



2025
State of Florida
Debt Report



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The Division of Bond Finance
December 2025

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Executive Summary

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

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

The debt ratio in Fiscal Year ("FY") 2025 remains well below the 6% target due to limited debt issuance, debt prepayment, and strong revenue growth. With significant debt capacity available to fund critical infrastructure needs, the State is well positioned financially. Economic strength, revenue growth, prudent financial management, and strong reserves are reflected in the State's AAA credit ratings. The State is well positioned to ensure stability through future economic cycles.

Debt and Debt Service Payments

The State has both direct and indirect debt. Direct debt is categorized as either tax-supported debt or self-supporting debt. State direct debt outstanding as of June 30, 2025, totaled \$14.6 billion, a decrease of approximately \$703 million from last fiscal year. This continues a trend of decreasing debt that began in 2011. Tax-supported debt, which is debt for programs supported by State tax revenues or tax-like revenues, totaled \$10.0 billion or 68.6% of direct debt. Self-supporting debt, which is debt secured by revenues generated from operating bond-financed facilities, totaled \$4.6 billion or 31.4% of direct debt, representing an increase of approximately \$362 million from FY 2024. Indirect State debt, debt secured by revenues not appropriated by the State or not secured by State revenues, was approximately \$12.6 billion at the end of FY 2025.

Approximately \$5.6 billion of tax-supported debt, all for transportation projects, is projected to be issued over the next ten years, which is \$2.7 billion more than the projected issuance included in the 2024 Debt Report. Although this report reflects an increase in projected debt, actual debt issuance has decreased significantly over the past decade, underscoring the State's commitment to reducing its debt burden and reliance on borrowing to finance infrastructure.

Annual debt service payments on direct debt, including tax-supported and self-supporting debt, totaled \$1.8 billion in FY 2025, a decrease of approximately \$188 million from FY 2024, with the annual debt service payments projected to continue declining to \$1.6 billion in FY 2026 and to further decline each year thereafter. Tax-supported debt service declined to approximately \$1.4 billion in FY 2025, a decrease of approximately \$228 million from the prior year, with the drop primarily driven by the Debt Reduction Program. Self-supported debt service totaled approximately \$392 million, an increase of approximately \$40.9 million from FY 2025 as a result of additional borrowing for the Turnpike System and State universities.

Debt Reduction and Refundings

The State has authorized and implemented the Debt Reduction Program over the last three fiscal years (FY 2024 to FY 2026). Appropriations for debt reduction and other resources total \$1.7 billion. As of June 30, 2025, approximately \$875 million of funding has been deployed, generating total budgetary savings of \$1.1 billion, reduced debt outstanding by \$964.8 million, and saved the State

\$395.4 million of avoided interest cost and purchase discount. The \$830 million appropriated for debt reduction in FY 2026 is expected to be deployed by the end of the fiscal year, generating additional savings and debt reduction. The Division recommends that it is the best interest of the State for the Legislature to continue the Debt Reduction Program in FY 2027.

The Division also reviews and analyzes the State's outstanding debt to strategically optimize refinancing transactions that are advantageous for reducing the State's debt costs. Over the past decade, such refundings (also referred to as "refundings") have generated gross debt service savings of \$2.6 billion, or nearly \$2.0 billion on a present value basis. Restrained issuance of new money bonds over the past decade, combined with the rising interest rate environment, has resulted in a limited portfolio of viable refunding candidates in recent years but the Division will continue to pursue refundings for savings when opportunities are available.

Benchmark Debt Ratio and Debt Capacity

The benchmark debt ratio has stayed below the 6% policy target for eleven consecutive years. Continued economic strength, limited new borrowing, and the continued execution of the Debt Reduction Program in FY 2025 resulted in a further decrease in the benchmark debt ratio to a record low of 2.21%. Projections show the benchmark debt ratio remaining well below 6% for the projection period but are dependent on projected revenue growth and conservative estimates of tax-supported debt issuance.

Within the 6% policy target, additional debt capacity of approximately \$44.7 billion is available over the next ten years. There is approximately \$31.5 billion of debt capacity available in FY 2026 with additional debt capacity incrementally available in later years as the projected revenues increase. The debt capacity available is exponentially greater than any capital needs and is the result of the State's conservative approach to fiscal management. The takeaway for policymakers is that significant debt capacity is available should debt be needed to accelerate strategically important infrastructure projects.

Revenues

Changes in revenues have a significant impact on the calculation of the State's debt ratio and available debt capacity. Strong sales tax collections over the last five years have driven unprecedented growth in State revenues available for debt service. During that time, revenues available to pay debt service have grown by 50%, increasing from \$41.2 billion in FY 2020 to \$61.8 billion in FY 2025. The revenue growth reflects the strength of Florida's economy and the Governor's policies during the COVID-19 pandemic, which served as a catalyst for strong economic growth and substantial migration into the State.

Florida's economy remains strong. State revenues available to pay debt service totaled \$61.8 billion in FY 2025, an increase of \$789.5 million, or 1.3%, over FY 2024. General Revenues are projected to increase by \$809 million, or 1.6%, in FY 2026, and actual fiscal year-to-date collections have exceeded estimates by approximately \$258.2 million, or 1.7%, through October 2025. Florida's GR collections are projected to continue to grow by approximately 2% to 3% annually through FY 2031, which would benefit the State's debt ratio when combined with the downward trend in debt and corresponding decreases in annual debt service requirements.

Reserves

General Fund Reserves at the end of FY 2025 were \$16.6 billion, or 33.3% of GR, which credit rating agencies consider to be very strong. General Fund Reserves are projected to be lower but still strong

with approximately \$14.9 billion, or 29.6% of GR, at the end of FY 2026. Florida has continued to prioritize building reserves, transferring \$429.6 million in FY 2026 to the Budget Stabilization Fund (“BSF”), bringing the balance of the BSF to \$4.9 billion, effectively reaching its maximum legal limit of 10% of GR. The State also created the Emergency Preparedness and Response Fund (“EPRF”) in FY 2022 to provide a dedicated source of funding for responding to declared states of emergencies. The EPRF has been funded annually from GR, providing additional flexibility for the State to manage financial contingencies. Any unobligated balance in the EPRF is included in the General Fund Reserves balance. Unrestricted trust fund balances also serve as an additional source of reserves for the State, and when combined with General Fund Reserves, bring the State’s total reserves to \$19.7 billion, or 39.6% of GR, in FY 2025 and a projected \$17.5 billion, or 34.7% of GR, at the end of FY 2026. With these high levels of reserves, the State is well positioned to address unanticipated financial contingencies and withstand future economic cycles.

Other Credit Factors

Florida’s economic strength and prudent financial management have earned AAA general obligation credit ratings with stable outlooks, and the rating agencies anticipate the State will continue to maintain healthy reserves and a structurally balanced budget to support the ratings. Additionally, the rating agencies are focused on the health of Florida’s property insurance market and the State’s pension liabilities and funding levels.

Florida’s Property Insurance Market

The State has taken steps to address the challenges impacting the insurance industry, with multi-prong legislative reforms enacted over the past several years. The steps taken were designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability. The benefits of these reforms are already evident as new property insurers enter the Florida market, Citizens’ policy count decreases, and homeowners insurance premiums in the State stabilize.

Vulnerability to hurricanes and attendant challenges to the property insurance market in Florida likely present the greatest threat to the underlying economic strength of the State and its credit ratings. However, the mechanisms (Cat Fund, Citizens, and FIGA) created many years ago have functioned as intended to mitigate the inherent volatility of the insurance marketplace, notwithstanding devastating and costly hurricanes impacting Florida over the years. Of the three insurance entities, only FIGA has debt outstanding (\$539.8 million) secured by an assessment (1%) to defray the cost of insurance company insolvencies. Cat Fund has \$3.25 billion of pre-event liquidity debt outstanding secured by reimbursement premiums, while Citizens currently has no outstanding debt. Both Cat Fund and FIGA maintain strong credit ratings because of their connectivity and importance to the State, with their ratings strongly linked to Florida’s AAA rating.

Pension Funding

The State’s pension funding level, unfunded liability, actuarial assumptions, and annual contribution amounts are considered as part of the State’s overall financial health by the ratings agencies. Annual pension contributions are viewed as long-term fixed costs by rating agencies and, like debt service, can create a structural budget imbalance if not properly managed. Ratings agencies treat any unfunded pension liability as equivalent to State debt.

Florida's pension system remains well funded at 83.7% as of June 30, 2024, and the State has continued to fully fund its actuarially determined contribution each year since FY 2014. The State's share of the pension plan's unfunded liability (approximately 16.8%) was approximately \$6.5 billion as of June 30, 2024, and has become an increasingly larger share of the State's overall long-term fixed cost burden as the State's outstanding debt has declined. In recent years, Florida has made important progress by lowering its investment return assumption over recent years from 7.75% to 6.70% and reducing the amortization period for the unfunded liability from 25 years to 20 years. No additional adjustments to funding policy assumptions were made this year.

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

Introduction

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

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

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

The Report provides information as of June 30, 2025, unless otherwise noted. Updates to the analysis occur as Revenue Estimating Conference ("REC") forecasts are revised to ensure the Legislature has the latest information available when making critical future borrowing decisions during the appropriations process.

