LEGISLATIVE
BUDGET
COMMISSION

Richard Corcoran, Chair

Tom Lee, Vice-Chair

MEETING PACKET
Tuesday, September 15, 2015
3:00 PM
212 Knott Building

(Please bring this packet to the committee meeting. Duplicate materials will not be available.)

LEGISLATIVE BUDGET COMMISSION
AGENDA

Tuesday, September 15, 2015
3:00 PM
212 Knott Building

Members

Senator Oscar Braynon	**Representative Richard Corcoran**
Senator Bill Galvano	**Representatives Janet Cruz**
Senator Rene Garcia	**Representatives Erik Fresen**
Senator Denise Grimsley	**Representatives Matt Hudson**
Senator Arthenia Joyner	**Representatives Clay Ingram**
Senator Tom Lee	**Representatives Larry Metz**
Senator David Simmons	**Representatives Alan Williams**

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II.	Public Testimony on the Draft Long-Range Financial Outlook	
III.	Consideration of the Long-Range Financial Outlook	
IV.	Consideration of the following budget amendments:	
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II. Other Business

Clerk of Courts Budget Request

State of Florida

Long-Range Financial Outlook

Fiscal Years 2016-17 through 2018-19

Draft Fall 2015 Report
As Submitted to the Legislative Budget Commission
9/8/2015

Jointly prepared by the following:

The Senate Committee on Appropriations

The House Appropriations Committee

The Legislative Office of Economic and Demographic Research

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Long-Range Financial Outlook

The Outlook: Production and Development

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 2015 Outlook is the ninth 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 budget projections primarily reflect current-law spending requirements. The Outlook does not 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 on discretionary spending, making this document simply a reasonable baseline.

Estimated revenues and tax provisions are generally treated in the same way; however, a new section has been added this year that shows the effects of continuing to make revenue adjustments similar in scope to those that have been made over the past three years.

The Outlook also includes economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: in this version, 2016-17, 2017-18, and 2018-19. It does this by using anticipated revenues and expenditures in the current year (2015-16) as the baseline. Within each table, all funds remaining after the budget drivers and other key issues are fully funded for each year are carried forward into the following fiscal year.

Who produced it?

The Outlook was developed jointly by the Senate Committee on Appropriations, 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 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.

- Official forecasts of available revenues were used with one exception. Separate tables and narrative discussion identify the impact of historical revenue adjustments affecting the General Revenue Fund (tax and fee changes, and trust fund transfers), assuming they are undertaken in the future at the same pace.

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

How is the Outlook structured?

- The Outlook contains budget drivers that are grouped by policy areas that roughly correspond to the appropriations bill format required by the Florida Constitution. Also included are separate sections for Potential Constitutional Issues, Significant Risks to the Forecast, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections, Debt Analysis, Key Revenue Adjustments to the General Revenue Fund, and comparisons 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 budget 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. Similarly, several of the identified revenue adjustments assume that past levels of nonrecurring revenue adjustments (one-time tax holidays and trust fund transfers) continue each year.

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (Lottery and Slot Machine 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 separately identify 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 in and discussed throughout the document.

- Budget drivers have been categorized as either “Critical Needs” (mandatory increases based on estimating conferences, and other essential needs) or “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. The budget drivers do not include any assumptions regarding funding for new programs, expansion of current programs, or new funding levels for community-based initiatives.

- Any future revenue adjustments that differ from the current forecasts adopted by the Revenue Estimating Conference would require law changes or specific recognition in the Appropriations-related budget documents.

- 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 projections. When deployed, the unique assumptions used for these scenarios are not built into the remainder of the Outlook.

What have previous Outlooks shown?

Each of the Outlooks provided the first look at the likely scenario facing the Legislature in its preparation of the budget for the following fiscal year. Because the initial projections are updated and refined through subsequent estimating conferences, the final projections used by the Legislature have differed from the initial results. Each succeeding Outlook is also affected by the final decisions made in the preceding Session(s).

Starting with the first constitutionally required Outlook adopted in September 2007, the results at the time of adoption were as follows:

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	3,295.3	1,000.0
2014	Fiscal Year 2015-16	336.2	1,004.5	2,156.1	1,000.0

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Following the March 2015 General Revenue Estimating Conference, underlying collections ran slightly above estimate, ending the 2014-15 fiscal year with a gain of $195.2 million, which was about 0.7 percent over the estimate for the year.

- The Revenue Estimating Conference met on August 14, 2015, to revise the General Revenue forecast. Expected revenues for Fiscal Years 2015-16 and 2016-17 were increased modestly from the previous forecast, increasing by $462.3 million over the two years. The revised Fiscal Year 2015-16 estimate exceeds the prior year's collections by $733.0 million (2.6 percent). The revised forecast for Fiscal Year 2016-17 has projected growth of $1.34 billion (4.7 percent) over the revised Fiscal Year 2015-16 estimate. The growth rates for Fiscal Years 2017-18 and 2018-19 were slightly increased from 4.5 to 4.8 percent and from 3.3 to 3.6 percent, respectively.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27,074.8	[redacted]	[redacted]	[redacted]	8.4%
2006-07	26,404.1	[redacted]	[redacted]	[redacted]	-2.5%
2007-08	24,112.1	[redacted]	[redacted]	[redacted]	-8.7%
2008-09	21,025.6	[redacted]	[redacted]	[redacted]	-12.8%
2009-10	21,523.1	[redacted]	[redacted]	[redacted]	2.4%
2010-11	22,551.6	[redacted]	[redacted]	[redacted]	4.8%
2011-12	23,618.8	[redacted]	[redacted]	[redacted]	4.7%
2012-13	25,314.6	[redacted]	[redacted]	[redacted]	7.2%
2013-14	26,198.0	[redacted]	[redacted]	[redacted]	3.5%
2014-15	27,485.9	27,681.1	195.2	1,483.1	5.7%
2015-16	28,126.8	28,414.1	287.3	733.0	2.6%
2016-17	29,581.2	29,756.2	175.0	1,342.1	4.7%
2017-18	30,912.4	31,189.3	276.9	1,433.1	4.8%
2018-19	31,947.1	32,305.4	358.3	1,116.1	3.6%
2019-20	33,019.0	33,512.8	493.8	1,207.4	3.7%

- The growth in the General Revenue estimate also affects the transfers to the Budget Stabilization Fund (BSF) in Fiscal Years 2016-17, 2017-18, and 2018-19. The Legislature authorized the fifth and final repayment of $214.5 million required by section 215.32, Florida Statutes, in the Fiscal Year 2015-16 General Appropriations Act. Beginning in Fiscal Year 2016-17, the constitutional transfers required to bring the BSF up to five percent of net General Revenue Fund collections for the last completed fiscal year will restart. Based on the August 2015 forecast, transfers of $30.4 million in Fiscal Year 2016-17, $36.6 million in Fiscal Year 2017-18, and $67.1 million in Fiscal Year 2018-19 will be required.

- The most recent official Financial Outlook Statement for the General Revenue Fund was adopted August 14, 2015, by the Revenue Estimating Conference. There were several changes that altered the bottom line from the post-session outlook results.

    - The *Funds Available for Fiscal Year 2014-15* were increased to account for the additional revenue collections.

    - The *Funds Available for Fiscal Years 2015-16 through 2018-19* were adjusted upward to account for the results of the revenue estimating conferences that were held during the Summer Conference Season.

- The 2016-17 starting point for the Long-Range Financial Outlook reflects two additional adjustments for issues identified since the release of the official Financial Outlook Statement for the General Revenue Fund: (1) funds have been set aside in Fiscal Year 2015-16 to address current-year operating deficits identified by estimating conferences; and (2) Fiscal Year 2015-16 expenditures have been updated to include all approved budget amendments as of September 1, 2015, that affect the General Revenue Fund. In total, the impact of the adjustments is $13.3 million including:

    - $1.3 million to offset a projected deficit in the Kidcare program relating to a technical adjustment to the calculation of projected expenditures;

    - $2.0 million to offset a projected revenue shortfall in the State Courts Revenue Trust Fund relating to the reduced forecast for Article V fees; and

    - $10.0 million for a budget amendment providing funding for the Small Business Emergency Bridge Loan Program authorized under Executive Order 15-158.

- For the fifth 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 for all three fiscal years contained in the Outlook. Because of a large one-time balance forward of unspent funds from Fiscal Year 2015-16 into Fiscal Year 2016-17 ($73.1 million), the trust fund will have more funds available for expenditure in Fiscal Year 2016-17 than in Fiscal Year 2017-18.

- The State School Trust Fund will have moderate growth for all three fiscal years contained in the Outlook. Because of a large one-time balance forward of unspent funds from Fiscal Year 2015-16 into Fiscal Year 2016-17 ($50.4 million), the trust fund will have more funds available for expenditure in Fiscal Year 2016-17 than in Fiscal Years 2017-18 and 2018-19.

- 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 of the Outlook.

- Reserves have been created for each of the aforementioned major trust funds. The amounts have been calculated by applying a percentage to each fund's revenue estimate that is roughly equal to the $1.0 billion retained for the General Revenue Fund as a percentage of its revenue estimate for Fiscal Year 2016-17.

B. Key Aspects of the Expenditure Demands

- In the Tier 1 Table, only Critical Needs are shown, which reflect mandatory increases based on estimating conferences and other essential items. The nineteen 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 2017-18.

- In the Tier 2 Table, Other High Priority Needs are added to the Critical Needs. Other High Priority Needs reflect issues that have been funded in most of the recent budget years. The drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Unlike Critical Needs, the greatest General Revenue burden for the twenty-seven Other High Priority Needs occurs in Fiscal Year 2016-17.

DOLLAR VALUE OF
CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Total Tier 1 - Critical Needs	664.8	753.1	742.5
Total - Other High Priority Needs	934.2	847.1	841.7
Total Tier 2 - Critical and Other High Priority Needs	1,599.0	1,600.2	1,584.2

- For each year of the Outlook, the Other High Priority Needs represent a greater percentage of the total needs than do the Critical Needs as displayed in the table below.

PERCENTAGE OF TOTAL
CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Total Tier 1 - Critical Needs	41.6%	47.1%	46.9%
Total - Other High Priority Needs	58.4%	52.9%	53.1%
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. Approximately one-half of the policy areas, in particular Pre K-12 Education, have their largest needs in the first year, with a detectable drop-off in the subsequent years.

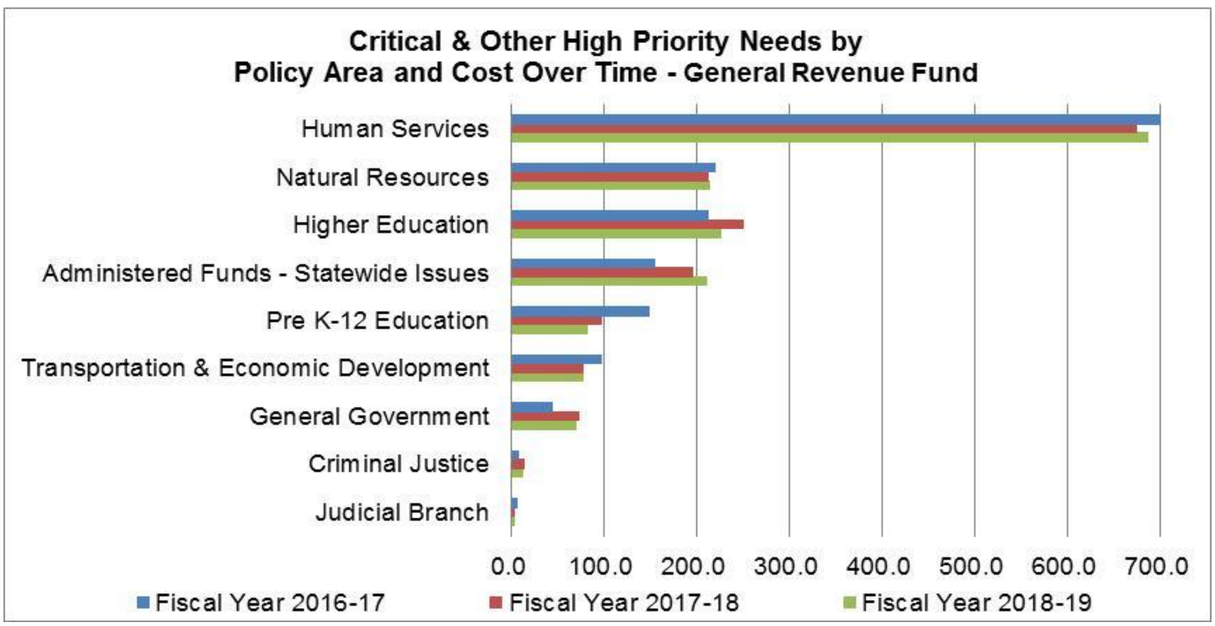
Other areas, such as Administered Funds and Higher Education, have a reverse pattern with greater needs in the second and third years of the Outlook.

- For education and human services programs, the Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. The shifting of funds alters the need for General Revenue funds from year to year but does not affect the overall level of dollars estimated to be the need for core education and human services programs.

- When historical funding averages are used for drivers, the Outlook generally relies on three-year pre-veto appropriation averages, unless otherwise noted. If the three-year average was negative, no change in funding was made.

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

POLICY AREAS	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Pre K-12 Education	149.6	97.5	82.9
Higher Education	213.1	250.5	226.9
Human Services	703.6	675.6	686.9
Criminal Justice	8.7	14.2	12.3
Judicial Branch	6.4	3.1	3.1
Transportation & Economic Development	97.2	77.9	77.6
Natural Resources	220.7	213.1	213.5
General Government	44.0	72.9	69.4
Administered Funds - Statewide Issues	155.7	195.4	211.6
Total New Issues	1,599.0	1,600.2	1,584.2



- 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. Human Services has the largest share of the total needs in each of the three years of the Outlook.

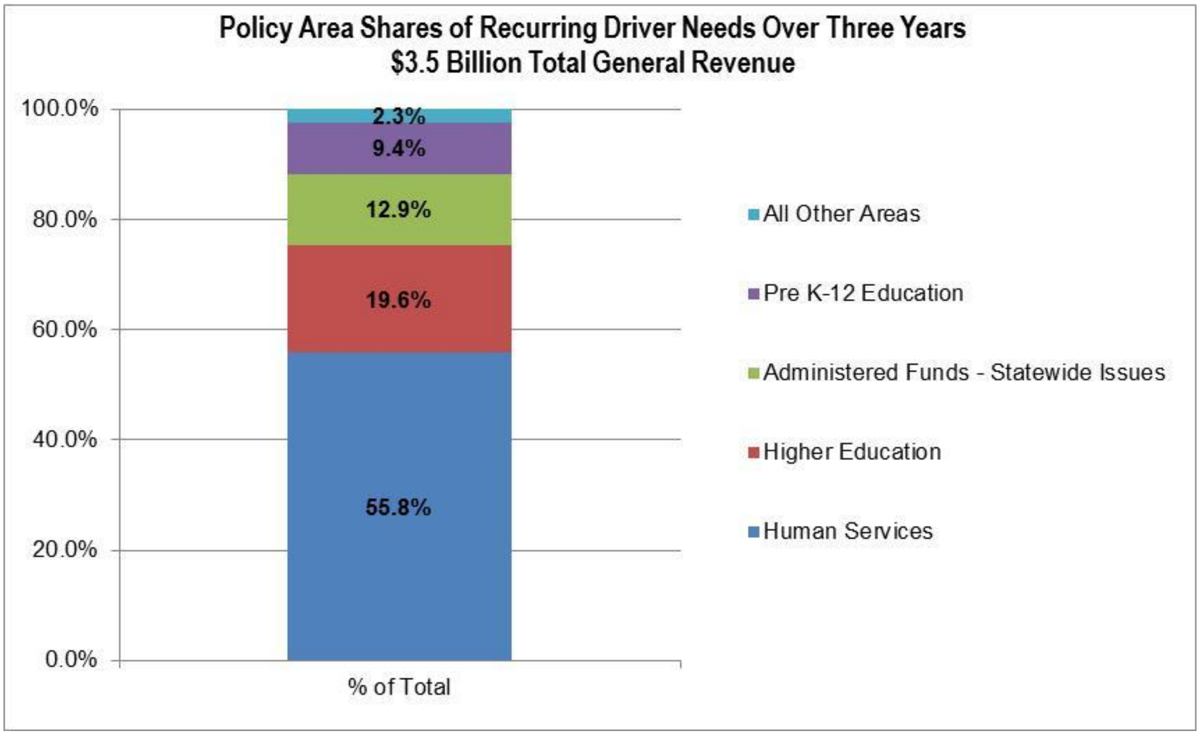
GENERAL REVENUE FUND
POLICY AREA PERCENTAGE OF TOTAL
CRITICAL AND OTHER HIGH PRIORITY NEEDS

POLICY AREAS	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Pre K-12 Education	9.4%	6.1%	5.2%
Higher Education	13.3%	15.7%	14.3%
Human Services	44.0%	42.2%	43.4%
Criminal Justice	0.5%	0.9%	0.8%
Judicial Branch	0.4%	0.2%	0.2%
Transportation & Economic Development	6.1%	4.9%	4.9%
Natural Resources	13.8%	13.3%	13.5%
General Government	2.8%	4.6%	4.4%
Administered Funds - Statewide Issues	9.7%	12.2%	13.4%
Total New Issues	100.0%	100.0%	100.0%

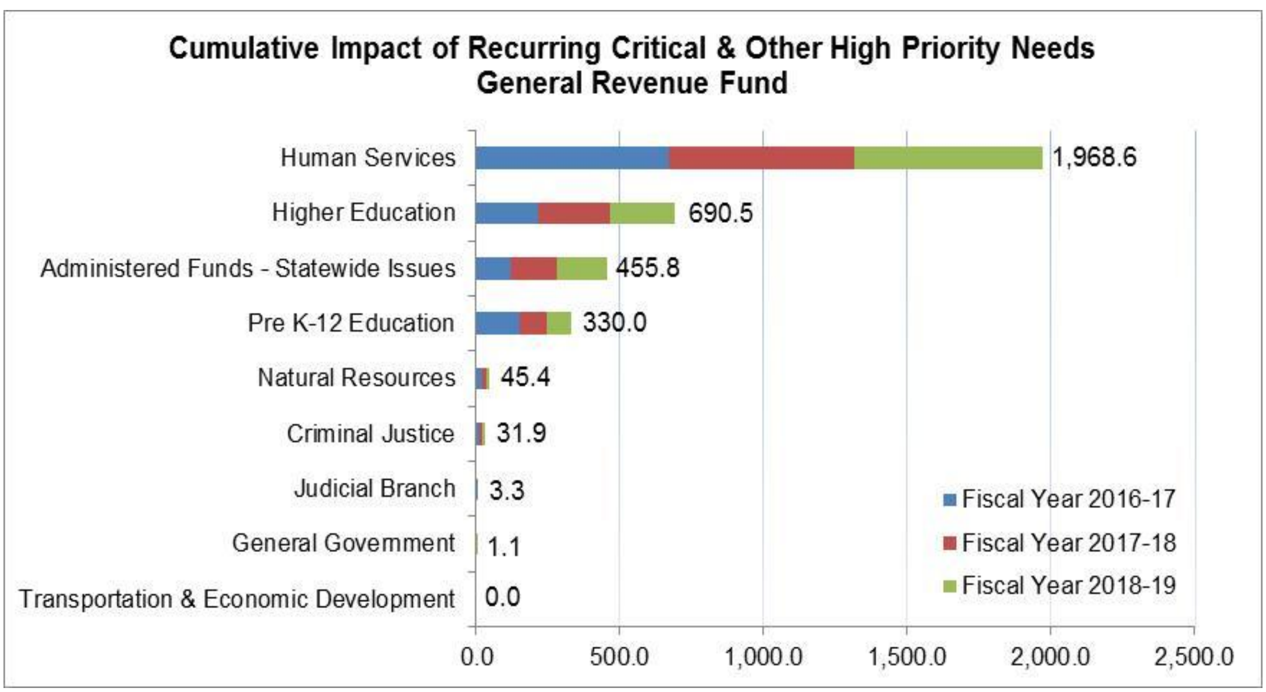
- The Critical Needs driver for the Medicaid program is the largest driver, representing 89.3 percent of total Critical Needs in Fiscal Year 2016-17, 77.5 percent in Fiscal Year 2017-18, and 79.1 percent in Fiscal Year 2018-19. Broadening the scope to include Other High Priority Needs drivers, the Medicaid program driver remains the largest driver, representing 37.1 percent, 36.5 percent, and 37.1 percent, respectively, of total needs. The second largest Critical Needs driver is Workload and Enrollment for the Florida Education Finance Program; however, the structure of education funding requires an evaluation across multiple drivers; focus on any one driver in isolation may be misleading.

- The recurring effects of each year's drivers continue throughout the remaining years contained in the Outlook, with the subsequent years adding to the prior year's recurring appropriations. While the first year's infusion of recurring dollars is displayed in the recurring column for the driver, the associated funds for the following years are captured in the Recurring Base Budget on the tables displayed on pages 16, 17, and 18. Over the three-year period included in the Outlook, recurring expenditures are projected to increase by approximately $3.5 billion, or 73.7 percent of the total $4.8 billion spent over the Outlook period.

[SEE GRAPH ON FOLLOWING PAGE]



- The Human Services policy area, primarily driven by Medicaid expenditures, has the largest recurring impact, totaling nearly $2.0 billion over the next three years. Across the three years, it comprises 55.8 percent of the total $3.5 billion recurring increase. The next largest area is Higher Education, which is projected to increase by slightly more than $690 million during the three-year period, or nearly 20 percent of the total.



C. Key Aspects of Revenue Adjustments to the General Revenue Fund

- In the Tier 3 Table, General Revenue Adjustments are added to the Critical and Other High Priority Needs drivers to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments include:

    *Tax and Significant Fee Reductions...*These reductions fall into two categories with different effects. The continuing tax and fee reductions are negative adjustments to the funds otherwise available and build over time since the impact of each year's change is added to the recurring impacts from prior years. Conversely, the time-limited tax and fee reductions are confined to each year and are held constant throughout the Outlook.

    *Trust Fund Transfers (GAA)...*The nonrecurring transfers are positive adjustments to the funds otherwise available and are held constant each year.

- A three-year average is used to develop the fiscal impact for each of the three types of specific adjustments. Unlike the budget drivers which are linked to identifiable issue areas, the revenue adjustments make no assumptions regarding the nature of the change (e.g., the specific amount by tax, fee, or trust fund source).

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Continuing Tax and Fee Reductions	(234.5)	43.1	(191.4)	(469.0)	43.1	(425.9)	(703.5)	43.1	(660.4)
Time-Limited Tax and Fee Reductions	0.0	(71.2)	(71.2)	0.0	(71.2)	(71.2)	0.0	(71.2)	(71.2)
Trust Fund Transfers (GAA)	0.0	237.3	237.3	0.0	237.3	237.3	0.0	237.3	237.3
TOTAL	**(234.5)**	**209.2**	**(25.3)**	**(469.0)**	**209.2**	**(259.8)**	**(703.5)**	**209.2**	**(494.3)**

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

- Fiscal Year 2016-17
    - Total General Revenue available for appropriation is $31,545.1 million.
    - The base budget, transfers to the Budget Stabilization Fund, and Critical Needs funded with General Revenue are estimated to cost $28,950.2 million. Including a holdback for a reserve balance of $1.0 billion increases the total expenditure need to $29,950.2 million. This figure grows to a total of $30,884.4 million when Other High Priority Needs are included.
    - Combined, recurring and nonrecurring General Revenue budget needs—with a minimum reserve of $1.0 billion—are less than the available General Revenue dollars, meaning there is no budget gap for Fiscal Year 2016-17. 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.

- After accounting for the revenue adjustments included in Tier 3 of the Outlook, a projected available ending balance of $635.4 million, or about 2.1 percent of the 2016-17 projected revenues, would be available to roll over to the next fiscal year.

- In the alternative, the Legislature could choose to use some or all of the balance for additional discretionary spending or tax reductions. In making this decision, it is important to consider the section of the Outlook entitled "Significant Risks to the Forecast," which describes a number of issues that have the potential to alter key assumptions and, therefore, the level of revenues and/or expenditures used to build the Outlook.

OUTLOOK PROJECTION – FISCAL YEAR 2016-17 *(in millions)*			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**$29,880.6**	**$1,664.5**	**$31,545.1**
Base Budget	$28,255.0	$0.0	$28,255.0
Transfer to Lawton Chiles Endowment Fund	$0.0	$0.0	$0.0
Transfer to Budget Stabilization Fund	$0.0	$30.4	$30.4
Critical Needs	$615.8	$49.0	$664.8
Other High Priority Needs	$566.7	$367.5	$934.2
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL EXPENDITURES	**$29,437.5**	**$1,446.9**	**$30,884.4**
Revenue Adjustments	($234.5)	$209.2	($25.3)
ENDING BALANCE	**$208.6**	**$426.8**	**$635.4**

- Fiscal Years 2017-18 and 2018-19

  - Fiscal Years 2017-18 and 2018-19 both show projected budget needs within the available revenue for Critical and Other High Priority Needs, including the set-aside of a $1.0 billion reserve in each year.

  - When factoring in the potential revenue adjustments, the budget still remains in balance; however, the recurring expenditures begin to outpace available recurring revenues in Fiscal Year 2018-19.

D. Analyzing the Results

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 limited 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. Conversely, recent actions by the Legislature to undertake increased recurring expenditures and tax adjustments have reduced the projected surplus between available General Revenue dollars and anticipated expenditures relative to last year's Outlook.

No fiscal strategies are needed since there is no budget gap, and the reserve is fully funded for all years of the Outlook. However, the positive budget outlook is heavily reliant on the projected balance forward levels being available and the $1.0 billion reserve not being used. *Recurring* investments made in Year 1 of the Outlook have a compounding effect over time and would reduce future ending balances as shown in the following tables. Consequently, it will be critically important to focus on the recurring aspects of any additional expenditures or revenue adjustments beyond those contemplated in the Outlook, especially if either the Tier 2 or Tier 3 scenario is pursued.

Compounding Effect of Year 1 Expenditure of Ending Balance

Tier 1 - Critical Needs	Outlook Ending Balance	Ending Balance if Year 1 Balance Spent on Recurring Issues	Difference
2016-17	1,594.9	-	(1,594.90)
2017-18	3,216.8	27.0	(3,189.80)
2018-19	5,221.3	436.6	(4,784.70)

*The total balance of **$1,594.9 million** could be invested in recurring issues without causing a negative balance in any year.*

Tier 2 - Critical Needs & Other High Priority Needs	Outlook Ending Balance	Ending Balance if Year 1 Balance Spent on Recurring Issues	Difference
2016-17	660.7	-	(660.70)
2017-18	868.8	(452.6)	(1,321.40)
2018-19	1,001.6	(527.9)	(1,529.50)

*A maximum recurring investment of **$333.8 million** could be made in Year 1 without causing a negative balance in any year.*

Tier 3 - Critical Needs, Other High Priority Needs, & Revenue Adjustments	Outlook Ending Balance	Ending Balance if Year 1 Balance Spent on Recurring Issues	Difference
2016-17	635.4	-	(635.40)
2017-18	583.7	(687.1)	(1,270.80)
2018-19	222.2	(996.9)	(1,219.10)

*A maximum recurring investment of **$74.0 million** could be made in Year 1 without causing a negative balance in any year.*

*Note: the Tier 2 and Tier 3 scenarios assume any deficit is resolved within the fiscal year as constitutionally required.

Tier 1 Table – Critical Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 1 ISSUES - CRITICAL NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	2,351.7	2,351.7	0.0	1,695.8	1,695.8	0.0	1,594.9	1,594.9	0.0	3,216.8	3,216.8
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	28,628.0	(213.9)	28,414.1	29,880.7	(124.5)	29,756.2	31,203.0	(13.7)	31,189.3	32,304.2	1.2	32,305.4
5 Continuing Tax and Fee Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 Time-Limited Tax and Fee Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Non-operating Funds	(0.1)	90.1	90.0	(0.1)	93.2	93.1	(0.1)	93.2	93.1	(0.1)	93.2	93.1
8 Trust Fund Transfers (GAA)	0.0	189.6	189.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 **Total Funds Available**	28,627.9	2,417.5	31,045.4	29,880.6	1,664.5	31,545.1	31,202.9	2,674.4	33,877.3	32,304.1	4,311.2	36,615.3
10												
11 **Estimated Expenditures:**												
12 Recurring Base Budget				28,253.1	0.0	28,253.1	28,870.8	0.0	28,870.8	29,584.4	0.0	29,584.4
13 Annualizations				1.9	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0
14												
15 **New Issues by GAA Section:**												
16 Section 2 - Pre K-12 Education	11,147.2	60.4	11,207.6	1.5	0.0	1.5	43.6	0.0	43.6	25.2	0.0	25.2
17 Section 2 - Higher Education	3,868.6	37.4	3,906.0	(46.5)	0.0	(46.5)	(11.1)	0.0	(11.1)	(31.7)	0.0	(31.7)
18 Section 3 - Human Services	8,612.3	137.1	8,749.4	600.2	0.0	600.2	572.1	0.0	572.1	584.8	0.0	584.8
19 Section 4 - Criminal Justice	3,520.6	28.4	3,549.0	0.0	0.0	0.0	5.5	0.0	5.5	3.6	0.0	3.6
20 Section 7 - Judicial Branch	400.8	17.4	418.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21 Section 5 & 6 - Transportation & Economic Development	89.5	67.1	156.6	0.0	23.6	23.6	0.0	13.1	13.1	0.0	11.9	11.9
22 Section 5 - Natural Resources	123.7	175.6	299.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Section 6 - General Government	237.5	60.1	297.6	(0.7)	24.5	23.8	0.5	26.4	26.9	0.5	28.3	28.8
24 Section 2 & 6 - Administered Funds - Statewide Issues	252.9	32.8	285.7	61.3	0.9	62.2	103.0	0.0	103.0	119.9	0.0	119.9
25 **Total New Issues**				615.8	49.0	664.8	713.6	39.5	753.1	702.3	40.2	742.5
26												
27 Approved Budget Amendments	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28 Transfer to PECO Trust Fund	0.0	128.9	128.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29 Current Year Estimating Conference Operating Deficits	0.0	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30 Transfer to Budget Stabilization Fund	0.0	214.5	214.5	0.0	30.4	30.4	0.0	36.6	36.6	0.0	67.1	67.1
31 Reappropriations	0.0	123.5	123.5									
32 **Total Estimated Expenditures**	28,253.1	1,096.5	29,349.6	28,870.8	79.4	28,950.2	29,584.4	76.1	29,660.5	30,286.7	107.3	30,394.0
33 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
34 **Ending Balance**	**374.8**	**1,321.0**	**1,695.8**	**1,009.8**	**585.1**	**1,594.9**	**1,618.5**	**1,598.3**	**3,216.8**	**2,017.4**	**3,203.9**	**5,221.3**

Tier 2 Table – Critical Needs and Other High Priority Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	2,351.7	2,351.7	0.0	1,695.8	1,695.8	0.0	660.7	660.7	0.0	868.8	868.8
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	28,628.0	(213.9)	28,414.1	29,880.7	(124.5)	29,756.2	31,203.0	(13.7)	31,189.3	32,304.2	1.2	32,305.4
5 Continuing Tax and Fee Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 Time-Limited Tax and Fee Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Non-operating Funds	(0.1)	90.1	90.0	(0.1)	93.2	93.1	(0.1)	93.2	93.1	(0.1)	93.2	93.1
8 Trust Fund Transfers (GAA)	0.0	189.6	189.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 **Total Funds Available**	**28,627.9**	**2,417.5**	**31,045.4**	**29,880.6**	**1,664.5**	**31,545.1**	**31,202.9**	**1,740.2**	**32,943.1**	**32,304.1**	**1,963.2**	**34,267.3**
10												
11 **Estimated Expenditures:**												
12 Recurring Base Budget				28,253.1	0.0	28,253.1	29,437.5	0.0	29,437.5	30,614.4	0.0	30,614.4
13 Annualizations				1.9	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0
14												
15 **New Issues by GAA Section:**												
16 Section 2 - Pre K-12 Education	11,147.2	60.4	11,207.6	149.6	0.0	149.6	97.5	0.0	97.5	82.9	0.0	82.9
17 Section 2 - Higher Education	3,868.6	37.4	3,906.0	213.1	0.0	213.1	250.5	0.0	250.5	226.9	0.0	226.9
18 Section 3 - Human Services	8,612.3	137.1	8,749.4	670.7	32.9	703.6	642.6	33.0	675.6	655.3	31.6	686.9
19 Section 4 - Criminal Justice	3,520.6	28.4	3,549.0	7.6	1.1	8.7	13.1	1.1	14.2	11.2	1.1	12.3
20 Section 7 - Judicial Branch	400.8	17.4	418.2	3.3	3.1	6.4	0.0	3.1	3.1	0.0	3.1	3.1
21 Section 5 & 6 - Transportation & Economic Development	89.5	67.1	156.6	0.0	97.2	97.2	0.0	77.9	77.9	0.0	77.6	77.6
22 Section 5 - Natural Resources	123.7	175.6	299.3	20.4	200.3	220.7	12.5	200.6	213.1	12.5	201.0	213.5
23 Section 6 - General Government	237.5	60.1	297.6	(0.7)	44.7	44.0	0.5	72.4	72.9	1.3	68.1	69.4
24 Section 2 & 6 - Administered Funds - Statewide Issues	252.9	32.8	285.7	118.5	37.2	155.7	160.2	35.2	195.4	177.1	34.5	211.6
25 **Total New Issues**				1,182.5	416.5	1,599.0	1,176.9	423.3	1,600.2	1,167.2	417.0	1,584.2
26												
27 Approved Budget Amendments	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28 Transfer to PECO Trust Fund	0.0	128.9	128.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29 Current Year Estimating Conference Operating Deficits	0.0	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30 Transfer to Budget Stabilization Fund	0.0	214.5	214.5	0.0	30.4	30.4	0.0	36.6	36.6	0.0	67.1	67.1
31 Reappropriations	0.0	123.5	123.5									
32 **Total Estimated Expenditures**	**28,253.1**	**1,096.5**	**29,349.6**	**29,437.5**	**446.9**	**29,884.4**	**30,614.4**	**459.9**	**31,074.3**	**31,781.6**	**484.1**	**32,265.7**
33 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
34 **Ending Balance**	**374.8**	**1,321.0**	**1,695.8**	**443.1**	**217.6**	**660.7**	**588.5**	**280.3**	**868.8**	**522.5**	**479.1**	**1,001.6**

Tier 3 Table – Critical Needs, Other High Priority Needs, and Revenue Adjustments

LONG-RANGE FINANCIAL OUTLOOK

TIER 3 ISSUES - CRITICAL NEEDS, OTHER HIGH PRIORITY NEEDS, AND REVENUE ADJUSTMENTS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	2,351.7	2,351.7	0.0	1,695.8	1,695.8	0.0	635.4	635.4	0.0	583.7	583.7
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	28,628.0	(213.9)	28,414.1	29,880.7	(124.5)	29,756.2	31,203.0	(13.7)	31,189.3	32,304.2	1.2	32,305.4
5 Continuing Tax and Fee Reductions	0.0	0.0	0.0	(234.5)	43.1	(191.4)	(469.0)	43.1	(425.9)	(703.5)	43.1	(660.4)
6 Time-Limited Tax and Fee Reductions				0.0	(71.2)	(71.2)	0.0	(71.2)	(71.2)	0.0	(71.2)	(71.2)
7 Non-operating Funds	(0.1)	90.1	90.0	(0.1)	93.2	93.1	(0.1)	93.2	93.1	(0.1)	93.2	93.1
8 Trust Fund Transfers (GAA)	0.0	189.6	189.6	0.0	237.3	237.3	0.0	237.3	237.3	0.0	237.3	237.3
9 **Total Funds Available**	**28,627.9**	**2,417.5**	**31,045.4**	**29,646.1**	**1,873.7**	**31,519.8**	**30,733.9**	**1,924.1**	**32,658.0**	**31,600.6**	**1,887.3**	**33,487.9**
10												
11 **Estimated Expenditures:**												
12 Recurring Base Budget				28,253.1	0.0	28,253.1	29,437.5	0.0	29,437.5	30,614.4	0.0	30,614.4
13 Annualizations				1.9	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0
14												
15 **New Issues by GAA Section:**												
16 Section 2 - Pre K-12 Education	11,147.2	60.4	11,207.6	149.6	0.0	149.6	97.5	0.0	97.5	82.9	0.0	82.9
17 Section 2 - Higher Education	3,868.6	37.4	3,906.0	213.1	0.0	213.1	250.5	0.0	250.5	226.9	0.0	226.9
18 Section 3 - Human Services	8,612.3	137.1	8,749.4	670.7	32.9	703.6	642.6	33.0	675.6	655.3	31.6	686.9
19 Section 4 - Criminal Justice	3,520.6	28.4	3,549.0	7.6	1.1	8.7	13.1	1.1	14.2	11.2	1.1	12.3
20 Section 7 - Judicial Branch	400.8	17.4	418.2	3.3	3.1	6.4	0.0	3.1	3.1	0.0	3.1	3.1
21 Section 5 & 6 - Transportation & Economic Development	89.5	67.1	156.6	0.0	97.2	97.2	0.0	77.9	77.9	0.0	77.6	77.6
22 Section 5 - Natural Resources	123.7	175.6	299.3	20.4	200.3	220.7	12.5	200.6	213.1	12.5	201.0	213.5
23 Section 6 - General Government	237.5	60.1	297.6	(0.7)	44.7	44.0	0.5	72.4	72.9	1.3	68.1	69.4
24 Section 2 & 6 - Administered Funds - Statewide Issues	252.9	32.8	285.7	118.5	37.2	155.7	160.2	35.2	195.4	177.1	34.5	211.6
25 **Total New Issues**				1,182.5	416.5	1,599.0	1,176.9	423.3	1,600.2	1,167.2	417.0	1,584.2
26												
27 Approved Budget Amendments	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28 Transfer to PECO Trust Fund	0.0	128.9	128.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29 Current Year Estimating Conference Operating Deficits	0.0	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30 Transfer to Budget Stabilization Fund	0.0	214.5	214.5	0.0	30.4	30.4	0.0	36.6	36.6	0.0	67.1	67.1
31 Reappropriations	0.0	123.5	123.5									
32 **Total Estimated Expenditures**	**28,253.1**	**1,096.5**	**29,349.6**	**29,437.5**	**446.9**	**29,884.4**	**30,614.4**	**459.9**	**31,074.3**	**31,781.6**	**484.1**	**32,265.7**
33 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
34 **Ending Balance**	**374.8**	**1,321.0**	**1,695.8**	**208.6**	**426.8**	**635.4**	**119.5**	**464.2**	**583.7**	**(181.0)**	**403.2**	**222.2**

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	25.3	25.3	0.0	73.1	73.1	0.0	57.3	57.3	0.0	57.2	57.2
Revenue Estimate	1,696.9	8.0	1,704.9	1,713.1	0.0	1,713.1	1,737.3	0.0	1,737.3	1,787.5	0.0	1,787.5
Non-operating Funds	4.0	5.8	9.8	5.0	0.0	5.0	6.9	0.0	6.9	7.1	0.0	7.1
Total Funds Available	**1,700.9**	**39.1**	**1,740.0**	**1,718.1**	**73.1**	**1,791.2**	**1,744.2**	**57.3**	**1,801.5**	**1,794.6**	**57.2**	**1,851.8**
Estimated Expenditures:												
Base Budget				1,668.9	0.0	1,668.9	1,733.9	0.0	1,733.9	1,744.3	0.0	1,744.3
Increase/Decrease				65.0	0.0	65.0	10.4	0.0	10.4	50.4	0.0	50.4
Total Estimated Expenditures	**1,668.9**	**(2.0)**	**1,666.9**	**1,733.9**	**0.0**	**1,733.9**	**1,744.3**	**0.0**	**1,744.3**	**1,794.7**	**0.0**	**1,794.7**
Ending Balance	**32.0**	**41.1**	**73.1**	**(15.8)**	**73.1**	**57.3**	**(0.1)**	**57.3**	**57.2**	**(0.1)**	**57.2**	**57.1**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	34.3	34.3	0.0	50.4	50.4	0.0	5.3	5.3	0.0	5.3	5.3
Transfers from Abandoned Property TF	149.5	0.0	149.5	157.8	0.0	157.8	172.2	0.0	172.2	180.7	0.0	180.7
Non-operating Funds	2.2	1.6	3.8	2.3	0.0	2.3	2.6	0.0	2.6	2.6	0.0	2.6
Total Funds Available	**151.7**	**35.9**	**187.6**	**160.1**	**50.4**	**210.5**	**174.8**	**5.3**	**180.1**	**183.3**	**5.3**	**188.6**
Estimated Expenditures:												
Base Budget				137.2	0.0	137.2	160.1	0.0	160.1	174.8	0.0	174.8
Increase/Decrease				22.9	45.1	68.0	14.7	0.0	14.7	8.5	0.0	8.5
Total Estimated Expenditures	**137.2**	**0.0**	**137.2**	**160.1**	**45.1**	**205.2**	**174.8**	**0.0**	**174.8**	**183.3**	**0.0**	**183.3**
Ending Balance	**14.5**	**35.9**	**50.4**	**0.0**	**5.3**	**5.3**	**0.0**	**5.3**	**5.3**	**0.0**	**5.3**	**5.3**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2015-16			Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	16.6	16.6	0.0	3.1	3.1	0.0	12.5	12.5	0.0	12.5	12.5
Revenue Estimate	372.1	0.0	372.1	374.4	0.0	374.4	376.9	0.0	376.9	380.1	0.0	380.1
Non-operating Funds	4.8	0.7	5.5	4.9	0.0	4.9	5.2	0.0	5.2	5.3	0.0	5.3
Total Funds Available	**376.9**	**17.3**	**394.2**	**379.3**	**3.1**	**382.4**	**382.1**	**12.5**	**394.6**	**385.4**	**12.5**	**397.9**
Estimated Expenditures:												
Base Budget				380.9	0.0	380.9	369.9	0.0	369.9	382.1	0.0	382.1
Increase/Decrease				(11.0)	0.0	(11.0)	12.2	0.0	12.2	3.3	0.0	3.3
Total Estimated Expenditures	**380.9**	**10.2**	**391.1**	**369.9**	**0.0**	**369.9**	**382.1**	**0.0**	**382.1**	**385.4**	**0.0**	**385.4**
Ending Balance	**(4.0)**	**7.1**	**3.1**	**9.4**	**3.1**	**12.5**	**0.0**	**12.5**	**12.5**	**0.0**	**12.5**	**12.5**

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 throughout the Outlook.

State Costs for Hurricanes, the 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.

