State of Florida
Long-Range Financial Outlook
Fiscal Year 2014-15 through 2016-17

Fall 2013 Report
As Adopted by the Legislative Budget Commission

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 2013 Outlook is the seventh document developed in accordance with the provisions of Article III, Section 19(c)(1) of the Florida Constitution.

Ultimately, the Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. In this regard, the projections primarily reflect current-law spending requirements and tax provisions. The Outlook also includes budgetary, economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: in this version, 2014-15, 2015-16, and 2016-17. It does this by using anticipated revenues and expenditures in the current year (2013-14) as the starting point.

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

Who produced it?

The Outlook was jointly developed by the Senate Committee on 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.

- The various cost requirements were then aggregated by major fund type and compared to 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 state constitution. Also included are separate sections for Potential Constitutional Issues, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections and the Census, Debt Analysis, and a comparison of costs versus revenues.

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

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

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

- Revenue projections specifically cover the General Revenue Fund, the Educational Enhancement Trust Fund (Lottery and 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 include recurring and nonrecurring amounts.

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

- Budget drivers have been categorized as either "*Critical Needs*" (mandatory increases based on estimating conferences, and other essential needs) 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 that the Legislature will replace with state funds any federal funds reduced by the Sequester, or any assumptions regarding funding for new programs, expansion of current programs, tax breaks, or community-based initiatives.

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

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

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. Starting with the first constitutionally required Outlook adopted in September 2007, the results at the time of adoption have been 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

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Following the March General Revenue Estimating Conference, underlying collections showed mixed results – running below estimate in March and April and then coming in over estimate for the final two months of the fiscal year. After making post-session adjustments and disregarding the $200.1 million deposit from the National Mortgage Settlement Agreement, Fiscal Year 2012-13 ended with a minimal $93.9 million gain to the forecast, or about 0.4 percent above the estimate for the year.

- The Revenue Estimating Conference met on August 9, 2013, to revise the General Revenue forecast. While the latest national and Florida economic outlooks are similar to the ones adopted in the spring, they did not include the full effects of the ongoing federal Sequester, which is expected to moderate future revenue growth. The Conference took these factors into consideration in revising the forecast. For Fiscal Year 2013-14, expected revenues were increased by $177.8 million, or well less than 1.0 percent above the earlier forecast. For Fiscal Year 2014-15, anticipated revenues are expected to increase by $257.6 million over the prior forecast. The revised Fiscal Year 2013-14 estimate exceeds the prior year's collections by $869.6 million (3.4 percent). The revised forecast for Fiscal Year 2014-15 has projected growth of nearly $1.2 billion (4.4 percent) over the revised Fiscal Year 2013-14 estimate. The growth rates for Fiscal Years 2015-16 and 2016-17 were increased to 4.5 percent from 3.9 percent and to 4.8 percent from 4.5 percent, respectively.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27,074.8				8.4%
2006-07	26,404.1				-2.5%
2007-08	24,112.1				-8.7%
2008-09	21,025.6				-12.8%
2009-10	21,523.1				2.4%
2010-11	22,551.6				4.8%
2011-12	23,618.8				4.7%
2012-13	25,020.6	25,314.6	294.0	1,695.8	7.2%
2013-14	26,006.4	26,184.2	177.8	869.6	3.4%
2014-15	27,075.6	27,333.2	257.6	1,149.0	4.4%
2015-16	28,144.6	28,560.9	416.3	1,227.7	4.5%
2016-17	29,401.1	29,920.8	519.7	1,359.9	4.8%
2017-18	30,942.6	31,354.9	412.3	1,434.1	4.8%

- The growth in the General Revenue estimate also affects the Fiscal Year 2016-17 transfer to the Budget Stabilization Fund (BSF). The Outlook assumes the fifth and final payment of $214.5 million required by section 215.32, Florida Statutes, will be made in Fiscal Year 2015-16. The following year, the constitutional transfers required to bring the BSF up to five percent of net revenue collections for the last completed fiscal year would restart. Based on the August 2013 forecast, a transfer of $12.9 million to the BSF would be required for Fiscal Year 2016-17.

- The last official Financial Outlook Statement for the General Revenue Fund was adopted August 9, 2013, 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 2012-13* were increased to account for higher than anticipated revenue collections.

    - The *Funds Available for Fiscal Years 2013-14, 2014-15, 2015-16, and 2016-17* were adjusted upward to account for the results of the revenue estimating conferences that were held during the Summer Conference Season.

- The Long-Range Financial Outlook contains one additional adjustment: funds have been set-aside in Fiscal Year 2013-14 to address current-year operating deficits identified since the release of the last official Financial Outlook Statement for the General Revenue Fund. In total, the impact is $42.4 million including:

    - $24.0 million for the Department of Corrections to fund operational costs associated with an increase in the prison population identified by the July 2013 Criminal Justice Estimating Conference; and

    - $18.4 million for the Department of Juvenile Justice for juvenile detention costs in response to a recent court ruling which required a reduction in the share of detention costs that could be billed to the counties and an increase in the state share of these costs.

- For the third 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 significant carry forward of unspent funds from Fiscal Year 2013-14 ($111.9 million), the trust fund will have more funds available for expenditure in Fiscal Year 2014-15 than in Fiscal Years 2015-16 and 2016-17.

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

- The State School Trust Fund will have moderate growth for all three fiscal years contained in the Outlook. Because of a significant carry forward of unspent funds from Fiscal Year 2013-14 ($80.2 million), the trust fund will have more funds available for expenditure in Fiscal Year 2014-15 than in Fiscal Years 2015-16 and 2016-17.

- Reserves have been created for each of the three major trust funds. The amounts have been calculated by applying a percentage to each fund's revenue estimates 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 2014-15.

B. Key Aspects of the Expenditure Demands

- Critical Needs are mandatory increases based on estimating conferences and other essential items. The eighteen 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 2015-16.

- The twenty-five Other High Priority Needs drivers represent a conservative approach to issues that have been funded in most of the recent budget years. Unlike Critical Needs, the greatest General Revenue burden for Other High Priority Needs occurs in Fiscal Year 2014-15.

DOLLAR VALUE OF
CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Total Tier 1 - Critical Needs	408.2	623.3	283.8
Total - Other High Priority Needs	455.7	321.7	248.3
Total Tier 2 - Critical and Other High Priority Needs	863.9	945.0	532.1

- In Fiscal Year 2014-15, the Other High Priority Needs represent a greater percentage of the total needs than do the Critical Needs. However, Critical Needs have the greatest share of the total in Fiscal Years 2015-16 and 2016-17.

PERCENTAGE OF TOTAL
CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Total Tier 1 - Critical Needs	47.3%	66.0%	53.3%
Total - Other High Priority Needs	52.7%	34.0%	46.7%
Total Tier 2 - Critical and Other High Priority Needs	100.0%	100.0%	100.0%

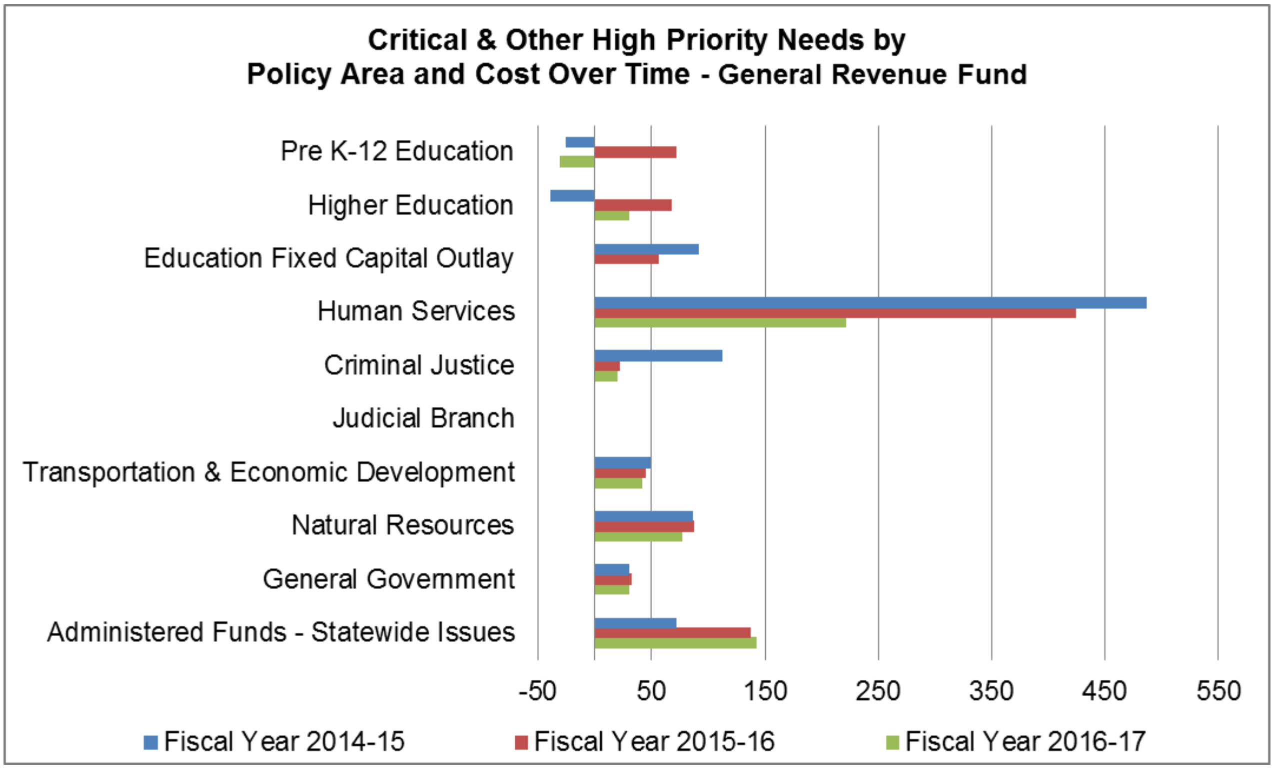
- Not only are the projected expenditures for Critical and Other High Priority Needs different over time, but the various policy areas also differ in their resource demands by year. Most areas are relatively balanced in magnitude over time, but the Pre K-12 Education policy area has different needs across the three years as enrollment and the ad valorem tax roll change. Still other areas have greater needs in the first year (Human Services and Criminal Justice) and then reduced needs for new drivers in the later years – although the recurring effects of the first year's drivers continue throughout the three years contained in the Outlook. The Administered Funds – Statewide Issues experiences a sharp increase in the second year as the Critical Needs driver for employer-paid benefits for state employees increases to maintain solvency of the State Employees' Health Insurance Trust Fund.

- In each of the last two Outlooks, the Administered Funds – Statewide Issues policy area contained drivers for the unfunded actuarial liability associated with the Florida Retirement System. Because the Legislature addressed this issue in the 2013 Session, a significant driver has been removed from the Outlook, which has affected the relative results between policy areas as compared to previous years.

- For education programs, the Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds, the Educational Enhancement Trust Fund, and the State School Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. The shifting of funds reduces the need for General Revenue funds, thus appearing as negative adjustments in Critical and Other High Priority Needs, but does not affect the calculated need for dollars to maintain funding levels for core education programs.

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

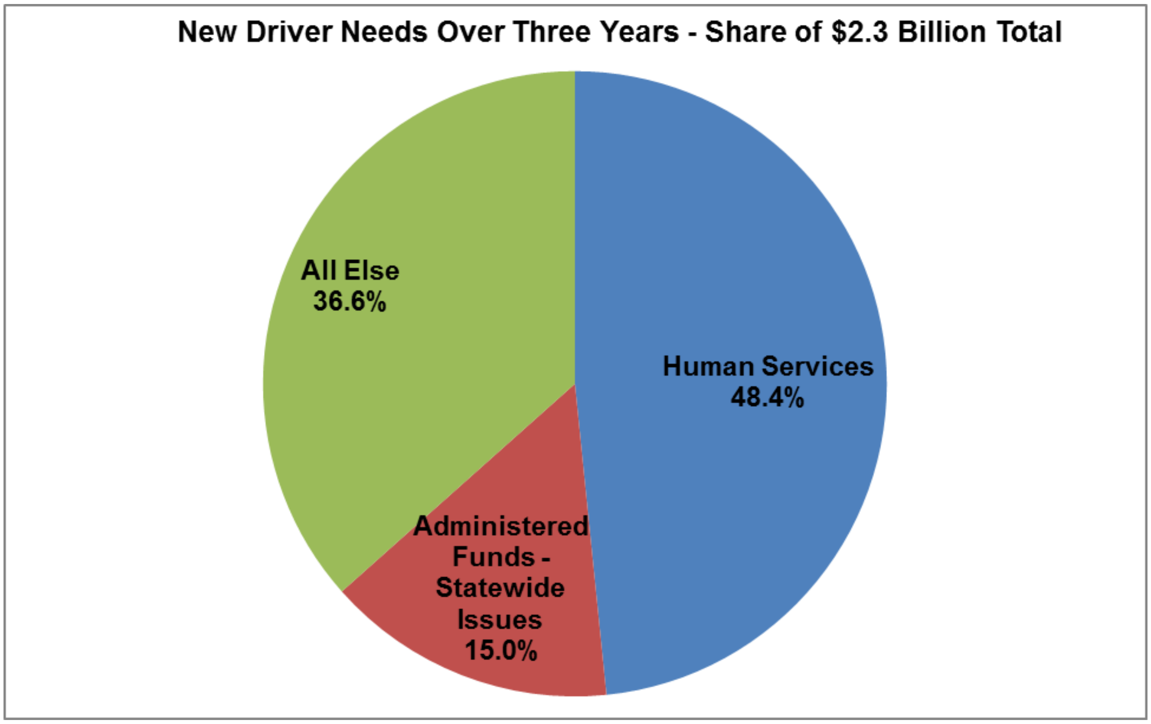
POLICY AREA	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**
Pre K-12 Education	(25.8)	72.0	(30.7)
Higher Education	(39.4)	67.8	30.7
Education Fixed Capital Outlay	92.2	56.2	0.0
Human Services	486.8	424.6	221.3
Criminal Justice	112.2	22.5	19.5
Judicial Branch	0.0	0.0	0.0
Transportation & Economic Development	49.2	44.6	41.3
Natural Resources	86.3	87.7	76.9
General Government	30.0	32.1	30.7
Administered Funds - Statewide Issues	72.4	137.5	142.4
Total New Issues	**863.9**	**945.0**	**532.1**



- 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. Only one policy area, Human Services, has double-digit percentages of the total in all three years of the Outlook, comprising 48.4 percent of the total $2.3 billion need over the three-year period.

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

POLICY AREA	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**
Pre K-12 Education	0.0%	7.6%	0.0%
Higher Education	0.0%	7.2%	5.5%
Education Fixed Capital Outlay	9.9%	5.9%	0.0%
Human Services	52.4%	44.9%	39.3%
Criminal Justice	12.1%	2.4%	3.5%
Judicial Branch	0.0%	0.0%	0.0%
Transportation & Economic Development	5.3%	4.7%	7.3%
Natural Resources	9.3%	9.3%	13.7%
General Government	3.2%	3.4%	5.5%
Administered Funds - Statewide Issues	7.8%	14.6%	25.3%
Total New Issues	100.0%	100.0%	100.0%



- The Medicaid program driver is the single largest Critical and Other High Priority Needs driver in all three years of the Outlook. Not including the policy areas with negative adjustments, the Medicaid program driver represents 74.0 percent of total Critical Needs in Fiscal Year 2014-15, 61.1 percent in Fiscal Year 2015-16, and 49.5 percent in Fiscal Year 2016-17. Broadening the scope to include Other High Priority Needs drivers and again excluding policy areas with negative adjustments, the Medicaid program driver remains the largest driver, representing 43.9 percent, 41.4 percent, and 32.6 percent, respectively, of total needs.

- When historical funding averages are used for drivers, the Outlook relies on four-year post-veto appropriations averages, unless otherwise noted.

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

- Fiscal Year 2014-15

    - Total General Revenue available for appropriation is $29,277.2 million.

    - The base budget, repayment of the Budget Stabilization Fund, and Critical Needs funded with General Revenue are estimated to cost $26,975.8 million. Including a holdback for a reserve balance of $1.0 billion increases the total expenditure need to $27,975.8 million. This figure grows to a total of $28,431.5 million when Other High Priority Needs are included.

- Combined, recurring and nonrecurring General Revenue program 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 2014-15. The anticipated expenditures (including the reserve) can be fully funded.

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

- An additional balance of $845.7 million 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 new discretionary spending or tax reductions. In making this decision, two factors should be considered by the Legislature: (1) 53 percent, or $449 million, of the $845.7 million is nonrecurring, and (2) the section of the Outlook entitled "Significant Risks to the Forecast" 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 2014-15 ***(in millions)***

	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**$27,310.0**	**$1,967.2**	**$29,277.2**
Base Budget	$26,353.1	$0.0	$26,353.1
Transfer to Budget Stabilization Fund	$0.0	$214.5	$214.5
Critical Needs	$370.9	$37.3	$408.2
Other High Priority Needs	$189.3	$266.4	$455.7
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL	**$26,913.3**	**$1,518.2**	**$28,431.5**
BALANCE	**$396.7**	**$449.0**	**$845.7**

- Fiscal Years 2015-16 and 2016-17

  - Fiscal Years 2015-16 and 2016-17 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.

D. Analyzing the Result for Critical and Other High Priority Needs

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

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. Assuming the $1.0 billion reserve is strictly adhered to each fiscal year, an additional $845.7 million in *nonrecurring* expenditures could be undertaken in Fiscal Year 2014-15 without causing a budget gap in Fiscal Year 2015-16. However, if there is an additional $845.7 million in *recurring* expenditures, a budget gap of ($264.7) million would be created in Fiscal Year 2015-16. Additional *recurring* expenditures of no more than $713.3 million could be undertaken in Fiscal Year 2014-15 without creating a budget gap in the following year.

Summary Charts

LONG-RANGE FINANCIAL OUTLOOK

TIER 1 ISSUES - CRITICAL NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			Fiscal Year 2016-17		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	2,493.8	2,493.8	0.0	1,851.1	1,851.1	0.0	1,301.4	1,301.4	0.0	2,393.4	2,393.4
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	Revenue Estimate	25,961.7	222.5	26,184.2	27,311.2	22.0	27,333.2	28,709.4	(148.5)	28,560.9	30,033.5	(112.7)	29,920.8
5	Non-operating Funds	(0.2)	125.2	125.0	(1.2)	94.1	92.9	(1.2)	94.1	92.9	(1.2)	94.1	92.9
6	Transfer from Trust Funds	0.0	385.3	385.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**Total Funds Available**	**25,961.5**	**3,226.8**	**29,188.3**	**27,310.0**	**1,967.2**	**29,277.2**	**28,708.2**	**2,247.0**	**30,955.2**	**30,032.3**	**3,374.8**	**33,407.1**
8													
9	**Estimated Expenditures:**												
10	Recurring Base Budget				26,216.6	0.0	26,216.6	26,724.0	0.0	26,724.0	27,314.0	0.0	27,314.0
11	Annualizations				136.5	0.0	136.5	0.0	0.0	0.0	0.0	0.0	0.0
12													
13	**New Issues by GAA Section:**												
14	Section 2 - Pre K-12 Education	10,550.7	32.8	10,583.5	(30.9)	0.0	(30.9)	67.1	0.0	67.1	(35.5)	0.0	(35.5)
15	Section 2 - Higher Education	3,467.1	48.2	3,515.3	(97.8)	0.0	(97.8)	5.6	0.0	5.6	(31.2)	0.0	(31.2)
16	Section 2 - Education Fixed Capital Outlay	0.0	9.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	Section 3 - Human Services	7,705.3	86.9	7,792.2	400.5	0.0	400.5	380.4	0.0	380.4	177.1	0.0	177.1
18	Section 4 - Criminal Justice	3,186.3	(8.9)	3,177.4	46.8	0.0	46.8	22.5	0.0	22.5	19.5	0.0	19.5
19	Section 7 - Judicial Branch	323.3	16.5	339.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	Section 5 & 6 - Transportation & Economic Development	73.6	74.5	148.1	0.0	13.5	13.5	0.0	9.4	9.4	0.0	5.6	5.6
21	Section 5 - Natural Resources	186.9	116.5	303.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Section 6 - General Government	220.1	55.5	275.6	0.9	23.5	24.4	0.9	23.9	24.8	1.0	24.0	25.0
23	Section 2 & 6 - Administered Funds - Statewide Issues	503.3	42.6	545.9	51.4	0.3	51.7	113.5	0.0	113.5	123.3	0.0	123.3
24	**Total New Issues**				370.9	37.3	408.2	590.0	33.3	623.3	254.2	29.6	283.8
25													
26	Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transfer to PECO Trust Fund	0.0	344.8	344.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	Current Year Estimating Conference Operating Deficits and Litigation	0.0	42.4	42.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Transfer to Lawton Chiles Endowment Fund	0.0	45.3	45.3	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	214.5	214.5	0.0	214.5	214.5	0.0	12.9	12.9
31													
32	**Total Estimated Expenditures**	**26,216.6**	**1,120.6**	**27,337.2**	**26,724.0**	**251.8**	**26,975.8**	**27,314.0**	**247.8**	**27,561.8**	**27,568.2**	**42.5**	**27,610.7**
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**	**(255.1)**	**2,106.2**	**1,851.1**	**586.0**	**715.4**	**1,301.4**	**1,394.2**	**999.2**	**2,393.4**	**2,464.1**	**2,332.3**	**4,796.4**

LONG-RANGE FINANCIAL OUTLOOK

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			Fiscal Year 2016-17		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	2,493.8	2,493.8	0.0	1,851.1	1,851.1	0.0	845.7	845.7	0.0	1,426.7	1,426.7
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	25,961.7	222.5	26,184.2	27,311.2	22.0	27,333.2	28,709.4	(148.5)	28,560.9	30,033.5	(112.7)	29,920.8
5	Non-operating Funds	(0.2)	125.2	125.0	(1.2)	94.1	92.9	(1.2)	94.1	92.9	(1.2)	94.1	92.9
6	Transfer from Trust Funds	0.0	385.3	385.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**Total Funds Available**	**25,961.5**	**3,226.8**	**29,188.3**	**27,310.0**	**1,967.2**	**29,277.2**	**28,708.2**	**1,791.3**	**30,499.5**	**30,032.3**	**2,408.1**	**32,440.4**
8													
9	**Estimated Expenditures:**												
10	Base Budget				26,216.6	0.0	26,216.6	26,913.3	0.0	26,913.3	27,600.1	0.0	27,600.1
11	Annualizations				136.5	0.0	136.5	0.0	0.0	0.0	0.0	0.0	0.0
12													
13	**New Issues by GAA Section:**												
14	Section 2 - Pre K-12 Education	10,550.7	32.8	10,583.5	(25.8)	0.0	(25.8)	72.0	0.0	72.0	(30.7)	0.0	(30.7)
15	Section 2 - Higher Education	3,467.1	48.2	3,515.3	(39.4)	0.0	(39.4)	67.8	0.0	67.8	30.7	0.0	30.7
16	Section 2 - Education Fixed Capital Outlay	0.0	9.0	9.0	0.0	92.2	92.2	0.0	56.2	56.2	0.0	0.0	0.0
17	Section 3 - Human Services	7,705.3	86.9	7,792.2	467.0	19.8	486.8	405.3	19.3	424.6	202.0	19.3	221.3
18	Section 4 - Criminal Justice	3,186.3	(8.9)	3,177.4	101.6	10.6	112.2	22.5	0.0	22.5	19.5	0.0	19.5
19	Section 7 - Judicial Branch	323.3	16.5	339.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	Section 5 & 6 - Transportation & Economic Development	73.6	74.5	148.1	0.0	49.2	49.2	0.0	44.6	44.6	0.0	41.3	41.3
21	Section 5 - Natural Resources	186.9	116.5	303.4	3.3	83.0	86.3	3.3	84.4	87.7	3.3	73.6	76.9
22	Section 6 - General Government	220.1	55.5	275.6	2.1	27.9	30.0	2.4	29.7	32.1	1.6	29.1	30.7
23	Section 2 & 6 - Administered Funds - Statewide Issues	503.3	42.6	545.9	51.4	21.0	72.4	113.5	24.0	137.5	123.3	19.1	142.4
24	**Total New Issues**				560.2	303.7	863.9	686.8	258.2	945.0	349.7	182.4	532.1
25													
26	Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transfer to PECO Trust Fund	0.0	344.8	344.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	Current Year Estimating Conference Operating Deficits and Litigation	0.0	42.4	42.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Transfer to Lawton Chiles Endowment Fund	0.0	45.3	45.3	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	214.5	214.5	0.0	214.5	214.5	0.0	12.9	12.9
31													
32	**Total Estimated Expenditures**	**26,216.6**	**1,120.6**	**27,337.2**	**26,913.3**	**518.2**	**27,431.5**	**27,600.1**	**472.7**	**28,072.8**	**27,949.8**	**195.3**	**28,145.1**
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**	**(255.1)**	**2,106.2**	**1,851.1**	**396.7**	**449.0**	**845.7**	**1,108.1**	**318.6**	**1,426.7**	**2,082.5**	**1,212.8**	**3,295.3**

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			Fiscal Year 2016-17		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	136.9	136.9	0.0	111.9	111.9	0.0	59.2	59.2	0.0	59.2	59.2
Revenue Estimate	1,594.7	(13.2)	1,581.5	1,619.3	0.0	1,619.3	1,642.7	0.0	1,642.7	1,671.8	0.0	1,671.8
Non-operating Funds	3.0	0.0	3.0	3.0	0.0	3.0	3.5	0.0	3.5	5.0	0.0	5.0
Total Funds Available	**1,597.7**	**123.7**	**1,721.4**	**1,622.3**	**111.9**	**1,734.2**	**1,646.2**	**59.2**	**1,705.4**	**1,676.8**	**59.2**	**1,736.0**
Estimated Expenditures:												
Base Budget				1,543.5	0.0	1,543.5	1,675.0	0.0	1,675.0	1,646.2	0.0	1,646.2
Increase/Decrease				131.5	0.0	131.5	(28.8)	0.0	(28.8)	30.6	0.0	30.6
Total Estimated Expenditures	**1,543.5**	**66.0**	**1,609.5**	**1,675.0**	**0.0**	**1,675.0**	**1,646.2**	**0.0**	**1,646.2**	**1,676.8**	**0.0**	**1,676.8**
Ending Balance	**54.2**	**57.7**	**111.9**	**(52.7)**	**111.9**	**59.2**	**0.0**	**59.2**	**59.2**	**0.0**	**59.2**	**59.2**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			Fiscal Year 2016-17		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	67.9	67.9	0.0	80.2	80.2	0.0	6.7	6.7	0.0	6.7	6.7
Transfers from Abandoned Property TF	183.4	29.8	213.2	189.9	(7.6)	182.3	206.7	(8.6)	198.1	217.3	0.0	217.3
Non-operating Funds	3.8	0.0	3.8	3.8	0.0	3.8	3.8	0.0	3.8	3.8	0.0	3.8
Total Funds Available	**187.2**	**97.7**	**284.9**	**193.7**	**72.6**	**266.3**	**210.5**	**(1.9)**	**208.6**	**221.1**	**6.7**	**227.8**
Estimated Expenditures:												
Base Budget				182.3	0.0	182.3	259.6	0.0	259.6	201.9	0.0	201.9
Increase/Decrease				77.3	0.0	77.3	(57.7)	0.0	(57.7)	19.2	0.0	19.2
Total Estimated Expenditures	**182.3**	**22.4**	**204.7**	**259.6**	**0.0**	**259.6**	**201.9**	**0.0**	**201.9**	**221.1**	**0.0**	**221.1**
Ending Balance	**4.9**	**75.3**	**80.2**	**(65.9)**	**72.6**	**6.7**	**8.6**	**(1.9)**	**6.7**	**0.0**	**6.7**	**6.7**

TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16			Fiscal Year 2016-17		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	10.9	10.9	0.0	6.2	6.2	0.0	13.9	13.9	0.0	13.9	13.9
Revenue Estimate	372.2	0.0	372.2	375.7	0.0	375.7	380.1	0.0	380.1	385.4	0.0	385.4
Non-operating Funds	5.2	0.0	5.2	5.1	0.0	5.1	4.6	0.0	4.6	5.1	0.0	5.1
Total Funds Available	**377.4**	**10.9**	**388.3**	**380.8**	**6.2**	**387.0**	**384.7**	**13.9**	**398.6**	**390.5**	**13.9**	**404.4**
Estimated Expenditures:												
Base Budget				382.1	0.0	382.1	373.1	0.0	373.1	384.7	0.0	384.7
Increase/Decrease				(9.0)	0.0	(9.0)	11.6	0.0	11.6	5.8	0.0	5.8
Total Estimated Expenditures	**382.1**	**0.0**	**382.1**	**373.1**	**0.0**	**373.1**	**384.7**	**0.0**	**384.7**	**390.5**	**0.0**	**390.5**
Ending Balance	**(4.7)**	**10.9**	**6.2**	**7.7**	**6.2**	**13.9**	**0.0**	**13.9**	**13.9**	**0.0**	**13.9**	**13.9**

Significant Risks to the Forecast

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

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 are 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 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 *2012 Debt Affordability Report* prepared by the Division of Bond Finance, these special purpose insurance entities represented $10.5 billion or 60 percent of total indirect debt.

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
	  ○ In-State...hotels and lodging, transport costs like rental cars and gas
	  ○ 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
	  ○ Private Savings / Loans
	  ○ State Spending
	  ○ FEMA and Federal Spending
	  ○ 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 2013 storm season, the FHCF's maximum statutory obligation comprised of mandatory and selected optional coverage is up to $17.0 billion based on $27.3 billion in industry losses. However, the FHCF's obligation by law is limited to the actual claims paying capacity. The FHCF currently projects liquidity of $11.77 billion, consisting of $9.77 billion in projected cash by December 2013 and $2.0 billion in pre-event bonds. Given recent financial market conditions, it is estimated the FHCF would be able to borrow approximately $7.3 billion during the next 12 months if a large event occurs during the contract year. This is $2.07 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 2013 contract year was approximately $19.0 billion. Of this amount, $17.0 billion is mandatory coverage and $2.0 billion is optional coverage. Approximately $177,000 was selected out of the optional $2.0 billion for Temporary Increase in Coverage Limit. The $17.0 billion in capacity selected translates to an approximate 1 in 38 year event (2.7 percent probability) or an event that causes $27.3 billion in insurance industry residential losses.