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

Outstanding State Debt

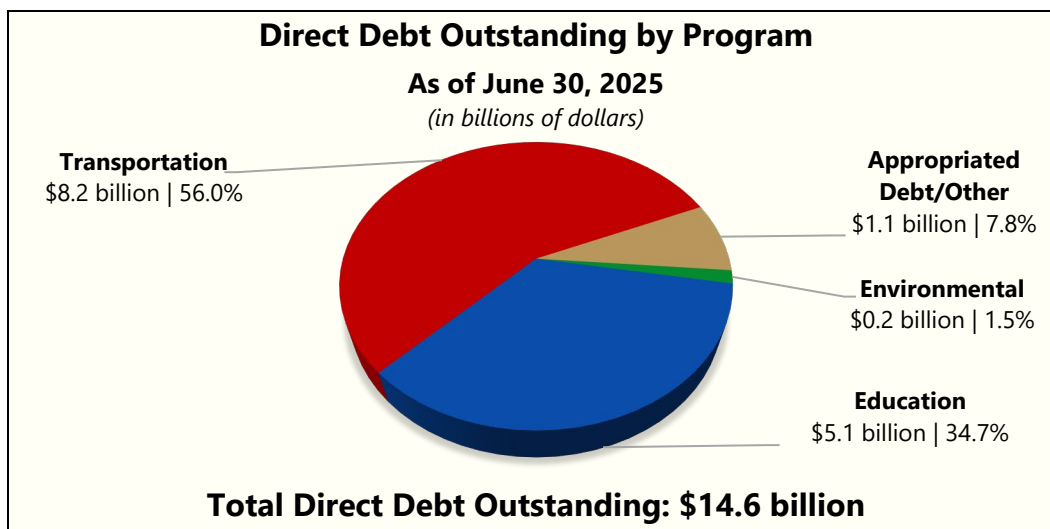
Florida has both direct and indirect debt. Direct debt is categorized as either tax-supported debt or self-supporting debt. Tax-supported debt is debt supported by State tax revenues or tax-like revenues. Self-supporting debt is debt secured by revenues generated from operating bond-financed facilities.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

Direct Debt

The State had \$14.6 billion in total direct debt outstanding as of June 30, 2025, a reduction of approximately \$703 million from the previous fiscal year. Transportation debt remains the largest portion of direct debt, accounting for \$8.2 billion, or 56.0%, of debt outstanding. Of that amount, approximately \$2.5 billion reflects the State's payment obligations for financing transportation infrastructure through Public Private Partnerships ("P3s"). Educational facilities represent nearly \$5.1 billion, or 34.7%, of debt outstanding. The bulk of outstanding debt for educational facilities is comprised of Public Education Capital Outlay ("PECO") bonds, which account for \$3.5 billion of debt outstanding. The August 2025 PECO Estimating Conference estimated the current PECO borrowing capacity at approximately \$11.9 billion; however, the legislature has not authorized the issuance of new money PECO bonds since 2016.

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

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



Direct Debt Outstanding by Type and Program

As of June 30, 2025

(in millions of dollars)

<u>Debt Type</u>	<u>Amount</u>
Tax-Supported Debt	\$10,047.8
Self-Supporting Debt	4,600.6
Total State Debt Outstanding	\$14,648.4
Tax-Supported Debt	
Education	
Public Education Capital Outlay	\$3,501.8
Capital Outlay	24.9
Lottery	228.2
University System Improvement	41.2
State (Community) Colleges	23.4
Total Education	\$3,819.5
Environmental	
Florida Forever Bonds	146.3
Everglades Restoration Bonds	69.1
Total Environmental	\$215.4
Transportation	
Right-of-Way Acquisition and Bridge Construction	1,785.4
GARVEE	153.2
DOT Financing Corporation	301.6
P3 Obligations	2,459.9
Florida Ports	163.3
Total Transportation	\$4,863.4
Appropriated Debt / Other	
Facilities	91.4
Prisons	251.2
Children & Families	20.3
Moffitt Cancer Center	544.4
Law Enforcement Communication	19.7
Master Lease	10.4
Energy Saving Contracts	5.1
Sports Facility Obligations	206.9
Total Appropriated Debt / Other	\$1,149.4
Total Tax-Supported Debt Outstanding	\$10,047.8
Self-Supporting Debt	
Education	
University Mandatory Fee	\$73.2
University Auxiliary Facility Revenue Bonds	1,183.5
Toll Facilities	3,343.9
Total Self-Supported Debt Outstanding	\$4,600.6

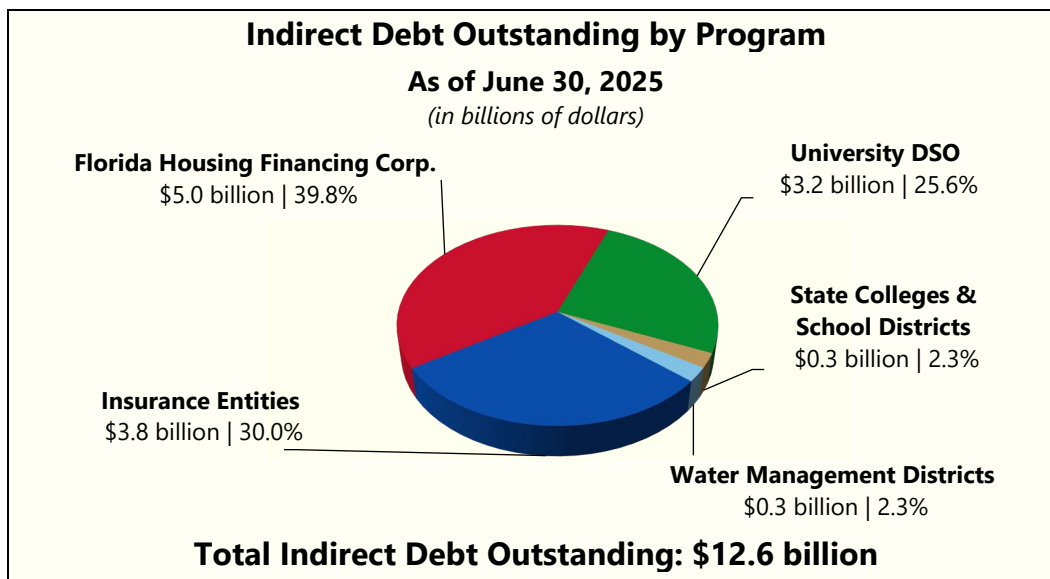
Indirect Debt

In addition to direct debt, the State has outstanding indirect debt which consists of debt that is not secured by State appropriations or State revenues. In some cases, indirect debt may impact Floridians (e.g., assessments pledged to Florida Hurricane Catastrophe Fund (“Cat Fund”), Citizens Property Insurance Corporation (“Citizens”), and Florida Insurance Guaranty Association (“FIGA”) debt). As indirect debt is not secured by State revenues, it is not included in the State’s debt ratios or the analysis of the State’s debt burden.

Indirect debt of the State totaled approximately \$12.6 billion in FY 2025. The amount of outstanding indirect debt decreased from \$12.9 billion in FY 2024, primarily due to a \$1.25 billion principal payment by Cat Fund on its outstanding pre-event liquidity financings. That reduction was partially offset by new debt issuance for the Florida Housing Finance Corporation and the addition of the outstanding debt of UF Health Jacksonville to the indirect debt for this Report. Cat Fund pre-event liquidity debt and bonds issued to fund claim payments for FIGA represent \$3.8 billion or 30.0% of indirect debt. Cat Fund’s debt outstanding at the end of FY 2025 totaled \$3.25 billion, including \$1.0 billion that was issued in May 2024, while FIGA has \$539.8 million in debt outstanding that was issued in July 2023. Citizens has no debt outstanding after defeasing its remaining \$275 million of pre-event bonds in December 2023.

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

Florida Housing Finance Corporation, which administers the State’s affordable housing programs, accounted for \$5.0 billion or 39.8% of indirect debt outstanding, an increase of approximately \$350 million from the prior year. University Direct Support Organizations (“DSOs”) and debt of other university affiliated entities comprised over \$3.2 billion or 25.6% of indirect debt, a 25.6% increase from last year resulting from the addition of UF Health Jacksonville debt.



Indirect Debt Outstanding by Type and Program		
As of June 30, 2025		
<i>(in millions of dollars)</i>		
		<u>Amount</u>
Insurance Entities		
Florida Hurricane Catastrophe Fund Finance Corporation	\$3,250.0	
Florida Insurance Guaranty Association	539.8	
Total		\$3,789.8
Florida Housing Finance Corporation		
Single Family Programs	2,949.7	
Multi-Family Programs	2,082.6	
Total		\$5,032.3
University Direct Support Organizations		
UF Health - Shands Teaching Hospital & Affiliates	1,597.8	
University of Central Florida	261.7	
University of South Florida	509.2	
University of Florida	222.0	
Florida State University	179.4	
Florida Atlantic University	198.9	
Florida Gulf Coast University	123.5	
University of North Florida	86.5	
Other State Universities	60.9	
Total		\$3,239.8
Water Management Districts		\$291.1
School Districts		204.2
State (Community) Colleges and Foundations		88.8
Total State Indirect Debt		<u>\$12,646.0</u>

Florida's Property Insurance Market

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

The State has taken steps to address the challenges impacting the insurance industry, with multi-prong legislative reforms enacted over the past several years. The steps taken were designed to eliminate abusive litigation practices, curtail insured losses, and promote long-term market stability. Although the full impact of these reforms will take time to materialize, the benefits are already evident as new insurers enter the Florida market, Citizens' policy count decreases and homeowners insurance premiums stabilize.

The State experienced multiple storms during the 2024 hurricane season, including Hurricanes Helene and Milton, but these storms are not anticipated to result in future financing needs for Cat Fund, Citizens, or FIGA. In 2025, the Cat Fund saw favorable loss developments and was able to reduce the loss reserves for both Hurricane Ian and Hurricane Milton, which strengthened the Cat Fund's financial position and provided additional liquidity for the 2025 hurricane season. As a result, it was determined that no additional pre-event financing was needed in 2025. Citizens also maintained a strong balance sheet entering the 2025 hurricane season and did not require additional liquidity through the issuance of pre-event bonds.

Given their strong financial positions after the 2025 hurricane season, it is not anticipated that Cat Fund or Citizens will need to issue post-event bonds secured by assessments to pay claims from any prior storms or to pursue additional liquidity through the issuance of pre-event bonds prior to the 2026 hurricane season. FIGA's future needs would be driven by additional insolvencies of property insurers and are inherently unpredictable.

Both Cat Fund and FIGA maintain strong credit ratings as a result of the connectivity and importance to the State, with the ratings strongly linked to Florida's AAA rating. Following the defeasance of all its remaining bonds in December 2023, Citizens does not currently have public credit ratings.