After the 2004 and 2005 hurricanes, the Legislative Office of Economic and Demographic Research undertook an in-depth analysis of the revenue and budgetary impact on state government from weather events of this magnitude. Popular belief has spread the misconception that hurricanes are somehow beneficial to the state from an economic perspective. However, the reality is much more complicated. From past events, there appear to be four distinct phases of activity related to hurricanes—each of which has unique economic responses. The table on the following page details the unique effect of each phase.

Contrary to the oft-repeated myth that government makes money during hurricanes, state government typically has expenditures greater than the incremental increase in the revenue estimate and becomes a net loser when all expenditures are taken into account. In reviewing the final impact of the 2004 and 2005 hurricanes, after the state's hurricane-related expenditures were subtracted from the estimated additional revenues, the bottom line for both years was clearly negative. This means that the state had to spend more than the generated revenues.

In addition to the budgetary and revenue impacts, there is an impact on state debt. 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 state's current indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and the Citizen's Property Insurance Corporation's (Citizen's) ability to pay possible future hurricane losses. According to the *2014 Debt Affordability Report* prepared by the Division of Bond Finance, these special purpose insurance entities represented $6.3 billion or 52 percent of total indirect debt.

[SEE TABLE ON FOLLOWING PAGE]

Hurricanes: Economic Phases

Phase	Defining Characteristics	Statewide Economic Consequences

Preparatory Phase *(approximately 72 hours in advance of the hurricane to landfall)*	• Purchase of Emergency Supplies (canned food, batteries, radios, candles, flashlights, charcoal, gas, propane, water, ice, shutters, boards / plywood, etc.)
	• Evacuation Expenses
	    o In-State...hotels and lodging, transport costs like rental cars and gas
	    o Out-of-State...leakage
		Demand...Localized increase in demand for specific items, and potential non-affected area increase in lodging demand, but largely undetectable
		
		State Budget...Shifting of costs from normally provided services to emergency management, as well as unanticipated overtime and shelter costs
		
		State Revenues...Slight uptick, but largely undetectable

Crisis Phase *(landfall to several weeks after landfall)*	• Rescue and relief efforts (largely public, charitable, or free) • Roads closed due to debris • Private structures and public infrastructure damaged • Utility disruptions • Businesses and non-essential parts of government closed • Temporary homelessness • Violence and looting	**Demand**...Localized decrease in overall demand; significance depends on the event **State Budget**...Government agencies provide goods and services and incur new expenditures that may or may not be matched at a later time by the federal government **State Revenues**...Detectable downtick; significance depends on the event

Recovery Phase *(subsequent to the Crisis Phase and generally lasting up to two or three years)*	• Increased spending related to deductibles, repair, and replacement
	    o Private Savings / Loans
	    o State Spending
	    o FEMA and Federal Spending
	    o Insurance Payments
	• Competition for scarce resources (contractors, roofers, supplies, construction workers, building materials, debris removal, etc.)
		Demand...Localized increase in overall demand, and prices likely increase for some items
		
		Employment...Will temporarily see gains as relief and recovery workers move into the area
		
		State Budget...Reallocation of state and local government spending to the affected area
		
		State Revenues...Discernible and significant uptick

Displacement Phase *(subsequent to the Recovery Phase and lasting from two to six years)*	• Reduction in normal purchasing behavior for items that were bought or replaced ahead of schedule • Demographic and labor shifts related to dislocated households and economic centers	**Demand**...Localized decrease in overall demand, but largely undetectable at the state level **State Revenues**...Slight downtick, but largely undetectable

For the 2015 storm season, the FHCF's maximum statutory obligation comprised of mandatory coverage is up to $17.0 billion. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects liquidity of $17.0 billion, consisting of $12.8 billion in projected cash by December 31, 2015, $1.0 billion of reinsurance, and $3.2 billion in projected pre-event bonds. Given recent financial market conditions, it is estimated the FHCF would be able to bond for approximately $7.7 billion during the next 12 months if a large event occurs during the contract year. This estimated capacity is $7.7 billion above the total potential statutory maximum claims paying obligation of $17.0 billion.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2015 contract year was approximately $17.0 billion. Additional optional coverage is no longer available. The $17.0 billion in capacity selected translates to an approximate 1-in-33 year event (3.0 percent probability) or an event that causes $24.9 billion in insurance industry residential losses for the 2015 season. Because of the differences in the levels of coverage and where those FHCF coverages begin, the FHCF's probability of exhausting its $17.0 billion maximum limit would be much smaller, implying that the FHCF could survive a much larger event. In order for all insurance companies to exhaust the $17.0 billion maximum limit, the aggregate loss would more than likely exceed $61 billion and have a return time exceeding 150 years with a resulting probability of less than 0.6 percent.

For the 2015 storm season, Citizen's probable maximum loss for a 100-year storm event is $11.2 billion. Citizen's currently has claims paying ability of approximately $14.4 billion consisting of a cash surplus of $7.5 billion, as well as funds from private market reinsurance and FHCF reimbursements. In addition, Citizen's has the ability to levy broad-based assessments to support financing.

With the current 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.

Administrative Liabilities

The State of Florida has an ongoing liability associated with the underlying cost of compensated absences. As of June 30, 2014, the state had 159,360 established positions in various personnel systems.[1] 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

[1] Fiscal Year 2013-14 Annual Workforce Report, Department of Management Services, page 15.

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).[2] The 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 (e.g., state universities and Florida colleges).

In accordance with Governmental Accounting Standards Board Statements 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, 2014, are:

Compensated Absences	Balance 6/30/2014 ($ Thousands)	Due Within One Year - Current ($ Thousands)
Governmental Activities	$770,924	$201,200[3]
Business-type Activities	$22,220	$5,038
Component Units	$649,385	$75,183
Total:	$1,442,529	$281,421

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.

Low Income Pool and Intergovernmental Transfers

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 provide additional financial support for providers serving the uninsured, underinsured, and Medicaid populations. Through Fiscal Year 2013-14, the LIP consisted of a capped annual allotment of $1.0 billion, which was used for

[2] Note 10, 2014 Florida Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2014 (http://www.myfloridacfo.com/division/aa/Reports/2014CAFR.pdf).

[3] Actual cash payouts for employees separating from state employment for Fiscal Year 2014-15 totaled $55.8 million based on data provided by the Department of Financial Services, August 2015.

supplemental payments to hospitals, clinics, or other provider types for uncompensated medical care, as well as financial support for specific local programs offering coverage to the uninsured or innovative service delivery models.

Intergovernmental transfers (IGTs) consist of qualified donations from local governments, such as counties, hospital taxing districts, and other state agencies (e.g., Florida Department of Health). These sources have provided the majority of the funding for the nonfederal share of 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 31, 2014, at the request of the state. Part IV of chapter 409, Florida Statutes, directed the Agency for Health Care Administration (AHCA) to seek additional federal waiver authority to maintain a LIP beyond the extension of the original waiver and provide for continued LIP funding based on IGTs from various state and local public sources, along with federal matching funds.

During Fiscal Year 2013-14, the AHCA applied to the federal Centers for Medicare and Medicaid Services (CMS) to extend federal waiver authority for statewide Medicaid managed care and the LIP. On July 31, 2014, the CMS granted waiver authority for three years for statewide Medicaid managed care and for one year for the LIP, including the following guidance and stipulations specific to the LIP:

- Waiver authority for the LIP was extended for one year, from July 1, 2014, through June 30, 2015.
- LIP expenditures were authorized to provide stability for providers for a limited time during Florida's transition to statewide Medicaid managed care and a significantly reformed Medicaid payment system.
- Total LIP funding was expanded to $2.167 billion (including both state share and federal match). This sum equaled the prior-year LIP funding ($1 billion) increased by funds representing certain enhanced Medicaid payments made to providers in the prior year, to the extent those enhanced payments were discontinued.[4]

For Fiscal Year 2014-15, the LIP was funded at $2.167 billion based on the one-year extension of LIP waiver authority. All but $9.1 million of the $2.167 billion was funded by voluntary donations of IGTs and their corresponding federal match.

Following discussions and negotiations in 2015 between Florida and CMS regarding another extension of the LIP for Fiscal Year 2015-16, AHCA received a letter from CMS on June 23,

[4] The supplemental Medicaid payments referenced by CMS include approximately $200 million in Physician Upper Payment Limit funding for medical schools and approximately $960 million in supplemental Medicaid payments for hospitals, funded through IGTs and federal match, previously paid through Medicaid fee-for-service reimbursement. As indicated by CMS, those funding streams were discontinued and were transferred into the LIP during Fiscal Year 2014-15. The Fiscal Year 2014-15 General Appropriations Act reflected that transfer.

2015, to memorialize an agreement in principle for a two-year extension of LIP waiver authority that will expire June 30, 2017, in conjunction with the expiration of the statewide Medicaid managed care waiver. The agreement in principle indicates that for Fiscal Year 2015-16, LIP spending authority is reduced to $1 billion, which may be distributed using methodologies similar to those used in the Fiscal Year 2014-15 LIP. For Fiscal Year 2016-17 however, total funding will be reduced to $608 million, and CMS will require a revised distribution methodology that will be based on the volume of provider uncompensated care, including the following principles:

- Uncompensated care pool funding should not pay for costs that would be covered in a Medicaid expansion (as provided in the federal Patient Protection and Affordable Care Act);
- Medicaid payments should support services provided to Medicaid recipients and low-income uninsured individuals; and
- Provider payment should promote provider participation and access and should support managed care plans in their efforts to manage and coordinate care.

In its June 23 letter, CMS requires Florida to submit a “2016 LIP Reimbursement and Funding Methodology Document” (RFMD) to CMS prior to October 31, 2015, with a target date of December 31, 2015, for CMS approval of a 2016-17 distribution methodology for the $608 million authorized for Fiscal Year 2016-17. The letter also specifies that no federal matching funds for the Fiscal Year 2016-17 LIP will be provided until after a revised RFMD is approved by CMS. The June 23 letter is silent as to whether CMS will continue to allow IGTs to be used for the state share of LIP funding beyond Fiscal Year 2015-16.

Although CMS has indicated that the Fiscal Year 2016-17 LIP will be reduced from $1 billion to $608 million, the effects of the yet-to-be-developed distribution methodology are unknown, but potentially significant. These impacts may affect Medicaid providers, managed care plans, and IGT donors. The most serious impact stems from potential disruption of IGT contributions due to loss of incentives. The current Medicaid forecast and this Outlook both assume that: (1) LIP payments will continue through Fiscal Year 2016-17, but will not be authorized thereafter, and (2) IGT donors will continue their contributions commensurate with the authorized LIP levels so long as the program exists. Both assumptions are currently at risk, creating uncertainty regarding Florida Medicaid’s future structure for provider payments.

Disproportionate Share Hospital Program

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) addressed Disproportionate Share Hospital (DSH) allotments, requiring the secretary of the Department of Health and Human Services to develop a methodology to reduce the state allotments. The reductions were originally to have begun taking effect October 1, 2013, but were delayed by CMS after the U.S. Supreme Court ruled in June 2012 that the federal government could not require states to expand Medicaid eligibility to include persons up to 138 percent of the federal poverty level, as was required in the PPACA. The CMS expects states that do not implement the Medicaid expansion to have higher rates of uninsured and uncompensated care. As such, the DSH reductions in those states may be smaller compared to states that implement the Medicaid expansion. The DSH reductions have been delayed several times, either by CMS or by changes in federal law. Most recently, the Medicare Access and Children's Health Insurance Program Reauthorization Act was enacted in April 2015, and under this act, the DSH reductions have been delayed until October 1, 2017.

No adjustments have been included in the Outlook to amend the amount of DSH funding allocated to Florida because there are certain unknowns: whether the methodology ultimately announced by CMS will result in a reduction of DSH funding to Florida, and whether Florida decides to expand Medicaid if the new methodology penalizes states that do not expand.

U.S Department of Labor Rules for the Fair Labor Standards Act

A new rule by the U.S. Department of Labor (DOL) was originally scheduled to take effect January 1, 2015, regarding the Fair Labor Standards Act. The rule, as drafted, created a risk of an additional funding need to provide certain services for clients of the Florida Agency for Persons with Disabilities (APD).

The Fair Labor Standards Act (FLSA) is federal law containing requirements for minimum wage and overtime pay. Historically, the FLSA's minimum wage and overtime requirements have not applied to domestic service employees who provide "companionship services," and the overtime requirement has not applied to employees who are live-in domestic service employees.

The new DOL rule would eliminate those exemptions to the extent that individuals, families, and households would still be able to apply the exemptions, but the exemptions would no longer apply to third-party employers and their employees. Additionally, the definitions of "companionship services" would be narrowed, which could have the effect of limiting the application of that exemption in cases involving individuals, families, and households.

However, national home health associations challenged the DOL final rule, focusing on the prohibition against third-party or joint employers from using the companionship or live-in domestic service workers exemption and the narrowed scope of duties for companionship services. In January 2015, a federal trial court ruled that major provisions of the new rule were invalid, and the rule was not implemented. Home Care Association of America v. Weil, (78 F. Supp. 3rd 123 (D.D.C.). The U.S. DOL appealed.

On August 21, the United States Court of Appeals for the District of Columbia Circuit reversed the lower court's decision in its entirety, and remanded the case back to the trial court with the mandate that the lower court enter a summary judgment in favor of the DOL. Home Care Association of America v. Weil, No. 15-5018, 2015 WL 4978980 (D.C. Cir.).

The home care rule (also referred to as the "companionship rule") is now back in effect. The DOL had announced a policy of limited enforcement of the rule through the end of the year, which is presumably still in effect. That policy permits the DOL to use its discretion in conducting enforcement activities regarding this rule. DOL enforcement activities do not necessarily have a bearing on the private liability of a provider. The Appeals Court opinion does not address whether there will be liability retroactive to the effective date of the rule, which was January 1, 2015.

If the new rule is implemented as drafted, it is expected to result in higher costs of care provided to APD clients. However, it is unknown how the rule will ultimately be implemented, and what the additional costs may be for the state. This uncertainty creates a risk in the Medicaid waiver reimbursement structure.

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, agricultural programs and state revenue sources. The state's CAFR (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 requests. Significant litigation includes cases where the amount claimed is more than $1.0 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 if they won.

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 the 2016 ballot, the required number of valid signatures is 683,149.

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 section 3, Article XI of the State Constitution.” For the 2016 ballot, this means that there are at least 68,314 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 (section 100.371, Florida Statutes).

In addition to the petition initiative process, the Legislature may directly place proposals on the ballot for consideration 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.

At the time of this Outlook, there are no adopted legislative proposals or petition initiatives that have received the required signatures to be placed on the ballot for the 2016 General Election. However, there is one petition initiative—entitled “Limits or Prevents Barriers to Local Solar Electricity Supply #14-02”—that has gathered enough valid signatures to be reviewed by the Attorney General and the FIEC.

The FIEC adopted the following financial impact statement on May 7, 2015, which is currently pending before the Florida Supreme Court:

> *Based on current laws and administration, the amendment will result in decreased state and local government revenues overall. The timing and magnitude of these decreases cannot be determined because they are dependent on various technological and economic factors that cannot be predicted with certainty. State and local governments will incur additional costs, which will likely be minimal and partially offset by fees.*

In addition, there are at least two other petitions that are actively collecting signatures for the 2016 General Election ballot. At the time of this Outlook, the petition initiative entitled “Use of Marijuana for Debilitating Medical Conditions #15-01” has the required number of signatures to trigger a new FIEC.

Florida Economic Outlook

> *The Florida Economic Estimating Conference met in July 2015 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 provides clear signs of progress towards full recovery. Underlying the forecast is the assumption that the recovery has been underway since the late spring of 2010, but still has a few years to go to regain normalcy across-the-board. In the forecast, normalcy has been largely achieved by Fiscal Year 2016-17 with construction and real estate still presenting notable exceptions. The adopted economic forecasts are currently undergoing pressure from recent international and financial events, which is giving some pause for concern.*

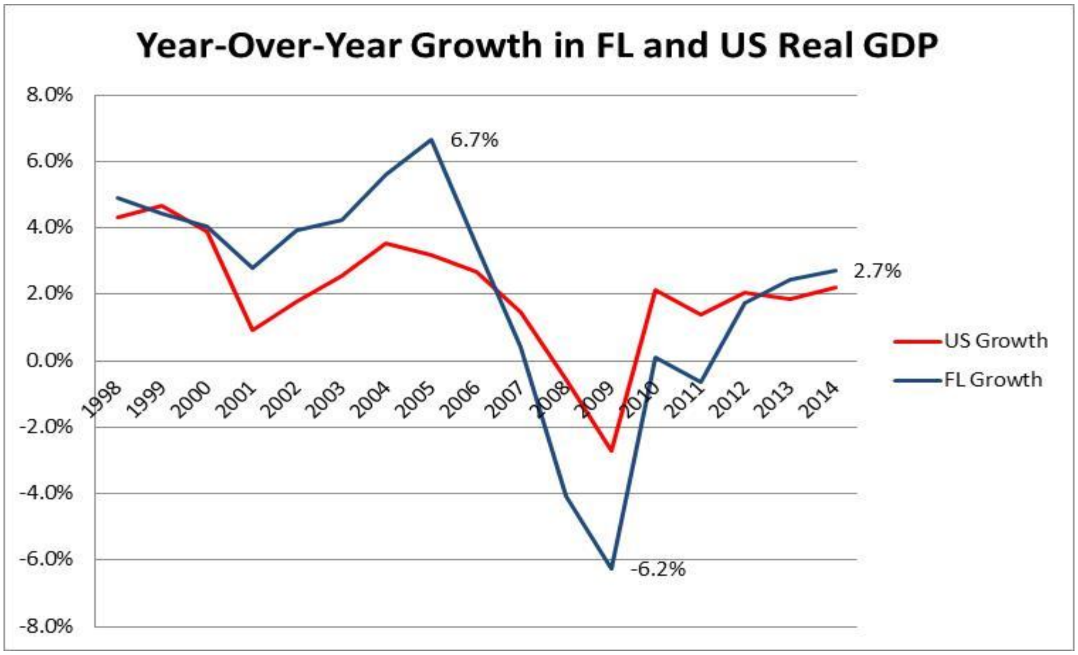
By the close of the 2014-15 fiscal year, several key measures of the Florida economy had returned to or surpassed their prior peaks. Most of the personal income metrics (real per capita income being a notable exception), some employment sectors, and all of the tourism counts had exceeded their prior peaks. 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 real **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using the latest data revisions of this measure, Florida was one of the nation's faster growing states from 2000 to 2006, outperforming the nation during that entire period and reaching its peak growth in 2005. With the end of the housing boom and the beginning of the real estate market correction in 2006 and 2007, the state slipped into four years of flat or negative growth (2008 through 2011). While Florida was not the only state to experience a significant deceleration in economic growth prior to the Great Recession (California, Nevada, and Arizona showed similar housing market trends), it was one of the hardest hit.

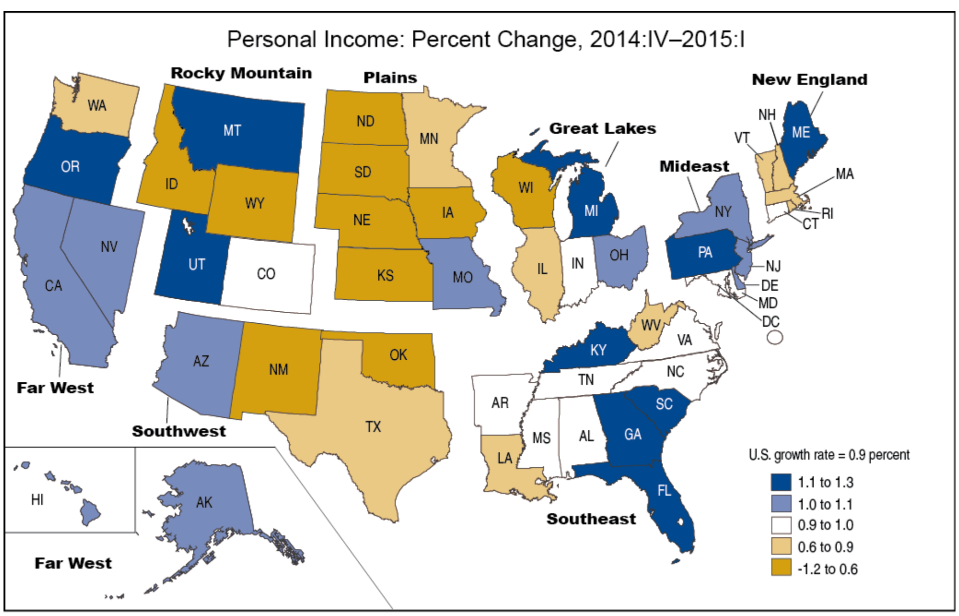
Florida's economy regained its positive footing in 2012, registering 1.7 percent growth over the prior year. By 2014, the pace of Florida's economic growth increased, surpassing the state's revised 2013 growth rate. State Gross Domestic Product (GDP) showed Florida with an improved national ranking of 11th in the nation with a real growth gain of 2.7 percent, moving Florida above the national average (2.2 percent in 2014) for the second year in a row.

In terms of current dollars, Florida's gross domestic product reached $839.9 billion in 2014, well above its housing boom peak in 2007.

[SEE GRAPH ON FOLLOWING PAGE]

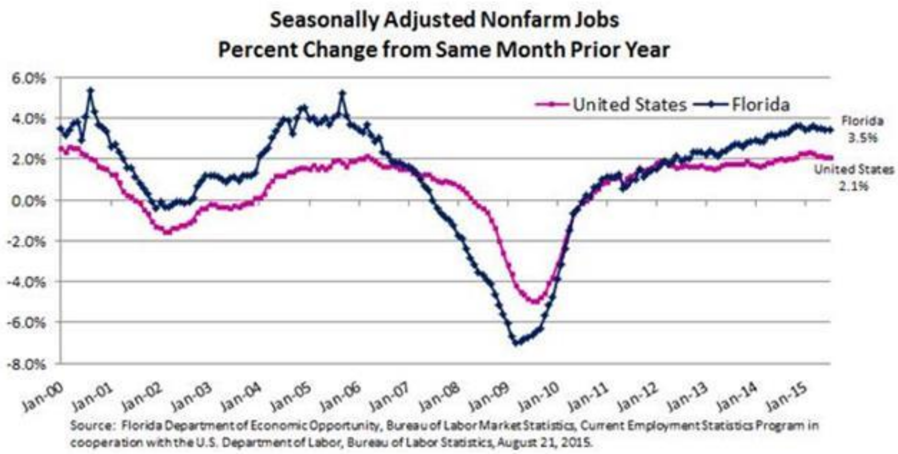


Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth**—primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Using the latest revised series, a story very similar to the GDP data emerges. Florida finished the 2014 calendar year with 4.6 percent growth over the prior year—above the national growth rate of 3.9 percent and ranking 11th among all states. The state's strength also revealed itself in the comparison of rankings between years; the results for the entire 2013 calendar year placed Florida 13th in the country. Data for the first quarter of 2015 (2015:Q1) shows that personal income grew in 46 states and that growth accelerated in 15 of those states. The fastest growth, 1.3 percent, was in Florida which ranked the state number one in the country.

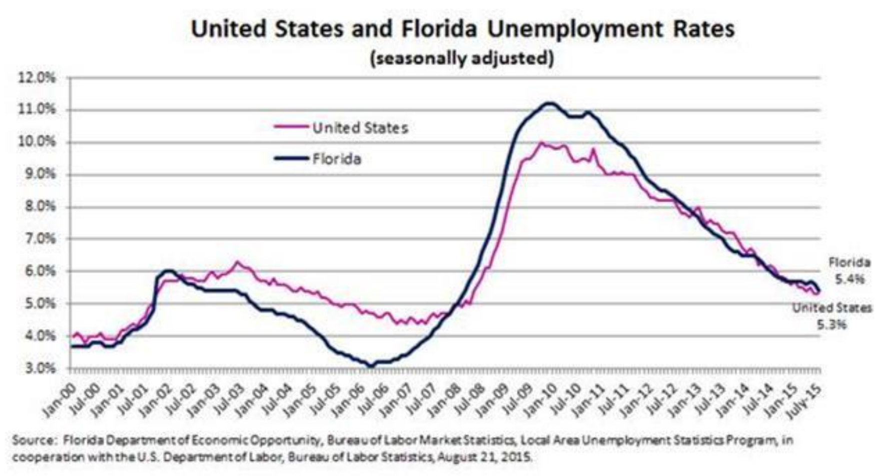


U.S. Bureau of Economic Analysis

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 July 2010 when Florida lost jobs at a slower rate than the nation for a first time since July 2007. In August 2010, Florida experienced its first over-the-year increase in jobs since July 2007. Five years later (July 2015), Florida's annual job growth rate has been positive for the past 60 months. Florida's job market is still recovering, but—after eight years—it has finally passed the housing-related employment peak that occurred in March 2007. However, passing the previous peak does not mean the same thing today as it did then. Florida's prime working-age population (aged 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007. It would take the creation of an additional 581,000 jobs for the same percentage of the total population to be working as was the case at the peak, but the unemployment rate at the time was extraordinarily low (3.7 percent). A more reasonable benchmark would use an unemployment rate of 5.0 percent, suggesting that another 460,000 jobs would need to be created over the current level.

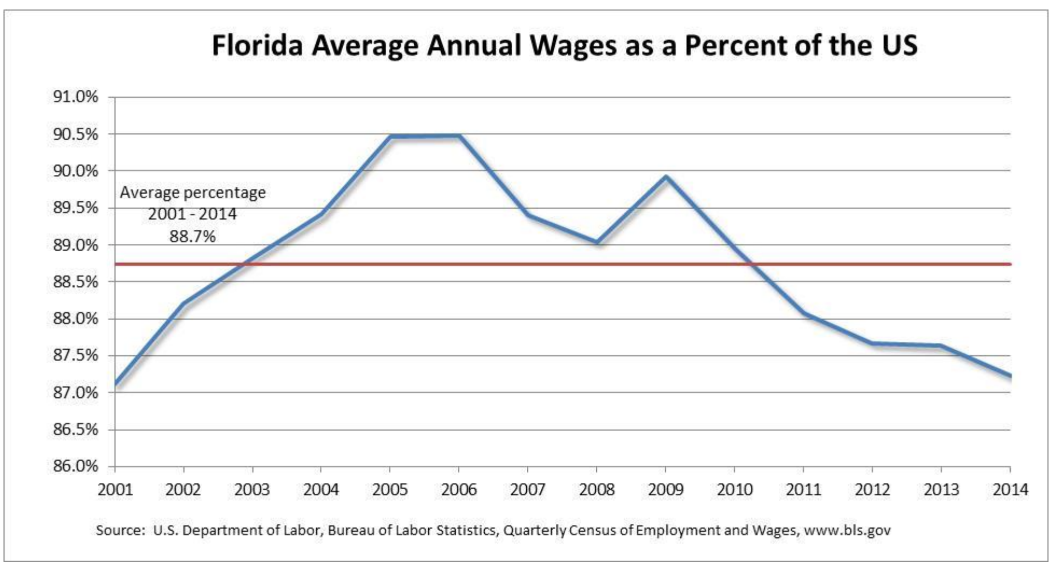


The state's unemployment rate in July was slightly higher than the nation as a whole at 5.4 percent, with 516,600 jobless persons. The rate had been as low as 3.1 percent from March through April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.2 percent from November 2009 through January 2010.



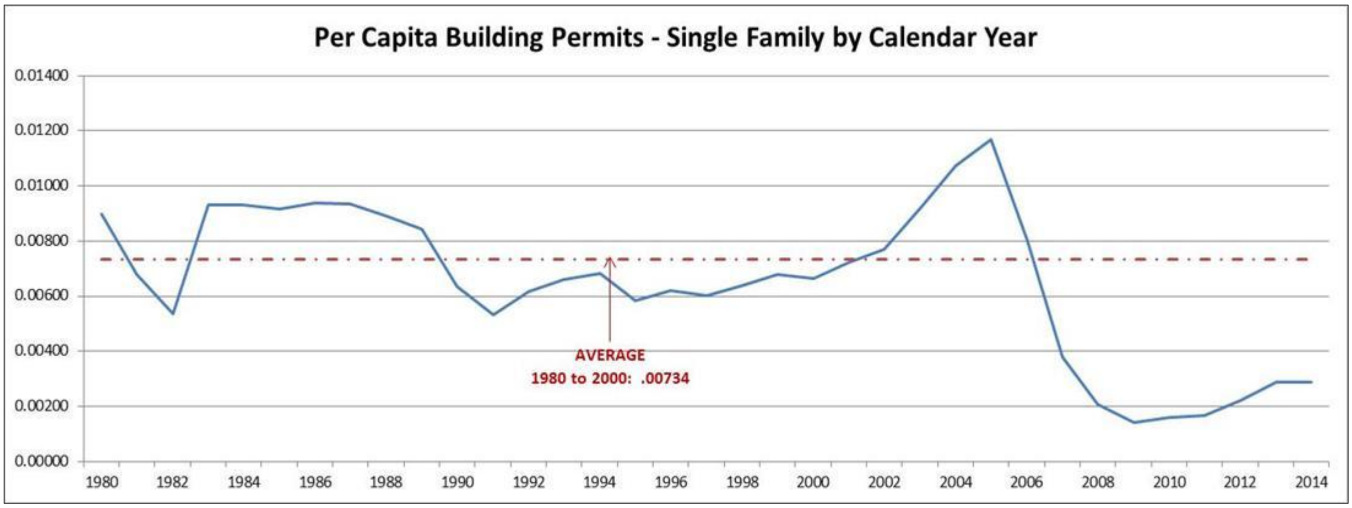
Several years ago, a conundrum appeared after reviewing this data: if job creation had been relatively stable, why had Florida seen a marked decline in its unemployment rate? The answer appeared to lie in the *labor force participation rate*. Florida's labor force participation rate declined from January 2007 to September 2013. This decline suppressed the unemployment rate as people dropped out of the labor force or delayed entrance, excluding them from the unemployment rate calculation. From September 2013 to January 2015, the downward trend was largely reversed as improving job prospects began to encourage people to rejoin or enter the labor force. While the reported participation rate was still a subdued 58.5 percent in July 2015, the underlying details were positive. Most importantly, among all unemployed, the share of those reentering the labor force increased from 26.0 percent in July 2014 to 28.4 percent in July 2015. The share of new entrants of all unemployed increased as well from 10.3 percent in July 2014 to 10.7 percent in July 2015. However, the U.S. Department of Labor / Bureau of Labor Statistics switched to a new model in January 2015, and some of the results related to that model appear to be suspect. Because of this, there is reason to believe that significant revisions may occur as part of the annual release in January 2016. Until that time, all of this data should be used with caution.

Florida's average annual wage has typically been below the national average. The preliminary data for the 2014 calendar year showed that it further declined to 87.2 percent of the average for the United States as a whole, but this was just a slight change from the 87.6 percent posted in 2013. Although Florida's wage level actually increased over the prior year, the national average annual wage increased more. In part, the lower than average wage gains has to do with the mix of jobs that are growing the fastest in Florida. Not only is the Leisure & Hospitality employment sector large, it has seen some of the fastest growth. This sector is closely related to the health of Florida's tourism industry. Preliminary estimates indicate that 25.6 million visitors came to Florida during first quarter 2015 for an increase of 6.2 percent over the same period in 2014.



To a great extent, the long recovery period for 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 at the end of July 2015 was still down

266,200 jobs (-38.5 percent) from that level. The large inventory of unsold houses coming out of foreclosure coupled with the still difficult credit market for residential loans continue to dampen residential construction activity and sales. Further exacerbating the situation, the cumulative burden of student loans and recently undertaken auto debts appear to be affecting potential buyers' ability to qualify for residential credit. In Fiscal Year 2014-15, single-family private housing starts were 56,800 or 31.2 percent of their peak level. And, Documentary Stamp Taxes, a strong indicator of housing market activity, were only 52.3 percent of their prior peak as the fiscal year ended.



Overall, the housing market continues to trudge forward, but at an uneven pace. Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing robust growth in both the 2012 and 2013 calendar years (32.3 percent and 31.3 percent, respectively). Despite the strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year-to-date activity through July 2015 is running well above last year for the same period; single family data is higher (+13.02 percent) than last year's data at the same point in time.

Similarly, existing home sales volume in the 2014 calendar year exceeded its 2005 peak, and the data for 2015 shows sales are performing even better. However, existing home price gains have shown recent flattening—falling below gains made earlier in the summer, especially relative to the United States as a whole.

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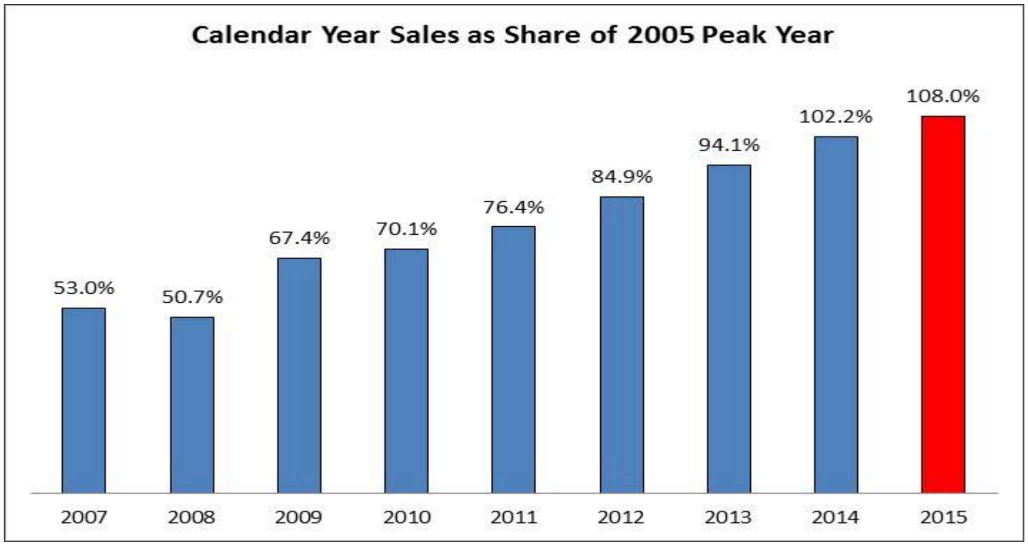
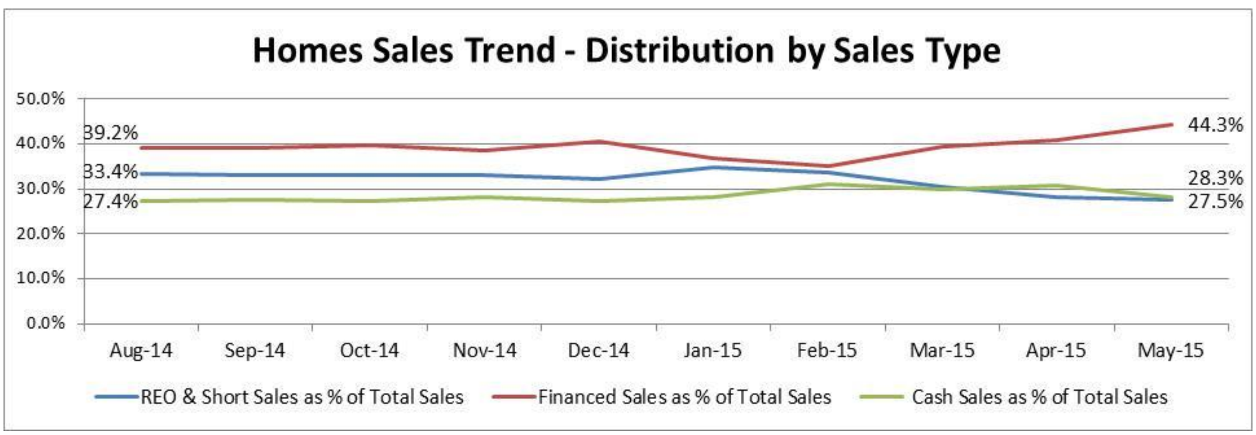


NOTE: 2015 percentage is projected based on seven months of data.

A more typical financing market relies heavily on mortgages. Financed sales ended May 2015 with a higher share than it had in May 2014 (44.3 percent versus 36.5 percent), but this is still low by historical standards. The shares of both distressed property sales (REO & Short Sales) and cash sales remain unusually high. Since distressed properties sell with a significant discount (43.0 percent in the most recent data), this sales mix still points to subdued pricing.



When coupled with expected future growth, subdued pricing leads to a new concern or, more accurately, the return of an old one. According to RealtyTrac, "Among metropolitan statistical areas with at least 50 completed single family home flips in the second quarter, those where flips accounted for the highest percentage of all home sales were Fernley, Nevada (11.4 percent), Miami, Florida (9.6 percent), Palm Coast, Florida (9.2 percent), Memphis, Tennessee (9.0 percent), Tampa, Florida (8.9 percent), Deltona, Florida (8.7 percent), and Sarasota, Florida (8.1 percent)." The national average was 4.5 percent of all single family home sales reported in the second quarter of the calendar year; the peak was reached in 2006 at 8.0 percent.

FORECAST ~ Long-Term Trends

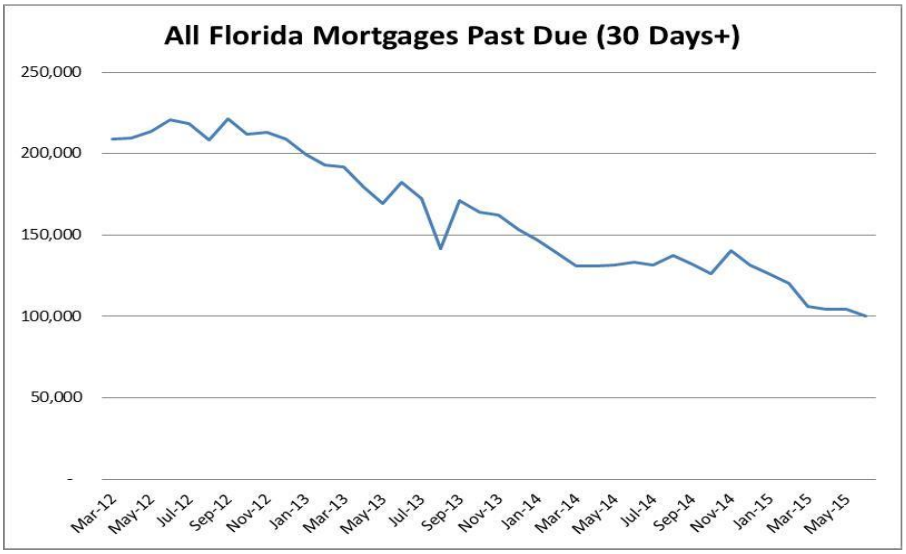
After the Great Recession officially ended in June 2009, initial improvements on both the state and national fronts sputtered as the recovery struggled to take hold. For Florida, it appears that the extreme financial and economic stress experienced during the collapse of the Housing Boom and entry into the Great Recession reached its bottom sometime during the spring of 2010. An extremely protracted recovery period began, which still continues today. In the forecast, months of modest growth are expected before normalcy is largely achieved by Fiscal Year 2016-17 with construction and real estate still presenting notable exceptions. The remaining questions focus on the actual pace of Florida's recovery, especially in light of recent international and financial events.

Florida's Pace of Recovery Has Upside Risks

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 2015 calendar year) placed the annual rate at 64.6 percent, actually below the long-run average of 66.3 percent for the second year in a row. If this becomes the final percentage for the year, it will be the lowest percentage seen in Florida since 1989.

During the boom, 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 has held steady—posting a fairly normal five months supply in June 2015—the situation is more complicated in Florida. Over the past several years, foreclosures have 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 caused owners to default, delinquencies were further boosted by persistently high levels of unemployed persons in financial distress. Private sector data for July 2015 shows that Florida was still the highest state in the country for its foreclosure rate. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. At the end of the 2014 calendar year, a foreclosure took 946 days to process (about 2.6 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 potential bubble of viable homes that will ultimately hit the market continues to build. Once they hit the market, the subsequent sales are usually at a significant discount; the most recent data indicated a 43.0 percent distressed property discount.

However, there is promising news. The front end of the foreclosure stream—comprised of mortgages newly falling into delinquency—has steadily declined. After being ranked first for many months, Florida is now in ninth place among states for non-current mortgages (a measure of total delinquencies and foreclosures). There are several reasons for this, but one is the federal homeowner assistance program activity. Florida's "underwater" homes declined from a high of 50 percent of all residential mortgages to about 13 percent in the most recent data. Absent some intervention, these homeowners were the most likely to move into (or already be in) seriously delinquent status, so a decline in these numbers is a good sign. According to Black Knight's Mortgage Monitor for May 2015, "Florida leads the nation with a 22 percent reduction in non-current inventory over the past 6 months, followed by Idaho, Michigan, Minnesota, and Illinois at just under 20 percent."



Currently, the key housing market metrics do not show a return to their peak levels until 2021-22 (total construction expenditures) and 2022-23 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; single and multi-family starts) or very late in the period (median sales price for existing homes in 2023-24).

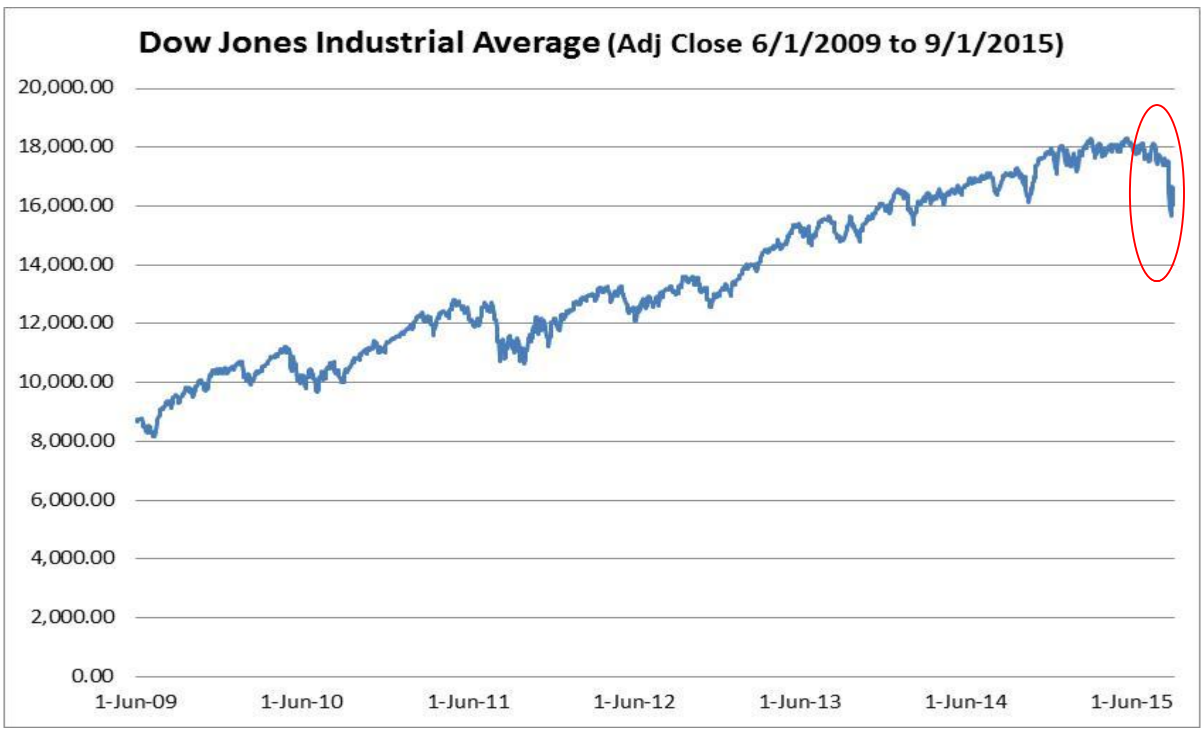
Perversely, properties that have been in the foreclosure process for a long time pose a potential upside risk for the new construction forecast if rising mortgage rates and construction loan costs do not put the brakes on recent activity. The "shadow inventory" of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of "ghost" homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the supply has essentially become two-tiered—viable homes and seriously distressed homes. To the extent that the number of viable homes is limited, new construction may come back quicker than expected.

