LEGISLATIVE
BUDGET
COMMISSION

JD Alexander, Chair

Denise Grimsley, Vice-Chair

LBC MEETING PACKET
Wednesday, September 12, 2012
11:00 AM
412 Knott

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Duplicate materials will not be available.)**

LEGISLATIVE BUDGET COMMISSION AGENDA

Wednesday, September 12, 2012
11:00 AM
412 Knott

Members

Senator JD Alexander	**Representative Denise Grimsley**
Senator Don Gaetz	**Representative Charles Chestnut**
Senator Joe Negron	**Representative Ed Hooper**
Senator Nan Rich	**Representative Mike Horner**
Senator Garrett Richter	**Representative Matt Hudson**
Senator Gary Siplin	**Representative Darryl Rouson**
Senator Stephen Wise	**Representative Robert Schenck**

		Page #
I.	Presentation of the Draft Long-Range Financial Outlook by Amy Baker, Coordinator, Office of Economic and Demographic Research	1
II.	Public Testimony on the Draft Long-Range Financial Outlook	
III.	Consideration of Long-Range Financial Outlook	
IV.	Consideration of the following budget amendments:	
	A. Office of Early Learning EOG #B2013-0189	119
	B. Department of Economic Opportunity EOG #B2013-0186	122
	C. Department of Transportation EOG #W2013-0024 EOG #W2013-0028	127
	D. Division of Emergency Management EOG #B2013-0190	140
	E. Agency for Health Care Administration EOG #O2013-0061	146
	F. Department of Children and Family Services EOG #B2013-0193 EOG #B2013-0197 EOG #B2013-0194	147
	G. Department of Corrections EOG #B2013-0096	163
V.	Other Business	

State of Florida
Long-Range Financial Outlook
Fiscal Year 2013-14 through 2015-16

DRAFT

Fall 2012 Report

As Proposed to the Legislative Budget Commission

Jointly prepared by the following:
The Senate Committee on Budget
The House Appropriations Committee
The Legislative Office of Economic and Demographic Research

Table of Contents

Long-Range Financial Outlook

What is the Outlook?

In 2006, Florida voters adopted a constitutional amendment that requires the development of a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15th of each year. The 2012 Outlook is the sixth document developed in accordance with the provisions of Article III, Section 19(c)(1) of the Florida Constitution.

Ultimately, the Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. In this regard, the projections primarily reflect current-law spending requirements and tax provisions. It also includes budgetary, economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: in this version, 2013-14, 2014-15, and 2015-16. It does this by using anticipated revenues and expenditures in the current year (2012-13) as the starting point.

THE OUTLOOK DOES <u>NOT</u> PURPORT TO PREDICT THE OVERALL FUNDING LEVELS OF FUTURE STATE BUDGETS OR THE FINAL AMOUNT OF FUNDS TO BE ALLOCATED TO THE RESPECTIVE BUDGET AREAS. THIS IS BECAUSE VERY FEW ASSUMPTIONS ARE MADE REGARDING FUTURE LEGISLATIVE POLICY DECISIONS OR DISCRETIONARY SPENDING, MAKING THIS DOCUMENT SIMPLY A REASONABLE BASELINE. IN THIS REGARD, ALL FUNDS REMAINING AFTER THE BUDGET DRIVERS AND OTHER KEY ISSUES ARE FULLY FUNDED FOR THAT YEAR ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.

Who produced it?

The Outlook was jointly developed by the Senate Committee on Budget, the House Appropriations Committee, and the Legislative Office of Economic and Demographic Research.

How was the Outlook developed?

- All major programs that have historically driven significant increases in the State's budget like Medicaid and the Florida Education Finance Program, as well as constitutional requirements such as Class Size Reduction, were reviewed and individually analyzed.

- Forecasts of future workload and enrollment increases were developed for each of the major cost drivers using a variety of methods including projections from Consensus Estimating Conferences and historical funding averages. An additional round of Summer Estimating Conferences was established specifically to facilitate the availability of up-to-date information.

- Costs were applied to the projected workload requirements based on recent legislative budget decisions.

- Exceptional funding needs—the fiscal impact of special issues outside of normal workload and caseload requirements—were identified and addressed when necessary for state operations.

- The various cost requirements were then aggregated by major fund type and compared to revenue estimates for those funds.

Understanding the Outlook

- The Outlook contains budget drivers that are grouped by policy areas that roughly correspond to the Appropriations Bill format required by the constitution. Also included are separate sections for Potential Constitutional Issues, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections and the Census, Debt Analysis and a comparison of costs versus revenues.

- The descriptions for the various budget drivers contain projections for the applicable major state-supported programs, an identification of the assumptions behind the projections, and a description of any significant policy issues associated with the projections.

- Emphasis is placed on recurring programs, those programs that the state is expected or required to continue from year to year.

- Estimates for several ongoing programs historically funded with nonrecurring funds are also included in the Outlook. Even though funded with nonrecurring funds, these programs are viewed as annual "must funds" by most legislators and are therefore identified as major cost drivers.

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (lottery and slots proceeds devoted to education), the State School Trust Fund and the Tobacco Settlement Trust Fund. Other trust funds have been estimated and discussed in the areas where they are relevant to the expenditure forecast.

- All revenue projections include recurring and nonrecurring amounts.

- The tables used to project fund balances (General Revenue, Educational Enhancement, State School, and Tobacco Settlement) include estimates for both anticipated revenue collections and expenditures. They summarize the information contained and discussed in the rest of the document.

- Budget drivers have been categorized as either "*Critical Needs*" (mandatory increases based on estimating conferences, and other essential needs) and "*Other High Priority Needs*" (historically funded issues). *Critical Needs* can be thought of as the absolute minimum the state must do absent significant law or structural changes, and *Other High Priority Needs* in combination with the *Critical Needs* form a highly conservative continuation budget.

- For the purposes of this Outlook, prior expenditures from depleted trust funds have been redirected to the General Revenue Fund when the underlying activities are ongoing in nature.

- Fiscal strategies are discussed when necessary to close a projected budget gap. They demonstrate the impact of varying policy decisions on the baseline projection. When deployed, the unique assumptions used for these scenarios are not built into the rest of the Outlook.

The Current Year, Showing Deployed Strategies

A budget gap is the potential shortfall between revenues and expenditures in an upcoming fiscal year. As used in the Long-Range Financial Outlook, it is not a known deficit as that term is statutorily defined, but rather an indicator that significant policy changes are needed to balance future appropriations with revenues as constitutionally required. When the 2011 Long-Range Financial Outlook was first developed, no budget gaps were identified during the forecast period—for the first time since the adoption of the constitutional amendment requiring the development of Long-Range Financial Outlooks. However, the August 2011 plummet in consumer confidence (see the section entitled *Florida Economic Outlook* for additional detail) ultimately caused significant adjustments to the revenue forecasts for both the 2011-12 and 2012-13 fiscal years. As the Fall Conference Season progressed (used for the Governor's budget recommendations), a gap was created of nearly $1.2 billion for Fiscal Year 2012-13, entirely from reduced revenues. By the January conference, expenditures and revenues improved slightly, and the final gap facing the Legislature was just over $1 billion.

Closing the Budget Gap for 2012-13

Comparing to 2011 Long-Range Financial Outlook (LRFO)

NOTE: Component parts may not sum to the total due to rounding.

			(millions)	
Pre-Session...		**REC**	**N/R**	**TOTAL**
LRFO 2011	Funds Available - LRFO 2011	25271.5	1545.5	26817.0
	2012-13 Base Budget + Annualizations	22784.3	0.0	22784.3
	Critical Needs - LRFO 2011	1623.9	33.5	1657.4
	Other High Priorities - LRFO 2011	625.1	261.8	886.9
	Transfer to Budget Stabilization Fund	0.0	214.5	214.5
	Planned Reserve (Unallocated General Revenue)	0.0	1000.0	1000.0
	ORIGINAL BUDGET GAP - LRFO 2011	**238.2**	**35.6**	**273.8**
Oct 2011	Changes to 2011-12 Revenue and Funds Available	0.0	-406.6	-406.6
	Changes to 2011-12 Budget and Projected Deficits	0.0	63.0	63.0
	Conference Adjustments to 2012-13 Revenue	-964.2	9.4	-954.8
	Conference Adjustments to 2012-13 Expenditures	45.3	0.0	45.3
	ADJUSTED BUDGET GAP - OCTOBER 2011	**-771.3**	**-424.6**	**-1195.9**
Jan 2012	Changes to 2011-12 Revenue and Funds Available	0.0	46.0	46.0
	Changes to 2011-12 Budget and Projected Deficits	0.0	2.4	2.4
	Conference Adjustments to 2012-13 Revenue	-54.7	34.8	-19.9
	Conference Adjustments to 2012-13 Expenditures	-163.0	0.0	-163.0
	FINAL BUDGET GAP - January 2012	**-663.0**	**-346.1**	**-1009.1**

As work commenced on the 2012-13 General Appropriations Act, steps were taken to close the gap. Compared to the $26,425.4 million in estimated expenditures identified in the original Long-Range Financial Outlook and subsequent updates, the final effective General Appropriations Act for 2012-13, substantive bills with appropriations and the planned reserve equaled only $26,053.2 million, a difference of just over $372 million. Combined with revenue adjustments, these savings produced $111.3 million more than was required to close the gap—including the planned reserve balance for General Revenue. In terms of gap shares, 63.1 percent of the adjustment came on the revenue side, and 36.9 percent of the adjustment came from reduced expenditures. The final Post-Session Outlook showed a reserve of $1,120.4 million.

Session 2012 Actions to Close Gap...

		REC	N/R (millions)	TOTAL
Revenues	Changes to 2011-12 Carry Forward (including deficits)	0.0	-212.4	-212.4
	Final Measures Affecting Revenue	-148.4	241.6	93.2
	SB 1998 Transfer from STTF to GR	0.0	200.0	200.0
	Transfers from Trust Funds	0.0	556.0	556.0
	Adjustments to LFRO Funds Available	-148.4	785.3	636.9
	Improved General Revenue---Percent of Final Adjustments			63.1%
Budget	Final Effective Appropriations Plus Final Reserve	24560.5	1492.7	26053.2
	Estimated Expenditures from LRFO Plus All Adjustments	24915.6	1509.8	26425.4
	Adjustments to LRFO Estimated Expenditures & Reserve	-355.1	-17.1	-372.2
	Reduced Expenditures---Percent of Final Adjustments			36.9%
	FINAL Adjustments	**206.7**	**802.4**	**1009.1**

NOTE: Final General Revenue Reserve Balance (millions) **1120.4**

The final General Revenue reserve balance has since increased by $457.3 million, largely from greater than expected 2011-12 revenue collections (+$407.1 million minus $9.3 million in reduced transfers from trust funds). The remainder of the increase (+$59.5 million) came from net changes to revenues and appropriations for the 2012-13 fiscal year. The balance is now projected to be $1,577.7 million for the fiscal year. Combined with the $708.1 million in the Budget Stabilization Fund and approximately $426.1 million that is available in the Lawton Chiles Endowment Fund[1], the total across all sources that are traditionally mentioned as reserves is $2,711.9 million or 10.5 percent of General Revenue collections for Fiscal Year 2012-13.

[1] The June 30, 2012 market value of the Lawton Chiles Endowment Fund was $776.1 million; however, Section 132 of the General Appropriations Act for 2012-13 requires the transfer of $350 million to the General Revenue Fund. The market value is always dependent on market conditions.

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Following the January General Revenue Estimating Conference, underlying collections ran above the adopted estimate from January through June. After making post-session adjustments, Fiscal Year 2011-12 ended with a $407.1 million gain to the forecast or about 1.75 percent above the estimate for the year.

- The Revenue Estimating Conference met on August 9, 2012, to revise the General Revenue forecast. While Fiscal Year 2011-12 ended above estimate, the reasons for the gains experienced by the various sources were mixed, with many sources benefitting from one-time events rather than exhibiting underlying strength. In addition, the national and Florida economic outlooks were moderately weaker for the 2013-14 and 2014-15 fiscal years, with downside risks in the near term. Taking both factors under consideration, the Revenue Estimating Conference made only modest adjustments to a variety of tax sources, and these changes largely offset each other. For Fiscal Year 2012-13, expected revenues were marginally increased by $31.5 million or about one-tenth of one percent above the earlier forecast—mostly to recognize the gains seen in Sales Tax collections. For Fiscal Year 2013-14, expected revenues were decreased by $5.3 million from the earlier forecast. The growth rates for Fiscal Year 2014-15 and Fiscal Year 2015-16 were lowered to 4.9% from 5.6% and to 4.6% from 4.7%, respectively.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27074.8				8.4%
2006-07	26404.1				-2.5%
2007-08	24112.1				-8.7%
2008-09	21025.6				-12.8%
2009-10	21523.1				2.4%
2010-11	22551.6				4.8%
2011-12	23211.7	23618.8	407.1	1067.2	4.7%
2012-13	24600.1	24631.6	31.5	1012.8	4.3%
2013-14	25878.0	25872.7	(5.3)	1241.1	5.0%
2014-15	27328.2	27141.4	(186.8)	1268.7	4.9%
2015-16	28601.0	28394.0	(207.0)	1252.6	4.6%

*The Post-Session forecast simply updated the January 2012 forecast for Measures Affecting Revenue.

- The last official Financial Outlook Statement for the General Revenue Fund was adopted August 9, 2012, by the Revenue Estimating Conference. There were several changes that altered the bottom line from the post-session outlook results.

- The *Funds Available for 2011-12* were increased to account for the higher than anticipated revenue collections.

- The *Funds Available for 2012-13* were adjusted upward to account for the results of the revenue estimating conferences that were held during the Summer Conference Season. There were also several budget amendments and appropriations placed in reserve that affected effective appropriations.

- The *Funds Available for 2013-14, 2014-15 and 2015-16* were adjusted downward to account for the results of the revenue estimating conferences that were held during the Summer Conference Season

- The Long-Range Financial Outlook contains one additional adjustment: funds have been set-aside in Fiscal Year 2012-13 to address current-year operating deficits identified since the release of the last official Financial Outlook Statement for the General Revenue Fund. In total, the impact is $27.4 million—$1.9 million to offset the projected deficit in the Voluntary Prekindergarten Education program, $16.5 million to offset the projected deficit in the Temporary Assistance for Needy Families program, and $9.1 million to offset the projected uncovered need for match related to Tropical Storm Debby.

- For the second time since the adoption of the constitutional amendment requiring the development of Long-Range Financial Outlooks, sufficient funds exist to meet all Critical and Other High Priority Needs identified for the three years contained in the Outlook.

- The revenue sources for the Educational Enhancement Trust Fund will have modest growth after the 2013-14 fiscal year. Because of a significant carry forward of unspent funds from Fiscal Year 2012-13 ($101.1 million), the trust fund will have more funds available for expenditure in Fiscal Year 2013-14 than in 2012-13—but less than 2013-14 in Fiscal Years 2014-15 and 2015-16.

- The Tobacco Settlement Trust Fund will have little long-term growth. Essentially, the trust fund will have the same overall level of funding available each year.

- The State School Trust Fund will have modest growth after the 2013-14 fiscal year. Because of a significant carry forward of unspent funds from Fiscal Year 2012-13 ($27.4 million), the trust fund will have more funds available for expenditure in Fiscal Year 2013-14 than in Fiscal Years 2014-15 and 2015-16.

- Reserves have been created for each of the three major trust funds. The amounts have been calculated by applying a percentage to each of their revenue estimates that is roughly equal to the $1 billion retained for the General Revenue Fund as a percentage of its estimate for Fiscal Year 2013-14.

B. Key Aspects of the Expenditure Demands

- Critical Needs are mandatory increases based on estimating conferences and other essential items. The twenty-two Critical Needs drivers represent the minimum cost to fund the budget without significant programmatic changes. For the General Revenue Fund, the greatest burden occurs in Fiscal Year 2013-14.

- The twenty-five Other High Priority Needs drivers are historically funded issues that are typically viewed as "must funds" in normal budget years. Like the Critical Needs, the greatest General Revenue burden occurs in the first year.

DOLLAR VALUE OF CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	FY 2013-14	FY 2014-15	FY 2015-16
Total Tier 1 - Critical Needs	573.7	522.6	219.6
Total - Other High Priority Needs	1016.8	711.6	795.0
Total Tier 2 - Critical and Other High Priority Needs	1590.5	1234.2	1014.6

- For each year, the Other High Priority Needs represent a greater percentage of the total needs than do the Critical Needs. Critical Needs have the greatest share of the total in Fiscal Year 2014-15, but still less than 50 percent. This may allow the Legislature to have greater flexibility in putting together future budgets.

PERCENTAGE OF TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

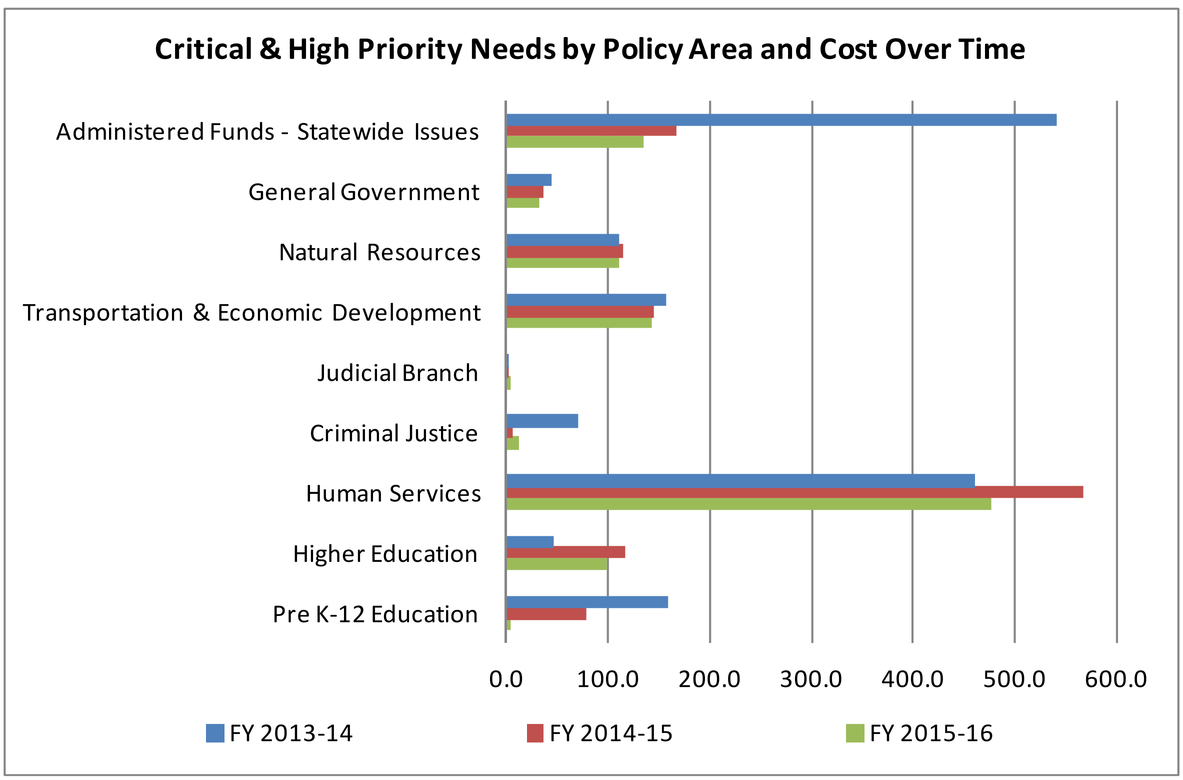
GENERAL REVENUE FUND	FY 2013-14	FY 2014-15	FY 2015-16
Total Tier 1 - Critical Needs	36.1%	42.3%	21.6%
Total - Other High Priority Needs	63.9%	57.7%	78.4%
Total Tier 2 - Critical and Other High Priority Needs	100.0%	100.0%	100.0%

- Not only are the projected expenditures for Critical and Other High Priority Needs different over time, but the various policy areas also differ in their resource demands by year. Most areas are relatively balanced in magnitude over time, but the Pre K-12 Education policy area has dramatically different needs across the three years as the ad valorem tax roll changes. Still other areas have much larger needs in the first year (Criminal Justice and Administered Funds – Statewide

Issues), and then reduced needs for new drivers in the later years—although the recurring effects of the first year's drivers continue throughout the three years contained in the Outlook. In the first year of the Criminal Justice policy area, this pattern is caused by the restoration of anticipated privatization savings—and in the first year of the Administered Funds – Statewide Issues policy area, the pattern is caused by the unfunded actuarial liability. Finally, the Human Services area experiences a sharp increase in the second year as the Other High Priority Needs driver for continuing the rate increase for primary care practitioners takes effect.

DOLLAR VALUE OF
CRITICAL AND OTHER HIGH PRIORITY NEEDS BY POLICY AREA

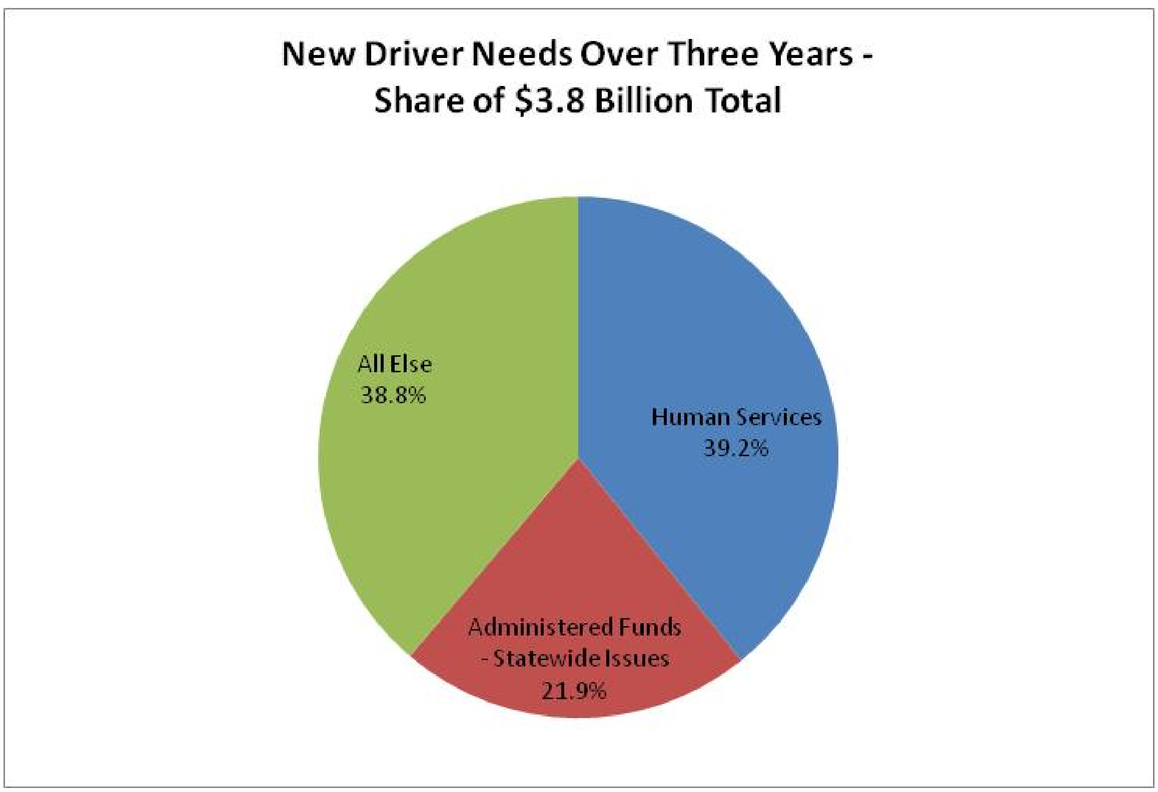
POLICY AREAS	FY 2013-14	FY 2014-15	FY 2015-16
Pre K-12 Education	158.2	79.5	4.2
Higher Education	45.9	117.0	97.8
Human Services	461.8	568.2	476.5
Criminal Justice	69.9	6.5	11.5
Judicial Branch	1.3	1.3	5.1
Transportation & Economic Development	157.1	144.5	142.7
Natural Resources	110.1	114.3	110.8
General Government	45.0	36.0	31.5
Administered Funds - Statewide Issues	541.2	166.9	134.5
Total New Issues	1,590.5	1,234.2	1,014.6



- Another method of analyzing the projected expenditures for Critical and Other High Priority Needs is to look at the percentage of the total represented by each policy area. Like last year, only two policy areas have double-digit percentages of the total in all three years of the Outlook: the Human Services policy area and the Administered Funds – Statewide Issues area. Adding the three years together, they represent 61.2 percent of the total $3.8 billion need (39.2 percent for Human Services, and 21.9 percent for Administered Funds – Statewide Issues). These areas are staying steady in terms of their future need for new driver dollars.

POLICY AREA PERCENTAGE OF
TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

POLICY AREAS	FY 2013-14	FY 2014-15	FY 2015-16
Pre K-12 Education	9.9%	6.4%	0.4%
Higher Education	2.9%	9.5%	9.6%
Human Services	29.0%	46.0%	47.0%
Criminal Justice	4.4%	0.5%	1.1%
Judicial Branch	0.1%	0.1%	0.5%
Transportation & Economic Development	9.9%	11.7%	14.1%
Natural Resources	6.9%	9.3%	10.9%
General Government	2.8%	2.9%	3.1%
Administered Funds - Statewide Issues	34.0%	13.5%	13.3%
Total New Issues	100.0%	100.0%	100.0%



- The Medicaid Program driver is the single largest Critical Needs driver in all three years of the Outlook. Broadening the scope to look across all drivers, it represents 18.0 percent, 29.3 percent and 26.5 percent of total Critical and Other High Priority Needs, respectively. However, when Other High Priority Needs drivers are included, the Unfunded Actuarial Liability Driver becomes the single largest driver in Fiscal Year 2013-14—and the 2015-16 FEFP Workload and Enrollment driver in Other High Priority Needs is virtually equal to the Medicaid Driver.

C. Putting the Revenues and Expenditure Demands Together – Key Findings

- Fiscal Year 2013-14

  - Total General Revenue available for appropriation is $27,517.7 million.

  - The base budget, repayment of the Budget Stabilization Fund and the Lawton Chiles Endowment Fund, and Critical Needs funded with General Revenue are estimated to cost $25,429.6 million. Including a holdback for a reserve balance of $1 billion grows the total expenditure need to $26,429.6 million. This figure grows to a total of $27,446.4 million when the Other High Priority Needs are included.

  - There are more recurring program needs than there are available recurring dollars by $240.5 million. This is less than one percent of the available General Revenue dollars.

  - Combined, recurring and nonrecurring General Revenue program needs – with a minimum reserve of $1 billion – are less than the available General Revenue dollars, meaning there is no budget gap for Fiscal Year 2013-14. The anticipated expenditures (including the reserve) can be fully funded.

  - Fiscal Strategies will not be required; the budget is in balance as constitutionally required and is growing more slowly than available revenues.

  - An additional balance of $71.3 million would be available to roll over to the next fiscal year.

[SEE TABLE ON FOLLOWING PAGE]

OUTLOOK PROJECTION – FISCAL YEAR 2013-14 *(in millions)*			
	RECURRING	NON-RECURRING	TOTAL
AVAIL GR	**$25,563.8**	**$1,953.9**	**$27,517.7**
Base Budget	$24,623.2	$0.0	$24,623.2
Transfer to Lawton Chiles Endowment Fund	$0.0	$18.2	$18.2
Transfer to Budget Stabilization Fund	$0.0	$214.5	$214.5
Critical Needs	$484.6	$89.1	$573.7
High Priority	$696.5	$320.3	$1,016.8
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL	**$25,804.3**	**$1,642.1**	**$27,446.4**
BALANCE	**($240.5)**	**$311.8**	**$71.3**

- Fiscal Years 2014-15 and 2015-16:

  - Fiscal Year 2014-15 and Fiscal Year 2015-16 both show projected budget needs within the available revenue for Critical and Other High Priority Needs, including the set-aside of a $1 billion reserve in each year.

D. Analyzing the Result

Legislative actions during the 2011 and 2012 Sessions to close the projected budget gaps through *recurring* means positively impacted the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years were constrained by the amount of recurring expenditure reductions taken in Fiscal Year 2011-12 and Fiscal Year 2012-13. This has greatly improved the Long-Range Financial Outlook's bottom line.

- *Critical Needs*
  No fiscal strategies are needed since there is no budget gap, and the reserve is fully funded for all years of the Outlook.

- *Critical and Other High Priority Needs*
  No fiscal strategies are needed; however, the positive budget outlook is heavily reliant on the projected balance forward levels being available and the $1 billion reserve not being used. If more than $71.3 million of the projected carry forward amount of $1,550.2 million from Fiscal Year 2012-13 becomes unavailable for

any reason, a budget gap will develop in 2013-14. An unanticipated reduction in the forecast for General Revenue or emergency expenditures related to a disaster could both produce this result. Similarly, if a reduction occurred of more than $53.5 million in Fiscal Year 2014-15 or more than $594.0 million in Fiscal Year 2015-16, budget gaps would develop which would also affect the subsequent years.

LONG RANGE FINANCIAL OUTLOOK FOR GENERAL REVENUE

TIER 1 ISSUES - CRITICAL NEEDS

$1 BILLION RESERVE - NO FISCAL STRATEGIES

($ MILLIONS)

		FY 2012-13			FY 2013-14			FY 2014-15			FY 2015-16		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,000.1	1,000.1	0.0	1,550.2	1,550.2	0.0	1,088.1	1,088.1	0.0	2,478.4	2,478.4
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	Revenue Estimate	24,150.6	481.0	24,631.6	25,564.0	308.7	25,872.7	26,975.0	166.4	27,141.4	28,401.8	(7.8)	28,394.0
5	Non-operating Funds	(0.2)	95.0	94.8	(0.2)	95.0	94.8	(1.2)	95.0	93.8	(1.2)	95.0	93.8
6	SB1998 transfer from STTF to GR	0.0	200.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Transfer From Trust Funds	0.0	565.3	565.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	**Total Funds Available**	**24,150.4**	**2,341.4**	**26,491.8**	**25,563.8**	**1,953.9**	**27,517.7**	**26,973.8**	**2,349.5**	**29,323.3**	**28,400.6**	**3,565.6**	**31,966.2**
9													
10	**Estimated Expenditures:**												
11	Recurring Base Budget				24,559.6	0.0	24,559.6	25,107.8	0.0	25,107.8	25,554.6	0.0	25,554.6
12	Annualizations				63.6	0.0	63.6						
13													
14	**New Issues by GAA Section:**												
15	Section 2 - Pre K-12 Education	9,641.6	44.4	9,686.0	158.2	0.0	158.2	(87.7)	0.0	(87.7)	(255.3)	0.0	(255.3)
16	Section 2 - Higher Education	3,234.3	(248.7)	2,985.7	(74.8)	15.0	(59.8)	(9.5)	15.0	5.5	(30.9)	15.0	(15.9)
17	Section 3 - Human Services	7,562.4	84.4	7,646.8	307.7	0.0	307.7	369.4	0.0	369.4	280.1	0.0	280.1
18	Section 4 - Criminal Justice	3,111.7	19.4	3,131.1	0.0	0.0	0.0	6.5	0.0	6.5	11.5	0.0	11.5
19	Section 7 - Judicial Branch	319.2	10.0	329.1	0.0	0.0	0.0	0.0	0.0	0.0	3.8	0.0	3.8
20	Section 5 & 6 - Transportation & Economic Development	66.4	135.5	201.9	0.0	16.6	16.6	0.0	3.3	3.3	0.0	2.2	2.2
21	Section 5 - Natural Resources	157.8	47.8	205.6	0.0	32.0	32.0	0.0	32.0	32.0	0.0	32.0	32.0
22	Section 6 - General Government	218.5	38.9	257.4	0.0	25.5	25.5	1.2	25.5	26.7	1.2	25.5	26.7
23	Section 2 & 6 - Administered Funds - Statewide Issues	247.7	26.0	273.7	93.5	0.0	93.5	166.9	0.0	166.9	134.5	0.0	134.5
24	**Total New Issues**				484.6	89.1	573.7	446.8	75.8	522.6	144.9	74.7	219.6
25													
26	Approved Budget Amendments		12.8	12.8									
27	Appropriations Placed in Reserve		(30.5)	(30.5)									
28	Current Year Operating Deficits and Emergency Disaster Funding		27.4	27.4									
29	Transfer to Lawton Chiles Endowment					18.2	18.2						
30	Transfer to Budget Stabilization Fund		214.5	214.5		214.5	214.5		214.5	214.5		214.5	214.5
31													
32	**Total Estimated Expenditures**	**24,559.6**	**382.0**	**24,941.6**	**25,107.8**	**321.8**	**25,429.6**	**25,554.6**	**290.3**	**25,844.9**	**25,699.5**	**289.2**	**25,988.7**
33	Reserves					1,000.0	1,000.0		1,000.0	1,000.0		1,000.0	1,000.0
34	**Ending Balance**	**(409.2)**	**1,959.4**	**1,550.2**	**456.0**	**632.1**	**1,088.1**	**1,419.2**	**1,059.2**	**2,478.4**	**2,701.1**	**2,276.4**	**4,977.5**

LONG RANGE FINANCIAL OUTLOOK FOR GENERAL REVENUE

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

$1 BILLION RESERVE - NO FISCAL STRATEGIES

($ MILLIONS)

		FY 2012-13			FY 2013-14			FY 2014-15			FY 2015-16		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,000.1	1,000.1	0.0	1,550.2	1,550.2	0.0	71.3	71.3	0.0	53.5	53.5
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	Revenue Estimate	24,150.6	481.0	24,631.6	25,564.0	308.7	25,872.7	26,975.0	166.4	27,141.4	28,401.8	(7.8)	28,394.0
5	Non-operating Funds	(0.2)	95.0	94.8	(0.2)	95.0	94.8	(1.2)	95.0	93.8	(1.2)	95.0	93.8
		0.0	200.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Transfer From Trust Funds	0.0	565.3	565.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**Total Funds Available**	**24,150.4**	**2,341.4**	**26,491.8**	**25,563.8**	**1,953.9**	**27,517.7**	**26,973.8**	**1,332.7**	**28,306.5**	**28,400.6**	**1,140.7**	**29,541.3**
8													
9	**Estimated Expenditures:**												
10	Base Budget				24,559.6	0.0	24,559.6	25,804.3	0.0	25,804.3	26,718.2	0.0	26,718.2
11	Annualizations				63.6	0.0	63.6						
12													
13	**New Issues by GAA Section:**												
14	Section 2 - Pre K-12 Education	9,641.6	44.4	9,686.0	158.2	0.0	158.2	79.5	0.0	79.5	4.2	0.0	4.2
15	Section 2 - Higher Education	3,234.3	(248.7)	2,985.7	30.9	15.0	45.9	102.0	15.0	117.0	82.8	15.0	97.8
16	Section 3 - Human Services	7,562.4	84.4	7,646.8	415.6	46.2	461.8	551.9	16.3	568.2	460.2	16.3	476.5
17	Section 4 - Criminal Justice	3,111.7	19.4	3,131.1	27.3	42.6	69.9	6.5	0.0	6.5	11.5	0.0	11.5
18	Section 7 - Judicial Branch	319.2	10.0	329.1	0.0	1.3	1.3	0.0	1.3	1.3	3.8	1.3	5.1
19	Section 5 & 6 - Transportation & Economic Development	66.4	135.5	201.9	0.0	157.1	157.1	0.0	144.5	144.5	0.0	142.7	142.7
20	Section 5 - Natural Resources	157.8	47.8	205.6	5.1	105.0	110.1	5.9	108.4	114.3	3.9	106.9	110.8
21	Section 6 - General Government	218.5	38.9	257.4	2.8	42.2	45.0	1.2	34.8	36.0	1.2	30.3	31.5
22	Section 2 & 6 - Administered Funds - Statewide Issues	247.7	26.0	273.7	541.2	0.0	541.2	166.9	0.0	166.9	134.5	0.0	134.5
23	**Total New Issues**				1,181.1	409.4	1,590.5	913.9	320.3	1,234.2	702.1	312.5	1,014.6
24													
25	Approved Budget Amendments		12.8	12.8									
26	Appropriations Placed in Reserve		(30.5)	(30.5)									
27	Current Year Operating Deficits and Emergency Disaster Funding		27.4	27.4									
28	Transfer to Lawton Chiles Endowment					18.2	18.2						
29	Transfer to Budget Stabilization Fund		214.5	214.5		214.5	214.5		214.5	214.5		214.5	214.5
30													
31	**Total Estimated Expenditures**	**24,559.6**	**382.0**	**24,941.6**	**25,804.3**	**642.1**	**26,446.4**	**26,718.2**	**534.8**	**27,253.0**	**27,420.3**	**527.0**	**27,947.3**
32	Reserves					1,000.0	1,000.0		1,000.0	1,000.0		1,000.0	1,000.0
33	**Ending Balance**	**(409.2)**	**1,959.4**	**1,550.2**	**(240.5)**	**311.8**	**71.3**	**255.6**	**(202.1)**	**53.5**	**980.3**	**(386.3)**	**594.0**

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	FY 2012-13			FY 2013-14			FY 2014-15			FY2015-16		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	77.1	77.1	0.0	101.1	101.1	0.0	60.1	60.1	0.0	60.1	60.1
Revenue Estimate	1,545.2	-43.9	1,501.3	1,555.8	0.0	1,555.8	1,577.7	0.0	1,577.7	1,600.4	0.0	1,600.4
Non-operating Funds	3.0	10.8	13.8	3.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0	3.0
Total Funds Available	**1,548.2**	**44.0**	**1,592.2**	**1,558.8**	**101.1**	**1,659.9**	**1,580.7**	**60.1**	**1,640.8**	**1,603.4**	**60.1**	**1,663.5**
Estimated Expenditures:												
Base Budget				1,491.1	0.0	1,491.1	1,599.8	0.0	1,599.8	1,580.7	0.0	1,580.7
Increase/Decrease				108.7	0.0	108.7	-19.1	0.0	-19.1	22.7	0.0	22.7
Total Estimated Expenditures	**1,491.1**	**0.0**	**1,491.1**	**1,599.8**	**0.0**	**1,599.8**	**1,580.7**	**0.0**	**1,580.7**	**1,603.4**	**0.0**	**1,603.4**
Ending Balance	**57.1**	**44.0**	**101.1**	**-41.0**	**101.1**	**60.1**	**0.0**	**60.1**	**60.1**	**0.0**	**60.1**	**60.1**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	FY 2012-13			FY 2013-14			FY 2014-15			FY2015-16		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	79.0	79.0	0.0	27.4	27.4	0.0	6.9	6.9	0.0	6.9	6.9
Transfers from Abandoned Property TF	164.1	0.6	164.7	178.5	0.0	178.5	187.5	0.0	187.5	197.1	0.0	197.1
Non-operating Funds	3.8	0.0	3.8	3.8	0.0	3.8	3.8	0.0	3.8	3.8	0.0	3.8
Total Funds Available	**167.9**	**79.6**	**247.5**	**182.3**	**27.4**	**209.7**	**191.3**	**6.9**	**198.2**	**200.9**	**6.9**	**207.8**
Estimated Expenditures:												
Base Budget				169.4	0.0	169.4	202.8	0.0	202.8	191.3	0.0	191.3
Increase/Decrease				33.4	0.0	33.4	-11.5	0.0	-11.5	9.6	0.0	9.6
Total Estimated Expenditures	**169.4**	**50.7**	**220.1**	**202.8**	**0.0**	**202.8**	**191.3**	**0.0**	**191.3**	**200.9**	**0.0**	**200.9**
Ending Balance	**-1.5**	**28.9**	**27.4**	**-20.5**	**27.4**	**6.9**	**0.0**	**6.9**	**6.9**	**0.0**	**6.9**	**6.9**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	FY 2012-13			FY 2013-14			FY 2014-15			FY2015-16		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	4.8	4.8	0.0	0.8	0.8	0.0	12.6	12.6	0.0	25.4	25.4
Revenue Estimate	365.4	0.0	365.4	367.0	0.0	367.0	368.9	0.0	368.9	372.0	0.0	372.0
Non-operating Funds	8.3	0.0	8.3	9.1	0.0	9.1	9.1	0.0	9.1	9.1	0.0	9.1
Total Funds Available	**373.7**	**4.8**	**378.5**	**376.1**	**0.8**	**376.9**	**378.0**	**12.6**	**390.6**	**381.1**	**25.4**	**406.5**
Estimated Expenditures:												
Base Budget				377.7	0.0	377.7	364.3	0.0	364.3	365.2	0.0	365.2
Increase/Decrease				-13.4	0.0	-13.4	0.9	0.0	0.9	1.5	0.0	1.5
Total Estimated Expenditures	**377.7**	**0.0**	**377.7**	**364.3**	**0.0**	**364.3**	**365.2**	**0.0**	**365.2**	**366.7**	**0.0**	**366.7**
Ending Balance	**-4.0**	**4.8**	**0.8**	**11.8**	**0.8**	**12.6**	**12.8**	**12.6**	**25.4**	**14.4**	**25.4**	**39.8**

Significant Risks to the Forecast

While the Long-Range Financial Outlook uses the most current estimates and data available, there are risks that have the potential of altering key assumptions (both positively and negatively) were they to come to pass. Some of the more significant issues are described below; however, they are not included in the official projections used in the rest of the Outlook.

Deepwater Horizon Oil Spill

On April 20, 2010, an offshore drilling platform, Deepwater Horizon, exploded fifty (50) miles off the coast of Louisiana and set off the worst oil spill in U.S. history. The well was temporarily capped on July 15, 2010 and fully sealed on August 4, 2010. The federal government declared the well "effectively dead" on September 19, 2010.

The National Incident Command estimates that 4.9 million barrels were spilled before the well was capped (with 4.1 million barrels released into the environment), making the Deepwater Horizon spill nineteen (19) times larger than the estimate for the Exxon Valdez disaster. Oil from the Deepwater Horizon spill was first spotted in Florida waters on June 4, 2010. Approximately 170 miles of Florida's coast have received oil, with tar balls continuing to wash ashore in certain parts of Northwest Florida.

As of the Long-Range Financial Outlook's publication deadline, the extent of any persistent or long-term economic and environmental effects from the spill remains unknown. Based on the experience of the Exxon Valdez disaster, some of the spill's effects may remain unknown for years.

Unlike hurricanes where past experience has created proficiency in predicting the likely path and magnitude of the economic consequences, the upper and lower bounds for reasonable scenarios are just now becoming discernible for the oil spill. These circumstances dictate building the overall estimate from the bottom up—from the individual components—over time. In this regard, the Attorney General's Office has undertaken a different approach than the one described in the Outlook last year. The Office has recently retained an outside legal team as co-counsel to help prepare and submit the State's economic claims against BP. Whether there will be one claim or multiple claims and the date(s) of submission are yet to be determined. This means that the timing of the State's receipt of claim payments from BP is also unknown, and no projections have been included in this Outlook.

Some external measures of the oil spill's impact on Florida are already available. One of these measures comes from the now-closed Gulf Coast Claims Facility (GCCF), the entity that acted on behalf of BP to fulfill its responsibilities under the Oil Pollution Act of 1990. The April 20, 2012 report shows that 103,164 unique Florida claimants received a total of just over \$2.7 billion. The payments were distributed among sixty-six of the state's sixty-seven counties, with residents of seven counties receiving in excess of $100 million each—the highest being Okaloosa at $569.7 million. Local governments in Florida have also received over $13 million from BP for lost revenues due to the oil spill.

Florida Hurricane Catastrophe Fund and Citizen's Property Insurance

Florida's financial stability is vulnerable to the potential impacts of natural disasters, especially major hurricanes. This vulnerability can take several different forms, but one of the most immediate is to the state's long-term financial health.

Besides the direct tax-supported or self-supported debt normally undertaken by the state, Florida also has indirect debt. Indirect debt is that which is not secured by traditional state revenues or is the primary obligation of a legal entity other than the state. A major component of the indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and Citizen's Property Insurance Corporation's (Citizen's) ability to pay possible future hurricane losses. According to the 2011 Debt Affordability Report prepared by the Division of Bond Finance, these special purpose insurance entities represented $9.9 billion or 62 percent of total indirect debt.

