Florida:
Long-Range Financial Outlook

September 9, 2022

Presented by:

The Florida Legislature
Office of Economic and
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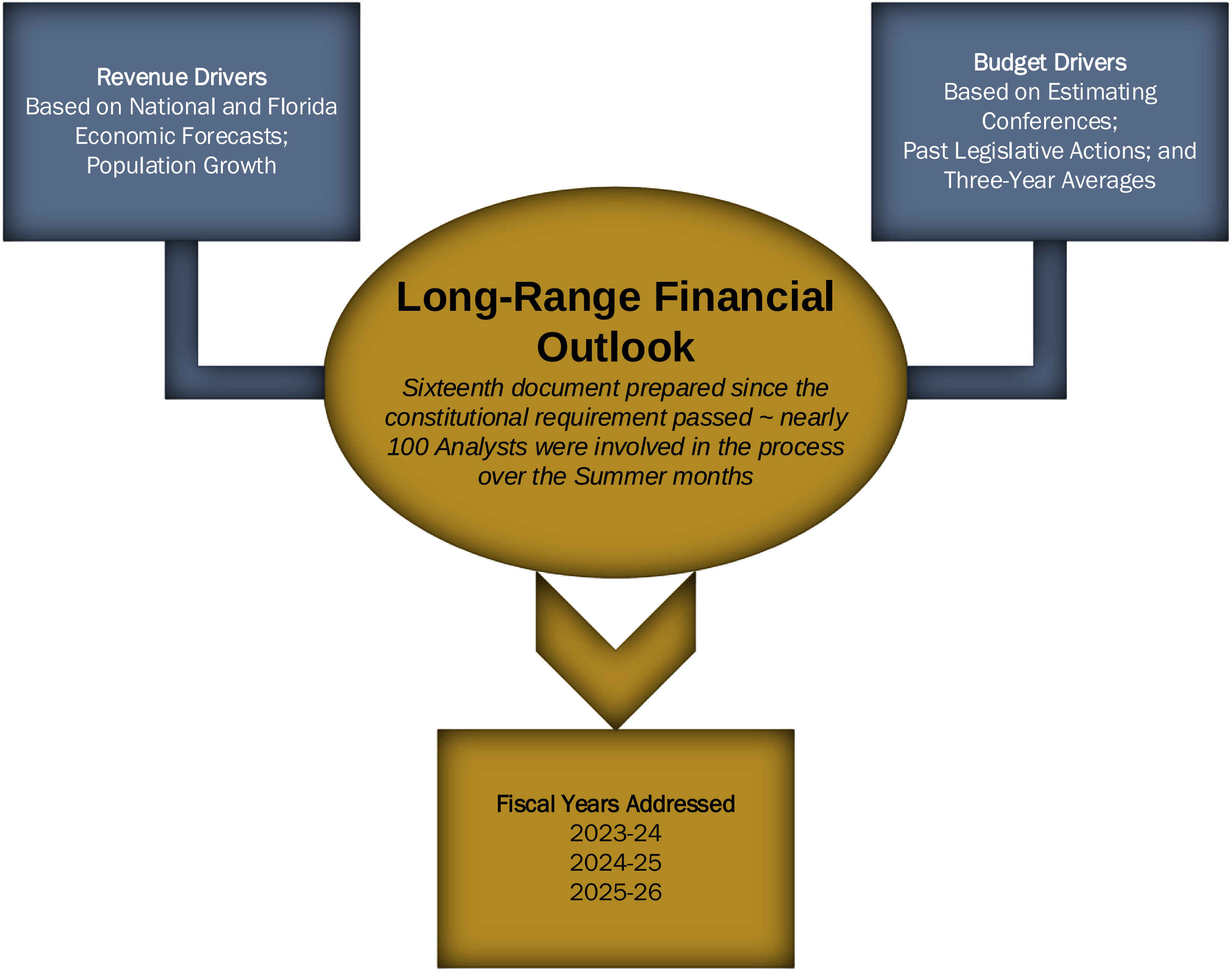
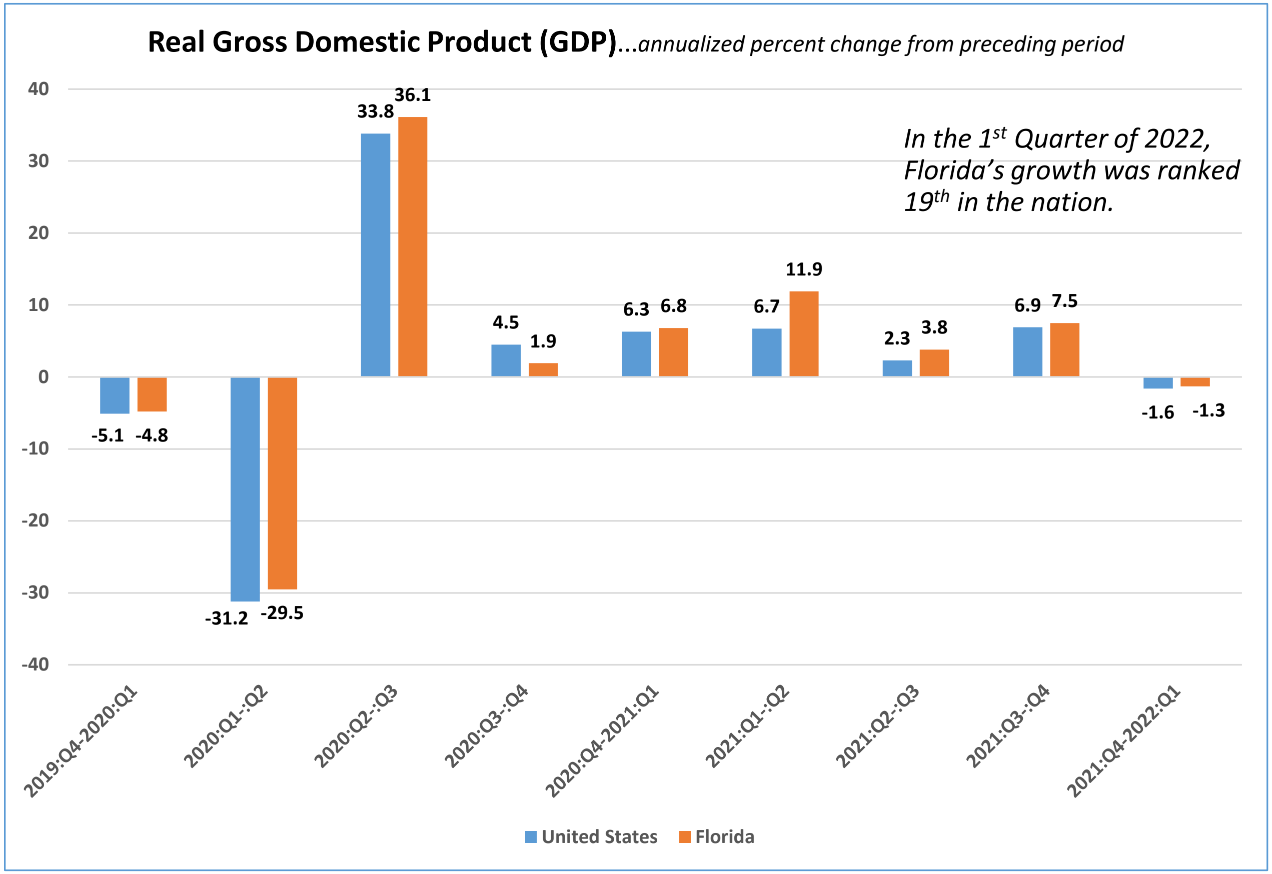
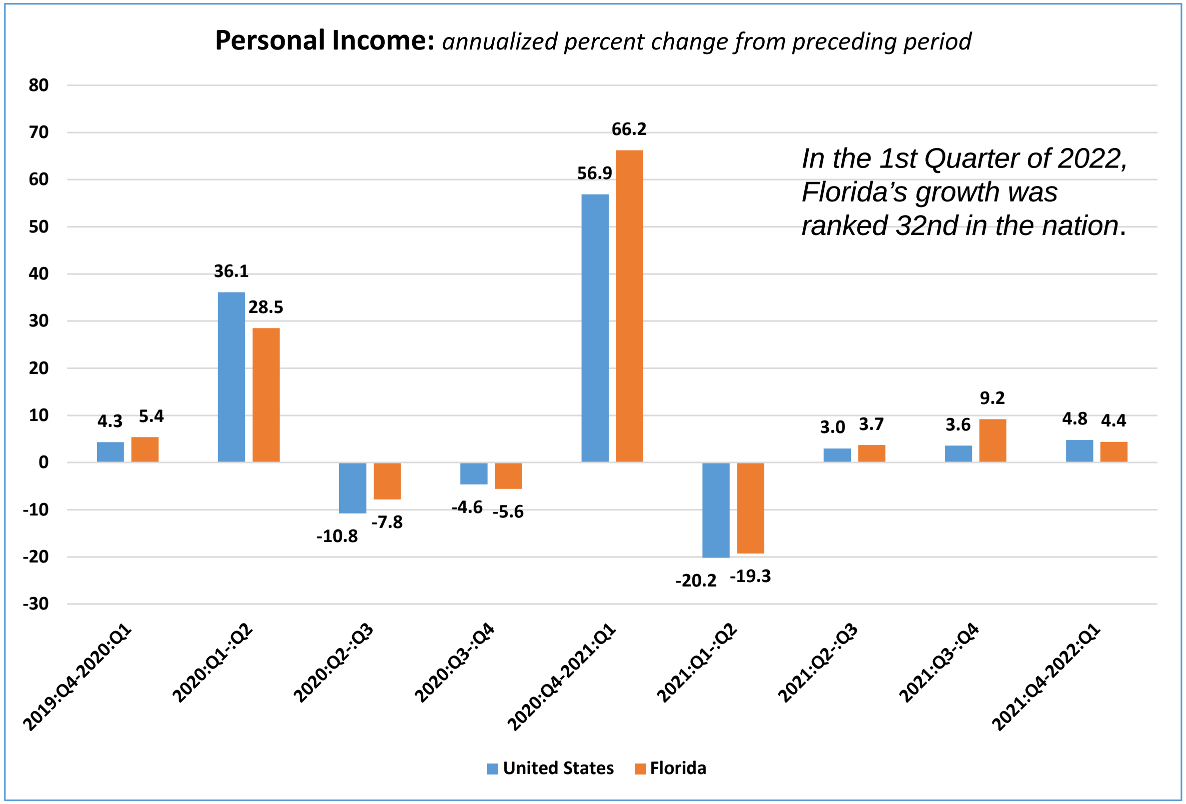