Further, more buyers are poised to enter the market—maybe more than anticipated in the forecast. In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit. And, while there is no evidence yet, atypical household formation that has persisted since the Great Recession will ultimately unwind—driving up the demand for housing

__Risk from International and Financial Market Developments__

The adopted economic forecasts are currently undergoing pressure from recent international and financial events, which is giving some pause for concern. Most notably, recent signs of instability and weakness in the Chinese economy have led to significant financial market concerns and even lower oil price expectations. The risk of a global recession has increased amidst the financial turmoil. While the United States' direct exposure to the Chinese economic woes is somewhat limited relative to other countries, there is an indirect linkage to the continued strengthening of the dollar relative to other currencies. A stronger dollar means less demand for U.S. goods and services.

The current expansionary period in the United States is now over six years old. The beginning of the expansion phase roughly coincided with the bottoming out of stock prices in 2009 and the start of their subsequent rally. The Dow Jones Industrial Average more than doubled in value from June 2009 to June 2015, leading to questions of sustainability and the likelihood of a market correction. Many market pundits were highlighting areas of apparent overvaluation well before the China-induced correction began in late August.



According to New York Federal Reserve President William Dudley, if the recent financial market volatility becomes prolonged, it could influence the U.S. economy through the wealth effect—meaning that stock market losses could lead Americans to cut back their spending. This effect would be further exacerbated by a global slowdown. Moving in the opposite direction, lower energy prices will contravene at least some of these drags in the United States. Lower energy prices tend to increase the amount of household spending in other areas. Earlier in the year, IHS (Global Insight) estimated that the savings would be roughly $750 per household over the next four quarters. For Florida, this means approximately $5.86 billion in additional spending. If 100 percent of it was spent on taxable sales, it would generate over $350 million in additional sales tax revenue; at least some of this has been factored into the current forecast.

At this point, it appears that the balancing of these two opposing forces will ultimately shape the economic outlook for the United States. At the very least, it has caused the Federal Open Market Committee (FOMC) to question the expected move to raise interest rates in September 2015. The International Monetary Fund has also warned central banks to refrain from raising interest rates since risks to global growth are mounting. At a minimum, a delay would have spillover effects to the adopted economic forecast for Florida.

Florida Demographic Projections

> *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 population growth to continue to strengthen but—relative to Florida's past trends—at relatively lower levels and rates of growth.*

<u>Overall Population Growth</u>

During the 1990's, the number of people in the state rose by three 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.

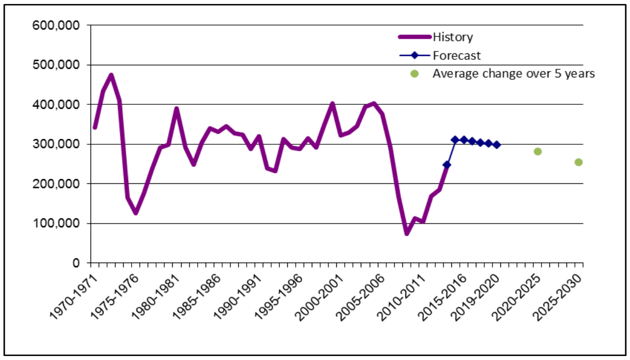
Florida's population grew faster in the early 2000's than in the latter part of the decade. Between April 1, 2007, and April 1, 2010, Florida's population growth slowed to less than 1.0 percent per year as fewer people were moving to the state due to the Great Recession. This slow growth continued into the beginning of the next decade. The state's population growth was estimated to be less than 1.0 percent for each of the years between April 1, 2010, and April 1, 2013; gaining strength with each consecutive year (0.55 percent between April 1, 2010, and April 1, 2011; 0.90 percent between April 1, 2011, and April 1, 2012; and 0.97 percent between April 1, 2012, and April 1, 2013). As the state continued to regain strength, Florida's population was estimated to have grown by 1.29 percent (247,826 residents) between April 1, 2013, and April 1, 2014—the strongest increase seen since 2007.

Both Florida's official population estimates and the U.S. Census Bureau's intercensal estimates imply that Florida has surpassed New York to become the third most populous state. However, there is a difference in the estimated time of occurrence. According to the Census Bureau, Florida surpassed New York sometime before July 2014. Using the official population estimates for Florida, this event is estimated to have occurred sometime before April 2015.

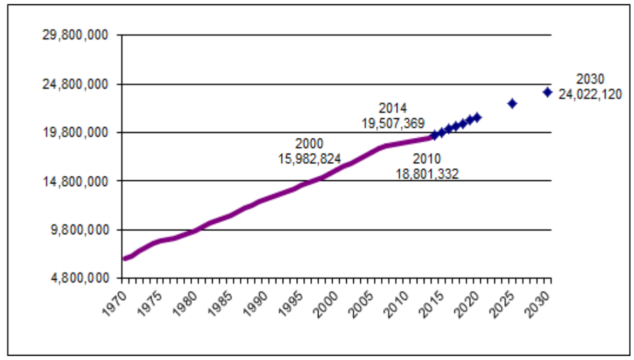
Florida's annual population change is expected to reach 310,227 net new residents (growth of 1.59 percent) in 2015 and is expected to range between 271,000 and 310,000 net new residents per year between 2015 and 2025. Annual population change is projected to exceed 240,000 net new residents per year over the 2015-2030 forecast horizon.

[SEE GRAPHS ON FOLLOWING PAGE]

Florida's Incremental Population Growth



Florida's April 1 Population



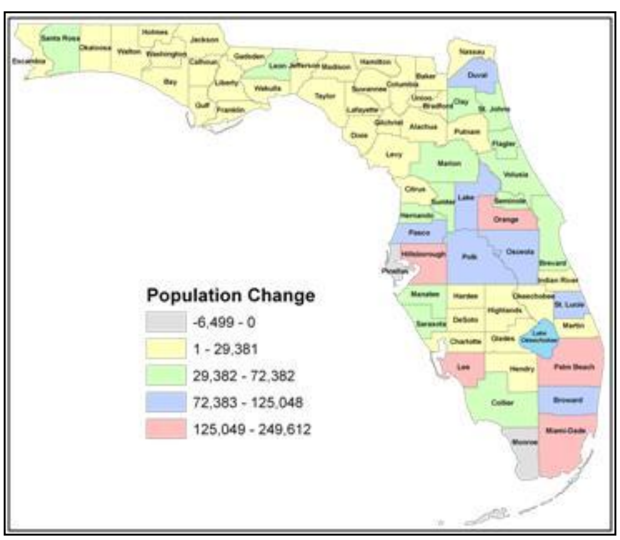
<u>Local Population Growth</u>

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 which 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).

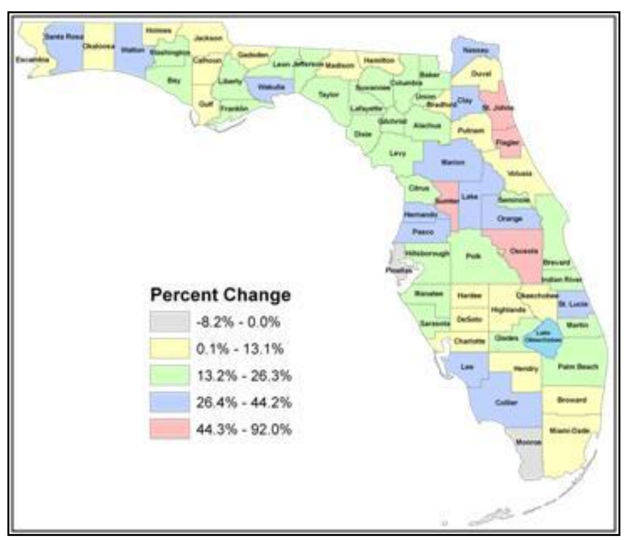
Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally after the 2010 Census was completed. In 2014, 50.4 percent of Florida's residents lived in one of its 410 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most densely populated county is Pinellas, while Liberty County has the fewest number of residents per square mile. In terms of total population, Liberty is also the smallest county in the state—Miami-Dade holds about 300 times Liberty's population.

April 1, 2000 to April 1, 2010

Population Change (level)



Population Growth (percent)

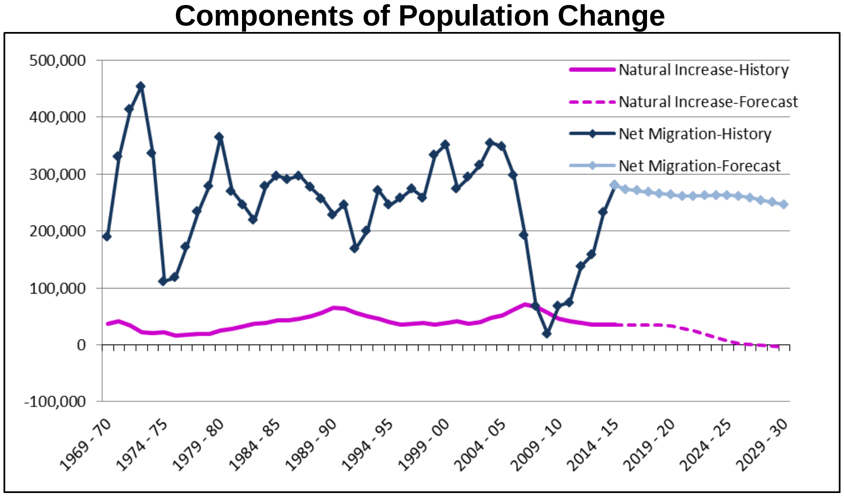


As a result of the relatively slower growth between April 1, 2010, and April 1, 2014, 16 of Florida's counties experienced a net loss in population. On the other end of the spectrum, Miami-Dade County gained the most population between those years, followed by Orange and Hillsborough counties. In percentage terms, Sumter County grew the fastest followed by Osceola and St. Johns counties.

Growth Sources

Population growth depends on two components: natural increase, which is the difference between births and deaths, and net migration, which is the difference between people moving into and out of the state. 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. As the effects of the Great Recession lingered between April 1, 2010, and April 1, 2014, natural increase accounted for 21.9 percent, while net migration accounted for 78.1 percent of the growth.

Components of Population Change



During the Great Recession, net migration to the state slowed significantly. The low levels were largely due to national economic conditions, including weakened housing markets and other effects from the Great Recession that made it difficult for people to relocate.

More typically, Florida's population growth depends upon in-migration. This is evidenced by the fact that just over one-third (36.2 percent) of Floridians were actually 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, 2014, this number rose to 32 counties. Net migration has returned as a decisive factor, and in 2030 it is forecast to represent all of Florida's population growth.

Florida continues to be one of the top three states where most U.S. adults would choose to live if they did not live in their own states. According to the Harris Poll, September 2013, Florida ranked third behind California and Hawaii.[5] Baby Boomers (ages 49-67), Generation X (ages 37-48), and Echo Boomers (ages 18-36) all ranked Florida second, while Matures (ages 68+) had Florida tied with California at fifth. It is clear from these results that Florida remains an attractive migration state, which will likely fuel population growth in the future.

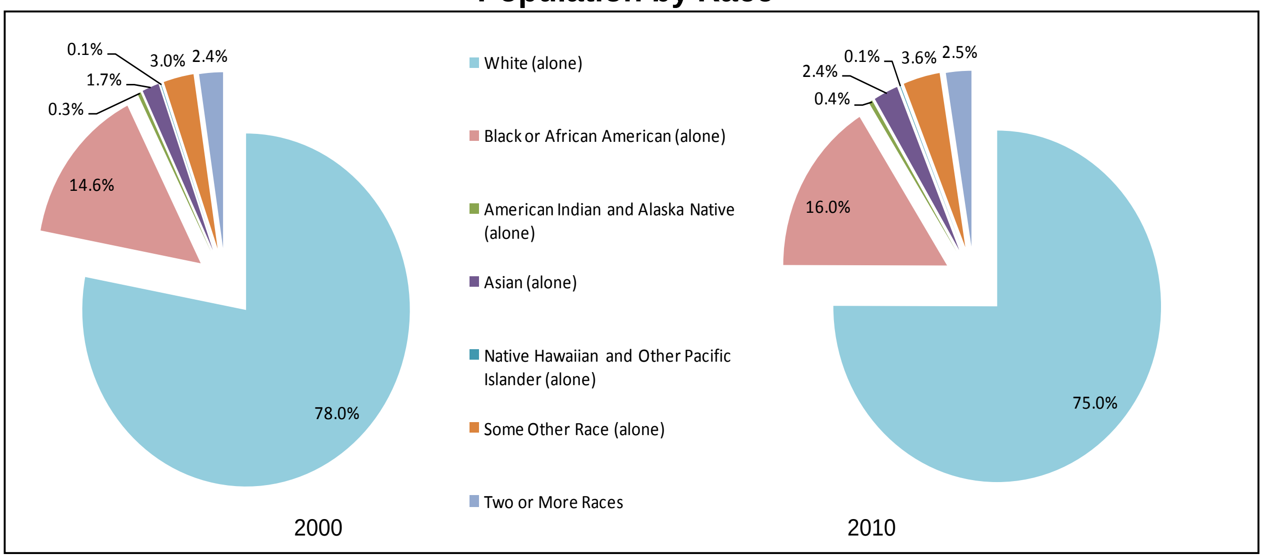
Demographic Composition and Long-Term Trends

Florida's unique demographics will present challenging issues for the state's policy makers over the next three decades. The state is already seeing an increasingly diverse population relative to race, ethnicity, and age.

In terms of race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the 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 following maps 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.

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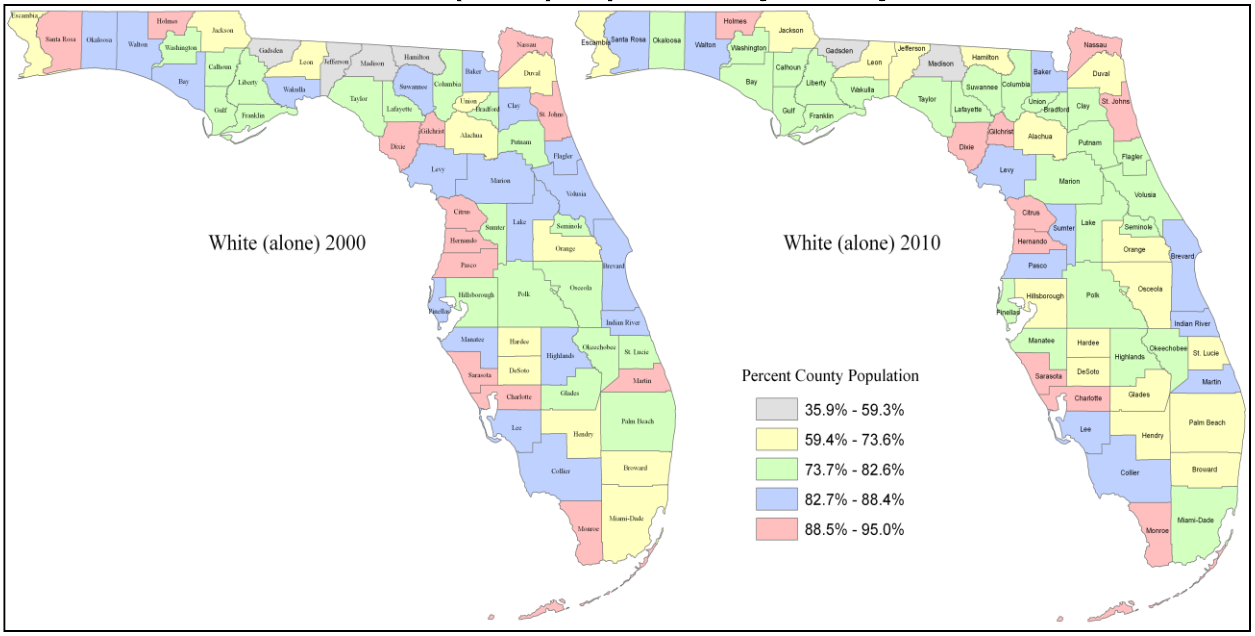
[5] From 1997 through 2001, Florida had actually topped the list of states to which people would like to move.

White (alone) Population by County



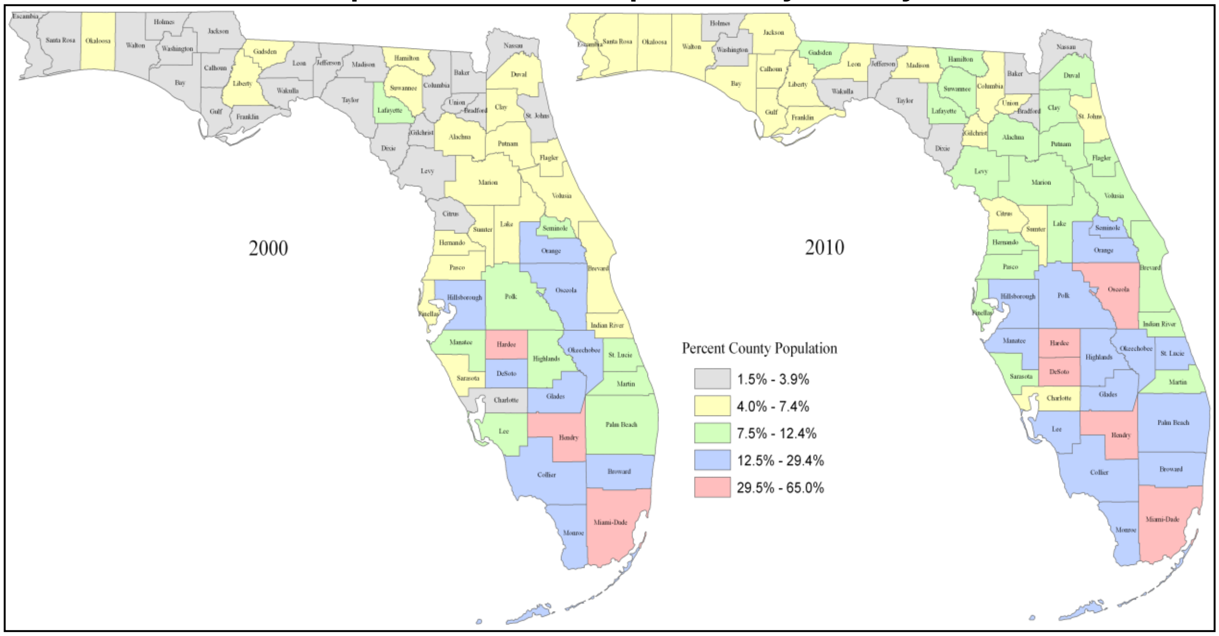
In contrast, only five of Florida's counties reported a decline in the percentage of Asian (alone) between 2000 and 2010. The largest increases in the percentage of Asian (alone) occurred in Alachua, Orange, Duval, Hillsborough, and Seminole counties, respectively.

According to federal standards from the Office of Management and Budget and the Census Bureau, Hispanic origin refers to an ethnicity, not a race such as white or black. In this regard, someone of Hispanic origin can be of any race. Nationally, Hispanic or Latinos represented 16.3 percent of the population 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 in Florida (22.5 percent) while in New York they represented only 17.6 percent.

In Florida, the Hispanic or Latino population continues to grow, increasing from 16.8 percent in 2000 to 22.5 percent in 2010. By 2030, 28.6 percent of Florida's population will be Hispanic. 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.

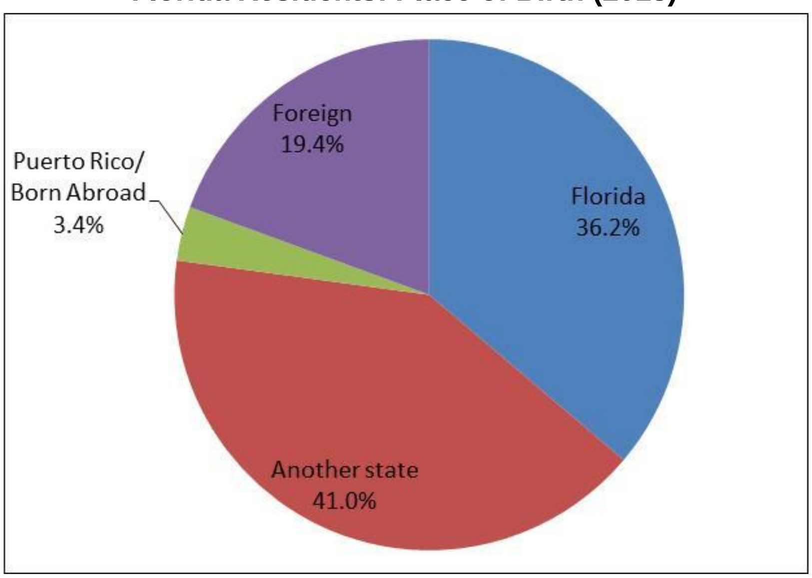
The distribution of Florida's Hispanic or Latino population is shown in the map below. In 2010, the county with the greatest percentage of Hispanic or Latino population was Miami-Dade (65.0 percent) while Baker had the smallest percentage (1.9 percent). The percent of Hispanic or Latino population increased 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



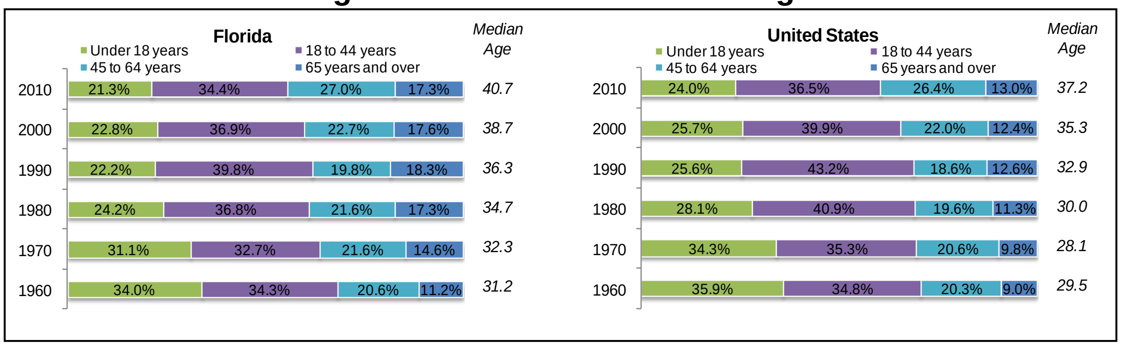
Florida's diverse racial and ethnic population is also evident by the number of Floridians (age 5 or older) that speak a language other than English at home (slightly over 5 million). Of these Floridians, about 2.1 million spoke English less than "very well." In addition, in 2013, it was estimated that 19.4 percent of Florida's population was foreign born.

Florida Residents: Place of Birth (2013)



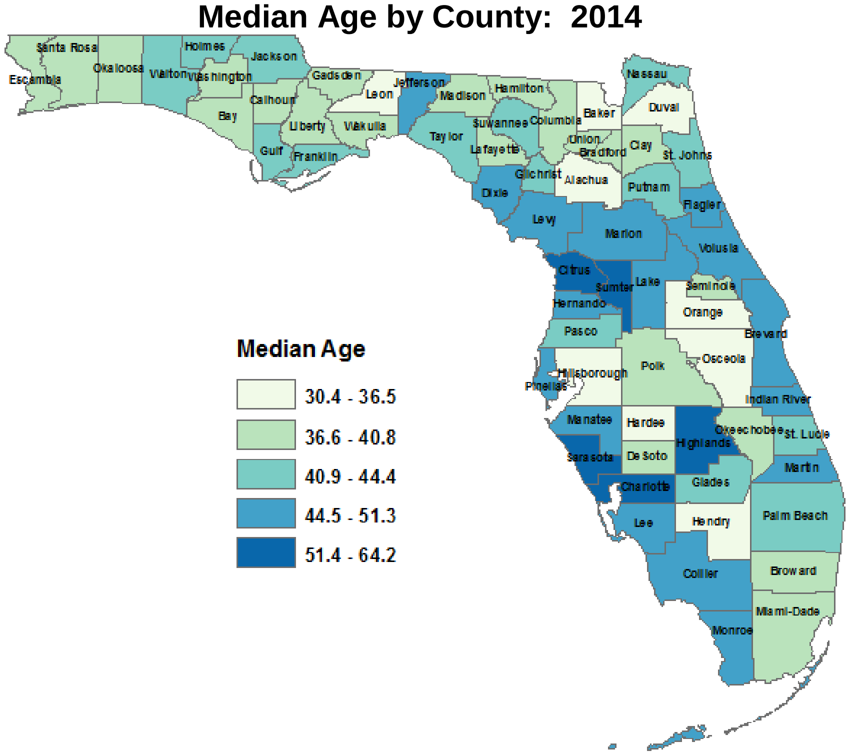
Florida's population has continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960 and 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to a new high of 37.2, up from 35.3 in 2000. As the Baby Boom population continues to age, the median age in both the United States and Florida will increase. However, aging of the population has been more intense here than elsewhere. The percentage of population aged 65 and older in Florida (17.3 percent) in 2010 was 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). However, there were four states in 2010 where the median age was actually higher than Florida: Maine (42.7), Vermont (41.5), West Virginia (41.3), and New Hampshire (41.1).

Age Distribution and Median Age



The 2010 Census indicated that 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 2014, it was estimated that there were seven Florida counties with a median age of 50 or older and that Leon and Sumter counties still had the lowest and highest median ages at 30.4 and 64.2, respectively. Florida's median age is estimated to have risen slightly in 2014 to 41.3.

Median Age by County: 2014

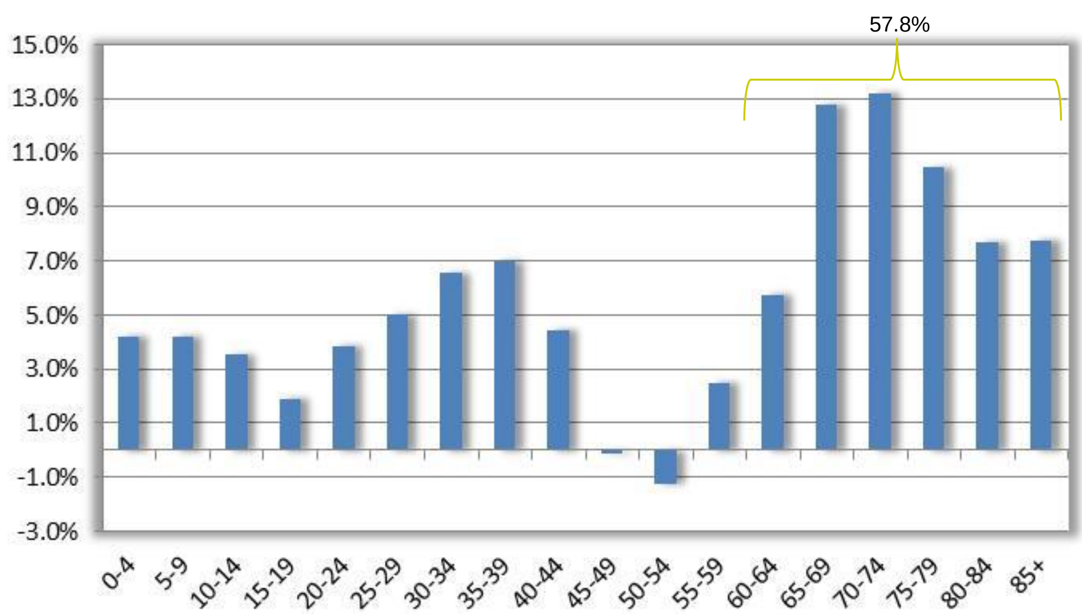


In 2010, five of Florida's cities were among the locations with the highest median ages in the country: Clearwater (43.8), Cape Coral (42.4), Fort Lauderdale (42.2), Hialeah (42.2), and St. Petersburg (41.6). These cities were ranked as having the second through sixth highest median ages. At the other end 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 projected to represent 38.0 percent of Florida's total population in 2015 and is expected to represent just 35.8 percent by 2030. Population aged 65 and over is forecast to represent 24.9 percent in 2030, compared to 18.9 percent in 2015.

Most of the growth in the state will come from Florida's older population. Between 2010 and 2030, Florida's population is forecast to grow by 5.2 million, and 57.8 of those gains will come from Florida's older population (age 60 and older). As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging. The ratio of the working-age population (ages 25-54) relative to the retiree population (age 65 and over) is expected to drop from 2.0 in 2015 to 1.4 by 2030. To some degree, this shift will occur in all states, but Florida will experience it more intensely.

Distribution of Growth by Age Group between April 1, 2010 to April 1, 2030

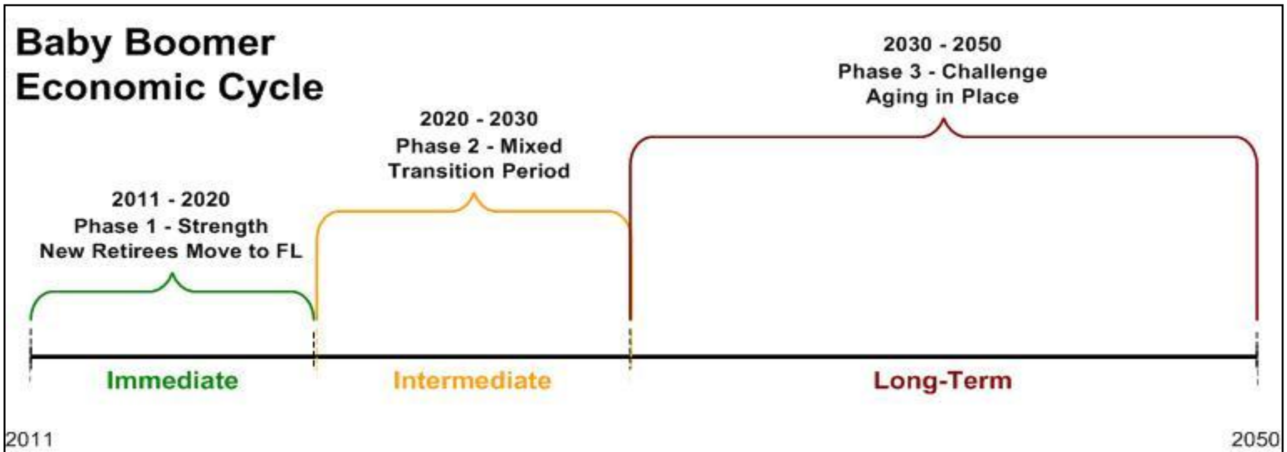


Summary

Florida's population growth slowed substantially as a result of the economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. However, population growth appears to have strengthened over the past year and is anticipated to continue to rebound with more moderate levels of growth relative to historic levels over the forecast horizon. While Florida will not return to its peak period of over 1,000 people per day moving into the state, it is expected to average over 800 persons per day between now and 2020.

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.

[SEE GRAPH ON FOLLOWING PAGE]



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 2014-15 and to develop new forecasts for the upcoming years. Overall revenue projections were remarkably similar to prior forecasts, indicating that predictable patterns have continued. The current outlook for General Revenue projects that there will be an unexpended balance of more than $1.7 billion in the General Revenue Fund at the end of Fiscal Year 2015-16.

General Revenue Fund

Forecast Overview:

Total collections for Fiscal Year 2014-15 ended the year $195.2 million above estimate. This overage of 0.7 percent influenced the Revenue Estimating Conference to make modest adjustments to the forecast for Fiscal Year 2015-16 and Fiscal Year 2016-17. Over the two years, anticipated revenues were revised upward by $462.3 million.

The revised Fiscal Year 2015-16 estimate exceeds the prior year's collections by $733.0 million (or 2.6 percent). The revised forecast for Fiscal Year 2016-17 has projected growth of $1.34 billion (or 4.7 percent) over the revised Fiscal Year 2015-16 estimate. The growth rates for Fiscal Years 2017-18 and 2018-19 were slightly increased from 4.5 to 4.8 percent and from 3.3 to 3.6 percent, respectively.

The forecast has been positively affected in the following ways:

- **Sales Tax...** The forecast increases of $184.0 million in Fiscal Year 2015-16 and $178.2 million in Fiscal Year 2016-17 are primarily due to increases in two tax categories reflecting strong expectations for tourism growth and continuing strength in the purchase of motor vehicles prior to a return to more typical activity.

- **Corporate Income Tax...** The forecast increases of $141.4 million in Fiscal Year 2015-16 and $181.8 million in Fiscal Year 2016-17 reflect the stronger corporate profits forecast adopted by the National Economic Estimating Conference in July. However, the Conference noted that the possibility of additional adverse international developments introduces a greater than normal degree of risk to this forecast.

- **Real Estate Taxes (Documentary Stamp Tax and Intangibles Tax)...** The combined estimate was adjusted upward. Together, the increases to General Revenue collections are $44.0 million in Fiscal Year 2015-16 and $44.9 million in Fiscal Year 2016-17. These changes primarily reflect the modestly stronger-than-expected activity since the last forecast.

The Conference made other adjustments to fine-tune the estimates across sources or to recognize specific one-time changes to forecast assumptions.

Summaries for Selected Sources that Benefit General Revenue (in alphabetical order):

<u>Article V Fees & Transfers:</u>

Revenue collections for Article V Fees and Transfers during the 2014-15 fiscal year were close to the estimates adopted on February 17, 2015, with the exception of Other Traffic fees; revenues related to foreclosure case filings; and clerks' Fines, Fees, and Charges. Other Traffic fees came in $1.8 million (5.1 percent) below estimate. The number of foreclosure case filings was approximately 1,600 less than forecast in February. The clerks' Fines, Fees, and Charges came in $5.8 million (1.4 percent) below estimate. For the five months following the February conference, Article V revenues achieved 98 percent of the anticipated activity during the period.

Actual Fiscal Year 2014-15 revenues were used to adjust the forecast base. As a result, the forecast did not change for eight revenue categories and were down only slightly for four revenue categories over the forecast period. The most significant changes were to Other Traffic fees, foreclosure filings, and clerks' Fines, Fees, and Charges as described above. Those estimates were adjusted downward from Fiscal Year 2015-16 through Fiscal Year 2020-21. The change to the foreclosure filing forecast occurs primarily because of a decrease in the "shadow inventory" of homes expected to fall into foreclosure and an embedded delay in the timing of filings. The Conference believes the current shortfall is due to a decline in new entries into the inventory of homes primed for foreclosure, while those cases that do remain are the most time and labor intensive to file. The latter effect resulted in decreased filings for Fiscal Years 2015-16 through 2017-18 and increased activity beginning in Fiscal Year 2018-19. A return to "normal" foreclosure activity does not occur within the current forecast.

Foreclosure filings were both reduced in total over the five-year period and realigned between fiscal years while adding a new year to the forecast period. The following table depicts the changes:

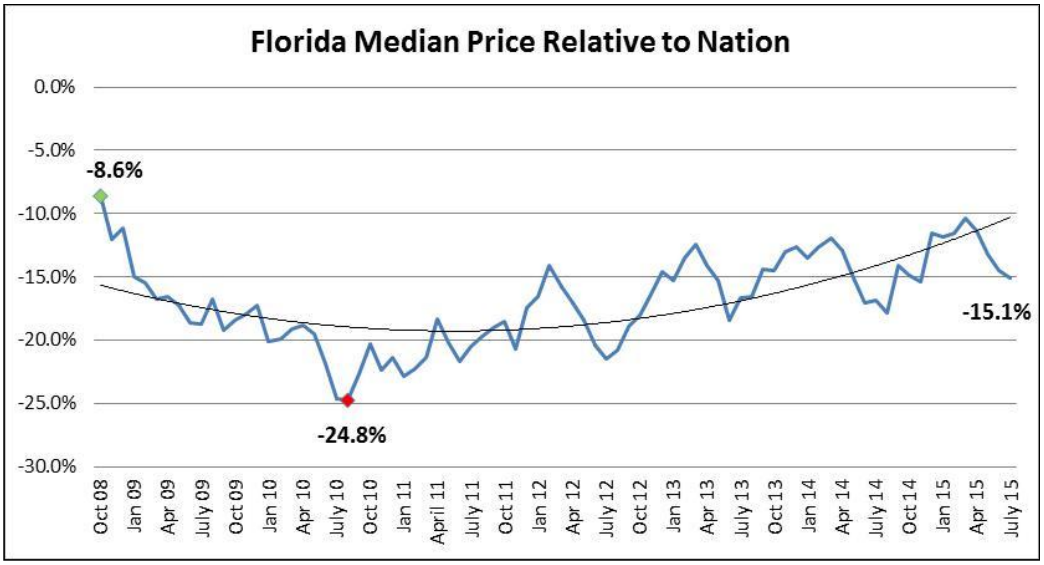
Foreclosure Filings	February 2015 REC	July 2015 REC	Difference
2015-16	95,586	79,500	(16,086)
2016-17	105,000	84,000	(21,000)
2017-18	100,750	84,000	(16,750)
2018-19	70,000	84,000	14,000
2019-20	69,000	84,000	15,000
2020-21	N/A	84,000	84,000

After incorporating the foreclosure adjustments, the Conference made only modest changes to the remaining parts of the forecast.

The new forecast contains the following changes: the General Revenue Fund was reduced by $15.0 million in Fiscal Year 2015-16 and $19.6 million in Fiscal Year 2016-17; the State Courts Revenue Trust Fund was reduced by $5.0 million in Fiscal Year 2015-16 and by $6.1 million in Fiscal Year 2016-17; and the clerks' local Fine and Forfeiture Funds were decreased by $8.8 million in Fiscal Year 2015-16 and by $11.9 million in Fiscal Year 2016-17.

Documentary Stamp Tax:

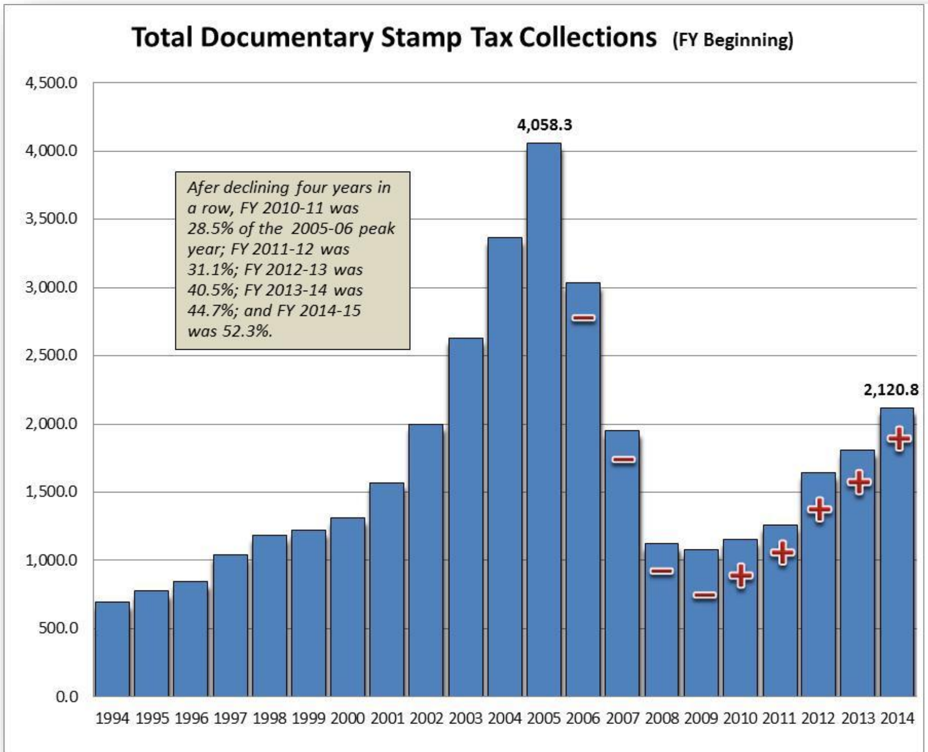
The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the construction industry to revive fully. Due to the subdued activity in that area, recent attention has focused on the market for existing homes as an upstream indicator. In this regard, existing home sales made significant gains during the 2014 calendar year, beating their prior peak in 2005. Year-to-date activity since then indicates an even better year in 2015. Conversely, increases in sales price have generally lagged behind the gains in sales volume—recently falling behind U.S. price gains as well.



Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing strong growth in both the 2012 and 2013 calendar years (32.3 percent and 31.3 percent, respectively). Despite the strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year.

As a result of the still relatively low construction activity and modest pricing, Documentary Stamp Tax collections were only 52.3 percent of their prior peak as the 2014-15 fiscal year ended. Even so, this was a significant improvement over the two previous years which saw collections at 40.5 percent and 44.7 percent of the 2005-06 peak year.

[SEE GRAPH ON FOLLOWING PAGE]



The expectation that Documentary Stamp Tax collections will continue to pick up is bolstered by steady improvement in the demand for housing. Building permit activity for the calendar year-to-date (January through June 2015) is running well above last year for the same period (single family data is higher by +14.99 percent). Coupled with the strength in existing home sales and the still relatively low median sales price for existing homes, there are clear signals that heightened interest among buyers should continue to exist.

Currently, the key housing market metrics do not show a return to their peak levels until 2021-22 (total construction expenditures) and 2022-23 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; single and multi-family starts) or very late in the period (median sales price for existing homes in 2023-24).

There is a potential upside risk for construction if rising mortgage rates and construction loan costs do not put the brakes on recent activity. The “shadow inventory” of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of “ghost” homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the supply has essentially become two-tiered—viable homes and seriously distressed homes. To the extent that the number of viable homes is limited, new construction may come back quicker than expected.