For the 2012 storm season, the Florida Hurricane Catastrophe Fund's (FHCF) maximum statutory obligation comprised of mandatory and selected optional coverage is up to $17.205 billion based on $29.6 billion in industry losses. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects liquidity of $8.56 billion in projected cash by December 2012. Given recent financial market conditions, it is estimated the FHCF would be able to borrow approximately $7 billion during the next 12 months if a large event occurs during the contract year. This would provide available liquidity and bonding potential of approximately $15.56 billion, which is $1.645 billion below the $17.205 maximum claims-paying obligation.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2012 contract year was approximately $21.0 billion. Of this amount, $17 billion is mandatory coverage, and $4.0 billion is optional coverage. Of the maximum optional coverage, $3.795 billion in capacity was not selected by insurers. Only $205 million was selected out of the $4 billion for Temporary Increase in Coverage Limit (TICL). The $17.205 billion in capacity selected translates to an approximate 1 in 40.9 year event (2.44% probability) or an event that causes $29.6 billion in industry losses.

For the 2012 storm season, Citizen's probable maximum loss for a 100-year storm event is $24 billion. Citizen's currently has claims paying ability of approximately $19.7 billion consisting of $6.2 billion surplus, $5.1 billion pre-event financing, $750 million from private market reinsurance, $750 million from non-traditional private reinsurance/catastrophe bonds, and $6.9 billion FHCF reimbursements. In addition, Citizen's has the ability to levy broad-based assessments to support financing.

With the ongoing national credit crisis and the overall economic environment, the ability of these quasi-governmental insurance entities to fulfill their financial responsibilities in the event of major hurricanes is highly dependent upon market conditions at the time that bonds would need to be issued. Though the FHCF and Citizen's serve significant roles in Florida's property insurance market, their ultimate dependence on public assessments and access to credit markets may expose the state to much greater potential financial liability for hurricane-related costs.

Litigation Against the State

Numerous lawsuits against the state exist at any point in time and some have the capacity to disrupt specific programs and services and to force changes and adjustments to any financial outlook. These lawsuits relate to a broad cross-section of the state's activities including, but not limited to, education funding, environmental matters, Medicaid, the Florida Retirement System (FRS), agricultural programs and state revenue sources. The state's Comprehensive Annual Financial Report (Note 16) contains a list of those legal matters which have significant associated loss contingencies.

In addition, a summary of the claimed fiscal impact of significant litigation filed against the state is annually reported by the agencies in their legislative budget request. Significant litigation includes only cases where the amount claimed is more than $1 million and cases challenging significant statutory policies. In some cases, those summaries are based on the amount claimed by the plaintiffs, which is typically higher than the amount to which the plaintiffs would actually be entitled to if they won.

Administrative Liabilities

The State of Florida has an ongoing liability associated with the underlying cost of compensated absences. As of June 30, 2011, the State of Florida had 167,787 established positions in various personnel systems.[2] These state employment systems include the State Personnel System, the State University System, the Justice Administration System, the State Courts System, the Legislature, the Florida Lottery, and other pay plans such as the Governor's Office, the School for the Deaf and the Blind, and the Florida National Guard.

The state's financial statements prepared by the Chief Financial Officer report a liability for compensated absences that describe paid time off made available to employees in connection with regular leave, sick leave, and similar benefits. For financial reporting purposes, compensated absences are limited to leave that is attributable to services already rendered and is not contingent on a specific event outside the control of the employer and employee. The state's liability for such compensated absences is reported in Note 10, Changes in Long Term Liabilities, in the State's financial statements which are commonly referred to as the Comprehensive Annual Financial Report (CAFR).[3] The

[2] See Fiscal Year 2010-2011 Annual Workforce Report, Department of Management Services.
[3] Note 10, 2011 Florida Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2011 (http://www.myfloridacfo.com/aadir/statewide_financial_reporting/1entirecafr11.pdf).

CAFR separately distinguishes liabilities for governmental activities (all governmental funds and internal service funds), business-type activities (or enterprise funds which include the Florida Turnpike Enterprise, the Lottery, the Florida Hurricane Catastrophe Fund, the Florida Prepaid College Program, and the Unemployment Compensation Fund), and discretely presented component units (state universities and community colleges).

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 16 and 34, the liability for compensated absences is calculated on both a short term and long term basis. The long term calculation reflects the compensated absences liability that would result if all employees were to separate from the State. The short term calculation (due within one year) is calculated using the current and two previous fiscal years actual compensated absences that were used by current employees or were paid out as employees separated from the State. The three-year average of the annual percentage of actual used and paid compensated absences to the total amount calculated for the long term liability is used to determine the short term liability. The short term and long term liabilities for compensated absences, as reported in the CAFR, as of June 30, 2011, are:

Compensated Absences	Balance 6/30/2011*	Due Within One Year* (Current)
Governmental Activities	$819,383	$220,542 [4]
Business-type Activities	$20,499	$4,937
Component Units	$673,288	$78,524
Total:	$1,513,170	$304,003

* in thousands

No separate appropriation is made for payment of compensated leave. Currently, these obligations are paid out of existing agency appropriations on an annual basis. Therefore, this liability is not included as a specific driver in the Outlook.

<u>Low Income Pool</u>

The Low Income Pool was established by the state effective July 1, 2006, as part of the five-year Medicaid Reform pilot project authorized by federal waiver and section 409.91211, Florida Statutes. The purpose of the Low Income Pool (LIP) is to ensure continued government support of health care services to the uninsured, underinsured, and Medicaid populations. The LIP consists of a capped annual allotment of $1 billion. These funds may be used for health care expenditures such as medical care costs or premiums incurred by the state, hospitals, clinics, or other provider types for uncompensated medical care, as well as for augmenting Medicaid funds. Local governments, such as counties, hospital taxing districts, and other state agencies (e.g.

[4] Actual cash payouts for employees separating from state employment for Fiscal Year 2010-2011 totaled $68.8 million based on data provided by the Department of Financial Services, August 2012.

Florida Department of Health) provide funding for the nonfederal share of the $1 billion in LIP distributions.

The Medicaid Reform pilot project waiver was originally set to expire on July 1, 2011, but was extended by the federal government until July 1, 2014, at the request of the state. Part IV of chapter 409, Florida Statutes, directs the Agency for Health Care Administration to seek additional federal waiver authority to maintain a LIP beyond the extension of the original waiver and provides for continued LIP funding based on intergovernmental transfers (IGT) from counties, municipalities, and special taxing districts, along with federal matching funds. Medicaid providers eligible for LIP funding under such new waiver authority may include hospitals, primary care providers, and primary care access systems for the purpose of supporting enhanced access to health care services by offsetting shortfalls in Medicaid reimbursement, paying for otherwise uncompensated care, and financing coverage for the uninsured.

Florida's LIP funding may change significantly beginning in Fiscal Year 2014-15, based on several factors, including whether federal waiver authority will be granted beyond the current waiver expiration, the special terms and conditions that could accompany additional waiver authority, and whether IGT funding remains available through donations made by counties, municipalities, and special taxing districts. The federal Centers for Medicare & Medicaid Services (CMS) has indicated an intention to discontinue all state supplemental Medicaid funding pools like Florida's LIP by January 1, 2014, while allowing the current LIP to continue until July 1, 2014. The possibility of a diminished LIP or the loss of the LIP altogether presents a risk for state Medicaid funding; however, the extent of the potential impact is indeterminate.

Medically Needy Program

The Medically Needy program is authorized under section 409.904(2), Florida Statutes, and provides a mechanism for individuals with high medical costs to receive Medicaid coverage even though they do not qualify for Medicaid due to having too much income. To qualify for Medically Needy, an individual must provide copies of medical bills to the Department of Children and Families (DCF) each month to indicate the individual has met a required "share of cost." DCF is responsible for tracking the bills and notifying the individual when they become eligible. Coverage begins on the day of the month in which the share of cost is met and ends on the last day of that month. Eligibility is determined on a month-to-month basis. Medically Needy does not include long-term care services, home and community-based services, or assistive care services. General Revenue expenditures for the program in Fiscal Year 2012-13 are estimated at $403.2 million.

Medically Needy recipients are currently excluded from enrollment in Medicaid managed care plans. However, part IV of chapter 409, Florida Statutes, directs the Agency for Health Care Administration (AHCA) to begin enrolling Medically Needy recipients into managed care plans as part of the Medicaid managed medical assistance program. Federal waiver authority for the program is currently being sought, and pending that waiver authority, AHCA could begin enrolling Medically Needy recipients into managed care plans during Fiscal Year 2013-14.

Under the managed medical assistance program, after an individual qualifies for Medically Needy, the recipient will continue paying a share of cost in the form of monthly premiums for managed care plan enrollment. The AHCA will pay the remainder of the premium not covered by the recipient's share of cost. Recipients who pay their share of the monthly premium will have 12 months of continuous enrollment. Recipients who fail to pay their share of the monthly premium will be provided with a 90-day grace period before being disenrolled.

The possibility that Medically Needy recipients might not pay premiums while remaining enrolled and receiving services for 90 days creates a risk. The risk has a cost continuum starting at zero, when assuming all premiums are paid, up to a loss by the managed care plans of an estimated ($97.8 million) per year, when assuming no premiums are paid. While the loss would technically be borne by the managed care plans, it is indeterminate the extent to which the state may require plans to bear this risk and the extent to which the federal government will provide waiver authority for the new Medically Needy program.

Federal Health Care Reform

While the Long-Range Financial Outlook uses the most current estimates and data available, it makes only limited assumptions regarding future legislative policy decisions or discretionary spending—and those are based on past legislative action. Some of the more significant decisions facing the legislature are described below with their effects on the rest of the Outlook.

Overview

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) was signed into law on March 23, 2010, and was amended one week later by the Health Care and Education Reconciliation Act of 2010. Collectively, the two pieces of legislation are referred to herein as PPACA, and that reference will be used throughout this document. PPACA is an omnibus health insurance reform law that alters numerous aspects of commercial insurance as well as government programs that provide health coverage. The law creates many new requirements not previously addressed by federal law that pose fiscal impacts and risks for the state. By doing so, PPACA will significantly affect several areas of state expenditures, although the extent and manner of those impacts will vary depending on state decisions regarding participation and implementation. Some effects will take place regardless of state action.

Health Insurance Mandate

PPACA contains an individual mandate for most U.S. citizens and legal residents to have health care coverage by January 2014 and imposes a tax penalty on individuals who fail to comply, unless they are exempt from the mandate due to factors such as low income and financial hardship. To make commercial coverage more affordable for persons earning between 100 percent and 400 percent of the federal poverty level (FPL), PPACA offers income-based incentives to offset the cost of paying health insurance premiums and subsidies to defray the cost-sharing aspects of having coverage.

Employer Requirements

PPACA imposes health coverage requirements on employers with 50 or more full-time employees. Effective January 2014, PPACA assesses such employers that do not offer coverage and have at least one full-time employee who receives a health insurance premium credit, with a fee of $2,000 per full-time employee, excluding the first 30 employees from the assessment. Employers with 50 or more full-time employees that offer coverage but have at least one full-time employee receiving federal assistance, will pay the lesser of $3,000 for each employee receiving a premium credit or $2,000 for each full-time employee, excluding the first 30 employees from the assessment. The law will require employers that offer coverage and have more than 200 full-time employees to automatically enroll new full-time employees into a health insurance plan offered by the employer, and, in order to waive such employer coverage, those employees will have to proactively opt out. For purposes of these requirements, a “full-time employee” is an employee who works an average of at least 30 hours per week.

Medicaid

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income elderly, disabled, or families with dependent children. Medicaid is jointly funded by the state with federal matching funds.

PPACA modifies the basis for determining Medicaid eligibility and—as passed—called for states to expand eligibility to all persons with incomes up to 138 percent of the federal poverty level (FPL), effective January 1, 2014, in order for states to continue receiving federal Medicaid funds. Initially, this new eligibility group would be funded at a match rate of 100 percent federal funds, but the federal match would phase down over time to 90 percent beginning in January 2020. The phase-down of the federal match would begin in January 2017. PPACA’s federal match rates apply only to Medicaid recipients who become eligible solely due to PPACA’s new income thresholds. Expenditures for recipients who qualify for Medicaid under the state's preexisting eligibility parameters would draw the traditional federal match rate, which in Florida is 57.73 percent for Fiscal Year 2012-13 and is forecast at 58.62 percent for Fiscal Year 2013-14.

U.S. Supreme Court Ruling

PPACA was the subject of several lawsuits that sought to have the law stricken based upon constitutional grounds. PPACA was largely ruled constitutional by the U.S. Supreme Court on June 28, 2012, except for the law's requirement for Medicaid expansion, which was ruled by the court to be an unconstitutional coercion by the federal government. As such, based on the court's ruling, the law's requirement for states to expand Medicaid eligibility to 138 percent of the FPL in January 2014 has effectively been rendered optional. However, PPACA's mandate for most U.S. citizens and legal residents to have health care coverage was upheld by the court, as were PPACA’s fees to be assessed on employers as described above.

Impacts on Medicaid

PPACA could affect the state's Medicaid caseloads and expenditures in at least the following ways:

1. Under Florida's current Medicaid program, income thresholds for most Medicaid eligibility groups are significantly less than 138 percent of the FPL. If the state chooses to fully implement PPACA's new eligibility standards, Medicaid caseloads would resultantly begin increasing in January 2014 and would include previously uninsured individuals as well as persons likely to terminate their preexisting health coverage after becoming eligible for Medicaid (a.k.a. “crowd out”). Medicaid expenditures would increase correspondingly; however, the federal government would cover 100 percent of the costs for recipients who become eligible solely due to PPACA’s new standards, but only until January 2017. See below for the federal

match for such recipients during and beyond the Outlook's forecast years. While there would be long-term costs to the state from a decision to participate in the expansion program, they would not directly affect the Outlook period.

Calendar Year	Federal Match for Expansion Population
2014	100%
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
2020	90%

2. PPACA requires states to increase Medicaid reimbursement rates for primary care services provided by primary care practitioners to 100 percent of the Medicare reimbursement rate during calendar years 2013 and 2014. The match rate for this increase is 100 percent federally funded for those two calendar years. That is, the federal government will fund 100 percent of the difference between Medicare rates and the state's preexisting rates during 2013 and 2014. The Supreme Court ruling does not address this issue; therefore the rate increase is not optional for the state during this period. As such, this requirement will increase total Medicaid expenditures beginning January 1, 2013, through December 31, 2014, thereby impacting the Outlook's forecast years. Since this increase is not optional, the impact has been included in the Critical Needs section of the Outlook as Driver #9. In addition, the Outlook includes Driver #31 in Other High Priority Needs to continue the rate increase beyond the mandatory period for the existing program—see discussion under Risks in this section.

The following estimates represent the potential effects on the Medicaid program to fully implement PPACA's optional Medicaid eligibility standards (138 percent of FPL) in the forecast years as agreed upon by the August 14, 2012 Social Services Estimating Conference. The estimates include assumptions as to how the potentially eligible populations will present for services as well as timeframes for the phase-in of the new beneficiaries. The estimates do not include costs associated with individuals who are eligible for Medicaid under the current state standards but are not enrolled. While the conference believes that added expenditures to the existing program are likely under the PPACA provisions, only the state's maximum exposure can be estimated.

The following tables represent estimated increases to the Medicaid[5] program resulting from the optional expansion and the associated cost of continuing the primary care practitioners' rate increase for the duration of the Outlook period for this population. In

[5] The impact to the Kidcare program is shown separately. Kidcare is the state's children's health insurance program provided under the federal Children's Health Insurance Program (CHIP) - Title XXI of the Social Security Act.

addition, costs are shown for the total program (existing and optional) if the expansion were implemented. For estimates that do not include the optional effects of PPACA, see Driver #9 in the Critical Needs section of the Outlook.

Medicaid Caseload Estimates Including Optional Medicaid Expansion

	2012-13	2013-14	2014-15	2015-16
Medicaid Caseload (Existing Program)	3,317,084	3,465,110	3,568,625	3,668,488
Title XIX: Expansion to 138%		397,030	603,255	679,686
Title XIX: Crowd Out		66,250	132,501	165,626
Title XIX: Kidcare Transfer		64,753	65,094	67,138
*Total Optional Medicaid Expansion**		528,033	800,850	912,450
Total Caseload	**3,317,084**	**3,993,143**	**4,369,475**	**4,580,938**
Total Incremental Increase		676,059	376,332	211,463
Percent		20.38%	9.42%	4.84%
Incremental Increase Due to Optional Expansion		528,033	272,817	111,600
Percent Increase Due to Optional Expansion			51.67%	13.94%

*NOTE: Reflects Medicaid program impact only; does not include the offset in the Kidcare program.

Medicaid Program Expenditure Estimate for Optional Expansion*
(dollars in millions)

	2012-13	2013-14	2014-15	2015-16
State Revenue		$16.3	$33.0	$34.4
Incremental Increase		$16.3	$16.7	$1.4
Percent			102.52%	4.31%
Federal Match		$940.9	$2,917.8	$3,336.1
Incremental Increase		$940.9	$1,977.0	$418.3
Percent			210.12%	14.34%
Total Increase		$957.2	$2,950.8	$3,370.5
Incremental Increase		$957.2	$1,993.6	$419.8
Percent			208.29%	14.23%

*NOTE: Increases in state Medicaid expenditures represent Kidcare children moving into Medicaid and the associated cost of continuing the primary care practitioners' rate increase for the duration of the Outlook period for this population. The corresponding decreases in state Kidcare expenditures are shown on a separate table.

Total Medicaid Program Expenditure Estimate Including Optional Medicaid Expansion
(dollars in millions)

	Fiscal Year 2012-13***	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
*State Revenue**	$9,511.3	$9,908.5	$10,337.3	$10,645.2
Increase		$397.2	$428.8	$307.9
Percent Increase		4.18%	4.33%	2.98%
*Federal Match***	$11,534.9	$14,110.2	$16,399.3	$17,090.9
Increase		$2,575.3	$2,289.1	$691.6
Percent Increase		22.33%	16.22%	3.81%
Total Expenditures	$21,046.2	$24,018.7	$26,736.6	$27,736.1
Increase		$2,972.5	$2,717.9	$999.5
Percent Increase		14.12%	11.32%	3.74%

* Includes state General Revenue and other available sources for the state's share.

** Federal match in this table includes funds for the primary care rate increase applied during fiscal years 2013-14 and beyond.

*** Base budget adjusted for nonrecurring funds and annualizations.

As described above, PPACA requires the federal government to pay 100 percent of the costs for Medicaid recipients who become eligible solely due to PPACA's new eligibility standards through calendar year 2016, which covers all of the Outlook's forecast years. State revenue will be required to cover part of those costs beginning in Fiscal Year 2016-17. **The required state match for the non-Kidcare transfer population in Fiscal Year 2016-17 is estimated to be $79.2 million and grows to $278.2 million by Fiscal Year 2019-20 when the state becomes responsible for 10 percent of those costs on January 1, 2020.**

Impacts on Kidcare

Kidcare is the state's children's health insurance program provided under the federal Children's Health Insurance Program (CHIP) - Title XXI of the Social Security Act. The Kidcare program provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the federal poverty level ($46,100 for a family of four in 2012). CHIP is a federal and state matching program. For Fiscal Year 2012-13, the state participation for Florida is 29.70 percent and the federal participation is 70.30 percent.

PPACA could affect the state's Kidcare caseloads and expenditures in at least the following ways:

1. Currently, children in low-income families may be eligible for Kidcare without also qualifying for Medicaid. If the state chooses to adopt the PPACA's expanded Medicaid eligibility standards, some number of those children will become Medicaid eligible and will therefore lose eligibility for Kidcare. This would result in a decrease in caseload and expenditures in Kidcare during the

forecast years relative to the program's estimates found in the Critical Needs section.

2. PPACA provides for an increase in the Kidcare federal match. Effective October 1, 2015, the federal government's participation will increase by 23 percentage points, up to a maximum of 100 percent, which will result in a decrease in the state's Kidcare expenditures in the forecast years relative to the program's estimates found in the Critical Needs section.

Estimated Kidcare Caseloads Decrease* Due to Optional Medicaid Expansion

	2012-13	2013-14	2014-15	2015-16
Caseload Decrease	-	(64,753)	(65,094)	(67,138)
Incremental Decrease		(64,753)	(341)	(2,044)
Percent			(0.53%)	(3.14%)

* These decreases represent Kidcare enrollees becoming Medicaid eligible under the optional expansion and transferring into Medicaid.

Total Kidcare Caseload Estimates Including Optional Medicaid Expansion Impact

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Caseload	302,996	248,004	257,762	267,059
Incremental Change		(54,992)	9,758	9,297
Percent		(18.15%)	3.93%	3.61%

Estimated Decreases in Kidcare Expenditures Due to Optional Medicaid Expansion**
(dollars in millions)

	2012-13	2013-14	2014-15	2015-16
*State Share***	-	($16.3)	($32.3)	($33.1)
Incremental Decrease		($16.3)	($16.0)	($0.8)
Percent			98.71%	2.38%
Federal Match	-	($39.8)	($80.5)	($83.2)
Incremental Decrease		($39.8)	($40.6)	($2.8)
Percent			102.01%	3.44%
Total Decrease	-	($56.1)	($112.8)	($116.4)
Incremental Decrease		($56.1)	($56.7)	($3.5)
Percent			101.05%	3.14%

* All state share funds, including GR, Tobacco and premiums.

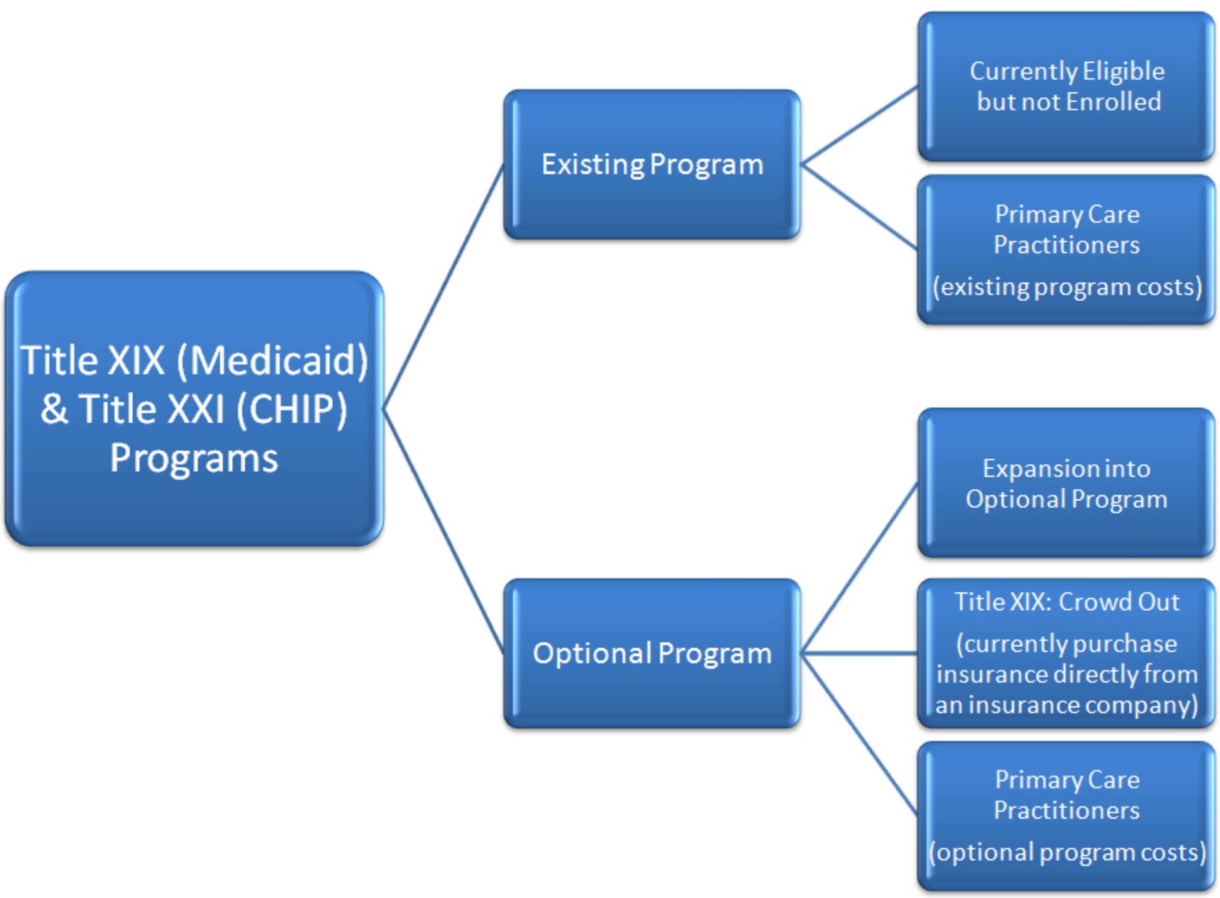
** These decreases represent Kidcare enrollees becoming Medicaid eligible under the optional expansion and transferring into Medicaid.

Kidcare Program Expenditure Estimates Under Optional Medicaid Expansion (dollars in millions)

	Fiscal Year 2012-13*	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
State Share	$171.3	$151.3	$145.7	$155.9
Increase		($20.0)	($5.6)	$10.2
Percent Increase		(11.68%)	(3.70%)	7.01%
Federal Match	$359.3	$332.5	$316.7	$340.5
Increase		($26.8)	($15.8)	$23.8
Percent Increase		(7.45%)	(4.75%)	7.52%
Total Expenditures	$530.6	$483.9	$462.5	$496.5
Increase		($46.8)	($21.4)	$34.0
Percent Increase		(8.82%)	(4.42%)	7.36%

* Base budget adjusted for nonrecurring funds and annualizations.

The chart below illustrates the PPACA's potential impact points on the existing Medicaid and CHIP (Kidcare) programs and those that would materialize under the optional Medicaid expansion.



Impacts on State Group Health Insurance Program

PPACA affects every employer-sponsored health plan, including the state employee health insurance program.

Several PPACA provisions with potential employer impact that have already been implemented, or are in the process of being implemented, for the state employee health insurance program include:

1. Elimination of overall lifetime plan maximums,
2. Removal of annual limits for essential health benefits,
3. Elimination of preexisting condition exclusions for children under age 19,
4. Patient-centered outcome research institute fees (phased-in at $1 or $2 per participant), and
5. Expanded coverage for employees' adult children to age 26 without regard to dependency.

Additional major PPACA changes, most of which are effective January 1, 2014, include:

1. Imposition of pharmaceutical industry fees, imposition of a 2.3 percent excise tax on medical devices and health insurance industry fees,
2. Elimination of all preexisting condition limitations,
3. Implementation of a "shared responsibility" provision requiring employers to offer affordable coverage that meets minimum standards to "full time" employees (those who work an average of 30 or more hours per week) or face potentially significant penalties, and
4. Imposition of an individual mandate to maintain coverage or face a penalty.

One future PPACA impact that should be highlighted is the treatment of employees paid from Other Personal Services (OPS). Current state law specifically excludes OPS employees from participating in the state employee health insurance program. However, under PPACA, the state will be required to extend health insurance coverage to all of its "full-time" employees or be subject to a significant penalty. Assuming that any OPS employee meets the definition of "full-time" under the federal law, the state would be subject to a penalty of $312.6 million annually if the prohibition remains and OPS employees are not offered insurance coverage meeting the minimum requirements of federal law. The estimated penalty was determined by multiplying $2,000 by the number of "full-time" employees participating in the state employee health insurance program. In lieu of paying the federal penalty, the state may allow OPS employees that are considered "full-time" employees under federal law to participate in the program. This change would result in increased premium revenues and increased expenses for the state employee health insurance program.

The Self-Insurance Estimating Conference impact adopted August 20, 2012, provides the total costs to the state employee health insurance program. A significant portion of these costs is borne by the state; however, the remainder is covered through employee paid premium contributions. The state share of these costs is reflected in the table below and in Driver #22 in the Critical Needs section of the Outlook (i.e., the employee paid premium contributions required of persons who participate in the state employee health insurance program are excluded).

Projected Costs to the State Employee Health Insurance Program from PPACA Provisions Effective on or After July 1, 2013
(dollars in millions)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
General Revenue	$30.4	$73.8	$79.8
Trust Funds	$15.0	$39.8	$43.4
Total	$45.4	$113.6	$123.2

Risks

Aside from the expenditures estimated above, PPACA poses certain risks that could increase expenditures in a number of ways:

1. As discussed above, PPACA requires states, during calendar years 2013 and 2014, to increase Medicaid reimbursement rates for primary care services provided by primary care practitioners to 100 percent of the Medicare reimbursement rate. For those two calendar years, the increase is 100 percent federally funded. The required increase expires on January 1, 2015, as does the 100 percent federal match. Beyond calendar year 2014, the increase could be funded under either the traditional federal match (for recipients eligible under the state's preexisting standards) or the PPACA federal match (for recipients eligible solely due to the PPACA's eligibility standards in states that expand Medicaid). If the state continues with the increase beyond calendar year 2014, state General Revenue expenditures would be impacted beginning in Fiscal Year 2014-15, regardless of whether the state chooses to expand Medicaid. The costs to continue this increase for the existing program is included in the Health Services Driver #31 as a need in fiscal years 2014-15 and 2015-16.

2. Under the state's current eligibility standards, certain individuals are eligible for Medicaid or Kidcare but fail to enroll. It is estimated that approximately 20.3 percent of Floridians who are currently eligible for Medicaid are not enrolled in the program. Due to PPACA's individual coverage mandate and efforts to have everyone covered, it is possible that some number of these eligible-but-not-enrolled individuals will enroll in Medicaid or Kidcare at higher levels than would normally enroll without the mandate. This creates a fiscal risk, and the effect could happen regardless of whether the state chooses to expand Medicaid. However, the effect could be mitigated by PPACA's exemptions from the mandate for individuals who meet certain low-income criteria. Additionally, soon after the Supreme Court ruling, the federal Secretary of Health and Human

Services indicated that for individuals who do not qualify for a specific low-income exemption from the health insurance mandate, the federal government intends to exercise PPACA's "financial hardship" provision and establish any hardship exemption that may be needed. Under those circumstances, it is indeterminate the extent to which the individual mandate could create an increase in Medicaid or Kidcare enrollment of persons who were previously eligible but not enrolled, especially if they are exempt from the mandate. For any such persons who do enroll in Medicaid, however, the federal match will be calculated under the traditional methodology as opposed to PPACA's higher federal match.

3. PPACA requires the creation of a health insurance "exchange" in each state for the purpose of providing a centralized resource and mechanism to assist individuals and employers in the determination of eligibility and to purchase commercial health insurance coverage. States may, but are not required to, create and operate their own exchanges under federal parameters. States may also create "partnership exchanges" in which operational responsibility is shared with the federal government. In states that do not create a state-run or partnership exchange, PPACA provides that the federal government will operate the exchange. Federal grant funding is available to states for the creation of a state-run or partnership exchange, but states are not guaranteed to receive such grant funds and the amount of potential funding is indeterminate. If the state chooses to create a state-run or partnership exchange, there is a risk of incurring indeterminate costs to create the exchange infrastructure and to operate the exchange. For example, the State of California is creating a state-based exchange and recently awarded a contract to a third-party vendor valued at $359 million, comprising $183 million for initial development and implementation (to be completed by October 2013) and $176 million for continued development and operating costs over approximately three and a half years following implementation.[6] The State of Nebraska estimates that the cost of developing and implementing a state-based exchange will range from $61 million to $87 million, plus annual operating costs of $17.5 million.[7] If a state creates an exchange, the exchange is required to be financially self sufficient in terms of operating costs by January 1, 2015, via the imposition of taxes, user fees, or other assessments within the exchange and/or from outside the exchange.

4. PPACA requires states to make changes in the method for determining Medicaid eligibility. Specifically, PPACA requires that Medicaid eligibility be determined based on Modified Adjusted Gross Income (MAGI) as of January 2014, which differs from the state's current eligibility criteria. This change creates at least the following potential risks:

    - The costs of creating and implementing the information technology systems for a MAGI-based methodology could be significant, even with 90 percent

[6] National Conference of State Legislatures, *Patient Protection and Affordable Care Act: State Action Newsletter*, June 15, 2012, p. 1, available at http://www.ncsl.org/documents/health/ACANews35.pdf
[7] Nebraska Department of Insurance, *Presentation to the Banking, Commerce, and Insurance Committee*, July 19, 2012, p. 30, available at http://www.doi.ne.gov/healthcarereform/exchange/unicameral_presentation.pdf

of the costs paid by the federal government as provided in PPACA. For Fiscal Year 2012-13, $3.37 million in nonrecurring state funds and $30.3 million in nonrecurring federal funds were appropriated to begin development and implementation of an eligibility determination system for Medicaid and Kidcare that complies with applicable federal and state laws. A feasibility study, a cost-benefit analysis, and a recommendation from the Agency for Health Care Administration (AHCA) regarding certain upgrade options are due to the Legislative Budget Commission no later than December 1, 2012. The state's financial obligation for conducting the determination of eligibility could also be affected by the development of an exchange as a single source of coverage and eligibility determination.

- Changing the state's eligibility criteria to a MAGI-based system could impact the number of Medicaid recipients deemed eligible under the state's preexisting standards, as well as the health status of the overall Medicaid population. The new MAGI-based system would be designed to result in a comparable number of Medicaid recipients when processing applicants eligible under the state's preexisting standards, albeit with some degree of difference in the composition of the overall population, but it is unknown how comparable the numbers would actually be and to what degree the composition would differ.

5. If the state implements the regulatory aspects of the commercial health insurance provisions within PPACA by codifying those aspects in Florida law, the state's Office of Insurance Regulation (OIR) could need additional resources and state funding to an indeterminate extent. Under PPACA, the OIR could be required to coordinate regulatory functions related to health plan management with the federal Department of Health and Human Services (HHS); collect, analyze, and submit data and other reports to HHS; interface with the exchange in the performance of health plan management activities; and interface with health plans participating in the exchange, and possibly outside the exchange, for the submission and review of rates, forms, and other information. Furthermore, AHCA currently regulates quality of care provided by health maintenance organizations (HMOs) licensed in Florida. Before receiving a certificate of authority from the OIR, an HMO must establish an adequate network of providers and meet other AHCA requirements. If the Legislature codifies the regulatory provisions of PPACA, AHCA would be required to conduct more extensive evaluation of HMOs to determine whether they meet PPACA's network adequacy requirements. This would require the submission of HMO network data and evaluation of such data by AHCA on a periodic basis. The extent to which the federal government may provide financial support for such regulatory functions is unknown.

<u>Federal Guidance</u>

The analysis and estimates in the Outlook are based on language contained in PPACA itself and on federal rules and guidance issued to date. Many issues remain unresolved for which no federal guidance has been issued. Based on the final disposition of the federal government as to how various aspects of PPACA will be implemented and to the extent that such disposition differs from current understandings and assumptions, all PPACA estimates reflected in the Outlook could vary as those decisions become final prior to actual implementation.

Potential Constitutional Issues

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1 of each general election year in order to be eligible for ballot consideration. This has been interpreted to mean that all signatures have been certified by the local supervisors of election and that the other requirements for geographic distribution have been met by this date. For 2012, the required number of valid signatures is 676,811.

Section 15.21, Florida Statutes, further requires the Secretary of State to "immediately submit an initiative petition to the Attorney General and to the Financial Impact Estimating Conference" once the certified forms "equal...10 percent of the number of electors statewide and in at least one-fourth of the congressional districts required by s. 3, Art XI of the State Constitution." For the 2012 ballot, this means that there are at least 67,683 valid and qualifying signatures. Once an initiative petition is received, the Financial Impact Estimating Conference (FIEC) has 45 days to complete an analysis and financial impact statement to be placed on the ballot (s. 100.371, Florida Statutes).

In addition to the petition initiative process, the Legislature may directly place proposals on the ballot for consideration. This is accomplished through a joint resolution agreed to by three-fifths of the membership of each house of the Legislature. Formal financial impact statements are not required for legislative proposals.

For the 2012 General Election, no petition initiatives received the required signatures to be placed on the ballot; however, eleven constitutional proposals have been placed on the ballot by the Legislature. They are sequentially numbered 1 through 6, and 8 through 12.

Proposed Amendments for the 2012 Ballot

Initiative Name	Ballot # and Description
LEGISLATIVE... HEALTH CARE SERVICES	**Ballot # 1:** Proposing an amendment to the State Constitution to prohibit laws or rules from compelling any person or employer to purchase, obtain, or otherwise provide for health care coverage; permit a person or an employer to purchase lawful health care services directly from a health care provider; permit a health care provider to accept direct payment from a person or an employer for lawful health care services; exempt persons, employers, and health care providers from penalties and taxes for paying directly or accepting direct payment for lawful health care services; and prohibit laws or rules from abolishing the private market for health care coverage of any lawful health care service. Specifies that the amendment does not affect which health care services a health care provider is required to perform or provide; affect which health care services are

	permitted by law; prohibit care provided pursuant to general law relating to workers' compensation; affect laws or rules in effect as of March 1, 2010; affect the terms or conditions of any health care system to the extent that those terms and conditions do not have the effect of punishing a person or an employer for paying directly for lawful health care services or a health care provider for accepting direct payment from a person or an employer for lawful health care services; or affect any general law passed by two-thirds vote of the membership of each house of the Legislature, passed after the effective date of the amendment, provided such law states with specificity the public necessity justifying the exceptions from the provisions of the amendment. The amendment expressly provides that it may not be construed to prohibit negotiated provisions in insurance contracts, network agreements, or other provider agreements contractually limiting copayments, coinsurance, deductibles, or other patient charges.
LEGISLATIVE... VETERANS DISABLED DUE TO COMBAT INJURY; HOMESTEAD PROPERTY TAX DISCOUNT	**Ballot # 2:** Proposing an amendment to Section 6 of Article VII and the creation of Section 32 of Article XII of the State Constitution to expand the availability of the property discount on the homesteads of veterans who became disabled as the result of a combat injury to include those who were not Florida residents when they entered the military and schedule the amendment to take effect January 1, 2013.
LEGISLATIVE... STATE GOVERNMENT REVENUE LIMITATION	**Ballot # 3:** This proposed amendment to the State Constitution replaces the existing state revenue limitation based on Florida personal income growth with a new state revenue limitation based on inflation and population changes. Under the amendment, state revenues, as defined in the amendment, collected in excess of the revenue limitation must be deposited into the budget stabilization fund until the fund reaches its maximum balance, and thereafter shall be used for the support and maintenance of public schools by reducing the minimum financial effort required from school districts for participation in a state-funded education finance program, or, if the minimum financial effort is no longer required, returned to the taxpayers. The Legislature may increase the state revenue limitation through a bill approved by a super majority vote of each house of the Legislature. The Legislature may also submit a proposed increase in the state revenue limitation to the voters. The Legislature must implement this proposed amendment by general law. The amendment will take effect upon approval by the electors and will first apply to the 2014-2015 state fiscal year.
LEGISLATIVE... PROPERTY TAX LIMITATIONS; PROPERTY VALUE DECLINE; REDUCTION FOR	**Ballot # 4:** (1) This would amend Florida Constitution Article VII, Section 4 (Taxation; assessments) and Section 6 (Homestead exemptions). It also would amend Article XII, Section 27, and add Sections 32 and 33, relating to the Schedule for the amendments. (2) In certain circumstances, the law requires the assessed value of homestead and specified

NONHOMESTEAD ASSESSMENT INCREASES; DELAY OF SCHEDULED REPEAL	nonhomestead property to increase when the just value of the property decreases. Therefore, this amendment provides that the Legislature may, by general law, provide that the assessment of homestead and specified nonhomestead property may not increase if the just value of that property is less than the just value of the property on the preceding January 1, subject to any adjustment in the assessed value due to changes, additions, reductions, or improvements to such property which are assessed as provided for by general law. This amendment takes effect upon approval by the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012 general election, shall take effect January 1, 2013. (3) This amendment reduces from 10 percent to 5 percent the limitation on annual changes in assessments of nonhomestead real property. This amendment takes effect upon approval of the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012 general election, takes effect January 1, 2013. (4) This amendment also authorizes general law to provide, subject to conditions specified in such law, an additional homestead exemption to every person who establishes the right to receive the homestead exemption provided in the Florida Constitution within 1 year after purchasing the homestead property and who has not owned property in the previous 3 calendar years to which the Florida homestead exemption applied. The additional homestead exemption shall apply to all levies except school district levies. The additional exemption is an amount equal to 50 percent of the homestead property's just value on January 1 of the year the homestead is established. The additional homestead exemption may not exceed an amount equal to the median just value of all homestead property within the county where the property at issue is located for the calendar year immediately preceding January 1 of the year the homestead is established. The additional exemption shall apply for the shorter of 5 years or the year of sale of the property. The amount of the additional exemption shall be reduced in each subsequent year by an amount equal to 20 percent of the amount of the additional exemption received in the year the homestead was established or by an amount equal to the difference between the just value of the property and the assessed value of the property determined under Article VII, Section 4(d), whichever is greater. Not more than one such exemption shall be allowed per homestead property at one time. The additional exemption applies to property purchased on or after January 1, 2011, if approved by the voters at a special election held on the date of the 2012 presidential preference primary, or to property purchased on or after January 1, 2012, if approved by the voters at the 2012 general election. The additional exemption is not available in the sixth and subsequent years after it is first received. The amendment shall take effect upon approval by the voters. If approved at a special election held on the date of the 2012 presidential preference primary, it shall operate retroactively to January 1, 2012, or, if approved at the 2012

	general election, takes effect January 1, 2013. (5) This amendment also delays until 2023, the repeal, currently scheduled to take effect in 2019, of constitutional amendments adopted in 2008 which limit annual assessment increases for specified nonhomestead real property. This amendment delays until 2022 the submission of an amendment proposing the abrogation of such repeal to the voters.
LEGISLATIVE... STATE COURTS	**Ballot # 5:** Proposing a revision of Article V of the State Constitution relating to the judiciary. The State Constitution authorizes the Supreme Court to adopt rules for the practice and procedure in all courts. The constitution further provides that a rule of court may be repealed by a general law enacted by a two-thirds vote of the membership of each house of the Legislature. This proposed constitutional revision eliminates the requirement that a general law repealing a court rule pass by a two-thirds vote of each house, thereby providing that the Legislature may repeal a rule of court by a general law approved by a majority vote of each house of the Legislature that expresses the policy behind the repeal. The court could readopt the rule in conformity with the public policy expressed by the Legislature, but if the Legislature determines that a rule has been readopted and repeals the readopted rule, this proposed revision prohibits the court from further readopting the repealed rule without the Legislature's prior approval. Under current law, rules of the judicial nominating commissions and the Judicial Qualifications Commission may be repealed by general law enacted by a majority vote of the membership of each house of the Legislature. Under this proposed revision, a vote to repeal those rules is changed to repeal by general law enacted by a majority vote of the legislators present. Under current law, the Governor appoints a justice of the Supreme Court from a list of nominees provided by a judicial nominating commission, and appointments by the Governor are not subject to confirmation. This revision requires Senate confirmation of a justice of the Supreme Court before the appointee can take office. If the Senate votes not to confirm the appointment, the judicial nominating commission must reconvene and may not renominate any person whose prior appointment to fill the same vacancy was not confirmed by the Senate. For the purpose of confirmation, the Senate may meet at any time. If the Senate fails to vote on the appointment of a justice within 90 days, the justice will be deemed confirmed and will take office. The Judicial Qualifications Commission is an independent commission created by the State Constitution to investigate and prosecute before the Florida Supreme Court alleged misconduct by a justice or judge. Currently under the constitution, commission proceedings are confidential until formal charges are filed by the investigative panel of the commission. Once formal charges are filed, the formal charges and all further proceedings of the commission are public. Currently, the constitution authorizes the House of Representatives to impeach a justice or judge. Further, the Speaker of the House of Representatives may request, and the Judicial Qualifications

	Commission must make available, all information in the commission's possession for use in deciding whether to impeach a justice or judge. This proposed revision requires the commission to make all of its files available to the Speaker of the House of Representatives but provides that such files would remain confidential during any investigation by the House of Representatives and until such information is used in the pursuit of an impeachment of a justice or judge. This revision also removes the power of the Governor to request files of the Judicial Qualifications Commission to conform to a prior constitutional change. This revision also makes technical and clarifying additions and deletions relating to the selection of chief judges of a circuit and relating to the Judicial Qualifications Commission, and makes other nonsubstantive conforming and technical changes in the judicial article of the constitution.
LEGISLATIVE... PROHIBITION ON PUBLIC FUNDING OF ABORTIONS; CONSTRUCTION OF ABORTION RIGHTS	**Ballot # 6:** This proposed amendment provides that public funds may not be expended for any abortion or for health-benefits coverage that includes coverage of abortion. This prohibition does not apply to an expenditure required by federal law, a case in which a woman suffers from a physical disorder, physical injury, or physical illness that would place her in danger of death unless an abortion is performed, or a case of rape or incest. This proposed amendment provides that the State Constitution may not be interpreted to create broader rights to an abortion than those contained in the United States Constitution. With respect to abortion, this proposed amendment overrules court decisions which conclude that the right of privacy under Article I, Section 23 of the State Constitution is broader in scope than that of the United States Constitution.
LEGISLATIVE... RELIGIOUS FREEDOM	**Ballot # 8:** Proposing an amendment to the State Constitution to provide, consistent with the United States Constitution, that no individual or entity may be denied, on the basis of religious identity or belief, governmental benefits, funding, or other support and to delete the prohibition against using revenues from the public treasury directly or indirectly in aid of any church, sect, or religious denomination or in aid of any sectarian institution.
LEGISLATIVE... HOMESTEAD PROPERTY TAX EXEMPTION FOR SURVIVING SPOUSE OF MILITARY VETERAN OR FIRST RESPONDER	**Ballot # 9:** Proposing an amendment to the State Constitution to authorize the Legislature to provide by general law ad valorem homestead property tax relief to the surviving spouse of a military veteran who died from service- connected causes while on active duty or to the surviving spouse of a first responder who died in the line of duty. The amendment authorizes the Legislature to totally exempt or partially exempt such surviving spouse's homestead property from ad valorem taxation. The amendment defines a first responder as a law enforcement officer, a correctional officer, a firefighter, an emergency medical technician, or a paramedic. This

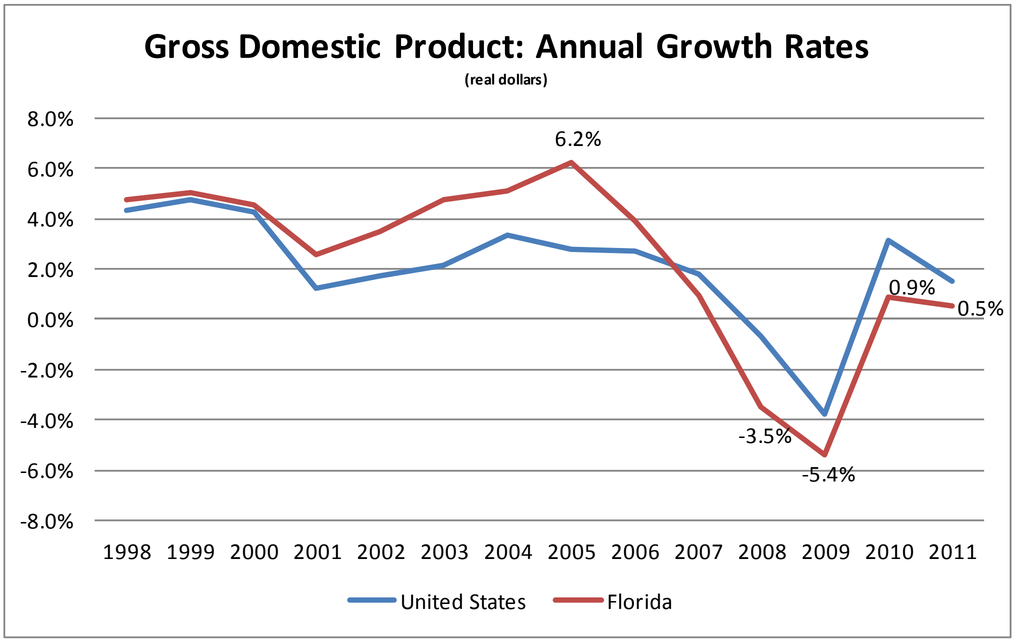
	amendment shall take effect January 1, 2013.
LEGISLATIVE... TANGIBLE PERSONAL PROPERTY TAX EXEMPTION	**Ballot # 10:** Proposing an amendment to the State Constitution to: (1) Provide an exemption from ad valorem taxes levied by counties, municipalities, school districts, and other local governments on tangible personal property if the assessed value of an owner's tangible personal property is greater than $25,000 but less than $50,000. This new exemption, if approved by the voters, will take effect on January 1, 2013, and apply to the 2013 tax roll and subsequent tax rolls. (2) Authorize a county or municipality for the purpose of its respective levy, and as provided by general law, to provide tangible personal property tax exemptions by ordinance. This is in addition to other statewide tangible personal property tax exemptions provided by the Constitution and this amendment.
LEGISLATIVE... ADDITIONAL HOMESTEAD EXEMPTION; LOW-INCOME SENIORS WHO MAINTAIN LONG-TERM RESIDENCY ON PROPERTY; EQUAL TO ASSESSED VALUE	**Ballot # 11:** Proposing an amendment to the State Constitution to authorize the Legislature, by general law and subject to conditions set forth in the general law, to allow counties and municipalities to grant an additional homestead tax exemption equal to the assessed value of homestead property if the property has a just value less than $250,000 to an owner who has maintained permanent residency on the property for not less than 25 years, who has attained age 65, and who has a low household income as defined by general law.
LEGISLATIVE... APPOINTMENT OF STUDENT BODY PRESIDENT TO BOARD OF GOVERNORS OF THE STATE UNIVERSITY SYSTEM	**Ballot # 12:** Proposing an amendment to the State Constitution to replace the president of the Florida Student Association with the chair of the council of state university student body presidents as the student member of the Board of Governors of the State University System and to require that the Board of Governors organize such council of state university student body presidents.