Revenue Drivers
Based on National and Florida Economic Forecasts; Population Growth
Budget Drivers
Based on Estimating Conferences; Past Legislative Actions; and Three-Year Averages
Long-Range Financial Outlook
Sixteenth document prepared since the constitutional requirement passed ~ nearly 100 Analysts were involved in the process over the Summer months
Fiscal Years Addressed
2023-24
2024-25
2025-26

Florida GDP Since Inception of COVID...



According to the latest revised data, Florida's quarterly GDP movements have generally mirrored the nation as a whole since the beginning of the pandemic. Buffeted by a series of economic shocks, the state's GDP slumped -0.5 percent in Fiscal Year 2019-20, grew 2.5 percent in Fiscal Year 2020-21, and expanded at more than double that rate (5.2 percent) in Fiscal Year 2021-22. The Economic Estimating Conference anticipates that the state's economy will expand only 1.0 percent this fiscal year as economic imbalances weigh down the economy, but beginning next year (Fiscal Year 2023-24), it will grow at a more characteristic 2.0 percent per year.

FL Personal Income Since Inception of COVID...



Normally, personal income growth is another important gauge of the state's economic health; however, its changes have been in stark contrast to GDP, driven largely by the ebb and flow of federal dollars into Florida households and businesses. For example, in the first quarter of the 2021 calendar year, Florida's personal income growth shot up 66.2 percent, largely due to two different federal stimulus and relief programs converging in the quarter.

As the federal support measures began to fade, the state's personal income plummeted to an annualized loss of -19.3 percent in the second quarter of the 2021 calendar year, yet yielded a final growth rate for the 2020-21 fiscal year of 7.9 percent, the highest rate since 2015. Fiscal Year 2021-22 saw moderately lower growth of 5.5 percent as the benefit from workers returning to their jobs or leveraging the tight labor market into better paying opportunities competed with the end of federal relief measures. The Economic Estimating Conference expects growth of 6.4 percent in Fiscal Year 2022-23, largely on the continuing strength of salary growth. Thereafter, annual growth rates are expected to remain solidly at or above 4.0 percent.

Updated Employment Conditions…

<u>July 2022 Nonfarm Jobs (YOY)</u>

US: 4.2%

FL: 4.9%

At the onset of the COVID pandemic, employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a decline of 14.1 percent. In July 2022, Florida exceeded the pre-pandemic level (February 2020) by 357,900 jobs, a gain of 3.9 percent.