The Conference increased the forecast for Fiscal Year 2015-16 by $76.8 million over the previous estimate to $2.3 billion. Positive growth is expected to continue throughout the three-year Outlook period (i.e., 2016-17 at 7.4 percent, 2017-18 at 6.7 percent, and 2018-19 at 4.9 percent). These combined growth rates produce anticipated collections of $2.8 billion in Fiscal Year 2018-19. The prior peak level of $4.1 billion is expected to be reached in Fiscal Year 2028-29.

The following table shows both the new forecast for total collections from the Documentary Stamp Tax and the constitutionally required distribution to the Land Acquisition Trust Fund (LATF).

Documentary Stamp Tax Total Collections Long Term Forecast ($ Million)					
Fiscal Year	**Total Doc Stamps**	**Percent Change**	**Total to LATF**	**Debt Service**	**Remainder LATF**
2009-10	1,078.6	-3.93%			
2010-11	1,156.5	7.22%			
2011-12	1,261.6	9.09%			
2012-13	1,643.4	30.26%			
2013-14	1,812.5	10.29%			
2014-15	2,120.8	17.01%			
2015-16	2,334.4	10.07%	767.1	*173.3*	*593.8*
2016-17	2,506.3	7.36%	823.8	*173.5*	*650.3*
2017-18	2,675.4	6.75%	879.6	*173.6*	*706.1*
2018-19	2,806.6	4.91%	922.9	*173.6*	*749.3*
2019-20	2,911.0	3.72%	957.4	*173.8*	*783.6*
2020-21	3,017.0	3.64%	992.4	*173.7*	*818.6*
2021-22	3,119.2	3.39%	1,026.1	*152.4*	*873.7*
2022-23	3,236.0	3.75%	1,064.7	*141.5*	*923.2*
2023-24	3,360.1	3.83%	1,105.6	*121.4*	*984.2*
2024-25	3,493.4	3.97%	1,149.6	*121.4*	*1,028.2*
2025-26	3,630.8	3.93%	1,194.9	*96.0*	*1,098.9*
2026-27	3,767.8	3.77%	1,240.2	*74.4*	*1,165.8*
2027-28	3,910.0	3.77%	1,287.1	*55.4*	*1,231.6*
2028-29	4,057.6	3.77%	1,335.8	*31.1*	*1,304.6*
2029-30	4,210.7	3.77%	1,386.3	*7.8*	*1,378.5*
2030-31	4,369.6	3.77%	1,438.7	*7.8*	*1,431.0*
2031-32	4,534.5	3.77%	1,493.2	*7.8*	*1,485.4*
2032-33	4,705.6	3.77%	1,549.6	*0.0*	*1,549.6*
2033-34	4,883.2	3.77%	1,608.2	*0.0*	*1,608.2*
2034-35	5,067.5	3.77%	1,669.0	*0.0*	*1,669.0*
2035-36	5,258.7	3.77%	1,732.1	*0.0*	*1,732.1*

Highway Safety Licenses and Fees:

Revenue collections from Highway Safety Licenses and Fees (HSMV) during the 2014-15 fiscal year came in 2.0 percent ($45.6 million) above the estimates adopted on February 27, 2015. Sixteen of the twenty revenue categories came in at or above estimate, and four other categories came in below estimate. As a result, the new HSMV forecast is mostly up, relative to the previous forecast, although the General Revenue Fund absorbed most of the negative adjustments in the out years.

The new HSMV forecast reflects adjustments made for actual 2014-15 revenue collections and actual 2015-16 biennial collections. Revisions to the forecast for five revenue categories were positive throughout the forecast period, and two were upwardly adjusted except for the final year. These upward revisions were mainly driven by the strong collections for Titles and Initial Registrations that came in 2.1 percent and 1.8 percent above February estimates, respectively, and 7.6 percent and 12.5 percent above prior year.

The forecasts for Drivers Licenses and IDs were adjusted downwards to reflect changes in the department's renewal schedule. The forecasts for Red Light Cameras, Driver License Tests, and Miscellaneous Fees and Licenses were also adjusted downward throughout the forecast period. While Motor Vehicle License registrations (Private Auto, Trucks, Other, For Hire, and Surcharges) came in above estimate, the overall forecast related to annual registrations was adjusted downward to reflect a greater number of biennial registrations observed during Fiscal Year 2014-15 (affecting Fiscal Year 2015-16). Finally, the forecast for two categories (DUI and Suspensions) remained unchanged from February.

The revised estimates by category resulted in increased revenues over the previous forecast for both the Highway Safety Operating Trust Fund and the State Transportation Trust Fund, but the results were largely negative for the General Revenue Fund. The effects on the first two years are shown in the table below:

Changes to the Forecast by Fund	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**
General Revenue Fund	$1.2 million	($2.1) million
Highway Safety Operating Trust Fund	$14.1 million	$12.7 million
State Transportation Trust Fund	$2.8 million	$1.3 million

Indian Gaming Revenues:

The Revenue Estimating Conference met on July 14 and August 11, 2015, to adopt new estimates for Indian Gaming revenues for Fiscal Years 2015-16 through 2023-24. Pursuant to the Indian Gaming Compact, the Seminole Tribe is required to make a minimum guaranteed payment for each of the first five years of the Compact unless 12 percent of Net Win produces a larger amount. Net Win in Fiscal Year 2013-14 was above the minimum guarantee threshold, which generated a true-up payment of $21.7 million. This payment was received in August 2014. An additional true-up payment of $36.4 million is expected to be generated from Fiscal Year

2014-15 activity, and those dollars will be received in Fiscal Year 2015-16. The forecast has also been updated based on information from recent quarterly financial reports. Growth rates for Net Win for Fiscal Years 2015-16 through 2017-18 were increased from the prior forecast, based on positive year over year performance in the fiscal year to date. Net Win growth rates in 2018-19 through 2023-24 level off at 1.56 percent, which is consistent with the growth rates for the out-years of the February 2015 slot machine tax revenue forecast.

The Compact provides that if the authorization for banked card games expires, then revenue share payments from all banked card games and all Broward activity shall cease. It also provides that the Tribe has 90 days to cease operation of banked card games. The banked card games authorization expired on July 31, 2015, and the Tribe has indicated that they will continue to operate banked card games during the entire 90-day grace period. They have also stated that they will continue to make revenue share payments to the State. Because of this, the Conference included revenue sharing received during the grace period for banked card games and all Broward activity for the first time. The impact of this change in assumptions is a substantial increase in revenue share payments for Fiscal Year 2015-16 --- $36.1 million of the $44.7 million increase is due to the additional 90 days of revenue sharing, and the remaining $8.6 million is due to higher growth rates and a larger estimated true-up payment.

The following table compares the August 2015 and February 2015 forecasts, showing increases in projected revenues each year.

Indian Gaming Revenues (Millions of $)

	Receipts			Local Distribution			Net General Revenue		
	Feb 2015	Aug 2015	Difference	Feb 2015	Aug 2015	Difference	Feb 2015	Aug 2015	Difference
2011-12	150.0	150.0	0.0	3.8	3.8	0.0	146.2	146.2	0.0
2012-13	226.1	226.1	0.0	4.5	4.5	0.0	221.6	221.6	0.0
2013-14	237.3	237.3	0.0	7.0	7.0	0.0	230.3	230.3	0.0
2014-15	255.6	255.6	0.0	7.1	7.1	0.0	248.5	248.5	0.0
2015-16	167.1	211.8	44.7	7.7	7.7	0.0	159.4	204.1	44.7
2016-17	116.7	125.2	8.5	4.7	6.2	1.4	111.9	119.0	7.1
2017-18	117.7	123.3	5.6	3.5	3.6	0.2	114.2	119.7	5.5
2018-19	119.5	125.3	5.8	3.5	3.7	0.2	116.0	121.6	5.6
2019-20	121.3	127.2	5.9	3.6	3.8	0.2	117.8	123.5	5.7

Note: Distributions may not sum to the totals due to rounding.

Tobacco Tax and Surcharge:

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on July 16, 2015. The forecasts for both Cigarette revenues and Other Tobacco Products revenues were increased from the February 2015 conference results.

Cigarette Tax and Surcharge revenues were $20.9 million over estimate for February through June 2015, resulting in Fiscal Year 2014-15 revenues exceeding revenues in Fiscal Year 2013-14. Despite this increase, the Conference believes that the overall downward trend in cigarette consumption over the past ten years will continue in the future. Cigarette Tax and Surcharge revenues are expected to continue to decline in subsequent fiscal years at the same rate as previously projected, as people reduce consumption or substitute for alternative products. Although the adopted forecast still declines, revenues are expected to be slightly higher in each fiscal year than the February forecast because the forecast is starting from a higher level.

Other Tobacco Products Tax and Surcharge revenues ended Fiscal Year 2014-15 12.2 percent (or $11.2 million) above Fiscal Year 2013-14 revenues. Because of this growth, and solid growth rates in Fiscal Years 2010-11 through 2012-13, the Conference increased the forecast for these revenues by approximately $4.2 million to $10.1 million in Fiscal Years 2015-16 through 2019-20.

Tobacco Tax and Surcharge Conference
Comparison of the February 2015 and July 2015 Forecasts

COLLECTIONS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Cigarette Tax							
February 2015	267.9	262.0	256.5	251.3	246.5	242.1	
July 2015	274.2	266.9	261.2	256.0	251.2	246.6	242.2
Difference	6.3	4.9	4.7	4.7	4.7	4.5	
Cigarette Surcharge							
February 2015	801.5	783.9	767.4	752.0	737.7	724.4	
July 2015	816.1	798.5	781.7	766.1	751.5	738.0	724.7
Difference	14.5	14.6	14.3	14.1	13.8	13.6	
OTP Tax							
February 2015	29.0	29.6	30.0	30.4	30.8	31.2	
July 2015	30.0	31.4	32.1	32.8	33.5	34.2	34.8
Difference	1.0	1.8	2.1	2.4	2.7	3.0	
OTP Surcharge							
February 2015	69.5	70.9	71.9	72.9	73.9	74.9	
July 2015	72.7	75.4	77.1	78.8	80.4	82.0	83.6
Difference	3.2	4.5	5.2	5.9	6.5	7.1	

DISTRIBUTIONS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Health Care Trust Fund							
February 2015	801.4	786.4	772.2	759.0	746.7	735.4	
July 2015	817.5	804.0	790.1	777.3	765.3	754.3	743.6
Difference	16.1	17.6	17.9	18.3	18.6	18.9	
General Revenue Service Charge							
February 2015	91.1	89.3	87.7	86.1	84.7	83.3	
July 2015	93.0	91.3	89.6	88.1	86.6	85.3	84.0
Difference	1.9	2.0	1.9	2.0	1.9	2.0	
General Revenue Excise Tax							
February 2015	147.4	143.8	140.4	137.3	134.4	131.7	
July 2015	151.3	146.8	143.3	140.2	137.2	134.4	131.7
Difference	3.9	3.0	2.9	2.9	2.8	2.7	
OTP General Revenue Tax							
February 2015	29.0	29.6	30.0	30.4	30.8	31.2	
July 2015	30.0	31.4	32.1	32.8	33.5	34.2	34.8
Difference	1.0	1.8	2.1	2.4	2.7	3.0	
Total GR Distributions							
February 2015	267.5	262.7	258.1	253.8	249.9	246.2	
July 2015	274.3	269.4	265.1	261.1	257.3	253.9	250.6
Difference	6.8	6.7	7.0	7.3	7.4	7.7	
All Other Funds							
February 2015	99.1	97.2	95.5	93.9	92.4	91.0	
July 2015	100.9	98.8	97.0	95.4	93.9	92.5	91.1
Difference	1.8	1.6	1.5	1.5	1.5	1.5	

Major Trust Funds

Educational Enhancement Trust Fund, Lottery, and Slots:

Dedicated to educational programs, the Educational Enhancement Trust Fund (EETF) contains revenue primarily derived from Florida Lottery ticket sales and taxes on Slot Machine revenues. Because these sources are so different, they are estimated separately.

The Revenue Estimating Conference reviewed **Lottery** revenues on July 30, 2015. Total ticket sales for Fiscal Year 2014-15 were $31.7 million over estimate, but due to both technical and timing issues, the transfer to the Educational Enhancement Trust Fund (EETF) was $23.7 million less than expected for the fiscal year. Beginning with the new forecast, the Conference has incorporated an additional adjustment to the expected EETF distributions to address the timing issue associated with the transfer. This adjustment results in the EETF transfer estimates being slightly lower than they otherwise would have been (approximately $5.6 million per year); however, the negative adjustments to the forecast are balanced out by corresponding adjustments on subsequent Outlook documents. The total ticket sales forecast has been increased by $26.5 million to $49.8 million per year relative to the February forecast. The growth is primarily a result of higher scratch-off sales and additional sales from a holiday raffle this fiscal year, and is partially offset by declines in some of the terminal games.

Scratch-off ticket sales were $33.6 million over estimate for Fiscal Year 2014-15, resulting in 9.0 percent growth over Fiscal Year 2013-14. The July forecast maintains very similar growth rates to the current forecast for scratch-off sales, but since the growth starts from a higher level, the result is an increase in ticket sales of $37.7 million to $56.2 million each fiscal year.

Actual Powerball ticket sales were $15.3 million lower than the estimate for Fiscal Year 2014-15. The Conference maintained current growth rates for the forecast, which resulted in a $15.0 million to $16.0 million decline in Powerball ticket sales each fiscal year. Mega Millions ticket sales were also under estimate for the year by $3.7 million, leading the Conference to reduce this forecast as well by $7.9 million to $9.0 million each fiscal year going forward.

Lotto ticket sales for Fiscal Year 2014-15 came in under estimate by $6.1 million. To account for the lower than expected level of activity, the new forecast reduces expected lotto ticket sales by $6.4 million to $7.9 million each fiscal year. As expected at the last Conference, ticket sales for Lucky Money in Fiscal Year 2014-15 were more than 29 percent higher than they were in Fiscal Year 2013-14. However, the forecast for this game was decreased to a much lower level after discussion that the strong performance was a temporary response to the name change and associated increased promotional activity. The forecasts for the remaining terminal games (Fantasy Five, Cash 3, and Play 4) were all increased slightly to reflect actual ticket sales in Fiscal Year 2014-15. The growth rates for these games in subsequent fiscal years remain the same or very similar to the February 2015 forecast.

The new forecast for expected distributions to the EETF is $7.9 million higher in Fiscal Year 2015-16 and lower by $6.3 million to $9.0 million each year through Fiscal Year 2018-19. In addition to the timing adjustment described earlier, projected transfers to the EETF have been affected by the overall lower levels of unclaimed prizes expected throughout the forecast, likely due to scratch-off sales comprising a larger share of total sales. Fiscal Year 2019-20 was also impacted by a correction to an error in the February package. The details of the forecast and changes are shown in the following table.

Summary of Lottery Revenues to the EETF (Millions of $)				
		Feb 2015	**July 2015**	**Difference**
EETF Receipts from Ticket Sales	**2015-16**	1,446.9	1,459.4	12.5
	2016-17	1,472.9	1,468.9	-4.0
	2017-18	1,490.2	1,489.2	-1.0
	2018-19	1,537.0	1,535.9	-1.1
	2019-20*	1,557.3	1,522.4	-34.8
	2020-21		1,547.4	
Other Income	**2015-16**	10.2	11.0	0.8
	2016-17	10.3	10.8	0.5
	2017-18	10.4	10.6	0.2
	2018-19	10.5	10.6	0.1
	2019-20	10.6	10.6	0.0
	2020-21		10.6	
80% unclaimed prizes	**2015-16**	42.8	37.4	-5.4
	2016-17	43.5	38.0	-5.5
	2017-18	44.0	38.5	-5.5
	2018-19	44.6	39.1	-5.5
	2019-20	45.1	39.6	-5.6
	2020-21		40.1	
Distribution to EETF from Lottery Receipts	**2015-16****	1,499.9	1,507.8	7.9
	2016-17	1,526.7	1,517.7	-9.0
	2017-18	1,544.6	1,538.3	-6.3
	2018-19	1,592.1	1,585.6	-6.5
	2019-20*	1,613.0	1,572.6	-40.4
	2020-21		1,598.1	

**A large portion of the difference associated with Fiscal Year 2019-20 comes from a correction to an error in the February revenue estimating conference package.*

***Beginning in Fiscal Year 2015-16, a Measure Affecting Revenue increased Ticket Sales by $20.1 million and the net EETF Distribution by $1.6 million (recurring amounts are $10.1 million and $0.8 million, respectively). The Feb 2015 entries in the table above have not been adjusted. The adjusted entries would show:*

	Feb Adjusted Ticket Sales	**Feb Adjusted EETF Distributions**	**Difference**
2015-16	5,675.2	1,501.5	6.3
2016-17	5,754.9	1,527.5	-9.8
2017-18	5,822.7	1,545.4	-7.1
2018-19	5,891.9	1,592.9	-7.3
2019-20	5,961.0	1,613.8	-41.2
2020-21			

The Revenue Estimating Conference reviewed **Slot Machine** revenues on July 14, 2015, and increased projections from the February 2015 conference by $3.3 million to $5.4 million each fiscal year. The details of the forecast and changes are shown in the following table.

Slot Machines Tax Collections			
Millions of $			
	February 2015	July 2015	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	142.7	142.7	0.0
2012-13*	142.2	142.2	0.0
2013-14	173.1	173.1	0.0
2014-15	180.3	182.2	1.9
2015-16	182.8	186.1	3.3
2016-17	185.5	189.8	4.3
2017-18	188.4	193.4	4.9
2018-19	191.4	196.3	5.0
2019-20	194.3	199.7	5.4
2020-21		202.6	

**The Fiscal Year 2012-13 revenue of $142.2 million is based on actual collections received during Fiscal Year 2012-13. Because the state switched from weekly to monthly collections at the end of Fiscal Year 2011-12, the July 2013 collections are made up of only one week of June 2013 revenue. This resulted in a one-time impact lowering the Fiscal Year 2012-13 revenues by approximately three weeks of collections.*

Slot machine tax revenues were $1.9 million over estimate for March 2015 through June 2015. The Conference increased the revenue forecast for six of the seven active facilities based on positive performance compared to the previous estimate and the prior fiscal year. The forecast for Calder was decreased slightly because revenues came in slightly under estimate for Fiscal Year 2014-15.

Dania opened on February 20, 2014, but closed shortly thereafter on October 12, 2014. Reportedly, the Dania facility will re-open in December 2015, after it has been renovated. However, the Conference did not add any revenue related to Dania's potential reopening to the forecast because of continued uncertainty about the opening date, the number of machines, and the income level per machine.

For Fiscal Year 2015-16, the **EETF** has a projected positive balance of $73.1 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 $73.1 million that will be carried forward into Fiscal Year 2016-17, all other revenues in the EETF are expected to increase modestly each year of the three-year Outlook period.

State School Trust Fund and Unclaimed Property:

Used exclusively to meet public school needs, the State School Trust Fund (SSTF) 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 July 29, 2015, by the Revenue Estimating Conference.

The Conference reviewed actual state receipts and refunds to owners of abandoned property for Fiscal Year 2014-15. Receipts totaled $482.1 million, which is $90.8 million (23.2 percent) over the estimate of $391.3 million. Refunds were slightly lower than expected, totaling $250.4 million, or $10.4 million less than the estimate of $260.8 million. The subsequent transfer to the State School Trust Fund was $213.0 million, an increase of $94.0 million over the February estimate of $119.0 million. Staff of the Department of Financial Services indicated there was a significant number of property holders reporting for the first time in Fiscal Year 2014-15. However, because of the volume of reports received from property holders by the department, the detailed data regarding types of abandoned property, as well as the amounts reported by the property holders reporting for the first time, will not be available until later in the 2015 calendar year.

For Fiscal Year 2015-16, the Conference adopted an estimate of $410.0 million in receipts, which is an increase of $13.1 million from the previous estimate. The estimated receipts are based on Fiscal Year 2014-15 assumed recurring receipts (i.e., 85 percent of total receipts were assumed to be recurring) and assumes no growth. The Conference adopted an estimate of $255.7 million for refunds, which is $6.0 million higher than the previous estimate. The refunds are estimated to be 64.5 percent of the average of the two prior years of receipts, which matches the refunds rate adopted by the Conference in February.

For Fiscal 2016-17 and after, the Conference used a 5.0 percent annual growth rate for receipts. For refunds, the Conference maintained the estimated refunds rates adopted in February.

The current year (2015-16) funds available estimate for the trust fund is $187.6 million. In Fiscal Year 2016-17, $157.8 million is expected to be transferred from the Unclaimed Property Trust Fund to the SSTF. Including unspent (nonrecurring) funds from Fiscal Year 2015-16 of $50.4 million and $2.3 million in nonoperating revenue and interest earnings, a total of $210.5 million will be available for expenditure in Fiscal Year 2016-17.

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 receives the settlement payments; funds are currently used for programs in the Health and Human Services area. The current year (2015-16) funds available estimate for the trust fund is $394.2 million. In Fiscal Year 2016-17, $374.4 million is expected from all payments and profit adjustments, and $4.3 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (nonrecurring) funds from Fiscal Year 2015-16 of $3.1 million and $0.6 million in interest earnings, a total of $382.4 million will be available for expenditure in Fiscal Year 2016-17. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation will be deducted from the trust fund as an expenditure and is estimated to be $68.1 million for Fiscal Year 2016-17.

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 stronger than currently projected.

State Transportation Trust Fund and Transportation Revenue:

The Revenue Estimating Conference met on July 31, 2015, to consider the forecast of revenues flowing into the State Transportation Trust Fund (STTF). Including the final adjustments for Fiscal Year 2014-15, overall revenues to the STTF were increased by $266.4 million or about 1.2 percent during the work program period ending Fiscal Year 2020-21.

For revenues from fuel taxes, the overall forecast was impacted by recent changes in consumption of motor fuel and other fuels (diesel, aviation, and off-highway fuel), decreases in fuel prices, changes in the projected fuel tax rates, and changes to the Aviation Fuel Refund forecast for Fiscal Year 2014-15 and forward. The final projection for revenues from all types of fuel was increased by $232.7 million or 1.7 percent over the entire work program. Decreases in the Florida Pump Price by an annual average of nearly 4 percent over the five years generally increased expectations regarding future fuel consumption patterns. Projected revenues were further bolstered by increases to both the Fuel Sales Tax rate and the State Comprehensive Enhanced Transportation System (SCETS) Tax rate. Dominating the fuel category, Highway Fuel Tax collections saw the largest dollar increase; these revenues grew by $128.3 million or 1.5 percent.

The Local Option Distribution was increased by nearly $3.5 million over the prior forecast period. These changes primarily reflect the new motor fuel and diesel fuel forecasts. The Rental Car Surcharge projection was increased by $10.8 million or 1.2 percent over the entire work program period.

For motor vehicle license and registration related fees, the forecasts were previously adopted by the Highway Safety Licenses and Fees Conference held July 27, 2015. In this work program period, all receipts to the STTF from motor vehicle licenses and fees were increased by $19.4 million or 0.3 percent over the entire work program. Motor Vehicle Licenses (MVL) are down by $50.8 million (the drop is primarily due to an increase in the MVL transfer to the Department of Education), Initial Registrations are up $39.0 million, Title Fees are up $16.9 million, and Motor Carrier Compliance Penalties are up $14.4 million over the work program period.

Other Revenue Sources that Primarily Support Education

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 2016 certified school taxable value is now estimated to be $1,731.60 billion. This represents an addition of $29.66 billion or a 1.74 percent increase from the March 2015 forecast of $1,701.94 billion. At 96 percent, the value of one mil is projected to be $1,662.3 million.

Florida's housing market continues to drive the shape of the overall forecast. Recent residential data from the Federal Housing Finance Agency price index shows significant value growth in all parts of the state. The new forecast is premised on the belief this value growth will continue, although the pace will moderate. This expectation is in line with the forecast adopted by the Florida Economic Estimating Conference. The homestead component shows continued growth throughout the forecast period; however, the Conference made discrete adjustments to narrow the differences between the nonhomestead residential sector's value growth and the homestead estimates that first developed in the prior forecast. Finally, the Conference noted several one-time value increases in certain counties which result in strong but non-recurring growth in those areas, especially due to changes in practice by property appraisers or unusual construction activity. In this regard, the Conference had extended discussions on recent activities in Orange and Walton counties.

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, 2016, is projected to be $1,575.44 billion. On an annual basis, this represents an increase of $25.16 billion or a 1.62 percent increase from the March 2015 forecast ($1,550.28 billion) for the same period.

[SEE TABLES ON FOLLOWING PAGE]

July 1, 2016 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2015 Certified School Taxable Value	March 2015 Estimate of July 1, 2016 Certified School Taxable Value	July 2015 Estimate of July 1, 2016 Certified School Taxable Value	Change in Estimates (Jul 15 vs Mar 15)	$ Change from Actual	% Change from Actual
School Taxable Value	1,646.86	1,701.94	1,731.60	29.66	84.74	5.15%
Real Property	1,536.87	1,591.12	1,619.65	28.53	82.78	5.39%
Personal Property	108.51	109.36	110.43	1.07	1.92	1.77%
Centrally Assessed Property	1.48	1.46	1.52	0.06	0.04	2.70%
Value of one mill at 96 percent	1.58	1.63	1.66	0.03	0.08	5.15%

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

January 1, 2016 County Taxable Value

(billions of dollars)	Actual 2015 Taxable Value	March 2015 Estimate of January 1, 2016 County Taxable Value	July 2015 Estimate of January 1, 2016 County Taxable Value	Change in Estimates (Jul 15 vs Mar 15)	$ Change from Actual	% Change from Actual
County Taxable Value	1,495.90	1,550.28	1,575.44	25.16	79.54	5.32%
Real Property	1,385.91	1,439.46	1,463.49	24.03	77.58	5.60%
Personal Property	108.51	109.36	110.43	1.07	1.92	1.77%
Centrally Assessed Property	1.48	1.46	1.52	0.06	0.04	2.70%

**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 and Communications Services Tax

The Revenue Estimating Conference met on July 30, 2015, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. Since the March conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were $2.4 million below projections, and collections of the State Sales Tax on Communications Services were $6.6 million lower than expected. Compared to the March conference results, the July forecast for the Gross Receipts Tax is higher for the period running from Fiscal Year 2015-16 through Fiscal Year 2018-19 and then lower for each of the subsequent years. For the State Sales Tax on Communications Services, the forecast is lower than the old estimate for all years except the initial year where it is increased by nearly $12.6 million.

The changes to the Gross Receipts Tax feed directly into the dollars available for appropriation from the Public Education Capital Outlay and Debt Service (PECO) Trust Fund. The new forecasts are detailed in the table below.

Gross Receipts Tax – All Sources ($ in millions)				Communications Services Tax – State Sales Tax Component* ($ in millions)		
Fiscal Year	*July Estimate*	*Diff from Post-Session Forecast*	*% Change from Post-Session Forecast*	*July Estimate*	*Diff from Post-Session Forecast*	*% Change from Post-Session Forecast*
2015-16	1,183.63	9.46	0.81%	674.56	12.58	1.90%
2016-17	1,203.50	5.80	0.48%	654.16	0.32	0.05%
2017-18	1,226.00	5.79	0.47%	652.22	0.05	0.01%
2018-19	1,245.27	2.31	0.19%	651.07	-3.01	-0.46%
2019-20	1,262.97	-1.80	-0.14%	650.94	-6.80	-1.03%
2020-21	1,281.55	-4.31	-0.34%	651.40	-10.95	-1.65%
2021-22	1,301.10	-3.77	-0.29%	653.54	-13.95	-2.09%
2022-23	1,322.15	-2.42	-0.18%	656.65	-16.55	-2.46%
2023-24	1,344.53	-1.61	-0.12%	661.72	-17.80	-2.62%
2024-25	1,366.08	1,366.08	N/A	667.14	667.14	N/A

The CST State Tax Component Includes Direct-to-Home Satellite

Please note that the prior conference results have been adjusted for the "Measures Affecting Revenue" arising from the 2015 Special Session. As those adjustments were made, an error was found in the original adopted impact for one of the Measures. The error has been corrected by this Conference, and the revised numbers have been incorporated in the columns showing the "old" estimate in the supporting material for these conference results. However, that correction was not reflected in either the General Revenue Post-Session or August 14, 2015, adopted workpapers. The following table shows the difference to CST (excluding Direct-to-Home Satellite) once the correction was made. Depending on the year, the differences from the prior forecast will be slightly overstated or understated relative to the materials for General Revenue.

Fiscal Year	Post Session CST Sales ($ in millions)	July Conference CST Sales (Corrected) ($ in millions)
2015-16	664.0	662.0
2016-17	653.9	653.8
2017-18	652.5	652.2
2018-19	654.6	654.1
2019-20	658.4	657.7
2020-21	N/A	662.3

Gross Receipts Tax on Utilities... Gross Receipts collections on Utilities for Fiscal Year 2014-15 finished the fiscal year $1.0 million above estimate, the driving force being the gains associated with electricity. In Fiscal Year 2014-15, electricity consumption for residential sectors grew at an annual rate of 0.50 percent while commercial consumption grew a slower 0.16 percent. The consumption forecasts for Fiscal Year 2015-16 are expected to strengthen to 1.82

percent and 1.38 percent, respectively. Since prices are expected to decline, increased consumption provides the single positive force for collections. For Fiscal Year 2015-16, the electricity forecast for the component subject to the 2.5 percent tax rate was increased by $8.24 million, and revenue from the recent legislation affecting commercial electricity was reduced by $5.77 million. For residential consumption of natural gas, consumption was up in Fiscal Year 2014-15 by 1.11 percent, and commercial consumption was up 4.26 percent. For Fiscal Year 2015-16, the consumption forecasts are expected to slow to 0.51 percent and 1.39 percent, respectively; however both forecasts are significantly stronger than predicted in March 2015. For the current year, the gas forecast was increased by $1.54 million.

State Communications Services Tax, Including Direct-to-Home Satellite Service (CST)... Earlier in the year, the Revenue Estimating Conference made a number of adjustments to the conference package to more closely align the different services with the process used to develop the forecast. The estimates for Gross Receipts CST and Sales CST are now produced by examining the underlying CST tax bases. Essentially, the overall forecast relies on generating separate growth rates for the cable, wireless, landline (residential and commercial), miscellaneous services, and direct-to-home satellite tax bases.

The cable base, given its relative size and projected growth ranging between 1.90 percent and 2.23 percent, is the primary positive driver of CST growth. Conversely, wireless growth rates are expected to stay negative in line with the current trend data. The weakest base is landline, which is forecasted to decline -3.46 percent in Fiscal Year 2015-16 and then around -3.50 percent per annum. The tax base for miscellaneous services is expected to experience higher growth (4.47 percent in Fiscal Year 2015-16) than the cable base, but it is considerably smaller. The base for direct-to-home satellite services is forecasted to grow moderately (between 0.92 percent and 1.42 percent), settling at a narrow band between 0.92 percent and 1.00 percent towards the end of the forecast period.

Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37 percent is applied to the cable, wireless, landline and miscellaneous services tax bases. Second, an additional tax rate of 0.15 percent is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 18 percent of total direct-to-home satellite collections, comprise total Gross Receipts CST collections.

The tax rate for Sales CST was recently reduced from 6.65 percent to 4.92 percent. Sales CST Collections are generated by applying the tax rate of 4.92 percent to the cable, wireless, landline and miscellaneous services tax bases, coupled with 44.32 percent of total direct-to-home satellite collections. The landline tax base is reduced by the residential household telephone exemption for Sales CST. Because the weakening landline base impacts Gross Receipts CST to a greater degree than Sales CST, Sales CST has stronger growth rates.

Direct-to-home satellite service is taxed at an 11.44 percent rate, recently reduced from 13.17 percent. The tax revenue is distributed between Gross Receipts CST, Sales CST, and local governments.

Overall, negative growth rates for collections prevail during the forecast period. The few years that do not exhibit negative growth are expected to have very low growth rates.

Local Communications Service Tax... The local CST forecast applies an average local CST tax rate of 5.0 percent to the four major bases (cable, wireless, landline, and miscellaneous services). Like the CST forecasts for Gross Receipts and Sales, the local forecast is expected to decline because of the reduction in the wireless base.

Public Education Capital Outlay and Debt Service (PECO) Trust Fund:

The PECO program provides funding for educational facilities construction and fixed capital outlay needs for school districts, the Florida College System, the State University System, and other public education programs. The Revenue Estimating Conference met to adopt new estimates on August 6, 2015.

During the 2015A Special Session, the Legislature appropriated a total of $471.17 million for PECO projects, $342.30 million of which was from Gross Receipts revenues and $128.87 million of which was from General Revenue. Subsequently, $52.07 million of the projects were vetoed, resulting in an actual appropriation of $419.10 million. All of the Fiscal Year 2015-16 projects will be cash-funded, as no new PECO bonds were authorized in the budget. The forecast for future years begins with this base.

The August 2015 PECO forecast was also updated to include actual revenues and expenditures through July 2015; the new Gross Receipts Tax revenue forecast; revised expected project disbursements; updated bond rates and interest earnings rates; and the latest debt service schedules that include savings from refinancing activity.

The following tables show the estimated amount available for appropriation to the PECO program under two scenarios. The first scenario shows maximum cash appropriations assuming no bonding. The second scenario (displayed on the following page) shows the maximum bonding capacity.

Maximum Possible PECO Trust Fund Appropriation – No Bonding

$ in millions	March 2015 REC No Bonding	Aug 2015 REC No Bonding	difference
FY15-16 Cash Available	342.3	419.1	76.8
FY16-17 Cash Available	345.4	430.9	85.5
FY17-18 Cash Available	387.5	399.3	11.8
FY18-19 Cash Available	401.6	410.1	8.5
FY19-20 Cash Available	425.2	428.4	3.2
FY20-21 Cash Available	429.3	429.5	0.1

Maximum Possible PECO Trust Fund Appropriation – With Maximum Bonding

$ in millions		March 2015 REC Maximum Bonding	Aug 2015 REC Maximum Bonding	difference
FY15-16	Maximum Available	2,629.0	419.1	(2,209.9)
	Bonds	2,420.3	-	(2,420.3)
	Cash	208.7	419.1	210.4
FY16-17	Maximum Available	318.9	2,938.9	2,620.1
	Bonds	85.3	2,653.0	2,567.7
	Cash	233.6	285.9	52.4
FY17-18	Maximum Available	445.9	508.9	63.0
	Bonds	191.1	237.3	46.2
	Cash	254.8	271.6	16.8
FY18-19	Maximum Available	526.3	526.5	0.2
	Bonds	292.1	276.3	(15.8)
	Cash	234.2	250.2	16.0
FY19-20	Maximum Available	506.1	499.3	(6.9)
	Bonds	285.9	267.4	(18.5)
	Cash	220.2	231.9	11.6
FY20-21	Maximum Available	471.9	437.7	(34.2)
	Bonds	280.7	240.8	(39.9)
	Cash	191.2	196.9	5.7

Note: In the 2013 Long-Range Financial Outlook, a General Revenue driver was included to supplement the cash available in the PECO Trust Fund. This year's Outlook, like the 2014 Outlook, makes no assumption regarding the Legislature's decision to bond available revenues or spend cash for future PECO appropriations; therefore, no budget driver is included.

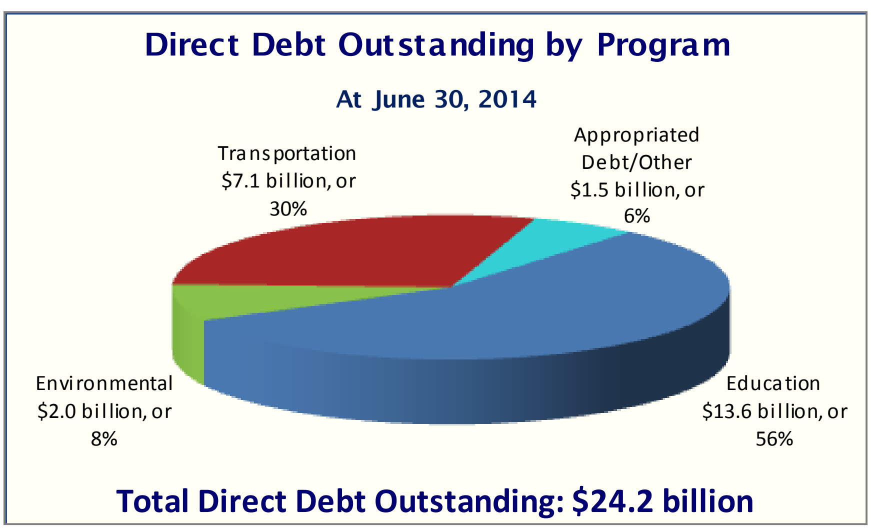
Florida Debt Analysis

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's debt service payment is too high relative to its expected revenues, any additional debt financings could impact the state's credit rating and its borrowing cost. As a component of this analysis, Florida law designates a benchmark debt ratio, calculated as the annual debt service as a percentage of available revenues, 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 *2014 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2013, to June 30, 2014. Florida's peer group and national median comparisons have been updated to reflect more current information. The Division of Bond Finance will release the *2015 Debt Affordability Report* in December 2015.

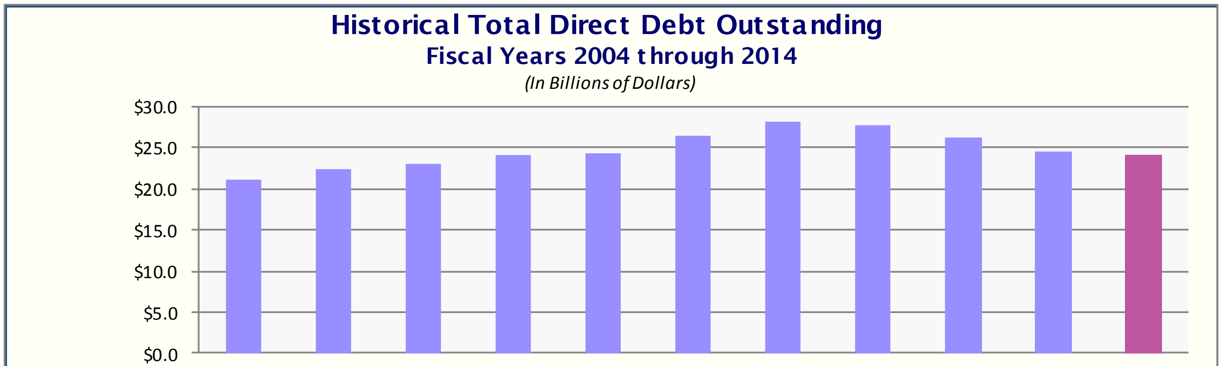
<u>Debt Outstanding</u>

Total state direct debt outstanding was $24.2 billion at June 30, 2014, approximately $400 million less than the prior fiscal year. Net tax-supported debt for programs supported by state tax revenues or tax-like revenues totaled $20.0 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.2 billion. Additionally, indirect state debt at June 30, 2014, was approximately $12.2 billion, $1.7 billion less than the previous year-end. 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 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 included in state debt ratios or the debt affordability analysis.



Decrease in Debt

Total state debt increased from $21.2 billion in Fiscal Year 2003-04 to $28.2 billion in Fiscal Year 2009-10. Reversing the long-term trend of increases, total state debt declined by approximately $4.0 billion over the last four completed fiscal years ($500 million in Fiscal Year 2010-11, $1.5 billion in Fiscal Year 2011-12, $1.6 billion in Fiscal Year 2012-13, and $400 million in Fiscal Year 2013-14) to $24.2 billion. However, total state direct debt outstanding at June 30, 2015, will increase due to the execution of the Department of Transportation's I-4 Ultimate public-private partnership (P3) agreement.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Outstanding	$21.2	$22.5	$23.0	$24.1	$24.3	$26.4	$28.2	$27.7	$26.2	$24.6	$24.2

Estimated Debt Issuance

Approximately $4.1 billion of debt was projected to be issued over the next ten years for all of the state's currently authorized financing programs in the *2014 Debt Affordability Report*. This estimate was approximately $870 million less than future debt issuance projected at June 30, 2013. The decrease primarily resulted from the exclusion of any additional issuance of PECO bonds.

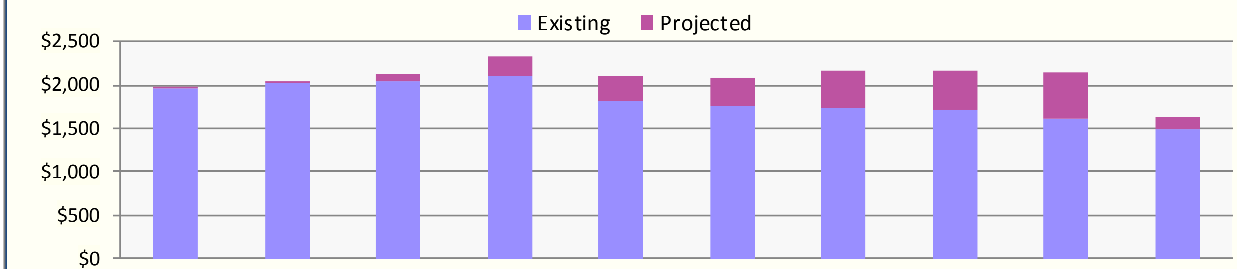
During the 2014 Session, the Legislature passed HB 5601, which reduces the sales tax rate for electrical power by 2.65 percent and increases the gross receipts tax rate on electricity by 2.6 percent. This change increases PECO bonding capacity; however no additional issuance is factored into the projected issuance or benchmark debt ratio analysis included in the *2014 Debt Affordability Report.* (See the PECO discussion in the Revenue Projections section of the Outlook for additional detail.)

Estimated Annual Debt Service Requirements

Annual debt service is expected to remain at approximately $2.0 billion in Fiscal Year 2014-15 through Fiscal Year 2015-16 and increase in Fiscal Year 2016-17 to approximately $2.1 billion reflecting an increase in mandatory payments on the Department of Transportation's existing long-term P3 contracts and the execution of the I-4 Ultimate contract.