Alternative Financing Techniques

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

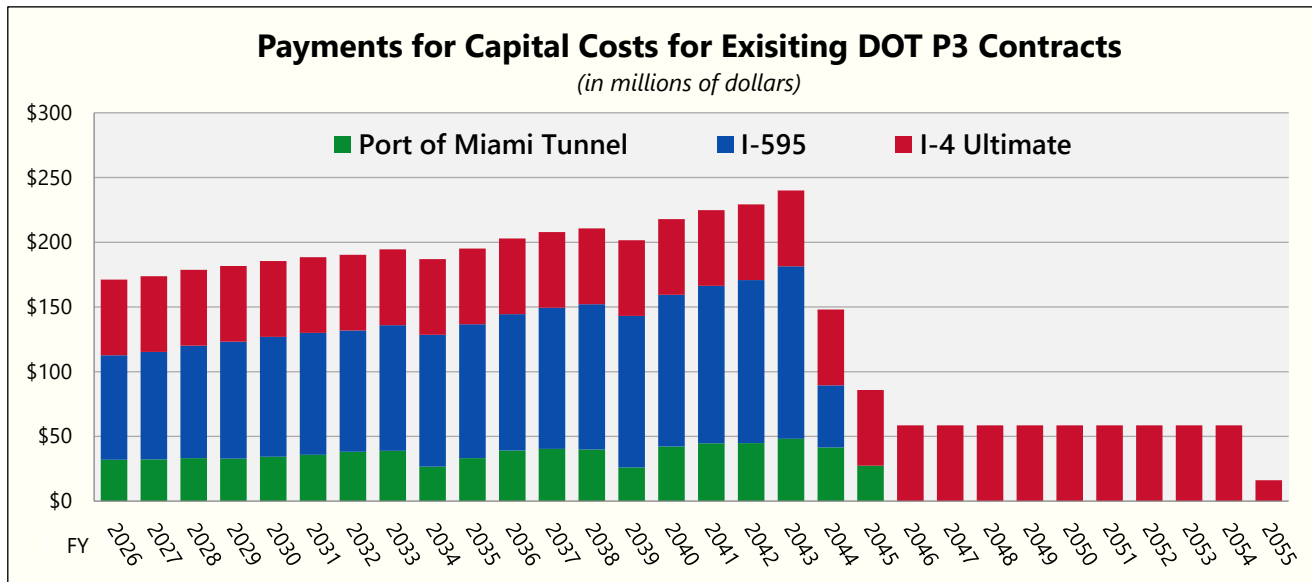
DOT Long-Term P3 Projects

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

P3 projects are funded through milestone payments and availability payments. Milestone payments are tied to construction and are paid as the construction reaches certain levels of progress or "milestones." The capital costs and operations/maintenance expenses of these P3 projects are paid through "availability payments" or mandatory, scheduled payments that commence when construction is complete and continue for 30 to 35 years. The capital portion of the required payments for DOT's P3 projects total \$4.4 billion over the next 30 years, with \$2.5 billion of those payments representing principal that is included as tax-supported outstanding debt of the State. P3 payments for FY 2025 were \$169 million. Future payments are scheduled to steadily increase to a maximum projected payment of \$240 million in FY 2043 and then reduce significantly after as the debt for the I-595 project is retired.

Section 334.30, Florida Statutes, requires DOT to commit no more than 15% of available federal and state funding in the State Transportation Trust Fund in any given year to required P3 debt service payments. This is a very liberal limit and is nearly three times the State's debt policy target of 6% based on total revenues available for debt service, potentially allowing DOT to incur substantial debt.

The Legislature should consider reducing the statutory limit for DOT commitments to P3s to be consistent with its policy goal of lower State leverage.



University DSO Obligations and P3 Agreements

State universities utilize their DSOs to support various auxiliary functions (e.g., athletics, healthcare, fundraising, research activities, etc.). DSOs can also serve as a conduit issuer for universities to finance capital projects, including campus housing, parking, and athletic facilities. DSO transactions are approved by DSO Boards of Directors, universities’ Boards of Trustees, the Board of Governors (“BOG”), and the legislature. Unlike transactions managed by the Division, DSO transactions do not require approval by the Governor and Cabinet. The amount of University DSO debt obligations outstanding this year was approximately \$3.2 billion, which represented 72.1% of total university debt.

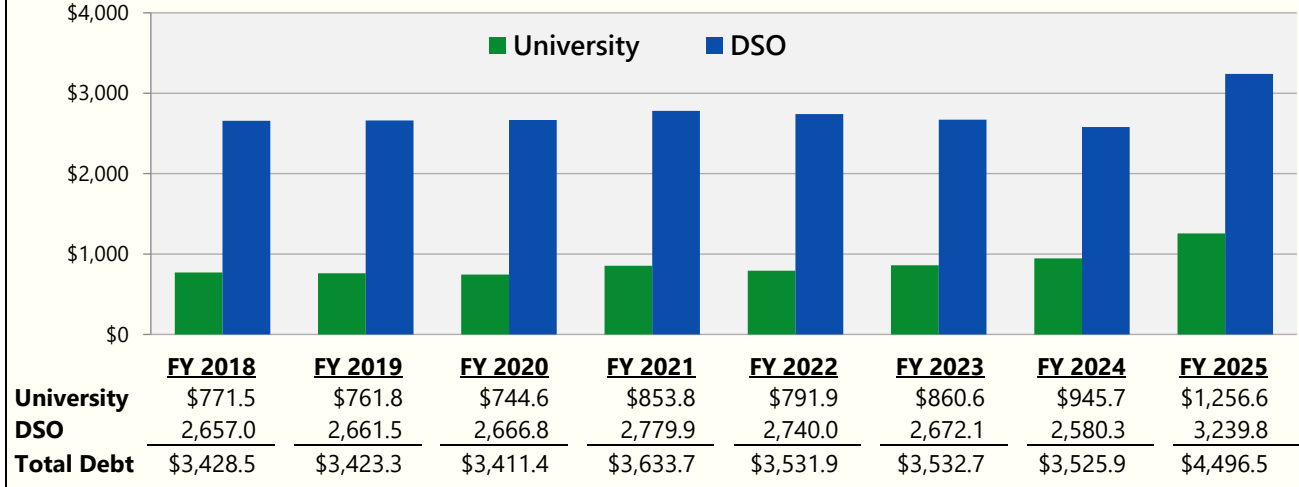
In addition to student housing and parking projects, recently Universities have been utilizing DSO debt for significant financing of athletics facilities. Universities are also exploring options to expand housing capacities for students and provide affordable housing for staff and faculty. Universities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

Universities have also entered into P3 agreements for certain projects. Each University P3 transaction is analyzed prior to execution by BOG and Division staff for compliance with state law and the BOG P3 Guidelines. The debt is often secured by revenues of the project being financed but is non-recourse debt to other revenues of the State or University. However, credit rating agencies incorporate the debt obligations of University P3s in their credit analyses of the University and their DSOs.

Since the debt is not secured by State revenues, University P3 and DSO debt are excluded from State direct debt in this report; if DSO debt was included, direct debt outstanding would be approximately 22.1% higher.

University and DSO Outstanding Debt Obligations

(in millions of dollars)



Charter Schools

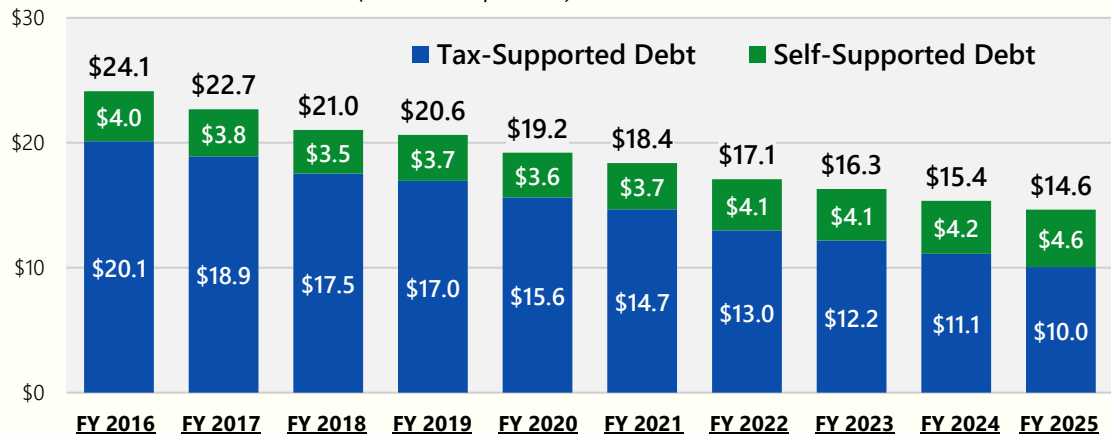
According to the Department of Education, there were 732 charter schools educating approximately 407,000 students in Florida in FY 2025, an enrollment increase of 2.3% from FY 2024. Students enrolled in charter schools represent approximately 14.2% of Florida’s total PK-12 enrollment of approximately 2.9 million. Like Florida public schools, charter schools receive funding for operations from the State on a per student basis. Although there is no official source for monitoring charter school debt, the Division estimates that over \$900 million in bonds have been issued in the past five years to fund charter school construction. The structuring of the charter school model and professional operators have contributed to the development of a specialized municipal bond market for financing charter schools and has led to the proliferation of unrated debt issuance to finance or refinance charter school construction. Charter school debt is not a direct obligation of the State and municipal market participants evaluate charter school obligations based on the success of the school and operator; therefore, it is not treated as State direct debt and is excluded from the benchmark debt ratio calculation.

Trends in Direct Debt Outstanding

The trend in the State’s outstanding debt is important in evaluating how debt levels have changed over time. Over the last 10 years, direct debt outstanding has decreased significantly, by over \$9.5 billion. In FY 2025, the downward trend continued and direct debt decreased by approximately \$703 million. For the third consecutive year, the Governor and Legislature have authorized additional funding to pay down debt early and reduce the cost of the State’s debt burden. See Debt Reduction below for additional details.

Direct Debt Outstanding

(in billions of dollars)



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Tax-Supported Debt	\$20.1	\$18.9	\$17.5	\$17.0	\$15.6	\$14.7	\$13.0	\$12.2	\$11.1	\$10.0
Annual Change	(\$1.5)	(\$1.2)	(\$1.4)	(\$0.6)	(\$1.3)	(\$1.0)	(\$1.7)	(\$0.8)	(\$1.1)	(\$1.1)
Total Debt	(7.0%)	(6.0%)	(7.3%)	(3.2%)	(7.9%)	(6.1%)	(11.5%)	(6.2%)	(8.8%)	(9.6%)
Self-Supported Debt	\$4.0	\$3.8	\$3.5	\$3.7	\$3.6	\$3.7	\$4.1	\$4.1	\$4.2	\$4.6
Annual Change	(\$0.1)	(\$0.2)	(\$0.3)	\$0.2	(\$0.1)	\$0.1	\$0.4	\$0.0	\$0.1	\$0.4
% Change	(2.4%)	(6.0%)	(6.9%)	4.8%	(2.4%)	3.6%	10.5%	0.4%	2.9%	8.5%
Total Direct Debt	\$24.1	\$22.7	\$21.0	\$20.6	\$19.2	\$18.4	\$17.1	\$16.3	\$15.4	\$14.6
Annual Change	(\$1.6)	(\$1.4)	(\$1.6)	(\$0.4)	(\$1.4)	(\$0.8)	(\$1.3)	(\$0.8)	(\$0.9)	(\$0.7)
% Change	(6.3%)	(6.0%)	(7.3%)	(1.9%)	(6.9%)	(4.3%)	(7.1%)	(4.6%)	(5.8%)	(4.6%)

Debt Reduction

The State has been exploring new strategies to reduce its debt burden. In each of the last three fiscal years (FY 2024 to FY 2026), the Governor and Legislature have funded a Debt Reduction Program from available GR and other sources for the purpose of reducing outstanding debt and future interest costs. Over that time, the Debt Reduction Program has been allocated a total of \$1.7 billion through a combination of appropriations for debt reduction and the repurposing of other available program revenues. As of June 30, 2025, approximately \$875 million of the funding had been deployed. The transactions facilitated by the appropriations have generated total budgetary savings of \$1.1 billion, reduced debt outstanding by \$964.8 million, and created \$395.4 million of net economic savings for the State. The \$830 million appropriated for FY 2026 is expected to be deployed by the end of the current fiscal year, generating additional savings and debt reduction. Additional information on the Debt Reduction Program is provided below.