<u>July 2022 Unemployment Rate</u>

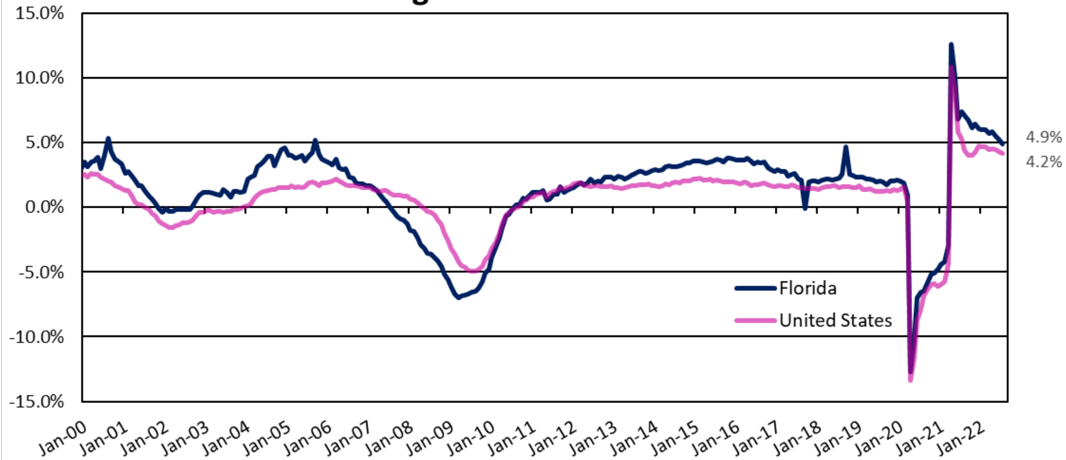
US: 3.5%

FL: 2.7% (283,400 jobless persons)

The Revenue Estimating Conference assumes the "full employment" unemployment rate is about 4 percent.

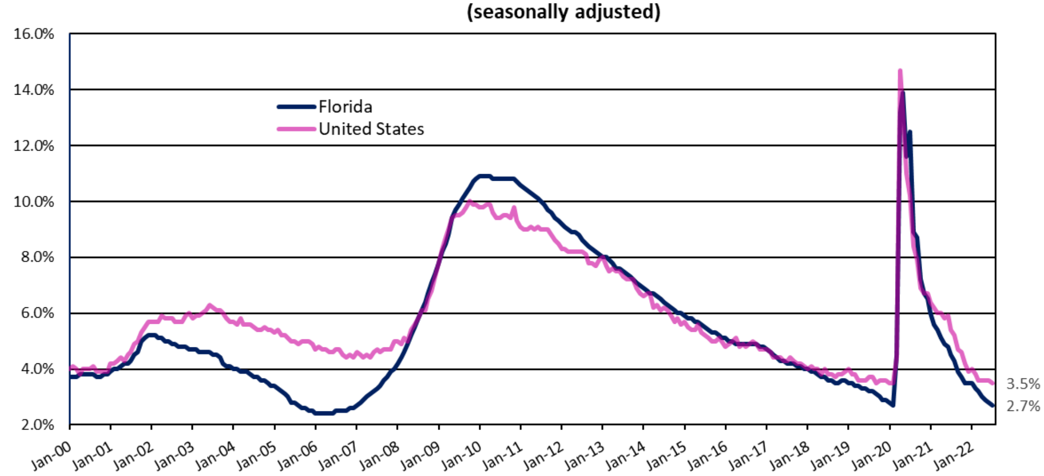
Florida's unemployment rate had been below 4.0 percent from February 2018 through February 2020. With the onset of the pandemic, the unemployment rate spiked to 13.9 percent in May 2020, handily surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession. Florida's unemployment rate is now approaching its lowest recorded rate in modern times: the first half of 2006 when it was 2.4 percent.

Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year



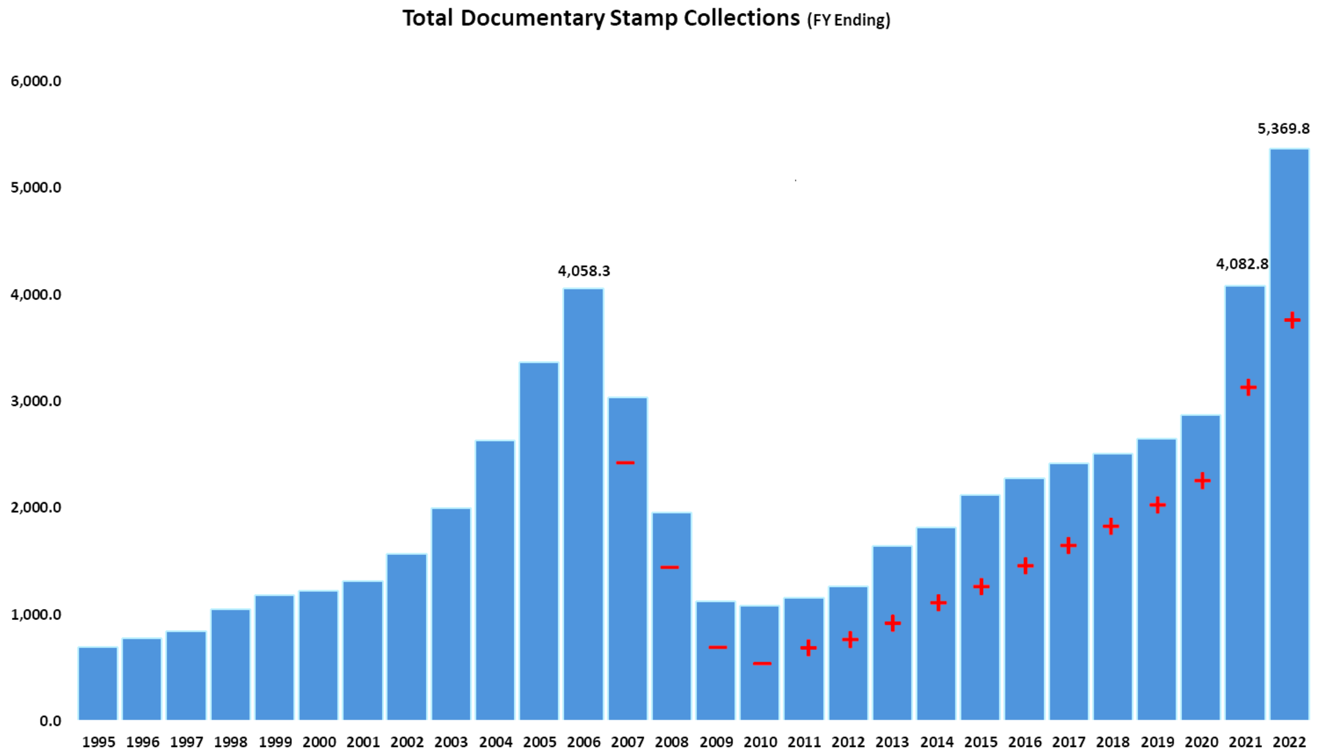
Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, August 19, 2022.

United States and Florida Unemployment Rates
(seasonally adjusted)



Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, August 19, 2022.

Florida Housing Market Soared during Low Interest Rate Period...