For the 2013 storm season, Citizen's probable maximum loss for a 100-year storm event is $20.4 billion. Citizen's currently has claims paying ability of approximately $13.8 billion consisting of $6.6 billion surplus, $1.8 billion from private market reinsurance, and $5.4 billion 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, 2012, the state had 161,648 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 with regular leave, sick leave, and similar benefits. For financial reporting

[1] Fiscal Year 2011-12 Annual Workforce Report, Department of Management Services, page 13.

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, 2012, are:

Compensated Absences	Balance 6/30/2012 ($ Thousands)	Due Within One Year (Current)
Governmental Activities	$793,654	$215,624[3]
Business-type Activities	$20,504	$4,951
Component Units	$588,731	$73,253
Total:	$1,402,889	$293,828

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

The Low Income Pool was established by the state effective July 1, 2006, as part of the five-year Medicaid Reform pilot project authorized by federal waiver and section 409.91211, Florida Statutes. The purpose of the Low Income Pool (LIP) is to ensure

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[2] Note 10, 2012 Florida Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2012 (http://www.myfloridacfo.com/Division/AA/Reports/CAFR2012.pdf).

[3] Actual cash payouts for employees separating from state employment for Fiscal Year 2012-13 totaled $60.6 million based on data provided by the Department of Financial Services, August 2013.

continued government support of health care services to the uninsured, underinsured, and Medicaid populations. The LIP consists of a capped annual allotment of $1.0 billion. These funds may be used for health care expenditures such as medical care costs or premiums incurred by the state, hospitals, clinics, or other provider types for uncompensated medical care, as well as for augmenting Medicaid funds. Local governments, such as counties, hospital taxing districts, and other state agencies (e.g., Florida Department of Health) provide funding for the nonfederal share of the $1.0 billion in LIP distributions.

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

Florida's LIP funding may change significantly beginning in Fiscal Year 2014-15 based on several factors, including whether federal waiver authority will be granted beyond the current waiver expiration, the special terms and conditions that could accompany additional waiver authority, and whether IGT funding remains available through donations made by counties, municipalities, and special taxing districts. In addition, section 409.97, Florida Statutes, significantly changes the state distribution methodology for Low Income Pool funding. The possibility of a diminished LIP or the loss of the LIP altogether, as well as potential changes to the distribution methodology, presents a risk for state Medicaid funding; however, the extent of the potential impact is indeterminate.

Medically Needy Program

The Medically Needy program is authorized under section 409.904(2), Florida Statutes, and provides a mechanism for individuals with high medical costs to receive Medicaid coverage even though they do not qualify for Medicaid due to having too much income. To qualify for Medically Needy, an individual must provide copies of medical bills to the Department of Children and Families each month to indicate the individual has met a required "share of cost." The department is responsible for tracking the bills and notifying the individual when they become eligible. Coverage begins on the day of the month in which the share of cost is met and ends on the last day of that month. Eligibility is determined on a month-to-month basis. Medically Needy does not include long-term care services, home and community-based services, or assistive care services. The state share of expenditures for the program in Fiscal Year 2013-14 is estimated at $456.1 million.

Medically Needy recipients are currently excluded from enrollment in Medicaid managed care plans. However, part IV of chapter 409, Florida Statutes, directs AHCA to begin enrolling Medically Needy recipients into managed care plans as part of the Medicaid managed medical assistance program. Federal waiver authority for the program is currently being sought, and pending that waiver authority, the agency could begin enrolling Medically Needy recipients into managed care plans during Fiscal Year 2013-14. The agency has indicated that federal approval of these waivers is not likely based on discussions with the Centers for Medicare and Medicaid Services (CMS).

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

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

<u>Disproportionate Share Hospital Program</u>

The Patient Protection and Affordable Care Act of 2010 included Disproportionate Share Hospital (DSH) allotments. The allotments include cumulative decreases for Federal Fiscal Years 2014-2020, and require the secretary of the Department of Health and Human Services to develop a methodology to reduce the state allotments. On May 15, 2013, the CMS published a proposed rule that provides a methodology for the first two federal fiscal years only. 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 reductions for Federal Fiscal Years 2014 and 2015 will not take into consideration the impacts that result from state decisions on the Medicaid expansion; however, the DSH methodology will still consider each state's percentage of uninsured and, as a result, may benefit states that do not expand Medicaid. The CMS will release another proposed rule on the methodology for determining DSH reductions for Federal Fiscal Year 2016 and beyond that accounts for the different circumstances among states. No adjustments have been included in the Outlook to amend the amount of DSH funding allocated to Florida; however, there is an unknown risk of reduction of DSH funding depending upon the CMS methodology and whether or not the methodology penalizes states that do not expand Medicaid, as well as Florida's decision to expand Medicaid or not.

Statewide Medicaid Managed Care Savings

Florida's transition to statewide Medicaid managed care will take place during Fiscal Years 2013-14 and 2014-15 as directed by Florida Statutes. The long-term care component began phasing-in enrollments on a regional basis during August 2013 and is scheduled to be fully implemented statewide by the conclusion of Fiscal Year 2013-14. The medical assistance component could begin phasing-in early in the 2014 calendar year and should be completed by October 2014, again on a regional phase-in schedule. Capitation rates for the long-term care component have been set, and AHCA is currently negotiating with plans for the medical assistance component. Section 409.966 (3)(d), Florida Statutes, requires the agency, for the first year of the first contract term for both the long-term care and medical assistance components, to negotiate capitation rates or fee-for-service payments with each managed care plan in order to guarantee aggregate savings of at least five percent. The savings are to be measured by a comparison of similar costs experienced in the prior year. Because the agency will phase in the two components on a regional basis, the result may be different contract terms and corresponding first years that will overlap fiscal years and each other from region to region. In addition, the agency has not completed the final negotiations for capitation rates for the medical assistance component. Due to these factors, the Social Services Estimating Conference has not adjusted the forecasting methodology for this savings. As the phase-in continues and final rates are negotiated, the Conference will have more accurate data to measure the savings and include the factor in Medicaid expenditure forecasts. These factors present a risk that estimates for state Medicaid funding may be overstated; however, the extent of the potential impact is indeterminate.

Federal Health Care Reform

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) was signed into law on March 23, 2010, and was amended one week later by the Health Care and Education Reconciliation Act of 2010. Collectively, the two pieces of legislation are referred to herein as PPACA, and that reference will be used throughout this document. The PPACA is an omnibus health insurance reform law that alters numerous aspects of commercial insurance as well as government programs that provide health coverage. The law creates many new requirements not previously addressed by federal law that pose fiscal impacts and risks for Florida – both positive and negative. Consequently, PPACA may affect state revenues and expenditures; the extent and level of those impacts are dependent on many factors, including, but not limited to, state decisions regarding participation and implementation. This section addresses risks that are not specifically calculable at this time. The PPACA impacts that have been forecasted, such as the impact upon the state employee health insurance program, the health insurance tax, and the "woodwork" (eligible, but not enrolled) effect upon the Medicaid program, are included in the Outlook in the relevant sections.

Health Insurance Mandate

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

Employer Requirements

The PPACA imposes health coverage requirements on employers with 50 or more full-time employees. Employers that do not offer coverage and have at least one full-time employee who receives a health insurance premium credit, are subject to a fee of $2,000 per full-time employee, excluding the first 30 employees from the assessment. Employers with 50 or more full-time employees that offer coverage, but have at least one full-time employee receiving federal assistance, will pay the lesser of $3,000 for each employee receiving a premium credit or $2,000 for each full-time employee, excluding the first 30 employees from the assessment. The law will require employers that offer coverage and have more than 200 full-time employees to automatically enroll new full-time employees into a health insurance plan offered by the employer, and, in order to waive such employer coverage, those employees will have to proactively opt out. For purposes of these requirements, a "full-time employee" is an employee who works an average of at least 30 hours per week. As of July 2013, the federal government announced that enforcement of the employer penalties will be postponed until January 2015.

Medicaid

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

The PPACA modifies the basis for determining Medicaid eligibility and – as passed – called for states to expand eligibility to all persons with household incomes up to 138 percent of the federal poverty level (FPL), effective January 1, 2014, in order for states to continue receiving federal Medicaid funds. Initially, this new eligibility group would be funded at a match rate of 100 percent federal funds, but the federal match would phase down over time to 90 percent beginning in January 2020. The phase-down of the federal match would begin in January 2017. The PPACA's federal match rates apply only to Medicaid recipients who become eligible solely due to PPACA's new income thresholds. Expenditures for recipients who qualify for Medicaid under the state's preexisting eligibility parameters would draw the traditional federal match rate, which in Florida is 59.01 percent for Fiscal Year 2014-15.

U.S. Supreme Court Ruling

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

Risks

Provisions in the PPACA which are expected to increase state expenditures are noted throughout this document. However, the PPACA also presents a number of risks to the state, including potential short-term economic disruptions.

1. Health care workforce. Prior to PPACA, many analysts identified shortages of health care professions and predicted the problem would grow with the aging of the population. Numerous factors, reflecting both supply and demand conditions, contribute to these shortages. Shortages impact a number of health care fields but are reported to be particularly acute among nurses, primary care physicians, and certain surgical specialties. Scarcity of health care professionals may have a variety of consequences, including increased waiting times for medical services and upward pressure on health care costs and insurance premiums. The PPACA may exacerbate shortages of health care professionals, despite specific provisions intended to expand training and offer incentives for providers in specific specialties or geographic areas, especially in the short term.

2. Insurance market for individuals and small groups. The PPACA requires the creation of a health insurance "exchange" in each state for the purpose of providing a centralized resource and mechanism to assist individuals and employers in the determination of eligibility and to purchase commercial health insurance coverage. States may, but are not required to, create and operate their own exchanges under federal parameters. States may also create "partnership exchanges" in which operational responsibility is shared with the federal government. In states that do not create a state-run or partnership exchange, PPACA provides that the federal government will operate the exchange. At this point, Florida has decided not to participate directly in the operation of the exchange; consequently, the federal government will operate an exchange for Florida residents beginning in October 2013. This decision prevents the state from exercising authority over certain operational choices available to exchanges. For example, exchanges can either approve all qualified plans to participate in the exchange or function as an active negotiator by selecting only a limited number of plans to participate. At the time the Outlook was being prepared, ten companies had filed to offer 332 PPACA compliant plans, including 63 plans on the

exchange and 269 plans off the exchange.[4] Any decision by the exchange to limit the number of participating health plans could impact segments of Florida's insurance industry.

3. Health care expenditures. Spending for health care services currently constitutes 18 percent of the national economy. A report by CMS projects that after the PPACA is fully implemented, U.S. health spending will increase annually by an average of 6.3 percent. By 2019, health care is expected to represent 19.6 percent of the gross domestic product. Increased spending for health care may result in reduced spending in other sectors of the economy.

4. Employment. The PPACA requires employers to provide health insurance to employees working an average of 30 hours or more per week or pay penalties. Employers may respond by shifting their workforce to more part-time positions. Such strategies can reduce employers' costs for providing health coverage but will not enable them to avoid penalties if the total number of hours for both full- and part-time workers exceeds 50 full-time equivalents. The percentage of full- versus part-time employees varies by industry. The industries already relying on higher percentages of part-time workers include service industries, health care services, education, and retail. Changes to employees' hours are more likely to occur in these industries and among employees working approximately 30 hours per week.[5]

5. Medicaid eligibility. The PPACA requires a change in the method for determining Medicaid eligibility. Effective in January 2014, eligibility will be determined based on Modified Adjusted Gross Income (MAGI). While the new MAGI approach is expected to result in a comparable number of persons who are eligible for Medicaid, some persons who are currently eligible may lose their eligibility and others who are ineligible may become eligible. Consequently, the direction and magnitude of impacts of the change to the MAGI system on persons eligible for Medicaid and on state Medicaid costs are unknown.

6. Medicare expenditures. The Congressional Budget Office estimated the PPACA would produce net savings for the federal government of $541 billion in Medicare spending between 2010 and 2019. To the extent net reductions in Medicare spending occur, there could be a disproportionate effect on Florida due to the high percentage of Florida's population that is Medicare eligible.

7. General Revenue impact. The current forecast for the General Revenue Fund does not include the impact to state revenues from PPACA's implementation. In this regard, both the Insurance Premium Tax and Medical and Hospital Fee collections will be positively affected on a recurring basis, thereby increasing the dollars available from the General Revenue Fund beyond the levels currently

[4] Communication with the Florida Office of Insurance Regulation.
[5] Data Brief: Which workers are most at risk of reduced work hours under the Affordable Care Act? UC Berkeley Labor Center, February 2013.

shown in the Outlook. The Revenue Estimating Conference is expected to address these issues over the next few months.

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 2014 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 2014 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 legislative proposals and no petition initiatives have received the required signatures to be placed on the ballot for the 2014 General Election. However, there is one petition initiative that has gathered enough valid signatures to be reviewed by the Attorney General and the FIEC. The "Water and Land Conservation – Dedicates Funds to Acquire and Restore Florida Conservation and Recreation Lands #12-04" petition proposes an amendment to the state constitution to fund the Land Acquisition Trust Fund for specified purposes by dedicating 33 percent of net revenues from the existing excise tax on documents for 20 years.

The FIEC adopted the following financial impact statement on May 23, 2013:

> *This amendment does not increase or decrease state revenues. The state revenue restricted to the purposes specified in the amendment is estimated to be $648.0 million in Fiscal Year 2015-16 and grows to $1.268 billion by the twentieth year. Whether this results in any additional state expenditures depends upon future legislative actions and cannot be determined. Similarly, the impact on local government revenues, if any, cannot be determined. No additional local government costs are expected.*

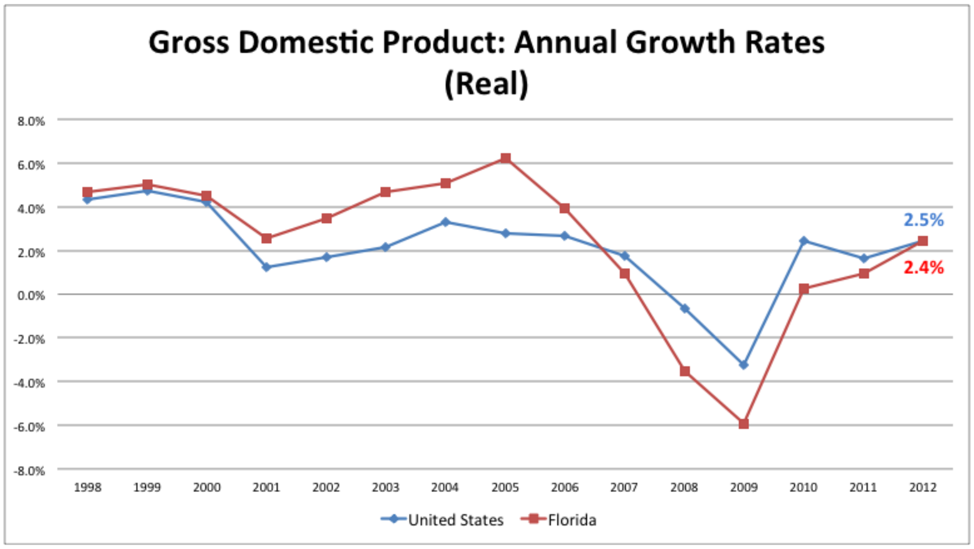
Florida Economic Outlook

> *The Florida Economic Estimating Conference met in July 2013 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research (EDR), the latest baseline forecast is optimistic that the recovery will steadily continue, with a strong caveat that the effects of a continuing federal Sequester may have greater than currently anticipated dampening effects on the economy. Underlying the forecast is the assumption that a recovery has been underway since the late spring of 2010, but still has a few years to go to return to normal conditions. In the forecast, normalcy has been largely achieved by Fiscal Year 2016-17 with construction and real estate still presenting notable exceptions. While not explicitly included in the official forecast, EDR assumes that any alteration of the provisions governing the federal Sequester would attempt to achieve the same level of savings and have an equal or greater detrimental impact on Florida's economy.*

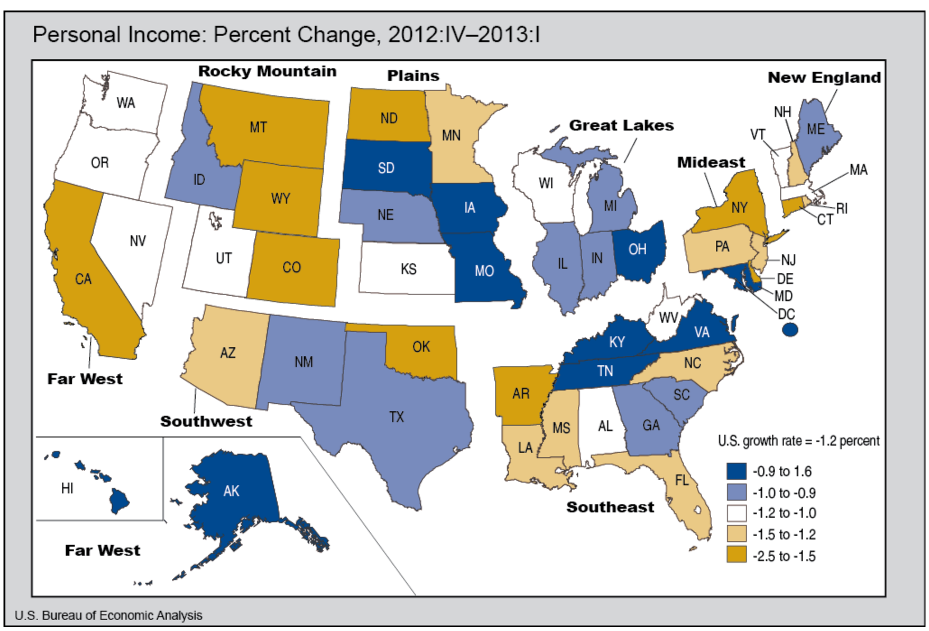
By the close of the 2012-13 fiscal year, several key measures of the Florida economy had returned to or surpassed their prior peaks. Nominal personal income and tourism counts were the most notable among these metrics. Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate the economic extremes the state faced to get to this point.

One economic measure for *comparing states* is the year-to-year change in the **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using this measure, Florida was one of the nation's faster growing states from 1997 to 2006, reaching its peak growth in 2005 and outperforming the nation in the first nine of the last fifteen years. With the end of the housing boom and the beginning of the real estate market correction, the state slipped into two years of negative growth (2008 and 2009). While Florida was not the only state to experience a significant deceleration in economic growth during this period (California, Nevada, and Arizona showed similar trends), it was one of the hardest hit. Once the recession ended and the slow recovery began in 2010, Florida's economy regained its positive footing, registering 0.3 percent growth over the prior year in 2010 and 0.9 percent growth in 2011 (calculations in real dollars). In 2012, the state was ranked 14th in the country in real growth, with a gain of 2.4 percent, just slightly below the national average of 2.5 percent. In terms of current dollars, Florida's gross domestic product reached $777.2 billion in 2012, moving ahead of its prior peak.

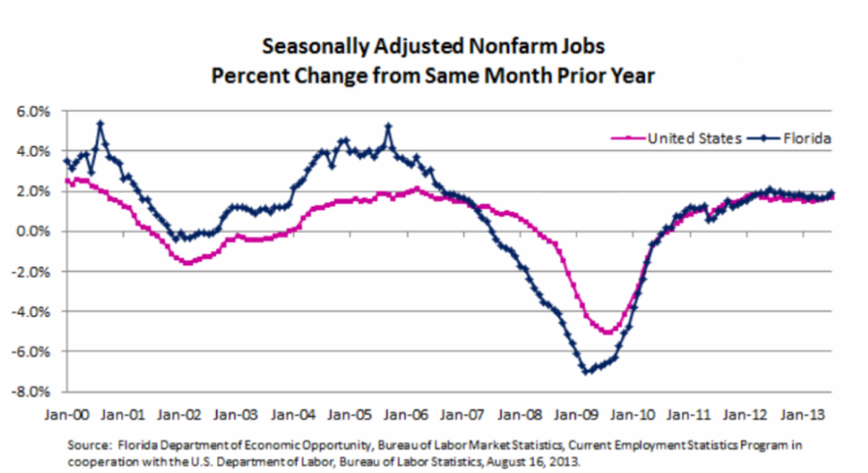
[SEE GRAPH ON FOLLOWING PAGE]



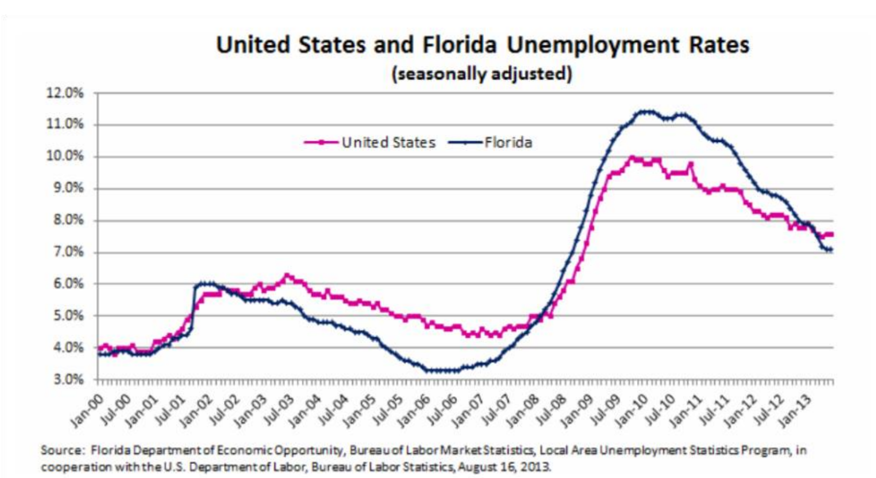
Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth** – primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Using the latest revised series, Florida finished the 2012 calendar year with 3.2 percent growth over 2011, putting the state only slightly below the national growth rate of 3.5 percent. Losing some ground in the first quarter of 2013, Florida saw a -1.5 percent change from the last quarter of 2012 and dropped in rank to 39th in the nation. In Florida, losses in both net earnings and property income led to the slow-down. They reflected the expiration of the payroll tax holiday and the acceleration of dividends and salary bonuses into 2012:Q4. First-quarter property income (dividends, interest, and rent) fell the most in California (-$10.9 billion), but Florida closely followed (-$9.3 billion) with a decline in this category greater than in earnings.



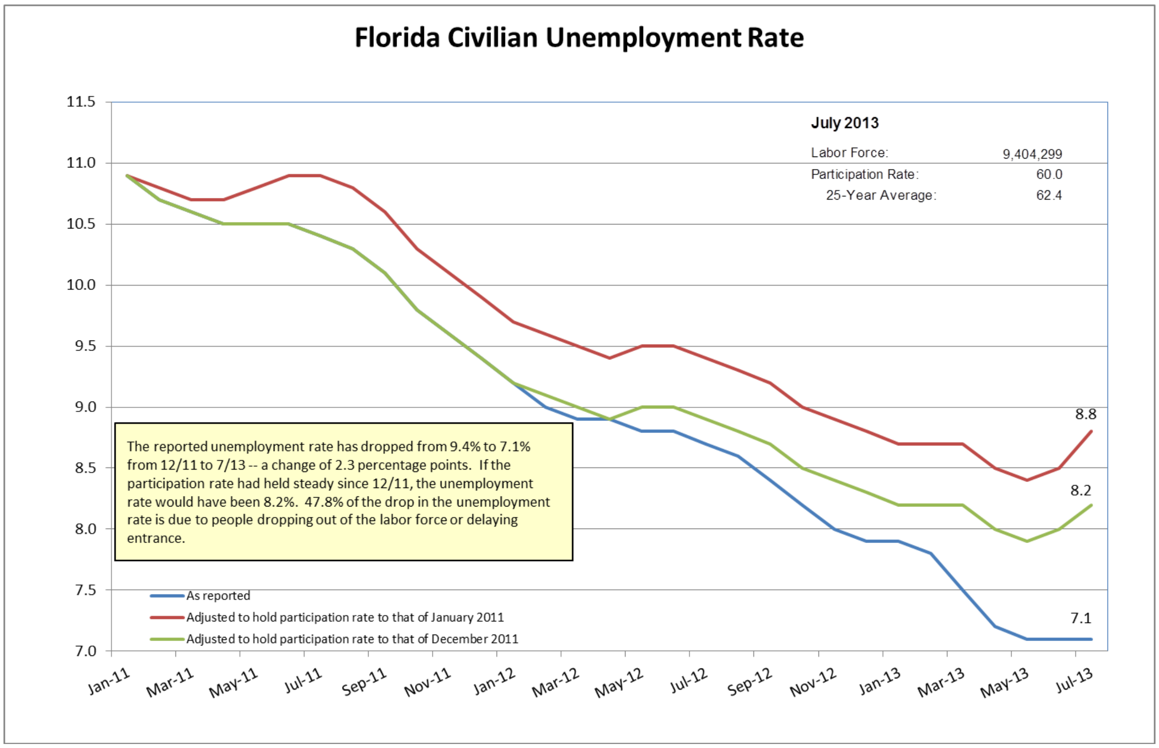
The key measures of employment are typically **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until August 2010 when Florida experienced its first over-the-year increase in jobs since July 2007. Three years later (July 2013), Florida's annual job growth rate has been positive for the past 36 months. However, Florida is still 515,100 jobs below its peak during the boom. This indicates that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak non-farm employment level will not occur until Fiscal Year 2016-17 at the earliest. Since population has continued to grow, the reality is actually worse than it appears – it would take the creation of about 900,000 jobs for the same percentage of the total population to be working as was the case at the peak.



The state's unemployment rate in July was 7.1 percent, with 665,000 jobless persons. It had been as low as 3.3 percent from January through August 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.4 percent from December 2009 through March 2010. Following the trend of the past several months, Florida's July rate is below the national rate of 7.4 percent. Prior to March 2013, Florida had an unemployment rate that equaled or exceeded the nation's rate for five years.



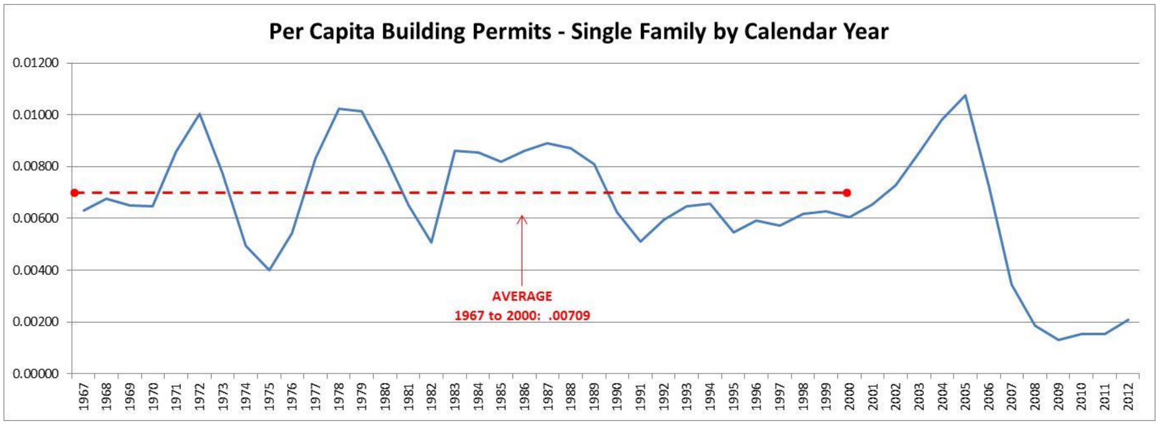
A conundrum appears after reviewing this data – if job creation has been relatively stable, why has Florida seen a marked decline in its unemployment rate? The answer lies in the labor force participation rate. The reported unemployment rate has dropped from 9.4 percent to 7.1 percent from December 2011 to July 2013, a change of 2.3 percentage points. If the participation rate had held steady since December 2011 when the labor force peaked, the unemployment rate would have been 8.2 percent. This indicates that 47.8 percent of the drop in the unemployment rate is due to people dropping out of the labor force or delaying entrance. Even so, this metric has shown improvement from last year when the percentage was significantly higher.



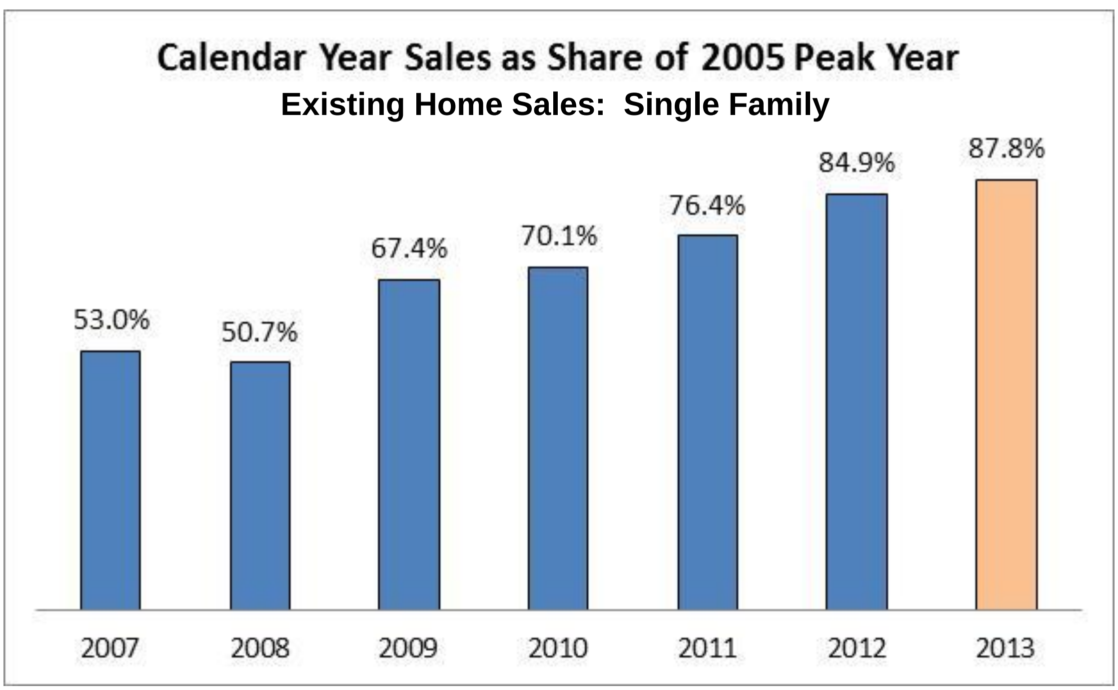
Florida's average annual wage has typically been below the national average. The preliminary data for the 2012 calendar year showed that it further declined to 87.7 percent of the average for the United States as a whole. Although Florida's wage level actually increased over the prior year, the national average annual wage increased more.