Projected Annual Debt Service Next Ten Years

(In Millions of Dollars)

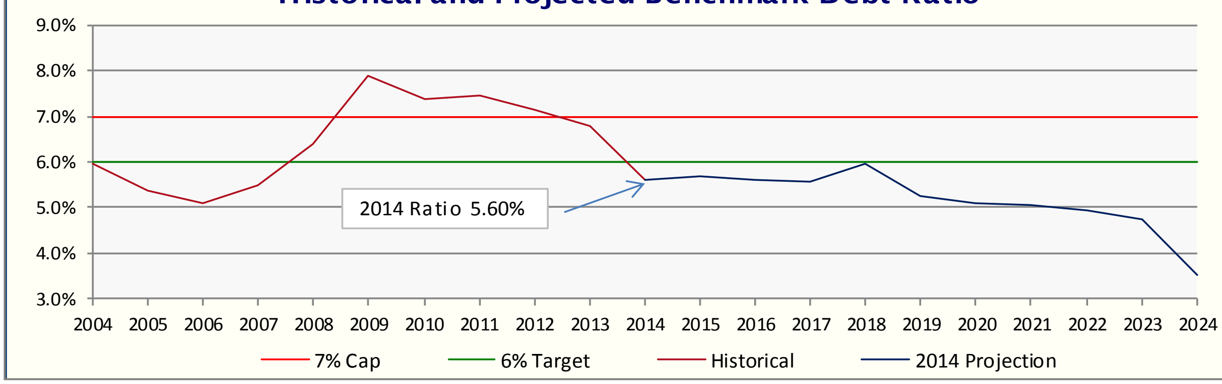


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Existing	$ 1,965.1	$ 2,028.9	$ 2,037.2	$ 2,102.9	$ 1,815.3	$ 1,763.6	$ 1,739.5	$ 1,709.5	$ 1,608.0	$ 1,479.4
Projected	7.7	11.2	77.4	223.0	280.6	327.5	415.4	453.3	545.1	156.8
Total	$ 1,972.9	$ 2,040.1	$ 2,114.6	$ 2,325.9	$ 2,095.9	$ 2,091.1	$ 2,154.9	$ 2,162.8	$ 2,153.1	$ 1,636.2

Debt Ratios

The state's benchmark debt ratio of debt service to revenues available to pay debt service has improved from 6.79 percent for Fiscal Year 2012-13 to 5.6 percent for Fiscal Year 2013-14. The decrease in the benchmark debt ratio reflects the cumulative effects of increases in revenues available to pay debt service and decreases in debt service requirements. As projected, the benchmark debt ratio dropped below the 6 percent target in Fiscal Year 2013-14 due to a significant reduction in annual debt service resulting from retirement of the Preservation 2000 bonds. The benchmark ratio is expected to remain below the 6 percent policy target through Fiscal Year 2018-19. The projected benchmark debt ratio could increase if revenues do not grow as anticipated or additional debt is authorized.

Historical and Projected Benchmark Debt Ratio



Benchmark Debt Ratio Projection

	Actual 2013	Actual 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014 Projection	6.79%	5.60%	5.67%	5.62%	5.58%	5.96%	5.26%	5.08%	5.06%	4.94%	4.76%	3.50%

A comparison of debt ratios to national and peer group averages indicates that Florida's debt ratios are generally higher than the national average but lower than the peer group averages across all metrics. The state's ranking among the eleven-state peer group has steadily improved over the last ten years. The state moved from fifth to seventh highest for the ratio of debt service to revenues within the peer group; moved from sixth to eighth highest in debt per capita; and moved from sixth to seventh highest for debt as a percentage of personal income. The state remained ranked fifth highest for the ratio of net tax-supported debt as a percentage of State Gross Domestic Product (GDP), an additional metric for comparison.

2014 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.60%	$1,029	2.40%	2.42%
Peer Group Mean	6.54%	$1,684	3.55%	3.07%
National Median	5.30%	$1,012	2.60%	2.21%

Source: *Moody's 2015 State Medians Report* for all states except Florida which is from the 2014 Debt Affordability Study analysis

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, Fitch Ratings affirmed the state's rating at AAA, and Moody's Investors Service affirmed the state's rating of Aa1, all with stable outlooks. Rating agencies continue to recognize the state's conservative fiscal management and budgeting practices and adequate reserves as credit strengths. Over the near term, rating agencies will continue to monitor how Florida's economic recovery affects revenue estimates and the state's ability to maintain adequate reserves, structural budget balance, and the state's adherence to responsibly funding the pension system.

In recent years, the rating agencies and investors have placed increasing awareness on the financial challenges presented by defined benefit retirement systems. The status of pension funding is an important aspect of credit rating analysis and assigning credit ratings. The metrics used by the rating agencies to evaluate pension liabilities are similar to the traditional metrics used to evaluate debt obligations. Moody's Investors Service recently published a report on adjusted pension liabilities for states. Florida compared favorably to other states in all Moody's metrics as one of the lowest for the adjusted net pension liability (ANPL). One of Moody's most important points was that the states with the largest unfunded liabilities historically did not fund annual contributions to the pension plan at actuarially indicated levels. In addition, Moody's indicates that six of the ten states with the largest pension liabilities have been downgraded due to the magnitude of the ANPL and lack of management to contain future pension costs.

In a recently released publication, Fitch Ratings also notes that only 40 percent of major statewide pension plans received the full actuarially required contribution in Fiscal Year 2012-13. Although Florida also did not fully fund the actuarially required contribution in Fiscal Year 2012-13, it restored full funding for Fiscal Years 2013-14, 2014-15, and 2015-16. In the same article, Fitch reports that the median calculation for states' long-term liabilities (when combining net tax-supported debt and the unfunded pension liability) is 6.1 percent of each state's personal income. This metric for Florida is 3.3 percent, well below the national median.

Planned Expenditures from Estimated Funds

Recurring ($ millions)	2015-16	2016-17	2017-18	2018-19
General Revenue	28,253.1	29,437.5	30,614.4	31,781.6
annualization		*1.9*	*0.0*	*0.0*
change from drivers		*1,182.5*	*1,176.9*	*1,167.2*
Educational Enhancement TF	1,668.9	1,733.9	1,744.3	1,794.7
change from drivers		*65.0*	*10.4*	*50.4*
State School TF	137.2	160.1	174.8	183.3
change from drivers		*22.9*	*14.7*	*8.5*
Tobacco Settlement TF	380.9	369.9	382.1	385.4
change from drivers		*(11.0)*	*12.2*	*3.3*
TOTAL	30,440.1	31,703.3	32,915.6	34,145.0
change from drivers & ann.		*1,263.2*	*1,212.3*	*1,229.4*

Nonrecurring ($ millions)	2015-16	2016-17	2017-18	2018-19
General Revenue	1,096.5	446.9	459.9	484.1
Educational Enhancement TF	(2.0)	0.0	0.0	0.0
State School TF	0.0	45.1	0.0	0.0
Tobacco Settlement TF	10.2	0.0	0.0	0.0
TOTAL	1,104.7	492.0	459.9	484.1

TOTAL ($ millions)	2015-16	2016-17	2017-18	2018-19
General Revenue	29,349.6	29,884.4	31,074.3	32,265.7
minus nonrecurring		*(1,096.5)*	*(446.9)*	*(459.9)*
plus annualization		*1.9*	*0.0*	*0.0*
plus driver impact		*1,599.0*	*1,600.2*	*1,584.2*
plus BSF impact		*30.4*	*36.6*	*67.1*
net budget impact		534.8	1,189.9	1,191.4
Educational Enhancement TF	1,666.9	1,733.9	1,744.3	1,794.7
minus nonrecurring		*2.0*	*45.1*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*65.0*	*10.4*	*50.4*
budget impact		67.0	10.4	50.4
State School TF	137.2	205.2	174.8	183.3
minus nonrecurring		*0.0*	*(45.1)*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*68.0*	*14.7*	*8.5*
budget impact		68.0	(30.4)	8.5
Tobacco Settlement TF	380.9	369.9	382.1	385.4
minus nonrecurring		*(10.2)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*(11.0)*	*12.2*	*3.3*
budget impact		(11.0)	12.2	3.3

Key Budget Driver Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2016-17 through Fiscal Year 2018-19	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
	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	(101.8)	101.8	(22.9)	22.9	(31.3)	31.3
2 Workload and Enrollment - Florida Education Finance Program	530.1	0.0	570.2	0.0	564.0	0.0
3 Adjustment to Offset Tax Roll Changes - Florida Education Finance Program	(428.1)	0.0	(507.9)	0.0	(511.4)	0.0
4 Workload and Enrollment - Voluntary Prekindergarten Education Program	1.3	0.0	4.2	0.0	3.9	0.0
HIGHER EDUCATION						
5 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased / Disabled Veterans	1.7	(17.0)	0.6	(9.5)	0.7	(4.8)
6 Educational Enhancement Trust Fund Adjustment	(48.2)	48.2	(11.7)	11.7	(32.4)	32.4
HUMAN SERVICES						
7 Medicaid Program	593.4	162.5	583.9	407.3	587.3	1,080.9
8 Kidcare Program	(0.5)	52.6	(0.1)	22.1	0.0	21.2
9 Temporary Assistance for Needy Families Cash Assistance	(3.8)	0.0	(0.7)	0.0	(0.8)	0.0
10 Tobacco Settlement Trust Fund Adjustment	11.1	(11.1)	(11.0)	11.0	(1.7)	1.7
11 Tobacco Awareness Constitutional Amendment	0.0	0.1	0.0	1.2	0.0	1.6
CRIMINAL JUSTICE						
12 Criminal Justice Estimating Conference Adjustment	0.0	0.0	5.5	0.0	3.6	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
13 State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)	23.6	0.0	13.1	0.0	11.9	0.0
GENERAL GOVERNMENT						
14 Non-Florida Retirement System Pensions and Benefits	(0.7)	0.0	0.5	0.0	0.5	0.0
15 Fiscally Constrained Counties - Property Tax	24.5	0.0	26.4	0.0	28.3	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
16 Risk Management Insurance	0.0	0.0	0.0	0.0	7.5	4.4
17 Division of Administrative Hearings Assessments	0.5	0.0	0.0	0.0	0.0	0.0
18 Increases in Employer-Paid Benefits for State Employees	60.8	40.1	103.0	71.6	112.4	78.1
19 Transition Costs for People First	0.9	0.8	0.0	0.0	0.0	0.0
Subtotal Critical Needs	**664.8**	**378.0**	**753.1**	**538.3**	**742.5**	**1,246.8**

Long-Range Financial Outlook Issues Summary Fiscal Year 2016-17 through Fiscal Year 2018-19	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
	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						
20 Workload and Enrollment - Florida Education Finance Program	126.1	0.0	31.9	0.0	35.7	0.0
21 Workload and Enrollment - Other Pre K-12 Programs	22.0	0.0	22.0	0.0	22.0	0.0
HIGHER EDUCATION						
22 Workload - Florida Colleges	43.2	0.0	43.2	0.0	43.2	0.0
23 Workload - State Universities	182.9	0.0	182.9	0.0	182.9	0.0
24 Workload - Other Higher Education Programs	24.6	0.0	25.0	0.0	22.0	0.0
25 Anticipated New Space Costs for Colleges and Universities	8.9	0.0	10.5	0.0	10.5	0.0
HUMAN SERVICES						
26 Medicaid Services	16.7	24.3	16.7	24.3	16.7	24.3
27 Children and Family Services	44.7	12.1	44.7	12.1	43.0	12.1
28 Health Services	21.9	0.0	21.9	0.0	21.9	0.0
29 Developmental Disabilities	14.2	8.8	14.2	8.8	14.2	8.8
30 Elderly Services	5.9	0.0	5.9	0.0	5.9	0.0
31 Human Services Information Technology/Infrastructure	0.0	1.3	0.1	0.9	0.4	1.3
CRIMINAL JUSTICE						
32 Justice Administration Commission - Due Process Increases	1.4	0.0	1.4	0.0	1.4	0.0
33 Department of Corrections - Fleet Replacement of Vans, Buses, and Vehicles	1.1	0.0	1.1	0.0	1.1	0.0
34 Department of Juvenile Justice - Prevention and Intervention Programs	6.2	0.0	6.2	0.0	6.2	0.0
JUDICIAL BRANCH						
35 Small County Courthouses	3.1	0.0	3.1	0.0	3.1	0.0
36 State Courts Revenue Trust Fund Shortfall	3.3	0.0	0.0	0.0	0.0	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
37 Department of Transportation Adopted Work Program (Fiscal Years 2016-2019)	0.0	7,633.3	0.0	6,452.3	0.0	6,693.4
38 Economic Development and Workforce Programs	3.2	75.7	3.2	75.7	3.2	75.7
39 National Guard Armories and Military Affairs Priorities	12.0	0.0	4.1	0.0	4.1	0.0
40 Library, Cultural, Historical, and Election Priorities	58.4	0.0	57.5	0.0	58.4	0.0
NATURAL RESOURCES						
41 Water and Land Conservation	94.0	167.8	86.1	168.0	86.1	167.7
42 Other Agriculture and Environmental Programs	126.7	0.0	127.0	0.0	127.4	0.0
GENERAL GOVERNMENT						
43 Other General Government Priorities	2.8	9.8	28.6	19.5	23.2	19.9
44 State Building Pool - General Repairs and Maintenance	17.4	8.0	17.4	8.0	17.4	8.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
45 State Employee Pay Issues	64.3	37.5	64.3	37.5	64.3	37.5
46 Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	29.2	45.1	28.1	33.6	27.4	34.3
Subtotal Other High Priority Needs	**934.2**	**8,023.7**	**847.1**	**6,840.7**	**841.7**	**7,083.0**
Total Tier 1 - Critical Needs	664.8	378.0	753.1	538.3	742.5	1,246.8
Total - Other High Priority Needs	934.2	8,023.7	847.1	6,840.7	841.7	7,083.0
Total Tier 2 - Critical Needs Plus Other High Priority Needs	1,599.0	8,401.7	1,600.2	7,379.0	1,584.2	8,329.8

Key Budget Drivers

Beginning with the Fiscal Year 2012-13 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)

The Fiscal Year 2015-16 General Appropriations Act provides funding through the Florida Education Finance Program (FEFP) in the amount of $7,105[6] in total funds per unweighted full-time equivalent (FTE) student. Key Budget Drivers #1 through #3 reflect the total state funding necessary to maintain the Fiscal Year 2015-16 level of funding throughout the forecast period.

1. Maintain Current Budget – Florida Education Finance Program

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 per student, 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.

The Outlook provides a net total of $102.0 million (for Drivers #1 through #3) in recurring funds as Critical Needs funding in Fiscal Year 2016-17 in order to maintain the Fiscal Year 2015-16 FEFP budget. First, the revenue estimating conferences held in July and August 2015 projected revenue increases in both the Educational Enhancement Trust Fund (EETF) and the State School Trust Fund (SSTF). The SSTF is appropriated exclusively for the K-12 system. EETF funds are distributed across both the K-12 and higher education systems. For Driver #1, the increase in estimated revenue, as compared to recurring appropriations, results in a reduced need for General Revenue funds in the K-12 system in Fiscal Year 2016-17 of $101.8 million to offset adjustments made from the EETF appropriations of $33.8 million[7] and the SSTF appropriations of $68.0 million.

6 As of the 2015-16 FEFP 2nd Calculation available here: http://www.fldoe.org/core/fileparse.php/7507/urlt/2015-16-FEFP-2nd-Calculation.pdf.

7 See Driver #6.

2. Workload and Enrollment – Florida Education Finance Program

Local ad valorem funds and state funds, including General Revenue and available EETF and SSTF revenues, are provided as Critical Needs funding for projected enrollment growth in the FEFP.

Enrollment growth for the three forecast years is based on estimates from the July 2015 Education Estimating Conference. Enrollment growth is estimated to cost $102.0 million for the additional 25,877 FTE in Fiscal Year 2016-17, $62.3 million for the additional 15,802 FTE in Fiscal Year 2017-18, and $52.6 million for the additional 13,334 FTE in Fiscal Year 2018-19. Enrollment over the three-year forecast period is estimated to increase in total by 55,013 FTE.

Further, funding is provided for the FEFP to offset the reduction in state funding as a result of the growth in ad valorem revenues (Driver #3) for each of the three years in the Outlook.

As a result, $530.1 million, $570.2 million, and $564.0 million is provided for Fiscal Years 2016-17, 2017-18, and 2018-19, respectively, to maintain the total state funds per student compared to the prior year, including forecasted enrollment growth, as shown in the table below.

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Workload and Enrollment – FEFP	$530.1 million	$570.2 million	$564.0 million

3. Adjustment to Offset Tax Roll Changes – Florida Education Finance Program

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 General Appropriations Act. Each district's millage rate is subsequently determined by the Commissioner of Education based on the statewide average following certification of the school taxable value by the Department of Revenue.

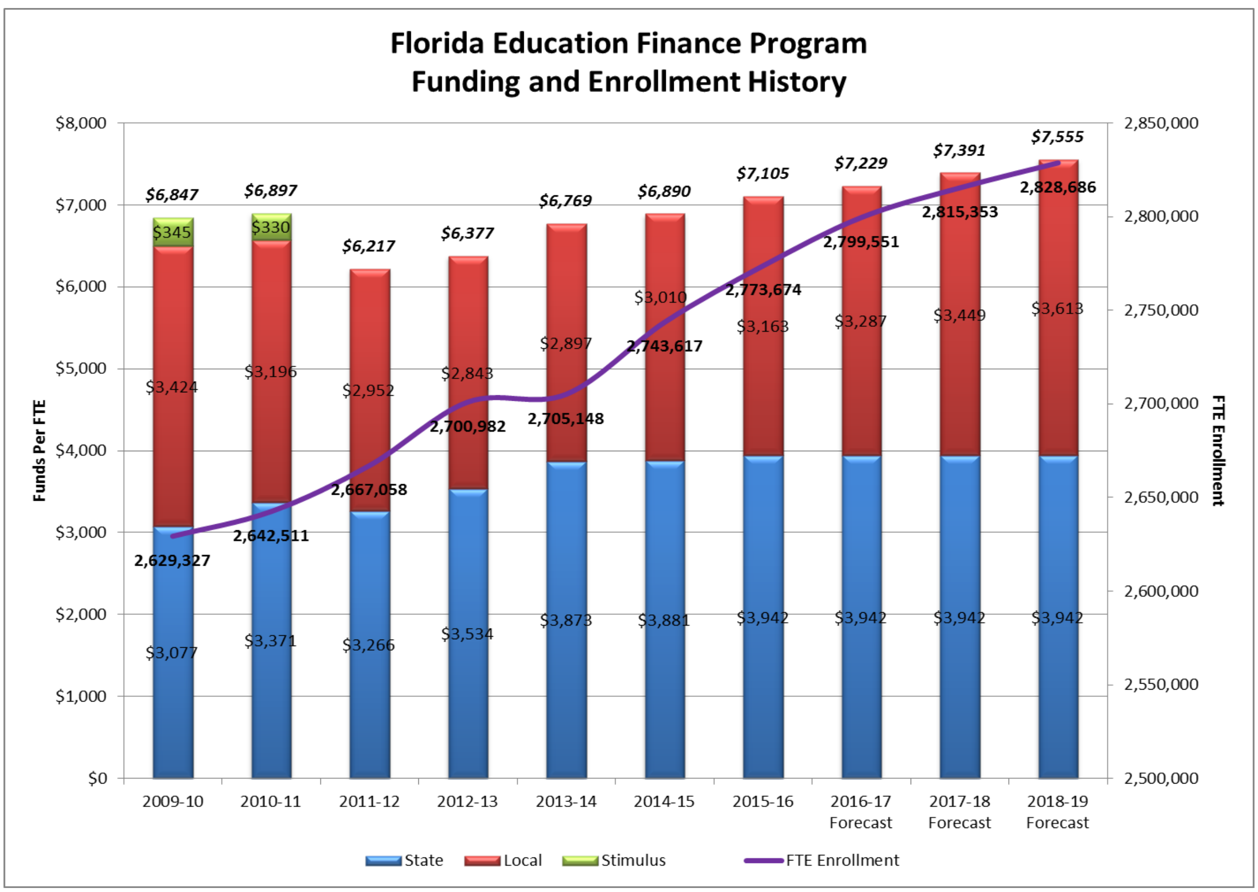
Funding projections for the FEFP are based on maintaining the Fiscal Year 2015-16 certified millage rates (i.e., 4.984 for RLE and .748 for potential discretionary) throughout the three-year forecast period. The tax rolls for Fiscal Years 2016-17 through 2018-19, as projected by the July 2015 Revenue 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 with a commensurate reduction in state funds. However, because Workload and Enrollment (Driver #2) provides funding to maintain state funds per FTE in the forecast Fiscal Years, the reduction in state funding is offset.

Ad Valorem Revenue	Fiscal Year 2015-16*	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
School Taxable Value Growth		5.15%	5.79%	5.49%
FEFP Ad Valorem Revenue	$8,773 million	$9,201 million	$9,709 million	$10,220 million
Increase in Ad Valorem Revenue		$428.1 million	$507.9 million	$511.4 million
Adjustment to Offset Tax Roll Changes		($428.1) million	($507.9) million	($511.4) million

** 2015-16 is based on the FEFP 2nd calculation using the certified school taxable value and millage rate.*

The combination of Key Budget Drivers #1 through #3 maintains the level of total state funds per student for Fiscal Years 2016-17 through 2018-19.

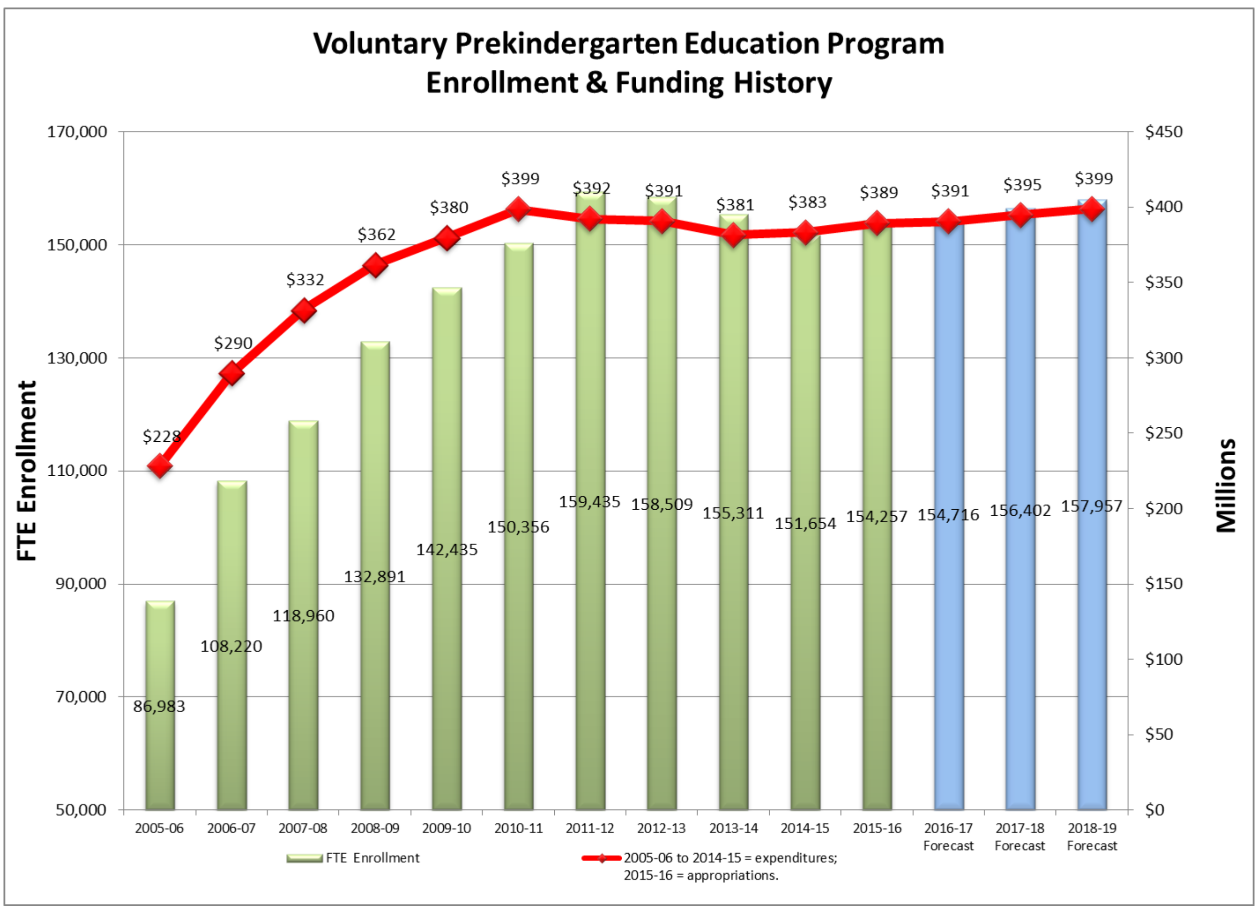
Key Budget Drivers #1 - #3 Results	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Workload and Enrollment	$530.1 million	$570.2 million	$564.0 million
Adjustment to Offset Tax Roll Changes	($428.1) million	($507.9) million	($511.4) million
FEFP State Funds Needed in the Outlook	**$102.0 million**	**$62.3 million**	**$52.6 million**



4. Workload and Enrollment – Voluntary Prekindergarten Education Program

The Voluntary Prekindergarten Education (VPK) program is a free prekindergarten education program established by the Legislature in 2004 pursuant to an amendment to the Florida Constitution. Enrollment is voluntary, and the program is offered to eligible Florida resident four-year-old children by either public schools or private providers. Effectiveness of the program is determined by a kindergarten screening that assesses the readiness of each child upon entry to kindergarten. Each readiness coalition receives appropriated funds for the VPK program by assigning either a summer or regular school year base student allocation to the number of FTE students forecasted to be served in each region which is then adjusted by a cost differential and a four percent administrative factor.

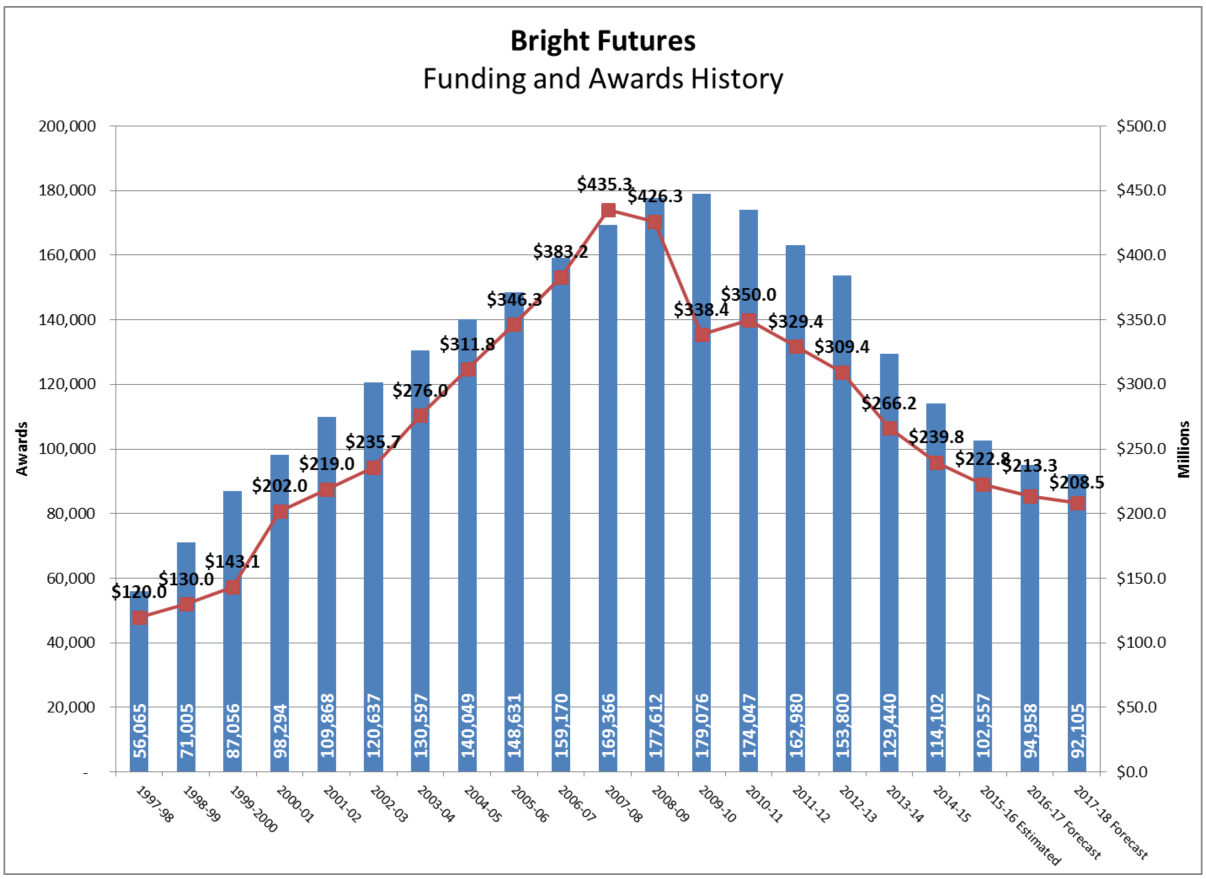
Critical Needs funding from state sources is projected for enrollment increases in the VPK program, as determined by the July 2015 Early Learning Programs Estimating Conference. Enrollment changes are estimated to cost $1.3 million based on a projected increase of 458 FTE in Fiscal Year 2016-17, $4.2 million for an additional 1,686 FTE in Fiscal Year 2017-18, and $3.9 million for an additional 1,555 FTE in Fiscal Year 2018-19. Total enrollment growth over the three-year forecast period is estimated to be 3,699 FTE. Funding per student is maintained at the Fiscal Year 2015-16 base student allocation (BSA) amount of $2,437 for the school year program and $2,080 for the summer program for each of the forecast years.



Higher Education (Drivers #5 & #6)

5. Workload and Enrollment – Bright Futures and Children and Spouses of Deceased/ Disabled Veterans

The Bright Futures Scholarship program is a merit-based scholarship program that provides college scholarships to students who achieve certain academic levels in high school. Critical Needs funding is projected for the Bright Futures program based on the number of eligible recipients projected by the July 2015 Student Financial Aid Estimating Conference through Fiscal Year 2018-19. The forecast projects 21,997 fewer eligible students for Bright Futures over the three-year period due to increased eligibility requirements for the awards. The decline in eligible enrollment results in a decrease of EETF funding needed for the program of $17.0 million in Fiscal Year 2016-17, $9.5 million in Fiscal Year 2017-18, and $4.8 million in Fiscal Year 2018-19.



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. The Fiscal Year 2015-16 General Appropriations Act includes a nonrecurring appropriation of $353,397 for the CSDDV program funded from the State Student Financial Assistance Trust Fund. These funds will need to be replaced with General Revenue during the 2016-17 fiscal year. In addition, increased recurring General Revenue funding of $1,343,872 in Fiscal Year 2016-17, $627,965 in Fiscal Year 2017-18, and $652,077 in Fiscal Year 2018-19 is provided for CSDDV eligible recipients. Increased funding is based on increased enrollment projections adopted by the Student Financial Aid Estimating Conference.

6. Educational Enhancement Trust Fund Adjustment

The Long Range Financial Outlook anticipates increased EETF revenues, and decreased budget requirements for funding the Bright Futures program (Driver #5) in each year of the plan. For Fiscal Year 2016-17, after maintaining a $57.3 million reserve balance, an additional $81.9 million in EETF funds allows a fund shift between General Revenue and EETF. Likewise, these combined additional revenues and lower budget requirements for the Bright Futures program allow for fund shifts between General Revenue and EETF of $19.9 million in 2017-18, and $55.2 million in 2018-19.

The fund shifts are distributed to K-12 and higher education programs based on the proportionate share of appropriated EETF funds in Fiscal Year 2015-16. In the higher education system, $48.2 million is shifted from General Revenue to EETF with the remaining balance ($33.8 million) being shifted to EETF in the K-12 system (Driver #1). Likewise, in 2017-18, the fund shifts from General Revenue to EETF are $11.7 million in higher education and $8.2 million in K-12. In 2018-19, the fund shifts from General Revenue to EETF are $32.4 million in higher education and $22.8 million in K-12.

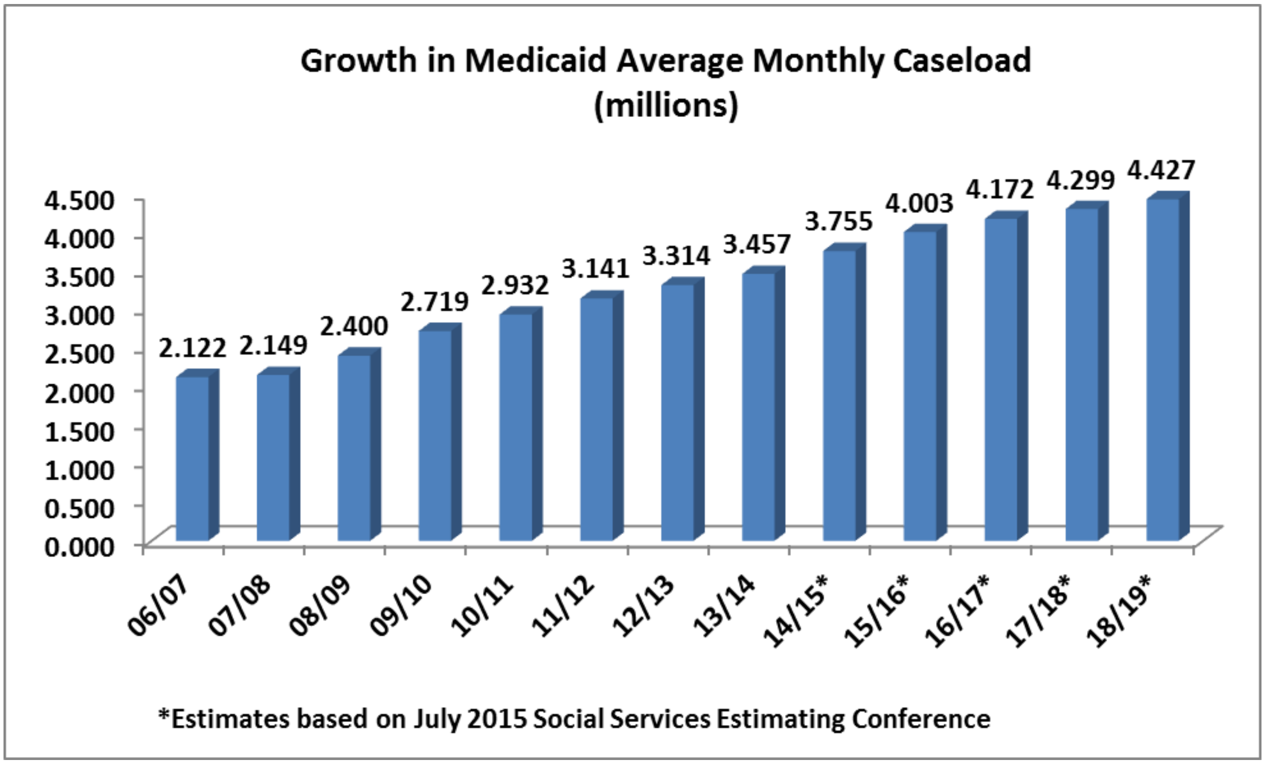
Human Services (Drivers #7 - #11)

7. Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income children, 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 31.4 percent of the total state budget, and is also the largest source of federal funding for the state.

Caseload – In Fiscal Year 2015-16, Medicaid caseloads enrollment is expected to grow by 247,327 to just over 4.0 million beneficiaries, a 6.6 percent increase from Fiscal Year 2014-15.

Enrollment is expected to continue increasing in the forecast years, but at slower rates than in the 2015-16 fiscal year. Enrollment in Fiscal Year 2016-17 is forecast to rise to nearly 4.2 million beneficiaries, an increase of 4.2 percent from the previous year. Enrollment is forecast to increase to almost 4.3 million beneficiaries in Fiscal Year 2017-18, a 3.1 percent increase over the previous year. Medicaid enrollment is expected to increase again in Fiscal Year 2018-19 to over 4.4 million beneficiaries, a 3.0 percent increase over the previous year.

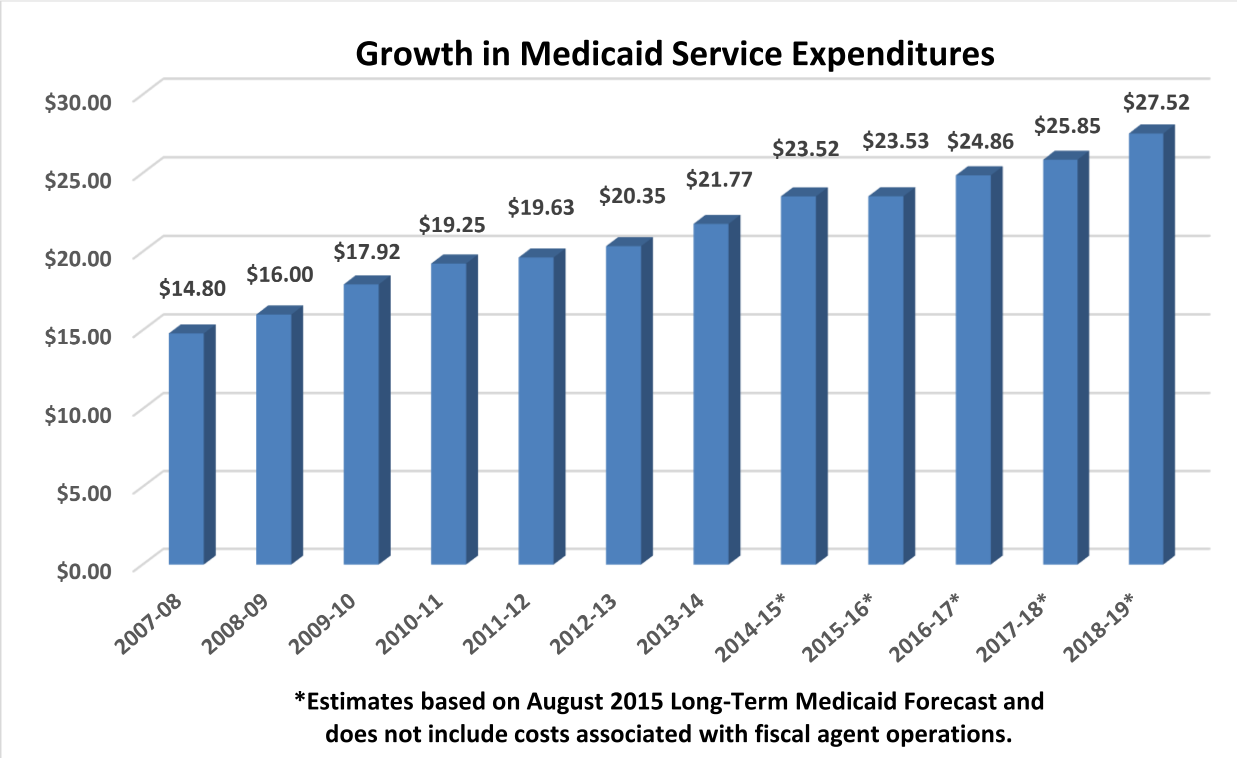


Medicaid Caseload Estimates

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Caseload	4,002,642	4,172,186	4,299,363	4,426,588
Increase		169,544	127,177	127,225
Percent		4.24%	3.05%	2.96%

Expenditures – In Fiscal Year 2015-16, Medicaid service expenditures are expected to increase to $23.5 billion. Total Medicaid expenditures are expected to increase to $24.9 billion in Fiscal Year 2016-17, a 5.7 percent increase from the previous fiscal year. In Fiscal Year 2017-18, expenditures are expected to increase to $25.9 billion, a 4.0 percent increase, and expenditures of $27.5 billion are expected for Fiscal Year 2018-19, an increase of 6.5 percent over Fiscal Year 2017-18.

[SEE GRAPH ON FOLLOWING PAGE]



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

	Appropriation Base**	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
FMAP Rate* **	60.43%	61.19%	61.50%	61.74%
Expenditures				
General Revenue	$5,828.6**	$6,430.1	$7,017.4	$7,607.3
Increase		$601.6	$587.3	$589.9
Percent		10.32%	9.13%	8.41%

* Estimate based on August 2015 Social Services Estimating Conference and does not include ($8,128,741) in state matching funds in other departments for Fiscal Year 2016-17; ($3,315,670) adjustment for Fiscal Year 2017-18; and ($2,566,971) in Fiscal Year 2018-19. *Additionally, expenditures include increased costs associated with Fiscal Agent operations.*

** Reflects the Fiscal Year 2015-16 recurring appropriation plus annualizations.

*** Reflects the State Fiscal Year real-time FMAP blend agreed upon at the August 2015 Social Services Estimating Conference.

The Outlook includes an increase in recurring General Revenue funds for Medicaid expenditures of $601.6 million in Fiscal Year 2016-17, $587.3 million in Fiscal Year 2017-18, and $589.9 million in Fiscal Year 2018-19. This includes Medicaid state matching funds that are budgeted in other health and human services departments. The net increase in expenditures includes a reduction in recurring General Revenue funds for these agencies in the amounts of $8,128,741 in Fiscal Year 2016-17, a reduction of $3,315,670 for Fiscal Year 2017-18, and a reduction of $2,566,971 in Fiscal Year 2018-19, due to changes in the Federal Medical Assistance Percentage (FMAP) rate, which is the federal financial participation rate.

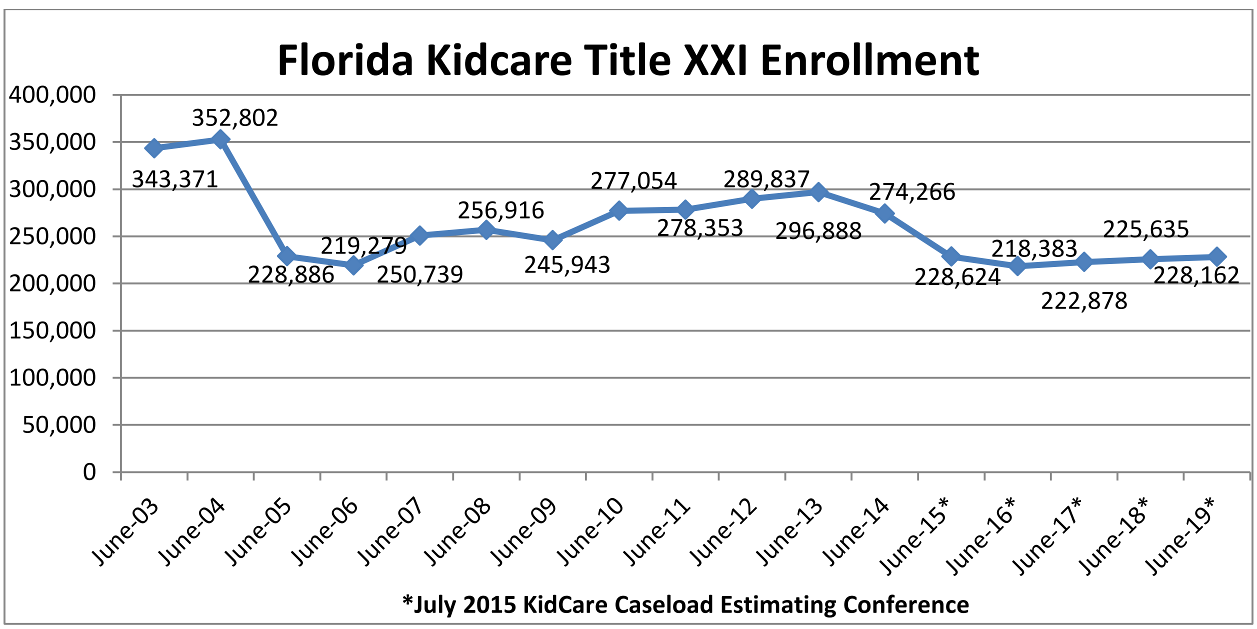
Major policy assumptions and projections for Critical Needs related to Medicaid expenditures for the forecast period are described below:

> **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, fiscal agent operations, and inflation are projected based on historical trends and methodologies used by the August 2015 Social Services Estimating Conference (SSEC).