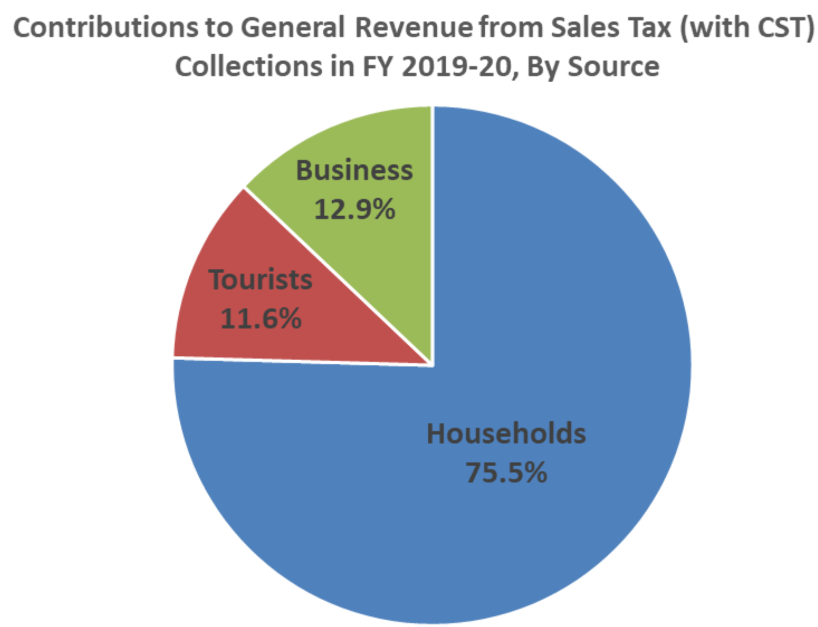
Documentary Stamp Tax collections in FY 2020-21 topped the FY 2005-06 peak reached at the height of Florida's housing boom. This milestone was particularly remarkable considering the prior year (FY 2019-20) registered only 70.8 percent of that level after steadily increasing for ten years from a low of 26.6 percent. The results for FY 2021-22 were even more eye-popping with collections soaring to nearly $5.4 billion.

The market environment leading to this result was caused by the record low interest rates arising from the Federal Reserve's actions to stem the severity of the pandemic's economic disruption. As rates rise and affordability is increasingly an issue, Documentary Stamp Tax collections are expected to decline in FY 2022-23 by -15.6% and by another -10.7% in FY 2023-24.

Tourism Recovery

While all Florida industries were impacted by the pandemic-induced economic contraction, Florida's leisure and hospitality industry bore the brunt of the longer-term consequences. The total number of tourists plunged nearly -70.0 percent from the prior year in the second quarter of 2020. The magnitude of this loss caused the entire 2019-20 fiscal year to record a -19.1 percent decline in tourists. The damage continued in FY 2020-21, leading to an additional -7.2 percent loss from the prior year's already suppressed level—a combined -25.0 percent decline from the 2018-19 record-breaking year. By FY 2021-22, the outsized increase in domestic visitors offset some of the international losses, leading to growth of 39.4 percent over 2020-21 and growth of 4.6 percent over the prior peak. Slowly returning to a more normal mix of visitors in the midst of strong economic headwinds, the 2022-23 fiscal year will see growth of just 2.4 percent, with some strength returning in 2023-24 (4.4 percent growth). The annual growth rates moderate thereafter, gradually declining from 3.9 percent in 2024-25 to 3.1 percent in 2031-32. Notably, the new forecast levels never exceed the pre-pandemic forecast levels.

The Legislative Office of Economic and Demographic Research has updated an empirical analysis of the various sources of the state's sales tax collections. In FY 2019-20, sales tax collections provided nearly $24.6 billion or 76.2% of Florida's total pandemic-reduced General Revenue collections for the year. Of this amount, an estimated 11.6% ($2.86 billion) was directly attributable to purchases made by tourists, primarily in the first two quarters of the year. By the last quarter of the year, much of the remaining spending activity had shifted to households. The 11.6% annual share for tourists was a steep drop from the 15.0% recorded in the prior year.



Economic Impact on General Revenue…

Fiscal Year	Jan 2022 Adj Forecast	August 2022 Forecast	Difference	Incremental Growth $	% Growth
2005-06	*27074.8*				*8.4%*
2006-07	*26404.1*				*-2.5%*
2007-08	*24112.1*				*-8.7%*
2008-09	*21025.6*				*-12.8%*
2009-10	*21523.1*				*2.4%*
2010-11	*22551.6*				*4.8%*
2011-12	*23618.8*				*4.7%*
2012-13	*25314.6*				*7.2%*
2013-14	*26198.0*				*3.5%*
2014-15	*27681.1*				*5.7%*
2015-16	*28325.4*				2.3%
2016-17	*29594.5*				4.5%
2017-18	*31218.2*				5.5%
2018-19	*33413.8*				7.0%
2019-20	*31366.2*				-6.1%
2020-21	*36280.9*				15.7%
2021-22	40,189.8	44,035.7	3,845.9	7,754.8	21.4%
2022-23	38,549.4	41,998.2	3,448.8	(2,037.5)	-4.6%
2023-24	40,683.9	42,508.4	1,824.5	510.2	1.2%
2024-25	42,141.8	43,838.3	1,696.5	1,329.9	3.1%
2025-26	43,318.4	44,682.8	1,364.4	844.5	1.9%
2026-27	44,766.8	45,880.7	1,113.9	1,197.9	2.7%
2027-28	n/a	47,170.3	n/a	1,289.6	2.8%

The new forecasts for the national and state economies adopted in July 2022 notably lowered many of the economic metrics relative to those adopted in December 2021, largely as a result of the war in Ukraine's effects on the global economy and a significant upward shift in the level of inflation. Of note, the risk associated with the national economic forecast is skewed to the downside, with almost equal probabilities that the new forecast will unfold as predicted or fall short of expectations. Economic disruption is still evident, with challenges including the end of significant federal monetary and fiscal stimulus provided during the early years of the pandemic, the rapid drawdown of some personal savings over the past year, the elevated use of credit over the past few months, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Nonetheless, revenue collections since January 2022 far exceeded expectations and the economic fundamentals, confounding the ability to predict the impact and timing of key turning points.

GR Outlook Balance…

FY 2021-22…

Beginning Balance	13,801.8
Estimated Revenues	44,035.7
Stimulus Funds	5,725.0
Net Miscellaneous Receipts	503.5
Total Revenues	64,066.0
Total Appropriations, GAA Actions & Substantive Appropriations	37,440.5
Required Transfer to BSF	-
Budget Amendments through June 30, 2022	6,000.3
Legislative Reversions	(1,081.3)
Re-Employment Assistance Tax Refunds	157.0
Total Effective Appropriations	42,516.5
Unallocated General Revenue	**21,549.5**

FY 2022-23…

Beginning Balance	21,549.5
Estimated Revenues	41,998.2
Net Miscellaneous Receipts through August 15, 2022	517.7
Total Revenues	64,065.4
Total Appropriations, GAA Actions & Substantive Appropriations	43,755.8
Contingency Reserve for CS/SB 2-D (Ch. 2022-268, L.O.F)	2,000.0
Budget Amendments through August 15, 2022	2,578.9
Pending State Fiscal Recovery Fund Budget Amendments	2,005.7
Indian Gaming Local Distribution	5.6
Total Effective Appropriations	50,346.0
Unallocated General Revenue	**13,719.4**