To a great extent, the slow recovery in the jobs sector is related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and at the end of the 2012-13 fiscal year was still down 345,400 jobs (-49.9 percent) from that level. The persistently large inventory of unsold houses coupled with the still sluggish credit market for residential loans continue to dampen residential construction activity and sales. In Fiscal Year 2012-13, single-family private housing starts came in at 48,900 or just below

27 percent of their peak level. Documentary Stamp Taxes, a strong indicator of housing market activity, were only 40.5 percent of their prior peak as the fiscal year ended.



However, the moribund housing market is displaying some signs of life. Building permit activity, an indicator of new construction, is back in positive territory, showing strong (46.2 percent) year-over-year growth for the first six months of the 2013 calendar year. In addition, existing home sales in 2012 showed marked improvement from the prior calendar year, coming in at 84.9 percent of the 2005 banner year sales. They look on track to better that percentage in 2013.



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

FORECAST ~ Long-Term Trends

For Florida, it appears that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010. In the forecast, months of modest growth are expected before normalcy is largely achieved 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 and the risk associated with the delayed resolution of the federal Sequester and the statutory debt ceiling dispute. Each of these issues is discussed separately below.

Pace of Recovery...

The pace of Florida's recovery will be driven in large measure by the time it takes the ***construction industry*** to revive. Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Florida particularly vulnerable to the decelerating housing market and interest rate risks. In 2006, almost 47 percent of all mortgages in the state were considered "innovative" (interest only and pay option adjustable-rate mortgages). With the ease of gaining access to credit, long-term homeownership rates were inflated to historic levels – moving Florida from a long-term average of 66.3 percent to a high of over 72 percent. Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes who previously would have been denied. This is borne out by the steady decline in the homeownership rates since the peak – the latest data (Quarter 2 of the 2013 calendar year) placed the annual rate at 66.0 percent, slightly below the long-run average of 66.3 percent.

The surging demand for housing led many builders to undertake massive construction projects that were left empty when the market turned. While the national inventory of unsold homes had improved to a more normal 5.1 months in July 2013, the situation is more complicated in Florida. Foreclosures have further swelled the state's unsold inventory of homes and will continue to do so in the near-term. Originally related to mortgage resets and changes in financing terms that placed owners in default, delinquencies were further boosted by persistently high levels of unemployed persons in financial distress. Private sector data for July 2013 shows that Florida was the highest state in the country for both the number of foreclosure filings and the rate of foreclosure. While many of the legal issues regarding the processing of foreclosure documents were largely resolved by the National Mortgage Settlement Agreement finalized in early 2012, foreclosure starts have just recently begun returning to expected levels. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. Today, a foreclosure takes 907 days to process (about 2.5 years), the third longest period in the nation. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market – and in the interim, the actual backlog continues to build. However, there is some promising news. With the exception of the June data shown below, the front end of the foreclosure stream, comprised of mortgages newly falling into delinquency, has steadily declined over the course of the 2013 calendar year. 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 26 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 (generally a precursor to foreclosure), so a decline in these numbers is a good sign.

Foreclosures & Shadow Inventory

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		6.7%	2.9%	9.6%	-14.5%
FL	*	7.0%	9.5%	16.6%	-21.7%
MS		13.1%	2.4%	15.4%	-9.1%
NJ	*	8.2%	7.1%	15.3%	-4.1%
NY	*	7.4%	5.8%	13.1%	-1.4%
ME	*	7.1%	5.3%	12.4%	-3.1%
NV		7.7%	4.6%	12.4%	-23.0%
RI		9.1%	3.2%	12.3%	-2.7%
MD	*	8.0%	3.8%	11.8%	-9.2%
LA	*	9.4%	2.4%	11.8%	-7.9%
CT	*	6.8%	4.8%	11.7%	-5.6%
IL	*	7.0%	4.3%	11.3%	-17.7%
IN	*	8.1%	2.9%	11.0%	-10.6%
AL		9.5%	1.4%	10.9%	-4.0%
DE	*	8.0%	2.9%	10.8%	-4.9%
OH	*	7.7%	3.1%	10.8%	-11.7%
PA	*	7.6%	3.1%	10.7%	-5.2%
AR		8.3%	2.2%	10.5%	-8.1%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		6.7%	2.9%	9.6%	-14.5%
HI	*	4.7%	5.7%	10.5%	-10.6%
GA		8.7%	1.7%	10.4%	-15.5%
SC	*	7.1%	3.1%	10.2%	-13.7%
TN		8.8%	1.3%	10.2%	-8.8%
WV		8.6%	1.4%	10.0%	-7.1%
MA		7.5%	2.3%	9.8%	-2.6%
OK	*	6.9%	2.6%	9.5%	-5.6%
NC		7.3%	1.8%	9.0%	-13.8%
VT	*	5.4%	3.5%	8.9%	-1.3%
KY	*	6.6%			
DC		6.1%			
NM	*	5.4%			
WI	*	6.2%			
TX		7.2%			
MI		6.9%			
MO		7.0%			
NH		6.5%			

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		6.7%	2.9%	9.6%	-14.5%
KS	*	6.1%	1.5%	7.6%	-9.3%
WA		5.2%	2.4%	7.6%	-21.6%
IA	*	5.1%	2.2%	7.3%	-8.0%
OR		4.1%	3.1%	7.2%	-12.1%
UT		5.7%	1.4%	7.1%	-15.8%
ID		4.4%	2.3%	6.7%	-14.4%
CA		5.2%	1.2%	6.4%	-28.9%
VA		5.5%	0.9%	6.4%	-12.6%
NE	*	5.1%	1.0%	6.0%	-5.4%
					-33.0%
					-17.9%
					-18.7%
					-1.7%
					-15.5%
					-9.6%
					-10.9%
					-9.7%

* - Indicates Judicial State

State		Del %	FC %	Non-Curr %
National		6.7%	2.9%	9.6%
FL	*	7.0%	9.5%	16.6%

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

In May 2013, over 35 percent of all sales were either REO (bank-owned after an unsuccessful sale at a foreclosure) or short sales, and most of these sales were heavily discounted. Even more remarkable, over 37 percent of the sales were cash sales – leaving only a minority of the sales (28 percent) using financing arrangements. In part, these statistics are influenced by low housing prices that attract investors willing to wait for the market to improve, but they are also influenced by extremely tight credit conditions. Banks are still reporting that they are less likely than in prior years to originate mortgages to any borrowers apart from those with the strongest credit profiles. In addition, down payments of 20 percent or more are also being required. The Federal Reserve Board conducts a Senior Loan Officer Survey of bank lending practices once each quarter. While conditions had been holding steady (albeit at elevated levels), the July 2013 results showed some tightening of standards for approving applications from individuals for prime residential mortgage loans. These results pose a risk for the current forecast if they continue.

July 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices
Federal Reserve Board

	All Respondents								
	July '13 %	Apr '13 %	Jan '13 %	Oct '12 %	July '12 %	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %
Tightened considerably	0.0%	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0
Tightened somewhat	3.0%	1.6	1.5	3.1	1.6	5.6	0.0	4.2	5.7
Remained basically unchanged	86.6	89.1	92.3	92.2	93.4	90.7	94.3	91.7	86.8
Eased somewhat	10.4%	9.4	4.6	4.7	3.3	3.7	5.7	4.2	7.5
Eased considerably	0.0%	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Total	100%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Currently, the key housing market metrics do not show a return to their peak levels until 2020-21 (residential construction expenditures and total construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment, multi-family starts, private housing starts, and median price) or very late in the period (2022-23: single-family starts).

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.

Federal Sequester and the Statutory Debt Ceiling Dispute – A New Fiscal Cliff...

Given the strong public – and economic – reaction to the financial turmoil in August 2011, it is striking that the "fiscal cliff" faced by United States in January 2013 had as little immediate effect as it did. Caused by the intersection of three major deadlines and a potential debt showdown, the potential magnitude of the "fiscal cliff" was largely unknown until after the November elections. Both the Congressional Budget Office and the International Monetary Fund projected that, if left intact, the collective impact of these events would be to throw the United States back into a recession. Ultimately, last-minute resolutions were found for all of the issues although no agreement was reached on a long-term solution. Now, the United States is facing yet another debate on alternatives to the Sequester and the level of the statutory debt ceiling as the temporary solutions run out.

- **Automatic Sequester Provisions** – Essentially the Sequester is the enforcement mechanism used to ensure that $1.2 trillion in savings are produced over a nine-year period through a combination of domestic and defense discretionary spending reductions. This meant cuts of roughly ten percent for defense spending for Federal Fiscal Year 2013 and nine percent for non-defense spending in non-exempt programs. However, the Automatic Sequester provisions expected to take place January 1, 2013, were first extended to March 1, 2013, and then left largely intact, but at levels reduced by two months, until September 30, 2013. In addition, many of the Sequester's expected early effects were muted through the use of federal reserves, targeted congressional fixes, and contracting delays. These solutions will be largely unavailable if the Sequester continues into future fiscal years, meaning that the cumulative effects will come closer to the original predictions. While it is clear that there is no meaningful support for the current Sequester provisions, agreement has not been reached on a long-term replacement. It is likely that any of the proposed alternatives will attempt to generate a similar amount of savings and have an equal or greater detrimental impact on Florida's economy.

Although the final results remain to be seen, a table showing the original Sequester impact projections is replicated below to suggest the potential magnitude. The economy-wide impact of all direct, indirect, and induced effects reaches one percent of the state's 2012 Gross Domestic Product. To put Florida's vulnerability in even greater perspective: in Federal Fiscal Year 2012, Florida received $517.2 billion in federal awards and assistance, including contract awards ($15.4 billion), grants ($7.1 billion), direct payments ($58.5 billion), insurance assistance ($53.0 billion), and various other forms of loans, guarantees, and assistance, making it the top recipient state. Of the $15.4 billion in total contract awards for Florida, 76.4 percent came from the Department of Defense, and the top five award contractors were Lockheed Martin Corporation, Harris Corporation, Raytheon Company, Hellfire Systems LLC, and Northrup Grumman Corporation.

PROJECTED SEQUESTER IMPACTS FOR FLORIDA DEVELOPED PRIOR TO JANUARY 1, 2013
Range from Initial Impact (FFIS) to Total Florida Economic Shock (George Mason)

Defense	**Impact ($)**	**Defense-Related Jobs**
FFIS: Direct Impact of Full Sequester (Federal Grants and Contracts)	1.877 billion	
George Mason: Direct, Indirect & Induced Impact of Full Sequester (Economy)	3.632 billion	41,905
Domestic Discretionary Spending	**Impact ($)**	**Non-Defense Jobs**
FFIS: Direct Impact of Full Sequester (Federal Grants and Contracts)	0.362 billion	
George Mason: Direct, Indirect & Induced Impact of Full Sequester (Economy)	4.366 billion	37,554
TOTAL	**Impact ($)**	**All Jobs in Florida Economy**
FFIS: Direct Impact of Full Sequester (Federal Grants and Contracts)	2.239 billion	
George Mason: Direct, Indirect & Induced Impact of Full Sequester (Economy)	7.998 billion	79,459

- **Statutory Debt Ceiling** – The House and Senate passed and the President signed HR 325 ("The No Budget, No Pay Act") to waive the statutory debt limit through May 18, 2013, allowing the Treasury to borrow above the current $16.4 trillion limit until then. Due to technical adjustments available to the Treasury, continued borrowing is available for a limited time. The Congressional Budget Office projects that "those measures will be exhausted in either October or November of this year." In late August, Treasury Secretary Jacob Lew further narrowed this projection to sometime in mid-October.

At the time of this Outlook, Congress had not reached a budget agreement; thus, it is likely a continuing resolution will be needed. However, the level at which the continuing resolution may be set and its duration are unknown. Current law requires the federal Office of Management and Budget to implement across-the-board sequestration 15 days after Congress adjourns if the appropriations levels violate the required spending caps. Given the uncertainty in the federal budget process, it is impossible to predict the spending levels that will prevail in the upcoming federal fiscal year or whether the continuation of the federal Sequester will be necessary. If the new "fiscal cliff" caused by the intersection of missed budget deadlines and a debt ceiling close to the breach is not avoided or results in a protracted battle, it will negatively affect the assumptions contained in Florida's Economic Outlook.

Florida Demographic Projections and the Census

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

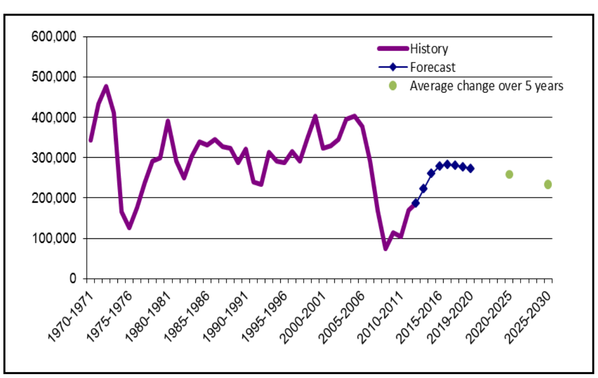
<u>Overall Population Growth</u>

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. Today, Florida remains the fourth largest state behind California with 38.0 million residents, Texas with 26.1 million residents, and New York with 19.6 million residents. However, Florida is on track to become the third most populous state, surpassing New York's population sometime in 2016.

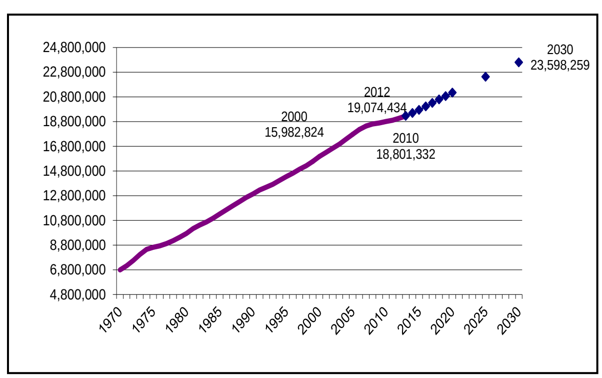
Florida's April 1, 2010, Census count of 18,801,332 represented an increase of 2,818,508 persons over the Census 2000 count of 15,982,824. As suspected, Florida's population grew faster in the early 2000's than in the latter part of the decade. Annually between April 1, 2007, and April 1, 2010, Florida's population growth slowed to less than 1.0 percent per year. Nationally, the United States also had slower growth over the past decade, growing by 13.2 percent between 1990 and 2000 and 9.7 percent between 2000 and 2010.

Florida's population growth was estimated to be 0.55 percent between April 1, 2010, and April 1, 2011 (103,738 net new residents), and 0.90 percent between April 1, 2011, and April 1, 2012 (169,364 net new residents). The preliminary population estimate for April 1, 2013, indicates annual population growth of slightly less than one percent as the state's economy continues its recovery (0.98 percent). Annual population change is expected to exceed 200,000 net new residents in 2014 and remain above that threshold through 2030.

Florida's Incremental Population Growth



Florida's April 1 Population

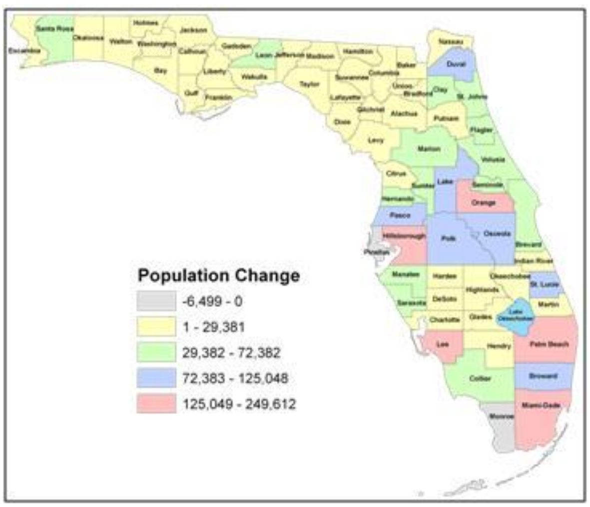


Between 2000 and 2010, three Florida counties expanded by adding population equivalent to a city about the size of Orlando: Orange, Miami-Dade, and Hillsborough. During this time, only two counties lost population: Monroe and Pinellas. In contrast, four counties (Flagler, Sumter, Osceola, and St. Johns) 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).

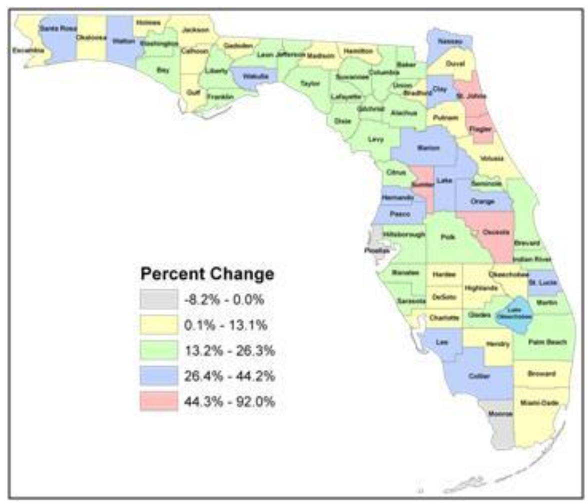
Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally after the 2010 Census was completed. In 2012, 50.3 percent of Florida's residents lived in one of its 411 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most dense county is Pinellas, while its least dense county is Liberty. In terms of population, Liberty is also the smallest county in the state – Miami-Dade holds about 300 times Liberty's population.

April 1, 2000 to April 1, 2010

Population Change (level)



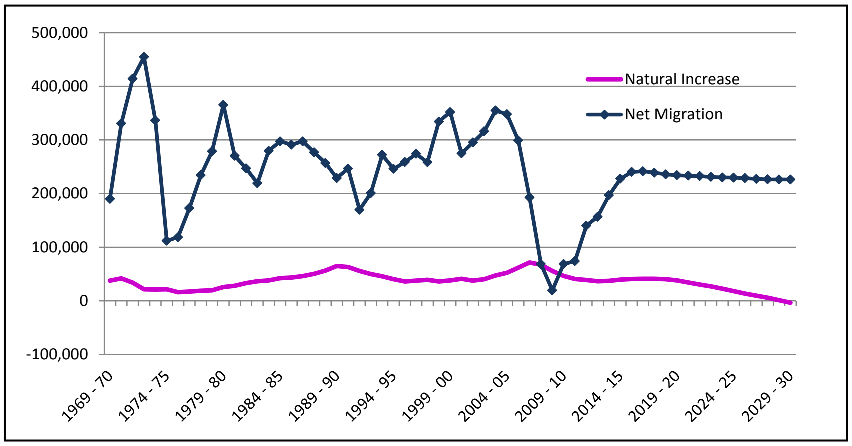
Population Growth (percent)



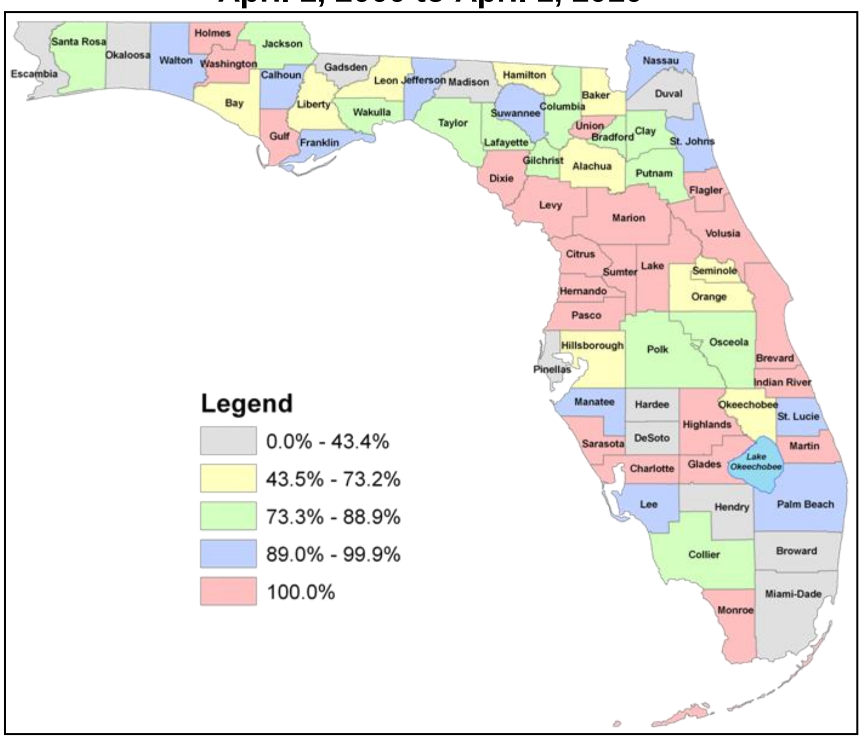
With the slow growth between April 1, 2010, and April 1, 2012, 17 of Florida's counties exhibited a net loss in population. On the other edge of the extreme, Miami-Dade County gained the most population between those years, followed by Orange and Hillsborough counties. In percentage terms, Sumter County grew the fastest followed by Suwannee and Osceola counties.

Population growth depends on two components: natural increase, which is the difference between births and deaths, and migration, both domestic and international. During the 1990's, natural increase accounted for 14.7 percent of the growth and net migration accounted for 85.3 percent. From April 1, 2000, to April 1, 2010, natural increase accounted for 18.4 percent of Florida's growth while net migration accounted for 81.6 percent. With population expanding by only 273,102 between April 1, 2010, and April 1, 2012, natural increase accounted for 30.3 percent, while net migration accounted for 69.7 percent of the growth.

Components of Population Change



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



Florida's population growth depends upon in-migration, as just over one-third (35.5 percent) of Floridians were born in the state. Between April 1, 2000, and April 1, 2010, there were 22 counties in the state where all of the population growth was due to net migration. Between April 1, 2010, and April 1, 2012, this number rose to 30 counties.

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

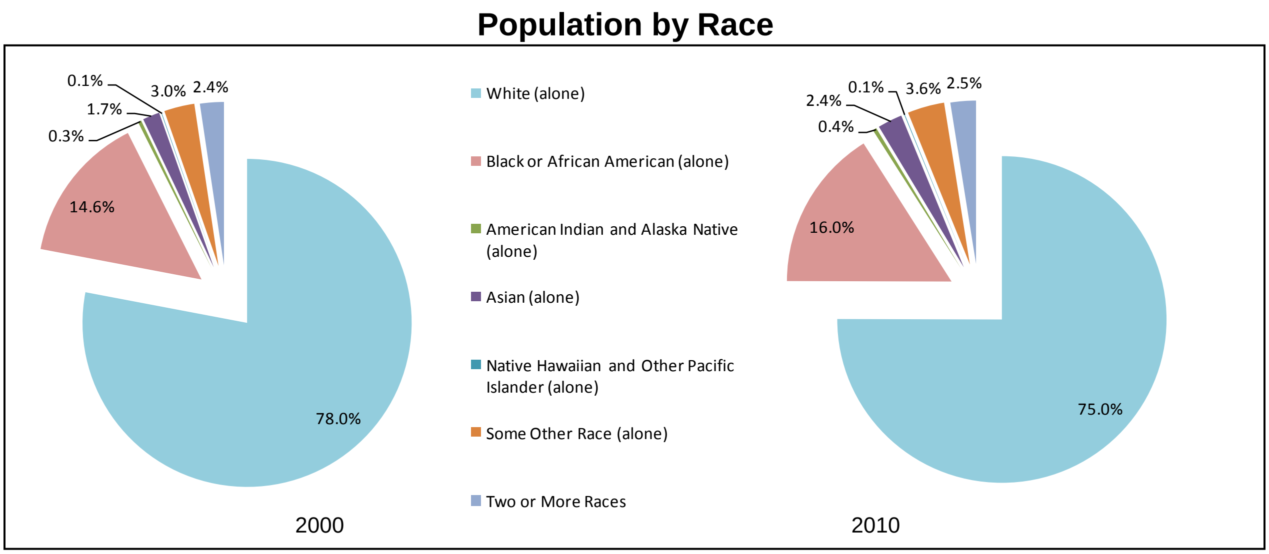
Florida continues to be one of the top three states where most U.S. adults would choose to live if they did not live in their own states. According to the *Harris Poll*, September 2013, Florida ranked third behind California and Hawaii. From 1997 through 2001, Florida had actually topped the list of states to which people would like to move. 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.

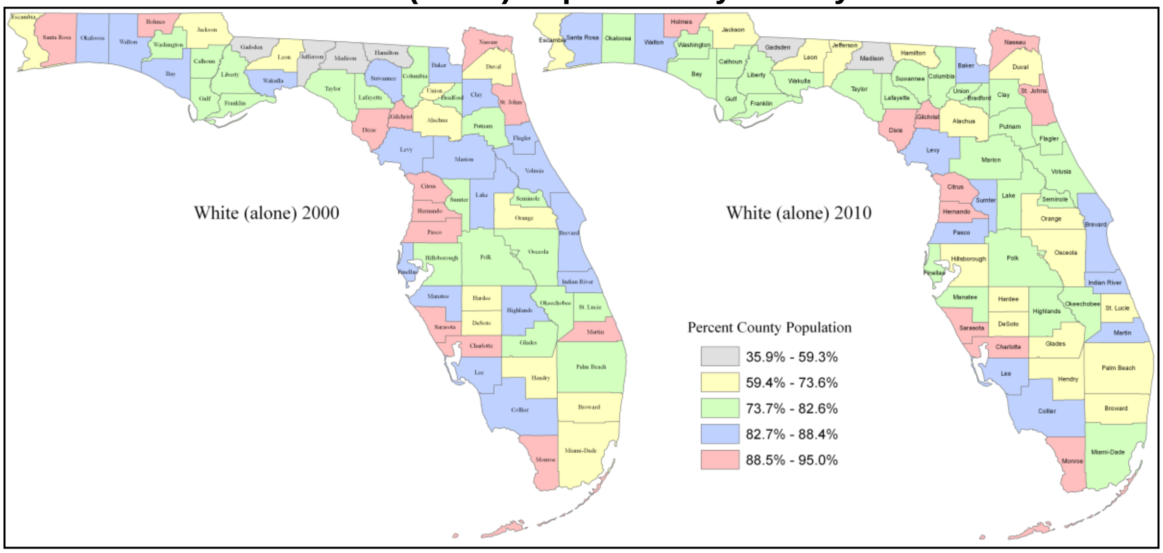
In terms of race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the population was nonwhite; in 1990, 15.2 percent was nonwhite; and in 2000, 17.8 percent was nonwhite.

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.



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.

White (alone) Population by County



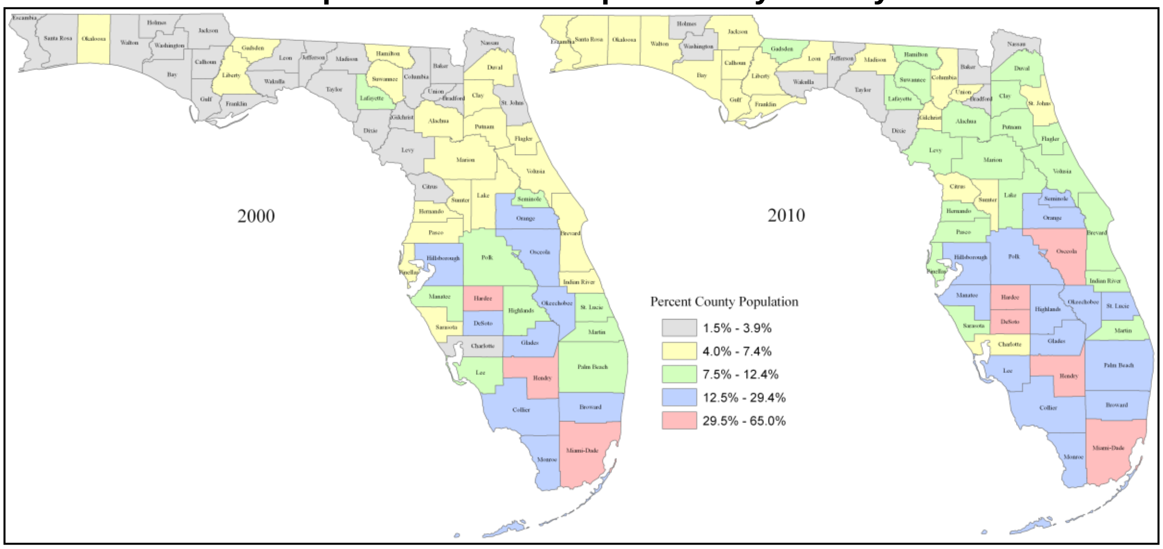
In contrast, only five of Florida's counties reported a decline in the percentage of Asian (alone) between 2000 and 2010. The largest increases in the percentage of Asian (alone) occurred in Alachua, Orange, Duval, Hillsborough, and Seminole counties.

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, 27.9 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 on the following page. 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.

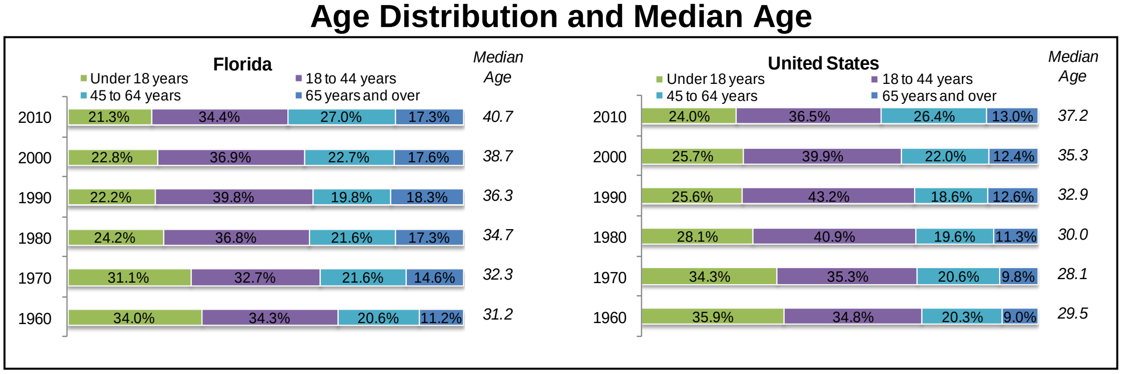
Hispanic or Latino Population by County



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 (almost 5 million). Of these Floridians, about 2.1 million spoke English less than "very well." In addition, in 2011, it was estimated that 19.4 percent of Florida's population was foreign born.