In FY 2024, \$200 million of available GR was appropriated to retire outstanding taxable Public Education Capital Outlay (“PECO”) and State Revolving Fund (“SRF”) bonds prior to maturity. In July 2023, the Division utilized defeasances, or “prepayment” of debt service in full, to legally and financially discharge the debt. The defeasances utilized \$200 million of appropriated GR and \$177.5 million from available PECO and SRF program funds (totaling \$377.5 million) to discharge future debt service costs of \$411.4 million, consisting of a \$399.5 million reduction in debt outstanding and the elimination of \$11.9 million of future interest costs. The transactions saved the State approximately \$33.9 million and generated total future budgetary savings of \$263.1 million.

The Governor and the Legislature provided additional Debt Reduction Program funding for FY 2025, appropriating \$500 million from a combination of available GR (\$245 million), Turnpike System general reserves (\$165 million), and balances in the Right-of-Way Acquisition and Bridge

Construction Trust Fund (\$90 million). The Division utilized a combination of tenders (offers to bondholders to sell their bonds back to the State at prevailing market prices) and defeasances to achieve reductions in State debt outstanding and future interest payments.

The aggregate cost of the tenders and defeasance transactions in FY 2025 was \$497.9 million, representing an average price of 88% of the principal amount reduced. The 12% purchase discount generated savings of \$67.4 million. When combined with avoided interest costs of \$294.2 million from retiring the bonds early, debt service savings from the transactions totaled \$361.6 million. Overall, the FY 2025 Debt Reduction Program transactions reduced the principal amount of the State’s outstanding debt by \$565.3 million and generated total future budgetary savings of \$859.5 million.

Results of FY 2025 Debt Reduction Program				
<i>(in thousands of dollars)</i>				
	PECO	ROW	Turnpike	Total
Principal Reduction	\$268,255	\$101,246	\$195,811	\$565,312
Cost of Tender/Defeasance	251,363	91,106	155,450	497,920
Average Cost as % of Par	93.7%	90.0%	79.4%	88.1%
<u>Savings</u>				
Discount to Principal Amount	\$16,892	\$10,140	\$40,361	\$67,392
Avoided Interest on Early Payment	136,156	65,849	92,179	294,185
Total Savings	153,048	75,990	132,540	361,577
Total Savings as % of Cost	60.9%	83.4%	85.3%	72.6%
Total Future Budgetary Savings	\$404,411	\$167,095	\$287,990	\$859,497
Debt Reduction Program Appropriation	\$245,000	\$90,000	\$165,000	\$500,000
Interest Earnings	6,841	1,205	762	8,808
Total Available Funds	\$251,841	\$91,205	\$165,762	\$508,808
Cost of Tenders/Defeasances	\$251,363	\$91,106	\$155,450	\$497,920
Transaction/Division Costs	305	72	147	524
Total Use of Funds	\$251,668	\$91,178	\$155,597	\$498,443
FY 2025 Appropriation Reverted	\$173	\$27	\$10,165	\$10,365

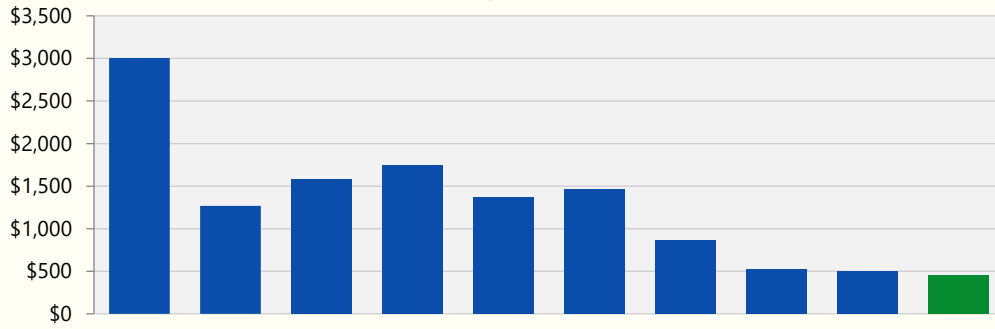
In FY 2026, the Debt Reduction Program received additional appropriations totaling \$830 million from available GR. The Division expects to fully deploy the funds to further reduce the State’s outstanding debt and avoid future interest costs. The Division recommends that it is in the best interest of the State for the Legislature to continue the Debt Reduction Program in FY 2027.

Refinancing Activity

Since FY 2016, the State has executed 99 refinancings totaling \$12.8 billion, generating gross debt service savings of \$2.6 billion over the remaining life of the bonds or \$2.0 billion on a present value basis. The State executed two refinancing transactions in FY 2025, generating gross debt service savings of \$47.8 million, or \$36.1 million on a present value basis. While the majority of debt issuance over the past decade has been to refinance debt at lower interest rates and reduce annual debt service payments, refunding opportunities have decreased in recent years as the State’s outstanding debt decreases.

Refinancing Activity

(in millions of dollars)



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Number of Transactions	13	14	12	13	11	16	8	7	3	2	99
Refunding Par	\$3,003.6	\$1,267.8	\$1,575.0	\$1,746.0	\$1,366.0	\$1,466.1	\$862.7	\$524.1	\$500.5	\$446.7	\$12,758.4
Refunding Savings:											
Gross Savings	\$618.8	\$303.6	\$380.8	\$267.3	\$341.4	\$362.0	\$127.0	\$79.9	\$50.3	\$47.8	\$2,578.9
Present Value Savings	\$380.5	\$247.0	\$296.8	\$210.4	\$282.0	\$335.0	\$114.8	\$59.5	\$38.6	\$36.1	\$2,000.7

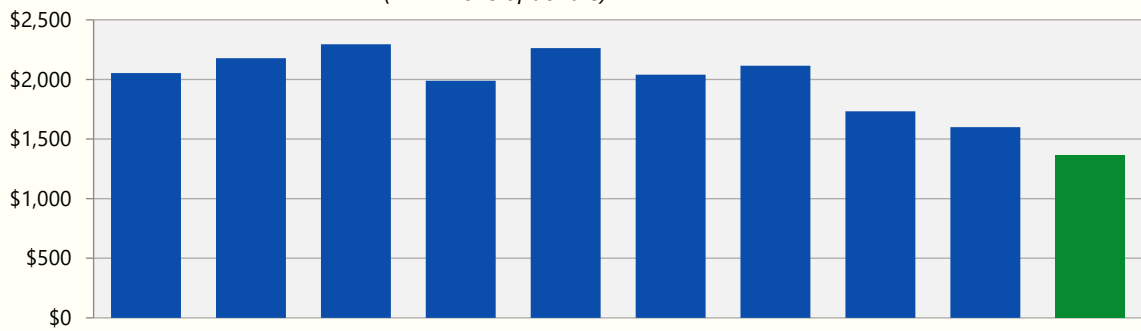
The Division continues to actively evaluate the State’s debt portfolio and pursue refunding opportunities to take advantage of favorable interest rates and lower the interest cost on the State’s borrowings. However, the rise in interest rates combined with limited new bond issuance over the past decade has reduced the State’s inventory of viable refunding candidates, as demonstrated by the limited number of refundings executed in recent years compared to longer-term historical trends. Even with a decreased inventory of outstanding bond issues, there is still approximately \$5.2 billion of callable debt available that could potentially be refunded over the next five years. However, a sizable portion of that debt is outstanding at fairly low interest rates making the possibility of refunding for savings less feasible. A portion of the potential refunding candidates may also be viable candidates for early payoff as part of the Debt Reduction Program.

Annual Tax-Supported Debt Service Payments

Annual debt service payments for the State’s existing tax-supported debt totaled approximately \$1.4 billion in FY 2025. From a budgetary perspective, measuring the change in annual tax-supported debt service indicates how much of the State’s resources are obligated for paying debt service before providing for other essential government services. Importantly, there was a significant decrease of more than \$228 million, or 14.3%, in annual debt service payments from FY 2024 to FY 2025.

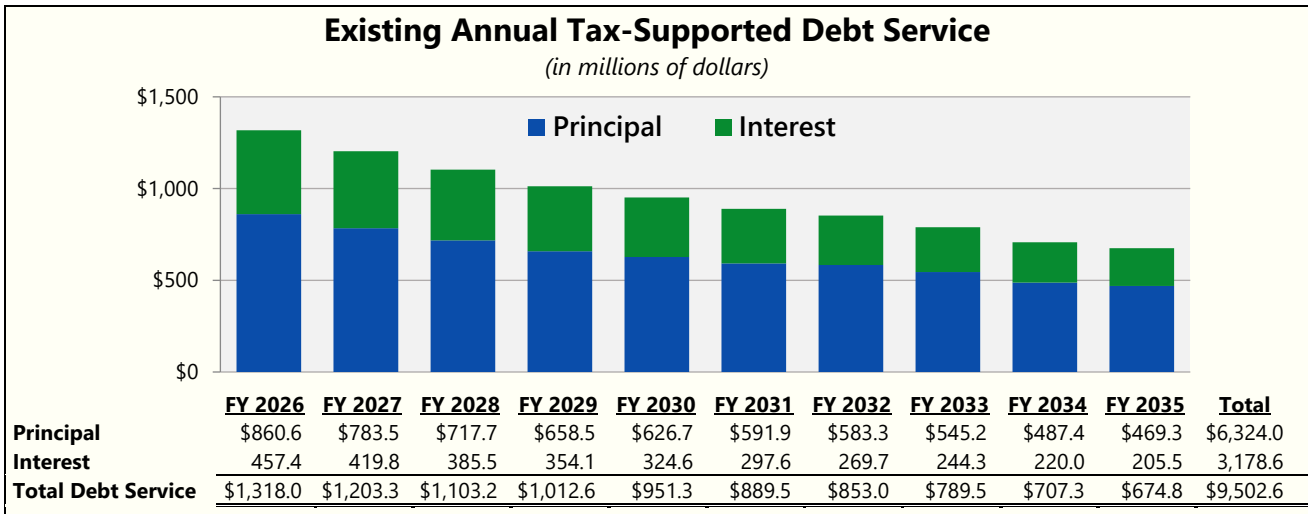
Historical Tax-Supported Debt Service

(in millions of dollars)



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Annual Debt Service	\$2,053	\$2,178	\$2,295	\$1,989	\$2,263	\$2,041	\$2,116	\$1,733	\$1,600	\$1,365

Based on currently outstanding debt, the favorable trend of decreased debt payments will continue into FY 2026 and beyond. Debt service payments on existing outstanding tax-supported debt total \$9.5 billion over the next ten years, including \$6.3 billion of principal payments. Consequently, 62.9% of the State’s existing outstanding tax-supported debt will be paid off in the next decade. The State structures its debt with level annual debt service payments. Like a mortgage, interest payments constitute a majority of the annual payment for a bond issue in the early years with smaller principal payments, while that relationship inverses over the life of a bond issue. The significant principal payments over the next ten years illustrate the aging of outstanding debt coupled with the reduced issuance of new money bonds over the past decade. More importantly, annual debt service payments for existing outstanding debt decreases significantly over the next ten years, from \$1.3 billion in FY 2026 to approximately \$675 million in FY 2035.