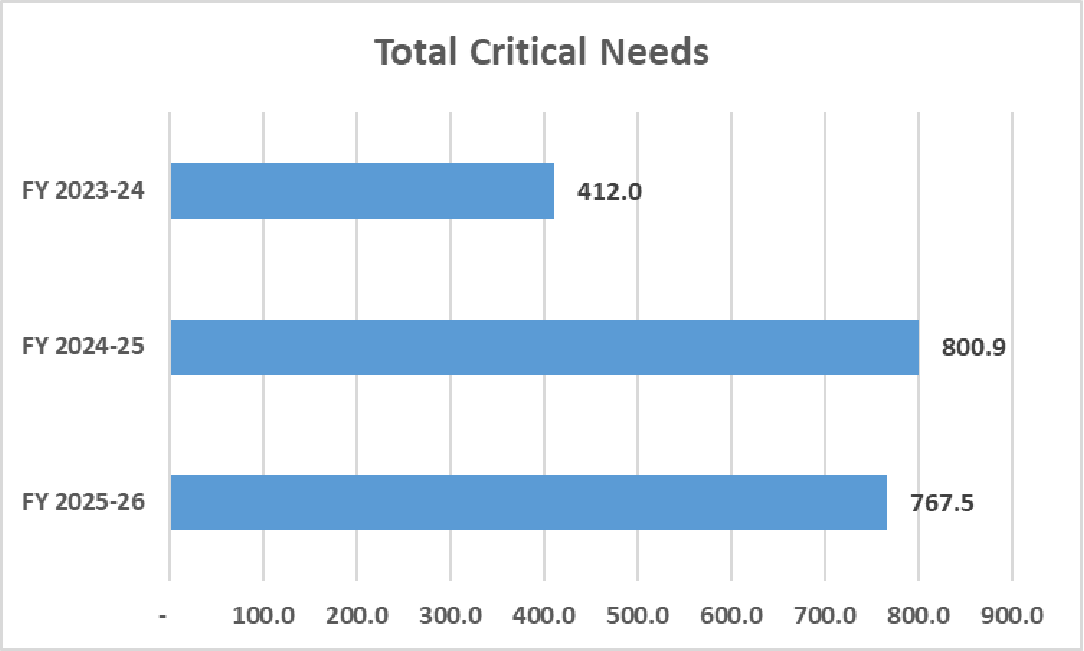
Official Outlook adopted 8/16/2022.

Total State Reserves...

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Emergency Preparedness & Response Fund	Total Anticipated Reserves	GR Summer Revenue Estimate	% of GR Estimate
2013	2013-14	1,893.5	924.8	536.3	-	3,354.6	26,184.2	12.8%
2014	2014-15	1,589.0	1,139.2	629.3	-	3,357.5	27,189.4	12.3%
2015	2015-16	1,709.1	1,353.7	590.2	-	3,653.0	28,414.1	12.9%
2016	2016-17	1,414.2	1,384.4	637.5	-	3,436.1	29,332.8	11.7%
2017	2017-18	1,458.5	1,416.5	713.4	-	3,588.4	30,926.0	11.6%
2018	2018-19	1,226.1	1,483.0	763.1	-	3,472.2	32,243.8	10.8%
2019	2019-20	1,452.9	1,574.2	773.6	-	3,800.7	32,943.3	11.5%
2020	2020-21	1,366.6	1,674.2	867.2	-	3,908.0	30,990.1	12.6%
2021	2021-22	7,324.0	2,723.5	-	-	10,047.5	36,901.0	27.2%
2022	2022-23	13,719.4	3,140.2	-	499.0	17,358.6	41,998.2	41.3%

- Unallocated General Revenue, the Budget Stabilization Fund, and the Emergency Preparedness and Response Fund are now considered to be the state's reserves.
- At the time each of the previous nine Outlooks was adopted, total state reserves ranged from 10.8% to 27.2% of the General Revenue estimate.
- For the current year, total state reserves are $17,358.6 million or 41.3% of the General Revenue estimate for FY 2022-23. Both the Budget Stabilization Fund and Unallocated General Revenue are at historic levels.

Critical Needs Drivers...



Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes. In this Outlook, there are **15** Critical Needs drivers that grow significantly between the first and second years. A funding strategy was deployed that reduced the need for General Revenue in the early years of the Outlook.

For the programs in the education and environmental policy areas, the Outlook **maximizes the use of all available state trust funds prior to using General Revenue**. To accomplish this, adjustments are made to the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Land Acquisition Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. This shifting of funds alters the need for General Revenue from year to year, but does not affect the overall level of dollars estimated to be required for core education and environmental programs. Overall, this strategy has its most visible effect on the Critical Needs drivers. Across both education policy areas, the impact of these fund shifts can be seen in two discrete drivers (#1 and #5) that together total $572.9 million in Fiscal Year 2023-24.

Adding Other High Priority Needs...

- Because trust fund balances were used, the projected General Revenue cost of some drivers in Fiscal Year 2023-24 is significantly less than it would have been. Even without that adjustment, the Other High Priority Needs drivers would have been the largest expenditure component in each of the three years of the plan, by far.

- The **28** Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Essentially, the total projected cost for the Critical Needs and Other High Priority Needs shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook.

General Revenue Fund Dollar Value of Critical Needs and Other High Priority Needs ($Millions)	FY 2023-24	FY 2024-25	FY 2025-26
Critical Needs	412.0	800.9	767.5
Other High Priority Needs	1,535.7	1,846.7	1,848.7
Critical Needs plus Other High Priority Needs	1,947.7	2,647.5	2,616.2

General Revenue Fund Percentage of Total Critical Needs and Other High Priority Needs	FY 2023-24	FY 2024-25	FY 2025-26
Critical Needs	21.2%	30.2%	29.3%
Other High Priority Needs	78.8%	69.8%	70.7%
Critical Needs plus Other High Priority Needs	100.0%	100.0%	100.0%

GR Drivers by Policy Area...