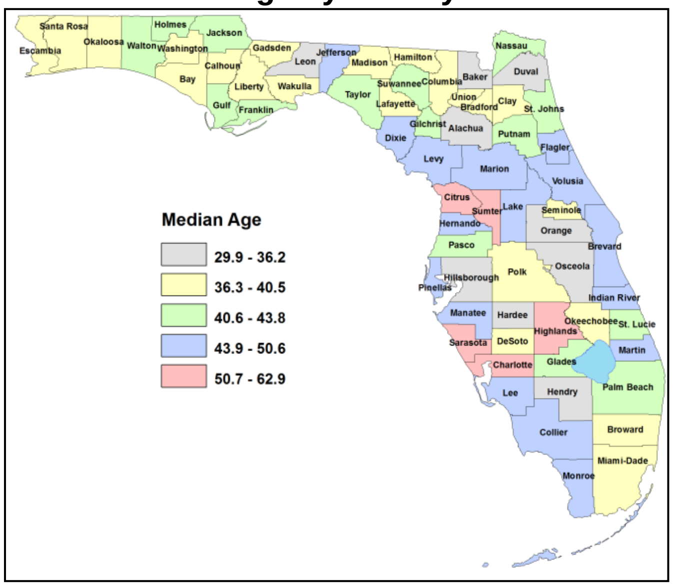
Florida's population has continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960 and 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to a new high of 37.2, up from 35.3 in 2000. As the Baby Boom population continues to age, 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) 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). In 2010, there were four states where the median age was higher than Florida: Maine (42.7), Vermont (41.5), West Virginia (41.3), and New Hampshire (41.1).

Age Distribution and Median Age



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 2012, it was estimated that there were six 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 29.9 and 62.9, respectively. Florida's median age is estimated to have risen slightly in 2012 to 41.0.

Median Age by County: 2012

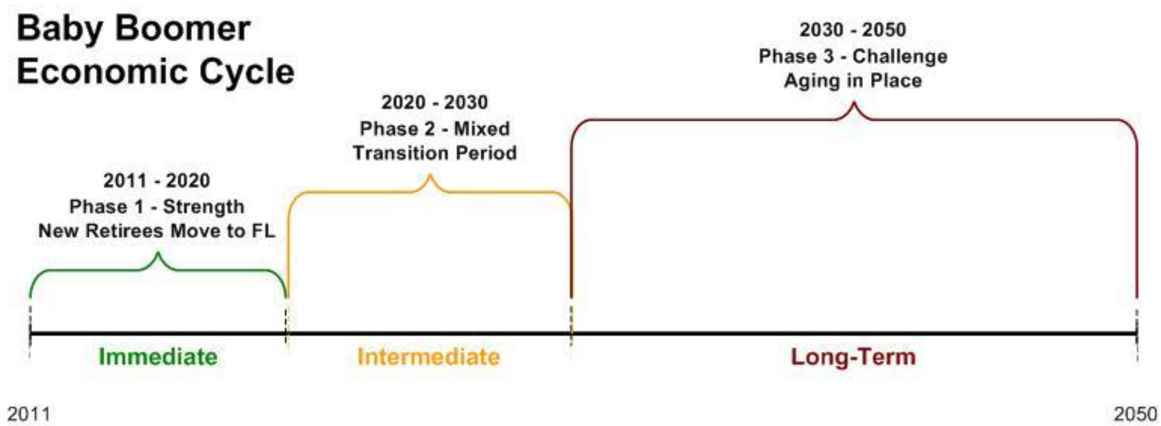


In 2010, five of Florida's cities were among the locations with the highest median ages in the country – Clearwater (43.8), Cape Coral (42.4), Fort Lauderdale (42.2), Hialeah (42.2), and St. Petersburg (41.6). These cities were ranked as having the second through sixth highest median ages. At the other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

In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population is now estimated to represent 39.1 percent of Florida's total population and is expected to represent 36.1 percent by 2030. Population aged 65 and over is forecast to represent 24.1 percent in 2030, compared to 17.8 percent in 2012. Most of the growth in the state will come from Florida's older population. As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging.

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



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

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

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

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

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

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

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

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

Revenue Projections

> *Throughout the summer, the Revenue Estimating Conference met to finalize numbers for Fiscal Year 2012-13 and to develop new forecasts for the upcoming years. Overall revenue projections were remarkably similar to prior forecasts, indicating that predictive patterns have emerged. The current outlook for General Revenue expects that there will be an unexpended balance of nearly $1.9 billion in the General Revenue Fund at the end of Fiscal Year 2013-14.*

General Revenue Fund

Forecast Overview:

In the four months following the March forecast, monthly collections showed mixed results – running below estimate in the first two months and then coming in over estimate for the following two months. The final result for Fiscal Year 2012-13 was further bolstered by $200.1 million from a one-time payment resulting from the National Mortgage Settlement. Subtracting this amount, final collections for the year were less than one-half of one percent over the estimate. In addition, while the latest national and Florida economic outlooks are similar to the ones adopted in the spring, they did not include the full effects of the ongoing federal Sequester which is expected to moderate future revenue growth. The Conference took these factors into consideration in revising the forecast. For Fiscal Year 2013-14, expected revenues were increased by $177.8 million – or well less than 1.0 percent above the earlier forecast. For Fiscal Year 2014-15, anticipated revenues are expected to increase by $257.6 million or almost 1.0 percent.

The revised Fiscal Year 2013-14 estimate exceeds the prior year's collections by over $869.6 million (or 3.4 percent). The revised forecast for Fiscal Year 2014-15 has projected growth of nearly $1.15 billion (or 4.4 percent) over the revised Fiscal Year 2013-14 estimate. The growth rates for Fiscal Years 2015-16 and 2016-17 were increased to 4.5 percent from 3.9 percent and to 4.8 percent from 4.5 percent, respectively.

The forecast has been primarily affected in the following ways:

- **Sales Tax...** The forecast was increased by $217.2 million in Fiscal Year 2013-14 and by $241.0 million in Fiscal Year 2014-15. All Sales Tax categories saw gains in the new forecast.

- **Corporate Income Tax...** The estimate was decreased by $123.6 million in Fiscal Year 2013-14 and by $152.6 million in Fiscal Year 2014-15.

- **Real Estate Taxes (Documentary Stamp Tax and Intangibles Tax)...** The estimate was increased to reflect the expectation that recovery is firmly underway in the housing market. While recent revenue gains were bolstered by increased refinancing activity, including activity induced by the federal Home Affordable Refinance Program (HARP), this activity is expected to slow over the next year. Overall, both sources show robust growth over the entire period. Together, the increases to General Revenue collections are $79.8 million in Fiscal Year 2013-14 and $98.1 million in Fiscal Year 2014-15.

Summaries of Selected General Revenue Sources (in alphabetical order):

Article V Fees & Transfers:

Revenue collections for Article V Fees and Transfers during the 2012-13 fiscal year were close to the estimates adopted on February 6, 2013, with the exception of revenues related to foreclosure case filings. The number of foreclosure case filings was approximately thirteen thousand less than forecast in February. This resulted in a shortfall in foreclosure filing fee revenues of approximately $15.0 million.

Actual Fiscal Year 2012-13 revenues were used to adjust the forecast base, as well as the law changes made during the 2013 Session. The most significant change was the redirection of $80 from the circuit civil filing fee which previously went to General Revenue to the local Fine and Forfeiture Funds maintained by the clerks of court to fund their state court-related operations. After incorporating these adjustments, the Conference made only modest changes to the forecast, with the exception of foreclosure filing fee revenues. Foreclosure filings were both reduced in total over the five-year period and realigned between fiscal years. The following table depicts the changes:

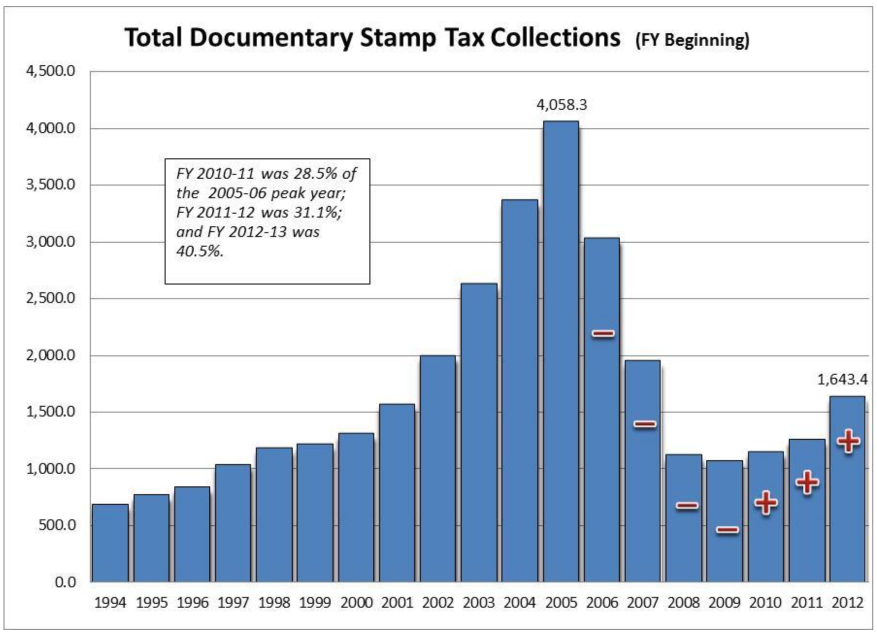
Foreclosure Filings	February 2012 REC	August 2013 REC	Difference
2013-14	232,000	195,000	(37,000)
2014-15	160,000	172,000	12,000
2015-16	88,000	115,803	27,803
2016-17	72,000	70,000	(2,000)
2017-18	72,000	70,000	(2,000)

As a result of the 2013 law changes to the previous forecast: the General Revenue Fund decreased $47.7 million in Fiscal Year 2013-14 and $41.4 million in Fiscal Year 2014-15; the State Courts Revenue Trust Fund did not change in either fiscal year; and the Clerks of Court Trust Fund decreased by $412.1 million in Fiscal Year 2013-14 and $400.5 million in Fiscal Year 2014-15, while the clerks' local Fine and Forfeiture Funds, which were not previously included in the Conference forecast, were projected to reach $457.5 million in Fiscal Year 2013-14 and $440.1 million in Fiscal Year 2014-15.

Once these adjustments were made, the new forecast contained the following additional changes: the General Revenue Fund was reduced by $28.7 million in Fiscal Year 2013-14 and increased $5.9 million in Fiscal Year 2014-15; the State Courts Revenue Trust Fund was reduced by $8.7 million in Fiscal Year 2013-14 and increased by $0.7 million in Fiscal Year 2013-14; the Clerks of Court Trust Fund was increased by $5.8 million in Fiscal Year 2013-14 and decreased by $0.1 million in Fiscal Year 2014-15; and the clerks' local Fine and Forfeiture Funds were increased by $3.0 million in Fiscal Year 2013-14 and $11.3 million in Fiscal Year 2014-15.

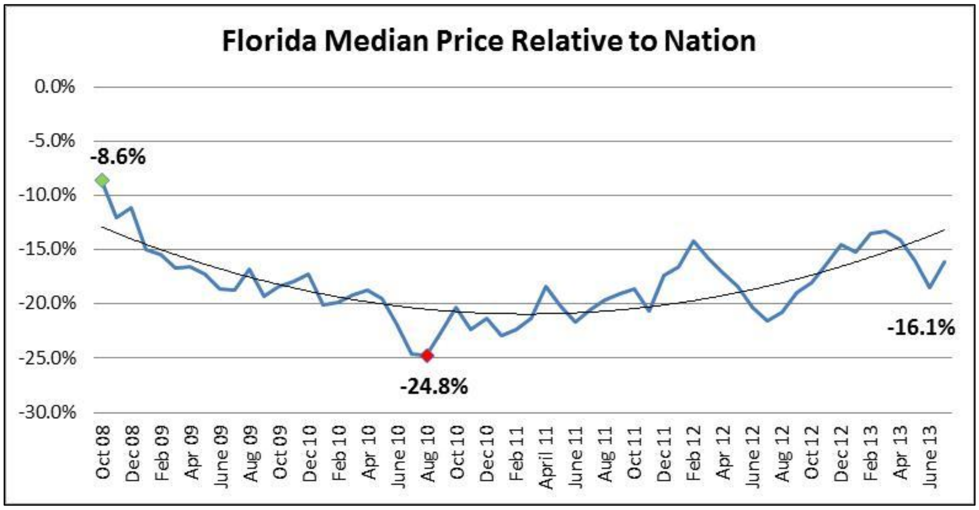
Documentary Stamp Tax:

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. While existing home sales and median price both saw significant gains during Fiscal Year 2012-13, single-family private housing starts came in at 48,900 or just below 27 percent of their peak level. As a result of the low construction activity and still modest prices, Documentary Stamp Tax collections were only 40.5 percent of their prior peak as the fiscal year ended. Even so, this was a significant improvement over the two previous years which saw collections at 28.5 percent and 31.1 percent of the 2005-06 peak year.



The expectation that Documentary Stamp Tax collections will continue to improve is bolstered by recent improvement in the demand for housing. Building permit activity, an indicator of new construction, is back in positive territory, showing strong (46.2 percent) year-over-year growth for the first six months of the 2013 calendar year even though the overall level is still low by historic standards. In addition, existing home sales in 2012 showed marked improvement from the prior calendar year, coming in at 84.9 percent of the 2005 banner year sales. They look on track to better that percentage in 2013. Likewise, the median sales price for existing home sales is rising in response to the heightened interest among buyers, posting the highest level for July in 59 months (August 2008); however, Florida's median sales price is still substantially below the nation as a whole.

[SEE GRAPH ON FOLLOWING PAGE]



Sales price is strongly affected by the existing inventory of unsold homes: to the extent the inventory is large, downward pressure is placed on prices. While the national inventory had improved to a more normal 5.1 months in July 2013, the situation is more complicated in Florida. Foreclosures have further swelled the state's unsold inventory of homes and will continue to do so in the near-term. Private sector data for July 2013 shows that Florida was the highest state in the country for both the number of foreclosure filings and the rate of foreclosure. While many of the legal issues regarding the processing of foreclosure documents were largely resolved by the National Mortgage Settlement Agreement finalized in early 2012, foreclosure starts have just recently begun returning to projected levels. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months to process. Today, a foreclosure takes 907 days to process (about 2.5 years), the third longest period in the nation. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market – and in the interim, the actual backlog continues to build. However, there is some promising news. With the exception of the June data, the front end of the foreclosure stream, comprised of mortgages newly falling into delinquency, has steadily declined over the course of the 2013 calendar year. 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 26 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 (generally a precursor to foreclosure), so a decline in these numbers is a good sign.

Based on the most recent data, the excess supply of homes in Florida continues to hold steady. Subtracting the "normal" inventory of approximately 50,000 and using the most recent sales experience, the state will need significant time to work off the current excess – about two years in the optimistic scenario, likely longer. Because the state is so diverse, some areas will reach the recovery phase much faster than other areas. However, new construction is unlikely to significantly improve until the existing inventory is reduced. Recent rises in mortgage and construction loan rates present a new challenge.

Currently, the key housing market metrics do not show a return to their peak levels until 2020-21 (residential construction expenditures and total construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment, multi-family starts, private housing starts, and median price) or very late in the period (2022-23: single-family starts).

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.

Total annual Documentary Stamp Tax collections were greatest in Fiscal Year 2005-06 at $4.1 billion. Although the Conference increased the forecast for Fiscal Year 2013-14 by $96.2 million over the previous estimate, the total anticipated collections of $1.8 billion are well below the peak level. Positive growth is expected throughout the three-year period of the Outlook (2014-15 at 9.0 percent, 2015-16 at 8.2 percent, and 2016-17 at 7.8 percent). Even so, projected collection levels are not expected to return to their peak within the next decade.

Highway Safety Licenses and Fees:

Overall, revenue collections from Highway Safety Licenses and Fees (HSMV) during the 2012-13 fiscal year were very close to the estimates adopted on February 26, 2013. As a result, the new HSMV forecast contained only minor adjustments, primarily reflecting actual Fiscal Year 2012-13 revenue collections and legislative changes enacted during the 2013 Session. These adjustments included:

1. Actual biennial revenues collected in Fiscal Year 2012-13 for Fiscal Year 2013-14;

2. Updated distributions for the School District and Community College District Capital Outlay and Debt Service Trust Fund of $119.6 million for Fiscal Year 2013-14 and $121.9 million for the out years;

3. Movement of disabled parking fee revenue previously allocated to the Transportation Disadvantaged Trust Fund to "Other Funds" since those revenues are now distributed directly to the Able Body Trust;

4. Corrected historical and projected revenue amounts for "CWT" and "Trailers Under 35 feet;"

5. Adjusted base for projections and growth rates related to "OPT" Fee revenues; and

6. Revised Titles and Liens revenues for Fiscal Year 2017-18.

These revisions resulted in the following changes to the prior forecast, once all adjustments for law changes were made:

Changes to the Forecast by Fund	**Fiscal Year 2013-14**	**Fiscal Year 2014-15**
General Revenue Fund	$2.6 million	$2.6 million
Highway Safety Operating Trust Fund	$0.1 million	$0.1 million
State Transportation Trust Fund	$9.1 million	$7.0 million

Indian Gaming Revenues:

The Revenue Estimating Conference on Indian Gaming revenues met on July 15, 2013, and adopted updated estimates for revenues from Indian Gaming operations for Fiscal Years 2013-14 through 2017-18.

The estimates of total receipts were unchanged from the February 2013 forecast for Fiscal Years 2013-14 and 2014-15. The Conference used growth rates derived from pari-mutuel slots activity in Florida to estimate the Net Win for Tribal facilities in future fiscal years. Revenues from Indian Gaming activity exceeded expectations for Fiscal Year 2012-13 and are expected to continue to perform well in subsequent fiscal years, resulting in higher growth rates in Fiscal Years 2013-14 and 2014-15 than were expected at the February 2013 conference. These higher growth rates result in estimated Net Win exceeding the amount necessary to generate the Guaranteed Minimum Payment in Fiscal Year 2014-15, which would generate a true-up payment. The true-up payment would be received the following spring, as can be seen by the increase in Fiscal Year 2015-16 receipts in the table below. The estimates for Fiscal Years 2016-17 and 2017-18 have decreased from the prior estimate due to higher expected losses when Broward County and table game revenues are no longer collected.

Indian Gaming Revenues ($Millions)									
	Receipts			Local Distribution			Net General Revenue		
	February 2013	July 2013	Difference	February 2013	July 2013	Difference	February 2013	July 2013	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	233.0	233.0	0.0	7.0	7.0	0.0	226.0	226.0	0.0
2014-15	233.9	233.9	0.0	7.0	7.0	0.0	226.9	226.9	0.0
2015-16	116.5	119.0	2.5	7.0	7.1	0.1	109.5	111.9	2.4
2016-17	108.5	106.4	-2.1	3.2	3.1	-0.1	105.3	103.3	-2.0
2017-18	110.7	108.5	-2.2	3.3	3.2	-0.1	107.4	105.3	-2.1

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

Tobacco Tax and Surcharge:

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on July 17, 2013, and reduced the forecasts for both Cigarette and Other Tobacco Product Tax and Surcharge revenues from the February 2013 conference estimates.

Cigarette Tax and Surcharge revenues were nearly $17.0 million under estimate for the four-month period ending June 2013. The year-to-year downward trend in these revenues has continued, as Fiscal Year 2012-13 revenues were $18.5 million or 1.6 percent below Fiscal Year 2011-12 revenues. Based on this data, the Conference further reduced the number of packs estimated to be sold in subsequent fiscal years, resulting in Cigarette Tax revenue reductions of $5.0 million to $6.0 million each fiscal year and Cigarette Surcharge revenue reductions of $17.0 million to $19.0 million each fiscal year compared to the February 2013 estimate.

Revenues from the sale of other tobacco products have seen strong growth over the past three fiscal years, as the volume of products sold continues to increase. It is expected that sales will continue to grow; however, due to recent litigation regarding the tax treatment of these products, the Conference reduced anticipated revenues. The Department of Business and Professional Regulation expects that it will be required to issue refunds from the tax and surcharge collected on other tobacco products beginning in Fiscal Year 2013-14. The department has begun accepting certain requests for refunds totaling $3.5 million to date. It is unknown at this time what the amount of all potential refunds will be; however, there may be a significant nonrecurring and recurring impact on revenues received from Other Tobacco Products Tax and Surcharge. The Revenue Estimating Conference is monitoring this issue and will provide further analysis as more information becomes available. Downward revisions in subsequent forecasts of other tobacco products revenues are possible.

[SEE TABLE ON FOLLOWING PAGE]

Tobacco Tax and Surcharge Conference
Comparison of the February 2013 and July 2013 Forecasts

COLLECTIONS	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Cigarette Tax						
February 2013	286.9	284.6	283.2	282.1	280.6	279.0
July 2013	285.3	279.2	277.2	275.9	274.5	273.1
Difference	-1.6	-5.4	-6.0	-6.2	-6.1	-5.9
Cigarette Surcharge						
February 2013	858.5	851.6	847.4	844.0	839.8	834.7
July 2013	843.8	834.8	829.0	824.8	820.7	816.6
Difference	-14.7	-16.8	-18.4	-19.2	-19.1	-18.1
OTP Tax						
February 2013	29.2	29.8	30.3	30.8	31.2	31.7
July 2013	28.4	28.1	28.1	28.1	28.1	28.1
Difference	-0.8	-1.7	-2.2	-2.7	-3.1	-3.6
OTP Surcharge						
February 2013	70.2	71.4	72.6	73.8	74.9	76.0
July 2013	70.1	67.5	67.5	67.5	67.5	67.5
Difference	-0.1	-3.9	-5.1	-6.3	-7.4	-8.5

DISTRIBUTIONS	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Health Care Trust Fund						
February 2013	854.4	849.2	846.4	844.3	841.5	837.8
July 2013	834.7	830.1	824.7	820.9	817.1	813.3
Difference	-19.7	-19.1	-21.7	-23.4	-24.4	-24.5
General Revenue Service Charge						
February 2013	97.2	96.6	96.3	96.0	95.6	95.2
July 2013	95.8	94.5	93.9	93.4	93.0	92.6
Difference	-1.4	-2.1	-2.4	-2.6	-2.6	-2.6
General Revenue Excise Tax						
February 2013	171.4	162.6	161.7	161.0	160.1	159.1
July 2013	173.7	159.1	157.9	157.1	156.3	155.4
Difference	2.3	-3.5	-3.8	-3.9	-3.8	-3.7
OTP General Revenue Tax						
February 2013	29.2	29.8	30.3	30.8	31.2	31.7
July 2013	28.4	28.1	28.1	28.1	28.1	28.1
Difference	-0.8	-1.7	-2.2	-2.7	-3.1	-3.6
Total GR Distributions						
February 2013	297.9	288.9	288.2	287.7	287.0	285.9
July 2013	297.9	281.7	279.9	278.6	277.4	276.1
Difference	0.0	-7.2	-8.3	-9.1	-9.6	-9.8
All Other Funds						
February 2013	92.5	99.3	98.8	98.5	98.1	97.5
July 2013	93.5	97.5	96.9	96.5	96.1	95.6
Difference	1.0	-1.8	-1.9	-2.0	-2.0	-1.9

Transportation Revenue and the State Transportation Trust Fund:

The Revenue Estimating Conference met on August 2, 2013, to consider the forecast for revenues flowing into the State Transportation Trust Fund (STTF). Including the final adjustments for Fiscal Year 2012-13 and the estimates for Fiscal Year 2013-14, overall revenues to the STTF Work Program period were decreased by $108.5 million or about -0.5 percent during the Work Program period ending Fiscal Year 2018-19.

For revenues from fuel taxes, the overall forecast was impacted by recent changes in consumption of motor fuel and other fuels (diesel, aviation fuel, and off-highway fuel) for Fiscal

Year 2013-14 and going forward. The projection for revenues from all types of fuel was decreased by $38.2 million or -0.3 percent over the entire Work Program period; however, the aviation and off-highway components actually saw increases that partially offset the losses among the remaining fuels. Projected tax rates remained relatively stable.

In Fiscal Year 2013-14, the Local Option Distribution was reduced by $0.04 million from the prior forecast, mimicking the change seen in the Fiscal Year 2012-13 actual data. These changes primarily reflected the adjustments in the combined motor fuel and diesel fuel forecasts. The Rental Car Surcharge projection was decreased by $8.5 million or 1.0 percent over the 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 29, 2013. In this Work Program period, receipts to the STTF from Motor Vehicle License revenues and Initial Registration Fees were decreased by $55.8 million or 1.2 percent from the February estimate. The forecast for Title Fees had a small decrease of $5.4 million, and Motor Carrier Compliance Penalties were virtually unchanged. Overall, Motor Vehicle License and Registration Related Fees were reduced by $61.4 million over the Work Program period.

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 typically estimated separately.

The Revenue Estimating Conference reviewed **Lottery** revenues on July 15, 2013, and increased the overall forecast from the post-session 2013 forecast.[6] Distributions to the EETF for Fiscal Year 2012-13 will be approximately $1.38 billion, which is $35.1 million over the forecast, due to higher than expected ticket sales. The Conference increased expected distributions to the EETF from the post-session projections by $45.0 million to $60.0 million each fiscal year, as total ticket sales are expected to continue to grow. The forecast for total ticket sales was increased from the post-session estimate by approximately $200 million to $265 million each fiscal year. The growth rates vary across games based on historical sales data and trends, but most of the growth in the estimate is generated from increased Scratch-off ticket sales.

Scratch-off ticket sales have seen very strong and consistent growth recently, with growth rates of 7.1 percent, 15.3 percent, and 18.0 percent in Fiscal Years 2010-11, 2011-12, and 2012-13, respectively. Scratch-off ticket sales were just above $3.0 billion in Fiscal Year 2012-13, and the

[6] The post-session 2013 forecast represents the March 2013 forecast updated to include the impact of a provision in the Fiscal Year 2013-14 General Appropriations Act which authorizes a recurring $4.0 million increase in the Department of Lottery's advertising expenditures. The increased advertising expenditures are expected to generate an additional $20.1 million in ticket sales each year, resulting in additional distributions to the EETF of $1.8 million each fiscal year.

Conference estimates that Scratch-off sales will increase 5.9 percent in Fiscal Year 2013-14 to $3.2 billion. The growth in Scratch-off ticket sales is a result of the Department of Lottery's successful marketing efforts, frequent introduction of new games, and the introduction of full service vending machines at many retail locations throughout the state.

Florida began selling Mega Millions tickets in May 2013, and at the time of the March conference, it was expected that ticket sales would average $4 million per week. However, Mega Millions ticket sales have consistently been about $2.2 million each week. Based on this information, the Conference significantly reduced the forecast for Mega Millions, as it expects this level of weekly sales to continue. As a result, ticket sales were reduced from $209.1 million to $124.9 million for Fiscal Year 2013-14. Sales are projected to increase at the rate of population growth thereafter.

The March 2013 forecast expected that the introduction of Mega Millions would have a significant negative impact on Lotto and Powerball; however, the ticket sales data do not reflect this impact. As a result, projections for Lotto and Powerball ticket sales were increased from the prior forecast, and modest growth of 1.0 percent to 2.0 percent is expected in subsequent fiscal years for both games. Mega Money ticket sales were slightly under-estimate for Fiscal Year 2012-13, indicating that the impact of Mega Millions on this game may be higher than expected. This resulted in the Conference lowering projections for Mega Money ticket sales. Fantasy Five ticket sales were slightly above estimate for Fiscal Year 2012-13, so the Conference expects slightly improved sales going forward as well. Ticket sales for Cash 3 and Play 4 have been stable and trending slightly upward. The Conference expects this trend to continue as ticket sales are expected to grow at the rate of population each fiscal year.

The projections for non-ticket income were decreased by about $1.0 million each fiscal year relative to the prior forecast due to general market conditions and lower interest earnings. The forecast for unclaimed prizes available for transfer to EETF was increased by about $2.0 million each fiscal year from the previous forecast due to the higher level of projected ticket sales. Lucky Lines ended on May 14, 2013, and no Raffles are expected in Fiscal Year 2013-14. The details of the forecast and changes are shown in the following table.

[SEE TABLE ON FOLLOWING PAGE]

		Post-Session 2013	July 2013	Difference
EETF Receipts from Ticket Sales	**2012-13**	1299.3	1335.1	35.8
	2013-14	1322.4	1366.8	44.4
	2014-15	1342.5	1390.3	47.8
	2015-16	1356.3	1408.5	52.2
	2016-17	1377.7	1433.3	55.6
	2017-18	1392.4	1451.2	58.8
Other Income	**2012-13**	13.4	11.1	-2.3
	2013-14	13.5	12.4	-1.1
	2014-15	13.5	12.6	-0.9
	2015-16	13.5	12.6	-0.9
	2016-17	13.5	12.6	-0.9
	2017-18	13.5	12.6	-0.9
80% unclaimed prizes	**2012-13**	35.5	37.1	1.6
	2013-14	36.4	38.1	1.7
	2014-15	36.9	39.0	2.0
	2015-16	37.5	39.5	2.0
	2016-17	38.0	40.2	2.1
	2017-18	38.5	40.7	2.1
Distribution to EETF from Lottery Receipts	**2012-13**	1348.2	1383.3	35.1
	2013-14	1372.3	1417.3	45.0
	2014-15	1392.9	1441.9	49.0
	2015-16	1407.3	1460.6	53.3
	2016-17	1429.2	1486.0	56.8
	2017-18	1444.4	1504.4	60.0

The Revenue Estimating Conference reviewed **Slot Machine** revenues on July 15, 2013, and increased the projections from the February 2013 conference. The details of the forecast and changes are shown in the following table.

Slot Machines Tax Collections			
Millions of $			
	February 2013	July 2013	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	139.5	142.2	2.7
2013-14	161.0	164.2	3.2
2014-15	167.8	177.4	9.6
2015-16	172.3	182.1	9.8
2016-17	175.9	185.8	9.9
2017-18	179.5	189.5	10.1

The forecast reflects updated tax collection data, as well as updated information on the number of machines at each facility and the income per machine per day at each facility. The forecast maintains the assumption that the Hialeah facility will be open in September 2013 with 850 machines, and assumes that the Dania facility will begin operations in July 2014 with 500 machines.