Projected Tax-Supported Debt Issuance

Projected debt issuance is provided by State agencies that receive proceeds under authorized bond programs. As State debt issuance has declined, the projection of future issuance is now primarily for transportation projects for DOT, which is the only agency that has future projected borrowing plans. Approximately \$5.6 billion in tax-supported debt issuance is projected over the next ten years for transportation. The projected issuance has increased by 93% from the \$2.9 billion projected in the 2024 Report. DOT’s projected debt is provided through their 10-year bond plan which, as part of the Work Program, is approved annually through the General Appropriations Act.

Projected debt issuance for the GARVEE bond program increased by approximately \$1.5 billion from the amount shown in the 2024 Report, while the projected issuance for the DOT Financing Corporation also increased by nearly \$1 billion from last year. Right-of-Way (“ROW”) projected bonding increased by \$255 million from 2024.

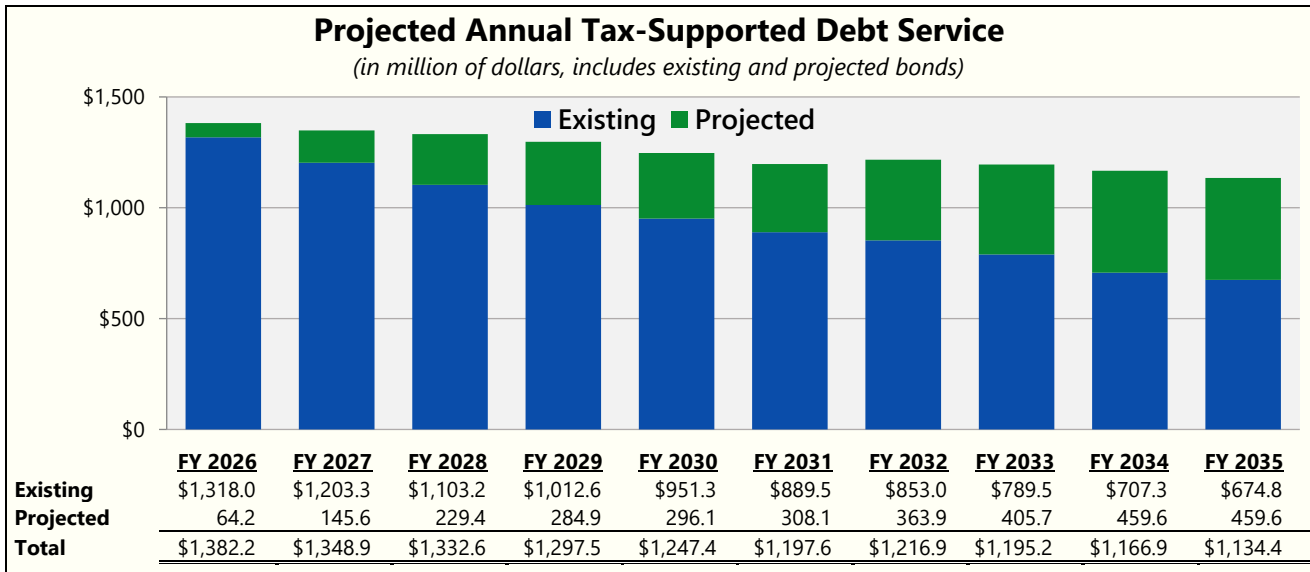
ROW and GARVEE bonds are utilized by DOT to help manage cash flow needs for the State Transportation Trust Fund. While GARVEE bonding is frequently included in DOT’s 10-year bond plan, the State has only issued GARVEE bonds twice: \$123.2 million in FY 2020 and \$118.9 million in FY 2021. DOT is utilizing Financing Corporation bonds as the financing vehicle for the Moving Florida Forward Infrastructure Initiative, which is accelerating the completion of 20 different congestion relief projects, including arterial road projects throughout the State and improvements to I-4 in central Florida.

The actual amounts and timing of future DOT debt issuance is subject to change based on cash flow needs, and presently DOT does anticipate requiring the full amount of projected debt issuances for FY 2026 that were included in the July 1, 2025, 10-year bond plan.

Projected Debt Issuance by Program				
<i>(in millions of dollars)</i>				
Fiscal Year	ROW	GARVEE	DOT Fin. Corp	Total Projected Issuance
2026	\$440.0	\$200.0	\$165.2	\$805.2
2027	650.0	-	449.3	1,099.3
2028	400.0	280.0	345.9	1,025.9
2029	365.0	180.0	162.6	707.6
2030	-	-	158.1	158.1
2031	60.0	-	109.9	169.9
2032	135.0	380.0	109.9	624.9
2033	140.0	315.0	-	455.0
2034	110.0	455.0	-	565.0
2035	-	-	-	-
Total	\$2,300.0	\$1,810.0	\$1,500.9	\$5,610.9
2024 Projection	\$2,045.0	\$335.0	\$528.0	\$2,908.0
Difference	\$255.0	\$1,475.0	\$972.9	\$2,702.9

Projected Tax-Supported Debt Service

If debt is issued as projected above, the annual debt service on existing and projected tax supported debt in FY 2026 will be \$1.4 billion, consistent with the actual \$1.4 billion paid in FY 2025. Projected debt service, including the \$5.6 billion of projected debt issuance, continues to decline annually thereafter. The declining projected annual debt service payments provide the State with significant debt capacity available to fund strategic infrastructure investments above and beyond the current projected debt issuance.



Revenue Forecasts

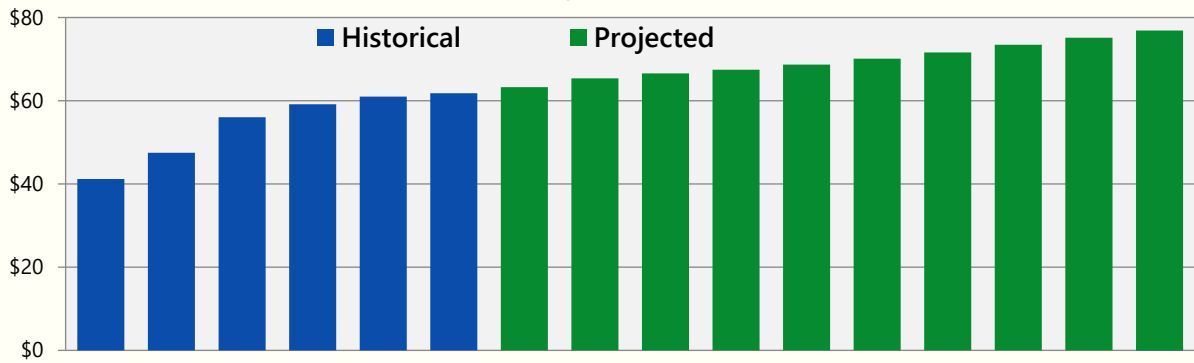
Revenue available to pay debt service for State tax-supported debt is one of two variables used to calculate the benchmark debt ratio. General Revenues, as well as specific tax revenues pledged to various bond programs, are available for debt service payments. Examples of tax revenues specifically designated to pay bonds include gross receipts taxes pledged to PECO bonds, motor fuel taxes pledged to Right-of-Way bonds, and dedicated percentages of documentary stamp tax collections pledged to environmental bonds. State GR collections are the majority of the total revenue available, accounting for approximately 80% of such revenue in FY 2025.

Driven by a robust economy, General Revenues for FY 2025 exceeded FY 2024 by \$1.3 billion, or 2.8%, and reached a record high \$49.7 billion. Currently, GR collections for FY 2026 are projected to total \$50.5 billion, representing a more modest increase of 1.6% when compared to the average annual increase of 8.8% over the past five years. While the projected increase for FY 2026 is lower than recent years, it is important to note these estimates were last calculated in August 2025 and actual General Revenues in fiscal year-to-date are \$258.2 million above projections. Additionally, General Revenues have exceeded forecasted estimates each fiscal year for the past five fiscal years, with strong sales tax revenues being the predominant contributor. GR collections are projected to continue to grow by an average of \$1.4 billion annually through FY 2035.