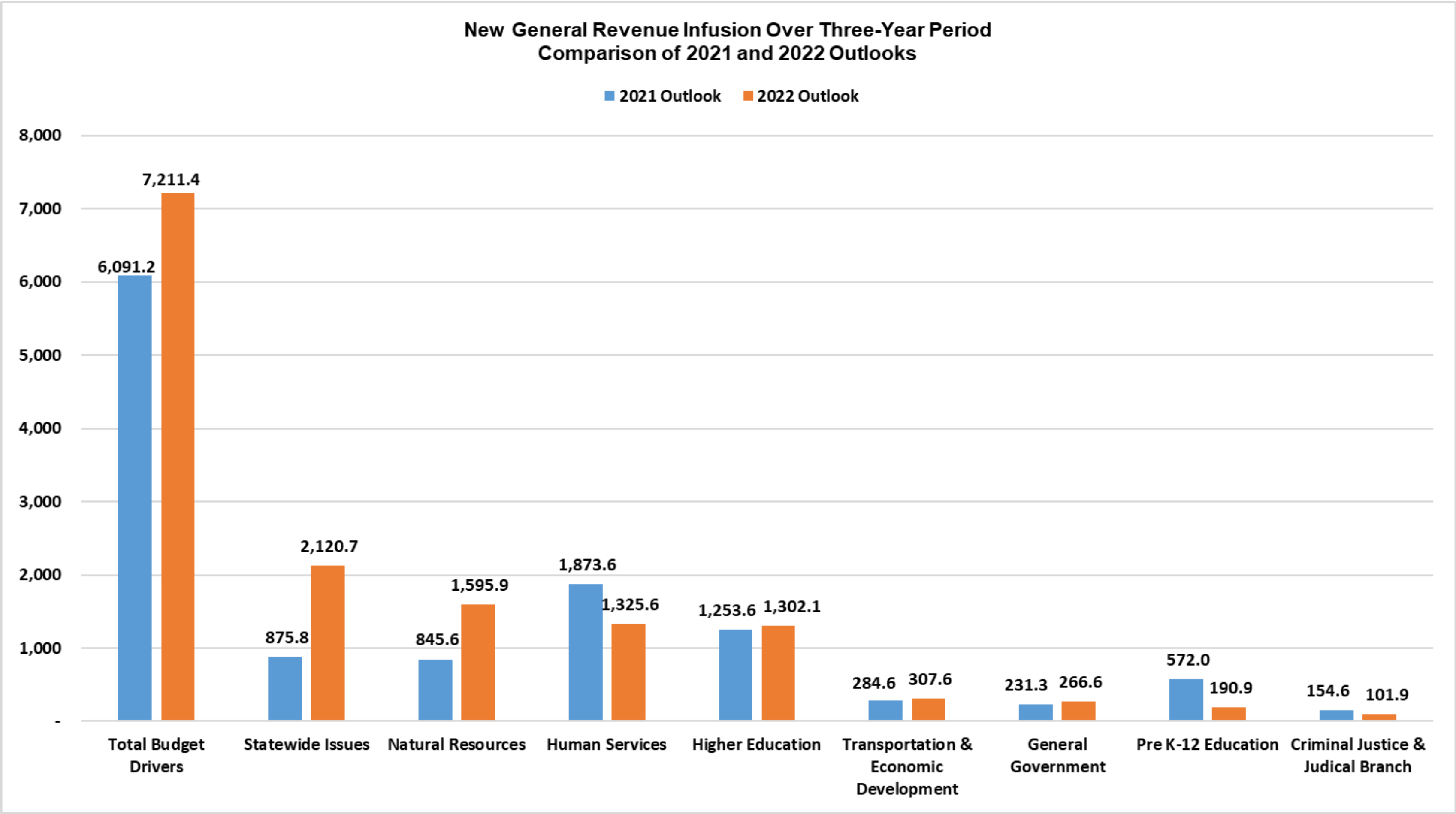
In Fiscal Year 2023-24, three policy areas (Higher Education, Human Services, and Statewide Issues) compose more than 86 percent of the total need for General Revenue.

General Revenue Fund Total Critical Needs and Other High Priority Needs by Policy Area ($Millions)	FY 2023-24	FY 2024-25	FY 2025-26
Pre K-12 Education	(298.0)	230.3	258.7
Higher Education	385.2	468.3	448.6
Human Services	526.7	384.5	414.4
Criminal Justice & Judicial Branch	34.0	34.0	34.0
Transportation & Economic Development	102.0	103.6	102.0
Natural Resources	326.2	633.1	636.6
General Government	90.5	89.2	87.0
Administered Funds - Statewide Issues	781.2	704.5	635.0
Total New Issues	**1,947.7**	**2,647.5**	**2,616.2**

By the second year of the Outlook, the Pre K-12 Education and Natural Resources needs increase as trust fund options diminish, while other areas decline or stay nearly the same. As a result, Natural Resources significantly increases its share of the total need, becoming second only to Statewide Issues. By the third year, the two policy areas are identical at 24.3 percent.

General Revenue Fund Percentage of Total Critical Needs and Other High Priority Needs by Policy Area	FY 2023-24	FY 2024-25	FY 2025-26
Pre K-12 Education	-15.3%	8.7%	9.9%
Higher Education	19.8%	17.7%	17.1%
Human Services	27.0%	14.5%	15.8%
Criminal Justice & Judicial Branch	1.7%	1.3%	1.3%
Transportation & Economic Development	5.2%	3.9%	3.9%
Natural Resources	16.7%	23.9%	24.3%
General Government	4.6%	3.4%	3.3%
Administered Funds - Statewide Issues	40.1%	26.6%	24.3%
Total New Issues	100.0%	100.0%	100.0%

Total New GR Infusion = $7.2 Billion



The total need for new infusions of General Revenue over the three years is $7.2 billion. Together, Natural Resources and Statewide Issues represent 51.5 percent of the total. This total three-year driver need is 18.4 percent higher than the $6.1 billion identified last year, but the composition is different. Two of the eight policy areas included in the plan went strongly up in need, three stayed at about the same level, and three went down in need.

Total GR Expenditures = $10.2 Billion

General Revenue Fund Recurring and Nonrecurring Budget Driver Impact ($Millions)	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26	Three-Year Total	% of Three-Year Total
New Recurring Drivers for Each Year	980.4	1,071.9	1,115.9	3,168.2	
Continuation of Year 1 Recurring Drivers		980.4	980.4	1,960.7	
Continuation of Year 2 Recurring Drivers			1,071.9	1,071.9	
Cumulative Impact of Recurring Drivers	980.4	2,052.3	3,168.2	6,200.8	60.5%
Nonrecurring Drivers for Each Year	967.4	1,575.6	1,500.3	4,043.3	39.5%
Grand Total	**1,947.7**	**3,627.9**	**4,668.5**	**10,244.1**	

Simply looking at the new infusions of General Revenue needed each year does not present a complete picture. Over the entire three-year period, 60.5 percent of the General Revenue infused each year must be recurring to match the ongoing nature of the budget investment. Those expenditures cumulate and stack on top of each other in the subsequent years. As the table shows, of the $1,947.7 million needed for drivers in Fiscal Year 2023-24, $980.4 million will be needed again in Fiscal 2024-25 (and again in Fiscal Year 2025-26) to continue those programs.

This makes the actual dollar impact of the drivers identified in the Outlook larger than the displayed drivers alone suggest. In effect, the $7.2 billion in new infusions over the Outlook period support $10.2 billion in additional costs over the period. Both effects are accounted for in the Outlook.

Revenue Adjustments...

- Revenue Adjustments to the General Revenue Fund are again included in the Outlook to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments are based on historic averages and include:

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

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

- Unlike the budget drivers which are linked to identifiable issue areas, the revenue adjustments make no assumptions regarding the nature of the change (e.g., the specific amount by tax, fee, or trust fund source).