Slot Machine Tax revenues for Fiscal Year 2012-13 were $142.2 million, or $2.7 million above the prior estimate. Because actual Slot Machine Tax revenues were so close to the February 2013 estimate, the Conference decided to use the same growth rates that were adopted at the February 2013 conference, after updating for actual revenues, number of machines, and income per machine for Fiscal Year 2012-13. In addition, the Conference included revenues from the Dania facility beginning in Fiscal Year 2014-15. Revenues at three neighboring facilities (Gulfstream, Mardi Gras, and Calder) were adjusted downward to reflect an impact from the competition caused by the new facility.

The February 2013 and July 2013 forecasts both reflect the change from weekly to monthly collections that was effective July 1, 2012. This change is expected to have a one-time impact lowering the Fiscal Year 2012-13 revenues by approximately three weeks of collections. Likewise, the Fiscal Year 2013-14 revenue estimate is significantly higher than the Fiscal Year 2012-13 estimate, partly due to this change in collection frequency, as it represents a full year of monthly collections.

For Fiscal Year 2013-14, the **EETF** has a projected positive balance of $111.9 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 $111.9 million that will be carried forward into Fiscal Year 2014-15, all other revenues in the EETF increase each year of the forecast 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 SSTF were revised July 29, 2013, by the Revenue Estimating Conference. Remittances of abandoned property to the state for Fiscal Year 2012-13 were $469.9 million, $74.0 million above estimate. Of the overage, $38.0 million is associated with a remittance that was made in error and subsequently refunded by the state within the fiscal year, and $22.5 million is associated with a one-time audit payment. The Conference maintained the same assumptions used for the previous forecast: annual growth rates in future unclaimed property receipts were set at five percent, and the proportion of property returned to owners was set at 60 percent.

The Conference adopted a new financial outlook statement which recognized the closeout of Fiscal Year 2012-13 and the new forecast. For Fiscal Year 2012-13, the transfers to the SSTF were $41.5 million above the estimate, which increased the balance forward into the 2013-14 fiscal year to $67.9 million. The estimate of the 2013-14 transfer to the SSTF was also increased by $5.9 million, which provides for a projected ending balance for the current fiscal year of $80.2 million, an increase of $46.4 million from the previous outlook statement. Total funds available for Fiscal Year 2014-15 are estimated to be $266.3 million.

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. The funds are currently used for programs in the Health and Human Services area. The current year (2013-14) funds available estimate for the trust fund is $388.3 million. In Fiscal Year 2014-15, $375.7 million is expected from all payments and profit adjustments, and $4.4 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (nonrecurring) funds from Fiscal Year 2013-14 of $6.2 million and $0.7 million in interest earnings, a total of $387.0 million will be available for expenditure in Fiscal Year 2014-15. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation for Fiscal Year 2014-15 will be deducted from the trust fund as an expenditure and is estimated to be $66.8 million.

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

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 2014 certified school taxable value is now estimated to be $1,468.61 billion. This represents an increase of $38.62 billion, or a 2.7 percent increase from the March 2013 forecast ($1,429.99 billion). At 96 percent, the value of one mil is projected to be $1,409.9 million.

Florida's housing market continues to show signs of moderate improvement. Overall, data from the Federal Housing Finance Agency price index is trending upwards, particularly for highly valued properties. The new forecast, which is partially based on the latest residential data from the Federal Housing Finance Agency, contains a somewhat moderate – but positive – growth rate for the state. The Conference remains concerned that the foreclosure rate and inventory of unsold residential properties in Florida are still high. In this regard, foreclosures are expected to add more units to the supply of housing, furthering weakening average sales prices of all homes on the market. In addition, the relatively low average sales prices for foreclosed homes depress values for neighboring property, hampering new residential construction. The Conference was also cautious about the recent activity in the commercial construction sector. Taxable value is likely to have moderate positive growth in 2014 and gradually increase from that point forward.

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, 2014, is projected to be $1,349.95 billion. On an annual basis, this represents an increase of $29.36 billion, or a 2.22 percent increase from the March 2013 forecast ($1,320.59 billion).

July 1, 2014 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2013 Certified School Taxable Value	March 2013 Estimate of July 1, 2014 Certified School Taxable Value	August 2013 Estimate of July 1, 2014 Certified School Taxable Value	Change in Estimates (Mar 13 vs Aug 13)	Change from Actual	Percentage Change from Actual
School Taxable Value	1,421.43	1,429.99	1,468.61	38.62	47.18	3.32%
Real Property	1,317.69	1,328.39	1,363.81	35.42	46.12	3.50%
Personal Property	102.44	100.28	103.46	3.18	1.02	1.00%
Centrally Assessed Property	1.30	1.32	1.34	0.02	0.04	3.08%
Value of one mill at 96 percent	1.36	1.37	1.41	0.04	0.05	3.32%

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

January 1, 2014 County Taxable Value

(billions of dollars)	Actual 2013 Taxable Value	March 2013 Estimate of January 1, 2014 County Taxable Value	August 2013 Estimate of January 1, 2014 County Taxable Value	Change in Estimates (Mar 13 vs Aug 13)	Change from Actual	Percentage Change from Actual
County Taxable Value	1,313.77	1,320.59	1,349.95	29.36	36.18	2.75%
Real Property	1,210.03	1,218.99	1,245.15	26.16	35.12	2.90%
Personal Property	102.44	100.28	103.46	3.18	1.02	1.00%
Centrally Assessed Property	1.30	1.32	1.34	0.02	0.04	3.08%

**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 31, 2013, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. Since the February conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas, and communications) were $1.0 million higher than the estimate, and collections of the State Sales Tax on Communications Services were $6.2 million higher than expected. Compared to the February conference results, the new forecast for both the Gross Receipts Tax and the State Sales Tax on Communications Services has been reduced for Fiscal Year 2013-14 and forward.

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

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

Fiscal Year	Gross Receipts Tax All Sources	Diff from Prior Forecast	% Change from Prior Forecast		Communications Services Tax-State Tax Component	Diff from Prior Forecast	% Change from Prior Forecast
2012-13	1003.05	1.01	0.1%		937.80	6.20	0.7%
2013-14	997.50	-12.34	-1.2%		930.91	-16.05	-1.7%
2014-15	1010.51	-13.53	-1.3%		939.01	-16.46	-1.7%
2015-16	1025.76	-14.73	-1.4%		948.32	-16.94	-1.8%
2016-17	1041.39	-15.81	-1.5%		957.93	-17.65	-1.8%
2017-18	1057.73	-15.51	-1.4%		967.63	-17.91	-1.8%
2018-19	1073.97	-15.66	-1.4%		976.94	-18.08	-1.8%
2019-20	1091.11	-15.61	-1.4%		986.63	-17.95	-1.8%
2020-21	1106.57	-15.18	-1.4%		996.64	-17.77	-1.8%
2021-22	1121.18	-15.85	-1.4%		1006.49	-17.84	-1.7%

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for Fiscal Year 2012-13 (electricity and gas combined) were $6.6 million below the last estimate, leading to an error of about one percent over the fiscal year.

The new forecast has considered factors affecting both the price of and demand for electricity. Fuel cost will continue to stabilize, and during this period demand will increase gradually. This combination of price and consumption produces a revenue forecast for Fiscal Year 2013-14 that is $20.6 million lower than the last estimate. Collections for all years are projected to be lower than those of the last estimate, with the annual reductions ranging from $20.6 million in Fiscal Year 2013-14 to $24.3 million in Fiscal Year 2021-22.

Gross Receipts Tax on Gas Fuels... In keeping with the lagged Department of Revenue gas price index and future gas price changes, the new estimate for Fiscal Year 2013-14 shows little growth over the prior year. The estimates going forward are higher because of the patterns projected in the producer price index for gas fuels.

Communications Services Tax (CST)... For Fiscal Year 2012-13, the Gross Receipts Tax component of the CST showed a gain of $7.6 million (about 1.9 percent) over the estimate, and the State Sales Tax component had a gain of $6.2 million (about 0.7 percent) for the year. Unusually large audit activity in December contributed to the overage in CST Gross Receipts.

Compared to the February forecast results, collections for the Gross Receipts Tax component of the CST are projected to be $2.9 million higher in Fiscal Years 2013-14 and 2014-15. Collections for the State Sales Tax component of the CST show a different pattern. From the annual level estimated by the February conference, collections are projected to be reduced by $16.1 million in Fiscal Year 2013-14 and $16.5 million to $18.1 million every year thereafter.

Additional State Tax on Direct-to-Home Satellite Service and the Local Communications Service Tax... The conference final package also includes estimates for the additional state tax on Direct-to-Home Satellite Services (DHSS) and the Local Communications Services Tax. Collections from DHSS are distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. For the entire forecast period, DHSS collections each year are expected to be about $1.6 million to $1.8 million lower than those expected in the last forecast, while the annual Local CST forecast has gains of $15.2 million or more per year from Fiscal Year 2013-14 through Fiscal Year 2021-22.

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 following table shows the estimated maximum amount available for appropriation to the PECO program. These amounts reflect the results of the August 7, 2013, Revenue Estimating Conference.

Fiscal Year	Maximum PECO Appropriations $Millions	Estimated PECO Bonding $Millions
2013-14	294.0	0.0
2014-15	255.0	0.0
2015-16	141.0	0.0
2016-17	368.0	216.1
2017-18	376.0	192.5
2018-19	377.0	198.7
2019-20	390.0	202.6
2020-21	375.0	205.9
2021-22	360.0	199.1

The Fiscal Year 2013-14 General Appropriations Act transferred $344.8 million from the General Revenue Fund to the PECO Trust Fund and appropriated that amount in new projects. Subsequently, $50.8 million of the new projects was vetoed, leaving $294.0 million in new projects to be funded from the PECO Trust Fund. The $83.2 million maximum PECO appropriation that was estimated to be available at the March 2013 conference was not appropriated. Because of these actions, the estimated maximum amount available for appropriation for Fiscal Year 2014-15 has increased significantly – from $133.6 million to $255.0 million. This estimate includes the $50.8 million that was vetoed, the $83.2 million that was not appropriated, as well as updated revenues, expenditures, earnings, and debt service.

The maximum available for appropriation in Fiscal Year 2015-16 was reduced from $329.6 million to $141.0 million. Most of this reduction is due to Gross Receipts Tax revenues declining to a level where there is no longer any bonding capacity in Fiscal Year 2015-16. It is estimated that bonding capacity will return in Fiscal Year 2016-17. The estimated maximum available for appropriation for Fiscal Years 2017-18 through 2021-22 has decreased slightly from the March estimate for both cash and bonds due to lower Gross Receipts Tax projections.

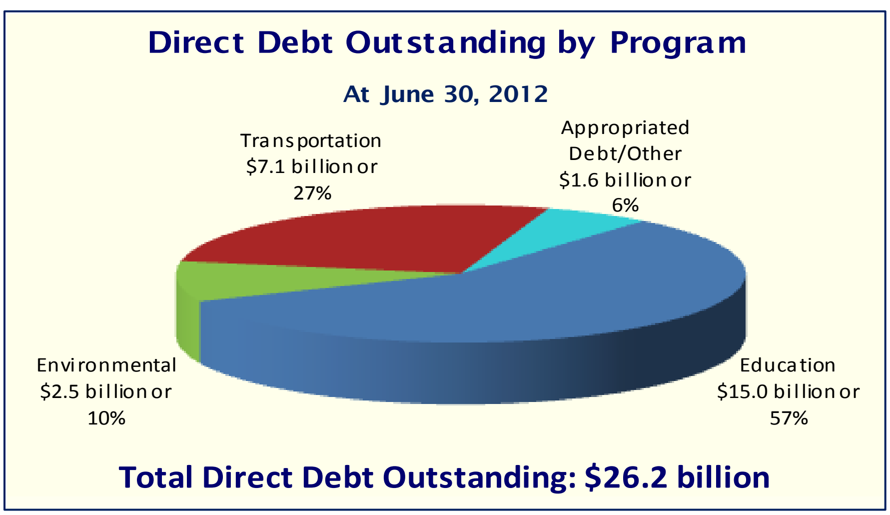
Beginning in Fiscal Year 2012-13, the Department of Education instituted a policy of setting aside a dedicated amount of cash each month to cover future debt service payments. As part of the policy, the department anticipates withholding $150.0 million of the 2013-14 cash as the initial deposit for the debt service payments due in Fiscal Year 2014-15. This forecast does not consider the effects of the policy. If the Legislature recognizes this policy beyond Fiscal Year 2013-14, it should consider the policy's effects in determining the amount to appropriate each year.

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 *2012 Debt Affordability Report* prepared by the Division of Bond Finance, covering the period June 30, 2011, to June 30, 2012. Florida's peer group and national median comparisons have been updated to reflect more current information. The Division of Bond Finance will release the *2013 Debt Affordability Report* in December 2013.

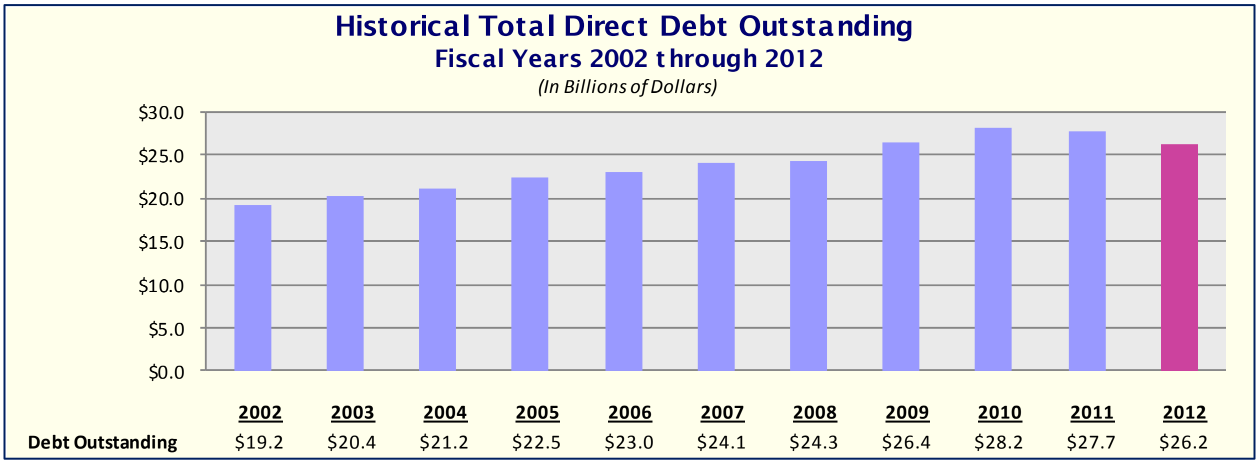
<u>Debt Outstanding</u>

Total state direct debt outstanding was $26.2 billion at June 30, 2012, approximately $1.5 billion less than the prior fiscal year. Net tax-supported debt for programs supported by state tax revenues or tax-like revenues totaled $21.6 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.6 billion. Additionally, indirect state debt at June 30, 2012, was approximately $17.4 billion, $1.4 billion more 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 much more significant part of the state's overall debt profile due to borrowings by insurance-related entities such as Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund Finance Corporation; however, indirect debt is not included in state debt ratios or the debt affordability analysis.



Decrease in Debt

Total state debt increased from $19.2 billion in Fiscal Year 2001-02 to $28.2 billion in Fiscal Year 2009-10. Reversing the long-term trend of increases, total state debt declined by approximately $2.0 billion over the last two fiscal years ($500 million in Fiscal Year 2010-11 and $1.5 billion in Fiscal Year 2011-12) to $26.2 billion. Total state direct debt outstanding at June 30, 2013, is projected to decline to $24.6 billion or approximately $1.5 billion less than at June 30, 2012. The estimated retirement of $1.5 billion in debt during Fiscal Year 2012-13 brings the total three-year decline in debt to $3.5 billion. Based on existing borrowing plans, total state debt outstanding is expected to continue to decline slowly as annual debt retirement increases and new debt issuance decreases.



Estimated Debt Issuance

Approximately $5.9 billion of debt is projected to be issued over the next ten years for all of the state's currently authorized financing programs. This estimate is approximately $940.5 million more than future debt issuance projected at June 30, 2011. The increase is primarily due to the long-term P3 project to expand I-4 through Orlando as proposed by the Department of Transportation, which is estimated to cost $2.4 billion and accounts for 41 percent of the total projected issuance. The amount of borrowing for school construction under the PECO program continues to decline as lower Gross Receipts Tax collections limit debt capacity for this program.

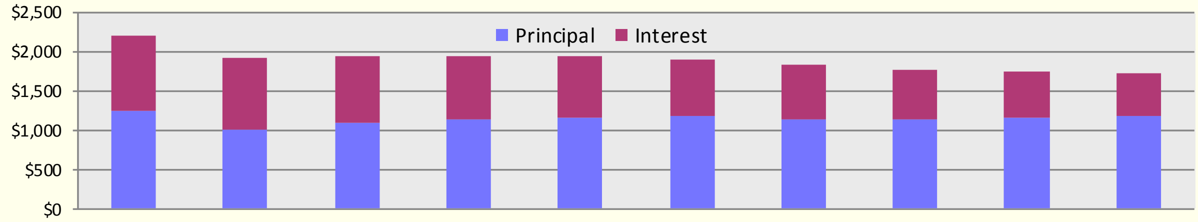
Estimated Annual Debt Service Requirements

Annual debt service is expected to remain at approximately $2.2 billion in Fiscal Year 2012-13 and decrease by $230.6 million in Fiscal Year 2013-14 as the Preservation 2000 bonds are retired. Annual debt service is expected to be approximately $1.9 billion through Fiscal Year 2017-18 as mandatory payments begin on the Department of Transportation's P3 projects executed in Fiscal Years 2008-09 and 2009-10. These estimates do not include deferred payments under long-term P3 contracts, short-term contracts for accelerating the Department of Transportation's five-year Work Program, or future P3 projects currently contemplated by the department.

Existing Net-Tax Supported Debt Service Requirements

Next Ten Years

(In Millions of Dollars)

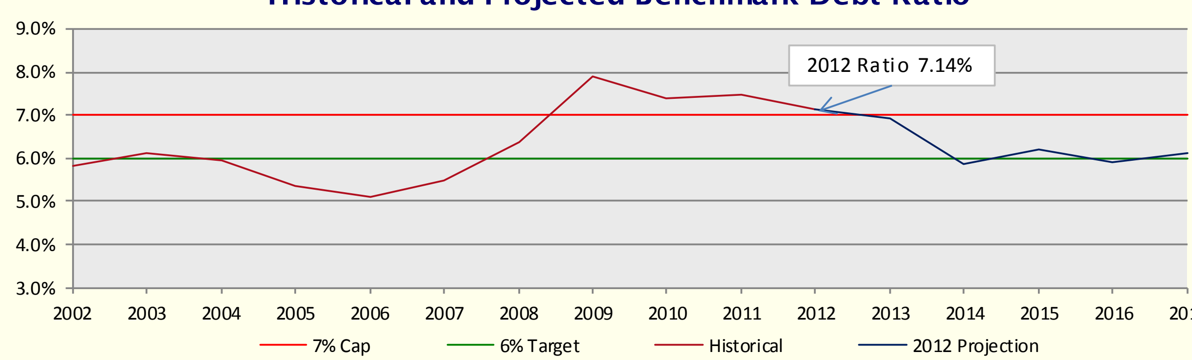


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	$ 1,242.6	1,018.5	1,089.6	1,132.2	1,159.2	1,175.7	1,150.5	1,148.9	1,172.0	1,189.5
Interest	946.2	885.3	838.0	796.7	751.5	704.3	656.7	609.8	563.4	516.3
Total	$ 2,188.8	$ 1,903.8	$ 1,927.6	$ 1,928.8	$ 1,910.8	$ 1,880.0	$ 1,807.2	$ 1,758.7	$ 1,735.4	$ 1,705.8

Debt Ratios

The state's benchmark debt ratio of debt service to revenues available to pay debt service has improved from 7.46 percent for Fiscal Year 2010-11 to 7.14 percent for Fiscal Year 2011-12. The slight decrease in the benchmark debt ratio reflects the cumulative effects of increases in revenues and decreases in debt service, i.e., revenues increased by $1.2 billion and annual debt service decreased by $12.3 million. The benchmark debt ratio is projected to improve and fall below the 7 percent cap in Fiscal Year 2012-13. The projected improvement reflects increased revenues available to pay debt service and decreased projected debt issuance. The benchmark debt ratio is projected to drop below the 6 percent target in Fiscal Year 2013-14 due to a significant reduction in annual debt service resulting from the final debt service payment on the Preservation 2000 bonds. However, the benchmark ratio is expected to increase in Fiscal Year 2014-15 as payments for P3 projects begin. The 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	Actual					
Fiscal Year	2011	2012	2013	2014	2015	2016	2017
Debt Service as % of Revenue	7.46%	7.14%	6.93%	5.89%	6.19%	5.90%	6.10%

A comparison of 2012 debt ratios to national and peer group averages indicate that Florida's debt ratios are generally higher than the national average but lower than the peer group averages for all but the benchmark debt ratio. Despite improvement in the state's ranking in the ten-state peer group over the last ten years, it remains in the middle of the peer group. The state remained fifth highest for the ratio of debt service to revenues within the peer group; moved from fifth to sixth highest in debt per capita; and remained sixth highest for debt as a percentage of personal income. The state 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.

2012 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	7.14%	$1,135	2.84%	2.78%
Peer Group Mean	6.62%	$1,725	3.90%	3.46%
National Median	4.90%	$1,074	2.80%	2.47%

Source: *Moody's 2013 State Medians Report* for all states except Florida which is from the 2012 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, with a stable outlook; Fitch Ratings affirmed the state's rating at AAA, and revised the outlook to stable from negative; and Moody's Investors Service affirmed the state's rating of Aa1, with a stable outlook. The state's conservative financial and budgeting practices and adequate reserves continue to be recognized as credit strengths. Over the near term, rating agencies will continue to monitor Florida's economic recovery compared to other states. In addition, analysts will focus on how the slow economic growth affects revenue projections and the state's ability to restore and maintain adequate reserves, balance the budget, maintain structural balance of the budget, and continue to responsibly fund the pension system.

In recent years, there has been an increasing awareness of the financial challenges presented by defined benefit retirement systems. The status of pension funding has become increasingly important in credit rating analysis and assigning credit ratings. The metrics used by the rating agencies to evaluate pension liabilities are evolving, as is the methodology for calculating unfunded pension liabilities. 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, with one of the lowest adjusted pension liabilities. One of the most important points made by Moody's was that the largest unfunded liabilities were associated with states that did not fund contributions at actuarially indicated levels. In recent years six of the ten states with the largest pension liabilities have been downgraded for the magnitude and management of pension obligations. Unfunded pension liabilities are an increasingly important element of the state's credit rating.

Appropriations from Estimated Funds

Critical and Other High Priority Needs
Expenditure Projections ($ millions)

Recurring	2013-14	2014-15	2015-16	2016-17
General Revenue	26,216.6	26,913.3	27,600.1	27,949.8
annualization		*136.5*	*0.0*	*0.0*
change from drivers		*560.2*	*686.8*	*349.7*
Educational Enhancement TF	1,543.5	1,675.0	1,646.2	1,676.8
change from drivers		*131.5*	*(28.8)*	*30.6*
State School TF	182.3	259.6	201.9	221.1
change from drivers		*77.3*	*(57.7)*	*19.2*
Tobacco Settlement TF	382.1	373.1	384.7	390.5
change from drivers		*(9.0)*	*11.6*	*5.8*
TOTAL	28,324.5	29,357.5	29,832.9	30,238.2
change from drivers & ann.		*1,033.0*	*475.4*	*405.3*

Nonrecurring	2013-14	2014-15	2015-16	2016-17
General Revenue	516.0	303.7	258.2	182.4
Educational Enhancement TF	66.0	0.0	0.0	0.0
State School TF	22.4	0.0	0.0	0.0
Tobacco Settlement TF	0.0	0.0	0.0	0.0
TOTAL	604.4	303.7	258.2	182.4

TOTAL	2013-14	2014-15	2015-16	2016-17
General Revenue	26,732.6	27,217.0	27,858.3	28,132.2
minus nonrecurring		*(516.0)*	*(303.7)*	*(258.2)*
plus annualization		*136.5*	*0.0*	*0.0*
plus driver impact		*863.9*	*945.0*	*532.1*
net budget impact		484.4	641.3	273.9
Educational Enhancement TF	1,609.5	1,675.0	1,646.2	1,676.8
minus nonrecurring		*(66.0)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*131.5*	*(28.8)*	*30.6*
budget impact		65.5	(28.8)	30.6
State School TF	204.7	259.6	201.9	221.1
minus nonrecurring		*(22.4)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*77.3*	*(57.7)*	*19.2*
budget impact		54.9	(57.7)	19.2
Tobacco Settlement TF	382.1	373.1	384.7	390.5
minus nonrecurring		*0.0*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*(9.0)*	*11.6*	*5.8*
budget impact		(9.0)	11.6	5.8
TOTAL	28,928.9	29,524.7	30,091.1	30,420.6
budget impact		595.8	566.4	329.5

Key Budget Driver Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2014-15 through Fiscal Year 2016-17	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
	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	(55.3)	143.7	61.4	(61.3)	(40.5)	40.5
2 Workload and Enrollment - Florida Education Finance Program	257.8	0.0	289.6	0.0	319.4	0.0
3 Adjustment to Offset Tax Roll Changes - Florida Education Finance Program	(232.7)	0.0	(289.6)	0.0	(319.4)	0.0
4 Workload and Enrollment - Voluntary Prekindergarten Program	(0.7)	0.0	5.7	0.0	5.0	0.0
HIGHER EDUCATION						
5 Maintain Current Budget - Higher Education	0.2	0.0	0.0	0.0	0.0	0.0
6 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased / Disabled Veterans - Higher Education	0.2	(33.1)	0.2	(19.8)	0.2	(22.1)
7 Educational Enhancement Trust Fund Adjustment - Bright Futures Workload - Higher Education	(98.2)	98.2	5.4	(5.4)	(31.4)	31.4
HUMAN SERVICES						
8 Medicaid Program	397.2	478.4	380.9	336.6	173.4	439.1
9 Kidcare Program	(7.0)	(20.4)	11.6	28.2	11.9	31.2
10 Temporary Assistance for Needy Families Cash Assistance	0.4	0.0	(1.5)	0.0	(3.6)	0.0
11 Tobacco Settlement/Tobacco Awareness Constitutional Amendment	9.9	(9.0)	(10.6)	11.6	(4.6)	5.8
CRIMINAL JUSTICE						
12 Increase in Criminal Justice Estimating Conference Prison System Population	46.8	0.0	22.5	0.0	19.5	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
13 State Match for Federal FEMA Funding State Disaster Funding (Declared Disasters)	13.5	0.0	9.4	0.0	5.6	0.0
GENERAL GOVERNMENT						
14 Non Florida Retirement System Pensions and Benefits	0.9	0.0	0.9	0.0	1.0	0.0
15 Fiscally Constrained Counties - Property Tax	23.5	0.0	23.9	0.0	24.0	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
16 Risk Management Insurance	0.0	0.0	6.4	2.8	7.3	3.1
17 Division of Administrative Hearings Assessments	0.3	0.0	0.0	0.0	0.0	0.0
18 Increases in Employer-Paid Benefits for State Employees	51.4	24.5	107.1	51.1	116.0	55.4
Subtotal Critical Needs	**408.2**	**682.3**	**623.3**	**343.8**	**283.8**	**584.4**

Long-Range Financial Outlook Issues Summary Fiscal Year 2014-15 through Fiscal Year 2016-17	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
	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						
19 Educational Enhancement Trust Fund Adjustment - Bright Futures Tuition Increases - Florida Education Finance Program	5.1	(5.1)	4.9	(4.9)	4.8	(4.8)
HIGHER EDUCATION						
20 Workload - Florida Colleges	13.7	0.0	13.7	0.0	13.7	0.0
21 Workload - State Universities	16.7	0.0	15.7	0.0	15.7	0.0
22 Workload - Workforce Education	(1.5)	0.0	(1.5)	0.0	(1.5)	0.0
23 Bright Futures - Adjust Award Levels for Tuition Increases	0.0	12.6	0.0	12.3	0.0	11.9
24 Educational Enhancement Trust Fund Adjustment - Bright Futures Tuition Increases - Higher Education	7.5	(7.5)	7.3	(7.3)	7.0	(7.0)
25 Workload - Other Higher Education Programs	3.3	0.0	3.3	0.0	3.3	0.0
26 Anticipated New Space Costs for Colleges and Universities	18.7	0.0	23.7	0.0	23.7	0.0
EDUCATION FIXED CAPITAL OUTLAY						
27 Education Fixed Capital Outlay	92.2	0.0	56.2	0.0	0.0	0.0
HUMAN SERVICES						
28 Medicaid Waivers	10.3	14.3	10.3	14.3	10.3	14.3
29 Children and Family Services	50.8	0.0	20.6	0.0	20.6	0.0
30 Health Services	17.3	0.8	11.8	0.8	11.8	0.8
31 Human Services Information Technology/Infrastructure	7.9	8.8	1.5	1.1	1.5	0.0
CRIMINAL JUSTICE						
32 Department of Juvenile Justice - Prevention and Intervention Programs	3.4	0.0	0.0	0.0	0.0	0.0
33 Department of Juvenile Justice - Behavioral Health Overlay Services	22.7	0.0	0.0	0.0	0.0	0.0
34 Department of Juvenile Justice - Shared Detention Cost	39.3	0.0	0.0	0.0	0.0	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
35 Department of Transportation Adopted Work Program (Fiscal Years 2014-2018)	0.0	7,238.8	0.0	5,849.9	0.0	6,099.5
36 Economic Development and Workforce Programs	8.2	108.0	8.2	108.0	8.2	108.0
37 National Guard Armories and Military Affairs Priorities	13.2	0.0	13.2	0.0	13.2	0.0
38 Library, Cultural, Historical, and Election Priorities	14.3	0.0	13.8	0.0	14.3	0.0
NATURAL RESOURCES						
39 Environmental Programs Funded with Documentary Stamp Tax	14.0	66.2	14.0	68.8	14.0	63.9
40 Environmental Land Acquisition and Restoration	20.2	24.6	20.2	25.3	20.2	25.6
41 Other Agriculture and Environmental Programs	52.1	0.0	53.5	0.0	42.7	0.0
GENERAL GOVERNMENT						
42 Other General Government Priorities	5.6	1.0	7.3	0.0	5.7	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
43 Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	20.7	12.1	24.0	12.1	19.1	12.1
Subtotal Other High Priority Needs	**455.7**	**7,474.6**	**321.7**	**6,080.4**	**248.3**	**6,324.3**
Total Tier 1 - Critical Needs	408.2	682.3	623.3	343.8	283.8	584.4
Total - Other High Priority Needs	455.7	7,474.6	321.7	6,080.4	248.3	6,324.3
Total Tier 2 - Critical Needs Plus Other High Priority Needs	863.9	8,156.9	945.0	6,424.2	532.1	6,908.7

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)
NOTE: The Fiscal Year 2013-14 General Appropriations Act provided funding through the Florida Education Finance Program (FEFP) in the amount of $6,787 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 2013-14 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.