Florida Economic Outlook

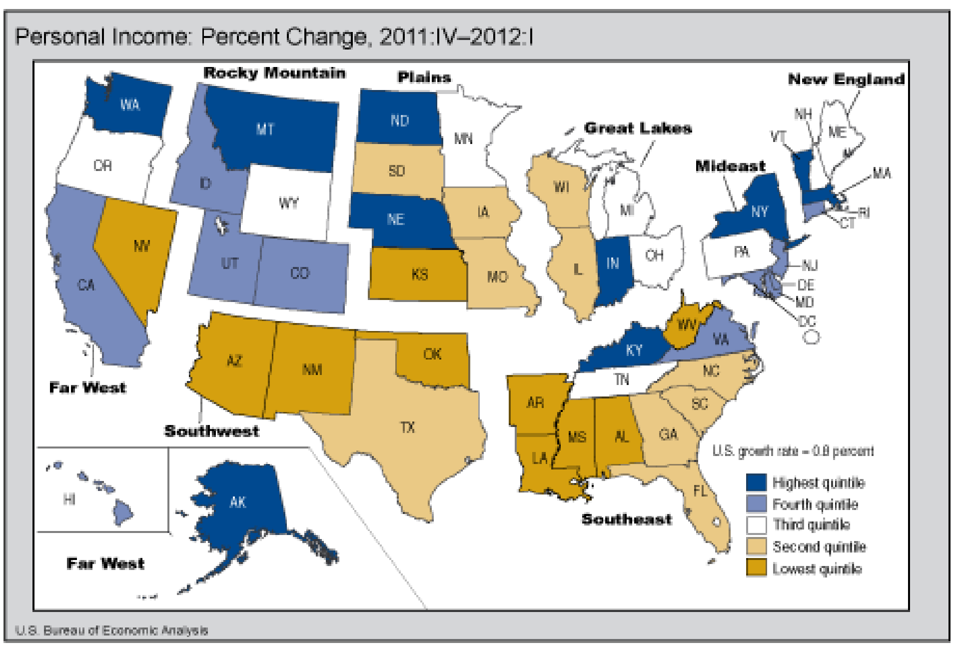
The Florida Economic Estimating Conference met in July 2012 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast is cautiously optimistic that the recovery will steadily continue, albeit at a slower pace in Fiscal Year 2013-14 and Fiscal Year 2014-15 than projected prior to the July conference. Underlying the forecast is the assumption that a recovery has been underway since the late spring of 2010, but still has far to go to return to normal conditions. In the forecast, months of modest growth are expected before normalcy is largely achieved in Fiscal Year 2015-16 with construction and real estate still presenting notable exceptions. While not included in the official forecast, the continuing difficulties in the Eurozone and their ultimate impact on the credit market and current economic assumptions present a risk to this forecast—as does the looming fiscal cliff facing the United States in January.

By the close of the 2011-12 fiscal year, several key measures of the Florida economy had returned to or surpassed their prior peaks. Nominal personal income and tourism counts were the most notable among these metrics. Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate the economic extremes the state faced to get to this point.

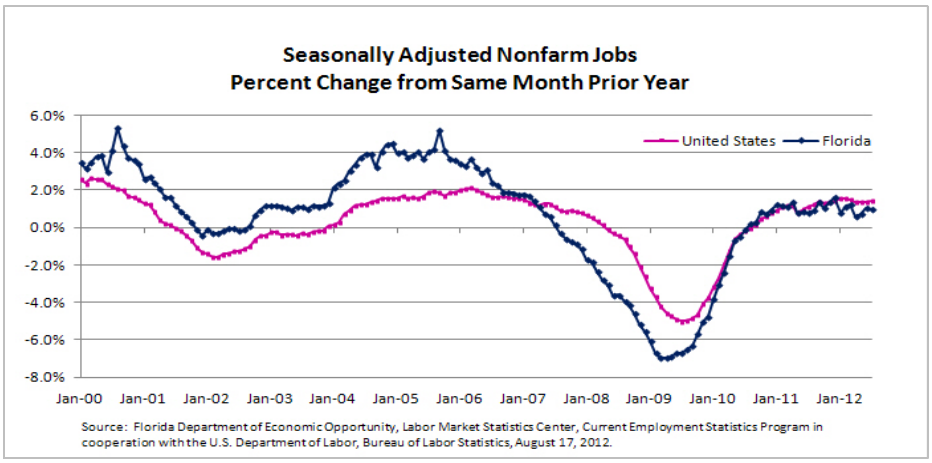
One economic measure for *comparing states* is the year-to-year change in the **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using this measure, Florida was one of the nation's faster growing states from 1997 to 2006, reaching its peak growth in 2005 and outperforming the nation in the first nine of the last fourteen years. With the end of the housing boom and the beginning of the real estate market correction, the state slipped into two years of negative growth (2008 and 2009). While Florida was not the only state to experience a significant deceleration in economic growth during this period (California, Nevada and Arizona showed similar trends), it was one of the hardest hit. The latest revised data show that national Gross Domestic Product (GDP) had just barely tipped negative in 2008 as the beginning of the Great Recession gripped the country. Once the recession ended and the slow recovery began in 2010, Florida's economy regained its positive footing, registering 0.9 percent growth over the prior year in 2010 and sliding slightly backwards to 0.5 percent growth in 2011 (all calculations in real dollars). In 2011, the state was ranked 37th in the country in real growth. In terms of current dollars, Florida's gross domestic product reached $754.3 billion in 2011, still below its prior peak.



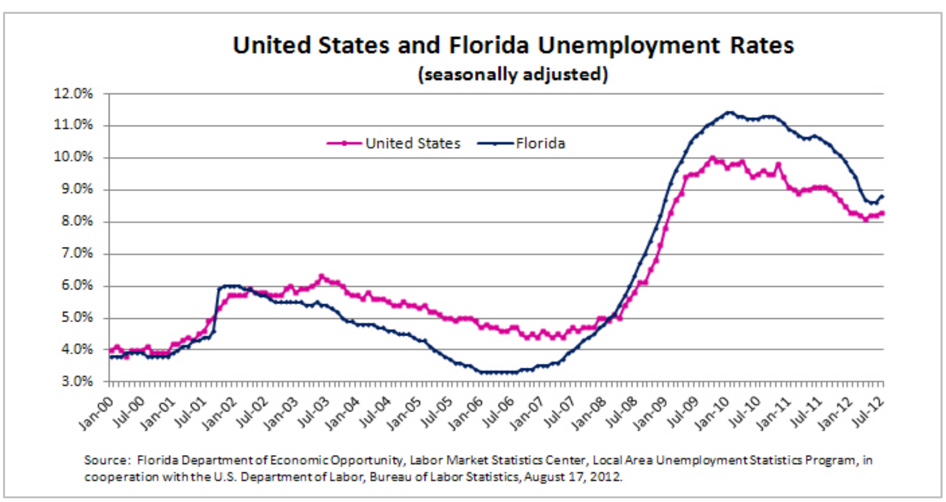
Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth**—primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Using the latest revised series, Florida has exhibited positive quarterly growth in personal income since the fourth quarter of the 2009 calendar year. The increase of 0.7 percent in the most recent quarter (Q1 of the 2012 calendar year) ranked Florida 38th in the country, lagging slightly behind the nation's growth of 0.8 percent.



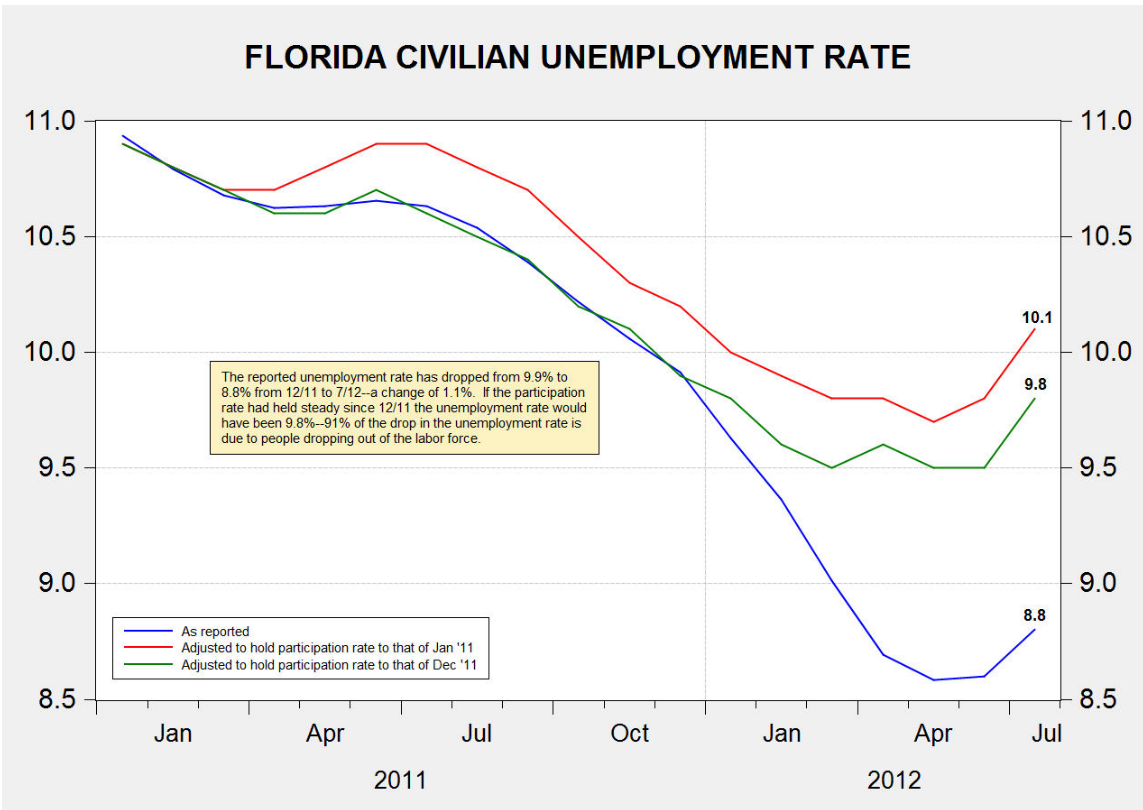
The key measures of employment are typically **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until August 2010 when Florida experienced its first over-the-year increase in jobs since July 2007. By July 2012, Florida had seen twenty-four consecutive months of positive over-the-year job growth. However, Florida is still 743,400 jobs below its peak during the boom. This tells us that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak non-farm employment level will not occur until Fiscal Year 2017-18 at the earliest. Since population has continued to grow, the reality is actually worse than it appears—it would take the creation of about one million jobs for the same percentage of the total population to be working as was the case at the peak.



The state's unemployment rate in July was 8.8 percent, persistently staying higher than the national rate of 8.3 percent. At the time, Florida had 816,000 unemployed people, and 20 of Florida's 67 counties still had double-digit unemployment rates. If discouraged workers are included, the rate moves up to approximately 9.7 percent—and if the discouraged, all other marginally attached, and workers employed part-time involuntarily are included, the rate would be 16.6 percent.



A conundrum appears after reviewing this data—if job creation has been relatively stable, why has Florida seen a marked decline in its unemployment rate? The answer lies in the labor force participation rate. The reported unemployment rate has dropped from 9.9 percent to 8.8 percent from December 2011 to July 2012, a change of 1.1 percent. If the participation rate had held steady since December 2011 when the labor force peaked, the unemployment rate would have been 9.8 percent. This indicates that 91 percent of the drop in the unemployment rate is due to people dropping out of the labor force.

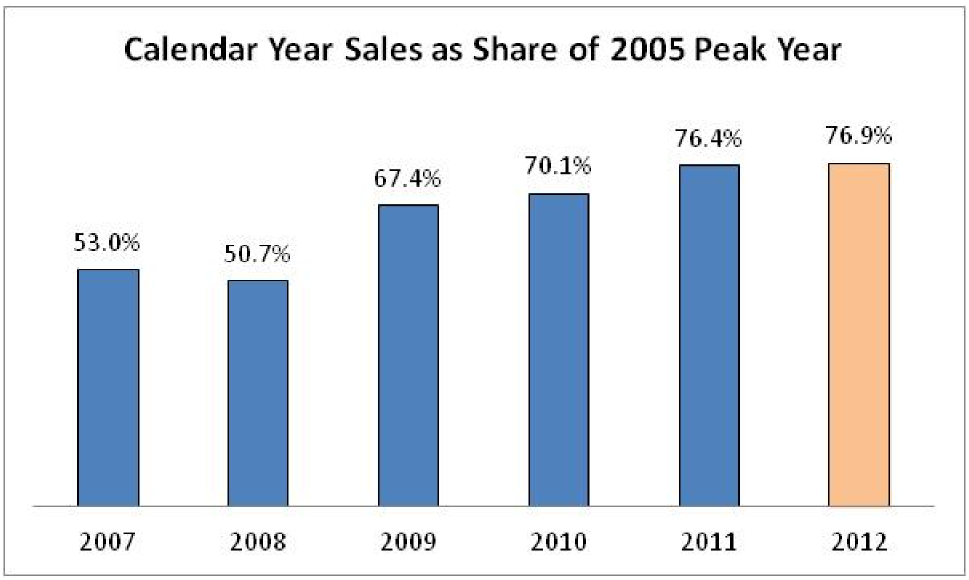


July 2012:

Labor Force:	9,269,459
Peaked December 2011:	9,303,297
Participation Rate:	60.0
Lowest Since February 1986:	59.9
25-Year Average:	62.5

To a great extent, the slow recovery in the jobs sector is related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and has lost 383,100 jobs (-55.4 percent) since then. The persistently large inventory of unsold houses coupled with the still sluggish credit market for residential loans continue to dampen residential construction activity and sales. In the last conference prior to the start of the 2011-12 fiscal year (February 2011), the Florida Economic Estimating Conference (FEEC) had expected only 49,500 private housing starts for the year. In fact, starts activity came in at a weak 47,200. And Documentary Stamp Taxes, a strong indicator of housing market activity, were only 31.1 percent of their prior peak as the fiscal year ended.

However, the moribund housing market is displaying some signs of life. Building permit activity, an indicator of new construction, is back in positive territory, showing strong year-over-year growth for the first six months of the calendar year. In addition, existing home sales in 2011 showed marked improvement from the prior calendar year, coming in at 76.4 percent of the 2005 banner year sales. They also look on track to slightly better that percentage in 2012.



NOTE: 2012 percentage is projected based on six months of data.

In the final analysis, Florida's economy has essentially moved through three waves of responses to financial shocks. First, the end of the housing boom brought lower activity and employment in the construction and financial fields, as well as spillover consumption effects in closely related industries: appliances, carpeting, and other durable goods used to equip houses. This began in the summer of 2005 when the volume of existing home sales started to decline in response to extraordinarily high prices and increasing mortgage rates. Closely linked to the housing industry, Florida's nonagricultural employment annual growth rate peaked in fall of 2005. By the summer of 2006, existing home prices began to fall, and owners started to experience negative wealth effects from the price deceleration and accompanying losses in property value. Mortgage delinquencies and foreclosures became commonplace as property prices further tanked in 2007, and the unemployment rate began to climb as part of the slow slide into a national recession that was ultimately declared in December 2007. By the fall of 2008, Florida's homegrown problems with the housing market were giving way to several worldwide phenomena: a national recession that was spreading globally and a credit crisis that was threatening to bring down the world's largest financial institutions. As the subprime mortgage difficulties spread to the larger financial market, it became clear that any past projections of a relatively quick adjustment in the housing market were overly optimistic. Forecasts were dampened through the end of the fiscal year, and then again as the excess inventory of unsold homes was further swelled by foreclosures and slowing population growth arising from the national economic contraction. After the recession officially ended in June 2009, initial improvements on both the state and national fronts sputtered as the recovery struggled to take hold. So far, the national recovery has been roughly half as strong as the average gain of 9.8 percent over the same period during the past seven recoveries. While a Florida recovery has been underway since the late spring of 2010, the state still has far to go to return to more typical conditions.

<u>FORECAST ~ Long-Term Trends</u>

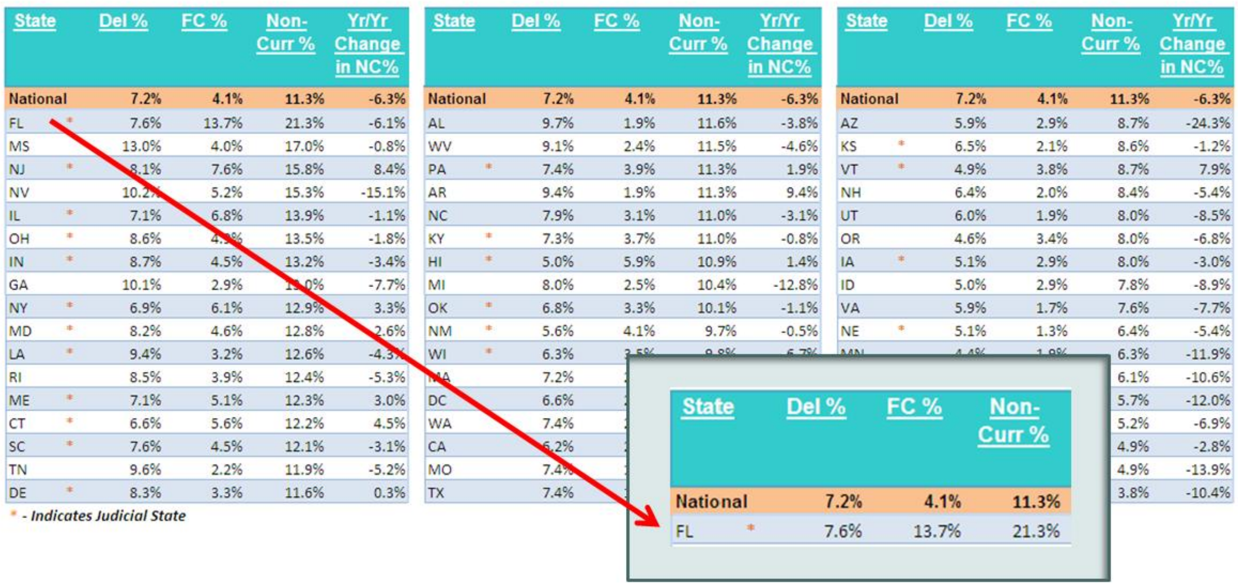
For Florida, it appears that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010. In the forecast, months of modest growth are expected before normalcy is largely achieved in Fiscal Year 2015-16 with construction and real estate still presenting notable exceptions. The remaining questions focus on the actual pace of recovery, the degree of remaining turbulence in the global economy, and the risk associated with the national "fiscal cliff" expected in January. Each of these issues is discussed separately below.

Pace of Recovery...

The pace of Florida's recovery will be driven in large measure by the time it takes the ***construction industry*** to revive. Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Florida particularly vulnerable to the decelerating housing market and interest rate risks. In 2006, almost 47 percent of all mortgages in the state were considered "innovative" (interest only and pay option adjustable-rate mortgages). With the ease of gaining access to credit, long-term homeownership rates were inflated to historic levels—moving Florida from a long-term average of 66.3 percent to a high of over 72 percent. Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes who previously would have been denied. This is borne out by the steady decline in the homeownership rates since the peak—the latest data (Quarter 2 of the 2012 calendar year) placed the annual rate at 67.6 percent.

The surging demand for housing led many builders to undertake massive construction projects that were left empty when the market turned. While the national inventory of unsold homes had improved to a more normal six months in June 2011, the picture is much different in Florida. Foreclosures have further swelled the state's unsold inventory of homes and will continue to do so in the near-term. Originally related to mortgage resets and changes in financing terms that placed owners in default, more recent increases have been boosted by the persistently high levels of unemployed persons in financial distress. Private sector data for July 2012 shows that Florida was the second highest state in the country for foreclosure filings, and third highest for the rate of foreclosure. While many of the legal issues regarding the processing of foreclosure documents were largely resolved by the National Mortgage Settlement Agreement finalized in early 2012, foreclosure starts have just recently begun returning to expected levels. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. Today, a foreclosure takes 861 days to process (about 2.5 years), the third longest period in the nation. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market—and in the interim, the actual backlog continues to build. Today, slightly less than half of all residential loans in Florida are for homes that remain "underwater" where the amount still owed on the mortgage exceeds the home's current market value. Absent some intervention, these homeowners are the most likely to move into (or already be in) delinquent status.

Foreclosures & Shadow Inventory



State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		7.2%	4.1%	11.3%	-6.3%
FL	*	7.6%	13.7%	21.3%	-6.1%
MS		13.0%	4.0%	17.0%	-0.8%
NJ	*	8.1%	7.6%	15.8%	8.4%
NV		10.2%	5.2%	15.3%	-15.1%
IL	*	7.1%	6.8%	13.9%	-1.1%
OH	*	8.6%	[illegible]	13.5%	-1.8%
IN	*	8.7%	4.5%	13.2%	-3.4%
GA		10.1%	2.9%	[illegible]	-7.7%
NY	*	6.9%	6.1%	12.9%	3.3%
MD	*	8.2%	4.6%	12.8%	2.6%
LA	*	9.4%	3.2%	12.6%	-4.3%
RI		8.5%	3.9%	12.4%	-5.3%
ME	*	7.1%	5.1%	12.3%	3.0%
CT	*	6.6%	5.6%	12.2%	4.5%
SC	*	7.6%	4.5%	12.1%	-3.1%
TN		9.6%	2.2%	11.9%	-5.2%
DE	*	8.3%	3.3%	11.6%	0.3%

* - *Indicates Judicial State*

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		7.2%	4.1%	11.3%	-6.3%
AL		9.7%	1.9%	11.6%	-3.8%
WV		9.1%	2.4%	11.5%	-4.6%
PA	*	7.4%	3.9%	11.3%	1.9%
AR		9.4%	1.9%	11.3%	9.4%
NC		7.9%	3.1%	11.0%	-3.1%
KY	*	7.3%	3.7%	11.0%	-0.8%
HI	*	5.0%	5.9%	10.9%	1.4%
MI		8.0%	2.5%	10.4%	-12.8%
OK	*	6.8%	3.3%	10.1%	-1.1%
NM	*	5.6%	4.1%	9.7%	-0.5%
WI	*	6.3%	[illegible]	[illegible]	[illegible]
MA		7.2%	[illegible]	[illegible]	[illegible]
DC		6.6%	[illegible]	[illegible]	[illegible]
WA		7.4%	[illegible]	[illegible]	[illegible]
CA		6.2%	[illegible]	[illegible]	[illegible]
MO		7.4%	[illegible]	[illegible]	[illegible]
TX		7.4%	[illegible]	[illegible]	[illegible]

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		7.2%	4.1%	11.3%	-6.3%
AZ		5.9%	2.9%	8.7%	-24.3%
KS	*	6.5%	2.1%	8.6%	-1.2%
VT	*	4.9%	3.8%	8.7%	7.9%
NH		6.4%	2.0%	8.4%	-5.4%
UT		6.0%	1.9%	8.0%	-8.5%
OR		4.6%	3.4%	8.0%	-6.8%
IA	*	5.1%	2.9%	8.0%	-3.0%
ID		5.0%	2.9%	7.8%	-8.9%
VA		5.9%	1.7%	7.6%	-7.7%
NE	*	5.1%	1.3%	6.4%	-5.4%
MN		[illegible]	[illegible]	6.3%	-11.9%
[illegible]		[illegible]	[illegible]	6.1%	-10.6%
[illegible]		[illegible]	[illegible]	5.7%	-12.0%
[illegible]		[illegible]	[illegible]	5.2%	-6.9%
[illegible]		[illegible]	[illegible]	4.9%	-2.8%
[illegible]		[illegible]	[illegible]	4.9%	-13.9%
[illegible]		[illegible]	[illegible]	3.8%	-10.4%

State		Del %	FC %	Non-Curr %
National		7.2%	4.1%	11.3%
FL	*	7.6%	13.7%	21.3%

Based on the most recent data, the ***excess*** supply of homes in Florida continues to grow. Subtracting the "normal" inventory of approximately 50,000 and using the most recent sales experience, the state will need significant time to work off the current excess—at least two years in the optimistic scenario, likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced.

In April 2012, over 44 percent of all sales were either REO (bank-owned after an unsuccessful sale at a foreclosure) or short sales, and most of these sales were heavily discounted. Even more remarkable, nearly 40 percent of the sales were cash sales—leaving just 16 percent of the sales using financing arrangements. In part, these statistics are influenced by low housing prices that attract investors willing to wait for the market to improve, but they are also influenced by extremely tight credit conditions. Banks have been reporting that they are less likely than in prior years to originate mortgages to any borrowers apart from those with the strongest credit profiles. In addition, down payments of 20 percent or more are also being required. The Federal Reserve Board conducts a

Senior Loan Officer Survey of bank lending practices once each quarter. While conditions had been holding steady (albeit at elevated levels), the July 2012 results showed a new tightening of standards for approving applications from individuals for prime residential mortgage loans. These results pose a serious risk for the current forecast if they continue.

July 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices
Federal Reserve Board

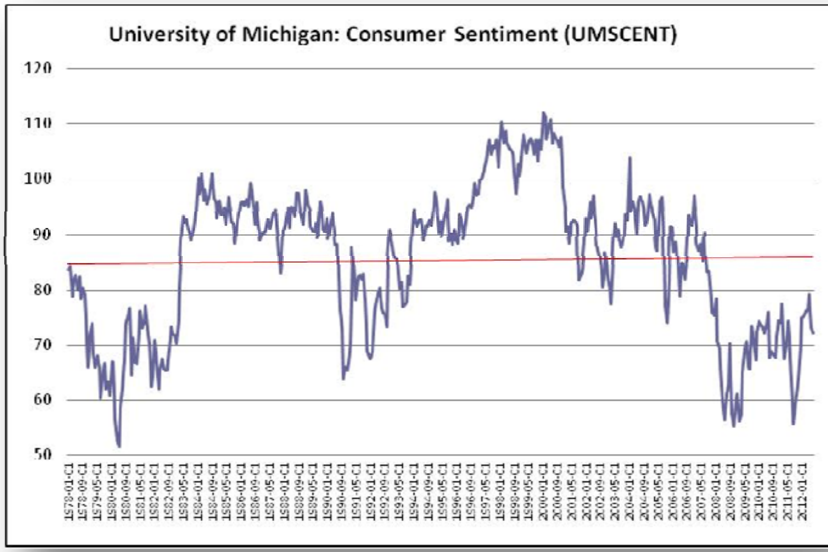
	All Respondents								
	July '12 %	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	1.6%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	1.6%	5.6	0.0	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	93.4	90.7	94.3	91.7	86.8	92.5	94.4	83.3	87.3
Eased somewhat	3.3	3.7	5.7	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Currently, the key housing market metrics do not show a return to their peak levels until 2018-19 (residential construction expenditures) and 2019-20 (total construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; multi-family starts, single family home sales and median price) or very late in the period (2021-22: private housing starts and single-family starts).

Degree of Remaining Turbulence in the Global Economy*...*

The path to full recovery has been far from smooth. In August 2011, the ramifications of the evolving Eurozone sovereign debt crisis, domestic shocks like the Standard & Poor's downgrade of U.S. Treasuries, and the glacial pace of recovery all wreaked havoc on consumer confidence. Consumer Sentiment had been improving, but fell in August 2011 to near the lowest level of the Great Recession and not far from the lowest level ever posted.

[SEE NEXT PAGE FOR GRAPH]



Even though perceptions have since improved from this low, consumer sentiment will face additional challenges in the months ahead. Not long from the technical end to the worst recession since the Great Depression, many consumers are still risk adverse and quick to react strongly to evolving events. Similarly, Moody's Analytics' *Survey of Business Confidence* shows that business leaders are still wary of future global problems and are behaving cautiously in their decision-making. The looming Eurozone recession is among the top of their concerns.

The sovereign debt crisis in the Eurozone has already led to banking instability with spillover effects on the global credit market, and real threats of even greater problems. Efforts to bailout Spain and to begin recapitalizing Spain's banks are underway with other Eurozone leaders, the International Monetary Fund, and the European Central Bank. These steps are being taken to head off a potential liquidity squeeze arising from recent credit downgrades. In addition, Moody's has cut Italy's bond rating by two notches to Baa2, leaving it just two grades above junk status, citing increased risks of higher borrowing costs in part due to contagion from Spain and a possible Greek exit from the euro. Moody's compares economic conditions in Greece to the Great Depression in the United States during the 1930s. In response, Greece is now seeking a two-year extension of its latest austerity program in order to ease the severity of the required cuts—a request that is not likely to be met favorably by international leaders. Global Insight is still predicting a Greek exit from the Eurozone (65 percent probability) by the middle of next year.

The latest data shows that the Eurozone as a whole contracted by 0.2 percent during the second quarter of this calendar year, with the economies of Greece, Italy, Spain and Finland displaying the sharpest contractions. Most recent reports indicate that the Eurozone is at strong risk for another prolonged recession. These conditions are negatively affecting the United States. In this regard, tighter credit conditions already exist, especially for businesses with foreign interests. In addition, reduced exports and corporate earnings are beginning to appear in the data. For example, the Greater Miami area is experiencing a significant reduction in exports to Spain (Florida exports to Spain fell nearly 30 percent last year).

If the Eurozone is unable to regain economic stability and conditions continue to deteriorate, it will negatively affect the assumptions contained in Florida's economic outlook.

National "Fiscal Cliff" in January...

Given the strong public—and economic—reaction to the turmoil in August 2011, it is unlikely that the looming "fiscal cliff" facing the United States in January will pass unnoticed. Caused by the intersection of three major deadlines and a potential debt showdown, the magnitude of the "fiscal cliff" will remain largely unknown until after the November elections. Both the Congressional Budget Office and the International Monetary Fund project that, if left intact, the collective impact of these events would be to throw the United States back into a recession.

- **Automatic Sequester provisions will kick in January 1, 2013—**Essentially the Sequester is the enforcement mechanism used to ensure that $1.2 trillion in savings are produced over the next nine years through a combination of domestic and defense discretionary spending reductions. This means cuts of roughly 10 percent for defense spending for Federal Fiscal Year 2013 and 9 percent for non-defense spending in non-exempt programs. Taken together, these cuts will yield about $65 billion in reduced outlays in the first federal fiscal year. To put this in perspective for our state, 8,101 Florida businesses received nearly $18.5 billion in federal contracts in Federal Fiscal Year 2010, ranking us 5th in the nation. The vast majority of this money was defense-related. In total, defense agencies accounted for 71.3 percent of all procurement contracts awarded to Florida in that year. George Mason University has estimated that Florida would lose 41,905 jobs and sustain $3.6 billion in economic losses from the defense cuts alone.

  At the end of the day, some other answer must be found for deficit reduction if sequestration is not allowed to take effect. This is true because there is general agreement that debt cannot continually rise as a share of the economy. In this regard, the House Budget Resolution for 2013 proposes to eliminate sequester through the reconciliation process. Congressional leaders did this by replacing the automatic sequestration and protecting the defense budget with cuts from mandatory spending programs (including food stamps and health insurance subsidies). Unlikely to agree to this plan, the President's budget proposed to reverse the sequester through other deficit reduction proposals. The Senate has been silent so far.

- **Key stimulus provisions will expire—**This cluster (including the 2% cut in the employee's portion of payroll taxes, emergency unemployment insurance benefits, and the 50% bonus depreciation) expires at the end of the 2012 calendar year. In addition, the temporary limit on the reach of the alternative minimum tax expired on December 31, 2011. If the latter provision is not extended, a significant number of taxpayers (estimated to affect about 26 million tax returns) will see an increase in tax liability as they pay their taxes for 2012.

- **Bush-era tax cuts started in 2001 and 2003 will expire at the end of the 2012 calendar year—**This cluster includes the estate and gift tax provisions (a return to the 2001 parameters of a $1 million exemption and a 55 percent top rate), changes to the child tax credit (cut in half and no longer refundable), and the end of the current schedule for marginal tax rates (elimination of the 10% tax bracket, plus the top rate will rise from 35 percent to 39.6 percent and other rates will rise in a similar manner). In addition, capital gains will be taxed at a top rate of 20 percent, and dividends will be taxed as ordinary income.

- **Statutory debt ceiling reached—**The debt ceiling, currently set at $16.4 trillion with the ability to create an additional $200 billion in capacity under the limit, will need to be raised sometime in January or February.

Between the November elections and the beginning of the next presidential term in January, there will be an opportunity for the lame duck session of Congress to act. If not them, then the first act of a new Congress could be an attempt at some sort of resolution. The *Financial Times* recently reported that a survey by Citigroup suggests that nine out of 10 equity analysts think the US government will deal with the cliff by delaying the fiscal tightening measures temporarily, thus deferring the hard decisions until late 2013. Global Insight and many other forecasters agree.

If the “fiscal cliff” is not avoided or results in a protracted battle, it will negatively affect the assumptions contained in Florida’s Economic Outlook.

Florida's Demographic Projections and the Census

Understanding the underlying components of Florida's population growth and demographic composition helps shed light on the state's primary economic driver by providing insight into the needs and pressures that face the state. The Florida Demographic Estimating Conference is expecting moderate population growth over the next few years, as the state gradually recovers from the recession.

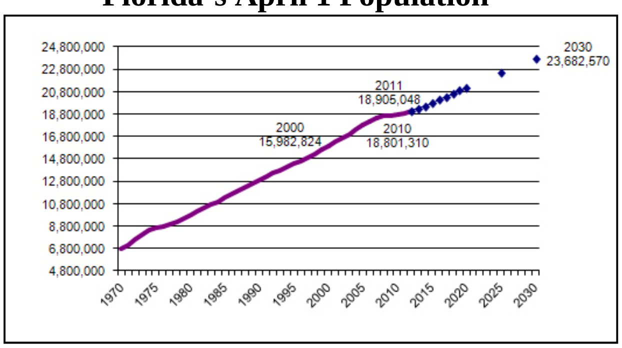
Overall Population Growth

During the 1990's, the number of people in the state rose by 3 million—only California and Texas grew by more during the decade. This represented a 23.5 percent increase in Florida's population. Even with slower growth during the first decade of the 21st century, Florida continued to rank third in the number of net new residents with a 17.6 percent increase over 2000. Today, Florida remains the fourth largest state behind California with 37.7 million residents, Texas with 25.7 million residents and New York with 19.5 million residents. However, Florida is on track to break the 20 million mark by early 2016, becoming the third most populous state sometime before then by surpassing New York. Nationally, the United States also had slower growth over the past decade, growing by 13.2 percent between 1990 and 2000 and 9.7 percent between 2000 and 2010.

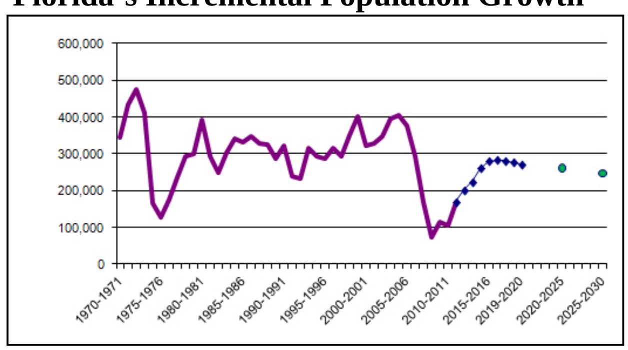
Florida's April 1, 2010 Census count of 18,801,310 represented an increase of 2,818,486 persons over the Census 2000 count of 15,982,824. As suspected, Florida's population grew faster in the early 2000's than in the latter part of the decade. Annually between April 1, 2007 and April 1, 2010, Florida's population growth slowed to less than 1.0 percent per year.

Florida's population growth was estimated to be 0.55 percent between April 1, 2010 and 2011, adding 103,738 net new residents. The preliminary population estimate for April 1, 2012 indicates annual population growth of less than one percent as the state's economy continues its recovery (0.89 percent). Annual population change is expected to exceed 200,000 net new residents in 2013 and remain above that threshold through 2030.

Florida's April 1 Population



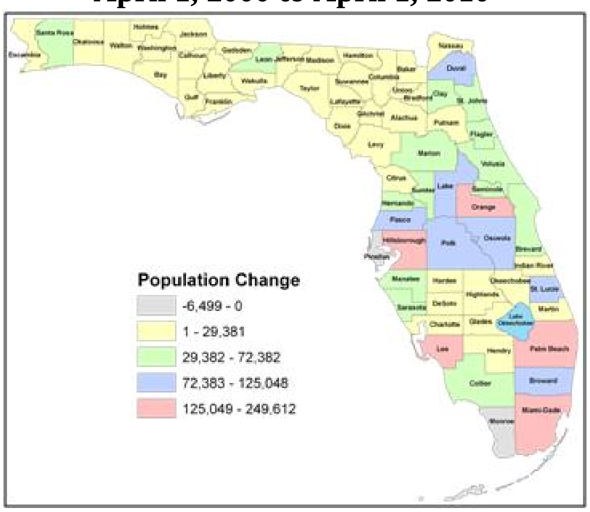
Florida's Incremental Population Growth



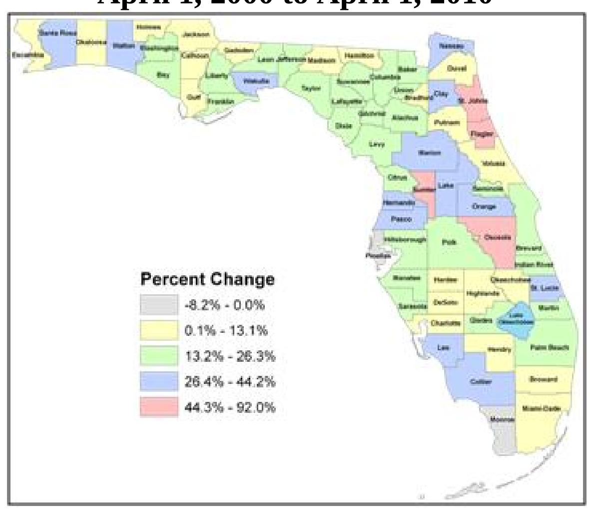
Between 2000 and 2010, three Florida counties expanded by adding population equivalent to a city about the size of Orlando: Orange, Miami-Dade and Hillsborough. During this time, only two counties lost population: Monroe and Pinellas. In contrast, four counties (Flagler, Sumter, Osceola and St. Johns) experienced population growth rates above 50 percent. They were closely followed by St. Lucie, Lake, and Lee, each of whom posted growth rates between 40.3 percent and 44.2 percent. Flagler and Sumter counties were among the fastest-growing counties in the United States, ranking third and eighth, respectively (based on counties with a population of at least 10,000 in 2000).

Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally after the Census was completed. In 2011, 50.3 percent of Florida's residents lived in one of its 411 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most dense county is Pinellas, while its least dense county is Liberty. In terms of population, Liberty is also the smallest county in the state—Miami-Dade holds about 300 times Liberty's population.

Population Change
April 1, 2000 to April 1, 2010



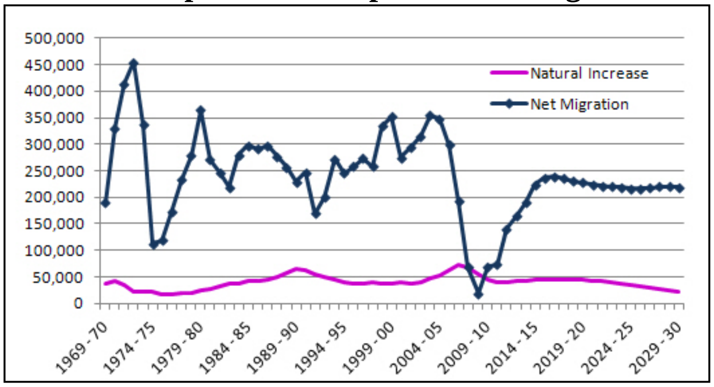
Population Growth
April 1, 2000 to April 1, 2010



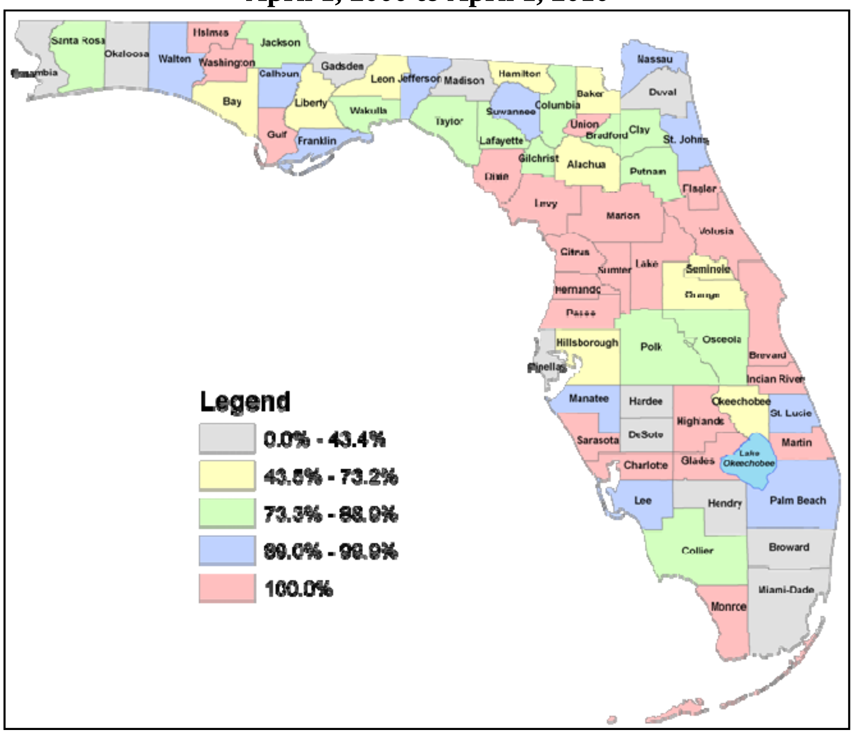
With the slow growth between April 1, 2010 and April 1, 2011, 22 of Florida's counties were estimated to have exhibited a net loss in population. On the other edge of the extreme, Miami-Dade County gained the most population during that year, followed by Orange and Hillsborough counties. In percentage terms, Suwannee County grew the fastest followed by Gadsden and Sumter counties.

Population growth depends on two components: natural increase, which is the difference between births and deaths, and migration, both domestic and international. During the 1990's, natural increase accounted for 14.7 percent of the growth and net migration accounted for 85.3 percent. From April 1, 2000 to April 1, 2010, natural increase accounted for 18.4 percent of Florida's growth while net migration accounted for 81.6 percent. With population expanding by only 103,738 between April 1, 2010 and April 1, 2011, natural increase accounted 40.5 percent, while net migration accounted for 59.5 percent of the growth.

Components of Population Change



Net Migration by County
April 1, 2000 to April 1, 2010



Florida's population growth depends upon in-migration, as just over one-third (35.2 percent) of Floridians were born in the state. Between April 1, 2000 and April 1, 2010 there were 22 counties in the state where all of the population growth was due to net migration. Between April 1, 2010 and April 1, 2011, this number rose to 25 counties.

During the recent recession, net migration to the state slowed significantly, but is forecast to rebound over the forecast horizon with net migration representing 90.6 percent of Florida's population growth in 2030.

While Florida continues to be one of the top destinations for in-migration, it slipped from its second-place ranking in 2010 as the state where most U.S. adults would choose to live if they did not live in their own states to third (*The Harris Poll*, November 2011). In 2011, Florida continued to rank third behind Hawaii and California. From 1997 through 2001, Florida had actually topped the list of states to which people would like to move. Among Baby Boomers (ages 47-65), Florida moved to being the most popular state in 2011 for the first time since this data has been separately reported; among Generation X (ages 35-46), Florida ranked second; and for Matures (ages 66+), Florida ranked third. It is clear from these results that Florida remains an attractive migration state, which will likely fuel population growth in the future.

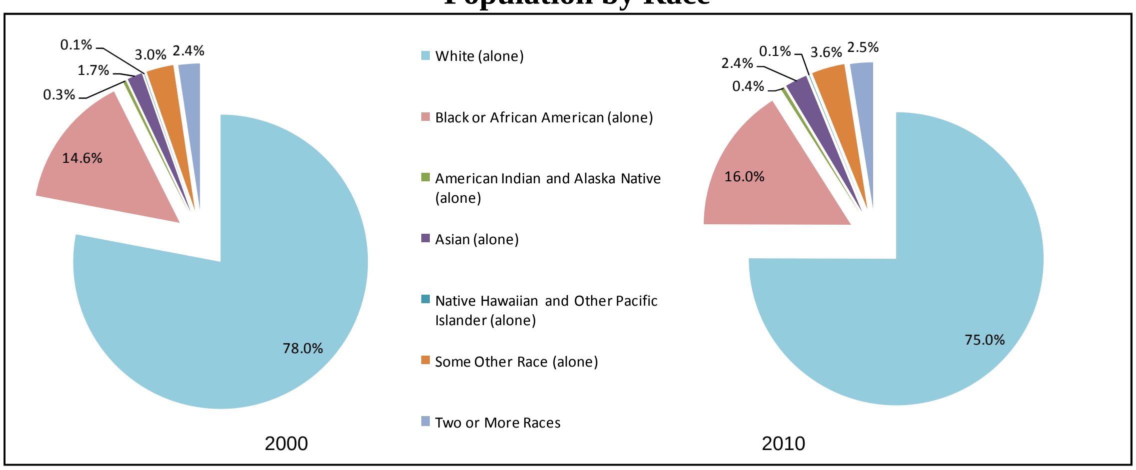
Demographic Composition and Long-Term Trends

Florida's unique demographics will present challenging issues for the state's policy makers over the next three decades. The beginning of this discussion is imminent: we are already seeing an increasingly diverse population in terms of race, ethnicity, and age.

In terms of race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the enumerated population was nonwhite; in 1990, 15.2 percent was nonwhite; and in 2000, 17.8 percent was nonwhite.

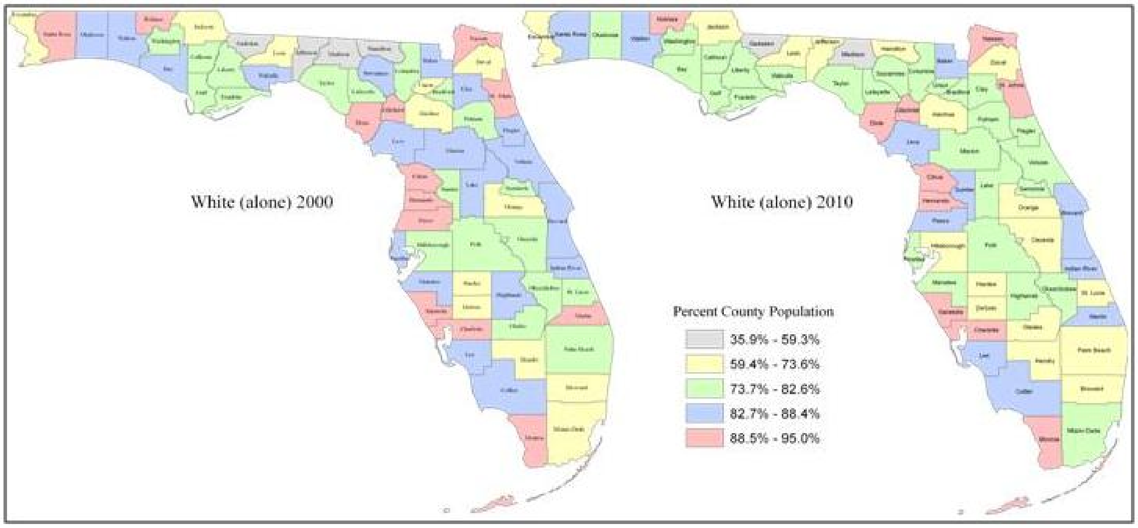
Beginning with Census 2000, respondents were given the option of selecting more than one racial category. The percentage of white (alone) fell slightly from 78.0 percent to 75.0 percent between 2000 and 2010. During this time period, the percentages of Black or African American (alone) increased from 14.6 percent to 16.0 percent, while the percentage of Asian (alone) increased from 1.7 percent to 2.4 percent.

Population by Race



The maps below show changes in the percentage of white (alone) by county from 2000 to 2010. In 53 of Florida's 67 counties, the percentage of white (alone) declined over the decade. The county with the greatest percentage of white (alone) was Citrus, while the county with the smallest percentage was Gadsden.

White (alone) Population by County



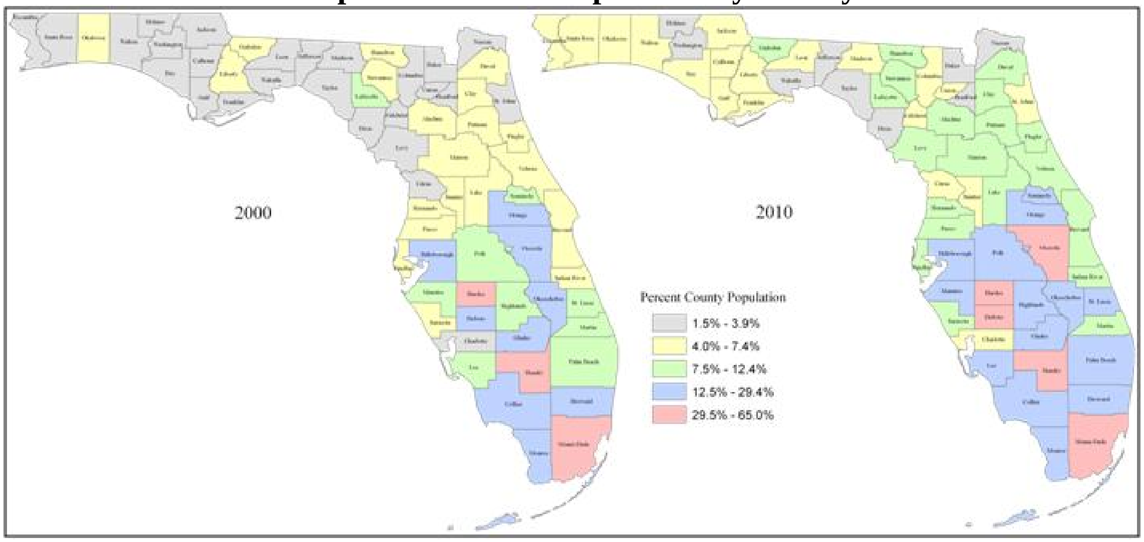
In contrast, only five of Florida’s counties reported a decline in the percentage of Asian (alone) between 2000 and 2010. The largest increase in the percentage of Asian (alone) occurred in Alachua, Orange, Duval, Hillsborough, and Seminole counties.

As used in federal standards from the Office of Management and Budget and the Census Bureau, being of Hispanic origin refers to an ethnicity, not a race. These are separate and distinct concepts. Someone of Hispanic origin can be of any race. In Florida, the Hispanic or Latino population continues to grow, representing 22.5 percent of total population in 2010, up from 16.8 percent in 2000. And Florida will become increasingly more Hispanic over the next decades. By 2030, 27 percent of Florida’s population will be Hispanic.

Nationally, Hispanic or Latinos represented 16.3 percent in 2010, up from 12.5 percent in 2000. Relative to the top three most populous states, Hispanic or Latinos represented a larger percentage of the total population (37.6 percent) in both California and Texas than Florida, while in New York they represented only 17.6 percent. Between 2000 and 2010, the percentage of Hispanic or Latinos grew by 57.4 percent in Florida, faster than the United States (43.0 percent), Texas (41.8 percent), California (27.8 percent), and New York (19.2 percent). According to the 2010 Census, 28.7 percent of Florida’s Hispanic population indicated that they were of Cuban origin, with 70.5 percent of this population group residing in Miami-Dade County.

The distribution of Florida’s Hispanic or Latino population is shown in the map below. In 2010, the county with the greatest percentage of Hispanic or Latino population was Miami-Dade (65.0 percent), while Baker had the smallest percentage (1.9 percent). The percent of Hispanic or Latino population increased in all but one (Sumter) of Florida’s 67 counties between 2000 and 2010. Osceola County posted the largest gain in percentage, moving from 29.4 percent to 45.5 percent.

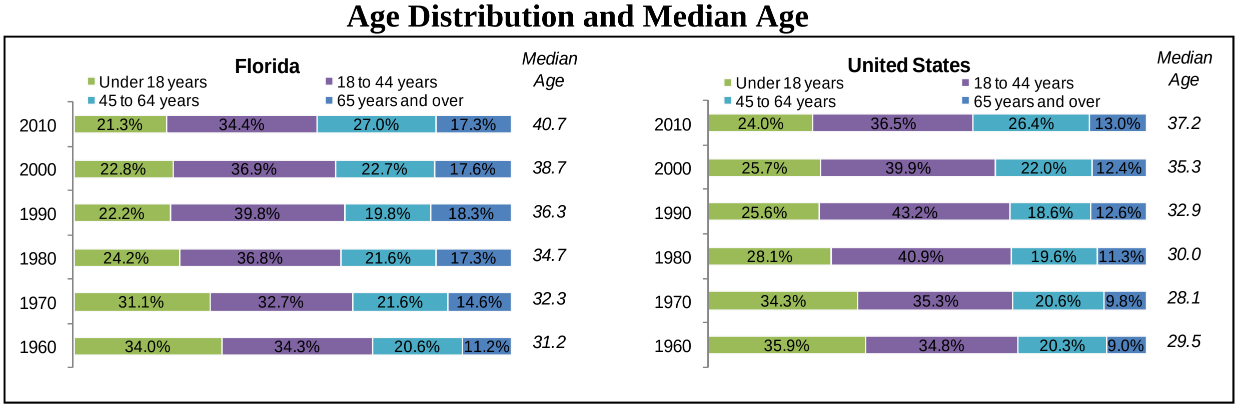
Hispanic or Latino Population by County



Florida's diverse racial and ethnic population is also evident by the number of Floridians (age 5 or older) that spoke a language other than English at home (4.9 million). Of these Floridians, about 2.1 million spoke English less than "very well." In addition, in 2010 it was estimated that 19.4 percent of Florida's population was foreign born.

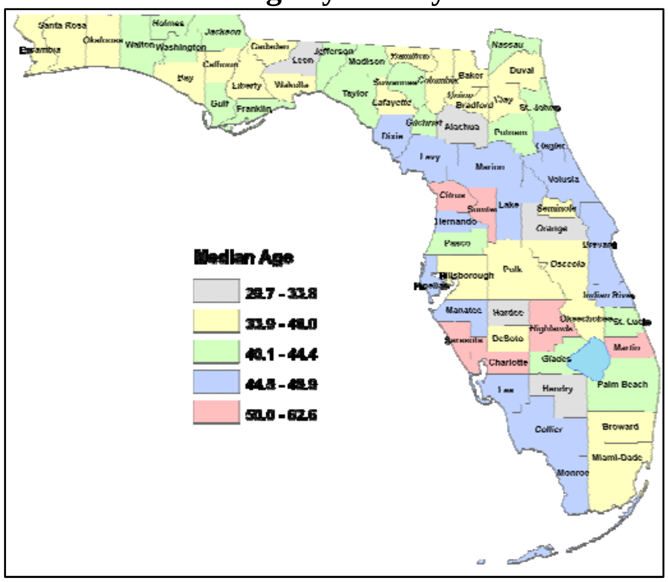
Florida's population has continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960 and 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to a new high of 37.2, up from 35.3 in 2000. The aging of the Baby Boom population into the older age groups has been contributing to the increase in the median age in both the United States and Florida. However, the "graying" of the population has been more intense here than elsewhere. The percentage of population aged 65 and older in Florida (17.3 percent) is greater than in any other state, handily surpassing the overall percentage in the nation (13.0 percent). West Virginia and Maine rank second and third in the percentage of population aged 65 and older (16.0 percent and 15.9 percent, respectively).

Age Distribution and Median Age



In 2010 there were four states where the median age was higher than Florida: Maine (42.7), Vermont (41.5), West Virginia (41.3) and New Hampshire (41.1). Median ages varied across the state from a low of 29.6 in Leon County to a high of 62.7 in Sumter County. In 2011, it was estimated that there were six Florida counties with a median age of 50 and older and that Leon and Sumter counties still had the lowest and highest median ages at 29.7 and 62.6, respectively. Florida's median age is estimated to have risen slightly in 2011 to 40.9.

Median Age by County: 2011

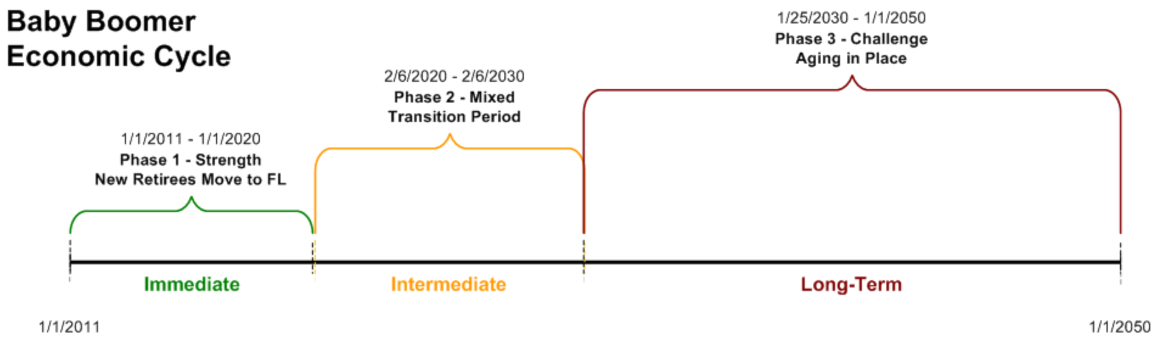


In 2010, five of Florida's cities were among the locations with the highest median ages in the country – Clearwater (43.8), Cape Coral (42.4), Fort Lauderdale (42.2), Hialeah (42.2), and St. Petersburg (41.6). These cities were ranked as having the second through sixth highest median ages. At the other edge of the spectrum, two of Florida's cities [Gainesville (24.9) and Tallahassee (26.1)] were ranked as places with the lowest median ages in the country (second and fourth lowest, respectively). These rankings reflected the university population that is included in the 2010 Census count.

In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population is now estimated to represent 39.4 percent of Florida's total population and is expected to represent 36.0 percent by 2030. Population aged 65 and over is forecast to represent 24.1 percent in 2030, compared to 17.6 percent in 2011. Most of the growth in the state will come from Florida's older population. As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging.

<u>Summary</u>

Florida's population growth slowed substantially due to the economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. Over the forecast horizon, population growth is anticipated to rebound, but with more moderate levels of growth. Several demographic factors will present future challenges for the state's policy makers as the Baby Boom population enters retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services. These changes will have vastly different effects over time.



OVER THE SHORTER-TERM ... (between now and 2020)
The Baby Boomers retiring to Florida will generally be financially better off than the average retiree; most will come with assets (at least from the sale of their homes).

Many will buy new homes in Florida and then outfit them --- generating additional tax revenues, largely as a result new money coming in to Florida from outside the state (earned elsewhere). New infusion of dollars has the greatest multiplier effect.

They will also tend to be younger retirees, and therefore healthier and more active --- meaning their demand for consumer services will be higher, strengthening the economy, while their demand for government services will be at its minimum.

OVER THE LONGER-TERM ... (between now and 2030)
As the Baby Boomers retire, they will be leaving vacant more jobs than there are workers to fill them.

The ability to create new jobs will be constrained by the numbers of qualified workers available to fill those jobs.

Both of these factors will lead to increased demand for workers and upward pressure on wages as the skilled supply of workers fails to keep pace with the demand.

Inflated wages will hurt economic growth, as well as make government services more costly to provide—just as the Boomers increase their need for government-supported services.

The increased cost of government services (due to higher prices and larger caseloads) and suppressed economic growth will make budget gaps worsen (diminished revenues and higher costs for the same services and more services being demanded). This situation will be exacerbated by the fact that retirees tend to spend more on services and less on taxable goods.

Revenue Projections

Throughout the summer, the Revenue Estimating Conference met to finalize numbers for Fiscal Year 2011-12 and to develop new forecasts for the upcoming years. Overall revenue projections were remarkably similar to prior forecasts, indicating that predictive patterns have emerged. Unlike the 2008-09 and 2009-10 fiscal years, significant amounts of surplus trust fund reserves no longer exist to buffer errors in the forecast or other downturns in the economy; however, the current outlook for General Revenue expects that there will be an unexpended balance of over $1.5 billion in the General Revenue Fund at the end of 2012-13.

General Revenue Fund:
Virtually all General Revenue sources ended Fiscal Year 2011-12 over the estimates adopted at the January General Revenue Estimating Conference, generating a $407.1 million surplus for the year. However, the reasons for the gains experienced by the various sources are mixed, with many sources benefitting from one-time events rather than exhibiting underlying strength. In addition, the national and Florida economic outlooks were moderately weaker for the 2013-14 and 2014-15 fiscal years, with downside risks in the near term. Taking both factors under consideration, the Revenue Estimating Conference made only modest adjustments to a variety of tax sources, and these changes largely offset each other. For Fiscal Year 2012-13, expected revenues were marginally increased by $31.5 million or about one-tenth of one percent above the earlier forecast—mostly to recognize the gains seen in Sales Tax collections. For Fiscal Year 2013-14, expected revenues were decreased by only $5.3 million from the earlier forecast. The growth rates for Fiscal Year 2014-15 and Fiscal Year 2015-16 were lowered to 4.9 percent from 5.6 percent and to 4.6 percent from 4.7 percent, respectively.

The revised Fiscal Year 2012-13 revenue estimate is slightly over $1 billion or about 4.3 percent above actual collections for Fiscal Year 2011-12. The Fiscal Year 2013-14 forecast remains positive with projected growth of over $1.2 billion or 5.0 percent over the revised Fiscal Year 2012-13 estimate.

Revenue estimates were primarily affected in the following ways by the new forecast:

- **Sales Tax...** For Fiscal Year 2012-13, Sales Tax collections were adjusted upward in all categories except Consumer Nondurables, which was reduced slightly. Overall, the forecast was increased by $87.9 million in Fiscal Year 2012-13 and by $4.1 million in Fiscal Year 2013-14.

- **Real Estate Taxes (Documentary Stamp Tax and Intangibles Tax)...** The near-term forecast gains were largely attributable to the increased refinancing activity induced by the federal Home Affordable Refinance Program (HARP). In the longer term, increases reflect the expectation that recovery is finally beginning to take hold in the housing market. Overall, both taxes continue to grow strongly over the entire period.

- **Medical & Hospital Fees...** Medical and Hospital Fees are reimbursements from county governments for certain services provided to county residents through Florida's Medicaid program. Implementation of legislation passed during the past session to address the backlog of payments and establish a new payment process has not unfolded as originally anticipated. In response, collections were decreased by $57.0 million in Fiscal Year 2012-13 and $43.4 million in Fiscal Year 2013-14 mostly due to the lower than expected backlog payments.

Underlying the forecast is the assumption that a recovery has been underway since the late spring of 2010, but the economy still has far to go to return to normal conditions. While not included in the official forecast, the continuing difficulties in the Eurozone and their ultimate impact on the credit market and current economic assumptions present a risk to this forecast—as does the looming fiscal cliff in January in the United States.

Article V Fees & Transfers:
Overall, Fiscal Year 2011-12 Article V Fees and Transfers revenue collections were slightly less than in the prior year (Fiscal Year 2010-11). The Circuit Other, Counterclaim, County Civil, Fines/Fees/Charges and Allocated Traffic revenue categories all had declines for the third consecutive fiscal year. Circuit foreclosure revenues increased 11.3 percent over the prior year although, when all was said and done, they ended up approximately $30 million below the amount forecast for the revenue category back in December 2011. Adjudication revenues were up slightly for the third consecutive year, while Circuit Family and Miscellaneous revenues increased slightly from the prior year and Other Traffic decreased. Probate revenues were the same as in the prior year and additional revenue sources were included in the Appellate category for Fiscal Year 2011-12 negating the value of prior year comparison.

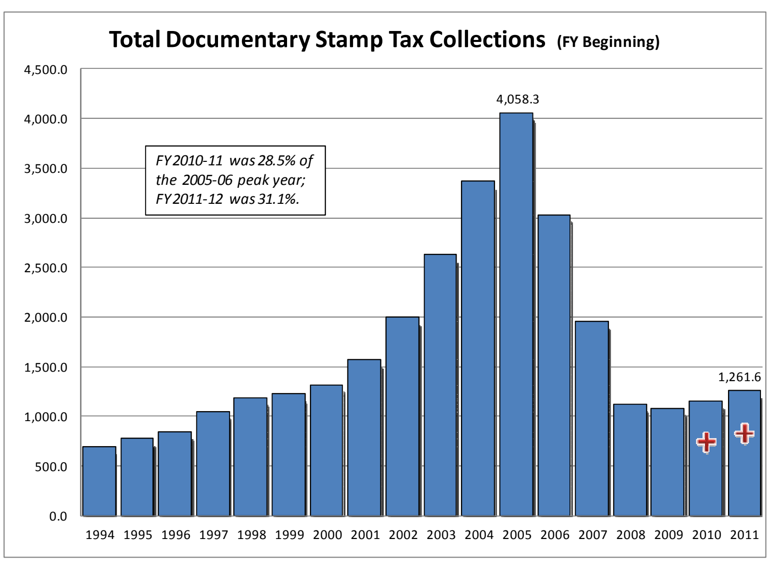
The Conference discussed a number of economic variables having a direct bearing on the new forecast, one of the more significant of which continues to be mortgage foreclosure filings. While the inventory of past due mortgages remains high and consent judgments have become effective between the states and five major mortgage lending institutions effectively eliminating obstacles to processing foreclosures, the foreclosure forecast has been revised in anticipation of a somewhat slower and more steady pace of filings. Some filings contemplated for 2012-13 in the previous forecast are shifted into 2013-14 in the new forecast; correspondingly, Article V revenue resulting from these foreclosures shifts as well. In addition, in the new forecast, revenue among the three foreclosure property value categories has been realigned to better reflect actual results, resulting in a shift in some revenue from the General Revenue Fund to the State Courts Revenue Trust Fund.

Foreclosure Filings	Dec 2011 REC	July 2013 REC	Difference
2011-12	209,500	181,330	-28,170
2012-13	265,500	248,000	-17,500
2013-14	200,400	246,000	45,600
2014-15	136,100	136,100	0
2015-16	103,100	103,100	0

Civil economic and contract case filings are projected to continue trending back toward Fiscal Year 2005-06 levels as the economy continues to slowly improve. Filing fee revenue from these cases is reflected in the Circuit Other and Fines/Fees/Charges revenue categories and will decrease accordingly throughout the forecast period, with Fines/Fees/Charges revenues holding steady in the final year. Traffic related revenues are projected to fall at a lesser rate in Fiscal Year 2012-13 and then begin to increase slightly in the out years.

As a result of the new forecast and realignment of foreclosure revenues among property value categories, the General Revenue Fund decreases $41.6 million in Fiscal Year 2012-13 and increases $8.9 million in Fiscal Year 2013-14 from the previous forecast. In contrast, revenue increases in the State Courts Revenue Trust Fund by $16.3 million and $21.1 million for the same period. Similarly, the Clerks of Court Trust Fund revenues increase by a total of $6.3 and $20.9 million from the previous forecast for the two-year period.

Documentary Stamp Tax:
The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the ***construction industry*** to revive. The persistently large inventory of unsold houses coupled with the still sluggish credit market for residential loans continue to dampen residential construction activity and sales. Documentary Stamp Tax collections were only 31.1 percent of their prior peak as the fiscal year ended, but this was just the second year of growth after four of actual declines.



As discussed in the Florida Economic Outlook section, foreclosures will play an important role in the near-term market value of existing homes. The following quote from the *Financial Times* best summarizes the situation in Florida, although it was not written specifically about Florida:

> "Optimists point to declining home inventories in relation to sales, but they are looking at an illusion. Those supposed inventories do not include about 5m housing units with delinquent mortgages or those in foreclosure, which will soon be added to the pile. Nor do they include approximately 3m housing units that stand vacant – foreclosed upon but not yet listed for sale, or vacant homes that owners have pulled off the market because they can't get a decent price for them."

Based on the most recent data, the ***excess*** supply of homes in Florida continues to grow. Subtracting the "normal" inventory of approximately 50,000 and using the most recent sales experience, the state will need significant time to work off the current excess – at least two years in the optimistic scenario, likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced.

Currently, the key housing market metrics do not show a return to their peak levels until 2018-19 (residential construction expenditures) and 2019-20 (total construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; multi-family starts, single family home sales and median price) or very late in the period (2021-22: private housing starts and single-family starts).

Total annual Documentary Stamp Tax collections were greatest in Fiscal Year 2005-06 at $4.1 billion. In contrast, the forecast for Fiscal Year 2012-13 is only $1.4 billion. Even so, this represents an 11.9 percent increase over the prior year—largely driven by a temporary increase in refinancing activity induced by the federal Home Affordable Refinance Program (HARP). Positive growth is expected throughout the rest of the forecast, albeit at more moderate levels (2013-14 at 6.5 percent, 2014-15 at 7.8 percent, and 2015-16 at 7.4 percent). Even so, projected collection levels do not return to their peak within the next decade.

Highway Safety Licenses and Fees:

Overall, Highway Safety Licenses and Fees collections for Fiscal Year 2011-12 were extremely close to the forecast adopted at the Revenue Estimating Conference held on December 20, 2011. As a result, the Conference decided to update the forecast to reflect the actual 2011-12 revenue collections and to include legislative changes enacted during the 2012 Legislative Session, but make no other changes. The updated forecast was released August 2012. The most significant legislative change permanently redirected $200 million from the General Revenue Fund to the State Transportation Trust Fund, each year, beginning with Fiscal Year 2012-13. The summary from the December conference follows immediately below.

SUMMARY FROM DECEMBER 20, 2011...

Overall, the revenue collected in the three-month period following the September 27th Highway Safety Licenses and Fees conference was very close to expectations. As a result eight of the twenty revenue variables reviewed in the forecast were not changed, although an additional year, Fiscal Year 2015-16, was included in the forecast period. Of the remaining twelve revenue variables, the estimates for six of them were increased from the prior levels, five were decreased from the prior levels, and one was increased in the current fiscal year and then decreased in each of the remaining out years.

The revenue forecast for red light camera penalties was unchanged. The forecast adopted for this category in September 2011 provided for gradual monthly increases in revenue occurring consistent with the projected growth in red light camera approaches being installed in Florida for the first two years of the forecast period. In the three months since the previous conference, these revenues very slightly exceeded the forecast and the early revenue collection projection for December 2011 appeared to be on schedule to reach the December estimate. The other unchanged revenue categories related to Drivers' License Tests, Driving Under the Influence, Suspensions, Motor Vehicle Licenses and Fees, Private Vehicles, Vehicle Surcharges, and Highway Safety and Motor Vehicle (HSMV) Plates.

The Identification Card, Drivers' License Reinstatement, Other Vehicles, Trucks and Tractors, For Hire Vehicles and Vessel Registration revenue categories were all increased slightly from the previous forecast. The HSMV Miscellaneous Fees & Licenses category was reduced from the previous forecast by $1.6 million in the current year and at least that amount in each of the out years as a result of the continuing erosion of traffic fine revenues. In part, the erosion was related to the overstatement of expected Motor Carrier Compliance penalties that were first included in the forecast in September 2011. The Motor Carrier Compliance program was transferred from the Department of Transportation to the Department of Highway Safety and Motor Vehicles by the 2011 Legislature.

In addition, forecasts for Transcripts & Records, Commercial Drivers' Licenses, Private Drivers' Licenses, and Initial Registrations were all decreased in the new forecast. Only in the Motor Vehicle Title category did the forecast increase slightly for Fiscal Year 2011-12 and then decrease for each of the out years.

Overall, these changes resulted in the following adjustments to revenues from the previous estimate:

- General Revenue
  - FY 2011-12: ($3.2) million
  - FY 2012-13: ($7.1) million

- Highway Safety Operating Trust Fund
    - FY 2011-12: ($0.5) million
    - FY 2012-13: ($0.6) million

- State Transportation Trust Fund
    - FY 2011-12: $2.8 million
    - FY 2012-13: ($1.5) million

Indian Gaming Revenues:
The Revenue Estimating Conference adopted updated estimates for revenues from Indian Gaming operations for fiscal years 2012-13 through 2015-16. The estimates of total receipts are unchanged from the previous (December 2011) forecast. The amounts and timing for the local distributions were corrected to reflect the compact year as opposed to the Tribal fiscal year. As a result, there was a slight adjustment to the local distribution and resulting General Revenue amount. These estimates assume that Tribal gaming revenue doesn't increase to a level sufficient to generate payments exceeding the guaranteed minimum amounts.

Indian Gaming Revenues									
Millions of $									
	Receipts			Local Distribution			Net General Revenues		
	Dec 2011	July 2012	Difference	Dec 2011	July 2012	Difference	Dec 2011	July 2012	Difference
2011-12	150.0	150.0	0.0	4.5	3.8	-0.7	145.5	146.2	0.7
2012-13	226.1	226.1	0.0	4.9	4.5	-0.4	221.2	221.6	0.4
2013-14	233.0	233.0	0.0	7.0	7.0	0.0	226.0	226.0	0.0
2014-15	233.9	233.9	0.0	7.0	7.0	0.0	226.9	226.9	0.0
2015-16	110.6	110.6	0.0	6.3	7.0	0.7	104.3	103.6	-0.7

NOTE: This estimate anticipates that the operation of slot machines will remain limited to eight pari-mutuel facilities in Miami-Dade and Broward counties. If additional slot machine operations or other casino-style gaming are authorized in other locations in Miami-Dade or Broward counties or in locations elsewhere in the state, payments to the state under the *Gaming Compact Between the Seminole Tribe of Florida and the State of Florida* may be reduced.

Tobacco Settlement Trust Fund:
On August 25, 1997, the State of Florida and several major American tobacco companies (Philip Morris Incorporated; R. J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company) entered into a *Settlement Agreement* that included both non-monetary and monetary provisions related to Florida's financial losses as a result of smokers in the state's Medicaid program. In the Agreement, the tobacco companies agreed to discontinue certain forms of advertising and to support certain legislative initiatives. These included prohibiting the sale of cigarettes in vending machines and strengthening civil penalties related to the sale of tobacco products to children and possession of tobacco products by children. The tobacco

companies also agreed to make annual payments in perpetuity, with the payments structured to be about $11.3 billion over the first 25 years, subject to certain annual adjustments, primarily for shipment volume and the Consumer Price Index.

The Tobacco Settlement Trust Fund (TSTF) receives the settlement payments. The funds are currently used for programs in the Health and Human Services area. The current year (2012-13) funds available estimate for the TSTF is $378.5 million. In Fiscal Year 2013-14, $367.0 million is expected from all payments and profit adjustments, and $7.1 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (nonrecurring) funds from this year of $0.8 million and $2.0 million in interest earnings, a total of $376.9 million will be available for expenditure. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation for Fiscal Year 2013-14 will be deducted from the trust fund as an expenditure and is estimated to be $65.7 million.

Settlement payments are expected to grow slowly in the future, but will be negatively affected if nationwide consumption of cigarettes falls more rapidly than expected. Conversely, settlement payments will be positively affected if general price inflation is more rapid than currently projected.

Tobacco Tax and Surcharge:
The Revenue Estimating Conference met concerning Tobacco Tax and Surcharge revenues on July 9, 2012. The conference left the forecasts for Cigarette Tax and Surcharge and Other Tobacco Tax (OTP) and Surcharge unchanged.

Section 100122 of H. R. 4348, the Federal Surface Transportation Extension Act of 2012, became law when signed by the President on July 6, 2012. Provisions of the bill would define persons providing machines that roll cigarettes or cigars from loose tobacco for commercial use as manufacturers. As a result, they would be subject to cigarette tax and surcharge, instead of the OTP tax and surcharge. Consequently, the conference anticipates movement of taxes from OTP to Cigarette. For this reason, the conference decided to keep current estimates for Cigarette and OTP taxes and surcharges, even though Cigarette Tax and Surcharge Collections ended Fiscal Year 2011-12 slightly below estimate, while OTP Tax and Surcharge collections ended the year slightly above estimate.

[SEE TABLE ON NEXT PAGE]

Tobacco Tax and Surcharge Conference
Comparison of the Post-Session 2012 and July 2012 Forecasts

COLLECTIONS	2011-12	2012-13	2013-14	2014-15	2015-16
Cigarette Tax					
Post-Session 2012	289.4	286.2	284.0	282.6	281.5
July 2012	287.9	286.2	284.0	282.6	281.5
Difference	-1.5	0.0	0.0	0.0	0.0
Cigarette Surcharge					
Post-Session 2012	866.0	856.5	849.9	845.7	842.3
July 2012	859.5	856.5	849.9	845.7	842.3
Difference	-6.5	0.0	0.0	0.0	0.0
OTP Tax					
Post-Session 2012	27.0	27.3	27.8	28.3	28.7
July 2012	28.0	27.3	27.8	28.3	28.7
Difference	1.0	0.0	0.0	0.0	0.0
OTP Surcharge					
Post-Session 2012	64.8	65.6	66.7	67.8	68.8
July 2012	65.6	65.6	66.7	67.8	68.8
Difference	0.8	0.0	0.0	0.0	0.0

DISTRIBUTIONS	2011-12	2012-13	2013-14	2014-15	2015-16
Health Care Trust Fund					
Post-Session 2012	856.3	848.3	843.3	840.4	838.2
July 2012	852.7	848.3	843.3	840.4	838.2
Difference	-3.6	0.0	0.0	0.0	0.0
General Revenue Service Charge					
Post-Session 2012	97.6	96.7	96.1	95.7	95.4
July 2012	95.4	96.7	96.1	95.7	95.4
Difference	-2.2	0.0	0.0	0.0	0.0
General Revenue Excise Tax					
Post-Session 2012	173.2	171.2	162.2	161.4	160.7
July 2012	171.8	171.2	162.2	161.4	160.7
Difference	-1.4	0.0	0.0	0.0	0.0
OTP General Revenue Tax					
Post-Session 2012	27.0	27.3	27.8	28.3	28.7
July 2012	28.0	27.3	27.8	28.3	28.7
Difference	1.0	0.0	0.0	0.0	0.0
Total GR Distributions					
Post-Session 2012	297.8	295.2	286.1	285.3	284.8
July 2012	295.2	295.2	286.1	285.3	284.8
Difference	-2.5	0.0	0.0	0.0	0.0
All Other Funds					
Post-Session 2012	93.1	92.1	99.1	98.6	98.3
July 2012	92.6	92.1	99.1	98.6	98.3
Difference	-0.5	0.0	0.0	0.0	0.0

Transportation Revenue and the State Transportation Trust Fund:
The Revenue Estimating Conference met on August 3, 2012, to consider the forecast for revenues flowing into the State Transportation Trust Fund (STTF). Including the estimates for Fiscal Year 2012-13, overall revenues to the STTF were increased by $1.2 billion or about 6.9 percent during the work program period ending Fiscal Year 2017-18. (The changes in the forecast discussed below all refer to the work program period from Fiscal Year 2012-13 to Fiscal Year 2017-18).

For revenues from fuel taxes, the overall forecast was responding to combined factors of recent changes in consumption of motor fuel and other fuels (diesel, aviation fuel and off-highway fuel), as well as the weak economic activity contained in the National and Florida economic forecasts. The projection for revenues from highway fuel consumption, which includes the Highway Fuel Sales Tax and the State Comprehensive Enhanced Transportation System Tax (SCETS), was increased by $64.1 million, or 0.5 percent. Projected tax rates remained relatively stable, with the increase in the revenue forecast attributable to the combination of the indexed tax rate change and stronger consumption of motor fuel than expected in the January forecast.

Expected revenues from the Special Fuel Use taxes and fees were decreased by $1.7 million, or -2.2 percent. This reduction is mainly due to the adjustments in the diesel fuel forecasts. Revenues from the Special Fuel Use taxes and fees have experienced a significant decrease in recent years. This has been attributed to less interstate trucking traffic from other states and countries into Florida.

The distribution from Local Option Tax Service Charge had a $1.1 million increase, or 0.4 percent. These changes were mainly responding to the adjustments in the combined motor fuel and diesel fuel forecasts. The Aviation Fuel Tax forecast was decreased by $51.6 million, or -18.9 percent, and the Rental Car Surcharge projection was increased by $8.1 million, or 1.1 percent. The decrease of the Aviation Fuel Tax mainly reflected weak collections in the most recent months (due to increased tax credits and refunds), while the increase in the Rental Car Surcharge was largely due to improved tourist activity. The forecast for Off-Highway Fuel Sales Tax was increased by $10.0 million, or 12.4 percent, due to the actual collection experience in recent months and improvement in the construction sector that has been stronger than expected.

For motor vehicle license and registration related fees, the forecasts were previously adopted by the Highway Safety Licenses and Fees Conference (released in August 2012). In this work program period, receipts to the STTF from Motor Vehicle License revenues and the forecast for Initial Registration Fees were the same as the January estimates. However, the forecast for Title Fees was increased by $1.2 billion. This increase reflects the effect of Chapter 2012-128, Laws of Florida, which required a permanent redirect of $200 million annually from title fee revenue previously going to the General Revenue Fund to the State Transportation Trust Fund beginning in Fiscal Year 2012-13. However, it does not include the one-time transfer of $200 million from the State Transportation Trust Fund to the General Revenue Fund in Fiscal Year 2012-13.

Ad Valorem Assessments (Property Tax Roll):

Estimates of the statewide property tax roll are primarily used in the appropriations process to approximate the Required Local Effort (RLE) millage rate. This is the rate local school districts must levy in order to participate in the Florida Education Finance Program. The July 1, 2013 certified school taxable value is now estimated to be $1,384.0 billion. This represents an increase of $10.3 billion or a 0.75 percent increase from the July 1, 2012 certified school taxable value of $1,373.7 billion. At 96 percent, the value of one mil is projected to be $1.329 billion.

