, or 4.3%, in FY 2021
- General Revenue collections have grown by an average of over $1 billion each year since FY 2009
- Through April of FY 2019, Sales Tax Collections have shown steady growth with year-over-year increases in every month
- Tourism related Sales Tax Collections in FY 2018 were up 6.5% from prior year and are up 5.6% year-over-year through April of FY 2019
- Construction related Sales Tax Collections in FY 2018 were up 7.4% from prior year and are up 8.1% year-over-year through April of FY 2019
- Business Investment related Sales Tax Collections in FY 2018 were up 7.6% from prior year and are up 9.6% year-over-year through April of FY 2019

General Revenue – Long-Term History & Estimates



- Florida continues to enjoy year-over-year revenue growth with continued annual increases projected
- Fiscal Year-to-Date General Revenue collections are running ahead of the March 2019 forecast and are $1.0 billion or 3.1% above the February 2018 estimates (adjusted for legislative changes) that were used to build the FY 2019 budget[1]
- Even after years of substantial tax cuts, General Revenue collections have grown by an average of $1.3 billion over the last 5 years
- General Revenue growth is expected to slow down to $0.6 billion, or 1.8%, in FY 2020 as a result of adjustments to Corporate Income Tax
- In subsequent years, growth is expected to average $1.2 billion annually

Source: General Revenue Estimating Conference, March 2019
[1] Based on net General Revenue collections through May 2019

Sales Tax

Sales Tax Annual % Change from Prior Year									
Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019*	FY 2020*
Consumer Nondurables	4.4%	3.8%	5.0%	6.0%	1.4%	4.3%	4.1%	3.7%	4.3%
Recreation & Tourism	6.8%	5.7%	7.0%	8.4%	6.1%	4.3%	6.5%	5.3%	4.5%
Automobile & Accessories	6.4%	10.5%	10.7%	9.4%	7.9%	4.8%	3.6%	2.9%	2.2%
Other Consumer Durables	6.0%	6.3%	6.8%	8.1%	5.1%	1.0%	4.4%	1.2%	-0.4%
Construction	4.8%	12.9%	12.1%	9.6%	8.9%	6.5%	7.4%	5.6%	-1.2%
Business Investment	3.0%	4.9%	6.9%	7.6%	7.9%	6.3%	7.6%	8.0%	3.8%
Total Sales Tax % Change	5.1%	6.1%	7.2%	7.7%	5.4%	4.7%	5.4%	4.7%	3.3%

- Strong growth in total Sales Tax collections in FY 2013 through FY 2015. Growth is now moderating
- Growth in Sales Tax collections in FY 2018 was fueled by construction and business investment
- While growth has slowed from the peak year in FY 2015, Sales Tax collections grew by 5.4% in FY 2018 and are forecasted to increase an additional 4.7% and 3.3% in FY 2019 and FY 2020, respectively

*Estimated. Source: General Revenue Estimating Conference, March 2019.

Tax Package and General Revenue Reductions

- **Tax Package**
  - Business Rent 0.2% rate cut from 5.7% to 5.5%, saves tax payers **$64.5 million** (recurring)
  - 5 day "Back to School" Tax Holiday and 7 day Disaster Preparation Tax Holiday for a tax payer savings of **$47.2 million** (nonrecurring)
  - Hurricane Michael Relief in affected counties **$1.0 million** (nonrecurring)
    - Sales tax refunds on fencing and building materials
    - Fuel tax refunds on agricultural shipments and debris cleanup
    - Property tax relief for agricultural equipment unable to be used for at least 60 days
  - Various Other Reductions: **$8.4 million**
  - Total pure nonrecurring taxpayer savings: **$48.2 million**
  - Total recurring General Revenue impact: **$72.9 million**
  - Total taxpayer savings: **$121.1 million**
- **Property Tax Cut**
  - Reduces local property tax burden on Florida families: **$272.3 million**

Tax Cuts and Jobs Act (TCJA) – Corporate Income Tax

- The estimated corporate income tax net collections in FY 2019 of $2.5 billion represent 7.6% of total estimated net General Revenue collections
- In 2018, Florida decoupled from the depreciation provisions of the TCJA while incorporating all other changes
- To compensate for any possible windfall collection, the Legislature capped FY 2019 collections at 107% of the February 2018 estimate and provided for:
  - A refund of any excess collection - payable by March 1 (currently estimated at $500 million)
  - A reduction of the tax rate to the rate that would have generated the capped amount in FY 2019 – applicable for tax years beginning January 1 through December 31, 2019 (estimated to reduce from 5.5% to 4.5%)
- In 2019, Florida decoupled from the TCJA's Global Intangible Low-Taxed Income (GILTI) provisions and extended the automatic tax rate reduction

Seminole Gaming Compact

- The General Revenue forecast for FY 2020 and FY 2021 from Seminole Compact revenues is $346.7 million and $337.1 million respectively
- State of Florida and the Seminole Tribe signed a stipulation agreement in July 2017 (extended in 2018) that made payments contingent on legislative action by the 2019 Legislature and aggressive enforcement for exclusivity provisions of the Compact by the Department of Business and Professional Regulation
- As of May 2019 the Tribe has ceased payments citing lack of aggressive enforcement by the State of Florida. Approximately $66.6 million in FY 2019 will not be collected
- While the Seminole Compact revenues were included in the most recent General Revenue forecast, they were not included in the FY 2020 budget development