Recurring state funds are provided as Critical Needs funding in Fiscal Year 2014-15 to restore $88.4 million in nonrecurring funds appropriated for the FEFP in Fiscal Year 2013-14.

In addition, the Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds, the Educational Enhancement Trust Fund (EETF), and the State School Trust Fund (SSTF) based on projected revenue changes over the three-year forecast period from the Revenue Estimating Conferences held in July and August 2013. The shifting of funds does not affect the calculated need for dollars to maintain funding levels for education core instructional programs.

When combining the restoration of the $88.4 million in nonrecurring and the various fund shifts, total General Revenue funding decreases by $55.3 million and trust funds increase by $143.7 million in the FEFP.

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 2013 Education Estimating Conference. Enrollment growth is estimated to cost $44.0 million for an additional 6,482 FTE in Fiscal Year 2014-15, ($36.0) million for a decline of 5,250 FTE in Fiscal Year 2015-16, and ($15.2) million for a decline of 2,175 FTE in Fiscal Year 2016-17. Enrollment over the three-year forecast period is estimated to decline by 943 FTE.

Critical Needs funding is provided for the FEFP for each of the three years in the Outlook. For Fiscal Year 2014-15, $257.8 million is provided to maintain *total state funds per student* compared to Fiscal Year 2013-14, and for Fiscal Years 2015-16 and 2016-17, $289.6 million and $319.4 million is provided to maintain *total state funds* compared to Fiscal Years 2014-15 and 2015-16, respectively, as shown in the table below.

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Workload and Enrollment – FEFP	$257.8 million	$289.6 million	$319.4 million

For all three forecast years, this funding is provided to offset the reduction in state funding as a result of the increase in ad valorem revenues (Driver #3) and, in addition, $25.1 million is included for Fiscal Year 2014-15 to maintain total state funding per student.

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 2013-14 certified millage rates (i.e., 5.183 RLE and .748 potential discretionary) throughout the three-year forecast period. The tax rolls for Fiscal Years 2014-15 through 2016-17 as projected by the August 2013 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 Fiscal Year 2014-15 and total state funds in Fiscal Years 2015-16 and 2016-17, the reduction in state funding is offset.

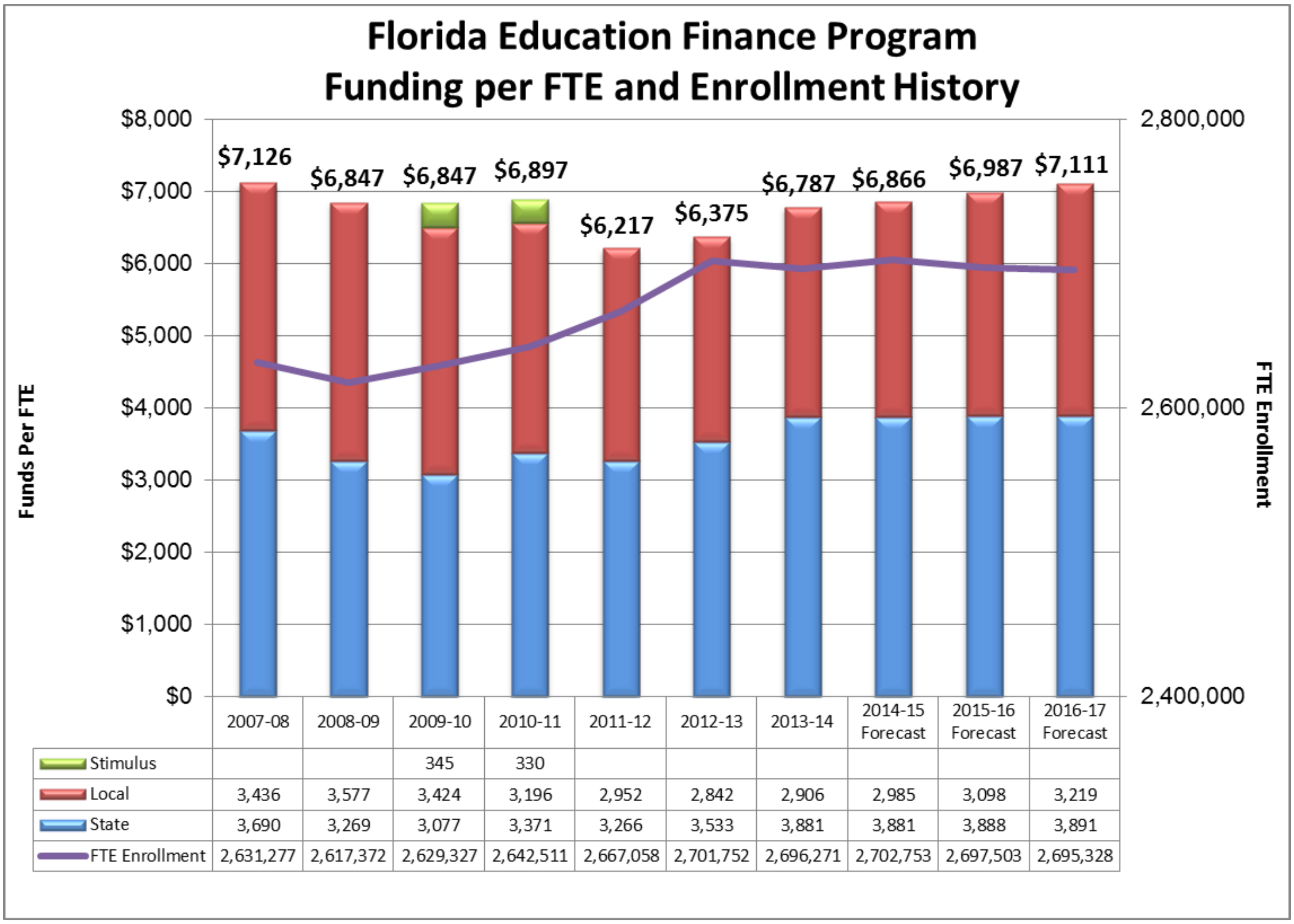
	Fiscal Year 2013-14*	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
School Taxable Value Growth		3.32%	3.87%	4.11%
FEFP Local Revenue	$7,835 million	$8,068 million	$8,358 million	$8,677 million
Increase in Ad Valorem Revenue		$232.7 million	$289.6 million	$319.4 million
Adjustment to Offset Tax Roll Changes		($232.7) million	($289.6) million	($319.4) million

* 2013-14 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 Year 2014-15 and maintains the level of *total state funds* for Fiscal Years 2015-16 and 2016-17.

Key Budget Drivers #1 - #3 Results	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Maintain Current Budget	$88.4 million	$0	$0
Workload and Enrollment	$257.8 million	$289.6 million	$319.4 million
Adjustment to Offset Tax Roll Changes	($232.7) million	($289.6) million	($319.4) million
FEFP State Funds Needed in the Outlook	**$113.5 million**	**$0**	**$0**

[SEE GRAPH ON FOLLOWING PAGE]



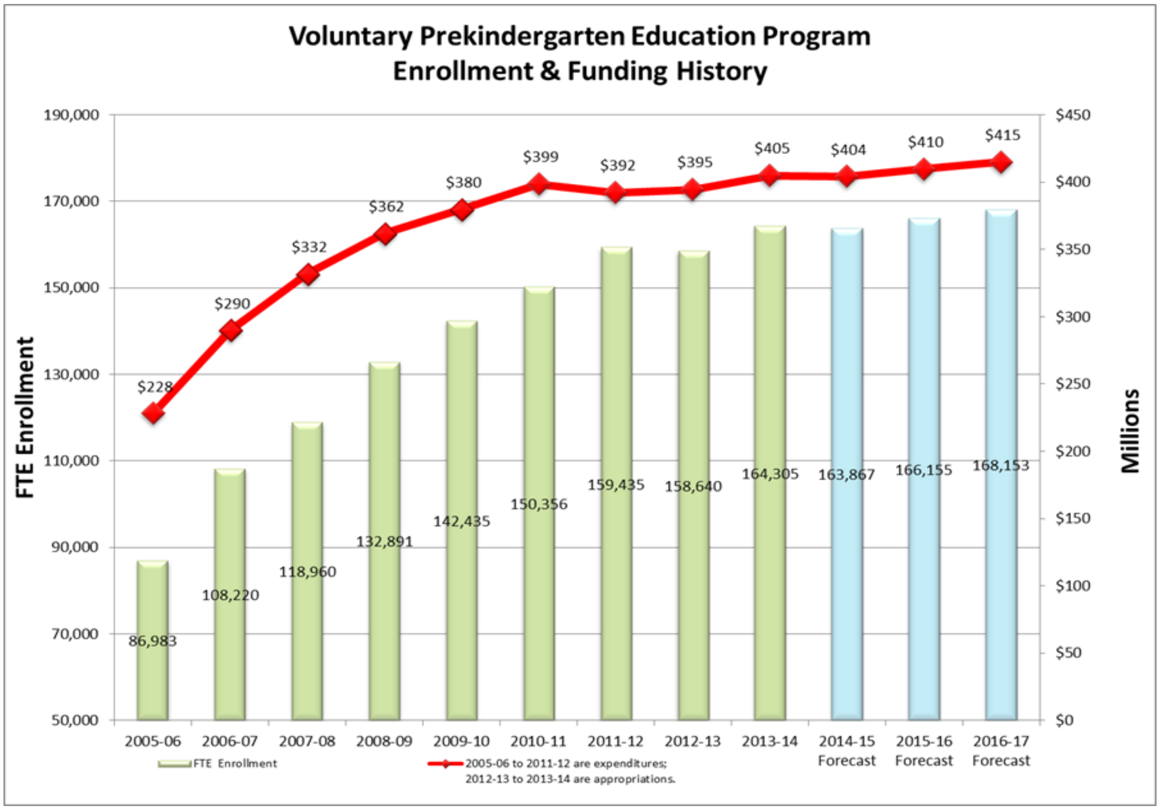
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
Stimulus			345	330						
Local	3,436	3,577	3,424	3,196	2,952	2,842	2,906	2,985	3,098	3,219
State	3,690	3,269	3,077	3,371	3,266	3,533	3,881	3,881	3,888	3,891
FTE Enrollment	2,631,277	2,617,372	2,629,327	2,642,511	2,667,058	2,701,752	2,696,271	2,702,753	2,697,503	2,695,328

4. Workload and Enrollment – Voluntary Prekindergarten 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 state constitution. Enrollment is voluntary, and the program is offered to eligible Florida resident four-year-old children by a combination of public schools and private providers. Effectiveness of the program is determined by a kindergarten screening that assesses the readiness of each child upon entry to kindergarten. Appropriated funds are allocated based on the number of FTE students in each region and then adjusted by a cost differential and a four percent administrative factor.

Critical Needs funding from state sources is projected for enrollment increases in the VPK program as determined by the July 2013 Early Learning Programs Estimating Conference. Enrollment changes are estimated to cost ($735,719) based on a projected decline of 438 FTE in Fiscal Year 2014-15, $5.7 million for an additional 2,289 FTE in Fiscal Year 2015-16, and $5.0 million for an additional 1,997 FTE in Fiscal Year 2016-17. Enrollment growth over the three-year forecast period is estimated to be 3,848 FTE. Funding per student is maintained at the

Fiscal Year 2013-14 base student allocation (BSA) amount of $2,383 for the school year program and $2,026 for the summer program for each of the forecast years.



Higher Education (Drivers #5 - #7)

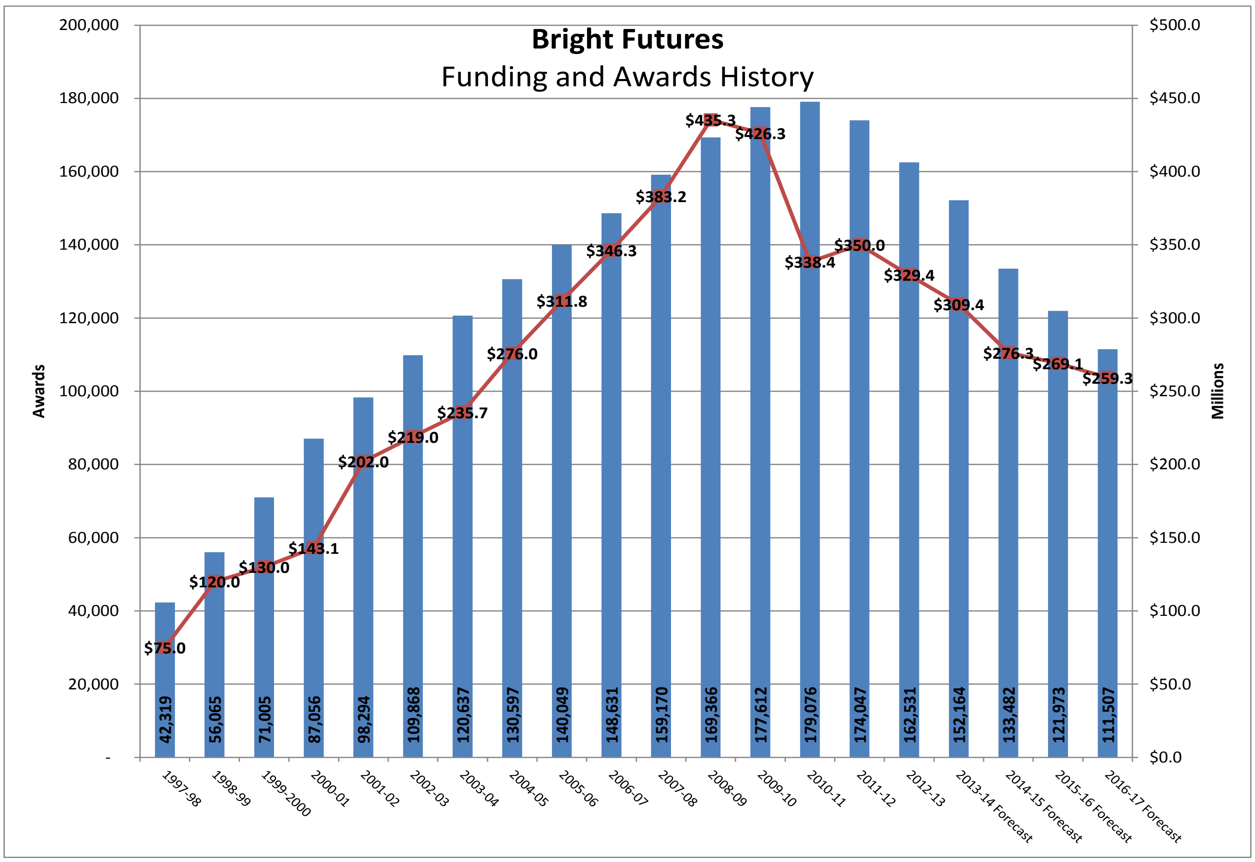
5. Maintain Current Budget – Higher Education

The Florida Virtual Campus (FLVC) provides access to online student and library support services; serves as a statewide resource and clearinghouse for public postsecondary education distance learning courses and degree programs; and facilitates collaboration among public postsecondary education institutions in their use of these resources to increase student access and completion of associate and baccalaureate degrees. Funding for the FLVC is provided in both the college and university budgets to facilitate collaboration between the college and university systems. The chancellors of the Florida College System and the State University System exercise joint oversight of the FLVC and are responsible for establishing its governance and reporting structure, administrative and operational guidelines and processes, staffing requirements, and operational budget.

Recurring General Revenue funding is provided in Fiscal Year 2014-15 to restore $167,000 of the nonrecurring funding provided for the FLVC in the state university budget in Fiscal Year 2013-14.

6. 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 March 2013 Student Financial Aid Education Estimating Conference through Fiscal Year 2015-16. The Legislative Office of Economic and Demographic Research extended the forecast through Fiscal Year 2016-17. The forecast projects 40,657 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 $33.1 million in Fiscal Year 2014-15, $19.8 million in Fiscal Year 2015-16, and $22.1 million in Fiscal Year 2016-17.



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. Increased recurring General Revenue funding of $200,357 in Fiscal Year 2014-15, $214,219 in Fiscal Year 2015-16, and $229,040 in Fiscal Year 2016-17 is provided for CSDDV eligible recipients.

Increased funding is based on a four-year average growth rate reflecting increased participation in the program of two percent for each year of the Outlook. To comply with statutory requirements, additional funding is included to account for the four-year average tuition rate increases.

7. Educational Enhancement Trust Fund Adjustment – Bright Futures Workload – Higher Education

Additional EETF funds are available due to the decline in eligible students in the Bright Futures Scholarship program and adjustments to Lottery and Slot Machine revenue projections. These funds are distributed based on the proportionate share of appropriated EETF funds in Fiscal Year 2013-14, and an equivalent amount of General Revenue funds is reduced.

Human Services (Drivers #8 - #11)

8. Medicaid Program

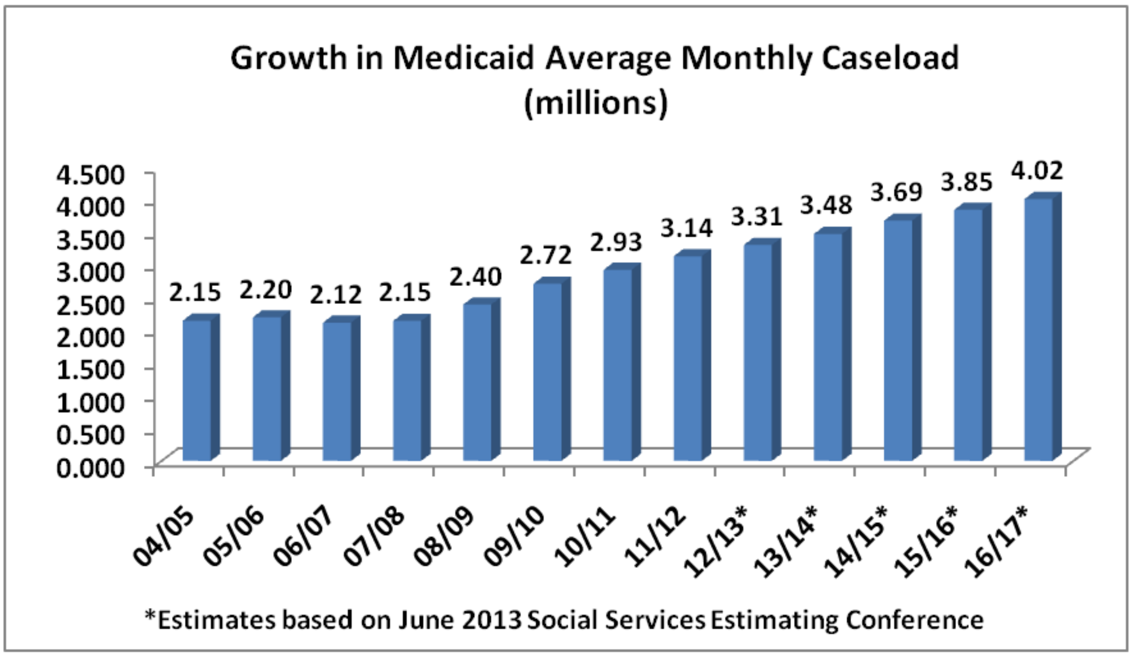
The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. It is the largest single program in the state budget, representing 31 percent of the total state budget and is also the largest source of federal funding for the state.

Caseload - In Fiscal Year 2013-14, Medicaid caseloads enrollment is expected to grow to 3.48 million beneficiaries, a 5.1 percent increase from Fiscal Year 2012-13. This increase includes approximately 70,647 additional enrollees who will be required to transition from the Children's Health Insurance Program (CHIP) into Medicaid on January 1, 2014, under the PPACA.

Currently, children in low-income families may be eligible for Kidcare without also qualifying for Medicaid. Beginning in January 2014, children under 138 percent Federal Poverty Level (FPL) will be required to move from the Kidcare program to the Medicaid program. The Legislature has directed the Agency for Health Care Administration (AHCA) to seek federal approval to allow such children to enroll in or remain enrolled in CHIP. However, unless federal approval is granted, the transfer to Medicaid is a mandatory transfer under PPACA's expanded Medicaid eligibility standards. Included in the Outlook for Fiscal Year 2014-15 is an increase of 2,053 children for a total of 72,700 children that will be eligible for Medicaid instead of CHIP. For Fiscal Year 2015-16, an additional 2,627 children are included for a total of 75,327, and for Fiscal Year 2016-17, an additional 2,994 children are included for a total of 78,321.

Caseload estimates for the Medicaid program also include increases for individuals who are currently eligible for Medicaid, but not yet enrolled in Medicaid. Currently, it is estimated that only 79.7 percent of the population eligible for the Medicaid program actually utilize the program. Because of the implementation of PPACA, it is likely that some of these currently eligible but not enrolled individuals will enroll in the Medicaid program. The Social Services Estimating Conference (SSEC) has made projections for children who are likely to enroll under these circumstances while an estimate for adults was indeterminate. The Fiscal Year 2013-14 Medicaid budget includes funding for additional children to enroll in the program based on SSEC projections. Beginning in Fiscal Year 2013-14, enrollment is estimated to increase by 10,686 children and continue to increase by 10,963 in Fiscal Year 2014-15, 11,280 in Fiscal Year 2015-16, and 11,598 in Fiscal Year 2016-17. In total, the Outlook assumes 44,527 additional children will transition into the Medicaid program between Fiscal Year 2013-14 and Fiscal Year 2016-17.

Enrollment is expected to continue increasing in the forecast years, but at slower rates than in the three prior fiscal years. Enrollment in Fiscal Year 2014-15 is forecast to rise to 3.69 million beneficiaries, an increase of 5.9 percent from the previous year. Enrollment is forecast to increase to 3.85 million beneficiaries in Fiscal Year 2015-16, a 4.5 percent increase over the previous year. Medicaid enrollment is expected to increase again in Fiscal Year 2016-17 to 4.02 million beneficiaries, a 4.3 percent increase over the previous year.



Medicaid Caseload Estimates

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Caseload	3,483,779	3,688,351	3,854,003	4,018,804
Increase		204,572	165,652	164,801
Percent		5.87%	4.49%	4.28%

<u>Expenditures</u> - In Fiscal Year 2013-14, Medicaid expenditures are expected to increase to $22.95 billion. Total Medicaid expenditures are expected to increase to $23.94 billion in Fiscal Year 2014-15, a 4.3 percent increase over the previous fiscal year. In Fiscal Year 2015-16,

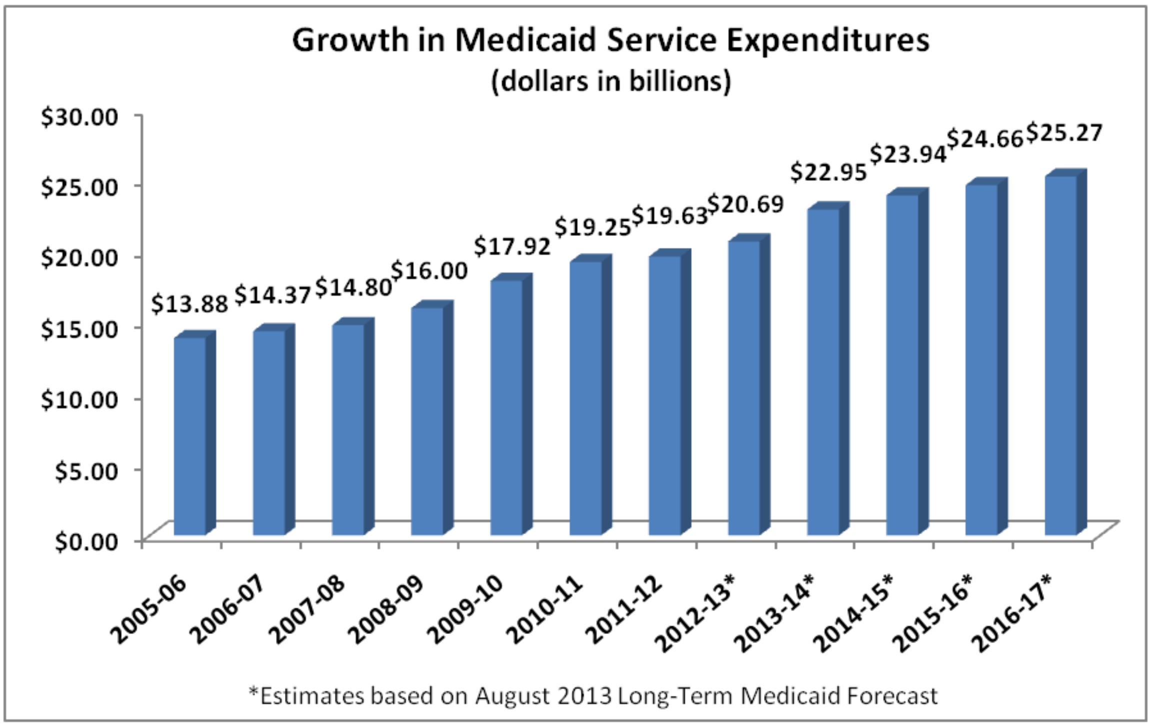
expenditures are expected to increase to $24.66 billion, a 3.0 percent increase, and expenditures of $25.27 billion are expected for Fiscal Year 2016-17, an increase of 2.5 percent over Fiscal Year 2015-16.

Included within the PPACA provisions is a requirement for states to increase Medicaid reimbursement rates for primary care services provided by primary care practitioners to 100 percent of the Medicare reimbursement rate during calendar years 2013 and 2014. The match rate for this increase is 100 percent federally funded for those two calendar years. That is, the federal government will fund 100 percent of the difference between Medicare rates and the state's preexisting rates during 2013 and 2014. Included within the Fiscal Year 2013-14 budget was $677.7 million in federal funding authority to address this requirement. For Fiscal Year 2014-15, $340.8 million in federal funding authority is included in the Outlook to implement this provision for six months. The Outlook makes no assumption regarding state funding to replace the 100 percent fully funded physician fee increase associated with the PPACA. This assumption was included in the 2012 Outlook; however, given the many uncertainties that have surfaced regarding discretionary decisions related to implementing the PPACA, this assumption seems increasingly tenuous and therefore was not included.

Additionally, the Health Insurance Tax (HIT) provision under PPACA will have an impact on state Medicaid programs and Medicaid managed care plans. The PPACA established an annual fee on the health insurance sector beginning in January 2014. The new fee applies with some exceptions to any covered entity engaged in the business of providing health insurance (including private plans that participate in public programs), but does not include self-insured employer-provided health plans. Fees paid by health plans participating in the Medicaid managed care market will need to be added to the base rates that states pay to private plans. This is necessary to maintain the actuarial soundness of the managed care rates. Because of this requirement, the Legislature included $16.4 million in General Revenue funds to address the HIT during the final six months of Fiscal Year 2013-14. In calendar year 2015, the HIT's impact to Medicaid managed care plan rates is projected to increase by 78.0 percent. Because of that increase and because the HIT will be in effect for 12 months during Fiscal Year 2014-15, an additional $74.5 million will be required for a total of $90.9 million in General Revenue funds. For Fiscal Year 2015-16, the Outlook includes an additional $30.2 million for a total of $121.2 million in General Revenue funds, and for Fiscal Year 2016-17, an additional $6.3 million for a total of $127.5 million in General Revenue funds is provided for the HIT.

Included within the Medicaid expenditures estimate is the impact to the Medicaid program for children who are currently eligible but not yet enrolled in Medicaid. Included in Fiscal Year 2013-14 was $4.3 million in General Revenue funds to address this population. For Fiscal Year 2014-15, an additional $13.4 million is required for a total of $17.7 million. The Outlook includes an additional $9.5 million for a total of $27.2 million for Fiscal Year 2015-16 and an additional $10.2 million for a total of $37.4 million in General Revenue for Fiscal Year 2016-17.

Beginning in January 2014, children under 138 percent FPL will be required to move from the Kidcare program to the Medicaid program. The Legislature has directed the AHCA to seek federal approval to allow such children to enroll in or remain enrolled in CHIP. However, unless federal approval is granted, the transfer to Medicaid is a mandatory transfer under PPACA's expanded Medicaid eligibility standards. As a result, approximately 70,647 children will become Medicaid eligible and will transfer to Medicaid effective January 1, 2014. For the final six months of Fiscal Year 2013-14, the Legislature transferred $18.2 million in General Revenue funding from the Kidcare program to Medicaid for this population. In Fiscal Year 2014-15, an additional $19.8 million in General Revenue is required for the full-year costs of the transfer population for a total of $37.9 million. In Fiscal Year 2015-16, $1.8 million in General Revenue is required for a total of $39.7 million. Finally, in Fiscal Year 2016-17, an additional $2.2 million in General Revenue is required for children who will now qualify for Medicaid instead of Kidcare for a total of $41.9 million.



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

	Fiscal Year 2013-14**	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
FMAP Rate	58.67%	59.01%	59.52%	59.82%
Expenditures				
General Revenue	$5,261.0 **	$5,662.1	$6,048.8	$6,225.6
Increase		$401.1	$386.7	$176.9
Percent		7.62%	6.83%	2.92%

* Estimate based on August 2013 Social Services Estimating Conference and does not include ($3.9) million state matching funds in other departments for Fiscal Year 2014-15; ($5.8) million for Fiscal Year 2015-16; and ($3.4) million in Fiscal Year 2016-17.

** Base budget adjusted for nonrecurring funds and annualizations.

The Outlook includes an increase in General Revenue funds for Medicaid expenditures of $397.2 million in Fiscal Year 2014-15, $380.9 million in Fiscal Year 2015-16, and $173.4 million in Fiscal Year 2016-17. This includes Medicaid state matching funds that are budgeted in other health and human services departments. The Outlook also includes reductions in General Revenue funds for these agencies in the amounts of ($3.9) million in Fiscal Year 2014-15, ($5.8) million for Fiscal Year 2015-16, and ($3.4) million in Fiscal Year 2016-17 due to changes in the Federal Medical Assistance Percentage (FMAP) rate which is the federal financial participation rate.