8. Kidcare Program

The federal Children's Health Insurance Program (CHIP – Title XXI of the Social Security Act) has been implemented in Florida as the Kidcare Program, which 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 ($48,500 for a family of four in 2015). The CHIP is a federal and state matching program. The state participation for Florida is 10.45 percent, and the federal participation is 89.55 percent for Fiscal Year 2015-16. The Title XXI caseload as of June 2015 was 187,476. There were 41,148 additional children enrolled in the program who are non-Title XXI eligible, for a total program enrollment of 228,624.

The Patient Protection and Affordable Care Act (PPACA) provides that, effective October 1, 2015, through September 30, 2019, the FMAP for children enrolled in the Kidcare program will rise by 23 percentage points but will not exceed 100 percent. This will cause Florida's weighted Kidcare FMAP to increase to an estimated 89.55 percent in Fiscal Year 2015-16, 95.83 percent in Fiscal Year 2016-17, 96.05 percent in Fiscal Year 2017-18, and 96.22 percent in Fiscal Year 2018-19. These increases in the Kidcare FMAP will be accompanied by significant reductions in the state funds required for the Kidcare program during the forecast years. The chart below reflects caseload numbers as of June 30 of each year, while the expenditures shown in the table on the following page reflect estimates adopted by the SSEC.



Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Caseload	218,383	222,878	225,635	228,162
Increase		4,495	2,757	2,527
Percent		2.06%	1.24%	1.12%

	Appropriation Base*	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Expenditures				
FMAP Rate**	89.55%	95.83%	96.05%	96.22%
General Revenue	$17.85	$17.39	$17.33	$17.35
Increase/(Decrease)		($0.46)	($0.06)	$0.02
Percent		(2.59%)	(0.32%)	0.14%

* Reflects the Fiscal Year 2015-16 recurring appropriation plus annualizations.
** Weighted FMAP

The Outlook includes a decrease in recurring General Revenue funds for Kidcare expenditures of $0.46 million in Fiscal Year 2016-17, a decrease of $0.06 million in Fiscal Year 2017-18, and an increase of $0.02 million in Fiscal Year 2018-19.

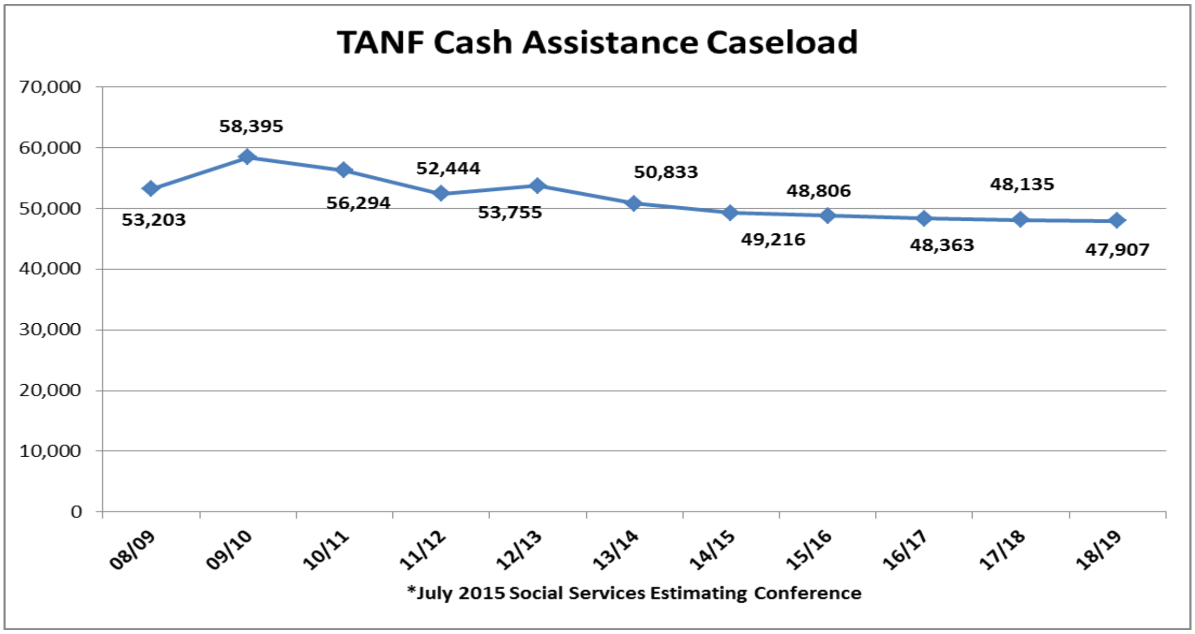
Major policy assumptions and projections for Critical Needs related to Kidcare expenditures for the forecast period are described below:

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, and inflation are projected based on historical trends and methodologies used by the July 2015 Caseload SSEC and the August 2015 Expenditure SSEC.

9. Temporary Assistance for Needy Families 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 2015-16.

The Outlook includes a decrease in recurring General Revenue funds for TANF expenditures of $3.8 million, $0.7 million, and $0.8 million in Fiscal Year 2016-17, Fiscal Year 2017-18, and Fiscal Year 2018-19, respectively. The decreases are primarily due to a projected decline in caseload.



Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Caseload	48,806	48,363	48,135	47,907
Increase/(Decrease)		(443)	(228)	(228)
Percent		(0.9%)	(0.5%)	(0.5%)

	Appropriation Base*	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Total Program Expenditures	$161.1	$157.4	$156.7	$155.9
Increase/(Decrease)		($3.8)	($0.7)	($0.8)
Percent		(2.33%)	(0.44%)	(0.49%)

*Reflects the Fiscal Year 2015-16 recurring appropriation plus annualizations.
Source: July 2015 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 are projected based on historical trends and methodologies used by the July 2015 SSEC.

10. Tobacco Settlement Trust Fund Adjustment

The Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds based on projected funds available in the Tobacco Settlement Trust Fund over the three-year forecast period. The Outlook also maintains a reserve of $12.5 million for Fiscal Years 2016-17 through 2018-19. This adjustment is distributed within the Health and Human Service program area.

11. Tobacco Awareness Constitutional Amendment

A constitutional amendment passed during the November 2006 General Election that required the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program. The program uses tobacco settlement money primarily to 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.

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

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Expenditures	**$68.0**	**$68.1**	**$69.4**	**$71.0**
Increase		**$0.1**	**$1.2**	**$1.6**
Percent		**0.20%**	**1.80%**	**2.30%**

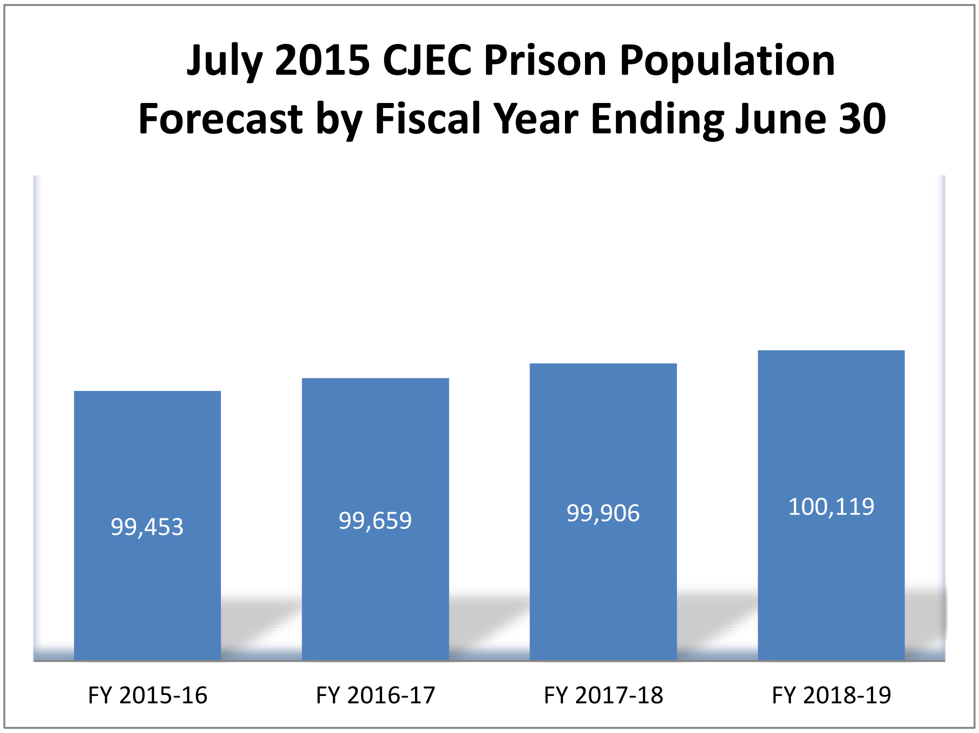
Major policy assumptions and projections for the forecast period are described below:

- **National Economic Estimating Conference** – The estimated tobacco expenditures from the July 2015 Revenue Estimating Conference are adjusted by applying the Consumer Price Index from the July 2015 National Economic Estimating Conference.

Criminal Justice (Driver #12)

12. Criminal Justice Estimating Conference Adjustment

The Criminal Justice Estimating Conference (CJEC) projects that Florida's prison population will increase by approximately 0.67 percent over 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. However, while the prison population is projected to be 666 higher in Fiscal Year 2018-19 than in Fiscal Year 2015-16, construction of new facilities will not be required during that time period due to the current surplus of prison beds.



Source: Criminal Justice Estimating Conference (July 28, 2015)

Operational cost drivers include prison security and institutional operations, food service, inmate health services, and educational and substance abuse programming for inmates. To calculate projected costs, a baseline average annual rate was calculated by dividing DOC's Fiscal Year 2015-16 approved budget for Security and Institutional Operations, Health Services, and Education and Programs by the projected Fiscal Year 2015-16 population as funded in the General Appropriations Act. This resulted in an average rate of $52.37 per inmate per day (General Revenue only). This per-diem only includes security and institutional costs. The agency-wide administrative costs allocated to security and institutional operations for Fiscal Year 2015-16 are $1.66 per inmate per day.

The CJEC originally assumed a higher prison population in Fiscal Year 2015-16 than it adopted in July 2015; the new estimate of 99,453 is 837 lower than anticipated in the current year's General Appropriations Act. Consequently, the Outlook identifies no need for additional General Revenue in Fiscal Year 2016-17. However, the Outlook for the subsequent years is built on the assumption that the Legislature will adjust the level of funding in the current year and provides increased funding of $5.5 million in Fiscal Year 2017-18 and $3.6 million in Fiscal Year 2018-19.

Transportation and Economic Development (Driver #13)

13. State Match for Federal Emergency Management Agency Funding – 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 includes $23.6 million of nonrecurring General Revenue in Fiscal Year 2016-17, $13.1 million in Fiscal Year 2017-18, and $11.9 million in Fiscal Year 2018-19, 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. 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.

General Government (Drivers #14 & #15)

14. Non-Florida Retirement System Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services (DMS) is responsible for administering non-FRS pension and benefit programs, such as those for the Florida National Guard and disabled justices and judges. 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. The Outlook includes funds for the non-FRS pension and benefit programs based on estimates provided by the DMS, Division of Retirement, as follows: a reduction of $0.7 million in recurring General Revenue for Fiscal Year 2016-17, an additional $0.5 million in recurring General Revenue for Fiscal Year 2017-18, and an additional $0.5 million in recurring General Revenue for Fiscal Year 2018-19.

15. 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 the Special Election held 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.

The Outlook includes funds for the fiscally constrained counties based on the Revenue Estimating Conference held on August 6, 2015: $24.5 million in nonrecurring General Revenue for Fiscal Year 2016-17; $26.4 million for Fiscal Year 2017-18; and $28.3 million for Fiscal Year 2018-19.

Administered Funds and Statewide Issues (Drivers #16 - #19)

16. 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 Self-Insurance Estimating Conference held on July 28, 2015, to estimate costs and determine General Revenue and trust fund allocations to the various agencies. Additional funds are not needed for the 2016-17 and 2017-18 fiscal years; however, an additional $7.5 million in recurring General Revenue and $4.4 million from recurring trust funds for Fiscal Year 2018-19 are included in the Outlook.

17. 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 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 year's hearing hours. The hours vary from year to year, and each agency has different funding sources. Agencies range from paying all of the assessments with trust funds to agencies paying all with General Revenue, with a few agencies using a mix of both General Revenue and trust funds to pay the assessment. Based on actual hearing hours utilized by agencies in Fiscal Year 2014-15, an additional $0.5 million in recurring General Revenue is included in the Outlook for Fiscal Year 2016-17.

18. Increases in Employer-Paid Benefits for State Employees

<u>Health Insurance</u> – Total expenses associated with the state employee health insurance program are expected to increase by $203.6 million in Fiscal Year 2016-17, $236.1 million in Fiscal Year 2017-18, and $282.3 million in Fiscal Year 2018-19. When the Legislature appropriates additional funds to maintain the solvency of the program, approximately 59 percent of employer-funded premium increases are funded with General Revenue funds and 41 percent with trust funds.

The increases in expenses are based on assumptions that the plan will experience a 6.5 percent average annual increase in Health Maintenance Organization (HMO) premium payments, 7.5 percent average annual growth in HMO medical claims, 12.7 percent average annual growth in HMO pharmacy claims, 7.0 percent average annual growth in Preferred Provider Organization (PPO) medical claims, and 14.3 percent average annual growth in PPO 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.

In order to meet expenses and maintain a working balance of approximately $90 million in the State Employees' Group Health Insurance Trust Fund at the end of the three-year period, the Outlook assumes an 8 percent annual increase in employer paid premium contributions on December 1, 2015, December 1, 2016, and December 1, 2017. Under these assumptions, state contributions are expected to increase by $57.1 million of General Revenue and $39.6 million from trust funds in Fiscal Year 2016-17, $103.0 million of General Revenue and $71.6 million from trust funds in Fiscal Year 2017-18, and $112.4 million of General Revenue and $78.1 million from trust funds in Fiscal Year 2018-19. No changes to the insurance program or to employee paid premium contributions are assumed in the Outlook.[8]

Florida Retirement System – The 2015 Legislature provided full funding for Normal Costs and Unfunded Actuarial Liability of the FRS. Consequently, no additional expenditures are projected during the Outlook period. The 2015 Actuarial Valuation, due December 1, 2015, may result in an adjustment to this projection; however, the adjustments, should they occur, are not expected to be substantial.

Any significant changes to the major actuarial assumptions or actuarial methods used for the FRS could potentially have a significant impact on the FRS contribution rates proposed by the Actuary, and thus the projected monetary needs for the FRS as included in this forecast.

Employers are assessed a fee, in addition to the employer contributions for the FRS, to fund the administrative and educational services provided by the State Board of Administration (SBA) to FRS members. The assessment is currently .04 percent (4 basis points) of employee compensation. Due to a reduction in the available amounts of pension plan and investment plan forfeiture funds previously used to pay for a portion of these services, an increase of 2 basis points is needed to continue existing educational and administrative functions of the SBA. This would mean that employer contributions would need to increase by $3.7 million of General Revenue and $0.5 million from trust funds in Fiscal Year 2016-17.

19. Transition Costs for People First

The Department of Management Services is currently working on procuring a new contract for the state's Human Resource Information System known as People First. A business case that was completed on January 31, 2014, stated that significant savings could be achieved over the life of a new contract if transition funds were set aside for future need. The transition funds would only be used if a new vendor was selected. An appropriation of $9.9 million for transition costs was provided and placed in reserve in Fiscal Year 2015-16 pending the transition to a new vendor.

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[8] Beginning January 1, 2018, PPACA imposes an excise tax of 40 percent on the cost of health care coverage (the "Cadillac" tax) that exceeds a certain annual limit ($10,200 for individual coverage and $27,500 for family coverage). The Outlook does not include an estimate of any liability for the "Cadillac" tax. The Division of State Group Insurance does not know whether the state employee health insurance program will be subject to the tax and is retaining a consultant to review it and its implications, but does not expect that any tax that would result would be due and payable before the 2019-20 fiscal year (i.e. outside the three-year period of the Outlook). Nevertheless, federal health care policy can and does shift without legislation. Further federal clarification regarding the implementation of this tax could cause the state employee health insurance program to incur costs earlier than presently expected, absent changes to the insurance programs. The most recent estimate of the potential cost of the tax is $7.2 million during the 2019-20 fiscal year.

The Outlook includes $1.7 million for transition costs for Fiscal Year 2016-17, with $0.9 million in nonrecurring General Revenue and $0.8 million in trust funds.

Other High Priority Needs

Pre K-12 Education (Drivers #20 & #21)

A four-year average increase of 2.40 percent in total funds per FTE was used for the FEFP to offset the effect of the $1 billion reduction and the restoration of that reduction during the 2012-13 and 2013-14 fiscal years, respectively. The same four-year appropriation increase average approach was used for the estimates for the Voluntary Prekindergarten program and the Florida School for the Deaf and the Blind, to align the other Pre K-12 programs in Other High Priority Needs estimates.

20. Workload and Enrollment – Florida Education Finance Program

Other High Priority Needs funding is provided for the FEFP based on the appropriated four-year average percent increase in funds per FTE, which is equivalent to 2.40 percent. A 2.40 percent increase per FTE requires $126.1 million, $31.9 million, and $35.7 million of recurring General Revenue funds for the FEFP for Fiscal Years 2016-17, 2017-18, and 2018-19, respectively. This funding supplements the Critical Needs funding for the FEFP in Drivers #1, #2, and #3 (see results table in Driver #3).

21. Workload and Enrollment – Other Pre K-12 Programs

Other High Priority Needs funding is provided for the VPK program based on the four-year average percent increase in the summer and regular school year base student allocations, which is equivalent to a 0.62 percent increase. The resulting base student allocations of $2,093 for the summer program and $2,452 for the school year program are then applied to the forecast years to produce a $2.4 million increase in recurring General Revenue funds for each year of the Outlook. This funding supplements the Critical Needs funding for VPK provided in Driver #4.

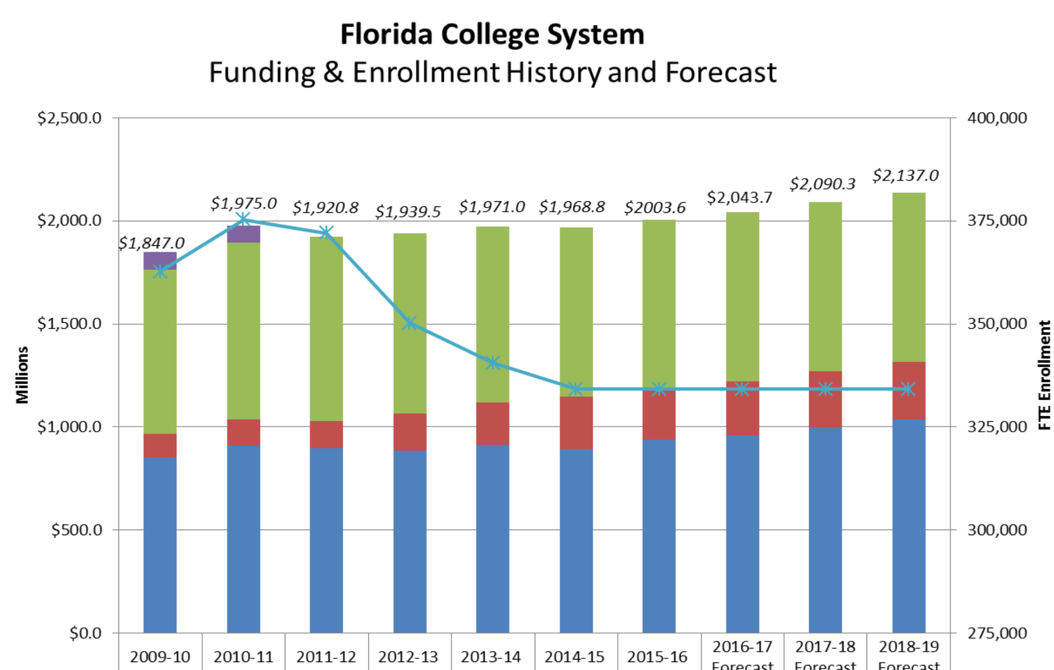
Other High Priority Needs funding is also provided for the Florida School for the Deaf and the Blind (FSDB). The school is a fully accredited state public school located in St. Augustine for approximately 1,000 Pre K and K-12 deaf/hard of hearing, blind/visually impaired, and special needs students who are either residential, day, or out-reach students. Funds are provided based on the four-year average increase of appropriations for school operations in the amount of $1.3 million of recurring General Revenue funds for each of the three forecast years.

Other High Priority Needs funding is also provided for the Florida Personal Learning Scholarship Accounts Program (PLSA). The PLSA allows parents to personalize the education of their children with unique abilities by enabling them to use the funds for a combination of services and programs. These may include tuition and fees, therapy, curriculum, technology, and college savings accounts. Funds are provided based on the three-year average increase of appropriations for scholarships in the amount of $18.3 million of recurring General Revenue funds for each of the three forecast years.

Higher Education (Drivers #22 - #25)

22. Workload – Florida Colleges

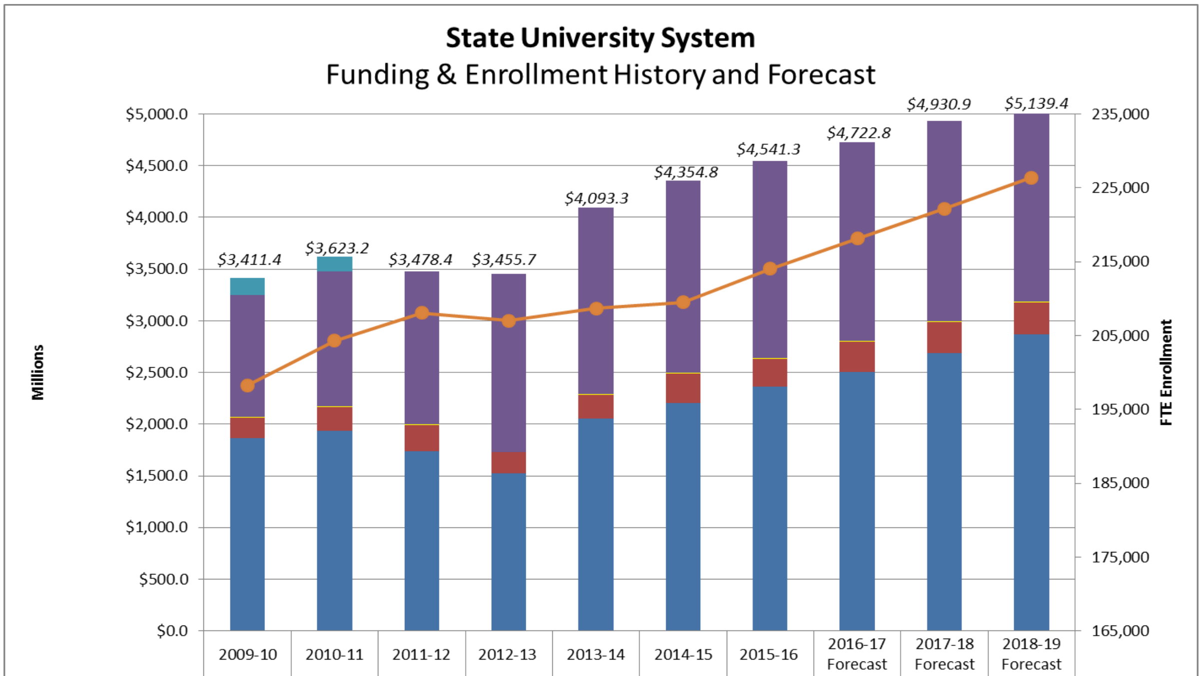
Other High Priority Needs funding includes increases for Florida colleges based on the three-year average appropriation increase of $43.2 million for each year of the Outlook. The three-year average appropriation does not include FRS adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2016-17 and 2018-19. These issues are accounted for as separate drivers in the Outlook. The chart below provides historical funding and enrollment data for Florida colleges, as well as funding projections for the 2016-17, 2017-18, and 2018-19 fiscal years from state resources. Tuition revenue projections and enrollment are held constant over the three-year period.



	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast
Stimulus	$83.3	$83.0								
Tuition	$795.4	$855.0	$893.2	$873.3	$852.0	$821.7	$821.7	$821.7	$821.7	$821.7
EETF	$117.0	$127.0	$130.4	$180.8	$204.9	$255.0	$244.9	$262.9	$267.3	$279.4
General Revenue	$851.3	$910.0	$897.2	$885.4	$914.1	$892.1	$937.0	$959.1	$1,001.4	$1,036.0
FTE Enrollment	362,630	375,292	372,050	350,109	340,556	334,178	334,178	334,178	334,178	334,178

23. Workload – State Universities

Other High Priority Needs funding includes workload increases for the State University System (SUS) based on the three-year average appropriation increase of $182.9 million for each year of the Outlook. This average increase consists of a $176.2 million workload increase for Education and General activities and a $6.7 million workload increase for the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The calculated average appropriation does not include FRS adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2016-17 and 2018-19. These issues are accounted for as separate drivers in the Outlook. The three-year average appropriation increase includes only the incremental increases related to new funding issues for each of the three prior fiscal years.



	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast
Stimulus	$161.3	$146.9								
Tuition	$1,180.1	$1,303.7	$1,480.4	$1,724.4	$1,802.6	$1,861.2	$1,902.3	$1,920.2	$1,938.4	$1,957.0
Phosphate TF	$7.3	$7.3	$7.3	$5.0	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1
EETF	$201.2	$230.7	$253.9	$199.9	$234.8	$284.8	$273.6	$293.6	$298.5	$312.1
General Revenue	$1,861.5	$1,934.6	$1,736.8	$1,526.4	$2,050.8	$2,203.7	$2,360.3	$2,503.9	$2,688.9	$2,865.2
FTE Enrollment	198,255	204,310	208,089	207,023	208,680	209,512	214,022	218,139	222,168	226,373

24. Workload – Other Higher Education Programs

Other High Priority Needs funding includes General Revenue increases of approximately $6.1 million for Florida Student Financial Assistance Grants (FSAG) and $13.2 million for the Florida Resident Access Grants (FRAG) and Access to Better Learning and Education (ABLE) Grants in each year of the Outlook. The increased funding estimates are based on the three-year average appropriations for these programs.

Other High Priority Needs funding also includes General Revenue increases for the Florida National Merit Scholar Incentive Program of $5.2 million in Fiscal Year 2016-17, $5.7 million in Fiscal Year 2017-18, and $2.6 million in Fiscal Year 2018-19. This award is equal to the cost of attendance (including tuition and fees, room and board, and other expenses) at a public postsecondary educational institution, minus the amount of the student’s Bright Futures Scholarship and National Merit Scholarship or National Achievement Scholarship. Increased funding is based on increased enrollment projections adopted by the July 2015 Student Financial Aid Estimating Conference.

25. Anticipated New Space Costs for Colleges and 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 approved by the Legislature through the education capital outlay process are anticipated to come on-line during the Outlook period. The Outlook includes $8.9 million for Fiscal Year 2015-16 based on a three-year appropriation average minus annualized costs from Fiscal Year 2015-16, which are included in another section of the Outlook. Estimates for Fiscal Years 2017-18 and 2018-19 are based on a three-year appropriation average of $10.5 million.

Human Services (Drivers #26 - #31)

26. Medicaid Services

The Outlook includes additional funding for Medicaid Waiver slots for the elderly and for individuals with brain and spinal cord injuries and for Medicaid provider rate increases based on three-year averages. These Other High Priority Needs provide the Agency for Health Care Administration, the Department of Health, and the Department of Elder Affairs with $16.7 million ($0.8 million nonrecurring) in General Revenue funds for Fiscal Years 2016-17, 2017-18, and 2018-19.

27. Children and Family Services

The Outlook restores nonrecurring funds in Fiscal Year 2016-17 and 2017-18 for a claim bill and uses three-year appropriation averages to determine the funding needs for the anticipated growth of the following: Children's Community Action Teams (CATs) that provide wrap-around mental health services for youth and adolescents; maintenance adoption subsidies; Community-Based Care (CBC) lead agencies that provide child welfare services; child protection and abuse investigations; grants to sheriffs that perform child abuse investigations in lieu of the department; homeless coalitions providing direct services to transient populations; and, substance abuse and mental health initiatives through community-based providers. These Other High Priority Needs increase General Revenue funds for the Department of Children and Families by $44.7 million ($20.0 million nonrecurring) for Fiscal Years 2016-17 and 2017-18. For Fiscal Year 2018-19, this amount decreases to $43.0 million ($18.3 million nonrecurring) as the funding requirements of the claim bill will have been satisfied.

28. Health Services

The Outlook includes additional funding for the Early Steps program, biomedical research, an endowed cancer research chair, and child protection teams based on three-year appropriation averages.

The Early Steps program is Florida's early intervention system that offers support services to families and caregivers with infants and toddlers with significant delays or a condition likely to result in a developmental delay.

The biomedical research funding encompasses several statewide initiatives through grant opportunities and supplemental funding. These programs include James and Esther King Biomedical Research Program, Bankhead-Coley Cancer Research Program, H. Lee Moffitt Cancer Center and Research Institute, Sylvester Cancer Center at the University of Miami, Shands Cancer Hospital at the University of Florida, Sanford-Burnham Medical Research Institute, Torrey Pines Institute for Molecular Studies, Vaccine and Gene Therapy Institute (VGTI) of Florida, Scripps Research Institute, and Roskamp Institute for Oncology.

The endowed cancer research chair attracts and retains experienced research talent and national grant-producing researchers to integrated cancer research and care institutions in Florida. The chair is responsible for facilitating coordination among Florida’s research institutions in the areas of cancer research.

The Child Protection Team program is a medically directed, multidisciplinary program that works with local sheriffs’ offices and the Department of Children and Family Services in cases of child abuse and neglect to supplement investigative activities. Child Protection Teams provide expertise in evaluating alleged child abuse and neglect, assessing risk and protective factors, and providing recommendations for interventions to protect children and enhance a caregiver's capacity to provide a safer environment when possible.

These Other High Priority Needs increase General Revenue funds for the Department of Health by $21.9 million ($10.8 million nonrecurring) for Fiscal Years 2016-17, 2017-18, and 2018-19.

29. Developmental Disabilities

The Outlook includes funding for reducing the wait list for Developmental Disabilities Waiver services provided by the Agency for Persons with Disabilities, the agency’s supported employment and internship programs, and a rate increase for adult day training providers, based on the three-year appropriation averages. These Other High Priority Needs increase General Revenue funds for the Agency for Persons with Disabilities by $14.2 million ($0.7 million nonrecurring) for Fiscal Years 2016-17, 2017-18, and 2018-19.

30. Elderly Services

The Outlook includes funding for reducing the wait list for the Community Care for the Elderly program within the Department of Elder Affairs and for the department’s Alzheimer’s disease respite services, based on the three-year appropriation averages. These Other High Priority Needs increase General Revenue funds for the Department of Elder Affairs by $5.9 million ($0.6 million nonrecurring) for Fiscal Years 2016-17, 2017-18, and 2018-19.

31. Human Services Information Technology/Infrastructure

The Outlook includes funding for Other High Priority Needs for human services information technology and infrastructure. Included are re-engineering costs for the Agency for Persons with Disabilities’ Client Management System. The Outlook provides $0.1 million from nonrecurring

General Revenue funds for Fiscal Year 2017-18 and $0.4 million from nonrecurring General Revenue funds for Fiscal Year 2018-19.

Criminal Justice (Drivers #32 - #34)

32. Justice Administration Commission – Due Process Increases

The Justice Administration Commission (JAC) is responsible for paying due process costs for State Attorneys, Public Defenders, and Regional Conflict Councils totaling over $30 million annually. The due process category includes costs such as court interpreting and court reporting services, witness fees, and medical/mental health evaluations. The Outlook includes $1.4 million in nonrecurring General Revenue each year in anticipation of a four percent increase in costs.

33. Department of Corrections – Fleet Replacement of Vans, Buses, and Vehicles

The Department of Corrections' (DOC) fleet has approximately 2,768 vehicles, and the majority of the vehicles are not in acceptable condition according to the Department of Management Services' disposal criteria. The fleet has an average age of 16 years and average mileage in excess of 154,000 miles with approximately 79 percent of the fleet eligible for disposal. More specifically, 40 of the 43 transport buses in the DOC's fleet exceed DMS's disposal criteria of 10 years or 110,000 miles; these buses average 15 years of age with over 275,000 miles. Two hundred and eighty-four of the 388 transport vans exceed the disposal criteria of 12 years or 150,000 miles. Further, 33 of the 220 sedans used by community corrections officers to monitor and supervise offenders on community supervision are eligible for surplus. Community corrections officers and supervisors monitor offender compliance with conditions of supervision by traveling in the community to observe and visit the offender at his/her residence, employment site, treatment facility, school, and public service work site. The Outlook includes $1.1 million nonrecurring General Revenue each year based on the three-year appropriation average.

34. Department of Juvenile Justice – Prevention and Intervention Programs

The Prevention and Intervention programs in the Department of Juvenile Justice 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 (community-based) services to reduce the need for more costly deep-end (residential) services over the past few years. The Outlook includes $6.2 million recurring General Revenue each year for these programs based on the three-year appropriation average.

Judicial Branch (Drivers #35 & #36)

35. Small County Courthouses

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 fewer than 75,000 to renovate and repair trial court buildings. The Outlook includes $3.1 million recurring General Revenue each year based on the three-year appropriation average.

36. State Courts Revenue Trust Fund Shortfall

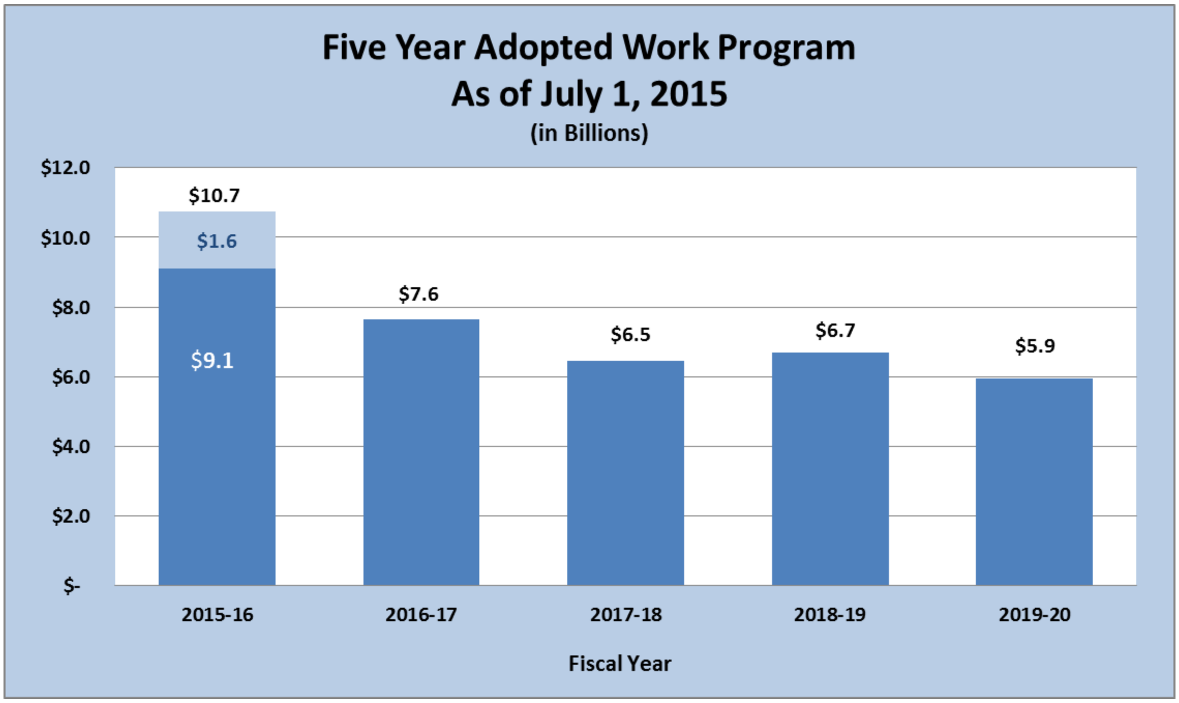
The judicial branch's core mission is to resolve civil disputes and criminal charges. Most of the cost of the judicial budget is expenditures related to judges, associated staff, and expenses. Under the Florida Constitution, the counties are responsible for providing facilities, security, communications, 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 for the state courts system in 2009 and 2010 by adjusting filing fees for real property and mortgage foreclosure cases, increasing the use of court fees to fund the State Courts Revenue Trust Fund and decreasing the amount of General Revenue. However, since 2010, actual court fee revenues have been lower than the Revenue Estimating Conference forecasts and insufficient to support appropriations from the State Courts Revenue Trust Fund. To address trust fund deficits, the 2012 Legislature appropriated $274 million in recurring General Revenue for Fiscal Year 2012-13; $15.4 million in Fiscal Year 2014-15; and $18.5 million in Fiscal Year 2015-16. Based on the Revenue Estimating Conference held on July 20, 2015, the State Courts Revenue Trust Fund will be short $2.0 million in Fiscal Year 2015-16 and $3.3 million in Fiscal Year 2016-17 if appropriations remain at current levels.

Transportation and Economic Development (Drivers #37 - #40)

37. Department of Transportation Adopted Work Program (Fiscal Years 2016-2019)

The Department of Transportation 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 currently based on estimates from the Revenue Estimating Conferences held in March 2015 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2015, will be programmed into the Tentative Work Program in December 2015 for legislative consideration.



**Fiscal Year 2015-16 includes $1.6 billion in anticipated roll forward budget from Fiscal Year 2014-15. Each year, a portion of the prior year's budget rolls forward and is added to the current year appropriation. This amount averages approximately $1.3 billion annually.*

Based on the current Adopted Work Program, the Outlook includes funding of $7.6 billion in Fiscal Year 2016-17, $6.5 billion in Fiscal Year 2017-18, and $6.7 billion in Fiscal Year 2018-19 from trust fund revenues.

38. Economic Development and Workforce Programs

The Department of Economic Opportunity is the state's single economic development agency whose purpose is to implement economic development policy. Enterprise Florida, a not-for-profit corporation created by Florida law to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with the department. 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 providing 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 to protect and expand the defense industry. Since the amount of future nonrecurring appropriations cannot be predicted, the Outlook relies on three-year appropriation averages. The Outlook includes a total projection of $3.2 million of General Revenue funds and $75.7 million of trust funds for economic development and workforce programs for each year of the Outlook.

Chapter 2011-138, Laws of Florida, created the State Economic Enhancement and Development (SEED) Trust Fund to fund: strategic transportation facility investments; affordable housing programs and projects; economic development incentives for job creation and capital investment; workforce training associated with attracting new businesses to the state and retaining existing businesses; and tourism promotion and marketing. 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. The Outlook funds the needs for economic development programs from the SEED Trust Fund based upon the three-year appropriation average of the total funding provided for these programs.

Key Economic Development Programs:

Qualified Targeted Industry *and* Qualified Defense Contractor and Space Flight Business Programs - Provides cash awards equivalent to certain paid taxes for approved businesses based on the number of new jobs created.

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

Quick Action Closing Fund - Provides cash grants to business projects to help Florida compete effectively for high-impact businesses that can provide widespread economic benefits in the state.

Innovation Incentive Program - Provides cash grants 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 support Florida's Defense Industry and defense-dependent communities.

39. National Guard Armories and Military Affairs Priorities

The Florida Armory Revitalization Plan is intended to renovate Florida's aging Readiness Centers (armories) in accordance with 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 $103.3 million of funding since Fiscal Year 2005-06 in support of the National Guard Armory Renovations. To date, 50 of Florida's 55 armories have received funding to begin the planned repairs, and construction has been completed on 46 armories. The Legislature provided $6.9 million in Fiscal Year 2015-16. With the Armory Renovation Priority List nearing completion, the Legislature also recognized the need for ongoing maintenance and repair for the renovated facilities and provided $1.7 million in Fiscal Year 2015-16.

Based on actual cost projections, the Outlook includes $9.7 million nonrecurring General Revenue in Fiscal Year 2016-17 for the remaining armory renovations. This funding will complete renovations for the remaining armories, which is estimated to cost $8 million; the remaining funds are included for maintenance of Florida's armories. Additionally, for Fiscal Year 2017-18 and Fiscal Year 2018-19, the Outlook includes $1.7 million nonrecurring General Revenue for maintenance and repair based on the funding level for Fiscal Year 2015-16.

The Department of Military Affairs receives funding for two Florida National Guard community support programs that target at-risk youth and young adults; the Outlook includes $2.2 million nonrecurring General Revenue each year based on the three-year appropriation average for these programs. 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 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 Department of Military Affairs with an invoice for payments and associated legal costs made during the prior calendar year for this purpose. The Outlook includes nearly $0.2 million based on the three-year appropriation average for these claims.

40. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for certain Department of State programs based on three-year appropriation averages. Collectively, the Outlook includes $58.4 million of nonrecurring General Revenue funds for these programs in Fiscal Years 2016-17 and 2018-19, and $57.5 million of nonrecurring General Revenue in Fiscal Year 2017-18.

The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. Historically, the program obtaining the most 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. Funding for State Aid to Libraries reflected in previous Outlooks as nonrecurring funds is no longer included because the Legislature has provided recurring General Revenue funds of $22.3 million for this purpose for the last three fiscal years. However, the Outlook includes $1.9 million for State Aid to Libraries based on a three-year appropriation average of nonrecurring General Revenue funds supplementing this program. In addition, the Outlook includes $1.8 million of nonrecurring General Revenue funds based on the three-year appropriation average for Library Cooperative Grants for the maintenance of the statewide database of library materials for multi-type library cooperatives. The Outlook also includes $2.0 million based on the three-year appropriation average for Public Library Construction Grants to encourage the growth of public libraries.