Fiscal Year 2020 Budget Highlights

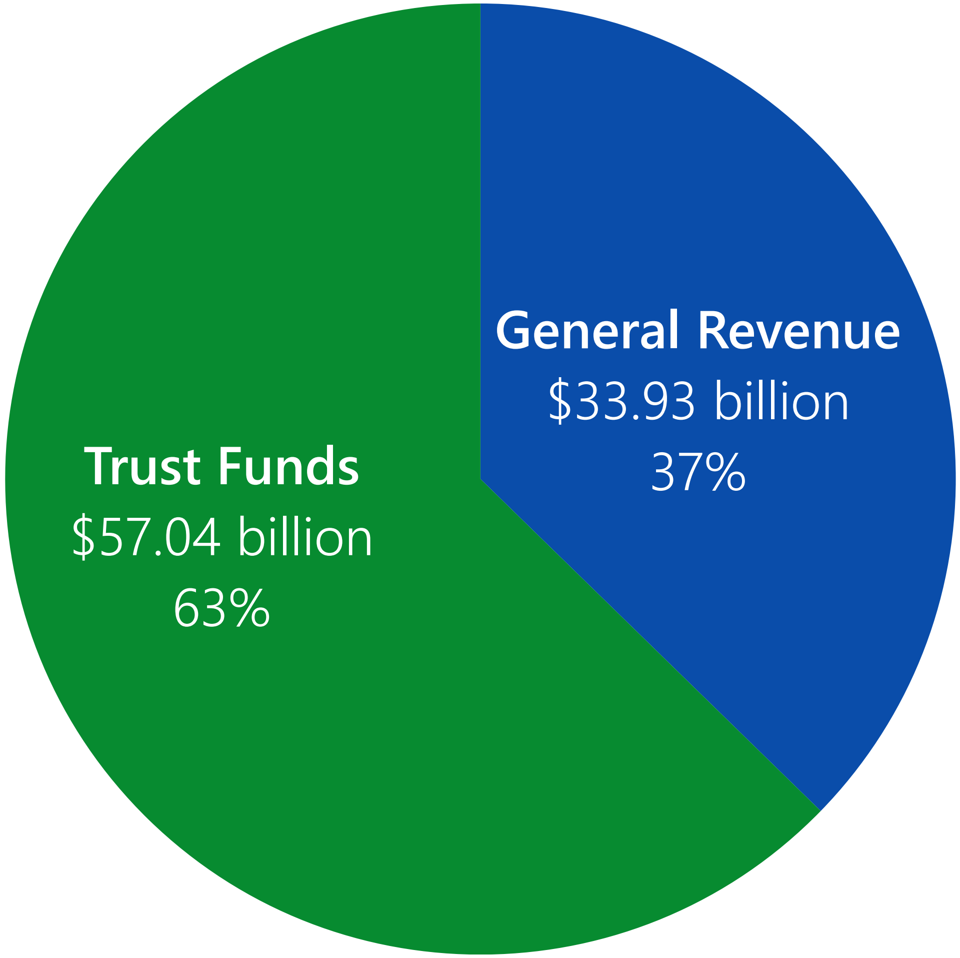
- Revenue growth and federal funds support a $90.98 billion budget in FY 2020
- Seventh consecutive year with no budget gap
- The budget is structurally balanced
- Budget allocates historic investments in Everglades and water resources funding
- Record investments in K-12 education, State University System, and State Colleges
- Budget supports safe schools, computer science, workforce and mental health funding
- Budget bolsters Florida's effort to address the opioid abuse crisis
- Governor proposed and Legislature concurred to cut taxes, including property tax cut and sales tax holidays

History of Total Appropriations

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
$ Change (in billions)	$(1.7)	$2.7	$(0.7)	$0.3	$3.3	$3.5	$1.4	$4.2	$2.7	$4.0	$1.7
Growth Rate	(2.4)%	4.1%	(1.1)%	0.5%	4.6%	4.8%	1.8%	5.3%	3.3%	4.8%	1.9%

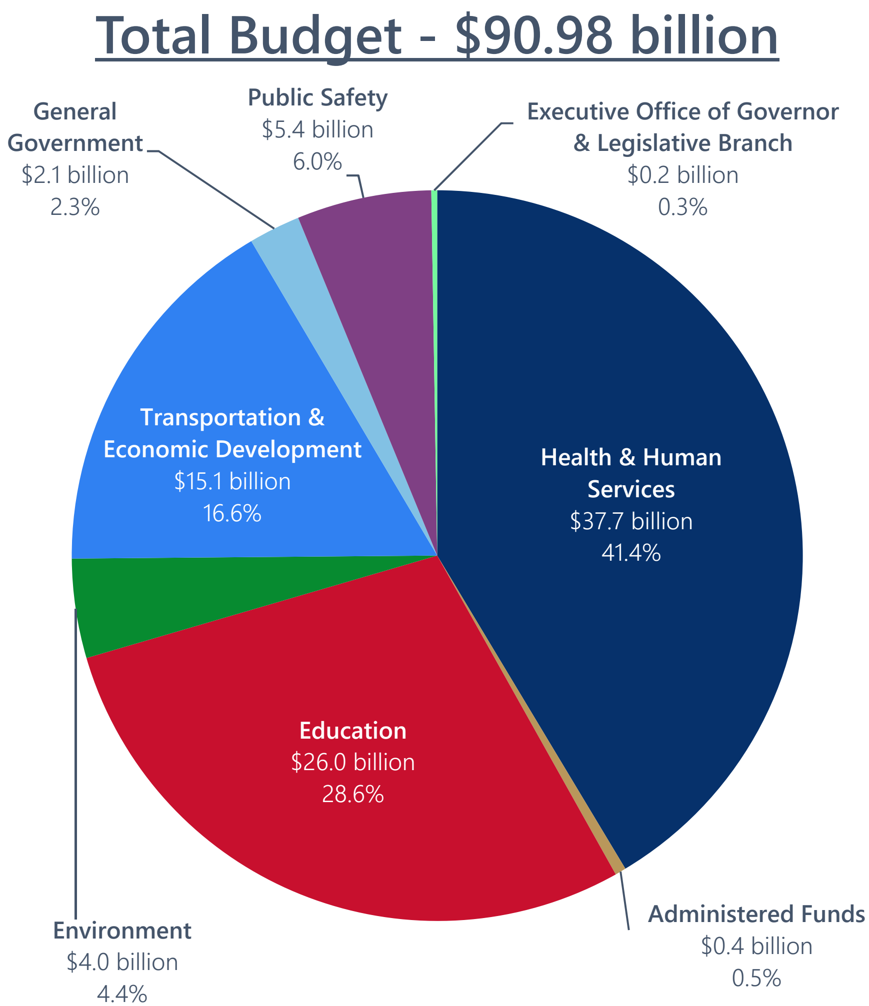
- Appropriations growth resumed as economy strengthened and revenue collections improved
- FY 2020 appropriations totaling $90.98 billion are about $1.7 billion or 2% above FY 2019