The conference met to adopt the 2012 certified roll as a baseline for projecting July 1, 2013 certified school taxable value. The new forecast suggests that most of the counties in Florida are seeing a softening in home price declines. However, the conference was concerned that foreclosures and distressed sales will continue to depress home prices for some time. As a result, the conference is estimating only a modest increase in school taxable value for 2013.

County (non-school) taxable value is lower than school taxable value due to the greater number of exemptions available to property owners. In recent years, the Revenue Estimating Conference has been forecasting county taxable value separately from school taxable value. County taxable value on January 1, 2013 is projected to be $1,278.1 billion. This represents an increase of $37.9 billion from the January 3, 2012 forecast.

July 1, 2013 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2012 Certified School Taxable Value	Jan 2012 Estimate of July 1, 2013 Certified School Taxable Value	August 2012 Estimate of July 1, 2013 Certified School Taxable Value	Change in Estimates (January vs. August)	Change from Actual	Percentage Change from Actual
School Taxable Value	1,373.703	1,340.152	1,384.033	43.881	10.330	0.8%
Real Property	1,274.698	1,242.583	1,286.165	43.582	11.467	0.9%
Personal Property	97.775	96.290	96.601	0.311	-1.174	-1.2%
Centrally Assessed Property	1.230	1.279	1.267	-0.012	0.037	3.0%
Value of one mill at 96 percent	1.319	1.287	1.329	0.042	0.010	0.008

*Total school taxable value includes Value Adjustment Board changes and other tax roll adjustments. Components do not add up to the total.

January 1, 2013 County Taxable Value

(billions of dollars)	Actual 2012 Taxable Value	January 2012 Estimate of January 1, 2013 County Taxable Value	August 2013 Estimate of January 1, 2013 County Taxable Value	Change in Estimates (January vs. August)	Change from Actual	Percentage Change from Actual
County Taxable Value	1,274.058	1,240.208	1,278.154	37.946	4.096	0.3%
Real Property	1,175.053	1,142.639	1,180.286	37.647	5.233	0.4%
Personal Property	97.775	96.290	96.601	0.311	-1.174	-1.2%
Centrally Assessed Property	1.230	1.279	1.267	-0.012	0.037	3.0%

*Total county taxable value includes Value Adjustment Board changes and other tax roll adjustments. Components do not add up to the total.

Gross Receipts Tax, Communications Services and Public Education Capital Outlay (PECO):

The Revenue Estimating Conference met on July 31, 2012 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. In the six months since the January conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were $2.6 million lower than the January estimate, and collections of the State Sales Tax on Communications Services were $9.6 million lower than expected. Compared to the January conference result, the new forecasts for both the Gross Receipts Tax and the State Sales Tax on Communications Services show a significant reduction from Fiscal Year 2012-13 onward.

The new forecast does not contain the cash impact of pending refund requests related to the settlement reached in *In re: AT&T Mobility Wireless Data 265 Services Sales Litigation*, 270 F.R.D. 330, (Aug. 11, 2010). These refunds were previously estimated to total as much as $158.2 million. If approved by the Department of Revenue, the refunds will affect the Gross Receipts Tax, the State Sales Tax on Communications Services, and the Local Communications Services Tax; however, the timing and final amounts of the refund payments are currently unknown and could vary substantially from previous estimates.

The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. The highlights are detailed below.

	Gross Receipts Tax All Sources	Diff from Prior Forecast	% change		Communications Services Tax-State Tax Component	Diff from Prior Forecast	% change
FY 11-12	1033.88	-4.03	-0.4		964.90	-9.42	-1.0
FY 12-13	1027.88	-25.05	-2.4		968.83	-14.57	-1.5
FY 13-14	1051.55	-30.70	-2.8		978.97	-23.20	-2.3
FY 14-15	1077.70	-41.13	-3.7		990.01	-40.35	-3.9
FY 15-16	1101.48	-53.96	-4.7		1001.72	-58.35	-5.5
FY 16-17	1122.30	-69.26	-5.8		1013.62	-77.07	-7.1
FY 17-18	1143.82	-82.44	-6.7		1025.56	-95.19	-8.5
FY 18-19	1165.43	-94.37	-7.5		1037.41	-115.41	-10.0
FY 19-20	1185.54	-108.34	-8.4		1049.19	-134.66	-11.4
FY 20-21	1206.09	-122.46	-9.2		1060.95	-153.11	-12.6

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the past six months (electricity and gas combined) were $8.9 million below the last estimate, leading to an error of about 3.2 percent over this six-month period. The shortage was mainly due to weakened consumption and a stabilized price for electricity.

The new forecast has considered factors affecting both the price of and demand for electricity. From the second half of 2012 on, fuel cost will continue to stabilize. During this period, demand will increase gradually after Fiscal Year 2012-13 which has already shown a weak demand for electricity. The combination of price and consumption drives a revenue forecast for Fiscal Year 2012-13 that is $13.2 million lower than the last estimate. After Fiscal Year 2012-13, collections for all years are projected to be significantly lower than those found in the last forecast, with the annual reductions ranging from $14.9 million in Fiscal Year 2013-14 to $64.2 million in Fiscal Year 2020-21. During this period, both demand and price stabilize at levels lower than those anticipated at the January conference.

Gross Receipts Tax on Gas Fuels... Natural gas prices decreased significantly in Fiscal Year 2011-12, and the lagged Department of Revenue (DOR) gas price index has accordingly dropped for Fiscal Year 2011-12. Therefore, the Fiscal

Year 2011-12 Gross Receipts Tax collections on gas fuels are $2.2 million lower than the January estimate. In keeping with the lagged nature of the DOR price index and future gas price changes, the new estimates are all lower than the last estimates adopted in January, with the annual difference running about $3 million to $5 million lower in each of forecast years.

Communications Services Tax (CST)... For the final six months of Fiscal Year 2011-12, the Gross Receipts Tax component of the CST was $6.3 million (about 3.1 percent) higher than expected. This overage indicates that the January estimate may have reduced growth of this tax source more than it should have. The trend of slowed growth in the telecommunications industry has been evidenced better by the State Sales Tax component of the CST. In Fiscal Year 2011-12, the State Sales Tax component was $9.4 million (about 1.9 percent) lower than expected for the final six months.

Compared to the January forecast results, collections for the Gross Receipts Tax component of the CST are projected to be $9.2 million lower in Fiscal Year 2012-13. The reduction will further increase, from $10.8 million in Fiscal Year 2013-14 to $54.5 million in Fiscal Year 2020-21. Collections for the State Sales Tax component of the CST show a similar pattern. From the annual level estimated by the January conference, collections are projected to be reduced by $14.6 million in Fiscal Year 2012-13. This dollar reduction increases over the forecast period, from $23.2 million in Fiscal Year 2013-14 to $153.1 million in Fiscal Year 2020-21. The reduced collections are mainly attributable to the weak economy and reduced growth rate in the telecommunications industry (especially in the wireless market), as well as the refund-related correction that has reduced the tax base for the Communications Service Tax.

Additional State Tax on Direct-to-Home Satellite Service and the Local Communications Service Tax... The conference final package also includes estimates for the additional state tax on Direct-to-Home Satellite Services (DHSS) and the Local Communications Services Tax. Collections from DHSS are distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. For the entire forecast period, DHSS collections each year are expected to be about $2.5 million to $4.6 million lower than those expected in the last forecast, while the annual Local CST forecast loses $15.4 million to $102.7 million from the January estimates in the forecast period starting in Fiscal Year 2012-13 and ending in Fiscal Year 2020-21.

Public Education Capital Outlay and Debt Service Trust Fund (PECO):
The Public Education Capital Outlay Program (PECO) addresses educational facilities construction and fixed capital outlay needs for the school districts, Florida College System, and State University System. The table below shows the estimated amount available for appropriation to the PECO program. These amounts reflect the results of the August 3, 2012 Revenue Estimating Conference, which includes adjustment for legislative action during the 2012 Session. In this regard, the authorization for the sale of

the $250 million in bonds previously scheduled to be issued in Fiscal Year 2011-12 was revoked and replaced with $250 million in cash transfers to the Public Education Capital Outlay and Debt Service Trust Fund.

	Maximum PECO Appropriations $Millions	Estimated PECO Bonding $Millions
FY 2011-12	119.7	0.0
FY 2012-13	73.5	0.0
FY 2013-14	**118.4**	**0.0**
FY 2014-15	488.7	326.6
FY 2015-16	485.7	307.7
FY 2016-17	494.0	300.2
FY 2017-18	493.1	272.5
FY 2018-19	474.5	263.6
FY 2019-20	482.6	265.0
FY 2020-21	454.3	256.8

The Revenue Estimating Conference reduced the forecast of the maximum amount available for appropriation from the Public Education Capital Outlay and Debt Service Trust Fund for Fiscal Year 2013-14 to $118.4 million. This amount is a cash only estimate, as there is currently no bonding capacity available until Fiscal Year 2014-15 under the new Gross Receipts Tax forecast.

While there is sufficient bonding capacity for a very small bond sale in Fiscal Year 2013-14, the conference assumed that bonds would not be sold until Fiscal Year 2014-15. The previous forecast had also used this assumption since such small sales are not efficient when the cost of issuance is taken into consideration.

For the years following Fiscal Year 2014-15, bond sales and the amounts available for appropriation are reduced significantly, reflecting the expectation of diminished growth rates in the Gross Receipts Tax throughout the entire forecast horizon.

State School Trust Fund & Unclaimed Property:
Used exclusively to meet public school needs, the State School Trust Fund contains revenue primarily derived from unclaimed property (sometimes referred to as abandoned property). The projection of receipts from unclaimed property and the subsequent distribution into the State School Trust Fund were revised August 3, 2012 by the Revenue Estimating Conference.

Remittances of unclaimed property to the State for Fiscal Year 2011-12 were $376.5 million, $19.8 million above estimate. The Conference adopted annual growth rates of 5 percent in future unclaimed property receipts, and the estimate of the proportion of property returned to owners was set at 60 percent.

The Conference adopted a new financial outlook statement which recognized the closeout of Fiscal Year 2011-12 and the new forecast. For Fiscal Year 2011-12, the transfers to the State School Trust Fund were $21.9 million above the estimate. Additional non-operating revenues were recognized, which resulted in an increase in the balance forward into the 2012-13 fiscal year of $23.3 million. For Fiscal Year 2012-13 the estimate of the transfer to the State School TF was increased by $3.5 million, which provides for a projected ending balance for the current fiscal year of $27.4 million, an increase of $26.8 million from the previous outlook statement. Total funds available for Fiscal Year 2013-14 are estimated to be $209.7 million.

Lottery, Slots & the Education Enhancement Trust Fund:
Dedicated to educational programs, lottery and slots dollars are used to fund the Educational Enhancement Trust Fund (EETF). Because these sources are so different, they are typically estimated separately.

The Revenue Estimating Conference met concerning **Lottery** revenues on July 31, 2012 to update the forecast adopted on July 12, 2012. The forecast was corrected to reflect the nonrecurring nature of the additional $4.0 million appropriated for advertising for 2012-13. The forecast for total income was decreased from the prior estimate by $20.9 million annually beginning in 2013-14, resulting in a reduction in expected distributions to the Educational Enhancement Trust Fund (EETF) of $2.3 million a year beginning in 2013-14. As a result, annual growth rates for distributions to the EETF are 2.9 percent in 2012-13 and 1.6 percent in 2013-14. Distributions are then expected to increase by 1.1 percent in 2014-15 and 1.2 percent in 2015-16. Additionally, the conference increased 2011-12 distributions to the Educational Enhancement Trust Fund to $1,316.6 million based on the most recent available information. The highlights for the prior conference (held July 12) are immediately below.

> **SUMMARY FROM JULY 12, 2012...**
> Overall, the forecast for total income was increased by $262.3 million in 2012-13, and increased by $231.1 million in 2013-14. The largest increase in the sales forecast was to the projection for Scratch-off sales, which were increased by $159.6 million in 2012-13 and $155.6 million in 2013-14. The conference projected that sales for Powerball will continue to increase in 2012-13 and stabilize in 2013-14.
>
> The conference had estimated that Lotto would have been negatively impacted in 2011-12 as a result of the Powerball game ticket price increase from $1 to $2 effective January 15, 2012. Contrary to expectations, sales of Lotto increased in 2011-12 from 2010-11 by $7.6 million to $419.0 million. However, sales of Lotto are expected to decline slightly in 2012-13.

Small positive adjustments were made for Mega Money, Fantasy Five, and Cash 3 for 2012-13, while Play 4 was slightly reduced. The conference also added $20.0 million in sales for a new Raffle game in 2012-13. The last time that Lottery held a Raffle was in 2010-11. Sales of Lucky Lines have experienced a sharp decline in recent years, and the prior estimate for 2012-13 was further reduced by $3.1 million for a revised growth rate of -34.1 percent.

The projections for non-ticket income were reduced by $1.0 million each year of the forecast. The forecast for 80% unclaimed prizes available for immediate transfer to the Educational Enhancement Trust Fund was also reduced from the previous forecast of $45.2 million in 2012-13 to $34.0 million. This is due to elimination of free Scratch-off tickets being offered as prizes in Scratch-off games.

		Post Session 2012	July 12 2012	July 31 2012	Difference Jul 12, 2012 to Jul 31, 2012	Difference Post Session 2012 to Jul 31, 2012
EETF from Ticket sales	**2011-12**	1205.9	1264.0	1267.3	3.3	61.4
	2012-13	1246.5	1306.6	1306.6	0.0	60.2
	2013-14	1274.7	1329.4	1327.2	-2.2	52.6
	2014-15	1291.8	1344.1	1341.9	-2.2	50.1
	2015-16	1308.8	1360.6	1358.5	-2.2	49.6
Other Income	**2011-12**	14.0	14.0	13.9	-0.1	-0.1
	2012-13	15.0	14.0	14.0	0.0	-1.0
	2013-14	15.0	14.0	14.0	0.0	-1.0
	2014-15	15.0	14.0	14.0	0.0	-1.0
	2015-16	15.0	14.0	14.0	0.0	-1.0
80% unclaimed prizes	**2011-12**	44.5	32.4	35.4	3.0	-9.1
	2012-13	45.2	34.0	34.0	0.0	-11.2
	2013-14	45.7	34.7	34.6	-0.1	-11.1
	2014-15	46.1	35.1	35.0	-0.1	-11.1
	2015-16	46.5	35.6	35.5	-0.1	-11.0
TOTAL EETF	**2011-12**	1264.4	1310.4	1316.6	6.2	52.2
	2012-13	1306.7	1354.6	1354.6	0.0	48.0
	2013-14	1335.4	1378.1	1375.8	-2.3	40.4
	2014-15	1352.9	1393.2	1390.9	-2.3	38.0
	2015-16	1370.3	1410.2	1407.9	-2.3	37.6

The Revenue Estimating Conference meeting on **Slot Machine** revenues adopted revised estimates for tax revenues from slot machine operations for fiscal years 2012-13 through 2015-16. The estimates of transfers to the EETF were affected as follows:

Slot Machines Tax Collections			
Millions of $			
	December 2011	July 2012	Difference
2006-07	48.2	48.2	0.0
2007-08	122.3	122.3	0.0
2008-09	104.1	104.1	0.0
2009-10	136.4	136.4	0.0
2010-11	127.7	127.7	0.0
2011-12	144.8	142.7	-2.1
2012-13	153.8	146.7	-7.1
2013-14	180.0	180.0	0.0
2014-15	186.8	186.8	0.0
2015-16	192.5	192.5	0.0

The forecast reflects updated tax collections data and information concerning the number of machines in the currently operating facilities, as well as updated information about the opening of Hialeah. For Fiscal Year 2011-12, collections were $2.1 million below the December 2011 estimate. However, approximately $1.1 million of that shortfall is accounted for by the opening of Miami Jai-Alai on January 23, 2012, three weeks later than the January 1 date assumed in the prior forecast. After adjusting for the late starting date for Miami Jai-Alai, collections for 2011-12 were only about $1.0 million, or 0.7 percent, below the December estimate. The conference did not adjust the forecast of EETF transfers with the exception of the modifications for the new Hialeah opening date of June 1, 2012, five months later than the previously expected date of January 1, 2012. The net result of that delay is a reduction in expected EETF transfers of $7.1 million for fiscal year 2012-13. Both the old and new forecasts reflect the change in payment frequency from weekly to monthly effective July 1, 2012. There was no change in the forecast for transfers to the EETF in the remaining years of the forecast.

For Fiscal Year 2012-13, **EETF** has a projected positive balance of $101.1 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact which are deposited in the General Revenue Fund. Excluding the $101.1 million that will be carried forward into Fiscal Year 2013-14, all other revenues in the EETF increase each year of the forecast period.

Florida Debt Analysis

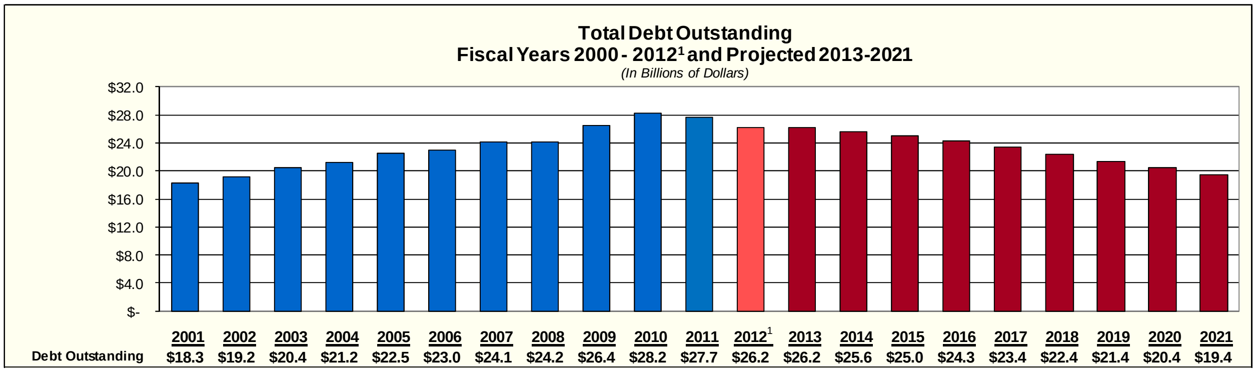
Florida law requires an ongoing analysis of the State's debt position. This requirement enables lawmakers to consider the impact of future bond issuances on the State's debt position during the decision-making process. If the State has too much debt relative to its expected revenues, any additional debt financings could impact the State's credit rating and its borrowing cost. To supplement this analysis, Florida law designates a benchmark debt ratio and establishes a 6 percent target, as well as a 7 percent maximum cap. To exceed the target, the Legislature must determine that additional debt is in the best interest of the State. To exceed the cap, the Legislature must make a declaration of critical state emergency. The discussion below reflects the key points of the *2011 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2010 to June 30, 2011. However, the benchmark debt ratio projections have been revised to reflect the January 2012 Revenue Estimating Conference results—and the comparison of Florida to peer group and national medians and projected General Fund reserve balances have been updated to reflect more current information. The Division of Bond Finance will release the *2012 Debt Affordability Report* in December 2012.

Debt Outstanding

Total State direct debt outstanding was $27.7 billion at June 30, 2011, approximately $500 million less than the prior fiscal year. Net tax-supported debt for programs supported by State tax revenues or tax-like revenues totaled $23.0 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.7 billion. Additionally, indirect State debt at June 30, 2011 was approximately $16.0 billion. Indirect debt is either not secured by traditional State revenues or is an obligation of a legal entity other than the State. Indirect debt has become a much more significant part of the State's overall debt profile due to borrowings by insurance-related entities such as Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund Finance Corporation; however, indirect debt is not a component of State debt ratios or the debt affordability analysis.

Growth in Debt

Total State debt increased from $18.3 billion in Fiscal Year 2001 to $28.2 billion in Fiscal Year 2010. Reversing the long-term trend of increases, total State debt declined by approximately $500 million in Fiscal Year 2010-11 to $27.7 billion. Based on existing borrowing plans, total State debt outstanding is expected to continue to slowly decline as annual debt retirement increases and new debt issuance decreases.



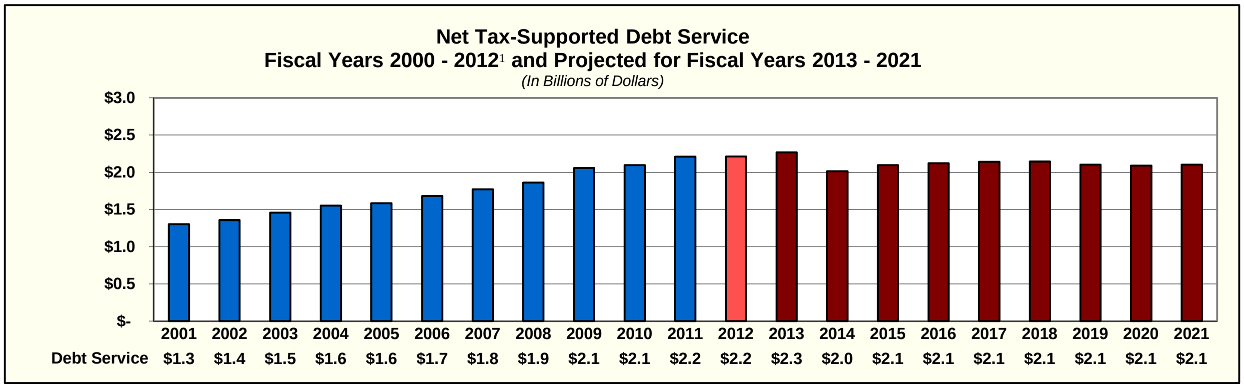
[1] Preliminary Fiscal Year 2012

Estimated Debt Issuance

Approximately $4.9 billion of debt is projected to be issued over the next ten years for all of the State's currently authorized financing programs, which is the lowest level of projected issuance since 1999 when the first *Debt Affordability Report* was prepared. This estimate is approximately $2.2 billion or 31 percent less than future debt issuance projected in Fiscal Year 2009-10 and represents the third consecutive year of significant decreases in expected issuance. The decline is due to discontinued borrowing for acquiring conservation land, less Public Education Capital Outlay borrowing as lower gross receipts tax collections limit debt capacity for this program, and less borrowing for transportation over the projection period. Expected debt issuance also does not include additional obligations for Public/Private Partnership (P3) projects as there is no basis for anticipating these transactions.

Estimated Annual Debt Service Requirements

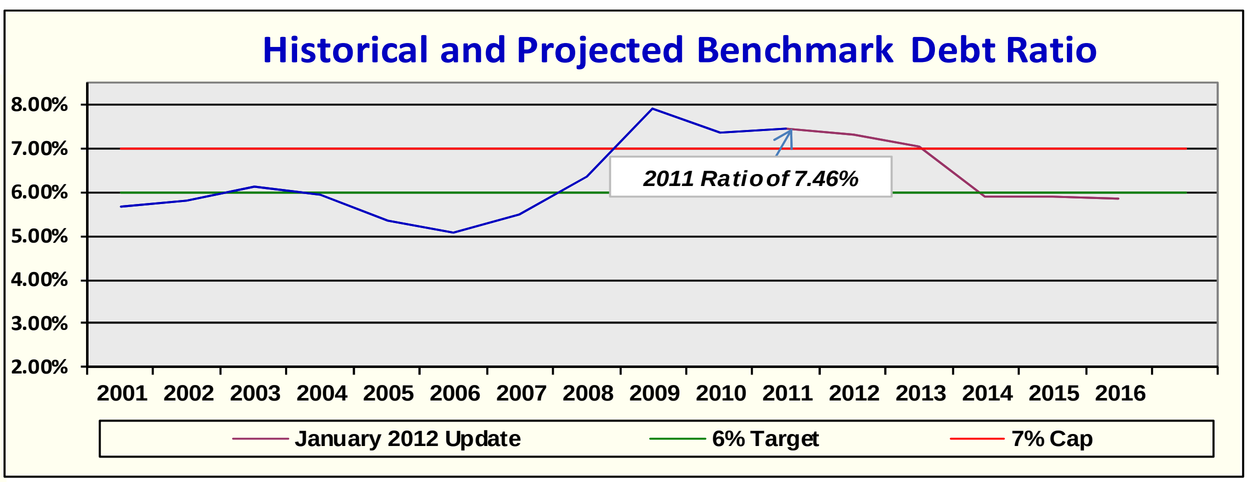
Debt service payments totaled $2.2 billion in Fiscal Year 2010-11. Annual debt service requirements for Fiscal Year 2010-11 increased by $109 million over the prior fiscal year. As expected, the increase in annual debt service resulted from the carrying charges of a full year's debt service on $2.5 billion of debt issued in Fiscal Year 2009-10. Based on projected bond issuance, annual debt service payments are estimated to remain at approximately $2.2 billion in Fiscal Year 2011-12 and increase to $2.3 billion in Fiscal Year 2012-13.



[1] Preliminary Fiscal 2012

Debt Ratios

The State's benchmark debt ratio of debt service to revenues available to pay debt service has increased from 7.39 percent for Fiscal Year 2009-10 to 7.46 percent for Fiscal Year 2010-11. The slight increase in the benchmark debt ratio reflects the offsetting effects of increases in revenues and debt service, i.e., revenues increased by $1.3 billion and annual debt service increased by $109 million. The benchmark debt ratio is still projected to exceed the 7 percent cap through Fiscal Year 2012-13. Following Fiscal Year 2012-13, the projected improvement reflects increased revenues available to pay debt service and decreased projected debt issuance. The benchmark debt ratio is projected to drop below the 6 percent target in Fiscal Year 2013-14 due to a significant reduction ($265 million) in annual debt service resulting from the final maturity of Preservation 2000 bonds. The benchmark debt ratio could increase if revenues do not grow as anticipated or additional debt is authorized.



Projected Benchmark Debt Ratio

Fiscal Year	2012	2013	2014	2015	2016
Debt Service as % of Revenue	7.34%	7.06%	5.89%	5.91%	5.86%

A comparison of 2011 debt ratios to national and peer group averages indicate that Florida's debt ratios are generally higher than the national average but lower than the peer group averages for all but the benchmark debt ratio. Despite improvement in the

State's ranking in the ten-state peer group over the last ten years, it remains in the middle of the peer group. The State moved from fourth to fifth highest for the ratio of debt service to revenues within the peer group and remained fifth highest in debt per capita and sixth highest for debt as a percentage of personal income.

2011 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income
Florida	7.46%	$1,215	3.05%
Peer Group Mean*	6.76%	$1,722	4.01%
National Median*	4.90%	$1,117	2.80%

*Data Source: Moody's 2012 State Debt Medians Report

Overview of the State's Credit Ratings

The State maintained its credit ratings during the past year. Standard and Poor's affirmed the State's General Obligation rating at AAA, with a stable outlook; Fitch Ratings affirmed the State's rating at AAA, retaining a negative outlook; and Moody's Investors Service affirmed the State's rating of Aa1, with a stable outlook. The State's conservative financial and budgeting practices and adequate reserves continue to be recognized as credit strengths. Over the near term, rating agencies will monitor Florida's economic recovery compared to other states. In addition, analysts will focus on how the lagging economic growth affects revenue projections and the State's ability to restore and maintain adequate reserves, balance the budget, maintain structural balance of the budget and continue to responsibly fund the pension system.

In recent years, there has been an increasing awareness of the financial challenges presented by defined benefit retirement systems. The status of pension funding has become increasingly important in credit rating analysis, and rating agencies are now combining unfunded pension liabilities with long-term debt in calculating debt ratios and assigning credit ratings. Based on Fiscal Year 2009-10 financial information, the State ranks seventh highest in the peer group for the ratio of total debt and pension liabilities to state gross domestic product. The metrics used by the rating agencies to evaluate pension liabilities are evolving, as is the methodology for calculating unfunded pension liabilities. Unfunded pension liabilities will be an increasingly important element of the State's credit rating.

Appropriations from Estimated Funds- All Sections
Critical and Other High Priority Needs
Expenditure Projections ($ millions)

Recurring	2012-13	2013-14	2014-15	2015-16
General Revenue	24,559.6	25,804.3	26,718.2	27,420.3
annualization		*63.6*	*0.0*	*0.0*
change from drivers		*1,181.1*	*913.9*	*702.1*
Educational Enhancement TF	1,491.1	1,599.8	1,580.7	1,603.4
change from drivers		*108.7*	*-19.1*	*22.7*
State School TF	169.4	202.8	191.3	200.9
change from drivers		*33.4*	*-11.5*	*9.6*
Tobacco Settlement TF	377.7	364.3	365.2	366.7
change from drivers		*-13.4*	*0.9*	*1.5*
TOTAL	26,597.8	28,034.8	28,855.4	29,591.3
change from drivers & ann.		*1,437.0*	*820.6*	*735.9*

Nonrecurring	2012-13	2013-14	2014-15	2015-16
General Revenue	157.8	409.4	320.3	312.5
Educational Enhancement TF	0.0	0.0	0.0	0.0
State School TF	50.7	0.0	0.0	0.0
Tobacco Settlement TF	0.0	0.0	0.0	0.0
TOTAL	208.5	409.4	320.3	312.5

TOTAL	2012-13	2013-14	2014-15	2015-16
General Revenue	24,717.4	26,213.7	27,038.5	27,732.8
minus non-recurring		*-157.8*	*-409.4*	*-320.3*
plus annualization		*63.6*	*0.0*	*0.0*
plus driver impact		*1,590.5*	*1,234.2*	*1,014.6*
net budget impact		1,496.3	824.8	694.3
Educational Enhancement TF	1,491.1	1,599.8	1,580.7	1,603.4
minus non-recurring		*0.0*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*108.7*	*-19.1*	*22.7*
budget impact		108.7	-19.1	22.7
State School TF	220.1	202.8	191.3	200.9
minus non-recurring		*-50.7*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*33.4*	*-11.5*	*9.6*
budget impact		-17.3	-11.5	9.6
Tobacco Settlement TF	377.7	364.3	365.2	366.7
minus non-recurring		*0.0*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*-13.4*	*0.9*	*1.5*
budget impact		-13.4	0.9	1.5
TOTAL	26,806.3	28,380.6	29,175.7	29,903.8
budget impact		1,574.3	795.1	728.1

KEY BUDGET DRIVER WORKSHEET

Long Range Financial Outlook Issues Summary
FY 2013-14 through FY 2015-16

	FY 2013-14		FY 2014-15		FY 2015-16	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Critical Needs (Includes Mandatory Increases Based on Estimating Conferences and Other Essential Needs)						
PRE K - 12 EDUCATION						
1. Maintain Current Budget - Florida Education Finance Program (FEFP)	0.4	89.9	4.1	(4.1)	(33.1)	33.1
2. Workload and Enrollment - Florida Education Finance Program (FEFP)	183.5	-	118.6	-	55.1	-
3. Adjustment to Offset Tax Roll Changes (FEFP)	(45.3)	-	(219.7)	-	(283.8)	-
4. Workload and Enrollment - VPK	19.6	-	9.3	-	6.5	-
HIGHER EDUCATION						
5. Maintain Current Budget - Higher Education	15.0	-	15.0	-	15.0	-
6. Workload and Enrollment - Bright Futures (BF) and Children and Spouses of Deceased / Disabled Veterans (CSDDV)	0.3	(22.9)	0.3	(36.3)	0.4	(32.1)
7. EETF Adjustment - Bright Futures Workload - Higher Education	(75.1)	75.1	(9.8)	9.8	(31.3)	31.3
HUMAN SERVICES						
8. Medicaid Program	287.0	878.7	362.2	786.9	269.2	735.3
9. Federal Health Care Reform	-	849.7	-	424.8	-	-
10. Kidcare Program	(1.9)	11.3	9.5	25.8	9.9	27.6
11. Temporary Assistance for Needy Families (TANF) Cash Assistance	8.1	-	(2.3)	-	1.0	-
12. Tobacco Settlement/Tobacco Awareness Constitutional Amendment	14.5	(13.4)	-	0.9	-	1.5
CRIMINAL JUSTICE						
13. Increase in Criminal Justice Estimating Conference (CJEC) Prison System Population	-	-	6.5	-	11.5	-
JUDICIAL BRANCH						
14. Court System Funding Shortfall	-	-	-	-	3.8	-
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
15. State Disaster Funding (Declared Disasters)	16.6	-	3.3	-	2.2	-
NATURAL RESOURCES						
16. Everglades Restoration Litigation	32.0	-	32.0	-	32.0	-
GENERAL GOVERNMENT						
17. Non Florida Retirement System (FRS) Pensions and Benefits	-	-	1.2	-	1.2	-
18. Fiscally Constrained Counties - Property Tax	25.5	-	25.5	-	25.5	-
ADMINISTERED FUNDS & STATEWIDE ISSUES						
19. Risk Management Insurance	10.0	4.3	11.0	4.7	5.7	2.4
20. Division of Administrative Hearings Assessments	0.4	0.8	-	-	-	-
21. Increases in Employer-Paid Benefits for State Employees	51.2	24.4	107.1	51.1	117.2	55.9
22. Federal Health Care Reform - Impact to State Employee Health Insurance Program	31.9	15.7	48.8	28.2	11.6	7.0
Subtotal Critical Needs	**573.7**	**1,913.6**	**522.6**	**1,291.8**	**219.6**	**862.0**

	FY 2013-14		FY 2014-15		FY 2015-16	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
PRE K - 12 EDUCATION						
23. Workload and Enrollment - Florida Education Finance Program (FEFP)	-	-	174.8	-	271.7	-
24. Adjustment to Offset Tax Roll Changes (FEFP)	-	-	(7.6)	-	(12.2)	-
HIGHER EDUCATION						
25. Maintain Current Budget - Higher Education Discretionary Programs	2.2	-	-	-	-	-
26. Workload and Enrollment - Florida Colleges	52.2	-	54.8	-	57.5	-
27. Workload and Enrollment - Universities	28.9	-	28.9	-	28.4	-
28. Anticipated New Space Costs for Colleges & Universities	22.4	-	27.8	-	27.8	-
HUMAN SERVICES						
29. Developmentally Disabled Services	21.0	28.0	-	-	-	-
30. Children and Family Services	86.4	(16.4)	13.4	5.1	13.4	5.1
31. Health Services	45.6	84.8	184.3	259.4	181.9	512.9
32. Human Services Information Technology/Infrastructure	-	4.8	-	4.8	-	4.8
CRIMINAL JUSTICE						
33. Restore Department of Corrections Inmate Health Services Privatization Cost Savings Reduction	28.2	-	-	-	-	-
34. Restore Department of Corrections Prison Privatization Cost Savings Reduction	21.8	-	-	-	-	-
35. Department of Juvenile Justice Prevention and Intervention Programs	2.3	-	-	-	-	-
JUDICIAL BRANCH						
36. Small County Courthouses - Capital Outlay Grants	0.6	-	0.6	-	0.6	-
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
37. Department of Transportation Adopted Work Program FY 2013-2017	-	6,145.9	-	5,254.5	-	5,421.8
38. Other Transportation Priorities	-	6.3	-	6.3	-	6.3
39. Economic Development and Workforce Programs	114.8	-	114.8	-	114.8	-
40. National Guard Armories and Military Affairs Priorities	9.4	-	9.4	-	9.4	-
41. Library, Cultural, Historical, and Election Priorities	16.3	-	17.0	-	16.3	-
NATURAL RESOURCES						
42. Environmental Programs Funded with Documentary Stamp Tax	9.1	99.4	9.8	97.7	8.3	98.0
43. Environmental Land Acquisition and Restoration	42.5	-	42.5	-	42.5	-
44. Other Agriculture & Environmental Programs	26.5	0.7	30.0	0.7	28.0	0.7
GENERAL GOVERNMENT						
45. Other General Government Priorities	13.0	-	9.3	-	4.8	-
ADMINISTERED FUNDS & STATEWIDE ISSUES						
46. Increase in Employer-paid Contributions for the Florida Retirement System to Fund the Unfunded Actuarial Liability (State, Universities, Community Colleges, and School Boards)	447.7	89.4	-	-	-	-
47. Maintenance, Repairs, and Capital Improvements - Statewide Buildings	25.9	31.5	1.8	31.5	1.8	31.5
Subtotal Other High Priority Needs	1,016.8	6,474.4	711.6	5,660.0	795.0	6,081.1
Total Tier 1 - Critical Needs	573.7	1,913.6	522.6	1,291.8	219.6	862.0
Total - Other High Priority Needs	1,016.8	6,474.4	711.6	5,660.0	795.0	6,081.1
Total Tier 2 - Critical Needs Plus Other High Priority Needs	1,590.5	8,388.0	1,234.2	6,951.8	1,014.6	6,943.1

Key Budget Drivers
Critical and Other High Priority Needs

Beginning with last year's volume of the Long-Range Financial Outlook, the narrative sections were changed from a general discussion of each policy area found in the budget to a specific analysis linked to each of the key budget drivers. The numbering convention used below matches the numbers applied to each of the drivers on the Key Budget Driver Worksheet. As on the Worksheet, Critical Needs are discussed first. They are followed by the Other High Priority Needs.

CRITICAL NEEDS

PRE K–12 EDUCATION (Drivers #1 – #4)

NOTE: The 2012-13 General Appropriations Act (GAA) provided funding through the Florida Education Finance Program (FEFP) in the amount of $6,383 in total funds per unweighted full-time equivalent (FTE) student. Budget drivers #1 through #3 reflect the total state funding necessary to maintain the Fiscal Year 2012-13 level of total per student funding throughout the forecast period.

1. Maintain Current Budget—Florida Education Finance Program (FEFP)

The FEFP is the funding formula used by the Legislature to allocate funds appropriated to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education and is an allocation model based on student enrollment in educational programs. In order to ensure equalized funding, the FEFP is composed of state and local funds and takes into account the individual educational needs of students; the local property tax base; the costs of educational programs; district cost differentials; and sparsity of student population.

Recurring state funds are provided to restore $90.4 million in nonrecurring funds appropriated in Fiscal Year 2012-13 for the FEFP.

In addition, the plan maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue, Education Enhancement Trust Fund (EETF) and State School Trust Fund (SSTF) based on projected revenue changes over the three-year forecast period from the Revenue Estimating Conferences held in July and August 2012. The shifting of funds nets to zero and maintains funding levels for education core instructional programs.

2. Workload and Enrollment—Florida Education Finance Program (FEFP)

Working in conjunction with local ad valorem funds, state funds, including General Revenue and available EETF and SSTF revenues, are provided as critical needs funding for projected enrollment growth in the FEFP. Funds are adjusted for the FEFP to maintain *total* funds per student compared to Fiscal Year 2012-13.

Enrollment growth for the three forecast years is based on estimates from the July 2012 Education Estimating Conference. Enrollment growth is estimated to cost $183.5 million for an additional 28,747 FTE in Fiscal Year 2013-14, $118.6 million for an additional 18,582 FTE in Fiscal Year 2014-15, and $55.1 million for an additional 8,625 FTE in Fiscal Year 2015-16. Enrollment growth over the three years is estimated to be 55,954 full-time equivalent (FTE) students.

3. Adjustment to Offset Tax Roll Changes (FEFP)

The FEFP allocates funding to school districts for K-12 public school operations based on shares of state funds and local funds generated from ad valorem revenues. In order to ensure equalized funding, the FEFP takes into account the local property tax base while adjusting state funding to each district based on the district's ability to generate local ad valorem revenues. Each school district participating in the state allocation of funds for the current operation of schools must levy the millage set for its required local effort (RLE) from property taxes. The Legislature establishes the total statewide amount for the RLE annually in the GAA. Each district's millage rate is subsequently determined by the Commissioner of Education based on the statewide average following certification of school taxable value by the Department of Revenue.

Funding projections for the FEFP are based on maintaining the Fiscal Year 2012-13 certified millage rates (i.e., 5.295 required local effort and .748 potential discretionary) throughout the three-year forecast period. The tax rolls for 2013 through 2015 as projected by the August 2012 Revenue Estimating Conference provide increased taxable value. As a result, over the three-year forecast period, there is an increase in ad valorem revenue for public schools and an offsetting reduction in the need for state funds.

	2012-13*	2013-14	2014-15	2015-16
School Taxable Value Percent Growth		0.75%	3.07%	3.90%
FEFP Local Revenue	$7,647,719,954	$7,693,005,050	$7,912,739,711	$8,196,566,820
Difference		$45,285,096	$219,734,661	$283,827,109

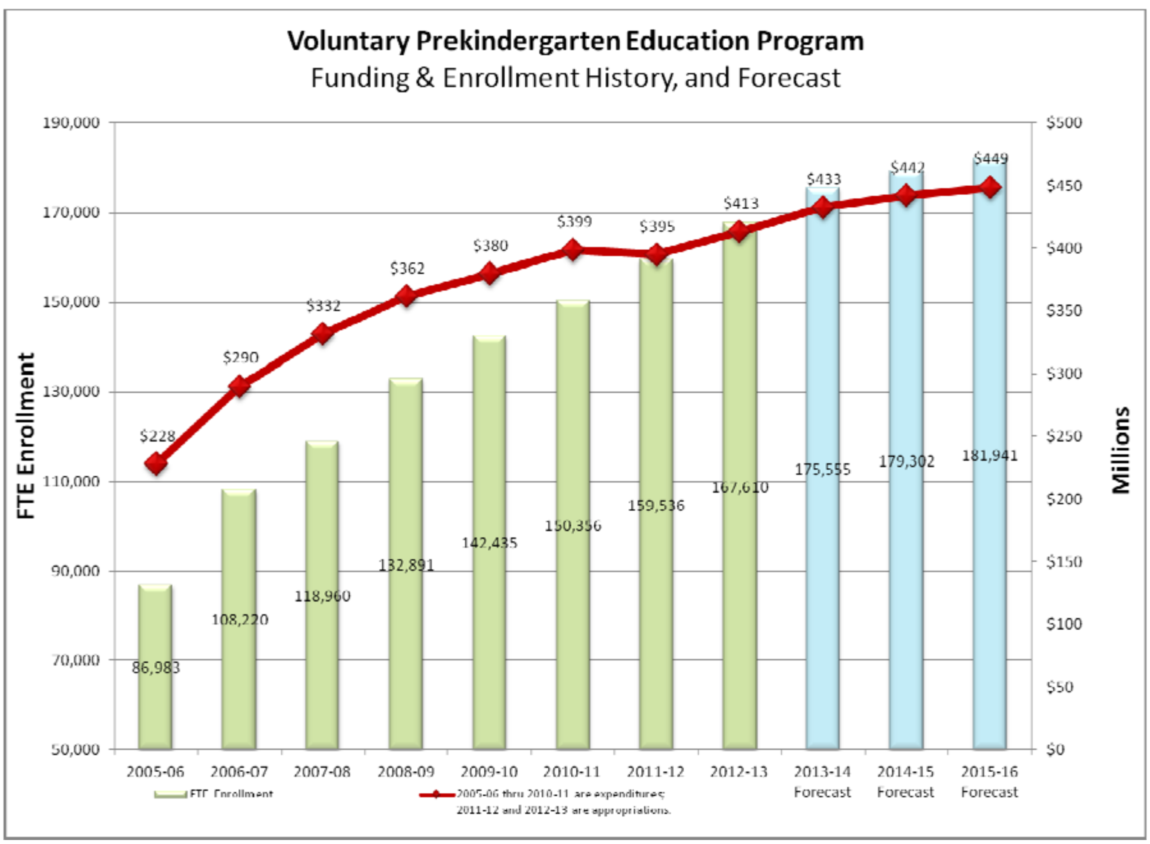
* 2012-13 based on the FEFP 2nd calculation using the certified school taxable value and millage rate

The interaction of enrollment growth and tax roll changes leads to a net increase in the need for state funds in Fiscal Year 2013-14 and a net reduction in the need for state funds for both Fiscal Year 2014-15 and Fiscal Year 2015-16. [See FEFP funding chart in the discussion for Driver #24.]

4. Workload and Enrollment—VPK

The Voluntary Prekindergarten Education Program (VPK) is a free prekindergarten education program established by the Legislature in 2004 pursuant to an amendment to the state constitution. Enrollment is voluntary, and the program is offered to eligible Florida-resident four-year-old children by a combination of public schools and private providers. Effectiveness of the program is determined by a kindergarten screening that assesses the readiness of each child upon entry to kindergarten. Appropriated funds are allocated based on the number of FTE students in each region and then adjusted by a cost differential and a 4 percent administrative factor.