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

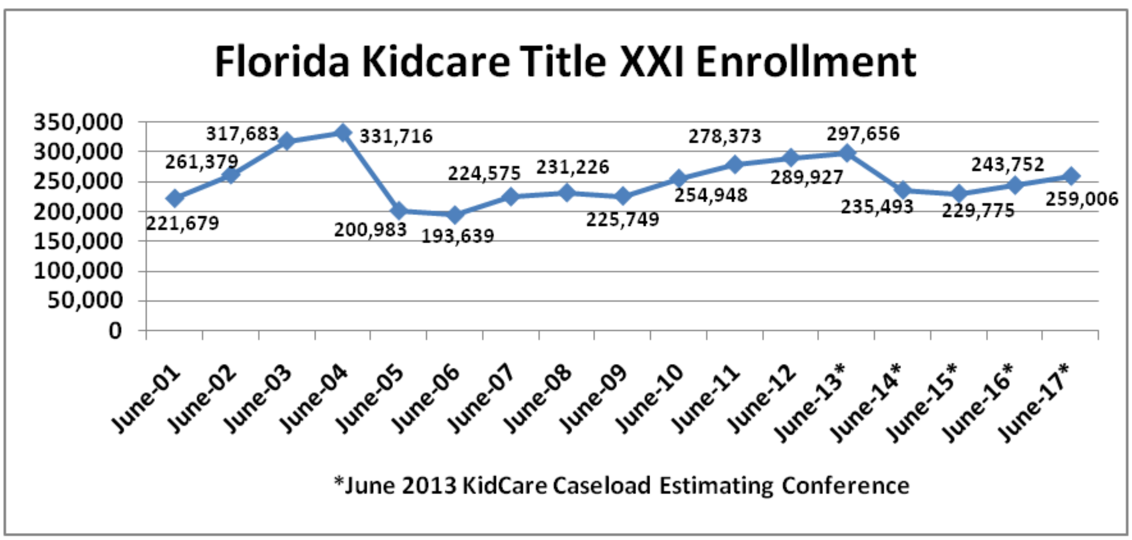
> **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, and inflation were projected based on historical trends and methodologies used by the August 2013 SSEC.
>
> **Medicaid Managed Care** – Chapter 2011-134, Laws of Florida, directed the AHCA to implement a Medicaid managed care program as a statewide, integrated managed care program for all covered medical assistance services and long-term care services. Full implementation is anticipated by October 2014. For the long-term care program, the agency submitted a 1915 (b)/(c) combination waiver request and received federal approval in February 2013. The agency selected seven plans with contract execution beginning in May 2013.
>
> For the Statewide Managed Medical Assistance program, the agency submitted an amendment to the 1115 Medicaid Reform Demonstration Waiver that currently operates in Baker, Broward, Clay, Duval, and Nassau counties and received approval from federal CMS in June 2013. The agency began negotiations with selected health plans in July 2013, and the anticipated posting of notice of intent of award is September 16, 2013.

9. Kidcare Program

Kidcare is the state's children's health insurance program provided under the federal CHIP (Title XXI of the Social Security Act). The Kidcare program provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the FPL ($47,100 for a family of four in 2013). The CHIP is a federal and state matching program. The state participation for Florida is 28.97 percent and the federal participation is 71.03 percent for Fiscal Year 2013-14. The Title XXI caseload as of June 2013 was 263,002. There were 34,654 additional children enrolled in the program who are non-Title XXI eligible for a total program enrollment of 297,656.

Caseload estimates for Kidcare include increases for individuals who are currently eligible for Kidcare, but are not yet enrolled in Kidcare. For Fiscal Year 2013-14, the estimate includes 11,161 such children. For Fiscal Year 2014-15, an additional 11,450 children are expected to enroll in Kidcare for a total of 22,611 children who are currently eligible but not enrolled. An additional 11,781 children are expected to enroll in Kidcare during Fiscal Year 2015-16, for a total of 34,392 children. Finally, during Fiscal Year 2016-17, an additional 12,114 children who are currently eligible but not yet enrolled are expected to enroll in Kidcare for a total of 46,506 children.

Currently, children in low-income families may be eligible for Kidcare without also qualifying for Medicaid. Beginning in January 2014, children under 138 percent FPL will be required to move from the Kidcare program to the Medicaid program. The Legislature has directed the AHCA to seek federal approval to allow such children to enroll in or remain enrolled in CHIP. However, unless federal approval is granted, the transfer to Medicaid is a mandatory transfer under PPACA's expanded Medicaid eligibility standards. As a result, approximately 70,647 children will become Medicaid eligible and will transfer to Medicaid effective January 1, 2014. The assumption is that 100 percent of these children will transfer on January 1, 2014, and will not be phased in. Caseload estimates for Kidcare include decreases in future years for this mandatory transfer of children from Kidcare to Medicaid. Beginning in Fiscal Year 2014-15, an additional 2,053 children will transition from Kidcare to Medicaid. This transition will continue in Fiscal Year 2015-16 with an additional 2,627 children, and 2,994 additional children in Fiscal Year 2016-17. In total, the Outlook estimates 7,674 additional children will transition from Kidcare to Medicaid between Fiscal Years 2014-15 and Fiscal Year 2016-17 for a total of 78,321.



[SEE TABLE ON FOLLOWING PAGE]

Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Caseload	235,493	229,775	243,752	259,006
Increase		(5,718)	13,977	15,254
Percent		-2.43%	6.08%	6.26%

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Expenditures				
FMAP Rate**	71.03%	71.24%	71.44%	71.51%
State Funds	$133.1	$126.1	$137.6	$149.6
Increase/(Decrease)		($7.0)	$11.6	$11.9
Percent		(5.28%)	9.18%	8.65%

** Weighted FMAP

The Outlook includes a decrease in General Revenue funds for Kidcare expenditures of $7.0 million in Fiscal Year 2014-15, an increase of $11.6 million in Fiscal Year 2015-16, and an increase of $11.9 million in Fiscal Year 2016-17.

For the mandatory transfer of children in Kidcare to Medicaid, the Fiscal Year 2013-14 budget included a transfer in General Revenue funds of $18.2 million. The Outlook for Fiscal Year 2014-15 includes a forecasted reduction of $19.8 million for the transfer of children from Kidcare to Medicaid. Fiscal Year 2015-16 includes a reduction of $1.8 million in General Revenue, and there is a reduction of $2.2 million for Fiscal Year 2016-17.

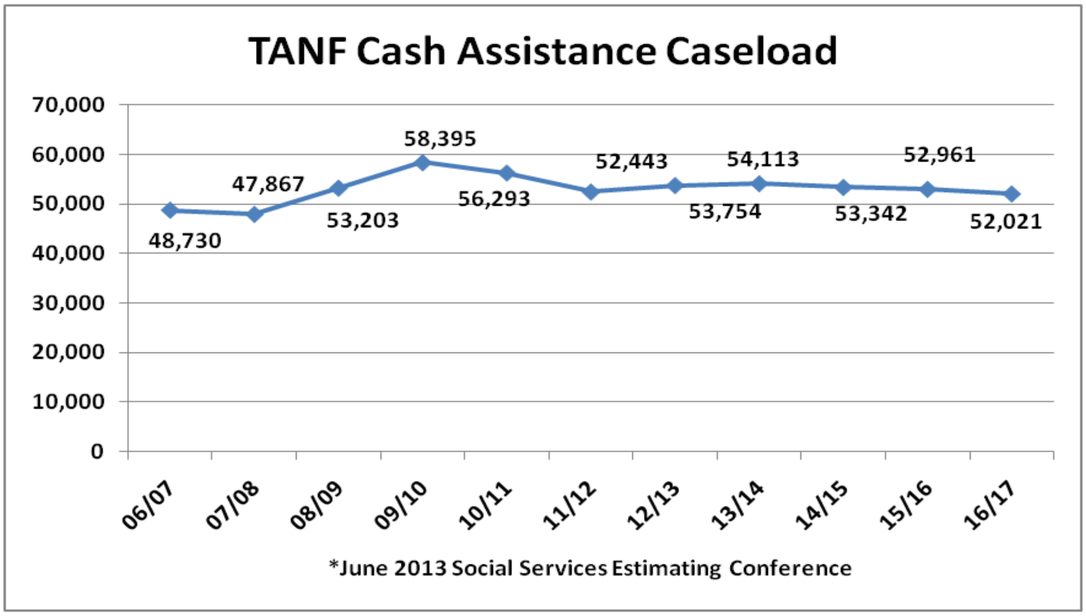
Major policy assumptions and projections for Critical Needs related to Kidcare expenditures for the forecast period are described below:

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, and inflation were projected based on historical trends and methodologies used by the June 2013 SSEC.

10. 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 2013-14.

The Outlook includes an increase in General Revenue funds for TANF expenditures of $0.4 million in Fiscal Year 2014-15 due to nonrecurring funding being provided in Fiscal Year 2013-14. The Outlook includes a decrease of $1.5 million and $3.6 million in General Revenue funds in Fiscal Year 2015-16 and Fiscal Year 2016-17, respectively, based on declining TANF caseloads.



Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Caseload	54,113	53,342	52,961	52,021
Increase/(Decrease)		(771)	(381)	(940)
Percent		(1.4%)	(0.7%)	(1.8%)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Total Program Expenditures	$173.8	$170.8	$169.3	$165.7
Increase/(Decrease)		($3.0)	($1.5)	($3.61)
Percent		(1.7%)	(0.9%)	(2.1%)

Source: June 2013 Social Services Estimating Conference

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

- **Social Services Estimating Conference** – Estimates for cash assistance were projected based on historical trends and methodologies used by the June 2013 SSEC.

11. Tobacco Settlement/Tobacco Awareness Constitutional Amendment

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

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

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Expenditures	$65.9	$66.8	$67.8	$69.0
Increase/(Decrease)		$0.9	$1.0	$1.2
Percent		1.3%	1.5%	1.7%

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

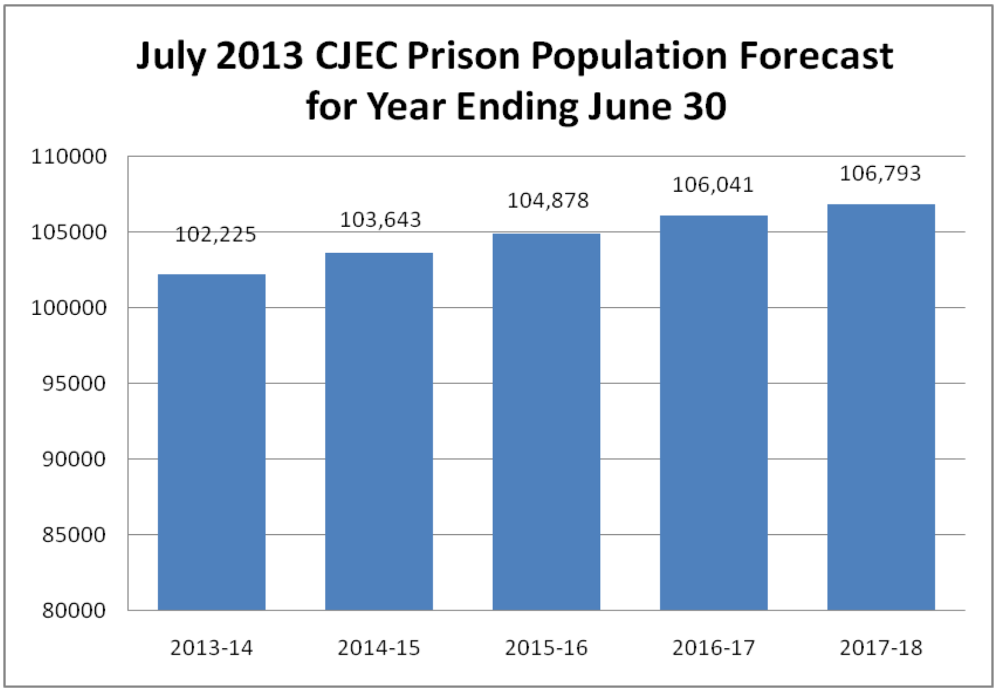
- **National Economic Estimating Conference** – The estimated tobacco expenditures from the February 2013 Revenue Estimating Conference were adjusted by applying the Consumer Price Index from the July 2013 National Economic Estimating Conference.

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 maintains a $13.9 million reserve in the trust fund.

Criminal Justice (Driver #12)

12. Increase in Criminal Justice Estimating Conference Prison System Population

After five years of only modest changes in prison population growth, the Criminal Justice Estimating Conference (CJEC) projects that Florida's prison population will markedly increase in the next three fiscal years. This projected increase is due to a rise in prison admissions (3.1 percent) after four years of decline. Other contributing trends include a 2.1 percent increase in resentences for technical violators of supervision and a 0.8 percent increase in arrests after three years of decline. 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 increase by over 4,000 in the next five years, 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 23, 2013)

Operational cost drivers include prison security and institutional operations, 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 2013-14 approved General Revenue budget for Security and Institutional Operations, Health Services, and Education and Programs by the projected Fiscal Year 2013-14 population as funded in the General Appropriations Act. This resulted in an average rate of $45.74 per inmate per day (General Revenue only).

Based upon this per diem rate, the Outlook includes $24.0 million of nonrecurring General Revenue to fill the Fiscal Year 2013-14 operating deficit. In addition, the Outlook includes recurring General Revenue of $46.8 million in Fiscal Year 2014-15, $22.5 million in Fiscal Year 2015-16, and $19.5 million in Fiscal Year 2016-17.

Transportation and Economic Development (Driver #13)

13. State Match for Federal FEMA 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

$13.5 million of nonrecurring General Revenue in Fiscal Year 2014-15, $9.4 million in Fiscal Year 2015-16, and $5.6 million in Fiscal Year 2016-17 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 is also responsible for administering non-FRS pension and benefit programs, such as the Florida National Guard, disabled justices and judges, and retired teachers. The funding increase included in the Outlook is related to the Florida National Guard and is based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits, and growth in the number of participants. Based on estimates provided by the Division of Retirement, $0.9 million in recurring General Revenue is included in the Outlook for the 2014-15 and 2015-16 fiscal years and $1.0 million for the 2016-17 fiscal year.

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.

Based on estimates provided by the Office of Tax Research in the Department of Revenue and the Legislative Office of Economic and Demographic Research, the Outlook provides nonrecurring General Revenue of $23.5 million for Fiscal Year 2014-15, $23.9 million for Fiscal Year 2015-16, and $24.0 million for Fiscal Year 2016-17.

Administered Funds and Statewide Issues (Drivers #16 - #18)

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 July 2013 Self-Insurance Estimating Conference to estimate costs and determine General Revenue and trust fund allocations to the various agencies. There are no additional funds required for Fiscal Year 2014-15; however, the Outlook includes $6.4 million in recurring General Revenue and $2.8 million in trust funds for Fiscal Year 2015-16 and an additional $7.3 million in recurring General Revenue and $3.1 million in trust funds for Fiscal Year 2016-17.

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 to the division for hearing by an administrative law judge. The division's funding is derived by assessing state agencies and other entities for services based on the prior 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 2012-13, an additional $0.3 million in nonrecurring General Revenue is included in the Outlook for Fiscal Year 2014-15.

18. Increases in Employer-Paid Benefits for State Employees

Health Insurance - Total expenses associated with the State Employee Health Insurance program are expected to increase by $236.6 million in Fiscal Year 2014-15, $220.7 million in Fiscal Year 2015-16, and $231.9 million in Fiscal Year 2016-17. When the Legislature appropriates additional funds to maintain the solvency of the program, approximately 67 percent of employer-funded premium increases are funded with General Revenue funds and 33 percent with trust funds.

The increases in expenses are based on assumptions that the plan will experience a 9.0 percent increase in Health Maintenance Organization (HMO) premium payments, 8.5 percent annual growth in medical claims, 7.5 percent annual growth in Preferred Provider Organization (PPO) pharmacy claims, and 10.0 percent annual growth in HMO pharmacy claims.

On the revenue side of the State Employee Health Insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered via premium increases paid by the state. Generally, these costs have been funded through this mechanism. For example, a portion of the anticipated costs were funded through an increase in employer contributions in Fiscal Year 2013-14.

In order to meet expenses and maintain a small working balance in the Trust Fund, the Outlook assumes 8 percent annual increases in employer paid premium contributions effective on January 1, 2015, January 1, 2016, and January 1, 2017. Under these assumptions, state contributions are expected to increase by $51.4 million in General Revenue and $24.5 million in trust funds in

Fiscal Year 2014-15; $107.1 million in General Revenue and $51.1 million in trust funds in Fiscal Year 2015-16; and $116.0 million in General Revenue and $55.4 million in trust funds in Fiscal Year 2016-17. No changes to the insurance program or to employee paid premium contributions are assumed in the Outlook.

The projected expenses of the State Employee Health Insurance program have been affected by many of the provisions of the PPACA. Major provisions implemented to date include: (a) elimination of overall lifetime plan maximums; (b) removal of annual limits for essential health benefits; (c) elimination of pre-existing condition exclusions for children under age 19; (d) patient centered outcome research institute fees (phased in $1 or $2 per participant); and (e) expanded coverage for employees' adult children to age 26 without regard to dependency.

Additional PPACA requirements becoming effective January 1, 2014, include: (a) imposition of pharmaceutical industry fees and a 2.3 percent excise tax on medical devices and health insurance industry fees; (b) elimination of all pre-existing condition limitations; (c) implementation of a "shared responsibility" provision requiring employers to offer affordable coverage meeting minimum standards to "full-time" employees (those employees who work an average of 30 or more hours per week) or face potentially significant penalties; and (d) imposition of an individual mandate to maintain coverage or face a penalty. The federal government has announced that enforcement of the employer penalties will be delayed until January 1, 2015.

The incremental cost to the state, including the state universities, of the PPACA is estimated to be $44.9 million in Fiscal Year 2014-15, $15.4 million in Fiscal Year 2015-16, and $8.4 million in Fiscal Year 2016-17. These costs are included in the assumptions for the 8 percent annual increases in employer paid contributions expected to be effective on January 1, 2015, 2016, and 2017, as discussed above.

Chapter 2013-52, Laws of Florida, expanded participation in the State Employee Health Insurance program effective January 1, 2014, to include Other-Personal-Services (OPS) personnel of state agencies and state universities who work an average of 30 or more hours per week, thus avoiding a potential penalty estimated to be $321.8 million. The projected cost of including OPS employees is incorporated in the incremental cost to the state of PPACA shown here.

<u>Florida Retirement System</u> - The 2013 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 2013 Actuarial Valuation, due December 31, 2013, may result in an adjustment to this projection; however, any adjustments are not expected to be substantial.

Other High Priority Needs

Pre K-12 Education (Driver #19)

19. Educational Enhancement Trust Fund Adjustment – Bright Futures Tuition Increases – Florida Education Finance Program

Other High Priority Needs funding includes Driver #23, which increases Bright Futures awards to pay for annual tuition increases. An increase in need for Bright Futures award funding would result in less EETF revenues being available for the FEFP, resulting in fund shifts to replace EETF funds with General Revenue of $5.1 million in Fiscal Year 2014-15, $4.9 million in Fiscal Year 2015-16, and $4.8 million in Fiscal Year 2016-17 in the FEFP.

Higher Education (Drivers #20 - #26)

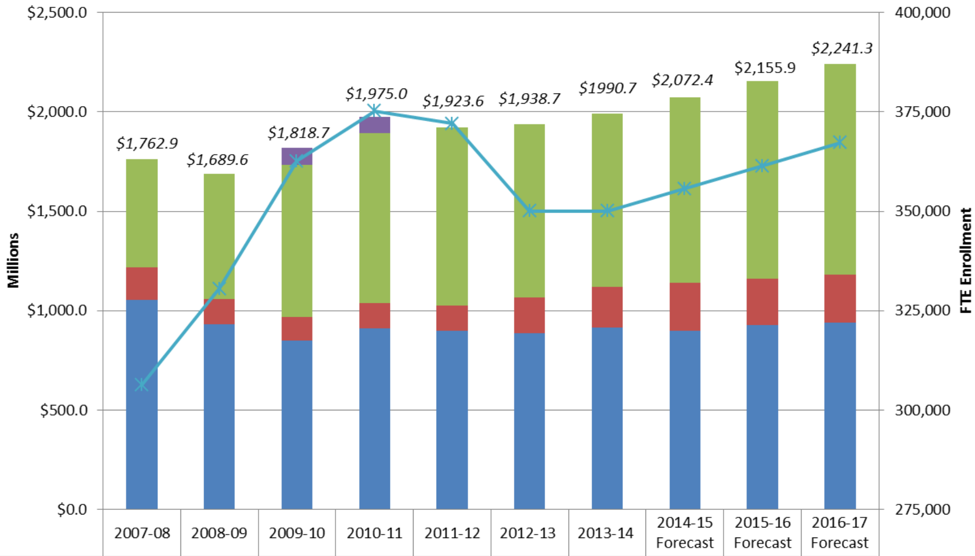
20. Workload – Florida Colleges

Other High Priority Needs funding includes workload increases for Florida colleges based on the four-year average appropriation increase of 1.26 percent or $13.7 million for each year of the Outlook. The four-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 2014-15 and 2016-17. These issues are accounted for as separate drivers in the Outlook if warranted. Based on the four-year average enrollment growth, 17,167 new FTE students are anticipated in Florida colleges over the three-year period. Total funding for the Florida College System, as reflected in the chart on the following page, anticipates increased tuition revenue based on the four-year average of implemented tuition increases of 5.25 percent.

21. Workload – State Universities

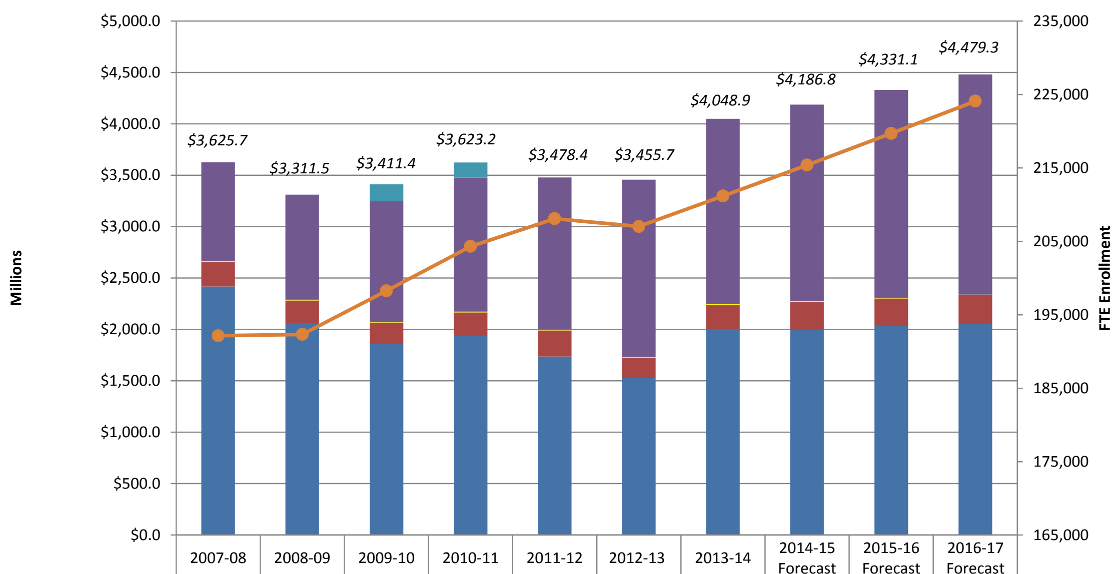
Other High Priority Needs funding includes workload increases for the State University System (SUS) based on the four-year average appropriation increase of 0.8 percent or $13.0 million for each year of the Outlook. The four-year average appropriation does not include FRS adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2014-15 and 2016-17. These issues are accounted for as separate drivers in the Outlook if warranted. Based on the four-year average enrollment growth, 12,925 new FTE students are anticipated in the SUS over the three-year period. However, workload appropriations for the state universities have not been based on enrollment growth since Fiscal Year 2007-08. Total funding for the SUS, as reflected in the chart on the following page, anticipates increased tuition revenue based on the four-year average of implemented tuition increases of 4.43 percent. In addition, $1.0 million is included in Fiscal Year 2014-15 for the final year of the phase-in of the medical schools at Florida International University and the University of Central Florida and a workload increase of $2.7 million in each year of the Outlook for the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida.

Florida College System
Funding & Enrollment History and Forecast



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
Stimulus			$83.3	$83.0						
Tuition	$545.2	$632.3	$767.1	$855.0	$896.0	$872.5	$872.5	$933.0	$995.3	$1,059.5
EETF	$161.4	$124.8	$117.0	$127.0	$130.4	$180.8	$204.9	$238.9	$234.2	$243.3
General Revenue	$1,056.3	$932.5	$851.3	$910.0	$897.2	$885.4	$913.3	$900.5	$926.4	$938.5
FTE Enrollment	306,238	330,556	362,630	375,292	372,050	350,109	350,109	355,740	361,462	367,276

State University System
Funding & Enrollment History and Forecast



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
Stimulus			$161.3	$146.9						
Tuition	$962.7	$1,022.1	$1,180.1	$1,303.7	$1,480.4	$1,724.4	$1,802.6	$1,911.3	$2,023.7	$2,140.0
Phosphate TF	$7.3	$7.3	$7.3	$7.3	$7.3	$5.0	$5.0	$5.0	$5.0	$5.0
EETF	$239.0	$219.4	$201.2	$230.7	$253.9	$199.9	$234.8	$273.7	$268.3	$278.8
General Revenue	$2,416.7	$2,062.7	$1,861.5	$1,934.6	$1,736.8	$1,526.4	$2,006.4	$1,996.8	$2,034.1	$2,055.5
FTE Enrollment	192,143	192,329	198,255	204,310	208,089	207,023	211,163	215,387	219,694	224,088

22. Workload – Workforce Education

School district workforce programs consist of adult education, career certificate programs, applied technology diploma programs, continuing workforce education courses, degree career education programs, and apprenticeship programs. Many of the programs of study lead to an occupational completion point, a career certificate, an applied technology diploma, or a career degree.

A decrease of $1.5 million for workforce education programs is included in each year of the Outlook based on the four-year average appropriation decrease of 0.4 percent.

23. Bright Futures – Adjust Award Levels for Tuition Increases

Other High Priority Needs funding of $12.6 million in Fiscal Year 2014-15, $12.3 million in Fiscal Year 2015-16, and $11.9 million in Fiscal Year 2016-17 is provided from EETF revenues to increase Bright Futures awards to account for annual tuition increases of 5.25 percent for Florida colleges, and 4.43 percent for state universities. The percentage tuition increases are based on the four-year average increase, as implemented, for each system.

24. Educational Enhancement Trust Fund Adjustment – Bright Futures Tuition Increases – Higher Education

General Revenue funds of $7.5 million in Fiscal Year 2014-15, $7.3 million in Fiscal Year 2015-16, and $7.0 million in Fiscal Year 2016-17 are provided as a fund shift from the EETF to offset the increased funds needed for the Bright Futures program to cover annual tuition increases (Driver #23). The fund shifts increase the General Revenue need while decreasing the availability of EETF and are distributed between Florida colleges, state universities, workforce education, and student financial assistance based on the proportionate share of appropriated recurring EETF funds in Fiscal Year 2013-14.

25. Workload – Other Higher Education Programs

Other High Priority Needs funding includes General Revenue increases of $1.5 million for Florida Student Financial Assistance Grants (FSAG) and $1.8 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 four-year average appropriations for these programs.

26. 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 $18.7 million for Fiscal Year 2014-15 based on a four-year appropriations average minus annualized costs from Fiscal Year 2013-14, which are included in another section of the Outlook. Fiscal Years 2015-16 and 2016-17 estimates are based on a four-year appropriations average of $23.7 million.

Education Fixed Capital Outlay (Driver #27)

27. Education Fixed Capital Outlay

The Public Education Capital Outlay and Debt Service (PECO) Trust Fund is established in the state constitution for the purpose of funding education capital outlay. The PECO Trust Fund derives its revenues from Gross Receipts Taxes on Utilities and Telecommunications. Until recent years, it has been the primary funding source for new education capital outlay appropriations as well as the associated debt service. This trust fund generally has a mix of bondable projects and projects funded with cash. Since the 2009-10 fiscal year, the Gross Receipts Tax revenue has significantly declined to the point where the state has recently used revenues from the General Revenue Fund and the EETF to supplement the Gross Receipts Taxes that were available. During Fiscal Year 2011-12, the collection of Gross Receipts Tax revenue ultimately reached a level where insufficient revenues were available to support $250.0 million of accumulated PECO bonding authorized by previous General Appropriations Acts. As a result, the Fiscal Year 2012-13 General Appropriations Act revoked $250.0 million in authorized PECO bonding, and, effective for Fiscal Year 2011-12, transferred $250.0 million of revenue from the General Revenue Fund and EETF to the PECO Trust Fund in place of the bond proceeds. Because the latest forecast indicates that bonding capacity will not return until Fiscal Year 2016-17, this Outlook assumes the supplemental need for General Revenue funding will continue in place of the issuance of PECO bonds for the next two fiscal years.

Based upon a three-year average of non-PECO funding for projects in conjunction with the current estimated PECO funds available for appropriation, adjusted for monthly set asides for debt service, the Outlook assumes a need for additional nonrecurring General Revenue of $92.2 million in Fiscal Year 2014-15 and $56.2 million in Fiscal Year 2015-16. In Fiscal Year 2016-17, all of the funding is expected to be from the PECO Trust Fund.

Human Services (Drivers #28 - #31)

28. Medicaid Waivers

The Outlook includes additional funding for Medicaid Waivers slots for the elderly and for individuals with brain and spinal cord injuries based on four-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 $10.3 million in General Revenue funds for Fiscal Years 2014-15, 2015-16, and 2016-17.

29. Children and Family Services

The Outlook restores nonrecurring funds in Fiscal Year 2014-15 for maintenance adoption subsidies, community based care, the Healthy Families program, mental health reinvestment grants, administrative funds due to the loss of federal indirect earnings, a claims bill, and mental health and substance abuse services. These Other High Priority Needs increase General Revenue funds for the Department of Children and Families by $50.8 million for Fiscal Year 2014-15 and $20.6 million for Fiscal Years 2015-16 and 2016-17.

30. Health Services

The Outlook restores nonrecurring funds in Fiscal Year 2014-15 for TANF-related programs such as Children's Medical Services Early Steps and Family Health programs and provides additional funding for the Early Steps program and Biomedical and Cancer Research based on four-year averages. These Other High Priority Needs increase General Revenue funds for the Department of Health by $17.3 million for Fiscal Year 2014-15 and $11.8 million for Fiscal Years 2015-16 and 2016-17.