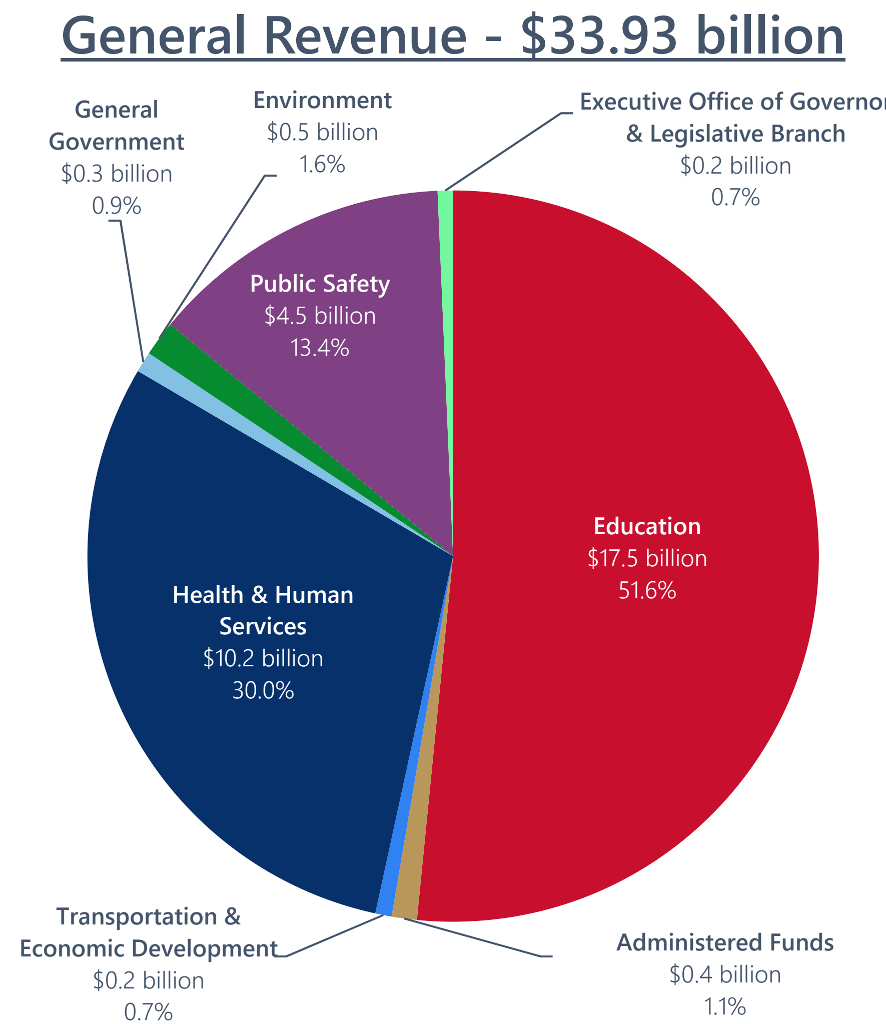
Fiscal Year 2020 Budget – $90.98 billion



- Largest portion of total State budget funded from Trust Funds
- Priority given to Education, Environment and Economic Development initiatives

Fiscal Year 2020 Budget





- Largest component of total budget is Health and Human Services (41.4%)
- Largest component of GR budget is Education (51.6%)
- Largest shares reflect importance of those issues for the State

Major Budget Increases for FY 2020

Fiscal Year 2020 Budget Increases	
Policy Area	**Amount** *($ millions)*
Transportation & Economic Development	$913
Health & Human Services	$430
Education	$231
Public Safety	$144
Total Difference = $1.7 Billion	

Major Increases:

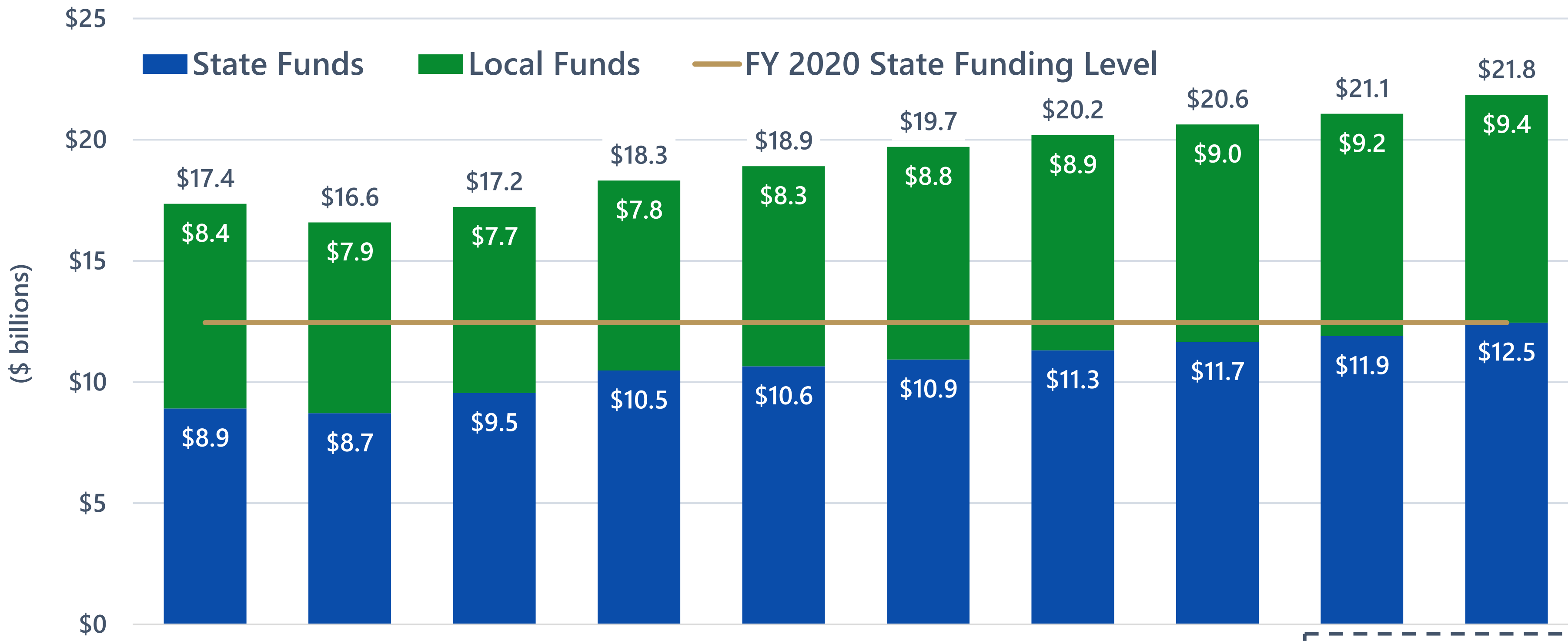
- Federal Match for Disasters increased by almost $400 million
- Housing and Community Development increased by $554 million
- Medicaid Services increased over $200 million
- Inmate Health Services in our prisons increased by $117 million

Protecting Florida's Water Resources

- Governor DeSantis called for a **$2.5 billion** investment in Everglades restoration and protection of water resources over the next four years
- FY 2020 Budget includes more than $680 million for the Protection of Florida's Water Resources