Critical needs funding from state sources is projected for the VPK Program for enrollment increases as determined by the July 2012 Early Learning Programs Estimating Conference. Enrollment growth over the three-year forecast period is estimated to be 14,331 FTE students. Funding per student is maintained at the Fiscal Year 2012-13 base student allocation amount of $2,383 for the school year program and $2,026 for the summer program.



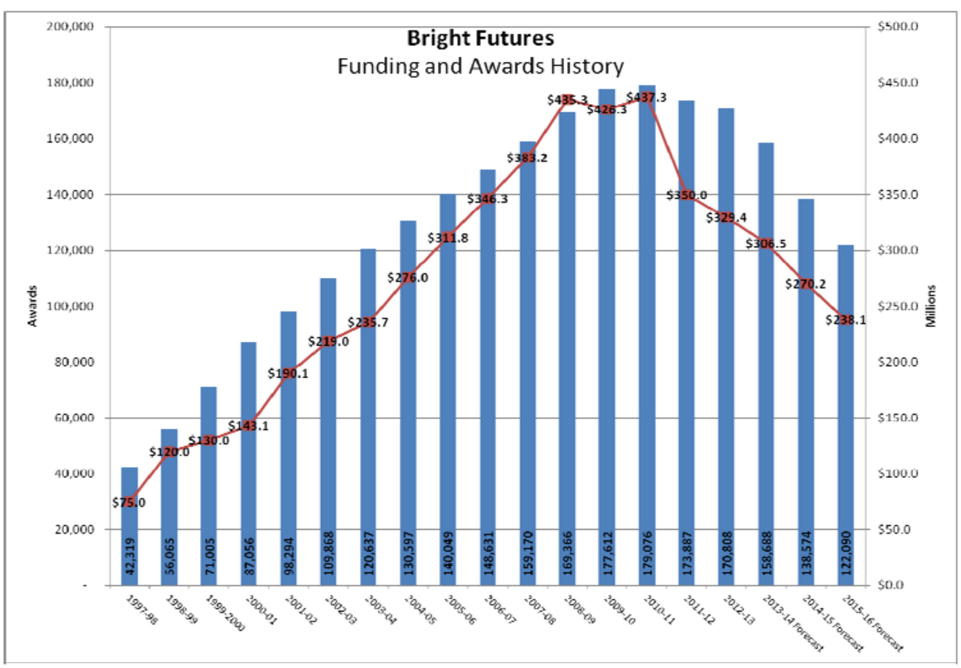
HIGHER EDUCATION (Drivers #5 – #7)

5. Maintain Current Budget—Higher Education

Nonrecurring General Revenue funding is provided to restore nonrecurring state university performance funding of $15 million. The funding was authorized in Fiscal Year 2012-13 by House Bill 7135 (Chapter 2012-195, Laws of Florida) to allow state universities to compete for additional funding to support engineering and technology programs that have high employment outcomes. The nonrecurring $300 million reduction taken in Fiscal Year 2012-13 to the state university system operating funding was restored through the normal budget startup process.

6. Workload and Enrollment—Bright Futures (BF) and Children and Spouses of Deceased / Disabled Veterans (CSDDV)

The Bright Futures Scholarship Program is a merit-based scholarship program designed to provide college scholarships to students who achieve certain academic levels in high school. The Children and Spouses of Deceased/Disabled Veterans (CSDDV) Scholarship Program provides scholarships for dependent children or unremarried spouses of Florida veterans or service members who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or who have been certified by the Florida Department of Veterans Affairs as having service-connected 100 percent permanent and total disabilities. Critical needs funding is projected for the Bright Futures scholarship program based on the number of eligible recipients projected by the Office of Economic and Demographic Research (EDR). EDR estimates 48,718 fewer eligible students for Bright Futures over the three-year forecast due to increased eligibility requirements for the awards. Funding for CSDDV eligible recipients is based on a four-year average growth rate reflecting increased participation in the program.



7. EETF Adjustment—Bright Futures Workload—Higher Education

Additional Educational Enhancement Trust Funds (EETF) are available due to the decline in eligible students in the Bright Futures scholarship program and increased lottery revenues. These funds are distributed based on the proportionate share of appropriated EETF funds in Fiscal Year 2012-13 and an equivalent amount of General Revenue funds is reduced.

HUMAN SERVICES (Drivers #8 – #12)

NOTE: Several aspects of Human Services are potentially impacted by the implementation of PPACA. Those impacts are covered in detail in the Federal Health Care Reform section of the Outlook. The forecasts and narrative in the Critical Needs section below do not include the optional or indeterminate impacts.

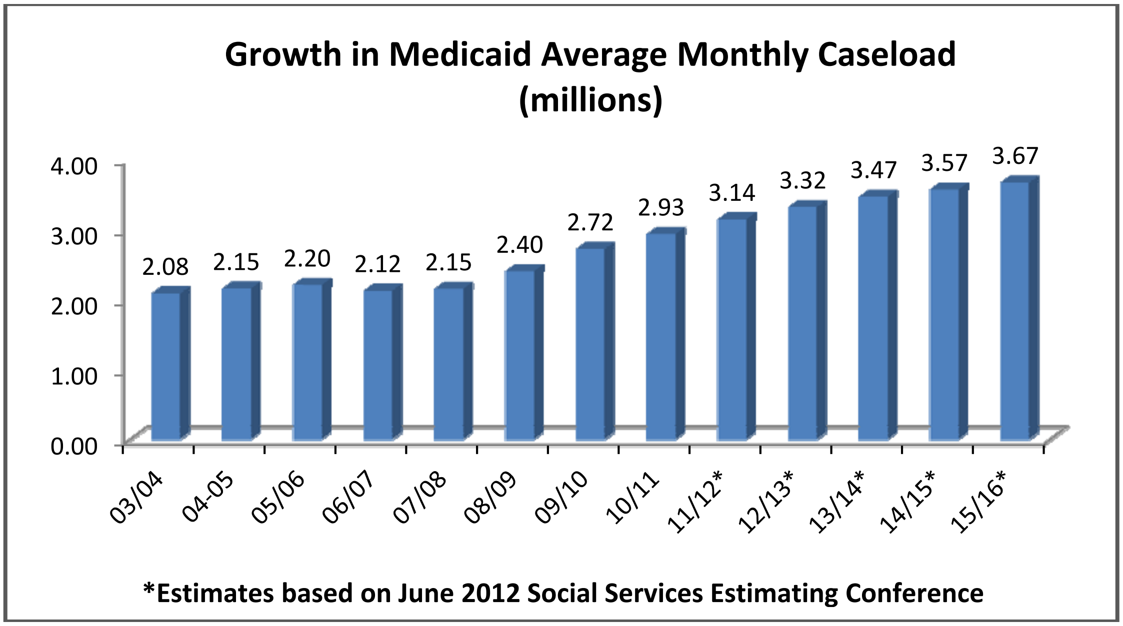
8. Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. It is the largest single program in the state budget, representing 30 percent of the total state budget and is also the largest source of federal funding for the state.

Caseload—Medicaid caseloads grew by 7.9 percent in Fiscal Year 2010-11 and continued to increase by 7.1 percent in Fiscal Year 2011-12 for a total of 3.14 million beneficiaries, partially as a result of the economic recession. In Fiscal Year 2012-13, enrollment is expected to grow to 3.32 million beneficiaries, a 5.6 percent increase from Fiscal Year 2011-12.

Enrollment is expected to continue increasing in the forecast years, but at progressively slower rates than in the three prior fiscal years. Enrollment in Fiscal Year 2013-14 is forecast to rise to 3.47 million beneficiaries, an increase of 4.5 percent from the previous year. Enrollment is forecast to increase to 3.57 million beneficiaries in Fiscal Year 2014-15, a 3.0 percent increase over the previous year; and, Medicaid enrollment is expected to increase in Fiscal Year 2015-16 to 3.67 million beneficiaries, a 2.8 percent increase over the previous year.

[SEE GRAPH ON FOLLOWING PAGE]



Medicaid Caseload Estimates

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Caseload	3,317,084	3,465,110	3,568,625	3,668,488
Increase		148,026	103,515	99,863
Percent		4.5%	3.0%	2.8%

<u>Expenditures</u>—Medicaid expenditures grew by 12.0 percent in Fiscal Year 2009-10 as the state experienced the strongest caseload impact of the economic recession. The growth rate for Fiscal Year 2010-11 was 7.4 percent with expenditures of approximately $19.25 billion while the state began the slow recovery process. Although not final, Medicaid expenditures were projected to have grown in Fiscal Year 2011-12 to $20.18 billion, a 4.9 percent increase over Fiscal Year 2010-11. Actual expenditures for Fiscal Year 2011-12 will not be available until after September 30, 2012. In Fiscal Year 2012-13, Medicaid expenditures are expected to increase to $20.99 billion, a 4.0 percent increase over Fiscal Year 2011-12.

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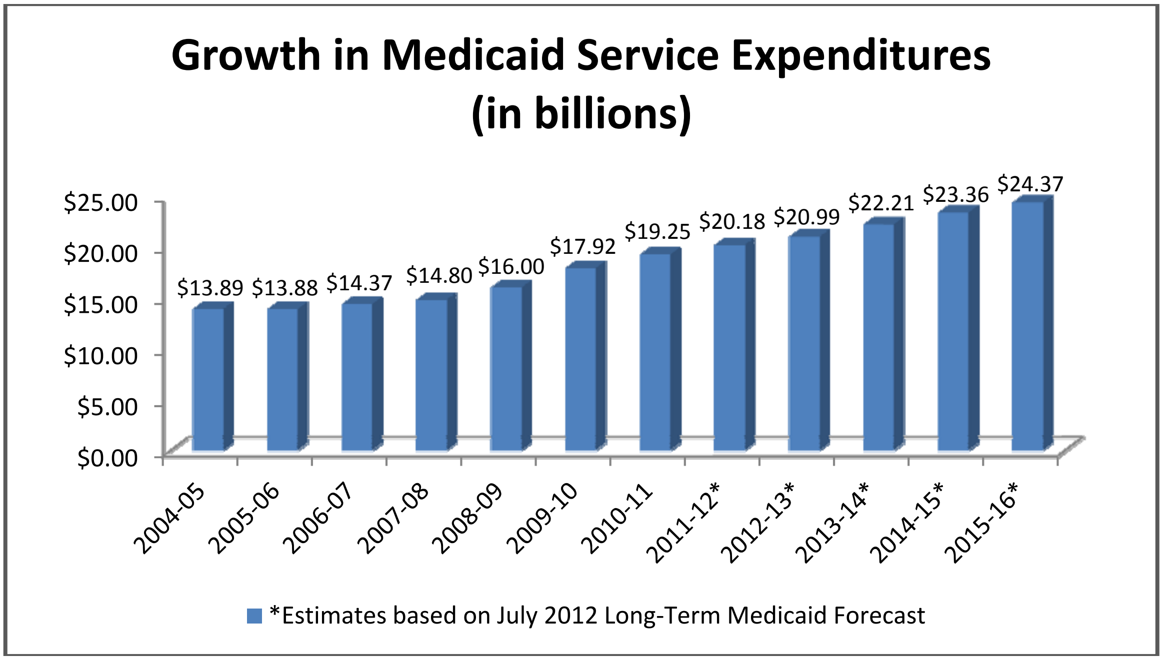


Total Medicaid expenditures are expected to increase to $22.21 billion in Fiscal Year 2013-14, a 5.8 percent increase over the previous fiscal year. In Fiscal Year 2014-15, expenditures are expected to increase to $23.36 billion, a 5.2 percent increase, and, expenditures of $24.37 billion are expected for Fiscal Year 2015-16, an increase of 4.3 percent over Fiscal Year 2014-15.

Medicaid Expenditure Estimates for General Revenue*
(dollars in millions)

	Fiscal Year 2012-13**	**Fiscal Year 2013-14**	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**
FMAP Rate	57.73%	58.62%	59.09%	59.37%
Expenditures				
General Revenue	$4,920.5**	$5,222.2	$5,592.2	$5,866.1
Increase		$301.7	$370.0	$273.9
Percent		6.13%	7.09%	4.90%

* Estimate based on July 2012 Social Services Estimating Conference and does not include ($14.7) million state matching funds in other departments for Fiscal Year 2013-14; ($7.8) million for Fiscal Year 2014-15; and ($4.6) million in Fiscal Year 2015-16.

** Base budget adjusted for nonrecurring funds and annualizations.

The Outlook includes an increase in General Revenue funds for Medicaid expenditures of $287.0 million in Fiscal Year 2013-14, $362.2 million in Fiscal Year 2014-15, and $269.2 million in Fiscal Year 2015-16. This includes Medicaid state matching funds that are budgeted in other health and human services departments. The Outlook includes reductions in General Revenue funds for these agencies in the amounts of $14.7 million in Fiscal Year 2013-14, $7.8 million for Fiscal Year 2014-15, and $4.6

million in Fiscal Year 2015-16 due to changes in the Federal Medical Assistance Percentage (FMAP) rate which is the federal financial participation rate.

Major policy assumptions and projections for critical needs related to Medicaid expenditures for the forecast period are described below:

- **Social Services Estimating Conference—**The estimated costs for caseload growth, utilization, FMAP, and inflation were projected based on historical trends and methodologies used by the July 2012 Social Services Estimating Conference. Expenditures associated with PPACA are not included in this Social Services Estimating Conference estimate. They are addressed in a separate estimate.

- **Medicaid Managed Care—**Chapter 2011-134, Laws of Florida, directs the Agency for Health Care Administration to implement a Medicaid managed care program as a statewide, integrated managed care program for all covered medical assistance services and long term care services. Procurement activities began in June 2012, with full implementation anticipated by October 1, 2014. The Social Services Estimating Conference did not include any adjustments or modification to anticipated Medicaid expenditures as a result of this legislation in the long-range forecast because the federal waiver approval for this program has not yet been provided. This means that implementation specifics could still be modified. Any potential fiscal impacts of this legislation will be evaluated at future conferences.

9. Federal Health Care Reform

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) was signed into law on March 23, 2010, and was amended one week later by the Health Care and Education Reconciliation Act of 2010. Collectively, the two pieces of legislation are referred to herein as PPACA. PPACA is an omnibus health insurance reform law that alters numerous aspects of commercial insurance, as well as coverage provided through government programs. As passed, PPACA attempted to require states to increase Medicaid eligibility thresholds to 138 percent of the federal poverty level (FPL), effective January 2014, as well as requiring states to increase Medicaid reimbursement rates for primary care services provided by primary care practitioners to 100 percent of the Medicare reimbursement rate during calendar years 2013 and 2014.

Although PPACA was the subject of several lawsuits that sought to have the law struck down on constitutional grounds, the federal law was largely ruled constitutional by the U.S. Supreme Court on June 28, 2012. However, the law's requirement for Medicaid expansion was ruled by the court to be an unconstitutional coercion by the federal government. As such, based on the court's ruling, the law's requirement for states to expand Medicaid eligibility to 138 percent of the federal poverty level (FPL) in January 2014 has effectively been rendered optional. **Potential cost estimates for the**

optional expansion can be found in the Federal Health Care Reform section of the Outlook.

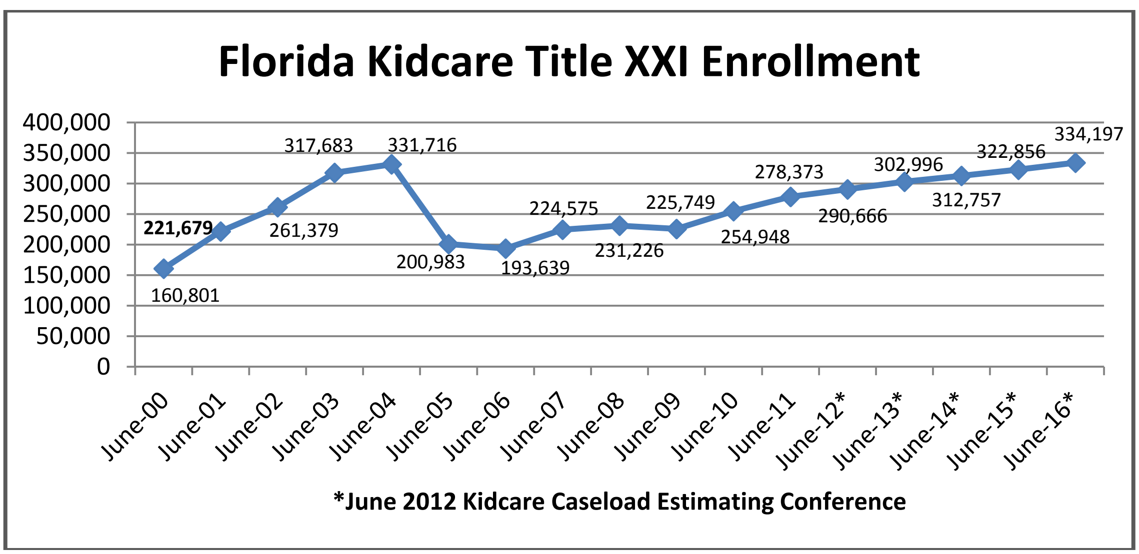
The Supreme Court ruling did not address the increased reimbursement rates for primary care services; therefore, the rate increase is required for calendar years 2013 and 2014. The match rate for this increase is 100 percent federally funded for those two calendar years, meaning the federal government will fund 100 percent of the difference between Medicare rates and the state's preexisting rates during 2013 and 2014.

The Outlook includes an increase in federal expenditures of $849.7 million in Fiscal Year 2013-14 and $424.8 million in federal expenditures for Fiscal Year 2014-15 to address the federally required reimbursement increase.

10. Kidcare Program

Kidcare is the state's children's health insurance program provided under the federal Children's Health Insurance Program (CHIP)—Title XXI of the Social Security Act. The Kidcare program provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the FPL ($46,100 for a family of four in 2012). CHIP is a federal and state matching program. The state participation for Florida is 29.70 percent and the federal participation is 70.30 percent for Fiscal Year 2012-13. Unlike Medicaid, Kidcare is not an entitlement program, and the federal allotment is capped. Florida's federal allotment for Federal Fiscal Year 2012 is $339.8 million. The program is funded at $539.2 million in Fiscal Year 2012-13, of which $154.1 million is state matching funds ($59.1 million of General Revenue and $95.0 million of tobacco settlement funds).

The Title XXI caseload as of June 2012 was 258,424. There were 32,242 additional children enrolled in the program who are non-Title XXI eligible for a total program enrollment of 290,666.



Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Caseload	302,996	312,757	322,856	334,197
Increase		9,761	10,099	11,341
Percent		3.22%	3.23%	3.51%

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Expenditures				
FMAP Rate**	70.30%	71.06%	71.38%	71.47%
State Funds	$151.6*	$149.7	$159.2	$169.1
Increase		($1.9)	$9.5	$9.9
Percent		(1.27%)	6.36%	6.24%

* Adjusted for nonrecurring
** Weighted FMAP

The Outlook includes a decrease in General Revenue funds for Kidcare expenditures of $1.9 million in Fiscal Year 2013-14, an increase of $9.5 million in Fiscal Year 2014-15, and an increase of $9.9 million in Fiscal Year 2015-16.

Major policy assumptions and projections for critical needs related to Kidcare expenditures for the forecast period are described below:

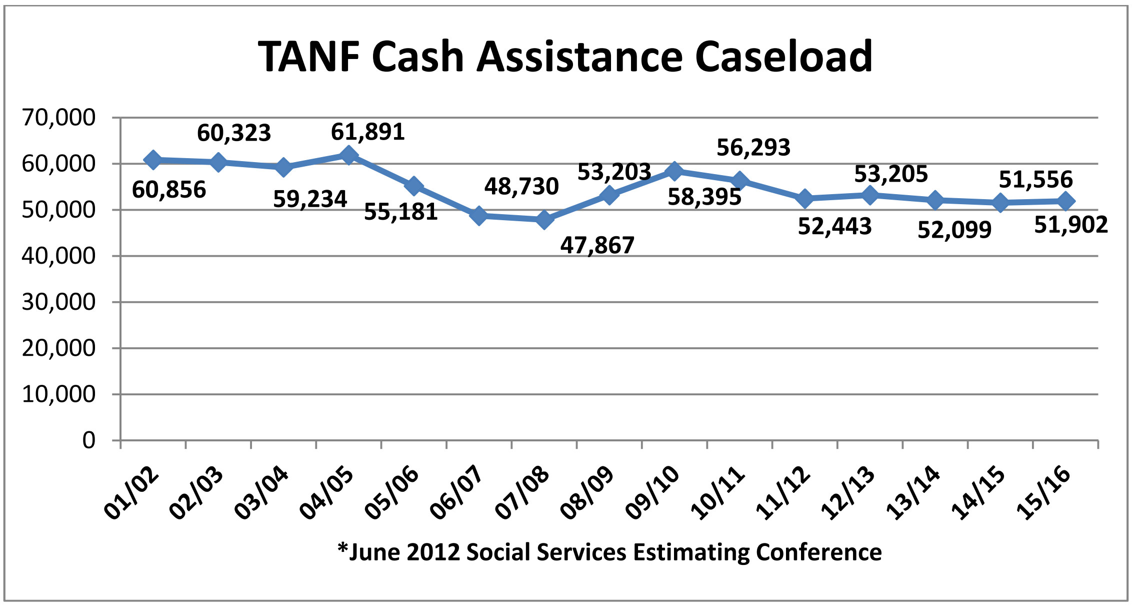
- **Social Services Estimating Conference—**The estimated costs for caseload growth, utilization, FMAP, and inflation were projected based on historical trends and methodologies used by the June 2012 Social Services Estimating Conference.

- **Reauthorization—**The federal Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) reauthorized and funded the CHIP program for four and a half years, through Federal Fiscal Year 2013. PPACA extended the CHIP program through 2019, with funding authorized through September 30, 2015. The Outlook uses the Federal Fiscal Year 2012 allotment of $339.8 million for State Fiscal Years 2012-13, 2013-14, and 2014-15. Beginning with the 2009 allotment, funds are available for two years only (previously they were available to be spent over three years).

11. Temporary Assistance for Needy Families (TANF) Cash Assistance

The welfare reform legislation of 1996 ended the federal entitlement to assistance and created the Temporary Assistance for Needy Families (TANF) block grant that provides assistance and work opportunities to needy families. Florida's federal block grant allotment is $562.3 million for Fiscal Year 2012-13. In addition, $32.3 million of the TANF funds used in the Fiscal Year 2012-13 appropriation are nonrecurring.

The TANF block grant has an annual cost-sharing requirement referred to as the maintenance of effort requirement (MOE). States are required to spend 80 percent of the state funds expended under the former Aid to Families with Dependent Children (AFDC) program or 75 percent if federal work participation requirements are met (50 percent all-family rate and 90 percent two-parent family rate). Because Florida has always met the work participation requirements since the inception of the TANF program, the required, minimum MOE has been $368.4 million, or 75 percent. Should Florida fail to meet the federal work participation requirements, the MOE would increase by 5 percent, or $24.5 million.



Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Caseload	53,205	52,099	51,556	51,902
Increase/(Decrease)		(1,106)	(543)	346
Percent		(2.08%)	(1.04%)	0.67%

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Total Program Expenditures	$155.4	$163.5	$161.2	$162.2
Increase/(Decrease)		$8.1	($2.3)	$1.0
Percent		5.19%	(1.42%)	0.65%

Source: June 2012 Social Services Estimating Conference

Major policy assumptions and projections for TANF cash assistance for the forecast period are described below:

- **Social Services Estimating Conference—**Estimates for cash assistance were projected based on historical trends and methodologies used by the June 2012 Social Services Estimating Conference.

- **Reauthorization—**In February 2012, Congress extended the Temporary Assistance for Needy Families (TANF) block grant through September 30, 2012, as part of H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2012. This reauthorization includes a requirement that states implement policies that restrict recipients' access to benefits while in certain establishments (casinos, liquor stores, and adult entertainment venues) or face a financial penalty reducing the grant allotment by 5 percent. The Outlook assumes continuation of the TANF Block Grant at the historical funding levels of $562.3 million and that such policies will be implemented. It also assumes that Florida will continue to meet the work participation requirements and only be required to provide MOE at the 75 percent amount. If work participation rates are not met, Florida would have to increase MOE by 5 percentage points.

12. Tobacco Settlement/Tobacco Awareness Constitutional Amendment

A constitutional amendment passed on the November 2006 ballot that required the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program, using tobacco settlement money to primarily target youth and other at-risk Floridians. The annual funding requirement is 15 percent of the 2005 Tobacco Settlement payments to Florida, adjusted annually for inflation using the Consumer Price Index. The 2007 Legislature enacted Chapter 2007-65, Laws of Florida, which required the Department of Health to operate the tobacco program. The amount required for Fiscal Year 2012-13 was $64.6 million in trust funds.

Tobacco Education and Use Prevention Program Estimates
(dollars in millions)

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Expenditures	$64.6	$65.7	$66.5	$68.1
Increase/(Decrease)		$1.1	$0.9	$1.5
Percent		1.70%	1.30%	2.30%

Major policy assumptions and projections for the forecast period are described below:

- **National Economic Estimating Conference—**The estimated tobacco expenditures from the January 2012 Revenue Estimating Conference were adjusted by applying the Consumer Price Index from the July 2012 National Economic Estimating Conference.

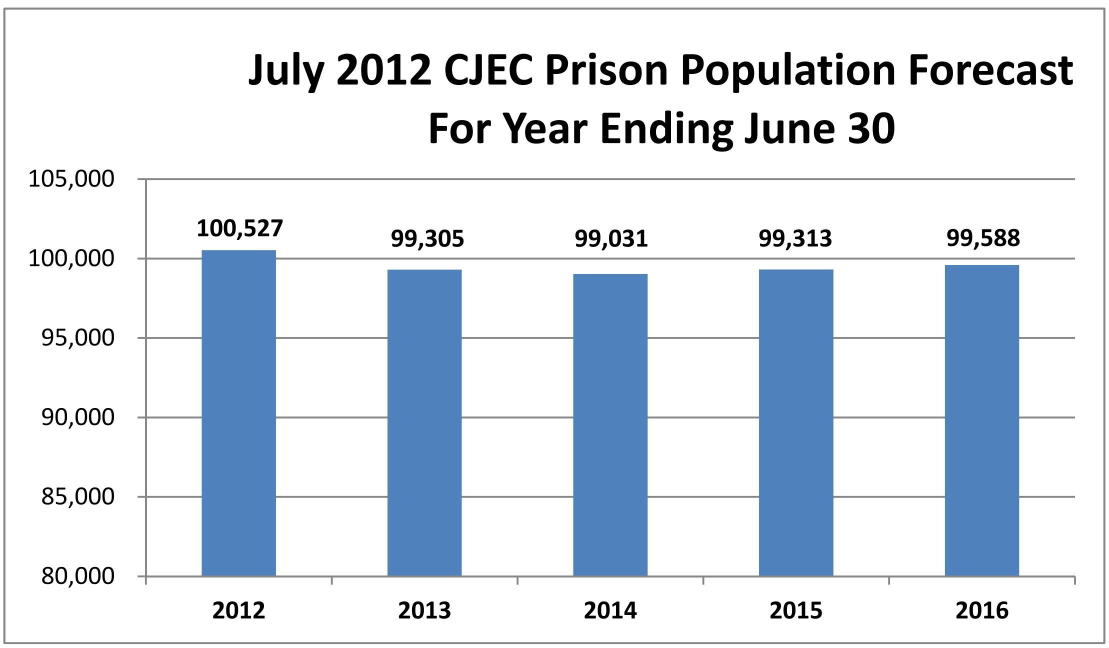
- **Expenditures**—Over the three-year forecast period, the Outlook provides for adjustments related to the statewide Tobacco Education and Use Prevention program: $1.1 million increase in Fiscal Year 2013-14, $0.9 million increase in Fiscal Year 2014-15, and $1.5 million increase in Fiscal Year 2015-16.

The Outlook also includes a $12.7 million reserve in the Tobacco Settlement Trust Fund.

CRIMINAL JUSTICE (Driver #13)

13. Increase in Criminal Justice Estimating Conference (CJEC) Prison System Population

The Criminal Justice Estimating Conference projects that Florida's prison population will remain relatively flat for the next three fiscal years. Major cost drivers for the Department of Corrections (DOC) typically include operational costs to care for the additional inmate population and construction for the projected increased capacity.



Source: Criminal Justice Estimating Conference (July 26, 2012)

Operational cost drivers include prison security and institutional operations, inmate health services, and educational and substance abuse programs for inmates. To calculate projected costs, a baseline average annual rate was calculated by dividing DOC's Fiscal Year 2012-13 approved General Revenue budget for Security and Institutional Operations, Health Services, and Education and Programs by the projected

Fiscal Year 2012-13 mid-year inmate population. This resulted in an average rate of $44.11 per inmate per day.

To account for rising health care costs, a national consumer price index (CPI) adjustment was applied to the department's Health Services Program budget. The CPI is based on increases in health care costs, which on a national level are generally higher than price level increases for household goods and services. DOC's Health Services Program is particularly vulnerable to escalating costs due to its use of community hospital and ambulatory care in emergency situations, and the rising costs of prescription drugs.

The Outlook assumes a need for additional recurring General Revenue of $6.5 million beginning in Fiscal Year 2014-15 and $11.5 million in Fiscal Year 2015-16. This totals a modest 0.3 percent increase over three years, despite the flattening prison population; costs are expected to increase primarily due to inflationary cost increases for health care.

JUDICIAL BRANCH (Driver #14)

14. Court System Funding Shortfall

The judicial branch's core mission is to resolve civil disputes and criminal charges. Most of the cost of the judicial budget is made up of judges, associated staff, and expenses. Under the Florida Constitution, the counties are responsible for providing facilities, security, communications and information technology to the trial courts. The state is responsible for the remaining costs of the trial courts and all costs of the Supreme Court and five district courts of appeal.

The Legislature changed the funding sources used for the state court system in 2009 and 2010 by creating a graduated filing fee for real property or mortgage foreclosure cases, increasing the use of court fees from the State Courts Revenue Trust Fund and decreasing the amount of General Revenue. However, the revised funding sources lacked adequate predictability. The trust fund revenue to support court operations was lower than the Revenue Estimating Conference's Fiscal Year 2012-13 official revenue projection. As a result, the Legislature restored $273.9 million in recurring General Revenue to fund the court system. Assuming the continuation of Fiscal Year 2012-13 funding of $443 million, an additional $3.8 million in recurring General Revenue will be needed for Fiscal Year 2015-16, based on the July 2012 revenue forecast.

TRANSPORTATION AND ECONOMIC DEVELOPMENT (Driver #15)

15. State Disaster Funding (Declared Disasters)

When a federally declared disaster occurs, the federal government provides grant funds to repair damage and protect areas from future potential disasters. Depending on the disaster, Florida is required to provide up to 25 percent of the total cost of the grant as state match. State matching funds for federally declared disasters vary tremendously from one year to the next. The amount of General Revenue funds required in any given year is dependent on the number and severity of disasters, as well as the federally required percentage of state participation. Based on the most recent quarterly estimate from the Division of Emergency Management, the Outlook projects $16.6 million of nonrecurring General Revenue will be required to meet the outstanding state obligation for all open federally declared disasters.

Not included in the Outlook calculations are estimates for natural disasters yet to occur, or for which damage assessments have not been conducted as of the date this Outlook was written (such as Hurricane Isaac). Damage assessments and claims processing through the Division of Emergency Management can span several fiscal years. Due to the volatility of natural disasters, in terms of both frequency and severity, it is not possible to estimate the costs to the state for these future events.

NATURAL RESOURCES (Driver #16)

16. Everglades Restoration Litigation

In 1994, the Florida Legislature enacted the Everglades Forever Act (EFA) to achieve water quality standards in the Everglades Protection Area (EvPA). The EFA required the South Florida Water Management District to construct a series of stormwater treatment areas (STAs) to, along with best management practices, reduce phosphorus levels in stormwater runoff and other sources before it enters the EvPA. If the STAs and best management practices implemented by the EFA did not achieve water quality standards in the EvPA, the Act required the district to submit a new proposal to the Florida Department of Environmental Protection (FDEP) by December 31, 2003, that would achieve compliance. In March 2003, the district developed such a plan (Long Term Plan) that was approved by the Legislature and incorporated by law into the EFA.

In 2004, as the first phase of the Long Term Plan was being implemented, the Miccosukee Tribe brought suit against the United States Environmental Protection Agency (USEPA) claiming that the 2003 EFA amendments and the Florida's phosphorus water quality standard violated the federal Clean Water Act as improper changes to water quality standards. In July 2008, the federal court agreed with the Tribe and issued an injunction enjoining USEPA and FDEP from issuing new state or Clean Water Act permits for the STAs that authorize discharges above the phosphorus standard. Pending resolution of this federal court order, the State of Florida was effectively removed from the regulatory oversight of Everglades water quality restoration efforts. To resolve this situation, in June 2012 the FDEP and district, in consultation with USEPA, developed a technical plan to meet water quality standards, which includes additional STAs and storage reservoirs at a cost of $880 million over a 13-year period including Fiscal Year 2012-13. Following approval of the technical plan, the federal court lifted the injunction, effectively reinstating FDEP's federal permitting authority and allowing Everglades water quality restoration to proceed.

Implementation of the technical plan also protects the state from a federal enforcement action by USEPA that could compel the district to implement a previously proposed $1.8 billion remedy and holds the potential to resolve other long-standing litigation involving the State of Florida and the federal government.

A total of $500.7 million ($292.4 million from ad valorem tax revenue growth resulting from new construction and $208.3 million of cash reserves) will be provided by the South Florida Water Management District, leaving the balance of $379 million expected from the General Revenue Fund over the 13-year period. The Outlook assumes funding of $32 million each year from nonrecurring General Revenue for fixed capital outlay projects to support the implementation of the technical water quality plan.

GENERAL GOVERNMENT (Drivers #17 – #18)

17. Non-Florida Retirement System (FRS) Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services is also responsible for administering non-FRS pension and benefit programs, such as the Florida National Guard, disabled justices and judges, and retired teachers. The funding increase included in the Outlook is related to the Florida National Guard and is based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits, and growth in the number of participants. Based on estimates provided by the Division of Retirement, there is no funding increase needed for the 2013-14 fiscal year. For Fiscal Years 2014-15 and 2015-16, a $1.2 million recurring General Revenue increase is included in the Outlook.

18. Fiscally Constrained Counties—Property Tax

Section 218.12, Florida Statutes, directs the Legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the constitutional amendment approved in January 2008. In addition, section 218.125, Florida Statutes, provides a distribution to fiscally constrained counties to offset the constitutional amendment (approved in November 2008) authorizing an ad valorem tax exemption for real property dedicated in perpetuity for conservation purposes.

Based on estimates provided by the Office of Tax Research in the Department of Revenue and the Office of Economic and Demographic Research, the Outlook provides nonrecurring General Revenue of $25.5 million for the three-year period beginning in Fiscal Year 2013-14 through Fiscal Year 2015-16.

ADMINISTERED FUNDS & STATEWIDE ISSUES (Drivers #19 – #22)

19. Risk Management Insurance

The Outlook includes funds for the state's Risk Management Insurance Program. The Program is administered by the Department of Financial Services and provides workers' compensation, general liability, federal civil rights, auto liability, off-duty law enforcement vehicle property damage, and property insurance coverage to state agencies. The state is self-insured for these types of coverage, and agencies are assessed premiums on an annual basis for the coverage. The Outlook uses data available from the July 2012 Self-Insurance Estimating Conference to estimate costs and determine General Revenue and trust fund allocations to the various agencies. Additional funds in the Outlook include $10 million in recurring General Revenue and $4.3 million in trust funds for Fiscal Year 2013-14, an additional $11 million in recurring General Revenue and $4.7 million in trust funds for Fiscal Year 2014-15 and $5.7 million in recurring General Revenue and $2.4 million in trust funds for Fiscal Year 2015-16.

20. Division of Administrative Hearings Assessments

The Outlook includes funds to support the operations of the Division of Administrative Hearings. The Division resolves disputes brought by individuals and groups such as state agencies and contracted entities to the Division for hearing by an administrative law judge. The Division's funding is derived by assessing state agencies and other entities for services based on the prior years' hearing hours. The Operating Trust Fund utilized by the Division had a significant balance at the end of Fiscal Year 2011-12. Consequently, assessments were reduced in the 2012-13 fiscal year in order to draw down the balance. Additional recurring General Revenue of $400,000 and $800,000 in trust funds are included in the Outlook for Fiscal Year 2013-14 to restore the assessments as the Division's Operating Trust Fund balance has been reduced to an appropriate level.

21. Increases in Employer-Paid Benefits for State Employees

Health Insurance—The Self-Insurance Estimating Conference adopted two reports on August 20, 2012, in contrast to its previous practice, relating to the State Group Health Insurance Program. The reason was to separate prospective costs and revenues related to PPACA from costs projections pertaining specifically to the State Employees' Group Health Self-Insurance Trust Fund, as illustrated in this driver.

Total expenses associated with the state employee health insurance program are expected to increase by $108.5 million in Fiscal Year 2013-14, $168.6 million in Fiscal Year 2014-15 and $197.7 million in Fiscal Year 2015-16. As noted above, this driver does not include projected impacts associated with requirements of PPACA becoming effective on or after July 1, 2013 (see Driver #22). When the Legislature appropriates additional funds to maintain the solvency of the program, approximately 67 percent of employer-funded premium increases are funded with General Revenue funds and 33 percent with trust funds.

The increases in expenses are based on assumptions that the plan will experience a 9.0 percent increase in Health Maintenance Organization (HMO) premium payments, 9.0 percent annual growth in medical claims, and 8.3 percent annual growth in Preferred Provider Organization (PPO) pharmacy claims and 10.3 percent annual growth in HMO pharmacy claims.

On the revenue side of the state employee health insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered via premium increases paid by the state. Generally, these costs have been funded through this mechanism. For Fiscal Year 2012-13, a portion of the anticipated costs were funded through an increase in employer contributions.

In order to meet expenses and maintain a small working balance in the Trust Fund, the Outlook assumes 10 percent annual increases in employer paid premium contributions effective on January 1, 2014; January 1, 2015; and January 1, 2016. Under these assumptions, state contributions are expected to increase by $75.6 million in Fiscal Year 2013-14, $158.2 million in Fiscal Year 2014-15, and $173.1 million in Fiscal Year 2015-16. (No changes to the insurance program or to employee paid premium contributions are assumed.)

22. Federal Health Care Reform—Impact to State Employee Health Insurance Program

PPACA has many components, including new reporting mandates, taxes and fees, and major structural changes such as insurance reforms, employer and individual mandates, and insurance exchanges phasing in over many years. Every employer-sponsored health plan, including the state employee health insurance program, will be affected.

The major health care reform provisions with potential employer impact that have already been implemented, or are in the process of being implemented, for the state employee health insurance program, include: (a) elimination of overall lifetime plan maximums, (b) removal of annual limits for essential health benefits, (c) elimination of pre-existing condition exclusions for children under age 19, (d) patient centered outcome research institute fees (phased in $1 or $2 per participant), and (e) expanded coverage for employees' adult children to age 26 without regard to dependency.

Additional major changes that are effective January 1, 2014, include: (a) imposition of pharmaceutical industry fees, imposition of a 2.3 percent excise tax on medical devices and health insurance industry fees, (b) elimination of all pre-existing condition limitations, (c) implementation of a "shared responsibility" provision requiring employers to offer affordable coverage meeting minimum standards to "full-time" employees (those employees who work an average of 30 or more hours per week) or face potentially significant penalties, and (d) imposition of an individual mandate to maintain coverage or face a penalty.

One future PPACA impact that should be highlighted is the treatment of employees paid from Other Personal Services (OPS). Current state law specifically excludes OPS employees from participating in the state employee health insurance program. However, under PPACA, the state will be required to extend health insurance coverage to all of its “full-time” employees (those who work an average of 30 or more hours per week) or be subject to significant penalties. Assuming that one or more OPS employees meet the definition of “full-time” employees under the federal law, the state would be subject to a penalty of $312.6 million annually if the prohibition remains and OPS employees are not provided insurance coverage meeting the minimum requirements of federal law. The estimated penalty is $2,000 for each “full-time” employee participating in the state employee health insurance program. In lieu of paying the federal penalty, the state may allow OPS employees that are considered “full-time” employees under federal law to participate in the Program. This change would result in increased premium revenues and increased expenses for the state employee health insurance program. The total expense to the State Employees’ Group Health Insurance Trust Fund associated with including OPS personnel who are considered “full-time” employees under PPACA, in the first full fiscal year of implementation (Fiscal Year 2014-15) is projected at slightly less than $40 million.

The incremental cost to the state, including the state universities, of the PPACA provisions that become effective after July 1, 2013, is estimated to be $47.6 million in Fiscal Year 2013-14, $77.0 million in Fiscal Year 2014-15 and $18.6 million in Fiscal Year 2015-16. These costs assume 10 percent annual increases in employer paid contributions effective on January 1, 2014; 2015; and 2016, in line with those assumed in Driver #21. Approximately 67 percent of those costs are funded with General Revenue funds and 33 percent with trust funds.

OTHER HIGH PRIORITY NEEDS

PRE K–12 EDUCATION (Drivers #23 – #24)

23. Workload and Enrollment—Florida Education Finance Program (FEFP)

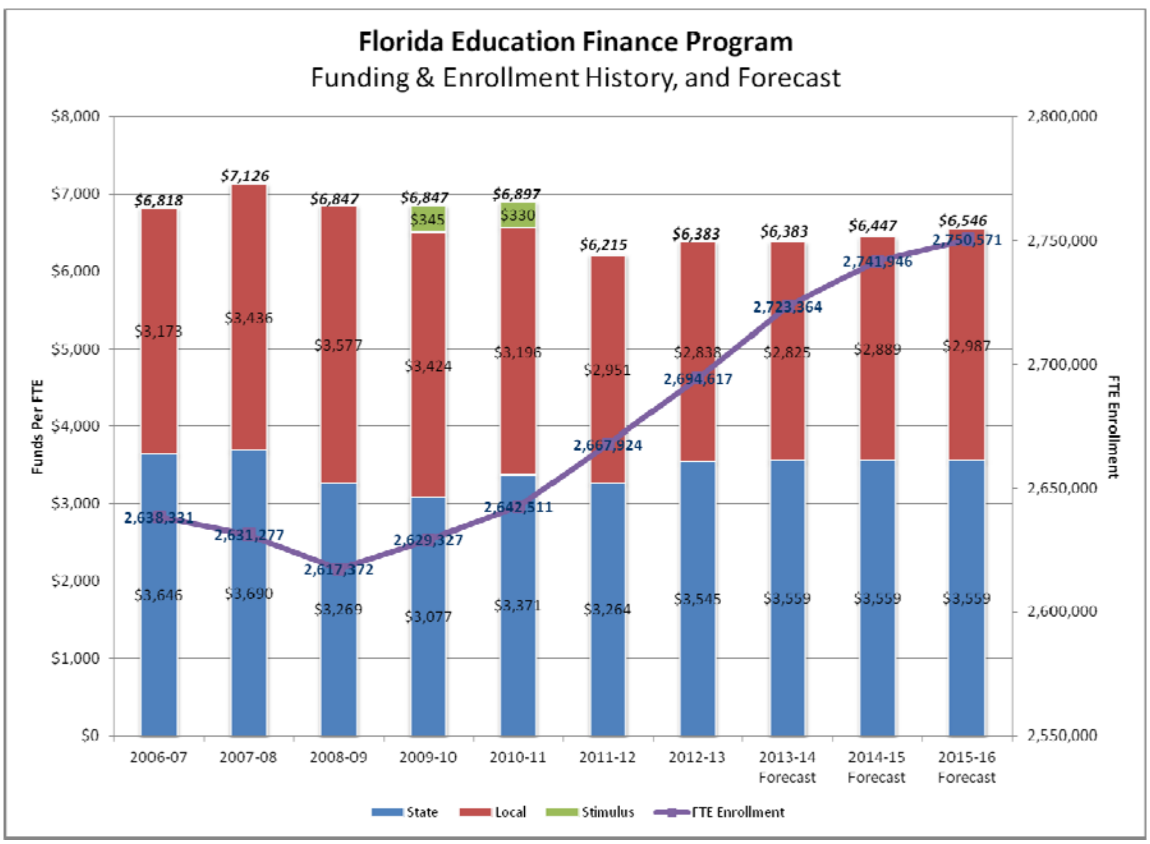
Additional state funds are added to the critical needs funding adjustments to the FEFP for projected enrollment growth to maintain *state* funds per student of $3,559. This adjustment only affects Fiscal Years 2014-15 and 2015-16.