Projected Revenue Available for State Tax-Supported Debt						
<i>(in millions of dollars)</i>						
	Fiscal Year	Actual		Projected		
		2024	2025	2026	2027	2028
Revenue Available		\$48,342.0	\$49,676.0	\$50,485.0	\$52,031.0	\$52,957.2
General Revenue		(1,257.0)	(1,309.6)	(1,395.5)	(1,466.3)	(1,526.7)
Less : Documentary Stamp Tax Included Below		\$47,085.0	\$48,366.4	\$49,089.5	\$50,564.7	\$51,430.5
Net General Revenue						
Specific Tax Revenue						
Gross Receipts		\$1,404.4	\$1,379.4	\$1,414.5	\$1,402.9	\$1,392.7
Motor Vehicle License		848.7	927.0	979.7	991.3	1,004.0
Lottery		2,403.0	2,168.0	2,126.3	2,169.6	2,183.9
Documentary Stamp Tax		3,577.4	3,701.1	3,755.7	3,900.2	4,023.4
Severance Tax		-	-	-	-	-
Motor Fuel Tax		1,889.9	1,973.5	2,005.4	2,070.4	2,132.7
Motor Vehicle License-Surcharge		24.6	25.1	25.4	25.6	25.8
Tax on Pollutants-IPTF		272.8	-	-	-	-
University Net Bldg Fees & Cap. Impr. Fees		57.8	59.2	59.5	59.8	60.1
Community College Cap. Impr. Fees		33.8	34.9	36.3	37.2	38.1
Title Fees		200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation		3,212.2	2,964.4	3,554.8	3,968.9	4,075.7
Other Sources		-	-	-	-	-
Total State Revenue Available		\$61,009.6	\$61,799.1	\$63,247.1	\$65,390.7	\$66,567.0

Revenues Available for Debt Service

(in billions of dollars)



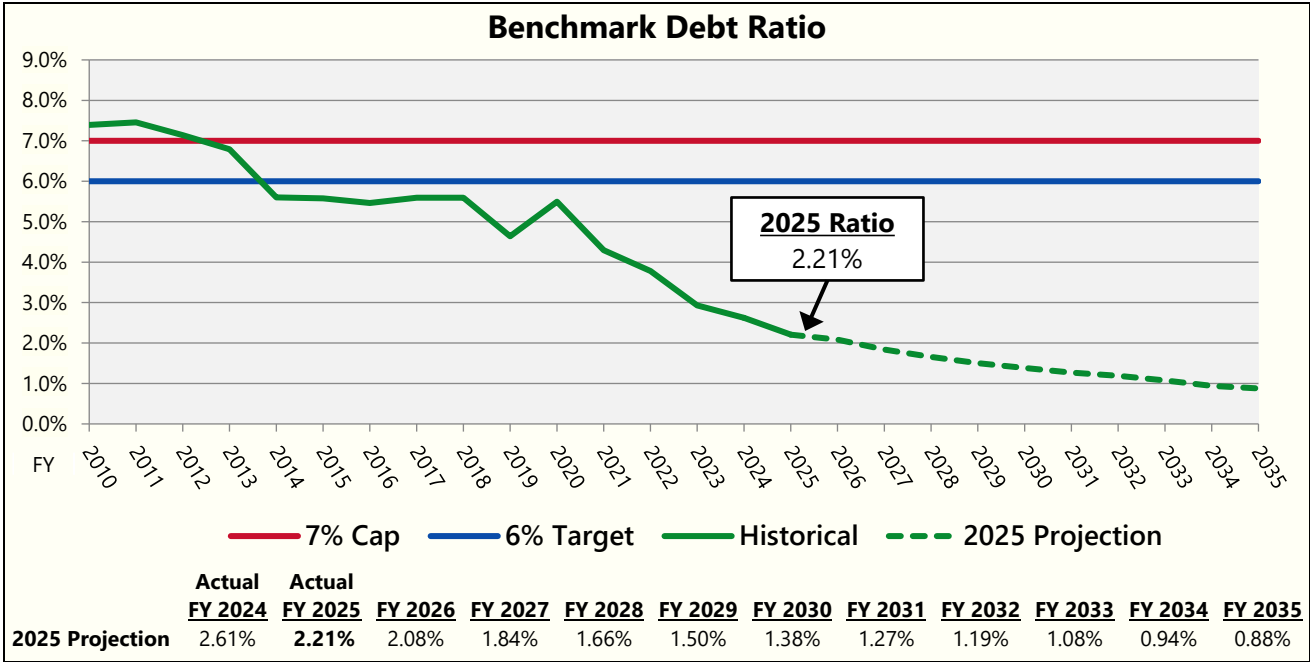
August 2025	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Available Revenues	\$41.2	\$47.5	\$56.0	\$59.2	\$61.0	\$61.8	\$63.2	\$65.4	\$66.6	\$67.4	\$68.7	\$70.1	\$71.6	\$73.4	\$75.2	\$76.9
Annual Change	(\$1.7)	\$6.3	\$8.5	\$3.1	\$1.9	\$0.8	\$1.4	\$2.1	\$1.2	\$0.9	\$1.2	\$1.4	\$1.5	\$1.8	\$1.7	\$1.7
% Change	(3.9%)	15.4%	17.9%	5.6%	3.1%	1.3%	2.3%	3.4%	1.8%	1.3%	1.8%	2.1%	2.2%	2.5%	2.3%	2.3%

Benchmark Debt Ratio

The debt affordability analysis is based on the ratio of debt service to revenues available to pay debt service. The policy guidelines established by the Legislature include a 6% target and a 7% limit for the benchmark debt ratio. Since FY 2009, the benchmark debt ratio has followed a downward trend, with the notable exception of FY 2020, when the ratio temporarily increased to 5.49% due to pandemic-induced revenue declines. The significant decline in the benchmark ratio to a record low of 2.21% in FY 2025 is a result of a 14.3% decline in annual debt service payments, combined with a 1.6% increase in General Revenues and a 3.7% increase in total revenues available for debt service in FY 2025. Based on projected debt service to projected revenues over the next ten years, the debt ratio is expected to decline even further.

Over the last four years, the State has experienced significant and substantial growth in revenues. This is evident in record high sales tax collections, which has contributed to the declining benchmark debt ratio. The Governor’s policies during the COVID-19 pandemic were a catalyst for strong economic growth and migration into the State.

Given the combined impact of declining debt and growing revenues, the Legislature should consider recalibrating the benchmark debt ratio lower to better align with the policy of a lower debt burden for Florida taxpayers. When the Legislature established a 6% target and a 7% limit for the State’s benchmark debt ratio in FY 2001, the benchmark ratio stood at 5.70% following increases in tax-supported debt and the percentage of State revenues necessary to pay debt service in the 1990s. While the benchmark debt ratio increased substantially during the Great Recession, peaking at 7.91% in 2009, it has declined annually thereafter, with the exception of increases in FY 2017, primarily attributable to large capital payments associated with DOT P3s, and FY 2020, due to the effects of the COVID-19 pandemic. The benchmark debt ratio has now been below the 6% target since FY 2014, has been below 4% since FY 2022, and is projected to decline to 0.88% over the next 10 years. Over the past decade, the State’s benchmark debt ratio has substantially decreased as a result of the State’s limited new borrowing and its aggressive pay down of its outstanding debt through the Debt Reduction Program. Setting a lower policy target of 3% or 4% and a limit of 4% or 5% would solidify the significant improvements in the State’s debt position while still providing substantial capacity for additional borrowing over the next decade.



Debt Capacity

The final step in the debt affordability analysis is estimating future debt capacity. Debt capacity is based on projected debt issuance over the next ten years and the most recent revenue projections from August 2025. Debt capacity can change significantly, with changes in revenue estimates reflecting changes in the economic environment. Given that the benchmark debt ratio is significantly below the 6% policy target, a substantial amount of debt capacity is available for future bonding.

As shown previously, projected debt issuance under existing bond programs is approximately \$5.6 billion for the next ten fiscal years, leaving \$44.7 billion of net debt capacity available within the 6% target over the next ten years. Based on the Revenue Estimating Conference’s current projections, there is approximately \$31.5 billion of debt capacity available within the 6% policy target in FY 2026. Debt capacity could be impacted, either up or down, if actual revenues come in above or below the current projections. Debt capacity is calculated using an assumed 6% interest rate, which is higher than the current EDR adopted rate assumption of 5.75%. While it is not anticipated that the interest rate assumption used for this analysis will change in the near term, the validity of the assumed rate is reviewed annually.

Debt Capacity Projection		
6% Target; 7.0% Cap		
<i>(in millions of dollars)</i>		
	<u>6% Target</u>	<u>7% Cap</u>
Total Debt Capacity Available	\$50,343.8	\$60,172.1
Less: Projected Bond Issuance	5,610.9	5,610.9
Net Debt Capacity Available	<u>\$44,732.9</u>	<u>\$54,561.3</u>

Projections in this report indicate the benchmark debt ratio will remain consistently well below the 6% target through 2035, which provides flexibility for the State to issue additional debt while

maintaining compliance with the current policy target. Additionally, debt capacity is subject to significant variability because it is dependent on realizing projected revenue growth.