Fiscal Year 2020 Environmental Funding	
Major Issues Funded	**Amount** *($ millions)*
Everglades Restoration	$417
Targeted Water Quality Improvements	$50
Alternative Water Supply Grant Program	$40
Springs Restoration	$100
Innovative Solutions to Algae	$10
Water Quality Enhancement & Accountability	$11
FWC Center for Red Tide Research	$4
Local Water Projects	$49
Total FY 2020 Funding = $680 million	

K-12 Public Schools – Funding & Enrollment



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
FTE Student Enrollment	2,642,511	2,667,058	2,700,982	2,705,148	2,743,329	2,778,915	2,804,865	2,822,733	2,835,438	2,847,819
Per Student Funding	$6,567	$6,217	$6,377	$6,769	$6,891	$7,090	$7,197	$7,307	$7,429	$7,672

Estimates

- State and total funding represent historic levels in FY 2020
- $242.60 increase in per student funding from prior year
- Estimated increase in FTE student enrollment of over 12,000 in FY 2020 partially due to population growth

Source: Student FTE Enrollment and Per Student Funding from Public Schools PreK-12 Education Estimating Conference, April 2019

Fiscal Year 2020 General Revenue Outlook

Description	Recurring ($ millions)	Non-recurring ($ millions)	Total ($ millions)
General Revenue Available	$33,326.5	$1,778.0	$35,104.5
General Revenue Appropriations	32,734.2	1,202.2	33,936.4
Unspent Balance	$592.3	$575.8	$1,168.1
Percent Non-recurring for Recurring Purposes			NONE

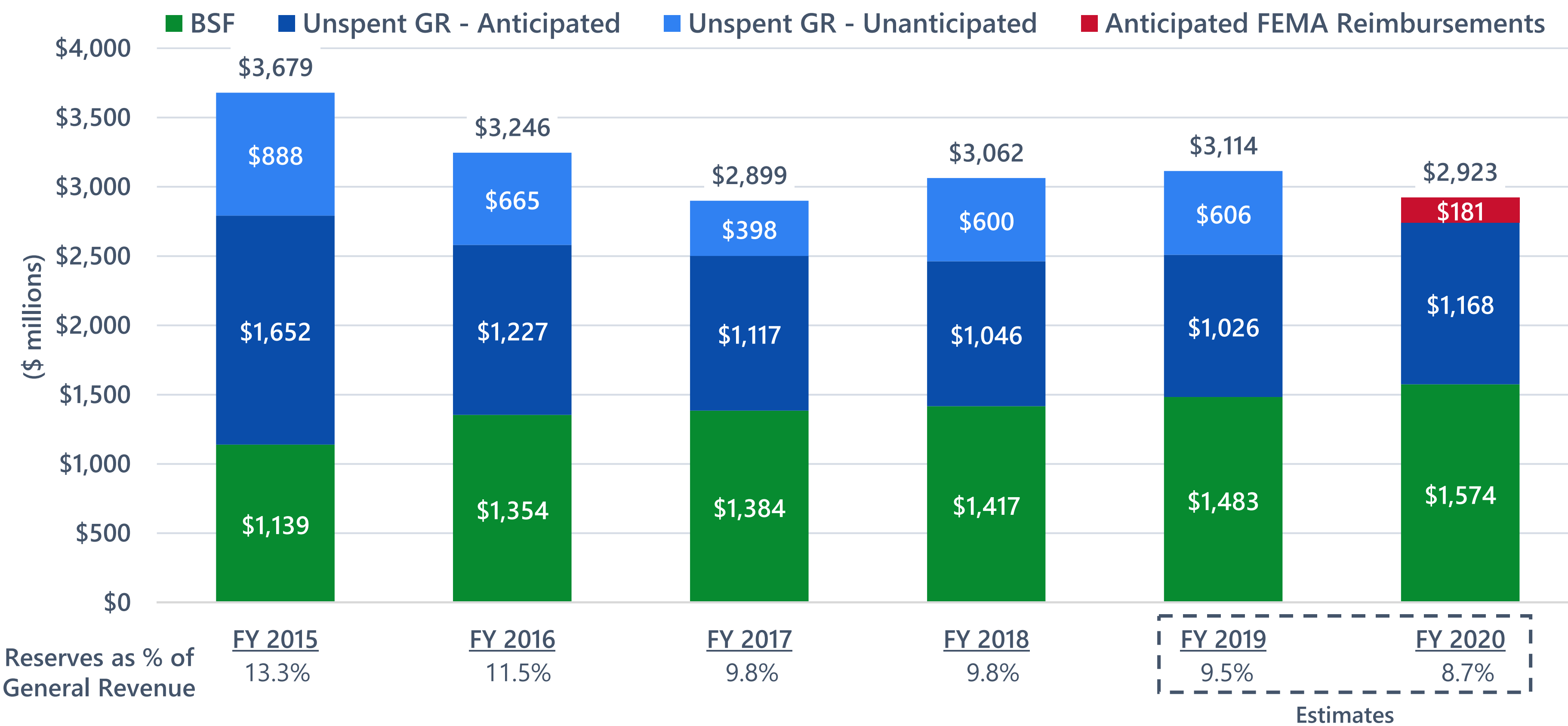
- The budget is structurally balanced
- Seventh consecutive year with a structurally balanced budget despite continued tax cuts
- Anticipated reimbursements from the Federal Emergency Management Agency ("FEMA") for hurricane expenditures will increase the unspent balance

Estimated FY 2020 General Revenue Reserves

Estimated Fiscal Year 2020 Unspent GR Balance *($ millions)*		
Estimated Fiscal Year 2019 Year-end Balance		**$1,631.1**
Estimated General Revenue Available – FY 2020	33,626.8	
Fiscal Year 2019 Adjustments	62.3	
Budgeted Appropriations – FY 2020 (net of vetoes)	(33,936.4)	
		1,383.8
Non-operating Adjustments		
Trust Fund Sweeps	336.5	
Indian Gaming – Non Payment	(346.7)	
GR Redirect for Transportation	(45.0)	
Deposit to BSF	(91.2)	
		(146.4)
Tax Relief & Measures Affecting Revenue	(69.3)	
		(69.3)
Estimated Fiscal Year 2020 Year-end Balance		**$1,168.1**

- Unplanned revenue and budgetary reversions made to year-end FY 2019 unspent GR balance anticipated to have positive effect on projected FY 2020 balance
- Projected and preliminary balance at June 30, 2020 of $1.2 billion