[SEE TABLE ON FOLLOWING PAGE]

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Total Critical Needs FEFP State Funds	$228,555,007	($101,119,514)	($228,769,087)
Total Other High Priority FEFP State Funds	$0	$167,238,613	$259,484,978
TOTAL: FEFP Funding in The Outlook	**$228,555,007**	**$66,119,099**	**$30,715,891**

24. Adjustment to Offset Tax Roll Changes (FEFP)

As described in Drivers #1 through #3, when school taxable values increase there is a resulting increase in ad valorem revenue for public schools in the FEFP, and an offsetting reduction in the need for state funds in order to maintain per student funding. The increase in state funds for enrollment growth in Driver #23 to maintain *state* funds per student causes a small adjustment in the need for ad valorem funds. This adjustment results in an increase in ad valorem revenues in Fiscal Year 2014-15 of $7.6 million and $12.2 million in Fiscal Year 2015-16.



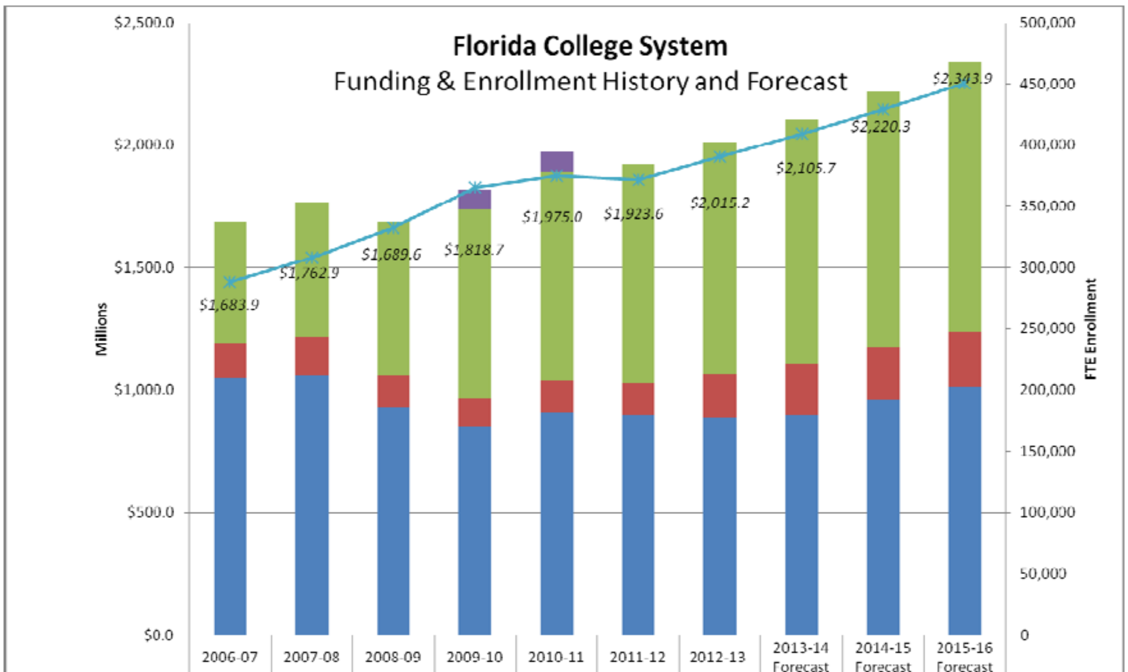
HIGHER EDUCATION (Drivers #25 – #28)

25. Maintain Current Budget—Higher Education Discretionary Programs

Recurring General Revenue funds are included in Fiscal Year 2013-14 to restore certain nonrecurring appropriations for programs that received reductions to recurring funds that were partially restored with nonrecurring funds in Fiscal Year 2012-13. These include funding of $1.6 million for the Historically Black Private Colleges and $591,880 for the Minority Teacher Scholarship Program.

26. Workload and Enrollment—Florida Colleges

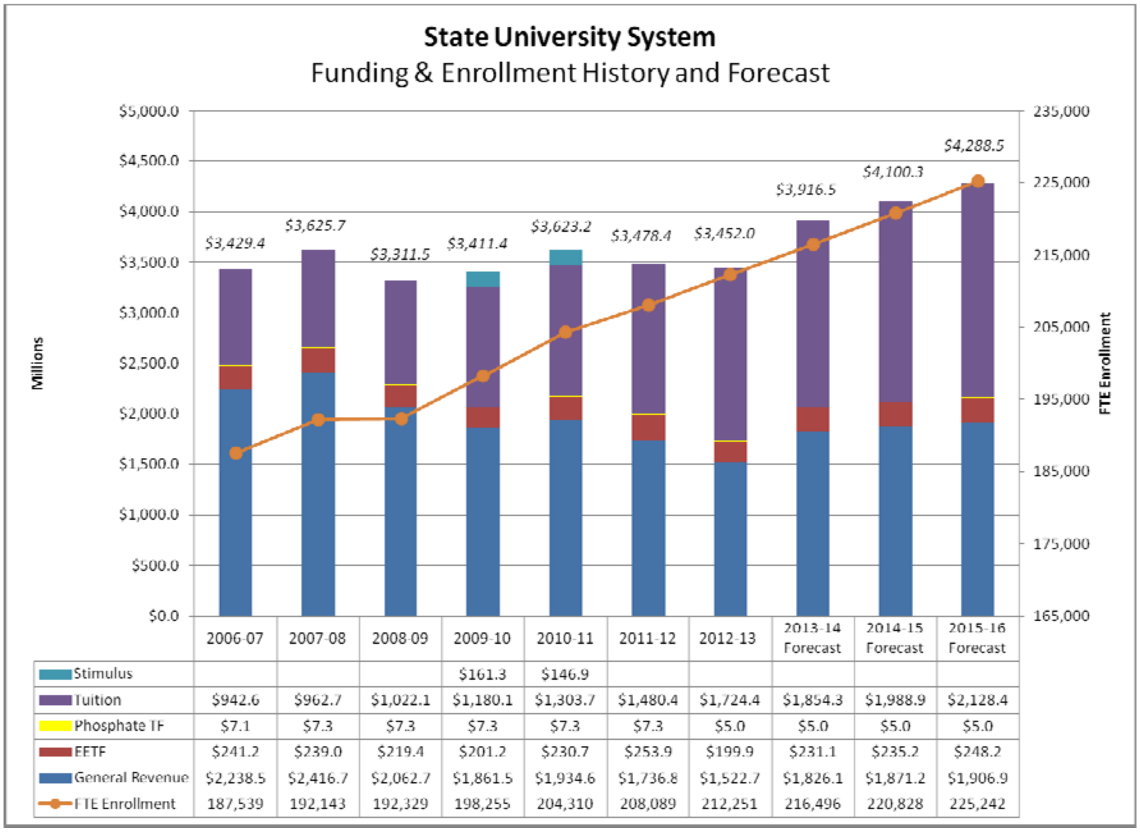
Other high priority needs funding includes workload increases for Florida Colleges based on the four-year average enrollment growth of 4.9 percent for each year during the forecast period. Enrollment growth over the projected three years is estimated to be 60,229 FTE students. See chart below for estimates for each year of the Outlook period.



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast
Stimulus				$83.3	$83.0					
Tuition	$495.6	$545.2	$632.3	$767.1	$855.0	$896.0	$949.0	$995.5	$1,047.8	$1,106.4
EETF	$140.0	$161.4	$124.8	$117.0	$127.0	$130.4	$180.8	$209.1	$212.8	$224.6
General Revenue	$1,048.3	$1,056.3	$932.5	$851.3	$910.0	$897.2	$885.4	$901.1	$959.7	$1,012.9
FTE Enrollment	288,422	307,824	332,573	365,277	375,292	372,050	390,280	409,404	429,465	450,509

27. Workload and Enrollment—Universities

Other high priority needs funding includes workload increases for state universities based on the four-year average enrollment growth of 2.0 percent for each year during the forecast period. Enrollment growth over the three years is estimated to be 12,991 students. See chart below for estimates for each year of the outlook period.



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast
Stimulus				$161.3	$146.9					
Tuition	$942.6	$962.7	$1,022.1	$1,180.1	$1,303.7	$1,480.4	$1,724.4	$1,854.3	$1,988.9	$2,128.4
Phosphate TF	$7.1	$7.3	$7.3	$7.3	$7.3	$7.3	$5.0	$5.0	$5.0	$5.0
EETF	$241.2	$239.0	$219.4	$201.2	$230.7	$253.9	$199.9	$231.1	$235.2	$248.2
General Revenue	$2,238.5	$2,416.7	$2,062.7	$1,861.5	$1,934.6	$1,736.8	$1,522.7	$1,826.1	$1,871.2	$1,906.9
FTE Enrollment	187,539	192,143	192,329	198,255	204,310	208,089	212,251	216,496	220,828	225,242

In addition, over the forecast period, $2.5 million is also included for the phase-in of Florida International University and the University of Central Florida medical schools.

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16*
FIU Medical School	$800,000	$700,000	$0
UCF Medical School	$700,000	$300,000	$0

*2014-15 is anticipated to be the final year of the phase-in

28. Anticipated New Space Costs for Colleges & Universities

General Revenue funds are provided in other high priority needs for operational costs associated with the phase-in of new physical space operations, which include costs related to utilities and janitorial services. Facility construction projects funded through Public Education Capital Outlay appropriations and capital challenge grants programs are underway and anticipated to come on-line during the outlook period. The Outlook includes $22.4 million for Fiscal Year 2013-14 based upon current estimates of need. Fiscal Years 2014-15 and 2015-16 estimates are based on a four-year appropriations average of $27.8 million.

HUMAN SERVICES (Drivers #29 – #32)

29. Developmentally Disabled Services

Other high priority needs for the home and community-based waiver include funding for deficits carried forward from Fiscal Year 2011-12. This Outlook includes $21.0 million in nonrecurring General Revenue funds for Fiscal Year 2013-14. This estimate is based upon the Agency for Persons with Disabilities' August 2012 Surplus/Deficit Report.

30. Children and Family Services

The Outlook restores nonrecurring funds in Fiscal Year 2013-14 for maintenance adoption subsidies, community based care, Healthy Families, community projects, and mental health and substance abuse services. The Outlook provides a workload increase for Medicaid waivers services based on four-year averages. This Outlook also addresses a $21.5 million deficit in programs funded with nonrecurring TANF dollars in Fiscal Year 2012-13. These high priority drivers increase General Revenue funds for the Department of Children and Families by $86.4 million for Fiscal Year 2013-14, $13.4 million for Fiscal Year 2014-15 and $13.4 million for Fiscal Year 2015-16.

31. Health Services

For Fiscal Year 2013-14, the Outlook includes $30.0 million in recurring General Revenue funds to restore nonrecurring funding for Hospital Rate reduction buybacks, and includes $2.5 million in recurring General Revenue funds to restore nonrecurring funding for the Florida Healthy Kids Medical Service Payments to maintain 85 percent Medical Loss Ratios. The Outlook provides $0.8 million in nonrecurring General Revenue to continue the Nitrogen Reduction Study, provides $5.5 million in nonrecurring General Revenue to restore TANF-related programs such as Children's Medical Services Early Steps and Family Health programs, and provides $1.8 million in recurring General Revenue to restore nonrecurring funds to County Health Departments due to Tobacco Settlement Trust Fund shortfalls and nonrecurring funding in the Healthy Start program. The Outlook includes $5.0 million in General Revenue in Fiscal Years 2013-14, 2014-15, and 2015-16, for growth in Medicaid waivers in the Department of Elder Affairs and the Department of Health.

The Outlook also includes $173.8 million in recurring General Revenue in Fiscal Year 2014-15 and $171.4 million in recurring General Revenue in Fiscal Year 2015-16 to continue the Primary Care Practitioner Fee Increases initiated under PPACA. As previously stated, the costs for increasing the primary care reimbursement rates is fully funded by the federal government for calendar years 2013 and 2014. The Outlook includes General Revenue matching funds to continue this increase beyond the federally required two-year period.

32. Human Services Information Technology/Infrastructure

This Outlook includes trust funding for high priority needs based on federal spending plans for human services information technology and infrastructure, and re-engineering costs for the Department of Health's Women and Infant Children (WIC) and Children's Medical Services (CMS) information systems. The Outlook provides $4.8 million from nonrecurring trust funds for Fiscal Years 2013-14, 2014-15, and 2015-16.

CRIMINAL JUSTICE (Drivers #33 – #35)

33.–34. Restore Department of Corrections Inmate Health Services Privatization Cost Savings Reduction and Prison Privatization Cost Savings Reduction

Proviso in the Fiscal Year 2011-12 General Appropriations Act (GAA) authorized the department to seek bid proposals to outsource state prison operations in the southern region of the state and to outsource inmate medical, dental and mental health services statewide. Due to litigation delays, the department was unable to contract for these services before the proviso expired on June 30, 2012.

However, the department's operating budget was reduced on a recurring basis by $10.9 million and by $14.1 million for the privatization of prison operations and health services, respectively. Because these outsourcing efforts did not come to fruition, $25 million of recurring General Revenue budget should be restored. These drivers also include $25 million nonrecurring General Revenue to address the Fiscal Year 2012-13 deficit caused by these outsourcing efforts and other cost saving measures not being realized.

35. Department of Juvenile Justice—Prevention and Intervention Programs

The Prevention and Intervention programs in the Department of Juvenile Justice (DJJ) are considered "front-end" services that aim to divert juveniles from institutional or "deep-end" services. The majority of these programs are implemented by local community providers that normally have a better understanding of which programs are the most effective in diverting juveniles from residential programs. The Legislature has increased funding for front-end services to reduce the need for more costly deep-end services over the past few years. Future funding projections for these programs are based on a four-year appropriation average.

JUDICIAL BRANCH (Driver #36)

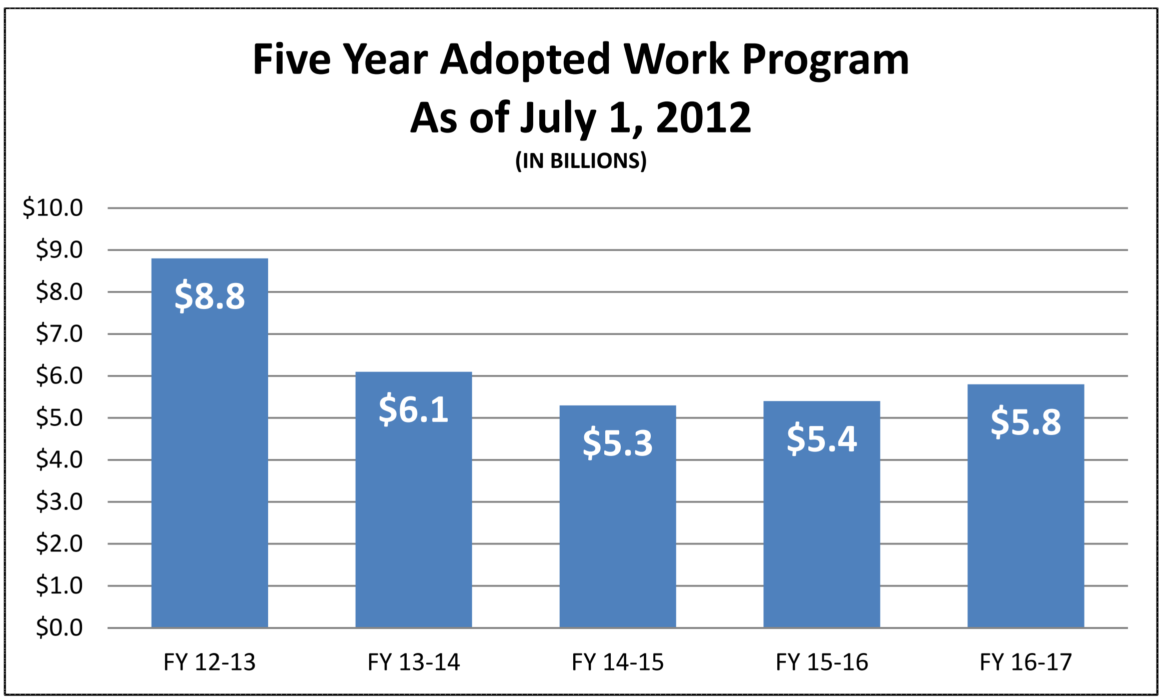
36. Small County Courthouses—FCO Repairs and Maintenance

While the counties are responsible for the facility needs of the trial courts, the Legislature has historically provided additional funding to counties with populations of less than 75,000 to renovate and repair trial court buildings. Future funding projections are based on a four-year appropriation average.

TRANSPORTATION AND ECONOMIC DEVELOPMENT (Drivers #37 – #41)

37. Department of Transportation Adopted Work Program (Fiscal Years 2013-2017)

The Department of Transportation (DOT) develops a Work Program, which is the department's list of transportation projects planned for the following five years. It is supported by a balanced five-year financial outlook with a three-year cash forecast of receipts and expenditures. Funding to support the Work Program comes from a variety of trust fund sources, including federal, state, local, bond proceeds, toll collections, and miscellaneous other receipts. Funding projections for each year of the Adopted Five Year Work Program are based on estimates from the Revenue Estimating Conferences held in January 2012 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2012, will be programmed into the Tentative Work Program in February 2013 for legislative consideration. Chapter 2012-128, Laws of Florida, redirects up to $200 million in additional revenues to the State Transportation Trust Fund, which are not reflected in the chart below, but will be included as part of the Fiscal Year 2013-14 Tentative Work Program.



******Fiscal Year 2012-13 includes $1.6 billion in roll forward budget from Fiscal Year 2011-12.*

Based on the July 1, 2012, Adopted Work Program, the Outlook assumes funding of $6.1 billion in Fiscal Year 2013-14, $5.3 billion in Fiscal Year 2014-15, and $5.4 billion in Fiscal Year 2015-16 from trust fund revenues.

38. Other Transportation Priorities

The Outlook assumes funding for environmental site restoration and capital renewal projects at various DOT facilities located throughout the state. The environmental site restoration is a remediation effort to restore facilities to an environmentally uncontaminated, clean and safe condition based on the Federal Resource Conservation and Recovery Act. Capital renewal projects include repairs, replacement, renovation, and improvements or additions to DOT statewide facilities. Based on a four-year average of historical funding, the Outlook includes $6.3 million per year in State Transportation Trust Fund revenues.

39. Economic Development and Workforce Programs

The Department of Economic Opportunity (DEO) is the State's single economic development agency whose purpose is to develop and implement economic development policy. Enterprise Florida, a not-for-profit corporation created in Florida Statute to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with DEO. Economic development activities include: marketing the state as business friendly, providing financial incentives to attract and grow business, offering grants and loans for low-income and rural areas, and granting funding for innovation and research activities. In addition, the state has structured some incentive programs to promote specific industries that have a large impact on Florida's economy such as the tourism, space and defense industries. These focused efforts include funding for tourism marketing provided to VISIT FLORIDA, operational and business development funding for Space Florida and military base protection funding for the protection and expansion of the defense industry. Since the amount of future nonrecurring funds cannot be predicted, the Outlook mostly relies on four-year historical averages. The Outlook includes a total projection of $114.8 million of General Revenue funds for economic development programs.

Chapter 2011-138, Laws of Florida, created the State Economic Enhancement and Development (SEED) Trust Fund to fund strategic transportation investments, affordable housing, and economic development incentives to attract new businesses to the state and retain existing businesses. The SEED Trust Fund was appropriated for the first time in Fiscal Year 2012-13 to fund a variety of economic development activities in place of General Revenue. Because this is the first year utilizing the SEED Trust Fund, the Outlook continues to project funding needs for economic development programs as General Revenue since there are not sufficient historical indicators to predict future funding decisions of the Legislature with respect to the use of this trust fund.

Key Economic Development Programs:

Qualified Targeted Industry and Defense Contractor Programs—Provides tax rebates for approved businesses based on the number of new jobs created.

High-Impact Performance Incentives—Provides a cash grant to business projects in designated high-impact industries that make large capital investments within Florida.

Quick Action Closing Fund—Provides a cash grant to business projects to help bridge the gap between Florida's incentive package and our competition.

Innovation Incentive Program—Provides a cash grant to research and development entities and large-scale business projects locating in Florida.

Rural Community Development Grants and Loans—Provides grants and low-interest loans to designated rural communities in Florida to assist them with economic development efforts.

Military Base Protection—Provides grants and technical assistance to help foster Florida's Defense Industry and support defense dependent communities.

Also included in the Outlook is $2.5 million in nonrecurring General Revenue for Regional Planning Councils within the Department of Economic Opportunity. The Regional Planning Councils are responsible for preparing and adopting a Strategic Regional Policy Plan addressing five issue areas: Affordable Housing, Economic Development, Emergency Preparedness, Natural Resources of Regional Significance and Regional Transportation. These councils assist the local governments within their jurisdiction through coordination of growth policy and by providing technical assistance.

40. National Guard Armories and Military Affairs Priorities

The Florida Armory Revitalization Plan is intended to renovate Florida's aging Readiness Centers (armories) using the Capital Improvement Plan. The program concept is to assess, design, and renovate as many facilities per year as possible using a prioritized list contingent on the availability of state funding. The Legislature has provided over $68.5 million of funding since Fiscal Year 2005-06 in support of the National Guard Armory Renovations. To date, 36 of Florida's 55 armories have received funding to begin the planned repairs. No funding was provided for armory renovations in Fiscal Years 2009-10 and 2010-11; however, the Legislature appropriated $15 million in Fiscal Year 2011-12 and $13.5 million in Fiscal Year 2012-13. The Outlook includes $7.1 million based on a four-year funding average.

The Department of Military Affairs (DMA) receives funding for two Florida National Guard community support programs that target at-risk youth and young adults and the Outlook includes $2 million based on a four-year funding average. The About Face Program began in 1997 and is held at local National Guard Armories throughout the State. This program provides life skills and drug awareness training, including mentoring assistance to youth between the ages of 13 and 17. The Forward March Program began in 1999 and provides job readiness services for the Florida Work and

Gain Economic Self-Sufficiency (WAGES) program participants. This is a life skills training program in which clients participate in an activity-based curriculum designed for participants to practice life skills in a real life setting. Participants must meet eligibility requirements for both programs.

Section 250.34, Florida Statutes, provides for medical attention, necessary hospitalization and pay for troops who become injured while on state active duty, and specifies that the Department of Financial Services, Division of Risk Management process benefits to certain severely injured or disabled troops who have claims past one year from the date of injury or disability. In January each year, the Division of Risk Management provides the DMA an invoice of payments and associated legal costs made during the prior calendar year. The Outlook includes $0.3 million based on a four-year funding average for these claims.

41. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for the following Department of State programs based on four-year historical averages. Collectively, the Outlook includes $16.3 million of nonrecurring General Revenue Funds for these programs.[8]

The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. The biggest program obtaining additional funding from the Legislature is State Aid to Libraries, which encourages local governments to establish and continue development of free library service to all residents of Florida. The Outlook includes $8 million of nonrecurring General Revenue Funds to bring the State Aid to Libraries funding up to the traditional level of total funding of $21.3 million.

The Division of Cultural Affairs administers grant programs supporting the arts and culture in Florida. Grant programs provide funding for science museums, youth and children’s museums, historical museums, local arts agencies, state service organizations, and organizations that have cultural program activities. The four-year average historical funding for cultural/museum grants is $3.8 million.

The Division of Historical Resources administers two grant programs that assist in the identification, excavation, protection and rehabilitation of historic and archaeological sites; provide public information and museum exhibits on the history of Florida; and encourage preservation in smaller cities and rural areas. The four-year average historical funding for historical grants is $1.5 million.

Finally, the Division of Elections administers the Florida Election Code, chapters 97 through 106, Florida Statutes, which regulates all state and county elections. Portions of the election code also pertain to municipalities and special districts in the state and

[8] Chapter 2012-118, Laws of Florida, includes $13.3 million of recurring funds for State Aid to Libraries that was reflected as nonrecurring funds in previous Outlooks.

to federal elections. Elections are conducted in Florida almost every week of the year by county supervisors of elections or city clerks. Major state and county elections are held in even-numbered years. The Division is required by law to pay for the costs of special elections; the costs of statewide litigation relating to elections lawsuits; and the cost to advertise constitutional amendments. These costs are considered in developing the Outlook.

NATURAL RESOURCES (Drivers #42 – #44)

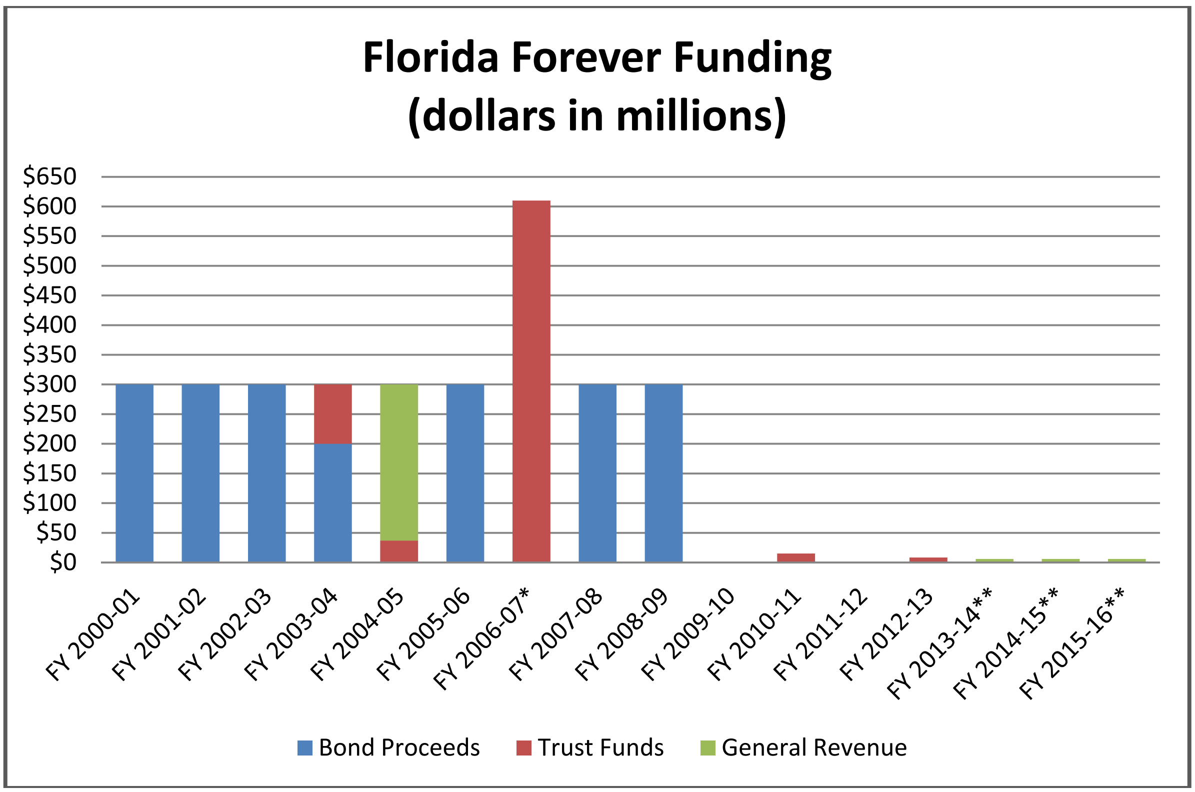
42. Environmental Programs Funded with Documentary Stamp Tax

The Outlook assumes continued funding for programs with documentary stamp tax revenues within the Department of Agriculture and Consumer Services, Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. The majority of funds are directed toward land acquisition and management of recreation, conservation, water areas and related resources, including construction, improvement, enlargement, extension, operation and maintenance of capital improvements and facilities. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which includes water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, and public education programs on nonpoint source management. In addition, funds are used for invasive plant control, which eliminates or reduces aquatic or non-native plants destructive to the state's natural ecosystems and lake restoration, which includes freshwater aquatic habitat enhancement. Funds are also used for beach restoration, which serves to repair and restore the state's critically eroded beaches. Finally, a small portion of the distribution is used to fund oyster management and restoration programs in Apalachicola Bay and other oyster harvest areas in the state, including the relaying and transplanting of live oysters and shell planting to construct or rehabilitate oyster bars. The funding level is based on the current statutory distribution levels projected by the August 2012 Revenue Estimating Conference—$99.4 million for Fiscal Year 2013-14, $97.7 million for Fiscal Year 2014-15, and $98 million for Fiscal Year 2015-16.

As a result of the decline in documentary stamp tax revenues and the targeted redirects from trust funds to the General Revenue Fund over the last several years, the Outlook provides nonrecurring General Revenue for a portion of beach restoration. The General Revenue amounts used in the Outlook—$9.1 million for Fiscal Year 2013-14, $9.8 million for Fiscal Year 2014-15, and $8.3 million for Fiscal Year 2015-16—represent the difference between the four-year funding average and the estimated documentary stamp tax revenue and trust fund balance. Total funds included in the Outlook for beach restoration is $17.4 million for the duration of the three-year period. The Outlook does not specifically address beach restoration related to Tropical Storm Debby damages and other natural disaster damages yet to occur. At this time, field assessments are being conducted, cost estimates are being compiled, and opportunities for federal funds are being explored. The 4-year funding average may provide resources for damaged beaches once the assessments and cost estimates are complete.

43. Environmental Land Acquisition and Restoration

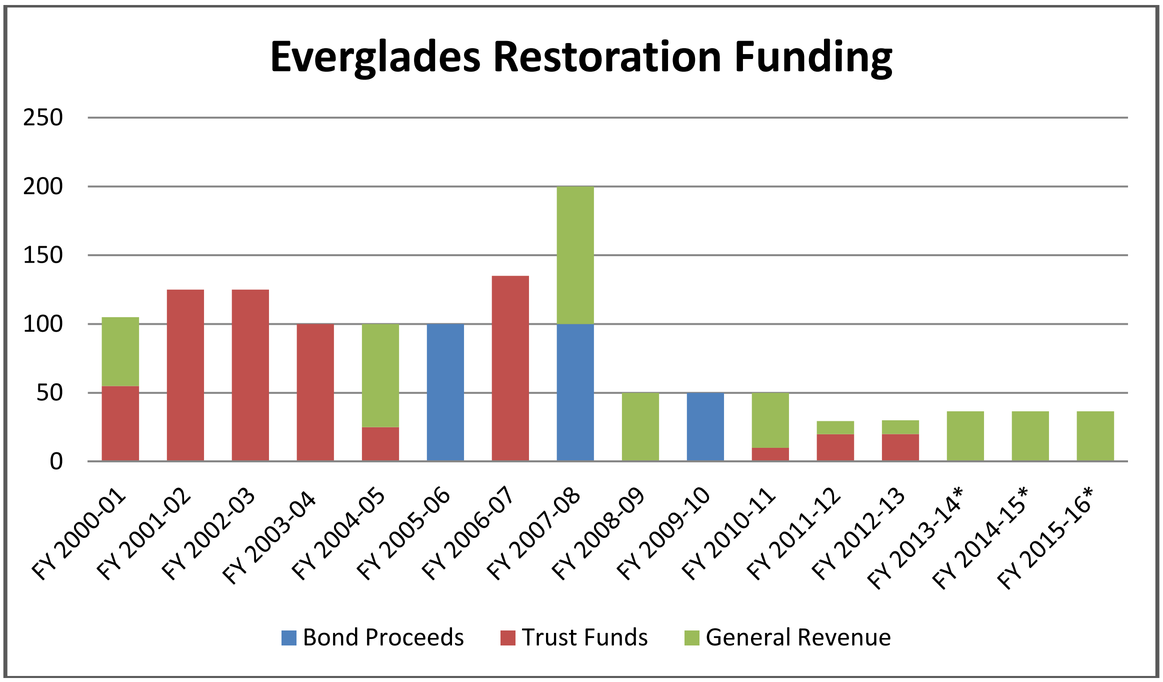
Florida Forever Program—In 1998, Florida voters amended the state constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded with the 10-year $3 billion Florida Forever Program to acquire and manage land for conservation. This was extended another 10 years in 2008 for a total of $6 billion. Originally, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of documentary stamp tax revenue. As revenues declined, however, the Legislature appropriated nonrecurring General Revenue and trust fund balances to fund the program in lieu of authorizing the full $300 million annual debt (see graph below). The Outlook assumes funding of $5.9 million each year from nonrecurring General Revenue for Fiscal Years 2013-14 through 2015-16 using a four-year historical funding average methodology.



* **Includes $310 million for the cash purchase of Babcock Ranch**

****Projected funding sources**

Everglades Restoration—The Comprehensive Everglades Restoration Plan (CERP) is a large, comprehensive, long-term 50-50 partnership with the federal government to restore the Everglades. The plan originally approved in the 2000 federal Water Resources Development Act includes more than 60 projects, that will take more than 30 years to complete and will cost an estimated $13.5 billion. In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership—bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007, the Florida Legislature expanded the use of the Save Our Everglades Trust Fund and bonds issued for Everglades Restoration to include the Lake Okeechobee Watershed Protection Plan and the River Watershed Protection Plans through Fiscal Year 2019-2020. The Legislature has authorized bond proceeds and appropriated nonrecurring General Revenue funds and trust fund sources to support this restoration program (see graph below). The debt service for environmental bonds will be reduced by more than $260 million on July 1, 2013, as Preservation 2000 bonds retire. Retirement of these bonds will allow capacity for future bonds. Since it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes funding of $36.6 million each year for the Everglades Restoration plan from nonrecurring General Revenue using a 3-year historical funding average methodology.



***projected funding sources**

44. Other Agriculture and Environmental Programs

The Outlook includes funding for major programs within the Departments of Environmental Protection and Agriculture and Consumer Services based on historical funding levels. These programs include:

Water Projects—The Outlook includes funding for traditional water projects. These projects were historically funded by the statutory sales tax distribution forecast by the Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes a four-year historical funding level of $2 million funded from nonrecurring General Revenue for each fiscal year for the duration of the three-year period.

Drinking Water and Wastewater Revolving Loan Programs—The Outlook provides a state match to all estimated federal dollars available to maximize low interest loans to the state's local governments for needed infrastructure. For the three-year forecast period, the Outlook includes nonrecurring General Revenue as the fund source. For the 2013-14 fiscal year, $3.2 million is provided for the drinking water program and $9.5 million is provided for the wastewater program. For the 2014-15 and 2015-16 fiscal years, $5.9 million is provided for the drinking water program and $9.5 million is provided for the wastewater program.

Other Agricultural Programs—Agriculture continues to be an important industry in Florida. Based on historical funding averages, $6.7 million in nonrecurring and $3.9 million in recurring General Revenue are included for each fiscal year in the Outlook. This includes funding for sensor based technology for agricultural irrigation and nutrient management and water quality improvement initiatives. The Outlook includes aquaculture research grants to develop and implement innovative production techniques, including ornamental fish and aquatic plant production and biotechnology. Funds are also included for the replacement of critical wildfire suppression equipment, marketing, and promotional campaigns for agricultural commodities, and for the distribution of food to needy families through food pantries, soup kitchens, and shelters. Finally, the Outlook returns recurring General Revenue to support the operations of the Weights and Measures and Dairy regulatory programs. The Weights and Measures permitting program and related fees that support the operations of the program are scheduled to sunset on July 1, 2014. For the 2014-15 fiscal year, $2 million recurring General Revenue is included in the Outlook for the Weights and Measures program. The Dairy program was funded with trust fund revenue during the 2012-13 fiscal year, and current statutes direct that this program be funded from General Revenue. For the 2013-14 fiscal year, the Outlook provides $1.2 million in recurring General Revenue for the Dairy program.

GENERAL GOVERNMENT (Driver #45)

45. Other General Government Priorities

Child Support Enforcement—The Outlook provides funds for the operation and maintenance of the Child Support Automated Management System (CAMS). The development of CAMS is scheduled to be completed during the 2012-13 fiscal year. For both the 2013-14 and 2014-15 fiscal years, $1.5 million in nonrecurring General Revenue is included in the Outlook to support system operations.

Child Support Enforcement Annual Fee—The federal government requires an annual $25 fee from each non-public assistance parent utilizing the services of the Department of Revenue's Child Support Enforcement Program. Historically, the Legislature has provided General Revenue funds to cover the cost of the annual $25 fee for parents utilizing child support enforcement services. The Fiscal Year 2012-13 General Appropriations Act included base budget funding of $1,989,000 in recurring General Revenue and $1,626,991 in nonrecurring General Revenue due to increased child support case load. The Outlook continues the current policy and includes $2,500,000 in recurring General Revenue to cover the estimated case load increase.

Aerial Photography—The Department of Revenue assists small county property appraisers by providing aerial photographs for counties with a population of 25,000 or less. The Fiscal Year 2012-13 General Appropriations Act directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook continues this policy, and for the 2013-14 fiscal year, provides $500,000 in nonrecurring General Revenue, and $500,000 in the 2014-15 and 2015-16 fiscal years.

One-Stop Business Registration Portal—Chapter 2012-139, Laws of Florida directs the Department of Revenue to establish a business registration portal through an internet website, to provide individuals and businesses with a single point of entry for transacting business in the state. The 2012-13 General Appropriations Act provides $3 million in nonrecurring General Revenue to implement phase one of the portal. The Outlook assumes funding additional phases based on the department's implementation schedule and includes $3 million in the 2013-14 and 2014-15 fiscal years.

Florida Boxing Commission—The Department of Business and Professional Regulation regulates professional and amateur boxing, kickboxing, and mixed martial arts events hosted in Florida. The 2012 Legislature passed House Bill 887 (Chapter 2012-72, Laws of Florida) that repealed the gross receipts tax on the sale of tickets, which accounted for $273,000 in annual revenue for operations. In order to offset this revenue reduction, the Fiscal Year 2012-2013 General Appropriations Act provided $200,000 in nonrecurring General Revenue to the boxing commission. The Outlook continues the current policy and provides $300,000 in recurring General Revenue.

Drugs, Devices and Cosmetics Program—The Drugs, Devices, and Cosmetics Program was transferred from the Department of Health to the Department of Business and Professional Regulation (DBPR) in October 2011 by the 2010 Legislature. The mission of this regulatory program is to protect public health, safety, and welfare by preventing fraud, adulteration, misbranding, and false advertising in the manufacture, repackaging, or distribution of drugs, devices and cosmetics. The Fiscal Year 2012-2013 General Appropriations Act provided $900,000 in nonrecurring General Revenue to the program to offset a projected funding deficit and directed the DBPR to review, monitor, and develop funding options and report back to the Legislature by January 15, 2013. The Outlook includes $900,000 in nonrecurring General Revenue for the 2013-14 fiscal year. The funding need for the program will need to be reevaluated after agency report is submitted.

Florida Interoperability Network and Mutual Aid—The state has developed and implemented the Florida Interoperability Network (FIN) and Mutual Aid (MA) channels. These systems provide local public safety emergency responders the ability to communicate on the Statewide Law Enforcement Radio Network, both in and outside of their respective jurisdictions. Network construction is complete, and the Outlook provides funding for continued operations. Historically, funding for the development and maintenance of the FIN and MA systems has been provided from federal domestic security grants; however, this funding source is no longer available. For the duration of the three-year forecast, the Outlook includes $1.7 million for FIN in nonrecurring General Revenue and $2.3 million for MA in nonrecurring General Revenue.

Florida Accounting Information Resource (FLAIR) Overlap Positions—The Department of Financial Services (DFS) maintains the FLAIR system. FLAIR is the accounting system for the state that processes over 52 million transactions per year. The number of warrants and electronic fund transfers produced annually are over 16 million. The FLAIR system was implemented in 1980, and each year there are fewer employees within the department with the knowledge of the system's technology and infrastructure. Many of the current staff is at or close to retirement age. For Fiscal Year 2012-13, $323,790 was provided in nonrecurring General Revenue to hire seven individuals and overlap them with current employees for training purposes. The Outlook continues the same level of funding for the duration of the three-year period.

ADMINISTERED FUNDS & STATEWIDE ISSUES (Driver #46 – #47)

46. Increase in Employer-paid Contributions for the Florida Retirement System to Fund the Unfunded Actuarial Liability (State, Universities, Community Colleges, and School Boards)

The Florida Retirement System (FRS) experienced an actuarial surplus for many years that was used to reduce the contribution rates paid by participating employers (the state, universities, state colleges, school boards, counties and cities and other miscellaneous governmental entities that have elected to participate in FRS), or to increase benefits paid to certain members of the FRS. However, the 2009 actuarial valuation determined that the FRS was no longer fully funded (the actuarial liabilities exceeded the actuarial value of the assets) primarily due to declining market conditions. The 2010 and 2011 actuarial valuations indicated the FRS continued to be actuarially underfunded (i.e., have an Unfunded Actuarial Liability or UAL). The 2010 actuarial valuation indicated that the FRS funding ratio was 87.9 percent; the 2011 actuarial valuation showed the FRS funding ratio was 87.5 percent. The 2012 actuarial valuation is not complete as of the Outlook's publication date; however, the fund is expected to continue to be similarly underfunded.

Consequently, in order for the FRS to be funded on an actuarially sound basis for Fiscal Year 2013-14 and future years, the FRS contribution rates should include the cost to amortize the UAL, as calculated in the valuation report or subsequent special studies, in addition to the funding already provided to fund the Normal Costs. To accomplish this, the additional annual liability associated with the UAL for Fiscal Year 2013-14 is $537.06 million, of which $447.68 million is General Revenue. This amount is based upon a June 2012 special study prepared by the FRS' actuary and represents the amount required to fund the UAL in Fiscal Year 2013-14 and thereafter.

47. Maintenance, Repairs, and Capital Improvements—Statewide Buildings

Human Services—Maintenance and repair projects are based on four-year appropriation averages of maintenance and repair costs for state-owned facilities which include, senior citizen centers, county health departments, and veteran's nursing and domiciliary homes. Nonrecurring General Revenue in the amount of $1.1 million and $22.4 million from nonrecurring trust funds is provided for each of the three fiscal years 2013-14, 2014-15 and 2015-16.

Criminal Justice—With a surplus capacity of prison beds, the Department of Corrections has shuttered prisons and closed work camps during Fiscal Years 2010-11 and 2011-12, and transferred the inmates to more efficient and less costly correctional facilities. Although new construction is not needed, nonrecurring General Revenue funds are necessary to maintain the state's correctional facilities. Projected funding of $12 million is based on the department's current critical, life and safety related, repair needs rather than the average funding over the last four years.

The Department of Juvenile Justice is responsible for the upkeep and care of 94 residential and detention facilities. The Legislature recognizes the importance of keeping these facilities safe and functional. Projected funding of $5.6 million in nonrecurring General Revenue is based on the department's current critical, life and safety related, repair needs rather than the average funding over the last four years.

Judicial Branch—The state is responsible for the facility needs of the Supreme Court and District Courts of Appeal. Future funding projections of $700,000 are based on the average funding over the last four years.

Natural Resources—The Outlook assumes funding for repairs and construction for agricultural infrastructure located throughout the state. These building improvements include forestry wildfire prevention facilities and state farmers markets. Based on a four-year historical funding average, the Outlook includes $900,000 in trust funds in each fiscal year for the duration of the three-year period.

General Government—The Outlook assumes funding for repairs of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of deficiencies totals $118 million and includes life safety, Americans with Disabilities Act, and general building needs. These facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. Based on projected trust fund revenue availability, the Outlook includes $8.2 million in nonrecurring trust funds in each fiscal year for the duration of the three-year period. An additional $6.5 million in nonrecurring General Revenue is included in Fiscal Year 2013-14 for high priority and critical life and health safety repairs.