	FY 2023-24			FY 2024-25			FY 2025-26		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Continuing Tax and Fee Changes	(24.0)	7.2	(16.8)	(24.0)	7.2	(16.8)	(24.0)	7.2	(16.8)
Recurring Impact of Prior Years' Tax and Fee Changes	-	-	-	(24.0)	-	(24.0)	(48.0)	-	(48.0)
Time-Limited Tax and Fee Changes	-	(280.0)	(280.0)	-	(280.0)	(280.0)	-	(280.0)	(280.0)
Trust Fund Transfers (GAA)	-	127.9	127.9	-	127.9	127.9	-	127.9	127.9
Total	**(24.0)**	**(144.9)**	**(168.9)**	**(48.0)**	**(144.9)**	**(192.9)**	**(72.0)**	**(144.9)**	**(216.9)**

Putting It Together for the First Year

OUTLOOK PROJECTION – FISCAL YEAR 2023-24 *(in millions)*	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**42,566.9**	**13,769.5**	**56,336.4**
Recurring Base Budget	39,022.1	0.0	39,022.1
Transfer to Budget Stabilization Fund	0.0	0.0	0.0
Critical Needs	300.3	111.7	412.0
Other High Priority Needs	680.0	855.6	1,535.7
TOTAL EXPENDITURES	**40,002.5**	**967.4**	**40,969.8**
ENDING BALANCE AFTER EXPENDITURES	**2,564.4**	**12,802.1**	**15,366.6**
Revenue Adjustments	(24.0)	(144.9)	(168.9)
Reserve	0.0	1,663.3	1,663.3
PROJECTED ENDING BALANCE	**2,540.4**	**10,993.9**	**13,534.4**

Combined, the costs of recurring and nonrecurring General Revenue Critical Needs are significantly less than the available General Revenue dollars. When Other High Priority Needs are added, the General Revenue projected surplus is $15.4 billion.

After accounting for the revenue adjustments and a $1.66 billion Reserve, the projected General Revenue surplus is $13.5 billion, but 81.2 percent of this is nonrecurring dollars.

Outlook for FY 2023-24 Compared to Last Year

Fiscal Year 2023-24	As Presented in 2021 Outlook	As Presented in 2022 Outlook	Difference	Effect on Bottom Line
Funds Available				
Balance Forward from 2022-23	8,490.9	13,687.5	5,196.6	Positive
Available General Revenue	40,027.6	42,648.9	2,621.3	Positive
Trust Fund Transfers	152.1	127.9	(24.2)	Negative
Tax and Fee Changes	(130.3)	(296.8)	(166.5)	Negative
Total Funds Available	48,540.3	56,167.5	7,627.2	Positive
			15.7%	
Projected Expenditures				
Base Budget for 2023-24	36,841.6	39,022.1	2,180.5	Negative
Total New Budget Drivers for 2023-24	1,900.0	1,947.7	47.7	Negative
Total Projected Expenditures	38,741.6	40,969.8	2,228.2	Negative
			5.8%	
Additional Adjustments for Reserves				
BSF Transfer	-	-	-	
Reserve	1,561.1	1,663.3	102.20	Negative
Bottom Line	**8,237.6**	**13,534.4**	**5,296.8**	

The effects of the stimulus-infused economy, the benefit from the greater spending on taxable goods and the first-round impact of inflation in Fiscal Year 2022-23 provided a significantly higher balance forward for Fiscal Year 2023-24 than anticipated by the 2021 Outlook. Primarily because of this, the total funds available were 15.7 percent higher than expected—a positive effect on the bottom line.

The most significant negative effect is the unanticipated increase in base budget expenditures. With the new budget drivers for Fiscal 2023-24 nearly the same, the larger base budget brought into the year helped produce an overall 5.8 percent increase in projected expenditures. Overall, the bottom line is 64.3 percent higher than last year's projection.

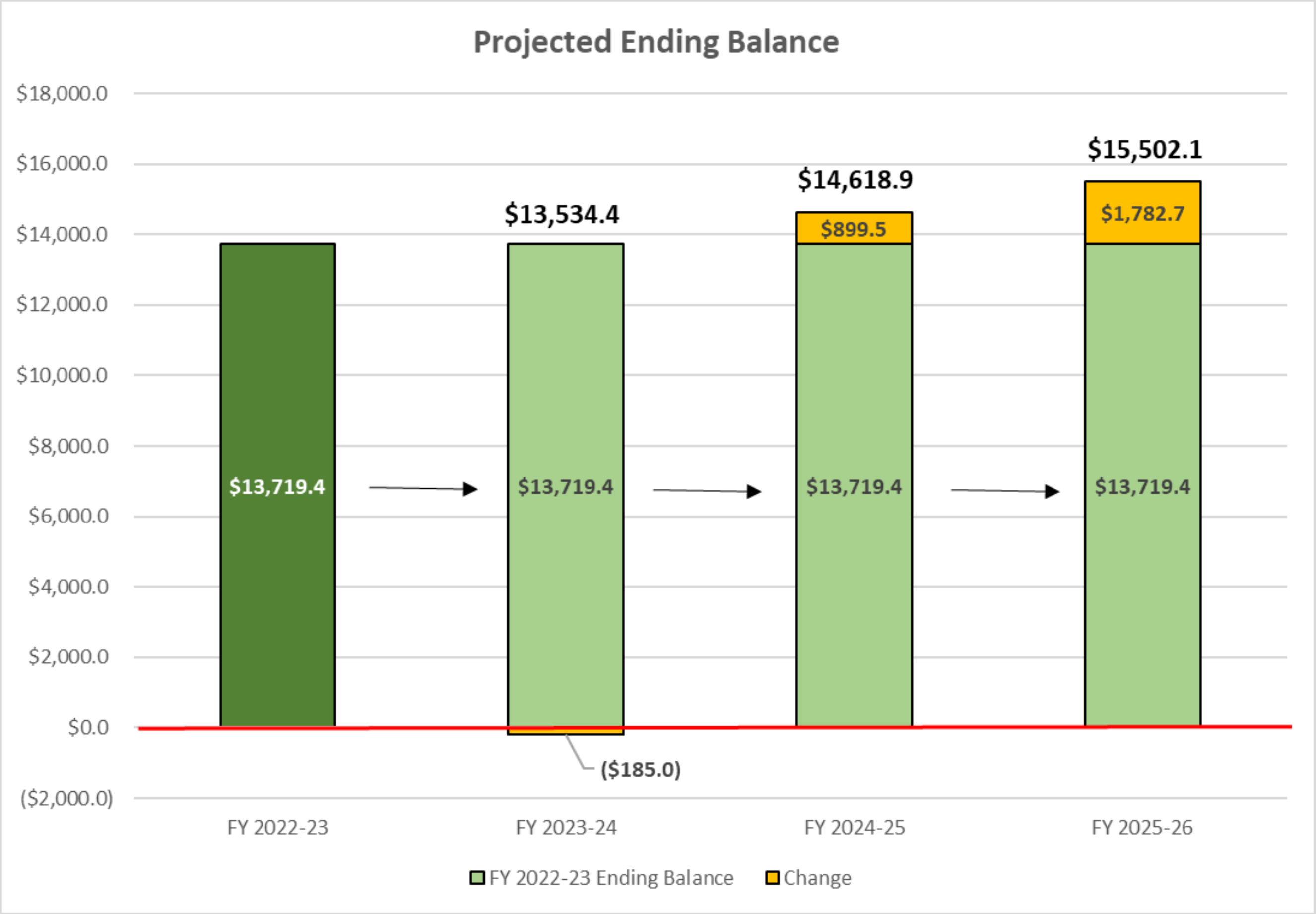
The Bottom Line...