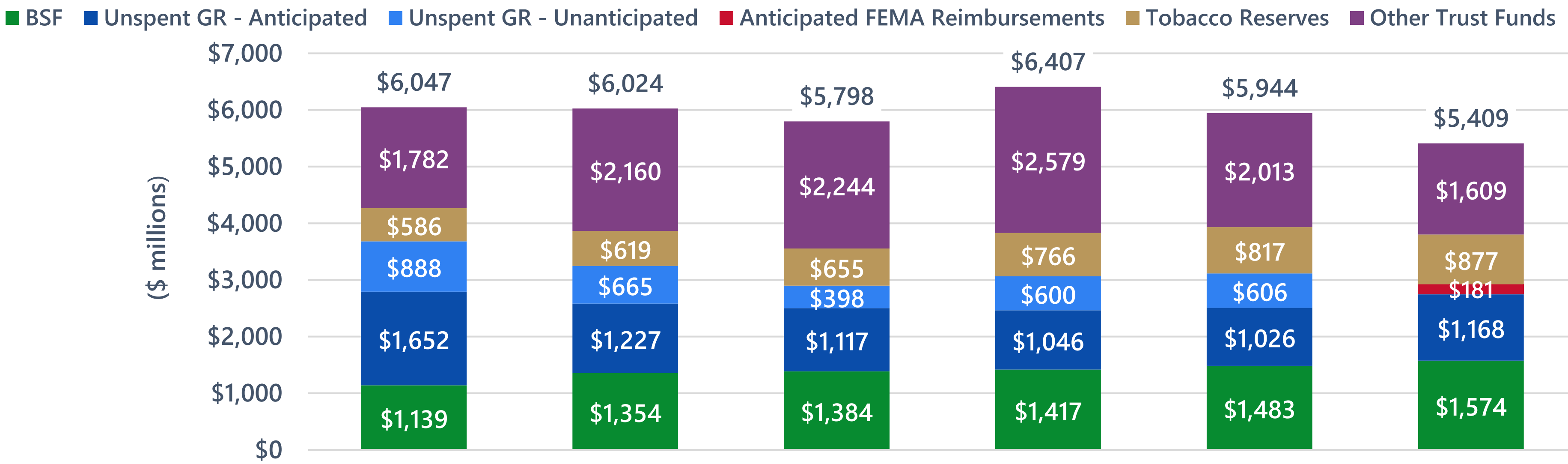
General Fund Reserves



- General Fund Reserves (Unspent GR plus BSF) expected to total $3.1 billion or 9.5% of GR estimated at June 30, 2019 and $2.9 billion or 8.7% of GR at June 30, 2020
- Targeted unspent GR remained above informal policy of $1 billion
- State continues to increase the BSF balance; BSF balance is almost $1.6 billion

FY 20019 and FY 2020 amounts are preliminary and subject to adjustments.

Total State Reserves



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
BSF	$1,139	$1,354	$1,384	$1,417	$1,483	$1,574
Unspent GR - Anticipated	1,652	1,227	1,117	1,046	1,026	1,168
Unspent GR - Unanticipated	888	665	398	600	606	-
Anticipated FEMA Reimbursements	-	-	-	-	-	181
Tobacco Reserves	586	619	655	738	817	877
Other Trust Funds	1,782	2,160	2,244	2,579	2,013	1,609
Total Reserves	$6,047	$6,024	$5,798	$6,379	$5,944	$5,409
Total Reserves as % of GR	21.8%	21.3%	19.6%	20.4%	18.1%	16.1%

Estimates

- Trust Fund balances provide an additional source of reserves which have been used when needed
- Total Reserves estimated to be $5.94 billion or approximately 18.1% of GR at June 30, 2019
- Total Reserves estimated to decline to $5.41 billion or 16.1% of GR at June 30, 2020
- Unplanned revenue and budgetary reversions made to the year-end FY 2019 unspent GR balance may positively affect FY 2020 total reserves
- Trust Fund balances will also be restored by anticipated FEMA reimbursements

FY 20019 and FY 2020 amounts are preliminary and subject to adjustments.

Hurricane Budget Impacts

Estimated Hurricane Costs & Reimbursements [1] *($ millions)*	
Category	**Amount**
Total Expenditures	$2,810.8
Total Anticipated FEMA Reimbursements	(1,743.8)
Total Net Costs	$1,066.9

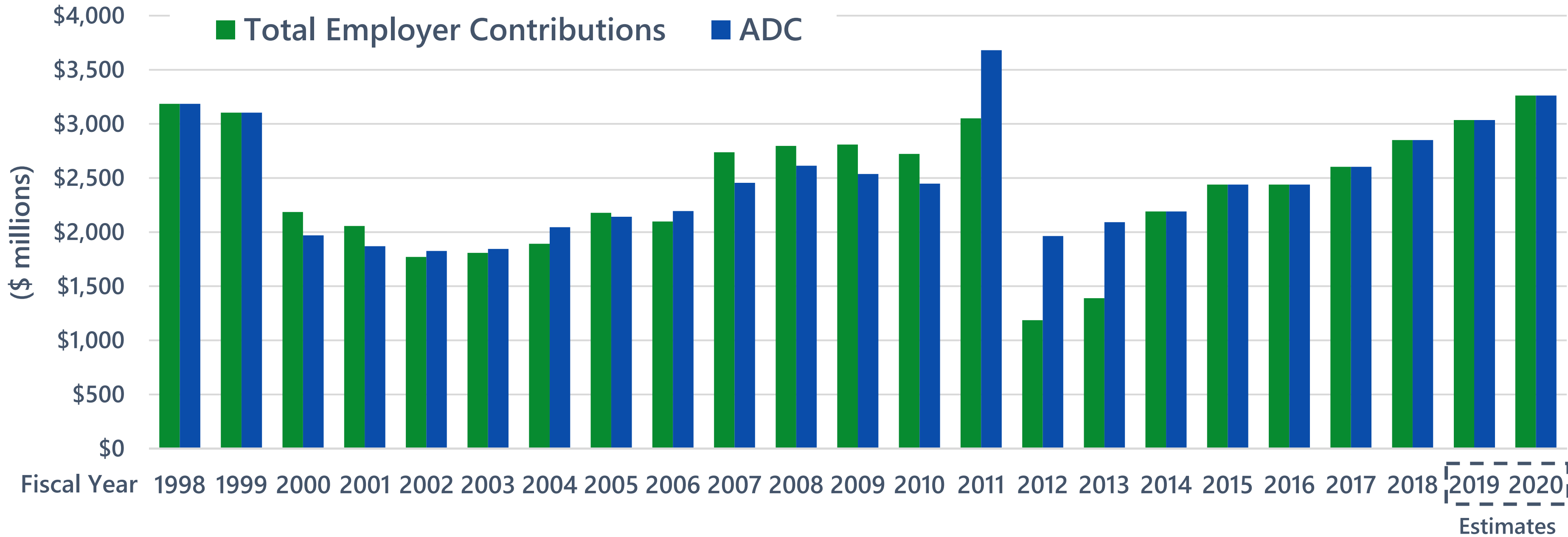
- The State currently estimates total expenditures of $2.81 billion in response to Hurricanes Irma and Michael; however, approximately $1.74 billion, or 62%, of the State's spending is expected to be reimbursed by the Federal Emergency Management Agency ("FEMA")
- These costs includes the State's share of county costs for both storms, currently estimated at $769.4 million. These costs are anticipated to be paid out of several budget years
- The total net anticipated cost to the State of Hurricanes Irma and Michael is $1.07 billion ($538 million for Hurricane Irma and $529 million for Hurricane Michael) with $978.8 million expected to be funded from the State's General Revenue Fund and $88.1 million to be paid from various State trust funds
- Estimated year end reserves for FY 2019 currently incorporate net costs of $722.1 million, with additional net costs of $119.4 million in FY 2020 and $137.4 million in later years
- State also approved $162.5 million for bridge loans and a community development block grant programs