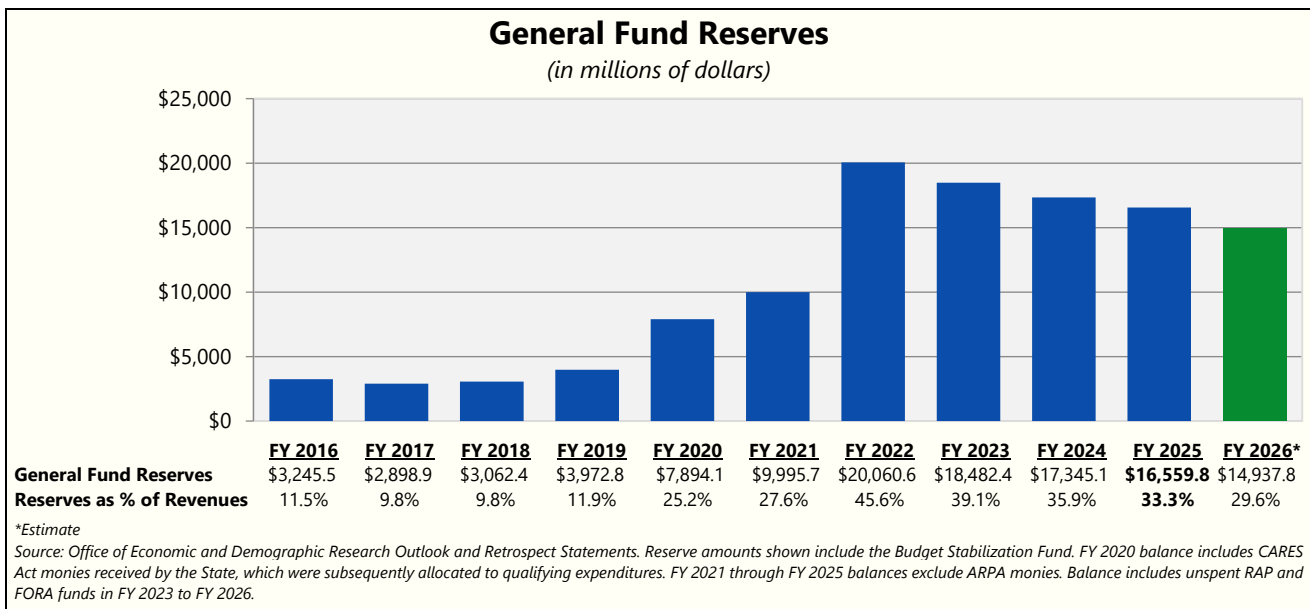
Reserves

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

General Fund Reserves

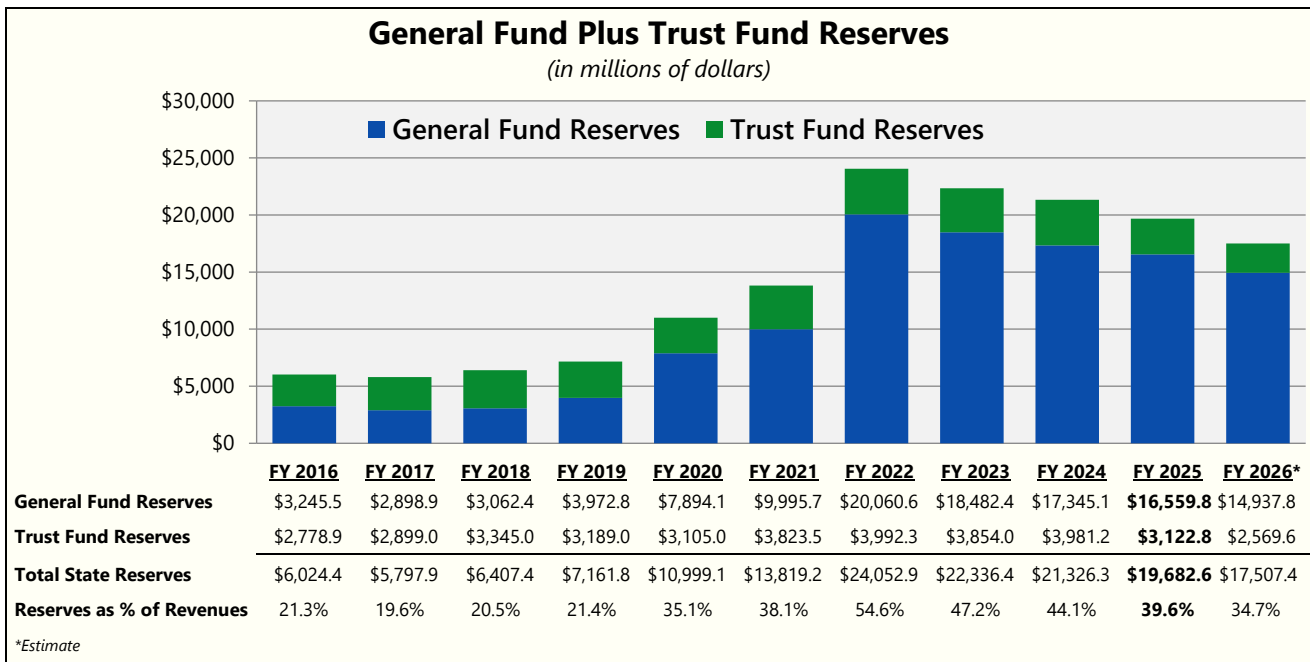
The State has continued to maintain exceptional reserve levels, with General Fund Reserves totaling \$16.6 billion, or 33.3% of General Revenue, at the end of FY 2025. This level of reserves positions the State well to weather future economic cycles and unpredictable expenses while continuing to invest in infrastructure and key initiatives. General Fund Reserves are currently projected to be \$14.9 billion or 29.6% of GR, at the end of FY 2026. The State’s continued near-record General Fund Reserves are recognized by the rating agencies as a credit strength and reflect the State’s prudent financial management.

Florida has continued to prioritize building reserves, transferring \$429.6 million from available GR in FY 2026 to the Budget Stabilization Fund (“BSF”), bringing the balance of the BSF to \$4.9 billion, effectively reaching its maximum legal limit of 10% of GR. The State also created the Emergency Preparedness and Response Fund (“EPRF”) in FY 2022 to provide a dedicated source of funding for responding to declared states of emergencies. The EPRF has been funded annually from GR, providing additional flexibility for the State to manage financial contingencies. Any unobligated balance in the EPRF is included in the General Fund Reserves balance.



Trust Fund Balances and Total Reserves

The State has historically established and utilized trust funds to allocate specific revenues for designated purposes. Well over half of the State’s budget is comprised of trust-funded programs and activities. Established budgetary practices identify excess trust fund balances that are available and can be used for other purposes if directed by the Legislature, and the Legislature has routinely swept available trust fund balances to supplement the general fund budget during periods of economic weakness to offset declining revenue collections. Therefore, including trust fund balances in the reserve analysis provides a more holistic and realistic picture of the State’s financial flexibility. The inclusion of excess trust fund balances increases total reserves at the end of FY 2025 to approximately \$19.7 billion, or 39.6% of General Revenues. This level of reserves is considered extremely strong by the rating agencies. Total reserves are projected to decrease slightly in FY 2026 but remain near historic highs at approximately \$17.5 billion, or 34.7% of projected General Revenues. These high levels of reserves position the State to withstand future economic cycles.



Credit Ratings

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

Florida is rated in the highest rating category, AAA, by each of the three major credit rating agencies. The State’s ratings reflect its conservative financial management, low debt burden, strong reserves, and continued economic growth. The State has enacted measures to enhance its financial flexibility to respond to financial emergencies, and these proactive measures position the State well for the

future. In their reports, the rating agencies expect Florida to maintain its history of structurally balanced budgets and strong reserves to continue to support the AAA ratings.

Florida’s General Obligation Credit Ratings		
	<u>Rating</u>	<u>Outlook</u>
S&P Global Ratings	AAA	Stable
Fitch Ratings	AAA	Stable
Moody’s Ratings	Aaa	Stable

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

Florida Compared to Other States

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

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

For state-to-state comparison, these ratios are calculated based on audited financials and therefore the data lags by a year. The FY 2024 ratios, as calculated and reported by Moody’s, showed that Florida improved in three of the four debt metrics - debt per capita, debt to personal income, and NTSD as a percentage of state GDP. In the table below, Florida’s debt ratios are compared to national and peer group medians, with the State’s peer group comprised of Florida and the 9 other most populous states. The State’s metric for net tax-supported debt service as a percentage of revenues increased slightly from 1.38% to 1.41%, while NTSD per capita decreased, moving Florida from third place to tied for second place among its peer group. As a result of the inclusion of outstanding capital leases and other balance sheet items from the audited financials that the State does not consider as debt, Moody’s reports a higher amount of tax-supported debt outstanding than shown in this report. Since capital leases are short-term obligations in Florida and add no value to evaluating trends in long-term debt, this higher calculation of tax-supported debt can be ignored and is not used for the analysis in this Debt Report. For NTSD as a percentage of GDP, Florida’s ratio, as calculated by Moody’s lowered 1.00% to 0.80%, with the State retaining its third-place ranking.

Debt Ratios				
2024 Comparison of Florida to Peer Group and National Medians				
	<u>NTSD as % of Revenues</u>	<u>NTSD per Capita</u>	<u>NTSD as % of Personal Income</u>	<u>NTSD as % of GDP</u>
Florida	1.41%	\$608	0.90%	0.80%
Peer Group Mean	2.12%	\$1,547	2.10%	1.72%
National Median	1.66%	\$1,214	1.80%	1.70%

2024 Debt Ratios Comparison of Ten Most Populous States

	NTSD Debt Service		NTSD per Capita	NTSD as % of Personal Income		NTSD as % of GDP		General Obligation Ratings Fitch/Moody's/S&P	
	Rank	% of Revenues		Rank	Rank	Rank	Rank		
North Carolina	1	1.10%	1	\$551	1	0.9%	1	0.7%	AAA/Aaa/AAA
Texas	2	1.13%	2	\$608	1	0.9%	1	0.7%	AAA/Aaa/AAA
Florida	3	1.41%	2	\$608	1	0.9%	3	0.8%	AAA/Aaa/AAA
Michigan	4	1.48%	4	\$970	4	1.5%	5	1.4%	AA+/Aa1/AA
Georgia	5	2.16%	5	\$1,045	5	1.7%	4	1.3%	AAA/Aaa/AAA
Pennsylvania	6	2.23%	7	\$1,515	6	2.1%	6	1.9%	AA/Aa2/A+
California	7	2.46%	8	\$2,563	8	3.0%	8	2.5%	AA/Aa2/AA-
New York	8	2.88%	10	\$3,287	9	3.8%	9	2.8%	AA+/Aa1/AA+
Ohio	9	2.90%	6	\$1,445	7	2.3%	6	1.9%	AAA/Aaa/AA+
Illinois	10	3.43%	9	\$2,873	10	3.9%	10	3.2%	A-/A3/A-
Median		2.20%		\$1,245		1.9%		1.7%	
Mean		2.12%		\$1,547		2.1%		1.7%	
National Median		1.66%		\$1,214		1.8%		1.7%	

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

Pension Liability and Funding

As of June 30, 2024, the State's pension system had a funded ratio of 83.7%, representing a 1.3% increase from FY 2023's funded ratio of 82.4%. The State's pension is considered to be well-funded. Florida has fully funded its actuarially determined contribution to the pension system every year since FY 2014.

Annual pension contributions are considered long-term fixed costs by rating agencies. Similar to debt service, they potentially limit other expenditures and, if not properly managed, can create structural budget imbalances. As a result, management and funding of the pension system are important aspects of evaluating Florida's credit rating. Rating agencies have developed quantitative methodologies to evaluate states' pension liabilities and integrate them into their credit analysis. Moody's and Fitch each employ various "adjustments" to reported pension liabilities for greater comparability across the state sector including application of a common investment return assumption. The State's share of the pension plan's unfunded liability (16.8%) was approximately \$6.5 billion as of June 30, 2024. This amount is flat compared to FY 2023 and \$600 million more than FY 2022. In contrast, over the same 2-year period, the State has reduced the amount of State direct debt outstanding from \$17.1 billion to \$15.4 billion, an overall reduction of \$1.7 billion, resulting in the unfunded pension liability becoming an increasingly larger share of the State's overall long-term fixed cost burden.

Additionally, for multi-employer plans like Florida's, the rating agencies allocate the unfunded liability to all participating governments, attributing only a portion to the State. The pension liabilities are analyzed relative to the economic metrics used to evaluate debt obligations among Florida's peer group. According to Moody's medians, Florida's Adjusted Net Pension Liability ("ANPL") of \$17.1 billion falls significantly below the median of \$23.0 billion for the ten most populous states and ranks fourth lowest in the peer group. Florida continues to rank lowest in the peer group for the measures of ANPL per capita and ANPL as a percentage of personal income, and it is tied for lowest in the group for ANPL as a percentage of state GDP.