Office of Early Learning

EOG Number: B2013-0189

Problem Statement:
Florida's Office of Early Learning is charged with designing, developing and implementing the Early Learning Information System (ELIS), a centralized technology system that will support the administration of the state's School Readiness and Voluntary Prekindergarten Education programs to provide information for parents and service providers. To date, the project has completed the first three of seven planned design and development iterations and it is anticipated that the project will complete all remaining design, development and implementation phases in Fiscal Year 2012-2013.

Through the second quarter of Fiscal Year 2012-2013, the project team will complete the fourth and fifth design and development iterations and user acceptance testing with the Early Learning Coalitions for the fourth design and development iteration, including functionality for Child Care Resource and Referral, Waitlist Management and Enrollment business processes. In order to pay for deliverables planned through the second quarter of Fiscal Year 2012-2013, the Office estimates that it will require approximately $3.1 million in additional operating authority.

Agency Request:
The Office requests a transfer of $2,561,927 from the Child Care and Development Block Grant Trust Fund, $338,971 from the Grants and Donations Trust Fund and $209,772 from General Revenue in the Qualified Expenditure Category - Early Learning Information System (ELIS) to operating categories in order to pay for contractual obligations associated with the project through December 2012.

Governor's Recommendation:
Recommend approval to transfer budget authority in the amounts of $2,561,926 in the Child Care and Development Block Grant Trust Fund, $338,971 in the Grants and Donations Trust Fund and $209,773 in General Revenue from the Qualified Expenditure Category--Early Learning Information System (ELIS) to operating categories to pay contractual obligations associated with the project through December 2012.

Senate Committee: Subcommittee on Education Pre-K-12 Appropriations ***Senate Analyst:*** Kurt Hamon	***House Committee:*** PreK-12 Appropriations Subcommittee ***House Analyst:*** Allyce Heflin

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
EDUCATION					
	Early Learning				
	<u>Program: Early Learning Services</u>				
71	Expenses				
	From General Revenue Fund		14,680	14,680	
76	Special Categories				
	Grants And Aids - Data Systems For School Readiness				
	From Child Care And Development Block Grant Trust Fund		2,558,080	2,558,080	
N/A	From Grants And Donations Trust Fund		338,971	338,971	
76	From General Revenue Fund		191,639	191,639	
83	Data Processing Services				
	Southwood Shared Resource Center				
	From Child Care And Development Block Grant Trust Fund		3,846	3,846	
N/A	From General Revenue Fund		3,454	3,454	
82A	Qualified Expenditure Category				
	Early Learning Info System Development (Elis)				
	From Child Care And Development Block Grant Trust Fund		(2,561,926)	(2,561,926)	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
N/A	From Grants And Donations Trust Fund		(338,971)	(338,971)	
82A	From General Revenue Fund		(209,773)	(209,773)	

Department of Economic Opportunity

EOG Number: B2013-0186

Problem Statement:

In 2009, the Agency for Workforce Innovation (now the Department of Economic Opportunity) was charged with implementing a system to replace the existing 30-year old mainframe-based system that currently supports the Reemployment Assistance (RA) program. On March 7, 2011, AWI signed a contract with Deloitte Consulting LLP to be the primary vendor for the replacement project ("Project Connect"). Project Connect is completely funded with federal funds.

Project Connect activities completed to date are the Planning Phase, Define Phase, installation and configuration of hardware and software for the development and test environments, and installation of the base application software in the development environment. Ongoing activities include Development Phase tasks (code development and unit testing), planning for production environment installation, planning for database and data conversion, system and code testing, and organizational change management activities.

On July 16, 2012, the Department of Economic Opportunity and Deloitte Consulting LLP executed Amendment 7 to the contract in response to the department's June 13, 2012, Notification of Intent to Terminate for Cause. The Notification was sent due to the significant slippage in the project schedule; the go-live implementation date had been pushed back from December 2012 to October 2013. The Notification of Intent to Terminate gave Deloitte thirty days to cure its failures and demonstrate to the department the reasonable likelihood of successful and timely project completion. The department received $4,465,000 in total credits as a result of Amendment 7.

Sections 72 and 75 of the Fiscal Year 2012-2013 General Appropriations Act (GAA, ch. 2012-118, Laws of Florida) appropriated all Fiscal Year 2011-2012 unexpended budget authority for the project for Fiscal Year 2012-2013. The reappropriated budget authority included $13,401,757 that had already been released into operating appropriation categories (OPS, Expenses, OCO, and Contracted Services) and $8,396,039 held in reserve within the Qualified Expenditure Category (QEC). In the Fiscal Year 2012-2013 GAA, the Legislature provided an additional $20,233,838 for Project Connect in the QEC category.

It is currently estimated that the project will spend $19,231,281 during the first two quarters of Fiscal Year 2012-2013, which exceeds the amount of budget authority available in operating appropriation categories by $5,829,524. This budget amendment is needed to release the funds from the QEC into the appropriate operating categories for expenditure by DEO.

Agency Request: In order to continue implementing Project Connect through December 31, 2012, the Department of Economic Opportunity requests that $5,829,524 in the Employment Security Administration Trust Fund be allocated and released from the "Qualified Expenditure Category (QEC) - Reemployment Assistance Claims and Benefits System" appropriation category to continue implementing Project Connect.
Governor's Recommendation: Recommend approval to transfer budget authority in the amount of $5,829,524 in the Employment Security Administration Trust Fund from the Qualified Expenditure Category--Reemployment Assistance Claims and Benefits System to various operating categories to continue implementing Project Connect.

Senate Committee: Subcommittee on Transportation, Tourism and Economic Development Appropriations ***Senate Analyst:*** Skip Martin	***House Committee:*** Transportation & Economic Development Appropriations Subcommittee ***House Analyst:*** Timothy Proctor

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
ECONOMIC OPPORTUNITY											
	Program: Workforce Services <u>Reemployment Assistance Program</u>										
2265	Qualified Expenditure Category Reemployment Assistance Claims And Benefits System From Employment Security Administration Trust Fund		(5,829,524)	(5,829,524)		(5,829,524)	(5,829,524)				
2259	Other Personal Services										

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
	From Employment Security Administration Trust Fund		67,893		67,893	67,893		67,893			
2260	Expenses										
	From Employment Security Administration Trust Fund		427,906		427,906	427,906		427,906			
2261	Operating Capital Outlay From Employment Security Administration Trust Fund		834,166		834,166	834,166		834,166			
2262	Special Categories Grants And Aids - Contracted Services										

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY**			**RECOMMENDED BY GOVERNOR**			**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION**		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
	From Employment Security Administration Trust Fund		4,499,559		4,499,559	4,499,559		4,499,559			

Department of Transportation

EOG Number: W2013-0024

Problem Statement:

Section 339.135(6)(c), F.S., authorizes the Department of Transportation to roll forward budget authority into the next fiscal year for related project phases in the Adopted Work Program that are not certified forward on June 30. This unique provision allows the Department to roll forward projects and associated spending authority from the previous years into the current year so project phases which have not yet been committed, can be let to contract with minimal delay. Unanticipated delays due to environmental issues, permitting problems, federal requirements, local government coordination, legal issues, bid protests, and others can occur during the year. Without this statutory provision, projects or project phases would be deleted from the program and requested in the next budget cycle, resulting in delays of a year or more.

The Roll Forward process is very similar to the certified forward process provided in Chapter 216, F.S., with the exception that it moves the budget for the project phase from one year to the next even though the contractual commitment has not been made. Roll Forward neither results in any new projects or changes to previously funded projects, nor does it allow the Department to increase its budget above what was previously appropriated. The amount of prior year budget is never exceeded during the Roll Forward process.

Some of the major amounts and categories impacted are: $626.2 million for Right of Way; $422.4 million for Intrastate, Arterial Highway Construction, and other associated inspection budget; $197.5 million for Public Transportation; $49.6 million for Resurfacing; $142.5 million for Preliminary Engineering Consultants, and Traffic Engineering Consultants; $72.3 million for Bridge Construction and Inspection; $46.9 million for Economic Development - Road Fund; $4.1 million for Maintenance Contracts; $8.8 million for categories such as Planning Grants, County Transportation Programs, Safety Grants and Local Government Reimbursement; and $30.5 million for Toll/Turnpike Systems Equipment.

The Department recently received the Economic Development Road Fund program from the Department of Economic Opportunity. Contracts received are posted in the fiscal year of origination. In order to carry out the contracts, the Department needs the budget established in Fiscal Year 2012-2013 to coincide with section 399.2821, F.S., established in Ch. 2012-128, Laws of Florida.

Agency Request:

The Department requests $1,600,771,924 of additional budget authority in several appropriation categories for Work Program phases in the Fiscal Year 2012-13 Adopted Work Program which qualify for roll forward pursuant to section 339.135(6)(c), F.S. This

includes $2,333,488 for the Turnpike Renewal and Replacement Trust Fund; $43,380,009 for the Turnpike General Reserve Trust Fund; $1,389,779,259 for the State Transportation Trust Fund; and $165,279,168 for the Right of Way Acquisition Bridge Construction Trust Fund. The amendment also includes a roll forward of $46.9 million for the Economic Development Road Fund program.
Governor's Recommendation: Recommend approval to increase fixed capital budget authority by $1,600,771,924 in various trust funds ($2,333,488 in the Turnpike Renewal and Replacement Trust Fund; $43,380,009 in the Turnpike General Reserve Trust Fund; $1,389,779,259 in the State Transportation Trust Fund; and $165,279,168 in the Right of Way Acquisition Bridge Construction Trust Fund) within various appropriation categories for Work Program phases in the Fiscal Year 2012-13 Adopted Work Program which were not certified forward but qualify for roll forward pursuant to section 339.135(6)(c), F.S.; as well as approval of $46.9 million for Economic Development Road Fund projects which were transferred from the Department of Economic.

Senate Committee: Subcommittee on Transportation, Tourism and Economic Development Appropriations ***Senate Analyst:*** Suzie Carey	***House Committee:*** Transportation & Economic Development Appropriations Subcommittee ***House Analyst:*** Greg Davis

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
TRANSPORTATION					
	Transportation Systems Development <u>Program: Transportation Systems Development</u>				
1916	Fixed Capital Outlay Transportation Planning Consultants From State Transportation (Primary) Trust Fund		1,015,474	1,015,474	
1917	Fixed Capital Outlay Aviation Development/Grants From State Transportation (Primary) Trust Fund		1,194,671	1,194,671	
1918	Fixed Capital Outlay Public Transit Development/Grants From State Transportation (Primary) Trust Fund		15,656,315	15,656,315	
1919	Fixed Capital Outlay Right-Of-Way Land Acquisition From State Transportation (Primary) Trust Fund		415,428,894	415,428,894	
1922	Fixed Capital Outlay Seaport Grants From State Transportation (Primary) Trust Fund		531,898	531,898	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
1923	Fixed Capital Outlay Rail Development/Grants From State Transportation (Primary) Trust Fund		15,743,913	15,743,913	
1924	Fixed Capital Outlay Intermodal Development/Grants From State Transportation (Primary) Trust Fund		6,780,241	6,780,241	
1925	Fixed Capital Outlay Preliminary Engineering Consultants From State Transportation (Primary) Trust Fund		122,441,785	122,441,785	
1926	Fixed Capital Outlay Right-Of-Way Support From State Transportation (Primary) Trust Fund		60,309,792	60,309,792	
1927	Fixed Capital Outlay Transportation Planning Grants From State Transportation (Primary) Trust Fund		2,523,281	2,523,281	
1919	Fixed Capital Outlay Right-Of-Way Land Acquisition From Right-Of-Way Acquisition And Bridge Construction Trust Fund		137,287,375	137,287,375	
1925	Fixed Capital Outlay Preliminary Engineering Consultants				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		3,829,551	3,829,551	
1926	Fixed Capital Outlay Right-Of-Way Support From Right-Of-Way Acquisition And Bridge Construction Trust Fund		7,803,757	7,803,757	
	Transportation Systems Operations <u>Program: Highway Operations</u>				
1950	Fixed Capital Outlay Small County Resurface Assistance Program (Scrap) From State Transportation (Primary) Trust Fund		200	200	
1951	Fixed Capital Outlay Small County Outreach Program (Scop) From State Transportation (Primary) Trust Fund		403,457	403,457	
1953	Fixed Capital Outlay County Transportation Programs From State Transportation (Primary) Trust Fund		2,702,830	2,702,830	
1954	Fixed Capital Outlay Bond Guarantee From State Transportation (Primary) Trust Fund		1,568,013	1,568,013	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
1955	Fixed Capital Outlay Transportation Highway Maintenance Contracts From State Transportation (Primary) Trust Fund		4,062,968	4,062,968	
1956	Fixed Capital Outlay Intrastate Highway Construction From State Transportation (Primary) Trust Fund		188,866,544	188,866,544	
1957	Fixed Capital Outlay Arterial Highway Construction From State Transportation (Primary) Trust Fund		172,030,228	172,030,228	
1958	Fixed Capital Outlay Construction Inspection Consultants From State Transportation (Primary) Trust Fund		46,464,152	46,464,152	
1960	Fixed Capital Outlay Highway Safety Construction/Grants From State Transportation (Primary) Trust Fund		8,442,731	8,442,731	
1961	Fixed Capital Outlay Resurfacing From State Transportation (Primary) Trust Fund		49,571,998	49,571,998	
1962	Fixed Capital Outlay Bridge Construction From State Transportation (Primary) Trust Fund		55,597,671	55,597,671	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
1966	Fixed Capital Outlay Materials And Research From State Transportation (Primary) Trust Fund		423,861	423,861	
1968	Fixed Capital Outlay Bridge Inspection From State Transportation (Primary) Trust Fund		448,718	448,718	
1968A	Fixed Capital Outlay Economic Development Transportation Projects - Road Fund From State Transportation (Primary) Trust Fund		46,916,529	46,916,529	
1969	Fixed Capital Outlay Traffic Engineering Consultants From State Transportation (Primary) Trust Fund		6,626,714	6,626,714	
1970	Fixed Capital Outlay Local Government Reimbursement From State Transportation (Primary) Trust Fund		212,506	212,506	
N/A	Fixed Capital Outlay Construction Inspection Consultants From Right-Of-Way Acquisition And Bridge Construction Trust Fund		2,217,100	2,217,100	
1962	Fixed Capital Outlay				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
	Bridge Construction				
	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		14,141,385	14,141,385	
	Florida's Turnpike Systems				
	Florida's Turnpike Enterprise				
2015	Fixed Capital Outlay				
	Intrastate Highway Construction				
	From Turnpike Renewal And Replacement Trust Fund		562,995	562,995	
2016	Fixed Capital Outlay				
	Construction Inspection Consultants				
	From Turnpike Renewal And Replacement Trust Fund		77,130	77,130	
2018	Fixed Capital Outlay				
	Resurfacing				
	From Turnpike Renewal And Replacement Trust Fund		30,000	30,000	
2019	Fixed Capital Outlay				
	Bridge Construction				
	From Turnpike Renewal And Replacement Trust Fund		1,000,000	1,000,000	
2020	Fixed Capital Outlay				
	Preliminary Engineering Consultants				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
	From Turnpike Renewal And Replacement Trust Fund		663,363	663,363	
2015	Fixed Capital Outlay Intrastate Highway Construction From Turnpike General Reserve Trust Fund		2,183,200	2,183,200	
2016	Fixed Capital Outlay Construction Inspection Consultants From Turnpike General Reserve Trust Fund		773,736	773,736	
2017	Fixed Capital Outlay Right-Of-Way Land Acquisition From Turnpike General Reserve Trust Fund		4,999,999	4,999,999	
N/A	Fixed Capital Outlay Bridge Construction From Turnpike General Reserve Trust Fund		1,000,001	1,000,001	
2020	Fixed Capital Outlay Preliminary Engineering Consultants From Turnpike General Reserve Trust Fund		5,164,764	5,164,764	
2021	Fixed Capital Outlay Right-Of-Way Support From Turnpike General Reserve Trust Fund		368,687	368,687	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
2022	Fixed Capital Outlay Turnpike System Equipment And Development From Turnpike General Reserve Trust Fund		28,889,622	28,889,622	
N/A	Fixed Capital Outlay Intrastate Highway Construction From State Transportation (Primary) Trust Fund		384,448	384,448	
	Fixed Capital Outlay Construction Inspection Consultants From State Transportation (Primary) Trust Fund		348,972	348,972	
2020	Fixed Capital Outlay Preliminary Engineering Consultants From State Transportation (Primary) Trust Fund		3,795,500	3,795,500	
N/A	Fixed Capital Outlay Bridge Inspection From State Transportation (Primary) Trust Fund		151,320	151,320	
2023	Fixed Capital Outlay Tolls System Equipment And Development From State Transportation (Primary) Trust Fund		1,565,100	1,565,100	
	Transportation Systems Development <u>Florida Rail Enterprise</u>				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
1934B	Fixed Capital Outlay Public Transit Development/Grants From State Transportation (Primary) Trust Fund		127,255,242	127,255,242	
1934C	Fixed Capital Outlay Rail Development/Grants From State Transportation (Primary) Trust Fund		12,125,313	12,125,313	
1934D	Fixed Capital Outlay Intermodal Development/Grants From State Transportation (Primary) Trust Fund		18,187,980	18,187,980	

Department of Transportation

EOG Number: W2013-0028

Problem Statement: The Department of Transportation (DOT) has received additional federal grant opportunities from the Federal Aviation Administration (FAA) for two projects (Statewide Airport Pavement Program/Aviation System Planning and Statewide Stormwater Study/FAA Pond Modeling) that are currently included in the Adopted Work Program. These grants became available in July 2012, due to FAA's grant evaluation in preparation for the federal fiscal year end. The federal grants awarded are for an airport stormwater and wildlife mitigation study and the statewide airport pavement management program.
Agency Request: The department requests additional budget totaling $1,775,236 in the Aviation Development Grants category to implement new federal grants from the FAA. A $1.5 million federal grant award is being coordinated through the FAA District office in Orlando, and will be used throughout the state for pavement inspections at 94 public airports in the state. A $275,236 federal grant award is for monitoring wildlife and stormwater quality as well as planning activities to minimize wildlife hazards to aircraft.
Governor's Recommendation: Recommend approval to increase fixed capital outlay budget authority by $1,775,236 in the State Transportation Trust Fund in the Aviation Development Grants category for the implementation of a new federal grant from the Federal Aviation Administration for two projects that are currently part of the Work Program.

Senate Committee: Subcommittee on Transportation, Tourism and Economic Development Appropriations ***Senate Analyst:*** Suzie Carey	***House Committee:*** Transportation & Economic Development Appropriations Subcommittee ***House Analyst:*** Greg Davis

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
TRANSPORTATION					
	Transportation Systems Development Program: Transportation Systems Development				
1917	Fixed Capital Outlay Aviation Development/Grants From State Transportation (Primary) Trust Fund		1,775,236	1,775,236	

Division of Emergency Management

EOG Number: B2013-0190

Problem Statement:
The Division of Emergency Management (DEM) receives federal funding from the Department of Homeland Security, Federal Emergency Management Agency (FEMA) for the Public Assistance and Hazard Mitigation Grant Programs. This funding is provided to the state for each federally declared disaster to assist state, tribal and local governments, and certain types of private nonprofit organizations to quickly respond and recover from major disasters and to implement long-term hazard mitigation measures to reduce the loss of life and property due to natural disasters.

The State of Florida has received $5,474,452,320 of federal funding for disasters between 2004 and 2011. Approximately 88% of this funding has been disbursed and DEM has been actively working to obligate this funding in order to maintain this funding for the State of Florida. On a quarterly basis, per proviso in the General Appropriations Act, DEM submits reports showing the total disaster costs, life to date expenditures, and projected expenditures for three fiscal years. These figures are ever changing as the submission of reimbursement requests are controlled by the sub-grantee and final closeout approval from FEMA. DEM has been actively working to close out these disaster events and based on the latest quarterly report, DEM has insufficient appropriation to meet anticipated reimbursement requests.

Agency Request:
Division of Emergency Management (DEM) is requesting the transfer of $255,200 in budget authority in the Grants and Donations Trust Fund (TF) and $12,532,665 of federal budget authority in the U.S. Contributions Trust Fund between categories. In addition, DEM is requesting an increase of $916,377 in the Grants and Donations TF and an increase of $28,902,058 in the U.S. Contributions TF to continue to reimburse local governments for hazardous mitigation and public assistance grant projects for declared federal disasters.

Governor's Recommendation:
Recommend approval to transfer budget authority in the amount of $255,200 in the Grants & Donations Trust Fund and $12,532,665 in the US Contributions Trust Fund between various categories, as well as approval to increase budget authority by $916,377 in the Grants and Donations Trust Fund and $28,902,058 in the US Contributions Trust Fund to continue to process reimbursement requests from local governments for public assistance and hazard mitigation grant projects.

Senate Committee: Subcommittee on Transportation, Tourism	***House Committee:*** Appropriations Committee

and Economic Development Appropriations ***Senate Analyst:*** Skip Martin	***House Analyst:*** Gus (James) Delaney

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
GOVERNOR, EXECUTIVE OFFICE OF THE					
	Program: Emergency Management				
	Emergency Prevention, Preparedness And Response				
2586	Special Categories				
	Grants And Aids - Public Assistance For 2004 Hurricanes - Pass Through				
	From U.S. Contributions Trust Fund		11,143,063	11,143,063	
	From Grants And Donations Trust Fund		627,560	627,560	
2612	Special Categories				
	Grants And Aids - 2005 Hurricanes - Pass Through Of State And Federal Funds To Local Governments				
	From U.S. Contributions Trust Fund		1,481,122	1,481,122	
	From Grants And Donations Trust Fund		9,886	9,886	
2590	Special Categories				
	Grants And Aids - Hazard Mitigation For 2005 Hurricanes - Pass Through				
	From U.S. Contributions Trust Fund		(9,054,087)	(9,054,087)	
2618	Special Categories				
	Grants And Aids - 2008-09 Hurricanes - Pass Through Of State And Federal Funds To Local				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
	Governments				
	From U.S. Contributions Trust Fund		3,836,317	3,836,317	
	From Grants And Donations Trust Fund		534,131	534,131	
2593	Special Categories				
	Grants And Aids - Hazard Mitigation For 2008-09 Hurricanes And Storms - Pass Through				
	From U.S. Contributions Trust Fund		1,223,141	1,223,141	
2614	Special Categories				
	Grants And Aids - 2008-09 Severe Weather And Flooding - Pass Through Of State And Federal Funds To Local Governments				
	From U.S. Contributions Trust Fund		(323,550)	(323,550)	
	From Grants And Donations Trust Fund		(141,297)	(141,297)	
2587	Special Categories				
	Grants And Aids - Hazard Mitigation For 2004 Hurricanes - Pass Through				
	From U.S. Contributions Trust Fund		23,751,080	23,751,080	
2584	Special Categories				
	Public Assistance For 2004 Hurricanes - State Operations				
	From Grants And Donations Trust Fund		(30,165)	(30,165)	
	From U.S. Contributions Trust Fund		(240,677)	(240,677)	
2585	Special Categories				
	Hazard Mitigation For 2004 Hurricanes - State				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
	Operations				
	From Grants And Donations Trust Fund		(72,210)	(72,210)	
	From U.S. Contributions Trust Fund		(253,776)	(253,776)	
2592	Special Categories				
	Hazard Mitigation For 2008-09 Hurricanes And Storms - State Operations				
	From U.S. Contributions Trust Fund		(116,525)	(116,525)	
2609	Special Categories				
	Hazard Mitigation For 2008-09 Severe Weather And Flooding - State Operations				
	From U.S. Contributions Trust Fund		(78,340)	(78,340)	
2610	Special Categories				
	Grants And Aids - Hazard Mitigation For 2008-09 Severe Weather And Flooding - Pass Through				
	From U.S. Contributions Trust Fund		(1,918,032)	(1,918,032)	
2611	Special Categories				
	Grants And Aids - 2005 Hurricanes - State Operations				
	From U.S. Contributions Trust Fund		(429,565)	(429,565)	
2613	Special Categories				
	Grants And Aids - 2008-09 Severe Weather And Flooding - State Operations				
	From U.S. Contributions Trust Fund		(22,732)	(22,732)	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
2615	Special Categories				
	Grants And Aids - Major Disaster 2006-07 - Hazardous Weather - State Operations				
	From U.S. Contributions Trust Fund		(2,339)	(2,339)	
	From Grants And Donations Trust Fund		(278)	(278)	
2617	Special Categories				
	Grants And Aids - 2008-09 Hurricanes - State Operations				
	From U.S. Contributions Trust Fund		(59,292)	(59,292)	
2619	Special Categories				
	Grants And Aids - Major Disasters 2011 - Florida Wildfires - State Operations				
	From U.S. Contributions Trust Fund		(33,750)	(33,750)	
	From Grants And Donations Trust Fund		(11,250)	(11,250)	

Agency for Health Care Administration

EOG Number: O2013-0061

Problem Statement: Proviso language contained in chapter 2012-118, Laws of Florida, (Specific Appropriation 174), directs the Agency for Health Care Administration (Agency) to contract with an independent, third party consulting firm with experience in planning public sector enterprise projects to complete a feasibility study for developing an Internet-based system for eligibility determination for Medicaid and the Children's Health Insurance Program (CHIP) as authorized in House Bill 5301. The proviso required the feasibility study to analyze two options for implementation of this system: remediate the current system (FLORIDA system) to address these new eligibility determination requirements or develop a new system to support the Medicaid and CHIP eligibility determination process. The study is required to include a cost benefit analysis and project risk assessment. As directed by proviso, the completed feasibility study must be accompanied by the Agency's recommendation based upon the feasibility study, and submitted for consideration and approval by the Legislative Budget Commission no later than December 1, 2012. The Agency entered into a contractual arrangement with Gartner to conduct a feasibility study to identify a best value approach for the state to modernize its current eligibility determination system (FLORIDA system). At this time, the Agency has received a preliminary analysis from Gartner. A final study is expected soon.
Agency Request: The Agency requests approval of their recommendation to replace the current FLORIDA system with a new system that would support Medicaid and CHIP eligibility determination and enrollment services. The preliminary analysis from Gartner identifies six alternatives for modernizing the current FLORIDA system.
Governor's Recommendation: The Agency for Health Care Administration, based on the Feasibility Study conducted by Gartner, recommends the development of a new system that would support the Medicaid and CHIP eligibility determination and enrollment services.

Senate Committee: Subcommittee on Health and Human Services Appropriations ***Senate Analyst:*** Allen Brown Scarlet Pigott	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** D. Brian Clark

Department of Children and Family Services

EOG Number: B2013-0193

Problem Statement:

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) requires states to make changes in the method for determining Medicaid eligibility. Specifically, the PPACA requires that Medicaid eligibility be determined based on Modified Adjusted Gross Income (MAGI) as of January 2014, which differs from the state's current eligibility criteria. The PPACA also requires the creation of a health insurance "exchange" in each state for the purpose of providing a centralized resource and mechanism to assist individuals and employers in the determination of eligibility and to purchase commercial health insurance coverage. States may, but are not required, to create and operate their own exchange under federal parameters, create "partnership exchanges" in which operational responsibility is shared with the federal government, and in states that do not create a state-run or partnership exchange, the PPACA provides that the federal government will operate the exchange.

Proviso language contained in chapter 2012-118, Laws of Florida, (Specific Appropriation 174), directs the Agency for Health Care Administration (Agency) to contract with an independent, third party consulting firm with experience in planning public sector enterprise projects to complete a feasibility study for developing an Internet-based system for eligibility determination for Medicaid and the Children's Health Insurance Program (CHIP) as authorized in House Bill 5301. The proviso required the feasibility study to analyze two options for implementation of this system: remediate the current eligibility determination system (FLORIDA system) to address these new eligibility requirements or develop a new system to support the Medicaid and CHIP eligibility determination process. Additionally the proviso directed the Agency to make a final recommendation to the Legislative Budget Commission for their consideration and approval no later than December 1, 2012.

The Agency entered into a contractual arrangement with Gartner to conduct a feasibility study to identify a best value approach for the state to modernize its current eligibility determination system (FLORIDA system). At this time, the Agency has received a preliminary analysis from Gartner. A final study is expected soon.

Initially it was understood that the PPACA requirement necessitated the development and implementation of an eligibility determination system for Medicaid and CHIP that complied with the MAGI requirements. In response, the 2012 Legislature appropriated $33,659,550 to the Department of Children and Families for the development and implementation of an eligibility determination system for Medicaid and CHIP as authorized in House Bill 5301. It has since been clarified by the Centers for

Medicare and Medicaid Services (CMS) that States may delegate the responsibility for eligibility determinations for Medicaid and CHIP to the exchange rather than developing a new state sponsored eligibility system.

While the existing proviso required the development and implementation of an eligibility determination system for Medicaid and CHIP, the department is requesting release of budget authority for a total redesign of Florida's enterprise Medicaid and public assistance eligibility system (FLORIDA system). The Department has qualified for and will receive enhanced federal funding (90/10 Model) for the project based on Planning-Advance Planning Document (P-APD) and an Implementation – Advanced Planning Document (I-APD) approvals. The Department received these approvals from federal partners on May 05, 2012 and June 19, 2012 respectively. The receipt of the 90/10 match is contingent upon a variety of conditions, one of which is the timely completion of the project.

Agency Request:

The Department requests the transfer of $2,279,847 from the Qualified Expenditure Florida's Public Eligibility System category to the Computer Related Expenses category in the Working Capital Trust Fund, Information Technology budget entity. This amendment also requests the transfer of $2,051,862 from the Qualified Expenditure Florida's Public Eligibility System category to the Department of Children and Families Data Center category in the Federal Grants Trust Fund, Executive Direction and Support Services budget entity, and the transfer of $227,985 from the Qualified Expenditure Florida's Public Eligibility System category to the Department of Children and Families Data Center category in the Operations and Maintenance Trust Fund, Executive Direction and Support Services budget entity.

The request represents six months of operating budget needed for the public assistance eligibility system redesign authorized by the 2012 Legislature in Specific Appropriation 295, and 313. Specifically, the $2,279,847 will fund an outsourced PMO ($1,532,442), Procurement Support ($622,405), and an IV&V contractor ($125,000) for expenses incurred beginning July 1, 2012 and projected through December 31, 2012.

Governor's Recommendation:

Recommend approval to transfer budget authority in the amount of $2,051,862 in the Federal Grants Trust Fund, $2,279,847 in the Working Capital Trust Fund, and $227,985 in the Operations and Maintenance Trust Fund from the Qualified Expenditure Category--Florida's Public Assistance Eligibility System category to operating categories for redesign of Florida's enterprise Medicaid and public assistance eligibility system.

Senate Committee: Subcommittee on Health and Human Services Appropriations	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** William Fontaine

Senate Analyst: Scarlet Pigott	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
CHILDREN AND FAMILIES											
	Program: Executive Leadership <u>Executive Direction And Support Services</u>										
295	Qualified Expenditure Category Florida's Public Assistance Eligibility System										
	From Federal Grants Trust Fund		(14,669,019)	(14,669,019)		(2,051,862)	(2,051,862)				
	From Operations And Maintenance Trust Fund		(1,629,891)	(1,629,891)		(227,985)	(227,985)				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
298	Data Processing Services Children And Families Data Center										
	From Federal Grants Trust Fund		14,669,019		14,669,019	2,051,862		2,051,862			
	From Operations And Maintenance Trust Fund		1,629,891		1,629,891	227,985		227,985			
	Program: Support Services <u>Information Technology</u>										
313	Qualified Expenditure Category Florida's Public Assistance Eligibility										

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	**REQUESTED BY AGENCY**			**RECOMMENDED BY GOVERNOR**			**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION**		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
	System From Working Capital Trust Fund		(16,298,910)	(16,298,910)		(2,279,847)	(2,279,847)				
310	Special Categories Computer Related Expenses From Working Capital Trust Fund		16,298,910		16,298,910	2,279,847		2,279,847			

Department of Children and Family Services

EOG Number: B2013-0197

Problem Statement:

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) requires states to make changes in the method for determining Medicaid eligibility. Specifically, the PPACA requires that Medicaid eligibility be determined based on Modified Adjusted Gross Income (MAGI) as of January 2014, which differs from the state's current eligibility criteria. The PPACA also requires the creation of a health insurance "exchange" in each state for the purpose of providing a centralized resource and mechanism to assist individuals and employers in the determination of eligibility and to purchase commercial health insurance coverage. States may, but are not required, to create and operate their own exchange under federal parameters, create "partnership exchanges" in which operational responsibility is shared with the federal government, and in states that do not create a state-run or partnership exchange, the PPACA provides that the federal government will operate the exchange.

Proviso language contained in chapter 2012-118, Laws of Florida, (Specific Appropriation 174), directs the Agency for Health Care Administration (Agency) to contract with an independent, third party consulting firm with experience in planning public sector enterprise projects to complete a feasibility study for developing an Internet-based system for eligibility determination for Medicaid and the Children's Health Insurance Program (CHIP) as authorized in House Bill 5301. The proviso required the feasibility study to analyze two options for implementation of this system: remediate the current eligibility determination system (FLORDIA system) to address these new eligibility requirements or develop a new system to support the Medicaid and CHIP eligibility determination process. Additionally the proviso directed the Agency to make a final recommendation to the Legislative Budget Commission for their consideration and approval no later than December 1, 2012.

The Agency entered into a contractual arranagement with Gartner to conduct a feasibility study to identify a best value approach for the state to modernize its current eligibility determination system (FLORIDA system). At this time, the Agency has received a preliminary analysis from Gartner. A final study is expected soon.

Initially it was understood that the PPACA requirement necessitated the development and implementation of an eligibility determination system for Medicaid and CHIP that complied with the MAGI requirements. In response, the 2012 Legislature appropriated $33,659,550 to the Department of Children and Families for the development and implementation of an eligibility determination system for Medicaid and CHIP as authorized in House Bill 5301. It has since been clarified by the Centers for

Medicare and Medicaid Services (CMS) that States may delegate the responsibility for eligibility determinations for Medicaid and CHIP to the exchange rather than developing a new state sponsored eligibility system. The Department is requesting release of budget authority for a remediation of Florida's enterprise Medicaid and public assistance eligibility system (FLORIDA system). Based on the Department's analysis, remediation is only eligible for a 50 percent federal match. The Fiscal Year 2012-2013 General Appropriations Act appropriated the funding at a 90 percent federal match. Since the funding was appropriated at the 90 percent match, the department has limited state funds related to this project in the current Fiscal Year to draw down the 50 percent match that would support remediation activity. The Department is proposing the use of unobligated fund balance to support the project. The Department reports that the current Federal Grants Trust Fund appropriation in this category could be used as the budget authority if they are directed to utilize unobligated cash balances within this trust fund.
Agency Request: The Department requests the transfer of $1,160,380 from the Qualified Expenditure Florida's Public Assistance Eligibility System category to the Computer Related Expenses category in the Working Capital Trust Fund, Information Technology budget entity. This amendment also requests the transfer of $580,190 from the Qualified Expenditure Florida's Public Assistance Eligibility System category to the Department of Children and Families Data Center category in the Federal Grants Trust Fund, Executive Direction and Support Services budget entity, and the transfer of $580,190 from the Qualified Expenditure Florida's Public Assistance Eligibility System category to the Department of Children and Families Data Center category in the Operations and Maintenance Trust Fund, Executive Direction and Support Services budget entity. The request represents six months of operating budget needed for the public assistance eligibility system redesign authorized by the 2012 Legislature in Specific Appropriation 295 and 313. Specifically, the $1,160,380 will fund an outsourced Project Management Office (PMO) ($573,420), Independent Verification and Validation (IV&V) contractor ($62,500) and outsourced procurement support and project communications ($524,460) for expenses incurred beginning July 1, 2012 and projected through December 31, 2012.
Governor's Recommendation: Recommend approval to transfer budget authority in the amount of $580,190 in the Federal Grants Trust Fund, and $580,190 in the Operations and Maintenance Trust Fund from the QEC--Florida's Public Assistance Eligibility System category to operating categories for redesign of Florida's public assistance eligibility system.

Senate Committee: Subcommittee on Health and Human Services Appropriations	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** William Fontaine

Senate Analyst: Scarlet Pigott	

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
CHILDREN AND FAMILIES											
	Program: Executive Leadership <u>Executive Direction And Support Services</u>										
295	Qualified Expenditure Category Florida's Public Assistance Eligibility System										
	From Federal Grants Trust Fund		(2,440,386)	(2,440,386)		(580,190)	(580,190)				
	From Operations And Maintenance Trust Fund		(2,440,386)	(2,440,386)		(580,190)	(580,190)				

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
298	Data Processing Services Children And Families Data Center										
	From Federal Grants Trust Fund		2,440,386		2,440,386	580,190		580,190			
	From Operations And Maintenance Trust Fund		2,440,386		2,440,386	580,190		580,190			
	Program: Support Services <u>Information Technology</u>										
313	Qualified Expenditure Category Florida's Public Assistance Eligibility System										

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
	From Working Capital Trust Fund		(4,880,772)	(4,880,772)		(1,160,380)	(1,160,380)				
310	Special Categories Computer Related Expenses From Working Capital Trust Fund		4,880,772		4,880,772	1,160,380		1,160,380			

Department of Children and Family Services

EOG Number: B2013-0194

Problem Statement: The Florida Abuse Hotline serves as the central reporting center for allegations of abuse, neglect, and/or exploitation for children and vulnerable adults in Florida. The Hotline receives calls, faxes, and web based reports from citizens and professions with concerns of abuse, neglect, or exploitation on children and vulnerable adults in Florida. The Hotline assesses the information provided by the reporter and determines if the information provided meets statutory criteria for the Department of Children and Families (DCF) to conduct an investigation. The Fiscal Year 2012-2013 General Appropriations Act appropriates $4,500,000 to DCF in a Qualified Expenditure Category for the Abuse Hotline Transformation Project. This project will improve the Hotline's operations, processes, organization and technology to produce a more readable, complete, and standardized package of information for investigation. Of this appropriation, $2,193,739 was appropriated for Fiscal Year 2011-2012 activities related to the procurement of project management and design. An additional $2,306,261 was appropriated for Fiscal Year 2012-2013. This amendment requests the final release of $712,881 in budget authority from the Fiscal Year 2012-2013 appropriation to complete the implementation of software development, project review, and validation.
Agency Request: The Department of Children and Families requests the final release of $712,881 in budget authority in the Operations and Maintenance Trust Fund from the Florida Abuse Hotline Redesign Qualified Expenditure Category within the Executive Direction and Support Services budget entity. Corresponding release of $712,881 in double-budget authority is requested in the Working Capital Trust Fund in the Computer Related Expenses Category within the Information Technology budget entity so that DCF can transfer funds and make Abuse Hotline Transformation Project final expenditures in the budget category designated for information technology projects.
Governor's Recommendation: Recommend approval to transfer and release budget authority from the Qualified Expenditure Category - Florida Abuse Hotline Redesign category in the amounts of $712,881 in the Working Capital Trust Fund to the Computer Related Expenses operating category within Information Technology and $712,881 in the Operations and Maintenance Trust Fund to the DCF Data Center operating category within Executive Leadership to cover the final phase of the redesign of the Florida Abuse Hotline in accordance with 2012 General Appropriations Act.

Senate Committee: Subcommittee on Health and Human Services Appropriations ***Senate Analyst:*** Scarlet Pigott	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** William Fontaine

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
CHILDREN AND FAMILIES											
	Program: Executive Leadership <u>Executive Direction And Support Services</u>										
N/A	Qualified Expenditure Category Florida Abuse Hotline Redesign From Operations And Maintenance Trust Fund		(712,881)	(712,881)		(712,881)	(712,881)				
298	Data Processing Services Children And Families Data Center										

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY			RECOMMENDED BY GOVERNOR			APPROVED BY THE LEGISLATIVE BUDGET COMMISSION		
			Appropriation	Reserve	Release	Appropriation	Reserve	Release	Appropriation	Reserve	Release
	From Operations And Maintenance Trust Fund		712,881		712,881	712,881		712,881			
	Program: Support Services <u>Information Technology</u>										
N/A	Qualified Expenditure Category Florida Abuse Hotline Redesign From Working Capital Trust Fund		(712,881)	(712,881)		(712,881)	(712,881)				
310	Special Categories Computer Related Expenses From Working Capital Trust Fund		712,881		712,881	712,881		712,881			

Department of Corrections

EOG Number: B2013-0096

Problem Statement:

The Department of Corrections (DOC) has requested and received proposals for the statewide privatization of comprehensive healthcare services. In order to award the contract, the department must transfer funding from the traditional categories to the Inmate Health Service appropriation category.

The Fiscal Year 2011-12 General Appropriations Act contained proviso requiring the department to issue Requests for Proposals (RFPs) for the delivery of a statewide comprehensive healthcare services, excluding Region IV. In order to comply with the General Appropriation Act the RFPs were issued on August 9, 2011 and also included RFPs for Region IV based on the departments general statutory purchasing authority. On September 19, 2011, the department received intent to submit proposals from six companies. The proviso was challenged and due to litigation delays, the department was unable to contract for these services before the proviso expired on June 30, 2012. However, the department is opting to continue with the privatization efforts and proceed with the procurement under the authority granted in s. 20.315, F.S. Proposals were evaluated by an inter-agency evaluation team including individuals from the department, the Department of Health and the Department of Management Services. The department reviewed the price proposals submitted for the RFPs and determined that all proposals met the mandatory responsiveness requirements.

At the conclusion of its competitive bidding process, the department chose Wexford Health Sources to provide health services in South Florida (Region IV), and Corizon to provide health services in the rest of the state (Regions I, II, and III). According to the department's original cost benefit analysis submitted April 2012, Wexford Health Sources will provide such services at a savings of 32.8 percent compared to Fiscal Year 2010-11 expenditures for Region IV, and Corizon would provide a savings of 9.9 percent, for a statewide savings of 14.9 percent. As of September 4, 2012, the department has stated that the savings per contract will be revised to take into account recent prison closures in Region IV. While the statewide savings will remain the same, the savings per contract cannot be validated at this time. The current health services budget is $347.5 million and the total contract amount, including the department's pharmaceutical and monitoring costs is $353.8 million. This budget amendment provides funding for the health services contracts for six months or a partial year. Once the budget is annualized, additional budget authority of $6.3 million would be needed in the Inmate Health Services category. Though the amount of the fully annualized contract exceeds existing authority, the department projects the annual deficit would increase by $40.7 million if the contracts are not executed. This does not include the $22.5 million deficit carried forward from the current year.

Agency Request:
The department requests the transfer of $57,668,391 to the Inmate Health Services category from the following operational budget categories within the Inmate Health Services budget entity:

Salaries and Benefits	$ 37,535,005
Other Personal Services	12,875,012
Expenses	6,697,952
OCO	199,229
Contracted Services	361,193

Approval of this request will enable the department to move forward with the statewide privatization of comprehensive health care services based on a January 1 implementation date.

Governor's Recommendation:
Recommend approval for the transfer of $57,668,391 in General Revenue in the Department of Corrections between various categories within the Inmate Health Services program. The transfer is necessary for the department to move forward with the statewide privatization of comprehensive health services with an anticipated January 1, 2013, implementation date.

Senate Committee: Subcommittee on Criminal and Civil Justice Appropriations
Senate Analyst: Diane Sneed

House Committee: Justice Appropriations Subcommittee
House Analyst: John McAuliffe

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation
CORRECTIONS					
	Program: Health Services Inmate Health Services				
778	Salaries And Benefits From General Revenue Fund		(37,535,005)	(37,535,005)	
779	Other Personal Services From General Revenue Fund		(12,875,012)	(12,875,012)	
780	Expenses From General Revenue Fund		(6,697,952)	(6,697,952)	
781	Operating Capital Outlay From General Revenue Fund		(199,229)	(199,229)	
782	Special Categories Contracted Services From General Revenue Fund		(361,193)	(361,193)	
784	Special Categories Inmate Health Services From General Revenue Fund		57,668,391	57,668,391	