[1] Estimates as of June 5, 2019

Pension Funding

- Legislature fully funded the Actuarially Determined Contribution ("ADC") in FY 2014 through FY 2020
- Funded ratio based on actuarial value of assets ($156.1 billion) at July 1, 2018 was 83.9%
- Funded ratio based on market value of assets ($161.2 billion) as of June 10, 2019 was 86.7%
- State's share of the Net Pension Liability ("NPL"), including State universities, is approximately 23.3% based on percent of total contributions in FY 2018
- State's 23.3% allocable share of NPL was $7.0 billion as of June 30, 2018 using actuarial value of assets
- Investment return assumption for calculating pension contribution (ADC) of 7.40%, but 7.00% for financial reporting (CAFR)
- State continues to make progress towards a "reasonable" investment return assumption by lowering the investment return assumption
- Over the last five years, the investment return assumption has been lowered from 7.75% to 7.40%

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 seven years (FY 2014 through FY 2020), the State has budgeted contributions sufficient to fully fund the ADC based on the FRS plan assumptions

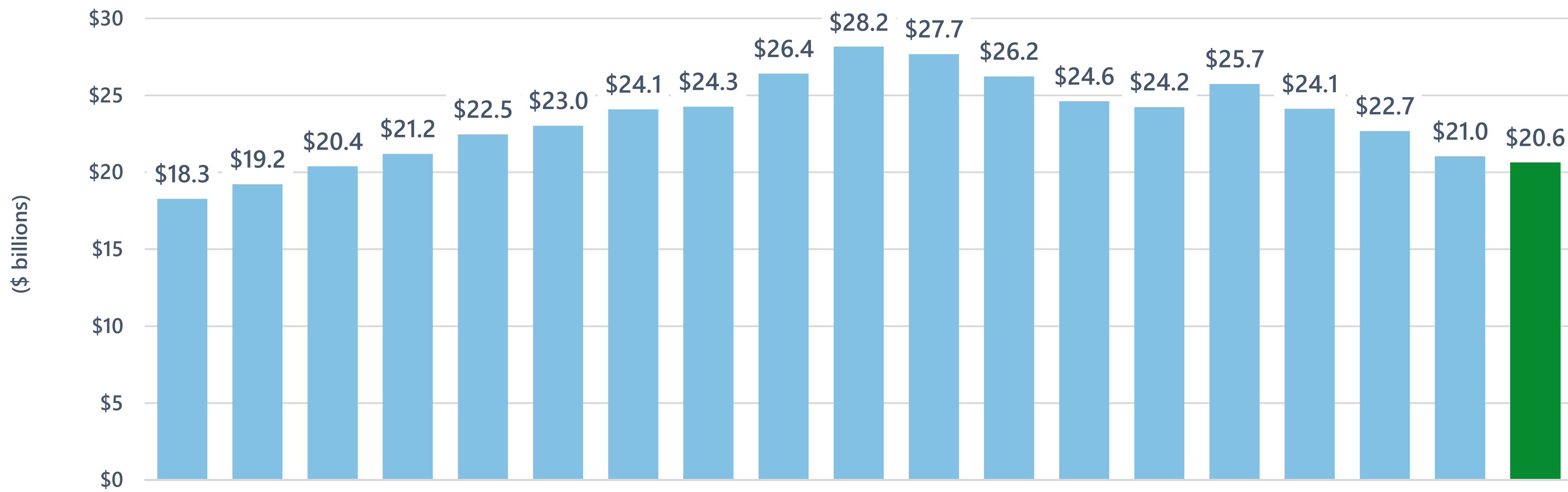
Source: Florida Retirement System Pension Plan and Other State Administered Systems CAFRs and Blended Rate Studies. Employer contributions exclude FRS Investment Plan Contributions. Prior to FY 2014, the Annual Required Contribution (ARC) under GASB 27 is shown.

Debt Position

- Balance sheet has improved significantly over last nine years
  - Unemployment Compensation Trust Fund loan fully repaid in 2013 and deficits eliminated without using bonds; fund balance at June 30, 2018 of $3.9 billion
  - Other Postemployment Benefits ("OPEB") liability totaled $10.8 billion as of June 30, 2018 (State's share is approximately 74%) but consists of implicit subsidy only; no legal entitlement or constitutional protection of health benefits
- Florida Hurricane Catastrophe Fund's ("Cat Fund") funding remains strong after Hurricanes Irma and Michael, with estimated total resources of $14.1 billion for the upcoming season ($12.4 billion in cash and $1.7 billion in pre-event bond proceeds)
  - Cat Fund anticipates purchasing up to $1 billion of reinsurance for the 2019 season which would bring total funding to $15.1 billion ($1.9 billion below maximum statutory exposure of $17 billion)
  - Cat Fund has already set aside $5.2 billion in reserves for Irma and Michael and anticipates setting aside an additional $750 million due to Hurricane Irma loss development, with $2.9 billion of losses paid through May 31, 2019 (Reported Losses of $4.7 billion; IBNE[1] of $1.3 billion). The additional $750 million in loss reserve would reduce the estimated claims paying resources for the 2019 hurricane season
- Citizens Property Insurance ("Citizens") has also improved, reducing policies and exposure through depopulation program
  - Following Hurricanes Irma and Michael, Citizens still anticipates ability to withstand 1-in-100 year storm without need to issue bonds or levy assessments
  - Since end of 2011, Citizens has reduced total policies by over 71% (1.5 million to 420,000), and reduced total exposure by 79% ($510 billion to $107 billion)
- Since 2010, debt has declined by nearly $7.6 billion, or 27%, notwithstanding the inclusion of the $2.7 billion obligation from I-4 Ultimate long-term Public Private Partnership ("P3")
- Benchmark debt ratio was constant at 5.59% in from FY 2017 to FY 2018 and is below 6% policy target; projected to remain below 6% target in FY 2019 and thereafter
- Debt obligations remain manageable at a relatively low level and contingent liabilities pose less risk

[1] IBNE = Incurred But Not Enough. This is additional loss development on the total loss estimates reported by companies to the Cat Fund. This loss development is estimated by the Cat Fund's actuary, Paragon, based on industry reporting patterns for prior hurricane events.