The Division of Cultural Affairs administers four types of grant programs: Cultural and Museum Grants, Specific Cultural Project Grants, Cultural Endowment Grants, and Cultural Facility Grants. Cultural and Museum and Cultural Project 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. Cultural Endowment grants create an endowment matching fund program to provide operating resources to not-for-profit Florida corporations in good standing with the Florida Division of Corporations. In addition, Cultural Facility grants provide state support for the acquisition, renovation, and construction of cultural facilities such as performing art centers and museums. The three-year appropriation average for cultural/museum and facility grants is approximately $37.2 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 three-year appropriation average for these two historic grant programs is $12.2 million.

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 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. The three-year appropriation average funding for special elections and statewide litigation issues is $1.9 million and an average of $0.9 million is included for advertising constitutional amendments in even-numbered, election years.

Finally, the Outlook includes $0.5 million each year for the Florida Humanities Council based on its three-year appropriation average.

Natural Resources (Drivers #41 & #42)

41. Water and Land Conservation

In 2014, Florida voters approved a constitutional amendment to provide a dedicated funding source for water and land conservation and restoration. The amendment created Article X, section 28 of the Florida Constitution.

Article X, section 28 of the Florida Constitution requires that starting on July 1, 2015, for 20 years, 33 percent of the net revenues derived for the existing excise tax on documents must be deposited into the Land Acquisition Trust Fund (LATF).

Article X, section 28 of the Florida Constitution also requires that funds in the LATF be expended only for the following purposes:

1) As provided by law, to finance or refinance: the acquisition and improvement of land, water areas, and related property interests, including conservation easements, and resources for conservation lands including wetlands, forests, and fish and wildlife habitat; wildlife management areas; lands that protect water resources and drinking water sources, including lands protecting the water quality and quantity of rivers, lakes, streams, springsheds, and lands providing recharge for groundwater and aquifer systems; lands in the Everglades Agricultural Area and the Everglades Protection Area, as defined in Article II, Section 7(b); beaches and shores; outdoor recreation lands, including recreational trails, parks, and urban open space; rural landscapes; working farms and ranches; historic or geologic sites; together with management, restoration of natural systems, and the enhancement of public access or recreational enjoyment of conservation lands.

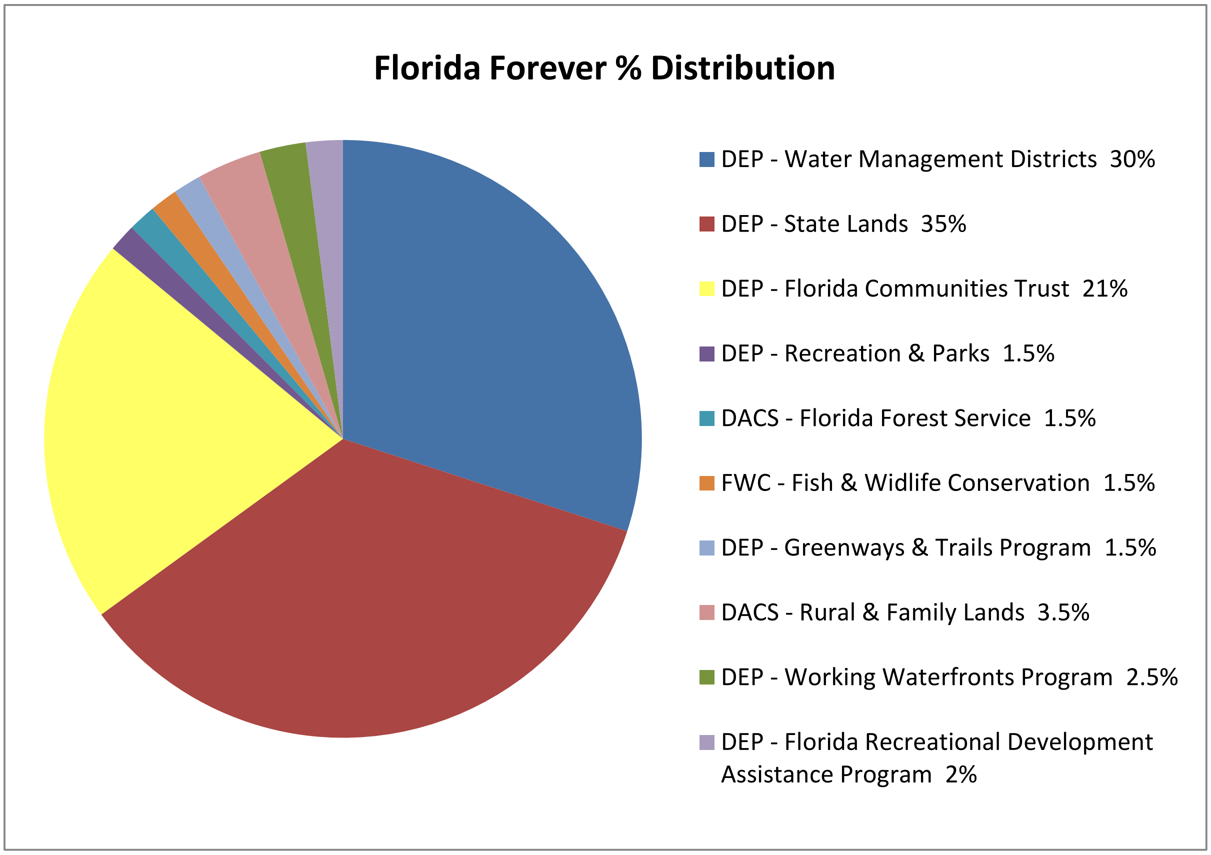
2) To pay the debt service on bonds issued pursuant to Article VII, Section 11(e).

The 2015 Legislature amended section 201.15, Florida Statutes (section 9, chapter 2015-229, Laws of Florida), to provide the 33 percent distribution to the LATF required by the Florida Constitution. Based on the August 2015 Revenue Estimating Conference, the revenue to be distributed to the LATF over the three years of the Outlook is estimated to be $823.8 million for Fiscal Year 2016-17, $879.6 million for Fiscal Year 2017-18, and $922.9 million for Fiscal Year 2018-19 (see pages 51-53 for a more detailed discussion).

The 2015 Legislature in chapter 2015-229, Laws of Florida, also eliminated the distributions to other environmental trust funds whose purposes were consistent with the constitutional amendment. These trust funds include the Conservation and Recreation Lands Trust Fund, Conservation and Recreation Lands Program Trust Fund, Ecosystem Management and Restoration Trust Fund, General Inspection Trust Fund, Invasive Plant Control Trust Fund, State Game Trust Fund, Water Management Lands Trust Fund, and Water Quality Assurance Trust Fund. In the Fiscal Year 2015-16 General Appropriations Act, the Legislature also shifted appropriations from those trust funds to the LATF where appropriate, consistent with the constitutional amendment.

Components of water and land conservation include, but are not limited to, the Florida Forever Program; Everglades restoration; Springs protection, restoration, and preservation; and, land management. Each of these areas is discussed below.

<u>Florida Forever Program</u> – In 1998, voters amended the Florida Constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded by creating the 10-year $3.0 billion Florida Forever program to acquire and manage land for conservation. In 2008, this program was extended. Funds appropriated to the Florida Forever program are distributed as authorized in section 259.105, Florida Statutes, to various agencies and programs. The statutory distribution is displayed on the following chart.



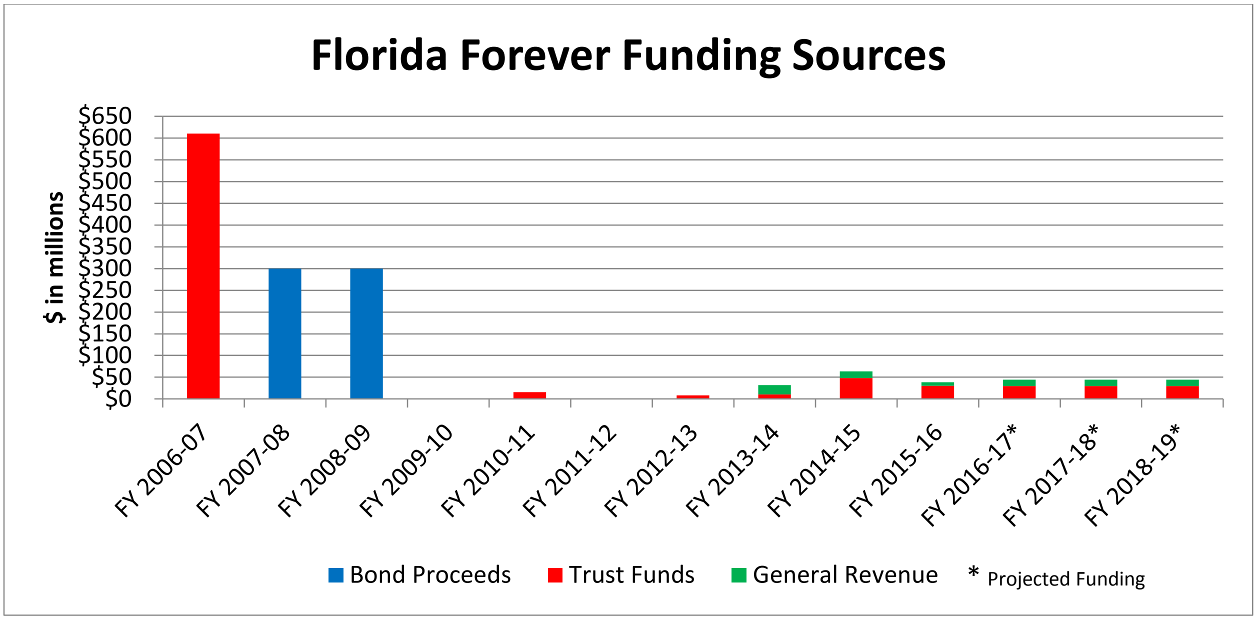
Previously, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of Documentary Stamp Tax revenue or paid for purchases with General Revenue funds or trust fund cash balances. The debt service required for environmental bonds decreased by $230.6 million in Fiscal Year 2013-14 because certain environmental bonds (Preservation 2000) had been retired. The bonding capacity for the Florida Forever program is statutorily limited to total annual debt service of no more than $300.0 million. The annual debt service for outstanding Florida Forever bonds is approximately $147.5 million in Fiscal Years 2015–16 through 2020–21 and declines thereafter.

The graph on the following page represents the historical funding levels for Florida Forever. As Documentary Stamp Tax revenues declined, the Legislature limited the distribution of funds to conservation lands within State Lands, Rural and Family Lands, and local parks funding assistance programs. Based on a three-year appropriation average, the Outlook includes the historical distributions for acquisition of conservation lands and the following programs:

> *Rural and Family Lands* – This program was created in 2001 as an agricultural land preservation program. Section 259.105(3), Florida Statutes, provides a distribution of Florida Forever bond proceeds or cash of 3.5 percent for the program. Rural and Family Lands is designed to protect agricultural lands through the acquisition of permanent land conservation easements while allowing agricultural operations to continue.
>
> *Florida Recreational Development Assistant Program* – The Florida Recreation Development Assistance Program (FRDAP) is a competitive grant program that receives

a Florida Forever distribution of 2 percent. The FRDAP provides grants to local governments for the acquisition or development of land for public outdoor recreation use or to construct or renovate recreation trails. Applications are reviewed and ranked by the Department of Environmental Protection on an annual basis.

Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes a three-year appropriation average of approximately $15.0 million each year from nonrecurring General Revenue, and $5.1 million of recurring funding and $24.8 million of nonrecurring funding from the LATF for Fiscal Years 2016-17 through 2018-19.



Everglades Restoration – The Florida Everglades, the "River of Grass," is a mosaic of sawgrass marshes, freshwater ponds, prairies, and forested uplands that supports a rich plant and wildlife community. The Everglades once covered almost 11,000 square miles of South Florida. Because of efforts to drain the marshland for flood control, agriculture, and development, the Everglades today is half the size it was a century ago.

To restore and protect the greater Everglades ecosystem, the Florida Legislature established the State of Florida's responsibilities in a series of statutes under the Florida Water Resources Act (chapter 373, Florida Statutes). In addition to authorizing the South Florida Water Management District (SFWMD) to serve as the local sponsor for the majority of restoration efforts, the Legislature directed the roles and responsibilities of both the Department of Environmental Protection and the SFWMD for plans authorized through the Everglades Forever Act, the Comprehensive Everglades Restoration Plan, the Northern Everglades and Estuaries Protection Program, and the Everglades Restoration Investment Act.

The Comprehensive Everglades Restoration Program (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.

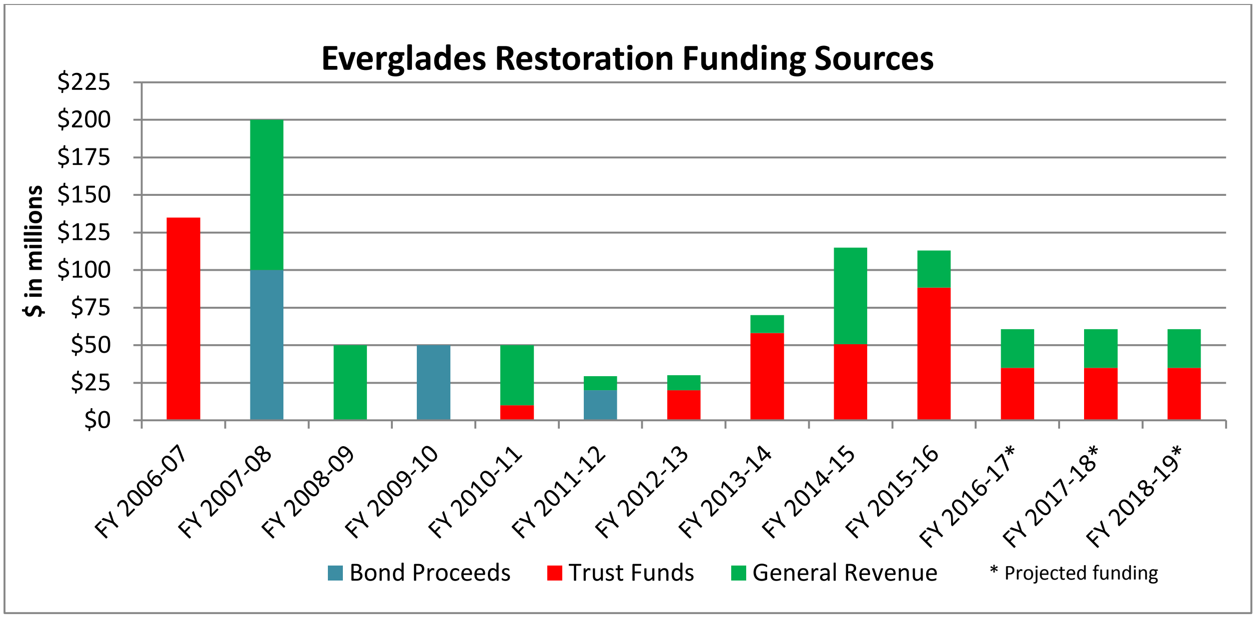
In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership, through cash or bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007 and 2008, the 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, the River Watershed Protection Plans, and the Keys Wastewater Plan.

In 2007, the Legislature enacted the Northern Everglades and Estuaries Protection Act (NEEPA) to restore and protect Lake Okeechobee and its downstream estuaries, the Caloosahatchee and St. Lucie River watersheds. The Outlook includes funding for nutrient reduction and water retention projects at the basin, sub-basin, and farm levels in the Lake Okeechobee watershed.

In 2012, the Department of Environmental Protection and the SFWMD, in consultation with U.S. Environmental Protection Agency, developed a technical plan to meet water quality standards, which includes additional stormwater treatment areas and storage reservoirs at a cost of $880 million over a 13-year period. A total of $500.7 million in funds will be provided by the SFWMD with the balance to be provided by the state. The 2013 Legislature appropriated $32 million on a recurring basis ($12 million of recurring General Revenue and $20 million of recurring funding from the Water Management Lands Trust Fund) to support the implementation of the technical water quality plan.

Excluding technical water quality plan recurring funding, the Legislature has authorized bond proceeds and appropriated nonrecurring General Revenue and trust funds (see graph on the following page) for Everglades Restoration projects. Bonds may be issued in an amount not to exceed $100.0 million per fiscal year, unless specifically approved by the Legislature. The annual debt service for outstanding bonds is $26.1 million for Fiscal Years 2015-16 through 2024-25 and declines thereafter. Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes funding of $25.7 million from nonrecurring General Revenue, and $11.7 million of recurring funding and $23.4 million of nonrecurring funding from the LATF, each year for Everglades Restoration using the three-year appropriation average methodology.

[SEE GRAPH ON FOLLOWING PAGE]



<u>Springs Protection</u> – Florida is home to one of the largest concentrations of freshwater springs in the world. The Florida Springs Initiative is a comprehensive, coordinated program to improve spring water quality and flow through improved research, monitoring, education, landowner assistance, and conservation. The Outlook assumes the three-year appropriation average of $3.9 million recurring and $8.2 million nonrecurring General Revenue, and $8.4 million of recurring funding and $2.8 million of nonrecurring funding from the LATF for Fiscal Years 2016-17 through 2018-19.

<u>Land Management</u> – More than 9.7 million acres of conservation and recreation lands in Florida[9] are managed by four primary state agencies: the Department of Agriculture and Consumer Services, the Department of Environmental Protection, the Fish and Wildlife Conservation Commission, and the Department of State. These agencies provide recreational opportunities, preserve the state's forestry resources, provide wildlife and habitat protection, provide law enforcement, and preserve historical and archaeological resources for all of Florida's residents and visitors. Land management plans are developed, adopted, and reviewed every ten years to ensure that the short- and long-term goals by which the lands were acquired are being fulfilled.

With the passage of the water and land conservation constitutional amendment, the Legislature provided an additional $67.8 million for land management activities, including construction, improvement, enlargement, extension, and operation and maintenance of capital improvements and facilities from the LATF. The Outlook assumes a three-year appropriation average of $37.0 million for Fiscal Years 2016-17 through 2018-19.

The Outlook assumes continued funding for other water and land programs with LATF revenues within the Department of Agriculture and Consumer Services, the Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. Funds are also used for

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[9] Department of Environmental Protection, State of Florida Land Management Uniform Accounting Council 2014 Annual Report (Fiscal Year 2013-14).

developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which include water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, threshold limits on pollutants in surface waters, 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. The Outlook does not specifically address beach restoration for future tropical storms, hurricanes, or other natural disaster damages yet to occur. The funding level for other water and land conservation programs is based on the three-year appropriation average of $10.8 million of recurring funding and $44.1 million of nonrecurring funding from the LATF for each year of the Outlook.

Based upon legislation appropriation in prior years that included General Revenue in addition to trust fund revenue, the Outlook assumes General Revenue will be appropriated for water conservation, water management districts, beach restoration, and lake restoration. The Outlook includes funding of $15.6 million for Fiscal Year 2016-17 and $7.6 million for Fiscal Years 2017-18 and 2018-19 from recurring General Revenue as well as $25.6 million of nonrecurring General Revenue each year, using the three-year appropriation average methodology.

42. 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 the three-year appropriation averages. These programs include:

Water Projects – The Outlook includes funding for traditional water projects. These projects historically were funded by a former statutory Sales Tax distribution based on the Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes the three-year appropriation average of $75.6 million funded from nonrecurring General Revenue each fiscal year during the three-year period contained in the Outlook.

Drinking Water and Wastewater Revolving Loan Programs – The Outlook includes 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 2016-17 fiscal year through the 2018-19 fiscal year, $6.5 million is included for the drinking water program, and $9.5 million for the wastewater program.

Agricultural Programs – Agriculture continues to be an important industry in Florida. Based on the three-year appropriation averages, $22.6 million in nonrecurring and nearly $1.0 million in recurring General Revenue are included for each fiscal year in the Outlook. This includes funding for water quality improvement initiatives and water conservation and supply planning. The Outlook also 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, promotional campaigns for agricultural commodities, citrus greening research and citrus health management areas, agricultural promotional and educational facilities, and the distribution of food to needy families through food pantries, soup kitchens, and shelters. Finally, the Outlook assumes the use of General Revenue funds to support the Agricultural Emergency Eradication Trust Fund. Section 570.1912, Florida Statutes, requires an appropriation from the General Revenue Fund to the Agriculture Emergency Eradication Trust Fund in an amount equal to the previous year's transfer into the trust fund from motor fuel tax collections. Based on the results of the July 2015 Transportation Revenue Estimating Conference, the Outlook includes nonrecurring General Revenue of $11.5 million in Fiscal Year 2016-17, $11.8 million in Fiscal Year 2017-18, and $12.2 million in Fiscal Year 2018-19.

General Government (Drivers #43 & #44)

43. Other General Government Priorities

<u>Child Support Enforcement Annual Fee</u> – 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 Department of Revenue will use existing trust fund cash to supplement base budget funding for Fiscal Year 2016-17 to pay the annual fee. The Outlook includes $31,366 in recurring General Revenue for Fiscal Year 2017-18 and $823,324 in recurring General Revenue for Fiscal Year 2018-19 for this purpose.

<u>Aerial Photography</u> – The Department of Revenue assists small county property appraisers by providing aerial photographs for counties with a population of 25,000 or less. Over the last several years, the Legislature has directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook continues this policy and provides nonrecurring General Revenue of $258,720 in Fiscal Year 2016-17, $177,753 in Fiscal Year 2017-18, and $1,262,967 in Fiscal Year 2018-19.

<u>Florida Interoperability Network and Mutual Aid</u> – 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 $1.4 million for FIN of nonrecurring General Revenue. The Outlook also includes $1.2 million for MA of nonrecurring General Revenue for the 2016-17 through 2018-19 fiscal years.

<u>Florida Accounting Information Resource (FLAIR) Replacement</u> – The Department of Financial Services has begun the planning and design for the next generation accounting system to replace FLAIR. This is a multi-year project, and $8.5 million from nonrecurring trust fund resources was

provided in Fiscal Year 2015-16 to begin project development. Based upon the department's business case to replace the system, the Outlook includes nonrecurring trust fund resources of $9.8 million in Fiscal Year 2016-17, $25.8 million nonrecurring General Revenue and $19.5 million from trust funds in the Fiscal Year 2017-18, and $18.6 million nonrecurring General Revenue and $19.9 million from trust funds for Fiscal Year 2018-19.

44. State Building Pool – General Repairs and Maintenance

The Outlook assumes funding for general repairs and maintenance 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 general building repair deficiencies totals approximately $126.4 million. General repairs and maintenance projects include roofs, windows, doors, facades, HVAC, electrical, plumbing, and office space renovations. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes a three-year average of funding of $17.4 million from nonrecurring General Revenue and $8.0 million from nonrecurring trust fund resources for each of the Fiscal Years 2016-17 through 2018-19 for general building repairs (see related Driver #46 for General Government that funds critical life safety deficiency repairs).

Administered Funds & Statewide Issues (Driver #45 & #46)

45. State Employee Pay Issues

The Outlook includes funding for state employees pay issues of $57.2 million of recurring General Revenue, $7.1 million of nonrecurring General Revenue, and $37.5 million of recurring trust fund expenditures based upon the three-year average historical funding levels for competitive pay adjustments, merit and retention pay adjustments and one-time lump sum bonuses, including adjustments for targeted groups of employees.

46. Maintenance, Repairs, and Capital Improvements – Statewide Buildings – Critical

<u>Human Services</u> – Maintenance and repair projects are based on critical life safety issues for state-owned facilities which include state laboratories and state institutions. The Outlook includes funding for the Department of Health, the Department of Veterans' Affairs, the Department of Children and Families, and the Agency for Persons with Disabilities totaling $8.1 million from nonrecurring General Revenue and $19.9 million from trust funds for Fiscal Year 2016-17 through Fiscal Year 2018-19, based on the three-year appropriation average. In addition to the anticipated costs for the maintenance and repair of state owned facilities, the Department of Veterans' Affairs will require additional trust fund authority to complete the construction of the seventh state veterans' nursing home of $20 million for Fiscal Year 2016-17, $8.4 million for Fiscal Year 2017-18, and $9.1 million for Fiscal Year 2018-19.

<u>Criminal Justice</u> – The Department of Corrections is responsible for the major repair and renovation needs of over 80 facilities statewide. Many of these facilities are old, and the physical plant systems are well past their original operational life expectancy. The department's projection for the next five years includes an estimated need of $150 million to address major maintenance issues as well as environmental concerns, Americans with Disabilities Act (ADA)

compliance, and security improvements. The Outlook includes $5.5 million recurring General Revenue based on the current repair and maintenance needs, rather than the average funding over the last three 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. The department's projection for the next five years includes an estimated need of $35 million to address critical repairs and renovations for the safety and functionality of these facilities. The Outlook includes $3.4 million recurring General Revenue Funds based on the current critical repair and maintenance needs, rather than the average funding over the last three years.

Judicial Branch – The state is responsible for the facility needs of the Supreme Court and district courts of appeal. The Outlook includes $6.3 million nonrecurring General Revenue each year based on the average funding over the last three years.

Department of Transportation – The Outlook includes funding for environmental site restoration and capital renewal projects affecting critical life, health, and safety issues at various Department of Transportation facilities located throughout the state. 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 to statewide facilities for code compliance and improving health and welfare concerns. Based on a projection of code correction issues for the coming year, and a three-year appropriation average for environmental site restoration, the Outlook includes $5.2 million per year in State Transportation Trust Fund revenues.

Natural Resources – The Outlook includes funding for life and safety repairs for agricultural infrastructure located throughout the state. These improvements include state offices and laboratories, forestry wildfire prevention facilities, and state farmers markets. The Outlook includes nonrecurring General Revenue of $2.3 million for Fiscal Year 2016-17, $1.2 million for Fiscal Year 2017-18, and $525,000 for Fiscal Year 2018-19.

General Government – The Outlook includes funding for life safety and ADA 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 related to critical life safety and ADA is approximately $167.4 million. Life safety projects include fire sprinklers, fire alarms, elevators, smoke control systems, and other systems critical to the safety of occupants.

ADA compliance is dictated by standards set in the Code of Federal Regulations and is administered by the U.S. Department of Justice. The most recent update in 2012 required compliance surveys and transition plans for all public buildings. The current list of ADA compliance projects for the Florida Facilities Pool is a result of updated surveys and serves as the transition plan for the updated 2012 regulations. Projects include restroom renovations, elevator lobby modifications, outdoor pavilion upgrades, sidewalk improvements, and any other project needed to improve accessibility. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes the three-year appropriation average of $3.6 million of nonrecurring General Revenue for Fiscal Years 2016-17 through 2018-19 for life safety and ADA deficiencies.

Tier 3 Adjustments to the General Revenue Fund

Based on historical tax and fee changes as well as historical trust fund transfers.

Recurring ($ millions)	2015-16	2016-17	2017-18	2018-19
Revenue Estimate	28,628.0	29,880.7	31,203.0	32,304.2
Non-Operating Funds	(0.1)	(0.1)	(0.1)	(0.1)
change from tax and significant fee reductions				
• continuing tax and fee reductions		*(234.5)*	*(469.0)*	*(703.5)*
• time-limited tax and fee reductions		*0.0*	*0.0*	*0.0*
change from trust fund transfers (GAA)		*0.0*	*0.0*	*0.0*
Balance Forward from Prior Year	0.0	0.0	0.0	0.0
Unused Reserve from Prior Year	0.0	0.0	0.0	0.0
TOTAL	28,627.9	29,646.1	30,733.9	31,600.6
net change from revenue adjustments		*(234.5)*	*(469.0)*	*(703.5)*

Nonrecurring ($ millions)	2015-16	2016-17	2017-18	2018-19
Revenue Estimate	(213.9)	(124.5)	(13.7)	1.2
Non-Operating Funds	90.1	93.2	93.2	93.2
change from tax and significant fee reductions				
• continuing tax and fee reductions		*43.1*	*43.1*	*43.1*
• time-limited tax and fee reductions		*(71.2)*	*(71.2)*	*(71.2)*
change from trust fund transfers (GAA)	*189.6*	*237.3*	*237.3*	*237.3*
Balance Forward from Prior Year	2,351.7	1,695.8	635.4	583.7
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL	2,417.5	1,873.7	1,924.1	1,887.3
net change from revenue adjustments		*209.2*	*209.2*	*209.2*

TOTAL ($ millions)	2015-16	2016-17	2017-18	2018-19
Revenue Estimate	28,414.1	29,756.2	31,189.3	32,305.4
Non-Operating Funds	90.0	93.1	93.1	93.1
change from tax and significant fee reductions				
• continuing tax and fee reductions		*(191.4)*	*(425.9)*	*(660.4)*
• time-limited tax and fee reductions		*(71.2)*	*(71.2)*	*(71.2)*
change from trust fund transfers (GAA)	*189.6*	*237.3*	*237.3*	*237.3*
Balance Forward from Prior Year	2,351.7	1,695.8	635.4	583.7
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL GR Available	31,045.4	31,519.8	32,658.0	33,487.9
net change from revenue adjustments		(25.3)	(259.8)	(494.3)

Key Revenue Adjustments to the General Revenue Fund Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2016-17 through Fiscal Year 2018-19	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Revenue Adjustments						
1 Tax and Significant Fee Reductions						
1a Continuing Tax and Fee Reductions	(191.4)	0.0	(425.9)	0.0	(660.4)	0.0
1b Time-Limited Tax and Fee Reductions	(71.2)	0.0	(71.2)	0.0	(71.2)	0.0
2 Trust Fund Transfers (GAA)*	237.3	0.0	237.3	0.0	237.3	0.0
Total Tier 3 - Revenue Adjustments	**(25.3)**	**0.0**	**(259.8)**	**0.0**	**(494.3)**	**0.0**

**Note: There would be a corresponding deduct from trust funds; however, the specific trust funds from which transfers would be made are currently unknown and may not include the major trust funds.*

Key Revenue Adjustments to the General Revenue Fund

Beginning with this volume of the Long-Range Financial Outlook, revenue adjustments have been added to reflect legislative actions that alter the revenue-side of the state's fiscal picture. They are identified on the Key Revenue Adjustments to the General Revenue Fund Worksheet and described below.

Tax and Significant Fee Reductions

Every year, the Legislature adopts a number of statutory changes that affect state and local government revenues. Some increase or reduce revenues, while others transfer funds between different funds or levels of government without affecting state revenue receipts. After the Legislature adjourns, the Revenue Estimating Conference produces fiscal impacts for each measure, and these are compiled in a document entitled *Measures Affecting Revenues*. The document is published by the Legislative Office of Economic and Demographic Research and is available on its website.[10]

The Outlook includes a three-year average of significant state tax and fee changes that affect the General Revenue Fund. While a small number of these measures were positive, most resulted in savings to the affected payers and reduced state revenues. The average is a net number and—regardless of composition—is used in the Outlook to reflect the overall level of reductions.

Some of the changes captured by the measures were time-limited, nonrecurring changes that only affected a single year (e.g., sales tax holidays), while others were continuing, recurring changes that affect all future years. Because continuing changes to taxes usually have delayed effective dates, the effect of the changes on the first fiscal year of implementation is less than a full year's effect. For example, a continuing $50 million tax reduction that affects revenue collections for only half of the first year reduces state revenues by $50 million per year in the out-years, but has less than the full effect in the first year. In that year, state revenues are only reduced by $25 million and $25 million is converted into nonrecurring revenue and remains available to be spent on a one-time basis.

The table below shows the fiscal impact of tax and fee measures adopted by the Legislature in the last three years. It separates those items that are continuing from those items that are time-limited and shows them in two rows.

	Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			3-year Average		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax and Fee Reductions	(7.0)	5.3	**(1.7)**	(447.5)	99.6	**(347.9)**	(248.9)	24.3	**(224.6)**	(234.5)	43.1	**(191.4)**
Time-Limited Tax and Fee Reductions	0.0	(47.5)	**(47.5)**	0.0	(48.6)	**(48.6)**	0.0	(117.4)	**(117.4)**	0.0	(71.2)	**(71.2)**

10 http://edr.state.fl.us/Content/revenues/reports/measures-affecting-revenues/index.cfm

In each of the three years, the largest time-limited impacts were the back to school sales tax holidays. For Fiscal Year 2015-16, college textbooks were also exempt from sales tax. The largest continuing impacts were the motor vehicle fee reductions in Fiscal Year 2014-15 and the state Communications Services Tax rate reduction in Fiscal Year 2015-16.

The Tier 3 Table on page 18 sets forth the three-year averages of tax and fee reductions (both continuing and time-limited) in order to show the effects of the Legislature continuing this policy. The average time-limited impact of $71.2 million is added to each year of the Outlook, while the continuing tax and fee impacts reflect the cumulative or stacking effects of prior year changes as the years progress.

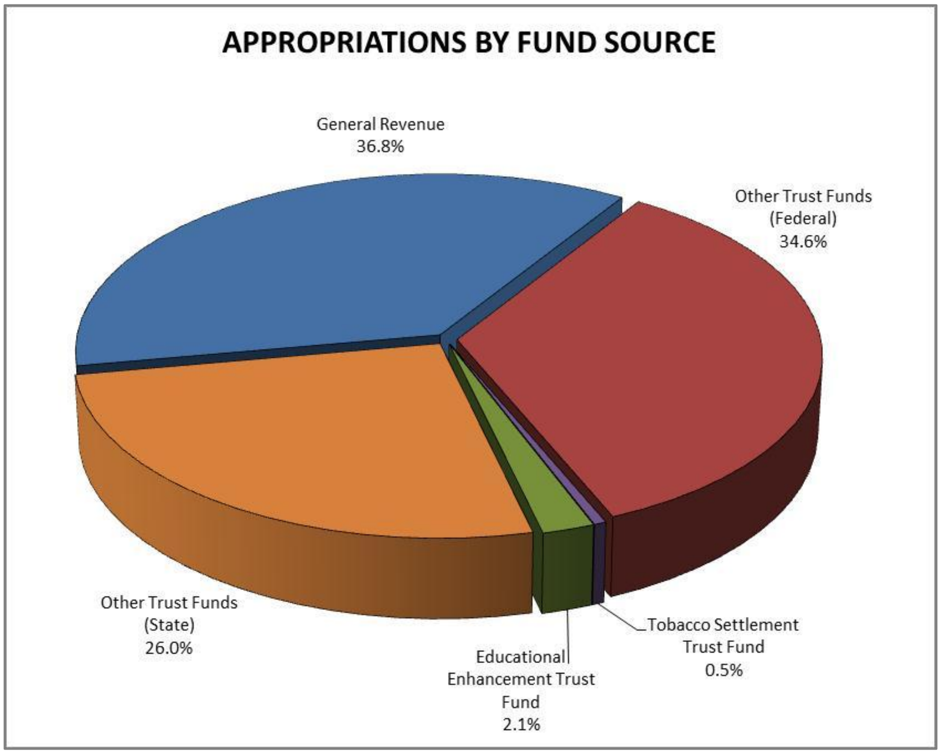
The table below shows how the cumulative impact of the continuing items is calculated.

	Fiscal Year 2016-17			Fiscal Year 2017-18			Fiscal Year 2018-19		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Year 1 Annual Effects	(234.5)	43.1	(191.4)	(234.5)	0.0	(234.5)	(234.5)	0.0	(234.5)
Year 2 Annual Effects	-	-	-	(234.5)	43.1	(191.4)	(234.5)	0.0	(234.5)
Year 3 Annual Effects	-	-	-	-	-	-	(234.5)	43.1	(191.4)
TOTAL	(234.5)	43.1	(191.4)	(469.0)	43.1	(425.9)	(703.5)	43.1	(660.4)

Trust Fund Transfers (GAA)

For various reasons, trust funds are created to set aside or earmark a portion of state revenue for particular uses. Typically, trust funds are used to dedicate special purpose funds, segregate federal assistance monies, transfer funds to local government, or isolate bond proceeds. For Fiscal Year 2015-16, appropriations were made from 172 different trust funds, totaling $49.5 billion. Approximately $27.1 billion was appropriated from federal revenue sources and $22.4 billion from state revenue sources. On the following chart, state trust fund appropriations comprise 26.0 percent of the total state budget; once the Educational Enhancement Trust Fund and the Tobacco Settlement Trust Fund are included, the percentage rises to 28.6 percent.

[SEE GRAPH ON FOLLOWING PAGE]



In modern budgeting, the annual General Appropriations Act has typically included transfers of unobligated fund balances from trust funds to the General Revenue Fund. The Outlook includes a three-year average of trust fund transfers as an adjustment to available General Revenue funds.

The average is calculated exclusive of transfers related to constitutional amendments (e.g., 2014 Amendment 1); transfers associated with consensus estimating conferences; and transfers related to federal stimulus funds. The three-year average transfer using this calculation methodology is $237.3 million, which is included as a nonrecurring adjustment to available General Revenue in each year of the Outlook.

	Fiscal Year 2013-14	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**3-year Average**
Total Trust Fund Transfers to General Revenue	$385.3 M	$281.8 M	$230.1 M	$299.1 M
Excluded Transfers	($90.0) M	($63.0) M	($32.4) M	($61.8) M
Total with Exclusions	**$295.3 M**	**$218.8 M**	**$197.7 M**	**$237.3 M**

Agency for Persons with Disabilities

EOG Number: B2016-0086

Problem Statement:

Chapter 2013-40, Laws of Florida provided $750,000 from the General Revenue Fund and $750,000 from the Operations and Maintenance Trust Fund to the Agency for Persons with Disabilities (APD) to develop and implement a statewide system for the management, reporting and analysis of data for all Agency customers. The Client Data Management System (CDMS) shall include centralized client records and an electronic visit verification system (EVV) to detect Medicaid fraud or misuse. CDMS will verify the utilization and delivery of all waiver services including home health services, an electronic billing interface for these services, and will also provide data access and transparency for Agency staff, providers, clients and the caregivers of clients. Section 28 of Chapter 2014-51, Laws of Florida reappropriated the funds for Fiscal Year 2014-15 for the same purpose.

In March 2015, The Centers for Medicare and Medicaid Services (CMS) approved enhanced funding for the project and will provide 90% Medicaid match for implementation costs. The Agency signed the contract with the provider in July 2015 to begin the project. The budget authorized in Section 41 of Chapter 2015-232, Laws of Florida was for the first two provider deliverables, Project Initiation and Project Planning.

The budget authority requested to be released by this amendment will be used for the next two deliverables, Interface Requirements, and the Case, Provider, and Financial Management Deployment Requirements. The amendment also requests budget authority for additional Agency contracted staff needed to assist existing Agency staff in meeting the Agency's responsibilities for implementing the system.

Agency Request:

The APD requests the transfer of $18,627 from the General Revenue Fund and budget authority of $167,640 from the Operations and Maintenance Trust Fund from the Qualified Expenditure Category, Client Data Management System and Electronic Visit Verification, to the Home and Community Services Administration category within the Program Management and Compliance budget entity for the purpose of developing and implementing the Client Data Management System.

Governor's Recommendation:

Recommend the transfer of $18,627 from the General Revenue Fund and $167,640 from the Operations and Maintenance Trust Fund in the Qualified Expenditure Appropriation Category Client Data Management System and Electronic Visit Verification, to the Home and Community Services Administration appropriation category within the Program Management and Compliance budget entity for the purpose of developing and implementing the Client Data Management System.

Senate Committee: Appropriations Subcommittee on Health and Human Services ***Senate Analyst:*** David Loe	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** J. Eric Pridgeon

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	Appropriation	Reserve	Appropriation	Reserve
	AGENCY FOR PERSONS WITH DISABILITIES							
	Program: Services To Persons With Disabilities Program Management And Compliance							
263	Special Categories Home And Community Services Administration From General Revenue Fund		18,627		18,627			
	From Operations And Maintenance Trust Fund		167,640		167,640			
N/A	Qualified Expenditure Category Client Data Management System And Electronic Visit Verification From General Revenue Fund		(18,627)	(18,627)	(18,627)	(18,627)		
265	From Operations And Maintenance Trust Fund		(167,640)	(167,640)	(167,640)	(167,640)		

Department of Children and Families

EOG Number: B2016-0114

Problem Statement:

In August 2015, the United States Department of Housing and Urban Development (HUD) notified the Department of Children and Families of an additional $1,595,612 Emergency Shelter Grant (ESG) program funding. Based upon review of the department's allocation method and timeline for spending, HUD approved the grant funds with an extension to spend the funds by June 30, 2016. The guidelines for the Federal Fiscal Year (FFY) 2010 grant funds limit use to shelter operations costs as defined by 24 Code of Federal Regulations 576.201(a)(3).

The department's Office on Homelessness is responsible for developing and administering the approved allocation methodology for Emergency Shelter Grant funds. There were 48 eligible homelessness provider applicants for the FFY 2015 ESG grant awards, but there was only enough funding to provide awards to 34 homelessness providers. The allocation plan for the FFY 2010 funds includes providing a grant award to the eligible applicants that were not provided an award of FFY 2015 grant funding. These providers will be provided a grant award equal to 100% of the shelter operating costs provided with their initial grant application budget. The allocation plan uses the remaining balance of the FFY 2010 grant funds to provide an additional award to FFY 2015 grant awardees to cover operational costs and provide additional services to homeless clients. The additional award is calculated at 76.4% of the entities operating budget costs.

The department does not have sufficient budget authority to accept and allocate these funds to homelessness providers.

Agency Request:

The department requests $1,595,612 in budget authority in the Federal Grants Trust Funds in the Grants and Aids-Federal Emergency Shelter Program category within the Economic Self Sufficiency budget entity. This amount is requested to support additional Emergency Shelter Grant funds received from the U. S. Department of Housing and Urban Development. This is a one time non-recurring request to align the budget with a new grant award for the current fiscal year. If this request is not approved, the department will not be able to provide homelessness providers with additional funding to serve homeless clients.

Governor's Recommendation:

Recommend increasing budget authority of $1,595,612 in the Federal Grants Trust Fund and appropriation category Grants and Aids - Federal Emergency Shelter Grant Program within the Economic Self Sufficiency Services budget entity. The additional budget authority is needed to support additional funding received from the U. S. Department of Housing and Urban Development and will provide additional funding to the homelessness providers to serve homeless clients.

Senate Committee: Appropriations Subcommittee on Health and Human Services ***Senate Analyst:*** John Shettle	***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** Appropriation	**RECOMMENDED BY GOVERNOR** Appropriation	**APPROVED BY THE LEGISLATIVE BUDGET COMMISSION** Appropriation
CHILDREN AND FAMILIES					
	Program: Economic Self Sufficiency Program <u>Economic Self Sufficiency Services</u>				
362	Special Categories Grants And Aids - Federal Emergency Shelter Grant Program From Federal Grants Trust Fund		1,595,612	1,595,612	

Department of Veterans Affairs

EOG Number: B2016-0084

Problem Statement:

Chapter 2014-1, Laws of Florida, created the Veterans Employment and Training Services Program, codified in section 295.22, Florida Statutes. The Veterans Employment and Trainings Services Program was created within the Department of Veterans' Affairs to assist in linking veterans in search of employment with businesses seeking to hire well trained workers. Florida Is For Veterans, Inc. shall administer the program.