31. Human Services Information Technology/Infrastructure

The Outlook includes funding for Other High Priority Needs for human services information technology and infrastructure, and re-engineering costs for the Department of Health's Medical Quality Assurance Information Technology System and the Agency for Persons with Disabilities' Client Management System. The Outlook provides $7.9 million from General Revenue funds and $4.5 million from the Medical Quality Assurance Trust Fund for Fiscal Year 2014-15. Further, $1.1 million from the Medical Quality Assurance Trust Fund is provided in Fiscal Year 2015-16 to complete the Department of Health's Medical Quality Assurance Information Technology System. An additional $1.5 million in General Revenue is provided in Fiscal Years 2015-16 and 2016-17 for the Agency for Persons with Disabilities' Client Management System.

The PPACA also requires states to make changes in the method for determining Medicaid eligibility. Specifically, PPACA requires that Medicaid eligibility be determined based on Modified Adjusted Gross Income (MAGI) as of January 2014, which differs from the state's current eligibility criteria. As a result of this change, the state is in the process of creating and implementing new information technology systems. System development is on time for implementation in December 2013. The total $7.9 million of General Revenue funding provided for human services information technology and infrastructure in Fiscal Year 2014-15 includes $0.5 million of nonrecurring funds to implement this change. The Outlook provides $4.3 million in federal funds as well.

Criminal Justice (Drivers #32 - #34)

32. Department of Juvenile Justice – Prevention and Intervention Programs

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

33. Department of Juvenile Justice – Behavioral Health Overlay Services

Recently the U.S. Department of Health and Human Services Centers for Medicare & Medicaid Services (CMS) notified the Agency for Health Care Administration (AHCA) that the DJJ's non-secure residential providers can no longer bill Medicaid for behavioral health overlay services starting in Fiscal Year 2013-14. As part of the negotiations with the CMS for both the Rehabilitative section of the Medicaid State Plan Amendment and the request to amend the Managed Medical Assistance 1115 Medicaid waiver to allow for implementation of the Managed Medical Assistance component of the Statewide Medicaid Managed Care program, the CMS issued concerns about the utilization of Federal Financial Participation (FFP) for Behavioral Health Overlay Services delivered to children in DJJ residential programs. The CMS focused on whether these children are inmates as defined in Section 1905(a) (A) of the Social Security Act. The special terms and conditions of the waiver agreement stated, "Services for individuals who are residing in residential commitment facilities operated through the DJJ, as defined in state law, are not eligible for FFP." With the change in federal policy, the department will have to fund these services with recurring General Revenue.

Historically, the program has been funded with General Revenue from AHCA and with federal funds. In Fiscal Year 2013-14, the split would have been $8.4 million from AHCA and $10.6 million in federal funds. Due to the change in policy, DJJ will now be required to pay the federal share. The Outlook presumes the funds from AHCA will be transferred to the department to support what the agency had previously expended for this purpose. The Outlook includes $10.6 million in nonrecurring General Revenue funds to replace the federal funds that had been anticipated for Fiscal Year 2013-14 and assumes a need for recurring General Revenue of $12.1 million in Fiscal Year 2014-15.

34. Department of Juvenile Justice – Shared Detention Cost

The 2004 Legislature passed Senate Bill 2564 (Chapter 2004-263, Laws of Florida) which requires joint financial participation by the state and counties in the provision of juvenile detention. Under this law, counties are responsible for pre-dispositional detention costs, which on average represent 75 percent of the detention budget, and DJJ is responsible for out-of-state and post-dispositional detention costs, which represent the remaining 25 percent of the budget for youth detained in detention centers. The department has billed counties based on the amount appropriated in the General Appropriations Act and the percentage of pre-disposition days. "Tethering" in the detention cost-share discussion refers to the relationship between the counties regarding their financial responsibility for overall secure detention costs. Counties were tethered to each other such that each county's estimated financial responsibility would be reconciled upwards or downwards based on its proportion of actual utilized bed days relative to all counties. The department's contribution to secure detention costs was unaffected by this tethering.

In 2009, Florida counties launched a legal challenge to DJJ's methodology for secure detention billing and how it defined final court dispositions. The counties challenged department rules which modified the dividing line between county and state responsibility for the costs of secure juvenile detention from "final court disposition," as provided in statute, to "commitment." The counties argued that this resulted in counties being charged for the cost of secure detention for youth who had been placed on probation or had their charges dismissed because the department did not consider these dispositions to be a "commitment." The counties also argued that DJJ should not use the General Appropriations Act to determine the actual pre-disposition costs for the counties.

In June 2013, the First District Court of Appeal ruled in favor of the counties (Department of Juvenile Justice v. Okaloosa County, et al. Case No. ID12-3929). As a result, the department may only bill the counties for youth whose cases have not had a disposition, either to commitment or probation. The court ruling did not do away with tethering; the ruling instead requires that the reconciliation of estimated versus actual bed days include the state's actual bed days along with the counties' actual bed days, and reconcile accordingly. The state is now tethered to the counties. According to DJJ, this will change the current percentage of utilization days from 75 percent for the counties and 25 percent for the state to approximately 32 percent for the counties and 68 percent for the state. This ruling required DJJ to reduce the share of detention costs that could be billed to the counties during the current year which increased the state's obligation, and resulted in a current year deficit. The department identified the impact of the ruling to be $18.4 million, which is a net of the impact and the internal savings that can be achieved by the department.

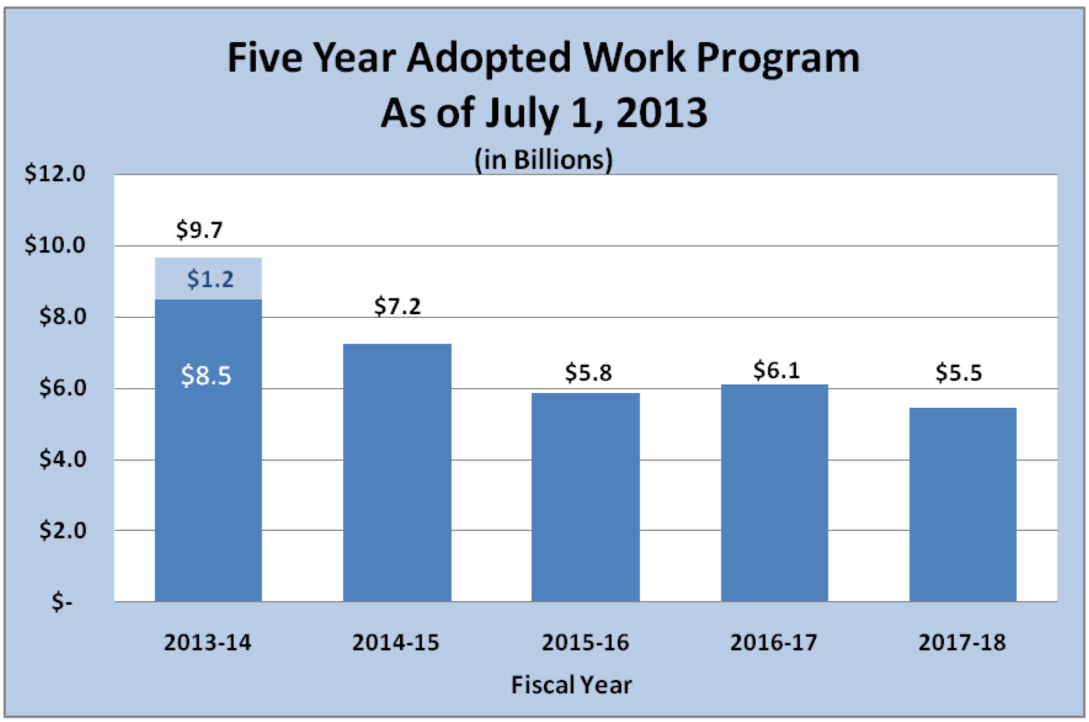
There are other cases similar to Okaloosa County, et al. v. Department of Juvenile Justice involving the reconciliation of previous fiscal years that have not been decided on by the courts. There is a possibility the state will be responsible for repaying the counties for payments made in prior fiscal years. The actual cost is indeterminate at this time; however, DJJ estimates the cost will be significant. It is possible that other counties may join in the litigation proceedings, causing the cost to the state to increase.

The Outlook assumes a need for additional nonrecurring General Revenue of $18.4 million in Fiscal Year 2013-14 and recurring General Revenue of $39.3 million beginning in Fiscal Year 2014-15, excluding repayment amounts which are not available at this time.

Transportation and Economic Development (Drivers #35 - #38)

35. Department of Transportation Adopted Work Program (Fiscal Years 2014-2018)

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 2013 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2013, will be programmed into the Tentative Work Program in February 2014 for legislative consideration.



******Fiscal Year 2013-14 includes $1.2 billion in anticipated roll forward budget from Fiscal Year 2012-13. Each year there is an expected portion of the prior year's budget which rolls forward and is added to the current year appropriation. This amount averages approximately $1.9 billion annually.*

Based on the July 1, 2013, Adopted Work Program, the Outlook assumes funding of $7.2 billion in Fiscal Year 2014-15, $5.8 billion in Fiscal Year 2015-16, and $6.1 billion in Fiscal Year 2016-17 from trust fund revenues.

36. Economic Development and Workforce Programs

The Department of Economic Opportunity is the state's single economic development agency whose purpose is to develop and implement economic development policy. Enterprise Florida, a not-for-profit corporation created in Florida Statute to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with 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 mostly relies on four-year historical averages. The Outlook includes a total projection of $8.2 million of General Revenue funds and $108.0 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 investments, affordable housing, and economic development incentives to attract new businesses to the state and retain existing businesses. The SEED Trust Fund was appropriated for the first time in Fiscal Year 2012-13 to fund a variety of economic development activities in place of General Revenue. Using two years of history with the trust fund, the Outlook funds the needs for economic development programs solely with the SEED Trust Fund, based upon the four-year 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 tax rebates 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 impacts 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.

37. 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 $83.5 million of funding since Fiscal Year 2005-06 in support of the National Guard Armory Renovations. To date, 43 of Florida's 55 armories have received funding to begin the planned repairs. No funding was provided for armory renovations in Fiscal Years 2009-10 and 2010-11; however, the Legislature appropriated $15.0 million in Fiscal Year 2011-12, $13.5 million in Fiscal Year 2012-13, and $15.0 million in Fiscal Year 2013-14. The Outlook includes $10.9 million each year based on a four-year funding average.

The Department of Military Affairs receives funding for two Florida National Guard community support programs that target at-risk youth and young adults, and the Outlook includes $2.1 million each year based on a four-year funding average. The About Face program began in 1997 and is held at local National Guard Armories throughout the state. This program provides life skills and drug awareness training, including mentoring assistance to youth between the ages of 13 and 17. The Forward March program began in 1999 and provides job readiness services for 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 an invoice of payments and associated legal costs made during the prior calendar year. The Outlook includes $0.2 million based on a four-year funding average for these claims.

38. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for the following Department of State programs based on four-year historical averages. Collectively, the Outlook includes $14.3 million of nonrecurring General Revenue funds for these programs in Fiscal Years 2014-15 and 2016-17, and $13.8 million in Fiscal Year 2015-16.

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 Chapter 2013-40, Laws of Florida, includes $22.3 million of recurring funds for the program. The Outlook includes $0.9 million of nonrecurring General Revenue funds for Library Cooperative Grants which provide funding for the maintenance of the statewide database of library materials for multi-type library cooperatives.

The Division of Cultural Affairs administers grant programs supporting the arts and culture in Florida. Grant programs provide funding for science museums, youth and children's museums, historical museums, local arts agencies, state service organizations, and organizations that have cultural program activities. In addition, facility grants provide state support for the acquisition, renovation, and construction of cultural facilities such as performing art centers and museums. The four-year average historical funding for cultural/museum and facility grants is $6.9 million.

The Division of Historical Resources administers two grant programs that assist in the identification, excavation, protection, and rehabilitation of historic and archaeological sites; provide public information and museum exhibits on the history of Florida; and encourage preservation in smaller cities and rural areas. The four-year average historical funding for historical grants is $3.6 million.

Finally, the Division of Elections administers the Florida Election Code, chapters 97 through 106, Florida Statutes, which regulates all state and county elections. Portions of the election code also pertain to municipalities and special districts in the state and to federal elections. Elections are conducted in Florida almost every week of the year by county supervisors of elections or city clerks. Major state and county elections are held in even-numbered years. The division is required by law to pay for the costs of special elections; the costs of statewide litigation relating to elections lawsuits; and the cost to advertise constitutional amendments. These costs are considered in developing the Outlook.

Natural Resources (Drivers #39 - #41)

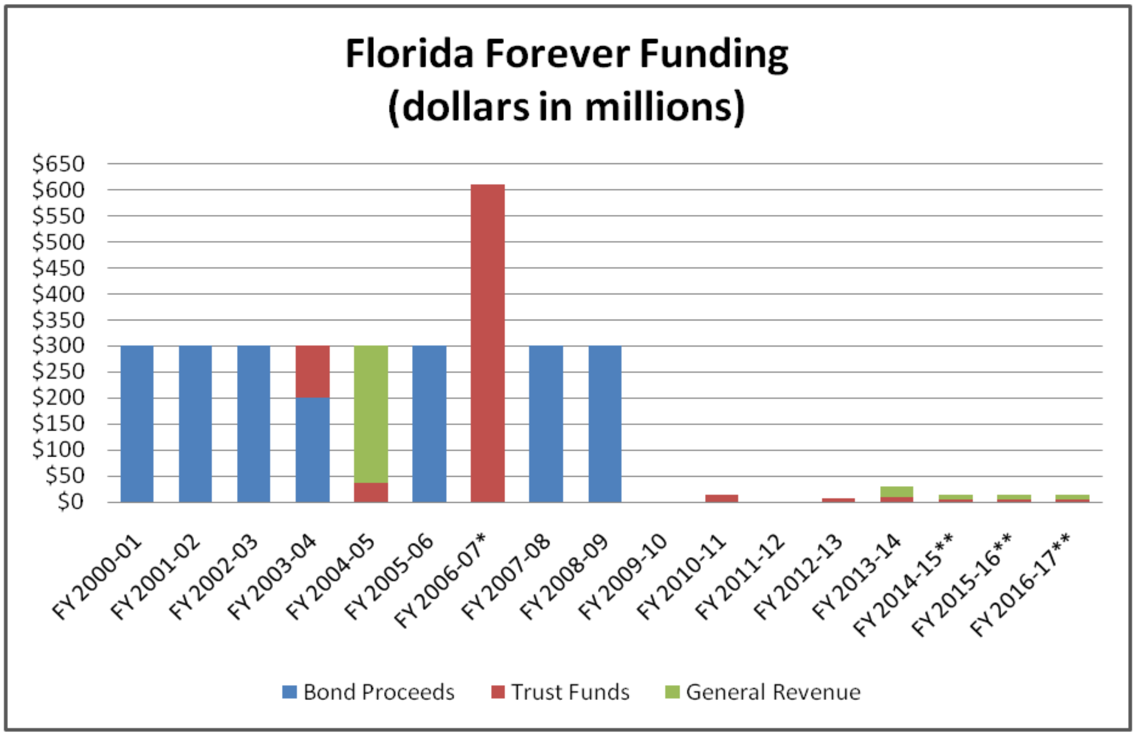
39. Environmental Programs Funded with Documentary Stamp Tax

The Outlook assumes continued funding for programs with Documentary Stamp Tax revenues within the Department of Agriculture and Consumer Services, the Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. The majority of funds are directed toward land acquisition and management of recreation, conservation, and water areas and related resources, including construction, improvement, enlargement, extension, operation, and maintenance of capital improvements and facilities. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which includes water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, and public education programs on nonpoint source management. In addition, funds are used for invasive plant control, which eliminates or reduces aquatic or non-native plants destructive to the state's natural ecosystems, and lake restoration, which includes freshwater aquatic habitat enhancement. Funds are also used for beach restoration, which serves to repair and restore the state's critically eroded beaches. Finally, a small portion of the distribution is used to fund oyster management and restoration programs in Apalachicola Bay and other oyster harvest areas in the state, including the relaying and transplanting of live oysters and shell planting to construct or rehabilitate oyster bars. The funding level is based on the current statutory distribution levels projected by the August 2013 Revenue Estimating Conference – $66.2 million for Fiscal Year 2014-15, $68.8 million for Fiscal Year 2015-16, and $63.9 million for Fiscal Year 2016-17.

As a result of the decline in Documentary Stamp Tax revenues and the targeted redirects from trust funds to the General Revenue Fund over the last several years, the Outlook provides nonrecurring General Revenue for a portion of beach restoration. The Outlook assumes funding of $11.2 million each year from nonrecurring General Revenue for Fiscal Years 2014-15 through 2016-17 using a four-year historical funding average methodology. The Outlook does not specifically address beach restoration for future tropical storms, hurricanes, or other natural disaster damages yet to occur. In addition, the Outlook provides General Revenue for a portion of the development and implementation of total maximum daily loads – threshold limits on pollutants in surface waters. Using a four-year historical funding average, the Outlook assumes additional recurring General Revenue of $0.4 million and nonrecurring General Revenue of $2.4 million for Fiscal Years 2014-15 through 2016-17.

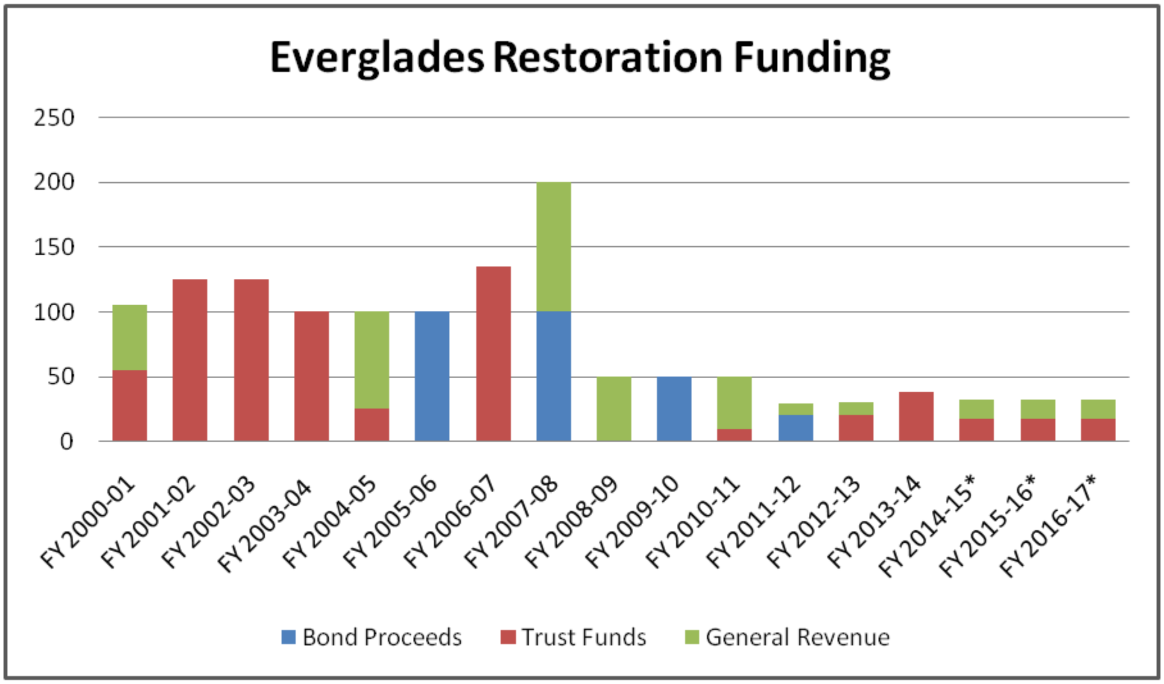
40. Environmental Land Acquisition and Restoration

Florida Forever Program - In 1998, Florida voters amended the state constitution by ratifying a constitutional amendment that re-authorized bonds for land acquisition. The 1999 Legislature responded with the 10-year $3.0 billion Florida Forever program to acquire and manage land for conservation. This was extended another 10 years in 2008 for a total of $6.0 billion. Originally, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of Documentary Stamp Tax revenue. As revenues declined, however, the Legislature appropriated nonrecurring General Revenue and trust fund balances to fund the program in lieu of authorizing the full $300.0 million annual debt (see graph on following page). The debt service for environmental bonds will decrease by $230.6 million in Fiscal Year 2013-14 as the Preservation 2000 bonds are retired. Although Documentary Stamp Tax revenues have begun to recover, the bonding capacity for the Florida Forever program is statutorily limited to debt service increases of no more than $30.0 million in any fiscal year, and total annual debt service of no more than $300.0 million. The annual debt service for outstanding Florida Forever bonds is approximately $150.0 million in Fiscal Years 2013-14 through 2020-21 and declines thereafter. Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes funding using a four-year historical average that includes the Rural and Family Lands Protection Program of $5.3 million each year from nonrecurring General Revenue and $8.5 million from the Land Acquisition Trust Fund for Fiscal Years 2014-15 through 2016-17.



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

<u>Everglades Restoration</u> - The Comprehensive Everglades Restoration Plan (CERP) is a large, comprehensive, long-term 50-50 partnership with the federal government to restore the Everglades. The plan originally approved in the 2000 federal Water Resources Development Act includes more than 60 projects that will take more than 30 years to complete and will cost an estimated $13.5 billion. In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership – bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007, the Legislature expanded the use of the Save Our Everglades Trust Fund and bonds issued for Everglades Restoration to include the Lake Okeechobee Watershed Protection Plan and the River Watershed Protection Plans through Fiscal Year 2019-20. The Legislature has authorized bond proceeds and appropriated nonrecurring General Revenue funds and trust fund sources to support this restoration program (see graph on following page). Bonds for Everglades Restoration may not be issued in an amount exceeding $100.0 million per fiscal year, unless specifically approved by the Legislature. The annual debt service for outstanding bonds is $23.5 million for Fiscal Years 2013-14 through 2024-25 and declines thereafter. Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes funding of $14.9 million from nonrecurring General Revenue and $17.0 million from the Water Management Lands Trust Fund each year for the Everglades Restoration plan using a four-year historical funding average methodology.



***Projected funding**

41. Other Agriculture and Environmental Programs

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

Water Projects - The Outlook includes funding for traditional water projects. These projects were historically funded by the statutory Sales Tax distribution based on the Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes a four-year historical funding level of $11.7 million funded from nonrecurring General Revenue for each fiscal year for the duration of the three-year period.

Drinking Water and Wastewater Revolving Loan Programs - The Outlook provides a state match to all estimated federal dollars available to maximize low interest loans to the state's local governments for needed infrastructure. For the three-year forecast period, the Outlook includes nonrecurring General Revenue as the fund source. For the 2014-15 fiscal year, $5.1 million is provided for the drinking water program, and $8.3 million is provided for the wastewater program. For the 2015-16 and 2016-17 fiscal years, $5.5 million is provided for the drinking water program, and $9.0 million is provided for the wastewater program.

Other Agricultural Programs - Agriculture continues to be an important industry in Florida. Based on historical funding averages, $13.6 million in nonrecurring and $2.9 million in recurring General Revenue are included for each fiscal year in the Outlook. This includes funding for sensor-based technology for agricultural irrigation and nutrient management and water quality improvement initiatives. The Outlook includes aquaculture research grants to develop and implement innovative production techniques, including ornamental fish and aquatic plant production and biotechnology. Funds are also included for the replacement of critical wildfire suppression equipment, 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 a transfer from the General Revenue Fund in an amount equal to the previous year's transfer into the trust fund from motor fuel tax collections until the unobligated balance of the trust fund exceeds $20.0 million. Transfers are then discontinued until the unobligated balance of the trust fund falls below $10.0 million. The Outlook provides nonrecurring General Revenue of $10.5 million in Fiscal Year 2014-15 and $10.8 million in Fiscal Year 2015-16.

General Government (Driver #42)

42. Other General Government Priorities

Child Support Enforcement Annual Fee - The federal government requires an annual $25 fee from each non-public assistance parent utilizing the services of the Department of Revenue's Child Support Enforcement program. Historically, the Legislature has provided General Revenue funds to cover the cost of the annual $25 fee for parents utilizing child support enforcement services. The Outlook includes $308,359 in recurring General Revenue for Fiscal Year 2014-15, and the Department of Revenue will utilize $987,195 in existing trust fund cash to supplement the General Revenue. The Outlook also includes $1,493,530 in recurring General Revenue for Fiscal Year 2015-16 and $582,450 in recurring General Revenue for Fiscal Year 2016-17.

Aerial Photography - The Department of Revenue assists small county property appraisers by providing aerial photographs for counties with a population of 25,000 or less. The Fiscal Year 2013-14 General Appropriations Act directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook continues this policy, and for the 2014-15 fiscal year provides $284,452 in nonrecurring General Revenue, $1,036,641 in Fiscal Year 2015-16, and $389,785 in Fiscal Year 2016-17.

One-Stop Business Registration Portal - Chapter 2012-139, Laws of Florida, directs the Department of Revenue to establish a business registration portal through an internet website to provide individuals and businesses with a single point of entry for transacting business in the state. The Fiscal Year 2012-13 General Appropriations Act included $3.0 million to begin phase one of One-Stop Business Registration Portal. The Fiscal Year 2013-14 General Appropriations Act provided $712,408 in nonrecurring General Revenue to complete and implement phase one of the portal. The Outlook provides recurring General Revenue beginning in the 2014-15 fiscal year of $837,149 for the ongoing operations and maintenance of the portal. Future development costs of additional features and functionality is a policy decision to be determined by the Legislature.

Florida Boxing Commission - The Department of Business and Professional Regulation regulates professional and amateur boxing, kickboxing, and mixed martial arts events hosted in Florida. The 2012 Legislature passed House Bill 887 (Chapter 2012-72, Laws of Florida) that repealed the Gross Receipts Tax on the sale of tickets, which accounted for $273,000 in annual revenue for operations. In order to offset this revenue reduction, the Fiscal Year 2012-13 General Appropriations Act provided $200,000 in nonrecurring General Revenue to the boxing commission. Due to the continuing decline in commission revenues resulting from the repeal of the Gross Receipts Tax and a decrease in professional events, the Fiscal Year 2013-14 General Appropriations Act included General Revenue of $515,824 ($200,000 recurring) for operations of the boxing commission. The Outlook continues the current policy and provides $121,032 in nonrecurring and $43,108 in recurring General Revenue for Fiscal Year 2014-15.

Florida Interoperability Network and Mutual Aid - The state has developed and implemented the Florida Interoperability Network (FIN) and Mutual Aid (MA) channels. These systems provide local public safety emergency responders the ability to communicate on the Statewide Law Enforcement Radio Network, both in and outside of their respective jurisdictions. Network construction is complete, and the Outlook provides funding for continued operations. Historically, funding for the development and maintenance of the FIN and MA systems has been provided from federal domestic security grants; however, this funding source is no longer available. For the duration of the three-year forecast, the Outlook includes $1.6 million for the FIN in nonrecurring General Revenue. The Outlook also includes $2.0 million for MA in nonrecurring General Revenue in the 2014-15 fiscal year and $2.7 million in nonrecurring General Revenue in each of the 2015-16 and 2016-17 fiscal years.

Florida Accounting Information Resource (FLAIR) Overlap Positions - The Department of Financial Services maintains the FLAIR system, which is the accounting system for the state that processes over 52 million transactions per year. The number of warrants and electronic fund transfers produced annually exceeds 16 million. The FLAIR system was implemented in 1980, and each year there are fewer employees within the department with the knowledge of the system's technology and infrastructure. Many of the current staff are at or close to retirement age. For Fiscal Year 2013-14, $426,158 was provided in nonrecurring General Revenue to hire eight individuals and overlap them with current employees for training purposes. The Outlook continues the same level of funding for the duration of the three-year period.

Administered Funds and Statewide Issues (Driver #43)

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

Human Services - Maintenance and repair projects are based on critical life safety issues for state-owned facilities which include county health departments, state laboratories, and state institutions. These Other High Priority Needs increase the need for General Revenue funds by $3.8 million for Fiscal Year 2014-15, $7.0 million for Fiscal Year 2015-16, and $2.3 million for Fiscal Year 2016-17.

Criminal Justice **-** With a surplus capacity of prison beds, the Department of Corrections shuttered prisons and closed work camps during Fiscal Years 2010-11 and 2011-12 and transferred the inmates to more efficient and less costly correctional facilities. Although new construction is not needed, nonrecurring General Revenue funds are necessary to maintain the state's correctional facilities. Projected funding of $6.8 million is based on DOC's current critical repair and maintenance, life, and safety related needs.

The Department of Juvenile Justice is responsible for the upkeep and care of 94 residential and detention facilities. The Legislature recognizes the importance of keeping these facilities safe and functional. Projected funding of $2.8 million in nonrecurring General Revenue is based on the department's current critical repair and maintenance, life, and safety related needs.

Judicial Branch - The state is responsible for the facility needs of the Supreme Court and District Courts of Appeal. Future funding projections of $2.0 million in nonrecurring General Revenue are based on the four-year appropriation average. An approved list of specific projects for life and safety related needs by the Trial Court Budget Commission was not available at the time of this Outlook.

Department of Transportation - The Outlook assumes funding for environmental site restoration and capital renewal projects affecting critical life, health, and safety issues at various DOT facilities located throughout the state. The environmental site restoration is a remediation effort to restore facilities to an environmentally uncontaminated, clean, and safe condition based on the Federal Resource Conservation and Recovery Act. Capital renewal projects include repairs, replacement, renovation, and improvements to DOT 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 four-year average of historical funding of environmental site restoration, the Outlook includes $4.1 million per year in State Transportation Trust Fund revenues.

Natural Resources - The Outlook assumes funding for life and safety repairs for agricultural infrastructure located throughout the state. These improvements include state offices, forestry wildfire prevention facilities, and state farmers markets. The Outlook includes nonrecurring General Revenue of $1.0 million for Fiscal Year 2014-15, $1.2 million for Fiscal Year 2015-16, and $910,000 for Fiscal Year 2016-17.

General Government - The Outlook assumes funding for repairs of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of deficiencies totals $95.6 million and includes life safety, Americans with Disabilities Act (ADA), and general building repair needs. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes $4.3 million in nonrecurring General Revenue in Fiscal Years 2014-15, 2015-16, and 2016-17 for life safety and ADA needs. The Outlook also includes $8.0 million in nonrecurring trust funds for high priority general repairs for state facilities in the 2014-15, 2015-16, and 2016-17 fiscal years.