History of Outstanding Debt

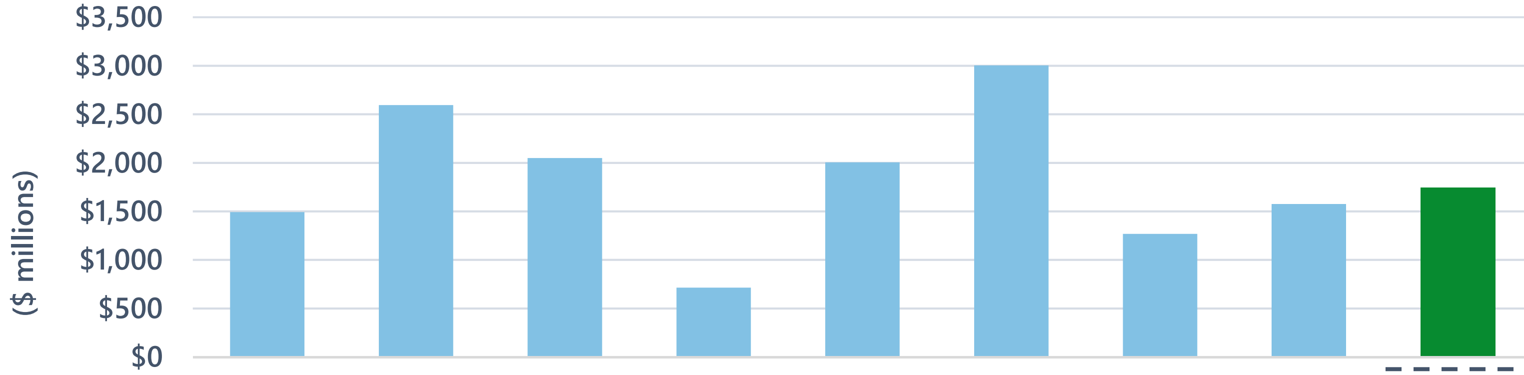


Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
$ Change (in billions)	$0.8	$1.0	$1.2	$0.8	$1.3	$0.6	$1.1	$0.2	$2.1	$1.8	$(0.5)	$(1.4)	$(1.6)	$(0.4)	$1.5	$(1.6)	$(1.4)	$(1.6)	$(0.4)
Growth Rate	4.8%	5.2%	6.0%	4.0%	6.0%	2.5%	4.6%	0.7%	8.8%	6.7%	(1.7)%	(5.2)%	(6.2)%	(1.5)%	6.2%	(6.3%)	(6.0)%	(7.3%)	(1.9)%
																			Estimate

- Total direct debt outstanding is estimated to be $20.6 billion at the end of FY 2019, a $400 million or 1.9% decrease from FY 2018
- State reversed long history of increasing debt beginning in 2011
- Total direct debt is estimated to have decreased by nearly $7.6 billion, or 27%, since 2010, primarily a result of principal repayments on existing debt exceeding new money debt issuance

Source: State of Florida Debt Reports

Refinancing Activity for Debt Service Savings

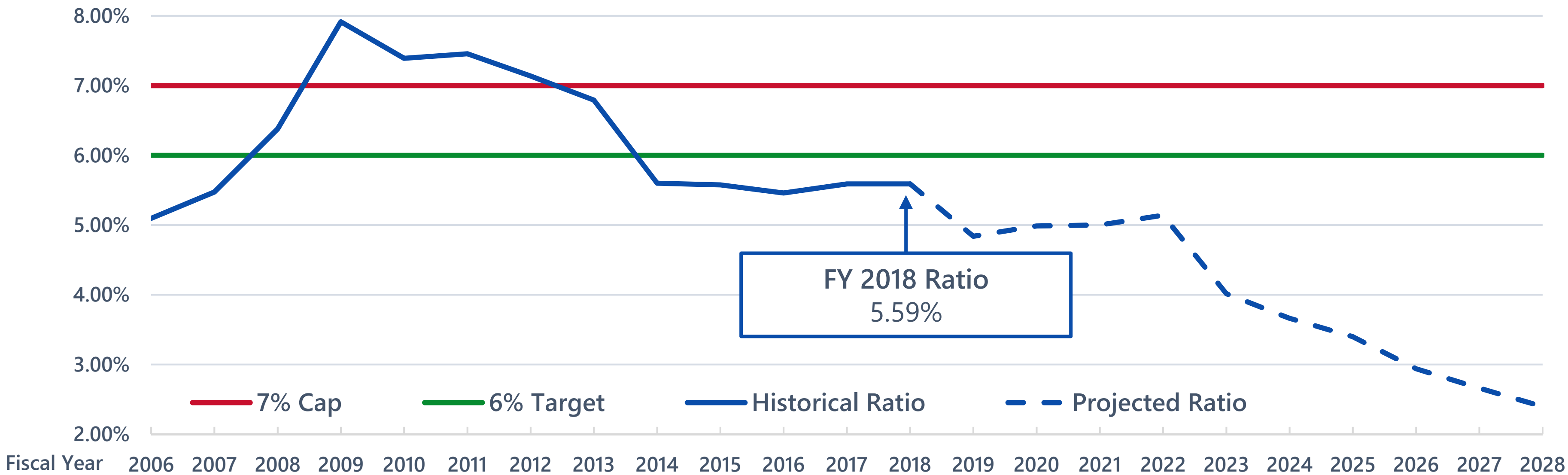


	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Refunding Transactions	12	20	10	9	14	13	14	12	13	117
Refunding Par	$1,491.1	$2,595.0	$2,049.4	$713.9	$2,004.2	$3,003.6	$1,267.8	$1,570.2	$1,746.0	$16,446.0
Refunding Savings:										
Gross Savings	$193.3	$450.9	$515.6	$99.1	$376.9	$618.8	$303.6	$380.5	$267.3	$3,206.3
Present Value Savings	$162.4	$366.2	$406.1	$87.0	$311.1	$380.5	$247.0	$296.5	$210.4	$2,467.4
									Preliminary	