Chapter 2014-51, Laws of Florida provided $1 million from the General Revenue Fund for Entrepreneur Training and $2 million from the General Revenue Fund for Workforce Training Grants for Veterans. Section 18 of Chapter 2014-1, Laws of Florida, required Florida is for Veterans, Inc. to submit a plan for approval to the Legislative Budget Commission (LBC), through the Department of Veterans' Affairs, pursuant to section 216.177, Florida Statutes by August 15, 2014. The plan shall:

- Provide a strategy and framework for the general operations of Florida Is For Veterans, Inc., including the fulfillment of its purpose, duties, and goals as provided in sections 295.21 and 295.22, Florida Statutes;
- Include specific performance measures by which Florida Is For Veterans, Inc., and its functions shall be evaluated; and
- Include details of the existing expenditures and obligations of Florida Is For Veterans, Inc., as well as a budget and timelines for expected expenditures related both to general operations and to products, services, and grants to be provided under programs administered by Florida Is For Veterans, Inc.

The LBC must approve the plan, including the performance measures, before Florida Is For Veterans, Inc., may expend funds for the duties required under section 295.22, Florida Statutes.

Due to delays in startup of the corporation, Sections 56 and 57 of Chapter 2015-232, Laws of Florida, General Appropriations Act for the Fiscal Year 2015-16, reapropriates the sums of $1,000,000 from the General Revenue Fund in Specific Appropriation 597A, chapter 2014-15, Laws of Florida and $2,000,000 from the General Revenue Fund in Specific Appropriation 597B, chapter 2014-51, Laws of Florida, to the Veterans Employment and Trainings Services Program within the Department of Veterans' Affairs. The funding is currently held in reserve pending approval of the plan by the LBC.

Agency Request:

The Department of Veterans' Affairs requests approval of Florida is for Veterans' strategic plan and performance measures, and the release of

$750,000 from the General Revenue Fund for The Veterans Employment and Trainings Services Program from unbudgeted reserve pursuant to section 295.22, Florida Statutes.
Governor's Recommendation: Recommend the release of $750,000 from Unbudgeted Reserve in the appropriation categories Grants and Aid - Entrepreneur Training and Grants and Aid - Workforce Training in the General Revenue Fund and budget entity Veterans Training Services. The release of the budget authority will allow the Florida is for Veterans, Inc. to assist veterans with employment opportunities and enhance their job skills.

Senate Committee: Appropriations Subcommittee on Health and Human Services ***Senate Analyst:*** John Shettle	***House Committee:*** Health Care Appropriations Subcommittee ***House Analyst:*** Jaime Garner

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
VETERANS' AFFAIRS											
	Program: Services To Veterans' Program <u>Veterans Employment And Training Services</u>										
N/A	Aid To Local Governments Grants And Aids Entrepreneur Training From General Revenue Fund			(250,000)	250,000		(250,000)	250,000			
	Aid To Local Governments Grants And Aids Workforce Training Grants For Veterans										

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 General Revenue Fund			(500,000)	500,000		(500,000)	500,000			

Agency for Health Care Administration

EOG Number: B2016-0127

Problem Statement:

Caseload and expenditures for the Medicaid program are forecasted through a consensus process by the principals of the Social Services Estimating Conference (SSEC). The forecasts are based on current law and administrative practice; historical information; trends; and anticipated events. Historically, the Agency for Health Care Administration (AHCA) has resolved specific appropriation category deficits by charging the expenditures to categories with sufficient General Revenue and trust fund authority to support the expenditures. Current law requires that expenditures be paid from the proper appropriation category.

The SSEC for Medicaid Services met on August 28, 2015 and adopted a revised estimate for Fiscal Year 2015-2016 expenditures by category and fund. Total expenditures for the Medicaid program for Fiscal Year 2015-2016 are estimated to be $23.5 billion with a projected overall net surplus of $1,071.9 million ($4.7 million General Revenue). There is insufficient spending authority in several appropriation categories to pay claims for Medicaid Services for those categories as projected by the SSEC.

Agency Request:

The AHCA requests the transfer of budget authority and release to realign the budget in appropriation categories with the projected expenditures adopted by the SSEC on August 28, 2015. The AHCA requests the realignment of $216,646,149 in General Revenue budget authority and $97,602,605 in budget authority in the Medical Care Trust Fund to offset forecasted deficits. The AHCA requests that $4,729,823 in General Revenue funds and $1,085.1 million in Medical Care Trust Fund be placed in reserve. Additionally, the AHCA requests an increase in budget authority of $4,045,894 in Grants and Donations Trust Fund and $13,850,218 in Refugee Assistance Trust Fund consistent with the results of the August 28, 2015 Social Services Estimating Conference.

Governor's Recommendation:

Recommend the budget realignment in multiple appropriation categories in the General Revenue Fund, Grants and Donations Trust Fund, Medical Care Trust Fund and Refugee Assistance Trust Fund in the Medicaid Services to Individuals and Medicaid Long Term Care budget entities at the Agency for Health Care Administration to address projected surpluses and deficits based on the Social Services Estimating Conference held on August 28, 2015. Additional budget authority of $4,045,894 in the Grants and Donations Trust Fund and $13,850,218 in the Refugee Assistance Trust Fund in the Medicaid Services to Individuals budget entity is recommended to cover projected deficits in these funds.

Senate Committee: Appropriations Subcommittee on Health and	***House Committee:*** Health Care Appropriations Subcommittee

Human Services ***Senate Analyst:*** Robyn Forbes	***House Analyst:*** D. Brian Clark

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
AGENCY FOR HEALTH CARE ADMINISTRATION											
	Program: Health Care Services <u>Medicaid Services To Individuals</u>										
188	Special Categories										
	Adult Dental, Visual And Hearing Services										
	From General Revenue Fund		226,461		113,231	226,461		113,231			
	From Medical Care Trust Fund		347,001		347,001	347,001		347,001			
	From Refugee Assistance Trust Fund		(426,018)		(426,018)	(426,018)		(426,018)			
189	Special Categories										
	Case Management										
	From General Revenue Fund		(117,179)		(58,590)	(117,179)		(58,590)			
	From Medical Care Trust Fund		(175,633)		(175,633)	(175,633)		(175,633)			
190	Special Categories										
	Community Mental Health 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 General Revenue Fund		7,017,460		3,508,730	7,017,460		3,508,730			
	From Medical Care Trust Fund		9,926,763		9,926,763	9,926,763		9,926,763			
191	Special Categories Community Mental Health Services-Managed Medical Assistance										
	From General Revenue Fund		(12,394,892)		(6,197,446)	(12,394,892)		(6,197,446)			
	From Medical Care Trust Fund			19,196,769	(19,196,769)		19,196,769	(19,196,769)			
	From Refugee Assistance Trust Fund		14,873		14,873	14,873		14,873			
192	Special Categories Developmental Evaluation And Intervention/Part C										
	From Medical Care Trust Fund		659,950		659,950	659,950		659,950			
193	Special Categories Children's Health Screening Services										
	From General Revenue Fund		(6,038,427)		(3,019,214)	(6,038,427)		(3,019,214)			
	From Medical Care Trust Fund			9,308,329	(9,308,329)		9,308,329	(9,308,329)			

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
195	Special Categories Family Planning										
	From General Revenue Fund		(152,852)		(76,426)	(152,852)		(76,426)			
	From Medical Care Trust Fund		(1,375,676)		(1,375,676)	(1,375,676)		(1,375,676)			
	From Refugee Assistance Trust Fund		(9,193)		(9,193)	(9,193)		(9,193)			
198	Special Categories Home Health Services										
	From General Revenue Fund		(109,186)		(54,593)	(109,186)		(54,593)			
	From Medical Care Trust Fund		(153,383)		(153,383)	(153,383)		(153,383)			
	From Refugee Assistance Trust Fund		10,890		10,890	10,890		10,890			
199	Special Categories Hospice Services										
	From General Revenue Fund		1,815,091		907,546	1,815,091		907,546			
	From Medical Care Trust Fund		2,781,240		2,781,240	2,781,240		2,781,240			
201	Special Categories Hospital Inpatient Services										
	From General Revenue Fund		(25,735,390)		(12,867,695)	(25,735,390)		(12,867,695)			

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 General Revenue Fund			4,729,823	(2,364,912)		4,729,823	(2,364,912)			
	From Grants And Donations Trust Fund		(640,836)		(640,836)	(640,836)		(640,836)			
	From Medical Care Trust Fund			138,866,326	(138,866,326)		138,866,326	(138,866,326)			
	From Refugee Assistance Trust Fund		(1,082,980)		(1,082,980)	(1,082,980)		(1,082,980)			
204	Special Categories										
	Medicaid Crossover Services										
	From General Revenue Fund		461,155		230,578	461,155		230,578			
	From Medical Care Trust Fund		706,622		706,622	706,622		706,622			
205	Special Categories										
	Hospital Insurance Benefits										
	From General Revenue Fund		(357,604)		(178,802)	(357,604)		(178,802)			
	From Medical Care Trust Fund		(547,953)		(547,953)	(547,953)		(547,953)			
206	Special Categories										
	Hospital Outpatient Services										
	From General Revenue Fund		(24,709,616)		(12,354,808)	(24,709,616)		(12,354,808)			

Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY Appropriation	REQUESTED BY AGENCY Reserve	REQUESTED BY AGENCY Release	RECOMMENDED BY GOVERNOR Appropriation	RECOMMENDED BY GOVERNOR Reserve	RECOMMENDED BY GOVERNOR Release	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Appropriation	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Reserve	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION Release
	From Grants And Donations Trust Fund		(37,535,636)		(37,535,636)	(37,535,636)		(37,535,636)			
	From Medical Care Trust Fund			94,475,961	(94,475,961)		94,475,961	(94,475,961)			
	From Refugee Assistance Trust Fund		(1,332,382)		(1,332,382)	(1,332,382)		(1,332,382)			
207	Special Categories										
	Other Lab And X-Ray Services										
	From General Revenue Fund		(2,208,384)		(1,104,192)	(2,208,384)		(1,104,192)			
	From Medical Care Trust Fund		(3,394,306)		(3,394,306)	(3,394,306)		(3,394,306)			
	From Refugee Assistance Trust Fund		(276,705)		(276,705)	(276,705)		(276,705)			
208	Special Categories										
	Other Fee For Service										
	From General Revenue Fund		(375,888)		(187,944)	(375,888)		(187,944)			
	From Medical Care Trust Fund		(576,152)		(576,152)	(576,152)		(576,152)			
	From Refugee Assistance Trust Fund		(34,561)		(34,561)	(34,561)		(34,561)			
209	Special Categories										
	Patient Transportation										
	From General Revenue Fund		(1,720,074)		(860,037)	(1,720,074)		(860,037)			

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 Medical Care Trust Fund			17,681,717	(17,681,717)		17,681,717	(17,681,717)			
	From Refugee Assistance Trust Fund		(114,731)		(114,731)	(114,731)		(114,731)			
210	Special Categories										
	Personal Care Services										
	From General Revenue Fund		3,485,416		1,742,708	3,485,416		1,742,708			
	From Medical Care Trust Fund		5,400,928		5,400,928	5,400,928		5,400,928			
211	Special Categories										
	Physician And Health Care Practitioner Services										
	From General Revenue Fund		(19,952,805)		(9,976,403)	(19,952,805)		(9,976,403)			
	From Medical Care Trust Fund			30,438,647	(30,438,647)		30,438,647	(30,438,647)			
	From Refugee Assistance Trust Fund		(337,040)		(337,040)	(337,040)		(337,040)			
212	Special Categories										
	Therapy Services										
	From General Revenue Fund		1,507,754		753,877	1,507,754		753,877			
	From Medical Care Trust Fund		2,309,485		2,309,485	2,309,485		2,309,485			
213	Special Categories										

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
	Prepaid Health Plans										
	From General Revenue Fund		149,920,054		74,960,027	149,920,054		74,960,027			
	From Grants And Donations Trust Fund		45,865,358		45,865,358	45,865,358		45,865,358			
	From Grants And Donations Trust Fund		4,045,894		4,045,894	4,045,894		4,045,894			
	From Medical Care Trust Fund			704,216,397	(704,216,397)		704,216,397	(704,216,397)			
	From Refugee Assistance Trust Fund		3,972,845		3,972,845	3,972,845		3,972,845			
	From Refugee Assistance Trust Fund		13,850,218		13,850,218	13,850,218		13,850,218			
214	Special Categories										
	Prescribed Medicine/Drugs										
	From General Revenue Fund		(10,317,973)		(5,158,987)	(10,317,973)		(5,158,987)			
	From Grants And Donations Trust Fund		(7,688,886)		(7,688,886)	(7,688,886)		(7,688,886)			
	From Medical Care Trust Fund			13,840,297	(13,840,297)		13,840,297	(13,840,297)			
	From Refugee Assistance Trust Fund		(415,813)		(415,813)	(415,813)		(415,813)			
215	Special Categories										
	Medicare Part D Payment										
	From General Revenue Fund		3,638,877		1,819,439	3,638,877		1,819,439			

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
216	Special Categories										
	Private Duty Nursing Services										
	From General Revenue Fund		(15,660,671)		(7,830,336)	(15,660,671)		(7,830,336)			
	From Medical Care Trust Fund		(21,492,572)		(21,492,572)	(21,492,572)		(21,492,572)			
	From Medical Care Trust Fund			2,583,720	(2,583,720)		2,583,720	(2,583,720)			
217	Special Categories										
	Statewide Inpatient Psychiatric Services										
	From General Revenue Fund		(1,617,156)		(808,578)	(1,617,156)		(808,578)			
	From Medical Care Trust Fund			2,477,947	(2,477,947)		2,477,947	(2,477,947)			
218	Special Categories										
	Supplemental Medical Insurance										
	From General Revenue Fund		474,632		237,316	474,632		237,316			
	From Medical Care Trust Fund		727,541		727,541	727,541		727,541			
	From Refugee Assistance Trust Fund		1,604		1,604	1,604		1,604			
219	Special Categories										

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
	Clinic Services										
	From General Revenue Fund		2,994,644		1,497,322	2,994,644		1,497,322			
	From Medical Care Trust Fund		4,856,145		4,856,145	4,856,145		4,856,145			
	From Refugee Assistance Trust Fund		29,211		29,211	29,211		29,211			
	<u>Medicaid Long Term Care</u>										
221	Special Categories										
	Assistive Care Services										
	From General Revenue Fund		(4,094,930)		(2,047,465)	(4,094,930)		(2,047,465)			
	From Medical Care Trust Fund			6,386,023	(6,386,023)		6,386,023	(6,386,023)			
223	Special Categories										
	Intermediate Care Facilities/Intellectually Disabled - Sunland Center										
	From Medical Care Trust Fund		659,088		659,088	659,088		659,088			
224	Special Categories										
	Intermediate Care Facilities/Developmentally Disabled Community										
	From General Revenue Fund		(703,416)		(351,708)	(703,416)		(351,708)			

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 Medical Care Trust Fund			1,077,833	(1,077,833)		1,077,833	(1,077,833)			
225	Special Categories Nursing Home Care										
	From General Revenue Fund		45,104,605		22,552,303	45,104,605		22,552,303			
	From Medical Care Trust Fund		69,113,186		69,113,186	69,113,186		69,113,186			
226	Special Categories Prepaid Health Plan/Long Term Care										
	From General Revenue Fund		(90,379,706)		(45,189,853)	(90,379,706)		(45,189,853)			
	From Medical Care Trust Fund			44,537,454	(44,537,454)		44,537,454	(44,537,454)			
	From Medical Care Trust Fund		(69,886,930)		(69,886,930)	(69,886,930)		(69,886,930)			
227	Special Categories State Mental Health Hospital Program										
	From Medical Care Trust Fund		114,656		114,656	114,656		114,656			

Department of Economic Opportunity

EOG Number: O2016-0053

Problem Statement: Chapter 2014-1, Laws of Florida, requires VISIT FLORIDA and Florida Is For Veterans (d/b/a Veterans Florida) to jointly develop and submit to the Legislative Budget Commission (LBC) specific performance measures for the veterans research and marketing campaign established in section 295.23, Florida Statutes. The statute further requires VISIT FLORIDA to spend $1 million annually to market the state to veterans as a permanent home and disseminate information to improve veterans' knowledge of, and access to, benefits available in Florida. The LBC must approve the performance measures before VISIT FLORIDA can expend funds for the marketing campaign.
Agency Request: The Department of Economic Opportunity requests approval of performance measures to allow VISIT FLORIDA to expend funds for a marketing campaign. The performance measures submitted jointly by VISIT FLORIDA and Veterans Florida for Fiscal Year 2015-2016 include: • establishing baselines for Veterans Florida's brand recognition and unique website visitors; • producing a marketing campaign that will generate a minimum of 5 million media impressions by June 30, 2016; • attracting 50,000 unique visitors to the Veterans Florida website (www.veteransflorida.org) by June 30, 2016; • establishing a social media presence and gaining 3,000 combined followers by June 30, 2016; and • by June 30, 2016, achieving and maintaining an average of 4 out of 5 positive target audience responses as to whether they consider Florida to be a veteran/military-friendly state, whether they would consider Florida as a relocation destination and whether they think Florida offers superior veteran's benefits over other states.
Governor's Recommendation: Recommend approval of performance measures jointly developed by the Florida Tourism Industry Marketing Corporation and Florida Is For Veterans, Inc., by which the research and marketing campaign is established in accordance with s. 295.23, F.S.

Senate Committee: Appropriations Subcommittee on Transportation, Tourism, and Economic Development ***Senate Analyst:*** Kristin Pingree Gusky	***House Committee:*** Transportation & Economic Development Appropriations Subcommittee ***House Analyst:*** Timothy Proctor

Department of Financial Services

EOG Number: B2016-0094

Problem Statement:

The Department of Financial Services' (DFS) Division of Risk Management (Division) administers the state's self-insurance program. The Division provides oversight for the self-insurance program to include the purchase of insurance and claims administration for participating State of Florida agencies. Other responsibilities of the program include the investigation, evaluation, negotiation, defense, and making of any appropriate disposition of any covered action filed against state agencies.

The defense of litigated claims is provided to the Division by multiple sources that include the Office of the Attorney General, contracted law firms, and/or state agency attorneys. The Division receives professional legal defense assistance from the Office of the Attorney General for claims made against the State of Florida involving general liability, employment discrimination, and federal civil rights cases. In addition to the Office of the Attorney General support for certain legal cases, the Division also contracts with private law firms for legal matters which require a more specific level of expertise in different focus areas of law.

The Fiscal Year 2015-2016 General Appropriations Act included appropriations to the Division totaling $5,077,284 from the State Risk Management Trust Fund within the Contracted Legal Services-Office of the Attorney General special category. The July 28, 2015, Revenue Estimating Conference (REC) adopted a forecast that projected a need of $5.6 million within the Contracted Legal Services-Office of the Attorney General special category. The DFS indicates the increase is due to a caseload that included more complex and lengthy cases in addition to annual hourly rate increases for the Attorney General's staff. Based upon the circumstances at hand, the budgetary need for Fiscal Year 2015-2016 is projected at $5.6 million. The DFS indicates that the additional $550,000 in budget authority that was adopted in the July REC forecast will ensure sufficient budget authority for the current fiscal year.

In addition, the Fiscal Year 2015-2016 General Appropriations Act included appropriations to the Division totaling $17,476,020 from the State Risk Management Trust Fund within the Contracted Legal Services special category. The July 28, 2015, Revenue Estimating Conference (REC) adopted a forecast that projected a need of $22.0 million within the Contracted Legal Services special category. The DFS indicates that approximately 3,200 cases are currently under litigation, sixteen of which exceeded $100,000 in Fiscal Year 2014-2015, with one case involving

complex medical issues reaching approximately $1.8 million in accrued legal costs. Based upon the circumstances at hand, the budgetary need for Fiscal Year 2015-2016 is projected at $22.0 million. The DFS indicates that the additional $4.5 million in budget authority that was adopted in the July REC forecast will ensure sufficient budget authority for the current fiscal year. Without approval of this amendment, the DFS will not have sufficient budget authority to cover projected expenditures within the Contracted Legal Services-Office of the Attorney General and Contracted Legal Services special categories during Fiscal Year 2015-2016.
Agency Request: Based on the results of the July 28, 2015, Risk Management Revenue Estimating Conference, the Department of Financial Services requests an increase of $550,000 in the Contracted Legal Services-Office of the Attorney General appropriation category, and $4,500,000 in the Contracted Legal Services appropriation category from the State Risk Management Trust Fund. The increase in budget authority will ensure that the anticipated expenditures of the State Risk Management Trust Fund are covered through Fiscal Year 2015-2016.
Governor's Recommendation: Recommends approval to increase budget authority by $550,000 in the Contracted Legal Services-Office of the Attorney General appropriation category and $4,500,000 in the Contracted Legal Services appropriation category from the State Risk Management Trust Fund within the State Self Insured Claims Adjustment budget entity to support anticipated expenditures for legal services as estimated by the July Revenue Estimating Conference.

Senate Committee: Appropriations Subcommittee on General Government ***Senate Analyst:*** Gino Betta	***House Committee:*** Government Operations Appropriations Subcommittee ***House Analyst:*** Adam Keith

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
FINANCIAL SERVICES					
	Program: State Property And Casualty Claims <u>State Self-Insured Claims Adjustment</u>				
2395	Special Categories Contracted Legal Services - Office Of The Attorney General State Risk Management Trust Fund		550,000	550,000	
2396	Special Categories Contracted Legal Services State Risk Management Trust Fund		4,500,000	4,500,000	

Department of Financial Services

EOG Number: B2016-0112

Problem Statement: The Florida Department of Corrections (DOC) and US Foods entered into a contract in October 2008 which specified that US Foods would provide vendor food services to the DOC for state prisons. The contract was amended and renewed multiple times during its existence and eventually terminated on September 30, 2014. In 2012, a complaint was filed in Leon County Circuit Court, by individual complainants, alleging claims related to the contract between US Foods and the DOC. An investigation was initiated and conducted by the Department of Financial Services' (DFS) Office of Fiscal Integrity concerning US Foods billing methodologies and its course of action in dealing with the DOC pursuant to the contract. The investigation centered on the complainants allegations that US Foods was overcharging the DOC by submitting invoices for payment for food and products that were not calculated in compliance with terms of the contract. The DFS Office of Fiscal Integrity entered into a settlement agreement with US Foods where US Foods agreed to resolve the claim by making a payment in the amount of $15,500,000 million to the State of Florida. The settlement amount has been received by the DFS and has been deposited into the Administrative Trust Fund credited to the Legal Service entity pursuant to s. 68.092, F.S. Pursuant to s. 68.085, F.S., complainants shall receive at least 15 percent but not more than 25 percent of the proceeds of the action or settlement of the claim. The DFS and the complainants have agreed that the amount of the award will be 22 percent. The DFS is requesting operating authority in the Payment to Claimants category (110129) in the amount of $3,410,000 in order to pay the complainants the agreed upon amount of award. The remaining $12,090,000 of the award will be transferred to the General Revenue Fund by a subsequent budget amendment.
Agency Request: The Department of Financial Services requests budget authority in the amount of $3,410,000 for the Payments to Claimants category in the Administrative Trust Fund for payment to the complainants, pursuant to the settlement agreement.
Governor's Recommendation: Recommends approval to increase budget authority in the amount of $3,410,000 in the Payments to Claimants appropriation category, from the

Administrative Trust Fund within the Legal Services budget entity in order to transfer a portion of settlement funds to the relators that initially brought a claim regarding overpayment by the state. The relators will be paid 22 percent of the settlement amount, in accordance with the authorization contained in section 68.085, Florida Statutes.

Senate Committee: Appropriations Subcommittee on General Government ***Senate Analyst:*** Gino Betta	***House Committee:*** Government Operations Appropriations Subcommittee ***House Analyst:*** Adam Keith

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
FINANCIAL SERVICES					
	Program: Office Of Chief Financial Officer And Administration Legal Services				
N/A	Financial Assistance Payments Payments To Claimants From Administrative Trust Fund		3,410,000	3,410,000	

Department of Transportation

EOG Number: W2016-0024

Problem Statement:

Section 339.135(6)(c), F.S., authorizes the Department of Transportation to roll forward budget authority from the previous fiscal year into the next for project phases in the Adopted Work Program that are not certified forward or committed 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 other impacts 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 the prior year budget is never exceeded during the Roll Forward process.

Some of the major amounts and categories impacted are: $221.7 million for Right of Way; $686.1 million for Intrastate, Arterial Highway Construction, and other associated inspection budget; $385.3 million for Public Transportation; $58.1 million for Resurfacing; $126.1 million for Preliminary Engineering Consultants, and Traffic Engineering Consultants; $41.5 million for Bridge Construction and Inspection; $9.5 million for Economic Development - Road Fund; $2.5 million for Maintenance Contracts and Highway Beautification; $4.7 million for Major Disasters, $27.0 million for categories such as Planning Grants, County Transportation Programs, Safety Grants and Local Government Reimbursement; and $56.7 million for Toll/Turnpike Systems Equipment and Toll Operation Contracts.

Agency Request:

The department requests $1,619,243,971 of additional budget authority in several appropriation categories for Work Program phases in the Fiscal Year 2015-16 Adopted Work Program which qualify for roll forward pursuant to section 339.135(6)(c), F.S. This includes $6,735,425 for the Turnpike Renewal and Replacement Trust Fund; $279,072,789 for the Turnpike General Reserve Trust Fund; $1,286,205,408 for the State Transportation Trust Fund; and $47,230,349 for the Right of Way Acquisition Bridge Construction Trust Fund.

Governor's Recommendation:

Recommend pursuant to section 339.135(6)(c), F.S., providing $1.62 billion in additional budget authority in various appropriation categories for continuation of the Adopted Work Program phases in the Fiscal Year 2014-15 which were not certified forward, but qualify for roll forward. This includes $6.7M for the Turnpike Renewal and Replacement Trust Fund; $279.1M for the Turnpike General Reserve Trust Fund; $1.3B for the State Transportation Trust Fund; and $47.2M for the Right of Way Acquisition Bridge Construction Trust Fund.

Senate Committee: Appropriations Subcommittee on Transportation, Tourism, and Economic Development ***Senate Analyst:*** Diane Sneed	***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				
1869	Fixed Capital Outlay				
	Transportation Planning Consultants				
	From State Transportation (Primary) Trust Fund		5,477,292	5,477,292	
1871	Fixed Capital Outlay				
	Aviation Development/Grants				
	From State Transportation (Primary) Trust Fund		7,003,966	7,003,966	
1872	Fixed Capital Outlay				
	Public Transit Development/Grants				
	From State Transportation (Primary) Trust Fund		11,281,580	11,281,580	
1873	Fixed Capital Outlay				
	Right-Of-Way Land Acquisition				
	From State Transportation (Primary) Trust Fund		137,394,852	137,394,852	
	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		42,776,835	42,776,835	
1876	Fixed Capital Outlay				
	Seaport Grants				
	From State Transportation (Primary) Trust Fund		21,709,438	21,709,438	

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
1878	Fixed Capital Outlay				
	Rail Development/Grants				
	From State Transportation (Primary) Trust Fund		43,960,422	43,960,422	
1879	Fixed Capital Outlay				
	Intermodal Development/Grants				
	From State Transportation (Primary) Trust Fund		36,861,724	36,861,724	
1880	Fixed Capital Outlay				
	Preliminary Engineering Consultants				
	From State Transportation (Primary) Trust Fund		105,755,661	105,755,661	
0	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		131,482	131,482	
1881	Fixed Capital Outlay				
	Right-Of-Way Support				
	From State Transportation (Primary) Trust Fund		23,350,411	23,350,411	
	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		2,911,779	2,911,779	
1882	Fixed Capital Outlay				
	Transportation Planning Grants				
	From State Transportation (Primary) Trust Fund		7,052,613	7,052,613	
	<u>Florida Rail Enterprise</u>				
1890	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
	Construction Inspection Consultants From State Transportation (Primary) Trust Fund		500,000	500,000	
1892	Fixed Capital Outlay Public Transit Development/Grants From State Transportation (Primary) Trust Fund		171,528,975	171,528,975	
1893	Fixed Capital Outlay Bridge Construction From State Transportation (Primary) Trust Fund		3,600,000	3,600,000	
1894	Fixed Capital Outlay Rail Development/Grants From State Transportation (Primary) Trust Fund		86,726,652	86,726,652	
1895	Fixed Capital Outlay Intermodal Development/Grants From State Transportation (Primary) Trust Fund		6,229,235	6,229,235	
	Transportation Systems Operations Program: Highway Operations				
1909	Fixed Capital Outlay State Infrastructure Bank Loan Repayments From State Transportation (Primary) Trust Fund		406,934	406,934	
1910	Fixed Capital Outlay Small County Resurface Assistance Program				

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
	(Scrap) From State Transportation (Primary) Trust Fund		54,673	54,673	
1911	Fixed Capital Outlay Small County Outreach Program (Scop) From State Transportation (Primary) Trust Fund		1,961,206	1,961,206	
1912	Fixed Capital Outlay County Transportation Programs From State Transportation (Primary) Trust Fund		3,370,128	3,370,128	
1913	Fixed Capital Outlay Bond Guarantee From State Transportation (Primary) Trust Fund		1,941,859	1,941,859	
1914	Fixed Capital Outlay Transportation Highway Maintenance Contracts From State Transportation (Primary) Trust Fund		2,104,654	2,104,654	
1915	Fixed Capital Outlay Intrastate Highway Construction From State Transportation (Primary) Trust Fund		367,591,883	367,591,883	
1916	Fixed Capital Outlay Arterial Highway Construction From State Transportation (Primary) Trust Fund		56,586,849	56,586,849	
1917	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
	Construction Inspection Consultants				
	From State Transportation (Primary) Trust Fund		49,482,225	49,482,225	
0	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		100,402	100,402	
1920	Fixed Capital Outlay				
	Highway Safety Construction/Grants				
	From State Transportation (Primary) Trust Fund		9,084,163	9,084,163	
1921	Fixed Capital Outlay				
	Resurfacing				
	From State Transportation (Primary) Trust Fund		54,517,617	54,517,617	
1922	Fixed Capital Outlay				
	Bridge Construction				
	From State Transportation (Primary) Trust Fund		32,609,035	32,609,035	
	From Right-Of-Way Acquisition And Bridge Construction Trust Fund		1,309,851	1,309,851	
1924	Fixed Capital Outlay				
	Highway Beautification Grants				
	From State Transportation (Primary) Trust Fund		424,374	424,374	
1925	Fixed Capital Outlay				
	Materials And Research				
	From State Transportation (Primary) Trust Fund		65,505	65,505	
1926	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 Inspection				
	From State Transportation (Primary) Trust Fund		4,022,827	4,022,827	
1927	Fixed Capital Outlay				
	Economic Development Transportation Projects - Road Fund				
	From State Transportation (Primary) Trust Fund		9,471,498	9,471,498	
1928	Fixed Capital Outlay				
	Traffic Engineering Consultants				
	From State Transportation (Primary) Trust Fund		10,000,450	10,000,450	
0	Fixed Capital Outlay				
	Grants And Aids - 2014 Spring Flooding - Department Of Transportation Work Program				
	From State Transportation (Primary) Trust Fund		4,673,666	4,673,666	
	Florida's Turnpike Systems				
	<u>Florida's Turnpike Enterprise</u>				
1971	Fixed Capital Outlay				
	Intrastate Highway Construction				
	From Turnpike Renewal And Replacement Trust Fund		1,898,000	1,898,000	
	From Turnpike General Reserve Trust Fund		187,855,517	187,855,517	
	From State Transportation (Primary) Trust Fund		121,585	121,585	
1972	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
	Construction Inspection Consultants				
	From Turnpike Renewal And Replacement Trust Fund		3,000	3,000	
	From Turnpike General Reserve Trust Fund		19,467,193	19,467,193	
	From State Transportation (Primary) Trust Fund		70,000	70,000	
1973	Fixed Capital Outlay				
	Right-Of-Way Land Acquisition				
	From Turnpike General Reserve Trust Fund		13,107,998	13,107,998	
1974	Fixed Capital Outlay				
	Resurfacing				
	From Turnpike Renewal And Replacement Trust Fund		3,581,425	3,581,425	
1975	Fixed Capital Outlay				
	Bridge Construction				
	From Turnpike Renewal And Replacement Trust Fund		1,000	1,000	
	From Turnpike General Reserve Trust Fund		1,000	1,000	
1976	Fixed Capital Outlay				
	Preliminary Engineering Consultants				
	From Turnpike Renewal And Replacement Trust Fund		1,252,000	1,252,000	
	From Turnpike General Reserve Trust Fund		8,172,221	8,172,221	
	From State Transportation (Primary) Trust Fund		782,521	782,521	
1977	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
	Right-Of-Way Support				
	From Turnpike General Reserve Trust Fund		2,199,473	2,199,473	
1979	Fixed Capital Outlay				
	Toll Operation Contracts				
	From State Transportation (Primary) Trust Fund		3,805,795	3,805,795	
1980	Fixed Capital Outlay				
	Turnpike System Equipment And Development				
	From Turnpike General Reserve Trust Fund		48,269,387	48,269,387	
	From State Transportation (Primary) Trust Fund		411,691	411,691	
1981	Fixed Capital Outlay				
	Tolls System Equipment And Development				
	From State Transportation (Primary) Trust Fund		4,211,449	4,211,449	

Department of Law Enforcement
EOG Number: B2016-0125

Problem Statement:

The Florida Department of Law Enforcement (FDLE) is responsible for operating and maintaining the Florida's central repository for criminal history records known as the Computerized Criminal History (CCH) system. Created in the 1970's, it contains records on more than seven million subjects arrested by Florida law enforcement agencies. Each year, FDLE receives approximately one million additional arrest records from Florida law enforcement agencies.

In 2012, FDLE completed a needs assessment of CCH which recommended the competitive procurement of a commercial system that could be customized to meet the department's needs. An invitation to negotiate was released 7/31/2014 to hire an information technology firm that could deliver a new criminal records management solution. The Florida Legislature appropriated $2.8 million in FY 2014-2015 to begin a three-year process to replace CCH. In the FY 2015-2016 General Appropriations Act, $3.8 million was appropriated for the project and $2.8 million was reverted and reappropriated since none of the previous funds had been expended.

The Florida Department of Law Enforcement requests that funds appropriated in the Qualified Expenditure Category (QEC) titled Replace CCH System be moved into operating categories to cover the following anticipated expenditures in FY 2015-2016: $762,164 in Expense Category to acquire software products, develop test platforms, and for data quality activities; $200,355 in Operating Capital Outlay to acquire equipment to develop test platforms; and $1,893,707 in Contract Services Category to pay for current contract employees on FDLE's project team, software maintenance, and services provided by the new CCH system vendor.

Agency Request:

The Florida Department of Law Enforcement requests that funds appropriated in the Qualified Expenditure Category (QEC) titled Replace CCH System be moved into operating categories to cover the following anticipated expenditures in FY 2015-2016: $762,164 in Expense Category to acquire software products, develop test platforms, and for data quality activities; $200,355 in Operating Capital Outlay to acquire equipment to develop test platforms; and $1,893,707 in Contract Services Category to pay for current contract employees on FDLE's project team, software maintenance, and services provided by the new CCH system vendor.

Governor's Recommendation:

Recommend transferring $2,802,226 in Operating Trust Fund authority within the Florida Department of Law Enforcement from the Qualified Expenditure Category. To replace Computerized Criminal History (CCH) System, Expenses ($762,164) for software products and development/test platforms, data quality services activities, to Operating Capital Outlay ($200,355) for equipment for development/test

platforms, and to Contracted Services ($1,893,707) for contract employees, software maintenance, and services from the new CCH system vendor. This is consistent with the Department's proposed spending plan for the Computerized Criminal History System replacement project as it pertains to the first three quarters of this fiscal year.	
Senate Committee: Appropriations Subcommittee on Criminal and Civil Justice ***Senate Analyst:*** Tim Sadberry	***House Committee:*** Justice Appropriations Subcommittee ***House Analyst:*** Tony Lloyd

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
LAW ENFORCEMENT					
	Program: Criminal Justice Information Program <u>Provide Information Network Services To The Law Enforcement Community</u>				
1272	Expenses From Operating Trust Fund		762,164	762,164	
1273	Operating Capital Outlay From Operating Trust Fund		200,355	200,355	
1274	Special Categories Contracted Services From Operating Trust Fund		1,839,707	1,839,707	
1280	Qualified Expenditure Category Replace Computerized Criminal History System (Cch) From Operating Trust Fund		(2,802,226)	(2,802,226)	

September 3, 2015

Honorable Richard Corcoran
Chair, Joint Legislative Budget Commission
The Capitol
402 South Monroe Street
Tallahassee, Florida 32399-1300

Honorable Tom Lee
Vice-Chair, Joint Legislative Budget Commission
The Capitol
404 South Monroe Street
Tallahassee, Florida 32399-1100

RE: Clerks of Court *Amended* FY 2015-16 Legislative Budget Submissions

Dear Chairman Corcoran and Vice-Chairman Lee,

On behalf of Florida's statewide elected Clerks of Court, please find the ***amended*** Fiscal Year 2015-16 proposed budgets for Clerks of $447,959,783 and for the Clerks of Court Operations Corporation (CCOC) of $1,617,097. Our original request of $443.3 million did not include the revenues and expenditures related to the 10% of court-related fine dollars collected by Clerks. This amended request now includes those revenues and expenditures and is also based on the projected revenues from the Revenue Estimating Conference (REC). Although statutorily compliant, this amended budget does not represent the full needs of the Clerks.

This amended CFY 15/16 balanced budget comprises expenditures and revenues including the "ten percent of all court-related fines" collected pursuant to F.S. 28.37(5). Please note that the previously approved LBC Clerks' budgets for CFY 14/15 did not include the ten percent revenues or expenditures as it was not requested. If it had been, then when comparing the current budget request for 15/16, this represents an approximate 7.4% or $36 million budget reduction for Clerks for CFY 15/16.

Our state Constitution provides for Clerks to be "adequately and appropriately" funded each year to perform their court-related functions. As noted in the chart on the next page, the minimum funding the Clerks need to carry-out these duties is $473.7 million, leaving a revenue shortfall of $25.8 million. Recognizing that this is not an issue the LBC can resolve, we will be working with the state Legislature this upcoming session to develop a long-term and sustainable strategy to address our funding challenges.

Statewide Clerks of Court ***Original*** Fiscal Year 2015-16 Legislative Budget Submission (1)			
Revenues:	Revenue Estimating Committee Projected Revenue	"Ten percent of all court-related fines" pursuant to F.S. 28.37(5)	TOTAL AVAILABLE REVENUE
	$ 416,800,000	$ -	$ **416,800,000**
Funding Needs:	Original Proposed Budget	"Ten percent of all court-related fines" pursuant to F.S. 28.37(5)	TOTAL STATEWIDE CLERKS OF COURT FUNDING NEEDS
	$443,364,061	$ -	$ **443,364,061**
		Funding Shortfall	**$ (26,564,061)**

Statewide Clerks of Court ***Amended*** Fiscal Year 2015-16 Legislative Budget Submission (2)			
Revenues:	Revenue Estimating Committee Projected Revenue	"Ten percent of all court-related fines" pursuant to F.S. 28.37(5)	TOTAL AVAILABLE REVENUE
	$416,800,000	$31,159,783	$ **447,959,783**
Funding Needs:	Original Proposed Budget	"Ten percent of all court-related fines" pursuant to F.S. 28.37(5)	TOTAL STATEWIDE CLERKS OF COURT FUNDING NEEDS
	$443,364,061	$30,383,698	$ **473,747,759**
		Funding Shortfall	**$ (25,787,976)**

(1) This submission did not include revenues and expenditures associated with the "Ten percent of all court-related fines" pursuant to F.S. 28.37(5)

(2) This submission includes revenues and expendtures associated with the "Ten percent of all court-related fines" pursuant to F.S. 28.37(5)

Florida's Constitution established the Clerks as a separate but integral partner of the judicial branch to act as a "check and balance" for the public. Clerks' statutory duties are among the most complex in the state, and include the collection, accounting and distribution of more than $1 billion annually to the state's General Revenue Fund, trust funds, and to other local government agencies.

As a service organization, over 90% of Clerks' budgets are salary and personnel costs. Although Clerks continue to find efficiencies through nationally recognized best practices and increased use of technology, the past five years illustrate the limitations and weaknesses of the current revenue based funding model. In the enclosed Legislative budget submission, it is clear that while the revenue based budget model can be successful, certain constraints upon Clerks should be considered. These include:

- Court-related revenues are established and distributed pursuant to statute;
- Certain case types, such as criminal and juvenile, do not generate sufficient revenues to cover costs;
- Successful collections efforts are impacted by other agencies along with the economy;
- There is no authorization to establish reserves to address revenue shortfalls;
- Statutory and constitutional duties must be fulfilled regardless of the public's ability to pay (i.e. indigence, incarceration, minors etc.).

Although Clerks have taken extraordinary measures to increase revenues, such as the statewide collections effort Operation Green Light, it remains clear that the problem is not one of expenditures but one of revenue distribution.

In closing, we respectfully request the LBC's approval of the Clerks' statewide ***amended*** budget amount of $447,959,783, and the allocation of that amount to individual Clerks by the CCOC. This request also includes a continuation budget to support the Clerks of Court Operations Corporation's essential functions. The request is for $1,617,097 and is fully supported by revenues collected separately from the Clerks' revenues.

As a fellow public servant, it is an honor to serve the citizens of Florida, and my privilege to represent Florida's Clerks as Chair of the Clerks of Court Operations Corporation. Should you have any questions regarding this ***amended*** budget submission, please contact me at 561-355-4995 or John Dew, CCOC Executive Director, at 850-386-2223.

Respectfully,

Sharon R. Bock

Sharon R. Bock, Esq.
Clerk & Comptroller, Palm Beach County
Chair, Clerks of Court Operations Corporation

cc: CCOC Members
John Dew, CCOC Executive Director
Joe Boyd, CCOC General Counsel
JoAnne Leznoff, House Appropriations Staff Director
Cythia Kynoch, Senate Appropriations Staff Director

Developed by Florida Clerks of the Court Operations Corporation

Revenues				
REC Est	Estimated Net Balance in 10% Funds as of 09/30/2015	Estimated 10% Collections During CFY1516		**TOTAL** REC Est Plus Available 10% Revenues
$ 416,800,000	$ 10,507,657	$ 20,652,126		$ 447,959,783