OUTLOOK PROJECTION *(in millions)*			
	2023-24	**2024-25**	**2025-26**
AVAILABLE GENERAL REVENUE	**56,336.4**	**59,177.0**	**61,157.7**
Recurring Base Budget	39,022.1	40,002.5	41,074.4
Transfer to Budget Stabilization Fund	0.0	0.0	0.0
Critical Needs	412.0	800.9	767.5
Other High Priority Needs	1,535.7	1,846.7	1,848.7
TOTAL EXPENDITURES	**40,969.8**	**42,650.1**	**43,690.6**
ENDING BALANCE AFTER EXPENDITURES	**15,366.6**	**16,526.9**	**17,467.1**
Revenue Adjustments	(168.9)	(192.9)	(216.9)
Reserve	1,663.3	1,715.2	1,748.1
PROJECTED ENDING BALANCE	**13,534.4**	**14,618.9**	**15,502.1**

Overall, the forecasted General Revenue growth (recurring and nonrecurring) is sufficient to support anticipated spending and a minimum reserve for each year of the Outlook—the projected budget is in balance as constitutionally required and is growing more slowly than available revenues.

Within the Outlook, the projected ending balance for Fiscal Year 2023-24 is just over $13.5 billion. These funds would be available to carry forward into the next fiscal year. In the alternative, the Legislature could choose to use some or all of the balance to bolster the state’s reserves; increase discretionary spending; or provide additional tax reductions. However, the increasingly positive budget outlook each year is reliant on the projected balance forward levels being available and the minimum reserve not being used. This creates a natural limit to how much spending could occur while still remaining positive in the two subsequent years.

FY 2022-23 Balance Exists Throughout...



The state's current balance on the General Revenue Financial Outlook Statement for June 2023 is $13.7 billion, and the plan essentially retains it throughout the three years. If the entire available balance of $13.5 billion is spent in the first year (with the recurring on recurring programs and the nonrecurring on one-time investments), the second and third years of the forecast would both show significant negative ending balances of $1.46 billion and $1.66 billion, respectively.

Caution on Recurring Spending...

General Revenue Fund ($Millions)	Year 1 FY 2023-24	Year 2 FY 2024-25	Year 3 FY 2025-26
Recurring Funds Available	42,567	44,092	44,645
Recurring Revenue Adjustments	(24)	(48)	(72)
Total Adjusted Revenues	42,543	44,044	44,573
Recurring Base Budget	39,022	42,543	43,615
Recurring Drivers	980	1,072	1,116
If Year 1 Recurring Available Balance Spent on Additional Recurring Investments	2,540	---	---
Total Adjusted Expenditures	42,543	43,615	44,731
Ending Balance	0	430	(157)

Totals may not add due to rounding.

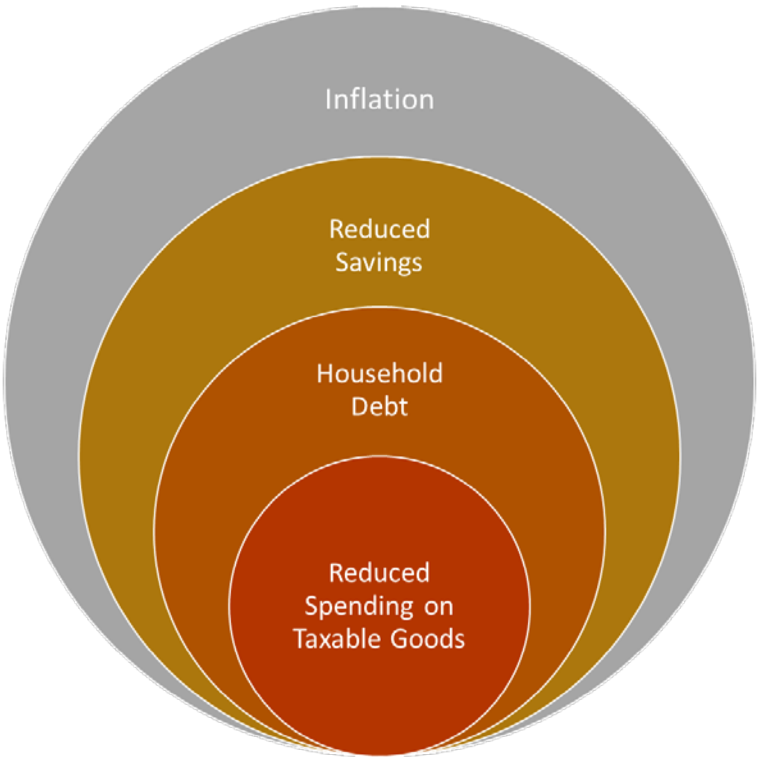
In addition, Florida's constitution caps the amount of nonrecurring funds that can be appropriated for recurring purposes. Pursuant to article III, section 19(a)(2) of the Florida Constitution, "Unless approved by a three-fifths vote of the membership of each house, appropriations made for recurring purposes from nonrecurring general revenue funds for any fiscal year shall not exceed three percent of the total general revenue funds estimated to be available at the time such appropriation is made."

Black Swans...

"Black Swans" are typically low probability, high impact events, but the term also refers to ideas that are perceived impossibilities that may later be disproven. The events below are relative to the current estimating conference forecasts.

- The realization of co-occurring risks that could be handled individually, but not in combination. This would be a stress not just on reserves, but also on human capital and technical resources.

- Mixed economic signals leading to a serious Federal Reserve miscue that causes unabated inflation and a deep recession.



The current adopted forecast has a controlled and relatively soft landing—but that assumes that the cause of inflation is a temporary mismatch between supply and demand. This assumption comes with significant risk: "...the trend in inflation is still high, inflation is broad-based, uncertainty is considerable, and policymakers will continue to raise interest rates until there is a string of reports pointing to a substantial moderation of inflation." IHS Markit / US Economic Outlook, August 2022.

EDR's alternative forecaster also emphasizes the risk: "The soft landing that the Federal Reserve is attempting to engineer combining fewer job openings and little destruction to existing jobs is a difficult balancing act, and the risk of a policy mistake is rising." Moody's Analytics / Economic View, August 23, 2022.

Further, not all analysts agree on the root causes of inflation, and the ramifications differ: "By analyzing the money supply during the global financial crisis, which started in 2008, and our current inflation, we can see why the U.S. economy and inflation behaved differently in those two periods. It's all about money, not fiscal policy, supply chains or energy prices...M2 has risen by $6.3 trillion since the start of 2020, of which $4.8 trillion has come directly from the Fed and a net $1.5 trillion has come from the banks. M2 has increased an incredible 41% in only 2½ years—an average annual growth rate of 16.3%." John Greenwood and Steve H. Hanke, WSJ Opinion, July 7, 2022.