- 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 eight fiscal years totals over $16.4 billion
  - Aggregate gross debt service savings of approximately $3.2 billion or over $2.4 billion of debt service savings on a present value basis
- Nearly 80% of all State debt has been refinanced over the last nine years
- Refundings are structured term-to-term with no extension of debt
- Debt service savings from refundings helps reduce cost of debt burden

Source: Florida Division of Bond Finance

Benchmark Debt Ratio



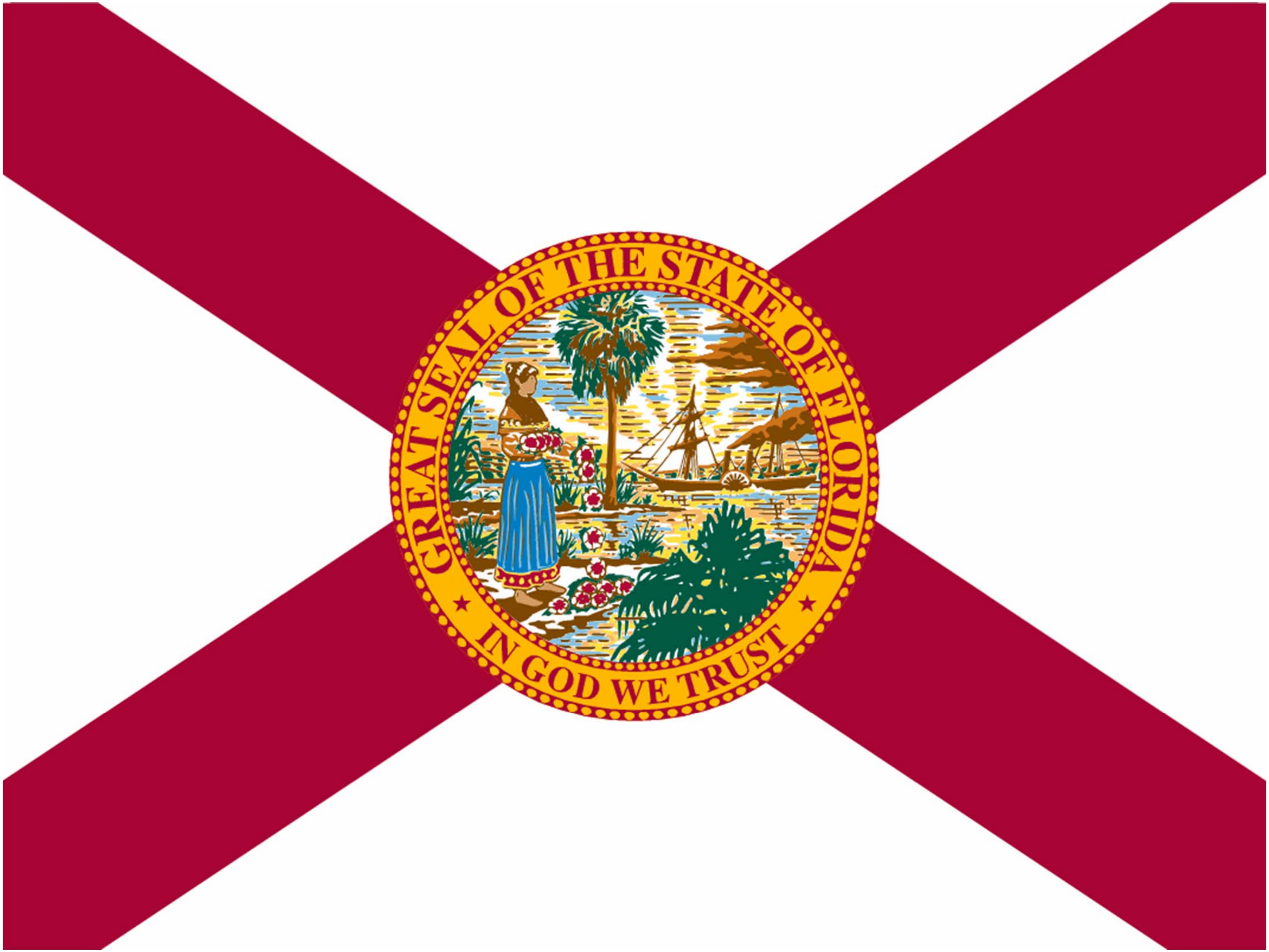
Benchmark Debt Ratio												
	Actual		Projected									
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Benchmark Debt Ratio	5.59%	5.59%	4.84%	4.99%	5.00%	5.14%	4.02%	3.66%	3.40%	2.94%	2.66%	2.40%

- State's benchmark debt ratio is annual debt service to revenues available to pay
- Debt ratio increased from FY 2006 through FY 2009 primarily due to declining revenues
- Benchmark has improved steadily since peaking in FY 2009 due to the combined effects of rising revenues and decreasing debt service
- The ratio substantially declined in FY 2014 following retirement of the Preservation 2000 bonds
- Benchmark debt ratio was flat from FY 2017 to FY 2018, and has been below 6% policy target since FY 2014
- Ratio is projected to continue to remain below 6% target throughout the projection period (FY 2028)

Source: State of Florida 2018 Debt Report, March 2019 Update

Conclusions

- Economy improving year-over-year
  - Home prices improving and sales increasing
  - Population and Tourism continue to grow
  - Florida private sector job growth rate is the highest among southeastern states
- General Revenue collections continue to grow each year with continued annual increases projected
- Budget structurally balanced with record investment in environment and education; FY 2020 is seventh consecutive year without a budget gap
- General Fund Reserves at June 30, 2019 expected to be $3.1 billion or 9.5% of General Revenue
  - Informal policy to maintain at least $1 billion in Unspent GR, and Unspent GR has remained well in excess of target since FY 2012
  - BSF fully restored in FY 2016, demonstrating State's fiscal discipline and commitment to rebuilding reserves; ongoing transfers will continue to maintain required balance at 5% of GR
  - Total Reserves estimated to be a strong $5.9 billion or 18.1% of GR at June 30, 2019
- Pension funded ratio strong as State continues to fund the ADC in FY 2020
- Outstanding debt expected to decrease again in FY 2019 to $20.6 billion, down nearly 27% from peak of $28.2 billion in FY 2010
- Growing revenues and restrained issuance will keep debt burden manageable
- Florida's continued demonstration of conservative fiscal management has helped achieve ongoing improvement in all analytical credit metrics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