2024 Pension Metrics Comparison of Ten Most Populous States

	Rank	ANPL (in millions)	Rank	ANPL as % of Own-Source Revs	Rank	ANPL Per Capita	Rank	ANPL as % of Personal Income	Rank	ANPL as % of State GDP
North Carolina	1	\$8,615	2	19.8%	2	\$778	2	1.2%	1	1.0%
Georgia	2	\$10,765	4	27.6%	3	\$961	4	1.5%	4	1.2%
Ohio	3	\$12,232	5	27.9%	4	\$1,029	5	1.6%	5	1.3%
Florida	4	\$17,113	3	21.7%	1	\$731	1	1.0%	1	1.0%
Michigan	5	\$21,862	6	45.4%	6	\$2,156	6	3.4%	6	3.1%
New York	6	\$24,078	1	14.8%	5	\$1,211	3	1.4%	1	1.0%
Pennsylvania	7	\$65,822	9	107.3%	9	\$5,029	9	7.1%	9	6.4%
Texas	8	\$92,196	8	75.3%	7	\$2,941	7	4.3%	7	3.4%
California	9	\$180,034	7	64.0%	8	\$4,566	8	5.3%	8	4.4%
Illinois	10	\$213,133	10	286.6%	10	\$16,760	10	22.6%	10	18.7%
Median		\$22,970		36.7%		\$1,684		2.5%		2.2%
Mean		\$64,585		69.0%		\$3,616		4.9%		4.2%
National Median		\$8,414		45.4%		\$2,045		2.9%		2.6%

Note: Moody's Medians Pension ANPL reported figures may result in states having the same value for a given metric, which is ranked as a tie.

Rating agencies also evaluate the reasonableness of assumptions used to calculate the pension liability and required contributions. S&P published criteria which indicated 6.0% is a sustainable investment return assumption when evaluating adequacy of pension payments. The actuarial methodologies, which vary across plans, are also assessed. The assumptions used to calculate the required contribution to the FRS are set by the FRS Actuarial Assumption Conference (the "Conference"). The assumptions and actuarial methodologies set by the Conference are used to calculate the pension liability and, more importantly, the annual required contribution.

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

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

Making adequate contributions to the FRS is increasingly important. As the plan matures and new employee participation increasingly shifts to the defined contribution plan, the defined benefit plan will become increasingly net cash flow negative as benefit payments to retirees will outpace contributions for current employees. Therefore, fewer invested assets will be available to appreciate

and fund benefit payments over time. Those two factors make adequate funding of the defined benefit plan imperative so that accumulated assets are sufficient to pay for benefits promised.

Conclusion

Florida's debt position improved in FY 2025. The Division has effectively used the funds appropriated by the Governor and Legislature for the Debt Reduction Program to reduce outstanding debt, and it has executed strategic refinancings of existing debt to generate savings of future interest costs and reduced debt service. Due to reduced debt and the growth of State revenues, the debt ratio decreased this year to a record low of 2.21%, well below the 6% target. Additionally, there are ample resources available to fund infrastructure needs, reducing the necessity to issue debt. However, with a debt ratio as low as 2.21%, the State has significant debt capacity to fund priority infrastructure investments if needed.

The State's conservative financial management and strong reserves have been recognized by rating agencies with AAA credit ratings for Florida. Rating agencies expect that Florida will maintain its credit ratings by continuing its prudent financial management practices, making adequate pension contributions, and remaining well positioned to financially absorb any potential impacts associated with environmental risks or the property insurance market.

While the State remains in an extraordinarily strong financial position, the Legislature should consider the following actions to help continue the path of lowering Florida's debt burden and cement the remarkable improvements that have already been achieved:

- Continue funding the Debt Reduction Program, allowing the State to pay down debt early and accelerate improvement in the State's debt position.
- Decrease the current policy target and cap for the Benchmark Debt Ratio to better align the percentages with the State's current levels of revenues and debt outstanding.
- Decrease the amount of State Transportation Trust Fund revenues that can be committed to P3 projects to prevent over-leveraging of transportation tax revenues.
- Begin amortizing the pension system's unfunded liability on a level dollar basis to avoid potential future budgetary pressures from ballooning pension liability payments in later years.

In conclusion, Florida has strengthened its financial position significantly by accumulating reserves and accelerating debt repayment and is well positioned to effectively deal with future economic cycles or extraordinary financial exigencies.

State of Florida



2026 Update to the 2025 Debt Report

*Revised to include the
December 2025 and January 2026 Revenue Estimating Projections*

Prepared by the Division of Bond Finance

2026 Update

- The 2026 Update reflects an increase in projected revenues from the December 2025 and January 2026 Revenue Estimating Conferences in the early years of the forecast period, with projected revenue decreases in the out years. The upward revisions indicate Florida's economic growth is outpacing original projections in the near term, but do not materially impact the debt affordability analysis provided in the 2025 Debt Report.
- FY 2026 projected revenues available to pay debt service increased by \$690 million, or 1.1%, over those used for the 2025 Debt Report.
- The most recent revenue estimates do not materially change the projected benchmark debt ratio, which is expected to remain well below the 6% target over the 10-year projection period. Further reductions in the debt ratio will be reflected in next year's Debt Affordability Report as the Division continues to reduce outstanding debt using the funds appropriated for the Debt Reduction Program.

Projected Revenue Available for State Tax-Supported Debt - 2025 Report

Fiscal Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue Available (In Millions) :										
General Revenue	\$ 50,485.0	\$ 52,031.0	\$ 52,957.2	\$ 54,369.5	\$ 55,777.3	\$ 57,228.5	\$ 58,679.4	\$ 60,167.6	\$ 61,693.2	\$ 63,257.3
Less: Doc Stamp Distribution	(1,395.5)	(1,466.3)	(1,526.7)	(1,580.0)	(1,635.0)	(1,695.1)	(1,758.6)	(1,824.7)	(1,892.7)	(1,962.8)
Net General Revenue	49,089.5	50,564.7	51,430.5	52,789.5	54,142.3	55,533.4	56,920.8	58,342.9	59,800.5	61,294.5
Specific Tax Revenue										
Gross Receipts	1,414.5	1,402.9	1,392.7	1,384.5	1,383.9	1,386.2	1,391.9	1,398.4	1,404.6	1,411.8
Motor Vehicle License	979.7	991.3	1,004.0	1,015.9	1,026.1	1,034.6	1,046.0	1,057.4	1,069.0	1,080.8
Lottery	2,126.3	2,169.6	2,183.9	2,206.6	2,260.6	2,239.5	2,250.3	2,273.0	2,291.9	2,309.3
Documentary Stamp Tax	3,755.7	3,900.2	4,023.4	4,132.3	4,244.5	4,367.4	4,496.9	4,631.8	4,770.8	4,913.9
Motor Fuel Tax	2,005.4	2,070.4	2,132.7	2,186.1	2,237.2	2,288.3	2,342.8	2,404.7	2,466.9	2,525.5
Motor Vehicle License-Surcharge SLERSTF	25.4	25.6	25.8	26.0	26.2	26.4	26.6	26.8	27.0	27.2
SUS Net Bldg Fees & Cap. Impr.Fees	59.5	59.8	60.1	60.4	60.7	61.0	61.3	61.6	61.9	62.3
State (Community) College Cap. Impr.Fees	36.3	37.2	38.1	39.0	39.9	40.8	41.7	42.7	43.7	44.8
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	3,554.8	3,968.9	4,075.7	3,408.9	3,070.9	2,932.1	2,844.4	3,003.1	3,013.9	3,013.9
Other Sources	-	-	-	-	-	-	-	-	-	-
Total State Revenue Available	\$ 63,247.1	\$ 65,390.7	\$ 66,567.0	\$ 67,449.3	\$ 68,692.3	\$ 70,109.7	\$ 71,622.8	\$ 73,442.6	\$ 75,150.3	\$ 76,883.8

Projected Revenue Available for State Tax-Supported Debt - 2026 Update to 2025 Report

Fiscal Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue Available (In Millions) :										
General Revenue	\$ 50,987.5	\$ 52,101.0	\$ 52,990.5	\$ 54,317.5	\$ 55,690.1	\$ 57,191.8	\$ 58,522.2	\$ 59,887.8	\$ 61,287.2	\$ 62,721.5
Less: Doc Stamp Distribution	(1,430.4)	(1,473.5)	(1,527.2)	(1,580.4)	(1,627.0)	(1,676.7)	(1,731.8)	(1,792.8)	(1,857.6)	(1,926.7)
Net General Revenue	49,557.1	50,627.5	51,463.3	52,737.1	54,063.1	55,515.1	56,790.4	58,095.0	59,429.6	60,794.8
Specific Tax Revenue										
Gross Receipts	1,441.0	1,469.1	1,484.9	1,474.6	1,463.3	1,460.5	1,461.9	1,466.5	1,471.3	1,477.2
Motor Vehicle License	979.7	991.3	1,004.0	1,015.9	1,026.1	1,034.6	1,046.0	1,057.4	1,069.0	1,080.8
Lottery	2,262.1	2,167.5	2,178.8	2,201.3	2,255.0	2,235.9	2,393.6	2,418.3	2,439.0	2,309.3
Documentary Stamp Tax	3,826.9	3,915.0	4,024.6	4,133.2	4,228.3	4,329.8	4,442.4	4,566.7	4,699.2	4,840.2
Motor Fuel Tax	1,993.9	2,063.2	2,131.0	2,192.1	2,247.3	2,305.6	2,358.5	2,418.1	2,477.9	2,538.3
Motor Vehicle License-Surcharge SLERSTF	25.4	25.6	25.8	26.0	26.2	26.4	26.6	26.8	27.0	27.2
SUS Net Bldg Fees & Cap. Impr.Fees	59.5	59.8	60.1	60.4	60.7	61.0	61.3	61.6	61.9	62.3
State (Community) College Cap. Impr.Fees	36.3	37.2	38.1	39.0	39.9	40.8	41.7	42.7	43.7	44.8
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	3,554.8	3,968.9	4,075.7	3,408.9	3,070.9	2,932.1	2,844.4	3,003.1	3,013.9	3,013.9
Other Sources	-	-	-	-	-	-	-	-	-	-
Total State Revenue Available	\$ 63,936.8	\$ 65,525.1	\$ 66,686.4	\$ 67,488.5	\$ 68,680.7	\$ 70,141.8	\$ 71,666.8	\$ 73,356.4	\$ 74,932.6	\$ 76,388.7
Change in Revenue Projection	\$ 689.6	\$ 134.4	\$ 119.4	\$ 39.3	\$ (11.6)	\$ 32.1	\$ 44.0	\$ (86.2)	\$ (217.7)	\$ (495.2)
Percentage Change in Revenue Projection	1.1%	0.2%	0.2%	0.1%	0.0%	0.0%	0.1%	-0.1%	-0.3%	-0.6%